

Financial Statements of the United States Government for the Year Ended September 30, 1999

Statement of Operations and Changes

This Statement reports the results of Government operations. This includes revenues principally generated by the Government's sovereign power to tax, levy duties, and assess fines and penalties. This statement covers the cost of Government operations, net of revenue earned from the sale of goods and services to the public. It also includes any adjustments and unrecorded transactions that affect the net position.

Revenue

The main source of revenue for Government operations consists of taxes and other revenue the Federal Government generates under its sovereign powers.

"Individual Income Tax and Tax Withholdings" consist of Federal individual income taxes, Social Security taxes, Medicare taxes and rail road retirement taxes, net of related refunds.

"Miscellaneous earned revenue" consists of earned revenues received from the public with virtually no associated cost. This category includes

revenues generated from spectrum auctions and rents and royalties on the Outer Continental Shelf Lands.

Net Cost of Government Operations

The Statement of Net Cost summarizes the "Net cost of Government operations," which is gross cost minus earned revenue.

Unreconciled Transactions

"Unreconciled transactions" are adjustments made to balance the change in net position.

Net Position, Beginning of Period

The "Net position, beginning of period" reflects the net position reported on the prior year's Balance Sheet.

Prior Period Adjustments

"Prior period adjustments" are revisions to correct the beginning net position.

Net Position, End of Period

This amount reflects the net position on the current year's Balance Sheet.

Statement of Net Cost

This Statement presents the net cost of fiscal 1999 Government operations. It also shows the cost to carry out national priorities as determined by law.

It also categorizes costs by major function. It presents costs in much the same way as does the budget, except that costs are allocated to functions based on accounting standards. Thus, this Statement reports costs on an accrual basis and in some cases allocates them differently than the budget. For example, this Statement allocates the cost of

pensions and retiree health benefits among all the functions that employ workers. The budget categorizes pension payments to civilian retirees as a subfunction, found under "Income security." The budget categorizes agency contributions to retirement funds as intragovernmental outlays distributed among all the functions that employ workers. A description of each of the functions and the components of net cost for the activities included in each function is presented in Supplemental Information as "Net cost detail."

This Statement contains the following three components for each function:

- The gross cost of Government operations.
- The revenues earned from the sale of goods and provision of services to the public.

- The net cost of Government operations, which is gross cost less revenue earned.

Gross Cost

"Gross cost" includes the full cost of all functions. These costs may be directly traced, as signed on a cause and effect basis, or reasonably allocated to the function.

Earned Revenue

This is revenue the Government earned by providing goods and services to the public at a price.

Net Cost

The "Net cost" of Government operations is computed by subtracting "Earned revenues" from "Gross cost."

Balance Sheet

The Balance Sheet shows the Government's assets and liabilities. When combined with Stewardship Information, this information presents a more comprehensive understanding of the Government's financial position. Most line items on the Balance Sheet are described in the Notes to the Financial Statements. The first note, for example, provides information on the accounting policies for assets and liabilities.

Assets

Assets included on the Balance Sheet are resources of the Federal Government that remain available to meet future needs. The most significant assets that are reported in the Balance Sheet are loans receivable and inventories, as well as property, plant and equipment. There are, however, others significant resources available to the Government that extend beyond the assets presented in this Financial Statement. Those assets include Stewardship Assets and the Government's sovereign powers to tax, regulate commerce and set

monetary policy. They also include natural resources.

Selected assets are highlighted in the Stewardship Information section of this report to demonstrate the Federal Government's accountability for these assets. Stewardship assets include national defense assets, stewardship land and heritage assets.

National defense assets

"National defense assets" are weapon systems and supporting assets used by the military for the Nation's common defense and general welfare.

Stewardship land

"Stewardship land" is land that the Federal Government does not expect to use to meet its obligations, unlike

the assets listed in the Balance Sheet. This land includes land set aside for the use and enjoyment of present and future generations and land on which military bases are located. Stewardship land is measured in non-financial units such as acres of land and lakes, miles of parkways, and miles of wild and scenic rivers. Examples of stewardship land include national parks, national forests, wilderness areas, and land used to enhance ecosystems to encourage animal and plant species and to conserve nature.

Heritage assets

"Heritage assets" are Government-owned assets that have one or more of the following characteristics: historical or natural signifi-

Assets, cont.

cance; cultural, educational, or artistic importance; or significant architectural features. The cost of heritages sets of ten is not determinable or relevant to their significance. Like stewardship land, the Government does not expect to use these assets to meet its obligations. The most relevant information about heritages sets is non-financial. Examples of heritages sets include: the Declaration of Independence, the Constitution and the Bill of

Rights preserved by the National Archives. Also included are national monuments such as the Vietnam Veterans Memorial, Jefferson Memorial and the Washington Monument as well as art and cultural treasures at the Smithsonian Institution and the Library of Congress.

Many other sites such as the battlefields, historic structures and national historic landmarks also are placed in this category.

Liabilities and Net Position

Liabilities are obligations of the Federal Government resulting from prior actions that will require financial resources. The most significant liabilities reported on the Balance Sheet are Federal debt securities held by the public and accrued pension liabilities for current and retired Federal civilian and military personnel. Liabilities also include social insurance benefits due and payable as of the reporting date.

