

Part IV

Item 15. Exhibits

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference		
			Form	Period Ended	Publish Date
99.01	Government sources	X			
99.02	Reserved				
99.03	Cash and accrual bases of accounting	X			
99.04	Government-run businesses	X			
99.05	Composition of segment expenditures	X			
99.06	Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds (the Trustees) projections of OASDI trust fund solvency	X			
99.07	The Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds projections of Medicare trust funds solvency	X			
99.08	Cohort table creation	X			
99.09	Other similar projects	X			
99.10	Excluded Form 10-K content	X			
99.11	Data reliability considerations	X			
99.12	Data comparability considerations	X			
99.13	Modification of data	X			

Endnotes

- 1 Much of the information in this section was derived from <https://www.whitehouse.gov/about-the-white-house/state-local-government/>.
- 2 Much of the information in this section was derived from <https://www.census.gov/programs-surveys/gus/technical-documentation/methodology/population-of-interest1.html>.
- 3 Much of the information in this section was derived from <https://www.irs.gov/>.
- 4 <https://www.federalreserve.gov/aboutthefed/section7.htm>
- 5 *Individual Income Tax Provisions in the States, Informational Paper 3* by the Wisconsin Legislative Fiscal Bureau, January 2021, found at https://docs.legis.wisconsin.gov/misc/lfb/informational_papers/january_2021/0003_individual_income_tax_provisions_in_the_states_informational_paper_3.pdf
- 6 Government of the District of Columbia, *2019 Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison*, https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/2019%2051City%20Study_Final.pdf, p25
- 7 Budget process information in this section comes primarily from *Budget Process in the States* by the National Association of State Budget Officers, 2015 version, found at <https://www.nasbo.org/reports-data/budget-processes-in-the-states>.
- 8 The majority of the information in this section is derived from <https://www.federalreserve.gov/aboutthefed/structure-federal-reserve-system.htm>. The Federal Reserve balance sheets were sourced from <https://www.federalreserve.gov/releases/z1/default.htm>.
- 9 Most of the information in this section was derived from the *Federal Home Loan Banks Combined Financial Report for the Year Ended December 31, 2020*, found at http://www.fhlb-of.com/ofweb_userWeb/pageBuilder/fhlbank-financial-data-36.
- 10 The majority of the information in this section was derived from Fannie Mae's 2018 Annual Report on Form 10-K, found at <https://www.sec.gov/ix?doc=/Archives/edgar/data/310522/000031052219000116/fanniema201810k.htm>.
- 11 The majority of the information in this section was derived from Freddie Mac's 2018 Annual Report on Form 10-K, found at <https://www.sec.gov/Archives/edgar/data/1026214/000102621419000020/a20184q10k.htm>.
- 12 The majority of the information in this section was derived from the FHFA website <https://www.fhfa.gov/Conservatorship>.
- 13 The majority of the information in this section was derived from the Farm Credit System website <https://www.farmcreditnetwork.com/about/overview>.
- 14 The majority of the information in this section was derived from Farmer Mac's 2020 Annual Report on Form 10-K, found at <https://www.sec.gov/ix?doc=/Archives/edgar/data/845877/000084587721000024/agm-20201231.htm>
- 15 The majority of the information in this section was derived from the following Social Security Administration publications: <https://www.ssa.gov/pubs/EN-05-10029.pdf>, <https://www.ssa.gov/pubs/EN-05-10035.pdf>, <https://www.ssa.gov/pubs/EN-05-10084.pdf>, and <https://www.ssa.gov/pubs/EN-05-10085.pdf>.
- 16 The majority of the information in this section was derived from the Social Security Administration's website <https://www.ssa.gov/oact/progdata/taxRates.html>.
- 17 The majority of the information in this section was derived from <https://www.medicare.gov/>.
- 18 Centers for Medicare and Medicaid Services publication *2013 Health and Health Care of the Medicare Population*, found at <https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/MCBS/Data-Tables-Items/2013HHC?DLPage=1&DLEntries=10&DLSort=0&DLSortDir=descending>
- 19 The majority of the information in this section was derived from <https://www.medicaid.gov/medicaid/eligibility/index.html>.
- 20 The majority of the information in this section was derived from <https://www.fns.usda.gov/snap/eligibility>.
- 21 The majority of the information in this section was derived from <https://oui.doleta.gov/unemploy/uifactsheet.asp>.
- 22 <https://www.irs.gov/pub/irs-pdf/i940.pdf>, page 5
- 23 The information in this paragraph was derived from the Department of Labor's *State Unemployment Insurance Trust Fund Solvency Report 2021*, found at <https://oui.doleta.gov/unemploy/docs/trustFundSolvReport2021.pdf>.
- 24 The majority of the information in this section was derived from <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit>.
- 25 The majority of this information in this section was derived from <https://www.irs.gov/affordable-care-act/individuals-and-families/the-premium-tax-credit-the-basics-0>.
- 26 The majority of the information in this section was derived from <https://www.ssa.gov/ssi/text-understanding-ssi.htm>.
- 27 The majority of the information in this section was derived from <https://studentaid.ed.gov/sa/>.
- 28 The majority of the information in this section was derived from <https://www.acf.hhs.gov/ofa/programs/tanf>.
- 29 The majority of the information in this section comes from National Governors Association, including <https://www.nga.org/consulting/powers-and-authority/> and <https://www.nga.org/governors/>.
- 30 <https://www.bls.gov/cps/tables.htm>, table 42.
- 31 Information in this section was derived from <https://covid.cdc.gov/covid-data-tracker/#datatracker-home>.
- 32 Information in this section was derived from <https://www.cbo.gov/publication/56334>.
- 33 Certain of the risks outlined in these Risk Factors were derived from the Government Accountability Report to Congressional Committees, High Risk Series, *Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas*, March 2021, found at <https://www.gao.gov/highrisk/overview>.
- 34 Information in this section was derived from <https://www.dhs.gov/ntas/advisory/national-terrorism-advisory-system-bulletin-january-27-2021>.
- 35 Information in this section was derived from <https://www.bia.gov>.
- 36 Information in this section was derived from <https://www.acq.osd.mil/eie/Downloads/BSI/Base%20Structure%20Report%20FY18.pdf>.
- 37 The majority of the individual and corporate income and tax data in this section was derived from the Internal Revenue Service Statistics of Income Division, found at <https://www.irs.gov/uac/soi-tax-stats-statistics-of-income>. See also Exhibit 99.13 for a discussion of our income and rate analysis.
- 38 This data was created from the Bureau of Economic Analysis (BEA)'s National Income and Product Accounts (NIPA) tables and related data for various topics. To locate this data, go to https://apps.bea.gov/iTable/index_nipa.cfm and select "Begin using the data..." to access the NIPA tables.
- 39 *Tax Rates and Tax Burdens in the District of Columbia - A Nationwide Comparison 2018*, https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/2018%2051City%20Study_June%202020.pdf.
- 40 Information obtained from <https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MGFUPUS1&f=A>.
- 41 National Association of Insurance Commissioners, *State Insurance Regulation: Key Facts and Market Trends*, found at https://www.naic.org/state_report_cards/report_card_us.pdf.
- 42 *The Tax Burden on Tobacco, 1970 – 2019* from <https://chronicdata.cdc.gov/Policy/The-Tax-Burden-on-Tobacco-1970-2019/7nwe-3aj9>.
- 43 The source noted in endnote 39 utilizes the largest city in each state in its analysis, and the largest city in South Carolina and Tennessee changed between the periods presented, therefore these states were removed from the analysis.
- 44 The majority of the information in this section comes from our financial statements and footnotes. See *Part II, Item 8. Financial Statements and Supplementary Data*.
- 45 Most of the data in this section can be found, with sources noted, on our website <https://usafacts.org>. Data that is not yet there will be provided in the near future.
- 46 The annual per enrollee spending excludes disproportionate share hospital payments outlays, territorial enrollees and costs, adjustments, and administration costs, from *2018 Actuarial Report on the Financial Outlook for Medicaid* found at <https://www.cms.gov/files/document/2018-report.pdf>.
- 47 Medical commodities includes prescription drugs, nonprescription over-the-counter drugs, and other medical equipment and supplies, found at <https://www.bls.gov/cpi/factsheets/medical-care.htm>.
- 48 Data is limited to billion-dollar disasters as provided by National Oceanic and Atmospheric Administration, as they account for roughly 80% of the total estimated US losses for all combined severe weather and climate events. These loss estimates reflect direct effects of weather and climate events (not including indirect effects) and constitute total estimated losses (both insured and uninsured). Because most of the data sources provide only insured losses, a "factor approach" (based on approximate average insurance participate rates) is used for conversion into the corresponding total estimated losses. For more detailed information regarding the cost estimates see <https://www.ncdc.noaa.gov/monitoring-content/billions/docs/smith-and-katz-2013.pdf>.
- 49 *Foreign Aid: An Introduction to U.S. Programs and Policy*, by the Congressional Research Service, April 16, 2019, found at <https://fas.org/sgp/crs/row/R40213.pdf>.
- 50 *U.S. Foreign Aid to Israel*, by the Congressional Research Service, August 7, 2019, found at <https://fas.org/sgp/crs/mideast/RL33222.pdf>.
- 51 Chetty, Raj, et al., *Race and Economic Opportunity in the United States: An Intergenerational Perspective*, working Paper (March 2018), <https://opportunityinsights.org/paper/race/>.
- 52 The majority of the information in this section was derived from the Financial Stability Oversight Council 2018 Annual Report, found at <https://home.treasury.gov/system/files/261/FSOC2018AnnualReport.pdf>.
- 53 Obtained from Bloomberg, accessed on March 1, 2021.
- 54 Treasury has not provided sufficient data to enable us to restate these figures.
- 55 <https://www.gao.gov/highrisk/management-federal-oil-and-gas-resources>
- * To create federal fiscal year (October 1 to September 30) data, we used a formula of 25% of the prior calendar year figure plus 75% of the current calendar year figure. All the figures in the MD&A that were converted from calendar year to federal fiscal year in this manner are indicated by * (one asterisk).
- ** To create state and local fiscal year (July 1 to June 30) data, we used a formula of 50% of the prior calendar year figure plus 50% of the current calendar year figure. All the figures in the MD&A that were converted from calendar year to state and local fiscal year in this manner are indicated by ** (two asterisks).

