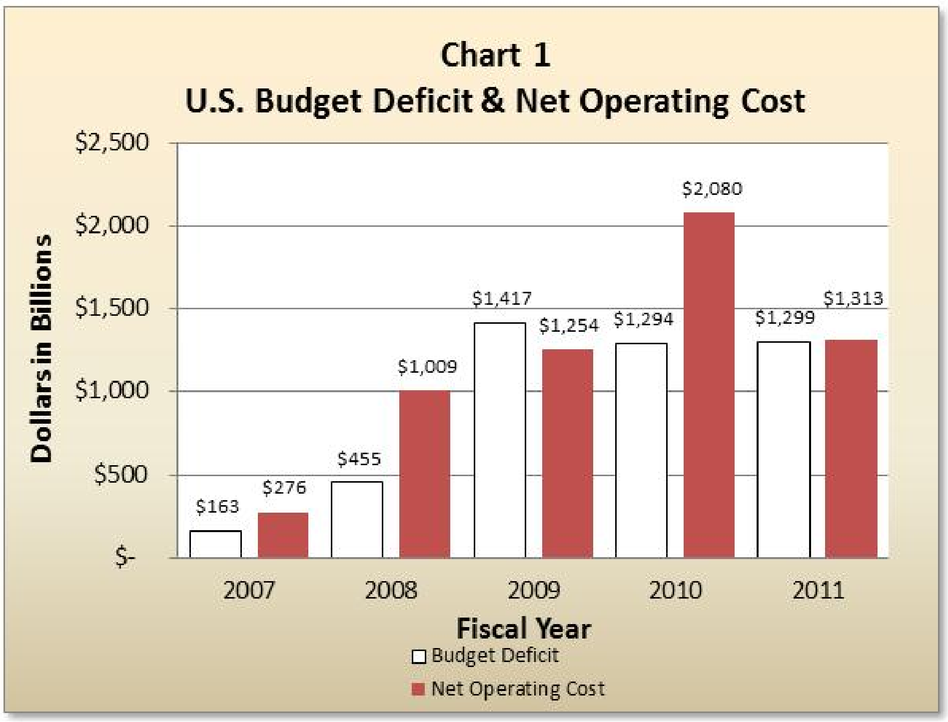
# CITIZEN'S GUIDE TO THE 2011 FINANCIAL REPORT OF THE UNITED STATES GOVERNMENT

# A Citizen's Guide to the Fiscal Year 2011 Financial Report of the United States Government

## OVERVIEW

The Citizen's Guide to the Fiscal Year (FY) 2011 Financial Report of the U.S. Government presents the Nation's financial position and condition of the U.S. Government and discusses key financial topics, including continuing economic recovery efforts and fiscal sustainability. This Guide and the full Report are produced by the U.S. Department of the Treasury in cooperation with the Office of Management and Budget (OMB).

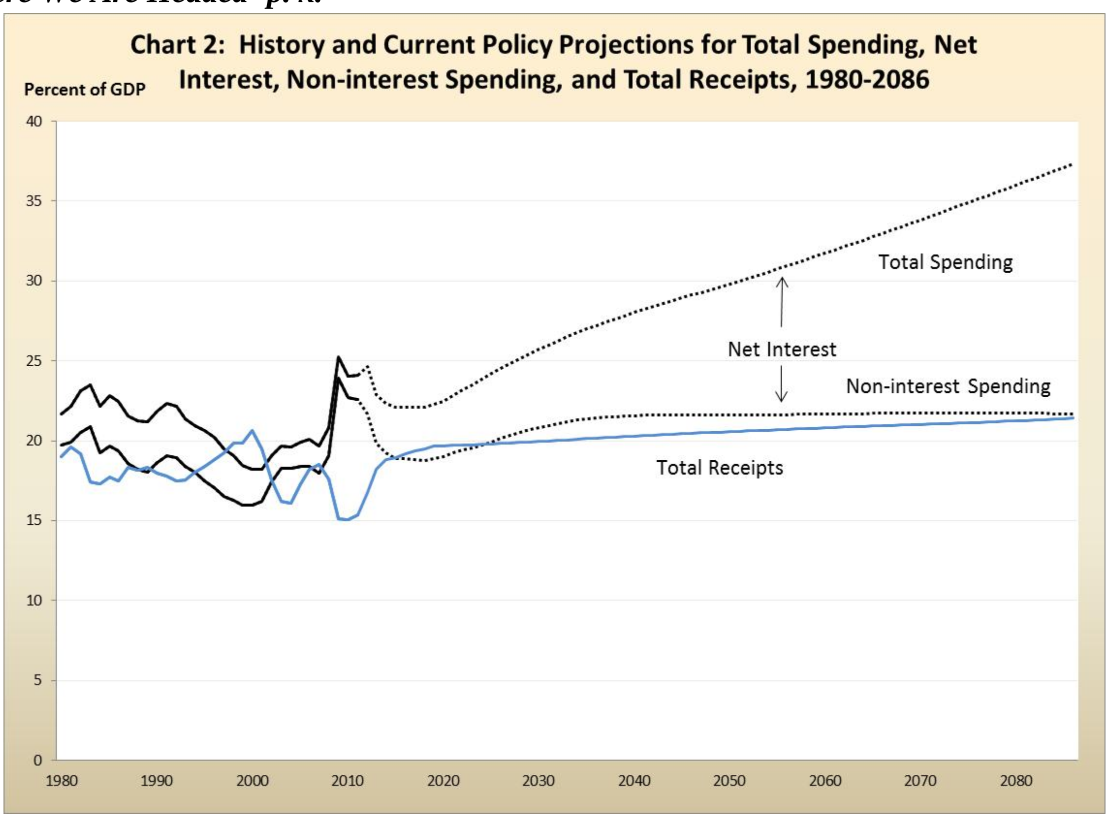
During FY 2011, nearly equivalent increases in Federal tax receipts and outlays resulted in a cash-based U.S. budget deficit that remained essentially flat at $1.3 trillion. The Government's net cost decreased from $4.3 trillion to $3.7 trillion due in large part to decreased estimated costs for federal employee and veteran benefits as well as a decline in projected costs for the Government's economic recovery programs and a slight revenue increase from $2.2 trillion to $2.4 trillion. The net cost of $3.7 trillion and revenue of $2.4 trillion yield a "bottom line" net operating cost figure for the Federal Government of $1.3 trillion, a $768 billion or 37 percent decrease from $2.1 trillion in FY 2010 (see Chart 1). ***See 'Where We Are Now', p.* iv.**




Some Government programs act as "automatic stabilizers," helping to support the economy during a downturn by increasing spending and reducing tax collections. This support is "automatic" because increased spending on programs like unemployment benefits, Social Security, and Medicaid and a reduction in tax receipts happen even without any legislative changes in policies. These automatic stabilizers had caused deficits and net operating costs to increase in recent years, but should decline as the economy recovers.

