FEDERAL MEDIATION AND CONCILIATION SERVICE

FY 2007 AND FY 2006 CFO ACT AUDIT OF FINANCIAL STATEMENTS

ALLMOND & COMPANY, LLC
Certified Public Accountants
8181 Professional Place, Suite 250
Landover, Maryland 20785
(301) 918-8200

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A/C
ALLMOND & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS
8181 PROFESSIONAL PLACE, SUITE 250
LANDOVER, MARYLAND 20785
(301) 918-8200
FACSIMILE (301) 918-8201

MARVIN C. ALLMOND, CPA

INDEPENDENT AUDITOR'S REPORT

The Director
Federal Mediation and Conciliation Service

We audited the accompanying balance sheet of the Federal Mediation and Conciliation Service (FMCS) as of September 30, 2007 and 2006, and the related statements of net cost, changes in net position, and statements of budgetary resources for the years then ended (the principal financial statements). These financial statements are the responsibility of FMCS management and were prepared by FMCS in accordance with Office of Management and Budget (OMB) Circular A-136, *Form and Content of Agency Financial Statements*, as amended. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the principal financial statements referred to above present fairly, in all material respects, the financial position of FMCS as of September 30, 2007 and 2006, and its net costs, changes in net position, and budgetary resources for the year then ended in conformity with accounting principles generally accepted in the United States.

We issued a draft of this report to FMCS management and requested its comments. Management replied by indicating its general agreement with the audit results. In accordance with *Government Auditing Standards*, we issued separate reports dated November 14, 2007 on FMCS' internal control and compliance with laws and regulations. Our reports on internal control and compliance are an integral part of an audit conducted in accordance with *Government*

Auditing Standards and, in considering the results of the audit, those reports should be read together with this report.

Allmond & Company LLC

November 14, 2007
Landover, Maryland

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MARVIN C. ALLMOND, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

The Director
Federal Mediation and Conciliation Service

We audited the accompanying balance sheet of the Federal Mediation and Conciliation Service (FMCS) as of September 30, 2007 and 2006, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended (the principal financial statements) and issued our report thereon, dated November 14, 2007. We conducted our audit in accordance with *Government Auditing Standards*, auditing standards generally accepted in the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

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

With respect to internal control related to performance measures reported in FMCS management's overview, we obtained an understanding of the design of significant internal control relating to the existence and completeness assertions, as required by OMB Bulletin 07-04. We also assessed control risk relevant to FMCS' intra-agency transactions and balances. Our procedures were not designed to provide assurance on internal control over reported performance measures, and accordingly, we do not express an opinion on such control.

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

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

STATUS OF PRIOR-YEAR RECOMMENDATIONS

In the FY 2006 report on internal control, we did not describe any significant deficiencies or material weaknesses. Accordingly, no follow-up action is outstanding as it relates to resolving such deficiencies.

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

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November 14, 2007
Landover, Maryland

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

The Director
Federal Mediation and Conciliation Service

We audited the accompanying balance sheet of the Federal Mediation and Conciliation Service (FMCS) as of September 30, 2007 and 2006, and the related statements of net cost, changes in net position, budgetary resources, and financing for the years then ended (the principal financial statements) and issued our report thereon, dated November 14, 2007.

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

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

- Certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.
- Certain other laws and regulations specified in OMB Bulletin No. 07-04.
- Requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996.

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

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

Under FFMIA, we are required to report whether the agency's financial management systems substantially comply with Federal financial management systems requirements, Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed the procedures specified in OMB's January 4, 2001, FFMIA implementation guidance. The results of our tests disclosed that FMCS' financial management systems substantially complied with the three requirements in this paragraph.

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

Allmond & Company LLC

November 14, 2007
Landover, Maryland

FEDERAL MEDIATION AND CONCILIATION SERVICE

Fiscal Years 2007 and 2006
Financial Statements

FEDERAL MEDIATION AND CONCILIATION SERVICE
Balance Sheet
As of September 30, 2007 and September 30, 2006

	2007	2006
ASSETS		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	$ 8,733,739	$ 9,515,042
Accounts Receivable (Note 3)	9,211	21,378
Total Intragovernmental Assets	8,742,950	9,536,420
Assets with the Public:		
Accounts Receivable (Note 3)	11,195	3,685
Other	335	0
General Property, Plant and Equipment (Note 4)	262,284	161,960
Total Non-Governmental Assets	273,814	165,645
Total Assets	**$ 9,016,764**	**$ 9,702,065**
LIABILITIES		
Intragovernmental Liabilities:		
Accounts Payable	100,687	24,128
Other	950,447	1,029,375
Total Intragovernmental Liabilities	1,051,134	1,053,503
Liabilities with the Public:		
Accounts Payable	572,737	544,442
Other Liabilities	4,090,303	3,905,402
Total Non-Governmental Liabilities	4,663,040	4,449,844
Total Liabilities	**5,714,174**	**5,503,347**
NET POSITION		
Unexpended Appropriations	5,872,448	7,149,077
Cumulative Results of Operations	(2,569,858)	(2,950,357)
Total Net Position	**3,302,590**	**4,198,720**
Total Liabilities and Net Position	**$ 9,016,764**	**$ 9,702,067**

