



FY 2014

**SUMMARY OF
PERFORMANCE
& FINANCIAL
INFORMATION**

Message from Our Chairman

It is my pleasure to present the Federal Communications Commission's (FCC or Commission) Fiscal Year (FY) 2014 Summary of Performance and Financial Results. The purpose of this summary is to increase our agency's accountability by making the financial and performance information more transparent and accessible to all citizens and key constituencies.



In the past, three network-related technological developments — the printing press, the railroads, and the telegraph — revolutionized the world's commerce and culture. This millennium has seen the advent of a fourth, and arguably

the most transformative technological development, the marriage of computing and connectivity known as the Internet. High-speed broadband networks have revolutionized our access to the world around us. The virtually limitless sources of information, education, and entertainment these broadband networks carry can erase the disadvantages of geographic isolation, and economic and educational disparities. In combination with the broadcast, cable, and satellite video services that have contributed so much to our society for decades, they will have incalculable influence on the future of America.

All these revolutions have produced fundamental changes in the way people lived their lives. What sets the broadband network revolution apart, however, is how quickly it was deployed and the unabated speed with which it continues to evolve.

The connective technology of broadband networks defines the 21st century, and it is the job of the FCC to ensure that these networks help facilitate innovation in the provision of education, health care, and safety of life and property. That is why I believe that the 21st century economy begins here. And that is why it is vitally important for us to clearly state our goals and objectives to ensure that we consistently and energetically pursue them.

This report contains a summary of the progress the FCC made during FY 2014 in meeting the key challenges facing the agency, as well as an assessment of the financial management of the FCC. I am pleased to note that for the ninth consecutive year, the FCC obtained an unmodified audit opinion on its financial statements. A more detailed view of the Commission's financial statements can be found in the FY 2014 Agency Financial Report, located at <http://www.fcc.gov/encyclopedia/fcc-strategic-plan>. This is also the location where you can find the FY 2014 Annual Performance Report, which provides a comprehensive look at the FCC's accomplishments for the fiscal year.

A handwritten signature in black ink, which appears to read "Tom Wheeler". The signature is stylized and written in a cursive-like font.

Tom Wheeler
Chairman
February 17, 2015

FY 2014 Performance Summary

Overview of the Federal Communications Commission

The Federal Communications Commission has chosen to produce this Summary of Performance and Financial Information to provide a citizen-friendly document summarizing the FCC's financial status and performance for Fiscal Year 2014 (October 1, 2013 through September 30, 2014). We do this in recognition that members of the public, particularly our key constituencies, are stakeholders in the work and the results of our agency. Our goal is to increase the transparency and accessibility of the FCC and increase the accountability of the Commission to you, the citizens of the United States.

This Summary document may lead you to seek additional information concerning the FCC's finances and performance. The Commission has published its Agency Financial Report and its Annual Performance Report for FY 2014. Both are available online on the Commission's website at <http://www.fcc.gov/encyclopedia/fcc-strategic-plan>.

Mission

As specified in section one of the Communications Act of 1934, the Commission's mission is to "make available, so far as possible, to all the people of the United States, without discrimination on the basis of race, color, religion, national origin, or sex, rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges."¹ In addition, the Communications Act provides that the Commission was created "for the purpose of the national defense" and "for the purpose of promoting safety of life and property through the use of wire and radio communications."²

¹ 47 U.S.C. § 151.

² *Id.*

About the FCC

The FCC is an independent regulatory agency of the United States Government. The Commission was established by the Communications Act of 1934 and is charged with regulating interstate (between states) and international communications by radio, television, wire, satellite, and cable. The Commission also regulates telecommunications and advanced communication services and video programming for people with disabilities, as set forth in various sections of the Communications Act. The Commission's headquarters is located in Washington, D.C., with three regional offices, sixteen district offices, and nine resident agent offices throughout the Nation.

Five Commissioners direct the work of the FCC. All are appointed by the President and confirmed by the

Senate for five-year terms, except when filling the unexpired term of a previous Commissioner. Only three Commissioners can be of the same political party at any given time and none can have a financial interest in any company or entity that has a significant interest in activities regulated by the Commission. The President designates one of the Commissioners to serve as Chairman.

The Chairman and the Commissioners at the conclusion of 2014 were:

- Chairman Tom Wheeler
- Commissioner Mignon Clyburn
- Commissioner Jessica Rosenworcel
- Commissioner Ajit Pai
- Commissioner Michael O'Rielly



Pictured from left to right are Commissioner Pai, Commissioner Clyburn, Chairman Wheeler, Commissioner Rosenworcel, and Commissioner O'Rielly.

Organizational Structure

The FCC Chairman leads the Commission as head of the agency. In order to accomplish its mission, the FCC is organized by function. There are seven Bureaus and ten Offices. The Bureaus and the Office of Engineering and Technology process applications for licenses to operate facilities and provide communications services; analyze complaints from citizens and other licensees; conduct investigations; develop and implement regulatory programs; and organize and participate in hearings and workshops. Generally, the nine other Offices provide specialized support services. Bureaus and Offices regularly join forces and share expertise in addressing FCC-related issues.

The Bureaus

The Consumer and Governmental Affairs Bureau

develops and implements consumer policies, including disability access and policies affecting tribal nations. The Bureau serves as the public face of the Commission through outreach and education, as well as responding to consumer inquiries and complaints. The Bureau also maintains collaborative partnerships with state, local, and tribal governments in such critical areas as emergency preparedness and implementation of new technologies.

The Enforcement Bureau enforces the FCC's rules and the Communications Act. It protects consumers, ensures efficient use of spectrum, furthers public safety, promotes competition, and protects the integrity of FCC programs and activities from fraud, waste, and abuse.

The International Bureau administers the FCC's international telecommunications and satellite programs and policies, including licensing and regulatory functions. The Bureau promotes pro-competitive policies abroad, coordinates the FCC's global spectrum activities, and advocates U.S. interests in international communications and competition. The Bureau works to promote a high-quality, reliable, globally interconnected, and interoperable communications infrastructure.

The Media Bureau recommends, develops, and administers the policy and licensing programs relating to electronic media, including broadcast, cable, and satellite television in the United States and its territories.

The Public Safety and Homeland Security Bureau

develops and implements policies and programs to strengthen public safety communications capabilities that assist the public, first responders, the communications industry, and all levels of government in preparing for and responding to emergencies and major disasters.

The Wireless Telecommunications Bureau is responsible for wireless telecommunications programs and policies in the United States and its territories, including licensing and regulatory functions. Wireless communications services include cellular, paging, personal communications, and other radio services used by businesses and private citizens. The Bureau also conducts auctions of spectrum licenses.

The Wireline Competition Bureau develops and recommends policies and licensing programs for wireline telecommunications, including telephone landlines, and fixed (as opposed to mobile) broadband. It strives to ensure choice, opportunity, and fairness in promoting the development and availability of these services. The Bureau has particular responsibility for the Universal Service Fund, a public-private partnership that helps connect all Americans to communications networks.



The Offices

The Office of Administrative Law Judges is composed of one judge (and associated staff) who presides over hearings and issues decisions on matters referred by the FCC.

The Office of Communications Business Opportunities promotes competition and innovation in the provision and ownership of telecommunications services by supporting opportunities for small businesses, as well as women and minority-owned communications businesses.

The Office of Engineering and Technology advises the FCC on technical and engineering matters. This Office develops and administers FCC decisions regarding spectrum allocations, grants equipment authorizations, and experimental licenses.

The Office of the General Counsel serves as the FCC's chief legal advisor.

The Office of the Inspector General conducts and supervises audits and investigations relating to FCC programs and operations.

The Office of Legislative Affairs serves as the liaison between the FCC and Congress, as well as other Federal agencies.

The Office of the Managing Director administers and manages the FCC.

