FEDERAL MEDIATION AND CONCILIATION SERVICE
AUDIT REPORT
SEPTEMBER 30, 2015

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FEDERAL MEDIATION AND CONCILIATION SERVICE
AUDIT REPORT
SEPTEMBER 30, 2015

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Independent Auditors' Report

The Director
Federal Mediation and Conciliation Service

We have audited the accompanying consolidated balance sheet of the Federal Mediation and Conciliation Service (FMCS) as of September 30, 2015 and 2014, and the related consolidated statements of net cost, changes in net position, and combined statement of budgetary resources for the year then ended (hereinafter referred to as "consolidated financial statements"). The objective of our audits was to express an opinion on the fair presentation of these consolidated financial statements. In connection with our fiscal year 2015 audit, we also considered FMCS's internal controls over financial reporting and tested FMCS's compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on these consolidated financial statements.

Summary

As stated in our opinion of the consolidated financial statements, we concluded that FMCS consolidated financial statements as of and for the years ended September 30, 2015 and 2014, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

We did not identify any deficiencies in internal control over financial reporting we considered to be a material weakness or significant deficiency as defined in the *Consideration of Internal Control* section of this report.

Our test of compliance with certain provisions of laws and regulations did not disclose any instances of non compliance.

The following sections discuss our opinion on FMCS consolidated financial statements; our considerations of FMCS internal control over financial reporting; our tests of FMCS compliance with certain provisions of applicable laws and regulations; and management's and our responsibilities.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of FMCS as of September 30, 2015 and 2014, and related consolidated statements of net costs and changes in net position, and combined statements of budgetary resources for the years then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FMCS as of September 30, 2015 and 2014, and its net costs, changes in net position, and budgetary resources for the year then ended in conformity with U.S. general accepted accounting principles.

The information in the *Supplemental Information* section of this report is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However we did not audit this information and, accordingly, we express no opinion on it.

Consideration of Internal Control

A control deficiency in internal control 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 and correct misstatement on a timely basis. A significant deficiency is a control deficiency or a combination of control deficiencies, that adversely affects FMCS's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the FMCS's financial statements that is more than inconsequential will not be prevented or detected. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the *Responsibilities* section of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be a control deficiency, significant deficiency, or material weakness. In our fiscal year 2015 audit, we did not identify any deficiencies in internal control over financial reporting that we considered to be a material weakness or significant deficiency, as defined above.

Exhibit I presents the status of prior year significant deficiencies.

We noted certain additional matters that we have reported to FMCS management in a separate letter dated November 16, 2015.

Compliance with Applicable Laws and Regulations

The results of our tests of compliance as described in the Responsibilities section of this report, disclosed no instances of noncompliance or other matters that are required to be reported herein under Government Auditing Standards or OMB Bulletin No. 15-02.

Responsibilities

Management Responsibilities: Management is responsible for the consolidated financial statements; establishing and maintaining effective internal control over financial reporting; and complying with laws and regulations applicable to FMCS.

Auditors' Responsibilities: Our responsibility is to express an opinion on the fiscal year 2015 and 2014 consolidated financial statements of FMCS based on our audits. We conducted our audit in accordance with *Government Auditing Standards*, auditing standards generally accepted in the United States, and OMB Bulletin No. 15-02, *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 the consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of FMCS internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2015 audit, we considered FMCS's internal control over financial reporting by obtaining an understanding of FMCS's 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 consolidated financial statements, but not to provide an opinion on the effectiveness of FMCS internal control over financial reporting. Accordingly we do not express an opinion on FMCS's internal controls over financial reporting. We limited internal control testing to those necessary to achieve the objectives described in OMB Bulletin No. 15-02. We did not test all internal control relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982.

As part of obtaining reasonable assurance about whether FMCS's fiscal year 2015 consolidated financial statements are free of material misstatements, we performed test of FMCS's compliance with certain provisions of laws and regulations, which noncompliance with could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws specified in OMB Bulletin 15-02.

