UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

OFFICE OF THE
INSPECTOR GENERAL

November 13, 2015

MEMORANDUM TO: Chairman Burns

FROM: Hubert T. Bell **/RA/**
Inspector General

SUBJECT: RESULTS OF THE AUDIT OF THE UNITED STATES NUCLEAR REGULATORY COMMISSION'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2015 AND 2014 (OIG-16-A-04)

The Chief Financial Officers Act of 1990, as amended (CFO Act), requires the Inspector General (IG) or an independent external auditor, as determined by the IG, to annually audit the United States Nuclear Regulatory Commission's (NRC) financial statements in accordance with applicable standards. In compliance with this requirement, the Office of the Inspector General (OIG) retained CliftonLarsonAllen, LLP (CLA), to conduct this annual audit. Transmitted with this memorandum are the following CLA reports:

- Opinion on the Principal Statements.
- Opinion on Internal Control.
- Compliance with Laws and Regulations.

NRC's Performance and Accountability Report includes comparative financial statements for FY 2015 and FY 2014.

Objective of a Financial Statement Audit

The objective of a financial statement audit is to determine whether the audited entity's financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

CLA's audit and examination were made in accordance with auditing standards generally accepted in the United States of America; standards applicable to the financial audits, contained in *Government Auditing Standards* issued by the Comptroller General of the United States; attestation standards established by the American Institute of Certified Public Accountants; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. The audit included, among other things, obtaining an understanding of NRC and its operations, including internal control over financial reporting; evaluating the design and operating effectiveness of internal control and assessing risk; and testing relevant internal controls over financial reporting. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies, or procedures may deteriorate.

FY 2015 Audit Results

The results are as follows:

Financial Statements

- Unmodified opinion.

Internal Controls

- Unqualified opinion.

Compliance with Laws and Regulations

- No reportable instances of noncompliance/no substantial noncompliance noted.

Office of the Inspector General Oversight of CLA Performance

To fulfill our responsibilities under the CFO Act and related legislation for ensuring the quality of the audit work performed, we monitored CLA's audit of NRC's FY 2015 and FY 2014 financial statements by:

- Reviewing CLA's audit approach and planning.
- Evaluating the qualifications and independence of CLA's auditors.
- Monitoring audit progress at key points.
- Examining the working papers related to planning and performing the audit and assessing NRC's internal controls.

- Reviewing CLA's audit reports to ensure compliance with *Government Auditing Standards* and OMB Bulletin No. 15-02.

- Coordinating the issuance of the audit reports.

- Performing other procedures deemed necessary.

CLA is responsible for the attached auditor's reports, dated November 6, 2015, and the conclusions expressed therein. OIG is responsible for technical and administrative oversight regarding the firm's performance under the terms of the contract. Our oversight, as differentiated from an audit in conformance with *Government Auditing Standards*, was not intended to enable us to express, and accordingly we do not express, an opinion on:

- NRC's financial statements.

- The effectiveness of NRC's internal control over financial reporting.

- NRC's compliance with laws and regulations.

However, our monitoring review, as described above, disclosed no instances where CLA did not comply, in all material respects, with applicable auditing standards.

Meeting with the Chief Financial Officer

At the exit conference on November 9, 2015, representatives of the Office of the Chief Financial Officer, OIG, and CLA discussed the results of the audit.

Comments of the Chief Financial Officer

In her response, the Chief Financial Officer (CFO) agreed with the report. The full text of the CFO's response follows this report.

We appreciate NRC staff's cooperation and continued interest in improving financial management within NRC.

Attachment: As stated

cc: Commissioner Svinicki
Commissioner Ostendorff
Commissioner Baran
M. Wylie, OCFO
F. Brown, OEDO
B. Pham, OEDO
H. Rasouli, OEDO
J. Jolicoeur, OEDO
EDO_ACS Distribution
RidsOCFOMailCenter Resource

CliftonLarsonAllen

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INDEPENDENT AUDITORS' REPORT

Inspector General
United States Nuclear Regulatory Commission

Chairman
United States Nuclear Regulatory Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the United States Nuclear Regulatory Commission (NRC), which comprise the balance sheets as of September 30, 2015 and 2014, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements (financial statements).

Management's Responsibility for the Financial Statements

NRC management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S.); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of 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. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States Nuclear Regulatory Commission as of September 30, 2015 and 2014, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the U.S.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the U.S. issued by the Federal Accounting Standards Advisory Board (FASAB) require that NRC's Management Discussion and Analysis (MD&A), and other Required Supplementary Information (RSI) including the Combining Statement of Budgetary Resources, and Deferred Maintenance and Repairs, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and other RSI in accordance with auditing standards generally accepted in the U.S., 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The FY 2015 Performance and Accountability Report contains other information including the cover, table of contents, Message from the Chairman, Chapter 2 (Program Performance), Message from the Chief Financial Officer, the Inspector General's letter transmitting the Independent Auditors' Report, management's response to the audit report, and Chapter 4 (Other Information). This information is presented for purposes of additional analysis and is not a required part of the financial statements or RSI. This other information has not been subjected to the auditing procedures applied in the audit 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

We have audited NRC's internal control over financial reporting as of September 30, 2015, based on criteria established under 31 U.S.C. 3512 (c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and OMB Circular A-123, *Management's Responsibility for Internal Control*, as amended (OMB Circular A-123).

Management's Responsibility for Internal Control

NRC management is responsible for maintaining effective internal control over financial reporting and for its statement of assurance on the effectiveness of internal control over financial reporting.

Auditors' Responsibilities

Our responsibility is to express an opinion on NRC's internal control over financial reporting based on our audit. We conducted our audits of internal control over financial reporting in accordance with attestation standards established by the American Institute of Certified Public Accountants and contained in *Government Auditing Standards*.

An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and evaluating the design, and testing the operating effectiveness of internal control over financial reporting based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances.

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 by governance, management, and other personnel, designed to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with accounting principles generally accepted in the U.S.; (2) assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (3) transactions are executed in accordance with laws governing the use of budget authority and other applicable laws, regulations, contracts, and grant agreements that could have a direct and 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. We also caution that projecting our audit results to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

Opinion on Internal Control Over Financial Reporting

In our opinion, NRC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2015, based on criteria established under FMFIA and OMB Circular A-123.

Report on Compliance Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Compliance With Laws, Regulations, Contracts and Grant Agreements

As part of obtaining reasonable assurance about whether NRC's financial statements are free from material misstatement, we performed tests of NRC's compliance with certain provisions of laws, regulations, contracts, and grant agreements consistent with our professional responsibilities discussed below. The results of our tests for the year ended September 30, 2015, disclosed no instances of noncompliance that are required to be reported in accordance with *Government Auditing Standards.*

Systems Compliance With the Federal Financial Management Improvement Act (*FFMIA) Requirements*

Under FFMIA, we are required to report whether the financial management systems used by NRC substantially comply with the (1) Federal financial management systems requirements, (2) applicable

Federal accounting standards, and (3) the United States Standard General Ledger (USSGL) at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements. However, providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed no instances in which NRC's financial management systems did not substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, or (3) the USSGL at the transaction level.

Management's Responsibility for Compliance

Management is responsible for ensuring NRC's financial management systems are in substantial compliance with FFMIA requirements, and ensuring compliance with other applicable laws, regulations, contracts, and grant agreements.

Auditors' Responsibilities

We are responsible for testing compliance with certain provisions of laws, regulations, contracts and grants that could have a direct effect on the financial statements.

