

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

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

**FOR THE YEARS ENDED
SEPTEMBER 30, 2014 AND 2013**



**Prepared By
Brown & Company CPAs, PLLC
November 12, 2014**



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FOR THE YEARS ENDED
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Management's Discussion and Analysis for FY 2014





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

Management's Discussion and Analysis for FY 2014

Introduction

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

Mission and Organization Structure

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

The Court is authorized nine judges, one of whom serves as Chief Judge. The judges are appointed by the President, "by and with the Advice and Consent of the Senate," for fifteen-year terms. Each judge has a staff of four law clerks and one administrative assistant. The Chief Judge has additional support staff because of his administrative duties. Court support staff includes (1) a Clerk of the Court to manage Court support operations under the supervision of the Chief Judge, (2) a Public Office that manages the Court's docket, (3) a Central Legal Staff responsible for facilitating case resolution through a conferencing process, screening cases, and working as needed with the Court's Senior Judges recalled

for service, (4) an Information Technology Office that provides direct support to personnel and administers the Court's Case Management/Electronic Case Filing (CM/ECF) program, (5) an Administrative Office that provides personnel, procurement, and facilities management functions, and (6) a Financial Office responsible for financial management.

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

Procedures

The Court's Rules of Practice and Procedure, effective September 15, 2011, (with clerical revisions as of February 7, 2012) govern its procedures and are available on the Court's website. As an appellate Court, the Court does not hold trials, hear witness testimony, or receive new evidence. In deciding a case, it considers the Board decision, the record before the Board, and the briefs submitted by the parties. If the issues warrant, the Court holds oral argument.

Most arguments are held in Washington, D.C., but on occasion the Court sits in other locations. In FY 2014, as part of its educational outreach program, the Court held oral argument at Harvard Law School in Cambridge, MA; Washington and Lee University School of Law in Lexington, VA; University of Missouri School of Law in Columbia, MO; and University of Pittsburgh School of Law in Pittsburgh, PA.

Opinions

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

Performance Goals, Objectives and Results

The Court's goal is to provide timely judicial review of cases that have been appealed to the Court from the Board of Veterans' Appeals annually. The Court has a heavy caseload. In FY 2014, more than 4,000 appeals and petitions were filed with the Court. During the same period, the Court decided more than 3,500 appeals, in addition to several thousand procedural determinations and actions on Equal Access to Justice (EAJA) applications. The Court's annual reports are available on the Court's website: www.uscourts.cavc.gov.

Limitations of the Financial Statements

The Court is part of the judiciary and not subject to 31 U.S.C. § 3515 (b) (requiring executive agencies to file annual financial reports). Also, as an independent Article I Court, this Court is not part of the annual financial reporting prepared by the Administrative

Office of the Courts. Recognizing, however, that routine review of the Court's operations and use of appropriated funds is a sound financial practice, the Court voluntarily complies with the substantive requirements of section 3515 (b). The Court's principal financial statements have been prepared by the Administrative Resource Center at the U.S. Department of the Treasury Bureau of Fiscal Services. The statements have been prepared from the Court's books and records in accordance with Generally Accepted Accounting Principles (GAAP) for federal entities and the formats prescribed by the Office of Management and Budget (OMB) in the OMB Circular A-136.

Analysis of Financial Statements

The Court's annual appropriated funds are used for salaries, benefits, services, facilities rent and maintenance, information technology (IT) contractor and intergovernmental services and support, and an annual contribution to the Judges' Retirement Trust Fund. Also, the Court receives pass-through funding for a congressionally-mandated grant to Legal Services Corporation for managing the Veterans Consortium Pro Bono Program that provides counsel to appellants who otherwise are self-represented.

