Office Of The Inspector General
OIG
Commodity Futures Trading Commission

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, *CPA, CRMA*
Assistant Inspector General for Auditing

DATE: November 14, 2016

SUBJECT: Financial Statements Audit Fiscal Year (FY) 2016

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, 2016. We contracted with the independent certified public accounting firm Allmond & Company, LLC (Allmond & Co.) to conduct this required audit. The contract required that the audit be done in accordance with U.S. generally accepted government auditing standards (GAGAS), the 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.

Allmond & Co. communicated an unqualified (clean) opinion on CFTC's financial statements as of September 30, 2016, and determined its net costs, changes in net position, custodial activity, and budgetary resources for the year then ended were presented fairly in accordance with U.S. generally accepted accounting principles (US GAAP).

Allmond & Co. also communicated that CFTC's internal controls over financial reporting and compliance are sufficiently designed to detect and correct material errors in its financial statements and closed the material weaknesses reported in the FY 2015 financial statement audit (relating to the recording of lease obligations).

In reference to compliance with laws and regulations, Allmond & Co. disclosed an instance of noncompliance previously addressed in the FY 2015 financial statement audit, and recommended that CFTC complete the investigation into the potential Anti Deficiency Act violations associated with the recording of lease obligations. Management concurred with the recommendation.

In connection with the contract, Allmond & Co. is responsible for the auditor's report dated November 14, 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 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 appropriation responsibilities. In addition, we will post a copy of the report on our public website. Attached is a copy of Allmond & Co.'s opinion letter and their management letter. Please call me if any questions at (202) 418-5084.

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

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Independent Auditors' Report

Chairman and Inspector General of
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 sheet as of September 30, 2016 and the related statements of net cost, changes in net position, custodial activity and combined statements of budgetary resources for the year ended, and the related notes to the financial statements (hereinafter referred to as the financial statements). The financial statements of CFTC as of September 30, 2015 were audited by other auditors whose report, dated January 15, 2016, expressed a qualified opinion on those 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 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 the fiscal year 2016 financial statements of CFTC based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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 of 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 audit opinion.

Opinion

In our opinion, 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, 2016, and its net costs, changes in net position, custodial activity and budgetary resources for the year then ended in conformity with generally accepted accounting principles in the United States of America

Emphasis of Matter

The CFTC's historical practice had been to obligate only the annual portion of lease payments due each fiscal year. On February 4, 2016, GAO issued Comptroller General Decision B-327242, Commodity Futures Trading Commission – Recording of Obligations for Multiple-Year Leases. GAO determined that while the CFTC had the authority to enter into multiple year leases, the agency violated the recording statute, 31 U.S.C. 1501(a) (1), because it did not record the total lease liability for each of its leases when it entered into its leasing contracts.

As stated in Note 16 to the financial statements, CFTC restated the FY 2015 Statement of Budgetary Resources to reflect the unfunded lease obligations to account for the full amount of obligations remaining on its active leases for building space in accordance with generally accepted accounting principles. The restatement does not change the opinion of the predecessor auditor on the FY 2015 financial statements.

Other Matters

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 inquires, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statement 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 *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, 2016, we considered CFTC's internal control over financial reporting by obtaining an understanding of CFTC's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of control to determine auditing procedures for the purpose of expressing our opinion on the financial statements, but not to provide an opinion on the effectiveness of CFTC's internal control over financial reporting. Accordingly, we do not express an opinion on CFTC's internal controls over financial reporting. We limited internal control testing to those necessary to achieve the objectives described in OMB Bulletin No. 15-02. We did not test all internal control relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control over financial reporting was for the limited purpose as described in the paragraph above and was not designed to identify all deficiencies in internal control over financial reporting that might be a control deficiency, significant deficiency, or material weakness.

A control 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 significant deficiency is a control deficiency or a combination of control deficiencies, that adversely affects CFTC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the CFTC's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

In our fiscal year 2016 audit, we did not identify any deficiencies in internal control over financial reporting that we considered to be a material weakness or significant deficiency, as defined above.

However, we noted an additional matter that we will report to CFTC's management in a separate letter. Exhibit II presents the status of prior year findings and recommendations.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CFTC's fiscal year 2016 financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws and regulations, with which noncompliance could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws specified in OMB Bulletin No.15-02. 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 of compliance as described in the preceding paragraph, disclosed an instance of noncompliance or other matters that are required to be reported herein under Government Auditing Standards or OMB Bulletin No. 15-02 and which are described in Exhibit I.

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

Allmond & Company, LLC

November 14, 2016

CONDITION

Potential Anti-deficiency Act (ADA) Violation:

CFTC continues to investigate 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

CFTC did not record its multi-year leases in accordance with applicable laws and regulations.

EFFECT

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

RECOMMENDATION

We recommend that CFTC's management complete the investigation into the potential ADA violation noted and report to the appropriate parties, as necessary.

MANAGEMENT'S RESPONSE

Management concurs with the recommendation.

