A Message from the Chief Financial Officer

The Social Security Administration (SSA) had many successes in Fiscal Year 2006 and we are proud to be given this opportunity to share our accomplishments in the area of financial management. For the 13th consecutive year, Social Security received an unqualified opinion from the independent auditors on our consolidated financial statements, including the Statement of Social Insurance which was subject to audit for the first time this year. The unqualified (clean) opinion 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 American taxpayers' dollars. We were also the proud recipient of our 8th Association of Government Accountant's Certificate of Excellence in Accountability Reporting for our FY 2005 Performance and Accountability Report, clearly portraying our high standards in demonstrating accountability and communicating results. Social Security is the only Agency to have received this prestigious award each year since its inception.

SSA also received an unqualified opinion concerning SSA's assertion about the effectiveness of the Agency's systems of accounting and internal control with no material weaknesses or reportable conditions reported by the auditors. Throughout FY 2006, SSA worked diligently across all components to ensure compliance with the requirements found in OMB A-123 Appendix A, *Management's Responsibility for Internal Controls*. For each financial reporting process, we identified and extensively documented the key controls and through testing ascertained if the key controls were operating effectively and were designed to mitigate risk. We are proud that we were successful in our endeavors to meet the stringent deadlines of this new requirement and that our SSA management assurance statement could state with reasonable assurance that internal control over financial reporting was operating effectively as of year end.

In FY 2003, SSA implemented SSOARS, a federally certified accounting system. During FY 2006, a user-friendly "front end" for accessing the Agency's financial accounting system data and integrating budget allocations with expenditure data was developed. This functionality makes financial data easily available to all managers throughout the Agency.

I am proud that the Agency continues to meet all the standards for obtaining a "green" score in both status and progress for the President's Management Agenda Improved Financial Performance initiative. The Agency has initiatives to "Get Beyond Green" through the implementation and use of a modernized cost accounting system that will improve the quality, consistency and access to information used by managers and analysts to manage work and account for resources.

This Agency is strongly committed to excellence in financial reporting and to responsibly managing the assets, resources, and programs entrusted to us. In the coming year, our goal remains to provide timely, reliable and useful financial management information to Congress and to the American public.

Dale W. Sopper
Chief Financial Officer
November 7, 2006

Financial Statements and Additional Information

The Agency's financial statements and additional information for fiscal years (FY) 2006 and 2005 consist of the following:

- The **Consolidated Balance Sheets** present as of September 30, 2006 and 2005, 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, 2006 and 2005. 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, 2006 and 2005. 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 years ended September 30, 2006 and 2005. 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 years ended September 30, 2006 and 2005. A Schedule of Financing is provided to present the reconciliation by SSA's major programs as additional information.

- The **Statement of Social Insurance** presents the actuarial present value for the 75-year projection period of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) future income and cost expected to arise from the formulas specified in current law for current and future program participants. The difference between these values is presented, both including and excluding the value of the combined OASI and DI Trust Fund assets at the beginning of the period, in order to provide an indication of the program's financial status.

- The **Required Supplementary Information: Social Insurance** presents required long-range cashflow projections, the long-range projections of the ratio of contributors to beneficiaries (dependency ratio), and the sensitivity analysis illustrating the effect of the changes in the most significant assumptions on the actuarial projections and present values. The financial and actuarial disclosures are accompanied by a narrative describing the program, how it is financed, how benefits are calculated and an interpretive analysis of trends revealed by the data.

Consolidated Balance Sheets as of September 30, 2006 and September 30, 2005

	(Dollars in Millions)	
Assets	**2006**	2005
Intragovernmental:		
Fund Balance with Treasury (Note 4)	**$ 4,778**	$ 5,370
Investments (Note 5)	**1,995,307**	1,809,422
Interest Receivable, Net (Note 6)	**25,631**	23,472
Accounts Receivable, Net (Note 6)	**536**	307
Total Intragovernmental	**2,026,252**	1,838,571
Accounts Receivable, Net (Notes 3 and 6)	**7,654**	6,982
Property, Plant and Equipment, Net (Note 7)	**1,641**	1,419
Other	**5**	9
Total Assets	**$ 2,035,552**	$ 1,846,981
Liabilities (Note 8)		
Intragovernmental:		
Accrued Railroad Retirement Interchange	**$ 3,754**	$ 3,642
Accounts Payable	**8,033**	8,309
Other	**93**	108
Total Intragovernmental	**11,880**	12,059
Benefits Due and Payable	**66,104**	61,272
Accounts Payable	**264**	394
Other	**873**	894
Total Liabilities	**79,121**	74,619
Net Position		
Unexpended Appropriations		1,446
Unexpended Appropriations-Earmarked Funds (Note 9)	**57**	
Unexpended Appropriations-Other Funds	**1,614**	
Cumulative Results		1,770,916
Cumulative Results of Operations-Earmarked Funds (Note 9)	**1,954,921**	
Cumulative Results of Operations-Other Funds	**(161)**	
Total Net Position	**1,956,431**	1,772,362
Total Liabilities and Net Position	**$ 2,035,552**	$ 1,846,981

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

Consolidated Statements of Net Cost for the Years Ended September 30, 2006 and September 30, 2005

	(Dollars in Millions) 2006	2005
OASI Program		
Benefit Payments	**$ 451,516**	$ 432,438
Operating Expenses (Note 10)	**3,083**	2,970
Total Cost of OASI Program	**454,599**	435,408
Less: Exchange Revenues (Notes 11 and 12)	**8**	22
Net Cost of OASI Program	**454,591**	435,386
DI Program		
Benefit Payments	**90,944**	89,731
Operating Expenses (Note 10)	**2,574**	2,419
Total Cost of DI Program	**93,518**	92,150
Less: Exchange Revenues (Notes 11 and 12)	**9**	20
Net Cost of DI Program	**93,509**	92,130
SSI Program		
Benefit Payments	**35,237**	36,224
Operating Expenses (Note 10)	**3,147**	3,083
Total Cost of SSI Program	**38,384**	39,307
Less: Exchange Revenues (Notes 11 and 12)	**268**	303
Net Cost of SSI Program	**38,116**	39,004
Other		
Benefit Payments	**15**	16
Operating Expenses (Note 10)	**1,753**	1,729
Total Cost of Other Program	**1,768**	1,745
Less: Exchange Revenues (Notes 11 and 12)	**11**	17
Net Cost of Other	**1,757**	1,728
Total Net Cost		
Benefit Payments	**577,712**	558,409
Operating Expenses (Note 10)	**10,557**	10,201
Total Cost	**588,269**	568,610
Less: Exchange Revenues (Notes 11 and 12)	**296**	362
Total Net Cost	**$ 587,973**	$ 568,248

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

Consolidated Statements of Changes in Net Position for the Years Ended September 30, 2006 and September 30, 2005

(Dollars in Millions)

	2006		2005	
	Cumulative Results of Operations	**Unexpended Appropriations**	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances			$ 1,605,203	$ 1,489
Earmarked Funds	**$ 1,770,660**	**$ 53**		
All Other Funds	**256**	**1,393**		
Total All Funds	**$ 1,770,916**	**$ 1,446**	$ 1,605,203	$ 1,489
Budgetary Financing Sources				
Appropriations Received				57,874
Earmarked Funds		**16,378**		
All Other Funds		**40,454**		
Appropriations Transferred In/Out				0
Earmarked Funds		**38**		
Other Adjustments			0	(13)
Earmarked Funds	**0**	**(6)**		
Appropriations Used			57,904	(57,904)
Earmarked Funds	**16,406**	**(16,406)**		
All Other Funds	**40,233**	**(40,233)**		
Tax Revenues (Note 13)			588,416	
Earmarked Funds	**620,007**			
Interest Revenues			92,994	
Earmarked Funds	**99,880**			
Transfers In/Out Without Reimbursement			784	
Earmarked Funds	**(4,868)**			
All Other Funds	**6,538**			
Railroad Retirement Interchange			(3,846)	
Earmarked Funds	**(3,959)**			
Net Transfers In/Out			(3,062)	
Earmarked Funds	**(8,827)**			
All Other Funds	**6,538**			
Other Budgetary Financing Sources-			63	
Earmarked Funds	**(50)**			
Other Financing Sources (Non-Exchange)				
Transfers In/Out			(2,818)	
All Other Funds	**(2,907)**			
Imputed Financing Sources (Note 14)			464	
All Other Funds	**537**			
Total Financing Sources			733,961	(43)
Earmarked Funds	**727,416**	**4**		
All Other Funds	**44,401**	**221**		
Net Cost of Operations			568,248	
Earmarked Funds	**543,155**			
All Other Funds	**44,818**			
Net Change			165,713	
Earmarked Funds	**184,261**			
All Other Funds	**(417)**			
Ending Balances			1,770,916	1,446
Earmarked Funds	**1,954,921**	**57**		
All Other Funds	**(161)**	**1,614**		
Total All Funds	**$ 1,954,760**	**$ 1,671**	$ 1,770,916	$ 1,446

