FINANCIAL REPORT

Overview of Financial Performance

The FLRA Chairman is also the FLRA's Chief Financial Officer. As such, the Chairman is ultimately responsible for overseeing all financial management activities relating to the components and operation of the agency, and is accountable for ensuring that financial management legislation such as the *Accountability of Tax Dollars Act of 2002*, the *Federal Managers' Financial Integrity Act (FMFIA) of 1982*, and the *Government Management and Reform Act (GMRA) of 1994*, are implemented.

The FLRA Budget and Finance Section provides services and guidance in connection with Agency financial management, including budget formulation and execution; funds control; invoice processing and payments; intra-governmental payments; Treasury reporting; quarterly and end-of-year financial statements; and liaison with the Department of Interior's National Business Center (NBC) for the Federal Financial System (FFS). During FY 2006, FLRA purchased the following services from NBC:

- System administration, operations, security, reports development, and computer processing for FFS.
- Accounting operations for travel related services including travel voucher processing; auditing, scheduling, and certifying vouchers for payments; and establishing obligations, payables and disbursements for travel payments.
- Payroll services using the Federal Payroll and Personnel System (FPPS).

Budgetary Resources
FLRA receives its funding through an annual discretionary appropriation that includes Federal funds and miscellaneous reimbursements. The reimbursements, which are considered exchange revenue, come from Federal agencies for training that FLRA has provided on federal labor relations. The reimbursements are usually in the form of expenditure transfers (payments made from one account to another). In FY 2006, FLRA reimbursements totaled $16,777.

Analysis of Financial Statements
FLRA's FY 2006 financial statements report the Agency's financial position and result of operations on an accrual basis – where transactions are recorded when they occur, regardless of when cash is received or disbursed. This method of accounting allows an accurate evaluation of operations during a given fiscal period, and takes into account future operations.

The annual financial statements consist of a Balance Sheet; Statement of Net Cost; Statement of Changes in Net Position; Statement of Budgetary Resources; Statement of Financing and related Notes that provide a clear description of the Agency and its mission, as well as the significant accounting policies used to develop the statements.

Balance Sheet
The Balance Sheet presents amounts of future economic benefits owned or managed by the reporting entity exclusive of items subject to stewardship reporting (assets), amounts owed by the entity (liabilities), and amounts that comprise the difference (net position).

Assets
Assets represent Agency resources that have future economic benefits. FLRA's assets totaled $9,700,144 in FY 2006. The fund balances with the U.S. Department of Treasury – mostly undisbursed cash balances from

appropriated funds – comprised 91.96% of the total assets. Fund balances represent dollars maintained at the U.S. Department of Treasury Department to pay current liabilities, accounts payable, and undelivered orders. FLRA does not maintain any cash balances outside of the U.S. Treasury and does not have any revolving or trust funds.

Liabilities
Liabilities represent funded and unfunded activities that require future budgetary resources. Relative to assets, FLRA has few liabilities. In FY 2006, the Agency's liabilities totaled $3,919,088. Accounts payable reflect funds owed primarily for contracts and other services. Accrued leave liabilities reflect both unfunded liabilities for estimated annual leave earned but not as yet paid as well as worker's compensation benefits.

Net Position
FLRA's net position, which reflects the difference between assets and liabilities and signifies the Agency's financial condition, totaled $5,781,056. Net position consists of two categories: *unexpended appropriations* – the amount of authority granted by Congress that had been obligated but not expended– and *cumulative results of operations* – the net results of operations since inception plus the cumulative amount of prior period adjustments.

Statement of Net Cost
The Statement of Net Cost represents the gross cost incurred less any exchange revenue earned from activities. Net costs recognize costs when incurred, regardless of the year the funds were appropriated. The line item on this statement reflects salaries and expenses as appropriated. In FY 2006, the FLRA's net cost of operations was $23,835,371.

Statement of Changes in Net Position
The Statement of Changes in Net Position reports how the Agency financed its operations as well as the amount of costs covered by imputed financing – costs paid for by others. At the end of FY 2006, the FLRA's consolidated net position was $(1,763,317).

