U.S. COMMODITY FUTURES TRADING COMMISSION
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Office of the Inspector General

MEMORANDUM

TO: Timothy Massad, Chairman

FROM: A. Roy Lavik, Inspector General

DATE: November 17, 2014

SUBJECT: CFTC Financial Statement Audit Report for Fiscal Year 2014

Attached is the Commodity Futures Trading Commission's Office of the Inspector's General (OIG) audit report on the CFTC's financial statement for FY2014. The OIG contracted with an independent public accounting firm KPMG LLP to conduct this audit. We monitored and commented on all aspects of this audit and concur with KPMG's unmodified ("clean") audit opinion stated in the attached audit report.

Should you have any questions regarding this report, please do not hesitate to contact me. We appreciate the courtesy and cooperation that you and your staff extended to my staff and contractors during this audit.

Cc: Commissioners Wetjen, Bowen, and Giancarlo

KPMG LLP
Suite 12000
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, 2014 and 2013, 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. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material 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 audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Commodity Futures Trading Commission as of September 30, 2014 and 2013, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis section 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. 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 in the Other Information Section 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, 2014, 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.*

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. 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 disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02, and which are described below.

Noncompliance. CFTC is currently in the process of reporting an *Anti-deficiency Act* (ADA) violation, 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*.

Other Matters. CFTC is investigating a matter that may potentially represent a violation of the *Anti-deficiency Act* that originated in FY2010. This matter is currently under the review of the CFTC management. A final determination has not yet been made and therefore the outcome of this matter is not presently known.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed no instances in which the CFTC's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

***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 the CFTC's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 14, 2014

Principal Financial Statements

Commodity Futures Trading Commission
BALANCE SHEETS
As of September 30, 2014 and 2013

	2014	2013
Assets		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 47,070,343	$ 36,467,970
Investments (Note 3)	270,000,000	95,000,000
Prepayments (Note 1J)	58,984	252,341
Total Intragovernmental	317,129,327	131,720,311
Custodial Receivables, Net (Note 4)	4,218,788	69,744,626
Accounts Receivable, Net (Note 4)	11,112	13,252
General Property, Plant and Equipment, Net (Note 5)	54,464,549	58,251,172
Deferred Costs (Note 6)	64,201	220,953
Prepayments (Note 1J)	1,653,887	1,289,340
Total Assets	$ 377,541,864	$ 261,239,654
Liabilities		
Intragovernmental:		
Accounts Payable	$ 609,101	$ 269,639
FECA Liabilities (Note 9)	88,975	94,605
Total Intragovernmental	698,076	364,244
Accounts Payable	4,874,120	4,822,771
Actuarial FECA Liabilities (Note 9)	460,759	501,748
Accrued Payroll	3,417,319	2,903,312
Annual Leave	9,590,172	8,748,274
Custodial Liabilities	4,218,788	69,744,626
Deposit Fund Liabilities	134,683	83,997
Deferred Lease Liabilities (Note 10)	25,961,973	25,241,114
Contingent Liabilities (Note 11)	85,000	-
Other	11,699	19,600
Total Liabilities	$ 49,452,589	$ 112,429,686
Net Position		
Unexpended Appropriations - All Other Funds	$ 35,420,980	$ 25,006,039
Cumulative Results of Operations - Funds from Dedicated Collections	274,315,312	99,904,291
Cumulative Results of Operations - All Other Funds	18,352,983	23,899,638
Total Net Position	328,089,275	148,809,968
Total Liabilities and Net Position	$ 377,541,864	$ 261,239,654