Exhibit 99.01

Sources of data

Financial statement and related data

Our primary financial statement (and related footnote and MD&A) data came from the following sources:

- *Federal income statements* – federal government budget figures prepared on a cash basis (budgeted inflows and outflows) by the US Treasury Department (Treasury) and the Office of Management and Budget (OMB), supplemented in the functional income statement in one case (wages and salaries) by data from the Bureau of Economic Analysis (BEA) (see *Modification of data* in Exhibit 99.13).
- *State and local income statements* – actual historical figures prepared on a cash or accrual basis at the election of the state and local government preparer and compiled by the US Census Bureau (the Census Bureau), as reported by state and local governments through the Census of Governments.
- *Federal balance sheets* – data prepared by the Treasury, largely on an accrual basis, and audited by the Government Accountability Office (GAO), as provided through the *Financial Report of the United States Government* (the Financial Report).
- *State and local balance sheets* – data prepared by the Federal Reserve and the BEA.

See Exhibit 99.03 for information on different accounting bases.

This financial statements and related data, unless otherwise noted, are on a fiscal year basis. This means they represent:

- *Income statements* – data for the annual period from October 1 to September 30, for federal government and from July 1 to June 30, generally, for state and local governments; and
- *Balance sheets* – data as of one day, September 30 for the federal government and June 30 for state and local governments.

See <https://usafacts.org/usafacts-financial-analysis-methodology/> on our website for more information on the creation of our income statements. See *Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements* within this report for more information on the creation of our balance sheets.

Other data

We sourced the other data in this report from the government entities listed in the tables below. Some of these data have been audited by the GAO, a state auditor's office, or an independent public accounting firm, while some is unaudited. We relied on non-governmental data only for investment market prices and on governmental data obtained indirectly from a non-governmental source for just one data set – the economic mobility data in *Part II, Item 7. Management's Discussion and Analysis, Key metrics by segment, Blessings of Liberty, American Dream*.

Forward-looking statements

This report includes limited estimates, projections, and statements relating to government plans, objectives, and expected operating results that are "forward-looking statements." Such statements may appear throughout this report, including in the following sections: *Item 1. Purpose and Function of Our Government, Item 1A. Risk Factors, Item 7. Management's Discussion and Analysis, Item 7A. Quantitative and Qualitative Disclosures About Market Risk, and Item 15. Exhibits*. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," "will continue," and similar expressions.

The forward-looking statements in this document have primarily been drawn from government sources. We do not attest to the accuracy of these statements and related information, nor do we undertake any obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise. We have included our own forward-looking statements in this document in the following limited cases:

- *Item 1A. Risk Factors* include statements authored by us, including forward-looking statements. However, any dollar projections included therein were prepared by government sources, which are cited; and
- We calculated the estimated future federal interest payments shown in the contractual obligations table in *Part II, Item 7. Management's Discussion and Analysis, Financial condition* using the components (outstanding debt and interest rates) from a government source. We have disclosed our calculations in a footnote to the table.

Citations

For data that is contained both in this report and on our website, the respective source is generally cited only on our website and not herein again. The limited additional data that is contained only in this report and not on our website is:

- when sourced from the federal government:
 - cited in this report for convenience of the reader when larger sets of data were used (e.g. the footnotes in *Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements*);
 - generally, not cited otherwise, as materials created by the federal government are generally part of the public domain. If you have questions about sources of federal data and are unable to find them on our website, <https://usafacts.org/>, please contact us using the contact information on our website; and
- when sourced from a state or local government or another source, cited herein.

It should be noted that none of our materials nor our organization are affiliated with, or endorsed by, any of our sources.