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 16, 2015

Exhibit I
Status of Prior Year Findings and Recommendations

The following table provides the fiscal year (FY) 2015 status of all recommendations included in the Independent Auditors' Report on the Federal Mediation and Conciliation Service's FY 2014 Consolidated Financial Statements (November 17, 2014)

FY 2014 Finding	FY 2014 Recommendation	FY 2015 Status
Security Management	**Recommendation:** We recommend that FMCS' management continue its efforts to implement security awareness training at all of its district offices. FMCS must also enforce sanctions against personnel who do not successfully complete the security awareness training as required by NIST SP 800-53, Revision 3.	Closed
Access Control	**Recommendation:** We recommend that FMCS configure administrator passwords to expire every 60 days. Alternatively, FMCS could document the rationale behind the current password configuration settings for administrators.	Closed
Financial Statement Preparation	**Recommendation:** Develop and implement policies and procedures to ensure proper preparation of the financial statements. Consider training more than one employee on financial statement preparation and require an independent review of the financial statements. Develop a checklist and edit checks to ensure that all OMB Circular No. A-136 requirements are met and that all line items that are supposed to equal are in balance.	Closed

Federal Mediation and Conciliation Service

Fiscal Year 2015
Financial Statements

FEDERAL MEDIATION AND CONCILIATION SERVICES
BALANCE SHEET
AS OF SEPTEMBER 30, 2015 AND 2014
(In Dollars)

		2015		2014
Assets:				
Intragovernmental				
Fund Balance with Treasury (Note 2)	$	12,189,330	$	11,017,719
Accounts Receivable, Net (Note 3)		38,272		124,434
Total intragovernmental Assets	$	12,227,602	$	11,142,153
With the Public				
General property and equipment, net (Note 4)	$	706,220	$	408,293
Advances to Others		-		70,000
Total Assets	$	12,933,822	$	11,620,446
Liabilities				
Intragovernmental				
Liabities for Advances	$	-	$	-
Accounts Payable		16,167		19,172
Employer Contributions and Payroll Taxes Payable		205,600		166,122
Custodial Liability		-		-
Unfunded FECA (Note 5)		596,526		665,647
Total Intragovernmental	$	818,293		$850,941
With the Public:				
Accounts Payable	$	415,532	$	381,685
Accrued Payroll and Benefits		808,830		714,538
Actuarial FECA (Note 5)		2,839,259		3,146,768
Unfunded Leave (Note 5)		2,585,984		2,665,908
Total Non Government Liabilities	$	6,649,605	$	6,908,899
Total Liabilities	$	7,467,898	$	7,759,840
Net Position				
Unexpended Appropriations-Other Funds	$	6,605,110	$	5,593,862
Cumulative Results of Operations-Other Funds		(1,139,186)		(1,733,257)
Total Net Position	$	5,465,924	$	3,860,605
Total Liabilities And Net Position	$	12,933,822	$	11,620,445

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

FEDERAL MEDIATION AND CONCILIATION SERVICES
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(In Dollars)

		2015		2014
Program Costs:				
Mediation/Representation				
Intragovernmental	$	14,698,119	$	13,052,986
Less: Governmental Earned Revenue		1,366,605		1,165,228
Total Government Costs	$	13,331,514	$	11,887,758
With the Public	$	32,897,413	$	36,829,102
Less: With the Public Earned Revenue		901,135		872,395
Total With the Public Costs	$	31,996,278	$	35,956,707
Total Gross Program Costs	$	47,595,532	$	49,882,088
Less: Total Earned Revenues		2,267,740		2,037,623
Net Costs of Operations	$	45,327,792	$	47,844,465

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

FEDERAL MEDIATION AND CONCILIATION SERVICES
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(In Dollars)