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, 2014 and 2013

Net Cost by Goal (Note 14)		2014		2013
Goal 1: Protect the public and market participants by ensuring market integrity; promoting transparency, competition, and fairness; and lowering risk in the system.				
Gross Costs	$	56,754,452	$	62,239,775
Less: Earned Revenue		(8,189)		(14,117)
Net Cost of Operations - Goal One	$	56,746,263	$	62,225,658
Goal 2: 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.				
Gross Costs	$	51,970,552	$	57,483,984
Less: Earned Revenue		(7,498)		(13,038)
Net Cost of Operations - Goal Two	$	51,963,054	$	57,470,946
Goal 3: Protect the public and market participants through a robust enforcement program.				
Gross Costs	$	71,541,053	$	64,137,728
Less: Earned Revenue		(10,323)		(14,549)
Net Cost of Operations - Goal Three	$	71,530,730	$	64,123,179
Goal 4: Enhance integrity of U.S. markets by engaging in cross-border cooperation, promoting strong international regulatory standards, and encouraging ongoing convergence of laws and regulation worldwide.				
Gross Costs	$	11,742,300	$	7,308,211
Less: Earned Revenue		(1,694)		(1,658)
Net Cost of Operations - Goal Four	$	11,740,606	$	7,306,553
Goal 5: Promote Commission excellence through executive direction and leadership, organizational and individual performance management, and effective management of resources.				
Gross Costs	$	25,441,651	$	26,985,840
Less: Earned Revenue		(3,671)		(6,121)
Net Cost of Operations - Goal Five	$	25,437,980	$	26,979,719
Grand Total				
Gross Costs	$	217,450,008	$	218,155,538
Less: Earned Revenue		(31,375)		(49,483)
Total Net Cost of Operations	$	217,418,633	$	218,106,055

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, 2014 and 2013

	FY 2014		
	Dedicated Collections	All Other Funds	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	35,630	-	35,630
Transfers - In Without Reimbursement (Note 17)	176,110,604	-	176,110,604
Other Financing Sources			
Imputed Financing Sources	-	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

Commodity Futures Trading Commission
STATEMENTS OF CHANGES IN NET POSITION (Continued)
For the Years Ended September 30, 2014 and 2013

	FY 2013 Dedicated Collections	FY 2013 All Other Funds	FY 2013 Consolidated Total
Cumulative Results of Operations:			
Beginning Balances, October 1	$ 99,996,749	$ 20,453,508	$ 120,450,257
Budgetary Financing Sources			
Appropriations Used	-	215,085,989	215,085,989
Nonexchange Interest Revenue	50,504		50,504
Transfers - In Without Reimbursement (Note 17)	817,435	-	817,435
Other Financing Sources:			
Imputed Financing Sources	-	5,505,799	5,505,799
Total Financing Sources	867,939	220,591,788	221,459,727
Net Cost of Operations	(960,397)	(217,145,658)	(218,106,055)
Net Change	(92,458)	3,446,130	3,353,672
Total Cumulative Results of Operations, September 30	$ 99,904,291	$ 23,899,638	$ 123,803,929
Unexpended Appropriations:			
Beginning Balances, October 1	$ -	$ 46,348,584	$ 46,348,584
Budgetary Financing Sources			
Appropriations Received	-	205,294,000	205,294,000
Less: Other Adjustments (Rescissions, etc.)	-	(11,550,556)	(11,550,556)
Appropriations Used	-	(215,085,989)	(215,085,989)
Total Budgetary Financing Sources	-	(21,342,545)	(21,342,545)
Total Unexpended Appropriations, September 30	$ -	$ 25,006,039	$ 25,006,039
Net Position	$ 99,904,291	$ 48,905,677	$ 148,809,968

