

A Message from the Chief Financial Officer

Fiscal year 2005 has been another successful year for the Social Security Administration (SSA) in the area of financial management, culminating with the Agency receiving an unqualified (clean) opinion on its consolidated financial statements for the 12th consecutive year. The unqualified opinion attests to the fact that SSA's financial statements are fairly presented and demonstrates discipline and accountability in the execution of our fiscal responsibilities as stewards of the Social Security programs.

SSA also received an unqualified (clean) opinion concerning SSA's assertion about the effectiveness of the Agency's systems of accounting and internal control. I believe the unprecedented recognition SSA received when awarded the Association of Government Accountants' Certificate of Excellence in Accountability Reporting for the seventh consecutive year is evidence of the Agency's commitment to demonstrating accountability and communicating results.

SSA takes pride in ensuring it has effective and efficient internal controls, and has a long history of aggressively correcting control deficiencies cited by our auditors. We have worked effectively and cooperatively, across all SSA components, to enhance information protection and ensure that standard security configurations are established, maintained and enforced. I am especially pleased to report that these demonstrated results are reflected in our audit report which now contains no reportable conditions.

SSA's core accounting system is in compliance with all Office of Management and Budget requirements, incorporates commercial best practices and includes the Agency's core accounting functions. The system interfaces with administrative systems to enhance the Agency's ability to soundly manage assets, and we will continue to invest in infrastructure needed to sustain superior performance into the future.

I am proud that the Agency continues to meet all the standards for obtaining a "green" score in both status and progress for the President's Management Agenda (PMA) Improved Financial Performance initiative. The Agency has new initiatives to "Get Beyond Green" that will improve the quality, consistency and access to information used by managers and analysts to manage work and account for resources. The lynchpin to these initiatives is a modernized cost accounting system which will integrate workload counts, processing times and administrative cost data at all levels of the organization. This data will be used to calculate unit cost and productivity management information for the Agency's programs down to the office level to support strategic decisionmaking

In the coming year, we will continue to focus on the initiatives related to the PMA and continue the integration of financial and performance management systems in support of timely and efficient decisions. Our goal remains to provide timely, reliable and useful financial management information to Congress and to the American public.



A handwritten signature in black ink that reads "Dale W. Sopper". The signature is written in a cursive, flowing style.

Dale W. Sopper
Chief Financial Officer
November 9, 2005

Financial Statements and Additional Information

The Agency's financial statements and additional information for fiscal years (FY) 2005 and 2004 consist of the following:

- The **Consolidated Balance Sheets** present as of September 30, 2005 and 2004, amounts of economic benefits owned or managed by the Social Security Administration (SSA) (assets) exclusive of items subject to stewardship reporting, amounts owed by SSA (liabilities), and residual amounts retained by SSA, comprising the difference (net position). A Balance Sheet by Major Program is provided as additional information.
- The **Consolidated Statements of Net Cost** present the net cost of operations for the years ended September 30, 2005 and 2004. SSA's net cost of operations includes the gross costs incurred less any exchange revenue earned from activities presented by SSA's major programs. By disclosing the gross cost and net cost of the entity's programs, the Consolidated Statements of Net Cost provide information that can be related to the outputs and outcomes of programs and activities. A Schedule of Net Cost is provided to show the components of net cost activity as additional information.
- The **Consolidated Statements of Changes in Net Position** present the change in net position for the years ended September 30, 2005 and 2004. Net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations. The statement format is designed to display both components of net position separately to enable the user to better understand the nature of changes to net position as a whole. A Schedule of Changes in Net Position is provided to present the change in net position by major programs as additional information.
- The **Combined Statements of Budgetary Resources** present the budgetary resources available to SSA, the status of these resources, and the outlay of budgetary resources for the years ended September 30, 2005 and 2004. An additional Schedule of Budgetary Resources is provided as Required Supplementary Information to present budgetary resources by major programs.
- The **Consolidated Statements of Financing** reconcile the net cost of operations with the obligation of budgetary resources for the years ended September 30, 2005 and 2004. A Schedule of Financing is provided to present the reconciliation by SSA's major programs as additional information.
- The **Required Supplementary Information: Intragovernmental Amounts** discloses amounts related to Intragovernmental transactions for assets, liabilities and non-exchange revenue for the year ended September 30, 2005.
- The **Required Supplementary Stewardship Information: Statement of Social Insurance** discloses the 75-year projection of the Actuarial present value of the Old-Age Survivors and Disability Insurance gross and net future benefit obligations expected to arise from the formulas specified in current law for current and future program participants. This projection is considered to be important information regarding potential future cost of the program. These projected potential future obligations under current law are not included in the Consolidated Financial Statements or their accompanying footnotes.

Consolidated Balance Sheets as of
September 30, 2005 and September 30, 2004

Assets	(Dollars in Millions)	
	2005	2004
Intragovernmental:		
Fund Balance with Treasury (Note 4)	\$ 5,370	\$ 3,148
Investments (Note 5)	1,809,422	1,635,398
Interest Receivable, Net (Note 6)	23,472	22,315
Accounts Receivable, Net (Note 6)	307	624
Total Intragovernmental	1,838,571	1,661,485
Accounts Receivable, Net (Notes 3 and 6)	6,982	6,182
Property, Plant and Equipment, Net (Note 7)	1,419	1,231
Other	9	9
Total Assets	\$ 1,846,981	\$ 1,668,907
Liabilities (Note 8)		
Intragovernmental:		
Accrued Railroad Retirement Interchange	\$ 3,642	\$ 3,712
Accounts Payable	8,309	4,993
Other	108	247
Total Intragovernmental	12,059	8,952
Benefits Due and Payable	61,272	51,569
Accounts Payable	394	489
Other	894	1,205
Total	74,619	62,215
Net Position		
Unexpended Appropriations	1,446	1,489
Cumulative Results of Operations	1,770,916	1,605,203
Total Net Position	1,772,362	1,606,692
Total Liabilities and Net Position	\$ 1,846,981	\$ 1,668,907

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

Consolidated Statements of Net Cost for the Years Ended
September 30, 2005 and September 30, 2004

	(Dollars in Millions)	
	2005	2004
OASI Program		
Benefit Payments	\$ 432,438	\$ 412,474
Operating Expenses (Note 9)	2,970	2,537
Total Cost of OASI Program	435,408	415,011
Less: Exchange Revenues (Notes 10 and 11)	22	16
Net Cost of OASI Program	435,386	414,995
DI Program		
Benefit Payments	89,731	75,169
Operating Expenses (Note 9)	2,419	2,221
Total Cost of DI Program	92,150	77,390
Less: Exchange Revenues (Notes 10 and 11)	20	15
Net Cost of DI Program	92,130	77,375
SSI Program		
Benefit Payments	36,224	35,216
Operating Expenses (Note 9)	3,083	2,872
Total Cost of SSI Program	39,307	38,088
Less: Exchange Revenues (Notes 10 and 11)	303	293
Net Cost of SSI Program	39,004	37,795
Other		
Benefit Payments	16	13
Operating Expenses (Note 9)	1,729	1,279
Total Cost of Other	1,745	1,292
Less: Exchange Revenues (Notes 10 and 11)	17	15
Net Cost of Other	1,728	1,277
Total Net Cost		
Benefit Payments	558,409	522,872
Operating Expenses (Note 9)	10,201	8,909
Total Cost	568,610	531,781
Less: Exchange Revenues (Notes 10 and 11)	362	339
Total Net Cost	\$ 568,248	\$ 531,442

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

Consolidated Statements of Changes in Net Position for the Years Ended September 30, 2005 and September 30, 2004

	(Dollars in Millions)			
	2005		2004	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Net Position, Beginning Balance	\$ 1,605,203	\$ 1,489	\$ 1,453,080	\$ 705
Budgetary Financing Sources				
Appropriations Received		57,874		52,536
Other Adjustments	0	(13)	0	0
Appropriations Used	57,904	(57,904)	51,752	(51,752)
Tax Revenues (Note 12)	588,416		545,345	
Interest Revenues	92,994		87,616	
Transfers-In/Out				
Trust Fund Draws and Other - In	1,289		1,740	
Trust Fund Draws and Other - Out	(505)		358	
Railroad Retirement Interchange	(3,846)		(3,788)	
Net Transfers-In/Out	(3,062)		(1,690)	
Other Budgetary Financing Sources	63		85	
Other Financing Sources				
Transfers-In/Out	(2,818)		5	
Imputed Financing Sources (Note 13)	464		452	
Total Financing Sources	733,961	(43)	683,565	784
Net Cost of Operations	568,248		531,442	
Net Change	165,713	(43)	152,123	784
Ending Balances	\$ 1,770,916	\$ 1,446	\$ 1,605,203	\$ 1,489