Data sourced from our website

The majority of the data included in this report can be found on our website with accompanying citations. The original sources for that data as of the time of the publishing of this report are:

Agency for International Development	Center for Medicare and Medicaid Services	Mine Safety and Health Administration	National Interagency Fire Center
Consumer Financial Protection Bureau	Food and Drug Administration	Occupational Safety and Health Administration	National Labor Relations Board
Consumer Product Safety Commission	Department of Homeland Security	Wage and Hour Division	National Science Foundation
National Electronic Injury Surveillance System	Customs and Border Protection	Department of State	National Center for Science and Engineering Statistics
Department of Agriculture	Federal Emergency Management Agency	Department of Transportation	Nuclear Regulatory Commission
Animal and Plant Health Inspection Service	Transportation Security Administration	Bureau of Transportation Statistics	Securities and Exchange Commission
Food and Nutrition Service	Department of Housing and Urban Development	Federal Highway Administration	Small Business Administration
Food Safety and Inspection Service	Office of Community Planning and Development	National Highway Traffic Safety Administration	Social Security Administration
Department of Commerce	Office of Fair Housing and Equal Opportunity	Department of the Treasury	United States Congress
Bureau of Economic Analysis	Office of Policy Development and Research	Internal Revenue Service	United States Courts
Census Bureau	Department of the Interior	Department of Veterans Affairs	White House
United States Patent and Trademark Office	Bureau of Land Management	Environmental Protection Agency	Office of Management and Budget
Department of Defense	Fish and Wildlife Service	Equal Employment Opportunity Commission	Office of Personnel Management
Defense Manpower Data Center	National Park Service	Federal Deposit Insurance Corporation	The World Bank
Department of Education	Department of Justice	Federal Election Commission	Additional data from:
National Center for Education Statistics	Bureau of Alcohol, Tobacco, Firearms, and Explosives	Federal Reserve and member banks	Chetty, Raj, et al. "Race and Economic Opportunity in the United States: An Intergenerational Perspective." Working Paper (March 2018).
Department of Energy	Bureau of Justice Statistics	Federal Trade Commission	Stock indices from Yahoo Finance
Energy Information Administration	Drug Enforcement Administration	Freddie Mac	Gold price from World Gold Council
Department of Health and Human Services	Federal Bureau of Investigation	Medicaid and CHIP Payment and Access Commission	
Administration for Children and Families	Department of Labor	National Archives and Records Administration	
Center for Disease Control and Prevention	Bureau of Labor Statistics	Federal Register	
	Employee Benefits Security Administration		

Other data sourced for this Form 10-K

Certain data were sourced only for preparation of this report and have not been added to our website. These data sources, beyond those in the list of website sources above, include:

Central Intelligence Agency	Department of Justice	Federal Home Loan Banks	United States House of Representatives
Congressional Budget Office	Office of Juvenile Justice and Delinquency Prevention	Federal Housing Finance Agency	United States Senate
Congressional Research Service	Department of Labor	General Services Administration	Tennessee Valley Authority
The Council of State Governments	Employment and Training Administration	Government Accountability Office	USA.gov
Department of Education	Department of the Treasury	Government of the District of Columbia	The Wisconsin Legislative Bureau
Office of Federal Student Aid	Bureau of the Fiscal Service	National Association of State Budget Officers	Additional data from:
Department of Health and Human Services	Department of Veterans Affairs	National Conference of State Legislatures	US credit rating – Bloomberg
Office of the Assistant Secretary for Planning and Evaluation	Veteran Benefits Administration	National Governors Association	Stock and bond prices – Google Finance, Investing.com, Yahoo Finance
Department of the Interior	Fannie Mae	Oregon Department of Revenue	
Bureau of Indian Affairs	The Farm Credit Council	Pension Benefit Guaranty Corporation	
United States Geological Survey			

Exhibit 99.03

The US Government Accountability Office provides a description of the difference between cash basis accounting and accrual basis accounting. We have reproduced it here. You can find the original text at <http://www.gao.gov/assets/80/77222.pdf>.

Cash basis of accounting

"The federal government primarily uses the cash basis of accounting for its budget, which is the federal government's primary financial planning and control tool." A primary exception to the general use of cash-basis accounting is the accounting for loan program costs, which are accounted for using the methodology described in "*Loan program costs – reestimates*" below.

"Because it is similar to keeping a checkbook, the cash basis of accounting... is perhaps the easier of the two bases of accounting to understand. The cash basis focus is on cash receipts, cash disbursements, and the difference between the two amounts. With relatively few exceptions, receipts are recorded when cash is received, and outlays are recorded when cash is disbursed. The difference between cash receipts and cash outlays at the end of the fiscal year is reported as the annual budget surplus or budget deficit."

Accrual basis of accounting

"Accrual accounting, also used in the private sector, is generally the basis used to prepare the *Statement of Net Cost, Statement of Operations and Changes in Net Position*, and the *Balance Sheet* [within the United States Treasury *Financial Report of the United States*]."

"The accrual basis of accounting recognizes revenue when it is earned and recognizes expenses in the period incurred, without regard to when cash is received or disbursed. The federal government, which receives most of its revenue from taxes, nevertheless, recognizes tax revenue when it is collected, under an accepted modified cash basis of accounting.

Expenses are recognized during the period in which they are incurred. Accrual accounting, for example, recognizes that while the employee is working, the employee earns not only a salary but also health, pension, and other benefits that will be paid in the future during the employee's retirement. Accordingly, each year, on the basis of actuarial calculations of benefits earned, the federal government records as an expense (operating cost) an estimated amount for these earned benefits and increases the related liability – Federal Employee and Veteran Benefits Payable – for the amount owed to its employees, both civilian and military."

"Also under accrual accounting, the federal government reports physical assets when they are acquired and records related expenses when the federal government benefits from their use or consumption or when they are sold. Physical assets consist of inventories of goods held for sale or for future consumption and long-lived or "fixed" assets such as land, buildings, and equipment. In the case of assets such as buildings and equipment, the annual cost attributed to their use is recorded as depreciation expense."

Loan program costs - reestimates

The Federal Credit Reform Act of 1990 (FCRA) requires agencies to estimate the cost to the government of extending or guaranteeing credit. This cost, referred to as subsidy cost, equals the net present value of estimated cash flows from the government (e.g. loan disbursements and claim payments to lenders) minus estimated cash flows to the government (e.g. loan repayments, interest payments, fees, and recoveries on defaulted loans) over the life of the loan, excluding administrative costs. Discount rates that reflect the federal government's cost of financing are used to determine the net present value of estimated cash flows. Agencies generally update, or reestimate, subsidy costs annually to reflect both actual loan performance and changes in expected loan performance.

Exhibit 99.04

Government-run businesses

United States Postal Service (USPS): The USPS is an independent, self-financing agency that delivers mail to some 161 million US locations and provides services through 31,330 retail outlets. With close to half a million workers, it is one of the country's largest employers.

Tennessee Valley Authority (TVA): The Tennessee Valley Authority is the nation's largest government-owned power utility. It sells electricity to businesses and power distributors serving 10 million customers in parts of seven Southeastern states.

The Federal Deposit Insurance Corporation (FDIC): The FDIC insures deposits of up to \$250,000, supervises state-chartered banks that aren't part of the Federal Reserve System, and acts as receiver for failed institutions.

Pension Benefit Guaranty Corporation: The PBGC insures more than 24,500 defined-benefit pension plans with over 34 million members.

Amtrak: Also known as National Railroad Passenger Corporation, Amtrak is a rail carrier that operates a 21,400-mile rail network serving 46 US states, the District of Columbia and three Canadian provinces. It carries over 32 million passengers per year.

US International Development Financial Corporation (DFC): The DFC is the US Government's developing finance institution. The DFC partners with the private sector to finance solutions to the most critical challenges facing the developing world today. It invests in energy, healthcare, critical infrastructure, and technology and also provides financing for small businesses and women entrepreneurs in order to create jobs in emerging markets. *Export-Import Bank:* The bank provides services including export-credit insurance, working capital guarantees and loan guarantees to US exporters. It also offers trade finance to foreign buyers of US products.

St. Lawrence Seaway Development Corporation: The corporation, created in 1954, operates and maintains the portion of the St. Lawrence Seaway that runs through US territory between the Port of Montreal and Lake Erie.

Valles Caldera Trust: The trust operated the 89,000-acre Valles Caldera National Preserve in New Mexico's Jimenez Mountains until 2015, when the wilderness was handed over to the National Park Service.

