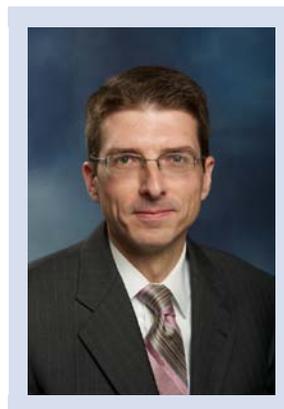


SECTION 3

FINANCIAL SECTION

A Message from the Chief Financial Officer

The National Archives and Records Administration has received an unqualified “clean” audit opinion on its FY 2011 financial statements and has made significant progress in addressing several long-standing internal control deficiencies. However, I am disappointed that NARA’s FY 2011 audit opinion includes a material weakness over financial reporting for the first time in six years.



During current period, NARA has discovered a material misstatement in its FY 2010 Combined Statement of Budgetary Resources (SBR). In October 2010, NARA identified valid business activity not accounted for in the FY 2010 preliminary financial statements. NARA posted an adjusting entry to record additional revenues, using incorrect budgetary U.S. Standard General Ledger accounts. As a result, the FY 2010 SBR overstated budgetary resources by approximately \$11.3 million, well above NARA’s materiality threshold.

NARA’s FY 2011 Consolidated Statement of Budgetary Resources and associated notes include a restatement of FY 2010 balances. NARA’s decision to restate demonstrates the agency’s commitment to integrity and transparency in all operations. The restatement also corrects the FY 2011 beginning balance and ensures that erroneous financial reporting in FY 2010 does not carry-forward into the FY 2011 financial statements.

Except as indicated in the preceding paragraphs and in the Independent Auditor’s Report, I can provide reasonable assurance that the objectives of section 2 of the Federal Managers’ Financial Integrity Act have been achieved. NARA has ensured that the specific actions leading to the FY 2010 misstatement were not repeated in FY 2011 reporting. NARA has developed an aggressive corrective action plan to significantly enhance internal controls to correct this material weakness in agency financial reporting in FY 2012.

I am confident that NARA’s planned corrective actions will ensure the integrity and reliability of NARA financial reports and I am optimistic that this material weakness will be eliminated in FY 2012.

A handwritten signature in black ink, appearing to read "Micah M. Cheatham". The signature is stylized and written over a light blue background.

Micah M. Cheatham
Chief Financial Officer

Auditor's Reports (FY 2011) *Inspector General's Summary*

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
ANNUAL FINANCIAL STATEMENT
FISCAL YEAR 2011

OFFICE OF INSPECTOR GENERAL
COMMENTARY AND SUMMARY

This audit report contains the audited financial statements of the National Archives and Records Administration (NARA) for the fiscal years (FY) ended September 30, 2011 and 2010. We contracted with the independent certified public accounting firm of Cotton & Company LLP (C&C) to perform the fiscal year 2011 and 2010 audits. The audits were conducted 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 Government Accountability Office and President's Council on Integrity and Efficiency's *Financial Audit Manual*.

In its audits of NARA's financial statements, C&C's opinion states that the financial statements present fairly, in all material respects, the financial position of NARA as of September 30, 2011 and 2010, and its net cost, changes in net position, and budgetary resources (the last as restated for 2010) for the years then ended, in conformity with accounting principles generally accepted in the United States of America. The FY 2010 Statement of Budgetary Resources has been restated to correct a misstatement related to year-end revenue accrual for unfilled customer orders.

C&C reported one material weakness¹ in internal control over financial reporting in the area related to the review of manual journal entries. C&C reported no significant deficiencies² and disclosed no instances of noncompliance with certain provisions of laws and regulations.

In connection with the contract, we reviewed C&C'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, conclusions about the effectiveness of internal control, or conclusions on compliance with laws and regulations. C&C is responsible for the attached auditor's report dated November 10, 2011, and the conclusions expressed in the report. However, our review disclosed no instances where C&C did not comply, in all material aspects, with generally accepted government auditing standards.

¹ A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of an entity's financial statement will not be prevented, or detected and corrected on a timely basis.

² A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Independent Auditor's Report (FY 2011)



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The Inspector General
National Archives and Records Administration

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying Consolidated Balance Sheets of the National Archives and Records Administration (NARA) as of September 30, 2011 and 2010, and the related Statements of Net Cost, Changes in Net Position, and Budgetary Resources (the last statement as restated for 2010) for the years then ended. These financial statements are the responsibility of NARA management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) audit guidance. 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 overall financial statement presentation. We believe that 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, 2011 and 2010, and its net cost, changes in net position, and budgetary resources (the last as restated for 2010) for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 21 to the financial statements, the fiscal year (FY) 2010 Statement of Budgetary Resources has been restated to correct a material misstatement related to the year-end revenue accrual for unfilled customer orders. We previously issued our auditor's report dated November 12, 2010, on the FY 2010 financial statements. The section of our FY 2010 auditor's report dealing with the FY 2010 Statement of Budgetary Resources should no longer be relied upon, as that statement was materially misstated. Our FY 2010 auditor's report is replaced by this report, which provides our opinion on the FY 2010 restated financial statements.

We also issued our report dated November 12, 2010, on internal control over financial reporting and compliance with laws and regulations as of September 30, 2010. In that report, we stated that we did not find any material weaknesses. In our FY 2011 audit, we determined that there was a material weakness as of September 30, 2010. Our report on internal control for FY 2011 describes this material weakness.

The information in *Management's 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 did not audit this information and, accordingly, we express no opinion on it. We did, however, compare

this information for consistency with the financial statements and discussed methods of measurement and presentation with NARA officials. On the basis of this limited work, we found no material inconsistencies between the financial statements and U.S. generally accepted accounting principles or OMB financial reporting requirements.

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 Chief Financial Officer, 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.

In accordance with *Government Auditing Standards*, we also issued two other reports dated November 14, 2011. The first report is on our consideration of NARA's internal control over financial reporting and compliance with laws and regulations. The second report is on our tests of NARA's compliance with certain provisions of laws and regulations and other matters. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

COTTON & COMPANY LLP



Colette Y. Wilson
Partner

Alexandria, Virginia
November 14, 2011



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The Inspector General
National Archives and Records Administration

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

We have audited the financial statements of the National Archives and Records Administration (NARA) as of September 30, 2011 and 2010 (as restated), and have issued our report thereon dated November 14, 2011. That report contained our unqualified opinion on the financial statements for fiscal year (FY) 2011 and on the restated financial statements for FY 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) audit guidance.

NARA management is responsible for establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act are met. The objectives of internal control are as follows:

- **Financial reporting:** Transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- **Compliance with laws and regulations:** Transactions are executed in accordance with (1) laws governing the use of budget authority, (2) other laws and regulations that could have a direct and material effect on the financial statements, and (3) any other laws, regulations, and government-wide policies identified by OMB audit guidance.

In planning and performing our audits, we considered NARA's internal control over financial reporting and over compliance with laws and regulations. We did this as a basis for designing our procedures for auditing the financial statements and not to express an opinion on internal control. Accordingly, we do not express an opinion on internal control over financial reporting and over compliance with laws and regulations.