The following table provides the fiscal year (FY) 2016 status of all recommendations included in the Independent Auditors' Report on the Commodity Futures Trading Commissions FY 2015 Financial Statements (January 15, 2016).

FY 2015 Finding	FY 2015 Recommendation	FY 2016 Status
Internal Controls over Financial Reporting	**Recommendation:**	
	(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.	Closed
	(b) Develop written accounting policies and procedures that document the basis for all accounting positions that are significant to the financial statements.	Closed
	(c) Develop and implement adequate control to ensure lease obligations are recorded in compliance with OMB A-11, Appendix B requirements.	Closed
	(d) Update its accounting policy on the accounting for the lease obligation to be consistent with the guidance in OMB A-11, Appendix B.	Closed
	(e) Investigate the potential violation of ADA to make a final determination and report it, as applicable	Closed
Potential Anti-Deficiency Act Violation	**Recommendation:**	
	(a) Complete the investigation into the potential ADA violation noted.	Open
	(b) Develop and implement sufficient policies and procedures to prevent future ADA violations.	Closed

Financial Highlights

The following chart is an overview of the Commission's financial position, preceding a discussion of the agency's financial highlights for fiscal year 2016:

Financial Summary

		2016		2015
Condensed Balance Sheet Data				
Fund Balance with Treasury	$	71,891,891	$	67,246,060
Investments		244,000,000		263,000,000
Accounts Receivable		13,120		18,614
Prepayments		2,847,772		2,473,459
Custodial Receivables, Net		15,089,568		4,696,176
General Property, Plant and Equipment, Net		48,357,120		50,358,266
Deferred Costs		-		28,487
Total Assets	$	382,199,471	$	387,821,062
Accounts Payable	$	10,589,674	$	8,607,890
FECA Liabilities		505,002		498,101
Accrued Payroll and Annual Leave		16,647,297		15,004,112
Custodial Liabilities		15,089,568		4,696,176
Deposit Fund Liabilities		265,828		179,806
Deferred Lease Liabilities		28,293,139		25,673,457
Contingent Liabilities		-		300,000
Other		-		22,397
Total Liabilties	$	71,390,508	$	54,981,939
Unexpended Appropriations - All Other Funds	$	53,836,721	$	50,997,602
Cumulative Results of Operations - Funds from Dedicated Collections		247,550,496		267,612,410
Cumulative Results of Operations - All Other Funds		9,421,746		14,229,111
Total Net Position	$	310,808,963	$	332,839,123
Total Liabilities and Net Position	$	382,199,471	$	387,821,062

		2016		2015
Condensed Statements of Net Cost				
Gross Costs	$	278,141,094	$	249,861,126
Earned Revenue		(55,123)		(53,074)
Total Net Cost of Operations	$	278,085,971	$	249,808,052
NET COST BY STRATEGIC GOAL				
Goal One - Market Integrity and Transparency	$	72,413,587	$	68,322,502
Goal Two - Financial Integrity and Avoidance of Systemic Risk		85,650,480		73,918,203
Goal Three - Comprehensive Enforcement		106,506,926		95,501,618
Goal Four - Domestic and International Cooperation and Coordination		13,514,978		12,065,729
Total Net Cost of Operations	$	278,085,971	$	249,808,052

Figure 1: Financial Summary

Principal Financial Statements

Commodity Futures Trading Commission
BALANCE SHEETS
As of September 30, 2016 and 2015

	2016	2015
Assets		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	$ 71,891,891	$ 67,246,060
Investments (Note 3)	244,000,000	263,000,000
Accounts Receivable, Net (Note 4)	2,000	-
Prepayments (Note 1J)	1,241,933	263,851
Total Intragovernmental	317,135,824	330,509,911
Custodial Receivables, Net (Note 4)	15,089,568	4,696,176
Accounts Receivable, Net (Note 4)	11,120	18,614
General Property, Plant and Equipment, Net (Note 5)	48,357,120	50,358,266
Deferred Costs (Note 6)	-	28,487
Prepayments (Note 1J)	1,605,839	2,209,608
Total Assets	$ 382,199,471	$ 387,821,062
Liabilities		
Intragovernmental:		
Accounts Payable	$ 1,314,250	$ 387,666
Custodial Liabilities	15,089,568	4,696,176
Employer Contributions and Payroll Taxes Payable	1,110,434	-
FECA Liabilities (Note 9)	83,713	82,531
Total Intragovernmental	17,597,965	5,166,373
Accounts Payable	9,275,424	8,220,224
Actuarial FECA Liabilities (Note 9)	421,289	415,570
Accrued Payroll	5,479,736	5,215,273
Annual Leave	10,057,127	9,788,839
Deposit Fund Liabilities	265,828	179,806
Deferred Lease Liabilities (Note 10)	28,293,139	25,673,457
Contingent Liabilities (Note 11)	-	300,000
Other	-	22,397
Total Liabilities	$ 71,390,508	$ 54,981,939
Net Position		
Unexpended Appropriations - All Other Funds	$ 53,836,721	$ 50,997,602
Cumulative Results of Operations - Funds from Dedicated Collections	247,550,496	267,612,410
Cumulative Results of Operations - All Other Funds	9,421,746	14,229,111
Total Net Position	310,808,963	332,839,123
Total Liabilities and Net Position	$ 382,199,471	$ 387,821,062

