Financial Statements and Additional Information

The agency's financial statements and additional information for fiscal years (FY) 2010 and 2009 consist of the following:

- The **Consolidated Balance Sheets** present as of September 30, 2010 and 2009, amounts of economic benefits owned or managed by the Social Security Administration (SSA) (assets) exclusive of items subject to stewardship reporting, amounts owed by SSA (liabilities), and residual amounts retained by SSA, comprising the difference (net position). A Balance Sheet by Major Program is provided as additional information.

- The **Consolidated Statements of Net Cost** present the net cost of operations for the years ended September 30, 2010 and 2009. SSA's net cost of operations includes the gross costs incurred less any exchange revenue earned from activities presented by SSA's major programs. By disclosing the gross cost and net cost of the entity's programs, the Consolidated Statements of Net Cost provide information that can be related to the outputs and outcomes of programs and activities. A Schedule of Net Cost is provided to show the components of net cost activity as additional information.

- The **Consolidated Statements of Changes in Net Position** present the change in net position for the years ended September 30, 2010 and 2009. Net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations. The statement format is designed to display both components of net position separately to enable the user to better understand the nature of changes to net position as a whole. A Schedule of Changes in Net Position is provided to present the change in net position by major programs as additional information.

- The **Combined Statements of Budgetary Resources** present the budgetary resources available to SSA, the status of these resources, and the outlay of budgetary resources for the years ended September 30, 2010 and 2009. An additional Schedule of Budgetary Resources is provided as Required Supplementary Information to present budgetary resources by major programs.

- The **Statement of Social Insurance** presents the actuarial present value for the 75-year projection period of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) future income and cost expected to arise from the formulas specified in current law for current and future program participants. The difference between these values is presented, both including and excluding the value of the combined OASI and DI Trust Fund assets at the beginning of the period, in order to provide an indication of the program's financial status.

- The **Required Supplementary Information: Social Insurance** presents required long-range cashflow projections, the long-range projections of the ratio of contributors to beneficiaries (dependency ratio), and the sensitivity analysis illustrating the effect of the changes in the most significant assumptions on the actuarial projections and present values. The financial and actuarial disclosures are accompanied by a narrative describing the program, how it is financed, how benefits are calculated, and an interpretive analysis of trends revealed by the data.

Consolidated Balance Sheets as of September 30, 2010 and 2009
(Dollars in Millions)

Assets	**2010**	2009
Intragovernmental:		
Fund Balance with Treasury (Notes 3 and 4)	**$ 6,187**	$ 7,286
Investments (Note 5)	**2,586,333**	2,504,248
Interest Receivable, Net (Note 5)	**28,893**	29,382
Accounts Receivable, Net (Note 6)	**915**	565
Other	**2**	0
Total Intragovernmental	**2,622,330**	2,541,481
Accounts Receivable, Net (Notes 3 and 6)	**10,369**	9,694
Property, Plant, and Equipment, Net (Notes 3 and 7)	**2,825**	2,455
Other	**3**	4
Total Assets	**$ 2,635,527**	$ 2,553,634
Liabilities (Note 8)		
Intragovernmental:		
Accrued Railroad Retirement Interchange	**$ 4,418**	$ 4,310
Accounts Payable	**8,525**	8,512
Other	**269**	286
Total Intragovernmental	**13,212**	13,108
Benefits Due and Payable	**80,785**	79,859
Accounts Payable	**473**	453
Other	**1,467**	1,389
Total Liabilities	**95,937**	94,809
Net Position		
Unexpended Appropriations-Earmarked Funds (Note 9)	**61**	58
Unexpended Appropriations-Other Funds	**412**	680
Cumulative Results of Operations-Earmarked Funds (Note 9)	**2,537,480**	2,456,852
Cumulative Results of Operations-Other Funds	**1,637**	1,235
Total Net Position	**2,539,590**	2,458,825
Total Liabilities and Net Position	**$ 2,635,527**	$ 2,553,634

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

Consolidated Statements of Net Cost for the Years Ended September 30, 2010 and 2009

(Dollars in Millions)

	2010	2009
OASI Program		
Benefit Payments	**$ 574,223**	$ 548,695
Operating Expenses (Note 10)	**3,584**	3,559
Total Cost of OASI Program	**577,807**	552,254
Less: Exchange Revenues (Notes 11 and 12)	**(15)**	(16)
Net Cost of OASI Program	**577,792**	552,238
DI Program		
Benefit Payments	**121,598**	116,120
Operating Expenses (Note 10)	**3,028**	2,856
Total Cost of DI Program	**124,626**	118,976
Less: Exchange Revenues (Notes 11 and 12)	**(42)**	(40)
Net Cost of DI Program	**124,584**	118,936
SSI Program		
Benefit Payments	**43,844**	42,114
Operating Expenses (Note 10)	**3,798**	3,486
Total Cost of SSI Program	**47,642**	45,600
Less: Exchange Revenues (Notes 11 and 12)	**(301)**	(347)
Net Cost of SSI Program	**47,341**	45,253
Other		
Benefit Payments	**8**	9
Operating Expenses (Note 10)	**2,546**	15,222
Total Cost of Other Program	**2,554**	15,231
Less: Exchange Revenues (Notes 11 and 12)	**(10)**	(10)
Net Cost of Other	**2,544**	15,221
Total Net Cost		
Benefit Payments	**739,673**	706,938
Operating Expenses (Note 10)	**12,956**	25,123
Total Cost	**752,629**	732,061
Less: Exchange Revenues (Notes 11 and 12)	**(368)**	(413)
Total Net Cost	**$ 752,261**	$ 731,648

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

Consolidated Statements of Changes in Net Position for the Years Ended September 30, 2010 and 2009

(Dollars in Millions)

	2010			2009		
	Earmarked Funds	**All Other Funds**	**Total**	Earmarked Funds	All Other Funds	Total
Cumulative Results of Operations:						
Beginning Balances	**$ 2,456,852**	**$ 1,235**	**$ 2,458,087**	$ 2,325,293	$ 421	$ 2,325,714
Budgetary Financing Sources						
Appropriations Used	**22,845**	**50,975**	**73,820**	20,822	62,178	83,000
Tax Revenues (Note 13)	**646,673**	**0**	**646,673**	668,186	0	668,186
Interest Revenues	**118,014**	**0**	**118,014**	118,230	0	118,230
Transfers-In/Out - Without Reimbursement	**(5,952)**	**7,841**	**1,889**	(5,561)	7,509	1,948
Railroad Retirement Interchange	**(4,500)**	**0**	**(4,500)**	(4,510)	0	(4,510)
Net Transfers-In/Out	**(10,452)**	**7,841**	**(2,611)**	(10,071)	7,509	(2,562)
Other Budgetary Financing Sources	**63**	**0**	**63**	59	0	59
Other Financing Sources (Non-Exchange)						
Imputed Financing Sources (Note 14)	**0**	**709**	**709**	0	578	578
Other	**0**	**(3,377)**	**(3,377)**	0	(3,470)	(3,470)
Total Financing Sources	**777,143**	**56,148**	**833,291**	797,226	66,795	864,021
Net Cost of Operations	**696,515**	**55,746**	**752,261**	665,667	65,981	731,648
Net Change	**80,628**	**402**	**81,030**	131,559	814	132,373
Cumulative Results of Operations	**$ 2,537,480**	**$ 1,637**	**$ 2,539,117**	$ 2,456,852	$ 1,235	$ 2,458,087
Unexpended Appropriations:						
Beginning Balances	**$ 58**	**$ 680**	**$ 738**	$ 54	$ 1,724	$ 1,778
Adjustments						
Corrections of Errors	**5**	**0**	**5**	0	0	0
Beginning Balances, as Adjusted	**$ 63**	**$ 680**	**$ 743**	$ 54	$ 1,724	$ 1,778
Budgetary Financing Sources						
Appropriations Received	**22,851**	**51,480**	**74,331**	20,833	61,821	82,654
Other Adjustments	**(8)**	**(773)**	**(781)**	(7)	(687)	(694)
Appropriations Used	**(22,845)**	**(50,975)**	**(73,820)**	(20,822)	(62,178)	(83,000)
Total Budgetary Financing Sources	**(2)**	**(268)**	**(270)**	4	(1,044)	(1,040)
Total Unexpended Appropriations	**61**	**412**	**473**	58	680	738
Net Position	**$ 2,537,541**	**$ 2,049**	**$ 2,539,590**	$ 2,456,910	$ 1,915	$ 2,458,825

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

Combined Statements of Budgetary Resources for the Years Ended September 30, 2010 and 2009
(Dollars in Millions)

	2010	2009
Budgetary Resources (Note 15)		
Unobligated Balance, Brought Forward, October 1	$ 2,584	$ 2,860
Recoveries of Prior Year Unpaid Obligations	411	490
Budget Authority		
Appropriation	882,359	899,939
Spending Authority from Offsetting Collections		
Earned		
Collected	3,650	4,233
Change in Receivable	2	(7)
Change in Unfilled Customer Orders		
Advance Received	(14)	(56)
Expenditure Transfers from Trust Funds	11,466	11,629
Subtotal	897,463	915,738
Nonexpenditure Transfers, Net	(18)	38
Temporarily Not Available Pursuant to Public Law	(101,020)	(141,431)
Permanently Not Available	(786)	(700)
Total Budgetary Resources	$ 798,634	$ 776,995
Status of Budgetary Resources (Note 15)		
Obligations Incurred		
Direct	$ 792,886	$ 770,188
Reimbursable	3,653	4,223
Subtotal	796,539	774,411
Unobligated Balances		
Apportioned	861	728
Unobligated Balance - Not Available	1,234	1,856
Total Status of Budgetary Resources	$ 798,634	$ 776,995
Change in Obligated Balance		
Obligated Balances, Net		
Unpaid Obligations, Brought Forward, October 1	$ 87,128	$ 79,950
Uncollected Customer Payments, Brought Forward, October 1	(3,743)	(2,522)
Total Unpaid Obligated Balance, Net	83,385	77,428
Obligations Incurred, Net	796,539	774,411
Gross Outlays	(795,652)	(766,743)
Recoveries of Prior Year Unpaid Obligations, Actual	(411)	(490)
Change in Uncollected Customer Payments	(87)	(1,221)
Obligated Balance, Net, End of Period		
Unpaid Obligations	87,604	87,128
Uncollected Customer Payments	(3,830)	(3,743)
Total Unpaid Obligated Balance, Net, End of Period	$ 83,774	$ 83,385
Net Outlays		
Net Outlays		
Gross Outlays	$ 795,652	$ 766,743
Offsetting Collections	(15,016)	(14,575)
Distributed Offsetting Receipts	(26,455)	(24,554)
Net Outlays	$ 754,181	$ 727,614

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

Statement of Social Insurance
Old-Age, Survivors and Disability Insurance
as of January 1, 2010
(In billions)

