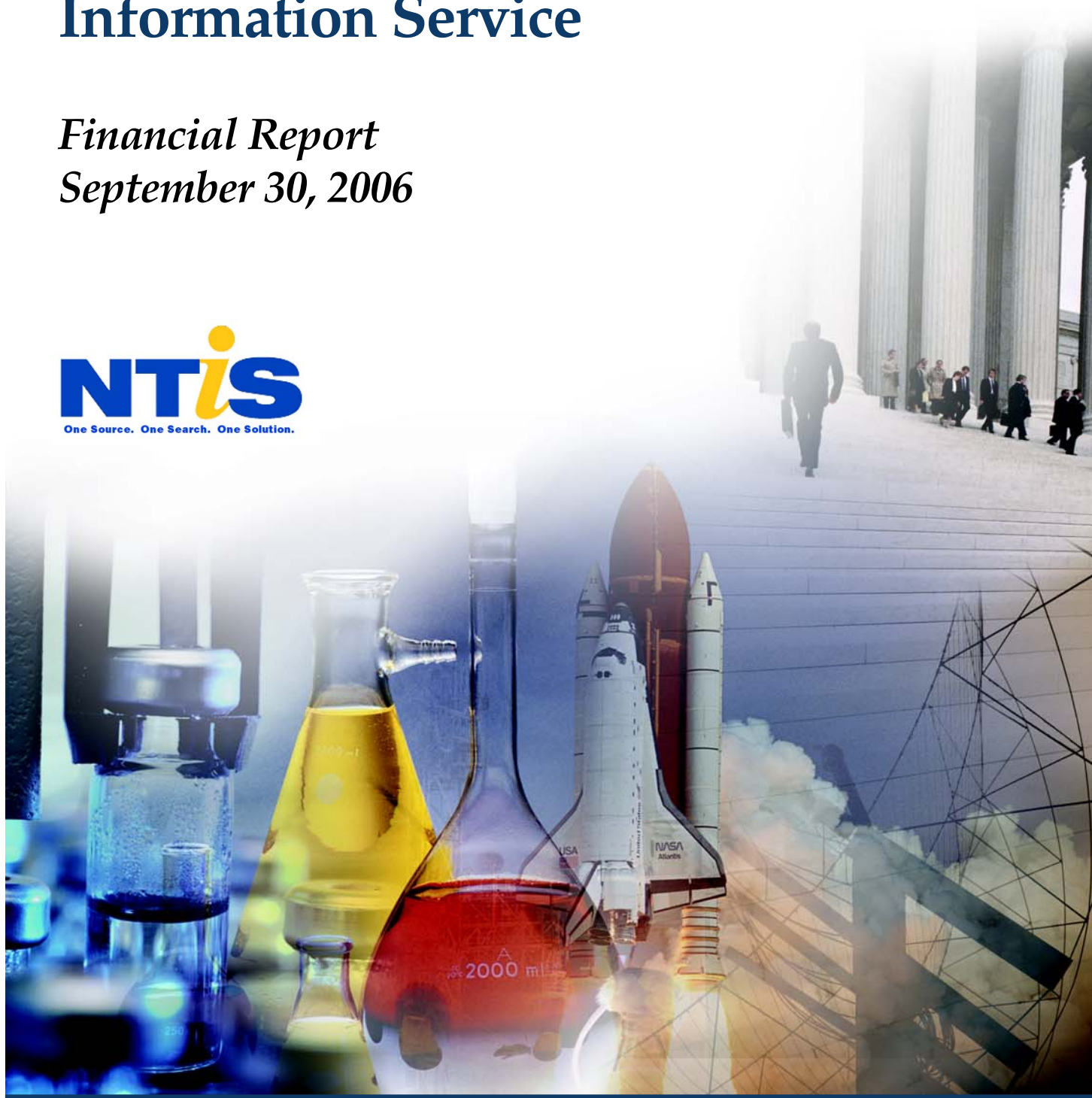




U. S. DEPARTMENT OF COMMERCE
TECHNOLOGY ADMINISTRATION

National Technical Information Service

*Financial Report
September 30, 2006*



***NATIONAL TECHNICAL
INFORMATION SERVICE***

***Financial Report
September 30, 2006***

TABLE OF CONTENTS

I. Management's Discussion and Analysis of the National Technical Information Service (NTIS)

1. Mission
2. Authorities and Operations
3. Organization
4. Analysis of FY 2006 Results
5. Performance Measures
6. FY 2007 Goals
7. Additional Information

II. Financial Statements

1. Balance Sheet
2. Statement of Net Cost
3. Statement of Changes in Net Position
4. Statement of Budgetary Resources
5. Statement of Financing
6. Notes to Financial Statements

III. Required Supplemental Information

1. FY 2006 vs. FY 2005 Summary Revenue and Cost
2. Intra-governmental Assets
3. Intra-governmental Liabilities

PART I. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE NATIONAL TECHNICAL INFORMATION SERVICE (NTIS)

1. MISSION

NTIS traces its history to the Publications Board, a World War II agency created by President Truman to collect classified scientific and technical information performed by or for the Government in support of the war effort and to review it for release to the public. The Board's role was later expanded to include the review and release of captured enemy research as well. The Secretary of the Department of Commerce (Department) continued to perform this function in the postwar period as part of the Commerce Department's overall mission to promote foreign and domestic commerce. Congress formalized this role in 1950 by directing the Secretary to establish a clearinghouse for the collection and dissemination of scientific and technical information "from whatever sources, foreign and domestic, that may be available" and to make "the results of technological research and development readily available to industry and business, and to the general public." The National Technical Information Service, in its current form, was established within the Department in 1970. NTIS is now part of the Technology Administration and reports to the Department's Under Secretary for Technology, whose overarching mission is to promote U.S. industrial productivity, technology and innovation.

The Department's Strategic Plan for Fiscal Years 2004 – 2009 states that one of its principal objectives during this period will be to "develop tools and capabilities that improve the productivity, quality, dissemination and efficiency of research." The Department has recognized NTIS' role in meeting this objective, noting that "NTIS continues to meet the challenge of permanent preservation and ready access to the taxpayers' investment in research and development through the acquisition, organization, and preservation of the titles added annually to the permanent collection" and by "providing technologically advanced global E-Commerce channels for dissemination of specialized information to business, industry, government and the public." The Department expects NTIS to enhance public access to the information in its collection and will measure its performance by looking at the number of items added to its collection, the number of information products disseminated and customer satisfaction. Performance measures are described in Section I.5.

PART I. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE NATIONAL TECHNICAL INFORMATION SERVICE (NTIS)

2. AUTHORITIES AND OPERATIONS

AUTHORITIES

NTIS' basic authority to operate a permanent clearinghouse of scientific and technical information is codified as chapter 23 of Title 15 of the United States Code (15 U.S.C. 1151-1157). This chapter also established NTIS' authority to charge fees for its products and services and to recover all costs through such fees "to the extent feasible." This authority was restated in the National Technical Information Act of 1988, codified at 15 U.S.C. 3704b. That Act gave NTIS the authority to enter into joint ventures and declared the Clearinghouse to be a permanent Federal function that could not be eliminated or privatized without Congressional approval. That Act was amended by the American Technology Preeminence Act of 1992 (Public Law 102-245) which (1) required all costs associated with bibliographic control to be recovered by fees, (2) required agencies to make copies of their scientific and technical reports available to NTIS, and (3) directed NTIS to focus on developing new electronic methods and media for disseminating information.

Other statutes having a profound impact on NTIS include (1) the 1988 amendments to the Stevenson-Wydler Technology Innovation Act, which established a Technology Administration in the Department of Commerce and made NTIS one of its constituent elements, and (2) the Commerce, Justice, State Appropriations Act for FY 1993 (Public Law 102-395) which established NTIS' Revolving Fund and gave it the authority to use that Fund without further approval by Congress. In addition, section 1526 of Title 15 of the United States Code authorizes NTIS to accept payments in advance for services to be provided to other agencies.