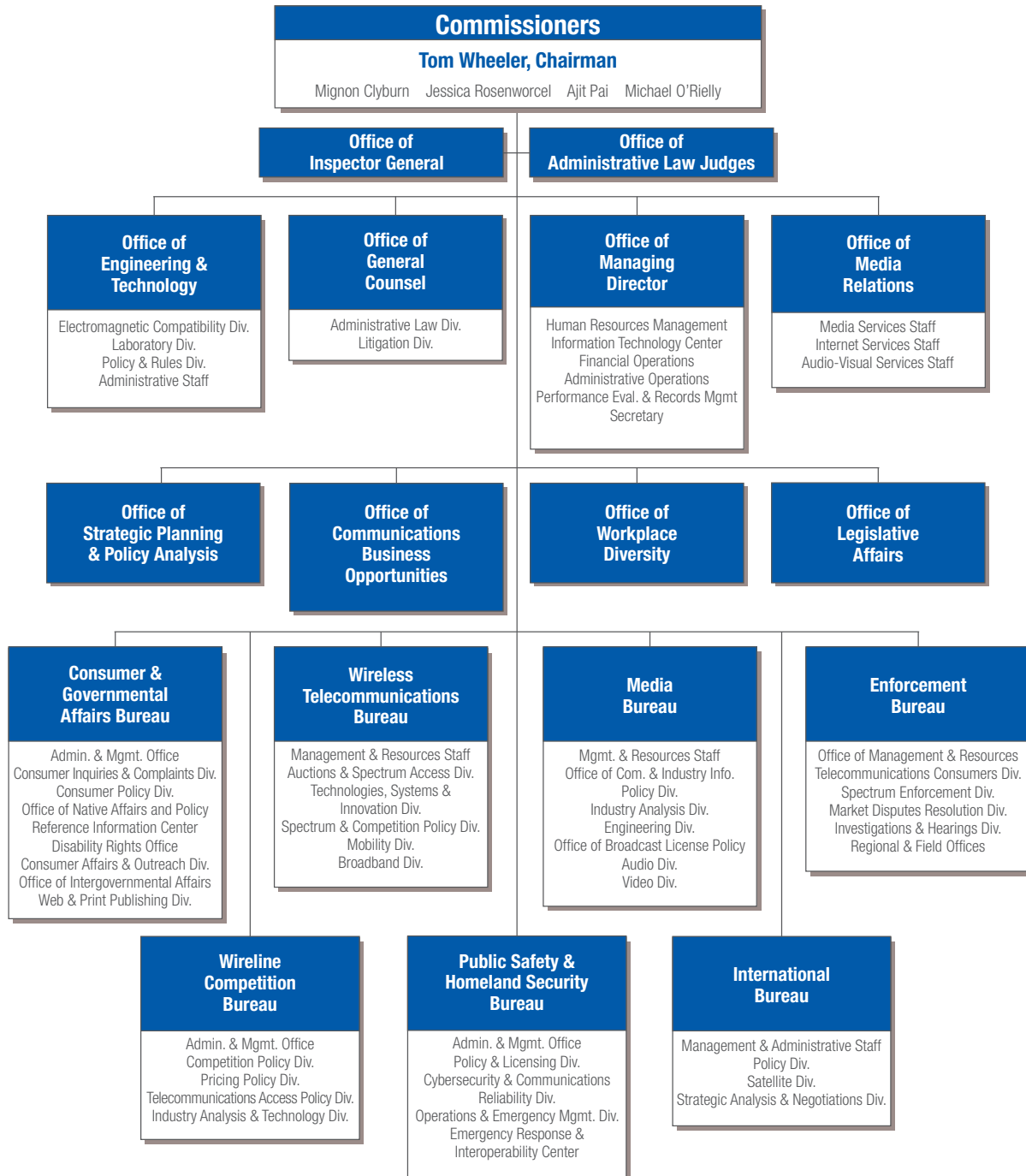
The Office of Media Relations informs the media of FCC decisions and serves as the FCC's main point of contact with the media.

The Office of Strategic Planning and Policy Analysis works with the Chairman, Commissioners, Bureaus, and Offices in strategic planning and policy development for the agency. It also provides research, advice, and analysis of complex, novel, and non-traditional economic and technological communications issues.

The Office of Workplace Diversity ensures that the FCC provides employment opportunities for all persons regardless of race, color, sex, national origin, religion, age, disability, or sexual preference.

Detailed information on specific Bureau and Office responsibilities can be found in Title 47 of the Code of Federal Regulations and on the Commission's website at: www.fcc.gov. The Commission's organizational chart at the end of 2014 is on the next page.

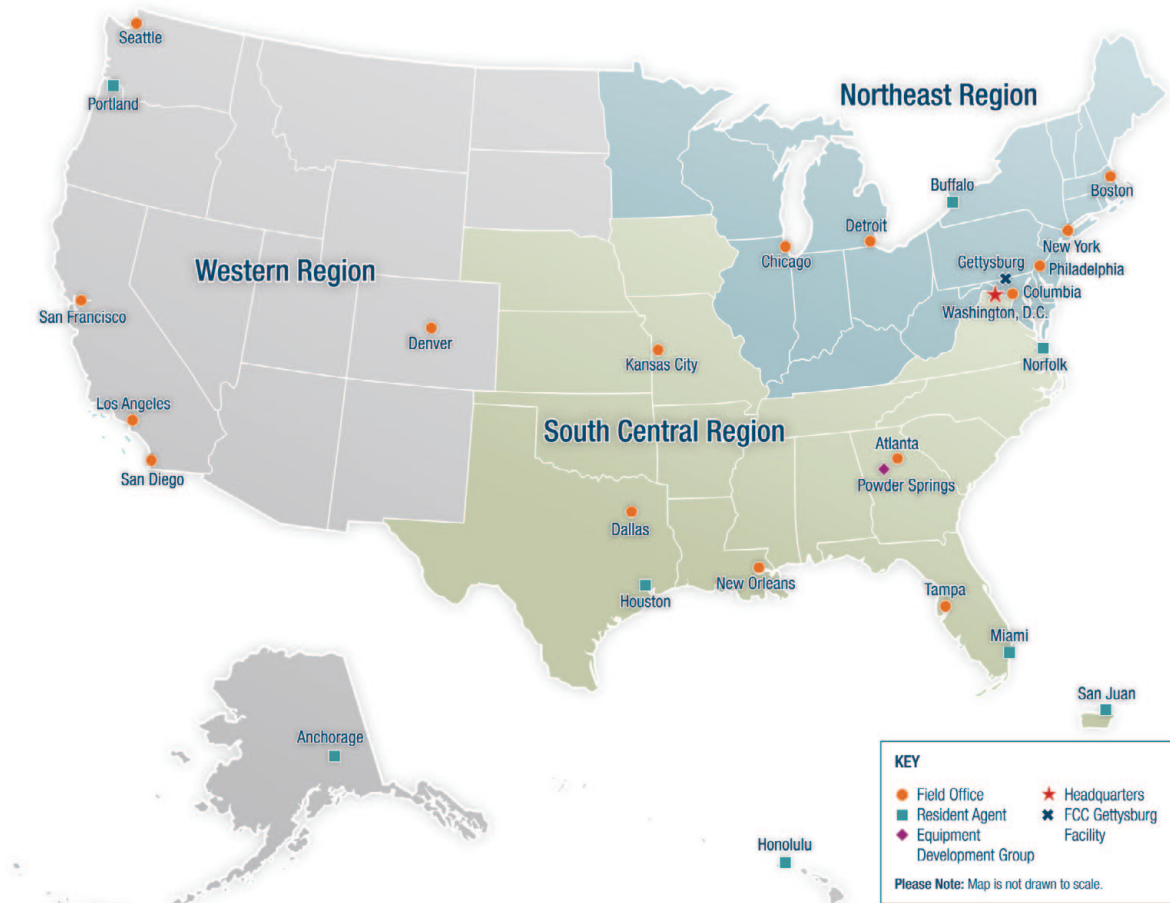
Organizational Chart



FCC Field Offices

The Commission has multiple regional and field offices as well as resident agent locations throughout the United States. The Regional and Field Offices and resident agents are responsible for carrying out on-scene investigations, inspections, audits, and other matters that are the subject of complaints and that are referred to them from within the Enforcement Bureau or by other Bureaus and Offices. These functions include immediate response to safety-of-life issues, interference resolution, investigation of violations in all communications services, surveys for compliance with FCC rules, local assistance to other agencies or countries in communications matters, and representation

of the Commission before groups and organizations. In addition, the FCC maintains a laboratory in Columbia, Maryland so that staff of the Office of Engineering and Technology can test, evaluate, and perform engineering analyses on communications equipment requiring Commission authorization for use. The FCC also has a facility in Gettysburg, Pennsylvania housing portions of its Wireless Telecommunications Bureau's licensing and spectrum auctions staff and a portion of the FCC's National Call Center operated by the Consumer and Governmental Affairs Bureau. Below is a map of all Commission Field Offices and resident agent locations.



Strategic Goals and Objectives

The Commission has identified eight long-term strategic goals that guide the actions and performance of the FCC. Accomplishment of agency goals is measured by the progress and completion of annual performance goals during the fiscal year. External influences, including economic, legal, and organizational factors beyond the Commission's programs and efforts, may influence

whether we fully meet every performance goal. Further details on the Commission's strategic goals during FY 2014, as well as the strategies and resources used to achieve these goals, can be found in the Commission's strategic plan at: <http://www.fcc.gov/encyclopedia/fcc-strategic-plan>.

