

## SECTION 3

# FINANCIAL SECTION

## A Message from the Chief Financial Officer



The National Archives and Records Administration (NARA) has received an unqualified “clean” audit opinion on its FY 2013 financial statements. I am happy to report that this year’s audit did not identify any material weaknesses over financial reporting.

A clean audit opinion provides independent confirmation that NARA’s financial statements are presented fairly and in conformity with generally accepted accounting principles. Accurate and timely financial information improves NARA’s accountability to its stakeholders and demonstrates that NARA is an effective steward of the resources in its custody and control.

I can provide reasonable assurance that the objectives of section 2 of the Federal Managers’ Financial Integrity Act have been achieved. I am confident that NARA’s improved internal controls will ensure the integrity and reliability of NARA financial reports going forward.

A handwritten signature in black ink, appearing to read "Micah M. Cheatham". The signature is fluid and stylized, with a long horizontal stroke at the end.

Micah M. Cheatham  
Chief Financial Officer

## Financial Statements and Auditor's Report

### *Principal Statements*

#### *Consolidated Balance Sheet As of September 30, 2013 and 2012 (in thousands)*

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Intragovernmental		
Fund balance with Treasury (Note 2)	\$ 189,363	217,600
Investments (Note 3)	15,203	14,525
Accounts receivable (Note 4)	19,831	15,130
Total intragovernmental	<u>224,397</u>	<u>247,255</u>
Cash	68	52
Investments (Note 3)	43,145	31,558
Accounts receivable, net (Note 4)	423	373
Inventory, net (Note 5)	941	1,055
General property, plant and equipment, net (Note 6)	304,894	378,001
Deferred Assets	600	651
<b>Total assets</b>	<b><u>\$ 574,468</u></b>	<b><u>\$ 658,945</u></b>
Stewardship PP&E (Note 7)	-	-
<b>Liabilities</b>		
Intragovernmental		
Accounts payable	\$ 3,417	\$ 4,620
Other (Note 9,10,11)	4,675	5,453
Total intragovernmental	<u>8,092</u>	<u>10,073</u>
Accounts payable	30,949	42,758
Debt held by the public (Note 8, 9)	134,947	151,585
Federal employee benefits-actuarial FECA (Note 8)	12,184	10,798
Environmental and disposal costs (Note 17)	6,214	-
Other (Note 9, 10)	19,903	19,636
Total liabilities	<u>212,289</u>	<u>234,850</u>
Commitments and Contingencies (Note 12)	-	-
<b>Net Position</b>		
Unexpended appropriations - Funds from Dedicated Collections	-	-
Unexpended appropriations - other funds	126,048	157,977
Cumulative results of operations - Funds from Dedicated Collections (Note 13)	57,318	43,686
Cumulative results of operations - other funds	178,813	222,432
Total net position	<u>\$ 362,179</u>	<u>\$ 424,095</u>
<b>Total liabilities and net position</b>	<b><u>\$ 574,468</u></b>	<b><u>\$ 658,945</u></b>

*The accompanying notes are an integral part of these statements*

***Consolidated Statement of Net Cost***  
***For the years ended September 30, 2013 and 2012***

*(in thousands)*

	2013	2012
<b>Program Costs (Note 14)</b>		
<b>Archives and Records Management Activities</b>		
Gross costs	\$ 414,424	\$ 437,712
Less: Earned revenues	(68)	(612)
<b>Total net archives and records management activities program costs</b>	414,356	437,100
<b>Trust and Gift Funds</b>		
Gross costs (excluding heritage asset renovation)	13,540	13,851
Heritage asset renovation costs (Note 15)	3,171	2,757
Less: Earned revenues	(21,296)	(18,808)
<b>Total net trust and gift fund costs</b>	(4,585)	(2,200)
<b>National historical publications and records commission grants</b>		
Gross costs	7,911	9,686
Less: Earned revenues	-	-
<b>Total net national historical publications and records commission grants program costs</b>	7,911	9,686
<b>Archives facilities and presidential libraries repairs and restoration</b>		
Gross costs (excluding heritage asset renovation)	418	567
Heritage asset renovation costs (Note 15)	22,380	19,125
Less: Earned revenues	-	-
<b>Total net archives facilities and presidential libraries repairs and restoration program costs</b>	22,798	19,692
<b>Revolving fund records center storage and services</b>		
Gross costs	188,458	189,280
Less: Earned revenues	(177,870)	(176,351)
<b>Total net revolving fund records center storage and services program costs</b>	10,588	12,929
<b>Net Cost of Operations</b>	\$ 451,068	\$ 477,207

*The accompanying notes are an integral part of these statements*

**Consolidated Statement of Changes in Net Position**  
*For the year ended September 30, 2013*  
*(in thousands)*

	Funds from Dedicated Collections	All Other Funds	Consolidated Total
<b>Cumulative Results of Operations</b>			
Beginning Balance	\$ 43,686	\$ 222,432	\$ 266,118
<b>Budgetary Financing Sources</b>			
Appropriations Used	-	392,147	392,147
Nonexchange Revenue	626	-	626
Donations and forfeitures of cash and cash equivalents	11,135	-	11,135
Transfers-in/out without reimbursement	(500)	500	-
Other	362	-	362
<b>Other Financing Sources (Non-Exchange)</b>			
Imputed financing	430	17,618	18,048
Other	(1,237)	-	(1,237)
Total Financing Sources	10,816	410,265	421,081
Net Cost of Operations	(2,816)	453,884	451,068
Net Changes	13,632	(43,619)	(29,987)
<b>Cumulative Results of Operations</b>	<b>57,318</b>	<b>178,813</b>	<b>236,131</b>
<b>Unexpended Appropriations</b>			
Beginning Balance	-	157,977	157,977
Adjustments			
Changes in accounting principles (Note 17)	-	(6,214)	(6,214)
Beginning balance, as adjusted	-	151,763	151,763
<b>Budgetary Financing Sources</b>			
Appropriations received	-	391,500	391,500
Other adjustments	-	(25,068)	(25,068)
Appropriations used	-	(392,147)	(392,147)
Total Budgetary Financing Sources	-	(25,715)	(25,715)
Total Unexpended Appropriations	-	126,048	126,048
<b>Net Position</b>	<b>\$ 57,318</b>	<b>\$ 304,861</b>	<b>\$ 362,179</b>

