Federal Trade Commission
Office of Inspector General

Financial Statement Audit
For Fiscal Year 2015

OIG Assignment No. 16-01

November 16, 2015

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of Inspector General

November 16, 2015

The Commissioners
Federal Trade Commission

I am pleased to provide you with the attached audit report required by the Accountability of Tax Dollars Act of 2002, which presents an unmodified opinion on the Federal Trade Commission's (FTC) fiscal year 2015 financial statements. We commend the FTC for the noteworthy accomplishment of attaining an unmodified (clean) opinion for the 19th consecutive year.

We contracted with the independent certified public accounting firm of Brown & Company CPAs, PLLC (Brown & Company) to audit the financial statements of the FTC as of September 30, 2015, and for the year then ended. The contract requires that the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget bulletin, *Audit Requirements for Federal Financial Statements.*

Results of the Independent Audit

Brown & Company found:

- that the financial statements are fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles,
- no material weaknesses in internal control over financial reporting, and
- no reportable noncompliance with applicable provisions of laws, regulations, and contracts tested.

Evaluation and Monitoring of Audit Performance

The Inspector General Act of 1978, as amended, requires that the Inspector General take appropriate steps to assure that any work performed by non-Federal auditors complies with the auditing standards established by the Comptroller General. We evaluated the independence, objectivity, and qualifications of the auditors and specialists; reviewed the plan and approach of the audit; monitored the performance of the audit; sought and obtained clarification of the auditor's methodology and findings; and reviewed Brown & Company's reports and related audit documentation. Our review was not intended to express, and we do not express, an opinion on the

FTC's financial statements or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws, regulations, and contracts tested.

Brown & Company is responsible for the attached auditor's report and the conclusions expressed in the related reports on internal control over financial reporting and compliance with laws, regulations, and contracts tested.

We appreciate the cooperation afforded to Brown & Company and my office during the audit. Should you have any questions or would like to discuss the report, please contact me at (202) 326-3527.

Sincerely,

Roslyn A. Mazer
Inspector General

Enclosure

FEDERAL TRADE COMMISSION

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2015 AND 2014

Prepared By
Brown & Company CPAs Management Consultants, PLLC
November 13, 2015

FEDERAL TRADE COMMISSION

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

Inspector General
Federal Trade Commission
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying balance sheet of the Federal Trade Commission (FTC) as of September 30, 2015 and 2014, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years then ended (collectively referred to as the financial statements), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

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

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

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

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Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FTC as of September 30, 2015 and 2014, 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

<u>*Required Supplementary Information*</u>

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

<u>*Other Information*</u>

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. *The Message From Chairwoman, Message From The CFO* and the Other Information sections are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. During our audit of the financial statements no deficiencies in internal control were identified that were considered to be a material weakness. However, material weaknesses may exist that have not been identified.

We also identified other deficiencies in FTC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant FTC management's attention. We have communicated these matters to FTC management and, will report on them separately in a management letter.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether FTC's financial statements are free from material misstatement, we performed tests of its compliance with applicable provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations and contracts applicable to FTC. The objective was not to provide an opinion on compliance with provisions of laws, regulations and contracts and therefore, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02.

Management's Responsibility for Internal Control and Compliance

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

Auditor's Responsibilities

We are responsible for (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin No. 15-02 requires testing, and (3) applying certain limited procedures with respect to the MD&A and other RSI.

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

We did not test compliance with all laws and regulations applicable to FTC. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin No. 15-02 that we deemed applicable to FTC's financial statements for the fiscal year ended September 30, 2015. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

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

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

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

Brown & Company

Largo, Maryland
November 13, 2015

FEDERAL TRADE COMMISSION

BALANCE SHEET

AS OF SEPTEMBER 30, 2015 and 2014

(Dollars in thousands)

	2015	2014
Assets (Note 2):		
Intragovernmental:		
Fund balance with Treasury (Note 3)	$ 868,730	$ 238,443
Accounts receivable, net (Note 5)	65	6
Total intragovernmental	868,795	238,449
Cash and other monetary assets (Note 4)	20,373	28,797
Accounts receivable, net (Note 5)	14,148	65,447
Property, plant and equipment, net (Note 6)	63,310	64,247
Total Assets	$ 966,626	$ 396,940
Liabilities (Note 7):		
Intragovernmental:		
Accounts payable	$ 1,118	$ 823
Other (Note 8)	3,400	4,427
Total intragovernmental	4,518	5,250
Accounts payable	11,508	10,805
Accrued redress due to claimants	12,784	62,776
Undisbursed redress collections	750,177	133,888
Other (Note 8)	18,141	16,089
Total Liabilities	$ 797,128	$ 228,808
Net Position (Note 1(p)):		
Unexpended appropriations	-	-
Cumulative results of operations	169,498	168,132
Total Net Position	$ 169,498	$ 168,132
Total Liabilities and Net Position	$ 966,626	$ 396,940

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

FEDERAL TRADE COMMISSION

STATEMENT OF NET COST

FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014

(Dollars in thousands)

	2015	2014
Costs by Strategic Goal:		
Strategic Goal 1: Protect Consumers:		
Gross costs (Note 11)	$ 183,468	$ 170,494
Less: earned revenue (Note 11)	(13,458)	(13,521)
Net cost	170,010	156,973
Strategic Goal 2: Maintain Competition:		
Gross costs (Note 11)	132,312	124,479
Less: earned revenue (Note 11)	(115,814)	(106,477)
Net cost	16,498	18,002
Net Cost of Operations	$ 186,508	$ 174,975

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

FEDERAL TRADE COMMISSION

STATEMENT OF CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014

(Dollars in thousands)