		Estimates from Prior Years			
	2010	**2009**	**2008**	**2007**	**2006**
Actuarial present value for the 75-year projection period of estimated future tax income received from or on behalf of: (Note 17)					
Current participants who, in the starting year of the projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	$19,914	$18,559	$18,249	$17,515	$16,568
Have attained retirement eligibility age (Age 62 and over)	672	575	542	477	533
Those expected to become participants (Under age 15)	19,532	18,082	17,566	16,121	15,006
All current and future participants	40,118	37,217	36,357	34,113	32,107
Actuarial present value for the 75-year projection period of estimated future cost for or on behalf of: (Note 17)					
Current participants who, in the starting year of the projection period:					
Have not yet attained retirement eligibility age (Ages 15-61)	32,225	30,207	29,021	27,928	26,211
Have attained retirement eligibility age (Age 62 and over)	8,096	7,465	6,958	6,329	5,866
Those expected to become participants (Under age 15)	7,744	7,223	6,933	6,619	6,480
All current and future participants	48,065	44,894	42,911	40,876	38,557
Actuarial present value for the 75-year projection period of estimated future excess of tax income over cost (Note 17)	-$7,947	-$7,677	-$6,555	-$6,763	-$6,449
Additional Information					
Actuarial present value for the 75-year projection period of estimated future excess of tax income over cost (Note 17)	-$7,947	-$7,677	-$6,555	-$6,763	-$6,449
Combined OASI and DI Trust Fund assets at start of period	2,540	2,419	2,238	2,048	1,859
Actuarial present value for the 75-year projection period of estimated future excess of tax income over cost, plus the combined OASI and DI Trust Fund assets at start of period (Note 17)	-$5,406	-$5,258	-$4,316	-$4,715	-$4,591

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

(Presented in Millions)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Social Security Administration (SSA), as an independent agency in the executive branch of the United States Government, is responsible for administering the nation's Old-Age and Survivors and Disability Insurance (OASDI) programs and the Supplemental Security Income (SSI) program. SSA is considered a separate reporting entity for financial reporting purposes, and its financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources, and the actuarial present value for the 75-year projection period for Social Insurance as required by the Office of Management and Budget (OMB) in OMB Circular No. A-136, *Financial Reporting Requirements*.

The financial statements have been prepared from the accounting records of SSA on an accrual basis, in conformity with generally accepted accounting principles (GAAP) of the United States of America for Federal entities and the form and content for entity financial statements specified by OMB in Circular No. A-136. The Combined Statements of Budgetary Resources and related disclosures provide information about how budgetary resources were made available as well as the status at the end of the period. It is the only statement predominately derived from an entity's budgetary general ledger in accordance with budgetary accounting rules, which are incorporated into GAAP for the Federal Government. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The consolidated and combined financial statements include the accounts of all funds under SSA control, consisting primarily of the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds, SSA's Limitation on Administrative Expenses (LAE), three deposit funds, and four general fund appropriations. Starting in the second quarter of FY 2009, SSA's financial statements also include new appropriations related to the *American Recovery and Reinvestment Act* (ARRA) of 2009.

LAE is a mechanism to allow SSA to fund its administrative operations and is considered a subset of the OASI and DI Trust Funds. The three deposit funds are the SSI Unnegotiated Checks, SSI Payments, and Payments for Information Furnished by SSA. The four general funds are the Office of the Inspector General (OIG), Payments to Social Security Trust Funds (PTF), SSI Program, and Payments for Credits Against Social Security Contributions. SSA's financial statements also include OASI and DI investment activities performed by Treasury. SSA's financial activity has been classified and reported by the following program areas: OASI, DI, SSI, LAE, and Other. Other consists primarily of PTF appropriations but also contains non-material activities.

Fund Balance with Treasury

SSA's Fund Balance with Treasury, shown on the Consolidated Balance Sheets, is the aggregate amount of funds in SSA's accounts with the Department of the Treasury for which SSA is authorized to make expenditures and pay liabilities. Refer to Note 4, Fund Balance with Treasury.

Investments

Daily deposits received by the OASI and DI Trust Funds which are not required to meet current expenditures are invested in interest-bearing obligations of the U.S. Government. The OASI and DI Trust Fund balances may be invested only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States as provided by Section 201(d) of the *Social Security Act*. These investments consist of U.S. Treasury special-issue bonds. Special-issue bonds are special public debt obligations for purchase exclusively by the OASI and DI Trust Funds; therefore, they are non-marketable securities. Interest is computed semi-annually (June and December). They are purchased and redeemed at face value, which is the same as their carrying value on the Consolidated Balance Sheets.

Property, Plant, and Equipment

SSA's property, plant, and equipment (PP&E) are recorded in the LAE program, but represent the capital assets purchased by the OASI, DI, Hospital Insurance (HI), and Supplemental Medical Insurance (SMI) Trust Funds. HI/SMI's share of capital assets is considered Non-Entity Assets. User charges are allocated to all programs based on each program's use of capital assets during the period. All general fund activities reimburse the OASI and DI Trust Funds for their use of OASI and DI Trust Fund assets through the calculation of user charge credits. Statement of Federal Financial Accounting Standard (SFFAS) No. 10, *Accounting for Internal Use Software*, requires the capitalization of internally-developed, contractor-developed, and commercial off-the-shelf (COTS) software. The capitalization threshold for most PP&E categories is $100 thousand. Automated Data Processing (ADP) and Telecommunications Site Preparation, buildings, and other structures are capitalized with no threshold.

The change in PP&E from one reporting period to the next is presented on the chart in Note 16, Reconciliation of Net Cost of Operations to Budget, on the Resources that Finance the Acquisition of Assets line. This line item represents the capital assets purchased by the OASI, DI, and HI/SMI Trust Funds that affect budgetary obligations. However, HI/SMI's share of capital assets is considered a Non-Entity Asset.

Benefits Due and Payable

Liabilities are accrued for OASI and DI benefits due for the month of September, which by statute, are not paid until October. Also, liabilities are accrued on benefits for past periods that have not completed processing by the close of the fiscal year, such as benefit payments due but not paid pending receipt of a correct address, adjudicated and unadjudicated hearings and appeals, and civil litigation cases. Refer to Note 8, Liabilities.

Benefit Payments

SSA recognizes the cost associated with payments in the period the beneficiary or recipient is entitled to receive the payment. OASI and DI benefit disbursements are generally made after the end of each month. SSI disbursements are generally made on the first day of each month. By law, if the monthly disbursement date falls on a weekend or a Federally-recognized holiday, SSA is required to accelerate the entitlement date and the disbursement date to the preceding business day.

Administrative Expenses and Obligations

SSA initially charges administrative expenses to the LAE appropriation. Section 201 (g) of the *Social Security Act* requires the Commissioner of Social Security to determine the proper share of costs incurred during the fiscal year to be charged to the appropriate fund. Accordingly, administrative expenses are subsequently distributed during each month to the appropriate OASI, DI, HI, and SMI Trust Fund and general fund accounts. All such distributions are initially made on an estimated basis and adjusted to actual each year, as provided for in Section 1534 of Title 31, United States Code.

Obligations are incurred in the LAE accounts as activity is processed. Obligations are incurred in each of the financing sources (OASI, DI, SSI, and Other) once LAE's authority is recorded. Since LAE is reported with its financing sources (other than the HI/SMI Trust Funds) on the Combined Statements of Budgetary Resources, and this statement does not allow eliminations, LAE's obligations are recorded twice. This presentation is in conformance with OMB Circular No. A-136 to have the Combined Statement of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133).

Recognition of Financing Sources

Financing sources consist of funds transferred from the U.S. Treasury to the OASI and DI Trust Funds for employment taxes (*Federal Insurance Contributions Act* (FICA) and *Self Employment Contributions Act* (SECA)), drawdown of funds for benefit entitlement payments and administrative expenses, appropriations, gifts, and other miscellaneous receipts. On an as-needed basis, funds are drawn from the OASI and DI Trust Funds to cover benefit payments. As governed by limitations determined annually by the U.S. Congress, funds are also drawn from the OASI and DI Trust Funds for SSA's operating expenses. To cover SSA's costs to administer a portion of the Medicare program, funds are drawn from the HI/SMI Trust Funds.

Appropriations Used includes payments and accruals for the SSI program and for the OIG and PTF appropriations, which are funded from Treasury's General Fund. The new ARRA appropriations are also funded by Treasury's General Fund.

Employment tax revenues are made available daily based on a quarterly estimate of the amount of FICA taxes payable by employers and SECA taxes payable from the self-employed. Adjustments are made to the estimates for actual taxes payable and refunds made. Employment tax credits (the difference between the combined employee and employer rate and the self-employed rate) are also included in tax revenues. Refer to Note 13, Tax Revenues.

Exchange revenue from sales of goods and services primarily include payments of fees SSA receives from those States choosing to have SSA administer their State Supplementation of Federal SSI benefits. Refer to Note 11, Exchange Revenues. Reimbursements are recognized as the services are performed. These financing sources may be used to pay for current operating expenses as well as for capital expenditures such as PP&E as specified by law.

Capitalized expenditures are recognized in the Consolidated Statements of Net Cost as they are consumed. In contrast, budget reporting recognizes these same financing sources in the year the obligation was established to purchase the asset.

Earmarked Funds

SFFAS No. 27, *Identifying and Reporting Earmarked Funds,* requires separate presentation and disclosure of earmarked funds balances in the financial statements. Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. Earmarked funds meet the following criteria:

- A statute committing the Federal Government to use specifically-identified revenues and other financing sources only for designated activities, benefits, or purposes;
- Explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
- A requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government's general revenues.

SSA's earmarked funds are the OASI and DI Trust Funds, PTF, and fees collected to cover a portion of SSA's administrative costs for SSI State Supplementation. Refer to Note 9, Earmarked Funds, for additional information.

American Recovery and Reinvestment Act

Under the ARRA of 2009 (Public Law 111-5), SSA received appropriated funds to provide Title II and Title XVI recipients with a one-time economic recovery payment (ERP). Since these payments are ruled one-time payments and are to have no association with SSA's Trust Funds, they have been classified as operating expenses under the Other program on the financial statements. The appropriations received included funds to cover the expenses for administering these ERP payments. The agency also received funds for:

- Constructing and equipping a replacement for SSA's current National Computer Center;
- Processing OASI and DI workload and related health information technology costs; and
- Auditing and oversight of SSA's activities under the ARRA.

Refer to Note 10, Operating Expenses.

Medicare Improvements for Patients and Providers Act of 2008

In FY 2009, SSA received funding under the *Medicare Improvements for Patients and Providers Act of 2008* (Public Law 110-275). This funding covers SSA administrative expenses for the Medicare Saving Program and the Low Income Subsidy Program. Refer to Note 10, Operating Expenses.

