Federal Trade Commission
Office of Inspector General

Independent Auditor's Report and Financial Statements for the Fiscal Years Ended September 30, 2018 and 2017

OIG Report No. A-19-01   November 13, 2018

Office of Inspector General

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

November 13, 2018

MEMORANDUM

FROM: Andrew Katsaros
Acting Inspector General

TO: Joseph J. Simons, Chairman
Noah Joshua Phillips, Commissioner
Rohit Chopra, Commissioner
Rebecca Kelly Slaughter, Commissioner
Christine S. Wilson, Commissioner

SUBJECT: Report on Audit of the FTC's FY 2018 and 2017 Financial Statements

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) financial statements for fiscal years 2018 and 2017. We commend the FTC for attaining an unmodified (clean) opinion for the 22nd consecutive year.

We contracted with the independent certified public accounting firm of Brown & Company CPAs and Management Consultants, PLLC (Brown & Company) to audit the financial statements of the FTC as of and for the fiscal years ended September 30, 2018 and 2017, and to provide reports on internal control over financial reporting and compliance with laws and other matters. The contract required the audit to be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget audit guidance, and the Government Accountability Office's *Financial Audit Manual.*

In its audit, Brown & Company found:

- FTC's financial statements as of and for the fiscal years ended September 30, 2018 and 2017, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures performed; and
- no reportable noncompliance for fiscal year 2018 with provisions of applicable laws, regulations, contracts, and grant agreements tested.

Brown & Company is responsible for the attached auditor's report dated November 13, 2018, and the conclusions expressed in the report. We do not express opinions on FTC's financial statements or conclusions about the effectiveness of internal control or conclusions on compliance with laws and regulations.

We appreciate the cooperation given by management to Brown & Company and the Office of Inspector General during the audit. If you have any questions or would like to discuss the report, please contact me at (202) 326-2355.

Attachment

FEDERAL TRADE COMMISSION

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2018 AND 2017

Prepared By
Brown & Company CPAs and Management Consultants, PLLC
November 13, 2018

FEDERAL TRADE COMMISSION

INDEPENDENT AUDITOR'S REPORT
AND
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INDEPENDENT AUDITOR'S REPORT

Inspector General
Federal Trade Commission
Washington, D.C.

In our audits of the fiscal years 2018 and 2017 financial statements of the Federal Trade Commission (FTC), we found

- FTC's financial statements as of and for the fiscal years ended September 30, 2018, and 2017, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;

- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and

- no reportable noncompliance for fiscal year 2018 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI) and other information included with the financial statements; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial Statements

In accordance with the provisions of Accountability of Tax Dollars Act of 2002 (ATDA) (Pub. L. No. 107-289), we have audited FTC's financial statements. FTC's financial statements comprise the balance sheets as of September 30, 2018, and 2017; the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audits in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility

FTC's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including 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 audits. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements 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 auditor's 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 of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, FTC's financial statements present fairly, in all material respects, FTC's financial position as of September 30, 2018, and 2017, and its net cost of operations, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in 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 RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

FTC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on FTC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audits of FTC's financial statements, we considered FTC's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to FTC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

FTC's management is responsible for maintaining effective internal control over financial reporting, including 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

In planning and performing our audit of FTC's financial statements as of and for the year ended September 30, 2018, in accordance with U.S. generally accepted government auditing standards, we considered the FTC's internal control over financial reporting as a basis for designing 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 FTC's internal control over financial reporting. Accordingly, we do not express an opinion on FTC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

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.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of FTC's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. 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 we will report on them separately in a management letter.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of FTC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the FTC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of FTC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

FTC's management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to FTC.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to FTC that have a direct effect on the determination of material amounts and disclosures in FTC's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to FTC.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2018 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to FTC. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

This report is intended solely for the information and use of the management of FTC, OMB, and the U.S. 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, 2018

FEDERAL TRADE COMMISSION

BALANCE SHEET

As of September 30, 2018 and 2017

(Dollars in thousands)

