FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

PERFORMANCE AND ACCOUNTABILITY REPORT FISCAL YEAR 2013

DECEMBER 16, 2013

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Message from the Chairman

December 16, 2013

As Chairman of the Federal Mine Safety and Health Review Commission, I am pleased to submit the Performance and Accountability Report for Fiscal Year 2013. This report provides performance information in keeping with the requirements of the Government Performance and Results Modernization Act of 2010 and includes audited financial statements and accompanying documentation as mandated by the Accountability of Tax Dollars Act of 2002.

The Commission is an independent adjudicatory agency charged with resolving disputes arising from the enforcement of safety and health standards in the nation's mines. The Commission provides administrative trial and appellate review of legal disputes arising under the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended.

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

The Commission has set forth the following strategic goals:

- ensure expeditious, fair, and legally sound adjudication of cases at the trial and appellate levels
- manage the Commission's human resources, operations, facilities, and information technology systems to ensure a continually improving, effective, and efficient organization

In Fiscal Year 2013, the Commission met or exceeded all performance targets for four of five trial level goals in the Office of the Administrative Law Judges. Due to a concentrated effort by the Office of the Administrative Law Judges, the Commission has made great strides in reducing the backlog of trial level cases. The number of cases on hand has been reduced significantly from the high point in FY 2010. In addition, this was the third year that the number of pending trial level cases was reduced from the previous year. The Commission met four of the eight performance targets at the Commission Review Function. We note that, in recent years, the Commission's appellate review function has seen a dramatic increase in the number of substantive cases received.

The Commission continues to take actions to dispose of cases more efficiently. The most comprehensive of these efforts is the implementation of an electronic case management system in FY 2013 for full operation in early FY 2014.

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

The fiscal year began with only three of the Commission's seats filled. In August 2013 two Commissioners were appointed, leaving the Commission at full strength at year end.

The Commission's mission is to provide the just, speedy, and legally sound adjudication of proceedings authorized under the Mine Act, thereby enhancing compliance with the Act and contributing to the improved health and safety of the nation's miners. We remain committed to that mission.

Mary Lu Jordan
Chairman

Management Discussion and Analysis

OVERVIEW

The Federal Mine Safety and Health Commission Review ("the Commission") is an independent adjudicatory agency that provides administrative trial and appellate review of legal disputes arising under the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended. Section 113 of the Mine Act establishes the Commission and sets forth its responsibilities. The Mine Improvement and New Emergency Response Act of 2006, P.L. 109-236 (MINER Act), enacted in June of 2006, added an additional responsibility to the Commission, resolving disputes between the Secretary of Labor and underground coal operators with respect to the contents of emergency response plans or the Secretary's refusal to approve such plans.

The Commission does not regulate the mining industry, nor does it enforce the Mine Act. Those functions are delegated to the Secretary of Labor acting through the Mine Safety and Health Administration (MSHA).

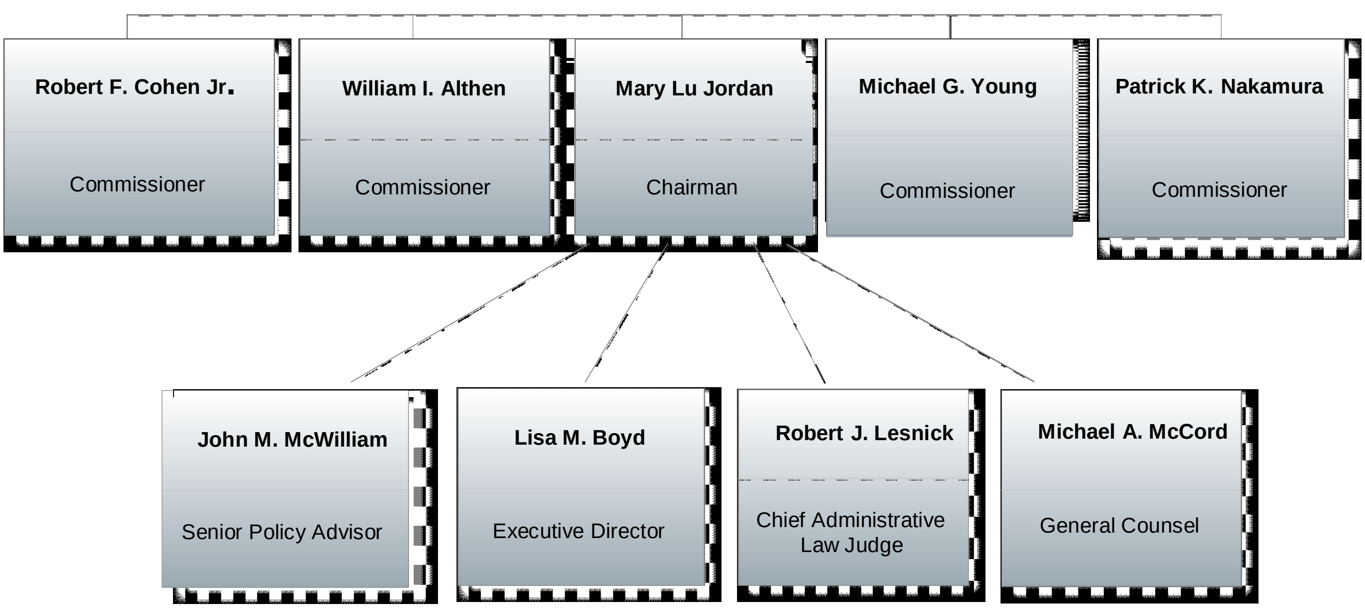
Most cases that come before the Commission involve civil penalties proposed by MSHA against mine operators. The Commission is responsible for addressing whether the alleged violations occurred, as well as the assessment of appropriate civil penalties. Other types of cases include contests of MSHA citations, contests of MSHA orders to close a mine for health or safety reasons, miners' charges of discrimination based on their complaints regarding health or safety, and miners' requests for compensation after being idled by a mine closure order. Disputes involving the temporary reinstatement of a miner or an emergency response plan must be decided on an expedited basis.