Our consideration of internal control was for the limited purpose described in the previous paragraph. Thus, it was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses; therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. As discussed below, however, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination

of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of an entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in NARA's internal control to be a material weakness.

We issued our report dated November 12, 2010, on internal control over financial reporting and compliance with laws and regulations as of September 30, 2010. In that report, we stated that we did not identify any material weaknesses. In our FY 2011 audit, we determined that there was a material weakness as of September 30, 2010. As a result of this material weakness, management failed to detect an \$11.3 million misstatement affecting the Statement of Budgetary Resources (SBR). The FY 2010 SBR was restated, and the misstatement is described in Note 21 to the financial statements.

This material weakness as of September 30, 2010 is described below. This material weakness still exists as of September 30, 2011.

Review of Manual Journal Entries

Management does not have an effective process for the analysis and review of manual, non-routine journal entries, especially those made after the normal adjustment and review process. As a result, misstatements to the financial statements might not be detected and corrected.

At the end of FY 2010, NARA's Revolving Fund (BCR) made an error in recording a year-end accrual. An incorrect methodology and posting logic was used and the BCR director did not detect or prevent the error during the review and approval of the journal entry. Additional controls were not in place to detect and prevent the error from being reported in the financial statements, as the Financial Reports Staff (BCF), the organization responsible for preparing the financial statements, was not required to approve the journal entry from BCR and did not review it as it was prepared and submitted after the normal adjustment and review period. This journal entry contained erroneous postings that resulted in an overstatement of Budgetary Resources and an understatement of Obligated Balances on the Statement of Budgetary Resources in the amount of \$11.3 million.

BCF discovered the FY 2010 error during the normal year-end closing and financial statement preparation process for FY 2011. However, as of September 30, 2011, management had not developed adequate control procedures regarding the review of manual journal entries prepared and submitted subsequent to the normal adjustment period. Accordingly, we consider this weakness to be a material weakness for FY 2011 as well.

Government Accountability Office's (GAO) Internal Control Standards, GAO/AIMD-00-21.3.1 (11/99) page 11 states:

Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation.

We recommend that:

1. BCF develop, document, and implement procedures that require the review and approval of all manual journal entries prepared and submitted during and after the normal adjustment period. In addition, management should communicate these procedures to all involved in the process.

2. BCR, as well as other offices, thoroughly review the methodologies and supporting documentation for all journal entries approved and submitted for financial reporting throughout the year (as required by current procedures).

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

STATUS OF PRIOR-YEAR RECOMMENDATIONS

We reviewed the status of NARA's corrective actions with respect to the significant deficiency from the prior-year report on internal control. Appendix B to this report provides details of the status of recommendations.

In addition to the above, we noted certain matters involving internal control and its operation that will be reported to NARA management in a separate letter. These include the remaining open items in Appendix B.

Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

This report is intended solely for the information and use of NARA management, NARA Office of Inspector General, the Government Accountability Office, OMB, the Congress of the United States, and those who have read NARA's financial statements, our report on those financial statements, and our report on compliance with laws and regulations. This report is not intended to be and should not be used by anyone other than those parties.

COTTON & COMPANY LLP



Colette Y. Wilson, CPA
Partner

Alexandria, Virginia
November 14, 2011

APPENDIX A
MANAGEMENT COMMENT



NATIONAL
ARCHIVES

ARCHIVIST of the
UNITED STATES

DAVID S. FERRIERO

T: 202.357.5900

F: 202.357.5901

david.ferriero@nara.gov

10 November 2011

To: Paul Brachfeld, Inspector General 
From: David S. Ferriero, Archivist of the United States
Subject: Management response to FY 2011 Audit Report

Thank you for the opportunity to respond to your reports, *Independent Auditor's Report on Internal Control* and *Independent Auditor's Report on Compliance with Laws and Regulations*.

NARA acknowledges the challenges identified in these reports and concurs in all recommendations of the independent auditor. We are disappointed with the new material weakness over financial reporting. NARA is instituting a broad range of measures which will strengthen internal controls over financial reporting. In particular, NARA is developing formal policies governing the review and approval of manual journal entries and assuring accountability for these adjustments, as recommended by the independent auditor.

NARA will continue to work diligently to address the challenges identified in FY 2011, improve agency financial management, and ensure the accuracy and reliability of agency financial statements. I would like to thank the Office of Inspector General and Cotton & Company, LLP for their efforts and cooperation through the audit process.

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APPENDIX B
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
STATUS OF PRIOR-YEAR RECOMMENDATIONS
SEPTEMBER 30, 2011

National Archives and Records Administration
Performance and Accountability Report, FY 2011

APPENDIX B
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
STATUS OF PRIOR-YEAR RECOMMENDATIONS
SEPTEMBER 30, 2011

We present below the status of recommendations from our prior-year reports on internal control over financial reporting and compliance with laws and regulations. In our FY 2010 report, we found a significant deficiency related to various components of NARA's information technology. NARA has made progress in this area, and some of our recommendations have been closed. Recommendations that remain open are considered deficiencies and will be reported in a separate letter to management.

Condition/Audit Area and Recommendations	Status as of September 30, 2011
Access Controls	
1. Implement a process for managing NARANet accounts that:	Open
a) Ensures all accounts are tied to a specific individual who has the responsibility for managing the account and determining the ongoing need for non-login accounts.	
b) Ensures all access and privileges of terminated employees are promptly removed.	
2. Implement a process for managing RCPBS accounts that:	
a) Requires a recertification of all system accounts at least annually.	Closed
b) Implements a more restrictive password age control that is consistent with requirements for federal information systems.	Open
3. Ensure that supervisors receive training in their exit clearance process responsibilities, including alerting applicable personnel when employees and contractors under their supervision no longer require access.	Open
4. Develop and implement policies and procedures that prohibit RCPBS users from having multiple accounts as well as the ability to enter and approve their own transactions.	Open
5. Require a record of logged-in users creating account requests to show that requests are being generated by a supervisor, not the user.	Open
6. Implement the following recommendations related to NARANet logging and monitoring:	Open
a) Reconfigure audit settings within the NARANet Novell environment to log group membership add and delete activities.	
b) Continue with the implementation of Netforensic and, once in place, ensure that procedures exist for identifying key events that will be alerted to	

National Archives and Records Administration
Performance and Accountability Report, FY 2011

Condition/Audit Area and Recommendations	Status as of September 30, 2011
and reviewed by management on a periodic basis.	
c) Continue with efforts to audit account creations, deletions, and modifications within OFAS and develop standard procedures for regularly reviewing and monitoring application audit logs.	
d) Enable logging of all events within RCPBS, required by NARA IT Security Methodology for Audit and Accountability, and develop standard procedures for regularly reviewing and monitoring application activity logs.	
7. Assign one individual to the shared OFAS account, or split responsibilities of the shared account to additional administrator accounts, to allow accountability of administrator activities to be established.	Closed
<u>Contingency Planning</u>	
8. Update the contingency and disaster recovery plans for RCPBS to reflect current operating conditions.	Closed
<u>Configuration Management</u>	
9. Improve upon NARA's current router and firewall build process by updating their standard configuration file to be based on NIST-approved security checklists for router and firewall platforms and devices in use by NARA. We also recommend that the final standard configuration be documented and compared against devices to monitor for configuration compliance on a periodic basis.	Closed
<u>Security Management</u>	
10. Complete risk assessments for all NARANet components.	Closed
11. Finalize and approve security plans for all NARANet components.	Closed
12. Certify each NARANet component, then certify and accredit the entire NARANet general support system.	Open
13. Implement policies and procedures which require the completion of security and awareness training before being granted access to NARA information systems.	Closed



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The Inspector General
National Archives and Records Administration

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND OTHER MATTERS

We have audited the financial statements of the National Archives and Records Administration (NARA) as of September 30, 2011 and 2010 (as restated), and have issued our report thereon dated November 14, 2011. That report contained our unqualified opinion on the financial statements for fiscal year (FY) 2011 and on the restated financial statements for FY 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) audit guidance.

