

# Part I

## About This Report

### Purpose

This report is intended to provide the American people with a comprehensive view of the combined US federal, state, and local governments' (our Government) revenues, expenditures, key metrics that measure progress towards our constitutional objectives, and the factors that may affect future operations of our Government. It is intended to foster a more constructive and reasoned public debate by providing an authoritative and comprehensive set of data from Government sources on certain facets of our Government: how it raises money, for what purpose, and how it spends that money; actions that it takes through its authorities; and related key metrics. Greater transparency will help voters judge the effectiveness of our Government's programs, improving the accountability that is essential to a well-functioning democracy. A more civil and rational public debate will enable us to define our goals as a society and choose the best people and policies to carry out those goals.

This report is not intended to provide our opinion on our Government's efficiency or effectiveness. Rather, it is intended to provide the data necessary for you to develop your own opinions.

### Structure and content

Other individuals and groups have created reports with similarities to this one; however, we are not aware of a document for our Government that has the scope and perspective of this one. We have discussed some of the reports with similarities to ours in Exhibit 99.09.

### Overall structure and content

This report is modeled on the Form 10-K, which public companies are required to file annually with the US Securities and Exchange Commission (SEC). In preparing the report, we have conceptualized the requirements of the Form 10-K and applied them to our Government. Our goal is to bring the same level of transparency, accuracy, and lack of bias to our Government that public corporations are required to offer their shareholders.

Of course, our Government is not a corporation; its purpose is not to make a profit but to provide services to its citizens that improve the quality of life. But this Form 10-K format does have the advantage of providing a thorough account of government finances, structure, and activities.

In this report, you will find:

- *Part I* – an overview of our Government's structure and operations;
- *Part II* – information regarding financial and other key metrics of our Governments' operations, including:
  - Management's Discussion and Analysis (MD&A), which provides analysis of financial information, including trends in revenue, expenditures, and key metrics; and
  - financial statements and the related notes to the financial statements; and
- *Part III* – additional information regarding our Government's officers and certain relationships and transactions.

We have excluded certain sections of Form 10-K that are not obviously applicable to our Government. We have also excluded certain financial statements normally found in a Form 10-K. See Exhibit 99.10 for a discussion of this excluded content.

## Data quality

### Timeliness of data

Information included in each section of this report is generally based on the most current information from government sources for the majority of the data in the particular section. In general, Part II covers the period through September 30, 2015, which marks the end of the latest fiscal year for which aggregated state and local income statement data is available. More recent federal data is available, but to provide a consolidated picture of our Government as a whole, we generally limit the financial data we present to the latest period for which both state and local and federal data is available. We acknowledge that this information is not timely. We do, however, believe that there is value in looking at a longer time series of data, as we have presented in this report and on our website, and that the longer-term trends noted in our analyses likely did not change materially between fiscal years 2015 and 2017. We will continue to search for more current data and explore ways that we might aggregate it ourselves to provide more timely information.

In general, Parts I and III of this report include more recent data, with dates depending on availability of the majority of the respective data.

### Sources of data

#### *Financial statement and related data*

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

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

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

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

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

#### *Other data*

We sourced the other data and certain other content in this report from the government entities listed in Exhibit 99.01. Some of these data have been audited by the GAO, a state auditor's office, or an independent public accounting firm, while some is unaudited. We relied on non-governmental data only for market prices and on governmental data obtained indirectly from a non-governmental source for just one data set – the economic mobility data in *Part II, Item 7. Management's Discussion and Analysis, Key metrics by segment, Blessings of Liberty, American Dream*.

#### *Citations*

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

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

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

## Reliability of data

Some of the data we have sourced may not be reliable for a number of reasons, including disclaimed audit opinions, restatements of data, and issues specific to Census data. See Exhibit 99.11 for a discussion of data reliability considerations.

## Comparability of data

Unlike information about a corporation, the data for our Government come from numerous and varied sources. Each of these sources may prepare the data on different accounting bases (e.g. cash vs. accrual) and for different time periods (e.g. a point in time vs. a full year, calendar year vs. fiscal year). This lack of comparability of data makes analysis of our Government challenging. We have highlighted key data challenges and our solutions in Exhibits 99.12 and 99.13. We acknowledge our solutions are not perfect and seek to continually refine our approach as we release future reports. However, we do not anticipate true solutions to these challenges other than government-wide data availability and comparability initiatives.

## Modification of data

We drew the data included in this report from the sources listed in Exhibit 99.01 and where possible have not revised it. In certain cases, we have modified the data where necessary to make it comparable or comprehensible. See Exhibit 99.13 for a discussion of specifically what we modified.

## Forward-looking statements

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

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

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