A Citizen's Guide to the 2019 Government Financial Statement in Brief

Ministry of Economy and Finance

KPFIS
Korea Public Finance Information Service

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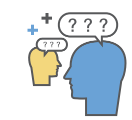
A Citizen's Guide to the 2019 Government Financial Statement in Brief

The annual financial statement is somewhat challenging to understand accounting terms and statistical data for ordinary citizens. This financial statement brief aims to explain how money was raised and spent in 2019 presented in an easy-to-read format, enabling citizens to take part in informed participation about government financial activities and fiscal integrity.

Were you wondering about these matters?



- How much money did the government collect and spend annually?: Revenues and expenditures
- Where did the money come from and how to allocate the money?: Revenues and expenditures
- Where did the tax money go and how to spend?: An expenditure trend by function
- How to organize and spend the fund?: Funds
- Did the government balance between revenues and expenditures? : Fiscal balance / Government debt
- What are the government's assets and liabilities?: Statement of financial position

Ⅰ. Financial statement

1. Definition and significance of financial statement

- The financial statement is the annual national accounts categorized in total revenue and total expenditure.
- The financial statement aims to provide government financial information to citizens and improve transparency and efficiency of fiscal management by linking this year's financial data to the next year's budget, responding the National Assembly's request for modification, and reflecting the results of inspection from the Board of Audit and Inspection.

2. Organization of financial statement of accounts

- The financial statement of accounts consists of general and special accounts of 55 central government agencies and the revenues and expenditures of 67 funds.

Financial Statement of Accounts

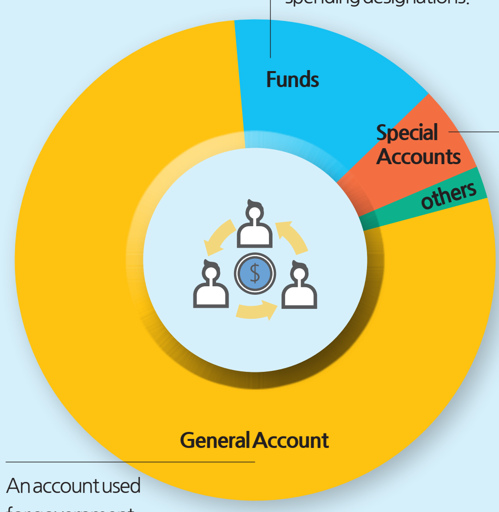
Total revenues and total expenditures | Funds | Others

General Account | Special Accounts

3. Components of the government budget

a grouping used in accounting for tax-supported activities for specific spending designations.

Project Fund (48) | Financial Fund (8) | Account Fund (5) | Social Security Fund(6)



Special government programs separated from general accounts

Other Special Accounts (14)
Prison Operation
Transportation Facilities
Defense Military Installations Relocation
Agriculture & Fisheries Structure Adjustment
Registration
Construction of Cultural Hub City of Asia
Energy & Resources Management
Postal Insurance Service
Early Childhood Education Program
The U.S. Force Korea(USFK) relocation
Regional Development
Multi-functional Administrative City Construction
Construction of Innovation City
Environment Reconstruction Special

Special Accounts for corporations (5)
Grain Management
Postal Savings
Postal Programs
Government Supply
Responsible Administrative Agencies

An account used for government disbursements in various areas

Ⅱ. Total revenues and total expenditures

1. Settlement in 2019

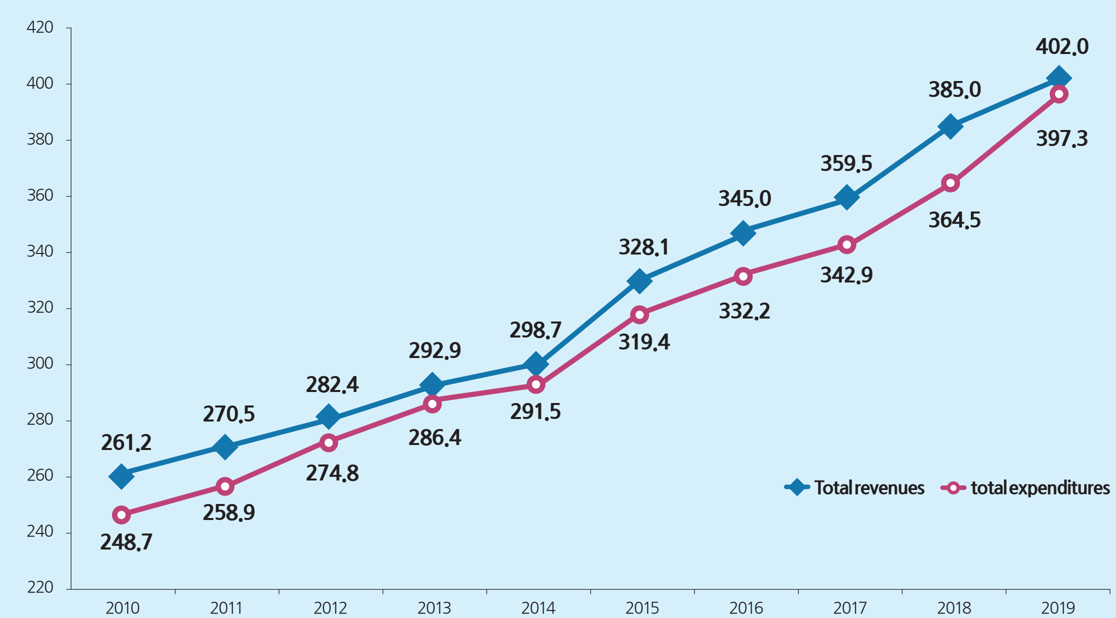
- In the fiscal year 2019, the total revenues were 402 trillion won and the total expenditures were 397.3 trillion won. Budget surplus were 2.1 trillion won.