During FY 2011, the economy continued to grow, albeit at a slower pace than in the previous year, residential homebuilding increased for the first time since FY 2005, and the economy added about 1.9 million non-farm payroll jobs. Policies enacted to foster economic recovery, including the Housing and Economic Recovery Act of 2008 (HERA), the Emergency Economic Stabilization Act of 2008 (EESA), and the American Recovery and Reinvestment Act of 2009 (Recovery Act or ARRA), represented unprecedented efforts to stabilize the financial markets, jump-start the Nation's economy, and create or save millions of jobs. The Government and the taxpayer continue to see returns on many of these investments as evidenced by repayments made under the Troubled Assets Relief Program (TARP) and the selling of many Government investments during FY 2011. ***See 'Review of the Government's Stabilization Efforts', p. viii.***

While the Government's immediate priority is to continue to promote policies that foster economic recovery, there are longer term fiscal challenges that must ultimately be addressed. The aging of the population due to the retirement of the "baby boom" generation, increasing longevity, and persistent growth of health care costs will make it increasingly difficult to fund critical social programs, including notably Medicare, Medicaid, and Social Security. Chart 2 shows this growing gap between receipts and total spending, indicating that, as currently structured, the Government's fiscal path cannot be sustained indefinitely. Legislative initiatives, such as the Affordable Care Act (ACA) of 2010 and the Budget Control Act (BCA) of 2011 are expected to help bring the Government's expenditures more in line with its receipts. ***See 'Where We Are Headed' p. x.***




This Guide highlights important information contained in the *2011 Financial Report of the United States Government*. The Secretary of the Treasury, Director of the Office of Management and Budget (OMB), and Comptroller General of the United States believe that the information discussed in this Guide is important to all Americans.

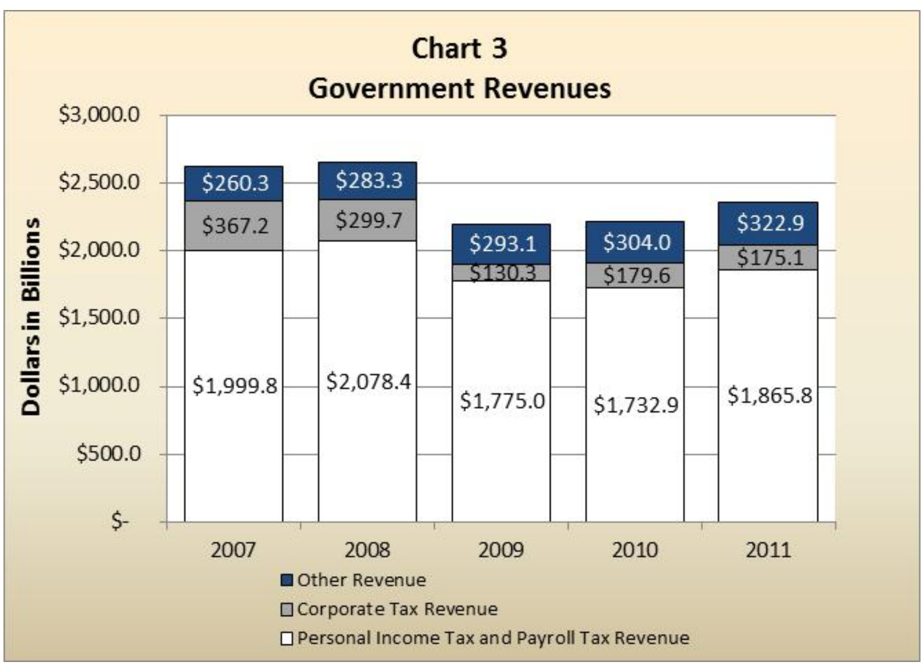
# Where We Are Now

## The Economy

The economy continued to grow during FY 2011. Consumer spending rose at a moderate pace. Residential investment grew on a fiscal year basis for the first time since FY 2005, and nonresidential investment strengthened slightly. Job creation accelerated in FY 2011, with the economy adding about 1.9 million private nonfarm payroll jobs (after creating nearly 350,000 private nonfarm payroll jobs during the previous fiscal year). Overall inflation increased during the course of the year, reflecting higher energy and food prices. The core inflation rate (which excludes food and energy) also increased from the previous fiscal year's very low level, but remained low by historical standards. Real wages fell due to a combination of slower nominal wage growth and rising consumer prices. The level of corporate profits increased in FY 2011, but at a slower pace than in the previous fiscal year. Federal spending grew and tax receipts increased in FY 2011, which resulted in the Federal unified budget deficit remaining essentially flat at $1.3 trillion. However, the deficit narrowed as a share of GDP to 8.7 percent from 9.0 percent in FY 2010. The economy continued to receive significant support during the fiscal year by a wide variety of measures implemented under the American Recovery and Reinvestment Act of 2009 (Recovery Act or ARRA). It was also supported by additional measures, including a new Small Business Jobs and Wages Tax Credit, supplemental support for State and local Governments to support jobs and medical services, a 2 percent payroll tax cut, extensions of unemployment benefits, and refundable tax credits, and a two-year extension of the 2001 tax cuts.

