

**FEDERAL MEDIATION AND  
CONCILIATION SERVICE**

**FY 2008 AND FY 2007 CFO ACT AUDIT  
OF FINANCIAL STATEMENTS**



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MARVIN C. ALLMOND, CPA

## INDEPENDENT AUDITOR'S REPORT

The Director  
Federal Mediation and Conciliation Service

We audited the accompanying balance sheet of the Federal Mediation and Conciliation Service (FMCS) as of September 30, 2008 and 2007, and the related statements of net cost, changes in net position, and statements of budgetary resources for the years then ended (the principal financial statements). These financial statements are the responsibility of FMCS management and were prepared by FMCS in accordance with Office of Management and Budget (OMB) Circular A-136, *Form and Content of Agency Financial Statements*, as amended. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with *Government Auditing Standards*, auditing standards generally accepted in the United States, and OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the principal financial statements referred to above present fairly, in all material respects, the financial position of FMCS as of September 30, 2008 and 2007, and its net costs, changes in net position, and budgetary resources for the year then ended in conformity with accounting principles generally accepted in the United States.

We issued a draft of this report to FMCS management and requested its comments. Management replied by indicating its general agreement with the audit results. In accordance with *Government Auditing Standards*, we issued separate reports dated November 13, 2008 on FMCS' internal control and compliance with laws and regulations. Our reports on internal

control and compliance are an integral part of an audit conducted in accordance with *Government Auditing Standards* and, in considering the results of the audit, those reports should be read together with this report.

*Chlorwood & Company LLC*

November 13, 2008  
Landover, Maryland



MARVIN C. ALLMOND, CPA

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

The Director  
Federal Mediation and Conciliation Service

We audited the accompanying balance sheet of the Federal Mediation and Conciliation Service (FMCS) as of September 30, 2008 and 2007, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended (the principal financial statements) and issued our report thereon, dated November 13, 2008. We conducted our audit in accordance with *Government Auditing Standards*, auditing standards generally accepted in the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered FMCS' internal control over financial reporting by obtaining an understanding of FMCS' internal control, determining whether internal control had been placed in operation, assessing control risk, and performing tests of control to determine auditing procedures for the purpose of expressing our opinion on the principal financial statements. We limited internal control testing to that necessary to achieve the objectives described in OMB Bulletin No. 07-04. We did not test all internal control relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as the internal control relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not express an opinion on internal control.

Our consideration of internal control over financial reporting would not necessarily disclose all matters that might be significant deficiencies. Under standards issued by the American Institute of Certified Public Accountants, a control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects FMCS' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is remote

likelihood that a misstatement of FMCS' financial statements that is more than inconsequential will not be prevented or detected by FMCS' internal controls. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by FMCS' internal controls.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be a significant deficiency or material weakness. We did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies, as defined above. However, we did identify control deficiencies that we verbally communicated to management.

### **STATUS OF PRIOR-YEAR RECOMMENDATIONS**

In the FY 2007 report on internal control, we did not describe any significant deficiencies or material weaknesses. Accordingly, no follow-up action is outstanding as it relates to resolving such deficiencies.

We issued a draft of this report to FMCS management and requested its comments. Management replied by indicating its general agreement with the audit results. This report is intended solely for the information of FMCS management, OMB, and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

*Atkinson & Company LLC*

November 13, 2008  
Landover, Maryland



MARVIN C. ALLMOND, CPA

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

The Director  
Federal Mediation and Conciliation Service

We audited the accompanying balance sheet of the Federal Mediation and Conciliation Service (FMCS) as of September 30, 2008 and 2007, and the related statements of net cost, changes in net position, budgetary resources, and financing for the years then ended (the principal financial statements) and issued our report thereon, dated November 13, 2008.

We conducted our audit in accordance with *Government Auditing Standards*, auditing standards generally accepted in the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

FMCS management is responsible for complying with laws and regulations. As part of obtaining reasonable assurance about whether the FMCS' financial statements are free of material misstatement, we performed tests of its compliance with:

- Certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.
- Certain other laws and regulations specified in OMB Bulletin No. 07-04.

