### **Independent Auditor's Opinion** on the Financial Statements

Ms. Dale Cabaniss Chair Federal Labor Relations Authority

We have audited the accompanying balance sheets of the **Federal Labor Relations Authority** (**FLRA**) as of September 30, 2005 and 2004, and the related statements of net cost, changes in net position, budgetary resources, and financing for the fiscal years then ended. These financial statements are the responsibility of the **FLRA**'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 the **Federal Labor Relations Authority** as of September 30, 2005 and 2004, and its net costs; changes in net position; budgetary resources; and financing activities for the fiscal years 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 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, Performance Section, and the RSI. However, we did not audit the information and, accordingly, express no opinion on it.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated November 14, 2005, on our consideration of the **Federal Labor Relations Authority**'s internal control over financial reporting and a report dated November 14, 2005 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 audits, these reports should be read in conjunction with this report.

While this report is intended 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.

Danko, Jones, Hely, Bennington & Marshall, P.C.

November 14, 2005

#### Report of Independent Auditors on Internal Control

Ms. Dale Cabaniss Chair Federal Labor Relations Authority

We have audited the accompanying balance sheets of the Federal Labor Relations Authority (FLRA) as of September 30, 2005 and 2004, and the related statements of net cost, changes in net position, budgetary resources, and financing for the fiscal years then ended, and have issued our report thereon dated November 14, 2005. We conducted our audits 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 audits 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 audits 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.

We noted one matter in fiscal year 2004 involving the internal control and its operation that we considered to be a material weakness as defined above.

A 2004 audit of the **FLRA**'s compliance with the Federal Information Security and Management Act found that the **FLRA** did not maintain a proper information security program in compliance with OMB Circular A-130. The audit determined that the **FLRA** had material weaknesses and high risks in several information security areas. These risks could have had an impact on the financial management system. In the 2005 audit, improvement in compliance with the Federal Information Security and Management Act was noted and, although not all audit recommendations were fully implemented, there were no material weaknesses noted with the information security program.

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 14, 2005.

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.

Dambo, Jones, Hely, Bennington & Marshall, P.C.

November 14, 2005

### Report of Independent Auditors on Compliance with Laws and Regulations

Ms. Dale Cabaniss Chair Federal Labor Relations Authority

We have audited the accompanying balance sheets of the Federal Labor Relations Authority (FLRA) as of September 30, 2005 and 2004, and the related statements of net cost, changes in net position, budgetary resources, and financing for the fiscal years then ended, and have issued our report thereon dated November 14, 2005. We conducted our audits 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 as described in the previous paragraph 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.

The results of our tests disclosed no instances in which the FLRA's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audits 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.

Dombo, Jones, Hely, Bennington & Marshall, P.C.

November 14, 2005

## Federal Labor Relations Authority Balance Sheets As of September 30, 2005 and 2004

ASSETS		2005		2004
Intragovernmental				
Fund Balance with Treasury - Note 2	\$	6,913,603	\$	9,416,190
Accounts Receivable - Note 3	1111 111111	38,350	- 14 - 12 T	41,983
Total Intragovernmental Assets		6,951,953		9,458,173
Property, Plant, and Equipment, Net – Note 4		751,447	i di	879,331
Total Assets	\$   	7,703,400	\$	10,337,504
LIABILITIES				
Liabilities Covered by Budgetary Resources:		લ્ટી ફેર્મિક અને વિજયની છે. કહ્યું કરી હોઇ છે. - મારા પ્રાથમ, જેલે જાણા જેવા છે. પણ જાણા વર્ષા પાર્કિક પરિવાર કર્યું કરી કહ્યું કરો છે.		
Intragovernmental		tin die frankliche Aberlande in der Aber		
Accounts Payable	( <u>9) (3) (3) (3) (3) (3) (3) (3) (3) (3) (3</u>	667,259	1.1 1.1 1.1 1.11 1.1 1.1	218,867
Total Intragovernmental Liabilities		667,259		218,867
Other Payables and Liabilities				
Accounts Payable Public		232,336		188,224
Accrued Payroll		1,013,713		1,048,445
Total Other Payables and Liabilities		1,246,049		1,236,669
Total Liabilities Covered by Budgetary Resources		1,913,308		1,455,536
Liabilities Not Covered by Budgetary Resources:				
Unfunded FECA Liability	\$	202,527	\$	177,400
Unfunded Actuarial FECA Liability		946,781		875,634
Unfunded Leave		1,351,546		1,469,621
Total Liabilities Not Covered by Budgetary Resources		2,500,854		2,522,655
Total Liabilities	<b>s</b>	4,414,162	\$	3,978,191
		n - Villa III - Villa Danning Alley Historia III - Villa Berlind III - Villa Berlind Historia III - Villa Berlind III - Villa Berlind Historia III - Villa Berlind III		
NET POSITION				0.004.404
Unexpended Appropriations	\$	5,056,973	\$	8,021,481
Cumulative Results of Operations		(1,767,735)		(1,662,168)
Total Net Position		3,289,238		6,359,313
Total Liabilities and Net Position	s	7,703,400	\$	10,337,504

The accompanying notes are an integral part of these statements.