OPERATIONS

NTIS is located in Springfield, Virginia. Its operations all pertain to information dissemination and are all reported within the "Clearinghouse Program." Detailed descriptions of activities follow:

Clearinghouse Program

The Clearinghouse program generally describes the various activities that NTIS undertakes to disseminate information from its own collection of approximately 2.5 million titles or through dissemination services provided for other agencies.

Revenue is generated through the dissemination of information from the NTIS collection. This includes sales of individual technical reports, computer products, standing orders for particular reports as they are issued, paper and electronic subscription products, and revenue derived from leasing the NTIS Bibliographic Database. This information generally consists of scientific and technical research produced by Federal agencies or their contractors and grantees and complementary information produced by foreign governments. Under a 1954 Comptroller General opinion, scientific and technical information has been deemed to include economic, statistical and other business-related information.

PART I. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE NATIONAL TECHNICAL INFORMATION SERVICE (NTIS)

2. AUTHORITIES AND OPERATIONS, Cont.

OPERATIONS, Cont.

Traditionally, customers learned of NTIS' various products through media announcements, exhibits, and searching the NTIS Bibliographic Database. They could access the Database by subscribing to services of information vendors who would lease the NTIS Database for the purpose of making it available to customers. As a result, the only persons who had practical access to the Database were those who worked for research institutions of the type that would typically subscribe to an information vendor's services. To broaden its exposure NTIS formally launched a new web site during FY 2002 offering users access to the post-1990 portion of the NTIS Database and the opportunity to download smaller documents for free or at a nominal charge if NTIS has the document in electronic image.

In addition to direct sales from its own collection, NTIS also provides a variety of dissemination services for other agencies, many of which lack the specialized resources needed to produce and disseminate their information products or to process payments for these products on a large scale. The systems, equipment, financial structure and specialized staff skills that NTIS maintains to provide Clearinghouse products allow NTIS to offer similar services to other agencies.

In order to support its own information dissemination requirements, NTIS has developed a highly sophisticated platform and suite of related services that permits agencies to use the World Wide Web effectively to disseminate information.

Other Reported Items

Other Reported Items consists of imputed financing related to NTIS' share of the cost to the Federal government for providing pension and post-retirement health and life insurance benefits to all eligible NTIS employees.

PART I. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE NATIONAL TECHNICAL INFORMATION SERVICE (NTIS)

3. NTIS ORGANIZATION

NTIS includes six major organizations as shown on the organization chart that follows. The organizations are described in detail below. The employment data are as of September 30, 2006.

Office of the Director (6 employees):

The Director's Office provides senior-level direction for all NTIS operations. This office coordinates strategic planning activities, manages NTIS' public affairs and Congressional relations programs, serves as liaison to the Under Secretary for Technology and other senior Department officials, and coordinates the review of all agreements to provide services to other federal agencies for consistency with NTIS' mission.

Office of the Chief Information Officer (CIO) (25 employees):

The CIO is responsible for developing and administering plans, policies and standards for acquiring and using information technology. The office also provides information and technology support services to other NTIS offices and provides web hosting and information management services to other federal agencies. The office is also responsible for bureau security.

Office of the Chief Financial Officer (CFO) (15 employees):

The CFO is responsible for managing all financial and administrative activities. Financial activities include developing and analyzing NTIS' budgets and financial plans, managing its accounting system, providing financial services to NTIS offices and clients, and coordinating NTIS financial activities with the Department's CFO and the Office of Management and Budget. Administrative services include personnel, procurement, and real property management.

Associate Director for Business Development (16 employees):

This office is responsible for identifying and acquiring scientific, technical, engineering and business-related information from domestic and foreign sources, for developing programs aimed at increasing the dissemination of NTIS products to the public, and for identifying and negotiating information dissemination services to other agencies.

Associate Director for Customer Services (25 employees):

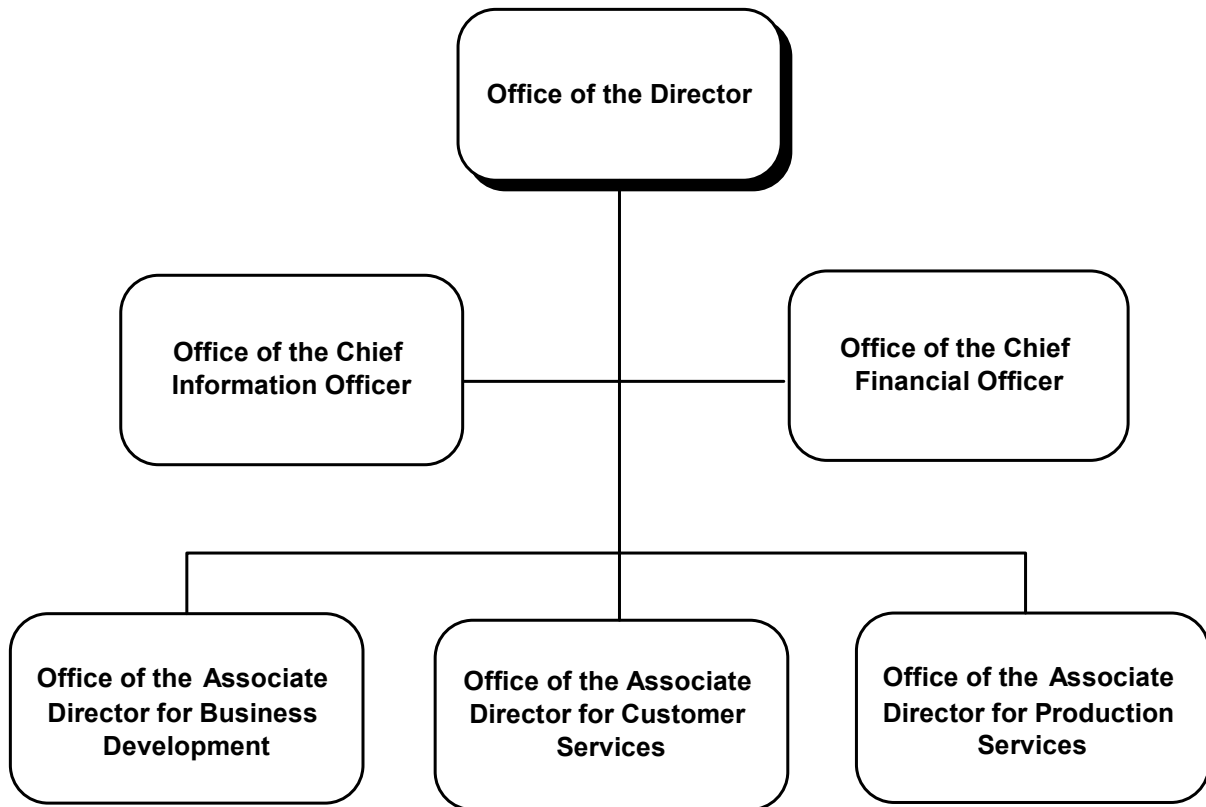
This office provides direction and oversight of NTIS customer-contact functions including order receipt, order entry, complaint resolution, Freedom of Information Act (FOIA) and Congressional requests, and general information requests for all NTIS products.

Associate Director for Production Services (51 employees):

This office is responsible for managing all cataloging, indexing and abstracting activities associated with developing the NTIS Bibliographic Database and providing bibliographic research services. In addition, the office is responsible for managing all order fulfillment operations. These include product warehousing, inventory control and distribution, and imaging and reproducing material disseminated by NTIS either from its own collection or pursuant to service agreements with other federal agencies.