We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to FMCS. Our audit was not designed to provide an opinion on compliance with provisions of laws and regulations. Accordingly, we do not express such an opinion.

Our tests disclosed no instances of material noncompliance required to be reported under *Government Auditing Standards*. We did not note any instances of immaterial noncompliance that we needed to report to FMCS management in a separate letter.

We issued a draft of this report to FMCS management and requested its comments. Management replied by indicating its general agreement with the audit results. This report is intended solely for the information of FMCS management, OMB, and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

*Almond & Company LLC*

November 13, 2008  
Landover, Maryland

# **FEDERAL MEDIATION AND CONCILIATION SERVICE**

## **Fiscal Years 2008 and 2007 Financial Statements**



**FEDERAL MEDIATION AND CONCILIATION SERVICE**  
**Balance Sheet**  
**As of September 30, 2008 and September 30, 2007**

	<u>2008</u>	<u>2007</u>
<b><u>ASSETS</u></b>		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	\$ 8,535,624	\$ 8,733,739
Accounts Receivable (Note 3)	<u>21,178</u>	<u>9,211</u>
Total Intragovernmental Assets	8,556,802	8,742,950
Assets with the Public:		
Accounts Receivable (Note 3)	7,013	11,195
General Property, Plant and Equipment (Note 4)	320,798	262,284
Other	<u>200</u>	<u>335</u>
Total Non-Governmental Assets	328,011	273,814
<b>Total Assets</b>	<b><u>\$ 8,884,813</u></b>	<b><u>\$ 9,016,764</u></b>
<b><u>LIABILITIES</u></b>		
Intragovernmental Liabilities:		
Accounts Payable	36,942	100,466
Accrued Federal Employees' Compensation Act Liabilities	1,003,464	950,447
Accrued Unemployment Liabilities	6,201	0
Advances from Others	219,190	0
Other	<u>75</u>	<u>221</u>
Total Intragovernmental Liabilities	1,265,872	1,051,134
Liabilities with the Public:		
Accounts Payable	694,998	572,737
Accrued Payroll and Benefits	1,820,210	1,485,687
Accrued Annual and Compensatory Leave Liabilities	<u>2,258,142</u>	<u>2,604,616</u>
Total Non-Governmental Liabilities	4,773,350	4,663,040
<b>Total Liabilities</b>	<b>6,039,222</b>	<b>5,714,174</b>
<b><u>NET POSITION</u></b>		
Unexpended Appropriations	2,459,473	3,512,873
Cumulative Results of Operations	<u>386,118</u>	<u>(210,284)</u>
<b>Total Net Position</b>	<b>2,845,591</b>	<b>3,302,590</b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 8,884,813</u></b>	<b><u>\$ 9,016,764</u></b>

**FEDERAL MEDIATION AND CONCILIATION SERVICE**  
**Statement of Net Costs**  
**For the Years Ended September 30, 2008 and September 30, 2007**

	<u>2008</u>	<u>2007</u>
Intragovernmental Gross Costs	\$ 8,100,700	\$ 8,730,744
Less: Intragovernmental Earned Revenue	<u>(1,202,253)</u>	<u>(802,004)</u>
<b>Intragovernmental Net Costs</b>	<b>6,898,447</b>	<b>7,928,740</b>
Gross Costs with the Public	39,494,765	38,444,517
Less: Earned Revenues from the Public	<u>(1,435,730)</u>	<u>(1,018,785)</u>
<b>Net Costs with the Public</b>	<b>38,059,035</b>	<b>37,425,732</b>
<b>Total Net Costs</b>	<b>44,957,482</b>	<b>45,354,472</b>
Costs Not Assigned to Programs	0	0
Less: Earned Revenues not attributable to programs	<u>0</u>	<u>0</u>
<b>Net Cost of Operations</b>	<b><u>\$44,957,482</u></b>	<b><u>\$45,354,472</u></b>

