

A Message from the Chief Financial Officer

Fiscal year (FY) 2004 has been another successful year for the Social Security Administration in the area of financial management culminating with the Agency receiving an unqualified (clean) opinion on its consolidated financial statements for the eleventh consecutive year. I am also proud of our record in implementing the President's Management Agenda (PMA) Improved Financial Performance initiative and remaining "green" for both status and progress in that category. In addition, I believe the unprecedented recognition SSA received as awardees in the Association of Government Accountants' Certificate of Excellence in Accountability Reporting for the sixth consecutive year and the Presidential Award for Management Excellence competitions are evidence of the Agency's commitment to sound financial management practices.



The unqualified opinion on our FY 2004 financial statements 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. The auditor stated, however, that SSA has a reportable condition that requires the Agency to further strengthen controls to protect its information. They also indicated that SSA has made significant progress in addressing these information protection issues. SSA's "Systems and Controls" section provides information on SSA's plan to eliminate the reportable condition.

On October 1, 2003, SSA replaced its core accounting system with a commercial off-the-shelf Joint Financial Management Improvement Program certified financial accounting system. The new system is in compliance with all Office of Management and Budget requirements, incorporates commercial best practices and includes the Agency's core accounting functions. Within the next few months we will begin interfacing the new accounting system with additional administrative systems to further improve the Agency's ability to soundly manage assets and we will continue to invest in infrastructure needed to sustain superior performance into the future.

The Agency continues to meet all the standards for obtaining a "green" score in both status and progress for the PMA Improved Financial Performance. 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 consolidate workload count and human resource use consistently throughout the Agency, regardless of where the work is performed, and provide 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, continue enhancements to our new accounting system and continue to develop a modernized cost accounting system. 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".

Dale W. Sopper
Chief Financial Officer
November 10, 2004

Financial Statements and Additional Information

The Agency's financial statements and additional information for fiscal years (FY) 2004 and 2003 consist of the following:

- The **Consolidated Balance Sheets** present as of September 30, 2004 and 2003, 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, 2004 and 2003. 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, 2004 and 2003. 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 periods ended September 30, 2004 and 2003. 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 periods ended September 30, 2004 and 2003. A Schedule of Financing is provided to present the reconciliation by SSA's major programs as additional information.
- 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 Statements or their accompanying footnotes.

Consolidated Balance Sheets as of
September 30, 2004 and September 30, 2003

Assets	(Dollars in Millions)	
	2004	2003
Intragovernmental:		
Fund Balance with Treasury (Note 4)	\$ 3,148	\$ 2,310
Investments (Note 5)	1,635,398	1,484,219
Interest Receivable, Net (Note 6)	22,315	\$ 20,933
Accounts Receivable, Net (Note 6)	624	872
Total Intragovernmental	1,661,485	1,508,334
Accounts Receivable, Net (Notes 3 and 6)	6,182	5,830
Property, Plant and Equipment, Net (Note 7)	1,231	909
Other	9	6
Total Assets	\$ 1,668,907	\$ 1,515,079
Liabilities (Note 8)		
Intragovernmental:		
Accrued Railroad Retirement Interchange	\$ 3,712	\$ 3,767
Accounts Payable	4,993	6,261
Other	247	259
Total Intragovernmental	8,952	10,287
Benefits Due and Payable	51,569	49,487
Accounts Payable	489	387
Other	1,205	1,133
Total	62,215	61,294
Net Position		
Unexpended Appropriations	1,489	705
Cumulative Results of Operations	1,605,203	1,453,080
Total Net Position	1,606,692	1,453,785
Total Liabilities and Net Position	\$ 1,668,907	\$ 1,515,079

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

Consolidated Statements of Net Cost for the Years Ended
September 30, 2004 and September 30, 2003

	(Dollars in Millions)	
	2004	2003
OASI Program		
Benefit Payments	\$ 412,474	\$ 397,654
Operating Expenses (Note 9)	2,537	2,481
Total Cost of OASI Program	415,011	400,135
Less: Exchange Revenues (Notes 10 and 11)	16	7
Net Cost of OASI Program	414,995	400,128
DI Program		
Benefit Payments	75,169	69,800
Operating Expenses (Note 9)	2,221	2,045
Total Cost of DI Program	77,390	71,845
Less: Exchange Revenues (Notes 10 and 11)	15	7
Net Cost of DI Program	77,375	71,838
SSI Program		
Benefit Payments	35,216	33,217
Operating Expenses (Note 9)	2,872	2,789
Total Cost of SSI Program	38,088	36,006
Less: Exchange Revenues (Notes 10 and 11)	293	265
Net Cost of SSI Program	37,795	35,741
Other		
Benefit Payments	13	429
Operating Expenses (Note 9)	1,279	1,292
Total Cost of Other	1,292	1,721
Less: Exchange Revenues (Notes 10 and 11)	15	9
Net Cost of Other	1,277	1,712
Total Net Cost		
Benefit Payments	522,872	501,100
Operating Expenses (Note 9)	8,909	8,607
Total Cost	531,781	509,707
Less: Exchange Revenues (Notes 10 and 11)	339	288
Total Net Cost	\$ 531,442	\$ 509,419

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

Consolidated Statements of Changes in Net Position for the Years Ended September 30, 2004 and September 30, 2003

