U.S. COMMODITY FUTURES TRADING COMMISSION
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TO: Timothy G. Massad, Chairman
Sharon Y. Bowen, Commissioner
J. Christopher Giancarlo, Commissioner

FROM: Miguel A. Castillo, Assistant Inspector General for Auditing

DATE: January 15, 2016

SUBJECT: Financial Statements Audit FY 2015: Compliance with Provisions of the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, Audit Requirements for Federal Financial Statements

The Office of the Inspector General (OIG) has concluded an audit of the Commodity Futures Trading Commission's (CFTC) financial statements as of September 30, 2015. We contracted with the independent certified public accounting firm KPMG LLP (KPMG) to conduct this audit. The contract required KPMG to conduct and report the audit in accordance with U.S. generally accepted government auditing standards (GAGAS), U.S. generally accepted accounting principles (US GAAP), and standards issued by Office of Management and Budget (OMB) Bulletin No. 15-02, Audit Requirements for Federal Financial Statements.

KPMG communicated a qualified opinion for the CFTC's financial position as of September 30, 2015 and 2014, and its net costs, changes in net position, custodial activity, and budgetary resources for the years then ended. Additionally, KPMG communicated material weaknesses in internal control over financial reporting and non-compliance with applicable laws and regulations.

KPMG found that, "except for the Statement of Budgetary Resources (SBR), the financial statements were fairly presented, in all material respects, in conformity with US GAAP." Specifically, KPMG found that "the CFTC's budgetary accounting for recording of lease obligations [in the SBR] in prior years [FY 2005 through FY 2014] and in the current year is not in accordance with US GAAP."

With regard to the recording of lease obligations, KPMG found:

- CFTC's FY 2015 and FY 2014 financial statements contained misstatements related to the understatement of obligations of approximately $194 million and $212 million, respectively, as of September 30, 2015 and 2014, which impacts a number of amounts on CFTC's combined statements of budgetary resources and related notes including financial statement captions such as Total Budgetary

Resources, Obligations Incurred, Total Unobligated Balance, End of Year, and Obligated Balance, End of Year.

- CFTC's historical practice of entering into lease contracts and recording related obligations resulted in a potential violation of the Anti-Deficiency Act (ADA).

CFTC management did not concur with these findings, and quoted unpublished financial reporting guidance it received from OMB staff, and stated the U.S. Government Accountability Office is currently reviewing the matter, with an opinion expected in Fiscal Year 2016.

In addition:

- The FY 2014 balance sheet presented custodial liabilities of approximately $4.2 million below the "Total Intragovernmental" caption. Custodial liabilities represent payables for amounts due to the U.S. Department of the Treasury upon collection and are considered intragovernmental liabilities. This error was subsequently corrected.
- During the course of preparing the 2015 Commodity Futures Trading Commission Customer Protection Fund (CPF) financial statements, the independent auditors of the CPF informed management they incorrectly presented in the FY 2014 Statements of Budgetary Resources $16.2 million of unobligated funds as "Apportioned" when this amount had not been made available through the apportionment process and should have been presented as "Unapportioned". This error was subsequently corrected.

In reference to internal controls over financial reporting, KPMG communicated the CFTC's internal controls are not sufficiently designed to detect and correct material errors in its financial statements. In reference to compliance with laws and regulations, the CFTC's historical practice of entering into lease contracts and recording related obligations resulted in a potential violation of the Anti-Deficiency Act (ADA). KPMG noted CFTC lacked controls to prevent violations and were not sufficiently designed to prevent violations in the [two] instances [CFTC reported] for FY 2015.[1]

CFTC management concurred with these additional findings.

KPMG recommended improvements to the CFTC's internal controls over financial reporting and written accounting policies and procedures. KPMG also recommended CFTC investigate the potential violation of ADA.

KPMG is responsible for the auditor's report dated January 15, 2016 and the conclusions expressed in the report. We do not express opinions on the CFTC's financial statements or internal control or on whether the CFTC's financial management systems substantially complied with applicable laws and regulations over financial reporting.

Consistent with our responsibility under the Inspector General Act, we are providing copies of this report to appropriate Congressional committees with CFTC oversight and

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[1] These bullets are quoted from KPMG's audit report, attached.

appropriation responsibilities. In addition, we will post a copy of the report on our public website and remove previous financial statement audit opinions impacted by this audit report. The report will be published on the OIG webpage and a synopsis will be presented in the Semiannual Report to Congress ending March 31, 2016. If you have any questions, please contact me at (202) 418-5084.

cc:

Clark Ogilvie, Chief of Staff
Anthony Thompson, Executive Director
Mary Jean Buhler, Chief Financial Officer
A. Roy Lavik, Inspector General
Judith A. Ringle, Deputy Inspector General

KPMG LLP
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1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Chairman and Inspector General of the
U.S. Commodity Futures Trading Commission:

Report on the Financial Statements

We have audited the accompanying financial statements of the U.S. Commodity Futures Trading Commission (CFTC), which comprise the balance sheets as of September 30, 2015 and 2014, and the related statements of net cost, changes in net position, custodial activity, and combined statements of budgetary resources for the years then ended, 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 qualified audit opinion.

Basis for Qualified Opinion

As disclosed in Note 10 to the financial statements, CFTC is a party to multi-year lease contracts for rental of real estate space. U.S. generally accepted accounting principles require a lease obligation to be recorded at the inception of the lease in the amount necessary to cover the legal and contractual obligations including the estimated total payments expected to arise under the full term of the contract. CFTC has recorded as obligations only the annual portion of the lease payments due each year in the accompanying combined statements of budgetary resources. Not recording the required obligations at the inception of the lease resulted in an understatement of obligations of approximately $194 million and $212 million, respectively, as of September 30, 2015 and 2014. Accordingly, a number of amounts are misstated on CFTC's combined statements of budgetary resources and in the related notes for the years ended September 30, 2015 and 2014 including financial statement captions such as Total Budgetary Resources, Obligations Incurred, Total Unobligated Balance, End of Year, and Obligated Balance, End of Year.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Commodity Futures Trading Commission as of September 30, 2015 and 2014, and its net costs, changes in net position, custodial activity, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

In our report dated November 14, 2014, we expressed an opinion that the 2014 financial statements fairly presented the financial position, net costs, changes in net position, custodial activity, and budgetary resources in accordance with U.S. generally accepted accounting principles. As described above, CFTC's budgetary accounting for recording of lease obligations in prior years and in the current year is not in accordance with U.S. generally accepted accounting principles. Accordingly, our present opinion on the 2014 financial statements, as presented herein, is different from that expressed in our previous report.

Management has elected to reference to information on websites or other forms of interactive data outside the Agency Financial Report to provide additional information for the users of its financial statements. Such information is not a required part of the basic financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements.

As described in the Basis for Qualified Opinion paragraph, CFTC did not record obligations for the estimated total payments expected to arise under the full term of its contracts for rental of real estate space in accordance with U.S. generally accepted accounting principles. Accordingly the affected balances from the combined statements of budgetary resources presented on a disaggregated basis in the Required Supplementary Information are a material departure from the prescribed guidelines for reporting budgetary resources. 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information contained within the introductory sections (presented before the Management's Discussion and Analysis section), the Message from the Chief Financial Officer, Other Information, and the Appendix sections is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2015, we considered the CFTC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CFTC's internal control. Accordingly, we do not express an opinion on the effectiveness of the CFTC's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in Exhibit I, we identified a deficiency in internal control that we consider to be a material weakness.

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 a 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. We consider the deficiency described in Exhibit I to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CFTC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02, and which are described in Exhibit II.

KPMG

CFTC's Responses to Findings

CFTC's responses to the findings identified in our audit are described in a separate letter immediately following this report. CFTC's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section 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 CFTC's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

January 15, 2016

Exhibit I

U.S. Commodity Futures Trading Commission
Independent Auditors' Report
Material Weakness

CONDITIONS

During Fiscal Year (FY) 2015, CFTC became aware of the following errors impacting both the FY 2014 and FY 2015 financial statements:

1. CFTC's accounting policy to recognize lease obligations is not in accordance with U.S. generally accepted accounting principles and more specifically Office of Management and Budget (OMB) Circular No. A-11, *Preparation, Submission, and Execution of the Budget* (OMB A-11).
2. The FY 2014 balance sheet presented custodial liabilities of approximately $4.2 million below the "Total Intragovernmental" caption. Custodial liabilities represent payables for amounts due to the U.S. Department of the Treasury (Treasury) upon collection and are considered intragovernmental liabilities. This error was subsequently corrected.
3. CFTC incorrectly presented in the FY 2014 statement of budgetary resources $16.2 million of unobligated funds as "Apportioned" when this amount had not been made available through the apportionment process and should have been presented as "Unapportioned". This error was subsequently corrected.

CRITERIA

Statement of Federal Financial Accounting Standards 7 (SFFAS 7), *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, paragraph 78 requires "Recognition and measurement of budgetary resources should be based on budget concepts and definitions contained in OMB Circular A-11."

OMB A-11, Appendix B – *Budgetary Treatment of Lease-Purchases and Leases of Capital Assets* Paragraph 1(a) states: "For operating leases, budget authority is required to be obligated up front in the amount necessary to cover the Government's legal obligations, consistent with the requirements of the Antideficiency Act. This will include the estimated total payments expected to arise under the full term of the contract or, if the contract includes a cancellation clause, an amount sufficient to cover the lease payments for the first year plus an amount sufficient to cover the costs associated with cancellation of the contract."

OMB A-11, Appendix F – *Format of SF 123, SF 133, Schedule P and SBR, Section 4 Status of Budgetary Resources* states: "Apportioned – Include the balances of amounts apportioned under Category A, Category B, and Category AB, as well as amounts apportioned by letter from OMB or by OMB bulletin."

OMB Circular No. A-136, *Financial Reporting Requirements* (OMB A-136), Section II.4.3.4: "Intragovernmental Liabilities – These liabilities are claims against the entity by other Federal entities. Report intragovernmental liabilities separately from claims against the reporting entity by non-Federal entities."

The Government Accountability Office's *Standards for Internal Control in the Federal Government*, "Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties."

The Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*, states, "Management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations."

CAUSE

CFTC's internal controls over financial reporting and compliance are not sufficiently designed to detect and correct material errors in its financial statements. Specifically:

- Condition 1 resulted from a lack of adequate control to ensure lease obligations are recorded in compliance with OMB A-11, Appendix B requirements.
- Conditions 2 and 3 resulted from a lack of sufficiently detailed review by management of the financial statements, or a review at a sufficient level of depth, to ensure that errors and omissions in the financial statements and relates notes as well as compliance with laws and regulations were detected and corrected in a timely manner.

