FY

2009

Federal Maritime Commission

Audited Financial Statements

A10-01

Audited Financial Statements
FEDERAL MARITIME COMMISSION
FY 2009

FEDERAL MARITIME COMMISSION
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2009 AND 2008

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FEDERAL MARITIME COMMISSION
Office of Inspector General
Washington, DC 20573-0001

November 6, 2009

Office of Inspector General

The Honorable Richard A. Lidinsky, Jr.
Chairman
Federal Maritime Commission

I am pleased to provide you with the attached audit report required by the Chief Financial Officers (CFO) Act of 1990, as amended, which presents an unqualified opinion on the Federal Maritime Commission's (FMC) FY 2009 financial statements. The audit results indicate that FMC has established an internal control structure that facilitates the preparation of reliable financial and performance information. We commend FMC for the noteworthy accomplishment of attaining an unqualified (clean) opinion for the 6th consecutive year.

The independent public accounting firm of Dembo Jones Healy Pennington & Marshall, P.C. (DJHPM) performed the audit of FMC's financial statements for the fiscal year ended September 30, 2009. The contract required that the audit be done in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

In its audit of the Federal Maritime Commission, DJMPM found:

- the financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles;

- the FMC had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations; and

- no reportable noncompliance with laws and regulations tested.

To fulfill our responsibilities under the CFO Act and related legislation for ensuring the quality of the audit work performed, we monitored DJHPM's audit of FMC's FY 2009 financial statements by:

- reviewing DJHPM's approach and planning of the audit;
- evaluating the qualifications and independence of its auditors;
- monitoring the progress of the audit at key points;

- examining its work papers related to planning the audit, assessing FMC's internal control, and substantive testing;
- reviewing DJHPM's audit report to ensure compliance with *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended;
- coordinating the issuance of the audit report; and
- performing other procedures we deemed necessary.

Our review disclosed no instances where DJHPM did not comply, in all material respects, with U.S. generally accepted government auditing standards. However, our review cannot be construed as an audit in accordance with U.S. generally accepted government auditing standards. It was not intended to enable us to express, and we do not express, any opinion on FMC's financial statements, conclusions about the effectiveness of internal control, or conclusions on compliance with laws and regulations. DJHPM is solely responsible for the attached auditor's report dated November 6, 2009, and the conclusions expressed in the report.

We appreciate the cooperation and courtesies extended to both DJHPM and OIG staff during the audit.

Sincerely,

Adam R. Trzeciak
Inspector General

Attachment

cc: Ronald D. Murphy
Chief Financial Officer

Dembo, Jones, Healy, Pennington & Marshall, P.C.
Certified Public Accountants and Consultants

Chairman Lidinsky:

In accordance with the Office of Management and Budget (OMB) Bulletin No. 07-04, "Audit Requirements for Federal Financial Statements", we are responsible for conducting audits of the financial statements of the Federal Maritime Commission. In our audits of the Federal Maritime Commission for the fiscal years September 30, 2009 and 2008, we found

- the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles,
- no material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations,
- no reportable noncompliance with laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions, (2) our conclusions on Management's Discussion and Analysis and other supplementary information, and (3) our audit objectives, scope, and methodology.

Opinion on Financial Statements

The financial statements including the accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the Federal Maritime Commission's assets, liabilities, and net position as of September 30, 2009 and 2008; and net costs; changes in net position; budgetary resources; and custodial activity for the years then ended.

Consideration of Internal Control

In planning and performing our audit, we considered the Federal Maritime Commission's internal control over financial reporting and compliance. We did this to determine our procedures for auditing the financial statements and to comply with OMB audit guidance, not to express an opinion on internal control. Accordingly, we do not express an opinion on internal control over financial reporting and compliance or on management's assertion on internal control included in Management's Discussion and Analysis. However, for the controls we tested, we found no material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance. A material weakness is a control deficiency that results in more than a remote likelihood that the design or operation of one or more internal controls will not allow management or employees, in the normal course of performing their duties, to promptly detect or prevent errors, fraud, or noncompliance in amounts that would be material to the financial statements. Our internal control work would not necessarily disclose all deficiencies in internal control that might be material weaknesses or other significant deficiencies.