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

Combined Statements of Budgetary Resources for the Years Ended September 30, 2006 and September 30, 2005

	(Dollars in Millions) 2006	2005
Budgetary Resources (Note 15)		
Unobligated Balances, Brought Forward, October 1	**$ 1,832**	$ 2,118
Recoveries of Prior Year Unpaid Obligations	**539**	337
Budget Authority		
Appropriation	**796,683**	754,724
Spending Authority from Offsetting Collections		
Earned		
Collected	**4,224**	4,596
Change in Receivable	**(16)**	9
Change in Unfilled Customer Orders		
Advance Received	**1**	0
Expenditure Transfers from Trust Funds	**9,204**	8,779
Subtotal	**810,096**	768,108
Nonexpenditure Transfers Net	**122**	0
Temporarily Not Available Pursuant to Public Law	**(181,621)**	(165,150)
Permanently Not Available	**(40)**	(7)
Total Budgetary Resources	**$ 630,928**	$ 605,406
Status of Budgetary Resources (Note 15)		
Obligations Incurred		
Direct	**$ 624,951**	$ 599,028
Reimbursable	**4,186**	4,546
Subtotal	**629,137**	603,574
Unobligated Balances		
Apportioned	**1,475**	1,566
Unobligated Balances - Not Available	**316**	266
Total Status of Budgetary Resources	**$ 630,928**	$ 605,406
Change in Obligated Balances		
Obligated Balances, Net		
Unpaid Obligations, Brought Forward, October 1	**$ 69,215**	$ 60,455
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	**(2,091)**	(2,191)
Total Unpaid Obligated Balance	**67,124**	58,264
Obligations Incurred, Net	**629,137**	603,574
Less: Gross Outlays	**(624,755)**	(594,477)
Less: Recoveries of Prior Year Unpaid Obligations	**(539)**	(337)
Change in Uncollected Payments from Federal Sources	**22**	100
Obligated Balance - End of Period		
Unpaid Obligations	**73,058**	69,215
Less: Uncollected Payments from Federal Sources	**(2,069)**	(2,091)
Total Unpaid Obligated Balance, End of Period	**70,989**	67,124
Net Outlays		
Gross Outlays	**624,755**	594,477
Less: Offsetting Collections	**(13,434)**	(13,484)
Less: Offsetting Receipts	**(25,809)**	(19,653)
Net Outlays	**$ 585,512**	$ 561,340

The accompanying notes are integral part of these financial statements.

Consolidated Statements of Financing for the Years Ended September 30, 2006 and September 30, 2005

	(Dollars in Millions) 2006	2005
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	**$ 629,137**	$ 603,574
Less: Offsetting Collections and Recoveries	**(13,952)**	(13,721)
Obligations Net of Offsetting Collections	**615,185**	589,853
Less: Offsetting Receipts	**(25,809)**	(19,653)
Net Obligations	**589,376**	570,200
Imputed Financing	**537**	464
Other	**(253)**	(276)
Net Other Resources Used to Finance Activities	**284**	188
Total Resources Used to Finance Activities	**589,660**	570,388
Resources Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated, Not Yet Provided	**(16)**	(4)
Resources that Fund Expenses Recognized in Prior Periods	**(10)**	(714)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	**20,158**	19,653
Resources that Fund Capitalized Costs	**(458)**	(399)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	**(21,633)**	(21,900)
Total Resources Not Part of the Net Cost of Operations	**(1,959)**	(3,364)
Total Resources Used to Finance the Net Cost of Operations	**587,701**	567,024
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	**3**	6
Other	**361**	1,019
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	**364**	1,025
Components Not Requiring or Generating Resources		
Depreciation and Amortization	**234**	211
Other	**(326)**	(12)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	**(92)**	199
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	**272**	1,224
Net Cost of Operations	**$ 587,973**	$ 568,248

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

Statement of Social Insurance
Old-Age, Survivors and Disability Insurance
as of January 1, 2006

(In billions)

		Estimates from Prior Years			
	2006	**2005** unaudited	**2004** unaudited	**2003** unaudited	**2002** unaudited
Actuarial present value for the 75-year projection period of estimated future income (excluding interest) received from or on behalf of: (Note 17)					
Current participants who, in the starting year of the projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	$16,568	$15,290	$14,388	$13,576	$13,048
Have attained retirement eligibility age (Age 62 and over)	533	464	411	359	348
Those expected to become participants (Under age 15)	15,006	13,696	12,900	12,213	11,893
All current and future participants	32,107	29,450	27,699	26,147	25,289
Actuarial present value for the 75-year projection period of estimated future cost for or on behalf of: (Note 17)					
Current participants who, in the starting year of the projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	26,211	23,942	22,418	21,015	20,210
Have attained retirement eligibility age (Age 62 and over)	5,866	5,395	4,933	4,662	4,402
Those expected to become participants (Under age 15)	6,480	5,816	5,578	5,398	5,240
All current and future participants	38,557	35,154	32,928	31,075	29,851
Actuarial present value for the 75-year projection period of estimated future excess of income (excluding interest) over cost (Note 17)	-$6,449	-$5,704	-$5,229	-$4,927	-$4,562

Additional Information

Actuarial present value for the 75-year projection period of estimated future excess of income (excluding interest) over cost (Note 17)	-$6,449	-$5,704	-$5,229	-$4,927	-$4,562
Combined OASI and DI Trust Fund assets at start of period	1,859	1,687	1,531	1,378	1,213
Actuarial present value for the 75-year projection period of estimated future excess of income (excluding interest) and combined OASI and DI Trust Fund assets at start of period over cost (Note 17)	-$4,591	-$4,017	-$3,699	-$3,550	-$3,350

Totals do not necessarily equal the sum of rounded components. The accompanying notes are an integral part of these financial statements.

Notes to the Basic Financial Statements
For the Years Ended September 30, 2006 and 2005
(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 (OASDI) programs 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, reconciliation of net cost to budgetary resources and the actuarial present value for the 75-year projection period for Social Insurance as required by the Office of Management and Budget (OMB) in OMB Circular A-136 *Financial Reporting Requirements*.

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 OMB in Circular A-136. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). 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 primarily of the Old Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds, SSA's Limitation on Administrative Expenses (LAE), three deposit funds and four general fund appropriations. LAE is a mechanism to allow SSA to fund its administrative operations and is considered a subset of the OASI and DI Trust Funds. 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.

Fund Balance with Treasury

SSA's Fund Balance with Treasury, shown on the Consolidated Balance Sheets, is the aggregate amount of funds in SSA's accounts with the Department of the Treasury for which SSA is authorized to make expenditures and pay liabilities. Refer to Note 4, Fund Balance with Treasury.

Investments

Daily deposits received by the OASI and DI Trust Funds which are not required to meet current expenditures are invested in interest-bearing obligations of the U.S. Government. The OASI and DI 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 issue bonds. Special issue bonds are special public debt obligations for purchase exclusively by the OASI and DI 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 Consolidated Balance Sheets.

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 OASI and DI Trust Funds for their use of OASI and DI 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. The capitalization threshold for most PP&E categories is $100,000. Automated Data Processing and Telecommunications Site Preparation, buildings and other structures are capitalized with no threshold.

The change in PP&E from one reporting period to the next is presented on the Consolidated Statements of Financing's Resources that Fund Capitalized Costs. This line item represents the capital assets purchased by the OASI, DI and Health Insurance/Supplemental Insurance (HI/SMI) Trust Funds that effect budgetary obligations. 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. Refer to Note 8, Liabilities.

Benefit Payments

SSA recognizes the cost associated with payments in the period the beneficiary or recipient is entitled to receive the payment. OASI and DI benefit disbursements are generally made after the end of each month. SSI disbursements are generally made on the first day of each month. By law, if the monthly disbursement date falls on a weekend or a Federally recognized holiday, SSA is required to accelerate the entitlement date and the disbursement date to the preceding business day.

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 fund. Accordingly, administrative expenses are subsequently distributed during each month to the appropriate OASI, DI, HI and SMI 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 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 Combined Statements of Budgetary Resources, and this statement does not allow eliminations, LAE's obligations are recorded twice. This is in compliance with OMB's directive to have the Combined Statement of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133).

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 taxes payable and refunds made. Employment tax credits (the difference between the combined employee and employer rate and the self-employed rate) are also included in tax revenues. Refer to Note 13, 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. Refer to Note 11, 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 Combined Statements 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.

