

*United States Court of Appeals
for Veterans Claims*



Performance and Accountability Report



*Fiscal Year
2010*



**UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS
PERFORMANCE AND ACCOUNTABILITY REPORT
FISCAL YEAR 2010**

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Management's Discussion and Analysis for FY 2010



UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS

625 Indiana Avenue, NW, Suite 900
Washington, DC 20004-2950

11.1B Mission and Organization Structure

The United States Court of Appeals for Veterans Claims (Court) is a court of record established under Article I of the 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 is empowered to review decisions of the Board of Veterans' Appeals (BVA) and may affirm, vacate, reverse, or remand as appropriate in such cases. Appeals to the Court come from the pool of cases in which the BVA has denied some or all benefits sought by claimants. Review by the Court is similar to that which is performed in Article III courts under the Administrative Procedure Act, 5 U.S.C. §§ 551 *et seq.* In actions before it, the Court has the authority to decide all relevant questions of law; to interpret constitutional, statutory, and regulatory provisions; and to determine the meaning or applicability of the terms of an action by the Secretary of Veterans Affairs. The Court, having been created by an Act of Congress, may, under 28 U.S.C. § 1651, issue all writs necessary or appropriate in aid of its jurisdiction. The Court is empowered to compel actions of the Secretary of Veterans Affairs that were unlawfully withheld or unreasonably delayed, and can set aside decisions, findings, conclusions, rules, and regulations issued or adopted by the Secretary, the BVA, or the BVA 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. The Court is also empowered to hold unlawful and set aside findings of material fact if the findings are clearly erroneous. Certain decisions by the Court can be reviewed by the United States Court of Appeals for the Federal Circuit and, if *certiorari* is granted, by the United States Supreme Court.

The Court is composed of seven judges, one of whom serves as Chief Judge. The Court's judges are appointed by the President, by and with the advice and consent of the Senate, for fifteen-year terms. Congress has authorized two new judgeships effective January 1, 2010. Each judge except the Chief Judge has a staff of four law clerks and one secretary. The Chief Judge has additional support staff because of his administrative duties. In addition to the aforementioned judicial staff, the Court has a Clerk's staff composed of a Public Office for case management, a Central Legal Office, an Information Technology Office, and Administrative and Financial Offices. These personnel report directly to the Clerk of the Court who in turn serves at the pleasure of the Board of Judges.

The Court is required by statute, 38 U.S.C. § 7255, to be located in the Washington, D.C.

metropolitan area; however, it is a national court authorized to sit anywhere in the United States.

Procedures

The Court's Rules of Practice and Procedure govern its procedures and are available on the Court's web site. The Court does not hold trials, hear witness testimony, or receive new evidence. In deciding a case, it considers the BVA decision, the briefs submitted by the parties, and the record that was considered by VA and was available to the BVA. If the issues warrant, the Court holds oral argument. Only about one-percent of decided cases involve oral argument. The Court holds most arguments in its Washington courtroom, but sometimes conducts argument by telephone conference call; and has held argument at college or university schools of law. In 2010, the Court held three oral arguments away from the Court, at Widener University School of Law in Wilmington, DE, University of Idaho College of Law in Moscow, ID, and University of Georgia School of Law in Athens, GA.

Either party may appeal a decision of the Court to the U.S. Court of Appeals for the Federal Circuit and, thereafter, may seek review in the Supreme Court of the United States.

In conjunction with its Twentieth Anniversary Celebration, the United States Court of Appeals for Veterans Claims, with the Court's Bar Association, co-sponsored the Veterans Law Appellate Advocacy Competition (VLAAC) in Washington, DC, on October 14-15, 2009. Thirteen teams of law students, representing eight different law schools, submitted appellate briefs and then traveled to Washington, DC, to participate in the country's only appellate moot court competition dedicated exclusively to veterans law issues. After two preliminary rounds and a semi-final round, the finals pitted Stetson University College of Law against the George Washington University School of Law before a panel of three of the Court's judges. The team from Stetson went on to be named the overall winner of the 2009 VLAAC.

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 web site under Search Court Decisions & Opinions. They are also sent to the Government Printing Office for microfilm distribution to its nationwide depository library system.

