

SECTION 3

FINANCIAL SECTION

A Message from the Chief Financial Officer



I am pleased to present the National Archives and Records Administration's (NARA) consolidated financial statements for Fiscal Year (FY) 2008, which received an unqualified opinion from our independent auditors for the third consecutive year.

During FY 2008 we continued to make steady improvements in financial management, institutionalizing and refining the financial reporting processes and associated internal controls. We have focused on correcting preexisting weaknesses in the personal property management area, commencing an intensive business process reengineering effort to document and implement essential internal controls and procedures across affected NARA organizations.

We have also faced new challenges, such as the FY2008 reporting requirement to reclassify Heritage Assets as basic financial information. Given the immense volume and variety of NARA's heritage assets, both NARA staff and the auditors grappled with new audit processes and issues, such as the appropriate disclosure, the categories and the levels of detail to report for relevant and reliable information.

Looking to the future, we will continue to strive to keep up with the constantly evolving challenges around archival holdings and Information Technology security, as described in our Management Discussion and Analysis' Management Challenges section.

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

Even as we address existing and new challenges, NARA's will continue its strong commitment to improving financial management and producing accurate and reliable financial statements.

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

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

Auditor's Reports (FY 2008)

Inspector General's Summary

**NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
ANNUAL FINANCIAL STATEMENT
FISCAL YEAR 2008**

**OFFICE OF THE INSPECTOR GENERAL
COMMENTARY AND SUMMARY**

This audit report contains the Annual Financial Statements of the National Archives and Records Administration (NARA) for the fiscal years ended September 30, 2008 and 2007. We contracted with the independent certified public accounting firm of Clifton Gunderson, LLP (CG) to perform the audit. The audit was done in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable provisions of the OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended, and the GAO/PCIE *Financial Audit Manual*.

In its audit of NARA's financial statements, CG's opinion states that the financial statements present fairly, in all material respects, the financial position of NARA as of September 30, 2008 and 2007, and its net cost, changes in net position, budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

In connection with the contract, we reviewed CG's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, as we do not express, opinions on NARA's financial statements or conclusions about the effectiveness of internal control; or conclusions on compliance with laws and regulations. CG is responsible for the attached auditor's report dated November 12, 2008 and the conclusions expressed in the report. However, our review disclosed no instances where CG did not comply, in all material respects, with generally accepted government auditing standards.

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

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

Independent Auditor's Report (FY 2008)



Independent Auditor's Report

To the Inspector General of the
National Archives and Records Administration

We have audited the consolidated balance sheets of National Archives and Records Administration (NARA) as of September 30, 2008 and 2007, and the related statements of net cost, changes in net position, and combined statement of budgetary resources for the years then ended (hereinafter collectively referred to as the "financial statements"). These financial statements are the responsibility of NARA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NARA as of September 30, 2008 and 2007, and its net cost, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 12, 2008 on our consideration of NARA's internal control over financial reporting, and on our tests of NARA's compliance with certain provisions of laws and regulations and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The information in the Management Discussion and Analysis and Required Supplementary Information sections is not a required part of the consolidated financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of

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inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

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

Clifton Henderson LLP

Calverton, Maryland
November 12, 2008



Independent Auditor's Report on Compliance and Other Matters

To the Inspector General of the
National Archives and Records Administration

We have audited the financial statements of the National Archives and Records Administration (NARA) as of, and for the year ended September 30, 2008, and have issued our report thereon dated November 12, 2008. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

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

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

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

Clifton Gunderson LLP

Calverton, Maryland
November 12, 2008

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Independent Auditor's Report on Internal Control

To the Inspector General of the
National Archives and Records Administration

We have audited the financial statements of the National Archives and Records Administration (NARA) as of and for the year ended September 30, 2008 and have issued our report thereon dated November 12, 2008. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

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

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

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

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

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

SIGNIFICANT DEFICIENCY

I. Information Technology

A. Access Controls

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

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

Our testing also indicated that logical access controls are not effective to ensure that only authorized users have access to systems. We noted the following:

Logical Access Controls

- Approved user access request forms were not available for six NARANET network and twenty-five Virtual Private Network (VPN) users.
- Three terminated employees still had active network accounts for several months after their separation dates.
- Novell Network E-Directory administrator and VPN access permissions are not being effectively recertified for appropriateness.
- NARA has not enabled the Novell Network audit capability for logins, Access Control List (ACL) changes, add group member or delete group member events in accordance with NARA policy.
- Attack signatures for the NARA Network Intrusion Detection System (NIDS) are not being promptly installed.

Recommendations:

1. Develop and implement VPN user access recertification procedures to require regular user access reviews for reasonableness.
2. Revise NARA IT Security Requirements to specify a specific time frame (i.e. 24 or 48 hours) in which system access is to be removed upon an employee's separation of employment.
3. Develop and implement Novell administrator user access recertification procedures to require regular user access reviews for reasonableness.
4. Enable Novell audit logging activity for user logins, ACL changes, add group member or delete group member events in accordance with NARA policy.
5. Update attack signatures for NARA NIDS to the most recent version.

B. Entity-Wide Security Program

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

An entity-wide security program planning and management should be in place to establish a framework and continuing cycle of activity to manage security risk, develop security policies, assign responsibilities, and monitor the adequacy of computer security related controls. It should also represent the foundation for an entity's security control structure and a reflection of senior management's commitment to addressing security risks. OMB Circular No. A-130, Appendix III *Security of Federal Automated Information Resources*, requires agencies to implement and maintain a program to assure that adequate security is provided for all agency information collected processed, transmitted, stored, or disseminated in general support systems and major applications.

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

- NARA has not certified or completed risk assessments or security plans for several NARANET components.
- New employees are not required to complete information security awareness training prior to obtaining access to NARA computer systems.

- NARA does not perform adequate screening of individuals prior to granting information system access. **(Repeat Condition)**
- Employee exit clearance forms were not available for sixteen individuals and incomplete forms were noted for fifteen individuals who separated from NARA during Fiscal Year (FY) 2008. **(Repeat Condition)**

Recommendations:

6. Complete risk assessments for all NARANET components.
7. Finalize and approve security plans for all NARANET components.
8. Certify each NARANET component, then certify and accredit the entire NARANET general support system.
9. Implement policies and procedures which require the completion of security and awareness training before being granted access to NARA information systems.
10. Complete exit clearance forms (Form 3009) for all separating employees which include formal sign offs by functional managers and maintain these documents in accordance with NARA document retention policies.
11. Modify IT security requirements for new hires prior to accessing NARA systems which map to interim clearance procedures for badge issuance.