Analysis of Systems, Controls and Legal Compliance

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

Conclusion

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

October 21, 2014



Gregory O. Block
Clerk of the Court /Executive Officer

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

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

**FOR THE YEARS ENDED
SEPTEMBER 30, 2014 AND 2013**



**Prepared By
Brown & Company CPAs, PLLC
November 12, 2014**



INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

Report on the Financial Statements

We have audited the accompanying balance sheets of the U.S. Court of Appeals for Veterans Claims (CAV) as of September 30, 2014 and 2013, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements), and the related notes to 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 accounting principles generally accepted in the United States of America; this includes 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit 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 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 our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CAV as of September 30, 2014 and 2013, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the information in the Management's Discussion and Analysis (MD&A), Required Supplementary Information (RSI), and Required Supplementary Stewardship Information sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CAV's internal control over financial reporting (internal control) to design 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 CAV's internal control. Accordingly, we do not express an opinion on the effectiveness of the CAV's internal control.

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.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during the audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CAV's financial statements are free from material misstatement, we performed tests of its compliance with applicable provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02.

Management's Responsibility for Internal Control and Compliance

CAV's management is responsible for (1) evaluating effectiveness of internal control based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness of internal control, (3) ensuring CAV's financial management systems are in substantial compliance with FMFIA requirements, and (4) ensuring compliance with other applicable laws and regulations.

Auditor's Responsibilities

We are responsible for: (1) obtaining a sufficient understanding of internal controls over financial reporting to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin No. 14-02 requires testing, and (3) applying certain limited procedures with respect to the MD&A and other RSI.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to CAV. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin No. 14-02 that we deemed applicable to CAV's financial statements for the fiscal year ended September 30, 2014. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of CAV's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CAV's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

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



Largo, Maryland
November 12, 2014

FINANCIAL STATEMENTS AND NOTES

UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS
CONSOLIDATED FUNDS
BALANCE SHEET
AS OF SEPTEMBER 30, 2014 AND 2013
(In Dollars)

	2014	2013
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 18,782,407	\$ 19,824,610
Investments (Note 3)	36,517,198	33,236,652
Total Intragovernmental	55,299,605	53,061,262
Accounts Receivable, Net (Note 4)	848	56
Property, Equipment, and Software, Net (Note 5)	1,032,725	677,384
Total Assets	\$ 56,333,178	\$ 53,738,702
Liabilities:		
Intragovernmental		
Other (Note 8)	\$ 84,422	\$ 65,729
Total Intragovernmental	84,422	65,729
Accounts Payable	85,310	132,755
Federal Employee and Veterans' Benefits (Note 7)	37,296,667	33,860,170
Other (Note 8)	1,063,710	1,001,598
Total Liabilities (Note 6)	\$ 38,530,109	\$ 35,060,252
Net Position:		
Unexpended Appropriations - Other Funds	\$ 17,083,183	\$ 18,966,698
Cumulative Results of Operations - Funds from Dedicated Collections (Note 10)	303,455	(364,620)
Cumulative Results of Operations - Other Funds	416,431	76,372
Total Net Position	\$ 17,803,069	\$ 18,678,450
Total Liabilities and Net Position	\$ 56,333,178	\$ 53,738,702

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

UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS
CONSOLIDATED FUNDS
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)

	2014	2013
Program Costs:		
Administrative Expenses	\$ 25,079,298	\$ 30,215,103
Pension Expense before assumption changes	3,138,630	2,119,043
Less: Earned Revenue		
Other Revenue	(29,475)	(86,179)
Interest Earned	(280,669)	(239,054)
Employee Contributions	(57,827)	(77,840)
Net Cost of Operations	\$ 27,849,957	\$ 31,931,073
(Gain)/loss on assumption changes:		
Discount Rate assumption	\$ 1,214,498	\$ 1,845,146
From Experience	640,613	(1,038,439)
Net (gain)/loss on assumption changes	\$ 1,855,111	\$ 806,707
Net Cost of Operations (Note 11)	\$ 29,705,068	\$ 32,737,780

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

UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS
CONSOLIDATED FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)