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

Combined Statements of Budgetary Resources for the Years Ended September 30, 2005 and September 30, 2004

	(Dollars in Millions)	
	2005	2004
Budgetary Resources Made Available (Note 14)		
Budget Authority		
Appropriations Received	\$ 754,724	\$ 699,908
Net transfers (+/-)	0	(4)
Unobligated Balances		
Beginning of Period	2,118	930
Net transfers (+/-)	0	(2)
Spending Authority from Offsetting Collections		
Earned		
Collected	4,596	4,319
Change in Receivable	9	(77)
Change in Unfilled Customer Orders		
Advance Received	0	1
Without Advance	0	(1)
Transfers from Trust Funds		
Collected	8,887	8,410
Anticipated	(108)	449
Subtotal	13,384	13,101
Recoveries of Prior Year Obligations	337	222
Temporarily Not Available Pursuant to Public Law	(165,150)	(151,236)
Permanently Not Available	(7)	(7)
Total Budgetary Resources	\$ 605,406	\$ 562,912
Status of Budgetary Resources: (Note 14)		
Obligations Incurred		
Direct	\$ 599,028	\$ 556,563
Reimbursable	4,546	4,231
Subtotal	603,574	560,794
Unobligated Balances		
Apportioned	1,566	1,509
Unobligated Balances - Not Available	266	609
Total Status of Budgetary Resources	\$ 605,406	\$ 562,912
Relationship of Obligations to Outlays:		
Obligated Balances - Beginning of the Period	\$ 58,264	\$ 58,068
Obligated Balance - End of the Period		
Accounts Receivable	(2,091)	(2,191)
Undelivered Orders	1,352	1,350
Accounts Payable	67,863	59,105
Outlays:		
Disbursements	594,477	560,013
Collections	(13,484)	(12,730)
Subtotal	580,993	547,283
Less: Offsetting Receipts	19,653	16,999
Net Outlays	\$ 561,340	\$ 530,284

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

Consolidated Statements of Financing for the Years Ended September 30, 2005 and September 30, 2004

	(Dollars in Millions)	
	2005	2004
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 603,574	\$ 560,794
Less: Offsetting Collections	(13,721)	(13,323)
Obligations Net of Offsetting Collections	589,853	547,471
Less: Offsetting Receipts	(19,653)	(16,999)
Net Obligations	570,200	530,472
Other Resources		
Imputed Financing	464	452
Other	(276)	(305)
Net Other Resources Used to Finance Activities	188	147
Total Resources Used to Finance Activities	570,388	530,619
Resources Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated, Not Yet Provided	(4)	(201)
Resources that Fund Expenses Recognized in Prior Periods	(714)	1,277
Budgetary Offsetting Collections and Receipts that Do Not affect Net Cost of Operations	19,653	16,999
Resources that Fund Capitalized Costs	(399)	(498)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	(21,900)	(17,118)
Total Resources Not Part of the Net Cost of Operations	(3,364)	459
Total Resources Used to Finance the Net Cost of Operations	567,024	531,078
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods (Note 15)		
Increase in Annual Leave	6	15
Other	1,019	164
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	1,025	179
Components Not Requiring or Generating Resources		
Depreciation and Amortization	211	181
Other	(12)	4
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	199	185
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	1,224	364
Net Cost of Operations	\$ 568,248	\$ 531,442

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

Notes to the Principal Financial Statements
For the Years Ended September 30, 2005 and 2004
(Presented in Millions)

1. *Summary of Significant Accounting Policies*

Reporting Entity

The Social Security Administration (SSA), as an independent agency in the executive branch of the United States Government, is responsible for administering the nation's Old-Age and Survivors and Disability Insurance (OASDI) programs and the Supplemental Security Income (SSI) program. SSA is considered a separate reporting entity for financial reporting purposes, and its financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources, and reconciliation of net cost to budgetary resources as required by the Chief Financial Officers Act of 1990.

The financial statements have been prepared from the accounting records of SSA on an accrual basis, in conformity with generally accepted accounting principles (GAAP) of the United States of America and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Circular A-136. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The consolidated and combined financial statements include the accounts of all funds under SSA control, consisting primarily of three trust funds, three deposit funds, and four general fund appropriations. The trust funds are the Old-Age and Survivors Insurance (OASI) Trust Fund, the Disability Insurance (DI) Trust Fund and the Limitation on Administrative Expenses (LAE). The three deposit funds are the SSI Unnegotiated Checks, SSI Payments, and Payments for Information Furnished by SSA. The four general funds are the Office of the Inspector General (OIG), Payments to Social Security Trust Funds (PTF), SSI Program and Payments for Credits Against Social Security Contributions. SSA's financial statements also include OASI and DI investment activities performed by Treasury. SSA's financial activity has been classified and reported by the following program areas: OASI, DI, SSI, LAE and Other. Other consists primarily of PTF appropriations but also contains non-material activities.

Medicare Reform Prescription Drug Program

On December 8, 2003, the President signed the Medicare Prescription Drug Improvement and Modernization Act of 2003 (Public Law 108-173). SSA has played a significant role in implementing this law which provides a \$500 million appropriation for startup costs in FY 2004 and 2005. SSA will make low income subsidy determinations, calculate Part B premiums for high income beneficiaries and withhold premiums appropriate to beneficiaries' selected plans.

Fund Balance with Treasury

SSA's Fund Balance with Treasury, shown on the Consolidated Balance Sheets, is the aggregate amount of funds in SSA's accounts with the Department of the Treasury for which SSA is authorized to make expenditures and pay liabilities. Refer to Note 4, Fund Balance with Treasury.

Investments

Daily deposits received by the trust funds which are not required to meet current expenditures are invested in interest-bearing obligations of the U.S. Government. Trust fund balances may be invested only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States as provided by Section 201(d) of the Social Security Act. These investments consist of U.S. Treasury special issue bonds. Special issue bonds are special public debt obligations for purchase exclusively by the trust funds; therefore, they are non-marketable securities. Interest is computed semi-annually (June and December). They are purchased and redeemed at face value, which is the same as their carrying value on the Consolidated Balance Sheets. U.S. Treasury bonds are carried at amortized cost.

Property, Plant and Equipment

SSA's property, plant and equipment (PP&E) are recorded in the LAE program, but are considered assets of the OASI and DI Trust Funds. User charges are allocated to all programs based on each program's use of capital assets during the period. All general fund activities reimburse the trust funds for their use of trust fund assets through the calculation of user charge credits. Statement of Federal Financial Accounting Standard (SFFAS) No. 10, Accounting for Internal Use Software requires the capitalization of internally-developed, contractor-developed and commercial off-the-shelf (COTS) software. The capitalization threshold for all PP&E categories is \$100,000.

The change in PP&E from one reporting period to the next is presented on the Consolidated Statements of Financing's Resources that Fund Capitalized Costs. This line item presents the effect on budgetary obligations for capital assets purchased by the OASI, DI and Health Insurance/Supplemental Medical Insurance (HI/SMI) Trust Funds. However, HI/SMI's share of capital assets is presented on the Centers for Medicare and Medicaid Services' (CMS) financial statements.

Benefits Due and Payable

Liabilities are accrued for OASI and DI benefits due for the month of September which, by statute, are not paid until October. Also, liabilities are accrued on benefits for past periods that have not completed processing by the close of the fiscal year, such as benefit payments due but not paid pending receipt of a correct address, adjudicated and unadjudicated hearings and appeals and civil litigation cases. Refer to Note 8, Liabilities.