Strategic Goal	Objective
Connect America	Maximize Americans' access to — and the adoption of — affordable fixed and mobile broadband where they live, work, and travel.
Maximize Benefits of Spectrum	Maximize the overall benefits of spectrum for the United States.
Protect and Empower Consumers	Protect consumers from harm in the communications market; empower consumers by ensuring that they have the tools and information they need to make informed choices.
Promote Innovation, Investment, and America's Global Competitiveness	Promote innovation in a manner that improves the nation's ability to compete in the global economy, creating a virtuous circle that results in more investment, and in turn enables additional innovation.
Promote Competition	Ensure a competitive market for communications and media services to foster innovation, investment, and job creation, and to ensure consumers have meaningful choice in affordable services.
Public Safety and Homeland Security	Promote the availability of reliable, interoperable, redundant, rapidly restorable critical communications infrastructures that are supportive of all required services.
Operational Excellence	Make the FCC a model for excellence in government by effectively managing the Commission's human, information, and financial resources; by making decisions based on sound data and analyses; and by maintaining a commitment to transparent and responsive processes that encourage public involvement and best serve the public interest.
Advance Key National Purposes	Through international and national interagency efforts, advance the use of broadband for key national purposes.

Performance Highlights for FY 2014

During the previous fiscal year, the Commission made significant progress toward accomplishing its performance goals. Greater detail on these accomplishments is available in the FCC Annual Performance Report (APR) for FY 2014 on the Commission's website at <http://www.fcc.gov/encyclopedia/fcc-strategic-plan>. In the following discussion, we identify achievements in the Commission's major initiatives during the past fiscal year, organized by strategic goal.



Connect America

Maximize Americans' access to — and the adoption of — affordable fixed and mobile broadband where they live, work, and travel.

The Commission took major steps to expand access to cutting-edge digital learning technologies by modernizing its E-rate program to widely support robust Wi-Fi networks in schools and libraries. Modernizing E-rate, the nation's largest program supporting communications technology in schools and libraries, is essential to closing the Wi-Fi gap in these institutions. While E-rate over its 18-year life has succeeded in connecting virtually all schools and libraries to the Internet, it was not geared for today's world of interactive, individualized digital learning. By continuing to support broadband connectivity to the building while significantly expanding support for robust Wi-Fi networks within classrooms and libraries, the FCC's reforms can deliver the benefits of customized learning to students over tablets and laptops and enable library patrons to fully participate in today's digital world. An *Order and Further Notice of Proposed Rulemaking* adopted by the FCC will accomplish three major goals:

- Significantly expand funding for Wi-Fi networks and distribute it fairly to all schools and libraries while recognizing the needs of the nation's rural and poorest school districts.
- Maximize the cost-effectiveness of E-rate spending through greater pricing transparency, encouraging consortia and bulk purchasing, and better enforcement of existing rules.
- Streamline and simplify the E-rate application process and overall program administration.

The Order also maintained E-rate's budget of \$2.4 billion (adjusted for inflation) and made available an additional \$2 billion to support Wi-Fi over the next two years through improved financial management practices that free up excess reserves. For the following funding years, the program will target \$1 billion annually to Wi-Fi — while continuing to ensure funding is available for broadband connectivity to schools and libraries — by phasing out support for non-broadband services such as pagers and phones, and through increased efficiencies. These program improvements will be

sufficient to expand Wi-Fi networks in all schools and libraries. The effort will potentially provide a 75 percent increase in Wi-Fi funding for rural schools over the next five years and a 60 percent increase for urban schools, delivering Wi-Fi to an additional 10 million students in 2015 alone.

The FCC took significant steps toward implementing the next phase of its program for expanding robust broadband in rural America through the Connect America Fund. Phase I of the Connect America Fund has already invested over \$438 million to deploy broadband service to 1.6 million previously unserved Americans. Phase I of the Mobility Fund also invested \$220 million to expand advanced mobile wireless service and nearly \$50 million for better mobile voice and broadband on tribal lands. Phase II the Connect America Fund will result in a nearly 70% increase in annual support for broadband and voice service in areas served by the nation's largest traditional local providers.

Experiments to explore how robust broadband can be expanded at lower cost in rural America were launched by the FCC. The experiments will inform the agency's broader effort to expand rural broadband through its Connect America Fund. They will also inform the FCC's efforts to ensure that consumers everywhere can benefit from the sweeping technological advances occurring now in the communications industry, while preserving consumer protection, competition, universal service, and access to emergency services.

The FCC launched a database designed to eliminate waste from duplicative subscriptions in the Lifeline phone service subsidy program nationwide. The National Lifeline Accountability Database, a cornerstone of the FCC's comprehensive efforts to combat waste fraud and abuse in the Lifeline program, already has identified \$169 million in annualized savings by flagging existing duplicates for elimination, while preventing enrollment of new duplicates.



FCC Chairman Tom Wheeler announced the creation of a Universal Service Fund (USF) Strike Force dedicated to combatting waste, fraud, and abuse in Commission programs. The USF Strike Force will focus on safeguarding the USF and the other funding programs that the FCC oversees. The Strike Force will investigate violations of the Communications Act, the Commission's rules, and other laws bearing on USF programs and contributions. In addition to these activities, the Strike Force will coordinate with the FCC's Office of Inspector General, the U.S. Department of Justice, and other law enforcement agencies to prosecute unlawful conduct. The Strike Force's investigations and activities will promote future compliance, protect those who depend on the funds for access, and safeguard contributors to the funds from the unlawful acts of others.

The Commission released the results of its ongoing nationwide performance study of residential broadband service in its fourth "Measuring Broadband America" report. The report continues the Commission's efforts towards bringing greater clarity and competition to the home broadband services marketplace. This year's report revealed that most broadband providers continue to improve service performance by delivering actual speeds that meet or exceed advertised speeds, but some providers showed significant room for improvement, particularly with respect to consistency of speeds.

FCC Chairman Tom Wheeler announced the launch of the FCC Speed Test app for iOS devices in the iTunes App store. The FCC Speed Test app is an expansion of the Measuring Broadband America program from fixed to mobile broadband. Testing data will provide valuable information to consumers, industry, and the Commission on the deployment of networks across the United States. In November, the Commission unveiled its first public version of the FCC Speed Test app for Android smartphones in the Google Play store.

The FCC released its latest reports on Internet access service connections and local telephone services in the United States. Highlights from the reports include:

- The number of connections with downstream speeds of at least 10 Mbps increased by 118% over June 2012, to 103 million connections, including 58 million fixed connections and 45 million mobile connections.
- Growth is particularly high in mobile Internet subscriptions. The number of mobile subscriptions with speeds over 200 kbps in at least one direction grew to 181 million, up 18% from June 2012.
- In voice services, 90 million end-users switched access lines in service, 45 million interconnected VoIP subscriptions, and 306 million mobile voice subscriptions, or 441 million retail local telephone service connections in total as of June 30, 2013.

Maximize Benefits of Spectrum

Maximize the overall benefits of spectrum for the United States.

The Commission adopted rules to implement the Broadcast Television Incentive Auction. The two-sided auction will use market forces to recover spectrum from television broadcasters who voluntarily choose to give up some or all of their spectrum usage rights in exchange for incentive payments, in order to auction new spectrum licenses to wireless providers. The Incentive Auction will help meet consumers' skyrocketing demand for mobile broadband services. Today, there are more connected devices than there are people in the U.S., and about 60 percent of Americans use data-hungry smartphones. By making additional spectrum available for mobile broadband use, the Incentive Auction will benefit consumers by easing congestion on wireless networks, expediting the development of new, more robust wireless services and applications, and helping fill in coverage gaps particularly in rural America.

The Commission proposed to modify its Part 15 rules to accommodate growing demand and encourage innovation in the provision of wireless broadband data services. The Commission's Part 15 rules permit devices to operate on unused "white space" spectrum between TV stations. Since the Commission finalized initial rules in 2010, unlicensed white space devices in the TV bands have been used primarily to provide broadband data and other services to schools and libraries. Unlicensed spectrum technologies have the potential to encourage competition in the broadband market, promote efficient delivery of broadband services in residences and businesses, and improve user experience with consumer devices

needing short-range but high data rate communications. The proposed changes to Part 15 rules are designed to allow for more robust service and efficient spectral use in the frequency bands that are now and will continue to be allocated and assigned to broadcast television services, while continuing to protect authorized users from harmful interference.

The FCC initiated a proceeding to address the long-term spectrum needs of wireless microphone users. The repurposing of broadcast television band spectrum for wireless services following the Commission's Incentive Auction will significantly alter the spectrum environment in which many wireless microphones currently operate. This proceeding fulfills the FCC's commitment to explore how best to accommodate the future needs of wireless microphone users.