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 year ended September 30, 2012***  
***(in thousands)***

	<b>Funds from</b>		
	<b>Dedicated</b>	<b>All Other Funds</b>	<b>Consolidated Total</b>
	<b>Collections</b>		
<b>Cumulative Results of Operations</b>			
Beginning Balance	\$ 36,841	\$ 284,671	\$ 321,512
Adjustments			
Corrections of errors	-	(1,311)	(1,311)
Beginning balance, as adjusted	36,841	283,360	320,201
<b>Budgetary Financing Sources</b>			
Appropriations Used	-	396,934	396,934
Nonexchange Revenue	576	-	576
Donations and forfeitures of cash and cash equivalents	5,363	-	5,363
Transfers-in/out without reimbursement	(532)	532	-
Other	265	-	265
<b>Other Financing Sources (Non-Exchange)</b>			
Imputed financing	469	18,769	19,238
Other	748	-	748
Total Financing Sources	6,889	416,235	423,124
Net Cost of Operations	44	477,163	477,207
Net Changes	6,845	(60,928)	(54,083)
<b>Cumulative Results of Operations</b>	<b>43,686</b>	<b>222,432</b>	<b>266,118</b>
<b>Unexpended Appropriations</b>			
Beginning Balance	-	167,447	167,447
<b>Budgetary Financing Sources</b>			
Appropriations received	-	391,500	391,500
Other adjustments	-	(4,036)	(4,036)
Appropriations used	-	(396,934)	(396,934)
Total Budgetary Financing Sources	-	(9,470)	(9,470)
Total Unexpended Appropriations	-	157,977	157,977
<b>Net Position</b>	<b>\$ 43,686</b>	<b>\$ 380,409</b>	<b>\$ 424,095</b>

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

*The accompanying notes are an integral part of these statements*

*Combined Statement of Budgetary Resources*  
*For the year ended September 30, 2013 and 2012*  
*(in thousands)*

	2013	2012
<b>BUDGETARY RESOURCES:</b>		
Unobligated balance brought forward, October 1	\$ 88,811	\$ 63,980
Adjustment to unobligated balance, brought forward, October 1 (Note 22)	(724)	0
Unobligated balance brought forward, October 1, as adjusted	88,087	63,980
Recoveries of prior year unpaid obligations	10,649	33,929
Other changes in unobligated balance	(4,590)	(4,036)
Unobligated balance from prior year budget authority, net	94,146	93,873
Appropriations (discretionary and mandatory)	383,845	398,234
Spending authority from offsetting collections (discretionary and mandatory)	217,012	224,932
Total budgetary resources	<u>695,003</u>	<u>717,039</u>
<b>STATUS OF BUDGETARY RESOURCES:</b>		
Obligations incurred (Note 18)	603,989	628,228
Unobligated balance, end of year:		
Apportioned	56,517	56,812
Exempt from apportionment	10,467	8,544
Unapportioned	24,030	23,455
Total unobligated balance, end of year	<u>91,014</u>	<u>88,811</u>
Total budgetary resources	<u>695,003</u>	<u>717,039</u>
<b>CHANGE IN OBLIGATED BALANCE:</b>		
Unpaid obligations, brought forward, October 1 (gross)	181,861	205,433
Obligations incurred	603,989	628,228
Outlays, (gross) (-)	(609,819)	(617,870)
Recoveries of prior year unpaid obligations (-)	(10,649)	(33,929)
Unpaid Obligations, end of year (gross)	<u>165,382</u>	<u>181,862</u>
<b>Uncollected Payments:</b>		
Uncollected customer payments from Federal sources, brought forward, October 1 (-)	(38,496)	(19,441)
Adjustment to uncollected payments, Federal sources, start of year (Note 22)	724	0
Change in uncollected customer payments from Federal sources (+ or -)	(13,989)	(19,056)
Uncollected customer payments from Federal sources, end of year (-)	<u>(51,761)</u>	<u>(38,497)</u>
<b>Memorandum (non-add) Entries:</b>		
Obligated balance start of year (net), before adjustments (+ or -)	143,365	185,992
Obligated balance, end of year (net)	113,621	143,365
<b>BUDGET AUTHORITY AND OUTLAYS, NET:</b>		
Budget authority, gross (discretionary and mandatory)	600,857	623,166
Actual offsetting collections (discretionary and mandatory) (-)	(219,544)	(221,077)
Change in uncollected customer payments from Federal Sources (discretionary and mandatory) (+ or -)	(13,989)	(19,056)
Budget Authority, net (discretionary and mandatory)	<u>367,324</u>	<u>383,033</u>
Outlays, gross (discretionary and mandatory)	609,819	617,870
Actual offsetting collections (discretionary and mandatory) (-)	(219,544)	(221,077)
Outlays, net (discretionary and mandatory)	390,275	396,793
Distributed offsetting receipts	(12,838)	(6,767)
Agency Outlays, net (discretionary and mandatory)	<u>\$ 377,437</u>	<u>\$ 390,026</u>

*The accompanying notes are an integral part of these statements*

## Notes to Principal Statements

### Note 1 – Summary of Significant Accounting Policies

#### A. Reporting Entity

National Archives and Records Administration (NARA), is an independent agency 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, listed below and detailed in the Sources of Funds section of Management Discussion and Analysis.

##### **General Funds**

- Operating Expenses appropriation - Archives and Records Management Activities
- Repairs and Restoration
- National Historical Publications and Records Commission Grants

##### **Intragovernmental Fund**

- Revolving Fund, Records Center and Storage Services

##### **Trust Funds**

- National Archives Trust Fund
- National Archives Gift 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 as promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the requirements of the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. The American Institute of Certified Public Accountants (AICPA) recognizes FASAB standards as GAAP for Federal reporting entities. 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 budgetary 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, do not require an allowance for doubtful accounts

#### 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 H. Bush Library, Clinton Library, and George W. Bush 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 with Vanguard are classified as trading equity securities which have readily determinable fair values and are measured at fair value in the balance sheet. Unrealized holding gains and losses, as well as interest income earned are recognized in earnings 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 (See Note 6) and heritage assets (See Note 7). 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.

