Financial Statements and Additional Information

Our agency's financial statements and additional information for fiscal years (FY) 2018 and 2017 consist of the following:

- The **Consolidated Balance Sheets** present, as of September 30, 2018 and 2017, amounts of economic benefits we owned or managed (assets), amounts we owed (liabilities), and residual amounts we retained, comprising the difference (net position). We provide a Balance Sheet by major program as additional information.
- The **Consolidated Statements of Net Cost** present the net cost of operations for the years ended September 30, 2018 and 2017. Our net cost of operations includes the gross costs incurred less any exchange revenue earned from activities presented by our 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. We provide a Schedule of Net Cost 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, 2018 and 2017. Changes to the two components of net position, Unexpended Appropriations and Cumulative Results of Operations, affect its balance. 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. We provide a Schedule of Changes in Net Position to present the change in net position by major program as additional information.
- The **Combined Statements of Budgetary Resources** present the budgetary resources available to us, the status of these resources, and the outlay of budgetary resources for the years ended September 30, 2018 and 2017. We provide an additional Schedule of Budgetary Resources as Required Supplementary Information to present budgetary resources by major program.
- The **Statements of Social Insurance** present the present value for the 75-year projection period of the estimated Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) future noninterest income and cost expected to arise from the formulas specified in current law for current and future program participants. We present the difference between these values on both an open group and a closed group basis, both including and excluding the value of the combined OASI and DI Trust Fund asset reserves at the beginning of the period. This information is presented for the current year and for each of the four preceding years.
- The **Statements of Changes in Social Insurance Amounts** reconcile the changes, from one 75-year valuation period to the next, in the present value of estimated future noninterest income less estimated future cost for current and future participants (the open group measure). The Statements show two reconciliations: (1) change from the period beginning on January 1, 2017 to the period beginning on January 1, 2018; and (2) change from the period beginning on January 1, 2016 to the period beginning on January 1, 2017. The Statements identify several categories of changes and provide reasons for significant changes in the accompanying notes.
- The **Required Supplementary Information: Social Insurance** presents required long-range cash flow projections, the long-range projections of the ratio of contributors to beneficiaries, 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 include a narrative describing the program, including how the program is financed and how benefits are calculated, as well as an interpretive analysis of trends revealed by the data.

Consolidated Balance Sheets as of September 30, 2018 and 2017
(Dollars in Millions)

Assets	**2018**	2017
Intragovernmental:		
Fund Balance with Treasury (Notes 3 and 4)	**$ 6,558**	$ 8,248
Investments (Note 5)	**2,894,654**	2,889,869
Interest Receivable (Note 5)	**20,594**	20,852
Accounts Receivable, Net (Note 6)	**735**	22
Other (Note 8)	**29**	26
Total Intragovernmental	**2,922,570**	2,919,017
Accounts Receivable, Net (Notes 3 and 6)	**13,244**	12,442
Property, Plant, and Equipment, Net (Note 7)	**3,483**	3,371
Total Assets	**$ 2,939,297**	$ 2,934,830
Liabilities (Note 9)		
Intragovernmental:		
Accrued Railroad Retirement Interchange	**$ 4,754**	$ 4,788
Accounts Payable	**5,899**	5,352
Other	**116**	184
Total Intragovernmental	**10,769**	10,324
Benefits Due and Payable	**104,649**	103,506
Accounts Payable	**482**	437
Federal Employee and Veteran Benefits	**314**	319
Other	**815**	685
Total Liabilities	**117,029**	115,271
Contingencies (Note 9)		
Net Position		
Unexpended Appropriations - All Other Funds	**3,576**	4,813
Cumulative Results of Operations - Funds from Dedicated Collections (Note 10)	**2,815,603**	2,812,816
Cumulative Results of Operations - All Other Funds	**3,089**	1,930
Total Net Position - Funds from Dedicated Collections (Note 10)	**2,815,603**	2,812,816
Total Net Position - All Other Funds	**6,665**	6,743
Total Net Position	**2,822,268**	2,819,559
Total Liabilities and Net Position	**$ 2,939,297**	$ 2,934,830

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

Consolidated Statements of Net Cost for the Years Ended September 30, 2018 and 2017
(Dollars in Millions)

	2018	2017
OASI Program		
Benefit Payment Expense	**$ 836,919**	$ 793,155
Operating Expenses (Note 11)	**3,817**	3,701
Total Cost of OASI Program	**840,736**	796,856
Less: Exchange Revenues (Note 12)	**(14)**	(12)
Net Cost of OASI Program	**840,722**	796,844
DI Program		
Benefit Payment Expense	**140,939**	141,206
Operating Expenses (Note 11)	**3,044**	3,028
Total Cost of DI Program	**143,983**	144,234
Less: Exchange Revenues (Note 12)	**(35)**	(32)
Net Cost of DI Program	**143,948**	144,202
SSI Program		
Benefit Payment Expense	**47,027**	51,355
Operating Expenses (Note 11)	**4,621**	4,542
Total Cost of SSI Program	**51,648**	55,897
Less: Exchange Revenues (Note 12)	**(222)**	(236)
Net Cost of SSI Program	**51,426**	55,661
Other		
Benefit Payment Expense	**1**	2
Operating Expenses (Note 11)	**2,512**	2,424
Total Cost of Other Program	**2,513**	2,426
Less: Exchange Revenues (Note 12)	**(10)**	(8)
Net Cost of Other Program	**2,503**	2,418
Total Net Cost		
Benefit Payment Expense	**1,024,886**	985,718
Operating Expenses (Note 11)	**13,994**	13,695
Total Cost	**1,038,880**	999,413
Less: Exchange Revenues (Note 12)	**(281)**	(288)
Total Net Cost	**$ 1,038,599**	$ 999,125

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

Consolidated Statements of Changes in Net Position for the Years Ended September 30, 2018 and 2017

(Dollars in Millions)

	2018			2017		
	Funds from Dedicated Collections	**All Other Funds**	**Total**	Funds from Dedicated Collections	All Other Funds	Total
Unexpended Appropriations:						
Beginning Balances	**$ 0**	**$ 4,813**	**$ 4,813**	$ 0	$ 6,006	$ 6,006
Budgetary Financing Sources						
Appropriations Received	**35,718**	**53,553**	**89,271**	37,367	58,179	95,546
Other Adjustments	**0**	**(15)**	**(15)**	0	(9)	(9)
Appropriations Used	**(35,718)**	**(54,775)**	**(90,493)**	(37,367)	(59,363)	(96,730)
Total Budgetary Financing Sources	**0**	**(1,237)**	**(1,237)**	0	(1,193)	(1,193)
Total Unexpended Appropriations	**0**	**3,576**	**3,576**	0	4,813	4,813
Cumulative Results of Operations:						
Beginning Balances	**$ 2,812,816**	**$ 1,930**	**$ 2,814,746**	$ 2,767,204	$ 1,415	$ 2,768,619
Budgetary Financing Sources						
Appropriations Used	**35,718**	**54,775**	**90,493**	37,367	59,363	96,730
Tax Revenues (Note 13)	**873,171**	**0**	**873,171**	868,034	0	868,034
Interest Revenues	**83,550**	**0**	**83,550**	85,781	0	85,781
Transfers-In/Out - Without Reimbursement	**(6,272)**	**9,335**	**3,063**	(5,886)	8,087	2,201
Railroad Retirement Interchange	**(4,908)**	**0**	**(4,908)**	(4,760)	0	(4,760)
Other Budgetary Financing Sources	**51**	**0**	**51**	54	0	54
Other Financing Sources (Non-Exchange)						
Imputed Financing Sources (Note 14)	**0**	**617**	**617**	0	447	447
Other	**0**	**(3,492)**	**(3,492)**	0	(3,235)	(3,235)
Total Financing Sources	**981,310**	**61,235**	**1,042,545**	980,590	64,662	1,045,252
Net Cost of Operations	**978,523**	**60,076**	**1,038,599**	934,978	64,147	999,125
Net Change	**2,787**	**1,159**	**3,946**	45,612	515	46,127
Cumulative Results of Operations	**$ 2,815,603**	**$ 3,089**	**$ 2,818,692**	$ 2,812,816	$ 1,930	$ 2,814,746
Net Position	**$ 2,815,603**	**$ 6,665**	**$ 2,822,268**	$ 2,812,816	$ 6,743	$ 2,819,559

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

Combined Statements of Budgetary Resources for the Years Ended September 30, 2018 and 2017
(Dollars in Millions)

	2018	2017
Budgetary Resources (Note 15)		
Unobligated Balance From Prior Year Budget Authority, Net	**$ 7,156**	$ 7,489
Appropriations (Discretionary and Mandatory)	**1,079,107**	1,041,893
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	**15,621**	15,255
Total Budgetary Resources	**$ 1,101,884**	$ 1,064,637
Status of Budgetary Resources		
New obligations and upward adjustments (Note 15)		
Direct	**$ 1,094,792**	$ 1,056,437
Reimbursable	**2,464**	2,709
New obligations and upward adjustments (total)	**1,097,256**	1,059,146
Unobligated Balance, End of Year		
Apportioned, unexpired accounts	**3,557**	4,666
Unapportioned, unexpired accounts	**833**	595
Unexpired unobligated balance, end of year	**4,390**	5,261
Expired unobligated balance, end of year	**238**	230
Unobligated balance, end of year (total)	**4,628**	5,491
Total Budgetary Resources	**$ 1,101,884**	$ 1,064,637
Outlays, Net		
Outlays, Net (Discretionary and Mandatory)	**$ 1,078,859**	$ 1,041,203
Distributed Offsetting Receipts	**(38,956)**	(40,391)
Agency Outlays, Net (Discretionary and Mandatory)	**$ 1,039,903**	$ 1,000,812

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

Statements of Social Insurance
Old-Age, Survivors, and Disability Insurance
as of January 1, 2018
(Dollars in Billions)

		Estimates Reported in Prior Years			
	2018	**2017**	**2016**	**2015**	**2014**
Present value for the 75-year projection period from or on behalf of: (Note 17)					
Participants who, in the starting year of the projection period, have attained eligibility age (age 62 and over):					
Noninterest income	**$ 1,451**	$ 1,374	$ 1,272	$ 1,166	$ 984
Cost for scheduled future benefits	**15,862**	14,668	13,602	12,833	11,852
Future noninterest income less future cost	**-14,411**	-13,294	-12,330	-11,667	-10,868
Participants who have not yet attained retirement eligibility age (ages 15–61):					
Noninterest income	**31,849**	30,305	29,273	27,791	25,391
Cost for scheduled future benefits	**52,248**	50,181	48,412	45,276	42,419
Future noninterest income less future cost	**-20,399**	-19,876	-19,138	-17,486	-17,028
Present value of future noninterest income less future cost for current participants (closed group measure)	**-34,810**	-33,170	-31,468	-29,152	-27,896
Combined OASI and DI Trust Fund asset reserves at start of period	**2,892**	2,848	2,813	2,789	2,764
Closed group - Present value of future noninterest income less future cost for current participants *plus* combined OASI and DI Trust Fund asset reserves at start of period	**-$ 31,918**	-$ 30,322	-$ 28,656	-$ 26,363	-$ 25,131
Present value for the 75-year projection period from or on behalf of: (Note 17)					
Future participants (those under age 15, and to be born during period):					
Noninterest income	**$ 31,788**	$ 30,452	$ 29,687	$ 26,580	$ 24,594
Cost for scheduled future benefits	**13,035**	12,639	12,388	10,867	10,028
Future noninterest income less future cost	**18,753**	17,813	17,299	15,713	14,566
Present value of future noninterest income less future cost for current and future participants (open group measure)	**-16,057**	-15,357	-14,169	-13,440	-13,330
Combined OASI and DI Trust Fund asset reserves at start of period	**2,892**	2,848	2,813	2,789	2,764
Open group - Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund asset reserves at start of period	**-$ 13,166**	-$ 12,509	-$ 11,357	-$ 10,650	-$ 10,565

Notes:

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

Future noninterest income and future cost are estimated over the appropriate 75-year period.