**FEDERAL MEDIATION AND CONCILIATION SERVICE**  
**Statement of Changes in Net Position**  
**For the Years Ended September 30, 2008 and September 30, 2007**

	<u>2008</u>	<u>2007</u>
Unexpended Appropriations:		
Beginning Balance – October 1, 2007	\$ 3,512,873	\$ 4,800,490
Prior Period Adjustments	<u>0</u>	<u>0</u>
Beginning Balance Adjusted	\$ 3,512,873	\$ 4,800,490
Appropriations Received	43,800,000	42,848,824
Other Adjustments	(1,023,388)	(431,605)
Appropriations Used	<u>(43,830,012)</u>	<u>(43,704,835)</u>
<b>Total Unexpended Appropriations</b>	<b>\$ 2,459,473</b>	<b>\$ 3,512,873</b>
Cumulative Results of Operations:		
Beginning Balance – October 1, 2007	\$ (210,283)	\$ (599,161)
Prior Period Adjustments	<u>0</u>	<u>0</u>
Beginning Balance, Adjusted	\$ (210,283)	\$ (599,161)
Appropriations Used	43,830,012	43,704,835
Imputed Financing	1,723,946	2,038,515
Other Revenue	(75)	0
Net Cost of Operations	<u>(44,957,482)</u>	<u>(45,354,472)</u>
<b>Total Cumulative Result of Operations</b>	<b>\$ 386,118</b>	<b>\$ (210,283)</b>
<b>Net Position</b>	<b><u>\$ 2,845,591</u></b>	<b><u>\$ 3,302,590</u></b>

**FEDERAL MEDIATION AND CONCILIATION SERVICE**  
**Statement of Budgetary Resources**  
**For the Years Ended September 30, 2008 and September 30, 2007**

	<u>2008</u>	<u>2007</u>
<b><u>Budgetary Resources</u></b>		
Unobligated Balance Beginning of Period:	3,744,515	3,768,841
Recoveries of Prior Year Obligations	845,664	1,426,603
Budget Authority:		
Appropriations Received	\$43,800,000	\$42,848,824
Spending Authority from Offsetting Collections:		
Earned		
Collected	2,741,155	1,886,999
Change in Receivable from Federal Sources	7,784	(4,657)
Change in Unfilled Customer Orders with Advance	219,190	0
Subtotal	2,968,129	1,882,342
Permanently Not Available	(1,023,388)	(431,605)
<b>Total Budgetary Resources</b>	<b><u>50,334,920</u></b>	<b><u>49,495,004</u></b>
<b><u>Status of Budgetary Resources</u></b>		
Obligations Incurred:		
Direct	45,136,241	44,854,452
Reimbursable	947,860	896,037
Subtotal	46,084,101	45,750,489
Unobligated Balance:		
Balance Currently Available	462,350	683,295
Unobligated Balance Not Available	3,788,469	3,061,220
<b>Total Status of Budgetary Resources</b>	<b><u>50,334,920</u></b>	<b><u>49,495,004</u></b>
<b><u>Change in Obligated Balance</u></b>		
Unpaid Obligations Brought Forward October 1	5,009,630	5,771,264
Uncollected Customer Payments	(20,406)	(25,064)
Total Unpaid Obligated Balance Brought Forward, Net	4,989,224	5,746,200
Obligations Incurred, Net:	46,084,101	45,750,489
Less: Gross Outlays	(45,935,147)	(45,085,521)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(845,664)	(1,426,603)
Change in Uncollected Customer Payments from Fed. Sources	7,784	4,657
Obligated Balance, Net – End of Period		
Unpaid Obligations	4,312,921	5,009,630
Uncollected Customer Payments from Fed. Sources	(28,190)	(20,406)
Total, Unpaid Obligated, Net, End of Period	4,284,731	4,989,224
<b><u>Net Outlays</u></b>		
Gross Outlays	45,935,147	45,085,521
Less: Offsetting Receipts	(2,960,345)	(1,886,999)
<b>Net Outlays</b>	<b><u>\$42,974,802</u></b>	<b><u>\$43,198,522</u></b>

