



# The United States Government A Report to Our Citizens

*The Institute for Truth in Accounting is publishing this report to provide general and financial information about the federal government to citizens in a comprehensive and easy to understand format.*

## Mission Statement

As outlined in the United States Constitution, the federal government exists:



- To establish justice,
- To ensure domestic tranquility,
- To provide for the common defense,
- To secure the blessings of liberty to ourselves and our posterity
- To promote the general welfare, and
- To secure the blessings of liberty to ourselves and our posterity

## Federal Government Organization and Information

The U.S. Constitution, which was ratified in 1788, is the cornerstone of our American Government and describes ways that its mission is accomplished. This document also established the structure or plan of the government and the rights of the American people. The Constitution divides the government into three branches, which are designed to check and balance one another's powers. The three branches are executive, legislative and judicial. The President is the head of the executive branch. The highest court in the judicial branch is the Supreme Court. The lawmaking body of the legislative branch is known as Congress, which includes the House of Representatives and Senate.

To obtain the funds necessary to carry out the federal government's mission, the Treasury Department, within the executive branch, collects trillions of dollars of taxes and other revenues each year. Determining how these funds will be distributed is a long and complicated process that begins with the creation and submission to Congress of the President's Budget.

## Reporting on Taxing and Spending Policies

Once the President's Budget is received by Congress, the House of Representatives works to create a budget resolution, which sets the government's base line level of spending. Once this bottom line is established, Congress mandates how this level of funding will be disbursed among federal activities.

The Treasury Department then distributes funds to various executive branch departments and programs according to the plan authorized by Congress. The Treasury Department reports its spending and taxing activities by issuing two reports. The Monthly Treasury Statement reports budget results to inform the public how the government spent taxpayer money in accordance with applicable laws. The Financial Report is a broad, comprehensive overview of the government's financial position and activities. The following pages summarize the Financial Report by answering the following questions:

- **Where Do We Stand?**
- **Are We Better Off?**
- **What's Next?**

## Selected Financial Data

	2008
<b>Population</b>	<b>300,184,000</b>
<b>Median Household Income (2007)</b>	<b>\$50,233</b>
<b>Total Household Net Worth</b>	<b>\$56,539,900,000,000</b>
<b>Government's Net Debt &amp; Responsibilities</b>	<b>\$59,338,000,000,000</b>
<b>Each Household's Share of Government's Fiscal Burden</b>	<b>\$518,700</b>
<b>Deterioration in Net Position</b>	<b>\$ 5,070,700,000,000</b>

# Where Do We Stand?

## Our Country's Financial Condition

The U.S. government is the largest, most diverse, most complex and arguably the most important financial entity on earth today. The Department of the Treasury, in coordination with the Office of Management and Budget, annually prepares the Financial Report of the United States Government. Included in this report are the Government's balance sheet, liabilities, notes to the financial statements and, management discussion and analysis. The data within this *Report to Our Citizens* is derived from information within the Financial Report.

Certain material weaknesses in financial reporting and other limitations on the scope of the auditors' work resulted in conditions that, for the 12th consecutive year, prevented the U.S. Comptroller General from expressing an opinion on the federal government's financial statements. While the U.S. Comptroller General cautions the readers of the Financial Report that amounts reported in the consolidated financial statements and related notes may not be reliable, this Financial Report remains the best information available on the nation's financial condition.



### What We Own

In billions	2007	2008	Difference
<b>Assets</b>	<b>\$ 1,581</b>	<b>\$ 1,975</b>	<b>\$ 394</b>

### What We Owe

In billions	2007	2008	Difference
Social Security responsibilities	\$16,265	\$17,188	\$ 923
Medicare benefits responsibilities	\$28,664	\$31,810	\$3,146
Military & civilian pension & retiree health	\$ 4,769	\$ 5,319	\$ 550
Publicly held debt	\$ 5,077	\$ 5,836	\$ 759
Other liabilities and responsibilities	\$ 1,073	\$ 1,160	\$ 87
<b>Total debt and responsibilities</b>	<b>\$55,848</b>	<b>\$61,313</b>	<b>\$5,465</b>

### Where We Are

In billions	2007	2008	Deterioration in Net Position
<b>Net Debt &amp; Responsibilities</b>	<b>\$54,267</b>	<b>\$59,338</b>	<b>\$5,071</b>



This document is prepared and published by the Institute for Truth in Accounting. Your suggestions for improvements would be welcomed. Please contact Sheila Weinberg at 847-835-5200 or [sweinberg@truthinaccounting.org](mailto:sweinberg@truthinaccounting.org).