C. Contingency Plan

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

To achieve this objective, NARA should have procedures in place to protect information resources and minimize the risk of unplanned interruptions and a plan to recover critical operations should interruptions occur. These plans should consider activities performed at NARA's general support facilities (e.g. NARA's Local Area Networks (LAN), Wide Area Networks (WAN), and telecommunications facilities), as well as the activities performed by users of specific applications. To determine whether the disaster recovery plans will work as intended, NARA should establish and periodically test the capability to perform its functions in disaster simulation exercises. NARA should develop and structure disaster recovery plans and continuity of operation plans in accordance with Homeland Security Presidential Directives (HSPD) 7, 51 and 20 and Federal Continuity Directive (FCD) 1, and NIST SP 800-34 *Contingency Planning Guide for Information Technology Systems*.

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

- NARA has not finalized and implemented an IT Contingency Plan for NARANET. Additionally, the current NARANET Disaster Recovery Plan does not include the procedures for recovering and reconstituting NARANET in a disaster situation.
- The NARA Headquarters Continuity of Operations Plan (COOP) has not been finalized. (Repeat Condition)

Recommendations:

12. Finalize and approve the COOP in accordance with HSPD 7, 51 and 20, FCD 1, and NIST SP 800-34.

13. Finalize and approve the NARANET general support system contingency plan.

STATUS OF PRIOR YEAR COMMENTS

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

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

In addition to the significant deficiencies described above, we noted certain matters involving internal control and its operation that we reported to the management of NARA in a separate letter dated November 12, 2008.

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

Clifton Henderson LLP

Calverton, Maryland
November 12, 2008

National Archives and Records Administration
Performance and Accountability Report, FY 2008

APPENDIX A
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
September 30, 2008

Recommendation No.	Condition/Audit Area	Recommendation	Current Status
Significant Deficiency			
1	Access Controls	Implement a contractor exit clearance process that requires formal sign offs by functional managers and Contracting Officer Technical Representatives (COTRs) to ensure logical and physical access is disabled and NARA property returned.	Closed
2	Access Controls	Immediately remove/disable Records Center Processing and Billing System (RCPBS) system access for the two individuals.	Closed
3	Access Controls	Enable account lockouts for the RCPBS application in accordance with NARA IT policies.	Closed
4	Security Program	Finalize the RCPBS Security plan, with affirmative evidence of management approval, date and version.	Open
5	Security Program	Complete incomplete sections in the RCPBS Security Plan.	Closed
6	Security Program	Perform an internal review to ensure that all security accreditation packages for all major applications and general support systems are supported by a clearly approved, finalized and complete System Security Plan and other documents	Open
7	Security Program	Complete exit clearance forms (Form 3009) for all separating employees.	Open
8	Security Program	Complete background investigations for the twelve NARA employees identified.	Closed
9	Security Program	Ensure out-of-date background investigations for all employees and contractors are re-performed.	Closed
10	Security Program	NARA should be conducting background investigations on new hires prior to accessing NARA systems and implement a process to independently validate on an annual basis that such investigations are being performed in a timely manner.	Open

National Archives and Records Administration
 Performance and Accountability Report, FY 2008

Recommendation No.	Condition/Audit Area	Recommendation	Current Status
Significant Deficiency			
11	Change Control	Strengthen RCPBS change control policies and procedures to include emergency change control and testing documentation procedures.	Closed
12	Service Continuity	Revise the COOP to reflect systems/applications that are currently in use, and specifically identify mission critical applications and related vital files, records and databases necessary to restore essential functions.	Partially Closed
13	Service Continuity	Develop and document an RCPBS Disaster Recovery Plan (DRP) testing schedule.	Open

Management Response to Auditor's Report (FY 2008)



National Archives and Records Administration

700 Pennsylvania Avenue, NW
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Date: November 14, 2008

To: Paul Brachfeld, NARA Inspector General

From: Allen Weinstein, Archivist of the United States

Subject: Response to Draft Independent Auditor's Report s on NARA's Internal Controls and Compliance with Laws and Regulations for FY 2008

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

While we generally agree with the auditor's assessment of a significant deficiency in information technology, we are unable to concur with some of the recommendations, as written. As we develop our action plan to address these recommendations, we will have to consider our budget realities, weighing the cost of corrective action against the expected benefit.

At the same time, we want to emphasize to our stakeholders that the risks described are adequately mitigated with compensating controls to prevent a material misstatement of NARA financial statements.

NARA continues to be committed to improving financial management and producing accurate and reliable financial information. We would like to again thank the Office of Inspector General and Clifton Gunderson LLP for working with us in a professional and dedicated manner.

A handwritten signature in black ink that reads "Allen Weinstein".

ALLEN WEINSTEIN
Archivist of the United States

Financial Statements and Additional Information (FY2008)

Limitations of the Financial Statements

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

NARA's FY 2008 financial statements were audited by Clifton Gunderson LLP under contract to NARA's Office of the Inspector General.

Principal Statements

Consolidated Balance Sheet *As of September 30, 2008 and 2007* *(in thousands)*

	2008	2007
Assets (Note 2)		
Intragovernmental		
Fund balance with Treasury (Note 2)	\$ 213,080	\$ 176,004
Investments (Note 3)	10,957	8,342
Accounts receivable (Note 4)	12,446	9,789
Total intragovernmental	236,483	194,135
Cash (Note 2)	49	51
Investments (Note 3)	20,513	21,972
Accounts receivable, net (Note 4)	596	554
Inventory, net (Note 5)	1,120	1,027
General property, plant and equipment, net (Note 6)	415,980	377,871
Other Assets	868	925
Total assets	\$ 675,609	\$ 596,535
Stewardship PP&E (Note 7)	-	-
Liabilities		
Intragovernmental		
Accounts payable	\$ 2,439	\$ 3,296
Other (Note 8, 9, 10)	5,556	5,237
Total intragovernmental	7,995	8,533
Accounts payable	30,108	32,542
Debt held by the public (Note 8, 9)	205,868	216,841
Other (Note 8, 10)	35,128	29,665
Total liabilities	\$ 279,099	\$ 287,581
Commitments and Contingencies (Note 12)	-	-
Net Position		
Unexpended appropriations - other funds	147,697	108,649
Cumulative results of operations - earmarked funds (Note 13)	31,119	30,952
Cumulative results of operations - other funds	217,694	169,353
Total net position	\$ 396,510	\$ 308,954
Total liabilities and net position	\$ 675,609	\$ 596,535