The Accompanying Notes are an Integral Part of these Financial Statements

FEDERAL MEDIATION AND CONCILIATION SERVICE
Statement of Net Costs
For the Years Ended September 30, 2007 and September 30, 2006

	2007	2006
Intragovernmental Gross Costs	$ 8,730,744	$ 8,270,345
Less: Intragovernmental Earned Revenue	(802,004)	(981,904)
Intragovernmental Net Costs	7,928,740	7,288,441
Gross Costs with the Public	38,444,517	38,086,343
Less: Earned Revenues from the Public	(1,018,785)	(1,222,015)
Net Costs with the Public	37,425,732	36,864,328
Total Net Costs	45,354,472	44,152,769
Costs Not Assigned to Programs	0	0
Less: Earned Revenues not attributable to programs	0	0
Net Cost of Operations	**$45,354,472**	**$44,152,769**

The Accompanying Notes are an Integral Part of these Financial Statements

FEDERAL MEDIATION AND CONCILIATION SERVICE
Statement of Changes in Net Position
For the Years Ended September 30, 2007 and September 30, 2006

	2007		2006	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances	$(2,958,737)	$ 7,160,065	$(3,802,794)	$ 7,833,752
Prior Period Adjustments	0	0	0	0
Beginning Balances, As Adjusted	(2,958,737)	7,160,065	(3,321,299)	7,833,752
Budgetary Financing Sources:				
Appropriations Received		42,848,824		43,031,000
Appropriations Transferred		0		0
Other Adjustments (Recissions, etc.)		(431,605)		(818,799)
Appropriations Used	43,704,836	(43,704,836)	42,896,876	(42,896,876)
Other Financing Resources:				
Transfers-In/Out without Reimbursements	0		0	
Imputed Financing from Costs Absorbed by Others	2,038,514		2,120,090	
Other Revenue	0		(11,760)	
Total Financing Resources	45,743,350	(1,287,617)	45,005,206	(684,675)
Net Costs of Operations	(45,354,472)		(44,152,769)	
Net Change	888,878	(1,287,617)	852,437	(684,675)
Ending Balances	**$ (2,569,859)**	**$ 5,872,448**	**$ (2,950,357)**	**$ 7,149,077**

The Accompanying Notes are an Integral Part of these Financial Statements

FEDERAL MEDIATION AND CONCILIATION SERVICE
Statement of Budgetary Resources
For the Years Ended September 30, 2007 and September 30, 2006

	2007	2006
Budgetary Resources		
Budget Authority:		
Appropriations Received	$42,848,824	$43,031,000
Unobligated Balance Beginning of Period:	3,768,841	4,714,737
Spending Authority from Offsetting Collections:		
Earned		
Collected	1,886,999	2,292,654
Receivable from Federal Sources	(4,657)	(53,353)
Subtotal	1,882,342	2,239,301
Recoveries of Prior Year Obligations	1,426,603	1,091,845
Cancellations of Expired Accounts and No Year Accounts	(431,605)	(388,489)
Permanently Not Available	0	(430,310)
Total Budgetary Resources	**49,495,004**	**50,258,084**
Status of Budgetary Resources		
Obligations Incurred:		
Direct	44,854,452	45,465,242
Reimbursable	896,037	1,024,000
Subtotal	45,750,489	46,489,242
Unobligated Balance:		
Apportioned	683,295	580,601
Unobligated Balance Not Available	3,061,220	3,188,241
Total Status of Budgetary Resources	**49,495,004**	**50,258,084**
Change in Obligated Balance		
Unpaid Obligations Brought Forward October 1	5,771,264	5,099,179
Uncollected Customer Payments	(25,064)	(78,417)
Total Unpaid Obligated Balance Brought Forward, Net	5,746,200	5,020,762
Obligations Incurred, Net:	45,750,489	46,489,242
Less: Gross Outlays	(45,085,521)	(44,725,312)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(1,426,603)	(1,091,845)
Change in Uncollected Customer Payments from Fed. Sources	4,657	53,353
Obligated Balance, Net – End of Period		
Unpaid Obligations	5,009,630	5,771,264
Uncollected Customer Payments from Fed. Sources	(20,406)	(25,064)
Total, Unpaid Obligated, Net, End of Period	4,989,224	5,746,200
Net Outlays		
Gross Outlays	45,085,521	44,725,312
Less: Offsetting Receipts	(1,886,999)	(2,292,654)
Net Outlays	**$43,198,522**	**$42,432,658**

The Accompanying Notes are an Integral Part of these Financial Statements

FEDERAL MEDIATION AND CONCILIATION SERVICE
Notes to the Financial Statements
As of September 30, 2007 and September 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

B. Reporting Entity

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

At September 30, 2007, FMCS consisted of a national office, two regional offices, and 69 field offices.