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, 2016 and 2015

		2016		2015
Net Cost by Goal (Note 13)				
Goal One: Market Integrity and Transparency				
Gross Costs	$	72,427,941	$	68,337,018
Less: Earned Revenue		(14,354)		(14,516)
Net Cost of Operations -- Goal One	$	72,413,587	$	68,322,502
Goal Two: Financial Integrity and Avoidance of Systemic Risk				
Gross Costs	$	85,667,457	$	73,933,907
Less: Earned Revenue		(16,977)		(15,704)
Net Cost of Operations -- Goal Two	$	85,650,480	$	73,918,203
Goal Three: Comprehensive Enforcement				
Gross Costs	$	106,528,039	$	95,521,909
Less: Earned Revenue		(21,113)		(20,291)
Net Cost of Operations -- Goal Three	$	106,506,926	$	95,501,618
Goal Four: Domestic and International Cooperation and Coordination				
Gross Costs	$	13,517,657	$	12,068,292
Less: Earned Revenue		(2,679)		(2,563)
Net Cost of Operations -- Goal Four	$	13,514,978	$	12,065,729
Grand Total				
Gross Costs	$	278,141,094	$	249,861,126
Less: Earned Revenue		(55,123)		(53,074)
Total Net Cost of Operations	$	278,085,971	$	249,808,052

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, 2016 and 2015

	2016		
	Dedicated Collections	All Other Funds	Consolidated Total
Cumulative Results of Operations:			
Beginning Balances, October 1	$ 267,612,410	$ 14,229,111	$ 281,841,521
Budgetary Financing Sources:			
Appropriations Used	-	247,160,881	247,160,881
Nonexchange Interest Revenue (Note 3)	489,668	-	489,668
Other Financing Sources:			
Imputed Financing Sources (Note 8)	-	5,566,143	5,566,143
Total Financing Sources	489,668	252,727,024	253,216,692
Net Cost of Operations	(20,551,582)	(257,534,389)	(278,085,971)
Net Change	(20,061,914)	(4,807,365)	(24,869,279)
Total Cumulative Results of Operations, September 30	$ 247,550,496	$ 9,421,746	$ 256,972,242
Unexpended Appropriations:			
Beginning Balances, October 1	$ -	$ 50,997,602	$ 50,997,602
Budgetary Financing Sources:			
Appropriations Received	-	250,000,000	250,000,000
Appropriations Used	-	(247,160,881)	(247,160,881)
Total Budgetary Financing Sources	-	2,839,119	2,839,119
Total Unexpended Appropriations, September 30	$ -	$ 53,836,721	$ 53,836,721
Net Position	$ 247,550,496	$ 63,258,467	$ 310,808,963

(continued)

Commodity Futures Trading Commission
STATEMENTS OF CHANGES IN NET POSITION (Continued)
For the Years Ended September 30, 2016 and 2015

	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
Other Adjustments (+/-)	-	(2,167,775)	(2,167,775)
Appropriations Used	-	(232,255,603)	(232,255,603)
Total Budgetary Financing Sources	-	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

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

Commodity Futures Trading Commission
STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2016 and 2015