Benefit Payments

SSA recognizes the cost associated with payments in the period the beneficiary or recipient is entitled to receive the payment. Title II benefit disbursements are generally made after the end of each month. Title XVI disbursements are generally made on the first day of each month. By law, if the monthly disbursement date falls on a weekend or a Federally recognized holiday, SSA is required to accelerate the entitlement date and the disbursement date to the preceding business day.

Administrative Expenses and Obligations

SSA initially charges administrative expenses to the LAE appropriation. Section 201 (g) of the Social Security Act requires the Commissioner of Social Security to determine the proper share of costs incurred during the fiscal year to be charged to the appropriate trust or general fund. Accordingly, administrative expenses are subsequently distributed during each month to the appropriate trust fund and general fund accounts. All such distributions are initially made on an estimated basis and adjusted to actual each year, as provided for in Section 1534 of Title 31, United States Code.

Obligations are incurred in the LAE accounts as activity is processed. As transfers are made from the appropriate trust or general funds into LAE, similar obligations are recorded in each of these financing sources. Since LAE is reported with its funding sources (other than the HI/SMI Trust Funds) on the Combined Statements of Budgetary Resources, and this statement does not allow eliminations, LAE's obligations are recorded twice. This is in

compliance with OMB's directive to have the Combined Statements of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133).

Recognition of Financing Sources

Financing sources consist of funds transferred from the U.S. Treasury to the OASI and DI Trust Funds for employment taxes (Federal Insurance Contributions Act (FICA) and Self Employment Contributions Act (SECA)), drawdown of funds for benefit entitlement payments and administrative expenses, appropriations, gifts and other miscellaneous receipts. On an as-needed basis, funds are drawn from the OASI and DI Trust Funds to cover benefit payments. As governed by limitations determined annually by the U.S. Congress, funds are also drawn from the OASI and DI Trust Funds for SSA's operating expenses. To cover SSA's costs to administer a portion of the Medicare program, funds are drawn from the HI/SMI Trust Funds.

Appropriations Used includes payments and accruals for the SSI program and for the OIG and PTF appropriations, which are funded from Treasury's General Fund.

Employment tax revenues are made available daily based on a quarterly estimate of the amount of FICA taxes payable by employers and SECA taxes payable from the self-employed. Adjustments are made to the estimates for actual taxes payable and refunds made. Employment tax credits (the difference between the combined employee and employer rate and the self-employed rate) are also included in tax revenues. Refer to Note 12, Tax Revenues.

Exchange revenue from sales of goods and services primarily include payments of fees SSA receives from those States choosing to have SSA administer their State supplementation of Federal SSI benefits. Refer to Note 10, Exchange Revenues. Reimbursements are recognized as the services are performed. These financing sources may be used to pay for current operating expenses as well as for capital expenditures such as PP&E as specified by law.

Capitalized expenditures are recognized in the Combined Statements of Net Cost as they are consumed. In contrast, budget reporting recognizes these same financing sources in the year the obligation was established to purchase the asset.

Earmarked Funds

Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the Government's general revenues. SSA's earmarked funds are included in the OASI, DI and LAE programs. Fees collected to cover a portion of SSA's administrative costs for SSI State Supplementation are also considered earmarked funds.

Change in Financial Statement Presentation

PTF Activity

Prior to 2005, SSA reported funds collected through the Taxation of Social Security Benefits as Tax Revenue. SSA has concluded that the presentation of this revenue is more appropriately presented as an other financing source. SSA's Net Position remains unchanged as a result of this presentation change. Revenue totaling \$14 billion for 2004 has been reclassified from Tax Revenue to conform with the new reporting policy.

SSI Federal Overpayment Collections

During FY 2004, SSA reported SSI Federal Overpayment Collections as non-entity assets and disclosed these transactions as Incidental Custodial Collections. Based on recent guidance provided by FASAB, SSA will continue to report the collection of Federal SSI Overpayment Collections as non-entity assets which are due to the U.S. Department of the Treasury. Furthermore, in FY 2005 the SSI Benefit Expense will be reported net of Federal Overpayment Collections received and remitted to Treasury.

2. *Centralized Federal Financing Activities*

SSA's financial activities interact with and are dependent on the financial activities of the centralized management functions of the Federal Government that are undertaken for the benefit of the whole Federal Government. These activities include public debt, employee retirement, life insurance and health benefit programs. However, SSA's financial statements do not contain the results of centralized financial decisions and activities performed for the benefit of the entire Government.

Financing for general fund appropriations reported on the Consolidated Statements of Changes in Net Position may be from tax revenue, public borrowing or both. The source of this funding, whether tax revenue or public borrowing, has not been allocated to SSA.

The General Services Administration (GSA), using monies provided from the OASI and DI Trust Funds, administers the construction or purchase of buildings on SSA's behalf. The acquisition costs of these buildings have been charged to the OASI and DI Trust Funds, capitalized and included in these statements. SSA also occupies buildings that have been leased by GSA or have been constructed using Public Building Funds. These statements reflect SSA's payments to GSA for lease, operations maintenance and depreciation expenses associated with these buildings.

SSA's employees participate in the contributory Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS), to which SSA makes matching contributions. Pursuant to Public Law 99-335, FERS went into effect on January 1, 1987. Employees hired after December 31, 1983 are automatically covered by FERS while employees hired prior to that date could elect to either join FERS or remain in CSRS.

SSA contributions to CSRS were \$121 and \$125 million for the years ended September 30, 2005 and 2004. SSA contributions to the basic FERS plan were \$226 and \$193 million for the years ended September 30, 2005 and 2004. One of the primary differences between FERS and CSRS is that FERS offers a savings plan to which SSA is required to contribute 1 percent of pay and match employee contributions up to an additional 4 percent of basic pay. SSA contributions to the FERS savings plan were \$79 and \$72 million for the years ended September 30, 2005 and 2004. These statements do not reflect CSRS or FERS assets or accumulated plan benefits applicable to SSA employees since this data is only reported in total by the Office of Personnel Management.

3. *Non-Entity Assets*

Non-entity assets are those assets that are held by an entity, but are not available to the entity. SSA's Non-Entity Assets are \$2,582 and \$2,767 million as of September 30, 2005 and 2004. The Non-Entity Assets are composed of (1) SSI Federal and State benefit overpayments classified as SSI accounts receivable, (2) recovery of SSI overpayment collections and (3) fees collected to administer SSI State Supplementation that are returned to the Department of the Treasury General Fund.

The SSI receivable amounts included as a part of Accounts Receivable, Net on the Consolidated Balance Sheets are \$2,306 and \$2,611 million as of September 30, 2005 and 2004. The SSI accounts receivable, net has been reduced by \$2,433 and \$2,609 million for FY 2005 and 2004 respectively as intra-agency elimination. Recovery of SSI overpayments as a part of the Fund Balance with Treasury on the Consolidated Balance Sheets is \$2,821 million as of September 30, 2005. FY 1991 Appropriations Act, Public Law 101-157, requires that collections from repayment of SSI Federal benefit overpayments be deposited in the Department of the Treasury General Fund. These funds, upon deposit, are assets of the Department of the Treasury General Fund and shall not be used by SSA as a SSI budgetary resource to pay SSI benefits or administrative costs. Accordingly, SSI accounts receivable and overpayment collections are recognized as non-entity assets.

The amounts of fees collected to administer SSI State Supplementation are \$276 and \$273 million for the years ended September 30, 2005 and 2004. The fee collection is classified as exchange revenue and is used to decrease the net cost of administration of the SSI program. In FY 2005 the total amount of fees collected, \$276, and in FY 2004 a portion of the fees collected, \$156 million are deposited directly to a Department of the Treasury General Fund appropriation and reported as a part of Fund Balance with Treasury on the Consolidated Balance Sheets. A corresponding accounts payable to the Department of the Treasury General Fund is presented so that net position is not affected by this activity. Refer to Note 10, Exchange Revenues, for a description of the SSI State Supplementation fees.

4. Fund Balance with Treasury

The Fund Balance with Treasury, shown on the Consolidated Balance Sheets, represents the total of all of SSA's undisbursed account balances with the Department of the Treasury. Chart 4a, Fund Balances, summarizes the fund balances by fund type and by SSA major program. Other Appropriated Funds includes PTF, deposit funds, and receipt accounts. Chart 4b, Status of Fund Balances, presents SSA's Fund Balance with Treasury through the status of budgetary resources. Trust fund budgetary accounts are not used in chart 4b since trust fund cash balances are held in investments until needed and will not match the Fund Balance with Treasury. This means that amounts in chart 4b will not match corresponding activity on the combined SBR.

