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Certified Public Accountants and Consultants

Independent Auditor's Opinion on the Financial Statements

Ms. Dale Cabaniss
Chairman
Federal Labor Relations Authority

We have audited the accompanying balance sheet of the **Federal Labor Relations Authority** (**FLRA**) as of September 30, 2004, and the related statements of net cost, changes in net position, budgetary resources, and financing for the fiscal year then ended. These financial statements are the responsibility of **FLRA**'s 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 Office of Management and Budget (OMB) Bulletin No. 01-02, "Audit Requirements for Federal Financial Statements." These standards require that we plan and perform our 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 financial statements referred to above present fairly, in all material respects, the financial position of the **Federal Labor Relations Authority** as of September 30, 2004, and its net costs; changes in net position; budgetary resources; and financing activities for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis (MD&A), Performance Section, and the Required Supplemental Information (RSI) sections are not required parts of the basic financial statements of the **Federal Labor Relations Authority** but are supplementary information required by the Federal Accounting Standards Advisory Board and OMB Bulletin No. 01-09, "Form and Content of Agency Financial Statements". We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A, Performance Section, and the RSI. However, we did not audit the information and, accordingly, express no opinion on it.

6010 Executive Boulevard • Suite 900 • Rockville, Maryland 20852
301 770-5100 • 888 283-5472 • Fax 301 770-5202 • djhpm@djhpm.com
MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

In accordance with *Governmental Auditing Standards*, we have also issued a report dated November 12, 2004, on our consideration of the **Federal Labor Relations Authority**'s internal control over financial reporting and a report dated November 12, 2004 on it's compliance with certain provisions of laws and regulations. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards*, and, in considering the results of the audit, these reports should be read in conjunction with this report.

While this report is intended solely for the information and use of the management of the **Federal Labor Relations Authority**, OMB and Congress, it is also a matter of public record, and its distribution is, therefore, not restricted.

Dembo, Jones, Healy, Pennington & Marshall, P.C.

November 12, 2004

Dembo, Jones, Healy, Pennington & Marshall, P.C.
Certified Public Accountants and Consultants

Report of Independent Auditors
on Internal Control

Ms. Dale Cabaniss
Chairman
Federal Labor Relations Authority

We have audited the accompanying balance sheet of the **Federal Labor Relations Authority (FLRA)** as of September 30, 2004, and the related statements of net cost, changes in net position, budgetary resources, and financing for the fiscal year then ended, and have issued our report thereon dated November 12, 2004. 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 Office of Management and Budget (OMB) Bulletin No. 01-02, "Audit Requirements for Federal Financial Statements."

In planning and performing our audit, we considered the **Federal Labor Relations Authority's** internal control over financial reporting by obtaining an understanding of the **FLRA's** internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the **FLRA**'s ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected.

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We noted one matter involving the internal control and its operation that we considered to be a material weakness as defined above.

An audit of the **FLRA**'s compliance with the Federal Information Security and Management Act of 2002 found that the **FLRA** does not maintain a proper information security program in compliance with OMB Circular A-130. The audit determined that the **FLRA** has material weaknesses and high risks in several information security areas. These risks could impact the financial management system.

Additionally, we noted other matters involving the internal control over financial reporting, which we have reported to management of the **Federal Labor Relations Authority** in a separate letter dated November 12, 2004.

Finally, with respect to internal control related to performance measures reported in the annual performance plan, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

While this report is intended solely for the information and use of the management of the **Federal Labor Relations Authority**, OMB and Congress, it is also a matter of public record, and its distribution is, therefore, not restricted.

Dembo, Jones, Healy, Pennington & Marshall, P.C.

November 12, 2004

DJHPM
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Certified Public Accountants and Consultants

Report of Independent Auditors on Compliance with Laws and Regulations

Ms. Dale Cabaniss
Chairman
Federal Labor Relations Authority

We have audited the accompanying balance sheet of the **Federal Labor Relations Authority** (**FLRA**) as of September 30, 2004, and the related statements of net cost, changes in net position, budgetary resources, and financing for the fiscal year then ended, and have issued our report thereon dated November 12, 2004. 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 Office of Management and Budget (OMB) Bulletin No. 01-02, "Audit Requirements for Federal Financial Statements."