Earmarked Funds

In fiscal year 2006, SSA adopted SFFAS No. 27, *Identifying and Reporting Earmarked Funds*, which requires separate presentation and disclosure of earmarked funds balances in the financial statements. The standard is effective beginning October 1, 2005. Restatement of prior periods is not permitted. Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. Earmarked funds meet the following criteria:

- A statute committing the Federal Government to use specifically identified revenues and other financing sources only for designated activities, benefits or purposes;
- Explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
- A requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government's general revenues.

SSA’s earmarked funds are the OASI and DI Trust Funds, PTF and fees collected to cover a portion of SSA’s administrative costs for SSI State Supplementation. Refer to Note 9, Earmarked Funds, for additional information.

Reclassifications

Certain FY 2005 balances have been reclassified to conform to FY 2006 financial statement presentations, the effect of which is immaterial. The primary change occurs in the Combined Statement of Budgetary Resources. This change was made in compliance with the revisions required by OMB Circular A-136.

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. However, 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 Statements 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.

SSA contributions to CSRS were $115 and $121 million for the years ended September 30, 2006 and 2005. SSA contributions to the basic FERS plan were $247 and $226 million for the years ended September 30, 2006 and 2005. 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 the FERS savings plan were $89 and $79 million for the years ended September 30, 2006 and 2005. 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 $6,331 and $6,122 million as of September 30, 2006 and 2005. The Non-Entity Assets are composed of (1) SSI Federal and State benefit overpayments classified as SSI accounts receivable, (2) SSI overpayments collected, (3) fees collected to administer SSI State Supplementation and (4) Attorney fees that are returned to the Department of the Treasury General Fund. In FY 2005, the SSI Federal overpayments collected were inadvertently omitted from the total Non-Entity assets amount reported; in addition, the SSI receivable amount was understated in this note disclosure. Adjustments to total Non-Entity Assets and SSI receivable have been included in the FY 2005 figures as reported.

The SSI receivable amounts included as a part of Accounts Receivable, Net on the Consolidated Balance Sheets are $3,285 and $3,025 million as of September 30, 2006 and 2005. The SSI accounts receivable, net has been reduced by $1,955 and $2,433 million for FY 2006 and 2005 respectively as intra-agency elimination. SSI Federal overpayment collections included as a part of the Fund Balance with Treasury on the Consolidated Balance Sheets are $2,905 and $2,821 million as of September 30, 2006 and 2005. FY 1991 Appropriations Act, Public Law 101-157, requires that collections from repayment of SSI Federal benefit overpayments be deposited in the Department of the Treasury General Fund. These funds, upon deposit, are assets of the Department of the Treasury General Fund and shall not be used by SSA as a SSI budgetary resource to pay SSI benefits or administrative costs. Accordingly, SSI accounts receivable and overpayment collections are recognized as non-entity assets. SSI State overpayment collections are used to offset reimbursements due from the States to SSA.

The Fund Balance with Treasury includes fees collected to administer SSI State Supplementation in the amount of $141 and $276 million for the years ended September 30, 2006 and 2005. The fee collection is classified as exchange revenue and is used to decrease the net cost of administration of the SSI program. Refer to Note 11, Exchange Revenues, for a description of the SSI State Administrative 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. OASI and DI Trust Fund budgetary accounts are not used in chart 4b since OASI and DI 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)

	2006	2005
Trust Funds*		
OASI	$ (795)	$ (384)
DI	(348)	(73)
LAE	71	32
Appropriated Funds		
SSI	2,880	2,915
Other	2,970	2,880
Total	$ 4,778	$ 5,370

Chart 4b - Status of Fund Balances as of September 30:
($ in millions)

	2006	2005
Unobligated Balance		
Available	$ 1,226	$ 1,160
Unavailable	64	134
Obligated Balance Not Yet Disbursed	1,495	1,391
OASI, DI and LAE	(1,072)	(425)
Deposit & Receipt Accounts	3,065	3,110
Total	$ 4,778	$ 5,370

*The phrase "Trust Funds" is being used as the fund type as defined by OMB.

The negative fund balances reported for the OASI and DI Trust Funds as of September 30, 2006 and 2005 are the result of the policy to protect the OASI and DI Trust Fund investments by not liquidating the investments until the cash is needed. Transfers between the OASI and DI Trust Funds and Treasury are managed to favor the financial position of the OASI and DI Trust Funds. Therefore, investments held by the OASI and DI Trust Funds are liquidated only as needed by Treasury to cover benefit and administrative payments. To maintain consistency with the amounts reported by Treasury for OASI and DI, the negative balances were not reclassified as liabilities on the Consolidated Balance Sheets.

5. Investments

The cash receipts collected from the public for the OASI and DI Trust Funds are invested in interest bearing securities backed by the full faith and credit of the Federal government, generally U.S. par-value Treasury special securities. Treasury special securities are issued directly by the Treasury Secretary to the OASI and DI Trust Funds and are non-negotiable and non-transferable in the secondary market. Par-value Treasury special securities 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 7 3/8 percent and are payable on June 30, December 31, and at maturity or redemption. Investments held for the OASI and DI Trust Funds mature at various dates ranging from the present to the year 2021. SSA's investments in Special Issue U.S. Treasury Securities are $1,995,307 and $1,809,422 million as of September 30, 2006 and 2005 respectively.

Treasury special securities are an asset to the OASI and DI Trust Funds and a liability to the U.S. Treasury. Because the OASI and DI Trust Funds and the U.S. Treasury are both part of the Government, these assets and liabilities are eliminated for consolidation purposes in the U.S. Government-wide financial statements. For this reason, they do not represent a net asset or a net liability in the U.S. Government-wide financial statements.

The U.S. Treasury does not set aside assets to pay future expenditures associated with the OASI and DI Trust Funds. The cash received from the OASI and DI Trust Funds for investment in these securities is used by the U.S. Treasury for general Government purposes. Treasury special securities provide the OASI and DI Trust Funds with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the OASI and DI Trust Funds require redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

6. *Interest and Accounts Receivable*

Interest Receivable

Intragovernmental Interest Receivable, Net reported on the Consolidated Balance Sheets consists of accrued interest receivable on the OASI and DI Trust Fund investments with the U.S. Treasury. Interest amounts are $25,631 and $23,472 million as of September 30, 2006 and 2005.

Accounts Receivable

Intragovernmental

Intragovernmental Accounts Receivable, Net reported on the Consolidated Balance Sheets in the amounts of $536 and $307 million as of September 30, 2006 and 2005 primarily represent amounts to be paid from the HI/SMI Trust Funds to the LAE Appropriation. The LAE gross accounts receivable has been reduced by $1,538 and $1,775 million as of September 30, 2006 and 2005 as an intra-agency elimination. This elimination is to offset SSA's LAE receivable to be paid from the appropriate fund with corresponding payables set up for anticipated LAE disbursements.

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.

With the Public

Accounts Receivable, Net reported on the Consolidated Balance Sheets is shown by SSA major program in Chart 6. 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 6 - Accounts Receivable with the Public by Major Program as of September 30:
($ in millions)

	2006			2005		
	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
OASI	$ 2,238	$ (126)	$ 2,112	$ 2,077	$ (112)	$ 1,965
DI	4,378	(1,492)	2,886	3,771	(1,291)	2,480
SSI*	7,032	(1,722)	5,310	7,307	(1,777)	5,530
LAE	15	0	15	159	0	159
Subtotal	13,663	(3,340)	10,323	13,314	(3,180)	10,134
Less:						
Eliminations**	(2,669)	0	(2,669)	(3,152)	0	(3,152)
Total	$ 10,994	$ (3,340)	$ 7,654	$ 10,162	$ (3,180)	$ 6,982

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

Chart 6 shows that in FY 2006 and 2005, gross accounts receivable was reduced by $2,669 and $3,152 million as an intra-agency elimination. This intra-agency activity results primarily from Special Disability Workloads (SDW) cases. In a prior period, SSA determined that a group of 228,000 SSI recipients who were eligible to receive DI benefits were paid either SSI or OASI benefits. At that time, the agency recognized and established receivables from both the OASI and SSI programs with an offsetting payable in the DI program.

SSA continues to identify and settle SDW cases and current estimates indicate that there are about 95,000 SDW cases remaining. OASI SDW receivables are $714 and $719 million as of September 30, 2006 and 2005. DI SDW receivables are less than $1 million as of September 30, 2006 and 2005. SSI SDW net receivables are $1,688 and $2,138 million as of September 30, 2006 and 2005.