	(Dollars in Millions)			
	2004		2003	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Net Position, Beginning Balance	\$ 1,453,080	\$ 705	\$ 1,297,567	\$ 794
Budgetary Financing Sources (other than Exchange Revenues)				
Appropriations Received		52,536		48,822
Other Adjustments	0	0	0	(128)
Appropriations Used	51,752	(51,752)	48,783	(48,783)
Tax Revenues (Note 12)	559,661		546,808	
Interest Revenues	87,616		84,220	
Transfers-In/Out (Note 13)				
Trust Fund Draws and Other - In	1,740		1,244	
Trust Fund Draws and Other - Out	(13,958)		(12,814)	
Railroad Retirement Interchange	(3,788)		(3,802)	
Net Transfers-In/Out	(16,006)		(15,372)	
Other Budgetary Financing Sources	85		87	
Other Financing Sources				
Transfers In-Out	5		9	
Imputed Financing Sources (Note 14)	452		397	
Total Financing Sources	683,565	784	664,932	(89)
Net Cost of Operations	531,442		509,419	
Ending Balances	\$ 1,605,203	\$ 1,489	\$ 1,453,080	\$ 705

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

Combined Statements of Budgetary Resources for the Years Ended September 30, 2004 and September 30, 2003

	(Dollars in Millions)	
	2004	2003
Budgetary Resources Made Available (Note 15)		
Budget Authority		
Appropriations Received	\$ 699,908	\$ 679,191
Net transfers (+/-)	(4)	0
Unobligated Balances		
Beginning of Period	930	1,021
Net transfers (+/-)	(2)	0
 Spending Authority from Offsetting Collections		
Earned		
Collected	4,319	3,902
Change in Receivable	(77)	85
Change in Unfilled Customer Orders		
Advance Received	1	0
Without Advance	(1)	1
Transfers from Trust Funds		
Collected	8,410	7,907
Anticipated	449	28
Subtotal	13,101	11,923
Recoveries of Prior Year Obligations	222	360
Temporarily Not Available Pursuant to Public Law	(151,236)	(153,686)
Permanently Not Available	(7)	(180)
Total Budgetary Resources	\$ 562,912	\$ 538,629
Status of Budgetary Resources: (Note 15)		
Obligations Incurred:		
Direct	\$ 556,563	\$ 533,748
Reimbursable	4,231	3,951
Subtotal	560,794	537,699
Unobligated Balances		
Apportioned	1,509	709
Unobligated Balances - Not Available	609	221
Total Status of Budgetary Resources	\$ 562,912	\$ 538,629
Relationship of Obligations to Outlays:		
Obligated Balances - Beginning of the Period	\$ 58,068	\$ 56,299
Obligated Balance - End of the Period		
Accounts Receivable	(2,191)	(1,820)
Unfilled Customer Orders	0	(1)
Undelivered Orders	1,350	1,150
Accounts Payable	59,105	58,739
Outlays:		
Disbursements	560,013	535,456
Collections	(12,730)	(11,809)
Subtotal	547,283	523,647
Less: Offsetting Receipts	16,999	15,626
Net Outlays	\$ 530,284	\$ 508,021

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

Consolidated Statements of Financing for the Years Ended September 30, 2004 and September 30, 2003

	(Dollars in Millions)	
	2004	2003
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 560,794	\$ 537,699
Less: Offsetting Collections	(13,323)	(12,283)
Obligations Net of Offsetting Collections	547,471	525,416
Less: Offsetting Receipts	(16,999)	(15,626)
Net Obligations	530,472	509,790
Other Resources		
Transfers In/Out Without Reimbursement (+/-)	0	9
Imputed Financing	452	397
Other	(305)	(256)
Net Other Resources Used to Finance Activities	147	150
Total Resources Used to Finance Activities	530,619	509,940
Resources Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated, Not Yet Provided	(201)	(117)
Resources that Fund Expenses Recognized in Prior Periods	1,277	(337)
Budgetary Offsetting Collections and Receipts that Do Not affect Net Cost of Operations	16,999	15,627
Resources that Fund Capitalized Costs	(498)	(387)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	(17,118)	(15,631)
Total Resources Not Part of the Net Cost of Operations	459	(845)
Total Resources Used to Finance the Net Cost of Operations	531,078	509,095
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 16)		
Increase in Annual Leave	15	13
Other	164	162
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	179	175
Components Not Requiring or Generating Resources		
Depreciation and Amortization	181	158
Other	4	(9)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	185	149
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	364	324
Net Cost of Operations	\$ 531,442	\$ 509,419

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

Notes to the Principal Financial Statements
For the Years Ended September 30, 2004 and 2003
(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 programs (OASDI) 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 Bulletin 01-09. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board. These statements are different from the financial reports, also prepared by SSA, pursuant to OMB directives that are used to monitor and control SSA's use of budgetary resources. 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 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 Limitations 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. The fund balance with the Department of the Treasury, shown on the Balance Sheet, represents the total of all SSA's account balances with the Department of the Treasury.

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 will play 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.

Black Lung Program

Title IV of the Federal Mine Safety and Health Act authorizes monthly benefits to coal miners disabled from coal workers' pneumoconiosis (black lung) and to their widows and certain other dependents. Between December 30, 1969 (when the program originated) and June 30, 1973, Part B of the Act assigned processing and paying of claims to SSA. Effective July 1, 1973, Part C of the Act required the Department of Labor (DOL) to process and pay new claims. Effective October 1, 2003, Public Law 107-275 transferred the processing and payment operations of Part B claims from SSA to DOL, which now consolidates the entire Black Lung (BL) program within DOL. SSA's financial statements only include residual BL activity.

Investments

Trust fund balances not required to meet current expenditures are invested on a daily basis 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 issues and bonds. Special issues 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 Balance Sheet. 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. SSA capitalizes new PP&E costing over \$100,000.

The change in PP&E from one reporting period to the next is presented on the Statement 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 (See Note 8, Liabilities).

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 Statement of Budgetary Resources

(SBR) and the SBR is a combined statement that does not allow eliminations, LAE's obligations are recorded twice on the SBR. This is in compliance with OMB's directive to have the SBR in agreement with the required Budget Execution Reports (SF-133's).

