MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The *2007 Financial Report of the United States Government (Report)* provides the President, Congress, and the American people a comprehensive view of the Federal Government's finances, i.e., its financial position and condition, its revenues and costs, assets and liabilities, and other obligations and commitments. The Report also discusses important financial issues and significant conditions that may affect future operations. Due to its broad impact on practically every United States citizen, particular emphasis is given in this year's Report to the Government's capacity to sustain the funding and pay the earned benefits of key social insurance programs, such as Social Security and Medicare. This Report presents historical data as well as forward-looking projections of how retirement of the 'baby boom' generation and continually rising health-care costs could potentially lead to the erosion the Government's financial health.

Pursuant to 31 U.S.C. § 331(e)(1), the Department of the Treasury must submit the Report, which is subject to audit by the Government Accountability Office (GAO), to Congress no later than six months after the September 30 fiscal year-end. To encourage more timely and relevant reporting, the Office of Management and Budget (OMB) accelerated both the individual agency and governmentwide reporting deadlines to 45 days and 75 days after year-end, respectively.

FY 2007 CFO Act Agency Audit Results

Unqualified			Qualified	Disclaimer
Energy	Justice	GSA	USDA	Defense
Commerce	Labor	NSF		DHS [1]
Education	Treasury	NRC		State
HHS	VA	OPM		NASA
HUD	USAID	SBA		
Interior	EPA	SSA		
Transportation				

[1] Balance Sheet and Custodial Statement Audit Only

The Financial Report of the U.S. Government is prepared from the audited financial statements of specifically designated Federal agencies, including the Cabinet Departments and many smaller, independent agencies (see organizational chart on the next page). For FY 2007, GAO has again issued an audit opinion 'disclaimer', as it has in each of the past eleven years, on the consolidated financial statements for the fiscal years ended September 30, 2007 and 2006. This means that sufficient information was not available for the auditors to determine whether the financial results were reliable. However, in FY 2007, 19 of 24 of the most prominent agencies earned unqualified opinions on the financial statement audits. FY 2007 also marks the first year that the Government earned an unqualified audit opinion on a Report component - - the Statement of Social Insurance (SOSI), indicating the auditor's opinion that the SOSI fairly presents the financial condition of the programs covered in that statement.

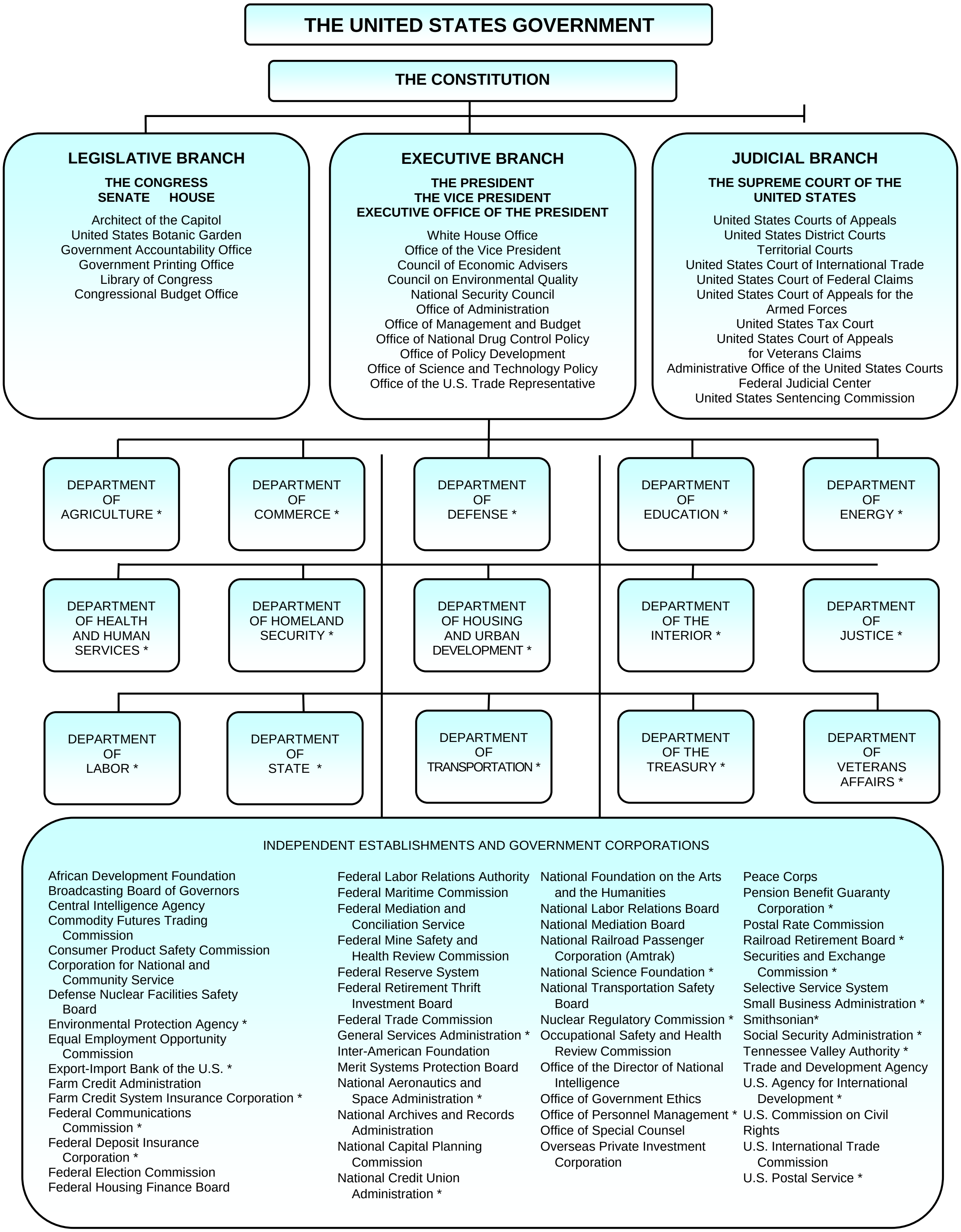
The fiscal year 2007 *Financial Report* consists of:

- Management's Discussion and Analysis (MD&A), which provides management's perspectives on and analysis of information presented in the Report, such as financial and performance trends;
- The principal financial statements and the related footnotes to the financial statements;
- Supplemental and Stewardship Information; and
- GAO's Audit Report.

Mission & Organization

The Government's fundamental mission is derived from the Constitution: ***"…to form a more perfect union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare and secure the blessings of liberty to ourselves and our posterity."*** The Congress authorizes and agencies implement programs as missions and initiatives evolve over time in pursuit of key public services and objectives, such as providing for national defense, promoting health care, fostering income security, boosting agricultural productivity, providing veteran benefits and services, facilitating commerce, supporting housing and the transportation systems, protecting the environment, contributing to the security of energy resources, and helping States provide education.

The following chart provides an abbreviated overview of how the U.S. Government is organized.



The Government's Financial Condition

> ***What Does This Mean to Me?***
> **Gross Domestic Product (GDP)**. GDP is one of the ways to measure the size of an economy. The GDP is the total market value of all final goods and services produced within a country during a period of time (usually a calendar year).

A complete assessment of the Government's financial or fiscal condition requires analysis of historical results, projections of future revenues and expenditures, and an assessment of the long-term fiscal sustainability of programs and services. As discussed later in this Report, the Government's financial statements show its financial position at the end of the fiscal year, explain how and why the financial position changed during the year, and provide insight into how the Government's financial condition may change in the future. In particular, the Statement of Social Insurance (SOSI) compares the actuarial present value of the Government's anticipated future benefits expenditures to its expected collections (e.g., taxes and premiums) for Social Security, Medicare and other social insurance programs over a 75-year period. Expected expenditures, as well as future revenues for other major programs, including defense, Medicaid and education, while not presented in the SOSI, will also affect the Government's future fiscal condition.

The natural starting point for assessing the Government's long-term financial condition is its current financial position, both in absolute terms and in relation to the economy as a whole. Gross Domestic Product (GDP) measures the size of the Nation's economy in terms of the total value of all final goods and services that are produced in a year. It serves as a useful indicator of the economy's capacity to sustain the Government's many programs. For example, in fiscal year 2007:

- Offsetting cash-based Government expenditures of $2.7 trillion and receipts of $2.6 trillion (approximately 20 percent and 19 percent of GDP, respectively) yields the fiscal year 2007 unified budget deficit of $162.8 billion.
- The Government borrows from the public to finance the gap between expenditures and revenues (spending deficit). The accumulated value, including interest, of public debt was 37 percent of GDP at the end of fiscal year 2007.
- The social insurance programs and Medicaid have become a large share of Government expenditures. Forty years ago, Medicare, Medicaid and Social Security accounted for 16 percent of total Government expenditures. Today, they comprise 40 percent of all expenditures.

The following pages contain a more detailed discussion of the budget, the economy, and the debt, as well as a long-term view of the Government's ability to meet its social insurance obligations.

