# FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

The agency's financial statements and additional information for fiscal years (FY) 2011 and 2010 consist of the following:

- The **Consolidated Balance Sheets** present as of September 30, 2011 and 2010, 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, 2011 and 2010. 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, 2011 and 2010. 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, 2011 and 2010. An additional Schedule of Budgetary Resources is provided as Required Supplementary Information to present budgetary resources by major programs.
- The **Statement of Social Insurance** presents the present value for the 75-year projection period of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) future noninterest 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 on both an open group and a closed group basis, both including and excluding the value of the combined OASI and DI Trust Fund assets at the beginning of the period.
- The **Statement of Changes in Social Insurance Amounts** reconciles the change (between the current valuation and the prior valuation) in the present value of future noninterest income less future cost for current and future participants (the open group measure) over the next 75 years. This reconciliation identifies several components of the change that are significant and provides reasons for the changes.
- The **Required Supplementary Information: Social Insurance** presents required long-range cashflow projections, the long-range projections of the ratio of contributors to beneficiaries, 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, 2011 and 2010
**(Dollars in Millions)**

| **Assets** | **2011** | 2010 |
|---|---|---|
| Intragovernmental: | | |
| Fund Balance with Treasury (Notes 3 and 4) | **$ 5,115** | $ 6,187 |
| Investments (Note 5) | **2,654,496** | 2,586,333 |
| Interest Receivable, Net (Note 5) | **28,085** | 28,893 |
| Accounts Receivable, Net (Note 6) | **625** | 915 |
| Other | **23** | 2 |
| Total Intragovernmental | **2,688,344** | 2,622,330 |
| Accounts Receivable, Net (Notes 3 and 6) | **11,089** | 10,369 |
| Property, Plant, and Equipment, Net (Notes 3 and 7) | **2,909** | 2,825 |
| Other | **2** | 3 |
| **Total Assets** | **$ 2,702,344** | $ 2,635,527 |
| **Liabilities (Note 8)** | | |
| Intragovernmental: | | |
| Accrued Railroad Retirement Interchange | **$ 4,227** | $ 4,418 |
| Accounts Payable | **8,357** | 8,525 |
| Other | **259** | 269 |
| Total Intragovernmental | **12,843** | 13,212 |
| Benefits Due and Payable | **82,218** | 80,785 |
| Accounts Payable | **485** | 473 |
| Other | **1,060** | 1,467 |
| Total Liabilities | **96,606** | 95,937 |
| **Net Position** | | |
| Unexpended Appropriations-Earmarked Funds (Note 9) | **61** | 61 |
| Unexpended Appropriations-Other Funds | **376** | 412 |
| Cumulative Results of Operations-Earmarked Funds (Note 9) | **2,604,111** | 2,537,480 |
| Cumulative Results of Operations-Other Funds | **1,190** | 1,637 |
| Total Net Position | **2,605,738** | 2,539,590 |
| **Total Liabilities and Net Position** | **$ 2,702,344** | $ 2,635,527 |

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

## Consolidated Statements of Net Cost for the Years Ended September 30, 2011 and 2010

**(Dollars in Millions)**

| | 2011 | 2010 |
|---|---|---|
| **OASI Program** | | |
| Benefit Payments | **$ 593,047** | $ 574,223 |
| Operating Expenses (Note 10) | **3,858** | 3,584 |
| Total Cost of OASI Program | **596,905** | 577,807 |
| Less: Exchange Revenues (Notes 11 and 12) | **(14)** | (15) |
| **Net Cost of OASI Program** | **596,891** | 577,792 |
| **DI Program** | | |
| Benefit Payments | **127,471** | 121,598 |
| Operating Expenses (Note 10) | **3,282** | 3,028 |
| Total Cost of DI Program | **130,753** | 124,626 |
| Less: Exchange Revenues (Notes 11 and 12) | **(43)** | (42) |
| **Net Cost of DI Program** | **130,710** | 124,584 |
| **SSI Program** | | |
| Benefit Payments | **49,041** | 43,844 |
| Operating Expenses (Note 10) | **4,216** | 3,798 |
| Total Cost of SSI Program | **53,257** | 47,642 |
| Less: Exchange Revenues (Notes 11 and 12) | **(358)** | (301) |
| **Net Cost of SSI Program** | **52,899** | 47,341 |
| **Other** | | |
| Benefit Payments | **7** | 8 |
| Operating Expenses (Note 10) | **2,230** | 2,546 |
| Total Cost of Other Program | **2,237** | 2,554 |
| Less: Exchange Revenues (Notes 11 and 12) | **(9)** | (10) |
| **Net Cost of Other** | **2,228** | 2,544 |
| **Total Net Cost** | | |
| Benefit Payments | **769,566** | 739,673 |
| Operating Expenses (Note 10) | **13,586** | 12,956 |
| Total Cost | **783,152** | 752,629 |
| Less: Exchange Revenues (Notes 11 and 12) | **(424)** | (368) |
| **Total Net Cost** | **$ 782,728** | $ 752,261 |

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

## Consolidated Statements of Changes in Net Position for the Years Ended September 30, 2011 and 2010
**(Dollars in Millions)**

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | **Earmarked Funds** | **All Other Funds** | **Total** | Earmarked Funds | All Other Funds | Total |
| **Cumulative Results of Operations:** | | | | | | |
| **Beginning Balances** | **$ 2,537,480** | **$ 1,637** | **$ 2,539,117** | $ 2,456,852 | $ 1,235 | $ 2,458,087 |
| **Budgetary Financing Sources** | | | | | | |
| Appropriations Used | **101,998** | **55,974** | **157,972** | 22,845 | 50,975 | 73,820 |
| Tax Revenues (Note 13) | **580,886** | **0** | **580,886** | 646,673 | 0 | 646,673 |
| Interest Revenues | **115,169** | **0** | **115,169** | 118,014 | 0 | 118,014 |
| Transfers-In/Out - Without Reimbursement | **(5,858)** | **7,641** | **1,783** | (5,952) | 7,841 | 1,889 |
| Railroad Retirement Interchange | **(4,383)** | **0** | **(4,383)** | (4,500) | 0 | (4,500) |
| Net Transfers-In/Out | **(10,241)** | **7,641** | **(2,600)** | (10,452) | 7,841 | (2,611) |
| Other Budgetary Financing Sources | **67** | **0** | **67** | 63 | 0 | 63 |
| **Other Financing Sources (Non-Exchange)** | | | | | | |
| Imputed Financing Sources (Note 14) | **0** | **680** | **680** | 0 | 709 | 709 |
| Other | **0** | **(3,262)** | **(3,262)** | 0 | (3,377) | (3,377) |
| **Total Financing Sources** | **787,879** | **61,033** | **848,912** | 777,143 | 56,148 | 833,291 |
| **Net Cost of Operations** | **721,248** | **61,480** | **782,728** | 696,515 | 55,746 | 752,261 |
| **Net Change** | **66,631** | **(447)** | **66,184** | 80,628 | 402 | 81,030 |
| **Cumulative Results of Operations** | **$ 2,604,111** | **$ 1,190** | **$ 2,605,301** | $ 2,537,480 | $ 1,637 | $ 2,539,117 |
| **Unexpended Appropriations:** | | | | | | |
| **Beginning Balances** | **$ 61** | **$ 412** | **$ 473** | $ 58 | $ 680 | $ 738 |
| Adjustments | | | | | | |
| Corrections of Errors | **0** | **0** | **0** | 5 | 0 | 5 |
| **Beginning Balances, as Adjusted** | **$ 61** | **$ 412** | **$ 473** | $ 63 | $ 680 | $ 743 |
| **Budgetary Financing Sources** | | | | | | |
| Appropriations Received | **102,008** | **56,351** | **158,359** | 22,851 | 51,480 | 74,331 |
| Other Adjustments | **(10)** | **(413)** | **(423)** | (8) | (773) | (781) |
| Appropriations Used | **(101,998)** | **(55,974)** | **(157,972)** | (22,845) | (50,975) | (73,820) |
| **Total Budgetary Financing Sources** | **0** | **(36)** | **(36)** | (2) | (268) | (270) |
| **Total Unexpended Appropriations** | **61** | **376** | **437** | 61 | 412 | 473 |
| **Net Position** | **$ 2,604,172** | **$ 1,566** | **$ 2,605,738** | $ 2,537,541 | $ 2,049 | $ 2,539,590 |

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

## Combined Statements of Budgetary Resources for the Years Ended September 30, 2011 and 2010

**(Dollars in Millions)**

| | 2011 | 2010 |
|---|---|---|
| **Budgetary Resources (Note 15)** | | |
| Unobligated Balance, Brought Forward, October 1 | **$ 2,095** | $ 2,584 |
| Recoveries of Prior Year Unpaid Obligations | **410** | 411 |
| Budget Authority | | |
| Appropriation | **982,487** | 882,359 |
| Spending Authority from Offsetting Collections | | |
| Earned | | |
| Collected | **3,914** | 3,650 |
| Change in Receivable | **0** | 2 |
| Change in Unfilled Customer Orders | | |
| Advance Received | **(287)** | (14) |
| Expenditure Transfers from Trust Funds | **11,214** | 11,466 |
| Subtotal | **997,328** | 897,463 |
| Nonexpenditure Transfers, Net | **(76)** | (18) |
| Temporarily Not Available Pursuant to Public Law | **(92,033)** | (101,020) |
| Permanently Not Available | **(426)** | (786) |
| **Total Budgetary Resources** | **$ 907,298** | $ 798,634 |
| **Status of Budgetary Resources (Note 15)** | | |
| **Obligations Incurred** | | |
| Direct | **$ 902,516** | $ 792,886 |
| Reimbursable | **3,912** | 3,653 |
| Subtotal | **906,428** | 796,539 |
| **Unobligated Balances** | | |
| Apportioned | **291** | 861 |
| **Unobligated Balance - Not Available** | **579** | 1,234 |
| **Total Status of Budgetary Resources** | **$ 907,298** | $ 798,634 |
| **Change in Obligated Balance** | | |
| **Obligated Balances, Net** | | |
| Unpaid Obligations, Brought Forward, October 1 | **$ 87,604** | $ 87,128 |
| Uncollected Customer Payments, Brought Forward, October 1 | **(3,830)** | (3,743) |
| Total Unpaid Obligated Balance, Net | **83,774** | 83,385 |
| **Obligations Incurred, Net** | **906,428** | 796,539 |
| **Gross Outlays** | **(905,296)** | (795,652) |
| **Recoveries of Prior Year Unpaid Obligations, Actual** | **(410)** | (411) |
| **Change in Uncollected Customer Payments** | **755** | (87) |
| **Obligated Balance, Net, End of Period** | | |
| Unpaid Obligations | **88,326** | 87,604 |
| Uncollected Customer Payments | **(3,075)** | (3,830) |
| Total Unpaid Obligated Balance, Net, End of Period | **$ 85,251** | $ 83,774 |
| **Net Outlays** | | |
| Net Outlays | | |
| Gross Outlays | **$ 905,296** | $ 795,652 |
| Offsetting Collections | **(15,596)** | (15,016) |
| Distributed Offsetting Receipts | **(105,395)** | (26,455) |
| **Net Outlays** | **$ 784,305** | $ 754,181 |