	2015	2014
Cumulative Results of Operations:		
Beginning balance	$ 168,132	$ 152,491
Budgetary Financing Sources:		
Appropriations used	179,675	181,182
Other Financing Sources (Non-Exchange):		
Imputed financing	8,199	9,434
Total financing sources	187,874	190,616
Net cost of operations	(186,508)	(174,975)
Net change	1,366	15,641
Cumulative Results of Operations	$ 169,498	$ 168,132
Unexpended Appropriations:		
Beginning balance	$ -	$ -
Budgetary Financing Sources:		
Appropriations received	179,675	181,182
Appropriations used	(179,675)	(181,182)
Total budgetary financing sources	-	-
Total Unexpended Appropriations	-	-
Net Position (Note 1(p))	$ 169,498	$ 168,132

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

FEDERAL TRADE COMMISSION

STATEMENT OF BUDGETARY RESOURCES

FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014

(Dollars in thousands)

	2015	2014
Budgetary Resources:		
Unobligated balance, brought forward, October 1	$ 27,447	$ 57,159
Recoveries of prior year unpaid obligations	6,963	6,519
Unobligated balance from prior year budget authority, net	34,410	63,678
Appropriations	179,675	181,182
Spending authority from offsetting collections	113,327	116,725
Total Budgetary Resources	$ 327,412	$ 361,585
Status of Budgetary Resources:		
Obligations incurred (Note 12):	$ 305,294	$ 334,138
Unobligated balance, end of period:		
Apportioned	11,747	23,893
Unapportioned	10,371	3,554
Total unobligated balance, end of period	22,118	27,447
Total Status of Budgetary Resources	$ 327,412	$ 361,585
Change in Obligated Balance:		
Unpaid Obligations:		
Unpaid obligations, brought forward, October 1	$ 96,624	$ 96,445
Obligations incurred (Note 12)	305,294	334,138
Outlays, gross	(303,308)	(327,440)
Recoveries of prior year unpaid obligations	(6,963)	(6,519)
Unpaid obligations, end of period	91,647	96,624
Uncollected Payments:		
Uncollected payments from Federal sources, brought forward, October 1	(745)	(1,297)
Change in uncollected payments from Federal sources, brought forward , October 1	168	552
Uncollected payments from Federal sources, end of period	(577)	(745)
Memorandum (non-add) Entries:		
Obligated balance, start of year, net	95,877	95,147
Obligated balance, end of period, net	91,070	95,877
Budget Authority and Outlays, Net:		
Budget authority, gross	$ 293,002	$ 297,907
Actual offsetting collections	(129,173)	(120,239)
Change in uncollected customer payments from Federal sources	168	552
Budget authority, net	$ 163,997	$ 178,220
Outlays, gross	$ 303,308	$ 327,440
Actual offsetting collections	(129,173)	(120,239)
Outlays, net	174,135	207,201
Distributed offsetting receipts	(21,331)	(16,398)
Agency outlays, net	$ 152,804	$ 190,803

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

FEDERAL TRADE COMMISSION

STATEMENT OF CUSTODIAL ACTIVITY

FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014

(Dollars in thousands)

	Protect Consumers	Maintain Competition	2015	2014
Revenue Activity (Note 15):				
Sources of collections:				
Premerger filing fees (net of refunds)	$ -	$ 115,678	$ 115,678	$ 106,263
Civil penalties and fines	5,411	-	5,411	11,802
Consumer redress (Note 16)	21,081	-	21,081	16,157
Other miscellaneous receipts	250	-	250	240
Total cash collections	26,742	115,678	142,420	134,462
Accrual adjustments	(1,328)	-	(1,328)	1,567
Total Custodial Revenue	$ 25,414	$ 115,678	$ 141,092	$ 136,029
Disposition of Collections (Note 15):				
Transferred to others:				
Treasury general fund	$ 26,742	$ -	$ 26,742	$ 28,199
Department of Justice	-	115,678	115,678	106,263
Amounts yet to be transferred	(1,328)	-	(1,328)	1,567
Total Disposition of Collections	$ 25,414	$ 115,678	$ 141,092	$ 136,029
Net Custodial Activity	$ -	$ -	$ -	$ -

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

FEDERAL TRADE COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

Note 1—Significant Accounting Policies

(a) Reporting Entity

The Federal Trade Commission (FTC) is an independent agency of the U.S. Government, established by the Federal Trade Commission Act of 1914. The FTC enforces a variety of federal antitrust and consumer protection laws. Its mission is working to protect consumers by preventing anticompetitive, deceptive, and unfair business practices, enhancing informed consumer choice and public understanding of the competitive process, and accomplishing this without unduly burdening legitimate business activity. The FTC is headed by five Commissioners, nominated by the President and confirmed by the Senate, each serving a seven-year term. The President chooses one Commissioner to act as Chair.

The FTC carries out its mission of protecting consumers and maintaining competition through three bureaus: The Bureau of Consumer Protection (BCP), the Bureau of Competition (BC), and the Bureau of Economics (BE), which supports both BCP and BC. Additionally, various offices within the FTC provide critical mission support to the bureaus. The FTC's staff is located in Washington DC and seven other geographic areas.

The financial statements and notes include the financial activity recorded in all of the funds under the FTC's control. As further described in Note 1(b), these funds include appropriations received for salaries and necessary expenses, as well as non-entity funds that are primarily collections derived from court ordered judgments and settlements held for subsequent distribution to approved claimants.

(b) Fund Accounting Structure

The FTC, like other Federal agencies, uses Treasury Account Symbols (TAS) to record and track financial activity. These TAS are described below:

<u>General Fund</u>

Salaries and Expenses (TAS 29X0100): Each year, this account receives budget authority from an appropriation and offsetting collections, up to a limit set by Congress, to fund the necessary expenses of the agency. Offsetting collections include fees collected for premerger notification filings under the Hart-Scott-Rodino (HSR) Antitrust Improvement Act of 1976, and collections for the National Do Not Call Registry, which operates under Section 5 of the FTC Act. Collections in excess of Congressional limits are unavailable by law and included in the FTC's unavailable – temporary reduction balance. (See Note 3, Fund Balance with Treasury)

