



## THE LIBRARIAN OF CONGRESS

The President of the United States Senate  
The Speaker of the U.S. House of Representatives

Mr. President and Madam Speaker:

It is my pleasure to submit to you the Library's fiscal year 2006 financial statements and accompanying opinion of the independent auditors, Kearney and Company, P.C. For the eleventh consecutive year, the independent auditors have issued an unqualified "clean" opinion of the Library's consolidated financial statements.

In fiscal year 2006, the Library of Congress continued to perform at record levels of service to the Congress and the public while maintaining responsible fiscal stewardship and continuing to find new efficiencies.

During the year, the Library's Congressional Research Service provided authoritative, confidential, and objective responses to more than 930,000 service requests from members of Congress. These included a range of critical research and analysis areas such as Iraq and Afghanistan, weapons of mass destruction and nuclear nonproliferation, homeland security and counterterrorism, immigration, and the federal response to natural disasters.

The Library also registered approximately 520,000 copyright claims, circulated nearly 25 million books and magazines free of charge to the blind and physically handicapped, and cataloged more than 346,000 books and serials -- the highest number in the Library's history. The Library increased its digital holdings to include more than 11 million primary digitized documents of American history and culture, all of which are free and available to the public. The Library's main Web site recorded almost 4.6 billion hits during the fiscal year and more than 5 billion during calendar year 2006. The Law Library of Congress recorded 2.8 million transactions in the Guide to Law Online database, and the Global Legal Information Network recorded 6 million transactions and added nine new language interfaces. Important digital milestones included the addition of the one-millionth digitized image to the Prints and Photographs Division's online catalog, and the 10,000th map in the Geography and Map Division's online offerings.

The Library of Congress also made notable new acquisitions during fiscal year 2006, including the microfilm collection Foreign Office Files, United States, Series Two: Vietnam 1959-1975; the rare Japanese atlas, *Nihun bunkei zu* (Kyoto, 1666); and All-Star Comics, no. 8, December 1941/January 1942, in which Wonder Woman makes her first appearance in print.

The net cost of the Library's six major programs totaled \$653 million, including \$72.9 million in costs incurred by four other agencies (i.e., Architect of the Capitol,

Government Printing Office, the Office of Personnel Management and the Department of the Treasury) in support of the Library's programs. The net cost also included \$101.9 million in earned revenue from copyright registration fees, cataloging distribution sales, and other fee-based and reimbursable programs.

The Library continued to improve its financial and management systems, emphasizing the security of staff and of collections that comprise more than 134 million items. We are taking steps to continue improving our computer and collections controls as documented in the accountability reports.

I am proud of the Library's stewardship of its financial affairs and would be happy to answer any questions about this report.

Sincerely,

A handwritten signature in cursive script that reads "James H. Billington". The signature is written in dark ink and is positioned above the printed name.

James H. Billington  
The Librarian of Congress

**THE LIBRARY OF CONGRESS**  
**FINANCIAL STATEMENTS FOR FISCAL YEAR 2006**

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**THE LIBRARY OF CONGRESS  
CONSOLIDATED FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2006**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**INTRODUCTION**

The Management's Discussion and Analysis (MDA) is designed to provide a high level overview of the Library: who we are, what we do, and how we accomplished our mission during fiscal year 2006.

**THE LIBRARY OF CONGRESS AND  
ITS MISSION**

The Library of Congress, an agency in the legislative branch of the government, is the world's largest and most comprehensive library, maintaining a collection of more than 134 million items – many of them unique and irreplaceable – in more than 470 languages. It directly serves not only the Congress, but also the entire nation with the most important commodity of our time: information.

The Library's mission is to make its resources available and useful to the Congress and the American people and to sustain and preserve a universal collection of knowledge and creativity for future generations.

**STRATEGIC PLAN AND PRIORITIES**

The Library has six diverse programs, staffed by more than 4,000 people. They serve the Congress with nonpartisan analysis of legislative issues and preserve a universal record of intellectual creativity. All libraries – and especially the Library of Congress – must deal with the greatest upheaval in the transmission of information and knowledge since the invention of the printing press – the electronic onslaught of digitized multimedia communications. The Library is responding to this challenge, with the program-focused goals and outcomes contained in its 2004 –2008 strategic plan. The overall objective is to superimpose a new digital networked environment on top of its traditional artifactual collections while continuing to acquire, secure, preserve,

and make its invaluable collections accessible to Congress and the nation. The key objectives within the plan's 18 goals are: serving the Congress, sustaining and preserving our collections, getting the National Audiovisual Conservation Center completed and operational, implementing the Copyright Office's reengineered processes, converting to digital talking book technology for blind and physically handicapped persons, strengthening the digital competencies of our knowledge navigator – curators, and moving to a networked digital environment.

The Library's four priorities are:

1. To make information, knowledge and creativity available to and useful for the United States Congress;
2. To acquire, organize, preserve, secure, and sustain a comprehensive record of American history and creativity and a universal collection of human knowledge;
3. To make its collections maximally accessible to the Congress, the U. S. Government, and the public; and
4. To add interpretive and educational value to the Library's collections and enhance and highlight the Library's contributions to the nation's creative work, scholarly activity, and future progress.

**BRIEF HISTORY**

The Library of Congress is a living monument to the remarkable wisdom of the Founding Fathers who saw access to an ever-expanding body of knowledge as essential to a dynamic democracy. The Library's three buildings are named for Thomas Jefferson, John Adams, and James Madison. With the support of these Presidents, the Congress, as soon as it moved to the new capital city of Washington in 1800, established the

Library based on an initial collection of law and reference books, and established the Joint Committee on the Library as the first Joint Committee of the Congress in 1802.

Jefferson, in particular, took a keen interest in the new institution. After the British burned the Capitol and the Library during the War of 1812, Congress accepted Jefferson's offer to "recommence" the Library and purchase his multi-lingual 6,487-volume collection (then the finest in America) at a price of \$23,950. It contained volumes in many languages on a wide variety of subjects, from architecture to geography and the sciences. Anticipating the argument that his collection might seem too wide-ranging for Congress, Jefferson said that there was "no subject to which a Member of Congress might not have occasion to refer."

Jefferson's ideals of a "universal" collection and of sharing knowledge as widely as possible still guide the Library. With Congressional blessing and support, the Library has grown to serve the Congress and the nation more broadly in ways that no other library has ever done, largely as a result of four milestone laws: (1) the copyright law of 1870, which centralized the nation's copyright functions in the Library and stipulated that two copies of every book, pamphlet, map, print, photograph, and piece of music registered for copyright in the United States be deposited in the Library; (2) the 1886 authorization of the first separate Library of Congress building that contained openly accessible reading rooms and exhibition space for the general public; (3) the 1902 law that authorized the Library to sell its cataloging records inexpensively to the nation's libraries and thus massively help to subsidize the entire American library system; and (4) the 1931 law that established the program in the Library to create and supply free library materials to blind and physically handicapped readers throughout the country. The Congress thus established the basis both for the continued growth of the collections and for the extension of the Library's services to citizens everywhere.

In 1832, the Congress established the Law Library as the first separate department of the Library of Congress, reflecting the Library's origins as a collection of law books to support the legislative work of the Congress. The Law Library remains the only source for the Congress to research and reference services in foreign, comparative, and international law.

In 1914, Congress created the Legislative Reference Service (LRS) as a separate entity within the Library to provide specialized services to "Congress and committees

and Members thereof." In 1946, the Congress granted LRS further statutory status within the Library and directed it to employ specialists to cover broad subject areas. Congress renamed LRS as the Congressional Research Service (CRS) in 1970 and enhanced its analytical capabilities by defining its policy role for the Congress and emphasizing research support to its committees.

More recently, a series of Congressional statutes have created within the Library of Congress the American Folklife Center (1976), the American Television and Radio Archives (1976), the national Center for the Book (1977), the National Film Preservation Board (1988), the National Film Preservation Foundation (1996), the Cooperative Acquisitions Program Revolving Fund (1997), the Sound Recording Preservation Board and Foundation (2000) and the authorization of three revolving funds for fee services (2000) -- further extending the Library of Congress' national role.

In December 2000, Congress tasked the Library (P.L. 106-554) to develop a plan and lead an effort to make sure that important digital materials can be preserved for our national information reserve. The new digital technology offers great promise, but it also creates an unprecedented surfeit of data in an unstable and ephemeral environment. The Library's National Digital Information Infrastructure and Preservation Program (NDIIPP) plan was approved by the Congress in December 2002 and envisions the establishment of a national network of committed partners, collaborating in a digital preservation architecture with defined roles and responsibilities. Over the next four years, the Library plans to seed practical projects and to sponsor research-advancing development of a national preservation infrastructure.

To begin building that infrastructure, the Library is developing (a) a preservation network of partners to preserve and provide long-term access to digital content and (b) the architecture components that will permit digital preservation. By establishing NDIIPP, Congress chose to capitalize on the Library's long history and unique position in analog selection and preservation to become a steward of the digital preservation infrastructure. As a trusted convener, the Library will continue to bring together all the stakeholders in this new digital landscape -- creators, distributors, and users -- to build a digital preservation infrastructure that fosters creativity, protects the rights of individuals, and balances the claims of creators for protection and of users to access information and the legacy of innovation.

## THE LIBRARY OF CONGRESS TODAY

The core of the Library is its incomparable collections and the specialists who interpret and share them. The Library's more than 134 million items include almost all languages and media through which knowledge and creativity are preserved and communicated.

The Library has more than 30 million books and other print items, including more than five thousand printed before the year 1500; 14 million photographs and other visual materials; 5.2 million maps; 2.7 million audio materials; one million moving images (e.g., motion pictures); 5.4 million pieces of music; 59 million manuscripts, including those of 23 Presidents of the United States; and hundreds of thousands of scientific and government documents.

New treasures are added each year. Notable acquisitions during fiscal year 2006 include: the microfilm collection Foreign Office Files, United States, Series Two: Vietnam 1959-1975; the rare Japanese atlas, *Nihun bunkei* (Kyoto, 1666); All-Star Comics, no. 8, December 1941/January 1942, in which Wonder Woman makes her first appearance in print; a unique DVD oral history collection of Iranian opposition groups; the Dayton Accord Collection of some 95 maps produced by the National Imagery and Mapping Agency to support the December 1995 Dayton Peace Accord negotiations, which ended 43 months of war in Bosnia and Herzegovina; Dissent in Poland: Publications and Manuscripts of the KARTA Center Archives in Warsaw, 115 microfilm reels of primary sources on the history of the Soviet occupation of Poland and the rise of Solidarity; Huddie "Lead Belly" Ledbetter's 1941 recording of his original song "Todd Blues," which had not been previously documented; the David G. Hummel American Musical Theatre Collection, more than 10,000 recordings of American musicals from 1950-2000; Leonard Bernstein's holograph sketches for *Wonderful Town*; and personal and professional papers of novelist Ralph Ellison, statesman Zbigniew Brzezinski, journalist Mary McGrory, and Nobel Prize winning physicist Jack S. Kilby, inventor of the microchip.

The collections continue to grow. More than 10 thousand items are added to the Library's collections every day. These materials are organized, cataloged, and served to readers in on-site reading rooms and through cultural programs and exhibitions. A steadily increasing number of materials are made available free of charge on the Internet.

Major annual services include delivering more than 930 thousand replies to members of Congress, covering nearly 150 current policy areas and providing access to 1,500 regularly updated research products, registering about 521 thousand copyright claims, and circulating nearly 25 million books and magazines free of charge to the blind and physically handicapped. The Library provided assistance to local libraries all over the nation by cataloging over 346 thousand books and serials — the highest number in the Library's history.

The Library is one of the leading providers of noncommercial high-quality content on the Internet at [www.loc.gov](http://www.loc.gov). It offers free access to more than 11 million items of American history from its collections and those of its partners in the American Memory Web site. Access to the world's largest catalog of library materials is also offered online. Through its Global Gateway Web initiative, the Library has partnered with major libraries in bilingual presentations that document the intersection of American history with that of six other nations.

With its National Digital Information Infrastructure and Preservation Program ([www.digitalpreservation.gov](http://www.digitalpreservation.gov)), the Library is forming a national network of institutions dedicated to preserving America's heritage in digital form. More than 67 partners have joined this network, and the network will grow to more than 100 in 2007. The digital materials being preserved include political Web sites, public television programs, social science data sets, geospatial information, news programs and other materials important to the history of the nation. As part of the project to preserve important Web sites, the Library collected 21 terabytes of digital content in fiscal year 2006, for a total of 56 terabytes to date. This total represents more than 1 billion documents downloaded from the Web to date. This is the equivalent of digital text information from more than 55 million books (1 megabyte per book of text only).

Other major digital offerings of the Library include THOMAS, a database of congressional information; America's Library, a Web site for kids and families; virtual presentations of the Library's exhibitions; and the *Wise Guide*, a monthly Web magazine. In fiscal year 2006, the Library's Web sites handled a total of more than 4 billion hits.

The Librarian of Congress, appointed by the President with the advice and consent of the Senate, directs the Library. The Deputy Librarian of Congress is the Chief Operating Officer who manages the day-to-day

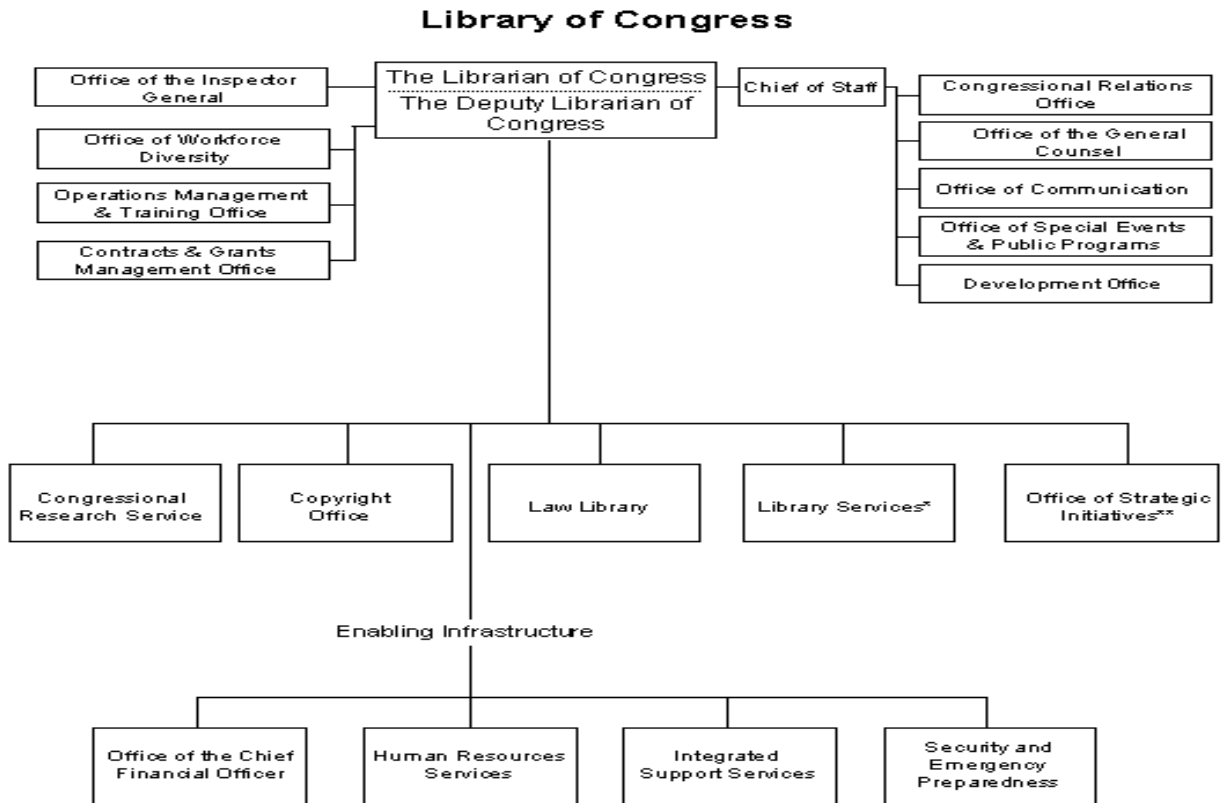
operations through five service units and an enabling infrastructure (see organizational chart).

- Revolving and Reimbursable Funds

The Library's programs and activities are funded by four salaries and expenses (S&E) appropriations, which support management of the Library, the National and Law Library Services, Copyright administration, Congressional Research Service, and Library Services to the Blind and Physically Handicapped.

The Library has six programs:

- National Library
- Law Library
- Copyright Office
- Congressional Research Service
- National Library Service for the Blind and Physically Handicapped



\*Includes National Library Service for the Blind and Physically Handicapped; Program Costs reported under National Library Program.

\*\*Includes Information Technology Services; Program costs reported under National Library Program and infrastructure costs are allocated.



## OVERVIEW OF FINANCIAL STATEMENTS

For fiscal years 2006 and 2005, the Library has prepared Consolidated Balance Sheets, Consolidated Statements of Net Costs, Consolidated Statements of Changes in Net Position, Combined Statements of Budgetary Resources and Consolidated Statements of Financing (see Section 2).

### Consolidated Balance Sheets

The purpose of the consolidated balance sheet is to provide financial statement users with information about

the Library's assets, liabilities, and net position as of September 30, 2006 and 2005. In accordance with generally accepted accounting principles for federal government entities, the value of the Library's collections (our largest asset) is not calculated and reported with a monetary value. Instead, the Library prepares a Stewardship Report (see Section 3), which describes the collections and provides relevant information about their use, preservation, security, etc. The Library's Net Position consists of: (1) the portion of the Library's appropriations that are unexpended; and (2) the cumulative balances of gift, trust, revolving and reimbursable funds.

Assets (in millions)			Liabilities and Net Position (in millions)		
	2006	2005		2006	2005
Entity Assets	\$ 578.3	\$ 556.2	Liabilities Covered by Budgetary Resources	\$ 1,225.5	\$ 1,136.6
Non-Entity Assets	1,122.5	1,048.5	Liabilities Not Covered by Budgetary Resources	32.1	32.0
			Total Liabilities	1,257.6	1,168.6
			Net Position	443.2	436.1
<b>Total Assets</b>	<b>\$ 1,700.8</b>	<b>\$ 1,604.7</b>	<b>Total Liabilities and Net Position</b>	<b>\$ 1,700.8</b>	<b>\$ 1,604.7</b>

The Library's assets total \$1.7 billion for fiscal year 2006 and \$1.6 billion in fiscal year 2005. Entity assets increased by \$22.1 million during fiscal year 2006. Significant increases include \$18.4 million in the Library's fund balance with the U.S. Treasury and \$5.7 million of unrealized gains in the Library's non-Treasury investment. Non-entity assets (i.e., funds held and invested for future distribution to copyright owners) comprise 66 percent and 65 percent of all assets and total \$1,122.5 million and \$1,048.5 million for fiscal years 2006 and 2005, respectively. Non-entity (custodial) assets increased by \$74.0 million during fiscal year 2006 because current year royalty receipts were more than multiple prior-year royalty distributions to Copyright owners. The Library is authorized to invest the royalty funds in U.S. Treasury securities until the funds are distributed.

The Library's liabilities total \$1,257.6 million and \$1,168.6 million for fiscal years 2006 and 2005, respectively, with custodial and deposit account activities (i.e., funds held for future distribution to copyright owners) as the major item. The custodial liability increased following the increase in non-entity assets during fiscal year 2006. Other large liabilities include funds advanced from other governmental agencies for the FEDLINK program and accounts payable for various operating expenses.

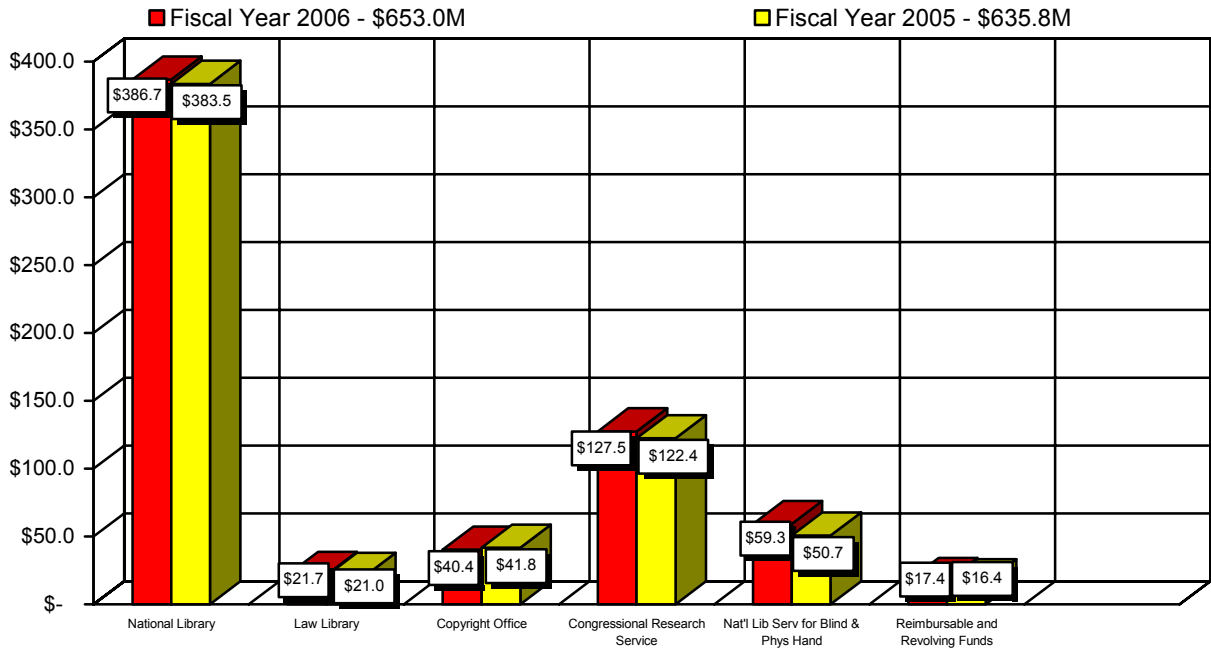
The accompanying Balance Sheets do not include the acquisition and improvement costs of the Library's buildings and grounds. By law, these buildings and grounds are under the structural and mechanical care of the Architect of the Capitol.

**Consolidated Statements of Net Costs**

The purpose of the Consolidated Statements of Net Costs is to provide financial statement users with information about the costs and earned revenues for the Library’s six programs for the fiscal years ended September 30, 2006 and 2005. In other words, the statements present the net costs of our programs – \$653.0 million and \$635.8 million for the fiscal years 2006 and 2005, respectively.

Net costs include allocated management support costs (e.g., human resources, financial services, facility services). In general, the Library’s net costs increase each fiscal year because of annual employee cost-of-living payroll adjustments. The net costs for each of the Library’s six programs are:

**The Library of Congress  
Consolidated Statement of Net Costs**



**National Library** - With net program costs of \$386.7 million and \$383.5 million for fiscal years 2006 and 2005, respectively, National Library is the Library’s largest program and is responsible for the traditional library activities of acquisitions, cataloging, research and reference, and preservation.

National Library provides the following major services:

**Acquisitions** – Each year the Library acquires more than two million new items in all formats for addition to its priceless collections, which are the largest and most wide-ranging of any library in the world. The collections, and the information they contain, are the foundation for

the many services the Library provides to the Congress and the nation.

**Cataloging** – The Library produces bibliographic records, standards, and related products for the Library as well as for libraries and bibliographic utilities in all fifty states and territories and many other countries.

**Research and Reference** – The Library makes available to scholars and other researchers vast information resources, many of which are unique, covering almost all formats, subjects, and languages. The Library responds to nearly 700,000 information requests a year from across

the nation, including more than 310,000 in person in the 20 reading rooms open to the public in Washington. In addition, the Library responds to more than 60,000 free interlibrary loan requests from across the nation and nearly 30,000 requests for book loans from the Congress each year.

**On-line Access Services** -- The Library provides free on-line access via the Internet to its automated information files, which contain more than 75 million records -- to Congressional offices, Federal agencies, libraries, schools, and the public. Internet-based systems include three World Wide Web (www) services (e.g., THOMAS, [www.loc.gov](http://www.loc.gov)), the Library of Congress On-line Public Access Catalog (<http://catalog.loc.gov>), and various file transfer options. These Internet-based systems now record more than 320 million transactions a month.

**American Creativity** – The Library manages the nation’s largest, most varied, and most important archival collection of American creativity including motion pictures, sound recordings, maps, prints, photographs, manuscripts, music, and folklore covering a wide range of ethnic and geographic communities. The Library provides reference assistance to researchers and the general public, conducts field research, and promotes the preservation of American culture throughout the United States.

**Preservation** – The Library manages a continuing program to preserve and extend the life of all the diverse materials and formats in the Library's collections. The program provides a full range of prospective and retrospective preservation treatment for hundreds of thousands of items a year; conducts research into new technologies; emphasizes prevention techniques including proper environmental storage and training for emergency situations; conserves and preserves materials; and reformats materials to more stable media. The Library plays a key role in developing national and international standards that support the work of federal, state, and local agencies in preserving the nation's cultural heritage.

**Reading Promotion and Outreach** – The Library promotes books, reading, and literacy through the Library's Center for the Book, its affiliated centers in 50 states and the District of Columbia, and more than 80 national organizational partners. The Library encourages knowledge and use of its collections through other outreach programs (cable TV, lectures, publications, conferences and symposia, exhibitions, poetry readings -- all primarily supported by private funding) and through use of the Library's home page on the World Wide Web. The Library also gives some 80,000 surplus books annually to qualified libraries and nonprofit educational institutions through its nationwide donation program. Finally, the sixth National Book Festival was held on September 30, 2006 on the National Mall and had more than 100 thousand attendees.

**Digital Initiatives** -- The Library oversees and coordinates cross-institutional digital initiatives, including the NDIIPP, thereby ensuring access over time to a rich body of digital content through the establishment of a national network of committed partners, collaborating in a digital preservation architecture with defined roles and responsibilities.

**Law Library** - The Law Library of Congress, with net program costs of \$21.7 and \$21.0 million for fiscal years 2006 and 2005, respectively, provides direct research service to the Congress in foreign, international, and comparative law. In addition to Members, Committees of the Congress and the Congressional Research Service, the Law Library provides officers of the legislative branch, Justices of the Supreme Court and other judges, members of the Departments of Homeland Security, State and Justice, and other federal agencies with bibliographic and informational services, background papers, comparative legal studies, legal interpretations, and translations. As its congressional priorities permit, the Law Library makes its collections and services available to a diverse community of users, including members of the bench and bar, educational institutions, nongovernmental libraries, legal service organizations, the foreign diplomatic corps, international organizations, and the general public.

**Copyright Office** - The Copyright Office (COP), with net program costs of \$40.4 and \$41.8 million for fiscal years 2006 and 2005, respectively, administers the U.S. copyright laws, provides copyright policy analysis to the Congress and executive branch agencies, actively

promotes international protection for intellectual property created by U.S. citizens, and provides public information and education on copyright. In fiscal year 2006, the COP registered almost 521,000 claims to copyright, transferred more than one million works to the Library, recorded 13,016 documents containing more than 350,000 titles, logged more than 31 million external electronic transactions to its Web site, and responded to nearly 339,000 in-person, telephone and e-mail requests for information. The COP supports the Copyright Royalty Board (CRB), which is composed of three Copyright Royalty Judges and their staff, for the purpose of (a) distributing hundreds of millions of dollars in royalties that are collected under various compulsory license provisions of the copyright law, and (b) adjusting the royalty rates of these license provisions. The CRB, created as a result of the Copyright Royalty Distribution and Reform Act of 2004, began transitioning during fiscal year 2005 from its predecessor, the Copyright Arbitration Royalty Panels, which were completely phased out in fiscal year 2006. Registration fees and authorized reductions from royalty receipts fund almost half of the CO. Copies of works received through the copyright system form the core of the Library's immense Americana collections, which provide the primary record of American creativity.