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, 2014 and 2013

	2014	2013
BUDGETARY RESOURCES		
Unobligated Balance Brought Forward, October 1	$ 104,968,486	$ 110,168,414
Recoveries of Prior Year Unpaid Obligations	1,890,406	3,885,172
Other Changes in Unobligated Balance	(1,221,455)	(812,448)
Unobligated Balance From Prior Year Budget Authority, Net	105,637,437	113,241,138
Appropriations	215,000,000	194,555,892
Spending Authority from Offsetting Collections	176,261,959	440,453
Total Budgetary Resources	$ 496,899,396	$ 308,237,483
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred (Note 13)	$ 221,350,275	$ 203,268,997
Unobligated Balance, End of Year		
Apportioned	29,637,561	13,847,564
Unapportioned	245,911,560	91,120,922
Total Unobligated Balance, End of Year	275,549,121	104,968,486
Total Budgetary Resources	$ 496,899,396	$ 308,237,483
CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	$ 25,798,405	$ 49,456,691
Obligations Incurred	221,350,275	203,268,997
Outlays (Gross)	(204,693,512)	(223,042,111)
Recoveries of Prior Year Unpaid Obligations	(1,890,406)	(3,885,172)
Unpaid Obligations, End of Year	40,564,762	25,798,405
Uncollected Payments:		
Uncollected Payments, Federal Sources, Brought Forward, October 1	(45,921)	(8,613)
Change in Uncollected Payments, Federal Sources	(8,304)	(37,308)
Uncollected Payments, Federal Sources, End of Year	(54,225)	(45,921)
Memorandum Entries:		
Obligated Balance, Start of Year	$ 25,752,484	$ 49,448,078
Obligated Balance, End of Year	$ 40,510,537	$ 25,752,484
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget Authority, Gross	$ 391,261,959	$ 194,996,345
Actual Offsetting Collections	(176,466,655)	(1,066,145)
Change in Uncollected Customer Payments from Federal Sources	(8,304)	(37,308)
Budget Authority, Net	$ 214,787,000	$ 193,892,892
Outlays, Gross	$ 204,693,512	$ 223,042,111
Actual Offsetting Collections	(176,466,655)	(1,066,145)
Outlays, Net	28,226,857	221,975,966
Distributed Offsetting Receipts	(39,435)	(63,000)
Agency Outlays, Net	$ 28,187,422	$ 221,912,966

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, 2014 and 2013

	2014	2013
Revenue Activity:		
Sources of Cash Collections:		
Registration and Filing Fees	$ 2,082,325	$ 1,647,387
Fines, Penalties, and Forfeitures	943,104,536	1,042,182,362
General Proprietary Receipts	39,484	62,952
Total Cash Collections	945,226,345	1,043,892,701
Change in Custodial Receivables	(65,525,838)	65,604,279
Total Custodial Revenue	$ 879,700,507	$ 1,109,496,980
Disposition of Collections		
Amounts Transferred to:		
Department of the Treasury	(769,115,741)	(1,043,075,266)
CFTC Customer Protection Fund	(176,110,604)	(817,435)
Total Disposition of Collections	(945,226,345)	(1,043,892,701)
Change in Custodial Liabilities	65,525,838	(65,604,279)
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, 2014 and 2013

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. The CFTC continues to operate through authorized 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 Chief Financial Officers' Act of 1990 along with the Accountability of Tax Dollars Act of 2002, and the Government Management Reform Act of 1994. 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, net cost of operations, changes in net position, budgetary resources, and custodial activities.

The financial statements report on the CFTC's 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 2014 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 expenditure, receipt, revolving, and deposit fund accounts. Appropriated funds recorded in 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.

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

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 transferred to Treasury at fiscal yearend,
- 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 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. (Note 15)

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. The mission is accomplished through five strategic goals, each focusing on a vital area of regulatory responsibility:

- Protect the public and market participants by ensuring market integrity; promoting transparency, competition, and fairness; and lowering risk in the system,
- 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,
- Protect the public and market participants through a robust enforcement program,
- 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
- 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 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, and expenses. 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, 2014 that significantly changed the purpose of the fund or redirected a material portion of the accumulated balance. However, an independent assessment by the Government Accountability Office issued in November 2013 interpreted that collections should be kept intact and deposited in full into the fund as long as the fund balance is below $100 million at the time of collection. As a result, the Commission recovered $176.1 million from the U.S. Department of the Treasury in the third quarter of fiscal year 2014 and transferred the full amount into the Fund. The balance in the Fund as of September 30, 2014, now reflects the balance of the Fund if the full $200 million collection received from Barclays in fiscal year 2012 had been transferred into the Fund at that time.