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 allowances 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:	2006 Cost	2006 Accumulated Depreciation	2006 Net Book Value	2005 Cost	2005 Accumulated Depreciation	2005 Net Book Value
Land	$ 4	$ 0	$ 4	$ 5	$ 0	$ 5
Buildings	388	(200)	188	381	(195)	186
Equipment (incl. ADP Hardware)	433	(356)	77	378	(314)	64
Internal Use Software	1,951	(590)	1,361	1,561	(408)	1,153
Leasehold Improvements	189	(178)	11	189	(178)	11
Total	$ 2,965	$ (1,324)	$ 1,641	$ 2,514	$ (1,095)	$ 1,419

Major Classes:	Estimated Useful Life	Method of Depreciation
Land	N/A	N/A
Buildings	50 years	Straight Line
Equipment (incl. ADP Hardware)	3-10 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)

	2006 Covered	2006 Not Covered	2006 Total	2005 Covered	2005 Not Covered	2005 Total
Intragovernmental:						
Accrued RRI	$ 3,754	$ 0	$ 3,754	$ 3,642	$ 0	$ 3,642
Accounts Payable	1	8,032	8,033	1	8,308	8,309
Other	39	54	93	55	53	108
Total Intragovernmental	3,794	8,086	11,880	3,698	8,361	12,059
Benefits Due and Payable	63,475	2,629	66,104	59,003	2,269	61,272
Accounts Payable	(62)	326	264	94	300	394
Other	278	595	873	291	603	894
Total	$ 67,485	$ 11,636	$ 79,121	$ 63,086	$ 11,533	$ 74,619

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. This annual interchange is 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.

Intragovernmental Accounts Payable

Included in the Intragovernmental Accounts Payable Not Covered by budgetary resources are amounts due to the Department of the Treasury General Fund. A payable is recorded equal to the SSI Federal benefit overpayments receivable when overpayments are identified and for the SSI Federal benefit overpayment collections as they are received. Refer to Note 3, Non-Entity Assets for a description of the SSI receivables established for the repayment of SSI benefit overpayments. Also included in the Not Covered Intragovernmental Accounts Payable amount are $141 and $276 million as of September 30, 2006 and 2005 for SSI State Fees payable to the Department of the Treasury General Fund. Refer to Note 11, Exchange Revenues, for a description of the SSI State Administrative Fees.

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. 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 is $54 and $53 million as of September 30, 2006 and 2005. See Note 3, Non-Entity Assets and Note 11, Exchange Revenues, for a discussion of SSI State Administrative Fees.

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, 2006 and 2005. 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.

Chart 8b - Benefits Due and Payable as of September 30:
($ in millions)

	2006	2005
OASI	$ 41,677	$ 39,213
DI	23,611	22,375
SSI	3,485	2,836
Subtotal	68,773	64,424
Less: Intra-agency eliminations	(2,669)	(3,152)
Total	$ 66,104	$ 61,272

The amounts of Benefits Due and Payable for OASI and DI presented in Chart 8b also includes estimated payables related to SDW. Refer to Note 6, Interest and Accounts Receivable. OASI payables are $329 and $331 million as of September 30, 2006 and 2005. DI payables are $3,500 and $4,139 million as of September 30, 2006 and 2005. In FY 2006, 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 2006 and 2005, gross Benefits Due and Payable was reduced by $2,669 and $3,152 million as an intra-agency elimination. This intra-agency activity results primarily from SDW cases. Refer to 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, 2006 and 2005.

Chart 8c - Net SDW Liability as of September 30: ($ in millions)	2006	2005
Net DI Liability	$ 3,500	$ 4,139
Net OASI Receivable	(385)	(388)
Net SSI Receivable	(1,688)	(2,138)
Net Liability Due to the Public	$ 1,427	$ 1,613

Accounts Payable

Accounts Payable Not Covered by budgetary resources consists of SSI overpayments due to States and the SSI windfall amounts. States are entitled to any overpayment that SSA expects to collect since they make the actual payments to the beneficiaries. SSI windfall amounts are generated when a SSI recipient is found to be eligible for OASI or DI benefits. Any overlapping payments to the beneficiary made by OASI or DI are paid back to the SSI program, creating the windfall amount. This windfall amount, like the state overpayment is set up as an accounts payable until payment is made to the states.

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 $275 and $285 million as of September 30, 2006 and 2005 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 OASI or DI 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. Earmarked Funds

The OASI and DI Trust Funds, PTF and SSI State Administrative Fees are classified as earmarked funds. These funds obtain revenues primarily through earmarked receipts, such as Social Security payroll taxes, and, to a lesser extent, offsetting collections.

OASI and DI Trust Funds

The OASI Trust Fund provides assistance and protection against loss of earnings due to retirement or death and the DI Trust Fund provides assistance and protection against the loss of earnings due to a wage earner's disability in the form of monetary payments.

The OASI and DI Trust Funds are primarily funded by payroll and self-employment taxes. Additional income is provided to these funds from interest earnings on Treasury securities, Federal agencies' payments for the Social Security benefits earned by military and Federal civilian employees, and Treasury payments for a portion of income taxes paid on Social Security. The law establishing the OASI and DI Trust Funds is set forth in 42 U.S.C. § 401. Refer to Note 13, Tax Revenues for a discussion on employment taxes credited to the OASI and DI Trust Funds and Note 6, Interest and Accounts Receivable for a discussion on interest.

Funds not withdrawn for current expenses (benefits, the financial interchange with the Railroad Retirement program, and administrative expenses) are invested in interest-bearing Federal securities, as required by law. See Note 5, Investments for a discussion on Treasury securities.

PTF

PTF consist of transfers authorized by law between the Department of Treasury General Fund and the OASI and DI Trust Funds. PTF activity includes Income tax on Social Security Benefits, Reimbursable Union Activity, Coal Industry Retiree Health Benefits, Pension Reform, Special Age 72 Benefits, Income Tax Credit Reimbursement and Unnegotiated Check Reimbursement. PTF funds are warranted from the general fund and transferred to the OASI and DI Trust Funds via an intragovernmental transfer. These transfers are to be reserved for specific purposes in the future. Because of this, PTF is considered earmarked from the point that it is transferred into SSA and reported as Appropriations Received on the Statement of Changes in Net Position.

SSI State Administrative Fees

Administrative Fees collected from state SSI are also classified as earmarked funds. Section 1616.42 U.S.C authorizes the Commissioner of Social Security to assess each state an administrative fee in an amount equal to the number of Supplemental payments made by SSA on behalf of the state for any month in a fiscal year, multiplied by the applicable rate for the fiscal year. See Note 11, Exchange Revenues, for a discussion of SSI State Administrative Fees.

See chart 9a for balances of earmarked funds as reported in the Consolidated Financial Statements for the year ended September 30, 2006.

Chart 9a - Earmarked Funds as of September 30:
Consolidating Schedule
($ in millions)

	2006				
	OASI Trust Fund	DI Trust Fund	Other Earmarked Funds	Eliminations	Total Earmarked Funds
Balance Sheet					
ASSETS					
Fund Balance with Treasury	$ (795)	$ (348)	$ 66	$ 0	$ (1,077)
Investments	1,793,129	202,178	0	0	1,995,307
Interest Receivable	23,004	2,627	0	0	25,631
Accounts Receivables	2,114	2,887	0	(714)	4,287
Total Assets	$ 1,817,452	$ 207,344	$ 66	$ (714)	$ 2,024,148
LIABILITIES and NET POSITION					
Liabilities	$ 45,544	$ 24,337	$ 3	$ (714)	$ 69,170
Total Liabilities	45,544	24,337	3	(714)	69,170
Unexpended Appropriations	0	0	57	0	57
Cumulative Results of Operations	1,771,908	183,007	6	0	1,954,921
Total Liabilities and Net Position	$ 1,817,452	$ 207,344	$ 66	$ (714)	$ 2,024,148
Statement of Net Cost					
Program Costs	$ 452,144	$ 91,128	$ 0	$ 0	$ 543,272
Less Earned Revenue	0	0	117	0	117
Net Cost of Operations	$ 452,144	$ 91,128	$ (117)	$ 0	$ 543,155
Statement of Changes in Net Position					
Net Position Beginning of Period	$ 1,595,523	$ 175,137	$ 53	$ 0	$ 1,770,713
Non-Exchange Revenue	9,138	(1,498)	(107)	0	7,533
Net Cost of Operations	(452,144)	(91,128)	117	0	(543,155)
Taxes and Interest Revenue	619,391	100,496	0	0	719,887
Change in Net Position	176,385	7,870	10	0	184,265
Net Position End of Period	$ 1,771,908	$ 183,007	$ 63	$ 0	$ 1,954,978

Chart 9a includes eliminations between SSA's earmarked funds which primarily represent eliminations for SDW activity between the OASI and DI Trust Funds; however, $2,792 million of liabilities in the earmarked funds for the year ended September 30, 2006 need to be eliminated against LAE and SSI, which are not earmarked. Therefore, due to the separate presentation of earmarked funds only in this note, those eliminations have not been included in chart 9a.