## Federal Labor Relations Authority Statements of Net Cost For the Years Ended September 30, 2005 and 2004

Program Costs				2005	2004
Intragovernmental	gross costs			\$ 11,877,93	<b>3</b> \$ 11,575,323
Less: Intragovernn		enue		(36,185	(15,620)
Intragovernmental	电台动物动脉经验检验信息 医自然 化二氯甲烷			11,841,75	11,559,703
Public costs				14,906,41	<b>3</b> 15,548,927
			東部の開発的では、1000年の日本の1000年。 1900年の日本日本の日本の日本の日本の日本の1000年 1000年代の第二年本の日本の日本の日本の日本の日本の日本の日本の日本の日本の日本の日本の日本の日本		
			4 More Navier		
<b>Net Cost of Operat</b>	ons			\$ 26,748,17	<b>)</b> \$ 27,108,630
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The accompanying notes are an integral part of these statements.

# Federal Labor Relations Authority Statements of Changes in Net Position For the Years Ended September 30, 2005 and 2004

	2005 imulative Results <u>Operations</u>	2005 Unexpended Appropriations	2004 Cumulative Results Of Operations	2004 Unexpended Appropriations
Beginning Balances Prior period adjustments - Note 5	\$ (1,662,168) -	\$ 8,021,481	\$ (1,651,696) (756,139)	\$ 5,067,735
Beginning balances, as adjusted	(1,662,168)	8,021,481	(2,407,835)	5,067,735
Budgetary Financing Sources: Appropriations received Other adjustments - Rescission Other adjustments - Closed accounts		25,673,000 (3,205,384) (300,256)		29,611,000 (174,705) (225,370)
Appropriations used	25,131,868	(25,131,868)	26,257,179	(26,257,179)
Other Financing Sources: Imputed financing from costs absorbed by others	1,510,735		- 1,597,118	
Total Financing Sources	 26,642,603	(2,964,508)	27,854,297	2,953,746
Less: Net Cost of Operations	 26,748,170		27,108,630	
Ending Balances	\$ (1,767,735)	\$ 5,056,973	3 \$ (1,662,168)	\$ 8,021,481

The accompanying notes are an integral part of these statements.

## Federal Labor Relations Authority Statements of Budgetary Resources For the Years Ended September 30, 2005 and 2004

Budgetary Resources:		2005	ŊĀ.	2004
Budget Authority				
Appropriations Received	\$	25,673,000	\$	29,611,000
Unobligated Balance:		10 120 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		
Beginning of Period		5,891,527		2,191,726
Spending Authority from Offsetting Collections:		38,722	- 12	24,192
Collected Receivable from Federal Sources		(2,536)		(8,572)
Subtotal		31,600,713		31,818,346
Recoveries of Prior Year Obligations		545,796		3,359,583
Permanently not available		(3,505,640)		(400,075)
Total Budgetary Resources	<u>\$</u>	28,640,869	\$	34.777,854
Status of Budgetary Resources:			100	
Obligations Incurred:				
Direct States and the state of	\$	24,863,379	\$	28,850,625
Reimbursable		41,777 24,905,156		35,702 28,886,327
Subtotal Unobligated Balance:	-4	24,900,100		20,000,027
Apportioned		1,051,492		3,130,730
Unobligated Balance not Available		2,684,221		2,760,797
Total Status of Budgetary Resources	<u> </u>	28,640,869	<u>\$</u>	34,777,854
			. (2)	
Relationship of Obligations to Outlays:			1	
Obligated Balance, net, Beginning of Period	\$	3,524,663	\$	4,265,184
Obligated Balance, net, End of Period:		*		
Accounts Receivable		(56,676)		(59,213)
Undelivered Orders		1,321,260		2,129,954
Accounts Payable		1,913,307		1,453,922
otal Obligated Balance, End of Period	<u>\$</u>	6,702,554	\$	7,789,847
Outlays:				
		04 TOD 000		
Disbursements	\$	24,708,669	\$	26,275,837 (24,192)
Collections		(38,722)		(24,192)
Net Outlays	\$	24,669,947	\$	26,251,645
The accompanying notes are an integral part of these statemen	contract the state of the state		(A. 1. ) TANKE   TANK	