	2016	2015 Restated (Note 16)
BUDGETARY RESOURCES		
Unobligated Balance Brought Forward, October 1	$ 59,758,110	$ 45,372,067
Adjustment to Unobligated Balance Brought Forward, October 1	-	829,170
Unobligated Balance Brought Forward, October 1, as Adjusted	59,758,110	46,201,237
Recoveries of Prior Year Unpaid Obligations	4,448,160	4,061,675
Other Changes in Unobligated Balance	507,747	(2,070,976)
Unobligated Balance from Prior Year Budget Authority, Net	64,714,017	48,191,936
Appropriations	250,000,000	250,000,000
Spending Authority from Offsetting Collections	501,849	133,947
Total Budgetary Resources	$ 315,215,866	$ 298,325,883
STATUS OF BUDGETARY RESOURCES		
New Obligations and Upward Adjustments (Note 12A)	$ 270,891,918	$ 258,702,003
Change in Unfunded Lease Obligations (Notes 10 and 16)	(15,664,166)	(20,134,230)
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	246,556,853	270,359,908
Unapportioned, Unexpired Accounts	(194,232,932)	(209,897,098)
Unexpired Unobligated Balance, End of Year	52,323,921	60,462,810
Expired Unobligated Balance, End of Year	7,664,193	(704,700)
Unobligated Balance, End of Year (Total)	59,988,114	59,758,110
Total Budgetary Resources	$ 315,215,866	$ 298,325,883
CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	$ 60,290,903	$ 40,564,762
Unfunded Lease Obligations Brought Forward, October 1 (Notes 10 and 16)	210,042,824	230,177,054
Change in Unfunded Lease Obligations (Notes 10 and 16)	(15,664,166)	(20,134,230)
Total Remaining Unfunded Lease Obligations	194,378,658	210,042,824
New Obligations and Upward Adjustments	270,891,918	258,702,003
Outlays (Gross)	(265,476,500)	(234,914,187)
Recoveries of Prior-Year Unpaid Obligations	(4,448,160)	(4,061,675)
Unpaid Obligations, End of Year	255,636,819	270,333,727
Uncollected Payments:		
Uncollected Payments, Federal Sources, Brought Forward, October 1	(76,660)	(54,225)
Change in Uncollected Payments, Federal Sources	(6,585)	(22,435)
Uncollected Payments, Federal Sources, End of Year	(83,245)	(76,660)
Memorandum Entries:		
Obligated Balance, Start of Year	$ 270,257,067	$ 270,687,591
Obligated Balance, End of Year	$ 255,553,574	$ 270,257,067
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget Authority, Gross	$ 250,501,849	$ 250,133,947
Actual Offsetting Collections	(1,036,307)	(212,554)
Change in Uncollected Customer Payments from Federal Sources	(6,585)	(22,435)
Recoveries of prior year paid obligations (discretionary and mandatory)	507,747	96,799
Budget Authority, Net	$ 249,966,704	$ 249,995,757
Outlays, Gross	$ 265,476,500	$ 234,914,187
Actual Offsetting Collections	(1,036,307)	(212,554)
Outlays, Net	264,440,193	234,701,633
Distributed Offsetting Receipts	(2,387)	(6,767)
Agency Outlays, Net	$ 264,437,806	$ 234,694,866

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, 2016 and 2015

	2016	2015
Revenue Activity		
Sources of Cash Collections:		
Registration and Filing Fees	$ 1,444,842	$ 1,575,300
Fines, Penalties, and Forfeitures	479,905,668	2,841,186,640
General Proprietary Receipts	2,387	6,767
Total Cash Collections	481,352,897	2,842,768,707
Change in Custodial Receivables	10,393,392	477,388
Total Custodial Revenue	$ 491,746,289	$ 2,843,246,095
Disposition of Collections		
Amounts Transferred to:		
Department of the Treasury	$ (481,352,897)	$ (2,842,768,707)
Total Disposition of Collections	(481,352,897)	(2,842,768,707)
Change in Custodial Liabilities	(10,393,392)	(477,388)
NET CUSTODIAL ACTIVITY	$ -	$ -

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

Notes to the Financial Statements

As of and For the Years Ended September 30, 2016 and 2015

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 annual appropriations.

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 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 2016 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. As of September 30, 2016, all of the TIA that was received through FY 2012 has been used.

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 implementation of a new integrated acquisition system. 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,
- Intragovernmental custodial liabilities for custodial revenue deemed collectible but not yet collected at fiscal year-end,
- Annual leave benefits that will be funded by annual appropriations as leave is taken,
- Actuarial FECA liabilities,
- 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. Total accrued payroll is composed of amounts to be paid to CFTC employees as well as the related intragovernmental payable for employer contributions and payroll taxes. 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 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 2016, 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.

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 Commodities 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 1A 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, 2016, that significantly changed the purpose of the fund or redirected a material portion of the accumulated balance.

W. Reclassifications

To conform to OMB Circular A-136, activity and balances reported on the FY 2015 Statement of Budgetary Resources have been reclassified to conform to the presentation in the current year.

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, 2016, and 2015, consisted of the following:

	2016	2015
Appropriated Funds	$ 66,140,651	$ 61,472,593
Customer Protection Fund	5,485,412	5,593,661
Deposit Fund	265,828	179,806
Total Fund Balance with Treasury	$ 71,891,891	$ 67,246,060

C. Status of Fund Balance with Treasury

Status of Fund Balance with Treasury at September 30, 2016, and 2015, consisted of the following:

Appropriated Funds		2016		2015
Unobligated Fund Balance				
Available	$	1,395,955	$	937,162
Unavailable		7,726,675		4,535,734
Obligated Balance Not Yet Disbursed		57,018,021		55,999,697
Total Appropriated Funds		66,140,651		61,472,593
Customer Protection Fund				
Unobligated Fund Balance				
Available		1,245,271		1,302,454
Obligated Balance Not Yet Disbursed		4,240,141		4,291,207
Total Customer Protection Fund		5,485,412		5,593,661
Deposit Fund		265,828		179,806
Total Fund Balance with Treasury	$	71,891,891	$	67,246,060

Obligated and unobligated balances reported for the status of Fund Balance with Treasury differ from the amounts reported in the Statement of Budgetary Resources due to the fact that budgetary balances are supported by amounts other than Fund Balance with Treasury. These amounts include Customer Protection Fund investments, uncollected payments from Federal sources, and unfunded lease obligations.