C. Earmark Fund

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

D. Basis of Accounting

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

E. Revenues and Other Financing Sources

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

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

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

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

G. Property, Plant and Equipment

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

H. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by FMCS as a result of a transaction or event that has already occurred. However, no liability can be paid by FMCS absent proper budget authority. Liabilities for which an appropriation has not been enacted are classified as unfunded liabilities and there is no certainty that corresponding future appropriations will be enacted. Liabilities arising from other than contracts can be abrogated by the Government, acting in its sovereign capacity.

I. Contingencies and Commitments

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

J. Annual, Sick, and Other Leave

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

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

K. Interest on Late Payments

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

L. Retirement Plan

With few exceptions, employees hired before January 1, 1984, are covered by the Civil Service Retirement System (CSRS) and employees hired after December 31, 1983, are covered by the Federal Employees Retirement System (FERS). For employees covered under CSRS, the FMCS withholds 7.0% of each employee's salary and contributes a matching amount to the fund. CSRS covered employees do not have FICA withholdings and, thus do not accrue Social Security benefits. Employees covered under CSRS Offset have 0.8% of their basic pay withheld from their salaries biweekly. FMCS contributes 7% of their basic salaries to CSRS and 7.45% (6.2% OASDI + 1.45% Medicare) of their gross pay to Social Security biweekly. If an employee reaches the annual Social Security wages maximum and withholding stop for OASDI tax, the CSRS withholding increases to 7% (0.8% + 6.2%). For employees covered under FERS, in addition to FICA withholdings, FMCS withholds approximately 0.8% from employees' basic earnings for a retirement annuity. FMCS contributes to the plan an additional 11.2% for employees' retirement. Under FERS, employees also receive retirement benefits from Social Security and benefits from a defined contribution plan called Thrift Savings Plan. Under the thrift plan, an employee may contribute up to the annual IRS limit to a tax deferred investment fund. FMCS contributes 1% of salary for FERS employees, whether or not they contribute their own money to the Thrift Savings Plan. For FERS employees who do contribute their own money to the Thrift Savings Plan, FMCS matches the amount dollar-for-dollar on the first 3% and .50 on the dollar for each of the next 2%. The combined automatic and matching portion of FMCS' contribution cannot exceed 5% of salary. Those employees who elected to remain under CSRS after December 31, 1983 and those covered by CSRS offset, continue to receive benefits in place, and may also contribute (tax deferred) up to the annual IRS limit to the thrift plan, but with no matching amount contributed by FMCS.

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

M. Actuarial Liabilities

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

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

N. Comparative Data

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

NOTE 2: FUND BALANCE WITH THE U.S. TREASURY AS OF SEPTEMBER 30, 2007 AND SEPTEMBER 30, 2006

The Fund Balance with the U.S. Treasury as reported in the financial statements represents the unexpended cash balance on the FMCS books for all FMCS Treasury Symbols at September 30, 2007 and 2006. The balances are comprised of the following:

A. Fund Balances:	2007	2006
Appropriated S&E Funds	$5,549,648	$6,909,805
Labor Mgmt Coop Project	3,184,312	2,605,237
Total	$8,733,960	$9,515,042

B. Status of Fund Balance with Treasury

	2007	2006
Unobligated Balance		
Available	$ 496,315	$ 847,997
Unavailable	3,248,421	2,920,845
Obligated Balance not Disbursed	4,989,224	5,746,200
Total	$8,733,960	$9,515,042

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivables due from the federal government departments and other agencies are $9,211. Since these receivables are with government agencies, management believes these receivables are collectable. Accounts receivables due from the public are $11,195. At this time, management believes these receivables are collectable since they are not 30 days past due.

NOTE 4: PROPERTY, PLANT AND EQUIPMENT, NET

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

FY 2007

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

FY 2006

	Total	ADP Software	Equipment, Furniture & Hardware	Leasehold Improvements
Acquisition Cost	$1,515,546	$ 302,578	$1,184,968	$ 28,000
Accumulated Depreciation	(1,353,586)	(290,810)	(1,034,776)	(28,000)
Net Book Value	$ 161,960	$ 11,768	$ 150,192	$ 0

NOTE 5: OPERATING LEASES

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

Schedule of Future Minimum Lease Payments	
2008	$ 5,600,000
2009	5,694,000
Total Future Minimum Lease Payments	$ 11,294,000