The Commission's mission is to provide just, speedy, and legally sound adjudication of proceedings authorized under the Mine Act, thereby enhancing compliance with the Act and contributing to the improved health and safety of the nation's miners. The Commission carries out its responsibilities through trial level adjudication by the Commission's Office of Administrative Law Judges (OALJ) and appellate review of OALJ decisions by a five-member Commission appointed by the President and confirmed by the Senate. The Office of the General Counsel provides legal support for the Commission's appellate review. Commission operations, such as budget, procurement, human resources, and information technology, are supported by the Office of the Executive Director.

Once a case is filed with the Commission, it is given a docket number and referred to the Chief Administrative Law Judge (ALJ). Thereafter, litigants in the case must submit additional filings before the case is assigned to an ALJ. To expedite the decisional process, the Chief ALJ may rule on certain motions and, where appropriate, issue orders of settlement, dismissal, or default. Otherwise, once a case is assigned to an individual judge, that judge is responsible for the case and rules upon motions and settlement proposals, schedules the case for hearing, holds the hearing, and issues a decision based upon the record.

The five-member Commission provides administrative appellate review. Review of a judge's decision by the Commission is not automatic, and requires the approval of at least two Commissioners. Most of the cases accepted for review are generated from petitions filed by parties adversely affected by a judge's decision. In addition, the Commission, on its own initiative, may decide to review a case. A judge's decision that is not accepted for review becomes a final, non-precedential order of the Commission. Appeals from the Commission's decisions are to the federal courts of appeals.

KEY PERSONNEL ORGANIZATION CHART



KEY CHALLENGES

The Commission has faced great challenges in recent years, as its trial caseload increased dramatically. From FY 2000 through FY 2005, the average number of new cases filed was 2,307 per year. However, beginning in FY 2006 the number of new cases filed increased steadily and in FY 2013 6,898 new cases were filed. The Commission began FY 2013 with an inventory of 12,976 trial-level cases. In contrast, the average trial-level caseload from FY 2000 through FY 2004 was only 1,379.

H.R. 4899, the Supplemental Appropriations Act, 2010 (P.L. 111-212), was enacted on July 29, 2010. Pursuant to that law, the Commission received $3,800,000, available for one year from the date of enactment for the purpose of reducing the backlog. Supported by the FY 2011 continuing resolutions, as well as this supplemental appropriation, the Commission took a number of steps to dispose of cases more efficiently and reduce the backlog. Most importantly, the Commission hired additional personnel, including six new full time equivalent judges and the staff to support their work.

In addition, the Commission actively explored the implementation of an electronic case management system to increase the speed and efficiency with which cases are processed. The Commission submitted a report to Congress on March 23, 2011, describing the options, costs and timelines associated with this project. A new electronic Case Management System procurement was initiated in FY 2012 for award and fielding in early FY 2014. This system will permit electronic filing, fully electronic case files, electronic assignment and distribution of cases, automated notifications to parties, case tracking and other utilities. In anticipation of this new system, the Commission initiated pilot projects to increase the use of technology in case handling that will help to identify and ameliorate potential barriers to e-filing.

The Commission promulgated two final rules in FY 2011, both aimed at streamlining the adjudicatory process. On November 30, 2010, the Commission published in the Federal Register a final rule on settlement procedures. See 75 Fed. Reg. 73955. The goal of the rule is to make the settlement of cases more efficient and less time-consuming for Commission judges, by requiring that parties who file motions to approve settlement submit a proposed decision approving settlement with the motion. The rule generally requires the filing party to submit the motion and proposed order electronically.

On December 28, 2010, the Commission published in the Federal Register a final Simplified Proceedings rule setting forth procedures that simplify and streamline the processing of certain civil penalty proceedings. See 75 Fed. Reg. 81459. Although the simplified proceedings rule became effective on March 1, 2011, full implementation was delayed until May 2012. The Commission will track cases disposed of through simplified proceedings in order to assess the success of this alternative procedure for case disposition. The Commission has established two new performance metrics to track the number of cases processed through Simplified Proceedings and the time it takes to dispose of those cases. The baseline for this metric will be established using data through the end of FY 2013.

The backlog reduction activities undertaken by the Commission have been highly productive, and case disposals at the trial level have increased significantly. In FY 2013, 12,262 cases were disposed of at the trial level. Timeliness also improved significantly, and most of the performance goals established for the Commission's Administrative Law Judges function were met.

However, as a result of the increasing number of cases disposed of by Commission judges, the number of cases appealed to the Commission Review has increased significantly. The scope of this increase in appeals, and the challenges it presents, are detailed later in this report in the discussion of the performance goals and results of the Commission Review function.

ANALYSIS OF FINANCIAL STATEMENTS

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

The Commission has contracted with the Bureau of Public Debt, Administrative Resource Center, for accounting services since 1998. The Administrative Resource Center prepared the Commission's FY 2013 financial statements, which include comparative data for FY 2012. The principal financial statements include the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources.