**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, 2011
**(Dollars in Billions)**

| | | Estimates from Prior Years | | | |
|---|---|---|---|---|---|
| | **2011** | **2010** | **2009** | **2008** | **2007** |
| **Present value for the 75-year projection period from or on behalf of: (Note 17)** | | | | | |
| *Participants who, in the starting year of the projection period, have attained eligibility age (age 62 and over):* | | | | | |
| Noninterest income | $ 726 | $ 672 | $ 575 | $ 542 | $ 477 |
| Cost for scheduled future benefits | 8,618 | 8,096 | 7,465 | 6,958 | 6,329 |
| Future noninterest income less future cost | -7,892 | -7,424 | -6,890 | -6,416 | -5,851 |
| *Participants who have not yet attained retirement eligibility age (ages 15-61):* | | | | | |
| Noninterest income | 20,734 | 19,914 | 18,559 | 18,249 | 17,515 |
| Cost for scheduled future benefits | 34,042 | 32,225 | 30,207 | 29,021 | 27,928 |
| Future noninterest income less future cost | -13,309 | -12,311 | -11,647 | -10,772 | -10,413 |
| **Present value of future noninterest income less future cost for current participants (closed group measure)** | -21,201 | -19,735 | -18,537 | -17,188 | -16,264 |
| **Combined OASI and DI Trust Fund assets at start of period** | 2,609 | 2,540 | 2,419 | 2,238 | 2,048 |
| **Closed group - Present value of future noninterest income less future cost for current participants *plus* combined OASI and DI Trust Fund assets at start of period** | -$ 18,592 | -$ 17,195 | -$ 16,118 | -$ 14,949 | -$ 14,216 |
| **Present value for the 75-year projection period from or on behalf of: (Note 17)** | | | | | |
| *Future participants (those under age 15 and to be born and to immigrate during period):* | | | | | |
| Noninterest income | 20,144 | 19,532 | 18,082 | 17,566 | 16,121 |
| Cost for scheduled future benefits | 8,100 | 7,744 | 7,223 | 6,933 | 6,619 |
| Future noninterest income less future cost | 12,044 | 11,789 | 10,860 | 10,633 | 9,501 |
| **Present value of future noninterest income less future cost for current and future participants (open group measure)** | -9,157 | -7,947 | -7,677 | -6,555 | -6,763 |
| **Combined OASI and DI Trust Fund assets at start of period** | 2,609 | 2,540 | 2,419 | 2,238 | 2,048 |
| **Open group - Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund assets at start of period** | -$ 6,548 | -$ 5,406 | -$ 5,258 | -$ 4,316 | -$ 4,715 |

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

## Statement of Changes in Social Insurance Amounts
## Old-Age, Survivors and Disability Insurance
## For Changing the 75-Year Valuation Period from Beginning on January 1, 2010 to January 1, 2011
**(Dollars in Billions)**

| | Present value of future noninterest income less future cost for current and future participants (open group measure) over the next 75 years | Combined OASI and DI Trust Fund | Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund assets at start of period |
|---|---|---|---|
| As of January 1, 2010 | -$ 7,947 | $ 2,540 | -$ 5,406 |
| Reasons for changes between January 1, 2010 and January 1, 2011 (Note 17) | | | |
| Change in the valuation period | -436 | 77 | -359 |
| Changes in demographic data, assumptions, and methods | -688 | 0 | -688 |
| Changes in economic data, assumptions, and methods | -143 | 0 | -143 |
| Changes in methodology and programmatic data | 56 | -8 | 48 |
| Net change between January 1, 2010 and January 1, 2011 | -$ 1,211 | $ 69 | -$ 1,142 |
| As of January 1, 2011 | -$ 9,157 | $ 2,609 | -$ 6,548 |

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, 2011 AND 2010

(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, and the present value for the 75-year projection period for Social Insurance as required by the Office of Management and Budget (OMB) in OMB Circular No. 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 for Federal entities and the form and content for entity financial statements specified by OMB in Circular No. A-136. The Combined Statements of Budgetary Resources and related disclosures provide information about how budgetary resources were made available as well as the status at the end of the period. It is the only statement predominately derived from an entity's budgetary general ledger in accordance with budgetary accounting rules, which are incorporated into GAAP for the Federal Government. 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 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 OASI and DI Trust Funds, SSA's Limitation on Administrative Expenses (LAE), three deposit funds, and six general fund appropriations. SSA's financial statements also include appropriations related to the *American Recovery and Reinvestment Act of 2009* (ARRA).

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 six general funds are the Office of the Inspector General (OIG), Payments to Social Security Trust Funds (PTF), SSI Program, Payments for Credits Against Social Security Contributions, Medicare Savings Program, and Children's Health Insurance Program. SSA's financial statements also include OASI and DI investment activities performed by the Department of the Treasury (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 SSI overpayment collections and other 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 Treasury for which SSA is authorized to make expenditures and pay liabilities. Refer to Note 3, Non-Entity Assets, and 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. Refer to Note 5, Investments and Interest Receivable.

## Property, Plant, and Equipment

SSA's property, plant, and equipment (PP&E) are recorded in the LAE program, but represent the capital assets purchased by the OASI, DI, Hospital Insurance (HI), and Supplemental Medical Insurance (SMI) 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 software. The capitalization threshold for most PP&E categories is $100 thousand. Automated Data Processing (ADP), Telecommunications Site Preparation, and Buildings and Other Structures are capitalized with no threshold. Refer to Note 3, Non-Entity Assets, and Note 7, Property, Plant, and Equipment, Net.

The change in PP&E from one reporting period to the next is presented on the chart in Note 16, Reconciliation of Net Cost of Operations to Budget, on the Resources that Finance the Acquisition of Assets line. This line item represents the capital assets that affect budgetary obligations.

## 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. Since October 1, 2011 falls on a Saturday, the October 2011 SSI benefit payments are accelerated into September. The related amounts have been recorded as outlays and expenditures in the financial statements.

## 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 (U.S.C.).

Obligations are incurred in the LAE accounts as activity is processed. Obligations are incurred in each of the financing sources (OASI, DI, SSI, and Other) once LAE's authority is recorded. Since LAE is reported with its financing 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 presentation is in conformance with OMB Circular No. A-136 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 activities that are funded from Treasury's General Fund, including the ARRA appropriations.

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.

## Earmarked Funds

SFFAS No. 27, *Identifying and Reporting Earmarked Funds,* requires separate presentation and disclosure of earmarked funds balances in the financial statements. 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.

## Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Payroll Tax Holiday)

In FY 2011, Congress passed the *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010* (Public Law 111-312). This provides employees a one-year reduction in FICA tax withholdings, reducing rates from 6.2% to 4.2% for the 2011 tax year (January-December). Employers will continue to pay the full 6.2% rate. Self-employed persons, who pay both halves of the Social Security tax through self-employment tax, will pay 10.4%. In order to avoid harming the OASI and DI Trust Funds, the bill also provides the transfer of funds by Treasury from general revenues to the OASI and DI Trust Funds. This activity will result in decreased tax revenues and increased transfers on the financial statements. Refer to Note 13, Tax Revenues, for additional information.

### Statement of Social Insurance and Statement of Changes in Social Insurance Amounts

Effective for FY 2011, the Statement of Social Insurance is revised to reflect a new summary section as required by FASAB SFFAS No. 37, *Social Insurance: Additional Requirements for Management's Discussion and Analysis and Basic Financial Statements.* Also included as part of the new reporting requirements, is a new basic financial statement, Statement of Changes in Social Insurance Amounts, that presents the reasons for changes during the reporting period in the open group measure reported on the Statement of Social Insurance.

### Application of Critical Accounting Estimates

The Statement of Social Insurance and Statement of Changes in Social Insurance Amounts are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions that may change in the future. Actual results could differ materially from the estimated amounts. Each statement includes information to assist in understanding the effect of changes in assumptions to the related information. Refer to Note 17, Social Insurance Disclosures.

### OASI and DI Trust Fund Buildings

For a number of years, SSA and the General Services Administration (GSA) have disagreed over who would receive the proceeds from the sale of buildings acquired with money from the OASI and DI Trust Funds. In the past, SSA contended that since the buildings were acquired with money from the OASI and DI Trust Funds, the buildings and related proceeds belonged to SSA. However, in December 2010, the Department of Justice (DOJ) issued an opinion stating that the proceeds belonged to GSA based on Section 412 of the *Consolidated Appropriation Act of 2005*. In reviewing this ruling, SSA has reevaluated its recording of these buildings as assets. Effective this year, we removed the Net Book Value of the original buildings. This activity has resulted in an increase in Operating Expense of $118 million on the Statement of Net Costs. Refer to Note 7, Property, Plant, and Equipment, Net, for additional information.

### Reclassifications

Certain FY 2010 balances have been reclassified to conform to FY 2011 Financial Statement Note presentations, the effect of which is immaterial. The change occurs in Note 7 in regards to the Buildings and Leasehold Improvement accounts. These changes are attributable to DOJ's ruling on the proceeds of buildings acquired with money from the OASI and DI Trust Funds.

## 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.

GSA, using monies provided from the OASI and DI Trust Funds, administers the construction or purchase of buildings on SSA's behalf. 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 $81 and $92 million for the years ended September 30, 2011 and 2010. SSA contributions to the basic FERS plan were $418 and $375 million for the years ended September 30, 2011 and 2010. 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 $146 and $135 million for the years ended September 30, 2011 and 2010. 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 shown in Chart 3. The Non-Entity Assets are composed of: (1) SSI Federal and State benefit overpayments and underpayments classified as SSI Accounts Receivable; (2) SSI overpayments collected; (3) General Fund's portion of fees collected to administer SSI State Supplementation; (4) General Fund's portion of fees collected to administer Title VIII State Supplementation; (5) SSI attorney fees that are returned to Treasury's General Fund; and (6) portions of SSA's PP&E that were purchased with HI/SMI funds.