(Unit: Trillion won)

Category	Revenues (A)	Expenditures (B)	Surplus (C=A-B)	Carry-over (D)	Budget Surplus (E=C-D)
General Account	332.2	330.9	1.4	1.3	0.06
Special Accounts	69.8	66.4	3.4	1.3	2.1
Total	402.0	397.3	4.7	2.6	2.1

2. Total revenues and total expenditures in the last 10 years

(Unit: Trillion won)



* The amount of each category may differ by adjusting the number of decimal places.

3. Settlement of total revenues

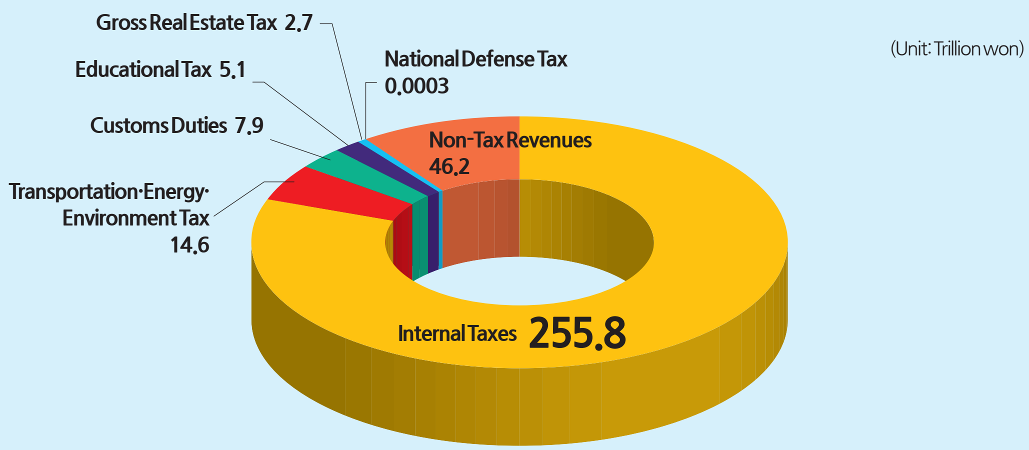
① Category

- The revenue sources consist of tax revenues and non-tax revenues of general and special accounts.

② General account

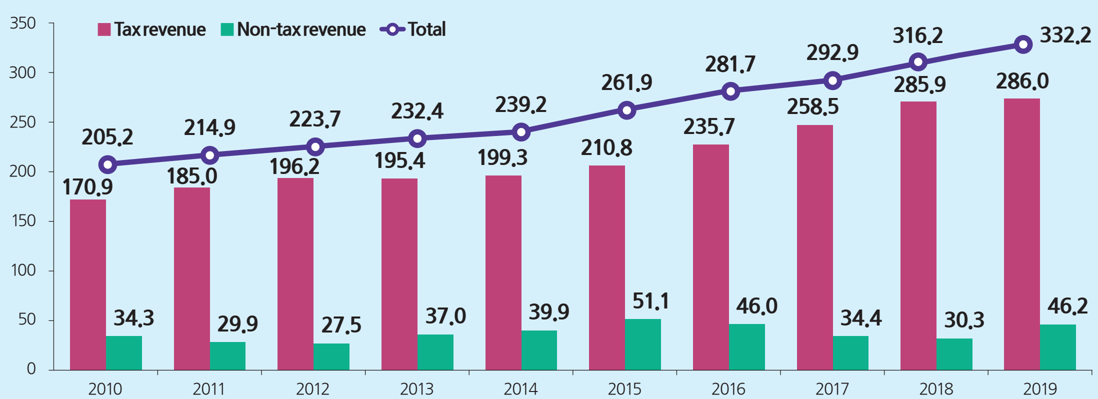
- In the fiscal year 2019, government tax revenue increased slightly, while non-tax revenue increased significantly.
- Of the 332.2 trillion won revenue of general account, the amount of tax revenue was 286 trillion won, an increase of 16 trillion won over the fiscal year 2018 (316.2 trillion won); Non-tax revenue was 46.2 trillion won, an increase of 15.9 trillion won over the fiscal year 2018 (30.3 trillion won). It was resulted by an increase of 19.3 trillion won in the government's internal revenue and others.

