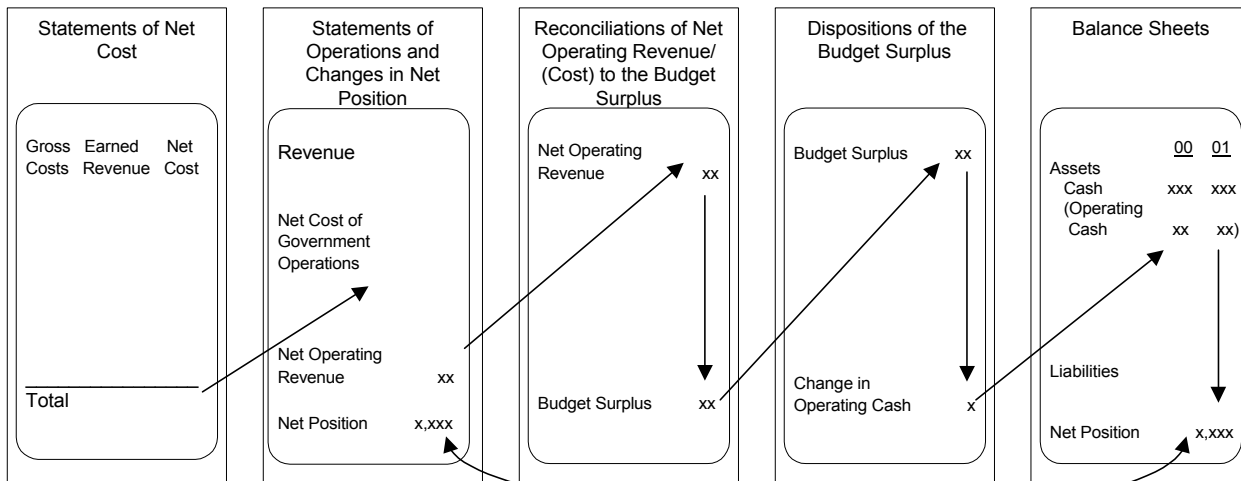


# Financial Statements of the United States Government for the Years Ended September 30, 2001 and September 30, 2000

The following chart represents the order and flow of the data in the Financial Statements for fiscal 2001 and 2000. Two new statements are introduced this year—the Reconciliations of Net Operating Revenue/(Cost) to the Budget Surplus (Unaudited) and the Dispositions of the Budget Surplus (Unaudited).



## Statements of Net Cost

These Statements present the net cost of fiscal 2001 and 2000 Government operations. For the purposes of this document, “Government” refers to the United States Government. We have changed the format from the previous years’ presentations. The new format was adopted to provide a more direct relationship to the departments and other significant entities that comprise the *Financial Report of the United States Government (Financial Report)*. It categorizes costs by major departments, other Chief Financial Officer (CFO) Act entities, and other significant entities. It presents costs in much the same way as does the budget, except that costs are divided between the corresponding departments and entities mentioned above, based on generally accepted accounting principles (also known as GAAP). Interest on debt held by the public is presented separately.

These Statements contain the following three components:

- Gross Cost – This is the full cost of all the departments and entities. These costs may be traced directly, assigned on a cause-and-effect basis, or reasonably allocated to the corresponding departments and entities.
- Earned Revenue – This is revenue the Government earned by providing goods and services to the public at a price.
- Net Cost – This is computed by subtracting “Earned Revenue” from “Gross Cost.”

Because of their specific functions, most of the costs originally associated with the General Services Administration (GSA) and the Office of Personnel Management (OPM) have been allocated to and reflected in the costs of their user agencies. The remaining costs for GSA and OPM on the Statements of Net Cost are the administrative operating costs, the expenses from prior and past costs from plan amendments, and the actuarial gains and losses for these agencies. The interest on the debt held by the public is part of the Department of the Treasury’s (Treasury) responsibilities, but because of its importance, and the dollar amounts, it is reported separately in these statements. Net cost for governmentwide reporting purposes includes central agency allocations, and is net of

intragovernmental eliminations. For this reason, individual agency net cost amounts will not agree with the agency's financial statements.

For further information concerning the mission and organization of the components of the Government of the United States, please refer to the Discussion and Analysis section.

