



UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS

FISCAL YEAR
2009

PERFORMANCE AND
ACCOUNTABILITY REPORT

**UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS
PERFORMANCE AND ACCOUNTABILITY REPORT
FISCAL YEAR 2009**

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Management's Discussion and Analysis for FY 2009



UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS

625 Indiana Avenue, NW, Suite 900
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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. (The two judges appointed in late 2003 will each serve a thirteen-year term.) 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 2009, the Court held three oral arguments away from the Court, at North Carolina Central College of Law, Texas Tech Law School, and Washburn University School of Law in Topeka, Kansas.

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.

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. During its first fourteen years of existence, the number of appeals the Court received fluctuated from a low of 1,142 in fiscal year (FY) 1994 to a high of 2,442 in FY 2000. The number of appeals in FY 2003 increased an average of twenty cases per month from FY 2002 totals. That amounts to approximately a 10% increase. In FY 2003 there were 2,532 new case filings. During that same period 2,638 were concluded. In FY 2005 the Court had the largest number of new appeals ever – close to 3,500. FY 2006 saw that number exceeded when the Court received a new record number of appeals, 3729. This upward trend in number of appeals continued in FY2007 and reached 4,644. New cases filed in 2008 totaled 4,128 while 4,446 cases were decided in 2008. In FY 2009 the Court received the largest number of new cases in Court history; 4,725 new cases were received and 4,379 were decided. The Court modified its computation methods for median time for case processing by no longer counting days that cases appealed from this Court spent on appeal at the U.S. Court of Appeals for the Federal Circuit (Federal Circuit). Those days instead are carried on the docket of the Federal Circuit. This number more accurately reflects the median number of days for processing cases at this Court.

11.1D Analysis of Financial Statements and Stewardship Information

Analysis

The financial operation of the Court is very straightforward. Salaries, benefits, the contribution to the Judges' Retirement Trust Fund, rent, intragovernmental services and the grant constitute eighty-nine percent of the Court's outlays. The only two programs other than routine Court operations is the 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. The Court expanded its electronic records program to include all filings, including *pro se* filings, and provided access through the Court's website to all pleadings.

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.

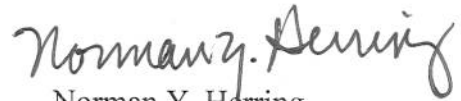
These statements should be read with the realization that the Court of Appeals for Veterans Claims is a component of the U.S. Government, a sovereign entity. Liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation, and that the Federal Government 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 audits of the Court's FY 2000, FY 2003, FY 2004, FY 2005, FY 2006, FY 2007, and FY 2008 financial statements and knowledge gained from daily operations, the Court's controls provide reasonable assurance that the Court's resources are properly safeguarded.

October 21, 2009



Norman Y. Herring
Executive Officer/Clerk of the Court



INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To: Chief Judge William Greene
Thru: Norman Y. Herring, 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 (CAVC) as of September 30, 2009 and 2008, 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 CAVC'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, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CAVC as of September 30, 2009 and 2008 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, we have also issued a report dated November 12, 2009 on our consideration of the CAVC 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 CAVC'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 CAVC 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 CAVC, OMB and Congress, and is not intended to be and should not be used by anyone other than these specific parties.

Largo, Maryland
November 12, 2009

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

To: Chief Judge William Greene
Thru: Norman Y. Herring, 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 (CAVC) as of and for the year ended September 30, 2009 and have issued our report thereon dated November 12, 2009. 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 *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, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the CAVC's internal control over financial reporting by obtaining an understanding of the CAVC'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. 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 significant deficiencies. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04, a significant deficiency is a deficiency in internal control, or a combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. 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 material weakness. A material weakness is a significant deficiency, or combination of significant deficiencies, that result in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected. 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 significant deficiencies or material weaknesses as defined above.

This report is intended solely for the information and use of the management of the CAVC, 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, 2009

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

To: Chief Judge William Greene
Thru: Norman Y. Herring, 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 (CAVC) as of and for the year ended September 30, 2009, and have issued our report thereon dated November 12, 2009. 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 *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, *Audit Requirements for Federal Financial Statements*.

The management of the CAVC is responsible for complying with laws and regulations applicable to the CAVC. As part of obtaining reasonable assurance about whether the CAVC'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. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the CAVC.

The results of our tests of compliance disclosed no reportable instances of noncompliance with other 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.