PART I. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE NATIONAL TECHNICAL INFORMATION SERVICE (NTIS)

**U.S. Department of Commerce
National Technical Information Service**



PART I. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE NATIONAL TECHNICAL INFORMATION SERVICE (NTIS)

4. ANALYSIS OF FY 2006 RESULTS

As Chart #1 (below) shows, NTIS' cumulative increase in net position from Clearinghouse Program operations for the previous three-year period is \$1.3 million.

<u>Historical Comparison</u>				Chart #1
(\$ In Thousands)				
<u>Year</u>	<u>Revenue</u>	<u>Cost</u>	<u>Increase in Net Position</u>	
2004	\$26,333	\$25,825	\$ 508	
2005	25,035	24,543	492	
2006	25,554	25,264	<u>290</u>	
Cumulative Increase			\$1,290	

The data shown in Chart #1 excludes imputed financing sources reported as "Other Reported Items" on the Statement of Changes in Net Position.

FY 2006 Highlights:

- Increase in the Number of Technical Documents

NTIS significantly increased both the number of technical documents collected and disseminated to the public through new collection techniques and new investment in dissemination capabilities. NTIS announced more than 30,000 new documents for public sale in FY 2006.

- Wage Determinations Online (WDOL.gov) Program

On June 28, 2006 the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council agreed on an interim rule amending the Federal Acquisition Regulation (FAR) to implement the Wage Determinations OnLine (WDOL) internet website as the source for Federal contracting agencies to obtain wage determinations issued by the Department of Labor for service contracts subject to the McNamara-O'Hara Service Contract Act and for construction contracts subject to the Davis-Bacon Act. This website is maintained by NTIS and is a collaborative effort of the Office of Management and Budget, the General Services Administration and the Departments of Defense, Labor, Energy and Commerce.

In addition, GSA's Integrated Acquisition Environment, the E-Government Initiative that is aimed at streamlining the Federal acquisition process by promoting shared systems, tools and information and the interagency working group managing the WDOL program have approved the method developed by NTIS to permit users to obtain wage determinations in XML format.

PART I. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE NATIONAL TECHNICAL INFORMATION SERVICE (NTIS)

4. ANALYSIS OF FY 2006 RESULTS, Cont.

- Controlled Substances Act (CSA) Registration Database Product Line Grows

The Drug Enforcement Administration (DEA) moved its database from a mainframe to an Oracle-based system, thereby allowing DEA to deliver it to NTIS electronically. As a result NTIS began offering weekly distribution of the raw data and online searching. In less than 4 months the subscription customer base grew to 74. During the same period, in response to a request from the DEA, NTIS created 3 new demand products, offering one search, 5 searches and 10 searches of the online system. Over 1,500 customers have taken advantage of these new offerings. NTIS and its joint venture partner, Global Internet Management, have increased the marketing of these valuable products that help ensure against abuse of Controlled Substances.

- Social Security Administration (SSA) Death Master File (DMF)

In 2006, NTIS increased the DMF subscription customer base by 12% and revenue by 14%. The DMF is a major tool for the prevention and detection of fraud. Private organizations as well as local, state, and federal government agencies use the file to determine if someone is assuming the identity of a deceased person, or if erroneous payments are being made. Law enforcement uses the file to clear cold cases and legacy bench warrants, while medical researchers and hospitals track former study subjects and patients.

- e-Learning University Initiative

In FY2006, NTIS signed distribution agreements with eCornell (a wholly-owned subsidiary of Cornell University) and The University of Management and Technology (UMT), to provide discounted online certificate programs, undergraduate-level and graduate-level education. eCornell offers online management training and executive development. UMT provides certificate and degree programs in project management and acquisition management. NTIS' e-Learning University Initiative supports professional and leadership development training to government employees at the federal, state, and local levels.

PART I. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE NATIONAL TECHNICAL INFORMATION SERVICE (NTIS)

4. ANALYSIS OF FY 2006 RESULTS, Cont.

- Helping Agencies Communicate with their Customers

Agriculture: NTIS distributed Department of Agriculture's (USDA's) highly anticipated and highly promoted revised Food Pyramid. NTIS continues to assist USDA in providing nutritional information products to the public through NTIS' comprehensive dissemination program. In FY06, 70,000 orders were placed with over 12.2 million items shipped. NTIS developed an online order system to automatically process customer orders for each USDA dissemination program.

Center for Medicare and Medicaid Services: NTIS continued distribution of the original series, Newborn through 12 months, for the Bush Administration's initiative "Healthy Start, Grow Smart" baby developmental series, adding the nutritional information for the second year of a child's life. The "Healthy Start, Grow Smart" series now encompasses newborn through 24 months and the series is also available in Spanish, Vietnamese and Chinese. NTIS received 2,500 orders with over 3.5 million items shipped.

PART I. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE NATIONAL TECHNICAL INFORMATION SERVICE (NTIS)

5. PERFORMANCE MEASURES

The mission of the National Technical Information Service is to promote progress by serving as the Federal Government's central means of making technical information perpetually and widely available. The basic functions supporting this mission are: acquisition of the products to be made available, organization of the information to make it easily searchable and dissemination of those products. These components and the resulting customer satisfaction are measured as follows:

○ **Acquisitions – Number of New Items Available**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<u>Comment</u>
FY 2004	525,000	553,235	Met
FY 2005	530,000	658,138	Met
FY 2006	660,000	673,807	Met

This measures the number of new information items available from NTIS (annually). It includes scientific, technical and engineering information products added to the permanent collection, as well as items made available through on-line electronic subscriptions.

○ **Dissemination – Number of Information Products Disseminated**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<u>Comment</u>
FY 2004	18,000,000	25,476,424	Met
FY 2005	25,800,000	26,772,015	Met
FY 2006	27,000,000	30,680,117	Met

This measure represents information disseminated and includes compact discs, diskettes, tapes, online subscriptions, web site page views, as well as the traditional paper and microfiche products. The improvement in information dissemination reflects NTIS' ability to provide quality products, to increase the number of products distributed and expand the number of customers that have access to valuable scientific and technical information. As these measures indicate, NTIS continues to enhance its ability to stay current in the E-Commerce environment, while continuing to serve customers that require the more traditional distribution methods.

○ **Customer Satisfaction**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	<u>Comment</u>
FY 2004	98%	96%	Not Met
FY 2005	95% - 98%	98%	Met
FY 2006	95% - 98%	98%	Met

This measures the percent of satisfied customer orders. It is derived from the number of customer complaints compared to the number of orders taken. This statistic is representative of NTIS' commitment to quality customer service and satisfaction.

PART I. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE NATIONAL TECHNICAL INFORMATION SERVICE (NTIS)

6. FY 2007 GOALS

In FY 2006, NTIS updated its strategic plan. This Plan will guide NTIS through FY 2010. The NTIS 2006 – 2010 Strategic Plan identified a key strategic goal to “accelerate the transformation of NTIS into a flexible, adaptable, electronically-based information acquisition, dissemination and preservation entity.” Within this plan, three key strategic initiatives were described:

- improving NTIS business results through workflow and process modernization;
- significantly increasing the acquisition and dissemination of Federal Government information; and
- addressing human capital requirements due to impending retirements and changing needs

For FY 2007, NTIS's goal is to empower teams that will address specific aspects of the overall Plan, with each team responsible for defining the objective, the methodology for achieving it, and relevant milestones.

The various teams will focus on different aspects of five key areas:

- improving the value of what NTIS provides in the form of products and services;
- enhancing the value of the basic collection by ensuring its comprehensiveness and ease of access;
- improving the organization's infrastructure and facilities;
- managing human capital; and
- ensuring that a viable communications plan is implemented that keeps all stakeholders informed and involved in the strategic planning process

PART I. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE NATIONAL TECHNICAL INFORMATION SERVICE (NTIS)

7. ADDITIONAL INFORMATION

SYSTEMS CONTROLS AND LEGAL COMPLIANCE:

NTIS' systems support its mission, which is to promote progress by serving as the Federal Government's central means of making technical information perpetually and widely available. In accordance with the Federal Financial Management Improvement Act (FFMIA) of 1996, NTIS is using the Standard General Ledger and has complied with Federal accounting standards and all applicable law and regulations. All systems provide effective interfaces and allow adequate reconciliation and reliable audit trails.