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Compliance With Laws and Regulations

Our tests of the compliance with selected provisions of laws and regulations for fiscal year 2009 disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards or OMB audit guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Consistency of Other Information

The Federal Maritime Commission's Management's Discussion and Analysis, and other accompanying information contain 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 the Federal Maritime Commission's officials. Based on this limited work, we found no material inconsistencies with the financial statements, U.S. generally accepted accounting principles, or OMB guidance.

Objectives, Scope, and Methodology

The Federal Maritime Commission's management is responsible for (1) preparing the financial statements in conformity with U.S. generally accepted accounting principles, (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act are met, and (3) complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We are also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing, and (3) performing limited procedures with respect to certain other information appearing in the Annual Financial Statement.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;
- obtained an understanding of the entity and its operations, including its internal control related to financial reporting (including safeguarding assets), and compliance with laws and regulations (including execution of transactions in accordance with budget authority);

- tested relevant internal controls over financial reporting, and compliance, and evaluated the design and operating effectiveness of internal control;

- considered the design of the process for evaluating and reporting on internal control and financial management systems under the Federal Managers' Financial Integrity Act;

- tested compliance with selected provisions of laws and regulations.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. 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 evaluation to future periods is subject to the 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 noted matters not considered to be significant deficiencies involving internal control, which will be reported to management of the Federal Maritime Commission in a separate letter.

We did not test compliance with all laws and regulations applicable to the Federal Maritime Commission. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB audit guidance that we deemed applicable to the Federal Maritime Commission's financial statements for the fiscal year ended September 30, 2009. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our audit in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

Dembo, Jones, Healy, Pennington & Marshall, P.C.

Rockville, Maryland
November 6, 2009

FINANCIAL SECTION

FEDERAL MARITIME COMMISSION
BALANCE SHEET
AS OF SEPTEMBER 30, 2009 AND 2008
(In Dollars)

		2009		2008
Assets:				
Intragovernmental:				
Fund Balance With Treasury (Note 2)	$	4,777,674	$	4,062,134
Total Intragovernmental		4,777,674		4,062,134
Accounts Receivable (Note 3)		70,222		64,579
Property, Equipment, and Software, Net (Note 4)		202,500		2,112
Total Assets	$	5,050,396	$	4,128,825
Liabilities (Notes 5 and 6):				
Intragovernmental:				
Accounts Payable (Note 6)	$	309,177	$	36,647
Employer Contributions and Payroll Taxes Payable		138,468		118,028
Unfunded FECA Liability		1,968		1,968
Custodial Liability		69,236		63,593
Total Intragovernmental		518,849		220,236
Accounts Payable (Note 6)		231,925		273,627
Accrued Payroll and Leave		865,970		914,920
Employer Contributions and Payroll Taxes Payable		17,568		12,124
Unfunded Leave		1,075,533		1,030,319
Actuarial FECA Liability		5,249		-
Total Liabilities	$	2,715,094	$	2,451,226
Net Position:				
Unexpended Appropriations	$	3,214,566	$	2,706,788
Cumulative Results of Operations		(879,264)		(1,029,189)
Total Net Position	$	2,335,302	$	1,677,599
Total Liabilities and Net Position	$	5,050,396	$	4,128,825

The accompanying notes are an integral part of these statements.

FEDERAL MARITIME COMMISSION
STATEMENT OF NET COST
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(In Dollars)

	2009	2008
Program Costs:		
Office of Administration	$ 6,237,122	$ 6,088,432
Office of Operations	10,304,424	9,540,047
Formal Proceedings	6,082,905	5,627,251
Office of Inspector General	529,935	597,799
Office of Equal Employment Opportunity	151,287	161,903
Net Cost of Operations (Note 9)	$ 23,305,673	$ 22,015,432

The accompanying notes are an integral part of these statements.

FEDERAL MARITIME COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(In Dollars)

	2009	2008
Cumulative Results of Operations:		
Beginning Balances	$ (1,029,189)	$ (1,004,596)
Budgetary Financing Sources:		
Appropriations Used	22,258,507	20,906,472
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 10)	1,197,091	1,084,367
Total Financing Sources	23,455,598	21,990,839
Net Cost of Operations (Note 9)	23,305,673	22,015,432
Net Change	149,925	(24,593)
Cumulative Results of Operations	$ (879,264)	$ (1,029,189)
Unexpended Appropriations:		
Beginning Balances	$ 2,706,788	$ 1,596,624
Budgetary Financing Sources:		
Appropriations Received	22,800,000	22,072,000
Other Adjustments	(33,715)	(55,364)
Appropriations Used	(22,258,507)	(20,906,472)
Total Budgetary Financing Sources	507,778	1,110,164
Total Unexpended Appropriations	$ 3,214,566	$ 2,706,788
Net Position	$ 2,335,302	$ 1,677,599

The accompanying notes are an integral part of these statements.