Analysis of the Balance Sheet

The Commission's assets in fiscal year 2013 were $6,640,478 as of September 30, 2013. The Fund Balance with Treasury of $ 5,620,956 represents the Commission's largest asset as of September 30, 2013. This is a decrease of approximately 8 percent from fiscal year 2012 and represents approximately 85 percent of the agency's total assets. Property, Equipment, and Software accounts for approximately 15 percent of the Commission's total assets as of September 30, 2013. The net fixed asset value of $1,017,140 equals the cost less accumulated depreciation and represents the current book value of those assets.

The Commission's liabilities in fiscal year 2013 totaled $2,855,357 as of September 30, 2013. This is an increase of $137,116 from the fiscal year 2012 balance of

$2,718,241. Accounts payable balance at September 30, 2013, was $1,284,401, a decrease of $273,966 from September 30, 2012. Accrued payroll liabilities, payroll taxes payable, and unemployment insurance decreased $317,271 in 2013. Unfunded annual leave increased $36,492 in 2013 from 2012. Unfunded annual leave represents approximately 20 percent of total agency liabilities.

Net position is the difference between total assets and total liabilities. The total net position for fiscal year 2013 decreased by $879,249 from fiscal year 2012.

Analysis of Statement of Net Cost

The Statement of Net Cost shows the net cost of operations for the agency, and it is broken out between the Commission's two major functions, Administrative Law Judges and Review Commission. The total net cost of operations in 2013 was $17,742,448, which is an increase of $2,382,313, or 15.5 percent, over the 2012 net cost of operations of $15,360,135.

Analysis of the Statement of Changes in Net Position

The Statement of Changes in Net Position reports the change in the agency's net position during the reporting period. The net position consists of two components, the unexpended appropriations and the cumulative results of operations. The Net Position decreased $879,249 in 2013 from 2012, a change of approximately 19 percent.

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources presents how the budgetary resources were made available and the status of the budgetary resources at the end of the reporting period. The total budgetary resources must always equal the total status of budgetary resources. For fiscal year 2013, the Commission had total budgetary resources of $18,235,175, which is $663,096 more than in 2012.

MANAGEMENT ASSURANCES

Systems, Controls, and Legal Compliance

The Commission is responsible for establishing and maintaining effective internal control over financial reporting which includes safeguarding assets and complying with applicable laws and regulations. As a micro independent agency, the Commission must rely heavily on the systems and controls provided by servicing agencies to meet the OMB's guidelines and the requirements of law with respect to financial management, accounting systems, and financial reporting. These services are supplemented by internal control procedures within the Commission sufficient to assure that the performance and financial data included in this audit report are complete and reliable.

All financial data reported was obtained from the FY 2013 accounting reports prepared by the Bureau of Public Debt, the Commission's accounting servicing provider, and the performance data on case intake and dispositions has been verified by Commission managers. There are no material inadequacies or non-conformance in either the completeness or reliability of the data reported.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the Federal Mine Safety and Health Review Commission, pursuant to the requirements of 31 U.S.C. § 3515 (b).

The statements have been prepared from the books and records of the Commission in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by OMB. The statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Performance Section

PERFORMANCE GOALS AND RESULTS

The Commission has set forth the following strategic goals: 1) to ensure expeditious, fair and legally sound adjudication of cases at the trial and appellate levels, and 2) to manage the Commission's human resources, operations, facilities, and systems to ensure a continually improving, effective and efficient organization.

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

ADMINISTRATIVE LAW JUDGES FUNCTION

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

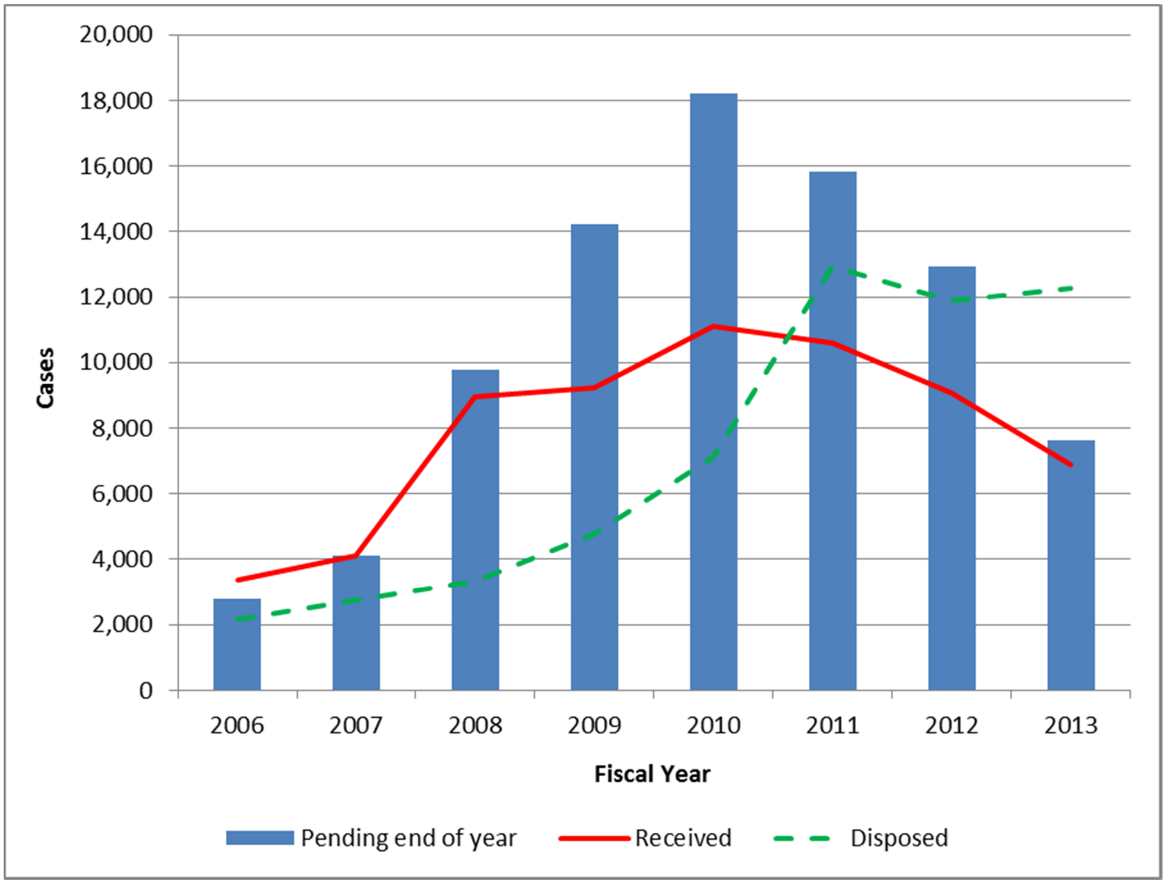
The Commission received 6,898 new case filings in FY 2013. There were 12,976 cases pending at the start of FY 2013.

