United States Government Notes to the Financial Statements for the Year Ended September 30, 1999

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

This Financial Report includes the financial status and activities of the executive branch and portions of the legislative and judicial branches of the Government. This includes those Government corporations that are part of the Federal Government. The Appendix contains a list of significant Government entities included in these financial statements and also contains a partial list of entities excluded. For the purposes of this document, "Government" refers to the U.S. Government. The financial reporting period is the same used for the annual budget. It is based on the Government's fiscal year, which ends September 30.

Material intragovernmental transactions were eliminated in consolidation, except as described in Note 16.

B. Basis of Accounting

The Financial Report was generally based on generally accepted accounting principles. These principles typically recognize:

- Expenses when incurred.
- Non-exchange revenues on a modified cash basis of accounting.
- Exchange (earned) revenues when earned.

This basis of accounting differs from that used for budgetary reporting.

This fiscal year, new accounting standards became effective pertaining to deferred maintenance.

C. Revenue Recognition

Government revenue comes from two sources: non-exchange transactions and exchange transactions. Non-exchange revenues arise primarily from exercise of the Government's power to tax and levy duties, fines and penalties. Exchange (earned) revenues arise when a Government entity provides goods and services to the public for a price.

Remittances of non-exchange revenue are recognized when received. Related receivables are recognized when measurable and legally collectible. Refunds and other offsets are recognized when measurable and legally payable and netted against non-exchange revenue.

Earned revenue represents revenue earned from user charges such as admission fees to Federal parks, insurance premiums, and fees on Federal housing and loan programs. It is recognized when the Government provides the goods or services.

D. Direct Loans and Loan Guarantees

Direct loans obligated and loan guarantees committed after fiscal 1991 are reported based on the present value of the net cash-flows estimated over the life of the loan or guarantee. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as a subsidy cost allowance; the present value of estimated net cash outflows of the loan guarantees is recognized as a liability for loan guarantees. The subsidy expense for direct or guaranteed loans disbursed during a year is the present value of estimated net cash outflows for those loans or guarantees. A subsidy expense also is recognized for modifications made during the year to loans and guarantees outstanding and for reestimates made as of the end of the year to the subsidy allowances or loan guarantee liability for loans and guarantees outstanding.

Direct loans obligated and loan guarantees committed before fiscal 1992 may be reported under the allowance-for-loss method or the present-value method. Under the allowance-for-loss method, the outstanding principal of direct loans is reduced by an allowance for uncollectible amounts; and the liability for loan guarantees is the amount the agency estimates would more likely than not require a future cash outflow to pay default claims.

Under the present-value method, the outstanding principal of direct loans is reduced by an allowance equal to the difference between the outstanding principal and the present value of the expected net cash-flows; and the liability for loan guarantees is the present value of expected net cash outflows due to the loan guarantees.

E. Taxes Receivable

"Taxes receivable" primarily consist of uncollected tax assessments, penalties and interest when taxpayers have agreed the amounts are owed, or a court has determined the assessments are owed. The Balance Sheet does not include unpaid assessments when neither taxpayers nor a court has agreed that the amounts are owed (compliance assessments) or the Government does not expect further collections due to factors such as the taxpayer's death, bankruptcy or insolvency (writeoffs). Taxes receivable are reported net of an allowance for the estimated portion deemed to be uncollectible.

F. Inventories and Related Property

"Inventories" are valued at historical cost. Historical cost methods include first-in-first-out, weighted average and moving average. Estimated repair costs reduce the value of inventory held for repair. Excess, obsolete and unserviceable inventories are valued at estimated net realizable values.

G. Property, Plant and Equipment

"Property, plant and equipment" used in Government operations are carried at cost. Depreciation and amortization expense applies to property, plant and equipment reported in the Balance Sheet except land, unlimited duration land rights, and construction in progress. Depreciation is recognized using the straight-line method over the assets estimated useful lives.

H. Pension and Post-Retirement Health Benefits Programs

"Pension and post-retirement health benefit expenses" are recorded during the time employee services are rendered. The related liabilities for defined benefit pension plans and post-retirement health benefits are recorded at estimated present value of future benefits, less the estimated present value of future normal cost contributions.

"Normal cost" is the portion of the actuarial present value of projected benefits allocated as expense for employee services rendered in the current year. Actuarial gains and losses (and prior and past service cost, if any) are recognized immediately in the year they occur, without amortization.

I. Environmental Liabilities

"Environmental liabilities" are recorded at the estimated current cost to remediate hazardous waste and environmental contamination, assuming the use of current technology. Remediation consists of removal, treatment and/or safe containment. Where technology does not exist to cleanup hazardous waste, only the estimable portion of the liability, typically safe containment, is recorded.

J. Deferred Maintenance

"Deferred maintenance" is maintenance that was not performed when it should have been or was scheduled to be performed and, therefore, is put off or delayed for a future period. Maintenance is the act of keeping fixed assets in acceptable condition including preventative maintenance, normal repairs, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from those originally intended. "Deferred maintenance" information is disclosed in the Supplemental Information to the Financial Statements.

Deferred maintenance expenses are not accrued in the Statement of Net Cost, or recognized as liabilities on the Balance Sheet.

K. Contingencies

Liabilities for contingencies are recognized on the Balance Sheet when both:

- A past transaction or event has occurred.
- A future outflow or other sacrifice of resources is probable and measurable.

The estimated contingent liability may be a specific amount or a range of amounts. If some amount within the range is a better estimate than any other amount within the range, then that amount is recognized. If no amount within the range is a better estimate than any other amount, then the minimum amount in the range is recognized.

Contingent liabilities that do not meet the above criteria for recognition, but for which there is at least a reasonable possibility that a loss has been incurred are disclosed in Note 18—Commitments and Contingencies.

L. Social Insurance

A liability for social insurance programs (Social Security, Medicare, railroad retirement, black lung and unemployment) is recognized for any unpaid amounts due as of the reporting date. No liability is recognized for future benefit payments not yet due. For further information, see the Stewardship Information section on Stewardship Responsibilities and Note 19 on Dedicated Collections.

M. Related Party Transactions

Federal Reserve Banks (FRBs), which are not part of the reporting entity, serve as the Government's depositary and fiscal agent. They process Federal payments and deposits to Treasury's account and service Federal debt securities. FRBs owned $488.9 billion of Federal debt securities held by the public as of September 30, 1999. FRB earnings that exceed statutory amounts of surplus established for FRBs are paid to the Government and are recognized as non-exchange revenue. Those earnings totaled $26.0 billion for the year ended September 30, 1999. The primary source of these earnings is from interest earned on Federal debt securities held by the FRBs.