Commodity Credit Corporation: The CCC was created in 1933, during the Great Depression, to support farm income and prices. Its operations include providing loans to farmers, as well as export credits, disaster insurance and conservation programs. It also authorizes the sale of agricultural commodities to other government agencies and foreign governments and donations of food to relief agencies.

Presidio Trust of San Francisco: In partnership with the National Park Service and the Golden Gate National Parks Conservancy, the Presidio Trust operates the Presidio, a 1,491-acre national park that encompasses a former US Army post, museums and archeological sites.

Federal Crop Insurance: The Federal Crop Insurance Corporation, through its Risk Management Agency, reinsures crop-insurance policies purchased by farmers from private firms and also provides subsidies for premiums.

Federal Financing Bank: The FFB was created in 1973 to centralize and reduce the cost of borrowing by federal government agencies. The bank borrows from the Treasury and lends to agencies and agency-guaranteed borrowers.

Ginnie Mae: Also known as the Government National Mortgage Association, Ginnie Mae provides financing to the housing market by guaranteeing payment of interest and principal on mortgage-backed securities insured by federal agencies, including the Federal Housing Administration.

Federal Prison Industries (UNICOR): The corporation provides vocational training to federal prisoners and uses their labor to produce goods and services that are sold to federal agencies.

Air Transportation: Federal aid for construction, operation, and support of public airports; and other distributions from the Federal Airport and Airway Trust Fund.

Toll Highways: Fees from turnpikes, toll roads, bridges, ferries, and tunnels; rents and other revenue from concessions (service stations, restaurants, etc.); and other charges for use of toll facilities.

Parking Facilities: Provision, construction, maintenance, and operation of public parking facilities operated on a commercial basis.

Sea and Inland Port Facilities: Canal tolls, rents from leases, concession rents, and other charges for use of commercial or industrial water transport and port terminal facilities and related services.

Mass Transit: Operation, maintenance, and construction of public mass transit systems, including subways, surface rails, and buses.

Water Utilities: Revenue from operations of public water supply systems, such as sale of water to residential, industrial, and commercial customers (including bulk water for resale by other private or public water utilities); connection and "tap" fees; sprinkler fees; meter inspection fees; late payment penalties; and other operations revenues.

Gas and Electric Utilities: Revenue from operations of public electric power-supply systems, such as sale of electricity to residential, commercial, and industrial customers (including electricity for resale by other private or public electric utilities); and other operations revenues. Revenue from operations of public gas supply systems, such as sale of natural gas to residential, commercial, and industrial customers (including natural gas for resale by other private or public gas supply utilities); connection fees; and other operations revenues.

Sewerage and Waste Management: Charges for sewage collection and disposal, including sewer connection fees. Fees for garbage collection and disposal; operation of landfills; sale of recyclable materials; cleanup of hazardous wastes; and sale of electricity, gas, steam, or other by-products of waste resource recovery or cogeneration facilities.

Liquor Stores: Operation and maintenance of government operated retail or wholesale liquor monopolies.

Lotteries: Proceeds from the operation of government-sponsored lotteries after deducting the cost of prizes.

Exhibit 99.05

Composition of segment expenditures

Justice and Domestic Tranquility

Crime and disaster expenditures include expenditures for:

- *disaster relief*, including federal assistance and the national flood insurance program;
- *the justice system*, including courts;
- *law enforcement and corrections*, including police protection, investigation, and correctional facilities; and
- fire protection.

Child safety and miscellaneous social services expenditures include expenditures for:

- *children services*, such as child welfare programs, foster care, adoption, day care, nonresidential shelters, and the like; and
- *social services*, such as general social services programs, social services to the physically disabled, such as transportation, and temporary shelters and other services for the homeless.

Safeguarding consumers and employees expenditures include expenditures for:

- regulation and inspection of food and drugs and related establishments;
- inspection of plans, permits, construction, or installations related to buildings and related systems, electric power plant sites, nuclear facilities, and weights and measures;
- regulation of financial institutions, taxicabs, public service corporations, insurance companies, private utilities, and other corporations;
- licensing, examination, and regulation of professional occupations, including health-related ones like doctors, nurses, barbers, and beauticians;
- inspection and regulation of working conditions and occupational hazards;
- patents and copyrights;
- motor vehicle inspection and weighing; and
- regulation and enforcement of liquor laws and sale of alcoholic beverages.

Common Defense

National defense and support for veterans expenditures include expenditures for:

- *national defense*, including military operations and maintenance; personnel; procurement, including ships, aircraft, and weapons; and research, development, test, and evaluation; and
- *support for veterans*, including benefits for housing, medical care, readjustment, and pension and disability, among others.

Immigration and border security expenditures include expenditures for immigration, visa, and citizenship services; customs; and border protection.

Foreign affairs and foreign aid expenditures include expenditures for:

- *international development and humanitarian assistance*, including global health programs, migration and refugee assistance, international development assistance, international disaster assistance, and foreign agricultural assistance;
- *international security assistance*, including foreign economic and military support; and
- *other foreign affairs*, including diplomatic and consular programs, embassies, contributions to international peacekeeping and other organizations, offset in part by income from sales of articles and services to foreign countries and international organizations.

General Welfare

Economy and infrastructure expenditures include expenditures for:

- *transportation*, including air, water, highway, and railroad;
- space exploration;
- general science and basic research;
- *general commerce*, including liquor stores, lotteries, hospitals, and other government-run businesses; and
- *banking and finance*, including deposit insurance and the Troubled Asset Relief Program (TARP).

Standard of living and aid to the disadvantaged expenditures include expenditures for:

- *refundable tax credits*, including the Child Tax Credit, Earned Income Tax Credit, and Premium tax credit;
- *other cash and non-cash programs to aid the disadvantaged*, including Medicaid, the Supplemental Nutrition Assistance Program, Supplemental Security Income, Unemployment Insurance, Pell grants, housing and community development programs, and health services for American Indians.

Health (excluding Medicaid and Medicare) expenditures include expenditures for:

- public health, health resources and services for people geographically isolated or economically or medically vulnerable, and disease control and prevention, as well as expenditures for shared Medicare and Medicaid that our Government has not allocated to one program or the other.

Blessings of Liberty

Education expenditures include expenditures for elementary, secondary, and higher education inside the classroom and education outside the classroom, such as museums and libraries, offset in part by fees paid by students and visitors.

Wealth and savings expenditures include expenditures for:

- *retirement programs*, including Social Security and military, civil service, and railroad retirement and health benefits plans;
- *saving for healthcare in old age*, including Medicare;
- interest on government debt; and
- *general housing support*, including TARP for housing.

Sustainability and self-sufficiency expenditures include expenditures for:

- *environment and natural resources*, including civil works projects by the Corps of Engineers, forest management, fire management planning, weather and climate monitoring and associated warning systems, fisheries management and game programs, coastal restoration, supporting marine commerce, cleanup of hazardous materials, and general management of land owned or leased and managed by our Government, including parks, offset in part by revenues from mineral and other resource leases and sales;
- *agriculture*, including farm services, federal crop insurance, and agriculture disaster relief;
- *energy programs*, including delivery and reliability, efficiency and renewables, and reimbursements of applicants for certain purchases of energy related property; and
- *other utilities*, including sewerage, waste management, and water supply.

General government support and other

General government support and other expenditures include expenditures for central staff services, financial administration, the Internal Revenue Service, and general public buildings.

Exhibit 99.06

Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds (the Trustees) projections of OASDI trust fund solvency

The following projections and accompanying text are excerpts from the 2020 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds (the Trustees' Report). You can find the Trustees' Report at <https://www.ssa.gov/OACT/TR/2020/tr2020.pdf>.