Statements of Changes in Social Insurance Amounts
Old-Age, Survivors, and Disability Insurance
For Change from the 75-Year Valuation Period

January 1, 2017 to January 1, 2018
(Dollars in Billions)

	Present value of future noninterest income less future cost for current and future participants (open group measure) over the next 75 years	Combined OASI and DI Trust Fund Asset Reserves	Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund asset reserves at start of period
As of January 1, 2017	-$ 15,357	$ 2,848	-$ 12,509
Reasons for changes between January 1, 2017 and January 1, 2018 (Note 17)			
Change in the valuation period	-629	59	-570
Changes in demographic data, assumptions, and methods	111	0	111
Changes in economic data, assumptions, and methods	-458	0	-458
Changes in programmatic data and methods	243	-14	228
Changes in law or policy	32	0	32
Net change between January 1, 2017 and January 1, 2018	-$ 701	$ 44	-$ 657
As of January 1, 2018	**-$ 16,057**	**$ 2,892**	**-$ 13,166**

January 1, 2016 to January 1, 2017
(Dollars in Billions)

	Present value of future noninterest income less future cost for current and future participants (open group measure) over the next 75 years	Combined OASI and DI Trust Fund Asset Reserves	Present value of future noninterest income less future cost for current and future participants *plus* combined OASI and DI Trust Fund asset reserves at start of period
As of January 1, 2016	-$ 14,169	$ 2,813	-$ 11,357
Reasons for changes between January 1, 2016 and January 1, 2017 (Note 17)			
Change in the valuation period	-562	16	-546
Changes in demographic data, assumptions, and methods	-87	0	-87
Changes in economic data, assumptions, and methods	-576	0	-576
Changes in programmatic data and methods	-5	19	15
Changes in law or policy	42	0	42
Net change between January 1, 2016 and January 1, 2017	-$ 1,187	$ 35	-$ 1,152
As of January 1, 2017	**-$ 15,357**	**$ 2,848**	**-$ 12,509**

Notes:

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

Future noninterest income and future cost are estimated over the appropriate 75-year period.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Social Security Administration (SSA), as an independent agency in the executive branch of the U.S. 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 our financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources, the present value for the 75-year projection period for social insurance, and the changes in the present value between the current valuation period and prior valuation period, 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. 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 OASI and DI Trust Funds, SSA's Limitation on Administrative Expenses (LAE), four general fund appropriations, three receipt accounts, and one special fund.

LAE is a mechanism to allow SSA to fund our administrative operations and is considered a subset of the OASI and DI Trust Funds. The four general funds are the Payments to Social Security Trust Funds (PTF), SSI Program, Office of the Inspector General (OIG), and Special Veterans Benefits (Title VIII) Program. The three receipt accounts are SSI Overpayment Collections, the General Fund's portion of the SSI State Supplementation fees, and SSI Attorney fees. The one special fund is SSA's portion of the SSI State Supplementation fees. SSA's financial statements also include OASI and DI investment activities performed by the Department of the Treasury (Treasury) and activity related to the *American Recovery and Reinvestment Act of 2009* (ARRA). 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 and ARRA activity, but also contains SSI Overpayment Collections and other 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 Treasury for which SSA is authorized to make expenditures and pay liabilities. Refer to Note 3, Non-Entity Assets, and Note 4, Fund Balance with Treasury.

INVESTMENTS

Daily deposits received by the OASI and DI Trust Funds that 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 Treasury special-issue securities. Special-issue securities are special public debt obligations for purchase exclusively by the OASI and DI Trust Funds; therefore, they are non-marketable securities. They are purchased and redeemed at face value, which is the same as their carrying value on the Consolidated Balance Sheets. Refer to Note 5, Investments and Interest Receivable.

ACCOUNTS RECEIVABLE, NET

SSA accounts receivable represent unpaid amounts due to the agency. Intragovernmental Accounts Receivable, Net primarily represent amounts to be paid from the Hospital Insurance (HI) and Supplemental Medical Insurance (SMI) Trust Funds to the LAE Appropriation. Accounts Receivable, Net consist mainly of monies due to SSA from OASI, DI, and SSI beneficiaries who received benefits in excess of their entitlement, as well as amounts due from the States to cover underpayments due to the SSI recipients.

In accordance with Treasury's *Treasury Financial Manual* (TFM), Chapter 2-4700, SSA does not apply an allowance for doubtful accounts to determine the net value of Intragovernmental Accounts Receivable.

According to Statement of Federal Financial Accounting Standard (SFFAS) No. 1, *Accounting for Selected Assets and Liabilities*, an allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value. SSA annually recalculates a ratio of allowance for doubtful accounts on programmatic accounts receivable with the public. We apply a moving five-year average of uncollectable receivable ratios, based on comparing collections to new debt while considering program turnover rates, against outstanding receivables, by group, to compute the amount of allowance for doubtful accounts.

PROPERTY, PLANT, AND EQUIPMENT

SSA records property, plant, and equipment (PP&E) in the LAE program, but the PP&E represent the capital assets purchased by its funding sources. SFFAS No. 10, *Accounting for Internal Use Software*, requires the capitalization of internally developed, contractor-developed, and commercial off-the-shelf software. SSA classifies PP&E into several categories. The capitalization threshold for most PP&E categories is $100 thousand. Deferred Charges, which includes fixtures, the Telephone Services Replacement Project, and bulk computer purchases, are capitalized with no threshold, $100 thousand, and $10 million, respectively. Site preparation for Automated Data Processing (ADP) and Telecommunications, and Buildings and Other Structures, are capitalized with no threshold. Refer to Note 7, Property, Plant, and Equipment, Net.

BENEFITS DUE AND PAYABLE

SSA accrues liabilities for OASI and DI benefits due for the current month, which by statute, are not paid until the following month. In addition, SSA accrues liabilities on benefits for past periods that have not completed processing by the close of the period, such as adjudicated and unadjudicated hearings and appeals and civil litigation cases. Refer to Note 9, 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 make the payment on the preceding business day. In these situations, the beneficiary or recipient is deemed entitled to receive the payment as of the payment date, as they have met all payment and eligibility requirements.

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, SSA subsequently distributes administrative expenses during each month to the appropriate OASI, DI, HI, and SMI Trust Fund and general fund accounts. SSA initially makes all such distributions on an estimated basis and adjusts to actual each year, as provided for in Section 1534 of Title 31, United States Code (U.S.C.).

SSA incurs obligations in the LAE accounts as activity is processed. SSA incurs obligations in each of the financing sources once we record LAE's authority. The Centers for Medicare and Medicaid Services (CMS) reports obligations that SSA incurred in the HI and SMI Trust Funds. Because SSA reports LAE with our financing sources (other than the HI/SMI Trust Funds) on the Combined Statements of Budgetary Resources and this Statement does not allow eliminations, we record LAE's obligations twice. This presentation is in conformance with OMB Circular No. A-136 to have the Combined Statements of Budgetary Resources in agreement with the required Budget Execution Reports (SF-133).

Recognition of Financing Sources

Tax revenue, which consists of funds transferred from the Treasury to the OASI and DI Trust Funds for employment taxes (*Federal Insurance Contributions Act* (FICA) and *Self-Employment Contributions Act* (SECA)), represents SSA's largest financing source. Additional financing sources consist of interest revenue from the Trust Fund investments, taxation on benefits, 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 activities that are funded from 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 12, Exchange Revenues. SSA may use exchange revenue financing sources to pay for current operating expenses as specified by law.

Funds from Dedicated Collections

SFFAS No. 43, *Funds from Dedicated Collections*, requires separate presentation and disclosure of funds from dedicated collections balances in the financial statements. Generally, funds from dedicated collections are financed by specifically identified revenues, provided to the Government by non-Federal sources, often supplemented by other financing sources, which remain available over time. Funds from dedicated collections must meet the following criteria:

- A statute committing the Federal Government to use specifically identified revenues and/or other financing sources that are originally provided to the Federal Government by a non-Federal source only for designated activities, benefits, or purposes;
- Explicit authority for the fund to retain revenues and/or 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/or other financing sources that distinguishes the fund from the Federal Government's general revenues.

SSA's funds from dedicated collections are the OASI and DI Trust Funds, funds collected through the taxation of Social Security benefits, and fees collected to cover a portion of SSA's administrative costs for SSI State Supplementation. Refer to Note 10, Funds from Dedicated Collections, for additional information.

Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Application of Critical Accounting Estimates

The Statements of Social Insurance and Statements of Changes in Social Insurance Amounts are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions and expectations of future conditions. Actual results could differ materially from the estimated amounts. Each Statement includes information to assist in understanding the effect of changes in assumptions to the related information. Refer to Note 17, Social Insurance Disclosures.

Presentation Change

Effective FY 2018, the Statements of Changes in Net Position, Statements of Budgetary Resources, Note 4, Fund Balance with Treasury, Note 9, Liabilities, and Note 15, Budgetary Resources presentations have been modified to comply with the required format in OMB's Circular No. A-136. With the exception of Note 15, Budgetary Resources, the FY 2017 balances have been presented in the new format for comparison purposes. The FY 2017 Note 15, Budgetary Resources balances are not required to be presented in the new format.

Reclassifications

Certain amounts in the FY 2017 Note 16, Reconciliation of Net Cost of Operations to Budget have been reclassified to conform with the FY 2018 presentation.

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.

SSA occupies buildings that have been leased by the General Services Administration (GSA) or have been constructed using Public Building Funds. These financial statements reflect SSA's payments to GSA for their lease, operations maintenance, and depreciation expenses associated with these buildings.

SSA's employees participate in the Office of Personnel Management (OPM) administered contributory Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). SSA makes matching contributions to FERS. Pursuant to Public Law 99-335, *Federal Employees' Retirement System Act of 1986*, 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. Refer to Note 14, Imputed Financing, for additional information.

SSA contributions to CSRS were $27 and $32 million for the years ended September 30, 2018 and 2017. SSA contributions to the basic FERS plan were $612 and $593 million for the years ended September 30, 2018 and 2017. One of the primary differences between FERS and CSRS is that FERS offers a savings plan to which SSA is required to contribute one percent of pay and match employee contributions up to an additional four percent of basic pay. SSA contributions to the FERS savings plan were $193 and $184 million for the years ended September 30, 2018 and 2017. All contributions include amounts paid and due and payable as of the end of the reporting period. 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 OPM.

3. Non-Entity Assets

Non-entity assets are those assets that are held by an entity, but are not available to the entity. SSA displays our Non-Entity Assets in Chart 3a. The Non-Entity Assets are composed of: (1) SSI Federal and State benefit overpayments and underpayments classified as SSI Accounts Receivable, Net; and (2) General Fund's portion of fees collected to administer Title VIII State Supplementation.

Chart 3a - Non-Entity Assets as of September 30:
(Dollars in Millions)

	2018			2017		
	Non-Entity Assets	Intra-agency Elimination	Net Assets	Non-Entity Assets	Intra-agency Elimination	Net Assets
Intragovernmental:						
Title VIII State Supp Fees	$ 2	$ 0	$ 2	$ 2	$ 0	$ 2
SSI Fed/State Accounts Receivable, Net	6,188	(594)	5,594	5,701	(545)	5,156
Total	$ 6,190	$ (594)	$ 5,596	$ 5,703	$ (545)	$ 5,158

SSA has reduced the SSI Accounts Receivable, Net, by intra-agency eliminations (see discussion in Note 6, Accounts Receivable, Net). SSI accounts receivable is recognized as a non-entity asset. Public Law 101-517, *Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1991*, requires that collections from repayment of SSI Federal benefit overpayments be deposited in Treasury's General Fund. These funds, upon deposit, are assets of Treasury's General Fund, and will not be used by SSA as a SSI budgetary resource to pay SSI benefits or administrative costs. When a beneficiary does not receive their full SSI State Supplemental benefit, SSA establishes an underpayment receivable. This receivable reflects the reimbursement due to SSA from the States to cover the unpaid benefit. SSA recognizes this receivable due from the States as a non-entity asset since the amount owed is due to the beneficiary.

Title VIII State Supplementation fee collections are classified as exchange revenue. These fees are included in the Fund Balance with Treasury as of September 30, 2018 and 2017.

Chart 3b provides a breakout between Non-Entity and Entity assets.