Budget Deficit vs. Net Cost

Table 3: Budget Deficit vs. Net Operating Cost

Dollars in Billions	2006	2007
Unified Budget Deficit	**$247.7**	**$162.8**
Unfunded Postemployment Programs	$187.2	$90.1
Increase in Environmental Liabilities	$45.4	$36.8
Capitalized Fixed Assets, Net	($20.8)	($13.5)
Other	($10.2)	($0.6)
Net Operating Cost	**$449.5**	**$275.5**

Each year, the Administration issues two reports that detail financial results for the Government. The ***President's Budget*** (Budget), the Government's primary financial planning and control tool, describes how the Government spent and plans to spend its money. By comparison, the accrual-based ***Financial Report of the United States Government*** (Report) includes the cost of operations, the sources used to finance those costs, how much the Government owns and owes, and the outlook for its social insurance programs.

The fiscal year 2007 unified budget deficit decreased $85 billion to $162.8 billion, the third consecutive annual decrease. The decrease was due almost entirely to a $186.5 billion increase in revenue. Net cost across agencies nearly broke even as the three largest increases ($103 billion at the Departments of Health and Human Services and Defense, and the Social Security Administration) almost entirely offset the four largest decreases ($109 billion at Departments of Agriculture, Education, Homeland Security, and Veterans Affairs). The Government's 2007 total Net Operating Cost was $275.5 billion, down $174.0 billion from 2006. The significant differences between these two measures are summarized in Table 1 and discussed further in the Financial Analysis section of this document.

The Economy in Fiscal 2007

Table 4: Economic Indicators		
National Economic Indicators	**FY 2006**	**FY 2007**
Real GDP growth	2.4%	2.8%
Residential construction growth	-8.5%	-16.3%
Average monthly payroll job increase (thousands)	199	135
Unemployment rate (percent, end of period)	4.6%	4.7%
Consumer price index (CPI)	2.1%	2.8%
CPI, excluding food and energy	2.9%	2.1%
Treasury constant-maturity 10-year rate, (end of period)	4.7%	4.5%
Moody's Baa bond rate (end of period)	6.4%	6.6%

As noted in Table 4, U.S. economic growth edged up in fiscal year 2007, although quarterly figures were volatile and on average growth remained below the economy's potential. Growth was partly restrained by continued weakening in the residential homebuilding sector and a dramatic increase in financial turbulence as risk spreads widened sharply. Employment gains tapered off through the year, although the unemployment rate remained at low levels. Inflation was affected by swings in oil and gasoline prices, rising in the first half of the year and declining in the second half, and also by noticeable increases in food prices. Partly as a result of lower headline inflation in the second half, real wage growth picked up. Corporate profits remained relatively healthy. Federal tax receipts grew solidly in FY2007 and spending growth was modest, and, as a result, the Federal unified budget deficit fell to $163 billion, about 1.2 percent of GDP.

After rising at an annual average rate of 2.4 percent during fiscal year 2006, real GDP growth edged up to 2.8 percent over the four quarters of fiscal 2007. Growth was stronger in the second half of fiscal 2007, averaging over 4 percent. Residential fixed investment declined at double-digit rates in each of the fiscal year's four quarters, reflecting sharply weaker housing demand. Nonresidential fixed investment started the year on a decline but picked up in the second half.

The following discusses key points about economic performance in fiscal 2007.

- Consumer spending growth averaged a 2.9 percent annual rate during fiscal 2007. Spending was faster during the first half of fiscal 2007 but slowed in the second half. Still, the annual rate was faster than the 2.7 percent rise over the four quarters of fiscal 2006.
- Exports contributed more strongly to overall economic growth in fiscal 2007, growing by 10.2 percent, after rising 8.4 percent in fiscal 2006.
- Labor markets continue to be relatively robust (although growth in jobs slowed throughout the year). Nonfarm payroll employment expanded at an average rate of 135,000 jobs per month in fiscal 2007, down from the 199,000 average in fiscal 2006. Since the employment trough of August 2003, the economy has created more than 8 million new jobs.
- The unemployment rate declined to a 2007 low of 4.4 percent in March, but has since increased to 4.7 percent as of September.
- Overall inflation, as measured by the consumer price index (CPI) advanced 2.1 percent in fiscal 2006, then rose by 2.8 percent in fiscal 2007.
- Financial market turbulence over the summer reflected a repricing of risk in the sub-prime mortgage market. The uncertainty created by those difficulties prompted market participants to reappraise values of assets in a broader array of markets for equities, sovereign debt, and corporate debt.
    - A widening of spreads reflected this repricing of risk: for example, the spread between the Baa corporate bond yield and the comparable U.S. Treasury yield widened to a two year high in mid-September 2007.

Federal Debt

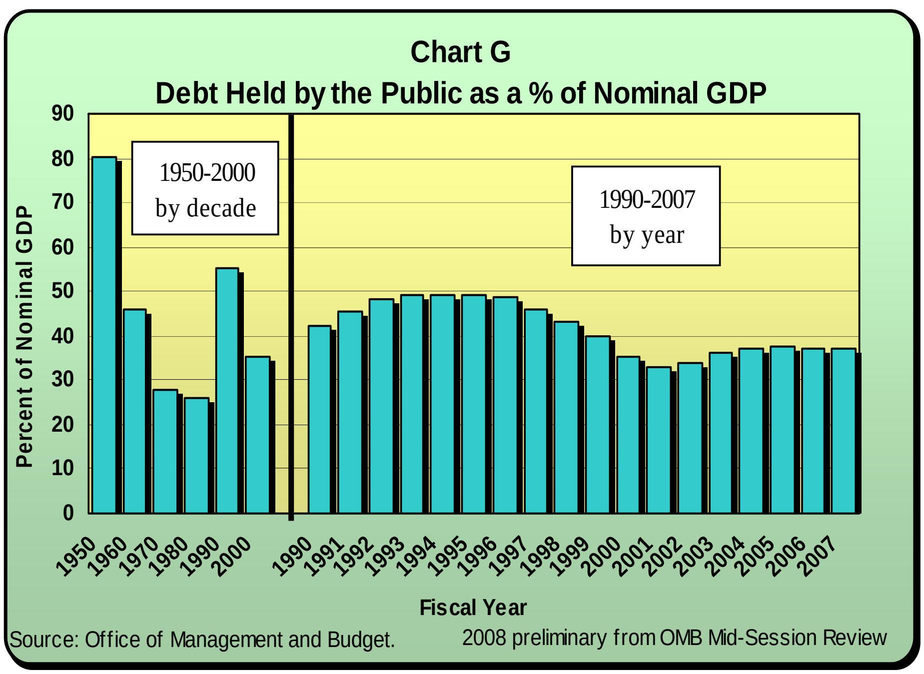
As indicated earlier, the budget surplus or deficit is the difference between total Federal spending and receipts (e.g., taxes) in a given year. The Government borrows from the public (increases Federal debt levels) to finance deficits (spending in excess of receipts). During a budget surplus (receipts exceed spending), the Government typically uses those excess funds to reduce the debt borrowed from the public. Over time, the debt held by the public generally represents the total of all cash-based deficits minus all cash-based surpluses.

At the end of fiscal year 2007, the Government had incurred $9.0 trillion in debt, comprised of: debt held by (or owed to) the public (i.e., public debt) and intragovernmental debt (i.e., debt the Government owes to itself). Public debt (a balance sheet liability) includes all Treasury securities (e.g., bills, notes, and bonds) held by individuals, corporations, Federal Reserve banks, foreign governments, and other entities outside the Government. Intra-governmental debt is primarily held in the form of special nonmarketable securities by various parts of the Government. Laws establishing Government trust funds generally require excess trust fund receipts to be invested in these special securities. Intra-governmental debt is not shown on the balance sheet because claims of one part of the Government against another are eliminated for consolidation purposes (see Financial Statement Note # 10).

Gross Federal debt (with some adjustments) is subject to a statutory ceiling (i.e., the debt limit). Prior to 1917, the Congress approved each debt issuance. In 1917, to facilitate planning in World War I, Congress established a dollar ceiling for Federal borrowing, which has been periodically increased over the years (most recently from $9.0 trillion to $9.8 trillion in 2007). At the end of fiscal year 2007, the amount of debt subject to the limit was $8.9 trillion, $893.7 billion under the limit.