Near the close of FY 2005, SSA determined that the DI Trust Fund had not been reimbursed for certain expenses initially incurred by the DI Trust Fund on behalf of the OASI Trust Fund. SSA's General Counsel and Counsel from the Department of the Treasury are working to determine if current law supports the reimbursement of principal and interest from the OASI Trust Fund to the DI Trust Fund. Concurrently, SSA continues to develop its methodology to estimate the reimbursement amount. The ultimate reimbursement, if any, will not impact the basic consolidated financial statements.

Chart 9b presents the Statement of Changes in Net Position in columnar format. Eliminations have no effect on columnar totals presented.

Chart 9b - Earmarked Funds (Columnar Approach) as of September 30:
Consolidated Schedule
($ in millions)

	2006		
	Cumulative Results of Operations		
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total
Beginning Balances	$ 1,770,660	$ 256	$ 1,770,916
Budgetary Financing Sources			
Appropriations Used	16,406	40,233	56,639
Tax Revenues (Note 13)	620,007	0	620,007
Interest Revenues	99,880	0	99,880
Transfers In/Out Without Reimbursement	(4,868)	6,538	1,670
Railroad Retirement Interchange	(3,959)	0	(3,959)
Net Transfers In/Out	(8,827)	6,538	(2,289)
Other Budgetary Financing Sources	(50)	0	(50)
Other Financing Sources (Non-Exchange)			
Transfers-In/Out	0	(2,907)	(2,907)
Imputed Financing Sources (Note 14)	0	537	537
Total Financing Sources	727,416	44,401	771,817
Net Cost of Operations	543,155	44,818	587,973
Net Change	184,261	(417)	183,844
Cumulative Results of Operations	$ 1,954,921	$ (161)	$ 1,954,760

Chart 9b - Earmarked Funds (Columnar Approach) as of September 30:
($ in millions)

	2006		
	Unexpended Appropriations		
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total
Beginning Balances	$ 53	$ 1,393	$ 1,446
Budgetary Financing Sources			
Appropriations Received	16,378	40,454	56,832
Appropriations Transferred In/Out	38	0	38
Other Adjustments	(6)	0	(6)
Appropriations Used	(16,406)	(40,233)	(56,639)
Total Budgetary Financing Sources	4	221	225
Total Unexpended Appropriations	57	1,614	1,671
Net Position	$ 1,954,978	$ 1,453	$ 1,956,431

10. Operating Expenses

Classification of Operating Expenses by Major Program

Chart 10a displays SSA's operating expenses for each major program. The HI/SMI Trust Funds' shares of SSA's operating expenses, which include the Medicare Prescription Drug Program, are recorded in Other. In addition to LAE operating expenses, SSA programs incur other operating expenses that are reported on the Statements of Net Cost. OASI and DI Trust Fund Operations include expenses of the Department of the 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 10a - SSA's Operating Expenses by Major Program as of September 30:
($ in millions)

	2006				
	LAE SSA	OIG	OASI and DI Trust Fund Operations	Vocational Rehabilitation	Total
OASI	$ 2,420	$ 35	$ 628	$ 0	$ 3,083
DI	2,356	34	176	8	2,574
SSI	3,044	0	0	103	3,147
Other	1,730	23	0	0	1,753
	$ 9,550	$ 92	$ 804	$ 111	$ 10,557

Chart 10a - SSA's Operating Expenses by Major Program as of September 30:

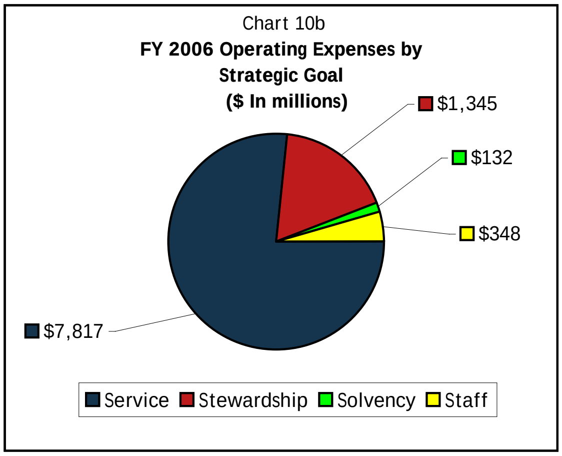
	2005				
	LAE SSA	OIG	OASI and DI Trust Fund Operations	Vocational Rehabilitation	Total
OASI	$ 2,368	$ 34	$ 568	$ 0	$ 2,970
DI	2,239	33	99	48	2,419
SSI	2,999	0	0	84	3,083
Other	1,703	26	0	0	1,729
	$ 9,309	$ 93	$ 667	$ 132	$ 10,201

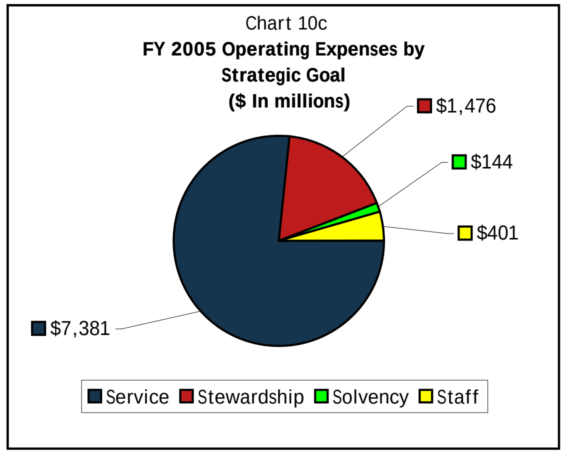
Classification of Operating Expenses by Strategic Goal

SSA's Annual Performance Plan (APP) is characterized by broad-based strategic goals that are supported by the entire Agency. The four 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.

Charts 10b and 10c exhibit distribution of FY 2006 and 2005 SSA and OIG LAE operating expenses to the four APP Strategic goals which agree to the Agency's LAE budget appropriation. OASI and DI Trust Fund Operations and Vocational Rehabilitation expenses (see chart 10a) are not included in LAE by strategic goal as these amounts are disbursed from the OASI and DI Trust Funds and are not directly linked to the budget authority.





11. 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 $296 and $362 million for the years ended September 30, 2006 and 2005. 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 administrative fee revenue in the amount of $253 and $276 million for the years ended September 30, 2006 and 2005.

A portion of the administrative fees earned by SSA are non-entity assets, which are included within Fund Balance with Treasury in the amount of $141 and $276 million for the years ended September 30, 2006 and 2005. The fees are deposited directly to the Department of the Treasury General Fund and reported as a part of Fund Balance with Treasury on the Consolidated Balance Sheets. A corresponding accounts payable to the Department of the Treasury General Fund is presented so that net position is not affected by this activity. The remainder of the administrative fees, which meet the criteria of an earmarked fund, in the amount of $117 and $123 million for the years ended September 30, 2006 and 2005 are maintained to defray expenses in carrying out the SSI program.

In addition, SSA earned $43 and $86 million for the years ended September 30, 2006 and 2005 in other exchange revenue.

12. Costs and Exchange Revenue Classifications

Chart 12 displays costs and exchange revenue by Intragovernmental and Public classifications. Intragovernmental costs are related to activity with Federal entities, which include: payments for processing benefit and administrative checks, employee benefits and imputed financing costs. Refer to Note 14, Imputed Financing for additional information. Public costs are related to activity with non-Federal entities, which include: OASI and DI benefit payments, SSI payments, and payroll and other administrative costs. Intragovernmental exchange revenue is collections received from Federal entities for services provided which includes reimbursements from the United States Department of Agriculture for the Food Stamp Program. Public exchange revenue is collections received from non-Federal entities for services provided which includes fees for administering the states portion of SSI payments. The Other program, primarily reports the costs and revenues that SSA incurs in administering a portion of the Medicare program.