**FEDERAL MEDIATION AND CONCILIATION SERVICE**  
**Notes to the Financial Statements**  
**As of September 30, 2008 and September 30, 2007**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

These financial statements have been prepared to report the financial position and results of operations of the Federal Mediation and Conciliation Service (FMCS) as required by the Government Management Reform Act of 1994, Public Law 103-356, 108, Stat. 3515 and in accordance with generally accepted accounting principles (GAAP). GAAP for federal financial reporting entities recognizes the Federal Accounting Standards Advisory Board (FASAB) as the standards-setting body designated to establish principles for these entities. These statements have been prepared from the books and records of the FMCS in accordance with the form and content for entity financial statements specified by the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, as amended, and FMCS accounting policies which are summarized in this note.

The reported financial statements may be different from the financial reports, also prepared for FMCS pursuant to OMB directives that are used to monitor and control the use of FMCS Budgetary resources.

Net Position, shown on the Balance Sheet, is composed of unexpended appropriations and cumulative results of operations. Unexpended appropriations are appropriated funds obligated during the period when they were available for obligation. Those goods and services to be provided to FMCS that have not been completely received at the end of the fiscal year will be delivered in a subsequent year. Funds to cover the cost of those goods and services are carried forward after fiscal year end close. "Cumulative results of operations" is the account to which revenues and expenses are closed.

**B. Reporting Entity**

FMCS is an independent Federal agency whose primary mission is to prevent or minimize labor-management disputes affecting interstate commerce by providing mediation, conciliation, and voluntary arbitration. These activities are performed in both the private and public sectors, except for the railroad and airline industries, which are covered by the Railway Labor Act and the National Mediation Board, respectively.

At September 30, 2008, FMCS consisted of a national office, two regional offices, and 69 field offices.

C. Earmark Fund

By GAO's definition of Earmark Funds, FMCS does not have any funds earmarked for a specific purpose.

D. Basis of Accounting

FMCS' transactions are recorded on an accrual and budgetary accounting basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds.

E. Revenues and Other Financing Sources

FMCS receives the majority of the funding needed to support its operations through appropriations. The Agency receives annual appropriations that may be used, within statutory limits, for operating expenditures and two-year appropriations to be used, within statutory limits, for grants. Additional amounts are obtained from fees reimbursed for alternative dispute resolution services provided to the federal sector and arbitration services.

Appropriations are recognized as other financing sources when used and fees for services are recognized as revenues at the time they are earned and the related program or administrative expenses are incurred. Appropriations accrued for property and equipment are recognized as expenses when the asset is consumed in operations.

F. Funds Balances with U.S. Department of the Treasury and Cash

FMCS does not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Department of the Treasury. Fund Balances with U.S. Department of the Treasury and Cash are comprised primarily of appropriated and reimbursed funds, which are available to pay current liabilities and finance authorized purchase obligations.

G. Property, Plant and Equipment

FMCS leases all of its building space from the General Services Administration and therefore owns no land and buildings. Personal property and equipment acquisitions of \$5,000 and over are capitalized and depreciated manually using the straight-line method over a 5-year period. Any personal property or equipment with an acquisition cost of less than \$5,000 is expensed when purchased.

H. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by FMCS as a result of a transaction or event that has already occurred. However, no liability can be paid by FMCS absent proper budget authority. Liabilities for which an

appropriation has not been enacted are classified as unfunded liabilities and there is no certainty that corresponding future appropriations will be enacted. Liabilities arising from other than contracts can be abrogated by the Government, acting in its sovereign capacity.

I. Contingencies and Commitments

FMCS leases various facilities and equipment accounted for as operating leases. Assets held under these leases consist primarily of offices and parking facilities. All of the space occupied by FMCS is leased by the General Services Administration (GSA). The space is assigned to FMCS by GSA based on FMCS' square footage requirements. The rent charged by GSA is based on approximate commercial rates for commercial space. FMCS may terminate the leases with GSA; however, it is anticipated that FMCS will continue to occupy and lease space from GSA in future years.