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, 2016, and 2015, were $244 million and $263 million, respectively. Related nonexchange interest revenue for the years ended September 30, 2016, and 2015, was $489,668 and $58,152, 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. Although historical experience has indicated that a high percentage of custodial receivables prove uncollectible, the Commission determines the collectability of each individual judgment based on knowledge of the financial profile of the debtor obtained through the course of the investigation and litigation of each case, including efforts to identify and freeze assets at the beginning of cases, when any remaining assets are most likely to be recoverable. Accounts are re-estimated quarterly based on account reviews and the agency's determination that changes to the net realizable value are needed.

Accounts receivable, net consisted of the following as of September 30, 2016, and 2015:

	2016	2015
Custodial Receivables, Net:		
Civil Monetary Penalty Interest	$ 1,275,201	$ 1,037,104
Civil Monetary Penalties, Fines, and Administrative Fees	629,255,325	1,452,575,210
Less: Allowance for Loss on Interest	(1,273,722)	(1,037,065)
Less: Allowance for Loss on Penalties, Fines, and Administrative Fees	(615,436,261)	(1,449,320,093)
Registration and Filing Fees	1,269,025	1,441,020
Net Custodial Receivables	15,089,568	4,696,176
Other Accounts Receivable	13,120	18,614
Total Accounts Receivable, Net	$ 15,102,688	$ 4,714,790

Note 5 General Property, Plant and Equipment, Net

Property, Plant and Equipment as of September 30, 2016, and 2015, consisted of the following:

2016				
Major Class	Service Life and Method	Cost	Accumulated Amortization/ Depreciation	Net Book Value
Equipment	5 Years/Straight Line	$ 41,429,895	$ (26,911,976)	$ 14,517,919
IT Software	5 Years/Straight Line	30,019,734	(19,967,855)	10,051,879
Software In Development	Not Applicable	4,933,548	-	4,933,548
Leasehold Improvements	Remaining Life of Lease/Straight Line	30,647,193	(11,793,419)	18,853,774
		$ 107,030,370	$ (58,673,250)	$ 48,357,120

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

Depreciation and amortization expense for the years ended September 30, 2016, and 2015, totaled $15,439,945 and $12,679,373, 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 $16,199,394 in TIA between FY 2010 and 2012, of which $14,391,636 was used to fund leasehold improvements, and $1,807,758 was applied to rental payments. As of September 30, 2016, all $16,199,394 of the TIA that was received through FY 2012 has been used.

Deferred Costs (TIA)	2016	2015
Beginning Balance, October 1	$ 28,487	$ 64,201
TIA received	-	-
TIA used	(28,487)	(35,714)
Balance as of September 30	$ -	$ 28,487

Note 7 Liabilities not Covered by Budgetary Resources

As of September 30, 2016, and 2015, the following liabilities were not covered by budgetary resources:

	2016	2015
Intragovernmental - FECA Liabilities	$ 83,713	$ 82,531
Intragovernmental - Custodial Liabilities	15,089,568	4,696,176
Annual Leave	10,057,127	9,788,839
Actuarial FECA Liabilities	421,289	415,570
Contingent Liabilities	-	300,000
Deposit Fund Liabilities	265,828	179,806
Deferred Lease Liabilities	28,293,139	25,673,457
Other	-	22,397
	$ 54,210,664	$ 41,158,776

Liabilities not covered by budgetary resources of $54,210,664 and $41,158,776 represented 75.94 and 74.86 percent of the Commission's total liabilities of $71,390,508 and $54,981,939 as of September 30, 2016, and 2015, respectively.

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 $5,566,143 for the year ended September 30, 2016, and $6,667,523 for the year ended September 30, 2015. 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, 2016, and 2015, were $83,713 and $82,531, 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 costs 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, 2016, and 2015, were $421,289 and $415,570, 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, 2016, future estimated minimum lease payments continue through FY 2025 and are as follows:

Fiscal Year		Dollars
2017	$	19,958,881
2018		20,352,643
2019		20,715,734
2020		21,087,399
2021		21,419,962
Thereafter		74,811,311
Total Future Scheduled Rent Payments	$	178,345,930
Future Lease-Related Operating Costs *(Estimated)*		16,032,728
Total Future Minimum Lease Payments	$	194,378,658

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, 2016, and September 30, 2015, were $28,293,139 and $25,673,457, respectively.

CFTC's historical practice has been to obligate only the annual portion of lease payments due each year. This practice is not in accordance 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. This error has been corrected in the financial statements with an increase in obligations as of September 30, 2016, and 2015 of $194,378,658 and $210,042,824, which represents the full amount of obligations remaining on CFTC's active leases at the end of FY 2016 and 2015, respectively (see note 16 – Restatements). The failure to properly record these obligations has resulted in the obligation of funds in excess of appropriations in violation of the Anti-deficiency Act. CFTC will report all violations in accordance with the law.

