

Federal Mediation and Conciliation Services (FMCS)

Fiscal Year 2016 Financial Statement Audit

Final Independent Auditors' Report

Deliverable 2005, 2007, 2008

Submitted for review and acceptance to:

Terry Lee
Contracting Officer's Representative (COR)
Federal Mediation and Conciliation Services
2100 K Street, NW
Washington, DC 20427

Submitted by:

Jason L. Allmond CPA, CGFM, CISA, CISM
Member
Allmond & Company, LLC
8181 Professional Place, Suite 250
Landover, MD 20785
301-918-8200
jallmond@allmondcpa.com

Final Independent Auditors' Report

Prepared under contract to the Federal Mediation and Conciliation Services (FMCS) to provide financial auditing services

**FEDERAL MEDIATION AND CONCILIATION SERVICE
AUDIT REPORT
SEPTEMBER 30, 2016**



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

**FEDERAL MEDIATION AND CONCILIATION SERVICE
AUDIT REPORT
SEPTEMBER 30, 2016**

CONTENTS

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS:

Balance Sheet

Statement of Net Cost

Statement of Changes in Net Position

Statement of Budgetary Resources

NOTES TO FINANCIAL STATEMENTS

SUPPLEMENTAL INFORMATION

Intragovernmental Balances by Trading Partner



Independent Auditors' Report

The Director
Federal Mediation and Conciliation Service:

Report on the Financial Statements

We have audited the accompanying financial statements of the Federal Mediation and Conciliation Service, which comprise the balance sheet as of September 30, 2016 and 2015, and the related statement of net cost, changes in net position, and combined statement of budgetary resources for the year ended, and the related notes to the financial statements (hereinafter referred to as the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the fiscal year 2016 and 2015 financial statements of FMCS based on our audit. 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 *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Mediation Conciliation Services as of September 30, 2016 and 2015, and its net costs, changes in net position, and budgetary resources for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Other Information

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.

Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2016, 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 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.

Our consideration of internal control over financial reporting was for the limited purpose as described in the paragraph above 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.

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 FMCSs' 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.

In our fiscal year 2016 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FMCSs' fiscal year 2016 financial statements are free of material misstatements, we performed test of FMCSs' 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. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance as described in the preceding paragraph, 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.

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 15, 2016

Federal Mediation and Conciliation Service

**Fiscal Year 2016
Financial Statements**





FEDERAL MEDIATION AND CONCILIATION SERVICES
BALANCE SHEET
AS OF SEPTEMBER 30, 2016 AND 2015
(In Dollars)

	2016	2015
Assets:		
Intragovernmental		
Fund Balance with Treasury (Note 2)	\$ 14,640,365	\$ 12,189,330
Accounts Receivable, Net (Note 3)	158,101	38,272
Total intragovernmental Assets	\$ 14,798,466	\$ 12,227,602
With the Public		
General property and equipment, net (Note 4)	\$ 602,580	\$ 706,220
Advances to Others	-	-
Total Assets	\$ 15,401,046	\$ 12,933,822
Liabilities		
Intragovernmental		
Liabilities for Advances	\$ -	\$ -
Accounts Payable	11,500	16,167
Employer Contributions and Payroll Taxes Payable	274,068	205,600
Custodial Liability	-	-
Unfunded FECA (Note 5)	451,608	596,526
Other Unfunded Employment Related Liability	3,050	\$0
Total Intragovernmental	\$ 740,226	\$818,293
With the Public:		
Accounts Payable	\$ 402,172	\$ 415,532
Accrued Payroll and Benefits	1,015,966	808,830
Actuarial FECA (Note 5)	2,449,113	2,839,259
Unfunded Leave (Note 5)	2,676,373	2,585,984
Total Non Government Liabilities	\$ 6,543,624	\$ 6,649,605
Total Liabilities	\$ 7,283,850	\$ 7,467,898
Net Position		
Unexpended Appropriations-Other Funds	\$ 9,368,711	\$ 6,605,110
Cumulative Results of Operations-Other Funds	(1,251,515)	(1,139,186)
Total Net Position	\$ 8,117,196	\$ 5,465,924
Total Liabilities And Net Position	\$ 15,401,046	\$ 12,933,822