The NTIS Security Architecture is a policy driven architecture similar to DOC's. In fact, NTIS relies on DOC for the overarching guidance, policies and procedures for many of the components in the Security Architecture. Those policies and procedures are then tailored according to the particular component that exists in NTIS. Security considerations and drivers are included in the NTIS Strategic IT Plan. NTIS promotes a secure IT environment through comprehensive security planning, training, monitoring, and control processes. Similar to the Department's Security Program, NTIS ensures adequate controls are in place to protect the confidentiality, integrity, and availability of non-national security and national security IT systems and the data they process, transmit, and store. Consequently, NTIS is fully engaged with and supportive of the Department's compliance with the Federal Information Security Management Act (FISMA) of 2002 and the NIST SP 800-53 Recommended Security Controls for Federal Information Systems, February 2005. NTIS systems are categorized and assessed for risk of harm and periodic monitoring is completed to ensure security and compliance with appropriate guidance and regulation.

CURRENT TRENDS AND EFFECTS:

According to the National Science Board's report "Science and Engineering Indicators 2006," the Federal share of R&D first fell below 50% in 1979 and dropped to a low of 24.9% in 2000. However, the federal share grew to a projected 29.9% in 2004 as private sector spending declined and federal R&D spending grew, particularly in the areas of defense, health and counterterrorism. While the growth would appear to bode well for an agency that sells Federal technical publications, it must be noted that the market for defense-related R&D is relatively small and most health-related research reaches the public through publication in peer reviewed scientific publication.

There are several R&D growth areas that involve substantial research that cut across agency lines and which may serve as guides for NTIS' acquisition strategies. These include climate change, combating terrorism, hydrogen fuel, nanotechnology and networking and information technology.

PART I. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE NATIONAL TECHNICAL INFORMATION SERVICE (NTIS)

7. ADDITIONAL INFORMATION, Cont.

CURRENT TRENDS AND EFFECTS Cont.:

Accordingly, NTIS must (a) maintain a vigorous and proactive outreach and web-harvesting program to ensure that valuable research continues to be added to the collection, (b) continuously monitor how well its web site and other tools are working in educating new information users, and (c) seek new opportunities to provide its Federal clients with information dissemination services that enable them to meet the needs of their own constituents.

CONTINUITY OF OPERATION PLANNING

In response to the events of September 11, 2001, all Federal agencies were required to develop Continuity of Operations Plans (COOPs) outlining how they will perform their essential functions in an emergency. The NTIS COOP describes how the essential parts of NTIS are saved so that the organization can be reassembled at a future time as resources become available. The plan ensures that NTIS saves its disaster recovery file and Bibliographic Database, its IT systems, and its ability to interact with customers and take orders for future delivery. The plan was approved by the NTIS director in 2002. It was submitted to the Department and is tested periodically.

The most recent test occurred on June 20-21, 2006 at the Net Tech Center in Winchester, Virginia. The thrust of the testing is whether NTIS can communicate with and take orders from customers away from the Springfield facility and without access to NTIS' order processing system and other IT information systems. NTIS successfully tested its ability to log on to computers at the facility, telephone access, telefax capability, use of e-mail, internet access, alternative research tools for handling customer inquiries, ability to respond to customer test inquiries and the ability to enter time and attendance data.

COMPLIANCE WITH AMERICAN TECHNOLOGY PREEMINENCE ACT

Federal agencies are required to submit copies of their technical information products to NTIS. Section 3704b-2(b) of Title 15 required the Secretary to include information on efforts to secure compliance with this requirement as part of the annual report requirement that was repealed by Section 3003(a) (1) of the Federal Reports Elimination and Sunset Act of 1995 and reinstated by Section 1(9) of Public Law 107-74. That provision has proven difficult to enforce now that many Federal agencies put their information products directly on their web sites and information dissemination is decentralized in many agencies. However, NTIS maintains an active program for monitoring agency web sites and harvesting appropriate documents that were not sent to us proactively.

PART II. Financial Statements

U. S. Department Of Commerce
National Technical Information Service
BALANCE SHEETS
As of September 30, 2006 and 2005
(In Thousands)

	<u>FY2006</u>	<u>FY2005</u>
ASSETS		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 30,518	\$ 30,819
Accounts Receivable, Net (Note 4)	1,336	344
Advances and Prepayments (Note 5)	<u>280</u>	<u>259</u>
Total Intragovernmental Assets	32,134	31,422
Cash And Other Monetary Assets (Note 3)	29	25
Accounts Receivable, Net (Note 4)	436	535
Inventory And Related Property, Net (Note 7)	201	142
General Property, Plant And Equipment, Net (Note 8)	251	246
Advances and Prepayments (Note 5)	96	245
Database (Note 6)	<u>5,259</u>	<u>5,423</u>
Total Assets	<u>\$ 38,406</u>	<u>\$ 38,038</u>
LIABILITIES		
Intragovernmental Liabilities:		
Accounts Payable (Note 9)	\$ 6,363	\$ 4,141
Liability For Unearned Revenue (Note 10)	7,386	9,351
Other Intragovernmental Liabilities	<u>198</u>	<u>181</u>
Total Intragovernmental Liabilities	13,947	13,673
Accounts Payable (Note 9)	1,478	1,391
Accrued Payroll and Annual Leave	1,273	1,296
Actuarial FECA Liability	572	561
Liability For Unearned Revenue (Note 10)	<u>4,752</u>	<u>5,023</u>
Total Liabilities	<u>\$ 22,022</u>	<u>\$ 21,944</u>
Commitments and Contingencies (Note 11)		
NET POSITION		
Cumulative Results Of Operations - Earmarked Funds	<u>\$ 16,384</u>	<u>\$ 16,094</u>
Total Net Position - Earmarked Funds	<u>\$ 16,384</u>	<u>\$ 16,094</u>
Total Liabilities And Net Position	<u>\$ 38,406</u>	<u>\$ 38,038</u>

The accompanying notes are an integral part of these statements

PART II. Financial Statements

U. S. Department Of Commerce

National Technical Information Service

STATEMENTS OF NET COST

For the Years Ended September 30, 2006 and 2005

(In Thousands)

	<u>FY2006</u>	<u>FY2005</u>
Collect and Disseminate Technical Information Clearinghouse Program		
Intragovernmental	\$ 7,546	7,318
With The Public	<u>18,873</u>	<u>18,418</u>
Total	26,419	25,736
Less: Earned Revenues	<u>(25,554)</u>	<u>(25,035)</u>
Net Program Costs (Earned Revenues)	<u>\$ 865</u>	<u>\$ 701</u>
NET COST OF OPERATIONS	<u>\$ 865</u>	<u>\$ 701</u>

The accompanying notes are an integral part of these statements

PART II. Financial Statements

U. S. Department Of Commerce

National Technical Information Service

STATEMENTS OF CHANGES IN NET POSITION

For the Years Ended September 30, 2006 and 2005

(In Thousands)

	<u>FY2006</u>	<u>FY2005</u>
Net Position-Beginning Of Year - Earmarked Funds	\$16,094	\$15,603
Financing Sources (Other Than Exchange Revenues):		
Imputed Financing (Note 1)	<u>1,155</u>	<u>1,192</u>
Total Financing Sources	1,155	1,192
Net Cost Of Operations (Earned Revenues)	<u>(865)</u>	<u>(701)</u>
Net Position-End Of Year - Earmarked Funds	<u>\$ 16,384</u>	<u>\$ 16,094</u>