11.1C. Performance Goals, Objectives and Results

Goal: The Court's goal is to accurately and timely decide cases that have been appealed to the Court. The Court was established in 1988, and in its early years, the number of new case filings at the Court fluctuated. There were 1,142 new cases in fiscal year (FY) 1994; 2,442 new cases in FY 2000; and 2,234 in FY 2004.

Steady increases in new case filings began around FY 2005 and, in general, continue to date.*

*The USCAVC annual reports are available on the Court's Web site-www.uscourts.cavc.gov.

For example, by FY 2006 there were 3,729 new cases filed. Only three years later, by FY 2009, the number of new cases filed reached 4,725, approximately twice the number of new appeals that had been filed in FY 2004.

With increased numbers of cases being filed, the number of cases decided by the Court has also shown sustained growth. For FY 2010, there were 5,179 cases decided. In FY 2009, there were 4,379 cases decided. In FY 2008 and FY 2007, there were 4,446 and 4,877 appeals decided, respectively.

11.1D Analysis of Financial Statements and Stewardship Information

Analysis

The financial operation of the Court is very straightforward. Non-discretionary spending such as salaries, benefits, the contribution to the Judges' Retirement Trust Fund, rent, intra governmental services and the grant constitute eighty-nine percent of the Court's outlays. The only two programs that do not involve routine Court operations are a grant to Legal Services Corporation for managing the Pro Bono Consortium that provides counsel to *pro se* appellants, and the Court's search with the General Services Administration for a stand-alone Veterans Courthouse and Justice Center.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the Court of Appeals for Veterans Claims books and records in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by OMB, the statements are in addition to and different from the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

These statements should be read with the realization that the Court of Appeals for Veterans Claims is a component of the U.S. Government, a sovereign entity. Liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation, and that the Federal Government can abrogate the payment of all liabilities other than for contracts. The Court outsourced all of its accounting function to the Bureau of Public Debt. That agency prepared the financial statements.

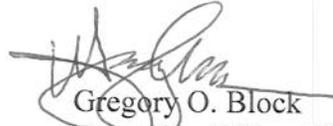
Analysis of Systems, Controls and Legal Compliance

The U.S. Court of Appeals for Veterans Claims recognizes the importance of adequate controls for the administrative functions of the Court. The Clerk of the Court and his management staff develop, implement, evaluate and modify, as necessary, controls to provide reasonable assurance that there is adequate accountability of Court resources. Given the small size of the Court, the Court contracts for accounting, financial reporting, administrative payments, and some

procurement services with the Bureau of Public Debt's Administrative Resource Center (ARC); and the Court also contracts for payroll and personnel services with the Department of Agriculture's National Finance Center (NFC). This contracting provides another layer of control and further separation of duties.

Based on internal evaluations and annual audits of the Court's financial statements and knowledge gained from daily operations, the Court's controls provide reasonable assurance that the Court's resources are properly safeguarded.

November 15, 2010



Gregory O. Block

Executive Officer/Clerk of the Court



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

November 12, 2010

Mr. Tyrone Brown, CPA
Managing Member
BROWN & COMPANY CPAs, PLLC
1101 Mercantile Lane, Suite 122
Largo, Maryland 20774

Dear Mr. Brown:

We are providing this letter in connection with your audit of the U.S. Court of Appeals for Veterans Claims' financial statements as of September 30, 2010 and 2009, for the purpose of (1) expressing an opinion as to whether the Principal Statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America, (2) report on the entity's internal control over financial reporting and compliance with laws and regulations as of September 30, 2010, (3) report whether the entity's financial management systems substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level as of September 30, 2010; and (4) test for compliance with applicable laws and regulations. In addition, you have performed certain audit procedures with respect to the entity's 2010 Management's Discussion and Analysis (MD&A) and other supplementary information, which is included as part of the 2010 financial statements of the entity.

Certain representations in this letter are described as being limited to matters that are material. For purpose of this letter, matters are considered material if they involve \$87,000 or more. Items also are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during the audits. These representations pertain to both years' financial statements, and update the representation we provided in the prior year:

1. We are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for the preparation of the MD&A.
2. The financial statements are fairly presented in conformity with accounting principles generally accepted in the United States of America. The MD&A is fairly presented and is consistent with the financial statements.
3. We have made available to you all:
 - a. Financial records and related data,
 - b. Where applicable, minutes of meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not been prepared; and
 - c. Any communications from the Office of Management and Budget (OMB) concerning noncompliance with or deficiencies in financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or disclosed in the notes to the financial statements.
5. There are no uncorrected financial statement misstatements as we have adjusted the financial statement for all known and likely misstatements you brought to our attention.
6. The entity has satisfactory title to all owned assets, including stewardship property, plant, and equipment. There are no liens or encumbrances and no assets have been pledged.
7. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities or that we are required to disclose in the financial statements.
8. There are no guarantees under which the entity is contingently liable that require reporting or disclosure in the financial statements.
9. Related party transactions including related receivables or payables, revenue, expenditures, loans, transfers, leasing arrangements, assessments, and guarantees have been properly recorded and disclosed in the financial statements.
10. No material events or transactions have occurred subsequent to September 30, 2010, that have not been properly recorded in the financial statements or disclosed in the notes.
11. All intra-entity transactions and activities have been appropriately identified and eliminated for financial reporting purposes, unless otherwise noted. All intra-governmental transactions and balances have been appropriately identified, recorded, and disclosed in the financial statements. We have reconciled material intra-

governmental transactions and balances with the federal entity providing the goods or services.

12. We are responsible for establishing and maintaining a system of internal control.
13. There have been no changes to internal control subsequent to September 30, 2010, or other factors that might significantly affect the effectiveness of internal control.
14. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud (intentional misstatements or omissions of amounts or disclosures in financial statements and misappropriation of assets that could have a material effect on the financial statements).
15. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. management,
 - b. employees who have significant roles in internal control, or
 - c. others where the fraud could have a material effect on the financial statements.
16. We are responsible for implementing and maintaining financial management systems that substantially comply with federal financial management systems requirements, federal accounting standards (U.S. generally accepted accounting principles), and the U.S. Government Standard General Ledger at the transaction level.
17. We have assessed the financial management systems to determine whether they substantially comply with those federal financial management systems requirements. Our assessment was based on guidance issued by OMB.
18. The financial management systems substantially complied with federal financial management systems requirements, federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level as of September 30, 2010.
19. We are responsible for the entity's compliance with applicable laws and regulations.
20. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
21. There are no:
 - a. violations or possible violations of laws or regulations whose effects we should evaluate for disclosure in the financial statements or as a basis for recording a loss contingency,
 - b. material liabilities or gain or loss contingencies that are required to be accrued or disclosed that have not been accrued or disclosed, or
 - c. unasserted claims or assessments that are probable of assertion and must be disclosed.
22. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

23. We are not aware of any violations of the Anti-deficiency Act that we must report to the Congress and the President (and provide a copy of the report to the Comptroller General) for the year ended September 30, 2010.
24. The information presented in the entity's Statement of *Budgetary Resources* agrees with information submitted in its year-end *Reports on Budget Execution and Budgetary Resources* (SF-133s). The information will be used as input for fiscal year 2010 actuals column of the *Program and Financing Schedules* reported in the fiscal year *Budget of the U.S Government*. This information is supported by the related financial records and data.



Gregory O. Block
Clerk of the Court/Executive Officer



INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying balance sheet of the U.S. Court of Appeals for Veterans Claims (CAV) as of September 30, 2010 and 2009 (restated), and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements). These financial statements are the responsibility of CAV's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin No. 07-04 as amended, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 as amended, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

CAV restated its financial statements for fiscal 2009 to recognize the funded portion of the total actuarial liability for its retirement fund. CAV restated the fiscal 2009 statements to increase the federal employee and veterans' benefits liability by \$17,309,170 (Note 18) and decrease the cumulative results of operations. Due to the material error found, our report issued on November 9, 2009, is not to be relied upon. That report is replaced by this report on the restated fiscal 2009 financial statements.

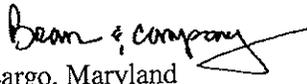
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CAV as of September 30, 2010 and 2009 as restated, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *U.S. Government Auditing Standards* and OMB Bulletin No. 07-04 as amended, we have also issued reports dated November 12, 2010 on our consideration of the CAV internal control over financial reporting and its compliance with provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *U.S. Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The CAV's Management's Discussion & Analysis contains a wide range of information, some of which is not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with CAV officials.

Based on this limited work, we found no material inconsistencies with the financial statements, U.S. generally accepted accounting principles, or OMB guidance.