Food, Conservation, and Energy Act of 2008 (Farm Bill)

In FY 2008, Congress passed the *Food, Conservation, and Energy Act of 2008* (Public Law 110-246). This provided the exclusion of Conservation Reserve Program payments from self-employment income for the purposes of the SECA tax in the case of individuals who receive Social Security retirement or disability benefits. The bill also provides the transfer of funds by the Department of the Treasury from general revenues to the OASI and DI Trust Funds in order to ensure that the assets of the Trust Funds are not reduced because of the enactment. SSA transferred FY 2009 and FY 2010 amounts totaling $14 million in May 2010. The $5 million related to FY 2009 is recorded as corrections of errors on the Statement of Changes in Net Position due to an oversight of facts available at the time of the FY 2009 statements, as SSA was unaware of this activity until FY 2010.

Presentation Change

Effective for the third quarter FY 2010, the Statement of Changes in Net Position will be presented in the columnar format. This change has been made in order to facilitate understanding of the statement and to comply with the columnar format in OMB's Circular A-136. FY 2009 balances have been presented in the new format for comparison purposes to the reformatted statement.

2. Centralized Federal Financing Activities

SSA's financial activities interact with and are dependent on the financial activities of the centralized management functions of the Federal Government that are undertaken for the benefit of the whole Federal Government. These activities include public debt, employee retirement, life insurance, and health benefit programs. However, SSA's financial statements do not contain the results of centralized financial decisions and activities performed for the benefit of the entire Government.

Financing for general fund appropriations reported on the Consolidated Statements of Changes in Net Position may be from tax revenue, public borrowing, or both. The source of this funding, whether tax revenue or public borrowing, has not been allocated to SSA.

The General Services Administration (GSA), using monies provided from the OASI and DI Trust Funds, administers the construction or purchase of buildings on SSA's behalf. The acquisition costs of these buildings have been charged to the OASI and DI Trust Funds, capitalized, and included in these statements. SSA also occupies buildings that have been leased by GSA or have been constructed using Public Building Funds. These statements reflect SSA's payments to GSA for lease, operations maintenance, and depreciation expenses associated with these buildings.

SSA's employees participate in the contributory Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS), to which SSA makes matching contributions. Pursuant to Public Law 99-335, FERS went into effect on January 1, 1987. Employees hired after December 31, 1983, are automatically covered by FERS while employees hired prior to that date could elect to either join FERS or remain in CSRS.

SSA contributions to CSRS were $92 and $97 million for the years ended September 30, 2010 and 2009. SSA contributions to the basic FERS plan were $375 and $335 million for the years ended September 30, 2010 and 2009. One of the primary differences between FERS and CSRS is that FERS offers a savings plan to which SSA is required to contribute 1 percent of pay and match employee contributions up to an additional 4 percent of basic pay. SSA contributions to the FERS savings plan were $135 and $117 million for the years ended September 30, 2010 and 2009. These statements do not reflect CSRS or FERS assets or accumulated plan benefits applicable to SSA employees since this data is only reported in total by the Office of Personnel Management.

3. NON-ENTITY ASSETS

Non-entity assets are those assets that are held by an entity, but are not available to the entity. SSA's Non-Entity Assets are shown in Chart 3. The Non-Entity Assets are composed of: (1) SSI Federal and State benefit overpayments classified as SSI Accounts Receivable; (2) SSI overpayments collected; (3) General Fund's portion of fees collected to administer SSI State Supplementation; (4) General Fund's portion of fees collected to administer Title VIII State Supplementation; (5) SSI Attorney Fees that are returned to the Department of the Treasury General Fund; and (6) portions of SSA's PP&E that were purchased with HI/SMI funds.

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

	2010			2009		
	Non-Entity Assets	Intra-agency Elimination	Net Assets	Non-Entity Assets	Intra-agency Elimination	Net Assets
SSI Fed/State A/R	$ 5,544	$ (592)	$ 4,952	$ 5,322	$ (824)	$ 4,498
SSI Overpayment Coll	3,237	0	3,237	3,381	0	3,381
SSI State Supp Fees (GF)	132	0	132	154	0	154
Title VIII State Supp Fees (GF)	2	0	2	2	0	2
SSI Attorney Fees (GF)	8	0	8	6	0	6
PP&E (CMS)	29	0	29	31	0	31
Total	$ 8,952	$ (592)	$ 8,360	$ 8,896	$ (824)	$ 8,072

The SSI Accounts Receivable, Net, has been reduced by intra-agency eliminations. SSI Federal overpayment collections are included as a part of the Fund Balance with Treasury on the Consolidated Balance Sheet. Public Law 101-517 requires that collections from repayment of SSI Federal benefit overpayments be deposited in the Department of the Treasury General Fund. These funds, upon deposit, are assets of the Department of the Treasury General Fund and shall not be used by SSA as an SSI budgetary resource to pay SSI benefits or administrative costs. Accordingly, SSI accounts receivable and overpayment collections are recognized as non-entity assets. SSI State overpayment collections are used to offset reimbursements due from the States to SSA.

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

The Centers for Medicare and Medicaid Services (CMS) portion of PP&E included as part of Property, Plant, and Equipment, Net on the Consolidated Balance Sheet is also recognized as a non-entity asset. The HI/SMI Trust Funds were part of SSA until CMS became a separate agency. Since a portion of HI/SMI funds were used to purchase some of the buildings SSA acquired, HI/SMI retains that portion of assets. Refer to Note 7, Property, Plant, and Equipment, for the major classes of PP&E reported on SSA's financial statements.

4. Fund Balance with Treasury

The Fund Balance with Treasury (FBWT), shown on the Consolidated Balance Sheets, represents the total of all of SSA's undisbursed account balances with the Department of the Treasury. Chart 4a, Fund Balances, summarizes the fund balances by fund type and by SSA major program. Other Funds includes PTF, deposit funds, and receipt accounts. Chart 4b, Status of Fund Balances, presents SSA's Fund Balance with Treasury through the status of budgetary resources. OASI, DI, and LAE Trust Fund budgetary accounts are not used in Chart 4b since OASI and DI Trust Fund cash balances are held in investments until needed and will not match the Fund Balance with Treasury. This means that amounts in Chart 4b will not match corresponding activity on the combined SBR.

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

	2010	2009
Trust Funds*		
OASI	$ (463)	$ (210)
DI	(384)	(263)
LAE	19	29
General Funds		
SSI	2,948	3,102
Other	621	1,028
Other Funds		
SSI	205	216
Other	3,241	3,384
Total	$ 6,187	$ 7,286

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

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

	2010	2009
Unobligated Balance		
Available	$ 298	$ 304
Unavailable	401	675
Obligated Balance Not Yet Disbursed	2,870	3,151
OASI, DI and LAE	(828)	(444)
Non-Budgetary FBWT	3,446	3,600
Total	$ 6,187	$ 7,286

The negative fund balances reported for the OASI and DI Trust Funds as of September 30, 2010 and 2009 are the result of the policy to protect the OASI and DI Trust Fund investments by not liquidating the investments until the cash is needed. Transfers between the OASI and DI Trust Funds and Treasury are managed to favor the financial position of the OASI and DI Trust Funds. Therefore, investments held by the OASI and DI Trust Funds are liquidated only as needed by Treasury to cover benefit and administrative payments. To maintain consistency with the amounts reported by Treasury for OASI and DI, the negative balances were not reclassified as liabilities on the Consolidated Balance Sheets.

5. Investments and Interest Receivable

The cash receipts collected from the public for the OASI and DI Trust Funds are invested in interest bearing securities backed by the full faith and credit of the Federal Government, generally U.S. par-value Treasury special securities. Treasury special securities are issued directly by the Treasury Secretary to the OASI and DI Trust Funds and are non-negotiable and non-transferable in the secondary market. Par-value Treasury special securities are issued with a stated rate of interest applied to its par amount and are purchased and redeemed at par plus accrued interest at or before maturity. Therefore, there are no premiums or discounts associated with the redemption of these securities.

SSA's investments in Special-Issue U.S. Treasury Securities are $2,586,333 and $2,504,248 million as of September 30, 2010 and 2009, respectively. The interest rates on these investments range from 2⅞ to 7 percent and the accrued interest is paid on June 30, December 31, and at maturity or redemption. Investments held for the OASI and DI Trust Funds mature at various dates ranging from the present to the year 2025. Accrued interest receivable on the OASI and DI Trust Fund investments with the U.S. Treasury is an Intragovernmental Interest Receivable, Net, reported on the Consolidated Balance Sheets. Interest receivable amounts are $28,893 and $29,382 million as of September 30, 2010 and 2009.

Treasury special securities are an asset to the OASI and DI Trust Funds and a liability to the U.S. Treasury. Because the OASI and DI Trust Funds and the U.S. Treasury are both part of the Government, these assets and liabilities offset each other for consolidation purposes in the U.S. Governmentwide financial statements. For this reason, they do not represent a net asset or a net liability in the U.S. Governmentwide financial statements.

The U.S. Treasury does not set aside financial assets to cover its liabilities associated with the OASI and DI Trust Funds. The cash received from the OASI and DI Trust Funds for investment in these securities is used by the U.S. Treasury for general Government purposes. Treasury special securities provide the OASI and DI Trust Funds with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the OASI and DI Trust Funds require redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

6. ACCOUNTS RECEIVABLE, NET

Intragovernmental

Intragovernmental Accounts Receivable, Net, reported on the Consolidated Balance Sheets in the amounts of $915 and $565 million as of September 30, 2010 and 2009 primarily represent amounts to be paid from the HI/SMI Trust Funds to the LAE Appropriation. The gross accounts receivable has been reduced by $2,926 and $3,181 million as of September 30, 2010 and 2009 as an intra-agency elimination. This elimination is primarily to offset SSA's LAE receivable to be paid from the appropriate funds with corresponding payables set up for anticipated LAE disbursements.

An allowance for doubtful accounts was not applied to determine the net value of Intragovernmental Accounts Receivable. According to SFFAS No. 1, an allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value; however, no potential losses have been assessed on intragovernmental receivables based on individual account and group analysis.

With the Public

Accounts Receivable, Net, reported on the Consolidated Balance Sheets is shown by SSA major program in Chart 6. Amounts in the OASI and DI programs consist mainly of monies due to SSA from individuals who received benefits in excess of their entitlement. The amount of SSI Accounts Receivable represents overpaid Federal and State SSI payments to be recovered from SSI recipients who are no longer eligible to receive supplemental income or received benefits in excess of their eligibility. Refer to Note 3, Non-Entity Assets, for a discussion of the SSI Federal and State overpayments.