Public Debt as a Percentage of GDP

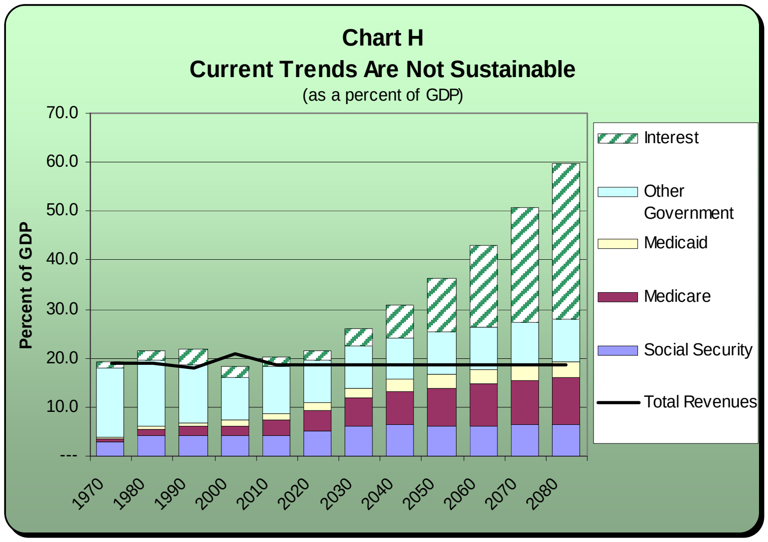
The Federal debt held by the public (public debt) as a share of GDP (Chart G) compares a country's debt level to the size of its economy over time. In the late 1970s, increasing budget deficits spurred an increase in public debt, which essentially doubled as a share of GDP over a 15-year period, reaching about 50 percent in 1993. The budget controls instituted by the Congress and the President, together with economic growth, contributed to declining deficits and emerging surpluses at the end of the 1990s. This improved fiscal performance led to a decline in the public debt, (from 43 percent of GDP to about 33 percent from 1998 through 2001). In fiscal years 2002 through 2004, the debt-to-GDP ratio started to rise slightly, due to many factors, including increased spending for homeland security and defense commitments, a decline in receipts owing to the recession and lower stock market value, tax cuts, and the expiration of the budget controls from the late 1990s. The public debt-GDP ratio has increased each year since 2001, peaking at 37.4 percent in 2004, and then gradually declining to 36.9 percent in 2007, still far below the roughly 50 percent ratio of the mid-1990s.



The Long-Term Fiscal Outlook

The Government's long-term financial condition will depend largely on two factors: the aging of the population, and the growth rate of future health care costs. Consider the following:

- The 78 million baby boomers (those born between 1946 and 1964) comprise one quarter of the Nation's population. Beginning in 2008, the first of the 'boomers' became eligible for early retirement benefits under Social Security. In just three years, they will start to become eligible for Medicare.
- Over the next 25 years, the share of the population aged 65 and older is forecast to *increase* from 12 percent to 20 percent (effectively increasing anticipated expenditures), while the share of the Nation's population that is working and paying taxes (anticipated revenue), will *decrease* from 60 percent to approximately 55 percent.
- Over the last three decades, Medicare spending has grown at more than twice the overall rate of economic growth and the Medicare Trustees assume that in the future Medicare expenditures will continue to outpace overall economic growth in the future.
- Social Security, Medicare, and Medicaid combined expenditures are projected to grow from 40 percent of total Government expenditures to more than 50 percent by 2030.
- Under current conditions, Government revenues will ultimately be sufficient to cover only 31 percent of anticipated expenditures.
- Chart H shows the Government's historical and projected long-term expenditures for Social Security and Medicare, as well as Medicaid, Interest on the Debt Held by the Public, and other purposes, and compares them to total projected revenue as a constant percent of GDP[2]



The projection that revenue as a percent of GDP will remain relatively constant in future years is based on historical data and trends that are not expected to change. Since World War II, Federal revenues as a share of GDP have been roughly constant at around 18 percent of GDP. Whenever taxes have risen above this range, policy actions have tended to pull them back.

Projections show that by 2070, total Government expenditures are projected to be 50 percent of GDP. Such levels of expenditures have only been witnessed once before, during World War II, when Government expenditures reached a record high of 44 percent of GDP. And by 2080, expenditures are projected to approach 60 percent of GDP. This would cause dramatic increases in deficit spending, and consequently, as explained later, Federal debt needed to finance them.

Much uncertainty surrounds the future of these programs and their impact on Government finances. Despite this uncertainty, projections such as these are critical to assessing whether future Government revenue will be sufficient to meet future expenses. At a glance, it is clear that the potential exists for these programs, particularly social insurance programs, to have a significant adverse impact on the Nation's future financial condition.

Social Insurance Trust Funds

Social Security:
- Old-Age and Survivors Insurance (OASI) pays retirement and survivors benefits,
- Disability Insurance (DI) pays disability benefits.

Medicare:
- Part A: Hospital Insurance (HI), which pays for inpatient hospital and related care.
- Part B: Supplementary Medical Insurance (SMI), which pays for physician and outpatient services
- Part D, SMI prescription drug benefit program.

2 In this chart, expenditures for Social Security and Medicare are consistent with the SOSI, expenditures for Medicaid reflect Medicare cost growth rates and Social Security demographic projections, and expenditures for all other programs and tax revenue are assumed to grow at the same rate of growth as GDP. Supplemental appropriations are assumed to be phased out over the next ten years.

Social Insurance

For major 'social insurance' programs (e.g., Social Security, Medicare Parts A, B, and D), the Statement of Social Insurance (SOSI) reports: (1) the actuarial present value of all future contributions, tax, and other income, (excluding interest), received from or on behalf of current and future participants; (2) the estimated future scheduled expenditures paid to or on behalf of current and future participants; and (3) the estimated future excess of future expenditures over future contributions and tax income (excluding interest) . Amounts reported in the SOSI and in the supplemental information in this report are based on each program's official actuarial trust fund calculations.

The social insurance trust funds account for all related program income and expenses. Social Security and Medicare taxes, premiums, and other income are credited to the funds; fund disbursements may only be made for benefit payments and program administrative costs. Any excess revenues (surpluses) are invested in special non-marketable U.S. Government securities at a market rate of interest. The trust funds represent the accumulated value, including interest, of all prior program surpluses, and provide automatic funding authority to pay benefits.

As shown in Chart I, over the next two decades, Medicare and Social Security expenditures are projected to increase from their current 7 percent of GDP to about 13 percent. By 2080, they are projected to equal nearly 18 percent of GDP, only slightly less than the historical average of revenue from all sources (18.3 percent). Simply said, holding revenues constant, current spending will far exceed the Government's ability to pay.

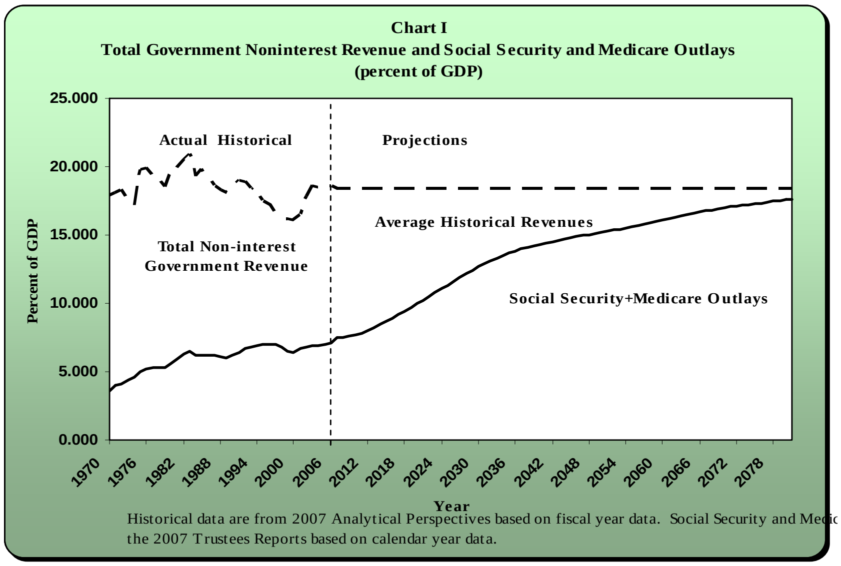


Chart I
Total Government Noninterest Revenue and Social Security and Medicare Outlays
(percent of GDP)

Historical data are from 2007 Analytical Perspectives based on fiscal year data. Social Security and Medic
the 2007 Trustees Reports based on calendar year data.

Unsustainable Debt

As noted earlier, the Government must borrow from the public to finance any gaps between expenditures and revenues. Increased borrowing leads to higher debt service (net interest) which in turn can make it more difficult to balance expenditures and revenues in the future. Chart J shows that by 2030, public debt is projected to rise to 68 percent of GDP, surpassing the non-wartime peak of 49 percent in 1993. By 2040, public debt is projected to be 128 percent of GDP, well above the World War II peak of 109 percent, and by 2080, debt is projected to approach 600 percent of GDP.

At some point before the debt reaches such unprecedented levels, the world's financial markets would likely cease lending to the United States. Although the precise point at which this would occur is unknown, these projected debt levels cannot be sustained indefinitely. Many economists believe that persistent debt / GDP levels over 100% are unhealthy. The U.S. is projected to surpass that mark within the next 30 years, with the debt/GDP ratio at that point on a continually and dramatically rising trajectory (more than 10 percentage points per decade through 2080). Avoiding the catastrophic consequences of this fiscal path will require action to bring program expenditures in line with available resources. How soon those actions are taken will greatly influence their ultimate impact on the Nation.