## Statements of Operations and Changes in Net Position

These Statements report the results of Government operations. These include unearned revenues that are generated principally by the Government's sovereign power to tax, levy duties, and assess fines and penalties. These Statements also cover the cost of Government operations, net of revenue earned from the sale of goods and services to the public (earned revenues). It further includes any adjustments and unreconciled transactions that affect the net position.

### Revenue

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

"Miscellaneous Earned Revenues" consist of earned revenues received from the public with virtually no associated cost. This category includes revenues generated by the Federal Communications Commission from the sale of spectrum licenses to promote open-air communication services to the public (spectrum auctions). It also includes rents and royalties on the Outer Continental Shelf Lands resulting from the leasing and development of mineral resources on public lands.

### Net Cost of Government Operations

The "Net Cost of Government Operations" (which is gross cost less earned revenue) flows through from the Statement of Net Cost.

### Unreconciled Transactions

"Unreconciled Transactions" are adjustments needed to bring the change in net position into balance due to unreconciled and unaccounted for differences in the consolidated financial statements. Please refer to Note 16—Unreconciled Transactions Affecting the Change in Net Position for detailed information.

### Net Position, Beginning of Period

The "Net Position, Beginning of Period" reflects the net position reported on the prior year's Balance Sheet as of the end of that fiscal year.

### Prior Period Adjustments

"Prior Period Adjustments" are revisions to adjust the beginning net position. Refer to Note 17—Prior Period Adjustments for detailed information.

### Net Position, End of Period

This amount reflects the net position as of the end of the fiscal year.

*The Federal Accounting Standards Advisory Board (FASAB) is studying what financial information should be presented in the Government's financial statements to reconcile the net operating revenue (cost) in such statements with the unified budget results in the President's Budget and whether additional information may be useful. Anticipating the disclosures that may be required, this Financial Report includes the following two financial statements: Reconciliations of Net Operating Revenue/(Cost) to the Budget Surplus (Unaudited) and Dispositions of the Budget Surplus (Unaudited).*

## Reconciliations of Net Operating Revenue/(Cost) to the Budget Surplus (Unaudited)

These Statements report the reconciliation of the results of operations (net operating revenue/(cost)) on the Statements of Operations and Changes in Net Position to the unified budget surplus in the President's budget.

Receipts and outlays in the President's budget are measured primarily on a cash or cash-equivalent basis and, therefore, differ from the accrued cost-basis measures used in the *Financial Report*. These Statements begin with the results of operations, reported on an accrued cost-basis in the Statements of Operations and Changes in Net Position, and arrives at the unified budget surplus. Reconciling items include accrued items, such as changes in liabilities for military, veteran and civilian benefits, as well as depreciation expense on fixed assets, and changes in environmental liabilities.

## Components of Net Operating Revenue/(Cost) that are Not Part of the Budget Surplus

This information includes the operating components, such as the changes of benefits payable for veterans, military and civilian employees, and the environmental liabilities and depreciation expense, not included in the budget results.

## Components of the Budget Surplus that are Not Part of Net Operating Revenue/(Cost)

This information includes the budget components not included in the operating results because of their long-term nature. These items are typically part of the Balance Sheets only, and are not part of the operating results.

## Dispositions of the Budget Surplus (Unaudited)

These Statements reconcile the unified budget surplus (unaudited) to the change in operating cash during the fiscal year, and explains how the budgetary surplus was used. A budgetary surplus is the result of receipts (revenue) exceeding expenditures during a particular fiscal year.

In depicting how the budget surplus was used, these Statements show that the greatest amount went to repay the debt held by the public. Other transactions also required cash disbursements and are not part of the repayments of the debt. These other transactions, such as the issuance of student loans or premiums on early buyback of public debt, required cash payments and contributed to the use of the surplus. These statements show the differences between accrual and cash budgetary bases, mainly because of timing differences in the financial statements. Other cash includes cash held outside of Treasury. Cash-like items include liquid assets, other than cash, that are based on the U.S. dollar (gold, coinage, etc.)

## Balance Sheets

The Balance Sheets show the Government's assets and liabilities. When combined with Stewardship Information, this information presents a more comprehensive understanding of the Government's financial position. All of the line items on the Balance Sheets are described in the Notes to the Financial Statements. For example, Note 2—Cash and Other Monetary Assets provides information concerning the cash reported in the assets section.

