

**UNITED STATES COURT OF APPEALS
FOR VETERANS CLAIMS**

**PERFORMANCE AND ACCOUNTABILITY REPORT,
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
SEPTEMBER 30, 2011 AND 2010**



**Prepared By
Brown & Company CPAs, PLLC
November 14, 2011**



**UNITED STATES COURT OF APPEALS
FOR VETERANS CLAIMS
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FOR THE YEARS ENDED
SEPTEMBER 30, 2011 AND 2010**

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Management's Discussion and Analysis for FY 2011





UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS
625 Indiana Avenue, NW, Suite 900
Washington, DC 20004-2950

Management's Discussion and Analysis for FY 2011

Introduction

Management's Discussion and Analysis (MD& A) is an integral part of the Court's annual financial statements that provides an overview, from management's perspective, of the Court's structure, functions, past performance, current financial condition, and a general outlook for the near future. The MD&A supplements the financial data so as to provide a complete picture of the use and application of the Court's appropriated funds.

Mission and Organization Structure

The U. S. Court of Appeals for Veterans Claims (Court) is an appellate court of record established under Article I of the U.S. Constitution by the Veterans' Judicial Review Act, Pub. L. No.100-687, Division A (1988). The Act, as amended, is codified in part at 38 U.S.C. §§ 7251-7299. The Court has jurisdiction to, inter alia, (1) review decisions of the Board of Veterans' Appeals (Board) and may affirm, vacate, reverse, or remand as appropriate in such cases, (2) issue all writs necessary or appropriate in aid of its jurisdiction (28 U.S.C. § 1651), (3) set aside rules, and regulations issued or adopted by the Secretary, the Board, or the Board Chairman that are arbitrary or capricious, an abuse of discretion, or otherwise not in accordance with law, contrary to constitutional right, in excess of statutory jurisdiction or authority, or without observance of the procedures required by law, and (4) compel actions of the Secretary of Veterans Affairs that were unlawfully withheld or unreasonably delayed.

The Court is authorized nine judges, one of whom serves as Chief Judge. The judges are appointed by the President, "by and with the Advice and Consent of the Senate," for fifteen-year terms. Each judge has a staff of four law clerks and one administrative assistant. The Chief Judge has additional support staff because of his administrative duties. Court support staff includes (1) a Clerk of the Court to manage Court support

operations under the supervision of the Chief Judge, (2) a Public Office that manages the Court's docket, (3) a Central Legal Staff responsible for facilitating case resolution through a conferencing process, screening cases, and working as needed with the Court's Senior Judges recalled for service, (4) an Information Technology Office that provides direct support to personnel and administers the Court's Case Management/Electronic Case Filing (CM/ECF) program, (5) an Administrative Office that provides personnel, procurement, and facilities management functions, and (6) a Financial Office responsible for financial management.

The Court is a national court authorized to sit anywhere in the United States, but its principal office is located in Washington, DC.

Procedures

The Court's Rules of Practice and Procedure, with new revisions effective September 15, 2011, govern its procedures and are available on the Court's website. As an appellate Court, the Court does not hold trials, hear witness testimony, or receive new evidence. In deciding a case, it considers the Board decision, the record before the Board, and the briefs submitted by the parties. If the issues warrant, the Court holds oral argument.

Most arguments are held in Washington, D.C., but on occasion the Court sits in other locations. In FY 2011, as part of its educational outreach program, the Court held oral argument at John Marshall School of Law in Chicago, Illinois, and at Mississippi College School of Law in Jackson, Mississippi.

Opinions

The Court's precedential opinions are published in West's Veterans Appeals Reporter. They are available in WESTLAW, LEXIS, and--without digest--on the Court's website under Orders and Opinions. They are also sent to the Government Printing Office for microfilm distribution to its nationwide depository library system.

Performance Goals, Objectives and Results

The Court's goal is to provide timely judicial review of cases that have been appealed to the Court from the Board of Veterans Appeals annually. The Court has a heavy caseload, ranging from about 4000 to almost 5000 appeals filed over the past several years. In FY 2011, the Court decided more than 4,500 appeals, in addition to several thousand procedural determinations and actions on Equal Access to Justice (EAJA) applications. The Court's annual reports are available on the Court's website: www.uscourts.cavc.gov.

Limitations of the Financial Statements

Although the Court is part of the judiciary and not subject to 31 U.S.C. § 3515 (b) (requiring executive agencies to file annual financial reports), the Court, as an independent Article I Court, also is not part of the annual financial reporting prepared by the Administrative Office of the Courts. Recognizing, however, that routine review of the Court's operations and use of appropriated funds is a sound financial practice, the Court voluntarily complies with the substantive requirements of section 3515 (b). The Court's principal financial statements have been prepared by the Administrative Resource Center at the U.S. Department of the Treasury Bureau of Public Debt. The statements have been prepared from the Court's books and records in accordance with Generally Accepted Accounting Principles (GAAP) for federal entities and the formats prescribed by the Office of Management and Budget (OMB) in the OMB Circular A-136 .