J. Annual, Sick, and Other Leave

For FMCS, annual and compensatory leave is expended with an offsetting liability as it is earned and the liability is reduced as leave is taken. Each year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. To the extent current or prior year appropriations are not available to fund annual and compensatory leave earned but not taken, funding will be obtained from future financing resources.

Sick leave and other types of non-vested leave are expended as taken.

K. Interest on Late Payments

Pursuant to the Prompt Payment Act, 31 U.S.C. 3901-3907, Federal agencies must pay interest on payments for goods and services made to business concerns after the due date. The due date is generally 30 days after receipts of a proper invoice or acceptance of the goods or services.

L. Retirement Plan

With few exceptions, employees hired before January 1, 1984, are covered by the Civil Service Retirement System (CSRS) and employees hired after December 31, 1983, are covered by the Federal Employees Retirement System (FERS). For employees covered under CSRS, the FMCS withholds 7.0% of each employee's salary and contributes a matching amount to the fund. CSRS covered employees do not have FICA withholdings and, thus do not accrue Social Security benefits. Employees covered under CSRS Offset have 0.8% of their basic pay withheld from their salaries biweekly. FMCS contributes 7% of their basic salaries to CSRS and 7.45% (6.2% OASDI + 1.45% Medicare) of their gross pay to Social Security biweekly. If an employee reaches the annual Social Security wages maximum and withholding stop for OASDI tax, the CSRS withholding increases to 7% (0.8% + 6.2%). For employees covered under FERS, in addition to FICA withholdings, FMCS withholds approximately 0.8% from employees' basic earnings for a retirement annuity. FMCS contributes to the plan an additional 11.2% for employees' retirement. Under FERS, employees also receive retirement benefits from Social Security and benefits

from a defined contribution plan called Thrift Savings Plan. Under the thrift plan, an employee may contribute up to the annual IRS limit to a tax deferred investment fund. FMCS contributes 1% of salary for FERS employees, whether or not they contribute their own money to the Thrift Savings Plan. For FERS employees who do contribute their own money to the Thrift Savings Plan, FMCS matches the amount dollar-for-dollar on the first 3% and .50 on the dollar for each of the next 2%. The combined automatic and matching portion of FMCS' contribution cannot exceed 5% of salary. Those employees who elected to remain under CSRS after December 31, 1983 and those covered by CSRS offset, continue to receive benefits in place, and may also contribute (tax deferred) up to the annual IRS limit to the thrift plan, but with no matching amount contributed by FMCS.

The FMCS Financial Statement does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to Agency employees funded by FMCS.

M. Actuarial Liabilities

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for FMCS employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by FMCS. The future workers' compensation liability has two components, (1) unpaid billings, and (2) an amount of estimated unbilled claims. The unbilled claims are estimated by applying actuarial procedures. The DOL calculated the liability of the Federal Government for future compensation benefits, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation costs. The liability was determined using the paid-losses extrapolation method patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefit payments were discounted to present value. The resulting Federal Government liability was then distributed by agency.

In accordance with OMB guidance, each reporting entity preparing financial statements under the Chief Financial Officers Act and the Government Management Reform Act should include its respective portion of the actuarial liability for workers' compensation benefits as a liability in its financial statement, if such amounts are material. The FECA actuarial data is for financial statement presentation only and should not be used as a standard for incorporating actuarial liabilities in fees, prices, and reimbursements. This liability constitutes an extended future estimate of cost, which will not be obligated against budgetary resources until the fiscal year in which the cost is actually billed to FMCS.

N. Comparative Data

Comparative data for the prior year have been presented in order to provide an understanding of changes in the financial position and operations of FMCS.