Background

The Trustees have traditionally shown estimates using the low-cost and high-cost sets of specified assumptions to illustrate the potential implications of uncertainty. These low-cost and high-cost estimates provide a range of possible outcomes for the projections. However, they do not provide an indication of the probability that actual future experience will be inside or outside this range. [Appendix E of the Trustees' Report] presents the results of a stochastic model that estimates a probability distribution of future outcomes of the financial status of the combined OASI and DI Trust Funds. This model, which was first incorporated in the 2003 report, is in the process of further development.

Stochastic methodology

Other sections of [the Trustees' Report] provide estimates of the financial status of the combined OASI and DI Trust Funds using a scenario-based model. For the scenario-based model, the Trustees use three alternative scenarios (low-cost, intermediate, and high-cost) that use specific assumptions about levels of fertility, rates of change in mortality, lawful permanent resident (LPR) and other-than-LPR immigration levels, legal and other-than-LPR emigration levels, changes in the Consumer Price Index, changes in average real wages, unemployment rates, trust fund real yield rates, and disability incidence and recovery rates. In general, the Trustees assume that each of these variables will reach an ultimate value at a specific point during the long-range period, and will maintain that value throughout the remainder of the period. The three alternative scenarios assume separate, specified values for each of these variables. Chapter V [of the Trustees' Report] contains more details about each of these assumptions.

[Appendix E of the Trustees' Report] presents estimates of the probability that key measures of OASDI solvency will fall in certain ranges, based on 5,000 independent stochastic simulations. Each simulation allows the above variables to vary throughout the long-range period. The fluctuation of each variable over time is simulated using historical data and standard time-series techniques. Generally, each variable is modeled using an equation that: (1) captures a relationship between current and prior years' values of the variable, and (2) introduces year-by-year random variation based on variation observed in the historical period. For some variables, the equations also reflect relationships with other variables. The equations contain parameters that are estimated using historical data for periods from 13 years to over 110 years, depending on the nature and quality of the available data. Each time-series equation is designed so that, in the absence of random variation over time, the value of the variable for each year equals its value under the intermediate assumptions. More detail on this model, and stochastic modeling in general, is available at <https://www.ssa.gov/OACT/stochastic/index.html>.

For each simulation, the stochastic model develops year-by-year random variation for each variable using Monte Carlo techniques. Each simulation produces an estimate of the financial status of the combined OASI and DI Trust Funds. [Appendix E of the Trustees' Report] shows the distribution of results from 5,000 simulations of the model.

Readers should interpret the results from this model with caution and with an understanding of the model's limitations. Results are sensitive to equation specifications, degrees of interdependence among variables, and the historical periods used for estimating model coefficients. For some variables, recent historical variation may not provide a realistic representation of the potential variation for the future. Also, results would differ if additional variables (such as labor force participation rates, retirement rates, marriage rates, and divorce rates) were also allowed to vary randomly. Furthermore, more variability would result if statistical approaches were used to model uncertainty in the central tendencies of the variables. Time-series modeling reflects only what occurred in the historical period. Future uncertainty exists not only for the underlying central tendency but also for the frequency and size of occasional longer-term shifts in the central

tendency. Many experts predict, and history suggests, that the future will likely bring substantial shifts that are not fully reflected in the historical period used for the current model. As a result, readers should understand that the true range of uncertainty is larger than indicated in [Appendix E of the Trustees' Report].

Table VI.E1

Table VI.E1 displays long-range actuarial estimates for the combined OASDI program using the two methods of illustrating uncertainty: alternative scenarios and stochastic simulations. The table shows scenario-based estimates for the intermediate, low-cost, and high-cost assumptions. It also shows stochastic estimates for the median (50th percentile) and for the 80% and 95% confidence intervals. Each individual stochastic estimate in the table is the level at that percentile from the distribution of the 5,000 simulations. For each given percentile, the values in the table for each long-range actuarial measure are generally from different stochastic simulations.

The median stochastic estimates displayed in table VI.E1 are similar to the intermediate scenario-based estimates. The median estimate of the long-range actuarial balance is -3.27% of taxable payroll, about 0.05 percentage point lower (more negative) than projected under the intermediate assumptions. The median estimate for the open-group unfunded obligation is \$17.0 trillion, about \$0.2 trillion larger than the \$16.8 trillion estimate under the intermediate assumptions. The median first projected year for which cost exceeds non-interest income (as it did in 2010 through 2019), and remains in excess of non-interest income throughout the remainder of the long-range period, is 2020. This is the same year as projected under the intermediate assumptions. The median projected year in which trust fund reserves first become depleted is 2035, also the same as projected under the intermediate assumptions. The median estimates of the annual cost rate for the 75th year of the projection period are 18.39% of taxable payroll and 6.00% of gross domestic product (GDP). The comparable estimates under the intermediate assumptions are 17.94% of payroll and 5.85% of GDP.

For three measures in table VI.E1 (the actuarial balance, the first projected year cost exceeds non-interest income and remains in excess through 2094, and the first year trust fund reserves become depleted), the 95% stochastic confidence interval falls within the range defined by the low-cost and high-cost alternatives. For the remaining three measures (the open-group unfunded obligation, the annual cost in the 75th year as a percent of taxable payroll, and the annual cost in the 75th year as a percent of GDP), one or both of the bounds of the 95% stochastic confidence interval fall outside the range defined by the low-cost and high-cost alternatives.

Table VI.E1. – Long-Range Estimates Relating to the Actuarial Status of the Combined OASDI Program
[Comparison of scenario-based and stochastic results]

	Traditional scenario-based model			Stochastic model				
	Intermediate	Low-cost	High-cost	80-percent confidence interval		95-percent confidence interval		
				Median 50 th percentile	10 th percentile	90 th percentile	2.5 th percentile	
Actuarial balance	(3.21)	(0.13)	(7.10)	(3.27)	(4.74)	(2.01)	(5.59)	(1.37)
Open group unfunded obligation (in trillions)	\$ 16.8	\$ (.1)	\$ 30.9	\$ 17.0	\$ 9.3	\$ 28.7	\$ 6.3	\$ 37.2
First projected year cost exceeds non-interest income and remains in excess through 2094	2020	¹	2020	2020	2020	2020	2020	2092
First year trust fund reserves become depleted ²	2035	2079	2031	2035	2032	2039	2031	2042
Annual cost in 75 th year (percent of taxable payroll)	17.94	12.93	25.48	18.39	14.99	23.07	13.40	26.23
Annual cost in 75 th year (percent of GDP)	5.85	4.60	7.64	6.00	4.92	7.46	4.41	8.41

¹ The annual balance is projected to be negative for a temporary period, returning to positive levels before the end of the projection period.

² For some stochastic simulations, the first year in which trust fund reserves become depleted does not indicate a permanent depletion of reserves.

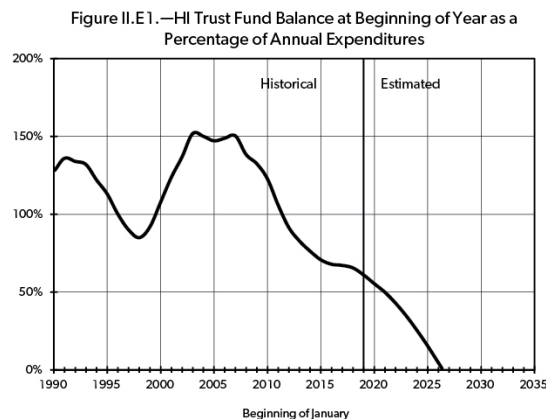
Exhibit 99.07

The Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds projections of Medicare trust funds solvency

The following projections and accompanying text are excerpts from the 2020 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds. You can find this report at <https://www.cms.gov/files/document/2020-medicare-trustees-report.pdf>.