Analysis of Financial Statements

The Court's annual appropriated funds are used for salaries, benefits, facilities rent and maintenance, information technology (IT) contractor and intergovernmental services and support, and an annual contribution to the Judges' Retirement Trust Fund. The Court also has been appropriated funds for assessing with General Service Administration the construction of a Courthouse to house the Court in lieu of the commercially rented space currently housing the Court. Additionally, the Court receives pass-through funding for a congressionally-mandated grant to Legal Services Corporation for managing the Veterans Consortium Pro Bono Program that provides counsel to *pro se* appellants.

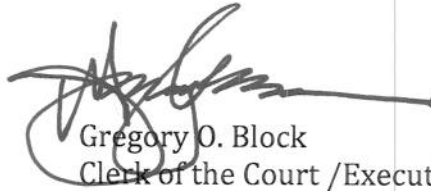
Analysis of Systems, Controls and Legal Compliance

The Court recognizes the importance of adequate controls for its administrative functions. The Clerk of the Court and Court support staff develop, implement, evaluate, and modify, as necessary, controls to provide reasonable assurance that there is adequate accountability of Court resources. Given the small size of the Court, the Court contracts for accounting, financial reporting, administrative payments, and some procurement services with the Bureau of Public Debt's Administrative Resource Center (ARC); the Court also contracts for payroll and personnel services with the Department of Agriculture's National Finance Center (NFC). Although this contracting necessitates reliance on the performance of entities outside our managerial control, it also permits an outside look into our own management of appropriated funds that augments and compliments our internal controls.

Conclusion

The Court is making proper and effective use and application of its appropriated funds.

November 14, 2011



Gregory O. Block
Clerk of the Court /Executive Officer

**UNITED STATES COURT OF APPEALS
FOR VETERANS CLAIMS**

**INDEPENDENT AUDITOR'S REPORT
AND
CONSOLIDATED FUNDS
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
SEPTEMBER 30, 2011 AND 2010**



**Prepared By
Brown & Company CPAs, PLLC
November 14, 2011**



INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To: Chief Judge Bruce E. Kasold
Thru: Gregory O. Block, Clerk of the Court, Executive Officer
United States Court of Appeals for Veterans Claims
Washington, DC

We have audited the accompanying balance sheet of the U.S. Court of Appeals for Veterans Claims (CAV) as of September 30, 2011 and 2010 and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements). These financial statements are the responsibility of CAV's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04, as amended, 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.

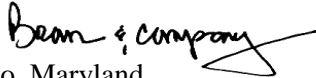
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CAV as of September 30, 2011 and 2010 and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *U.S. Government Auditing Standards* and OMB Bulletin No. 07-04, as amended, we have also issued our reports dated November 14, 2011 on our consideration of the CAV internal control over financial reporting and its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *U.S. Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis (MD&A) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by OMB Circular A-136, *Financial Reporting Requirements*, as revised, that considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

This report is intended solely for the information and use of the management of the CAV, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.



Largo, Maryland
November 14, 2011



**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To: Chief Judge Bruce E. Kasold
Thru: Gregory O. Block, Clerk of the Court, Executive Officer
United States Court of Appeals for Veterans Claims
Washington, DC

We have audited the financial statements of the U.S. Court of Appeals for Veterans Claims (CAV) as of and for the year ended September 30, 2011 and have issued our report thereon dated November 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

In planning and performing our audit, we considered the CAV's internal control over financial reporting by obtaining an understanding of the CAV'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. 07-04, as amended. The objective of our audit was not to provide an opinion on internal control and therefore, we do not express 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 a significant deficiency or material weakness. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04, as amended, a material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency in internal control, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be a material weakness as defined above.

This report is intended solely for the information and use of the management of the CAV, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Largo, Maryland
November 14, 2011



**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH LAWS AND REGULATIONS**

To: Chief Judge Bruce E. Kasold
Thru: Gregory O. Block, Clerk of the Court, Executive Officer
United States Court of Appeals for Veterans Claims
Washington, DC

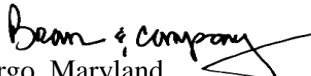
We have audited the financial statements of the U.S. Court of Appeals for Veterans Claims (CAV) as of and for the year ended September 30, 2011 and have issued our report thereon dated November 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The management of the CAV is responsible for complying with laws and regulations applicable to the CAV. As part of obtaining reasonable assurance about whether the CAV'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. 07-04, as amended. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the CAV.

The results of our tests of compliance with laws and regulations disclosed no reportable instances of noncompliance with laws and regulations discussed in the preceding paragraph that are required to be reported under *U.S. Government Auditing Standards* or OMB Bulletin No. 07-04, as amended.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion. However, we noted no noncompliance with laws and regulations, which could have a direct and material effect on the determination of financial statement amounts.

