



Federal Solvency Solution

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Federal Fiscal Crisis: It Is Now Time for Actual Solutions, By We the People

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CPA is a non-partisan taxpayer advocacy group of retired partners of some of Houston's accounting firms.

Executive Summary

One need only read and understand the audited financial statements and other information contained in the Financial Report of the United States Government for the fiscal year ended September 30, 2011 to clearly understand that the continued existence of this great country is gravely threatened by its current financial position and its fiscal trends.

It is abundantly clear from their public discourse that few, if any of our elected federal officials (including the president), have read, let alone understand, the Financial Report. It is also abundantly clear that the two major political parties are bitterly divided, and becoming ever more so. Plus the president is showing no leadership toward finding solutions.

Long-term solution. Therefore, there remains only one long-term solution---a non-partisan We the People petitioning process for amending the US Constitution.

The petitioning process should be via petitions to our state legislatures requesting state elections to amend our state constitutions to require that our state legislatures apply to the US Congress for a US Constitutional convention to amend the US Constitution. In order for The People to fully control the process in a non-partisan way, specific identical wording must be assured all the way from the voter petitions to the state legislatures to the US Congress call for the convention. And the call for the constitutional convention must be restricted to the issues requested by the voter petitioners, otherwise, complete chaos could occur.

I believe the voter petitions to the state legislatures should call for US Constitutional amendments to tell our federal elected officials in no uncertain words (see The Permanent Solution page on this website):

1. How much of our money they can take from us, spend and borrow, with annual caps tied to the growth rate of the lower of (a) GDP or (b) combined and specifically defined growth in population and inflation. (Do not leave it up to the lawmakers to furnish definitions.) The annual caps should be exceeded only by pre-approval by the voters. The cost of federal social security and health care programs should be forced to ultimately fit within these caps. Certainly exceptions should be provided for wars declared by congress and federal disasters.
2. How long they can stay in office (term limits), and how their pay and fringe benefits shall be determined.
3. How they must behave while in office (ethics and campaign finance reform).

Additionally, there should be US Constitutional amendments setting forth the specific boundaries of federal social security and health care programs and the measures needed to financially save these programs, including a gradual

increase in retirement age and a graduated means qualification level. By doing this through public vote, it will achieve voter buy in to these non-partisan solutions.

Near-term solutions. In addition to the US Constitutional convention long-term solution, I believe the country is in dire need of some near-term solutions, commencing with the establishment of a cabinet-level Federal Solvency Department. We need this department because the fiscal threat to our country is as great as the threat from terrorists, which necessitated creation of the Homeland Security Department.

Attached are elaborations on both the long-term and near-term suggested solutions.

Long-term solution: We the People controlled US Constitutional convention

Article V of the federal constitution reads: “The Congress, whenever two-thirds of both houses shall deem it necessary, shall propose amendments to the Constitution, **or, on the application of the legislatures of two thirds of the several states, shall call a convention for proposing amendments, which, in either case, shall be valid to all intents and purposes, as part of the constitution, when ratified by the legislatures of three fourths of the several states, or by conventions in three fourths thereof, as the one or the other mode of ratification may be proposed by the Congress,** provided that no amendment which may be made prior to the year one thousand eight hundred and eight shall in any manner affect the first and fourth clauses in the ninth section of the first article; and that no state, without its consent, shall be deprived of its equal suffrage in the Senate.” (Bold type added.)

I seriously doubt that the voters now trust the US Congress to provide the language of the US Constitutional amendments needed to avert a financial collapse of the US government, because Congress is a very large part of the problem. So the voters must control the process throughout.

Bear in mind the First Amendment to the US Constitution reads “Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and **to petition the Government for a redress of grievances.**” (Bold type added.)

If this federal government financial crisis, which threatens the very continued financial existence of this great country, is not a grievance, I don’t know what one is. Therefore, voter petitions are very much in order.

