



U.S. DEPARTMENT OF COMMERCE

FINANCIAL REPORT



JUNE 30,
2017

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FINANCIAL SECTION

PRINCIPAL FINANCIAL STATEMENTS



United States Department of Commerce Consolidated Balance Sheets
As of June 30, 2017 and 2016 (In Thousands)

	FY 2017	FY 2016
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Notes 2 and 19)	\$ 29,181,179	\$ 37,720,512
Investment (Note 3)	333,570	–
Accounts Receivable (Note 4)	81,746	109,154
Advances and Prepayments (Note 22 – NTIA Network Construction Fund)	1,058,208	112,881
Total Intragovernmental	30,654,703	37,942,547
Cash (Note 5)	7,716	8,777
Accounts Receivable, Net (Note 4)	45,375	46,852
Direct Loans and Loan Guarantees, Net (Note 6)	430,153	487,549
Inventory, Materials, and Supplies, Net (Note 7)	108,751	109,222
General Property, Plant, and Equipment, Net (Note 8)	15,053,006	13,836,880
Other (Note 9)	48,903	68,969
TOTAL ASSETS	\$ 46,348,607	\$ 52,500,796
Stewardship Assets (Note 24)		
LIABILITIES		
Intragovernmental:		
Accounts Payable	\$ 144,694	\$ 135,545
Debt to Treasury (Note 11)	492,472	572,947
Other		
Unearned Revenue	230,791	203,226
Rescissions/Sequestrations Payable to Treasury	16,380	705
Appropriations Payable to Treasury	267,809	264,889
Liability to General Fund of U.S. Government for Deficit Reduction (Note 22 – NTIA Public Safety Trust Fund)	335,651	7,781,010
Custodial Payable to Treasury (Note 20)	385,331	10,420
Other (Note 12)	100,243	121,039
Total Intragovernmental	1,973,371	9,089,781
Accounts Payable	419,188	432,165
Federal Employee Benefits (Note 13)	876,280	915,027
Environmental and Disposal Liabilities (Note 14)	142,957	140,741
Other		
Accrued Payroll and Annual Leave	611,402	574,033
Accrued Grants	112,405	115,667
Capital Lease Liabilities (Note 15)	330	2,297
Unearned Revenue	1,154,683	1,169,652
Other (Note 12)	59,921	29,475
TOTAL LIABILITIES	\$ 5,350,537	\$ 12,468,838
Commitments and Contingencies (Note 17)		
NET POSITION		
Unexpended Appropriations		
Unexpended Appropriations – Funds from Dedicated Collections (Note 22)	\$ 939,045	\$ 961,703
Unexpended Appropriations – All Other Funds	8,695,558	8,382,450
Cumulative Results of Operations		
Cumulative Results of Operations – Funds from Dedicated Collections (Note 22)	17,533,186	17,914,803
Cumulative Results of Operations – All Other Funds	13,830,281	12,773,002
Total Net Position – Funds from Dedicated Collections	18,472,231	18,876,506
Total Net Position – All Other Funds	22,525,839	21,155,452
TOTAL NET POSITION	\$ 40,998,070	\$ 40,031,958
TOTAL LIABILITIES AND NET POSITION	\$ 46,348,607	\$ 52,500,796

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

**United States Department of Commerce Consolidated Statements of Net Cost
For the Periods Ended June 30, 2017 and 2016 (Note 18) (In Thousands)**

	FY 2017	FY 2016
National Oceanic and Atmospheric Administration		
Gross Costs	\$ 3,469,022	\$ 3,457,879
Less: Earned Revenue	(169,661)	(159,664)
Net Cost of Operations	3,299,361	3,298,215
U.S. Patent and Trademark Office		
Gross Costs	2,353,363	2,292,059
Less: Earned Revenue	(2,301,427)	(2,369,490)
Net Cost of Operations	51,936	(77,431)
Economics and Statistics Administration		
Gross Costs	1,427,969	1,211,043
Less: Earned Revenue	(231,690)	(210,210)
Net Cost of Operations	1,196,279	1,000,833
National Institute of Standards and Technology		
Gross Costs	969,085	889,904
Less: Earned Revenue	(234,378)	(213,879)
Net Cost of Operations	734,707	676,025
International Trade Administration		
Gross Costs	328,839	379,165
Less: Earned Revenue	(6,933)	(11,277)
Net Cost of Operations	321,906	367,888
Economic Development Administration		
Gross Costs	228,332	224,549
Less: Earned Revenue	(4,218)	(2,425)
Net Cost of Operations	224,114	222,124
National Telecommunications and Information Administration		
Gross Costs	171,625	181,178
Less: Earned Revenue	(24,812)	(23,912)
Net Cost of Operations	146,813	157,266
Departmental Management		
Gross Costs	86,614	108,525
Less: Earned Revenue	(12,136)	(31,468)
Net Cost of Operations	74,478	77,057
Others		
Gross Costs	106,429	98,976
Less: Earned Revenue	(1,265)	(1,574)
Net Cost of Operations	105,164	97,402
Total Gross Departmental Costs	9,141,278	8,843,278
Less: Total Earned Revenue	(2,986,520)	(3,023,899)
NET COST OF OPERATIONS	\$ 6,154,758	\$ 5,819,379

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

United States Department of Commerce Consolidated Statements of Changes in Net Position
For the Periods Ended June 30, 2017 and 2016 (In Thousands)

	FY 2017			FY 2016		
	Funds from Dedicated Collections (Note 22)	All Other Funds	Consolidated Total	Funds from Dedicated Collections (Note 22)	All Other Funds	Consolidated Total
Cumulative Results Of Operations:						
Beginning Balance	\$ 17,724,210	\$ 12,945,943	\$ 30,670,153	\$ 17,640,086	\$ 11,626,892	\$ 29,266,978
Budgetary Financing Sources:						
Appropriations Used	–	6,505,764	6,505,764	–	6,673,374	6,673,374
Non-exchange Revenue	30,828	12,194	43,022	1,946	7,135	9,081
Donations and Forfeitures of Cash and Cash Equivalents	–	2,556	2,556	–	4,016	4,016
Transfers In of Auction Proceeds from Federal Communications Commission (Note 22)	–	–	–	8,101,196	–	8,101,196
Transfer Out to Receipt Account for Providing Funds to General Fund of U.S. Government (Note 22)	–	–	–	(7,781,010)	–	(7,781,010)
Transfers In/(Out) Without Reimbursement, Net	(3,599)	147,175	143,576	3,525	147,810	151,335
Rescissions/Sequestrations (Note 19)	–	–	–	(705)	–	(705)
Other Budgetary Financing Sources/(Uses), Net	–	–	–	–	–	–
Other Financing Sources (Non-exchange):						
Donations and Forfeitures of Property	–	267	267	–	618	618
Transfer In Received by Receipt Account for Providing Funds to General Fund of U.S. Government (Note 22)	–	–	–	7,781,010	–	7,781,010
Transfer Out to General Fund of U.S. Government for Deficit Reduction (Note 22)	–	–	–	(7,781,010)	–	(7,781,010)
Transfers In/(Out) Without Reimbursement, Net	(98)	313	215	–	(78,522)	(78,522)
Imputed Financing Sources from Cost Absorbed by Others	19,995	139,461	159,456	16,918	146,772	163,690
Other Financing Sources/(Uses), Net	(1,600)	(5,184)	(6,784)	–	(2,867)	(2,867)
Total Financing Sources	45,526	6,802,546	6,848,072	341,870	6,898,336	7,240,206
Net Cost of Operations	(236,550)	(5,918,208)	(6,154,758)	(67,153)	(5,752,226)	(5,819,379)
Net Change	(191,024)	884,338	693,314	274,717	1,146,110	1,420,827
Cumulative Results of Operations – Ending Balance	17,533,186	13,830,281	31,363,467	17,914,803	12,773,002	30,687,805
Unexpended Appropriations:						
Beginning Balance	–	5,840,085	5,840,085	–	5,733,904	5,733,904
Budgetary Financing Sources:						
Appropriations Received (Note 19)	939,045	9,368,390	10,307,435	961,703	9,314,421	10,276,124
Appropriations Transferred In/(Out), Net	–	27,227	27,227	–	19,150	19,150
Rescissions/Sequestrations of Appropriations (Note 19)	–	(34,380)	(34,380)	–	(11,360)	(11,360)
Cancellations and Other Adjustments	–	–	–	–	(291)	(291)
Appropriations Used	–	(6,505,764)	(6,505,764)	–	(6,673,374)	(6,673,374)
Total Budgetary Financing Sources	939,045	2,855,473	3,794,518	961,703	2,648,546	3,610,249
Unexpended Appropriations – Ending Balance	939,045	8,695,558	9,634,603	961,703	8,382,450	9,344,153
NET POSITION	\$ 18,472,231	\$ 22,525,839	\$ 40,998,070	\$ 18,876,506	\$ 21,155,452	\$ 40,031,958

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

**United States Department of Commerce Combined Statements of Budgetary Resources
For the Periods Ended June 30, 2017 and 2016 (Note 19) (In Thousands)**

	FY 2017		FY 2016	
	Budgetary	Non-budgetary Credit Program Financing Accounts	Budgetary	Non-budgetary Credit Program Financing Accounts
BUDGETARY RESOURCES:				
Unobligated Balance, Brought Forward, October 1	\$ 9,511,345	\$ 5,488	\$ 17,608,684	\$ 2,127
Adjustments to Unobligated Balance, Brought Forward	80,050	—	—	—
Unobligated Balance, Brought Forward, October 1, as Adjusted	9,591,395	5,488	17,608,684	2,127
Actual Recoveries of Prior-years Unpaid Obligations	207,304	6	205,880	377
Actual Nonexpenditure Transfers of Unobligated Balance, Net	3,855	—	5,607	—
Borrowing Authority Withdrawn	—	(6)	—	(377)
Anticipated Nonexpenditure Transfers of Unobligated Balance, Net	(400)	—	50	—
Anticipated Recoveries of Prior-years Unpaid Obligations	74,614	—	77,015	—
Other Changes in Unobligated Balance, Net	8,348	—	(8,791,628)	—
Unobligated Balance From Prior-years Budget Authority, Net	9,885,116	5,488	9,105,608	2,127
Appropriations	8,993,101	—	17,962,038	—
Borrowing Authority	—	140,486	—	139,726
Spending Authority From Offsetting Collections	5,441,902	28,030	5,633,111	34,662
TOTAL BUDGETARY RESOURCES	\$ 24,320,119	\$ 174,004	\$ 32,700,757	\$ 176,515
STATUS OF BUDGETARY RESOURCES:				
New Obligations and Upward Adjustments	\$ 10,727,752	\$ 18,565	\$ 10,644,668	\$ 29,600
Unobligated Balance, End of Period				
Apportioned, Unexpired Accounts	12,635,010	145,241	13,291,876	135,914
Exempt From Apportionment, Unexpired Accounts	1,124	—	2,392	—
Unapportioned, Unexpired Accounts	548,913	10,198	8,283,301	11,001
Unobligated Balance, End of Period, Unexpired Accounts	13,185,047	155,439	21,577,569	146,915
Unobligated Balance, End of Period, Expired Accounts	407,320	—	478,520	—
Total Unobligated Balance, End of Period	13,592,367	155,439	22,056,089	146,915
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 24,320,119	\$ 174,004	\$ 32,700,757	\$ 176,515
CHANGE IN UNPAID OBLIGATED BALANCE, NET:				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	\$ 7,075,111	\$ 65,641	\$ 6,738,577	\$ 122,051
New Obligations and Upward Adjustments	10,727,752	18,565	10,644,668	29,600
Outlays, Gross	(11,414,904)	(5,255)	(10,805,236)	(56,044)
Actual Recoveries of Prior-years Unpaid Obligations	(207,304)	(6)	(205,880)	(377)
UNPAID OBLIGATIONS, END OF PERIOD	\$ 6,180,655	\$ 78,945	\$ 6,372,129	\$ 95,230
Uncollected Customer Payments:				
Uncollected Customer Payments, Brought Forward, October 1	\$ (564,275)	\$ (467)	\$ (564,491)	\$ (467)
Change in Uncollected Customer Payments	(21,246)	(649)	(3,625)	(1,823)
UNCOLLECTED CUSTOMER PAYMENTS, END OF PERIOD	\$ (585,521)	\$ (1,116)	\$ (568,116)	\$ (2,290)
Unpaid Obligated Balance, Net, Brought Forward, October 1	\$ 6,510,836	\$ 65,174	\$ 6,174,086	\$ 121,584
Unpaid Obligated Balance, Net, End of Period	\$ 5,595,134	\$ 77,829	\$ 5,804,013	\$ 92,940
BUDGET AUTHORITY, NET:				
Budget Authority, Gross	\$ 14,435,003	\$ 168,516	\$ 23,595,149	\$ 174,388
Actual Offsetting Collections	(3,548,063)	(39,836)	(4,083,765)	(92,107)
Change in Uncollected Customer Payments	(21,246)	(649)	(3,625)	(1,823)
Less: Recoveries of Prior-years Paid Obligations included in Actual Offsetting Collections	18,348	—	16,773	—
Anticipated Offsetting Collections	(1,890,941)	12,455	(1,562,593)	59,267
BUDGET AUTHORITY, NET	\$ 8,993,101	\$ 140,486	\$ 17,961,939	\$ 139,725
OUTLAYS, NET:				
Outlays, Gross	\$ 11,414,904	\$ 5,255	\$ 10,805,236	\$ 56,044
Actual Offsetting Collections	(3,548,063)	(39,836)	(4,083,765)	(92,107)
Outlays, Net	7,866,841	(34,581)	6,721,471	(36,063)
Distributed Offsetting (Receipts)/Outlays, Net	(8,258)	—	(44,375)	—
AGENCY OUTLAYS, NET	\$ 7,858,583	\$ (34,581)	\$ 6,677,096	\$ (36,063)

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

United States Department of Commerce Consolidated Statements of Custodial Activity
For the Periods Ended June 30, 2017 and 2016 (Note 20) (In Thousands)

	FY 2017	FY 2016
Custodial Revenue Activity:		
Sources of Cash Collections:		
Fines and Penalties	\$ 375,005	\$ 3,398
Other	9,457	6,542
Total Cash Collections	384,462	9,940
Accrual Adjustment	(11,809)	49
Total Custodial Revenue	372,653	9,989
Disposition of Custodial Revenue:		
Net Increase in Custodial Liability to the General Fund of the U.S. Government	372,653	9,989
NET CUSTODIAL REVENUE ACTIVITY	\$ -	\$ -

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

FINANCIAL SECTION

NOTES TO THE FINANCIAL STATEMENTS



NOTES TO THE FINANCIAL STATEMENTS

(Dollars in Tables are Presented in Thousands)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Reporting Entity

The Department of Commerce (the Department) is a cabinet-level agency of the Executive Branch of the U.S. government. Established in 1903 to promote U.S. business and trade, the Department's broad range of responsibilities includes predicting the weather, granting patents and registering trademarks, measuring economic growth, gathering and disseminating statistical data, expanding U.S. exports, developing innovative technologies, helping local communities improve their economic development capabilities, promoting minority entrepreneurial activities, and monitoring the stewardship of national assets. The Department is composed of 12 bureaus and Departmental Management.

For the *Consolidated Statements of Net Cost*, the Department's entities have been grouped together as follows:

- National Oceanic and Atmospheric Administration (NOAA)
- U.S. Patent and Trademark Office (USPTO)
- Economics and Statistics Administration (ESA) — based on organizational structure
 - Bureau of Economic Analysis (BEA)
 - Census Bureau
- National Institute of Standards and Technology (NIST) — based on organizational structure
 - National Technical Information Service (NTIS)
- International Trade Administration (ITA)
- Economic Development Administration (EDA)
- National Telecommunications and Information Administration (NTIA)¹
- Departmental Management (DM)
 - Gifts and Bequests
 - Herbert C. Hoover Building Renovation Project
 - Office of Inspector General (OIG)
 - Salaries and Expenses (S&E)
 - Working Capital Fund (WCF)
- Others
 - Bureau of Industry and Security (BIS)
 - Minority Business Development Agency (MBDA)

¹ The Middle Class Tax Relief and Job Creation Act of 2012 created the First Responder Network Authority (FirstNet), included in these financial statements, as an independent authority within NTIA, to provide emergency responders with the first high-speed, nationwide network dedicated to public safety.

B Basis of Accounting and Presentation

The Department's fiscal year ends September 30. These financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. Budgetary accounting is designed to recognize the obligation of funds according to legal requirements, which in many cases is made prior to the occurrence of an accrual-based transaction. Budgetary accounting is essential for compliance with legal constraints and controls over the use of federal funds.

These financial statements have been prepared from the accounting records of the Department in conformance with U.S. generally accepted accounting principles (GAAP) and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in Circular A-136, *Financial Reporting Requirements*. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board, which is the official body for setting the accounting standards of the U.S. government.

Throughout these financial statements, intragovernmental assets, liabilities, gross costs, earned revenue, transfers, and other activity represent activity or balances with other federal entities.

The Department has allocation transfer transactions with other federal agencies as both a transferring (parent) entity and as a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Department of the Treasury (Treasury) as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g., budgetary resources, obligations incurred, gross costs, and outlays, gross) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and OMB apportionments are derived. EDA allocates funds, as the parent, to the U.S. Department of Agriculture's Rural Development Administration; all financial activity related to these EDA funds is reported in the Department's financial statements. EDA and BEA have received allocation transfers, as the child, from Delta Regional Authority, Appalachian Regional Commission, Northern Border Regional Commission, and U.S. General Services Administration (GSA). Census has received allocation transfers, as child, from the Department of Health and Human Services. Activity relating to these child allocation transfers is not reported in the Department's financial statements, except that the Department has recognized Imputed Costs, and Imputed Financing Sources From Cost Absorbed by Others, for gross costs, as the child, under GSA's Federal Buildings Fund.

C Funds from Dedicated Collections

Funds from Dedicated Collections are financed by specifically identified revenues, often supplemented by other financing sources that are originally provided to the federal government by a non-federal source, 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 federal government's general revenues.

Funds from Dedicated Collections include general funds, revolving funds (not including credit reform financing funds), special funds, and trust funds. (See Note 22, *Funds from Dedicated Collections*.)

D Elimination of Intra-entity and Intra-Departmental Transactions and Balances

Transactions and balances within a reporting entity (intra-entity), and transactions and balances among the Department's entities (intra-Departmental), have been eliminated from the *Consolidated Balance Sheets* and *Consolidated Statements of Net Cost*, and are excluded from the consolidated total column of the *Consolidated Statements of Changes in Net Position*. The *Statements of*

Budgetary Resources are presented on a combined basis; therefore, intra-Departmental and intra-entity transactions and balances have not been eliminated from these statements.

E Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of funds in the Department's accounts with Treasury. Deposit Funds include 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.

F Investment

Investment in Federal Securities consists of an interest-bearing, market-based Treasury security (note), purchased by NTIA's Public Safety Trust Fund from Treasury at a discount. This investment is presented on the Department's *Consolidated Balance Sheet* at acquisition cost, net of amortization of the discount. The discount will be amortized over the life of the Treasury security using the interest method. Under the interest method, the effective interest rate (the actual interest yield on amounts invested) multiplied by the carrying amount of the Treasury security at the start of the accounting period equals the interest income recognized during the period (the carrying amount changes each period by the amount of the amortized discount). The amount of the amortization of the discount is the difference between the effective interest recognized for the period and the nominal interest for the Treasury security. The market value of the Treasury security is not recorded on the Balance Sheet because this investment is expected to be held to maturity. See Note 3, *Investment* for disclosure of the market value of the Treasury security, which was provided by Treasury. For purposes of determining market values, investments should be grouped by the type of security, such as market-based or marketable Treasury securities. The market value of investments in a group is calculated by the market price of securities of that group at the financial reporting date multiplied by the number of notes or bonds held at the financial reporting date.

G Accounts Receivable, Net

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.

H Advances and Prepayments

Advances are payments the Department has made to cover a part or all of a grant recipient's anticipated expenses, or are advance payments for the cost of goods and services to be acquired. For grant awards, the recipient is required to periodically (for example, quarterly) report the amount of costs incurred. Prepayments are payments the Department has made to cover certain periodic expenses before those expenses are incurred, such as subscriptions and rent. Advances and Prepayments are included in Other Assets.

I Direct Loans and Loan Guarantees, Net

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. Foreclosed Property is adjusted to the current fair market value each fiscal year-end.

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.

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.

For a direct or 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 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 its 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 amounts of any downward subsidy reestimates as of September 30 must be disbursed to Treasury in the subsequent fiscal year. Appropriations are normally obtained in the following fiscal year for any upward subsidy reestimates.

J Inventory, Materials, and Supplies, Net

Inventory, Materials, and Supplies, Net are stated at the lower of cost or net realizable value primarily under the average, 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.

K General Property, Plant, and Equipment, Net

General Property, Plant, and Equipment, Net (PP&E) is composed 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. Acquisitions of General PP&E include assets purchased, or assets acquired through other means such as through transfer in from another federal entity, donation, devise (a will or clause of a will disposing of property), judicial process, exchange between a federal entity and a non-federal entity, and forfeiture. 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:

Single-asset Acquisitions: The Department's policy is to capitalize single-asset acquisitions of General PP&E if the useful life is two years or more and the dollar amount meets the entity's single-asset acquisition capitalization threshold. Based on a Department-wide capitalization thresholds review, which reflects materiality and cost-benefit analyses, the Department's single-asset acquisition capitalization thresholds for both FY 2017 and FY 2016 are as follows: NOAA—\$200 thousand or more; NIST—\$100 thousand or more; USPTO—\$50 thousand or more; and all other bureaus and Departmental Management—\$25 thousand or more, except that NTIA's First Responder Network Authority has a single-asset acquisition capitalization threshold of \$5 thousand.