Chart 4a - Fund Balances as of September 30: (\$ in millions)			Chart 4b - Status of Fund Balances as of September 30: (\$ in millions)		
	2005	2004		2005	2004
Trust Funds			Unobligated Balance		
OASI	\$ (384)	\$ 46	Available	\$ 1,160	\$ 1,212
DI	(73)	(14)	Unavailable	134	132
LAE	32	102			
Appropriated Funds			Obligated Balance not yet		
SSI	2,915	2,940	Disbursed	1,391	1,115
Other	2,880	74	Trust Funds	(425)	134
Total	\$ 5,370	\$ 3,148	Deposit & Receipt Accounts	3,110	555
			Total	\$ 5,370	\$ 3,148

The negative fund balances reported for OASI and DI trust funds as of September 30, 2005 and 2004 are the result of the policy to protect the trust fund investments by not liquidating the investments until the cash is needed. Transfers between the trust funds and Treasury are managed to favor the financial position of the trust funds. Therefore, investments held by the trust funds are liquidated only as needed by Treasury to cover benefit and administrative payments. To maintain consistency with Treasury year-end reporting requirements, the negative balances were not reclassified as liabilities on the Consolidated Balance Sheets.

5. Investments

Chart 5 displays SSA's investments in U.S. par-value Treasury special securities and U.S. Treasury bonds at amortized cost. Treasury specials are Treasury securities that are issued directly by the Treasury Secretary to a government investment account that are non-negotiable and non-transferable in the secondary market. Par-value Treasury specials are issued with a stated rate of interest applied to its par amount and are purchased and redeemed at par plus accrued interest at or before maturity. The interest rates on these investments range from 3 1/2 percent to 8 1/4 percent and are payable on June 30, December 31, and at maturity or redemption. Investments held for the trust funds mature at various dates ranging from the present to the year 2020.

	2005	2004
Special Issue U.S. Treasury Securities	\$ 1,809,422	\$ 1,635,368
U.S. Treasury Bonds - Carrying value	0	30
Total Investments	\$ 1,809,422	\$ 1,635,398

6. *Interest and Accounts Receivable*

Interest Receivable

Intragovernmental Interest Receivable, Net reported on the Consolidated Balance Sheets consists of accrued interest receivable on trust fund investments with the U.S. Treasury. Interest receivable amounts are \$23,472 and \$22,315 million as of September 30, 2005 and 2004.

Accounts Receivable

Intragovernmental

Intragovernmental Accounts Receivable, Net reported on the Consolidated Balance Sheets in the amounts of \$307 and \$624 million as of September 30, 2005 and 2004 primarily represent amounts to be paid from the HI/SMI Trust Funds to the LAE Appropriation. The LAE gross accounts receivable has been reduced by \$1,775 and \$1,559 million as of September 30, 2005 and 2004 as an intra-agency elimination.

With the Public

Accounts Receivable, Net reported on the Consolidated Balance Sheets is shown by SSA major program in Chart 6. Amounts in the OASI and DI programs consist mainly of monies due to SSA from individuals who received benefits in excess of their entitlement. The amount of SSI Accounts Receivable represents overpaid Federal and State SSI payments to be recovered from SSI recipients who are no longer eligible to receive supplemental income or receive benefits in excess of their eligibility. Refer to Note 3, Non-Entity Assets, for a discussion of the SSI Federal and State overpayments.

	2005			2004		
	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
OASI	\$ 2,077	\$ (112)	\$ 1,965	\$ 1,948	\$ (98)	\$ 1,850
DI	3,771	(1,291)	2,480	3,199	(1,094)	2,105
SSI*	7,307	(1,777)	5,530	7,113	(1,823)	5,290
LAE	159	0	159	228	0	228
Sub-Total	13,314	(3,180)	10,134	12,488	(3,015)	9,473
Less:						
Eliminations**	(3,152)	0	(3,152)	(3,291)	0	(3,291)
Total	\$ 10,162	\$ (3,180)	\$ 6,982	\$ 9,197	\$ (3,015)	\$ 6,182

*See Discussion in Note 3, Non-Entity Assets ** Intra-Agency Eliminations

In a prior period, SSA determined that a group of 228,000 SSI recipients who were eligible to receive DI benefits were paid either SSI or OASI benefits. At that time, the agency recognized and established receivables from both the OASI and SSI programs with an offsetting payable in the DI program.

Current estimates indicate that there are about 117,000 SDW cases remaining. For FY 2005, SDW receivables are included in the amounts in Chart 6. OASI SDW receivables are \$719 and \$682 million as of September 30, 2005 and 2004. DI SDW receivables are less than \$1 million as of September 30, 2005 and 2004. SSI SDW net receivables are \$2,138 and \$2,437 million as of September 30, 2005 and 2004.

Chart 6 shows that in FY 2005 and 2004, gross accounts receivable was reduced by \$3,152 and \$3,291 million as an intra-agency elimination. This intra-agency activity results primarily from SDW cases. Since payment of the retroactive OASI and DI benefits results in an overpayment of SSI benefits, the overpaid SSI amounts are offset from the OASI and DI retroactive payments. Therefore, these offsets are presented as intra-agency elimination.

A ratio of the estimated allowance for doubtful accounts is recalculated annually using a moving 5-year average of write-offs divided by clearances comprised of write-offs, waivers, and collections. The ratio is then applied to outstanding receivables to compute the amount of allowances for doubtful accounts.

7. *Property, Plant and Equipment*

Property, Plant and Equipment, Net as reported on the Consolidated Balance Sheets is reflected by major class in chart 7.

Chart 7 - Property, Plant and Equipment as of September 30:
(\$ in millions)

Major Classes:	2005			2004		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 5	\$ 0	\$ 5	\$ 5	\$ 0	\$ 5
Buildings	381	(195)	186	386	(190)	196
Equipment (incl. ADP Hardware)	378	(314)	64	340	(268)	72
Internal Use Software	1,561	(408)	1,153	1,202	(262)	940
Leasehold Improvements	189	(178)	11	188	(170)	18
Total	\$ 2,514	\$ (1,095)	\$ 1,419	\$ 2,121	\$ (890)	\$ 1,231

Major Classes:	Estimated Useful Life	Method of Depreciation
Land	N/A	N/A
Buildings	50 years	Straight Line
Equipment (incl. ADP Hardware)	7-10 years	Straight Line
Internal Use Software	10 years	Straight Line
Leasehold Improvements	6 years	Straight Line

8. *Liabilities*

Liabilities of Federal agencies are classified as liabilities Covered or Not Covered by budgetary resources and are recognized when they are incurred. Chart 8a discloses SSA's liabilities Covered by budgetary resources and Not Covered by budgetary resources.

Chart 8a - Liabilities as of September 30: (\$ in millions)						
	2005			2004		
	Covered	Not Covered	Total	Covered	Not Covered	Total
Intragovernmental:						
Accrued RRI	\$ 3,642	\$ 0	\$ 3,642	\$ 3,712	\$ 0	\$ 3,712
Accounts Payable	1	8,308	8,309	3	4,990	4,993
Other	55	53	108	38	209	247
Total Intragovernmental	3,698	8,361	12,059	3,753	5,199	8,952
Benefits Due and Payable	59,003	2,269	61,272	50,318	1,251	51,569
Accounts Payable	94	300	394	182	307	489
Other	291	603	894	227	978	1,205
Total	\$ 63,086	\$ 11,533	\$ 74,619	\$ 54,480	\$ 7,735	\$ 62,215

Accrued Railroad Retirement Interchange

The Accrued Railroad Retirement Interchange (RRI) represents an accrued liability due the Railroad Retirement Board (RRB) for the annual interchange from the OASI and DI Trust Funds. This annual interchange is required to place the OASI and DI Trust Funds in the same position they would have been if railroad employment had been covered by SSA. The law requires the transfer, including interest accrued from the end of the preceding fiscal year, to be made in June.

