



**FEDERAL MINE SAFETY  
AND HEALTH  
REVIEW COMMISSION**

**PERFORMANCE AND  
ACCOUNTABILITY REPORT  
FISCAL YEAR 2018**

**NOVEMBER 14, 2018**

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## Message from the Acting Chairman

November 14, 2018

As Acting Chairman of the Federal Mine Safety and Health Review Commission (FMSHRC), I am pleased to submit the Performance and Accountability Report for Fiscal Year 2018. This report provides performance information in keeping with the requirements of the Government Performance and Results Modernization Act of 2010 and includes audited financial statements and accompanying documentation as mandated by the Accountability of Tax Dollars Act of 2002.

FMSHRC is an independent adjudicatory agency that provides administrative trial and appellate review of legal disputes arising under the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended.

FMSHRC carries out its responsibilities through trial-level adjudication by administrative law judges and appellate review of judges' decisions by a five-member Commission appointed by the President and confirmed by the Senate. Most cases involve civil penalties assessed against mine operators by the Department of Labor and address whether or not the alleged safety and health violations occurred and if so, the degree of gravity and negligence involved, so that appropriate sanctions may be imposed.

FMSHRC has set forth the following strategic goals:

Strategic Goal 1: Ensure expeditious, fair, and legally sound adjudication of cases

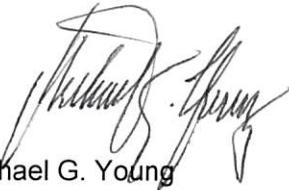
Strategic Goal 2: Manage FMSHRC's human resources, operations, facilities, and information technology systems to ensure a continually improving, effective, and efficient organization

In Fiscal Year 2018, FMSHRC met the performance targets for all three trial level goals in the Office of the Administrative Law Judges. Of particular note, the Office of Administrative Law Judges outperformed its 2018 pendency goal (290 days) with a final average pendency of 257 days. The number of cases on hand also has been reduced significantly over the past several years, with 1,730 remaining at the end of FY 2018.

At the appellate level, all of the FY 2018 goals were met. The Commission was able to resolve all but 6 cases on hand (down from a high of 69 cases pending at the end of FY 2013).

We are pleased to report the independent auditor's opinion that the financial statements present fairly, in all material aspects, FMSHRC's financial position. No matters involving internal control were noted and no material internal control weaknesses were identified. It is my assessment that the financial and performance data in this report is reliable and complete.

FMSHRC's mission is to provide the just, speedy, and legally sound adjudication of proceedings authorized under the Mine Act, thereby enhancing compliance with the Act and contributing to the improved health and safety of the nation's miners. We remain committed to that mission, and to the sound use of public resources in its accomplishment.



Michael G. Young  
Acting Chairman

# Management Discussion and Analysis

## MISSION AND ORGANIZATIONAL STRUCTURE

The Federal Mine Safety and Health Review Commission (FMSHRC) an independent adjudicatory agency charged with resolving disputes arising from the enforcement of safety and health standards in the nation's mines. Under its enabling statute, the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended, the Commission does not regulate the mining industry, nor does it enforce the Mine Act; those functions are delegated to the Secretary of Labor acting through the Mine Safety and Health Administration (MSHA). FMSHRC's mission is to provide just, speedy, and legally sound adjudication of proceedings authorized under the Mine Act, thereby enhancing compliance with the Act and contributing to the improved health and safety of the nation's miners.

The scope of FMSHRC's mission was expanded by the passage of the Mine Improvement and New Emergency Response Act of 2006, P.L. 109-236 (MINER Act). That statute amended the Mine Act and vested FMSHRC with the responsibility for resolving disputes over the contents of mine emergency plans adopted by underground coal mine operators and submitted to MSHA for review and approval. The MINER Act imposed tight deadlines on FMSHRC and its judges with respect to these proceedings and FMSHRC has adopted procedural rules to implement those deadlines.

FMSHRC consists of four organizational elements:

- Office of the Chairman and Commissioners
- Office of the General Counsel
- Office of the Administrative Law Judges (OALJ)
- Office of the Executive Director

The majority of FMSHRC employees are stationed in Washington, DC. The OALJ has satellite offices in Pittsburgh, PA, and Denver, CO.

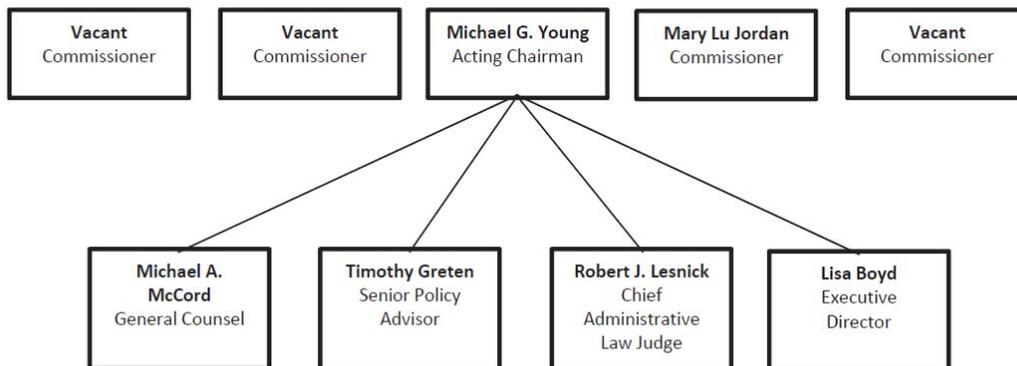
FMSHRC carries out its responsibilities through trial-level adjudication by judges and appellate review of judges' decisions by a five-member Commission appointed by the President and confirmed by the Senate. Most cases involve civil penalties assessed against mine operators by MSHA, and address whether or not the alleged safety and health violations occurred and if so, the penalty that should be assessed. Other types of cases involve mine operators' contests of mine closure orders, miners' complaints of safety or health related discrimination, miners' applications for compensation after a mine is idled by a closure order, and review of disputes between MSHA and underground coal mine operators relating to those operators' mine emergency plans.