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 FICA taxes payable, actual SECA taxes paid and refunds made. Employment tax credits (the difference between the combined employee and employer rate and the self-employed rate), income taxation of Social Security benefits and interest on trust fund unnegotiated benefit payment checks are also included in tax revenues (See 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 (See 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 Statement 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.

Reclassifications

Certain FY 2003 balances have been reclassified to conform to FY 2004 financial statement presentations, the effect of which is immaterial.

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. Accordingly, 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 Statement 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.

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 CSRS were \$125 and \$130 million for the years ended September 30, 2004 and 2003. SSA contributions to the basic FERS plan were \$193 and \$171 million for the years ended September 30, 2004 and 2003. In addition, SSA contributions to the FERS savings plan were \$72 and \$65 million for the years ended September 30, 2004 and 2003. 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 \$2,767 and \$1,686 million as of September 30, 2004 and 2003. The Non-Entity Assets are composed of (1) SSI Federal and State benefit overpayments classified as SSI accounts receivable and (2) fees collected to administer SSI State Supplementation that are returned to the General Fund.

The SSI receivable amounts included as a part of Accounts Receivable, Net on the Consolidated Balance Sheets are \$2,611 and \$1,537 million as of September 30, 2004 and 2003. The SSI accounts receivable, net has been reduced by \$2,609 and \$4,936 million for FY 2004 and 2003 respectively as intra-agency elimination. FY 1991 Appropriations Act, Public Law 101-157, requires that collections from repayment of SSI Federal benefit overpayments be deposited in the General Fund of the Treasury. These funds, upon deposit, are assets of the General Fund of the Treasury and shall not be used by SSA as a SSI budgetary resource to pay SSI benefits or administrative costs. Accordingly, SSI accounts receivable is recognized as a non-entity asset.

The amounts of fees collected to administer SSI State Supplementation are \$273 and \$256 million for the years ended September 30, 2004 and 2003. The fee collection is classified as exchange revenue and is used to decrease the net cost of administration of the SSI program. A portion of the fees collected, \$156 and \$149 million are deposited directly to a Treasury General Fund and reported as a part of Fund Balance with Treasury on the Consolidated Balance Sheets as of September 30, 2004 and 2003. A corresponding accounts payable to the 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)		
	2004	2003		2004	2003
Trust Funds			Unobligated Balance		
OASI	\$ 46	\$ (24)	Available	\$ 1,212	\$ 486
DI	(14)	359	Unavailable	132	102
LAE	102	(132)	Obligated Balance not yet		
Appropriated Funds			Disbursed	1,115	988
SSI	2,940	1,999	Trust Funds	134	203
Other	74	108	Deposit & Receipt Accounts	555	531
Total	\$ 3,148	\$ 2,310	Total	\$ 3,148	\$ 2,310

In FY 2004 and 2003, the negative fund balances reported for the trust funds 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 3/4 percent and are payable on September 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 2019.

Chart 5 - Investments as of September 30: (\$ in millions)		
	2004	2003
Special Issue U.S. Treasury Securities	\$ 1,635,368	\$ 1,484,189
U.S. Treasury Bonds - Carrying value	30	30
Total Investments	\$ 1,635,398	\$ 1,484,219

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 amounts are \$22,315 and \$20,933 million for the years ended September 30, 2004 and 2003.

Accounts Receivable

Intragovernmental

Intragovernmental Accounts Receivable, Net reported on the Consolidated Balance Sheets is shown by SSA major program in Chart 6a. FY 2003 OASI and DI amounts consist of military service wage credits that were collected in June 2004. The LAE net receivable amount represents amounts to be paid from the HI/SMI Trust Funds.

	2004		2003	
	Gross/Net Receivable		Gross/Net Receivable	
OASI	\$	0	\$	531
DI		0		90
LAE		2,183		1,735
Sub-Total		2,183		2,356
Less:				
Elimination*		(1,559)		(1,484)
Total	\$	624	\$	872

* Intra-agency Eliminations

An allowance for doubtful accounts was not applied to determine the net value of Intragovernmental Accounts Receivable. According to SFFAS No. 1, an allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value; however, no potential losses have been assessed on intragovernmental receivables based on individual account and group analysis.

Chart 6a also shows that in FY 2004 and 2003, gross accounts receivable was reduced by \$1,559 and \$1,484 million as an intra-agency elimination. This elimination is to offset SSA's LAE receivable to be paid from the appropriate trust or general fund with corresponding trust or general fund payables set up for anticipated LAE disbursements.

With the Public

Accounts Receivable, Net reported on the Consolidated Balance Sheets is shown by SSA major program in Chart 6b. 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.

Chart 6b - Accounts Receivable with the Public by Major Program as of September 30: (\$ in millions)						
	2004			2003		
	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
OASI	\$ 1,948	\$ (98)	\$ 1,850	\$ 2,088	\$ (96)	\$ 1,992
DI	3,199	(1,094)	2,105	3,011	(1,027)	1,984
SSI*	7,113	(1,823)	5,290	8,315	(1,702)	6,613
Other	0	0	0	7	0	7
LAE	228	0	228	170	0	170
Sub-Total	12,488	(3,015)	9,473	13,591	(2,825)	10,766
Less:						
Eliminations**	(3,291)	0	(3,291)	(4,936)	0	(4,936)
Total	\$ 9,197	\$ (3,015)	\$ 6,182	\$ 8,655	\$ (2,825)	\$ 5,830

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

In FY 2001, SSA detected an error which affected about 228,000 SSI recipients who were eligible to receive DI benefits, but were paid either SSI or OASI benefits. At that time, OASI and SSI receivables were established for \$56 and \$3,770 million. In FY 2004, these Special Disability Workload (SDW) cases decreased 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.