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. For appropriated funds, 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 trust and revolving funds the annual leave is fully funded when earned and is, therefore, included 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 "reasonably 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, Archives and Records Management activities 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. All other programs appearing on the Statement of Net Cost, such as Archives facilities and presidential libraries repairs and restoration and National Historic Publications and Records Commission Grants are, in essence, a part of the Archives and Records Management Activities appropriation, 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. Funds from Dedicated Collections*

NARA is subject to the Statement of Federal Financial Accounting Standards (SFFAS) Number 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds*, which requires separate identification of the earmarked funds on the Balance Sheet, Statement of Changes in Net Position, and further disclosures in a footnote (see Note 13). Earmarked funds are defined when the following three criteria are met: (1) a statute committing the Federal Government to use specifically identified revenues and other financing sources only for designated activities, benefits, or purposes; (2) explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits,

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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, 2013 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)	2013	2012
Appropriated funds	\$ 165,732	\$ 204,662
Revolving fund	22,914	12,275
Trust fund	-	95
Gift fund	100	101
Other funds	617	467
<b>Total</b>	<b>\$ 189,363</b>	<b>\$ 217,600</b>

Status of Fund Balances with Treasury

Unobligated Balance		
Available	51,095	50,313
Unavailable	24,030	23,455
Obligated Balance not yet disbursed	113,621	143,365
Other funds	617	467
<b>Total</b>	<b>189,363</b>	<b>217,600</b>

Unavailable unobligated balance includes the following

Allotments - Expired Authority	17,678	17,430
Unapportioned Authority	6,352	6,025
<b>Total</b>	<b>24,030</b>	<b>23,455</b>

Conditional 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 conditional, as to purpose. The endowments for the Presidential Libraries are conditional and have been obligated and invested in non-federal investments. The conditional balance as of September 30, 2013 is \$23,180 thousand (of which \$582 thousand is unobligated) and \$17,303 thousand as of September 30, 2012 (of which \$808 thousand is unobligated).

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

The unused fund balance of \$4,591 thousand in canceled FY 2008 appropriation was returned to Treasury at the end of the fiscal year.

*Note 3 – Investments*

Investments as of September 30, 2013 and 2012 consist of the following  
(in thousands)

<b>Amounts for 2013</b>					
	Cost	Interest Receivable	Investments, Net	Adjustment to fair value	Fair Market value disclosure
<b>Intragovernmental Securities</b>					
Non-Marketable	\$ 15,203	-	\$ 15,203	-	\$ 15,203
<b>Total Intragovernmental</b>	<b>15,203</b>	<b>-</b>	<b>15,203</b>	<b>-</b>	<b>15,203</b>
<b>Other securities</b>					
Short term Investment Grade	13,299	-	13,299	1,353	14,652
Vanguard Dividend Growth Fund	1,876	16	1,892	520	2,412
Vanguard Small Cap Index Fund	3,333	122	3,455	(374)	3,081
Vanguard Intermediate Term Investment Grade	12,671	-	12,671	(1,533)	11,138
Emerging Markets Stock Index Fund	3,241	13	3,254	(1,644)	1,610
Vanguard Developed Markets Index Fund	1,736	43	1,779	(71)	1,708
Vanguard Total Bond Market Index Fund	2,571	-	2,571	1,168	3,739
Vanguard Total Stock Market Index Fund	1,177	5	1,182	1,957	3,139
Vanguard PRIMECAP Core Fund	195	19	214	1,452	1,666
Total Other	40,099	218	40,317	2,828	43,145
<b>Total Investments</b>	<b>\$ 55,302</b>	<b>\$ 218</b>	<b>\$ 55,520</b>	<b>\$ 2,828</b>	<b>\$ 58,348</b>

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Amounts for 2012					
	Cost	Interest Receivable	Investments, Net	Adjustment to fair value	Fair Market value disclosure
<b>Intragovernmental Securities</b>					
Non-Marketable	\$ 14,525	-	14,525	-	14,525
<b>Total Intragovernmental</b>	<b>14,525</b>	<b>-</b>	<b>14,525</b>	<b>-</b>	<b>14,525</b>
<b>Other securities</b>					
Vanguard Dividend Growth Fund	1,324	28	1,352	318	1,670
Vanguard Small Cap Index Fund	1,615	1	1,616	187	1,803
Vanguard Intermediate Term Investment	12,467	-	12,467	895	13,362
Emerging Markets Stock Index Fund	1,340	21	1,361	(21)	1,340
Vanguard Developed Markets Index Fund	1,510	18	1,528	(210)	1,318
Vanguard Total Bond Market Index Fund	7,594	-	7,594	900	8,494
Vanguard Total Stock Market Index Fund	1,990	4	1,994	288	2,282
Vanguard PRIMECAP Core Fund	1,037	12	1,049	240	1,289
<b>Total Other</b>	<b>28,877</b>	<b>84</b>	<b>28,961</b>	<b>2,597</b>	<b>31,558</b>
<b>Total Investments</b>	<b>\$ 43,402</b>	<b>\$ 84</b>	<b>\$ 43,486</b>	<b>\$ 2,597</b>	<b>\$ 46,083</b>

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

*Intra-governmental Investments in Treasury Securities-Investments for Funds from Dedicated Collections*

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections. 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 in the same way as all other 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

*Note 4 – Accounts Receivable, Net*

Accounts receivable consisted of the following:

(in thousands)

	2013		2012	
	Intra- governmental	With the public	Intra- governmental	With the public
<b>Accounts receivable</b>	\$ 19,831	\$ 423	\$ 15,130	\$ 373

*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)

	2013	2012
Inventory held for sale	\$ 1,189	\$ 1,303
Allowance for damaged and obsolete goods	(248)	(248)
<b>Net realizable value</b>	<b>\$ 941</b>	<b>\$ 1,055</b>

*Note 6 - General Property, Plant and Equipment, Net*

The following components comprise Property, Plant and Equipment as of September 30, 2013 and 2012 (in thousands):

Asset category	Estimated useful life in years	Acquisition cost	Accumulated depreciation/ amortization	2013	2012
				Net book value	Net book value
Land	N/A	\$ 6,159	-	6,159	6,159
Buildings and structures	30	396,102	(248,920)	147,182	160,814
Construction and shelving in progress	N/A	8,112	-	8,112	7,120
Equipment & Shelving	3 to 20	139,591	(108,131)	31,460	41,442
Leasehold Improvements	Various	33,469	(12,385)	21,084	24,042
Assets under capital lease	20	5,284	(4,566)	718	982
Internal-use software	5	338,003	(259,485)	78,518	120,514
Software development in progress	N/A	11,661	-	11,661	16,928
<b>Total property, plant and equipment</b>		<b>\$ 938,381</b>	<b>\$ (633,487)</b>	<b>\$ 304,894</b>	<b>\$ 378,001</b>

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. Property items not meeting the capitalization criteria are expensed.