Chart 6 - Accounts Receivable with the Public by Major Program as of September 30: ($ in millions)						
	2010			2009		
	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
OASI	$ 2,144	$ (208)	$ 1,936	$ 2,457	$ (204)	$ 2,253
DI	5,450	(2,062)	3,388	5,224	(2,049)	3,175
SSI*	7,603	(1,947)	5,656	7,307	(1,878)	5,429
LAE	15	0	15	11	0	11
Subtotal	15,212	(4,217)	10,995	14,999	(4,131)	10,868
Less:						
Eliminations**	(626)	0	(626)	(1,174)	0	(1,174)
Total	$ 14,586	$ (4,217)	$ 10,369	$ 13,825	$ (4,131)	$ 9,694

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

Chart 6 shows that in FY 2010 and 2009, gross accounts receivable was reduced by $626 and $1,174 million as an intra-agency elimination. This intra-agency activity results primarily from Windfall Offset and Special Disability Workload (SDW) cases. Windfall Offset is the amount of Supplemental Security Income that would not have been paid if retroactive Title II benefits had been paid timely to eligible beneficiaries. SSA recognizes a receivable in the SSI program with offsetting payables for both the OASI and DI programs. In a prior period, SSA determined that a group of SSI recipients who were eligible to receive DI benefits were paid either SSI or OASI benefits. For the SDW cases, the agency recognized and established receivables for both the OASI and SSI programs with an offsetting payable in the DI program.

SSA continues to identify and settle SDW cases and current estimates indicate that there are about 17,000 SDW cases remaining for which SSA expects to incur a net accrued liability for the combined OASI and DI Trust Funds and an offsetting SSI receivable. OASI SDW receivables are $32 and $349 million as of September 30, 2010 and 2009. DI SDW receivables are $1 million as of September 30, 2010 and 2009. SSI SDW net receivables are $140 and $306 million as of September 30, 2010 and 2009.

A ratio of the estimated allowance for doubtful accounts is recalculated annually using a moving 5-year average of write-offs divided by clearances comprised of write-offs, waivers, and collections. The ratio is then applied to outstanding receivables to compute the amount of allowances for doubtful accounts.

7. Property, Plant, and Equipment, Net

Property, Plant, and Equipment, Net, as reported on the Consolidated Balance Sheets is reflected by major class in Chart 7.

Chart 7 - Property, Plant and Equipment as of September 30:
($ in millions)

	2010			2009		
Major Classes:	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Land	$ 4	$ 0	$ 4	$ 4	$ 0	$ 4
Construction in Progress	2	0	2	0	0	0
Buildings	536	(301)	235	522	(290)	232
Equipment (incl. ADP Hardware)	685	(546)	139	582	(494)	88
Internal Use Software	4,284	(1,895)	2,389	3,558	(1,475)	2,083
Leasehold Improvements	260	(204)	56	241	(193)	48
Total	$ 5,771	$ (2,946)	$ 2,825	$ 4,907	$ (2,452)	$ 2,455

Major Classes:	Estimated Useful Life	Method of Depreciation
Land	N/A	N/A
Construction in Progress	N/A	N/A
Buildings	50 years	Straight Line
Equipment (incl. ADP Hardware)	3-10 years	Straight Line
Internal Use Software	10 years	Straight Line
Leasehold Improvements	6 years	Straight Line

8. LIABILITIES

Liabilities of Federal agencies are classified as liabilities Covered or Not Covered by budgetary resources and are recognized when they are incurred. Chart 8a discloses SSA's liabilities Covered by budgetary resources and Not Covered by budgetary resources.

Chart 8a - Liabilities as of September 30:
($ in millions)

	2010			2009		
	Covered	Not Covered	Total	Covered	Not Covered	Total
Intragovernmental:						
Accrued RRI	$ 4,418	$ 0	$ 4,418	$ 4,310	$ 0	$ 4,310
Accounts Payable	67	8,458	8,525	124	8,388	8,512
Other	68	201	269	64	222	286
Total Intragovernmental	4,553	8,659	13,212	4,498	8,610	13,108
Benefits Due and Payable	77,056	3,729	80,785	76,123	3,736	79,859
Accounts Payable	37	436	473	33	420	453
Other	751	716	1,467	717	672	1,389
Total	$ 82,397	$ 13,540	$ 95,937	$ 81,371	$ 13,438	$ 94,809

Intragovernmental Accrued Railroad Retirement Interchange

The Intragovernmental Accrued Railroad Retirement Interchange (RRI) represents an accrued liability due the Railroad Retirement Board (RRB) for the annual interchange from the OASI and DI Trust Funds. This annual interchange is required to place the OASI and DI Trust Funds in the same position they would have been if railroad employment had been covered by SSA. The law requires the transfer, including interest accrued from the end of the preceding fiscal year, to be made in June.

Intragovernmental Accounts Payable

Included in the Intragovernmental Accounts Payable Not Covered by budgetary resources are amounts due to the Department of the Treasury General Fund. A payable is recorded equal to the SSI Federal benefit overpayments receivable when overpayments are identified and for the SSI Federal benefit overpayment collections as they are received. Refer to Note 3, Non-Entity Assets, for a description of the SSI receivables established for the repayment of SSI benefit overpayments.

Intragovernmental Other Liabilities

Intragovernmental Other Liabilities includes amounts Covered by budgetary resources for employer contributions and payroll taxes and amounts advanced by Federal agencies for goods and services to be furnished. It also includes amounts Not Covered by budgetary resources for SSI State Administrative Fee Collections and amounts for *Federal Employees' Compensation Act* (FECA), administered by the Department of Labor (DOL). FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. For payment purposes, claims incurred for benefits for SSA employees under FECA are divided into current and non-current portions. The current portion represents SSA's accrued liability due to DOL's FECA Special Benefits Fund for payments made on SSA's behalf. The funding for the liability will be made from a future appropriation. SSA's current portion of FECA liability is $59 and $60 million as of September 30, 2010 and 2009. Intragovernmental Other Not Covered amounts include $132 and $154 million as of

September 30, 2010 and 2009 for SSI State Fees payable to the Department of the Treasury General Fund. Refer to Note 3, Non-Entity Assets and Note 11, Exchange Revenues, for a discussion of the SSI State Administrative Fees.

Benefits Due and Payable

Benefits Due and Payable are amounts owed to program recipients that have not yet been paid as of the balance sheet date. Chart 8b shows the amounts for SSA's major programs as of September 30, 2010 and 2009. These amounts include an estimate for unadjudicated cases that will be payable in the future. Except for the SSI program, the unadjudicated cases are covered by budgetary resources.

Chart 8b - Benefits Due and Payable as of September 30:
($ in millions)

	2010	2009
OASI	$ 51,651	$ 50,273
DI	24,329	25,450
SSI	5,431	5,310
Subtotal	81,411	81,033
Less: Intra-agency eliminations	(626)	(1,174)
Total	$ 80,785	$ 79,859

Included in the Benefits Due and Payable for OASI, DI, and SSI are the estimated liabilities related to the settlement of Martinez, et. al v. Astrue case. The case generally concerns the ineligibility of certain individuals for cash benefits due to their status as “fleeing felons.” The agency reached final approval of the settlement on September 24, 2009. The settlement order will restore benefits and eliminate overpayments for certain class members as defined in the settlement agreement. SSA developed reasonable estimates of the amount of restored benefits and the amount of overpayments to be eliminated. Estimated OASI payables are $1 and $66 million as of September 30, 2010 and 2009. Estimated DI payables are $2 and $146 million as of September 30, 2010 and 2009. Estimated SSI payables are $208 and $255 million as of September 30, 2010 and 2009. Estimates related to this case for overpayment reductions for OASI, DI, and SSI are $2, $4, and $39 million, respectively, as of September 30, 2010 and $35, $65 and $126 million, respectively, as of September 30, 2009. The estimated overpayment reductions are not included on SSA’s consolidated financial statements; but rather, disclosed in this footnote.

The amounts of Benefits Due and Payable for OASI and DI presented in Chart 8b also includes estimated payables related to SDW. Refer to Note 6, Accounts Receivable, Net. OASI payables are $64 and $224 million as of September 30, 2010 and 2009. DI payables are $282 and $1,182 million as of September 30, 2010 and 2009. In FY 2010, the DI SDW payable has decreased by the excess of discharged liabilities for adjudicated cases over continued benefit accrual for previously identified cases not yet adjudicated.

Chart 8b also shows that as of FY 2010 and 2009, gross Benefits Due and Payable was reduced by $626 and $1,174 million as an intra-agency elimination. This intra-agency activity results primarily from SDW cases. Refer to Note 6, Accounts Receivable, Net. Since retroactive payment of the OASI and DI benefits results in an overpayment of SSI benefits, the OASI and DI payables are offset by the SSI overpayment related to SDW. Therefore, these offsets are presented as intra-agency elimination.

Chart 8c shows the estimated net SDW liability due to the public as of September 30, 2010 and 2009.

Chart 8c - Net SDW Liability as of September 30: ($ in millions)		
	2010	2009
Net DI Liability	$ 281	$ 1,182
Net OASI Payable	32	(125)
Net SSI Receivable	(140)	(306)
Net Liability Due to the Public	$ 173	$ 751

Accounts Payable

Accounts Payable Not Covered by budgetary resources consists of SSI overpayments due to States and the SSI windfall amounts. States are entitled to any overpayment that SSA expects to collect since they make the actual payments to the beneficiaries. SSI windfall amounts are generated when a SSI recipient is found to be eligible for OASI or DI benefits. Any overlapping payments to the beneficiary made by OASI or DI are paid back to the SSI program, creating the windfall amount. This windfall amount, like the State overpayment, is set up as an accounts payable until payment is made to the States.

Other Liabilities

SSA's Other Liabilities Covered by budgetary resources is comprised of accrued payroll, lease liability for purchase contract buildings, and unapplied deposit funds. Other Liabilities Not Covered by budgetary resources includes the non-current portion of FECA, which is an actuarial liability. The non-current portion of $319 and $311 million as of September 30, 2010 and 2009 represents the expected liability from FECA claims for the next 23-year period. This actuarial liability was calculated using historical payment data to project future costs. The remaining portion of Other Liabilities Not Covered by budgetary resources is leave earned but not taken.

Contingent Liabilities

For several years, the Department of Justice (Tax Division) handled litigation concerning whether medical residents are subject to FICA taxation. FICA taxes are collected by the U.S. Treasury and then transferred to the OASI and DI Trust Funds. On March 2, 2010, the Internal Revenue Service (IRS) announced plans to refund medical residents FICA taxes for the period from 1995 to April 1, 2005. SSA anticipates that the IRS refund program will result in dismissal of pending cases covering the period before April 1, 2005. The IRS will disperse refunds to the institutions, as well as to employees who sought or consented to receive a refund. At this time, SSA is not able to make a reasonable estimate for the refund of medical resident FICA taxes due to the applicable institutions and employees. For the period from April 1, 2005, additional suits challenged IRS regulations, which precluded medical residents from qualifying for the student exception. The Eighth Circuit Court of Appeals upheld the appropriateness of the regulations. However, on June 1, 2010, the Supreme Court agreed to hear a challenge to the validity of the regulations during the term, which begins in FY 2011. SSA is not able to make a reasonable estimate of the potential loss at this time.

In addition to the matters identified above, there is one other pending matter. The case concerns the interpretation of provisions of the Social Security Act that permit the agency to suspend certain benefits to parole and probation violators. Plaintiffs are seeking certification of a nationwide class action seeking payments as early as 1996; the Government is opposing class certification. SSA is not able to make an estimate of the possible liability at this time.