Intragovernmental Accounts Payable

Included in the Intragovernmental Accounts Payable Not Covered by budgetary resources are amounts due to the Department of the Treasury General Fund. A payable is recorded equal to the SSI Federal benefit overpayments receivable when overpayments are identified and for the SSI Federal benefit overpayment collections as they are received. Refer to Note 3, Non-Entity Assets, for a description of the SSI receivables established for the repayment of SSI benefit overpayments. Also included in the Not Covered Intragovernmental Accounts Payable amount is \$276 million as of September 30, 2005 for SSI State Fees payable to the Department of the Treasury General Fund. The FY 2004 portion of the SSI state fees is included in Intragovernmental Other Liabilities.

Intragovernmental Other Liabilities

Intragovernmental Other Liabilities Covered by budgetary resources includes amounts for employer contributions and payroll taxes and amounts advanced by Federal agencies for goods and services to be furnished. Intragovernmental Other Liabilities Not Covered by budgetary resources includes \$156 million as of September 30, 2004 for SSI State Fees payable to the Department of the Treasury General Fund. It also includes amounts for the Federal Employees' Compensation Act (FECA), administered by DOL. FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. For payment purposes, claims incurred for benefits for SSA employees under FECA are divided into current and non-current portions. Current fiscal year claim amounts to be paid by SSA within two years are the current portion. The funding for the liability will be made from a future appropriation. SSA's current portion of FECA liability is \$53 million as of September 30, 2005 and 2004.

Benefits Due and Payable

Benefits Due and Payable are amounts owed to program recipients that have not yet been paid as of the balance sheet date. Chart 8b shows the amounts for SSA's major programs as of September 30, 2005 and 2004. These

amounts include an estimate for unadjudicated cases that will be payable in the future. Except for the SSI program, the unadjudicated cases are covered by budgetary resources.

	2005	2004
OASI	\$ 39,213	\$ 37,055
DI	22,375	16,048
SSI	2,836	1,757
Sub-Total	64,424	54,860
Less: Intra-agency eliminations	(3,152)	(3,291)
Total	\$ 61,272	\$ 51,569

The estimation methodology used to develop unadjudicated claims for OASDI has been revised substantially as a result of an evaluation of the data used to prepare the estimates. This review resulted in significant revisions to three components of the liability estimates: (1) the allocation of pending cases by type of claim, (2) the average amounts assigned to pending cases expected to be awarded benefits, and (3) the estimated average durations for which a liability will be assigned. As a consequence, the amounts of the estimated OASI, DI, and SSI liabilities have increased from September 30, 2004 to September 30, 2005 significantly beyond what might have been expected based solely on the change in the number of pending cases and the effects of wage and price inflation on OASDI benefit amounts.

The amounts of Benefits Due and Payable for OASI and DI presented in Chart 8b also includes estimated payables related to SDW. Refer to Note 6, Interest and Accounts Receivable. OASI payables are \$331 and \$327 million as of September 30, 2005 and 2004. DI payables are \$4,139 and \$4,516 million as of September 30, 2005 and 2004. In FY 2005, the DI payables have decreased due to SDW cases decreasing by the amount of the discharged liabilities for cases that have been adjudicated. In addition, estimates have decreased as a result of enhancements to the models and sample data used in the estimates.

Chart 8b also shows that as of FY 2005 and 2004, gross Benefits Due and Payable was reduced by \$3,152 and \$3,291 million as an intra-agency elimination. This intra-agency activity results primarily from SDW cases. Refer to Note 6, Interest and Accounts Receivable. Since retroactive payment of the OASI and DI benefits results in an overpayment of SSI benefits, the OASI and DI payables are offset by the SSI overpayment related to SDW. Therefore, these offsets are presented as intra-agency elimination.

Chart 8c shows the estimated net SDW liability due to the public as of September 30, 2005 and 2004.

	2005	2004
Net DI Liability	\$ 4,139	\$ 4,516
Net OASI Receivable	(388)	(355)
Net SSI Receivable	(2,138)	(2,437)
Net Liability Due to the Public	\$ 1,613	\$ 1,724

Accounts Payable

Accounts Payable Not Covered by budgetary resources consists of SSI overpayments due to States and the SSI windfall amounts. States are entitled to any overpayment that SSA expects to collect since they make the actual payments to the beneficiaries. SSI windfall amounts are generated when a SSI recipient is found to be eligible for OASI or DI benefits. Any overlapping payments to the beneficiary made by OASI or DI are paid back to the SSI program, creating the windfall amount. This windfall amount, like the state overpayment is set up as an accounts payable until payment is made to the states.

Other Liabilities

SSA's Other Liabilities Covered by budgetary resources is comprised of accrued payroll, lease liability for purchase contract buildings and unapplied deposit funds. Other Liabilities Not Covered by budgetary resources includes the non-current portion of FECA actuarial liability. The non-current portion of \$285 and \$288 as of September 30, 2005 and 2004 is comprised of claims that will be paid more than one year in the future. This actuarial liability was calculated using historical payment data to project future costs. The remaining portion of Other Liabilities Not Covered by budgetary resources is leave earned but not taken.

Contingent Liabilities

SSA is a party to various class action lawsuits related to benefits paid or payable. These suits may be lost, in whole or in part, in lower courts and/or on appeal and may require a future implementation plan. Any final unfavorable court decisions will be funded from the appropriate trust fund or from the general funds for the SSI program. In the opinion of management and legal counsel, the resolution of the class actions and other claims and lawsuits will not materially affect the financial position or operations of SSA.

9. Operating Expenses

Classification of Operating Expenses by Major Program

Chart 9a displays SSA's operating expenses for each major program. The HI/SMI Trust Funds' shares of SSA's operating expenses, which includes the Medicare Prescription Drug Program, are recorded in Other. In addition to LAE operating expenses, SSA programs incur other operating expenses that are reported on the Statements of Net Cost. Trust Fund Operations include expenses of the Department of the Treasury to assist in managing the OASI and DI Trust Funds. Vocational Rehabilitation includes expenditures of State agencies for vocational rehabilitation of DI and SSI beneficiaries.

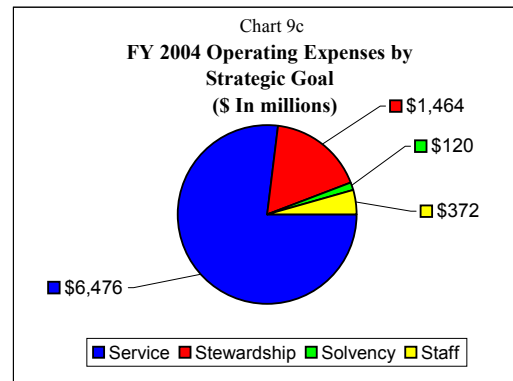
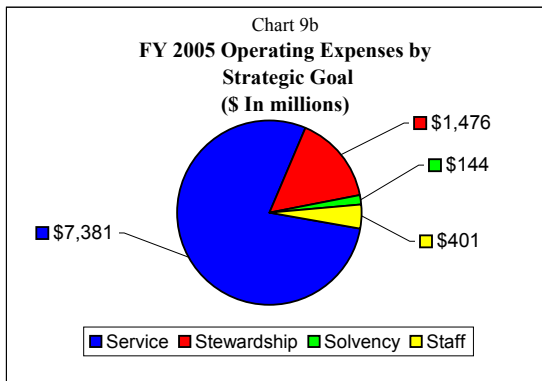
Chart 9a - SSA's Operating Expenses by Major Program as of September 30: (\$ in millions)						
2005						
	LAE SSA	OIG	Trust Fund Operations	Vocational Rehabilitation	Total	
OASI	\$ 2,368	\$ 34	\$ 568	\$ 0	\$ 2,970	
DI	2,239	33	99	48	2,419	
SSI	2,999	0	0	84	3,083	
Other	1,703	26	0	0	1,729	
	<u>\$ 9,309</u>	<u>\$ 93</u>	<u>\$ 667</u>	<u>\$ 132</u>	<u>\$ 10,201</u>	
Chart 9a - SSA's Operating Expenses by Major Program as of September 30:						
2004						
	LAE SSA	OIG	Trust Fund Operations	Vocational Rehabilitation	Total	
OASI	\$ 2,209	\$ 29	\$ 299	\$ 0	\$ 2,537	
DI	2,089	28	51	53	2,221	
SSI	2,798	0	0	74	2,872	
Other	1,257	22	0	0	1,279	
	<u>\$ 8,353</u>	<u>\$ 79</u>	<u>\$ 350</u>	<u>\$ 127</u>	<u>\$ 8,909</u>	

Classification of Operating Expenses by Strategic Goal

SSA's Annual Performance Plan (APP) is characterized by broad-based strategic goals that are supported by the entire agency. The four goals are:

- Service -- To deliver high-quality, citizen-centered service;
- Stewardship -- To ensure superior stewardship of Social Security programs and resources;
- Solvency -- To achieve sustainable solvency and ensure Social Security programs meet the needs of current and future generations; and
- Staff -- To strategically manage and align staff to support SSA's mission.