Chart 3 - Non-Entity Assets as of September 30:
($ in millions)

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Non-Entity Assets | Intra-agency Elimination | Net Assets | Non-Entity Assets | Intra-agency Elimination | Net Assets |
| SSI Fed/State A/R | $ 5,791 | $ (316) | $ 5,475 | $ 5,544 | $ (592) | $ 4,952 |
| SSI Overpayment Collections | 2,961 | 0 | 2,961 | 3,237 | 0 | 3,237 |
| SSI State Supp Fees (GF) | 157 | 0 | 157 | 132 | 0 | 132 |
| Title VIII State Supp Fees (GF) | 2 | 0 | 2 | 2 | 0 | 2 |
| SSI Attorney Fees (GF) | 9 | 0 | 9 | 8 | 0 | 8 |
| PP&E (CMS) | 0 | 0 | 0 | 29 | 0 | 29 |
| Total | $ 8,920 | $ (316) | $ 8,604 | $ 8,952 | $ (592) | $ 8,360 |

The SSI Accounts Receivable, Net, has been reduced by intra-agency eliminations. SSI Federal overpayment collections are included as a part of the Fund Balance with Treasury on the Consolidated Balance Sheet. Public Law 101-517 requires that collections from repayment of SSI Federal benefit overpayments be deposited in Treasury's General Fund. These funds, upon deposit, are assets of Treasury's General Fund and shall not be used by SSA as an 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. When a beneficiary does not receive their full SSI State Supplemental benefit, SSA establishes an underpayment receivable. This receivable reflects the reimbursement due to SSA from the States to cover the unpaid benefit. SSA recognizes this receivable due from the States as a non-entity asset since the amount owed is due to the beneficiary.

The Fund Balance with Treasury includes the General Fund's portion of fees collected to administer SSI State Supplementation. The fee collection is classified as exchange revenue. Refer to Note 11, Exchange Revenues, for a description of the SSI State Administrative Fees. In addition, the Fund Balance with Treasury also includes the General Fund's cumulative portion of fees related to Title VIII State Supplementation and SSI attorney fees.

The Centers for Medicare and Medicaid Services (CMS) portion of PP&E included as part of Property, Plant, and Equipment, Net on the Consolidated Balance Sheet was also recognized as a non-entity asset as of September 30, 2010. The HI/SMI Trust Funds were part of SSA until CMS became a separate agency. Since a portion of HI/SMI funds were used to purchase some of the buildings SSA acquired, HI/SMI retained that portion of assets. Since SSA removed these buildings, HI/SMI's portion of these assets are no longer on SSA's Balance Sheet as of September 30, 2011. Refer to Note 7, Property, Plant, and Equipment, for the major classes of PP&E reported on SSA's financial statements.

## 4. FUND BALANCE WITH TREASURY

The Fund Balance with Treasury (FBWT), shown on the Consolidated Balance Sheets, represents the total of all of SSA's undisbursed account balances with Treasury. Chart 4a, Fund Balances, summarizes the fund balances by fund type and by SSA major program. Other 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, DI, and LAE 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 Statements of Budgetary Resources.

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

| | 2011 | 2010 |
|---|---|---|
| Trust Funds* | | |
| OASI | $ (606) | $ (463) |
| DI | (391) | (384) |
| LAE | (3) | 19 |
| General Funds | | |
| SSI | 2,372 | 2,948 |
| Other | 586 | 621 |
| Other Funds | | |
| SSI | 191 | 205 |
| Other | 2,966 | 3,241 |
| Total | $ 5,115 | $ 6,187 |

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

| | 2011 | 2010 |
|---|---|---|
| Unobligated Balance | | |
| Available | $ 200 | $ 298 |
| Unavailable | 177 | 401 |
| Obligated Balance Not Yet Disbursed | 2,581 | 2,870 |
| OASI, DI, and LAE | (1,000) | (828) |
| Non-Budgetary FBWT | 3,157 | 3,446 |
| Total | $ 5,115 | $ 6,187 |

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

The negative fund balances reported for the OASI, DI, and LAE Trust Funds as of September 30, 2011 and 2010 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 AND INTEREST RECEIVABLE

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. Therefore, there are no premiums or discounts associated with the redemption of these securities.

SSA's investments in Special-Issue U.S. Treasury Securities are $2,654,496 and $2,586,333 million as of September 30, 2011 and 2010, respectively. The interest rates on these investments range from 1⅞ to 6⅞ percent and the accrued interest is paid 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 2026. Accrued interest receivable on the OASI and DI Trust Fund investments with the U.S. Treasury is an Intragovernmental Interest Receivable, Net, reported on the Consolidated Balance Sheets. Interest receivable amounts are $28,085 and $28,893 million as of September 30, 2011 and 2010.

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 offset each other for consolidation purposes in the U.S. Governmentwide financial statements. For this reason, they do not represent a net asset or a net liability in the U.S. Governmentwide financial statements.

The U.S. Treasury does not set aside financial assets to cover its liabilities 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. ACCOUNTS RECEIVABLE, NET

### Intragovernmental

Intragovernmental Accounts Receivable, Net, reported on the Consolidated Balance Sheets in the amounts of $625 and $915 million as of September 30, 2011 and 2010 primarily represent amounts to be paid from the HI/SMI Trust Funds to the LAE Appropriation. The gross accounts receivable has been reduced by $2,453 and $2,926 million as of September 30, 2011 and 2010 as an intra-agency elimination. This elimination is primarily to offset SSA's LAE receivable to be paid from the appropriate funds 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, *Accounting for Selected Assets and Liabilities*, 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 received 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)

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Gross Receivable | Allowance for Doubtful Accounts | Net Receivable | Gross Receivable | Allowance for Doubtful Accounts | Net Receivable |
| OASI | $ 2,095 | $ (206) | $ 1,889 | $ 2,144 | $ (208) | $ 1,936 |
| DI | 5,955 | (2,194) | 3,761 | 5,450 | (2,062) | 3,388 |
| SSI* | 7,800 | (2,009) | 5,791 | 7,603 | (1,947) | 5,656 |
| LAE | 4 | 0 | 4 | 15 | 0 | 15 |
| Subtotal | 15,854 | (4,409) | 11,445 | 15,212 | (4,217) | 10,995 |
| Less: | | | | | | |
| Eliminations** | (356) | 0 | (356) | (626) | 0 | (626) |
| Total | $ 15,498 | $ (4,409) | $ 11,089 | $ 14,586 | $ (4,217) | $ 10,369 |

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

Chart 6 shows that in FY 2011 and 2010, gross accounts receivable was reduced by $356 and $626 million as an intra-agency elimination. This intra-agency activity results primarily from the Windfall Offset in FY 2011 and Special Disability Workload cases and Windfall Offset in FY 2010. Windfall Offset is the amount of SSI that would not have been paid if retroactive Title II benefits had been paid timely to eligible beneficiaries. SSA recognizes a receivable in the SSI program with offsetting payables for both the OASI and DI programs. In a prior period, SSA determined that a group of SSI recipients who were eligible to receive DI benefits were paid either SSI or OASI benefits. For the Special Disability Workload cases, the agency recognized and established receivables for both the OASI and SSI programs with an offsetting payable in the DI program. As of September 30, 2011, the majority of the Special Disability Workload cases have been resolved and no longer require elimination.

A ratio of the estimated allowance for doubtful accounts is recalculated annually using a moving five-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, NET

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)

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| Major Classes: | Cost | Accumulated Depreciation | Net Book Value | Cost | Accumulated Depreciation | Net Book Value |
| Land | $ 0 | $ 0 | $ 0 | $ 4 | $ 0 | $ 4 |
| Construction in Progress | 26 | 0 | 26 | 2 | 0 | 2 |
| Buildings and Other Structures | 59 | (16) | 43 | 442 | (273) | 169 |
| Equipment (incl. ADP Hardware) | 752 | (613) | 139 | 685 | (546) | 139 |
| Internal Use Software | 4,843 | (2,315) | 2,528 | 4,284 | (1,895) | 2,389 |
| Leasehold Improvements | 425 | (252) | 173 | 354 | (232) | 122 |
| Total | $ 6,105 | $ (3,196) | $ 2,909 | $ 5,771 | $ (2,946) | $ 2,825 |

| Major Classes: | Estimated Useful Life | Method of Depreciation |
|---|---|---|
| Land | N/A | N/A |
| Construction in Progress | 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 | 6-33 years | Straight Line |

As of September 30, 2011, SSA removed the buildings acquired with money from the OASI, DI, HI and SMI Trust Funds and the related depreciation from SSA's assets on the Balance Sheet.

In December 2010, DOJ issued an opinion on who was entitled to the proceeds from the sale of buildings acquired with money from the OASI and DI Trust Funds. Due to DOJ's decision, SSA reevaluated its position that the buildings acquired with money from the OASI and DI Trust Funds belonged as an asset on SSA's financial statement. Based on DOJ's opinion, SSA removed the original costs of the buildings, worth $381 million, and its related accumulated depreciation, worth $263 million, by increasing Operating Expenses on the Statement of Net Costs by $118 million as of September 30, 2011. The Land asset was also affected and reduced as a result of DOJ's opinion.

# 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)

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Covered | Not Covered | Total | Covered | Not Covered | Total |
| Intragovernmental: | | | | | | |
| Accrued RRI | $ 4,227 | $ 0 | $ 4,227 | $ 4,418 | $ 0 | $ 4,418 |
| Accounts Payable | 41 | 8,316 | 8,357 | 67 | 8,458 | 8,525 |
| Other | 29 | 230 | 259 | 68 | 201 | 269 |
| Total Intragovernmental | 4,297 | 8,546 | 12,843 | 4,553 | 8,659 | 13,212 |
| Benefits Due and Payable | 78,602 | 3,616 | 82,218 | 77,056 | 3,729 | 80,785 |
| Accounts Payable | 49 | 436 | 485 | 37 | 436 | 473 |
| Other | 360 | 700 | 1,060 | 751 | 716 | 1,467 |
| Total | $ 83,308 | $ 13,298 | $ 96,606 | $ 82,397 | $ 13,540 | $ 95,937 |

## Intragovernmental Accrued Railroad Retirement Interchange

The Intragovernmental 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 Treasury's 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.

## Intragovernmental Other Liabilities

Intragovernmental Other Liabilities includes amounts Covered by budgetary resources for employer contributions and payroll taxes and amounts advanced by Federal agencies for goods and services to be furnished. It also includes amounts Not Covered by budgetary resources for SSI State Administrative Fee Collections and amounts for *Federal Employees' Compensation Act* (FECA), administered by the Department of Labor. 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. The current portion represents SSA's accrued liability due to Department of Labor's FECA Special Benefits Fund for payments made on SSA's behalf. The funding for the liability will be made from a future appropriation. SSA's current portion of FECA liability is $61 and $59 million as of September 30, 2011 and 2010. Intragovernmental Other Not Covered amounts include $157 and $132 million as of September 30, 2011 and 2010 for SSI State Fees payable to Treasury's General Fund.

Refer to Note 3, Non-Entity Assets, and Note 11, Exchange Revenues, for a discussion of the 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, 2011 and 2010. 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)

| | 2011 | 2010 |
|---|---|---|
| OASI | $ 53,161 | $ 51,651 |
| DI | 24,169 | 24,329 |
| SSI | 5,244 | 5,431 |
| Subtotal | 82,574 | 81,411 |
| Less: Intra-agency eliminations | (356) | (626) |
| Total | $ 82,218 | $ 80,785 |

Chart 8b also shows that as of FY 2011 and 2010, gross Benefits Due and Payable was reduced by $356 and $626 million as an intra-agency elimination. This intra-agency activity results primarily from the Windfall Offset in FY 2011 and from Special Disability Workload cases in FY 2010. Refer to Note 6, Accounts Receivable, Net.

