



Report of Independent Auditors

Chairman and Inspector General
Federal Labor Relations Authority

Opinion on the Financial Statements

We have audited the accompanying balance sheets of the U.S. Federal Labor Relations Authority (FLRA) for the years ended September 30, 2010 and 2009 respectively, and the related statements of net cost and changes in net position, and statements of budgetary resources, for the years then ended. These financial statements are the responsibility of FLRA management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of FLRA as of September 30, 2010 and 2009, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit, we considered FLRA's internal control over financial reporting and compliance. We did this in order to determine our audit procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04, as amended. We did not test all internal controls relevant to the operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982. Providing an opinion on internal control was not the objective of

our audit. Accordingly, we do not express an opinion on FLRA's internal control over financial reporting and compliance or on management's assertion on internal control included in Managements' Discussion and Analysis. However, for the controls we tested, we found no material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all deficiencies that might be a significant deficiency. A significant deficiency is a deficiency in internal control, or a combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. Our consideration of the internal control over financial reporting would not necessarily disclose all significant deficiencies that might be a material weakness. A material weakness is a significant deficiency, or combination of significant deficiencies, that result in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected.

Report on Compliance with Applicable Laws and Regulations

The management of FLRA is responsible for complying with laws and regulations applicable to FLRA. As part of obtaining reasonable assurance about whether FLRA's financial statements are free of material misstatement, we performed tests of its compliance with selected provisions of laws and regulations including laws governing the use of budgetary authority and government-wide policies identified in OMB Bulletin No. 07-04, as amended, non-compliance with which could have a direct and material effect on the determination of consolidated and combined financial statements. Our tests disclosed no instances of noncompliance with laws and regulations which would be reportable under U.S. generally accepted government auditing standards or OMB audit guidance.

We limited our tests of compliance to the provisions of laws and regulations referred to in the preceding paragraph. Providing an opinion on compliance with those provisions was not an objective of our audit. Accordingly, we do not express such an opinion.

Other Information

Management's Discussion and Analysis (MD&A) is not a required part of the financial statements but is supplementary information required by the Federal Accounting Standards Advisory Board and OMB Circular A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A. However, we did not audit the information and accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements of FLRA taken as a whole. The other accompanying information included in this performance and accountability report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management of the Federal Labor Relations Authority, the U.S. Office of Management and Budget, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

Hauser, Rums, Knight & Company, P.A.

November 15, 2010

Federal Labor Relations Authority
BALANCE SHEET
(in dollars)

As of September 30, 2010 and 2009

	2010	2009
Assets:		
Intragovernmental:		
Fund balance with Treasury (Note 2)	\$8,382,647	\$10,156,942
Accounts receivable (Note 3)	8,868	10,591
Advances and prepayments	21,659	16,156
Total intragovernmental	8,413,174	10,183,689
Accounts receivable, net (Note 3)	3,404	8,930
Capitalized property and equipment, net (Note 4)	716,672	668,525
Total Assets	<u>\$9,133,250</u>	<u>\$10,861,144</u>
Liabilities:		
Intragovernmental:		
Accounts payable	\$30,279	\$103,575
Unfunded FECA liability (Note 5)	248,274	256,355
Accrued payroll and benefits	13,170	0
Custodial liability	40	73
Total intragovernmental	291,763	360,003
Accounts payable	117,213	69,945
FECA actuarial liability (Note 5)	1,172,904	1,135,860
Unfunded leave (Note 5)	1,437,695	1,286,960
Accrued payroll and benefits	1,350,396	958,120
Total Liabilities	<u>\$4,369,971</u>	<u>\$3,810,888</u>
Net Position:		
Unexpended appropriations – other funds	\$6,901,675	\$9,048,592
Cumulative results of operations – other funds	<u>(2,138,396)</u>	<u>(1,998,336)</u>
Total Net Position	<u>\$4,763,279</u>	<u>\$7,050,256</u>
Total Liabilities and Net Position	<u>\$9,133,250</u>	<u>\$10,861,144</u>

Federal Labor Relations Authority
STATEMENT OF NET COST
(in dollars)

For the Years Ended September 30, 2010 and 2009

	2010	2009
Program costs:		
Intragovernmental gross cost	\$4,128,502	\$4,956,405
Public cost	23,094,414	18,345,057
Less: earned revenues not attributed to programs	<u>(60,612)</u>	<u>0</u>
Net Cost of Operations	<u>\$27,162,304</u>	<u>\$23,301,462</u>