We did not test compliance with all laws, regulations, contracts, and grant agreements applicable to NRC. We limited our tests of compliance to certain provisions of laws, regulations, contracts, and grant agreements that could have a direct effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. We caution that noncompliance with laws, regulations, contracts, and grants may occur and not be detected by these tests and that such testing may not be sufficient for other purposes. Also, our work on FFMIA would not necessarily disclose all instances of noncompliance with FFMIA requirements.

Purpose of the Report on Compliance

The purpose of the Report on Compliance is solely to describe the scope of our testing of compliance with laws, regulations, contracts, and grants and the result of that testing, and not to provide an opinion on NRC's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NRC's compliance. Accordingly, this report is not suitable for any other purpose.

Management's Response to the Independent Auditors' Report

Management's response to our report is presented in the Performance and Accountability Report. We did not audit NRC's response and, accordingly, we express no opinion on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
November 6, 2015

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

November 9, 2015

CHIEF FINANCIAL
OFFICER

MEMORANDUM TO: Stephen D. Dingbaum
Assistant Inspector General for Audits
Office of the Inspector General

FROM: Maureen E. Wylie
Chief Financial Officer

SUBJECT: AUDIT OF THE FISCAL YEAR 2015 AND 2014 FINANCIAL STATEMENTS

We appreciate the collaborative relationship between the Office of the Inspector General, the auditors, and the Office of the Chief Financial Officer in supporting our continuing effort to improve financial reporting. We have reviewed the Independent Auditor's Report of the Agency's Fiscal Year 2015 and 2014 financial statements and are in agreement with it.

cc: V. McCree, EDO
F. Brown, AO/OEDO
A. Valentin, Acting AO/OEDO
B. Pham, DAO/OEDO
H. Rasouli, DAO/OEDO
J. Arildsen, OEDO
J. Jolicoeur, OEDO
Y. Chen, OEDO
M. Schofer, OEDO

Nuclear Regulatory Commission's (NRC) Financial Statements for Fiscal Years 2015 and 2014

(Extracted from NRC's Fiscal Year 2015 Performance and Accountability Report, Pages 86-107)

FINANCIAL STATEMENTS

BALANCE SHEET (*IN THOUSANDS*)

As of September 30,	2015		2014	
Assets				
Intragovernmental				
Fund balance with Treasury (Note 2)	**$**	**353,838**	$	377,391
Accounts receivable (Note 3)		**11,095**		26,395
Advances and prepayments		**11,269**		8,056
Total intragovernmental		**376,202**		411,842
Cash and other monetary assets		**-**		-
Accounts receivable, net (Note 3)		**84,944**		85,172
Property and equipment, net (Note 4)		**79,056**		90,280
Other		**19**		20
Total Assets	**$**	**540,221**	$	587,314
Liabilities				
Intragovernmental				
Accounts payable	**$**	**13,645**	$	12,472
Other (Note 5)		**5,215**		4,687
Total intragovernmental		**18,860**		17,159
Accounts payable		**23,366**		25,713
Federal employee benefits (Note 6)		**6,040**		6,669
Other (Note 5)		**79,700**		74,729
Total Liabilities		**127,966**		124,270
Net Position				
Unexpended appropriations		**283,151**		306,226
Cumulative results of operations (Note 8)		**129,104**		156,818
Total Net Position		**412,255**		463,044
Total Liabilities and Net Position	**$**	**540,221**	$	587,314

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF NET COST *(in thousands)*

For the fiscal years ended September 30,	2015	2014
Nuclear Reactor Safety		
Gross costs	**$ 838,682**	$ 817,279
Less: Earned revenue	**(814,280)**	(815,037)
Total Net Cost of Nuclear Reactor Safety (Note 9)	**24,402**	2,242
Nuclear Materials and Waste Safety		
Gross costs	**244,777**	239,305
Less: Earned revenue	**(86,554)**	(81,515)
Total Net Cost of Nuclear Materials and Waste Safety (Note 9)	**158,223**	157,790
Net Cost of Operations	**$ 182,625**	$ 160,032

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN NET POSITION *(in thousands)*

For the fiscal years ended September 30,	2015	2014
Cumulative Results of Operations		
Beginning Balance	**$ 156,818**	$ 160,637
Budgetary Financing Sources		
Appropriations used (Note 11)	**126,879**	121,099
Nonexchange revenue (Note 11)	**373**	165
Other Financing Sources		
Imputed financing from costs absorbed by others (Note 11)	**28,032**	35,114
Other	**(373)**	(165)
Total Financing Sources	**154,911**	156,213
Net Cost of Operations	**(182,625)**	(160,032)
Net Change	**(27,714)**	(3,819)
Cumulative Results of Operations	**$ 129,104**	$ 156,818
Unexpended Appropriations		
Beginning Balance	**$ 306,226**	$ 242,640
Budgetary Financing Sources		
Appropriations received	**103,804**	184,685
Appropriations used (Note 11)	**(126,879)**	(121,099)
Other adjustments	**-**	-
Total Budgetary Financing Sources	**(23,075)**	63,586
Total Unexpended Appropriations	**283,151**	306,226
Net Position	**$ 412,255**	$ 463,044

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF BUDGETARY RESOURCES *(IN THOUSANDS)*

For the fiscal years ended September 30	2015		2014	
Budgetary Resources				
Unobligated balance brought forward, October 1	**$**	**53,464**	$	42,779
Recoveries of unpaid prior-year obligations				
Actual		**5,047**		10,600
Unobligated balance from prior-year budget authority, net		**58,511**		53,379
Appropriations		**1,015,301**		1,055,895
Spending authority from offsetting collections		**8,001**		9,802
Total Budgetary Resources	**$**	**1,081,813**	$	1,119,076
Status of Budgetary Resources				
Obligations incurred (Note 12)	**$**	**1,053,813**	$	1,065,612
Unobligated balance, end of year				
Apportioned		**23,259**		48,479
Exempt from apportionment		**2,837**		4,816
Unapportioned		**1,904**		169
Total unobligated balance, end of year		**28,000**		53,464
Total Status of Budgetary Resources	**$**	**1,081,813**	$	1,119,076
Change in Obligated Balance				
Unpaid obligations				
Unpaid obligations brought forward, October 1	**$**	**325,876**	$	278,812
Obligations incurred (Note 12)		**1,053,813**		1,065,612
Outlays (gross)		**(1,046,990)**		(1,007,948)
Recoveries of prior-year unpaid obligations		**(5,047)**		(10,600)
Unpaid obligations, end of year	**$**	**327,652**	$	325,876
Uncollected payments				
Uncollected payments, Federal sources, brought forward, October 1	**$**	**(1,949)**	$	(3,517)
Change in uncollected payments, Federal sources		**135**		1,568
Uncollected payments, Federal sources, end of year	**$**	**(1,814)**	$	(1,949)
Memorandum entries:				
Obligated balances, start of year	**$**	**323,927**	$	275,295
Obligated balances, end of year	**$**	**325,838**	$	323,927
Budget Authority and Outlays, Net				
Budget Authority, gross	**$**	**1,023,302**	$	1,065,697
Actual offsetting collections		**(8,136)**		(11,201)
Change in uncollected payments, Federal sources		**135**		1,568
Budget Authority, Net	**$**	**1,015,301**	$	1,056,064
Outlays, gross	**$**	**1,046,990**	$	1,007,948
Actual offsetting collections		**(8,136)**		(11,201)
Outlays, net		**1,038,854**		996,747
Distributed offsetting receipts		**(911,501)**		(871,206)
Agency Outlays, Net	**$**	**127,353**	$	125,541

The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

(All tables are presented in thousands)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The NRC is an independent regulatory agency of the Federal Government that the U.S. Congress created to regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of the public health and safety, to promote the common defense and security, and to protect the environment. Its purposes are defined by the *Energy Reorganization Act of 1974*, as amended, along with the *Atomic Energy Act of 1954*, as amended, which provide the foundation for regulating the Nation's civilian use of nuclear materials.