Statement of Budgetary Resources
The Statement of Budgetary Resources focuses on: budgetary resources available to FLRA (appropriated and reimbursable); the status of those resources (obligated or unobligated); and the relationship between the budgetary resources and outlays (collections and disbursements). In FY 2006, the FLRA's budgetary resources totaled $29,240,320, with nearly all of these resources from spending authority. This statement reflects that approximately 81% ($23,820,571) of the resources available in FY 2006 were obligated. FLRA's net outlays totaled $22,931,652: specifically, $22,963,473 in disbursements less $31,821 in collections.

Statement of Financing
The Statement of Financing links proprietary and budgetary accounting information and reconciles obligations incurred with the net cost of operations. While the budgetary accounting system tracks resources and the status of those resources, the financial accounting system facilitates the translation of budgetary resources into the financial statements on an accrual basis. For FY 2006, the resources used to finance FLRA totaled $23,820,571, which represents obligations incurred and any other resources used to finance activities.

Limitations to Financial Statements
The financial statements were prepared to report the financial position and results of the entity, pursuant to the requirements of Office of Management and Budget Circular No. A-136, *Financial Reporting Requirements* and the Accountability of Tax Dollars Act of 2002. Although these statements were prepared from the books and records of the entity in accordance with the formats prescribed by the Office of Management and Budget,

these statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

These statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One key implication of this fact is that liabilities cannot be liquidated without legislation that provides the resources to do so.

Federal Labor Relations Authority
Balance Sheets
As of September 30, 2006 and 2005

ASSETS	2006	2005
Intragovernmental		
Fund Balance with Treasury - Note 2	$ 8,920,547	$ 6,913,603
Accounts Receivable, Net – Note 3	20,696	38,350
Total Intragovernmental Assets	8,941,243	6,951,953
Property, Plant, and Equipment, Net – Note 4	758,901	751,447
Total Assets	$ 9,700,144	$ 7,703,400
LIABILITIES		
Liabilities Covered by Budgetary Resources:		
Intragovernmental		
Accounts Payable	232,318	667,259
Total Intragovernmental Liabilities	232,318	667,259
Other Payables and Liabilities		
Accounts Payable Public	246,618	232,336
Accrued Payroll	929,077	1,013,713
Total Other Payables and Liabilities	1,175,695	1,246,049
Total Liabilities Covered by Budgetary Resources	1,408,013	1,913,308
Liabilities Not Covered by Budgetary Resources:		
Unfunded FECA Liability	$ 227,907	$ 202,527
Unfunded Actuarial FECA Liability	967,906	946,781
Unfunded Leave	1,315,262	1,351,546
Total Liabilities Not Covered by Budgetary Resources	2,511,075	2,500,854
Total Liabilities	$ 3,919,088	$ 4,414,162
NET POSITION		
Unexpended Appropriations	$ 7,544,373	$ 5,056,973
Cumulative Results of Operations	(1,763,317)	(1,767,735)
Total Net Position	5,781,056	3,289,238
Total Liabilities and Net Position	$ 9,700,144	$ 7,703,400

The accompanying notes are an integral part of these statements.

Federal Labor Relations Authority
Statements of Net Cost
For the Years Ended September 30, 2006 and 2005

		2006		2005
Program Costs				
Intragovernmental gross costs	$	11,285,315	$	11,877,939
Less: Intragovernmental earned revenue		(6,986)		(36,185)
Intragovernmental net costs		11,278,329		11,841,754
Public costs		12,557,042		14,906,416
Net Cost of Operations	$	23,835,371	$	26,748,170

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, 2006 and 2005

	2006 Cumulative Results Of Operations	2006 Unexpended Appropriations	2005 Cumulative Results Of Operations	2005 Unexpended Appropriations
Beginning Balances	**$ (1,767,735)**	**$ 5,056,973**	$ (1,662,168)	$ 8,021,481
Budgetary Financing Sources:				
Appropriations received	-	**25,468,000**	-	25,673,000
Other adjustments - Rescission	-	**(254,680)**	-	(3,205,384)
Other adjustments - Closed accounts	-	**(274,724)**	-	(300,256)
Appropriations used	**22,451,196**	**(22,451,196)**	25,131,868	(25,131,868)
Other Financing Sources:				
Imputed financing from costs absorbed by others	**1,388,593**	-	1,510,735	-
Total Financing Sources	**23,839,789**	**(2,487,400)**	26,642,603	2,964,508
Less: Net Cost of Operations	**23,835,371**	-	26,748,170	-
Ending Balances	**$ (1,763,317)**	**$ 7,544,373**	$ (1,767,735)	$ 5,056,973

The accompanying notes are an integral part of these statements.