EFFECT

- Condition 1 related to CFTC's accounting policy for recognizing lease obligation discussed above resulted in the following:
  - CFTC's FY 2015 and FY 2014 financial statements contained material misstatements, as described in the *Basis for Qualified Opinion* paragraph of the Independent Auditors' report.
  - CFTC's historical practice of entering into lease contracts and recording related obligations resulted in a potential violation of the Anti-Deficiency Act (ADA).
- For conditions 2 and 3, the FY 2014 financial statements were misstated by the amounts discussed above.

RECOMMENDATIONS

We recommend that management:

(a) Improve its internal controls over financial reporting and compliance. Specifically, we recommend that management perform a more detailed review of all information in the annual financial report including financial statements, notes, and supplementary information and prepare the GAO accounting and financial reporting checklist. The review performed should ensure all transactions and classes of transactions are recorded and reported in the financial statements in accordance with U.S. generally accepted accounting standards. Such review should be documented and maintained.

(b) Develop written accounting policies and procedures that document the basis for all accounting positions that are significant to the financial statements.

(c) Develop and implement adequate control to ensure lease obligations are recorded in compliance with OMB A-11, Appendix B requirements.

(d) Update its accounting policy on the accounting for the lease obligation to be consistent with the guidance in OMB A-11, Appendix B.

(e) Investigate the potential violation of ADA to make a final determination and report it, as applicable.

U.S. Commodity Futures Trading Commission
Independent Auditors' Report
Material Weakness

MANAGEMENT'S RESPONSE

Management's response to the finding is presented in a separate letter immediately following this report.

AUDITORS' RESPONSE

Based on the Office of Management and Budget (OMB) Circular No. A-11, *Preparation, Submission, and Execution of the Budget* (OMB A-11), Appendix B, paragraph cited in the "CRITERIA" section above, we continue to believe that CFTC's accounting policy to recognize lease obligations is not in accordance with U.S. generally accepted accounting principles.

Exhibit II

U.S. Commodity Futures Trading Commission
Independent Auditors' Report
Compliance and Other Matters

CONDITIONS

Reported Anti-Deficiency Act Violations:

On July 20, 2015 CFTC reported the following violations of the Anti-deficiency Act (ADA) in accordance with Title 31 U.S. Code Section 1517:

- CFTC reported a violation in the amount of $3,564,752.63 related to the fiscal year 2013 transfer of funds from the Information Technology fund to the Salaries and Expense fund without having the authority under the fiscal year 2013 Appropriations Act. As disclosed in Note 14, this matter caused the Unapportioned balance presented in the FY 2015 Statement of Budgetary Resources to be negative.

- CFTC reported a violation pertaining to the acceptance of voluntary services from academic researchers from January 1, 2010 to February 7, 2013.

Potential Anti-Deficiency Act Violation:

CFTC is investigating a matter that may potentially represent a violation of the ADA related to the CFTC's historical policy of entering into lease contracts and recording related obligations. A final determination has not yet been made and therefore the outcome of this matter is not presently known.

CRITERIA

Title 31 U.S. Code (U.S.C.) Section 1517 *Prohibited Obligations and Expenditures* states:

(a) An officer or employee of the United States Government or of the District of Columbia government may not make or authorize an expenditure or obligation exceeding-

(1) An apportionment; or
(2) The amount permitted by regulations prescribed under section 1514(a) of this title.

(b) If an officer or employee of an executive agency or of the District of Columbia government violates subsection (a) of this section, the head of the executive agency or the Mayor of the District of Columbia, as the case may be, shall report immediately to the President and Congress all relevant facts and a statement of actions taken. A copy of each report shall also be transmitted to the Comptroller General on the same date the report is transmitted to the President and Congress.

CAUSE

The controls in place at CFTC to prevent ADA violations were not sufficiently designed to prevent ADA violations in the instances of noncompliance noted above.

EFFECT

CFTC was not in compliance with the ADA related to the reported instances noted. CFTC may not be in compliance with the ADA related to the potential instance noted.

U.S. Commodity Futures Trading Commission
Independent Auditors' Report
Compliance and Other Matters

RECOMMENDATIONS

We recommend that management:

(a) Complete the investigation into the potential ADA violation noted.
(b) Develop and implement sufficient policies and procedures to prevent future ADA violations.

MANAGEMENT'S RESPONSE

Management's response to the finding is presented in a separate letter immediately following this report.

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Chief Financial Officer

January 15, 2016

MANAGEMENT'S RESPONSE TO INDEPENDENT AUDITOR'S REPORT

Management's Response to the Material Weakness:

During Fiscal Year (FY) 2015, CFTC became aware of the following errors impacting both FY 2014 and FY 2015 financial statements:

1. CFTC's accounting policy to recognize lease obligation is not in accordance with U.S generally accepted accounting principles and more specifically Office of Management and Budget (OMB) Circular No. A-11, Preparation, Submission, and Execution of the Budget (OMB A-11).

   CFTC Response: **Management does not concur** with this finding for FY 2015 because there is not currently an official determination that the Commission has violated any regulations and, if so, to what extent. CFTC does not have a formal accounting policy specifically related to the recognition of lease obligations. CFTC's historical practice has been to obligate only the annual portion of lease payments due each year. On August 6, 2015, the Government Accountability Office (GAO) requested information on the Commission's views regarding various legal issues involving the CFTC's leases, including the practice of recording obligations arising under the agency's current leases for office space in Washington, D.C., Chicago, New York, and Kansas City. As a result of the CFTC's review, the Commission concluded that its historical practice for recording lease obligations may be inconsistent with OMB Circular A-11, *Preparation, Submission and Execution of the Budget*; 31 U.S.C. § 1501(a)(1) (the recording statute); and previous GAO decisions. The GAO is currently reviewing the matter and the agency expects an opinion to be issued in FY 2016. As a result of the potential findings of the anticipated GAO opinion, it is reasonably possible that an unfunded obligation totaling approximately $194 million and $212 million as of September 30, 2015 and 2014, respectively, covering all potential future payments agreed to under current leases, may need to be recognized on the face of the Statement of Budgetary Resources as opposed to the Notes to the Financial Statements as historically reported. However, the Commission has disclosed the best information it has available as of the reporting date.

   Management brought this to the attention of KPMG in early October 2015. The Commission then consulted with the Office of Management and Budget to determine the best accounting and reporting treatment for this issue in the FY 2015 financial statements. OMB provided a written response dated November 20, 2015. In its response, OMB determined that a note disclosure would be the best course of action at this time. They further noted that the note disclosure would be in the spirit of A-11 and OMB Circular A-136, Financial Reporting Requirements.

The guidance from OMB is provided below:

> *The CFTC's approach to disclosing an ongoing investigation into its leasing practices in the agency's 2015 financial statements is consistent with OMB Circulars A-11, Preparation, Submission, and Execution of the Budget, and A-136, Financial Reporting Requirements.*
>
> *It is OMB's understanding that the CFTC anticipates a formal GAO opinion in 2016 regarding its leasing practices. Concurrent with GAO's investigation, the CFTC is conducting its own investigation as to whether its leasing practices constitute a violation of the Antideficiency Act (ADA) (31 USC 1341(a)). Once the CFTC concludes its investigation, the CFTC will provide a report to OMB describing the results, consistent with A-11. Should the GAO determination and/or OMB's review of the CFTC report conclude that the agency made obligations exceeding its appropriation, the CFTC would report a violation of the ADA. Based on these contingencies, OMB concurs that a note disclosure in the CFTC's 2015 financial statements is appropriate.*

2. The FY 2014 balance sheet presented custodial liabilities of approximately $4.2 million below the "Total Intragovernmental" caption. Custodial liabilities represent payables for amounts due to the U.S. Department of the Treasury (Treasury) upon collection and are considered intragovernmental liabilities. This error was subsequently corrected.

   CFTC Response: **Management concurs** with this finding. As part of its regular financial statement review and refinement process, the Commission's accounting office identified the need to reclassify the custodial liabilities balance and subsequently made the correction.

3. CFTC incorrectly presented in the FY 2014 Statements of Budgetary Resources $16.2 million of unobligated funds as "Apportioned" when this amount had not been made available through the apportionment process and should have been presented as "Unapportioned." This error was subsequently corrected.

   CFTC Response: **Management concurs** with this finding. As part of its regular financial statement review and refinement process, the Commission's accounting office identified the need to correct the unobligated balance and subsequently made the correction.

Management's Response to the Non-Compliance Matter:

On July 20, 2015 CFTC reported the following violations of the Anti-deficiency Act (ADA) in accordance with Title 31 U.S. Code Section 1517:

1. CFTC reported a violation in the amount of $3,564,752.63 related to the fiscal year 2013 transfer of funds from the Information Technology fund to the Salaries and Expense fund without having the authority under the fiscal year 2013 Appropriations Act. As disclosed in Note 14, this matter caused the Unapportioned balance presented in the FY 2015 Statement of Budgetary Resources to be negative.

   CFTC Response: **Management concurs** with this finding. As noted in the Commission's report to the President and Congress, the violation pertains to a transfer of funds between two separate budgetary accounts that was executed by the Commission in the spring of FY 2013. The transfer was subsequently reversed and the Commission did not exceed its overall budget authority. The violation resulted from CFTC's interpretation of appropriation language that was later deemed incorrect by the Government Accountability Office (GAO). GAO's view is set forth in a formal decision, Decision B-325351 – Commodity Futures Trading Commission—Fiscal Year 2013 Transfer Authority, issued on April 25, 2014. The Commission has determined that the interpretation of the appropriations language contained no willful or knowing intent to violate the Antideficiency Act. Rather, this violation was the result of a considered interpretation of the appropriations language that was later deemed incorrect by GAO. The system of administrative controls in place at CFTC continues to operate effectively to ensure funds are expended as authorized and apportioned under normal circumstances.

2. CFTC reported a violation pertaining to the acceptance of voluntary services from academic researchers from January 1, 2010 to February 7, 2013.

   CFTC Response: **Management concurs** with this finding. As noted in the Commission's report to the President and Congress, the Commission has instituted new policies and procedures to prevent a reoccurrence of this type of violation.

3. CFTC is investigating a matter that may potentially represent a violation of the ADA related to the CFTC's historical policy of entering into lease contracts and recording related obligations. A final determination has not yet been made and therefore the outcome of this matter is not presently known.