## 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, which is an actuarial liability. The non-current portion of $334 and $319 million as of September 30, 2011 and 2010 represents the expected liability from FECA claims for the next 23-year period. 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

For several years, the Department of Justice (Tax Division) handled litigation concerning whether medical residents are subject to FICA taxation. FICA taxes are collected by the U.S. Treasury and then transferred to the OASI and DI Trust Funds. On March 2, 2010, the Internal Revenue Service (IRS) announced plans to refund medical residents FICA taxes for periods ending before April 1, 2005 to institutions and individuals with timely filed refund claims. SSA anticipates that the IRS refund program will result in dismissal of pending cases covering the period before April 1, 2005. The IRS will disperse refunds to the institutions, as well as to employees who sought or consented to receive a refund. At this time, SSA is not able to make a reasonable estimate for the refund of medical resident FICA taxes due to the applicable institutions and employees.

In addition to the matters identified above, there is one other pending matter. The case concerns the interpretation of provisions of the *Social Security Act* that permit the agency to suspend certain benefits to parole and probation violators. SSA is not able to make an estimate of the possible liability at this time.

# 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 the OASI and DI Trust 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 5, Investments and Interest 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 and Interest Receivable, for a discussion on Treasury securities.

## Payments to Social Security Trust Funds

PTF consists of transfers authorized by law between Treasury's 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, Unnegotiated Check Reimbursement, Payroll Tax Holiday, and *Food, Conservation, and Energy Act* 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 States are also classified as earmarked funds. Section 42 U.S.C. 1616 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 9 for balances of earmarked funds as reported in the Consolidated Financial Statements for the years ended September 30, 2011 and 2010.

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

| | 2011 | | | | |
|---|---|---|---|---|---|
| | OASI Trust Fund | DI Trust Fund | Other Earmarked Funds | Eliminations | Total Earmarked Funds |
| **Balance Sheet** | | | | | |
| **ASSETS** | | | | | |
| Fund Balance with Treasury | $ (606) | $ (391) | $ 75 | $ 0 | $ (922) |
| Investments | 2,492,531 | 161,965 | 0 | 0 | 2,654,496 |
| Interest Receivable | 26,186 | 1,899 | 0 | 0 | 28,085 |
| Accounts Receivables - Federal | 2 | 2 | 0 | (4) | 0 |
| Accounts Receivables - Non-Federal | 1,889 | 3,761 | 0 | (40) | 5,610 |
| **Total Assets** | $ 2,520,002 | $ 167,236 | $ 75 | $ (44) | $ 2,687,269 |
| **LIABILITIES and NET POSITION** | | | | | |
| Accrued Railroad Retirement | $ 3,778 | $ 449 | $ 0 | $ 0 | $ 4,227 |
| Accounts Payable, Federal | 869 | 704 | 5 | (4) | 1,574 |
| Benefits Due and Payable | 53,161 | 24,169 | 0 | (40) | 77,290 |
| Other - Non-Federal Liabilities | 0 | 6 | 0 | 0 | 6 |
| **Total Liabilities** | 57,808 | 25,328 | 5 | (44) | 83,097 |
| Unexpended Appropriations | 0 | 0 | 61 | 0 | 61 |
| Cumulative Results of Operations | 2,462,194 | 141,908 | 9 | 0 | 2,604,111 |
| **Total Liabilities and Net Position** | $ 2,520,002 | $ 167,236 | $ 75 | $ (44) | $ 2,687,269 |
| **Statement of Net Cost** | | | | | |
| Program Costs | $ 593,047 | $ 127,471 | $ 0 | $ 0 | $ 720,518 |
| Operating Expenses | 715 | 221 | 0 | 0 | 936 |
| Less Earned Revenue | (1) | (30) | (175) | 0 | (206) |
| **Net Cost of Operations** | $ 593,761 | $ 127,662 | $ (175) | $ 0 | $ 721,248 |
| **Statement of Changes in Net Position** | | | | | |
| Net Position Beginning of Period | $ 2,370,742 | $ 166,719 | $ 80 | $ 0 | $ 2,537,541 |
| Tax Revenue | 496,590 | 84,296 | 0 | 0 | 580,886 |
| Interest Revenue | 106,931 | 8,238 | 0 | 0 | 115,169 |
| Net Transfers In/Out | 81,673 | 10,269 | (102,183) | 0 | (10,241) |
| Other | 19 | 48 | 101,998 | 0 | 102,065 |
| Total Financing Sources | 685,213 | 102,851 | (185) | 0 | 787,879 |
| Net Cost of Operations | 593,761 | 127,662 | (175) | 0 | 721,248 |
| Net Change | 91,452 | (24,811) | (10) | 0 | 66,631 |
| **Net Position End of Period** | $ 2,462,194 | $ 141,908 | $ 70 | $ 0 | $ 2,604,172 |

Chart 9 includes eliminations between SSA's earmarked funds which primarily represent eliminations for activity between the OASI and DI Trust Funds; however, $1,882 million of liabilities in the earmarked funds for the year ended September 30, 2011 need to be eliminated against LAE (Accounts Payable, Federal) and SSI (Benefits Due and Payable), 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 9.

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

| | 2010 | | | | |
|---|---|---|---|---|---|
| | OASI Trust Fund | DI Trust Fund | Other Earmarked Funds | Eliminations | Total Earmarked Funds |
| **Balance Sheet** | | | | | |
| **ASSETS** | | | | | |
| Fund Balance with Treasury | $ (463) | $ (384) | $ 82 | $ 0 | $ (765) |
| Investments | 2,399,111 | 187,222 | 0 | 0 | 2,586,333 |
| Interest Receivable | 26,666 | 2,227 | 0 | 0 | 28,893 |
| Accounts Receivables - Federal | 2 | 1 | 0 | 0 | 3 |
| Accounts Receivables - Non-Federal | 1,936 | 3,388 | 0 | (33) | 5,291 |
| **Total Assets** | $ 2,427,252 | $ 192,454 | $ 82 | $ (33) | $ 2,619,755 |
| **LIABILITIES and NET POSITION** | | | | | |
| Accrued Railroad Retirement | $ 3,909 | $ 509 | $ 0 | $ 0 | $ 4,418 |
| Accounts Payable, Federal | 950 | 890 | 2 | 0 | 1,842 |
| Benefits Due and Payable | 51,651 | 24,329 | 0 | (33) | 75,947 |
| Other - Non-Federal Liabilities | 0 | 7 | 0 | 0 | 7 |
| **Total Liabilities** | 56,510 | 25,735 | 2 | (33) | 82,214 |
| Unexpended Appropriations | 0 | 0 | 61 | 0 | 61 |
| Cumulative Results of Operations | 2,370,742 | 166,719 | 19 | 0 | 2,537,480 |
| **Total Liabilities and Net Position** | $ 2,427,252 | $ 192,454 | $ 82 | $ (33) | $ 2,619,755 |
| **Statement of Net Cost** | | | | | |
| Program Costs | $ 574,223 | $ 121,598 | $ 0 | $ 0 | $ 695,821 |
| Operating Expenses | 640 | 227 | 0 | 0 | 867 |
| Less Earned Revenue | (1) | (29) | (143) | 0 | (173) |
| **Net Cost of Operations** | $ 574,862 | $ 121,796 | $ (143) | $ 0 | $ 696,515 |
| **Statement of Changes in Net Position** | | | | | |
| Net Position Beginning of Period | $ 2,270,181 | $ 186,635 | $ 94 | $ 0 | $ 2,456,910 |
| Adjustments | 0 | 0 | 5 | 0 | 5 |
| Beginning Balances, Adjusted | $ 2,270,181 | $ 186,635 | $ 99 | $ 0 | $ 2,456,915 |
| Tax Revenue | 552,804 | 93,869 | 0 | 0 | 646,673 |
| Interest Revenue | 108,424 | 9,590 | 0 | 0 | 118,014 |
| Net Transfers In/Out | 14,179 | (1,626) | (23,005) | 0 | (10,452) |
| Other | 16 | 47 | 22,843 | 0 | 22,906 |
| Total Financing Sources | 675,423 | 101,880 | (162) | 0 | 777,141 |
| Net Cost of Operations | 574,862 | 121,796 | (143) | 0 | 696,515 |
| Net Change | 100,561 | (19,916) | (19) | 0 | 80,626 |
| **Net Position End of Period** | $ 2,370,742 | $ 166,719 | $ 80 | $ 0 | $ 2,537,541 |

Chart 9 includes eliminations between SSA's earmarked funds which primarily represent eliminations for activity between the OASI and DI Trust Funds; however, $2,427 million of liabilities in the earmarked funds for the year ended September 30, 2010 need to be eliminated against LAE (Accounts Payable, Federal) and SSI (Benefits Due and Payable), 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 9.

# 10. Operating Expenses

## Classification of Operating Expenses by Major Program

Chart 10a displays SSA's operating expenses for each major program. LAE SSA operating expenses recorded in Other represent (1) HI/SMI Trust Funds' shares of SSA's operating expenses including the Medicare Prescription Drug Program and (2) SSA's administrative expense for the Medicare Saving Program and the Low Income Subsidy Program. LAE ARRA operating expenses recorded in the Other program represent administrative costs attributable to Economic Recovery Payment (ERP), expenses associated with the construction and setup of the new National Support Center, and costs related to the retirement and disability workload backlog. Program ERP amounts reported in Other represent the one-time payments made to eligible Title II and Title XVI beneficiaries. OASI and DI Trust Fund Operations include expenses of Treasury to assist in managing the OASI and DI Trust Funds. Vocational Rehabilitation includes expenditures of State agencies for vocational rehabilitation of DI and SSI beneficiaries.