The NRC operates through the execution of its congressionally approved appropriations for Salaries and Expenses (which includes funds derived from the NWF) and the OIG. In addition, the U.S. Agency for International Development (USAID) has provided a transfer of funds to develop nuclear safety, regulatory authorities, and independent oversight of nuclear reactors in Russia, Ukraine, Kazakhstan, Georgia, and Armenia.

B. BASIS OF PRESENTATION

These financial statements report the financial position and results of operations of the NRC as required by the *Chief Financial Officers Act of 1990* and the *Government Management Reform Act of 1994*. These financial statements were prepared from the books and records of the NRC in conformance with generally accepted accounting principles (GAAP) of the United States and the form and content for entity financial statements specified by the OMB in Circular No. A-136, "Financial Reporting Requirements." The GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board, which is the official body for setting the accounting standards of the U.S. Government. These statements are, therefore, different from the financial reports, also prepared by the NRC pursuant to OMB directives, which are used to monitor and control the NRC's use of budgetary resources.

The NRC has not presented a Statement of Custodial Activity because the amounts involved are immaterial and incidental to its operations and mission.

Budgetary information for small budget accounts is aggregated by major budget accounts for purposes of the Required Supplementary Information.

C. BUDGETS AND BUDGETARY ACCOUNTING

Budgetary accounting measures appropriation and consumption of budget spending authority or other budgetary resources and facilitates compliance with legal constraints and controls over the use of Federal funds. Under budgetary reporting principles, budgetary resources are consumed at the time of purchase. Assets and liabilities, which do not consume current budgetary resources, are not reported, and only those liabilities for which valid obligations have been established are considered to consume budgetary resources.

In FY 2014, Congress passed the *Consolidated Appropriations Act, 2014* that funded the NRC's full budget request of $1.04 billion for FY 2014. Not more than $9.5 million of the budget may be made available for the Office of the Commission as a 2-year appropriation that is available for obligation by the NRC through September 30, 2015. Additionally, Congress enacted a 2-year appropriation of $12.0 million for the OIG, which is available for obligation by the NRC through September 30, 2015. Congress passed the *Consolidated Appropriations Act, 2015* that funded the NRC's budget request of $1.00 billion for FY 2015. Not more than $7.5 million of the budget may be made available for the Office of the Commission as a 2-year appropriation that is available for obligation by the NRC through September 30, 2016. Additionally, Congress enacted a 2-year appropriation of $12.1 million for the OIG, which is available for obligation by the NRC through September 30, 2016.

D. BASIS OF ACCOUNTING

These financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting is also used to record the obligation of funds prior to the accrual-based transaction. The SBR presents budgetary resources available to the NRC and changes in obligations during the year. Interest on borrowings of the Treasury is not included as a cost to the NRC programs and is not included in the accompanying financial statements.

E. REVENUES AND OTHER FINANCING SOURCES

The NRC is required to offset its appropriations by revenue received during the FY from the assessment of fees. The NRC assesses two types of fees to recover its budget authority:

1. Fees assessed under 10 CFR Part 170, "Fees for Facilities, Materials, Import and Export Licenses, and Other Regulatory Services under the *Atomic Energy Act of 1954*, as Amended," for licensing, inspection, and other services under the authority of the *Independent Offices Appropriation Act of 1952* to recover the NRC's costs of providing individually identifiable services to specific applicants and licensees.

2. Annual fees assessed for nuclear facilities and materials licensees under 10 CFR Part 171, "Annual Fees for Reactor Licenses and Fuel Cycle Licenses and Materials Licenses."

Licensing revenues are recognized on a straight-line basis over the licensing period. The annual licensing period for reactor and materials fees begins October 1 and ends September 30. Annual fees for reactors are invoiced in four quarterly installments, before the end of each quarter. The NRC invoices licensees for materials annual fees in the month the license was originally issued. Inspection fees are recorded as revenues when the services are performed.

For accounting purposes, appropriations are recognized as a financing source (appropriations used) at the time goods and services are received. Periodically during the FY, appropriations recognized are reduced by the amount of assessed fees collected during the FY to the extent of new budget authority for the year. Collections that exceed the new budget authority are held to offset subsequent years' appropriations. Appropriations expended for property and equipment are recognized as expenses when the asset is consumed in operations as reflected by the depreciation and amortization expense.

F. FUND BALANCE WITH TREASURY

The NRC's cash receipts and disbursements are processed by the Treasury. The Fund Balance with Treasury is primarily appropriated funds and license fee collections that are available to pay current liabilities and to finance authorized purchase commitments. Fund Balance with Treasury represents the NRC's right to draw on the Treasury for allowable expenditures.

G. ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts that other Federal agencies and the public owe to the NRC. Amounts due from the public are presented net of an allowance for uncollectible accounts. The allowance is determined based on the age of the receivable and allowance rates established from historical experience. Receivables from Federal agencies are expected to be collected; therefore, there is no allowance for uncollectible accounts for Federal agencies.

H. NON-ENTITY ASSETS

Non-entity assets consist of miscellaneous penalties and interest due from the public, which, when collected, must be transferred to the Treasury.

I. PROPERTY AND EQUIPMENT

Property and equipment consist primarily of typical office furnishings, leasehold improvements, nuclear reactor simulators, and computer hardware and software. The costs of internal use software include the full cost of salaries and benefits for agency personnel involved in software development. The NRC has no real property. The land and buildings in which the NRC operates are provided by the GSA, which charges the NRC rent that approximates the commercial rental rates for similar properties.

Property with a cost of $50 thousand or more per unit and a useful life of 2 years or more is capitalized at cost and depreciated using the straight-line method over the useful life. Other property items are expensed when purchased. Normal repairs and maintenance are charged to expense as incurred.

J. ACCOUNTS PAYABLE

The NRC uses an estimation methodology to calculate the accounts payable balance, which represents costs for billed and unbilled goods and services received prior to year end that are unpaid. The NRC had previously used an estimation methodology to calculate the accounts payable balance based on a review of the sample obligations from the total open obligations balances. For FY 2015, the NRC calculates the accounts payable amount using an average based on the historical trend of validated accruals. The estimation methodology is validated quarterly.

K. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities represent the amount of monies or other resources that are likely to be paid by the NRC as the result of a transaction or event that has already occurred. No liability can be paid by the NRC absent an appropriation. Liabilities for which an appropriation has not been enacted are classified as "Liabilities Not Covered by Budgetary Resources." Also, the NRC liabilities arising from sources other than contracts can be abrogated by the Government acting in its sovereign capacity.

Intragovernmental

The NRC records a liability to the DOL for *Federal Employees Compensation Act* (FECA) benefits paid by DOL on behalf of the NRC.

Federal Employee Benefits

Federal employee benefits represent the actuarial liability for estimated future FECA disability benefits. The future workers' compensation estimate was generated by DOL from an application of actuarial procedures developed to estimate the liability for FECA, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability is calculated using historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period.

Other

Accrued annual leave represents the amount of annual leave earned by the NRC employees but not yet taken.