	FY 2018	FY 2017
Assets (Note 2):		
Intragovernmental:		
Fund balance with Treasury (Note 3)	$ 487,600	$ 565,055
Accounts receivable, net (Note 4)	18	52
Advances and prepayments	232	253
Total intragovernmental	487,850	565,360
Accounts receivable, net (Note 4)	598,971	69,972
Property, plant, and equipment, net (Note 5)	38,529	50,714
Total Assets	$ 1,125,350	$ 686,046
Liabilities (Notes 6 and 7):		
Intragovernmental:		
Accounts payable	$ 560	$ 1,181
Other liabilities (Note 7)	2,296	1,847
Total intragovernmental	2,856	3,028
Accounts payable	10,169	9,533
Accrued redress due to claimants	598,515	69,887
Undisbursed redress collections (Note 14)	358,776	431,573
Other (Note 7)	19,673	19,857
Total Liabilities	989,989	533,878
Net Position (Note 1(n)):		
Unexpended appropriations	-	-
Cumulative results of operations	135,361	152,168
Total Net Position	135,361	152,168
Total Liabilities and Net Position	$ 1,125,350	$ 686,046

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

FEDERAL TRADE COMMISSION

STATEMENT OF NET COST

For the Years Ended September 30, 2018 and 2017

(Dollars in thousands)

	FY 2018	FY 2017
Costs by Strategic Goal:		
Strategic Goal 1: Protect Consumers:		
Gross costs	$ 184,553	$ 181,505
Less: earned revenue	(12,311)	(14,565)
Net cost	172,242	166,940
Strategic Goal 2: Maintain Competition:		
Gross costs	156,580	145,532
Less: earned revenue	(133,481)	(126,037)
Net cost	23,099	19,495
Net Cost of Operations	$ 195,341	$ 186,435

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, 2018 and 2017

(Dollars in thousands)

	FY 2018	FY 2017
Unexpended Appropriations:		
Beginning balance	-	-
Budgetary Financing Sources:		
Appropriations received	168,023	175,374
Appropriations used	(168,023)	(175,374)
Total budgetary financing sources	-	-
Total Unexpended Appropriations	-	-
Cumulative Results of Operations:		
Beginning balance	$ 152,168	$ 156,333
Budgetary Financing Sources:		
Appropriations used	168,023	175,374
Other Financing Sources (Non-Exchange):		
Imputed financing	10,511	6,896
Total financing sources	178,534	182,270
Net cost of operations	(195,341)	(186,435)
Net change	(16,807)	(4,165)
Cumulative Results of Operations	135,361	152,168
Net Position (Note 1(n))	$ 135,361	$ 152,168

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

FEDERAL TRADE COMMISSION

STATEMENT OF BUDGETARY RESOURCES

For the Years Ended September 30, 2018 and 2017

(Dollars in thousands)

	FY 2018	FY 2017
Budgetary Resources:		
Unobligated balance, brought forward, October 1	$ 33,167	$ 25,950
Recoveries of unpaid prior year obligations	9,454	8,947
Other changes in unobligated balance	94	18
Unobligated balance from prior year budget authority, net	42,715	34,915
Appropriations	168,023	175,374
Spending authority from offsetting collections	138,317	137,625
Total Budgetary Resources	$ 349,055	$ 347,914
Status of Budgetary Resources:		
New obligations and upward adjustments (total) (Note 10)	$ 326,238	$ 314,747
Unobligated balance, end of year:		
Apportioned, unexpired accounts	18,285	27,241
Unapportioned, unexpired accounts	4,532	5,926
Unexpired unobligated balance, end of year	22,817	33,167
Unobligated balance, end of year (total)	22,817	33,167
Total Budgetary Resources	$ 349,055	$ 347,914
Outlays, Net:		
Outlays, gross	$ 318,589	$ 313,468
Actual offsetting collections	(145,907)	(138,700)
Outlays, net	172,682	174,768
Distributed offsetting receipts	(7,816)	(94,654)
Agency outlays, net	$ 164,866	$ 80,114

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

FEDERAL TRADE COMMISSION
STATEMENT OF CUSTODIAL ACTIVITY
For the Years Ended September 30, 2018 and 2017
(Dollars in thousands)

	Protect Consumers	Maintain Competition	FY 2018	FY 2017
Revenue Activity (Note 13):				
Sources of collections:				
Premerger filing fees (net of refunds)	$ -	$ 132,923	$ 132,923	$ 125,440
Civil penalties and fines	2,450	-	2,450	2,517
Consumer redress	7,613	-	7,613	94,463
Other miscellaneous receipts	203	-	203	191
Total cash collections	10,266	132,923	143,189	222,611
Accrual adjustments	435	-	435	(731)
Total Custodial Revenue	$ 10,701	$ 132,923	$ 143,624	$ 221,880
Disposition of Collections (Note 13):				
Transferred to others:				
Treasury general fund	$ 10,266	$ -	$ 10,266	$ 97,171
Department of Justice	-	132,923	132,923	125,520
Amounts yet to be transferred	435	-	435	(811)
Total Disposition of Collections	$ 10,701	$ 132,923	$ 143,624	$ 221,880
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) Fund Accounting Structure

The Federal Trade Commission (FTC), records and tracks financial activity using Treasury Account Symbols (TAS). These TAS are described below:

General Fund

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 are included in the FTC's unavailable – excess offsetting collections. (See Note 3, Fund Balance with Treasury.)