		2015		2014
Cumulative Results of Operations:				
Beginning Balances	$	(1,733,256)	$	1,070,296
Beginning Balances, as Adjusted	$	(1,733,256)	$	1,070,296
Budgetary Financing Sources				
Appropriations Used		44,240,726		42,957,525
Other Financing Sources				
Imputed Financing (Note 9)		1,681,136		2,083,388
Other Revenue				-
Total Financing Sources		45,921,862		45,040,913
Net Cost of Operations		(45,327,792)		(47,844,465)
Net Change		594,070		(2,803,553)
Cumulative Results of Operations	$	(1,139,186)	$	(1,733,257)
Unexpended Appropriations:				
Beginning Balances	$	5,523,862	$	3,786,341
Beginning Balances, as Adjusted	$	5,523,862	$	3,786,341
Budgetary Financing Sources:				
Appropriations Received		45,666,000		45,149,000
Other Adjustments		(344,026)		(383,954)
Appropriations Used		(44,240,726)		(42,957,525)
Total Budgetary Financing Resources		1,081,248		1,807,521
Total Unexpended Appropriations	$	6,605,110	$	5,593,862
Net Position	$	5,465,924	$	3,860,605

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

FEDERAL MEDIATION AND CONCILIATION SERVICES
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(In Dollars)

	2015		2014	
Budgetary resources:				
Unobligated balance brought forward, October 1	$	7,216,575	$	6,410,142
Recoveries of prior year unpaid obligations	$	253,131	$	502,164
Other changes in unobligated balance	$	(344,026)	$	(383,954)
Unobligated balance from prior year budget authority, net	$	7,125,680	$	6,528,352
Appropriations (discretionary and mandatory)	$	45,666,000	$	45,149,000
Spending authority (discretionary and mandatory)	$	2,295,327	$	1,882,088
Total budgetary resources	$	55,087,007	$	53,559,440
Status of budgetary resources:				
Obligations incurred (Note 6):	$	49,290,954	$	46,272,864
Unobligated balance, end of year:				
Apportioned	$	333,015	$	1,770,788
Unapportioned	$	5,463,038	$	5,515,788
Total unobligated balance, end of year	$	5,796,053	$	7,286,576
Total status of budgetary resources	$	55,087,007	$	53,559,440
Change in obligated balance:				
Unpaid obligations:				
Unpaid obligations, brought forward, October 1 (gross)	$	3,878,077	$	3,085,977
Obligations incurred	$	49,290,954	$	46,272,864
Outlays (gross)	$	(46,531,852)	$	(45,048,600)
Recoveries of prior year unpaid obligations	$	(253,131)	$	(502,164)
Unpaid obligations, end of year (gross)	$	6,384,048	$	3,808,077
Uncollected payments:				
Uncollected customer payments from Federal Sources, brought forward, October	$	(124,434)	$	(25,278)
Adjustments to uncollected pymts, Fed sources, start of year	$	-	$	-
Change in uncollected payments from Federal sources	$	86,162	$	(99,156)
Obligated Balance, End of Year	$	6,345,776	$	3,683,643
Obligation Start of Year	$	3,753,643	$	3,060,699
Obligation End of Year	$	6,345,776	$	3,683,643
Budget Authority and Outlays, Net				
Budget authority, gross	$	47,961,327	$	47,031,088
Actual offsetting collections	$	(2,381,489)	$	(1,782,932)
Change in uncollected customer payments from Federal sources	$	86,162	$	(99,156)
Anticipated offsetting collections (discretionary and mandatory)	$	-	$	-
Budget authority, net	$	45,666,000	$	45,149,000
Outlays, gross	$	46,531,852	$	45,048,600
Actual offsetting collections	$	(2,381,488)	$	(1,782,932)
Outlays, net	$	44,150,364	$	43,265,668
Distributed offsetting receipts	$	-	$	-
Agency outlays, net	$	44,150,364	$	43,265,668

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

FEDERAL MEDIATION AND CONCILIATION SERVICE
Notes to Principal Financial Statements
As of September 30, 2015 and 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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, 2015, FMCS consisted of a national office, ten regional offices, and 57 field offices.