FRBs issue Federal Reserve notes, the circulating currency of the United States. These notes are collateralized by specific assets owned by FRBs, typically Federal debt securities. Federal Reserve notes are backed by the full faith and credit of the U.S. Government.

The Government does not guarantee payment of Government-sponsored enterprises liabilities such as the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, which are privately owned. These enterprises also are excluded from the reporting entity.

Note 2. Cash and Other Monetary Assets

Cash

"Cash," in the amount of $60.4 billion, consists of:

- Treasury balances held at the FRBs, net of outstanding checks.
- Treasury balances in special depositaries , known as the U.S. Treasury Tax and Loan Note accounts.
- Funds held outside of Treasury and the FRBs by authorized fiscal officers or agents.
- Monies held by Government collection and disbursing officers, agencies' undeposited collections, unconfirmed deposits, and cash transfers.
- Time deposits at financial institutions.

The Government maintains formal arrangements with numerous banks to maintain time deposits known as "compensating balances." These balances compensate the banks for services provided to the Government, such as maintaining zero-balance accounts for the collection of public monies.

Gold

"Gold" is valued at the statutory price of $42.2222 per fine troy ounce. As of September 30, 1999, the number of fine troy ounces was 261,571,005. The market value of gold on the London Fixing as of the reporting date was $299.00 per fine troy ounce. Gold was pledged as collateral for gold certificates issued to the FRBs totaling $11.0 billion. See Note 14—Other Liabilities.

Cash and Other Monetary Assets as of September 30

(In billions of dollars)	
Cash	60.4
Gold	11.0
Domestic monetary assets	1.7
International monetary assets	42.1
Total cash and other monetary assets	115.2

Domestic Monetary Assets

"Domestic monetary assets" consist of liquid assets, other than cash that are based on the U.S. dollar, including coins, silver bullion and other coinage metals. These items totaled $1.7 billion.

International Monetary Assets

Assets valued on a basis other than the U.S. dollar comprise "International monetary assets."

The U.S. reserve position in the International Monetary Fund (IMF) represents an investment in the IMF. The IMF provides financial assistance to about 180 countries. It seeks to promote currency exchange stability.

Only a portion of the required payment to the IMF was paid in cash, with the remainder treated as a subscription. The recorded balance is shown net of the subscription portion, which represents a letter of credit payable to the IMF.

As of September 30, 1999, the remaining available balance under the letter of credit totaled $31.4 billion. The U.S. reserve position in the IMF has a U.S. dollar equivalent of $19.2 billion as of that date.

Special Drawing Rights (SDRs) are interest-bearing assets obtained through either IMF allocations, transactions with IMF member countries or interest earnings on SDR holdings. Treasury's Exchange Stabilization Fund held SDRs totaling $10.3 billion at the end of fiscal 1999. Those holdings are similar to an investment in the IMF.

On September 30, 1999, "Other liabilities" included an $6.8 billion interest-bearing liability to the IMF. This liability consisted of SDRs obtained through IMF allocations.

International Monetary Assets, cont.

The SDR Act of 1968 authorized the Secretary of the Treasury to issue SDR certificates to FRBs in exchange for cash. The value of these certificates cannot exceed the value of the SDR holdings. The Secretary of the Treasury determines when the FRBs can redeem the SDR certificates. The liability for such redemptions, which totaled $7.2 billion at the end of the fiscal year, is included in Note 14—Other Liabilities. Each SDR was valued at $1.38769 as of September 30, 1999.

"International monetary assets" also include foreign currency and other monetary assets denominated in foreign currency.

Note 3. Accounts Receivable

"Accounts receivable" including related interest receivable, represent claims to cash or other assets from entities outside the Federal Government that arise from the sale of goods or services, duties, fines, certain license fees, recoveries, or other provisions of the law. An allowance for estimated losses due to uncollectible amounts is established when it is more likely than not that the receivables will not be totally collected. Accounts receivable are net of an allowance for uncollectible amounts of $12.5 billion as of September 30, 1999.

Accounts Receivable as of September 30

(In billions of dollars)	
Agency or Program Name:	
Department of Energy	4.1
Bureau of Reclamation	3.5
Foreign military sales	2.4
Federal family education loan program	1.8
Operations and maintenance	1.6
Multi-Peril Crop Insurance Fund	0.8
Tennessee Valley Authority power program	0.7
Hazardous Substance Superfund	0.6
Minerals Management Service	0.5
Mail delivery service	0.5
Veterans Health Administration	0.4
Veterans Benefits Administration	0.2
All other programs	17.9
Total accounts receivable, net	35.0

Note 4. Loan and Loan Guarantee Programs

The Federal Government uses two methods, direct loans and loan guarantee programs, to accomplish the same goals. These goals are to promote the Nation's welfare by making direct loans and guaranteeing non-Federal loans to segments of the population not adequately served by non-Federal institutions. For those unable to afford credit at the market rate, Federal credit programs provide subsidies in the form of direct loans offered at an interest rate lower than the market rate. For those to whom non-Federal financial institutions are reluctant to grant credit because of the high risk involved, Federal credit programs guarantee the payment of these non-Federal loans and absorb the cost of defaults.

The long-term cost of loans and guarantees outstanding for loans obligated or guarantees committed after fiscal 1991 is the subsidy cost allowance for direct loans outstanding and the liability for loan guarantees outstanding as of the end of fiscal 1999. The long-term cost for loans obligated or guarantees committed before fiscal 1992 is the allowance for uncollectible amounts (or present value allowance) for direct loans outstanding and the liability for loan guarantees outstanding. The long-term cost is based on all direct loans and guaranteed loans disbursed in fiscal 1999 and previous years that are outstanding as of the end of fiscal 1999. It includes the subsidy cost of these loans and guarantees estimated as of the time of loan disbursement and subsequent adjustments such as modifications, reestimates, amortization and write-offs.

"Net Loans Receivable" include related interest and foreclosed property. They are included in the assets section of the Balance Sheet.

The total subsidy expense is the cost of direct loans and loan guarantees recognized during fiscal 1999. It consists of the subsidy expense incurred for direct and guaranteed loans disbursed during fiscal 1999, for modifications made during fiscal 1999 of loans and guarantees outstanding, and for reestimates as of the end of fiscal 1999 of the cost of loans and guarantees outstanding. This expense is included in the Statement of Net Cost.

The Direct Student Loan program, established in fiscal 1994, offers four types of education loans: Stafford, Unsubsidized Stafford, PLUS for parents and consolidation loans. Evidence of financial need is required for a student to receive a subsidized Stafford loan. The other three loan programs are available to borrowers at all income levels. These loans usually mature 9 to13 years after the student is no longer enrolled. They are unsecured.