### Assets

Assets included on the Balance Sheets are resources of the Government that remain available to meet future needs. The most significant assets that are reported on the Balance Sheets are property, plant and equipment, inventories, and loans receivable. There are, however, other significant resources available to the Government that extend beyond the assets presented in these Financial Statements. Those resources include Stewardship Assets, including natural resources (see Stewardship Information section), and the Government's sovereign powers to tax, regulate commerce, and set monetary policy.

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

### Liabilities and Net Position

Liabilities are obligations of the Government resulting from prior actions that will require financial resources. The most significant liabilities reported on the Balance Sheets are Federal employee and veteran benefits payable and Federal debt securities held by the public. 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 wide 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 condition 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 insurance 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 Government's responsibilities is provided by the Current Services Assessment, which also can be found in the Stewardship Information section. Presented in accordance with the President's 2003 budget, this information estimates Federal expenditures and receipts for fiscal 2002 to 2007, assuming there are no changes to current law.

The Government has entered into contractual commitments requiring the future use of financial resources and 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 liabilities on the Balance Sheets, but for which there is at least a reasonable possibility that losses have been incurred, are disclosed in Note 18—Commitments and Contingencies.

Because of its sovereign power to tax and borrow, and the country's wide economic base, the Government has unique access to financial resources through generating tax revenues and issuing Federal debt securities. This provides the Government with the ability to meet present obligations and those that are anticipated from future operations and are not reflected in net position.

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## United States Government Statements of Net Cost for the Years Ended September 30, 2001 and September 30, 2000

(In billions of dollars)

	2001			2000		
	Gross Cost	Earned Revenue	Net Cost	Gross Cost	Earned Revenue	Net Cost
Department of Agriculture .....	83.5	11.1	72.4	81.8	9.0	72.8
Department of Commerce .....	7.4	1.2	6.2	11.0	1.1	9.9
Department of Defense .....	776.8	12.6	764.2	393.5	11.3	382.2
Department of Education.....	39.9	4.1	35.8	32.9	3.3	29.6
Department of Energy .....	27.0	5.2	21.8	28.9	4.7	24.2
Department of Health & Human Services .....	459.2	24.7	434.5	410.2	23.0	387.2
Department of Housing & Urban Development .....	34.5	2.4	32.1	36.5	3.1	33.4
Department of Interior.....	11.7	0.3	11.4	13.3	2.9	10.4
Department of Justice.....	26.5	2.3	24.2	27.0	1.9	25.1
Department of Labor.....	42.3	-	42.3	32.8	1.2	31.6
Department of State .....	10.0	1.0	9.0	9.4	0.5	8.9
Department of Transportation .....	63.6	0.3	63.3	48.9	0.2	48.7
Department of the Treasury .....	60.0	4.4	55.6	65.4	6.3	59.1
Interest on debt held by the public .....	217.7	-	217.7	230.2	-	230.2
Department of Veteran Affairs .....	196.0	2.7	193.3	118.6	2.2	116.4
Agency for International Development .....	7.1	0.1	7.0	6.9	-	6.9
Environmental Protection Agency .....	8.4	0.5	7.9	8.3	0.3	8.0
Federal Emergency Management Agency .....	6.3	1.6	4.7	4.7	1.6	3.1
General Services Administration .....	0.1	0.3	(0.2)	0.3	0.3	-
National Aeronautics & Space Administration .....	9.2	0.1	9.1	11.7	0.1	11.6
National Science Foundation .....	3.7	-	3.7	3.5	-	3.5
U.S. Nuclear Regulatory Commission.....	0.6	0.4	0.2	0.6	0.4	0.2
Office of Personnel Management.....	0.2	-	0.2	0.2	-	0.2
Small Business Administration .....	0.8	0.2	0.6	0.9	0.3	0.6
Social Security Administration.....	465.3	0.3	465.0	448.7	3.9	444.8
Export-Import Bank of the United States.....	0.8	0.3	0.5	1.1	1.2	(0.1)
Federal Communications Commission.....	14.9	6.7	8.2	1.4	5.7	(4.3)
Federal Deposit Insurance Corporation .....	3.1	0.5	2.6	1.4	(0.5)	1.9
National Credit Union Administration .....	0.3	0.4	(0.1)	0.3	0.1	0.2
Pension Benefit Guaranty Corporation.....	2.3	0.8	1.5	0.6	0.8	(0.2)
Railroad Retirement Board.....	9.0	-	9.0	9.0	-	9.0
Tennessee Valley Authority.....	11.8	6.9	4.9	7.6	6.7	0.9
United States Postal Service.....	86.2	65.6	20.6	92.0	64.5	27.5
All other entities .....	19.6	3.0	16.6	17.7	0.8	16.9
Total.....	<u>2,705.8</u>	<u>160.0</u>	<u>2,545.8</u>	<u>2,157.3</u>	<u>156.9</u>	<u>2,000.4</u>