Deposit Fund

Consumer Redress Escrow (TAS 29X6013): This account consists of money collected as a result of court ordered judgments related to the consumer redress program and held temporarily by the FTC until distributed (either directly by the FTC or through a third-party agent) to consumers or harmed entities, or transferred to the General Fund of the U.S. Government. Judgments imposed but not yet collected are accrued as accounts receivable and recorded in this account. Accrued receivables and funds collected are considered non-entity assets under the FTC's custody or management. They do not affect the FTC's net position and are not reported on the agency's Statement of Changes in Net Position. (See Note 3, Fund Balance with Treasury and Note 14, Consumer Redress Activities.)

Clearing/Suspense Account

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(o), 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 account is transferred to the General Fund of the U.S. Government at the end of each fiscal year.

General Fund Proprietary Receipts (TAS 29 3220): Miscellaneous receipts that by law are not available for the FTC's use collections for the consumer redress program for which redress to consumers is not practicable are transferred to the General Fund of the U.S. Government at the end of each fiscal year.

(b) 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 U.S. Generally Accepted Accounting Principles (GAAP) for federal entities and with OMB Circular A-136, Financial Reporting Requirements (as revised July 2018). 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(a), Fund Accounting Structure, 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.

(c) 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 uncollectible accounts, and the allocation of costs to strategic goals in the Statement of Net Cost. Actual results could differ from the estimated amounts. The vendor accounts payable accrual is an estimate, and is accrued separately from the accounts payable accrual for travel and interagency agreements. In FY 2018, the FTC enhanced its approach to estimating the accrual for vendor accounts payable. The agency uses statistical techniques to evaluate vendor accounts payable balances for previous fiscal years, averages the balances to obtain an accrual estimate, and then adjusts the estimate using a factor that represents the proportional change in obligations between the current and the previous fiscal year. Every year, the agency statistically validates that the yearend vendor accounts payable accrual was reasonable. The validated amount is subsequently used in calculating the following year's estimate, which also considers any changes to invoice payment timeframes that may affect the vendor accounts payable's statistical assumptions.

(d) Budget Authority

The Congress passes appropriations annually that provide the FTC with authority to obligate funds for necessary expenses to carry out program activities. These funds are available until expended, subject to the OMB apportionment and to Congressional restrictions on the expenditure of funds (see the FTC's FY 2018 Congressional Budget Justification, page 3, "Appropriations Language Provisions"). 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's budget authority is derived from a direct appropriation and offsetting collections. The FTC accounts for budget authority in its General Fund account (29X0100), as reflected in the Statement of Budgetary Resources.

(e) Entity and Non-Entity Assets

The FTC 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 FTC's use are non-entity assets. Non-entity assets include collections and accounts receivable that arise from court-order judgments for monetary relief, 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 offsetting non-entity liabilities of equal amount. (See Note 2, Entity and Non-Entity Assets.)

(f) 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 fund cash balance includes a portion that is available to the FTC to make expenditures and pay liabilities and a portion that is unavailable. Deposit fund 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.)

(g) 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. Accounts receivable includes estimates of the net cash value from court appointed receivers for which the FTC anticipates the proceeds will be deposited in the Consumer Redress Escrow account.

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. (See Note 4, Accounts Receivable, Net.)

(h) General 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.

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 acquisitions based on the above thresholds for items with 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. An exception applies to leasehold improvements, which are depreciated over the lesser of the useful life of the asset or the remaining lease term. 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 5, General Property, Plant, and Equipment.)

(i) 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).

(j) 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.

(k) 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, participate in FERS-FRAE (Further Revised Annuity Employees). The FTC contributes 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 limit 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 by employees and 50 percent of the next 2 percent of employee contributions. 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 16, Reconciliation of Net Operating Cost and Net Budgetary Outlays.)

(l) 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 6, Liabilities 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. (See Note 16, Reconciliation of Net Operating Cost and Net Budgetary Outlays.)