In FY 2013 there were 12,262 dispositions. This is similar to the number of dispositions in FY 2012, but FY 2012 saw a large consolidated settlement for the Performance Coal Company of 1,241 cases. When compared to FY 2011, the FY 2013 dispositions were a 72% increase. This larger than expected number was the result of the efforts of the special backlog teams created in the OALJ that concentrated on settlement cases. In addition, FY 2013 saw a 24% decrease in the number of new cases.

The FY 2013 end-of-year inventory was 7,612 undecided cases. This was the third year that the number of pending cases was reduced by the end of the year.

The Commission met four targets and substantially met the fifth target for the Administrative Law Judges function, as shown in the Performance Measurement Matrix.

OFFICE OF ADMINISTRATIVE LAW JUDGES
CASE WORKLOAD



OFFICE OF ADMINISTRATIVE LAW JUDGES

PERFORMANCE MEASUREMENT MATRIX

Performance Metrics - Office of the Administrative Law Judges

Performance Goal		2008 Results	2009 Results	2010 Results	2011 Results	2012 Results	Target	2013 Results	Status
All cases	On hand over 365 days in age	1,796	5,118	7,680	7,143	4,911	7,200	3,253	Met
		18%	36%	42%	45%	38%	45%	43%	Met
	Disposed of within 365 days of receipt	71%	37%	27%	30%	37%	33%	51%	Met
Penalty cases	Average days from receipt to disposition	274	409	499	524	525	525	433	Met
Settlement orders	Decisions issued within 60 days of motion	82%	62%	50%	77%	79%	77%	74%	Not Met
Simplified proceedings	Percentage of all dispositions					6%	Baseline	5%	
	Average days from receipt to disposition					84	Baseline	149	

The Commission's simplified proceedings rule became effective in March 2011 with full implementation in May 2012. Baseline metrics will be established through FY 2013. Targets will be set for FY 2014 once the FY 2013 data are analyzed.

COMMISSION REVIEW FUNCTION

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

In recent years, the Commission has seen a dramatic increase in the number of filings of both default and substantive cases. The trend of an increased number of petitions being filed for substantive review is likely to continue for the foreseeable future. In FY 2008, 8 petitions for review of judges' decisions were filed, and 4 petitions were granted. In FY 2012, 52 petitions were filed, and 27 were granted. In FY 2013, 54 petitions were filed and 38 were granted.

The increase in petitions filed by parties and granted by the Commission has had a significant impact on the Office of General Counsel (OGC), which is responsible for conducting the initial research in substantive cases and preparing draft opinions for the Commissioners.

