



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

FOR IMMEDIATE RELEASE
March 31, 2003

2003-07

**U.S. Government Releases FY 2002 Financial Report;
Meeting the Government's Financial Challenges in the 21st Century**

The Department of the Treasury and the Office of Management and Budget (OMB) today released the fiscal year 2002 *Financial Report of the United States Government*. The report provides a comprehensive picture of the government's finances in accordance with Generally Accepted Accounting Principles. The report discloses the full extent of the assets, liabilities, costs and commitments of the Executive Branch and parts of the Legislative and Judicial branches.

For fiscal year 2002, the U.S. Government reported an accrual-based net operating cost of \$365 billion. When this is compared to the \$158 billion budget deficit, based generally on the cash and obligation basis for this year's results, the principal difference is the accrual recognition of veterans benefit costs. The report covers the disposition of more than \$1.9 trillion in revenues and \$2.3 trillion in operating costs, as well as extensive stewardship responsibilities and social insurance commitments, such as Social Security, Medicare, and liabilities including civilian and military retirement pensions and benefits.

"This annual report represents the government's efforts to present an improved and more complete snapshot of the government's financial position," said Treasury Secretary John W. Snow. "I am particularly pleased to see that many agencies, including the Treasury Department, are streamlining procedures to ensure a more efficient submission of year-end information."

In auditing the report, the General Accounting Office (GAO) was unable to express an opinion on the reliability of this year's financial statements. A principal reason for this was significant financial management weaknesses at the Department of Defense (DoD). It should be noted that DoD has been aggressive in improving financial management and has made real progress in streamlining and consolidating financial management systems.

Another problem has been the incomplete intragovernmental eliminations among government entities. Examples of these transactions are sales of services such as rent, telecommunications, and computer networks. Treasury and OMB, the central financial management agencies, have taken a number of steps to address this matter. They have issued new intragovernmental business rules for standardizing inter-agency transactions, which will help correct this situation in future years.

The report can be found at <http://www.fms.treas.gov/fr/index.html>. For more information, please contact Betsy Holahan at Treasury at (202) 622-2960 or OMB Communications at (202) 395-7254.

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