L. CONTINGENCIES

Contingent liabilities are those for which the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur. Accounting treatment of the contingency depends on if the likely outcome is considered probable, reasonably possible, or remote.

A contingency is considered probable when the future confirming event or events are more likely than not to occur, with the exception of pending or threatened litigation and unasserted claims. This type of contingency is recorded in the financial statements as a contingent liability (included in Other Liabilities) and as an expense, and should be recorded when a past event or exchange transaction has occurred, a future outflow or othe sacrifice of resources is probable and the future outflow or sacrifice of resources is measurable.

A contingency is considered reasonably possible when the chance of the future confirming event or events occurring is more than remote but less than probable. This type of contingency is disclosed in the notes to the financial statements (Note 17) if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incured.

A contingency is considered remote when the chance of the future event or events occurring is slight. This type of contingency is not recognized as a liability and as an expense in the financial statements, nor disclosed in the notes when the chance of the future event or events occurring is remote.

M. ANNUAL, SICK, AND OTHER LEAVE

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. To the extent that current or prior-year funding is not available to cover annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of nonvested leave are expensed as taken.

N. RETIREMENT PLANS

The NRC employees belong to either the Federal Employees Retirement System (FERS) or the Civil Service Retirement System (CSRS).

The NRC does not report on its financial statements FERS and CSRS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the OPM. The portion of the current and estimated future outlays for FERS and CSRS not paid by the NRC is included in NRC's financial statements as an imputed financing source in the Statement of Changes in Net Position and as program costs on the Statement of Net Cost.

The NRC employees make mandatory contributions through payroll deductions to their retirement plan as required by law. For employees belonging to FERS and receiving an appointment prior to January 1, 2013, the NRC withheld 0.8 percent of base pay earnings and provided 13.2 percent in 2015 and 11.7 in 2014 for the employer contribution. Per Public Law 112-96, Section 5001 of the *Middle Class Tax Relief and Job Creation Act of 2012*, employees hired after January 1, 2013, as Federal Employees Retirement System - Revised Annuity Employees (FERS- RAE) must pay 3.1 percent of their salary to retirement contributions with an 11.1 percent in 2015 and 9.6 in 2014 for employer matching contribution. The sum is transferred to the Federal Employees Retirement Fund. For employees covered by CSRS, the NRC withholds 7 percent of base pay earnings. The NRC matched this withholding with a 7 percent contribution in FY 2015 and FY 2014.

The Thrift Savings Plan (TSP) is a retirement savings and investment plan for employees belonging to either FERS or CSRS. The maximum percentage of base pay that an employee participating in FERS or CSRS may contribute is unlimited, subject to the maximum contribution of $18.0 thousand in 2015 and $17.5 thousand in 2014. For employees participating in FERS, the NRC automatically contributes 1 percent of base pay to their account and matches contributions up to an additional 4 percent. For employees participating in CSRS, there is no NRC matching of the contribution. The sum of the employees' and the NRC's contributions is transferred to the Federal Retirement Thrift Investment Board.

O. LEASES

The NRC's capital leases are for personal property consisting of reproduction equipment that is installed at the NRC Headquarters.

Capital leases are leases that transfer substantially all the benefits and risks of ownership to the lessee. Capital leases are reported in the Balance Sheet as an asset under Property and Equipment and a liability (Other Liabilities). If at its inception, a lease meets one or more of the following four criteria, the lease should be classified as a capital lease by the lessee:

1. The lease transfers the ownership of the property to the lessee by the end of the lease term.
2. The lease contains an option to purchase the leased property at a bargain price.
3. The lease term is equal or greater than 75 percent of the estimated economic life of the leased property.
4. The present value of rental or other minimum lease payments, excluding that portion of the payments representing executor cost, equals or exceeds 90 percent of the fair value of the leased property.

The FASAB defines an operating lease as a lease in which the Federal entity does not assume the risks of ownership of the property, plant, and equipment (PP&E). It is an agreement conveying the right to use property for a limited time in exchange for periodic rental payments.

Operating leases at the NRC consist of real property leases with GSA. The leases are for the NRC's Headquarters and regional offices. The GSA charges the NRC lease rates that approximate commercial rates for comparable space.

P. PRICING POLICY

The NRC provides nuclear reactor and materials licensing and inspection services to the public and other Government entities. In accordance with OMB Circular No. A-25, "User Charges," and the *Independent Offices Appropriation Act of 1952*, the NRC assesses fees under 10 CFR Part 170 for licensing and inspection activities to recover the full cost of providing individually identifiable services.

The NRC's policy is to recover the full cost of goods and services provided to other Government entities where the services performed are not part of its statutory mission and the NRC has not received appropriations for those services. Fees for reimbursable work are assessed at the 10 CFR Part 170 rate with minor exceptions for programs that are nominal activities of the NRC.

Q. NET POSITION

The NRC's net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent appropriated spending authority that is unobligated and has not been withdrawn by the Treasury, and unliquidated obligations and expenditures not yet disbursed. Cumulative results of operations represent the excess of financing sources over expenses since inception.

R. USE OF MANAGEMENT ESTIMATES

The preparation of the accompanying financial statements in accordance with Generally Accepted Accounting Principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

S. TRANSFERS

The NRC is a party to nonexpenditure transfers of funds with the USAID as a receiving entity. These transfers are for the international development of nuclear safety and regulatory authorities in Russia, Ukraine, Kazakhstan, Georgia, and Armenia for the startup, operation, shutdown, and decommissioning of Soviet-designed nuclear power plants; the safe and secure use of radioactive materials; and the accounting for and protection of nuclear materials. Transfers are legal delegations by one agency of its authority to obligate budget authority and outlay funds to another agency.

T. STATEMENT OF NET COST

The programs as presented on the Statement of Net Cost are based on the annual performance budget and are described as follows:

The Nuclear Reactor Safety program encompasses all the NRC efforts to ensure that civilian nuclear power reactor facilities and research and test reactors are licensed and operated in a manner that adequately protects the public health and safety, and the environment, and protects against radiological sabotage and theft or diversion of special nuclear materials. The Nuclear Reactor Safety program contains the following activities: operating reactors and new reactors.

The Nuclear Materials and Waste Safety program encompasses all the NRC efforts to protect the public health and safety and the environment and ensures the secure use and management of radioactive materials. The Nuclear Materials and Waste Safety program contains the following activities: fuel facilities, nuclear materials users, decommissioning and low-level waste, spent fuel storage and transportation, and high-level waste repository.

For intragovernmental gross costs and revenue, the buyers and sellers are Federal entities. For earned revenues from the public, the buyers of the goods or services are non-Federal entities.

Note 2 – Fund Balance with Treasury

As of September 30,	2015	2014
Fund Balances		
Appropriated funds	**$ 350,368**	$ 371,197
Nuclear Waste Fund	**3,470**	6,191
Other fund types	**-**	3
Total	**$ 353,838**	$ 377,391
Status of Fund Balance with Treasury		
Unobligated balance		
Available		
Appropriated funds	**$ 26,096**	$ 53,295
Unavailable		
Unapportioned	**1,904**	169
Obligated balance not yet disbursed	**325,838**	323,927
Total	**$ 353,838**	$ 377,391

The Fund Balance with Treasury consists of the unobligated and obligated budgetary account balances, to include NWF activity. The NWF unobligated balance is $2.8 million and $4.8 million as of September 30, 2015, and 2014, respectively.

Other fund types in the Fund Balance with Treasury represents license fee collections used to offset the NRC current-year budget authority, miscellaneous collections, and adjustments which will offset revenue in the following FY.