**Congressional Research Service** - The Congressional Research Service (CRS), with net program costs of \$127.5 and \$122.4 million for fiscal years 2006 and 2005, respectively, provides non-partisan analytical research and information services to all Members and committees of the Congress. CRS assists all Members and committees of Congress with its deliberations and legislative decisions by providing objective, authoritative, non-partisan, and confidential research and analysis. As a shared resource, serving Congress exclusively, CRS experts work alongside the Congress at all stages of the legislative process and provide integrated and interdisciplinary analysis and insights in all areas of legislative interest. CRS support takes the form of reports, tailored confidential memoranda, individual consultations and briefings. In 2006, CRS delivered more than 933,000 research responses and services.

**National Library Service for the Blind and Physically Handicapped (NLS/BPH)** - The NLS/BPH, which is part of Library Services, manages a free national reading program for nearly 800,000 blind and physically handicapped people -- circulating more than 24 million items a year at no cost to users. This program consists of three segments:

1. The Library of Congress selects and produces full-length books and magazines in braille and on recorded disc and cassette and contracts for the production of talking book machines. The NLS/BPH's fiscal years 2006 and 2005 net program costs for this segment were \$59.3 and \$50.7 million, respectively.
2. A cooperating network of 131 regional and subregional (local) libraries distribute the machines and library materials provided by the Library of Congress.
3. The U.S. Postal Service receives an appropriation to support postage-free mail for magazines, books, and machines, which are sent directly to readers. Reading materials (books and magazines) and playback machines are sent to a total readership of nearly 800,000 comprised of more than 567,000 audio and braille readers registered individually, in addition to over 226,000 eligible individuals located in more than 32,000 institutions.

**Revolving and Reimbursable Funds** - Under the authority of 2 U.S.C. 182, the Library operates the Cooperative Acquisitions Program revolving fund, the revolving fund for duplication services associated with the audiovisual conservation center, the revolving fund for gift shop, decimal classification, photo duplication, and related services and the revolving fund for the Federal Library and Information Network (FEDLINK) program and Federal Research program. 2 U.S.C. 182 was amended in fiscal year 2003 to authorize the Library's special events and programs activities under the revolving fund statute. Through these activities, the Library is able to further its programs dealing with the acquisition of library materials, reader and reference services, and support for public programs. The Library also provides reimbursable accounting services for five legislative agencies under cross-servicing agreements (i.e., the Congressional Budget Office, the Office of Compliance, the Capitol Preservation Commission, Abraham Lincoln Bicentennial Commission, and the Open World Leadership Center).

After reflecting earned revenues of \$68.1 and \$77.3 million in fiscal years 2006 and 2005, respectively, reimbursable and revolving fund net program costs totaled \$17.4 and \$16.4 million, respectively. The net program costs were the result of the elimination of \$7.9 and \$8.7 million of intra-Library net revenues, \$7.3 and \$6.6 million in allocated administrative overhead, and \$1.8 million and \$1.9 million in imputed inter-

governmental costs (e.g., employee benefits) not recovered by fees charged by the revolving funds for fiscal years 2006 and 2005, respectively.

General descriptions of major revolving fund activities are:

**Cooperative Acquisitions Program** - The Cooperative Acquisitions Program, which is operated by the Library's six overseas field offices, acquires foreign publications and research materials on behalf of participating institutions on a cost-recovery basis. Earned revenues were \$2.9 million for 2006 and \$2.6 million for 2005.

**Duplication Services** – Duplication Services provides preservation services for the Library's audio and visual collections, and products are also produced for sale to the general public. Earned revenues for fiscal years 2006 and 2005 were \$0.4 million and \$0.5 million, respectively, of which \$0.2 million and \$0.3 million were for intra-Library transactions, which were eliminated for both years in the consolidated statements.

**Gift Shop, Decimal Classification, Photo Duplication, Special Events and Programs and related services** – This revolving fund provides for the operation of a gift shop or other sales of items associated with collections, exhibits, performances, and special events of the Library of Congress; decimal classification development services; the preservation and microfilming services for the Library's collections and reproduction services to other libraries, research institutions, government agencies, and individuals in the United States and abroad; and the hosting of special events and programs by corporate and non-profit entities that support the Library's mission. Earned revenues were \$7.7 million and \$7.2 million in fiscal years 2006 and 2005,

respectively, and intra-Library transactions of \$2.7 million and \$1.4 million were eliminated during consolidation.

**The FEDLINK program and Federal Research program (FRP)** – FEDLINK serves federal libraries and information centers as their purchasing, training and resource-sharing consortium. As the FLICC business subsidiary, the program provides cost effective access to an array of automated information and retrieval, print serials, books, electronic publications and preservation services. FEDLINK contracts with more than 130 major vendors to provide services to approximately 1,200 Federal offices participating in the program saving the offices an estimated \$15 million in cost avoidance benefits and more than \$22 million in vendor volume discounts. The Federal Research Program provides customized research services that the Library is uniquely able to perform as a result of its collections and the subject and language expertise of its staff. A popular FRP product, available on-line via the Library's home page, is the country study series of books. In fiscal years 2006 and 2005, earned revenues were \$60.1 and \$69.3 million, respectively, and intra-Library transactions of \$0.8 million and \$1.4 million were eliminated during consolidation.

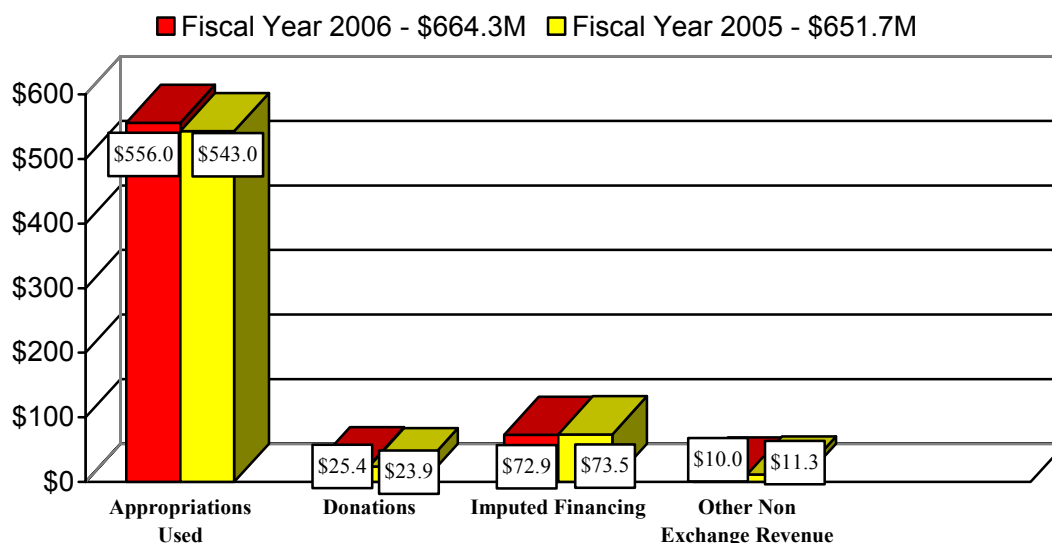
#### **Consolidated Statements of Changes in Net Position**

The purpose of the Consolidated Statements of Changes in Net Position is to provide financial statement users with information about the Library's financing sources and the components of the changes in net position. The Library's financing sources totaled \$664.3 million and \$651.7 million for the fiscal years ended September 30, 2006 and 2005, respectively.

# The Library of Congress

## Consolidated Statements of Changes in Net Position

### Total Financing Sources



The major source of the Library's funding is from Congressional appropriations for five programs: National Library, Law Library, Copyright Office, Congressional Research Service, and National Library Service for the Blind and Physically Handicapped. Appropriations used during the fiscal years ended September 30, 2006 and 2005 totaled \$556.0 and \$543.0 million or 84 and 83 percent for fiscal years 2006 and 2005, respectively, of all financing. Along with appropriations made directly to the Library, other government agencies (i.e., the Architect of the Capitol, the Office of Personnel Management, Government Printing Office) used Congressional appropriations and other financing sources to provide support for the Library's programs totaling an estimated \$72.9 and \$73.5 million (imputed financing) for fiscal years 2006 and 2005, respectively. The support provided included structural care and maintenance of the Library's buildings and grounds (\$40.6 million and \$40.2 million), employee benefits (\$31.6 million and \$32.5 million), acquisitions exchange services (\$0.6 million and \$0.9 million) and legal claims (\$0.1 million for fiscal year 2006 only). Other non-exchange revenues are positive for fiscal year 2006 primarily due to the unrealized gains on non-treasury investments (\$5.7 million and \$7.3 million).

The Library's net position increased by \$7.1 million during fiscal year 2006, primarily due to the increase in market value of non-Treasury investments.

### Combined Statements of Budgetary Resources

The Combined Statements of Budgetary Resources and the related disclosures provide information about how budgetary resources were made available, as well as their status at the end of the period. The Budgetary Resources section of the statement presents the total budgetary resources available to the Library. The Status of Budgetary Resources section of the statement presents information about the status of budgetary resources at the end of the period. Finally, the Outlays section presents the total outlays of the Library and relates obligations incurred to total outlays.

The Library's budgetary resources were \$2.2 billion and \$1.9 billion for fiscal years 2006 and 2005, respectively, of which \$0.7 billion and \$0.6 billion were from appropriated funds and \$1.5 billion and \$1.3 billion were non-appropriated funds. Total outlays of \$695.5 and \$563.9 million were incurred with the outlays of appropriated funds (\$544.0 and \$534.2 million) combined with outlays of the non-appropriated funds (\$151.5 and \$29.8 million) in fiscal years 2006 and 2005. The increase in outlays is primarily a result

of a increase of distributions of royalty fees during fiscal year 2006.

budgetary imputed costs (\$72.9 million and \$73.5 million).

### Consolidated Statements of Financing

The Consolidated Statements of Financing are presented to explain how budgetary resources obligated during the fiscal year (presented on the Combined Statements of Budgetary Resources) relate to the net costs of operations of the Library (presented on the Consolidated Statements of Net Costs). The Library had a difference between its net obligations (\$763.7 million and \$595.3 million) and its net costs (\$653.0 million and \$635.8 million) of \$110.7 million and (\$40.5) million for fiscal years 2006 and 2005, respectively. This difference is primarily explained by the refunds of non-exchange revenue and copyright licensing royalties (\$192.7 million and \$43.3 million) and capitalized costs (\$9.8 million and \$4.1 million) being offset by increases of resources of non-budgetary donations (\$16.4 million and \$7.5 million) and non-

### KEY PERFORMANCE MEASURES

Since 2002, the Library's collections have increased from 126.1 million to 134.5 million items -- an increase of 8.4 million or 6.7 percent. Over the same five-year period, the full-time equivalent (FTE) staff paid by appropriated funds has increased by 355 FTE's -- from 3,947 to 4,302. The Library's Internet transactions have grown dramatically from 2.0 billion in fiscal year 2001 to 4.6 billion in fiscal year 2006. Internet-based systems include major World Wide Web services (e.g., THOMAS, LC-Web) and various file transfer options. This rapid growth will almost certainly continue to increase because the Library has put on-line more than 11 million items of American history as the core of a National Digital Library and operates an educational Web site for families called "America's Library."

THE LIBRARY OF CONGRESS							
COMPARISON OF APPROPRIATIONS, STAFF, AND WORKLOAD STATISTICS							
For the Fiscal years 2002, 2003, 2004, 2005, and 2006							
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	CHANGE 2002 – 2006	% CHANGE
LIBRARY APPROPRIATIONS - ACTUAL	\$525,837,000	\$539,469,502	\$559,299,548	\$584,870,304	\$603,622,800	\$ 77,785,800	14.79%
FULL-TIME EQUIVALENT (FTE) POSITIONS (Appropriated)	3,947	4,020	4,056	3,937	4,302	355	8.99%
SIZE OF LIBRARY COLLECTIONS	126,060,980	127,720,880	130,198,428	131,879,073	134,517,714	8,456,734	6.71%
<b>WORKLOAD STATISTICS:</b>							
Unprocessed Library Arrearages	20,095,008	20,422,598	19,313,015	15,983,986	15,901,826	-4,193,182	-20.87%
CRS - Requests & Services Provided Congress	811,467	875,197	899,284	906,445	933,430	121,963	15.03%
Loans of Collections to Congress	25,099	29,454	29,067	29,646	29,275	4,176	16.64%
Copyright Claims Registered	521,041	534,122	661,469	531,720	520,906	-135	-0.03%
Copyright Direct inquires (in person, phone, correspondence)	358,604	371,446	381,845	362,263	338,831	-19,773	-5.51%
Services to the Blind & Physically Handicapped (BPH) - Readership	693,151	766,137	766,137	793,891	793,891	100,740	14.53%
BPH - Books & Magazines; Total Circulated	23,074,033	23,780,639	23,780,639	24,677,023	24,677,023	1,602,990	6.95%
BPH - New Braille & Audio Books & Magazines Titles	2,616	2,764	5,486	4,275	4,275	1,659	63.42%
Print Materials Cataloged	310,235	269,568	294,510	312,818	346,182	35,947	11.59%
National Coordinated Cataloging Operation (NACO) - LC Contribution	88,475	93,584	101,081	101,829	127,672	39,197	44.30%
National Coordinated Cataloging Operation - Outside Contribution	162,363	176,487	156,098	161,230	185,184	22,821	14.06%
Exhibits, Displays, & Publications (Funded by Appropriations)	37	23	23	27	32	-5	-13.51%
Regular Tours (Participants)	112,423	111,755	109,252	140,847	159,604	47,181	41.97%
Reference Service	775,115	715,479	682,264	685,408	686,923	-88,192	-11.38%
Main Reading Room & Five Other Reading Rooms Hours Per Week	65	65	65	65	65	0	0.00%
Items Circulated	1,362,724	1,375,807	1,389,161	1,226,067	1,049,230	-313,494	-23.00%
Preservation Treatment - Original Format	666,422	1,591,735	2,648,334	2,754,425	4,058,707	3,392,285	509.03%
Mainframe Computer Transactions	109,008,458	111,175,428	103,463,022	50,730,911	600,000	-108,408,458	-99.45%
Integrated Library System Input/Update Transactions	91,834,274	96,495,434	98,312,132	103,644,698	104,087,835	12,253,561	13.34%
Machine Readable Cataloging (MARC) Records	31,638,841	33,758,594	35,758,828	36,873,893	38,527,975	6,889,134	21.77%
Internet Transactions (i.e., LOCIS, MARVEL, World Wide Web, and THOMAS public transactions)	2,039,268,542	2,620,884,359	3,360,481,609	3,845,481,430	4,594,485,103	2,555,216,561	125.30%

Other noteworthy workloads include the following:

- ❑ The Library's arrearage totals decreased by 0.5 percent during fiscal year 2006. The decrease resulted from nine additional technicians in the Manuscript Division processing over 200,000 more items than in fiscal year 2005.
- ❑ The number of Congressional requests and services annually provided by the Congressional Research Service (CRS) increased from 811,467 in fiscal year 2002 to 933,430 in fiscal year 2006. This change reflects an ongoing congressional need for significant research and analytical support across an increased number of major policy areas, particularly in their use of electronic products via the CRS Web site.
- ❑ Copyright office registrations were 10,814 fewer in fiscal year 2006 than in fiscal year 2005. A scheduled fee increase and planned temporary relocation of staff both led to delays in processing. The number of copyright direct inquiries (in-person, phone, and correspondence) was 19,773 less in 2006 than in 2002. Decreases were principally due to the growing public use of the Web site for information on copyright law, the Copyright Office's services, and Copyright Office forms and publications.
- ❑ The number of information requests handled by reference staff and items circulated decreased by 11.4 percent from 775 thousand in 2002 to 687 thousand in 2006, while the number of Internet transactions increased from 2.0 billion to 4.6 billion. This trend reflects greater use of the Library's on-line resources.
- ❑ The number of items for preservation treatment increased by 3.4 million from 2002 to 2006 primarily due to processing over a million sheets annually of non-book material on-site using the manuscript deacidification trader installed in August 2002.
- ❑ The number of mainframe transactions decreased by 50 million during fiscal year 2006 primarily due to the migration of nearly all applications off of the mainframe platform.

## **MAJOR GOALS AND ACCOMPLISHMENTS IN FISCAL YEAR 2006**

The following section presents the significant annual goals and accomplishments for fiscal year 2006 as they relate to the strategic goals cited in the Library's 2004–2008 strategic plan. Library organizations establish annual goals that meet one or more of the goals in the strategic plan. The organizational annual goals and accomplishments that follow are cited under the strategic goal or goals that are most applicable. For each annual goal, the responsible organization is named followed by the text of its goal.

**Strategic Goal 1: Build and preserve a comprehensive collection of knowledge and creativity in all formats and languages for use by the Congress and other customers.**

**Annual Goal:** National Library – Library Services (LS). Collections Development – define and develop a universal, multilingual, and multi-format collection of works of historical and cultural significance for the 21<sup>st</sup> century.

**Annual Accomplishments:** Focused on the acquisition of electronic resources for reference and research. Some examples are the Central and Eastern European Online Library; Dissertations of China; Universal Database of Russian/NIS Newswires; Encyclopedia of Taiwan; China national knowledge infrastructure; proceedings of academic conferences in China; Iranian opposition party materials; foreign map collections, e.g., Brazil, Chinese, Iran; Korean atlases; 19th century Spanish materials; Russian photographs; collection of 12,000 Tibetan materials; nine Timbuktu manuscripts never before seen in the West; Election 2006 (2400 websites); Iraq and Darfur websites; and all state and local League of Women Voters' web sites. The following international websites were archived: Hurricane Katrina websites for the Caribbean, Darfur and Iraq websites, visual image websites, and numerous international organizations.

**Annual Goal:** LS. Partnerships – develop and sustain collaborative partnerships with our constituent communities (i.e., Congress, scholars, K-12, secondary and post secondary educational communities, other libraries and cultural institutions, and communities of learners with specialized needs) to enhance collections and increase access.



**Annual Accomplishments:** Pursued collaborative digital projects with international partners including the National Libraries of Egypt, Russia, and Brazil; the Göttingen State and University Library in Germany; and libraries and collections in Senegal, Timbuktu, Taiwan, Iraq, Iran, and Israel.

**Annual Goal:** LS. Core Services – advance and improve the core services of the Library: acquire, describe, serve, and preserve information resources for Congress and the nation, in the 21<sup>st</sup> century.

**Annual Accomplishments:** More than 2,500,000 items slated for relocation to either Ft. Meade or National Audiovisual Conservation Center (NAVCC) received conservation attention including books, paper-based materials, photographs, and audio-visual formats. Over 2.3 million items were housed, 120,000 items were assessed, over 26,000 items were labeled, 48,000 items were surveyed, and over 1,500 items were treated. Participated in developing the environmental specifications for proposed Secured Storage Facilities capable of providing cool storage and desiccant dehumidification for vulnerable and high value collections. Completed a second secure storage facility capable of providing protection against water penetration, impact, and intrusion for the Library's highest value items.

**Strategic Goal 2: Provide maximum access and facilitate effective use of the collections by the Congress and other customers.**

**Annual Goal:** LS. Core Services – advance and improve the core services of the Library: acquire, describe, serve, and preserve information resources for Congress and the nation, in the 21<sup>st</sup> century.

**Annual Accomplishments:** Completed the design of NAVCC's unprecedented new Digital Preservation System to increase audio-visual preservation throughput in both the Sound and Video and Moving Image laboratories. Awarded a contract to procure, integrate, install, and test AV systems for "front-end" preservation production and data capture.

**Strategic Goal 3: Lead, promote, and support the growth and influence of the national and international library and information communities.**

**Annual Goal:** LS. Partnerships – develop and sustain collaborative partnerships with our constituent

communities (i.e., Congress, scholars, K-12, secondary and post secondary educational communities, other libraries and cultural institutions, and communities of learners with specialized needs) to enhance collections and increase access.

**Annual Accomplishments:** Established a partnership with the State Library of Westphalia, Germany, to link valuable table-of-contents data to as many as 200,000 Library of Congress (LC) catalog records for German materials. Five additional major publishers in the US, UK, and Germany agreed to supply ONIX (formatted online data) data about their titles to LC for use in cataloging. LC now receives ONIX data for about 55 percent of the books published in the US, enabling tables of contents to be linked to catalog records and supporting richer keyword searching.

**Strategic Goal 4: Expand, manage, and communicate Library of Congress digital strategies and roles.**

**Annual Goal:** Office of Strategic Initiatives (OSI). Expand, Manage, and Communicate LC Digital Strategies and Roles – this goal is intended to increase digital policy, practice leadership and coordination by the Library of Congress, and increase Congressional and stakeholder understanding and recognition of the Library of Congress' digital priorities, and activities as defined in the Digital Strategic Plan.

**Annual Accomplishments:** On a regular basis, communicated and reported on performance and stewardship results, and service unit value contributions to Congress, appropriators and donors, the Library's partners, and Library staff.

**Strategic Goal 5: Manage and sustain digital content.**

**Annual Goal:** OSI. Manage and Sustain Digital Content – provide access over time to a rich body of digital content through the establishment of a national network of committed partners, collaborating in a digital preservation architecture with defined roles and responsibilities. This includes active institution-wide management of digital content by the Library (throughout each stage of the content's life cycle) that recognizes interdependencies among various life cycle stages to include planning, creating, selecting, describing, sustaining, and making digital content available.

**Annual Accomplishments:** Supported both the collaborative building of collections of national interest

and the 21st century collection strategies of the Library's other service units by supporting the intake of digital content received through multiple channels.

**Annual Goal:** Information Technology Services (ITS). Information Technology (IT) Support for Digital Initiatives – Institution-wide management of digital content, throughout each stage of the content life-cycle, enabling high-quality and timely fulfillment of research and information requests.

**Annual Accomplishments:** Provided Institution-wide management of digital content, throughout each stage of the content's lifecycle. This enabled high-quality and timely fulfillment of research and information requests.

**Strategic Goal 6: Provide high-quality and timely legal research, analysis, and legal reference services to the Congress, the executive branch agencies, courts, the legal community, and other customers.**

**Annual Goal:** Law Library (LAW). Legal Research, Analysis, and Reference Services – to improve legal research, analysis, and reference service to Congress and other clients.

**Annual Accomplishments:** Exceeded the goal by meeting deadlines 100% of the time when responding to Congressional and other customer requests for reports, studies, opinions, legal briefs and legal research and reference inquiries. Conducted numerous seminars, demonstrations, and discussions providing U.S. and foreign legal research training to over 300 Congressional staff members. Developed the Saddam Hussein Trial website which combined reports from the Directorate of Legal Research staff with links to primary source documents and recommended sources of information. Launched the Global Legal Monitor which tracks legal documents from around the world in legal issue areas. Law Library staff worked with OSI to select and archive websites containing important discussions of the Supreme Court nominations. In addition, Law Library staff selected websites detailing the impact of Hurricane Katrina on the legal community for the Katrina archive.

**Strategic Goal 7: Acquire, secure, maintain, preserve, and make accessible a comprehensive legal collection, in both analog and digital formats, for use by the Congress, executive branch agencies, courts, the legal community, and other customers.**

**Annual Goal:** LAW. Collections development, maintenance, preservation, and security – ensure the Law Library collections are developed, maintained, and preserved to maximize its customers' ability to use materials for research and analysis. Ensure collection security provides an acceptable level of protection against theft, mutilation, or physical destruction.

**Annual Accomplishments:** Collection specialists worked with legal specialists to assure acquisition of primary legal materials and to address critical regions and languages in response to Congressional interests. Issued contracts to process, preserve, and shelve collection, avoiding new arrearages. Using contract resources processed all new receipts within five days of receipt.

**Annual Goal:** LAW. Law Library security – enhance the Law Library's Security Procedures and Business Continuity Contingency Plan.

**Annual Accomplishments:** Refined and augmented the Continuity Plan with a section addressing the development of a separate annex in preparation for the possibility of a widespread health alert (pandemic). A visit to the alternate emergency operations site at Landover, MD enabled a review of the facility and plans in the event of implementation of emergency procedures.

**Strategic Goal 8: Expand and enhance the Global Legal Information Network (GLIN).**

**Annual Goal:** LAW. GLIN – as the basis for the Law Library's digital future, expand and enhance GLIN by increasing its membership and by expanding the system and its capabilities.

**Annual Accomplishments:** Conducted GLIN new membership recruitment missions to China, Israel, Lithuania, and Moldova to incorporate their legal materials into the GLIN database. Deployed a major redesign of the GLIN application that greatly increased the database capabilities by permitting cross-lingual subject searching in nine new language interfaces (Arabic, Chinese, German, Korean, Italian, Lithuanian, Romanian, Russian, and Ukrainian). Provided enhanced online help features and new contributor and approver workflows.

Increased the database content through the input of: 826 public laws enacted by the 107th and 108th Congresses, 164 laws from the current Congress, 58 out of 84 decisions from the current U.S. Supreme Court, and 73 legislative records from the 108th and 109th Congresses.

**Strategic Goal 9: Carry out the statutory mission of the Copyright Office to administer copyright and related laws embodied in Title 17 to provide benefit to the nation.**

**Annual Goal:** Copyright Office (COP). Online services and Access – initiate and enhance online services to the public for registrations and for statutory license filings; increase online access to historical records.

**Annual Accomplishments:** Completed the planned milestones to stay on target for online public registration and licensing services in July 2007.

**Annual Goal:** COP. Optimal processing times – set standards for optimal processing times and maintain or reduce current processing times to meet those standards in the following targeted processing categories: registration, document, Congressional inquiries, search requests, information line and e-mail requests, status inquiries, and miscellaneous requests.

**Annual Accomplishments:** Attained the improved timeliness standards for 15 of 17 targets and sub-targets.

**Annual Goal:** COP. Reengineered processes – reengineer key business processes to deliver public services more effectively and efficiently.

**Annual Accomplishments:** Completed planned preparations for implementing the reengineered processes. Documented detailed requirements and used the pre-registration application as a prototype for e-service.

**Annual Goal:** COP. IT systems Infrastructure – support key business processes with new information technology systems infrastructure to deliver public services more effectively and efficiently.

**Annual Accomplishments:** Completed 70% of planned steps for better service delivery, including definition of detailed process requirements. Continued design, development, and testing of system functions. Requirements such as pre-registration furthered other

aspects of systems development. On target for July 2007 start-up.

**Annual Goal:** COP. Distribution of Copyright Licensing Royalties – ensure the effective and efficient setting of licensing rates and distribution of royalties.

**Annual Accomplishments:** The Copyright Royalty Board, charged with executing this responsibility, became operational during the year and instructed the COP Licensing Division to distribute royalties worth \$191 million.

**Strategic Goal 10: Formulate and provide expert advice to the Congress, executive branch agencies, courts, and international entities in the furtherance of maintaining a strong and effective national and international copyright system.**

**Annual Goal:** COP. Challenges to Copyright Policy and Law – provide timely, quality service to Congress, the Executive Branch, and the courts to address current and emerging challenges to copyright policy and law, especially relating to: digital technology and other issues and protection of copyrighted works internationally.

**Annual Accomplishments:** Testified in five substantive congressional hearings on copyright issues, including the high-profile “orphan works” issue, music licensing reform, and fashion design protection; advised on seven copyright-related bills; assisted with 20 major court cases including four before the Supreme Court; completed two studies, one of which was on “orphan works”; completed the comment period for the triennial anti-circumvention rulemaking; issued several regulations. These accomplishments assisted owners to protect their rights and users to make lawful use of protected works, stimulating creativity and economic growth.