I suggest that the following procedures be followed to achieve the **We the People** non-partisan constitutional amendments suggested in the Executive Summary:

1. An exactly same worded, non-partisan driven, uniform voter-initiated petition be prepared, be signed (be sure to meet the required number of signatures in petition permitting states), and then be submitted to each of the 50 state legislatures, through the state-designated office. The state constitutions of only about one-half of the 50 states currently permit petitioning to bring about amendments to the state constitution. However, there will undoubtedly be enough signatures to create enough pressure on the legislatures in enough additional states to reach the two-thirds of the 50 states required to force the US Congress to call for a constitutional convention.
2. As mentioned in 1 above, the state voter petitions should provide the same exact language to be inserted in the state constitution calling for the state to apply for a US Constitutional convention. The state voter petitions should provide for the same exact wording to comprise the application by the state to the US Congress for a US Constitutional convention.
3. The petitions in 1 above can perhaps be piggy-backed with the voter petitions called for in The Permanent Solution page on this website regarding state and local Taxpayer OK Corral efforts. The voter petitions calling

for Taxpayer OK Corrals at the state and local levels should create additional pressure on the state legislatures to seek the US Constitutional convention via the US Congress.

4. As specifically and uniformly required by the state voter petitions, the state legislatures' applications to the US Congress for a US Constitutional convention should specifically describe: (a) the US Constitutional amendments sought and specifically describe the exact descriptions requested to be used in the US Congress' call for the US Constitutional convention; (b) a request that the US Congress not include for consideration by this called US Constitutional convention any additional US Constitutional amendments not specifically requested by this application; and (c) that the state prefers that ratification of the amendments be done by the state legislatures, rather than by state constitutional conventions. (I believe ratification by the state legislature places accountability directly on the state legislators. Also, I believe that the initiating petitions will have given the voters enough input into the process. I believe that convening ratification conventions in each of the states might result in utter chaos and delays at this stage.)

Near-term solutions.

As stated in the Executive Summary, I believe the country is in dire need of some near-term solutions, commencing with the establishment of a Federal Solvency Department (certainly there may be a better name). We need this department because the fiscal threat to our country is as great as the threat from terrorists, which necessitated creation of the Homeland Security Department. The US Treasury Department is not the proper source to furnish the needed leadership, because it is a big part of the problem.

The Federal Solvency Department should take the lead in addressing the near-term solutions. I recommend the Federal Solvency Department be headed by David M. Walker, the highly esteemed former comptroller general of the US Government Accountability Office. Mr. Walker authored the brilliant book COMEBACK AMERICA, which seemingly details most, if not all the significant long-term issues regarding the country's financial crisis and offers what appears to be a very fair and balanced long-term blueprint for solving the crisis.

Mr. Walker is an independent not beholden to either party. He pulls no punches in his book in evaluating the actions and inactions of our recent presidents and congresses relative to the creation of the financial crisis and failure to work toward solving the crisis. His book offers long-term solutions which will require bitter medicine for taxpayers in some cases. But this is what is required to financially save this country.

I suggest that once Mr. Walker is appointed head of the Federal Solvency Department, the president and congress rely upon Mr. Walker to furnish them a very definitive near-term strategic plan toward solving the financial crisis including a draft of the exact suggested implementing legislation (partisan politics should not be allowed to revise the draft).

I believe that those of our elected officials who read and actually understand both the 2011 Financial Report of the United States Government and Mr. Walker's book, COMEBACK AMERICA, will agree with the vast majority of Mr. Walker's assertions and recommendations in the book. I suggest that those elected officials who do not understand both documents put partisan politics aside and follow the lead, of those who actually do understand, in advocating creation of the Federal Solvency Department.

I believe that creation of the Federal Solvency Department, and its leadership by David M. Walker, may be our only hope of keeping this country financially afloat until the permanent solution of amending the US constitution occurs.

Note: Mr. Walker's book appears to basically deal with the long-term aspects of this financial crisis. I believe the Federal Solvency Department will need to address the following historical facts from the annual Financial Reports of the United States Government and recommendations for near-term actions toward solving the crisis.

Put the bond ratings in perspective. Before we analyze the federal government's Financial Reports, we need to put the federal government's bond ratings in perspective.

The federal government would not receive a bond rating of any kind from the rating agencies, let alone AAA rating, if it were a private sector company.

That is because the federal government's liabilities are now 6.5 times its assets and its expenses are now 1.5 times its revenues, according to its audited financial statements for its last fiscal year ended September 30, 2011. See the attached excerpted and summarized audited financial statements.

The major part of the deterioration in the federal government's finances has occurred since fiscal year 2007 (fiscal year 2008 under President George W. Bush and a Democrat controlled Senate and House, and fiscal years 2009-2011 under President Barack Obama, entirely with a Democrat controlled Senate and an at first Democrat controlled House and now a Republican controlled House).

So both political parties share the blame for the financial crisis.