The accompanying notes are an integral part of these statements

National Archives and Records Administration
Performance and Accountability Report, FY 2008

Consolidated Statement of Net Cost
For the years ended September 30, 2008 and 2007
(in thousands)

	2008	2007
Program Costs		
Records and archives-related services		
Gross costs (Note 14)	\$ 307,207	\$ 282,894
Less: Earned revenues	(261)	(545)
Total net records and archives-related services program costs	306,946	282,349
Trust and Gift Funds		
Gross costs (excluding heritage asset renovation)	14,449	14,997
Heritage asset renovation costs (Note 15)	-	1,200
Less: Earned revenues	(18,422)	(18,094)
Total net trust and gift fund costs	(3,973)	(1,897)
Electronic records archives		
Gross costs	9,885	7,091
Less: Earned revenues	-	-
Total net electronic records archives program costs	9,885	7,091
National historical publications and records commission grants		
Gross costs	5,511	5,681
Less: Earned revenues	-	-
Total net national historical publications and records commission grants program costs	5,511	5,681
Archives facilities and presidential libraries repairs and restoration		
Gross costs (excluding heritage asset renovation)	100	888
Heritage asset renovation costs (Note 15)	11,165	3,667
Less: Earned revenues	-	-
Total net archives facilities and presidential libraries repairs and restoration program costs	11,265	4,555
Revolving fund records center storage and services		
Gross costs	149,375	144,836
Less: Earned revenues	(142,332)	(136,015)
Total net revolving fund records center storage and services program costs	7,043	8,821
Net Cost of Operations	\$ 336,677	\$ 306,600

The accompanying notes are an integral part of these statements

National Archives and Records Administration
Performance and Accountability Report, FY 2008

Consolidated Statement of Changes in Net Position
For the years ended September 30, 2008
(in thousands)

	2008		
	Earmarked Funds	All Other Funds	Consolidated Total
Cumulative Results of Operations			
Beginning Balance	\$ 30,952	\$ 169,353	\$ 200,305
Budgetary Financing Sources			
Appropriations Used	-	368,731	368,731
Nonexchange Revenue	783	-	783
Donations and forfeitures of cash and cash equivalents	534	-	534
Transfers-in/out without reimbursement	(632)	632	-
Other	65	-	65
Other Financing Sources (Non-Exchange)			
Imputed financing	447	15,866	16,313
Other	(1,241)	-	(1,241)
Total Financing Sources	(44)	385,229	385,185
Net Cost of Operations	(211)	336,888	336,677
Net Changes	167	48,341	48,508
Cumulative Results of Operations	31,119	217,694	248,813
Unexpended Appropriations			
Beginning Balance	-	108,649	108,649
Budgetary Financing Sources			
Appropriations received	-	411,133	411,133
Appropriations transferred-in/out	-	-	-
Other adjustments	-	(3,354)	(3,354)
Appropriations used	-	(368,731)	(368,731)
Total Budgetary Financing Sources	-	39,048	39,048
Total Unexpended Appropriations	-	147,697	147,697
Net Position	\$ 31,119	\$ 365,391	\$ 396,510

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

The accompanying notes are an integral part of these statements

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

	2007		
	Earmarked Funds	All Other Funds	Consolidated Total
Cumulative Results of Operations			
Beginning Balance	\$ 29,174	\$ 121,349	\$ 150,523
Budgetary Financing Sources			
Appropriations Used	-	335,779	335,779
Nonexchange Revenue	821	-	821
Donations and forfeitures of cash and cash equivalents	1,724	-	1,724
Transfers-in/out without reimbursement	-	-	-
Other	398	-	398
Other Financing Sources (Non-Exchange)			
Imputed financing	522	17,381	17,903
Other	(243)	-	(243)
Total Financing Sources	3,222	353,160	356,382
Net Cost of Operations	1,444	305,156	306,600
Net Changes	1,778	48,004	49,782
Cumulative Results of Operations	30,952	169,353	200,305
Unexpended Appropriations			
Beginning Balance	-	108,887	108,887
Budgetary Financing Sources			
Appropriations received	-	341,137	341,137
Other adjustments	-	(5,596)	(5,596)
Appropriations used	-	(335,779)	(335,779)
Total Budgetary Financing Sources	-	(238)	(238)
Total Unexpended Appropriations	-	108,649	108,649
Net Position	\$ 30,952	\$ 278,002	\$ 308,954

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

The accompanying notes are an integral part of these statements

Combined Statement of Budgetary Resources
For the years ended September 30, 2008 and 2007
(in thousands)

	<u>2008</u>	<u>2007</u>
Budgetary Resources		
Unobligated balance brought forward, October 1:	\$ 63,813	\$ 64,518
Recoveries of prior year unpaid obligations	6,203	10,251
Budget Authority		
Appropriation	413,139	356,893
Spending authority from offsetting collections		
Earned		
Collected	177,602	173,921
Change in receivables from Federal sources	3,267	(2,731)
Change in unfilled customer orders		
Advance received	383	(181)
Without advance from Federal sources	(6,746)	(11)
Expenditure transfers from trust funds	632	0
Subtotal	<u>588,277</u>	<u>527,891</u>
Permanently not available	14,250	15,622
Total budgetary resources	<u>\$ 644,043</u>	<u>\$ 587,038</u>
Status of Budgetary Resources		
Obligations Incurred (Note 17)		
Direct	404,622	363,392
Reimbursable	174,436	159,833
Subtotal	<u>579,058</u>	<u>523,225</u>
Unobligated Balance		
Apportioned	44,350	45,773
Exempt from apportionment	7,068	4,993
Subtotal	<u>51,418</u>	<u>50,766</u>
Unobligated balance not available	13,567	13,047
Total status of budgetary resources	<u>\$ 644,043</u>	<u>\$ 587,038</u>
Change in Obligated Balance		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	\$ 139,064	\$ 139,068
Less: Uncollected customer payments from Federal sources, brought forward October 1	(18,483)	(21,224)
Total unpaid obligated balance, net	<u>120,581</u>	<u>117,844</u>
Obligations incurred net	579,058	523,225
Less: Gross outlays	(537,814)	(512,979)
Less: Recoveries of prior year unpaid obligations, actual	(6,203)	(10,251)
Change in uncollected customer payments from Federal sources	3,479	2,742
Obligated balance, net, end of period		
Unpaid obligations	174,104	139,064
Less: Uncollected customer payments from Federal sources	(15,003)	(18,483)
Total, unpaid obligated balance, net, end of period	<u>159,101</u>	<u>120,581</u>
Net Outlays		
Gross outlays	537,814	512,979
Less: Offsetting collections	(178,616)	(173,740)
Less: Distributed offsetting receipts	(1,428)	(13,913)
Net Outlays	<u>\$ 357,770</u>	<u>\$ 325,326</u>