Rural Electrification and Telecommunications loans are for the construction and operation of generating plants, electric transmission, and distribution lines or systems. These loans carry an average maturity of greater than 20 years and are usually secured.

The major rural programs are funded through the Rural Housing Insurance Fund program account, which includes:

- Very low and low-to-moderate income home ownership loans and guarantees.
- Very low-income housing repair loans.
- Multifamily housing loans and guarantees.
- Domestic farm labor housing loans.
- Housing site loans.
- Credit sales of acquired property.

Loan programs are limited to rural areas that include towns, villages and other places not part of an urban area. The majority of these loans mature in excess of 25 years and are secured by the property of the borrower.

The Federal Family Education Loan program, formerly known as the Guaranteed Student Loan program, was established in fiscal 1965. Like the Direct Student Loan program, it offers four types of loans: Stafford, Unsubsidized Stafford, PLUS for parents and consolidation loans.

The Agency for International Development provides economic assistance to selected countries in support of U.S. efforts to promote stability and security interests in strategic regions of the world.

Export-Import Bank aids in financing and promoting U.S. exports. To accomplish its objectives, the bank's authority and resources are used to:

- Assume commercial and political risk that exporters or private institutions are unwilling or are unable to undertake.
- Overcome maturity and other limitations in private sector financing.
- Assist U.S. exports to meet foreign officially sponsored export credit competition.
- Provide leadership and guidance in export financing to the U.S. exporting and banking communities and to foreign borrowers.

Repayment terms for these loans are usually 1 to 7 years.

The Federal Housing Administration (FHA) provides mortgage insurance encouraging lenders to make credit available to expand home ownership. FHA predominately serves borrowers that the conventional market does not adequately serve such as first-time home buyers, minorities, lower-income families and residents of underserved areas.

Veteran Housing Benefits provide partial guaranty of residential mortgage loans issued to eligible veterans reservists and service members by private lenders. This guarantee allows veterans, reservists and service members to purchase a home without a substantial down payment.

Other loan guarantees include: Small Business Administration loans to minority businesses; and the Farm Service Agency for farm ownership, emergency and disaster loans.

Loan and Loan Guarantee Programs as of September 30

(In billions of dollars)	Loans and Loan Guarantees Outstanding	Long-term Cost of Loans and Loan Guarantees Outstanding	Net Loans Receivable	Amount Guaranteed by the Federal Government	Subsidy Expense for the Fiscal Year ended September 30, 1999
Direct Loans:					
Federal direct student loans	46.5	0.4	46.1		0.4
Rural development	68.9	13.1	55.8		
Federal family education loan programs	23.7	14.5	9.2		
Assistance for states of the former Soviet Union	11.0	4.4	6.6		
Food for progress credits	10.6	7.2	3.4		0.5
HUD, all other	10.3	0.6	9.7		
Direct loans for spectrum auction sales	8.3	(0.4)	8.7		1.2
Export credit guarantees	6.9	3.9	3.0		
All other direct loan programs	49.9	8.7	41.2		1.7
Total	236.1	52.4	**183.7**		3.8
Guaranteed Loans:					
Federal Housing Administration	551.4	5.9		508.1	(5.2)
Veterans housing benefit program	213.5	5.8		84.0	1.1
Federal family education loan programs	127.6	12.2		121.2	3.1
Small business loans	39.6	1.4		31.9	(0.1)
Financing account guarantees and insurance	24.2	5.6		24.2	1.9
Rural Housing Service	10.0	0.2		9.0	
All other guaranteed loan programs	38.6	4.0		36.9	1.0
Total	1,004.9	**35.1**		815.3	1.8

Note 5. Taxes Receivable

Taxes receivable are the gross tax receivables net of allowance for doubtful accounts.

Taxes Receivable as of September 30

(In billions of dollars)	
Gross taxes receivable	79.2
Allowance for doubtful accounts	(56.5)
Taxes receivable, net	22.7

Note 6. Inventories and Related Property

"Inventories and related property" consist of the categories listed below, net of allowance for obsolete and unserviceable inventory, as of September 30, 1999.

"Inventory held for sale" includes tangible personal property held for sale, net of allowances.

"Operating Materials and Supplies" are comprised of tangible personal property purchased for use in normal operations.

"Materials and supplies held for future use" include tangible personal property not readily available in the market or held because there is more than a remote chance that they will eventually be needed.

"Stockpile materials" are strategic and critical materials held for use in national defense, conservation or national emergencies due to statutory requirements; for example, cobalt, tin and nickel.

"Commodities" include items of commerce or trade that have an exchange value used to stabilize or support market prices.

"Seized monetary instruments" comprise only monetary instruments. These monetary instruments are awaiting judgement to determine ownership. The related liability is included in "Other liabilities." Other property seized by the Government, such as real property and tangible personal property, is not included as a Government asset. It is accounted for in agency property-management records until the property is forfeited, returned or otherwise liquidated.

"Forfeited property" is comprised of monetary instruments, intangible property, real property and tangible personal property acquired through forfeiture proceedings; property acquired by the Government to satisfy a tax liability; and unclaimed and abandoned merchandise.

Inventories and Related Property as of September 30

(In billions of dollars)	Defense	All Others	Total
Inventory held for sale	67.0	1.1	68.1
Operating materials and supplies	40.9	5.5	46.4
Materials and supplies held for future use	17.8	0.1	17.9
Stockpile materials	2.8	37.5	40.3
Commodities	-	0.4	0.4
Seized monetary instruments	-	0.1	0.1
Forfeited property	-	0.1	0.1
Total inventories and related property	128.5	44.8	173.3

Note 7. Property, Plant and Equipment

"Property, plant and equipment" consist of tangible assets, including land, buildings, structures and other assets used to provide goods and services. Certain types of tangible assets, collectively referred to as "Stewardship Assets," are not reported as property, plant and equipment or elsewhere on the Balance Sheet. This is based on accounting standards that became effective for fiscal 1998. "Stewardship assets" include "National defense assets," "Heritage assets" and "Stewardship land." These assets are presented in the Stewardship Information section.

Property, Plant and Equipment as of September 30

(In billions of dollars)	Cost	Accumulated Depreciation/ Amortization	Net
Buildings, structures and facilities	284.8	135.3	149.5
Furniture, fixtures and equipment	151.0	75.0	76.0
Construction in progress	49.3	-	49.3
Land and land improvements	25.4	5.5	19.9
Automated data processing software	3.8	2.0	1.8
Assets under capital lease	1.5	0.5	1.0
Leasehold improvements	2.0	0.7	1.3
Total property, plant and equipment	517.8	219.0	298.8

Note 8. Other Assets

The category of "Other assets" consists of advances and prepayments, securities and investments, and other Government assets not otherwise classified. This figure presents securities at cost, net of unamortized premiums and discounts.