The following table describes the Commission's existing lease arrangements for buildings and multifunction devices, 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[1] 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 operating expenses and taxes for premises and allowances for leasehold improvements and rent offsets.
MULTIFUNCTION DEVICES	
Location	*Lease Terms*
Washington, D.C., New York, and Kansas City	Two-year rental of multifunction printers through the Government Printing Office with three one-year options to renew.

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. Additionally, the Commission discloses legal matters in which an unfavorable outcome is reasonably possible. In FY 2016, the Commission was involved in one case where an unfavorable outcome is reasonably possible. The potential loss in this case is estimated to be $50,000.

Note 12 Statements of Budgetary Resources

As discussed in Note 10 – Leases above, during FY 2016, the Commission corrected a violation of the recording statute by recording its obligations for all future building lease payments in accordance with OMB Circular A-11. The recording of these previously unrecorded obligations resulted in negative unobligated balances in its salaries and expenses general expenditure funds for both FY 2016 and 2015 because budgetary resources have not been made available to the Commission to fund these multi-year leases (see the Combining Statements of Budgetary Resources in the Required Supplementary Information (RSI) section immediately following the notes). As discussed in Note 16 – Restatements, the Commission restated its prior year Statement of Budgetary Resources and affected notes to recognize the additional obligations for these unfunded lease obligations. The effect on the status of the Commission's budgetary resources and reconciliation to the U.S. Budget is highlighted in each of the note disclosures below.

[1] 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.

A. 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 and reimbursable activities (beginning in FY 2016). For the years ended September 30, 2016, and 2015, the Commission incurred obligations against Category A and Category B funds as follows:

	2016	2015, as restated
Direct Obligations		
Category A	$ 250,934,938	$ 252,012,036
Category B -- Customer Protection Fund	19,899,491	6,622,259
Total Direct Obligations	270,834,429	258,634,295
Reimbursable Obligations		
Category A	-	67,708
Category B	57,489	-
Total Reimbursable Obligations	57,489	67,708
Total New Obligations and Upward Adjustments	$ 270,891,918	$ 258,702,003
Category A -- Change in Unfunded Lease Obligations (Notes 10 and 16)	(15,664,166)	(20,134,230)
Total New Obligations, Upward Adjustments, and Change in Unfunded Lease Obligations	$ 255,227,752	$ 238,567,773

B. Undelivered Orders

The amount of budgetary resources obligated for undelivered orders as of September 30, 2016, and 2015, consisted of the following:

	2016	2015, as restated
Undelivered Orders	$ 241,304,749	$ 258,984,024

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, including obligations for the Commission's future lease payments totaling $194,378,658 and $210,042,824 as of September 30, 2016, and 2015, respectively.

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

The CFTC had 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 2015 related to unrecorded obligations for operating leases (see table below). Recording the obligation on the Statements of Budgetary Resources results in negative amounts reported for the "Unobligated Balance Brought Forward, Oct 1" and "Obligations Incurred, Expired Accounts" line items. The negative balance reported as "Unobligated Balance Brought Forward, October 1" will decrease each year until the Commission's active lease obligations are fully liquidated in FY 2025. The negative activity reported as "Obligations Incurred, Expired Accounts" will also continue through FY 2025, as long as the Commission receives appropriations language that permits it to use current year funding to pay its annual lease costs. While negative obligations incurred is abnormal activity, the Commission concluded that it was more appropriate to offset the obligations recorded in its unexpired account with the related decrease in unfunded lease obligations than to report the amount of the liquidation of the prior year lease obligation as a recovery.

	Unobligated Balance Brought Forward, October 1	Unpaid Obligations Brought Forward, October 1	Obligations Incurred, Expired Accounts
CFTC FY 2015 Statement of Budgetary Resources, as restated	$ (224,529,288)	$ 267,070,924	$ (18,169,649)
Less Unfunded Lease Obligations Brought Forward, October 1	(230,177,054)	230,177,054	-
Less Change in Unfunded Lease Obligations	-	-	(20,134,230)
Less Amount in Expired Accounts	179,604	-	-
Plus Rounding to Nearest Million (+/-)	(468,162)	106,130	35,419
Budget of the U.S. Government	$ 5,000,000	$ 37,000,000	$ 2,000,000

The Budget of the U.S. Government with actual numbers for FY 2016 has not yet been published. The expected publish date is February 2017. A copy of the Budget can be obtained from OMB's website.

