

Prepared by: [redacted] Bureau: [redacted]

**Bureaus' Narrative Input to Department of Commerce Consolidated Financial Statement Footnotes
As of and for the Period Ended September 30, 2008 Footnotes Text Matrix**

IMPORTANT: ENTER AMOUNTS IN ACTUAL DOLLARS AND PERCENTAGES

Footnote	Text	Bureau Responses/Additions/ Revisions IMPORTANT: If Not Applicable, Please Indicate "N/A"
1B	<u>Summary of Significant Accounting Policies - Departures from U.S. Generally Accepted Accounting Principles (GAAP)</u>	ALL BUREAUS MUST RESPOND:
	1. Are there any known departures from GAAP?	[redacted]
	2. If YES, explain the nature of the departure and the impact on the amounts and disclosures in the Department's financial statement?	[redacted] [redacted]
	3. Are there any known changes in accounting policies during the fiscal year?	[redacted]
	4. If YES, please provide the change and effect of the change.	[redacted]
1B	<u>Summary of Significant Accounting Policies - Subsequent Events and Significant Transactions</u>	ALL BUREAUS MUST RESPOND:
	1. Does this reporting entity have knowledge of any events that have occurred subsequent to the balance sheet date or significant transactions that might be material to the consolidated financial statements?	[redacted]
	2. If YES, describe:	[redacted]
	a. The nature of the event or transaction	[redacted]
	b. Provide a dollar estimate of the effect on the financial statements and	[redacted]
	c. Provide description of where the transaction is presented in the reporting entity's financial statements.	[redacted]

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ALL BUREAUS MUST RESPOND:

1B

Summary of Significant Accounting Policies – Allocation Transfer Relationship

- 1. Is this reporting entity a parent to any Federal entity?
- 2. If **YES**, disclose the name of the Federal entity:
- 3. Is this reporting entity a child to any Federal entity?
- 4. If **YES**, disclose the name of the Federal entity:

[redacted]

[redacted]

[redacted]

[redacted]

Effective for FY 2008, the parent must report all budgetary and proprietary activity in its financial statements, whether material to the child, or not. Therefore, the receiving department must not report any information relating to the transfer appropriation account on its financial statements.

No amounts are required to be included in the footnote.

1.C Summary of Significant Accounting Policies – Earmarked Funds

Applicable to most of bureaus including USPTO, NTIS and NOAA

SFFAS 27, Identifying and Reporting Earmarked Funds, requires separate identification of the earmarked funds on the Consolidated Balance Sheets (Net Position section), Consolidated Statements of Changes in Net Position.

Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the Government’s general revenues. Earmarked funds include trust funds, public enterprise revolving funds (not including credit reform financing funds), and special funds. (See Note 21)

1.E Summary of Significant Accounting Policies - Fund Balance with Treasury

Applicable to most or all bureaus

Fund Balance with Treasury is the aggregate of amount of funds in the Department’s accounts with the U.S. Department of the Treasury (Treasury). Deposit Funds primarily represent the amounts held in customer deposit accounts.

Treasury processes cash receipts and disbursements for the Department’s domestic operations. Cash receipts and disbursements for the Department’s overseas operations are primarily processed by the U.S. Department of State's financial service centers.

- 1F** **Summary of Significant Accounting Policies - Accounts Receivable, Net** **Applicable to most or all bureaus**
- Accounts Receivable are recognized primarily when the Department performs reimbursable services or sells goods. Accounts Receivable are reduced to net realizable value by an Allowance for Uncollectible Accounts. This allowance is estimated periodically using methods such as the identification of specific delinquent receivables, and the analysis of aging schedules and historical trends adjusted for current market conditions.
- 1** **Summary of Significant Accounting Policies - Investments in Treasury Securities, Net** **Only applicable to NOAA**
- Investments in Treasury Securities are reported at their acquisition cost, less the accumulated amortization of discounts. At **September 30, 2008**, investments consisted of one-year special issue Treasury Bills with interest rates averaging **[REDACTED] percent [NOAA: ENTER PERCENT]**. Discounts are amortized into interest income over the life of the Treasury Security using the straight-line method, which approximates the effective yield method.
- 1.H** **Summary of Significant Accounting Policies - Loans Receivable and Related Foreclosed Property, Net** **Only applicable to EDA, ELGP-Oil & Gas, ELGP-Steel, and NOAA**
- A direct loan is recorded as a receivable after the Department disburses funds to a borrower. The Department also makes loan guarantees with respect to the payment of all or part of the principal or interest on debt obligations of non-federal borrowers to non-federal lenders. A borrower-defaulted loan guaranteed by the Department is recorded as a receivable from the borrower after the Department disburses funds to the lender.
- Interest Receivable generally represents uncollected interest income earned on loans. For past-due loans, only up to 180 days of interest income is generally recorded.
- Foreclosed Property is acquired primarily through foreclosure and voluntary conveyance, and is recorded at the fair market value at the time of acquisition.
- 1.H** **Summary of Significant Accounting Policies - Direct Loans and Loan Guarantees Obligated before October 1, 1991(pre-FY 1992):** Loans Receivable are reduced by an Allowance for Loan Losses, which is based on an analysis of each loan's outstanding balance. The value of each receivable, net of any Allowance for Loan Losses, is supported by the values of pledged collateral and other assets available for liquidation, and by the Department's analysis of financial information of parties against whom the Department has recourse for the collection of these receivables. **Only applicable to EDA and NOAA**
- The Economic Development Revolving Fund is required to make annual interest payments to Treasury after each fiscal year-end, based on its outstanding receivables at September 30.