Other Assets as of September 30

(In billions of dollars)	
Securities and investments	17.2
Advances and prepayments	13.0
Other	24.1
Total other assets	54.3

Note 9. Accounts Payable

The figure under "Accounts payable" includes "Interest on Federal debt securities held by the public." This reflects unpaid interest accrued on Federal debt securities held by the public (see Note 10) as of September 30, 1999. Other accounts payable are for goods and property ordered and received, and for services rendered by other than employees.

Accounts Payable as of September 30

(In billions of dollars)

Agency:	
Interest on Federal debt securities held by the public	42.6
DOD	16.7
OPM	1.2
U.S. Postal Service	4.0
NASA	2.9
Agriculture	2.7
VA	2.3
HUD	1.8
Justice	1.6
AID	1.4
General Services Administration	1.2
Transportation	1.0
Energy	1.0
Executive Office of the President	1.0
All other departments	4.4
Total accounts payable	85.8

Note 10. Federal Debt Securities Held by the Public

"Federal debt held by the public" totaled $3,631.6 billion at the end of fiscal 1999. The accompanying Federal Debt Securities table details Government borrowing to finance operations. This table shows debt at face value. Unamortized premiums are added and unamortized discounts subtracted.

"Intragovernmental holdings" represent the portion of the gross Federal debt held as investments by Government entities.

This includes major trust funds. For more information on trust funds, see Note 19—Dedicated Collections. This report eliminates intragovernmental holdings in consolidation.

Definitions of Debt

- **Gross Federal Debt** - All Government debt, whether issued by Treasury (Treasury securities) or by other agencies (agency securities). "Gross Federal debt" is either held by the public or by Federal Government entities.
- **Debt Held by the Public** - Federal debt held outside the Government by individuals, corporations, State or local governments, the Federal Reserve System, and foreign governments and central banks.
- **Intragovernmental holdings** - Federal debt held by Government trust funds, revolving funds and special funds.

Securities that represent debt held by the public are primarily issued by the Treasury and include:

- Interest-bearing marketable securities (bills, notes and bonds).
- Interest-bearing nonmarketable securities (foreign series, State and local government series, domestic series, and savings bonds).
- Non-interest bearing debt (matured and other).

As of September 30, 1999, $5,568 billion of Federal debt was subject to a statutory limit (31 U.S.C. 3101). That limit was $5,950 billion. The debt subject to the limit includes:

- Debt held by the public and intragovernmental holdings,

Note 10. Federal Debt, cont.

less most agency securities, Federal Financing Bank debt, miscellaneous debt, and unrealized discount on Government account series securities.

- Unamortized net discounts on public issues of Treasury notes and bonds (other than zero-coupon bonds).

Federal Debt Securities Held by the Public as of September 30

(In billions of dollars)	Beginning Balance Sept. 30, 1998	Net Change During Fiscal 1999	Ending Balance Sept. 30, 1999	Average Interest Rate During Fiscal 1999
Treasury Securities:				
Marketable securities	3,331.0	(98.0)	3,233.0	6.341%
Non-marketable securities	2,187.7	226.6	2,414.3	6.674%
Non-interest bearing debt	7.5	1.5	9.0	
Total Treasury securities	5,526.2	130.1	5,656.3	
Plus: Unamortized premium on Treasury securities	16.9	(0.9)	16.0	
Less: Unamortized discount on Treasury securities	78.9	1.5	80.4	
Total Treasury securities, net of unamortized premiums and discounts	5,464.2	127.7	5,591.9	
Agency Securities:				
Tennessee Valley Authority	26.7	(0.8)	25.9	
All other agencies	2.3	(0.2)	2.1	
Total agency securities, net of unamortized premiums and discounts	29.0	(1.0)	28.0	
Total Federal debt	5,493.2	126.7	5,619.9	
Less: Intragovernmental holdings, net of unamortized premiums and discounts	1,775.5	212.8	1,988.3	
Total Federal debt securities held by the public	3,717.7	(86.1)	3,631.6	

Types of marketable securities:

Bills—Short-term obligations issued with a term of 1 year or less.

Notes—Medium-term obligations issued with a term of at least 1 year, but not more than 10 years.

Bonds—Long-term obligations of more than 10 years.

Intragovernmental Holdings: Federal Debt Securities Held as Investments by Government Accounts as of September 30

(In billions of dollars)	Beginning Balance Sept. 30, 1998	Net Change During Fiscal 1999	Ending Balance Sept. 30, 1999
SSA, Old-Age and Survivors Insurance	653.3	108.9	762.2
OPM, civil service retirement and disability	451.3	30.0	481.3
DOD, military retirement	133.8	7.5	141.3
HHS, Hospital Insurance Fund	118.3	35.4	153.7
SSA, disability insurance	77.0	15.7	92.7
Labor, unemployment	70.6	6.8	77.4
HHS, supplementary medical insurance	39.5	(13.0)	26.5
FDIC funds	39.1	1.7	40.8
Railroad Retirement Board	21.8	2.6	24.4
OPM, Employees Life Insurance	19.4	1.3	20.7
Transportation, Highway Trust Fund	17.9	10.2	28.1
Energy, nuclear waste disposal	11.2	4.0	15.2
All other programs and funds	117.6	8.0	125.6
Subtotal	1,770.8	219.1	1,989.9
Plus: Unamortized net premiums (discounts)	4.7	(6.3)	(1.6)
Total intragovernmental holdings, net	1,775.5	212.8	1,988.3

Note 11. Federal Employee and Veteran Benefits Payable

The Government offers its employees life and health insurance, as well as retirement and other benefits. These benefits apply to civilian and military employees.

The Federal Government administers more than 40 pension plans. The Office of Personnel Management (OPM) administers the largest civilian plan. Department of Defense (DOD), meanwhile, administers the largest military plan. The Government offers both defined benefit and defined contribution pension plans. The largest are defined benefit plans. The change in actuarial accrued post-retirement health benefits liability and components of related expense for fiscal 1999 are presented below.