Federal Labor Relations Authority
STATEMENT OF CHANGES IN NET POSITION
(in dollars)

For the Years Ended September 30, 2010 and 2009

	2010	2009
Cumulative Results of Operations:		
Beginning balance	\$(1,991,129)	\$(1,910,968)
Budgetary financing sources:		
Appropriations used	25,344,085	21,970,748
Other financing sources (non-exchange):		
Imputed financing	<u>1,670,952</u>	<u>1,243,346</u>
Total financing sources	27,015,037	23,214,094
Net cost of operations	<u>(27,162,304)</u>	<u>(23,301,462)</u>
Net change	<u>(147,267)</u>	<u>(87,368)</u>
Cumulative Results of Operations	<u>\$(2,138,396)</u>	<u>\$(1,998,336)</u>
Unexpended Appropriations:		
Beginning balance	\$9,048,592	\$8,778,644
Budgetary financing sources:		
Appropriations received	24,773,000	23,900,234
Appropriations transferred in/out	0	(1,226,234)
Other adjustments	(1,575,832)	(433,304)
Appropriations used	<u>(25,344,085)</u>	<u>(21,970,748)</u>
Total budgetary financing sources	<u>(2,146,917)</u>	<u>269,948</u>
Total Unexpended Appropriations	<u>\$6,901,675</u>	<u>\$9,048,592</u>
Net Position	<u>\$4,763,279</u>	<u>\$7,050,256</u>

Federal Labor Relations Authority
STATEMENT OF BUDGETARY RESOURCES
(in dollars)

For the Years Ended September 30, 2010 and 2009

	2010	2009
Budgetary Resources:		
Unobligated balance, brought forward, October 1	\$6,481,207	\$7,963,702
Recoveries of prior year unpaid obligations	187,003	249,344
Budget authority:		
Appropriation	24,773,000	23,900,234
Spending authority from offsetting collections		
Collected	52,146	0
Change in receivables from Federal sources	8,466	0
Total budget authority	24,833,612	23,900,234
Nonexpenditure transfers, net, anticipated and actual	0	(1,226,234)
Permanently not available	(1,575,832)	(433,304)
Total Budgetary Resources	<u>\$29,925,990</u>	<u>\$30,453,742</u>
Status of Budgetary Resources:		
Obligations incurred:		
Direct	\$24,988,700	\$23,972,535
Reimbursable	60,612	0
Total obligations incurred	25,049,312	23,972,535
Unobligated balance:		
Apportioned	67,773	81,715
Unobligated balance not available	4,808,905	6,399,492
Total Status of Budgetary Resources	<u>\$29,925,990</u>	<u>\$30,453,742</u>
Change in Obligated Balance:		
Obligated balance, net:		
Unpaid obligations, brought forward, October 1	\$3,675,662	\$2,250,273
Obligations incurred, net (Note 8)	25,049,312	23,972,535
Gross outlays	(25,023,576)	(22,297,802)
Recoveries of prior year unpaid obligations, actual	(187,003)	(249,344)
Change in uncollected customer payments from Federal sources	(8,466)	0
Total, Unpaid Obligated Balance, Net, End of Period	<u>\$3,505,929</u>	<u>\$3,675,662</u>
Unpaid obligations	3,514,395	3,675,662
Uncollected customer payments from Federal sources	(8,466)	0
Total, Unpaid Obligated Balance, Net, End of Period	<u>\$3,505,929</u>	<u>\$3,675,662</u>
Net Outlays:		
Gross outlays	\$25,023,576	\$22,297,802
Offsetting collections	(52,146)	0
Net Outlays	<u>\$24,971,430</u>	<u>\$22,297,802</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Significant Accounting Policies

(a) **Reporting Entity** – The FLRA is an independent administrative Federal agency created by Title VII of the Civil Service Reform Act of 1978, with a mission to carry out five statutory responsibilities: (1) determining the appropriateness of units for labor organization representation; (2) resolving complaints of unfair labor practices; (3) adjudicating exceptions to arbitrators' awards; (4) adjudicating legal issues relating to duty to bargain; and (5) resolving impasses during negotiations. The agency consists of three components: the Authority, the Office of the General Counsel, and the Federal Service Impasses Panel.