NARA management 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 that have a direct and material effect on the financial statements. We did not test compliance with all laws and regulations applicable to NARA. We limited our tests of compliance to those provisions of laws and regulations that OMB audit guidance requires we test if deemed applicable to the financial statements for the fiscal year ended September 30, 2011. We caution that noncompliance may have occurred and may not have been detected by these tests, and that such testing may not be sufficient for other purposes.

Our tests of compliance with laws and regulations described in the preceding paragraph disclosed no instances of material noncompliance that are required to be reported under *Government Auditing Standards* and OMB audit guidance. Providing an opinion on compliance with certain provisions of laws and regulations was not, however, an objective of our audit: accordingly we do not express such an opinion.

This report is intended solely for the information and use of NARA management, NARA Office of Inspector General, the Government Accountability Office, OMB, the Congress of the United States, and those who have read NARA's financial statements, our report on those financial statements, and our report on internal control. This report is not intended to be and should not be used by anyone other than those parties.

COTTON & COMPANY LLP

A handwritten signature in blue ink, appearing to read "Colette Y. Wilson".

Colette Y. Wilson
Partner

Alexandria, Virginia
November 14, 2011

Financial Statements and Additional Information (FY2011)
Principal Statements

Consolidated Balance Sheet
As of September 30, 2011 and 2010
(in thousands)

	2011	2010
Assets		
Intragovernmental		
Fund balance with Treasury (Note 2)	\$ 240,713	\$ 284,115
Investments (Note 3)	9,204	9,894
Accounts receivable (Note 4)	14,350	14,189
Total intragovernmental	264,267	308,198
Cash	54	53
Investments (Note 3)	27,954	26,914
Accounts receivable, net (Note 4)	512	325
Inventory, net (Note 5)	1,029	1,029
General property, plant and equipment, net (Note 6)	452,780	444,405
Deferred Assets	710	759
Total assets	\$ 747,306	\$ 781,683
Stewardship PP&E (Note 7)	-	-
Liabilities		
Intragovernmental		
Accounts payable	\$ 5,216	\$ 6,096
Other (Note 8,10,11)	4,387	5,722
Total intragovernmental	9,603	11,818
Accounts payable	49,699	50,290
Debt held by the public (Note 8, 9)	166,895	180,981
Federal employee benefits-actuarial FECA (Note 8)	10,865	11,241
Other (Note 8, 10)	21,285	27,511
Total liabilities	258,347	281,841
Commitments and Contingencies (Note 12)	-	-
Net Position		
Unexpended appropriations - other funds	167,447	196,770
Cumulative results of operations - earmarked funds (Note 13)	36,841	36,961
Cumulative results of operations - other funds	284,671	266,111
Total net position	\$ 488,959	\$ 499,842
Total liabilities and net position	\$ 747,306	\$ 781,683

The accompanying notes are an integral part of these statements

Consolidated Statement of Net Cost
For the years ended September 30, 2011 and 2010
(in thousands)

	2011	2010
Program Costs (Note 14)		
Records and Archives-Related Services		
Gross costs	\$ 397,853	\$ 386,529
Less: Earned revenues	(280)	(361)
Total Net Records and Archives-Related Services Program Costs	397,573	386,168
Trust and Gift Funds		
Gross costs (excluding heritage asset renovation)	14,901	15,338
Less: Earned revenues	(16,481)	(17,230)
Total Net Trust and Gift Fund Costs	(1,580)	(1,892)
Electronic Records Archives		
Gross costs	21,002	17,127
Less: Earned revenues	-	-
Total Net Electronic Records Archives Program Costs	21,002	17,127
National Historical Publications and Records Commission Grants		
Gross costs	8,408	8,773
Less: Earned revenues	-	-
Total Net National Historical Publications and Records Commission Grants Program Costs	8,408	8,773
Archives Facilities and Presidential Libraries Repairs and Restoration		
Gross costs (excluding heritage asset renovation)	1,468	(287)
Heritage asset renovation costs (Note 15)	23,518	29,855
Less: Earned revenues	-	-
Total Net Archives Facilities and Presidential Libraries Repairs and Restoration Program Costs	24,986	29,568
Revolving Fund Records Center Storage and Services		
Gross costs	184,894	172,655
Less: Earned revenues	(172,793)	(162,283)
Total Net Revolving Fund Records Center Storage and Services Program Costs	12,101	10,372
Net Cost of Operations	\$ 462,490	\$ 450,116

The accompanying notes are an integral part of these statements

Consolidated Statement of Changes in Net Position
For the years ended September 30, 2011
 (in thousands)

	2011		
	Earmarked Funds	All Other Funds	Consolidated Total
Cumulative Results of Operations			
Beginning Balance	\$ 36,961	\$ 266,111	\$ 303,072
Budgetary Financing Sources			
Appropriations Used	-	456,728	456,728
Nonexchange Revenue	636	-	636
Donations and forfeitures of cash and cash equivalents	989	-	989
Transfers-in/out without reimbursement	(585)	585	-
Other	394	-	394
Other Financing Sources (Non-Exchange)			
Donations and forfeitures of property	60	-	60
Transfers-in/out without reimbursement	(60)	1,874	1,814
Imputed financing	498	20,385	20,883
Other	(574)	-	(574)
Total Financing Sources	1,358	479,572	480,930
Net Cost of Operations	1,478	461,012	462,490
Net Changes	(120)	18,560	18,440
Cumulative Results of Operations	36,841	284,671	321,512
Unexpended Appropriations			
Beginning Balance	-	196,770	196,770
Budgetary Financing Sources			
Appropriations received	-	434,868	434,868
Other adjustments	-	(7,463)	(7,463)
Appropriations used	-	(456,728)	(456,728)
Total Budgetary Financing Sources	-	(29,323)	(29,323)
Total Unexpended Appropriations	-	167,447	167,447
Net Position	\$ 36,841	\$ 452,118	\$ 488,959

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

The accompanying notes are an integral part of these statements

Consolidated Statement of Changes in Net Position
For the years ended September 30, 2010
(in thousands)