This report is intended solely for the information and use of the management of the CAV, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.


Largo, Maryland
November 14, 2011

FINANCIAL STATEMENTS AND NOTES

UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS
BALANCE SHEET
AS OF SEPTEMBER 30, 2011 AND 2010
(In Dollars)

	2011	2010
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 18,932,343	\$ 15,836,392
Investments (Note 4)	24,672,059	22,631,364
Total Intragovernmental	43,604,402	38,467,756
Cash, and Other Monetary Assets (Note 3)	-	342
Accounts Receivable, Net (Note 5)	522	-
Property, Equipment, and Software, Net (Note 6)	354,067	511,055
Total Assets	\$ 43,958,991	\$ 38,979,153
Liabilities:		
Intragovernmental		
Accounts Payable	\$ -	\$ 31,200
Other (Note 9)	134,155	133,304
Total Intragovernmental	134,155	164,504
Accounts Payable	105,333	429,762
Federal Employee and Veterans' Benefits (Note 8)	23,550,804	22,741,724
Other (Note 9)	1,325,506	1,305,124
Total Liabilities	\$ 25,115,798	\$ 24,641,114
Net Position:		
Unexpended Appropriations - Other Funds	\$ 17,794,223	\$ 14,465,557
Cumulative Results of Operations - Earmarked Funds (Note 11)	1,298,512	1,686
Cumulative Results of Operations - Other Funds	(249,542)	(129,204)
Total Net Position	\$ 18,843,193	\$ 14,338,039
Total Liabilities and Net Position	\$ 43,958,991	\$ 38,979,153

The accompanying notes are an integral part of these financial statements.

**UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS
CONSOLIDATED FUNDS
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In Dollars)**

	2011	2010
Program Costs:		
Administrative Expenses	\$ 21,176,517	\$ 21,516,175
Pension Expense before assumption changes	2,007,501	2,266,999
Less: Earned Revenue		
Other Revenue	(28,991)	(110,030)
Interest Earned	(123,172)	(49,068)
Employee Contributions	(53,384)	(47,597)
Net Expense before Gain/Loss from changes in assumptions	\$ 22,978,471	\$ 23,576,479
(Gain)/loss on assumption changes:		
Discount Rate assumption	\$ 2,272,120	\$ 2,005,300
Other Assumption Changes	(3,096,186)	-
From Experience	938,226	990,693
Net (gain)/loss on assumption changes	\$ 114,160	\$ 2,995,993
Net Cost of Operations (Note 12)	\$ 23,092,631	\$ 26,572,472

The accompanying notes are an integral part of these financial statements.

**UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In Dollars)**

	2011		2011		2010		2010	
	Earmarked Funds	All Other Funds	Consolidated Total	Earmarked Funds	All Other Funds	Consolidated Total	Earmarked Funds	All Other Funds
Cumulative Results of Operations:								
Beginning Balances	\$ 1,686	\$ (129,204)	\$ (127,518)	\$ 342,617	\$ (310,471)	\$ 23,146		
Budgetary Financing Sources:								
Appropriations Used	-	23,531,020	23,531,020	-	25,573,053	25,573,053		
Other Financing Sources (Non-Exchange):								
Imputed Financing Sources (Note 13)	-	738,099	738,099	-	839,755	839,755		
Total Financing Sources	-	24,269,119	24,269,119	-	26,412,808	26,412,808		
Net Cost of Operations	1,296,826	(24,389,457)	(23,092,631)	(340,931)	(26,231,541)	(26,572,472)		
Net Change	1,296,826	(120,338)	1,176,488	(340,931)	181,267	(159,664)		
Cumulative Results of Operations	\$ 1,298,512	\$ (249,542)	\$ 1,048,970	\$ 1,686	\$ (129,204)	\$ (127,518)		
Unexpended Appropriations:								
Beginning Balances	\$ -	\$ 14,465,557	\$ 14,465,557	\$ -	\$ 13,234,899	\$ 13,234,899		
Budgetary Financing Sources:								
Appropriations Received	-	27,615,000	27,615,000	-	27,115,000	27,115,000		
Other Adjustments	-	(755,314)	(755,314)	-	(311,289)	(311,289)		
Appropriations Used	-	(23,531,020)	(23,531,020)	-	(25,573,053)	(25,573,053)		
Total Budgetary Financing Sources	-	3,328,666	3,328,666	-	1,230,658	1,230,658		
Total Unexpended Appropriations	\$ -	\$ 17,794,223	\$ 17,794,223	\$ -	\$ 14,465,557	\$ 14,465,557		
Net Position	\$ 1,298,512	\$ 17,544,681	\$ 18,843,193	\$ 1,686	\$ 14,336,353	\$ 14,338,039		

The accompanying notes are an integral part of these financial statements.

UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In Dollars)

	2011	2010
Budgetary Resources:		
Unobligated Balance:		
Unobligated Balance Brought Forward, October 1	\$ 4,741,733	\$ 3,457,697
Recoveries of Prior Year Unpaid Obligations	328,715	284,490
Budget Authority		
Appropriation	28,956,572	28,348,837
Permanently Not Available	(755,314)	(311,289)
Total Budgetary Resources	\$ 33,271,706	\$ 31,779,735
Status of Budgetary Resources:		
Obligations Incurred (Note 15)		
Direct	\$ 25,509,948	27,038,002
Unobligated Balance		
Apportioned	3,476,013	1,252,416
Exempt From Apportionment	138,959	110,030
Subtotal	3,614,972	1,362,446
Unobligated Balance Not Available	4,146,786	3,379,287
Total Status of Budgetary Resources	\$ 33,271,706	\$ 31,779,735
Change in Obligated Balance:		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 11,092,641	\$ 10,889,480
Total Unpaid Obligated Balance, Net	11,092,641	10,889,480
Obligations Incurred Net	25,509,948	27,038,002
Gross Outlays	(25,141,588)	(26,550,351)
Recoveries of Prior Year Unpaid Obligations, Actual	(328,715)	(284,490)
Total, Unpaid Obligated Balance, Net, End of Period	\$ 11,132,287	\$ 11,092,641
Net Outlays:		
Gross Outlays	\$ 25,141,588	\$ 26,550,351
Distributed Offsetting Receipts	(3,266,385)	(4,762,963)
Net Outlays	\$ 21,875,203	\$ 21,787,388

The accompanying notes are an integral part of these financial statements.



UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The United States Court of Appeals for Veterans Claims (CAV) is a court of special jurisdiction created under Article I of the Constitution by the Veterans' Judicial Review Act (Public Law No. 100-687) on November 18, 1988. Originally named the United States Court of Veterans Appeals, its name was changed effective March 1, 1999, by the Veterans' Programs Enhancement Act of 1998. The Court's seven judges are appointed by the President, and confirmed by the Senate, for 15-year terms. The law that created the Court is in Chapter 72 of title 38, United States Code. The CAV reporting entity is comprised of Trust Funds, General Funds, and General Miscellaneous Receipts.

Trust Funds are credited with receipts that are generated by terms of a trust agreement or statute. The Trust Fund included in our financial statements is the United States Court of Appeals for Veterans Claims Retirement Fund. The funding policy for this Judicial Retirement Trust Fund requires participating judges contribute 1% of salary until retirement or until completion of contributory service, whichever occurs first. In addition, for those who participate in the optional survivors benefits program, a 2.2% of active pay or retire pay contribution is required. The Court is required to make annual contributions at an actuarially determined rate.

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues.

Special Funds are accounts established for receipts earmarked by law for a special purpose. CAV's financial statements include

Practice and Registration Fees, which are Special Fund receipts. This fund contains the fees collected from persons admitted to practice before the Court and people who register for the Court's judicial conferences. These fees are used to defray expenses incurred in producing the judicial conference and for use in other bar and bench events and proceedings. See 38 U.S.C. §§ 7285 and 7283.

General Fund Miscellaneous Receipts are accounts established for receipts of non-recurring activity, such as fines, penalties, fees and other miscellaneous receipts for services and benefits.

CAV has rights and ownership of all assets reported in these financial statements. We do not possess any non-entity assets.

B. Basis of Presentation

The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and the status and availability of budgetary resources of CAV. The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of CAV in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards approved by the principals of the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, *Financial Reporting Requirements* and CAV accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control CAV's use of budgetary resources. The financial statements

and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Budgets and Budgetary Accounting

Congress usually enacts appropriations to permit CAV to incur obligations for specified purposes. In fiscal years 2011 and 2010, CAV was accountable for General Fund appropriations. CAV recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through the Department of Treasury General Fund warrants.

D. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary 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 requirements on the use of federal funds.

E. Revenues & Other Financing Sources

Congress enacts annual appropriations to be used, within statutory limits, for operating and capital expenditures. Additional amounts are obtained from service fees and reimbursements from other government entities and the public

Appropriations are recognized as a financing source when expended.

CAV recognizes as an imputed financing source the amount of accrued pension and post-retirement benefit expenses for current employees paid on our behalf by the Office of Personnel Management (OPM).

F. Taxes

CAV, as a Federal entity, is not subject to Federal, State, or local income taxes, and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

G. Fund Balance with Treasury

The U.S. Treasury processes cash receipts and disbursements. Funds held at the Treasury are available to pay agency liabilities. CAV does not maintain cash in commercial bank accounts or foreign currency balances.