Personal Property Bulk Acquisitions: For FY 2017 and FY 2016, NOAA has a personal property bulk acquisition capitalization threshold of \$1.0 million or more where individual items cost \$25 thousand or more but less than \$200 thousand; NIST has a personal property bulk acquisition capitalization threshold of \$500 thousand or more. All other bureaus and Departmental Management have a personal property bulk acquisition capitalization threshold of \$250 thousand or more, except that USPTO has a furniture bulk acquisition capitalization threshold of \$50 thousand or more and NTIA's First Responder Network Authority has a personal property bulk acquisition capitalization threshold of \$50 thousand or more.

General PP&E not meeting the applicable capitalization threshold is expensed.

Depreciation: Depreciation is recognized 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, Construction-in-progress, and Internal Use Software in Development are not depreciated.

Construction-in-progress: Costs for the construction, modification, or modernization of General PP&E are initially recorded as Construction-in-progress. The Department's construction-in-progress consists primarily of satellites under development for NOAA, and major laboratory renovations and construction projects under development for NIST. Upon completion of the work, the costs are transferred to the appropriate General PP&E account.

Internal Use Software: Internal Use Software includes purchased commercial off-the-shelf (COTS) software and internally or contractor-developed software solely to meet the Department's internal or operational needs. Internally developed software includes the full cost (direct and indirect cost) incurred during the software development stage. For contractor-developed software, capitalized costs include the costs for the contractor to design, program, install, and implement the software.

Real Property: GSA provides most of the facilities in which the Department operates, and generally charges rent based on comparable commercial rental rates under operating leases. Accordingly, GSA-owned properties under operating leases are not included in the Department's General PP&E. The Department's real property primarily consists of facilities for NIST and NOAA.

L Non-entity Assets

Non-entity assets are assets held by the Department that are not available for use in its operations, and for which a liability has been recorded. Non-entity Fund Balance with Treasury includes customer deposits held by the Department until customer orders are received, and monies payable to the General Fund of U.S. Government for custodial and loan programs activity.

M Liabilities

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.

Debt to Treasury: The Department has borrowed funds from Treasury through the Fisheries Finance Financing Account for various NOAA direct loan programs, and State and Local Implementation Fund. To simplify interest calculations, the Fisheries Finance Financing Account 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, and deposits from public safety communications and electromagnetic spectrum auction proceeds. Balances of any borrowed but undisbursed Fisheries Finance Financing Account will earn interest at the same rate used in calculating interest expense. The amounts reported for Debt to Treasury include accrued interest payable. See Note 11, *Debt to Treasury*, for information regarding maturity dates.

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.

Liability to General Fund of U.S. Government for Deficit Reduction: The NTIA Public Safety Trust Fund was created as a result of Section 6413 of the Middle Class Tax Relief and Job Creation Act of 2012 (Act). The Act provides funding for specified programs and activities to be derived from the proceeds of FCC auctions of spectrum licenses, to be deposited into the Public Safety Trust Fund. The Act directs the use of auction proceeds in an order of priority after the repayment of borrowings from Treasury (priority 1), which was fully completed in September 2015. Priority 8 of the Act specifies that any remaining amounts deposited in the Public Safety Trust Fund shall be deposited in the General Fund of U.S. Government for deficit reduction. The Act further specifies that any amounts remaining in the Public Safety Trust Fund after the end of FY 2022 shall be deposited in the General Fund of U.S. Government for deficit reduction. The Department records a liability (not covered by budgetary resources) to the General Fund of U.S. Government for the monies owed for priority 8. A corresponding use of financing sources is recorded on the *Consolidated Statement of Changes in Net Position, Other Financing Sources (Non-exchange)* section.

Custodial Payable to Treasury: Custodial Payable to Treasury represents the amount of custodial revenue yet to be transferred to the General Fund of the U.S. Government. The Department's custodial revenue is non-exchange or exchange revenue that was or will be collected on behalf of the General Fund of the U.S. Government. See the *Consolidated Statements of Custodial Activity* and related Note 20 for more information on the Department's custodial activity.

Resources Payable to Treasury: Resources Payable to Treasury includes assets in excess of liabilities that are being held as working capital in the Department's liquidating fund groups, which account for loan programs prior to October 1, 1991 (pre-FY 1992).

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.

Federal Employee Benefits:

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. Projected annual payments were discounted to present value based on OMB's interest rate assumptions which were interpolated to reflect the average duration in years for income payments and medical payments.

To provide more specifically for the effects of inflation on the liability for FWC benefits, wage inflation factors (Cost of Living Adjustment) and medical inflation factors (Consumer Price Index - Medical) are applied to the calculation of projected future benefits. The actual rates for these factors are also used to adjust the historical payments to current-year constant dollars.

For FY 2016, to test the reliability of the model, DOL performed comparisons between projected payments in the last year to actual amounts, by agency. Changes in the liability from last year's analysis to this year's analysis were also examined by DOL, by agency, with any significant differences by agency inspected in greater detail. The model has been stable, and has projected the actual payments by agency well.

For FY 2015, the model's resulting projections were analyzed by DOL to ensure that the amounts were reliable. The analysis was based on four tests: (1) a sensitivity analysis of the model to economic assumptions; (2) a comparison of the percentage change in the liability amount to the percentage change in the actual incremental payments; (3) a comparison of the incremental paid losses per case (a measure of case severity) in chargeback year to the average pattern observed during the most current three chargeback years; and (4) a comparison of the estimated liability per case in the projection to the average pattern for the projections of the most recent three years.

NOAA Corps Retirement System Liability and NOAA Corps Post-retirement Health Benefits Liability: These 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. For purposes of calculating the normal cost, certain actuarial assumptions utilized for the actual valuation of U.S. Military Retirement System are used. Actuarial gains and losses, and prior and past service costs, if any, are recognized immediately in the fiscal year they occur, without amortization. The medical claim rates used for the NOAA Corps Post-retirement Health Benefits Liability actuarial calculations are based on the claim rates used for the U.S. Department of Defense Medicare-Eligible Retiree Health Care Fund actuarial valuations. Demographic assumptions appropriate to covered personnel are also used. For background information about these plans, see Note 1.Q, *Employee Retirement Benefits*.

Environmental and Disposal Liabilities: The Department has incurred asbestos-related cleanup costs related to the costs of removing, containing, and/or disposing of asbestos-containing materials from property, plant, and equipment; specifically, from facilities owned by NIST and NOAA, and from ships owned by NOAA. The Department has estimated its liabilities for asbestos-related cleanup costs for both friable and nonfriable asbestos-related cleanup costs. Estimates of asbestos-related cleanup costs are reviewed periodically, and updated as appropriate, to account for actual or estimated increases or decreases in asbestos-containing materials, material changes due to inflation or deflation, and changes in regulations, plans, and/or technology.

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. NIST's Environmental and Disposal Liability estimates were updated for FY 2017, pursuant to U.S. Nuclear Regulatory Commission Regulation (NUREG)-1307, Rev 15, which states: "licenses must annually adjust

the estimate of the cost of decommissioning their plants in dollars of the current year, as a part of the process to provide reasonable assurance that adequate funds for decommissioning will be available when needed.” The Department currently estimates the cost of decommissioning this facility to be \$72.2 million. NIST’s decommissioning estimate includes an assumption that an offsite waste disposal facility will become available, when needed, estimated in 2029. Currently, an offsite disposal location has not been identified, and NIST’s Environmental and Disposal Liability estimate includes an amount approved by the Nuclear Regulatory Commission for offsite waste disposal. The total estimated decommissioning 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 the decommissioning of ships. The largest of NOAA’s environmental liabilities relates to the cleanup of the Pribilof Islands in Alaska, which contains waste from the U.S. Department of Defense’s use during World War II. Such cleanup activities are the responsibility of the Department because it became the successor agency of the waste generated from war-related programs. 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 lead-based paints at certain NOAA facilities. The Department has scheduled surveys to assess the potential for liabilities for lead-based paint 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 lead-based paint issues.

Accrued Payroll and Annual Leave: These categories include salaries, wages, and other compensation earned by employees, but not disbursed as of June 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 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 recipients. These drawdown requests may be received and fulfilled before recipients make the expenditures under the grant. When the Department has disbursed funds but the recipient has not yet reported expenditures, these disbursements are recorded as advances to the recipient. If a recipient, however, has expenditures under the grant as of September 30 that have not been advanced by the Department as of September 30, such amounts are recorded as grant expenses and Accrued Grants as of September 30.

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.

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 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.

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 16.

NTIA's Public Safety Trust Fund has assets on hand as of September 30 for its Liability to General Fund of U.S. Government for Deficit Reduction; however, budgetary resources will need to be apportioned by OMB in order for the Public Safety Trust Fund to transfer funds against this liability.

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 the Department's *Accrued Annual Leave* liability.

The Department generally receives budgetary resources for its *Federal Employee Benefits* liability when needed for disbursements.

Due to USPTO's funding structure, budgetary resources do not cover a portion of its Unearned Revenue. The Unearned Revenue reported in Note 16 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.

N Commitments

Commitments are preliminary actions that will ultimately result in an obligation to the U.S. government if carried through, such as purchase requisitions, estimated travel orders, or unsigned contracts/grants. Major long-term commitments are disclosed in Note 17, *Commitments and Contingencies*.

O Net Position

Net Position is the residual difference between assets and liabilities, and is composed of Unexpended Appropriations and Cumulative Results of Operations.

Unexpended Appropriations represent the total amount of unexpended budget authority that is classified as appropriations, both obligated and unobligated. Unexpended Appropriations is increased for Appropriations Received, is reduced for Appropriations Used, and is adjusted for other changes in appropriations, such as transfers and rescissions. Cumulative Results of Operations is the net result of the Department's operations since inception.

P Revenues and Other Financing Sources

Appropriations Used: Most of the Department's operating funds are provided by congressional appropriations of budget authority. The Department receives appropriations on annual, multiple-fiscal year, and no-year bases. Upon expiration of an annual or multiple-fiscal year appropriation, the obligated and unobligated balances retain their fiscal year identity, and are maintained separately within an expired account. The unobligated balances can be used to make legitimate obligation adjustments, but are otherwise not available for expenditures. Annual and multiple-fiscal year appropriations are canceled at the end of the fifth fiscal year after expiration. No-year appropriations do not expire. Appropriations of budget authority are recognized as used when costs are incurred, for example, when goods and services are received or benefits and grants are provided.

Exchange and Non-exchange Revenue: The Department classifies revenue as either exchange revenue or non-exchange revenue. Exchange revenue is derived from transactions in which both the federal government and the other party receive value, including processing patents and registering trademarks, the sale of weather data, nautical charts, and navigation information, reimbursable revenue, and other sales of goods and services. Exchange revenue is presented on the Department's *Consolidated Statements of Net Cost*. Non-exchange revenue is derived from the federal government's sovereign right to demand payment, and, for example, includes revenue of NOAA's Damage Assessment and Restoration Revolving Fund as reported and described in Note 22, *Funds from Dedicated Collections*. Non-exchange revenue is recognized when a specifically identifiable, legally enforceable claim to resources arises, and to the extent that collection is probable and the amount is reasonably estimable. Non-exchange revenue is not considered to reduce the cost of the Department's operations and is therefore reported on the *Consolidated Statements of Changes in Net Position* as a financing source.

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.

Imputed Financing Sources from Cost Absorbed by Others (and Related Imputed Costs): In certain cases, operating costs of the Department are paid for in full or in part by funds appropriated to other federal entities. For example, Civil Service Retirement System pension benefits for applicable Departmental employees are paid for in part by the U.S. Office of Personnel Management (OPM), and certain legal judgments against the Department are paid for in full from the Judgment Fund maintained by Treasury. The Department includes applicable imputed costs in the *Consolidated Statements of Net Cost*. In addition, *Imputed Financing Sources from Cost Absorbed by Others* is recognized on the *Consolidated Statements of Changes in Net Position* as an other financing source (non-exchange).

Transfers In/(Out): Intragovernmental transfers, for example, of budgetary resources, or of assets without reimbursement that are recorded at book value, are reported in the *Consolidated Statements of Changes in Net Position*.

Q Employee Retirement Benefits

Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS): Most employees of the Department participate in either the CSRS or FERS defined-benefit pension plans. FERS went into effect on January 1, 1987. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 could elect to either join FERS and Social Security, or remain in CSRS.

The Department is not responsible for and does not report CSRS or FERS assets, accumulated plan benefits, or liabilities applicable to its employees. OPM, which administers the plans, is responsible for and reports these amounts.

For CSRS-covered regular employees, the Department was required to make contributions to the plan equal to 7 percent of an employee's basic pay. Employees contributed 7 percent of basic pay. For each fiscal year, OPM calculates the U.S. government's service cost for covered employees, which is an estimate of the amount of funds, that, if accumulated annually and invested over an employee's career, would be enough to pay that employee's future benefits. Since the U.S. government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan is not fully funded by the Department and its employees. The Department has recognized an imputed cost, and an imputed financing source from cost absorbed by others, for the difference between the estimated service cost and the contributions made by the Department and its covered employees.

Effective October 1, 2014, for FERS-covered regular employees hired prior to January 1, 2013, the Department was required to make contributions of 13.2 percent of basic pay. Employees contributed 0.8 percent of basic pay. For regular employees hired after December 31, 2012, as defined in Public Law 112-96, Section 5001, the Department was required to make contributions of 11.1 percent of basic pay. Regular employees hired between December 31, 2012 and December 31, 2013 contributed 3.1 percent of basic pay. Regular employees hired after December 31, 2013 contributed 4.4 percent of basic pay. For each fiscal year, OPM calculates the U.S. government's service cost for covered employees. Since the U.S. government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan was not fully funded by the Department and its employees. The Department has recognized an imputed cost, and an imputed financing source from cost absorbed by others, for the difference between the estimated service cost and the contributions made by the Department and its covered employees.

Employees participating in FERS are covered under the Federal Insurance Contributions Act, for which the Department contributes a matching amount to the Social Security Administration.

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 June 30, 2017, included 308 active duty officers, 382 nondisability retiree annuitants, 15 disability retiree annuitants, and 55 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.

Foreign Service Retirement and Disability System, and the Foreign Service Pension System: Foreign Commercial Officers are covered by the Foreign Service Retirement and Disability System and the Foreign Service Pension System. 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.

Thrift Savings Plan (TSP): Employees covered by CSRS and FERS are eligible to contribute to the U.S. government's TSP, administered by the Federal Retirement Thrift Investment Board. A TSP account is automatically established for FERS-covered employees, and the Department makes a mandatory contribution of one percent of basic pay. The Department also makes matching contributions of up to four percent of basic pay for FERS-covered employees. FERS and CSRS-covered employees have no limit on the percentage of pay contributed to their TSP account. However, the total employee regular contribution for 2017 and 2016 may not exceed the IRS limit of \$18 thousand. The Department makes no matching contributions for CSRS-covered employees. TSP participants age 50 or older who are already contributing the maximum amount of contributions for which they are eligible may also make catch-up contributions, subject to the IRS dollar limit for catch-up contributions.

Federal Employees Health Benefit (FEHB) Program: Most Departmental employees are enrolled in the FEHB Program, which provides post-retirement health benefits. OPM administers this program and is responsible for the reporting of liabilities. Employer agencies and covered employees are not required to make any contributions for post-retirement health benefits. OPM calculates the U.S. government's service cost for covered employees each fiscal year. The Department has recognized the entire service cost of these post-retirement health benefits for covered employees as an imputed cost, and an imputed financing source from cost absorbed by others.

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.

Federal Employees Group Life Insurance (FGLI) Program: Most Department employees are entitled to participate in the FGLI Program. Participating employees can obtain basic term life insurance, with the employee paying two-thirds of the cost and the Department paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. government's service cost for the post-retirement portion of basic life coverage. Because the Department's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Department has recognized the entire service cost of the post-retirement portion of basic life coverage as an imputed cost and an imputed financing source from cost absorbed by others.

R Use of Estimates

The preparation of financial statements requires the Department to make estimates and assumptions that affect these financial statements. Actual results may differ from those estimates.

S Tax Status

The Department is not subject to federal, state, or local income taxes. Accordingly, no provision for income taxes is recorded.

T Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, and disposition by the federal government of cash or other assets in which non-federal individuals or entities have an ownership interest that the federal government must uphold. Fiduciary cash and other assets are not assets of the federal government, and, accordingly, are not recognized in the Department's financial statements.

The Department's fiduciary activities consist of the following:

The Patent Cooperation Treaty authorizes USPTO to collect patent filing and search fees on behalf of the World Intellectual Property Organization (WIPO), European Patent Office, Korean Intellectual Property Office, Russian Intellectual Property Organization, Israeli Patent Office, Japanese Patent Office, Intellectual Property Office of Singapore, and Australian Patent Office from U.S. citizens requesting an international patent. The Madrid Protocol Implementation Act authorizes USPTO to collect trademark application fees on behalf of the International Bureau of WIPO from U.S. citizens requesting an international trademark. These fiduciary activities are reported in Note 21.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury, by type, is as follows:

	FY 2017	FY 2016
General Funds	\$ 12,932,677	\$ 12,502,614
Revolving Funds		
Network Construction Fund	5,600,299	6,657,783
Other Revolving Funds	770,861	918,145
Special Funds		
Digital Television Transition and Public Safety Fund	8,821,269	8,821,922
Patent and Trademark Surcharge Fund	233,529	233,529
Other Special Funds	133,302	135,842
Deposit Funds	147,911	152,579
Trust Funds		
Public Safety Trust Fund	148,657	8,265,407
Other Trust Funds	1,233	2,840
Other Fund Types	391,441	29,851
Total	<u>\$ 29,181,179</u>	<u>\$ 37,720,512</u>

Status of Fund Balance with Treasury is as follows:

	FY 2017	FY 2016
Reduction of Budgetary Resources		
Not Available		
Digital Television Transition and Public Safety Fund	\$ 8,817,394	\$ 8,808,108
USPTO Salaries and Expenses Fund	1,206,854	1,226,592
Negative Warrants (for Rescissions/Sequestrations)		
Not Yet Received	16,380	705
Temporarily Precluded from Obligation	1,445,228	965,563
Unobligated Balance		
Available	10,693,129	11,608,644
Unavailable	624,968	8,876,960
Obligated Balance Not Yet Disbursed	5,607,130	5,820,194
Non-budgetary	770,096	413,746
Total	<u>\$ 29,181,719</u>	<u>\$ 37,720,512</u>

See Note 19, *Combined Statements of Budgetary Resources*, for legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2017 and FY 2016.

See Note 22, *Funds from Dedicated Collections*, for more information regarding the Network Construction Fund, the Digital Television Transition and Public Safety Fund, the Patent and Trademark Surcharge Fund, the USPTO Salaries and Expenses Fund, and the Public Safety Trust Fund.

NOTE 3. INVESTMENT

FY 2017							
Investment in Federal Securities	Cost	Amortization Method	Amortized Discount	Interest Receivable	Investment, Net	Other Adjustments	Market Value Disclosure
Intragovernmental							
Non-marketable							
Market-based	\$ 333,013	Interest Method	\$ 39	\$ 518	\$ 333,570	\$ –	\$ 332,961

NOTE 4. ACCOUNTS RECEIVABLE, NET

FY 2017			
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	\$ 81,746	\$ –	\$ 81,746
With the Public	\$ 56,028	\$ (10,653)	\$ 45,375

FY 2016			
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	\$ 109,154	\$ –	\$ 109,154
With the Public	\$ 57,219	\$ (10,367)	\$ 46,852

NOTE 5. CASH

	FY 2017	FY 2016
Cash Not Yet Deposited with Treasury	\$ 7,353	\$ 8,353
Imprest Funds	328	424
Other Cash	35	–
Total	\$ 7,716	\$ 8,777

Cash Not Yet Deposited with Treasury primarily represents patent and trademark fees that were not processed as of June 30, due to the lag time between receipt and initial review. Certain bureaus maintain other cash for operational necessity, such as law enforcement activities and for environments that do not permit the use of electronic payments.

NOTE 6. DIRECT LOANS AND LOAN GUARANTEES, NET

The Department operates the following direct loan and loan guarantee programs:

Direct Loan Programs:

EDA	Drought Loan Portfolio
EDA	Economic Development Revolving Fund
NOAA	Alaska Purse Seine Fishery Buyback Loans
NOAA	Bering Sea and Aleutian Islands Non-Pollock Buyback Loans
NOAA	Bering Sea Pollock Fishery Buyback
NOAA	Coastal Energy Impact Program (CEIP)
NOAA	Crab Buyback Loans
NOAA	Federal Gulf of Mexico Reef Fish Buyback Loans ¹
NOAA	Fisheries Finance Individual Fishing Quota (IFQ) Loans
NOAA	Fisheries Finance Traditional Loans
NOAA	Fisheries Loan Fund
NOAA	New England Groundfish Buyback Loans ¹
NOAA	New England Lobster Buyback Loans ¹
NOAA	Pacific Groundfish Buyback Loans

Loan Guarantee Programs:

EDA	Economic Development Revolving Fund
EDA	Innovation in Manufacturing Loan Guarantees ¹
NOAA	Fishing Vessel Obligation Guarantee (FVOG) Program

¹ No loans have been issued under these programs as of June 30, 2017.