Current estimates indicate that there are about 133,000 SDW cases remaining. For FY 2004, SDW receivables are included in Chart 6b. OASI SDW receivables are \$682 and \$851 million as of September 30, 2004 and 2003. DI SDW receivables are less than \$1 and \$11 million as of September 30, 2004 and 2003. SSI SDW net receivables are \$2,437 and \$3,902 million as of September 30, 2004 and 2003.

Chart 6b shows that in FY 2004 and 2003, gross accounts receivable was reduced by \$3,291 and \$4,936 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 allowance 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:	2004			2003				
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value		
Land	\$ 5	\$ 0	\$ 5	\$ 5	\$ 0	\$ 5		
Buildings	386	(190)	196	383	(180)	203		
Equipment (incl. ADP Hardware)	340	(268)	72	327	(241)	86		
Internal Use Software	1,202	(262)	940	740	(158)	582		
Leasehold Improvements	188	(170)	18	185	(152)	33		
Total	\$ 2,121	\$ (890)	\$ 1,231	\$ 1,640	\$ (731)	\$ 909		

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)							
	2004			2003			
	Covered	Not Covered	Total	Covered	Not Covered	Total	
Intragovernmental:							
Accrued RRI	\$ 3,712	\$ 0	\$ 3,712	\$ 3,767	\$ 0	\$ 3,767	
Accounts Payable	3	4,990	4,993	0	6,261	6,261	
Other	38	209	247	59	200	259	
Total Intragovernmental	3,753	5,199	8,952	3,826	6,461	10,287	
Benefits Due and Payable	50,318	1,251	51,569	48,391	1,096	49,487	
Accounts Payable	182	307	489	120	267	387	
Other	227	978	1,205	176	957	1,133	
Total	\$ 54,480	\$ 7,735	\$ 62,215	\$ 52,513	\$ 8,781	\$ 61,294	

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. Refer to Note 13, Intra-Governmental Financing Sources, for a description of the RRB transfer.

Intragovernmental Accounts Payable

Included in the Intragovernmental Accounts Payable not covered by budgetary resources is SSI Receivables Owed to Treasury. This custodial liability is recorded for the collection of SSI benefit overpayments that are payable from SSA to the General Fund of the Treasury when overpayments are identified. It directly relates to the accounts receivable established in the asset portion of the Balance Sheet. Refer to Note 3, Non-Entity Assets, for a description of the SSI receivables established for the repayment of SSI benefit overpayments.

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 and \$149 million as of September 30, 2004 and 2003 for SSI State Fees payable to the 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 was \$53 and \$51 million as of September 30, 2004 and 2003.

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, 2004 and 2003. 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.

	2004	2003
OASI	\$ 37,055	\$ 35,878
DI	16,048	16,967
SSI	1,757	1,541
Other	0	37
Sub-Total	54,860	54,423
Less: Intra-agency eliminations	(3,291)	(4,936)
Total	\$ 51,569	\$ 49,487

The amounts of Benefits Due and Payable for OASI and DI presented in Chart 8b include estimated payables related to SDW (See Note 6, Interest and Accounts Receivable). OASI payables are \$327 and \$773 million as of September 30, 2004 and 2003. DI payables are \$4,516 and \$6,652 million as of September 30, 2004 and 2003. In FY 2004, 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 2004 and 2003, gross Benefits Due and Payable was reduced by \$3,291 and \$4,936 million as an intra-agency elimination. This intra-agency activity results primarily from SDW cases (See 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, 2004 and 2003.

Chart 8c - Net SDW Liability as of September 30: (\$ in millions)		
	2004	2003
Net DI Liability	\$ 4,516	\$ 6,641
Net OASI Receivable	(355)	(78)
Net SSI Receivable	(2,437)	(3,902)
Net Liability Due to the Public	\$ 1,724	\$ 2,661

Accounts Payable

Accounts Payable not covered by budgetary resources consists of payments due to the states for their portion of SSI benefit payments made by SSA, underpayments due to SSI recipients, and the state portion of SSI windfall amounts. Since SSA receives payments from the states for their portion of SSI benefits, any excess payments are returned to the states and recognized as accounts payable.

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 \$288 and \$305 million as of September 30, 2004 and 2003 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 are recorded in Other. In addition to LAE operating expenses, SSA programs incur other operating expenses that are reported on the Statement of Net Cost. Trust Fund Operations include expenses of the Department of 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)							
2004							
	LAE SSA	OIG	Trust Fund Operations	Vocational Rehabilitation	Other	Total	
OASI	\$ 2,209	\$ 29	\$ 299	\$ 0	\$ 0	\$	2,537
DI	2,089	28	51	53	0		2,221
SSI	2,798	0	0	74	0		2,872
Other	1,257	22	0	0	0		1,279
	\$ 8,353	\$ 79	\$ 350	\$ 127	\$ 0	\$	8,909