The management of the **Federal Labor Relations Authority** is responsible for complying with laws and regulations applicable to the **FLRA**. As part of obtaining reasonable assurance about whether the **FLRA**'s 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 and certain other laws and regulations specified in OMB Bulletin No. 01-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the **Federal Labor Relations Authority**.

The results of our tests of compliance with the laws and regulations described in the preceding paragraph, exclusive of FFMIA, disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

Under FFMIA, we are required to report whether the **FLRA**'s financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.

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The results of our tests disclosed one instance in which the **FLRA**'s financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph.

Circular A-130, Appendix III, requires that the **FLRA** ensure an adequate level of security for all agency automated information systems. Specifically, the **FLRA** should ensure that automated information systems operate effectively and have appropriate safeguards to ensure the integrity of those systems. Based on our concerns related to the financial management systems discussed in the report on internal control, we determined that the **FLRA** was not substantially in compliance with this standard.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

While this report is intended solely for the information and use of the management of the **Federal Labor Relations Authority**, OMB and Congress, it is also a matter of public record, and its distribution is, therefore, not restricted.

Dembo, Jones, Healy, Pennington & Marshall, P.C.

November 12, 2004

Federal Labor Relations Authority
Balance Sheet
September 30, 2004

ASSETS	
Intragovernmental	
Fund Balance with Treasury - Note 2	$ 9,416,190
Accounts Receivable – Note 3	41,983
Total Intragovernmental Assets	9,458,173
Property, Plant, and Equipment, Net – Note 4	879,331
Total Assets	$ 10,337,504
LIABILITIES	
Liabilities Covered by Budgetary Resources:	
Intragovernmental	
Accounts Payable	$ 218,867
Total Intragovernmental Liabilities	218,867
Other Payables and Liabilities	
Accounts Payable Public	188,224
Accrued Payroll	1,048,445
Total Other Payables and Liabilities	1,236,669
Total Liabilities Covered by Budgetary Resources	1,455,536
Liabilities Not Covered by Budgetary Resources:	
Unfunded Federal Employees Compensation Act (FECA) Liability	177,400
Unfunded Actuarial FECA Liability	875,634
Unfunded Leave	1,469,621
Total Liabilities Not Covered by Budgetary Resources	2,522,655
Total Liabilities	3,978,191
NET POSITION	
Unexpended Appropriations	8,021,481
Cumulative Results of Operations	(1,662,168)
Total Net Position	6,359,313
Total Liabilities and Net Position	$ 10,337,504

The accompanying notes are an integral part of this financial statement.

Federal Labor Relations Authority
Statement of Net Cost
September 30, 2004

Program Costs:		
Intragovernmental gross costs	$	11,575,323
Less: Intragovernmental earned revenue		(15,620)
Intragovernmental net costs		11,559,703
Public costs		15,548,927
Net Cost of Operations	$	27,108,630

The accompanying notes are an integral part of this financial statement.

Federal Labor Relations Authority
Statement of Changes in Net Position
September 30, 2004

	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances	$ (1,651,696)	$ 5,067,735
Prior period adjustments – Note 5	(756,139)	-
Beginning balances, as adjusted	(2,407,835)	5,067,735
Budgetary Financing Sources:		
Appropriations received	-	29,611,000
Other adjustments - Rescission	-	(174,705)
Other adjustments – Closed Accounts	-	(225,370)
Appropriations used	26,257,179	(26,257,179)
Other Financing Sources:		
Imputed financing from costs absorbed by others	1,597,118	-
Total Financing Sources	27,854,297	2,953,746
Less: Net Cost of Operations	27,108,630	-
Ending Balances	$ (1,662,168)	$ 8,021,481

The accompanying notes are an integral part of this financial statement.