Chart 3b - Non-Entity/Entity Asset Breakdown as of September 30:
(Dollars in Millions)

	2018	2017
Non-Entity Assets	$ 5,596	$ 5,158
Entity Assets	2,933,701	2,929,672
Total Assets	$ 2,939,297	$ 2,934,830

4. Fund Balance with Treasury

The Fund Balance with Treasury, shown on the Consolidated Balance Sheets, represents the total of all of SSA's undisbursed account balances with Treasury. Chart 4, 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 4 since OASI and DI Trust Fund cash balances are held in investments until needed and do not directly correspond with the budgetary lines shown in the chart. Therefore, amounts in Chart 4 will not match corresponding activity on the Combined Statements of Budgetary Resources.

Chart 4 - Status of Fund Balances as of September 30:
(Dollars in Millions)

	2018	2017
Unobligated Balance		
Available	$ 2,804	$ 4,054
Unavailable	864	635
Obligated Balance Not Yet Disbursed	3,315	3,926
OASI, DI, and LAE	(465)	(389)
Non-Budgetary Fund Balance with Treasury	40	22
Total Status of Fund Balances	$ 6,558	$ 8,248

The negative fund balance reported for the OASI, DI, and LAE Trust Funds as of September 30, 2018 and 2017 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, SSA does not reclassify the negative balance as a liability 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 Secretary of the Treasury 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 displays investments in Special-Issue U.S. Treasury Securities, as reported on the Consolidated Balance Sheets, in Chart 5a.

Chart 5a - Investments as of September 30:
(Dollars in Millions)

	2018	2017
OASI	$ 2,801,254	$ 2,820,200
DI	93,400	69,669
Total Investments	$ 2,894,654	$ 2,889,869

The interest rates on these investments range from 1.375 to 5.125 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 year 2019 to the year 2033. Accrued interest receivable on the OASI and DI Trust Fund investments with the Treasury is an Intragovernmental Interest Receivable, reported on the Consolidated Balance Sheets. Interest Receivable, as reported on the Consolidated Balance Sheets is shown by program in Chart 5b.

Chart 5b - Interest Receivable as of September 30:
(Dollars in Millions)

	2018	2017
OASI	$ 19,940	$ 20,388
DI	654	464
Total Interest Receivable	$ 20,594	$ 20,852

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

The 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 Treasury for general Government purposes. Treasury special securities provide the OASI and DI Trust Funds with authority to draw upon the 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 $735 and $22 million as of September 30, 2018 and 2017 primarily represent amounts to be paid from the HI/SMI Trust Funds to the LAE Appropriation. SSA reduced the gross accounts receivable by $3,067 and $3,342 million as of September 30, 2018 and 2017 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.

In accordance with the TFM, Chapter 2-4700, SSA does not apply an allowance for doubtful accounts to determine the net value of Intragovernmental Accounts Receivable.

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 Federal and State activity. The SSI Federal and State portions consist of overpayments due from SSI recipients who are no longer eligible to receive benefit payments or received benefits in excess of their eligibility. Additionally, the SSI State portion consists of amounts due from the States to cover underpayments due to the SSI recipients. Refer to Note 3, Non-Entity Assets, for a discussion of the SSI Federal and State overpayments and underpayments.

Chart 6 - Accounts Receivable with the Public by Major Program as of September 30:
(Dollars in Millions)

	2018			2017		
	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
OASI	$ 3,057	$ (475)	$ 2,582	$ 2,943	$ (406)	$ 2,537
DI	7,950	(2,882)	5,068	7,482	(2,732)	4,750
SSI*	13,474	(7,286)	6,188	12,217	(6,516)	5,701
LAE	3	0	3	2	0	2
Subtotal	24,484	(10,643)	13,841	22,644	(9,654)	12,990
Less: Eliminations**	(597)	0	(597)	(548)	0	(548)
Total	$ 23,887	$ (10,643)	$ 13,244	$ 22,096	$ (9,654)	$ 12,442

Notes:

*See discussion in Note 3, Non-Entity Assets

**Intra-Agency Eliminations

Chart 6 shows that in FY 2018 and FY 2017, SSA reduced gross accounts receivable by $597 and $548 million as an intra-agency elimination. This intra-agency activity results primarily from the Windfall Offset and KZ Diary activity. Windfall Offset is the amount of SSI that would not have been paid if retroactive OASI and DI benefits had been paid timely to eligible beneficiaries. The KZ Diary process identifies SSI recipients eligible for prior entitlement of OASI and DI benefits, and determines SSA's liability for retroactive benefits owed to beneficiaries. For each activity, SSA recognizes a receivable in the SSI program with offsetting payables for both the OASI and DI programs.

SSA annually recalculates a ratio of allowance for doubtful accounts on programmatic accounts receivable with the public. We apply a moving five-year average of uncollectable receivable ratios, based on comparing collections to new debt while considering program turnover rates, against outstanding receivables, by group, to compute the amount of allowance for doubtful accounts.

Criminal Debt

Included in SSA's gross accounts receivable, in Chart 6, are debts that relate to criminal restitutions where SSA is identified as the payee, which are handled by the Department of Justice (DOJ). While SSA captures this activity in our accounts receivable activity, due to system limitations, we are currently unable to summarize this data for reporting purposes. However, we are able to estimate our gross and net receivables, after applying an allowance for doubtful accounts, based on historical data provided in previous years from DOJ to our agency. Based on this data, and assumptions on restitution collection activity, we estimate that our gross and net receivables for restitution activity are $507 and $64 million, respectively, as of September 30, 2018. In order to calculate the net receivable, we came up with an allowance for doubtful account methodology, similar to the methodology mentioned above. We calculated an uncollectable ratio for our restitution debt, based on comparing our estimated total collections to total restitutions to compute the amount of allowance for doubtful accounts. We subtracted this from our gross restitution receivable to obtain the net receivable amount.

2049 System Limitation

A Title II system design limitation exists concerning long-term withholding agreements that extend past the year 2049, where the Recovery of Overpayments, Accounting and Reporting system cannot capture and track debt scheduled for collection beyond the year 2049.

When the projected collection extends beyond December 2049, we perform a manual action to establish withholding through December 2049, causing the system to delete the remaining debt balance from the record. Current policy requires us to post an overpayment diary to control for follow-up of the remaining balance in December 2049. However, because our records do not reflect the post 2049 balance, subsequent correspondence to the debtor only presents the pre-2049 balance of the debt established for withholding. The only control mechanism in place for the post 2049 balance is the manual establishment of a diary.

These balances are not included in the Chart 6 gross receivable amounts. We estimate that the total gross value of the post year 2049 amount, currently not captured in our gross receivables, is approximately $688 million as of September 30, 2018. This amount is not material to the consolidated financial statements.

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:
(Dollars in Millions)

	2018			2017		
Major Classes:	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Buildings and Other Structures	$ 59	$ (24)	$ 35	$ 59	$ (23)	$ 36
Equipment (incl. ADP Hardware)	859	(610)	249	727	(486)	241
Internal Use Software	7,622	(5,127)	2,495	7,065	(4,635)	2,430
Leasehold Improvements	1,120	(572)	548	987	(513)	474
Deferred Charges*	1,173	(1,017)	156	1,134	(944)	190
Total	$ 10,833	$ (7,350)	$ 3,483	$ 9,972	$ (6,601)	$ 3,371

Major Classes:	Estimated Useful Life	Method of Depreciation	Capitalization Threshold
Buildings and Other Structures	50 years	Straight Line	$0
Equipment (incl. ADP Hardware)	5 years	Straight Line	$100 thousand
Internal Use Software	5-10 years	Straight Line	$100 thousand
Leasehold Improvements	6-33 years	Straight Line	$100 thousand
Deferred Charges*	3-12 years	Straight Line	$0-10 million

Note:

*Deferred Charges include fixtures (no threshold), the Telephone Services Replacement Project ($100 thousand), and bulk computer purchases ($10 million).

8. OTHER ASSETS

INTRAGOVERNMENTAL OTHER ASSETS

Intragovernmental Other Assets amounts include advances provided to Federal agencies for goods and services that will be furnished to SSA. Intragovernmental Other Assets are $29 and $26 million as of September 30, 2018 and 2017.

9. LIABILITIES

Liabilities of Federal agencies are classified as liabilities Covered by, Not Covered by, or Not Requiring budgetary resources and are recognized when incurred. Chart 9a discloses SSA's liabilities Covered by budgetary resources, Not Covered by budgetary resources, and Not Requiring budgetary resources. Liabilities Covered by budgetary resources use available budget authority when SSA incurs the liabilities. Liabilities Not Covered by budgetary resources do not use available budget authority in the current period. For SSA, these liabilities represent liabilities that will be funded in future periods. Liabilities Not Requiring budgetary resources represent cash or SSA receivables due to the General Fund and States, which do not require budgetary authority.

Chart 9a - Liabilities as of September 30:
(Dollars in Millions)

	2018							
		Covered		Not Covered		Not Requiring		Total
Intragovernmental:								
Accrued RRI*	$	4,754	$	0	$	0	$	4,754
Accounts Payable		82		0		5,817		5,899
Other		61		52		3		116
Total Intragovernmental		4,897		52		5,820		10,769
Benefits Due and Payable		101,619		3,030		0		104,649
Accounts Payable		112		82		288		482
Federal Employee and Veteran Benefits		0		314		0		314
Other		448		330		37		815
Total Liabilities	$	107,076	$	3,808	$	6,145	$	117,029

Note:

*Railroad Retirement Interchange

Chart 9a - Liabilities as of September 30:
(Dollars in Millions)

	2017							
		Covered		Not Covered		Not Requiring		Total
Intragovernmental:								
Accrued RRI	$	4,788	$	0	$	0	$	4,788
Accounts Payable		3		0		5,349		5,352
Other		127		54		3		184
Total Intragovernmental		4,918		54		5,352		10,324
Benefits Due and Payable		99,976		3,530		0		103,506
Accounts Payable		85		86		266		437
Federal Employee and Veteran Benefits		0		319		0		319
Other		341		325		19		685
Total Liabilities	$	105,320	$	4,314	$	5,637	$	115,271

Intragovernmental Accrued Railroad Retirement Interchange

The Intragovernmental Accrued Railroad Retirement Interchange represents an accrued liability due to the Railroad Retirement Board 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 SSA had covered railroad employment. The *Railroad Retirement Act of 1974* 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 Requiring budgetary resources are amounts due to Treasury's General Fund. SSA records a payable equal to the SSI Federal benefit overpayments receivable when the agency identifies overpayments. Refer to Note 3, Non-Entity Assets, for additional information on the SSI receivables established for the repayment of SSI benefit overpayments.

INTRAGOVERNMENTAL OTHER LIABILITIES

Intragovernmental Other Liabilities include amounts Covered by budgetary resources for employer contributions and payroll taxes and amounts advanced by Federal agencies for goods and services to be furnished. Intragovernmental Other Liabilities Covered, shown in Chart 9a, are current liabilities. Intragovernmental Other Liabilities also includes amounts Not Covered by budgetary resources for *Federal Employees' Compensation Act* (FECA), administered by the Department of Labor. 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 the Department of Labor’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 portions of FECA liability is $52 and $54 million as of September 30, 2018 and 2017. Intragovernmental Other Liabilities Not Requiring budgetary resources in Chart 9a represents non-current unapplied deposit account balances of $3 million as of September 30, 2018 and 2017.

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 9b shows the amounts for SSA's major programs as of September 30, 2018 and 2017. These amounts include an estimate for unadjudicated cases that will be payable in the future. Except for the SSI program, budgetary resources cover the unadjudicated cases.

Chart 9b - Benefits Due and Payable as of September 30:
(Dollars in Millions)

	2018	2017
OASI	$ 75,321	$ 71,386
DI	25,050	27,330
SSI	4,875	5,338
Subtotal	105,246	104,054
Less: Intra-agency eliminations	(597)	(548)
Total Benefits Due and Payable	$ 104,649	$ 103,506

Chart 9b also shows that as of FY 2018 and FY 2017, SSA reduced gross Benefits Due and Payable by $597 and $548 million as an intra-agency elimination. This intra-agency activity results primarily from the Windfall Offset and KZ Diary activity. Refer to Note 6, Accounts Receivable, Net.