The accompanying notes are an integral part of these statements

PART II. Financial Statements

U.S. Department of Commerce

National Technical Information Service

STATEMENTS OF BUDGETARY RESOURCES

For the Years Ended September 30, 2006 and 2005

(In Thousands)

	<u>FY2006</u>	<u>FY2005</u>
Budgetary Resources:		
Unobligated Balance:		
Brought Forward, October 1	\$ 8,218	\$ 10,991
Spending Authority From Offsetting Collections (Gross)		
Earned	26,132	9,475
Change in Unfilled Customer Orders	<u>2,942</u>	<u>3,610</u>
Total Budgetary Resources	<u>\$ 37,292</u>	<u>\$ 24,076</u>
Status Of Budgetary Resources:		
Obligations Incurred:		
Reimbursable	\$ 27,154	\$ 15,858
Unobligated Balances -Available	<u>10,138</u>	<u>8,218</u>
Total Status Of Budgetary Resources	<u>\$ 37,292</u>	<u>\$ 24,076</u>
Change in Unpaid Obligated Balance, Net:		
Unpaid Obligated Balance, Net As Of October 1	\$ 11,837	\$ 20,705
Obligations Incurred	27,154	15,858
Less: Gross Outlays	(22,723)	(4,612)
Change in Uncollected Customer Payments	\$ 4,488	\$ 39
Unpaid Obligated Balance, Net, End of Period		
Unpaid Obligations	16,611	\$ 12,181
Less: Uncollected Customer Payments	<u>(4,832)</u>	<u>\$ (344)</u>
Total Unpaid Obligated Balance, Net, End of Period	<u>\$ 11,779</u>	<u>\$ 11,837</u>
Net Outlays:		
Disbursements	22,723	24,688
Less: Collections	<u>(24,585)</u>	<u>(13,047)</u>
Total Net Outlays	<u>\$ (1,862)</u>	<u>\$ 11,641</u>

The accompanying notes are an integral part of these statements

PART II. Financial Statements

U. S. Department Of Commerce

National Technical Information Service

STATEMENTS OF FINANCING

For the Years Ended September 30, 2006 and 2005

(In Thousands)

FY2006

FY2005

Resources Used to Finance Activities

Budgetary Resources Obligated

Obligations Incurred	\$ 27,154	\$ 15,858
Less: Spending Authority For Offsetting Collections and Adjustments	(29,074)	(13,085)
Change in AR Non-Government	556	69
Write-offs	(4)	(9)
Change in Undeposited Collections	25	8
Change in Unfilled Customer Orders	2,942	(12,014)
Financing Imputed For Cost Subsidies	1,155	1,192
Total Resources Used to Finance Activities	\$ 2,754	\$ (7,981)

Resources Used to Finance Items not Part of the Net Cost of Operations

Change in Amount of Goods, Services, and Benefits Ordered But Not Yet Received or Provided	\$ (1,988)	\$ 8,569
Inventory Purchases	(1,515)	(1,381)
Changes in Supplies/Equipment	(168)	(189)
Data Base Capitalization	(2,299)	(2,509)
Total Resources Used to Finance Items not Part of the Net Cost of Operations	\$ (5,970)	\$ 4,490
Total Resources Used to Finance the Net Cost of Operations	\$ (3,216)	\$ (3,491)

Components of Net Cost of Operations that will not Require or Generate Resources

Costs of Goods Sold	\$ 1,428	\$ 1,392
Depreciation and Amortization Expense	2,626	2,697
Increase in Obsolescence	28	95
Bad Debt Expense	(1)	8
Total Components of Net Cost of Operations that will not Require or Generate Resources	\$ 4,081	\$ 4,192

Net Cost Of Operations \$ 865 \$ 701

The accompanying notes are an integral part of these statements

Part II. Financial Statements

National Technical Information Service
Notes to Financial Statements
(\$ in thousands)
September 30, 2006 and 2005

NOTE 1. Summary of Significant Accounting Policies

Reporting Entity

The National Technical Information Service (NTIS) was established in 1945 by Executive Order 9568 of the Publications Board to collect and declassify World War II technical data for dissemination to industry. NTIS operates under the provisions of Title 15, U.S. Code 1151-1157 and the NTIS Act of 1988 (15 U.S.C. 3701) as an agency of the U.S. Department of Commerce (The Department). Its mission is to collect, process, market, and disseminate government-sponsored and foreign scientific, technical and business information; and assist other agencies with their information programs. NTIS funds its operations through the sale of its products and services, rather than through direct appropriations. Occasional appropriation support may be required for a substantial one-time outlay for Congressionally mandated new programs and requirements.

On October 6, 1992, legislation was passed authorizing the establishment of the NTIS Revolving Fund. Upon establishing the NTIS Revolving Fund, all receipts from the sale of products and services are deposited in this fund and all expenses, including capital expenditures, are paid from it.

The accompanying financial statements present the financial position and financial activities of the NTIS Revolving Fund administered by NTIS. There were no intra-entity transactions and therefore no separate column is presented on the face of the financial statements.

Basis of Account and Presentation

Under the authority of the Chief Financial Officers (CFO) Act of 1990, the Government Accountability Office (GAO) participated with the Office of Management and Budget (OMB) and the Department of the Treasury in the establishment of the Federal Accounting Standards Advisory Board (FASAB). FASAB's purpose is to consider and recommend accounting principles, standards, and requirements to GAO, Treasury, and OMB. The Comptroller General, the Secretary of the Treasury, and the Director of OMB (the three principals of FASAB) decide upon new principles, standards, and requirements after considering FASAB's recommendation.

The financial statements of NTIS have been prepared from its accounting records in conformity with accounting principles generally accepted in the United States of America (GAAP) and the form and content for entity financial statements as specified in OMB Circular No. A-136, *Financial Reporting Requirements*. GAAP for Federal agencies are standards prescribed by FASAB which has been designated the official accounting standards setting body for the Federal government.

Part II. Financial Statements

National Technical Information Service Notes to Financial Statements (\$ in thousands) September 30, 2006 and 2005

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, without regard to receipt or payment of cash, and expenses are recognized when goods or services are rendered. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds.

Throughout these financial statements, intragovernmental assets, liabilities, earned revenue, and costs have been classified according to the type of entity with whom the transactions were made. Intragovernmental assets and liabilities are those from or to other federal entities. Intragovernmental earned revenue represents collections or accruals of revenue from other federal entities, and intragovernmental costs are payments or accruals to other federal entities.

Budgets and Budgetary Accounting

OMB annually apportions expenditure authority to NTIS based upon NTIS' estimate of sales of products and services. Typically, the Department of Commerce's (DoC) annual budget includes NTIS for informational purposes and Congressional oversight. Unobligated funds may be carried over into the next fiscal year.

Earmarked Funds

NTIS implemented SFFAS 27, *Identifying and Reporting Earmarked Funds*, in FY2006. Earmarked funds are financed by specifically identified revenues which remain available over time. All funds deposited in NTIS' Revolving Fund are considered Earmarked Funds.

Revenues and Other Financing Sources

Operating revenues result from sales of scientific and technical products and services to business, government, and educational institutions. Additional amounts are obtained through reimbursements for services performed for other federal agencies. Revenues are earned as goods or services are delivered or contract terms are met.

Fund Balance with Treasury and Cash on Hand

NTIS does not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Treasury. Except as restricted (Note 2), the Fund Balances with Treasury and Cash on Hand are funds that are available to pay current liabilities and finance authorized purchase commitments. Cash balances held outside the U.S. Treasury are for change-making purposes and are not material.

Part II. Financial Statements

National Technical Information Service Notes to Financial Statements (\$ in thousands) September 30, 2006 and 2005

Inventories

Inventories consist primarily of technical documents held for sale to customers. Inventories held for sale are stated at the lower of cost or market. Cost is determined principally using the first-in, first-out (FIFO) method; recorded values are adjusted to reflect the results of physical inventories; and a periodic allowance for obsolescence is expensed. See Note 7 for inventory composition. Expenses are recorded when the inventories are shipped or consumed.