H. Investment in U.S. Government Securities

All investments are intragovernmental non-marketable par value federal debt securities issued by, and purchased through, Treasury's Bureau of the Public Debt. Investments are reported at historical cost, adjusted for amortization of premiums and accretion of discounts, in accordance with OMB Circular No. A-136. The investments are always held to maturity. See Note 4 for additional information.

I. Accounts Receivable

Accounts receivable consists of amounts owed to CAV by other Federal agencies and the general public. Amounts due from Federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

J. Property, Equipment, and Software

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. CAV's capitalization threshold is \$25,000 for individual purchases and \$500,000 for bulk purchases, with

individual items exceeding \$5,000. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

<u>Description</u>	<u>Useful Life (years)</u>
Leasehold Improvements	Period of Lease
Office Furniture	5
Computer Equipment	3
Office Equipment	5

K. Advances and Prepaid Charges

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

L. Liabilities

Liabilities represent the amount of monies or other resources likely to be paid by CAV as a result of transactions or events that have already occurred. No liability can be paid, however, absent an appropriation or other funding. Liabilities for which an appropriation has not been enacted or other funds received are, therefore, classified as not covered by budgetary resources. There is no certainty that the appropriation will be enacted. Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities.

M. Accounts Payable

Accounts payable consists primarily of amounts owed to other Federal agencies and the public for contracts for goods or services, such as leases, utilities, telecommunications and consulting and support services.

N. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to OPM upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 50% beginning FY2010 and 100% in 2014.

O. Retirement Plans

CAV employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of CAV matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. FERS offers a savings plan to which CAV automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay. For FERS participants, CAV also contributes the employer’s matching share of Social Security.

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

CAV recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to CAV for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. CAV recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

CAV does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM.

P. Other Post-Employment Benefits

CAV employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) may continue to participate in these programs after their retirement. The OPM has provided CAV with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. CAV recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by CAV through the recognition of an imputed financing source.

Q. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

R. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. CAV recognized imputed costs and financing sources in fiscal years 2011 and 2010 to the extent directed by OMB.

S. 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 in which the annual authority is placed is called the expired account. For five fiscal years, the expired account is available for expenditure to liquidate valid obligations incurred during the unexpired period. Adjustments are allowed to increase or decrease valid obligations incurred during the unexpired period but not previously reported. At the end of the fifth expired year, the expired account is cancelled.

T. Reclassification

Certain fiscal year 2010 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2011 and 2010, were as follows:

	2011	2010
Fund Balances:		
Trust Funds	\$ 147,835	\$ 95,379
Special Funds	138,959	110,030
Appropriated Funds	18,645,549	15,630,983
Total	\$ 18,932,343	\$ 15,836,392

Status of Fund Balance with Treasury:

Unobligated Balance		
Available	\$ 3,653,270	\$ 1,364,464
Unavailable	4,146,786	3,379,287
Obligated Balance Not Yet Disbursed	11,132,287	11,092,641
Total	\$ 18,932,343	\$ 15,836,392

The available unobligated fund balances represent the current-period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance as described in the following paragraph.

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the cash balance on hand (see also Undelivered Orders at the End of the Period, Note 16).

NOTE 3. CASH AND OTHER MONETARY ASSETS

Cash and other monetary assets balances as of September 30, 2010 consisted of the Practice and Registration Fees Fund. This fund contains the fees collected from persons admitted to practice before the court and people who register for the Court's judicial conferences. These fees are used to defray expenses incurred in producing the judicial conference and for use in other bar and bench events and proceedings. See 38 U.S.C. §§ 7285 and 7283. The balance as of September 30, 2010 was \$342.

NOTE 4. INVESTMENTS

Investments as of September 30, 2011 consist of the following:

	Amortized					
	Cost	Amortization Method	(Premium) Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental Securities:						
Non-Marketable						
Market-Based	\$ 24,657,978	Straight Line	\$ (107,568)	\$ 121,648	\$ 24,672,059	\$ 24,839,786
Total	\$ 24,657,978		\$ (107,568)	\$ 121,648	\$ 24,672,059	\$ 24,839,786

Investments as of September 30, 2010 consist of the following:

	Amortized					
	Cost	Amortization Method	(Premium) Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental Securities:						
Non-Marketable						
Market-Based	\$ 22,605,492	Straight Line	\$ 15,368	\$ 10,504	\$ 22,631,364	\$ 22,624,896
Total	\$ 22,605,492		\$ 15,368	\$ 10,504	\$ 22,620,860	\$ 22,624,896

Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. Investment maturity dates for fiscal years 2011 and 2010 range from October 20, 2011 to October 31, 2015 and October 21, 2010 to September 22, 2011, respectively, and interest rates for the same fiscal years range from 0.5000 percent to 4.875 percent and 0.000 percent to 5.125 percent, respectively.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to CAV as evidence of its receipts. Treasury securities are an asset to CAV and a liability to the U.S. Treasury. Because CAV and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide CAV with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the CAV requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

NOTE 5. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2011 and 2010, were as follows:

	2011	2010
With the Public		
Accounts Receivable	\$ 522	\$ -
Total Accounts Receivable	\$ 522	\$ -

Accounts receivable are primarily made up of employee receivables.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2011 and 2010.