FEDERAL MARITIME COMMISSION
STATEMENT OF BUDGETARY RESOURCES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(In Dollars)

		2009		2008
Budgetary Resources:				
Unobligated Balance Brought Forward, October 1	$	747,665	$	210,894
Recoveries of Prior Year Unpaid Obligations		171,489		210,984
Budget Authority				
Appropriation		22,800,000		22,072,000
Less: Permanently Not Available		33,715		55,364
Total Budgetary Resources	$	23,685,439	$	22,438,514
Status of Budgetary Resources:				
Obligations Incurred				
Direct (Note 12)	$	22,817,981	$	21,690,849
Unobligated Balance				
Apportioned		66,284		447,579
Unobligated Balance Not Available		801,174		300,086
Total Status of Budgetary Resources	$	23,685,439	$	22,438,514
Change in Obligated Balance:				
Obligated Balance, Net				
Unpaid Obligations, Brought Forward, October 1	$	3,314,469	$	2,632,375
Obligations Incurred Net		22,817,981		21,690,849
Less: Gross Outlays		22,050,745		20,797,771
Less: Recoveries of Prior Year Unpaid				
Obligations, Actual		171,489		210,984
Obligated Balance, Net, End of Period				
Unpaid obligations		3,910,216		3,314,469
Total, Unpaid Obligated Balance, Net, End of Period	$	3,910,216	$	3,314,469
Net Outlays:				
Gross Outlays	$	22,050,745	$	20,797,771
Net Outlays	$	22,050,745	$	20,797,771

The accompanying notes are an integral part of these statements.

FEDERAL MARITIME COMMISSION
STATEMENT OF CUSTODIAL ACTIVITY
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(In Dollars)

	2009	2008
Revenue Activity:		
Total Cash Collections (Note 14)	$ 1,115,241	$ 478,250
Accrual Adjustments	5,643	(1,728)
Total Custodial Revenue	1,120,884	476,522
Disposition of Collections:		
Transferred to Others (by Recipient)	1,115,241	478,250
Increase/(Decrease) in Amounts Yet to be Transferred	5,643	(1,728)
Total Disposition of Collections	1,120,884	476,522
Net Custodial Activity	$ -	$ -

The accompanying notes are an integral part of these statements.

FEDERAL MARITIME COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Federal Maritime Commission (FMC) was established as an independent regulatory agency on August 12, 1961. FMC is responsible for the regulation of ocean borne transportation in the foreign commerce of the United States (U.S.). The principal statutes or statutory provisions administered by the Commission are the Shipping Act of 1984, the Foreign Practices Act of 1988, and section 19 of the Merchant Marine Act of 1920, and sections 2 and 3 of Public Law No. 89-777. Most of these statutes were modified by the passage of the Ocean Shipping Reform Act of 1998, which took effect in 1999.

FMC monitors the activities of ocean common carriers, marine terminal operators, conferences, ports and ocean transportation intermediaries (OTIs) (non-vessel-operating common carriers and ocean freight forwarders) who operate in the foreign commerce of the U.S. to ensure they maintain just and reasonable practices. FMC maintains a trade monitoring and enforcement program designed to detect and appropriately remedy malpractices and violations. FMC monitors the laws and practices of foreign governments, which could be potentially restrictive and identifies carriers owned or controlled by foreign governments; processes and reviews agreements and service contracts for compliance with statutory requirements; and reviews common carriers' privately published tariff systems for accessibility and accuracy as required by the Ocean Shipping Reform Act of 1998. FMC also issues licenses to qualified OTIs in the U.S., ensures that all OTIs are bonded or maintain other evidence of financial responsibility, and ensures that passenger vessel operators demonstrate adequate financial responsibility for casualty and nonperformance.

FMC is composed of five Commissioners appointed for five-year terms by the President with the advice and consent of the Senate. The President designates one of the Commissioners to serve as Chairman, who is also the chief executive and administrative officer of FMC.