Accounts Receivable

Accounts receivable result from the sale of NTIS products and services to the public and federal agencies. NTIS calculates its allowance for doubtful accounts based on historical collection data and, in some cases, specific account analysis.

Property and Equipment

Property and equipment consist of machinery and equipment, which are recorded at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. NTIS capitalizes equipment valued in excess of twenty-five thousand dollars with a useful life of two years or more.

Database

Other assets include the NTIS bibliographic database. The database is the result of NTIS' acquisition and processing of scientific and technical information products. Processing includes cataloguing, indexing, abstracting, and sorting by form and content deemed by NTIS to be responsive to customer demand. The result of this processing is the creation of a database of information that is used to prepare various products and services offered for sale to the public and to other federal agencies. Document registration, payroll, and computer input processing costs are capitalized as part of the database to reflect current additions and enhancements to the asset. Amortization is calculated using an accelerated method, which approximates anticipated sales volume.

Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as an advance to others or a prepaid charge, and recognized as expenditures/expenses when the goods and services are received.

Part II. Financial Statements

National Technical Information Service Notes to Financial Statements (\$ in thousands) September 30, 2006 and 2005

Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by NTIS as the result of a transaction or event that has already occurred. All liabilities are covered by budgetary resources.

Customer deposits consist of cash that customers have remitted to fund future purchases of NTIS products and services.

Accrued payroll and benefits reflect salaries and benefits earned but not paid as of year-end.

Subscription escrow accounts are used to account for unearned revenue, or cash received prior to year-end, for subscription products to be shipped at a future date.

Annual, Sick and Other Leave

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. This balance is fully funded. Sick leave and other types of leave are expensed as taken and are considered non-vested.

Retirement Plans (CSRS and FERS)

NTIS does not report Civil Service Retirement System (CSRS) assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the Office of Personnel Management (OPM).

Most employees of NTIS 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.

For CSRS-covered regular employees, NTIS 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 NTIS and its employees. NTIS has recognized an Imputed Cost and an Imputed Financing Source From Costs Absorbed by Others for the difference between

Part II. Financial Statements

National Technical Information Service Notes to Financial Statements (\$ in thousands) September 30, 2006 and 2005

the estimated service cost and the contributions made by NTIS and its covered employees.

For FERS-covered regular employees, NTIS was required to make contributions of 11.2 percent (FY 2006 and FY 2005) of basic pay. Employees contributed .8 percent of basic pay. Employees participating in FERS are covered under the Federal Insurance Contributions Act (FICA), for which NTIS contributes a matching amount to the Social Security Administration. For the period ended September 30, 2006, this plan was not fully funded by NTIS and its employees. NTIS therefore recognized an Imputed Cost and an Imputed Financing Source From Costs Absorbed by Others for the difference between the estimated service cost and the contributions made by NTIS and its covered employees.

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 NTIS makes a mandatory contribution of one percent of basic pay. Beginning in January 2006, FERS and CSRS covered employees will have no limit on the percentage of pay contributed to their TSP account. However, the total contribution for the year may not exceed the IRS limit of \$15,000. NTIS 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 amount limits.

Pension and Other Retirement Benefits Accruals

NTIS recognized an imputed financing source and corresponding expense to represent its share of the cost to the Federal government of providing pension and post-retirement health and life insurance benefits to all eligible NTIS employees. OMB limits Imputed Costs to be recognized by federal entities to the following: 1) employees' pension benefits; 2) health insurance, life insurance, and other benefits for retired employees; 3) other post-employment benefits for retired, terminated, and inactive employees, including severance payments, training and counseling, continued health care, and unemployment and workers' compensation under FECA; and 4) losses in litigation proceedings. NTIS includes applicable Imputed Costs on the *Consolidated Statements of Net Cost*. In addition, an Imputed Financing Source is recognized on the *Consolidated Statements of Changes in Net Position*.

Part II. Financial Statements

National Technical Information Service
Notes to Financial Statements
(\$ in thousands)
September 30, 2006 and 2005

Workers' Compensation – Future Workers' Compensation Benefits (Actuarial FECA Liability)

Actuarial FECA liability represents future workers' compensation (FWC) benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. The liability is determined by the Department of Labor (DoL) using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefit payments have been discounted to present value using the Office of Management and Budget's (OMB's) economic assumptions for ten-year Treasury notes and bonds.

To provide more specifically for the effects of inflation on the liability for future workers' compensation benefits, wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index medical or CPIMs) were applied to the calculation of projected future benefits. These factors were also used to adjust historical payments of benefits by NTIS to current year constant dollars.

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

Use of Estimates

The preparation of financial statements in conformity with the accounting principles described above requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes. Actual results could differ from those estimates.

PART II. Financial Statements

Note 2. Fund Balances With Treasury:

(In Thousands)

A. Fund Balances:	<u>FY2006</u>			<u>FY2005</u>		
	<u>Entity Assets</u>	<u>Non-Entity Assets</u>	<u>Total</u>	<u>Entity Assets</u>	<u>Non-Entity Assets</u>	<u>Total</u>
Earmarked Revolving Fund	\$ 16,306	\$ 5,611	\$ 21,917	\$ 16,185	\$ 3,870	\$ 20,055
NTIS Customer Deposits	-	8,601	8,601	-	10,764	10,764
Total Fund Balance	<u>\$ 16,306</u>	<u>\$ 14,212</u>	<u>\$ 30,518</u>	<u>\$ 16,185</u>	<u>\$ 14,634</u>	<u>\$ 30,819</u>

B. Status of Fund Balance with Treasury

	<u>FY2006</u>	<u>FY2005</u>
Unobligated Balance Available	\$ 10,138	\$ 8,218
Obligated Balance not yet Disbursed	11,779	11,837
Non Budgetary	8,601	10,764
Total Fund Balance	<u>\$ 30,518</u>	<u>\$ 30,819</u>

Funds For Operations	\$ 16,306	\$ 16,185
Funds Owed To Agencies For Which NTIS		
Collects Receivables-Brokerage Services	5,611	3,870
NTIS Customer Deposits - Intragovernmental	7,330	9,306
NTIS Customer Deposits - Public	1,271	1,458
Total Fund Balance	<u>\$ 30,518</u>	<u>\$ 30,819</u>

Note 3: Cash, Foreign Currency and Other Monetary Assets:

(In Thousands)

Cash	<u>FY2006</u>	<u>FY2005</u>
	<u>Entity Assets</u>	<u>Entity Assets</u>
Undeposited Collections	\$ 29	\$ 25
	<u>\$ 29</u>	<u>\$ 25</u>

PART II. Financial Statements

Note 4. Accounts Receivable:

(In Thousands)

	<u>FY2006</u>		
	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Intragovernmental			
Accounts Receivable –Overdrawn Deposit Accounts	\$ 1,333	\$ -	\$ 1,333
Billed Accounts Receivable	<u>3</u>	<u>-</u>	<u>3</u>
	<u>\$ 1,336</u>	<u>\$ -</u>	<u>\$ 1,336</u>
Governmental			
Accounts Receivable –Overdrawn Deposit Accounts	\$ 142	\$ (9)	\$ 133
Billed Accounts Receivable	110	(2)	108
Unbilled Accounts Receivable	<u>195</u>	<u>-</u>	<u>195</u>
	<u>\$ 447</u>	<u>\$ (11)</u>	<u>\$ 436</u>
FY 2006 Total	<u><u>\$ 1,783</u></u>	<u><u>\$ (11)</u></u>	<u><u>\$ 1,772</u></u>
	<u>FY2005</u>		
	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Intragovernmental			
Accounts Receivable –Overdrawn Deposit Accounts	\$ 344	\$ -	\$ 344
Billed Accounts Receivable	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 344</u>	<u>\$ -</u>	<u>\$ 344</u>
Governmental			
Accounts Receivable –Overdrawn Deposit Accounts	\$ 146	\$ (13)	\$ 133
Billed Accounts Receivable	233	(4)	229
Unbilled Accounts Receivable	<u>173</u>	<u>-</u>	<u>173</u>
	<u>\$ 552</u>	<u>\$ (17)</u>	<u>\$ 535</u>
FY 2005 Total	<u><u>\$ 896</u></u>	<u><u>\$ (17)</u></u>	<u><u>\$ 879</u></u>

NTIS does not reserve for Intragovernmental and Unbilled receivables since they are considered fully collectible.