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

**United States Government  
Statements of Operations and Changes in Net Position  
for the Years Ended September 30, 2001 and September 30, 2000**

(In billions of dollars)	2001	2000
<b>Revenue:</b>		
Individual income tax and tax withholdings .....	1,663.6	1,635.2
Corporation income taxes .....	147.9	204.3
Unemployment taxes .....	26.7	26.6
Excise taxes .....	67.3	69.3
Estate and gift taxes .....	28.3	28.9
Customs duties .....	18.7	19.4
Other taxes and receipts .....	48.9	56.3
Miscellaneous earned revenues .....	12.3	4.8
Total revenue .....	2,013.7	2,044.8
<b>Less net cost of Government operations</b> .....	<b>2,545.8</b>	<b>2,000.4</b>
Unreconciled transactions affecting the change in net position (Note 16) .....	17.3	(4.8)
<b>Net operating revenue/(cost)</b> .....	<b>(514.8)</b>	<b>39.6</b>
<b>Net position, beginning of period</b> .....	<b>(5,945.4)</b>	<b>(6,026.2)</b>
Prior period adjustments (Note 17) .....	1.4	41.2
Net operating revenue/(cost) .....	(514.8)	39.6
<b>Net position, end of period</b> .....	<b>(6,458.8)</b>	<b>(5,945.4)</b>

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

**United States Government**  
**Reconciliations of Net Operating Revenue/(Cost) to the Budget Surplus**  
**for the Years Ended September 30, 2001 and September 30, 2000 (Unaudited)**

(In billions of dollars)	2001	2000
<b>Net operating revenue/(cost)</b> .....	(514.8)	39.6
<i>Components of net operating revenue/(cost) that is not part of the budget surplus:</i>		
<b>Increase in Liability for Military Employee Benefits:</b>		
Increase in military pension liabilities .....	17.8	28.9
Increase/(decrease) increase in military health liabilities .....	388.6	(3.8)
Increase in other military benefits .....	0.4	14.5
Increase in liability for military employee benefits .....	406.8	39.6
<b>Increase in Veteran Compensation and Burial Benefits:</b>		
Increase in liability for veterans .....	115.2	61.3
Increase in liability for survivors .....	24.1	8.2
Decrease in liability for burial benefits .....	-	(0.1)
Increase in liability for veterans compensation .....	139.3	69.4
<b>Increase in Liability for Civilian Employee Benefits:</b>		
Increase in civilian pension liabilities .....	41.0	46.7
Increase in civilian health liabilities .....	7.2	18.3
Increase/(decrease) in other civilian benefits .....	1.9	(9.8)
Increase in liability for civilian employee benefits .....	50.1	55.2
<b>Increase in Environmental Liabilities:</b>		
Increase in energy's environmental liabilities .....	4.1	3.6
Increase in defense's environmental liabilities .....	0.1	15.1
Increase in all other's environmental liabilities .....	1.5	0.9
Increase in environmental liabilities .....	5.7	19.6
Depreciation expense .....	21.4	15.4
Increase in benefits due and payable .....	8.1	4.0
Decrease in taxes receivable .....	2.2	(0.6)
Increase in other liabilities .....	13.1	6.0
Prior period adjustments .....	(1.4)	1.2
Premium on early buyback of public debt .....	10.7	5.5
Seigniorage and sale of gold .....	(1.3)	(2.3)
Increase in accounts payable .....	4.7	5.2
<i>Components of the budget surplus that are not part of net operating revenue/(cost):</i>		
<b>Capitalized Fixed Assets:</b>		
Department of Defense .....	(11.1)	(12.0)
Civilian agencies .....	(23.3)	(19.6)
Total capitalized fixed assets .....	(34.4)	(31.6)
(Increase)/decrease in accounts receivable .....	(1.9)	2.7
Decrease in inventory .....	1.4	(11.9)
Increase in other assets .....	(3.7)	(5.4)
Principal repayments of precredit reform loans .....	19.9	24.0
Net amount of all other differences .....	1.1	1.3
<b>Budget surplus</b> .....	127.0	236.9