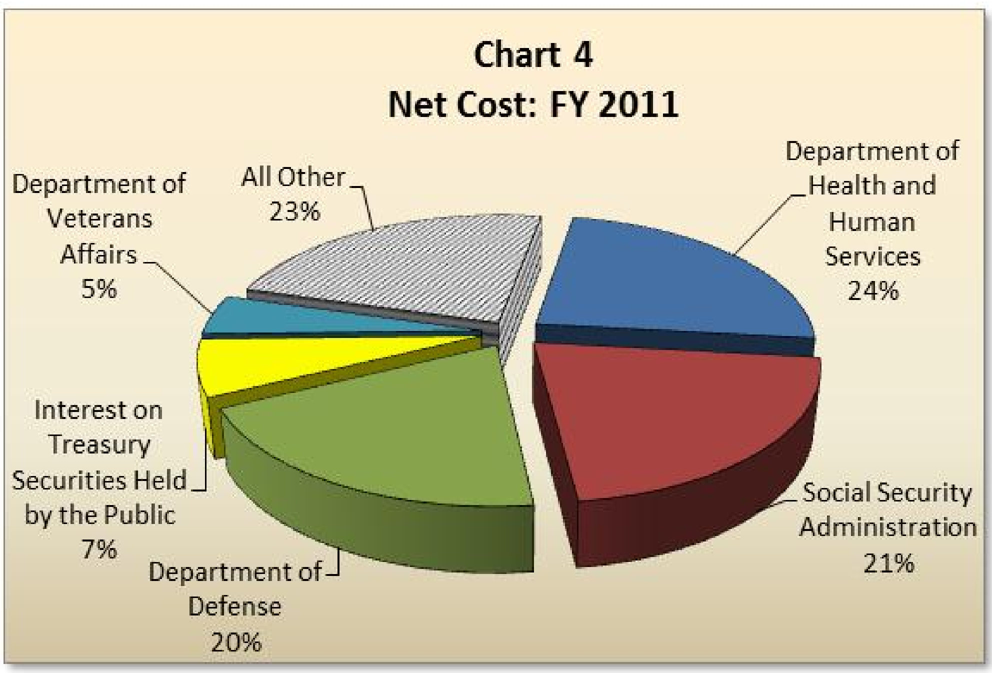
## What Came In and What Went Out

What came in? Total Government revenues (calculated using a modified cash basis of accounting) increased slightly from $2.2 trillion to $2.4 trillion in FY 2011. Chart 3 shows that a $133 billion or 7.7 percent increase in personal income and payroll tax revenues during FY 2011 was partially offset by a $5 billion or 2.5 percent decrease in corporate tax revenues. Together, personal and corporate taxes accounted for about 86 percent of total revenues. The other 14 percent is attributed to other revenues, including excise taxes, unemployment taxes, and customs duties.



What went out? To derive its net cost ($3.7 trillion in FY 2011), the Government subtracts revenues earned from Government programs (e.g., Medicare premiums, National Park entry fees, and postal service fees) from its gross costs and adjusts the net amount for gains or losses from changes in actuarial assumptions used to estimate federal employee pensions, other retirement benefits, and other postemployment benefits. For FY 2011, total net costs declined by $635 billion (about 15 percent). This decline is mostly due to significant decreases in estimates of certain non-cash costs from FY 2010 to FY 2011 relating to federal employee and veterans benefits and federal government economic recovery efforts. The amounts associated with these declines are reflected in the 'Change' column of Table 1 and discussed further below.

Chart 4 shows that the largest contributors to the Government's net cost in FY 2011, as is the case in most years, include the Departments of Health and Human Services (HHS) and Defense (DoD) and the Social Security Administration (SSA). The bulk of HHS and SSA costs are attributable to major social insurance and postemployment benefits programs administered by those agencies. Similarly, much of DoD's costs are also associated with its Military Retirement Fund and other benefits programs, as well as its current operations. In fact, across the Government, just the change in current costs of and actuarial and other estimated costs associated with the change in Federal Employee and Veterans Benefits Payable for the Government's three largest postemployment benefits programs ($431.2 billion decrease as shown in Table 1 on the following page) accounted for more than two-thirds of the total $635.2 billion decrease in the Government's net cost and more than half of the $767.7 billion decrease in the bottom line net operating cost, as described below, for FY 2011. Further, the long-term nature of these costs and their sensitivity to a wide range of complex assumptions can, in some cases, cause significant fluctuation in agency and government-wide costs from year to year.




To arrive at the Government's "bottom line" net operating cost, the Government subtracts taxes and other revenues (Chart 3) from its net cost. The 15 percent decrease in net cost combined with a 6.6 percent increase in taxes and other revenues, translated into a $768 billion (37 percent) decrease in the Government's "bottom line" net operating cost from $2.1 trillion in FY 2010 to $1.3 trillion in FY 2011.

## Cost vs. Deficit: What's the Difference?

The ***Budget of the United States Government*** (President's Budget) is the Government's primary financial planning and control tool. It describes how the Government spent and plans to spend the public's money, comparing *receipts*, or cash received by the Government, with *outlays*, or payments made by the Government to the public to derive a budget surplus (excess of receipts over outlays) or deficit (excess of outlays over receipts). Outlays are measured primarily on a cash basis and receipts are measured on a purely cash basis – or essentially they are measured when the Government receives or dispenses cash.

The ***Financial Report of the United States Government*** (Report) reports on the Government's accrual-based costs, the sources used to finance those costs, how much the Government owns and owes, and the outlook for fiscal sustainability. It compares the Government's *revenues*, or amounts that the Government has collected and expects to collect, but has not necessarily received, with its *costs* (recognized when owed, but not necessarily paid) to derive net operating cost. Together, the President's Budget and the Financial Report present complementary perspectives on the Nation's financial health and provide a valuable decision-making and management tool for the Nation's leaders.

Table 1 shows that, the difference between the budget deficit and net operating cost were comparatively minimal for FY 2011 ($14 billion in FY 2011compared to $786.2 billion in FY 2010). However, in both cases, the significant non-cash costs (i.e. changes in estimated liabilities) relating to Federal employee and veteran benefits, as well as future spending on investments in Government Sponsored Enterprises (GSEs), specifically Fannie Mae and Freddie Mac, account for most of the change difference between budget deficit and net operating cost. Further, the changes in these amounts (see 'Change' column in Table 1) account for most of the change in the Government's net cost between FY 2010 and FY 2011. See the Financial Report of the U.S. Government for a more detailed analysis of these issues.