   CFTC Response: **Management concurs** with this finding and is continuing to assess whether any potential ADA violations may have occurred as a result of the Commission's historical practices for obligating lease expenses. When the Commission entered into its four multiple-year leases, such as in 1994 for its Washington, D.C. office, it recorded only the annual lease payments each year, rather than the full multiple-year obligation in the year the lease was initiated. On August 6, 2015, the Government Accountability Office (GAO) requested information on the Commission's views regarding various legal issues involving the CFTC's leases, including the practice of recording obligations arising under the agency's current leases for office space in Washington, D.C., Chicago, New York, and Kansas City. As a result of the CFTC's review of the GAO questions, the Commission concluded that its historical practice for recording lease obligations may be inconsistent with OMB Circular A-11, *Preparation, Submission and Execution of the Budget*; 31 U.S.C. § 1501(a)(1) (the recording statute); and previous GAO decisions. There is not currently an official determination by either the agency or the GAO that the CFTC has violated the ADA. The CFTC plans to review GAO's decision prior to reaching a conclusion on whether a reportable violation of the ADA has occurred. If the CFTC determines that there is a violation of the ADA, the CFTC will report it as required by law.

Sincerely,

M J Buhler

Mary Jean Buhler
Chief Financial Officer

cc: Roy Lavik

Principal Financial Statements

Commodity Futures Trading Commission
BALANCE SHEETS
As of September 30, 2015 and 2014

		2015		2014
Assets				
Intragovernmental:				
Fund Balance with Treasury (Note 2)	$	67,246,060	$	47,070,343
Investments (Note 3)		263,000,000		270,000,000
Prepayments (Note 1J)		263,851		58,984
Total Intragovernmental		**330,509,911**		**317,129,327**
Custodial Receivables, Net (Note 4)		4,696,176		4,218,788
Accounts Receivable, Net (Note 4)		18,614		11,112
General Property, Plant and Equipment, Net (Note 5)		50,358,266		54,464,549
Deferred Costs (Note 6)		28,487		64,201
Prepayments (Note 1J)		2,209,608		1,653,887
Total Assets	**$**	**387,821,062**	**$**	**377,541,864**
Liabilities				
Intragovernmental:				
Accounts Payable	$	387,666	$	609,101
Custodial Liabilities		4,696,176		4,218,788
FECA Liabilities (Note 9)		82,531		88,975
Total Intragovernmental		**5,166,373**		**4,916,864**
Accounts Payable		8,220,224		4,874,120
Actuarial FECA Liabilities (Note 9)		415,570		460,759
Accrued Payroll		5,215,273		3,417,319
Annual Leave		9,788,839		9,590,172
Deposit Fund Liabilities		179,806		134,683
Deferred Lease Liabilities (Note 10)		25,673,457		25,961,973
Contingent Liabilities (Note 11)		300,000		85,000
Other		22,397		11,699
Total Liabilities	**$**	**54,981,939**	**$**	**49,452,589**
Net Position				
Unexpended Appropriations - All Other Funds	$	50,997,602	$	35,420,980
Cumulative Results of Operations - Funds from Dedicated Collections		267,612,410		274,315,312
Cumulative Results of Operations - All Other Funds		14,229,111		18,352,983
Total Net Position		**332,839,123**		**328,089,275**
Total Liabilities and Net Position	**$**	**387,821,062**	**$**	**377,541,864**

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

Commodity Futures Trading Commission
STATEMENTS OF NET COST
For the Years Ended September 30, 2015 and 2014

		2015
Net Cost by Goal (Note 16)		
Goal 1: Market Integrity and Transparency		
Gross Costs	$	68,337,018
Less: Earned Revenue		(14,516)
Net Cost of Operations - Goal One	**$**	**68,322,502**
Goal 2: Financial Integrity and Avoidance of Systemic Risk		
Gross Costs	$	73,933,907
Less: Earned Revenue		(15,704)
Net Cost of Operations - Goal Two	**$**	**73,918,203**
Goal 3: Comprehensive Enforcement		
Gross Costs	$	95,521,909
Less: Earned Revenue		(20,291)
Net Cost of Operations - Goal Three	**$**	**95,501,618**
Goal 4: Domestic and International Cooperation and Coordination		
Gross Costs	$	12,068,292
Less: Earned Revenue		(2,563)
Net Cost of Operations - Goal Four	**$**	**12,065,729**
Grand Total		
Gross Costs	$	249,861,126
Less: Earned Revenue		(53,074)
Total Net Cost of Operations	**$**	**249,808,052**

(Continued)

Commodity Futures Trading Commission
STATEMENTS OF NET COST (Continued)
For the Years Ended September 30, 2015 and 2014

2014		
Net Cost by Goal (Note 16)		
Goal 1: Market Integrity		
Gross Costs	$	56,754,452
Less: Earned Revenue		(8,189)
Net Cost of Operations - Goal One	**$**	**56,746,263**
Goal 2: Clearing Integrity		
Gross Costs	$	51,970,552
Less: Earned Revenue		(7,498)
Net Cost of Operations - Goal Two	**$**	**51,963,054**
Goal 3: Robust Enforcement		
Gross Costs	$	71,541,053
Less: Earned Revenue		(10,323)
Net Cost of Operations - Goal Three	**$**	**71,530,730**
Goal 4: Cross-Border Cooperation		
Gross Costs	$	11,742,300
Less: Earned Revenue		(1,694)
Net Cost of Operations - Goal Four	**$**	**11,740,606**
Goal 5: Organizational and Management Excellence		
Gross Costs	$	25,441,651
Less: Earned Revenue		(3,671)
Net Cost of Operations - Goal Five	**$**	**25,437,980**
Grand Total		
Gross Costs	$	217,450,008
Less: Earned Revenue		(31,375)
Total Net Cost of Operations	**$**	**217,418,633**

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

Commodity Futures Trading Commission
STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30, 2015 and 2014

	FY 2015		
	Dedicated Collections	All Other Funds	Consolidated Total
Cumulative Results of Operations:			
Beginning Balances, October 1	$ 274,315,312	$ 18,352,983	$ **292,668,295**
Budgetary Financing Sources			
Appropriations Used	-	232,255,603	232,255,603
Nonexchange Interest Revenue (Note 3)	58,152	-	58,152
Other Financing Sources			
Imputed Financing Sources (Note 8)	-	6,667,523	6,667,523
Total Financing Sources	58,152	238,923,126	238,981,278
Net Cost of Operations	(6,761,054)	(243,046,998)	(249,808,052)
Net Change	(6,702,902)	(4,123,872)	(10,826,774)
Total Cumulative Results of Operations, September 30	$ **267,612,410**	$ **14,229,111**	$ **281,841,521**
Unexpended Appropriations:			
Beginning Balances, October 1	$ -	$ 35,420,980	$ **35,420,980**
Budgetary Financing Sources:			
Appropriations Received	-	250,000,000	250,000,000
Less: Other Adjustments (Rescissions, etc.)	-	(2,167,775)	(2,167,775)
Appropriations Used	-	(232,255,603)	(232,255,603)
Total Budgetary Financing Sources	0	15,576,622	15,576,622
Total Unexpended Appropriations, September 30	$ -	$ **50,997,602**	$ **50,997,602**
Net Position	$ **267,612,410**	$ **65,226,713**	$ **332,839,123**

(Continued)

Commodity Futures Trading Commission
STATEMENTS OF CHANGES IN NET POSITION (Continued)
For the Years Ended September 30, 2015 and 2014

	FY 2014 Dedicated Collections	FY 2014 All Other Funds	FY 2014 Consolidated Total
Cumulative Results of Operations:			
Beginning Balances, October 1	**$ 99,904,291**	**$ 23,899,638**	**$ 123,803,929**
Budgetary Financing Sources			
Appropriations Used	-	203,363,604	203,363,604
Nonexchange Interest Revenue (Note 3)	35,630	-	35,630
Transfers - In Without Reimbursement (Note 18)	176,110,604	-	176,110,604
Other Financing Sources:			
Imputed Financing Sources (Note 8)	-	6,773,161	6,773,161
Total Financing Sources	176,146,234	210,136,765	386,282,999
Net Cost of Operations	(1,735,213)	(215,683,420)	(217,418,633)
Net Change	174,411,021	(5,546,655)	168,864,366
Total Cumulative Results of Operations, September 30	**$ 274,315,312**	**$ 18,352,983**	**$ 292,668,295**
Unexpended Appropriations:			
Beginning Balances, October 1	**$ -**	**$ 25,006,039**	**$ 25,006,039**
Budgetary Financing Sources			
Appropriations Received	-	215,000,000	215,000,000
Less: Other Adjustments (Rescissions, etc.)	-	(1,221,455)	(1,221,455)
Appropriations Used	-	(203,363,604)	(203,363,604)
Total Budgetary Financing Sources	-	10,414,941	10,414,941
Total Unexpended Appropriations, September 30	**$ -**	**$ 35,420,980**	**$ 35,420,980**
Net Position	**$ 274,315,312**	**$ 53,773,963**	**$ 328,089,275**

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

Commodity Futures Trading Commission
COMBINED STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2015 and 2014

		2015		2014
BUDGETARY RESOURCES				
Unobligated Balance Brought Forward, October 1	$	275,549,121	$	104,968,486
Adjustment to Unobligated Balance Brought Forward, October 1		829,170		-
Unobligated Balance Brought Forward, October 1, as Adjusted		276,378,291		104,968,486
Recoveries of Prior Year Unpaid Obligations		4,061,675		1,890,406
Other Changes in Unobligated Balance		(2,167,775)		(1,221,455)
Unobligated Balance From Prior Year Budget Authority, Net		278,272,191		105,637,437
Appropriations		250,000,000		215,000,000
Spending Authority from Offsetting Collections		230,746		176,261,959
Total Budgetary Resources	$	**528,502,937**	$	**496,899,396**
STATUS OF BUDGETARY RESOURCES				
Obligations Incurred (Note 13)	$	258,702,003	$	221,350,275
Unobligated Balance, End of Year				
Apportioned		270,359,908		13,437,561
Unapportioned		(558,974)		262,111,560
Total Unobligated Balance, End of Year		269,800,934		275,549,121
Total Budgetary Resources	$	**528,502,937**	$	**496,899,396**
CHANGE IN OBLIGATED BALANCE				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$	40,564,762	$	25,798,405
Obligations Incurred		258,702,003		221,350,275
Outlays (Gross)		(234,914,187)		(204,693,512)
Recoveries of Prior Year Unpaid Obligations		(4,061,675)		(1,890,406)
Unpaid Obligations, End of Year		60,290,903		40,564,762
Uncollected Payments:				
Uncollected Payments, Federal Sources, Brought Forward, October 1		(54,225)		(45,921)
Change in Uncollected Payments, Federal Sources		(22,435)		(8,304)
Uncollected Payments, Federal Sources, End of Year		(76,660)		(54,225)
Memorandum Entries:				
Obligated Balance, Start of Year	$	40,510,537	$	25,752,484
Obligated Balance, End of Year	$	60,214,243	$	40,510,537
BUDGET AUTHORITY AND OUTLAYS, NET				
Budget Authority, Gross	$	250,230,746	$	391,261,959
Actual Offsetting Collections		(212,554)		(176,466,655)
Change in Uncollected Customer Payments from Federal Sources		(22,435)		(8,304)
Budget Authority, Net	$	**249,995,757**	$	**214,787,000**
Outlays, Gross	$	234,914,187	$	204,693,512
Actual Offsetting Collections		(212,554)		(176,466,655)
Outlays, Net		234,701,633		28,226,857
Distributed Offsetting Receipts		(6,767)		(39,435)
Agency Outlays, Net	$	**234,694,866**	$	**28,187,422**