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, 2016 AND 2015
(In Dollars)

	2016	2015
Program Costs:		
Mediation/Representation		
Intragovernmental	\$ 15,104,020	\$ 14,698,119
Less: Governmental Earned Revenue	1,310,556	1,366,605
Total Government Costs	\$ 13,793,464	\$ 13,331,514
With the Public	\$ 34,045,222	\$ 32,897,413
Less: With the Public Earned Revenue	815,064	901,135
Total With the Public Costs	\$ 33,230,158	\$ 31,996,278
Total Gross Program Costs	\$ 49,149,242	\$ 47,595,532
Less: Total Earned Revenues	2,125,620	2,267,740
Net Costs of Operations	\$ 47,023,622	\$ 45,327,792

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, 2016 AND 2015
(In Dollars)

	2016	2015
Cumulative Results of Operations:		
Beginning Balances	\$ (1,139,186)	\$ (1,733,256)
Beginning Balances, as Adjusted	\$ (1,139,186)	\$ (1,733,256)
Budgetary Financing Sources		
Appropriations Used	45,188,190	44,240,726
Other Financing Sources		
Imputed Financing (Note 9)	1,723,103	1,681,136
Other Revenue		-
Total Financing Sources	46,911,293	45,921,862
Net Cost of Operations	(47,023,622)	(45,327,792)
Net Change	(112,329)	594,070
Cumulative Results of Operations	\$ (1,251,515)	\$ (1,139,186)
Unexpended Appropriations:		
Beginning Balances	\$ 6,605,110	\$ 5,523,862
Beginning balances - adjustment	\$ (240,398)	
Beginning Balances, as Adjusted	\$ 6,364,712	\$ 5,523,862
Budgetary Financing Sources:		
Appropriations Received	48,748,000	45,666,000
Other Adjustments	(555,811)	(344,026)
Appropriations Used	(45,188,190)	(44,240,726)
Total Budgetary Financing Resources	3,003,999	1,081,248
Total Unexpended Appropriations	\$ 9,368,711	\$ 6,605,110
Net Position	\$ 8,117,196	\$ 5,465,924

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, 2016 AND 2015
(In Dollars)

	2016	2015
Budgetary resources:		
Unobligated balance brought forward, October 1	\$ 5,796,053	7,216,575
Recoveries of prior year unpaid obligations	\$ 2,219,696	\$ 253,131
Other changes in unobligated balance	\$ (540,342)	\$ (344,026)
Unobligated balance from prior year budget authority, net	\$ 7,475,407	\$ 7,125,680
Appropriations (discretionary and mandatory)	\$ 48,748,000	\$ 45,666,000
Spending authority (discretionary and mandatory)	\$ 2,125,620	\$ 2,295,327
Total budgetary resources	\$ 58,349,027	\$ 55,087,007
Status of budgetary resources:		
Obligations incurred (Note 6):	\$ 53,003,232	\$ 49,290,954
Unobligated balance, end of year:		
Apportioned	\$ 1,164,846	\$ 333,015
Unapportioned	\$ 4,180,949	\$ 5,463,038
Total unobligated balance, end of year	\$ 5,345,795	\$ 5,796,053
Total status of budgetary resources	\$ 58,349,027	\$ 55,087,007
Change in obligated balance:		
Unpaid obligations:		
Unpaid obligations, brought forward, October 1 (gross)	\$ 6,384,047	\$ 3,878,077
Obligations incurred	\$ 53,003,232	\$ 49,290,954
Outlays (gross)	\$ (47,762,513)	\$ (46,531,852)
Recoveries of prior year unpaid obligations	\$ (2,219,696)	\$ (253,131)
Unpaid obligations, end of year (gross)	\$ 9,405,070	\$ 6,384,048
Uncollected payments:		
Uncollected customer payments from Federal Sources, brought forward, October	\$ (38,272)	\$ (124,434)
Change in uncollected payments from Federal sources	\$ (119,730)	\$ 86,162
Uncollected customer payments from Federal Sources, end of year	\$ (158,002)	\$ (38,272)
Obligated Balance, End of Year	\$ 9,247,068	\$ 6,345,776
Obligation Start of Year	\$ 6,345,775	\$ 3,753,643
Obligation End of Year	\$ 9,247,068	\$ 6,345,776
Budget Authority and Outlays, Net		
Budget authority, gross	\$ 50,873,620	\$ 47,961,327
Actual offsetting collections	\$ (2,021,359)	\$ (2,381,489)
Change in uncollected customer payments from Federal sources	\$ (119,730)	\$ 86,162
Recoveries, prior year paid obligations,	\$ 15,469	\$ -
Budget authority, net	\$ 48,748,000	\$ 45,666,000
Outlays, gross	\$ 47,762,513	\$ 46,531,852
Actual offsetting collections	\$ (2,021,359)	\$ (2,381,488)
Outlays, net	\$ 45,741,154	\$ 44,150,364
Distributed offsetting receipts	\$ -	\$ -
Agency outlays, net	\$ 45,741,154	\$ 44,150,364