The Commission took steps to recognize the important social, cultural, and economic benefits of low power auxiliary station operations, including wireless microphones, by expanding license eligibility for qualifying users. In new rules, the FCC expands Part 74 license eligibility to include professional sound companies and venues where the use of wireless microphones is an integral part of the major productions or events they host. The Commission concluded that these users generally have the same



need for interference protection as existing Part 74 licensees, and the sophisticated knowledge and capability to manage use and coordination of a large number of wireless microphones.

The Canadian National Railway Company agreed to pay a civil penalty of \$5.25 million to resolve an FCC Enforcement Bureau investigation into the company's acquisition and operation of hundreds of wireless radio facilities in the United States without prior FCC approval. Some of the unauthorized operations continued for more than two decades before the company disclosed its violations to the Commission.

The Commission took steps to provide more spectrum for general consumer use, carrier-grade small cell deployments, fixed wireless broadband services, and other innovative uses, through the creation of a new Citizens Broadband Radio Service. The proposed rules for the Citizens Broadband Radio Service advance the Commission's efforts to meet the growing demand for spectrum by proposing to make 150 megahertz (MHz) available in the 3.5 GHz Band.

The Commission also provided for accelerated growth and expansion of new Wi-Fi technology that can offer faster speeds of one gigabit per second or more, increase overall capacity, and reduce congestion at Wi-Fi hot spots. The new rules will make 100 MHz of spectrum more accessible for use in homes and congested spaces like convention centers, parks, and airports, and increase the potential for more unlicensed spectrum innovation. By its action, the Commission significantly increased the utility of the 100 MHz of spectrum, and streamlined existing rules and equipment authorization procedures for devices throughout the 5 GHz band.

The Commission adopted a *Report and Order* that advances ongoing efforts to make more spectrum available for flexible use wireless services, including mobile broadband. This action represents the largest amount of spectrum suitable for mobile broadband that the Commission has made available for auction since the 700 MHz band was auctioned in 2008. Access to these bands will help wireless companies meet growing consumer demand for mobile data by enabling faster wireless speeds and more capacity.

The Commission auctioned 176 Economic Area licenses for 10 MHz of spectrum, unleashing additional spectrum nationwide for broadband services. The auction, referred to as the "H Block Auction," raised \$1.564 billion that will help fund a nationwide interoperable public safety network. It will also make more spectrum available to serve the broadband needs of consumers and businesses alike.

The Commission also updated its rules regarding antenna structure lighting and marking to provide clarity and reduce regulatory burdens on antenna structure owners and licensees. These reforms will remove barriers to wireless deployment, reduce unnecessary costs, and encourage providers to continue to deploy advanced systems that facilitate safety. It is part of the Commission's broader effort to promote deployment of the wireless infrastructure necessary to provide the public with ubiquitous, advanced wireless broadband services.

The Commission held the first filing window in over a decade for new low power FM ("LPFM") stations. The LPFM service was established to improve the diversity of media nationwide by creating opportunities for new local voices to be heard on the radio. Over 1400 permits to construct LPFM stations have been issued as a result of the filing window.

The FCC continued its preparations for the November 2015 World Radiocommunication Conference (WRC-15), a treaty-level forum held by the International Telecommunication Union. Decisions will be made at WRC-15 on the allocation of spectrum to allow the deployment or growth of all types of radiocommunication services such as mobile, fixed, broadcasting, satellite, maritime and aeronautical services.

The FCC reviewed and processed 907,551 applications and complaints in FY 2014, meeting its Speed of Disposal (SOD) goals 96% of the time. In five of the last six years, the FCC met the SOD metrics for at least 96% of applications and complaints.

Protect and Empower Consumers

Empower consumers by ensuring that they have the tools and information they need to make informed choices, and protect consumers from harm in the communications market.

The FCC released Notices of Apparent Liability proposing approximately \$80 million dollars in fines against seven Lifeline service providers to combat waste, fraud, and abuse in the Lifeline program and protect the Universal Service Fund. The apparent violations involve thousands of consumers who had more than one Lifeline subscription from the same provider, resulting in duplicative support requests and payments. The proposed forfeitures are in addition to recovery of Universal Service Funds paid to the carriers for intra-company duplicative Lifeline service. The Commission has also conducted pursuit of multiple, additional investigations against Lifeline service providers for possible violations of the Lifeline rules, and related statutes and regulations.

The Commission repealed its sports blackout rules, which prohibited cable and satellite operators from airing any sports event that had been blacked out on a local broadcast station. The action removes Commission protection of the NFL's current private blackout policy, which requires local broadcast stations to black out a game if a team does not sell a certain percentage of tickets to the game at least 72 hours prior to the game. The Commission found that its sports blackout rules were no longer justified in light of the significant changes in the sports industry since these rules were first adopted nearly forty years ago. At that time, ticket sales were the primary source of revenue for the NFL, and most NFL games failed to sell out. Today, television revenues have replaced ticket sales as the NFL's main source of revenue, and blackouts of NFL games are increasingly rare. The Commission also found that the NFL, whose current contracts with the broadcast networks extend through 2022, is unlikely to move its games from free, over-the-air broadcast television to satellite and cable pay TV as a result of elimination of the sports blackout rules. They therefore concluded that the sports blackout rules are no longer needed to ensure that sports programming is widely available to television viewers.

The FCC reached a \$7.4 million settlement with Verizon to resolve an investigation into the company's use of personal consumer information for marketing purposes. The investigation uncovered that Verizon failed to notify approximately two million new customers of their privacy rights on their first invoices or in welcome letters, including how to opt-out from having their personal information used in marketing campaigns. In addition to the \$7.4 million payment, Verizon agreed to notify customers of their opt-out rights on every bill for the next three years.

Sprint Corporation will pay \$7.5 million to resolve an FCC Enforcement Bureau investigation of the mobile wireless company's failure to honor consumer requests to opt-out of phone and text marketing communications. This represents the largest Do-Not-Call settlement that the FCC has ever reached. In addition to the payment, Sprint will implement a two-year plan to ensure compliance with FCC requirements designed to protect consumer privacy and prevent consumers from receiving unwanted telemarketing calls.

Time Warner Cable (TWC) failed to file a substantial number of reports with respect to a series of reportable wireline and Voice over Internet Protocol network outages. TWC admitted that its failure to timely file the required network outage reports violated the Commission's rules. To resolve the FCC's investigation, TWC will pay a civil penalty of \$1.1 million and implement a three-year compliance plan to ensure future compliance with the Commission's network outage reporting rules.

Deceptive marketing practices, changing consumers' preferred long-distance carriers without their authorization, and billing consumers for unauthorized charges continue to be an issue leading to multiple FCC investigations. The Commission proposed fines and forfeitures for U.S. Telecom Long Distance, Inc. (\$5.23 million), Central Telecom Long Distance, Inc. (\$3.9 million), and Consumer Telecom, Inc. (\$3.56 million)

for allegedly deceiving consumers. Many of these actions victimized elderly and disabled consumers.

The FCC proposed to fine Optic Internet Protocol, Inc., a Georgia telephone company, \$7.62 million for allegedly switching consumers' long distance telephone services without their authorization, billing customers for unauthorized charges, and submitting falsified evidence to government regulatory officials as "proof" of consumers' authorizations. Optic allegedly switched consumers' preferred long distance carriers and also billed the consumers for long-distance service by placing charges for its set-up fee and recurring monthly fee on their local telephone bills. The Enforcement Bureau reviewed more than 150 complaints against Optic that consumers filed with the Commission, the Federal Trade Commission, state regulatory agencies, and the Better Business Bureau.

The FCC also proposed to fine Net One International, Inc., a Florida telephone company, \$1.6 million for allegedly billing consumers for unauthorized charges and late fees even though the customers had already closed their accounts and paid their final bills. Based on its review of over 100 consumer complaints, the FCC found that over a period of several years, Net One repeatedly billed consumers long after the consumers had affirmatively cancelled their service, paid their final bills, and switched to other carriers.

Assist 123, LLC, a Nevada telecommunications carrier, will pay \$1.3 million to resolve an FCC investigation into allegations that the company billed wireless telephone consumers for a "Concierge/Directory Assistance" subscription text messaging service, a service that they did not want or authorize.

The Commission took major steps to remedy the serious and unacceptable problem of long-distance calls failing to reach rural homes and businesses. New rules unanimously adopted by the FCC will provide immediate solutions and empower future agency enforcement efforts while giving providers incentives to improve their service. In addition, the FCC took significant action against telephone companies who failed to complete long-distance calls to rural areas on a just, reasonable, and non-discriminatory basis. These include Windstream Corp. (\$2.5 million payment) and Matrix Telecom, Inc. (\$875,000 payment).