It is the mission of the Institute for Truth in Accounting (IFTA) to encourage private and public entities to produce financial reports that are comprehensive, understandable and transparent as well as to inform the public of the importance of truthful accounting. The IFTA believes decision makers need to understand an entity's current position and the likely consequences of decisions already made and of those to be made. The Institute is a non-profit, public interest group that does not advocate public policy beyond better and more truthful accounting. We welcome your support through ideas and donations. For more information visit [www.truthinaccounting.org](http://www.truthinaccounting.org).

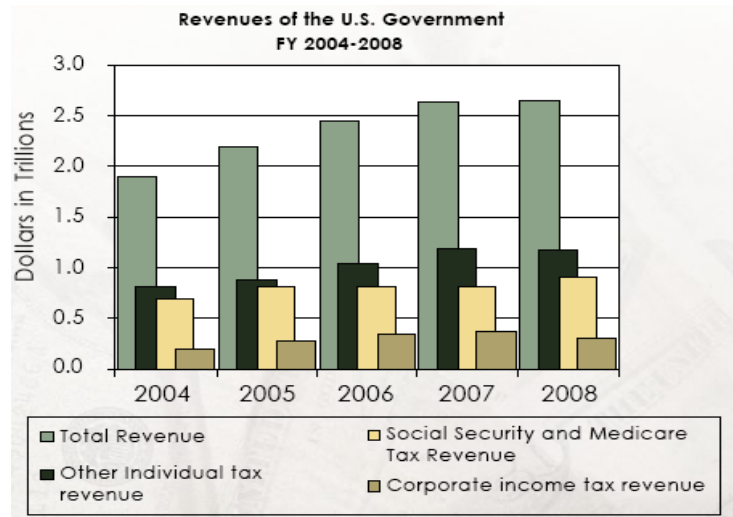
# Are We Better Off?

## Revenues and Expenses

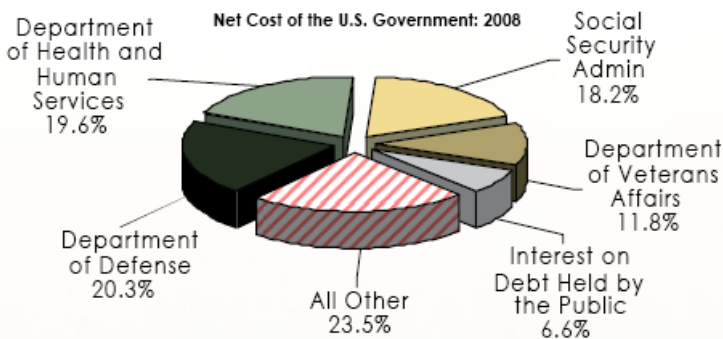
### What Came In?

In FY 2008, Government revenue totaled \$2.7 trillion. Total Government revenue remained relatively constant, compared to FY 2007, increasing slightly by \$34 billion or just over 1 percent.

Individual income tax revenue increased by \$79 billion or almost 4 percent, but corporate income tax revenue substantially decreased by \$68 billion or 18.4 percent in FY 2008. The corporate revenue decrease is attributable largely to changing economic conditions as the economy entered a recession in December 2007. Social Security tax revenue of \$671 billion and Medicare tax revenue of \$197 billion accounted for approximately one-third of total revenues in FY 2008.



### What Went Out?



The Government's net cost totaled \$3.6 trillion, an increase of \$731 billion or more than 25 percent over FY 2007. The Government's "bottom line" net operating cost—the difference between revenue and net cost—exceeded \$1 trillion for the first time—more than triple the FY 2007 net operating cost of \$276 billion. The largest contributors to the Government's net cost include the Departments of Health and Human Services and Defense, the Social Security Administration, and the interest paid on debt held by the public. In FY 2008, the Department of Veterans Affairs' contribution to net cost increased from just over 2 percent or \$59.4 billion in 2007 to nearly 12 percent or \$430.4 billion, as shown in the chart to the left in FY 2008.

### Shortfall

	2008
<b>Revenue</b>	<b>\$ 2,661,400,000,000</b>
<b>Less Net Costs*</b>	<b>3,640,700,000,000</b>
<b>Net Operating Loss</b>	<b>\$ 1,009,100,000,000</b>
<b>Increase in Social Security, Medicare and other responsibilities*</b>	<b>\$ 4,061,600,000,000</b>
<b>Deterioration of Net Position</b>	<b>\$ 5,070,700,000,000</b>