NOAA's Fisheries Finance Loan programs provide direct loans for certain fisheries costs, including vessels, shoreside facilities, aquaculture, and Individual Fishing Quota (IFQ). Vessel financing is available for the purchase of used vessels or the reconstruction of vessels. Refinancing is available for existing debt obligations. The purpose of these loan programs is to contribute to stable fisheries and fishing communities, and ensure that fisheries are sustainable economic resources. NOAA's various buyback loan programs address excess fishing capacity which decreases fisheries earnings, complicates fisheries management, and imperils fisheries conservation. Buyback loans are issued to fisheries to permanently remove vessels and/or permits and thus lower fishing effort in overcapitalized fisheries. Loans are repaid from fees collected on the ex-vessel value of the catch in the fishery.

EDA currently has four loan programs: (1) public works loans, which the majority of these loans are to utility companies, mainly water companies, and a few loans to children's centers; (2) grant and civil debt loans, which are being paid back either because grants were misused or because excess money was disbursed; (3) drought loans made to water districts; and (4) manufacturing innovation loan guarantees for obligations to small or medium-sized manufacturers for the use or production of innovative technologies.

The net assets for the Department's loan programs consist of:

	FY 2017	FY 2016
Direct Loans Obligated Prior to FY 1992	\$ 5,384	\$ 7,025
Direct Loans Obligated After FY 1991	424,765	480,520
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees	4	4
Total	<u>\$ 430,153</u>	<u>\$ 487,549</u>

Direct Loans Obligated Prior to FY 1992 consist of:

FY 2017				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	\$ 17,696	\$ 4,371	\$ (17,974)	\$ 4,093
Drought Loan Portfolio	1,054	–	–	1,054
Economic Development Revolving Fund	237	2	(2)	237
Fisheries Loan Fund	148	16	(164)	–
Total	<u>\$ 19,135</u>	<u>\$ 4,389</u>	<u>\$ (18,140)</u>	<u>\$ 5,384</u>

FY 2016				
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
CEIP	\$ 18,530	\$ 5,929	\$ (20,268)	\$ 4,191
Drought Loan Portfolio	2,479	–	–	2,479
Economic Development Revolving Fund	355	3	(3)	355
Fisheries Loan Fund	148	16	(164)	–
Total	<u>\$ 21,512</u>	<u>\$ 5,948</u>	<u>\$ (20,435)</u>	<u>\$ 7,025</u>

Direct Loans Obligated After FY 1991 consist of:

FY 2017					
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Alaska Purse Seine Fishery Buyback Loans	\$ 9,279	\$ 209	\$ –	\$ 768	\$ 10,256
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	30,073	131	–	4,661	34,865
Bering Sea Pollock Fishery Buyback	19,336	4	–	909	20,249
Crab Buyback Loans	69,261	521	–	15,551	85,333
Fisheries Finance IFQ Loans	18,236	161	–	912	19,309
Fisheries Finance Traditional Loans	218,727	1,323	67	5,534	225,651
Pacific Groundfish Buyback Loans	24,120	36	–	4,946	29,102
Total	<u>\$ 389,032</u>	<u>\$ 2,385</u>	<u>\$ 67</u>	<u>\$ 33,281</u>	<u>\$ 424,765</u>

FY 2016					
Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Alaska Purse Seine Fishery Buyback Loans	\$ 9,348	\$ 211	\$ –	\$ 765	\$ 10,324
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	31,062	94	–	4,562	35,718
Bering Sea Pollock Fishery Buyback	25,693	10	–	1,363	27,066
Crab Buyback Loans	72,065	510	–	19,786	92,361
Fisheries Finance IFQ Loans	20,705	181	–	2,868	23,754
Fisheries Finance Traditional Loans	228,985	1,323	2,694	27,360	260,362
Pacific Groundfish Buyback Loans	25,365	253	–	5,317	30,935
Total	<u>\$ 413,223</u>	<u>\$ 2,582</u>	<u>\$ 2,694</u>	<u>\$ 62,021</u>	<u>\$ 480,520</u>

New Disbursements of Direct Loans (Post-FY 1991):

Direct Loan Program	FY 2017	FY 2016
Fisheries Finance IFQ Loans	\$ 1,182	\$ 767
Fisheries Finance Traditional Loans	3,859	39,591
Total	<u>\$ 5,041</u>	<u>\$ 40,358</u>

Subsidy Expense for Direct Loans by Program and Component:**Subsidy Expense for New Disbursements of Direct Loans:**

FY 2017					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	\$ (223)	\$ 2	\$ (5)	\$ 177	\$ (49)
Fisheries Finance Traditional Loans	(517)	39	(20)	431	(67)
Total	<u>\$ (740)</u>	<u>\$ 41</u>	<u>\$ (25)</u>	<u>\$ 608</u>	<u>\$ (116)</u>

FY 2016					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	\$ (160)	\$ 1	\$ (3)	\$ 144	\$ (18)
Fisheries Finance Traditional Loans	(5,931)	223	(194)	3,964	(1,938)
Total	<u>\$ (6,091)</u>	<u>\$ 224</u>	<u>\$ (197)</u>	<u>\$ 4,108</u>	<u>\$ (1,956)</u>

Reestimates:

FY 2017	
Direct Loan Program	Technical Reestimates
Alaska Purse Seine Fishery Buyback Loans	\$ —
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	—
Bering Sea Pollock Fishery Buyback	—
Crab Buyback Loans	—
Fisheries Finance IFQ Loans	—
Fisheries Finance Traditional Loans	—
Pacific Groundfish Buyback Loans	—
Total	<u>\$ —</u>

FY 2016	
Direct Loan Program	Technical Reestimates
Alaska Purse Seine Fishery Buyback Loans	\$ —
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	—
Bering Sea Pollock Fishery Buyback	—
Crab Buyback Loans	—
Fisheries Finance IFQ Loans	190
Fisheries Finance Traditional Loans	—
Pacific Groundfish Buyback Loans	—
Total	<u>\$ 190</u>

There were no interest rate reestimates for FY 2017 and FY 2016.

Total Direct Loan Subsidy Expense:

Direct Loan Program	FY 2017	FY 2016
Alaska Purse Seine Fishery Buyback Loans	\$ —	\$ —
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	—	—
Bering Sea Pollock Fishery Buyback	—	—
Crab Buyback Loans	—	—
Fisheries Finance IFQ Loans	(49)	172
Fisheries Finance Traditional Loans	(67)	(1,938)
Pacific Groundfish Buyback Loans	—	—
Total	<u>\$ (116)</u>	<u>\$ (1,766)</u>

Subsidy Rates for Direct Loans by Program and Component:**Budget Subsidy Rates for Direct Loans for the Current Fiscal-year's Cohorts:**

FY 2017					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(21.74) %	0.08 %	(0.69) %	22.13 %	(0.22) %
Fisheries Finance Traditional Loans	(14.32) %	0.94 %	(0.52) %	13.54 %	(0.36) %

FY 2016					
Direct Loan Program	Interest Rate Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	(18.29) %	0.14 %	(0.41) %	15.29 %	(3.27) %
Fisheries Finance Traditional Loans	(11.71) %	1.06 %	(0.49) %	8.09 %	(3.05) %

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.

Schedule for Reconciling Allowance for Subsidy Cost (Post-FY 1991 Direct Loans):

	FY 2017	FY 2016
Beginning Balance of the Allowance for Subsidy Cost	\$ 32,364	\$ 65,401
Add Subsidy Expense for Disbursements of Direct Loans During the Year by Component:		
Interest Rate Differential	740	6,091
Defaults	(41)	(224)
Fees and Other Collections	25	197
Other	(608)	(4,108)
Total of the above Subsidy Expense Components	116	1,956
Adjustments:		
Fees Received	—	(146)
Foreclosed Property Acquired	(28)	(2,500)
Loans Written Off	—	2
Subsidy Allowance Amortization	828	(2,506)
Other	1	4
Total of Adjustments	801	(5,146)
Ending Balance of the Allowance for Subsidy Cost Before Reestimates	33,281	62,211
Add or Subtract Subsidy Reestimates by Component:		
Technical Reestimates	—	(190)
Ending Balance of the Allowance for Subsidy Cost	<u>\$ 33,281</u>	<u>\$ 62,021</u>

Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees:

FY 2017				
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	\$ 7,318	\$ 1	\$ (7,315)	\$ 4
FY 2016				
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FVOG Program	\$ 7,318	\$ 1	\$ (7,315)	\$ 4

Administrative Expenses:

Administrative expenses in support of the Department's direct loan and loan guarantee programs consist of:

Direct Loan Program	FY 2017	FY 2016
Drought Loan Portfolio and Economic Development Revolving Fund	\$ 115	\$ 1,837
NOAA Direct Loan Programs	2,320	1,958
Total	<u>\$ 2,435</u>	<u>\$ 3,795</u>
Loan Guarantee Program	FY 2017	FY 2016
FVOG Program	<u>\$ 50</u>	<u>\$ 40</u>

NOTE 7. INVENTORY, MATERIALS, AND SUPPLIES, NET

Category	Cost Flow Assumption	FY 2017	FY 2016
Inventory			
Items Held for Current Sale			
NIST Standard Reference Materials	Average	\$ 25,307	\$ 23,515
Other	Various	3	154
Allowance for Excess, Obsolete, and Unserviceable Items		—	(95)
Total Inventory, Net		<u>25,310</u>	<u>23,574</u>
Materials and Supplies			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted-average	51,645	55,761
Other	Various	5,898	5,772
Items Held for Repair			
NOAA's National Reconditioning Center	Weighted-average	32,491	29,537
Allowance for Excess, Obsolete, and Unserviceable Items		(6,593)	(5,422)
Total Materials and Supplies, Net		<u>83,441</u>	<u>85,648</u>
Total		<u>\$ 108,751</u>	<u>\$ 109,222</u>

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. Items held for repair are valued at the direct method. The cost of items held in repair is the issue cost, which is the weighted average of the procurement costs for each line, adjusted by the cost to repair the item.

NOTE 8. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

FY 2017				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 16,628	\$ –	\$ 16,628
Land Improvements	30-40	2,996	(1,908)	1,088
Structures, Facilities, and Leasehold Improvements	2-50	2,459,137	(923,962)	1,535,175
Satellites/Weather Systems Personal Property	2-25	6,658,734	(5,365,351)	1,293,383
Other Personal Property	2-30	2,046,890	(1,326,971)	719,919
Internal Use Software	3-15	1,450,283	(1,038,556)	411,727
Assets Under Capital Lease	3-40	14,740	(11,669)	3,071
Construction-in-progress	N/A	10,856,215	–	10,856,215
Internal Use Software in Development	N/A	215,800	–	215,800
Total		<u>\$ 23,721,423</u>	<u>\$ (8,668,417)</u>	<u>\$ 15,053,006</u>

FY 2016				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 16,655	\$ –	\$ 16,655
Land Improvements	30-40	2,996	(1,816)	1,180
Structures, Facilities, and Leasehold Improvements	2-50	2,312,387	(846,895)	1,465,492
Satellites/Weather Systems Personal Property	3-20	6,474,424	(5,008,983)	1,465,441
Other Personal Property	2-30	2,126,799	(1,393,600)	733,199
Internal Use Software	3-15	1,286,173	(904,955)	381,218
Assets Under Capital Lease	3-40	18,905	(12,178)	6,727
Construction-in-progress	N/A	9,523,698	–	9,523,698
Internal Use Software in Development	N/A	243,270	–	243,270
Total		<u>\$ 22,005,307</u>	<u>\$ (8,168,427)</u>	<u>\$ 13,836,880</u>

NOTE 9. OTHER ASSETS

	FY 2017	FY 2016
With the Public		
Advances and Prepayments	\$ 41,916	\$ 61,508
Note Receivable	1,302	1,364
Bibliographic Database, Net	4,204	5,212
General PP&E Permanently Removed but Not Yet Disposed	367	67
Other	1,114	818
Total	<u>\$ 48,903</u>	<u>\$ 68,969</u>

As of June 30, 2017 and 2016, there is one Note Receivable with a maturity date of July 2024 and an interest rate of 7.0 percent. The balance includes accrued interest.

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 \$77.4 million and \$76.5 million, less accumulated amortization of \$73.2 million and \$71.3 million, as of June 30, 2017 and 2016, respectively.

NOTE 10. NON-ENTITY ASSETS

The assets that are not available for use in the Department's operations are summarized below:

	FY 2017	FY 2016
Intragovernmental		
Fund Balance with Treasury	\$ 811,297	\$ 8,206,818 ¹
Investment	333,570	—
Total Intragovernmental	<u>1,144,867</u>	<u>8,206,818</u>
With the Public		
Cash	1,881	3,200
Accounts Receivable, Net	841	12,992
Direct Loans and Loan Guarantees, Net	1,054	2,479
Other	1,306	1,368
Total	<u>\$ 1,149,949</u>	<u>\$ 8,226,857</u>

¹ Includes \$7.78 billion for Liability to General Fund of U.S. Government for Deficit Reduction. See Note 22, *Funds from Dedicated Collections, Public Safety Trust Fund* for more information.

NOTE 11. DEBT TO TREASURY

FY 2017			
Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	\$ 475,207	\$ 17,265	\$ 492,472

Maturity dates range from September 2020 to September 2052, and interest rates range from 1.55 to 6.13 percent.

FY 2016			
Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	\$ 504,704	\$ 68,243	\$ 572,947
Total	\$ 504,704	\$ 68,243	\$ 572,947

NOTE 12. OTHER LIABILITIES

	FY 2017			FY 2016
	Current Portion	Non-current Portion	Total	Total
Intragovernmental				
Accrued FECA Liability	\$ 16,370	\$ 8,010	\$ 24,380	\$ 25,339
Accrued Benefits	68,135	–	68,135	60,999
Downward Subsidy Reestimates Payable to Treasury	3,748	–	3,748	13,532
Resources Payable to Treasury	1,054	2,989	4,043	19,173
Other	(63)	–	(63)	1,996
Total	\$ 89,244	\$ 10,999	\$ 100,243	\$ 121,039
With the Public				
ITA Foreign Service Nationals' Voluntary Separation Pay	\$ 2,618	\$ 8,878	\$ 11,496	\$ 10,138
Contingent Liabilities (Note 17)	40,257	–	40,257	15,142
Employment-related	2,633	–	2,633	2,870
Other	5,535	–	5,535	1,325
Total	\$ 51,043	\$ 8,878	\$ 59,921	\$ 29,475

The Current Portion represents liabilities expected to be paid by June 30, 2018, while the Non-current Portion represents liabilities expected to be paid after June 30, 2018.

NOTE 13. FEDERAL EMPLOYEE BENEFITS

	FY 2017	FY 2016
Actuarial FECA Liability	\$ 206,780	\$ 209,473
NOAA Corps Retirement System Liability	633,000	668,647
NOAA Corps Post-retirement Health Benefits Liability	36,500	36,907
Total	<u>\$ 876,280</u>	<u>\$ 915,027</u>

Actuarial FECA Liability:

Actuarial FECA liability is calculated annually, as of September 30. For discounting projected annual future benefit payments to present value, the interest rate assumptions used by DOL were as follows:

	FY 2016	FY 2015
Year 1 and Thereafter	2.78%	3.13%

The wage inflation factors (Cost of Living Adjustment) and medical inflation factors (Consumer Price Index - Medical) applied to the calculation of projected future benefits, and also used to adjust the methodology's historical payments to current-year constant dollars, were as follows:

FY 2016		
Fiscal Year	Cost of Living Adjustment	Consumer Price Index - Medical
2017	1.31%	2.99%
2018	1.13%	3.09%
2019	1.23%	3.40%
2020	1.45%	3.68%
2021	1.85%	3.87%

FY 2015		
Fiscal Year	Cost of Living Adjustment	Consumer Price Index - Medical
2016	1.64%	2.94%
2017	1.47%	2.98%
2018	1.33%	3.09%
2019	1.43%	3.39%
2020	1.65%	3.69%

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, 2016 and 2015 actuarial calculations used the following economic assumptions:

	FY 2016	FY 2015
Discount Rate	3.80%	3.99%
Annual Basic Pay Scale Increases	2.21%	2.59%
Annual Inflation	1.71%	2.09%

Schedule for Reconciling NOAA Corps Retirement System Liability:

A reconciliation of the NOAA Corps Retirement System Liability from the beginning balance to the ending balance, including the components of the related pension costs included in the *Consolidated Statements of Net Costs*, follows:

	FY 2017	FY 2016
Beginning Balance – NOAA Corps Retirement System Liability	\$ 633,000	\$ 634,900
Add Pension Costs:		
Normal Cost	–	33,747
Interest on the Unfunded Liability	–	–
Actuarial (Gains)/Losses, Net	–	–
From Experience	–	–
From Discount Rate Assumption Change	–	–
From Long-term Assumption Changes	–	–
Annual Inflation	–	–
Annual Basic Pay Scale Increases	–	–
Mortality	–	–
Withdrawal	–	–
Career Pay Increase	–	–
Retirement	–	–
Total Pension Costs	–	33,747
Subtract Benefit Payments	–	–
Ending Balance – NOAA Corps Retirement System Liability	\$ 633,000	\$ 668,647

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 following economic assumptions:

	FY 2016	FY 2015
Discount Rate	3.77%	3.97%
Ultimate Medical Trend Rate	4.85%	5.15%

Schedule for Reconciling NOAA Corps Post-retirement Health Benefits Liability:

A reconciliation of the NOAA Corps Post-retirement Health Benefits Liability from the beginning balance to the ending balance, including the components of the related post-retirement health benefits costs included in the *Consolidated Statements of Net Costs*, follows:

	FY 2017	FY 2016
Beginning Balance – NOAA Corps Post-retirement Health Benefits Liability	\$ 36,500	\$ 37,300
Add Health Benefits Costs:		
Normal Cost	–	(393)
Interest on the Unfunded Liability	–	–
Actuarial (Gains)/Losses, Net		
From Experience	–	–
From Discount Rate Assumption Change	–	–
From Long-term Assumption Changes		
Medical Claims and Trend Rate	–	–
Mortality	–	–
Total Health Benefits Costs	–	(393)
Subtract Benefit Payments	–	–
Ending Balance – NOAA Corps Post-retirement Health Benefits Liability	\$ 36,500	\$ 36,907

NOTE 14. ENVIRONMENTAL AND DISPOSAL LIABILITIES

	FY 2017	FY 2016
Asbestos-related Cleanup Costs	\$ 73,036	\$ 72,294
Nuclear Reactor	58,202	56,737
Pribilof Islands	8,619	8,280
Non-reactor Radiological Facilities	1,355	1,685
Other	1,745	1,745
Total	\$ 142,957	\$ 140,741

NOTE 15. LEASES

Capital Leases:

Assets under capital leases are as follows:

	FY 2017	FY 2016
Structures, Facilities, and Leasehold Improvements	\$ 6,206	\$ 6,206
Equipment	8,534	12,699
Less: Accumulated Depreciation	(11,669)	(12,178)
Net Assets Under Capital Leases	<u>\$ 3,071</u>	<u>\$ 6,727</u>

Capital Lease Liabilities are primarily related to NOAA and DM/WCF. 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 5 to 40 years. DM/WCF has a capital lease for equipment that ended in FY 2017.

Capital Lease Liabilities:

Future payments due under capital leases are as follows:

FY 2017			
General PP&E Category			
Fiscal Year	Real Property	Personal Property	Total
2017	\$ 79	\$ –	\$ 79
2018	314	–	314
2019	26	–	26
Total Future Lease Payments	419	–	419
Less: Imputed Interest	(15)	–	(15)
Less: Executory Costs	(74)	–	(74)
Net Capital Lease Liabilities	<u>\$ 330</u>	<u>\$ –</u>	<u>\$ 330</u>

FY 2016			
Fiscal Year	General PP&E Category		Total
	Real Property	Personal Property	
2016	\$ 79	\$ 1,117	\$ 1,196
2017	314	668	982
2018	314	–	314
2019	26	–	26
Total Future Lease Payments	733	1,785	2,518
Less: Imputed Interest	(53)	(38)	(91)
Less: Executory Costs	(130)	–	(130)
Net Capital Lease Liabilities	\$ 550	\$ 1,747	\$ 2,297

Operating Leases:

Most of the Department's facilities are rented from GSA, which generally charges rent that is intended to approximate commercial rental rates. For federally 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-federally owned property rented from GSA, an occupancy agreement is generally executed, and the Department may normally cancel these agreements with 120 days notice.

The Department's (1) estimated real property rent payments to GSA for FY 2017 through FY 2021; and (2) future payments due under noncancellable operating leases (non-GSA real property) are as follows:

FY 2017		
Fiscal Year	General PP&E Category	
	GSA Real Property	Non-GSA Real Property
2017	\$ 306,262	\$ 3,629
2018	1,183,274	14,736
2019	1,213,071	13,780
2020	1,238,937	14,209
2021	1,258,593	13,100
Thereafter	¹	59,765
Total Future Lease Payments		\$ 119,219

¹ Not estimated

NOTE 16. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	FY 2017	FY 2016
Intragovernmental		
Liability to General Fund of U.S. Government for Deficit Reduction	\$ 335,651	\$ –
Accrued FECA Liability	24,304	25,266
Total Intragovernmental	359,955	25,266
Accrued Annual Leave	324,392	313,461
Federal Employee Benefits	876,280	915,027
Environmental and Disposal Liabilities	142,957	140,741
Contingent Liabilities	40,257	15,142
Capital Lease Liabilities	–	444
Unearned Revenue	673,753	562,837
ITA Foreign Service Nationals' Voluntary Separation Pay	11,496	10,138
Other	8,753	5
Total Liabilities Not Covered by Budgetary Resources	2,437,843	1,983,061
Total Liabilities Covered by Budgetary Resources	2,912,694	10,485,777
Total Liabilities	<u>\$ 5,350,537</u>	<u>\$ 12,468,838</u>

NOTE 17. COMMITMENTS AND CONTINGENCIES

Commitments:

The Department has entered into long-term contracts for the purchase, construction, and modernization of environmental satellites and weather measuring and monitoring systems. A summary of major long-term commitments as of June 30, 2017 is shown below.