**Strategic Goal 11: Be an effective voice for the principles of copyright, which benefit the public, by providing information and informing the public debate on copyright issues.**

**Annual Goal:** COP. Outreach (current and new audiences and media) – reach current and new audiences through a broad range of information media, with copyright information and a message on the importance of copyright principles as a means of promoting creativity and protecting the rights of creators.

**Annual Accomplishments:** Completed development steps to ensure public education efforts about new e-services can be implemented in 2007.

**Strategic Goal 12: Carry out the statutory mission of the Congressional Research Service (CRS) to assist the Congress as it undertakes its legislative responsibilities by providing multi disciplinary, nonpartisan, confidential, timely, and objective analysis of public policy problems and their possible solutions.**

**Annual Goal:** CRS. Service to the Congress – contribute to an informed national legislature across all active policy areas by providing research and analytical support that is relevant, high-quality, and accessible for congressional use.

**Annual Accomplishments:** Developed, maintained, and successfully implemented a research agenda, verified to be directly aligned with the work of the Congress by congressional leadership. This work included important ongoing, objective, and nonpartisan contributions to the Congress in all major policy areas. For each active policy area, engaged the full range of appropriate specialized expertise and provided for immediate, online congressional access to a full complement of research products maintained to reflect the evolving context in which the Congress was operating.

**Annual Goal:** CRS. Resource Management – best serve the Congress’ legislative needs by organizing functions and activities, and allocating resources to optimize economy, efficiency, and effectiveness.

**Annual Accomplishments:** Through briefings, training, and other means of notification, ensured that Members had knowledge of and access to the full range of CRS services. Developed and deployed new tools to assist in producing and maintaining research products. Transformed the workforce and work processes to achieve a more cost-effective method of accomplishing the CRS mission.

**Strategic Goal 13: Ensure that a high-quality, responsive, and free national reading program is available to the nation's blind and physically handicapped people.**

**Annual Goal:** National Library Service for the Blind and Physically Handicapped (NLS/BPH). Program Operations, Materials and Services – provide high quality

services, distribute reading materials and equipment to patrons while maintaining the program’s mission and integrity.

**Annual Accomplishments:** Met established goals related to program operations, materials, and services. Book production levels exceeded original targets, and an increased level of efficiency helped to facilitate the timely procurement of program contracts and service agreements. Operational performance evaluations of 31 network libraries helped to ensure that quality service was provided to patrons.

**Annual Goal:** NLS/BPH. Digital Strategy Planning and Implementation – design and provide an array of services, content, and equipment through existing and new digital technology.

**Annual Accomplishments:** Met established annual performance targets and remained on track for achieving future design, development, production, and distribution milestones for the Digital Talking Books and the Digital Talking Book Machine.

**Strategic Goal 14: Enhance the management and utilization of the Library's Revolving and Reimbursable funds.**

**Annual Goal:** LS. Revolving and Reimbursable Funds – enhance the management and utilization of the Library’s Revolving and Reimbursable funds through e-commerce initiatives and implementation of a business enterprises structure.

**Annual Accomplishments:** Completed a major review of the Business Enterprises activities of LS including some of the revolving funds, and developed plans for further action. Closed all five open Government Accountability Office recommendations as a result of this work. The Motion Picture Broadcasting and Recorded Sound Division continued development of new workflow, production, and archiving systems, as well as the software that will integrate and automate all NAVCC business processes.

**Annual Goal:** Office of the Chief Financial Officer (OCFO). Manage and utilize revolving and reimbursable funds not intended to generate profits in an efficient and cost effective manner – to assist service units that operate revolving funds or receive reimbursable funds to identify and develop business plans that will maximize the

potential to generate profits and to cover all costs associated with the program.

**Annual Accomplishments:** Reviewed two business plans for revolving and reimbursable funds. Monitored the execution of all the revolving and reimbursable fund business plans for cumulative results and status of funds. Coordinated the eighth consecutive successful audit of the Cooperative Acquisitions Program.

**Strategic Goal 15: Manage Human Capital so the Library is able to attract and maintain an outstanding workforce with the skills, resources, and dedication to deliver a range of high-quality, cutting-edge services, in all the Library's program and support areas.**

**Annual Goal:** Human Resources Services (HRS). Ensure the timely hiring of staff—the Library’s staff have the knowledge, skills and abilities needed to serve the Congress and other customers now and in the future.

**Annual Accomplishments:** Met or exceeded all annual performance targets by providing timely first referral and supplemental candidate lists to selecting officials and conducting job analysis to prepare well-defined job descriptions, vacancy announcements and interview questions. Continued to offer high quality position management and reorganization consultation, and sought feedback from service and infrastructure units to identify opportunities for increased customer satisfaction and process improvements.

**Annual Goal:** HRS. Retain, motivate, and reward high performers – provide effective and efficient labor-management relations, employee relations, and performance management.

**Annual Accomplishments:** Met or exceeded all annual performance targets by providing effective and efficient labor-management relations, employee relations and performance management services to Library management and staff.

**Annual Goal:** HRS. Provide responsive, efficient, and effective human resources services – continuously improve human resources processes to better serve and support the Library.

**Annual Accomplishments:** Met all critical annual performance targets by providing effective, efficient health insurance and retirement benefits program support and by responding timely to benefits inquiries.

Successfully administered Employee Assistance Program counseling, the Library’s leave program, the Library’s web-based time and attendance system, and the Reduction-In-Force programs. Personnel action processing and the correction of pay discrepancies targets were fully met and showed significant improvement from the prior year.

**Strategic Plan Goal 16: Create an environment that supports delivery of superior service to the Congress and the American people through effective communication and management of business and supporting processes and financial resources, and that provides a safe and healthy workplace.**

**Annual Goal:** Integrated Support Services (ISS). Facility and Logistics Services – provide timely and efficient facilities support and logistics services for staff and collections.

**Annual Accomplishments:** Implemented the fiscal year 2006 Facility project plan (42 projects completed; 32 projects in progress). Received and processed 1,526 facility services requests. When processed, those requests generated 1,524 additional requests. Supported the Librarian in facility planning initiatives. Began implementation of new Computer Aided Facility Management (CAFM) system. Developed the Statement of Work for a new food services contract. Reported to the Senate Appropriations Committee on extensive improvements in the Library’s warehousing operations.

**Annual Goal:** ISS. Office Systems Services – provide effective records management, safe mail distribution, printing, and transportation services.

**Annual Accomplishments:** Supported the Library’s needs for printing (completed 1,981 orders) and transportation (shuttled 3,726 passengers to/from the Landover and Taylor Street Annexes). Filled 1,239 staff requests for loan of vehicles. Administered the Library’s new contract for administrative and fee-based copying (replaced 240 office copiers and supported 9.2 million Library impressions by staff), saving the Library close to \$600,000 (copier and printing programs). Monitored the Library’s receipt of services under the joint mail contract with the U.S. House of Representatives, assuring that approximately 2 million pieces of mail were received, screened, and distributed on a timely basis Library-wide.

**Annual Goal:** ISS. Provide safe and healthy workplace – provide a work environment that supports and enhances the safety, health, and efficiency of the Library’s staff.

**Annual Accomplishments:** Conducted 100% of planned health and safety audits (14 in-depth audits and 68 conducted by Library’s Joint Management Labor Health and Safety Committee). Completed fiscal year 2006 with a lost-time injury rate of 0.4 injuries per 200,000 hours worked (goal reduced from 0.9 to 0.4 in fiscal year 2006). Assured 203 hours (76 training sessions) of mandatory safety training for 501 Library staff members. Managed 63 worker’s compensation cases (lowest in 5 years, and decrease of 19 from 2005) during the charge-back year (July 1, 2005 – June 30, 2006), with charge-back costs of \$798,000 (9% increase over 2005). Provided acute and emergency health treatment to approximately 6,634 staff members and visitors and responded to 103 medical emergencies, 23 of which were life threatening. Formed and trained the first Library CERT (Community Emergency Response Team) and acquired emergency medical supplies, as approved in the fiscal year 2006 appropriation.

**Annual Goal:** ISS. Support to New Off-site Facilities – support new off-site facilities for staff and collections, including facilities support, logistics services, health and safety services, and office systems services.

**Annual Accomplishments:** Completed renovation and fit-out of off-site space for Copyright Office staff and supported move of 464 staff (July 2006) to Crystal City, Virginia, assuring that all functions were fully operational from the first day of occupancy. Assured identification and thorough documentation of all infrastructure services needed to support new offsite facility at NAVCC in Culpeper, Virginia. Supported award of initial custodial and trash removal contracts.

**Annual Goal:** LIBN. Reach agency fundraising goals – based on the Library’s fundraising priorities, initiate, coordinate, and track all fundraising activities throughout the Library.

**Annual Accomplishments:** Fundraising goals met with less than 100 solicitations. Increased the attendance at the National Book Festival by ten percent. (More than 100,000 people attended).

**Annual Goal:** LIBN. Coordinate and manage Library of Congress events – well-planned and executed events which support the mission of the Library and showcase

the programs, collections, exhibitions and staff of the Library to guests.

**Annual Accomplishments:** Coordinated and managed 546 Library events for Congressional, corporate, and non-profit events.

**Annual Goal:** OCFO. Establish and promote a financial management framework in accordance with applicable Federal standards and guidelines to ensure good stewardship over the Library’s resources – provide tools for effective financial administration including: planning, budgeting, accounting, and asset management to ensure accountability and effective utilization of the Library’s resources.

**Annual Accomplishments:** Following Congressional guidance, submitted the fiscal year 2007 budget request for the Library in January, 2006. Accomplished all responsibilities for monitoring execution of the fiscal year 2006 budget, and led the successful effort to obtain the Library’s tenth consecutive clean audit opinion for fiscal year 2005. Completed and submitted all necessary external reports according to federal standards.

<b>Strategic Goal 17: Manage and sustain mission-critical IT programs.</b>
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**Annual Goal:** Information Technology Services (ITS). Digital Infrastructure – optimize the digital infrastructure for maximum availability, scalability, security, and manageability to support service unit mission-critical operations over time.

**Annual Accomplishments:** Expanded wireless capability, installed additional services, and updated the IT architecture.

**Annual Goal:** ITS. IT Support for LC service unit business processes – COP, CRS, LAW and LS.

**Annual Accomplishments:** For COP, supported timely delivery of quality copyright services to the American people. For CRS, provided IT support to ensure Congress received the timely legislative analysis and information support it needed to addresses public policy issues. For LAW, enhanced GLIN to support more comprehensive and timely global legal information. For LS, created a broad and detailed knowledge resource to support servicing research and information requests.

**Annual Goal:** ITS. IT Support for Digital Initiatives – provide institution-wide management of digital content throughout each stage of the content’s life-cycle providing high-quality and timely fulfillment of research and information requests from an increasingly diverse and distributed customer population.

**Annual Accomplishments:** Successfully managed digital content providing high-quality, timely fulfillment of research and information requests from an increasingly diverse and distributed customer population.

**Strategic Goal 18: Provide effective security and emergency planning for the Library's staff and visitors, collections, facilities, and other assets.**

**Annual Goal:** Office of Security and Emergency Prepared-ness (OSEP). Protective Services – provide electronic and physical security systems, methods, and procedures necessary to protect the Library staff, visitors, buildings, collections, information, and other assets from external and internal threats.

**Annual Accomplishments:** Completed major upgrades to the Library’s security network infrastructure including improvements to access controls, intrusion detection, and closed circuit television. Installed security systems at NAVCC, the Fort Meade Module 2 Facility, and COP’s temporary relocation site at Crystal City. In collaboration with the Park Police, developed and executed the 2006 National Book Festival Security Plan.

**Annual Goal:** OSEP. Implement the Library of Congress Strategic Plan for Safeguarding the Collections and enhance and continually update the plan through the Collections Security Oversight Committee – ensure the physical security controls in place are providing effective security for the Library’s collections.

**Annual Accomplishments:** Continued implementation of the Strategic Plan for Safeguarding the Collections, 2005 –2009. The plan’s focus for the year was to enhance staff understanding of, and commitment to, best security practices.

**Annual Goal:** OSEP. Personnel Security – ensure the suitability of Library employees and contractors through the initiation and adjudication of effective and timely background investigations; determine security clearance eligibility of individuals requiring access to classified national security information; maintaining a

reinvestigations program; and conduct defensive security briefings.

**Annual Accomplishments:** Completed 886 background investigations for new employees, contractors, and volunteers and granted security clearances for classified access when required by job duties. The number of background investigations completed in fiscal year 2006 was 36 percent greater than in the previous year because of increased personnel and contractor actions. Hosted a refresher briefing for staff cleared for classified access. Presented security information during new employee orientations.

**Annual Goal:** OSEP. Emergency Preparedness – ensure the Library and its staff are prepared to respond and recover efficiently and effectively to internal and external emergency events and situations.

**Annual Accomplishments:** Developed an emergency preparedness website for staff to provide information about shelter-in-place locations, emergency coordinators, and emergency evacuation teams. The website also contains the “Employee Emergency Action Guide.” Provided shelter-in-place supplies, distributed new escape hoods, and coordinated development of the Library’s Continuity of Operations Plan and implemented the Computer Emergency Notification System.

## **MANAGEMENT CONTROL PROGRAM, SYSTEMS, CONTROLS AND LEGAL COMPLIANCE**

The Library has a management control program (MCP) that requires annual risk (vulnerability) assessments and periodic detailed reviews of internal controls based on the results of the vulnerability assessments. The MCP is designed to ensure that: (1) obligations and costs comply with applicable law; (2) assets are safeguarded against waste, loss, unauthorized use or misappropriation; (3) revenues and expenditures are properly accounted; and (4) program activities are carried out in the most efficient, effective, and economical manner possible.

During fiscal year 2006, Library staff performed vulnerability assessments on all of the 203 identified financial and non-financial modules and assigned, based on an established scoring system, a high, medium or low risk to the modules. Then, based on risk and scheduling, Library staff performed 55 detailed control reviews in fiscal year 2006 to examine the controls in place in

the selected modules. Plans to correct any deficiencies in controls were derived based on the examination results and will be tracked at an agency level by program officials until the deficiencies are resolved.

The implementation and regular testing of controls allows for Library management to assert that these controls provide reasonable assurance that the forgoing objectives are met. This testing is performed on the central financial and reporting systems, along with the subsidiary and program systems and the external financial interfaces used by the Library. In addition, the Library implemented a new central financial management system during fiscal year 2004 (that went "live" at the beginning of fiscal 2005), which has further enhanced system controls by decreasing the number of manual processes and should decrease the number of program and subsidiary systems in the coming years.

## **STEWARDSHIP REPORTING**

In accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 29, "Heritage Assets and Stewardship Land," the Library reports descriptive, non-financial information on heritage assets as basic information in its financial statements. SFFAS No. 29 is effective for reporting periods beginning after September 30, 2005.

Prior to the issuance of SFFAS No. 29, information on heritage assets was reported as Required Supplementary Stewardship Information (RSSI). SFFAS No. 29 reclassifies all heritage assets information as basic financial information, except for condition information, which is reclassified as Required Supplementary Information (RSI).

SFFAS No. 29 provides for a phased-in approach whereby heritage asset information is moved from RSSI to basic information in the financial statements. Certain disclosures must be reported as basic information beginning in fiscal years 2006, with other disclosures reported as basic information beginning in fiscal years 2008 or 2009. Therefore, full implementation of the standard is not required until reporting periods beginning after September 30, 2008. In the interim, until disclosures are reported as basic information, SFFAS No. 29 requires the disclosures to be reported as RSI.

The phased-in disclosures are as follows: (a) for fiscal year 2006, a statement explaining how heritage assets

relate to the mission of the entity and a description of the entity's stewardship policies; (b) for fiscal year 2008, a description of the major categories and physical unit information as of the end of the reporting period; and (c) for fiscal year 2009, the physical units added and withdrawn during the year and a description of the methods of acquisition and withdrawal.

The Library's reporting on heritage assets likewise follows this phased-in approach. Heritage asset information that is not required to be reported as basic information for fiscal year 2006 is reported in the Library's 12<sup>th</sup> stewardship report on its collections. The Stewardship Report is included as Section 3 of this report.

## **LIMITATIONS OF THE FINANCIAL STATEMENTS**

The Library's financial statements are the culmination of a systematic accounting process. The statements have been prepared to report the financial position and results of operations of the Library of Congress, pursuant to the hierarchy of accounting principles and standards set forth in Note 1 to the Financial Statements. While the statements have been prepared from the books and records of the Library, 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. The 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 resources to do so.



# THE LIBRARY OF CONGRESS

## Consolidated Balance Sheets

As of September 30, 2006 and 2005  
(Dollars in Thousands)

	2006	2005
<b>ASSETS</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 382,059	\$ 363,534
Investments (Note 4)	1,176,359	1,094,874
Accounts Receivable, Net (Note 5.A)	14,545	13,917
Other Assets	2,608	7,465
Total Intragovernmental	1,575,571	1,479,790
Cash and Other Monetary Assets (Note 1.G)	622	581
Pledges Receivable - Donations (Note 5.B)	9,711	13,635
Investments (Note 4)	77,445	75,121
Inventory and Operating Supplies and Materials (Note 1.K)	917	1,345
Property and Equipment, Net (Note 6)	31,765	33,301
Other Assets	4,757	919
Library Collections (Note 1.M)		
<b>Total Assets</b>	\$ 1,700,788	\$ 1,604,692
<b>LIABILITIES</b>		
Intragovernmental:		
Accounts Payable and Accrued Funded Payroll, Benefits	\$ 7,945	\$ 6,847
Advances from Others	30,377	22,961
Accrued Unfunded Workers' Compensation (Note 9)	1,758	1,597
Other Intragovernmental Liabilities (Note 11)	250	92
Total Intragovernmental	40,330	31,497
Accounts Payable and Accrued Funded Payroll, Benefits	54,221	49,080
Custodial Liability (Note 3)	1,122,435	1,048,431
Deposit Account Liability	6,553	5,655
Accrued Unfunded Annual and Compensatory Leave	22,591	22,282
Actuarial Unfunded Workers' Compensation (Note 9)	7,748	8,130
Other Liabilities (Note 11)	3,695	3,550
<b>Total Liabilities</b>	1,257,573	1,168,625
Commitments and Contingencies (Note 10)		
<b>NET POSITION</b>		
Unexpended Appropriations	254,175	258,356
Cumulative Results of Operations		177,711
Earmarked Funds (Note 19)	180,273	
Other Funds	8,767	
<b>Total Net Position</b>	443,215	436,067
<b>Total Liabilities and Net Position</b>	\$ 1,700,788	\$ 1,604,692

The accompanying notes are an integral part of these financial statements.

# THE LIBRARY OF CONGRESS

## Consolidated Statements of Net Costs

For the Fiscal Years Ended September 30, 2006 and 2005

(Dollars in Thousands)

	2006	2005
<b>Net Costs by Program Area:</b>		
<b>National Library:</b>		
Program Costs	\$ 391,139	\$ 387,709
Less Earned Revenue	<u>4,397</u>	<u>4,220</u>
Net Program Costs	<u>386,742</u>	<u>383,489</u>
<b>Law Library:</b>		
Program Costs	21,670	20,964
Less Earned Revenue	<u>11</u>	<u>8</u>
Net Program Costs	<u>21,659</u>	<u>20,956</u>
<b>Copyright Office:</b>		
Program Costs	69,822	68,854
Less Earned Revenue	<u>29,433</u>	<u>27,043</u>
Net Program Costs	<u>40,389</u>	<u>41,811</u>
<b>Congressional Research Service:</b>		
Program Costs	127,511	122,380
Less Earned Revenue	<u>5</u>	<u>1</u>
Net Program Costs	<u>127,506</u>	<u>122,379</u>
<b>National Library Service for the Blind and Physically Handicapped:</b>		
Program Costs	59,324	50,701
Less Earned Revenue	<u>4</u>	<u>0</u>
Net Program Costs	<u>59,320</u>	<u>50,701</u>
<b>Revolving and Reimbursable Funds:</b>		
Program Costs	85,484	93,698
Less Earned Revenue	<u>68,081</u>	<u>77,254</u>
Net Program Costs	<u>17,403</u>	<u>16,444</u>
<b>Net Costs of Operations</b>	<u>\$ 653,019</u>	<u>\$ 635,780</u>

The accompanying notes are an integral part of these financial statements

**THE LIBRARY OF CONGRESS**  
**Consolidated Statements of Changes in Net Position**

For the Fiscal Years Ended September 30, 2006 and 2005  
(Dollars in Thousands)

	Earmarked Funds	<b>2006</b> All Other Funds	Consolidated Total	<b>2005</b> Cumulative Results of Operations
<b><i>Cumulative Results of Operations:</i></b>				
Beginning Balances	\$166,960	\$10,751	\$177,711	\$161,755
<b>Budgetary Financing Sources</b>				
Appropriations Used	0	555,955	555,955	542,955
Non-Exchange Revenue	2,469	1	2,470	1,650
Donations-Cash or securities	9,053	0	9,053	16,356
Transfer in/out without reimbursement	617	(556)	61	1,046
Other financing sources with budgetary impact	1,220	0	1,220	1,339
<b>Other Financing Sources (Non-Exchange)</b>				
Donations-Property and Services	12	16,388	16,400	7,507
Imputed Financing (Note 18)	2,240	70,633	72,873	73,521
Other	6,315	1	6,316	7,362
<b>Total Financing Sources</b>	21,926	642,422	664,348	651,736
<b>Net Cost of Operations</b>	(8,613)	(644,406)	(653,019)	(635,780)
<b>Net Change</b>	13,313	(1,984)	11,329	15,956
<b>Cumulative Results of Operations, Ending</b>	<b>180,273</b>	<b>8,767</b>	<b>189,040</b>	<b>177,711</b>
<b><i>Unexpended Appropriations:</i></b>				
Beginning Balances	0	258,356	258,356	259,574
<b>Budgetary Financing Sources</b>				
Appropriations Received	0	567,424	567,424	549,760
Appropriations transferred in/out	0	(594)	(594)	(496)
Other Adjustments (Cancelled Auth, Enacted reductions, etc.)	0	(15,056)	(15,056)	(7,527)
Appropriations Used	0	(555,955)	(555,955)	(542,955)
<b>Total Budgetary Financing Sources</b>	0	(4,181)	(4,181)	(1,218)
<b>Unexpended Appropriations, Ending</b>	<b>0</b>	<b>254,175</b>	<b>254,175</b>	<b>\$258,356</b>
<b>Net Position, Ending</b>	<b>\$180,273</b>	<b>\$262,942</b>	<b>\$443,215</b>	<b>\$436,067</b>

The accompanying notes are an integral part of these financial statements.

# THE LIBRARY OF CONGRESS

## Combined Statements of Budgetary Resources

For the Fiscal Years Ended September 30, 2006 and 2005

(Dollars in Thousands)

	2006	2005
<b><i>Budgetary Resources</i></b>		
Unobligated balance, brought Forward, October 1	\$ 1,221,556	\$ 1,029,310
Recoveries of prior year obligations	6,069	4,355
<b>Budget authority</b>		
Appropriation	857,900	795,685
Spending authority from offsetting collections		
Earned		
Collected	112,742	127,618
Change in receivables from Federal sources	(21)	3,259
Change in unfilled customer orders		
Advance received	7,765	(7,322)
Without advance from Federal sources	(492)	6,353
Expenditure transfers from trust funds	2	0
Subtotal Budget Authority	977,896	925,593
Nonexpenditure transfers, net, anticipated and actual	(545)	(494)
Temporarily not available pursuant to Public Law	175	11
Permanently not available	(15,151)	(7,597)
	\$ 2,190,000	\$ 1,951,178
<b><i>Total Budgetary Resources</i></b>		
<b><i>Status of Budgetary Resources:</i></b>		
Obligations incurred		
Direct	771,756	606,061
Reimbursable	118,051	123,561
Unobligated balance-Exempt from Apportionment	1,290,989	1,209,233
Unobligated balance not available-other	9,204	12,323
	\$ 2,190,000	\$ 1,951,178
<b><i>Total Status of Budgetary Resources</i></b>		
<b><i>Change in Obligated Balance:</i></b>		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	\$ 231,350	\$ 213,616
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(14,975)	(5,363)
Total unpaid obligated balance, net	216,375	208,253
Obligations incurred net (+/-)	889,807	729,622
Less: Gross outlays	(861,993)	(707,533)
Less: Recoveries of prior year unpaid obligations, actual	(6,069)	(4,355)
Change in uncollected customer payments from Federal sources (+/-)	513	(9,612)
Obligated balance, net, end of period		
Unpaid obligations	253,095	231,350
Less: Uncollected customer payments from Federal sources	(14,462)	(14,975)
Total, unpaid obligated balance, net, end of period	238,633	216,375
<b><i>Net Outlays</i></b>		
Gross outlays	861,993	707,533
Less: Offsetting collections	(120,509)	(120,296)
Less: Distributed Offsetting receipts	(45,942)	(23,300)
Net Outlays	\$ 695,542	\$ 563,937

The accompanying notes are an integral part of these financial statements.

The Library has no non-budgetary credit program financing accounts; all amounts above are budgetary.

# THE LIBRARY OF CONGRESS

## Consolidated Statements of Financing

For the Fiscal Years Ended September 30, 2006 and 2005

(Dollars in Thousands)

	2006	2005
<b><i>Resources Used to Finance Activities</i></b>		
<b>Budgetary Resources Obligated:</b>		
Obligations incurred	\$ 889,807	\$ 729,622
Spending authority from offsetting collections and recoveries	(126,064)	(134,263)
<b>Obligations net of offsetting collections and recoveries</b>	<u>763,743</u>	<u>595,359</u>
Less: Offsetting Receipts	(45,942)	(23,300)
<b>Net Obligations</b>	<u>717,801</u>	<u>572,059</u>
<b>Other Resources:</b>		
Donations of property and services	16,400	7,507
Imputed financing from costs absorbed by others	72,873	73,521
Exchange revenue not in the budget	(112)	(222)
Non-exchange revenue not in the budget	(569)	(12)
Trust/Special fund exchange revenue receipts	(5,830)	(3,402)
Other resources (+/-)	<u>6,316</u>	<u>7,362</u>
<b>Total Resources Used to Finance Activities</b>	806,879	656,813
<b><i>Resources Used to Finance Items not Part of the Net Cost of Operations</i></b>		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided (+/-)	(3,097)	1,912
Resources that finance the acquisition of assets	(9,843)	(4,042)
Budgetary offsetting receipts that do not affect net cost of operations	45,942	23,300
Other resources or adjustments to net obligations that do not affect net cost of operations (+/-)	<u>(192,679)</u>	<u>(43,292)</u>
<b>Total Resources Used to Finance Items not Part of the Net Cost of Operations</b>	<u>(159,677)</u>	<u>(22,122)</u>
<b>Total Resources Used to Finance the Net Cost of Operations</b>	647,202	634,691
<b><i>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period</i></b>		
<b>Components Requiring or Generating Resources in Future Periods:</b>		
Increase in annual leave liability and actuarial liabilities	88	474
Other (+/-)	<u>5</u>	<u>0</u>
<b>Total Components Requiring or Generating Resources in Future Periods</b>	93	474
<b>Components not Requiring or Generating Resources:</b>		
Depreciation and amortization	11,483	8,210
Revaluation of assets or liabilities (+/-)	(5,751)	(7,543)
Bad debt from public vendor overpayment receivables	(1)	384
Other costs not requiring or generating budgetary resources (+/-)	<u>(7)</u>	<u>(436)</u>
<b>Total Components not Requiring or Generating Resources</b>	<u>5,724</u>	<u>615</u>
<b>Total Components of Net Cost of Operations that will not Require or Generate resources in the Current Period</b>	<u>5,817</u>	<u>1,089</u>
<b>Net Cost of Operations</b>	<u>\$ 653,019</u>	<u>\$ 635,780</u>

The accompanying notes are an integral part of these financial statements.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Years Ended September 30, 2006 and 2005**

<b>1</b> <i>Summary of Significant Accounting Policies</i>
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**A. Reporting Entity**

The Library of Congress (Library), a legislative branch agency of the federal government, was established in 1800 primarily to provide information and policy analyses to the members and committees of the U.S. Congress. Since then, the Library has been assigned other major missions such as administering the U.S. copyright laws, providing cataloging records to the nation's libraries, and coordinating a national program to provide reading material for blind and physically handicapped residents of the U.S. and its territories and U.S. citizens residing abroad. The Library also provides services to other federal agencies and administers various gift funds and funds accepted and controlled by the Library of Congress Trust Fund Board (TFB).