1.H **Summary of Significant Accounting Policies - Direct Loans and Loan Guarantees Obligated after September 30, 1991 (post-FY 1991):** Post-FY 1991 obligated direct loans and loan guarantees and the resulting receivables are governed by the Federal Credit Reform Act of 1990.

Only applicable to ELGP-Oil & Gas, ELGP-Steel, and NOAA

For direct or guaranteed loans disbursed during a fiscal year, a subsidy cost is initially recognized. Subsidy costs are intended to estimate the long-term cost to the U.S. Government of its loan programs. The subsidy cost equals the present value of estimated cash outflows over the life of the loan, minus the present value of estimated cash inflows, discounted at the applicable Treasury interest rate. Administrative costs such as salaries are not included in the subsidy costs. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults, loan origination and other fees, and other cash flows. The Department calculates its subsidy costs based on a model created and provided by OMB.

A Loan Receivable is recorded at the present value of the estimated cash inflows less cash outflows. The difference between the outstanding principal of the loan and the present value of their net cash inflows is recorded as the Allowance for Subsidy Cost. A subsidy reestimate is normally performed annually, as of September 30. The subsidy reestimate takes into account all factors that may have affected the estimated cash flows. Any adjustment resulting from the reestimate is recognized as a subsidy expense (or a reduction in subsidy expense). The portion of the Allowance for Subsidy Cost related to subsidy modifications and reestimates is calculated annually, as of September 30.

The amount of any downward subsidy reestimates as of September 30 must be disbursed to Treasury in the subsequent fiscal year.

1.I **Summary of Significant Accounting Policies – Inventory, Materials, and Supplies, Net**

Applicable to many bureaus

Inventory, Materials, and Supplies, Net are stated at the lower of cost or net realizable value primarily under the weighted-average and first-in, first-out methods, and are adjusted for the results of physical inventories. Inventory, Materials, and Supplies are expensed when consumed. There are no restrictions on their sale, use, or disposition.

1.J **Summary of Significant Accounting Policies - General Property, Plant, and Equipment, Net**

Applicable to most or all bureaus

The OMB A-136 at a minimum requires; (1) cost, associated accumulated depreciation, and book value, (2) estimated useful life, (3) method(s) of depreciation, (4) Capitalization threshold(s), including and changes in threshold(s) during the period and (5) restrictions on the use or convertibility of general PP&E. Please provide estimated useful life, method(s) of depreciation by major class of PP&E and discuss any restrictions on the use or convertibility of PP&E.

General Property, Plant, and Equipment, Net (General PP&E) is comprised of capital assets used in providing goods or services. General PP&E is stated at full cost, including all costs related to acquisition, delivery, and installation, less Accumulated Depreciation. General PP&E also includes assets acquired through capital leases, which are

initially recorded at the amount recognized as a liability for the capital lease at its inception.

Capitalization Thresholds: The Department’s general policy is to capitalize General PP&E if the initial acquisition price is \$25 thousand or more and the useful life is two years or more. NOAA is an exception to this policy, having a capitalization threshold of \$200 thousand. General PP&E with an acquisition cost less than the capitalization threshold is expensed when purchased. When the purchase of a large quantity of items, each costing less than the capitalization threshold, would materially distort the amount of costs reported in a given period, the purchase is capitalized as a group.

Depreciation: Depreciation is expensed on a straight-line basis over the estimated useful life of the asset with the exception of leasehold improvements, which are depreciated over the remaining life of the lease or over the useful life of the improvement, whichever is shorter. Land and Construction-in-progress are not depreciated.

Real Property: The U.S. General Services Administration (GSA) provides most of the facilities in which the Department operates, and generally charges rent based on comparable commercial rental rates. Accordingly, GSA-owned properties are not included in the Department’s General PP&E. The Department’s real property primarily consists of facilities for NIST and NOAA. Land Improvements consist of a retaining wall to protect against shoreline erosion.

Construction-in-progress: Costs for the construction, modification, or modernization of General PP&E are initially recorded as Construction-in-progress. Upon completion of the work, the costs are transferred to the appropriate General PP&E account for capitalization.

1 Summary of Significant Accounting Policies - Stewardship Land, Plant and Equipment

Only applicable to NOAA

Statement of Federal Financial Accounting Standards 29 reclassifies all heritage assets and stewardship land information as basic except for condition information, which is reclassified as required supplementary information (RSI). The standard specifically requires additional reporting disclosures about entity stewardship policies and an explanation of how heritage assets and stewardship land relate to the mission of the entity. NOAA is the only entity within the Department that has Stewardship PP&E (See note 22).

1.K Summary of Significant Accounting Policies - Notes Receivable

Only applicable to NOAA

Notes Receivable, included in Other Assets, arise through the NOAA sale of foreclosed property to non-federal parties. The property is used as collateral, and an Allowance for Uncollectible Amounts is established if the net realizable value of the collateral is less than the outstanding balance of the Notes Receivable. An analysis of the collectibility of receivables is performed periodically. Any gains realized through the sale of foreclosed property are initially deferred and recognized in proportion to the percentage of principal repaid.

Summary of Significant Accounting Policies – Non-entity Assets

1.L

Non-entity assets are assets held by the Department that are not available for use in its operations. The non-entity Fund Balance with Treasury primarily represents customer deposits held by the Department until customer orders are received. Non-entity Loans Receivable and Related Foreclosed Property, Net represents EDA’s Drought Loan Portfolio. The Portfolio collections are submitted to Treasury monthly.