The accompanying notes are an integral part of these statements

Notes to Principal Statements

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

General Funds

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

Intragovernmental Fund

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

Trust Funds

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

B. Basis of Accounting and Presentation

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

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

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

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

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

D. Accounts Receivable

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

E. Investments in Securities

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

NARA also employs the services of a third party capital management firm to monitor and manage the endowments, received pursuant to Title 44 U.S.C. section 2112, for the George Bush

Library and Clinton Library. The purpose of the endowment is to provide income to offset the operations and maintenance costs of the corresponding Presidential library. Each endowment is reflected as a separate investment account in a Collective Fund. NARA also exercises its authority under Title 44 U.S.C. section 2306, to move a portion of federally held investments for the Presidential Libraries to a third party investment firm, The Vanguard Group. All third party investments are recorded at fair value and interest income earned will be recognized on a monthly basis.

F. Inventories

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

G. Property, Plant and Equipment

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

NARA's PP&E falls into two categories: general PP&E and heritage assets. General PP&E items are used to provide general government goods and services. Heritage assets are defined as possessing significant educational, historic, cultural or natural characteristics, and are not included in the general PP&E. (See Note 7)

Multi-use heritage assets are heritage assets that are used predominantly for general government operations. The costs of acquisition, significant betterment or reconstruction of multi-use heritage assets are capitalized as general PP&E and depreciated, and are included on the Balance Sheet as general PP&E.

H. Internal Use Software

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

I. Federal Employee Benefits

Employee Health and Life Insurance Benefits

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

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

Employee Retirement Benefits

All permanent NARA employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). NARA makes the required employer contributions to CSRS and FERS and matches certain employee contributions to the thrift savings component of FERS. All of these payments are recognized as operating expenses. The pension expense recognized in the financial statements equals the current service cost for

NARA's employees for the accounting period less the amount contributed by the employees. OPM, the administrator of these plans, supplies NARA with factors to apply in the calculation of the service cost. These factors are derived through actuarial cost methods and assumptions. The excess of the recognized pension expense over the amount contributed by NARA and its employees represents the amount being financed directly by OPM and is considered imputed financing to NARA; appearing as an imputed cost on the Statement of Net Cost and an imputed financing source on the Statement of Changes in Net Position.

Workers' Compensation Program

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

Actuarial FECA liability represents the liability for expected future workers' compensation benefits, which includes the liability for death, disability, medical, and miscellaneous costs for approved cases. The actuarial liability is determined by DOL annually, as of September 30, using a method that utilizes historical benefits payment patterns related to a specific incurred period, wage inflation factors, medical inflation factors and other variables. These actuarially computed projected annual benefit payments are discounted to present value using OMB's economic assumptions for ten-year Treasury notes and bonds. NARA computes its actuarial FECA liability based on the model provided by DOL and presents it as a liability to the public because neither the costs nor reimbursements have been recognized by DOL (see Note 8 and 10).

J. Accrued Annual, Sick and Other Leave

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

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

K. Use of Estimates

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

L. Contingencies and Commitments

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

M. Allocation of Program Management Cost

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

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Net Cost, such as Electronic Records Archives and National Historic Publications and Records Commission Grants are, in essence, a part of the Records and Archives-related services, which funds the related administrative costs. These sub-programs are shown separately for the purpose of demonstrating accountability and custodial responsibility for the funds received for these programs.

N. Earmarked Funds

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

Note 2 – Fund Balance with Treasury and Cash

Fund balances (in thousands)	2008	2007
Appropriated funds	\$ 179,511	\$ 142,654
Revolving fund	32,881	32,629
Trust fund	145	516
Gift fund	101	101
Other funds	442	104
Total	\$ 213,080	\$ 176,004

Status of Fund Balances with Treasury		
Unobligated Balance		
Available	40,412	42,375
Unavailable	13,567	13,047
Obligated Balance not yet disbursed	158,659	120,478
Other funds	442	104
Total	\$ 213,080	\$ 176,004

Unavailable unobligated balance includes the following

Allotments - Expired Authority	\$ 13,567	\$ 13,047
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Restricted donations, included in the available unobligated and obligated balance above, are obligated in accordance with the terms of the donor. All donations to Presidential Libraries and the National Archives with specific requirements are considered restricted as to purpose. The endowments for the Presidential Libraries are restricted and have been obligated and invested in non-federal investments. The restricted balance as of September 30, 2008 is \$11,323 thousand (of which \$667 thousand is unobligated) and \$12,493 thousand as of September 30, 2007 (of which \$798 thousand is unobligated).

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

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The unused fund balance of \$3,354 thousand in canceled appropriation for FY 2003 was returned to Treasury at the end of the fiscal year.

Note 3 – Investments

Investments as of September 30, 2008 and 2007 consist of the following
(in thousands)

Amounts for FY 2008 Balance Sheet Reporting					
	Cost	Interest Receivable	Investments, Net	Other Adjustments	Market value disclosure
Intragovernmental Securities					
Non-Marketable	\$ 10,957	\$ -	\$ 10,957	\$ -	\$ 10,957
Total Intragovernmental	\$ 10,957	\$ -	\$ 10,957	\$ -	\$ 10,957
Other securities					
Vanguard Intermediate Term Investment - Admiral	11,810	-	11,810	(1,168)	10,642
Vanguard Emerging Markets Stock Index Fund	539	9	548	(145)	403
Vanguard Developed Markets Index Fund	1,161	30	1,191	(207)	984
Vanguard Total Bond Market Index Fund-Admiral	6,352	-	6,352	41	6,393
Vanguard Total Stock Market Index Fund-Admiral	1,335	2	1,337	(185)	1,152
Vanguard PRIMECAP Core Fund	994	7	1,001	(62)	939
Total Other	22,191	48	22,239	(1,726)	20,513
Total Investments	\$ 33,148	\$ 48	\$ 33,196	\$ (1,726)	\$ 31,470