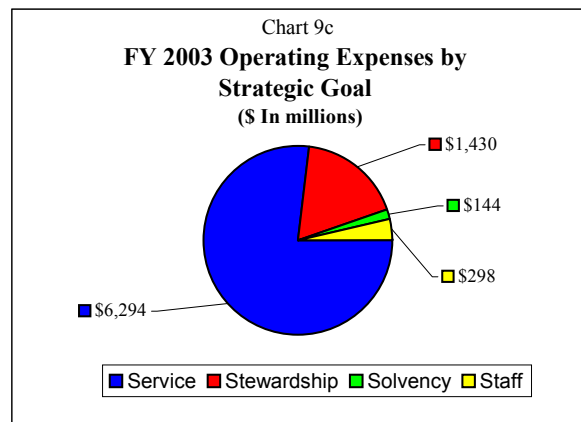
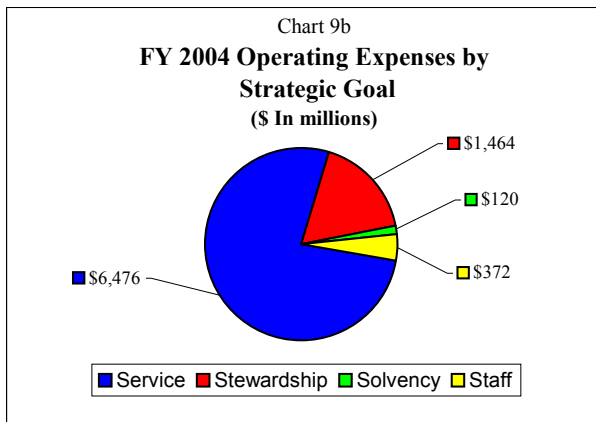
Chart 9a - SSA's Operating Expenses by Major Program as of September 30:							
2003							
	LAE SSA	OIG	Trust Fund Operations	Vocational Rehabilitation	Other	Total	
OASI	\$ 2,162	\$ 30	\$ 289	\$ 0	\$ 0	\$	2,481
DI	1,917	26	54	48	0		2,045
SSI	2,747	0	0	42	0		2,789
Other	1,265	19	0	0	8		1,292
	\$ 8,091	\$ 75	\$ 343	\$ 90	\$ 8	\$	8,607

Classification of Operating Expenses by Strategic Goal

In FY 2003, SSA developed a new Agency Strategic Plan (ASP), a FY 2004 Annual Performance Plan (APP) and its budget submission at the same time by completing a full review of strategic goals, objectives, and performance indicators. Changes, additions and deletions were made in order to help improve performance and improve the way progress is measured. The strategic goals have remained broad and cover the full scope of SSA's work. The four new 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 2004 and 2003 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 \$339 and \$288 million for the years ended September 30, 2004 and 2003. SSA exchange revenue primarily consists of fees collected to administer SSI State Supplementation. SSA has agreements with 23 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 \$273 and \$256 million for the years ended September 30, 2004 and 2003. A portion of the fees, \$156 and \$149 million for the years ended September 30, 2004 and 2003, is transferred to the Department of Treasury General Fund while the remainder is maintained in the SSA trust funds. In addition, SSA earned \$66 and \$32 million for the years ended September 30, 2004 and 2003 in other exchange revenue.

11. Gross Cost and Earned Revenue by Budget Functional Classification

Chart 11a displays gross cost and earned revenue by budget functional classification. Income Security for Veterans includes the costs and revenues to administer the Title VIII, Special Benefits for Certain World War II Veterans program. Other Income Security includes primarily the costs and revenues associated with the SSI program. The Other program reports the costs and revenues that SSA incurs in administering a portion of the Medicare program.

Chart 11a - Gross Cost and Earned Revenue by Budget Functional Classification as of September 30: (\$ in millions)						
	2004			2003		
	Gross Cost	Less Earned Revenue	Net Cost	Gross Cost	Less Earned Revenue	Net Cost
General Retirement and Disability Insurance	\$ (1)	\$ 0	\$ (1)	\$ 421	\$ 0	\$ 421
Income Security for Veterans	14	(6)	8	9	0	9
Other Income Security	35,290	(273)	35,017	33,259	(256)	33,003
Social Security						
OASI	412,773	0	412,773	397,943	0	397,943
DI	75,273	0	75,273	69,902	0	69,902
Other	0	0	0	7	(5)	2
LAE	8,432	(60)	8,372	8,166	(27)	8,139
Subtotal	496,478	(60)	496,418	476,018	(32)	475,986
Total	\$ 531,781	\$ (339)	\$ 531,442	\$ 509,707	\$ (288)	\$ 509,419

Chart 11b displays Intragovernmental gross cost and earned revenue by budget functional classification.

Chart 11b - Intragovernmental Gross Cost and Earned Revenue by Budget Functional Classification as of September 30: (\$ in millions)						
	2004			2003		
	Gross Cost	Less Earned Revenue	Net Cost	Gross Cost	Less Earned Revenue	Net Cost
Other Income Security	\$ 6	\$ 0	\$ 6	\$ 7	\$ 0	\$ 7
Social Security						
OASI	291	0	291	286	0	286
DI	53	0	53	54	0	54
Other	0	0	0	0	0	0
LAE	2,073	(56)	2,017	2,097	(14)	2,083
Subtotal	2,417	(56)	2,361	2,437	(14)	2,423
Total	\$ 2,423	\$ (56)	\$ 2,367	\$ 2,444	\$ (14)	\$ 2,430

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 Taxation of Social Security Benefits and FICA/SECA tax credits. Chart 12 reflects the amounts for estimated employment taxes, adjustments for actual taxes payable and refunds, as well as other tax revenues.

	2004	2003
Estimated Employment Taxes Credited to SSA	\$ 553,647	\$ 541,183
Adjustments	(8,302)	(5,952)
Refunds	0	(1,787)
Employment Tax Revenues	545,345	533,444
Other Tax Revenues	14,316	13,364
Total Tax Revenues	\$ 559,661	\$ 546,808

13. Intra-Governmental Financing Sources

SSA receives other intra-governmental financing sources that increase net results of operations during the reporting period. The most significant financing source received from another Federal entity is the drawdown of funds from the HI/SMI Trust Funds for the Medicare program, in the amounts of \$1,368 and \$1,214 million for the years ended September 30, 2004 and 2003. They reimburse SSA's operating expenses to administer a portion of the Medicare program. These amounts represent the majority of the Trust Fund Draws and Other-In line item as presented on the Statement of Changes in Net Position.