	2014 Funds from Dedicated Collections	2014 All Other Funds	2014 Consolidated Total	2013 Funds from Dedicated Collections	2013 All Other Funds	2013 Consolidated Total
Cumulative Results of Operations:						
Beginning Balances	\$ (364,620)	\$ 76,372	\$ (288,248)	\$ 959,858	\$ 136,377	\$ 1,096,235
Budgetary Financing Sources:						
Appropriations Used	-	29,874,195	29,874,195	-	30,624,401	30,624,401
Other Financing Sources (Non-Exchange):						
Imputed Financing Sources (Note 12)	-	839,007	839,007	-	728,896	728,896
Total Financing Sources	-	30,713,202	30,713,202	-	31,353,297	31,353,297
Net Cost of Operations	668,075	(30,373,143)	(29,705,068)	(1,324,478)	(31,413,302)	(32,737,780)
Net Change	668,075	340,059	1,008,134	(1,324,478)	(60,005)	(1,384,483)
Cumulative Results of Operations	\$ 303,455	\$ 416,431	\$ 719,886	\$ (364,620)	\$ 76,372	\$ (288,248)
Unexpended Appropriations:						
Beginning Balances	\$ -	\$ 18,966,698	\$ 18,966,698	\$ -	\$ 20,184,421	\$ 20,184,421
Budgetary Financing Sources:						
Appropriations Received	-	35,408,000	35,408,000	-	32,481,000	32,481,000
Other Adjustments	-	(7,417,320)	(7,417,320)	-	(3,074,322)	(3,074,322)
Appropriations Used	-	(29,874,195)	(29,874,195)	-	(30,624,401)	(30,624,401)
Total Budgetary Financing Sources	-	(1,883,515)	(1,883,515)	-	(1,217,723)	(1,217,723)
Total Unexpended Appropriations	\$ -	\$ 17,083,183	\$ 17,083,183	\$ -	\$ 18,966,698	\$ 18,966,698
Net Position	\$ 303,455	\$ 17,499,614	\$ 17,803,069	\$ (364,620)	\$ 19,043,070	\$ 18,678,450

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

UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS
COMBINED FUNDS
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)

	2014	2013
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 9,588,432	\$ 11,426,533
Recoveries of Prior Year Unpaid Obligations	7,111,020	1,413,553
Other changes in unobligated balance	(7,417,327)	(646,819)
Unobligated balance from prior year budget authority, net	9,282,125	12,193,267
Appropriations	36,994,719	32,368,500
Spending authority from offsetting collections	4,201	190
Total Budgetary Resources	\$ 46,281,045	\$ 44,561,957
Status of Budgetary Resources:		
Obligations Incurred (Note 14)	\$ 31,093,863	\$ 34,973,525
Unobligated balance, end of year:		
Apportioned	109,772	109,772
Exempt from apportionment	6,289,255	186,589
Unapportioned	8,788,155	9,292,071
Total unobligated balance, end of year	15,187,182	9,588,432
Total Budgetary Resources	\$ 46,281,045	\$ 44,561,957
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 10,227,066	\$ 9,903,745
Obligations Incurred	31,093,863	34,973,525
Outlays (gross)	(31,424,509)	(33,236,651)
Recoveries of Prior Year Unpaid Obligations	(7,111,020)	(1,413,553)
Unpaid Obligations, End of Year (Gross)	2,785,400	10,227,066
Obligated Balance, Start of Year	\$ 10,227,066	\$ 9,903,745
Obligated Balance, End of Year	\$ 2,785,400	\$ 10,227,066
Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 36,998,920	\$ 32,368,690
Actual offsetting collections	(4,201)	(190)
Budget Authority, net, (total)	\$ 36,994,719	\$ 32,368,500
Outlays, gross	\$ 31,424,509	\$ 33,236,651
Actual offsetting collections	(4,201)	(190)
Outlays, net, (total)	31,420,308	33,236,461
Distributed Offsetting Receipts	(367,971)	(403,072)
Agency outlays, net	\$ 31,052,337	\$ 32,833,389