Applicable to most bureaus, EDA, and also applicable to bureaus with customer deposits included in Fund Balance with Treasury

Summary of Significant Accounting Policies - Liabilities

1.M

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

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

Applicable to most or all bureaus

Summary of Significant Accounting Policies - Liabilities

1.M

Debt to Treasury: The Department has borrowed funds from Treasury for its Fisheries Finance Traditional, Tuna Fleet, and Individual Fishing Quota (IFQ) Direct Loans, Fishing Vessel Obligation Guarantee (FVOG) Program, Bering Sea Pollock Fishery Buyout, Pacific Groundfish Buyback Loans, and Crab Buyback Loans. To simplify interest calculations, all borrowings are dated October 1. Interest rates are based on a weighted average of rates during the term of the borrowed funds. The weighted average rate for each cohort’s borrowing is recalculated at the end of each fiscal year during which disbursements are made. Annual interest payments on unpaid principal balances as of September 30 are required. Principal repayments are required only at maturity, but are permitted at any time during the term of the loan. The Department’s primary financing source for repayments of Debt to Treasury is the collection of principal on the associated Loans Receivable. Balances of any borrowed but undisbursed funds will earn interest at the same rate used in calculating interest expense.

Only applicable to ELGP-Steel, NTIA and NOAA. (may be applicable to ELGP-Oil and Gas if they incur Debt)

As of **September 30, 2008**, the Department also had borrowed funds from Treasury for its Digital Television Transition and Public Safety Fund. This fund was created by the Deficit Reduction Act of 2005, receives offsetting receipts from the auction of electromagnetic spectrum recovered from discontinued analog television signals, and provides funding for several Departmental programs from these receipts. The Act also provides borrowing authority to the Department to commence specified programs prior to the availability of auction receipts. Amounts borrowed from Treasury will be returned without interest upon the availability of auction revenue.

Summary of Significant Accounting Policies - Liabilities

1.M

Resources Payable to Treasury: Resources Payable to Treasury includes liquidating fund assets in excess of liabilities that are being held as working capital for the Economic Development Revolving Fund loan programs and the FVOG loan guarantee program. EDA’s Drought Loan Portfolio is a non-entity asset; therefore, the amount of the Portfolio is also recorded as a liability to Treasury. The Portfolio collections are returned to Treasury monthly, and the liability is reduced accordingly.

Only applicable to EDA and NOAA

1.M Summary of Significant Accounting Policies - Liabilities

Applicable to most or all bureaus

Unearned Revenue: Unearned Revenue is the portion of monies received for which goods and services have not yet been provided or rendered by the Department. Revenue is recognized as reimbursable costs are incurred, and the Unearned Revenue balance is reduced accordingly. Unearned Revenue also includes the balances of customer deposit accounts held by the Department. The intragovernmental Unearned Revenue primarily relates to monies collected in advance under reimbursable agreements. The majority of the Unearned Revenue with the public represents patent and trademark application and user fees that are pending action.

1.M Summary of Significant Accounting Policies - Liabilities

Applicable to all bureaus

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

1.M Summary of Significant Accounting Policies - Liabilities

Only applicable to ELGP and NOAA

Loan Guarantee Liabilities: Post-FY 1991 obligated loan guarantees are governed by the Federal Credit Reform Act of 1990. For a guaranteed loan disbursed during a fiscal year, a subsidy cost is initially recognized. Subsidy costs are intended to estimate the long-term cost to the U.S. government of its loan programs. The Subsidy cost equals the present value of estimated cash outflows over the lives of the loans, minus the present value of estimated cash inflows, discounted at the applicable Treasury interest rate. Administrative costs such as salaries are not included in the subsidy costs. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults, loan origination and other fees, and other cash flows. The Department calculates its subsidy costs based on a model created and provided by OMB.

For a non-acquired guaranteed loan outstanding, the present value of the estimated cash inflows less cash outflows of the loan guarantee is recognized as a Loan Guarantee Liability. The Loan Guarantee Liability is normally reestimated annually each year, as of September 30. The subsidy reestimate takes into account all factors that may have affected the estimated cash flows. Any adjustments resulting from the reestimate is recognized as a subsidy expense (or a reduction in subsidy expense).

1.M Summary of Significant Accounting Policies - Liabilities

Applicable to all bureaus:

Actuarial FECA Liability: Actuarial FECA Liability represents the liability for future workers' compensation (FWC) benefits, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved cases. The liability is determined by DOL annually, as of September 30, using a method that utilizes historical benefits payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefit payments are discounted to present value using OMB's economic assumptions for ten-

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year Treasury notes and bonds. To provide more specifically for the effects of inflation on the liability for FWC benefits, wage inflation factors (Cost of Living Allowance) and medical inflation factors (Consumer Price Index - Medical) are applied to the calculation of projected future benefits. These factors are also used to adjust historical payments of benefits by the Department to current-year constant dollars.

The model's resulting projections are analyzed by DOL to ensure that the amounts are reliable. The analysis is based on two tests: 1) a comparison of the percentage change in the liability amount by agency to the percentage change in the actual payments; and 2) a comparison of the ratio of the estimated liability to the actual payment of the beginning year calculated for the current projection to the liability-payment ratio calculated for the prior projection.