The Library's programs and operations are subject to oversight by the Joint Committee on the Library, which is comprised of members of the U.S. House of Representatives and Senate. The Library relies primarily on appropriated funds to support its programs and operations. Budget requests are subject to review by the House Committee on Appropriations and the Senate Subcommittees on Legislative Branch, Committee on Appropriations. The Library also receives funds from other agencies for services provided under the Economy Act and other statutes. In addition, the Library administers several fee-for-service revolving funds and receives donations from the public, which are classified as gifts or funds accepted and controlled by the Library of Congress Trust Fund Board, which consists of the Librarian of Congress (who is Chairman and Secretary of the Trust Fund Board), the Chairman and Vice-Chairman of the Joint Committee on the Library, the Secretary of the Treasury (or an assistant secretary designated in writing by the Secretary of the Treasury), and ten additional members appointed by the President (two), the U.S. House of Representatives (four), and the U.S. Senate (four).

Entity activities are those for which the Library has the authority to use the assets. Non-entity activities consist

primarily of custodial accounts that are not available for use by the Library.

**B. Basis of Presentation**

The accompanying financial statements report the financial position, net costs, changes in net position, budgetary resources and financing of the Library for fiscal years 2006 and 2005. These consolidated and combined financial statements include the accounts of all funds under the Library's control, which have been established and maintained to account for the resources of the Library. They were prepared from the Library's financial management system in accordance with Generally Accepted Accounting Principles (GAAP).

Material intra-Library transactions and balances have been eliminated from the Consolidated Balance Sheets, the Consolidated Statements of Net Cost, and the Consolidated Statements of Changes in Net Position. The Statement of Budgetary Resources is presented on a combined basis; therefore, intra-Library transactions and balances have not been eliminated from this statement. Intra-Library transactions and balances have been eliminated from all amounts on the Consolidated Statements of Financing, except for obligations incurred and spending authority from offsetting collections and recoveries, which are presented on a combined basis.

As a legislative branch agency, the Library is not required to follow the executive agency accounting principles established by the Comptroller General under 31 U.S.C. 3511 or the standards developed by the Federal Accounting Standards Advisory Board (FASAB). However, the Library maintains its fund balances with the Department of the Treasury and submits information required to incorporate its financial and budgetary data into the overall federal government structure. For purposes of financial management and reporting, the Library has issued a regulation (LCR 1510), which adopts the federal standards for financial reporting and internal controls in a manner consistent with a legislative agency. The Library has not adopted the Federal Financial

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Years Ended September 30, 2006 and 2005**

Management Improvement Act of 1996, the Federal Managers Financial Integrity Act and the Government Performance and Results Act, as these standards are not applicable to the Library. However, the Library uses these sources as guidance and reference in its operations.

The statements include 4 (4) appropriated fund accounts; 26 (26) revolving (and gift revolving) funds; 23 (26) reimbursable funds; 104 (103) TFB funds; and 126 (128) gift funds for fiscal year 2006 (and 2005, respectively).

**C. Basis of Accounting**

The Library's financial statements conform to accounting principles generally accepted in the United States of America as promulgated by the Federal Accounting Standards Advisory Board (FASAB). The American Institute of Certified Public Accountants recognizes FASAB Standards as generally accepted accounting principles for federal reporting entities.

The statements were also prepared based on guidance published in the Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements. The Library is not required to adopt this circular, and accordingly has elected to use the disclosures management deems necessary for the fair presentation of financial statement information.

The accounting structure of the Library is designed to reflect both accrual and budgetary accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. The budgetary accounting, on the other hand, is designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The budgetary accounting facilitates compliance with legal constraints on and controls over the use of federal funds.

The preparation of financial statements in conformity with GAAP requires management to make estimates

and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**D. Revenues and Other Financing Sources**

• **Appropriations**

The Library receives the majority of its funding to support its programs through four appropriations that include both annual and no-year funding. The appropriated funds may be used, within statutory limits, for operating and capital expenditures including equipment, furniture and furnishings. Appropriations are recognized as revenues at the time they are expended. The four appropriations for fiscal year 2006 are:

- Library of Congress, Salaries and Expenses (annual and no-year)
- Copyright Office, Salaries and Expenses (annual and no-year)
- Congressional Research Service, Salaries and Expenses (annual)
- National Library Service for the Blind and Physically Handicapped, Salaries and Expenses (annual and no-year)

• **Earned Revenues**

Additional amounts are obtained through reimbursements from services performed for other federal agencies as authorized by the Economy Act and the Library's annual appropriations legislation. In addition, the Library operates several self-sustaining revolving funds that generate revenues from the sale of various products and services to the public and federal customers. Revolving and reimbursable fund revenue is recognized when goods have been delivered or services rendered.

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Under the authority of 2 U.S.C. 182, the Cooperative Acquisitions Revolving Fund was established on October 1, 1997, and is the program under which the Library acquires foreign publications and research materials on behalf of participating institutions on a cost-recovery basis. 2 U.S.C. 182 was amended for the establishment of revolving funds for Audio and Video Duplication, Gift Shop Operations, Decimal Classification, Photo Duplication, Special Events, FEDLINK and Federal Research Program. The Audio and Video Duplication fund provides audio and video duplication and delivery services which are associated with the National Audiovisual Conservation Center. The Decimal Classification fund performs decimal classification development. The Gift Shop fund operates a gift shop and other sales of items associated with collections, exhibits, performances, and special events at the Library. The Photo Duplication fund provides document reproduction and microfilming services. The Special Events fund performs services related to the hosting of special events and programs by the Librarian in Library facilities. The FEDLINK program is the program of the Library under which procurement of publications and library support services, along with related accounting, education and support services are provided to Federal Government or District of Columbia entities. The Federal Research Program provides research reports, translations and analytical studies for Federal Government or District of Columbia entities.

- **Imputed Financing Sources**

In accordance with FASAB's Statement of Federal Financial Accounting Standards (SFFAS) No. 4, "Managerial Cost Accounting Standards and Concepts" the Library has recorded expenses for the unreimbursed full costs of goods and services that it receives from other legislative branch agencies (i.e., the Architect of the Capitol and the Government Printing Office) and executive branch agencies specifically identified for fiscal years 2006 and 2005 reporting by OMB, (i.e., the Office of Personnel Management (OPM) and the Department of the Treasury). Since these costs are not actually paid to the other agencies, an imputed

financing source is recorded to offset these costs that are financed by the other Federal agencies.

- **Custodial Funds**

The Library of Congress Copyright Office Licensing Division administers the compulsory and statutory licenses covered by the copyright law (17 U.S.C.). The Licensing Division receives royalty fees from cable television operators for retransmitting television and radio broadcasts, from satellite carriers for retransmitting "super station" and network signals, and from importers and manufacturers for distributing digital audio recording technologies (DART). Refunds may arise when a cable, satellite, or DART remitter inadvertently overpays or is otherwise entitled to a refund. The Licensing Division invests the licensing royalty fees in market-based U.S. Treasury notes and bills. Because these investments are held in a custodial capacity for the copyright owners, income does not accrue to the Library's benefit.

Controversies regarding the distribution of the royalties are resolved by the Copyright Royalty Board (CRB), which is composed of three Copyright Royalty Judges and their staff. The CRB has full jurisdiction over setting royalty rates and terms and determining distributions. Decisions may be appealed to the United States Court of Appeals for the District of Columbia Circuit.

- **Donation and Interest Revenue**

The Library receives monetary gifts from donors and receives interest on invested funds. The Library also received gifts of donated property or services during fiscal years 2006 and 2005. The Library records these in-kind donations as donated revenue in the period earned and an offsetting expense in the same period. The Ad Council provided nearly all of the in-kind donations in the form of free advertising for America's Library website. Several vendors provided in-kind donations for the Library's annual book festivals and several other meetings. Finally, the Ira and Leonore Gershwin Trust Fund and Related Charitable Trust provided in-kind materials and services to the Library.



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• **Deferred Credits**

The Library received gifts subject to certain conditions being met. These are not considered earned until the conditions are met, and are recorded as deferred credits until earned.

**E. Gift and TFB Funds**

The Library administered gift and TFB funds with combined asset value of approximately \$154.4 million and \$145.3 million during fiscal years 2006 and 2005, respectively. The use of these funds is restricted according to the terms of the gift agreement. In general, funds are either temporarily restricted (principal may be spent) or permanently restricted (principal may not be spent). Additional restrictions may be imposed on TFB funds by the terms of an agreement or donor's will. Library fund managers administer and oversee the gift and TFB funds to ensure they are used as directed by the donors and in accordance with Library policy.

**F. Fund Balance with Treasury**

The amount shown as Fund Balance with Treasury represents the balances of the appropriated, reimbursable, gift and TFB funds, revolving, deposit and custodial funds that are on deposit with the U.S. Treasury.

**G. Cash and Other Monetary Assets**

Cash and other monetary assets are defined as all cash not held by the U.S. Treasury. This category includes deposits in transit, cash on hand and imprest funds.

The Library receives and utilizes foreign currencies in carrying out operations abroad as it conducts business through six overseas offices. Foreign currency balances at year-end are immaterial to the financial statements.

**H. Investments (Net)**

Gift and TFB Funds - The Library of Congress Trust Fund Board determines the investment policy for the Library's gift and TFB funds. The policy provides three options for investment of TFB funds:

- A permanent loan with the U.S. Treasury
- A pool of U.S. Treasury market-based securities
- A private investment pool consisting of the following stock, index and money market funds utilized during fiscal year 2006 and 2005:
  - Vanguard Money Market Prime Fund
  - Vanguard Institutional Index Fund
  - Vanguard Capital Opportunity Fund
  - Fidelity Blue Chip Growth Fund
  - Fidelity Capitol Appreciation Fund
  - Fidelity Growth Company Fund
  - Fidelity Dividend Growth Fund

The policy for gift funds allows only for investment in U.S. Treasury market-based securities.

Under 2 U.S.C. 158, up to \$10 million of the Library's gift and TFB funds may be invested with the U.S. Treasury as a permanent loan at a floating rate of interest, adjusted monthly, but no less than four percent per annum. The permanent loan is an interest bearing investment recorded at cost, which is the same as market value.

Treasury securities are intended to be held to maturity, are valued at cost, and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method, which approximates the effective interest method.

Stock and money market funds are stated at current market value and are considered available for sale. Unrealized gains and losses are recognized and

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recorded as a component of non-exchange revenue in the statement of changes in net position.

All gift and TFB fund investments are obtained and held by the gift and TFB funds under conditions set forth in the respective gift and TFB instruments.

Custodial Fund - Copyright royalties collected by the Copyright Office on behalf of copyright owners are invested, net of service fees, in U.S. Treasury securities. Treasury securities are intended to be held to maturity, are valued at cost and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method, which approximates the effective interest method. These investments will be held until distributions are made to copyright owners. Income accrues to the benefit of the copyright owners.

Deposit Funds - Pursuant to Public Law 105-80, funds deposited by copyright applicants are invested, based on the unearned balance available, by the Copyright Office in U.S. Treasury securities. Treasury securities are intended to be held to maturity, are valued at cost and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method, which approximates the effective interest method. These investments will be held until the deposit fees are earned and income accrues to the benefit of the Copyright Office.

**I. Accounts Receivable**

Accounts receivable primarily resulted from billings to other federal agencies under reimbursable interagency agreements for database retrieval and other library services. The Library has established an allowance for doubtful accounts against accounts receivable due from non-federal customers, based on past collection experience. The Library does not record allowance for doubtful accounts for intragovernmental accounts receivable in accordance with SFFAS No. 1, "Accounting for Selected Assets and Liabilities," which cites that "losses on receivables should be recognized when it is more likely than not that the receivable will not be totally collected."

Intragovernmental receivables are likely to be totally collected.

**J. Pledges Receivable**

Contributions of unconditional promises to give (pledges) to the Library and the Library of Congress TFB are recognized as donated revenue in the period the pledge is received. They are recorded at their estimated present value using a market-based discount rate. Accretion of the discount in subsequent years is also recorded as donated revenue. Substantially all of the Library's pledges are from major corporations or donors. The Library regularly monitors the status of all pledges and adjusts accordingly; therefore no allowance for uncollectible pledges has been established.

**K. Inventory and Related Property**

The Library's inventories and supplies and materials are primarily comprised of bibliographic products, unissued supplies and unused postage that will be consumed in future operations; materials used to reproduce printed materials; sound recordings for both internal and external sales; and sales shop merchandise for resale. Consumable operating supplies are valued at cost using a first-in first-out method of valuation. Sales shop merchandise is valued at cost or market, whichever is lower. The recorded values of inventory and operating materials and supplies are adjusted for the results of periodic physical counts.

**L. Property and Equipment**

For fiscal years prior to 1998, the Library capitalized furniture and equipment at cost if the initial acquisition cost was \$10,000 or more. Starting in fiscal year 1998, the Library capitalizes furniture and equipment at cost if the initial acquisition cost is \$25,000 or more. Depreciation is computed on a straight-line basis using estimated useful lives.

Property and equipment accounts are maintained in three categories of funds: Appropriated, Reimbursable

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and Revolving. The appropriated fund category includes all property and equipment used by the Library for general operations. Property and equipment purchased by the Integrated Support Services Administrative Working Fund are recorded in the reimbursable funds. Property and equipment purchased by FEDLINK, the Federal Research Program, Document Reproduction and Microfilm Service, Audio Visual Services, and the Cooperative Acquisitions Program are recorded in the revolving funds.

The Library occasionally acquires property and equipment by direct gift or by purchase from funds donated for a specific purpose or project. Because property is generally not restricted for use to gift and trust activities, property accounts are not maintained in the gift and TFB funds. Capitalized property and equipment acquired through gifts are recognized as donated revenue in the gift and TFB funds and transferred to the Library's appropriated fund. The Library records the donated property and equipment at its fair market value at the time of the gift.

Operating equipment is amortized over a 3 to 20-year period. Software includes ADP software purchased from outside vendors and software defined as "internal use software" in accordance with SFFAS No. 10, "Accounting for Internal Use Software." All software recorded has an estimated useful life of three years or more and a value of at least \$10,000 per item acquired in fiscal years 1997 and prior or at least \$100,000 per item acquired in fiscal years after 1998.

Leased equipment meeting the criteria for capitalization in accordance with Statements of Federal Financial Accounting Standards is included in property and equipment.

Land and buildings are excluded from the Library's property and equipment accounts because they are under the custody and control of the Architect of the Capitol. This arrangement encompasses four Capitol Hill buildings (the Thomas Jefferson, James Madison, John Adams Buildings, and the Special Facilities Center) and a secondary storage facility at Fort Meade,

Maryland. The Architect receives an appropriation from Congress to fund maintenance, care and operations of the Library's buildings and grounds. Costs associated with the acquisition and maintenance of these buildings is accounted for by the Architect. However, the Library has recorded the inter-entity costs and related imputed financing source in its books. The Library does capitalize and depreciate leasehold improvements to its facilities as long as the improvements were made using the Library's funding sources.

**M. Library Collections**

The Library's collections are classified as "heritage assets." Heritage assets are assets with historical, cultural, educational, artistic or natural significance.

The Library has collection development policies, which are designed to fulfill its responsibilities to serve (1) the Congress and United States government as a whole, (2) the scholarly and library community, and (3) the general public. Written collection policy statements ensure that the Library makes every effort to possess all books and library materials necessary to the Congress and various offices of the United States government to perform their duties; a comprehensive record, in all formats, documenting the life and achievement of the American people; and a universal collection of human knowledge embodying primarily in print form the records of other societies, past and present.

Copyright deposits are a major source of the Library's collections of Americana. The Library also acquires materials by purchase, transfer from other federal agencies, gift, domestic and international exchange, or by provisions of state and federal law. Many of these materials are foreign publications. Various preservation methods are used to maintain the collections, and disposals occur only for the exchange and gift of unwanted or duplicate copies.

The collections are priceless and in many cases irreplaceable. No financial value can be placed on them. So, in accordance with federal accounting standards, their value is not presented on the balance

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sheet. The cost of acquiring additions to the collections is expensed when incurred in the statement of net cost. Stewardship information covering the acquisition, use, preservation, and security of the collections is contained in a supplementary Stewardship Report.

**N. Liabilities**

Liabilities represent the amounts that are likely to be paid by the Library as a result of transactions that have already occurred. Liabilities for which an appropriation has not been enacted, or which are the result of deposit account activities, are classified as liabilities not covered by budgetary resources. For accrued unfunded annual leave, compensatory time earned, workers' compensation and capital lease liabilities, it is not certain that appropriations will be enacted to fund these amounts.

Advances From Others are funds received for the revolving programs that have not yet been earned.

Custodial and Deposit Liabilities are customer funds on deposit for Copyright Photoduplication and Cataloging Distribution Service products and services. This category also includes the custodial funds for Copyright royalties.

Accrued Annual and Compensatory Leave - The Library's basic leave policy is contained in Title 5, U.S.C.; the Uniform Annual and Sick Leave Regulations of the Office of Personnel Management; and the decisions of the Comptroller General. Generally, each employee may carry forward a maximum of 240 hours of annual leave per calendar year. Accrued annual leave is accrued as it is earned and adjusted at the end of each fiscal year based on annual leave earned and taken. Annual leave earned in excess of the maximum permitted carryover is forfeited. Each year, the balance in the accrued annual

leave account is adjusted to reflect current pay rates.

Employees' compensatory time earned but not taken is also accrued at year-end. An employee may accumulate a maximum of 40 hours of compensatory time during the fiscal year. A maximum of 20 hours may be carried forward from one leave year to the next only when it was earned during the last pay period of the leave year. Exceptions to the accumulation and carry forward rules require the approval of the Librarian or his/her designee.

Sick leave and other types of nonvested leave are expensed as taken.

Capital Lease Liabilities are liabilities resulting from capital leases of equipment. The Library's lease agreements are annual fiscal year contracts that are subject to the availability of funding. The agreements contain a lease to purchase provision and there is no penalty for discontinuing the lease and turning back equipment prior to the completion of the agreement.

**O. Federal Employee Retirement Benefits**

Approximately 31 percent and 35 percent of the Library's employees participated in the Civil Service Retirement System (CSRS) during fiscal years 2006 and 2005, respectively, to which the Library makes contributions equal to seven percent of pay. Approximately three percent of employees under CSRS during fiscal years 2006 and 2005 are also covered by Social Security (FICA), for which the Library's contribution is slightly less.

Approximately 65 percent and 61 percent of the Library's employees were covered by the Federal Employees Retirement System (FERS) during fiscal years 2006 and 2005, respectively, to which the Library's normal contribution was 11.2 percent of pay

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during fiscal years 2006 and 2005, respectively. Additionally, for employees under FERS, the Library contributes an automatic one percent of employee's pay, plus matches employee Thrift Savings Plan (TSP) contributions up to four percent of pay (matched dollar-for-dollar on the first three percent of pay and 50 cents on the dollar for the next two percent of pay). Under FERS, the employee is also covered by FICA to which the Library contributes the employer's matching share.

Approximately three percent and four percent of the Library's employees were covered only by FICA during fiscal years 2006 and 2005, respectively, to which the Library contributes the employer's matching share. The remaining one percent of the Library's employees were covered by other retirement plans or not covered by any plan during fiscal year 2006.

The accrued contributions due at the end of the fiscal year are reported as liabilities covered by budgetary resources.

The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of Social Security, FERS and CSRS is not allocated to individual Federal departments and agencies. However, in accordance with SFFAS No. 5, "Accounting for Liabilities of the Federal Government," current year expenses were recorded for the service cost of the Library's employee retirement, health and life insurance benefits during fiscal years 2006 and 2005, respectively, and was offset by an imputed financing source, which represents the amount being financed directly by OPM.

**P. Federal Government Transactions**

The financial activities of the Library interact with and depend on other federal government agencies. Thus, the Library's financial statements do not reflect all financial decisions and activities applicable to it as if it were a stand-alone entity. The financial statements do not contain the cost of activities performed for the benefit of the entire government, nor do they include the agency's share of the federal deficit or of public borrowings, including interest thereon. However,

expenses have been recognized for expenses incurred by certain other agencies on behalf of the Library, including settlement of claims and litigation paid by the Treasury's Judgment Fund and the partial funding of employee benefits by OPM.

The Library's program for the blind and physically handicapped participates in the U.S. Postal Service's (USPS) "Matter for Blind and Other Handicapped Persons" program (39 U.S.C. 3403 - 3406). This Postal Service program receives an appropriation from Congress to provide free postage for qualifying organizations, programs, and individuals such as mail from war zones, letters from blind people to anyone, and organizations that work for the blind. The Library's National Library Service for the Blind and Physically Handicapped uses this free matter program for mailing all books and equipment to its participating lending libraries and patrons. No cost for this has been determined, nor included in the Library's financial statements as the Library views the relationship with the USPS and state and local libraries as a partnership and not inter-entity costs.

Services Provided to other Federal Agencies:

- The Library is authorized to provide to other federal libraries and agencies services such as automated library information and other data base retrieval services through data base vendors and in-house research studies. These services are provided on a cost reimbursement basis and are billed in advance of providing the services. At year-end the Library estimates the amount received in advance (Advances From Others - Intragovernmental) and the amount to be received for services provided (Accounts Receivable - Intragovernmental).

Services Provided by other Federal Agencies:

Three governmental agencies provide administrative services to the Library on a reimbursable basis.

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- The Department of Agriculture's National Finance Center (NFC) processes the Library's personnel, payroll, and employee benefits accounting transactions.
- The Library utilizes the services of the Department of State as documented by the International Cooperative Administrative Support Services (ICASS) system to support the Library's six overseas field offices.
- General Services Administration (GSA) provides building and vehicle leasing services for the Library.

**Q. Related Party Organizations**

The Library lends support to several related organizations, projects, and programs from which it receives benefits in various forms. The following is a list of these organizations or programs:

**1. Telephone Pioneers of America** - The Telephone Pioneers is a large industry-related organization that voluntarily repairs playback machines for the blind and physically handicapped program. Approximately 1,500 Telephone Pioneers (AT&T retirees) and Elfuns (General Electric retirees) donate their time to repair the cassette book machines and talking book machines.

**2. Library of Congress Child Care Association (LCCCA)** - The LCCCA is a nonprofit corporation under the District of Columbia's Nonprofit Corporation Act. It was granted 501(c)(3) status by the Internal Revenue Service on August 31, 1992, and currently operates as the "Little Scholars Child Development Center." The center is located on the ground floor of the Library's Special Facilities Center, 601 East Capitol Street, District of Columbia. The center provides childcare for Library employees and other federal and non-federal employees. Its

operations, management, and employees are the responsibility of the LCCCA and not the Library. However, the Library and the Architect of the Capitol support the center with equipment, free space, cleaning and maintenance of grounds and building, utilities, local telephone service, and security. The value of the services provided by the Library cannot be readily determined. In addition, the Library, in accordance with Public Law 106-554, pays the government contributions for individuals receiving health, life and retirement benefits provided by the Office of Personnel Management. The Library provides an official who is a non-voting representative on the center's Board of Directors and who acts as a liaison with the Library.

**3. The Archer M. Huntington Charitable Trust** - This charitable trust was established in 1936 and is controlled and invested by the Bank of New York. The assets of the endowment are not a part of the Library of Congress Trust Fund Board and the board's only control over its investment activities is through the role of the Librarian of Congress as trustee. The trust is defined as a split-interest agreement with a fair value of assets of \$5.3M and \$5.1M at September 30, 2006 and 2005, respectively. The Library is entitled to one-half of the income from the trust for perpetuity, which is used to support a rotating consultantship to bring "distinguished men of letters . . ." to the Library. Currently, the income assists in the funding of a "poet laureate" position, the acquisition of materials for the Library's Hispanic collections, and the promotion of activities of the Hispanic Division, particularly those that relate to Spain, Portugal and Latin America.

**4. Ira and Leonore Gershwin Trust Fund and Related Charitable Trust** - Under the will of Mrs. Leonore Gershwin, the Library of Congress Trust Fund Board is the beneficiary of 37.5 percent of Mrs. Gershwin's "1987

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Trust." The will established the "Library Charitable Trust" which was accepted by the Library of Congress Trust Fund Board in January 1992. The primary purpose of the trust is to perpetuate the name and works of George and Ira Gershwin through all resources of the Library. The charitable trust does not belong to the Library but is a separate entity administered by trustees. The net income of the charitable trust is distributed to the Library's Ira and Leonore Gershwin Trust Fund yearly or upon the request of the Library. Income is recorded by the Library in the period received. The balance of the

principal of the charitable trust will be distributed to the Library in 2033, fifty years after the date of death of Ira Gershwin.

**R. Reclassifications**

Certain FY2005 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with current year presentation.

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*2 Fund Balance With Treasury*

**A. Fund balance with Treasury at September 30, 2006 and 2005, is summarized as follows:**

(Dollars in Thousands)

	<b>2006</b>	<b>2005</b>
Appropriated Funds (2)	\$290,367	\$282,485
Revolving and Reimbursable Funds	75,598	65,245
Gift and TFB Funds (1)	14,740	14,250
Custodial, Deposit and Other Funds	1,354	1,554
<b>Total</b>	<b>\$382,059</b>	<b>\$363,534</b>

(1) At September 30, 2006 and 2005, the gift and TFB fund balance with Treasury included \$10 million invested in the permanent loan, which is included in fund balance with Treasury, at interest rates of percent 4.6 and 4.5 percent, respectively.

(2) Pursuant to Public Laws 106-554, 108-447, and 109-55, \$39 million is unavailable for expenditure unless matched with non-Federal contributions for the NDIIPP that are received by March 31, 2010.

**B. Status of Fund Balance with Treasury**

	<b>2006</b>	<b>2005</b>
Unobligated Balances Available	\$121,756	\$119,609
Unobligated Balances Unavailable	21,493	27,053
Obligated Balances not yet Disbursed	238,810	216,872
<b>Total</b>	<b>\$382,059</b>	<b>\$363,534</b>



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**3 *Custodial Funds***

Custodial activity consists of the following:

(Dollars in Thousands)

	<b>2006</b>	<b>2005</b>
<b>Source of Cash Collection:</b>		
Licensing Fees	\$226,794	\$214,240
Investment Interest	43,465	21,737
Total Cash Collections	270,259	235,977
Investment Amortizations/Accruals	840	988
<b>Total Custodial Revenue</b>	<b>\$271,099</b>	<b>\$236,965</b>
<b>Disposition of Collections:</b>		
Payments to Copyright Owners	(191,043)	(39,843)
Refunds	(935)	(1,227)
Change in Investment Premium	0	(9)
Retained by Copyright Licensing for Administrative Costs	(5,117)	(3,155)
<b>Net Custodial Activity</b>	<b>74,004</b>	<b>192,731</b>
Beginning Custodial Liability	1,048,431	855,700
<b>Ending Custodial Liability</b>	<b>\$1,122,435</b>	<b>\$1,048,431</b>

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<b>4 <i>Investments, Net</i></b>
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Investments at September 30, 2006 and 2005 are as follows:

(Dollars in Thousands)

	2006			2005		
	<b>A. Intragovernmental Investments Non-Marketable, Market-Based</b>	<b>B. Other Investments Private Sector</b>	<b>Total</b>	<b>A. Intragovernmental Investments Non-Marketable, Market-Based</b>	<b>B. Other Investments Private Sector</b>	<b>Total</b>
<b>Face Value</b>	\$1,180,430		\$1,180,430	\$1,097,444		\$1,097,444
<b>Cost</b>		78,752	78,752		82,165	82,165
<b>Unamortized Premium</b>	(1)		(1)	4		4
<b>Unrealized Discount</b>	(4,743)		(4,743)	(2,962)		(2,962)
<b>Interest Receivable</b>	673		673	388		388
<b>Investments, Net</b>	<b>1,176,359</b>	<b>78,752</b>	<b>1,255,111</b>	<b>1,094,874</b>	<b>82,165</b>	<b>1,177,039</b>
<b>Market Value</b>	<b>\$1,175,857</b>	<b>\$77,445</b>	<b>\$1,253,302</b>	<b>\$1,094,384</b>	<b>\$75,121</b>	<b>\$1,169,505</b>

**A. Intragovernmental Investments**

Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. TFB fund investment maturity dates for fiscal years 2006 and 2005 range from October 5, 2006 to April 30, 2008 and October 6, 2005 to May 15, 2006, respectively, and interest rates for the same fiscal years range from 3.5 percent to 5.05 percent and 2.72 percent to 4.63 percent, respectively.