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



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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The United States Court of Appeals for Veterans Claims (CAV) is a national court of record established by the Veterans' Judicial Review Act (Public Law No. 100-687), Division A (1988). The Act, as amended is codified in part at 38 U.S.C. §§ 7251-7299. The Court is part of the federal judicial system and has a permanent authorization for seven judges, one of whom serves as chief judge. The judges are appointed by the President, by and with the advice and consent of the Senate, for 15-year terms, except that two have been appointed for 13-year terms pursuant to Pub. L. No 106-117, Nov. 30, 1999. Two additional, temporary judgeships are authorized pursuant to 38 U.S.C. § 7253(i) and all positions are now filled, with nine active judges serving on the Court. The temporary authorization for nine judges directs that no additional judges may be appointed until there are fewer than seven judges serving. Based on the potential retirements, this could occur as early as December 2016. Due to the often long lead time in appointing judges, serious consideration to extending or making permanent the authorization for nine judges is warranted. Our five senior judges may also be recalled to provide service throughout the year, as needed. Two other judges are retired due to permanent disability. For management, administration, and expenditure of funds in areas beyond the bounds of Chapter 72 of Title 38, the Court may exercise the authorities provided for such purposes applicable to other courts as defined in Title 28, U.S. Code. The CAV reporting entity is comprised of Trust Funds, Special Funds, General Funds, and General Miscellaneous Receipts.

Trust Funds are credited with receipts that are generated by terms of a trust agreement or statute. At the point of collection, our receipts are unavailable until appropriated by the U.S. Congress.

The Trust Fund included in our financial statements is the United States Court of Appeals for Veterans Claims Retirement Fund. The funding policy for this Judicial Retirement Trust Fund requires participating judges to contribute 1% of salary until retirement. In addition, for those who participate in the optional survivors benefits program, a 2.2% of active pay and retirement pay contribution is required. The Court is required to make annual contributions at an actuarially determined rate.

Special Funds are accounts established for receipts earmarked by law for a special purpose, but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts. Our financial statements include Practice and Registration Fees, which are Special Fund receipts. This fund contains the fees collected from persons admitted to practice before the Court and people who register for the Court's judicial conferences. These fees are used to defray expenses incurred in producing the judicial conference and for use in other bar and bench events and proceedings. See 38 U.S.C. §§ 7285 and 7283.

General 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.

CAV has rights and ownership of all assets reported in these financial statements. CAV 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 CAV. 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, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of CAV in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, and CAV accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control CAV's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. 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 CAV'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.

E. Investment in U.S. Government Securities

CAV has the authority to invest in U.S. Government securities. The securities include marketable Treasury securities and/or nonmarketable, market-based securities issued by the Bureau of the Fiscal Service. Market-based securities are Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. It is expected that investments will be held until maturity; therefore, they are classified as investment securities held to maturity and are carried at historical cost, adjusted for amortization of premiums and discounts. The amortization of premiums and discounts are recognized as adjustments to interest income using the level-yield, scientific method of effective interest amortization over the term of the respective issues. Interest on investments is accrued as it is earned.

All of CAV's investments are intragovernmental non-marketable par value federal debt securities issued by, and purchased through, Treasury's Bureau of the Fiscal Service. The investments are always held to maturity. See Note 3 for additional information.

F. Accounts Receivable

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

G. Property, Equipment, and Software

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred.

CAV's capitalization threshold is \$25,000 for individual purchases and \$500,000 for bulk purchases, with individual items exceeding \$5,000. 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 Furniture	5
Computer Equipment	3
Office Equipment	5

H. 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.

I. Liabilities

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

CAV 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, actuarial Federal Employees' Compensation Act (FECA), and the amounts due to Treasury for collection and accounts receivable of civil penalties and Freedom of Information Act (FOIA) request fees.

J. 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. Credit is given for sick leave balances in the computation of annuities upon the retirement of either Federal Employees Retirement System (FERS) or Civil Service Retirement System (CSRS) - covered employees effective at 50% beginning FY 2010 and 100% in 2014.

K. Accrued and Actuarial Workers' Compensation

FECA administered by the U.S. Department of Labor (DOL) addresses all claims brought by the CAV 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 CAV 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 (1) the net present value of estimated future payments calculated by the DOL and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

L. Retirement Plans

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

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

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

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

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

M. Other Post-Employment Benefits

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

N. 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.

O. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for

all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. CAV recognized imputed costs and financing sources in fiscal years 2014 and 2013 to the extent directed by accounting standards.