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 CAVC, 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, 2009

UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS
BALANCE SHEET
AS OF SEPTEMBER 30, 2009 AND 2008
(In Dollars)

	2009	2008
Assets:		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 14,262,851	\$ 9,101,763
Investments (Note 4)	19,029,485	15,250,992
Total Intragovernmental	33,292,336	24,352,755
Cash, and Other Monetary Assets (Note 3)	92,759	73,703
Accounts Receivable (Note 5)	1,249	12
General Property, Plant and Equipment, Net (Note 6)	340,547	284,414
Total Assets	\$ 33,726,891	\$ 24,710,884
Liabilities:		
Intragovernmental:		
Accounts Payable	\$ 15,613	\$ 4,000
Other (Note 9)	115,690	97,802
Total Intragovernmental	131,303	101,802
Accounts Payable	351,339	323,293
Federal Employee and Veterans' Benefits (Note 7)	1,293,369	2,640,572
Other (Note 9)	1,374,665	1,199,314
Total Liabilities	\$ 3,150,676	\$ 4,264,981
Net Position:		
Unexpended Appropriations - Other Funds	\$ 13,234,899	\$ 6,182,931
Cumulative Results of Operations - Earmarked Funds (Note 11)	17,651,787	14,557,854
Cumulative Results of Operations - Other Funds	(310,471)	(294,882)
Total Net Position	\$ 30,576,215	\$ 20,445,903
Total Liabilities and Net Position	\$ 33,726,891	\$ 24,710,884

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 FISCAL YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(In Dollars)

	2009	2008
Program Costs:		
Administration of the Court:		
Gross Costs (Note 12)	\$ 20,446,809	\$ 18,346,694
Less: Earned Revenue	170,021	427,573
Net Program Costs	\$ 20,276,788	\$ 17,919,121
Net Cost of Operations	\$ 20,276,788	\$ 17,919,121

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 FISCAL YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(In Dollars)

	2009		2009		2009		2008		2008	
	Earmarked Funds	All Other Funds	All Other Funds	Consolidated Total	Earmarked Funds	All Other Funds	All Other Funds	Consolidated Total	Earmarked Funds	Consolidated Total
Cumulative Results of Operations:										
Beginning Balances	\$ 14,557,854	\$ (294,882)		\$ 14,262,972	\$ 10,702,872	\$ (461,073)		\$ 10,241,799		
Budgetary Financing Sources:										
Appropriations Used	-	22,673,696		22,673,696	-	21,370,516		21,370,516		
Other Financing Sources (Non-Exchange):										
Imputed Financing Sources	-	681,436		681,436	-	569,778		569,778		
Total Financing Sources	-	23,355,132		23,355,132	-	21,940,294		21,940,294		
Net Cost of Operations	(3,093,933)	23,370,721		20,276,788	(3,854,982)	21,774,103		17,919,121		
Net Change	3,093,933	(15,589)		3,078,344	3,854,982	166,191		4,021,173		
Cumulative Results of Operations	\$ 17,651,787	\$ (310,471)		\$ 17,341,316	\$ 14,557,854	\$ (294,882)		\$ 14,262,972		
Unexpended Appropriations:										
Beginning Balances	\$ -	\$ 6,182,931		\$ 6,182,931	\$ -	\$ 5,027,509		\$ 5,027,509		
Budgetary Financing Sources:										
Appropriations Received	-	30,975,000		30,975,000	-	22,717,000		22,717,000		
Other Adjustments	-	(1,249,336)		(1,249,336)	-	(191,062)		(191,062)		
Appropriations Used	-	(22,673,696)		(22,673,696)	-	(21,370,516)		(21,370,516)		
Total Budgetary Financing Sources	-	7,051,968		7,051,968	-	1,155,422		1,155,422		
Total Unexpended Appropriations	\$ -	\$ 13,234,899		\$ 13,234,899	\$ -	\$ 6,182,931		\$ 6,182,931		
Net Position	\$ 17,651,787	\$ 12,924,428		\$ 30,576,215	\$ 14,557,854	\$ 5,888,049		\$ 20,445,903		

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 FISCAL YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(In Dollars)