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


Largo, Maryland
November 12, 2010



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

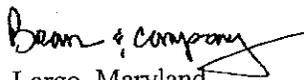
To: Chief Judge Bruce E. Kasold
Thru: Gregory O. Block, Clerk of the Court, Executive Officer
United States Court of Appeals for Veterans Claims
Washington, DC

We have audited the financial statements of the U.S. Court of Appeals for Veterans Claims (CAV) as of and for the year ended September 30, 2010 and have issued our report thereon dated November 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04 as amended, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the CAV's internal control over financial reporting by obtaining an understanding of the CAV's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04 as amended. The objective of our audit was not to provide an opinion on internal control and therefore, we do not express an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a significant deficiency or material weakness. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04 as amended, a material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency in internal control, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be a material weakness as defined above.

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


Largo, Maryland
November 12, 2010



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

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

We have audited the financial statements of the U.S. Court of Appeals for Veterans Claims (CAV) as of and for the year ended September 30, 2010, and have issued our report thereon dated November 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04 as amended, *Audit Requirements for Federal Financial Statements*.

The management of the CAV is responsible for complying with laws and regulations applicable to the CAV. As part of obtaining reasonable assurance about whether the CAV's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 07-04 as amended. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the CAV.

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

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

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

Largo, Maryland
November 12, 2010

UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS
BALANCE SHEET
AS OF SEPTEMBER 30, 2010 AND 2009
(In Dollars)

	2010	2009 RESTATED
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 15,836,392	\$ 14,262,851
Investments (Note 4)	22,631,364	19,029,485
Total Intragovernmental	38,467,756	33,292,336
Cash, and Other Monetary Assets (Note 3)	342	92,759
Accounts Receivable, Net (Note 5)	-	1,249
Property, Equipment, and Software, Net (Note 6)	511,055	340,547
Total Assets	\$ 38,979,153	\$ 33,726,891
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 31,200	\$ 15,613
Other (Note 9)	133,304	115,690
Total Intragovernmental	164,504	131,303
Accounts Payable	429,762	351,339
Federal Employee and Veterans' Benefits (Note 8)	22,741,724	18,602,539
Other (Note 9)	1,305,124	1,374,665
Total Liabilities	\$ 24,641,114	\$ 20,459,846
Net Position:		
Unexpended Appropriations - Other Funds	\$ 14,465,557	\$ 13,234,899
Cumulative Results of Operations - Earmarked Funds (Note 11)	1,686	342,617
Cumulative Results of Operations - Other Funds	(129,204)	(310,471)
Total Net Position	\$ 14,338,039	\$ 13,267,045
Total Liabilities and Net Position	\$ 38,979,153	\$ 33,726,891

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

UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009
(In Dollars)

	2010	2009
Program Costs:		
Administrative Expenses	\$ 21,516,175	\$ 20,677,321
Pension Expense before assumption changes	2,266,999	(230,512)
Less: Earned Revenue		
Other Revenue	(110,030)	-
Interest Eamed	(49,068)	(124,941)
Employee Contributions	(47,597)	(45,080)
Net Expense before Gain/Loss from changes in assumptions	\$ 23,576,479	\$ 20,276,788
(Gain)/loss on assumption changes:		
Discount Rate assumption	\$ 2,005,300	\$ -
From Experience	990,693	-
Net (gain)/loss on assumption changes	\$ 2,995,993	\$ -
Net Cost of Operations (Note 12)	\$ 26,572,472	\$ 20,276,788

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

UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009
(In Dollars)