Truth is the ratings given by the rating agencies are based upon their calculations as to how deep the taxpayers' financial pockets are and how long US taxpayers will continue electing presidents and congresses who continue to financially endanger the very existence of this wonderful country.

So long as Americans continue electing such presidents and congresses, the bond rating agencies will continue to highly rate federal debt. You see the more debt that is issued the more money the rating agencies make in rating fees. It is that simple.

Therefore, inappropriate interference by the long-time-asleep-on-the-job bond rating agencies should be legally blocked while the president and congress figure out what remedial steps must be taken.

Know the actual historical financial facts. Before the president and congress can make intelligent decisions as to solving the federal government's financial crisis, they need to know the exact financial facts shown by the federal government audited accrual accounting basis financial statements (rather than its Monopoly money cash basis accounting budgets) from fiscal year 2000 to fiscal year 2011.

Budget accounting (cash basis) often greatly obscures what is actually happening (audited accrual basis).

For example, as shown on page 43 ([CLICK](#)) of the 2010 Financial Report of the United States Government, the official "Unified Budget Deficit" (cash basis of accounting) for fiscal year 2010 was \$1.3 trillion. But the audited actual 2010 Deficit (Net Operating Revenue/(Cost)) (on the accrual basis of accounting required by generally accepted governmental accounting principles) was \$2.1 trillion, according to the reconciliation on aforementioned page 43 and the attached fiscal 2010 Statement of Operations.

Our elected officials were wringing their hands over a \$1.3 trillion illusionary budget deficit for fiscal year 2010 when in reality the audited real deficit was a much worse \$2.1 trillion.

The president and congress also need to know the population and inflation trends during the period being reviewed, as those two forces are the principal drivers in cost of services by governmental entities. Certainly the aging of the population and other demographic factors need to be factored in when designing long-term solutions to the financial crisis.

Incidentally, I believe it is erroneous to peg the allowable growth in government to a given percentage of gross domestic product or personal income, as that permits the federal government to benefit from growth in private sector productivity. I believe the federal government should have to create its own growth in productivity.

And the federal government should have to tighten its belt along with the private sector when the rate of growth in GDP does not keep up with the rate of growth in population and inflation. Therefore, the federal financial caps suggested by the TAXPAYER OK CORRAL require a financial cap tied to the rate of growth which is the lesser of growth in (a) GDP or (b) population and inflation combined.

I believe that merely requiring a balanced budget is not an answer. That may simply encourage increasing revenues to cover expenses. Plus it does nothing to reverse the enormous explosion in expenditures since fiscal year 2007.

The most striking thing to me regarding the audited financial statements included in the 2011 Financial Report of the United States Government is that, after issuing an unqualified opinion on the 2007, 2008 and 2009 Statements of Social Insurance (Social Security, Medicare, etc.), the Government Accountability Office issued a disclaimer of opinion on the 2010 and 2011 Statements of Social Insurance.

The 2010 and 2011 disclaimers of opinion related to the fact that the GAO could not find a reasonable basis for the federal government's representations that the Patient Protection and Affordable Care Act ("Obamacare") would achieve huge reductions in the Medicare Part A and Part B "Present value of future expenditures in excess of future revenue". (See pages 215-217 of the 2011 Financial Report of the United States Government.) [\(CLICK\)](#)

That is a monstrous controversy relative to this country's financial survival. The public absolutely must be fully informed of this controversy and it should be front and center in the presidential debates. Hopefully the US Supreme Court will fully understand and take into consideration this GAO opinion controversy when it resolves the legality of the PPACA later this year.

To assist in understanding the significant overall financial facts, I present the attached exhibit (following the narrative) containing the excerpted and summarized audited annual financial statements (sans footnotes) of the United States Government for fiscal years 2000-2011, along with the federal government's GDP and population and inflation data.

I use 2000 as the base year since that was the last year the US Government's audited revenue exceeded its net cost of operations. The federal government was far from a model of efficiency and effectiveness in fiscal year 2000 (witness its \$5.9 trillion of liabilities in excess of assets at September 30, 2000), but at least it broke even at that time operational-wise and a starting point must be selected in order to end the current discussion impasse. I also present 2007 data, just before the Great Recession.