Financing outflows may result from transfers of the reporting entity's assets to other government entities. SSA financing outflows mainly consist of PTF transfers for taxation on benefits of \$15,076 and \$13,276 million for the years ended September 30, 2004 and 2003. It also includes a RRB transfer for the annual interchange 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. The accrued liability of \$3,712 and \$3,767 million as of September 30, 2004 and 2003, on the Balance Sheet represents amounts due the RRB. Also, amounts for railroad workers, who have qualified for and are receiving OASI and DI benefit payments, are included in the benefit payment expenses on the Statement of Net Cost. However, the RRB makes the payments to the qualifying railroad workers on behalf of SSA. SSA compensated RRB in the amount of \$1,165 and \$1,163 million for the years ended September 30, 2004 and 2003.

In addition, a portion of the administrative fees charged to the States to administer the SSI benefits program is returned to the U.S. Treasury and amounted to \$156 and \$149 million for the years ended September 30, 2004 and 2003. The Supplemental SSI benefits paid by SSA on behalf of the States were \$4,168 and \$3,925 million for the years ended September 30, 2004 and 2003. These transfers, which negate each other, are received from the States and issued to SSI recipients.

14. Imputed Financing

The Statement of Net Cost recognizes post-employment benefit expenses of \$782 and \$706 million for the years ended September 30, 2004 and 2003 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 Statement of Changes in Net Position (SCNP) recognizes an imputed financing source of \$452 and \$397 million for the years ended September 30, 2004 and 2003 that represents annual service cost not paid by SSA.

15. Budgetary Resources

Appropriations Received

The SBR discloses Appropriations Received of \$699,908 and \$679,191 million for the years ended September 30, 2004 and 2003. Appropriations Received on the SCNP is \$52,536 and \$48,822 million for the same years. The differences of \$647,372 and \$630,369 million represent appropriated trust fund receipts in OASI and DI. The SCNP 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 SBR, Appropriations Received for PTF are duplicated on the SBR. This is in compliance with OMB's directive to have the SBR in agreement with the required Budget Execution Reports (SF-133's). These amounts are also included on the SCNP for Other in Appropriations Received and for OASI and DI Trust Funds in Tax Revenues.

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. For FY 2004, SSA has not received any category A apportionments. Chart 15a reflects the amounts of direct and reimbursable obligations incurred against amounts apportioned under Category B and Exempt from Apportionment.

	2004			2003 Reclassified		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Category B	\$ 543,416	\$ 4,231	\$ 547,647	\$ 525,561	3,951	\$ 529,512
Exempt	13,147	0	13,147	8,187	0	8,187
Total	\$ 556,563	\$ 4,231	\$ 560,794	\$ 533,748	\$ 3,951	\$ 537,699

Legal Arrangements Affecting Use of Unobligated Balances

All trust fund receipts collected in the FY are reported as new budget authority in the SBR. 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 15b displays trust fund activities and balances. The entire trust fund balances, ending are included in Investments on the Balance Sheet.

	2004	2003
Trust Fund Balance, Beginning	\$ 1,426,913	\$ 1,273,227
Receipts	647,363	630,322
Less Obligations	496,127	476,636
Excess of Receipts Over Obligations	151,236	153,686
Trust Fund Balance, Ending	\$ 1,578,149	\$ 1,426,913

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 Statement of Budgetary Resources and the Budget of the United States Government.

16. 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 \$7,735 and \$8,781 million as of September 30, 2004 and 2003, represent SSI Receivables 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 Statement of Financing, as Total Components of Net Cost of Operations, that will require or Generate Resources in Future Periods of \$179 and \$175 million for the years ended September 30, 2004 and 2003, represent the change in SSA expenses for adjudicated and unadjudicated SSI benefits due and payable, leave earned but not taken and FECA.

17. Incidental Custodial Collections

SSA's custodial collections primarily consist of recoveries for SSI Federal benefit overpayments. The FY 1991 Appropriations Act, Public Law 101-157, requires that collections from repayment of SSI benefit overpayments be deposited in the General Fund of the Treasury. In addition, other negligible custodial collections occur for interest, fines and penalties. While these collections are considered custodial, they are not primary to the mission of SSA or material to the overall financial statements. In accordance with SFFAS Number 7, non-exchange custodial collections should be measured by the collecting entities, but should be recognized by the entities legally entitled to the revenue; therefore, SSA's custodial collections are not recognized as revenue or presented in the financial statements. SSA's total custodial collections are \$2,341 and \$1,985 million for the years ended September 30, 2004 and 2003. As noted on Footnote 8, SSA records the amount of SSI Federal benefit overpayments identified but not yet collected as a custodial liability payable to the General Fund for the Treasury. The custodial liability recorded by SSA for SSI Federal benefit overpayments is \$4,990 and \$6,261 million as of September 30, 2004 and 2003.

18. 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, 2004.