9. EARMARKED FUNDS

The OASI and DI Trust Funds, PTF, and SSI State Administrative Fees are classified as earmarked funds. These funds obtain revenues primarily through earmarked receipts, such as Social Security payroll taxes, and, to a lesser extent, offsetting collections.

OASI and DI Trust Funds

The OASI Trust Fund provides assistance and protection against loss of earnings due to retirement or death and the DI Trust Fund provides assistance and protection against the loss of earnings due to a wage earner's disability in the form of monetary payments.

The OASI and DI Trust Funds are primarily funded by payroll and self-employment taxes. Additional income is provided to these funds from interest earnings on Treasury securities, Federal agencies' payments for the Social Security benefits earned by military and Federal civilian employees, and Treasury payments for a portion of income taxes paid on Social Security. The law establishing the OASI and DI Trust Funds is set forth in 42 U.S.C. § 401. Refer to Note 13, Tax Revenues, for a discussion on employment taxes credited to the OASI and DI Trust Funds and Note 5, Investments and Interest Receivable, for a discussion on interest.

Funds not withdrawn for current expenses (benefits, the financial interchange with the Railroad Retirement program, and administrative expenses) are invested in interest-bearing Federal securities, as required by law. See Note 5, Investments and Interest Receivable, for a discussion on Treasury securities.

PTF

PTF consists of transfers authorized by law between the Department of Treasury General Fund and the OASI and DI Trust Funds. PTF activity includes Income Tax on Social Security Benefits, Reimbursable Union Activity, Coal Industry Retiree Health Benefits, Pension Reform, Special Age 72 Benefits, Income Tax Credit Reimbursement, and Unnegotiated Check Reimbursement. PTF funds are warranted from the general fund and transferred to the OASI and DI Trust Funds via an intragovernmental transfer. These transfers are to be reserved for specific purposes in the future. Because of this, PTF is considered earmarked from the point that it is transferred into SSA and reported as Appropriations Received on the Statement of Changes in Net Position.

SSI State Administrative Fees

Administrative Fees collected from States are also classified as earmarked funds. Section 42 U.S.C. 1616 authorizes the Commissioner of Social Security to assess each State an administrative fee in an amount equal to the number of Supplemental payments made by SSA on behalf of the State for any month in a fiscal year, multiplied by the applicable rate for the fiscal year. See Note 11, Exchange Revenues, for a discussion of SSI State Administrative Fees.

See Chart 9 for balances of earmarked funds as reported in the Consolidated Financial Statements for the years ended September 30, 2010 and 2009.

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

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

Chart 9 includes eliminations between SSA's earmarked funds which primarily represent eliminations for SDW activity between the OASI and DI Trust Funds; however, $2,427 million of liabilities in the earmarked funds for the year ended September 30, 2010 need to be eliminated against LAE (Accounts Payable, Federal) and SSI (Benefits Due and Payable), which are not earmarked. Therefore, due to the separate presentation of earmarked funds only in this note, those eliminations have not been included in Chart 9.

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

	2009				
	OASI Trust Fund	DI Trust Fund	Other Earmarked Funds	Eliminations	Total Earmarked Funds
Balance Sheet					
ASSETS					
Fund Balance with Treasury	$ (210)	$ (263)	$ 96	$ 0	$ (377)
Investments	2,296,316	207,932	0	0	2,504,248
Interest Receivable	26,843	2,539	0	0	29,382
Accounts Receivables -Federal	1	1	0	0	2
Accounts Receivables - Non-Federal	2,253	3,175	0	(350)	5,078
Total Assets	$ 2,325,203	$ 213,384	$ 96	$ (350)	$ 2,538,333
LIABILITIES and NET POSITION					
Accrued Railroad Retirement	$ 3,817	$ 493	$ 0	$ 0	$ 4,310
Accounts Payable, Federal	932	800	2	(350)	1,384
Benefits Due and Payable	50,273	25,450	0	0	75,723
Other - Non Federal Liabilities	0	6	0	0	6
Total Liabilities	55,022	26,749	2	(350)	81,423
Unexpended Appropriations	0	0	58	0	58
Cumulative Results of Operations	2,270,181	186,635	36	0	2,456,852
Total Liabilities and Net Position	$ 2,325,203	$ 213,384	$ 96	$ (350)	$ 2,538,333
Statement of Net Cost					
Program Costs	$ 548,695	$ 116,120	$ 0	$ 0	$ 664,815
Operating Expenses	777	271	0	0	1,048
Less Earned Revenue	1	26	169	0	196
Net Cost of Operations	$ 549,471	$ 116,365	$ (169)	$ 0	$ 665,667
Statement of Changes in Net Position					
Net Position Beginning of Period	$ 2,128,633	$ 196,648	$ 66	$ 0	$ 2,325,347
Tax Revenue	571,185	97,001	0	0	668,186
Interest Revenue	107,673	10,557	0	0	118,230
Net Transfers In/Out	12,147	(1,251)	(20,967)	0	(10,071)
Other	14	45	20,826	0	20,885
Total Financing Sources	691,019	106,352	(141)	0	797,230
Net Cost of Operations	549,471	116,365	(169)	0	665,667
Net Change	141,548	(10,013)	28	0	131,563
Net Position End of Period	$ 2,270,181	$ 186,635	$ 94	$ 0	$ 2,456,910

Chart 9 includes eliminations between SSA's earmarked funds, which primarily represent eliminations for SDW activity between the OASI and DI Trust Funds; however, $2,500 million of liabilities in the earmarked funds for the year ended September 30, 2009 need to be eliminated against LAE and SSI, which are not earmarked. Therefore, due to the separate presentation of earmarked funds only in this note, those eliminations have not been included in Chart 9.

10. Operating Expenses

Classification of Operating Expenses by Major Program

Chart 10a displays SSA's operating expenses for each major program. LAE SSA operating expenses recorded in Other represent (1) HI/SMI trust funds' shares of SSA's operating expenses including the Medicare Prescription Drug Program and (2) SSA's administrative expense for the Medicare Saving Program and the Low Income Subsidy Program. The FY 2010 Chart 10a shows two categories added last year, LAE ARRA and Program ERP. LAE ARRA operating expenses recorded in the Other program represent administrative costs attributable to ERP, expenses associated with the construction and setup of the new National Support Center (NSC), and costs related to the retirement and disability workload backlog. Program ERP amounts reported in Other represent the one-time payments made to eligible Title II and Title XVI beneficiaries. OASI and DI Trust Fund Operations include expenses of the Department of the Treasury to assist in managing the OASI and DI Trust Funds. Vocational Rehabilitation includes expenditures of State agencies for vocational rehabilitation of DI and SSI beneficiaries.

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

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

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

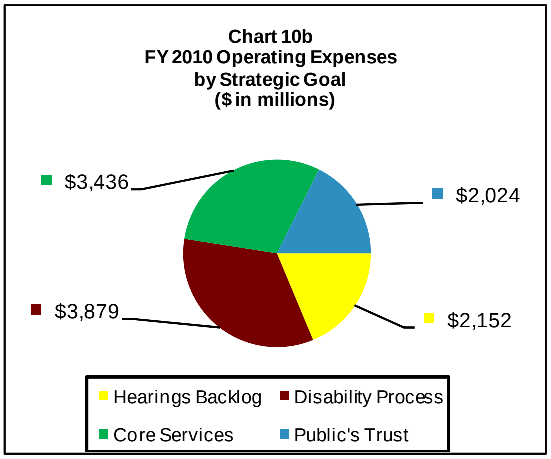
	2009						
	LAE						
	SSA	OIG	ARRA	OASI and DI Trust Fund Operations	Vocational Rehabilitation & Other	Program ERP	Total
OASI	$ 2,746	$ 36	$ 0	$ 774	$ 3	$ 0	$ 3,559
DI	2,551	34	0	144	127	0	2,856
SSI	3,354	0	0	0	132	0	3,486
Other	1,938	27	173	0	5	13,079	15,222
	$ 10,589	$ 97	$ 173	$ 918	$ 267	$ 13,079	$ 25,123

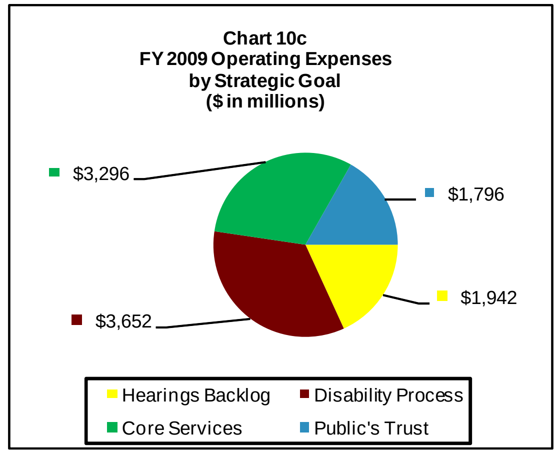
Classification of Operating Expenses by Strategic Goal

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

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

Charts 10b and 10c exhibit distribution of FY 2010 and 2009 SSA and OIG LAE operating expenses to the four APP Strategic goals which agree to the agency's LAE budget appropriation. LAE ARRA expenses are subtracted from total SSA LAE operating expenses before being distributed to SSA's APP Strategic goals in these two charts. OASI and DI Trust Fund Operations and Vocational Rehabilitation expenses (see Chart 10a) are not included in LAE by strategic goal as these amounts are disbursed from the OASI and DI Trust Funds and are not directly linked to the budget authority.





11. EXCHANGE REVENUES

Revenue from exchange transactions is recognized when goods and services are provided. The goods and services provided are priced so that charges do not exceed the agency's cost. Total exchange revenues are $368 and $413 million for the years ended September 30, 2010 and 2009. SSA exchange revenue primarily consists of fees collected to administer SSI State Supplementation. SSA has agreements with 23 States and the District of Columbia to administer some or all of the States' supplement to Federal SSI benefits. Additional administrative fees are collected for administering Title VIII State Supplementation and handling SSI attorney fees. SSA earned administrative fee revenue in the amount of $283 and $329 million for the years ended September 30, 2010 and 2009.

A portion of the administrative fees we earn are non-entity assets. These fees are included within Fund Balance with Treasury in the amount of $140 and $161 million as of September 30, 2010 and 2009. The portion of these non-entity asset fees collected to administer SSI State Supplementation total $132 and $154 million as of September 30, 2010 and 2009. The fees are deposited directly to the Department of the Treasury General Fund and reported as a part of Fund Balance with Treasury on the Consolidated Balance Sheets. A corresponding accounts payable to the Department of the Treasury General Fund is presented so that net position is not affected by this activity. The remainder of the administrative fees, which meet the criteria of an earmarked fund, in the amount of $143 and $168 million for the years ended September 30, 2010 and 2009 are maintained to defray expenses in carrying out the SSI program.

In addition, SSA earned $85 and $84 million for the years ended September 30, 2010 and 2009 in other exchange revenue.