Once a case is filed with FMSHRC, it is referred to the Chief Administrative Law Judge (Chief Judge). Thereafter, litigants in the case must submit additional filings before the case is assigned to a judge. To expedite the decisional process, the Chief Judge may rule on certain motions and, where appropriate, issue orders of settlement, dismissal, or default. Otherwise, once a case is assigned to an individual judge, that judge is responsible for the case and rules upon motions and settlement proposals. If a hearing is necessary, the judge schedules and presides over the hearing, and issues a decision based upon the record. A judge’s decision becomes a final, non-precedential order of FMSHRC unless it is accepted for review by FMSHRC’s five-member Commission.

The Commission provides administrative appellate review. It may, in its discretion, review decisions issued by judges when requested by a litigant, or it may, on its own initiative, direct cases for review. A grant of review in either case requires an affirmative vote of at least two Commissioners. The Commission’s decisions are precedential, and appeals from the Commission’s decisions are heard in the federal circuit courts of appeal.

The Office of the Executive Director supports the above functions by providing budget and financial management, and administrative and technical services -- including human resources and information technology, procurement and contracting, and facilities management.

**KEY PERSONNEL  
ORGANIZATION CHART**



## PERFORMANCE GOALS

FMSHRC has two strategic goals:

Strategic Goal 1: Ensure expeditious, fair, and legally sound adjudication of cases

Strategic Goal 2: Manage FMSHRC's human resources, operations, facilities, and information technology systems to ensure a continually improving, effective, and efficient organization

## KEY CHALLENGES

FMSHRC's overall management priority continues to be the expeditious, fair, and legally sound adjudication of cases at the trial and appellate levels.

FMSHRC's major challenge is the unpredictability of the workload. The number of contests filed by operators or appellate petitions brought to FMSHRC at both the trial and appellate levels is not subject to FMSHRC's control.

- Most trial level cases that come before FMSHRC involve civil penalties proposed by MSHA against mine operators. These cases are the result of mine operators contesting those penalties.
- Most of the cases accepted for review are generated from petitions filed by parties adversely affected by a judge's decision. In addition, the Commission, on its own initiative, may decide to review a case.
- In addition, the Commission at the appellate level considers requests to reopen cases in which a mine operator is in default for failing to timely respond to the Secretary's proposed penalty or to a judge's order ("default cases").

FMSHRC faced significant challenges when the number of new cases received increased dramatically in recent years: the trial level cases increased by 170% from FY 2007 to FY 2010. This backlog was the result of the increased contest rate since 2006. Then the appellate level cases increased by 380% from FY 2009 to FY 2011. This increase in new cases led to substantial backlogs in cases on hand.

Through a combination of reengineered business processes, increased staffing, and a decline in the number of new contests filed, FMSHRC has been able to reduce the cases on hand. By the end of FY 2018, FMSHRC had essentially eliminated its trial case backlog, and was able to begin working to resolve each case as soon as a complete set of filings were received from all parties.

Per FMSHRC's strategic plan goals, we continue to work to resolve cases as expeditiously as possible. FMSHRC has now sharpened its focus on the pendency of case dispositions. Pendency is defined as the time from receipt to disposition of cases. Pendency goals have been adopted for trial and appellate levels to ensure we continue to reduce the time each case remains with FMSHRC.

## ANALYSIS OF FINANCIAL STATEMENTS

The Accountability of Tax Dollars Act of 2002 requires that FMSHRC's financial statements be audited annually. In accordance with the Accountability of Tax Dollars Act of 2002, FMSHRC began annual audits in FY 2003. FMSHRC has received an "unmodified" opinion for each annual review conducted by an independent auditor.

FMSHRC has contracted with the Department of the Treasury, Bureau of the Fiscal Service, Administrative Resource Center, for accounting services since 1998. The Administrative Resource Center prepared FMSHRC's FY 2018 financial statements, which include comparative data for FY 2017. The principal financial statements include the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources.

### ***Analysis of the Balance Sheet***

FMSHRC's assets in fiscal year 2018 were \$7,070,525 as of September 30, 2018. The Fund Balance with Treasury of \$6,906,613 represents FMSHRC's largest asset as of September 30, 2018. This is a decrease of approximately 10 percent from fiscal year 2017 and represents approximately 97 percent of the agency's total assets. Property, Equipment, and Software accounts for approximately 2 percent of FMSHRC's total assets as of September 30, 2018. The net fixed asset value of \$146,455 equals the cost less accumulated depreciation and represents the current book value of those assets.