Depreciation expense is calculated using the straight-line method over the useful life

During FY2012, NARA recorded an adjustment to the accumulated depreciation resulting from correction in the depreciation start date for certain construction- in-progress assets. This adjustment to prior year balances appears as a correction of error on the FY2012 Statement of Changes in Net Position.

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Land and Buildings and structures above represent 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 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 are 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	13	-	13	4	13
<b>TOTAL</b>	<b>16</b>	<b>2</b>	<b>35</b>	<b>7</b>	<b>15</b>

**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 20<sup>th</sup> 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 thirteen 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. The George W. Bush Library was completed and opened to the public in April 2013 at the Southern Methodist University.

#### **Multi-Use Land**

NARA owns two parcels of land, designated as multi-use, each serving as a site for current (SER in Atlanta, GA) and 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.

The George W. Bush Library is the single addition to NARA's heritage asset collections during FY 2013. 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

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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, 2013 and 2012, consist of the following:

*(in thousands)*

	<u>2013</u>	<u>2012</u>
Intragovernmental		
Other - Workers' compensation	\$ 741	\$ 756
Total Intragovernmental	741	756
Debt held by the public	134,947	151,585
Other - Accrued unfunded leave	10,823	10,793
Federal employee benefits-actuarial FECA	12,184	10,798
Total liabilities not covered by budgetary resources	158,695	173,932
Total liabilities covered by budgetary resources	53,594	60,918
<b>Total liabilities</b>	<u>\$ 212,289</u>	<u>\$ 234,850</u>

*Note 9 - Debt Held by the Public*

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

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

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

<i>(in thousands)</i>	<b>2013</b>	<b>2012</b>
Beginning balance - Principal	\$ 150,519	\$ 165,721
Less : Debt repayment	16,521	15,202
Ending balance - Principal	133,998	150,519
Accrued interest payable	949	1,066
<b>Total Debt at September 30</b>	<b>\$ 134,947</b>	<b>\$ 151,585</b>

*Note 10 – Other Liabilities*

Other Liabilities as of September 30, 2013 and 2012 consist of the following:

<i>(in thousands)</i>	<b>2013</b>		
	<b>Non-Current</b>	<b>Current</b>	<b>Total</b>
Intragovernmental			
Workers' and unemployment compensation	\$ 1,442	\$ 918	\$ 2,360
Capital lease liability	12	139	151
Accrued payroll	-	1,419	1,419
Miscellaneous liabilities	-	3	3
Advances from others	-	742	742
Total Intragovernmental	1,454	3,221	4,675
Accrued funded payroll and leave	-	8,891	8,891
Unfunded leave	10,823	-	10,823
Miscellaneous liabilities	-	136	136
Advances from others	-	53	53
Total other liabilities	<b>\$ 12,277</b>	<b>\$ 12,301</b>	<b>\$ 24,578</b>

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	2012		
	Non-Current	Current	Total
Intragovernmental			
Workers' and unemployment compensation	\$ 1,253	\$ 1,046	\$ 2,299
Capital lease liability	151	129	280
Accrued payroll	-	1,097	1,097
Miscellaneous liabilities	-	-	-
Advances from others	-	1,777	1,777
Total Intragovernmental	1,404	4,049	5,453
Accrued funded payroll and leave	-	8,317	8,317
Unfunded leave	10,793	-	10,793
Miscellaneous liabilities	-	13	13
Advances from others	-	513	513
Total other liabilities	\$ 12,197	\$ 12,892	\$ 25,089

*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	2013	2012
Summary of assets under capital lease:		
Shelving	\$ 5,284	\$ 5,284
Accumulated amortization	(4,566)	(4,302)
<b>Description of Lease Arrangements</b>		
<b>Future payments due</b>		
<u>Fiscal year</u>		
2014	146	
2015	12	
2016	-	
After 2018	-	
Total future lease payments	158	
Less: imputed interest	7	
<b>Net capital lease liability</b>	<b>\$ 151</b>	

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

<b>Records facility</b>	<b>Lease Period</b>
Pittsfield, Massachusetts	January 5, 1994 through January 31, 2020
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./Dunns Rd. St. Louis, Missouri	April 30, 2011 through April 29, 2031
Denver (Broomfield), Colorado	August 1, 2011 through May 30, 2032
Underground Dr, Kansas City	September 19, 2012 through December 2, 2032
Townsend Rd, Philadelphia, PA	December 1, 2012 through November 30, 2032
Boyers, PA	January 1, 2013 through December 31, 2013

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.

<b>Records facility</b>	<b>Lease Period</b>
Perris, CA	December 1, 2004 through November 30, 2024
Atlanta, GA	October 1, 2004 through June 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):

<b>Operating Leases - NARA as lessee</b>			
<b>Future payments due:</b>	<b>Asset Category</b>		
<u>Fiscal year</u>	Land		Buildings
2014	\$ 142	\$	32,325
2015	146		32,345
2016	149		32,282
2017	153		32,429
2018	157		32,782
After 2018	771		321,551
<b>Total future lease payments</b>	<b>\$ 1,518</b>	<b>\$</b>	<b>483,714</b>

*Note 12 – Commitments and Contingencies*

NARA has incurred various claims in the normal course of business. The aggregate potential loss to NARA on all outstanding claims, with a reasonable possibility of an unfavorable outcome is estimated not to exceed \$ 1,090 thousand. Of these, certain settlements or awards on tort claims in amount of \$790 thousand may be payable from the U.S. Treasury Judgment Fund in accordance with 31 USC 1304.