Major Long-term Commitments:

Description	FY 2017						Total
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Thereafter	
Joint Polar Satellite Systems	\$ 249,564	\$ 775,777	\$ 548,035	\$ 445,082	\$ 376,061	\$ 741,921	\$ 3,136,440
Geostationary Operational Environmental Satellites	209,267	518,532	408,979	296,374	292,500	970,226	2,695,878
Polar Follow-on	195,447	179,956	—	—	—	—	375,403
Space Weather Follow-on	3,275	500	33,700	195,000	154,000	89,000	475,475
Comprehensive Large Array-data Stewardship System	26,452	53,000	80,974	95,000	95,000	95,000	445,426
Satellite Projects, Planning, and Analysis	21,784	37,185	37,000	37,000	33,488	57,783	224,240
Cooperative Data and Rescue Services	392	500	33,100	33,100	33,100	12,500	112,692
Constellation Observing System for Meteorology, Ionosphere, and Climate - 2	14,131	6,100	—	—	—	—	20,231
Weather Service	8,880	3,475	3,550	3,552	2,625	2,675	24,757
Ocean Surface Topography Satellite System	3,545	3,200	990	225	—	—	7,960
Architecture and Advanced Planning	3,608	4,929	—	—	—	—	8,537
Deep Space Climate Observatory	2,123	255	255	255	255	—	3,143
Commercial Weather Data Pilot	4,628	3,000	3,000	3,000	3,000	—	16,628
Satellite Command and Data Acquisition Facility	—	2,450	2,450	2,450	2,450	2,450	12,250
Total	<u>\$ 743,096</u>	<u>\$ 1,588,859</u>	<u>\$ 1,152,033</u>	<u>\$ 1,111,038</u>	<u>\$ 992,479</u>	<u>\$ 1,971,555</u>	<u>\$ 7,559,060</u>

Legal Contingencies:

The Department is subject to potential liabilities in various administrative proceedings, legal actions, environmental suits, and claims brought against it. In the opinion of the Department's management and legal counsel, the ultimate resolution of these proceedings, actions, suits, and claims will not materially affect the financial position or net costs of the Department.

Probable Likelihood of an Adverse Outcome:

The Department is subject to potential liabilities where adverse outcomes are probable, and claims are approximately \$40.3 million and \$15.1 million as of June 30, 2017 and 2016, respectively. Accordingly, these contingent liabilities were included in Other Liabilities on the *Consolidated Balance Sheets* as of June 30, 2017 and 2016, respectively. For a majority of these claims, any amounts ultimately due will be paid out of Treasury's Judgment Fund. For the claims to be paid by Treasury's Judgment Fund, once the claims are settled or court judgments are assessed relative to the Department, the liability will be removed and an Imputed Financing Source From Cost Absorbed by Others will be recognized.

Reasonably Possible Likelihood of an Adverse Outcome:

The Department and other federal agencies are subject to potential liabilities for a variety of environmental cleanup costs, many of which are associated with the Second World War, at various sites within the U.S. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed \$305.3 million as of June 30, 2017. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. In the absence of a settlement agreement, decree, or judgment, there is neither an allocation of response costs between the U.S. government and other potentially responsible parties, nor is there an attribution of such costs to or among the federal agencies implicated in the claims. Although the Department has been implicated as a responsible party, the U.S. Department of Justice was unable to provide an amount for these potential liabilities that is attributable to the Department. Of these potential liabilities, all will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

The Department and other federal agencies are subject to other potential liabilities. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but may exceed \$29.3 million as of June 30, 2017. For these potential liabilities, it is reasonably possible that an adverse outcome will result. It is not possible, however, to speculate as to a range of loss. Of these potential liabilities, most will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

NOTE 18. CONSOLIDATED STATEMENTS OF NET COST

The following tables illustrate the major budgetary functions of the Department.

United States Department of Commerce Consolidating Statement of Net Cost by Major Budgetary Function For the Period Ended June 30, 2017

	Natural Resources and Environment/ Other Natural Resources	Other Advancement of Commerce	Area and Regional Development	Others	Combined Total	Intra- Departmental Eliminations	Consolidated Total
Intragovernmental							
Gross Costs	\$ 563,692	\$ 1,304,575	\$ 12,497	\$ 33,651	\$ 1,914,415	\$ (237,875)	\$ 1,676,540
Less: Earned Revenue	(129,235)	(666,870)	(4,221)	(379)	(800,705)	237,875	(562,830)
Intragovernmental, Net Costs	434,457	637,705	8,276	33,272	1,113,710	–	1,113,710
With the Public							
Gross Costs	2,872,198	4,316,435	215,847	60,258	7,464,738	–	7,464,738
Less: Earned Revenue	(35,624)	(2,387,724)	(9)	(333)	(2,423,690)	–	(2,423,690)
With the Public, Net Costs	2,836,574	1,928,711	215,838	59,925	5,041,048	–	5,041,048
Total Program Costs							
Gross Costs	3,435,890	5,621,010	228,344	93,909	9,379,153	(237,875)	9,141,278
Less: Earned Revenue	(164,859)	(3,054,594)	(4,230)	(712)	(3,224,395)	237,875	(2,986,520)
NET COST OF OPERATIONS	\$ 3,271,031	\$ 2,566,416	\$ 224,114	\$ 93,197	\$ 6,154,758	\$ –	\$ 6,154,758

United States Department of Commerce Consolidating Statement of Net Cost by Major Budgetary Function For the Period Ended June 30, 2016

	Natural Resources and Environment/ Other Natural Resources	Other Advancement of Commerce	Area and Regional Development	Others	Combined Total	Intra- Departmental Eliminations	Consolidated Total
Intragovernmental							
Gross Costs	\$ 543,662	\$ 1,282,047	\$ 11,929	\$ 33,920	\$ 1,871,558	\$ (234,598)	\$ 1,636,960
Less: Earned Revenue	(117,632)	(677,713)	(2,415)	947	(796,813)	234,598	(562,215)
Intragovernmental, Net Costs	426,030	604,334	9,514	34,867	1,074,745	–	1,074,745
With the Public							
Gross Costs	2,879,335	4,064,952	212,623	49,408	7,206,318	–	7,206,318
Less: Earned Revenue	(35,592)	(2,424,007)	(13)	(2,072)	(2,461,684)	–	(2,461,684)
With the Public, Net Costs	2,843,743	1,640,945	212,610	47,336	4,744,634	–	4,744,634
Total Program Costs							
Gross Costs	3,422,997	5,346,999	224,552	83,328	9,077,876	(234,598)	8,843,278
Less: Earned Revenue	(153,224)	(3,101,720)	(2,428)	(1,125)	(3,258,497)	234,598	(3,023,899)
NET COST OF OPERATIONS	\$ 3,269,773	\$ 2,245,279	\$ 222,124	\$ 82,203	\$ 5,819,379	\$ –	\$ 5,819,379

NOTE 19. COMBINED STATEMENTS OF BUDGETARY RESOURCES

Other Changes in Unobligated Balance, Net: On the FY 2017 *Combined Statement of Budgetary Resources (SBR)*, *Budgetary Resources*, Budgetary column, budgetary resources for this line totaled \$8.3 million, whereas in FY 2016, a reduction of budgetary resources of \$8.79 billion was reported, including a reduction of budgetary resources of \$ 8.80 billion for NTIA's Digital Television Transition and Public Safety Fund. For more financial information for the Digital Television Transition and Public Safety Fund, see Note 22, *Funds from Dedicated Collections* and the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited) for FY 2017.

Appropriations:

There are reconciling items from the amounts of the *Budgetary Resources, Appropriations* on the *SBR* to the amounts of the *Budgetary Financing Sources, Appropriations Received* on the *Consolidated Statement of Changes in Net Position (SCNP)*.

For FY 2017, the primary reconciling items is USPTO Appropriations Received on *SCNP* of \$939.0 million, which is \$0 on *SBR* as USPTO advanced appropriations are adjusted to zero as a result of recording anticipated and actual reductions of advanced appropriations.

For FY 2016, the primary reconciling items are (a) a transfer in of auction proceeds from the Federal Communications Commission to NTIA's Public Safety Trust Fund of \$8.10 billion, which is included as Appropriations on *SBR*, and is included as a budgetary transfer in on *SCNP* (see Note 22, *Funds from Dedicated Collections*, for more information on the Public Safety Trust Fund); and (b) USPTO Appropriations Received on *SCNP* of \$961.7 million, which is \$0 on *SBR* as USPTO advanced appropriations are adjusted to zero as a result of recording anticipated and actual reductions of advanced appropriations.

Borrowing Authority: Total borrowing authority available for NOAA's loan programs amounted to \$200.4 million and \$208.4 million as of June 30, 2017 and 2016, respectively. The Borrowing Authority amounts reported in the *SBR Budgetary Resources* section represent only borrowing authority realized during the fiscal year being reported. See Note 1M, *Debt to Treasury*, for debt repayment requirements, financing sources for repayments, and other terms of borrowing authority used.

Permanent, Indefinite Appropriations: All of the Department's reporting entities have one or more permanent, indefinite appropriations to finance operations. Permanent, indefinite appropriations are appropriations that are available until expended.

Permanent Reductions to Budgetary Resources: Permanent reductions to the Department's budgetary resources under Public Law 115-31 amounted to \$34.4 million for FY 2017, while permanent reductions for FY 2016 under Public Law 114-13 amounted to \$12.1 million. These permanent reductions are included in the *SBR Budgetary Resources* section, and are also included on the *SCNP*.

Legal and/or budgetary arrangements affecting the Department's use of Unobligated Balances of Budget Authority and/or Fund Balance with Treasury during FY 2017 and FY 2016 include the following:

- The Department's Fund Balance with Treasury includes, for NTIA's Digital Television Transition and Public Safety Fund, \$8.82 billion and \$8.81 billion of funds not available as of June 30, 2017 and 2016, respectively.
- The Department's Fund Balance with Treasury for Deposit Funds, reported in Note 2, *Fund Balance with Treasury*, are not available to finance operating activities. These funds are also included in Note 2 on the line Non-budgetary (breakdown by status).
- The Department's Fund Balance with Treasury as of June 30, 2017 and 2016 includes \$790.1 million of USPTO offsetting collections exceeding the current fiscal year and prior fiscal years' appropriations. USPTO may use these funds only as authorized by the U.S. Congress, and only as made available by the issuance of a Treasury warrant. These funds are included in Note 2 on the lines *General Funds* (breakdown by type) and *Temporarily Precluded From Obligation* (breakdown by status).

- The Omnibus Budget Reconciliation Act of 1990 established surcharges on certain statutory patent fees collected by USPTO. Subsequent legislation extended the surcharges through September 30, 1998. These surcharges were deposited into the Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. As of June 30, 2017 and 2016, \$233.5 million is held in the Patent and Trademark Surcharge Fund. These funds are included in Note 2 on the lines *Patent and Trademark Surcharge Fund* - Special Funds section (breakdown by type), and *Non-budgetary* (breakdown by status).
- The Department's Fund Balance with Treasury as of June 30, 2017 and 2016 includes \$147.7 million of USPTO sequestered funds temporarily not available. These funds are included in Note 2 on the lines *General Funds* (breakdown by type) and *Temporarily Precluded from Obligation* (breakdown by status).
- 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 practicable during the following fiscal year.
- 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.

Apportionment Categories of New Obligations and Upward Adjustments:

Category A apportionments distribute budgetary resources by fiscal quarters, whereas Category B apportionments typically distribute budgetary resources by activities, projects, objects, or a combination of these categories.

The amounts of Direct (for example, derived from Appropriations) and Reimbursable (for example, derived from Spending Authority From Offsetting Collections) New Obligations and Upward Adjustments by apportionment category are as follows:

	FY 2017		
	Direct	Reimbursable	Total
Category A	\$ 1,614,166	\$ 2,871,007	\$ 4,485,173
Category B	4,579,937	1,677,518	6,257,455
Exempt from Apportionment	3,689	–	3,689
Total New Obligations and Upward Adjustments	<u>\$ 6,197,792</u>	<u>\$ 4,548,525</u>	<u>\$ 10,746,317</u>
	FY 2016		
	Direct	Reimbursable	Total
Category A	\$ 1,975,943	\$ 2,768,006	\$ 4,743,949
Category B	5,362,726	563,483	5,926,209
Exempt from Apportionment	4,110	–	4,110
Total New Obligations and Upward Adjustments	<u>\$ 7,342,779</u>	<u>\$ 3,331,489</u>	<u>\$ 10,674,268</u>

Undelivered Orders: Undelivered orders (unpaid and paid) were \$6.43 billion and \$5.76 billion as of June 30, 2017 and 2016, respectively.

NOTE 20. CONSOLIDATED STATEMENTS OF CUSTODIAL ACTIVITY

Custodial activity represents revenue (non-exchange and exchange) that was or will be collected on behalf of another entity and the disposition of that revenue to Treasury (General Fund of the U.S. Government), a trust fund, or other recipient entities. The Department's custodial activity is reported in the *Consolidated Statements of Custodial Activity*. Furthermore, the Department's custodial payable to Treasury is included in the Department's *Consolidated Balance Sheets*, and the Department's custodial exchange revenue and custodial exchange expenses are included in the Department's *Consolidated Statements of Net Cost*.

The Department's custodial revenue in FY 2017 was \$372.7 million, primarily received from BIS. BIS primarily receives custodial revenue from civil monetary penalties assessed to private entities that violate the Export Administration Act. In FY 2017, BIS assessed a civil monetary penalty on a Chinese cellular phone manufacturer for multiple violations of the Export Administration Act. The company agreed to a civil penalty of \$661.0 million, of which \$361.0 million was collected by BIS, and is a custodial payable to Treasury as of June 30, 2017. Payment to BIS for the remaining \$300.0 million was suspended until March 2024 and will be waived if the company complies with probationary conditions for the seven years ending March 2024. The Department's custodial payable to Treasury and to the public for custodial activity was \$385.3 million and \$22 thousand, respectively, as of June 30, 2017.

The Department's custodial revenue in FY 2016 was \$10.0 million, primarily received by EDA and BIS. EDA received custodial revenue in FY 2016 primarily for miscellaneous collections that are to be remitted to Treasury. The Department's custodial payable to Treasury and to the public for custodial activity was \$10.4 million and \$22 thousand, respectively, as of June 30, 2016.

NOTE 21. FIDUCIARY ACTIVITIES

Schedule of Fiduciary Activities for the Period Ended June 30, 2017:

	FY 2017		
	Patent Cooperation Treaty	Madrid Protocol	Total
Fiduciary Net Assets, Beginning Balance	\$ 14,459	\$ 451	\$ 14,910
Contributions	114,267	16,552	130,819
Disbursements to and on Behalf of Beneficiaries	(113,970)	(16,684)	(130,654)
Increase/(Decrease) in Fiduciary Net Assets	297	(132)	165
Fiduciary Net Assets, Ending Balance	\$ 14,756	\$ 319	\$ 15,075

Fiduciary Net Assets as of June 30, 2017:

	FY 2017		
	Patent Cooperation Treaty	Madrid Protocol	Total
Fund Balance with Treasury	\$ 14,756	\$ 319	\$ 15,075

Schedule of Fiduciary Activities for the Period Ended June 30, 2016:

	FY 2016		
	Patent Cooperation Treaty	Madrid Protocol	Total
Fiduciary Net Assets, Beginning Balance	\$ 16,168	\$ 615	\$ 16,783
Contributions	116,686	17,145	133,831
Disbursements to and on Behalf of Beneficiaries	(116,674)	(17,445)	(134,119)
Increase/(Decrease) in Fiduciary Net Assets	12	(300)	(288)
Fiduciary Net Assets, Ending Balance	<u>\$ 16,180</u>	<u>\$ 315</u>	<u>\$ 16,495</u>

Fiduciary Net Assets as of June 30, 2016:

	FY 2016		
	Patent Cooperation Treaty	Madrid Protocol	Total
Fund Balance with Treasury	<u>\$ 16,180</u>	<u>\$ 315</u>	<u>\$ 16,495</u>

NOTE 22. FUNDS FROM DEDICATED COLLECTIONS

The following tables depict major funds from dedicated collections separately chosen based on their significant financial activity and importance to taxpayers. All other funds from dedicated collections not shown are aggregated as "Other Funds from Dedicated Collections."

United States Department of Commerce Combining Balance Sheet – Funds from Dedicated Collections

As of June 30, 2017

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	NTIA State and Local Implementation Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
ASSETS									
Fund Balance with Treasury	\$ 275,170	\$ 171,647	\$ 8,821,269	\$ 5,600,299	\$ 148,657	\$ 63,935	\$ 3,384,632	\$ 59,008	\$ 18,524,617
Cash	–	–	–	–	–	–	5,578	–	5,578
Investment	–	–	–	–	333,570	–	–	–	333,570
Accounts Receivable, Net	–	36	–	22	152	–	383	3,082	3,675
General Property, Plant, and Equipment, Net	–	–	–	4,386	1,505	–	503,670	–	509,561
Advances and Prepayments	–	–	2,518	987,545	1,104	245	686	37	992,135
Other	–	38	1	1,091	18	–	29,107	2	30,257
TOTAL ASSETS	\$ 275,170	\$ 171,721	\$ 8,823,788	\$ 6,593,343	\$ 485,006	\$ 64,180	\$ 3,924,056	\$ 62,129	\$ 20,399,393
LIABILITIES									
Accounts Payable	\$ 354	\$ 91	\$ –	\$ 4,300	\$ 1,233	\$ (91)	\$ 103,682	\$ 4	\$ 109,573
Debt To Treasury	–	–	–	–	–	–	–	–	–
Federal Employee Benefits	–	–	–	–	–	–	11,729	–	11,729
Other									
Appropriations Payable to Treasury	–	–	–	–	–	–	267,809	–	267,809
Accrued Payroll and Annual Leave	259	181	–	1,269	2,784	30	210,336	224	215,083
Accrued Grants	2,697	311	410	1,043	–	2,799	–	621	7,881
Capital Lease Liabilities	–	–	–	–	–	–	–	–	–
Unearned Revenue	–	–	–	–	–	–	952,858	–	952,858
Liability to General Fund of U.S. Government for Deficit Reduction	–	–	–	–	335,651	–	–	–	335,651
Other Liabilities	–	58	–	306	121	–	26,017	76	26,578
TOTAL LIABILITIES	\$ 3,310	\$ 641	\$ 410	\$ 6,918	\$ 339,789	\$ 2,738	\$ 1,572,431	\$ 925	\$ 1,927,162
NET POSITION									
Unexpended Appropriations	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 939,045	\$ –	\$ 939,045
Cumulative Results of Operations	271,860	171,080	8,823,378	6,586,425	145,217	61,442	1,412,580	61,204	17,533,186
TOTAL NET POSITION	\$ 271,860	\$ 171,080	\$ 8,823,378	\$ 6,586,425	\$ 145,217	\$ 61,442	\$ 2,351,625	\$ 61,204	\$ 18,472,231
TOTAL LIABILITIES AND NET POSITION	\$ 275,170	\$ 171,721	\$ 8,823,788	\$ 6,593,343	\$ 485,006	\$ 64,180	\$ 3,924,056	\$ 62,129	\$ 20,399,393

United States Department of Commerce Combining Balance Sheet – Funds from Dedicated Collections
As of June 30, 2016

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	NTIA State and Local Implementation Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
ASSETS									
Fund Balance with Treasury	\$ 87,358	\$ 203,505	\$ 8,821,922	\$ 6,657,783	\$ 8,265,407	\$ 84,215	\$ 3,516,341	\$ 56,658	\$ 27,693,189
Cash	–	–	–	–	–	10	5,259	–	5,269
Accounts Receivable, Net	–	60	–	–	236	–	260	2,772	3,328
General Property, Plant, and Equipment, Net	–	–	–	3,095	2,211	–	478,237	–	483,543
Other	–	96	3,089	26,644	1,656	105	25,284	96	56,970
TOTAL ASSETS	\$ 87,358	\$ 203,661	\$ 8,825,011	\$ 6,687,522	\$ 8,269,510	\$ 84,330	\$ 4,025,381	\$ 59,526	\$ 28,242,299
LIABILITIES									
Accounts Payable	\$ 167	\$ 878	\$ –	\$ 3,032	\$ 944	\$ (14)	\$ 105,118	\$ 40	\$ 110,165
Federal Employee Benefits	–	–	–	–	–	–	10,962	–	10,962
Other									
Appropriations Payable to Treasury	–	–	–	–	–	–	264,889	–	264,889
Accrued Payroll and Annual Leave	–	126	–	900	1,916	21	195,648	222	198,833
Accrued Grants	–	338	120	–	–	2,141	–	676	3,275
Capital Lease Liabilities	–	–	–	1,039	265	–	–	–	1,304
Unearned Revenue	–	–	–	–	–	–	970,997	–	970,997
General Fund of U.S. Government for Deficit Reduction	–	–	–	–	7,781,010	–	–	–	7,781,010
Other Liabilities	–	43	–	217	85	–	23,230	783	24,358
TOTAL LIABILITIES	\$ 167	\$ 1,385	\$ 120	\$ 5,188	\$ 7,784,220	\$ 2,148	\$ 1,570,844	\$ 1,721	\$ 9,365,793
NET POSITION									
Unexpended Appropriations	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 961,703	\$ –	\$ 961,703
Cumulative Results of Operations	87,191	202,276	8,824,891	6,682,334	485,290	82,182	1,492,834	57,805	17,914,803
TOTAL NET POSITION	\$ 87,191	\$ 202,276	\$ 8,824,891	\$ 6,682,334	\$ 485,290	\$ 82,182	\$ 2,454,537	\$ 57,805	\$ 18,876,506
TOTAL LIABILITIES AND NET POSITION	\$ 87,358	\$ 203,661	\$ 8,825,011	\$ 6,687,522	\$ 8,269,510	\$ 84,330	\$ 4,025,381	\$ 59,526	\$ 28,242,299