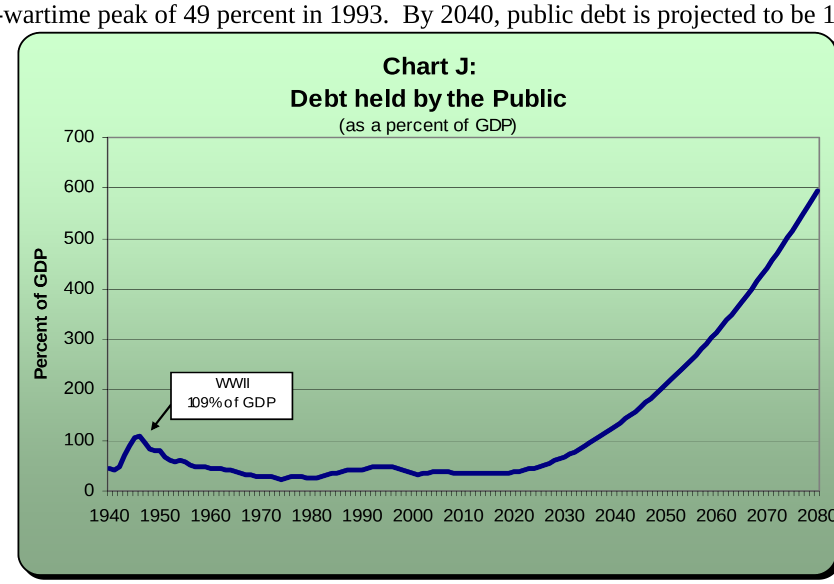


Chart J:
Debt held by the Public
(as a percent of GDP)

Financial Position and Results of Operations

This *Report* provides the results of the Government's financial operations, including its financial condition, revenues and costs, assets and liabilities, and other obligations and commitments. This information, when combined with the President's Budget, collectively provides a valuable tool for managing current operations and planning future initiatives.

Accrual-Based Results and Basis of Accounting

Each year, the Administration issues two reports that detail financial results for the Federal Government: the *President's Budget*, whose main purpose is to provide a prospective discussion of future initiatives and the resources needed to support them; and this *Financial Report*, which provides the President, Congress, and the American people a broad, comprehensive overview of the cost on an accrual basis of the Government's operations, the sources used to finance them, its balance sheet, and the outlook for its social insurance programs.

President's Budget	Financial Report of the U.S. Government
Prepared on a '*cash basis*' • Initiative-based: focus on current and future initiatives planned and how resources *will be used* to fund them. • Receipts ('cash in'), e.g federal income tax received, National Park fees collected , • Outlays ('cash out'), e.g., defense spending, benefit checks sent.	Prepared on an '*accrual basis*' • Retrospective – prior and present resources used to implement initiatives. • Revenue: recognized when earned, but not necessarily received. • Costs: recognized when owed, but not necessarily paid.

Treasury prepares the financial statements in this Report on an 'accrual basis' of accounting (i.e., recognizing revenues when earned, some of which has not yet been received; and costs when incurred, not paid) as prescribed by U. S. generally accepted accounting principles (GAAP) for Federal entities.[3]

These standards are tailored to the Government's unique characteristics and circumstances. For example, agencies prepare a uniquely structured 'Statement of Net Cost,' which is intended to present net Government resources used in its operations, instead of an 'Income Statement,' which private sector companies typically use to focus on profits earned. Also unique to Government is the preparation of separate statements, to reconcile differences and articulate the relationship between budget and accrual accounting results (e.g., Statement of Reconciliation of Net Operating Revenue (or Cost) and Unified Budget Deficit).

Reporting Entity

These financial statements conceptually cover the three branches of the Government (legislative, executive, judicial). Legislative and judicial branch reporting focuses primarily on budgetary activity. Only executive branch entities are required, by law, to prepare audited financial statements. Some legislative branch entities do, however, voluntarily submit financial reports.

A number of Government entities and organizations are excluded due to the nature of their operations, including the Federal Reserve System (an independent entity that serves both public and private purposes); the Federal Retirement Thrift Investment Board; fiduciary funds owned by Federal employees; and government-sponsored but privately-owned enterprises, including the Federal Home Loan Banks, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation. A list of the significant agencies and entities contributing to this report is included in the Appendices.

Limitations of the Financial Statements

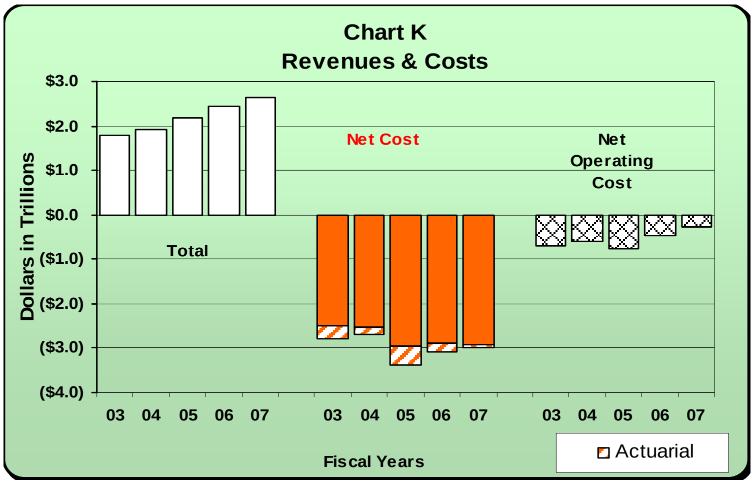
The principal financial statements have been prepared to report the financial position and results of operations of the Federal Government, pursuant to the requirements of 31 U.S.C. § 331(e)(1). These statements are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records.

[3] Under GAAP, most U.S. Government revenues are recognized on a 'modified cash' basis, or when they become measurable.

Determining the Government's Net Position: "Where We Are"

The Government's financial position and condition have traditionally been expressed through the Budget, focusing on the impact of surpluses and deficits. However, this primarily cash-based discussion of the Government's net outlays (deficit) or net receipts (surplus) tells only part of the story. The Government's net position is driven simultaneously by the Government's revenues and expenses, as well as the changes in its assets and liabilities.

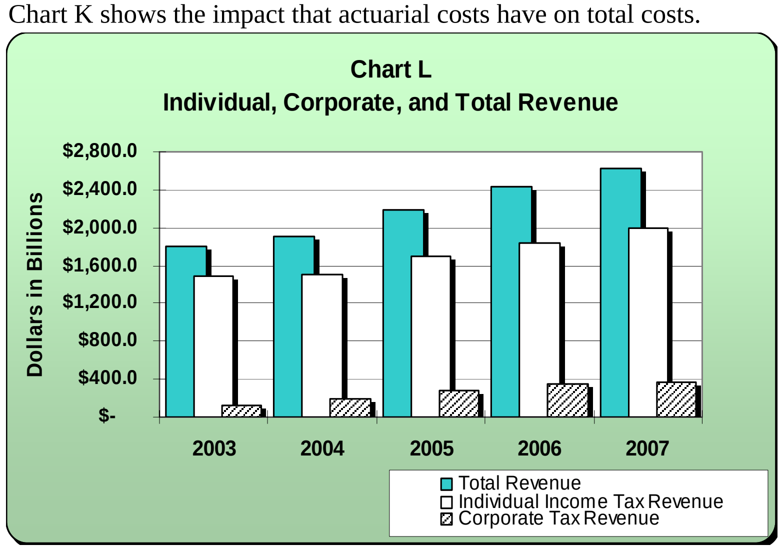
Revenues and Costs: "What Came In & What Went Out"



The Government's ***Statement of Operations and Changes in Net Position***, much like a corporation's income statement, shows the Government's 'bottom line'. Chart K shows that the Government has incurred a total net operating cost (i.e., costs have exceeded its revenues) over the past several years. The Government's revenues last exceeded its costs in fiscal years 1999 and 2000 in concert with the budget surplus.

The Government nets its costs against both earned revenues from Government programs (e.g., Social Security withholdings, national park entry fees) and taxes, which account for the vast majority of total revenues. In addition, the Government distinguishes revenues that are earmarked for specific purposes (e.g., Medicare premiums) from those for general purpose spending. The Government's 'bottom line' is its net operating cost, or total costs in excess of revenues. The Government must issue debt to finance any costs as they are paid that cannot be covered by revenues, subject to the statutory debt limit.

The ***Reconciliation of Net Operating Cost and Unified Budget Deficit Statement*** shows how the Government's net operating cost relates to the more widely-known budget deficit. Most of this difference is attributable to accruals of actuarial costs for the estimated present value of the Federal Government's future postemployment benefit payments.. Chart K shows that the Government's total net cost includes an 'actuarial' element (e.g., the estimated annual change in long-term postemployment benefit liabilities). These actuarial costs, in recent years, have accounted for the vast majority of the difference between the primarily cash-based budget and the primarily accrual-based financial reports. Chart K shows the impact that actuarial costs have on total costs. Changes in assumptions used to project actuarial costs, such as interest rates and the Department of Veterans Affairs (VA's) annual estimates of veterans' compensation and burial benefits, can cause those projections, and consequently total costs, to fluctuate year to year.