The attached exhibit (following the narrative) shows that, in summary, the federal government's operating results really disintegrated after fiscal year 2000, to an accumulated federal deficit of \$14.8 trillion at September 30, 2011, due to the following:

	2001-2007	2008-2010	2011	2001-2011
Combined rate of growth in population and inflation	48.4%	7.6%	4.6%	63.6%
Growth in GDP	41.0%	3.5%	3.9%	51.6%
Growth (decline) in rate of total revenue	28.5%	(15.6%)	6.6%	15.6%
Growth (decline) in rate of total net cost-i.e., operating cost	45.4%	47.7%	(14.8%)	83.0%

The preceding schedule shows that:

1. For fiscal years 2001-2007, the federal government's operating cost grew a little bit less than the combined rate of growth in population and inflation, even with fighting the Iraq and Afghanistan wars, but grew a little bit more than GDP. At the same time, revenues grew at a rate greatly less than both (a) the combined rate of population and inflation and (b) GDP (even though tax rates were cut in 2001 and 2003), causing the accumulated federal deficit to grow from \$5.9 trillion at September 30, 2000 to \$9.2 trillion at September 30, 2007. So the 2001-2007 increase of \$3.3 trillion in the federal deficit can be blamed solely on inadequate revenues and the operating cost structural problems already existing at the beginning of this century.
2. For fiscal years 2008-2010, the federal government's operating cost grew at the exceptionally large rate of more than 6 times the combined rate of increase in population and inflation and the huge rate of more than 13 times the rate of increase in GDP. The problem was exacerbated by revenues significantly decreasing. The combined problem of hugely increasing operating costs and the significant decrease in revenues caused the federal deficit to grow from \$9.2 trillion at September 30, 2007 to \$13.5 trillion at September 30, 2010. The huge increase in operating costs was the prime culprit for the 2008-2010 increase of \$4.3 trillion in the federal deficit, but the decrease in revenues was partially to blame.
3. For fiscal year 2011, the federal government's operating deficit was reduced to \$1.3 trillion, down from \$2.1 trillion in fiscal year 2010. This was accomplished by increasing total revenues by 6.6% while decreasing operating costs by 14.8%, in a year when the combined rate of increase in population and inflation was 4.6% and the GDP increase was 3.9%, so clearly progress was made in fiscal year 2011.
4. In summary, for fiscal years 2001-2011, operating cost grew 83.0%, in comparison to a 63.6% combined rate of growth in population and inflation and an increase of just 51.6% in GDP, so greatly reducing future operating cost is absolutely necessary. But the other elephant in the room is the greatly insufficient revenue question, inasmuch as revenues grew only 15.6% from 2000 to 2011. In fact, income tax revenues collected from corporations in 2011 was 14.3% less than in 2000.

The lesson from this exercise is that our leaders had better start talking in honest terms about the federal revenue shortfall in addition to the out of control operating cost and audited accumulated deficit of \$14.8 trillion at September 30, 2011. (The \$14.8 trillion in accumulated deficit is now essentially equal to the 2011 GDP!)

I recommend that the revenue shortfall problem be solved by first closing all tax loopholes and then imposing a flat rate consumption tax, thereby reaching the hidden economy and assuring that everyone has a stake in solving the problem.

Implement near-term solutions. It is painfully obvious that immediate and drastic steps must be taken to gain control of the out of control federal spending. Yes, it will require what some would call draconian cuts, but that is because federal costs have had just as huge increases since fiscal year 2007, as just shown.

Please bear in mind that the \$14.8 trillion accumulated deficit at September 30, 2011 could be even greater to the degree the \$17.9 trillion increase in recorded assets during 2001-2011 proves to be actually unrealizable assets needing amortization or total write off.

Cut costs. In my opinion, the federal constitution should be amended ASAP (see Long-term Solution) to require that federal government net operating cost be rapidly phased down to a lower of (a) GDP or (b) population and inflation increase cap, indexed to fiscal 2000.

In his book, Mr. Walker advocates base-lining to fiscal year 2010. However, that would mean accepting the 2001-2007 increases in excess of the increase in GDP and the incredibly large increase greatly in excess of (a) GDP and (b) population plus inflation during fiscal years 2008-2010. I believe that would be an extremely serious mistake. I believe those increases can be gradually reversed and only the GDP or population and inflation increase factor be needed by the end of fiscal year 2016.

Here is how.