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, 2016 and 2015

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, 2016, FMCS consisted of a national office, 10 regional offices, and 66 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, 2016 and 2015, 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. 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.

D. Dedicated Collections

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

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 non-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 13.7% and 13.2% for 2016 and 2015, 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 which was 11.9% and 11.1% for 2016 and 2015, respectively.

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 dependents 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:	2016	2015
General Funds	\$ 14,640,365	\$ 12,189,330
Total Fund Balance with Treasury	\$ 14,640,365	\$ 12,189,330

B. Status of Fund Balance with Treasury

Unobligated Balance:

Available	\$ 1,164,846	\$ 333,015
Unavailable	4,180,949	5,463,038
Obligated Balance Not Yet Disbursed	9,294,570	6,393,277
Total Status of Fund Balance with Treasury	\$ 14,640,365	\$ 12,189,330

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:

	2016	2015
Accounts Receivable (Gov)	\$ 158,101	\$ 38,272
Accounts Receivable (NonGov)	-	-
Total Accounts Receivable	\$ 158,101	\$ 38,272

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:

	<u>2016</u>	<u>2015</u>
Equipment, Furniture and Hardware	\$ 2,590,789	\$ 2,502,279
ADP Software	<u>22,377</u>	<u>22,377</u>
Total	2,613,166	2,524,656
Less: Accumulated depreciation on Equipment and Furniture	(1,988,209)	(1,796,059)
Less: Accumulated amortization on ADP Software	<u>(22,377)</u>	<u>(22,377)</u>
Net Book Value	<u>\$ 602,580</u>	<u>\$ 706,220</u>

NOTE 5: LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on FMCS's Balance Sheet as of September 30, 2014 and 2013 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

	<u>2016</u>	<u>2015</u>
Intragovernmental:		
Unfunded FECA Liability	\$ 451,608	\$ 596,526
Other unfunded employment related liability	<u>3,050</u>	<u>-</u>
Total Intragovernmental	454,658	596,526
Public Liabilities:		
Actuarial FECA	\$ 2,449,113	\$ 2,839,259
Unfunded Annual Leave	<u>2,676,373</u>	<u>2,585,984</u>
Total Liabilities Not Covered by Budgetary Resources	5,580,144	6,021,769
Total Liabilities Covered by Budgetary Resources	<u>1,703,706</u>	<u>1,446,127</u>
Total Liabilities	<u>\$ 7,283,850</u>	<u>\$ 7,467,896</u>

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:

	<u>2016</u>	<u>2015</u>
Direct Obligations (Category A)	\$ 51,294,935	\$ 47,527,069
Reimbursable Obligations (Category A)	<u>1,708,298</u>	<u>1,833,885</u>
Total	<u>\$ 53,003,233</u>	<u>\$ 49,290,954</u>

Note 7: Undelivered Orders at the End of the Period

The amount of budgetary resources obligated for undelivered orders at September 30, 2016 and 2015 is \$7,701,365 and \$4,937,918 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:

<u>Schedule of Future Minimum Lease Payments</u>	
2017	\$ 4,100,000
2018	5,769,352
2019	6,057,820
2020	6,360,711
2021	<u>6,678,746</u>
Total Future Minimum Lease Payments	<u>\$ 28,966,629</u>

Rent expense totaled \$5,605,900 and \$5,465,213 for fiscal years September 30, 2016 and 2015 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 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Office of Personnel Management	\$ 1,723,103	\$ 1,681,136
Total Imputed Financing Sources	<u>\$ 1,723,103</u>	<u>\$ 1,681,136</u>

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, 2015, has not been published as of the issue date of these financial statements. A reconciliation of budgetary resources, obligations incurred and new 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, 2015, 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	\$ 55	\$ 49	\$ -	\$ 44
Expired Funds	(2)	-	-	-
Budget of the U.S. Government	\$ 53	\$ 49	\$ -	\$ 44

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 2015 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, 2016 AND 2015
(In Dollars)

	<u>2016</u>	<u>2015</u>
Resources Used to Finance Activities		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 53,003,233	\$ 49,290,954
Less: Spending Authority from Offsetting Collections and Recoveries	(4,360,884)	(2,548,458)
Obligations Net of Offsetting Collections and Recoveries	48,642,349	46,742,496
Less: Offsetting Receipts	-	-
Net Obligations	48,642,349	46,742,496
Other Resources:		
Imputed Financing from Costs Absorbed by Other	1,723,103	1,681,136
Total Resources Used to Finance Activities	\$ 50,365,452	\$ 48,423,632
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	(3,003,845)	(2,341,360)
Resources that Fund Expenses Recognized in Prior Periods	(532,014)	(376,629)
Resources that Finance the Acquisition of Assets	(88,510)	(555,921)
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	(3,624,369)	(3,273,910)
Total Resources Used to Finance the Net Cost of Operations	\$ 46,741,083	\$ 45,149,722
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	90,389	(79,924)
Total Components of Net Cost of Operation That Will Require or Generate Resources in Future Periods	90,389	(79,924)
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	192,150	257,994
Revaluation of Assets or Liabilities		
Other		
Total Components of Net Cost of Operation that will not Require or Generate Resources	192,150	257,994
Total Components of Net Cost of Operation that will not Require or Generate Resources in the Current Period	282,539	178,070
Net Cost of Operations	\$ 47,023,622	\$ 45,327,792

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	-	11,851	-
United States Postal Service	18	-	45,159	-
National Oceanic and Atmospheric Administration	13	-	8,349	-
National Labor Relations Board	63	-	1,100	-
Federal Bureau of Investigations	15	-	3,800	-
Office of Compliance	09	-	800	-
Department of Interior	14	-	3,481	-
Department of Labor	16	-	-	-
US Marine Corps	17	-	-	-
Department of State	19	-	800	-
Department of Treasury	20	14,640,365	10,736	-
Office of Personnel Management	24	-	-	-
Department of Veteran Affairs	36	-	4,420	-
Department of Transportation	69	-	-	-
Department of Homeland Security	70	-	25,941	-
US Agency for International Development	72	-	861	-
Health and Human Services	75	-	400	-
Department of Housing and Urban Development	86	-	3,331	-
US Army	97	-	400	-
Treasury General Fund	99	-	-	-
Court Services and Offender	15	-	2,400	-
Department of Defense	97	-	2,197	-
Department of Energy	89	-	837	-
Total Intra-governmental Assets		\$ 14,640,635	\$ 158,002	\$ -

Intra-governmental Liabilities by Trading Partner:

Trading Partner	ID	Accounts Payable	Other Liabilities
Government Printing Office	04	\$ -	\$ -
United States Postal Service	18	-	-
Office of Personnel Management	24	-	-
Department of Veteran Affairs	36	-	-
General Services Administration	47	11,500	-
Department of Transportation	69	-	-
Health and Human Services	75	-	-
National Archives	88	-	-
Treasury General Fund	99	-	-
Total Intra-governmental Liabilities		\$ 11,500	\$ -