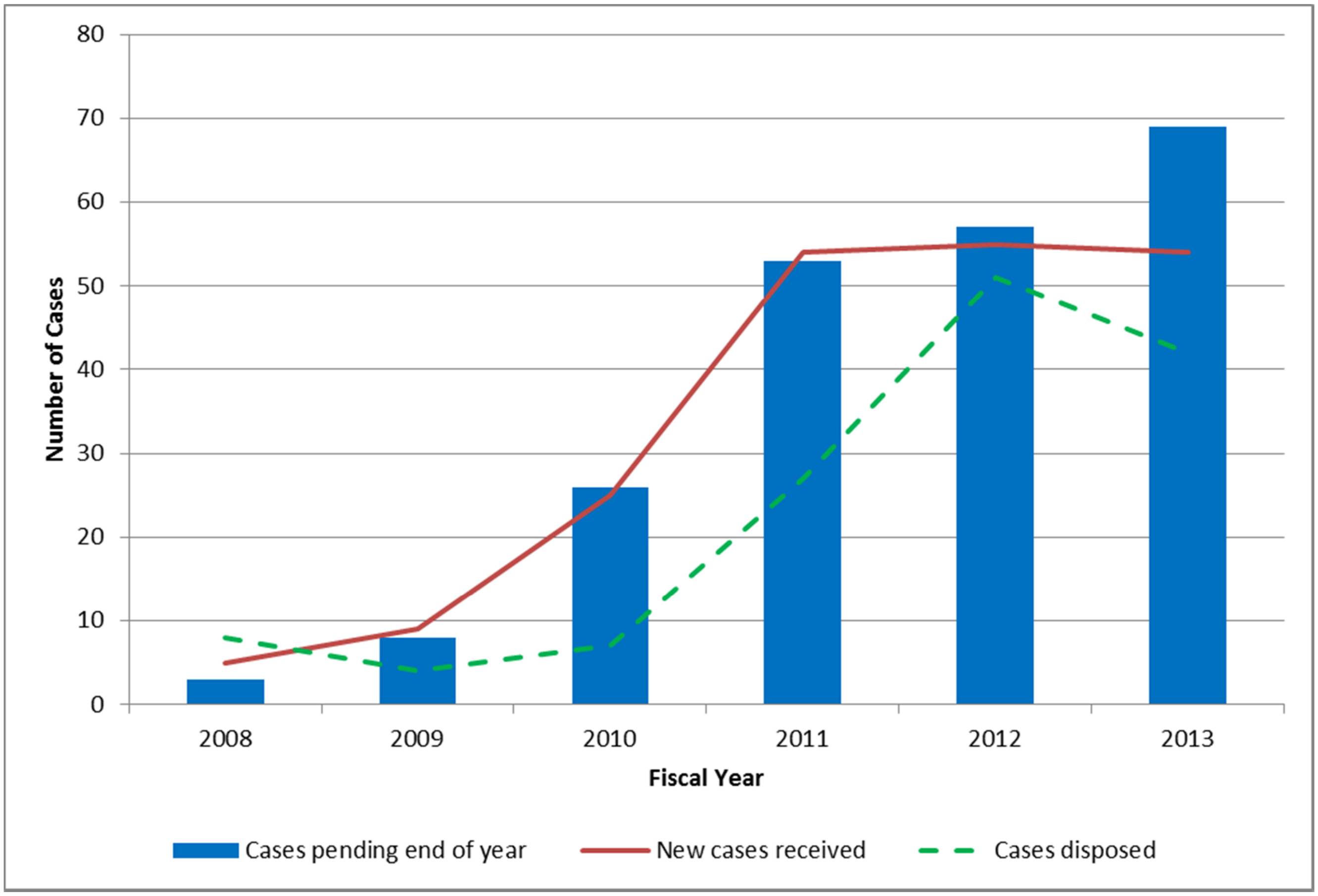
The goals for substantive cases were met in two of the six goals. Met were the number and percentage of cases on hand 12 to 18 months in age. Not met were the number and percentage of cases on hand over 18 months in age, and the number and percentage of substantive cases aged over 18 months at decision. This was caused by the large increase in workload. The increased number of penalty cases at the OALJ has resulted in a dramatic increase in substantive cases. The OALJ increase started in FY 2008, and the corresponding increase in appellate level substantive cases began in FY 2009 and continued through FY 2013. There were 9 substantive cases received in FY 2009 and 54 in FY 2013.

The targets for default cases were both met.

Although not all targets were met, the Commission disposed of a significant number of substantive cases in FY 2013, with 42 dispositions.

COMMISSION REVIEW FUNCTION

CASE WORKLOAD - SUBSTANTIVE CASES



COMMISSION REVIEW FUNCTION

PERFORMANCE MEASUREMENT MATRIX

Performance Metrics - Commission Review Function										
		Fiscal Year								
Performance Goal		2008 Results	2009 Results	2010 Results	2011 Results	2012 Results	Target	2013 Results	Status
Substantive cases	On hand - 12-18 months in age	0	0	9	8	13	9	9	Met
		n/a	n/a	32%	15%	23%	15%	14%	Met
	On hand - over 18 months in age	0	0	2	5	15	2	31	Not Met
		n/a	n/a	7%	10%	26%	5%	45%	Not Met
	Age over 18 months at decision	*	*	*	7	13	10	12	Not Met
		*	*	*	44%	45%	33%	57%	Not Met
Default cases	On hand over 6 months in age	*	*	36	19	41	15	9	Met
		*	*	38%	24%	40%	15%	13%	Met

* Data not available

OFFICE OF THE EXECUTIVE DIRECTOR FUNCTION

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

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

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

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

IT entails help-desk functions, network administration, policy formulation for IT, and telecommunication.

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

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

FINANCIAL SECTION

LETTER FROM THE EXECUTIVE DIRECTOR

As the Executive Director of the Federal Mine Safety and Health Review Commission, I am responsible for the overall financial management of the Agency. I am pleased to join the Chairman in presenting the Performance Accountability Report for Fiscal Year 2013. This report provides information on the Commission's performance, financial integrity, systems, and internal controls. We are responsible for the presentation of the financial statements in conformity with the U.S. Government Standard General Ledger and ensuring the financial statements are fairly presented in conformity with the U.S. Generally Accepted Accounting Principles.

The Accountability of Tax Dollars Act of 2002 requires that the Commission's financial statements are audited annually. In accordance with the Accountability of Tax Dollars Act of 2002, the Commission began annual audits in FY 2003. The Commission has received an unqualified opinion for each annual review conducted by an independent auditor. I am pleased to report that, for fiscal year 2013, the Commission once again received an unqualified audit opinion on its financial statements. This marks the eleventh straight year that we have received such an opinion with no identified material weaknesses in financial reporting. The Commission remains committed to continuous vigilance and improvement in financial management and internal controls, even with the receipt of an unqualified audit opinion.