HI trust fund

Under the intermediate assumptions, the assets of the HI trust fund would steadily decrease as a percentage of annual expenditures throughout the short-range projection period, as illustrated in figure II.E1. The ratio declines until the fund is depleted in 2026, the same date as projected last year. If assets were depleted, Medicare could pay health plans and providers of Part A services only to the extent allowed by ongoing tax revenues – and these revenues would be inadequate to fully cover costs. Beneficiary access to health care services could rapidly be curtailed. To date, Congress has never allowed the HI trust fund to become depleted.



There is substantial uncertainty in the economic, demographic, and health care projection factors for HI trust fund expenditures and revenues. Accordingly, the date of HI trust fund depletion could differ substantially in either direction from the 2026 intermediate estimate. As shown in greater detail in section III.B, trust fund assets would increase throughout the entire projection period under the low-cost assumptions. Under the high-cost assumptions, however, asset depletion would occur in 2023.

SMI trust fund

SMI differs fundamentally from HI in regard to the nature of its financing and the method by which its financial status is evaluated. SMI comprises two parts, Part B and Part D, each with its own separate account within the SMI trust fund. The Trustees must determine the financial status of the SMI trust fund by evaluating the financial status of each account separately, since there is no provision in the law for transferring assets or income between the Part B and Part D accounts. The nature of the financing for both parts of SMI is similar in that the law establishes a mechanism by which income from the Part B premium and the Part D premium, and the corresponding general revenue transfers for each part, are sufficient to cover the following year's estimated expenditures. Accordingly, each account within SMI is automatically in financial balance under current law. This result contrasts with OASDI and HI, for which financing established many years earlier may prove significantly higher or lower than subsequent actual costs. Moreover, Part B and Part D are voluntary (whereas OASDI and HI are generally compulsory), and payroll taxes are not the source of income for these programs. The financial assessment described in this section differs in important ways from that for OASDI or HI.

Financing for the SMI trust fund is adequate because beneficiary premiums and general revenue contributions, for both Part B and Part D, are established annually to cover the expected costs for the upcoming year. Should actual costs exceed those anticipated when the financing is determined, future financing rates can include adjustments to recover the shortfall. Likewise, should actual costs be less than those anticipated, the savings would result in lower future financing rates. As long as the future financing rates continue to cover the following year's estimated costs, both parts of the SMI trust fund will remain financially solvent.

Exhibit 99.08

Cohort table creation

The families and individuals tables presented by USAFacts show how key economic and demographic statistics vary according to three key variables: market income, family type, and elderly/non-elderly status. These groupings are not available consistently, and therefore we produced estimates using only government data.

The numbers in the families and individuals tables are estimates based on data collected from a variety of government sources, the two most important being microdata from the Current Population Survey (March Supplement) issued by the Census Bureau of the Public Use File issued by the Internal Revenue Service's Statistics of Income Division (IRS-SOI). The CPS is a sample of households representing the US civilian noninstitutionalized population. It contains information on topics such as housing, health insurance, labor status, family arrangement, etc. Unfortunately, the CPS does not contain everything we want, so we supplement that file with data from elsewhere via statistical processes. In the case of income data, we statistically match the IRS Public Use File with the CPS. The IRS data is superior to the CPS income data. In other cases, we impute variables in the CPS from other sources such as the American Community Survey using regression techniques for variables that are common to both files.

There are two types of economic units: families and individuals. We use the Census Bureau's definition for each. If there are two or more related individuals living together, they are a family economic unit. If a person is living alone or in a household with no other related persons, that person is considered an individual economic unit. Therefore, some economic units have only one person, while other economic units have multiple persons.

We rank these economic units, which we call FIUs (family and individual units) by market income to place each in a percentile that shows the unit relative to other units in the population. (There are approximately 150 million family and individual units). After determining each unit's market income percentile relative to all other units, we then place each unit into one of five categories:

- Single person under 65 with no children under 18
- Single person under 65 with children under 18
- Married couple with head under 65 with no children under 18
- Married couple with head under 65 with children under 18
- Head aged 65 or over

It should be noted that although we divide the families based on presence of children under 18, if a person is aged 18+ and still living in the family with relatives, she would NOT be her own economic unit unless she had her own subfamily.

See this page <https://usafacts.org/usafacts-financial-analysis-methodology/> on our website for additional information on how we created our cohort tables.

Exhibit 99.09

Other similar projects

Financial Report of the United States Government and similar state government reports

The US Department of the Treasury (the Treasury) publishes timely (the current version at the time of this report is as of September 30, 2020) an annual Financial Report of the United States Government (the Financial Report), which can be found at https://www.fiscal.treasury.gov/fsreports/rpt/finrep/fr/fr_index.htm. Following are key differences between that report and this one:

- The Financial Report is not in the format of a Form 10-K and is missing certain elements thereof;
- The Financial Report includes only federal government information, while this report includes federal, state, and local government information;
- The financial statements in the Financial Report are prepared by the Treasury on an accrual basis, while our financial statements are a mix of cash and accrual basis data obtained from multiple sources (see *Part I, About This Report, Sources of data* within this annual report for further discussion);
- The Financial Report organizes its financial analysis by government department (e.g. the US Department of Justice), while this report's analysis is organized by segments based on the Constitution (see more about this at *Part I, Item 1. Purpose and Function of Our Government, Reporting segments* within this annual report);
- The Financial Report does not systematically discuss key metrics, which measure progress towards our nation's constitutional objectives, while this report does (see *Part II, Item 7. Management's Discussion and Analysis, Key metrics by segment* within this annual report for more information).

States also produce reports like the Financial Report. For example, this one from Colorado <https://drive.google.com/file/d/1cHfbVNbDm7TMiF9bN6UEY677dANu8BOI/view>. We have not drawn data directly from these state reports in the production of this document.

There also exist other privately produced financial reports for our Government, including two that are similar in concept to this one but differ in important ways. We discuss these two immediately below.

USA 10-K

In 2012, a group of individuals published an article through The Wharton School of the University of Pennsylvania arguing "why America needs an annual report." The article argued for a report that was similar in structure to this one. The authors said:

"America's 10-K should borrow liberally from the template of reports issued by public companies large and small. It should include a letter to voters followed by the information that is essential to the country's stakeholders – such as relevant history, recent performance and prospects, a summary of financial condition, management discussion and analysis, future objectives, anticipated risks, related party-transactions, internal controls (including weaknesses and deficiencies), pension and off-balance-sheet liabilities, litigation exposures, and the compensation, benefits and insider purchases and sales of senior officials. It should describe the ability to make accurate forecasts and projections, contain an auditor's report and all necessary qualifications, and conclude with certifications as to accuracy by the top officials."

The article provided a link to a seven-page sample 10-K summary, which you can find at https://d1c25a6gwz7q5e.cloudfront.net/papers/download/07032012_US10-K-sample.pdf. You can find the introductory article at <https://knowledge.wharton.upenn.edu/article/usa-10-k-why-america-needs-an-annual-report/>.

USA Inc.

USA Inc. is a concept reflected in a report created and compiled by Mary Meeker. Per the foreword of the report:

“This report looks at the federal government as if it were a business, with the goal of informing the debate about our nation’s financial situation and outlook. In it, we examine USA Inc.’s income statement and balance sheet. We aim to interpret the underlying data and facts and illustrate patterns and trends in easy-to-understand ways. We analyze the drivers of federal revenue and the history of expense growth, and we examine basic scenarios for how America might move toward positive cash flow.”