(b) **Basis of Accounting and Presentation** – The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and budgetary resources of the FLRA in accordance with the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The statements have been prepared from agency financial records in accordance with U.S. Generally Accepted Accounting Principles (GAAP), in accordance with guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and Office of Management and Budget (OMB), as prescribed in OMB Circular A-136, Financial Reporting Requirements, and pursuant to the requirements of 31 U.S.C. 3515(b). These financial statements include all funds and accounts under the control of FLRA.

The accounting structure of Federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases occurs before an accrual-based transaction takes place. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds. The accompanying financial statements are prepared on the accrual basis of accounting.

(c) **Budget Authority** – The Congress passes appropriations annually that provide the FLRA with authority to obligate funds for necessary expenses to carry out mandated program activities. These funds are available until expended, subject to OMB apportionment and to congressional restrictions on the expenditure of funds. Also, the FLRA places internal restrictions on fund expenditures to ensure the efficient and proper use of all funds.

(d) **Fund Balance with Treasury** – FLRA receipts and disbursements are processed by the U.S. Treasury Department. Fund balances with Treasury consist of appropriated funds that are available to pay current liabilities and to finance authorized purchase commitments. No cash is held in commercial bank accounts.

(e) **Accounts Receivable** – Accounts Receivable consists of amounts due from other federal entities and from current and former employees and vendors. Amounts due from the public

are stated net of an allowance for uncollectible accounts that is based on an analysis of outstanding receivables balances and past collection experience. No allowance is established for intragovernmental receivables, as they are considered fully collectible from other Federal agencies.

- (f) **General Property and Equipment (P&E)** – This category consists of equipment and internal use software. The basis for recording purchased P&E is full cost, including all costs incurred to bring FLRA P&E to and from a location suitable for its intended use. P&E is depreciated using the straight-line method over the estimated useful life of the asset. SFFAS No. 10, Accounting for Internal Use Software, provides accounting standards for internal use software used by each agency. The standards provide for capitalized property to continue to be reported on the Balance Sheet. P&E that are not capitalized because they are under the capitalization threshold are expensed in the year of acquisition.

Major alterations and renovations are capitalized, while maintenance and repair costs are charged to expense as incurred. Capitalization threshold levels were changed during the current fiscal year. FLRA's capitalization threshold was \$3,500 for individual purchases. Bulk purchases of similar items, which individually were worth less than \$3,500, but collectively were worth more than \$30,000, were also capitalized using the same general P&E categories and useful lives as capital acquisitions. Effective FY 2010, the capitalization threshold for individual items changed to \$25,000. Bulk purchase of similar items which individually are worth less than \$25,000, but collectively are worth more than \$100,000, are now also capitalized using the same general P&E categories and useful lives as capital acquisitions. Also, building/leasehold improvements of \$25,000 are now capitalized.

General P&E Category	Service Life
Software	3 years
Computer equipment	5 years
Office equipment	7 years
Office furniture	15 years
Leasehold improvements	Life of lease

- (g) **Liabilities** – Liabilities represent the amount of monies or other resources likely to be paid by FLRA as a result of transactions or events that have already occurred. No liability can be paid, however, absent an appropriation. Liabilities for which an appropriation has not been enacted are, therefore, classified as not covered by budgetary resources, and there is no certainty that the appropriation will be enacted. Also, the Federal government, acting in its sovereign capacity, can abrogate liabilities other than contracts. Liabilities that are covered by budgetary resources consist of intragovernmental and public accounts payable and accrued funded payroll. Liabilities not covered by budgetary resources in FY 2009 and FY 2010 consist of accrued and actuarial Federal Employees Compensation Act (FECA) compensation and unfunded employee leave.

- (h) **FECA Liabilities** – An accrued FECA liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the FECA. The actual costs incurred are reflected as a liability because agencies will reimburse the U.S. Department of Labor (DOL) two years after the actual payment of expenses. Future revenues will be used for their reimbursement to DOL. The liability consists of: (1) the net present value of estimated future payments calculated by the DOL; and (2) the un-reimbursed cost paid by DOL for compensation to recipients under the FECA.