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

Commodity Futures Trading Commission
STATEMENTS OF CUSTODIAL ACTIVITY
For the Years Ended September 30, 2015 and 2014

	2015	2014
Revenue Activity:		
Sources of Cash Collections:		
Registration and Filing Fees	$ 1,575,300	$ 2,082,325
Fines, Penalties, and Forfeitures	2,841,186,640	943,104,536
General Proprietary Receipts	6,767	39,484
Total Cash Collections	**2,842,768,707**	**945,226,345**
Change in Custodial Receivables	477,388	(65,525,838)
Total Custodial Revenue	**$ 2,843,246,095**	**$ 879,700,507**
Disposition of Collections		
Amounts Transferred to:		
Department of the Treasury	(2,842,768,707)	(769,115,741)
CFTC Customer Protection Fund	-	(176,110,604)
Total Disposition of Collections	**(2,842,768,707)**	**(945,226,345)**
Change in Custodial Liabilities	(477,388)	65,525,838
Net Custodial Activity	**$ -**	**$ -**

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

Notes to the Financial Statements

As of and For the Fiscal Years Ended September 30, 2015 and 2014

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Commodity Futures Trading Commission (CFTC) is an independent agency of the executive branch of the Federal Government. Congress created the CFTC in 1974 under the authorization of the Commodity Exchange Act (CEA) with the mandate to regulate commodity futures and option markets in the United States. The agency's mandate was renewed and expanded under the Futures Trading Acts of 1978, 1982, and 1986; under the Futures Trading Practices Act of 1992; under the CFTC Reauthorization Act of 1995; under the Commodity Futures Modernization Act of 2000; and under the Dodd-Frank Act of 2010. Congress passed the Food, Conservation, and Energy Act of 2008 (Farm Bill), which reauthorized the Commission through FY 2013. In the absence of formal reauthorization, CFTC has continued to operate through authorized appropriations for FY 2014 and 2015.

The CFTC is responsible for ensuring the economic utility of futures markets by encouraging their competitiveness and efficiency, ensuring their integrity, and protecting market participants against manipulation, abusive trade practices, and fraud.

On July 21, 2010, the "Dodd-Frank Wall Street Reform and Consumer Protection Act" (the Dodd-Frank Act, or the Act) was signed into law, significantly expanding the powers and responsibilities of the CFTC. According to Section 748 of the Act, there is established in the Treasury of the United States a revolving fund known as the "Commodity Futures Trading Commission Customer Protection Fund" (the Fund). The Fund shall be available to the Commission, without further appropriation or fiscal year limitation, for a) the payment of awards to whistleblowers; and b) the funding of customer education initiatives designed to help customers protect themselves against fraud or other violations of this Act or the rules and regulations thereunder.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations for the CFTC, as required by the Accountability of Tax Dollars Act of 2002. They are presented in accordance with the form and content requirements contained in Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, as amended.

The principal financial statements have been prepared in all material respects from the agency's books and records in conformity with U.S. generally accepted accounting principles (GAAP), as prescribed for the Federal government by the Federal Accounting Standards Advisory Board (FASAB). The application and methods for applying these principles are appropriate for presenting fairly the entity's assets, liabilities, financial position, net cost of operations, changes in net position, budgetary resources, and custodial activities.

The books and records of the agency served as the source of information for preparing the financial statements in the prescribed formats. All agency financial statements and reports used to monitor and control budgetary resources are prepared from the same books and records. The statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.

The Balance Sheets present the financial position of the agency. The Statements of Net Cost present the agency's operating results; the Statements of Changes in Net Position display the changes in the agency's equity accounts. The Statements of Budgetary Resources present the sources, status, and uses of the agency's resources and follow the rules for the Budget of the United States Government. The Statements of Custodial Activity present the sources and disposition of collections for which the CFTC is the fiscal agent, or custodian, for the Treasury General Fund Miscellaneous Receipt accounts.

Throughout these financial statements, assets, liabilities, revenues and costs have been classified according to the type of entity with whom the transactions were made. Intragovernmental assets and liabilities are those from or to other federal entities. Intragovernmental earned revenues are collections or accruals of revenue from other federal entities, and intragovernmental costs are payments or accruals to other federal entities. The CFTC does not transact business among its own operating units, and therefore, intra-entity eliminations were not needed.

C. Budgetary Resources and Status

The CFTC is funded through congressionally approved appropriations. The CFTC is responsible for administering the salaries and expenses of the agency through the execution of these appropriations.

Congress annually enacts appropriations that provide the CFTC with the authority to obligate funds within the respective fiscal year for necessary expenses to carry out mandated program activities. All appropriations are subject to quarterly apportionment as well as Congressional restrictions.

The CFTC's budgetary resources for FY 2015 consist of:

- Unobligated balances of resources brought forward from the prior year,
- Recoveries of obligations made in prior years, and
- New resources in the form of appropriations and spending authority from offsetting collections.

Unobligated balances associated with resources expiring at the end of the fiscal year remain available for five years after expiration only for upward adjustments of prior year obligations, after which they are canceled and may not be used. All unused monies related to canceled appropriations are returned to Treasury and the canceled authority is reported on the Statements of Budgetary Resources and the Statements of Changes in Net Position.

D. Entity and Non-Entity Assets

Assets consist of entity and non-entity assets. Entity assets are those assets that the CFTC has authority to use for its operations. Non-entity assets are those held by the CFTC that are not available for use in its operations. Non-entity assets held by the CFTC include deposit fund balances, custodial fines, interest, penalties, and administrative fees receivable.

E. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the CFTC's funds with Treasury in general, receipt, revolving, and deposit fund accounts. Appropriated funds recorded in general fund expenditure accounts are available to pay current liabilities and finance authorized purchases. Revolving fund custodial collections recorded in the deposit fund and miscellaneous receipts accounts of the Treasury are not available for agency use. At fiscal year-end, receipt account balances are returned to Treasury or transferred to the Customer Protection Fund.

The CFTC 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. Spending authority from offsetting collections is recorded in the agency's expenditure account and is available for agency use subject to certain limitations.

F. Investments

The CFTC has the authority to invest amounts deposited in the Customer Protection Fund in short-term market-based Treasury securities. Market-based Treasury securities are debt securities that the U.S. Treasury issues to Federal entities without statutorily determined interest rates. Although the securities are not marketable, the terms (prices and interest rates) mirror the terms of marketable Treasury securities. Investments are carried at their historical cost basis which approximates fair value due to their short-term nature.

Interest earned on the investments is a component of the Fund and is available to be used for expenses of the Customer Protection Fund. Additional details regarding Customer Protection Fund investments are provided in Note 3.

G. Accounts Receivable, Net

Accounts receivable consists of amounts owed by other federal agencies and the public to the CFTC and is valued net of an allowance for uncollectible amounts. The allowance is based on past experience in the collection of receivables and analysis of the outstanding balances. Accounts receivable arise from reimbursable operations, earned refunds or the Civil Monetary Sanctions program.

H. General Property, Plant and Equipment, Net

Furniture, fixtures, equipment, information technology hardware and software, and leasehold improvements are capitalized and depreciated or amortized over their useful lives.

The CFTC capitalizes assets annually if they have useful lives of at least two years and an individual value of $25,000 or more. Bulk or aggregate purchases are capitalized when the individual useful lives are at least two years and the purchase is a value of $25,000 or more. Property, plant and equipment that do not meet the capitalization criteria are expensed when acquired. Depreciation for equipment and amortization for software is computed on a straight-line basis using a 5-year life. Leasehold improvements are amortized over the remaining life of the lease. The Commission's assets are valued net of accumulated depreciation or amortization.

I. Deferred Costs

The Commission has received lease incentives, Tenant Improvement Allowances (TIA), from the landlords on its operating leases. These allowances can be used for construction, asset purchases, or rent expense, and are classified as deferred costs on the balance sheets. These costs are reallocated either to leasehold improvements, equipment, or if used for rent, expensed. The TIA is also amortized with the deferred lease liability over the life of the lease.

J. Prepayments

Payments to federal and non-federal sources in advance of the receipt of goods and services are recorded as prepayments and recognized as expenses when the related goods and services are received. Intragovernmental prepayments reported on the Balance Sheet were made primarily to the Department of Transportation (DOT) for transit subsidy and accounting services. Prepayments to the public were primarily for software maintenance and subscription services.

K. Liabilities

The CFTC's liabilities consist of actual and estimated amounts that are likely to be paid as a result of transactions covered by budgetary resources for which Congress has appropriated funds or funding, or are otherwise available from reimbursable transactions to pay amounts due.

Liabilities include those covered by budgetary resources in existing legislation and those not yet covered by budgetary resources. The CFTC liabilities not covered by budgetary resources include:

- Intragovernmental Federal Employees' Compensation Act (FECA) liabilities,
- Annual leave benefits that will be funded by annual appropriations as leave is taken,
- Actuarial FECA liabilities,
- Custodial liabilities for custodial revenue deemed collectible but not yet collected at fiscal year-end,
- Contingent liabilities,
- Deposit funds,

- Deferred lease liabilities, and
- Advances received for reimbursable services yet to be provided.

L. Accounts Payable

Accounts payable consists primarily of contracts for goods or services, such as operating leases, leasehold improvements, software development, information technology, telecommunications, and consulting and support services.

M. Accrued Payroll and Benefits and Annual Leave Liability

The accrued payroll liability represents amounts for salaries and benefits owed for the time since the payroll was last paid through the end of the reporting period. The annual leave liability is the amount owed to employees for unused annual leave as of the end of the reporting period. At the end of each quarter, the balance in the accrued annual leave account is adjusted to reflect current balances and pay rates. Sick leave and other types of non-vested leave are expensed as taken.

The agency's employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS.