Other Accompanying Information: Balance Sheet by Major Program
as of September 30, 2004

Assets	Dollars in Millions						
	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
Intragovernmental:							
Fund Balance with Treasury	\$ 46	\$ (14)	\$ 2,940	\$ 74	\$ 102	\$ 0	\$ 3,148
Investments	1,452,599	182,799	0	0	0	0	1,635,398
Interest Receivable, Net	19,822	2,493	0	0	0	0	22,315
Accounts Receivable, Net	0	0	0	0	2,183	(1,559)	624
Total Intragovernmental	1,472,467	185,278	2,940	74	2,285	(1,559)	1,661,485
Accounts Receivable, Net	1,850	2,105	5,290	0	228	(3,291)	6,182
Property, Plant and Equip., Net	0	0	0	0	1,231	0	1,231
Other	0	0	0	0	9	0	9
Total Assets	\$ 1,474,317	\$ 187,383	\$ 8,230	\$ 74	\$ 3,753	\$ (4,850)	\$ 1,668,907
Liabilities							
Intragovernmental:							
Accrued RRI	\$ 3,466	\$ 246	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,712
Accounts Payable	517	486	5,549	0	0	(1,559)	4,993
Other	0	0	156	3	88	0	247
Total Intragovernmental	3,983	732	5,705	3	88	(1,559)	8,952
Benefits Due and Payable	37,055	16,048	1,757	0	0	(3,291)	51,569
Accounts Payable	1	5	301	0	182	0	489
Other	0	0	378	12	815	0	1,205
Total	41,039	16,785	8,141	15	1,085	(4,850)	62,215
Net Position							
Unexpended Appropriations	0	0	1,414	59	16	0	1,489
Cumulative Results of Operations	1,433,278	170,598	(1,325)	0	2,652	0	1,605,203
Total Net Position	1,433,278	170,598	89	59	2,668	0	1,606,692
Total Liabilities and Net Position	\$ 1,474,317	\$ 187,383	\$ 8,230	\$ 74	\$ 3,753	\$ (4,850)	\$ 1,668,907

Other Accompanying Information: Schedule of Net Cost for the Year Ended
September 30, 2004

	Program	LAE	Total
OASI Program			
Benefit Payments	\$ 412,474	\$ 0	\$ 412,474
Operating Expenses (Note 9)	299	2,238	2,537
Total Cost of OASI Program	412,773	2,238	415,011
Less: Exchange Revenues (Notes 10 and 11)	0	16	16
Net Cost of OASI Program	412,773	2,222	414,995
DI Program			
Benefit Payments	75,169	0	75,169
Operating Expenses (Note 9)	104	2,117	2,221
Total Cost of DI Program	75,273	2,117	77,390
Less: Exchange Revenues (Notes 10 and 11)	0	15	15
Net Cost of DI Program	75,273	2,102	77,375
SSI Program			
Benefit Payments	35,216	0	35,216
Operating Expenses (Note 9)	74	2,798	2,872
Total Cost of SSI Program	35,290	2,798	38,088
Less: Exchange Revenues (Notes 10 and 11)	273	20	293
Net Cost of SSI Program	35,017	2,778	37,795
Other			
Benefit Payments	13	0	13
Operating Expenses (Note 9)	0	1,279	1,279
Total Cost of Other	13	1,279	1,292
Less: Exchange Revenues (Notes 10 and 11)	6	9	15
Net Cost of Other	7	1,270	1,277
Total Net Cost			
Benefit Payments	522,872	0	522,872
Operating Expenses (Note 9)	477	8,432	8,909
Total Cost	523,349	8,432	531,781
Less: Exchange Revenues (Notes 10 and 11)	279	60	339
Total Net Cost	\$ 523,070	\$ 8,372	\$ 531,442

Other Accompanying Information: Schedule of Changes in Net Position for the Year Ended September 30, 2004

(Dollars in Millions)							
	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations
	Unexpended Appropriations	Unexpended Appropriations	Unexpended Appropriations	Unexpended Appropriations	Unexpended Appropriations	Unexpended Appropriations	Unexpended Appropriations
	\$	\$	\$	\$	\$	\$	\$
Net Position, Beginning Balance	1,294,528	158,005	(1,142)	0	1,689	0	1,453,080
		633		60	12		705
Budgetary Financing Sources (other than Exchange Revenues)							
Appropriations Received	0	0	37,429	15,082	25	0	52,536
Appropriations Used			(36,648)	(15,083)	(21)	0	(51,752)
Tax Revenues	479,450	80,211	0	0	0	0	559,661
Interest Revenues	77,717	9,899	0	0	0	0	87,616
Transfers-In/Out							
Trust Fund Draws and Other - In	107	21	0	0	8,857	(7,245)	1,740
Trust Fund Draws and Other - Out	(2,214)	(2,099)	(1,814)	(15,076)	0	7,245	(13,958)
Railroad Retirement Interchange	(3,549)	(239)	0	0	0	0	(3,788)
Total Transfers-In/Out	(5,656)	(2,317)	(1,814)	(15,076)	8,857	0	(16,006)
Other Budgetary Financing Sources	12	73	0	0	0	0	85
Other Financing Sources							
Transfers-In/Out	0	0	0	0	5	0	5
Imputed Financing Sources	0	0	0	0	452	0	452
Total Financing Sources	551,523	87,866	34,834	7	9,335	0	683,565
		781	(1)	4			784
Net Cost of Operations	412,773	75,273	35,017	7	8,372	0	531,442
Ending Balances	1,433,278	170,598	(1,325)	0	2,652	0	1,605,203
		1,414		59	16		1,489

Other Accompanying Information: Schedule of Financing for the Year Ended September 30, 2004