(Unit: Trillion won)



Total revenue trend of general accounts in the last 10 years

(Unit: Trillion won)



③ Special accounts

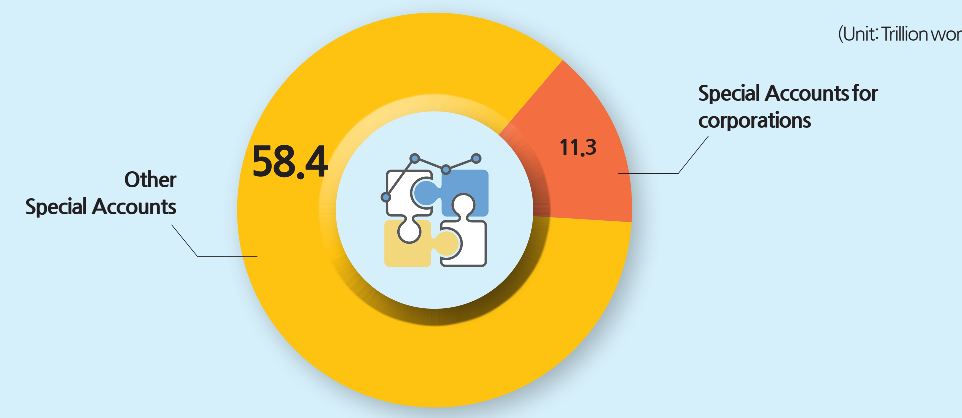
In the fiscal year 2019, the revenue of corporate special accounts for corporations was increased slightly,
resulting in increases of four corporate special accounts for corporations, such as postal programs and grain management.

(Unit: Trillion won)

Category	2018 (A)	2019 (B)	Change (B-A)
Total	68.8	69.8	1.0
Other Special Accounts	58.4	58.4	0
Special Accounts for Corporations	10.3	11.3	1.0

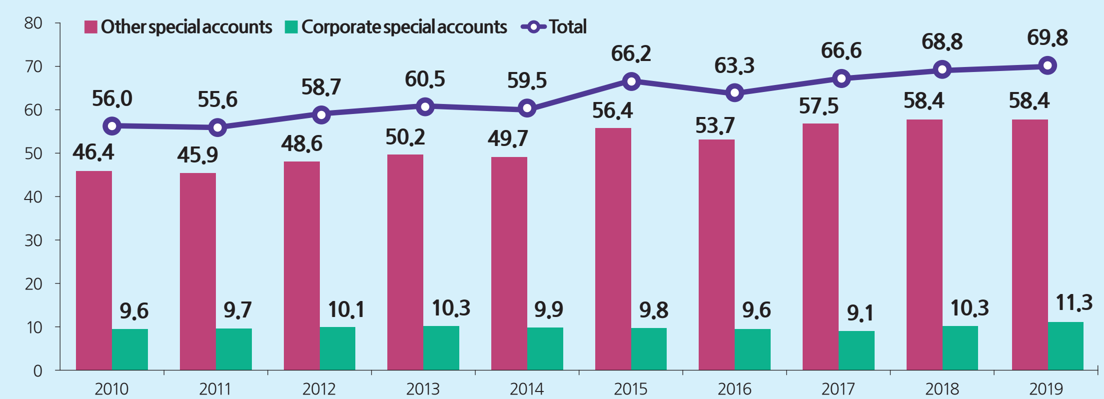
Components of Special Accounts Revenues

(Unit: Trillion won)



Total revenue trend of special accounts in the last 10 years

(Unit: Trillion won)