Revenue: "What Came In"

The ***Statement of Net Costs*** reports 'earned' revenue generated by Federal programs. In fiscal year 2007, more than 20 percent of these revenues were attributable to Medicare premiums paid by program participants. The ***Statement of Operations and Changes in Net Position*** shows the Government's taxes and other revenues (i.e., revenues other than 'earned'). A combination of solid economic growth and improved corporate tax yields have contributed to revenue growth of nearly 50 percent since 2003. Personal income and corporate profits before tax rose 6.2 percent and 6.7 percent, respectively in 2007 [4], and have increased by an average of 5.3 percent and 14.2 percent per year, respectively, since fiscal year 2001, including revenue decreases in 2001and 2002. These trends, in part, contributed to an increase in taxes and other revenues to a new record high (see Table 5).

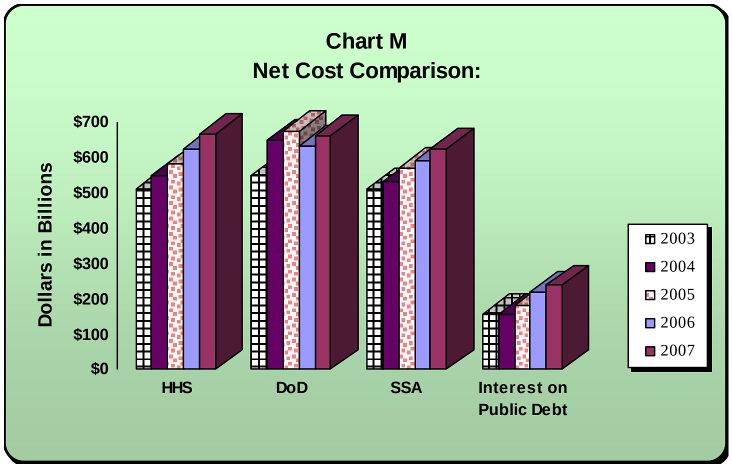
Table 5: Revenues

Dollars in Billions	2006	2007	Increase (Decrease) $	Increase (Decrease) %
Taxes & Other Revenue	**$2,440.8**	**$2,627.3**	**$ 186.5**	**7.6%**
Individual Tax Revenue	$1,846.1	$1,999.8	$ 153.7	8.3%
Corporate Tax Revenue	$350.0	$367.2	$ 17.2	4.9%
Other Revenue	$244.7	$260.3	$ 15.6	6.4%

Chart L and Table 5 show that individual and corporate income tax revenues account for the majority (nearly 90 percent) of total revenues. In 2007, the Government collected $2.6 trillion. Cash collections have increased by an average of $200 billion per year since 2003, contributing to a reduction of both the budget deficit and net operating cost.

Cost: "What Went Out"

The ***Statement of Net Cost*** also shows how much it costs to operate the Federal Government, recognizing expenses when they happen, regardless of when payment is made (accrual basis). It shows the derivation of the Government's net cost of operations or the difference between costs of goods produced and services rendered by the Government during the fiscal year. This amount, in turn, is offset against the Government's taxes and other revenue in the ***Statement of Operations and Changes in Net Position*** to calculate the 'bottom line' or net operating cost.



In fiscal year 2007, the Government's 'bottom line' net operating cost totaled $275.5 billion, a nearly 40 percent reduction from 2006, when total costs exceeded revenues by $449.5 billion. Table 6 shows that, along with interest on debt held by the public, the source of two-thirds of the Government's costs in FY 2007 comes from three Federal entities: the Departments of Health and Human Services (HHS), Defense (DoD), and the Social Security Administration (SSA). Chart M shows that HHS and DoD have incurred the largest agency shares of the Government's total net cost of operations in recent years, mostly attributable to the continued global war on terror and changes in actuarial liabilities related to Military

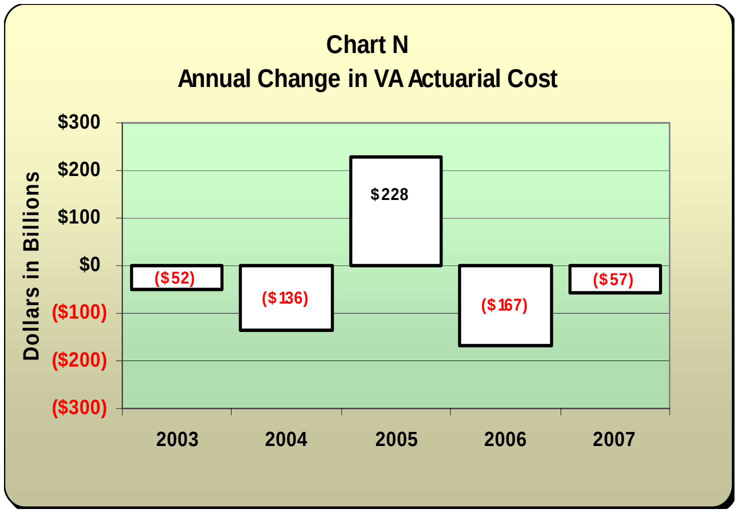
Table 6: Gross and Net Cost

Dollars in Billions	2006	2007	Increase (Decrease) $	Increase (Decrease) %
Gross Cost				
HHS	$ (678.8)	$ (718.6)	$ (39.8)	5.9%
DoD	$ (658.0)	$ (689.6)	$ (31.6)	4.8%
SSA	$ (593.1)	$ (626.4)	$ (33.3)	5.6%
Interest on Federal Debt	$ (221.5)	$ (238.9)	$ (17.4)	7.9%
Other Federal Agencies	$ (976.3)	$ (883.8)	$ 92.5	-9.5%
Total Gross Cost	**($3,127.7)**	**($3,157.3)**	**$ (29.6)**	**0.9%**
Less: Earned Revenue	$226.4	$247.8	$ 21.4	9.5%
Net Cost	**($2,901.3)**	**($2,909.5)**	**$ (8.2)**	**0.3%**
Less: Taxes & Other Revenue	$ 2,440.8	$ 2,627.3	$ 186.5	7.6%
Net Operating Cost [1]	**($449.5)**	**($275.5)**	**$ 174.0**	**-38.7%**

[1] Net Operating Cost includes adjustment for Unreconciled Transactions

[4] Personal income and corporate profit statistics sources: National Income and Products Account Tables, Bureau of Economic Analysis, Department of Commerce.

Retirement Fund and Health Benefits. HHS and SSA combine to make up nearly half of the 2007 total net cost of operations, the bulk of which are attributable to these agencies' administration of the Government's major social insurance programs, e.g., Social Security and Medicare. The ***Statement of Social Insurance*** (SOSI) and the related information in this report discuss the current costs and future sustainability of these programs in greater detail. Among cabinet agencies, the Department of Housing and Urban Development (HUD) experienced the greatest percentage increase in its net cost (+ 26.4 percent), while VA experienced the greatest cost decrease (- 47.8 percent). Both changes resulted from each agency's need to estimate future costs and liabilities based on complex assumptions and cost models. HUD's cost increase, in large part, stems from the annual reestimation of long-term credit program costs, which can be impacted by both performance and economic factors[5]. Similarly, VA considers several variables (e.g., number of eligible recipients, discount rates, and life expectancy) in estimating its actuarial liability for future veterans' compensation benefits. Because a small change in key assumptions produces the large actuarial cost fluctuations shown in chart N, reported annual VA actuarial costs are not useful in predicting future annual costs. The change in VA's actuarial costs from year to year accounts for the majority of the change in the Government's total actuarial cost in most years (nearly 60 percent in 2007). In turn, in 2007, the net decrease in total actuarial costs accounted for nearly 60 percent of the $174.0 billion decrease in total net operating cost.



Assets and Liabilities: "What We Own and What We Owe"

Net Position at the end of the year can also be derived by netting the Government's assets against its liabilities, as presented in the ***Balance Sheet***. It is important to note that the balance sheet does not include the financial value of the Government's sovereign powers to tax, regulate commerce, and set monetary policy. It also excludes its control over nonoperational resources, including national and natural resources, for which the Government is a steward. As noted earlier, the Government distinguishes between resources and spending that are earmarked for specific purposes versus those intended for general purposes. In 2007, earmarked funds accounted for less than 6 percent of the Government's total Net Position. In addition, as was the case with the ***Statement of Operations and Changes in Net Position***, the ***Balance Sheet*** does include a separate presentation of the portion of net position earmarked for specific funds and programs (e.g., Social Security, Medicare, Unemployment, National Flood Insurance, and Land and Water Conservation). Moreover, the Government's exposures are broader than the liabilities presented on the balance sheet, including such items as the Government's future social insurance exposures (e.g., Social Security and Medicare), as well as other commitments and contingencies. These exposures are discussed in this section as well as in the supplemental disclosures of this Report.