When starting down the critically needed cost cutting road, our elected leaders need to take due note of these federal government furnished overall facts:

- a. There are approximately 2 million federal civilian employees.
- b. Approximately 33.7% of them are in "management, business and financial" jobs, as compared to 9.2% in the private sector, and 33.7% are in "professional and related" jobs, compared to 20.9% in the private sector.
- c. The average annual base salary for full-time federal workers was \$74,403 in 2009.
- d. Federal workers enjoy retirement and other fringe benefits that are greatly larger than those in the private sector. According to the attached federal government's audited balance sheet, at September 30, 2011, Federal Employee and Veteran Benefits Payable amounted to \$5.8 trillion, over one-half of the \$10.2 trillion due on Federal Debt Held By The Public and Accrued Interest.

The preceding federally supplied information makes it very obvious that the overall federal government civilian workforce is greatly bloated in numbers, pay scale and benefits. It is time to immediately and drastically cut the federal civilian workforce in number, pay scales and benefits. If this were the private sector, such cuts would have already been made.

I recommend that all federal employees, elected and non-elected, be placed under pay scales and benefit levels (including retirement vesting and retirement age) comparable to the private sector, within the next five years.

The attached Statements of Operations makes it clear that net operating costs are concentrated in a handful of departments. Here are some of my observations and recommendations:

Defense Department (Increased 100.0% from 2000 to 2001 and 16.4% from 2001 to 2010, then decreased 19.2% in 2011):

- a. Civilian workforce is about 45% as large as the workforce of those in uniform, according to federal documents. The civilian workforce appears extremely large proportionately and consideration should be given to dramatically cutting the military's civilian support workforce.
- b. Defense had its largest increase in net cost, doubling from \$382.2 billion in fiscal year 2000 to \$764.2 billion in fiscal year 2001 and then increased just 16.9% in total from 2001 to 2010. The World Trade Center attack didn't happen until the last month of fiscal year 2001, and the Afghanistan (October 2001) and Iraq (2003) wars did not

commence until after fiscal year 2001. So the 16.4% increase for 2002-2010 seems very reasonable, particularly in light of the Iraq and Afghanistan wars. The 2001 doubling (\$382 billion) of the entire Defense Department expenditures represented 15% of the entire federal net costs for fiscal year 2001, thereby requiring further investigation. I found that, according to page 4 of the 2001 financial report, the \$382 billion increase in Defense costs for fiscal year 2001 was primarily due to “the effect of a new law that increased the military retirement health benefits liability by \$293.0 billion. Under this legislation, TRICARE benefits are extended to military retirees and their beneficiaries who are eligible for Medicare---”. Quite frankly, I have a hard time grasping how this one new law could cost 15% of the entire federal government expenditures in one year, even if the TRICARE benefits had a retroactive factor. This anomaly needs justification.

Health and Human Services and Social Security Departments (2000-2011 increases of 126.5% and 75.9%, respectively):

- a. Before reducing beneficiary benefits, need to subject both departments to efficiency and effectiveness audits by independent firms and implement recommendations. The efficiency and effectiveness audits should include the same protocol followed by Mr. Walker in reorganizing the Government Accountability Office (see his book). Beneficiaries should not be required to share in the pain of solutions until the obviously bloated workforces in these departments are reduced in number, pay scale and benefits.
- b. Retirement eligibility age for beneficiaries needs to be gradually extended.
- c. Need to gradually move to means testing for Medicare and retirement beneficiaries.

Treasury Department (Increase of 36.4 % from 2000 to 2007, increase of 362.7% from 2007 to 2010, and decrease of 77.3% for 2010-2011): Immediately stop stimuli and bailout expenditures. They have accomplished no demonstrable good.

Remaining Departments: Immediately cut expenditures to fiscal 2000 levels, increased by the lower of growth in (a) GDP or (b) population plus inflation since 2000. All departments should be required to adequately justify their continued existence, as in Mr. Walker’s restructuring of the Government Accountability Office (see his book).

The guide book for commencing cutting the cost of federal government should be the March 2011 GAO report titled “Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenues” ([CLICK](#)). The report indicates a potential for immediately cutting hundreds of billions of dollars in expenditures, without hurting delivery of services one iota. Suffice it to say the report is only the tip of the iceberg. The president and congress ignore this report at their own peril.

The president and congress should also seek guidance by reading the book “**COMEBACK AMERICA: Turning the Country Around and Restoring Fiscal Responsibility**”, by David M. Walker ([CLICK](#)). Mr. Walker served for several years as US Comptroller General, with the overall responsibility for performing the annual audits of the federal government, required by the Government Management Reform Act of 1994. I consider Mr. Walker to be the foremost authority on the federal financial crisis.