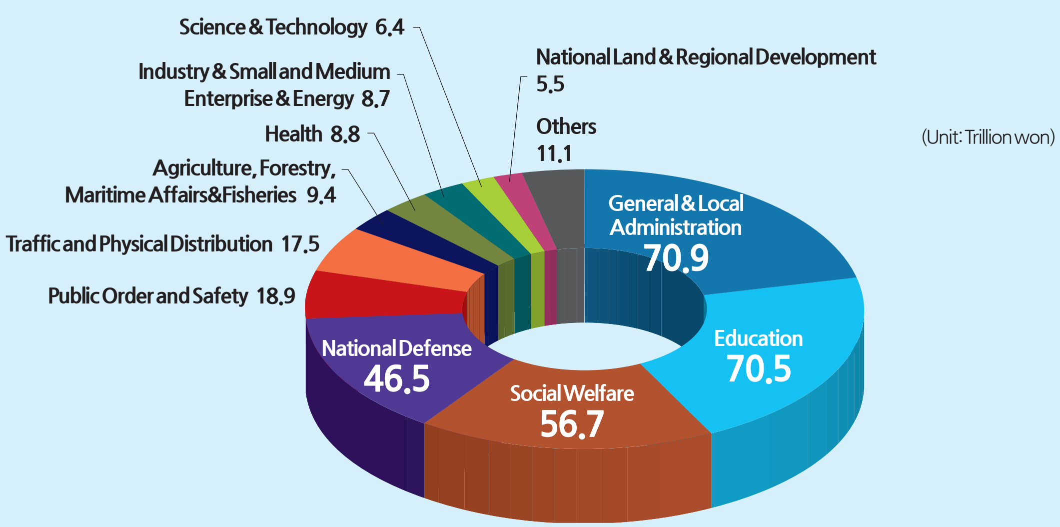


4. Settlement of total expenditures

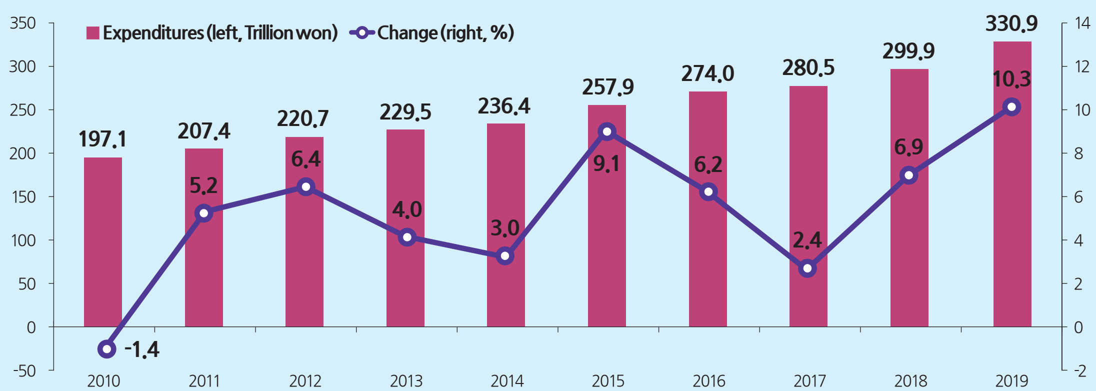
① General account

- In the fiscal year 2019, the expenditure of general accounts was 330.9 trillion won, an increase of 31.2 trillion won over the fiscal year 2018.
- The expenditure categories by function are General and Local Administration (70.9 trillion won: 21.4%), Education (70.5 trillion won: 21.3%), Social Welfare (56.7 trillion won: 17.1%), and National Defense (46.5 trillion won: 14.1%).

(Unit: Trillion won)



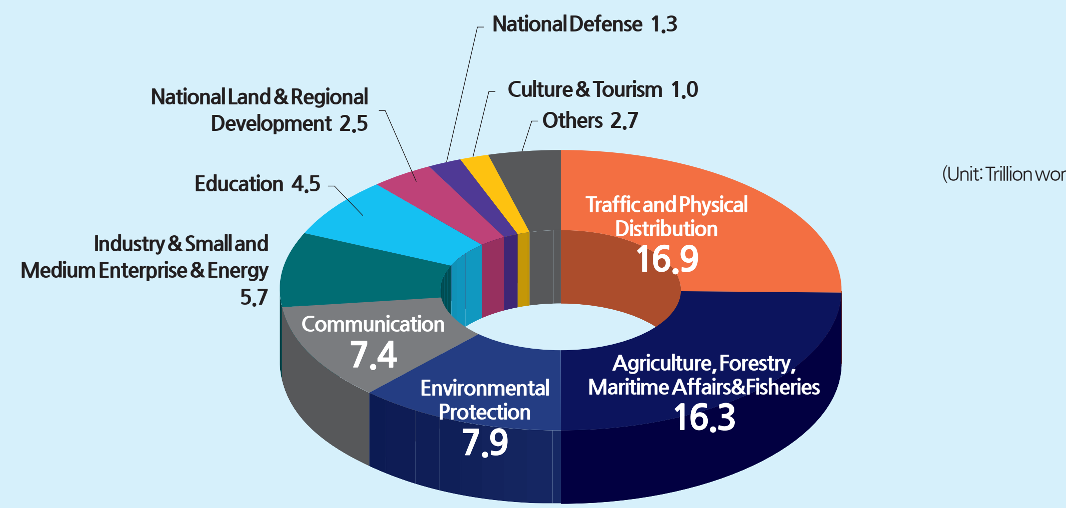
Total expenditure trend of general accounts in the last 10 years



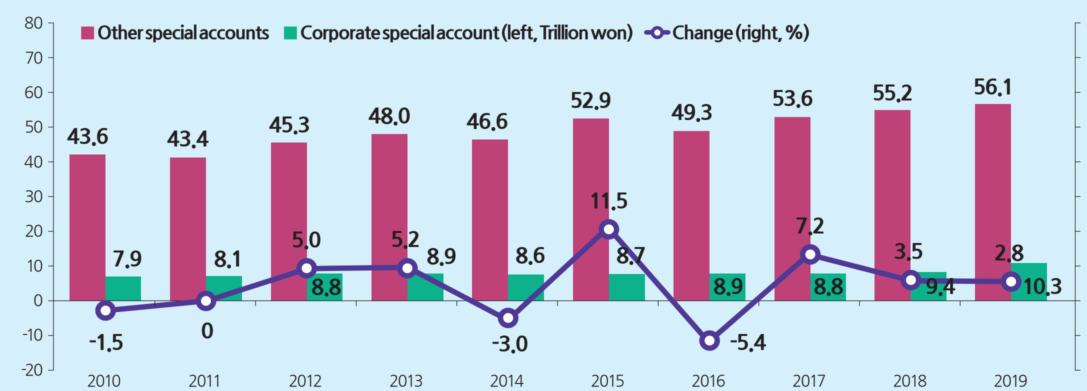
② Special accounts

- In the fiscal year 2019, the expenditure of special accounts was 66.4 trillion won, an increase of 1.8 trillion won (2.8%) over the fiscal year 2018.
- The expenditure categories by function are Transportation and Logistics (16.9 trillion won: 25.5%), Agriculture, Forestry, Maritime Affairs and Fisheries (16.3 trillion won: 24.5%), Environmental Protection (7.9 trillion won: 11.9%), and Communication (7.4 trillion won: 11.1%).