The FCC cited Panasystem Corp., a California online electronics retailer, for importing and marketing counterfeit Samsung smartphones marked with unauthorized or invalid labels falsely indicating that the devices were certified by the FCC. Although these devices were labeled with seemingly valid FCC Identifiers, the investigation showed that Samsung neither manufactured the devices nor authorized the FCC Identifier labels. The investigation also revealed that another set of smartphones imported by Panasystem contained counterfeit BlackBerry model 9790 devices. These smartphones were labeled with invalid FCC Identifiers, which rendered them illegal for sale in the United States.

The FCC planned to fine Dialing Services, LLC over \$2.9 million for allegedly making numerous illegal "robocalls" to mobile phones. These robocalls contained artificial or prerecorded voice messages on behalf of political campaigns and candidates. The Commission had previously cited Dialing Services for making more than 4.7 million robocalls to mobile phones without consumer permission during the 2012 election cycle.



Promote Innovation, Investment, and America's Global Competitiveness

Promote innovation in a manner that improves the nation's ability to compete in the global economy, creating a virtuous circle that results in more investment and in turn enables additional innovation.



The Commission launched a rulemaking seeking public comment on how best to protect and promote an open Internet, following a decision by the U.S. Court of Appeals for the District of Columbia to strike down rules that prevented Internet Service Providers from blocking and discriminating against online services. The *Notice of Proposed Rulemaking* posed a broad range of questions to elicit the broadest range of input from everyone with an interest in the Internet, from consumers and small businesses to providers and start-ups. The FCC also sought comment on the most appropriate statutory basis for new rules, including Section 706 of the Telecommunications Act of 1996, and Titles II and III of the Communications Act.

The FCC hosted a series of Open Internet Roundtable Discussions. The roundtables provide an opportunity for the Commission staff and interested parties to further examine the actions the Commission should take for its goal of determining the best approach to protecting and promoting Internet openness. Specifically, the roundtable discussions focus on public policy considerations and how they should be addressed to protect and promote Internet openness in both fixed and mobile markets; the technological considerations involved in protecting the open Internet; how the competitive landscape and the economics of providing broadband and online services affects Internet openness; how the Commission can effectively enforce the current and proposed open Internet requirements; and the various legal theories underlying possible Commission actions in this area.

The FCC launched a broad set of voluntary experiments meant to ensure that the nation's communications networks continue to provide the services consumers want and need in this era of historic technological transformations. Driven by developments in the marketplace, technology transitions in communications networks are already well underway. They include, for example, the transition from plain old telephone service delivered over copper lines to feature-rich voice service using Internet Protocols, delivered over coaxial cable, fiber, or wireless networks. The experiments and data collection initiatives will focus on how the enduring values underlying operation of today's networks can be preserved and enhanced throughout technological change.

The Commission proposed to comprehensively simplify and streamline its rules governing satellite communications to make the regulatory approval process for satellite licenses easier and more efficient. This rulemaking was one of the key reforms called for by the Report on FCC Process Reform released earlier this year. Specifically, the Commission's Further Notice proposes changes that will:

- Facilitate international coordination of proposed satellite networks by permitting early submissions to the International Telecommunication Union.
- Simplify showings associated with milestone requirements and eliminate some of the current milestone requirements.
- Revise the two-degree spacing requirements to better accommodate the use of small antennas.
- Expand options for simplified routine earth station licensing.

As the expert agency on telecommunications policy and regulation, the FCC participated on many U.S. delegations to international meetings and engaged with counterparts around the world to encourage forward-thinking approaches to increase broadband investment, deployment, and adoption, as well as to further the U.S. policy of maintaining a free and open Internet. Specifically, the International Telecommunication Union (ITU) held its World Telecommunication Development Conference (WTDC) in Dubai in March 2014. At that Conference, the FCC contributed to the U.S. delegation's success in focusing work at the ITU on studying how developing countries can facilitate access to cloud computing services. At the ITU and in similar meetings, the FCC helped the U.S. achieve its goal of concentrating the international conversation on creating an enabling environment for technological innovation and the promotion of competitive markets to facilitate the continued development of transformative Internet services for everyone.

While working with our international partners on radio spectrum issues, the FCC continued to advocate for efficient and effective use of spectrum to facilitate worldwide deployment of new spectrum-based technologies and services, to shift from rigid to flexible policy models, and to promote ease of access to spectrum by more users.

Promote Competition

Ensure a competitive market for communications and media services to foster innovation, investment, and job creation, and to ensure consumers have meaningful choice in affordable services.

The Commission adopted a *Report and Order* that strengthens its rules governing retransmission consent negotiations. This will help curtail a practice that has put upward pressure on cable and Direct Broadcast Satellite programming costs as well as prices to consumers. The *Report and Order* prohibits a television broadcast station ranked among the top four stations (as measured by audience share) from negotiating retransmission consent jointly with another top four station if the stations are not commonly owned and serve the same geographic market. Joint negotiation by these stations leads to higher retransmission consent fees because the practice reduces competition between the stations.

The FCC took steps to close a loophole in its TV ownership rules, making sure that a party's interests in a market are properly counted. Removal of the loophole helps ensure competition, localism, and diversity in local broadcast markets by preventing a practice that previously resulted in consolidation in excess of what is permitted under the Commission's rules. A Joint Sales Agreement (JSA), is between two stations in the same market in which one station is authorized to sell advertising time on the other station. The Commission's radio rules have long recognized that these agreements create an ownership interest when the JSA allows for the sale of 15% or more of the advertising time on a competing local station. This *Report and Order* applies this same standard to broadcast television.

The Commission clarified its policies and procedures for reviewing transactions in the broadcasting industry that would result in foreign ownership stakes exceeding a 25 percent benchmark set by statute. The ruling potentially removes obstacles to new capital investment, which will support small business, minority, and female broadcast ownership, and spur innovation.

The Commission approved new, more comprehensive rules for TV closed captioning to ensure that viewers who are deaf and hard of hearing have full access to programming. This action resolves decade-long concerns from deaf and hard of hearing communities to improve captioning quality and provides much needed guidance to video programming distributors and programmers. The new rules apply to all television programming with captions. Specifically, the Commission adopted quality standards for accuracy, synchronicity (timing), program completeness, and placement of closed captions.

The Commission also approved new rules that will enable people who are blind or visually impaired to have easier access to digital video programming on a wide range of electronic devices. The rules will also enable consumers who are deaf or hard of hearing to activate closed captioning on their devices with greater ease. This action represents the final major step in the FCC's implementation of the Twenty-First Century Communications and Video Accessibility Act of 2010 (CVAA), enacted to bring people with disabilities access to modern and innovative communications technologies. As a result of the FCC's implementation of the CVAA, more than 50 million Americans will have greater access to advanced communications. Devices covered under the rules include navigation devices used to access cable or satellite services, such as set-top boxes and TiVos, as well as other devices used to receive or play back digital video, ranging from televisions and computers to tablets and smartphones.

The FCC adopted a *Report and Order* revising rules for its mobile spectrum holding policies. Access to spectrum, particularly low-band spectrum, is essential for the provision of mobile wireless services. This action will promote more competition in more markets, and facilitate consumers having more choices of wireless providers, lower prices, and higher quality mobile service.

Public Safety and Homeland Security

Promote the availability of reliable, interoperable, redundant, and rapidly restorable critical communications infrastructures that are supportive of all required services.

The Commission adopted rules requiring text messaging providers to enable Americans to text 911 in an emergency. Building on commitments made by America's four largest wireless carriers to support text-to-911, the new rules will ensure that all remaining wireless carriers and certain IP-based text application providers are prepared to support text-to-911. If a 911 call center requests text-to-911, text messaging providers will have six months to deploy the service in that area. This action will make text-to-911 more uniformly available and keeps pace with how Americans communicate. Text messaging is also widely used by Americans who are deaf, hard of hearing, or have speech disabilities.

The FCC proposed fines against Viacom, ESPN, NBCUniversal, and Turner Broadcasting System for transmitting advertising or programming that misused the warning sounds of the nationwide Emergency Alert System (EAS). The FCC has long prohibited the transmission of actual or simulated EAS Attention Signals or tones in circumstances other than a real alert or an authorized test of the EAS system.

The Commission proposed rules to help emergency responders better locate wireless callers to 911. The proposed updates to the Commission's Enhanced 911 (E911) rules respond to Americans' increasing use of wireless phones to call 911, especially from indoors, and take advantage of technological developments that allow for more accurate location information to be transmitted. Many Americans are replacing landlines with wireless phones, and calling patterns are changing. For example, reports indicate that nearly 73 percent of 911 calls in California are made from wireless phones, and approximately 80 percent of all smartphone use occurs indoors. In light of these trends, the Commission

proposed changes to its E911 rules to include indoor location accuracy, particularly location accuracy in challenging indoor environments such as large multi-story buildings, where first responders are often unable to determine the floor or even the building where the 911 call originated.