Federal Employee and Veteran Benefits Payable as of September 30

(In billions of dollars)	Civilian	Military	Total
Pensions	1,025.2	661.8	1,687.0
Post-retirement health benefits	179.7	196.2	375.9
Veterans compensation and burial benefits	-	483.2	483.2
Liability for other benefits	49.0	5.6	54.6
Total Federal employee and veteran benefits payable	1,253.9	1,346.8	2,600.7

Change in Actuarial Accrued Pension Liability and Components of Related Expenses

(In billions of dollars)	Civilian[1]	Military	Total
Actuarial accrued pension liability, as of September 30, 1998	990.3	650.5	1,640.8
Pension expense:			
Normal costs	22.2	10.4	32.6
Interest on liability	72.0	33.7	105.7
Plan amendments and assumption changes	-	5.7	5.7
Actuarial (gains)/losses	(13.2)	(6.5)	(19.7)
Total pension expense	81.0	43.3	124.3
Benefits paid	(46.1)	(32.0)	(78.1)
Actuarial accrued pension liability, as of September 30, 1999	1,025.2	661.8	1,687.0

[1] Does not include U.S. Tax Court and judicial branch

Significant Assumptions Used in Determining Pension Liability and the Related Expense

(In percentages)	Civilian	Military
Rate of interest	7.00%	6.25%
Rate of inflation	4.00%	3.00%
Projected salary increases	4.25%	3.50%

Change in Actuarial Accrued Post-Retirement Health Benefits Liability and Components of Related Expenses

(In billions of dollars)	Civilian	Military	Total
Actuarial accrued post-retirement health benefits liability, as of September 30, 1998	181.8	223.4	405.2
Prior period adjustments	-	(37.5)	(37.5)
Corrected beginning post-retirement health benefits liability	181.8	185.9	367.7
Post-retirement health benefits expense:			
Normal costs	6.0	4.7	10.7
Interest on liability	11.8	12.0	23.8
Actuarial (gains)/losses	(13.5)	-	(13.5)
Total post-retirement health benefits expense	4.3	16.7	21.0
Claims paid	(6.4)	(6.4)	(12.8)
Actuarial accrued post-retirement health benefits liability, as of September 30, 1999	179.7	196.2	375.9

Significant Assumptions Used in Determining Post-Retirement Health Benefits and the Related Expense

(In percentages)	Civilian	Military
Rate of interest	7.0%	6.5%
Rate of health care cost inflation	7.0%	4.5-10.4%

Civilian Employees

Pensions

The largest civilian pension plan is administered by OPM and covers approximately 90 percent of all Federal civilian employees. This plan includes two components of defined benefits. Those are the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS). The basic benefit components of the CSRS and the FERS are financed and operated through the Civil Service Retirement and Disability Fund (CSRDF).

CSRDF moneys are generated primarily from employees, agency contributions, payments from the general fund and interest on investments in Federal debt securities. See Note 19—Dedicated Collections, Civil Service Retirement and Disability Fund.

The Federal Retirement Thrift Investment Board, an independent Government agency, operates the Thrift Savings Plan. Federal employees and retirees covered by CSRS and FERS own the fund's assets. This Financial Report excludes this fund because the employees own its assets.

Federal debt held by the fund is included and classified as Federal debt held by the public. FERS employees may contribute up to 10 percent of base pay to the plan, which the Government matches up to 5 percent. CSRS employees may contribute up to 5 percent of base pay with no Government match.

The Thrift Savings Plan held $29.4 billion in nonmarketable Treasury securities as of September 30, 1999. The Federal Government's related liability is included in "Total Federal debt securities held by the public" in the Balance Sheet.

Health Benefits

Civilian retirees pay the same insurance premium as active employees under the Federal Employee Health Benefits Program (FEHBP). These premiums cover only a portion of the costs.

Other Benefits

Employee and annuitant contributions and interest on investments fund a portion of the Federal Employees Group Life Insurance program. This insurance program pays private insurance companies for Federal employees' group life insurance. The Office of Personnel Management administers this program.

Military Employees (Including Veterans)

Pensions

The Department of Defense (DOD) Military Retirement Fund finances military retirement and survivor benefit programs.

The military retirement system consists of a funded, noncontributory, defined benefit plan. It applies to the Army, Navy, Marine Corps and Air Force. This system includes non-disability retirement pay, disability retirement pay and retirement pay for reserve service and survivor annuity programs.

Health Benefits

Military benefits entitle retirees and their dependents to health care in military medical facilities if a facility can provide the needed care. Until they reach age 65, military retirees and their dependents also are entitled to be reimbursed for the cost of health care from civilian providers. A premium is charged to enroll in DOD's civilian care program. In addition, there are deductible and copayment requirements for civilian care. After they reach 65 years of age, Medicare covers military retirees.

Military retiree health care figures include the cost of education and training, staffing, buildings and equipment, as well as the operations and maintenance of medical facilities. They also include claims paid to civilian providers and the cost of administering the program.

Compensation and Burial Benefits

The Government compensates disabled veterans and their survivors. Veterans compensation is payable as a disability benefit or a survivor's benefit. Entitlement to compensation depends on: the veteran's disabilities having been incurred in, or aggravated during, active military service; death while on duty, or death resulting from service-connected disabilities, if not in active duty.

Burial benefits include a burial and plot or interment allowance payable for a veteran, who at the time of death, qualified to receive compensation or a pension, or whose death occurred in a VA facility.

The liability for veterans compensation and burial benefits payable decreased in fiscal 1999 by $97.8 billion. The primary factor contributing to this decrease was a change in interest rate assumptions. Due to this change, the Statement of Net Cost item titled "Veterans benefits and services" decreased by $204.8 billion.

Other Benefits

Veterans insurance includes the following programs:

- United States Government Life Insurance established in 1919 to handle new issues and the conversion of World War I Risk Term Insurance.
- National Service Life Insurance established in 1940 to meet the needs of World War II service personnel.
- Veterans Special Life Insurance established in 1951 for Korean veterans who did not have service-connected disabilities.
- Service-Disabled Veterans Insurance established in 1951 for veterans with service-connected disabilities.
- Veterans Reopened Insurance established a 1-year reopening in 1965 of National Service Life Insurance for certain disabled World War II and Korean veterans.

Veterans Compensation and Burial Benefits Payable as of September 30

(In billions of dollars)	
Veterans	397.5
Survivors	82.8
Burial benefits	2.9
Total compensation and burial benefits payable	483.2

Note 12. Environmental and Disposal Liabilities

During World War II and the Cold War, the United States developed a massive industrial complex to research, produce and test nuclear weapons. This included nuclear reactors, chemical processing buildings, metal machining plants, laboratories and maintenance facilities.

These activities left an environmental legacy of contaminated areas and buildings. Volumes of waste and special nuclear materials require treatment, stabilization and disposal. The resulting environmental liabilities consist of the costs associated with removing, containing and/or disposing of this hazardous waste.

Of those environmental liabilities, this report presents only cleanup costs from Federal operations known to result in hazardous waste that the Federal Government is required to clean up by Federal, State, or local statutes and/or regulations.