**NOTE 2: FUND BALANCE WITH THE U.S. TREASURY AS OF SEPTEMBER 30, 2008 AND SEPTEMBER 30, 2007**

The Fund Balance with the U.S. Treasury as reported in the financial statements represents the unexpended cash balance on the FMCS books for all FMCS Treasury Symbols at September 30, 2008 and 2007. The balances are comprised of the following:

A. Fund Balances:	<u>2008</u>	<u>2007</u>
Appropriated S&E Funds	\$4,862,020	\$5,549,648
Labor Mgmt Coop Project	<u>3,673,604</u>	<u>3,184,312</u>
Total	<u>\$8,535,624</u>	<u>\$8,733,960</u>

B. Status of Fund Balance with Treasury

	<u>2008</u>	<u>2007</u>
Unobligated Balance		
Available	\$ 462,350	\$ 496,315
Unavailable	3,788,543	3,248,421
Obligated Balance not Disbursed	<u>4,284,731</u>	<u>4,989,224</u>
Total	<u>\$8,535,624</u>	<u>\$8,733,960</u>

**NOTE 3: ACCOUNTS RECEIVABLE**

Accounts receivables consist primarily of amounts due from the federal government departments and other agencies. Since these receivables are with government agencies, management believes these receivables are collectable. Management believes accounts receivables due from the public are collectable since they are not 30 days past due.

	<u>2008</u>	<u>2007</u>
Accounts Receivable		
Intragovernmental	\$ 21,178	\$ 9,211
With the Public	<u>7,012</u>	<u>11,195</u>
Total	<u>\$ 28,190</u>	<u>\$ 20,406</u>

**NOTE 4: PROPERTY, PLANT AND EQUIPMENT, NET**

The only items of property, plant and equipment owned by FMCS were classified as equipment. The equipment balance includes office equipment, ADP Hardware, ADP Software, furniture & fixtures, and leasehold improvements, with initial or cumulative cost per item of \$5,000 or more. Summary valuation of equipment follows:

**FY 2008**

	<u>Total</u>	<u>ADP Software</u>	<u>Equipment, Furniture &amp; Hardware</u>	<u>Leasehold Improvements</u>
Acquisition Cost	\$1,060,671	\$ 22,377	\$1,010,294	\$ 28,000
Accumulated Depreciation	<u>(739,874)</u>	<u>(22,377)</u>	<u>(689,497)</u>	<u>(28,000)</u>
Net Book Value	<u>\$ 320,797</u>	<u>\$ 0</u>	<u>\$ 320,797</u>	<u>\$ 0</u>

**FY 2007**

	<u>Total</u>	<u>ADP Software</u>	<u>Equipment, Furniture &amp; Hardware</u>	<u>Leasehold Improvements</u>
Acquisition Cost	\$ 860,748	\$ 22,377	\$ 838,371	\$ 28,000
Accumulated Depreciation	<u>(598,464)</u>	<u>(22,377)</u>	<u>(576,087)</u>	<u>(28,000)</u>
Net Book Value	<u>\$ 262,284</u>	<u>\$ 0</u>	<u>\$ 262,284</u>	<u>\$ 0</u>

**NOTE 5: OPERATING LEASES**

FMCS leases various facilities and equipment that was accounted for as operating leases. Assets held under these leases consist primarily of offices. All office space occupied by FMCS is leased by the General Services Administration (GSA). The space is assigned to FMCS by GSA based on FMCS' square footage requirements. The rent charged by the GSA is based on approximate commercial rates for commercial space. FMCS may terminate the leases with GSA; however, it is anticipated that FMCS will continue to occupy and lease from GSA in future years.

**Schedule of Future Minimum Lease Payments**

2009	5,694,000
2010	5,805,000
2011	5,979,000
2012	6,159,000
2013	6,343,000
Total Future Minimum Lease Payments	<u>\$29,980,000</u>

**NOTE 6: PENSIONS, OTHER RETIREMENT BENEFITS, AND OTHER POST RETIREMENT BENEFITS**

The FMCS reports the full cost of employee pensions, other retirement benefits, and other post-employment benefits in accordance with SFFAS No. 5, Accounting for Liabilities of the Federal Government. Although the FMCS funds a portion of the benefits under FERS and CSRS relating to its employees and withholds the necessary payroll deductions, a portion of the Normal Pension Cost remains unpaid. SFFAS No. 5 requires the recognition of this remaining cost as imputed financing.