*Note 13 - Funds from Dedicated Collections*

Funds from dedicated collections 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 funds from dedicated collections; 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, 2013 and 2012 consists of the following:

<i>(in thousands)</i>	<b>2013</b>		
	NATF	NAGF	Total Earmarked Funds
<b>Balance Sheet as of September 30, 2013</b>			
<b>Assets</b>			
Fund balance with Treasury	\$ 617	\$ 100	\$ 717
Cash	68	-	68
Investments, net	30,808	27,540	58,348
Accounts receivable	452	-	452
Inventory	941	-	941
Property, plant & equipment	113	-	113
<b>Total assets</b>	<b>32,999</b>	<b>27,640</b>	<b>60,639</b>
<b>Liabilities</b>			
Accounts payable	1,172	132	1,304
Federal employee and veteran benefits	411	0	411
Other liabilities	1,606	-	1,606
<b>Total liabilities</b>	<b>3,189</b>	<b>132</b>	<b>3,321</b>
<b>Net position</b>			
Cumulative results of operations			
Conditional	-	23,180	23,180
Unconditional	29,810	4,328	34,138
<b>Total net position</b>	<b>29,810</b>	<b>27,508</b>	<b>57,318</b>
<b>Total liabilities and net position</b>	<b>\$ 32,999</b>	<b>\$ 27,640</b>	<b>\$ 60,639</b>
<b>Statement of Net Cost for the Period Ended September 30, 2013</b>			
Gross Program Costs	14,882	3,598	18,480
Less Earned Revenues	21,296	-	21,296
<b>Net Costs of Operations</b>	<b>\$ (6,414)</b>	<b>\$ 3,598</b>	<b>\$ (2,816)</b>
<b>Statement of Changes in Net Position For the Period Ended September 30, 2013</b>			
Net position, Beginning of fiscal year	22,924	20,762	43,686
Non-exchange revenue	1	625	626
Donations	-	11,135	11,135
Transfers-in/out without reimbursements	41	(541)	(500)
Other Budgetary Financing Sources	-	362	362
Imputed financing from costs absorbed by others	430	-	430
Other Financing Sources	-	(1,237)	(1,237)
Total financing sources	472	10,344	10,816
Net cost of operations	(6,414)	3,598	(2,816)
Change in Net Position	6,886	6,746	13,632
<b>Net Position, End of fiscal year</b>	<b>\$ 29,810</b>	<b>\$ 27,508</b>	<b>\$ 57,318</b>

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

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<i>(in thousands)</i>	2012		
	NATF	NAGF	Total Earmarked Funds
<b>Balance Sheet as of September 30, 2012</b>			
<b>Assets</b>			
Fund balance with Treasury	\$ 562	\$ 101	\$ 663
Cash	52	-	52
Investments, net	24,966	21,117	46,083
Accounts receivable	446	-	446
Inventory	1,056	-	1,056
Property, plant & equipment	147	-	147
<b>Total assets</b>	<b>27,229</b>	<b>21,218</b>	<b>48,447</b>
<b>Liabilities</b>			
Accounts payable	781	457	1,238
Federal employee and veteran benefits	376	-	376
Other liabilities	3,147	-	3,147
<b>Total liabilities</b>	<b>4,304</b>	<b>457</b>	<b>4,761</b>
<b>Net position</b>			
Cumulative results of operations			
Conditional	-	17,303	17,303
Unconditional	22,925	3,458	26,383
<b>Total net position</b>	<b>22,925</b>	<b>20,761</b>	<b>43,686</b>
<b>Total liabilities and net position</b>	<b>\$ 27,229</b>	<b>\$ 21,218</b>	<b>\$ 48,447</b>
<b>Statement of Net Cost for the Period Ended September 30, 2012</b>			
Gross Program Costs	15,535	3,323	18,858
Less Earned Revenues	18,814	-	18,814
<b>Net Costs of Operations</b>	<b>\$ (3,279)</b>	<b>\$ 3,323</b>	<b>\$ 44</b>
<b>Statement of Changes in Net Position For the Period Ended September 30, 2012</b>			
Net position, Beginning of fiscal year	19,094	17,747	36,841
Non-exchange revenue	3	573	576
Donations	-	5,363	5,363
Transfers-in/out without reimbursements	80	(612)	(532)
Other Budgetary Financing Sources	-	265	265
Imputed financing from costs absorbed by others	469	-	469
Other Financing Sources	-	748	748
Total financing sources	552	6,337	6,889
Net cost of operations	(3,279)	3,323	44
Change in Net Position	3,831	3,014	6,845
<b>Net Position, End of fiscal year</b>	<b>\$ 22,925</b>	<b>\$ 20,761</b>	<b>\$ 43,686</b>

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

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

	<u>2013</u>	<u>2012</u>
<b>Archives and Records Management Activities</b>		
Intragovernmental gross costs	\$ 64,539	\$ 68,207
Public costs	349,885	369,505
Total Records and Archives-Related Services Costs	414,424	437,712
Intragovernmental earned revenue	68	114
Public earned revenue	-	498
Total Records and Archives-Related Services Earned Revenue	68	612
<b>Trust and Gift Funds</b>		
Intragovernmental gross costs	2,144	2,410
Public costs	11,396	11,441
Heritage asset renovation costs (Note 15)	3,171	2,757
Total Trust and Gift Funds Costs	16,711	16,608
Intragovernmental earned revenue	1,765	1,222
Public earned revenue	19,531	17,586
Total Trust and Gift Funds Earned Revenue	21,296	18,808
<b>National Historical Publications and Records Commission Grants</b>		
Intragovernmental gross costs	-	-
Public costs	7,911	9,686
Total National Historical Publications and Records Commission Grants Costs	7,911	9,686
<b>Archives Facilities and Presidential Libraries Repairs and Restoration</b>		
Intragovernmental gross costs	-	-
Public costs	418	567
Heritage asset renovation costs (Note 15)	22,380	19,125
Total Archives Facilities and Presidential Libraries Repairs and Restoration Costs	22,798	19,692
<b>Revolving Fund Records Center Storage and Services</b>		
Intragovernmental gross costs	81,403	83,587
Public costs	107,055	105,693
Total Revolving Fund Records Center Storage and Service Costs	188,458	189,280
Intragovernmental earned revenue	176,372	174,820
Public earned revenue	1,498	1,531
Total Revolving Fund Records Center Storage and Services Earned Revenue	\$ 177,870	\$ 176,351

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.