Note 3 – Accounts Receivable

As of September 30,	2015	2014
Intragovernmental		
Fee receivables and reimbursements	**$ 11,095**	$ 26,395
Receivables with the Public		
Materials and facilities fees-billed	**$ 7,049**	$ 17,054
Materials and facilities fees-unbilled	**79,913**	72,351
Other	**161**	187
Total Receivables with the Public	**87,123**	89,592
Less: Allowance for uncollectible accounts	**(2,179)**	(4,420)
Total Receivables with the Public, Net	**$ 84,944**	$ 85,172
Total Accounts Receivable	**$ 98,218**	$ 115,987
Less: Allowance for uncollectible accounts	**(2,179)**	(4,420)
Total Accounts Receivable, Net	**$ 96,039**	$ 111,567

Note 4 – Property and Equipment, Net

As of September 30,				2015	2014
Fixed Assets Class	Service Years	Acquisition Value	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value
Equipment	5-8	$ 9,461	$ (8,381)	**$ 1,080**	$ 1,114
Leased equipment	5-8	1,462	(790)	**672**	91
IT software	5	56,162	(47,824)	**8,338**	13,160
IT software under development	-	4,596	-	**4,596**	396
Leasehold improvements	20	111,933	(55,048)	**56,885**	71,004
Leasehold improvements in progress	-	7,485	-	**7,485**	4,515
Total		$ 191,099	$ (112,043)	**$ 79,056**	$ 90,280

In FY 2009, the NRC signed an Interagency Agreement with the GSA to fund the buildout of the NRC office space for the new Three White Flint North (3WFN) office building. The NRC capitalized the cost of the buildout as a leasehold improvement, original total cost $51.7 million. However, to comply with the OMB's Freeze the Footprint initiative, the U.S. Congress determined that the NRC should only occupy 6 of the 14 floors of the 3WFN office building.

Subsequently, the GSA has leased 8 of the 14 floors to the U.S. Food and Drug Administration (FDA). The FDA occupied 4 floors during the 4th quarter of FY 2014, and 4 additional floors as well as the cafeteria space during the 3rd quarter of FY 2015. Accordingly, the NRC recognized a loss on the impaired asset for the remaining net realizable value of the buildout cost for the 3WFN office space now occupied by the FDA of $12.4 million and $11.2 million as of September 30, 2015, and 2014, respectively.

In accordance with SFFAS No. 44 Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use, the NRC repairs or replaces capital assets as required and does not recognize any other impairment losses at this time.

Note 5 – Other Liabilities

As of September 30,	2015	2014
Intragovernmental		
Liability to the U.S. Treasury General Fund for miscellaneous receipts	**$ 35**	$ 70
Liability for advances from other agencies	**15**	7
Accrued workers' compensation	**1,522**	1,601
Accrued unemployment compensation	**18**	11
Employee benefit contributions	**3,625**	2,998
Total Intragovernmental Other Liabilities	**$ 5,215**	$ 4,687
Other Liabilities		
Accrued annual leave	**$ 46,491**	$ 46,923
Accrued salaries and benefits	**14,058**	12,330
Contract holdbacks, advances, capital lease liability, and other	**7,008**	6,319
Contingent Liabilities	**-**	-
Grants Payable	**12,143**	9,157
Total Other Liabilities	**$ 79,700**	$ 74,729
Total Intragovernmental and Other Liabilities	**$ 84,915**	$ 79,416

Other liabilities are current except for capital lease liability (Note 7).

Note 6 – Liabilities Not Covered by Budgetary Resources

As of September 30,	2015	2014
Intragovernmental		
FECA paid by DOL	**$ 1,522**	$ 1,601
Accrued unemployment compensation	**18**	11
Federal Employee Benefits		
Future FECA	**6,040**	6,669
Other		
Accrued annual leave	**46,491**	46,923
Contingent Liabilities	-	-
Total Liabilities Not Covered by Budgetary Resources	**54,071**	55,204
Total Liabilities Covered by Budgetary Resources	**73,895**	69,066
Total Liabilities	**$ 127,966**	$ 124,270

Liabilities not Covered by Budgetary Resources represents the amount of future funding needed to pay the accrued unfunded expenses as of September 30, 2015, and 2014. These liabilities are not funded from current or prior-year appropriations and assessments, but rather should be funded from future appropriations and assessments. Accordingly, future funding requirements have been recognized for the expenses that will be paid from future appropriations.

The projected annual benefit payments for FECA are discounted to present value. For FY 2015, projected annual payments were discounted to present value based on the OMB's interest rate assumptions, which were interpolated to reflect the average duration in years for income payments and medical payments. The interest rate assumptions used for FY 2015 discounting were 3.46 percent in year 1 and 3.46 percent in year 2 for wage benefits; and 2.86 percent in year 1 and 2.86 percent in year 2 for medical benefits.

Note 7 – Leases

As of September 30,	2015	2014
Assets under capital leases:		
Copiers and booklet maker	**$ 1,462**	$ 1,806
Accumulated depreciation	**(790)**	(1,715)
Net assets under capital leases	**$ 672**	$ 91

As of September 30,				2015	2014
Future Lease Payments Due:	**Fiscal Year**	**Capital**	**Operating**		
	2014	$ -	$ -	**$ -**	$ 8
	2015	24	-	**24**	46,455
	2016	201	39,727	**39,928**	43,141
	2017	204	39,058	**39,262**	42,497
	2018	207	35,504	**35,711**	37,778
	2019 and thereafter	52	158,227	**158,279**	158,227
	Total Lease Liability	688	272,516	**273,204**	328,106
Subtract: Imputed Interest		(19)	-	**(19)**	(1)
Total Future Lease Payments		$ 669	$ 272,516	**$ 273,185**	$ 328,105

The Capital Lease Liability of $688 thousand for reproduction equipment is included in Other Liabilities (Note 5). For Future Lease Payments, the NRC calculates the Capital Lease Liability and subtracts the imputed interest to arrive at the Total Future Lease Payments. The reproduction equipment is depreciated over 5 years using the straight-line method with no salvage value.

The land and buildings in which the NRC operates are leased through the GSA. The NRC Headquarters complex consists of three office buildings and a warehouse located in Rockville, MD, with one of the headquarters office buildings jointly leased with the FDA. The NRC has four regional offices located in King of Prussia, PA, Atlanta, GA, Lisle, IL, and Arlington, TX. In addition, the NRC operates and maintains a Technical Training Center (TTC) located in Chattanooga, TN.

The NRC leases for land and buildings do not have renewal options or contingent rental restrictions. The joint lease for the headquarters office building with the FDA and the leases for the four regional office buildings have escalation clauses. The leases for the two remaining office buildings at headquarters, the warehouse, and the TTC do not have escalation clauses.