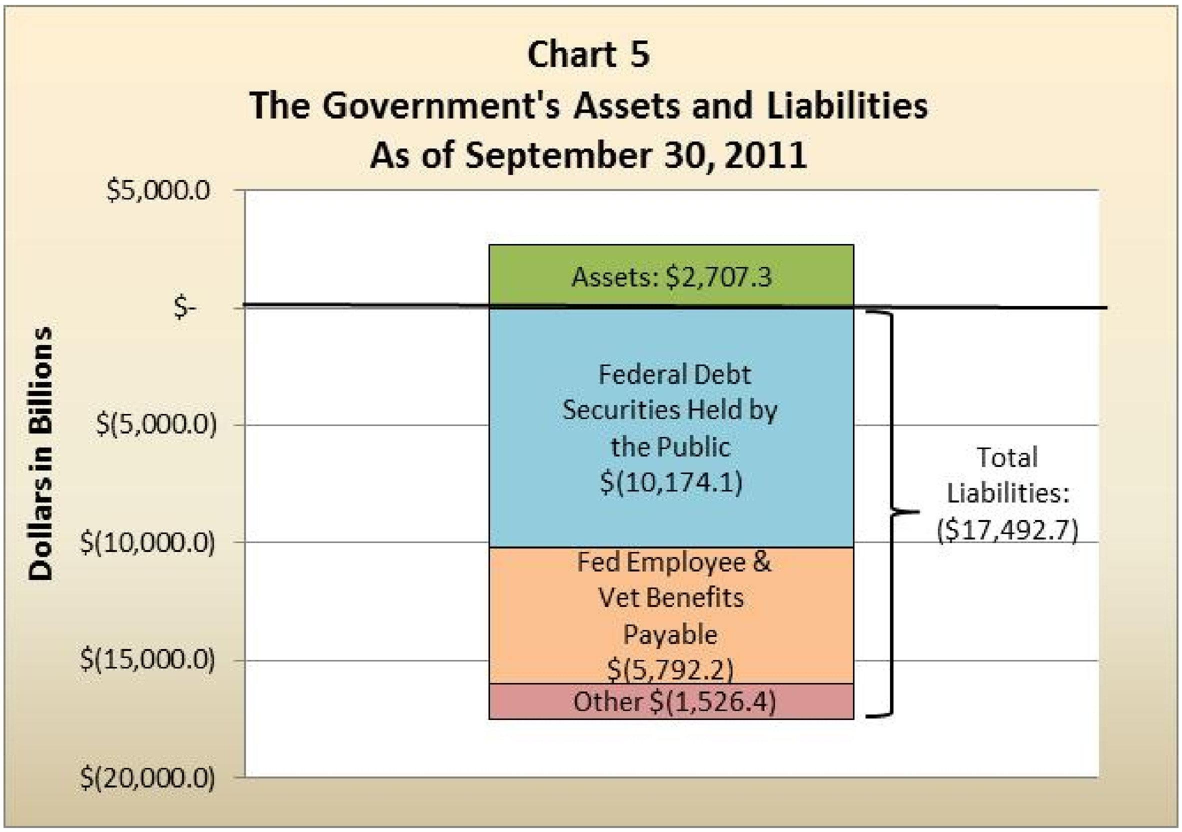
**Table 1: Budget Deficit vs. Net Operating Cost**

| Dollars in Billions | 2011 | 2010 | Increase / (Decrease) |
|---|---|---|---|
| **Net Operating Cost** | **$ (1,312.6)** | **$ (2,080.3)** | **$ (767.7)** |
| Change in: | | | |
| Federal Employee and Veterans Benefits Payable | $ 71.9 | $ 503.1 | $ (431.2) |
| Liabilities for Government Sponsored Enterprises | $ (43.7) | $ 268.0 | $ (311.7) |
| Other, Net | $ (14.2) | $ 15.1 | $ (29.3) |
| Subtotal - Net Difference: | $ 14.0 | $ 786.2 | $ (772.2) |
| **Budget Deficit** | **$ (1,298.6)** | **$ (1,294.1)** | **$ 4.5** |

## What We Own and What We Owe

Chart 5 is a summary of what the Government owns in assets and what it owes in liabilities. As of September 30, 2011, the Government held about $2.7 trillion in assets, comprised mostly of net property, plant, and equipment ($852.8 billion) and a combined total of $985.2 billion in net loans receivable, mortgage-backed securities, and investments. During FY 2011, the Government's total assets decreased by $176.5 billion, due mostly to elimination of the cash deposits with the Federal Reserve under the Supplementary Financing Program (SFP). Under the SFP, the Treasury issued special bills, which provided cash that the Federal Reserve used to manage its authorized lending and liquidity initiatives.

As indicated in Chart 5, the Government's largest liabilities are: (1) Federal debt held by the public and accrued interest, [1] the balance of which increased from $9.1 trillion to $10.2 trillion during FY 2011, and (2) Federal employee postemployment and veteran benefits payable, which increased slightly during FY 2011, from $5.7 trillion to $5.8 trillion.




In addition to debt held by the public, the Government reports about $4.7 trillion of intragovernmental debt outstanding, which arises when one part of the Government borrows from another. It represents debt held by Government funds, including the Social Security and Medicare trust funds, which are typically required to invest any excess annual receipts in Federal debt securities. Because these amounts are both liabilities of the Treasury and assets of the Government trust funds, they are eliminated in the consolidation process for the Government-