1.M Summary of Significant Accounting Policies - Liabilities

Only applicable to NOAA

NOAA Corps Employee Retirement Benefits Liabilities: These liabilities consist of the NOAA Corps Retirement System Liability and the NOAA Corps Post-retirement Health Benefits Liability. The liabilities are recorded at the actuarial present value of projected benefits, calculated annually, as of September 30. The actuarial cost method used to determine these liabilities is the aggregate entry age normal method. Under this method, the actuarial present value of projected benefits is allocated on a level basis over the earnings or the service of the group between entry age and assumed exit ages. The portion of this actuarial present value allocated to the valuation year is called the normal cost. Actuarial gains and losses, and prior and past service costs, if any, are recognized immediately in the year they occur, without amortization. The actuarial calculations use U.S. Department of Defense Retirement Board economic assumptions (as used by the U.S. Military Retirement System) for investment earnings on federal securities, annual basic pay increases, and annual inflation. Demographic assumptions appropriate to covered personnel are also used. For background information about these plans, see **Note 1.Q, *Employee Retirement Benefits***.

1.M Summary of Significant Accounting Policies - Liabilities

In the past, applicable to NIST and NOAA

Environmental and Disposal Liability:

OMB A-136 requires disclosure in accordance with SFFAS No. 5 and SFFAS No. 6. For environmental hazards resulting from ongoing operations, include the: (1) Sources of cleanup requirements, (2) Method for assigning estimated total cleanup costs to current operating periods, (3) unrecognized portion of estimated total cleanup cost associated with general PP&E, (4) Material changes in total estimated cleanup costs due to changes in laws, technology, or plans, and the portion of the change in estimate that relates to prior period operations, and (5) Nature of estimates and the disclosure of information regarding possible changes due to inflation, deflation, technology, or applicable laws and regulations.

NIST operates a nuclear reactor licensed by the U.S. Nuclear Regulatory Commission, in accordance with NIST's mission of setting standards and examining new technologies. The Department currently estimates the cost of decommissioning this facility to be \$ [REDACTED] [NIST: ENTER AMOUNT]. This estimated cost is being accrued on a straight-line basis over the expected life of the facility. Under current legislation, funds to cover the expense of decommissioning the facility's nuclear reactor should be requested in a separate appropriation when the decommissioning date becomes relatively certain.

The Department has incurred cleanup costs related to the costs of removing, containing, and/or disposing of hazardous waste from facilities used by NOAA. The Department has estimated its liabilities for environmental cleanup costs at all NOAA-used facilities, including decommissioning of ships. The largest of NOAA's environmental liabilities relates to the clean-up of the Pribilof Island in Alaska, which contains waste from the U.S. Department of Defense's use during World War II. The Department does not recognize a liability for environmental cleanup costs for NOAA-used facilities that are less than \$25 thousand per project. When an estimate of cleanup costs includes a range of possible costs, the most likely cost is reported. When no cost is more likely than another, the lowest estimated cost in the range is reported. The liability is reduced as progress payments are made.

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

1.M Summary of Significant Accounting Policies - Liabilities

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

Applicable to all bureaus:

**PLEASE REVIEW CAREFULLY AND
SEPTEMBER 30, 2008 BUREAU
PROCEDURES ACTUALLY PERFORMED.**

1.M Summary of Significant Accounting Policies - Liabilities

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

Applicable to several bureaus:

**PLEASE REVIEW CAREFULLY AND
UPDATE AS APPLICABLE**

1.M Summary of Significant Accounting Policies - Liabilities

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

Applicable to several bureaus:

1.M Summary of Significant Accounting Policies - Liabilities

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

Only applicable to ITA

1.M Summary of Significant Accounting Policies - Liabilities

Contingent Liabilities and Contingencies: A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A contingent liability (included in Other Liabilities) and an expense are recognized when a past event has occurred, and a future outflow or other sacrifice of resources is measurable and probable. A contingency is considered probable when the future confirming event or events are more likely than not to occur, with the exception of pending or threatened litigation and unasserted claims. For pending or threatened litigation and unasserted claims, the future confirming event or events are likely to occur. A contingency is disclosed in the Notes to the Financial Statements if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. A contingency is considered reasonably possible when the chance of the future confirming event or events occurring is more than remote but less

Applicable to several bureaus:

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than probable. A contingency is not recognized as a contingent liability and an expense nor disclosed in the Notes to the Financial Statements when the chance of the future event or events occurring is remote. A contingency is considered remote when the chance of the future event or events occurring is slight.

1.M Summary of Significant Accounting Policies - Liabilities

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

Applicable to several bureaus:

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

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

Summary of Significant Accounting Policies - Revenues and Other Financing Sources

1.P

Exchange and Non-exchange Revenue- Pricing Policies:

In certain cases, law or regulation sets the prices charged by the Department, and, for program and other reasons, the Department may not receive full cost (e.g., the processing of patents and registering of trademarks, and the sale of weather data, nautical charts, and navigation information). Prices set for products and services offered through the Department's working capital funds are intended to recover the full costs incurred by these activities.

Applicable to all or most bureaus:

NOTE ESPECIALLY TO ENTITIES WITH WORKING CAPITAL FUNDS OR SPECIAL PRICING ARRANGEMENTS- PLEASE CAREFULLY REVIEW

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

Summary of Significant Accounting Policies - Employee Retirement Benefits

1.P

NOAA Corps Retirement System: Active-duty officers of the NOAA Corps are covered by the NOAA Corps Retirement System, an unfunded, pay-as-you-go, defined-benefit plan administered by the Department. Participants do not contribute to this plan. Plan benefits are based primarily on years of service and compensation. Participants, as of September 30, 2008, included [REDACTED] [NOAA: ENTER AMOUNT] active duty officers, [REDACTED] [NOAA: ENTER AMOUNT] non-disability retiree annuitants, [REDACTED] [NOAA: ENTER AMOUNT] disability retiree annuitants, and [REDACTED] [NOAA: ENTER AMOUNT] surviving families. Key provisions include voluntary nondisability retirement after 20 years of active service, disability retirement, optional survivor benefits, Consumer Price Index (CPI) optional survivor benefits, and CPI adjustments for benefits.