Federal Labor Relations Authority
Statement of Budgetary Resources
September 30, 2004

Budgetary Resources:

Budget Authority		
Appropriations Received	$	29,611,000
Unobligated Balance:		
Beginning of Period		2,191,726
Spending Authority from Offsetting Collections:		
Collected		24,192
Receivable from Federal Sources		(8,572)
Subtotal		31,818,346
Recoveries of Prior Year Obligations		3,359,583
Permanently not available		(400,075)
Total Budgetary Resources	$	34,777,854

Status of Budgetary Resources:

Obligations Incurred:		
Direct	$	28,850,625
Reimbursable		35,702
Subtotal		28,886,327
Unobligated Balance:		
Apportioned		3,130,730
Unobligated Balance not Available		2,760,797
Total Status of Budgetary Resources	$	34,777,854

Relationship of Obligations to Outlays:

Obligated Balance, net, Beginning of Period	$	4,265,184
Obligated Balance, net, End of Period:		
Accounts Receivable		(59,213)
Undelivered Orders		2,129,954
Accounts Payable		1,453,922
Total Obligated Balance, End of Period		7,789,847

Outlays:

Disbursements		26,275,837
Collections		(24,192)
Net Outlays	$	26,251,645

The accompanying notes are an integral part of this financial statement.

Federal Labor Relations Authority
Statement of Financing
September 30, 2004

Resources Used to Finance Activities:	
Budgetary Resources Obligated	
Obligations incurred	$ 28,886,327
Less: Spending authority from offsetting collections and recoveries	(3,375,203)
Obligations net of offsetting collections and recoveries	25,511,124
Other Resources	
Imputed financing from costs absorbed by others	1,597,118
Total resources used to finance activities	27,108,242
Resources Used to Finance Items Not Part of Net Cost of Operations:	
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	746,055
Resources that fund expenses recognized in prior periods	(223,783)
Resources that finance the acquisition of assets	(787,899)
Total resources used to finance items not part of the net cost of operations	(265,627)
Total resources used to finance the net cost of operations	26,842,615
Components of Net Cost of Operations Not Requiring or Generating Resources in the Current Period	
Components Requiring or Generating Resources in Future Periods:	
Increase in exchange revenue receivable from the public	(2,895)
Components Not Requiring or Generating Resources:	
Depreciation and Amortization	177,379
Revaluation of assets or liabilities	61,795
Other	29,736
Total Components Not Requiring or Generating Resources	268,910
Total Components of Net Cost of Operations Not Requiring or Generating Resources in the Current Period	266,015
Net Cost of Operations	$ 27,108,630

The accompanying notes are an integral part of this financial statement.

Federal Labor Relations Authority
Notes To Financial Statements
September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Federal Labor Relations Anthority (FLRA) is an independent agency, created by Congress as part of the Civil Service Reform Act of 1978, to administer and enforce the Federal Service Labor-Management Relations Statute (the Statute). The jurisdiction of the FLRA extends worldwide, to nearly 1.9 million non-postal Federal employees.

Structurally, the FLRA is comprised of the Authority, the Office of the General Counsel, and the Federal Service Impasses Panel. It also supports two other components, both of which were established within the FLRA by the Foreign Service Act of 1980: the Foreign Service Impasse Disputes Panel and the Foreign Service Labor Relations Board.

The Authority

The Authority is a quasi-judicial body with three full-time Members who are appointed for five-year terms by the President with the advice and consent of the Senate. One Member is appointed by the President to serve as Chairman of the Authority and as the Chief Executive and Administrative Officer of the FLRA. The Chairman also chairs the Foreign Service Labor Relations Board.

The Office of the General Counsel

The Office of the General Counsel (OGC) is the prosecutorial component. The General Counsel, who is appointed by the President with the advice and consent of the Senate for a five-year term, is initially responsible, through the seven Regional Offices, for processing unfair labor practice (ULP) allegations and representation matters filed with the FLRA. As to ULP matters, the Regional Offices investigate, settle, and determine whether to dismiss or prosecute ULP charges. The General Counsel also decides appeals of a Regional Director's decision not to issue a ULP complaint. The Regional Offices also ensure compliance with all ULP orders issued by the Authority.