W. Reclassifications

To conform to OMB Circular A-136, activity and balances reported on the FY 2013 Statement of Budgetary Resources, Statement of Net Cost, and Statement of Changes in Net Position have been reclassified to conform to the presentation in the current year. Certain other prior year amounts have also been reclassified to conform to the current year presentation.

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, 2014 and 2013 consisted of the following:

		2014		2013
Appropriated Funds	$	42,487,412	$	31,400,740
Customer Protection Fund		4,448,248		4,983,233
Deposit Fund		134,683		83,997
TOTAL FUND BALANCE WITH TREASURY	$	47,070,343	$	36,467,970

C. Status of Fund Balance with Treasury

Status of Fund Balance with Treasury at September 30, 2014 and 2013 consisted of the following:

Appropriated Funds		2014		2013
Unobligated Fund Balance				
Available	$	1,000,971	$	1,750,729
Unavailable		4,592,572		4,185,137
Obligated Balance Not Yet Disbursed		36,893,869		25,464,874
Total Appropriated Funds		42,487,412		31,400,740
Customer Protection Fund				
Unobligated Fund Balance				
Available	$	777,356	$	4,649,700
Obligated Balance Not Yet Disbursed		3,670,892		333,533
Total Customer Protection Fund		4,448,248		4,983,233
Deposit Fund		134,683		83,997
TOTAL FUND BALANCE WITH TREASURY	$	47,070,343	$	36,467,970

Note 3. Investments

In fiscal year 2012, the CFTC began investing 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 Commission may invest in other short-term or long-term Treasury securities at management's discretion.

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's investments as of September 30, 2014 and 2013 were $270 million and $95 million, respectively. Interest earned as of September 30, 2014 and 2013 was $35,630 and $50,504, 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, disgorgements, and restitutions to customers.

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, 2014 and 2013:

	2014	2013
Custodial Receivables, Net:		
Civil Monetary Penalty Interest	$ 1,270,142	$ 734,779
Civil Monetary Penalties, Fines, and Administrative Fees	1,620,550,206	775,174,072
Less: Allowance for Loss on Interest	(1,270,115)	(733,498)
Less: Allowance for Loss on Penalties, Fines, and Administrative Fees	(1,617,905,205)	(707,511,077)
Registration and Filing Fees	1,573,760	2,080,350
Net Custodial Receivables	$ 4,218,788	$ 69,744,626
Other Accounts Receivable	11,112	13,252
TOTAL ACCOUNTS RECEIVABLE, NET	$ 4,229,900	$ 69,757,878

Note 5. General Property, Plant and Equipment

Equipment and information technology (IT) assets are capitalized 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. Depreciation for equipment and software is computed on a straight-line basis using a 5-year life. Leasehold improvements are amortized over the remaining life of the lease. Property, Plant and Equipment as of September 30, 2014 and 2013 consisted of the following:

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

2013 Major Class	Service Life and Method	Cost	Accumulated Amortization/ Depreciation	Net Book Value
Equipment	5 Years/Straight Line	$ 34,567,373	$ (18,977,527)	$ 15,589,846
IT Software	5 Years/Straight Line	21,022,534	(10,162,678)	10,859,856
Software In Development	Not Applicable	7,071,522	-	7,071,522
Leasehold Improvements	Remaining Life of Lease/Straight Line	29,327,377	(4,597,429)	24,729,948
		$ 91,988,806	$ (33,737,634)	$ 58,251,172

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, 2014. The remaining, unused balance of $64 thousand is reflected as deferred costs on the balance sheet.