Only Applicable to NOAA

1.P Summary of Significant Accounting Policies - Employee Retirement Benefits

Only Applicable to ITA

Foreign Service Retirement and Disability System, and the Foreign Service Pension System: Foreign

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Commercial Officers are covered by the Foreign Service Retirement and Disability System and the Foreign Service Pension System. The ITA makes contributions to the systems based on a percentage of an employee's pay. Both systems are multi-employer plans administered by the U.S. Department of State. The Department is not responsible for and does not report plan assets, accumulated plan benefits, or liabilities applicable to its employees. The U.S. Department of State, which administers the plan, is responsible for and reports these amounts.

1.P Summary of Significant Accounting Policies - Employee Retirement Benefits

Only Applicable to NOAA

NOAA Corps Post-retirement Health Benefits: Active-duty officers of the NOAA Corps are covered by the health benefits program for the NOAA Corps, which provides post-retirement health benefits. This is a pay-as-you-go plan administered by the Department. Participants do not make any contributions to this plan.

2 Fund Balance with Treasury

Applicable to all bureaus

OMB-A-136 – Certain unobligated balances may be restricted to future use and are not apportioned for current use. Such restrictions must be explained.

Explain any discrepancies between Fund Balance with Treasury, as reflected in the entity's general ledger, and the balance in the Treasury accounts.

Disclose any other information necessary for understanding the nature of the Fund Balances.

The Department's Deposit Funds are not available to finance operating activities. See Note 18, *Combined Statements of Budgetary Resources*, for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2008 and FY 2007.

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TBD Investments in Treasury Securities, Net

OMB-A-136 - Disclose any other information relative to understanding the nature of reported investments, such as permanent impairments.

Investments are ____ (Types of Investment) _____. The range of interest on investments held as of **September 30, 2008** was ____ percent to ____ percent.

Only applicable to NOAA

1) Type of Investments:

[redacted]

2) For each investment:

<u>Investment Description</u>	<u>Interest Rate</u>	<u>Range</u>
[redacted]	[redacted]	to [redacted]

4 Cash

OMB-A-136 - Disclose as other information any restrictions on cash. Restricted cash includes holdings that are unavailable for agency use (non-entity cash) and have not been transferred to the general fund. Restricted cash also includes cash held in escrow to pay property taxes and insurance related to property associated with defaulted loans.

Cash not yet Deposited to Treasury primarily represents patent and trademark fees that were not processed as of **September 30**, due to the lag time between receipt and initial review. Certain bureaus maintain imprest funds for operational necessity, such as law enforcement activities, and for environments that do not permit the use of electronic payments. Other Cash represents monies held in a trust account obtained through the foreclosure of a NOAA direct loan.

Applicable to some bureaus

5 Loans Receivable and Related Foreclosed Property, Net

OMB-A-136 – Disclose and explain events and changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions, that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy re-estimates.

Discussion of Events and Changes in Economic Conditions, Risk Factors, etc:

[IF MORE SPACE NEEDED, E-MAIL TO OFM AS A SEPARATE WORD FILE PLEASE]

[redacted]

Only applicable to EDA, ELGP-Oil & Gas, ELGP-Steel, and NOAA

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[redacted]
[redacted]
[redacted]
[redacted]

OMB A-136 - If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modification.

Discussion of Material Modifications Made:

[redacted]
[redacted]
[redacted]

Loans Receivable and Related Foreclosed Property, Net (continued)

OMB A-136 - For foreclosed property, disclose a) changes from prior year's accounting methods, if any; b) restrictions on the use/disposal of the property; and c) number of properties held and average holding period by type or category

Discussion of Material Foreclosed Property:

[redacted]
[redacted]
[redacted]

Disclose any commitments to guarantee.

Future Loan Guarantee:

[redacted]
[redacted]
[redacted]
[redacted]
[redacted]

Prepared by: [redacted] Bureau: [redacted]

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

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

Budget Subsidy Rates for Loan Guarantees for the Current Fiscal-year's Cohorts:

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

Direct Loan Programs:

- NOAA Alaska Purse Seine Fishery Buyback Loans
- NOAA Federal Gulf of Mexico Reef Fish Buyback Loans
- NOAA New England Groundfish Buyback Loans
- NOAA New England Lobster Buyback Loans

Have any loans been issued under the programs above as of September 30, 2008? [redacted] [NOAA: ENTER YES/NO]

If yes, please list:

[redacted]

[redacted]

[redacted]

[redacted]

Inventory, Materials, and Supplies, Net

6

OMB-A-136 - General composition of inventory, materials and supplies. Basis for determining inventory, materials and supplies values, including the valuation method and any cost flow assumptions. Changes from prior year's accounting methods, if any. Restriction on the sale of inventory, materials and supplies.

NIST's Standard Reference Materials Program provides reference materials for quality assurance of measurements, while NOAA's Materials and Supplies are primarily repair parts for weather forecasting equipment.

Applicable to many bureaus

For entities other than NIST and NOAA, enter disclosures here:

[redacted]

[redacted]

[redacted]

Prepared by: _____ Bureau: _____

8 Other Assets –NTIS Bibliographic Database

Only applicable to NTIS

NTIS Bibliographic Database:

The bibliographic database relates to NTIS’ scientific and technical information used to prepare products and services for sale. The database is stated at capitalized costs of \$ _____, less accumulated amortization of \$ _____ as of **September 30, 2008**.