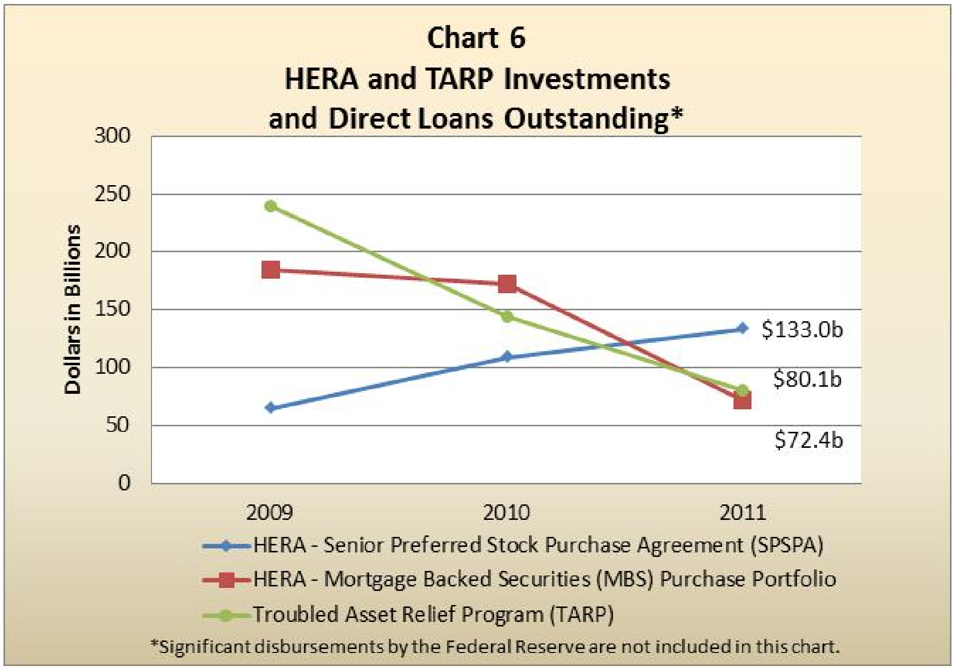
[1] Debt held by the public, as reported on the Government's balance sheet, consists of Treasury securities, net of unamortized discounts and premiums, and accrued interest. The "public" consists of individuals, corporations, state and local governments, Federal Reserve Banks, foreign governments, and other entities outside the Federal Government.

wide financial statements. The sum of debt held by the public and intragovernmental debt equals gross Federal debt, which (with some adjustments) is subject to a statutory ceiling (i.e., the debt limit). During FY 2011, the debt limit was raised twice, by $400 billion in August 2011 to $14.694 trillion and by $500 billion in September 2011 to $15.194 trillion, pursuant to the Budget Control Act (BCA) of 2011. The BCA also provides for an additional debt limit increase once certain conditions are met.

If budget deficits continue to occur, the Government will have to borrow more from the public. Instances where the debt held by the public increases faster than the economy for extended periods can pose additional challenges.

## Review of the Government's Stabilization Efforts

Since the financial crisis in 2008, the Treasury Department, the Federal Reserve, the Federal Deposit Insurance Corporation (FDIC), and other U.S. Government bodies have taken actions to help stabilize financial markets and pave the way for sustained economic recovery. Among these actions were financial support to provide liquidity to the housing market and the financial system and the American Recovery and Reinvestment Act (Recovery Act or ARRA), which provided much-needed support for American families and spurred investment, thereby providing a critical boost to the economy. Chart 6 summarizes the outstanding balances of investments and direct loans related to key economic recovery programs described below.




The Housing and Economic Recovery Act of 2008 (HERA) established the Federal Housing Finance Agency (FHFA), to regulate the housing GSEs, including Fannie Mae and Freddie Mac. HERA also authorized the Treasury Department to provide financial support for the housing GSEs through such programs as the Senior Preferred Stock Purchase Agreements (SPSPA) program, which provides that the Government will make funding advances to Fannie Mae and Freddie Mac as needed to ensure that the GSEs have sufficient assets to support their liabilities; and the GSE-guaranteed mortgage-backed securities (MBS) purchase program (which was terminated as of December 31, 2009). These efforts helped bring down mortgage rates to historically low levels and helped provide liquidity to housing markets.

As of September 30, 2011, Treasury's payments under the SPSPA program to Fannie Mae and Freddie Mac totaled a cumulative combined $169.0 billion, reflected on the Government's balance sheet at fair value at $133.0 billion and a combined $316.2 billion has been accrued as a contingent liability under this program. Between October 2008 and December 31 2009, Treasury purchased $225 billion in agency-guaranteed MBS. In March 2011, Treasury began selling off its MBS purchases, reducing the outstanding portfolio by more than half from $172.2 billion as of the end of FY 2010 to $72.4 billion as of September 30, 2011 and by more than two-thirds when compared to Treasury's initial purchases (see Chart 6).

The Emergency Economic Stabilization Act of 2008 (EESA) created the Troubled Asset Relief Program (TARP), which gave the Secretary of the Treasury authorities and facilities necessary to help restore liquidity and stability to the U.S. financial system and help ensure that such authorities are used in a manner that protects home values, college funds, retirement accounts, and life savings; preserves homeownership; promotes jobs and economic growth; maximizes overall returns to taxpayers; and provides public accountability. EESA provided authority for TARP to purchase or guarantee up to $700 billion in troubled assets. The Dodd-Frank Wall Street Reform and Consumer Protection Act reduced cumulative authority to $475 billion, in line with expected investment amounts.

TARP's bank programs are now producing a profit for taxpayers. The Treasury Department reduced its stake in General Motors Company by 50 percent and fully exited its investment in Chrysler Group, as Chrysler Group repaid its loans six years earlier than the loans' maturity dates. In addition, Treasury, working with other Federal entities, closed on a major restructuring plan for American International Group (AIG), putting the Government in a better position to recover its investment. Chart 6 shows how TARP's net investments have changed since FY 2009. Since TARP's inception through September 30, 2011, Treasury has disbursed $413.4 billion in direct loans and investments, and for the Housing programs under TARP, collected $276.9 billion from repayments and sales, and reported nearly $40 billion from cash received through interest and dividends, as well as from proceeds from the sale and repurchase of assets in excess of cost. As of September 30, 2011, TARP had $122.4 billion in gross outstanding direct loans and equity investments, valued at $80.1 billion (see Chart 6).

The ultimate cost of TARP investments is subject to uncertainty, and will depend on, among other things, how the economy, financial markets, and particular companies perform. Additional information concerning the TARP program and other related initiatives can be found at www.financialstability.gov.

The economic recovery initiatives and efforts undertaken since the spring of 2009 reflect a broad and aggressive policy response that included the HERA and TARP initiatives and programs, other financial stability policies implemented by the FDIC and the Board of Governors of the Federal Reserve, accommodative monetary policy, and the Recovery Act. The purpose of the original $787 billion ARRA package was to jump-start the economy and to create and save jobs, with one-third of ARRA dedicated to tax provisions to help businesses and working families, another third for emergency relief for those who have borne the brunt of the recession, and the final third devoted to investments to create jobs, spur economic activity, and lay the foundation for future sustained growth. Cumulative ARRA amounts paid out by Federal agencies as of September 30, 2011 totaled $421.4 billion, as compared to $307.9 billion as of September 30, 2010.[2] Readers may find the most up-to-date information on where and how Recovery Act funds are being used at www.recovery.gov.