### Federal Labor Relations Authority Statements of Financing For the Years Ended September 30, 2005 and 2004

Resources Used to Finance Activities:	2005	2004
Budgetary Resources Obligated		
Obligations incurred \$	24,905,156 \$	28,886,327
Less: Spending authority from offsetting collections and		(0.075.000)
Recoveries	(581,982)	(3,375,203)
Obligations net of offsetting collections and recoveries Other Resources	24,323,174	25,511,124
Imputed financing from costs absorbed by others	1,510,735	1,597,118
Total resources used to finance activities	25,833,909	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	808,694	746,055
Resources that fund expenses recognized in prior periods	(115,180)	(223,783)
Resources that finance the acquisition of assets	(63,622)	(787,899)
Total resources used to finance items not part of the net cost		
of operations	629,892	(265,627)
Total resources used to finance the net cost of operations	26,463,801	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	96,274	(2,895)
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	191,506	177,379
Revaluation of assets or liabilities		61,795
Other 3 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	(3,411)	29,736
Total Components Not Requiring or Generating Resources	188,095	268,910
Total Components of Net Cost of Operations not Requiring or Generating Resources in the Current Period	\$ 284,369	266,015
Net Cost of Operations	26,748,170 \$	27,108,630
The accompanying notes are an integral part of these statements.	and the second and the second	Decruis villa al DA

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Federal Labor Relations Authority (FLRA) is an independent administrative federal agency created by Title VII of the Civil Service Reform Act of 1978 (also known as the *Federal Service Labor-Management Relations Statute*) (the Statute). The Statute allows certain non-postal federal employees to organize, bargain collectively, and to participate through labor organizations of their choice in decisions affecting their working lives. 8

The FLRA conducts its statutory, case-processing work through four components: the *General Counsel of the Authority*, the *Office of Administrative Law Judges*, the *Authority decisional component*, and the *Federal Service Impasses Panel*. Three of these four components is headed by a Presidential appointee.

The Office of the General Counsel the initial point-of-entry for unfair labor practice (ULP) cases filed with the FLRA. The General Counsel's Office investigates and prosecutes ULPs through the seven Regional Offices. The Office also process representation (Rep) matters filed with the FLRA and decide appeals of a Regional Director's decision not to issue a ULP complaint.

Office of Administrative Law Judges the 3-Member Authority appoints Administrative Law Judges (ALJs) to hear and prepare decisions in cases involving alleged unfair labor practices and decisions involving applications for attorney fees filed under the Back Pay Act or the Equal Access to Justice Act.

**The Authority** 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.

Each FLRA component exercises some statutorily independent responsibilities, either prosecutorial or adjudicative. The immediate staffs of Authority Members, the General Counsel of the Authority, and the Federal Service Impasses Panel are under the general, day-to-day, supervision of their respective members or component heads. The FLRA also provides full staff support to two other organizations - - the Foreign Service Impasse Disputes Panel and the Foreign Service Labor Relations Board.<sup>9</sup>

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

<sup>7</sup> Public Law 95-454, 5 U.S.C. § 7101 et seq.

<sup>8</sup> The Postal Reorganization Act (Public Law 91-375, Aug. 12, 1970) governs labor-management relations in the Postal Service.

9 Created by the Foreign Service Act of 1980, the FSIDP is a five-member board, chaired by the FLRA Chairman, that resolves bargaining 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. Also under the same Act, the three-member FSLRB administers 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.

#### **Basis of Presentation**

The financial statements of FLRA were 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) Circular No. A-136, Financial Reporting Requirements. GAAP for Federal entities includes 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**

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 statements 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 GAAP 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.

#### 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

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. FLRA's capitalization threshold was \$3,500 for individual purchases. Bulk purchases of similar items, which individually are worth less than \$3,500, but 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:

<u>Description</u>	<u>Years</u>
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 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 budgetary resources consist of intra-governmental and public accounts payable and accrued funded payroll. Liabilities not covered by budgetary resources consist of unfunded *Federal Employees Compensation Act* (FECA) for 2004 and 2005 (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 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 their 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.

#### **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 2005. 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. 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 FLRA's operations since inception, which principally comprise property and equipment less unfunded liabilities.