NTIS to Provide Data Here:

Database Capitalized Costs: \$ _____
 Database Accum. Amort.: \$ _____

10 Debt to Treasury

Only applicable to ELGP – Steel and NOAA (and possibly ELGP-Oil & Gas if they incur debt)

Maturity dates range from _____ to _____, and interest rates range from _____ to _____ percent.

For EACH cohort, ELGP-Steel and NOAA to Enter Data in Text Column. (or e-mail separate file please)

For Each Cohort, List Detail Below:

<u>Loan Program</u>	<u>Cohort</u>	<u>Maturity Date</u>	<u>Interest Rate Range</u>
			_____ to _____

11 Other Liabilities

Applicable to most or all bureaus

The Current Portion represents liabilities expected to be paid by **September 30, 2008**, while the Non-current portion represents liabilities expected to be paid after **September 30, 2009**.

Prepared by: [REDACTED] Bureau: [REDACTED]

12 **NOAA Corps Employee Retirement Benefits Liabilities**

Only applicable to NOAA

NOAA Corps Retirement System Liability: This liability represents the unfunded actuarial present value of projected plan benefits. The actuarial calculation is performed annually, as of September 30. The September 30, 2006 actuarial calculations used the following U.S. Department of Defense Retirement Board economic assumptions:

Investment Earnings on Federal Securities: [REDACTED] % [NOAA: ENTER PERCENTAGE]

Annual Basic Pay Increases: [REDACTED] % [NOAA: ENTER PERCENTAGE]

Annual Inflation: [REDACTED] % [NOAA: ENTER PERCENTAGE]

NOAA Corps Post-retirement Health Benefits Liability: This liability represents the unfunded actuarial present value of projected post-retirement plan benefits. The actuarial calculation is performed annually, as of September 30. The actuarial calculations used the same U.S. Department of Defense Retirement Board economic assumptions as used for the NOAA Corps Retirement System actuarial calculations. The claims costs used to derive the post-retirement liabilities were taken from the analysis of the U.S. Military's Projected Retiree Medical Liabilities report for FY 2006.

14 **Leases - Capital Leases:**

Applicable to several bureaus

OMB A-136 -

Entity as Lessee - Description of Lease Arrangements: Provide information that discloses the agency's funding commitments including, but not limited to, the major asset categories and associated lease terms, including renewal options, escalation clauses, contingent rentals restrictions imposed by lease agreements, and the amortization period.

Entity as Lessor:

Description of Lease Arrangements: Provide the information necessary to disclose the commitment of the entity's assets including but not limited to the major asset category and lease terms.

Future Projected Receipts: Enter future lease revenues, by major asset category, for all noncancellable leases with terms longer than one year.

Other Information. Provide other information necessary for understanding leases that is not disclosed in the above categories.

Capital Lease Liabilities are primarily related to NOAA. NOAA has real property capital leases covering both land and buildings. The majority of these leases are for weather forecasting offices, but the leases are also for radar system sites, river forecasting centers, and National Weather Service enforcement centers. NOAA's real property capital leases range from [REDACTED] to [REDACTED] years [NOAA: ENTER YEARS].

14 Leases - Operating Leases

Applicable to most or all bureaus

Most of the Department's facilities are rented from the U.S. General Services Administration (GSA), which generally charges rent that is intended to approximate commercial rental rates. For federal-owned property rented from GSA, the Department generally does not execute an agreement with GSA; the Department, however, is normally required to give 120 to 180 days notice to vacate. For non-federal owned property rented from GSA, an occupancy agreement is generally executed, and the Department may normally cancel these agreements with 120 days notice.

15 Liabilities Not Covered by Budgetary Resources

Only Applicable to USPTO

Due to USPTO's funding structure, budgetary resources do not cover a portion of its Unearned Revenue. The Unearned Revenue as of **September 30** reported above is the portion of USPTO's Unearned Revenue that is considered not covered by budgetary resources. USPTO's Unearned Revenue is a liability for revenue received before the patent or trademark work has been completed. Budgetary resources derived from the current reporting period's revenue have been partially used to cover the current reporting period's costs associated with unearned revenue from a prior reporting period. In addition, the current patent fee structure sets low initial application fees that are followed by income from maintenance fees as a supplement in later years to cover the full cost of the patent examination and issuance processes. The combination of these funding circumstances requires USPTO to obtain additional budgetary resources to cover its liability for unearned revenue.

16 Commitments

The Department has entered into long-term contracts for the purchase, construction, and modernization of environmental satellites and weather measuring and monitoring systems.

IMPORTANT: ALL BUREAUS SHALL CONDUCT A REVIEW FOR SIGNIFICANT COMMITMENTS THAT SHOULD BE DISCLOSED HERE

Also applicable to NOAA

NOTE TO NOAA: PLEASE REVIEW TEXT CAREFULLY AND REVISE AS NECESSARY

16 Guaranteed Loan Contingencies (Only Requesting Information Not Provided in Note 5 Template)

Only applicable to NOAA, ELGP-Steel, and ELGP-Oil & Gas

Prepared by: [REDACTED] Bureau: [REDACTED]

Emergency Steel Loan Guarantee Program: This program has [REDACTED] [ELGP-Steel: ENTER AMOUNT] outstanding non-acquired guaranteed loans as of September 30, 2008.... The Department's guarantee percentages range from [REDACTED] [ELGP-Steel: ENTER PERCENT] to [REDACTED] percent[ELGP-Steel: ENTER PERCENT] for these loans

Emergency Steel Loan Guarantee Program SEPTEMBER 30, 2006 DISCLOSURE re Letters of Credit: Related to an outstanding non-acquired guaranteed loan, the Department has additionally guaranteed two Letters of Credit totaling \$ [REDACTED] [ELGP-Steel: ENTER AMOUNT]. The Department's guarantee percentages for these Letters of Credit are 90 and 95 percent. The guaranteed portion of these Letters of Credit total \$ [REDACTED] [ELGP-Steel: ENTER AMOUNT] as of September 30, 2008.