Pension and other retirement benefit expenses are calculated using cost factors determined by actuaries at the Office of Personnel Management. These cost factors are calculated based on economic and demographic assumptions. The cost factor is multiplied by the basic pay in order to obtain the Normal Cost for the accounting period. This Normal Cost is the present value of the projected benefits of each employee allocated on a level basis over the service of the employee between entry age and assumed exit age. The imputed financing amount represents the difference between the employees total pension expense and the employees contribution. For the period ending September 30, 2008 and September 30, 2007, the Normal Cost, employers total pension expense, employees' contribution and imputed financing amounts were as follows:

<u>Employee Type</u>	<u>Normal Cost</u>	<u>Employee Withholding</u>	<u>Employers Contribution</u>	<u>Employers Imputed Financing Expense</u>
<b>FY 2008</b>				
CSRS	\$ 1,117,248	\$ 310,347	\$ 310,347	\$ 496,554
CSRS-Offset	121,602	4,988	43,651	72,963
FERS	<u>2,421,537</u>	<u>161,435</u>	<u>2,260,101</u>	<u>1</u>
Total	<u>\$ 3,711,793</u>	<u>\$ 519,857</u>	<u>\$ 2,157,612</u>	\$ 569,518
Health Insurance				1,149,705
Life Insurance				<u>4,723</u>
Total				<u>1,154,428</u>
Grand Total Imputed Financing				<u>\$ 1,723,946</u>
<b>FY 2007</b>				
CSRS	\$ 1,253,591	\$ 685,655	\$ 342,827	\$ 567,936
CSRS-Offset	148,873	9,112	4,556	139,761
FERS	<u>2,349,174</u>	<u>2,279,494</u>	<u>2,129,967</u>	<u>69,680</u>
Total	<u>\$ 3,751,638</u>	<u>\$ 2,974,261</u>	<u>\$ 2,477,350</u>	\$ 777,377
Health Insurance				1,256,486
Life Insurance				<u>4,652</u>
Total				<u>1,261,138</u>
Grand Total Imputed Financing				<u>\$ 2,038,515</u>

**NOTE 7: BUDGETARY RESOURCES**

Monitoring of Budget execution is at the individual appropriation level. The amount of budgetary resources obligated for undelivered orders at September 30, 2008 and 2007 totaled \$1,760,971 and \$2,850,653, respectively.

FMCS maintains unobligated balances in annual appropriations. Remaining unobligated balances in annual appropriations are no longer available for obligation, except for upward and downward adjustments of the obligated balance. Annual funds are primarily for Salaries and Expense.

**NOTE 8: LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

These liabilities will be met by future appropriations. For FMCS, future funding requirements at September 30, 2008 and 2007 include:

	<u>2008</u>	<u>2007</u>
Unfunded Annual Leave	\$2,258,142	\$2,604,616
Unfunded FECA Liability	1,003,464	950,447
Unfunded Unemployment Liability	<u>6,201</u>	<u>0</u>
 Total Liabilities Not Covered by Budgetary Resources	 <u>\$3,267,807</u>	 <u>\$3,554,063</u>

FY 2008 – Change in Unfunded Annual Leave

2008	\$2,258,142
2007	<u>2,604,616</u>
	<u>\$ (346,474)</u>

FY 2008 – Change in Unfunded FECA Liability

2008	\$1,003,464
2007	<u>950,447</u>
	<u>\$ 53,017</u>

FY 2008 – Change in Unfunded Unemployment Liability

2008	\$ 6,201
2007	<u>0</u>
	<u>\$ 6,201</u>

**NOTE 9: APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED: DIRECT VS. REIMBURSEABLE OBLIGATIONS**

	<u>2008</u>	<u>2007</u>
Direct Obligations (Category A)	\$44,740,241	\$44,457,573
Direct Obligations – Grants (Category A)	396,000	396,879
Reimbursable Obligations (Category A)	<u>947,860</u>	<u>896,037</u>
Total	<u>\$46,084,101</u>	<u>\$45,750,489</u>