During FY 2013, we continued to monitor and evaluate the implementation and effectiveness of the financial management practices developed over the past few years. All intra-governmental transactions and activities have been appropriately identified, recorded and disclosed in the financial statements. We have acknowledged our responsibility for the design and implementation of programs and controls to prevent and detect fraud. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. The auditors' report on Compliance with Laws and Regulations for this year does not contain any compliance issues, or any related recommendations for actions.

While we are pleased with our FY 2013 accomplishments, we will continue striving to improve all aspects of our financial management while efficiently working to support the Commission's mission.

Lisa M. Boyd
Executive Director
December 16, 2013

BROWN & COMPANY CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets of the Federal Mine Safety and Health Review Commission ("the Commission") as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 14-02, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

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

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Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of September 30, 2013 and 2012, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. In our fiscal year 2013 audit, we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to the reported under *Government Auditing Standards* or OMB Bulletin No. 14-02.

Management's Responsibility for Internal Control and Compliance

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

Auditor's Responsibilities

We are responsible for: (1) obtaining a sufficient understanding of internal controls over financial reporting to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin 14-02 requires testing, and (3) applying certain limited procedures with respect to the MD&A and other RSI.

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

We did not test compliance with all laws and regulations applicable to the Commission. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin 14-02 that we deemed applicable to the Commission's financial statements for the fiscal year ended September 30, 2013. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

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

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

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

Brown & Company

Largo, Maryland
December 9, 2013

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2013 AND 2012

Enclosed for your review are the 4th quarter financial statements for fiscal year 2013. Please forward any comments or questions by November 6, 2013. No response by this date will be viewed as acceptance and the financial statements will be submitted.

Prepared by ______________________ ______________
Signature Date

Reviewed by Sara J. Taylor

Digitally signed by Sara J. Taylor
DN: c=US, o=U.S. Government, ou=Department of the Treasury, ou=Bureau of the Public Debt, ou=People, serialNumber=404886, cn=Sara J. Taylor
Date: 2013.11.08 17:16:48 -05'00'

Signature Date

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2013 AND 2012

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FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION
BALANCE SHEET
AS OF SEPTEMBER 30, 2013 AND 2012
(In Dollars)

		2013		2012
Assets:				
Intragovernmental				
Fund Balance With Treasury (Note 2)	$	5,620,956	$	6,124,137
Total Intragovernmental		5,620,956		6,124,137
Accounts Receivable, Net (Note 3)		2,382		3,975
Property, Equipment, and Software, Net (Note 4)		1,017,140		1,254,499
Total Assets	$	6,640,478	$	7,382,611
Liabilities:				
Intragovernmental				
Accounts Payable	$	870,219	$	341,997
Other (Note 6)		818,437		154,793
Total Intragovernmental		1,688,656		496,790
Accounts Payable		414,182		1,216,370
Other (Note 6)		752,519		1,005,081
Total Liabilities (Note 5)	$	2,855,357	$	2,718,241
Net Position:				
Unexpended Appropriations - All Other Funds	$	4,104,256	$	3,990,706
Cumulative Results of Operations - All Other Funds		(319,135)		673,664
Total Net Position	$	3,785,121	$	4,664,370
Total Liabilities and Net Position	$	6,640,478	$	7,382,611

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

1

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION
STATEMENT OF NET COST
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(In Dollars)

	2013	2012
Program Costs: (Note 8)		
Commission Review:		
Gross Costs	$ 6,596,889	$ 6,000,852
Net Program Costs	$ 6,596,889	$ 6,000,852
Administrative Law Judge Determinations:		
Gross Costs	$ 11,145,559	$ 9,359,283
Net Program Costs	$ 11,145,559	$ 9,359,283
Net Cost of Operations (Note 8)	$ 17,742,448	$ 15,360,135

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

2

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(In Dollars)

	2013	2012
Cumulative Results of Operations:		
Beginning Balances	$ 673,664	$ (431,841)
Budgetary Financing Sources:		
Appropriations Used	16,092,767	15,817,955
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 9)	656,882	647,685
Total Financing Sources	16,749,649	16,465,640
Net Cost of Operations	(17,742,448)	(15,360,135)
Net Change	(992,799)	1,105,505
Cumulative Results of Operations	$ (319,135)	$ 673,664
Unexpended Appropriations:		
Beginning Balances	$ 3,990,706	$ 2,795,934
Budgetary Financing Sources:		
Appropriations Received	17,603,666	17,637,000
Other Adjustments	(1,397,349)	(624,273)
Appropriations Used	(16,092,767)	(15,817,955)
Total Budgetary Financing Sources	113,550	1,194,772
Total Unexpended Appropriations	$ 4,104,256	$ 3,990,706
Net Position	$ 3,785,121	$ 4,664,370

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

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION
STATEMENT OF BUDGETARY RESOURCES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2013 AND 2012
(In Dollars)