Congress enacts appropriations to permit FMC to incur obligations for authorized purposes. In fiscal years 2009 and 2008, FMC was accountable for General Fund appropriations. FMC 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.

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.

FMC makes custodial collections and holds custodial receivables that are non-entity assets and are transferred to Treasury at fiscal year end.

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 the FMC. The statements are a requirement of the Accountability of Tax Dollars Act of

2002. They have been prepared from, and are fully supported by, the books and records of FMC 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 FMC 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 FMC's use of budgetary resources.

The statements consist of the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and the Statement of Custodial Activity. In accordance with OMB Circular A-136, the financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Budgets and Budgetary Accounting

Congress usually enacts appropriations to permit FMC to incur obligations for specified purposes. In fiscal years 2009 and 2008, the FMC was accountable for General Fund appropriations. The agency 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. Balances on these statements may therefore differ from those on financial reports prepared pursuant to other OMB directives that are primarily used to monitor and control FMC's use of budgetary resources.

E. Revenues & Other Financing Sources

Congress enacts annual appropriations to be used, within statutory limits, for operating and capital expenditures. Additional revenues are obtained from service fees and reimbursements from other government entities and the public, but these revenues are not available to the agency to fund operating expenses.

Appropriations are recognized as a financing source when expended. Revenues from service fees associated with reimbursable agreements are recognized concurrently with the recognition of accrued expenditures for performing the services. Appropriations expended for capitalized property and equipment are recognized as expenses when an asset is consumed in operations.

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

F. Taxes

FMC, 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. FMC does not maintain cash in commercial bank accounts or foreign currency balances.

H. Accounts Receivable

Accounts receivable consists of amounts owed to FMC by other Federal agencies, its employees and the general public. Accounts receivable in the Salaries and Expense Fund represent employee-related receivables. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts, management determines that collection is unlikely to occur considering the debtor's ability to pay. Debts six months or more past due are referred to the Department of Treasury for follow-up collection efforts in keeping with the Debt Collection Improvement Act of 1996 (DCIA). Treasury's Debt Management Services (DMS) administers the program and deducts 18 percent from amounts ultimately collected for its fee. Collections, net of fees, are returned to the FMC for remittance to the general fund of the Treasury.

I. Property, Equipment, and Software

Property, equipment and software represent furniture, fixtures, equipment, and information technology (IT) 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, except wherein the tenant improvement allowance specified in lease agreements covers the costs of certain renovations. Maintenance and repair costs are expensed as incurred. FMC's capitalization threshold is $25,000 for individual purchases. 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	5
Office Furniture	5
Computer Equipment	5
Office Equipment	5
IT Software	5

J. Advances and Prepaid Charges

Advance payments are generally prohibited by law. There are exceptions, such as some 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.

K. Liabilities

Liabilities represent the amount of monies or other resources likely to be paid by the FMC as a result of transactions or events that have already occurred. No liability can be paid, however, absent an appropriation or other funding. Liabilities covered by budgetary or other resources are those liabilities for which Congress has appropriated funds or funding is otherwise available to pay amounts due. Liabilities for which an appropriation has not been enacted or other funds received are, therefore, classified as not covered by budgetary resources. The liquidation of liabilities not covered by budgetary or other resources is dependent on future congressional appropriations or other funding. There is no certainty that the appropriation will be enacted. Intragovernmental liabilities are claims against FMC by other federal agencies. 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. Additionally, the government, acting in its sovereign capacity, can abrogate liabilities.

L. 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.

M. 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 unused 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 Employee's Retirement System (FERS)-covered employees.

N. 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 FMC employees for on-the-job injuries. A liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the FECA. The DOL bills each agency annually as its claims are paid, and the actual costs incurred are reflected as a liability to the agency. Payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the FMC 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.

O. Retirement Plans

FMC employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). The employees who participate in CSRS are beneficiaries of FMC's 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. All employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees participating in the FERS, a TSP account is automatically established and FMC makes a mandatory one percent contribution to this account. In addition, FMC makes matching contributions, ranging from one to four percent, for FERS eligible employees who contribute to their TSP accounts. Matching contributions are not made to the TSP accounts established by CSRS employees. For FERS participants, FMC also remits the employer's share of the required contribution.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement.