The Federal Service Impasses Panel

The Federal Service Impasses Panel (the Panel) has seven Presidential appoiutees who serve on a part-time basis, one of whom serves as Chairman. The Panel resolves impasses between Federal agencies and unions representing Federal employees arising from negotiations over conditions of employment under the Federal Service Labor-Management Relations Statute, the Federal Employees Flexible and Compressed Work Schedules Act, and the Panama Canal Act of 1979.

The Foreign Service Labor Relations Board

The Foreign Service Labor Relations Board (the Board), composed of three Members appointed by the Chairman of the Authority, was created by the Foreign Service Act of 1980 to administer the labor-management relations program for Foreign Service employees in the U.S. Information Agency, the Agency for International Development, and the Departments of State, Agriculture and Commerce. The FLRA Chairman serves as Chairman of the Board and the FLRA General Counsel serves as General Counsel for the Board.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foreign Service Impasse Disputes Panel

The Foreign Service Impasse Disputes Panel (the Disputes Panel), created by the Foreign Service Act of 1980, consists of five part-time members appointed by the Chairman of the Foreign Service Labor Relations Board (the FLRA Chairman). The Disputes Panel resolves impasses between Federal agencies and Foreign Service personnel in the U.S. Information Agency, the Agency for International Development and the Departments of State, Agriculture and Commerce over conditions of employment under the Foreign Service Act of 1980.

The FLRA's financial activity is considered to be in the general government and central personnel management budget function.

Basis of Presentation

The financial statements of the FLRA have been prepared from its accounting records to report its financial position, net costs, changes in net position, budgetary resources, and reconciliation of net cost to budgetary resources. Such statements have been prepared in accordance with generally accepted accounting principles (GAAP), and the form and content requirements specified by the Office of Management and Budget (OMB) bulletin entitles *Form and Content of Agency Financial Statements* (No. 01-09). GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated as the official accounting standards-setting body for the U.S. Federal Government by the American Institute of Certified Public Accountants.

Basis of Accounting

The FLRA uses both the accrual basis and budgetary basis of accounting to record transactions. Under the accrual basis, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. These financial statements were prepared following accrual accounting. Budgetary account balances are included in certain statemeuts as appropriate. Budgetary accounting principles ensure that funds are obligated according to legal requirements. Balances on these statements may therefore differ from those on financial reports prepared pursuant to other OMB directives that are primarily used to monitor and control FLRA use of budgetary resources.

Use of Estimates in Preparing the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Balance with Treasury

Funds within the Department of the Treasury primarily represent appropriated funds that are available to pay current liabilities and finance authorized purchase commitments.

Federal Labor Relations Authority
Notes To Financial Statements
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts Receivable consists of claims by the FLRA for payment from other entities. Gross receivables are reduced to net realizable value by an allowance for doubtful accounts. Accounts receivable are recorded net of any related allowance for doubtful accounts.

Property, Plant, and Equipment, Net

The FLRA's property and equipment is recorded at cost and is depreciated using the straight-line method over the estimated useful life of the asset, with a full month of depreciation taken the month following the purchase. Major alterations and renovations are capitalized, while maintenance and repair costs are charged to expense as incurred. The FLRA's capitalization threshold was $3,500 for individual purchases. Bulk purchases of similar items, which individually are worth less than $3,500, bnt collectively are worth more than $30,000, are also capitalized using the same property and equipment categories and useful lives as capital acquisitions. Service lives are shown below:

Description	Years
Computer equipment	5
Software	3
Office equipment	7
Office furniture	15
Leasehold Improvements	Life of Lease

Liabilities

Liabilities represent the amount of monies or other resources likely to be paid by the 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 Government, acting in its sovereign capacity, can abrogate liabilities.

Liabilities that are covered by bndgetary resources consist of intragovernmental and public accounts payable and accrued funded payroll. Liabilities not covered by budgetary resources consist of unfunded Federal Employees Compensation Act (FECA) for 2003 and 2004 (since agencies reimburse the Department of Labor two years after the actual payment of expenses) as well as unfunded actuarial FECA liabilities. Liabilities not covered by budgetary resources also include unfunded leave.