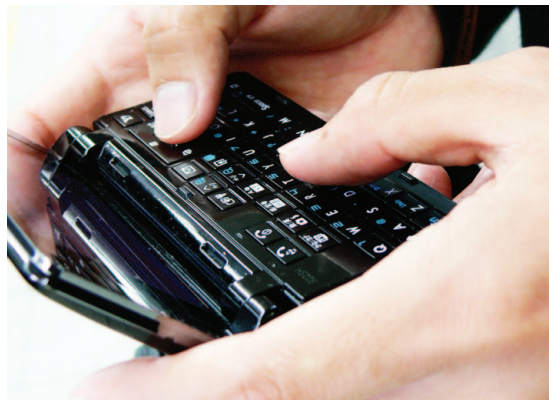
The Commission adopted rules to help ensure that Americans' phone calls to 911 are delivered during disasters. The rules were designed to improve 911 communications networks nationwide by requiring 911 service providers to take reasonable measures to provide reliable and resilient 911 service, as evidenced by an annual certification. The FCC also strengthened its

rules to ensure that 911 service providers give 911 call centers timely and useful notification of network outages.

The FCC adopted technical service rules to govern the spectrum that will be used for deployment of a nationwide public safety wireless broadband network

by the First Responder Network Authority (FirstNet). The rules, which include power limits and other technical parameters for operating in this spectrum band, will provide a foundation for FirstNet's operations, help avoid harmful interference to spectrum users in adjacent bands, and expedite the availability of equipment for use on the public safety network.

Hinton, a local exchange carrier serving parts of Caddo and other counties in Oklahoma, apparently willfully and repeatedly violated the Commission's Rules by knowingly routing 911 calls to an automated operator message, creating a significant threat to the life and property of the residents of those counties. The FCC proposed to fine Hinton \$100,000.



Operational Excellence

Make the FCC a model for excellence in government by effectively managing the Commission's human, information, and financial resources; by making decisions based on sound data and analyses; and by maintaining a commitment to transparent and responsive processes that encourage public involvement and best serve the public interest.

The FCC released its Report on FCC Process Reform. The Report was prepared by a staff working group led by Diane Cornell, Special Counsel to Chairman Tom Wheeler, and includes a comprehensive list of the group's proposed recommendations for process reform at the Commission. The Report seeks to further the goal of having the agency operate in the most effective, efficient, and transparent way possible. It examines the agency's internal operations with the aim of improving the overall functions of the agency and its service to the public. Based on both internal and external suggestions, the Report identifies initial steps in what will be an ongoing process of reexamining and revising the way the Commission does its work. The Report proposed more than 150 process reform recommendations covering a wide range of specific topics. These recommendations, when implemented, would enable the Commission to work faster, smarter, more efficiently, more transparently, and more inclusively.

One area of particular focus has been tackling matters that have been considered backlogged, and — even more importantly — increasing speed of disposal for all matters. Two key internal process reforms being examined are ways to not only reduce the number of items currently pending at the Commission, but to also move incoming items through the system faster. A few examples of progress in this area include:

- **Consent Agenda:** One of the first recommendations implemented was to institute a “consent agenda” process, which enables the Commissioners to vote on a group of items during the monthly Open Agenda Meeting in an expedited way, without staff presentations. Utilizing this process, the Media Bureau has disposed of 59 licensing applications for review so far this year, with more on course for adoption.
- **Closing Dockets:** So far this year, the Consumer and Governmental Affairs Bureau, working with other

Bureaus and Offices, closed over 760 dockets and sought comment on another 750 dockets that appear to be eligible for closing by the end of the year.

- **Backlog Reduction Plans:** Every Bureau and Office with responsibility for responding to requests from external petitioners and licensees has developed a backlog reduction plan. The plans focus both on how to reduce existing pending items at the Commission, and also process improvements for the future. Every Bureau and Office has ensured that their tracking systems include a complete inventory of all pending matters.
- **Best Practices on Backlog Reduction:** Based on the backlog reduction plans, a working group established “best practices” for management of pending items before the Commission, including suggestions for streamlining handling of matters. The best practices have been circulated internally and discussed in individual meetings with the Bureaus and Offices so useful methodologies can be shared across the Commission.
- **Bureau/Office Streamlining and Backlog Reduction Efforts:**
 - o The Enforcement Bureau has largely completed its review of pending complaints, clearing the way for the Media Bureau to grant almost 700 license renewals.
 - o The Media Bureau revised the way it issues effective competition rulings, issuing omnibus rulings periodically instead of individual rulings on each request. In March, the Bureau released an order disposing of 55 such requests.
 - o The International Bureau eliminated the effective competitive opportunities test for submarine cable landing licenses and 214 applications, streamlining the processing of those applications.
 - o Between May and September, the Wireless Telecommunications Bureau resolved 2,046



- applications older than six months, resulting in a 26% reduction in its applications backlog.
- o On September 15th, the Wireline Competition Bureau released a public notice announcing a process for streamlining disposition of certain USF related appeals. Under this approach, the Bureau will release monthly notices detailing the resolution of those appeals. In the September notice, the Bureau disposed of 29 pending requests.
 - o In February, the Consumer and Governmental Affairs Bureau released an order which streamlined the process for receipt and processing of requests for closed captioning so that parties can file such requests electronically.

The Commission adopted a *Report and Order* to streamline and eliminate outdated provisions of rules governing the construction, marking, and lighting of antenna structures. As part of the Commission's ongoing process reform initiative, this item provided clarity and reduced the regulatory burden on tower owners and licensees. This is an important step in the FCC's efforts to facilitate wireless infrastructure deployment. It harmonizes Commission rules with FAA guidelines, recognizing that FAA is the expert agency on matters of air safety. The Order also modernizes the Commission's lighting and marking requirements to reflect technological advancements and current industry standards.

Advance Key National Purposes

Through international and national interagency efforts, advance the use of broadband for key national purposes.

FCC Chairman Tom Wheeler announced the formation of a new Commission Task Force, Connect2HealthFCC, to serve as an umbrella for all FCC health-related activities, bringing together the expertise of the FCC on the critical intersection of broadband, advanced technology, and health. Specifically, the Connect2HealthFCC Task Force will consider ways to accelerate the adoption of health care technologies by leveraging broadband and other next generation communication advancements. The Task Force will work with the leadership of the FCC, continue close collaboration with other agencies, and build partnerships with public and private stakeholders in the health care and technology space domestically and internationally.

The FCC and the National Institute on Aging (NIA) entered into an agreement to partner on research into the use of modern Internet Protocol (IP) technology to improve and make more accessible phone service to Americans who are deaf, deaf-blind, or hard of hearing. Under the joint agreement, the FCC will collaborate

with the NIA to develop and support research plans for assessing IP technologies that can benefit older adults with hearing disabilities or deafness.

Through its work at the ITU and in regional organizations like CITEL (Inter-American Telecommunication Commission) and OECD (Organization for Economic Cooperation and Development), the FCC shared U.S. experiences with its use of advanced communications and broadband to address these applications and obtained valuable information on approaches taken by other countries to use broadband in health care, education, energy, disaster recovery, and e-government. For example, the FCC worked with CITEL colleagues during 2014 to prepare a regional contribution to the ITU Plenipotentiary meeting in October 2014 that addressed the use of broadband and advanced communications for disaster mitigation and recovery. This work and the information it provides contribute important insights that inform FCC work to make domestic policies more effective and efficient.



FY 2014 Financial Information

How We Managed Our Funds: Message from Our Chief Financial Officer

I am pleased to present the Commission's financial statements for fiscal year (FY) 2014 and to report that the Commission's auditors issued an unmodified audit opinion on each of the Commission's financial statements for FY 2014. Furthermore, I am proud to say that this is the ninth straight year the Commission has received an unmodified opinion. The Commission is proud of the work of its staff over the last nine years to obtain and maintain an unmodified opinion.



Throughout FY 2014, the Commission worked diligently on closing audit findings from previous audits. As part of this effort, the Commission made progress on resolving matters raised by its auditors in their FY 2013 audit report. The Commission closed all findings related to financial system functionality and integration, and reduced the number of open findings related to information technology controls.