(Unit: Trillion won)



Total expenditure trend of special accounts in the last 10 years

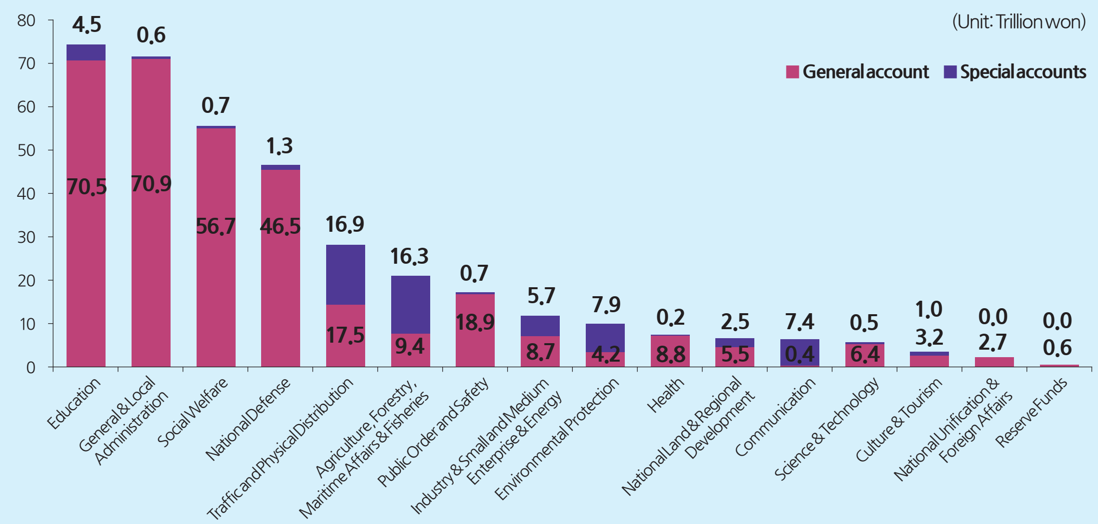


5. Expenditure trend by function (General and Special Accounts)

- In the fiscal year 2019, the expenditure categories by function for general and special accounts were Education (75 trillion won), General and Local Administration (71.5 trillion won), Social Welfare (57.4 trillion won), and National Defense (47.8 trillion won). These expenses are paid from general account.
- The largest expenditure category is Transportation and Logistics (16.9 trillion won), followed by Agriculture, Forestry, Maritime Affairs and Fisheries (16.3 trillion won), Environmental Protection (7.9 trillion won), and Communication (7.4 trillion won). These expenses are paid from special accounts.

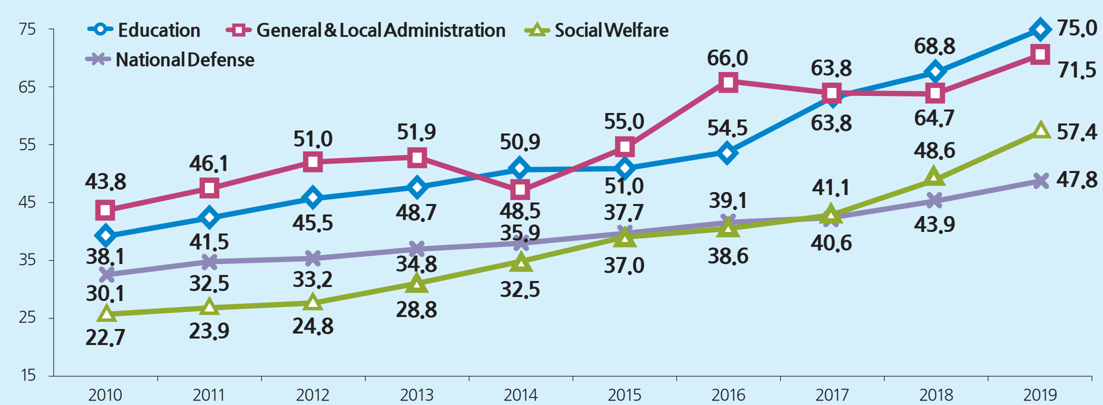
Components of expenditures by function

(Unit: Trillion won)



Expenditure trend by function in the last 10 years

(Unit: Trillion won)

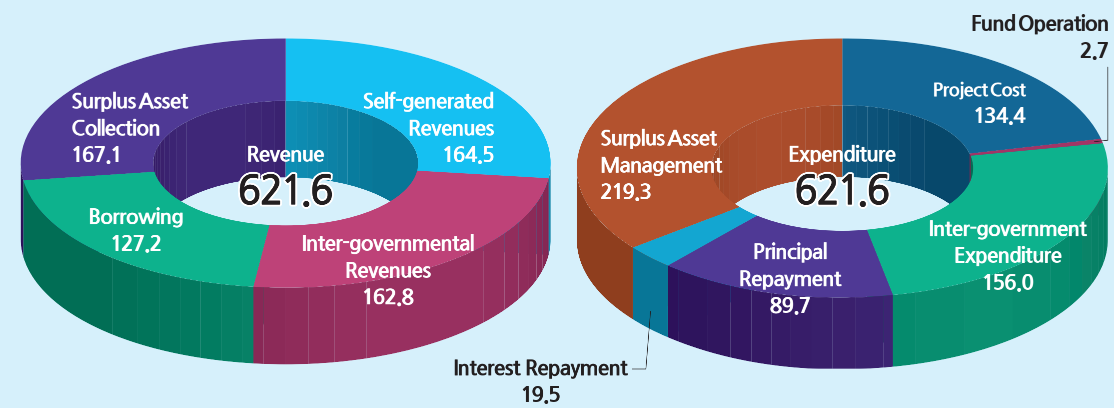


III. Funds

- In the fiscal year 2019, there were 67 funds raised separately from the budget. According to its operations and purposes, types of government funds are social security fund, account fund, financial fund, and project fund.
- The total amount of revenues and expenditures of the 67 funds was 621.6 trillion won, an increase of 51.7 trillion won over the fiscal year 2018.
- Of the funds, the fund with a large amount of revenue and expenditure was public capital management fund (179.1 trillion won), followed by national pension Fund (145.5 trillion won), foreign exchange equalization Fund (83.1 trillion won), national housing & urban fund (64.1 trillion won), and government employees pension fund (21 trillion won).