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*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 (in thousands):

<i>Asset</i>	<b>2013</b>		<b>2012</b>	
	<u>Appropriation</u>	<u>Gift</u>	<u>Appropriation</u>	<u>Gift</u>
National Archives Building	\$ 6,492	\$ 3,056	\$ 4,854	\$ 2,593
<u>Libraries:</u>				
Roosevelt	8,306	-	7,817	-
Hoover	371	-	78	-
Truman	898	-	297	-
Eisenhower	1,202	-	803	-
Kennedy	2,257	115	2,704	164
Johnson	72	-	3	-
Nixon	383	-	240	-
Ford	752	-	1,270	-
Carter	1,195	-	406	-
Reagan	384	-	353	-
Bush	68	-	42	-
Clinton	-	-	258	-
<b>Total</b>	<b>\$ 22,380</b>	<b>\$ 3,171</b>	<b>\$ 19,125</b>	<b>\$ 2,757</b>

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 and Executive Office, 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 – Cleanup Cost Adjustments*

Beginning in FY 2013, FASAB Technical Bulletin 2006-1: *Recognition and Measurement of Asbestos-Related Cleanup Costs* requires all Federal entities to disclose the estimated clean up costs for the future removal of asbestos that does not pose an immediate health threat; known as nonfriable asbestos. NARA has identified seven facilities (all are stewardship assets) where the existence of nonfriable asbestos is probable. NARA developed a method to estimate the liability for future nonfriable asbestos cleanup costs by using the quantity of nonfriable asbestos, identified in previous asbestos surveys and other reports, and the current cost to contain, remove, and dispose it. Using this method, NARA recorded a liability and a prior period adjustment (resulting from the implementation of a new accounting standard) of \$6.2 million on the statement of changes in net position.

*Note 18 - 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	
	2013	2012	2013	2012	2013	2012	2013	2012
Direct	\$361,586	\$394,619	\$ 48,324	\$ 27,568	\$ -	\$ -	\$409,910	\$422,187
Reimbursable	1,554	1,703	176,645	188,691	15,880	15,647	194,079	206,041
Total	\$363,140	\$396,322	\$224,969	\$216,259	\$15,880	\$ 15,647	\$603,989	\$628,228

*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 2013 actual budgetary execution information has not yet been published. The *Budget of the United States Government* is scheduled for publication in January 2014. 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 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)	2012			
	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$ 717	\$ 628	\$ 7	\$ 397
Difference-Expired appropriations	18	1	-	-
Difference-Rounding	(1)	-	-	(1)
Budget of the U.S. Government	\$ 700	\$ 627	\$ 7	\$ 396

*Note 20 – Undelivered Orders at the End of the Period*

The amount of budgetary resources obligated for undelivered orders at September 30, 2013 and 2012 is \$118,242 thousand and \$122,647 thousand, respectively.

*Note 21 – Reconciliation of Net Cost of Operations (proprietary) to Budget*

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 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>	<b>2013</b>	<b>2012</b>
Net obligations incurred	\$ 346,968	\$ 347,398
Nonbudgetary Resources	19,286	18,492
Total resources used to finance activities	366,254	365,890
Resources that do not fund net cost of operations	(2,652)	22,097
Cost that do not require resources in the current period	86,006	89,070
Financing sources yet to be provided	1,460	150
Net cost of operations	<u>\$ 451,068</u>	<u>\$ 477,207</u>

*Note 22 – Adjustment to unobligated balance, brought forward, October 1*

During preparation of the current period financial statements, NARA identified an error of \$724 thousand on FY2012 Statement of Budgetary Resources. At the end of the FY 2012, a transaction error resulted in duplicate budgetary authority and unfilled customer order accounts. Due to immateriality of the amount, NARA chose to adjust beginning balance of the FY 2013 Statement of Budgetary Resources rather than restate FY2012.

## 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, and various preservation actions, such as holdings maintenance, custom housing, and reformatting and conservation treatment. Through NARA-wide risk and condition assessment processes that 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 records identified as "at-risk" to minimize further deterioration and to remediate damage that has occurred due to age or improper handling prior to arrival at NARA. The progress on the ongoing challenge of the backlog of records requiring preservation 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 critical to preventing 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 deferred costs to address deficiencies related to compliance of NARA owned facilities with these storage standards are included 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 that prepares Building Condition Reports (BCR) for all NARA owned facilities. BCRs are scheduled approximately every five years from the last BCR or major renovation at each facility. Facility managers continue to assess 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 2013, needed maintenance projects for sixteen locations, including thirteen 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	\$36-37 million
Multi-use assets - Buildings	CAS	Good	\$13-14 million

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

- o *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.
- o *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.

*Required Supplementary Information*

**Schedule of Budgetary Resources by Major Budget Accounts**

(in thousands)