The Commission is committed to improving its financial processes, demonstrating fiscal integrity, strengthening technology controls, minimizing the risk of improper payments, and reducing improper payments to the customers and beneficiaries of its reporting components. The Commission continues to make improvements to the fiscal management, administration, and oversight of funds reported to the Commission. During FY 2014, the Commission successfully upgraded its core financial system to the latest version to remain a leader in system functionality that meets federal financial reporting requirements. Additionally, a new division, the Compliance and Oversight Group, was created within financial operations to oversee internal controls, risk assessments, laws and regulations impacting the Commission, and to manage responses to oversight and reporting requirements from other federal agencies, such as the Office of Management and Budget, and the Government Accountability Office.

While FY 2014 was a year in which the Commission took several positive steps towards strengthening its internal control environment, more work must be done in FY 2015 and beyond. For instance, the FY 2014 audit report points out one material weakness, one significant deficiency, and one instance of non-compliance with laws and regulations. The auditor's primary areas of concern relate to Universal Service Fund (USF) budgetary accounting, information technology controls, and non-compliance with the Debt Collection Improvement Act (DCIA).

First, I would like to address the material weakness. For the first time since FY 2008, the independent auditor identified a material weakness in the control environment over financial and accounting operations. The independent auditors identified errors in non-routine, manual journal entries related to the implementation

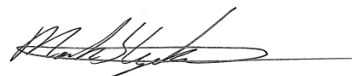
of new programs, as well as errors caused by a lack of formal communication between the Universal Service Administrative Company (USAC) accounting department and the Schools and Libraries (SLD) program managers.

The errors that the auditors noted were corrected by USAC during the course of the fiscal year and did not impact the Commission's FY 2014 financial statements. The Commission and USAC have already discussed this issue and have started to implement appropriate corrective action to ensure that this or similar breakdowns do not occur in the future.

Second, the Commission is committed to remediating information technology control deficiencies. The Commission's information technology team worked diligently throughout FY 2014 to make improvements and to resolve audit findings from previous year audits. For example, the FCC's information technology team focused on addressing investment planning and configuration management issues identified in prior year reports, and was able to successfully close out audit findings in these areas.

Finally, at the end of FY 2014, the Commission transferred 95.6% of all eligible debt to the Department of the Treasury to comply with DCIA. The Commission has a plan in place to complete the transfer of the remaining 4.4% of eligible debt to the Treasury by the end of the first quarter in FY 2015.

I look forward to FY 2015 and to making every effort to continue to strengthen the Commission's and the reporting components' internal control environments. The Commission will work both to modernize its financial systems to improve the utilization of resources and accuracy of reporting, and to improve the effectiveness of the Commission's and its reporting components' financial operations.



Mark Stephens
Chief Financial Officer
February 17, 2015

Key FY 2014 Financial Management Accomplishments

Area	Accomplishment
Stewardship over Funds	<p>The FCC continues to improve the administration of the Universal Service Fund (USF) and the Telecommunications Relay Service (TRS) programs. In coordination with the Universal Service Administrative Company (USAC) and the Department of Justice (DOJ), the FCC pursued wrongdoers who sought to defraud the USF. In FY 2014, these efforts yielded cash recoveries of approximately \$27 million. In addition, one company restated \$6 million of its Lifeline requests when an audit inquiry turned up its failure to implement Commission rules properly.</p> <p>The FCC worked with USAC to develop a new cash management process for the E-rate program that resulted in the identification of over \$1 billion in additional funds available for commitment to meet the broadband needs of schools and libraries. In addition, pursuant to a GAO recommendation, the Commission is conducting a risk assessment of the E-rate program to identify risk areas and ensure that appropriate management actions are being pursued to mitigate those risks. The final report is due in the second quarter of 2015.</p> <p>The Office of the Managing Director also established a Compliance and Oversight Group within the FCC's financial operations team, which brings together stewardship functions including OMB Circular A-123 implementation, audit response and resolution, response to Congressional and GAO inquiries, and risk management of funds that the FCC oversees. These previously distributed responsibilities have been brought together to provide additional efficiencies and more effective coordination of compliance efforts within the Commission.</p>
Process Improvements	<p>The FCC continued to promote greater use of technology to improve our regulatory fee notification and collection process. Together with the U.S. Department of Treasury, the Commission took further steps to meet the Office of Management and Budget (OMB) Open Government Directive. A component of this directive is moving to a paperless platform, which is expected to produce cost savings, reduce errors, and improve efficiencies. The Commission no longer accepts checks for the payment of regulatory fees. This paperless procedure requires that all payments be made by credit card, wire transfer, or ACH payment.</p> <p>A financial system upgrade enabled the Commission to provide better contract writing and management support capability. The system updates improve customized solicitation provisions and contract clauses, and capture and save contract documents within the acquisition file. This functionality also moves the FCC closer to the goal of a paperless system. Furthermore, the Commission established a new Capital Planning and Investment Control (CPIC) process to enhance information technology governance across the FCC.</p> <p>The Commission also produced a report on process reform that included several recommendations for financial operations. Throughout the year, the financial operations team implemented several recommendations, including: ensuring transparency of the FCC's budget information on the FCC's website, streamlining the response process for fee related requests, and analyzing existing paper-based processes that could be transitioned to more effective, automated processes. These process reforms will continue to be implemented in FY 2015, and the benefits will continue for several fiscal years to come.</p>
Systems Modernization	<p>The FCC completed the upgrade of its current financial management system (Genesis), which enhances user experience and streamlines current business scenarios to support the FCC's mission of aligning IT solutions with the FCC business environment, policy goals, and Federal guidance. The new system improves internal controls and enhances operational efficiency; eliminates redundant data entry through increased integration; implements tools that enhance budget formulation and performance. The FCC continuously partners with our Administrators for the three reporting funds (the Universal Service Fund, the Telecommunications Relay Service Fund, and the North American Numbering Plan) as they modernize their financial systems.</p>
Procurement	<p>The FCC's ongoing partnership with the Small Business Administration led to increased contract awards to both small and small-disadvantaged businesses. The agency consistently meets or exceeds its goals for awarding contracts to Small Disadvantaged Businesses and Small Disadvantaged Veteran-Owned Businesses.</p>

Our Financial Results

This section contains condensed financial statement information, a description of our major balance sheet components, cost of operations, and budgetary resources. We also present the results of our performance in the area of financial management using established metrics. Our complete financial statements are available on the FCC website at <http://www.fcc.gov/encyclopedia/fcc-strategic-plan>.

Net Position. As of September 30, 2014, the agency's total net position was \$8,041 million, consisting of Cumulative Results of Operations of \$8,038 million, and Unexpended Appropriations of \$3 million.

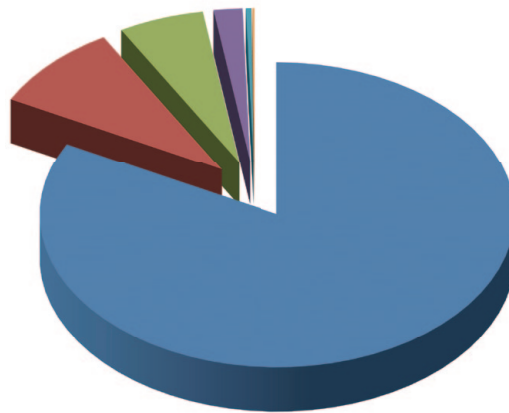
Consolidated Financial Position (FY 2014 and 2013)

Net Financial Condition (Dollars in Thousands)	2014	2013
Intragovernmental		
Fund Balance with Treasury	\$537,984	\$279,163
Investments	7,685,783	7,200,600
Accounts Receivable	711	1,235
Other	1,063	—
Total Intragovernmental	\$8,225,541	\$7,480,998
Cash and Other Monetary Assets	\$181,519	\$173,084
Accounts Receivable, net	842,736	852,026
Direct Loans Receivable, net	—	3,502
General Property & Equipment, net	34,443	47,590
Other	13,024	13,024
Total Assets	\$9,297,263	\$8,570,224
Intragovernmental		
Accounts Payable	\$1,575	\$2,522
Debt	—	353
Custodial	325,448	81,444
Other	4,831	8,114
Total Intragovernmental	\$331,854	\$92,433
Accounts Payable	\$115,845	\$134,727
Deferred Revenue	56,520	59,920
Prepaid Contributions	47,625	110,057
Accrued Liabilities for Universal Service	670,755	1,088,415
Other	33,338	35,036
Total Liabilities	\$1,255,937	\$1,520,588
Unexpended Appropriations — Other Funds	\$3,059	\$3,394
Cumulative Results of Operations	8,038,267	7,046,242
Total Net Position	\$8,041,326	\$7,049,636
Net Cost of Operations	\$8,824,009	\$9,432,508
Total Budgetary Resources	\$14,088,164	\$14,373,177

Assets

The chart below presents the total assets of the Commission as of September 30, 2014. The large investments balance of \$7,686 million results from carryover in the Universal Service Fund (USF) Schools and Libraries Program and funds reserved for the High Cost support mechanisms that were ushered in by the USF/ICC Transformation Order. The Accounts Receivable balance of \$843 million is primarily composed of USF receivables totaling \$765 million.