[2] Agency Financial & Activity Reports as of September 30, 2011 and 2010. For more information, see the Recovery Act website at www.Recovery.gov.

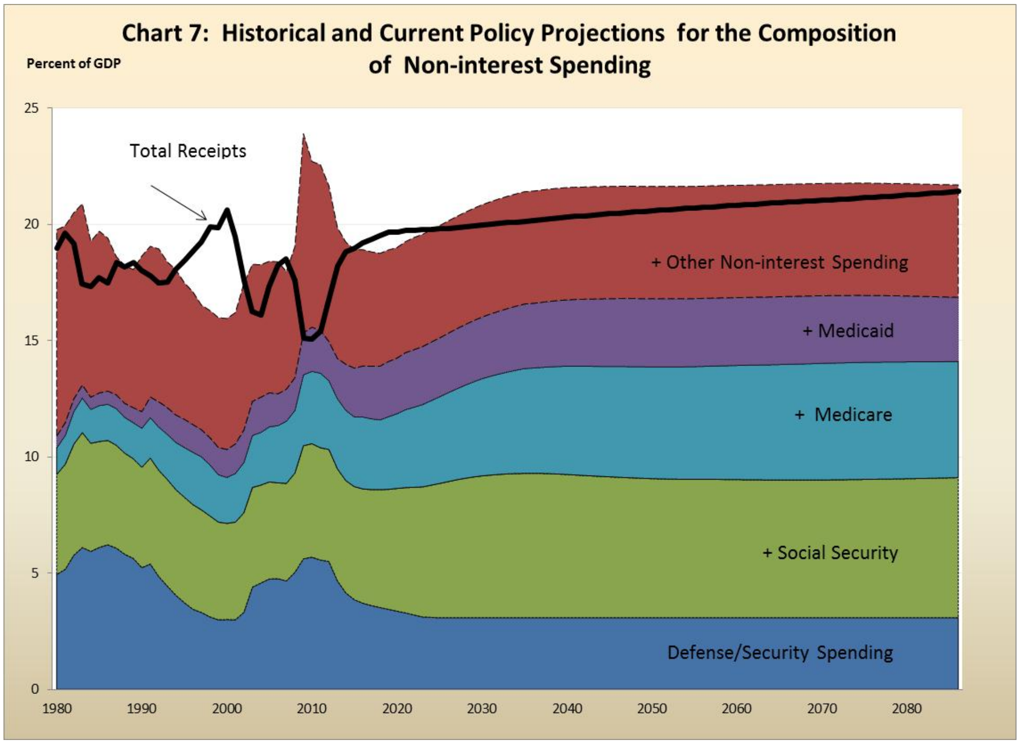
# Where We Are Headed

An important purpose of the Financial Report is to help citizens and policymakers assess whether current fiscal policy is sustainable and, if it is not, the urgency and magnitude of policy reforms necessary to make it sustainable. A sustainable policy is one where the ratio of debt held by the public to GDP (the debt-to-GDP ratio) is stable in the long run. Sustainability concerns only whether long-run revenues and expenditures are in balance; it does not concern fairness or efficiency implications of the reforms necessary to achieve sustainability.

To determine if current fiscal policies are sustainable, the projections in this report assume current policies will be sustained indefinitely and draw out the implications for the growth of public debt as a share of GDP.[3] The projections are therefore neither forecasts nor predictions. If policy changes are enacted, then actual financial outcomes will of course be different than those projected.[4]

## The Primary Deficit, Interest, and the Debt

The primary deficit – the difference between non-interest spending and receipts – is the only determinant of the ratio of debt held by the public to GDP that the Government controls directly. (The other determinants are interest rates and growth in GDP). Chart 7 shows receipts, non-interest spending, and the difference – the primary deficit – expressed as a share of GDP. The primary deficit-to-GDP ratio grew rapidly in 2009 and stayed large in 2010 and 2011due to the financial crisis and the recession, and the policies pursued to combat both. The primary deficit-to-GDP ratio is projected to fall rapidly between 2012 and 2019 (turning to surplus in 2015) as spending reductions called for in the Budget Control Act (BCA) of 2011 take




[3] Current policy in the projections is based on current law, but includes extension of certain policies that expire under current law but are routinely extended or otherwise expected to continue, such as extension of relief from the Alternative Minimum Tax (AMT).

[4] Further information about the projections summarized in this section and the underlying assumptions can be found in the Supplemental Information section of the Financial Report.