Deferred Costs (TIA)		2014		2013
Beginning Balance, October 1	$	220,953	$	1,234,223
TIA Received		-		-
TIA Used		(156,752)		(1,013,270)
BALANCE AS OF SEPTEMBER 30	$	64,201	$	220,953

Note 7. Liabilities Not Covered by Budgetary Resources

As of September 30, 2014 and 2013, the following liabilities were not covered by budgetary resources:

		2014		2013
Intragovernmental-FECA Liabilities	$	88,975	$	94,605
Annual Leave		9,590,172		8,748,274
Actuarial FECA Liabilities		460,759		501,748
Custodial Liabilities		4,218,788		69,744,626
Contingent Liabilities		85,000		-
Deposit Fund Liabilities		134,683		83,997
Deferred Lease Liabilities		25,961,973		25,241,114
Other		11,699		19,600
TOTAL LIABILITIES NOT COVERED BY BUDGETARY RESOURCES	$	40,552,049	$	104,433,964

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 $6,773,161 for the period ended September 30, 2014 and $5,505,799 for the period ended September 30, 2013. 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, 2014 and September 30, 2013 were $88,975 and $94,605, respectively.

Actuarial FECA liability represents the liability for future workers compensation (FWC) benefits, which includes the expected liability for death, disability, medical, and miscellaneous cost for approved cases. The liability is determined using a formula provided by DOL annually as of September 30th using a method that utilizes historical benefits payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefits payments are discounted to present value using OMB's economic assumptions for ten-year Treasury notes and bonds. To provide more specifically for effects of inflation on the liability for FWC benefits, wage inflation factors (Consumer Price Index-Medical) are applied to the calculation of projected future benefits. These factors are also used to adjust historical payments so benefits are stated in current-year constant dollars. Actuarial FECA liabilities at September 30, 2014 and September 30, 2013 were $460,759 and $501,748, respectively.

Note 10. Leases

The CFTC leases office space in publicly owned buildings for its locations in Washington D.C., Chicago, New York, and Kansas City. The lease contracts for publicly owned buildings are operating leases. 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, 2014, future estimated minimum lease payments through FY 2025 are as follows:

Fiscal Year		Dollars
2015	$	18,254,669
2016		19,017,114
2017		19,411,711
2018		19,772,333
2019		20,133,393
2020 and thereafter		115,870,290
Total Future Minimum Lease Payments	$	212,459,510

Lease expense is recognized on a straight-line basis because lease payment amounts vary, and in some cases, CFTC receives periods of up-front free rent, or incentive contributions (TIA) paid by the landlord. As of September 30, 2014, the Commission had received $16,199,394 in incentive awards for the renovation of space in Washington D.C., Chicago, New York and Kansas City. In order to recognize rent expense in line with the utility of its office space, the Commission records a deferred lease liability representing expense amounts in excess of payments to date. The deferred lease liabilities at September 30, 2014 and September 30, 2013 were $25,961,973 and $25,241,114 respectively.

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 2014, the Commission was involved in civil matters which it believes the chance of an unfavorable outcome to be probable and has recorded a liability of $85 thousand. Additionally, the Commission was involved in a case where an unfavorable outcome is reasonably possible. The potential loss in this case is estimated to be $27 thousand.

Note 12. Undelivered Orders

The amount of budgetary resources obligated for undelivered orders as of September 30, 2014 and 2013 consisted of the following:

		2014		2013
UNDELIVERED ORDERS	$	33,377,094	$	19,344,364

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

Obligations incurred and reported in the Statements of Budgetary Resources in FY 2014 and FY 2013 were Category A and consisted of the following:

	2014	2013
Direct Obligations	$ 221,336,488	$ 203,181,477
Reimbursable Obligations	13,787	87,520
TOTAL OBLIGATIONS INCURRED	$ 221,350,275	$ 203,268,997

Note 14. Explanations of Differences between the Statement of Budgetary Resources and Budget of the United States Government

The CFTC had no 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 2013. The Budget of the U.S. Government with actual numbers for FY 2014 has not yet been published. The expected publish date is February 2015. A copy of the Budget can be obtained from OMB's website at http://www.whitehouse.gov/omb/.

Note 15. 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 following major goals presented in the 2011 – 2015 CFTC Strategic Plan.