For employees under FERS, the CFTC contributes an amount equal to one percent of the employee's basic pay to the tax deferred Thrift Savings Plan and matches employee contributions up to an additional four percent of pay. FERS and CSRS employees can contribute a portion of their gross earnings to the plan up to Internal Revenue Service (IRS) limits; however, CSRS employees receive no matching agency contribution.

N. Leases

The CFTC does not have any capital lease liabilities. The operating leases consist of commercial property for the CFTC's headquarters and regional offices. Lease expenses are recognized on a straight-line basis.

O. Deposit Funds

Deposit funds are expenditure accounts used to record monies that do not belong to the Federal government. They are held awaiting distribution based on a legal determination or investigation. The CFTC Deposit Fund is used to collect and later distribute collections of monetary awards to the appropriate victims as restitution. The cash collections recorded in this fund are offset by a Deposit Fund liability. Activities in this fund are not fiduciary in nature because they are not legally enforceable against the government.

P. Net Position

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations are appropriations that have not yet been used to acquire goods and services or provide benefits. Appropriations are considered expended, or used, when goods and services have been acquired by the CFTC or benefits have been provided using the appropriation authority, regardless of whether monies have been paid or payables for the goods, services, or benefits have been established.

Cumulative results of operations represent the excess of budgetary or other financing sources over expenses since inception. Cumulative results of operations are derived from the net effect of capitalized assets, expenses, exchange revenue, and unfunded liabilities.

Q. Revenues

The CFTC receives reimbursement and earns revenue for the following activities:

- Reimbursement for travel, subsistence, and related expenses from non-federal sources for attendance at meetings or similar functions that an employee has been authorized to attend in an official capacity on behalf of the Commission.
- Reimbursement for Intergovernmental Personnel Act Mobility Program assignments from state and local governments, institutions of higher education, and other eligible organizations for basic pay, supplemental pay, fringe benefits, and travel and relocation expenses.
- Reimbursement from non-federal sources for registration fees to cover the cost of expenses related to the CFTC's annual International Regulators Conference.

R. Net Cost of Operations

Net cost of operations is the difference between the CFTC's expenses and its earned revenue. The presentation of program results by strategic goals is based on the CFTC's current Strategic Plan established pursuant to the Government Performance and Results Act of 1993. The Commission implemented a new strategic plan in FY 2015 with different goals; as a result, the FY 2015 and FY 2014 net costs by strategic goal are presented separately rather than comparatively.

The mission statement of the CFTC is to protect market users and the public from fraud, manipulation, and abusive practices related to the sale of commodity and financial futures and options, and to foster open, competitive, and financially sound futures and option markets. For FY 2015, the mission was accomplished through the following four strategic goals, each focusing on a vital area of regulatory responsibility:

- Goal 1: Market Integrity and Transparency – The focus of Market Integrity and Transparency is to recognize that derivatives markets provide a means for market users to offset price risks inherent in their businesses and to serve as a public price discovery mechanism.

- Goal 2: Financial Integrity and Avoidance of Systemic Risk – The focus of Financial Integrity and Avoidance of Systemic Risk is to strive to ensure that Commission-registered derivatives clearing organizations (DCOs), swap dealers (SDs), major swap participants (MSPs), and futures commission merchants (FCMs) have the financial resources, risk management systems and procedures, internal controls, customer protection systems, and other controls necessary to meet their obligations so as to minimize the risk that the financial difficulty of any of these registrants, or any of their customers has systemic implications.
- Goal 3: Comprehensive Enforcement – Through the goal of Comprehensive Enforcement, the CFTC enforces the CEA and Commission regulations, and works to promote awareness of and compliance with these laws.
- Goal 4: Domestic and International Cooperation and Coordination – Domestic and International Cooperation and Coordination focuses on how the Commission interacts with domestic and international regulatory authorities, market participants, and others affected by the Commission's regulatory policies and practices.

To advance its mission goals and objectives, the CFTC will achieve Commission-wide excellence by empowering strong, enterprise-focused leaders, maintaining a high-performing and engaged workforce, and ensuring effective stewardship of resources.

For FY 2014, the mission was accomplished through the following five strategic goals, similar to the above and each focusing on a vital area of regulatory responsibility:

- Goal 1: Market Integrity – Protect the public and market participants by ensuring market integrity; promoting transparency, competition, and fairness; and lowering risk in the system,
- Goal 2: Clearing Integrity – Protect the public and market participants by ensuring the financial integrity of derivatives transactions, mitigation of systemic risk, and the fitness and soundness of intermediaries and other registrants,
- Goal 3: Robust Enforcement – Protect the public and market participants through a robust enforcement program,
- Goal 4: Cross-Border Cooperation – Enhance integrity of US markets by engaging in cross-border cooperation, promoting strong international regulatory standards, and encouraging ongoing convergence of laws and regulation worldwide, and
- Goal 5: Organizational and Management Excellence – Promote Commission excellence through executive direction and leadership, organizational and individual performance management, and effective management of resources.

S. Custodial Activity

The CFTC collects penalties and fines levied against firms for violation of laws as described in the Commodity Exchange Act as codified at 7 U.S.C. § 1, *et seq.*, and the Commodity Futures Modernization Act of 2000, Appendix E of P.L. 106-554, 114 Stat. 2763. Unpaid fines, penalties and accrued interest are reported as custodial receivables, with an associated custodial liability. The receivables and the liability are reduced by amounts determined to be uncollectible. Revenues earned and the losses from bad debts are reported to Treasury.

Collections made by the CFTC during the year are deposited and reported into designated Treasury miscellaneous receipt accounts for:

- Registration and filing fees,
- Fines, penalties and forfeitures, and
- General proprietary receipts.

At fiscal year-end, custodial collections made by the CFTC are either returned to Treasury or when determined eligible, transferred to the Customer Protection Fund. The CFTC does not retain any amount for custodial activities including reimbursement of the cost of collection.

T. Use of Management Estimates

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

U. Reconciliation of Net Obligations and Net Cost of Operations

In accordance with OMB Circular A-136, the Commission reconciles its change in budgetary obligations with its net cost of operations.

V. Funds from Dedicated Collections

The Commission's Customer Protection Fund (CPF) was established to operate a whistleblower program and support customer education initiatives. See Note 1.A. for a description of the purpose of the CPF and its authority to use revenues and other financing sources. Deposits into the CPF are credited from monetary sanctions collected by the Commission in a covered judicial or administrative action where the full judgment is in excess of $1,000,000 and the collection is not otherwise distributed to victims of a violation of the Dodd-Frank Act or the underlying rules and regulations, unless the balance of the CPF at the time the monetary judgment is collected exceeds $100 million. No new legislation was enacted as of September 30, 2015 that significantly changed the purpose of the fund or redirected a material portion of the accumulated balance.

Note 2. Fund Balance with Treasury

A. Reconciliation to Treasury

There are no differences between the fund balances reflected in the CFTC Balance Sheets and the balances in the Treasury accounts.

B. Fund Balance with Treasury

Fund Balance with Treasury consists of entity assets such as appropriations, reimbursements for services rendered, and collections of fines and penalties. Obligation of these funds is controlled by quarterly apportionments made by OMB. Work performed under reimbursable agreements is initially financed by the annual appropriation and is subsequently reimbursed. Collections of fines and penalties are distributed to harmed investors, returned to Treasury, or when eligible, transferred to the Customer Protection Fund.

Fund Balance with Treasury at September 30, 2015 and 2014 consisted of the following:

	2015	2014
Appropriated Funds	$ 61,472,593	$ 42,487,412
Customer Protection Fund	5,593,661	4,448,248
Deposit Fund	179,806	134,683
TOTAL FUND BALANCE WITH TREASURY	**$ 67,246,060**	**$ 47,070,343**

C. Status of Fund Balance with Treasury

Status of Fund Balance with Treasury at September 30, 2015 and 2014 consisted of the following:

Appropriated Funds	**2015**	**2014**
Unobligated Fund Balance		
Available	$ 937,162	$ 1,000,971
Unavailable	4,535,734	4,592,572
Obligated Balance Not Yet Disbursed	55,999,697	36,893,869
Total Appropriated Funds	**61,472,593**	**42,487,412**
Customer Protection Fund		
Unobligated Fund Balance		
Available	$ 1,302,454	$ 777,356
Obligated Balance Not Yet Disbursed	4,291,207	3,670,892
Total Customer Protection Fund	**5,593,661**	**4,448,248**
Deposit Fund	**179,806**	**134,683**
TOTAL FUND BALANCE WITH TREASURY	**$ 67,246,060**	**$ 47,070,343**

Note 3. Investments

The CFTC invests amounts deposited in the Customer Protection Funds in overnight short-term Treasury securities. Treasury overnight certificates of indebtedness are issued with a stated rate of interest to be applied to their par amount, mature on the business day immediately following their issue date, are redeemed at their par amount at maturity, and have interest payable at maturity.

The overnight certificates are Treasury securities whose interest rates or prices are determined based on the interest rates or prices of Treasury-related financial instruments issued or trading in the market, rather than on the interest rates or prices of outstanding marketable Treasury securities. The Commission may invest in other short-term or long-term Treasury securities at management's discretion.

The Commission's investments as of September 30, 2015 and 2014 were $263 million and $270 million, respectively. Interest earned as of September 30, 2015 and 2014 was $58,152 and $35,630, respectively.

Intragovernmental Investments in Treasury Securities

The Federal Government does not set aside assets to pay future claims or other expenditures associated with funds from dedicated collections deposited into the Customer Protection Fund. The dedicated cash receipts collected by the Commission as a result of monetary sanctions are deposited in the U.S. Treasury, which uses the cash for general Government purposes. As discussed above and in Note 1F, the Commission invests the majority of these funds in Treasury securities. These Treasury securities are an asset of the Commission and a liability of the U.S. Treasury. Because the Commission and the U.S. Treasury are both components of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, the investments presented by the Commission do not represent an asset or a liability in the U.S. Government-wide financial statements.

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

Note 4. Accounts Receivable, Net

Accounts receivable consist of amounts owed the CFTC by other Federal agencies and the public. Accounts receivable are valued at their net collectible values. Non-custodial accounts receivable are primarily for overpayments of expenses to other agencies, or vendors, and repayment of employee benefits. Historical experience has indicated that most of the non-custodial receivables are collectible and that there are no material uncollectible amounts.

Custodial receivables (non-entity assets) are those for which fines and penalties have been assessed and levied against businesses or individuals for violations of the CEA or Commission regulations. Violators may be subject to a variety of sanctions including fines, injunctive orders, bars or suspensions, rescissions of illegal contracts, and disgorgements.