Accrued FECA Liability

A liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the Federal Employees' Compensation Act (FECA). The actual costs incurred are reflected as a liability because Agencies will reimburse the Department of Labor (DOL) two years after the actual payment of expenses. Future revenues will be used for there imbursement 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.

Federal Labor Relations Authority
Notes To Financial Statements
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Actuarial FECA Liability

An estimated actuarial liability for future Workers' Compensation benefits is included. The liability estimate is based on the Department of Labor's FECA actuarial model that takes the amount of benefit payments over the last nine to 12 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 2004. The ratios may vary from year to year as a result of economic assumptions and other factors but the model calculates a liability approximately 11 times the annual payments.

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. To the extent that current or prior year funding is not available to cover annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types on non-vested leave are expensed as taken. Any liability for sick leave that is accrued but not taken by a CSRS-covered employee is transferred to the Office of Personnel Management upon the retirement of that individual. No credit is given for sick leave balances upon the retirement of FERS-covered employees.

Accounts Payable and Other Accrued Liabilities

Accounts payable and accrued liabilities represent a probable future outflow or other sacrifice 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. The FLRA liabilities cannot be liquidated without legislation that provides resources to do so. Since the FLRA is a component of the U.S. Government, a sovereign entity, payments of all liabilities other than contracts can be abrogated by the sovereign entity.

Net Position

Net position is the residual difference between assets and liabilities and is composed of Unexpended Appropriations and Cumulative Results of Operations. Unexpended Appropriations represent the amount of unobligated and unexpended budget authority. Unobligated Balance is the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. Cumulative Results of Operations are the net result of the FLRA's operations since inception, which principally comprise property and equipment less unfunded liabilities.

Retirement Plans

The FLRA's employees participate in the Civil Service Retirement System (CSRS) or the Federal Employee's Retirement System (FERS).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Civil Service Retirement System
For employees hired prior to January 1, 1984, The FLRA withholds 7.0 percent of each employee's salary and contributes 8.5 percent of the employee's basic salary to the retirement fund. These employees may also contribute, on a tax-deferred basis, to a defined contribution plan - the Thrift Savings Plan (TSP). Under the TSP, employees may contribute up to 9.0 percent of their salary in 2004 but the FLRA is not required to, and does not contribute any matching amounts.

Federal Employees Retirement System
FERS was established by the 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 to join either FERS and Social Security or remain in CSRS. 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. The FLRA matches the withholdings with a contribution equal to 10.7 percent of the employee's taxable salaries.

All employees are eligible to contribute to the TSP. For those employees participating in FERS, a TSP account is automatically established. The FLRA is required to make a mandatory contribution of 1.0 percent of the base salaries of all employees under FERS. Employees who elect to participate in the TSP may contribute up to 14 percent of salary to an investment fund and the FLRA is required to match the employee's contribution up to a maximum of 5.0 percent of their salaries. Matching contributions are not made to the TSP accounts established by CSRS employees.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, the FLRA remits the employer's share of the required contribution.

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 Office of Personnel Management.

Imputed Costs/Financing Sources

The FASAB's Statement of Federal Financial Accounting Standard Number 5, "Accounting for Liabilities of the Federal Government," requires that employing agencies recognize the full cost of pensions, health and life insurance benefits, during their employees' active years of service. OPM, as the 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 finaucing source and corresponding imputed personnel cost is reflected in the Statement of Change in Net Position, the Statement of Net Cost, and the Statement of Financing, respectively.

Revenue and Other Financing Sources

Reimbursable Work Agreements (Exchange) – The FLRA recognizes reimbursable work agreement revenue when earned, i.e., goods that have been delivered or services rendered. Each reimbursable work

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continned)

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 FLRA executed agreements totaling $35,702 in FY 2004.

Annual Appropriations (Financing Source) - The FLRA receives an annual salaries and expense appropriation from Congress. Annual appropriations are used, within statutory limits, for salaries and administrative expenses and 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 2004 was $29,611,000. A .59 percent rescission to the FY 2004 appropriation reduced that amount by $174,705 for a total available of $29,436,295.

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 canceled.

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 U.S. Treasury and the Department of the Interior's National Business Center.

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.