<u>Deposit Fund</u>

Consumer Redress Escrow (TAS 29X6013): This account consists of amounts collected under the consumer redress program and held temporarily by the FTC until money is distributed to consumers (or to a third party agent that distributes money to consumers on the FTC's behalf), or transferred to the general fund of the Treasury. These funds, which are considered non-entity funds, do not affect the FTC's Net Position and are not reported on the Statement of Changes in Net Position. (See Note 3, Fund Balance with Treasury and Note 16, Consumer Redress Activities)

Clearing/Suspense Fund

Budget Clearing and Suspense (TAS 29F3875): Fees collected for premerger notification filings under the HSR Act are deposited, initially, into the Budget Clearing and Suspense account, then distributed equally to the FTC (as an offsetting collection in the general fund) and the Department of Justice (DOJ). (See Note 1(q), Revenues and Other Financing Sources)

Receipt Accounts

Fines, Penalties, and Forfeitures, Customs, Commerce, and Antitrust Laws (TAS 29 1040): Collections of civil penalties imposed in court actions for violations of antitrust acts and FTC orders are deposited into this account. Penalties imposed, but not yet collected, are accrued as accounts receivable and recorded in this account. The cash balance in the fund at the end of the fiscal year is transferred to the general fund of the Treasury.

General Fund Proprietary Receipts (TAS 29 3220): Miscellaneous receipts that by law are not available for the FTC's use, and collections in connection with the consumer redress program for which redress to consumers is not practicable, are held in this account until the end of the fiscal year when they are transferred to the general fund of the Treasury.

(c) Basis of Presentation and Accounting

The accompanying financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and custodial activities of the FTC, and have been prepared from the accounting records of the FTC. These financial statements may differ from other financial reports submitted pursuant to the Office of Management and Budget (OMB) directives for the purpose of monitoring and controlling the use of the FTC's budgetary resources.

The FTC's financial statements are prepared in conformity with generally accepted accounting principles (GAAP) for Federal entities and with OMB Circular A-136, Financial Reporting Requirements (as revised August 2015). Accordingly, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. These principles differ from budgetary reporting principles. The differences relate primarily to the capitalization and depreciation of property and equipment, as well as the recognition of other long-term assets and liabilities.

As described in Note 1(b), the FTC maintains a single fund to account for salaries and all necessary expenses. Further, there are limited intra-entity transactions with any other fund (e.g., deposit fund) that would require eliminating entries to present consolidated statements. Accordingly, the statements are not labeled consolidated nor is the Statement of Budgetary Resources (SBR) presented as combined.

Assets, liabilities, revenues and costs are classified in these financial statements according to the type of entity associated with the transactions. Balances classified as intragovernmental arise from transactions with other Federal entities. Balances not classified as intragovernmental arise from transactions with individuals or organizations outside of the Federal Government (i.e., with the Public).

The FTC presents net cost of operations by its two major strategic goals: Protect Consumers and Maintain Competition. These goals are described in the agency's strategic and performance plan and align with the agency's major programs.

(d) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. For example, estimates are used in computing accounts payable for vendor service contracts, the allowance for uncollectable accounts, and the allocation of costs to strategic goals in the Statement of Net Cost. Actual results could differ from the estimated amounts.

(e) Budget Authority

The Congress passes appropriations annually that provide the FTC with authority to obligate funds for necessary expenses to carry out mandated program activities. These funds are available until expended, subject to the OMB apportionment and to Congressional restrictions on the expenditure of funds. In addition, the FTC places internal restrictions on fund expenditures to ensure the efficient and proper use of all funds. The FTC's budget authority is derived from a direct appropriation and offsetting collections. The FTC accounts for budget authority in its general fund (29X0100), as reflected in the Statement of Budgetary Resources.

(f) Entity and Non-Entity Assets

The FTC accounts for and reports on both entity and non-entity assets in the financial statements. Assets that the agency is authorized to use in its operations are entity assets. Assets that the agency holds on behalf of another federal agency or a third party and are not available for the agency's use are non-entity assets. Non-entity assets include collections and accounts receivable that arise from court-order judgments for monetary relief in the consumer redress program, civil monetary penalties, and the portion of fees collected for premerger notification filings that are distributed to the DOJ in a subsequent period. These non-entity assets are included in the financial statements along with an offsetting non-entity liability of equal amount. (See Note 2, Entity and Non-Entity Assets)

(g) Fund Balance with Treasury

The fund balance with Treasury (FBwT) is the aggregate amount of undisbursed funds in the FTC's general fund, deposit fund, and clearing/suspense fund. General funds include a portion that is available to the FTC to make expenditures and pay liabilities, and a portion that is unavailable. Deposit funds and clearing/suspense fund balances are non-entity funds that are temporarily held by the FTC until transferred to another Federal agency (Treasury or DOJ), or distributed to a third party. Fund balances are carried forward into subsequent fiscal years until disbursements are made. (See Note 3, Fund Balance with Treasury)

(h) Cash and Other Monetary Assets

In connection with the consumer redress program (and described in Note 16, Consumer Redress Activities), amounts necessary to cover current disbursement schedules are transferred from the FTC's deposit fund to third-party redress administrators to be held as cash in accounts at financial institutions. Upon approval by the FTC's Redress Administration Office, the redress administrators process claims and disburse redress proceeds to affected consumers and approved claimants. The cash held in these financial institutions is included in the FTC's financial statements as a non-entity asset. (See Note 4, Cash and Other Monetary Assets)

(i) Accounts Receivable, Net

Accounts receivable, net of allowances, reflect the Federal Accounting Standards Advisory Board (FASAB) standard for the recognition of losses using the collection criterion of "more likely than not." This criterion results in receivable balances that are more conservatively stated than those valued by the private sector under GAAP. FASAB states that it is appropriate to recognize the nature of federal receivables, which, unlike trade accounts of private firms or loans made by banks, are not created through credit screening procedures. Rather, these receivables arise because of the assessment of fines from regulatory violations. In these circumstances, historical experience and economic realities indicate that these types of claims are frequently not fully collectible.

The method used to estimate the allowance for uncollectible accounts consists of individual case analysis by a case manager who assesses the debtor's ability and willingness to pay, the defendant's payment record, and the probable recovery amount including the value of assets. Based on the litigation and collection status, cases are referred to the Treasury for collection action.