ACCOUNTS PAYABLE

Accounts Payable Not Covered by budgetary resources consists of SSI State Supplemental overpayments due to States. States are entitled to any overpayment that SSA expects to collect because the States fund the actual payments made to the beneficiaries. SSI State Supplemental underpayments due to the SSI recipients are also included. These amounts are set up as an accounts payable until payment is made.

FEDERAL EMPLOYEE AND VETERAN BENEFITS

Federal Employee and Veteran Benefits Not Covered by budgetary resources includes the non-current portion of FECA, which is an actuarial liability. The non-current portion of $314 and $319 million as of September 30, 2018 and 2017 represents the expected liability from FECA claims for the next 23-year period. This actuarial liability was calculated by the Department of Labor using historical payment data to project future costs.

Other Liabilities

SSA's Other Liabilities consist of liabilities Covered by, Not Covered by, and Not Requiring budgetary resources. Other Liabilities Covered by budgetary resources is primarily comprised of accrued payroll and SSI State Supplemental amounts collected in advance. Other Liabilities Not Covered by budgetary resources primarily consists of leave earned but not taken. Other liabilities Not Requiring budgetary resources consists of unapplied deposit funds. Other Liabilities are current in nature with the exception of $18 million of Not Requiring unapplied deposit funds as of September 30, 2018 and 2017.

Federal Leases

SSA has Occupancy Agreements (OA) with GSA for each space that we occupy. The OA is a complete, concise statement of the business terms governing the tenancy relationship between SSA and GSA. The OA is not a lease, but rather a formal agreement between the signing parties. For accounting purposes, these OAs are treated as lease activity. GSA charges rental rates for space that approximates commercial rental rates for similar properties. The terms of the OAs vary according to whether the Federal Government directly owns the underlying assets or if GSA rents the underlying asset from third party commercial property owners, though each OA may have slightly different terms. SSA executes cancellable and non-cancellable OAs with GSA. Periods of occupancy on OAs vary, and can generally be cancelled with four months' notice following the first year of occupancy. OAs must be coterminous with the underlying lease term. For non-cancellable OAs, SSA is financially responsible for rental payments on vacated space until the expiration of the OA, the termination of the OA permitted under the lease terms, or the occupancy by a replacement tenant covers the total rent obligation. OAs do not include renewal options that may be in the lease, as GSA makes a determination as to whether such options are fair and reasonable relative to the market when the option matures. Chart 9c shows the future estimated rental payments required under OAs that have initial or remaining non-cancellable terms in excess of one year. SSA does not include the amounts reported in our financial statements. SSA expenses OAs as incurred, and does not record liabilities for future years' costs.

Chart 9c - Future Operating Lease/Occupancy Agreement Commitments as of September 30:
(Dollars in Millions)

Fiscal Year	GSA OAs	
2019	$	111
2020		100
2021		95
2022		91
2023		85
2024 and Thereafter (In total)*		472
Total Future Lease Payments	$	954

Note:

*OAs go through the year 2034.

Contingent Liabilities

SSA has certain litigations pending where the loss amount or range cannot be determined. These contingent liabilities are described below.

- A class action lawsuit is pending in a Federal district court in Ohio challenging SSA's calculation of retroactive benefits under the Windfall Offset Provision.
- Two cases are currently pending in the Federal district court in Puerto Rico where parties challenge the constitutionality of excluding residents of Puerto Rico from the SSI program.

- Various Federal district court cases are pending in different States challenging SSA's appointment of administrative law judges under the Appointments Clause of the U.S. Constitution.
- Various Federal district court cases in Kentucky are pending appeal before the Court of Appeals for the Sixth Circuit. The appeals challenge SSA's redetermination process in cases where there is a reason to believe that fraud or similar fault was involved in an individual's application for benefits.

10. Funds from Dedicated Collections

The OASI and DI Trust Funds, Taxation on Social Security benefits, and SSI State Administrative Fees are classified as funds from dedicated collections. These funds obtain revenues primarily through non-Federal receipts, such as Social Security payroll taxes and, to a lesser extent, offsetting collections.

OASI and DI Trust Funds

The OASI Trust Fund provides retirement and survivors benefits to qualified workers and their families, 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.

Payroll and self-employment taxes primarily fund the OASI and DI Trust Funds. 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 benefits provide additional income to the OASI and DI Trust Funds. 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.

Taxation on Social Security Benefits

Taxation on Social Security Benefits is also classified as funds from dedicated collections. The *Social Security Amendments of 1983* (Public Law 98-21) provides that the OASI and DI Trust Funds receive income related to Federal income taxation of benefits. The taxes are collected as Federal income taxes, and a subsequent payment is then made to the OASI and DI Trust Funds from the General Fund of the Treasury. These collections 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, Taxation on Social Security Benefits is considered dedicated collections.

SSI State Administrative Fees

Administrative Fees collected from States are also classified as funds from dedicated collections. 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 12, Exchange Revenues, for a discussion of SSI State Administrative Fees.

See Chart 10 for balances of funds from dedicated collections as reported in the Consolidated Financial Statements for the years ended September 30, 2018 and 2017. The Other Dedicated Funds column in Chart 10 consists of Taxation on Social Security Benefits and SSI State Administrative Fees activity.

Chart 10 - Funds from Dedicated Collections as of September 30: Consolidating Schedule
(Dollars in Millions)

	2018				
	OASI Trust Fund	DI Trust Fund	Other Dedicated Funds	Eliminations	Total Dedicated Funds
Balance Sheet					
Assets					
Fund Balance with Treasury	$ (187)	$ (259)	$ 0	$ 0	$ (446)
Investments	2,801,254	93,400	0	0	2,894,654
Interest Receivable	19,940	654	0	0	20,594
Accounts Receivables - Federal	1	0	0	0	1
Accounts Receivables - Non-Federal	2,582	5,068	0	(3)	7,647
Total Assets	$ 2,823,590	$ 98,863	$ 0	$ (3)	$ 2,922,450
Liabilities and Net Position					
Accrued Railroad Retirement	$ 4,690	$ 64	$ 0	$ 0	$ 4,754
Accounts Payable, Federal	880	841	0	0	1,721
Benefits Due and Payable	75,321	25,050	0	(3)	100,368
Accounts Payable, Non-Federal	0	4	0	0	4
Total Liabilities	80,891	25,959	0	(3)	106,847
Cumulative Results of Operations	2,742,699	72,904	0	0	2,815,603
Total Liabilities and Net Position	$ 2,823,590	$ 98,863	$ 0	$ (3)	$ 2,922,450
Statement of Net Cost					
Program Costs	$ 836,919	$ 140,939	$ 0	$ 0	$ 977,858
Operating Expenses	519	285	0	0	804
Less Earned Revenue	(1)	(24)	(114)	0	(139)
Net Cost of Operations	$ 837,437	$ 141,200	$ (114)	$ 0	$ 978,523
Statement of Changes in Net Position					
Net Position Beginning of Period	$ 2,766,567	$ 46,249	$ 0	$ 0	$ 2,812,816
Tax Revenue	706,128	167,043	0	0	873,171
Interest Revenue	81,135	2,415	0	0	83,550
Net Transfers In/Out	26,301	(1,649)	(35,832)	0	(11,180)
Other	5	46	35,718	0	35,769
Total Financing Sources	813,569	167,855	(114)	0	981,310
Net Cost of Operations	837,437	141,200	(114)	0	978,523
Net Change	(23,868)	26,655	0	0	2,787
Net Position End of Period	$ 2,742,699	$ 72,904	$ 0	$ 0	$ 2,815,603

The above Chart 10 for FY 2018 includes eliminations between SSA's funds from dedicated collections, which primarily represent eliminations for activity between the OASI and DI Trust Funds. However, $2,313 million of receivables and liabilities in the funds from dedicated collections for the year ended September 30, 2018 need to be eliminated against LAE (Accounts Payable, Federal), SSI (Benefits Due and Payable), and PTF, excluding Taxation on Benefits (Accounts Receivable, Federal), which are not classified as funds from dedicated collections. Therefore, due to the separate presentation of funds from dedicated collections only in this note, SSA does not include eliminations between funds from dedicated collections and LAE, SSI, and PTF, excluding Taxation on Benefits in Chart 10.

Chart 10 - Funds from Dedicated Collections as of September 30: Consolidating Schedule
(Dollars in Millions)

	2017				
	OASI Trust Fund	DI Trust Fund	Other Dedicated Funds	Eliminations	Total Dedicated Funds
Balance Sheet					
Assets					
Fund Balance with Treasury	$ (99)	$ (225)	$ 0	$ 0	$ (324)
Investments	2,820,200	69,669	0	0	2,889,869
Interest Receivable	20,388	464	0	0	20,852
Accounts Receivables - Federal	1	0	0	0	1
Accounts Receivables - Non-Federal	2,537	4,750	0	(3)	7,284
Total Assets	$ 2,843,027	$ 74,658	$ 0	$ (3)	$ 2,917,682
Liabilities and Net Position					
Accrued Railroad Retirement	$ 4,618	$ 170	$ 0	$ 0	$ 4,788
Accounts Payable, Federal	455	903	0	0	1,358
Benefits Due and Payable	71,386	27,330	0	(3)	98,713
Accounts Payable, Non-Federal	1	6	0	0	7
Total Liabilities	76,460	28,409	0	(3)	104,866
Cumulative Results of Operations	2,766,567	46,249	0	0	2,812,816
Total Liabilities and Net Position	$ 2,843,027	$ 74,658	$ 0	$ (3)	$ 2,917,682
Statement of Net Cost					
Program Costs	$ 793,155	$ 141,206	$ 0	$ 0	$ 934,361
Operating Expenses	520	242	0	0	762
Less Earned Revenue	(1)	(22)	(122)	0	(145)
Net Cost of Operations	$ 793,674	$ 141,426	$ (122)	$ 0	$ 934,978
Statement of Changes in Net Position					
Net Position Beginning of Period	$ 2,746,389	$ 20,815	$ 0	$ 0	$ 2,767,204
Tax Revenue	702,132	165,902	0	0	868,034
Interest Revenue	84,040	1,741	0	0	85,781
Net Transfers In/Out	27,667	(824)	(37,489)	0	(10,646)
Other	13	41	37,367	0	37,421
Total Financing Sources	813,852	166,860	(122)	0	980,590
Net Cost of Operations	793,674	141,426	(122)	0	934,978
Net Change	20,178	25,434	0	0	45,612
Net Position End of Period	$ 2,766,567	$ 46,249	$ 0	$ 0	$ 2,812,816

Chart 10 for FY 2017 includes eliminations between SSA's funds from dedicated collections, which primarily represent eliminations for activity between the OASI and DI Trust Funds. However, $1,900 million of receivables and liabilities in the funds from dedicated collections for the year ended September 30, 2017 need to be eliminated against LAE (Accounts Payable, Federal), SSI (Benefits Due and Payable), and PTF, excluding Taxation on Benefits (Accounts Receivable, Federal), which are not classified as funds from dedicated collections. Therefore, due to the separate presentation of funds from dedicated collections only in this note, SSA does not include eliminations between funds from dedicated collections and LAE, SSI, and PTF, excluding Taxation on Benefits in Chart 10.

11. Operating Expenses

Classification of Operating Expenses by Major Program

Chart 11a displays SSA's operating expenses for each major program. LAE SSA operating expenses recorded in Other primarily represent the HI/SMI Trust Funds' shares of SSA's operating expenses, including the Medicare Prescription Drug Program. LAE ARRA operating expenses recorded in the Other program primarily represent expenses associated with the National Support Center. OASI and DI Trust Fund Operations include expenses of Treasury to assist in managing the OASI and DI Trust Funds. Vocational Rehabilitation includes expenditures of State agencies for vocational rehabilitation of OASI, DI, and SSI beneficiaries.