(m) 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 6, Liabilities Covered and Not Covered by Budgetary Resources)

(n) Net Position

The portion of the FTC's budget authority 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)

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

(o) 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 fees collections for the National Do Not Call Registry. Additionally, exchange revenues include a small amount of reimbursements for services performed under inter-agency agreements.

(p) 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 supporting each of these two goals. (See Statement of Net Costs.)

Note 2—Entity and Non-Entity Assets

The FTC's entity assets are comprised of undisbursed general funds, accounts receivable, and property, plant 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 and accounts receivable. The fund balances with Treasury consist of amounts held temporarily in deposit funds for the consumer redress program and collections of premerger filing fees held in clearing/suspense funds that will be transferred to the DOJ in a subsequent period. Accounts receivable, net, is the estimated amount collectible on consumer redress judgments and civil penalties.

Entity and non-entity assets consisted of the following as of September 30, 2018:

(Dollars in thousands)	2018 Entity	2018 Non-Entity	2018 Total
Intragovernmental:			
Fund balance with Treasury:			
General funds	$ 128,824	$ -	$ 128,824
Deposit funds - consumer redress	-	358,776	358,776
Accounts receivable, net	18	-	18
Advances and Prepayments	232	-	232
Total intragovernmental assets	129,074	358,776	487,850
Accounts receivable, net	18	598,953	598,971
Property, plant and equipment, net	38,529	-	38,529
Total Assets	$ 167,621	$ 957,729	$ 1,125,350

Entity and non-entity assets consisted of the following as of September 30, 2017:

(Dollars in thousands)	2017 Entity	2017 Non-Entity	2017 Total
Intragovernmental:			
Fund balance with Treasury:			
General funds	$ 133,482	$ -	$ 133,482
Deposit funds - consumer redress	-	431,573	431,573
Accounts receivable, net	52	-	52
Advances and Prepayments	253	-	253
Total intragovernmental assets	133,787	431,573	565,360
Accounts receivable, net	81	69,891	69,972
General property and equipment, net	50,714	-	50,714
Total Assets	$ 184,582	$ 501,464	$ 686,046

Note 3—Fund Balance with Treasury

The FTC's fund balance with Treasury (FBwT) consists of undisbursed appropriated funds, which are either unobligated or obligated, as well as non-budgetary deposit funds arising from amounts collected for consumer redress and not yet disbursed to disbursing agents or directly to claimants. The unobligated balance includes available and unavailable balances.

The unavailable -unapportioned balance of $4,532 thousand is the result of recoveries that exceeded anticipated and apportioned amounts. The unavailable - excess offsetting collections balance of $26,004 thousand are HSR fees collected above the yearly congressional authorized amount to collect and spend and comprises of $6,924 thousand in the current year and $19,080 thousand from previous years. The unavailable - temporary reduction of $6,450 thousand consists of $5,418 thousand HSR and $1,032 thousand National Do Not Call Registry offsetting collections sequestered from FY 2013.

The difference of $32,454 between the SBR unobligated balance, end of year of $22,817 thousand and the FBwT total unobligated balance of $55,271 thousand is the $26,004 thousand Unavailable- excess offsetting collections and Unavailable – temporary reduction of $6,450 thousand.

The FTC's FBwT, as reflected in the entity's general ledger, has no material discrepancy with the amounts reported in U.S. Treasury account balances.

Fund balance with Treasury consisted of the following as of September 30, 2018 and 2017:

(Dollars in thousands)	2018	2017
Status of Fund Balance with Treasury:		
Unobligated balance:		
Available - apportioned	$ 18,285	$ 27,241
Unavailable - unapportioned	4,532	5,926
Unavailable - excess offsetting collections	26,004	19,080
Unavailable - temporary reduction	6,450	6,450
Total Unobligated balance:	55,271	58,697
Obligated balance not yet disbursed	73,553	74,785
Non-budgetary fund balance with Treasury	358,776	431,573
Total Status of Fund Balance with Treasury	$ 487,600	$ 565,055

Note 4—Accounts Receivable, Net

Majority 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/or 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 history, and the probable recovery amount including the value of assets. These non-entity accounts receivable are included in the financial statements along with offsetting non-entity liabilities.

Non-entity redress gross accounts receivable is the court ordered judgment amount, usually a calculated amount of ill-gotten gains by the defendant(s). The related allowance for uncollectible accounts is the estimate the FTC will not collect from the defendant(s), which oftentimes is a large percentage of the judgment. . The $529,062 thousand increase in the FY 2018 accounts receivable, net from the FY 2017 accounts receivable, net of $69,891 thousand consists mostly of a FY 2018 judgement against AbbVie, Inc., for $493,716 thousand that has no allowance as a bond for the full amount of the judgment is with the court while the defendant's appeal is decided by the Court of Appeals.