#### **Retirement Plans**

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

#### Civil Service Retirement System

For employees hired prior to January 1, 1984, FLRA withholds 7.0 percent of each employee's salary and contributes 7.0 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 were able to contribute up to 9.0 percent of their salary in 2004 and may contribute up to 10.0 percent of their salary in 2005 but FLRA is not required to, and does not contribute any matching amounts.

#### Federal Employees Retirement System

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.

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 participating in FERS, a TSP account is automatically established. FLRA is required to make a mandatory contribution of 1.0 percent of the base salaries of all employees under FERS. Employees who elected to participate in the TSP for 2004 were able to contribute up to 14 percent of their salary to an investment fund. Employees who elect to participate in the TSP for 2005 may contribute up to 15 percent of their salary to an investment fund. 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, FLRA remits the employer's share of the required contribution.

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 SFFAS 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 financing 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) — FLRA recognizes reimbursable work agreement revenue when earned, i.e., goods that have been delivered or services 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 FLRA executed agreements totaling \$35,702 and \$41,777 in FY 2004 and in FY 2005, respectively.

Annual Appropriations (Financing Source) — 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, which was reduced by a rescission amount of \$174,705 for a total available of \$29,436,295. The FY 2004 annual appropriation was further reduced by a rescission of \$3,000,000 in accordance with Public Law 108-447, Consolidated Appropriation Act, 2005 (H.R. 4818). The annual appropriation for FY 2005 was \$25,673,000. A .8 percent rescission to the FY 2005 appropriation reduced that amount by \$205,384 for a total available of \$25,467,616.

#### **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 United States Department of the 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.

#### NOTE 2 - FUND BALANCE WITH TREASURY

Fund	Balances	with	Treasury:
Lunu	DatailCos	WELLI	LICUSULY,

adances with freasury.	2005 (CY)	2004 (PY)
Fund Balances: Appropriated Funds	<u>\$ 6,913,603</u>	<u>\$ 9,416,190</u>
Status of Fund Balance with Treasury Unobligated Balance: Available Unavailable Obligated balance not yet disbursed	\$ 1,051,492 2,684,221 _3,177,890	\$ 3,130,730 2,760,797 3,524,663
Total	<u>\$ 6,913,603</u>	<u>\$ 9,416,190</u>

#### NOTE 3 – ACCOUNTS RECEIVABLE

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

	2005 (CY)	2004 (PY)
Accounts Receivable - Intragovernmental	\$ 56,677	\$ 59,213
Accounts Receivable – Public	-	2,895
Travel Advances	-	1,613
Allowance for Bad Debts	(18,327)	<u>(21,738)</u>
Total Accounts Receivable	<u>\$ 38,350</u>	<u>\$41,983</u>

#### NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment is comprised of furniture, equipment, and computer software, and is comprised of the following:

<u> </u>	<u>005 (CY)</u>	2004 (PY)	
Cost:			
Computer equipment \$	168,512	\$ 168,512	
Software	186,469	156,384	
Office equipment	167,294	142,834	
Office furniture	526,524	517,447	
Leasehold Improvements	226,580	226,580	
Total Cost	1,275,379	1,211,757	
Less accumulated depreciation	(523,932)	(332,426)	
Net Book Value	<u>751,447</u>	<u>\$ 879,331</u>	

#### NOTE 5 - PRIOR PERIOD ADJUSTMENTS

There were no prior period adjustments in FY 2005. The following two adjustments were made for the prior period in FY 2004:

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

#### **NOTE 6 - OPERATING LEASE**

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. FLRA anticipates that space levels consistent with FY 2005 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.

Lease requirements per existing contracts are as follows:

Fiscal Year	Bldg.	Copier	<u>Total</u>
2006 2007 2008 2009 2010 OTHER	\$ 2,350,149 \$ 2,048,442 \$ 1,050,882 \$ 343,203 \$ 272,536 \$ 162,963	\$ 42,000 \$ 40,000 \$ 20,000 \$ - \$ - \$ -	\$ 2,392,149 \$ 2,088,442 \$ 1,070,882 \$ 343,203 \$ 272,536 \$ 162,963
Total anticipated future lease payments	<u>\$ 6,228,175</u>	<u>\$ 102,000</u>	\$ 6,330,175

#### **NOTE 7 - COMMITMENTS**

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 2000 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:

Category A	2005(CY) <u>Budgetary</u>	2004(PY) Budgetary
Direct	\$24,863,379	\$28,850,625
Reimbursable	\$ 41,777	35,702

### NOTE 9 - EXPLANATION OF DIFFERENCES BETWEEN LIABILITES 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 annual 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.