	2013	2012
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	$ 1,340,172	$ 1,446,895
Recoveries of Prior Year Unpaid Obligations	687,413	438,649
Other changes in unobligated balance	(476,570)	(590,939)
Unobligated balance from prior year budget authority, net	1,551,015	1,294,605
Appropriations	16,682,889	17,603,666
Spending authority from offsetting collections	1,271	-
Total Budgetary Resources	$ 18,235,175	$ 18,898,271
Status of Budgetary Resources:		
Obligations Incurred (Note 11)	$ 15,047,898	$ 17,558,099
Unobligated balance, end of year:		
Apportioned (Note 2)	1,866,861	233,104
Unapportioned (Note 2)	1,320,416	1,107,068
Total unobligated balance, end of year	3,187,277	1,340,172
Total Budgetary Resources	$ 18,235,175	$ 18,898,271
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	$ 4,783,965	$ 2,069,418
Obligations Incurred (Note 11)	15,047,898	17,558,099
Outlays (gross)	(16,710,771)	(14,404,903)
Recoveries of Prior Year Unpaid Obligations	(687,413)	(438,649)
Obligated Balance, End of Year (Note 2)	$ 2,433,679	$ 4,783,965
Budget Authority and Outlays, Net:		
Budget authority, gross	$ 16,684,160	$ 17,603,666
Actual offsetting collections	(1,271)	-
Budget Authority, net	$ 16,682,889	$ 17,603,666
Outlays, gross	$ 16,710,771	$ 14,404,903
Actual offsetting collections	(1,271)	-
Outlays, net	16,709,500	14,404,903
Agency outlays, net	$ 16,709,500	$ 14,404,903

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

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

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the Commission in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements,* as amended, and the Commission accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control the Commission's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

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

D. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the Commission's funds with Treasury in expenditure and receipt fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

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

E. Accounts Receivable

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

F. Property, Equipment, and Software

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. The Commission's capitalization threshold is $50,000 for individual purchases and $500,000 for bulk purchases. Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

Description	Useful Life (years)
Leasehold Improvements	Period of Lease
Office Equipment	5

G. Advances and Prepaid Charges

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

H. Liabilities

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

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

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

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, deferred rent, FECA, and unemployment insurance. Deferred rent is the difference at year-end between the sum of monthly cash disbursements paid to date for rent and the sum of the average monthly rent calculated based on the term of the lease.

I. Annual, Sick, and Other Leave

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

J. Accrued and Actuarial Workers' Compensation

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the Commission employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the Commission terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

K. Retirement Plans

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

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

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

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

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

L. Other Post-Employment Benefits

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

M. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

N. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The Commission recognized imputed costs and financing sources in fiscal years 2013 and 2012 to the extent directed by OMB.

O. Reclassification

Certain fiscal year 2012 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2013 and 2012 were as follows:

	2013		2012	
Fund Balances:				
Appropriated Funds	$	5,620,956	$	6,124,137
Total	$	5,620,956	$	6,124,137
Status of Fund Balance with Treasury:				
Unobligated Balance				
Available	$	1,866,861	$	233,104
Unavailable		1,320,416		1,107,068
Obligated Balance Not Yet Disbursed		2,433,679		4,783,965
Total	$	5,620,956	$	6,124,137

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

The available unobligated fund balances represent the current-period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance as described in the following paragraph.

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the cash balance on hand (see also Note 12).

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2013 and 2012, were as follows:

	2013		2012	
With the Public				
Accounts Receivable	$	2,382	$	3,975
Total Accounts Receivable	$	2,382	$	3,975

The accounts receivable is primarily made up of employee receivables.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2013 and 2012.

NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE

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

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	$ 377,363	$ 171,217	$ 206,146
Furniture & Equipment	1,137,124	326,130	810,994
Total	$ 1,514,487	$ 497,347	$ 1,017,140

Schedule of Property, Equipment, and Software as of September 30, 2012

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	$ 356,123	$ 120,123	$ 236,000
Furniture & Equipment	1,137,124	118,625	1,018,499
Total	$ 1,493,247	$ 238,748	$ 1,254,499

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the Commission as of September 30, 2013 and 2012, 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.

	2013	2012
Intragovernmental – FECA	$ 950	$ 950
Intragovernmental – Unemployment Insurance	27,686	2,190
Unfunded Leave	560,504	524,013
Deferred Lease Liabilities	749,514	57,655
Total Liabilities Not Covered by Budgetary Resources	$ 1,338,654	$ 584,808
Total Liabilities Covered by Budgetary Resources	1,516,703	2,133,433
Total Liabilities	$ 2,855,357	$ 2,718,241

FECA and the Uemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on the Commission's behalf and payable to the DOL.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

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

NOTE 6. OTHER LIABILITIES

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

	Current	Non Current	Total
Intragovernmental			
FECA Liability	$ 950	$ -	$ 950
Unemployment Insurance Liability	27,686	-	27,686
Payroll Taxes Payable	40,287	-	40,287
Deferred Lease Liability	-	749,514	749,514
Total Intragovernmental Other Liabilities	$ 68,923	$ 749,514	$ 818,437
With the Public			
Payroll Taxes Payable	$ 5,539	$ -	$ 5,539
Accrued Funded Payroll and Leave	186,473	-	186,473
Unfunded Leave	560,505	-	560,505
Custodial Liability	2	-	2
Total Public Other Liabilities	$ 752,519	$ -	$ 752,519

Other liabilities account balances as of September 30, 2012 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	$ 950	$ -	$ 950
Unemployment Insurance Liability	2,190	-	2,190
Payroll Taxes Payable	93,998	-	93,998
Deffered Lease Liability	-	57,655	57,655
Total Intragovernmental Other Liabilities	$ 97,138	$ 57,655	$ 154,793
With the Public			
Payroll Taxes Payable	$ 13,774	$ -	$ 13,774
Accrued Funded Payroll and Leave	467,294	-	467,294
Unfunded Leave	524,013	-	524,013
Total Public Other Liabilities	$ 1,005,081	$ -	$ 1,005,081

NOTE 7. LEASES

Operating Leases

The Commission occupies office space at 721 19th St, Denver, CO under a lease agreement that is accounted for as an operating lease. The lease term began on June 1, 2009 and expires on May 31, 2014. Below is a schedule of future payments for the term of the lease, including estimated real estate taxes and operating expenses which are subject to annual adjustments.