FMSHRC's liabilities in fiscal year 2018 totaled \$2,721,622 as of September 30, 2018. This is an increase of \$679,014 from the fiscal year 2017 balance of \$2,042,608. Accounts payable balance at September 30, 2018, was \$1,319,978, an increase of \$917,990 from September 30, 2017. Accrued payroll liabilities, payroll taxes payable, and unemployment insurance decreased \$7,758 in 2018. Unfunded annual leave decreased \$98,053 in 2018 from 2017. Unfunded annual leave represents approximately 18 percent of total agency liabilities.

Net position is the difference between total assets and total liabilities. The total net position for fiscal year 2018 decreased by \$1,459,263 from fiscal year 2017.

### ***Analysis of Statement of Net Cost***

The Statement of Net Cost shows the net cost of operations for the agency, and it is broken out between FMSHRC's two major functions, Administrative Law Judges and Review Commission. The total net cost of operations in 2018 was \$17,149,270, which is an increase of \$437,006 over the 2017 net cost of operations of \$16,712,264, a change of approximately 3 percent.

**Analysis of the Statement of Changes in Net Position**

The Statement of Changes in Net Position reports the change in the agency's net position during the reporting period. The net position consists of two components, the unexpended appropriations and the cumulative results of operations. The Net Position decreased \$1,459,263 in 2018 from 2017, a change of approximately 25 percent.

**Analysis of the Statement of Budgetary Resources**

The Statement of Budgetary Resources presents how the budgetary resources were made available and the status of the budgetary resources at the end of the reporting period. The total budgetary resources must always equal the total status of budgetary resources. For fiscal year 2018, FMSHRC had total budgetary resources of \$21,060,984, which is \$1,495,892 less than in 2017.

<b>FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION</b>				
<b>Table of Key Measures</b>				
Dollars in Thousands	<i>FY 2018</i>	<i>FY 2017</i>	<b>Increase / (Decrease)</b>	
			\$	%
<b>COSTS</b>				
Total Financing Sources	\$17,293	\$16,504	\$789	5%
Less: Net Cost	\$17,149	\$16,712	\$437	3%
<b>Net Change of Cumulative Results of Operations</b>	<b>\$144</b>	<b>-\$208</b>	<b>\$352</b>	<b>169%</b>
<b>NET POSITION</b>				
<b>Assets:</b>				
Fund Balance With Treasury	\$6,907	\$7,600	(\$693)	-9%
Accounts Receivable	\$17	\$22	(\$5)	-23%
Property, Equipment, and Software	\$146	\$230	(\$84)	-37%
<b>Total Assets</b>	<b>\$7,070</b>	<b>\$7,852</b>	<b>(\$782)</b>	<b>-10%</b>
<b>Liabilities</b>				
Accounts Payable - Intergovernmental	\$71	\$57	\$14	25%
Other	\$1,402	\$1,641	(\$239)	-15%
Accounts Payable	\$1,249	\$345	\$904	262%
<b>Total Liabilities</b>	<b>\$2,722</b>	<b>\$2,043</b>	<b>\$679</b>	<b>33%</b>
<b>Net Position (Assets minus Liabilities)</b>	<b>\$4,348</b>	<b>\$5,809</b>	<b>(\$1,461)</b>	<b>-25%</b>

## MANAGEMENT ASSURANCES

### ***Analysis of Systems, Controls, and Legal Compliance***

FMSHRC is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding assets and complying with applicable laws and regulations. As a small independent Federal agency, it is more efficient for FMSHRC to leverage servicing agencies for key functions than to build an organic capability. Consequently, FMSHRC must rely heavily on the systems and controls provided by servicing agencies to meet the OMB's guidelines and the requirements of law with respect to financial management, accounting systems, and financial reporting. These services are supplemented by internal control procedures within FMSHRC sufficient to assure that the performance and financial data included in this audit report are complete and reliable.

All financial data reported were obtained from the FY 2018 accounting reports prepared by the Department of the Treasury, Bureau of the Fiscal Service, Administrative Resource Center, FMSHRC's accounting servicing provider. The performance data on case intake and dispositions has been verified by Commission managers. There are no material inadequacies or non-conformance in either the completeness or reliability of the data reported.

The Administrative Resource Center has provided assurance that their financial management systems comply with Federal financial management system requirements, applicable Federal accounting standards, and the USSGL at the transaction level.

FMSHRC is in compliance with the Federal Managers Financial Integrity Act by maintaining effective internal controls to support reliable financial reporting and compliance with applicable laws and regulations applicable to FMSHRC.

There have been no significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting during FY 2018. During the audit of the financial statements the independent auditor did not identify any significant deficiencies or material weaknesses. The independent auditor has provided an unmodified opinion on the financial statements.

### ***Limitations of the Financial Statements***

The principal financial statements are prepared to report the financial position and results of operations of the Federal Mine Safety and Health Review Commission, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from the FMSHRC's books and records in accordance with Federal GAAP and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government.

## FRAUD REDUCTION REPORT

Pursuant to the Fraud Reduction and Data Analytics Act of 2015 (Public Law 114-186, 32 U.S. Code 3321), FMSHRC is reporting on its fraud reduction efforts for FY 2018 and the final quarter of FY 2018 in three key areas:

### ***1. Implementation of financial and administrative controls***

FMSHRC contracts with a shared service provider for financial, travel, human resources, and procurement services through an interagency agreement. FMSHRC's payroll services are managed by another government agency through a shared services interagency agreement. This creates a built-in separation of functions for agency business, with several checks and balances. Internally, most financial transactions involve at least three support staff.