	2009	2008
Budgetary Resources:		
Unobligated Balance:		
Unobligated Balance Brought Forward, October 1	\$ 3,905,340	\$ 3,636,454
Recoveries of Prior Year Unpaid Obligations	262,792	178,925
Budget Authority		
Appropriation	32,091,690	23,891,311
Less: Permanently Not Available	1,249,336	191,062
Total Budgetary Resources	\$ 35,010,486	\$ 27,515,628
Status of Budgetary Resources:		
Obligations Incurred		
Direct	\$ 31,552,789	\$ 23,610,288
Unobligated Balance		
Apportioned	597,467	421,711
Unobligated Balance Not Available	2,860,230	3,483,629
Total Status of Budgetary Resources	\$ 35,010,486	\$ 27,515,628
Change in Obligated Balance:		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 3,248,988	\$ 2,426,924
Obligations Incurred Net	31,552,789	23,610,288
Less: Gross Outlays	23,649,505	22,609,299
Less: Recoveries of Prior Year Unpaid		
Obligations, Actual	262,792	178,925
Obligated Balance, Net, End of Period		
Unpaid obligations	10,889,480	3,248,988
Total, Unpaid Obligated Balance, Net, End of Period	\$ 10,889,480	\$ 3,248,988
Net Outlays:		
Net Outlays:		
Gross Outlays	\$ 23,649,505	\$ 22,609,299
Less: Distributed Offsetting Receipts	2,863,421	3,956,352
Net Outlays	\$ 20,786,084	\$ 18,652,947

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, 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 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 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.

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 principals of 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.

C. Budgets and Budgetary Accounting

Congress usually enacts appropriations to permit CAV to incur obligations for specified purposes. In fiscal years 2009 and 2008, 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 our 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. Investments are always purchased at a discount and are reported at cost net of amortization. The investments are always held to maturity. See Note 4 for additional information.

I. Accounts Receivable

Accounts receivable consists of amounts owed to CAV by other Federal agencies and the 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 charged to expense as incurred. CAV 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 the 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. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as components requiring or generating resources on the Reconciliation of Net Cost to Budget.

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 the Office of Personnel Management upon the retirement of that individual. No credit is given for sick leave balances upon the retirement of Federal Employees Retirement System (FERS)-covered employees.

O. Retirement Plans

CAV employees 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.

FERS went into effect on January 1, 1987. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 elected to join either FERS and Social Security, or remain in CSRS. 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. 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.

Q. 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 2009 and 2008 to the extent directed by OMB.

R. 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.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2009 and 2008 were as follows:

Fund Balances:

	2009	2008
Trust Funds	\$ 9,395	\$ 2,038,427
Appropriated Funds	14,253,456	7,063,336
Total	\$ 14,262,851	\$ 9,101,763

Status of Fund Balance with Treasury:

	2009	2008
Unobligated Balance		
Available	\$ 513,139	\$ 2,369,146
Unavailable	2,860,230	3,483,629
Obligated Balance Not Yet Disbursed	10,889,482	3,248,988
Total	\$ 14,262,851	\$ 9,101,763

NOTE 3. CASH AND OTHER MONETARY ASSETS

Cash and other monetary assets balances as of September 30, 2009 and 2008 consisted of the Practice and Registration Fees Fund. 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. The balances as of September 30, 2009 and 2008 were \$92,759 and \$73,703, respectively.

NOTE 4. INVESTMENTS

CAV's Investment account balances as of September 30, 2009 and 2008 were as follows:

Amounts for 2009 Balance Sheet Reporting

	Cost	Amortization Method	Unamortized (Premium) Discount	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

Amounts for 2008 Balance Sheet Reporting

	Cost	Amortization Method	Unamortized (Premium) Discount	Investments Net	Market Value Disclosure
Intragovernmental Securities:					
Non-Marketable					
Market-Based	\$ 15,303,934	Straight Line	\$ (52,942)	\$ 15,250,992	\$ 15,260,369
Total	\$ 15,303,934		\$ (52,942)	\$ 15,250,992	\$ 15,260,369

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 2009 and 2008 range from October 22, 2009 to June 10, 2010 and October 9, 2008 to March 19, 2009, respectively.

NOTE 5. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2009 and 2008 were as follows:

	2009	2008
With the Public		
Accounts Receivable - Employee	\$ 1,249	\$ 12
Total Accounts Receivable	\$ 1,249	\$ 12

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2009 and 2008.

NOTE 6. PROPERTY, EQUIPMENT, AND SOFTWARE

Property, equipment, and software account balances as of September 30, 2009 and 2008 were as follows:

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

Schedule of Property, Equipment, and Software as of September 30, 2008

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Furniture & Equipment	\$ 554,034	\$ 409,636	\$ 144,398
Construction-in-Progress	140,016	N/A	140,016
Total	\$ 694,050	\$ 409,636	\$ 284,414

NOTE 7. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on CAV's Balance Sheet as of September 30, 2009 and 2008, 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.

	2009	2008
Annual Leave	\$ 652,269	\$ 579,309
Actuarial Pension Liability	1,293,369	2,640,572
Total Liabilities	\$ 1,945,638	\$ 3,219,881

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 December 31, 2008.