Chart 10a - SSA's Operating Expenses by Major Program as of September 30:
($ in millions)

| | 2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| | LAE | | | | | | |
| | SSA | OIG | ARRA | OASI and DI Trust Fund Operations | Vocational Rehabilitation & Other | Program ERP | Total |
| OASI | $ 3,106 | $ 37 | $ 0 | $ 713 | $ 2 | $ 0 | $ 3,858 |
| DI | 3,025 | 36 | 0 | 133 | 88 | 0 | 3,282 |
| SSI | 4,091 | 0 | 0 | 0 | 125 | 0 | 4,216 |
| Other | 2,173 | 29 | 10 | 0 | 1 | 17 | 2,230 |
| | $ 12,395 | $ 102 | $ 10 | $ 846 | $ 216 | $ 17 | $ 13,586 |

Chart 10a - SSA's Operating Expenses by Major Program as of September 30:
($ in millions)

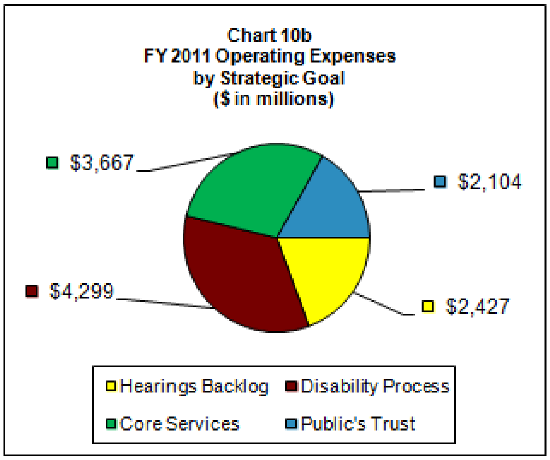
| | 2010 | | | | | | |
|---|---|---|---|---|---|---|---|
| | LAE | | | | | | |
| | SSA | OIG | ARRA | OASI and DI Trust Fund Operations | Vocational Rehabilitation & Other | Program ERP | Total |
| OASI | $ 2,906 | $ 38 | $ 0 | $ 637 | $ 3 | $ 0 | $ 3,584 |
| DI | 2,765 | 36 | 0 | 120 | 107 | 0 | 3,028 |
| SSI | 3,668 | 0 | 0 | 0 | 130 | 0 | 3,798 |
| Other | 2,050 | 28 | 345 | 0 | 5 | 118 | 2,546 |
| | $ 11,389 | $ 102 | $ 345 | $ 757 | $ 245 | $ 118 | $ 12,956 |

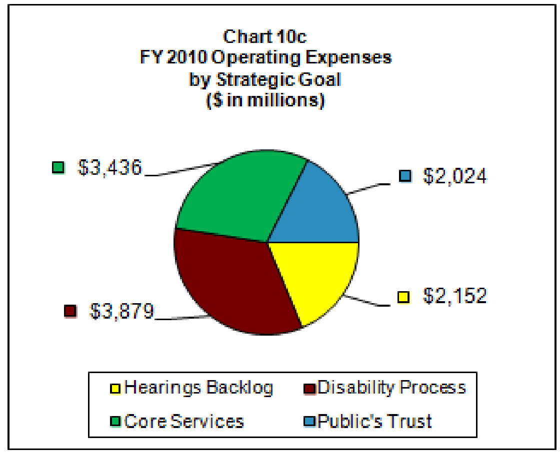
## Classification of Operating Expenses by Strategic Goal

The Annual Performance Plan (APP) sets forth expected levels of performance the agency is committed to achieving, as well as includes proposed levels of performance for future fiscal years. SSA's APP is characterized by broad-based strategic goals that are supported by the entire agency. The four goals are:

- Eliminate our hearings backlog and prevent its recurrence;
- Improve the speed and quality of our disability process;
- Improve our retiree and other core services; and
- Preserve the public's trust in our programs.

Charts 10b and 10c exhibit distribution of FY 2011 and 2010 SSA and OIG LAE operating expenses to the four APP strategic goals, which agree to the agency's LAE budget appropriation. LAE ARRA expenses are subtracted from total SSA LAE operating expenses before being distributed to SSA's APP strategic goals in these two charts. 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 $424 and $368 million for the years ended September 30, 2011 and 2010. SSA's 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. Additional administrative fees are collected for administering Title VIII State Supplementation and handling SSI attorney fees. SSA earned administrative fee revenue in the amount of $341 and $283 million for the years ended September 30, 2011 and 2010.

A portion of the administrative fees we earn are non-entity assets. These fees are included within Fund Balance with Treasury in the amount of $166 and $140 million as of September 30, 2011 and 2010. The portion of these non-entity asset fees collected to administer SSI State Supplementation total $157 and $132 million as of September 30, 2011 and 2010. The fees are deposited directly to Treasury's General Fund and reported as a part of Fund Balance with Treasury on the Consolidated Balance Sheets. A corresponding accounts payable to Treasury's 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 $175 and $143 million for the years ended September 30, 2011 and 2010 are maintained to defray expenses in carrying out the SSI program.

In addition, SSA earned $83 and $85 million for the years ended September 30, 2011 and 2010 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, ERP, 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. Other Program primarily reports the costs and revenues that SSA incurs in administering (1) a portion of the Medicare program, (2) the Medicare Saving Program and the Low Income Subsidy Program, and (3) ARRA activities.

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

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Gross Cost | Less Earned Revenue | Net Cost | Gross Cost | Less Earned Revenue | Net Cost |
| OASI Program | | | | | | |
| Intragovernmental | $ 1,566 | $ (12) | $ 1,554 | $ 1,472 | $ (11) | $ 1,461 |
| Public | 595,339 | (2) | 595,337 | 576,335 | (4) | 576,331 |
| OASI Subtotal | 596,905 | (14) | 596,891 | 577,807 | (15) | 577,792 |
| DI Program | | | | | | |
| Intragovernmental | 963 | (12) | 951 | 914 | (10) | 904 |
| Public | 129,790 | (31) | 129,759 | 123,712 | (32) | 123,680 |
| DI Subtotal | 130,753 | (43) | 130,710 | 124,626 | (42) | 124,584 |
| SSI Program | | | | | | |
| Intragovernmental | 1,150 | (15) | 1,135 | 1,079 | (13) | 1,066 |
| Public | 52,107 | (343) | 51,764 | 46,563 | (288) | 46,275 |
| SSI Subtotal | 53,257 | (358) | 52,899 | 47,642 | (301) | 47,341 |
| Other Program | | | | | | |
| Intragovernmental | 597 | (8) | 589 | 589 | (7) | 582 |
| Public | 1,640 | (1) | 1,639 | 1,965 | (3) | 1,962 |
| Other Subtotal | 2,237 | (9) | 2,228 | 2,554 | (10) | 2,544 |
| Total | $ 783,152 | $ (424) | $ 782,728 | $ 752,629 | $ (368) | $ 752,261 |

## 13. TAX REVENUES

Employment tax revenues are estimated monthly by Treasury based on SSA's quarterly estimate of taxable earnings. These estimates are used by 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 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 $580,886 and $646,673 million for the years ended September 30, 2011 and 2010.

The 2011 tax revenue is reduced as a result of a new one-year tax bill signed into law in December 2010. The *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010* provides employees a one-year reduction in FICA tax withholdings, reducing rates from 6.2% to 4.2% for the 2011 tax year (January-December). In order to avoid harming the OASI and DI Trust Funds, the bill also provides the transfer of funds by Treasury from general revenues to the OASI and DI Trust Funds. The total transferred amount is $78,915 million for the year ended September 30, 2011.

## 14. IMPUTED FINANCING

The Consolidated Statements of Net Cost recognizes post-employment benefit expenses of $1,169 and $1,148 million for the years ended September 30, 2011 and 2010 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 $680 and $709 million for the years ended September 30, 2011 and 2010 that primarily represents annual service cost not paid by SSA.

## 15. BUDGETARY RESOURCES

### Appropriations Received

The Combined Statements of Budgetary Resources discloses Appropriations Received of $982,487 and $882,359 million for the years ended September 30, 2011 and 2010. Appropriations Received on the Consolidated Statements of Changes in Net Position are $158,359 and $74,331 million for the same periods. The differences of $824,128 and $808,028 million primarily 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 Circular No. A-136 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 Categories A, B, and Exempt from Apportionment.

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

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Direct | Reimbursable | Total | Direct | Reimbursable | Total |
| Category A | $ 32 | $ 0 | $ 32 | $ 44 | $ 0 | $ 44 |
| Category B | 68,476 | 3,910 | 72,386 | 63,088 | 3,650 | 66,738 |
| Exempt | 834,008 | 2 | 834,010 | 729,754 | 3 | 729,757 |
| Total | $ 902,516 | $ 3,912 | $ 906,428 | $ 792,886 | $ 3,653 | $ 796,539 |

## 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 Public Law 106-169, the veterans' SSI benefits would terminate the month after leaving 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 fiscal year 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 fiscal year that exceeds the amount needed to pay benefits and other valid obligations in that fiscal year is precluded by law from being available for obligation. At the end of the fiscal year, this excess of receipts over obligations is reported as Temporarily Not Available Pursuant to Public Law in the Statements of Budgetary Resources; therefore, it is not classified as budgetary resources in the fiscal year 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, are included in Investments on the Consolidated Balance Sheets.

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

| | 2011 | 2010 |
|---|---|---|
| Beginning Balance | $ 2,534,325 | $ 2,433,305 |
| Receipts | 823,946 | 807,879 |
| Less Obligations | 731,913 | 706,859 |
| Excess of Receipts Over Obligations | 92,033 | 101,020 |
| Ending Balance | $ 2,626,358 | $ 2,534,325 |

## Undelivered Orders at the End of the Period

Undelivered orders consist of unpaid orders of goods and services, which have not been actually or constructively received by SSA. SSA's total undelivered orders are $2,239 and $1,987 million for the years ended September 30, 2011 and 2010.

## Explanation of 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, 2010 has been conducted. There are no material differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government.

Chart 15c presents a reconciliation of budgetary resources, obligations incurred, and outlays as presented in the Combined Statements of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 2010. Budgetary resources and obligations incurred reconcile to Program and Financing (P&F) Schedule while outlays reconcile to the Analytical Perspectives of the Budget.

Chart 15c - Explanation of Differences Between Statement of Budgetary Resources and the Budget of the United States Government for FY 2010:
($ in millions)

| | Budgetary Resources | Status of Resources | Outlays |
|---|---|---|---|
| Combined Statement of Budgetary Resources | $ 798,634 | $ 798,634 | $ 754,181 |
| Expired activity not on P&F | (515) | (478) | 0 |
| Offsetting Receipts activity not on P&F | 0 | 0 | 26,455 |
| Other | 0 | (37) | (2) |
| Budget of the United States Government | $ 798,119 | $ 798,119 | $ 780,634 |

A reconciliation has not been conducted for the year ended September 30, 2011 since this report is published in November 2011 and the actual budget data for FY 2011 will not be available until the President's Budget is published.

# 16. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

## Reconciliation of Net Cost of Operations to Budget for the Years Ended September 30, 2011 and 2010
**(Dollars in Millions)**

| | 2011 | 2010 |
|---|---|---|
| **Resources Used to Finance Activities:** | | |
| Budgetary Resources Obligated | | |
| Obligations Incurred | **$ 906,428** | $ 796,539 |
| Offsetting Collections and Recoveries | **(15,251)** | (15,515) |
| Obligations Net of Offsetting Collections and Recoveries | **891,177** | 781,024 |
| Offsetting Receipts | **(105,395)** | (26,455) |
| Net Obligations | **785,782** | 754,569 |
| Other Resources | | |
| Imputed Financing | **680** | 709 |
| Other | **(340)** | (283) |
| Net Other Resources Used to Finance Activities | **340** | 426 |
| Total Resources Used to Finance Activities | **786,122** | 754,995 |
| **Resources Not Part of the Net Cost of Operations:** | | |
| Change in Budgetary Resources Obligated, Not Yet Provided | **(560)** | (282) |
| Resources that Fund Expenses Recognized in Prior Periods | **(116)** | (8) |
| Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations | **105,365** | 26,427 |
| Resources that Finance the Acquisition of Assets | **(337)** | (865) |
| Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations | **(107,559)** | (28,429) |
| Total Resources Not Part of the Net Cost of Operations | **(3,207)** | (3,157) |
| Total Resources Used to Finance the Net Cost of Operations | **782,915** | 751,838 |
| **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 Liability | **0** | 11 |
| Other | **16** | 9 |
| Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods | **16** | 20 |
| Components Not Requiring or Generating Resources | | |
| Depreciation and Amortization | **253** | 494 |
| Other | **(456)** | (91) |
| Total Components of Net Cost of Operations that Will Not Require or Generate Resources | **(203)** | 403 |
| Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period | **(187)** | 423 |
| **Net Cost of Operations** | **$ 782,728** | $ 752,261 |

Chart 16 presents a reconciliation between SSA's budgetary and proprietary accounting. This reconciliation shows the relationship between the net obligations derived from the Statement of Budgetary Resources and net costs of operations derived from the Statement of Net Costs by identifying and explaining key items that affect one statement but not the other.