Table 7: Assets and Liabilities

Net Position Dollars in Billions	2006	2007	Increase (Decrease) $	Increase (Decrease) %
Assets	**$ 1,496.5**	**$ 1,581.1**	$ 84.6	5.7%
Less: Liabilities, comprised of:				
Debt to the Public	$ 4,867.5	$ 5,077.7	$ 210.2	4.3%
Federal Employee & Veterans Benefits	$ 4,679.0	$ 4,769.1	$ 90.1	1.9%
Other Liabilities	$ 866.4	$ 940.1	$ 73.7	8.5%
Total Liabilities	**$ 10,412.9**	**$ 10,786.9**	$ 374.0	3.6%
Net Position (Assets Net of Liabilities)	**$ (8,916.4)**	**$ (9,205.8)**	**$ (289.4)**	**3.2%**

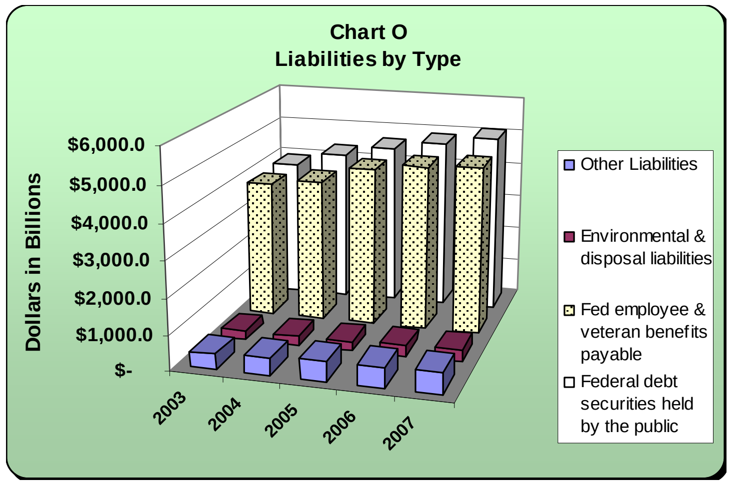
[5] FY 2007 Department of Housing and Urban Development Performance and Accountability Report, p. 72.

Assets – "What We Own"

During 2007, nearly all Government asset balances increased. Net property, plant, and equipment ($691.1billion in FY 2007) has been the Government's largest asset over the past several fiscal years, accounting for more than 40 percent of $1,581.1 billion in total assets in 2007. In addition, the Government owns certain other assets such as stewardship land (e.g., national parks and forests) and heritage assets (e.g., national memorials, historic structures).

Liabilities – "What We Owe"

Chart O and Table 7 show the major components of liabilities, or what the Government owes, as of September 30, for fiscal years 2003 through 2007. The largest liability in recent years has been Federal debt held by the public and accrued interest, the balance of which increased to $5,077.7 billion in 2007. The increase in tax revenues enabled the Government to borrow a smaller amount of cash from the public this year. Over the past seven fiscal years, Federal debt securities held by the public and accrued interest have moved in tandem with the budget results. ***The Statements of Changes in Cash Balance from Unified Budget and Other Activities*** reports how the annual unified budget surplus or deficit relates to the Federal Government's borrowing and changes in operating cash, and explains how a budget surplus or deficit normally affects changes in debt balances.



The Government's net borrowings from the public increased by $206.3 billion in fiscal year 2007 and by a combined $740 billion in the past three years to help finance just over 100% of the budget deficit during that time. Typically, budget surpluses have resulted in borrowing reductions, and budget deficits have yielded borrowing increases. However, the Government's debt operations are much more complex than this would imply. Each year, trillions of dollars of debt matures and new debt takes its place. In 2007, new borrowings were $4.5 trillion and maturing debts repaid were $4.3 trillion.

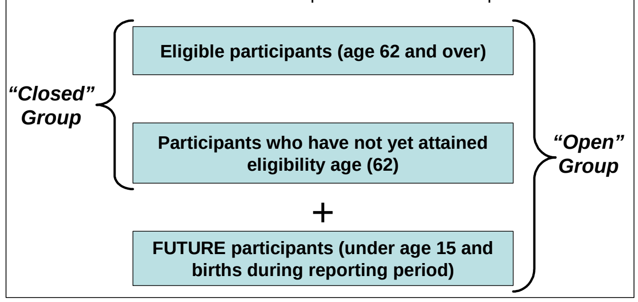
Federal employee postemployment and veteran benefits payable have increased dramatically in recent years, more than 80 percent since fiscal year 1999, to $4,769.1 billion as of fiscal year-end, 2007 (representing nearly half of the Government's total reported liabilities in recent years), with civilian benefits payable accounting for more than a third of total employee and veteran benefits. The Office of Personnel Management (OPM) administers the largest civilian pension plan, covering about 90 percent of all Federal civilian employees, including nearly 2 million current employees and 2.4 million annuitants[6]. The military pension plan covers nearly 3 million current employees (including active service, reserve and national guard, and civilians) and approximately 2 million annuitants[7].

Environmental and disposal liabilities increased $36.8 billion to $342.0 billion in 2007, mainly due to the increases in environmental management baseline estimates at the Department of Energy.

The Government's Exposures: What Lies Ahead

The SOSI provides additional perspective on the Government's long term estimated exposures and costs. However, it should be noted that the Government's financial statements do not reflect future costs implied by any current policy, such as national defense, the global war on terrorism, and disaster recovery. For the 'social insurance' programs (e.g., Social Security, Medicare Parts A, B, and D), ***the Statement of Social Insurance (SOSI)***

Image 3
Social Insurance - 'Open' vs. 'Closed' Group



[6] OPM FY 2007 Performance and Accountability Report, p. 1.
[7] DoD FY 2007 Agency Financial Report, p. 5

shows the estimated future scheduled benefit expenses net of contributions and tax income (excluding interest), based on each program's actuarial trust fund report.

Table 8 shows estimated net social insurance and other exposures for both the 'open-group' and 'closed-group' population, which differ based on the population measured. As shown in Image 3, the 'closed group' pertains to individuals age 14 and over on January 1 of the valuation year and/or those who have met or will meet other eligibility requirements during the projection period (typically 75 years). In short, it represents an estimate of the responsibility, under current law, of future taxpayers to pay benefits to current participants. By comparison, the 'open group' is comprised of workers who will enter covered employment during the period, as well as those already in covered employment at the beginning of that period. That is, it represents the 'closed group' *plus* all *future* projected participants who will make contributions to postemployment benefit plans and/or will be eligible for benefits over the 75-year projection period). Since the open group's contributions will significantly exceed benefits earned during the projection period, it can be expected that the net social insurance benefits for the open group ($40,948 billion in 2007) would be less than that for the closed group ($45,062 billion).

Although not included in Table 8, nor shown on the balance sheet, the Government incurs other exposures, such as contingencies for unadjudicated claims and commitments for long-term leases. Details of these exposures may be found in Notes 18 and 19 to the financial statements.

This forward-looking information combined with other financial statements and information provides both a short- and long-term view of significant financial issues facing the Government. As indicated above, however, it should be noted that significant differences exist between balance sheet liabilities and the exposures from the SOSI, which limit their comparability:

Table 8: Long-Term Exposures Compared to Net Position

Billions of Dollars	2006	2007	Increase (Decrease) $	%
Closed Group (Net):				
Social Security	$ (14,976)	$ (16,265)	$ (1,289)	8.6%
Medicare:			$ -	
Part A	$ (12,153)	$ (12,044)	$ 109	-0.9%
Part B	$ (10,630)	$ (10,347)	$ 283	-2.7%
Part D	$ (6,257)	$ (6,273)	$ (16)	0.3%
Subtotal - Medicare	$ (29,040)	$ (28,664)	$ 376	-1.3%
Other	$ (131)	$ (133)	$ (2)	1.8%
Total Social Insurance Exposures, Net (Closed Group)	**$ (44,145)**	**$ (45,062)**	**$ (917)**	**2.1%**
Total Social Exposures, Net (Open Group)	$ (38,851)	$ (40,948)	$ (2,097)	5.4%
Net Position				
Assets	$ 1,497	$ 1,581	$ 85	5.7%
Liabilities	$ 10,413	$ 10,787	$ 374	3.6%
Net Position	**$ (8,916)**	**$ (9,206)**	**$ (289)**	**3.2%**

- The ***Balance Sheet*** presents a 'snapshot' at a point in time of an entity's *current* financial condition, with an emphasis on how current and prior actions and events have impacted its assets and liabilities.
- The ***SOSI*** presents the calculated net present value of *future* estimated revenues and expenditures over an extended period. They represent an assessment of the extent to which the social insurance programs are out of balance under current financing arrangements relative to scheduled benefit obligations. Since they are not liabilities, and therefore do not impact either an entity's current assets or liabilities, they are not included on the balance sheet according to Federal accounting standards.

While comparability of liabilities to 'other exposures' is limited, their significance can be analyzed in other contexts. For example, Table 8 also compares the Government's current net position ($9,205.8 billion net liability) to its estimated future social insurance exposures. While these exposures are currently not considered Government liabilities, they do have the potential to become liabilities in the future. As discussed earlier, the foreseeable future suggests an unsustainable fiscal path. Difficult choices will be necessary in order to address their large and growing long-term fiscal gap. Delay is costly and choices will be more difficult.