(j) Property, Plant and Equipment

The FTC's property, plant and equipment (PP&E) consists of general purpose equipment used by the agency and capital improvements made to buildings leased from the General Services Administration (GSA) by the FTC for office space, as well as software leased and purchased from vendors. The FTC's capitalization policy, *Accounting for Property, Plant, and Equipment,* was updated with an effective date on or after October 1, 2014. PP&E placed in service prior to October 1, 2014, will continue to be accounted for based on the capitalization policy in effect at the time acquired, until fully depreciated or removed from service. The primary change relates to the capitalization thresholds for each asset type. Equipment was broken out into three asset types (furniture, general equipment, and information technology equipment) that reflect asset characteristics, cost, and use. For financial reporting purposes, however, these three asset types are combined and reported as equipment. Prior to the October 1, 2014 threshold change, the FTC capitalized items with an aggregate cost of $100 thousand or greater for all asset types.

Effective October 1, 2014, capitalization thresholds are as follows:

Asset Type	Capitalization Threshold
Furniture	$ 50,000
General Equipment	$ 50,000
IT Equipment	$ 150,000
Leasehold Improvements	$ 150,000
Internal Use Software	$ 200,000

The FTC reports property and equipment at historical cost and capitalizes items based on the above thresholds and a useful life of two or more years. Property and equipment that meet these criteria are depreciated or amortized using the straight-line method over the estimated useful life of the asset. Additionally, assets under development, such as internal use software and leasehold improvements, with an estimated aggregate cost meeting the threshold criteria are capitalized and then amortized once completed and placed into service. Normal repairs and maintenance, and PP&E that do not meet the capitalization criteria, are recognized as an expense in the current period. (See Note 6, Property, Plant and Equipment)

(k) Accrued Liabilities and Accounts Payable

Accrued liabilities and accounts payable represent a probable future outflow or other sacrifice of resources from past transactions or events. Liabilities are recognized when they are incurred, regardless of whether they are covered by budgetary resources. The FTC has liabilities that are entity and non-entity. Entity liabilities cannot be liquidated without legislation that provides the resources to do so. In addition, the government, acting in its sovereign capacity, can abrogate the FTC's liabilities (other than contracts). (See Note 7, Liabilities Covered and Not Covered by Budgetary Resources)

(l) Employee Health Benefits and Life Insurance

FTC employees are eligible to participate in the contributory Federal Employees' Health Benefit Program (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) administered by the Office of Personnel Management (OPM). The FTC contributes a percentage to each program to pay for current benefits.

(m) Employee Retirement Benefits

FTC employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS) administered by the OPM. Employees hired after December 31, 1983 are covered by FERS and Social Security, while employees hired prior to January 1, 1984 were allowed to elect joining FERS or remaining in CSRS. For employees participating in CSRS, the FTC contributes 7 percent of the employee's basic pay to the Civil Service Retirement and Disability Fund. For employees participating in FERS, the FTC contributes 13.2 percent to the Federal Employees' Retirement Fund. New employees hired between January 1 and December 31, 2013 participate in FERS-RAE (Revised Annuity Employees). New employees hired on or after January 1, 2014 are covered by FERS-FRAE (Further Revised Annuity Employees). The FTC contribution is 11.1 percent for both FERS-RAE and FERS-FRAE. In addition, the FTC contributes the employer's matching share to the Social Security Administration under the Federal Insurance Contributions Act, which fully covers FERS participating employees. FTC contributions are recognized as current operating expenses.

The Thrift Savings Plan (TSP) is a defined contribution retirement savings and investment plan for employees covered by either CSRS or FERS. Participating employees may contribute any dollar amount or percentage of basic salary to the TSP, not to exceed an annual dollar set by law. For those employees participating in FERS, the FTC makes a mandatory 1 percent contribution to this plan and in addition, matches 100 percent of the first 3 percent contributed and 50 percent of the next 2 percent. CSRS participating employees do not receive a matching contribution from the FTC. The FTC contributions to the TSP are recognized as current operating expenses.

The FTC does not report CSRS and FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. The OPM reports this information. However, the FTC recognizes the full cost of providing future pension benefits to covered employees at the time the employees' services are rendered using cost factors provided by the OPM that estimate the true service cost of providing the pension benefits. The FTC recognizes the excess of the true service cost over amounts contributed as an imputed cost. This additional cost is financed by the OPM, and recognized as an imputed financing source by the FTC. (see Note 17, Reconciliation of Net Cost of Operations to Budget)

(n) FECA and Other Post-Employment Benefits

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) provides income and medical cost protection to covered federal civilian employees injured on the job, and employees who have incurred a work-related injury or occupational disease. The DOL bills the FTC annually for the claims paid and the FTC recognizes the FECA liability for future payment. Payment is deferred for two years to allow for funding through the budget. The FTC also recognizes a FECA actuarial liability, which is an estimate for the future workers compensation as a result of past events using procedures developed by the DOL to estimate the liability. FECA liabilities are reported as not covered by budgetary resources. (See Note 7, Liabilities Covered and Not Covered by Budgetary Resources)

FTC employees eligible to participate in the FEHBP and the FEGLIP may continue to participate in these programs after their retirement. The FTC recognizes a current cost of providing post-retirement benefits using cost factors provided by the OPM that estimate the true cost of providing these benefits to current employees. The cost of providing post-retirement benefits for the FEHBP and FEGLIP is financed by the OPM, and recognized as an imputed financing source by the FTC.

(o) Annual and Sick Leave

The FTC accrues an annual leave liability when employees earn leave and reduces the liability when employees take leave. The balance in this account reflects the current leave balances and pay rates of the FTC employees. Budget execution rules do not allow this liability to be funded as earned. It is funded when leave is taken or when paid out as a lump sum at the end of employment. As a result, accrued annual leave is reported as not covered by budgetary resources. Sick leave is non-vested and expensed as used. (See Note 7, Liabilities Covered and Not Covered by Budgetary Resources)

(p) Net Position

Cumulative results of operations represent the net results of operations since inception, the cumulative amount of prior period adjustments, the remaining book value of capitalized assets, and future funding requirements.