Chart 9b and 9c exhibit distribution of FY 2005 and 2004 LAE operating expenses to APP Strategic goals.



10. Exchange Revenues

Revenue from exchange transactions is recognized when goods and services are provided. The goods and services provided are priced so that charges do not exceed the Agency's cost. Total exchange revenues are \$362 and \$339 million for the years ended September 30, 2005 and 2004. SSA exchange revenue primarily consists of fees collected to administer SSI State Supplementation. SSA has agreements with 22 States and the District of Columbia to administer some or all of the States' supplement to Federal SSI benefits. SSA earned administration fee revenue in the amount of \$276 and \$273 million for the years ended September 30, 2005 and 2004. In addition, SSA earned \$86 and \$66 million for the years ended September 30, 2005 and 2004 in other exchange revenue.

11. Costs and Exchange Revenue Classifications

Chart 11 displays costs and exchange revenue by Intragovernmental and Public classifications. Intragovernmental costs are related to activity with Federal entities, which include: payments for processing benefit and administrative checks, employee benefits and imputed financing costs. Refer to Note 13, Imputed Financing for additional information. Public costs are related to activity with non-Federal entities, which include: OASI and DI benefit payments, SSI payments, and payroll and other administrative costs. Intragovernmental exchange revenue is collections received from Federal entities for services provided which includes reimbursements from the United States Department of Agriculture for the Food Stamp Program. Public exchange revenue is collections received from non-Federal entities for services provided which includes fees for administering the states portion of SSI payments. The Other program, primarily reports the costs and revenues that SSA incurs in administering a portion of the Medicare program.

Chart 11- Costs and Exchange Revenue Classifications as of September 30:
(\$ in millions)

	2005			2004		
	Gross Cost	Less Exchange Revenue	Net Cost	Gross Cost	Less Exchange Revenue	Net Cost
OASI Program						
Intragovernmental	\$ 1,220	\$ (18)	\$ 1,202	\$ 841	\$ (15)	\$ 826
Public	434,188	(4)	434,184	414,170	(1)	414,169
OASI Subtotal	435,408	(22)	435,386	415,011	(16)	414,995
DI Program						
Intragovernmental	718	(17)	701	573	(14)	559
Public	91,432	(3)	91,429	76,817	(1)	76,816
DI Subtotal	92,150	(20)	92,130	77,390	(15)	77,375
SSI Program						
Intragovernmental	821	(24)	797	691	(19)	672
Public	38,486	(279)	38,207	37,397	(274)	37,123
SSI Subtotal	39,307	(303)	39,004	38,088	(293)	37,795
Other Program						
Intragovernmental	374	(10)	364	314	(9)	305
Public	1,371	(7)	1,364	978	(6)	972
Other Subtotal	1,745	(17)	1,728	1,292	(15)	1,277
Total	\$568,610	\$ (362)	\$568,248	\$531,781	\$ (339)	\$531,442

12. Tax Revenues

Employment tax revenues are estimated monthly by the Department of the Treasury based on SSA's quarterly estimate of taxable earnings. These estimates are used by the Department of the Treasury to credit the Social Security trust funds with tax receipts received during the month. Treasury makes adjustments to the amounts previously credited to the trust funds based on actual wage data certified quarterly by SSA.

As required by current law, the Social Security trust funds are due the total amount of employment taxes payable regardless of whether they have been collected. These estimated amounts are subject to adjustments for wages that were previously unreported, employers misunderstanding the wage reporting instructions, businesses terminating operations during the year, or errors made and corrected with either the Internal Revenue Service or SSA. Revenues to the trust funds are reduced for excess employment taxes, which are refunded by offset against income taxes. Other tax revenues include FICA/SECA income tax credits. Chart 12 reflects the amounts for estimated employment taxes, adjustments for actual taxes payable and refunds, as well as other tax revenues.

	2005	2004
Estimated Employment Taxes Credited to SSA	\$ 591,057	\$ 553,647
Adjustments	(2,641)	(8,302)
Total Tax Revenues	\$ 588,416	\$ 545,345

13. Imputed Financing

The Consolidated Statements of Net Cost recognizes post-employment benefit expenses of \$829 and \$782 million for the years ended September 30, 2005 and 2004 as a portion of operating expenses. The expense represents SSA's share of the current and estimated future outlays for employee pensions, life and health insurance. The Consolidated Statements of Changes in Net Position recognizes an imputed financing source of \$464 and \$452 million for the years ended September 30, 2005 and 2004 that represents annual service cost not paid by SSA.

14. Budgetary Resources

Appropriations Received

The Combined Statements of Budgetary Resources discloses Appropriations Received of \$754,724 and \$699,908 million for the years ended September 30, 2005 and 2004. Appropriations Received on the Consolidated Statements of Changes in Net Position are \$57,874 and \$52,536 million for the same years. The differences of \$696,850 and \$647,372 million represent appropriated trust fund receipts in OASI and DI. The Consolidated Statements of Changes in Net Position reflects new appropriations received during the year; however, those amounts do not include dedicated and earmarked receipts in the OASI and DI Trust Funds.

Appropriations Received for PTF are recorded based on warrants received from the general fund and presented as Other in the financial statements. These amounts are transferred to the Bureau of Public Debt where they are also

recorded as Appropriations Received in the OASI and DI Trust Funds. Since OASI and DI Trust Fund activity is combined with Other on SSA's Combined Statements of Budgetary Resources, Appropriations Received for PTF are duplicated. This is in compliance with OMB's directive to have the Combined Statements of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133). These amounts are also included on the Consolidated Statements of Changes in Net Position for Other in Appropriations Received.

Apportionment Categories of Obligations Incurred

OMB usually distributes budgetary resources in an account or fund. Apportionments by fiscal quarters are classified as Category A. Other apportionments such as activities, projects, objects or a combination of these categories are classified as Category B. Chart 14a reflects the amounts of direct and reimbursable obligations incurred against amounts apportioned under Category A, Category B, and Exempt from Apportionment. The addition of Category A consists of Medicare Reform and Medicare Appeals distributed quarterly in the FY 2005 Budget.

	2005			2004		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Category A	\$ 427	\$ 0	\$ 427	0	0	0
Category B	589,611	4,546	594,157	\$ 543,416	4,231	\$ 547,647
Exempt	8,990	0	8,990	13,147	0	13,147
Total	\$ 599,028	\$ 4,546	\$ 603,574	\$ 556,563	\$ 4,231	\$ 560,794

Permanent Indefinite Appropriation

SSA has three Permanent Indefinite Appropriations: OASI and DI Trust Funds and Title VIII. The OASI Trust Fund provides monetary assistance and protection against the loss of earnings due to retirement or death. The DI Trust Fund provides monetary assistance and protection against the loss of earnings due to a wage earner's disability. The authority remains available as long as there are qualified beneficiaries.

The Title VIII Program was established as part of Public Law 106-169, Foster Care Independence Act of 1999. It provides special benefits to World War II Philippine veterans receiving SSI, who wanted to spend their remaining years outside the United States. Prior to the passage of PL 106-169, their SSI benefits would terminate the month after the veterans leave the U.S. Under the new law, these veterans will receive 75 percent of their benefits. The authority remains available as long as there are qualified recipients.