12. Costs and Exchange Revenue Classifications

Chart 12 displays costs and exchange revenue by Intragovernmental and Public classifications. Intragovernmental costs are related to activity with Federal entities, which include: payments for processing benefit and administrative checks, employee benefits, and imputed financing costs. Refer to Note 14, Imputed Financing, for additional information. Public costs are related to activity with non-Federal entities, which include: OASI and DI benefit payments, SSI payments, ERP, payroll, and other administrative costs. Intragovernmental exchange revenue is collections received from Federal entities for services provided which includes reimbursements from the United States Department of Agriculture for the Food Stamp Program. Public exchange revenue is collections received from non-Federal entities for services provided which includes fees for administering the States' portion of SSI payments. Other Program primarily reports the costs and revenues that SSA incurs in administering (1) a portion of the Medicare program, (2) the Medicare Saving Program and the Low Income Subsidy Program, and (3) ARRA activities.

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

	2010			2009		
	Gross Cost	Less Earned Revenue	Net Cost	Gross Cost	Less Earned Revenue	Net Cost
OASI Program						
Intragovernmental	$ 1,472	$ (11)	$ 1,461	$ 1,555	$ (11)	$ 1,544
Public	576,335	(4)	576,331	550,699	(5)	550,694
OASI Subtotal	577,807	(15)	577,792	552,254	(16)	552,238
DI Program						
Intragovernmental	914	(10)	904	869	(11)	858
Public	123,712	(32)	123,680	118,107	(29)	118,078
DI Subtotal	124,626	(42)	124,584	118,976	(40)	118,936
SSI Program						
Intragovernmental	1,079	(13)	1,066	978	(13)	965
Public	46,563	(288)	46,275	44,622	(334)	44,288
SSI Subtotal	47,642	(301)	47,341	45,600	(347)	45,253
Other Program						
Intragovernmental	589	(7)	582	550	(7)	543
Public	1,965	(3)	1,962	14,681	(3)	14,678
Other Subtotal	2,554	(10)	2,544	15,231	(10)	15,221
Total	$ 752,629	$ (368)	$ 752,261	$ 732,061	$ (413)	$ 731,648

13. Tax Revenues

Employment tax revenues are estimated monthly by the Department of the Treasury based on SSA's quarterly estimate of taxable earnings. These estimates are used by the Department of the Treasury to credit the Social Security OASI and DI Trust Funds with tax receipts received during the month. Treasury makes adjustments to the amounts previously credited to the OASI and DI Trust Funds based on actual wage data certified quarterly by SSA.

As required by current law, the Social Security OASI and DI Trust Funds are due the total amount of employment taxes payable regardless of whether they have been collected. These estimated amounts are subject to adjustments for wages that were previously unreported, employers misunderstanding the wage reporting instructions, businesses terminating operations during the year, or errors made and corrected with either the IRS or SSA. Revenues to the OASI and DI Trust Funds are reduced for excess employment taxes, which are refunded by offset against income taxes. The Consolidated Statements of Changes in Net Position recognizes tax revenues of $646,673 and $668,186 million for the years ended September 30, 2010 and 2009.

14. Imputed Financing

The Consolidated Statements of Net Cost recognizes post-employment benefit expenses of $1,148 and $982 million for the years ended September 30, 2010 and 2009 as a portion of operating expenses. The expense represents SSA's share of the current and estimated future outlays for employee pensions, life, and health insurance. The Consolidated Statements of Changes in Net Position recognizes an imputed financing source of $709 and $578 million for the years ended September 30, 2010 and 2009 that primarily represents annual service cost not paid by SSA.

15. Budgetary Resources

Appropriations Received

The Combined Statements of Budgetary Resources discloses Appropriations Received of $882,359 and $899,939 million for the years ended September 30, 2010 and 2009. Appropriations Received on the Consolidated Statements of Changes in Net Position are $74,331 and $82,654 million for the same years. The primary differences of $808,028 and $817,285 million represent appropriated OASI and DI Trust Fund receipts. The Consolidated Statements of Changes in Net Position reflects new appropriations received during the year; however, those amounts do not include dedicated and earmarked receipts in the OASI and DI Trust Funds.

Appropriations Received for PTF are recorded based on warrants received from the general fund and presented as Other in the financial statements. These amounts are transferred to the Bureau of Public Debt where they are also recorded as Appropriations Received in the OASI and DI Trust Funds. Since OASI and DI Trust Fund activity is combined with Other on SSA’s Combined Statements of Budgetary Resources, Appropriations Received for PTF are duplicated. This is in compliance with OMB’s Circular A-136 to have the Combined Statements of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133). These amounts are also included on the Consolidated Statements of Changes in Net Position for Other in Appropriations Received.

Apportionment Categories of Obligations Incurred

OMB usually distributes budgetary resources in an account or fund. Apportionments by fiscal quarters are classified as Category A. Other apportionments such as activities, projects, objects, or a combination of these categories are classified as Category B. Chart 15a reflects the amounts of direct and reimbursable obligations incurred against amounts apportioned under Categories A, B, and Exempt from Apportionment.

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

	2010			2009		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Category A	$ 44	$ 0	$ 44	$ 0	$ 0	$ 0
Category B	63,088	3,650	66,738	73,573	4,219	77,792
Exempt	729,754	3	729,757	696,615	4	696,619
Total	$ 792,886	$ 3,653	$ 796,539	$ 770,188	$ 4,223	$ 774,411

Permanent Indefinite Appropriation

SSA has three Permanent Indefinite Appropriations: OASI and DI Trust Funds and Title VIII. The OASI Trust Fund provides monetary assistance and protection against the loss of earnings due to retirement or death. The DI Trust Fund provides monetary assistance and protection against the loss of earnings due to a wage earner's disability. The authority remains available as long as there are qualified beneficiaries.

The Title VIII Program was established as part of Public Law 106-169, *Foster Care Independence Act of 1999*. It provides special benefits to World War II Philippine veterans receiving SSI, who wanted to spend their remaining years outside the United States. Prior to the passage of PL 106-169, the veterans' SSI benefits would terminate the month after leaving the U.S. Under the new law, these veterans will receive 75 percent of their benefits. The authority remains available as long as there are qualified recipients.

Legal Arrangements Affecting Use of Unobligated Balances

All OASI and DI Trust Fund receipts collected in the FY are reported as new budget authority on the Combined Statements of Budgetary Resources. As beneficiaries pass the various entitlement tests prescribed by the *Social Security Act*, benefit payments and other outlays are obligated in the OASI and DI Trust Funds. The portion of OASI and DI Trust Fund receipts collected in the FY that exceeds the amount needed to pay benefits and other valid obligations in that FY is precluded by law from being available for obligation. At the end of the FY, this excess of receipts over obligations is reported as Temporarily Not Available Pursuant to Public Law in the SBR; therefore, it is not classified as budgetary resources in the FY collected. However, all such excess receipts are assets of the OASI and DI Trust Funds and currently become available for obligation as needed; therefore, they are not considered non-entity assets. Chart 15b displays OASI and DI Trust Fund activities and balances. The OASI and DI Trust Fund Balances, Ending, are included in Investments on the Consolidated Balance Sheets.

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

	2010	2009
Beginning Balance	$ 2,433,305	$ 2,291,874
Receipts	807,879	817,185
Less Obligations	706,859	675,754
Excess of Receipts Over Obligations	101,020	141,431
Ending Balance	$ 2,534,325	$ 2,433,305

Undelivered Orders at the End of the Period

Undelivered orders consist of unpaid orders of goods and services, which have not been actually or constructively received by SSA. SSA's total undelivered orders are $1,987 and $1,722 million for the years ended September 30, 2010 and 2009.

Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

A reconciliation of budgetary resources, obligations incurred and outlays as presented in the Combined Statement of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 2009 has been conducted. There are no material differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government.

Chart 15c presents a reconciliation of budgetary resources, obligations incurred, and outlays as presented in the SBR, to amounts included in the Budget of the United States Government for the year ended September 30, 2009. Budgetary resources and obligations incurred reconcile to Program and Financing (P & F) Schedule while outlays reconcile to the Analytical Perspectives of the Budget.

Chart 15c - Explanation of Differences Between Statement of Budgetary Resources and the Budget of the United States Government for FY 2009:
($ in millions)

	Budgetary Resources	Status of Resources	Outlays
Combined Statement of Budgetary Resources	$ 776,995	$ 776,995	$ 727,614
Expired activity not on P & F	(505)	(470)	0
Offsetting Receipts activity not on P& F	0	0	24,554
Other	9	(26)	1
Budget of the United States Government	$ 776,499	$ 776,499	$ 752,169

A reconciliation has not been conducted for the year ended September 30, 2010 since this report is published in November 2010 and the actual budget data for FY 2010 will not be available until the President's Budget is published.

16. Reconciliation of Net Cost of Operations to Budget

Reconciliation of Net Cost of Operations to Budget for the Years Ended September 30, 2010 and 2009 (Dollars in Millions)

	2010	2009
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	**$ 796,539**	$ 774,411
Offsetting Collections and Recoveries	**(15,515)**	(16,289)
Obligations Net of Offsetting Collections and Recoveries	**781,024**	758,122
Offsetting Receipts	**(26,455)**	(24,554)
Net Obligations	**754,569**	733,568
Other Resources		
Imputed Financing	**709**	578
Other	**(283)**	(329)
Net Other Resources Used to Finance Activities	**426**	249
Total Resources Used to Finance Activities	**754,995**	733,817
Resources Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated, Not Yet Provided	**(282)**	(227)
Resources that Fund Expenses Recognized in Prior Periods	**(8)**	0
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	**26,427**	24,528
Resources that Finance the Acquisition of Assets	**(865)**	(755)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	**(28,429)**	(26,755)
Total Resources Not Part of the Net Cost of Operations	**(3,157)**	(3,209)
Total Resources Used to Finance the Net Cost of Operations	**751,838**	730,608
Components of the Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	**11**	18
Other	**9**	601
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	**20**	619
Components Not Requiring or Generating Resources		
Depreciation and Amortization	**494**	421
Revaluation of Assets and Liabilities	**0**	(1)
Other	**(91)**	1
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	**403**	421
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	**423**	1,040
Net Cost of Operations	**$ 752,261**	$ 731,648

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

17. Social Insurance Disclosures

The Statement of Social Insurance discloses the actuarial present value for the 75-year projection period of the estimated future tax income, estimated future cost, and the excess of income over cost for the "open group" of participants. The open group of participants includes all current and future participants (including those born during the projection period) who are now participating or are expected to eventually participate in the OASDI Social Insurance program.

Actuarial present values are computed on the basis of the intermediate economic and demographic assumptions described in the 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds (the Trustees Report) for the 75-year projection period beginning January 1, 2010. Similar actuarial present values are shown in the Statement of Social Insurance based on the prior four Trustees Reports reflecting actuarial present values at January 1 of the applicable year.