The portion of the FTC's budget authority that is funded by a direct appropriation is fully expended during the year. Therefore, there is no unexpended appropriation balance in net position at the end of the year. (See Statement of Changes in Net Position)

(q) Revenues and Other Financing Sources

The FTC's activities are financed through exchange revenue it receives from others and through an appropriation provided by the Congress. Exchange revenues consist of fees collected for premerger notification filings under the HSR Act and collections for the National Do Not Call Registry. Additionally, exchange revenues include a small amount of reimbursements for services performed under inter-agency agreements.

(r) Methodology for Assigning Costs and Exchange Revenues

The FTC allocates costs and exchange revenues on the Statement of Net Cost to its two major strategic goals: Protect Consumers and Maintain Competition. Costs and exchange revenues that are identified specifically with each of these two strategic goals are charged or credited directly. Costs not directly attributable to these two goals, including costs related to the FTC's third goal, Advance Performance, are allocated based on the percentage of direct full-time equivalents used by each of these two goals.

Note 2—Entity and Non-Entity Assets

The FTC's entity assets are comprised of undisbursed General funds, accounts receivable, and property and equipment. Accounts receivable, net, represents amounts due from other federal agencies, current and former employees, and vendors.

The FTC's non-entity assets are comprised of fund balances with Treasury, accounts receivable, and cash and other monetary assets. The fund balances with Treasury consists of amounts held temporarily in deposit funds for the consumer redress program and collections of premerger filing fees that are held in clearing/suspense funds that will be transferred to the DOJ in a subsequent period. Cash and other monetary assets is cash held in financial institutions to meet current disbursement schedules for the consumer redress program. Accounts receivable, net, is the estimated amount collectible on consumer redress judgments and civil penalties.

The increase seen in Deposit funds – consumer redress resulted primarily from the collection of three large judgements (Cephalon, AT&T, and TracFone) that await distribution to injured parties.

Entity and non-entity assets consisted of the following as of September 30, 2015:

(Dollars in thousands)	2015 Entity	2015 Non-Entity	2015 Total
Intragovernmental:			
Fund balance with Treasury:			
General funds	$ 138,276	$ -	$ 138,276
Deposit funds - consumer redress	-	729,804	729,804
Clearing/Suspense funds - premerger filing fees	-	650	650
Accounts receivable, net	65	-	65
Subtotal intragovernmental assets	$ 138,341	$ 730,454	$ 868,795
Cash and other monetary assets	-	20,373	20,373
Accounts receivable, net	74	14,074	14,148
Property, plant and equipment, net	63,310	-	63,310
Total Assets	$ 201,725	$ 764,901	$ 966,626

Entity and non-entity assets consisted of the following as of September 30, 2014:

(Dollars in thousands)	2014 Entity	2014 Non-Entity	2014 Total
Intragovernmental:			
Fund balance with Treasury:			
General funds	$ 132,737	$ -	$ 132,737
Deposit funds - consumer redress	-	105,091	$ 105,091
Clearing/Suspense funds - premerger filing fees	-	615	$ 615
Accounts receivable, net	6	-	$ 6
Subtotal intragovernmental assets	$ 132,743	$ 105,706	$ 238,449
Cash and other monetary assets	-	28,797	28,797
Accounts receivable, net	54	65,393	65,447
Property, plant and equipment, net	64,247	-	64,247
Total Assets	$ 197,044	$ 199,896	$ 396,940

Note 3—Fund Balance with Treasury

The FTC's fund balance with Treasury consists of undisbursed appropriated funds, which are either unobligated or obligated, as well as deposit funds arising from amounts collected for consumer redress and not yet disbursed to claimants. The fund balance also includes clearing/suspense funds for collections of premerger filing fees that will be distributed to the DOJ in a subsequent period. The unobligated balance includes available and unavailable balances. The unavailable balance is the result of recoveries that exceeded anticipated and apportioned amounts, the collection of fees ($18,638 thousand) above the authorized amount to spend in the current year and prior year, and $6,450 thousand of sequestered funds from FY 2013.

Fund balance with Treasury consisted of the following as of September 30, 2015 and 2014:

(Dollars in thousands)	2015	2014
Fund Balance with Treasury:		
General funds	$ 138,276	$ 132,737
Deposit funds - consumer redress	$ 729,804	105,091
Clearing/suspense funds - premerger filing fees	650	615
Total Fund Balance with Treasury	$ 868,730	$ 238,443
Status of Fund Balance with Treasury:		
Unobligated balance:		
Available - apportioned	$ 11,747	$ 23,893
Unavailable - unapportioned	10,371	3,554
Unavailable - temporary reduction	25,088	9,413
Obligated balance not yet disbursed	91,070	95,877
Non-budgetary fund balance with Treasury		
Deposit funds - consumer redress	729,804	105,091
Clearing/suspense funds - premerger filing fees	650	615
Total Status of Fund Balance with Treasury	$ 868,730	$ 238,443

The FTC's fund balance with Treasury, as reflected in the entity's general ledger and the Treasury account balances have no material discrepancies.

Note 4—Cash and Other Monetary Assets

Cash and other monetary assets consists of cash held in financial institutions necessary to cover current disbursement schedules in connection with the consumer redress program. (See Note 1(h), Cash and Other Monetary Assets and Note 16, Consumer Redress Activities)

Cash and other monetary assets consisted of the following as of September 30, 2015 and 2014:

(Dollars in thousands)	2015	2014
Cash and Other Monetary Assets:		
Consumer redress funds held in financial institutions	$ 20,373	$ 28,797
Total Cash and Other Monetary Assets	$ 20,373	$ 28,797

Note 5—Accounts Receivable, Net

The bulk of the FTC's accounts receivable are non-entity accounts receivable arising from the settlement or litigation of administrative and federal court cases in connection with the consumer redress program, and from civil monetary penalties imposed for violation of an FTC order and antitrust acts. Because of the nature of these receivables, they are frequently not fully collectible and are offset with a significant allowance. The allowance for uncollectible accounts is based on an analysis by a case manager who assesses the debtor's ability and willingness to pay, the defendant's payment record, and the probable recovery amount including the value of assets. These non-entity accounts receivable are included in the financial statements along with an offsetting non-entity liability.