1. Protect the public and market participants by ensuring market integrity; promoting transparency, competition, and fairness; and lowering risk in the system

2. 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

3. Protect the public and market participants through a robust enforcement program

4. Enhance integrity of U.S. markets by engaging in cross-border cooperation, promoting strong international regulatory standards, and encouraging ongoing convergence of laws and regulation worldwide

5. Promote Commission excellence through executive direction and leadership, organizational and individual performance management, and effective management of resources

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:

	2014	2013
Goal 1: Protect the public and market participants by ensuring market integrity; promoting transparency, competition, and fairness; and lowering risk in the system		
Intragovernmental Gross Costs	$ 8,991,682	$ 9,973,286
Less: Earned Revenue	-	-
Intragovernmental Net Cost of Operations	$ 8,991,682	$ 9,973,286
Gross Costs With the Public	$ 47,762,770	$ 52,266,489
Less: Earned Revenue	(8,189)	(14,117)
Net Cost of Operation With the Public	$ 47,754,581	$ 52,252,372
Total Net Cost of Operations-Goal One	$ 56,746,263	$ 62,225,658
Goal 2: 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		
Intragovernmental Gross Costs	$ 8,233,762	$ 9,211,220
Less: Earned Revenue	-	-
Intragovernmental Net Costs of Operations	$ 8,233,762	$ 9,211,220
Gross Costs With the Public	$ 43,736,790	$ 48,272,764
Less: Earned Revenue	(7,498)	(13,038)
Net Cost of Operations With the Public	$ 43,729,292	$ 48,259,726
Total Net Cost of Operations-Goal Two	$ 51,963,054	$ 57,470,946
Goal 3: Protect the public and market participants through a robust enforcement program		
Intragovernmental Gross Costs	$ 11,334,342	$ 10,277,414
Less: Earned Revenue	-	-
Intragovernmental Net Cost of Operations	$ 11,334,342	$ 10,277,414
Gross Costs With the Public	$ 60,206,711	$ 53,860,314
Less: Earned Revenue	(10,323)	(14,549)
Net Cost of Operation With the Public	$ 60,196,388	$ 53,845,765
Total Net Cost of Operations-Goal Three	$ 71,530,730	$ 64,123,179

	2014	2013
Goal 4: Enhance integrity of U.S. markets by engaging in cross-border cooperation, promoting strong international regulatory standards, and encouraging ongoing convergence of laws and regulation worldwide		
Intragovernmental Gross Costs	$ 1,860,348	$ 1,171,066
Less: Earned Revenue	-	-
Intragovernmental Net Cost of Operations	$ 1,860,348	$ 1,171,066
Gross Costs With the Public	$ 9,881,952	$ 6,137,145
Less: Earned Revenue	(1,694)	(1,658)
Net Cost of Operations With the Public	$ 9,880,258	$ 6,135,487
Total Net Cost of Operations-Goal Four	$ 11,740,606	$ 7,306,553
Goal 5: Promote Commission excellence thorough executive direction and leadership, organizational and individual performance management, and effective management of resources		
Intragovernmental Gross Costs	$ 4,030,754	$ 4,324,204
Less: Earned Revenue	-	-
Intragovernmental Net Cost of Operations	$ 4,030,754	$ 4,324,204
Gross Costs With the Public	21,410,897	22,661,636
Less: Earned Revenue	(3,671)	(6,121)
Net Cost of Operations With the Public	$ 21,407,226	$ 22,655,515
Total Net Cost of Operations-Goal Five	$ 25,437,980	$ 26,979,719
Grand Total		
Intragovernmental Gross Costs	$ 34,450,888	$ 34,957,190
Less: Earned Revenue	-	-
Intragovernmental Net Cost of Operations	$ 34,450,888	$ 34,957,190
Gross Costs With the Public	182,999,120	183,198,348
Less: Earned Revenue	(31,375)	(49,483)
Net Cost of Operations With the Public	$ 182,967,745	$ 183,148,865
NET COST OF OPERATIONS	$ 217,418,633	$ 218,106,055