An estimated actuarial liability for future workers' compensation benefits is included. The liability estimate is based on the DOL's FECA actuarial model that takes the amount of benefit payments over the last twelve quarters and calculates the annual average of payments for medical expenses and compensation. This average is then multiplied by the liabilities-to-benefits paid ratios for the whole FECA program for FY 2010. The ratios may vary from year to year as a result of economic assumptions and other factors, but the model calculates a liability approximately eleven times the annual payments.

- (i) **Annual, Sick and Other Leave** – Amounts associated with the payment of annual leave are accrued while leave is being earned by employees, and this accrual is reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior year appropriations are not available to finance annual leave, future financing sources will be used. Sick leave and other types of non-vested leave are expensed as taken. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. No credit is given for sick leave balances upon the retirement of Federal Employees Retirement System-covered employees.
- (j) **Accounts Payable and Other Accrued Liabilities** – Accounts payable and accrued liabilities represent a probable future outflow or other sacrifices of resources as a result of past transactions or events. Liabilities are recognized when they are incurred, regardless of whether they are covered by available budgetary resources. FLRA liabilities cannot be liquidated without legislation that provides resources to do so.
- (k) **Net Position** – The components of net position are unexpended appropriations and cumulative results of operations. Unexpended appropriations include undelivered orders and unobligated balances. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation.

The cumulative results of operations represent the net results of operations since inception, the cumulative amount of prior period adjustments, the remaining book value of capitalized assets, and future funding requirements. The cumulative results of operations beginning balance on the Statement of Changes in Net Position has been adjusted due to immaterial, prior-period adjustments on the current statement.

- (l) ***Retirement Plans*** – FLRA’s employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees’ Retirement System (FERS). For CSRS employees, hired prior to January 1, 1984, the FLRA withholds seven percent of each employee’s salary and contributes seven percent of the employee’s basic salary to the CSRS Retirement and Disability Fund. These employees may also contribute, on a tax-deferred basis, to a defined contribution plan – the Thrift Savings Plan (TSP). In 2009, the regular IRS limit was \$16,500; that limit remained at \$16,500 for 2010. FLRA is not required to and does not contribute any matching amounts for CSRS employees.

The FERS was established by enactment of Public Law 99-335. Pursuant to this law, FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired before January 1, 1984 elected either to join FERS and Social Security or to remain in CSRS. For FERS employees, the FLRA withholds 6.2 percent in an old age survivors and disability insurance up to a specified wage ceiling and 0.8 percent of an employee’s gross earnings for retirement. FLRA matches the retirement withholdings with a contribution equal to 11.2 percent of the employee’s taxable salaries.

All employees are eligible to contribute to the TSP. For those employees under the FERS, a TSP account is automatically established. The FLRA is required to make a mandatory contribution of one percent of the base salaries of all employees under the FERS. The agency is required to match the employee’s contribution up to a maximum of five percent of their salaries. Matching contributions are not made to the TSP accounts established by CSRS employees. The FLRA does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. CSRS employees who are 65 or older are eligible for Social Security payments (even if they have not retired). In these instances, the FLRA remits the employer’s share of the required contribution.

- (m) ***Imputed Financing from Costs Absorbed by Others*** – The FASAB’s SFFAS Number 5, “Accounting for Liabilities of the Federal Government,” requires that employer agencies recognize the full cost of pensions, health, and life insurance benefits, during their employees’ active years of service. The OPM, as administrator of the CSRS and FERS plans, the Federal Employees Health Benefits Program, and the Federal Employees Group Life Insurance Program, must provide the “cost factors” that adjust the agency contribution rate to the full cost for the applicable benefit programs. An imputed financing source and corresponding imputed personnel cost is reflected in the Statement of Changes in Net Position and the Statement of Net Cost, respectively.
- (n) ***Revenue and Other Financing Sources*** – FLRA’s revenues are derived from reimbursable agreements (exchange) and direct, annual appropriation (financing source). The FLRA recognizes reimbursable work agreement revenue when earned, i.e., goods that have been delivered or services that have been rendered. Each reimbursable work agreement specifies

the dollar value of the agreement and is based on estimated resources needed to perform the specified services, whether it is personnel services to include base pay, overtime and benefits, or travel and per diem.

The agency receives an annual Salaries and Expenses appropriation from the Congress. Annual appropriations are used, within statutory limits, for salaries and administrative expenses and for operating and capital expenditures for essential personal property. Appropriations are recognized as non-exchange revenues at the time the related program or administrative expenses are incurred. Appropriations expended for capitalized property and equipment are recognized as expenses when an asset is consumed in operations. The annual appropriation for FY 2009 was \$22,674,000. The annual appropriation for FY 2010 was \$24,773,000.

