

# Financial Statements of the United States Government for the Year Ended September 30, 2000

## Statement of Operations and Changes in Net Position

This Statement reports the results of Government operations. This includes revenues principally generated by the Government's sovereign power to tax, levy duties, and assess fines and penalties. This Statement covers the cost of Government operations, net of revenue earned from the sale of goods and services to the public. It also includes any adjustments and unreconciled transactions that affect the net position.

### Revenue

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

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

### Net Cost of Government Operations

The Statement of Net Cost summarizes the "Net Cost of Government Operations," which is gross cost less earned revenue.

### Unreconciled Transactions

"Unreconciled Transactions" are adjustments needed to net position due to unreconciled and unaccounted for differences in the process of consolidating all the agencies' financial statements.

### Net Position, Beginning of Period

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

### Prior Period Adjustments

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

## Net Position, End of Period

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

## Statement of Net Cost

This Statement presents the net cost of fiscal 2000 Government operations. It also shows the cost to carry out national priorities as determined by law.

It categorizes costs by major function. It presents costs in much the same way as does the budget, except that costs are allocated to functions based on Generally Accepted Accounting Principles (GAAP). Thus, this Statement reports costs on an accrual basis and in some cases allocates them differently than the budget. For example, this Statement allocates the cost of pensions and post-retirement health benefits among all the functions that employ workers. The budget categorizes pension payments to civilian retirees, military retirees and beneficiaries as a subfunction under "Income security."

The budget categorizes agency contributions to retirement funds as intragovernmental outlays distributed among all the functions that employ workers. A description of each of the functions and the components of net cost for the activities included in each function is presented in Supplemental Information as "Net cost detail."

This Statement contains the following three components for each function:

- The gross cost of Government operations.
- The revenues earned from the sale of goods and provision of services to the public.
- The net cost of Government operations, which is gross cost less revenue earned.

## Gross Cost

"Gross Cost" includes the full cost of all functions. These costs may be directly traced, assigned on a cause-and-effect basis, or reasonably allocated to the function.

## Earned Revenue

This is revenue the Government earned by providing goods and services to the public at a price.

## Net Cost

The "Net Cost" of Government operations is computed by subtracting "Earned Revenue" from "Gross Cost."

## Balance Sheet

The Balance Sheet shows the Government's assets and liabilities. When combined with Stewardship Information, this information presents a more comprehensive understanding of the Government's financial position. All of the line items on the Balance Sheet are described in the Notes to the Financial Statements. For example, the first note provides information on the accounting policies for assets and liabilities.

## Assets

Assets included on the Balance Sheet are resources of the Federal Government that remain available to meet future needs. The most significant assets that are reported in the Balance Sheet are loans receivable and inventories, as well as property, plant, and equipment. There are, however, other significant resources available to the

Government that extend beyond the assets presented in this Financial Statement. Those resources include Stewardship Assets, including natural resources (see Stewardship Information on pages 45-53) and the Government's sovereign powers to tax, regulate commerce, and set monetary policy.

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

## Liabilities and Net Position

Liabilities are obligations of the Federal Government resulting from prior actions that will require financial resources. The most significant liabilities reported on the Balance Sheet are Federal debt securities held by the public and accrued pension liabilities for current and retired Federal civilian and military personnel. Liabilities also include social insurance benefits due and payable as of the reporting date.

As with reported assets, the Government's responsibilities and policy commitments are much broader than these reported Balance Sheet liabilities. They include the social insurance programs disclosed in Stewardship Information, a wide range of other programs under which the Government provides benefits and services to the people of this Nation, and certain future loss contingencies.

The magnitude and complexity of social insurance programs, coupled with the extreme sensitivity of projections relating to the many assumptions of the programs, produce a large range of possible results. The Stewardship Responsibilities section describes the social insurance programs, reports long-range estimates that can be used to assess the financial condition of the programs, and explains some of the factors that impact the various programs. Using this information, readers can apply their own judgment as to the condition and sustainability of the individual programs.

Each of the social insurance programs has an associated trust fund to account for its activity. An explanation of the trust funds for social insurance and many of the other large trust funds is included in Note 19—Dedicated Collections. That note also contains information about trust fund receipts, disbursements, and assets.

A broad perspective on the Federal Government's responsibilities is provided by the Current Services Assessment, which also can be found under Stewardship Information. Presented in accordance with the President's 2002 budget, this information estimates Federal expenditures and receipts for fiscal 2001 to 2006, assuming there are no changes to current law.