Estimated future tax income consists of payroll taxes from employers, employees, and self-employed persons; revenue from Federal income-taxation of scheduled OASDI benefits; and miscellaneous reimbursements from the General Fund of the Treasury. It does not include interest income on assets held in the combined OASI and DI Trust Fund. The estimated future cost includes benefit amounts scheduled under current law, administrative expenses, and net transfers with the Railroad Retirement program.

In addition to the actuarial present value of estimated future excess of income excluding interest over cost, shown in the basic financial statements, for the open group of participants, it is possible to make a similar calculation for a "closed group" of participants. The closed group of participants considered here consists of those who, in the starting year of the projection period, have attained age 15 or higher. This closed group is further divided into those who have attained retirement eligibility age in the starting year of the projection period and those who attained age 15 through 61 in the starting year of the projection period. In order to calculate the actuarial present value of estimated future excess of income over cost for the closed group, one would subtract the actuarial present value of estimated future cost for or on behalf of the specified group of current participants from the actuarial present value of estimated future tax income for that group of participants.

Also included in the Statement of Social Insurance as "additional information" for the open group are: (1) the actuarial present value of the excess of estimated future income over the estimated future cost; (2) the combined OASI and DI Trust Fund assets at the start of the period; and (3) the sum of (1) and (2). While this additional information is not required by the applicable accounting standards, we believe its inclusion enhances evaluation of the financial status of the program.

Combined OASI and DI Trust Fund assets represent the accumulated excess of all past income, including interest on prior combined OASI and DI Trust Fund assets, over all past expenditures for the social insurance program. The combined OASI and DI Trust Fund assets as of January 1, 2010 totaled $2,540 billion and were comprised entirely of investment securities which are backed by the full faith and credit of the Federal Government.

The actuarial present value, for a 75-year projection period, of estimated future excess of income over cost, plus the combined OASI and DI Trust Fund assets at the start of the period, is shown as a negative value, which represents the magnitude of what is commonly referred to as the "open group unfunded obligation" of the program over the 75-year projection period. This value is included in the applicable Trustees Report and is also shown in the Report as a percentage of taxable payroll and as a percentage of gross domestic product over the period.

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

Assumptions Used for the Statement of Social Insurance

The actuarial present values used in this presentation for the current year (2010) are based on the assumption that the income excluding interest and the benefit payments for the program would continue at the levels scheduled under current law, even after trust fund exhaustion. Estimates are also based on various economic and demographic assumptions, including those in the following table:

Table 1: Significant Assumptions and Summary Measures Used for the Statement of Social Insurance 2010

	Total Fertility Rate[1]	Age-Sex-Adjusted Death Rate[2] (per 100,000)	Period Life Expectancy At Birth[3]		Net Annual Immigration (persons per year)[4]	Real-Wage Differential[5] (percentage points)	Annual Percentage Change In:				Average Annual Interest Rate[10]
			Male	Female			Average Annual Wage in Covered Employment[6]	CPI[7]	Total Employment[8]	Real GDP[9]	
2010	2.08	784.4	75.8	80.4	1,215,000	3.1	5.1	2.0	-0.9	2.3	3.4%
2020	2.05	723.8	77.1	81.2	1,125,000	1.1	3.9	2.8	0.5	2.2	5.7%
2030	2.01	661.8	78.3	82.2	1,085,000	1.2	4.0	2.8	0.5	2.1	5.7%
2040	2.00	606.8	79.3	83.1	1,050,000	1.2	4.0	2.8	0.5	2.2	5.7%
2050	2.00	558.6	80.3	84.0	1,035,000	1.2	4.0	2.8	0.5	2.1	5.7%
2060	2.00	516.4	81.2	84.8	1,030,000	1.1	3.9	2.8	0.4	2.1	5.7%
2070	2.00	479.1	82.1	85.6	1,025,000	1.1	3.9	2.8	0.4	2.1	5.7%
2080	2.00	446.1	82.9	86.3	1,025,000	1.2	4.0	2.8	0.4	2.1	5.7%

1. The total fertility rate for a year is the average number of children who would be born to a woman in her lifetime if she were to experience the birth rates by age assumed for the selected year, and if she were to survive the entire childbearing period.
2. The age-sex-adjusted death rate is the crude rate that would occur in the enumerated total population as of April 1, 2000, if that population were to experience the death rates by age and sex assumed for the selected year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
3. The period life expectancy for a group of persons born in the selected year is the average that would be attained by such persons if the group were to experience in succeeding years the death rates by age assumed for the given year. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
4. Net annual immigration is the number of persons who enter during the year (both legally and otherwise) minus the number of persons who leave during the year. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
5. The real-wage differential is the difference between the percentage increases in the average annual wage in covered employment and the average annual Consumer Price Index (CPI).
6. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year, divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
7. The CPI is the annual average value for the calendar year of the CPI for Urban Wage Earners and Clerical Workers (CPI-W).
8. Total employment is the sum of U.S. civilian and military employment. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
9. The real Gross Domestic Product (GDP) is the value of total output of goods and services produced in the U.S., expressed in 2005 dollars. It is a summary measure and not a basic assumption; it summarizes the effects of the basic assumptions from which it is derived.
10. The average annual interest rate is the average of the nominal interest rates, which are compounded semiannually, for special public-debt obligations issuable to the OASI and DI Trust Funds in each of the 12 months of the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.

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

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

Year of Statement	Total Fertility Rate[1]	Average Annual Percentage Reduction in the Age-Sex Adjusted Death Rates[2]	Net Annual Immigration (persons per year)[3]	Average Annual Real-Wage Differential[4] (percentage points)	Average Annual Percentage Change In: Average Annual Wage in Covered Employment[5]	Average Annual Percentage Change In: CPI[6]	Average Annual Percentage Change In: Total Employment[7]	Average Annual Real Interest Rate[8]
FY 2010	2.0	0.79	1,065,000	1.2	4.0	2.8	0.5	2.9
FY 2009	2.0	0.79	1,065,000	1.1	3.9	2.8	0.5	2.9
FY 2008	2.0	0.75	1,070,000	1.1	3.9	2.8	0.5	2.9
FY 2007	2.0	0.71	900,000	1.1	3.9	2.8	0.4	2.9
FY 2006	2.0	0.72	900,000	1.1	3.9	2.8	0.4	2.9

1. The total fertility rate for a year is the average number of children who would be born to a woman in her lifetime if she were to experience the birth rates by age assumed for the selected year, and if she were to survive the entire childbearing period. The ultimate total fertility rate is assumed to be reached in the 25th year of the projection period.
2. The age-sex-adjusted death rate is computed as the crude rate that would occur in the enumerated total population as of April 1, 2000, if that population were to experience the death rates by age and sex for the selected year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The value presented is the average annual percentage reduction for each 75-year projection period. The annual rate of reduction declines gradually during the period, so no ultimate rate is achieved. For the 2008 estimates, the average annual percentage reduction in death rates increased largely due to the increased ultimate assumed rate of mortality reduction for ages 15-64. For the 2009 estimates, the average annual percentage reduction in death rates increased primarily due to the increased ultimate rates of decline in mortality assumed for ages 65 through 84. For the 2010 Statement, the average annual rate of reduction is computed based on death-rate levels, as shown in Table 1.
3. Net annual immigration is the number of persons who enter during the year (both legally and otherwise) minus the number of persons who leave during the year. The value in the table is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. For the 2008 Statement, the ultimate level of net legal immigration was increased from 600,000 to 750,000 persons per year. In addition, the method for projecting annual net other immigration was changed and the annual level of net immigration now varies throughout the projection period. For the 2006-2007 Statements, the ultimate assumption is shown in the table and is reached by the 20th year of the projection period. For the 2008-2010 Statements, the value shown is the average net immigration level projected for the 75-year projection period. For the 2010 Statement, the value shown is consistent with the annual levels shown in Table 1.
4. The annual real-wage differential is the difference between (1) the annual percentage change in the average annual wage in covered employment and (2) the annual percentage change in the Consumer Price Index (CPI). The value presented is the average of annual real wage differentials for the last 65 years of the 75-year projection period. For the 2010 Statement, the average real wage differential increased from 1.1 to 1.2 percentage points. For the 2010 Statement, the average real-wage differential is consistent with the annual differentials shown in Table 1.
5. The average annual wage in covered employment is the total amount of wages and salaries for all employment covered by the OASDI program in a year divided by the number of employees with any such earnings during the year. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The value presented is the average annual percentage change from the 10th year of the 75-year projection period to the 75th year. For the 2010 Statement, the average annual percentage change increased from 3.9 to 4.0 percentage points.
6. The CPI is the annual average value for the calendar year of the CPI for Urban Wage Earners and Clerical Workers (CPI-W). The ultimate assumption is reached within the first 10 years of the projection period.
7. Total employment is the sum of U.S. civilian and military employment. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived. The average annual percentage change in total employment is for the entire 75-year projection period. The annual rate of increase tends to decline through the period reflecting the slowing growth rate of the working-age population. Thus, no ultimate rate of change is achieved. For the 2010 Statement, the average annual rate of change is consistent with the annual percentages shown in Table 1.
8. The average annual real interest rate reflects the expected annual real yield for each year on securities issuable in the prior year. The ultimate rate is assumed to be reached soon after the tenth year of the projection period. For the 2006 Statement, the assumption was decreased from 3.0 to 2.9 percent. For the 2010 Statement, the average annual real interest rate is consistent with the nominal interest rates shown in Table 1.

These assumptions and the other values on which Table 2 is based reflect the intermediate assumptions of the 2010-2006 Trustees Reports. Estimates made in prior years differ substantially because of revisions to the assumptions based on changes in conditions or experience, and to changes in actuarial methodology. It is reasonable to expect more changes for similar reasons in future reports.

Additional information on Social Insurance is contained in the *Required Supplementary Information: Social Insurance* of this report.

18. Recovery of Medicare Premiums

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

19. Incidental Custodial Collections

SSA's custodial collections primarily consist of forfeiture of unclaimed money and property. In addition, other negligible custodial collections occur for interest, fines, and penalties. While these collections are considered custodial, they are not primary to the mission of SSA or material to the overall financial statements. SSA's total custodial revenues are less than $1 million and $1 million for the years ended September 30, 2010 and 2009.