<b>Fiscal Year 2013</b>	Archives and Records Management Activities	Gift Fund	Trust Fund	NHPRC Grants	Archives Facilities and Presidential Libraries Repairs and Restorations	Records Center and Storage Services	Total
<b><u>Budgetary Resources</u></b>							
Unobligated Balance brought forward, October 1:	\$ 38,599	\$ 2,221	\$ 8,544	\$ 719	\$ 16,715	\$ 22,013	\$ 88,811
Adjustment to unobligated balance, brought forward, October 1	-	-	(724)	-	-	-	(724)
Unobligated balance brought forward, October 1, as adjusted	38,599	2,221	7,820	719	16,715	22,013	88,087
Recoveries of prior year unpaid obligations	5,029	66	722	567	1,059	3,206	10,649
Other changes in unobligated balance	(4,590)	-	-	-	-	-	(4,590)
Unobligated balance from prior year budget authority, net	39,038	2,287	8,542	1,286	17,774	25,219	94,146
Appropriations (discretionary and mandatory)	357,660	12,823	-	4,738	8,624	-	383,845
Spending authority from offsetting collections	2,123	-	17,805	-	-	197,084	217,012
<b>Total Budgetary Resources</b>	<b>\$ 398,821</b>	<b>\$ 15,110</b>	<b>\$ 26,347</b>	<b>\$ 6,024</b>	<b>\$ 26,398</b>	<b>\$ 222,303</b>	<b>\$ 695,003</b>
<b><u>Status of Budgetary Resources</u></b>							
Obligations Incurred	\$ 378,458	\$ 12,974	\$ 15,880	\$ 5,500	\$ 14,532	\$ 176,645	\$ 603,989
Unobligated balance, end of year:							
Apportioned	2,682	2,136	-	476	11,866	39,357	56,517
Exempt from apportionment	-	-	10,467	-	-	-	10,467
Unapportioned	17,681	-	-	48	-	6,301	24,030
Total unobligated balance, end of year	20,363	2,136	10,467	524	11,866	45,658	91,014
<b>Total Budgetary Resources</b>	<b>\$ 398,821</b>	<b>\$ 15,110</b>	<b>\$ 26,347</b>	<b>\$ 6,024</b>	<b>\$ 26,398</b>	<b>\$ 222,303</b>	<b>\$ 695,003</b>
<b><u>Change in Obligated Balance</u></b>							
Obligated balance, start of year (net)	\$ 113,429	\$ 3,229	\$ 1,245	\$ 12,666	\$ 22,533	\$ (9,737)	\$ 143,365
Adjustments to uncollected payments from Federal sources, start of year	-	-	724	-	-	-	724
Obligations incurred	378,457	12,975	15,880	5,501	14,532	176,644	603,989
Less: Gross outlays	(374,484)	(15,411)	(14,439)	(7,790)	(25,190)	(172,505)	(609,819)
Less: Recoveries of prior year unpaid obligations, actual	(5,029)	(66)	(722)	(568)	(1,059)	(3,205)	(10,649)
Change in uncollected customer payments from Federal sources	(21)	-	(28)	-	-	(13,940)	(13,989)
<b>Obligated balance, net, end of period</b>	<b>\$ 112,352</b>	<b>\$ 727</b>	<b>\$ 2,660</b>	<b>\$ 9,809</b>	<b>\$ 10,816</b>	<b>\$ (22,743)</b>	<b>\$ 113,621</b>
<b><u>Budget Authority and Outlays, Net:</u></b>							
Budget authority, gross (discretionary and mandatory)	\$ 359,783	\$ 12,823	\$ 17,805	\$ 4,738	\$ 8,624	\$ 197,084	\$ 600,857
Actual offsetting collections (discretionary and mandatory) (-)	(18,624)	-	(17,776)	-	-	(183,144)	(219,544)
Change in uncollected customer payments from Federal Sources (discretionary and mandatory) (+ or -)	(21)	-	(28)	-	-	(13,940)	(13,989)
<b>Budget Authority, net (discretionary and mandatory)</b>	<b>\$ 341,138</b>	<b>\$ 12,823</b>	<b>\$ 1</b>	<b>\$ 4,738</b>	<b>\$ 8,624</b>	<b>\$ -</b>	<b>\$ 367,324</b>
Outlays, gross (discretionary and mandatory)	\$ 374,484	\$ 15,411	\$ 14,439	\$ 7,790	\$ 25,190	\$ 172,505	\$ 609,819
Less: Actual offsetting collections (discretionary and mandatory) (-)	(18,624)	-	(17,776)	-	-	(183,144)	(219,544)
Less: Distributed Offsetting receipts	(17)	(12,821)	-	-	-	-	(12,838)
<b>Agency Outlays, net (discretionary and mandatory)</b>	<b>\$ 355,843</b>	<b>\$ 2,590</b>	<b>\$ (3,337)</b>	<b>\$ 7,790</b>	<b>\$ 25,190</b>	<b>\$ (10,639)</b>	<b>\$ 377,437</b>

*Required Supplementary Information*

**Schedule of Budgetary Resources by Major Budget Accounts**

(in thousands)

<b>Fiscal Year 2012</b>	<b>Archives and Records Management Activities</b>	<b>Gift Fund</b>	<b>Trust Fund</b>	<b>NHPRC Grants</b>	<b>Archives Facilities and Presidential Libraries Repairs and Restorations</b>	<b>Records Center and Storage Services</b>	<b>Total</b>
<b><u>Budgetary Resources</u></b>							
Unobligated Balance brought forward, October 1:	\$17,210	\$ 2,518	\$ 6,035	\$ 735	\$33,653	\$ 3,829	\$63,980
Recoveries of prior year unpaid obligations	30,466	28	524	413	165	2,333	33,929
Other changes in unobligated balance	(4,036)	-	-	-	-	-	(4,036)
Unobligated balance from prior year budget authority, net	43,640	2,546	6,559	1,148	33,818	6,162	93,873
Appropriations (discretionary and mandatory)	377,400	6,734	-	5,000	9,100	-	398,234
Spending authority from offsetting collections	2,758	-	17,632	-	-	204,542	224,932
<b>Total Budgetary Resources</b>	<b>\$423,798</b>	<b>\$ 9,280</b>	<b>\$ 24,191</b>	<b>\$ 6,148</b>	<b>\$ 42,918</b>	<b>\$ 210,704</b>	<b>\$ 717,039</b>
<b><u>Status of Budgetary Resources</u></b>							
Obligations Incurred	\$ 385,199	\$ 7,059	\$ 15,647	\$ 5,429	\$ 26,203	\$ 188,691	\$ 628,228
Unobligated balance, end of year:							
Apportioned	21,148	2,168	-	719	16,715	16,062	56,812
Exempt from apportionment	-	-	8,544	-	-	-	8,544
Unapportioned	17,451	53	-	-	-	5,951	23,455
Total unobligated balance, end of year	38,599	2,221	8,544	719	16,715	22,013	88,811
<b>Total Budgetary Resources</b>	<b>\$ 423,798</b>	<b>\$ 9,280</b>	<b>\$ 24,191</b>	<b>\$ 6,148</b>	<b>\$ 42,918</b>	<b>\$ 210,704</b>	<b>\$ 717,039</b>
<b><u>Change in Obligated Balance</u></b>							
Obligated balance, start of year (net)	\$ 133,759	\$ 537	\$ 816	\$ 17,411	\$ 17,557	\$ 15,913	\$ 185,993
Obligations incurred	385,199	7,059	15,647	5,429	26,203	188,691	628,228
Less: Gross outlays	(375,050)	(4,339)	(15,819)	(9,761)	(21,062)	(191,840)	(617,871)
Less: Recoveries of prior year unpaid obligations, actual	(30,466)	(28)	(524)	(413)	(165)	(2,334)	(33,930)
Change in uncollected customer payments from Federal sources	(13)	-	1,125	-	-	(20,167)	(19,055)
<b>Obligated balance, net, end of period</b>	<b>\$ 113,429</b>	<b>\$ 3,229</b>	<b>\$ 1,245</b>	<b>\$ 12,666</b>	<b>\$ 22,533</b>	<b>\$ (9,737)</b>	<b>\$ 143,365</b>
<b><u>Budget Authority and Outlays, Net:</u></b>							
Budget authority, gross (discretionary and mandatory)	\$ 380,158	\$ 6,734	\$ 17,632	\$ 5,000	\$ 9,100	\$ 204,542	\$ 623,166
Actual offsetting collections (discretionary and mandatory) (-)	(17,946)	-	(18,757)	-	-	(184,374)	(221,077)
Change in uncollected customer payments from Federal Sources (discretionary and mandatory) (+ or -)	(13)	-	1,125	-	-	(20,168)	(19,056)
<b>Budget Authority, net (discretionary and mandatory)</b>	<b>\$ 362,199</b>	<b>\$ 6,734</b>	<b>\$ -</b>	<b>\$ 5,000</b>	<b>\$ 9,100</b>	<b>\$ -</b>	<b>\$ 383,033</b>
Outlays, gross (discretionary and mandatory)	\$ 375,049	\$ 4,339	\$ 15,819	\$ 9,761	\$ 21,062	\$ 191,840	\$ 617,870
Less: Actual offsetting collections (discretionary and mandatory) (-)	(17,946)	-	(18,757)	-	-	(184,374)	(221,077)
Less: Distributed Offsetting receipts	(36)	(6,731)	-	-	-	-	(6,767)
<b>Agency Outlays, net (discretionary and mandatory)</b>	<b>\$ 357,067</b>	<b>\$(2,392)</b>	<b>\$ (2,938)</b>	<b>\$ 9,761</b>	<b>\$ 21,062</b>	<b>\$ 7,466</b>	<b>\$ 390,026</b>