United States Department of Commerce Combining Statement of Net Cost – Funds from Dedicated Collections
For the Period Ended June 30, 2017

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	NTIA State and Local Implementation Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
Intragovernmental									
Gross Costs	\$ 10,493	\$ 635	\$ 407	\$ 46,121	\$ 4,096	\$ 22	\$ 484,990	\$ 863	\$ 547,627
Less: Earned Revenue	–	–	–	–	(56)	–	(7,276)	–	(7,332)
Intragovernmental, Net Costs	10,493	635	407	46,121	4,040	22	477,714	863	540,295
With the Public									
Gross Costs	9,078	49,453	1,164	28,597	6,148	15,445	1,869,090	11,851	1,990,826
Less: Earned Revenue	–	–	–	–	–	–	(2,294,571)	–	(2,294,571)
With the Public, Net Costs	9,078	49,453	1,164	28,597	6,148	15,445	(425,481)	11,851	(303,745)
Total Program Costs									
Gross Costs	19,571	50,088	1,571	74,718	10,244	15,467	2,354,080	12,714	2,538,453
Less: Earned Revenue	–	–	–	–	(56)	–	(2,301,847)	–	(2,301,903)
NET COST OF OPERATIONS	\$ 19,571	\$ 50,088	\$ 1,571	\$ 74,718	\$ 10,188	\$ 15,467	\$ 52,233	\$ 12,714	\$ 236,550

United States Department of Commerce Combining Statement of Net Cost – Funds from Dedicated Collections
For the Period Ended June 30, 2016

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	NTIA State and Local Implementation Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
Intragovernmental									
Gross Costs	\$ 3,004	\$ 896	\$ 659	\$ 22,987	\$ 3,450	\$ 236	\$ 468,781	\$ 906	\$ 500,919
Less: Earned Revenue	–	–	–	–	(324)	(27)	(6,593)	–	(6,944)
Intragovernmental, Net Costs	3,004	896	659	22,987	3,126	209	462,188	906	493,975
With the Public									
Gross Costs	2,505	44,740	896	27,543	8,085	17,167	1,823,567	11,862	1,936,365
Less: Earned Revenue	–	–	–	–	–	–	(2,363,187)	–	(2,363,187)
With the Public, Net Costs	2,505	44,740	896	27,543	8,085	17,167	(539,620)	11,862	(426,822)
Total Program Costs									
Gross Costs	5,509	45,636	1,555	50,530	11,535	17,403	2,292,348	12,768	2,437,284
Less: Earned Revenue	–	–	–	–	(324)	(27)	(2,369,780)	–	(2,370,131)
NET COST OF OPERATIONS	\$ 5,509	\$ 45,636	\$ 1,555	\$ 50,530	\$ 11,211	\$ 17,376	\$ (77,432)	\$ 12,768	\$ 67,153

**United States Department of Commerce Combining Statement of Changes in Net Position – Funds from Dedicated Collections
For the Period Ended June 30, 2017**

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	NTIA State and Local Implementation Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
Cumulative Results of Operations:									
Beginning Balance	\$ 277,831	\$ 198,953	\$ 8,824,949	\$ 6,661,242	\$ 176,125	\$ 76,909	\$ 1,447,520	\$ 60,681	\$ 17,724,210
Budgetary Financing Sources:									
Appropriations Used	-	-	-	-	-	-	-	-	-
Non-exchange Revenue	-	15,994	-	-	1,597	-	-	13,237	30,828
Donations and Forfeitures of Cash and Cash Equivalents	-	-	-	-	-	-	-	-	-
Transfer In of Auction Proceeds from Federal Communications Commission	-	-	-	-	-	-	-	-	-
Transfer Out to Receipt Account for Providing Funds to General Fund of U.S. Government	-	-	-	-	-	-	-	-	-
Transfers In/(Out) Without Reimbursement, Net	13,600	6,221	-	-	(21,420)	-	(2,000)	-	(3,599)
Rescissions/Sequestrations	-	-	-	-	-	-	-	-	-
Other Budgetary Financing Sources/(Uses), Net	-	-	-	-	-	-	-	-	-
Other Financing Sources (Non-exchange):									
Donations and Forfeitures of Property	-	-	-	-	-	-	-	-	-
Transfer In Received by Receipt Account for Providing Funds to General Fund of U.S. Government	-	-	-	-	-	-	-	-	-
Transfer Out to General Fund of U.S. Government for Deficit Reduction	-	-	-	-	-	-	-	-	-
Transfer In/(Out) Without Reimbursement, Net	-	-	-	(98)	-	-	-	-	(98)
Imputed Financing Sources from Cost Absorbed by Others	-	-	-	-	702	-	19,293	-	19,995
Other Financing Sources/ (Uses), Net	-	-	-	(1)	(1,599)	-	-	-	(1,600)
Total Financing Sources	13,600	22,215	-	(99)	(20,720)	-	17,293	13,237	45,526
Net Cost of Operations	(19,571)	(50,088)	(1,571)	(74,718)	(10,188)	(15,467)	(52,233)	(12,714)	(236,550)
Net Change	(5,971)	(27,873)	(1,571)	(74,817)	(30,908)	(15,467)	(34,940)	523	(191,024)
Cumulative Results of Operations – Ending Balance	271,860	171,080	8,823,378	6,586,425	145,217	61,442	1,412,580	61,204	17,533,186
Unexpended Appropriations:									
Beginning Balance	-	-	-	-	-	-	-	-	-
Budgetary Financing Sources									
Appropriations Received	-	-	-	-	-	-	939,045	-	939,045
Appropriations Transferred In/(Out), Net	-	-	-	-	-	-	-	-	-
Rescissions/Sequestrations of Appropriations	-	-	-	-	-	-	-	-	-
Cancellations and Other Adjustments	-	-	-	-	-	-	-	-	-
Appropriations Used	-	-	-	-	-	-	-	-	-
Total Budgetary Financing Sources	-	-	-	-	-	-	939,045	-	939,045
Unexpended Appropriations – Ending Balance	-	-	-	-	-	-	939,045	-	939,045
NET POSITION	\$ 271,860	\$ 171,080	\$ 8,823,378	\$ 6,586,425	\$ 145,217	\$ 61,442	\$ 2,351,625	\$ 61,204	\$ 18,472,231

**United States Department of Commerce Combining Statement of Changes in Net Position – Funds from Dedicated Collections
For the Period Ended June 30, 2016**

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	NTIA State and Local Implementation Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
Cumulative Results of Operations:									
Beginning Balance	\$ 92,700	\$ 260,591	\$ 8,826,446	\$ 6,367,864	\$ 540,743	\$ 99,558	\$ 1,401,156	\$ 51,028	\$ 17,640,086
Budgetary Financing Sources:									
Appropriations Used	-	-	-	-	-	-	-	-	-
Non-exchange Revenue	-	(18,304)	-	-	-	-	-	20,250	1,946
Donations and Forfeitures of Cash and Cash Equivalents	-	-	-	-	-	-	-	-	-
Transfer In of Auction Proceeds from Federal Communications Commission	-	-	-	-	8,101,196	-	-	-	8,101,196
Transfer Out to Receipt Account for Providing Funds to General Fund of U.S. Government	-	-	-	-	(7,781,010)	-	-	-	(7,781,010)
Transfers In/(Out) Without Reimbursement, Net	-	5,625	-	365,000	(365,000)	-	(2,100)	-	3,525
Rescissions/Sequestrations	-	-	-	-	-	-	-	(705)	(705)
Other Budgetary Financing Sources/(Uses), Net	-	-	-	-	-	-	-	-	-
Other Financing Sources (Non-exchange):									
Donations and Forfeitures of Property	-	-	-	-	-	-	-	-	-
Transfer In Received by Receipt Account for Providing Funds to General Fund of U.S. Government	-	-	-	-	7,781,010	-	-	-	7,781,010
Transfer Out to General Fund of U.S. Government for Deficit Reduction	-	-	-	-	(7,781,010)	-	-	-	(7,781,010)
Transfer In/(Out) Without Reimbursement, Net	-	-	-	-	-	-	-	-	-
Imputed Financing Sources from Cost Absorbed by Others	-	-	-	-	572	-	16,346	-	16,918
Other Financing Sources/(Uses), Net	-	-	-	-	-	-	-	-	-
Total Financing Sources	-	(12,679)	-	365,000	(44,242)	-	14,246	19,545	341,870
Net Cost of Operations	(5,509)	(45,636)	(1,555)	(50,530)	(11,211)	(17,376)	77,432	(12,768)	(67,153)
Net Change	(5,509)	(58,315)	(1,555)	314,470	(55,453)	(17,376)	91,678	6,777	274,717
Cumulative Results of Operations – Ending Balance	87,191	202,276	8,824,891	6,682,334	485,290	82,182	1,492,834	57,805	17,914,803
Unexpended Appropriations:									
Beginning Balance	-	-	-	-	-	-	-	-	-
Budgetary Financing Sources									
Appropriations Received	-	-	-	-	-	-	961,703	-	961,703
Appropriations Transferred In/(Out), Net	-	-	-	-	-	-	-	-	-
Cancellations and Other Adjustments	-	-	-	-	-	-	-	-	-
Appropriations Used	-	-	-	-	-	-	-	-	-
Total Budgetary Financing Sources	-	-	-	-	-	-	961,703	-	961,703
Unexpended Appropriations – Ending Balance	-	-	-	-	-	-	961,703	-	961,703
NET POSITION	\$ 87,191	\$ 202,276	\$ 8,824,891	\$ 6,682,334	\$ 485,290	\$ 82,182	\$ 2,454,537	\$ 57,805	\$ 18,876,506

Below is a description of major Funds from Dedicated Collections shown in the tables on the previous pages.

The **NIST Wireless Innovation Fund** was created in order for NIST, in consultation with the Federal Communications Commission (FCC), the Secretary of Homeland Security, and the National Institute of Justice of the Department of Justice, to conduct research and assist with the development of standards, technologies, and applications to advance wireless public safety communications. Section 6413 of the Middle Class Tax Relief and Job Creation Act of 2012 requires NTIA to make available \$300.0 million to the Director of NIST as amounts are deposited into the Public Safety Trust Fund to carry out public safety research. The Wireless Innovation Fund in FY 2017 and FY 2016 (fourth quarter) received transfers in totaling \$13.6 million and \$193.7 million, respectively, from NTIA's Public Safety Trust Fund (included in FY 2017 and FY 2016 (fourth quarter) *SCNP, Budgetary Financing Sources* section, respectively), and which are included as a *Budgetary Resource* on the FY 2017 and FY 2016 (fourth quarter) *SBR (Spending Authority From Offsetting Collections)*, respectively. The law establishing this program can be found in Section 6303 of the Middle Class Tax Relief and Job Creation Act of 2012.

The **NTIA Digital Television Transition and Public Safety Fund** made digital television available to every home in America, improved communications between local, state, and federal agencies, allowed smaller television stations to broadcast digital television, and improved how warnings are received when disasters occur. NTIA received initial funding from borrowings from Treasury, and repaid Treasury from the proceeds of the auction of recovered analog spectrum which was completed in March 2008. The proceeds from the auction provide funding for several programs, and \$7.36 billion was transferred in September 2009 to the General Fund of U.S. Government as required by the Deficit Reduction Act of 2005. The Fund has a *Net Position, Cumulative Results of Operations – Funds from Dedicated Collections* balance of \$8.82 billion included in the Department's *Consolidated Balance Sheet* as of June 30, 2017, and OMB's apportionment as of June 30, 2017 for the Fund indicates that \$8.82 billion is not available. The law establishing this program can be found in the Deficit Reduction Act of 2005, Sections 3001-3014. For FY 2017 budgetary financial information for the Digital Television Transition and Public Safety Fund, see the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited) for FY 2017, included in *Required Supplementary Information (Unaudited)*.

The **NTIA Network Construction Fund** primarily provides funding for build-out and operations, excluding administrative expenses which are paid by NTIA's Public Safety Trust Fund, of the First Responder Network Authority (FirstNet), an independent authority within NTIA, and also provides funding for NTIA to make grants to states under the "Opt-Out" program. FirstNet shall ensure the establishment of a nationwide interoperable broadband network to help police, firefighters, emergency medical service professionals, and other public safety officials stay safe and do their jobs. The Network Construction Fund in FY 2017 and FY 2016 (fourth quarter) received transfers in totaling \$0.0 million and \$365.0 million, respectively, from NTIA's Public Safety Trust Fund (included in FY 2017 and FY 2016 (fourth quarter) *SCNP, Budgetary Financing Sources* section, respectively), and which are included as *Budgetary Resources* on the FY 2017 and FY 2016 (fourth quarter) *SBR (Spending Authority From Offsetting Collections)*, respectively. FirstNet is also authorized to assess and collect network user fees and lease fees related to network capacity, and, eventually, shall be permanently self-funded. The law establishing the Network Construction Fund can be found under Section 6206 of the Middle Class Tax Relief and Job Creation Act of 2012. For FY 2017 budgetary financial information for the Network Construction Fund, see the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited) for FY 2017, included in *Required Supplementary Information (Unaudited)*.

Advances and Prepayments reported on the Department's Consolidated Balance Sheet and included in the NTIA Network Construction Fund Balance Sheet as of June 30, 2017 includes \$980.0 million of advance payments by the NTIA Network Construction Fund to the U.S. Department of the Interior (DOI) for the advance funding of certain task orders under the DOI contract with AT&T for AT&T to build, operate, and maintain the National Public Safety Broadband Network.

The **NTIA Public Safety Trust Fund** was created as a result of Section 6413 of the Middle Class Tax Relief and Job Creation Act of 2012 (Act). The Act provides funding for specified programs and activities to be derived from the proceeds of FCC auctions of spectrum licenses, to be deposited into the Public Safety Trust Fund.

Prior to the receipt of auction proceeds from FCC, the Act provided authority to NTIA to borrow up to \$2.00 billion from Treasury, interest-free, with the debt to be repaid from auction proceeds as the first priority. The Public Safety Trust Fund borrowed \$2.00 billion from Treasury through FY 2014, and which was repaid in full by September 30, 2015.

FCC carries out auctions in accordance with the Act, of which certain earned net auction proceeds (earned auction proceeds less any FCC administrative fees) are transferred in from FCC to the Public Safety Trust Fund. A transfer in from FCC becomes a budgetary financing source on the *SCNP* and a budgetary resource on the *SBR* when the transfer in is received. Transfers in of auction proceeds from FCC totaling \$0 billion and \$8.43 billion were received in FY 2017 and FY 2016, respectively, and are included as a budgetary financing source on the FY 2017 and FY 2016 *SCNP*, respectively, and as a budgetary resource on the FY 2017 and FY 2016 *SBR (Appropriations)*, respectively.

The Act directs the use of auction proceeds in an order of priority after the repayment of borrowings from Treasury (priority 1). Priority 1 was fully completed in September 2015 as previously discussed. In FY 2015, the Public Safety Trust Fund transferred out \$130.9 million to the NTIA State and Local Implementation Fund, fully completing priority 2. In FY 2017 and FY 2016 (fourth quarter), the Public Safety Trust Fund transferred out a total of \$0.0 million and \$365.0 million, respectively, to the NTIA Network Construction Fund (towards priority 3 of up to \$7.00 billion; \$6.40 billion was also transferred in FY 2015), and a total of \$13.6 million and \$193.7 million, respectively, to the NIST Wireless Innovation Fund (towards priority 4 and priority 7 totaling \$300.0 million for transfers to NIST to carry out public safety research). These intra-Departmental FY 2017 and FY 2016 transfers out net to \$0 for each respective fiscal year and are not reported on the FY 2017 and FY 2016 *SCNP*. These Public Safety Trust Fund transfers out are included on the FY 2017 and FY 2016 (fourth quarter) *SBR* as *New Obligations and Upward Adjustments* and *Outlays, Gross*. Priority 5 specifies that the Public Safety Trust Fund is to deposit a total of \$20.40 billion in the General Fund of U.S. Government for deficit reduction. Fully completing this priority, the Public Safety Trust Fund transferred out a total of \$7.78 billion and \$12.62 billion in FY 2016 (fourth quarter) and FY 2015, respectively, to a receipt account utilized for transferring these funds to the General Fund of U.S. Government, and the receipt account transferred a total of \$7.78 billion and \$12.62 billion in FY 2016 (fourth quarter) and FY 2015, respectively, to the General Fund of U.S. Government. Priority 6 specified in the Act includes that the Public Safety Trust Fund make available \$115.0 million to the Assistant Secretary (NTIA) and the Administrator of the National Highway Traffic Safety Administration (NHTSA) to carry out the grant program of Next Generation 9-1-1. Towards this priority, the Public Safety Trust Fund transferred out \$7.8 million in FY 2017 and \$104.4 million in FY 2016 (fourth quarter) to NHTSA, and made available in FY 2016 \$2.8 million within the Public Safety Trust Fund for the Assistant Secretary (NTIA). The FY 2017 and FY 2016 Public Safety Trust Fund transfers out to NHTSA are included on the FY 2017 and FY 2016 (fourth quarter) *SCNP, Budgetary Financing Sources* section and included on the FY 2017 and FY 2016 *SBR* as *New Obligations and Upward Adjustments* and *Outlays, Gross*. Priority 8 specifies that any remaining amounts deposited in the Public Safety Trust Fund shall be deposited in the General Fund of U.S. Government for deficit reduction. The Act further specifies that any amounts remaining in the Public Safety Trust Fund after the end of FY 2022 shall be deposited in the General Fund of U.S. Government for deficit reduction. Towards priority 8, the Public Safety Trust Fund has recorded a liability (not covered by budgetary resources) to the General Fund of U.S. Government of \$335.7 million and \$334.1 million as of June 30, 2017 and September 30, 2016 (fourth quarter), respectively. The corresponding FY 2017 and FY 2016 (fourth quarter) financing sources used to increase this liability are reported on the FY 2017 and FY 2016 (fourth quarter) *SCNP, Other Financing Sources (Non-exchange)* section.

The Act specifies that amounts in the Public Safety Trust Fund be invested in accordance with Section 9702 of Title 31, United States Code. The Public Safety Trust Fund has an investment in a market-based Treasury security of \$333.6 million as of June 30, 2017; see Note 3, *Investment* for more information. The federal government does not set aside assets to pay future expenditures associated with the Public Safety Trust Fund. The dedicated cash receipts collected from the public into the Public Safety Trust Fund are deposited with Treasury, which uses the cash for general government purposes. Treasury securities are issued to the Public Safety Trust Fund as evidence of its receipts. Treasury securities are an asset to the Public Safety Trust Fund, and Treasury securities are a liability of Treasury. Because the Public Safety Trust Fund and Treasury are both parts of the federal government, these assets and liabilities offset each other from the standpoint of the federal 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 Public Safety Trust Fund with authority to draw upon Treasury to make future expenditures. When the Public Safety Trust Fund requires redemption of these securities to make expenditures, the federal government finances those expenditures out of accumulated cash balances by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the federal government finances all other expenditures.

For FY 2017 budgetary financial information for the Public Safety Trust Fund, see the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited) for FY 2017 included in *Required Supplementary Information (Unaudited)*.

The **NTIA State and Local Implementation Fund** includes a matching grants program to states, carried out by NTIA, in consultation with the First Responder Network Authority, to assist state, regional, tribal, and local jurisdictions to identify, plan, and implement the most efficient and effective way for such jurisdictions to utilize and integrate the infrastructure, equipment, and other architecture associated with the nationwide public safety broadband network to satisfy the wireless communications and data services needs of that jurisdiction, including with regards to coverage, siting, and other needs. The program was initially funded by borrowings from Treasury, without interest, which had been fully repaid in FY 2015. The State and Local Implementation Fund in FY 2015 received transfers in totaling \$130.9 million from NTIA's Public Safety Trust Fund. If there is a balance remaining in the Fund on September 30, 2022, the Fund shall transfer such balance to the General Fund of U.S. Government for deficit reduction. The law establishing this program can be found in Sections 6301 and 6302 of the Middle Class Tax Relief and Job Creation Act of 2012.

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

The **USPTO Funds from Dedicated Collections** consist of its Salaries and Expenses Fund, Patent and Trademark Fee Reserve Fund, and 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 three core business activities—granting patents; registering trademarks; and intellectual property policy, protection, and enforcement—that promote the use of intellectual property rights as a means of achieving economic prosperity. These activities give innovators, businesses, and entrepreneurs the protection and encouragement they need to turn their creative ideas into tangible products, and also provide protection for their inventions and trademarks. USPTO may use monies from this account only as authorized by Congress. For FY 2017 budgetary financial information for the Salaries and Expenses Fund, see the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited) for FY 2017, included in *Required Supplementary Information (Unaudited)*.

The Patent and Trademark Fee Reserve Fund results from a provision that requires USPTO to deposit all patent and trademark fees collected in excess of the annual appropriation amount into the fund. Funds made available may only be used for expenses of the office relating to the processing of patent applications and for other activities, services, and materials relating to patents and applicable administrative costs.

The Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury, is discussed in Note 19, *Combined Statements of Budgetary Resources*. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. As of June 30, 2017 and 2016, \$233.5 million is held in this fund.