As with reported assets, the Government's responsibilities and policy commitments are much broader than these reported Balance Sheet liabilities. They include the social insurance programs disclosed in Stewardship Information, a wide range of other programs under which the Government provides benefits and services to the people of this Nation, and certain future loss contingencies.

The magnitude and complexity of social insurance programs, coupled with the extreme sensitivity of projections relating to the many assumptions of the programs, produce a large range of possible results. The Stewardship Responsibilities section describes the social insurance programs, reports long-range estimates that can be used to assess the financial condition of the programs, and explains some of the factors that impact the various programs. Using this information, readers can apply their own judgment as to the solvency and sustainability of the individual programs.

Each of the social insurance programs has an associated trust fund to account for its activity. An explanation of the trust funds for social in-

surance and many of the other large trust funds is included in Note 19—Dedicated Collections. That note also contains information about trust fund receipts, disbursements and assets.

A broad perspective on the Federal Government's responsibilities is provided by the Current Services Assessment, which also can be found under Stewardship Information. Presented in accordance with the President's budget, this information estimates Federal expenditures and receipts for fiscal 2000 to 2005, provided there are no changes to current law.

The Government has entered into contractual commitments requiring the future use of financial resources and also has unresolved contingencies where existing conditions, situations or circumstances create uncertainty about future losses. Commitments as well as contingencies that do not meet the criteria for recognition as a liability on the Balance Sheet, but for which there is at least a reasonable possibility that a loss has been incurred, are disclosed in Note 18—Commitments and Contingencies.

"Net position" is presented as the sum of Balance Sheet assets less Balance Sheet liabilities.

The large negative net position amount does not imply that the Government is insolvent. Because of its sovereign power to tax, and the country's wide economic base, the Government has unique access to financial resources to finance its debts. This provides the Federal Government the ability to meet present obligations and those that are anticipated from future operations.

**United States Government
Statement of Operations and Changes in Net Position
for the Year Ended September 30, 1999**

(In billions of dollars)

Revenue:

Individual income tax and tax withholdings	1,456.0
Corporation income taxes	182.2
Unemployment taxes	25.6
Excise taxes	70.5
Estate and gift taxes	27.7
Customs duties	18.4
Other taxes and receipts	42.0
Miscellaneous earned revenues	<u>10.5</u>
Total revenue	<u>1,832.9</u>

Net Cost of Government Operations:

National defense	413.2
Human resources	905.3
Physical resources	95.1
Interest	230.1
Other functions	<u>112.3</u>
Total net cost of Government operations	<u>1,756.0</u>

Excess of revenue over net cost	76.9
Unreconciled transactions affecting the change in net position (Note 16)	<u>24.4</u>
Increase in net position	101.3
Net position, beginning of period	(6,134.4)
Prior Period Adjustments (Note 17)	<u>6.9</u>
Net position, end of period	<u><u>(6,026.2)</u></u>

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

**United States Government
Statement of Net Cost
for the Year Ended September 30, 1999**

(In billions of dollars)	Gross Cost	Earned Revenue	Net Cost
National defense	451.2	38.0	413.2
Human Resources:			
Education, training, employment and social services	57.9	1.4	56.5
Health	140.6	0.7	139.9
Medicare	207.0	21.7	185.3
Income security	188.0	6.2	181.8
Social Security	387.7	-	387.7
Veterans benefits and services (Note 11)	(43.2)	2.7	(45.9)
Total human resources	938.0	32.7	905.3
Physical Resources:			
Energy	12.9	12.4	0.5
Natural resources and environment	27.1	2.9	24.2
Commerce and housing credit	89.2	73.9	15.3
Transportation	44.1	1.1	43.0
Community and regional development	14.9	2.8	12.1
Total physical resources	188.2	93.1	95.1
Interest	230.1	-	230.1
Other Functions:			
International affairs	29.6	9.6	20.0
General science, space and technology	17.5	0.1	17.4
Agriculture	27.2	2.4	24.8
Administration of justice	31.2	1.6	29.6
General government	25.1	4.6	20.5
Total other functions	130.6	18.3	112.3
Total	<u>1,938.1</u>	<u>182.1</u>	<u>1,756.0</u>

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**United States Government
Balance Sheet
as of September 30, 1999**

(In billions of dollars)

Assets:

Cash and other monetary assets (Note 2)	115.2
Accounts receivable (Note 3)	35.0
Loans receivable (Note 4)	183.7
Taxes receivable (Note 5)	22.7
Inventories and related property (Note 6)	173.3
Property, plant and equipment (Note 7)	298.8
Other assets (Note 8)	<u>54.3</u>
Total assets	<u><u>883.0</u></u>

Liabilities :

Accounts payable (Note 9)	85.8
Federal debt securities held by the public (Note 10)	3,631.6
Federal employee and veteran benefits payable (Note 11)	2,600.7
Environmental and disposal liabilities (Note 12)	313.2
Benefits due and payable (Note 13)	73.8
Loan guarantee liabilities (Note 4)	35.1
Other liabilities (Note 14)	<u>169.0</u>
Total liabilities	6,909.2

Commitments and Contingencies (Note 18)

Net Position	<u>(6,026.2)</u>
Total liabilities and net position	<u><u>883.0</u></u>

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