**NOTE 10: STATEMENT OF BUDGETARY RESOURCES vs. BUDGET OF THE UNITED STATES GOVERNMENT**

The reconciliation as of September 30, 2008 is not presented, because the submission of the Budget of the United States (Budget) for FY 2010, which presents the execution of the FY 2008 budget, occurs after publication of these financial statements. The Federal Mediation and Conciliation Services Budget Appendix can be found on the OMB website (<http://www.whitehouse.gov/omb/budget>) and will be available in early February 2009. The reconciliation as of September 30, 2007 is presented below.

For the Fiscal Year Ended September 30, 2007  
(in millions)

	<u>Budgetary Resources</u>	<u>Obligations Incurred</u>	<u>Distributed Offsetting Receipts</u>	<u>Net Outlays</u>
Statement of Budgetary Resources	\$ 49	\$ 46	\$ 0	\$ 43
Expired Funds	(2)	(2)		
Budget of the United States	<u>\$ 47</u>	<u>\$ 44</u>	<u>\$ 0</u>	<u>\$ 43</u>

The difference between the Statement of Budgetary Resources and the Budget of the U.S. Government is due to Expired Unobligated Balances being reported in the Statement of Budgetary Resources but not in the Budget of the United States Government.

**NOTE 11: RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET (FORMERLY THE STATEMENT OF FINANCING)**

**For the Years Ended September 30, 2008 and September 30, 2007**

	<u>2008</u>	<u>2007</u>
<b><u>Resources Used to Finance Activities</u></b>		
Budgetary Resources Obligated:		
Obligations Incurred	\$46,084,102	\$45,750,489
Less: Spending Authority from Offsetting Collections and Recoveries	<u>(3,594,603)</u>	<u>(3,308,944)</u>
Obligations Net of Offsetting Collections and Recoveries	42,489,498	42,441,545
Less: Offsetting Receipts	<u>0</u>	<u>0</u>
Net Obligations	42,489,498	42,441,545
Other Resources:		
Transfers In/Out without Reimbursement	0	0
Imputed Financing from Costs Absorbed by Other	1,723,946	2,038,515
Other	<u>0</u>	<u>0</u>
Net Other Resources Used to Finance Activities	<u>1,723,946</u>	<u>2,038,515</u>
Total Resources Used to Finance Activities	<u>\$44,213,444</u>	<u>\$44,480,060</u>
<b><u>Resources Used to Finance Items not Part of the Net Cost of Operations</u></b>		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided	(1,005,036)	(769,123)
Resources that Fund Expenses Recognized in Prior Periods	346,474	(203,004)
Resources that Finance the Acquisition of Assets	117,962	121,718
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations	<u>(75)</u>	<u>(221)</u>
Total Resources Used to Finance Items not Part of the Net Cost of Operations	<u>(540,675)</u>	<u>(850,630)</u>
Total Resources Used to Finance the Net Cost of Operations	<u>\$44,754,119</u>	<u>\$45,330,690</u>

**NOTE 11: RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET (FORMERLY THE STATEMENT OF FINANCING) - CONTINUED**

	<u>2008</u>	<u>2007</u>
<b><u>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</u></b>		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	\$ 0	\$ 0
Increase in Exchange Revenue Receivable from the Public	0	0
Other	59,217	0
Total Components of Net Cost of Operation that will Require or Generate Resources in Future Periods	59,217	0
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	150,671	23,128
Revaluation of Assets or Liabilities	(6,525)	654
Other	<u>0</u>	<u>0</u>
Total Components of Net Cost of Operation that will not Require or Generate Resources	<u>144,146</u>	<u>23,782</u>
Total Components of Net Cost of Operation that will not Require or Generate Resources in the Current Period	<u>203,363</u>	<u>23,782</u>
<b>Net Cost of Operations</b>	<b><u>\$44,957,482</u></b>	<b><u>\$45,354,472</u></b>