Note 8 – Cumulative Results of Operations

As of September 30,	2015	2014
Liabilities not covered by budgetary resources (Note 6)	**$ (54,071)**	$ (55,204)
Investment in property and equipment, net (Note 4)	**79,056**	90,280
Contributions from foreign cooperative research agreements	**4,833**	4,306
Nuclear Waste Fund	**3,470**	6,191
Accounts receivable - fees	**95,814**	111,114
Fee Collection Revenue Not Transferred	**-**	3
Other	**2**	128
Cumulative Results of Operations	**$ 129,104**	$ 156,818

Note 9 – Statement of Net Cost

For the fiscal years ended September 30,	2015	2014
Nuclear Reactor Safety		
Intragovernmental gross costs	**$ 243,406**	$ 234,636
Less: Intragovernmental earned revenue	**(57,412)**	(55,733)
Intragovernmental net costs	**185,994**	178,903
Gross costs with the public	**595,276**	582,643
Less: Earned revenues from the public	**(756,868)**	(759,305)
Net costs with the public	**(161,592)**	(176,662)
Total Net Cost of Nuclear Reactor Safety	**$ 24,402**	$ 2,241
Nuclear Materials and Waste Safety		
Intragovernmental gross costs	**$ 64,238**	$ 63,614
Less: Intragovernmental earned revenue	**(7,122)**	(5,947)
Intragovernmental net costs	**57,116**	57,667
Gross costs with the public	**180,539**	175,691
Less: Earned revenues from the public	**(79,432)**	(75,567)
Net costs with the public	**101,107**	100,124
Total Net Cost of Nuclear Materials and Waste Safety	**$ 158,223**	$ 157,791

Note 10 – Exchange Revenues

For the fiscal years ended September 30,	2015	2014
Fees for licensing, inspection, and other services	**$ 896,184**	$ 891,446
Revenue from reimbursable work	**4,650**	5,106
Total Exchange Revenues	**$ 900,834**	$ 896,552

Note 11 – Financing Sources Other Than Exchange Revenue

For the fiscal years ended September 30,	2015	2014
Appropriations Used		
Collections are used to reduce the fiscal year's appropriations recognized:		
Funds consumed	**$ 1,041,101**	$ 999,612
Less: Collection of fees assessed	**(911,501)**	(871,206)
Less: Nuclear Waste Funding Expense	**(2,721)**	(7,307)
Total Appropriations Used	**$ 126,879**	$ 121,099

Funds consumed include $50.7 million and $42.9 million through September 30, 2015, and 2014, respectively, of available funds from prior years.

For the fiscal years ended September 30,	2015	2014
Non-Exchange Revenue		
Civil penalties	**$ 195**	$ 45
Miscellaneous receipts	**178**	120
Non-Exchange Revenue	**373**	165
Contra-Revenue	**(373)**	(165)
Total Non-Exchange Revenue, Net of Funds Returned to the U.S. Treasury General Fund	**$ -**	$ -

For the fiscal years ended September 30,	2015	2014
Imputed Financing		
Civil Service Retirement System	**$ 10,259**	$ 18,038
Federal Employee Health Benefit	**17,686**	16,954
Federal Employee Group Life Insurance	**87**	89
Judgments/Awards	**-**	33
Total Imputed Financing	**$ 28,032**	$ 35,114

Note 12 – Total Obligations Incurred

For the fiscal years ended September 30,	2015	2014
Direct Obligations		
Category A	**$ 1,046,459**	$ 1,052,034
Exempt from Apportionment	**2,295**	8,391
Total Direct Obligations	**1,048,754**	1,060,425
Reimbursable Obligations	**5,059**	5,187
Total Obligations Incurred	**$ 1,053,813**	$ 1,065,612

Obligations exempt from apportionment are the result of funds derived from the NWF. Category A Obligations consist of the NRC appropriations only.

Note 13 – Undelivered Orders at the End of the Period

For the fiscal years ended September 30,	2015		2014	
Undelivered Orders - Unpaid				
Nuclear Waste Fund	**$**	**633**	$	1,378
Salaries and Benefits		**257,171**		260,402
Inspector General		**1,517**		592
Total Undelivered Orders - Unpaid	**$**	**259,321**	$	262,372
Undelivered Orders - Paid				
Nuclear Waste Fund	**$**	**-**	$	-
Salaries and Benefits		**10,885**		7,712
Inspector General		**384**		344
Total Undelivered Orders - Unpaid	**$**	**11,269**	$	8,056
Total Undelivered Orders	**$**	**270,590**	$	270,428

Note 14 – Nuclear Waste Fund

For FY 2015 and FY 2014, the NRC's budget did not include funds from the NWF. The funding provided to the NRC prior to FY 2013 and carried forward to subsequent years was for the purpose of performing activities associated with the U.S. Department of Energy's (DOE) application for a high-level waste repository at Yucca Mountain, NV.

The SFFAS No. 43 "Funds from Dedicated Collections: Amending SFFAS 27, Identifying and Reporting Earmarked Funds," lists three defining criteria for funds from dedicated collections. Generally, funds from dedicated collections must have at least one source of funds external to the Federal Government, and the statute provides explicit authority to retain current, unused revenues for future use. Also, the law includes a requirement to account for and report on the receipt and use of the financing sources as distinguished from general revenues.

In 1982, Congress passed the *Nuclear Waste Policy Act of 1982* (Public Law 97-425) establishing the NWF to be administered by DOE (42 U.S.C. 10222). For the NRC, the NWF transfer is a source of financing from other than non-Federal sources. The NRC collects no revenue on behalf of the NWF and has no administrative control over it. Furthermore, the Treasury has no separate fund symbol for the NWF under the NRC's agency location code. The receipt and expenditure of NWF money is reported to Treasury under the NRC's primary Salaries and Expenses fund (X0200).

Based on these facts, the NWF is not a fund from dedicated collections from the NRC's perspective. In order to provide additional information to the users of these financial statements, enhanced disclosure of the fund is presented below.

The NWF amounts received, expended, obligated, and unobligated balances as of September 30, 2015, and 2014, are shown in the following table:

For the fiscal years ended September 30,	2015		2014	
Appropriations Received	**$**	**-**	$	-
Expended Appropriations	**$**	**2,722**	$	7,307
Obligations Incurred	**$**	**2,295**	$	8,391
Unobligated Balances (includes recoveries of prior-year obligations)	**$**	**2,836**	$	4,813

Note 15 – Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the U.S. Government

SFFAS No. 7, "Accounting for Revenue and Other Financing Sources," requires the NRC to reconcile the budgetary resources reported on the SBR to the actual budgetary resources presented in the President's Budget and explain any material differences.

The NRC does not have any material differences between the budgetary resources reported on the SBR for FY 2014 and the President's Budget for FY 2014. The reconciliation was based on FY 2014 results because the Budget of the United States (also known as the President's Budget), with actual numbers for FY 2015, was not published at the time that these financial statements were issued.

The FY 2015 actual budgetary resources numbers will be available in the FY 2017 President's Budget which is expected to be published in February 2016, and can be located at the OMB Web site http://www.whitehouse.gov/cmb and will be available from the U.S. Government Printing Office.

Note 16 – Reconciliation of Net Cost of Operations to Budgetary Resources

For the fiscal years ended September 30,	2015	2014
Budgetary Resources Obligated		
Obligations incurred (Note 12)	**$ 1,053,813**	$ 1,065,612
Less: Spending authority from offsetting collections and recoveries	**(13,048)**	(20,233)
Less: Distributed offsetting receipts, current year	**(885,339)**	(871,206)
Less: Distributed offsetting receipts, prior year	**(26,162)**	-
Net Obligations	**129,264**	174,173
Other Resources		
Imputed financing from costs absorbed by others	**28,032**	35,114
Non-Exchange Revenue	**373**	165
Funds returned to U.S. Treasury General Fund	**(373)**	(165)
Net Other Resources Used to Finance Activities	**28,032**	35,114
Total Resources Used to Finance Activities	**157,296**	209,287
Resources Used to Finance Items Not Part of the Net Cost of Operations	**(3,208)**	(44,118)
Total Resources Used to Finance the Net Cost of Operations	**154,088**	165,169
Components of the Net Cost of Operations that will not require or generate resources in the current period	**28,537**	(5,137)
Net Cost of Operations	**$ 182,625**	$ 160,032

Distributed offsetting receipts collected and transferred to the Treasury in FY 2015 consisted of $885.3 million to offset the FY 2015 appropriation and $26.2 million to offset the FY 2014 appropriation.