Net interest and the related allowance for doubtful accounts balance was recorded as of September 30, 2018. Accumulated unrecognized interest on receivables deemed uncollectible totaled $6,412 thousand and $738 thousand as of September 30, 2018, and 2017, respectively.

Accounts receivable, net consisted of the following as of September 30, 2018:

(Dollars in thousands)	Gross Receivables	Allowance for Uncollectible Accounts	2018 Net
Entity Accounts Receivable:			
Intragovernmental	$ 18	$ -	$ 18
With the public	57	39	18
Total entity accounts receivable	75	39	36
Non-Entity Accounts Receivable:			
Consumer redress	2,674,249	2,075,734	598,515
Civil penalties	39,826	39,388	438
Total non-entity accounts receivable	2,714,075	2,115,122	598,953
Total Accounts Receivable	$ 2,714,150	$ 2,115,161	$ 598,989

Accounts receivable, net consisted of the following as of September 30, 2017:

(Dollars in thousands)	Gross Receivables	Allowance for Uncollectible Accounts	2017 Net
Entity Accounts Receivable:			
Intragovernmental	$ 52	$ -	$ 52
With the public	81	-	81
Total entity accounts receivable	133	-	133
Non-Entity Accounts Receivable:			
Consumer redress	2,585,646	2,515,759	69,887
Civil penalties	39,081	39,077	4
Total non-entity accounts receivable	2,624,727	2,554,836	69,891
Total Accounts Receivable	$ 2,624,860	$ 2,554,836	$ 70,024

Note 5—General Property Plant, and Equipment, Net

The following represents the FTC's capital assets and accumulated depreciation as of September 30, 2018, and 2017. No impairment was recognized in either year. The accumulated depreciation has increased by $5,521 thousand while the current year depreciation and amortization expense is $9,907, as presented in Note 16. The difference of $4,386 thousand results from asset disposals where $4,286 thousand of accumulated depreciation/amortization was removed for fully depreciated assets. In addition, a $100 thousand leasehold adjustment was recorded due to the Chicago regional office space move.

Property, plant, and equipment, net consisted of the following as of September 30, 2017:

Asset Class (Dollars in thousands)	Service Life	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value
Equipment	5-20 yrs.	$ 26,992	$ 15,138	$ 11,854
Leasehold improvements	15 yrs	46,566	14,718	31,848
Software	5 yrs.	28,000	20,988	7,012
Total Property, Plant, and Equipment		$ 101,558	$ 50,844	$ 50,714

Property, plant, and equipment, net consisted of the following as of September 30, 2018:

Asset Class (Dollars in thousands)	Service Life	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value
Equipment	5-20 years	$ 25,802	$ 18,837	$ 6,965
Leasehold improvements	15 years	46,301	17,564	28,737
Software	5 years	22,791	19,964	2,827
Total Property, Plant, and Equipment		$ 94,894	$ 56,365	$ 38,529

Note 6—Liabilities Not Covered by Budgetary Resources

The FTC recognizes two categories of liabilities not covered by budgetary resources described below:

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 - offsetting liability to the non-entity clearing/suspense fund balance for premerger fees payable to the DOJ in a subsequent period.

Accrued Civil Penalties due to Treasury - offsetting liability to non-entity accounts receivable for civil penalties, net, that upon collection will be payable to the General Fund of the U.S. Government.

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

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

Liabilities Not Covered by Budgetary Resources consisted of the following as of September 30, 2018:

(Dollars in thousands)	Not Covered by Budgetary Resources	Not Requiring Budgetary Resources	FY 2018 Total
Intragovernmental Liabilities:			
FECA liability	$ 358	$ -	$ 358
Other employment related liability	3	-	3
Undisbursed premerger filing fees	-	-	-
Accrued civil penalties due to Treasury	-	438	438
Total Intragovernmental Liabilities	361	438	799
Non-Federal Liabilities:			
Accrued leave	11,455	-	11,455
Actuarial FECA	2,146	-	2,146
Undisbursed redress collections	-	358,776	358,776
Accrued redress due to claimants	-	598,515	598,515
Total Non-Federal Liabilities	13,601	957,291	970,892
Total Unfunded Liabilities	13,962	957,729	971,691
Liabilities Covered by Budgetary Resources			18,298
Total Liabilities			$ 989,989