Note 13 Intragovernmental 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:

	2016	2015
Goal One: Market Integrity and Transparency		
Intragovernmental Gross Costs	$ 10,817,024	$ 10,446,726
Less: Earned Revenue	(380)	-
Intragovernmental Net Cost of Operations	$ 10,816,644	$ 10,446,726
Gross Costs With the Public	$ 61,610,917	$ 57,890,292
Less: Earned Revenue	(13,974)	(14,516)
Net Cost of Operations With the Public	$ 61,596,943	$ 57,875,776
Total Net Cost of Operations -- Goal One	$ 72,413,587	$ 68,322,502
Goal Two: Financial Integrity and Avoidance of Systemic Risk		
Intragovernmental Gross Costs	$ 12,794,329	$ 11,302,327
Less: Earned Revenue	(449)	-
Intragovernmental Net Cost of Operations	$ 12,793,880	$ 11,302,327
Gross Costs With the Public	$ 72,873,128	$ 62,631,580
Less: Earned Revenue	(16,528)	(15,704)
Net Cost of Operations With the Public	$ 72,856,600	$ 62,615,876
Total Net Cost of Operations -- Goal Two	$ 85,650,480	$ 73,918,203
Goal Three: Comprehensive Enforcement		
Intragovernmental Gross Costs	$ 15,909,831	$ 14,602,499
Less: Earned Revenue	(559)	-
Intragovernmental Net Cost of Operations	$ 15,909,272	$ 14,602,499
Gross Costs With the Public	$ 90,618,208	$ 80,919,410
Less: Earned Revenue	(20,554)	(20,291)
Net Cost of Operations With the Public	$ 90,597,654	$ 80,899,119
Total Net Cost of Operations -- Goal Three	$ 106,506,926	$ 95,501,618

(continued)

Note 13 Intragovernmental Cost and Exchange Revenue by Goal (Continued)

	2016	2015
Goal Four: Domestic and International Cooperation and Coordination		
Intragovernmental Gross Costs	$ 2,018,845	$ 1,844,888
Less: Earned Revenue	(71)	-
Intragovernmental Net Cost of Operations	$ 2,018,774	$ 1,844,888
Gross Costs With the Public	$ 11,498,812	$ 10,223,404
Less: Earned Revenue	(2,608)	(2,563)
Net Cost of Operations With the Public	$ 11,496,204	$ 10,220,841
Total Net Cost of Operations -- Goal Four	$ 13,514,978	$ 12,065,729
Grand Total		
Intragovernmental Gross Costs	$ 41,540,029	$ 38,196,440
Less: Earned Revenue	(1,459)	-
Intragovernmental Net Cost of Operations	$ 41,538,570	$ 38,196,440
Gross Costs With the Public	$ 236,601,065	$ 211,664,686
Less: Earned Revenue	(53,664)	(53,074)
Net Cost of Operations With the Public	$ 236,547,401	$ 211,611,612
Total Net Cost of Operations	$ 278,085,971	$ 249,808,052

Note 14 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.

	2016	2015, as restated
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
New obligations and upward adjustments (total)	$ 270,891,918	$ 258,702,003
Change in Unfunded Lease Obligations	(15,664,166)	(20,134,230)
Less: Spending Authority from Offsetting Collections and Recoveries	(5,491,053)	(4,296,665)
Obligations Net of Offsetting Collections and Recoveries	249,736,699	234,271,108
Less: Offsetting Receipts	(2,387)	(6,767)
Net Obligations After Offsetting Receipts	249,734,312	234,264,341
Other Resources		
Imputed Financing From Costs Absorbed by Others	5,566,143	6,667,523
Total Resources Used to Finance Activities	$ 255,300,455	$ 240,931,864
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	$ 2,005,466	$ (15,537,141)
Change in Unfunded Lease Obligations	15,664,166	20,134,230
Resources that Fund Expenses Recognized in Prior Periods	(300,000)	(51,633)
Offsetting Receipts	2,387	6,767
Nonexchange Interest Revenue	489,668	58,152
Resources that Fund the Acquisition of Fixed Assets	(11,371,444)	(9,489,542)
Total Resources Used to Finance Items Not Part of the Net Cost Of Operations	$ 6,490,243	$ (4,879,167)
Components of Net Cost of Operations that will Require or Generate Resources in Future Periods		
Increase in Unfunded Liabilities	$ 275,190	$ 413,667
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	$ 275,190	$ 413,667
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	$ 15,439,945	$ 12,679,373
(Gain)/Loss on Disposal	552,325	663,649
Other	27,813	(1,334)
Total Components of Net Cost of Operations that will Not Require or Generate Resources	$ 16,020,083	$ 13,341,688
Total Components of Net Cost of Operations that will Not Require or Generate Resources in the Current Year	$ 16,295,273	$ 13,755,355
Total Net Cost of Operations	$ 278,085,971	$ 249,808,052

Note 15 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.

No eligible collections were transferred during FY 2016 or 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, 2016, and 2015:

	2016	2015
Balance Sheets		
Fund Balance with Treasury	$ 5,485,412	$ 5,593,661
Investments	244,000,000	263,000,000
Prepayments	4,369	-
General Property, Plant and Equipment, Net	179,020	215,859
Total Assets	$ 249,668,801	$ 268,809,520
Accounts Payable	1,932,814	835,464
Accrued Payroll	99,697	55,478
Accrued Annual Leave	85,794	-
Contingent Liabilities	-	300,000
Other	-	6,168
Total Liabilties	$ 2,118,305	$ 1,197,110
Cumulative Results of Operations - Funds from Dedicated Collections	247,550,496	267,612,410
Total Net Position	$ 247,550,496	$ 267,612,410
Total Liabilities and Net Position	$ 249,668,801	$ 268,809,520