An allowance for uncollectible accounts has been established and included in accounts receivable on the balance sheets. The allowance is based on past experience in the collection of accounts receivable and analysis of outstanding balances. Historical experience has indicated that a high percentage of custodial receivables prove uncollectible. Accounts are re-estimated quarterly based on account reviews and the agency determination that changes to the net realizable value are needed.

Accounts receivable, net consisted of the following as of September 30, 2015 and 2014:

	2015	2014
Custodial Receivables, Net		
Civil Monetary Penalty Interest	$ 1,037,104	$ 1,270,142
Civil Monetary Penalties, Fines, and Administrative Fees	1,452,575,210	1,620,550,206
Less: Allowance for Loss on Interest	(1,037,065)	(1,270,115)
Less: Allowance for Loss on Penalties, Fines, and Administrative Fees	(1,449,320,093)	(1,617,905,205)
Registration and Filing Fees	1,441,020	1,573,760
Net Custodial Receivables	**$ 4,696,176**	**$ 4,218,788**
Other Accounts Receivable	18,614	11,112
TOTAL ACCOUNTS RECEIVABLE, NET	**$ 4,714,790**	**$ 4,229,900**

Note 5. General Property, Plant and Equipment

Property, Plant and Equipment as of September 30, 2015 and 2014 consisted of the following:

2015 Major Class	Service Life and Method		Cost		Accumulated Amortization/ Depreciation		Net Book Value
Equipment	5 Years/Straight Line	$	40,993,436	$	(28,242,099)	$	12,751,337
IT Software	5 Years/Straight Line		29,074,565		(15,159,696)		13,914,869
Software In Development	Not Applicable		2,575,619		-		2,575,619
Leasehold Improvements	Remaining Life of Lease/Straight Line		30,627,318		(9,510,877)		21,116,441
		$	**103,270,938**	**$**	**(52,912,672)**	**$**	**50,358,266**

2014 Major Class	Service Life and Method		Cost		Accumulated Amortization/ Depreciation		Net Book Value
Equipment	5 Years/Straight Line	$	38,559,381	$	(24,380,358)	$	14,179,023
IT Software	5 Years/Straight Line		24,456,684		(10,979,125)		13,477,559
Software In Development	Not Applicable		3,836,219		-		3,836,219
Leasehold Improvements	Remaining Life of Lease/Straight Line		30,125,887		(7,154,139)		22,971,748
		$	**96,978,171**	**$**	**(42,513,622)**	**$**	**54,464,549**

Depreciation and amortization expense for the years ended September 30, 2015 and 2014 totaled $12,679,373 and $14,167,999, respectively.

Note 6. Deferred Costs

The Commission receives Tenant Improvement Allowances (TIA) from its landlords. These allowances are used to cover the costs of building renovations, asset purchases, or rent expenses. The TIA is initially recorded as deferred costs on the balance sheet and is amortized with the deferred lease liability over the life of the lease.

The Commission received approximately $16.2 million in TIA between FY 2010 and 2012, of which approximately $14.4 million has been used to fund leasehold improvements, and $1.8 million has been used to cover rental payments through September 30, 2015. The remaining, unused balance of $28 thousand is reflected as deferred costs on the balance sheet.

Deferred Costs (TIA)		2015		2014
Beginning Balance, October 1	$	64,201	$	220,953
TIA Received		-		-
TIA Used		(35,714)		(156,752)
BALANCE AS OF SEPTEMBER 30	**$**	**28,487**	**$**	**64,201**

Note 7. Liabilities Not Covered by Budgetary Resources

As of September 30, 2015 and 2014, the following liabilities were not covered by budgetary resources:

		2015		2014
Intragovernmental-FECA Liabilities	$	82,531	$	88,975
Intragovernmental-Custodial Liabilities		4,696,176		4,218,788
Annual Leave		9,788,839		9,590,172
Actuarial FECA Liabilities		415,570		460,759
Contingent Liabilities		300,000		85,000
Deposit Fund Liabilities		179,806		134,683
Deferred Lease Liabilities		25,673,457		25,961,973
Other		22,397		11,699
TOTAL LIABILITIES NOT COVERED BY BUDGETARY RESOURCES	**$**	**41,158,776**	**$**	**40,552,049**

Liabilities not covered by budgetary resources of $41.16 million and $40.55 million represented 74.9 and 82 percent of the Commission's total liabilities of $54.98 million and $49.45 million as of September 30, 2015 and 2014, respectively.

In connection with the preparation of the current year financial statements, the misclassification of custodial liabilities was identified as an immaterial error in the FY 2014 Balance Sheet. The FY 2014 custodial liabilities is correctly presented as an intragovernmental liability on the Balance Sheet presented herein.

Note 8. Retirement Plans and Other Employee Benefits

The CFTC imputes costs and the related financing sources for its share of retirement benefits accruing to its past and present employees that are in excess of the amount of contributions from the CFTC and its employees, which are mandated by law. The Office of Personnel Management (OPM), which administers federal civilian retirement programs, provides the cost information to the CFTC. The CFTC recognizes the full cost of providing future pension and Other Retirement Benefits (ORB) for current employees as required by Statement of Federal Financial Accounting Standards (SFFAS) 5, *Accounting for Liabilities of the Federal Government*.

Full costs include pension and ORB contributions paid out of the CFTC's appropriations and costs financed by OPM. The amount financed by OPM is recognized as an imputed financing source. This amount was $6,667,523 for the year ended September 30, 2015 and $6,773,161 for the year ended September 30, 2014. Reporting amounts such as plan assets, accumulated plan benefits, or unfunded liabilities, if any, is the responsibility of OPM.

Liabilities for future pension payments and other future payments for retired employees who participate in the Federal Employees Health Benefits Program and the Federal Employees Group Life Insurance Program are reported by OPM rather than CFTC.

Note 9. FECA Liabilities

FECA provides income and medical cost protections to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims against the CFTC and subsequently seeks reimbursement from the CFTC for these paid claims. Accrued FECA liabilities represent amounts due to DOL for claims paid on behalf of the agency. Accrued FECA liabilities at September 30, 2015 and 2014 were $82,531 and $88,975, respectively.

In addition, the Commission's actuarial FECA liability represents the liability for future workers compensation benefits, which includes the expected liability for death, disability, medical, and miscellaneous cost for approved cases. The Commission records an estimate for the FECA actuarial liability using the DOL's FECA model. The model considers the average amount of benefit payments incurred by the Commission for the past three fiscal years, multiplied by the medical and compensation liability to benefits paid ratio for the whole FECA program. Actuarial FECA liabilities at September 30, 2015 and 2014 were $415,570 and $460,759, respectively.

Note 10. Leases

The CFTC has operating leases in privately-owned buildings for its locations in Washington D.C., Chicago, New York, and Kansas City. The CFTC has no real property. Future estimated minimum lease payments are not accrued as liabilities and are expensed on a straight-line basis.

As of September 30, 2015, future estimated minimum lease payments continue through FY 2025 and are as follows:

Fiscal Year		Dollars
2016	$	19,017,114
2017		19,411,711
2018		19,772,333
2019		20,133,393
2020		20,507,089
Thereafter		95,363,201
Total Future Minimum Lease Payments	**$**	**194,204,841**

CFTC recognizes leases expenses on a straight-line basis because the Commission's lease payment amounts vary at negotiated times and reflect increases in rental costs, and in some cases, allowances or credits from landlords. Consistent with the utility of its office space, the Commission records deferred lease liabilities representing expense amounts in excess of payments to date. The deferred lease liabilities at September 30, 2015 and September 30, 2014 were $25,673,457 and $25,961,973 respectively.

CFTC's historical practice has been to obligate only the annual portion of lease payments due each year. On August 6, 2015, the Government Accountability Office (GAO) requested information on the Commission's views regarding various legal issues involving the CFTC's leases, including the practice of recording obligations arising under the agency's current leases for office space in Washington, D.C., Chicago, New York, and Kansas City. As a result of the CFTC's review, the Commission concluded that its historical practice for recording lease obligations may be inconsistent with OMB Circular A-11, *Preparation, Submission and Execution of the Budget*; 31 U.S.C. § 1501(a)(1) (the recording statute); and previous GAO decisions. The GAO is currently reviewing the matter and the agency expects an opinion to be issued in FY 2016.

As a result of the potential findings of the anticipated GAO opinion, it is reasonably possible that an unfunded obligation totaling approximately $194 million and $212 million as of September 30, 2015 and 2014 respectively, covering all potential future payments agreed to under current leases, will need to be recognized.

The following table describes the Commission's existing lease arrangements for buildings and furniture, including major asset categories by location and associated lease terms.

BUILDINGS	
Location	***Lease Terms***
Washington, D.C.	Lease of office space from October 5, 1995, through September 30, 2025, subject to annual escalation amounts[21] and including allowances for leasehold improvements and rent offsets.
New York	Lease of office space from November 16, 2001, through April 30, 2022, with no escalation clauses or option to renew.
Kansas City	Lease of office space from April 1, 2011, through April 14, 2021, including allowances for leasehold improvements and rent offsets.
Chicago	Lease of office space from March 10, 2002, through June 30, 2022, including proportionate share of operation expenses and taxes for premises and allowances for leasehold improvements and rent offsets.

FURNITURE	
Location	***Lease Terms***
Washington, D.C.	Six-month to one-year rentals of various office furniture, including desks, credenzas, chairs, bookcases, and lateral files, with lease terms ranging from August 10, 2014, through August 9, 2015, to July 30, 2015, through January 2, 2016.
New York	One-year rentals of various office furniture, including desks, credenzas, chairs, and lateral files, with lease terms ranging from October 23, 2014, through October 22, 2015, to August 21, 2015, through August 20, 2016.

Note 11. Contingent Liabilities

The CFTC records contingent liabilities for legal cases in which payment has been deemed probable and for which the amount of potential liability has been estimated, including judgments that have been issued against the agency and which have been appealed. In FY 2015, the Commission was involved in two cases where an unfavorable outcome is reasonably possible but the potential loss is not reasonably estimable.

In addition, on September 29, 2015, the Commission announced that it expects to make an award of approximately $300,000 to a whistleblower for providing valuable information about violations of the Commodity Exchange Act (CEA). While the order granting the award can be appealed until October 29, 2015, the Commission has recorded a liability because it has been deemed probable that the award will be paid.

[12] If market rent were $100 per square foot with a 10 percent annual escalation and a $10 operating expense base, then 98 percent of the applicable market rent would be $98 per square foot with a 10 percent escalation and a $10 operating base.