### ***2. The fraud risk principle in the Standards for Internal Control in the Government (the GAO Green Book)***

Annually, FMSHRC completes the independent financial statement auditor's comprehensive Fraud, Waste and Abuse questionnaire. The questionnaire is completed and signed by management. Assertions are made that managers are not aware of allegations of fraud or suspected fraud, and that they understand risks specific to FMSHRC.

FMSHRC has a low risk of fraud in these areas:

- **Fraudulent financial reporting risk:** Financial reporting is provided by an authorized shared financial provider. All financial reporting, including financial statements and necessary journal entries, is reviewed and approved by FMSHRC's Executive Director, who serves as FMSHRC's CFO, prior to submission to OMB. FMSHRC's financial statements have been audited annually since 2003.
- **Misappropriation of assets:** All assets are recorded in the general ledger, inventoried and tracked in automated software managed by FMSHRC. Proper sign out procedures are incorporated for all equipment and property being removed from the property.

- Waste of government resources and abuse of authority or position: The nature of the FMSHRC mission means most of the commission expenditures are on salary and benefits, and related variable expenses (facilities, IT services, etc.). The opportunities for fraud or waste are limited, as the commission has very few contracts, minimal travel expenses, and doesn't otherwise expend federal funds through grants. FMSHRC has also ensured leadership and staff have required whistleblower training, including an understanding of how to report suspected wrongdoing to an independent party outside of FMSHRC.

### ***3. OMB Circular A-123 with respect to leading practices for managing fraud risk***

FMSHRC utilizes automated time and attendance, procurement, contract payments, and travel and purchase card systems located within other agencies. FMSHRC has agency points of contact for purchase and travel cards, as does the financial service provider. The assigned FMSHRC staff reviews all travel receipts for reimbursement before approving travel vouchers, generally entered into the travel system by FMSHRC's travelers and support staff. Travel service provider accountants reconcile FMSHRC's Central Billing Account each month.

Agency-specified types of vendors allowed for use are established under the procurement card program via the use of the Master Contract Codes. All other vendors will result in a card decline until the type of procurement is reviewed and access is given temporarily for the purchase.

## Performance Section

### PERFORMANCE GOALS AND RESULTS

FMSHRC has set forth the following strategic goals:

Strategic Goal 1: Ensure expeditious, fair, and legally sound adjudication of cases

Strategic Goal 2: Manage FMSHRC's human resources, operations, facilities, and information technology systems to ensure a continually improving, effective, and efficient organization

The first strategic goal is accomplished through the Administrative Law Judges function at the trial level, and the Commission Review function at the appellate level. The second strategic goal is accomplished through the Office of the Executive Director function.

### ADMINISTRATIVE LAW JUDGES FUNCTION

FMSHRC employs administrative law judges to hear and decide contested cases at the trial level. The judges travel to hearing sites located at or near the mine involved in order to afford mine operators, miners, and their representatives a full opportunity to participate in the hearing process. FMSHRC judges are also responsible for evaluating and approving or denying settlement agreements proposed by the parties under the Mine Act.

FMSHRC received 3,510 new case filings in FY 2018. The number of new cases was a six percent decrease from the 3,761 received in FY 2017.

There were 2,834 cases pending at the start of FY 2018. In FY 2018 there were 4,614 dispositions.

The FY 2017 end-of-year inventory was 1,730 undecided cases. This was the eighth consecutive year that the number of pending cases was reduced by the end of the year.

FMSHRC met or substantially met all four performance targets for the Administrative Law Judges function, as shown in the Performance Measurement Matrix.

**ADMINISTRATIVE LAW JUDGES FUNCTION  
PERFORMANCE MEASUREMENT MATRIX**

Performance Metrics - Office of the Administrative Law Judges Function						
Performance Goal		FY	FY	FY	FY	FY
		2014	2015	2016	2017	2018
Average time from receipt to disposition of all cases (measured in days)	Target	458	401	300	300	290
	Result	459	425	348	328	257
	Status	SM	SM	NM	SM	M
Average time from receipt to disposition of penalty cases (measured in days)	Target	425	401	330	330	280
	Result	429	387	309	307	257
	Status	SM	M	M	M	M
Percent of all cases on hand over 365 days in age	Target	40%	30%	20%	20%	15%
	Result	28%	25%	21%	19%	
	Status	M	M	SM	M	M
Number of cases pending at year end	Anticipated	--	--	4,200	3,300	2,429
	Result	6,278	4,452	3,058	2,592	1,730
	Status	--	--	M	M	M

**Status:**

M - Target met or exceeded

SM - Target substantially met - within 10% of target

NM - Target not met

## COMMISSION REVIEW FUNCTION

FMSHRC decides two principal types of cases: (1) substantive cases, which are cases in which a judge has issued a final or interlocutory decision on the merits and the Commission has granted a petition for review filed by either party, or at least two Commissioners have decided to grant review on their own initiative; and (2) default cases, which are cases where an operator has failed to timely contest a proposed penalty or to timely respond to a judge's order and the operator has filed a motion to reopen the final order.

In recent years, FMSHRC's appellate review function has seen a significant increase in the number of filings of both substantive and default cases. As a frame of reference, in FY 2008 (ten years ago), 8 petitions for review of judges' decisions were filed, and 4 petitions were granted. In FY 2018, 23 petitions were filed, and 15 were granted.

Anticipating the potential loss of a quorum of Commissioners due to expiring terms, the Commission redoubled its efforts to resolve as many substantive and default cases as possible by August 30, 2018. The targets for substantive cases were met with regard to all five goals, as shown on the following performance measurement matrix.