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Amounts for 2007 Balance Sheet Reporting					
	Cost	Interest Receivable	Investments, Net	Other Adjustments	Market value disclosure
Intragovernmental Securities					
Non-Marketable	\$ 8,340	\$ 2	\$ 8,342	\$ -	\$ 8,342
Total Intragovernmental	\$ 8,340	\$ 2	\$ 8,342	\$ -	\$ 8,342
Other securities					
Vanguard Intermediate Term Investment - Admiral	11,773	-	11,773	(127)	11,646
Emerging Markets Stock Index Fund	504	3	507	55	562
Vanguard Developed Markets Index Fund	898	19	917	193	1,110
Vanguard Total Bond Market Index Fund-Admiral	6,008	-	6,008	116	6,124
Vanguard Total Stock Market Index Fund-Admiral	1,316	2	1,318	150	1,468
Vanguard PRIMECAP Core Fund	910	6	916	146	1,062
Total Other	21,409	30	21,439	533	21,972
Total Investments	\$ 29,749	\$ 32	\$ 29,781	\$ 533	\$ 30,314

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

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

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

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

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Note 4 – Accounts Receivable, Net

Accounts receivable consisted of the following:

(in thousands)

	2008		2007	
	Intra-governmental	With the public	Intra-governmental	With the public
Accounts receivable	\$ 12,446	\$ 596	\$ 9,789	\$ 554

Note 5 – Inventories

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

(in thousands)

	2008	2007
Inventory held for sale	\$ 1,379	\$ 1,290
Allowance for damaged and obsolete goods	(259)	(263)
Net realizable value	\$ 1,120	\$ 1,027

Note 6 - General Property, Plant and Equipment, Net

The following components comprise Property, Plant and Equipment as of September 30, 2008 and 2007 (in thousands):

Asset category	Estimated useful life in years	Acquisition cost	Accumulated depreciation/amortization	2008	2007
				Net book value	Net book value
Land	N/A	\$ 6,159	\$ -	\$ 6,159	\$ 6,159
Buildings and structures	30	388,960	(182,162)	206,798	218,023
Construction and shelving in progress	N/A	21,820	-	21,820	16,061
Equipment & Shelving	3 to 20	77,704	(49,549)	28,155	22,402
Leasehold Improvements	5	6,907	(1,007)	5,900	2,792
Assets under capital lease	20	5,284	(3,226)	2,058	2,322
Internal-use software	5	159,039	(42,321)	116,718	17,073
Software development in progress	N/A	28,372	-	28,372	93,039
Total property, plant and equipment		\$ 694,245	\$ (278,265)	\$ 415,980	\$ 377,871

NARA owns two pieces of land, which are sites for current (Atlanta, GA) or future (Alaska) multi-use regional archival facilities, and is therefore also deemed multi-use.

Buildings and structures presented on the balance sheet consist of the National Archives facility at College Park and the Southeast Regional Archives in Atlanta, GA which are multi-use heritage assets. Buildings deemed purely heritage assets are not included on the balance sheet, and are described further in Note 7.

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Note 7 - Stewardship PP&E

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

In accordance with Statement of Federal Financial Accounting Standard (SFFAS) #29, a brief description and the number of physical units of the major categories of heritage assets have been moved from the Required Supplementary Information for fiscal year 2008 and appear below. The major categories of heritage assets for NARA are buildings designated as heritage or multi-use heritage assets, and NARA archival holdings.

	<u>2008</u>	<u>2007</u>
Record types		
Traditional Holdings (in cubic feet)		
Presidential Libraries ¹	256,707	234,607
Office of Regional Records Services	1,022,055	707,612
Washington, DC	2,440,290	2,394,344
Affiliated archives	12,425	12,425
Total	<u>3,731,477</u>	<u>3,348,988</u>
Electronic Holdings (in logical data records)		
Presidential Libraries ¹	35,308,040	35,308,040
Washington, DC	5,487,402,151	4,701,604,189
Total	<u>5,522,710,191</u>	<u>4,736,912,229</u>
Non-record types		
Buildings and structures (in units)		
Presidential Libraries (structures)	19	19
National Archives Building	1	1
Multi-use heritage asset-building	2	2
Total	<u>22</u>	<u>22</u>
Land in pieces, multi-use	2	2

¹Archival holding numbers for the Presidential Libraries represent processed and unprocessed records. Unprocessed Presidential records are available to the public only through the Freedom of Information Act (FOIA) process, which may involve significant waiting periods at the newer libraries, depending on the number of requests at the Library and the levels of review required. Other than at the Presidential Libraries, accessioned Federal records, whether processed or unprocessed, are available to the public subject to various exemptions of FOIA. (See Performance Section 2.2 for more details on the performance data on processing records).

Archival holdings consist of the following record types:

- Traditional Textual (paper) are records on paper whose intellectual content is primarily textual. The unit of measure for traditional textual is cubic feet.
- Traditional Non-textual (all media) category includes all records not classified as textual (paper), artifacts, or electronic records. It includes still pictures on paper and film; posters; architectural drawings, charts, maps and other cartographic records on paper; textual records on microfilm; as well as motion pictures, video, sound recordings, and other clearly non-textual records. The unit of measure for traditional non-textual is cubic feet.
- Electronic records are records on electronic storage media. At NARA, the unit of measure for electronic records is the *logical data record*, or *LDR*. This is an intellectual unit of measure, as opposed to physical units, such as files or megabytes. The LDR is analogous to an archival item, the minimal record of interest to a researcher. An example of LDR is one word processing document; one spreadsheet; one email (with attachments); one record in a database; one digital photograph, etc.

During FY 2007 using improved counting tools, NARA re-measured our electronic holdings in LDR's, which led to a great decrease in the count from prior years. The old unit of measure, *logical records (LR)*, is a concept from the early days of computing, representing one punch card, or one line of a report. For older databases, the LDR and the LR have a one to one relationship. But for newer accessions with word processing documents and emails, this correlation breaks down. An email may have multiple logical records, one for each line of text. However, it clearly represents a single LDR – one archival item. The re-measurement allowed for a more meaningful presentation.

While the complete physical examination of each old file for re-measurement was not cost-effective, NARA estimates that less than 1% of FY2008 LDR count actually represents the old LR unit of measure. It will become even a smaller percentage in the years ahead as NARA accessions more records.