- (o) ***Expired Accounts and Cancelled Authority*** – Unless otherwise specified by law, annual authority expires for incurring new obligations at the beginning of the subsequent fiscal year. The account into which the annual authority is placed is called the expired account. For five fiscal years, the expired account is available for expenditure to liquidate valid obligations incurred during the unexpired period. Adjustments are allowed to increase or decrease valid obligations incurred during the unexpired period but not previously reported. At the end of the fifth expired year, the expired account is cancelled and any remaining money is returned to Treasury.
- (p) ***Transactions with Related Parties*** – In the course of its operations, the FLRA has relationships and conducts financial transactions with numerous Federal agencies. The most prominent of these relationships are with the Treasury, the U.S. Department of Health and Human Services, the U.S. Department of the Interior's National Business Center, and the General Services Administration.
- (q) ***Contingencies*** – A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to the agency. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. With the exception of pending, threatened, or potential litigation, a contingent liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is more likely than not, and the related future outflow or sacrifice of resources is measurable. For pending, threatened, or potential litigation, a liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is likely, and the related future outflow or sacrifice of resources is measurable.
- (r) ***Use of Estimates*** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

- (s) **Advances and Prepayments** – Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions, and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepayments at the time of the prepayments and recognized as expenses when the related goods and services are received.

Note 2: Fund Balance with Treasury

U.S. government cash is accounted for on an overall consolidated basis by Treasury. The amounts shown on the Balance Sheet represent the FLRA's right to draw on the Treasury for valid expenditures. The fund balance as shown on FLRA records is reconciled monthly with Treasury's records.

Fund Balance with Treasury		
As of September 30,	2010	2009
General funds	\$8,382,607	\$10,156,869
Other fund types	40	73
Total	\$8,382,647	\$10,156,942

Status of Fund Balance with Treasury		
Unobligated balance available	\$67,773	\$81,715
Unobligated balance unavailable	4,808,905	6,399,492
Obligated balance not yet distributed	3,505,929	3,675,662
Non-budgetary fund balance with Treasury	40	73
Total	\$8,362,647	\$10,156,942

Note 3: Accounts Receivable, Net

The reported amount for accounts receivable consists of amounts owed to the FLRA by other Federal agencies (intragovernmental) and the public.

Accounts Receivable, Net		
As of September 30,	2010	2009
From Federal agencies, net	\$8,868	\$10,591
From the public, net	3,404	8,930
Total	\$12,272	\$19,521

Amounts Due from Other Federal Agencies		
Department of Agriculture	\$2,236	\$3,460
Department of Defense	1,451	1,469
Department of the Army	0	831
Department of the Navy	0	540
Department of Energy	754	1,023
Department of Homeland Security	850	0
Department of Housing and Urban Development	0	712
Department of Justice	632	662
Department of Transportation	291	0
Department of Veterans Affairs	2,654	668
Environmental Protection Agency	0	1,226
Total	\$8,868	\$10,591

Note 4: General Property and Equipment, Net

Category	Service Life	Acquisition Value	Accumulated Depreciation	2010 Net Book Value	2009 Net Book Value
Software	3 years	\$258,957	\$(258,957)	\$0	\$46,706
Computer equipment	5 years	497,617	(397,582)	100,035	156,875
Office equipment	7 years	541,274	(295,593)	245,681	108,699
Office furniture	15 years	526,039	(303,024)	223,015	254,690
Leasehold improvements	Life of lease	398,383	(250,442)	147,941	0
Construction in progress	N/A	0	0	0	101,555
Total		\$2,222,270	(\$1,505,598)	\$716,672	\$668,525

Note 5: Liabilities Not Covered By Budgetary Resources

Unfunded FECA liabilities consists of workers' compensation claims payable to the DOL, which will be funded in a future period, and an unfunded estimated liability for future workers' compensation claims based on data provided from the DOL. Unfunded FECA liabilities for 2010 and 2009 were \$248,274 and \$256,355 respectively. The actuarial calculation is based on benefit payments made over 12 quarters, and calculates the annual average of payments. The actuarial FECA liabilities for 2010 and 2009 were \$1,172,904 and \$1,135,860 respectively. For medical expenses and compensation, this average is then multiplied by the liability-to-benefit paid ratio for the whole FECA program.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. At year end, the balance in the unfunded leave account is adjusted to reflect the liability at current pay rates and leave balances. Unfunded leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken. All other liabilities are considered to be covered by budgetary resources.