Custodial funds investment maturity dates for fiscal years 2006 and 2005 range from October 19, 2006 to August 31, 2007 and October 06, 2005 to August 31, 2006, respectively, and interest rates for the same fiscal years range from 3.75 percent to 4.71 percent and 1.50 percent to 3.42 percent, respectively.

**B. Other Investments**

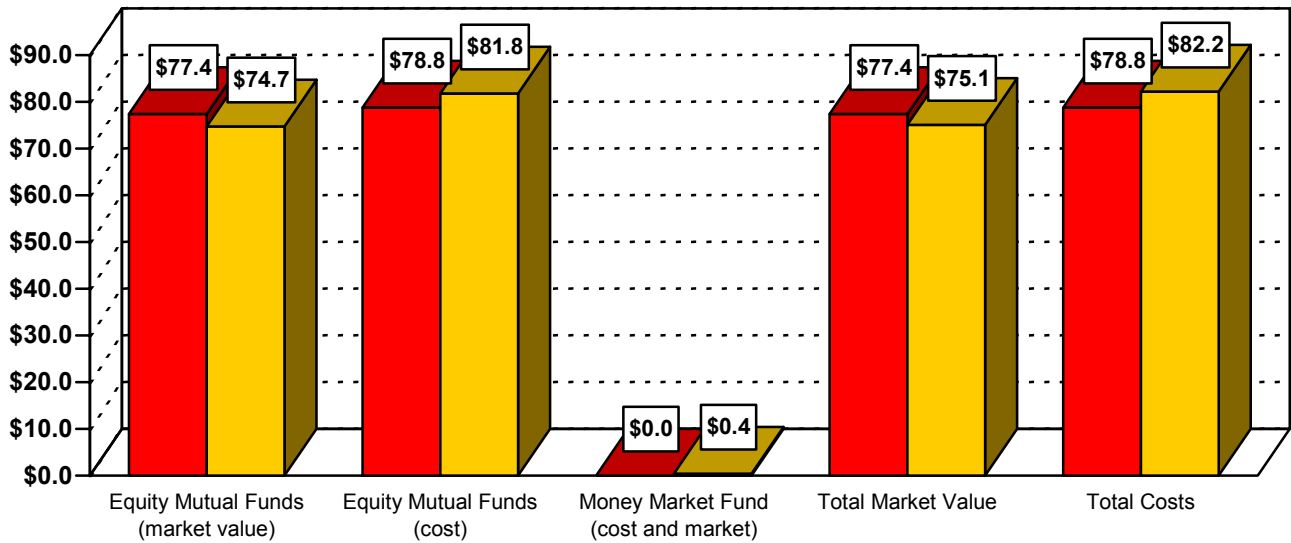
Other investments are the Library's investments in private sector money market and mutual funds. Cost was derived from the investments made plus reinvested gains, dividends, and interest.

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Balances at September 30, 2006 and 2005, are as follows:

**Non-Treasury Investments**

■ Fiscal Year 2006 ■ Fiscal Year 2005



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5 Receivables

The breakdown of consolidated gross and net accounts receivable at September 30, 2006 and 2005, are as follows:

**A. Accounts Receivable**

(Dollars in Thousands)

	2006	2005
Intragovernmental		
Accounts Receivable, Gross and Net	\$14,545	\$13,917
With the Public		
Accounts Receivable, Gross	4,553	630
Allowance for Doubtful Accounts	(27)	(28)
Accounts Receivable, Net	4,526	602

**B. Pledges Receivable**

At September 30, 2006 and 2005, the Library had unconditional pledges of contributions totaling \$11.1 million and \$15.4 million, which were discounted through fiscal years 2032 and 2031 at a market

discount rate and included in the statement of financial position at their discounted value of \$9.7 million and \$13.6 million, respectively.

The amounts due in future years, at September 30, at their current discounted value are:

(Dollars in Thousands)

Fiscal Year	2006	2005
2006	-	\$9,092
2007	\$6,175	2,993
2008	1,277	115
2009	485	111
2010	339	106
2011-2032	1,435	1,218
<b>Total</b>	<b>\$9,711</b>	<b>\$13,635</b>

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**6** *Property and Equipment*

Property and equipment that were capitalized at September 30, 2006 and 2005 are as follows:

(Dollars in Thousands)

Classes of Property and Equipment	2006			2005		
	Acquisition Value	Accumulated Depreciation/Amortization	Net Book Value	Acquisition Value	Accumulated Depreciation/Amortization	Net Book Value
Security Improvements – Leasehold Improvements in-progress	\$0	\$0	\$0	\$4,144	\$0	\$4,144
Operating Equipment	78,256	73,524	4,732	72,359	65,757	6,602
Software	26,985	11,957	15,028	25,347	9,197	16,150
Furniture & Furnishings	985	564	421	985	515	470
Capital Leases	0	0	0	82	70	12
Leasehold Improvements	22,996	11,412	11,584	16,509	10,586	5,923
<b>Total</b>	<b>\$129,222</b>	<b>\$97,457</b>	<b>\$31,765</b>	<b>\$119,426</b>	<b>\$86,125</b>	<b>\$33,301</b>

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Years Ended September 30, 2006 and 2005**

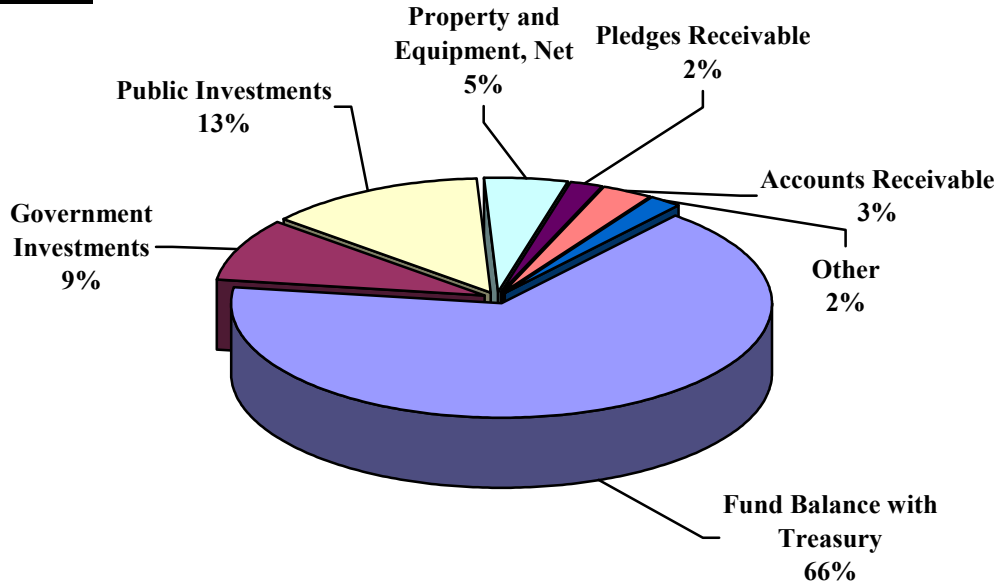
**7** *Entity and Non-Entity Assets*

(Dollars in Thousands)

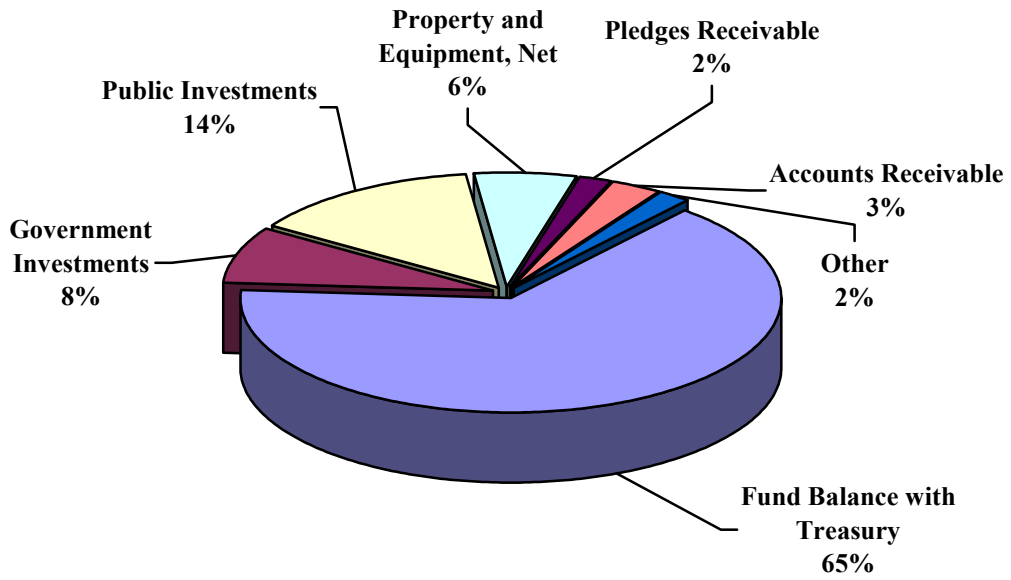
	2006			2005		
	Entity	Non-Entity	Total	Entity	Non-Entity	Total
Intragovernmental Assets						
Fund Balance with Treasury	\$381,652	\$407	\$382,059	\$363,337	\$197	\$363,534
Investments	54,318	1,122,041	1,176,359	46,641	1,048,233	1,094,874
Accounts Receivable, Net	14,540	5	14,545	13,827	90	13,917
Other Assets	2,608		2,608	7,465		7,465
Investments	77,445		77,445	75,121		75,121
Pledge Receivable - Donations	9,711		9,711	13,635		13,635
Cash and other Monetary Assets	622		622	581		581
Inventory	917		917	1,345		1,345
Property and Equipment, Net	31,765		31,765	33,301		33,301
Other Assets	4,754	3	4,757	916	3	919
<b>Total</b>	<b>\$578,332</b>	<b>\$1,122,456</b>	<b>\$1,700,788</b>	<b>\$556,169</b>	<b>\$1,048,523</b>	<b>\$1,604,692</b>

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Years Ended September 30, 2006 and 2005**

**2006 Entity Assets**



**2005 Entity Assets**



**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Years Ended September 30, 2006 and 2005**

8 Leases

**A. Capital Leases**

The Library does not have assets under capitalized leases for machinery and equipment as of September

30, 2006. Estimated future minimum lease payments are as follows:

(Dollars in Thousands)

Fiscal Year Ended September 30	2006	2005
2006	\$ 0	\$ 6
2007	0	0
2008	0	0
2009	0	0
2010	0	0
2011 and thereafter	0	0
Total Future Lease Payments	0	6
Less: Imputed Interest	0	2
<b>Net Capital Lease Liability</b>	<b>\$ 0</b>	<b>\$ 4</b>

**B. Operating Leases**

The Library leases office space and vehicles from the General Services Administration and has entered into other operating leases for various types of equipment. Additionally, the Library's overseas field offices lease operating space from the Department of State.

Lease costs for office space, vehicles and equipment for fiscal years 2006 and 2005 amounted to \$4,138,250 and \$3,651,192 respectively. Under existing commitments as of September 30, estimated future minimum lease payments through fiscal year 2011 are as follows:

(Dollars in Thousands)

Fiscal Year Ended September 30	2006	2005
2006	\$0	\$1,730
2007	4,703	175
2008	4,185	112
2009	3,899	58
2010	3,854	5
2011 and thereafter	1,288	0
<b>Total Estimated Future Lease Payments</b>	<b>\$17,929</b>	<b>\$2,080</b>



**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Years Ended September 30, 2006 and 2005**

**9 Workers' Compensation**

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for Library employees under FECA are administered by the Department of Labor (DOL) and later billed to the Library.

The Library is using estimates provided by DOL to report the FECA liability. The Library accrued

\$1,757,993 and \$1,596,827 of unbilled or unpaid workers' compensation costs as of September 30, 2006 and 2005, respectively. The amount owed to DOL is reported on the Library's Balance Sheet as an intragovernmental liability. The Library also established an estimated unfunded liability payable to employees, for future costs based on historical claims rates. The estimated future unfunded liability is \$7,747,786 and \$8,130,471 as of September 30, 2006 and 2005, respectively, and is based on a ten-year projection. This liability is recorded on the Balance Sheet as a liability with the public.

**10 Contingent Liabilities**

Several claims relating to employment matters are outstanding against the Library. While management cannot predict the outcome of the claims and is unable to estimate the potential loss, the maximum loss under each claim may not exceed \$300,000 in compensatory damages, plus any equitable relief

(back pay, front pay, attorney's fees). Under law, any claims settled internally would be paid from the Library's funds and any claims defended in court would be settled by the Treasury's Claims, Judgments and Relief Act Fund.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Years Ended September 30, 2006 and 2005**

11 *Other Liabilities*

Other Liabilities as of September 30, 2006 and 2005 are comprised of the following:

(Dollars in Thousands)

	2006	2005
Deferred Credits and pledges	\$751	\$775
Advances from the Public	2,915	2,746
Capital Lease Liability	0	4
Liability for BCA and deposit accounts	275	117
Cancelled Accounts Payable	4	0
<b>Total Other Liabilities</b>	<b>\$3,945</b>	<b>\$3,642</b>

12 *Liabilities Covered and Not Covered by Budgetary Resources*

(Dollars in Thousands)

	2006	2005
Liabilities Covered by Budgetary Resources	\$1,225,472	\$1,136,612
Liabilities Not Covered by Budgetary Resources – Intra Governmental	1,758	1,597
Liabilities Not Covered by Budgetary Resources - Other	30,343	30,416
<b>Total Liabilities</b>	<b>\$1,257,573</b>	<b>\$1,168,625</b>

Liabilities covered by budgetary resources include accounts payable, advances from others, accrued funded payroll and benefits, custodial liabilities, deposit account liabilities, advances from the public, and deferred credits. Liabilities not covered by

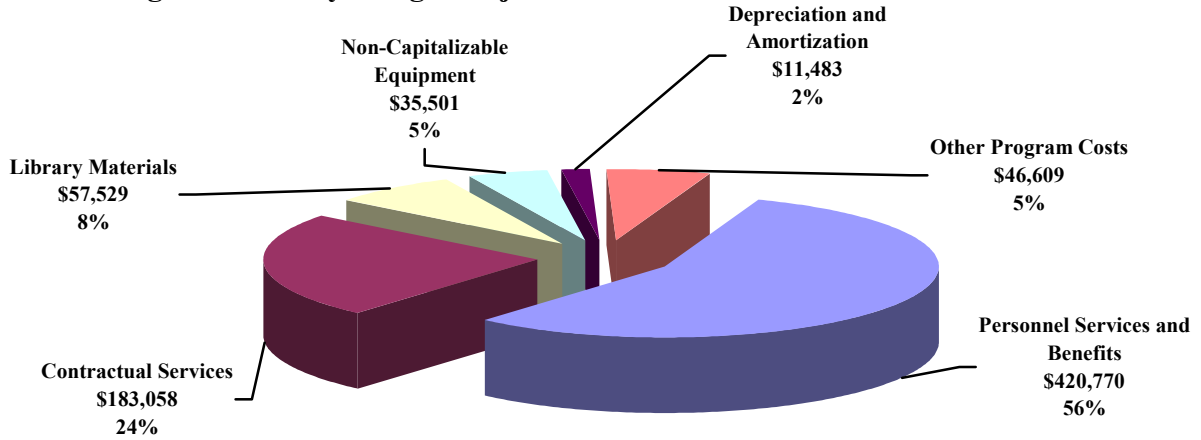
budgetary resources include accrued unfunded annual and compensatory leave, accrued unfunded workers compensation, capital lease liability and other unfunded liabilities.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Years Ended September 30, 2006 and 2005**

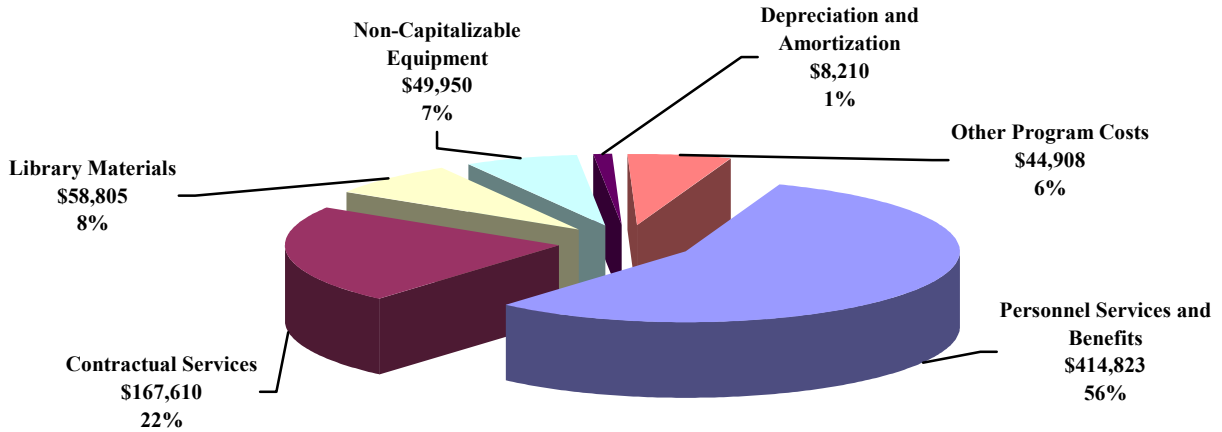
**13 Program Costs by Budget Object Classification**

(Dollars in Thousands)

**FY 2006 Program Costs by Budget Object Classification**



**FY 2005 Program Costs by Budget Object Classification**



The Library’s collections are classified as “heritage assets.” \$12.2 thousand and \$11.0 thousand of the amount designated as “Library Materials” above represents the fiscal years 2006 and 2005 cost incurred by the Library for “heritage assets.”

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Years Ended September 30, 2006 and 2005**

**14 *Program Costs and Earned Revenue by Functional Classification***

**Program Costs by Functional Classification**

(Dollars in Thousands)

<b>Function Classification</b>	<b>2006</b>	<b>2005</b>
Commerce and Housing Credit	\$53,381	\$68,953
Education, Training, Employment and Social Services	594,695	553,095
General Government	106,874	122,258
<b>Total</b>	<b>\$754,950</b>	<b>\$744,306</b>

**Earned Revenue by Functional Classification**

(Dollars in Thousands)

<b>Function Classification</b>	<b>2006</b>	<b>2005</b>
Commerce and Housing Credit	\$29,430	\$27,078
Education, Training, Employment and Social Services	72,479	81,422
General Government	22	26
<b>Total</b>	<b>\$101,931</b>	<b>\$108,526</b>

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Years Ended September 30, 2006 and 2005**

**15 *Program Costs and Earned Revenue for Revolving Funds***

(Dollars in Thousands)

	2006	2005
<b>Audio Visual Services:</b>		
Program Cost	\$604	\$691
Less Earned Revenue	172	185
Net Program Cost	432	506
<b>Cooperative Acquisitions Program:</b>		
Program Cost	2,391	2,528
Less Earned Revenue	2,857	2,606
Net Program Cost	(466)	(78)
<b>Decimal Classification:</b>		
Program Cost	285	303
Less Earned Revenue	280	285
Net Program Cost	5	18
<b>Document Reproduction and Microfilm Services:</b>		
Program Cost	3,401	3,583
Less Earned Revenue	2,149	3,064
Net Program Cost	1,252	519
<b>Gift Shop Operations:</b>		
Program Cost	1,420	1,422
Less Earned Revenue	1,335	1,324
Net Program Cost	85	98
<b>Federal Research Division:</b>		
Program Cost	2,626	2,509
Less Earned Revenue	1,159	3,212
Net Program Cost	1,467	(703)
<b>FEDLINK:</b>		
Program Cost	57,822	66,913
Less Earned Revenue	58,147	64,727
Net Program Cost	(325)	2,186
<b>Special Events:</b>		
Program Cost	2,054	1,930
Less Earned Revenue	1,176	1,143
Net Program Cost	878	787
<b>Total Program Cost</b>	<b>\$70,603</b>	<b>\$79,879</b>
<b>Less Total Earned Revenue</b>	<b>\$67,275</b>	<b>\$76,546</b>
<b>Total Net Program Cost</b>	<b>\$3,328</b>	<b>\$3,333</b>

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Years Ended September 30, 2006 and 2005**

**16 Exchange Revenues**

In accordance with Library of Congress Regulation (LCR) 1510, Financial Services, the Library must comply with any OMB circular or bulletin if it is specifically prescribed in (1) an LCR, (2) an FSD Directive, or (3) if required by law. OMB Circular No. A-25, User Charges, does not fall into any of these three categories, but may be used by the Library as a useful point of reference. Circular No. A-25 requires that user charges be sufficient to recover the full costs to the federal government. Full costs include all direct and indirect costs to any part of the federal government of providing the good or service, including unreimbursed inter-entity costs.

The Copyright Office's registration operations have legislatively mandated fees, which do not require the recovery of the full costs of operations. The Register

is authorized to fix fees at a level not more than necessary to recover reasonable costs incurred for services plus a reasonable adjustment for inflation. Fees should also be fair and equitable and give due consideration to the objectives of the copyright system.

If the Library were to increase fees and prices to recover full costs to the government for providing these goods and services, this would in some cases reduce the quantity for goods and services demanded. It is not practicable to provide reasonable estimates regarding (1) revenue foregone from charging fees that do not recover full costs to the government and (2) to what extent the quantity of goods and services demanded would change as a result of changes in prices and fees.

**17 Classification of Program Costs**

(Dollars in Thousands)

Fiscal Year 2006	Intragovernmental		Public		Total
	Production	Non Production	Production	Non Production	
National Library	\$112,282	\$31	\$278,788	\$39	\$391,140
Law Library	6,866	2	14,802	-	21,670
Copyright Office	24,067	25	45,730	-	69,822
Congressional Research Service	32,910	38	94,563	-	127,511
National Library Service for the Blind and Physically Handicapped	9,396	3	49,924	-	59,323
Revolving and Reimbursable Funds	6,873	21	78,590	-	85,484
<b>Total</b>	<b>192,394</b>	<b>120</b>	<b>562,397</b>	<b>39</b>	<b>754,950</b>

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Years Ended September 30, 2006 and 2005**

(Dollars in Thousands)

Fiscal Year 2005	Intragovernmental		Public		Total
	Production	Non Production	Production	Non Production	
National Library	\$114,912	\$34	\$272,736	\$27	\$387,709
Law Library	6,972	2	13,990		20,964
Copyright Office	20,499	(8)	48,363		68,854
Congressional Research Service	31,883	18	90,479		122,380
National Library Service for the Blind and Physically Handicapped	6,609	4	44,088		50,701
Revolving and Reimbursable Funds	7,124	20	86,554		93,698
<b>Total</b>	<b>\$187,999</b>	<b>\$70</b>	<b>\$556,210</b>	<b>\$27</b>	<b>\$744,306</b>

**18 *Imputed Financing Sources***

Imputed financing from costs absorbed by others consists of:

(Dollars in Thousands)

Agency	2006	2005
Architect of the Capitol – Library buildings and grounds costs	\$40,640	\$40,195
Government Printing Office – exchange program costs	564	860
Office of Personnel Management – staff benefit costs	31,594	32,466
US Treasury Judgment Fund – Imputed Costs	75	0
<b>Total</b>	<b>\$72,873</b>	<b>\$73,521</b>

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Years Ended September 30, 2006 and 2005**

**19** *Earmarked Funds*

SFFAS No. 27, "Identifying and Reporting Earmarked Funds", effective October 1, 2005, defines "earmarked funds" as those being financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and 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. The Library's consolidated financial statements include the results of operations and financial position of its funds identified as "earmarked funds." The Library's earmarked funds are presented among the following classifications:

- Collections of fees authorized annually for use by appropriations act for:
  - The Cataloging Distribution Service (CDS), which is the distribution arm for the Library of Congress bibliographic data and related technical publications. Pursuant to 2 U.S.C. 150, CDS sells its products to libraries throughout the United States and around the world and charges "...a price which will cover their costs plus ten percent added." CDS earned revenues were \$3,913,805 for fiscal year 2006.
  - The Law Library, pursuant to Public Law 105-275, Section 208, is authorized to receive funds from participants in and sponsors of an international legal information database (known as the Global Legal Information Network (GLIN)) led by the Law Library of Congress. Fees for the development and maintenance of GLIN were \$10,000 for fiscal year 2006; and
  - The Copyright Office, pursuant to 17 U.S.C. 708(d), is authorized to collect fees for the registration of a copyright claim and other copyright recordation and filing activities. Fees collected for these services were \$24,312,946 for fiscal year 2006.
- Public Revolving Funds authorized by 2 U.S.C. 182 for the Cooperative Acquisitions, Audio and Video Duplication, Gift Shop Operations, Decimal Classification, Photo Duplication and

Special Events (these programs are discussed further in Note 1.D. and 15);

- Gift and TFB Funds authorized by 2 U.S.C. 154-163 (and discussed further in Note 1. E.). Gift and TFB Fund cash donations and other realized revenues were \$13,500,975 for fiscal year 2006; and
- Other earmarked funds not outlined above (combined revenues of \$3,784 for fiscal year 2006), including: The Oliver Wendell Holmes Devise Fund, which is authorized to fund lectures known as the "Oliver Wendell Holmes Lectures" and other projects pertaining to Justice Holmes and the Supreme Court (Pursuant to Public Law 84-247); The Gertrude M. Hubbard Bequest, which benefits the Gardiner Greene Hubbard Collection (Pursuant to 37 Stat. 319-20); and the Foreign Service National Separation Liability Trust Fund, which is authorized to provide the separation pay for foreign national employees (Pursuant to Section 151 of Public Law 102-138).

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited into the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the Library as evidence of its receipts. Treasury securities are an asset to the Library and a liability to the U.S. Treasury. Because the Library and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements. Treasury Securities provide the Library with authority to draw upon the U.S. Treasury to make future expenditures. When the Library requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way the Government finances all other expenditures.



**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Years Ended September 30, 2006 and 2005**

Fiscal data as of, and for the year ended September 30, 2006 is summarized below. Intra-agency transactions have not been eliminated in the amounts presented below.