Chart 11a - SSA's Operating Expenses by Major Program as of September 30:
(Dollars in Millions)

	2018					
	LAE					
	SSA	OIG	ARRA	OASI and DI Trust Fund Operations	Vocational Rehabilitation & Other	Total
OASI	$ 3,258	$ 40	$ 0	$ 510	$ 9	$ 3,817
DI	2,726	33	0	93	192	3,044
SSI	4,406	0	0	0	215	4,621
Other	2,456	29	27	0	0	2,512
Total	$ 12,846	$ 102	$ 27	$ 603	$ 416	$ 13,994

Chart 11a - SSA's Operating Expenses by Major Program as of September 30:
(Dollars in Millions)

	2017					
	LAE					
	SSA	OIG	ARRA	OASI and DI Trust Fund Operations	Vocational Rehabilitation & Other	Total
OASI	$ 3,142	$ 39	$ 0	$ 514	$ 6	$ 3,701
DI	2,751	35	0	98	144	3,028
SSI	4,367	0	0	0	175	4,542
Other	2,369	29	26	0	0	2,424
Total	$ 12,629	$ 103	$ 26	$ 612	$ 325	$ 13,695

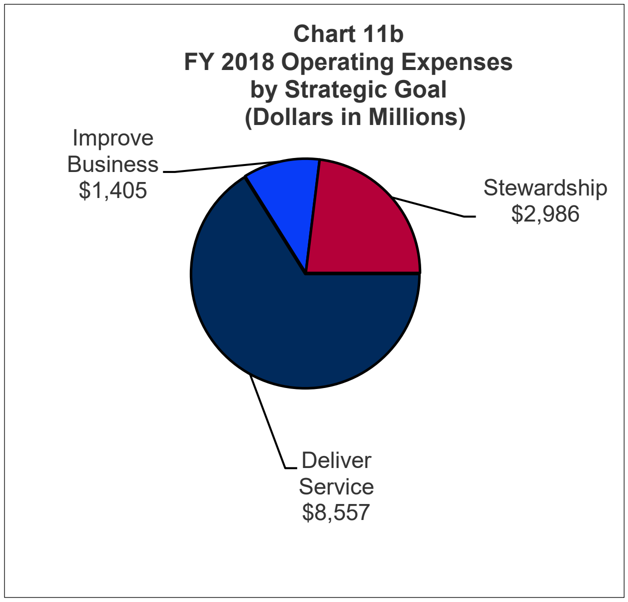
Classification of Operating Expenses by Strategic Goal

SSA's *Annual Performance Plan* (APP) sets forth expected levels of performance the agency is committed to achieving, and includes proposed levels of performance for future fiscal years. Our APP is characterized by broad-based Strategic Goals that the entire agency supports. The three Strategic Goals are:

- Deliver Services Effectively (Deliver Service);
- Improve the Way We Do Business (Improve Business); and
- Ensure Stewardship (Stewardship).

Chart 11b exhibits the distribution of FY 2018 SSA and OIG LAE operating expenses to the three APP Strategic Goals, which agree to the agency's LAE budget appropriation. As noted earlier in this report, the agency revised its

Strategic Goals starting in FY 2018. Therefore, because the Strategic Goals are not comparable between FY 2018 and FY 2017, we did not include a chart showing the distribution of FY 2017 operating expenses by Strategic Goal.



For Chart 11b, we subtracted LAE ARRA expenses from total SSA LAE operating expenses before distributing the operating expenses to the agency's APP Strategic Goals. SSA does not include OASI and DI Trust Fund Operations and Vocational Rehabilitation expenses (see Chart 11a) 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.

12. Exchange Revenues

SSA recognizes revenue from exchange transactions 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 revenue is $281 and $288 million for the years ended September 30, 2018 and 2017. SSA's exchange revenue primarily consists of fees collected to administer SSI State Supplementation. The fees charged to the States are $11.87 and $11.68, per payment, for the years ended September 30, 2018 and 2017. SSA has agreements with 20 States and the District of Columbia to administer some or all of the States' supplement to Federal SSI benefits. Additional fees are collected for handling OASI and DI Trust Fund and SSI attorney fees. Other exchange revenue consists of reimbursement for performing non-mission work for Federal and non-Federal entities. Chart 12 discloses SSA's exchange revenue by activity.

Chart 12 - Exchange Revenue as of September 30:
(Dollars in Millions)

	2018	2017
SSI State Supplementation Fees	$ 196	$ 213
SSI Attorney Fees	8	8
DI Attorney Fees	24	22
OASI Attorney Fees	1	1
Other Exchange Revenue	52	44
Total Exchange Revenue	$ 281	$ 288

SSI administrative fees are split between fees that SSA can use and fees that are entitled to Treasury's General Fund. The General Fund's portion of these administrative fees are $90 and $99 million for the years ended

September 30, 2018 and 2017. Of these amounts, $82 and $91 million were collected to administer SSI State Supplementation for the years ended September 30, 2018 and 2017. The remainder of the SSI administrative fees, which meet the criteria of a fund from dedicated collections, in the amounts of $114 and $122 million for the years ended September 30, 2018 and 2017, are maintained by SSA to defray expenses in carrying out the SSI program.

13. Tax Revenues

Treasury estimates monthly employment tax revenues based on SSA's quarterly estimate of taxable earnings. Treasury uses these estimates 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 Internal Revenue Service (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.

Chart 13 displays SSA’s Tax Revenue, as reported on the Consolidated Statements of Changes in Net Position, by major program.

Chart 13 - Tax Revenue as of September 30:
(Dollars in Millions)

	2018	2017
OASI	$ 706,128	$ 702,132
DI	167,043	165,902
Total Tax Revenue	$ 873,171	$ 868,034

The passage of Public Law 114-74, *Bipartisan Budget Act of 2015*, increased the DI Trust Fund’s portion of the FICA payroll tax by 0.57 percentage points. A total of 2.37 percentage points of the total combined 12.40 percent payroll tax was allocated to the DI Trust Fund starting January 1, 2016, and will continue through December 31, 2018, after which the allocation returns to the prior distribution.

14. Imputed Financing

SSA is required to incorporate the full cost of goods and services that we receive from other entities on our Consolidated Statements of Net Cost. In some instances, goods or services provided by one Federal entity to another may not be fully reimbursed by the receiving entity. The unreimbursed portion of these costs is considered an imputed cost, and must be recognized on the receiving entity’s Statement of Net Cost. The funding for these imputed costs is recognized as an imputed financing source on the receiving entity’s Statement of Changes in Net Position. SSA has activities with OPM, Treasury, and the Department of Homeland Security (DHS) that require imputed costs and financing sources to be recognized. While the imputed financing sources are shown on the face of the Consolidated Statements of Changes in Net Position, the imputed costs are included in the operating expense amounts reported on the Consolidated Statements of Net Cost.

OPM administers three earned benefit programs for civilian Federal employees: (1) the Retirement Program, comprised of the CSRS and the FERS; (2) the Federal Employees Health Benefits Program (FEHBP); and (3) the Federal Employee Group Life Insurance Program (FEGLI). The total service costs for SSA employee pensions, life, and health insurance are financed by contributions of SSA, participating employees, and OPM. The Consolidated Statements of Net Cost recognize post-employment benefit expenses of $1,237 and $1,050 million for the years ended September 30, 2018 and 2017, as a portion of operating expenses. The expense represents the current and estimated future costs of SSA and OPM for SSA employee pensions, life, and health insurance. SSA is responsible for a portion of the costs of each benefit program during the fiscal year, while the remaining costs are covered by OPM. SSA recognizes these costs on our financial statements as an imputed cost, with a corresponding imputed financing source.

Treasury, on SSA's behalf, processes the payments for SSI benefits. While the majority of the administrative costs associated with processing these payments are recorded as imputed costs with an associated imputed financing source, SSA is responsible for the costs related to postage. In addition, when funds are not legally available to pay monetary awards from SSA's own appropriations, Treasury issues payments from the Judgment Fund on behalf of SSA for court judgments and DOJ compromise settlements of actual or imminent lawsuits against SSA. These costs are also recorded as imputed costs with a corresponding imputed financing source.

DHS provides SSA with capabilities and tools that identify cybersecurity risks as part of their Continuous Diagnostics and Mitigation (CDM) program. Specifically, DHS has provided SSA with hardware and internal use software associated with this program.

Chart 14 discloses SSA's imputed financing sources by activity.

Chart 14 - Imputed Financing Sources as of September 30:
(Dollars in Millions)

	2018	2017
Employee Benefits (OPM)		
CSRS*	$ 90	$ 84
FERS	63	0
FEHBP	444	340
FEGLI	1	1
Total Employee Benefits	598	425
SSI Benefit Payments (Treasury)	16	16
Judgment Fund (Treasury)	1	1
CDM Program (DHS)	2	5
Total Imputed Financing Sources	$ 617	$ 447

Note:

*The FY 2017 CSRS amounts are offset by $3 million of excess FY 2017 FERS employer contributions over program service cost.

15. Budgetary Resources

Appropriations Received

The Combined Statements of Budgetary Resources discloses Appropriations Received of $1,079,107 and $1,041,893 million for the years ended September 30, 2018 and 2017. Appropriations Received on the Consolidated Statements of Changes in Net Position are $89,271 and $95,546 million for the same periods. The differences of $989,836 and $946,347 million primarily 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 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 Fiscal Service where they are also recorded as Appropriations Received in the OASI and DI Trust Funds. Because 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 No. A-136 to have the Combined Statements of Budgetary Resources in agreement with the required SF-133. These amounts are also included on the Consolidated Statements of Changes in Net Position for Other in Appropriations Received.

APPORTIONMENT CATEGORIES OF NEW OBLIGATIONS AND UPWARD ADJUSTMENTS: DIRECT VERSUS REIMBURSABLE OBLIGATIONS

Agency accounts or funds can receive budgetary resources from OMB through an apportionment or they can receive funds based on statutes, laws, legislation, etc. Apportionments issued for specific activities, projects, objects, or a combination of these categories are classified as Category B. If an account or fund receives its budgetary resources based on law or statute and does not receive an apportionment from OMB, it is classified as Exempt from Apportionment. Chart 15a reflects the amounts of direct and reimbursable new obligations and upward adjustments against Category B Apportionment and Exempt from Apportionment accounts.

Chart 15a - Apportionment Categories of New Obligations and Upward Adjustments: Direct versus Reimbursable Obligations as of September 30:
(Dollars in Millions)

	2018			2017		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Category B	$ 68,792	$ 2,463	$ 71,255	$ 72,537	$ 2,708	$ 75,245
Exempt	1,026,000	1	1,026,001	983,900	1	983,901
Total	$1,094,792	$ 2,464	$1,097,256	$1,056,437	$ 2,709	$1,059,146

PERMANENT INDEFINITE APPROPRIATION

SSA has three Permanent Indefinite Appropriations: OASI and DI Trust Funds and Title VIII. The OASI Trust Fund provides retirement and survivors benefits to qualified workers and their families. The DI Trust Fund provides disability benefits to individuals who cannot work because they have a medical condition expected to last one year or result in death. 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 Public Law 106-169, the veterans' SSI benefits would terminate the month after leaving the United States. 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

During the year, the OASI and DI Trust Funds collect receipts and incur obligations. The receipts are primarily made up of tax and interest revenues. As beneficiaries pass the various entitlement tests prescribed by the *Social Security Act*, benefit payments and other outlays are obligated against the OASI and DI Trust Funds. During a given year, when receipts collected exceed the amount needed to pay benefits and other valid obligations, the excess authority becomes precluded by law from being available for obligations, as of September 30. While this amount is precluded from obligation at the end of one fiscal year, the excess receipts remain assets of the OASI and DI Trust Funds and can become available in future periods as needed.

Chart 15b provides an overview of fiscal year budgetary receipt and obligation information for the OASI and DI Trust Funds. SSA compares the current year receipts to the current year obligations incurred to determine the excess or shortfall for a fiscal year.

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

	2018			2017		
	OASI	DI	Total	OASI	DI	Total
Receipts	$ 822,452	$170,347	$ 992,799	$ 822,530	$ 169,559	$ 992,089
Less: Obligations	845,922	144,416	990,338	801,604	144,974	946,578
Excess of Receipts Over Obligations	$ (23,470)	$ 25,931	$ 2,461	$ 20,926	$ 24,585	$ 45,511

The passage of Public Law 114-74, *Bipartisan Budget Act of 2015*, increased the DI Trust Fund's portion of the FICA payroll tax by 0.57 percentage points. A total of 2.37 percentage points of the total combined 12.40 percent payroll tax was allocated to the DI Trust Fund starting January 1, 2016, and will continue through December 31, 2018, after which the allocation returns to the prior distribution. The overall Net Position of the OASI and DI Trust Funds, on the Consolidated Statements of Changes in Net Position, are $2,742,699 and $72,904 million for the year ended September 30, 2018, compared to $2,766,567 and $46,249 million for the year ended September 30, 2017.

UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders consist of orders of goods and services that SSA has not actually or constructively received. The total undelivered orders contain unpaid undelivered orders and advances, with unpaid orders making up the majority of the total.

Chart 15c provides the FY 2018 undelivered orders amount by Federal, non-Federal, paid, and unpaid.

Chart 15c – Undelivered Orders as of September 30:
(Dollars in Millions)

	2018		
	Federal	Non-Federal	Total
Unpaid Undelivered Orders	$ 796	$ 1,701	$ 2,497
Paid Undelivered Orders	30	0	30
Total Undelivered Orders	$ 826	$ 1,701	$ 2,527

SSA's total undelivered orders are $2,150 million for the year ended September 30, 2017. SSA's total unpaid undelivered orders are $2,125 million for the year ended September 30, 2017.

EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT

SSA conducted a reconciliation of budgetary resources, new obligations and upward adjustments, distributed offsetting receipts, and net outlays as presented in the Combined Statements of Budgetary Resources, to amounts included in the Budget of the U.S. Government for the year ended September 30, 2017. All differences shown in the chart below are recognized as accepted differences. Expired activity is not included in the Budget of the U.S. Government, and distributed offsetting receipts are not included in the net outlay calculation within the Budget of the U.S. Government.

Chart 15d presents a reconciliation of budgetary resources, new obligations and upward adjustments, distributed offsetting receipts, and outlays as presented in the Combined Statements of Budgetary Resources, to amounts included in the Budget of the U.S. Government for the year ended September 30, 2017.

Chart 15d - Explanation of Differences Between Statement of Budgetary Resources and the Budget of the U.S. Government for FY 2017:
(Dollars in Millions)

	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 1,064,637	$ 1,059,146	$ 40,391	$ 1,000,812
Expired activity not in President's Budget	(355)	(125)	0	0
Offsetting Receipts activity not in President's Budget	0	0	0	40,391
Other	2	0	0	1
Budget of the U.S. Government	$ 1,064,284	$ 1,059,021	$ 40,391	$ 1,041,204

A reconciliation has not been conducted for the year ended September 30, 2018 since the actual budget data for FY 2018 will not be available until the President's Budget is published. Once available, the actual budget data will be located on OMB's Appendix website (https://www.whitehouse.gov/omb/appendix/).

16. Reconciliation of Net Cost of Operations to Budget

Chart 16 - Reconciliation of Net Cost of Operations to Budget for the Years Ended September 30, 2018 and 2017
(Dollars in Millions)

	2018	2017
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
New Obligations and Upward Adjustments	**$ 1,097,256**	$ 1,059,146
Offsetting Collections and Recoveries	**(17,145)**	(16,414)
Obligations Net of Offsetting Collections and Recoveries	**1,080,111**	1,042,732
Offsetting Receipts	**(38,956)**	(40,391)
Net Obligations	**1,041,155**	1,002,341
Other Resources		
Imputed Financing	**617**	447
Total Resources Used to Finance Activities	**1,041,772**	1,002,788
Resources Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated, Not Yet Provided	**(166)**	35
Resources that Fund Expenses Recognized in Prior Periods	**(506)**	(228)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	**38,957**	40,066
Change in Resources that Finance Assets	**(861)**	(690)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	**(40,521)**	(42,653)
Total Resources Not Part of the Net Cost of Operations	**(3,097)**	(3,470)
Total Resources Used to Finance the Net Cost of Operations	**1,038,675**	999,318
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	**4**	0
Components Not Requiring or Generating Resources		
Change in Depreciation and Amortization	**750**	667
Revaluation of Assets and Liabilities	**0**	70
Other	**(830)**	(930)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	**(80)**	(193)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	**(76)**	(193)
Net Cost of Operations	**$ 1,038,599**	$ 999,125

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

Statements of Social Insurance

The Statements of Social Insurance present the present value for the 75-year projection period of the estimated future noninterest income, estimated future cost, and the excess of income over cost for both the "open group" and "closed 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. The closed group of participants includes only current participants (i.e., those who attain age 15 or older in the first year of the projection period). The closed group disclosure is not relevant to the financial status because the program is financed largely on a pay-as-you-go basis.

Present values are computed based on the intermediate economic and demographic assumptions described in *The 2018 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* (the Trustees Report) for the 75-year projection period beginning January 1, 2018. These assumptions represent the Trustees' reasonable estimate of likely future economic and demographic conditions. Similar present values are shown in the Statements of Social Insurance based on the prior four Trustees Reports reflecting present values at January 1 of the applicable year.

Estimated future noninterest 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 asset reserves held in the combined OASI and DI Trust Funds. The estimated future cost includes benefit amounts scheduled under current law, administrative expenses, and net transfers with the Railroad Retirement program.

The present value of the estimated future excess of noninterest income over cost is shown in the Statements of Social Insurance, not only for the open group of participants, but also for the "closed group" of participants. The closed group of participants consists of those who, in the starting year of the projection period, have attained age 15 or older. 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. The Statements of Social Insurance also present the present value of estimated future noninterest income less estimated future cost *plus* the combined OASI and DI Trust Fund asset reserves at the start of the period on both an open and closed group basis.

Combined OASI and DI Trust Fund asset reserves represent the accumulated excess of all past income, including interest on prior combined OASI and DI Trust Fund asset reserves, over all past expenditures for the social insurance program. The combined OASI and DI Trust Fund asset reserves as of January 1, 2018 totaled $2,892 billion and were comprised entirely of investment securities that are backed by the full faith and credit of the Federal Government.

The present value for a 75-year projection period of estimated future excess of noninterest income over cost, plus the combined OASI and DI Trust Fund asset reserves at the start of the period, is shown as a negative value. Its magnitude 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 shown in the Report as a percentage of taxable payroll and as a percentage of gross domestic product (GDP) 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 asset reserves in the combined OASI and DI Trust Funds become depleted. Thus, if the asset reserves in the combined OASI and DI Trust Funds become depleted, the amount of money available to pay benefits and other expenses would be limited to continuing noninterest 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 Statements of Social Insurance

The present values used in this presentation for the current year (2018) are based on the full amounts of estimated noninterest income and the cost of providing benefits at the levels scheduled under current law, even after the OASI and DI Trust Fund asset reserves are depleted. 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 2018

	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]	
2018	1.81	776.4	76.9	81.5	1,678,000	1.59	3.82	2.23	1.1	2.7	2.7%
2020	1.84	762.4	77.2	81.7	1,498,000	1.95	4.55	2.60	0.8	2.6	3.9%
2030	2.00	697.7	78.4	82.7	1,321,000	1.28	3.88	2.60	0.5	2.1	5.3%
2040	2.00	641.1	79.5	83.6	1,272,000	1.22	3.82	2.60	0.5	2.1	5.3%
2050	2.00	591.5	80.5	84.5	1,247,000	1.23	3.83	2.60	0.5	2.1	5.3%
2060	2.00	547.9	81.5	85.3	1,233,000	1.22	3.82	2.60	0.4	2.1	5.3%
2070	2.00	509.4	82.4	86.0	1,225,000	1.15	3.75	2.60	0.4	2.1	5.3%
2080	2.00	475.2	83.2	86.7	1,221,000	1.13	3.73	2.60	0.5	2.1	5.3%
2090*	2.00	444.7	84.0	87.3	1,218,000	1.15	3.75	2.60	0.4	2.1	5.3%

* The valuation period used for the 2018 Statement of Social Insurance extends to 2092.

1. The total fertility rate for any year is the average number of children that would be born to a woman in her lifetime if she were to experience, at each age of her life, the birth rate observed in, or assumed for, the selected year, and if she were to survive the entire childbearing period.
2. The age-sex-adjusted death rate is based on the enumerated total population as of April 1, 2010, if that population were to experience the death rates by age and sex observed in, or 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 at birth for a given year is the average number of years expected prior to death for a person born on January 1 in that year, using the mortality rates for that year over the course of his or her remaining life. 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 as lawful permanent residents 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 annual percentage change in the average annual wage in covered employment less the annual percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). Values are rounded after all computations.
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 CPI-W.
8. Total employment is total U.S. military and civilian employment. It is a summary measure and not a basic assumption; it summarizes the basic assumptions from which it is derived.
9. The real GDP is the value of the total output of goods and services in 2009 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, 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 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 our *Agency Financial Report* website (www.socialsecurity.gov/finance) for the prior four years.

Table 2: Significant Ultimate Assumptions and Summary Measures Used for the Statements 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]	Average Annual Net 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 2018	2.0	0.77	1,272,000	1.20	3.80	2.60	0.5	2.7
FY 2017	2.0	0.77	1,286,000	1.20	3.80	2.60	0.5	2.7
FY 2016	2.0	0.78	1,291,000	1.20	3.80	2.60	0.5	2.7
FY 2015	2.0	0.78	1,155,000	1.17	3.87	2.70	0.5	2.9
FY 2014	2.0	0.79	1,125,000	1.13	3.83	2.70	0.5	2.9

1. The total fertility rate for any year is the average number of children that would be born to a woman in her lifetime if she were to experience, at each age of her life, the birth rate observed in, or assumed for, the selected year, and if she were to survive the entire childbearing period. For the 2018 Statement, the ultimate total fertility rate is assumed to be reached in the 10th year of the projection period.
2. The age-sex-adjusted death rate is based on the enumerated total population as of a standard date if that population were to experience the death rates by age and sex observed in, or assumed for, the selected year. For each of the listed Statements, the standard date was April 1, 2010. 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 2018 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 as lawful permanent residents 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. The value shown is the average net immigration level projected for the 75-year projection period. For the 2018 Statement, the value shown is consistent with the annual levels shown in Table 1.
4. The annual real-wage differential is the annual percentage change in the average annual wage in covered employment less the annual percentage change in the CPI-W. The value presented is the average of annual real-wage differentials for the last 65 years of the 75-year projection period. For the 2018 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 2018 Statement, the average annual percentage change is consistent with the annual percentages shown in Table 1.
6. The CPI is the CPI-W. The ultimate assumption is reached within the first 10 years of the projection period. For the 2018 Statement, the average annual rate of CPI is consistent with the annual differentials shown in Table 1.
7. Total employment is total U.S. military and civilian 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 2018 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 reached within the first 10 years of the projection period. For the 2018 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 2014–2018 Trustees Reports. Estimates made prior to this year may 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* section of this report.

Statements of Changes in Social Insurance Amounts

The Statements of Changes in Social Insurance Amounts reconcile changes, from the beginning of one 75-year valuation period to the next, in the: (1) present value of estimated future noninterest income less estimated future cost for current and future participants (the open group measure) over the next 75 years; (2) starting asset reserves of the combined OASI and DI Trust Funds; and (3) present value of estimated future noninterest income less estimated future cost for current and future participants over the next 75 years plus the asset reserves of the combined OASI and DI Trust Funds. These values are included in the Statements of Social Insurance. The Statements of Changes in Social Insurance Amounts show two reconciliations: (1) change from the period beginning on January 1, 2017 to the period beginning on January 1, 2018; and (2) change from the period beginning on January 1, 2016 to the period beginning on January 1, 2017. The reconciliation identifies several changes that are significant and provides reasons for the changes.

The five changes considered in the Statements of Changes in Social Insurance Amounts are, in order:

- change in the valuation period;
- changes in demographic data, assumptions, and methods;
- changes in economic data, assumptions, and methods;
- changes in programmatic data and methods; and
- changes in law or policy.

All estimates in the Statements of Changes in Social Insurance Amounts represent values that are incremental to the prior change. As an example, the present values shown for economic data, assumptions, and methods represent the additional effect of these new data, assumptions, and methods after considering the effects from demography and the change in the valuation period. In general, an increase in the present value of net cash flows represents a positive change (improving financing), while a decrease in the present value of net cash flows represents a negative change (worsening financing).