The pendency of all substantive cases (date granted to issuance of decision) was 12 months in FY 2018, versus a goal of 15 months.

The average time from briefing completion to decisions issuance was 9 months in FY 2018, vice a goal of 9 months.

In FY 2018, the Commission essentially eliminated the backlog of default cases, with only 28 remaining on hand at the end of the fiscal year. By the end of the fiscal year, all cases default cases on hand were less than six months old.

The Commission disposed of 26 substantive cases and in FY 2018, ending the year with 9 substantive cases on hand. The Commission resolved 83 default cases in FY 2018, ending the year with 28 on hand.

**COMMISSION REVIEW FUNCTION  
PERFORMANCE MEASUREMENT MATRIX**

<b>Performance Metrics - Commission Review Function</b>						
<b>Performance Goal</b>		<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
Average time from date granted to issuance of decision for appellate cases (measured in months)	Target	28	31	31	12	15
	Result	27	26	22	15	12
	Status	M	M	M	NM	M
Average time from briefing completion to issuance of decision for appellate cases (measured in months)	Target	24	27	27	9	9
	Result	24	24	19	13	9
	Status	M	M	M	NM	M
Percent of appellate cases on hand over 18 months in age	Target	40%	40%	40%	30%	20%
	Result	49%	49%	11%	14%	11%
	Status	NM	NM	M	M	M
Percent of default cases on hand over 6 months in age	Target	13%	12%	12%	30%	30%
	Result	54%	59%	57%	56%	0%
	Status	NM	NM	NM	NM	M
Number of appellate cases pending at year end	Anticipated	--	--	19	18	16
	Result	57	39	18	21	9
	Status	--	--	M	NM	M

**Status:**

M - Target met or exceeded

SM - Target substantially met - within 10% of target

NM - Target not met

## OFFICE OF THE EXECUTIVE DIRECTOR FUNCTION

The Office of the Executive Director (OED) provides administrative services to support FMSHRC's accomplishment of its mission and strategic goals. The primary functions are financial management, human resources, procurement and contracting, information technology, facilities management, and general administrative service support.

The financial management services function includes the areas of budget and accounting, such as budget formulation, budget execution, funds control, financial reporting, and vendor payments.

Human resources services cover the areas of recruitment and placement, classification and pay administration, performance management and incentive awards, employee benefits and retirement, personnel security, coordination of employee training programs, and wellness and employee assistance programs.

Procurement and contracting services cover maintaining a simplified acquisition program for supplies and services, contract implementation and oversight, and coordination of services and supplies.

Information technology entails help-desk functions, network administration, policy formulation, and telecommunication.

Facilities management services cover property and space management, organization management, and physical security.

Other general administrative services provided by OED include the administration of employee travel authorizations and reimbursements and the Metro subsidy program.

**FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION**

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

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2018 AND 2017**



**Prepared By  
Brown & Company CPAs and Management Consultants, PLLC  
November 13, 2018**



**FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION**

**INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
SEPTEMBER 30, 2018 AND 2017**

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**INDEPENDENT AUDITOR'S REPORT**

Federal Mine Safety Health and Review Commission  
Washington, D.C.

In our audits of the fiscal years 2018 and 2017 financial statements of the Federal Mine Safety Health and Review Commission ("Commission"), we found

- the Commission's financial statements as of and for the fiscal years ended September 30, 2018, and 2017, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2018 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI) and other information included with the financial statements; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

**Report on the Financial Statements**

In accordance with the provisions of Accountability of Tax Dollars Act of 2002 (ATDA) (Pub. L. No. 107-289), we have audited the Commission's financial statements. The Commission's financial statements comprise the balance sheets as of September 30, 2018, and 2017; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audits in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility

Commission's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's 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 of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

### Opinion on Financial Statements

In our opinion, the Commission's financial statements present fairly, in all material respects, the Commission's financial position as of September 30, 2018, and 2017, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

### Other Matters

#### Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

### Other Information

The Commission's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on the Commission's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

### **Report on Internal Control over Financial Reporting**

In connection with our audits of the Commission's financial statements, we considered the Commission's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to the Commission's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

#### Management's Responsibility

The Commission's management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

In planning and performing our audit of the Commission's financial statements as of and for the year ended September 30, 2018, in accordance with U.S. generally accepted government auditing standards, we considered the Commission's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the Commission's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

*A 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, misstatements on a timely basis. *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, 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.

### Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

### Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of the Commission's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the Commission's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

### **Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements**

In connection with our audits of the Commission's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

### Management's Responsibility

The Commission's management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Commission.

### Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to the Commission that have a direct effect on the determination of material amounts and disclosures in the Commission's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Commission.

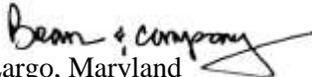
### Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2018 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the Commission. Accordingly, we do not express such an opinion.

### Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

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

  
Largo, Maryland  
November 13, 2018

**FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION**  
**BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2018 AND 2017**  
(In Dollars)

	2018	2017
<b>Assets:</b>		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 6,906,613	\$ 7,598,963
Total Intragovernmental	6,906,613	7,598,963
Accounts Receivable, Net (Note 3)	17,457	22,192
Property, Equipment, and Software, Net (Note 4)	146,455	229,619
<b>Total Assets</b>	<b>\$ 7,070,525</b>	<b>\$ 7,850,774</b>
<b>Liabilities:</b>		
Intragovernmental		
Accounts Payable	\$ 70,955	\$ 57,375
Other (Note 6)	617,363	745,839
Total Intragovernmental	688,318	803,214
Accounts Payable	1,249,023	344,613
Other (Note 6)	784,281	894,781
Total Liabilities (Note 5)	\$ 2,721,622	\$ 2,042,608
<b>Net Position:</b>		
Unexpended Appropriations - Other Funds	\$ 5,205,942	\$ 6,808,524
Cumulative Results of Operations - Other Funds	(857,039)	(1,000,358)
Total Net Position	\$ 4,348,903	\$ 5,808,166
<b>Total Liabilities and Net Position</b>	<b>\$ 7,070,525</b>	<b>\$ 7,850,774</b>

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

**FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION**  
**STATEMENT OF NET COST**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**  
(In Dollars)

	2018	2017
<b>Program Costs:</b>		
Commission Review:		
Gross Costs	\$ 7,659,628	\$ 7,017,480
Net Program Costs	\$ 7,659,628	\$ 7,017,480
Administrative Law Judge:		
Gross Costs	\$ 9,489,642	\$ 9,694,784
Net Program Costs	\$ 9,489,642	\$ 9,694,784
Net Cost of Operations	\$ 17,149,270	\$ 16,712,264

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

**FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**  
(In Dollars)

	2018	2017
<b>Unexpended Appropriations:</b>		
Beginning Balances	\$ 6,808,524	\$ 6,348,179
<b>Budgetary Financing Sources:</b>		
Appropriations Received	17,184,000	17,184,000
Other Adjustments	(2,255,255)	(796,524)
Appropriations Used	(16,531,327)	(15,927,131)
<b>Total Budgetary Financing Sources</b>	<b>(1,602,582)</b>	<b>460,345</b>
<b>Total Unexpended Appropriations</b>	<b>\$ 5,205,942</b>	<b>\$ 6,808,524</b>
<b>Cumulative Results of Operations:</b>		
Beginning Balances	\$ (1,000,358)	\$ (791,869)
<b>Budgetary Financing Sources:</b>		
Appropriations Used	16,531,327	15,927,131
<b>Other Financing Sources (Non-Exchange):</b>		
Imputed Financing Sources (Note 8)	761,262	576,644
<b>Total Financing Sources</b>	<b>17,292,589</b>	<b>16,503,775</b>
<b>Net Cost of Operations</b>	<b>(17,149,270)</b>	<b>(16,712,264)</b>
<b>Net Change</b>	<b>143,319</b>	<b>(208,489)</b>
<b>Cumulative Results of Operations</b>	<b>\$ (857,039)</b>	<b>\$ (1,000,358)</b>
<b>Net Position</b>	<b>\$ 4,348,903</b>	<b>\$ 5,808,166</b>

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

**FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION**  
**STATEMENT OF BUDGETARY RESOURCES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**  
(In Dollars)

	2018	2017
<b>Budgetary Resources:</b>		
Unobligated balance from prior year budget authority, net	\$ 3,876,984	\$ 5,372,876
Appropriations	17,184,000	17,184,000
<b>Total Budgetary Resources</b>	<b>\$ 21,060,984</b>	<b>\$ 22,556,876</b>
<b>Memorandum (non-add) Entries:</b>		
Net adjustments to unobligated balance brought forward, Oct. 1	\$ (2,935,860)	\$ (1,191,661)
<b>Status of Budgetary Resources:</b>		
New obligations and upward adjustments (total) (Note 10)	\$ 16,397,882	\$ 16,553,852
Unobligated balance, end of year:		
Apportioned, unexpired account (Note 2)	812,119	754,246
Expired unobligated balance, end of year (Note 2)	3,850,983	5,248,778
Unobligated balance, end of year (total)	4,663,102	6,003,024
<b>Total Budgetary Resources</b>	<b>\$ 21,060,984</b>	<b>\$ 22,556,876</b>
<b>Outlays, net:</b>		
Outlays, net, (total)	\$ 15,621,094	\$ 15,983,200
Distributed Offsetting Receipts	(959)	(299)
<b>Agency outlays, net</b>	<b>\$ 15,620,135</b>	<b>\$ 15,982,901</b>

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



## FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The Federal Mine Safety and Health Review Commission (“the Commission”) is an independent Federal agency with the mission of providing administrative trial and appellate review of legal disputes arising under the Federal Mine Safety and Health Amendments Act of 1977, Public Law 91-173, amended by Public Law 95-164. The Commission reporting entity is comprised of General Funds and General Miscellaneous Receipts.

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

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.

The Commission has rights and ownership of all assets reported in these financial statements. The Commission does not possess any non-entity assets.

#### B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of the Commission. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency’s operating results; the Statement of Changes in Net Position displays the changes in the agency’s equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency’s resources and

follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. They have been prepared from, and are fully supported by, the books and records of the Commission in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, and the Commission 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 the Commission’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. 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.

#### D. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the Commission’s funds with Treasury in expenditure and receipt fund accounts. Appropriated funds recorded in

expenditure accounts are available to pay current liabilities and finance authorized purchases.

The Commission does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the agency on demand.

**E. Accounts Receivable**

Accounts receivable consists of amounts owed to The Commission 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.