Note 12. Undelivered Orders

The amount of budgetary resources obligated for undelivered orders as of September 30, 2015 and 2014 consisted of the following:

		2015		2014
UNDELIVERED ORDERS	$	48,941,200	$	33,377,094

The amount of undelivered orders represents the value of unpaid and paid obligations recorded during the fiscal year, and upward and downward adjustments of obligations that were originally recorded in a prior fiscal year.

Note 13. Apportionment Categories of Obligations Incurred

Category A funds are those amounts that are subject to quarterly apportionment by OMB, meaning that a portion of the annual appropriation is not available to the agency until apportioned for a particular quarter. Category B funds represent budgetary resources distributed by a specified time period, activity, project, object, or a combination of these categories. The Commission's Category B funds represent amounts apportioned at the beginning of the fiscal year for the Commission's Customer Protection Fund. For the fiscal years ended September 30, 2015 and 2014, the Commission incurred obligations against Category A and Category B funds as follows:

		2015		2014
Direct Obligations				
Category A	$	252,012,036	$	216,293,906
Category B - Customer Protection Fund		6,622,259		5,042,582
Reimbursable Obligations (Category A)		67,708		13,787
TOTAL OBLIGATIONS INCURRED	**$**	**258,702,003**	**$**	**221,350,275**

Note 14. Unobligated Balances

In connection with the preparation of the current year financial statements, the Commission identified an immaterial error in the FY 2014 Statement of Budgetary Resources. The Unobligated Apportioned line item was overstated by $16.2 million and the Unobligated Unapportioned line item was understated by $16.2 million. This error has no net impact to the Total Unobligated Balance line item. The balances of Unobligated Apportioned and Unobligated Unapportioned have been corrected in the FY 2014 Statement of Budgetary Resources presented herein.

On the FY 2015 Statement of Budgetary Resources, the balance in Unapportioned is negative due to a deficiency in the 2013 annual salaries and expenses fund as the result of a transfer from its multi-year information technology fund that was subsequently reversed.

Note 15. Explanations of Differences between the Statement of Budgetary Resources and Budget of the United States Government

The CFTC had two offsetting material differences between the amounts reported in the Statement of Budgetary Resources and the actual amounts reported in the Budget of the U.S. Government for FY 2014 for the Customer Protection Fund due to a $176.1 million recovery from the U.S. Department of the Treasury. This amount was paid from FY 2012 collections but recognized as an offsetting collection in the Statement of Budgetary Resources in FY 2014 and will not be a difference in FY 2015 and going forward.

	Unobligated Balance Brought Forward FY 2014	Spending Authority from Offsetting Collections	Total
CPF Statement of Budgetary Resources	$ 98,986,699	$ 176,110,000	$ 275,096,699
FY 2014 Recovery from Treasury	176,110,000	(176,110,000)	-
Budget of the U.S. Government	**$ 275,096,699**	**$ -**	**$ 275,096,699**

The Budget of the U.S. Government with actual numbers for FY 2015 has not yet been published. The expected publish date is February 2016. A copy of the Budget can be obtained from OMB's website.

Note 16. Intra-governmental Cost and Exchange Revenue by Goal

As required by the Government Performance and Results Act of 1993, the agency's reporting has been aligned with the major goals presented in CFTC's Strategic Plan as reported in Note 1R. The Net Cost of Operations is derived from transactions between the Commission and public entities, as well as with other federal agencies. The details of the intragovernmental costs and revenues, as well as those with the public, are as follows:

2015		
Goal 1: Market Integrity and Transparency		
Intragovernmental Gross Costs	$	10,446,726
Less: Earned Revenue		-
Intragovernmental Net Cost of Operations	**$**	**10,446,726**
Gross Costs With the Public	$	57,890,292
Less: Earned Revenue		(14,516)
Net Cost of Operation With the Public	**$**	**57,875,776**
Total Net Cost of Operations-Goal One	**$**	**68,322,502**
Goal 2: Financial Integrity and Avoidance of Systemic Risk		
Intragovernmental Gross Costs	$	11,302,327
Less: Earned Revenue		-
Intragovernmental Net Costs of Operations	**$**	**11,302,327**
Gross Costs With the Public	$	62,631,580
Less: Earned Revenue		(15,704)
Net Cost of Operations With the Public	**$**	**62,615,876**
Total Net Cost of Operations-Goal Two	**$**	**73,918,203**
Goal 3: Comprehensive Enforcement		
Intragovernmental Gross Costs	$	14,602,499
Less: Earned Revenue		-
Intragovernmental Net Cost of Operations	**$**	**14,602,499**
Gross Costs With the Public	$	80,919,410
Less: Earned Revenue		(20,291)
Net Cost of Operation With the Public	**$**	**80,899,119**
Total Net Cost of Operations-Goal Three	**$**	**95,501,618**

(Continued)

2015 (Continued)		
Goal 4: Domestic and International Cooperation and Coordination		
Intragovernmental Gross Costs	$	1,844,888
Less: Earned Revenue		-
Intragovernmental Net Cost of Operations	**$**	**1,844,888**
Gross Costs With the Public	$	10,223,404
Less: Earned Revenue		(2,563)
Net Cost of Operations With the Public	**$**	**10,220,841**
Total Net Cost of Operations-Goal Four	**$**	**12,065,729**
Grand Total		
Intragovernmental Gross Costs	$	38,196,440
Less: Earned Revenue		-
Intragovernmental Net Cost of Operations	**$**	**38,196,440**
Gross Costs With the Public		211,664,686
Less: Earned Revenue		(53,074)
Net Cost of Operations With the Public	**$**	**211,611,612**
NET COST OF OPERATIONS	$	**249,808,052**

2014		
Goal 1: Market Integrity		
Intragovernmental Gross Costs	$	8,991,682
Less: Earned Revenue		-
Intragovernmental Net Cost of Operations	**$**	**8,991,682**
Gross Costs With the Public	$	47,762,770
Less: Earned Revenue		(8,189)
Net Cost of Operation With the Public	**$**	**47,754,581**
Total Net Cost of Operations-Goal One	**$**	**56,746,263**
Goal 2: Clearing Integrity		
Intragovernmental Gross Costs	$	8,233,762
Less: Earned Revenue		-
Intragovernmental Net Costs of Operations	**$**	**8,233,762**
Gross Costs With the Public	$	43,736,790
Less: Earned Revenue		(7,498)
Net Cost of Operations With the Public	**$**	**43,729,292**
Total Net Cost of Operations-Goal Two	**$**	**51,963,054**

(Continued)

2014 (Continued)		
Goal 3: Robust Enforcement		
Intragovernmental Gross Costs	$	11,334,342
Less: Earned Revenue		-
Intragovernmental Net Cost of Operations	**$**	**11,334,342**
Gross Costs With the Public	$	60,206,711
Less: Earned Revenue		(10,323)
Net Cost of Operation With the Public	**$**	**60,196,388**
Total Net Cost of Operations-Goal Three	**$**	**71,530,730**
Goal 4: Cross-Border Cooperation		
Intragovernmental Gross Costs	$	1,860,348
Less: Earned Revenue		-
Intragovernmental Net Cost of Operations	**$**	**1,860,348**
Gross Costs With the Public	$	9,881,952
Less: Earned Revenue		(1,694)
Net Cost of Operations With the Public	**$**	**9,880,258**
Total Net Cost of Operations-Goal Four	**$**	**11,740,606**
Goal 5: Organizational and Management Excellence		
Intragovernmental Gross Costs	$	4,030,754
Less: Earned Revenue		-
Intragovernmental Net Cost of Operations	**$**	**4,030,754**
Gross Costs With the Public		21,410,897
Less: Earned Revenue		(3,671)
Net Cost of Operations With the Public	**$**	**21,407,226**
Total Net Cost of Operations-Goal Five	**$**	**25,437,980**
Grand Total		
Intragovernmental Gross Costs	$	34,450,888
Less: Earned Revenue		-
Intragovernmental Net Cost of Operations	**$**	**34,450,888**
Gross Costs With the Public		182,999,120
Less: Earned Revenue		(31,375)
Net Cost of Operations With the Public	**$**	**182,967,745**
NET COST OF OPERATIONS	$	**217,418,633**

Note 17. Reconciliation of Net Obligations and Net Cost of Operations

The schedule presented in this footnote reconciles the net obligations with the Net Cost of Operations. Resources Used to Finance Activities reflects the budgetary resources obligated and other resources used to finance the activities of the agency. Resources Used to Finance Items Not Part of the Net Cost of Operations adjusts total resources used to finance the activities of the entity to account for items that were included in net obligations and other resources but were not part of the Net Cost of Operations. Components Requiring or Generating Resources in Future Periods identifies items that are recognized as a component of the net cost of operations for the period but the budgetary resources (and related obligation) will not be provided (or incurred) until a subsequent period. Components Not Requiring or Generating Resources includes items recognized as part of the net cost of operations for the period but will not generate or require the use of resources. The Net Cost of Operations in the schedule presented in this note agrees with the Net Cost of Operations as reported on the Statements of Net Cost.

RESOURCES USED TO FINANCE ACTIVITIES		2015		2014
Budgetary Resources Obligated				
Obligations Incurred	$	258,702,003	$	221,350,275
Less: Spending Authority from Offsetting Collections and Recoveries		(4,296,665)		(178,365,365)
Obligations Net of Offsetting Collections and Recoveries	$	254,405,338	$	42,984,910
Less: Offsetting Receipts		(6,767)		(39,435)
Net Obligations After Offsetting Receipts	$	254,398,571	$	42,945,475
Other Resources :				
Transfers In from Disgorgements, Fines, and Penalties	$	-	$	176,110,604
Imputed Financing From Costs Absorbed by Others		6,667,523		6,773,161
Total Resources Used to Finance Activities	**$**	**261,066,094**	**$**	**225,829,240**
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 before Adjustments	$	(15,537,141)	$	(14,032,326)
Resources that Fund Expenses Recognized in Prior Periods		(51,633)		(46,620)
Offsetting Receipts		6,767		39,435
Nonexchange Interest Revenue		58,152		35,630
Resources that Fund the Acquisition of Fixed Assets		(9,489,542)		(10,569,054)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations		**(25,013,397)**		**(24,572,935)**
COMPONENTS OF NET COST OF OPERATIONS THAT WILL REQUIRE OR GENERATE RESOURCES IN FUTURE PERIODS				
Increase in Unfunded Liabilities	$	413,667	$	1,647,757
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	**$**	**413,667**	**$**	**1,647,757**
COMPONENTS NOT REQUIRING OR GENERATING RESOURCES				
Depreciation and Amortization	$	12,679,373	$	14,167,999
(Gain)/Loss on Disposal		663,649		1,065,291
Other		(1,334)		(718,719)
Total Components of Net Cost of Operations that will Not Require or Generate Resources	**$**	**13,341,688**	**$**	**14,514,571**
Total Components of Net Cost of Operations that will Not Require or Generate Resources in the Current Year	**$**	**13,755,355**	**$**	**16,162,328**
Net Cost of Operations	**$**	**249,808,052**	**$**	**217,418,633**

Note 18. Funds from Dedicated Collections

Funds from dedicated collections arise from disgorgement and penalty collections and are transferred to the Customer Protection Fund (CPF), established by the Dodd-Frank Act. The collections are transferred from the custodial receipt account if they are found to be eligible before the end of each fiscal year. In cases where the collection has been returned to the Treasury Department, the Commission can recover the funds directly from Treasury. The collections will fund the Commission's whistleblower awards program and customer education initiatives.