# 17. SOCIAL INSURANCE DISCLOSURES

## Statement of Social Insurance

The Statement of Social Insurance discloses the present value for the 75-year projection period of the estimated future noninterest income, estimated future cost, and the excess of income over cost for both the "open group" and "closed group" of participants. The open group of participants includes all current and future participants (including those born during the projection period) who are now participating or are expected to eventually participate in the OASDI Social Insurance program. The closed group of participants includes only current participants: those who attain age 15 or older in the first year of the projection period. The closed group disclosure is not relevant to the financial status because the program is financed largely on a pay-as-you-go basis.

Present values are computed based on the intermediate economic and demographic assumptions described in the *2011 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* (the Trustees Report) for the 75-year projection period beginning January 1, 2011. Similar present values are shown in the Statement of Social Insurance based on the prior four Trustees Reports reflecting present values at January 1 of the applicable year.

Estimated future noninterest income 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. It does not include interest income on assets held in the combined OASI and DI Trust Fund. The estimated future cost includes benefit amounts scheduled under current law, administrative expenses, and net transfers with the Railroad Retirement program.

The present value of future excess of noninterest income over cost is shown in the Statement of Social Insurance, not only for the open group of participants, but also 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 age 15 or higher. This closed group is further divided into those who have attained retirement eligibility age in the starting year of the projection period and those who attained age 15 through 61 in the starting year of the projection period. The Statement of Social Insurance also presents the present value of future noninterest income less future cost *plus* the combined OASI and DI Trust Fund assets at the start of the period, on both an open and closed group basis.

Combined OASI and DI Trust Fund assets represent the accumulated excess of all past income, including interest on prior 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, 2011 totaled $2,609 billion and were comprised entirely of investment securities that are backed by the full faith and credit of the Federal Government.

The present value for a 75-year projection period of estimated future excess of noninterest income over cost, plus the combined OASI and DI Trust Fund assets at the start of the period, is shown as a negative value. This negative value 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 applicable Trustees Report and is also shown in the Report as a percentage of taxable payroll and as a percentage of gross domestic product over the period.

Because the OASDI program lacks borrowing authority, the open group unfunded obligation represents the amount of benefits scheduled in the law that would not be payable in the years after the assets in the combined OASI and DI Trust Fund become exhausted. Thus, if reserves in the combined OASI and DI Trust Fund become depleted, the amount of money available to pay benefits and other expenses would be limited to current noninterest income. Therefore, barring legislative action, this unfunded obligation represents a financial shortfall that would be accommodated by either paying benefits that are less than the amount scheduled or by delaying the payment of scheduled benefits.

## Assumptions Used for the Statement of Social Insurance

The present values used in this presentation for the current year (2011) are based on the assumption that the noninterest income and the benefit payments for the program would continue at the levels scheduled under current law, even after OASI and DI Trust Fund exhaustion. Estimates are also based on various economic and demographic assumptions, including those in the following table:

**Table 1: Significant Assumptions and Summary Measures Used for the Statement of Social Insurance 2011**

| | 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) | 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] | |
| 2011 | 2.07 | 766.5 | 75.9 | 80.6 | 895,000 | 2.9 | 4.1 | 1.2 | 0.7 | 2.7 | 3.1% |
| 2020 | 2.05 | 707.8 | 77.1 | 81.4 | 1,195,000 | 1.1 | 3.9 | 2.8 | 0.5 | 2.1 | 5.7% |
| 2030 | 2.02 | 648.7 | 78.2 | 82.4 | 1,115,000 | 1.2 | 4.0 | 2.8 | 0.5 | 2.2 | 5.7% |
| 2040 | 2.00 | 596.6 | 79.3 | 83.3 | 1,070,000 | 1.2 | 4.0 | 2.8 | 0.5 | 2.2 | 5.7% |
| 2050 | 2.00 | 550.8 | 80.3 | 84.1 | 1,050,000 | 1.2 | 4.0 | 2.8 | 0.5 | 2.2 | 5.7% |
| 2060 | 2.00 | 510.5 | 81.3 | 84.9 | 1,040,000 | 1.1 | 3.9 | 2.8 | 0.5 | 2.1 | 5.7% |
| 2070 | 2.00 | 474.9 | 82.1 | 85.7 | 1,030,000 | 1.1 | 3.9 | 2.8 | 0.4 | 2.1 | 5.7% |
| 2080 | 2.00 | 443.2 | 82.9 | 86.4 | 1,030,000 | 1.2 | 4.0 | 2.8 | 0.4 | 2.1 | 5.7% |

1. The total fertility rate for a 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 assumed for the selected year, and if she were to survive the entire childbearing period.
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 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 the selected 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 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. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
5. The real-wage differential is the difference between the percentage increases 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. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
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 is the sum of U.S. civilian and military employment. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
9. The real Gross Domestic Product (GDP) is the value of total output of goods and services produced in the U.S., expressed in 2005 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 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. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.

The present values used in the Statement of Social Insurance for the current year and in corresponding Statements in prior years are based on various economic and demographic assumptions. The values for each of these assumptions move from recently experienced levels or trends toward long-range ultimate values. These ultimate values are summarized in Table 2. Detailed information, similar to that denoted within Table 1, is available on the SSA website at: www.socialsecurity.gov/finance/ for the prior four years.

**Table 2: Significant Ultimate Assumptions and Summary Measures Used for the Statement of Social Insurance for Current and Prior Years**

| Year of Statement | Total Fertility Rate[1] | Average Annual Percentage Reduction in the Age-Sex Adjusted Death Rates[2] | Net Annual Immigration (persons per year)[3] | Average Annual Real-Wage Differential[4] (percentage points) | Average Annual Percentage Change In: Average Annual Wage in Covered Employment[5] | Average Annual Percentage Change In: CPI[6] | Average Annual Percentage Change In: Total Employment[7] | Average Annual Real Interest Rate[8] |
|---|---|---|---|---|---|---|---|---|
| FY 2011 | 2.0 | 0.78 | 1,075,000 | 1.2 | 4.0 | 2.8 | 0.5 | 2.9 |
| FY 2010 | 2.0 | 0.79 | 1,065,000 | 1.2 | 4.0 | 2.8 | 0.5 | 2.9 |
| FY 2009 | 2.0 | 0.79 | 1,065,000 | 1.1 | 3.9 | 2.8 | 0.5 | 2.9 |
| FY 2008 | 2.0 | 0.75 | 1,070,000 | 1.1 | 3.9 | 2.8 | 0.5 | 2.9 |
| FY 2007 | 2.0 | 0.71 | 900,000 | 1.1 | 3.9 | 2.8 | 0.4 | 2.9 |

1. The total fertility rate for a 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 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 the 25th year of the projection period.
2. The age-sex-adjusted death rate is computed as 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 for the selected year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The value presented is the average annual percentage reduction for each 75-year projection period. The annual rate of reduction declines gradually during the period, so no ultimate rate is achieved. For the 2008 estimates, the average annual percentage reduction in death rates increased largely due to the increased ultimate assumed rate of mortality reduction for ages 15-64. For the 2009 estimates, the average annual percentage reduction in death rates increased primarily due to the increased ultimate rates of decline in mortality assumed for ages 65 through 84. For the 2011 Statement, the average annual rate of reduction is computed based on death-rate levels, as shown in Table 1.
3. 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. The value in the table is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. For the 2008 Statement, the ultimate level of net legal immigration was increased from 600,000 to 750,000 persons per year. In addition, the method for projecting annual net other immigration was changed and the annual level of net immigration now varies throughout the projection period. For the 2007 Statement, the ultimate assumption is shown in the table and is reached by the 20th year of the projection period. For the 2008-2011 Statements, the value shown is the average net immigration level projected for the 75-year projection period. For the 2011 Statement, the value shown is consistent with the annual levels shown in Table 1.
4. The annual real-wage differential is the difference between (1) the annual percentage change in the average annual wage in covered employment and (2) the annual percentage change in the Consumer Price Index (CPI). The value presented is the average of annual real wage differentials for the last 65 years of the 75-year projection period. For the 2010 Statement, the average real wage differential increased from 1.1 to 1.2 percentage points. For the 2011 Statement, the average real-wage differential is consistent with the annual differentials shown in Table 1.
5. 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. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The value presented is the average annual percentage change from the 10th year of the 75-year projection period to the 75th year. For the 2010 Statement, the average annual percentage change increased from 3.9 to 4.0 percentage points.
6. The CPI is the annual average value for the calendar year of the CPI for Urban Wage Earners and Clerical Workers (CPI-W). The ultimate assumption is reached within the first 10 years of the projection period.
7. Total employment is the sum of U.S. civilian and military employment. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The average annual percentage change in total employment is for the entire 75-year projection period. The annual rate of increase tends to decline through the period reflecting the slowing growth rate of the working-age population. Thus, no ultimate rate of change is achieved. For the 2011 Statement, the average annual rate of change is consistent with the annual percentages shown in Table 1.
8. The average annual real interest rate reflects the expected annual real yield for each year on securities issuable in the prior year. The ultimate rate is assumed to be reached soon after the 10th year of the projection period. For the 2011 Statement, the average annual real interest rate is consistent with the nominal interest rates shown in Table 1.

These assumptions and the other values on which Table 2 is based reflect the intermediate assumptions of the 2007-2011 Trustees Reports. 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* section of this report.

## Statement of Changes in Social Insurance Amounts

The Statement of Changes in Social Insurance Amounts reconciles the change (between the current valuation and the prior valuation) in the (1) present value of future noninterest income less future cost for current and future participants (the open group measure) over the next 75 years; (2) assets of the combined OASI and DI Trust Funds; and (3) present value of future noninterest income less future cost for current and future over the next 75 years plus the assets of the combined OASI and DI Trust Funds. These values are included in the Statement of Social Insurance. The reconciliation identifies several components of the change that are significant and provides reasons for the changes.