Other Accompanying Information: Balance Sheet by Major Program as of September 30, 2010
(Dollars in Millions)

Assets	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
Intragovernmental:							
Fund Balance with Treasury	$ (463)	$ (384)	$ 3,153	$ 3,862	$ 19	$ 0	$ 6,187
Investments	2,399,111	187,222	0	0	0	0	2,586,333
Interest Receivable, Net	26,666	2,227	0	0	0	0	28,893
Accounts Receivable, Net	2	1	0	0	3,838	(2,926)	915
Other	0	0	0	0	2	0	2
Total Intragovernmental	2,425,316	189,066	3,153	3,862	3,859	(2,926)	2,622,330
Accounts Receivable, Net	1,936	3,388	5,656	0	15	(626)	10,369
Property, Plant, and Equipment, Net	0	0	0	0	2,825	0	2,825
Other	0	0	0	0	3	0	3
Total Assets	$ 2,427,252	$ 192,454	$ 8,809	$ 3,862	$ 6,702	$ (3,552)	$ 2,635,527
Liabilities							
Intragovernmental:							
Accrued Railroad Retirement Interchange	$ 3,909	$ 509	$ 0	$ 0	$ 0	$ 0	$ 4,418
Accounts Payable	950	890	5,773	3,778	60	(2,926)	8,525
Other	0	0	140	2	127	0	269
Total Intragovernmental	4,859	1,399	5,913	3,780	187	(2,926)	13,212
Benefits Due and Payable	51,651	24,329	5,431	0	0	(626)	80,785
Accounts Payable	0	7	446	0	20	0	473
Other	0	0	341	2	1,124	0	1,467
Total Liabilities	56,510	25,735	12,131	3,782	1,331	(3,552)	95,937
Net Position							
Unexpended Appropriations-Earmarked Funds	0	0	0	61	0	0	61
Unexpended Appropriations-Other Funds	0	0	388	19	5	0	412
Cumulative Results of Operations-Earmarked Funds	2,370,742	166,719	19	0	0	0	2,537,480
Cumulative Results of Operations-Other Funds	0	0	(3,729)	0	5,366	0	1,637
Total Net Position	2,370,742	166,719	(3,322)	80	5,371	0	2,539,590
Total Liabilities and Net Position	$ 2,427,252	$ 192,454	$ 8,809	$ 3,862	$ 6,702	$ (3,552)	$ 2,635,527

Other Accompanying Information: Schedule of Net Cost for the Years Ended September 30, 2010
(Dollars in Millions)

	Program	LAE	Total
OASI Program			
Benefit Payments	$ 574,223	$ 0	$ 574,223
Operating Expenses	640	2,944	3,584
Total Cost of OASI Program	574,863	2,944	577,807
Less: Exchange Revenues	(1)	(14)	(15)
Net Cost of OASI Program	574,862	2,930	577,792
DI Program			
Benefit Payments	121,598	0	121,598
Operating Expenses	227	2,801	3,028
Total Cost of DI Program	121,825	2,801	124,626
Less: Exchange Revenues	(29)	(13)	(42)
Net Cost of DI Program	121,796	2,788	124,584
SSI Program			
Benefit Payments	43,844	0	43,844
Operating Expenses	130	3,668	3,798
Total Cost of SSI Program	43,974	3,668	47,642
Less: Exchange Revenues	(283)	(18)	(301)
Net Cost of SSI Program	43,691	3,650	47,341
Other			
Benefit Payments	8	0	8
Operating Expenses	123	2,423	2,546
Total Cost of Other	131	2,423	2,554
Less: Exchange Revenues	0	(10)	(10)
Net Cost of Other Program	131	2,413	2,544
Total Net Cost			
Benefit Payments	739,673	0	739,673
Operating Expenses	1,120	11,836	12,956
Total Cost	740,793	11,836	752,629
Less: Exchange Revenues	(313)	(55)	(368)
Total Net Cost	$ 740,480	$ 11,781	$ 752,261

Other Accompanying Information: Schedule of Changes in Net Position for the Years Ended September 30, 2010
(Dollars in Millions)

	OASI	DI	SSI		Other	
	Earmarked	Earmarked	Earmarked	All Other Funds	Earmarked	All Other Funds
Cumulative Results of Operations:						
Beginning Balances	$ 2,270,181	$ 186,635	$ 36	$ (3,736)	$ 0	$ 0
Budgetary Financing Sources						
Appropriations Used	0	0	0	50,862	22,845	84
Tax Revenues (Note 13)	552,804	93,869	0	0	0	0
Interest Revenues	108,424	9,590	0	0	0	0
Transfers In/Out Without Reimbursement	18,201	(1,148)	(160)	(3,672)	(22,845)	47
Railroad Retirement Interchange	(4,022)	(478)	0	0	0	0
Net Transfers In/Out	14,179	(1,626)	(160)	(3,672)	(22,845)	47
Other Budgetary Financing Sources	16	47	0	0	0	0
Other Financing Sources (Non-Exchange)						
Transfers-In/Out	0	0	0	(3,237)	0	3,237
Imputed Financing Sources	0	0	0	28	0	0
Other	0	0	0	(140)	0	(3,237)
Total Financing Sources	675,423	101,880	(160)	43,841	0	131
Net Cost of Operations	574,862	121,796	(143)	43,834	0	131
Net Change	100,561	(19,916)	(17)	7	0	0
Cumulative Results of Operations	$ 2,370,742	$ 166,719	$ 19	$ (3,729)	$ 0	$ 0
Unexpended Appropriations:						
Beginning Balances	$ 0	$ 0	$ 0	$ 650	$ 58	$ 24
Adjustments						
Corrections of Errors	0	0	0	0	5	0
Beginning Balances, As Adjusted	$ 0	$ 0	$ 0	$ 650	$ 63	$ 24
Budgetary Financing Sources						
Appropriations Received	0	0	0	51,142	22,851	309
Other Adjustments	0	0	0	(542)	(8)	(230)
Appropriations Used	0	0	0	(50,862)	(22,845)	(84)
Total Budgetary Financing Sources	0	0	0	(262)	(2)	(5)
Total Unexpended Appropriations	0	0	0	388	61	19
Net Position	$ 2,370,742	$ 166,719	$ 19	$ (3,341)	$ 61	$ 19

Other Accompanying Information: Schedule of Changes in Net Position for the Years Ended September 30, 2010 (Continued)

(Dollars in Millions)

	LAE	CONSOLIDATED		
	All Other Funds	Earmarked	All Other Funds	CONSOLIDATED TOTAL
Cumulative Results of Operations:				
Beginning Balances	$ 4,971	$ 2,456,852	$ 1,235	$ 2,458,087
Budgetary Financing Sources				
Appropriations Used	29	22,845	50,975	73,820
Tax Revenues (Note 13)	0	646,673	0	646,673
Interest Revenues	0	118,014	0	118,014
Transfers In/Out Without Reimbursement	11,466	(5,952)	7,841	1,889
Railroad Retirement Interchange	0	(4,500)	0	(4,500)
Net Transfers In/Out	11,466	(10,452)	7,841	(2,611)
Other Budgetary Financing Sources	0	63	0	63
Other Financing Sources (Non-Exchange)				
Transfers-In/Out	0	0	0	0
Imputed Financing Sources	681	0	709	709
Other	0	0	(3,377)	(3,377)
Total Financing Sources	12,176	777,143	56,148	833,291
Net Cost of Operations	11,781	696,515	55,746	752,261
Net Change	395	80,628	402	81,030
Cumulative Results of Operations	$ 5,366	$ 2,537,480	$ 1,637	$ 2,539,117
Unexpended Appropriations:				
Beginning Balances	$ 6	$ 58	$ 680	$ 738
Adjustments				
Corrections of Errors	0	5	0	5
Beginning Balances, As Adjusted	$ 6	$ 63	$ 680	$ 743
Budgetary Financing Sources				
Appropriations Received	29	22,851	51,480	74,331
Other Adjustments	(1)	(8)	(773)	(781)
Appropriations Used	(29)	(22,845)	(50,975)	(73,820)
Total Budgetary Financing Sources	(1)	(2)	(268)	(270)
Total Unexpended Appropriations	5	61	412	473
Net Position	$ 5,371	$ 2,537,541	$ 2,049	$ 2,539,590

Required Supplementary Information: Schedule of Budgetary Resources for the Years Ended September 30, 2010

(Dollars in Millions)

	OASI	DI	SSI	Other	LAE	Combined
Budgetary Resources						
Unobligated Balances, Brought Forward, October 1	$ 0	$ 0	$ 896	$ 83	$ 1,605	$ 2,584
Recoveries of Prior Year Unpaid Obligations	36	2	3	47	323	411
Budget Authority						
Appropriations	682,472	125,392	51,302	23,164	29	882,359
Spending Authority from Offsetting Collections						
Earned						
Collected	0	0	3,592	3	55	3,650
Change in Receivable	0	0	0	0	2	2
Change in Unfilled Customer Orders						
Advance Received	0	0	(10)	0	(4)	(14)
Expenditure Transfers from Trust Funds	0	0	0	0	11,466	11,466
Subtotal	682,472	125,392	54,884	23,167	11,548	897,463
Nonexpenditure Transfers, Net	(33)	15	0	0	0	(18)
Temporarily Not Available Pursuant to Public Law	(101,020)	0	0	0	0	(101,020)
Permanently Not Available	(3)	(2)	(542)	(238)	(1)	(786)
Total Budgetary Resources	$ 581,452	$ 125,407	$ 55,241	$ 23,059	$ 13,475	$ 798,634
Status of Budgetary Resources						
Obligations Incurred						
Direct	$ 581,452	$ 125,407	$ 51,030	$ 22,976	$ 12,021	$ 792,886
Reimbursable	0	0	3,592	3	58	3,653
Subtotal	581,452	125,407	54,622	22,979	12,079	796,539
Unobligated Balances						
Apportioned	0	0	255	43	563	861
Unobligated Balances - Not Available	0	0	364	37	833	1,234
Total Status of Budgetary Resources	$ 581,452	$ 125,407	$ 55,241	$ 23,059	$ 13,475	$ 798,634
Change in Obligated Balances						
Obligated Balances, Net						
Unpaid Obligations, Brought Forward, October 1	$ 55,022	$ 26,789	$ 2,206	$ 945	$ 2,166	$ 87,128
Uncollected Customer Payments, Brought Forward, October 1	0	0	0	0	(3,743)	(3,743)
Total Unpaid Obligated Balance, Net	55,022	26,789	2,206	945	(1,577)	83,385
Obligations Incurred, Net	581,452	125,407	54,622	22,979	12,079	796,539
Gross Outlays	(579,928)	(126,423)	(54,495)	(23,337)	(11,469)	(795,652)
Obligated Balance Transferred, Net						
Recoveries of Prior Year Unpaid Obligations, Actual	(36)	(2)	(3)	(47)	(323)	(411)
Change in Uncollected Customer Payments	0	0	0	0	(87)	(87)
Obligated Balance, Net, End of Period						
Unpaid Obligations	56,510	25,771	2,330	540	2,453	87,604
Uncollected Customer Payments	0	0	0	0	(3,830)	(3,830)
Total Unpaid Obligated Balance, Net, End of Period	$ 56,510	$ 25,771	$ 2,330	$ 540	$ (1,377)	$ 83,774
Net Outlays						
Net Outlays						
Gross Outlays	$ 579,928	$ 126,423	$ 54,495	$ 23,337	$ 11,469	$ 795,652
Offsetting Collections	0	0	(3,582)	(3)	(11,431)	(15,016)
Distributed Offsetting Receipts	(21,107)	(1,828)	(283)	(3,237)	0	(26,455)
Net Outlays	$ 558,821	$ 124,595	$ 50,630	$ 20,097	$ 38	$ 754,181