**F. 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. The Commission’s capitalization threshold is \$50,000 for individual purchases and \$500,000 for bulk purchases. Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. 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 Equipment	5

**G. 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.

**H. Liabilities**

Liabilities represent the amount of funds likely to be paid by the Commission as a result of transactions or events that have already occurred.

The Commission reports its liabilities under two categories, Intragovernmental and With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities with the Public represent funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, deferred rent, and the amounts due to Treasury for collection and accounts receivable of civil penalties and FOIA request fees. Deferred rent is the difference at year-end between the sum of

monthly cash disbursements paid to date for rent and the sum of the average monthly rent calculated based on the term of the lease.

### **I. 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 the Office of Personnel Management (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 100%.

### **J. Accrued and Actuarial Workers' Compensation**

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the Commission employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the Commission terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

### **K. Retirement Plans**

The Commission employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of the Commission 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. Both CSRS and FERS employees may participate in the federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to one percent of pay and the Commission matches any employee contribution up to an additional four percent of pay. For FERS participants, the Commission 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, the Commission remits the employer's share of the required contribution.

The Commission 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 the Commission for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. The Commission recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

The Commission 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, as the administrator.

#### **L. Other Post-Employment Benefits**

The Commission 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 the Commission with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The Commission 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 the Commission through the recognition of an imputed financing source.

#### **M. 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.

#### **N. 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. Commission recognized imputed costs and financing sources in fiscal years 2018 and 2017 to the extent directed by accounting standards.



## FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION NOTES TO THE FINANCIAL STATEMENTS

### NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2018 and 2017, were as follows:

	2018	2017
<b>Status of Fund Balance with Treasury:</b>		
<b>Unobligated Balance</b>		
Available	\$ 812,119	\$ 754,246
Unavailable	3,850,983	5,248,778
<b>Obligated Balance Not Yet Disbursed</b>	<b>2,243,511</b>	<b>1,595,939</b>
<b>Total</b>	<b>\$ 6,906,613</b>	<b>\$ 7,598,963</b>

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

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 fund balance on hand (see also Note 11).

### NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2018 and 2017, were as follows:

	2018	2017
<b>With the Public</b>		
Accounts Receivable	\$ 17,457	\$ 22,192
<b>Total Accounts Receivable</b>	<b>\$ 17,457</b>	<b>\$ 22,192</b>

The accounts receivable is 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, 2018 and 2017.

**NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE**

Schedule of Property, Equipment, and Software as of September 30, 2018

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 377,363	\$ 274,289	\$ 103,074
Furniture & Equipment	1,424,326	1,380,945	43,381
<b>Total</b>	<b>\$ 1,801,689</b>	<b>\$ 1,655,234</b>	<b>\$ 146,455</b>

Schedule of Property, Equipment, and Software as of September 30, 2017

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 377,363	\$ 248,566	\$ 128,797
Furniture & Equipment	1,424,326	1,323,504	100,822
<b>Total</b>	<b>\$ 1,801,689</b>	<b>\$ 1,572,070</b>	<b>\$ 229,619</b>

**NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

The liabilities for the commission as of September 30, 2018 and 2017, 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.

	2018	2017
Intragovernmental – FECA	\$ 950	\$ 950
Intragovernmental – Unemployment Insurance	19,500	12,000
Unfunded Leave	490,905	588,958
Deferred Lease Liabilities	527,563	662,260
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>\$ 1,038,918</b>	<b>\$ 1,264,168</b>
<b>Total Liabilities Covered by Budgetary Resources</b>	<b>1,681,170</b>	<b>778,440</b>
<b>Total Liabilities Not Requiring Budgetary Resources</b>	<b>1,534</b>	<b>-</b>
<b>Total Liabilities</b>	<b>\$ 2,721,622</b>	<b>\$ 2,042,608</b>

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on the Commission’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.

The deferred lease liability amount represents the difference at year end between the sum of monthly cash disbursements paid to date for base rent and the sum of the average monthly rent calculated based on the term of the lease. This was due to a lease agreement entered into at 1331 Penn Ave that had rent abatement provisions.

#### NOTE 6. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2018 were as follows:

	Current	Non Current	Total
<b>Intragovernmental</b>			
FECA Liability	\$ 950	\$ -	\$ 950
Unemployment Insurance Liability	19,500	-	19,500
Payroll Taxes Payable	69,249	-	69,249
Custodial Liability	101	-	101
Deferred Lease Liability	134,697	392,866	527,563
<b>Total Intragovernmental Other Liabilities</b>	<b>\$ 224,497</b>	<b>\$ 392,866</b>	<b>\$ 617,363</b>
<b>With the Public</b>			
Payroll Taxes Payable	\$ 15,999	\$ -	\$ 15,999
Accrued Funded Payroll and Leave	275,946	-	275,946
Unfunded Leave	490,905	-	490,905
Custodial Liability	1,431	-	1,431
<b>Total Public Other Liabilities</b>	<b>\$ 784,281</b>	<b>\$ -</b>	<b>\$ 784,281</b>

Other liabilities account balances as of September 30, 2017 were as follows:

	Current	Non Current	Total
<b>Intragovernmental</b>			
FECA Liability	\$ 950	\$ -	\$ 950
Unemployment Insurance Liability	12,000	-	12,000
Payroll Taxes Payable	70,629	-	70,629
Deferred Lease Liability	134,697	527,563	662,260
<b>Total Intragovernmental Other Liabilities</b>	<b>\$ 218,276</b>	<b>\$ 527,563</b>	<b>\$ 745,839</b>
<b>With the Public</b>			
Payroll Taxes Payable	\$ 17,614	\$ -	\$ 17,614
Accrued Funded Payroll and Leave	288,209	-	288,209
Unfunded Leave	588,958	-	588,958
<b>Total Public Other Liabilities</b>	<b>\$ 894,781</b>	<b>\$ -</b>	<b>\$ 894,781</b>

## NOTE 7. LEASES

### Operating Leases

The Commission occupies office space at 721 19th St, Denver, CO under a lease agreement that is accounted for as an operating lease. The lease term began on June 1, 2009 and expires on May 31, 2019. Below is an estimated schedule of future payments, including estimated real estate taxes and operating expenses which are subject to annual adjustments.