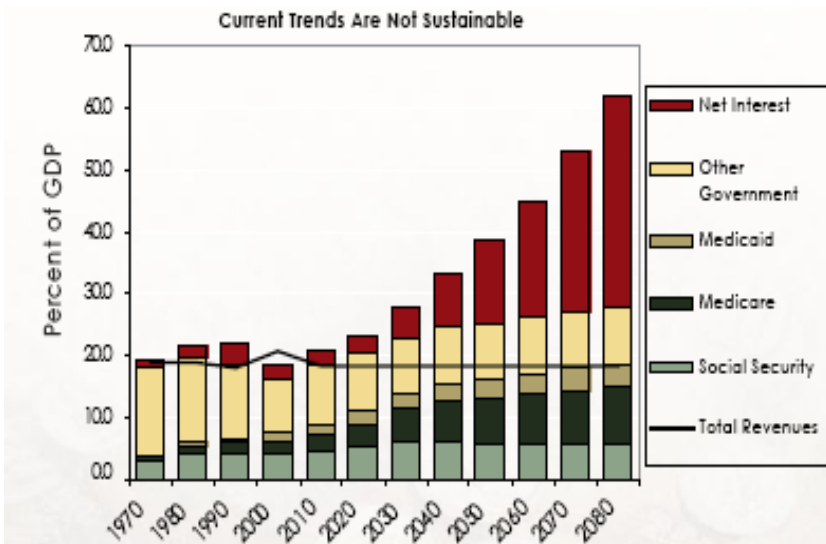
\*Includes other miscellaneous adjustments

# What's Next?

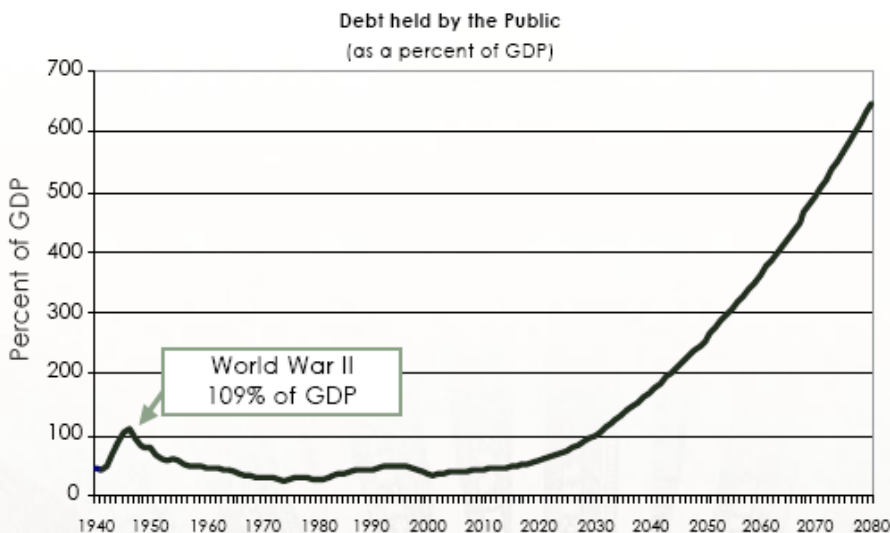
## Future Challenges and Economic Outlook

### The Government Is On An Unsustainable Fiscal Path

As you can see in the chart to the right, the government faces a huge fiscal challenge in the years ahead. The Government's immediate challenge is to deal with the current financial crisis and the resulting economic recession. Net operating costs and budget deficits are likely to remain elevated for some time as the Government works to restore market stability. If the Government is to retain the ability to manage a financial crisis such as the one today, it must eventually address the long-term fiscal imbalance resulting from Social Security, Medicare, and Medicaid. The Government's fiscal policies for these programs as currently structured are not sustainable. Without changes, spending for Social Security, Medicare, and Medicaid would permanently and dramatically increase the Government's budget deficit and debt, leading eventually to renewed financial and economic instability.



### Fundamental Reforms Are Needed Now



Large and growing deficits are projected and could increase Government debt levels as a percentage of GDP (everything the country produces) to unprecedented and unsustainable heights – from 170 percent by 2040 to over 600 percent by 2080 – far exceeding the historical high of 109 percent that occurred immediately following WWII and far exceeding the government's ability to fund program expenditures.

With respect to entitlement spending, the nation must change course before the deficit and debt reach unprecedented heights. The Government must act to bring social insurance expenses and resources in balance. Delays will increase the magnitude of the reforms needed and will place more of the burden on future generations.

There is no simple fix to the projected imbalance between social insurance expenditures and revenues. The precise amount of the Government's future financial responsibilities is far from certain, as they are based on many complex calculations and assumptions. Nevertheless, the magnitude of these responsibilities and the pressing need to control their continued growth are evident.



The Financial Report of the U.S. Government can be found at:  
<http://fms.treas.gov/fr/index.html>  
 A Citizen's Guide to the Report can be found at:  
<http://fms.treas.gov/fr/08frusg/08guide.pdf>