Incidentally, it is extremely troubling to find out that the US comptroller general has had to deny an opinion on the US government’s financial statements every year since the 1994 Act became effective, due to material weaknesses in internal control in the financial reporting system of the US government. Shockingly, the Defense Department (18) and Homeland Security Department (9) were responsible for 60% of the 45 material weaknesses in internal control reported in Appendix B of the 2010 Financial Report. For whatever reason, such highly valuable information was excluded from the 2011 Financial Report.

The president and congress also would do well to look at what Canada has accomplished over the last 15 years, based upon the August 1, 2011 Wall Street Journal article by Jason Clemens ([CLICK](#)). According to Clemens, Canada has accomplished significant cuts in spending and debt over the last 15 years, under its liberal party.

Clemens does point out that the new conservative majority still has its work cut out to lower Canada's tax rates and revamp its inadequately responsive and costly health care system. Our congress should really examine what has transpired and is transpiring in Canada, including the revamping of its health care system.

Summary: Suggested near-term actions for helping solve the federal fiscal crisis. Congress should, in a professional and cordial bipartisan manner, approve a law and the president should sign it by June 30, 2012, requiring the following:

- a. Bring the (audited accrual basis of accounting) annual net cost (as that term is used in the annual Financial Report of the United States Government) ratably down over the fiscal year 2012-2016 period to the previously mentioned audit certified amount of \$2.0 trillion for fiscal year 2000, increased by the lower of the rate of increase in (a) GDP or (b) population plus inflation since 2000.
- b. Bring the (audited accrual basis of accounting) revenue (as that term is used in the annual Financial Report of the United States Government) for fiscal year 2013 up to the amount of \$2.0 trillion (audited total operating revenue and costs for fiscal year 2000), increased by the lower of the rate of increase in (a) GDP or (b) population plus inflation to June 30, 2012. I suggest this be done with a flat rate consumption tax, thus enabling taxation of the hidden economy. All tax loopholes should be immediately closed and their closure considered in setting the flat rate consumption tax.
- c. Annually increase (decrease) the flat rate consumption tax for each fiscal year 2014-2016 to sufficiently cover any total net cost (audited accrual basis of accounting) in excess of total revenue (audited accrual basis of accounting) for the preceding year and any such excess net cost anticipated for the current year.
- d. Immediately restrict the federal debt ceiling to the level currently permitted, subsequently increasable only by the annual excess of net cost over revenue.

It is time to put a Taxpayer OK Corral around the federal government.

Please note the excerpted audited financial statements below

UNITED STATES GOVERNMENT FINANCES

Fiscal Years Ended September 30, 2000-2001 and 2007-2011

	2000	2001	2007	2008	2009	2010	2011	Amount of increase				Per cent Increase			
								2000 to 2007	2007 to 2010	2010 to 2011	2000 to 2011	2000 to 2007	2007 to 2010	2010 to 2011	2000 to 2011
Population-in millions (Per Census Bureau)	235.6		301.6			308.8	311.6	66.0	7.2	2.8	76.0	28.0%	2.4%	0.9%	32.3%
Consumer Price Index (Per BLS)	172.2		207.342			218.056	226.23	35.142	10.714	8.174	54.03	20.4%	5.2%	3.7%	31.4%
Population plus inflation												48.4%	7.6%	4.6%	63.6%
GDP-In millions of dollars, Per Bureau of Economic Analysis	9,951.5	10,286.2	14,028.7	14,291.5	13,939.0	14,526.5	15,087.7	4,077.2	497.8	561.2	5,136.2	41.0%	3.5%	3.9%	51.6%

AUDITED FINANCIAL STATEMENTS

Per Audited Financial Statements of the United States Government
In Billions of Dollars