Federal Labor Relations Authority

Statements of Budgetary Resources

For the Years Ended September 30, 2006 and 2005

Budgetary Resources:		**2006**		2005
Unobligated balance, brought forward, October 1	$	**3,735,713**	$	5,891,527
Recoveries of prior year unpaid obligations		**559,027**		545,796
Budget Authority				
Appropriations Received		**25,468,000**		25,673,000
Spending Authority from Offsetting Collections:				
Earned				
Collected		**31,821**		38,722
Change in receivables from Federal Sources		**(24,837)**		(2,536)
Without advance from Federal Sources				
Anticipated Reimbursements				
Permanently not available				
Cancellations of expired and no-year accounts		**(274,724)**		(300,256)
Enacted Reductions		**(254,680)**		(3,205,384)
Total Budgetary Resources		**$29,240,320**		$28,640,869
Status of Budgetary Resources:				
Obligations Incurred:				
Direct	**$**	**23,803,794**	$	24,863,379
Reimbursable		**16,777**		41,777
Subtotal		**23,820,571**		24,905,156
Unobligated Balance:				
Apportioned		**1,322,877**		1,051,492
Unobligated Balance not Available		**4,096,872**		2,684,221
Total Status of Budgetary Resources	**$**	**29,240,320**	$	28,640,869
Change in Obligated Balances:				
Obligated Balance, net				
Unpaid obligations, brought forward, October 1	**$**	**3,234,567**	$	3,583,877
Uncollected customer payments from Federal sources		**(56,676)**		(59,213)
Total unpaid obligated balance, net		**3,177,891**		3,524,664
Obligations incurred		**23,820,571**		24,905,156
Gross outlays		**(22,963,473)**		(24,708,669)
Recoveries of prior year unpaid obligations, actual		**(559,207)**		(545,796)
Change in uncollected customer payments from Fed. Sources		**24,837**		2,536
Obligated balance, net, end of period:				
Unpaid Obligations		**3,532,638**		3,234,567
Uncollected customer payments from Federal sources		**(31,839)**		(56,676)
Total, unpaid obligated balance, net, end of period		**3,500,799**		3,177,891
Net Outlays:				
Disbursements	**$**	**22,963,473**	$	24,708,669
Collections		**(31,821)**		(38,722)
Net Outlays	**$**	**22,931,652**	$	24,669,947

The accompanying notes are an integral part of these statements.

Federal Labor Relations Authority
Statements of Financing
For the Years Ended September 30, 2006 and 2005

	2006	2005
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations incurred	$ **23,820,571**	$ **24,905,156**
Less: Spending authority from offsetting collections and Recoveries	**(566,013)**	(581,982)
Obligations net of offsetting collections and recoveries	**23,254,558**	24,323,174
Other Resources		
Imputed financing from costs absorbed by others	**1,388,593**	1,510,735
Total resources used to finance activities	**24,643,151**	25,833,909
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	**(803,364)**	808,694
Resources that fund expenses recognized in prior periods	**(36,284)**	(115,180)
Resources that finance the acquisition of assets	**(224,297)**	(63,622)
Total resources used to finance items not part of the net cost of operations	**(1,063,945)**	629,892
Total resources used to finance the net cost of operations	**23,579,206**	26,463,801
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 unfunded FECA Liability and Unfunded Actuarial FECA Liability	**46,505**	96,274
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	**216,843**	191,506
Revaluation of assets or liabilities	-	-
Other	**(7,183)**	(3,411)
Total Components Not Requiring or Generating Resources	**209,660**	188,095
Total Components of Net Cost of Operations not Requiring or Generating Resources in the Current Period	$ **256,165**	$ 284,369
Net Cost of Operations	$ **23,835,371**	$ 26,748,170

The accompanying notes are an integral part of these statements.

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).[7] 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*. A Presidential appointee heads three of these four components.