	2010		
	Earmarked Funds	All Other Funds	Consolidated Total
Cumulative Results of Operations			
Beginning Balance	\$ 35,018	\$ 230,912	\$ 265,930
Budgetary Financing Sources			
Appropriations Used	-	462,482	462,482
Nonexchange Revenue	670	-	670
Donations and forfeitures of cash and cash equivalents	1,512	-	1,512
Transfers-in/out without reimbursement	(608)	608	-
Other	108	-	108
Other Financing Sources (Non-Exchange)			
Imputed financing	543	20,940	21,483
Other	1,003	-	1,003
Total Financing Sources	3,228	484,030	487,258
Net Cost of Operations	1,285	448,831	450,116
Net Changes	1,943	35,199	37,142
Cumulative Results of Operations	36,961	266,111	303,072
Unexpended Appropriations			
Beginning Balance	-	193,346	193,346
Budgetary Financing Sources			
Appropriations received	-	469,870	469,870
Other adjustments	-	(3,964)	(3,964)
Appropriations used	-	(462,482)	(462,482)
Total Budgetary Financing Sources	-	3,424	3,424
Total Unexpended Appropriations	-	196,770	196,770
Net Position	\$ 36,961	\$ 462,881	\$ 499,842

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

The accompanying notes are an integral part of these statements

National Archives and Records Administration
Performance and Accountability Report, FY 2011

Combined Statement of Budgetary Resources
For the years ended September 30, 2011 and 2010
(in thousands)

	2011	Restated 2010
Budgetary Resources		
Unobligated balance brought forward, October 1:	\$ 98,930	\$ 97,826
Recoveries of prior year unpaid obligations	8,275	9,848
Budget Authority		
Appropriation	437,470	473,020
Spending authority from offsetting collections		
Earned		
Collected	213,840	201,692
Change in receivables from Federal sources	491	(546)
Change in unfilled customer orders		
Advance received	510	(386)
Without advance from Federal sources	(5,660)	1,029
Expenditure transfers from trust funds	683	799
Subtotal	647,334	675,608
Permanently not available	21,449	16,833
Total budgetary resources	\$ 733,090	\$ 766,449
Status of Budgetary Resources		
Obligations Incurred		
Direct	463,337	469,798
Reimbursable	205,773	197,721
Subtotal	669,110	667,519
Unobligated Balance		
Apportioned	43,359	80,337
Exempt from apportionment	6,035	5,129
Subtotal	49,394	85,466
Unobligated balance not available	14,586	13,464
Total status of budgetary resources	\$ 733,090	\$ 766,449
Change in Obligated Balance		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	\$ 219,741	\$ 194,925
Less: Uncollected customer payments from Federal sources, brought forward October 1	(24,609)	(24,126)
Total unpaid obligated balance, net	195,132	170,799
Obligations incurred net	669,110	667,519
Less: Gross outlays	(675,143)	(632,854)
Less: Recoveries of prior year unpaid obligations, actual	(8,275)	(9,848)
Change in uncollected customer payments from Federal sources	5,168	(483)
Obligated balance, net, end of period		
Unpaid obligations	205,433	219,741
Less: Uncollected customer payments from Federal sources	(19,441)	(24,609)
Total, unpaid obligated balance, net, end of period	185,992	195,132
Net Outlays		
Gross outlays	675,143	632,854
Less: Offsetting collections	(215,032)	(202,106)
Less: Distributed offsetting receipts	(2,610)	(3,152)
Net Outlays	\$ 457,501	\$ 427,596

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

Accounts receivable primarily consists 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 directly writes 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 is 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'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. 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 on the Balance Sheet because neither the costs nor reimbursements have been recognized by DOL. See Note 8.

I. 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.

J. 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.

K. 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.

L. 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 13). All other programs appearing on the Statement of Net Cost, such as Electronic Records Archives and National Historic Publications and Records Commission Grants are, in essence, a part of the Archives and Records Management Activities, 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.

M. 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

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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.

N. Subsequent Events

We have evaluated subsequent events and transactions occurring after September 30, 2011 through the date of the auditors' opinion for potential recognition or disclosure in the financial statements. This is also the date that the financial statements were available to be issued.

Note 2 – Fund Balance with Treasury

Fund balances (in thousands)	2011	Restated 2010
Appropriated funds	\$ 220,324	\$ 258,240
Revolving fund	19,741	25,104
Trust fund	265	427
Gift fund	103	201
Other funds	280	143
Total	\$ 240,713	\$ 284,115

Status of Fund Balances with Treasury

Unobligated Balance		
Available	39,855	75,376
Unavailable	14,586	13,464
Obligated Balance not yet disbursed	185,992	195,132
Other funds	280	143
Total	\$ 240,713	\$ 284,115

Unavailable unobligated balance includes the following

Allotments - Expired Authority	\$ 14,586	\$ 13,464
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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, 2011 is \$14,083 thousand (of which \$901 thousand is unobligated) and \$14,033 thousand as of September 30, 2010 (of which \$753 thousand is unobligated).

Other Funds represent non-entity FBWT funds, consisting of revenue collected and due to the Reagan and Clinton foundations, subject to revenue sharing agreements with the Trust Fund.

The unused fund balance of \$3,395 thousand in canceled appropriation for FY 2006 was returned to Treasury at the end of the fiscal year.

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Note 3 – Investments

Investments as of September 30, 2011 and 2010 consist of the following
(in thousands)

Amounts for 2011					
	Cost	Interest Receivable	Investments, Net	Other Adjustme nts	Market value disclosure
Intragovernmental Securities					
Non-Marketable	\$ 9,204	-	\$ 9,204	-	\$ 9,204
Total Intragovernmental	\$ 9,204		\$ 9,204	-	\$ 9,204
Other securities					
Vanguard Dividend Growth Fund	1,113	10	1,123	57	1,180
Vanguard Small Cap Index Fund	1,171	-	1,171	(147)	1,024
Vanguard Intermediate Term Investment-Admiral	12,228	-	12,228	380	12,608
Vanguard Emerging Markets Stock Index Fund	1,149	19	1,168	(161)	1,007
Vanguard Developed Markets Index Fund	1,397	30	1,427	(333)	1,094
Vanguard Total Bond Market Index Fund	7,558	-	7,558	809	8,367
Vanguard Total Stock Market Index Fund	1,792	2	1,794	(172)	1,622
Vanguard PRIMECAP Core Fund	1,023	10	1,033	19	1,052
Total Other	\$ 27,431	\$ 71	\$ 27,502	\$ 452	\$ 27,954
Total Investments	\$ 36,635	\$ 71	\$ 36,706	\$ 452	\$ 37,158

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Amounts for 2010					
	Cost	Interest Receivable	Investments, Net	Other Adjustments	Market value disclosure
Intragovernmental Securities					
Non-Marketable	\$ 9,894	-	9,894	-	9,894
Total Intragovernmental	\$ 9,894	\$ -	\$ 9,894	\$ -	\$ 9,894
Other securities					
Vanguard Dividend Growth Fund	734	5	739	60	799
Vanguard Small Cap Index Fund	393	1	394	36	430
Vanguard Intermediate Term Investment Emerging Markets Stock Index Fund	11,880	-	11,880	819	12,699
Vanguard Developed Markets Index Fund	974	9	983	86	1,069
Vanguard Total Bond Market Index Fund	1,375	11	1,386	(193)	1,193
Vanguard Total Stock Market Index Fund	7,376	-	7,376	728	8,104
Vanguard PRIMECAP Core Fund	1,715	3	1,718	(148)	1,570
	1,012	6	1,018	32	1,050
Total Other	\$ 25,459	\$ 35	\$ 25,494	\$ 1,420	\$ 26,914
Total Investments	\$ 35,353	\$ 35	\$ 35,388	\$ 1,420	\$ 36,808