STATEMENTS OF OPERATIONS

	2000	2001	2007	2008	2009	2010	2011	Amount of Increase/(Decrease)				Per cent Increase/(Decrease)				
								2000 to 2007	2007 to 2010	2010 to 2011	2000 to 2011	2000 to 2007	2007 to 2010	2010 to 2011	2000 to 2011	
Revenues:																
Individual income tax and withholdings	1,635.2	1,663.6	1,999.8	2,078.4	1,775.0	1,732.9	1,865.8	364.6	(266.9)	132.9	230.6	22.3%	-13.3%	7.7%	14.1%	
Corporate income taxes	204.3	147.9	367.2	299.7	130.3	179.6	175.1	162.9	(187.6)	(4.5)	(29.2)	79.7%	-51.1%	-2.5%	-14.3%	
Other	205.3	202.2	260.3	283.3	293.1	304.0	322.9	55.0	43.7	18.9	117.6	26.8%	16.8%	6.2%	57.3%	
TOTAL REVENUES	2,044.8	2,013.7	2,627.3	2,661.4	2,198.4	2,216.5	2,363.8	582.5	(410.8)	147.3	319.0	28.5%	-15.6%	6.6%	15.6%	
Departmental costs-Net:																
Defense	382.2	764.2	664.5	740.8	682.8	889.2	718.7	282.3	224.7	(170.5)	336.5	73.9%	33.8%	-19.2%	88.0%	
Health and Human Services	387.2	434.5	666.8	712.7	806.9	857.7	877.1	279.6	190.9	19.4	489.9	72.2%	28.6%	2.3%	126.5%	
Social Security Administration	444.8	465.0	626.1	663.6	736.2	753.9	782.5	181.3	127.8	28.6	337.7	40.8%	20.4%	3.8%	75.9%	
Treasury	59.1	55.6	80.6	184.6	235.2	372.9	84.6	21.5	292.3	(288.3)	25.5	36.4%	362.7%	-77.3%	43.1%	
Veterans Affairs	116.4	193.3	59.4	430.4	(42.8)	235.5	178.5	(57.0)	176.1	(57.0)	62.1	-49.0%	296.5%	-24.2%	53.4%	
Interest on Treasury Securities held by the Public	230.2	217.7	238.9	241.6	189.1	214.8	250.9	8.7	(24.1)	36.1	20.7	3.8%	-10.1%	16.8%	9.0%	
Labor	31.6	42.3	50.1	60.6	140.2	179.0	132.8	18.5	128.9	(46.2)	101.2	58.5%	257.3%	-25.8%	320.3%	
Agriculture	72.8	72.4	86.5	99.5	121.5	130.6	144.8	13.7	44.1	14.2	72.0	18.8%	51.0%	10.9%	98.9%	
Education	29.6	35.8	61.8	61.9	38.4	89.5	54.7	32.2	27.7	(34.8)	25.1	108.8%	44.8%	-38.9%	84.8%	
Transportation	48.7	63.3	65.7	70.7	79.6	79.8	77.2	17.0	14.1	(2.6)	28.5	34.9%	21.5%	-3.3%	58.5%	
Housing and Urban Development	33.4	32.1	53.1	59.8	61.6	55.4	59.6	19.7	2.3	4.2	26.2	59.0%	4.3%	7.6%	78.4%	
Homeland Security	-	-	44.0	52.1	53.7	50.0	49.9	44.0	6.0	(0.1)	49.9		13.6%	-0.2%		
Energy	24.2	21.8	63.2	31.6	42.9	25.1	44.6	39.0	(38.1)	19.5	20.4		-60.3%	77.7%	84.3%	
All Other	140.2	147.8	148.8	230.8	289.4	362.6	204.9	8.6	213.8	(157.7)	64.7	6.1%	143.7%	-43.5%	46.1%	
TOTAL DEPARTMENTAL COSTS-Net	2,000.4	2,545.8	2,909.5	3,640.7	3,434.7	4,296.0	3,660.8	909.1	1,386.5	(635.2)	1,660.4	45.4%	47.7%	-14.8%	83.0%	
Books out of balance this year by	(4.8)	17.3	6.7	(29.8)	(17.4)	(0.8)	(15.6)	11.5	(7.5)	(14.8)	(10.8)					
NET OPERATING REVENUE/(COST)	39.6	(514.8)	(275.5)	(1,009.1)	(1,253.7)	(2,080.3)	(1,312.6)	(315.1)	(1,804.8)	767.7	(1,352.2)					