Chart 12- Costs and Exchange Revenue Classifications as of September 30:
($ in millions)

	2006			2005		
	Gross Cost	Less Earned Revenue	Net Cost	Gross Cost	Less Earned Revenue	Net Cost
OASI Program						
Intragovernmental	$ 1,309	$ (3)	$ 1,306	$ 1,220	$ (18)	$ 1,202
Public	453,290	(5)	453,285	434,188	(4)	434,184
OASI Subtotal	454,599	(8)	454,591	435,408	(22)	435,386
DI Program						
Intragovernmental	776	(4)	772	718	(17)	701
Public	92,742	(5)	92,737	91,432	(3)	91,429
DI Subtotal	93,518	(9)	93,509	92,150	(20)	92,130
SSI Program						
Intragovernmental	856	(8)	848	821	(24)	797
Public	37,528	(260)	37,268	38,486	(279)	38,207
SSI Subtotal	38,384	(268)	38,116	39,307	(303)	39,004
Other Program						
Intragovernmental	459	(2)	457	374	(10)	364
Public	1,309	(9)	1,300	1,371	(7)	1,364
Other Subtotal	1,768	(11)	1,757	1,745	(17)	1,728
Total	$ 588,269	$ (296)	$ 587,973	$ 568,610	$ (362)	$ 568,248

13. 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 OASI and DI Trust Funds with tax receipts received during the month. Treasury makes adjustments to the amounts previously credited to the OASI and DI Trust Funds based on actual wage data certified quarterly by SSA.

As required by current law, the Social Security OASI and DI 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 (IRS) or SSA. Revenues to the OASI and DI Trust Funds are reduced for excess employment taxes, which are refunded by offset against income taxes. The Consolidated Statements of Changes in Net Position recognizes tax revenues of $620,007 and $588,416 million for the years ended September 30, 2006 and 2005.

14. Imputed Financing

The Consolidated Statements of Net Cost recognizes post-employment benefit expenses of $937 and $829 million for the years ended September 30, 2006 and 2005 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 Consolidated Statements of Changes in Net Position recognizes an imputed financing source of $537 and $464 million for the years ended September 30, 2006 and 2005 that represents annual service cost not paid by SSA.

15. Budgetary Resources

Appropriations Received

The Combined Statements of Budgetary Resources discloses Appropriations Received of $796,683 and $754,724 million for the years ended September 30, 2006 and 2005. Appropriations Received on the Consolidated Statements of Changes in Net Position are $56,832 and $57,874 million for the same years. The primary differences of $739,851 and $696,850 million represent appropriated OASI and DI Trust Fund receipts. The Consolidated Statements of Changes in Net Position 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 Statements of Budgetary Resources, Appropriations Received for PTF are duplicated. This is in compliance with OMB’s directive to have the Combined Statements of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133). These amounts are also included on the Consolidated Statements of Changes in Net Position for Other in Appropriations Received.

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. Chart 15a reflects the amounts of direct and reimbursable obligations incurred against amounts apportioned under Category A, Category B, and Exempt from Apportionment. The addition of Category A consists of Medicare Reform and Medicare Appeals distributed quarterly in the FY 2005 Budget. The variance between FY 2006 and FY 2005 concerning Category B and Exempt from Apportionment is due to a reclassification of certain activities. During FY 2006, it was determined that certain activities, consisting primarily of the OASI and DI Trust Fund transfer accounts and the Taxation of Social Security Benefits, should be classified as Exempt from Apportionment since these activities do not receive an apportionment from OMB.

Chart 15a - Apportionment Categories of Obligations Incurred as of September 30:
($ in millions)

	2006			2005		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Category A	$ 0	$ 0	$ 0	$ 427	$ 0	$ 427
Category B	50,227	4,181	54,408	589,611	4,546	594,157
Exempt	574,724	5	574,729	8,990	0	8,990
Total	$ 624,951	$ 4,186	$ 629,137	$ 599,028	$ 4,546	$ 603,574

Permanent Indefinite Appropriation

SSA has three Permanent Indefinite Appropriations: OASI and DI Trust Funds and Title VIII. The OASI Trust Fund provides monetary assistance and protection against the loss of earnings due to retirement or death. The DI Trust Fund provides monetary assistance and protection against the loss of earnings due to a wage earner's disability. The authority remains available as long as there are qualified beneficiaries.

The Title VIII Program was established as part of Public Law 106-169, Foster Care Independence Act of 1999. It provides special benefits to World War II Philippine veterans receiving SSI, who wanted to spend their remaining years outside the United States. Prior to the passage of PL 106-169, their SSI benefits would terminate the month after the veterans leave the U.S. Under the new law, these veterans will receive 75 percent of their benefits. The authority remains available as long as there are qualified recipients.

Legal Arrangements Affecting Use of Unobligated Balances

All OASI and DI Trust Fund receipts collected in the FY are reported as new budget authority on the Combined Statements of Budgetary Resources. As beneficiaries pass the various entitlement tests prescribed by the Social Security Act, benefit payments and other outlays are obligated in the OASI and DI Trust Funds. The portion of OASI and DI 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 OASI and DI Trust Funds and currently become available for obligation as needed; therefore, they are not considered non-entity assets. Chart 15b displays OASI and DI Trust Fund activities and balances. The OASI and DI Trust Fund Balances, Ending totals are included in Investments on the Consolidated Balance Sheets.

Chart 15b - OASI and DI Trust Fund Activities as of September 30:
($ in millions)

	2006	2005
Beginning Balance	$ 1,743,299	$ 1,578,149
Receipts	739,961	696,858
Less Obligations	558,340	531,708
Excess of Receipts Over Obligations	181,621	165,150
Ending Balance	$ 1,924,920	$ 1,743,299

Undelivered Orders at the End of the Period

Undelivered orders consist of unpaid orders of goods and/or services, which have not been actually or constructively received by SSA. SSA's total undelivered orders are $1,373 and $1,352 million for the years ended September 30, 2006 and 2005.

Explanation of Material Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

A reconciliation of budgetary resources, obligations incurred and outlays as presented in the Combined Statement of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 2005 has been conducted. There are no material differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government.

A reconciliation has not been presented for the year ended September 30, 2006 since this report is published in November 2006 but the actual budget data for FY 2006 will not be available until December 2006 by the Department of Treasury.

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 $11,636 and $11,533 million as of September 30, 2006 and 2005, represent SSI receivables and collections 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 Consolidated Statements of Financing, as Total Components of Net Cost of Operations, that will Require or Generate Resources in Future Periods of $364 and $1,025 million for the years ended September 30, 2006 and 2005, represent the change in SSA expenses for adjudicated and unadjudicated SSI benefits due and payable and leave earned but not taken and FECA.

17. Social Insurance Disclosures

Effective for FY 2006, SSA adopted SFFAS 25, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*, and SFFAS 26, *Presentation of Significant Assumptions for the Statement of Social Insurance: Amending SFFAS 25*, which require that the Statement of Social Insurance be presented as an integral part of SSA's basic financial statements. This statement discloses the actuarial present value for the 75-year projection period of the estimated future income (excluding interest), estimated future cost, and the excess of income over cost for the "open group" of participants. The "open group" of participants includes all current and future participants (including births during the projection period) who are or who will eventually participate in the OASI and or DI Social Insurance programs.

Actuarial present values are computed on the basis of the intermediate economic and demographic assumptions specified in the 2006 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds (the Trustees Report) and over the 75-year projection period beginning January 1 of that year. Similar estimates are shown in the statement based on the prior four Trustees Reports.

Estimated future income (excluding interest) consists of payroll taxes from employers, employees, and self-employed persons; revenue from Federal income-taxation of scheduled OASDI benefits; and miscellaneous reimbursements from the General Fund of the Treasury. The estimated future cost includes benefit amounts scheduled under current law, administrative expenses, net transfers with the Railroad Retirement program, and vocational rehabilitation expenses for disabled beneficiaries.

In addition to the actuarial present value of estimated future excess of income over cost, shown in the basic statement, for the open group of participants, it is possible to make an analogous calculation for the "closed group" of participants. The "closed group" of participants consists of those who, in the starting year of the projection period, have attained retirement eligibility age or have attained age 15 through 61. In order to calculate the actuarial net present value of the excess of future income over future costs for the closed group, one could subtract the actuarial present value of estimated future costs for or on behalf of current participants from the actuarial present value of future income (excluding interest) for current participants.

Also included on the face of the statement as "additional information" for the open group are (1) the actuarial present value of the excess of estimated future income over the estimated future cost, (2) the combined OASI and DI Trust Fund assets at the start of each period, and (3) the actuarial present value of estimated future excess of income over future cost plus the combined OASI and DI Trust Fund assets, over future cost. While this additional information is not required by the applicable accounting standards, SSA believes the inclusion enhances evaluation of the financial status of the program.

Combined OASI and DI Trust Fund assets represent the accumulated excess of all past income, including interest on combined OASI and DI Trust Fund assets, over all past expenditures for the social insurance program. The combined OASI and DI Trust Fund assets as of January 1, 2006 totaled $1,859 billion and were comprised almost entirely of investment securities which are backed by the full faith and credit of the Federal government.