(Dollars in Thousands)

	2006				
	Offsetting Collections Funds	Public Revolving Funds	Gift and TFB Funds	Other Earmarked Funds	Total Earmarked Funds
<b>Balance Sheet</b>					
Fund Balance with Treasury	\$26,440	\$7,325	\$13,925	\$815	\$48,505
Investments in U.S. Treasury Securities	0	0	49,351	67	49,418
Other Assets	178	1,188	90,963	0	92,329
<b>Total Assets</b>	<b>\$26,618</b>	<b>\$8,513</b>	<b>\$154,239</b>	<b>\$882</b>	<b>\$190,252</b>
Liabilities	\$5,360	\$3,854	\$765	\$0	\$9,979
Cumulative Results	21,258	4,659	153,474	882	180,273
<b>Total Liabilities and Net Position</b>	<b>\$26,618</b>	<b>\$8,513</b>	<b>\$154,239</b>	<b>\$882</b>	<b>\$190,252</b>
<b>Statement of Net Cost</b>					
Program Costs	\$26,354	\$11,243	\$10,855	\$39	\$48,491
Less: Earned Revenue	(28,237)	(10,878)	(763)	(0)	(39,878)
<b>Net Cost of Operations</b>	<b>(\$1,883)</b>	<b>\$365</b>	<b>\$10,092</b>	<b>\$39</b>	<b>\$8,613</b>
<b>Statement of Changes in Net Position</b>					
Net Position, Beginning	\$17,793	\$4,054	\$144,267	\$846	\$166,960
Less: Net Cost	1,883	(365)	(10,092)	(39)	(8,613)
Non-Exchange Revenues	0	0	2,465	4	2,469
Other Financing Sources	1,582	970	16,834	71	19,457
Change in Net Position	3,465	605	9,207	36	13,313
<b>Net Position, Ending</b>	<b>\$21,258</b>	<b>\$4,659</b>	<b>\$153,474</b>	<b>\$882</b>	<b>\$180,273</b>

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Years Ended September 30, 2006 and 2005**

**20 *Budgetary Resources***

Budgetary resources are classified as follows:

(Dollars in Thousands)

	2006			2005		
	Appropriated Capital	Non-Appropriated Capital	COMBINED	Appropriated Capital	Non-Appropriated Capital	COMBINED
<b>Budgetary Resources</b>						
Unobligated balance, brought Forward, October 1	\$110,432	\$1,111,124	\$1,221,556	\$109,813	\$919,497	\$1,029,310
Recoveries of prior year obligations	3,792	2,277	6,069	3,610	745	4,355
Budget authority						
Appropriation	567,424	290,476	857,900	549,760	245,925	795,685
Spending authority from offsetting collections						
Earned						
Collected	462	112,280	112,742	66	127,552	127,618
Change in receivables from Federal sources	(10)	(11)	(21)	(62)	3,321	3,259
Change in unfilled customer orders						
Advance received		7,765	7,765		(7,322)	(7,322)
Without advance from Federal sources		(492)	(492)		6,353	6,353
Expenditure transfers from trust funds		2	2	0	0	0
Subtotal Budget Authority	567,876	410,020	977,896	549,764	375,829	925,593
Nonexpenditure transfers, net, anticipated and actual	(594)	49	(545)	(496)	2	(494)
Temporarily not available pursuant to Public Law	20	155	175	(20)	31	11
Permanently not available	(15,056)	(95)	(15,151)	(7,527)	(70)	(7,597)
Other						
<b>Total Budgetary Resources</b>	<b>\$666,470</b>	<b>\$1,523,530</b>	<b>\$2,190,000</b>	<b>\$655,144</b>	<b>\$1,296,034</b>	<b>\$1,951,178</b>

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Years Ended September 30, 2006 and 2005**

(Dollars in Thousands)

	2006			2005		
	Appropriated Capital	Non-Appropriated Capital	COMBINED	Appropriated Capital	Non-Appropriated Capital	COMBINED
<b>Status of Budgetary Resources:</b>						
Obligations incurred						
Direct	\$561,668	\$210,088	\$771,756	\$544,712	\$61,349	\$606,061
Reimbursable		118,051	118,051		123,561	123,561
Unobligated balance-Exempt from Apportionment	95,649	1,195,340	1,290,989	101,815	1,107,418	1,209,233
Unobligated balance not available-other	9,153	51	9,204	8,617	3,706	12,323
<b>Total Status of Budgetary Resources</b>	<b>666,470</b>	<b>1,523,530</b>	<b>2,190,000</b>	<b>655,144</b>	<b>1,296,034</b>	<b>1,951,178</b>
<b>Change in Obligated Balance:</b>						
Obligated balance, net						
Unpaid obligations, brought forward, October 1	171,707	59,643	231,350	164,906	48,710	213,616
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(164)	(14,811)	(14,975)	(226)	(5,137)	(5,363)
Total unpaid obligated balance, net	171,543	44,832	216,375	164,680	43,573	208,253
Obligations incurred net (+/-)	561,668	328,139	889,807	544,712	184,910	729,622
Less: Gross outlays	(544,437)	(317,556)	(861,993)	(534,301)	(173,232)	(707,533)
Less: Recoveries of prior year unpaid obligations, actual	(3,792)	(2,277)	(6,069)	(3,610)	(745)	(4,355)
Change in uncollected customer payments from Federal sources (+/-)	11	503	513	62	(9,674)	(9,612)
Obligated balance, net, end of period						
Unpaid obligations	185,146	67,949	253,095	171,707	59,643	231,350
Less: Uncollected customer payments from Federal sources	(154)	(14,308)	(14,462)	(164)	(14,811)	(14,975)
Total, unpaid obligated balance, net, end of period	184,992	53,641	238,633	171,543	44,832	216,375
<b>Net Outlays</b>						
Gross outlays	544,437	317,556	861,993	534,301	173,232	707,533
Less: Offsetting collections	(463)	(120,046)	(120,509)	(65)	(120,231)	(120,296)
Less: Distributed Offsetting receipts		(45,942)	(45,942)		(23,300)	(23,300)
Net Outlays	<b>\$543,974</b>	<b>\$151,568</b>	<b>\$695,542</b>	<b>\$534,236</b>	<b>\$29,701</b>	<b>\$563,937</b>

For TFB funds, approximately \$11.0 million and \$13.0 million of unobligated authority for fiscal years 2006 and 2005, respectively, at the donor's request, is restricted from being spent on program costs (income from investing restricted donations under the Library's Total Return Policy can be spent on program costs). These amounts are invested either in the permanent loan or in Treasury securities. An additional \$77.4 and \$75.0 million of restricted authority has been obligated and expended to invest in non-Treasury securities for the fiscal years 2006 and 2005, respectively.

**THE LIBRARY OF CONGRESS  
CONSOLIDATED FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2006**

**STEWARDSHIP REPORT**

**HERITAGE ASSETS**

**OVERVIEW OF THE LIBRARY  
COLLECTIONS**

The Library of Congress is the world's largest library collection with more than 134 million items, including research materials in over 470 languages and various media. The collections include more than 32 million books and other printed materials, 59 million sheets of manuscripts, 14 million photographs, 5.2 million maps, 5.4 million pieces of music, 2.7 million audio recordings, and one million moving images (e.g., motion pictures). The collection of incunabula (books printed before 1501) is the largest in the Western Hemisphere, and the collections of maps, atlases, newspapers, music, motion pictures, photographs, and microforms are probably the largest in the world. Other collections include drawings, posters, prints, technical reports and other printed materials; computer programs; videotapes and disks; talking books; and other audio and visual materials.

In a collection as large and as diverse in formats as the Library's, decisions are made continually as to the appropriate level for the application of stewardship controls: should the Library's collection be controlled at the item level or at the collection level? While the optimum control would be to secure every individual item, such a minute level of control cannot be globally achieved at a reasonable cost or within a reasonable amount of time. Therefore, the Library has chosen to use each of the control measures, as an individual technique and in synergy with each other, to exert the appropriate level of control to particular segments of the collection.

The Library's five-tiered framework of risk, first formulated and published in the 1997 Security Plan, remains the unifying construct in the security plan as of the end of the fiscal year. The five tiers are: **platinum** (the most priceless items); **gold** (items having prohibitive replacement costs, high market

value, and significant cultural, historical, and or artifactual importance); **silver** (items requiring special handling or that are at high risk); **bronze** (items without special restriction in the Library's reading rooms and materials that may be loaned without stringent restriction); and **copper** (items the Library does not intend to retain but are held until a decision is made).

Recognizing that resource constraints preclude protecting the entire universe of the collections at the platinum level established for the nation's treasures, the Library's approach sets clearly defined, differentiated degrees of protection. As an example, the Library has a vast collection of sheet maps that are not individually cataloged and are therefore controlled only at the collection level. Lacking item level control, the maps are only served to a reader under conditions of strict physical security. In contrast, most of the book collections of the Library have item level control and may therefore circulate among the various reading rooms and even be loaned to other libraries. This ground-breaking approach to collections security has been shared with a wide array of professional associations and, at the time of the development of the Library's security plan, no other major cultural institution sampled was found to have a plan as complete as that of the Library.

The Library holds the papers of 23 presidents of the United States as well as papers of individuals from many diverse arenas – Susan B. Anthony, Sigmund Freud, Pamela and Averell Harriman, Henry Kissinger, Thurgood Marshall, Harry A. Blackmun, Irving Berlin, and many others. The Library's treasures include one of three perfect copies in the world of the three-volume Gutenberg Bible printed on vellum, two of the five known copies of the Gettysburg Address, Thomas Jefferson's handwritten draft of the Declaration of Independence, and many other rare books and manuscripts, including the oldest example of printing in the world. The most significant recent map acquisition is the highly prized

1507 world map by Martin Waldseemüller. One of the great treasures of the world and American history, the map is the earliest known document on which the name "America" appears.

An ongoing goal of the Library's acquisitions effort is to acquire recent books, serials, maps and other material documenting the American experience. Another goal is to acquire research quality materials published in languages other than English and in other countries that complement and extend materials published in the United States. During fiscal year 2006, the Library placed its collecting emphasis on:

- Serials
- New electronic resources

## COLLECTIONS POLICY

The collections are organized into two major categories: the print collections, which include classified books, rare books, serials, and pamphlets; and the special format collections, which include maps, motion pictures, music, manuscripts, photographs, sound recordings, and prints.

The Library's collections are universal and comprehensive in scope, building on Thomas Jefferson's concept that Congress' own interests are universal; however, the Library does not collect everything or accession everything it receives. The collections development policy has evolved over the years. In 1814, Jefferson offered to sell his personal library to the Library Committee of Congress in order to "recommence" the Congressional library after the British burned the U. S. Capitol, destroying the Library of Congress. Jefferson stated: "I do not know that it contains any branch of science which Congress would wish to exclude from their collection; there is, in fact, no subject to which a Member of Congress may not have occasion to refer." In 1815, President James Madison approved an Act of Congress appropriating \$23,950 for the acquisition of Jefferson's library of 6,487 volumes.

As set forth in the Library's Collections Policy Statements, the Library's collection development policies are designed to fulfill its responsibilities to serve: (1) the Congress and United States government as a whole, (2) the scholarly and library community, and (3) the general public. This ensures that the Library makes every effort to possess all books and library materials necessary for the Congress and various offices of the United States government to

perform their duties; a comprehensive record, in all formats, documenting the life and achievement of the American people; and a universal collection of human knowledge (except clinical medicine and technical agriculture, which are the responsibilities of the National Library of Medicine and National Agricultural Library, respectively) embodying primarily in print form the records of other societies, past and present. The Library makes available the Collections Policy Statements on its web site, providing immediate access to them for staff and other research institutions.

The Collections Policy Committee of the Library reviews the allocation budgets for acquisitions and travel for the purpose of acquiring materials. It also coordinates the review of the Collections Policy Statements and announces its work plan to all the recommending officers in the Library. The committee is composed of the:

- Director for Acquisitions & Bibliographic Access,
- Director for Collections & Services,
- Director for Preservation,
- Director, Law Library Services, Law Library
- Assistant Director, Knowledge Services Group, Congressional Research Service
- Others as appointed.

**Digital Preservation** – The National Digital Information Infrastructure and Preservation Program (NDIIPP), funded by a fiscal year 2001 appropriation of \$99.8 million from the U.S. Congress, continues to be the major focus for the Office of Strategic Initiatives (OSI). The program is overseeing the development of a digital preservation infrastructure consisting of a network of partners with defined roles and responsibilities, working within a technical architecture. NDIIPP reached its halfway point during this fiscal year, having achieved several critical milestones in this unprecedented program to build a national infrastructure to save America's digital heritage, which is at risk of loss if it is not now preserved.

During fiscal year 2006, new preservation partners were added and are engaged in myriad activities in building an infrastructure to capture at-risk content important to the nation's intellectual well-being and to develop enhanced tools and services. The program also progressed in analyzing how current copyright law affects not only the process of digital preservation but also how digital materials are handled by libraries and archives. NDIIPP also continued to explore how

best to help state and local governments preserve digital government records.

#### *Digital Preservation Partnerships*

The Library of Congress has made significant advances in demonstrating the feasibility of a national network of partners to collect, preserve and make available a comprehensive collection of born-digital materials. NDIIPP continued to build this collaborative network of institutions committed to sharing the best practices for digital preservation. These partners are building large collections of at-risk content and developing advanced research into tools, services, repositories and overall infrastructures for digital preservation. Individually, the partners have made significant strides over the past year in making the challenges of digital preservation more achievable.

While achieving considerable individual success, the partners have also continued to strengthen their roles within the NDIIPP network. The partners interact through the NDIIPP-supported Affinity Groups (flexible working groups that allow the partners to interact across a set of shared issues, including collection and selection, economic sustainability, technical architecture, and rights issues). NDIIPP, as it did during fiscal 2005, again brought all partners together twice to enhance information sharing and collaborative opportunities.

#### *NDIIPP States Initiative*

The Library has continued to build on the positive results of the 2005 States Consultation Workshops that helped identify the pressing digital preservation issues facing state and local governments. In fiscal 2006, the Library released *Preservation of State Government Digital Information: Issues and Opportunities*, a report on the workshops with the states.

The findings of the report confirmed that the Library has a role to play, and in May 2006, the Library released a Request for Expressions of Interest for Multi-State Demonstration Projects for Preservation of State Government Digital Information. Successful projects funded under this initiative will build on the initial set of NDIIPP investments in establishing a network of preservation partners exploring the viability of highly collaborative, decentralized digital preservation approaches. The Library received eleven submissions in response to the solicitation, and announcement of awards is expected in early 2007.

#### *Preserving Creative America Initiative*

In July 2006 an announcement was issued that sought expressions of interest in a project to preserve the digital content produced by the private sector, including, but not limited to, motion pictures, sound recordings, still photography, graphics, illustration, interactive games, literary arts and other media. The deadline for submissions was September 22, 2006, and the Library is currently evaluating several proposals for possible matching funding.

#### *Partnership with Stanford University-CLOCKSS*

The Library of Congress entered into a three-year cooperative agreement in June 2006 with Stanford University to provide approximately \$700,000 in support of Stanford's CLOCKSS (Controlled Lots of Copies Keep Stuff Safe) digital archive pilot and related technical projects.

As part of the NDIIPP cooperative agreement, Stanford will work with the Library of Congress to explore the potential applicability of its LOCKSS/CLOCKSS technologies to a variety of initiatives and projects that support the overall goals of NDIIPP. The Library award is being matched dollar-for-dollar by Stanford.

#### *Partnership with SCOLA*

Also in July, the Library of Congress entered into a cooperative agreement with SCOLA, a non-profit educational organization that will ensure that high-interest foreign news broadcasts, such as those from Al Jazeera (an Arabic-language news network) and from Pakistan, Russia and the Philippines, are archived and available for future research. NDIIPP is providing funding support. SCOLA is matching the \$250,000 provided by the Library, as required by the NDIIPP legislation. The agreement, subject to continuing matching contributions from SCOLA, was for an initial period of six months, renewable up to four years.

#### *Partnership with the National Endowment for the Humanities: The National Digital Newspaper Program (NDNP)*

The National Digital Newspaper Program, a partnership between the National Endowment of the Humanities (NEH) and the Library, is a long-term effort to develop an Internet-based, searchable database for all U.S. newspapers and select digitized historic titles. Supported by NEH, this rich digital

resource will be developed and permanently maintained by the Library. As a collaborative digital effort between Library Services, OSI and Information Technology Services (ITS), this program directly contributes to the ongoing strategic goals of the National Digital Library Program by creating a national collection of high-value digitized historical newspapers; developing a Web-accessible repository to the national collection selected by state awardees; providing free and open Internet user-friendly access to important historical content; and developing consensus on standards and best practices for access to both digitized historical newspaper content and digital library preservation practices. NDNP represents a logical extension of the technical and collection building expertise supporting the Library's highly successful American Memory digital collection effort.

In the second year of a two-year program development phase, the Library continued building a viable and extensible program model for funding and digitization by state awardee institutions (in 2005, NEH awarded \$1.9 million in NDNP awards to 6 states – California, Florida, Kentucky, New York, Utah and Virginia), creating a sustainable digital repository, and validating technical approaches for the processing and accessing of complex digital objects.

This year the digital preservation architecture supporting the long-term program fully took shape with the development of an NDNP repository and a multi-functional user interface to provide access to historical newspaper content for the general public. Significant accomplishments were made in the incorporation of digital asset validation strategies and distribution of the process to awardees, establishing aggregation workflow, data ingestion, and dissemination services to a Web interface, all proceeding in parallel over the course of the development phase.

In early January 2006, the Library completed its initial conversion of selected microfilmed newspaper content, representing Washington, DC, newspaper titles from 1900-1910. These 93,000 digitized pages (approximately 400,000 digital objects), along with the comprehensive newspaper title directory - approximately 140,000 bibliographic records and 900,000 holdings records for newspaper originals, microfilm masters, and copies created by the legacy United States Newspaper Program - formed the initial dataset for ingestion and testing of the Library repository architecture and access capabilities. In addition, each NEH awardee submitted digital assets

(approximately 26,000 pages) from their own award activities conforming to technical requirements for the initial Web site launch in October 2006. This data was ingested into the preservation architecture and provided a robust dataset for development of the access user interface. The Library also entered into an agreement with ProQuest Information and Learning to acquire 82,000 pages of the *New York Tribune* to incorporate into the NDNP repository in 2007. This material will be digitized from ProQuest microfilm holdings by ProQuest to meet NDNP specifications.

The NDNP web site, to be called American Chronicle, was scheduled for beta testing beginning in October 2006, with release to the public in mid-2007.

#### *Partnership with San Diego Supercomputer Center*

The aim of the NDIIPP partnership with the San Diego Supercomputer Center is to build and measure trust and utility in a third-party bit-storage and preservation facility. Two content types, namely digital photographs and Web content, are being used as test data in this project. Eight test scenarios are being developed for the purpose of this project. Some of the test scenarios and required storage are already set up, test data have been transferred to San Diego and tests are under way.

#### *Electronic Deposit for Electronic Journals Project*

The digital revolution has lowered barriers to content creation and distribution. Current trends predict that, in coming years, more and more works will be published in a growing variety of formats, both digital and analog. When the electronic deposit system is deployed, it will ensure that as such works are published, the Library will be able to efficiently collect and preserve them for the benefit of future generations.

In the current initial phase of the project, the scope is limited to electronic journals (or e-journals). It is

- building a repository prototype;
- building an automated submission process; and
- recommending a policy framework governing the specification of supported electronic formats.

The system will have one or more machine-to-machine interfaces for content and metadata ingest and communication with other information-technology systems within the institution. It will also have one or more user interfaces that enable the digital custodians involved in test activities to validate

and verify content and related data that have been ingested.

The quality of basic functions and the ability to handle a variety of content formats will take precedence over the quantity of content ingested during prototyping and testing. Once a high-quality system and reliable ingest process are tested and proven, the system will be stress- tested and load-tested. When these steps are complete, the team will begin to engage more publishers and extend the system to ingest a wider variety of content types.

The project is sponsored by the Copyright Office, Library Services and the OSI. A working group comprising senior managers from service units across the institution performs customer and stakeholder management. It has met on a biweekly basis since September 2005. The working group has also formed teams to explore specific subject areas and to engage key stakeholders outside the working group. The members and stakeholders have been chosen according to subject matter expertise, technical expertise or responsibility relevant to the execution of this project.

#### *Web Content Capture Project*

Because the Web has become a major source of born-digital information, NDIIPP supports a Web Capture Team to collect and preserve web sites. During fiscal 2006, the team captured 21 terabytes of digital content, for a total of 56 terabytes to date, representing more than one billion documents downloaded from the Web. This is the equivalent of digital text information from more than 55 million books (1 megabyte per book of text only).

OSI worked with Library Services and the Law Library on capturing the following collections:

·*Election 2006*: Congressional and gubernatorial candidates, political party, government, advocacy, blogs, public opinion and miscellaneous Web sites related to the 2006 mid-term U.S. elections.

·*Prints and Photographs Acquisitions*: Photography, graphic arts and other visual-material Web sites, which complement, expand and enhance the Prints and Photographs Division collections.

·*The Manuscript Division Archive of Organizational Web Sites*: Web sites of existing

donors, including civil rights and political advocacy groups, professional and honorary organizations, memorial groups and research and educational organizations.

·*General Collections Archiving Pilot*: A pilot project for a non-thematic collections.

·*Crisis in Darfur, Sudan*: Organizations, news reports and the responses of government, international organizations and the general public in the United States and worldwide to the crisis in Darfur.

·*Hurricane Katrina*: A partnership with the Internet Archive and the California Digital Library to document communications, reactions and commentary on Hurricane Katrina.

·*Supreme Court*: The Supreme Court nomination and appointment process.

·*109th Congress*: House, Senate, congressional committees and related sites

·*War in Iraq*: Web sites documenting the Iraq war.

Two technical areas were tested this year: indexing tools and transfer and storage technical requirements. NutchWax, the first full-text indexing tool for archived Web content was installed and tested at the Library. During this year, six collections were indexed using NutchWax. The team also initiated work on a Web archive collection management tool to aid curator selection and collection and a tool to capture streaming media from the Web.

#### *National Digital Library Program*

In fiscal year 2006, the Library's web site overall handled 4,039,719,596 transactions, or "hits." This statistic accounts for all major sub-sites of www.loc.gov, such as American Memory, America's Library, THOMAS, Online Catalogs, Exhibitions and Global Gateway.

The number of digital files produced by the Library in fiscal year 2006 was 900,192, and the total files now number 11,074,223.

#### *American Memory*

Two collections were added to American Memory in fiscal year 2006: *The Moldenhauer Archives* of approximately 3,500 items, documenting the history



of Western music from the medieval period through the modern era, and *Miller NAWSA Suffrage Scrapbooks: 1897-1911*, a presentation of the scrapbooks of Elizabeth Smith Miller and her daughter, Anne Fitzhugh Miller, documenting the National American Woman Suffrage Association. This brings to 135 the number of thematic collections on this Web site that present digitized versions of the rare and unique multimedia materials from the Library and its partners.

American Memory collections that were augmented with new materials are:

- *Tending the Commons: Folklife and Landscapes in Southern West Virginia*,
- *Civil War Maps*,
- *Map Collections*,
- *Panoramic Maps*,
- *The American Revolution and Its Era: Maps and Charts of North America and the West Indies, 1750-1789*,
- *The Frederick Douglass Papers*,
- *Built in America: Historic American Buildings Survey/Historic American Engineering Record*, and,
- *Documents from the Continental Congress and Constitutional Convention*.

New materials were added to the Global Gateway presentations

- *Islamic Manuscripts from Mali*,
- *Selections of Arabic, Persian and Ottoman Calligraphy*,
- *France in America*, and,
- *United States and Brazil: Expanding Frontiers, Comparing Cultures*.

#### *Law Library*

Recognizing the national and international interest in the trial of Saddam Hussein, the Law Library developed and published a website tracking and reporting on the developments of the trial. The site is updated frequently and includes articles analyzing the international legal issues associated with the trial as well digital reproductions of primary sources cited in those articles. Additional relevant electronic resources are linked in appropriate places within the site. The Law Library also provides users with additional print resources to guide them in further research. The Law Library intends to archive the site and make it available to anyone interested in studying the unique challenges of trying a former head of a sovereign nation for criminal acts under principles of international law.

The Global Legal Information Network, or GLIN (<http://www.glin.gov>), is an initiative of the Law Library designed to provide timely access to the laws of the world. It is a multinational database containing laws and other legal materials from countries and international organizations in Asia, Africa, Europe and the Americas. A network of government agencies and representatives of 30 countries, international organizations, and non-governmental organizations contributes information directly to the database while legal analysts in the Law Library input information for sixteen other Spanish- and Portuguese-speaking nations that are not yet contributing laws themselves. During the fiscal year, GLIN members contributed over 5,100 laws to the database, and Law Library staffers added about 625 laws. Currently, there are over 120,000 laws in the GLIN database. The Law Library introduced a redesign of the site to include several new features including the ability to search it in 13 languages.

The Law Library continues to expand its online resources. The major acquisition was the *United States Supreme Court Records and Briefs, 1832-1978*. This full text database contains all the records and briefs submitted to the United States Supreme Court before 1979, providing full text searching for this rich historically important information for the first time. The Law Library also began a project to digitize the entire collection of U.S. Congressional hearings. The collection will be searchable and will provide content for GLIN and the Thomas databases.

#### *Bibliographic Enrichment Activities*

The Library's inter-divisional Bibliographic Enrichment Advisory Team (BEAT) is responsible for initiating research and development projects to increase the value of cataloging products to library users. The team's best-known project is the enrichment of online catalog records by providing electronic table of contents data (TOC). In fiscal year 2006, BEAT-developed software supported the inclusion of TOC in more than 28,488 records for Electronic Cataloging in Publication titles and enabled links to and from another 21,044 catalog records to D-TOC, or digital tables of contents, which resided on a server. Links to TOC were also provided by the BEAT ONIX projects, which link LC catalog records to tables of contents, publisher descriptions, sample text, book jacket illustrations, author information, and reading group guides provided by publishers in ONIX, the standard for communicating book industry product information in electronic form.

At year's end there were 636,415 links, including links to 33,510 sample texts and more than 272,000 publisher descriptions of their publications.

In fiscal year 2006, BEAT expanded its Review Project, by adding links from catalog records to reviews for 2,144 monographs in the LC collections. At the request of the *Handbook of Latin American Studies (HLAS)*, a project of the Hispanic Division, BEAT developed software to change approximately 27,000 *HLAS* records to add the complete name of the journal relating to that *HLAS* record, making these records easier for end users to understand.

The BEAT team originated the project to reclassify and provide significantly improved access to tens of thousands of pre-1970 Congressional hearings and move them to the custody of the Law Library of Congress, resulting in improved service to the Congress, centralized availability of information now widely dispersed throughout the Library's collections, modernization and uniformity of catalog formats for the hearings, and addition or inclusion of other information, such as the existence and location of alternate data sources. In July 2006, Google, Inc., began to digitize the hearings that had been reclassified for the Law Library.

#### *International Digital Projects*

The African and Middle Eastern Division and the Office of Strategic Initiatives built the collection of harvested Web sites entitled: "Crisis in Darfur, Sudan." This Web archive of 224 crawled sites preserves the documentation of the humanitarian crisis that began in 2003. The archive includes sites of key organizations, a sampling of news reports, and the responses of government, international organizations and the general public in the U.S. and worldwide. Because Web sites and blogs have replaced many of the pamphlets, flyers, and newsletters used to disseminate information in an earlier era, a Web archive is an invaluable resource for current and future researchers.

More than 355 Arabic, Persian and Ottoman calligraphy sheets that had been digitized and described were mounted on the Library's web site in fiscal year 2006. The sheets in this collection date from the 9<sup>th</sup> to the 19<sup>th</sup> centuries and had never before been available to the public.