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

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

Pension and other retirement benefit expenses are calculated using cost factors determined by actuaries at the Office of Personnel Management. These cost factors are calculated based on economic and demographic assumptions. The cost factor is multiplied by the basic pay in order to obtain the Normal Cost for the accounting period. This Normal Cost is the present value of the projected benefits of each employee allocated on a level basis over the service of the employee between entry age and assumed exit age. The imputed financing amount represents the difference between the employees total pension expense and the employees contribution. For the period ending September 30, 2007 and September 30, 2006, the Normal Cost, employers total pension expense, employees' contribution and imputed financing amounts were as follows:

Employee Type	Normal Cost	Employers Total Pension Expense	Employers Contribution	Employers Imputed Financing Expense
FY 2007				
CSRS	$ 1,253,591	$ 685,655	$ 342,827	$ 567,936
CSRS-Offset	148,873	9,112	4,556	139,761
FERS	2,349,174	2,279,494	2,129,967	69,680
Total	$ 3,751,638	$ 2,974,261	$ 2,477,350	$ 777,377
Health Insurance				1,256,486
Life Insurance				4,651
Total				1,261,137
Grand Total Imputed Financing				$ 2,038,514
FY 2006				
CSRS	$ 1,504,360	$ 784,046	$ 404,464	$ 720,314
CSRS-Offset	143,403	44,742	42,587	98,661
FERS	2,064,031	1,848,682	2,096,290	215,349
Total	$ 3,711,793	$ 2,677,470	$ 2,543,342	$ 1,034,324
Health Insurance				1,081,096
Life Insurance				4,670
Total				1,085,766
Grand Total Imputed Financing				$ 2,120,090

NOTE 7: BUDGETARY RESOURCES

Monitoring of Budget execution is at the individual appropriation level. The amount of budgetary resources obligated for undelivered orders at September 30, 2007 and 2006 totaled $2,850,653 and $3,619,976, respectively.

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

NOTE 8: LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

These liabilities will be met by future appropriations. For FMCS, future funding requirements at September 30, 2007 and 2006 include:

	2007	2006
Unfunded Annual Leave	$2,604,616	$2,322,684
Unfunded FECA Liability	950,447	1,029,375
Total Liabilities Not Covered by Budgetary Resources	$3,554,063	$3,352,059

FY 2007 – Change in Unfunded Annual Leave

2007	$2,604,616
2006	2,322,684
	$ 281,932

FY 2007 – Change in Unfunded FECA Liability

2007	$ 950,447
2006	1,029,375
	$ (78,928)

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

	2007	2006
Direct Obligations (Category A)	$44,457,573	$45,396,611
Direct Obligations – Grants (Category A)	396,879	68,931
Reimbursable Obligations (Category A)	896,037	1,024,000
Total	$46,489,542	$46,489,542

Note: FY 2006 Direct Obligations – Grants, Category A was erroneously reported on FACTS II as Category B.

NOTE 10: RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET (FORMERLY THE STATEMENT OF FINANCING)

For the Years Ended September 30, 2007 and September 30, 2006

	2007	2006
Resources Used to Finance Activities		
Budgetary Resources Obligated:		
Obligations Incurred	$45,750,489	$46,489,242
Less: Spending Authority from Offsetting Collections and Recoveries	(3,308,944)	(3,331,145)
Obligations Net of Offsetting Collections and Recoveries	42,441,545	43,158,097
Less: Offsetting Receipts	0	0
Net Obligations	42,441,545	43,598,362
Other Resources:		
Transfers In/Out without Reimbursement	0	0
Imputed Financing from Costs Absorbed by Other	2,038,515	2,120,090
Other	0	0
Net Other Resources Used to Finance Activities	2,038,515	2,120,090
Total Resources Used to Finance Activities	$44,480,060	$45,278,187
Resources Used to Finance Items not Part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided	(769,123)	647,975
Resources that Fund Expenses Recognized in Prior Periods	(203,004)	490,214
Resources that Finance the Acquisition of Assets	121,718	24,531
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations	(221)	51,113
Total Resources Used to Finance Items not Part of the Net Cost of Operations	(850,630)	1,213,833
Total Resources Used to Finance the Net Cost of Operations	$45,330,690	$44,064,354

NOTE 10: RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET (FORMERLY THE STATEMENT OF FINANCING) - CONTINUED

	2007	2006
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	$ 0	$ 0
Increase in Exchange Revenue Receivable from the Public	0	0
Other	0	0
Total Components of Net Cost of Operation that will Require or Generate Resources in Future Periods	0	0
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	23,128	88,415
Revaluation of Assets or Liabilities	654	0
Other	0	0
Total Components of Net Cost of Operation that will not Require or Generate Resources	23,782	88,415
Total Components of Net Cost of Operation that will not Require or Generate Resources in the Current Period	23,782	88,415
Net Cost of Operations	**$45,354,472**	**$44,152,769**