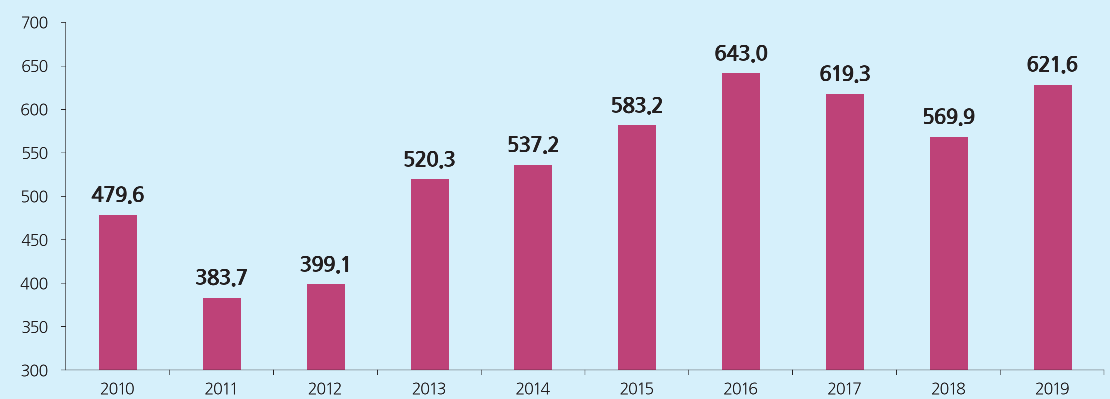
Components of fund revenues and expenditures

(Unit: Trillion won)



Fund revenues and expenditures trend in the last 10 years

(Unit: Trillion won)



Ⅳ. Fiscal balance

- In the fiscal year, the total revenues were 473.1 trillion won and the total expenditures were 485.1 trillion won.
- The consolidated fiscal balance, shifted to a deficit in 2019 due to rising grants to municipal governments and tax revenue shortages.
- The consolidated fiscal balance without funds recorded a deficit of 54.4 trillion won.

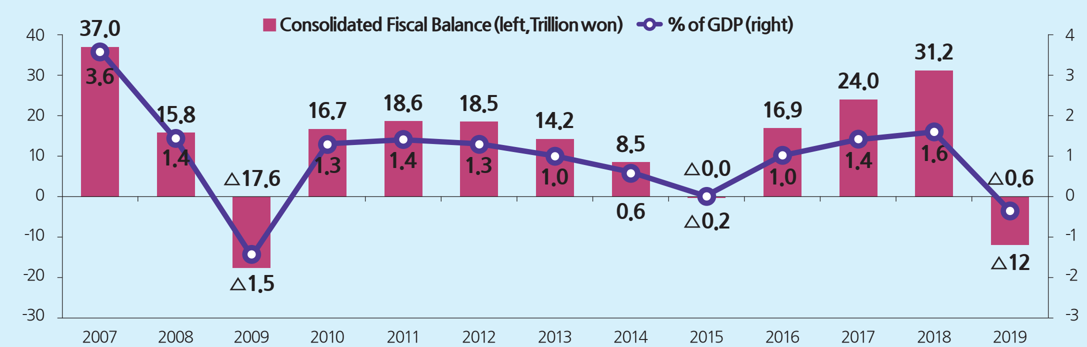
Fiscal Balance Trend

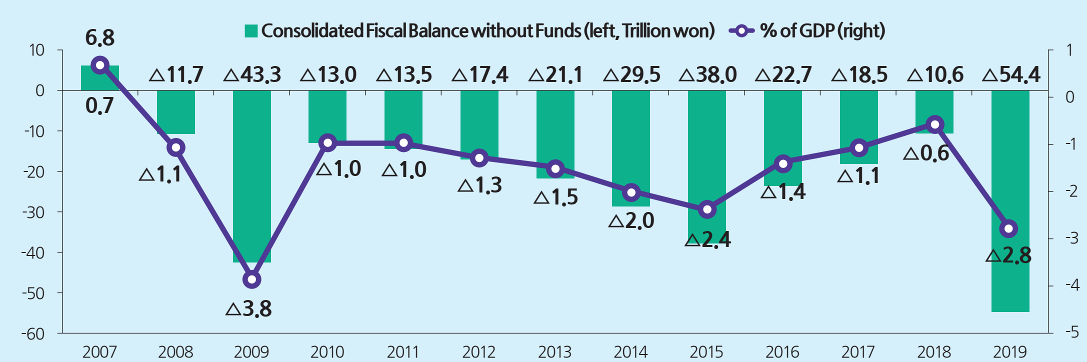
(Unit: Trillion won, %)

Category	2015	2016	2017	2018	2019
1. Consolidated Fiscal Balance(1)	△0.2	16.9	24.0	31.2	△12.0
(percent of GDP)	(△0.01)	(1.0)	(1.4)	(1.6)	(△0.6)
2. Social security Fund Balance (2)	37.8	39.6	42.5	41.7	42.4
(percent of GDP)	(2.4)	(2.4)	(2.5)	(2.3)	(2.2)
3. Consolidated Fiscal Balance without Funds(1 - 2)	△38.0	△22.7	△18.5	△10.6	△54.4
(percent of GDP)	(△2.4)	(△1.4)	(△1.1)	(△0.6)	(△2.8)

Note: The social security fund includes the National Pension fund, Korea teacher Pension fund, Industrial Woker's Accident Compensation Insurance and Prevention Fund, and the Employment Insurance fund.