The Government has entered into contractual commitments requiring the future use of financial resources and has unresolved contingencies where existing conditions, situations, or circumstances create uncertainty about future losses. Commitments as well as contingencies that do not meet the criteria for recognition as a liability on the Balance Sheet, but for which there is at least a reasonable possibility that a loss has been incurred, are disclosed in Note 18—Commitments and Contingencies.

"Net position" is presented as the sum of Balance Sheet assets less Balance Sheet liabilities.

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

**United States Government  
Statement of Operations and Changes in Net Position  
for the Year Ended September 30, 2000**

(In billions of dollars)

<b>Revenue:</b>	
Individual income tax and tax withholdings .....	1,635.2
Corporation income taxes .....	204.3
Unemployment taxes .....	26.6
Excise taxes .....	69.3
Estate and gift taxes .....	28.9
Customs duties .....	19.4
Other taxes and receipts .....	56.3
Miscellaneous earned revenues .....	4.8
Total revenue .....	<u>2,044.8</u>
<b>Net Cost of Government Operations:</b>	
National defense .....	397.3
Human resources .....	1,119.7
Physical resources .....	121.0
Interest .....	230.2
Other functions .....	130.6
Total net cost of Government operations .....	<u>1,998.8</u>
<b>Excess of revenue over net cost</b> .....	46.0
Unreconciled transactions affecting the change in net position (Note 16) .....	7.3
<b>Increase in net position</b> .....	53.3
<b>Net position, beginning of period</b> .....	(6,026.2)
Prior period adjustments (Note 17) .....	35.8
<b>Net position, end of period</b> .....	<u><u>(5,937.1)</u></u>

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

## United States Government Statement of Net Cost for the Year Ended September 30, 2000

(In billions of dollars)	Gross Cost	Earned Revenue	Net Cost
<b>National Defense</b> .....	408.7	11.4	397.3
<b>Human Resources:</b>			
Education, training, employment, and social services ...	56.6	3.3	53.3
Health .....	152.9	1.2	151.7
Medicare .....	221.3	21.9	199.4
Income security .....	194.7	4.9	189.8
Social Security .....	410.1	0.0	410.1
Veterans benefits and services .....	117.6	2.2	115.4
Total human resources .....	1,153.2	33.5	1,119.7
<b>Physical Resources:</b>			
Energy .....	16.2	13.7	2.5
Natural resources and environment .....	30.5	3.8	26.7
Commerce and housing credit .....	108.2	77.4	30.8
Transportation .....	48.6	0.1	48.5
Community and regional development .....	15.3	2.8	12.5
Total physical resources .....	218.8	97.8	121.0
<b>Interest</b> .....	230.2	0.0	230.2
<b>Other Functions:</b>			
International affairs .....	26.9	3.0	23.9
General science, space, and technology .....	17.7	0.1	17.6
Agriculture .....	39.1	3.9	35.2
Administration of justice .....	37.3	2.9	34.4
General government .....	23.9	4.4	19.5
Total other functions .....	144.9	14.3	130.6
Total .....	2,155.8	157.0	1,998.8

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## United States Government Balance Sheet as of September 30, 2000

(In billions of dollars)

<b>Assets:</b>	
Cash and other monetary assets (Note 2) .....	104.9
Accounts receivable (Note 3) .....	32.3
Loans receivable (Note 4) .....	207.6
Taxes receivable (Note 5) .....	23.3
Inventories and related property (Note 6) .....	185.2
Property, plant, and equipment (Note 7) .....	298.5
Other assets (Note 8) .....	59.7
<b>Total assets</b> .....	<b>911.5</b>
<b>Liabilities:</b>	
Accounts payable (Note 9) .....	91.0
Federal debt securities held by the public (Note 10) .....	3,408.5
Federal employee and veteran benefits payable (Note 11) .....	2,757.8
Environmental and disposal liabilities (Note 12) .....	301.2
Benefits due and payable (Note 13) .....	77.8
Loan guarantee liabilities (Note 4) .....	37.3
Other liabilities (Note 14) .....	175.0
<b>Total liabilities</b> .....	<b>6,848.6</b>
Commitments and contingencies (Note 18)	
<b>Net position</b> .....	<b>(5,937.1)</b>
<b>Total liabilities and net position</b> .....	<b>911.5</b>

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