Fiscal Year	Building	Equipment	ADP Equipment	Totals
2019	\$ 61,761	\$ -	\$ -	\$ 61,761
<b>Total Future Payments</b>	<b>\$ 61,761</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 61,761</b>

The Commission occupies office space at 875 Greentree Rd, Pittsburgh, PA under a lease agreement that is accounted for as an operating lease. The lease term began September 13, 2010 and expires on September 30, 2023. Below is a schedule of future payments for the term of the lease, including estimated real estate taxes and operating expenses which are subject to annual adjustments.

Fiscal Year	Building	Equipment	ADP Equipment	Totals
2019	\$ 106,699	\$ -	\$ -	\$ 106,699
2020	107,644	-	-	107,644
2021	108,617	-	-	108,617
2022	109,619	-	-	109,619
2023	110,652	-	-	110,652
<b>Total Future Payments</b>	<b>\$ 543,231</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 543,231</b>

The Commission occupies office space at 1331 Penn Avenue, Washington, DC under a lease agreement that is accounted for as an operating lease. The lease term began on August 23, 2012 and expires on August 22, 2022. This lease has deferred rent in the amount of \$57,655 per month. Below is a schedule of future payments for the term of the lease, including estimated real estate taxes and operating expenses which are subject to annual adjustments.

Fiscal Year	Building	Equipment	ADP Equipment	Totals
2019	\$ 1,748,360	\$ -	\$ -	\$ 1,748,360
2020	1,769,918	-	-	1,769,918
2021	1,792,124	-	-	1,792,124
2022	1,313,336	-	-	1,313,336
<b>Total Future Payments</b>	<b>\$ 6,623,738</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,623,738</b>

The operating lease amounts do not include estimated payments for leases with annual renewal options.

## NOTE 8. IMPUTED FINANCING SOURCES

The Commission recognizes as imputed financing the costs of future benefits which include health benefits, life insurance, 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. For the years ending September 30, 2018 and 2017 imputed financing was as follows:

	2018	2017
Office of Personnel Management	\$ 761,262	\$ 576,644
<b>Total Imputed Financing Sources</b>	<b>\$ 761,262</b>	<b>\$ 576,644</b>

## NOTE 9. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include fiscal year 2018 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2019 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2019 Budget of the United States Government, with the "Actual" column completed for 2017, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

### In Millions

FY2017	Budgetary Resources	Obligations Incurred	Net Outlays
Statement of Budgetary Resources	\$ 23	\$ 17	\$ 16
Unobligated Balance Not Available	(5)	-	-
Difference - Due to Rounding	(1)	(1)	-
<b>Budget of the U.S. Government</b>	<b>\$ 17</b>	<b>\$ 16</b>	<b>\$ 16</b>

## NOTE 10. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2018 and 2017 consisted of the following:

	2018	2017
Direct Obligations, Category A	\$ 16,397,882	\$ 16,553,852
<b>Total Obligations Incurred</b>	<b>\$ 16,397,882</b>	<b>\$ 16,553,852</b>

Category A apportionments distribute budgetary resources by fiscal quarters.

**NOTE 11. UNDELIVERED ORDERS AT THE END OF THE PERIOD**

As of September 30, 2018, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Unpaid Undelivered Orders	\$ 41,448	\$ 501,392	\$ 542,840
Total Undelivered Orders	\$ 41,448	\$ 501,392	\$ 542,840

As of September 30, 2017, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Unpaid Undelivered Orders	\$ 223,954	\$ 581,544	\$ 805,498
Total Undelivered Orders	\$ 223,954	\$ 581,544	\$ 805,498

**NOTE 12. CUSTODIAL ACTIVITY**

The Commission’s custodial collection primarily consists of Freedom of Information Act requests. While these collections are considered custodial, they are neither primary to the mission of the commission nor material to the overall financial statements. The Commission’s total custodial collections are \$1,034 and \$56 for the year ended September 30, 2018, and 2017, respectively.

**NOTE 13. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET**

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

	2018	2017
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 16,397,882	\$ 16,553,852
Spending Authority From Offsetting Collections and Recoveries	(129,216)	(243,607)
Offsetting Receipts	(959)	(299)
Net Obligations	16,267,707	16,309,946
Other Resources		
Imputed Financing From Costs Absorbed By Others	761,262	576,644
Total Resources Used to Finance Activities	17,028,969	16,886,323
Resources Used to Finance Items Not Part of the Net Cost of Operations	37,136	(468,381)
Total Resources Used to Finance the Net Cost of Operations	17,066,105	16,417,942
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Net Cost of Operations	\$ 17,149,270	\$ 16,712,264