	2010 Earmarked Funds	2010 All Other Funds	2010 Consolidated Total	2009 Earmarked Funds RESTATED	2009 All Other Funds	2009 Consolidated Total RESTATED
Cumulative Results of Operations:						
Beginning Balances	\$ 342,617	\$ (310,471)	\$ 32,146	\$ 14,557,854	\$ (294,882)	\$ 14,262,972
Adjustments						
Corrections of Errors (Note 18)	-	-	-	(17,309,170)	-	(17,309,170)
Beginning Balances, as Adjusted	342,617	(310,471)	32,146	(2,751,316)	(294,882)	(3,046,198)
Budgetary Financing Sources:						
Appropriations Used	-	25,573,053	25,573,053	-	22,673,696	22,673,696
Other Financing Sources (Non-Exchange):						
Imputed Financing Sources (Note 13)	-	839,755	839,755	-	681,436	681,436
Total Financing Sources	-	26,412,808	26,412,808	-	23,355,132	23,355,132
Net Cost of Operations	(340,931)	(26,231,541)	(26,572,472)	3,093,933	(23,370,721)	(20,276,788)
Net Change	(340,931)	181,267	(159,664)	3,093,933	(15,589)	3,078,344
Cumulative Results of Operations	\$ 1,686	\$ (129,204)	\$ (127,518)	\$ 342,617	\$ (310,471)	\$ 32,146
Unexpended Appropriations:						
Beginning Balances	\$ -	\$ 13,234,899	\$ 13,234,899	\$ -	\$ 6,182,931	\$ 6,182,931
Budgetary Financing Sources:						
Appropriations Received	-	27,115,000	27,115,000	-	30,975,000	30,975,000
Other Adjustments	-	(311,289)	(311,289)	-	(1,249,336)	(1,249,336)
Appropriations Used	-	(25,573,053)	(25,573,053)	-	(22,673,696)	(22,673,696)
Total Budgetary Financing Sources	-	1,230,658	1,230,658	-	7,051,968	7,051,968
Total Unexpended Appropriations	\$ -	\$ 14,465,557	\$ 14,465,557	\$ -	\$ 13,234,899	\$ 13,234,899
Net Position	\$ 1,686	\$ 14,336,353	\$ 14,338,039	\$ 342,617	\$ 12,924,428	\$ 13,267,045

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

UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009
(In Dollars)

	2010	2009
Budgetary Resources:		
Unobligated Balance:		
Unobligated Balance Brought Forward, October 1	\$ 3,457,697	\$ 3,905,340
Recoveries of Prior Year Unpaid Obligations	284,490	262,792
Budget Authority		
Appropriation	28,348,837	32,091,690
Permanently Not Available	(311,289)	(1,249,336)
Total Budgetary Resources	\$ 31,779,735	\$ 35,010,486
Status of Budgetary Resources:		
Obligations Incurred (Note 15)		
Direct	\$ 27,038,002	\$ 31,552,789
Unobligated Balance		
Apportioned	1,252,416	597,467
Exempt From Apportionment	110,030	-
Subtotal	1,362,446	597,467
Unobligated Balance Not Available	3,379,287	2,860,230
Total Status of Budgetary Resources	\$ 31,779,735	\$ 35,010,486
Change in Obligated Balance:		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 10,889,480	\$ 3,248,988
Obligations Incurred Net	27,038,002	31,552,789
Gross Outlays	(26,550,351)	(23,649,505)
Recoveries of Prior Year Unpaid Obligations, Actual	(284,490)	(262,792)
Total, Unpaid Obligated Balance, Net, End of Period	\$ 11,092,641	\$ 10,889,480
Net Outlays:		
Gross Outlays	\$ 26,550,351	\$ 23,649,505
Distributed Offsetting Receipts	(4,922,061)	(2,863,421)
Net Outlays	\$ 21,628,290	\$ 20,786,084

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



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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Trust Funds are credited with receipts that are generated by terms of a trust agreement or statute. The Trust Fund included in the financial statements is the United States Court of Appeals for Veterans Claims Retirement Fund. The funding policy for this Judicial Retirement Trust Fund requires participating judges contribute 1% of salary until retirement or until completion of 15 years contributory service, whichever occurs first. In addition, for those who participate in the optional survivors benefits program, a 2.2% of active pay or retire pay contribution is required. The Court is required to make annual contributions at an actuarially determined rate.

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

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

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

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

B. Basis of Presentation

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

different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control CAV's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Budgets and Budgetary Accounting

Congress usually enacts appropriations to permit CAV to incur obligations for specified purposes. In fiscal years 2010 and 2009, CAV was accountable for General Fund appropriations. CAV recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through the Department of Treasury General Fund warrants.

D. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of federal funds.

E. Revenues & Other Financing Sources

Congress enacts annual appropriations to be used, within statutory limits, for operating and capital expenditures.

Appropriations are recognized as a financing source when expended.

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

F. Taxes

CAV, as a Federal entity, is not subject to Federal, State, or local income taxes, and,

accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

G. Fund Balance with Treasury

The U.S. Treasury processes cash receipts and disbursements. Funds held at the Treasury are available to pay agency liabilities.