NOTE 23. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The Reconciliation of Net Cost of Operations to Budget reconciles the Department's *Resources Used to Finance Activities* (first section), which consists of the budgetary basis of accounting *Net Obligations and Unward Adjustments* (composed of items reported in the Department's *SBR*) plus the proprietary basis of accounting *Other Resources* (as reported in the Department's *SCNP*), to the proprietary basis of accounting *Net Cost of Operations* as reported in the Department's *Consolidated Statement of Net Cost*. The second section, *Resources Used to Finance Items Not Part of Net Cost of Operations*, reverses out items included in the first section that are not included in *Net Cost of Operations*. The third section, *Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period*, adds items included in *Net Cost of Operations* that are not included in the first section.

The third section's subsection, *Components Requiring or Generating Resources in Future Periods*, includes costs reported in the current period that are included in the Liabilities Not Covered by Budgetary Resources reported in Note 16. This subsection does not include costs reported in prior fiscal years that are also included in Liabilities Not Covered by Budgetary Resources reported in Note 16.

The reconciliations of Net Cost of Operations to Budget for FY 2017 and 2016 are as follows:

	FY 2017	FY 2016
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
New Obligations and Upward Adjustments	\$ 10,746,317	\$ 10,674,268
Less: Spending Authority From Offsetting Collections and Actual Recoveries of Prior-years Unpaid Obligations	(5,677,242)	(5,874,030)
New Obligations and Upward Adjustments Net of Offsetting Collections and Actual Recoveries	5,069,075	4,800,238
Less: Distributed Offsetting (Receipts)/Outlays, Net	(8,258)	(44,375)
Net Obligations and Upward Adjustments	5,060,817	4,755,863
Other Resources:		
Donations and Forfeitures of Property	267	618
Transfer In Received by Receipt Account for Providing Funds to General Fund of U.S. Government	–	7,781,010
Transfer Out to General Fund of U.S. Government for Deficit Reduction	–	(7,781,010)
Transfers In/(Out) Without Reimbursement, Net	215	(78,522)
Imputed Financing Sources From Cost Absorbed by Others	159,456	163,690
Financing Sources Used for Recognizing Liability to General Fund of U.S. Government for Deficit Reduction	–	–
Other Financing Sources/(Uses), Net	(6,784)	(2,867)
Net Other Resources Used to Finance Activities	153,154	82,919
Total Resources Used to Finance Activities	5,213,971	4,838,782

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	FY 2017	FY 2016
Resources Used to Finance Items Not Part of Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	49,554	451,340
Resources that Fund Expenses Recognized in Prior Periods	(101,028)	(84,985)
New Obligations for Downward Subsidy Reestimates Payable to Treasury	–	–
New Obligation for a Transfer Out to National Highway Traffic Safety Administration (Note 22)	–	–
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Distributed Offsetting (Receipts)/Outlays, Net (excludes Clearing Accounts' Gross Costs)	8,258	44,375
Credit Program Collections	29,738	75,582
Repayments of Debt that reduce Debt to Treasury Liability	–	–
Budgetary Financing Sources/(Uses), Net	1,899,589	1,483,284
Resources that Finance the Acquisition of Assets	(1,450,642)	(1,576,009)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations:		
Change in Unfilled Customer Orders	(84,733)	(80,265)
Donations and Forfeitures of Property	(267)	(618)
Transfer In Received by Receipt Account for Providing Funds to General Fund of U.S. Government	–	(7,781,010)
Transfer Out to General Fund of U.S. Government for Deficit Reduction	–	7,781,010
Transfers In/(Out) Without Reimbursement, Net	(215)	78,522
Financing Sources Used for Recognizing Liability to General Fund of U.S. Government for Deficit Reduction	–	–
Other Financing Sources/(Uses), Net	6,784	2,867
Other	(28,868)	(22,845)
Total Resources Used to Finance Items Not Part of Net Cost of Operations	328,170	371,248
Total Resources Used to Finance Net Cost of Operations	5,542,141	5,210,030
Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Accrued Annual Leave Liability	10,931	22,442
Increase in Federal Employee Benefits	–	33,481
Increase in Environmental and Disposal Liabilities	2,216	–
Increase/(Decrease) in Contingent Liabilities	25,115	(570)
Reestimates of Credit Subsidy Expense	(116)	(1,967)
Other	49,467	4,820
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	87,613	58,206
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	493,288	523,126
NOAA Issuances of Materials and Supplies	24,697	18,027
Revaluation of Assets or Liabilities	3,727	5,508
Other	3,292	4,482
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	525,004	551,143
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	612,617	609,349
NET COST OF OPERATIONS	\$ 6,154,758	\$ 5,819,379

NOTE 24. STEWARDSHIP ASSETS

Preservation of stewardship assets promotes the Department's mission of providing effective management and monitoring of our Nation's resources and assets to support both environmental and economic health. The physical properties of stewardship assets resemble those of General PP&E that is capitalized traditionally in the Balance Sheet of 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 the Census Bureau are the only entities within the Department that have stewardship assets.

Heritage Assets

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 federal 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.

NOAA has established policies for heritage assets to ensure the proper care and handling of these assets under its control or jurisdiction. The Deputy Under Secretary of NOAA established the Heritage Assets Working Committee to administer NOAA's stewardship policies and procedures. In carrying out these policies and procedures, the Working Committee:

- Maintains a nationwide inventory of heritage assets, ensuring that they are identified and recorded in the Personal Property Heritage Asset Accountability System;
- Establishes nationwide NOAA policies, procedures, and standards for the preservation, security, handling, storage, and display of NOAA heritage assets;
- Tracks and updates each loan of NOAA heritage assets, including assigning current values and inventory numbers, and reporting the current conditions of heritage assets;
- Determines the feasibility of new asset loans, such as meters, standard tide gauges, portraits, and books for exhibit loans; and
- Collects heritage assets and properties of historic, cultural, artistic, or educational significance to NOAA.

Heritage Assets maintained by NOAA include the Galveston Laboratory; National Marine Fisheries Service (NMFS) St. George Sealing Plant; NMFS Cottage M, St. George; NMFS St. Paul Old Clinic/Hospital; NMFS Woods Hole Science Aquarium; and Great Lakes Environmental Research Laboratory/Lake Michigan Field Station.

Information regarding deferred maintenance and repairs for heritage assets is included in the *Required Supplementary Information (Unaudited)* section.

Stewardship National Marine Sanctuaries, Marine National Monuments, Conservation Area, and Habitat Blueprint

Written policy statements or permit guidelines for the National Marine Sanctuaries and Marine National Monuments have been developed for the areas of acoustic impacts, artificial reefs, climate change, invasive species, and marine debris. The Office of Marine National Sanctuaries answers the most frequently asked questions related to alternative energy and oil and gas policy decisions for national marine sanctuaries.

NOAA maintains the following stewardship assets:

National Marine Sanctuaries: In 1972, Congress passed the Marine Protection, Research, and Sanctuaries Act (Act) in response to a growing awareness of the intrinsic environmental and cultural value of coastal waters. The Act authorized the Secretary of Commerce to designate special nationally-significant areas of the marine environment as national marine sanctuaries.

These protected waters provide a secure habitat for species close to extinction, and also protect historically significant shipwrecks and prehistoric artifacts. National marine sanctuaries are also used for recreation (e.g., boating, diving, and sport fishing), and support valuable commercial industries such as fishing and kelp harvesting. As of June 30, 2017, 13 National Marine Sanctuaries, which include both coastal and offshore areas, have been designated.

Below is a summary of protected area square miles for National Marine Sanctuaries.

National Marine Sanctuary	Protected Area Square Miles
Channel Islands National Marine Sanctuary	1,470
Cordell Bank National Marine Sanctuary	1,286
Florida Keys National Marine Sanctuary	3,840
Flower Garden Banks National Marine Sanctuary	56
Gray's Reef National Marine Sanctuary	23
Greater Farallones National Marine Sanctuary	3,295
Hawaiian Island Humpback Whale National Marine Sanctuary	1,370
Monitor National Marine Sanctuary	1
Monterey Bay National Marine Sanctuary	6,093
National Marine Sanctuary of American Samoa	13,581
Olympic Coast National Marine Sanctuary	3,189
Stellwagen Bank National Marine Sanctuary	842
Thunder Bay National Marine Sanctuary	4,300
Total	39,346

Marine National Monuments: The Marine National Monuments were created to protect the abundant and diverse coral, fish, and seabird populations; to facilitate exploration and scientific research; and to promote public education regarding the value of these national treasures. The establishment of the Monuments provides the opportunity to protect areas of outstanding scientific, cultural, conservation, and aesthetic value, and provide for the long-term preservation of these natural and cultural legacies. There are currently five Marine National Monuments.

Below is a summary of protected area square miles for Marine National Monuments.

Marine National Monument	Protected Area Square Miles
Marianas Trench Marine National Monument	96,714
Northeast Canyons and Seamounts Marine National Monument	4,913
Pacific Remote Islands Marine National Monument	370,000
Papahānaumokuākea Marine National Monument	582,578
Rose Atoll Marine National Monument	13,436
Total	1,067,641

Aleutian Islands Habitat Conservation Area: On July 28, 2006, NOAA formally established the Aleutian Islands Habitat Conservation Area in Alaska, which covers nearly 370 thousand square miles and may harbor among the highest diversity of deep-water corals in the world. The conservation area established a network of fishing closures in the Aleutian Islands and Gulf of Alaska, and protects habitat for deep-water corals and other sensitive features that are slow to recover once disturbed by fishing gear or other activities. Six small areas that include fragile coral gardens discovered by NOAA Fisheries Service scientists are closed to all bottom-contact fishing gear. This effort is part of a network of new marine protected areas in Alaskan waters designed to protect essential fish habitat and prevent any further damage of the area.

NOAA Habitat Blueprint: Protecting our natural infrastructure is vital to protecting our communities and their economies as well as fisheries and recreational opportunities along our coasts. With continued widespread loss and deterioration of coastal and marine habitats, we are in danger of losing this infrastructure. Congress has charged NOAA with protecting habitat for fish, threatened and endangered species, marine mammals, and other natural resources within the coastal zone. NOAA needs to increase the sustainability and productivity of our fisheries by focusing on the habitat that fish need to spawn and grow, as well as protecting the coastal resources on which our communities depend. Recognizing the need for more concerted efforts to conserve, protect, and restore habitat, NOAA developed the NOAA Habitat Blueprint to build on existing programs, prioritize its activities, and guide its future actions. This is being accomplished by creating Habitat Focus Areas. There are currently 10 Habitat Focus Areas. A five-year Implementation Plan is being developed for each Focus Area. As of June 30, 2017, eight of these plans have been completed, and the remaining two will be finalized by September 30, 2017. The 10 Focus Areas are:

- Penobscot River Watershed, ME
- Choptank River Watershed, MD/DE
- Muskegon Lake, MI
- St. Louis River Estuary, MN/WI
- Russian River Watershed, CA
- Kachemak Bay, AK
- West Hawaii, HI
- Manell-Geus Watershed, GU
- Biscayne Bay, FL
- Northeast Reserves and Culebra Island, PR

Collection-type Heritage Assets:

NOAA:

NOAA's historical artifacts are designated collection-type heritage assets if they help illustrate the social, educational, and cultural heritage of NOAA and its predecessor agencies (Coast and Geodetic Survey, U.S. Fish Commission, the Weather Bureau, the Institutes for Environmental Research, the Environmental Science Services Administration, etc.). These artifacts include, but are not limited to: books, journals, publications, photographs, motion pictures, manuscripts, records, nautical chart plates, bells, gyrocompasses, brass citations, flags, pennants, chronometers, ship seals, clocks, compasses, fittings, miscellaneous ship

fragments, lithographic plates, barometers, rain gauges, and any items that represent the uniqueness of the mission of NOAA and its predecessor agencies.

NOAA's Logistics Office continually conducts inventories of its collection-type heritage assets. Many items that were once classified as an individual collection are now included in existing collections. Other items are now deemed as not meeting the heritage asset criteria.

NOAA's collection-type heritage assets include items in the Thunder Bay Sanctuary Research Collection (Collection). In 2004, the Thunder Bay National Marine Sanctuary (jointly managed by NOAA and the state of Michigan to protect and interpret a nationally significant collection of shipwrecks and other maritime heritage resources) established an agreement with the Alpena County George N. Fletcher Public Library to jointly manage this Collection. Amassed over a period of more than 40 years by historian C. Patrick Labadie, the Collection includes information about such diverse subjects as Great Lakes ports and waterways, docks, cargoes, ships, shipbuilders, owners and fleets, machinery and rigging, notable maritime personalities, and shipwrecks. Special features of the Collection are extensive collections of (1) data cards listing most of the ships on the Great Lakes before year 1900, a roster of some 15 thousand vessels complete with descriptive data and highlights of the ships' careers and their ultimate losses; and (2) ship photograph negatives of 19th and 20th century Great Lakes ships. Heritage assets also include copies of vessel ownership documents, contemporary ship photographs, books, and other items documenting the Great Lakes history.

NOAA's collection-type heritage assets also include items in the National Climatic Data Center Library. Heritage assets include (1) books, manuals, and slides; (2) thermometers, gauges, and radiosondes; and (3) laboratory equipment.

The Florida Keys National Marine Sanctuary (FKNMS) collection-type heritage assets include artifacts from shipwreck and wrecking events occurring in the Florida Keys over a 500-year period. The FKNMS 2,900 square nautical mile boundary is an abundant mixture of natural and cultural, historical resources that include prehistoric cultures, and maritime history.

NIST:

NIST currently maintains collection-type heritage assets under its Museum and History Program, which collects, preserves, and exhibits artifacts, such as scientific instruments, equipment, objects, and records of significance to NIST and predecessor agencies. This program provides institutional memory and demonstrates the contributions of NIST to the development of standards measurement, technology, and science. The Information Services Office (ISO) maintains the historical archives and rare book collection, and oversees the oral history program. The historical archives and rare book collection contain titles that are considered "classics" of historical scientific interest, books by prominent scientists, and books by NIST authors or about NIST work. Titles are recommended for inclusion by ISO staff and customers. Materials are not specifically purchased for the collection nor are funds specifically allocated for the collection. Photos and manuscripts include images of NIST staff, facilities, and artifacts that demonstrate NIST history and accomplishments.

NIST's Museum and History Program has policies in place for acquisitions and loans. Objects are either on display or in storage and are not used by visitors. Archives, including the historical book collection, are used according to established research library policies and procedures. When considering artifacts for accession, the following criteria are considered:

- Direct connection to NIST program activity;
- Direct connection to a NIST prominent person;
- Physical size; and
- Safety considerations.

Archive material is not loaned. Artifacts are rarely loaned, but can be loaned within established policies and procedures for educational purposes, scholarly research, and limited public exhibition to qualified institutions. The loan policy packet for these artifacts includes an introduction to the NIST Loan Program, Borrower Checklist, Artifact Loan Request, NIST Loan Policy, Insurance Requirements, Facilities Report, Outgoing Loan Agreement, Condition Report Form, and Outgoing Loan Process.

ISO promotes the history of NIST through a program that collects, organizes, and preserves records of enduring value and encourages and supports their use by researchers. The policies and procedures cover such topics as submitting reference inquiries, regulations for use of the archives collection, scope of archives collection, criteria for accepting archival material, providing physical and bibliographic access, preservation, and reviewing the collection.

Census Bureau:

Collection-type heritage assets maintained by the Census Bureau are items considered unique for their historical, cultural, educational, technological, methodological, or artistic importance. They help illustrate the social, educational, and cultural heritage of the Census Bureau. Some items because of their age or obvious historical significance are inherently historical artifacts.

The Census Bureau has in place a Project Charter that outlines policies and procedures for the acquisition and removal of Census Bureau's heritage assets. The Census Bureau Heritage Assets Committee decides if an item meets the criteria for a heritage asset based on the uniqueness, historical age, and/or if the item helps to illustrate the Census Bureau's historic contributions to the Nation's growth. If the item is deemed a heritage asset, the applicable property management office will ensure the heritage asset is catalogued and stored in a safe, secure environment, allowing for appropriate preservation and conservation. All necessary actions will be taken to reduce deterioration of heritage assets due to environmental conditions, and to limit damage, loss, and misuse of heritage assets. The Committee meets on a regular basis to determine if any heritage assets should be removed from the approved list, or if a newly arrived item should be classified as a heritage asset. Once a determination has been made to no longer classify an item as a heritage asset, the Census Bureau will follow any applicable established policies and procedures for surplus property.

The following table summarizes the Department's Collection-type Heritage Assets activity and balances.

Collection-type Heritage Assets:

(In Actual Quantities)

Category	Description of Assets	Quantity of Items Held September 30, 2016	FY 2017 Additions	FY 2017 Withdrawals	Quantity of Items Held June 30, 2017
NOAA Central Library:					
Circulating Collection	Books, journals, and other publications	1	N/A ¹	N/A ¹	1
Rare Book Room Collection	Books and publications	1	N/A ¹	N/A ¹	1
Collection of Photographs and Motion Pictures	Photographs and motion pictures	1	N/A ¹	N/A ¹	1
Other	Artifacts, documents, and other items	56	–	–	56
NOAA National Ocean Service–Thunder Bay Sanctuary Research Collection	Data cards, photograph negatives, document copies, photographs, books, and other items	106,254	–	–	106,254
NOAA National Climatic Data Center Library	Artifacts, books, documents, and other items	66	–	–	66
NOAA Others	Artifacts, artwork, books, films, instruments, maps, and records	3,384	3	5	3,382
NIST Artifacts and Scientific Measures	National Bureau of Standards ² / NIST scientific instruments, equipment, and objects	1,320	74	4	1,390
NIST Historical Books and Manuscripts	Books/manuscripts of historical scientific interest by prominent scientists	61	–	–	61
Census Bureau Artwork and Gifts	Artifacts, artwork, books, films, instruments, and records	159	–	–	159
Census Bureau Collectable Assets	Publications, books, manuscripts, photographs, and maps	33	–	–	33
Total		111,336	77	9	111,404

¹ N/A – Not applicable; this category is reported as one collection.

² National Bureau of Standards is the former name of NIST.

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)



REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

A Deferred Maintenance and Repairs

Deferred Maintenance and Repairs (DM&R) are maintenance and repairs that were not performed when they should have been, that were scheduled and not performed, or that were delayed for a future period. Maintenance and Repairs are activities directed towards keeping Property, Plant, and Equipment (PP&E) in acceptable operating condition. These activities include preventive maintenance, replacement of parts and structural components, and other activities needed to preserve the asset so that it can deliver acceptable performance and achieve its expected life. Maintenance and Repairs exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater, than those originally intended. The significant portions of Departmental DM&R relate to PP&E of both the National Oceanic and Atmospheric Administration (NOAA) and the National Institute of Standards and Technology (NIST). These two entities comprise 96 percent of the Department's General PP&E, Net balance as of June 30, 2017.

NOAA:

NOAA measures DM&R using Condition Assessment Surveys, which are periodic visual (i.e., physical) inspections of applicable PP&E to determine their current condition and estimated cost to correct any deficiencies, and by collecting information from its line offices. NOAA schedules its surveys for real property on a cyclical basis, with each appropriate asset being surveyed every five years. NOAA completed a condition survey of the entire applicable real property inventory in FY 2011. NOAA's current policy is to assess a fifth of the real property inventory on a rolling basis. The first fifth of the real property inventory was assessed in FY 2016. NOAA expects to complete assessments in FY 2017 for 29 percent of the real property inventory. Exceptions to the five-year cycle for real property would be where factors indicate that a greater frequency of review is prudent for reasons such as age and/or poor condition.

NOAA performs Condition Assessment Surveys as necessary to measure and report DM&R for, at a minimum, NOAA-owned buildings (including those fully depreciated), non-capitalized heritage assets, and capital leases that NOAA has executed and where NOAA has the financial responsibility for operations and maintenance of the asset. DM&R is reported for individual real property items with estimates greater than \$50 thousand. DM&R on capitalized personal property is reported with an estimated project cost of \$25 thousand or more. For financial reporting purposes, NOAA does not report on DM&R of structures, non-heritage non-capitalized buildings, non-capitalized personal property, or stewardship land as these categories represent less than 10 percent of the acquisition value of NOAA's PP&E and are considered not significant to DM&R reporting.

NOAA prioritizes maintenance and repair projects to sustain its PP&E in good operating condition, including maintaining warranties. DM&R is impacted by funding shortfalls. As such, NOAA selects projects that will remedy life safety deficiencies and minimize risk of mission failure, as PP&E enables the accomplishment of the mission. DM&R projects will not be addressed without a funding initiative. NOAA generally does not perform investment analyses in selecting projects.

Acceptable condition standards are established for real property by using building codes and/or industry standards for benchmarking and cost estimating. These standards are used to evaluate site and building conditions, which include the review of building systems such as civil, structure, architectural, life safety, mechanical, plumbing, elevators, electric, and others.

The following table shows NOAA's DM&R as of June 30, 2017 and September 30, 2016:

(In Thousands)

Asset Category	Deferred Maintenance and Repairs as of June 30, 2017	Deferred Maintenance and Repairs as of September 30, 2016
Buildings	\$ 108,664	\$ 105,549
Multi-use Heritage Assets	98	95
Ships	28,699	28,441
Total	\$ 137,461	\$ 134,085

NIST:

NIST measures DM&R for real property using Condition Assessment Surveys, which are periodic visual (i.e., physical) inspections of applicable PP&E to determine their current condition and estimated costs to correct identified deficiencies, and also by collecting information from its line offices. NIST does not make a distinction between active or inactive assets for reporting DM&R.