The LDRs shown have all been processed and are available for public access – unless otherwise restricted due to the Privacy Act, the Presidential Records Act, security classification, or the like. (See Performance Section 3.1 for more details on LDR re-measure and the performance data on accessioning backlog).

In addition to *buildings and structures* and *traditional holdings*, each of the twelve Presidential Library museums is a repository to a collection of artifacts, preserved and exhibited to promote public understanding of the history of the period, the respective Presidential administration, and the career of the President. NARA currently counts each Presidential Library museum collection of artifacts as a single collection. These collections include gifts from foreign heads of state, luminaries and common citizens with artifacts ranging from high value items, including firearms, jewelry, and works of art, coins and currency to tee shirts, trinkets and curiosities. As part of its action plan to address its *Presidential Library Inventory Controls* material weakness, NARA is undertaking an immense effort of evaluation and complete physical inventory of artifacts within each collection.

The current condition of general and heritage assets PP&E, the physical quantity of current year acquisitions, the description of the major methods of acquisition, and the estimated cost of deferred maintenance are reported in Required Supplementary Information. The costs of repairs and renovations to the heritage asset buildings are presented separately on the Statement of Net Cost as “Heritage asset renovation costs”, and detailed in Note 15.

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Note 8 – Liabilities not covered by Budgetary Resources

Liabilities not covered by budgetary resources are liabilities that are not funded by direct budgetary authority in the current fiscal year and result from the receipt of goods and services, or the occurrence of eligible events, for which appropriations, revenues, or other financing sources necessary to pay the liabilities have not yet been made available through Congressional appropriation. Liabilities not covered by budgetary resources as of September 30, 2008 and 2007, consist of the following:

(in thousands)

	<u>2008</u>	<u>2007</u>
Intragovernmental		
Workers' compensation	\$ 773	\$ 434
Total intragovernmental	<u>773</u>	<u>434</u>
Debt held by the public	205,868	216,841
Accrued unfunded leave	9,397	8,649
Workers' compensation-actuarial liability	11,338	10,666
Total liabilities not covered by budgetary resources	<u>227,376</u>	<u>236,590</u>
Total liabilities covered by budgetary resources	<u>51,723</u>	<u>50,991</u>
Total liabilities	<u>\$ 279,099</u>	<u>\$ 287,581</u>

Note 9 - Debt Held by the Public

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

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

Although the full amount financed of \$301,702 thousand was included (scored) for U.S. budget estimation purposes in fiscal year 1989, NARA requires a congressional appropriation to pay the redemption of debt (principal) and interest costs of \$28,971 thousand, annually. The 25-year semiannual payments of \$14,486 thousand began in 1994 and will be completed in 2019.

(in thousands)

	<u>2008</u>	<u>2007</u>
Beginning balance - Principal	\$ 215,316	\$ 225,342
Less : Debt repayment	10,896	10,026
Ending balance - Principal	<u>204,420</u>	<u>215,316</u>
Accrued interest payable	1,448	1,525
Total Debt at September 30	<u>\$ 205,868</u>	<u>\$ 216,841</u>

Note 10 – Other Liabilities

Other Liabilities as of September 30, 2008 and 2007 consists of the following:

(in thousands)

	2008		
	Non-Current	Current	Total
Intragovernmental			
Workers' and unemployment compensation	\$ 1,512	\$ 1,047	\$ 2,559
Capital lease liability	614	93	707
Accrued payroll	-	1,903	1,903
Advances from others	-	387	387
Total Intragovernmental	2,126	3,430	5,556
Workers' compensation	11,338	-	11,338
Accrued funded payroll and leave	-	13,621	13,621
Unfunded leave	9,397	-	9,397
Other liabilities	-	2	2
Advances from others	-	770	770
Total other liabilities	\$ 22,861	\$ 17,823	\$ 40,684
	2007		
	Non-Current	Current	Total
Intragovernmental			
Workers' and unemployment compensation	\$ 1,385	\$ 1,151	\$ 2,536
Capital lease liability	661	133	794
Accrued payroll	-	1,399	1,399
Advances from others	-	508	508
Total Intragovernmental	2,046	3,191	5,237
Workers' compensation	10,666	-	10,666
Accrued funded payroll and leave	-	9,976	9,976
Unfunded leave	8,649	-	8,649
Other liabilities	-	109	109
Advances from others	-	265	265
Due to others	-	-	-
Total other liabilities	\$ 21,361	\$ 13,541	\$ 34,902

Note 11 – Leases

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

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

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

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

Capital Leases - NARA as lessee	2008	2007
Summary of assets under capital lease:		
Shelving	\$ 5,284	\$ 5,284
Accumulated amortization	(3,226)	(2,962)
Description of Lease Arrangements		
Future payments due		
<u>Fiscal year</u>		
2009	\$ 146	
2010	146	
2011	146	
2012	146	
2013	146	
After 2013	159	
Total future lease payments	889	
Less: imputed interest	182	
Net capital lease liability	\$ 707	

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

Records facility	Lease Period
Pittsfield, Massachusetts	January 5, 1994 through January 4, 2014
Dayton (Kingsridge), Ohio	September 1, 2004 through December 31, 2022
Lenexa, Kansas	February 1, 2003 through January 31, 2023
St. Louis, Missouri	February 1, 2010 through January 31, 2030

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

During FY2008, NARA entered into two new non-cancelable leases to replace its NPRC facility in St. Louis. One, for permanent records, will be leased from and managed by GSA (see table above). The other, the Annex in Valmeyer, Illinois, is a non-cancelable operating lease with a public corporation, for the period of October 1, 2008 through September 30, 2028, to house temporary records.

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

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

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

Operating Leases - NARA as lessee			
Future payments due:	Asset Category		
<u>Fiscal year</u>	<u>Land</u>	<u>Buildings</u>	
2009	\$ 126	\$ 14,045	
2010	129	21,318	
2011	132	24,476	
2012	135	24,707	
2013	139	24,977	
After 2013	1,519	324,914	
Total future lease payments	\$ 2,180	\$ 434,437	

Note 12 – Commitments and Contingencies

NARA has incurred claims in the normal course of business. As of September 30, 2008, in the opinion of General Counsel, NARA has no material outstanding claims. The aggregate potential loss to NARA on all outstanding claims, with a reasonable possibility of an unfavorable outcome is estimated not to exceed \$ 4 thousand. This amount reflects the fact that any settlements or awards on a tort claim over \$2,500, are payable by the U.S. Treasury Judgment Fund, and not by NARA.