The Dodd-Frank Act provides that whistleblower awards shall be paid under regulations prescribed by the Commission. An important prerequisite to implementation of the whistleblower awards program is the issuance of rules and regulations describing its scope and procedures. The Commission issued final rules implementing the Act on August 25, 2011. These rules became effective on October 24, 2011. The Commission established the Whistleblower Office in FY 2012.

Eligible collections of $176.1 million were transferred into the Customer Protection Fund as of September 30, 2014. No eligible collections were transferred during FY 2015 because the fund reached its legislative maximum during FY 2014. The following chart presents the Fund's balance sheets, statements of net costs, and statements of changes in net position as of and for the years ended September 30, 2015 and 2014:

Balance Sheets	**2015**	**2014**
Fund Balance with Treasury	$ 5,593,661	$ 4,448,248
Investments	263,000,000	270,000,000
General Property, Plant, and Equipment, Net	215,859	-
Total Assets	**$ 268,809,520**	**$ 274,448,248**
Accounts Payable	835,464	109,470
Accrued Payroll	55,478	23,466
Contingent Liabilities	300,000	-
Other	6,168	-
Total Liabilties	**$ 1,197,110**	**$ 132,936**
Cumulative Results of Operations - Funds from Dedicated Collections	267,612,410	274,315,312
Total Net Position	**$ 267,612,410**	**$ 274,315,312**
Total Liabilities and Net Position	**$ 268,809,520**	**$ 274,448,248**

	2015	2014
Statements of Net Cost		
Gross Costs	$ 6,761,054	$ 1,735,213
Total Net Cost of Operations	**$ 6,761,054**	**$ 1,735,213**
Statements of Changes in Net Position		
Beginning Cumulative Results of Operations, October 1	$ 274,315,312	$ 99,904,291
Nonexchange Interest Revenue	58,152	35,630
Transfers-In Without Reimbursement	-	176,110,604
Net Cost of Operations	(6,761,054)	(1,735,213)
Net Change	(6,702,902)	174,411,021
Total Net Position, September 30	**$ 267,612,410**	**$ 274,315,312**

Required Supplementary Information (Unaudited)

Commodity Futures Trading Commission

COMBINING STATEMENTS OF BUDGETARY RESOURCES BY MAJOR ACCOUNT

For the Years Ended September 30, 2015 and 2014

	2015			
	Customer Protection Fund	Salaries and Expense	Information Technology	Combined
BUDGETARY RESOURCES				
Unobligated Balance Brought Forward, October 1	$ 269,901,355	$ 265,726	$ 5,382,040	$ 275,549,121
Adjustment to Unobligated Balance Brought Forward, October 1	829,170	-	-	829,170
Unobligated Balance Brought Forward, October 1, as Adjusted	270,730,525	265,726	5,382,040	276,378,291
Recoveries of Prior Year Unpaid Obligations	89,205	3,128,287	844,183	4,061,675
Other Changes in Unobligated Balance	-	(2,167,775)	-	(2,167,775)
Unobligated Balance from Prior Year Budget Authority, Net	270,819,730	1,226,238	6,226,223	278,272,191
Appropriations	-	200,000,000	50,000,000	250,000,000
Spending Authority from Offsetting Collections	53,908	169,223	7,615	230,746
Total Budgetary Resources	**$ 270,873,638**	**$ 201,395,461**	**$ 56,233,838**	**$ 528,502,937**
STATUS OF BUDGETARY RESOURCES				
Obligations Incurred (Note 13)	$ 6,622,259	$ 201,458,614	$ 50,621,130	$ 258,702,003
Unobligated Balance, End of Period				
Apportioned	264,251,379	560,577	5,547,952	270,359,908
Unapportioned	-	(623,730)	64,756	(558,974)
Total Unobligated Balance, End of Period	264,251,379	(63,153)	5,612,708	269,800,934
Total Budgetary Resources	**$ 270,873,638**	**$ 201,395,461**	**$ 56,233,838**	**$ 528,502,937**
CHANGE IN OBLIGATED BALANCE				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$ 3,670,892	$ 25,243,753	$ 11,650,117	40,564,762
Obligations Incurred	6,622,259	201,458,614	50,621,130	258,702,003
Outlays (Gross)	(5,912,739)	(188,808,978)	(40,192,470)	(234,914,187)
Recoveries of Prior-Year Unpaid Obligations	(89,205)	(3,128,287)	(844,183)	(4,061,675)
Unpaid Obligations, End of Period	4,291,207	34,765,102	21,234,594	60,290,903
Uncollected Payments:				
Uncollected Payments, Federal Sources, Brought Forward, October 1	-	(54,225)	-	(54,225)
Change in Uncollected Payments, Federal Sources	-	(22,435)	-	(22,435)
Uncollected Payments, Federal Sources, End of Period	-	(76,660)	-	(76,660)
Memorandum Entries:				
Obligated Balance, Start of Period	**$ 3,670,892**	**$ 25,189,528**	**$ 11,650,117**	**$ 40,510,537**
Obligated Balance, End of Period	**$ 4,291,207**	**$ 34,688,442**	**$ 21,234,594**	**$ 60,214,243**
BUDGET AUTHORITY AND OUTLAYS, NET				
Budget Authority, Gross	$ 53,908	$ 200,169,223	$ 50,007,615	$ 250,230,746
Actual Offsetting Collections	(58,152)	(146,787)	(7,615)	(212,554)
Change in Uncollected Customer Payments from Federal Sources	-	(22,435)	-	(22,435)
Budget Authority, Net	**$ (4,244)**	**$ 200,000,001**	**$ 50,000,000**	**$ 249,995,757**
Outlays, Gross	$ 5,912,739	$ 188,808,978	$ 40,192,470	234,914,187
Actual Offsetting Collections	(58,152)	(146,787)	(7,615)	(212,554)
Outlays, Net	5,854,587	188,662,191	40,184,855	234,701,633
Distributed Offsetting Receipts	-	(6,767)	-	(6,767)
Agency Outlays, Net	**$ 5,854,587**	**$ 188,655,424**	**$ 40,184,855**	**$ 234,694,866**

(Continued)

Commodity Futures Trading Commission

COMBINING STATEMENTS OF BUDGETARY RESOURCES BY MAJOR ACCOUNT (Continued)

For the Years Ended September 30, 2015 and 2014

	2014			
	Customer Protection Fund	Salaries and Expense	Information Technology	Combined
BUDGETARY RESOURCES				
Unobligated Balance Brought Forward, October 1	$ 98,986,699	$ 5,131,169	$ 850,618	$ 104,968,486
Recoveries of Prior Year Unpaid Obligations	24,004	318,696	1,547,706	1,890,406
Other Changes in Unobligated Balance	-	(6,344,455)	5,123,000	(1,221,455)
Unobligated Balance from Prior Year Budget Authority, Net	99,010,703	(894,590)	7,521,324	105,637,437
Appropriations	-	180,000,000	35,000,000	215,000,000
Spending Authority from Offsetting Collections	175,933,234	226,855	101,870	176,261,959
Total Budgetary Resources	**$ 274,943,937**	**$ 179,332,265**	**$ 42,623,194**	**$ 496,899,396**
STATUS OF BUDGETARY RESOURCES				
Obligations Incurred (Note 13)	$ 5,042,582	$ 179,066,539	$ 37,241,154	$ 221,350,275
Unobligated Balance, End of Period				
Apportioned	11,000,257	2,178,264	259,040	13,437,561
Unapportioned	258,901,098	(1,912,538)	5,123,000	262,111,560
Total Unobligated Balance, End of Period	269,901,355	265,726	5,382,040	275,549,121
Total Budgetary Resources	**$ 274,943,937**	**$ 179,332,265**	**$ 42,623,194**	**$ 496,899,396**
CHANGE IN OBLIGATED BALANCE				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$ 333,533	$ 8,153,060	$ 17,311,812	$ 25,798,405
Obligations Incurred	5,042,582	179,066,539	37,241,154	221,350,275
Outlays (Gross)	(1,681,219)	(161,657,150)	(41,355,143)	(204,693,512)
Recoveries of Prior-Year Unpaid Obligations	(24,004)	(318,696)	(1,547,706)	(1,890,406)
Unpaid Obligations, End of Period	3,670,892	25,243,753	11,650,117	40,564,762
Uncollected Payments:				
Uncollected Payments, Federal Sources, Brought Forward, October 1	-	(45,921)	-	(45,921)
Change in Uncollected Payments, Federal Sources	-	(8,304)	-	(8,304)
Uncollected Payments, Federal Sources, End of Period	-	(54,225)	-	(54,225)
Memorandum Entries:				
Obligated Balance, Start of Period	**$ 333,533**	**$ 8,107,139**	**$ 17,311,812**	**$ 25,752,484**
Obligated Balance, End of Period	**$ 3,670,892**	**$ 25,189,528**	**$ 11,650,117**	**$ 40,510,537**
BUDGET AUTHORITY AND OUTLAYS, NET				
Budget Authority, Gross	$ 175,933,234	$ 180,226,855	$ 35,101,870	$ 391,261,959
Actual Offsetting Collections	(176,146,234)	(218,551)	(101,870)	(176,466,655)
Change in Uncollected Customer Payments from Federal Sources	-	(8,304)	-	(8,304)
Budget Authority, Net	**$ (213,000)**	**$ 180,000,000**	**$ 35,000,000**	**$ 214,787,000**
Outlays, Gross	$ 1,681,219	$ 161,657,150	$ 41,355,143	204,693,512
Actual Offsetting Collections	(176,146,234)	(218,551)	(101,870)	(176,466,655)
Outlays, Net	(174,465,015)	161,438,599	41,253,273	28,226,857
Distributed Offsetting Receipts	-	(39,435)	-	(39,435)
Agency Outlays, Net	**$ (174,465,015)**	**$ 161,399,164**	**$ 41,253,273**	**$ 28,187,422**