

Contents

A Message from the Secretary of the Treasury	1
Executive Summary	3
Management’s Discussion and Analysis	7
Government Accountability Office Comptroller General’s Statement	27
Financial Statements	
Statements of Net Cost	31
Statements of Operations and Changes in Net Position.....	31
Reconciliations of Net Operating Cost and Unified Budget Deficit.....	33
Statements of Changes in Cash Balance from Unified Budget and Other Activities	33
Balance Sheets.....	34
Statements of Social Insurance.....	35
Notes to the Financial Statements	
Note 1. Summary of Significant Accounting Policies	45
Note 2. Cash and Other Monetary Assets.....	50
Note 3. Accounts and Taxes Receivable, Net.....	51
Note 4. Loans Receivable and Loan Guarantee Liabilities, Net.....	52
Note 5. Inventories and Related Property, Net	55
Note 6. Property, Plant, and Equipment, Net	57
Note 7. Securities and Investments.....	58
Note 8. Other Assets.....	59
Note 9. Accounts Payable.....	59
Note 10. Federal Debt Securities Held by the Public and Accrued Interest	60
Note 11. Federal Employee and Veteran Benefits Payable	63
Note 12. Environmental and Disposal Liabilities.....	69
Note 13. Benefits Due and Payable	71
Note 14. Insurance Program Liabilities	71
Note 15. Other Liabilities	73
Note 16. Collections and Refunds of Federal Revenue	74
Note 17. Prior Period Adjustments -Corrections of Errors.....	77
Note 18. Contingencies	77
Note 19. Commitments.....	81
Note 20. Earmarked Funds	84
Note 21. Dedicated Collections	92
Note 22. Indian Trust Funds	95
Note 23. Social Insurance.....	97
Note 24. Stewardship Land	105
Note 25. Heritage Assets	105
Note 26. Restatements	106
Supplemental Information (Unaudited)	
Social Insurance	107
Social Security and Medicare	107
Railroad Retirement, Black Lung, and Unemployment Insurance	127
Deferred Maintenance	140
Unexpended Budget Authority.....	141
Tax Burden.....	141
Tax Gap	142
Other Claims for Refunds.....	143
Risk Assumed.....	143
Unmatched Transactions and Balances	144

Stewardship Information (Unaudited)	145
Stewardship Investments	145
Non-Federal Physical Property	145
Human Capital	146
Research and Development	146
Appendix	
Significant Government Entities Included and Excluded from the Financial Statements	147
Government Accountability Office Auditor's Report	149

List of Social Insurance Charts

Chart 1	OASDI Beneficiaries per 100 Covered Workers, 1970-2080.....	112
Chart 2	OASDI Income (Excluding Interest) and Expenditures, 1970-2080	113
Chart 3	OASDI Income (Excluding Interest) and Expenditures as a Percent of Taxable Payroll, 1970-2080	114
Chart 4	OASDI Income (Excluding Interest) and Expenditures as a Percent of GDP, 1970-2080.....	115
Chart 5	Total Medicare (HI and SMI) Expenditures and Noninterest Income as a Percent of GDP, 1970-2080.....	118
Chart 6	Medicare Part A Income (Excluding Interest) and Expenditures, 1970-2080	119
Chart 7	Medicare Part A Income (Excluding Interest) and Expenditures as a Percent of Taxable Payroll, 1970-2080	120
Chart 8	Medicare Part A Income (Excluding Interest) and Expenditures as a Percent of GDP, 1970-2080.....	121
Chart 9	Medicare Part B and Part D Premium and State Transfer Income and Expenditures, 1970-2080.....	122
Chart 10	Medicare Part B and Part D Premium and State Transfer Income and Expenditures as a Percent of GDP, 1970-2080.....	123
Chart 11	Estimated Railroad Retirement Income (Excluding Interest and Financial Interchange Income) and Expenditures, 2006-2080	129
Chart 12	Estimated Railroad Retirement Income (Excluding Interest and Financial Interchange Income) and Expenditures as a Percent of Tier II Taxable Payroll, 2006-2080	130
Chart 13	Estimated Black Lung Income and Expenditures (Excluding Interest), 2007-2040.....	134
Chart 14	Estimated Black Lung Trust Fund Net Outflow and End of Year Fund Balance, 2007-2040.....	135
Chart 15	Estimated Unemployment Fund Cashflow Using Expected Economic Conditions, 2007-2016	137
Chart 16	Unemployment Trust Fund Solvency as of September 30, 2006.....	139

This page is intentionally blank.