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



**United States Government  
Dispositions of the Budget Surplus  
for the Years Ended September 30, 2001 and September 30, 2000 (Unaudited)**

(In billions of dollars)	<b>2001</b>	<b>2000</b>
Budget receipts .....	1,990.9	2,025.0
Budget outlays .....	<u>(1,863.9)</u>	<u>(1,788.1)</u>
Unified budget surplus .....	127.0	236.9
<b>Debt Held by the Public:</b>		
Repayment of debt held by the public .....	2,620.7	2,233.5
Borrowings from the public .....	<u>(2,530.6)</u>	<u>(2,010.8)</u>
Reduction in public debt outstanding .....	90.1	222.7
<b>Loan Programs:</b>		
Net direct loan activity .....	19.1	21.7
Net guaranteed loan activity .....	<u>4.2</u>	<u>(4.3)</u>
Net activity in loan programs .....	23.3	17.4
<b>Interest Payable:</b>		
Interest paid .....	175.8	184.4
Interest accrued on debt with the public ...	<u>(171.0)</u>	<u>(186.0)</u>
Reduction in interest payable .....	4.8	(1.6)
<b>Premium on early buyback of public debt .....</b>	<b>10.7</b>	<b>5.5</b>
<b>Other Assets:</b>		
Increase in special drawing rights .....	1.6	4.0
Increase in other monetary assets .....	8.2	0.9
Increase/(decrease) in other assets .....	1.6	(1.6)
Increase/(decrease) in loans to the IMF .....	<u>4.7</u>	<u>(6.4)</u>
Net change in other cash and cash- like assets .....	16.1	(3.1)
<b>Other Liabilities:</b>		
(Decrease)/increase in deposit fund balances .....	(4.1)	1.2
(Decrease)/increase in other liabilities ...	<u>(4.1)</u>	<u>0.9</u>
Net change in other cash and cash- like liabilities .....	(8.2)	2.1
Seigniorage and other equity .....	<u>(1.3)</u>	<u>(2.3)</u>
<b>Disposition of surplus .....</b>	<b><u>135.5</u></b>	<b><u>240.7</u></b>
<b>Operating Cash: (Note 2)</b>		
Operating cash balance September 30, 2001 and September 30, 2000 .....	44.2	52.7
Operating cash balance September 30, 2000 and September 30, 1999 .....	<u>(52.7)</u>	<u>(56.5)</u>
Decrease in operating cash balance .....	<u>(8.5)</u>	<u>(3.8)</u>

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

## United States Government Balance Sheets as of September 30, 2001 and September 30, 2000

(In billions of dollars)	2001	2000
<b>Assets:</b>		
Cash and other monetary assets (Note 2).....	108.0	104.9
Accounts receivable (Note 3).....	34.2	32.3
Loans receivable (Note 4).....	208.9	207.6
Taxes receivable (Note 5).....	21.1	23.3
Inventories and related property (Note 6).....	183.8	185.2
Property, plant and equipment (Note 7).....	306.7	298.5
Other assets (Note 8).....	<u>63.4</u>	<u>59.7</u>
Total assets.....	<u>926.1</u>	<u>911.5</u>
<b>Liabilities:</b>		
Accounts payable (Note 9).....	95.7	91.0
Federal debt securities held by the public (Note 10).....	3,319.8	3,409.9
Federal employee and veteran benefits payable (Note 11).....	3,360.8	2,764.7
Environmental and disposal liabilities (Note 12).....	306.8	301.2
Benefits due and payable (Note 13).....	86.0	77.8
Loan guarantee liabilities (Note 4).....	27.7	37.3
Other liabilities (Note 14).....	<u>188.1</u>	<u>175.0</u>
Total liabilities.....	7,384.9	6,856.9
Commitments and contingencies (Note 18)		
<b>Net position</b> .....	<u>(6,458.8)</u>	<u>(5,945.4)</u>
Total liabilities and net position.....	<u>926.1</u>	<u>911.5</u>

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