The Library and the National Central Library in Taiwan signed an agreement in March 2005 to digitize selected Chinese rare books as a way of

protecting the original and making these treasures accessible to scholars and researchers online. The collaborative project is for two years with the possibility of extending it for one more year. In August 2006, the National Central Library (Taiwan) completed digitizing approximately 300 titles of Chinese rare books in 101,406 images, and sent the file to the Asian Division in DVDs. The estimated cost of approximately \$1 million was funded by the Taiwan government. Full texts of each title, together with the Library's call number and bibliographic data, are now available in the Asian Reading Room.

A digitization project of a rare edition of the Japanese literary masterpiece, *Genji Monogatari, The Tale of the Genji* (1654) was completed in June 2006 and is now accessible page by page online via the Library of Congress Online Catalog.

The European Division digitized and posted on its home page historic telephone and city directories from Central/Eastern Europe, e.g., the 1945 and 1947 telephone directories of Sofia, Bulgaria; *Bibliography of the Russian and Ukrainian Pamphlet and Brochure Collection, 1866-1949* (more than 4,400 entries, of which 430 link to items digitized for the *Meeting of Frontiers* project); *Index to Ledger of Persons Registered at the Polish Consulate in Shanghai, 1934-41*; *Bibliography of Bulgarian Newspapers at the Library of Congress*; *List of Microfilmed Serials from the National Library of Lithuania*; *Slavic and Central European Sights of Interest in Washington D.C. and Vicinity*; *Maltese Collections at the Library of Congress*. The Division updated the website *Polish Declarations of Admiration and Friendship for the United States*, incorporating volumes previously missing in inventory.

The Hispanic Division and Global Gateway expanded *The United States, Spain and the American Frontier, Historias Paralelas*, a bilingual English/Spanish web site, launched in collaboration with the National Library of Spain in fiscal year 2005. The Division continued enhancing *United States and Brazil: Expanding Frontiers, Comparing Cultures*, a collaborative project with the National Library of Brazil.

#### **Acquiring Research Materials for the Library -**

The ideal of a universal collection was aided greatly by the copyright law of 1870, which combined the registration and deposit functions in the Library of Congress and stipulated that two copies of every book, pamphlet, map, print, photograph, and piece of

music published in the United States be deposited in the Library. Copyright deposits are a major source of the Library's collections of Americana. In fiscal year 2006, research materials obtained for the collections through copyright deposits totaled 1,120,791 items.

The Cataloging in Publication Program is the other principal source of U.S. published books that the Library acquires. A mainstay of U.S. library service for over thirty years, the program provides cataloging data, based on pre-publication galleys, to participating publishers who include the data in their published books. As participants, these publishers are required to submit a copy of the published book to the Library. This copy is in addition to the two copies mandated under the copyright law. The Library also acquires U.S. publications through the Preassigned Card Number Program. In fiscal year 2006, the Library obtained 96,505 titles through the two programs.

The Library also acquires materials by purchase, transfer from other federal agencies, gift, domestic and international exchange, or by provisions of state and federal law. Many of these materials are foreign publications. The Library maintains six overseas offices and has arrangements with book dealers, agents, and publishers to ensure efficient and prompt acquisition of current foreign publications of research value on a worldwide basis. The following are brief descriptions of the Library's international exchange and federal transfer programs.

#### *Official Exchanges*

Among 5,000 exchange agreements, the Library of Congress maintains about seventy "official" exchanges with major national and parliamentary libraries around the world. These exchanges were instituted and are overseen by the Library; however, the Government Printing Office has the responsibility to ensure that this select group of exchange partners receives U.S. government publications. Pursuant to 44 U.S.C. 1719, the Superintendent of Documents distributes U.S. government publications "to those foreign governments which agree, as indicated by the Library of Congress, to send to the United States similar publications of their governments for delivery to the Library of Congress." The Government Printing Office pays for the cost of this program from funds appropriated for the Superintendent of Documents.

#### *Duplicate Materials Exchange Program*

The Duplicate Materials Exchange Program (DMEP) was established as a Business Process Improvement project by Library Services in 2002. Exchanges with partners around the globe, previously handled by various Acquisitions Sections, are now centrally serviced. The last phase in the initial program development was to implement a Web-based customer interface to replace paper lists. That goal was achieved when Web DMEP was launched at the end of July 2005, with letters, instructions and passwords being air mailed to 3,063 partners in 118 countries. The site employs shopping cart functionality to allow the Library's exchange partners to select materials that they would like to receive in exchange for materials that they send to the Library. The program continues to produce printed lists and to distribute them to exchange partners who are unable to use the new web-based system or simply do not want to use Web DMEP.

In its first year of operation (August 2005 - July 2006), Web DMEP received more than 2,200 orders for 16,700 books from over 600 partners. During that time, DMEP also produced printed exchange lists that were sent to 161 other exchange partners, who eventually requested and received 2,102 books from those lists. During the fiscal year, a total of 18,079 books was requested from DMEP and supplied to partners.

In fiscal year 2006, the Library received 174,274 items through its various exchange relationships.

#### *Federal Transfer*

Pursuant to 36 C.F.R. 701.33, federal libraries send their surplus materials to the Library for addition to its collections or to use in the exchange and surplus books programs. In fiscal year 2006, the Library received 130,945 items from federal agencies, and, although only a very small number were selected for the collections, several thousand were used in exchanges with other libraries for materials needed by the Library of Congress. Other federal transfers were used in the Library's surplus books programs. The Library has been working closely with federal agencies that are planning to transfer surplus materials. This early consultation ensures that the Library receives all materials appropriate for the permanent collections or useful in the exchange and surplus books program. Material not wanted by the Library can then be disposed of by the transferring institution.

The primary resources for recent acquisitions are:

	2002	2003	2004	2005	2006
Annual Appropriations Authorized	\$15,824,474	\$10,815,240	\$11,477,879	\$12,381,152	\$13,832,280
Estimated Value of Copyright Deposits Transferred to the Library	\$31,302,048	\$33,749,004	\$36,456,888	\$39,649,813	\$41,211,901
Government Printing Office Appropriation (part of Superintendent of Documents)	\$718,000	\$752,000	\$751,000	\$859,896	\$563,590

Acquisitions by source:

Source	Pieces 2002	Pieces 2003	Pieces 2004	Pieces 2005	Pieces 2006
<b>Purchases:</b>					
Appropriated - GENPAC/LAW	897,193	732,603	768,870	684,848	761,577
Appropriated Other	34,397	25,146	26,365	16,389	14,096
Gift and Trust Funds	393	3,003	13,065	7,159	6,450
<b>Total Purchases</b>	931,983	760,752	808,300	708,396	782,123
<b>Non-Purchases:</b>					
Exchange	163,138	149,744	162,952	148,696	174,274
Government Transfers	140,105	110,689	86,655	75,217	304,894
Gifts	864,398	1,488,847	949,918	1,090,439	885,422
Cataloging in Publication/PCN	67,971	95,967	91,747	66,011	96,505
Copyright Deposits	896,504	869,083	1,038,561	1,098,420	1,120,791
<b>Total Non-Purchases</b>	2,132,116	2,714,330	2,329,833	2,478,783	2,581,886
<b>Total All Acquisitions</b>	3,064,099	3,475,082	3,138,133	3,187,179	3,364,009

## PRESERVATION OF LIBRARY COLLECTIONS

The Preservation Directorate's mission is to assure long-term, uninterrupted access to the Library's collections, either in original or reformatted form. This mission is accomplished through the collaboration of the Directorate's four divisions: Conservation, which surveys, treats and houses special collection photographs, prints, rare books and audio/visual items; Binding and Collections Care, which labels, repairs, prepares, binds, and houses general and reference books and other shelf material; Preservation Research and Testing, which undertakes analyses to develop treatments, analyze materials, test supplies, and create specifications; and Preservation Reformatting, which converts deteriorated material into various new formats. The Directorate also administers two additional long-term programs: the National Digital Newspaper Program and the Mass Deacidification Program, which treats books and paper sheets.

In fiscal year 2006, the Preservation Directorate completed over 10,472,480 assessments, treatments, rehousings, and reformatting for books, paper, photographs, audio-visual and other items, including Chinese rubbings and George Washington's obituary. Through the coordinated efforts of the Directorate's divisions and programs, over 7,688,900 items have been repaired, mass deacidified, or microfilmed or otherwise reformatted. This represents an increase of 7.6% over fiscal year 2005.

### *Conservation Division*

The Conservation Division (CD) ensures the continuing existence and usefulness of the Library's special format collections. Conservators and technicians do the following core activities:

- Provide conservation treatment to valuable, high use, and high-risk items identified by the Library programs as the Library's most endangered holdings;
- Analyze holdings, assess risks, and implement appropriate mitigation actions;
- Answer reference questions on conservation and preservation from fellow professionals and Congress;
- Develop care, handling, and management policies, procedures, and training for digitizing projects, exhibitions, loans, moves; and special events or other projects;

- Implement emergency prevention, response, and mitigation procedures for collections;
- Maintain collections through the design and creation of appropriate housings;
- Monitor and document storage and exhibition environments and materials to ensure the best possible collections environments throughout all Library buildings and for all holdings;
- Manage and monitor the cool storage and exhibition of Top Treasures and the maintenance of their cases;
- Stabilize materials for digitization, exhibitions, loans, and special events;
- Work with the programs to identify holdings at most need of treatment and arrange for their transfer to Conservation for treatment; and
- Perform materials research and develop best practices for the conservation treatment of audio-visual materials, paper, bound volumes, and photographs.

In fiscal year 2006, divisional conservators provided care to a total of over 2.6 million endangered special collection items, with emphasis on the Library's most significant holdings. CD staff surveyed a total of 199,099 rare and fragile items so they could be stabilized by treatment or rehousings for access, digitization, exhibition, and relocation to off-site storage. In fiscal year 2006, Conservators treated a total of 16,243 items from twelve curatorial divisions, including 784 books, 14,013 paper documents, 944 photographs, and 502 other format materials. Staff members housed or moved 2,379,877 items, including the preparation of 6,078 protective boxes; the cleaning and housing of 15,397 discs, film, and magnetic media; the move of 2,250,080 photographs, and the conservation rehousing of 13,208 photographs and 94,696 paper-based items, as well as 418 miscellaneous items. Conservators also labeled 26,416 items.

### *Binding and Collections Care Division*

The Binding and Collections Care Division (BCCD) provides services mainly for the general and reference collections. As part of the BCCD mission, periodicals are bound into volumes and monographs are rebound or conserved inhouse. In addition there is a major program to provide custom-made boxes for multi-piece titles, various formats that do not sit easily on the shelf or old and damaged materials that can best be served in a box housing. The Library Binding Section prepares materials to be outsourced for commercial binding, and provides labeling and shelf

preparation for materials be housed at the Fort Meade facility and other areas. The Collections Care Section provides inhouse conservation for the general and reference collections, providing rush services as well as project-based care for a variety of formats. Within BCCD, general collections care incorporates education for patron and staff in care and handling of materials as well as providing reference services in the area of preservation for the public through the service of QuestionPoint, which is staffed by a variety of library experts in various fields.

The Library Binding Section continued to focus on improving efficiencies and eliminating backlogs. During fiscal year 2006, 149,332 items were labeled. Also, 259,728 volumes were sent for commercial library binding.

The Collections Care Section provided treatment for 2,661 volumes, and made 8,384 boxes. This included two important boxing projects. For the Hispanic Reading Room, 1,000 boxes were made for the Luis Dobles Segreda collection of Letras Patrias, Costa Rica, 1826-1943. For the Asian Reading Room, 200 boxes were made for the Washington Documentation Center Collection, consisting of volumes from China created during the Ming and Qing periods (1368-1644). In addition, 23,466 maps from the American Title Map collection were rehoused through the Section's management of a contract with History Associates, Inc.

Staff is collaborating with other Library divisions to move approximately 100,000 volumes from the Landover Center Annex to the High Density Storage Facility at Fort Meade. The Section's contributions to the project have been in identifying volumes to be transferred to the Rare Book and Special Collections Division, and in cleaning and rehousing at-risk volumes. This project will be on-going in fiscal year 2007.

#### *Preservation Research and Testing Division*

The Preservation Research and Testing Division conducts original research to advance preservation of the Library's collections. From a material-science perspective, the Library's collections are composed of traditional, audio-visual, and digital objects based on their composition, properties, and use. To extend the useful life of these objects, research projects involve using advanced analytical instrumentation to investigate materials composition, aging properties of

collections and the materials used to house them, deleterious or beneficial effects of environments in which collections are stored, and the conservation treatments used to preserve them. The Division's programs focus on digital, audio-visual, and traditional materials, assure quality control of materials and procedures, develop specifications and standards, undertake forensic analyses to identify compositions, characterize effects of natural and accelerated aging, and develop testing and safety protocols.

The Division maintains, services, and advises on the construction of highly sophisticated temperature and humidity controlled chambers and display cases. The Division remotely monitors conditions in the Top Treasures Case, the Top Treasures Vault, and the Gutenberg and Mainz Bible cases, and conducts bimonthly on-site inspections. In fiscal year 2006, the Division facilitated and supervised 62 repairs and maintenance services to the cases.

A new initiative that was begun in fiscal year 2005 and continued in fiscal year 2006 involved design and manufacture of the Waldseemüller map encasement. Engineers and designers from the National Institute of Standards and Technology who built the display cases for the Charters of Freedom at the National Archives are working with the Library to build an encasement for permanent storage of the Waldseemüller map. Specifications for the encasement involve using state-of-the-art materials and micro-analytical instrumentation for maintaining and monitoring the map's environment.

Other fiscal year 2006 initiatives:

- The Digital Media Research Program has primarily focused on two on-going projects that evaluate physicochemical degradation reflected by digital error rates, which resulted in 821 analyses. The CD-Audio Media Natural Aging Project, which monitors the aging properties of digital media in permanent storage under ambient conditions at the Library, has now been in progress for nine years. Closely related is the CD-Audio Media Accelerated Aging Project, which evaluates the effect of accelerated aging over a range of temperature and relative humidity on disc longevity.
- A goal of the Division is to develop a searchable relational database for all Library users to document all preservation treatments and chemical/physical

analyses and tests that are performed on collection objects. The first step in the Digital Data Archiving Program has been the development of a testing database, which includes searchable parameters regarding vendors, commercial product designations, test results, and other data for housing materials. Test data from years prior to the inception of the database is being added to make search results as comprehensive as possible. In fiscal year 2006, 726 new records from current testing, old testing, and from the digital media Natural Aging Study were added.

- The Magnetic Media Identification and Deterioration research program focuses on the causes of degradation of magnetic media (film and tape), to develop approaches for preservation treatments and for sampling collections for chemical species that potentially can be used to predict the state of deterioration of the media. Closely related is the Direct Analysis in Real Time Mass Spectrometry (DART-MS) of Magnetic Media Project, which has as its goal performing “fingerprint” analysis of magnetic media. 240 experiments were conducted in fiscal year 2006 to optimize conditions and define how the instrument can be used for non-destructively characterizing magnetic media.
- The Division conducted over 2,500 physical and chemical analyses of a variety of materials brought to the lab by curators and conservators to identify and characterize unknown materials.
- The Division’s research program on the longevity of paper is currently focused on aging and analysis of paper, having two on-going research projects and a new one.
- A new research project was begun to quantitatively measure fading of pigments, inks, and other materials using a non-destructive micro-spectrophotometer.
- The on-going Iron Gall Ink Stabilization Project seeks to determine the chemical mechanism(s) for deterioration of paper that results from iron gall ink and to develop stabilization treatments.
- The Detrimental Effects of Chemical Migration Project was initiated to determine the adverse effects on the collection of long-term contact with poor quality housing materials through migration of degradation products or color bodies.

- A research project was undertaken to identify adverse effects from pressure-sensitive adhesive labels on different materials so that a “universal” label can be specified for use in bar-coding and labeling non-book and special collection materials.

#### *Preservation Reformatting*

The Preservation Reformatting Division (PRD) provides access to at-risk Library materials by converting items to new preservation formats, such as microfilm, preservation facsimile copies or digital reproductions. In carrying out this responsibility, PRD plans and manages the preservation reformatting budget; executes annual reformatting plans by establishing requirements and standards for preservation reformatting; and collaborates with other institutions to develop preservation reformatting projects that improve the quality, content and accessibility of reformatted works. Multiple vendors produce the resulting preservation surrogates.

In fiscal year 2006, PRD successfully converted 5,865,061 units (e.g. print pages, photographs, posters), a 25% increase over the fiscal year 2005 level, of Library material through a combination of preservation microfilming (5,809,544 pages or 3,295,852 exposures), preservation facsimile (3,557 pages or 21 volumes), digitization (46,656 pages, 132,752 files, or 2,091 works), and other preservation photographic reproductions (796 images and 4,508 acetate microfilm reels) for service to Congress and the public. The Division continued its support for audio and video recordings of official Library of Congress performances (32 performances) by the Motion Picture, Broadcast and Recorded Sound Division. Reformatted materials were drawn from ten Library Collection and Services divisions, the Law Library, and the Master Negative Microform Collection held by the Photoduplication Service.

#### *U.S. Newspaper Program (USNP)*

The United States Newspaper Program (USNP) is an ongoing cooperative national effort among the states and the federal government to locate, catalog, and preserve on microfilm newspapers published in the United States from the eighteenth century to the present. Program funding has been provided by the National Endowment for the Humanities (NEH), with the Library providing technical assistance to program participants. Total lifetime program funding has amounted to more than \$54,000,000.

As of January 2006, USNP projects have produced or updated 281,841 newspaper catalog records and microfilmed over 71,864,000 endangered newspaper pages. NEH announced USNP awards of \$892,559 in fiscal year 2006 to fund continuing projects in two states: Illinois (Chicago Historical Society, Chicago), and Pennsylvania (Pennsylvania State University, State College). Other projects are ongoing in Illinois (University of Illinois, Urbana) and Tennessee (University of Tennessee, Knoxville).

Staff continued working directly with program participants, OCLC and other interested external parties in repurposing the bibliographic and microfilm products produced through the USNP for new digital initiatives that better connect users to the collections. Tangible results of this effort include the successful conversion of over 900,000 local newspaper data records to the newer MARC 21 holdings format in OCLC's Connexion system and the inclusion of newspaper bibliographic and holding records in the National Digital Newspaper Program digital resource undergoing testing at the close of the year.

#### *Mass Deacidification Program*

To extend the life and utility of collections through appropriate treatment and technologies, the Directorate deacidified 298,826 books and 1,069,500 document sheets as part of its 30-year initiative to stabilize over 8.5 million general collection books and at least 30,000,000 pages of manuscripts. Deacidification is an economic approach to keeping books and manuscripts available in usable form. It results in extending the useful life of acidic and slightly brittle paper by a minimum of 300 per cent. This assures in most cases that treated books will survive for 300 to 1,000 years rather than becoming extremely brittle, degraded, and unusable in less than a century, requiring much more expensive reformatting at over 600 per cent of the cost of deacidification. The technology thus achieves

economies of scale and future cost-avoidance as a dramatic preventive preservation activity.

With a successful mass deacidification program in place since 1995, the Library has to date extended the useful life of nearly 1.7 million books and 4 million sheets of manuscript materials from the national library collections. The Library initiated a new 5-year deacidification services contract that will result in saving 1,250,000 books and over five million sheets of original manuscript materials.

Achieving another important objective of its Thirty Year (One Generation) Mass Deacidification Plan, the Library was able to make full use for the fourth year of a single-sheet treatment cylinder that is operated on-site in the chemistry research and testing laboratory in the Madison building. On average, over 4,000 pages of manuscripts are deacidified each day. This Bookkeeper single-sheet treater and an associated spray booth meet all of the Library's published technical, environmental, health, and safety requirements for mass deacidification. The non-book treatment system is operated and maintained by the contractor, enabling the Library to obtain on-site deacidification services to ensure the longevity of unbound collections materials that are too valuable to be transported to the vendor plant near Pittsburgh, PA, where the Library's books continue to be deacidified.

With oversight and training provided by the Library's preservation staff, a contract staff of fifteen persons handles the selection, charging-out, packing, shipping, and receipt of about 5,000 books each week, while two additional contract personnel operate the on-site treater.



Preservation statistics for fiscal year 2006 are as follows:

<b>Treatment:</b>	
Volumes treated	3,445
Unbound items treated, paper-based	14,265
Photographs (examined, treated, moved, housed)	2,348,234
Commercial library binding, volumes	259,728
Mass Deacidification, volumes	298,826
Mass Deacidification, paper sheets	1,069,500
<b>Housing/Rehousing:</b>	
Protective boxes constructed	22,462
Items rehoused, paper-based	110,162
<b>Copying/Reformatting:</b>	
Preservation photocopying, volumes/pages	21 volumes = 3,557 pages
Paper-based materials converted to microfilm, exposures	3,295,852
Paper-based materials converted to digital format, works/pages	2,091 works = 224,792 pages

## SERVICE

The Library of Congress is a public institution open to everyone over high school age, with limited exceptions. Its collections are available to users in twenty public reading rooms located in three Library buildings on Capitol Hill. The Library's first service priority is to the Congress; second, to other branches of the Federal government; and third, to scholars, other libraries and the general public. The Library of Congress is not a lending library; only members of Congress and other statutory borrowers are authorized to remove materials from the Library. For selected other users, primarily other libraries, the Library does make certain materials available for borrowing through interlibrary loan.

To use Library collections, researchers identify the items they want through on-line and card catalogs, finding aids, and bibliographies. To request items, readers first must register, provide photo-identification, and receive a reader registration card. They then may submit call slips to the staff in the reading rooms, who retrieve the items from the secured collections storage areas and deliver them to the reader. In fiscal year 2006, the Library issued reader registration cards to 30,925 on-site readers.

The Collections Access, Loan and Management Division (CALM) is responsible for retrieving

materials, packaging them, and preparing loan charge records for materials that circulate outside the Library. During the fiscal year, 117,835 items were circulated externally to authorized borrowers.

## COLLECTIONS SECURITY

### *Collections Inventory Efforts*

The Baseline Inventory Program (BIP) inventoried 599,876 volumes in fiscal year 2006. Since the Program's inception in 2002, a total of 2,714,271 items have been inventoried. The Law Library also inventoried 200,327 retrospective items, bringing the total for fiscal year 2006 to 800,203 items.

Collections Access, Loan and Management Division staff reviewed 141,100 items for transfer to Fort Meade, looking for errors in the Library's Integrated Library System and changing locations in the system as appropriate.

### *Office of Security and Emergency Preparedness (OSEP)*

OSEP's Protective Services Office continued improving the physical security of the Library's facilities, staff members, patrons, and collections on Capitol Hill and at the Library's annexes. Now

responsible for the administration, repair, and maintenance of electronic security systems, the office's security systems administrator completed a major upgrade of the Library's security network infrastructure, improving the effectiveness of access control, intrusion detection, and CCTV systems integrated within the Police Communications Center.

On Capitol Hill, Protective Services' electronic engineers developed a more flexible maintenance contract for the Police Communications Center, facilitating installation of additional intrusion detection and access control devices; redesigned camera monitoring recording capabilities for all the buildings' entrances; collaborated with the Architect of the Capitol and police in improving alarm systems for the Adams Building east entrance post and Jefferson Building east parking lot post; designed and supervised the installation of electronic security protecting the relocated World Treasures exhibits in anticipation of the opening of the passageway from the Capitol Visitor Center to the Jefferson Building; identified enhancements of the Library's X-ray screening systems to ensure compatibility with the U.S. Capitol Police; and developed requirements ensuring timely contractor response in the repair and maintenance of vehicle barriers.

At the National Audio-Visual Conservation Center in Culpeper, Virginia, the Protective Services technical experts worked closely with the facility's director, the Architect of the Capitol, and contractors in designing security controls protecting the administration and nitrate vault buildings and the compound. In addition, the office designed and supervised the installation of primary and secondary intrusion detection systems protecting the Library's Module 2 facility at Fort Meade, Maryland. Protective Services security experts also designed an electronic security egress system at the Library's Taylor Street Annex, enabling swift compliance with applicable fire and life safety codes.

Protective Services worked closely with senior Copyright staff members in designing and supervising the installation of more than ninety CCTV cameras at the service unit's temporary relocation site in Crystal City, Virginia. They also assisted in the development of effective access controls and facilitated the timely issuance of access control cards to Copyright staff members located in Crystal City.

Working in close collaboration with the Collections Security Oversight Committee, Protective Services continued implementing the Library's Strategic Plan for Safeguarding the Collections, 2005-2008, approved by the Librarian of Congress in July 2005. A significant ongoing initiative is the site assistance visit program. In collaboration with the committee's senior managers and curators, the office continued conducting staff assistance visits to all divisions within the Library over a two-year cycle, significantly enhancing the staff's commitment to best security practices.

A senior Protective Services staff member served as the Library's contracting officer's technical representative on the contract with Securiguard, Inc. Library security officers supported the Library's collections security program in select reading rooms, monitoring patrons' activities and screening those exiting. They also ensured compliance with the Library's reader registration and personal belongings restrictions and maintained a deterrent presence in exhibit and other high-profile public areas. The Library's contract guard force also provided security for Library annexes in Culpeper, VA; Landover and Fort Meade, MD; and the Little Scholars Child Development Center and Taylor Street Annex facilities in Washington, DC.

#### *Security Targeting and Marking*

The Security Targeting and Marking Team was established within the Acquisitions and Bibliographic Access (ABA) Directorate of Library Services in December 2005, with contract staff performing the following tasks:

- Installing security targets (strips) in all incoming monographs and all prebound and self-contained serial volumes.
- Placing edge stamps on all incoming monographs and all prebound serial volumes.
- Making a perforated Library ownership mark on incoming microfilm.

Across the Library in fiscal year 2006, book theft detection targets were installed in collections items as follows:

192,749 volumes processed by the Security Targeting and Marking Team.  
225,151 volumes processed by the Copyright Office.

260,527 volumes bound by the Library's commercial bindery.  
 1,143 high-risk materials served in the Newspaper and Current Periodical Reading Room.  
 6,534 volumes received directly in the Law Library.  
 35,257 volumes in the General Collections  
 721,361 Total items receiving theft detection targets.

## **CATALOGING & ARREARAGE REDUCTION**

In fiscal year 2006, the Library Services bibliographic access (BA) divisions, including the Serial Record Division (SRD), cataloged a total of 346,182 bibliographic volumes (new works, added volumes, and items added to collection-level records), the highest total in their history, representing an increase of more than ten per cent over the 312,818 bibliographic volumes cataloged in fiscal year 2005. This was the second year in a row that the divisions achieved all-time production highs. Production of full or core original cataloging, the most expensive category of cataloging for the general collections, increased significantly to 199,223 records compared to 185,531 the previous year. These records have complete description, subject analysis, and Library of Congress Classification numbers, as well as full authority records for all descriptive and subject access points, which are drawn from controlled vocabularies.

The bibliographic access divisions and Serial Record increased production in other categories also, utilizing less expensive modes of cataloging in order to meet production goals while providing effective access to collection materials. Production of minimal-level cataloging records increased 87.11 per cent, to 54,381 items, providing timely and cost-effective access to items that do not require fuller cataloging or authorized forms of access points. Copy cataloging production also showed an impressive increase of more than 33 percent, to 71,436 records. Two pilot copy cataloging initiatives utilizing innovative workflows contributed to the increase. The Serial Record Division expanded its copy cataloging this year, producing a total of 5,159 copy-cataloged titles. Total SRD production in all categories was 12,759 new records, compared to 13,827 new records the

previous year, and 5,500 International Standard Serial Numbers (ISSN) assigned to new serials. The number of ISSN assigned represents a decrease from 6,000 assigned in fiscal year 2005, but a marked increase in per-capita staff production considering that the division lost two catalogers who performed this work. For the first time, this year SRD included subject analysis and Library of Congress Classification on all the bibliographic records it completed, a major expansion of its workload while the division kept production to ninety percent of the previous year's record. Uncataloged serials on hand at year's end numbered 2,090 compared to 4,998 at the end of fiscal 2005 - a 48% reduction.