The objective of the USA Inc. report is like ours in that we seek to inform debate about our nation’s financial situation and outlook. However, our approaches differ in the following important ways:

- The USA Inc. report includes only federal government information, while this report includes federal, state, and local government information;
- The USA Inc. report provides significant independent analysis, including projections, judgments, and proposed solutions to potential problems, while we attempt to limit our report to the level of information required of a public company by securities laws and to exclude projections, judgments, or proposed solutions; and
- The USA Inc. report does not systematically discuss key metrics, which measure progress towards our nation’s constitutional objectives, while this report does.

The latest USA Inc. report of which we are aware was for 2011. It appears to no longer be publicly available.

Exhibit 99.10

Excluded Form 10-K content

Excluded sections

In applying the concepts of the Form 10-K to a government environment, we have excluded certain sections of the form that are not obviously applicable to our Government. The sections we excluded are:

- *Item 1B. Unresolved Staff Comments* – not applicable as our Government is not an SEC registrant and is not holistically regulated by any other entity that might give them comments;
- *Item 4. Mine Safety Disclosures* – not applicable as our Government does not operate any mines that we are aware of and therefore we don't have any government data to report on this topic;
- *Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities* – not applicable as our Government does not issue equity securities, only debt;
- *Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure* – our Government has various accountant relationships (e.g. the federal government is audited by the GAO, certain government-run businesses, like the post office, are audited by public accounting firms), however, aggregated information is not readily available, and therefore we have not presented it;
- *Item 9B. Other Information* – this is a catch-all category for companies to report timely to shareholders, information that is not otherwise required by the report, which is not applicable as this report is not focused on reporting the most recent government data but rather providing the most comprehensive analysis practicable;
- *Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters* – not applicable for the same reasons that Item 5 is not applicable, only debt;
- *Item 14. Principal Accounting Fees and Services* – not applicable for the same reasons that Item 9 is not applicable; and
- *Item 16. Form 10-K Summary* – not applicable as we do not prepare this optional summary of our 10-K report.

Excluded financial statements

Within a public company's Form 10-K, you would find the following financial statements and notes thereto:

- income statements, prepared on an accrual basis of accounting;
- statements of comprehensive income, prepared on an accrual basis of accounting;
- balance sheets, prepared on an accrual basis of accounting;
- cash flow statements; and
- statements of stockholders' equity.

We have diverged a bit in this report from these traditional financial statements. Foremost, we have provided two income statements – functional income statements organized by type of revenue and expenditure and segment income statements organized by reporting segment, both on a hybrid basis of accounting. We have used data with a hybrid basis of accounting primarily because of a lack of accessible, aggregated, detailed state and local data created on a consistent accounting basis, and we have favored cash basis federal data because of our desire to focus the financial portion of our document on a concept central to government analysis and debate – “the deficit.” By “the deficit,” we mean the excess of combined US government (federal, state, and local) annual cash outflows over annual cash inflows.

We have also:

- not provided statements of comprehensive income due to a lack of readily available other comprehensive income data for our Government;
- not provided cash flow statements, as our income statements are as close to cash basis as we are able to report at this time and therefore cash flow statements would be mostly duplicative; and
- not provided statements of stockholders' equity, as our Government does not issue equity.

Please see *Part I, About This Report, Structure and content, Sources of data, Financial statement and related data* within this annual report for more information on the content and preparation of the income statements and balance sheets included in this report.

Exhibit 99.11

Data reliability considerations

Some of the data we have sourced may not be reliable for a number of reasons, including disclaimed audit opinions, restatements of data, and issues specific to Census data.

Audits

Certain departments of the federal government have received disclaimed audit opinions on their audit reports, meaning the auditors were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Each year, the Government Accountability Office (GAO) report within the *Financial Report of the United States Government*, lists the federal government departments that have received disclaimed audit opinions for that year. The Department of Defense has received a disclaimed audit opinion every year since the federal government began preparing the federal government's consolidated financial statements. In addition, the GAO report notes that the federal government has material weaknesses resulting in ineffective internal controls over financial reporting for each of the fiscal years included in our financial statements. We are not able to correct for these issues in this report and therefore are not able to provide assurance on the completeness and accuracy of the information.

The Department of Defense Office of Inspector General (DoD OIG) conducted and oversaw the first full audit of the DoD's financial statements in 2018. On November 15, 2018, the DoD OIG issued a disclaimer of opinion on the financial statements. The audit identified 20 overall material weaknesses and more than 2,400 notices of findings and recommendations, including weak information technology controls, insufficient controls to ensure the accuracy and completeness of property, and incomplete universes of financial transactions. For more information on this audit and its findings see [Understanding the Results of the Audit of the DoD FY 2018 Financial Statements](#).

The financial data we use for our state and local government reporting within this report is generally not audited.

Restatements

In addition to being qualified by disclaimed audit opinions, the data in government reports is often restated, particularly the two most recent years and often the Census data, which is subject to sampling and data collection error. See more about the Census process at <https://www.census.gov/programs-surveys/state/about.html> and under *Census data* below.

When a company discovers that it needs to restate material information in its annual report, it is required to issue a statement of non-reliance telling the public to not rely on the information until it is restated. Government entities that do not file with the Securities and Exchange Commission do not do that, and we will not do that for this report. Rather, we will update this report annually, and we will restate information contained herein that our Government has updated in the interim in our next annual report. We may update certain data used in this report on our website as it becomes available, sometimes more frequently than annually (see *Part I, Item 1. Purpose and Function of Our Government, Available information*).

Conflicting data

Our Government often releases conflicting numbers for the same data point. This occurs within and across government entities. In these cases, we select the measure to present after considering the breadth and depth of the data available at each source and sometimes, after consultation with subject matter experts. Rarely, we present each of the conflicting figures in this report or on our website.

Census data

The Census warns us not to use their data in the way that we are using it. However, there is no alternative source of aggregated state and local government income statement data, and it was not reasonable for us to create this data set in this phase of our project. Here is the warning from the Census:

“Although the original sources for finance statistics are accounting records of governments, the data derived from them are purely statistical in nature. Consequently, the Census Bureau statistics on government finance cannot be used as financial statements, or to measure a government’s fiscal condition. For instance, the difference between a government’s total revenue and total expenditure cannot be construed to be a ‘surplus’ or ‘deficit.’”

The Census tells us there are several reasons why these survey data are not suitable for measuring the financial condition of a government, any of its sectors, or any of its dependent agencies:

- The Census Bureau intentionally excludes several important accounting measures from its statistics. One example involves public employee retirement systems, which exclude measures of future liability, future revenue streams, and all related measures of future solvency (such as the potential amount of unfunded liabilities). These cannot be calculated from Census Bureau statistics.
- The Census Bureau program develops these data to measure the economic activity of state and local governments in general. The definitions used in Census Bureau statistics about governments can vary considerably from definitions applied in standard accounting reports.
- Definitional differences can include those of coverage (what constitutes a government entity), functional activity, financial transaction (revenue, expenditure, indebtedness, and asset), or measurement (cash versus accrual accounting, or asset valuation procedures).
- Census Bureau data include the operations of dependent agencies whose finances are reported outside those of the parent government.