721 19th St. Denver, CO

Fiscal Year	Building	Equipment	ADP Equipment	Totals
2014	$ 73,109	$ -	$ -	$ 73,109
Total Future Payments	$ 73,109	$ -	$ -	$ 73,109

The Commission occupies office space at 1201-1225 New York Avenue, Washington, DC under a lease agreement that is accounted for as an operating lease. The lease term began on April 1, 2012 and expires on March 31, 2014. Below is a schedule of future payments for the term of the lease, including estimated real estate taxes and operating expenses which are subject to annual adjustments.

1201-1225 New York Avenue, Washington, DC

Fiscal Year	Building	Equipment	ADP Equipment	Totals
2014	$ 124,664	$ -	$ -	$ 124,664
Total Future Payments	$ 124,664	$ -	$ -	$ 124,664

The Commission occupies office space at 875 Greentree Rd, Pittsburgh, PA under a lease agreement that is accounted for as an operating lease. The lease term began September 13, 2010 and expires on September 30, 2018. Below is a schedule of future payments for the term of the lease, including estimated real estate taxes and operating expenses which are subject to annual adjustments.

875 Greentree Rd., Pittsburgh, PA

Fiscal Year	Building	Equipment	ADP Equipment	Totals
2014	$ 112,832	$ -	$ -	$ 112,832
2015	113,736	-	-	113,736
2016	109,163	-	-	109,163
2017	104,619	-	-	104,619
2018	105,607	-	-	105,607
Total Future Payments	$ 545,957	$ -	$ -	$ 545,957

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

1331 Penn Ave, Washington, DC

Fiscal Year	Building	Equipment	ADP Equipment	Totals
2014	$ 858,138	$ -	$ -	$ 858,138
2015	1,668,224	-	-	1,668,224
2016	1,687,378	-	-	1,687,378
2017	1,707,108	-	-	1,707,108
2018	1,727,429	-	-	1,727,429
Thereafter	6,623,738	-	-	6,623,738
Total Future Payments	$ 14,272,015	$ -	$ -	$ 14,272,015

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

NOTE 8. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and revenue represent exchange transactions between the Commission and other federal government entities, and are in contrast to those with non-federal entities (the public). Such costs and revenue as of September 30, 2013 and 2012 were as follows:

	2013	2012
Commission Review		
Intragovernmental Costs	$ 1,722,407	$ 1,786,712
Public Costs	4,874,482	4,214,140
Net Program Costs	$ 6,596,889	$ 6,000,852
Administrative Law Judge Determination		
Intragovernmental Costs	$ 3,922,869	$ 2,786,661
Public Costs	7,222,690	6,572,622
Net Program Costs	$ 11,145,559	$ 9,359,283
Total Intragovernmental costs	$ 5,645,276	$ 4,573,373
Total Public costs	12,097,172	10,786,762
Total Net Cost	$ 17,742,448	$ 15,360,135

NOTE 9. IMPUTED FINANCING SOURCES

The Commission 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. For the fiscal years ended September 30, 2013 and 2012, respectively, imputed financing was as follows:

	2013	2012
Office of Personnel Management	$ 656,882	$ 647,685
Total Imputed Financing Sources	$ 656,882	$ 647,685

NOTE 10. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include FY13 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2014 and can be found at the OMB Web site: http://www.whitehouse.gov/omb/. The 2014 Budget of the United States Government, with the "Actual" column completed for 2012, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 11. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2013 and 2012 consisted of the following:

	2013	2012
Direct Obligations, Category A	$ 15,047,898	$ 17,558,099
Total Obligations Incurred	$ 15,047,898	$ 17,558,099

Category A apportionments distribute budgetary resources by fiscal quarters.

NOTE 12. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the fiscal years ended September 30, 2013 and 2012, budgetary resources obligated for undelivered orders amounted to $916,979 and $2,650,532, respectively.

NOTE 13. CUSTODIAL ACTIVITY

The Commission's custodial collection primarily consists of Freedom of Information Act requests. While these collections are considered custodial, they are neither primary to the mission of the Commission nor material to the overall financial statements. The Commission's total custodial collections are $507 and $101 for the years ended September 30, 2013, and 2012, respectively.

NOTE 14. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

	2013	2012
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 15,047,898	$ 17,558,099
Spending Authority From Offsetting Collections and Recoveries	(688,684)	(438,649)
Net Obligations	14,359,214	17,119,450
Other Resources		
Imputed Financing From Costs Absorbed By Others	656,882	647,685
Total Resources Used to Finance Activities	15,016,096	17,767,135
Resources Used to Finance Items Not Part of the Net Cost of Operations	1,713,908	(2,575,022)
Total Resources Used to Finance the Net Cost of Operations	16,730,004	15,192,113
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:	1,012,444	168,022
Net Cost of Operations	$ 17,742,448	$ 15,360,135

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