Note 16. 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		2014		2013
Budgetary Resources Obligated				
Obligations Incurred	$	221,350,275	$	203,268,997
Less: Spending Authority from Offsetting Collections and Recoveries		(178,365,365)		(4,988,625)
Obligations Net of Offsetting Collections and Recoveries	$	42,984,910	$	198,280,372
Less: Offsetting Receipts		(39,435)		(63,000)
Net Obligations After Offsetting Receipts	$	42,945,475	$	198,217,372
Other Resources :				
Transfers In from Disgorgements, Fines, and Penalties	$	176,110,604	$	817,435
Imputed Financing From Costs Absorbed by Others		6,773,161		5,505,799
Total Resources Used to Finance Activities	$	225,829,240	$	204,540,606
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	$	(14,032,326)	$	16,898,076
Resources that Fund Expenses Recognized in Prior Periods		(46,620)		(167,890)
Offsetting Receipts		39,435		63,000
Nonexchange Interest Revenue		35,630		50,504
Resources that Fund the Acquisition of Fixed Assets		(10,569,054)		(15,823,712)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations		(24,572,935)		1,019,978
COMPONENTS OF NET COST OF OPERATIONS THAT WILL REQUIRE OR GENERATE RESOURCES IN FUTURE PERIODS				
Increase in Unfunded Liabilities	$	1,647,757	$	541,506
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	$	1,647,757	$	541,506

		2014		2013
COMPONENTS NOT REQUIRING OR GENERATING RESOURCES				
Depreciation and Amortization	$	14,167,999	$	11,802,099
(Gain)/Loss on Disposal		1,065,291		548,992
Other		(718,719)		(347,126)
Total Components of Net Cost of Operations that will Not Require or Generate Resources	$	14,514,571	$	12,003,965
Total Components of Net Cost of Operations that will Not Require or Generate Resources in the Current Year	$	16,162,328	$	12,545,471
Net Cost of Operations	$	217,418,633	$	218,106,055

Note 17. 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 and $817 thousand were transferred into the Customer Protection Fund as of September 30, 2014 and 2013, respectively. 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, 2014 and 2013:

Balance Sheets		2014		2013
Fund Balance with Treasury	$	4,448,248	$	4,983,233
Investments		270,000,000		95,000,000
Total Assets	$	274,448,248	$	99,983,233
Accounts Payable		109,470		60,116
Accrued Payroll and Annual Leave		23,466		18,826
Total Liabilties	$	132,936	$	78,942
Cumulative Results of Operations - Funds from Dedicated Collections		274,315,312		99,904,291
Total Net Position	$	274,315,312	$	99,904,291
Total Liabilities and Net Position	$	274,448,248	$	99,983,233

	2014	2013
Statements of Net Cost		
Gross Costs	$ 1,735,213	$ 960,397
Total Net Cost of Operations	$ 1,735,213	$ 960,397
Statements of Changes in Net Position		
Beginning Cumulative Results of Operations, October 1	$ 99,904,291	$ 99,996,749
Nonexchange Interest Revenue	35,630	50,504
Transfers-In Without Reimbursement	176,110,604	817,435
Net Cost of Operations	(1,735,213)	(960,397)
Net Change	174,411,021	(92,458)
Total Net Position, September 30	$ 274,315,312	$ 99,904,291

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Office of the Inspector General

MEMORANDUM

TO: Mary Jean Buhler

FROM: Tony Baptiste

DATE: November 14, 2014

SUBJECT: Draft Audit Opinion

Attached is a copy of the final draft audit opinion on the Fiscal Year 2014 financial statements conducted by KPMG in behalf of the Office of the Inspector General. Please provide me with your comments on the draft audit opinion and we will include it with the final audit report.

Management Response:

Thank you for giving us the opportunity to comment on the draft audit opinion. We have no comments.