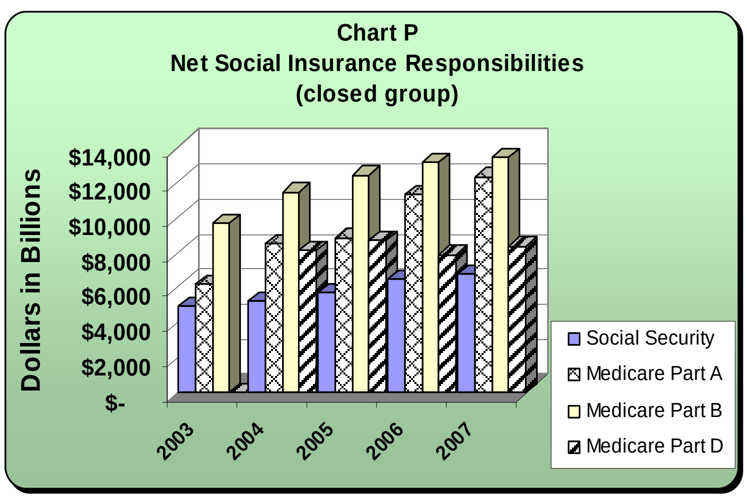
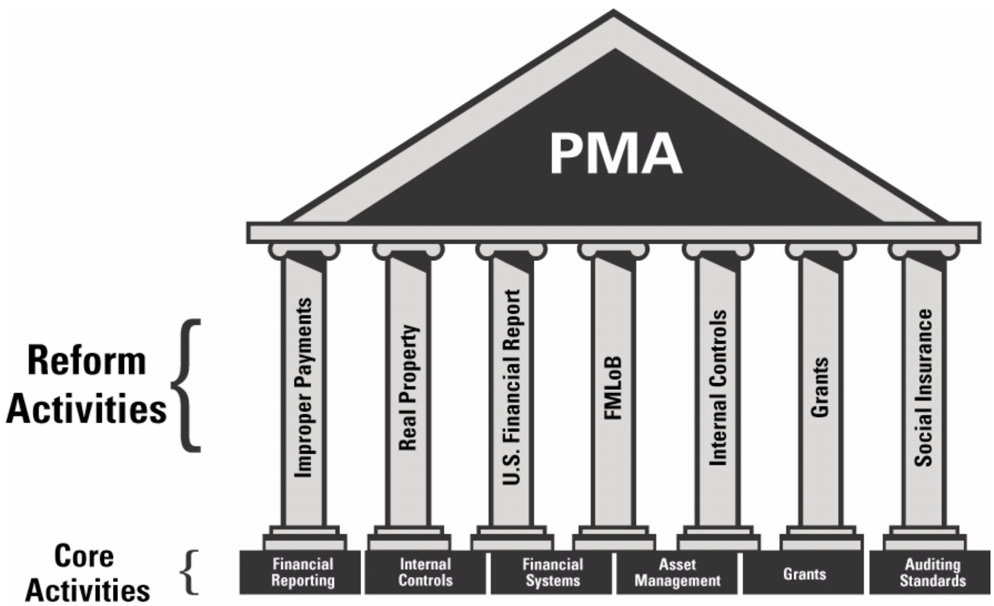


Chart P
Net Social Insurance Responsibilities
(closed group)

The President's Management Agenda: How We Define and Measure Financial Management Success

Launched in August 2001, the President's Management Agenda (PMA) provides Federal agencies with a concise set of clear and measurable financial management performance goals that allow Federal managers, Congress, and the public to gauge whether taxpayer funds are being properly accounted for and wisely spent. These performance measures include, among others, the achievement of clean audit opinions, the elimination of material weaknesses in internal control, timely financial reporting, the disposal of excess real property, the elimination of improper payments, and the reduction in government costs through the strategic use of financial data. What follows is an overview of fiscal year 2007 results for three of the seven Government-wide PMA initiatives: 1) Improving Financial Performance, 2) Eliminating Improper Payments, and 3) Real Property Asset Management.[8]

These initiatives are managed by the Office of Management and Budget's (OMB's) Office of Federal Financial Management (OFFM). OFFM has also developed a "Framework for Improving Financial Performance" to provide direction and clarity on how these financial management improvement goals will be met. The Framework (as depicted in the below diagram) is intended to provide the public with a simple tool for identifying: 1) the ultimate objective (or "apex") of the Government's financial management improvement efforts (i.e., the financial management goals of the ***PMA***); 2) the priority projects currently underway in the Federal financial community to help support and facilitate PMA goals (i.e., current Government-wide financial management ***reform activities***); and 3) the day-to-day financial management activities or ***core activities*** that help ensure a strong foundation is in place for achieving the PMA's success.



The Framework is also described in OFFM's 2007 Federal Financial Management Report that was submitted to the Congress on January 31, 2007. The most recent reports are available at http://www.whitehouse.gov/omb/financial/reports. Also visit http://www.Results.gov and http://www.ExpectMore.gov for additional information on the PMA initiatives, including individual agencies' performance under these initiatives, and agencies' performance under their individual programs.[9]

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8 The other four initiatives are: 1) Implementing Strategic Human Capital, 2) Gaining Efficiencies through Strategic Sourcing, 3) Expanding Electronic Government, and 4) Budget and Performance Integration.

9 Since programs are not administered at the Government-wide level, the FASAB requirement to report performance goals and measures for the Federal Government as a whole does not apply and, therefore, is not reported upon here. Program administration and the subsequent reporting of the outcomes and results of those programs are handled at the agency level.

Fiscal Year 2007 Results

Improving Financial Performance

For the third year in a row, **all** major Federal agencies successfully met the 45-day financial audit deadline as required by the rigorous reporting guidelines set by the Office of Management and Budget (OMB). Since 2001, agencies are required to complete the financial report 45-days after the end of the fiscal year, compared to the previous five month (150 days) window for completion. The accelerated deadline results in more immediate availability of financial information to agency decision-makers and requires agencies to employ rigorous disciplines throughout the year to ensure readiness for year-end reporting.

In addition to timely reporting, the results from fiscal year 2007 show that the Federal Government is improving the validity of its financial information. Of the 24 major Federal agencies, 19 received clean opinions, one more than the 18 clean opinions reported last year at this time. Although five agencies—DHS, DoD, DOT, EPA, and NASA—restated their fiscal year 2006 financial statements, their audit opinions for fiscal year 2007 either remained the same or improved. Table 9 below includes the audit results for fiscal year 2007.

Table 9: Summary of FY 2007 Financial Statement Results by Agencies

CFO Act Agencies:	*FY 2007 Audit Opinion*
Department of Agriculture (USDA)	Qualified
Department of Commerce (DOC)	Unqualified
Department of Defense (DOD)	Disclaimer
Department of Education (Education)	Unqualified
Department of Energy (DOE)	Unqualified
Department of Health and Human Services (HHS)	Unqualified
Department of Homeland Security (DHS)	Disclaimer
Department of Housing and Urban Development (HUD)	Unqualified
Department of the Interior (DOI)	Unqualified
Department of Labor (DOL)	Unqualified
Department of Justice (DOJ)	Unqualified
Department of State (State)	Disclaimer
Department of Transportation (DOT)	Unqualified
Department of the Treasury (Treasury)	Unqualified
Department of Veterans Affairs (VA)	Unqualified
Agency for International Development (USAID)	Unqualified
Environmental Protection Agency (EPA)	Unqualified
General Services Administration (GSA)	Unqualified
National Aeronautics and Space Administration (NASA)	Disclaimer
National Science Foundation (NSF)	Unqualified
Nuclear Regulatory Commission (NRC)	Unqualified
Office of Personnel Management (OPM)	Unqualified
Small Business Administration (SBA)	Unqualified
Social Security Administration (SSA)	Unqualified

In addition to these results, the total number of material weaknesses Government-wide declined from 41 to 39. This is the fourth year in a row that material weaknesses have declined, with a more than 35% decrease in weaknesses since 2001. In fiscal year 2007, five additional agencies received a clean opinion with no material weaknesses, including the Departments of Justice, the Interior, Energy, the Small Business Administration and the U.S. Agency for International Development. This brings the total number of agencies realizing this important accomplishment to 13, up from just seven in 2001. The decrease in weaknesses this year is more notable in light of recent changes to government audit guidelines that lower materiality thresholds and have the effect of characterizing more audit findings as "material weaknesses."[10] In other words, while auditing standards are getting tougher, Federal agencies are more than keeping pace by continuing to decrease the number of material findings.

Eliminating Improper Payments

Fiscal Year 2007 was also an important year for the initiative of identifying, measuring, and eliminating improper payments (e.g., the right amount, to the right recipient). Full transparency of annual improper payment totals allows the public to understand the extent of payment errors and assess the Government's efforts to eliminate them. With this year's financial reports, Federal agencies are now reporting improper payment measurements for nearly 86% of all high-risk outlays (up from 81% in fiscal year 2006), with error rates reported on 13 new programs, including the Medicaid Fee-for-Service and School Lunch programs.