Emergency Steel Loan Guarantee Program SEPTEMBER 30, 2005 DISCLOSURE re Letters of Credit: Related to an outstanding non-acquired guaranteed loan, the Department has additionally guaranteed two Letters of Credit totaling \$ [REDACTED] [ELGP-Steel: ENTER AMOUNT]. The Department's guarantee percentages for these Letters of Credit are 90 and 95 percent. The guaranteed portion of these Letters of Credit total \$ [REDACTED] [ELGP-Steel: ENTER AMOUNT] and \$ [REDACTED] [ELGP-Steel: ENTER AMOUNT] as of September 30, 2008.

Emergency Oil and Gas Loan Guarantee Program: This program has [REDACTED] [ELGP-Oil & Gas: ENTER AMOUNT] outstanding non-acquired guaranteed loans as of September 30, 2008. The Department's guarantee percentage is [REDACTED] percent [ELGP-Oil & Gas: ENTER PERCENT] for these loans.

Contingent Loss Related to the National Polar-orbiting Operational Environmental Satellite System (NPOESS):

In a joint effort with the Department of Defense (DOD) and the National Aeronautics and Space Administration (NASA), NOAA is developing the NPOESS. NPOESS is expected to be a state-of-the-art environment-monitoring satellite system that will replace two existing polar-orbiting satellite systems. NOAA and DOD share the costs of funding NPOESS, while NASA funds specific technology projects and studies. Over the last several years, the NPOESS program has experienced schedule delays, cost increases and technical challenges. In FY 2006, the NPOESS program underwent a statutorily required review, known as a Nunn-McCurdy

review. Under the law, any DOD-funded program that is more than [REDACTED] [NOAA: ENTER PERCENT] percent over budget must be reviewed to see if it should be continued, and if so, in what manner. As a result of the review, the NPOESS program will be continued, however the number of satellites and their capabilities will be scaled back. Additionally, NOAA, NASA and DOD agreed to restructure the NPOESS program from a three-orbit to a two-orbit program and to renegotiation of the contracts for the construction of the NPOESS program. The process may take several years.

As of March 31, 2008, the Department of Commerce Balance Sheet includes approximately [REDACTED] [NOAA: ENTER AMOUNT] million construction-in progress general property, plant and equipment related to the NPOESS

Update text and data in Text column

ELGP-Steel: List detail below related to Letters of Credit (LOC)

	Total LOC Amount	Guaranteed Amount
SEPTEMBER 30, 2006 DISCLOSURE:		
95% Guaranteed LOC	[REDACTED]	[REDACTED]
90% Guaranteed LOC	[REDACTED]	[REDACTED]
SEPTEMBER 30, 2005 DISCLOSURE:		
95% Guaranteed LOC	[REDACTED]	[REDACTED]
90% Guaranteed LOC	[REDACTED]	[REDACTED]

Prepared by: _____ Bureau: _____

program. This balance is net of a _____ [NOAA: ENTER AMOUNT] million write-off that NOAA recorded in FY 2006, based on a determination that certain sensors were going to be eliminated from the program, thus triggering an impairment to the property value. The potential impairment for one additional sensor, currently recorded at _____ [NOAA: ENTER AMOUNT] million in the construction-in-progress account, will not be determinable until a new contract for that sensor is in place.

18 **Combined Statement of Budgetary Resources**

Total borrowing authority available for NTIA’s Digital Television and Public Safety Fund amounted to \$ _____ [NTIA: ENTER AMOUNT], while total borrowing authority available for NOAA’s loan programs amounted to \$ _____ [NOAA: ENTER AMOUNT] September 30, 2008 and \$ _____ [ELGP-Steel: ENTER AMOUNT] for ELGP-Steel’s loan programs. The Borrowing Authority amounts reported in the SBR Budgetary Resources section represent only borrowing authority realized during the reporting period. See Note 1M. *Debt to Treasury*, for debt repayment requirements, financing sources for repayments, and other terms of borrowing authority used.

Reductions to the Department’s appropriations under Public Law _____ [ENTER PUBLIC LAW] amounted to \$ _____ [ENTER AMOUNT] and under Public Law _____ [ENTER PUBLIC LAW] amounted to \$ _____ [ENTER AMOUNT]. These reductions are included in the SBR Budgetary Resources section as follows: Permanently Not Available subsection, Enacted Reductions (\$ _____) ENTER AMOUNT and Temporarily Not Available Pursuant to Public Law (\$ _____) ENTER AMOUNT. These reductions are also part of the amounts reported on the line Other Adjustments in the Unexpended Appropriations section, Budgetary Financing Sources subsection of the SCNP.