Note 17 – Contingencies

The NRC is subject to potential liabilities in various administrative proceedings, legal actions, environmental suits, and claims brought against it. In the opinion of the NRC's management and legal counsel, the ultimate resolution of these proceedings, actions, suits, and claims will not materially affect the financial position or net costs of the NRC.

Reasonably Possible Likelihood of an Adverse Outcome:

As of September 30, 2015, the NRC was a party to a case in which an adverse outcome was reasonably possible. The upper range of the loss on the potential liability is $21.3 million as of the end of FY 2015.

REQUIRED SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF BUDGETARY RESOURCES (*IN THOUSANDS*)

For the fiscal years ended September 30, 2015	Salaries and Expenses	Office of Inspector General	Nuclear Facility Fees	Total
Budgetary Resources				
Unobligated balances, brought forward, October 1	$ 50,843	$ 2,618	$ 3	**$ 53,464**
Recoveries of prior-year obligations				
Actual	5,036	11	-	**5,047**
Unobligated balance from prior-year budget authority, net	55,879	2,629	3	**58,511**
Appropriations	1,003,233	12,071	(3)	**1,015,301**
Spending authority from offsetting collections	7,991	10	-	**8,001**
Total Budgetary Resources	$ 1,067,103	$ 14,710	$ -	**$ 1,081,813**
Status of Budgetary Resources				
Obligations incurred (Note 12)	$ 1,041,381	$ 12,432	$ -	**$ 1,053,813**
Unobligated balance, end of period				
Apportioned	20,985	2,274	-	**23,259**
Exempt from apportionment	2,837	-	-	**2,837**
Unapportioned	1,900	4	-	**1,904**
Unobligated balance, end of period	25,722	2,278	-	**28,000**
Total Status of Budgetary Resources	$ 1,067,103	$ 14,710	$ -	**$ 1,081,813**
Change in Obligated Balance				
Unpaid obligations				
Unpaid obligations, brought forward, October 1	$ 324,913	$ 963	$ -	**$ 325,876**
Obligations incurred (Note 12)	1,041,381	12,432	-	**1,053,813**
Outlays, gross	(1,035,454)	(11,536)	-	**(1,046,990)**
Recoveries of prior-year unpaid obligations	(5,036)	(11)	-	**(5,047)**
Total unpaid obligations, end of period	$ 325,804	$ 1,848	$ -	**$ 327,652**
Uncollected payments				
Uncollected customer payments from Federal sources, brought forward, October 1	$ (1,949)	$ -	$ -	**$ (1,949)**
Change in uncollected customer payments, from Federal sources	135	-	-	**135**
Total uncollected customer payments, from Federal sources	$ (1,814)	$ -	$ -	**$ (1,814)**
Memorandum entries:				
Obligated balances, start of year	$ 322,964	$ 963	$ -	**$ 323,927**
Obligated balances, end of period	$ 323,990	$ 1,848	$ -	**$ 325,838**
Budget Authority and Outlays, Net				
Budget Authority, gross	$ 1,011,224	$ 12,081	$ (3)	**$ 1,023,302**
Actual offsetting collections	(8,126)	(10)	-	**(8,136)**
Change in uncollected customer payments, from Federal sources	135	-	-	**135**
Budget Authority, Net	$ 1,003,233	$ 12,071	$ (3)	**$ 1,015,301**
Outlays, gross	$ 1,035,454	$ 11,536	$ -	**$ 1,046,990**
Actual offsetting collections	(8,126)	(10)	-	**(8,136)**
Outlays, net	1,027,328	11,526	-	**1,038,854**
Distributed offsetting receipts	-	-	(911,501)	**(911,501)**
Agency Outlays, Net	$ 1,027,328	$ 11,526	$ (911,501)	**$ 127,353**

COMBINING STATEMENT OF BUDGETARY RESOURCES *(IN THOUSANDS)*

For the fiscal years ended September 30, 2014	Salaries and Expenses	Office of Inspector General	Nuclear Facility Fees	Total
Budgetary Resources				
Unobligated balances, brought forward, October 1	$ 41,411	$ 1,368	$ -	**$ 42,779**
Recoveries of prior-year obligations				
Actual	10,223	377	-	**10,600**
Unobligated balance from prior-year budget authority, net	51,634	1,745	-	**53,379**
Appropriations	1,043,937	11,955	3	**1,055,895**
Spending authority from offsetting collections	9,800	2	-	**9,802**
Total Budgetary Resources	$ 1,105,371	$ 13,702	$ 3	**$ 1,119,076**
Status of Budgetary Resources				
Obligations incurred (Note 12)	$ 1,054,528	$ 11,084	$ -	**$ 1,065,612**
Unobligated balance, end of period				
Apportioned	45,861	2,618	-	**48,479**
Exempt from apportionment	4,813	-	3	**4,816**
Unapportioned	169	-	-	**169**
Unobligated balance, end of period	50,843	2,618	3	**53,464**
Total Status of Budgetary Resources	$ 1,105,371	$ 13,702	$ 3	**$ 1,119,076**
Change in Obligated Balance				
Unpaid obligations				
Unpaid obligations, brought forward, October 1	$ 278,098	$ 714	$ -	**$ 278,812**
Obligations incurred (Note 12)	1,054,528	11,084	-	**1,065,612**
Outlays, gross	(997,490)	(10,458)	-	**(1,007,948)**
Recoveries of prior-year unpaid obligations	(10,223)	(377)	-	**(10,600)**
Total unpaid obligations, end of period	$ 324,913	$ 963	$ -	**$ 325,876**
Uncollected payments				
Uncollected customer payments from Federal sources, brought forward, October 1	$ (3,517)	$ -	$ -	**$ (3,517)**
Change in uncollected customer payments, from Federal sources	1,568	-	-	**1,568**
Total uncollected customer payments, from Federal sources	$ (1,949)			**$ (1,949)**
Memorandum entries:				
Obligated balances, start of year	$ 274,581	$ 714	$ -	**$ 275,295**
Obligated balances, end of period	$ 322,964	$ 963	$ -	**$ 323,927**
Budget Authority and Outlays, Net				
Budget Authority, gross	$ 1,053,737	$ 11,957	$ 3	**$ 1,065,697**
Actual offsetting collections	(11,199)	(2)	-	**(11,201)**
Change in uncollected customer payments, from Federal sources	1,568	-	-	**1,568**
Budget Authority, Net	$ 1,044,106	$ 11,955	$ 3	**$ 1,056,064**
Outlays, gross	$ 997,490	$ 10,458	$ -	**$ 1,007,948**
Actual offsetting collections	(11,199)	(2)	-	**(11,201)**
Outlays, net	986,291	10,456	-	**996,747**
Distributed offsetting receipts	-	-	(871,206)	**(871,206)**
Agency Outlays, Net	$ 986,291	$ 10,456	$ (871,206)	**$ 125,541**

DEFERRED MAINTENANCE AND REPAIRS

DEFERRED MAINTENANCE AND REPAIRS FOR GENERAL PROPERTY, PLANT, AND EQUIPMENT (PP&E)

Deferred maintenance and repairs information is a requirement under SFFAS No. 42, Deferred Maintenance and Repairs (DM&R).