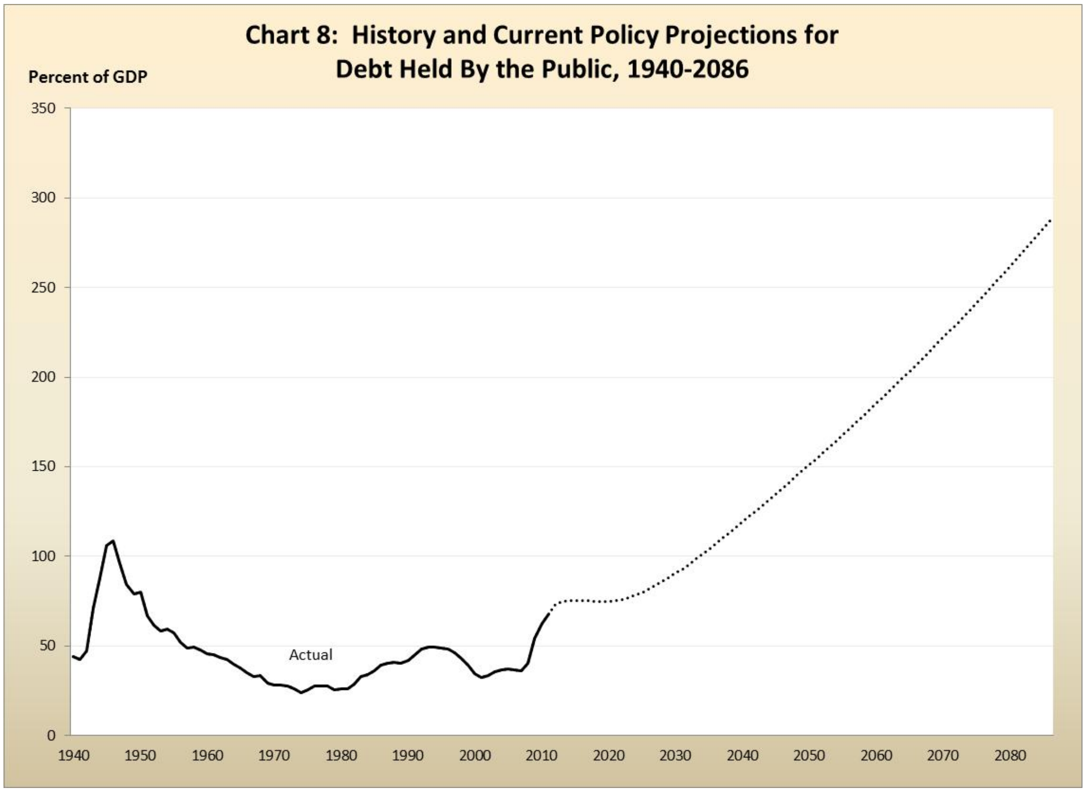
effect and the economy recovers. Between 2019 and 2035, increased spending for Social Security and health programs due to continued aging of the population is expected to cause the primary balance to steadily deteriorate. A primary deficit is expected to reappear in 2025 that reaches 1.3 percent of GDP in 2035. After 2035, the projected primary deficit-to-GDP ratio slowly declines as the impact of the baby boom generation retiring dissipates. Between 2035 and 2086, the projected primary deficit averages 0.9 percent of GDP.

The revenue share of GDP fell substantially in 2009 and 2010 and increased only modestly in 2011 because of the recession and tax reductions enacted as part of ARRA and the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, and is projected to return to near its long-run average as the economy recovers and these temporary tax cuts expire. After the economy is fully recovered, receipts are projected to grow slightly more rapidly than GDP as increases in real incomes cause more taxpayers and a larger share of income to fall into higher individual income tax brackets. These projections assume that Congress and the President will continue to enact legislation to prevent the share of income subject to the Alternative Minimum Tax from rising.

The non-interest spending share of GDP is projected to fall from its current level of 22.6 percent to about 20 percent in 2013, to stay at or below that level until 2026, and then to rise gradually and plateau at about 22 percent beginning in about 2040. The reduction in the non-interest spending share of GDP over the next two years is mostly due to caps on discretionary spending and further automatic spending cuts enacted in the BCA, and the subsequent increase is principally due to growth in Medicare, Medicaid, and Social Security spending.[5] The retirement of the baby boom generations over the next 25 years is projected to increase the Social Security, Medicare, and Medicaid spending shares of GDP by about 1.4 percentage points, 1.3 percentage points, and 1.0 percentage points, respectively. After 2035, the Social Security spending share of GDP is relatively steady, while the Medicare and Medicaid spending share of GDP continues to increase, albeit at a slower rate, due to projected increases in health care costs. The Affordable Care Act (ACA) significantly reduces projected Medicare and Medicaid cost growth from the levels projected in the 2009 Financial Report. However, there is uncertainty about whether the projected cost savings, productivity improvements, and reductions in physician payment rates will be sustained in a manner consistent with the projected cost growth over time.

[5] The 2011 Medicare Trustees Report projects that, assuming full implementation of ACA provisions, the Hospital Insurance (HI) Trust Fund will remain solvent until 2024 under current law – five years earlier than was projected in the 2010 Trustees Report. The projected share of scheduled benefits that can be paid from trust fund income is 90 percent in 2024, declines to about 76 percent in 2050, and then increases to 88 percent by 2085. As for Social Security, under current law, the Old-Age, Survivors, and Disability Insurance (OASDI) Trust Funds are projected to be exhausted in 2036, at which time the projected share of scheduled benefits payable from trust fund income is 77 percent, declining to 74 percent in 2085. More information is available at http://www.ssa.gov/oact/trsum/index.html .

The primary deficit projections in Chart 7, along with those for interest rates and GDP, determine the projections for the ratio of debt held by the public to GDP that are shown in Chart 8. That ratio was 68 percent at the end of fiscal year 2011, and under current policy is projected to exceed 76 percent in 2022, 125 percent in 2042, and 287 percent in 2086. The continuous rise of the debt-to-GDP ratio illustrates that current policy is unsustainable.




This year's projections are somewhat more favorable than were the projections in the 2010 Financial Report. Last year's report projected the debt-to-GDP ratio to reach 352 percent in 2085, which compares with 283 percent projected in this year's report. The more favorable outlook is mainly due to spending reductions called for in the Budget Control Act of 2011 that are partly offset by somewhat less favorable economic and technical assumptions.

## The Fiscal Gap and the Cost of Delaying Policy Reform

It is estimated that preventing the debt-to-GDP ratio from rising over the next 75 years would require running primary surpluses over the period that average 1.1 percent of GDP. This compares with an average primary deficit of 0.7 percent of GDP under current policy. The difference, the "75-year fiscal gap," is 1.8 percent of GDP, which is about 9 percent of the 75-year present value of projected receipts and of non-interest spending.

Closing the 75-year fiscal gap requires some combination of expenditure reductions and revenue increases that amount to 1.8 percent of GDP on average over the next 75 years. The timing of such changes has important implications for the well-being of future generations. For example, it is estimated that the magnitude of reforms necessary to close the 75-year fiscal gap is 60 percent larger if reforms are concentrated into the last 55 years of the 75-year period than if they are spread over the entire 75 years.

### Conclusion

The United States took potentially significant steps towards fiscal sustainability by enacting the ACA in 2010 and the BCA in 2011. The ACA holds the prospect of lowering the long-term growth trend for Medicare and Medicaid spending, and the BCA significantly curtails discretionary spending. Together, these two laws substantially reduce the estimated long-term fiscal gap. But even with the new law, the debt-to-GDP ratio is projected to increase over the next 75 years and beyond if current policies are kept in place, which means current policies are not sustainable. Subject to the important caveat that policy changes not be so abrupt that they slow the economy's recovery, the sooner policies are put in place to avert these trends, the smaller the revenue increases and/or spending decreases necessary to return the Nation to a sustainable fiscal path.