B. Basis of Presentation

These financial statements have been prepared from the books and records of FMCS 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 in accordance with accounting principles generally accepted in the United States (GAAP), and the form and content for entity's financial statements specified by the Office of Management and Budget (OMB) in OMB Circular No. A-136, *Financial Reporting Requirements*, as revised. GAAP for federal entities are standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated the official accounting standards-setting body for the federal government by the American Institute of Certified Public Accountants (AICPA).

OMB Circular No. A-136 requires agencies to prepare basic financial statements, which include a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position and a Statement of Budgetary Resources. The Balance Sheets present, as of September 30, 2015 and 2014, amounts of future economic benefits owned or managed by the FMCS (assets), amounts owed by the FMCS (liabilities) and amounts which comprise the difference (net position). The Statements of Net Cost report the full cost of the Agency's program, both direct and indirect costs of the output, and the costs of the identifiable supporting services provided by other segments within the FMCS. The statement of Budgetary Resources reports the FMCS's budgetary activity.

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.

C. Dedicated Collections

FMCS has no funds from dedicated collections as described by the Statement of Federal Financial Accounting Standards (SFFAS) 43.

D. Basis of Accounting

FMCS prepares financial statements to report its financial position and results of operations pursuant to the requirements of 31 U.X.C. 3515(b), the Chief Financial Officers Act of 1990 (P.L. 101-576), as amended by the Government Management Reform Act of 1994, and in accordance with the requirements in OMB Circular No. A-136, as revised. These statements have been prepared from the FMCS’ financial records using the accrual basis in conformity with GAAP. GAAP for federal entities are the standards prescribed by the FASAB and recognized by the AICPA as federal GAAP.

Transactions are recorded on the accrual and budgetary bases of accounting. According to the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when resources are consumed, without regard to the payment of cash. Budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of accrual based transactions. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of federal funds. The FMCS uses the cash basis of accounting for some programs with accrual adjustments made by recording year-end estimates of unpaid liabilities.

E. Use of estimates

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

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

FMCS maintains its available funds with the Department of the Treasury (Treasury). The funds balance with Treasury is available to pay current liabilities and finance authorized purchases. Cash receipts and disbursements are processed by Treasury and reconciled with those of Treasury on a regular basis. Note 2, Funds Balance with Treasury, provide additional information.

G. Accounts Receivable

Accounts receivable consist of the amounts owed to FMCS as the result of the provision of goods and services. Intra-governmental accounts receivable generally arise from the provision of reimbursable services to other federal agencies and no allowance for uncollectible accounts is established as those accounts are considered to be fully collectible.

H. General Property and Equipment

General property and equipment (P&E) consists of software and equipment used for operations. The basis for recording purchased P&E is acquisition cost, which includes all costs incurred to bring the P&E to its intended use. All P&E with initial acquisition cost of $5,000 or more and estimated useful lives of two years or more are capitalized except for internal use software discussed below.

The P&E is depreciated using the straight-line method over the estimated useful lives of assets. Maintenance and repair costs are expensed as incurred.

I. 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. Since FMCS is a component of the U.S. Government, a sovereign entity, its liabilities cannot be liquidated without legislation providing resources to do so. 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. Since liabilities are only those items that are present obligations of the government. The FMCS's liabilities are classified as covered by budgetary resources or not covered by budgetary resources.

Liabilities Covered by Budgetary Resources include: (1) new budget authority, (2) spending authority from offsetting collections, (3) recoveries of expired budget authority, (4) unobligated balances of budgetary resources at the beginning of the year, and (5) permanent indefinite appropriations or borrowing authority. *Liabilities Not Covered by Budgetary Resources* represent liabilities where funding has not yet been made available through Congressional appropriations or current earnings. The major liabilities in this category include employee annual leave earned but not taken. *Liabilities Covered by Budgetary Resources and Liabilities Not Covered by Budgetary Resources* are combined on the balance sheets.

J. Accounts Payable

Accounts payable primarily consist of amounts due for goods and services received, progress on contract performance, interest due on accounts payable and other miscellaneous payables.