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)

	2011		2010	
	Intra-governmental	With the public	Intra-governmental	With the public
Accounts receivable	\$ 14,350	\$ 512	\$ 14,189	\$ 325

Note 5 – Inventory, Net

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

(in thousands)

	2011	2010
Inventory held for sale	\$ 1,285	\$ 1,285
Allowance for damaged and obsolete goods	(256)	(256)
Net realizable value	\$ 1,029	\$ 1,029

Note 6 - General Property, Plant and Equipment, Net

The following components comprise Property, Plant and Equipment as of September 30, 2011 and 2010 (in thousands):

Asset category	Estimated useful life in years	Acquisition cost	Accumulated depreciation/amortization	2011	2010
				Net book value	Net book value
Land	N/A	\$ 6,159	-	\$ 6,159	\$ 6,159
Buildings and structures	30	393,797	(221,747)	172,050	182,143
Construction and shelving in progress	N/A	12,150	-	12,150	17,910
Equipment & Shelving	3 to 20	135,336	(80,112)	55,224	46,622
Leasehold Improvements	5	27,088	(7,279)	19,809	11,868
Assets under capital lease	20	5,284	(4,019)	1,265	1,530
Internal-use software	5	281,149	(149,646)	131,503	100,026
Software development in progress	N/A	54,620	-	54,620	78,147
Total property, plant and equipment		\$ 915,583	\$ (462,803)	\$ 452,780	\$ 444,405

NARA capitalizes property items with a unit cost equal to or exceeding \$50 thousand, and construction and internal-use software development projects with the total development cost of \$250 thousand or greater, 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.

Land and Buildings and structures presented on the Balance Sheet are deemed to be multi-use heritage assets. Assets deemed purely heritage assets are not included on the balance sheet. See Note 7 for further detail.

Internal-use software includes commercial off-the-shelf (COTS) software and internally developed or contractor developed software.

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, with the exception of those designated as multi-use, are not included on the Balance Sheet, as no financial value is nor can be placed on these assets. 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.

The major categories of heritage assets for NARA are buildings, land, and NARA's archival holdings and artifacts. NARA reports archival holdings by collection (e.g. Presidential, regional) and type of holdings (e.g. traditional, electronic), to more closely align with NARA's processes to maintain and preserve archival holdings.

	Buildings	Multi-Use Land	Traditional Holdings Collections	Electronic Holdings Collections	Artifacts Collections
National Archives Building	1	-	1	1	1
National Archives Building at College Park	1 (multi-use)	-	1	1	1
NARA regional archives	1 (multi-use)	2	13	-	-
Affiliated archives	-	-	7	1	-
Presidential Libraries	12	-	13	4	13
TOTAL	15	2	35	7	15

Buildings

Our most iconic asset, the National Archives Building, permanently displays the Declaration of Independence, the Constitution, and the Bill of Rights, collectively known as the Charters of Freedom. National Archives Building also houses textual and microfilm records relating to genealogy, American Indians, pre-World War II military and naval-maritime matters, the New Deal, the District of Columbia, the Federal courts, Congress, and the Vice Presidents Gore and Cheney.

To provide appropriate storage and preservation needs for the growing number of records, NARA was authorized to construct the National Archives in College Park, Maryland. National Archives at College Park collections include electronic records, cartographic and architectural holdings, special media (motion pictures, audio recordings, and videotapes), artifacts, the John F. Kennedy Assassination Records Collection, still pictures, and textual

records from most civilian agencies and military records dating from World War II. Because the building also serves as the NARA administrative headquarters, the facility was deemed to be a multi-use heritage asset, and is included in general PP&E on the Balance Sheet (Note 6).

The NARA's regional archives facilities are leased, with the exception of Southeast Regional Facility (SER) in Atlanta, GA, which was constructed on land purchased by NARA. Along with National Archives at College Park, the building and the land are designated as multi-use heritage assets and are included in general PP&E on the Balance Sheet (Note 6).

Our regional archives contain collections of archival holdings of value for genealogical and historical research, such as Federal census information, naturalization records and passenger lists, as well as closed business and personal bankruptcy case files, civil and criminal case files from Federal courts. The traditional military service records for the 20th century and personnel records of former federal civilian employees from mid-1800s through 1951 are managed at the National Personnel Records Center in St. Louis, Missouri.

The affiliated archives store the holdings of the National Archives. While we have agreements with 10 institutions, currently only 8 institutions store NARA's accessioned holdings.

The twelve Presidential Libraries are designated as heritage assets. Each consists of buildings, structures, and land under NARA's management used to store, preserve, and display the collections of traditional archival holdings and artifacts from the respective Presidential administration. Until the construction of the George W. Bush Library is completed at the Southern Methodist University, the collections of records and artifacts documenting the Presidency of George W. Bush are housed at a temporary leased facility in Lewisville, Texas.

Multi-Use Land

NARA owns two parcels of land, designated as multi-use, each serving as a site for current (SER in Atlanta, GA) or future (Alaska) multi-use regional archival facilities.

Traditional Archival holdings consist of the following record types:

- Traditional Textual (paper) are records on paper whose intellectual content is primarily textual.
- 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.

Electronic Archival records are records on electronic storage media, such as word processing documents, spreadsheets, emails (with attachments), databases, satellite imagery, and digital photographs, etc from agencies in the executive, legislative and judicial branches. The three Presidential electronic holding collections, from the Ronald Reagan, George Bush and William J. Clinton libraries, are maintained in College Park, Maryland. The Presidential unclassified electronic materials from the George W. Bush administration have been ingested to our Executive Office of the President (EOP) instance of the Electronic Records Archives system. Also ingested were the electronic records of Vice Presidents Gore and Cheney, which are under the direction of the Presidential Materials Staff at the National Archives building.

Artifacts

In addition to already discussed artifacts at the National Archives and National Archives at College Park, each of the Presidential library's 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. The artifact 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.

There were no additions to any heritage asset collection, building or land during FY 2011, and no collection is ever retired or disposed. NARA's collections only grow with the accessioning of new records or transfer of Presidential materials. For the accession to take place, 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. See the Performance Section 2.2 for more details on NARA's performance data on processing records and Section 2.7 for details on NARA's preservation performance.

Providing physically and environmentally appropriate storage conditions at NARA's facilities is the most essential and cost-effective way to preserve records. Information about the condition and deferred maintenance on NARA owned buildings and holdings is contained in the Deferred Maintenance section of the Required Supplementary Information.