H. Investment in U.S. Government Securities

All investments are intragovernmental short-term (12 month or less) non-marketable par value federal debt securities issued by, and purchased through, Treasury's Bureau of the Public Debt. The investments are always held to maturity and carried at cost. Investments are adjusted for unamortized premiums or discounts. See Note 4 for additional information.

I. Accounts Receivable

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

J. Property, Equipment, and Software

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

and \$500,000 for bulk purchases, with individual items exceeding \$5,000. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

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

K. Advances and Prepaid Charges

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

L. Liabilities

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

M. Accounts Payable

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

N. Annual, Sick, and Other Leave

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

O. Retirement Plans

CAV employees participate in either the CSRS or the FERS, with judges having the option to participate in The Court’s Judicial Retirement Fund (see Note 8.). The employees who participate in CSRS are beneficiaries of CAV matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

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

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

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

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

P. Other Post-Employment Benefits

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

Q. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires

management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

R. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. CAV recognized imputed costs and financing sources in fiscal years 2010 and 2009 to the extent directed by OMB.

S. Expired Accounts and Cancelled Authority

Unless otherwise specified by law, annual authority expires for incurring new obligations at the beginning of the subsequent fiscal year. The account in which the annual authority is placed is called the expired account. For five fiscal years, the expired account is available for expenditure to liquidate valid obligations incurred during the unexpired period. Adjustments are allowed to increase or decrease valid obligations incurred during the unexpired period but not previously reported. At the end of the fifth expired year, the expired account is cancelled.

T. Reclassification

Certain fiscal year 2009 balances have been reclassified 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, 2010 and 2009, were as follows:

	2010	2009
Fund Balances:		
Trust Funds	\$ 95,379	\$ 9,395
Special Funds	110,030	-
Appropriated Funds	15,630,983	14,253,456
Total	\$ 15,836,392	\$ 14,262,851

Status of Fund Balance with Treasury:

Unobligated Balance		
Available	\$ 1,364,464	\$ 513,139
Unavailable	3,379,287	2,860,230
Obligated Balance Not Yet Disbursed	11,092,641	10,889,482
Total	\$ 15,836,392	\$ 14,262,851

NOTE 3. CASH AND OTHER MONETARY ASSETS

Cash and other monetary assets balances as of September 30, 2010 and 2009, consisted of the Practice and Registration Fees Fund. During fiscal year 2010, most of the cash was transferred into the Special Fund's Fund Balance with Treasury, with only \$342 remaining at September 30, 2010 to cover outstanding expenditures. The balance as of September 30, 2009 was \$92,759.

NOTE 4. INVESTMENTS

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

	Cost	Amortization Method	Unamortized (Premium) Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental Securities:						
Non-Marketable						
Market-Based	\$ 22,614,704	Straight Line	\$ 6,157	\$ 10,504	\$ 22,631,364	\$ 22,624,896
Total	\$ 22,614,704		\$ 6,157	\$ 10,504	\$ 22,631,364	\$ 22,624,896

Investments as of September 30, 2009 consist of the following:

	Cost	Amortization Method	Unamortized (Premium) Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental Securities:						
Non-Marketable						
Market-Based	\$ 19,051,685	Straight Line	\$ (22,200)	\$ -	\$ 19,029,485	\$ 19,038,034
Total	\$ 19,051,685		\$ (22,200)	\$ -	\$ 19,029,485	\$ 19,038,034

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 2010 and 2009 range from October 21, 2010 to September 22, 2011 and October 22, 2009 to June 10, 2010, respectively.

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

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

NOTE 5. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2010 and 2009, were as follows:

	2010	2009
With the Public		
Accounts Receivable - Employee	\$ -	\$ 1,249
Total Accounts Receivable	\$ -	\$ 1,249

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2010 and 2009.

NOTE 6. PROPERTY, EQUIPMENT, AND SOFTWARE

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

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

Schedule of Property, Equipment, and Software as of September 30, 2009

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 147,064	\$ 24,511	\$ 122,553
Furniture & Equipment	745,686	527,692	217,994
Total	\$ 892,750	\$ 552,203	\$ 340,547

NOTE 7. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for CAV as of September 30, 2010 and 2009, 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.