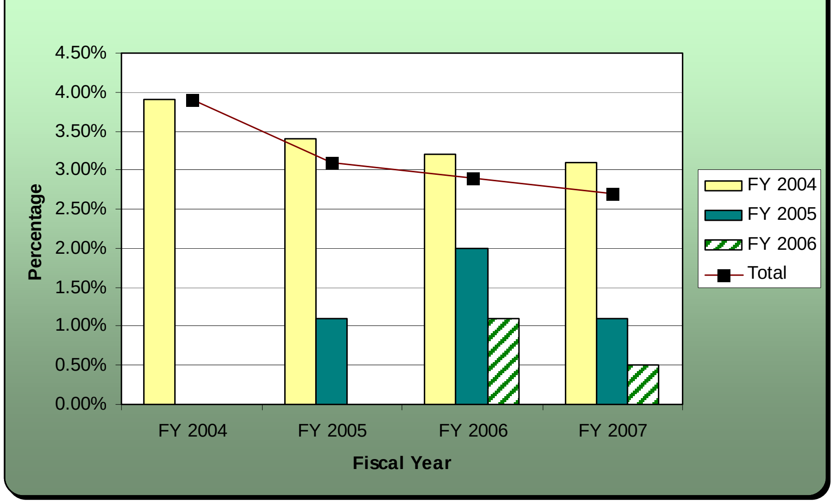

Chart K: Error Rate Reduction for Programs Reported Between FY 2004 and FY 2006

The results from the past three years of reporting on improper payments demonstrate that once an agency has measured and reported program errors, it is able to implement corrective actions to reduce those errors in subsequent years. As illustrated in Chart K,[11] Error Rate Reduction for Programs Reported Between FY 2004 and FY 2006, the error rate for the first programs measured, in fiscal year 2004, was 3.9% (or $45.1 billion in improper payments). For these programs, the error rate has declined to 3.1% (or a $7.9 billion reduction in improper payments). Similar to the progress achieved in programs that first reported in fiscal year 2004, programs that first reported in fiscal years 2005 and 2006 have seen improper payments cut in half, representing a $2.3 billion reduction.

With 13 additional programs reporting in fiscal year 2007, the preliminary Government-wide error rate increased to 3.5% or $54.9 billion. The cause of the majority of the errors in these 13 new programs is insufficient documentation, meaning that all of the supporting documentation necessary to verify the accuracy of the claim was not provided. If all the supporting documentation had been received, the agencies could have better determined whether the payment was appropriate or made in error. As has been the case in other programs, it is anticipated that the errors in these 13 programs will decrease significantly after correcting the root cause of the insufficient documentation errors.

Asset Management

Under the PMA Real Property Asset Management initiative, agencies continue to make significant progress implementing the necessary tools to manage the size, condition, and costs of their asset portfolios and comply with Executive Order 13327, Federal Real Property Asset Management. In fiscal year 2007, Executive agencies reported more than 1.2 million assets, including land, buildings, and structures, to the Government-wide real property inventory, which provides a more complete picture of the Government's asset inventory; where the assets are located; and how and whether the assets are being used effectively to help serve agencies' missions and objectives. Having a more complete inventory picture and performance information means that agencies, and the Government as a whole, can make smarter asset management decisions. Agencies are moving forward with improving asset condition, increasing asset utilization, and disposing of unneeded assets.

10 Statement of Auditing Standards 112, *Communicating Internal Control Related Matters Identified in an Audit*

11 The table does not include programs reporting for the first time in FY 2007.

The Administration continues holding agencies accountable for their asset management goals through the PMA process. Since fiscal year 2004, agencies have shown significant improvement in their asset management processes and their ability to gather and use inventory and performance data to drive the decision-making process toward rightsizing the Government's real property assets. To this end, Executive agencies have disposed of more than $4.5 billion in real property assets and are well on the way to meeting the Administration's goal of disposing $9 billion in assets by the close of fiscal year 2009.

Systems, Controls, & Legal Compliance

Systems

As Federal agencies have continued to demonstrate success in obtaining and keeping unqualified opinion on their audited financial statements, the Federal Government continues to face challenges in implementing financial systems that meet Federal requirements. In fiscal year 2007, however, there was some progress in agencies implementing and maintaining these complex systems. The number of agencies in compliance with the Federal Financial Management Improvement Act (FFMIA) increased to 13 from 8 compared to last year.

The cause for the recent progress is mainly attributable to the Financial Management Line of Business (FMLoB) initiative. It is intended to help agencies implement financial systems that are complaint with Federal requirements and to improve the cost, quality, and performance in the Government's financial management systems by leveraging shared solutions and implementing Government-wide reforms that improve efficiency of financial operations. OMB expects this initiative to help agencies meet Federal standards and achieve efficiencies, while delivering cost savings to the tax payers.

Multiple FMLoB initiative are underway that will collectively make these improved results possible, including standardizing common business processes across the Government, creating opportunities for agencies to move financial systems to shared service providers, and increasing transparency by establishing performance measures to evaluate the results of these efforts. Through the FMLoB and other information-sharing initiatives, the Federal financial community is working to ensure that mistakes of the past are not repeated and that agencies initiating complex modernization efforts have a clear understanding of significant risks and appropriate mitigation strategies.

Controls

Federal managers have a fundamental responsibility to develop and maintain effective internal control. Effective internal control helps to ensure that programs are managed with integrity and resources are used efficiently and effectively through three objectives: effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. The safeguarding of assets is a subcomponent of each objective.

Law/Policy	What it Does
Federal Managers' Finanical Integrity Act of 1982	requires the head of each executive agency to annually prepare a statement reporting the effectiveness of the agency's internal control and whether its systems comply with the federal financial system requirements.
Federal Financial Management Improvement Act of 1996	ensuring that Federal financial management systems provide accurate, reliable, and timely financial management information to the government's managers.
OMB Circular A-123	provides instruction to agencies in implementing the **FMFIA**
OMB Circular A-127	provides instruction for complying with the federal financial system requirements.

The OMB Circular No. A-123 (A-123), Management's Responsibility for Internal Control, is the policy document that implements the requirements of the Federal Managers' Financial Integrity Act (FMFIA). The A-123 primarily focuses on providing agencies with a framework for assessing and managing risks more strategically and effectively. The A-123 contains multiple appendices that address, at a more detailed level, one or more of the objectives of effective internal control. Appendix A provides a methodology for agency management to assess, document, test, and report on the internal control over financial reporting. Appendix B requires agencies to maintain internal control that reduces the risk of fraud, waste, and error in government charge card programs. Appendix C implements the requirements of the Improper Payment Information Act, which includes the measurement and remediation of improper payments.

In fiscal year 2007, agencies continued to implement the requirements of FMFIA and the A-123 and have made much progress. The 24 major CFO Act agencies completed the second year of the more rigorous assessment of the internal control over financial reporting as required by the A-123 Appendix A. Furthermore, pursuant to the A-123 Appendix C, federal agencies are now reporting improper payment measurements for nearly 86% of all high-risk outlays and reported error rates for 13 new programs (see Eliminating Improper Payments section for more details).

During fiscal year 2008, OMB will facilitate a forum on the better integration and leverage of internal control reviews being performed throughout departments and agencies through the exploration of alternate frameworks and implementation strategies. Due to the myriad of legislative and regulatory requirements, internal control reviews, to satisfy those legislative and regulatory requirements, have been layered upon each other rather than being integrated. This forum is intended to facilitate discussions of alternatives and best practices between the financial, acquisition, and information technology communities.

While many agencies are making progress on identifying and resolving deficiencies found in internal control, continued diligence and commitment is needed. However, effective internal control is not only a challenge at the agency level, but it is also a challenge at the Government-wide level. Consequently, GAO has issued an adverse opinion on the effectiveness of the internal control for the Government as a whole, in its report.

Legal Compliance

Federal agencies are required to comply with a wide range of laws and regulations, including appropriations, employment, health and safety, and others. Responsibility for compliance primarily rests with agency management. Compliance is addressed as part of agency financial statement audits. Agency auditors test for compliance with selected laws and regulations related to financial reporting. Certain individual agency audit reports contain instances of noncompliance. None of these instances were material to the Government-wide financial statements. However, GAO reported that its work on compliance with laws and regulations was limited by the material weaknesses and scope limitations discussed in its report.

Additional Information

The Report's appendices contain the names and web sites of the significant Government entities included in the *Financial Report's* financial statements. Details about the information contained in this report can be found in these entities' Performance and Accountability Reports. Related Government publications, include, but are not limited to:

- the *Budget of the United States Government*,
- the *Treasury Bulletin*, the *Monthly Treasury Statement of Receipts and Outlays of the United States Government*,
- the *Monthly Statement of the Public Debt of the United States*,
- the *Economic Report of the President*, and
- the *Trustees' Reports* for the Social Security and Medicare Programs.

The FY 2007 Financial Report, as well as those from previous years, may be accessed online at:

http://www.fms.treas.gov/fr/index.html
http://www.whitehouse.gov/omb/financial/index.html
www.gao.gov