K. Accrued Payroll and Benefits

Accrued payroll and benefits consist of salaries, wages, leave and benefits earned but not taken or disbursed as of year end. 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 noon-vested leave are expended as taken.

L. 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 and 15 days for Small Businesses.

M. Federal Employee Benefits

With a few exceptions, employees hired before January 1, 1984, are covered by the Civil Service Retirement System (CSRS) and employees first hired after December 31, 1983, are covered by the Federal Employees Retirement System (FERS). Employees hired on or after January 1, 2013, are covered by the FERS-RAE (Revised Annuity Employee). Those hired on or after January 1, 2014 are covered under FERS-FRAE (Further Revised Annuity Employee).

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. However, 1.45% for Medicare is withheld and matched.

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 7.65% (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 makes contributions to the plan at an established rate by OPM which was 13.2% and 11.9% for 2015 and 2014, respectively. 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 0.50 cents 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. CSRS, CSRS Offset and FERS employees are eligible to contribute an additional tax deferred amount to TSP for a "TSP Catch-Up" if they are over age 50 and have contributed the maximum in "regular" TSP deductions during the tax year. There is no match on the catch-up contributions.

For employees covered under FERS-RAE, in addition to FICA withholdings, FMCS withholds 3.1% from employees' basic earnings for a retirement annuity. For employees covered under FERS-FRAE, in addition to FICA withholdings, FMCS withholds 4.4% from employee's basic earnings for a retirement annuity. FMCS makes contributions to the plan at an established rate by OPM of 9.6%. through September 30th, 2015 and 11.1% after October 1st, 2015 Otherwise, the same information regarding FERS employees is the same as above.

The U.S. Office of Personnel and Management administers these benefit plans and, thus, report CSRS or FERS assets, accumulated plan benefits or unfunded liabilities applicable to federal employees. Therefore, the FMCS financial statements do not recognize any liability on its balance sheets for pension, other retirement benefits and other post employment benefits.

N. Actuarial Liabilities

The Federal Employees' Compensation Act (FECA) provides wage loss benefits, medical benefits, and vocational rehabilitation to cover Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and survivor benefits to eligible dependants of injured workers 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 Office of Management and Budget (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.

O. 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.

P. 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. Additional amounts are obtained from fees reimbursed for alternative dispute resolution and arbitration services provided to the federal, public and private sectors.

Appropriations are recognized as other financing sources when used 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.

Q. Contingencies and commitments

FMCS leases various facilities 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 and actual rates for private buildings. 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.

NOTE 2: FUND BALANCE WITH THE U.S. TREASURY

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 and custodial liability. The balances were comprised of the following at September 30:

A. Fund Balance:	2015	2014
General Funds	$ 12,189,330	$ 11,017,719
Total Fund Balance with Treasury	$ 12,189,330	$ 11,017,719
B. Status of Fund Balance with Treasury		
Unobligated Balance:		
Available	$ 333,015	$ 1,770,788
Unavailable	5,463,038	5,515,788
Obligated Balance Not Yet Disbursed	6,393,277	3,731,143
Total Status of Fund Balance with Treasury	$ 12,189,330	$ 11,017,719

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of amounts due from federal government departments and other agencies. Since these receivable are from other government agencies, management believes these receivables are fully collectable. The receivable balance consisted of the following at September 30:

	2015	2014
Accounts Receivable (Gov)	$ 38,272	$ 124,434
Accounts Receivable (NonGov)	-	-
Total Accounts Receivable	$ 38,272	$ 124,434

NOTE 4: GENERAL PROPERTY AND EQUIPMENT

Property and equipment owned by FMCS are all classified as equipment and consisted of the following at September 30:

	2015	2014
Equipment, Furniture and Hardware	$ 2,502,279	$ 2,040,068
ADP Software	22,377	22,377
Total	2,524,656	2,062,445
Less: Accumulated depreciation on		
Equipment and Furniture	(1,796,059)	(1,631,775)
Less: Accumulated amortization on		
ADP Software	(22,377)	(22,377)
Net Book Value	$ 706,220	$ 408,293

NOTE 5: LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on FMCS's Balance Sheet as of September 30, 2015 and 2014 include liabilities not covered by budgetary resources for which 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.