The Allowance for Bad Debts for Governmental (Public) is based on 83% of the total invoices with an invoice date of 120 days and older.

The Allowance for Bad Debts – Overdrawn Deposits for both Intragovernmental and Public is equal to 20% of the total overdrawn deposit account balances.

PART II. Financial Statements

Note 5. Advances and Prepayments:

(In Thousands)

	<u>FY2006</u>	<u>FY2005</u>
Other Entity Assets		
Intragovernmental		
Advances To Government Agencies	<u>\$ 280</u>	<u>\$ 259</u>
Public		
Advances To The Public	<u>\$ 96</u>	<u>\$ 245</u>

Note 6. Database

(In Thousands)

The database is the result of NTIS' acquisition and processing of scientific and technical information products. Processing includes cataloguing, indexing, abstracting, and sorting by form and content deemed by NTIS to be responsive to customer demand. The result of this processing is the creation of a database of information that is used to prepare various products and services offered for sale to the public and to other federal agencies.

The amortization method used for the database is the declining balance with 30% amortized the first year, 20% for the second year, and 10% over the remaining five years.

Registration, payroll, and computer input costs are capitalized as part of the database to reflect current additions and enhancements to the asset. Total costs added to the database in FY2006 were \$2.3 million.

The database consisted of the following:

(In Thousands)	<u>FY2006</u>	<u>FY2005</u>
Capitalized Costs	\$ 50,878	\$ 48,579
Less: accumulated amortization	<u>(45,619)</u>	<u>(43,156)</u>
Total	<u>\$ 5,259</u>	<u>\$ 5,423</u>

For the period ended September 30, 2006 amortization expense was \$2.5 million.

PART II. Financial Statements

NOTE 7. Inventory and Related Property:

(In Thousands)

	<u>FY2006</u>		
	<u>Inventory Amount</u>	<u>Allowance for Losses</u>	<u>Inventory Net</u>
Inventory Categories:			
Inventory Held For Sale	\$ 429	\$ (256)	\$ 173
Inventory Not Held For Sale			
Material and Goods For Own			
Use - Print Plant Supply	<u>28</u>	<u>-</u>	<u>28</u>
Subtotal	<u>28</u>	<u>-</u>	<u>28</u>
 Total	 <u>\$ 457</u>	 <u>\$ (256)</u>	 <u>\$ 201</u>
	<u>FY2005</u>		
	<u>Inventory Amount</u>	<u>Allowance for Losses</u>	<u>Inventory Net</u>
Inventory Categories:			
Inventory Held For Sale	\$ 357	\$ (254)	\$ 103
Inventory Not Held For Sale			
Material and Goods For Own			
Use - Print Plant Supply	<u>39</u>	<u>-</u>	<u>39</u>
Subtotal	<u>39</u>	<u>-</u>	<u>39</u>
 Total	 <u>\$ 396</u>	 <u>\$ (254)</u>	 <u>\$ 142</u>

At September 30, 2006, inventory held for sale consisted of copies of scientific and technical reports and products in the gross amount of \$429 thousand.

Inventory Obsolescence is based on historical sales data and the actual inventory that is obsolete at the end of the reporting period.

Material and Goods for Own Use - Supply Inventory represents stockroom office supplies held for future distribution and consumption by NTIS offices. The valuation method used is First In - First Out (FIFO).

PART II. Financial Statements

NOTE 8. Property, Plant and Equipment, Net:

(In Thousands)

FY2006

Fixed Assets

	Balance FY05	Purchases FY06	Disposals FY06	Balance FY06
Equipment	\$ 3,516	\$ 168	\$ (1,044)	\$ 2,640
Furniture	194	-	(19)	175
	<u>\$ 3,710</u>	<u>\$ 168</u>	<u>\$ (1,063)</u>	<u>\$ 2,815</u>

Accumulated Depreciation

	Balance FY05	Depreciation FY06	Disposals FY06	Balance FY06	Net Book Value	Depreciation Method*	Service Life**
Equipment	\$ 3,270	\$ 163	\$ (1,044)	\$ 2,389	\$ 251	SL	2-5
Furniture	194	-	(19)	175	0	SL	2-5
	<u>\$ 3,464</u>	<u>\$ 163</u>	<u>\$ (1,063)</u>	<u>\$ 2,564</u>	<u>\$ 251</u>		

FY2005

Fixed Assets

	Balance FY04	Purchases FY05	Disposals FY05	Balance FY05
Equipment	\$ 3,603	\$ 189	\$ (276)	\$ 3,516
Furniture	250	-	(56)	194
	<u>\$ 3,853</u>	<u>\$ 189</u>	<u>\$ (332)</u>	<u>\$ 3,710</u>

Accumulated Depreciation

	Balance FY04	Depreciation FY05	Disposals FY05	Balance FY05	Net Book Value	Depreciation Method*	Service Life**
Equipment	\$ 3,386	\$ 160	\$ (276)	\$ 3,270	\$ 246	SL	2-5
Furniture	250	-	(56)	194	0	SL	2-5
	<u>\$ 3,636</u>	<u>\$ 160</u>	<u>\$ (332)</u>	<u>\$ 3,464</u>	<u>\$ 246</u>		

* Depreciation Method

SL=Straight Line

** Range of Service Life:

2-5= 2 to 5 years

PART II. Financial Statements

NOTE 9. Accounts Payable:

(In Thousands)

As of September 30, 2006, accounts payable consisted of the following:

	<u>Intragovernmental</u>	<u>Public</u>	<u>Total</u>
Accounts Payable, Operations	\$ 756	\$ 1,475	\$ 2,231
Accounts Payable, Brokerage	<u>5,607</u>	<u>3</u>	<u>5,610</u>
Total	<u>\$ 6,363</u>	<u>\$ 1,478</u>	<u>\$ 7,841</u>

Of the intragovernmental accounts payable, approximately \$5.6 million represents amounts due under reimbursable agreements with the National Library of Medicine (NLM) for the year ended September 30, 2006 and related brokerage services (billing, collection, and financial management services) rendered.

As of September 30, 2005, accounts payable consisted of the following:

	<u>Intragovernmental</u>	<u>Public</u>	<u>Total</u>
Accounts Payable, Operations	\$ 275	\$ 1,387	\$ 1,662
Accounts Payable, Brokerage	<u>3,866</u>	<u>4</u>	<u>3,870</u>
Total	<u>\$ 4,141</u>	<u>\$ 1,391</u>	<u>\$ 5,532</u>

Of the intragovernmental accounts payable, approximately \$3.8 million represents amounts due under reimbursable agreements with the National Library of Medicine (NLM) for the year ended September 30, 2005 and related brokerage services (billing, collection, and financial management services) rendered.