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

(Dollars in thousands)	Gross Receivables	Allowance for Uncollectible Accounts	2015 Net
Entity Accounts Receivable:			
Intragovernmental	$ 65	$ -	$ 65
With the public	74	-	74
Total entity accounts receivable	$ 139	$ -	$ 139
Non-Entity Accounts Receivable:			
Consumer redress	$ 1,579,257	$ 1,566,473	$ 12,784
Civil penalties	35,453	34,163	1,290
Total non-entity accounts receivable	$ 1,614,710	$ 1,600,636	$ 14,074
Total Accounts Receivable	$ 1,614,849	$ 1,600,636	$ 14,213

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

(Dollars in thousands)	Gross Receivables		Allowance for Uncollectible Accounts		2014 Net	
Entity Accounts Receivable:						
Intragovernmental	$	6	$	-	$	6
With the public		54		-		54
Total entity accounts receivable	$	60	$	-	$	60
Non-Entity Accounts Receivable:						
Consumer redress	$	1,178,746	$	1,115,970	$	62,776
Civil penalties		32,912		30,295		2,617
Total non-entity accounts receivable	$	1,211,658	$	1,146,265	$	65,393
Total Accounts Receivable	$	1,211,718	$	1,146,265	$	65,453

Note 6—Property Plant, and Equipment, Net

The following represents the FTC's capital assets and accumulated depreciation as of September 30, 2015 and September 30, 2014. No impairment was recognized in either year.

During FY 2015, software was discovered that should have been capitalized in FY 2012 for $1,072 thousand and in FY 2014 for $1,351 thousand and depreciated for $699 thousand for a total net increase of $1,724 thousand. Since this amount is not material to our FY 2014 or FY 2015 financial statements, the correction was made in FY 2015.

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

Asset Class (Dollars in thousands)	Service Life	Acquisition Value		Accumulated Depreciation / Amortization		Net Book Value	
Equipment	5-20 years	$	22,228	$	6,318	$	15,910
Leasehold improvements	15 years		45,895		8,663		37,232
Software	5 years		25,634		15,466		10,168
Total Property, Plant and Equipment		$	93,757	$	30,447	$	63,310

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

Asset Class (Dollars in thousands)	Service Life	Acquisition Value		Accumulated Depreciation / Amortization		Net Book Value	
Equipment	5-20 years	$	19,340	$	3,157	$	16,183
Leasehold improvements	15 years		44,978		5,561	$	39,417
Software	5 years		21,376		12,729		8,647
Total Property, Plant and Equipment		$	85,694	$	21,447	$	64,247

Note 7—Liabilities Covered and Not Covered by Budgetary Resources

The FTC recognizes three categories of liabilities described below:

Liabilities Covered by Budgetary Resources

Liabilities incurred that will be covered by available budgetary resources as of the Balance Sheet date. These include accounts payable for goods and services received, and accrued employee payroll and benefits payable.

Liabilities not Covered by Budgetary Resources

Liabilities incurred for which revenues or other sources of funds necessary to pay the liabilities have not been made available through congressional appropriations or current earnings. These include unfunded FECA liabilities and accrued annual leave.

Liabilities Not Requiring Budgetary Resources

Non-entity liabilities that are covered by non-entity assets. These include:

Undisbursed Premerger Filing Fees - the offsetting liability to the non-entity clearing/suspense fund balance for premerger fees that are payable to the DOJ in a subsequent period.

Accrued Civil Penalties due to Treasury - the offsetting liability to non-entity accounts receivable for civil penalties, net, that upon collection will be payable to the general fund of the Treasury.

Undisbursed Redress Collections - the offsetting liability to the non-entity deposit fund balance for consumer redress that is payable to approved claimants.

Accrued Redress due to Claimants - the offsetting liability to the non-entity accounts receivable for consumer redress that upon collection will be payable to approved claimants.

Liabilities consisted of the following as of September 30, 2015 and 2014:

(Dollars in thousands)	2015 Covered by Budgetary Resources	2015 Not Covered by Budgetary Resources	2015 Not Requiring Budgetary Resources	2015 Total Liabilities	2014 Covered by Budgetary Resources	2014 Not Covered by Budgetary Resources	2014 Not Requiring Budgetary Resources	2014 Total Liabilities
Intragovernmental:								
Accounts payable	1,118	$ -	$ -	$ 1,118	$ 823	$ -	$ -	$ 823
Accrued employee benefits	1,098	-	-	1,098	830	-	-	830
Other employment related liability	-	3	-	3	-	-	-	-
FECA liability	-	359	-	359	-	365	-	365
Undisbursed premerger filing fees	-	-	650	650	-	-	615	615
Accrued civil penalties due to Treasury	-	-	1,290	1,290	-	-	2,617	2,617
Total intragovernmental liabilities	$ 2,216	$ 362	$ 1,940	$ 4,518	$ 1,653	$ 365	$ 3,232	$ 5,250
Accounts payable	11,508	-	-	11,508	10,805	-	-	10,805
Reimbursable advances	-	-	-	-	45	-	-	45
Accrued payroll and benefits	4,898	-	-	4,898	4,105	-	-	4,105
Accrued leave	-	11,230	-	11,230	-	9,737	-	9,737
Actuarial FECA	-	2,013	-	2,013	-	2,202	-	2,202
Undisbursed redress collections	-	-	750,177	750,177	-	-	133,888	133,888
Accrued redress due to claimants	-	-	12,784	12,784	-	-	62,776	62,776
Total liabilities	$ 18,622	$ 13,605	$ 764,901	$ 797,128	$ 16,608	$ 12,304	$ 199,896	$ 228,808

Note 8 – Other Liabilities

Other liabilities consisted of the following as of September 30, 2015:

(Dollars in thousands)	2015 Non-Current	2015 Current	2015 Total
Other intragovernmental:			
Accrued employee benefits	$ -	$ 1,101	$ 1,101
FECA liability	359	-	359
Undisbursed premerger filing fees	-	650	650
Accrued civil penalties due to Treasury	-	1,290	1,290
Subtotal other intragovernmental	$ 359	$ 3,041	$ 3,400
Accrued payroll and benefits	-	4,898	4,898
Accrued leave	11,230	-	11,230
Actuarial FECA	2,013	-	2,013
Subtotal other	$ 13,243	$ 4,898	$ 18,141
Total Other Liabilities	$ 13,602	$ 7,939	$ 21,541

Other liabilities consisted of the following as of September 30, 2014:

(Dollars in thousands)	2014 Non-Current	2014 Current	2014 Total
Other intragovernmental:			
Accrued employee benefits	$ -	$ 830	$ 830
FECA liability	365	-	365
Undisbursed premerger filing fees	-	615	615
Accrued civil penalties due to Treasury	-	2,617	2,617
Subtotal other intragovernmental	$ 365	$ 4,062	$ 4,427
Reimbursable Advances	-	45	45
Accrued payroll and benefits	-	4,105	4,105
Accrued leave	9,737	-	9,737
Actuarial FECA	2,202	-	2,202
Subtotal other	$ 11,939	$ 4,150	$ 16,089
Total Other Liabilities	$ 12,304	$ 8,212	$ 20,516

Note 9—Operating Leases

Leases of government and commercial property are made through and managed by the GSA. While the leases with the GSA are cancellable, the FTC's intention is to stay in the GSA leased space and disclose the amounts that will be paid in the future to the GSA under signed lease agreements. The FTC has leases on three government-owned properties and eight commercial properties totaling approximately 610 thousand square feet for use as offices, storage and parking. The FTC's government leases expire at various dates through 2019, while the commercial leases expire at various dates through 2024.

Future minimum lease payments due under leases of government-owned property for the fiscal year ended September 30, 2015:

Fiscal Year (Dollars in thousands)		
2016	$	6,741
2017		6,722
2018		6,680
2019		6,349
2020		(0)
Thereafter		(0)
Total Future Minimum Lease Payments	**$**	**26,492**

Future minimum lease payments due under leases of commercial-owned property for the fiscal year ended September 30, 2015:

Fiscal Year (Dollars in thousands)		
2016	$	14,524
2017		14,494
2018		13,546
2019		14,052
2020		14,361
Thereafter		48,083
Total Future Minimum Lease Payments	**$**	**119,060**

Note 10—Commitments and Contingencies

As of September 30, 2015, the FTC has no pending single or aggregate administrative proceedings, legal actions, and claims brought by or against it, including pending litigation where adverse decisions are considered by management and legal counsel as "reasonably possible".

Note 11—Intragovernmental Costs and Exchange Revenues

The Statement of Net Cost presents the FTC's costs and exchange revenues for its two major strategic goals. The costs and exchange revenues reported can be further classified as either "intragovernmental" or "public". Intragovernmental costs and exchange revenues arise from transactions with another Federal entity, whereas, public costs and exchange revenues arise from transactions with non-Federal entities.

A small portion of the FTC's overall exchange revenue is intragovernmental arising from services provided to other Federal agencies under interagency agreements. The FTC bills the buying agency to recover the full cost of services, primarily salaries, and recognizes the revenue at the time expenditures are incurred.

The bulk of the FTC's exchange revenue is "public" and derived from two primary sources:

Fees collected for premerger notification filings under the HSR Act - The HSR Act requires the filing of premerger notifications with the FTC and the Antitrust Division of the DOJ and establishes a waiting period before certain acquisitions may be consummated. The filing fees are determined by the value and size of the parties. By law, the FTC retains one-half of all premerger filing fees collected, and remits one-half to the DOJ Antitrust Division.

Subscription fees collected for the National Do Not Call Registry - The Do Not Call Registry Fee Extension Act of 2007, which amended the Do Not Call Implementation Act, established a permanent fee structure for the DNC Registry and provided that fees be reviewed annually and adjusted for inflation, as appropriate. Telemarketers must pay an annual subscription fee and download a list of telephone numbers of consumers who do not wish to receive calls. Fees are based on the number of area codes downloaded. The FTC recognizes the revenue when collected and the telemarketer is given access to the requested data.

Costs and revenues categorized as intragovernmental and public consisted of the following for the fiscal years ended September 30, 2015 and 2014:

(Dollars in thousands)	2015	2014
Strategic Goal 1: Protect Consumers		
Intragovernmental gross costs	$ 46,068	$ 62,467
Public costs	137,400	108,027
Gross costs, Protect Consumers	183,468	170,494
Intragovernmental earned revenue - reimbursements	(133)	(3)
Public earned revenue - Do Not Call registry fees	(13,325)	(13,518)
Earned revenue, Protect Consumers	(13,458)	(13,521)
Net Cost, Protect Consumers	$ 170,010	$ 156,973
Strategic Goal 2: Maintain Competition		
Intragovernmental gross costs	$ 33,223	$ 45,608
Public costs	99,089	78,871
Gross costs, Maintain Competition	132,312	124,479
Intragovernmental earned revenue - reimbursements	(136)	(214)
Public earned revenue - premerger filing fees	(115,678)	(106,263)
Earned revenue, Maintain Competition	(115,814)	(106,477)
Net Cost, Maintain Competition	$ 16,498	$ 18,002
Net Cost of Operations	$ 186,508	$ 174,975

Note 12—Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

Obligations incurred consisted of the following for the fiscal years ended September 30, 2015 and 2014:

(Dollars in thousands)	2015	2014
Obligations Incurred:		
Category A - direct obligations	$ 302,093	$ 316,054
Category B - direct obligations	2,917	17,840
Category B - reimbursable obligations	284	244
Total Obligations Incurred	$ 305,294	$ 334,138

Category A – direct obligations represent amounts obligated in carrying out the FTC's normal on-going operations. The source of funding for these obligations is an annual appropriation, offsetting collections, and unobligated funds brought forward from previous years. These funds are made available by the OMB through quarterly (Category A) apportionments.