A. Intragovernmental and Public Liabilities

	2015	2014
Intragovernmental:		
Unfunded FECA Liability	$ 596,526	$ 665,647
Total Intragovernmental	596,526	665,647
Public Liabilities:		
Actuarial FECA	$ 2,839,259	$ 3,146,768
Unfunded Annual Leave	2,585,984	2,665,908
Total Liabilities Not Covered by Budgetary Resources	6,021,769	6,478,323
Total Liabilities Covered by Budgetary Resources	1,446,129	1,281,517
Total Liabilities	$ 7,467,898	$ 7,759,840

B. Other Information

Unfunded Payroll Liabilities consists of workers' compensation claims payable to the Department of Labor, which will be funded in a future period, and an unfunded estimated liability for future workers' compensation claims based on data provided from the DOL. The actuarial calculation is based on benefit payments made over 12 quarters, and calculates the annual average of payments. For medical expenses and compensation, this average is then multiplied by the liability-to-benefit paid ratio for the whole FECA program.

Unfunded Leave represents a liability for earned leave and is reduced when leave is taken. At year end, the balance in the accrued leave account is adjusted to reflect the liability at current pay rates and leave balances. Accrued leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources.

All other liabilities are considered to be covered by budgetary resources.

NOTE 6: Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

Direct vs. Reimbursable Obligations incurred had the following apportionment categories:

	2015	**2014**
Direct Obligations (Category A)	$ 47,527,069	$ 44,996,450
Reimbursable Obligations (Category A)	1,833,885	1,276,414
Total	$ 49,290,954	$ 46,272,864

Note 7: Undelivered Orders at the End of the Period

The amount of budgetary resources obligated for undelivered orders at September 30, 2015 and 2014 is $4,937,918 and $2,596,558 respectively.

NOTE 8: OPERATING LEASES

FMCS leases office space for headquarters operations in Washington, D.C. and for district and field operations. The lease agreements expire at various dates, the latest being 2023. Assets held under these leases consist primarily of offices. All office space occupied by FMCS is leased by the General Services Administration.

Future estimated minimum lease payments for the fiscal years ended September 30 are as follows:

Schedule of Future Minimum Lease Payments	
2016	$ 5,985,000
2017	5,999,000
2018	6,118,000
2019	6,240,000
2020	6,364,000
Total Future Minimum Lease Payments	$ 30,706,000

Rent expense totaled $5,465,213 and $5,569,399 for fiscal years September 30, 2015 and 2014 respectively.

NOTE 9: 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.

FMCS also funds a portion of the benefits for health and life insurance relating to its employees and withholds the necessary premiums as established annually by the Office of Personnel management. The FMCS portion of the health insurance premium is determined by the Office of Personnel Management and is based upon the plan under which the employee is enrolled. The FMCS portion of the basic life insurance coverage is 2/3 of the premium. The premium is determined by the employee’s annual salary rounded to the next $1,000, plus $2,000.

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 normal cost of the benefit plan and the employer’s total pension expense and the employers contribution.

Imputed financing sources in 2015 and 2014 consists of the following:

	2015	2014
Office of Personnel Management	$ 1,681,136	$ 2,083,388
Total Imputed Financing Sources	$ 1,681,136	$ 2,083,388

Note 10: Statement of Budgetary Resources vs. Budget of the United States Government

The Budget of the United States Government with actual amounts for the year ended September 30, 2014, has not been published as of the issue date of these financial statements. A reconciliation of budgetary resources, obligations incurred and newt outlays (in millions), as presented in the Statement of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 2014, is shown below. The Federal Mediation and Conciliation Services Budget Appendix can be found on the OMB website (http://www.whitehouse.gov/omb/budget) and will be available in early February 2016.