The SFFAS No. 42 defines DM&R as "maintenance and repairs that were not performed when they should have been or were scheduled to be and which are put off or delayed for a future period." Maintenance and repairs (M&R) are defined as activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset. M&R, as distinguished from capital improvements, exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.

DM&R should include funded and unfunded M&R activities that have been delayed to a future period. DM&R on inactive and/or excess general property, plant, and equipment (G-PP&E) should be included to the extent that it is required to maintain inactive or excess G-PP&E in acceptable condition.

The NRC has performed an evaluation of DM&R activities for leased facilities, the multiple components of the agency IT infrastructure, and individual capital asset purchases with a cost equal to or greater than $50,000. The NRC did not include noncapitalized PP&E with a cost of less than $50,000, which are deemed immaterial.

DEFERRED MAINTENANCE AND REPAIRS FOR THE NRC FACILITIES, OTHER STRUCTURES, AND CAPITAL EQUIPMENT

The NRC has no DM&R for the NRC facilities, other structures, and equipment for the years ending September 30, 2015 and 2014.

DEFINING AND IMPLEMENTING M&R POLICIES IN PRACTICE

For the NRC leased facilities and capital equipment purchases, the NRC typically does not have any deferred maintenance or repairs. The NRC had no DM&R for Facilities, Other Structures, and Capital Equipment in FY 2015 and FY 2014.

For the Headquarters facilities, the NRC uses the GSA guidelines for maintenance activities along with industry best practices to determine the preventative maintenance activities to perform and the schedule for those activities. For the building structures and systems, the maintenance contractor performs all required periodic maintenance to keep the systems and buildings in a good state of repair. The contractor is held to a 98 percent scheduled completion rate with all the preventative maintenance completed within a reasonable time. When equipment reaches the end of its useful life, it is generally replaced with like kind or upgraded equipment. For any type of an emergent failure to facilities, the NRC would request additional funding, as needed, for repairs or replacement to structures and equipment.

For the regional offices, the building management (lessor) is responsible for performing all required periodic maintenance to keep the systems and buildings in a good state of repair. Generally, fixed assets are contained within the regional leases, including equipment purchased to support the operations of our leased space, such as diesel generators and chillers for the Incident Response Center (IRC), and the Local Area Network (LAN) and power cooling. Equipment requiring repair results in a service repair call. For those instances where equipment is purchased to support the NRC regional operations, maintenance contracts are put in place to provide periodic service and maintenance on the equipment. When equipment reaches the end of its useful life, it is generally replaced with like kind or with upgraded equipment. For any type of an emergent failure, the NRC would request additional funding, as needed, for repairs or replacement of equipment.

The TTC facility and associated systems are leased and maintained by the lessor. This includes any emergent repairs that may occur, as well as any scheduled maintenance. Assets within the TTC are predominantly maintained by facilities personnel or in some cases, such as simulator systems, contractor personnel perform all required emergent and periodic maintenance to keep the simulator systems in a good state of repair. When equipment reaches the end of its useful life, it is replaced with like kind or upgraded equipment.

RANKING AND PRIORITIZATION OF M&R ACTIVITIES

Personnel safety is a priority at the NRC leased facilities. Maintenance activity, such as fire alarms and emergency exits, are given top priority. If a preventative maintenance activity must be deferred, which is typically only for 2 to 4 weeks, the impact to personnel safety and building functionality are considered during the review. Other maintenance and repair activities are executed as required so that there is no disruption to the NRC operations and the TTC training schedules.

FACTORS CONSIDERED IN DETERMINING ACCEPTABLE CONDITION

The NRC has a Facilities Management Branch at the headquarters facilities to perform the daily inspections and maintenance of the buildings and major systems. The NRC internally reviews planned maintenance activity records and historical logs of maintenance and repairs to monitor condition information on equipment. Based on the information gathered, the NRC will determine if planning for replacement or upgrade is needed. Additionally, the GSA conducts onsite inspections every 3 to 5 years at the headquarters facilities to assess the overall condition of the buildings and to determine when major systems and components need to be scheduled for replacement. For the TTC and regional offices, the NRC has a Facilities Management staff person onsite to work with the GSA to manage the buildings with support from the lessors. As a result, the GSA performs more frequent onsite inspections of the facilities. The NRC works in close coordination with GSA to ensure maintenance and repair activities are performed on a timely basis to all NRC-occupied facilities.

DEFERRED MAINTENANCE AND REPAIRS FOR INFORMATION TECHNOLOGY (IT) INFRASTRUCTURE AND SYSTEMS

The NRC IT infrastructure is a network of multiple equipment, software, and service components, taken as a whole, which provides the critical communication network that allows the NRC to accomplish its mission. The NRC IT infrastructure encompasses the following:

- End-User Systems and Support and End User hardware includes desktop, laptop, handheld devices, peripherals (local printers, shared printers), software (personal computer operating systems, office automation suites, messaging, and groupware), and hardware and software for help desks. Also included are network operations command centers, wire closets, and cable management. For regional offices, this includes regional end-user support similar to that provided by the Customer Support Center at Headquarters, including contract support and FTE.

- Telecommunications Services includes data networks and telecommunications (including wireless, multimedia, and local and long distance telephony); hardware and software operations; licenses; maintenance; and backup, continuity of operations, and disaster recovery. For regional offices, this includes local telecommunications, including contract support and FTE.

- Production Operations includes mainframes and servers (including Web hosting, but not Web content development and management); hardware and software operations; licenses; maintenance; and backup, continuity of operations, and disaster recovery. Also included are Homeland Security Presidential Directive-12 resources, which requires all Federal Executive Departments and Agencies to implement a governmentwide standard for secure and reliable forms of identification for access to Federal facilities and information systems.

The NRC relies on the asset Project and Program Managers to execute the maintenance budget and to establish and modify the M&R schedule as needed. Ranking factors that may impact the M&R schedule include personnel safety, age of the asset, scheduled replacement date, budget constraints, and unforeseen or unexpected events.

Additionally, for IT systems, whether computer-off-the-shelf or internally developed software, the NRC relies on the Project Manager and Program office to establish an M&R budget and schedule. Minor repairs, enhancements, and upgrades are completed internally through the regular M&R operations process. For major upgrades and replacement systems, the Project Manager must submit a request to perform the work to the appropriate IT governance boards for their approval.

DEFINING AND IMPLEMENTING M&R POLICIES IN PRACTICE

All of the NRC IT infrastructure M&R activities are performed under various contracts. For example, the main IT infrastructure and support services contract (ITISS) includes leasing of servers, computers, printers, and software; and provides provisions for periodic monitoring, maintenance, and repairs. Replacement of miscellaneous equipment components and software are scheduled for replacement as needed when the equipment reaches the end of its useful life and before the equipment and software become obsolete. Desktops and laptops are upgraded on a 3-year rolling schedule such that they do not become obsolete.

RANKING AND PRIORITIZATION OF M&R ACTIVITIES

The NRC program managers determine the requirements for ranking, scheduling, and performing IT infrastructure M&R activities and include them in the contractor statement of work. For the critical ITISS contract, the main ranking factor is the age of the asset (e.g. desktop, laptop, printer, BlackBerry, etc.), followed by cost/budget constraints. However, when applicable, personnel safety is considered and is the highest priority.

FACTORS CONSIDERED IN DETERMINING ACCEPTABLE CONDITION

In determining acceptable condition, the NRC mainly considers the asset's age, remaining useful life, and compatibility with current and required software.