Legal Arrangements Affecting Use of Unobligated Balances

All trust fund receipts collected in the FY are reported as new budget authority on the Combined Statements of Budgetary Resources. As beneficiaries pass the various entitlement tests prescribed by the Social Security Act, benefit payments and other outlays are obligated in the trust funds. The portion of trust fund receipts collected in the FY that exceeds the amount needed to pay benefits and other valid obligations in that FY is precluded by law from being available for obligation. At the end of the FY, this excess of receipts over obligations is reported as Temporarily Not Available Pursuant to Public Law in the SBR; therefore, it is not classified as budgetary resources in the FY collected. However, all such excess receipts are assets of the trust funds and currently become available for obligation as needed; therefore, they are not considered non-entity assets. Chart 14b displays trust fund activities and balances. The entire trust fund balances, ending are included in Investments on the Consolidated Balance Sheets.

Chart 14b - Trust Fund Activities as of September 30:
(\$ in millions)

	2005	2004
Trust Fund Balance, Beginning	\$ 1,578,149	\$ 1,426,913
Receipts	696,858	647,363
Less Obligations	531,708	496,127
Excess of Receipts Over Obligations	165,150	151,236
Trust Fund Balance, Ending	\$ 1,743,299	\$ 1,578,149

Explanation of Material Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

There are no material differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government.

15. Statement of Financing Disclosures

Explanation of the Relationship Between Liabilities Not Covered by Budgetary Resources on the Balance Sheet and the Change in Components Requiring or Generating Resources in Future Periods

Liabilities Not Covered by Budgetary Resources of \$11,533 and \$7,735 million as of September 30, 2005 and 2004, represent SSI receivables and collections owed to Treasury, non-current portion of FECA liability to DOL and employees, benefits due and payable for SSI adjudicated and unadjudicated cases, and leave earned but not taken (See Note 8, Liabilities). Only a portion of these liabilities will require or generate resources in future periods. The amounts reported on the Consolidated Statements of Financing, as Total Components of Net Cost of Operations, that will require or Generate Resources in Future Periods of \$1,025 and \$179 million for the years ended September 30, 2005 and 2004, represent the change in SSA expenses for adjudicated and unadjudicated SSI benefits due and payable and leave earned but not taken.

16. Recovery of Medicare Premiums

SSA identified a systemic and recurring error in the process for recovering certain transfers to CMS of Medicare Part B premiums. Beneficiaries of OASDI may elect to have SSA withhold their monthly Medicare premium. In these cases, SSA acts as an intermediary by collecting Medicare premiums through withholdings from social security payments. The premiums are then transferred to CMS. If notification of a beneficiary's death is not received timely, payments may be disbursed after a beneficiary's death and Medicare premium transfers made to CMS. SSA has procedures in place to recover overpayments made to beneficiaries, but prior to December 2002, has not generally had procedures to recover Medicare premiums transferred to CMS. SSA estimates that approximately \$800 million of premiums were transferred to CMS since the inception of the Medicare program through November 2002, for periods after the death of a beneficiary. SSA intends to pursue the repayment from the Department of Health and Human Services (HHS). SSA and HHS are currently negotiating the resolution of this matter. Due to the uncertainty of the recovery, SSA has not recorded this in its financial statements as of September 30, 2005.

Other Accompanying Information: Balance Sheet by Major Program
as of September 30, 2005

Assets	Dollars in Millions						
	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
Intragovernmental:							
Fund Balance with Treasury	\$ (384)	\$ (73)	\$ 2,915	\$ 2,880	\$ 32	\$ 0	\$ 5,370
Investments *	1,616,159	193,263	0	0	0	0	1,809,422
Interest Receivable, Net	20,934	2,538	0	0	0	0	23,472
Accounts Receivable, Net	2	1	0	0	2,079	(1,775)	307
Total Intragovernmental	1,636,711	195,729	2,915	2,880	2,111	(1,775)	1,838,571
Accounts Receivable, Net	1,965	2,480	5,530	0	159	(3,152)	6,982
Property, Plant and Equip., Net	0	0	0	0	1,419	0	1,419
Other	0	0	0	0	9	0	9
Total Assets	\$ 1,638,676	\$ 198,209	\$ 8,445	\$ 2,880	\$ 3,698	\$ (4,927)	\$ 1,846,981
Liabilities							
Intragovernmental:							
Accrued RRI	\$ 3,348	\$ 294	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,642
Accounts Payable	589	398	6,272	2,824	1	(1,775)	8,309
Other	0	0	0	0	108	0	108
Total Intragovernmental	3,937	692	6,272	2,824	109	(1,775)	12,059
Benefits Due and Payable	39,213	22,375	2,836	0	0	(3,152)	61,272
Accounts Payable	1	4	293	1	95	0	394
Other	2	1	13	2	876	0	894
Total	43,153	23,072	9,414	2,827	1,080	(4,927)	74,619
Net Position							
Unexpended Appropriations	0	0	1,376	53	17	0	1,446
Cumulative Results of Operations	1,595,523	175,137	(2,345)	0	2,601	0	1,770,916
Total Net Position	1,595,523	175,137	(969)	53	2,618	0	1,772,362
Total Liabilities and Net Position	\$ 1,638,676	\$ 198,209	\$ 8,445	\$ 2,880	\$ 3,698	\$ (4,927)	\$ 1,846,981

* For administrative expediency, it is often necessary for one trust fund to initially incur obligations and expenses on behalf of another trust fund. The Social Security Act provides for this administrative policy, but requires SSA to ensure that appropriate adjustments are made between the trust funds so that each has borne the proper costs.

Near the close of FY 2005, SSA determined that the DI Trust Fund had not been reimbursed for expenses initially incurred by the DI Trust Fund on behalf of the OASI Trust Fund. At this time, SSA has not been able to develop a reasonable estimate for the cumulative liability due from the OASI Trust Fund to the DI Trust Fund. When SSA is able to determine a reasonable estimate for this liability, the appropriate transfer will be made from the OASI Trust Fund to the DI Trust Fund.

Other Accompanying Information: Schedule of Net Cost for the Year Ended
September 30, 2005

	Program	LAE	Total
OASI Program			
Benefit Payments	\$ 432,438	\$ 0	\$ 432,438
Operating Expenses	568	2,402	2,970
Total Cost of OASI Program	433,006	2,402	435,408
Less: Exchange Revenues	0	22	22
Net Cost of OASI Program	433,006	2,380	435,386
DI Program			
Benefit Payments	89,731	0	89,731
Operating Expenses	147	2,272	2,419
Total Cost of DI Program	89,878	2,272	92,150
Less: Exchange Revenues	0	20	20
Net Cost of DI Program	89,878	2,252	92,130
SSI Program			
Benefit Payments	36,224	0	36,224
Operating Expenses	84	2,999	3,083
Total Cost of SSI Program	36,308	2,999	39,307
Less: Exchange Revenues	276	27	303
Net Cost of SSI Program	36,032	2,972	39,004
Other			
Benefit Payments	16	0	16
Operating Expenses	0	1,729	1,729
Total Cost of Other	16	1,729	1,745
Less: Exchange Revenues	5	12	17
Net Cost of Other	11	1,717	1,728
Total Net Cost			
Benefit Payments	558,409	0	558,409
Operating Expenses	799	9,402	10,201
Total Cost	559,208	9,402	568,610
Less: Exchange Revenues	281	81	362
Total Net Cost	\$ 558,927	\$ 9,321	\$ 568,248

Other Accompanying Information: Schedule of Changes in Net Position for the Year Ended September 30, 2005

(Dollars in Millions)				
	OASI	DI	SSI	
	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations	Unexpended Appropriations
Net Position, Beginning Balance	\$ 1,433,278	\$ 170,598	\$ (1,325)	\$ 1,414
Budgetary Financing Sources (other than Exchange Revenues)				
Appropriations Received				41,309
Other Adjustments	0	0	0	0
Appropriations Used	0	0	41,347	(41,347)
Tax Revenues	502,998	85,418	0	
Interest Revenues	82,821	10,173	0	
Transfers-In/Out				
Trust Fund Draws and Other - In	15,349	1,171	0	
Trust Fund Draws and Other - Out	(2,472)	(2,007)	(6,335)	
Railroad Retirement Interchange	(3,461)	(385)	0	
Total Transfers-In/Out	9,416	(1,221)	(6,335)	
Other Budgetary Financing Sources	16	47	0	
Other Financing Sources				
Transfers-In/Out	0	0	0	
Imputed Financing Sources	0	0	0	
Total Financing Sources	595,251	94,417	35,012	(38)
Net Cost of Operations	433,006	89,878	36,032	
Net Change	162,245	4,539	(1,020)	(38)
Ending Balances	\$ 1,595,523	\$ 175,137	\$ (2,345)	\$ 1,376