The Department of Energy incurred operating and capital expenditures totaling $5.8 billion in fiscal 1999. It used these funds to remediate legacy waste. This includes nuclear materials and facilities stabilization, and waste treatment, storage and disposal activities at each installation.

"Environmental management facilities and sites" include costs for environmental restoration; nuclear material and facility stabilization; and waste treatment, storage and disposal activities at each installation. It also includes cost for related activities such as landlord responsibilities, program management and legally prescribed grants for participation and oversight by Native American tribes and regulatory agencies.

"Active and surplus facilities" represent anticipated remediation cost for those facilities that are conducting ongoing operations but ultimately will require stabilization, deactivation and decommissioning.

"High-level waste and spent nuclear fuel" include the full cost to provide for permanent disposal of the Nation's high-level radioactive waste and spent nuclear fuel.

Projects with no current feasibility remediation approach are excluded from the estimate. Significant projects not included are:

- Nuclear explosion test areas (e.g., Nevada test site).
- Large surface water bodies (e.g., Clinch and Columbia Rivers).
- Most ground water (even with treatment, future use will be restricted).
- Some special nuclear material (e.g., uranium hexafluoride).

The Department of Defense (DOD) is responsible for the cleanup of facilities it operates or has operated, including restoration of active and Base Realignment and Closure installations and formerly used defense sites; disposal of chemical weapons; environmental costs associated with the disposal of weapons systems (primarily nuclear powered aircraft carriers and submarines); and for training range cleanup.

Environmental and Disposal Liabilities as of September 30

(In billions of dollars)

Department of Energy:	
Environmental management facilities and sites	183.7
Active and surplus facilities	25.4
High-level waste and spent nuclear fuel	14.9
Other	6.7
Total Energy	230.7
DOD:	
Training ranges	34.0
Active installations	15.4
Nuclear powered aircraft carriers and submarines	10.8
Chemical weapons disposal	8.9
Other	10.6
Total DOD	79.7
All other agencies	2.8
Total environmental and disposal liabilities	313.2

Note 13. Benefits Due

These amounts are the benefits owed to program recipients or medical service providers as of the fiscal year end that have not yet been paid. For a description of the programs, see the Stewardship Responsibilities section under Stewardship Information.

Benefits Due and Payable as of September 30

(In billions of dollars)

Federal Old-Age and Survivors Insurance	29.0
Federal Hospital Insurance (Medicare Part A)	13.3
Grants to States for Medicaid	11.6
Federal Supplemental Medical Insurance (Medicare Part B)	10.4
Federal Disability Insurance	6.8
Supplemental security income	1.0
Railroad retirement	0.7
Unemployment insurance	0.4
Other benefits	0.6
Total benefits due and payable	73.8

Note 14. Other Liabilities

"Insurance programs" include bank deposit insurance, guarantees of pension benefits, life and medical insurance. They also include insurance against damage to property (home, crops and airplanes) caused by perils such as flooding and other natural disasters, risk of war, and insolvency.

"Accrued wages and benefits" consist of the estimated liability for civilian and commissioned officers' salaries and wages earned but unpaid. They also include funded annual leave and other employee benefits that have been earned but are unpaid.

Amounts received for goods and services to be provided comprise "Advances from others".

"Exchange Stabilization Fund" includes Special Drawing Rights (SDRs) certificates issued to the Federal Reserve Banks and allocations from the International Monetary Fund.

"Other debt" includes Government obligations, whether secured or unsecured, not included in public debt.

"Gold certificates" are monetarized portions of gold and the certificates are deposited in the Federal Reserve Bank.

"Deferred revenue" refers to revenue received but not yet earned.

"Other miscellaneous liabilities" include amounts accrued for contingent liabilities.

Other Liabilities as of September 30

(In billions of dollars)

Insurance programs	21.2
Accrued wages and benefits	18.5
Advances from others	16.0
Exchange Stabilization Fund	14.0
Other debt	11.3
Gold certificates	11.0
Deferred revenue	9.5
Unclassified deposited funds	7.1
Other miscellaneous liabilities	60.4
Total other liabilities	169.0

Note 15. Collections and Refunds of Federal Revenue

Treasury is the Federal Government's principal revenue-collecting agency.

Collections of "Individual income and tax withholdings" include estimated income tax payments by individuals, Social Security and Medicare taxes, railroad retirement taxes and individual income tax withholdings.

Refunds of "Individual income and tax withholdings" include refunds from the Earned Income Tax Credit (EITC). The EITC is a refundable credit for taxpayers who work and whose earnings fall below the established ceiling. A refundable credit is first used to offset any individual taxes owed; any remaining amounts are issued to the taxpayer. Amounts reported for corporate income taxes in tax year 1999 include corporate taxes of $8 billion for tax year 2000. In fiscal 1999, the IRS issued $25.6 billion in EITC refunds. An additional $4.9 billion of the EITC credits were applied to reduce taxpayer liability. These EITC amounts are included in "Gross Cost" in the Statement of Net Costs as a component of the income security function.

Collections of Federal Revenue for the Fiscal Year Ended September 30

(In billions of dollars)	Federal Revenue Collections	Tax year to which collections relate: 1999	1998	1997	Prior years
Individual income and tax withholdings	1,588.2	1,020.4	547.4	11.4	9.0
Corporate income taxes	216.0	142.8	62.5	1.1	9.6
Unemployment taxes	26.5	24.6	1.9	-	-
Excise taxes	72.0	48.4	23.5	-	0.1
Estate and gift taxes	28.4	-	25.0	1.0	2.4
Customs duties	19.1	19.1	-	-	-
Federal Reserve Bank earnings	26.0	18.6	7.4	-	-
Fees and licenses	1.6	1.6	-	-	-
Fines, penalties, interest and other taxes	6.7	4.4	2.3	-	-
Total	1,984.5	1,279.9	670.0	13.5	21.1

Federal Tax Refunds Disbursed for the Fiscal Year Ended September 30

(In billions of dollars)	Refunds Dispersed	Tax year to which the refunds relate: 1999	1998	1997	Prior years
Individual income and tax withholdings	149.2	0.6	138.9	7.2	2.5
Corporate income taxes	33.8	1.5	14.2	6.3	11.8
Unemployment taxes	0.1	-	0.1	-	-
Excise taxes	1.3	0.2	0.4	-	0.7
Customs duties	1.2	0.4	0.3	0.1	0.4
Estate and gift taxes	0.7	-	0.2	0.3	0.2
Total	186.3	2.7	154.1	13.9	15.6

Note 16. Unreconciled Transactions Affecting the Change in Net Position

The reconciliation of the "Change in Net Position" requires that the difference between ending and beginning net position equals the excess of revenues over cost, plus or minus prior period adjustments.