Liabilities Not Covered By Budgetary Resources		
For the Years ended September 30,	2010	2009
Intragovernmental – Unfunded FECA liabilities	\$248,274	\$256,355
Federal employee benefits – FECA actuarial liability	1,172,904	1,135,860
Unfunded leave	1,437,695	1,286,960
Total	\$2,858,873	\$2,679,175

Note 6: Leases

The FLRA has operating leases for rental of office space and office equipment. As a Federal agency, the FLRA is not liable for any lease terms beyond one year. The agency anticipates that space levels consistent with FY 2010 will be required for the next five years.

Future Minimum Lease Payments			
FY	Equipment	Building	Total
2011	\$10,433	\$2,231,936	\$2,242,369
2012	10,433	2,014,578	2,025,011
2013	10,433	1,068,620	1,079,053
2014	10,433	330,363	340,796
2015	6,086	250,954	257,040
Thereafter	0	138,023	138,023
Total	\$47,818	\$6,034,474	\$6,082,292

Note 7: Commitments and Contingencies

FLRA is a party in various administrative proceedings, legal actions, and claims brought by or against the agency. In the opinion of FLRA management, the ultimate resolution of proceedings, actions, and claims, will not materially affect financial position or results of operations of the FLRA. The agency has examined its obligations related to cancelled FY 2004 authority and believes that it will not have outstanding commitments that will require future resources.

Note 8: Apportionment Categories of Obligations Incurred: Direct Versus Reimbursable Obligations

Obligations Incurred		
For the Years Ended September 30,	2010	2009
Direct obligations – Category A	\$24,988,700	\$23,972,535
Reimbursable obligations – Category A	60,612	0
Total	\$25,049,312	\$23,972,535

Note 9: Undelivered Orders at the End of the Period

The amount of budgetary resources obligated for undelivered orders at the end of September 30, 2010 and 2009, is \$2,003,337 and \$2,544,022, respectively.

Note 10: Explanation of Differences between the SBR and the Budget of the U.S. Government

SFFAS No. 7, “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting,” calls for explanation of material differences between amounts reported in the Statement of Budgetary Resources (SBR) and the actual balances published in the Budget of the U.S. Government (the President’s Budget).

(Table in Millions)	SBR	President’s Budget	Difference	Explanation
Unobligated balance, beginning of FY	\$24	\$24	\$0	
Unobligated balance available and unobligated	6	0	6	A*

* Line items are not reported in the President’s Budget.

Note 11: Reconciliation of Net Cost to Budget

Details of the relationship between budgetary resources obligated and the net costs of operations for the fiscal years ended September 30, 2010 and 2009 are shown in the table on the following page.

Reconciliation of Net Cost to Budget		
For the Years Ended September 30,	2010	2009
Resources Used to Finance Activities:		
Obligations incurred	\$25,049,312	\$23,972,535
Spending authority from offsetting collections:		
Collected	(52,146)	0
Change in receivable from Federal sources	(8,466)	0
Recoveries of prior year unpaid obligations	(187,003)	(249,344)
Imputed financing sources	<u>1,670,952</u>	<u>1,243,346</u>
Total Resources Used to Finance Activity	<u>\$26,472,649</u>	<u>\$24,966,537</u>
Resources Used That Do Not Fund Net Cost of Operations:		
Change in Undelivered Orders	\$535,181	\$(1,765,996)
Other resources/adjustments that do not affect net cost of operations	(278,891)	(102,511)
Components of the Net Cost of Operations Which Do Not Generate or Use Resources in the Reporting Period:		
Change in non-Federal receivables	8,466	0
Other financing sources not in the budget	(1,670,952)	(1,243,346)
Depreciation and amortization	215,297	126,355
Future funded expenses	142,654	30,505
Imputed costs	1,670,952	1,243,346
Other expenses not requiring budgetary resources	<u>66,948</u>	<u>46,572</u>
Net Cost of Operations	<u>\$27,162,304</u>	<u>\$23,301,462</u>