While this Report's projections of expenditures and receipts under current policies are highly uncertain, there is little question that current policies cannot be sustained indefinitely.

## Looking Ahead

The Nation continues to face extraordinary financial and fiscal challenges. Signs of progress are already evident as Treasury and the Government as a whole continue to develop and implement an array of efforts to foster continued economic recovery. Realizing the true return on those efforts requires perseverance and patience. However, even as the Government continues its current efforts to foster economic growth, it should not lose sight of the long-term fiscal challenges associated with its social insurance programs compared to expected future levels of revenue. The Nation must bring social insurance expenses and resources into balance before the deficit and debt reach unprecedented heights. Delays will only increase the magnitude of the reforms needed and will place more of the burden on future generations. While there is still more work to be done and both near- and long-term challenges remain, the Federal Government has already accomplished a great deal during this fiscal year and anticipates continued progress in the years to come.

# Find Out More

You will find more detail on the issues discussed in this Guide in the *2011 Financial Report of the United States Government*, issued by the U.S. Department of the Treasury. The Report provides a comprehensive view of both the Government's current financial position and prospects for moving forward. It further discusses the steps the Federal Government has taken to restore stability in the U.S. financial system and the fiscal challenges of the future. The issues discussed in the Citizens' Guide and the full Report affect, and should be of interest to, every citizen. The *Financial Report's* comprehensive reporting is intended to inform and support the decision-making needs of lawmakers and the public and to help keep the United States on solid financial ground.

You are encouraged to explore the information the Report contains and to ask questions about how the Government manages taxpayers' money. The *2011 Financial Report of the United States Government* and other information about the Nation's finances are available at:

- U.S. Department of the Treasury's Financial Management Service, http://www.fms.treas.gov/fr.html;
- OMB's Office of Federal Financial Management, http://www.whitehouse.gov/omb/financial/index.html; and
- GAO, http://www.gao.gov/financial.html.

This Citizen's Guide highlights information in the 2011 Financial Report of the U.S. Government (Report). The Government Accountability Office's (GAO) audit report on the U.S. Government's consolidated financial statements can be found beginning on page 211 of the Report. GAO disclaimed an opinion on the 2011 and 2010 Statements of Social Insurance (SOSI) and the 2011 Statement of Changes in Social Insurance Amounts because of significant uncertainties (discussed in Note 26 in the Report) primarily related to the achievement of projected reductions in Medicare cost growth reflected in the 2011 and 2010 SOSI. However, GAO issued an unqualified or "clean" opinion on the 2009, 2008, and 2007 SOSI. In addition, certain material financial reporting control weaknesses and other limitations on the scope of its work prevented GAO from expressing an opinion on the remaining FY 2011 and 2010 financial statements in the Report.

# Government's Financial Position and Condition

The Financial Report of the U.S. Government (Report) provides the President, Congress, and the American people a comprehensive view of how the Federal Government is managing taxpayer dollars. It discusses the Government's financial position and condition, its revenues and costs, assets and liabilities, and other responsibilities and commitments, as well as important financial issues that affect the Nation and its citizens both now and in the future.

The following table presents several key indicators of the Government's financial position and condition, which are discussed in greater detail in the Report.

## NATION BY THE NUMBERS

### A Snapshot of The Government's Financial Position & Condition

| billions of dollars | | 2011 | | 2010 |
|---|---|---|---|---|
| **Gross Costs** | **$** | **(3,998.3)** | **$** | **(4,472.3)** |
| Less: Earned Revenues | $ | 365.6 | $ | 309.2 |
| Gain / (Loss) from Changes in Assumptions | $ | (28.1) | $ | (132.9) |
| **Net Cost** | **$** | **(3,660.8)** | **$** | **(4,296.0)** |
| **Less: Total Taxes and Other Revenues** | **$** | **2,363.8** | **$** | **2,216.5** |
| Unmatched Transactions and Balances | $ | (15.6) | $ | (0.8) |
| **Net Operating Cost** | **$** | **(1,312.6)** | **$** | **(2,080.3)** |
| | | | | |
| **Assets:** | **$** | **2,707.3** | **$** | **2,883.8** |
| **Less: Liabilities, comprised of:** | | | | |
| Debt Held By the Public & Accrued Interest | $ | (10,174.1) | $ | (9,060.0) |
| Federal Employee & Veteran Benefits | $ | (5,792.2) | $ | (5,720.3) |
| Other | $ | (1,526.4) | $ | (1,576.3) |
| **Total Liabilities** | **$** | **(17,492.7)** | **$** | **(16,356.6)** |
| **Net Position (Assets Minus Liabilities)** | **$** | **(14,785.4)** | **$** | **(13,472.8)** |
| **Sustainability Measures:** | | | | |
| Social Insurance Net Expenditures[1] | $ | (33,830) | $ | (30,857) |
| Total Non-Interest Net Expenditures[2] | $ | (6,400) | $ | (16,300) |
| **Sustainability Measures as Percent of Gross Domestic Product (GDP)[3]:** | | | | |
| Social Insurance Net Expenditures | | -3.8% | | -3.7% |
| Total Federal Government Non-Interest Net Expenditures | | -0.7% | | -1.9% |
| **Budget Results** | | | | |
| **Unified Budget Deficit** | **$** | **(1,298.6)** | **$** | **(1,294.1)** |

1 Source: Statement of Social Insurance. Amounts equal present value of projected revenues and expenditures for scheduled benefits over the next 75 years of certain benefit programs that are referred to as Social Insurance (e.g., Social Security, Medicare). Amounts represent 'open group' population (all current and future beneficiaries). Not considered liabilites on the balance sheet.

2 Represents the 75-year projection of the Federal Government's receipts less non-interest spending as reported in the 'Statement of Long Term Fiscal Projections' in the Supplemental Information section of the Financal Report of the U.S. Government.

3 GDP values represent the average of 75-year present value of nominal GDP values from 2011 and 2010 for Social Security and Medicare from the Social Security and Medicare Trustees Reports.

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