	2016	2015
Statements of Net Cost		
Gross Costs	$ 20,551,582	$ 6,761,054
Total Net Cost of Operations	$ 20,551,582	$ 6,761,054

	2016	2015
Statements of Changes in Net Position		
Beginning Cumulative Results of Operations, October 1	$ 267,612,410	$ 274,315,312
Nonexchange Interest Revenue	489,668	58,152
Net Cost of Operations	(20,551,582)	(6,761,054)
Net Change	(20,061,914)	(6,702,902)
Total Net Position, September 30	$ 247,550,496	$ 267,612,410

Note 16 Restatements

The CFTC was granted independent leasing authority in 1974, and received authority to expend appropriated funds on multiple year leases in FY 1981. The CFTC's historical practice has been to obligate only the annual portion of lease payments due each fiscal year. On February 4, 2016, GAO issued Comptroller General Decision B-327242, *Commodity Futures Trading Commission – Recording of Obligations for Multiple-Year Leases* ("Decision"). This Decision concluded that CFTC's historical practice of recording multiple-year lease obligations on an annual basis violated the recording statute, 31 U.S.C. § 1501(a)(1). The Decision further indicated that the Commission needs to determine whether "the failure to properly record these obligations has resulted in the obligation of funds in excess of appropriations in violation of the Antideficiency Act" (ADA). After considering GAO's decision, the Commission concluded that it should report a budgetary obligation for the full amount of the lease agreements in its statements of budgetary resources retrospectively. A summary of the effect of the restatement is shown below:

	2015, as Previously Reported	Change	2015, as Restated
BUDGETARY RESOURCES			
Unobligated Balance Brought Forward, October 1	$ 275,549,121	$ (230,177,054)	$ 45,372,067
Adjustment to Unobligated Balance Brought Forward, October 1	829,170		829,170
Unobligated Balance Brought Forward, October 1, as Adjusted	276,378,291	(230,177,054)	46,201,237
Recoveries of Prior Year Unpaid Obligations	4,061,675		4,061,675
Other Changes in Unobligated Balance	(2,167,775)	96,799	(2,070,976)
Unobligated Balance from Prior Year Budget Authority, Net	278,272,191	(230,080,255)	48,191,936
Appropriations	250,000,000		250,000,000
Spending Authority from Offsetting Collections	230,746	(96,799)	133,947
Total Budgetary Resources	$ 528,502,937	$ (230,177,054)	$ 298,325,883
STATUS OF BUDGETARY RESOURCES			
New Obligations and Upward Adjustments (Total) (Note 12A)	$ 258,702,003	$ -	$ 258,702,003
Change in Unfunded Lease Obligations (Notes 10 and 16)	-	(20,134,230)	(20,134,230)
Unobligated Balance, End of Year			
Apportioned, Unexpired Accounts	270,359,908	-	270,359,908
Unapportioned, Unexpired Accounts	145,726	(210,042,824)	(209,897,098)
Unexpired Unobligated Balance, End of Year	270,505,634	(210,042,824)	60,462,810
Expired Unobligated Balance, End of Year	(704,700)		(704,700)
Unobligated Balance, End of Year (Total)	$ 269,800,934	$ (210,042,824)	$ 59,758,110
Total Budgetary Resources	$ 528,502,937	$ (230,177,054)	$ 298,325,883
CHANGE IN OBLIGATED BALANCE			
Unpaid Obligations:			
Unpaid Obligations, Brought Forward, October 1	$ 40,564,762	$ -	$ 40,564,762
Unfunded Lease Obligations Brought Forward, October 1 (Notes 10 and 16)	-	230,177,054	230,177,054
Change in Unfunded Lease Obligations (Notes 10 and 16)	-	(20,134,230)	(20,134,230)
Total Remaining Unfunded Lease Obligations	-	210,042,824	210,042,824
New Obligations and Upward Adjustments (Total)	258,702,003	-	258,702,003
Outlays (Gross)	(234,914,187)	-	(234,914,187)
Recoveries of Prior-Year Unpaid Obligations	(4,061,675)	-	(4,061,675)
Unpaid Obligations, End of Year	60,290,903	210,042,824	270,333,727
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 Year	(76,660)	-	(76,660)
Memorandum Entries:			-
Obligated Balance, Start of Year	$ 40,510,537	$ 230,177,054	$ 270,687,591
Obligated Balance, End of Year	$ 60,214,243	$ 210,042,824	$ 270,257,067

The FY 2015 Statement of Budgetary Resources has been restated to reflect the unfunded lease obligations shown above and discussed in Note 10. This restatement does not affect the Commission's net position or the auditor's opinion on the financial statements. See Note 10 – Leases for additional information on the Commission's leases. In addition, $96,799 in refunds collected were reclassified from Spending Authority from Offsetting Collections to Other Changes in Unobligated Balance to conform to the presentation in the current year, as disclosed in Note 1W.