P. Reclassification

Certain fiscal year 2013 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2014 and 2013 were as follows:

	2014	2013
Fund Balances:		
Trust Funds	\$ 1,039,381	\$ 241,523
Special Funds	163,327	140,007
Appropriated Funds	17,579,699	19,443,080
Total	\$ 18,782,407	\$ 19,824,610

Status of Fund Balance with Treasury:

Unobligated Balance		
Available	\$ 7,208,852	\$ 305,473
Unavailable	8,788,155	9,292,071
Obligated Balance Not Yet Disbursed	2,785,400	10,227,066
Total	\$ 18,782,407	\$ 19,824,610

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 15).

NOTE 3. INVESTMENTS

Investments as of September 30, 2014 consist of the following:

	Cost	Amortized (Premium) Discount	Interest Receivable	Investment s Net	Market Value Disclosure
Intragovernmental Securities:					
Marketable	\$37,263,081	\$ (888,118)	\$ 142,235	\$36,517,198	\$36,444,960
Total	\$37,263,081	\$ (888,118)	\$ 142,235	\$36,517,198	\$36,444,960

Investments as of September 30, 2013 consist of the following:

	Cost	Amortized (Premium) Discount	Interest Receivable	Investment s Net	Market Value Disclosure
Intragovernmental Securities:					
Marketable	\$33,956,381	\$ (873,612)	\$ 153,883	\$33,236,652	\$33,267,657
Total	\$33,956,381	\$ (873,612)	\$ 153,883	\$33,236,652	\$33,267,657

Premiums and discounts are amortized and interest is accrued using the level-yield, scientific method of effective interest amortization over the term of the respective issues. Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. Investment maturity dates for fiscal years 2014 and 2013 range from September 30, 2014 to May 31, 2018 and October 15, 2013 to December 31, 2017, respectively, and interest rates for the same fiscal years range from 0.250 percent to 4.6250 percent and 0.250 percent to 4.750 percent, respectively.

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

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

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2014 and 2013, were as follows:

	2014	2013
With the Public		
Accounts Receivable	\$ 848	\$ 56
Total Accounts Receivable	\$ 848	\$ 56

The accounts receivable consists of employee indebtedness.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2014 and 2013.

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2014:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 987,524	\$ 585,714	\$ 401,810
Furniture & Equipment	1,136,905	1,004,731	132,174
Software	135,317	11,276	124,041
Construction-in-Progress	374,700	-	374,700
Total	\$ 2,634,446	\$ 1,601,721	\$ 1,032,725

Schedule of Property, Equipment, and Software as of September 30, 2013:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 610,973	\$ 345,944	\$ 265,029
Furniture & Equipment	1,136,905	938,995	197,910
Construction-in-Progress	85,339	-	85,339
Software-in-Development	129,106	-	129,106
Total	\$ 1,962,323	\$ 1,284,939	\$ 677,384

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for CAV as of September 30, 2014 and 2013 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.

	2014	2013
Intragovernmental – Unemployment Insurance	\$ 713	\$ -
Unfunded Leave	616,430	601,060
Actuarial Pension Liability	(437,631)	729,346
Total Liabilities Not Covered by Budgetary Resources	\$ 179,512	\$ 1,330,406
Total Liabilities Covered by Budgetary Resources	38,350,597	33,729,846
Total Liabilities	\$ 38,530,109	\$ 35,060,252

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

NOTE 7. PENSION LIABILITY AND EXPENSE

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

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

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

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

active judge's pay is increased if the retired judge has elected to be recall-eligible, even if later removed for further disability. If a recall-eligible judge later declines to perform recall service, the benefit is frozen at that point.

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

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

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

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

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

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

- (1) If no more than 2 children - 10% of the judge's high-3 average annual salary, or
- (2) If more than 2 children - 20% of the judge's high-3 average annual salary divided by the number of dependent children.

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

- (1) If no more than 2 children - 20% of the judge's high-3 average annual salary, or
- (2) If more than 2 children - 40% of the judge's high-3 average annual salary divided by number of dependent children.

Actuarial Present Value of Accumulated Plan Benefits. Accumulated plan benefits are those future periodic payments that are attributable under the Fund's provisions (see above) to the service judges have rendered. Accumulated plan benefits include benefits expected to be paid to (a) recall or non-recall eligible judges or beneficiaries and (b) active judges or beneficiaries. An actuary determines the actuarial present value of accumulated plan benefits annually. For details of the Accumulated Plan Benefits, Changes in Present Value of Accumulated Plan Benefits, and other information, please see the Actuarial Report from the actuarial firm of *Cheiron* dated as of September 30, 2014.