NOTE 6. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2011:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 147,064	\$ 83,336	\$ 63,728
Furniture & Equipment	884,866	795,222	89,644
Construction-in-Progress	200,695	-	200,695
Total	\$ 1,232,625	\$ 878,558	\$ 354,067

Schedule of Property, Equipment, and Software as of September 30, 2010:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 147,064	\$ 53,923	\$ 93,141
Furniture & Equipment	820,115	656,085	164,030
Construction-in-Progress	253,884	-	253,884
Total	\$ 1,221,063	\$ 710,008	\$ 511,055

NOTE 7. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for CAV as of September 30, 2011 and 2010, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2011	2010
Intragovernmental – Unemployment Insurance	\$ -	\$ 1,164
Unfunded Leave	604,130	639,097
Deposit Fund Liabilities	-	342
Actuarial Pension Liability	337,200	108,344
Total Liabilities Not Covered by Budgetary Resources	\$ 941,330	\$ 748,947
Total Liabilities Covered by Budgetary Resources	24,174,468	23,892,167
Total Liabilities	\$ 25,115,798	\$ 24,641,114

Unemployment Insurance liability represents the unfunded liability for actual unemployment benefits paid on CAV's behalf and payable to the DOL. Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken. Deposit Fund Liabilities represents the Practice and Registrations Fees Fund that was held outside of Treasury.

NOTE 8. FEDERAL EMPLOYEE AND VETERANS' BENEFITS

The Court's Judicial Retirement Fund (The Fund) was established by public law 38 U.S.C. 7296-7298 in August 1989 to provide a retirement benefit to all judges of the Court who (1) retire on an optional basis after meeting minimum age and service requirements, (2) are not reappointed, or (3) retire as a result of disability.

Pension Benefits. A judge of the Court, who is not reappointed, is eligible to retire if he has served 15 years. Those who leave with less than 15 years of service receive only a return of employee contributions, with the exception of two sitting judges who have 13 year terms. The benefit, payable for life, is equal to the salary of the judge just prior to the retirement. This amount increases each year by the amount an active judge's pay is increased if the retired judge has elected to be recall-eligible. Otherwise, the benefit does not increase. If a recall-eligible judge later declines to perform recall service, the benefit is frozen at that point.

Disability Benefits. A judge who is permanently disabled at any time while in office may retire on disability. The amount of benefits is as follows:

- (1) If a judge is not recall-eligible, the benefit is to commence immediately, payable for life, and is equal to the salary of the judge prior to disability if service with the Court totals at least 10 years. The benefit is equal to one-half of the salary of the judge just before disability if contributory service totals less than 10 years subject to Cost of Living Adjustment (COLA).

- (2) If a judge is recall-eligible, the benefit is payable for life and equal to the salary of the judge just prior to disability retirement. This amount will increase each year by the amount an active judge's pay is increased if the retired judge has elected to be recall-eligible, even if later removed for further disability. If a recall-eligible judge later declines to perform recall service, the benefit is frozen at that point.

Death Benefits. The only benefits payable upon the death of a judge is a return of employee contributions unless the judge enrolls in the optional Survivors Benefits Program.

Optional Survivors Benefits Program. Participation in the survivor annuity program is elective, and those who choose to participate must contribute 2.2% of active salary or retired pay. Also, 18 months of creditable service must have been completed and contributions made for that service before benefits can be paid. For this program, creditable service may include other federal service. Upon a participant's death:

Unremarried widow(er) – receives an annuity equal to:

- (1) 1.5% of the judge's high-3 average annual salary multiplied by the sum of years of judicial service, allowable service as a Member of Congress, up to five (5) years of allowable military service, and up to fifteen (15) years of congressional employee service, plus,
- (2) 0.75% of the judge's high-3 average annual salary multiplied by all other creditable service. The annuity cannot be less than 25% nor exceed 50% of the average annual salary of the judge. Remarriage before age 55 terminates eligibility for a survivor annuity.

Once in payment, the annuity will be subject to annual COLAs in the amount as those received by annuitants of the Judicial Survivors' Annuity Program.

Children's benefit with widow(er) – each dependent child will receive an immediate annuity equal to the smaller of:

- (1) 10% of the judge's high-3 average annual salary, or
- (2) 20% of the judge's high-3 average annual salary divided by the number of dependent children.

Children's benefits without widow(er) – each dependent child will receive an immediate annuity equal to the smaller of:

- (1) 20% of the judge's high-3 average annual salary, or
- (2) 40% of the judge's high-3 average annual salary divided by number of dependent children.