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

FMC 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Q. Net Position

Net position is the residual difference between assets and liabilities and is comprised of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent the amount of unobligated and unexpended budget authority. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. The cumulative results of operations is the net result of FMC's operations since inception.

R. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. FMC recognized imputed costs and financing sources in fiscal years 2009 and 2008 to the extent directed by OMB.

S. Contingencies

Liabilities are deemed contingent when the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. FMC recognizes contingent liabilities, in the accompanying balance sheet and statement of net cost, when it is both probable and can be reasonably estimated. FMC discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met or when a loss from the outcome of future events is more than remote. In some cases, once losses are certain, payments may be made from the Judgment Fund maintained by the U.S. Treasury rather than from the amounts appropriated to FMC for agency operations. Payments from the Judgment Fund are recorded as an "Other Financing Source" when made.

T. 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
Appropriated Funds	$	4,777,674	$	4,062,134
Total	$	4,777,674	$	4,062,134

Status of Fund Balance with Treasury:

		2009		2008
Unobligated Balance				
Available	$	66,284	$	447,579
Unavailable		801,174		300,086
Obligated Balance Not Yet Disbursed		3,910,216		3,314,469
Total	$	4,777,674	$	4,062,134

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 13)

NOTE 3. ACCOUNTS RECEIVABLE

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

		2009		2008
With the Public				
Contractor/Vendor Related Receivables	$	56,515	$	56,421
Interest Receivable		5,085		2,796
Penalties, Fines, and Administrative Fees Receivable		7,636		4,204
Employee-Related Receivable(s)		986		1,158
Total Accounts Receivable	$	70,222	$	64,579

The accounts receivable is primarily made up of a balance from one non-federal vendor for $56,421 that represents an amount due from a contractor for unsupported claims that were paid by the agency.

NOTE 4. 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	$ 225,000	$ 22,500	$ 202,500
Furniture & Equipment	291,938	291,938	-
Total	$ 516,938	$ 314,438	$ 202,500

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

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Furniture & Equipment	$ 291,938	$ 289,826	$ 2,112
Total	$ 291,938	$ 289,826	$ 2,112

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on the FMC'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
Intragovernmental – FECA	$ 1,968	$ 1,968
Unfunded Leave	1,075,533	1,030,319
Actuarial FECA	5,249	-
Total Liabilities Not Covered by Budgetary Resources	$ 1,082,750	$ 1,032,287

The Federal Maritime Commission records a liability for future worker's compensation claims based on data provided from the Department of Labor. The FMC also records a liability for actual claims paid on its behalf by the DOL.

NOTE 6. ACCOUNTS PAYABLE

Liabilities include both Intragovernmental Accounts Payable and Other Accounts Payable. Intragovernmental payables are owed to other federal entities for rent, printing costs, and services of other agencies. In FY09, approximately $225,000 of the Intragovernmental payable of $309,177 was owed to the General Services Administration for leasehold improvements made to FMC offices. Other Payables (formerly categorized as "With the Public") are owed to non-federal sources or to the general public, and include liabilities for general supplies, training, studies, analysis, and/or evaluations, miscellaneous services, and operation and maintenance of ADP equipment. For fiscal year ending September 30, 2009, the non-federal accounts payable totals to $231,925.

NOTE 7. LEASES

Operating Leases

FMC occupies office space in seven locations, of which only six of the lease agreements are required to be accounted for as operating leases. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. The lease locations and terms are listed below:

Location	Term	Lease Expiration Date
Hollywood, FL	23 months	5/31/2010
San Pedro, CA	5 years	9/30/2011
Washington DC	10 years	10/31/2012
Jamaica, NY	5 years	7/1/2013
Houston, TX	10 years	9/14/2018
Seattle, WA	10 years	6/30/2019

The lease amounts vary from year to year depending on the specific lease. The schedule of future payments for the term of the leases is as follows:

Fiscal Year	Totals
2010	$ 2,905,584
2011	2,910,491
2012	2,925,935
2013	302,768
2014	25,933
Thereafter	114,638
Total Future Payments	$ 9,185,349

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

NOTE 8. CONTINGENCIES

There are legal actions pending against FMC in which claims have been asserted that may be based on action taken by FMC. Management intends to vigorously contest all such claims. Management believes, based on information provided by legal counsel, that losses, if any, for these cases would not have a material impact on the Financial Statements. No loss accrual has been made for these cases outstanding at September 30, 2009.