Category B – direct obligations represent amounts obligated for space replacement and the relocation of the FTC staff. Funding for these obligations is derived from the same sources as Category A, direct obligations, however, there is a limit on the amount available for this purpose.

Category B – reimbursable obligations represent amounts obligated in fulfilling interagency agreements when the FTC is the provider of services. The source of funding for these obligations is reimbursements collected from other Federal agencies to cover the FTC's costs in fulfilling the agreement.

Note 13—Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

There are no material differences between amounts reported in the fiscal year 2014 Statement of Budgetary Resources and the fiscal year 2014 actual amounts as reported in the fiscal year 2016 Budget of the United States Government. The fiscal year 2017 Budget of the United States is not available to compare fiscal year 2015 actual amounts to the fiscal year 2015 Statement of Budgetary Resources.

Note 14—Undelivered Orders at the End of the Period

The amount of budgetary resources obligated for undelivered orders as of September 30, 2015 and 2014, is $73,021 and $80,059 thousand, respectively.

Note 15—Custodial Activities

The primary custodial activities of the FTC are:

Premerger Filing Fees

Fees collected for premerger notification filings under the HSR Act are divided evenly between the FTC and the DOJ. The portion of collections designated for the DOJ is reported as a custodial activity. During fiscal year 2015 and fiscal year 2014, the FTC collected $231,356 and $212,526 thousand respectively, in HSR premerger filing fees. One-half of the amounts collected in each year was distributed to the DOJ, as shown on the Statement of Custodial Activity. Undistributed fees to the DOJ at September 30, 2015 and 2014 were $650 and $615 thousand respectively.

Civil Penalties

Civil monetary penalties and antitrust violations collected in connection with the settlement or litigation of the FTC's administrative or federal court cases are collected by either the FTC or the DOJ as provided by law. In those situations where the FTC collects the penalties, the funds are deposited in a receipt account with the Treasury. Civil penalties collected also include amounts collected for undecided civil penalty cases that are held until final disposition of the case. All civil penalties collected are transferred to the general fund of the Treasury at the end of the year.

Consumer Redress

Collections for consumer redress reported on the Statement of Custodial Activity are limited to those collections that have been disgorged to the Treasury. Collections disgorged to the Treasury were $21,081 and $16,157 thousand as of September 30, 2015 and 2014 respectively.

Other line items on the Statement of Custodial Activity include:

Accrual Adjustments

Accrual adjustments represent the change in accounts receivable, net of allowances for uncollectible accounts, for civil penalties assessed in court actions.

Amounts Yet to be Transferred

Amounts yet to be transferred represents the change in the offsetting liability for civil penalties due to Treasury that is established at the time an accounts receivable for civil penalties is recorded.

Note 16—Consumer Redress Activities

The FTC obtains consumer redress in connection with the settlement or litigation of both administrative proceedings and federal court cases. The FTC attempts to distribute funds thus obtained to consumers whenever possible. In those cases where consumer redress is not practicable, the funds are transferred (disgorged) to the Treasury, or on occasion, used for consumer education or another purpose as directed by the final order issued by the court. Major components of the redress program include eligibility determination, claimant notification, and administration of redress to claimants.

The FTC holds redress funds in a deposit fund at Treasury until a determination is made on the practicability of redress. If redress is determined to be practicable, funds needed to cover immediate disbursements to consumers are transferred to accounts at financial institutions from which redress third-party administrators process claims and disburse proceeds to claimants.

Redress fund activities consisted of the following for the fiscal years ended September 30, 2015 and 2014:

(Dollars in thousands)	2015	2014
Consumer Redress:		
Fund Balance with Treasury		
Beginning balance	$ 105,091	$ 47,609
Collections	707,410	124,376
Disbursements to claimants, net	-	(69)
Disgorgements to Treasury	(21,081)	(16,157)
Transfers, expenses, refunds	(61,616)	(50,668)
Total Fund Balance with Treasury, Ending	$ 729,804	$ 105,091
Cash and Other Monetary Assets		
Beginning balance	$ 28,797	$ 18,239
Disbursements to claimants, net	(49,823)	(38,512)
Transfers, expenses, interest income	41,399	49,070
Total Cash and Other Monetary Assets, Ending	$ 20,373	$ 28,797
Accounts Receivable, Net		
Beginning balance	$ 62,776	$ 23,693
Net activity	(49,992)	39,083
Total Accounts Receivable, Ending	$ 12,784	$ 62,776

Note 17 — Reconciliation of Net Cost of Operations to Budget

For the fiscal years ended September 30, 2015 and 2014:

(Dollars in thousands)	2015	2014
Resources Used to Finance Activities:		
Budgetary resources obligated:		
Obligations incurred	$ 305,294	$ 334,138
Less: spending authority from offsetting collections and recoveries	(135,968)	(126,206)
Total budgetary resources obligated	169,326	207,932
Other resources:		
Imputed financing from costs absorbed by others	8,199	9,434
Total other resources	8,199	9,434
Total Resources Used to Finance Activities	$ 177,525	$ 217,366
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in budgetary resources obligated, but not yet provided	$ 6,765	$ 1,552
Resources that finance the acquisition of assets	(8,062)	(46,691)
Total resources used to finance items not part of the net cost of operations	(1,297)	(45,139)
Total Resources Used to Finance the Net Cost of Operations	$ 176,228	$ 172,227
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components requiring or generating resources in future periods:		
Increase in annual leave liability	$ 1,493	$ (1,648)
Other	(213)	(90)
Total components requiring or generating resources in future period	1,280	(1,738)
Components not requiring or generating resources:		
Depreciation and amortization	9,000	3,738
Losses on disposition of assets - other	-	748
Total components not requiring or generating resources	9,000	4,486
Total Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:	$ 10,280	$ 2,748
Net Cost of Operations	$ 186,508	$ 174,975