Actuarial Present Value of Accumulated Plan Benefits. Accumulated plan benefits are those future periodic payments that are attributable under the Fund's provisions (see above) to the service judges have rendered. Accumulated plan benefits include benefits expected to be paid to (a) recall or non-recall eligible judges or beneficiaries and (b) active judges or beneficiaries. An actuary determines the actuarial present value of accumulated plan benefits annually. For details of the Accumulated Plan Benefits, Changes in Present Value of Accumulated Plan Benefits, and

other information, please see the Actuarial Report from the actuarial firm of *Cheiron* dated as of September 30, 2011.

Reconciliation of beginning and ending balance of the Court's Judicial Retirement Fund:

	2011
Beginning Liability Balance	\$ 22,741,724
Pension Expense:	
Normal Cost	1,090,746
Interest on Pension Liability During the Period	529,839
Actuarial (Gains) Losses During the Period:	
From Experience	(894,300)
From Other Assumption Changes	(3,096,186)
From Discount Rate Assumption Change	2,272,120
Prior Service Costs	2,050,341
Total Pension Expense	1,952,560
Less Benefits Paid	(1,143,480)
Ending Liability Balance	\$ 23,550,804

Normal Cost is the actuarial present value of the future cash outflows for which the entity will obligate during the reporting period.

Prior Service Cost is the cost of retroactive benefits granted through a plan amendment or other administrative/legislative change.

NOTE 9. OTHER LIABILITIES

All other liabilities are considered current liabilities.

Other Liabilities as of September, 2011:

	Current	Total
Intragovernmental		
Payroll Taxes Payable	\$ 134,155	\$ 134,155
Total Intragovernmental Other Liabilities	\$ 134,155	\$ 134,155
With the Public		
Payroll Taxes Payable	\$ 21,371	\$ 21,371
Accrued Funded Payroll and Leave	700,005	700,005
Unfunded Leave	604,130	604,130
Total Public Other Liabilities	\$ 1,325,506	\$ 1,325,506

Other Liabilities as of September 30, 2010:

	Current	Total
Intragovernmental		
Unemployment Insurance Liability	\$ 1,164	\$ 1,164
Payroll Taxes Payable	132,140	132,140
Total Intragovernmental Other Liabilities	\$ 133,304	\$ 133,304
With the Public		
Payroll Taxes Payable	\$ 19,615	\$ 19,615
Accrued Funded Payroll and Leave	646,070	646,070
Unfunded Leave	639,097	639,097
Other Liabilities without Related Budgetary Obligations	342	342
Total Public Other Liabilities	\$ 1,305,124	\$ 1,305,124

NOTE 10. LEASES

Operating Leases

CAV occupies office space under a lease agreement that is accounted for as an operating lease. The lease term began on November 1, 2010 and expires on October 31, 2020. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. The total operating lease expense year to date for Fiscal Years 2011 and 2010 were \$2,312,700 and \$1,949,833, respectively. Below is a schedule of future payments for the term of the lease.

Fiscal Year		Building
2012	\$	2,369,826
2013		2,393,080
2014		2,417,032
2015		2,441,703
2016		2,467,113
Thereafter		10,345,931
Total Future Payments	\$	22,434,685

The operating lease amount does not include estimated payments for leases with annual renewal options.

NOTE 11. EARMARKED FUNDS

CAV's Judicial Retirement Fund is an earmarked fund. The purpose of the fund is to provide a retirement benefit to the judges of the Court. The Fund's revenues are derived from investments in intragovernmental non-marketable par value federal debt securities. CAV's Practice and Registration Fees Fund is also an earmarked fund. The purpose of the fund is to collect fees for those who practice before the Court and register for the Court's judicial conferences in order to defray expenses incurred in producing the judicial conference and for use in other bar and bench events and proceedings.

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when liabilities are incurred, without regard to receipt or payment of cash. Budgetary accounting measures the appropriations and consumption of budget authority and other budgetary resources and facilitates compliance with legal constraints and controls over use of Federal funds.

Schedule of Earmarked Funds as of September 30, 2011:

	Practice & Registration Fees Fund	Judges' Retirement Trust Fund	Total Earmarked Funds
Balance Sheet			
ASSETS			
Fund Balance with Treasury	\$ 138,959	\$ 147,835	\$ 286,794
Investments	-	24,672,059	24,672,059
Total Assets	\$ 138,959	\$ 24,819,894	\$ 24,958,853
LIABILITIES AND NET POSITION			
Federal Employee and Veterans' Bene	\$ -	\$ 23,550,804	\$ 23,550,804
Other	-	109,537	109,537
Cumulative Results of Operations	138,959	1,159,553	1,298,512
Total Liabilities and Net Position	\$ 138,959	\$ 24,819,894	\$ 24,958,853
Statement of Net Cost			
Program Costs	\$ 62	\$ 2,121,661	\$ 2,121,723
Less: Earned Revenues	(28,991)	(3,389,558)	(3,418,549)
Net Program Costs	\$ (28,929)	\$ (1,267,897)	\$ (1,296,826)
Net Cost of Operations	\$ (28,929)	\$ (1,267,897)	\$ (1,296,826)
Statement of Changes in Net Position			
Net Position Beginning of Period	\$ 110,030	\$ (108,344)	\$ 1,686
Net Cost of Operations	28,929	1,267,897	1,296,826
Net Position End of Period	\$ 138,959	\$ 1,159,553	\$ 1,298,512

