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, normal repairs, 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. Critical maintenance is defined as those projects where the required maintenance and repairs will have a critical impact on the public access, functionality and mission support, health and safety, and life cycle cost of a facility if the maintenance or repairs is not performed. 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 represent 96 percent of the Department's General PP&E, Net balance as of September 30, 2014.

NOAA:

NOAA measures DM&R using *Condition Assessment Surveys* which are periodic visual (i.e., physical) inspections of PP&E and heritage assets to determine their current condition and estimated cost to correct any deficiencies. NOAA schedules its surveys, for real property on a cyclical basis, with each appropriate asset being surveyed every five years. For DM&R reporting purposes, NOAA completed a condition survey of the entire applicable inventory of its real property in FY 2011. The first complete cycle of annual testing of a fifth of the real property inventory will be completed no later than 2016. Exceptions to the five-year cycle would be where factors indicate that a greater frequency of review is prudent for reasons such as age and/or poor condition. NOAA schedules it surveys for personal property on an annual basis.

NOAA will perform *Condition Assessment Surveys* as necessary to measure and report DM&R for capitalized personal property, 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. NOAA will additionally perform condition assessment surveys for capitalized personal property. 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 they represent less than 10 percent of the acquisition value of NOAA's DM&R inventory and therefore are considered immaterial. DM&R cost estimates will only be 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.

NOAA prioritizes maintenance and repair projects to sustain its inventory 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 real property 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. 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 they represent less than 10% of the acquisition value our inventory and therefore are considered immaterial.

Acceptable 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 building conditions, which include the review of building systems such as civil, structure, architectural, life safety, mechanical, plumbing, elevators, electric, and others.

NOAA has not significantly changed its policies, factors, or amounts that are subject to DM&R reporting requirements.

The following table shows NOAA's DM&R as of September 30, 2014 and September 30, 2013:

(In Thousands)

Asset Category	Deferred Maintenance and Repairs as of September 30, 2014	Deferred Maintenance and Repairs as of September 30, 2013
Buildings	$ 74,518	$ 72,545
Heritage Assets:		
Documentary Artifacts	11,900	11,900
Pictures	1,000	1,000
Multi-use Heritage	90	176
Other	162	162
Ships	22,996	27,272
Total	**$ 110,666**	**$ 113,055**

NIST:

NIST performs facility *Condition Assessment Surveys* for capitalized NIST-owned buildings (including those fully depreciated). NIST does not make a distinction between active or inactive assets for reporting DM&R.

Specific to real property, DM&R estimates relate to capitalized, non-capitalized, and fully depreciated General PP&E. DM&R cost estimates are reported for individual items with estimates greater than $5 thousand identified in NIST-owned buildings and facilities. Items estimated to cost less than $5 thousand are shared with the facility managers for correction as emergency/service calls or minor work orders.

NIST prioritizes maintenance and repair projects to sustain its inventory 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 real property enables the accomplishment of the mission.

Individual 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 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.

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 actually 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.

NIST DM&R increased significantly from $215.0 million as of September 30, 2013 to $297.0 million as of September 30, 2014, an increase of $82.0 million. The increase is in part due to an increase in DM&R of $35.4 million associated with deficiencies in Building 245, a 50-year old, 210 thousand square foot building. In the past, the reported deficiencies of Building 245 included costs to conduct further study to quantify the extent of needed maintenance and repairs to the building's aging mechanical, electrical, plumbing, and architectural systems. DM&R as of September 30, 2014 includes the estimated costs of needed maintenance and repairs and recommendations to meet current codes. Furthermore, the recalculation of previously recognized facility DM&R, using current fiscal year construction cost rates, and an improvement in the estimation methodologies, together resulted in an increase in DM&R of $29.0 million, and a more comprehensive approach to estimating road and parking lot DM&R resulted in an increase in DM&R of $14.4 million.

The following table shows NIST's DM&R as of September 30, 2014 and September 30, 2013:

(In Thousands)

Assets Category	Deferred Maintenance and Repairs as of September 30, 2014	Deferred Maintenance and Repairs as of September 30, 2013
Buildings	$ 267,867	$ 204,635
Site Utilities and Infrastructure	29,107	10,373
Total	**$ 296,974**	**$ 215,008**

B Schedule of Budgetary Resources by Major Budget Account

The following table illustrates the Department's FY 2014 budgetary resources by major budget account. The "Other Programs" column refers to the Department's reporting entities and their budget accounts that are not listed.

AAPC
Early Implementation Discussion

SFFAS 42, Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32

Component Entity Requirements

Paragraph 15. RSI Requirements	Department of Commerce FY2014 Early Implementation	Source
a. A summary of the entity's M&R policies and brief description of how they are applied; i.e., method of measuring DM&R	1. The first paragraph describing the entity's M&R policy does not comply with SFFAS 40 (M&R definition). In describing its policy the entity is referring to the superseded M&R definition that includes outdated terms such as; "normal repairs." It is suggested that the entity comply with SFFAS 40 and reference the most current M&R definition. 2. The entity mentions "critical maintenance" – an optional reporting item - in this first paragraph without any further reference in ether the NOAA or NIST presentations. It is suggested that to increase readability the entity include a brief discussion of how "critical maintenance" relates to either of the NOAA or NIST estimates.	SFFAS 40, *Definitional Changes Related to Deferred Maintenance and Repairs: Amending Statement of Federal Financial Accounting Standards 6, Accounting for Property, Plant, and Equipment.* Effective 2012 Par. 6: M&R Definition.
b. Policies for ranking and prioritizing M&R activities	The entity's disclosure meets the Standards' requirements.	NOAA - Page 109, top of page. NIST – Page 109, third paragraph.
c. Factors the entity	The entity's disclosure	NOAA - Page 109, last

considers in determining acceptable condition standards	meets the Standards' requirements.	paragraph to Page 110. NIST – Page 109, third paragraph.
d. Whether DM&R relates solely to capitalized general PP&E and non-capitalized stewardship PP&E or also to amounts relating to non-capitalized or fully depreciated general PP&E	The entity's disclosure meets the Standards' requirements.	NOAA - Page 108, middle and last paragraphs. NIST – Page 109, second paragraph.
e. Capitalized general PP&E, and non-capitalized heritage assets and stewardship land for which management does not measure and/or report DM&R and the rationale for the exclusion	1. The NIST disclosure is silent in this regard as it only addresses real property and does not state as NOAA does on page 108, what is not reported as DM&R. It is suggested that the entity clearly state (including rationale) what assets, if any, for which DM&R is not measured.	NOAA - Page 108, middle and last paragraphs.
f. If applicable, explanation of any significant changes to (1) the policies and factors subject to the reporting requirements established in a. through e. above and (2) DM&R amounts from the prior year	The entity's disclosure meets the Standards' requirements.	NOAA – top of Page 109; stand-alone sentence. NIST – Page 110, second paragraph.
g. Estimates of the beginning and ending balances of DM&R for each major category of PP&E for which maintenance and repairs have been deferred	The entity's disclosure meets the Standards' requirements.	NOAA – Page 109. NIST – Page 110.