Note 13 - Earmarked Funds

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

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

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

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

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Financial Information for NATF and NAGF as of September 30, 2008 and 2007 consists of the following:

(in thousands)	2008		
	NATF	NAGF	Total Earmarked Funds
Balance Sheet as of September 30, 2008			
Assets			
Fund balance with Treasury	\$ 587	\$ 101	\$ 688
Cash	49	-	49
Investments, net	16,993	14,477	31,470
Accounts receivable	439	-	439
Inventory	1,120	-	1,120
Property, plant and equipment	21	-	21
Total assets	19,209	14,578	33,787
Liabilities			
Accounts payable	1,122	37	1,159
Other liabilities	1,509	-	1,509
Total liabilities	2,631	37	2,668
Net position			
Cumulative results of operations			
Restricted	-	11,323	11,323
Unrestricted	16,578	3,218	19,796
Total net position	16,578	14,541	31,119
Total liabilities and net position	19,209	14,578	33,787
Statement of Net Cost for the Period Ended September 30, 2008			
Gross Program Costs	17,740	836	18,576
Less Earned Revenues	18,787	-	18,787
Net Costs of Operations	\$ (1,047)	\$ 836	\$ (211)
Statement of Changes in Net Position For the Period Ended September 30, 2008			
Net position, Beginning of fiscal year	15,078	15,874	30,952
Non-exchange revenue	6	777	783
Donations	-	534	534
Transfers-in/out without reimbursements	-	(632)	(632)
Other Budgetary Financing Sources	-	65	65
Imputed financing from costs absorbed by others	447	-	447
Other Financing Sources	-	(1,241)	(1,241)
Total financing sources	453	(497)	(44)
Net cost of operations	(1,047)	836	(211)
Change in Net Position	1,500	(1,333)	167
Net Position, End of fiscal year	\$ 16,578	\$ 14,541	\$ 31,119

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

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

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Note 14 – Intragovernmental Costs and Exchange Revenues by Program
(in thousands)

	<u>2008</u>	<u>2007</u>
Records and Archives Related Services		
Intragovernmental gross costs	\$ 51,176	\$ 48,049
Public costs	256,031	234,845
Total Records and Archives-Related Service Costs	307,207	282,894
Intragovernmental earned revenue	261	545
Public earned revenue	0	0
Total Records and Archives-Related Service Earned Revenue	261	545
Trust and Gift Funds		
Intragovernmental gross costs	2,176	4,375
Public costs	12,273	10,621
Heritage asset renovation costs (Note 16)	0	1,200
Total Trust and Gift Funds Costs	14,449	16,196
Intragovernmental earned revenue	909	1,270
Public earned revenue	17,513	16,824
Total Trust and Gift Funds Earned Revenue	18,422	18,094
Electronic Records Archives		
Intragovernmental gross costs	6,397	3,873
Public costs	3,488	3,218
Total Electronics Records Archives Costs	9,885	7,091
National Historical Publications and Records Commission Grants		
Intragovernmental gross costs	0	0
Public costs	5,511	5,681
Total National Historical Publications and Records Commission Grants Costs	5,511	5,681
Archives Facilities and Presidential Libraries Repairs and Restoration		
Intragovernmental gross costs	4	0
Public costs	96	888
Heritage asset renovation costs (Note 16)	11,165	3,667
Total Archives Facilities and Presidential Libraries Repairs and Restoration Costs	11,265	4,555
Revolving Fund Records Center Storage and Services		
Intragovernmental gross costs	70,035	68,847
Public costs	79,340	75,989
Total Revolving Fund Records Center Storage and Service Costs	149,375	144,836
Intragovernmental earned revenue	141,088	135,144
Public earned revenue	1,244	871
Total Revolving Fund Records Center Storage and Services Earned Revenue	\$ 142,332	\$ 136,015

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

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

Note 15 – Cost of Stewardship PP&E

Stewardship assets consist of heritage assets as defined in Note 7. The Consolidated Statement of Net Cost includes the following costs to renovate heritage assets buildings and structures, as of September 30, 2008 and 2007 (in thousands):

<i>Asset</i>	2008		2007	
	<u><i>Gift</i></u>	<u><i>Appropriation</i></u>	<u><i>Gift</i></u>	<u><i>Appropriation</i></u>
National Archives Building	-	\$ 2,261	\$ 1,200	\$ 1,448
<u>Libraries:</u>				
Roosevelt	-	285	-	151
Hoover	-	78	-	651
Truman	-	930	-	50
Eisenhower	-	150	-	18
Kennedy	-	27	-	163
Johnson	-	5,328	-	572
Nixon	-	1,118	-	26
Ford	-	97	-	89
Carter	-	320	-	22
Reagan	-	334	-	72
Bush	-	233	-	397
Clinton	-	4	-	8
Total	-	\$ 11,165	\$ 1,200	\$ 3,667

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

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

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

Note 17 - Apportionment Categories of Obligations Incurred

OMB typically uses one of two categories to distribute budgetary resources subject to apportionment in a fund. Apportionments that are distributed by fiscal quarters are classified as category A. Category B apportionments usually distribute budgetary resources by activities,

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project, objects or a combination of these categories. NARA's Trust fund remains exempt from apportionment.

The amounts of direct and reimbursable obligations incurred (in thousands).

	Category A		Category B		Exempt		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Direct	\$348,461	\$302,106	\$ 56,161	\$ 61,286	\$ -	\$ -	\$404,622	\$ 363,392
Reimbursable	2,529	1,534	154,503	141,458	17,404	16,841	174,436	159,833
Total	\$350,990	\$303,640	\$210,664	\$202,744	\$17,404	\$16,841	\$579,058	\$ 523,225

Note 18 - Legal Arrangements Affecting Use of Unobligated Balances

Public Law 110-5, February 15, 2007, Division B, Title I, Section 104 authorized that up to 50 percent of NARA's unobligated balances remaining available at the end of fiscal year 2007 to be available through the end of FY 2008. During FY 2008, \$194 thousand was transferred to 2008 appropriation account.

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

Statement of Federal Financial Accounting Standards No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting* calls for explanations of material differences between budgetary resources available, status of those resources and outlays as presented in the Statement of Budgetary Resources (SBR) to the related actual balances published in the *Budget of the United States Government* (President's Budget). However, the President's Budget that will include FY 2008 actual budgetary execution information has not yet been published. The *Budget of the United States Government* is scheduled for publication in January 2009. Accordingly, information required for such disclosure is not available at the time of preparation of these financial statements.