(Dollars in Millions)						
Other		LAE		Intra-Agency Eliminations	Consolidated	
Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Cumulative Results of Operations	Unexpended Appropriations
\$ 0	\$ 59	\$ 2,652	\$ 16	\$ 0	\$ 1,605,203	\$ 1,489
	16,539		26			57,874
0	(13)	0	0	0	0	(13)
16,532	(16,532)	25	(25)	0	57,904	(57,904)
0		0		0	588,416	
0		0		0	92,994	
2,821		8,778		(26,830)	1,289	
(16,521)		0		26,830	(505)	
0		0		0	(3,846)	
(13,700)		8,778		0	(3,062)	
0		0		0	63	
(2,821)		3		0	(2,818)	
0		464		0	464	
11	(6)	9,270	1	0	733,961	(43)
11		9,321		0	568,248	
0	(6)	(51)	1	0	165,713	(43)
\$ 0	\$ 53	\$ 2,601	\$ 17	\$ 0	\$ 1,770,916	\$ 1,446

Other Accompanying Information: Schedule of Financing for the Year Ended September 30, 2005

	(Dollars in Millions)					
	OASI	DI	SSI	Other	LAE	Consolidated
Resources Used to Finance Activities:						
Budgetary Resources Obligated						
Obligations Incurred	\$ 438,945	\$ 92,763	\$ 45,963	\$ 16,537	\$ 9,366	\$ 603,574
Less: Offsetting Collections	0	0	(4,621)	(5)	(9,095)	(13,721)
Obligations Net of Offsetting Collections	438,945	92,763	41,342	16,532	271	589,853
Less: Offsetting Receipts	(15,356)	(1,200)	(276)	(2,821)	0	(19,653)
Net Obligations	423,589	91,563	41,066	13,711	271	570,200
Other Resources						
Imputed Financing	0	0	0	0	464	464
Other	0	0	(276)	0	0	(276)
Net Other Resources Used to Finance Activities	0	0	(276)	0	464	188
Total Resources Used to Finance Activities	423,589	91,563	40,790	13,711	735	570,388
Resources Not Part of the Net Cost of Operations:						
Change in Budgetary Resources Obligated, Not Yet Provided	0	(9)	(1)	0	6	(4)
Resources That Fund Expenses Recognized In Prior Periods	(115)	(375)	(221)	0	(3)	(714)
Budgetary Offsetting Collections And Receipts That Do Not Affect Net Cost of Operations	15,356	1,200	276	2,821	0	19,653
Resources That Fund Capitalized Costs	0	0	0	0	(399)	(399)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	(5,824)	(2,501)	(5,831)	(16,521)	8,777	(21,900)
Total Resources Not Part of the Net Cost of Operations	9,417	(1,685)	(5,777)	(13,700)	8,381	(3,364)
Total Resources Used to Finance the Net Cost of Operations	433,006	89,878	35,013	11	9,116	567,024
Components of the Net Cost of Operations That Will Not Require of Generate Resources in the Current Period:						
Components Requiring or Generating Resources in Future Periods						
Increase in Annual Leave	0	0	0	0	6	6
Other	0	0	1,019	0	0	1,019
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	0	0	1,019	0	6	1,025
Components Not Requiring or Generating Resources						
Depreciation and Amortization	0	0	0	0	211	211
Other	0	0	0	0	(12)	(12)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	0	0	0	0	199	199
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in Current Period	0	0	1,019	0	205	1,224
Net Cost of Operations	\$ 433,006	\$ 89,878	\$ 36,032	\$ 11	\$ 9,321	\$ 568,248

Required Supplementary Information: Schedule of Budgetary Resources
as of September 30, 2005

	(Dollars in Millions)					
	OASI	DI	SSI	Other	LAE	Combined
Budgetary Resources Made Available						
Budget Authority						
Appropriations Received	\$ 600,082	\$ 96,776	\$ 41,301	\$ 16,539	\$ 26	\$ 754,724
Net transfers (+/-)	(109)	109	0	0	0	0
Unobligated Balances						
Beginning of Period	0	0	1,282	53	783	2,118
Net transfers (+/-)	0	0	2	0	(2)	0
Spending Authority from Offsetting Collections						
Earned						
Collected	0	0	4,514	5	77	4,596
Change in Receivable	0	0	4	0	5	9
Transfers from Trust Funds						
Collected	0	0	0	0	8,887	8,887
Anticipated	0	0	0	0	(108)	(108)
Subtotal	0	0	4,518	5	8,861	13,384
Recoveries of Prior Year Obligations	0	0	103	0	234	337
Temporarily Not Available Pursuant to Public Law	(161,028)	(4,122)	0	0	0	(165,150)
Permanently Not Available	0	0	0	(7)	0	(7)
Total Budgetary Resources	\$ 438,945	\$ 92,763	\$ 47,206	\$ 16,590	\$ 9,902	\$ 605,406
Status of Budgetary Resources:						
Obligations Incurred						
Direct	\$ 438,945	\$ 92,763	\$ 41,453	\$ 16,532	\$ 9,335	\$ 599,028
Reimbursable	0	0	4,510	5	31	4,546
Subtotal	438,945	92,763	45,963	16,537	9,366	603,574
Unobligated Balances						
Apportioned	0	0	1,140	22	404	1,566
Unobligated Balances - Not Available	0	0	103	31	132	266
Total Status of Budgetary Resources	\$ 438,945	\$ 92,763	\$ 47,206	\$ 16,590	\$ 9,902	\$ 605,406
Relationship of Obligations to Outlays:						
Obligated Balances - Beginning of the Period	\$ 41,038	\$ 16,789	\$ 1,117	\$ 1	\$ (681)	\$ 58,264
Obligated Balance - End of the Period						
Accounts Receivable	0	0	(12)	0	(2,079)	(2,091)
Undelivered Orders	0	13	60	0	1,279	1,352
Accounts Payable	43,153	23,071	1,340	3	296	67,863
Outlays:						
Disbursements	436,830	86,468	45,585	16,535	9,059	594,477
Collections	0	0	(4,514)	(6)	(8,964)	(13,484)
Subtotal	436,830	86,468	41,071	16,529	95	580,993
Less: Offsetting Receipts	15,356	1,200	276	2,821	0	19,653
Net Outlays	\$ 421,474	\$ 85,268	\$ 40,795	\$ 13,708	\$ 95	\$ 561,340

Required Supplementary Information: Intragovernmental Amounts
as of September 30, 2005

(Dollars in Millions)				
	Fund Balance with Treasury	Investments	Interest Receivable, Net	Accounts Receivable, Net
Intragovernmental Assets				
Department of Health and Human Services				\$ 298
Department of the Treasury	\$ 5,370	\$ 1,809,422	\$ 23,472	
Other				9
Total Intragovernmental Assets	\$ 5,370	\$ 1,809,422	\$ 23,472	\$ 307
Intragovernmental Liabilities				
	Accrued Railroad Retirement Interchange	Accounts Payable	Other Liabilities	
Department of Labor			\$ 56	
Department of the Treasury, General Fund		\$ 8,308		
Office of Personnel Management			26	
Railroad Retirement Board	\$ 3,642			
Other		1	26	
Total Intragovernmental Liabilities	\$ 3,642	\$ 8,309	\$ 108	
Intragovernmental Revenues:				
	Non-Exchange Revenue			
	Transfers-In	Transfers-Out		
Department of the Treasury, General Fund	\$ 50	\$ 502		
Railroad Retirement Board		3,846		
Department of Health and Human Services	1,239	3		
Total Intragovernmental Revenues:	\$ 1,289	\$ 4,351		