Federal Labor Relations Authority
Notes To Financial Statements
September 30, 2004

NOTE 2 – FUND BALANCE WITH TREASURY

Fund Balance with Treasury as of September 30, 2004 is comprised of the following:

Fund Balances:	
Appropriated Funds	$ 9,416,190
Status of Fund Balance with Treasury	
Unobligated Balance:	
Available	$ 3,130,730
Unavailable	2,760,797
Obligated balance not yet disbursed	3,524,663
Total	$ 9,416,190

NOTE 3 – ACCOUNTS RECEIVABLE

On the Balance Sheet, Accounts Receivable consists of the following:

Accounts Receivable – Intragovernmental	$ 59,213
Accounts Receivable – Public	2,895
Travel Advances	1,613
Allowance for Bad Debts	(21,738)
Total Accounts Receivable	$ 41,983

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment as of September 30, 2004 is comprised of furniture, equipment, and computer software, and leasehold improvements with the following balances:

Cost:	
Computer equipment	$ 168,512
Software	156,384
Office equipment	142,834
Office furniture	517,447
Leasehold Improvements	226,580
Total Cost	1,211,757
Less accumulated depreciation	(332,426)
Net Book Value	$ 879,331

NOTE 5 – PRIOR PERIOD ADJUSTMENTS

The following two adjustments have been made for the prior period:

Adjustments to Property, Plant and Equipment	$ 188,129
Unfunded Actuarial FECA Liability	(944,268)
Total adjustment	$ (756,139)

NOTE 6 – OPERATING LEASE

The FLRA has operating leases for rental of office space and office equipment. The copier lease arrangements are renewable annually with five possible annual renewal periods. As a Federal Agency, the FLRA is not liable for any lease terms beyond one year. The FLRA anticipates that space levels consistent with FY 2004 will be required for the next five years and has estimated space and copier payments consistent with that need in the schedule below. No estimates beyond five years have been provided because the cancelable nature of the agreements.

Anticipated future lease requirements are as follows:

Fiscal Year	Bldg.	Copier	Total
2005	$ 3,048,000	$ 94,963	$ 3,142,963
2006	$ 3,048,000	$ 99,711	$ 3,147,711
2007	$ 3,048,000	$ 104,696	$ 3,152,696
2008	$ 3,048,000	$ 110,930	$ 3,158,930
Total anticipated future lease payments	$12,192,000	$ 410,300	$12,602,300

NOTE 7 – COMMITMENTS

The 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 FLRA has examined its obligations related to canceled FY 1999 authority and believes that it has no outstanding commitments that will require future resources.

NOTE 8 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

The following summarizes apportionment categories of obligations incurred as of September 30, 2004:

Category A	Budgetary
Direct	$28,850,625
Reimbursable	$ 35,702

NOTE 9 - EXPLANATION OF DIFFERENCES BETWEEN LIABILITIES NOT COVERED BY BUDGETARY RESOURCES AND COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS

The liabilities not covered by budgetary resources on the balance sheet include aunual leave and FECA liability. This balance is reported in the Statement of Financing as a component requiring or generating resources in future periods. The FECA liability is reported as resources that fund expenses recognized in prior years on the Statement of Financing.

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Intragovernmental assets are as follows:

Trading Partner	Fund Balance with Treasury	Accounts Receivable
U.S. Department of Treasury	$ 9,416,190	
U.S. Department of Agriculture		$ 3,548
U.S. Department of Justice		3,101
U.S. Department of Defense		17,947
U.S. Army Corps of Engineers		312
U.S. Department of Veterans Affairs		8,781
U.S. Department of Transportation		4,009
U.S. Department of Homeland Security		682
Office of Personnel Management		2,626
U.S. Department of Commerce		695
Federal Mediation & Conciliation Service		10,122
Other		7,390
Total	$ 9,416,190	$59,213

Intragovernmental liabilities are as follows:

Trading Partner	Accounts Payable
U.S. Department of the Interior	$ 51,578
U.S. Department of Treasury	5,761
General Services Administration	156,308
U.S. Postal Service	4,996
Office of Personnel Management	224
Total	$218,867

The accompanying notes are an integral part of this financial statement.