The five changes considered in the Statement of Changes in Social Insurance Amounts are, in order:

- change in the valuation period;
- changes in demographic data, assumptions, and methods;
- changes in economic data, assumptions, and methods;
- changes in methodology and programmatic data; and
- changes in law or policy.

All estimates in the table are presented as incremental to the prior change. As an example, the present values shown for economic data, assumptions, and methods, represent the additional effect that these new data, assumptions, and methods have, once the effects from demography and the change in the valuation period have been considered.

## Assumptions Used for the Statement of Changes in Social Insurance Amounts

The present values included in the Statement of Changes in Social Insurance Amounts are for the current and prior years and are based on various economic and demographic assumptions used for the intermediate assumptions in the Trustees Reports for those years. Table 1 summarizes these assumptions for the current year. Assumptions for the prior year are identified in a similar manner on the SSA website.

Present values as of January 1, 2010 are calculated using interest rates from the intermediate assumptions of the 2010 Trustees Report. All other present values in the Statement of Changes in Social Insurance Amounts are calculated as a present value as of January 1, 2011. Estimates of the present value of changes in social insurance amounts due to changing the valuation period and changing demographic data, assumptions, and methods are presented using the interest rates under the intermediate assumptions of the 2010 Trustees Report. Since interest rates are an economic estimate and all estimates in the table are incremental to the prior change, all other present values in the Statement are calculated using the interest rates under the intermediate assumptions of the 2011 Trustees Report.

The remainder of this note provides details on the changes in these present values of future noninterest income less future cost (net cashflows) between the prior and current valuation periods.

### Change in the Valuation Period

The effect on the 75-year present values of changing the valuation period from the prior valuation period (2010-84) to the current valuation period (2011-85) is measured by using the assumptions for the prior valuation period and applying them, in the absence of any other changes, to the current valuation period. Changing the valuation period removes a small negative net cashflow for 2010 and replaces it with a much larger negative net cashflow for 2085.

The present value of future net cashflows (including or excluding the combined OASI and DI Trust Fund assets at the start of the period) was therefore decreased (made more negative) when the valuation period the 75-year valuation period changed from 2010-84 to 2011-85. In addition, the effect on the level of assets in the combined OASI and DI Trust Funds of changing the valuation period is measured by assuming all values projected in the prior valuation for the year 2010 are realized. The change in valuation period increased the level of assets in the combined OASI and DI Trust Funds.

**Changes in Demographic Data, Assumptions, and Methods**

The ultimate demographic assumptions for the current valuation period are the same as those for the prior valuation period. However, the starting demographic values were changed.

- The inclusion of final mortality data for 2007 results in lower starting death rates and faster near-term declines in death rates at older ages for the current valuation period.
- Revised historical estimates of net other immigration and final data on legal immigration for 2009 are also used in the current valuation. Based on estimates from the Department of Homeland Security for 2007 and 2008 and due to the weak U.S. economy since 2008, net other immigration levels for 2007-10 are assumed negative for the current valuation period. These levels are significantly lower than the positive estimates used in the prior valuation period.
- Birth rates projected through 2026 are slightly lower in the current valuation; preliminary birth data for 2008 and 2009 was lower than was expected for the prior valuation.
- Updated starting values of population levels were incorporated in the current valuation.

Except for updating starting values of population levels, inclusion of each of these demographic data sets decreases the present value of future net cashflows.

The following demographic methods were changed in the current valuation.

- The method for determining the initial projected rates of mortality decline was changed to place greater emphasis on recent experience. These initial rates of decline are now determined using the most recent 10 years of historical data, rather than the most recent 20 years. This change increased the rate of decline in death rates at older ages for years following the year of final data (2007) up to the year the ultimate rates of decline are fully in effect (2035).
- The historical estimates of the other immigrant population by age and sex were improved, resulting in greater consistency between the other immigrant population and the total population.

Both of these changes to demographic methods decrease the present value of future net cashflows.

**Changes in Economic Data, Assumptions, and Methods**

The ultimate economic assumptions for the current valuation period are the same as those for the prior valuation period. However, the starting economic values and near-term economic growth rate assumptions were changed. The economic recovery has been slower than was assumed for the prior valuation period.

- For the current valuation period, OASDI taxable earnings are considerably lower for the starting year, 2010, than were projected for the prior valuation period. Even though earnings grow faster after 2010 through 2019, the projected level of earnings is lower through 2018 for the current valuation period.
- Unemployment rates are slightly higher over first few years of the projection for the current valuation period.
- The real interest rate is lower over first few years of the projection for the current valuation period.

Inclusion of each of these economic revisions decreases the present value of future net cashflows.

A change to the methodology for projecting labor force participation was implemented in the current valuation period. The assumed effect of gains in life expectancy on labor force participation for persons over 40 was doubled, significantly increasing projected participation rates at higher ages. Disability prevalence was added as an input variable to the labor force model for persons over normal retirement age, partially offsetting increases in the labor force due to changes in life expectancy. Inclusion of these changes to labor force participation projections increase the present value of future net cashflows.

**Changes in Methodology and Programmatic Data**

Several methodological improvements and updates of program-specific data are included in the current valuation and the most significant are identified below.

- Disabled worker mortality and termination rates were updated to reflect a more recent historical period. Inclusion of these updates decrease the present value of future net cashflows.
- The historical sample of new beneficiaries, which serves as the basis of average benefit levels, was updated from a 2006 sample to a 2007 sample. Inclusion of this update increases the present value of future net cashflows.
- Actual experience of the combined OASI and DI Trust Funds between January 1, 2010 and January 1, 2011 is incorporated in the current valuation and is slightly less than projected in the prior valuation.

**Changes in Law or Policy**

There were no legislative changes, included in the current valuation and not in the prior valuation, that are projected to have a significant effect on the present value of the 75-year net cashflows.

## 18. Recovery of Medicare Premiums

SSA identified a systemic and recurring error in the process for recovering certain transfers to CMS of Medicare Part B premiums. Beneficiaries of OASDI may elect to have SSA withhold their monthly Medicare premium. In these cases, SSA acts as an intermediary by collecting Medicare premiums through withholdings from Social Security payments. The premiums are then transferred to CMS. If notification of a beneficiary's death is not received timely, payments may be disbursed after a beneficiary's death and Medicare premium transfers made to CMS. SSA has procedures in place to recover overpayments made to beneficiaries, but prior to December 2002, SSA generally did not have procedures to recover Medicare premiums transferred to CMS. As a result, SSA estimates that approximately $800 million of premiums were transferred to CMS since the inception of the Medicare program through November 2002. SSA and Health and Human Services are currently conducting research to determine the most appropriate legal resolution to this issue.

## Other Accompanying Information: Balance Sheet by Major Program as of September 30, 2011 (Dollars in Millions)

| Assets | OASI | DI | SSI | Other | LAE | Intra-Agency Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| Intragovernmental: | | | | | | | |
| Fund Balance with Treasury | $ (606) | $ (391) | $ 2,563 | $ 3,552 | $ (3) | $ 0 | $ 5,115 |
| Investments | 2,492,531 | 161,965 | 0 | 0 | 0 | 0 | 2,654,496 |
| Interest Receivable, Net | 26,186 | 1,899 | 0 | 0 | 0 | 0 | 28,085 |
| Accounts Receivable, Net | 2 | 2 | 0 | 0 | 3,074 | (2,453) | 625 |
| Other | 0 | 0 | 0 | 0 | 23 | 0 | 23 |
| Total Intragovernmental | 2,518,113 | 163,475 | 2,563 | 3,552 | 3,094 | (2,453) | 2,688,344 |
| Accounts Receivable, Net | 1,889 | 3,761 | 5,791 | 0 | 4 | (356) | 11,089 |
| Property, Plant, and Equipment, Net | 0 | 0 | 0 | 0 | 2,909 | 0 | 2,909 |
| Other | 0 | 0 | 0 | 0 | 2 | 0 | 2 |
| **Total Assets** | $ 2,520,002 | $ 167,236 | $ 8,354 | $ 3,552 | $ 6,009 | $ (2,809) | $ 2,702,344 |
| **Liabilities** | | | | | | | |
| Intragovernmental: | | | | | | | |
| Accrued Railroad Retirement Interchange | $ 3,778 | $ 449 | $ 0 | $ 0 | $ 0 | $ 0 | $ 4,227 |
| Accounts Payable | 869 | 704 | 5,736 | 3,468 | 33 | (2,453) | 8,357 |
| Other | 0 | 0 | 165 | 2 | 92 | 0 | 259 |
| Total Intragovernmental | 4,647 | 1,153 | 5,901 | 3,470 | 125 | (2,453) | 12,843 |
| Benefits Due and Payable | 53,161 | 24,169 | 5,244 | 0 | 0 | (356) | 82,218 |
| Accounts Payable | 0 | 6 | 440 | 0 | 39 | 0 | 485 |
| Other | 0 | 0 | 23 | 2 | 1,035 | 0 | 1,060 |
| Total Liabilities | 57,808 | 25,328 | 11,608 | 3,472 | 1,199 | (2,809) | 96,606 |
| **Net Position** | | | | | | | |
| Unexpended Appropriations-Earmarked Funds | 0 | 0 | 0 | 61 | 0 | 0 | 61 |
| Unexpended Appropriations-Other Funds | 0 | 0 | 353 | 19 | 4 | 0 | 376 |
| Cumulative Results of Operations-Earmarked Funds | 2,462,194 | 141,908 | 9 | 0 | 0 | 0 | 2,604,111 |
| Cumulative Results of Operations-Other Funds | 0 | 0 | (3,616) | 0 | 4,806 | 0 | 1,190 |
| Total Net Position | 2,462,194 | 141,908 | (3,254) | 80 | 4,810 | 0 | 2,605,738 |
| **Total Liabilities and Net Position** | $ 2,520,002 | $ 167,236 | $ 8,354 | $ 3,552 | $ 6,009 | $ (2,809) | $ 2,702,344 |

## Other Accompanying Information: Schedule of Net Cost for the Years Ended September 30, 2011
**(Dollars in Millions)**

| | Program | LAE | Total |
|---|---|---|---|
| **OASI Program** | | | |
| Benefit Payments | $ 593,047 | $ 0 | $ 593,047 |
| Operating Expenses | 715 | 3,143 | 3,858 |
| Total Cost of OASI Program | 593,762 | 3,143 | 596,905 |
| Less: Exchange Revenues | (1) | (13) | (14) |
| **Net Cost of OASI Program** | 593,761 | 3,130 | 596,891 |
| **DI Program** | | | |
| Benefit Payments | 127,471 | 0 | 127,471 |
| Operating Expenses | 221 | 3,061 | 3,282 |
| Total Cost of DI Program | 127,692 | 3,061 | 130,753 |
| Less: Exchange Revenues | (30) | (13) | (43) |
| **Net Cost of DI Program** | 127,662 | 3,048 | 130,710 |
| **SSI Program** | | | |
| Benefit Payments | 49,041 | 0 | 49,041 |
| Operating Expenses | 125 | 4,091 | 4,216 |
| Total Cost of SSI Program | 49,166 | 4,091 | 53,257 |
| Less: Exchange Revenues | (341) | (17) | (358) |
| **Net Cost of SSI Program** | 48,825 | 4,074 | 52,899 |
| **Other** | | | |
| Benefit Payments | 7 | 0 | 7 |
| Operating Expenses | 18 | 2,212 | 2,230 |
| Total Cost of Other | 25 | 2,212 | 2,237 |
| Less: Exchange Revenues | 0 | (9) | (9) |
| **Net Cost of Other Program** | 25 | 2,203 | 2,228 |
| **Total Net Cost** | | | |
| Benefit Payments | 769,566 | 0 | 769,566 |
| Operating Expenses | 1,079 | 12,507 | 13,586 |
| Total Cost | 770,645 | 12,507 | 783,152 |
| Less: Exchange Revenues | (372) | (52) | (424) |
| **Total Net Cost** | $ 770,273 | $ 12,455 | $ 782,728 |