NIST accomplishes its Condition Assessment Surveys by contract. NIST completed a baseline condition survey of the entire applicable inventory for its Gaithersburg, MD real property in 2011 and for its Boulder, CO real property in 2013. NIST subsequently scheduled surveys on a cyclical basis with each appropriate asset being surveyed once every three years. A third of the Gaithersburg real property inventory was reassessed in the third quarter of FY 2013, in the third quarter of FY 2014, and in the first quarter of FY 2015. A third of the Boulder real property inventory was reassessed in the second quarter of FY 2015, in the fourth quarter of FY 2016, and in the first quarter of FY 2017.

Deficiencies can be added to the respective location's backlog in years when contractor inspections are not scheduled. During the scheduled on-site assessment, the contract inspector estimates the remaining useful life of various components that comprise a building's mechanical or electrical or architectural system, and records this information in the assessment software program. When a particular building system nears the end of its useful life, a new self-generated (by the software program) facility deficiency is added to the backlog list.

With the end of the Gaithersburg Condition Assessment Surveys contract in 2016 and anticipating the end of the Boulder contract in 2018, NIST is evaluating the need for the three-year cycle frequency of the reassessments as it prepares the Statement of Work (SOW) requirements for the next contract, which is expected to encompass both the Gaithersburg and Boulder locations within the same contract. The Federal Real Property Council's latest guidance requires facility assessments for each facility every five years if using condition assessments for reporting DM&R needs. NIST, in coordination with the Department, is migrating its facility condition assessments data over to the U.S. Army Corps of Engineer's BUILDER Sustainment Management System (SMS). The BUILDER SMS uses a knowledge-based philosophy that does not rely on fixed frequencies of inspections or assessments. It is widely accepted and being used by all branches of the U.S. Department of Defense, the National Nuclear Security Administration within the U.S. Department of Energy, and other Executive Branch offices of the U.S. Government.

DM&R relates to capitalized, non-capitalized, and fully depreciated real property. DM&R for real property is reported for individual items with DM&R estimates greater than \$5 thousand. Items estimated to cost less than \$5 thousand are shared with the facility managers for correction as emergency/service calls or minor work orders. Examples of the types of items that fall below the \$5 thousand threshold include minor repairs to interior finishes and doors, caulk replacement, minor pipe and valve leaks, and minor mechanical and electrical repairs.

NIST prioritizes real property maintenance and repair projects to sustain its PP&E in good operating condition, including maintaining warranties. DM&R is impacted by funding shortfalls. As such, NIST selects projects that will remedy life safety deficiencies and minimize risk of mission failure as PP&E enables the accomplishment of the mission.

Individual real property maintenance and repair projects are prioritized using a risk matrix procedure which determines the severity of the risk-rank (i.e., minimal, low, medium, serious, or critical). Based on the type of project (maintenance and repair, code compliance and safety, or capacity) and the distress type, the appropriate risk matrix is used and a risk-rank assigned. Ranking can be adjusted to take into account current projects underway, prioritization of future candidate projects, and budgetary funding outlook.

Acceptable real property facility condition standards are established by using building codes and/or industry standards for benchmarking and cost estimating. These standards are used to evaluate site and interior conditions, life safety, mechanical and plumbing systems, elevator and conveying systems, electrical systems, structural systems, building envelope closure systems, etc.

Real property facility condition index (FCI) values are calculated for each NIST facility. The ratio of the cost of correcting all facility deficiencies in a building divided by the cost of replacing the building is expressed on a 100 percentage point scale. The FCI index is 100 minus this ratio of cost expressed. This is somewhat similar to a system described by the Building Research Board of the National Research Council. Generally, a facility with an index above 95 is considered excellent, between 95 and 90 is good, between 90 and 85 is fair, and below 85 is considered poor.

Effective 2016, NIST measures DM&R for personal property by assessing the value/cost of a scheduled maintenance or repair event that has been delayed for any reason and the delay extends beyond the end of the current fiscal year. Assessments are performed on all capitalized personal property with costs that exceed \$100 thousand. DM&R for personal property is reported for individual items with DM&R estimates greater than \$5 thousand.

The following table shows NIST's DM&R as of June 30, 2017 and September 30, 2016:

(In Thousands)

Assets Category	Deferred Maintenance and Repairs as of June 30, 2017	Deferred Maintenance and Repairs as of September 30, 2016
Buildings	\$ 331,405	\$ 319,426
Site Utilities and Infrastructure	25,777	26,802
Total	\$ 357,182	\$ 346,228

B Combining Schedule of Budgetary Resources by Major Budget Account

The following table illustrates the Department's FY 2017 budgetary resources by major budget account.

**United States Department of Commerce Combining Schedule of Budgetary Resources by Major Budget Account
For the Period Ended June 30, 2017 (In Thousands)**

	Combined Total	Census Bureau Periodic Censuses and Programs	NIST Scientific and Technical Research and Services	NOAA Operations, Research, and Facilities	NOAA Procurement, Acquisition, and Construction	NTIA Digital Television Transition and Public Safety Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	USPTO Salaries and Expenses	Other Budget Accounts
BUDGETARY RESOURCES:										
Unobligated Balance, Brought Forward, October 1	\$ 9,516,833	\$ 33,242	\$ 21,817	\$ 379,957	\$ 264,553	\$ -	\$ 6,595,215	\$ 481,862	\$ 461,238	\$ 1,278,949
Adjustments to Unobligated Balance, Brought Forward	80,050	-	-	-	80,050	-	-	-	-	-
Unobligated Balance, Brought Forward, October 1, as Adjusted	9,596,883	33,242	21,817	379,957	344,603	-	6,595,215	481,862	461,238	1,278,949
Actual Recoveries of Prior-years Unpaid Obligations	207,310	24,533	4,262	40,903	20,441	-	7,208	861	22,279	86,823
Actual Nonexpenditure Transfers of Unobligated Balance, Net	3,855	-	-	-	-	-	-	-	-	3,855
Borrowing Authority Withdrawn	(6)	-	-	-	-	-	-	-	-	(6)
Anticipated Nonexpenditure Transfers of Unobligated Balance, Net	(400)	-	-	(500)	-	-	-	-	-	100
Anticipated Recoveries of Prior-years Unpaid Obligations	74,614	1,699	-	34,827	174	10,000	345	1,116	7,172	19,281
Other Changes in Unobligated Balance, Net	8,348	2,336	52	3,824	184	(10,000)	1,733	-	299	9,920
Unobligated Balance From Prior-years Budget Authority, Net	9,890,604	61,810	26,131	459,011	365,402	-	6,604,501	483,839	490,988	1,398,922
Appropriations	8,993,101	1,197,420	695,900	3,532,347	1,829,046	-	-	22,461	-	1,715,927
Borrowing Authority	140,486	-	-	-	-	-	-	-	-	140,486
Spending Authority From Offsetting Collections	5,469,932	-	-	367,196	4	-	17,804	700	3,234,500	1,849,728
TOTAL BUDGETARY RESOURCES	\$ 24,494,123	\$ 1,259,230	\$ 722,031	\$ 4,358,554	\$ 2,194,452	\$ -	\$ 6,622,305	\$ 507,000	\$ 3,725,488	\$ 5,105,063
STATUS OF BUDGETARY RESOURCES:										
New Obligations and Upward Adjustments	\$ 10,746,317	\$ 765,342	\$ 442,677	\$ 2,227,823	\$ 1,482,175	\$ -	\$ 1,046,835	\$ 30,041	\$ 2,498,093	\$ 2,253,331
Unobligated Balance, End of Period	12,780,251	471,823	278,839	1,970,597	572,208	-	5,568,528	141,387	1,227,395	2,551,474
Apportioned, Unexpired Accounts	1,124	-	-	-	-	-	-	-	-	1,124
Exempt From Apportionment, Unexpired Accounts	559,111	1,085	412	53,660	112,251	-	8,942	335,572	-	47,189
Unobligated Balance, End of Period, Unexpired Accounts	13,340,486	472,908	279,251	2,024,257	684,459	-	5,575,470	476,959	1,227,395	2,599,787
Unobligated Balance, End of Period, Expired Accounts	407,320	20,980	103	106,474	27,818	-	-	-	-	251,945
Total Unobligated Balance, End of Period	13,747,806	493,888	279,354	2,130,731	712,277	-	5,575,470	476,959	1,227,395	2,851,732
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 24,494,123	\$ 1,259,230	\$ 722,031	\$ 4,358,554	\$ 2,194,452	\$ -	\$ 6,622,305	\$ 507,000	\$ 3,725,488	\$ 5,105,063

(Continued on next page)

United States Department of Commerce Combining Schedule of Budgetary Resources by Major Budget Account
For the Period Ended June 30, 2017 (In Thousands) (continued)

	Combined Total	Census Bureau Periodic Censuses and Programs	NIST Scientific and Technical Research and Services	NOAA Operations, Research, and Facilities	NOAA Procurement, Acquisition, and Construction	NTIA Digital Television Transition and Public Safety Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	USPTO Salaries and Expenses	Other Budget Accounts
CHANGE IN UNPAID OBLIGATED BALANCE, NET:										
Unpaid Obligations:										
Unpaid Obligations, Brought Forward, October 1	\$ 7,140,752	\$ 352,095	\$ 214,995	\$ 2,033,643	\$ 1,513,865	\$ 15,136	\$ 47,418	\$ 6,926	\$ 590,099	\$ 2,366,575
New Obligations and Upward Adjustments	10,746,317	765,342	442,677	2,227,823	1,482,175	-	1,046,835	30,041	2,498,093	2,253,331
Outlays, Gross	(11,420,159)	(844,803)	(487,140)	(2,664,170)	(1,440,685)	(1,262)	(1,044,068)	(29,410)	(2,338,698)	(2,569,923)
Actual Recoveries of Prior-years Unpaid Obligations	(207,310)	(24,533)	(4,262)	(40,903)	(20,441)	-	(7,208)	(861)	(22,279)	(86,823)
UNPAID OBLIGATIONS, END OF PERIOD	\$ 6,259,600	\$ 248,101	\$ 166,270	\$ 1,556,393	\$ 1,534,914	\$ 13,874	\$ 42,977	\$ 6,696	\$ 727,215	\$ 1,963,160
Uncollected Customer Payments:										
Uncollected Customer Payments, Brought Forward, October 1	\$ (564,742)	\$ -	\$ -	\$ (363,663)	\$ -	\$ -	\$ -	\$ (326)	\$ (53)	\$ (200,700)
Change in Uncollected Customer Payments	(21,895)	-	-	(35,786)	-	-	-	75	52	13,764
UNCOLLECTED CUSTOMER PAYMENTS, END OF PERIOD	\$ (586,637)	\$ -	\$ -	\$ (399,449)	\$ -	\$ -	\$ -	\$ (251)	\$ (1)	\$ (186,936)
Unpaid Obligated Balance, Net, Brought Forward, October 1	\$ 6,576,010	\$ 352,095	\$ 214,995	\$ 1,669,980	\$ 1,513,865	\$ 15,136	\$ 47,418	\$ 6,600	\$ 590,046	\$ 2,165,875
Unpaid Obligated Balance, Net, End of Period	\$ 5,672,963	\$ 248,101	\$ 166,270	\$ 1,156,944	\$ 1,534,914	\$ 13,874	\$ 42,977	\$ 6,445	\$ 727,214	\$ 1,776,224
BUDGET AUTHORITY, NET:										
Budget Authority, Gross	\$ 14,603,519	\$ 1,197,420	\$ 695,900	\$ 3,899,543	\$ 1,829,050	\$ -	\$ 17,804	\$ 23,161	\$ 3,234,500	\$ 3,706,141
Actual Offsetting Collections	(3,587,899)	(2,338)	(51)	(179,068)	(184)	-	(1,734)	(156)	(2,295,843)	(1,108,525)
Change in Uncollected Customer Payments	(21,895)	-	-	(35,786)	-	-	-	75	52	13,764
Less: Recoveries of Prior-years Paid Obligations Included in Actual Offsetting Collections	18,348	2,338	51	3,824	184	-	1,734	-	299	9,918
Anticipated Offsetting Collections	(1,878,486)	-	-	(156,166)	(4)	-	(17,804)	(620)	(941,008)	(762,884)
BUDGET AUTHORITY, NET	\$ 9,133,587	\$ 1,197,420	\$ 695,900	\$ 3,532,347	\$ 1,829,046	\$ -	\$ -	\$ 22,460	\$ (2,000)	\$ 1,858,414
OUTLAYS, NET:										
Outlays, Gross	\$ 11,420,159	\$ 844,803	\$ 487,140	\$ 2,664,170	\$ 1,440,685	\$ 1,262	\$ 1,044,068	\$ 29,410	\$ 2,338,698	\$ 2,569,923
Actual Offsetting Collections	(3,587,899)	(2,338)	(51)	(179,068)	(184)	-	(1,734)	(156)	(2,295,843)	(1,108,525)
Outlays, Net	7832,260	842,465	487,089	2,485,102	1,440,501	1,262	1,042,334	29,254	42,855	1,461,398
Distributed Offsetting (Receipts)/Outlays, Net	(8,258)	-	-	-	-	-	-	-	-	(8,258)
AGENCY OUTLAYS, NET	\$ 7,824,002	\$ 842,465	\$ 487,089	\$ 2,485,102	\$ 1,440,501	\$ 1,262	\$ 1,042,334	\$ 29,254	\$ 42,855	\$ 1,453,140

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

(UNAUDITED)



REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

(Unaudited)

Stewardship Investments

Stewardship investments are substantial investments made by the federal government for the benefit of the Nation, but are not physical assets owned by the federal government. Though treated as expenses when incurred to determine the Department's Net Cost of Operations, these items merit special treatment so that users of federal financial reports know the extent of investments that are made for the long-term benefit of the Nation.

Investments in Non-federal Physical Property:

Non-federal physical property investments are expenses included in the Department's Net Cost of Operations for the purchase, construction, or major renovation of physical property owned by state and local governments. Based on a review of the Department's programs, the Economic Development Administration (EDA) and the National Oceanic and Atmospheric Administration (NOAA) have significant investments in non-federal physical property.

EDA's and NOAA's investments in non-federal physical property for FY 2013 through FY 2017 were as follows:

(In Millions)

Program	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	Total
EDA:						
Public Works	\$ 35.7	\$ 113.9	\$ 101.0	\$ 114.0	\$ 120.5	\$ 485.1
Economic Adjustment Assistance	4.1	25.4	32.5	42.3	66.8	171.1
Global Climate Change Mitigation Incentive Fund	–	–	–	10.6	14.9	25.5
Assistance to Coal Communities	–	8.5	–	–	–	8.5
Disaster Recovery	2.7	15.6	8.8	98.7	146.2	272.0
EDA Subtotal	42.5	163.4	142.3	265.6	348.4	962.2
NOAA:						
National Estuarine Research Reserves	0.9	1.6	0.7	1.1	2.4	6.7
Coastal and Estuarine Land Conservation Program	–	0.5	0.2	0.5	5.7	6.9
NOAA Subtotal	0.9	2.1	0.9	1.6	8.1	13.6
Total	\$ 43.4	\$ 165.5	\$ 143.2	\$ 267.2	\$ 356.5	\$ 975.8

EDA:

EDA's investments in non-federal physical property, other than Disaster Recovery, require matching funds by state and local governments of 20 to 50 percent. Disaster Recovery grants do not require matching funds and can be up to 100 percent of the investment costs.

Public Works: The Public Works program promotes long-term economic development in distressed areas by providing investments for vital public infrastructure and development facilities. These critical investments enable communities to attract new, or support existing, businesses that will generate new jobs and income for unemployed and underemployed residents. Among the types of projects funded are water, sewer, fiber optics, access roads, and facilities such as industrial and business parks, business incubator and skill training facilities, and port improvements.

Economic Adjustment Assistance: The Economic Adjustment Assistance program provides flexible investments for communities facing sudden or severe economic distress to diversify and stabilize their economies. Factors that seriously threaten the economic survival of communities include plant closures, military base closures or realignments, defense laboratory or contractor downsizings, natural resource depletion, out-migration, under-employment, and the impacts of foreign trade.

Global Climate Change Mitigation Incentive Fund (GCCMIF): The last fiscal year of funding for the GCCMIF program was FY 2011. The funding for this program is fully expensed. EDA is not anticipating future grants from this funding source. GCCMIF program financed projects that fostered economic development by advancing the green economy in distressed communities and developed and used products and services that contributed to economic growth and alleviated economic distress by respecting and revitalizing the environment. GCCMIF program supported projects that created jobs through, and increase private capital investment in, efforts to limit the Nation's dependence on fossil fuels, enhance energy efficiency, curb greenhouse gas emissions, and protect natural systems.

Assistance to Coal Communities: This program competitively awards grants to coalitions of regionally-driven economic development and workforce development organizations anchored in impacted coal communities. These grants enable grantees to take deliberate and measured steps to build economic resilience, industry diversification, and promote new job creation opportunities. Competitive projects are tightly linked to existing economic and workforce development strategic plans. These activities should result in more competitive and resilient "pipelines" of skilled workers moving into new job opportunities.

Disaster Recovery: EDA supports the repair of infrastructure and economic development-related facilities damaged by floods and other natural disasters. Funding for Disaster Recovery is generally through supplemental appropriations from Congress for recovery efforts to save, sustain, and preserve private enterprise and job creation in economically distressed communities.

NOAA:

National Estuarine Research Reserves (NERR): NERR system consists of 28 estuarine reserves protected by federal, state, and local partnerships that work to preserve and protect the Nation's estuaries. NOAA has proposed the designation of a 29th estuarine reserve, i.e., He'eia Hawaii. NERR system helps to fulfill NOAA's stewardship mission to sustain healthy coasts by improving the Nation's understanding and stewardship of estuaries. Estuarine reserves are the areas where freshwater from rivers meet the ocean. These areas are known as bays, swamps, sloughs, and sounds. These important coastal habitats are used as spawning grounds and nurseries for the Nation's commercial fish and shellfish. Estuaries filter much of the polluted runoff from rivers and streams that would otherwise contaminate oceans. The reserves were created with the passage of the Coastal Zone Management Act of 1972, and, as of June 30, 2017, encompassed approximately 1.4 million acres of estuarine waters, wetlands, and uplands. The most recent reserve, Lake Superior, WI, was designated on October 26, 2010. NERRs are state-operated and managed in cooperation with NOAA. NOAA's investments in non-federal physical property are for the acquisition of lands and development or construction of facilities, auxiliary structures, and public access routes for any NERR site.

Coastal and Estuarine Land Conservation Program: This program was established under the Commerce, Justice, and State Appropriations Act of 2002, “for the purpose of protecting important coastal and estuarine areas that have significant conservation, recreation, ecological, historical, or aesthetic values, or that are threatened by conversion from their natural or recreational state to other uses.” The investments in non-federal physical property include matching grants awarded to state and local governments for land acquisition in coastal and estuarine areas. Since FY 2002, matching grants have been directed to 203 such projects.

Coastal Zone Management Fund: The Coastal Zone Management Program is authorized by the Coastal Zone Management Act of 1972, and administered at the federal level by NOAA’s Office of Ocean and Coastal Resource Management. NOAA’s financing supports various coastal states in their redevelopment of deteriorating and urbanized waterfronts and ports, as well as providing for public access to beaches and coastal areas. The state and local governments receive funding for these investments through NOAA grant expenditures, for the purpose of preservation or restoration of coastal resources and habitats. There is currently not in place a mechanism for the state and local governments to determine and report to NOAA the amount of monies they expend for the investments in non-federal physical property. The Department, accordingly, cannot report the amount of investments in non-federal physical property for the Coastal Zone Management Fund. The amount of Coastal Zone Management Funds expended by the U.S. federal government is zero.

Investments in Human Capital:

Human capital investments are expenses, included in the Department’s Net Cost of Operations, for education and training programs that are intended to increase or maintain national economic productive capacity and produce outputs and outcomes that provide evidence of the constant or increasing national productive capacity. These investments exclude education and training expenses for federal civilian and military personnel. Based on a review of the Department’s programs, the most significant investments in human capital are by NOAA.

The following table summarizes NOAA’s investments in human capital for FY 2013 through FY 2017:

(In Millions)

Program	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	Total
National Sea Grant College Program	\$ –	\$ 0.9	\$ 0.7	\$ 0.8	\$ 0.7	\$ 3.1
National Estuarine Research Reserve Program	1.0	1.5	1.5	1.3	1.4	6.7
Educational Partnership Program	–	14.3	14.3	14.3	13.0	55.9
Ernest F. Hollings Undergraduate Scholarship Program	–	5.8	5.5	6.2	5.0	22.5
Other Programs	–	0.2	0.4	0.7	0.7	2.0
Total	\$ 1.0	\$ 22.7	\$ 22.4	\$ 23.3	\$ 20.8	\$ 90.2

National Sea Grant College Program: Sea Grant is a nationwide network, administered through NOAA, of 34 university-based programs that work with coastal communities. With the adoption in 1966 of the National Sea Grant College Act, Congress established an academic/industry/government partnership that would enhance the Nation’s education, economy, and environment into the 21st century. The program supports activities designed to increase public awareness of coastal, ocean, and Great Lakes issues; to provide information to improve management decisions in coastal, ocean, and Great Lakes policy; and to train graduate students in marine and Great Lakes science. The Knauss Fellowship Program offers qualified masters and doctoral students the opportunity to spend a year working on marine and Great Lakes policy issues with the Executive and Legislative branches of the federal government. During FY 2017, the program awarded 62 fellowships: 14 fellowships funded by the National Sea Grant College Program, and 48 fellowships funded by other NOAA offices and other federal

agencies. There is also a Graduate Fellowship Program for Ph.D. candidates in the specialized areas of population dynamics and marine resource economics. The Graduate Fellowship Program currently has 15 fellows in the program. Additional fellowships are expected to be awarded by the end of FY 2017.