> ***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 processes representation (Rep) petitions filed with the FLRA and decides appeals of Regional Directors' decisions not to issue ULP complaints.
>
> ***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 AuthorityDecisional Component*** 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 Federal Service Impasses 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 and the Federal Employees Flexible and Compressed Work Schedules Act. If bargaining between the parties, followed by mediation assistance, proves unsuccessful, the FSIP recommends procedures and takes whatever action it deems necessary to resolve the impasse.

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*

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7 Public Law 95-454. 5 U.S.C. § 7101 *et seq.*
8 The Postal Reorganization Act (Public Law 91-375, Aug. 12, 1970) governs labor-management relations in the Postal Service.

Panel and the *Foreign Service Labor Relations Board.*[9]

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 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. The 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 (AICPA).

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, Net
Accounts Receivable, Net, 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. 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

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[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.

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 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 2005 and 2006 (since agencies reimburse the Department of Labor two and one quarter 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 and one quarter 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 2006. 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 of 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. The CSRS and FERS retirement plans are discussed on the next page.

Accounts Payable and Other Payables and 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 the 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, plant, and equipment less unfunded liabilities.

Retirement Plans

FLRA's employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees 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 10.0 percent of their salary up to the regular IRS limit of $14,000 in 2005. In 2006, employees were not limited as to salary percentage, and the regular IRS limit was $15,000. FLRA is not required to and does not contribute any matching amounts for CSRS employees.

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 were able to contribute up to 15 percent of their salary up to the regular IRS limit of $14,000 in 2005. In 2006, employees were not limited as to salary percentage, and the regular IRS limit was $15,000. 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 (OPM).

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 Changes 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 $41,777 and $16,777 in FY 2005 and in FY 2006, respectively.

Annual Appropriations (Financing Sources) — 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 2005 was $25,673,000. A 0.8 percent rescission to the FY 2005 appropriation reduced that amount by $205,384 for a total available of $25,467,616. The annual appropriation for FY 2006 was $25,468,000. A 1.0 percent rescission to the FY 2006 appropriation reduced that amount by $254,680 for a total available of $25,213,320.

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, the Department of the Interior's National Business Center, and the General Services Administration.

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:

	2006 (CY)	2005 (PY)
Fund Balances:		
Appropriated Funds	$ 8,920,547	$ 6,913,603
Status of Fund Balance with Treasury		
Unobligated Balance:		
Available	$ 1,322,877	$ 1,051,492
Unavailable	4,096,872	2,684,221
Obligated balance not yet disbursed	3,500,798	3,177,890
Total	$ 8,920547	$ 6,913,603

NOTE 3 – ACCOUNTS RECEIVABLE

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

	2006 (CY)	2005 (PY)
Accounts Receivable – Intragovernmental	$ 31,840	$ 56,677
Allowance for Bad Debts	(11,144)	(18,327)
Net Accounts Receivable	$ 20,696	$38,350

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT, NET

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

	2006 (CY)	2005(PY)
Cost:		
Computer equipment	$ 280,935	$ 168,512
Software	217,372	186,469
Office equipment	246,265	167,294
Office furniture	526,524	526,524
Leasehold Improvements	226,580	226,580
Total Cost	1,499,676	1,275,379
Less accumulated depreciation	(740,775)	(523,932)
Net Book Value	$ 758,901	$751,447

NOTE 5 – RECLASSIFICATIONS

Certain reclassifications to prior year balances have been made in the accompanying financial statements to make disclosures consistent with those of the current year.

NOTE 6 – OPERATING LEASES

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 2006 will be required for the next five years and has estimated space and copier payments consistent with that need in the schedule below.

Lease requirements per existing contracts are as follows:

Fiscal Year	Bldg.	Copier	Total
2006	$ 2,327,193	$ 40,000	$ 2,367,193
2007	$ 1,052,179	$ 20,000	$ 1,072,179
2008	$ 336,812	$	$ 336,812
2009	$ 268,594	$ -	$ 268,594
2010	$ 145,012	$ -	$ 145,012
THEREAFTER	$ 17,951	$ -	$ 17,951
Total anticipated future lease payments	$ 4,147,741	$ 60,000	$ 4,207,741

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 2001 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	2006(CY) Budgetary	2005PY) Budgetary
Direct	$23,803,794	$24,863,379
Reimbursable	$ 16,777	41,777

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.