Liabilities Not Covered by Budgetary Resources consisted of the following as of September 30, 2017:

(Dollars in thousands)	Not Covered by Budgetary Resources	Not Requiring Budgetary Resources	FY 2017 Total
Intragovernmental Liabilities:			
FECA liability	$ 353	$ -	$ 353
Other employment related liability	-	-	-
Undisbursed premerger filing fees	-	-	-
Accrued civil penalties due to Treasury	-	4	4
Total Intragovernmental Liabilities	353	4	357
Non-Federal Liabilities:			
Accrued leave	11,681	-	11,681
Actuarial FECA	2,095	-	2,095
Undisbursed redress collections	-	431,573	431,573
Accrued redress due to claimants	-	69,887	69,887
Total Non-Federal Liabilities	13,776	501,460	515,236
Total Unfunded Liabilities	14,129	501,464	515,593
Liabilities Covered by Budgetary Resources			18,285
Total Liabilities			$ 533,878

Note 7 – Other Liabilities

As of September 30, 2018, and 2017, components of amounts reported on the Balance Sheet as Other Intragovernmental Liabilities and Other Liabilities along with a categorization of current versus long-term are as follows:

As of September 30, 2018, and 2017, components of amounts reported on the Balance Sheet as Other Intragovernmental Liabilities and Other Liabilities along with a categorization of current versus long-term are as follows:

Other Liabilities consisted of the following as of September 30, 2018:

(Dollars in thousands)	2018 Non-Current	2018 Current	2018 Total
Other Intragovernmental Liabilities:			
Accrued employee benefits	$ -	$ 1,500	1,500
FECA liability	358	-	358
Reimbursable advances	-	-	-
Accrued civil penalties due to Treasury	-	438	438
Total Other Intragovernmental Liabilities	358	1,938	2,296
Other Non-Federal liabilities:			
Accrued payroll and benefits	-	6,072	6,072
Accrued leave	11,455	-	11,455
Actuarial FECA	2,146	0	2,146
Total Other Non-Federal Liabilities	13,601	6,072	19,673
Total Other Liabilities	$ 13,959	$ 8,010	$ 21,969

Other Liabilities consisted of the following as of September 30, 2017:

(Dollars in thousands)	2017 Non-Current	2017 Current	2017 Total
Other Intragovernmental Liabilities:			
Accrued employee benefits	$ -	$ 1,477	$ 1,477
FECA liability	353	-	353
Reimbursable advances	-	13	13
Accrued civil penalties due to Treasury	-	4	4
Total Other Intragovernmental Liabilities	353	1,494	1,847
Other Non-Federal Liabilities:			
Accrued payroll and benefits	-	6,081	6,081
Accrued leave	11,681	-	11,681
Actuarial FECA	2,095	-	2,095
Total Other Non-Federal Liabilities	13,776	6,081	19,857
Total Other Liabilities	$ 14,129	$ 7,575	$ 21,704

Note 8—Operating Leases

Future minimum lease payments due under leases of government-owned property for the fiscal year ended September 30, 2018:

Fiscal Year (Dollars in thousands)	
2019	$ 7,143
2020	798
2021	803
2022	755
2023	599
Thereafter	2,787
Total Future Minimum Lease Payments	**$ 12,885**

Future minimum lease payments due under leases of commercial-owned property for the fiscal year ended September 30, 2018:

Fiscal Year (Dollars in thousands)	
2019	$ 14,134
2020	14,414
2021	14,622
2022	15,482
2023	15,587
Thereafter	18,334
Total Future Minimum Lease Payments	**$ 92,573**

Leases of government-owned and commercial-owned property are made through and managed by the GSA. The FTC does not have any lease agreements with non-federal entities. While 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 leases spaces from four government-owned properties and seven commercial properties totaling approximately 611 thousand square feet for use as offices, storage, and parking. The FTC's government leases expire on various dates through 2028, while the commercial leases expire at various dates through 2031.

Note 9—Commitments and Contingencies

As of September 30, 2018, and 2017, 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 "probable" or "reasonably possible." This includes tort claims administered by the DOJ and funded through the Judgment Fund of the U.S. Treasury. Accordingly, no balances are recorded in the financial statements in relation to contingencies.

Note 10—Exchange Revenues

The Statement of Net Cost presents the FTC's costs and exchange revenues for its two major strategic goals. The exchange revenues and related costs are presented by the major strategic goals they support and are further classified as "intragovernmental" or "public." Intragovernmental costs and exchange revenues arise from transactions with another federal entity and public costs and exchange revenues arise from transactions with non-federal entities.