The actuarial present value, for a 75-year projection period, of estimated future excess of income, and combined OASI and DI Trust Fund assets at the start of the period, over cost is shown as a negative value which represents the magnitude of what is commonly referred to as the "open group unfunded obligation" of the program over the 75-year projection period. This value is included in the corresponding Trustees Report and is also shown in the report as percentages of taxable payroll and gross domestic product over the period.

Assumptions Used for the Statement of Social Insurance

The estimates used in this presentation for the current year (2006) are based on the assumption that the programs will continue as specified under current law. They are also based on various economic and demographic assumptions, including those in the following table:

Table 1: Assumptions Used for the Statement of Social Insurance 2006

	Total Fertility Rate[1]	Age-Sex-Adjusted Death Rate[2] (per 100,000)	Period Life Expectancy At Birth[3]		Net Annual Immigration (persons per year)[4]	Real-Wage Differential[5] (percentage points)	Average Annual Percentage Change In:				Average Annual Interest Rate[10]
			Male	Female			Average Annual Wage in Covered Employment[6]	CPI[7]	Total Employment[8]	Real GDP[9]	
2006	2.03	848.9	75.0	79.7	1,075,000	1.2	4.1	2.9	1.7	3.4	4.9%
2010	2.03	829.2	75.5	79.9	1,000,000	1.5	4.3	2.8	0.7	2.6	5.9%
2020	2.01	767.1	76.6	80.7	950,000	0.9	3.7	2.8	0.4	2.1	5.7%
2030	2.00	707.4	77.6	81.6	900,000	1.1	3.9	2.8	0.3	1.9	5.7%
2040	2.00	654.5	78.5	82.4	900,000	1.1	3.9	2.8	0.3	2.0	5.7%
2050	2.00	608.0	79.4	83.1	900,000	1.1	3.9	2.8	0.3	2.0	5.7%
2060	2.00	566.9	80.3	83.9	900,000	1.1	3.9	2.8	0.3	1.9	5.7%
2070	2.00	530.3	81.0	84.5	900,000	1.1	3.9	2.8	0.3	2.0	5.7%
2080	2.00	497.6	81.8	85.1	900,000	1.1	3.9	2.8	0.3	1.9	5.7%

1. The total fertility rate for any year is the average number of children who would be born to a woman in her lifetime if she were to experience the birth rates by age observed in, or assumed for, the selected year, and if she were to survive the entire childbearing period. The ultimate total fertility rate is assumed to be reached in 2030. For the 2006 estimates, the ultimate total fertility rate was increased from 1.95 to 2.00.
2. The age-sex-adjusted death rate is the crude rate that would occur in the enumerated total population as of April 1, 2000, if that population were to experience the death rates by age and sex observed in, or assumed for, the selected year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
3. The period life expectancy for a group of persons born in a given year is the average that would be attained by such persons if the group were to experience in succeeding years the death rates by age observed in, or assumed for, the given year. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
4. Net annual immigration is the number of persons who enter during the year (both legally and otherwise) minus the number of persons who leave during the year.

5. The real-wage differential is the difference between the percentage increases, before rounding, in the average annual wage in covered employment, and the average annual Consumer Price Index (CPI).
6. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year divided by the number of employees with any such earnings during the year.
7. The CPI is the annual average value for the calendar year of the CPI for Urban Wage Earners and Clerical Workers (CPI-W).
8. Total employment represents total of civilian and military employment in the U.S. economy.
9. The real Gross Domestic Product (GDP) is the value of total output of goods and services, expressed in 2000 dollars. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
10. The average annual interest rate is the average of the nominal interest rates, which, in practice, are compounded semiannually, for special public-debt obligations issuable to the OASI and DI Trust Funds in each of the 12 months of the year. For the 2006 estimates, the ultimate average annual interest rate was reduced from 5.8% to 5.7% due to a 0.1% decline in the underlying real interest rate assumption.

These assumptions and the other values on which these displays are based reflect the intermediate assumptions of the 2006 Trustees Report. Estimates made in prior years differ substantially because of revisions to the assumptions based on changes in conditions or experience, and to changes in actuarial methodology. It is reasonable to expect more changes for similar reasons in future reports.

Additional information on Social Insurance is contained in the *Required Supplementary Information: Social Insurance* of this report.

18. Recovery of Medicare Premiums

SSA identified a systemic and recurring error in the process for recovering certain transfers to the Centers for Medicare and Medicaid Services (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 premiums transfers made to CMS. SSA has procedures in place to recover overpayments made to beneficiaries, but prior to December 2002, had 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 and HHS are currently conducting research to determine the most appropriate legal resolution to this issue.

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Other Accompanying Information: Balance Sheet by Major Program as of September 30, 2006

	Dollars in Millions						
Assets	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
Intragovernmental:							
Fund Balance with Treasury	$ (795)	$ (348)	$ 2,880	$ 2,970	$ 71	$ 0	$ 4,778
Investments	1,793,129	202,178	0	0	0	0	1,995,307
Interest Receivable, Net	23,004	2,627	0	0	0	0	25,631
Accounts Receivable, Net	2	1	0	0	2,071	(1,538)	536
Total Intragovernmental	1,815,340	204,458	2,880	2,970	2,142	(1,538)	2,026,252
Accounts Receivable, Net	2,112	2,886	5,310	0	15	(2,669)	7,654
Property, Plant and Equipment, Net	0	0	0	0	1,641	0	1,641
Other	0	0	0	0	5	0	5
Total Assets	$ 1,817,452	$ 207,344	$ 8,190	$ 2,970	$ 3,803	$ (4,207)	$ 2,035,552
Liabilities							
Intragovernmental:							
Accrued Railroad Retirement Interchange	$ 3,411	$ 343	$ 0	$ 0	$ 0	$ 0	$ 3,754
Accounts Payable	456	377	5,828	2,909	1	(1,538)	8,033
Other	0	0	0	0	93	0	93
Total Intragovernmental	3,867	720	5,828	2,909	94	(1,538)	11,880
Benefits Due and Payable	41,677	23,611	3,485	0	0	(2,669)	66,104
Accounts Payable	0	6	183	1	74	0	264
Other	0	0	10	3	860	0	873
Total Liabilities	45,544	24,337	9,506	2,913	1,028	(4,207)	79,121
Net Position							
Unexpended Appropriations							
Unexpended Appropriations-Earmarked Funds	0	0	0	57	0	0	57
Unexpended Appropriations-Other Funds	0	0	1,596	0	18	0	1,614
Cumulative Results							
Cumulative Results of Operations-Earmarked Funds	1,771,908	183,007	6	0	0	0	1,954,921
Cumulative Results of Operations-Other Funds	0	0	(2,918)	0	2,757	0	(161)
Total Net Position	1,771,908	183,007	(1,316)	57	2,775	0	1,956,431
Total Liabilities and Net Position	$ 1,817,452	$ 207,344	$ 8,190	$ 2,970	$ 3,803	$ (4,207)	$ 2,035,552

Other Accompanying Information: Schedule of Net Cost for the Year Ended September 30, 2006

	Program	LAE	Total
OASI Program			
Benefit Payments	$ 451,516	$ 0	$ 451,516
Operating Expenses	628	2,455	3,083
Total Cost of OASI Program	452,144	2,455	454,599
Less: Exchange Revenues	0	8	8
Net Cost of OASI Program	452,144	2,447	454,591
DI Program			
Benefit Payments	90,944	0	90,944
Operating Expenses	184	2,390	2,574
Total Cost of DI Program	91,128	2,390	93,518
Less: Exchange Revenues	0	9	9
Net Cost of DI Program	91,128	2,381	93,509
SSI Program			
Benefit Payments	35,237	0	35,237
Operating Expenses	103	3,044	3,147
Total Cost of SSI Program	35,340	3,044	38,384
Less: Exchange Revenues	257	11	268
Net Cost of SSI Program	35,083	3,033	38,116
Other			
Benefit Payments	15	0	15
Operating Expenses	0	1,753	1,753
Total Cost of Other	15	1,753	1,768
Less: Exchange Revenues	5	6	11
Net Cost of Other	10	1,747	1,757
Total Net Cost			
Benefit Payments	577,712	0	577,712
Operating Expenses	915	9,642	10,557
Total Cost	578,627	9,642	588,269
Less: Exchange Revenues	262	34	296
Total Net Cost	$ 578,365	$ 9,608	$ 587,973

Other Accompanying Information: Schedule of Changes in Net Position for the

(Dollars in Millions)