NOTE 10. Liability for Unearned Revenue

(In Thousands)

<u>FY2006</u>	<u>Intragovernmental</u>	<u>Public</u>	<u>Total</u>
NTIS Customer Deposits	\$ 7,330	\$ 1,259	\$ 8,589
Subscription Escrow	42	3,381	3,423
Deferred Revenue, Undeposited Cash & Refunds	<u>14</u>	<u>112</u>	<u>126</u>
Total	<u>\$ 7,386</u>	<u>\$ 4,752</u>	<u>\$ 12,138</u>

<u>FY2005</u>	<u>Intragovernmental</u>	<u>Public</u>	<u>Total</u>
NTIS Customer Deposits	\$ 9,284	\$ 1,454	\$ 10,738
Subscription Escrow	45	3,494	3,539
Deferred Revenue, Undeposited Cash & Refunds	<u>22</u>	<u>75</u>	<u>97</u>
Total	<u>\$ 9,351</u>	<u>\$ 5,023</u>	<u>\$ 14,374</u>

PART II. Financial Statements

NOTE 11. Commitments and Contingencies

Future Commitments

NTIS is committed to purchase goods and services ordered, but not yet received (undelivered orders) amounting to \$6.7 million and \$4.6 million as of September 30, 2006 and 2005, respectively.

The land and buildings in which NTIS operates are provided through the General Services Administration's building delegation fund, and NTIS is charged rent intended to approximate commercial rental rates. Rent expense charged for office space for the years ended September 30, 2006 and 2005 was \$1.3 million and \$1.4 million, respectively.

Future Minimum Lease Payments Due:	Total Building
Cancelable Operating Leases	(In Thousands)
Fiscal Year 2007	\$ 1,479
Fiscal Year 2008	1,480
Fiscal Year 2009	1,481
Fiscal Year 2010	1,482
Total Future Minimum Lease Payments	<u>\$ 5,922</u>

Pending Claims

To the best of management's and the Department of Commerce's Office of General Counsel's knowledge, information and belief, there are no pending claims or threatened litigation, claims, or assessments or unasserted claims or adjustments that might have a material impact on the financial position of NTIS.

Apportionment Categories of Obligations Incurred

NTIS had Reimbursable Obligations for the years ended September 30, 2006 and September 30, 2005 in the amount of \$27.1 million and \$15.8 million, respectively.

NOTE 12. Gross Costs and Earned Revenue By Budget Functional Classification

(In Thousands)

NTIS' gross costs and earned revenues by budget functional classification are all included in the collect and disseminate technical information classification.

Collect and Disseminate Technical Information	<u>FY2006</u>	<u>FY2005</u>
Gross Cost	\$ 26,419	\$ 25,736
Earned Revenue	<u>(25,554)</u>	<u>(25,035)</u>
Net Cost	<u>\$ 865</u>	<u>\$ 701</u>

PART III. Required Supplemental Information

1. FY 2006 vs. FY 2005 Summary Revenue and Cost

	(\$ in Thousands)			
	<u>Year ended</u> <u>September 30, 2006</u>		<u>Year ended</u> <u>September 30, 2005</u>	
	<u>Revenue</u>			
Clearinghouse Program	\$25,554	96%	\$25,034	95%
Other Reported Items	<u>1,155</u>	4%	<u>1,193</u>	5%
TOTAL, NTIS REVENUE:	<u><u>\$26,709</u></u>	100%	<u><u>\$26,227</u></u>	100%
	<u>Cost</u>			
Clearinghouse Program	\$25,264	96%	\$24,543	95%
Other Reported Items	<u>1,155</u>	4%	<u>1,193</u>	5%
TOTAL, NTIS COST:	<u><u>\$26,419</u></u>	100%	<u><u>\$25,736</u></u>	100%
	<u>Net</u>			
Clearinghouse Program	\$290	100%	\$491	100%
Other Reported Items	<u>0</u>	0%	<u>0</u>	0%
TOTAL, NTIS	<u><u>\$290</u></u>	100%	<u><u>\$491</u></u>	100%

NOTE: The Statement of Net Cost, included in the financial statements, excludes revenue for FY 2006/FY 2005 (\$1,155K/\$1,193K) from an imputed financing source related to the cost of providing pension and other retirement benefits (refer to Note 1 to the Financial Statements for additional detail to this financing source). This revenue is included in "Other Reported Items" on the Statement of Changes in Net Position.

PART III. Required Supplemental Information

2. FY2006 vs. FY2005 Intra-governmental Assets

Trading Partner	(\$ in thousands)				Year ended September 30, 2005
	Year ended September 30, 2006				
	Fund Balance With Treasury	Accounts Receivable, Net	Advances and Prepayments	Total	Total
3 Library of Congress	\$ -	\$ 1	\$ 5	\$ 6	\$ 7
4 Government Printing Office	-	-	1	1	2
12 Department of Agriculture	-	11	-	11	30
13 Department of Commerce	-	63	192	255	191
18 United States Postal	-	-	82	82	61
20 Department of Treasury	30,518	-	-	30,518	30,830
21 Department of the Army	-	1	-	1	-
47 General Services Administration	-	181	-	181	105
57 Department of the Air Force	-	3	-	3	-
68 Environmental Protection Agency	-	-	-	-	1
75 Department of Health and Human Services	-	1,074	-	1,074	193
89 Department of Energy	-	2	-	2	-
97 Secretary of Defense	-	-	-	-	2
TOTAL	\$ 30,518	\$ 1,336	\$ 280	\$ 32,134	\$ 31,422

PART III. Required Supplemental Information

3. FY2006 vs. FY2005 Intra-governmental Liabilities

		(\$ in thousands)				
		Year ended			Year ended	
		September 30, 2006			September 30, 2005	
Trading Partner	Accounts Payable	Other Intragovernmental Liabilities	Unearned Revenue	Total	Total	
3	Library of Congress	\$ -	\$ -	\$ -	\$ -	\$ (1)
4	Government Printing Office	(641)	-	-	(641)	(62)
5	General Accounting Office	-	-	(1)	(1)	(28)
11	Exec Off of the President	-	-	(28)	(28)	(877)
12	Department of Agriculture	-	-	(1,135)	(1,135)	(493)
13	Department of Commerce	(56)	-	(242)	(298)	(7)
14	Department of Interior	-	-	(5)	(5)	(14)
15	Department of Justice	-	-	(9)	(9)	(255)
16	Department of Labor	-	(89)	(147)	(236)	(1,444)
17	Department of the Navy	-	-	(152)	(152)	(2,246)
20	Department of Treasury	-	-	(2,216)	(2,216)	(411)
21	Department of the Army	(42)	-	(368)	(410)	(68)
24	OPM	(4)	(65)	-	(69)	(565)
28	Social Security Administration	(11)	(13)	(454)	(478)	(56)
31	Nuclear Regulatory Commission	-	-	(58)	(58)	(1)
33	Smithsonian Institution	-	-	(1)	(1)	(118)
36	Department of Veterans Affairs	-	-	(98)	(98)	(18)
47	General Services Administration	(2)	-	(13)	(15)	(605)
56	Central Intelligence Agency	(33)	-	(189)	(222)	(267)
57	Department of the Air Force	-	-	(161)	(161)	(445)
68	Environmental Protection Agency	-	-	(425)	(425)	(102)
69	Department of Transportation	-	-	(98)	(98)	(27)
70	Department of Homeland Security	-	-	(22)	(22)	(1)
71	Overseas Private Investment Corporation	-	-	(1)	(1)	(5)
72	Agency for International Development	-	-	(5)	(5)	(4,648)
75	Department of Health & Human Services	(5,566)	-	(635)	(6,201)	(22)
80	National Aeronautics and Space Admin	-	-	(24)	(24)	(24)
86	Department of Housing and Urban Develop	-	-	-	-	(33)
89	Department of Energy	-	-	(35)	(35)	(81)
91	Department of Education	-	-	(139)	(139)	(43)
95	USIA	(5)	-	(37)	(42)	(29)
96	U S Army Corps of Engineers	-	-	(33)	(33)	(662)
97	Secretary of Defense	(2)	-	(655)	(657)	(15)
99	Treasury General Fund	(1)	(31)	-	(32)	
		<u>\$ (6,363)</u>	<u>\$ (198)</u>	<u>\$ (7,386)</u>	<u>\$ (13,947)</u>	<u>\$ (13,673)</u>