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, 2011 and 2010, consist of the following:

(in thousands)

	2011	2010
Intragovernmental		
Workers' compensation	\$ 713	\$ 766
Total Intragovernmental	713	766
Debt held by the public	166,895	180,981
Accrued unfunded leave	11,244	10,828
Federal employee benefits-actuarial liability	10,865	11,241
Total liabilities not covered by budgetary resources	189,717	203,816
Total liabilities covered by budgetary resources	68,630	78,025
Total liabilities	\$ 258,347	\$ 281,841

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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.

<i>(in thousands)</i>	<u>2011</u>	<u>2010</u>
Beginning balance - Principal	\$ 179,708	192,578
Less : Debt repayment	13,987	12,870
Ending balance - Principal	165,721	179,708
Accrued interest payable	1,174	1,273
Total Debt at September 30	<u>\$ 166,895</u>	<u>\$ 180,981</u>

Note 10 – Other Liabilities

Other Liabilities as of September 30, 2011 and 2010 consist of the following:

<i>(in thousands)</i>	<u>2011</u>		
	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
Intragovernmental			
Workers' and unemployment compensation	\$ 1,303	\$ 926	\$ 2,229
Capital lease liability	280	119	399
Accrued payroll	-	1,211	1,211
Advances from others	-	548	548
Total Intragovernmental	1,583	2,804	4,387
Accrued funded payroll and leave	-	9,920	9,920
Unfunded leave	11,244	-	11,244
Miscellaneous liabilities	-	7	7
Advances from others	-	114	114
Total other liabilities	<u>\$ 12,827</u>	<u>\$ 12,845</u>	<u>\$ 25,672</u>

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	2010		
	Non-Current	Current	Total
Intragovernmental			
Workers' and unemployment compensation	\$ 1,242	\$ 1,049	\$ 2,291
Capital lease liability	400	110	510
Accrued payroll	-	2,808	2,808
Advances from others	-	113	113
Total Intragovernmental	1,642	4,080	5,722
Accrued funded payroll and leave	-	16,638	16,638
Unfunded leave	10,828		10,828
Miscellaneous liabilities	-	7	7
Advances from others	-	38	38
Total other liabilities	\$ 12,470	\$ 20,763	\$ 33,233

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 agreements are cancelable operating leases. These leases may be cancelled with four months notice, or, in the case of the 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, representing liability for shelving leased through GSA at the Philadelphia records facility. It expires in December 2014. The net capital lease liability is covered by budgetary resources, and shown in Intragovernmental Liabilities, Other (See Note 10).

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	2011	2010
Summary of assets under capital lease:		
Shelving	\$ 5,284	\$ 5,285
Accumulated amortization	(4,019)	(3,755)

Description of Lease Arrangements

Future payments due

Fiscal year

2012	146
2013	146
2014	146
2015	12
After 2015	-
Total future lease payments	450
Less: imputed interest	51
Net capital lease liability	\$ 399

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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 December 31, 2019
Dayton (Kingsridge), Ohio	September 1, 2004 through December 31, 2022
Lenexa, Kansas	February 1, 2003 through February 14, 2023
Pershing Rd, Kansas City, MO	January 1, 2009 through December 31, 2028
Ft. Worth-Montgomery, Texas	February 12, 2011 through February 10, 2016
Archives Dr./Dunn Rd. St. Louis, Missouri	April 30, 2011 through February 28, 2031
Denver (Broomfield), Colorado	August 1, 2011 through July 31, 2031

Other non-cancelable operating leases with public corporations are detailed below. The Perris, CA and Atlanta, GA records facilities' leases have three ten year renewal options after the initial period.

Records facility	Lease Period
Perris, CA	December 1, 2004 through November 30, 2024
Atlanta, GA	October 1, 2004 through September 30, 2024
Ft. Worth, Texas	October 1, 2006 through October 31, 2026
The Annex I and II in Valmeyer, Illinois	October 1, 2008 through September 30, 2028

All GSA and public corporation 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 our building in College Park. The lease is for 20 years, from May 2003 through 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>
2012	135	28,496
2013	139	29,006
2014	142	29,251
2015	146	29,253
2016	149	29,201
After 2016	1,081	329,536
Total future lease payments	\$ 1,792	\$ 474,743

Note 12 – Commitments and Contingencies

NARA has incurred claims in the normal course of business. As of September 30, 2011, 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 \$130 thousand. Of these amounts, certain settlements or awards on tort claim over \$2,500 may be payable from the U.S. Treasury Judgment Fund in accordance with 31 USC 1304.

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, 2011 and 2010 consists of the following:

<i>(in thousands)</i>	2011		
	NATF	NAGF	Total Earmarked Funds
Balance Sheet as of September 30, 2011			
Assets			
Fund balance with Treasury	\$ 544	\$ 103	\$ 647
Cash	55	-	55
Investments, net	19,488	17,669	37,157
Accounts receivable	321	-	321
Inventory	1,029	-	1,029
Total assets	21,437	17,772	39,209
Liabilities			
Accounts payable	772	25	797
Federal employee and veteran benefits	372	-	372
Other liabilities	1,199	-	1,199
Total liabilities	2,343	25	2,368
Net position			
Cumulative results of operations			
Restricted	-	14,083	14,083
Unrestricted	19,094	3,664	22,758
Total net position	19,094	17,747	36,841
Total liabilities and net position	21,437	17,772	39,209
Statement of Net Cost for the Period Ended September 30, 2011			
Gross Program Costs	17,366	593	17,959
Less Earned Revenues	16,481	-	16,481
Net Costs of Operations	\$ 885	\$ 593	\$ 1,478
Statement of Changes in Net Position For the Period Ended September 30, 2011			
Net position, Beginning of fiscal year	19,388	17,573	36,961
Non-exchange revenue	-	636	636
Donations	-	989	989
Transfers-in/out without reimbursements	93	(738)	(645)
Other Budgetary Financing Sources	-	394	394
Donations and forfeitures of property	-	60	60
Imputed financing from costs absorbed by others	498	-	498
Other Financing Sources	-	(574)	(574)
Total financing sources	591	767	1,358
Net cost of operations	885	593	1,478
Change in Net Position	(294)	174	(120)
Net Position, End of fiscal year	\$ 19,094	\$ 17,747	\$ 36,841

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(in thousands)

	2010		
	NATF	NAGF	Total Earmarked Funds
Balance Sheet as of September 30, 2010			
Assets			
Fund balance with Treasury	\$ 570	\$ 201	\$ 771
Cash	53	-	53
Investments, net	19,175	17,633	36,808
Accounts receivable	355	-	355
Inventory	1,029	-	1,029
Total assets	21,182	17,834	39,016
Liabilities			
Accounts payable	542	261	803
Federal employee and veteran benefits	389	-	389
Other liabilities	863	-	863
Total liabilities	1,794	261	2,055
Net position			
Cumulative results of operations			
Restricted	-	14,033	14,033
Unrestricted	19,388	3,540	22,928
Total net position	19,388	17,573	36,961
Total liabilities and net position	21,182	17,834	39,016
Statement of Net Cost for the Period Ended September 30, 2010			
Gross Program Costs	16,677	1,873	18,550
Less Earned Revenues	17,265	-	17,265
Net Costs of Operations	\$ (588)	\$ 1,873	\$ 1,285
Statement of Changes in Net Position For the Period Ended September 30, 2010			
Net position, Beginning of fiscal year	18,068	16,950	35,018
Non-exchange revenue	3	667	670
Donations	-	1,512	1,512
Transfers-in/out without reimbursements	186	(794)	(608)
Other Budgetary Financing Sources	-	108	108
Imputed financing from costs absorbed by others	543	-	543
Other Financing Sources	-	1,003	1,003
Total financing sources	732	2,496	3,228
Net cost of operations	(588)	1,873	1,285
Change in Net Position	1,320	623	1,943
Net Position, End of fiscal year	\$ 19,388	\$ 17,573	\$ 36,961