Instead, NARA FY 2007 SBR balances and the related President's Budget are shown in a table below for each major budget account in which a difference exists. The differences are primarily due to reporting requirement differences for expired and unexpired appropriations between the Treasury guidance used to prepare the SBR and the OMB guidance used to prepare the President's Budget. The SBR includes both unexpired and expired appropriations, while the President's Budget discloses only unexpired budgetary resources that are available for new obligations.

(in millions)	2007			
	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$ 587	\$ 523	\$ 14	\$ 325
Difference-Expired appropriations	(18)	(3)	-	-
Budget of the U.S. Government	\$ 569	\$ 520	\$ 14	\$ 325

Note 20 - Undelivered orders at the end of the period

The amount of budgetary resources obligated for undelivered orders at September 30, 2008 and 2007 is \$122,972 thousand and \$88,851 thousand, respectively.

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

Reconciling budgetary resources obligated during the period to the Net Cost of Operations explains the relationship between the obligation basis of budgetary accounting and the accrual basis of financial (proprietary) accounting. Prior to FY 2007, this reconciliation appeared as the Statement of Financing.

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

<i>(in thousands)</i>	2008	2007
Net obligations incurred	\$ 396,290	\$ 328,064
Nonbudgetary Resources	17,554	17,659
Total resources used to finance activities	413,844	345,723
Resources that do not fund net cost of operations	(112,878)	(64,456)
Cost that do not require resources in the current period	30,580	23,011
Financing sources yet to be provided	5,131	2,322
Net cost of operations	<u>\$ 336,677</u>	<u>\$ 306,600</u>

Required Supplementary Information

Stewardship PP&E

A brief description and number of physical units of the major categories of heritage assets for NARA were moved to Note #7, in accordance with FASAB #29. The remaining information regarding the number of physical units acquired and a description of the acquisition methods are listed below.

	Additions	Deletions
Record types		
Traditional Holdings (in cubic feet)		
Presidential Libraries	22,100	0
Office of Regional Records Services	314,443	0
Washington, DC	45,946	0
Affiliated archives	0	0
Total	382,489	0
Electronic Holdings (in logical data records)		
Presidential Libraries	0	0
Washington, DC	785,797,962	0
Total	785,797,962	0
Non-record types		
Buildings and structures (in units)		
Presidential Libraries		
National Archives Building		
Multi-use heritage asset-building		
Total	0	0
Land in pieces, multi-use	0	0

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

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

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

Deferred Maintenance

NARA owns and manages assets including the National Archives Building, the National Archives at College Park, MD, the Southeast Regional Archives building in Atlanta, GA, and the Presidential Libraries. All of these support the stated mission of NARA to safeguard national records. Recent major renovations have been completed at the National Archives Building and many of the Presidential Libraries.

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

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

At the end of Fiscal Year 2008, needed maintenance projects for thirteen locations, including twelve Presidential Libraries, have been identified from current BCR reports, and are included in the deferred maintenance estimate.

<u>Category</u>	<u>Method</u>	<u>Acceptable Asset Condition</u>	<u>Estimated Deferred Maintenance</u>
Heritage assets – Buildings	CAS	Good	\$48 to 49 million
Multi-use assets – Buildings	CAS	Good	\$7 to 8 million

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

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

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

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Schedule of Budgetary Resources by Major Budget Accounts

(in thousands)

Fiscal Year 2008	Records and Archives- Related Services	Gift Fund	Trust Fund	Electronic Records Archives	NHPRC Grants	Archives Facilities and Presidential Libraries Repairs and Restorations	Records Center and Storage Services	Total
Budgetary Resources								
Unobligated Balance brought forward, October 1:	\$ 11,749	\$ 2,275	\$ 4,993	\$ 6,212	\$ 1,207	\$ 9,795	\$ 27,582	\$ 63,813
Recoveries of prior year unpaid obligations	3,549	3	284	1,326	132	103	806	6,203
Budgetary appropriations received	315,000	2,006	-	58,028	9,500	28,605	-	413,139
Spending authority from offsetting collections	14,034	-	19,195	-	-	-	141,909	175,138
Nonexpenditure transfers, net, anticipated and actual	2,000	-	-	-	(2,000)	-	-	-
Permanently not available	14,250	-	-	-	-	-	-	14,250
Total Budgetary Resources	\$332,082	\$4,284	\$24,472	\$65,566	\$8,839	\$38,503	\$170,297	\$644,043
Status of Budgetary Resources								
Obligations Incurred	320,116	2,297	17,404	62,572	7,962	14,204	154,503	579,058
Unobligated Balance-available	625	1,987	7,068	768	877	24,299	15,794	51,418
Unobligated balance not available	11,341	-	-	2,226	-	-	-	13,567
Total Status of Budgetary Resources	\$332,082	\$4,284	\$24,472	\$65,566	\$8,839	\$38,503	\$170,297	\$644,043
Change in Obligated Balance								
Obligated balance, net, beginning of period	64,300	29	1,813	24,351	8,230	16,812	5,046	120,581
Obligations incurred net	320,116	2,297	17,404	62,572	7,962	14,204	154,503	579,058
Less: Gross outlays	(293,496)	(2,226)	(16,346)	(64,664)	(5,504)	(10,382)	(145,196)	(537,814)
Less: Recoveries of prior year unpaid obligations, actual	(3,549)	(3)	(284)	(1,326)	(132)	(103)	(806)	(6,203)
Change in uncollected customer payments from Federal sources	(14)	-	(46)	-	-	-	3,539	3,479
Obligated balance, net, end of period	87,357	97	2,541	20,933	10,556	20,531	17,086	159,101
Net Outlays								
Gross outlays	293,496	2,226	16,346	64,664	5,504	10,382	145,196	537,814
Less: Offsetting collections	(14,019)	-	(19,149)	-	-	-	(145,448)	(178,616)
Less: Distributed Offsetting receipts	(18)	(1,410)	-	-	-	-	-	(1,428)
Net Outlays	\$ 279,459	\$ 816	\$(2,803)	\$ 64,664	\$ 5,504	\$ 10,382	\$(252)	\$357,770

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Schedule of Budgetary Resources by Major Budget Accounts

(in thousands)

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