## Other Accompanying Information: Schedule of Changes in Net Position for the Years Ended September 30, 2011

**(Dollars in Millions)**

| | OASI | DI | SSI | | Other | |
|---|---|---|---|---|---|---|
| - | Earmarked | Earmarked | Earmarked | All Other Funds | Earmarked | All Other Funds |
| **Cumulative Results of Operations:** | | | | | | |
| Beginning Balances | $ 2,370,742 | $ 166,719 | $ 19 | $ (3,729) | $ 0 | $ 0 |
| **Budgetary Financing Sources** | | | | | | |
| Appropriations Used | 0 | 0 | 0 | 55,920 | 101,998 | 25 |
| Tax Revenues (Note 13) | 496,590 | 84,296 | 0 | 0 | 0 | 0 |
| Interest Revenues | 106,931 | 8,238 | 0 | 0 | 0 | 0 |
| Transfers In/Out Without Reimbursement | 85,651 | 10,674 | (185) | (3,572) | (101,998) | 0 |
| Railroad Retirement Interchange | (3,978) | (405) | 0 | 0 | 0 | 0 |
| Net Transfers In/Out | 81,673 | 10,269 | (185) | (3,572) | (101,998) | 0 |
| Other Budgetary Financing Sources | 19 | 48 | 0 | 0 | 0 | 0 |
| **Other Financing Sources (Non-Exchange)** | | | | | | |
| Transfers-In/Out | 0 | 0 | 0 | (2,962) | 0 | 2,962 |
| Imputed Financing Sources | 0 | 0 | 0 | 27 | 0 | 0 |
| Other | 0 | 0 | 0 | (300) | 0 | (2,962) |
| **Total Financing Sources** | 685,213 | 102,851 | (185) | 49,113 | 0 | 25 |
| **Net Cost of Operations** | 593,761 | 127,662 | (175) | 49,000 | 0 | 25 |
| **Net Change** | 91,452 | (24,811) | (10) | 113 | 0 | 0 |
| **Cumulative Results of Operations** | $ 2,462,194 | $ 141,908 | $ 9 | $ (3,616) | $ 0 | $ 0 |
| **Unexpended Appropriations:** | | | | | | |
| Beginning Balances | $ 0 | $ 0 | $ 0 | $ 388 | $ 61 | $ 19 |
| **Budgetary Financing Sources** | | | | | | |
| Appropriations Received | 0 | 0 | 0 | 56,284 | 102,008 | 38 |
| Other Adjustments | 0 | 0 | 0 | (399) | (10) | (13) |
| Appropriations Used | 0 | 0 | 0 | (55,920) | (101,998) | (25) |
| **Total Budgetary Financing Sources** | 0 | 0 | 0 | (35) | 0 | 0 |
| **Total Unexpended Appropriations** | 0 | 0 | 0 | 353 | 61 | 19 |
| **Net Position** | $ 2,462,194 | $ 141,908 | $ 9 | $ (3,263) | $ 61 | $ 19 |

## Other Accompanying Information: Schedule of Changes in Net Position for the Years Ended September 30, 2011 (Continued)

**(Dollars in Millions)**

| | LAE | CONSOLIDATED | | |
|---|---|---|---|---|
| | All Other Funds | Earmarked | All Other Funds | CONSOLIDATED TOTAL |
| **Cumulative Results of Operations:** | | | | |
| Beginning Balances | $ 5,366 | $ 2,537,480 | $ 1,637 | $ 2,539,117 |
| **Budgetary Financing Sources** | | | | |
| Appropriations Used | 29 | 101,998 | 55,974 | 157,972 |
| Tax Revenues (Note 13) | 0 | 580,886 | 0 | 580,886 |
| Interest Revenues | 0 | 115,169 | 0 | 115,169 |
| Transfers In/Out Without Reimbursement | 11,213 | (5,858) | 7,641 | 1,783 |
| Railroad Retirement Interchange | 0 | (4,383) | 0 | (4,383) |
| Net Transfers In/Out | 11,213 | (10,241) | 7,641 | (2,600) |
| Other Budgetary Financing Sources | 0 | 67 | 0 | 67 |
| **Other Financing Sources (Non-Exchange)** | | | | |
| Transfers-In/Out | 0 | 0 | 0 | 0 |
| Imputed Financing Sources | 653 | 0 | 680 | 680 |
| Other | 0 | 0 | (3,262) | (3,262) |
| **Total Financing Sources** | 11,895 | 787,879 | 61,033 | 848,912 |
| **Net Cost of Operations** | 12,455 | 721,248 | 61,480 | 782,728 |
| **Net Change** | (560) | 66,631 | (447) | 66,184 |
| **Cumulative Results of Operations** | $ 4,806 | $ 2,604,111 | $ 1,190 | $ 2,605,301 |
| **Unexpended Appropriations:** | | | | |
| Beginning Balances | $ 5 | $ 61 | $ 412 | $ 473 |
| **Budgetary Financing Sources** | | | | |
| Appropriations Received | 29 | 102,008 | 56,351 | 158,359 |
| Other Adjustments | (1) | (10) | (413) | (423) |
| Appropriations Used | (29) | (101,998) | (55,974) | (157,972) |
| **Total Budgetary Financing Sources** | (1) | 0 | (36) | (36) |
| **Total Unexpended Appropriations** | 4 | 61 | 376 | 437 |
| **Net Position** | $ 4,810 | $ 2,604,172 | $ 1,566 | $ 2,605,738 |

## Required Supplementary Information: Schedule of Budgetary Resources for the Years Ended September 30, 2011
**(Dollars in Millions)**

| | OASI | DI | SSI | Other | LAE | Combined |
|---|---|---|---|---|---|---|
| **Budgetary Resources** | | | | | | |
| **Unobligated Balances, Brought Forward, October 1** | $ 0 | $ 0 | $ 619 | $ 80 | $ 1,396 | $ 2,095 |
| **Recoveries of Prior Year Unpaid Obligations** | 23 | 59 | 92 | 0 | 236 | 410 |
| **Budget Authority** | | | | | | |
| Appropriations | 692,652 | 131,291 | 56,469 | 102,046 | 29 | 982,487 |
| Spending Authority from Offsetting Collections | | | | | | |
| Earned | | | | | | |
| Collected | 0 | 0 | 3,845 | 2 | 67 | 3,914 |
| Change in Unfilled Customer Orders | | | | | | |
| Advance Received | 0 | 0 | (289) | 0 | 2 | (287) |
| Expenditure Transfers from Trust Funds | 0 | 0 | 0 | 0 | 11,214 | 11,214 |
| Subtotal | 692,652 | 131,291 | 60,025 | 102,048 | 11,312 | 997,328 |
| **Nonexpenditure Transfers, Net** | (22) | (54) | 0 | 0 | 0 | (76) |
| **Temporarily Not Available Pursuant to Public Law** | (91,959) | (74) | 0 | 0 | 0 | (92,033) |
| **Permanently Not Available** | (1) | (2) | (399) | (23) | (1) | (426) |
| **Total Budgetary Resources** | $ 600,693 | $ 131,220 | $ 60,337 | $ 102,105 | $ 12,943 | $ 907,298 |
| **Status of Budgetary Resources** | | | | | | |
| **Obligations Incurred** | | | | | | |
| Direct | $ 600,693 | $ 131,220 | $ 56,189 | $ 102,024 | $ 12,390 | $ 902,516 |
| Reimbursable | 0 | 0 | 3,850 | 2 | 60 | 3,912 |
| Subtotal | 600,693 | 131,220 | 60,039 | 102,026 | 12,450 | 906,428 |
| **Unobligated Balances** | | | | | | |
| Apportioned | 0 | 0 | 159 | 41 | 91 | 291 |
| **Unobligated Balances - Not Available** | 0 | 0 | 139 | 38 | 402 | 579 |
| **Total Status of Budgetary Resources** | $ 600,693 | $ 131,220 | $ 60,337 | $ 102,105 | $ 12,943 | $ 907,298 |
| **Change in Obligated Balances** | | | | | | |
| **Obligated Balances, Net** | | | | | | |
| Unpaid Obligations, Brought Forward, October 1 | $ 56,510 | $ 25,771 | $ 2,330 | $ 540 | $ 2,453 | $ 87,604 |
| Uncollected Customer Payments, Brought Forward, October 1 | 0 | 0 | 0 | 0 | (3,830) | (3,830) |
| Total Unpaid Obligated Balance, Net | 56,510 | 25,771 | 2,330 | 540 | (1,377) | 83,774 |
| **Obligations Incurred, Net** | 600,693 | 131,220 | 60,039 | 102,026 | 12,450 | 906,428 |
| **Gross Outlays** | (599,372) | (131,571) | (60,203) | (102,059) | (12,091) | (905,296) |
| **Obligated Balance Transferred, Net** | | | | | | |
| **Recoveries of Prior Year Unpaid Obligations, Actual** | (23) | (59) | (92) | 0 | (236) | (410) |
| **Change in Uncollected Customer Payments** | 0 | 0 | 0 | 0 | 755 | 755 |
| **Obligated Balance, Net, End of Period** | | | | | | |
| Unpaid Obligations | 57,808 | 25,361 | 2,074 | 507 | 2,576 | 88,326 |
| Uncollected Customer Payments | 0 | 0 | 0 | 0 | (3,075) | (3,075) |
| Total Unpaid Obligated Balance, Net, End of Period | $ 57,808 | $ 25,361 | $ 2,074 | $ 507 | $ (499) | $ 85,251 |
| **Net Outlays** | | | | | | |
| Net Outlays | | | | | | |
| Gross Outlays | $ 599,372 | $ 131,571 | $ 60,203 | $ 102,059 | $ 12,091 | $ 905,296 |
| Offsetting Collections | 0 | 0 | (3,556) | (2) | (12,038) | (15,596) |
| Distributed Offsetting Receipts | (88,647) | (13,445) | (341) | (2,962) | 0 | (105,395) |
| **Net Outlays** | $ 510,725 | $ 118,126 | $ 56,306 | $ 99,095 | $ 53 | $ 784,305 |