The unreconciled transactions needed to bring the change in net position into balance net to $24.4 billion.

The three primary factors affecting this out-of-balance situation are:

- Improper recording of intragovernmental transactions by agencies.
- Transactions affecting Balance Sheet assets and liabilities not properly identified by agencies as prior period adjustments.
- Timing differences and errors in the reporting of transactions.

The Federal financial community considers the identification and reporting of these unreconciled transactions a priority.

Note 17. Prior Period Adjustments

"Prior period adjustments" consist of a net $6.9 billion adjustment to the opening net position, to correct errors in prior periods.

Significant components of this net adjustment include:

- A $37.5 billion decrease of the beginning post-retirement health benefits liability for military personnel (see Note 11—Federal Employee and Veteran Benefits Payable), and
- A $28.5 billion increase of the environmental liabilities for long-term surveillance and maintenance, and decontamination and decommissioning costs.

Note 18. Commitments and Contingencies

The Government has entered into contractual commitments that require future use of financial resources. It has significant amounts of long-term lease obligations as shown in the table below. "Undelivered orders" represent the value of goods and services ordered that have not yet been received.

Contingent liabilities related to the loan guarantee programs are described in Note 4.

A contingency is an existing condition or situation involving uncertainty as to a possible loss. A loss is considered reasonably possible if the future confirming event or events are more than remote, but less than probable. These contingencies do not include existing conditions or situations where the future occurring event is only considered remote, nor do they include contingencies that would result in a gain.

The Government also is subject to contingencies, including litigation, that arise in the normal course of operations. The ultimate disposition of these matters is unknown. Based on information currently available, however, it is management's opinion that the expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on the financial statements, except for litigation described in the next paragraph.

Numerous cases are pending involving supervisory goodwill at savings and loan institutions, Medicare cost report settlements, harbor maintenance fees and certain other matters. While it is likely that the United States will have to pay some amount of damages on the claims, the ultimate costs can not be reasonably estimated at this time.

The Government also has unused statutory lines of credit to Government sponsored enterprises totaling $10 billion.

Financial Treatment of Loss Contingencies

Probability of Loss	Probable	Reasonably Possible, more than remote but less than probable	Remote, chance of occurrence slight
Financial Treatment	Balance Sheet	Footnote Disclosure	No disclosure

Commitments as of September 30

(In billions of dollars)

	Capital Leases	Operating Leases
Long-term Leases:		
General Services Administration (GSA)	0.3	15.7
U.S. Postal Service	0.6	8.5
Department of Justice	-	3.9
National Institutes of Health	-	0.6
Other long-term leases	0.9	2.3
Total long-term leases	1.8	31.0
Undelivered Orders:		
HUD	104.3	
Navy	28.0	
Education	21.5	
HHS	19.7	
Executive Office of the President	16.4	
Defense agencies	14.1	
Rural development	13.9	
Other undelivered orders	187.1	
Total undelivered orders	405.0	
Other Commitments:		
National Oceanic and Atmospheric Administration satellites and weather systems	5.6	
Transportation	3.0	
GSA	1.5	
Navy	0.4	
Commodity Credit Corporation	0.3	
Total other commitments	10.8	

Contingencies as of September 30

(In billions of dollars)

Insurance:	
Export-Import Bank	40.9
Pension Benefit Guaranty Corporation	19.0
Overseas Private Investment Corporation	0.2
Bank Insurance Fund	0.2
Other insurance programs	0.2
Total insurance programs	60.5
Unadjudicated Claims:	
Air Force	0.8
Interior	0.4
GSA	0.2
Federal Savings and Loan Insurance Corporation Resolution Fund	0.1
Bank Insurance Fund	0.1
Army	0.1
Other unadjudicated claims	0.6
Total unadjudicated claims	2.3
Other Contingencies:	
Multi-lateral development banks	67.4
Production flexibility program	5.1
Conservation reserve program	1.3
Environmental cleanup	1.1
Contingent liabilities	0.5
Nuclear waste fund	0.5
Real property activities	0.4
Other contingencies	1.4
Total other contingencies	77.7

Note 19. Dedicated Collections

The term "trust fund," as used in this report and in Federal budget accounting, is frequently misunderstood. In the private sector, "trust fund" refers to funds of one party held by a second party (the trustee) in a fiduciary capacity. In the Federal budget, the term "trust fund" means only that the law requires the funds be accounted for separately, used only for specified purposes and designated as a "trust fund." A change in law may change the future receipts and the terms under which the fund's resources are spent.

"Trust fund assets" represent the unexpended balance from all sources of receipts and amounts due the trust fund, regardless of source. This includes related governmental transactions. These are transactions between two different entities within the Federal Government (for example, monies received by one entity of the Government from another entity of the Government).

"Intragovernmental net assets" are comprised of investments in Federal debt securities, related accrued interest and fund balance with Treasury. These amounts were eliminated in preparing this Financial Report.

"Consolidated assets" represent only the amounts due from individuals and other entities outside the Government. This means that all related governmental transactions are removed to present the Government's position as a whole.

The majority of trust fund assets is invested in intragovernmental Federal debt securities. These securities require redemption if a fund's disbursements exceed its receipts. Redeeming these securities will increase the Government's financing needs and require more borrowing from the public (or less repayment of debt prior to maturity) or will result in higher taxes than otherwise would have been needed.

Dedicated Collections as of September 30*

(In billions of dollars)	Receipts	Disburse-ments	Assets: Trust Fund Net Assets	Assets: Less Intragovern-mental Net Assets	Assets: Consoli-dated Assets
Fund Name					
Federal Old-Age and Survivors Insurance Trust Fund	444.7	334.4	745.9	745.9	-
Federal Disability Insurance Trust Fund	67.9	52.0	87.1	87.1	-
Medicare Part A	150.5	132.4	141.4	141.4	-
Medicare Part B	85.1	79.6	45.6	45.6	-
Unemployment Trust Fund	31.8	25.0	78.9	78.9	-
Hazardous Substance Superfund	0.9	1.5	4.4	4.4	-
Highway Trust Fund	39.3	29.3	28.0	28.0	-
Airport and Airway Trust Fund	11.1	7.7	12.7	12.7	-
Civil Service Retirement and Disability Fund	73.9	43.9	490.4	490.1	0.3
Military Retirement Fund	38.0	32.0	156.0	156.0	-
Railroad Retirement Board Trust Fund	5.1	8.2	21.9	21.9	-

*By law, certain expenses (costs) related to the administration of the above funds are not charged to the funds and are financed by other sources.