* **The consolidated fiscal balance**: It is a finance scale that aggregates all revenues and expenditures executed by the central government (revenue - expenditure)
* **Consolidated Fiscal Balance without Funds**: The social security fund balance was excluded from the consolidated fiscal balance.



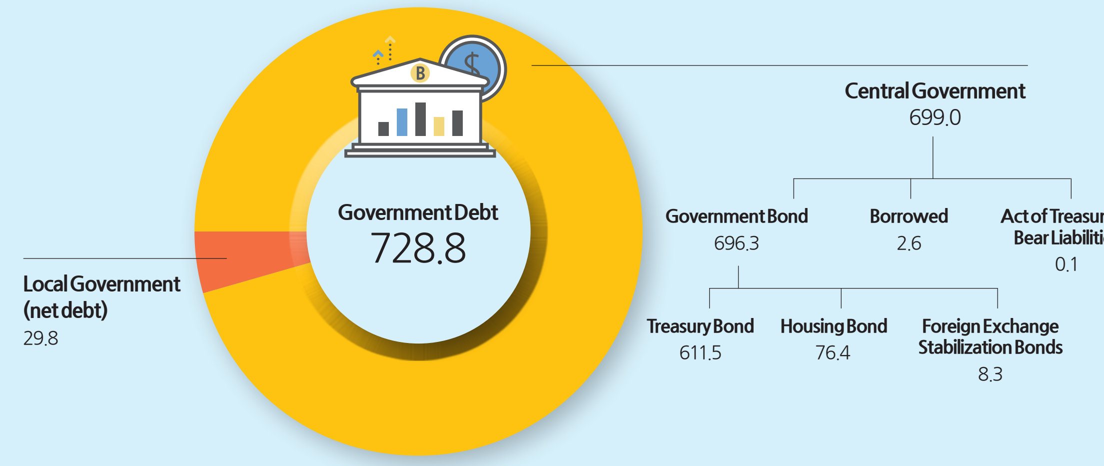


Ⅴ. Government debt

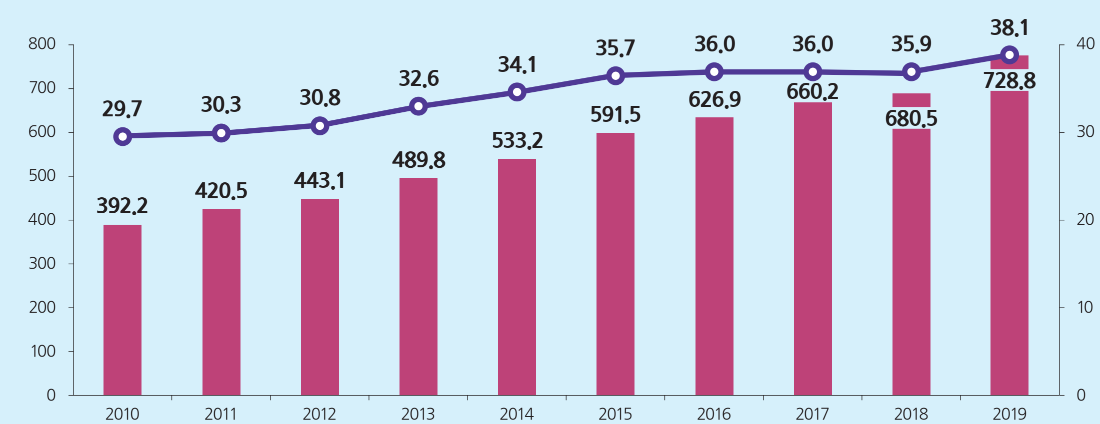
- Government debt in which the government is obligated to pay back the principal and interest consists of government bonds, borrowings, and the Treasury's act to bear liabilities, including local government's net debt.
- At the end of the fiscal year 2019, the government debt amounted to 728.8 trillion won, consisting of 696.3 trillion won of government bonds, 2.6 trillion won of borrowings, 0.1 trillion won of Treasury liabilities, and 29.8 trillion won (a projected value) of local government's net debt.