The FTC's intergovernmental costs are for services received from other federal agencies under reimbursable agreements to carry out its programs. The federal agencies providing the services bill the FTC based on full cost recovery. The FTC recognizes costs based on the services it receives from other agencies.

Federal Exchange Revenues

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 requesting agencies to recover the full cost of services, primarily salaries, and recognizes revenue at the time expenditures are incurred. The reimbursable revenue and costs are $574 thousand for FY 2018 and $2,536 thousand for FY 2017.

The majority 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 entities to file premerger notifications with the FTC and the Antitrust Division of the DOJ and establishes a waiting period before certain mergers, acquisitions, or transfers of assets may be completed. The filing fees are determined by the values and sizes of involved parties. By law, the FTC retains one-half of all premerger filing fees collected and remits the other one-half to the DOJ's Antitrust Division.

Subscription fees collected for the National Do Not Call Registry - The Do Not Call (DNC) Registry Fee Extension Act of 2007, which amended the Do Not Call Implementation Act, established a permanent fee structure for the DNC registry and provides 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 revenue when collected and the telemarketers are given access to the requested data.

The HSR and DNC fees are determined based on their respective congressional authorities. Each year, language in the appropriations bill specifies the amount of fees collected that the FTC can use to offset its annual appropriation. While the fees relate to major strategic goals, the fees are not related to specific costs incurred. As a result, the information below presents the full cost of operations with related exchange revenues by the FTCs two primary strategic goals

Exchange revenues and related costs by strategic goal for the fiscal years ended September 30, 2018 and 2017

(Dollars in thousands)	2018	2017
Strategic Goal 1: Protect Consumers		
Intragovernmental gross costs	$ 44,845	$ 44,611
Public costs	139,708	136,894
Gross costs, Protect Consumers	184,553	181,505
Intragovernmental earned revenue - reimbursements	(17)	(1,939)
Public earned revenue - Do Not Call registry fees	(12,294)	(12,626)
Earned revenue, Protect Consumers	(12,311)	(14,565)
Net Cost, Protect Consumers	172,242	166,940
Strategic Goal 2: Maintain Competition		
Intragovernmental gross costs	38,048	35,770
Public costs	118,532	109,762
Gross costs, Maintain Competition	156,580	145,532
Intragovernmental earned revenue - reimbursements	(558)	(597)
Public earned revenue - premerger filing fees	(132,923)	(125,440)
Earned revenue, Maintain Competition	(133,481)	(126,037)
Net Cost, Maintain Competition	23,099	19,495
Net Cost of Operations	$ 195,341	$ 186,435

Note 11—Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

Obligations incurred consisted of the following for the fiscal years ended September 30, 2018 and 201

(Dollars in thousands)	2018	2017
Obligations Incurred:		
Category A - direct obligations	$ 325,871	$ 314,003
Category B - reimbursable obligations	367	744
Total Obligations Incurred	$ 326,238	$ 314,747

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 – 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 12—Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

The Budget of the United States Government (President's Budget) contains budget proposals for the upcoming fiscal year along with forecasted results for the current fiscal year and actual results for the previous fiscal year. The most current version of the President's Budget is the FY 2019 President's Budget, which contains FY 2017 actual results. There are no material differences between amounts reported in the FY 2017 Statement of Budgetary Resources and the FY 2017 actual amounts as reported in the FY 2019

President's Budget; however, the Statement of Budgetary Resources includes Distributed Offsetting Receipts, which are excluded from the President's Budget. The FY 2020 Budget of the United States Government is not available to compare FY 2018 actual amounts to the FY 2018 Statement of Budgetary Resources. The expected availability for this report is February 2019 on the OMB's website.

Note 13—Undelivered Orders at the End of the Period

Undelivered obligations consisted of the following as of September 30, 2018 and 2017:

(Dollars in thousands)	2018	2017
Non-Federal unpaid obligations	$ 46,116	$ 46,970
Federal unpaid obligations	9,463	10,441
Federal paid obligations	232	253
Total Federal obligations	9,695	10,694
Total Undelivered Orders	$ 55,811	$ 57,664

Note 14—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. As of September 30, 2018 and 2017, the FTC collected $265,846 and $250,880 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.

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 cases. All civil penalties collected are transferred to the General Fund of the U.S. Government at the end of the fiscal 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. Net disgorgements to the Treasury were $7,612 thousand as of September 30, 2018 and $94,463 thousand as of September 30, 2017.