Federal Old-Age and Survivors Insurance Trust Fund

This trust fund provides assistance and protection against the loss of earnings due to retirement or death. The assistance is in the form of money payments. The Federal Old-Age and Survivors Insurance Trust Fund is administered by the Social Security Administration (SSA).

Payroll and self-employment taxes primarily fund the Federal Old-Age and Survivors Insurance Trust Fund. Interest earnings on Federal debt 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 benefits provide the fund with additional income.

Federal Disability Insurance Trust Fund

The Federal Disability Insurance Trust Fund provides assistance and protection against the loss of earnings due to a wage earner's disability. The assistance is in the form of money payments. SSA administers the Federal Disability Insurance Trust Fund.

Like the Federal Old-Age and Survivors Insurance Trust Fund, payroll taxes primarily fund the Federal Disability Insurance Trust Fund. The Fund also receives income from interest earnings on Federal debt securities, Federal agencies' payments for the Social Security benefits earned by military and Federal civilian employees, and a portion of income taxes paid on Social Security benefits.

Federal Hospital Insurance Trust Fund

The Federal Hospital Insurance Trust Fund finances the Hospital Insurance program (Medicare Part A). This program funds the cost of hospital and related care for individuals age 65 or older, who meet certain insured status requirements, and for eligible disabled people. The Department of Health and Human Services (HHS) administers the program.

The Federal Hospital Insurance Trust Fund is financed primarily by payroll taxes, including those paid by Federal agencies. It also receives income from interest earnings on Federal debt securities and a portion of income taxes paid on Social Security benefits.

Federal Supplementary Medical Insurance Trust Fund (Medicare Part B)

The Federal Supplementary Medical Insurance Trust Fund finances the Supplemental Medical Insurance program (Medicare Part B), which provides supplementary medical insurance for eligible participants to cover medical expenses not covered by Medicare Part A. The Department of Health and Human Services administers the program.

Appropriations, premiums charged to enrollees and interest earned on investments in Federal debt securities fund the Federal Supplementary Medical Insurance Trust Fund.

Unemployment Trust Fund

The Unemployment Trust Fund protects workers who lose their jobs through no fault of their own. The Unemployment Insurance program is a unique Federal and State partnership based on Federal law, but executed through State law by State officials. The Department of Labor administers the Federal operations of the program.

Taxes on employers primarily fund the Unemployment Trust Fund. However, interest earned on investments in Federal debt securities also provides income to the fund. Appropriations have supplemented its income during periods of high and extended unemployment.

Hazardous Substance Superfund

The Hazardous Substance Superfund was authorized to address public health and environmental threats from spills of hazardous materials and from sites contaminated with hazardous substances. The Environmental Protection Agency (EPA) administers the fund.

The following finance the Hazardous Substance Superfund:

- Excise taxes collected on petroleum, chemicals and imported substances (expired in 1995).
- Environmental taxes from corporations with alternative minimum taxable income in excess of $2 million (expired in 1995).
- Fines and penalties and cost recoveries from responsible parties.
- Appropriations.
- Interest earned on investments in Federal debt securities.

Highway Trust Fund

The Highway Trust Fund was established to promote domestic interstate transportation, and moving people and goods. The fund provides Federal grants to States for highway construction and related transportation purposes. Transportation administers the Highway Trust Fund.

The following provide all financing for the Highway Trust Fund:

- Earmarked taxes on gasoline and other fuels, certain tires, vehicle and truck use.
- Interest earned on investments in Federal debt securities.

Airport and Airway Trust Fund

The Airport and Airway Trust Fund provides for airport improvement, maintenance of airport facilities and equipment, research, and a portion of operations. Transportation administers the Airport and Airway Trust Fund.

The following provide funding for the Airport and Airway Trust Fund:

- Taxes received from transportation of persons and property in the air and fuel used in non-commercial aircraft.
- International departure taxes.
- Interest earned on investments in Federal debt securities.

Civil Service Retirement and Disability Fund

The Civil Service Retirement and Disability Fund covers two Federal civilian retirement systems: the Civil Service Retirement System (CSRS) for employees hired before 1984 and the Federal Employee Retirement System (FERS), for employees hired after 1983.

The CSRS is financed by:

- Federal civilian employees' contributions.
- Agencies' contributions on behalf of the employees.
- Appropriations.
- Interest earned on investments in Federal debt securities.

Military Retirement Fund

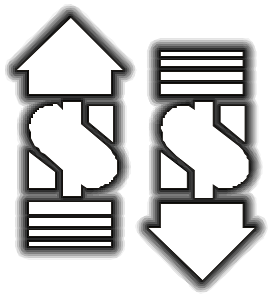
The Military Retirement Fund provides retirement benefits for Army, Navy, Marine Corps and Air Force personnel and their survivors. The fund is financed by DOD contributions, appropriations and interest earned on investments in Federal debt securities.

Railroad Retirement Trust Fund

The Railroad Retirement Trust Fund provides annuities and survivor benefits to eligible railroad employees and their survivors. The fund also pays disability annuities based on total or occupational disability.

Payroll taxes paid by railroad employers and their employees provide the primary source of income for the Railroad Retirement Survivor Benefit program. By law, railroad taxes are coordinated with Social Security taxes.

Note 20. Indian Trust Funds



The Indian Trust Funds differ from other dedicated collections reported in Note 19. The Department of the Interior (Interior) has responsibility for the assets held in trust on behalf of American Indian tribes and individuals. The trust funds are held in accounts for approximately 315 tribes, 317,000 individual Indian accounts and other funds, including the Alaska Native Escrow Fund.

The assets held in trust for Native Americans are owned by the trust beneficiaries and are not the Federal Government's assets. Therefore, these amounts are not reflected in the Balance Sheet or Statement of Operations and Changes in Net Position except for their holdings of nonmarketable Treasury securities, for which the Government's liability is included in Federal debt securities held by the public.

U.S. Government as Trustee for Indian Trust Funds Held for Indian Tribes and Other Special Trust Funds Statement of Changes in Trust Fund Balances as of September 30 (Unaudited)

(In millions of dollars)	
Receipts	873.0
Disbursements	(736.7)
Receipts in excess of disbursements	136.3
Trust fund balances, beginning of year	2,460.0
Adjustment	(0.5)
Trust fund balances, end of year	2,595.8

U.S. Government as Trustee for Indian Trust Funds Held for Individual Indian Monies Trust Funds Statement of Changes in Trust Fund Balances as of September 30 (Unaudited)

(In millions of dollars)	
Receipts	306.7
Disbursements	(336.6)
Receipts in excess of disbursements	(29.9)
Trust fund balances, beginning of year	479.2
Trust fund balances, end of year	449.3