(In millions)

	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	$ 53	$ 46	$ -	$ 43
Difference-Expired Appropriations	(2)	-	-	-
Budget of the U.S. Government	$ 51	$ 46	$ -	$ 43

The difference between the Statement of Budgetary Resources and the Budget of the U.S. Government is due to Expired Unobligated Balances being reported in the FY 2014 Statement of Budgetary Resources but not in the Budget of the United States Government.

Note 11: Reconciliation of Net Cost of Operation to Budget (Statement of Financing)

FEDERAL MEDIATION AND CONCILIATION SERVICES
RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(In Dollars)

	2015	2014
Resources Used to Finance Activities		
Budgetary Resources Obligated:		
Obligations Incurred	$ 49,290,954	$ 46,272,864
Less: Spending Authority from Offsetting Collections and Recoveries	(2,548,458)	(2,384,253)
Obligations Net of Offsetting Collections and Recoveries	46,742,496	43,888,611
Less: Offsetting Receipts	-	-
Net Obligations	46,742,496	43,888,611
Other Resources:		
Imputed Financing from Costs Absorbed by Other	1,681,136	2,083,388
Total Resources Used to Finance Activities	**$ 48,423,632**	**$ 45,971,999**
Resources Used to Finance Items not Part of the New Cost Of Operations		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided	(2,341,360)	(969,221)
Resources that Fund Expenses Recognized in Prior Periods	(376,629)	2,915,642
Resources that Finance the Acquisition of Assets	(555,921)	(158,569)
Other Resources or Adjustments to New Obligated Resources that do not Affect Net Cost of Operation	-	-
Total Resources Used to Finance Items not Part of the Net Cost of Operations	(3,273,910)	1,787,852
Total Resources Used to Finance the Net Cost of Operations	$ 45,149,722	$ 47,759,851
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	(79,924)	(158,266)
Total Components of Net Cost of OperationThat Will Require or Generate Resources in Future Periods	(79,924)	(158,266)
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	257,994	242,880
Revaluation of Assets or Liabilities		
Other		
Total Components of Net Cost of Operation that will not Require or Generate Resources	257,994	242,880
Total Components of Net Cost of Operation that will not Require or Generate Resources in the Current Period	178,070	84,614
Net Cost of Operations	**$ 45,327,792**	**$ 47,844,465**

SUPPLEMENTAL INFORMATION

INTRA-GOVERNMENTAL BALANCES BY TRADING PARTNER:

Intra-governmental Assets by Trading Partner:

Trading Partner	ID	Fund Balance with Treasury	Accounts Receivable	Other Assets
Library of Congress	03	$ -	$ -	$ -
United States Department of Agriculture	12	-	6,682	-
National Oceanic and Atmospheric Administration	13	-	320	-
Department of Interior	14	-	1,750	-
Department of Labor	16	-	4,937	-
US Marine Corps	17	-	-	-
Department of State	19	-	-	-
Department of Treasury	20	12,189,330	20,040	-
Office of Personnel Management	24	-	-	-
Department of Veteran Affairs	36	-	-	-
Department of Transportation	69	-	113	-
Department of Homeland Security	70	-	-	-
US Agency for International Development	72	-	700	-
Health and Human Services	75	-	-	-
Department of Housing and Urban Development	86	-	3,330	-
US Army	97	-	400	-
Treasury General Fund	99	-	-	-
Total Intra-governmental Assets		$ 12,189,330	$ 38,272	$ -

Intra-governmental Liabilities by Trading Partner:

Trading Partner	ID	Accounts Payable	Other Liabilities
Government Printing Office	04	$ 127	$ -
United States Postal Service	18	500	-
Office of Personnel Management	24	-	-
Department of Veteran Affairs	36	-	-
General Services Administration	47	14,511	-
Department of Transportation	69	-	-
Health and Human Services	75	1,029	-
National Archives	88	-	-
Treasury General Fund	99	-	-
Total Intra-governmental Liabilities		$ 16,167	$ -