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>2011</u>	<u>2010</u>
Records and Archives-Related Services		
Intragovernmental gross costs	\$ 65,567	\$ 63,763
Public costs	332,286	322,765
Total Records and Archives-Related Services Costs	397,853	386,529
Intragovernmental earned revenue	421	361
Public earned revenue	(141)	-
Total Records and Archives-Related Services Earned Revenue	280	361
Trust and Gift Funds		
Intragovernmental gross costs	2,384	2,466
Public costs	12,517	12,872
Total Trust and Gift Funds Costs	14,901	15,338
Intragovernmental earned revenue	467	689
Public earned revenue	16,014	16,541
Total Trust and Gift Funds Earned Revenue	16,481	17,230
Electronic Records Archives		
Intragovernmental gross costs	4,508	7,554
Public costs	16,494	9,573
Total Electronics Records Archives Costs	21,002	17,127
National Historical Publications and Records Commission Grants		
Intragovernmental gross costs	-	-
Public costs	8,408	8,773
Total National Historical Publications and Records Commission Grants Costs	8,408	8,773
Archives Facilities and Presidential Libraries Repairs and Restoration		
Intragovernmental gross costs	-	-
Public costs	1,468	(287)
Heritage asset renovation costs (Note 16)	23,518	29,855
Total Archives Facilities and Presidential Libraries Repairs and Restoration Costs	24,986	29,568
Revolving Fund Records Center Storage and Services		
Intragovernmental gross costs	79,144	75,099
Public costs	105,750	97,556
Total Revolving Fund Records Center Storage and Service Costs	184,894	172,655
Intragovernmental earned revenue	171,372	161,197
Public earned revenue	1,421	1,086
Total Revolving Fund Records Center Storage and Services Earned Revenue	\$ 172,793	\$ 162,283

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, 2011 and 2010 (*in thousands*):

<i>Asset</i>	2011	2010
	<u><i>Appropriation</i></u>	<u><i>Appropriation</i></u>
National Archives Building	\$ 3,237	\$ 2,288
<u>Libraries:</u>		
Roosevelt	7,156	3,672
Hoover	22	28
Truman	373	737
Eisenhower	617	2,224
Kennedy	9,142	9,574
Johnson	17	4,102
Nixon	606	3,231
Ford	1,136	85
Carter	29	485
Reagan	953	3,317
Bush	180	112
Clinton	50	-
Total	<u>\$ 23,518</u>	<u>\$ 29,855</u>

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 collections.

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

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

	Category A		Category B		Exempt		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Direct	\$375,655	\$409,864	\$87,682	\$ 59,934	\$ -	\$ -	\$463,337	\$469,798
Reimbursable	2,309	2,172	185,142	177,194	18,322	18,355	205,773	197,721
Total	\$377,964	\$412,036	\$272,824	\$ 237,128	\$18,322	\$18,355	\$ 669,110	\$667,519

Note 18 – Legal Arrangements Affecting Use of Unobligated Balances

Public Law 111-17, Consolidated Appropriations Act 2010, authorized that up to 50 percent of NARA’s unobligated balances remaining available at the end of fiscal year 2010 to be available through the end of FY2011. During FY 2011, \$220 thousand was transferred to the 2011 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 2011 actual budgetary execution information has not yet been published. The *Budget of the United States Government* is scheduled for publication in January 2012. Accordingly, information required for such disclosure is not available at the time of preparation of these financial statements.

Instead, NARA prior year actual 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 majority of the difference is due to the restatement of the FY 2010 Statement of Budgetary Resources, see Note 21 for details. The remaining 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)	2010			
	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Restated Statement of Budgetary Resources	\$ 766	\$ 667	\$ 3	\$ 427
Difference-Restatement of SBR see Note 21	11	-	-	-
Difference-Expired appropriations	(13)	-	-	-
Budget of the U.S. Government	\$ 764	\$ 667	\$ 3	\$ 427

Note 20 – Undelivered Orders at the End of the Period

The amount of budgetary resources obligated for undelivered orders at September 30, 2011 and 2010 is \$136,751 thousand and \$141,344 thousand, respectively.

Note 21 – Restatements

During preparation of the current period financial statements, NARA identified a material error on the FY 2010 Statement of Budgetary Resources. At the end of the FY 2010, NARA had recorded an adjustment for an \$11.3 million revenue accrual. The adjustment posted with incorrect budgetary accounts, impacting budgetary authority from unsigned customer agreements instead of, already recorded, unfilled customer orders. As a result, the FY 2010 Statement of Budgetary Resources overstated the change in unfilled customer orders and total budgetary authority by \$11.3 million.

In FY 2011, NARA restated the FY 2010 financial statements in accordance with SFFAS No. 21, *Reporting Corrections of Errors and Changes in Accounting Principles*, to correct the Statement of Budgetary Resources ending balances for FY 2010, which affect the FY 2011 beginning balances. In addition, NARA notified OMB, obtaining guidance for correcting the FY 2011 beginning balances in Federal Agencies' Centralized Trial Balance System (FACTS II) for appropriate presentation in the President's Budget. NARA also notified the auditors and senior management regarding the restatement.

The affected line items of the FY 2010 Statement of Budgetary Resources are detailed below:

<i>(in thousands).</i>	As Previously Reported in 2010	As Restated 2010
Change in unfilled customer orders		
Without advance from Federal sources	\$ 12,310	\$ 1,029
Total budgetary resources	\$ 777,730	\$ 766,448
Unobligated Balance – Apportioned	\$ 91,618	\$ 80,337
Total status of budgetary resources	\$ 777,730	\$ 766,448
Change in uncollected customer payments from Federal sources	(11,764)	(483)
Less: Uncollected customer payments from Federal sources	(35,890)	(24,609)
Total, unpaid obligated balance, net, end of period	\$ 183,851	\$ 195,132

In addition, the status of fund balances with Treasury, as well as net obligations incurred and resources that do not fund net costs of operations were also affected by the restatement, as shown in Notes 2 and 22, respectively.

Note 22 – 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.

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

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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>	2011	Restated 2010
Net obligations incurred	\$ 448,360	\$ 451,930
Nonbudgetary Resources	19,583	20,480
Total resources used to finance activities	467,943	472,410
Resources that do not fund net cost of operations	(73,689)	(78,749)
Cost that do not require resources in the current period	67,756	55,500
Financing sources yet to be provided	480	955
Net cost of operations	<u>\$ 462,490</u>	<u>\$ 450,116</u>

Required Supplementary Information

Deferred Maintenance

The National Archives 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. The rest of NARA facilities are leased from GSA or the public. All of these support NARA’s mission to safeguard and preserve our most significant heritage assets, the national record holdings in our custody.