	2014	2013
Beginning Liability Balance, October 1	\$ 33,860,170	\$ 27,764,637
Pension Expense:		
Normal Cost	2,332,220	2,163,335
Interest on Pension Liability During the Period	54,515	164,843
Actuarial (Gains) Losses During the Period:		
From Experience	640,613	(1,038,439)
From Discount Rate Assumption Change	1,847,783	2,449,431
Prior Service Cost	-	3,794,549
Total Pension Expense	4,875,131	7,533,719
Less Benefits Paid	(1,438,634)	(1,438,186)
Ending Liability Balance, September 30	\$ 37,296,667	\$ 33,860,170

Reconciliation of the beginning and ending balance of the Courts Judicial Retirement Fund:
Normal Cost is the actuarial present value of the future cash outflows for which the entity will obligate during the reporting period.

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

NOTE 8. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2014 were as follows:

	Current	Total
Intragovernmental		
Unemployment Insurance Liability	\$ 713	\$ 713
Payroll Taxes Payable	83,709	83,709
Total Intragovernmental Other Liabilities	\$ 84,422	\$ 84,422
With the Public		
Payroll Taxes Payable	\$ 12,106	\$ 12,106
Accrued Funded Payroll and Leave	435,173	435,173
Unfunded Leave	616,431	616,431
Total Public Other Liabilities	\$ 1,063,710	\$ 1,063,710

Other liabilities account balances as of September 30, 2013 were as follows:

	Current	Total
Intragovernmental		
Payroll Taxes Payable	\$ 65,729	\$ 65,729
Total Intragovernmental Other Liabilities	\$ 65,729	\$ 65,729
With the Public		
Payroll Taxes Payable	\$ 10,653	\$ 10,653
Accrued Funded Payroll and Leave	389,885	389,885
Unfunded Leave	601,060	601,060
Total Public Other Liabilities	\$ 1,001,598	\$ 1,001,598

NOTE 9. LEASES

Operating Leases

CAV occupies office space under a lease agreement that is accounted for as an operating lease. The lease term began on November 1, 2010 and expires on October 31, 2020. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. The total operating lease expense for fiscal years 2014 and 2013 were \$3,311,475 and \$3,166,516, respectively. Below is a schedule of future payments for the term of the lease.

Fiscal Year	Building
2015	\$ 3,256,758
2016	3,290,505
2017	3,325,265
2018	3,361,067
2019	3,397,944
Thereafter	3,713,320
Total Future Payments	\$ 20,344,859

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

NOTE 10. FUNDS FROM DEDICATED COLLECTIONS

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

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

Schedule of Funds from Dedicated Collections as of September 30, 2014

	Practice & Registration Fees Fund	Judges' Retirement Trust Fund	Total Dedicated Collections
Balance Sheet			
ASSETS			
Fund Balance with Treasury	\$ 163,327	\$ 1,039,381	\$ 1,202,708
Investments	-	36,517,198	36,517,198
Total Assets	\$ 163,327	\$ 37,556,579	\$ 37,719,906

Liabilities and Net Position

Federal Employee and Veterans' Benefits	\$ -	\$ 37,296,667	\$ 37,296,667
Other	-	119,784	119,784
Cumulative Results of Operations	163,327	140,128	303,455
Total Liabilities and Net Position	\$ 163,327	\$ 37,556,579	\$ 37,719,906

Statement of Net Cost

Program Costs	\$ 6,155	\$ 4,993,741	\$ 4,999,896
Less: Earned Revenues	(29,475)	(5,638,496)	(5,667,971)
Net Cost of Operations	\$ (23,320)	\$ (644,755)	\$ (668,075)

Statement of Changes in Net Position

Net Position Beginning of Period	\$ 140,007	\$ (504,627)	\$ (364,620)
Net Cost of Operations	23,320	644,755	668,075
Net Position End of Period	\$ 163,327	\$ 140,128	\$ 303,455