NOTE 9. OTHER LIABILITIES

All Other Liabilities are considered current liabilities.

	2009	2008
Intragovernmental Liabilities		
Payroll Taxes Payable	\$ 115,690	\$ 97,802
Total Intragovernmental Liabilities	\$ 115,690	\$ 97,802

	2009	2008
With the Public		
Payroll Taxes Payable	\$ 18,270	\$ 14,227
Accrued Funded Payroll and Leave	611,368	532,075
Unfunded Annual Leave	652,269	579,309
Other Liabilities without Related Budgetary Obligations	92,759	73,703
Total Public Liabilities	\$ 1,374,665	\$ 1,199,314

NOTE 10. LEASES

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 total operating lease expense for Fiscal Years 2009 and 2008 were \$2,010,557 and \$1,884,361, respectively. Below is a schedule of future payments for the term of the lease.

Fiscal Year	Building
2010	\$ 1,921,894
2011	160,291
Total Future Payments	\$ 2,082,185

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

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.

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, 2009 and 2008

	2009	2008
Balance Sheet		
ASSETS		
Fund Balance with Treasury	\$ 9,395	\$ 2,038,427
Investments	19,029,485	15,250,992
Total Assets	19,038,880	17,289,419
LIABILITIES AND NET POSITION		
Other	93,724	90,993
Federal Employee and Veterans' Benefits	1,293,369	2,640,572
Cumulative Results of operations	17,651,787	14,557,854
Total Liabilities and Net Position	19,038,880	17,289,419
Statement of Net Cost		
Program Costs	(230,512)	101,370
Less: Earned Revenues	2,863,421	3,956,352
Net Program Costs	(3,093,933)	(3,854,982)
Net Cost of Operations	(3,093,933)	(3,854,982)
Statement of Changes in Net Position		
Net Position Beginning of Period	14,557,854	10,702,872
Change in Net Position	(3,093,933)	(3,854,982)
Net Position End of Period	\$ 17,651,787	\$ 14,557,854

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:

	2009	2008
Administration of the Court		
Intragovernmental Costs	\$ 7,336,987	\$ 6,311,405
Public Costs	13,109,822	12,035,289
Total Program Costs	20,446,809	18,346,694
Less: Intragovernmental Earned Revenue	124,941	385,713
Less: Public Earned Revenue	45,080	41,860
Total Net Cost	\$ 20,276,788	\$ 17,919,121

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, the Office of Personnel Management (OPM). For the fiscal years ended September 30, 2009 and 2008, respectively, imputed financing was as follows.

	2009	2008
Office of Personnel Management	\$ 681,436	\$ 569,778
Total Imputed Financing Sources	\$ 681,436	\$ 569,778

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

The President's Budget that will include FY09 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2010 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2010 Budget of the United States Government, with the Actual column completed for 2008, 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 2009 and 2008 consisted of the following:

	2009	2008
Direct Obligations, Category C	31,552,789	23,610,288
Total Obligations Incurred	\$ 31,552,789	\$ 23,610,288

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, 2009 and 2008, undelivered orders amounted to \$9,777,202 and \$2,277,590 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 \$61,696 and \$57,086 for the years ended September 30, 2009, and 2008, respectively.

NOTE 18. 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.

	2009	2008
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	\$31,552,789	\$23,610,288
Less: Spending Authority from Offsetting Collections and Recoveries	262,792	178,925
Obligations Net of Offsetting Collections and Recoveries	31,289,997	23,431,363
Less: Offsetting Receipts	2,863,421	3,956,352
Net Obligations	28,426,576	19,475,011
Other Resources		
Imputed Financing from Costs Absorbed by Others	681,436	569,778
Net Other Resources Used to Finance Activities	681,436	569,778
Total Resources Used to Finance Activities	29,108,012	20,044,789
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet Provided	7,499,611	886,537
Resources That Fund Expenses Recognized in Prior Periods	1,347,202	1,071,248
Resources That Finance the Acquisition of Assets	198,700	284,233
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	9,045,513	2,242,018
Total Resources Used to Finance the Net Cost of Operations	20,062,499	17,802,771
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	72,960	74,358
Total Components of Net Cost of Operations That will Require or Generate Resources in Future Periods	72,960	74,358
Components Not Requiring or Generating Resources		
Depreciation and Amortization	142,566	41,992
Other	(1,237)	-
Total Components of Net Cost of Operations That will not Require or Generate Resources	141,329	41,992
Total Components of Net Cost of Operations That will not Require or Generate Resources in the Current Period	214,289	116,350
Net Cost of Operations	\$20,276,788	\$17,919,121