Change in the Valuation Period

From the period beginning on January 1, 2017 to the period beginning on January 1, 2018

The effect on the 75-year present values of changing the valuation period from the prior valuation period (2017–2091) to the current valuation period (2018–2092) is measured by using the assumptions for the prior valuation and extending them to cover the current valuation. Changing the valuation period removes a small negative net cash flow for 2017, replaces it with a much larger negative net cash flow for 2092, and measures the present values as of January 1, 2018, one year later. Thus, the present value of estimated future net cash flows (excluding the combined OASI and DI Trust Fund asset reserves at the start of the period) decreased (became more negative) when the 75-year valuation period changed from 2017–2091 to 2018–2092. In addition, the effect on the level of asset reserves in the combined OASI and DI Trust Funds of changing the valuation period is measured by assuming all values projected in the prior valuation for the year 2017 are realized. The change in valuation period increased the starting level of asset reserves in the combined OASI and DI Trust Funds.

From the period beginning on January 1, 2016 to the period beginning on January 1, 2017

The effect on the 75-year present values of changing the valuation period from the prior valuation period (2016–2090) to the current valuation period (2017–2091) is measured by using the assumptions for the prior valuation and extending them to cover the current valuation. Changing the valuation period removes a small negative net cash flow for 2016, replaces it with a much larger negative net cash flow for 2091, and measures the present values as of January 1, 2017, one year later. Thus, the present value of estimated future net cash flows (excluding the combined OASI and DI Trust Fund asset reserves at the start of the period) decreased (became more negative) when the 75-year valuation period changed from 2016–2090 to 2017–2091. In addition, the effect on the level of asset reserves in the combined OASI and DI Trust Funds of changing the valuation period is measured by assuming all values projected in the prior valuation for the year 2016 are realized. The change in valuation period increased the starting level of asset reserves in the combined OASI and DI Trust Funds.

Changes in Demographic Data, Assumptions, and Methods

From the period beginning on January 1, 2017 to the period beginning on January 1, 2018

The ultimate demographic assumptions for the current valuation (beginning on January 1, 2018), with the exception of a small decrease of 10,000 lawful permanent resident (LPR) immigrants per annum in the future, are the same as those for the prior valuation. However, the starting demographic values and the way these values transition to the ultimate assumptions were changed.

- Final birth rate data for 2016 indicated slightly lower birth rates than were assumed in the prior valuation.
- Recent fertility data suggests that the short-term increase in the total fertility rate used in the prior valuation to account for an assumed deferral in childbearing (resulting from the recent economic downturn) was no longer warranted. The observed persistent drop in the total fertility rate in recent years is now assumed to be a loss of potential births rather than just a deferral for this period.
- Incorporating 2015 mortality data obtained from the National Center for Health Statistics (NCHS) for ages under 65 and preliminary 2015 mortality data from Medicare experience for ages 65 and older resulted in higher death rates for all future years than were projected in the prior valuation.
- More recent LPR and other-than-LPR immigration data and historical population data were included.

Inclusion of the recent birth rate data, eliminating the short-term increase in fertility, and immigration data decreased the present value of estimated future net cash flows, while the inclusion of the recent mortality data and historical population data increased the present value of estimated future net cash flows.

There was one notable change in demographic methodology:

- Improved the method for projecting mortality rates by marital status by utilizing recent data from NCHS and the American Community Survey.

Inclusion of this new method increased the present value of estimated future net cash flows.

From the period beginning on January 1, 2016 to the period beginning on January 1, 2017

The ultimate demographic assumptions for the current valuation (beginning on January 1, 2017) are the same as those for the prior valuation. However, the starting demographic values and the way these values transition to the ultimate assumptions were changed.

- Final birth rate data for 2015 indicated slightly lower birth rates than were assumed in the prior valuation.
- Incorporating 2014 mortality data obtained from the NCHS at ages under 65 and preliminary 2014 mortality data from Medicare experience at ages 65 and older resulted in higher death rates for all future years than were projected in the prior valuation.

- More recent legal and other-than-legal immigration data and historical population data were included.

Inclusion of the recent birth rate data and immigration data decreased the present value of estimated future net cash flows, while the inclusion of the recent mortality data increased the present value of estimated future net cash flows.

There were no notable changes in demographic methodology.

Changes in Economic Data, Assumptions, and Methods

From the period beginning on January 1, 2017 to the period beginning on January 1, 2018

The ultimate economic assumptions for the current valuation (beginning on January 1, 2018) are the same as those for the prior valuation. However, the starting economic values and the way these values transition to the ultimate assumptions were changed.

- The estimated level of potential GDP was reduced by about 1 percent in 2017 and throughout the projection period, primarily due to the slow growth in labor productivity for 2010 through 2017 and low unemployment rates in 2017. This lower estimated level of potential GDP means that cumulative growth in actual GDP is 1 percent less over the remainder of the projected recovery than was assumed in the prior valuation.
- Near-term interest rates were decreased, reflecting a more gradual path for the rise to the ultimate real interest rate than was assumed in the prior valuation.
- New data from the Bureau of Economic Analysis (BEA) indicated lower-than-expected ratios of labor compensation to GDP for 2016 and 2017, while new data from the IRS indicated lower-than-expected ratios of taxable payroll to GDP for 2016 and 2017. This new data led to assumed extended recoveries in these ratios to the unchanged ultimate ratios.

The changes in near-term interest rates and GDP decreased the present value of estimated future net cash flows. The new data from BEA and IRS and the resulting extended recovery in the ratios of labor compensation to GDP and taxable payroll to GDP increased the present value of estimated future net cash flows.

There was one notable change in economic methodology:

- Improved the method for projecting educational attainment among women in age groups 45-49 and 50-54 in the labor force participation model.

Inclusion of this new method increased the present value of estimated future net cash flows.

From the period beginning on January 1, 2016 to the period beginning on January 1, 2017

For the current valuation (beginning on January 1, 2017), there was one change to the ultimate economic assumptions.

- The ultimate average real-wage differential is assumed to be 1.20 percent in the current valuation, which is close to a 0.01 percent decrease relative to the previous valuation (even though both ultimate average real-wage differentials are 1.20 when rounded to two decimal places).

In addition to this change in ultimate assumption, the assumed path of the real-wage differential in the first 10 years of the projection period was also lower than in the previous valuation. This led to 0.05 percent lower annual growth in the average annual wage in covered employment in the first 10 years. The lower long-term and near-term real-wage differential assumptions are based on new projections by the CMS of faster growth in employer sponsored group health insurance premiums. Because these premiums are not subject to the payroll tax, faster growth in these premiums means that a smaller share of employee compensation will be in the form of wages that are subject to the payroll tax. The lower real-wage differential decreased the present value of estimated future net cash flows.

Otherwise, the ultimate economic assumptions for the current valuation are the same as those for the prior valuation. However, the starting economic values and the way these values transition to the ultimate assumptions were changed. The most notable change was updating the near-term interest rates. Also notable was an assumed weaker recovery from the recent recession than previously expected, which led to a reduction in the ultimate level of actual and potential GDP of about 1.0 percent for all years after the short-range period. The changes in near-term interest rates and GDP decreased the present value of estimated future net cash flows. Other, smaller changes in starting values and near-term growth assumptions combined to decrease the present value of estimated future net cash flows.

CHANGES IN PROGRAMMATIC DATA AND METHODS

From the period beginning on January 1, 2017 to the period beginning on January 1, 2018

Several methodological improvements and updates of program-specific data are included in the current valuation (beginning on January 1, 2018). The most significant are identified below.

- The prior valuation assumed 99.0 percent of fully insured women (excluding those who are receiving a disability or widow benefit) were in receipt of a retired-worker benefit at age 70. The current valuation increases this percentage to 99.5 which is equivalent to the assumption for men.
- For the current valuation, a 10-percent sample of newly-entitled worker beneficiaries in 2015 was used to project average benefit levels of retired-worker and disabled-worker beneficiaries. This sample was updated from the 2013 sample used for the prior valuation. In addition, the method used to estimate earnings histories for retired-worker beneficiaries becoming newly entitled in each year after 2017 has been expanded to better match targeted average taxable earnings levels for each of nine birth cohorts (those becoming entitled at ages 62 through 70 in a year).
- Recent data and estimates provided by the Office of Tax Analysis (OTA) at the Department of the Treasury were incorporated, which indicate higher ultimate levels of revenue from taxation of OASDI benefits than assumed in the prior valuation. These higher levels are primarily due to changes OTA made in their modeling, resulting in a larger share of benefits being subject to income tax.
- The current valuation incorporates both a better data source for determining the total number of months of retroactive benefits for newly awarded disabled-worker beneficiaries and a new adjustment factor which better aligns projected months of disabled-worker retroactive benefit entitlement with observed historical experience.

Increasing the percentage of fully insured women who are in receipt of a retired-worker benefit at age 70 decreased the present value of estimated cash flows. Updating the sample year for average benefit level calculations, increasing the ultimate taxation of benefits ratios, and the changes to estimates of retroactive benefit payments increased the present value of estimated future net cash flows.

From the period beginning on January 1, 2016 to the period beginning on January 1, 2017

Several methodological improvements and updates of program-specific data are included in the current valuation (beginning on January 1, 2017). The most significant are identified below.

- Although ultimate disability assumptions for the current valuation (beginning on January 1, 2017) are the same as those for the prior valuation, recent data have shown significantly lower levels of disability applications and awards than expected in the prior valuation. Based on this experience, estimated disabled worker incidence rates are reduced in the current valuation over the short-range period.
- In the prior valuation, the method used for calculating the probability that aged spouses, widows, and widowers are or are not insured used the "total fully insured rate"—that is, the portion of the entire married, divorced, widow, and widower population that is fully insured—as one of the factors used to determine the fully insured status. The current valuation instead uses the "legal fully insured rate," thus eliminating the effects of shifts in the uninsured population due to changes in the other-than-legal population.

- The prior valuation captured the known shift in retirement to older ages as life expectancy and the normal retirement age increase by "shuttling" from their actual age in the 10 percent sample of all newly entitled retired-worker beneficiaries in 2013 to an older age. The prior valuation did not, however, account for the possibility of additional earnings in the year or years between the actual age and the shuttled age. The current valuation moved the shuttling procedure to an earlier stage of the model so that these additional earnings could be incorporated, improving consistency with revenue projections.
- The prior valuation projected both the number of dually entitled widows and widowers and their average excess benefit amounts using one regression for the entire group. The current valuation uses regressions for three age groups. Splitting the regressions allows for different independent and dependent variable relationships for age groups 62 to 74, 75 to 84, and 85 and older.

Inclusions of new disability data and the insured status methodological improvement increased the present value of estimated future net cash flows, while the "shuttling" change and the expanded regression for dually entitled categories decreased the present value of estimated cash flows.

Changes in Law or Policy

From the period beginning on January 1, 2017 to the period beginning on January 1, 2018

Between the prior valuation (the period beginning on January 1, 2017) and the current valuation (the period beginning on January 1, 2018), no new laws, regulations, or policies were enacted that are expected to have significant effects on the long-range cost of the OASDI program. However, the current valuation does incorporate two notable changes with negligible effects on the present value of estimated cash flows.

- The 2012 Deferred Action for Childhood Arrivals (DACA) program is assumed to be phased out over the next 2 years, after having been rescinded by the Administration on September 5, 2017. The prior valuation assumed that the 2012 DACA program would continue indefinitely.
- Public Law 115-97, the *Tax Cuts and Jobs Act*, was enacted on December 22, 2017. There are two aspects of this law with notable effects on the OASDI program. The repeal of the individual mandate of the *Patient Protection and Affordable Care Act* is expected to cause some individuals to drop their employer-sponsored health insurance, which is estimated to increase OASDI covered wages and taxable payroll slightly. The changes to income tax rates and brackets are expected to have small effects, reducing income from taxation of benefits through 2025 and increasing it thereafter.

The assumed phase-out of the 2012 DACA program decreased the present value of estimated cash flows by a negligible amount, while including the effects of the *Tax Cuts and Jobs Act* increased the present value of estimated future net cash flows by a negligible amount.