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 15—Consumer Redress Activities

The FTC obtains funds for consumer redress in connection with the settlement or litigation of both administrative proceedings and Federal court cases. The FTC holds redress funds in a deposit fund at Treasury until a determination is made on the practicability of redress. The FTC attempts to distribute funds to injured parties whenever possible. If redress is determined to be practicable, funds are either directly disbursed by the FTC to claimants or are transferred to accounts at financial institutions from which redress third party administrators process claims and disburse proceeds to injured parties. Disbursements to claimants and third party administrators totaled $591,345 and $543,432 thousand as of September 30, 2018, and 2017 respectively.

In those cases where consumer redress is not practicable, 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.

Redress fund activities consisted of the following for the fiscal years ended September 30, 2018 and 2017:

(Dollars in thousands)	2018	2017
Consumer Redress:		
Fund Balance with Treasury		
Beginning balance	$ 431,573	$ 796,395
Collections	526,160	273,073
Disbursements to claimants and third party administrators for redress, net	(591,345)	(543,432)
Disgorgements to Treasury, net	(7,612)	(94,463)
Total Fund Balance with Treasury, Ending	$ 358,776	$ 431,573
Accounts Receivable, Net		
Beginning balance	$ 69,887	$ 98,182
Net activity	528,628	(28,295)
Total Accounts Receivable, Ending	$ 598,515	$ 69,887

Note 16 — Reconciliation of Net Operating Cost and Net Budgetary Outlays

The reconciliation schedules presented below bridge the gap between the net operating costs presented on the Statement of Net Cost and the net outlays presented on the Statement of Budgetary Resources for the fiscal years ended September 30, 2018, and 2017. The increase in agency outlays is primarily due to the reduction in redress amounts disgorged to the Treasury, which are displayed as distributed offsetting receipts.

	FY 2018		
	Intragovernmental	**With the Public**	**Total**
Net Operating Cost (SNC)	$ 82,318	$ 113,023	$ 195,341
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Depreciation and Amortization	-	(9,907)	(9,907)
Losses on Asset Dispositions	-	(1,540)	(1,540)
Increase/(Decrease) in Assets	(55)	(63)	(118)
(Increase)/Decrease in Liabilities	557	(403)	154
Imputed Costs	(10,510)	-	(10,510)
Expense Offsets for Capitalized Costs	-	(629)	(629)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	(10,008)	(12,542)	(22,550)
Components of Budgetary Outlays Not Part of Net Operating Cost			
Purchases of Assets	-	(109)	(109)
Collections of Pre-Merger Fees - Custodial Activity	-	-	-
Miscellaneous Receipts	-	(7,816)	(7,816)
Total Components of Budgetary Outlays Not Part of Net Operating Cost	-	(7,925)	(7,925)
Net Outlays (Calculated)	$ 72,310	$ 92,556	$ 164,866
Related Amounts on the Statement of Budgetary Resources (SBR)			
Outlays, Gross			$ 318,589
Actual Offsetting Collections			$ (145,907)
Outlays, Net (SBR)			$ 172,682
Distributed Offsetting Receipts			$ (7,816)
Agency Outlays, Net (SBR)			$ 164,866

	FY 2017		
	Intragovernmental	**With the Public**	**Total**
Net Operating Cost (SNC)	$ 77,845	$ 108,590	$ 186,435
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Depreciation and Amortization	-	(10,534)	(10,534)
Losses on Asset Dispositions	-	-	-
Increase/(Decrease) in Assets	231	2	233
(Increase)/Decrease in Liabilities	(2,644)	4,295	1,651
Imputed Costs	(6,896)	-	(6,896)
Expense Offsets for Capitalized Costs	-	96	96
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	(9,309)	(6,141)	(15,450)
Components of Budgetary Outlays Not Part of Net Operating Cost			
Purchases of Assets	-	3,783	3,783
Collections of Pre-Merger Fees - Custodial Activity	-	422	422
Miscellaneous Receipts	-	(95,076)	(95,076)
Total Components of Budgetary Outlays Not Part of Net Operating Cost	-	(90,871)	(90,871)
Net Outlays (Calculated)	$ 68,536	$ 11,578	$ 80,114
Related Amounts on the Statement of Budgetary Resources (SBR)			
Outlays, Gross			$ 313,468
Actual Offsetting Collections			(138,700)
Outlays, Net (SBR)			$ 174,768
Distributed Offsetting Receipts			(94,654)
Agency Outlays, Net (SBR)			$ 80,114