BALANCE SHEETS

	2000	2001	2007	2008	2009	2010	2011	Amount of Increase/(Decrease)				Per cent Increase/(Decrease)			
								2000 to 2007	2007 to 2010	2010 to 2011	2000 to 2011	2000 to 2007	2007 to 2010	2010 to 2011	2000 to 2011
Assets:															
Cash and other monetary assets	104.9	108.0	128.0	424.5	393.2	428.6	177.0	23.1	300.6	(251.6)	72.1	22.0%	234.8%	-58.7%	68.7%
Accounts and taxes receivable	55.6	55.3	87.8	93.0	87.4	94.6	106.3	32.2	6.8	11.7	50.7	57.9%	7.7%	12.4%	91.2%
Loans receivable and mortgage backed securities	207.6	208.9	231.9	263.4	538.9	688.6	772.1	24.3	456.7	83.5	564.5	11.7%	196.9%	12.1%	271.9%
TARP direct loans and equity investments, net					239.7	144.7	80.1		144.7	(64.6)	80.1				-44.6%
Beneficial interest in trust					23.5	20.8	10.9		20.8	(9.9)	10.9				-47.6%
Inventories and related property, net	185.2	183.8	277.1	289.6	284.6	286.2	296.1	91.9	9.1	9.9	110.9	49.6%	3.3%	3.5%	59.9%
Property, plant and equipment, net	298.5	306.7	691.1	737.7	784.1	828.9	852.8	392.6	137.8	23.9	554.3	131.5%	19.9%	2.9%	185.7%
Debt and equity securities			99.8	79.6	93.1	98.9	99.7	99.8	(0.9)	0.8	99.7		-0.9%	0.8%	
Investments in Government-sponsored enterprises				7.0	64.7	109.2	133.0		109.2	23.8	133.0				21.8%
Other assets	59.7	63.4	65.4	79.9	158.7	183.3	179.3	5.7	117.9	(4.0)	119.6	9.5%	180.3%	-2.2%	200.3%
TOTAL ASSETS	911.5	926.1	1,581.1	1,974.7	2,667.9	2,883.8	2,707.3	669.6	1,302.7	(176.5)	1,795.8	73.5%	82.4%	-6.1%	197.0%
Liabilities:															
Accounts payable	91.0	95.7	66.2	73.3	73.2	72.9	63.4	(24.8)	6.7	(9.5)	(27.6)	-27.3%	10.1%	-13.0%	-30.3%
Federal debt held by the public and accrued interest	3,409.9	3,319.8	5,077.7	5,836.2	7,582.7	9,060.0	10,174.1	1,667.8	3,982.3	1,114.1	6,764.2	48.9%	78.4%	12.3%	198.4%
Federal employee and veteran benefits payable	2,764.7	3,360.8	4,769.1	5,318.9	5,283.7	5,720.3	5,792.2	2,004.4	951.2	71.9	3,027.5	72.5%	19.9%	1.3%	109.5%
Environmental and disposal liabilities	301.2	306.8	342.0	342.8	341.8	321.3	324.1	40.8	(20.7)	2.8	22.9	13.5%	-6.1%	0.9%	7.6%
Benefits due and payable	77.8	86.0	133.7	144.4	160.8	164.3	171.0	55.9	30.6	6.7	93.2	71.9%	22.9%	4.1%	119.8%
Insurance and guarantee program liabilities			72.7	77.8	166.2	175.6	161.7	72.7	102.9	(13.9)	161.7		141.5%	-7.9%	
Loan guarantee liabilities	37.3	27.7	69.1	72.9	69.4	65.8	63.0	31.8	(3.3)	(2.8)	25.7	85.3%	-4.8%	-4.3%	68.9%
Liabilities to Government-sponsored enterprises					91.9	359.9	316.2		359.9	(43.7)	316.2				-12.1%
Other	175.0	188.1	256.4	311.9	354.1	416.5	427.0	81.4	160.1	10.5	252.0	46.5%	62.4%	2.5%	144.0%
TOTAL LIABILITIES	6,856.9	7,384.9	10,786.9	12,178.2	14,123.8	16,356.6	17,492.7	3,930.0	5,569.7	1,136.1	10,635.8	57.3%	51.6%	6.9%	155.1%
Net position:															
Earmarked funds			620.2	704.6	752.7	646.9	748.2	620.2	26.7	101.3	748.2		4.3%	15.7%	
Non-earmarked funds			(9,826.0)	(10,908.1)	(12,208.6)	(14,119.7)	(15,533.6)	(9,826.0)	(4,293.7)	(1,413.9)	(15,533.6)		43.7%	10.0%	
TOTAL NET POSITION	(5,945.4)	(6,458.8)	(9,205.8)	(10,203.5)	(11,455.9)	(13,472.8)	(14,785.4)	(3,260.4)	(4,267.0)	(1,312.6)	(8,840.0)	54.8%	46.4%	9.7%	148.7%
TOTAL LIABILITIES AND NET POSITION	911.5	926.1	1,581.1	1,974.7	2,667.9	2,883.8	2,707.3	669.6	1,302.7	(176.5)	1,795.8	73.5%	82.4%	-6.1%	197.0%