From the period beginning on January 1, 2016 to the period beginning on January 1, 2017

Between the prior valuation (the period beginning on January 1, 2016) and the current valuation (the period beginning on January 1, 2017), no laws were enacted that are expected to have significant effects on the long-range cost of the OASDI program. However, estimates in the current valuation, unlike in the prior valuation, reflect the assumption that parts of President Obama's 2014 executive actions on immigration will not be implemented. Specifically, the estimates now assume that the following two provisions will not be implemented: (1) granting legal work and residence status to an expanded group of individuals who entered the country as children (DACA) and (2) granting similar status to certain parents of children born in the United States or otherwise living in the country legally (Deferred Action for Parents of Americans). The prior valuation assumed that these two actions would become effective late in 2016, with individuals gaining authorization starting around the beginning of 2017.

The assumed non-implementation of these executive actions increased the present value of estimated future net cash flows.

Assumptions Used for the Statements of Changes in Social Insurance Amounts

The present values included in the Statements of Changes in Social Insurance Amounts are for the current and prior years and are based on various economic and demographic assumptions used for the intermediate assumptions in the Trustees Reports for those years. Table 1 summarizes these assumptions for the current year. Our *Agency Financial Report* website (www.socialsecurity.gov/finance) provides tabulated assumptions for the prior year in a similar manner.

Period Beginning on January 1, 2017 and Ending January 1, 2018

Present values as of January 1, 2017 are calculated using interest rates from the intermediate assumptions of the 2017 Trustees Report. All other present values in this part of the Statement are calculated as a present value as of January 1, 2018. Estimates of the present value of changes in social insurance amounts due to changing the valuation period and changing demographic data, assumptions, and methods are presented using the interest rates under the intermediate assumptions of the 2017 Trustees Report. Because interest rates are an economic estimate and all estimates in the table are incremental to the prior change, all other present values in this part of the Statement are calculated using the interest rates under the intermediate assumptions of the 2018 Trustees Report.

Period Beginning on January 1, 2016 and Ending January 1, 2017

Present values as of January 1, 2016 are calculated using interest rates from the intermediate assumptions of the 2016 Trustees Report. All other present values in this part of the Statement are calculated as a present value as of January 1, 2017. Estimates of the present value of changes in social insurance amounts due to changing the valuation period and changing demographic data, assumptions, and methods are presented using the interest rates under the intermediate assumptions of the 2016 Trustees Report. Because interest rates are an economic estimate and all estimates in the table are incremental to the prior change, all other present values in this part of the Statement are calculated using the interest rates under the intermediate assumptions of the 2017 Trustees Report.

Other Information: Balance Sheet by Major Program as of September 30, 2018
(Dollars in Millions)

Assets	OASI	DI	SSI	Other	LAE	Intra-Agency Eliminations	Consolidated
Intragovernmental:							
Fund Balance with Treasury	$ (187)	$ (259)	$ 6,923	$ 100	$ (19)	$ 0	$ 6,558
Investments	2,801,254	93,400	0	0	0	0	2,894,654
Interest Receivable	19,940	654	0	0	0	0	20,594
Accounts Receivable, Net	1	0	0	0	3,801	(3,067)	735
Other	0	0	2	0	27	0	29
Total Intragovernmental	2,821,008	93,795	6,925	100	3,809	(3,067)	2,922,570
Accounts Receivable, Net	2,582	5,068	6,188	0	3	(597)	13,244
Property, Plant, and Equipment, Net	0	0	0	0	3,483	0	3,483
Total Assets	$ 2,823,590	$ 98,863	$ 13,113	$ 100	$ 7,295	$ (3,664)	$ 2,939,297
Liabilities							
Intragovernmental:							
Accrued Railroad Retirement Interchange	$ 4,690	$ 64	$ 0	$ 0	$ 0	$ 0	$ 4,754
Accounts Payable	880	841	7,148	18	79	(3,067)	5,899
Other	0	0	0	3	113	0	116
Total Intragovernmental	5,570	905	7,148	21	192	(3,067)	10,769
Benefits Due and Payable	75,321	25,050	4,875	0	0	(597)	104,649
Accounts Payable	0	4	373	0	105	0	482
Federal Employee and Veteran Benefits	0	0	0	0	314	0	314
Other	0	0	252	1	562	0	815
Total Liabilities	80,891	25,959	12,648	22	1,173	(3,664)	117,029
Contingencies (Note 9)							
Net Position							
Unexpended Appropriations - All Other Funds	0	0	3,495	78	3	0	3,576
Cumulative Results of Operations - Funds from Dedicated Collections	2,742,699	72,904	0	0	0	0	2,815,603
Cumulative Results of Operations - All Other Funds	0	0	(3,030)	0	6,119	0	3,089
Total Net Position - Funds from Dedicated Collections	2,742,699	72,904	0	0	0	0	2,815,603
Total Net Position - All Other Funds	0	0	465	78	6,122	0	6,665
Total Net Position	2,742,699	72,904	465	78	6,122	0	2,822,268
Total Liabilities and Net Position	$ 2,823,590	$ 98,863	$ 13,113	$ 100	$ 7,295	$ (3,664)	$ 2,939,297

Other Information: Schedule of Net Cost for the Year Ended September 30, 2018
(Dollars in Millions)

	Program	LAE	Total
OASI Program			
Benefit Payment Expense	$ 836,919	$ 0	$ 836,919
Operating Expenses	519	3,298	3,817
Total Cost of OASI Program	837,438	3,298	840,736
Less: Exchange Revenues	(1)	(13)	(14)
Net Cost of OASI Program	837,437	3,285	840,722
DI Program			
Benefit Payment Expense	140,939	0	140,939
Operating Expenses	285	2,759	3,044
Total Cost of DI Program	141,224	2,759	143,983
Less: Exchange Revenues	(24)	(11)	(35)
Net Cost of DI Program	141,200	2,748	143,948
SSI Program			
Benefit Payment Expense	47,027	0	47,027
Operating Expenses	215	4,406	4,621
Total Cost of SSI Program	47,242	4,406	51,648
Less: Exchange Revenues	(204)	(18)	(222)
Net Cost of SSI Program	47,038	4,388	51,426
Other			
Benefit Payment Expense	1	0	1
Operating Expenses	0	2,512	2,512
Total Cost of Other	1	2,512	2,513
Less: Exchange Revenues	0	(10)	(10)
Net Cost of Other Program	1	2,502	2,503
Total Net Cost			
Benefit Payment Expense	1,024,886	0	1,024,886
Operating Expenses	1,019	12,975	13,994
Total Cost	1,025,905	12,975	1,038,880
Less: Exchange Revenues	(229)	(52)	(281)
Total Net Cost	$ 1,025,676	$ 12,923	$ 1,038,599

Other Information: Schedule of Changes in Net Position for the Year Ended September 30, 2018

(Dollars in Millions)

	OASI	DI	SSI		Other	
	Funds from Dedicated Collections	Funds from Dedicated Collections	Funds from Dedicated Collections	All Other Funds	Funds from Dedicated Collections	All Other Funds
Unexpended Appropriations:						
Beginning Balances	$ 0	$ 0	$ 0	$ 4,725	$ 0	$ 86
Budgetary Financing Sources						
Appropriations Received	0	0	0	53,487	35,718	36
Other Adjustments	0	0	0	0	0	(15)
Appropriations Used	0	0	0	(54,717)	(35,718)	(29)
Total Budgetary Financing Sources	0	0	0	(1,230)	0	(8)
Total Unexpended Appropriations	0	0	0	3,495	0	78
Cumulative Results of Operations:						
Beginning Balances	$ 2,766,567	$ 46,249	$ 0	$ (3,530)	$ 0	$ 0
Budgetary Financing Sources						
Appropriations Used	0	0	0	54,717	35,718	29
Tax Revenues	706,128	167,043	0	0	0	0
Interest Revenues	81,135	2,415	0	0	0	0
Transfers In/Out - Without Reimbursement	31,142	(1,582)	(114)	(3,589)	(35,718)	(28)
Railroad Retirement Interchange	(4,841)	(67)	0	0	0	0
Other Budgetary Financing Sources	5	46	0	0	0	0
Other Financing Sources (Non-Exchange)						
Transfers-In/Out - Without Reimbursement	0	0	0	(2,933)	0	2,933
Imputed Financing Sources	0	0	0	16	0	0
Other	0	0	0	(559)	0	(2,933)
Total Financing Sources	813,569	167,855	(114)	47,652	0	1
Net Cost of Operations	837,437	141,200	(114)	47,152	0	1
Net Change	(23,868)	26,655	0	500	0	0
Cumulative Results of Operations	$ 2,742,699	$ 72,904	$ 0	$ (3,030)	$ 0	$ 0
Net Position	$ 2,742,699	$ 72,904	$ 0	$ 465	$ 0	$ 78

Other Information: Schedule of Changes in Net Position for the Year Ended September 30, 2018 (Continued)

(Dollars in Millions)

	LAE	Consolidated		Consolidated
	All Other Funds	Funds from Dedicated Collections	All Other Funds	**Total**
Unexpended Appropriations:				
Beginning Balances	$ 2	$ 0	$ 4,813	$ 4,813
Budgetary Financing Sources				
Appropriations Received	30	35,718	53,553	89,271
Other Adjustments	0	0	(15)	(15)
Appropriations Used	(29)	(35,718)	(54,775)	(90,493)
Total Budgetary Financing Sources	1	0	(1,237)	(1,237)
Total Unexpended Appropriations	3	0	3,576	3,576
Cumulative Results of Operations:				
Beginning Balances	$ 5,460	$ 2,812,816	$ 1,930	$ 2,814,746
Budgetary Financing Sources				
Appropriations Used	29	35,718	54,775	90,493
Tax Revenues	0	873,171	0	873,171
Interest Revenues	0	83,550	0	83,550
Transfers In/Out Without Reimbursement	12,952	(6,272)	9,335	3,063
Railroad Retirement Interchange	0	(4,908)	0	(4,908)
Other Budgetary Financing Sources	0	51	0	51
Other Financing Sources (Non-Exchange)				
Transfers-In/Out	0	0	0	0
Imputed Financing Sources	601	0	617	617
Other	0	0	(3,492)	(3,492)
Total Financing Sources	13,582	981,310	61,235	1,042,545
Net Cost of Operations	12,923	978,523	60,076	1,038,599
Net Change	659	2,787	1,159	3,946
Cumulative Results of Operations	$ 6,119	$ 2,815,603	$ 3,089	$ 2,818,692
Net Position	$ 6,122	$ 2,815,603	$ 6,665	$ 2,822,268

Required Supplementary Information: Combining Schedule of Budgetary Resources for the Year Ended September 30, 2018

(Dollars in Millions)

	OASI	DI	SSI	Other	LAE	Combined
Budgetary Resources						
Unobligated Balance From Prior Year Budget Authority, Net	$ 581	$ 35	$ 5,426	$ 71	$ 1,043	$ 7,156
Appropriations (Discretionary and Mandatory)	845,341	144,381	53,601	35,754	30	1,079,107
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	0	0	2,612	1	13,008	15,621
Total Budgetary Resources	$ 845,922	$ 144,416	$ 61,639	$ 35,826	$ 14,081	$ 1,101,884
Status of Budgetary Resources						
New obligations and upward adjustments (Note 15)						
Direct	$ 845,922	$ 144,416	$ 55,647	$ 35,747	$ 13,060	$ 1,094,792
Reimbursable	0	0	2,402	1	61	2,464
New obligations and upward adjustments (total)	845,922	144,416	58,049	35,748	13,121	1,097,256
Unobligated Balance , End of Year						
Apportioned, unexpired accounts	0	0	2,767	37	753	3,557
Unapportioned, unexpired accounts	0	0	822	0	11	833
Unexpired unobligated balance, end of year	0	0	3,589	37	764	4,390
Expired unobligated balance, end of year	0	0	1	41	196	238
Unobligated balance, end of year (total)	0	0	3,590	78	960	4,628
Total Budgetary Resources	$ 845,922	$ 144,416	$ 61,639	$ 35,826	$ 14,081	$ 1,101,884
Outlays, Net						
Outlays, Net (Discretionary and Mandatory)	$ 841,290	$ 146,614	$ 55,213	$ 35,759	$ (17)	$ 1,078,859
Distributed Offsetting Receipts	(34,743)	(1,076)	(204)	(2,933)	0	(38,956)
Agency Outlays, Net (Discretionary and Mandatory)	$ 806,547	$ 145,538	$ 55,009	$ 32,826	$ (17)	$ 1,039,903