To ensure the preservation of the archival holdings NARA applies a multi-faceted strategy, which includes storage in appropriate environment, implementation of handling and other preservation policies, and preservation actions, such as holdings maintenance, custom housing, reformatting and conservation treatment.

Through NARA-wide risk and condition assessment processes, which are a function of the day to day operations, such as accessioning of records into the NARA’s possession, NARA obtains condition information for its collection type heritage assets.

Extensive preservation actions are required on those records identified as “at-risk” to minimize further deterioration and to remediate damage that has occurred due to age or improper handling and storage conditions prior to arrival at NARA. NARA has identified the backlog of records requiring preservation actions as one of its top challenges, and plans actions annually to address it. The progress on this ongoing challenge is tracked and reported as one of our critical performance measures (section 2.7 in the Performance section of this PAR.)

Because the space where the records are preserved is a critical factor to prevent deterioration of the records, NARA has implemented federal records and archival storage standards to reduce damage to holdings prior to their accession by NARA as well as when in the NARA’s possession. The costs to address deficiencies related to compliance of NARA owned facilities with these storage standards are reflected in the estimate, below.

NARA uses the condition assessment method to determine the condition of its fixed assets, including stewardship PP&E facilities. The condition assessment surveys (CAS) at NARA are conducted by a professional architectural firm, who prepare Building Condition Reports (BCR), for all NARA owned facilities on a five-year rotating cycle. Facility managers 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.

At the end of Fiscal Year 2011, needed maintenance projects for fifteen locations, including twelve Presidential Libraries, have been identified from current BCR reports, and are included in the deferred maintenance estimate.

<i>Category</i>	<i>Method</i>	<i>Acceptable Asset Condition</i>	<i>Estimated Deferred Maintenance</i>
Heritage assets – Buildings	CAS	Good	\$49 to 50 million
Multi-use assets – Buildings	CAS	Good	\$8 to 9 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.

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.

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Required Supplementary Information

Schedule of Budgetary Resources by Major Budget Accounts

(in thousands)

Fiscal Year 2011	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:	\$ 13,179	\$ 2,610	\$ 5,129	\$ 21,904	\$ 5,348	\$ 37,729	\$ 13,031	\$ 98,930
Recoveries of prior year unpaid obligations	4,180	3	671	398	709	798	1,516	8,275
Budgetary appropriations received	344,020	2,602	-	72,000	7,000	11,848	-	437,470
Spending authority from offsetting collections	16,883	-	18,557	-	-	-	174,424	209,864
Nonexpenditure transfers, net, anticipated and actual	-	-	-	-	-	-	-	-
Permanently not available	17,632	-	-	581	14	3,222	-	21,449
Total Budgetary Resources	360,630	5,215	24,357	93,721	13,043	47,153	188,971	733,090
Status of Budgetary Resources								
Obligations Incurred	346,828	2,697	18,322	90,313	12,308	13,500	185,142	669,110
Unobligated Balance-available	927	2,518	6,035	1,697	735	33,653	3,829	49,394
Unobligated balance not available	12,875	-	-	1,711	-	-	-	14,586
Total Status of Budgetary Resources	360,630	5,215	24,357	93,721	13,043	47,153	188,971	733,090
Change in Obligated Balance								
Obligated balance, net, beginning of period	91,868	625	2,355	39,932	14,057	34,222	12,073	195,132
Obligations incurred net	346,828	2,697	18,322	90,313	12,308	13,500	185,142	669,110
Less: Gross outlays	(353,268)	(2,783)	(16,909)	(77,330)	(8,245)	(29,367)	(187,241)	(675,143)
Less: Recoveries of prior year unpaid obligations, actual	(4,180)	(2)	(671)	(398)	(709)	(798)	(1,516)	(8,275)
Change in uncollected customer payments from Federal sources	(6)	-	(2,281)	-	-	-	7,455	5,168
Obligated balance, net, end of period	81,242	537	816	52,517	17,411	17,557	15,913	185,992
Net Outlays								
Gross outlays	353,268	2,783	16,909	77,330	8,245	29,367	187,241	675,143
Less: Offsetting collections	(16,877)	-	(16,276)	-	-	-	(181,879)	(215,032)
Less: Distributed Offsetting receipts	(10)	(2,600)	-	-	-	-	-	(2,610)
Net Outlays	\$336,381	\$ 183	\$ 633	\$ 77,330	\$ 8,245	\$ 29,367	\$ 5,362	\$ 457,501

Required Supplementary Information

Schedule of Budgetary Resources by Major Budget Accounts

(in thousands)

Restated Fiscal Year 2010	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:	\$ 11,332	\$ 2,837	\$ 7,220	\$ 2,416	\$ 1,870	\$ 54,526	\$ 17,625	\$ 97,826
Recoveries of prior year unpaid obligations	4,724	2	483	2,234	189	784	1,432	9,848
Budgetary appropriations received	343,870	3,150	-	85,500	13,000	27,500	-	473,020
Spending authority from offsetting collections	15,641	-	15,779	-	-	-	171,168	202,588
Nonexpenditure transfers, net, anticipated and actual	-	-	-	-	-	-	-	-
Permanently not available	15,752	-	-	1,081	-	-	-	16,833
Total Budgetary Resources	359,815	5,989	23,482	89,069	15,059	82,810	190,225	766,449
Status of Budgetary Resources								
Obligations Incurred	346,637	3,379	18,353	67,164	9,711	45,081	177,194	667,519
Unobligated Balance-available	1,367	2,610	5,129	20,252	5,348	37,729	13,031	85,466
Unobligated balance not available	11,811	-	-	1,653	-	-	-	13,464
Total Status of Budgetary Resources	359,815	5,989	23,482	89,069	15,059	82,810	190,225	766,449
Change in Obligated Balance								
Obligated balance, net, beginning of period	91,680	547	1,841	36,130	12,296	20,296	8,009	170,799
Obligations incurred net	346,637	3,379	18,353	67,164	9,711	45,081	177,194	667,519
Less: Gross outlays	(341,727)	(3,299)	(17,204)	(61,129)	(7,761)	(30,371)	(171,363)	(632,854)
Less: Recoveries of prior year unpaid obligations, actual	(4,724)	(2)	(483)	(2,234)	(189)	(784)	(1,432)	(9,848)
Change in uncollected customer payments from Federal sources	7	-	(154)	-	-	-	(336)	(483)
Obligated balance, net, end of period	91,873	625	2,353	39,931	14,057	34,222	12,072	195,132
Net Outlays								
Gross outlays	341,727	3,299	17,204	61,129	7,761	30,371	171,363	632,854
Less: Offsetting collections	(15,648)	-	(15,626)	-	-	-	(170,832)	(202,106)
Less: Distributed Offsetting receipts	(6)	(3,146)	-	-	-	-	-	(3,152)
Net Outlays	\$ 326,073	\$ 153	\$ 1,578	\$ 61,129	\$ 7,761	\$ 30,371	\$ 531	\$ 427,596