Legal arrangements affecting the Department’s use of Unobligated Balances of Budget Authority and/or Fund Balance with Treasury during FY 2008 include the following:

- The Omnibus Budget Reconciliation Act of 1990 established revenue withholding on certain statutory patent fees collected by USPTO. Subsequent legislation extended the revenue withholding through the end of FY 1998. These withheld revenues were deposited into the Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury. The USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. At September 30, 2008, \$ _____ [USPTO: ENTER AMOUNT] is held in the Patent and Trademark Surcharge Fund.
- The Coastal Zone Management Fund, which accounts for the Coastal Energy Impact Program direct loans, has \$ _____ [NOAA: ENTER AMOUNT] of unapportioned authority that was not provided obligational authority pursuant to 16 United States Code 1456a as of September 30, 2008.
- For loan programs prior to the Federal Credit Reform Act of 1990 (pre-FY 1992 loans), most or all liquidating fund unobligated balances in excess of working capital needs are required to be transferred to Treasury as soon as practical during the following fiscal year.

Applicable to most or all bureaus

NOAA, NTIA, and ELGP: PLEASE ENTER SUPPORTING CALCULATIONS BELOW:

SGL 4141: _____
 SGL 4144: _____
 SGL 4145: _____
 SGL 4149: _____ (agrees to ending balance per 9/30/08 calculations)
 Total: _____

NOAA: PLEASE REVIEW US CODE REFERENCE TO CONFIRM STILL ACCURATE

18 Combined Statement of Budgetary Resources (continued)

- For direct loan programs under the Federal Credit Reform Act of 1990 (post-FY 1991 loans) that have outstanding debt to Treasury, regulations require that most unobligated balances be returned to Treasury on September 30, or require that the borrowing authority be cancelled on September 30.
- For loan guarantee programs under the Federal Credit Reform Act of 1990 that have outstanding debt to Treasury, regulations require that unobligated balances in excess of the outstanding guaranteed loans' principal and interest be returned to Treasury on September 30.

Custodial Nonexchange Activity

20 NOTE: THIS FOOTNOTE RELATES ONLY TO NONEXCHANGE CUSTODIAL ACTIVITY

In the past, only applicable to BIS and NOAA

NOAA receives interest, penalties, and fines primarily related to its past due Accounts Receivable, while BIS receives civil monetary penalties from private entities that violate the Export Administration Act. These collections are required to be transferred to Treasury.

21 Earmarked Funds

Applicable to most bureaus including USPTO, NOAA, NTIS and ITA

The USPTO Earmarked Funds consist of its Salaries and Expenses Fund, and the Patent and Trademark Surcharge Fund. The Salaries and Expenses Fund contains monies used for the administering of the laws relevant to patents and trademarks and advising the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection, and trade-related aspects of intellectual property. This fund is used for USPTO's two core business activities – granting patents and registering trademarks – that promote the use of intellectual property rights as a means of achieving economic prosperity.

The Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury, is discussed in Note 18, *Combined Statements of Budgetary Resources*.

Coastal Zone Management Fund is primarily used for the following: interstate projects, demonstration projects for improving coastal zone management, and emergency grants to State coastal zone management agencies to address unforeseen or disaster related circumstances. The law establishing the Coastal Zone Management Fund can be found in 16 USC Section 1456a.

The NTIS Revolving Fund is used to collect, process, market, and disseminate government-sponsored and foreign scientific, technical, and business information; and assist other agencies with their information programs.

Damage Assessment and Restoration Revolving Fund is established by the reimbursement of expenses related to oil

Prepared by: [REDACTED] Bureau: [REDACTED]

or hazardous substance spill response activities, or natural resource damage assessment, restoration, rehabilitation, replacement, or acquisition activities conducted by NOAA. The recovered sums by a federal, state, Indian, or foreign trustee for natural resource damage is retained by the trustee and is only used to reimburse or pay costs incurred by the trustee for damaged natural resources. The law establishing the Damage Assessment and Restoration Revolving Fund can be found in 33 USC Section 2706. Natural Resources.

Please describe any change in legislation during the reporting period that significantly changes the purpose of the fund or that redirects a material portion of the accumulated balance.

NOTE: Any change in legislation subsequent to the reporting period and before the issuance of the financial statements that significantly changes the purpose of the fund or that redirects a material portion of the accumulated balance need to be reported to OFM as soon as possible.

22 Stewardship Property, Plant, and Equipment

This note provides information on certain resources entrusted to the Department and certain stewardship responsibilities assumed by the Department. The physical properties of stewardship property, plant, and equipment (Stewardship PP&E) resemble those of the General PP&E that is capitalized traditionally in the financial statements of federal entities. Due to the nature of these assets, however, valuation would be difficult and matching costs with specific periods would not be meaningful. Therefore, federal accounting standards require the disclosure of the nature and quantity of these assets. NOAA, NIST, and Census are the only entity within the Department that have Stewardship PP&E.

Heritage assets are unique for their historical or natural significance, for their cultural, educational, or artistic importance, or for their significant architectural characteristics. The Department generally expects that these assets will be preserved indefinitely. In cases where a heritage asset also has a practical and predominant use for general government operations, the asset is considered a multi-use heritage asset. The cost of a multi-use heritage asset is capitalized as General PP&E and is depreciated over the useful life of the asset.

Historical artifacts are designated heritage assets if they help illustrate the social, educational, and cultural heritage of NOAA and its predecessor agencies (U. S. Coast and Geodetic Survey, U.S. Fish Commission, the Weather Bureau, the Institutes for Environmental Research, the Environmental Science Services Administration, etc.). These include, but are not limited to, bells, gyro compasses, brass citations, flags, pennants, chronometers, ship's seals, clocks, compasses, shipbuilders' contracts, personal equipment, clothing, medals and insignia, barometers, rain gauges, and any items which represent the uniqueness of the mission of NOAA and its predecessor agencies.