Please note in FY 2012, the Electronic Records Archives program was combined with the Archives and Records Management Activities program (formerly known as Records and Archives Related Services).

## Auditor's Reports (FY 2013)

### Inspector General's Summary

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION  
ANNUAL FINANCIAL STATEMENT AUDIT  
FISCAL YEAR 2013

OFFICE OF THE INSPECTOR GENERAL  
COMMENTARY AND SUMMARY

This audit report contains the Annual Financial Statements of the National Archives and Records Administration (NARA) for the fiscal years ended September 30, 2013 and 2012. We contracted with the independent certified public accounting firm of Cotton & Company, LLP (C&C) to perform the fiscal years 2013 and 2012 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 GAO/PCIE *Financial Audit Manual*.

In its audit opinion on NARA's financial statements, C&C's report states that the financial statements present fairly, in all material respects, the financial position of NARA as of September 30, 2013 and 2012, and its net cost, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

C&C reported no material weaknesses<sup>1</sup> or significant deficiencies<sup>2</sup> in internal control over financial reporting. C&C disclosed no instances of noncompliance with certain provisions of laws and regulations, as required by OMB guidance, that could have a direct and material effect on the determination of financial statement amounts.

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, an opinion on NARA's financial statements or conclusions about the effectiveness of internal control or compliance with laws and regulations. C&C is responsible for the attached auditor's report dated December 16, 2013, and the conclusions expressed in the accompanying reports. However, our review disclosed no instances where C&C did not comply, in all material respects, with generally accepted government auditing standards.

<sup>1</sup> 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.

<sup>2</sup> A significant deficiency is a deficiency, or a 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 2013)



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### INDEPENDENT AUDITOR'S REPORT

The Inspector General  
National Archives and Records Administration

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of the National Archives and Records Administration (NARA) as of September 30, 2013 and 2012, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; 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) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of NARA as of September 30, 2013 and 2012, and its consolidated net cost, consolidated changes in net position, and combined budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America and OMB Circular A-136, *Financial Reporting Requirements*, require that the Management's Discussion and Analysis on pages 2 to 36 and other Required Supplementary Information on pages 123 to 126 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board and OMB, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we also have issued our report dated December 16, 2013 on our consideration of NARA's internal control over financial reporting and over compliance, and on our tests of NARA's compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope and results of our testing of internal control over financial reporting and compliance and the results of our testing of NARA's compliance with certain provisions of laws, regulations, contracts, and grant agreements, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NARA's internal control and compliance.

COTTON & COMPANY LLP



Alan Rosenthal, CPA, CFE  
Partner  
Alexandria, VA  
December 16, 2013



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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND ON COMPLIANCE

The Inspector General  
National Archives and Records Administration

We have audited the consolidated and combined financial statements of the National Archives and Records Administration (NARA) as of September 30, 2013 and 2012, and have issued our report thereon dated December 16, 2013. That report contained our unmodified opinion, on the financial statements. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

### INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE

In planning and performing our audit of the financial statements, we considered NARA's internal control over financial reporting and compliance (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NARA's internal control. Accordingly, we do not express an opinion on the effectiveness of NARA's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Limitations of Internal Control

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.

### COMPLIANCE

As part of obtaining reasonable assurance about whether NARA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of

financial statement amounts. Providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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 OMB audit guidance requires that we test that we deemed applicable to the financial statements for the fiscal year ended September 30, 2013. 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB audit guidance.

**PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

COTTON & COMPANY LLP



Alan Rosenthal, CPA, CFE  
Partner  
Alexandria, VA  
December 16, 2013

## Management Response to Auditor's Report (FY 2013)



NATIONAL  
ARCHIVES

ARCHIVIST *of the*  
UNITED STATES

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Date: December 16, 2013

To: James Springs, Acting Inspector General

From: David S. Ferriero, Archivist of the United States

Subject: Management Response to the FY 2013 Financial Statement Audit

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

I am pleased to have received an unqualified audit opinion on NARA's FY 2013 financial statements. An unqualified opinion recognizes NARA's commitment to producing accurate and reliable financial statements, and supports our efforts to continuously improve our financial management program.

I would like to thank the Office of Inspector General and Cotton & Company, LLP for working in a professional and dedicated manner with NARA staff.

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