Exhibit 99.12

Data comparability considerations

Unlike information about a corporation, the data for our Government come from numerous and varied sources. Each of these sources may prepare the data on different accounting bases (e.g. cash vs. accrual) and for different time periods (e.g. a point in time vs. a full year, calendar year vs. fiscal year). This lack of comparability of data makes analysis of our Government challenging. We have highlighted key data challenges and our solutions in this exhibit and Exhibit 99.13. We acknowledge our solutions are not perfect and seek to continually refine our approach as we release future reports. However, we do not anticipate true solutions to these challenges other than government-wide data availability and comparability initiatives.

Financial statement data

Reporting periods

The financial statement and related data in this report, unless otherwise noted, is on a fiscal year basis. This means it represents, for:

- *Income statements* – data for the annual period from October 1 to September 30, for the federal government and from July 1 to June 30, generally, for state and local governments; and
- *Balance sheets* – data as of September 30 for the federal government and June 30 for state and local governments.

When we combined federal and state and local data, we added the figures together, without adjusting for differences in fiscal years. This is consistent with what a corporation may do for subsidiaries that it consolidates, which have different fiscal year ends than each other or the parent company. This is allowed by accounting rules when the fiscal periods of the entities being combined end within 90 days of each other, as they do for the US federal and state and local governments in nearly every case.

New York is the only exception, as its fiscal year end is March 31, which is not within 90 days of the latest fiscal year end within the combined group (September 30); New York's fiscal year end is off by an additional 90 days. This is only a potential concern for our income statements, as we used New York's (and all other states') June 30 information for our balance sheets. New York's revenue represents approximately 5% of our Government's revenue, and a reasonable approximation of 90 days of its average revenue is roughly \$60-70 billion. In combining the income statements, we include 12 months of data for each entity, but we include different 12-month periods depending on the respective entity's fiscal year (i.e. October 1 to September 30 for the federal government and April 1 to March 31 for New York). Therefore, incomparability that could arise from using data from different fiscal year periods would not be due to missing data but rather seasonality of the data. A reasonable estimate of the seasonality variability of 90 days of New York's revenue or expenses is immaterial. As the Census has already aggregated the state and local government data; modifying that data to extract, recalculate, and reintroduce adjusted New York data introduces complexity and risk; and the estimated impact of not modifying is not material to our Government's overall financial statements, we have not made any modifications for New York and have simply added the aggregated state and local data to the federal data to form the combined group.

Intergovernmental transfers

In combining the federal and state and local data, we eliminated known intergovernmental transfers, in the same way that a company eliminates intercompany transfers among subsidiaries and the parent company. For example, the federal government reports grants to states as expenditures, and the states in turn also report the subsequent uses of those funds as expenditures. To eliminate double counting, we count the expenditure (or revenue) only once, in either the federal or state or local government, whichever is the ultimate spender (in the case of expenditures) or recipient (in the case of revenues) of the funds. Similarly, we eliminate intergovernmental assets and liabilities. For example, state and local governments own Treasury securities, and the federal government has a corresponding liability for the securities. We eliminated these intergovernmental assets and liabilities in creating our combined financial statements. For more information on transfers eliminated, see *Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements, Note 23 – Intergovernmental transfers* within this annual report.

Management’s discussion and analysis (MD&A) data

An MD&A is intended to provide the reader with an analysis of the financial statements for the periods presented, essentially a “drill down” from the financial statements, including an analysis of the changes in the income statements from period to period. Our income statements are presented on a fiscal year basis, as discussed above. On the other hand, a large portion of the detailed government financial information and related figures (e.g. numbers of people) is available only on a calendar year basis. This makes analyzing the income statement data difficult, as it is not possible to “drill down” to lower levels of detail from the fiscal year data. Therefore, to prepare the MD&A within this report, we were required to convert much of our source data from calendar year to fiscal year.

In cases where monthly or quarterly data was available, we created fiscal year data by reassembling data from these more detailed periods. Where only annual calendar year data was available, we used one simple formula to create federal fiscal year data – 25% of the prior calendar year figure plus 75% of the current calendar year figure, as well as one other simple formula to create state and local fiscal year data – 50% of the prior calendar year figure plus 50% of the current calendar year figure. Of course, these two formulas do not produce the true fiscal year figures. However, no alternative method of calculation would be accurate, and the method we have chosen, when consistently applied, forms a reasonable basis for our analysis. All the figures (in the MD&A and elsewhere in this report) that were converted from calendar year to fiscal year in this manner are indicated by * (one asterisk) for federal and ** (two asterisks) for state and local.

Certain tax and other law changes go into effect during the fiscal year, so only part of the fiscal year reflects the changes. Furthermore, the tax filing season (and therefore cash receipt and the recording of revenue by our Government) for any tax year is in the following fiscal year, therefore, tax law changes within a particular tax year have a disproportionate influence on revenue for the following fiscal year. As income tax revenue is collected via withholding and estimated tax payments throughout the year, this impact is somewhat tempered for this revenue source.

Other data

Other data within this report comes from many sources and may have similar challenges to those discussed above.

Exhibit 99.13

Modification of data

We have sourced the data included in this report directly from the sources listed in Exhibit 99.01 and where possible, have not revised it. In certain cases, where necessary to make the data comparable or comprehensible, we have modified the data. Specifically, we modified the following data:

- All data throughout this document that is accompanied by one asterisk (*) or two asterisks (**) was converted from a calendar year basis to a fiscal year basis using the formulas described within this report at Exhibit 99.12 and at *Part II, Item 7. Management's Discussion and Analysis, Overview, Other factors affecting this discussion, Modification of data*. This modification was required because data is not provided by our Government on a consistent basis, and to do a full analysis, one must have data on a consistent basis;
- The cohort tables within this report at *Part I, Item 1. Purpose and Function of Our Government, Customers, Cohorts of our population* and *Part II, Item 7. Management's Discussion and Analysis, Key metrics by segment*, were created by us using data collected from a variety of government sources, the two most important being two microdata sets: the Current Population Survey (March Supplement) issued by the Census Bureau and the Public Use File issued by the IRS Statistics of Income Division (see more on our methodology in Exhibit 99.08);
- For the combined functional income statements, to provide compensation for personnel past and present, we combined Department of the Treasury (Treasury), Office of Management and Budget (OMB), and Census data with compensation data from the US Bureau of Economic Analysis (current payments for wages and salaries and health benefits). See this page on our website – <https://usafacts.org/usafacts-financial-analysis-methodology/> – for detailed information on the composition of our combined functional income statements;
- For the combined segment income statements, we have regrouped Treasury, OMB, and Census data into our financial statement and reporting segment categories for presentation purposes. See this page on our website – <https://usafacts.org/usafacts-financial-analysis-methodology/> – for detailed information on the composition of our combined segment income statements; and
- We calculated the breakout of year over year tax revenue changes between tax base changes (generally taxable income) and tax rate changes by holding one variable constant while changing the other, as follows:

Hold year 1 average tax rate constant and assume it also applies to year 2. That is, multiply the year 1 rate by the year 2 base. Then compare this figure to the actual revenue in year 1. The difference is how much was attributable to the base change. The residual is the amount of revenue change that is attributable to the rate change.

For example, assume the rate in 2013 is 20%. Assume the base in 2013 is \$1,000. This implies revenue of \$200. Now suppose the base in 2014 is \$1,200 and the revenue is \$300. The amount attributable to the base increase would be calculated by assuming the 20% rate applied to the new base of \$1,200. This would imply a revenue of \$240 if the rate was held constant. Therefore, \$40 of the revenue increase is attributable to the base increase. The remainder (\$60 = \$300 – \$240) is attributable to the rate change.

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