National Estuarine Research Reserve Program: This program supports activities designed to increase public awareness of estuary issues, provide information to improve management decisions in estuarine areas, and train graduate students in estuarine science. The National Estuarine Research Reserve System's Graduate Research Fellowship Program offered qualified masters and doctoral students the opportunity to address scientific questions of local, regional, and national significance. The result was high-quality research focused on improving coastal management issues. The Graduate Research Fellowship Program ended in FY 2014. As a result, there were no fellowships awarded in FY 2017.

Educational Partnership Program: The NOAA **Educational Partnership Program (EPP)** with **Minority Serving Institutions (MSI)** provides financial assistance through competitive processes to minority serving institutions that support research and training of students in NOAA-related sciences (EPP Cooperative Science Centers). The program's goal is to increase the number of trained and graduated students, from underrepresented communities in science and technology, directly related to NOAA's mission. EPP/MSI also seeks to increase collaborative research efforts between NOAA scientists and researchers at minority serving academic institutions through the EPP Cooperative Science Centers. In FY 2017, EPP Cooperative Science Centers added eight students to its program.

Ernest F. Hollings Undergraduate Scholarship Program: This program was established in 2005 to (1) increase undergraduate training in oceanic and atmospheric science, research, technology, and education, and foster multidisciplinary training opportunities; (2) increase public understanding and support for stewardship of the ocean and atmosphere and improve environmental literacy; (3) recruit and prepare students for public service careers with NOAA and other agencies at the federal, state, and local levels of government; and (4) recruit and prepare students for careers as teachers and educators in oceanic and atmospheric science and to improve scientific and environmental education in the United States. In FY 2017, the program added 110 students.

Other Programs:

Southeast Fisheries Science Center's (SEFSC) Recruiting Training Research Program: This is a joint program between NOAA's National Marine Fisheries Service (NMFS) and the University of Florida. The objectives of the program are the following: (1) to recruit top undergraduate and graduate students into the field of fisheries population dynamics and careers with NMFS; (2) to train graduate students; and (3) to conduct population dynamics and stock assessment research in support of the NMFS mission. The program also offers graduate courses and workshops in computer programming, simulation modeling, and fish population dynamics. In February 2016, the Recruiting Training Research Program hosted a weeklong undergraduate workshop in the Florida Keys designed to give high-caliber students from across the country exposure to fisheries population dynamics and careers with NMFS. The grant for this partnership concludes in the fall of 2016 and new approaches for engaging early career scientists at the undergraduate level are being explored.

Northeast Fisheries Science Center Partnership Education Program (PEP): This program of NOAA's NMFS leads a consortium of six science institutions in Woods Hole, MA, offering a 10-week summer program that combines undergraduate course work with research in marine and environmental science. Launched in 2009, PEP is an ongoing diversity program designed to recruit talent from minority groups that are under-represented in marine and environmental sciences. PEP recruitment targets college students with priority given to entering juniors and seniors majoring in the natural sciences who have had some course work in marine and/or environmental science. The program includes a credit course taught in Woods Hole by research scientists from Woods Hole science institutions, student research projects, and presentation of research results in a one-day seminar. In FY 2017, 16 students participated in the 10-week summer program.

Woods Hole Science Aquarium (WHSA) High School Intern Program: WHSA typically offers three summer programs for students who have completed grades 10, 11, or 12. Interns selected for the five-week program work in the aquarium, help lead public collecting walks, and participate in the Careers in Marine Science seminars. The one and two-week Careers in Marine Science seminars consist of short presentations by marine scientists, activities, and field trips that introduce students to marine-related careers. All students learn basic animal husbandry and aquarist skills, visit the local Woods Hole research institutions, meet with working scientists in a variety of fields, and visit area aquariums, zoos, and waterfronts. During FY 2017, the program consisted of a six-week internship and a two-week seminar program. Two students participated in the six-week program, and seven in the two-week program. The Aquarium also hosted two college undergraduate summer interns from the University of Chicago.

Pacific Islands Fisheries Science Center (PIFSC) Young Scientist Opportunity (PYSO): PYSO offers qualified college students professional work experience and formal training opportunities tailored to meet their educational and professional goals and interests. PYSO is a paid, summer-long (8-12 weeks) internship program that combines on-the-job training, formal training, one-to-one mentoring, and developmental assignments at PIFSC. Internship opportunities are available in specific PIFSC research topics ranging from marine ecology to socioeconomics.

Investments in Research and Development (R&D):

Investments in R&D are expenses that are included in the Department's Net Cost of Operations. The investments are divided into three categories: (1) basic research, the systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind; (2) applied research, the systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met; and (3) development, the systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes. The investments are made with the expectation of maintaining or increasing national economic productive capacity, or yielding other future economic or societal benefits. Based on a review of the Department's programs, the only significant investments in R&D are by the National Institute of Standards and Technology (NIST) and NOAA.

NIST:

The following table summarizes NIST's R&D investments for FY 2013 through FY 2017:

(In Millions)

Program	FY 2017				FY 2016	FY 2015	FY 2014	FY 2013	Total
	Basic	Applied	Development	Total					
NIST Laboratories Program	\$ 180.9	\$ 315.8	\$ 6.1	\$ 502.8	\$ 756.0	\$ 717.2	\$ 657.5	\$ 603.6	\$ 3,237.1
Manufacturing USA, Advanced Manufacturing Technology Consortia, and Technology Innovation Program	2.5	2.3	1.2	6.0	14.4	5.2	7.2	21.2	54.0
Public Safety Communications Research Program	—	16.8	—	16.8	—	—	—	—	16.8
Total	\$ 183.4	\$ 334.9	\$ 7.3	\$ 525.6	\$ 770.4	\$ 722.4	\$ 664.7	\$ 624.8	\$ 3,307.9

NIST Laboratories Program:

For more than 100 years, NIST has maintained the national standards of measurement, a role that the U.S. Constitution assigns to the federal government. Today, NIST Laboratories address increasingly complex measurement challenges. NIST develops measurements focusing on the very small (e.g., nanotechnology devices), the very large (e.g., skyscrapers), the physical (e.g., methods for characterizing strands of DNA for forensic testing), and the virtual (e.g., methods for testing electronic health record systems).

- NIST Laboratories work at the frontiers of measurement science to ensure that the Nation's system of measurements is firmly grounded on a sound scientific and technical foundation. NIST also promotes the use of measurements based on the international system of units.
- NIST Laboratories work to assure that the Nation's realization of the basic and derived measurement units is consistent with the realization in other nations. NIST Laboratories engage in a number of international activities to support trade and global science, and to promote the international acceptance of the Nation's measurement standards.
- NIST Laboratories provide industry and academia with unique user facilities that support innovation in materials science, nanotechnology, and other emerging technology areas through the NIST Center for Neutron Research, which provides world-class neutron measurement capabilities to the Nation's research community, and through the NIST Center for Nanoscale Science and Technology, which supports nanotechnology development from discovery to production.
- NIST Laboratories also support the development of standards and specifications that define technical and performance requirements for goods and services. These standards—also known as documentary standards—are often developed collaboratively with the private sector through an open, consensus-based process. NIST scientists and engineers lend their expertise to these efforts in order to promote standards that are based on sound science, and to ensure that the standards are supported by effective measurements and testing methods for conformity. In addition, NIST is designated under the National Technology Transfer Advancement Act as the coordinator for all federal agencies using documentary standards that are developed by private sector consensus bodies to carry out their policy objectives.

Manufacturing USA:

Manufacturing USA was renamed from the National Network for Manufacturing Innovation (NNMI) in September 2016.

This program was first appropriated funds of \$25.0 million in FY 2016, pursuant to the Revitalize American Manufacturing and Innovation Act of 2014 (RAMI). The FY 2017 appropriations for NIST provided increased funding of \$44.2 million. This program and funding is part of government-wide efforts to strengthen the U.S. advanced manufacturing sector.

As part of its efforts to revitalize U.S. manufacturing, NIST proposed and Congress authorized (RAMI) Manufacturing USA, which would consist of a network of manufacturing innovation institutes where researchers, companies, universities, community colleges, and entrepreneurs can come together to develop new manufacturing technologies with broad applications, as well as train the workforce needed to work in advanced manufacturing industries. The primary goal is to ensure that American innovations and inventions, currently going off-shore for production in competitor nations, would be scaled up from the lab-scale experiments to industrial scale by developing new manufacturing processes to be used by entire industry sectors.

Each institute in Manufacturing USA has a unique technology focus with the objective of creating self-sustaining regional manufacturing hubs that have national impact. The institutes help support an ecosystem of manufacturing activity in regions of the United States. The institutes support manufacturing technology commercialization by helping to bridge the gap from the laboratory to the market and address core gaps in scaling manufacturing process technologies.

Already, Manufacturing USA has established or announced nine manufacturing innovation institutes, with six more planned by the end of 2017. Within each institute, manufacturers of all sizes partner with academia and government to share manufacturing technology and workforce challenges—and build a robust, sustainable R&D infrastructure.

NIST provides funding for the National Institute for Innovation in Manufacturing Biopharmaceuticals. This institute's mission is to accelerate biopharmaceutical manufacturing innovation, support the development of standards that enable more efficient and rapid manufacturing capabilities, and educate and train a world-leading biopharmaceutical manufacturing workforce, fundamentally advancing the United States competitiveness in this industry.

The Manufacturing USA network is operated by the interagency Advanced Manufacturing National Program Office of NIST. The office is staffed by representatives from federal agencies with manufacturing-related missions as well as fellows from manufacturing companies and universities. The office operates in partnership with the U.S. Department of Defense, U.S. Department of Energy, National Aeronautics and Space Administration, National Science Foundation, U.S. Department of Education, U.S. Department of Agriculture, and U.S. Department of Labor.

Public Safety Communications Research Program:

NIST executes funding provided to its Wireless Innovation Fund to help develop cutting-edge wireless technologies for public safety users, as part of the National Wireless Initiative included in the Middle Class Tax Relief and Job Creation Act of 2012. This Act provides for a total of \$300.0 million in public safety research funding for NIST, that has or will be provided to the Wireless Innovation Fund as applicable, to help industry and public safety organizations conduct research and develop new standards, technologies, and applications to advance public safety communications in support of the initiative's efforts to build an interoperable nationwide public safety broadband network.

NOAA:

NOAA's R&D investments by program from FY 2013 through FY 2017 were as follows:

(In Millions)

Program	FY 2017				FY 2016	FY 2015	FY 2014	FY 2013	Total
	Basic	Applied	Development	Total					
Environmental and Climate	\$ –	\$ 162.0	\$ 25.5	\$ 187.5	\$ 405.5	\$ 298.4	\$ 294.1	\$ 326.3	\$ 1,511.8
Fisheries	–	22.6	7.4	30.0	53.4	50.3	43.4	51.2	228.3
Marine Operations and Maintenance and Aircraft Services	–	11.8	8.2	20.0	29.9	29.2	29.7	32.4	141.2
Weather Service	–	2.4	10.5	12.9	18.7	42.7	29.3	28.6	132.2
Other	–	38.3	0.7	39.0	70.4	30.0	63.5	74.8	277.7
Total	\$ –	\$ 237.1	\$ 52.3	\$ 289.4	\$ 577.9	\$ 450.6	\$ 460.0	\$ 513.3	\$ 2,291.2

NOAA conducts a substantial program of environmental R&D in support of its mission, much of which is performed to improve the United States' understanding of and ability to predict environmental phenomena, and is intended to provide a solid scientific basis for environmental policy-making in government. The scope of research includes:

- Improving predictions and warnings associated with the weather, on timescales ranging from minutes to weeks;

- Improving predictions of climate, on timescales ranging from months to centuries; and
- Improving understanding of natural relationships to better predict and manage renewable marine resources and coastal and ocean ecosystems.

Here is a brief description of the major R&D programs of NOAA:

Environmental and Climate: The Office of Oceanic and Atmospheric Research (OAR) is NOAA's primary R&D office. This office conducts research in three major areas: climate research; weather and air quality research; and ocean, coastal, and Great Lakes research. NOAA's research laboratories, Climate Program Office, and research partners conduct wide-ranging research into complex climate systems, including the exploration and investigation of ocean habitats and resources. NOAA's research organizations conduct applied research on the atmosphere to predict severe weather events and hazardous conditions that threaten life, property, and economic well being. OAR research laboratories then develop high-resolution regional and global weather prediction models and software applications for forecasters that transfer into operations at the National Weather Service to significantly improve services to the public. These products are helping to evolve the National Weather Service into providing decision support to users in addition to weather forecasts.

Fisheries: NOAA's NMFS is responsible for the conservation and management of living marine resources and their habitat within the Nation's Exclusive Economic Zone. NMFS manages these resources through science-based conservation and management to ensure their continuation as functioning components of productive ecosystems, while also affording economic opportunities and enhancing the quality of life for the American public. Fishery stocks and protected species are surveyed; catch, by catch, incidental take, economic and social data are collected; and research is conducted to better understand the variables affecting the abundance and variety of marine fishes and protected species, their habitat, and the benefits they provide to society. Protection of endangered species, restoration of coastland estuarine fishery habitats, and enforcement of fishery regulations are primary NOAA activities. The research and management of living marine resources is conducted in partnership with states, tribes, universities, other countries, international organizations, and a broad range of stakeholders who benefit from the use and existence of living marine resources and their habitats.

R&D at NMFS laboratories supports resource management in NOAA, fishery management councils, interstate fishery commissions, and other agencies to facilitate informed decision-making about marine resource management decisions for sustainable fisheries, protected resources, endangered species, and habitat. NMFS conducts applied research to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met. It includes research that improves understanding of technologies, leading to development that supports the mission. Development activities include the production of useful tools, materials, devices, systems, or methods, including the design and development of prototypes and processes. Examples of NMFS R&D include process-oriented studies such as those that address mechanisms that control reproductive success, population genetics and stock structure, animal behavior, biophysical modeling, and the functional value of habitat.

Marine Operations and Maintenance and Aircraft Services: These efforts support NOAA's programs requiring operating days and flight hours to collect data at sea and in the air. NOAA's Marine and Aviation Operations manage a wide variety of specialized aircraft and ships to complete NOAA's environmental and scientific missions. The aircraft collect the environmental and geographic data essential to NOAA hurricane and other weather and atmospheric research, conduct aerial surveys for hydrologic research to help predict flooding potential from snowmelt, and provide support to NOAA's fishery research and marine mammal assessment programs. NOAA's ship fleet provides oceanographic and atmospheric research and fisheries research vessels to support NOAA's strategic plan elements and mission.

Weather Service: NOAA's National Weather Service conducts applied R&D, building upon research conducted by NOAA laboratories and the academic community. Applied meteorological and hydrological research is integral to providing more timely and accurate weather, water, and climate services to the public.

Other Programs: As a national lead for coastal stewardship, NOAA's National Ocean Service promotes wide-ranging research activities to create the strong science foundation required to advance the sustainable use of precious coastal systems. Understanding of the coastal environment is enhanced through coastal ocean activities that support science and resource management programs. This research supports the NOAA National Ocean Service and NOAA Office of Coastal Management strategic priority of making communities more resilient. At the reserve level, the research is providing science-based information that addresses climate change, water quality, and habitat protection management decisions in our Nation's estuaries. This funding supported 31 collaborative research and 14 science transfer projects.

NOAA's National Environmental Satellite, Data, and Information Service (NESDIS), Center for Satellite Applications and Research (STAR) supports internal development of the mathematical and physics-based techniques for assuring sustained monitoring of the calibration of the NOAA satellite sensors, detecting faults, and diagnosing and countering the inevitable effects of instrument and satellite orbit degradation on the utility of the atmospheric and ocean measurements required for authoritative NOAA environmental analyses and predictions. NESDIS STAR is developing an Integrated Calibration and Validation System (ICVS) to monitor performance of NOAA satellites, instruments, sensors, and observational products. STAR scientists are developing advanced methods inter-calibrating NOAA sensors with like sensors from other (NOAA, NASA, and international) satellites to achieve, over time, a consistently calibrated Satellite Global Observing System. Calibration and validation techniques include developing methods for low-light calibration and lunar calibration.



GLOSSARY OF ACRONYMS



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Abbreviation	Title
A AFR	Agency Financial Report
APG	Agency Priority Goal
ASAP	Automated Standard Application for Payments (Treasury)
B BAS	Business Application Solutions
BEA	Bureau of Economic Analysis
BIS	Bureau of Industry and Security
C CAP	Cross-Agency Priority Goal
CBS	Commerce Business Systems
CEIP	Coastal Energy Impact Program (a NOAA direct loan program)
CFDA	Catalog of Federal Domestic Assistance
CFO	Chief Financial Officer
CFO/ASA	Chief Financial Officer and Assistant Secretary for Administration (DM)
CMP	Civil Monetary Penalty
COLA	Cost of Living Adjustment
COOP	Continuity of Operations Programs
COTS	Commercial off-the-shelf [software]
CPI	Consumer Price Index
CSRS	Civil Service Retirement System (OPM)
D DATA Act	Digital Accountability and Transparency Act
DM	Departmental Management
DMF	Death Master File (data from the Social Security Administration)
DM&R	Deferred Maintenance and Repairs
DOI	U.S. Department of the Interior
DOL	U.S. Department of Labor

Abbreviation	Title
E EDA	Economic Development Administration
EPP	Educational Partnership Program (NOAA)
ES	Enterprise Services
ESA	Economics and Statistics Administration
ESOC	Enterprise Security Oversight Center
F FASAB	Federal Accounting Standards Advisory Board
FCC	Federal Communications Commission
FCI	Facility Condition Index (DM&R)
FCCS	Federal Claims Collection Standards
FECA	Federal Employees Compensation Act
FEGLI	Federal Employees Group Life Insurance Program (OPM)
FEHB	Federal Employees Health Benefit Program (OPM)
FERS	Federal Employees Retirement System (OPM)
FFMIA	Federal Financial Management Improvement Act of 1996
FirstNet	First Responder Network Authority (an independent authority within NTIA)
FKNMS	Florida Keys National Marine Sanctuary (NOAA)
FMFIA	Federal Managers' Financial Integrity Act of 1982
FVOG	Fishing Vessel Obligation Guarantee Program (a NOAA loan guarantee program)
FWC	Future Workers' Compensation
FY	Fiscal Year ended September 30
G GAAP	Generally Accepted Accounting Principles
GAMD	Grants and Agreements Management Division (NIST)
GAO	U.S. Government Accountability Office
GCCMIF	Global Climate Change Migration Incentive Fund (EDA)
GMD	Grants Management Division (DM; and NOAA)
GMIS	Grant Management Information System (NIST)

Abbreviation	Title
GOES – R	Geostationary Operational Environmental Satellites – R (NOAA)
GSA	U.S. General Services Administration
I ICVS	Integrated Calibration and Validation System (NESDIS STAR)
IFQ	Individual Fishing Quota Loans (a NOAA direct loan program)
IP	Intellectual Property
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
ISO	Information Services Office (NIST)
IT	Information Technology
ITA	International Trade Administration
IV&V	Independent Verification and Validation
J JPSS	Joint Polar Satellite System (NOAA)
M MBDA	Minority Business Development Agency
MD&A	Management’s Discussion and Analysis
MSI	Minority Serving Institutions (EPP)
N NERR	National Estuarine Research Reserves (NOAA)
NESDIS	National Environmental Satellite, Data, and Information Service (NOAA)
NFC	National Finance Center (U.S. Department of Agriculture)
NHTSA	National Highway Traffic Safety Administration (U.S. Department of Transportation)
NIST	National Institute of Standards and Technology
NMFS	National Marine Fisheries Service (NOAA)
NNMI	National Network for Manufacturing Innovation, former name for Manufacturing USA (NIST)

Abbreviation	Title
NOAA	National Oceanic and Atmospheric Administration
NTIA	National Telecommunications and Information Administration
NTIS	National Technical Information Service
O OAM	Office of Acquisition Management (DM)
OAR	Office of Oceanic and Atmospheric Research (NOAA)
OIG	Office of Inspector General (DM)
OMB	Office of Management and Budget
OPM	U.S. Office of Personnel Management
P PAR	Performance and Accountability Report
PEP	Partnership Education Program (NOAA)
PIFSC	Pacific Islands Fisheries Science Center (NOAA)
PP&E	Property, Plant, and Equipment
PYSO	PIFSC Young Scientist Opportunity (NOAA)
R RAMI	Revitalize American Manufacturing and Innovation Act of 2014
R&D	Research and Development
S SAM	System for Award Management (GSA)
S&E	Salaries and Expenses (DM)
SBR	Combined Statement of Budgetary Resources
SCNP	Consolidated Statement of Changes in Net Position
SEFSC	Southeast Fisheries Science Center (NOAA)
SF 425	Standard Form 425, <i>Federal Financial Report</i>
SFFAS	Statement of Federal Financial Accounting Standards (FASAB)
SOS	Schedule of Spending by Major Budget Account (Unaudited)
SPRI	Strategic Plan Review and Implementation
STAR	Center for Satellite Applications and Research (NESDIS)
STC	Standard Terms and Conditions

Abbreviation	Title
T Treasury	U.S. Department of the Treasury
TRL	Technology Readiness Level
TSP	Thrift Savings Plan
U USPTO	U.S. Patent and Trademark Office
W WCF	Working Capital Fund (DM)
WHSA	Woods Hole Science Aquarium (NOAA)
WIPO	World Intellectual Property Organization