FY 2014 Total Assets by Category (Dollars in Thousands)

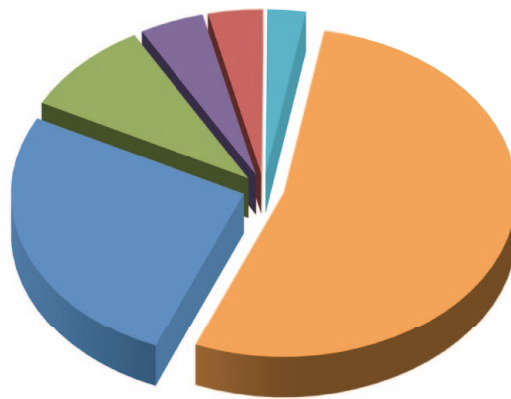


Category	%	Assets
Intragovernmental Investments	83%	\$7,685,783
Accounts Receivable, net	9%	\$842,736
Remaining Intragovernmental Assets	6%	\$539,758
Cash and Other Monetary Assets	2%	\$181,519
General Property, Plant and Equipment	<1%	\$34,443
Other Assets	<1%	\$13,024
Total Assets		\$9,297,263

Liabilities

The chart below presents the total liabilities of the Commission as of September 30, 2014. Other than Total Intragovernmental liabilities the Commission's most significant liabilities are Accrued Liabilities for Universal Service of \$671 million and Accounts Payable of \$116 million, which accounted for over 62% of total liabilities as of September 30, 2014. The Accrued Liabilities for Universal Service represent the expected October (FY 2015) payments for the Universal Service Fund High Cost and Lifeline Programs and the Telecommunications Relay Service (TRS) Program. The Total Intragovernmental of \$332 million is primarily composed of custodial collections earned on Spectrum auctions and miscellaneous receipts.

FY 2014 Total Liabilities by Category (Dollars in Thousands)

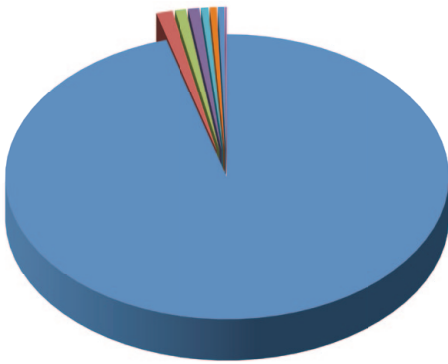


Category	%	Liabilities
Accrued Liabilities for Universal Service	53%	\$670,755
Total Intragovernmental	26%	\$331,854
Accounts Payable	9%	\$115,845
Deferred Revenue	5%	\$56,520
Prepaid Contributions	4%	\$47,625
Other Liabilities	3%	\$33,338
Total Liabilities		\$1,255,937

Costs

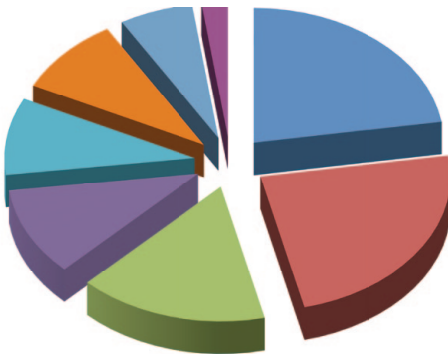
The chart below presents the total gross costs of each Commission program as of September 30, 2014. The costs are aligned with the eight strategic goals of the Commission: Connect America; Maximize Benefits of Spectrum; Promote Innovation, Investment, and America's Global Competitiveness; Promote Competition; Protect and Empower Consumers; Public Safety and Homeland Security; Advance Key National Purposes; and Operational Excellence. Gross costs for each goal are presented individually while revenue is presented in total rather than by goal. The program costs for the USF are allocated to Connect America, Promote Competition, and Advance Key National Purposes strategic goals. The program costs for the TRS and NANP are allocated to the Promote Competition strategic goal. As a result of the accounting for these activities, the cost for some goals may be significantly higher than the cost of other goals. Contributions received for the USF and TRS programs are shown on the Statement of Changes in Net Position and do not directly offset the costs of these programs on the Statement of Net Cost.

FY 2014 Total Gross Costs (Dollars in Thousands)



Category	%	Gross Costs
Promote Competition	96%	\$8,884,501
Maximize Benefits of Spectrum	1%	\$110,562
Advance Key National Purposes	1%	\$78,101
Operational Excellence	1%	\$74,932
Protect and Empower Consumers	<1%	\$49,259
Connect America	<1%	\$46,380
Public Safety and Homeland Security	<1%	\$43,101
Promote Innovation, Investment, and America's Global Competitiveness	<1%	\$10,341
Total Gross Costs		\$9,297,177

**FY 2014 Total Gross Costs (Dollars in Thousands)
Excludes USF, TRS and NANP**

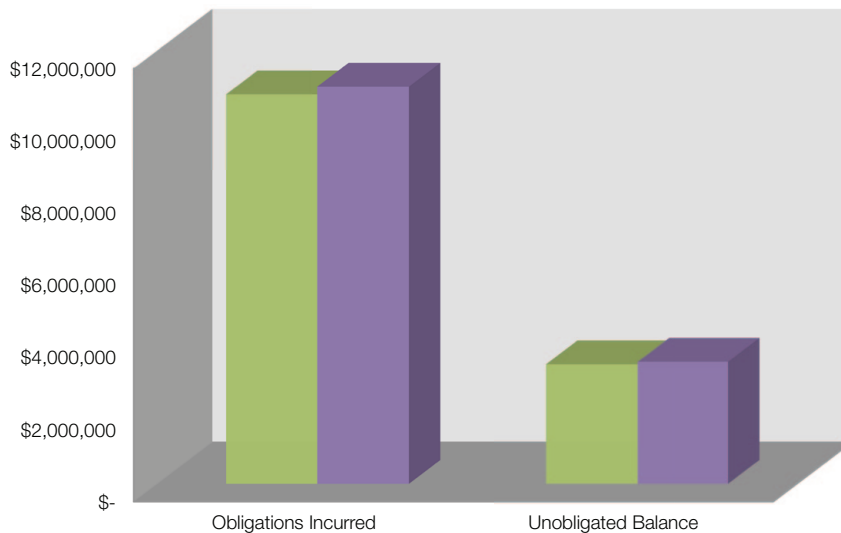


Category	%	Gross Costs
Maximize Benefits of Spectrum	24%	\$110,562
Promote Competition	23%	\$104,567
Operational Excellence	16%	\$74,932
Protect and Empower Consumers	11%	\$49,259
Public Safety and Homeland Security	9%	\$43,101
Connect America	9%	\$42,849
Advance Key National Purposes	6%	\$29,263
Promote Innovation, Investment, and America's Global Competitiveness	2%	\$10,341
Total Gross Costs		\$464,874

Budgetary Resources

The chart below provides information on how budgetary resources were made available to the Commission for the year, and the status of those budgetary resources at the end of the year. The Commission receives most of its budgetary authority from appropriations. Budgetary resources consist of the resources available to the Commission at the beginning of the year, plus appropriations, spending authority from offsetting collections, and other budgetary resources received during the year. The Commission had \$14,088 million in budgetary resources of which \$10,791 million was obligations incurred, and \$3,297 million remained unobligated. The graph below presents the status of budgetary resources comparatively between FY 2014 and FY 2013.

Status of Budgetary Resources – FY 2014 and 2013 (Dollars in Thousands)



Category	FY 2014	FY 2013
Obligations Incurred	\$10,790,933	\$11,005,908
Unobligated Balance	\$3,297,231	\$3,367,269
Total Budgetary Resources	\$14,088,164	\$14,373,177

Financial Management Indicators

Financial Management Indicators for FY 2014

Indicator	Status
Debt Management	
Eligible delinquent debt transferred to Treasury	95.6%
Funds Management	
Fund balance with Treasury (identifies the difference between the fund balance reported in Treasury reports and the agency fund balance with Treasury recorded in its general ledger on a net basis)	100% reconciled
Payment Management	
Timely vendor payments (per Prompt Payment Act)	93.2%
Percentage of interest penalties to vendor invoices paid	0.008%
Timely payments for Centrally Billed (travel) Accounts (CBA)*	100%
Timely payments for employee Purchase Cards*	100%
Percentage of travel vouchers processed within 10 business days	97.3%

*The Office of Management and Budget threshold for delinquency is 61 days.





Federal
Communications
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