



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
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**U.S. Government Releases FY 2001 Financial Report  
Importance of Financial Reporting Highlighted**

The Department of the Treasury and the Office of Management and Budget (OMB) today released the FY 2001 Financial Report of the U.S. Government, containing the government's consolidated financial statements.

The Financial Report discloses the full extent of the assets, liabilities, costs and commitments that result from the government's operations. These include the disposition of more than \$2 trillion in revenue and \$1.9 trillion in outlays, as well as the government's extensive stewardship responsibilities and commitments (e.g., the Social Security program).

The report presents financial information that the annual budget, which is presented largely on a cash basis, does not include, providing a more complete depiction of the government's finances. The financial statements of the Federal Government are presented on an accrual basis in accordance with Generally Accepted Accounting Principles.

"This year's report, in particular the disclosure of actuarial changes, is an important step in our efforts to provide a more transparent picture of the government's financial operations and position." said Treasury Under Secretary for Domestic Finance Peter R. Fisher.

For example, a new law requiring expanded military retiree health benefits was enacted last year, increasing the government's liability for post-retirement health benefits by almost \$300 billion. This caused the liability for federal employee (civilian and military) pension and other post retirement benefits to exceed the federal debt held by the public as the government's largest liability. The effect of this law and other actuarial changes are also the principal reasons the Financial Report shows the government with an FY 2001 deficit of \$514.8 billion, compared with the budget's FY 2001 \$127 billion operating surplus.

The General Accounting Office was unable to express an opinion on the reliability of this year's statements primarily as a result of financial management weaknesses at the Department of Defense and the inability to track transactions among government entities. To address these and other weaknesses, the President's Management Agenda includes a major initiative to improve financial management. The Administration has taken a number of steps, including accelerating the delivery of audited statements, implementing quarterly and comparative reporting, and integrating performance and financial information, that are designed to achieve the goals of accurate and timely financial information.

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"We are not satisfied with publication of this report six months after the end of the fiscal year," said OMB Controller Mark Everson. "To better align our practices with those in the private sector, we are accelerating the deadline for financial reporting so that by FY 2004 we will produce a consolidated government report on December 15, in time for the Administration and Congress to use the information to make budgetary decisions."

In addition to its efforts to improve financial management in the Executive Branch, the President has provided Congress with draft legislation, the Managerial Flexibility Act, to strengthen budgeting for full program costs by funding the employer's share of the annual cost of all federal pensions and retiree health benefits from the salary and expense accounts of the agencies where employees work.

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