NOTE 9. INTRAGOVERNMENTAL COSTS

Intragovernmental costs 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). Intragovernmental costs include payments to federal vendors for personnel benefits, rent, utilities, and other services. Payments made to non-federal entities (the public) are comprised primarily of employee salaries and other services. Such costs are summarized as follows:

	2009	2008
Office of Administration		
Intragovernmental Costs	$ 3,050,365	$ 2,844,453
Public Costs	3,186,757	3,243,979
Total Program Costs	6,237,122	6,088,432
Office of Operations		
Intragovernmental Costs	3,329,302	3,005,774
Public Costs	6,975,122	6,534,273
Total Program Costs	10,304,424	9,540,047
Formal Proceedings		
Intragovernmental Costs	1,961,167	1,785,954
Public Costs	4,121,738	3,841,297
Total Program Costs	6,082,905	5,627,251
Office of Inspector General		
Intragovernmental Costs	150,600	165,737
Public Costs	379,335	432,062
Total Program Costs	529,935	597,799
Office of Equal Employment Opportunity		
Intragovernmental Costs	43,579	71,152
Public Costs	107,708	90,751
Total Program Costs	151,287	161,903
Total Intragovernmental costs	8,535,013	7,873,070
Total Public costs	14,770,660	14,142,362
Total Costs	23,305,673	22,015,432
Total Net Cost	$ 23,305,673	$ 22,015,432

NOTE 10. IMPUTED FINANCING SOURCES

Imputed financing recognizes the costs of future benefits which include health benefits, life insurance, pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, 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	$ 1,197,091	$ 1,084,367
Total Imputed Financing Sources	$ 1,197,091	$ 1,084,367

NOTE 11. 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 12. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources as of September 30, 2009 and 2008 consisted of the following:

	2009	2008
Direct Obligations, Category A	$ 22,817,981	$ 21,690,849
Total Obligations Incurred	$ 22,817,981	$ 21,690,849

Category A apportionments distribute budgetary resources by fiscal quarters.

NOTE 13. 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, respectively, undelivered orders amounted to the following:

	2009	2008
Undelivered Orders	$ 2,347,107	$ 1,959,123
Total Undelivered Orders	$ 2,347,107	$ 1,959,123

NOTE 14. CUSTODIAL ACTIVITY

FMC is an administrative agency collecting for the General Fund. As a collecting entity, FMC measures and reports cash collections and refunds as custodial activity on the Statement of Custodial Activity. Cash collections result primarily from FMC regulatory activities to include the assessment of fines and penalties and the payment of license fees by qualified ocean transportation intermediaries (OTIs) in the U.S. A small portion of amounts collected is for interest on past due fines, petitions, status changes and special permission fees.

Custodial receipts are broken out in the following general receipt funds:

Fund	2009	2008
Fines, Penalties and Forfeitures	$ 843,000	$ 182,513
General Fund Proprietary Receipts (user fees)	273,218	299,947
Refund of User Fees	(977)	(4,210)
Total Custodial Collections	$ 1,115,241	$ 478,250

NOTE 15. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

FMC 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	$22,817,981	$21,690,849
Less: Spending Authority From Offsetting Collections and Recoveries	171,489	210,984
Obligations Net of Offsetting Collections and Recoveries	22,646,492	21,479,865
Other Resources		
Imputed Financing From Costs Absorbed By Others	1,197,091	1,084,367
Net Other Resources Used to Finance Activities	1,197,091	1,084,367
Total Resources Used to Finance Activities	23,843,583	22,564,232
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	387,985	573,393
Resources That Finance the Acquisition of Assets	225,000	-
Total Resources Used to Finance Items Not Part of Net Cost of Operations	612,985	573,393
Total Resources Used to Finance the Net Cost of Operations	23,230,598	21,990,839
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	45,214	17,799
Other	5,249	1,968
Total Components of Net Cost of Operations That Will Require or Generate Resources In Future Periods	50,463	19,767
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	24,612	4,989
Other	-	(163)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	24,612	4,826
Total Components of Net Cost of Operations That Will Not Require or Generate Resources In The Current Period	75,075	24,593
Net Cost of Operations	$23,305,673	$22,015,432