	OASI	DI	SSI	
	Cumulative Results of Operations	Cumulative Results of Operations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances				
Earmarked Funds	$ 1,595,523	$ 175,137	$ 0	$ 0
All Other Funds	0	0	(2,345)	1,376
Total All Funds	1,595,523	175,137	(2,345)	1,376
Budgetary Financing Sources				
Appropriations Received				
Earmarked Funds	0	0	0	0
All Other Funds	0	0	0	40,418
Appropriations Transferred In/Out				
Earmarked Funds	0	0		0
Other Adjustments				
Earmarked Funds	0	0	0	0
Appropriations Used				
Earmarked Funds	0	0	0	0
All Other Funds	0	0	40,198	(40,198)
Tax Revenues				
Earmarked Funds	530,006	90,001	0	
Interest Revenues				
Earmarked Funds	89,385	10,495	0	
Transfers In/Out Without Reimbursement				
Earmarked Funds	12,648	(1,110)	0	
All Other Funds	0	0	(5,571)	
Railroad Retirement Interchange				
Earmarked Funds	(3,521)	(438)	0	
Net Transfers In/Out				
Earmarked Funds	9,127	(1,548)		
All Other Funds			(5,571)	
Other Budgetary Financing Sources				
Earmarked Funds	11	50	(111)	
Other Financing Sources (Non-Exchange)				
Transfers In/Out				
All Other Funds	0	0	0	
Imputed Financing Sources				
All Other Funds	0	0	0	
Total Financing Sources				
Earmarked Funds	628,529	98,998	(111)	0
All Other Funds	0	0	34,627	220
Net Cost of Operations				
Earmarked Funds	452,144	91,128	(117)	
All Other Funds	0	0	35,200	
Net Change				
Earmarked Funds	176,385	7,870	6	
All Other Funds	0	0	(573)	
Ending Balances				
Earmarked Funds	1,771,908	183,007	6	0
All Other Funds	0	0	(2,918)	1,596
Total All Funds	$ 1,771,908	$ 183,007	$ (2,912)	$ 1,596

Year Ended September 30, 2006

Other		LAE		Consolidated	
Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
$ 0	$ 53	$ 0	$ 0	$ 1,770,660	$ 53
0	0	2,601	17	256	1,393
0	53	2,601	17	1,770,916	1,446
0	16,378	0	0	0	16,378
0	10	0	26	0	40,454
	38		0		38
0	(6)	0	0	0	(6)
16,406	(16,406)	0	0	16,406	(16,406)
10	(10)	25	(25)	40,233	(40,233)
0		0		620,007	0
0		0		99,880	0
(16,406)		0		(4,868)	
2,905		9,204		6,538	
0		0		(3,959)	
(16,406)				(8,827)	
2,905		9,204		6,538	
0		0		(50)	
(2,905)		(2)		(2,907)	
0		537		537	
0	4	0	0	727,416	4
10	0	9,764	1	44,401	221
0		0		543,155	
10		9,608		44,818	
0		0		184,261	
0		156		(417)	
0	57	0	0	1,954,921	57
0	0	2,757	18	(161)	1,614
$ 0	$ 57	$ 2,757	$ 18	$ 1,954,760	$ 1,671

Other Accompanying Information: Schedule of Financing for the Year Ended September 30, 2006

	(Dollars in Millions)					
	OASI	DI	SSI	Other	LAE	Consolidated
Resources Used to Finance Activities:						
Budgetary Resources Obligated						
Obligations Incurred	$ 463,475	$ 94,865	$ 44,868	$ 16,422	$ 9,507	$ 629,137
Less: Offsetting Collections and Recoveries	(59)	(2)	(4,443)	(5)	(9,443)	(13,952)
Obligations Net of Offsetting Collections	463,416	94,863	40,425	16,417	64	615,185
Less: Offsetting Receipts	(20,769)	(1,877)	(257)	(2,906)	0	(25,809)
Net Obligations	442,647	92,986	40,168	13,511	64	589,376
Other Resources						
Imputed Financing	0	0	0	0	537	537
Other	0	0	(257)	0	4	(253)
Net Other Resources Used to Finance Activities	0	0	(257)	0	541	284
Total Resources Used to Finance Activities	442,647	92,986	39,911	13,511	605	589,660
Resources Not Part of the Net Cost of Operations:						
Change in Budgetary Resources Obligated, Not Yet Provided	0	(25)	(15)	0	24	(16)
Resources that Fund Expenses Recognized in Prior Periods	0	0	0	0	(10)	(10)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	15,706	1,289	257	2,906	0	20,158
Resources that Fund Capitalized Costs	0	0	0	0	(458)	(458)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	(6,062)	(2,715)	(5,654)	(16,407)	9,205	(21,633)
Total Resources Not Part of the Net Cost of Operations	9,644	(1,451)	(5,412)	(13,501)	8,761	(1,959)
Total Resources Used to Finance the Net Cost of Operations	452,291	91,535	34,499	10	9,366	587,701
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						
Increase in Annual Leave	0	0	0	0	3	3
Other	0	0	360	0	1	361
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	0	0	360	0	4	364
Components Not Requiring or Generating Resources						
Depreciation and Amortization	0	0	0	0	234	234
Other	(147)	(407)	224	0	4	(326)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	(147)	(407)	224	0	238	(92)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in Current Period	(147)	(407)	584	0	242	272
Net Cost of Operations	$ 452,144	$ 91,128	$ 35,083	$ 10	$ 9,608	$ 587,973

Required Supplementary Information: Schedule of Budgetary Resources for the Year Ended September 30, 2006

(Dollars in Millions)

	OASI	DI	SSI	Other	LAE	Combined
Budgetary Resources Made Available						
Unobligated Balances, Brought Forward, October 1	$ 0	$ 0	$ 1,243	$ 53	$ 536	$ 1,832
Recoveries of Prior Year Unpaid Obligations	59	2	287	0	191	539
Budget Authority						
Appropriations Received	637,613	102,238	40,418	16,388	26	796,683
Spending Authority from Offsetting Collections						
Earned						
Collected	0	0	4,177	5	42	4,224
Change in Receivable	0	0	(21)	0	5	(16)
Change in Unfilled Customer Orders						
Advance Received	0	0	0	0	1	1
Expenditure Transfers from Trust Funds	0	0	0	0	9,204	9,204
Subtotal	637,613	102,238	44,574	16,393	9,278	810,096
Nonexpenditure Transfers	(17)	101	0	38	0	122
Temporary Not Available Pursuant to Public Law	(174,139)	(7,482)	0	0	0	(181,621)
Permanently Not Available	(41)	6	0	(5)	0	(40)
Total Budgetary Resources	$ 463,475	$ 94,865	$ 46,104	$ 16,479	$ 10,005	$ 630,928
Status of Budgetary Resources						
Obligations Incurred						
Direct	$ 463,475	$ 94,865	$ 40,724	$ 16,417	$ 9,470	$ 624,951
Reimbursable	0	0	4,144	5	37	4,186
Subtotal	463,475	94,865	44,868	16,422	9,507	629,137
Unobligated Balances						
Apportioned	0	0	1,205	23	247	1,475
Unobligated Balances - Not Available	0	0	31	34	251	316
Total Status of Budgetary Resources	$ 463,475	$ 94,865	$ 46,104	$ 16,479	$ 10,005	$ 630,928
Change in Obligated Balances						
Obligated Balances, Net						
Unpaid Obligations, Brought Forward, October 1	$ 43,153	$ 23,084	$ 1,400	$ 3	$ 1,575	$ 69,215
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	0	0	(12)	0	(2,079)	(2,091)
Total Unpaid Obligated Balance	43,153	23,084	1,388	3	(504)	67,124
Obligations Incurred, Net	463,475	94,865	44,868	16,422	9,507	629,137
Less: Gross Outlays	(461,025)	(93,572)	(44,498)	(16,421)	(9,239)	(624,755)
Less: Recoveries of Prior Year Unpaid Obligations	(59)	(2)	(287)	0	(191)	(539)
Change in Uncollected Payments from Federal Sources	0	0	21	0	1	22
Obligated Balance - End of Period						
Unpaid Obligations	45,544	24,375	1,483	4	1,652	73,058
Less: Uncollected Payments from Federal Sources	0	0	9	0	(2,078)	(2,069)
Total Unpaid Obligated Balance, End of Period	45,544	24,375	1,492	4	(426)	70,989
Net Outlays						
Gross Outlays	461,025	93,572	44,498	16,421	9,239	624,755
Less: Offsetting Collections	0	0	(4,177)	(5)	(9,252)	(13,434)
Less: Offsetting Receipts	(20,769)	(1,877)	(257)	(2,906)	0	(25,809)
Net Outlays	$ 440,256	$ 91,695	$ 40,064	$ 13,510	$ (13)	$ 585,512