Schedule of Funds from Dedicated Collections as of September 30, 2013

	Practice & Registration Fees Fund	Judges' Retirement Trust Fund	Total Dedicated Collections
Balance Sheet			
ASSETS			
Fund Balance with Treasury	\$ 140,007	\$ 241,523	\$ 381,530
Investments		33,236,652	33,236,652
Total Assets	\$ 140,007	\$ 33,478,175	\$ 33,618,182

Liabilities and Net Position

Federal Employee and Veterans' Benefits	\$ -	\$ 33,860,170	\$ 33,860,170
Other	-	122,632	122,632
Cumulative Results of Operations	140,007	(504,627)	(364,620)
Total Liabilities and Net Position	\$ 140,007	\$ 33,478,175	\$ 33,618,182

Statement of Net Cost

Program Costs	\$ 100,016	\$ 8,214,575	\$ 8,314,591
Less: Earned Revenues	(86,179)	(6,903,934)	(6,990,113)
Net Cost of Operations	\$ 13,837	\$ 1,310,641	\$ 1,324,478

Statement of Changes in Net Position

Net Position Beginning of Period	\$ 153,844	\$ 806,014	\$ 959,858
Net Cost of Operations	(13,837)	(1,310,641)	(1,324,478)
Net Position End of Period	\$ 140,007	\$ (504,627)	\$ (364,620)

NOTE 11. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and revenue represent exchange transactions between CAV and other federal government entities, and are in contrast to those with non-federal entities (the public). Such costs and revenue are summarized as follows:

	2014	2013
Administration of the Court		
Intragovernmental Costs	\$ 9,627,465	\$ 9,906,447
Public Costs	20,445,574	23,234,406
Total Program Costs	\$ 30,073,039	\$ 33,140,853
Intragovernmental Earned Revenue	(280,669)	(239,054)
Public Earned Revenue	(87,302)	(164,019)
Net Program Costs	\$ 29,705,068	\$ 32,737,780

NOTE 12. IMPUTED FINANCING SOURCES

CAV recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. Some amounts paid from the U.S. Treasury's Judgment Fund in settlement of claims or court assessments against CAV are also recognized as imputed financing. For the years ended September 30, 2014 and 2013, respectively, imputed financing was as follows.

	2014	2013
Office of Personnel Management	\$ 839,007	\$ 728,896
Total Imputed Financing Sources	\$ 839,007	\$ 728,896

NOTE 13. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include fiscal year 2014 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2015 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2014 Budget of the United States Government, with the "Actual" column completed for 2013, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 14. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2014 and 2013 consisted of the following:

	2014	2013
Direct Obligations, Category C	\$ 31,087,708	\$ 34,873,509
Reimbursable Obligations, Category C	6,155	100,016
Total Obligations Incurred	\$ 31,093,863	\$ 34,973,525

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

NOTE 15. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the fiscal years ended September 30, 2014 and 2013, budgetary resources obligated for undelivered orders amounted to \$2,169,101 and \$9,628,044, respectively.

NOTE 16. CUSTODIAL ACTIVITY

CAV's custodial collection primarily consists of filing fees. While these collections are considered custodial, they are neither primary to the mission of CAV nor material to the overall financial statements. CAV's total custodial collections are \$63,548 and \$48,440 for the fiscal years ended September 30, 2014, and 2013, respectively.

NOTE 17. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

	2014	2013
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	\$31,093,863	\$34,973,525
Spending Authority from Offsetting Collections and Recoveries	(7,115,221)	(1,413,741)
Offsetting Receipts	(367,971)	(6,664,882)
Net Obligations	23,610,671	26,894,902
Other Resources		
Imputed Financing from Costs Absorbed by Others	839,007	728,896
Net Other Resources Used to Finance Activities	839,007	728,896
Total Resources Used to Finance Activities	24,449,678	27,623,798
Resources Used to Finance Items Not Part of the Net Cost of Operations	319,842	(958,417)
Total Resources Used to Finance the Net Cost of Operations	24,769,520	26,665,381
Components of Net Cost of Operations That will not Require or Generate Resources in the Current Period	4,935,548	6,072,399
Net Cost of Operations	\$29,705,068	\$32,737,780