Schedule of Earmarked Funds as of September 30, 2010:

	Practice & Registration Fees Fund	Judges' Retirement Trust Fund	Total Earmarked Funds
Balance Sheet			
ASSETS			
Fund Balance with Treasury	\$ 110,030	\$ 95,379	\$ 205,409
Investments	-	22,631,364	22,631,364
Total Assets	\$ 110,030	\$ 22,726,743	\$ 22,836,773

LIABILITIES AND NET POSITION			
Federal Employee and Veterans' Bene	\$ -	\$ 22,741,724	\$ 22,741,724
Other	-	93,363	93,363
Cumulative Results of Operations	110,030	(108,344)	1,686
Total Liabilities and Net Position	\$ 110,030	\$ 22,726,743	\$ 22,836,773

Statement of Net Cost			
Program Costs		\$ 5,262,992	\$ 5,262,992
Less: Earned Revenues	(110,030)	(4,812,031)	(4,922,061)
Net Program Costs	\$ (110,030)	\$ 450,961	\$ 340,931
Net Cost of Operations	\$ (110,030)	\$ 450,961	\$ 340,931

Statement of Changes in Net Position			
Net Position Beginning of Period	\$ -	\$ 342,617	\$ 342,617
Net Cost of Operations	110,030	(450,961)	(340,931)
Net Position End of Period	\$ 110,030	\$ (108,344)	\$ 1,686

NOTE 12. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and intragovernmental exchange revenue represent goods and services exchange transactions made between two reporting entities within the Federal government, and are in contrast to those with non-federal entities (the public). Such costs and revenue are summarized as follows:

	2011	2010
Administration of the Court		
Intragovernmental Costs	\$ 8,475,340	\$ 7,954,722
Public Costs	14,822,838	18,824,445
Total Program Costs	23,298,178	26,779,167
Intragovernmental Earned Revenue	(65,741)	(49,068)
Public Earned Revenue	(139,806)	(157,627)
Net Program Costs	\$ 23,092,631	\$ 26,572,472

NOTE 13. IMPUTED FINANCING SOURCES

CAV recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. Some amounts paid from the U.S. Treasury's Judgment Fund in settlement of claims or court assessments against CAV are also recognized as imputed financing. For the years ended September 30, 2011 and 2010, respectively, imputed financing was as follows.

	2011	2010
Office of Personnel Management	\$ 738,099	\$ 839,755
Total Imputed Financing Sources	\$ 738,099	\$ 839,755

NOTE 14. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include FY11 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2012 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2012 Budget of the United States Government, with the "Actual" column completed for 2010, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 15. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2011 and 2010 consisted of the following:

	2011	2010
Direct Obligations, Category C	\$ 25,509,948	\$ 27,038,002
Total Obligations Incurred	\$ 25,509,948	\$ 27,038,002

Category C apportionments may be used to apportion funds into future fiscal years.

NOTE 16. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. For the fiscal years ended September 30, 2011 and 2010, undelivered orders amounted to \$10,171,424 and \$9,833,855 respectively.

NOTE 17. CUSTODIAL ACTIVITY

CAV's custodial collection primarily consists of filing fees. While these collections are considered custodial, they are neither primary to the mission of CAV nor material to the overall financial statements. CAV's total custodial collections are \$57,431 and \$44,927 for the fiscal years ended September 30, 2011, and 2010, respectively.

NOTE 18. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

CAV has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

	2011	2010
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 25,509,948	\$ 27,038,002
Spending Authority From Offsetting Collections and Recoveries	(328,715)	(284,490)
Offsetting Receipts	(3,266,385)	(4,762,963)
Net Obligations	21,914,848	21,990,549
Other Resources		
Imputed Financing From Costs Absorbed By Others	738,099	839,755
Net Other Resources Used to Finance Activities	738,099	839,755
Total Resources Used to Finance Activities	22,652,947	22,830,304
Resources Used to Finance Items Not Part of the Net Cost of Operations	(385,263)	(1,690,257)
Total Resources Used to Finance the Net Cost of Operations	22,267,684	21,140,047
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
	824,947	5,432,425
Net Cost of Operations	\$ 23,092,631	\$ 26,572,472