	(Dollars in Millions)					
	OASI	DI	SSI	Other	LAE	Consolidated
Resources Used to Finance Activities:						
Budgetary Resources Obligated						
Obligations Incurred	\$ 418,394	\$ 77,733	\$ 40,952	\$ 15,090	\$ 8,625	\$ 560,794
Less: Offsetting Collections	0	0	(4,273)	(10)	(9,040)	(13,323)
Obligations Net of Offsetting Collections	418,394	77,733	36,679	15,080	(415)	547,471
Less: Offsetting Receipts	(13,300)	(1,085)	(273)	(2,341)	0	(16,999)
Net Obligations	405,094	76,648	36,406	12,739	(415)	530,472
Other Resources						
Imputed Financing	0	0	0	0	452	452
Other	0	0	(273)	0	(32)	(305)
Net Other Resources Used to Finance Activities	0	0	(273)	0	420	147
Total Resources Used to Finance Activities	405,094	76,648	36,133	12,739	5	530,619
Resources Not Part of the Net Cost of Operations:						
Change in Budgetary Resources Obligated, Not Yet Provided	0	(1)	(18)	0	(182)	(201)
Resources That Fund Expenses Recognized In Prior Periods	143	(121)	1,270	3	(18)	1,277
Budgetary Offsetting Collections And Receipts That Do Not Affect Net Cost of Operations	13,300	1,085	273	2,341	0	16,999
Resources That Fund Capitalized Costs	0	0	0	0	(498)	(498)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	(5,764)	(2,338)	(2,799)	(15,076)	8,859	(17,118)
Total Resources Not Part of the Net Cost of Operations	7,679	(1,375)	(1,274)	(12,732)	8,161	459
Total Resources Used to Finance the Net Cost of Operations	412,773	75,273	34,859	7	8,166	531,078
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	15	15
Other	0	0	161	0	3	164
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	0	0	161	0	18	179
Components Not Requiring or Generating Resources						
Depreciation and Amortization	0	0	0	0	181	181
Other	0	0	(3)	0	7	4
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	0	0	(3)	0	188	185
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in Current Period	0	0	158	0	206	364
Net Cost of Operations	\$ 412,773	\$ 75,273	\$ 35,017	\$ 7	\$ 8,372	\$ 531,442

Required Supplementary Information: Schedule of Budgetary Resources
as of September 30, 2004

	(Dollars in Millions)					
	OASI	DI	SSI	Other	LAE	Combined
Budgetary Resources Made Available						
Budget Authority						
Appropriations Received	\$ 556,561	\$ 90,802	\$ 37,429	\$ 15,091	\$ 25	\$ 699,908
Net transfers (+/-)	0	0	0	(4)	0	(4)
Unobligated Balances						
Beginning of Period	0	0	532	55	343	930
Net transfers (+/-)	0	0	0	(2)	0	(2)
Spending Authority from Offsetting Collections						
Earned						
Collected	0	0	4,255	5	59	4,319
Change in Receivable	0	0	(78)	0	1	(77)
Change in Unfilled Customer Orders						
Advance Received	0	0	0	0	1	1
Without Advance	0	0	0	0	(1)	(1)
Transfers from Trust Funds						
Collected	0	0	0	0	8,410	8,410
Anticipated	0	0	0	0	449	449
Subtotal	0	0	4,177	5	8,919	13,101
Recoveries of Prior Year Obligations	0	0	96	5	121	222
Temporarily Not Available Pursuant to Public Law	(138,167)	(13,069)	0	0	0	(151,236)
Permanently Not Available	0	0	0	(7)	0	(7)
Total Budgetary Resources	\$ 418,394	\$ 77,733	\$ 42,234	\$ 15,143	\$ 9,408	\$ 562,912
Status of Budgetary Resources:						
Obligations Incurred:						
Direct	\$ 418,394	\$ 77,733	\$ 36,784	\$ 15,090	\$ 8,562	\$ 556,563
Reimbursable	0	0	4,168	0	63	4,231
Subtotal	418,394	77,733	40,952	15,090	8,625	560,794
Unobligated Balances						
Apportioned	0	0	1,188	21	300	1,509
Unobligated Balances - Not Available	0	0	94	32	483	609
Total Status of Budgetary Resources	\$ 418,394	\$ 77,733	\$ 42,234	\$ 15,143	\$ 9,408	\$ 562,912
Relationship of Obligations to Outlays:						
Obligated Balances - Beginning of the Period	\$ 39,949	\$ 17,606	\$ 954	\$ 35	\$ (476)	\$ 58,068
Obligated Balance - End of the Period						
Accounts Receivable	0	0	(8)	0	(2,183)	(2,191)
Undelivered Orders	0	5	60	0	1,285	1,350
Accounts Payable	41,038	16,784	1,065	1	217	59,105
Outlays:						
Disbursements	417,306	78,550	40,772	15,124	8,261	560,013
Collections	0	0	(4,255)	(5)	(8,470)	(12,730)
Subtotal	417,306	78,550	36,517	15,119	(209)	547,283
Less: Offsetting Receipts	13,300	1,085	273	2,341	0	16,999
Net Outlays	\$ 404,006	\$ 77,465	\$ 36,244	\$ 12,778	\$ (209)	\$ 530,284

Required Supplementary Information: Intragovernmental Amounts
as of September 30, 2004

	(Dollars in Millions)			
	Fund Balance with Treasury	Investments	Interest Receivable, Net	Accounts Receivable, Net
Intragovernmental Assets				
Department of Health and Human Services				\$ 623
Department of the Treasury	\$ 3,148	\$ 1,635,398	\$ 22,315	
Other				1
Total Intragovernmental Assets	\$ 3,148	\$ 1,635,398	\$ 22,315	\$ 624
Intragovernmental Liabilities				
	Accrued Railroad Retirement Interchange	Accounts Payable	Other Liabilities	
Department of the Treasury, General Fund		\$ 4,993		
Railroad Retirement Board	\$ 3,712			
Other			\$ 247	
Total Intragovernmental Liabilities	\$ 3,712	\$ 4,993	\$ 247	
Intragovernmental Revenues:				
	Non-Exchange Revenue			
	Transfers-In	Transfers-Out		
Department of the Treasury, General Fund		\$ 13,958		
Railroad Retirement Board		3,788		
Department of Health and Human Services	\$ 1,740			
Total Intragovernmental Revenues:	\$ 1,740	\$ 17,746		