Production of name authority work by Library of Congress staff increased this year. The BA Divisions, with the SRD and the field offices administered in the African/Asian and Overseas Operations Division, created 97,392 new name authority records, ten percent more than the 88,828 created in fiscal year 2005. Changes to name and series authority records totaled 44,512, compared to 60,454 in fiscal year 2005. The increased production of new name authorities reflected the Library's decision to cease creating or updating series authority records as of June 1, 2006, freeing more skilled staff resources for name authority work. Total new subject headings including those produced by catalogers and by the Subject Heading Editorial Team, Cataloging Policy and Support Office, numbered 6,692, nearly identical to the 6,678 produced in fiscal year 2005, bringing the size of the entire subject headings database to more than 290,000 records. Total changes to subject headings numbered 10,306, compared to 6,020 in fiscal year 2005. Catalogers proposed 1,535 new numbers in the Library of Congress Classification, a decrease of 11.88 per cent from the previous year, and changes to 131 Classification numbers, almost the same as the 132 changes in fiscal 2005.

The ABA Directorate increased its acquisitions of Chinese materials for the Library's collections and greatly improved bibliographic access to these materials. In Chinese, 56,058 items were acquired for the Library's collections, including 39,080 serial pieces and 16,129 books. The bibliographic access teams completed the cataloging of 481 new serial titles and 3,999 books and other non-serial items, compared to 8,579 Chinese books cataloged in fiscal year 2005. Staff in ABA also assisted the Geography

and Map Division in cataloging maps for more than 200 Chinese geographic places.

*Arrearage Reduction*

In fiscal year 2005, Library Services re-evaluated the materials awaiting processing and categorized as *arrearages*. This review showed that for some formats, the remaining amount of unprocessed materials had been reduced to the point where sound management practices dictated that the remainders be handled with current work on hand rather than as a separate arrearage category. The Library therefore ceased reporting arrearages in these formats: print materials; rare books; prints and photographs; and maps.

Arrearages still remain for other formats of material. The format with the largest remaining arrearage is manuscripts. At the end of the year, the manuscript arrearage stood at 11,894,021 items, slightly lower

than the 11,910,623 reported in fiscal year 2005. Of these, the Manuscript Division held 7,769,393 items, compared to 7,860,342 in its arrearage at the end of fiscal year 2005. The addition of nine new processing technicians permitted the Manuscript Division to process 822,193 items in fiscal year 2006, nearly a third more than the 619,057 processed the previous year; this figure included both arrearage items and new receipts. Arrearages of sound recordings decreased from 770,483 at the end of fiscal year 2005 to 680,581 this year; the arrearage of moving images decreased from 217,075 to 186,900. The music arrearage increased slightly, from 3,085,363 items in fiscal 2005 to 3,140,324 at the end of fiscal year 2006. The arrearage of machine-readable items was unchanged at 442.

Fiscal Year 2005 and 2006 arrearage statistics:

<b>Items in Arrearage</b>	<b>As of Sept. 30, 2005</b>	<b>As of Sept. 30, 2006</b>	<b>Change</b>
<b>Print Materials</b>	-no arrearage-	-no arrearage-	-no change-
<b>Special Materials</b>	15,983,986	15,902,268	-0.5 %
<b>Total</b>	15,983,986	15,902,268	-0.5 %

**OFFSITE STORAGE FACILITIES**

*Fort Meade*

414,986 items were accessioned and transferred to the High Density Storage Facility at Fort Meade during the fiscal year. By the close of the fiscal year, the total amount of items stored in the two modules at the Facility was 1,991,889. As increasing numbers of items have been stored there, the number of items requested daily from the Facility has grown. A total of 12,469 requests were received and responded to during the year. The response success rate remains at 100 per cent.

*National Audio-Visual Conservation Center*

In fiscal year 2006, the Packard Humanities Institute completed construction on Phase 1 – comprised of the Collections Building and Central Plant – of the National Audio-Visual Conservation Center (NAVCC) in Culpeper, Virginia. The Architect of the Capitol took possession of the Central Plant in November 2005, and in February the Motion Picture, Broadcasting, and Recorded Sound Division (MBRS) began relocating its more than 5.7 million sound and moving image collection items and related paper documents into the Collections Building. Nearly 50

miles of high-density mobile compact shelving were installed in the first two floors of the building.

By the end of the fiscal year, nearly half of the 5.7 million collection items had been relocated to Culpeper from existing storage facilities in Capitol Hill, Boyers, Pennsylvania, Elkwood, Virginia., and the Landover Center Annex (Maryland). MBRS continued to process significant numbers of collection items in preparation for their relocation, and mapped them into final storage destinations within the individual vaults at Culpeper. More than 100,300 sound recordings and 32,000 moving image items were sorted, labeled and re-housed, with new cataloging or inventory records created. This figure includes newly acquired items as well as retrospective unprocessed collections. While this physical processing continued, a parallel data conversion effort was undertaken to load collections information from several legacy databases used by MBRS over the years into a single system, MAVIS (Merged Audio-Visual Information System), the NAVCC's primary collections inventory database. MAVIS contained approximately 250,000 entries at the start of this project; when the data conversions are completed it will contain nearly 2 million titles.

MBRS continued to develop the new workflow, production and archiving systems that will be implemented at the NAVCC. In March, contractor Ascent Media completed the systems design, covering both the "front-end" preservation production and data capture equipment as well as the audio-visual viewing and projection systems throughout the facility. A subsequent contract to procure, integrate, install and test these audiovisual systems was awarded during summer 2006 to CEI of Chantilly, Virginia. On a parallel track, the Library's Information Technology Services Directorate (ITS) in the Office of Strategic Initiatives awarded a contract to design and build the "back-end" digital storage archive to the firm GMRI. This archive will store the digital files produced at NAVCC in a secured environment with a mirrored off-site back-up. By the end of the fiscal year GMRI had installed the storage archive temporarily in the ITS computer room on Capitol Hill, where it will be bench-marked and tested before relocation to Culpeper in 2007. ITS also built a test lab where all the system software and applications that will be used at the NAVCC can be developed and tested offline. Following the completion of the NAVCC workflow and systems requirements document in December

2005, substantial progress was made on developing the software that will integrate and automate all the center's business processes.

## **FINANCIAL REPORTING**

The Library's collections are classified as "heritage assets" for financial reporting purposes in accordance with SFFAS No. 29. Using a phased-in approach, SFFAS No. 29 requires that certain disclosures on heritage assets be reported as basic information in the financial statements beginning in fiscal year 2006, with additional disclosures being reported as basic information in fiscal years 2008 and 2009. The required disclosures include descriptions of major categories, physical unit information (number of units added and withdrawn), and the methods of acquisition and withdrawal.

The Library's reporting on heritage assets likewise follows the phased-in approach of SFFAS No. 29. The quantities of items in the Library's collections shown in the table that follows were taken from Library statistics collected on a regular basis and records that were accumulated over the years.

**Estimated Quantity of Each Category of Collection Materials at September 30, 2006:**

<b>Category of Collection</b>	<b>Beginning of Year Balance</b>	<b>Added During Year</b>	<b>Withdrawn During Year</b>	<b>End-of Year Total</b>	<b>Method of Acquisition and Withdrawal</b>
Print Collections - Classified Books	20,091,288	445,545	4,141	20,532,692	Acquisitions: Copyright deposits, purchase, gifts, exchanges, cataloging-in-publication Withdrawals: exchange & gift of unwanted or duplicate copies; depreciation or depletion through use; disposals through GSA
Other Print Materials - includes books in large type, newspapers, pamphlets, technical reports, incunabula, serials, etc.	10,159,387	1,441,026	9,104	11,591,309	
<b>Total Print Collections</b>	30,250,675	1,886,571	13,245	32,124,001	
Other Collections - includes audio materials, talking books, books in raised characters, manuscripts, maps, microforms, music, visual materials (moving images, posters, photographs, photocopies, prints & drawings, etc.), and machine readable materials	101,627,689	766,035	11	102,393,713	Acquisitions: Copyright deposits, purchase; exchange and gift Withdrawals: exchange & gift; depreciation or depletion through use; or disposals through GSA.
<b>Total Collections</b>	131,878,364	2,652,606	13,256	134,517,714	

**THE LIBRARY OF CONGRESS**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2006**

**MANAGEMENT ASSERTION ON CONTROLS FOR THE COLLECTIONS**

The purpose of this section is to assert management's opinion about the effectiveness of the Library's internal control structure for the collections.

**Preamble - The Mission of the Library of Congress**

A major mission of the Library of Congress is to acquire, preserve, and make maximally accessible the intellectual and information heritage of the United States and, to the degree desirable, the world. The Library serves, in priority order: the Congress; other branches of the government; other libraries and archives; researchers; and the general public. It is custodian of more than 134 million items, in over 470 languages and in the following formats: monographs and serials; manuscripts; prints, posters, and photographs; maps, atlases and globes; music manuscripts and scores; motion pictures, broadcasting and recorded sound; rare books; microforms; machine readable formats; and digital files. It makes these materials available to the Congress and other government entities through loans; to the research public in its reading rooms on Capitol Hill and through interlibrary loan; and to the general public through the National Digital Library and such outreach programs as exhibitions and performances, publications, videos, CDs, and tapes.

The Library of Congress, as the national library, has a special obligation to acquire comprehensively the creative and intellectual legacy of this country; to secure and preserve those items for present and future generations; and to make these items available as soon as possible and prudent to its constituents, primarily the Congress, other branches of government, and the research community. Achieving and maintaining the proper balance among preservation, security, and access is a dynamic and challenging process, faced by all libraries and archives. The process is influenced by the changing demands of the users, the development of technological and other means for accessing, preserving, and securing collections, and the judgment

of management about the equilibrium itself. Maintaining a balance in the midst of change is in turn influenced by the financial and personnel resources the Library has, through appropriations and other sources, to invest in acquiring, preserving, securing, and serving the Heritage Assets which comprise not only the Library's holdings, but in fact the record of the history and creativity of the American people throughout its history.

The risks to the national collections are: not acquiring and organizing materials that are critical to the continued development of the research collections that meet the needs of the Congress and the research community; not preserving the collections from the physical degradation inherent in each of the various media the Library holds and from deterioration through use; and the theft, mutilation, or accidental loss of the items in the collection.

In the course of its 206-year history, the Library has provided outstanding service to the Congress and has over time added service to other constituencies - the Executive and Judicial Branches, the library and academic communities of America, and the general public - while continuing to make service to the Congress its first priority. With time, the risks to the collections have increased. For example, the introduction of highly acidic wood pulp paper in the mid-nineteenth century and a variety of unstable media in the twentieth (nitrate film stock, wax cylinders, audio tape, etc.) have presented the Library with a number of preservation challenges. In addition, as the Library has moved to serve a wider audience and as the collections have grown, the risk of theft, mutilation, and accidental damage through handling has been elevated. Though this problem has always been widely recognized and conscientiously addressed in relation to the special format materials such as manuscripts and rare books, it was only in the 1990s that the Library took serious recognition of the extent to which the same problem affected the general collections (i.e., books and serials published after 1800).

The most recent problem identified is the need to preserve those library materials “born digital.” To that end, the Library received from the Congress the mandate to develop a National Digital Information Infrastructure and Preservation Program.

While the Library has, within the past 110 years, built three special library buildings on Capitol Hill for storage and service of the collections and acquired space for special storage in Ohio, Pennsylvania, Virginia and Maryland, the physical plant has not kept pace with the growth of the collections and their demand for a controlled environment to slow inherent physical degradation. In order to ensure continued excellent service to the Congress and to document the history and creativity of the American people, the Library has been zealous in fulfilling its obligation to sustain a comprehensive collection base, even, at times, when that accumulation of items for the collections might outstrip the Library's ability to preserve, secure, and gain bibliographical control of those items in as timely fashion as the Library would have liked. While this has been a conscious decision on the part of management - without acquiring appropriate collections as they become available, the Library has no chance of fulfilling its most fundamental mission to Congress and the nation - the result has led to a cataloging backlog, inadequate storage space, and insufficient security in some areas.

The Library of Congress recognizes these problems and has taken substantial steps to address them. It established the Preservation Directorate in 1967. It began an aggressive assault on the uncataloged backlog in 1991 when it launched its Arrearage Reduction effort. In 1992, it took the unprecedented step of closing its book stacks to the general public altogether and to its own staff for all purposes not directly related to their duties. Also, it began the systematic upgrading of security in all its reading rooms and installation of perimeter security of the collections.

For almost a decade, the Library sought additional space and resources for secondary storage and film and audio preservation facilities. In December 1997, the Congress authorized the acquisition of space in Culpeper, Virginia, owned by the Federal Reserve Bank of Richmond to be used as the National Audio-Visual Conservation Center (NAVCC). In August 2003, the Library, the Packard Humanities Institute (PHI), and the Architect of the Capitol completed a

three-way Implementation Agreement governing the project. This agreement covers the construction of the NAVCC by PHI and its transfer to the government when construction is completed. In fiscal year 2006, PHI completed construction on Phase 1, comprised of the Collections Building and Central Plant. The Architect of the Capitol took possession of the Central Plant in November 2005, and in February the Motion Picture, Broadcasting, and Recorded Sound Division began relocating its more than 5.7 million sound and moving image collection items and related paper documents into the Collections Building. Nearly 50 miles of high-density mobile compact shelving were installed in the first two floors of the building. By the end of the fiscal year, nearly half of the 5.7 million collection items had been relocated to Culpeper from existing storage facilities in Capitol Hill, Boyers, Pa., Elkwood, Va., and the Landover Center Annex (MD).

Years of planning for off-site storage of other collections at Fort Meade, Maryland, came to fruition when the facility opened November 18, 2002. The facility represented the start of the Library's program to utilize custom-built offsite facilities both to relieve overcrowding on Capitol Hill, and to ensure an excellent preservation environment. During fiscal year 2005, Module 1 reached capacity, and Module 2 construction was completed. In fiscal year 2006, the Library began to move materials into Module 2. During the year, 414,986 items were transferred to Fort Meade, bringing the total amount of items stored in the two modules at the facility to 1,991,889.

As part of the security supplemental appropriated in the wake of the September 11, 2001, tragedy, the Library is authorized to work with the Architect of the Capitol on the design of, and site selection for, a high security storage facility away from Capitol Hill for its most highly valued collections. During fiscal year 2004, such an off-site storage location, with the appropriate level of security, for the Library's treasures was identified, and transportation plans were developed in the event that the items must be moved to that location.

## **MANAGEMENT ASSERTION**

We confirm, to the best of our knowledge and belief, the following:



1) We are responsible for establishing and maintaining the internal control structure for the collections;

2) We have assessed the effectiveness of the Library of Congress' internal control structure over safeguarding of assets (collections) against unauthorized acquisition, use, or disposition, compliance with laws and regulations, and financial reporting based upon established control criteria. Those control criteria include: bibliographical controls, inventory controls, preservation controls, and physical security controls. Specific controls over items depend upon the individual format, demand for and conditions of use, and the value and risk assessment for that item.

**Bibliographical controls** include but are not limited to: cataloging, archival processing, and arrearage reduction.

**Inventory controls** include but are not limited to: item-level holdings records and bar-coding for non-rare monographs accessioned October 1999 or later; the automated circulation control system as implemented in the Integrated Library System (LC ILS); manual and automated shelflist and serial records; finding aids and other detailed item and/or collections descriptions; and registry of items lent for exhibition.

**Preservation controls** include but are not limited to: use of surrogates (digital, microform, service copies of audiovisual materials); collections care programs; disaster preparedness; Top Treasures security; deacidification; conservation of individual items; preservation treatment of processed items; preservation research and testing programs to define actions for deacidification, storage, audio preservation; studies of longevity of new digital media, work on national standards, etc.; and special Congressionally-mandated preservation programs such as the National Film and Preservation Board and the National Recording Preservation Board.

**Physical security controls** include but are not limited to: perimeter security (e.g., theft detection devices); secured receiving and holding areas for materials not yet accessioned into the research collections, including the Copyright Office; secured in-process working and holding areas; storage areas closed to the public and all staff except those who require daily access in order to perform their jobs;

reader registration; security in reading rooms (cameras, police and guard patrols, etc.); caging of high-risk collections; secured loan stations, and secured transit for high risk items.

3) Providing access to our collections inevitably puts them at risk and could impair the Library's ability to serve the Congress and other users in the future. However, the collections exist to be used, and management accepts the responsibility of mitigating risk to the collections at the same time it fulfills its mission of service to the Congress and the nation. While we have aggressively addressed deficiencies in bibliographic, inventory, preservation, and security controls in the past fiscal year, our assessment of internal controls identified the following material weaknesses, which could adversely affect the Library's ability to meet its internal control objectives, and, as a result, we cannot provide reasonable assurance that the internal control structure over safeguarding the Heritage Assets against unauthorized acquisition, use, or disposition, was completely effective as of September 30, 2006, for all of the Library's collections.

With the implementation of the LC ILS and the application of bar codes to all newly accessioned non-rare monographs beginning October 1999, the Library has taken a step toward partitioning its assertion. We cannot assert without qualification that the controls in place are adequate and appropriate to mitigate the risks for all the special collections. We can assert that bibliographic, preservation and physical security controls are applied to all items newly acquired for the collections, but we cannot assert that inventory controls are fully implemented during the in-processing and in-storage life cycles.

The Library continued its multi-year effort to conduct an inventory of the general collections. That project, the process of comparing the book stock on the shelves to inventory records, and the conversion of the record to digital format, will establish a benchmark from which future security assessments can be measured.

**Bibliographical controls:** As of September 30, 2006, the Library had reduced the arrearage count to 15,901,826 items. The 1989 benchmark number is 39.7 million items. During the year, newly acquired items were accessioned and cataloged using the LC ILS, while work on the arrearage continued.

**Inventory controls:** Contractors supervised by Library staff continue work on the inventory of books and serials in the general collections. Holdings information is added to the record as the inventory is conducted. Bar-coding of new receipts continued as one of the first processing steps, providing better security to the collections, and the capacity to do item-level tracking throughout the processing work flow.

**Preservation controls:** The Library has inadequate temperature and humidity control in some collections storage areas; inadequate space for appropriate storage of collections materials; insufficient space and environmental controls for the acetate negative collection; and insufficient funds for preservation reformatting. These conditions cannot be fully addressed with current funds and physical plant. The move of collections into the storage modules at Fort Meade, Maryland, is expected to remedy many of these difficulties for books and paper-based materials, and the acquisition of the National Audio-Visual Conservation Center in Culpeper, Virginia, is a major step in the preservation of film and other media.

**Physical security controls:** In fiscal year 2006, the Library sustained its advances in collections security by continuing to implement actions outlined originally in the 1997 security plan, reader registration, contracting for security monitors in reading rooms, and continuing the marking and security tagging of library materials. The Library has also integrated its preservation, bibliographic, and inventory controls within the security planning framework developed for the 1997 security plan.

The Library has integrated preservation and inventory management and tracking controls within the five tiered framework of risk first published in the Library's 1997 plan. The Office of Security and Emergency Preparedness, in coordination with the Collections Security Oversight Committee, has prepared and published the Library's Strategic Plan for Safeguarding the Collections, 2005-2008 (SPSC). Approved by the Librarian of Congress in July 2005, the plan integrates physical security, preservation, and inventory management controls protecting the Library's collections. The SPSC utilizes the Library's five-tiered framework of risk as the unifying approach to collections security, identifying minimum standards and quantifiable performance measures for all three safeguarding controls. This plan supersedes the Library's Security Plan published in October 1997, which focused solely on physical security controls.

4) We have disclosed all significant deficiencies in the design or operation of the internal control structure that could adversely affect the Library's ability to meet the internal control objectives and have identified those we believe to be a material weakness.

  
JoAnn C. Jenkins  
Chief Operating Officer



Memorandum

Office of the Inspector General

TO: James H. Billington
Librarian of Congress

February 15, 2007

FROM: Karl W. Schornagel
Inspector General

[Handwritten signature]

SUBJECT: Results of the Library of Congress FY 2006 Financial Statements Audit

The attached reports present the results of the annual audits of the Library of Congress financial statements for fiscal years (FY) 2006 and 2005.

We contracted with the independent certified public accounting firm of Kearney & Company (Kearney) for these audits. The contract required that the audits be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget Bulletin 06-03, Audit Requirements for Federal Financial Statements.

Results of Independent Audit

Financial Statements

For the eleventh consecutive year we are pleased to report that the auditor issued an unqualified ("clean") opinion on the Library's financial statements.

In its audit of the Library, Kearney found that the financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

Report on Internal Controls

A notable achievement during fiscal year 2006 was the significant efforts the Library made in addressing internal control weaknesses reported in previous years' audits concerning the financial system computing environment and the entity-wide security program. As a result, for FY 2006, Kearney found no material weaknesses in internal control, as defined on page 5-4 of the audit report.

Compliance with Laws and Regulations

Kearney found no instances of noncompliance with laws and regulations tested.

Attachments

cc: Chief Operating Officer
Chief Financial Officer

Management Assertion on Controls for the Collections
Kearney concluded that management's assertion fairly stated that internal controls over collections were not fully effective.

Office of the Inspector General Oversight of Kearney & Company Performance

To ensure the quality of the audit work performed, the OIG:

- reviewed Kearney's approach and planning of the audit;
reviewed significant audit working papers;
evaluated the qualifications and independence of the auditors;
monitored the progress of the audit at key points;
coordinated periodic meetings with Library management to discuss audit progress, findings, and recommendations;
performed other procedures we deemed necessary; and
reviewed and accepted Kearney's audit report.

Kearney is responsible for the attached auditor's reports and the conclusions expressed therein. Our review does not enable us to express, and we do not express, an opinion on the Library's financial statements or conclusions about the effectiveness of internal control, compliance with laws and regulations, or management's assertions on internal controls over collections.

We appreciate the courtesies and cooperation extended to Kearney and our staff during the audit.

## **Independent Auditor's Report**

Office of Inspector General  
Library of Congress

We have audited the accompanying Consolidated Balance Sheet of the Library of Congress (the Library) as of September 30, 2006, and the related consolidated Statement of Net Cost, Statement of Changes in Net Position, Statement of Financing, and the combined Statement of Budgetary Resources (hereinafter referred to as the financial statements), for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### **SUMMARY**

As stated in our opinion on the financial statements, we concluded that the Library's financial statements for the year ended September 30, 2006, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control over financial reporting disclosed no material weaknesses.

The results of our tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* issued by the Comptroller General of the United States.

As a result of our examination of management's assertion, which is presented in Section 4, we concluded that management fairly stated the following control weaknesses:

- The Library and management cannot provide reasonable assurance that the internal control structure over safeguarding Heritage Assets against unauthorized acquisition, use, or disposition was completely effective as of September 30, 2006, for all of the Library's collections.
- The Library and management cannot assert that inventory controls are fully implemented during the in-processing and in-storage life cycles for all of the Special Collections, as of September 30, 2006.

The following sections present our opinion on the Library's financial statements, our consideration of the Library's internal control over financial reporting, our tests of the Library's compliance with certain provisions of applicable laws and regulations, and management's and our responsibilities.



## OPINION ON FINANCIAL STATEMENTS

We have audited the accompanying Consolidated Balance Sheets for the Library as of September 30, 2006 and 2005, and the related consolidated Statements of Net Cost, Statements of Changes in Net Position, Statements of Financing, and combined Statements of Budgetary Resources for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Library changed its accounting for earmarked funds pursuant to Statement of Federal Financial Accounting Standards (SFFAS) No. 27, *Identifying and Reporting Earmarked Funds*, discussed in Note 19. This standard does not permit the restatement of prior periods.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Library as of September 30, 2006 and 2005, and its net costs, changes in net position, budgetary resources, and financing of operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph. The information in the Management's Discussion and Analysis and the Stewardship Report is not a required part of the Library's financial statements, but is considered supplementary information required by OMB Circular No. A-136, *Form and Content of Agency Financial Statements*. 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 we express no opinion on it.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Library's internal control over financial reporting by obtaining an understanding of the Library's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. With respect to the internal control objective relating to the



performance measures included in the Management's Discussion and Analysis (MD&A), we obtained an understanding of the design of internal controls relating to the existence and completeness assertions and determined whether they have been placed in operation. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 06-03. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Library's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. We noted no matters involving internal control and its operations that we consider to be material weaknesses.

In prior years, we reported on weaknesses we identified in the Library's General Support System (GSS) and Entity-Wide Security Program, which we described as reportable conditions. Specifically, we noted that the Library had not fully implemented an Entity-Wide Security Program and in addition, we identified control weaknesses in the Library's GSS which affected the availability, integrity, and confidentiality of all applications and data residing in the processing environment. During fiscal year 2006 the Library completed the implementation of enhancements addressing the above weaknesses and therefore Information Technology (IT) internal control weaknesses are no longer considered reportable conditions. IT internal controls exist in a dynamic environment where new risks are constantly evolving. Consequently, continued management commitment to an effective IT internal control environment will be essential to ensure that the Library's financial and sensitive information will be adequately protected in this new environment.

We noted other matters involving internal control and their operations over financial reporting, which have been reported to the Library's management in a separate letter dated January 19, 2007.

## **COMPLIANCE AND OTHER MATTERS**

The management of the Library is responsible for complying with laws and regulations applicable to the Library. As part of obtaining reasonable assurance about whether the



Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 06-03. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the Library.

The results of our tests of compliance with the laws and regulations described in the preceding paragraph disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 06-03.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

A handwritten signature in cursive script that reads "Kearney &amp; Company". The signature is written in dark ink and is positioned above the date and location text.

January 19, 2007  
Alexandria, Virginia

**Independent Auditor's Report**

We have examined management's assertions, which are presented in Section 4, that the Library of Congress (the Library) cannot provide reasonable assurance that the Library's internal control structure over safeguarding of assets (collections) against unauthorized acquisition, use, or disposition was effective as of September 30, 2006. The control criteria include bibliographical, inventory, preservation, and physical security controls as set forth in management's assertion. The Library's management is responsible for the assertion. Our responsibility is to express an opinion on the assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertion and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in internal controls, unauthorized acquisitions, use or disposition of collection assets may occur and not be detected. Also, projections of any evaluation of internal controls over safeguarding of assets to future periods are subject to the risk that internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion, which is presented in Section 4, is fairly stated, in all material respects, based upon the control criteria, bibliographical, inventory, preservation, and physical security controls. In addition, management's assertion that Library collection inventory controls were not fully implemented during the in-processing and in-storage life cycles, as of September 30, 2006, is fairly stated based upon the criteria described above.



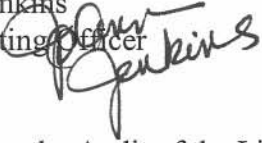
January 19, 2007  
Alexandria, Virginia



# Memorandum

**Library of Congress**  
**Office of the Librarian**  
*Chief Operating Officer*

TO : Karl Schornagel  
Inspector General

FROM : JoAnn C. Jenkins  
Chief Operating Officer 

SUBJECT : Comments on the Audit of the Library of Congress

Thank you for the opportunity to review and comment on our audit report of the Library of Congress's consolidated financial statements for fiscal years 2006 and 2005. The audit report makes many good recommendations, and the Library is taking steps to address these recommendations.

I am pleased that the audit report no longer reflects the long-standing reportable condition related to our General Support System and Entity-Wide Security Program, as we completed the implementation of enhancements addressing the weaknesses during fiscal year 2006. For the eleventh consecutive year, the Library has received an unqualified audit opinion on the consolidated financial statements.

We recognize that there is still much work to be done, especially in the areas related to collections security. We look forward to the challenge and to working cooperatively with your office and the Congress in continuing to improve accountability for the Library's resources.