	2010	2009 RESTATED
Intragovernmental – Unemployment Insurance	\$ 1,164	\$ -
Unfunded Leave	639,097	652,268
Deposit Fund Liabilities	342	92,759
Actuarial Pension Liability	108,344	1,293,369
Total Liabilities Not Covered by Budgetary Resources	\$ 748,947	\$ 2,038,396
Total Liabilities Covered by Budgetary Resources	23,892,167	18,421,450
Total Liabilities	\$ 24,641,114	\$ 20,459,846

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

NOTE 8. FEDERAL EMPLOYEE AND VETERANS' BENEFITS

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

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

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

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

disability if contributory service totals less than 10 years subject to Cost of Living Adjustment (COLA).

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

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

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

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

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

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

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

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

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

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

Actuarial Present Value of Accumulated Plan Benefits. Accumulated plan benefits are those future periodic payments that are attributable under the Fund's provisions (see above) to the service judges have rendered. Accumulated plan benefits include benefits expected to be paid to

(a) recall or non-recall eligible judges or beneficiaries and (b) active judges or beneficiaries. An actuary determines the actuarial present value of accumulated plan benefits annually. For details of the Accumulated Plan Benefits, Changes in Present Value of Accumulated Plan Benefits, and other information, please see the Actuarial Report from the actuarial firm of *Cheiron* dated as of September 30, 2010.

During fiscal year 2010, CAV recognized the funded portion of the total actuarial liability for the Fund as a liability on the balance sheet, rather than previously only as earmarked cumulative results of operations. (The unfunded portion had been previously recognized.) As a result, a prior period adjustment was recorded for the unrecognized liability as of September 30, 2009. (See Note 18. for additional information regarding the prior period adjustment.)

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

	2010
<u>Beginning Liability Balance</u>	\$ 18,602,539
Pension Expense:	
Normal Cost	1,047,538
Interest on Pension Liability During the Period	1,103,989
Actuarial (Gains) Losses During the Period:	
From Discount Rate Assumption Change	2,005,300
Prior Service Costs	1,106,527
<u> Total Pension Expense</u>	<u>5,263,354</u>
<u>Less Benefits Paid</u>	<u>(1,124,169)</u>
<u>Ending Liability Balance</u>	<u>\$ 22,741,724</u>

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

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

NOTE 9. OTHER LIABILITIES

All other liabilities are considered current liabilities.

	2010	2009
Intragovernmental Liabilities		
Unemployment Insurance	\$ 1,164	\$ -
Payroll Taxes Payable	132,140	115,690
Total Intragovernmental Liabilities	\$ 133,304	\$ 115,690
With the Public		
Payroll Taxes Payable	\$ 19,615	\$ 18,270
Accrued Funded Payroll and Leave	646,070	611,368
Unfunded Leave	639,097	652,268
Other Liabilities without Related Budgetary Obligations	342	92,759
Total Public Liabilities	\$ 1,305,124	\$ 1,374,665

NOTE 10. OPERATING LEASES

CAV occupies office space under a lease agreement that is accounted for as an operating lease. The lease term began on February 1, 2005 and expires on November 1, 2010. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. The operating lease amount does not include estimated payments for leases with annual renewal options. The total operating lease expense year to date for Fiscal Years 2010 and 2009 were \$1,949,833 and \$2,010,557, respectively. Below is a schedule of future payments for the term of the lease.

Fiscal Year	Building
2011	\$ 169,903
Total Future Payments	\$ 169,903

NOTE 11. EARMARKED FUNDS

CAV's Judicial Retirement Fund is an earmarked fund. The purpose of the fund is to provide a retirement benefit to the judges of the Court. The Fund's revenues are derived from investments in intragovernmental short-term (12 month or less) non-marketable par value federal debt securities. CAV's Practice and Registration Fees Fund is also an earmarked fund. The purpose of the fund is to collect fees for those who practice before the Court and register for the Court's judicial conferences in order to defray expenses incurred in producing the judicial conference and for use in other bar and bench events and proceedings.

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

Schedule of Earmarked Funds as of September 30, 2010 and 2009

	2010	2009 RESTATED
Balance Sheet		
ASSETS		
Fund Balance with Treasury	\$ 205,409	\$ 9,395
Investments	22,631,364	19,029,485
Total Assets	\$ 22,836,773	\$ 19,038,880
LIABILITIES AND NET POSITION		
Other	\$ 93,363	\$ 93,724
Federal Employee and Veterans' Benefits	22,741,724	18,602,539
Cumulative Results of Operations	1,686	342,617
Total Liabilities and Net Position	\$ 22,836,773	\$ 19,038,880
Statement of Net Cost		
Program Costs	\$ 5,262,992	\$ (230,512)
Less: Earned Revenues	(4,922,061)	(2,863,421)
Net Cost of Operations	\$ 340,931	\$ (3,093,933)
Statement of Changes in Net Position		
Net Position Beginning of Period	\$ 342,617	\$ 14,557,854
Adjustments		
Corrections of Errors	-	(17,309,170)
Net Position Beginning of Period, Adjusted	342,617	(2,751,316)
Net Cost of Operations	(340,931)	3,093,933
Net Position End of Period	\$ 1,686	\$ 342,617

NOTE 12. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

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

	2010	2009
Administration of the Court		
Intragovernmental Costs	\$ 7,954,722	\$ 7,336,987
Public Costs	18,824,445	13,109,822
Total Program Costs	26,779,167	20,446,809
Intragovernmental Earned Revenue	(49,068)	(124,941)
Public Earned Revenue	(157,627)	(45,080)
Total Net Cost	\$ 26,572,472	\$ 20,276,788

NOTE 13. IMPUTED FINANCING SOURCES

CAV recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. Some amounts paid from the U.S. Treasury's Judgment Fund in settlement of claims or court assessments against CAV are also recognized as imputed financing. For the fiscal years ended September 30, 2010 and 2009, respectively, imputed financing was as follows.

	2010	2009
Office of Personnel Management	\$ 839,755	\$ 681,436
Total Imputed Financing Sources	\$ 839,755	\$ 681,436

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

The President's Budget that will include FY10 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2011 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2011 Budget of the United States Government, with the "Actual" column completed for 2009, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 15. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2010 and 2009 consisted of the following:

	2010	2009
Direct Obligations, Category C	\$ 27,038,002	\$ 31,552,789
Total Obligations Incurred	\$ 27,038,002	\$ 31,552,789

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

NOTE 16. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. For the fiscal years ended September 30, 2010 and 2009, undelivered orders amounted to \$9,833,855 and \$9,777,202 respectively.

NOTE 17. CUSTODIAL ACTIVITY

CAV's custodial collection primarily consists of filing fees. While these collections are considered custodial, they are neither primary to the mission of CAV nor material to the overall financial statements. CAV's total custodial collections are \$44,927 and \$61,696 for the fiscal years ended September 30, 2010, and 2009, respectively.

NOTE 18. RESTATEMENT

During fiscal year 2010, CAV recognized the funded portion of the total actuarial liability for The Court's Judicial Retirement Fund as a liability, rather than previously only as earmarked cumulative results of operations. (The unfunded portion of the liability had been previously recognized.) As a result, a prior period adjustment was recorded for the unrecognized liability and expense as of September 30, 2009, and the comparative fiscal year 2009 financial statements have been restated for comparative purposes. The prior period adjustment appears as an increase to "Federal Employee and Veterans' Benefits" and a decrease to "Cumulative Results of Operations – Earmarked Funds" on the Balance Sheet for the comparative fiscal year 2009. The prior period adjustment also appears as an adjustment to the "Beginning Cumulative Results of Operations – Earmarked Funds" on the Statement of Changes in Net Position for the comparative fiscal year 2009. The amount of the prior period adjustment recorded was \$17,309,170, which is the total actuary determined liability as of September 30, 2009 of \$18,602,539 less the \$1,293,369 unfunded actuarial retirement liability previously recorded as of September 30, 2009. Cost of operations were unaffected by this prior period adjustment.

NOTE 19. 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.

	2010	2009
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$27,038,002	\$31,552,789
Less: Spending Authority From Offsetting Collections and Recoveries	(284,490)	(262,792)
Less: Offsetting Receipts	(4,922,061)	(2,863,421)
Net Obligations	21,831,451	28,426,576
Other Resources		
Imputed Financing From Costs Absorbed By Others	839,755	681,436
Net Other Resources Used to Finance Activities	839,755	681,436
Total Resources Used to Finance Activities	22,671,206	29,108,012
Resources Used to Finance Items Not Part of the Net Cost of Operations:	(1,690,257)	(9,045,513)
Total Resources Used to Finance the Net Cost of Operations	20,980,949	20,062,499
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:	5,591,523	214,289
Net Cost of Operations	\$26,572,472	\$20,276,788