Components of government debt

(Unit: Trillion won)



Government debt trend in the last 10 years

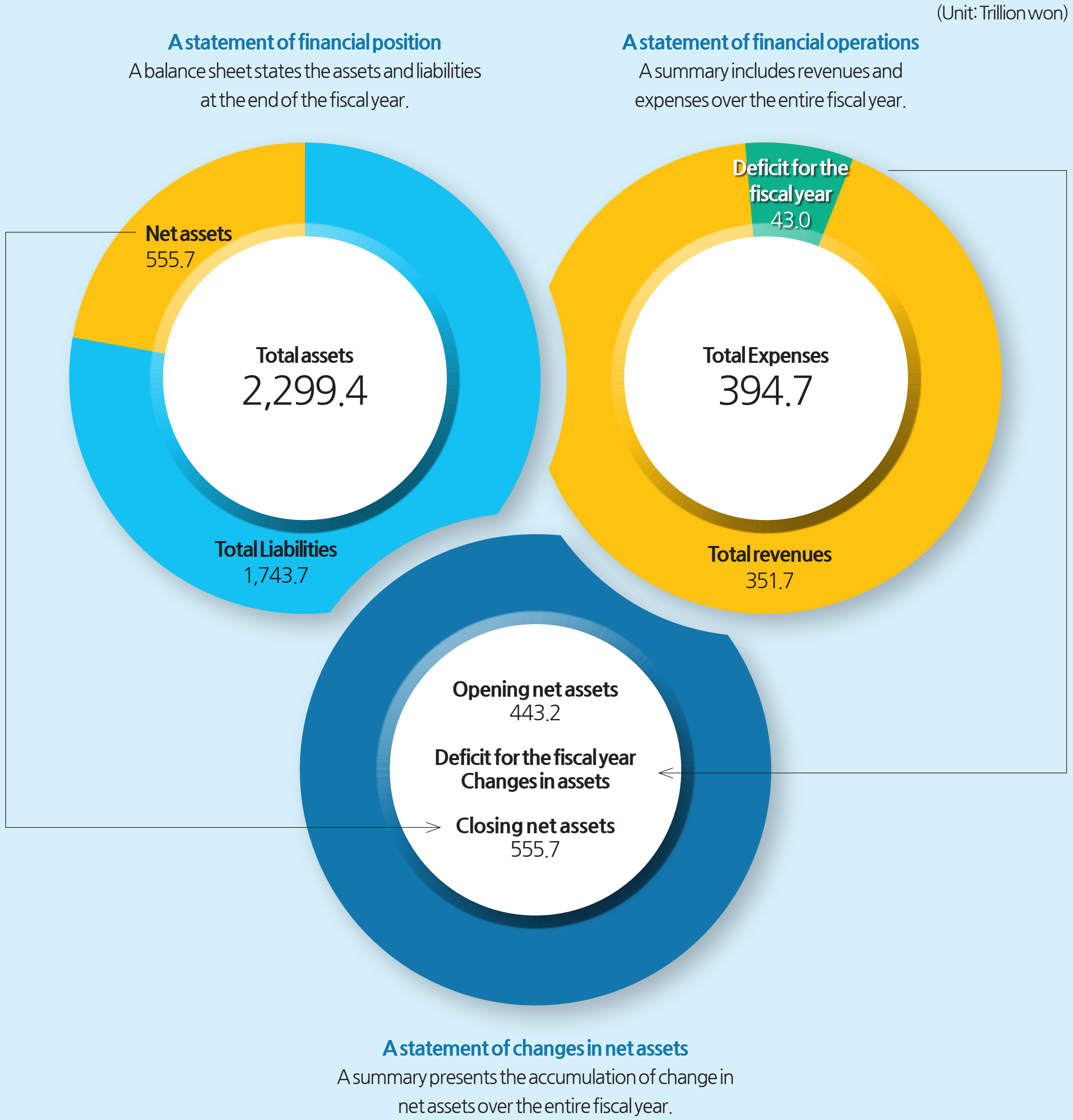


VI. Assets and Liabilities

1. Overview

A financial statement is the formal record of financial activities, consisting of financial position, financial operations, and changes in net assets.

(Unit: Trillion won)



Glossary

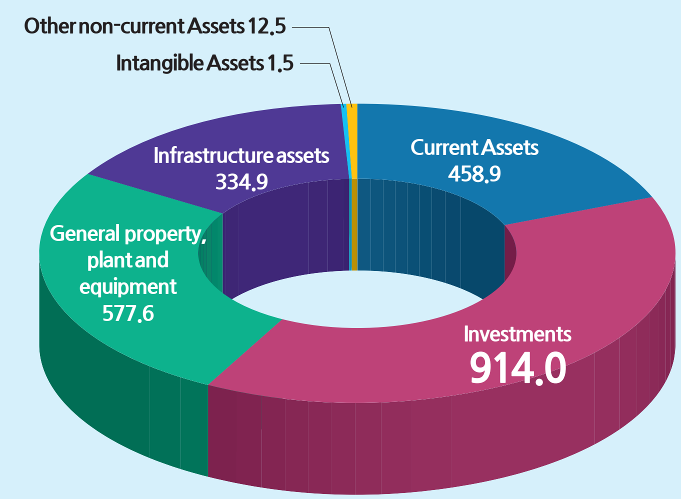
Opening net assets : it refers to the size of net assets at the end of the previous fiscal year.
Closing net assets : it refers to the size of net assets at the end of the fiscal year.
Changes in assets : it refers to any increases or decreases of assets that do not affect the statement of the financial operations.
Net assets : it is the amount of total assets minus total liabilities.

2. Statement of financial position

- At the end of the fiscal year 2019, assets were 2,299.4 trillion won, and Liabilities were 1,743.7 trillion won.
- Assets increased by 172.8 trillion won (8.1% increase), and Liabilities increased by 60.3 trillion won (3.6% increase). Net assets were 555.7 trillion won.
- Net assets increased by 112.5 trillion won (25.4% increase).

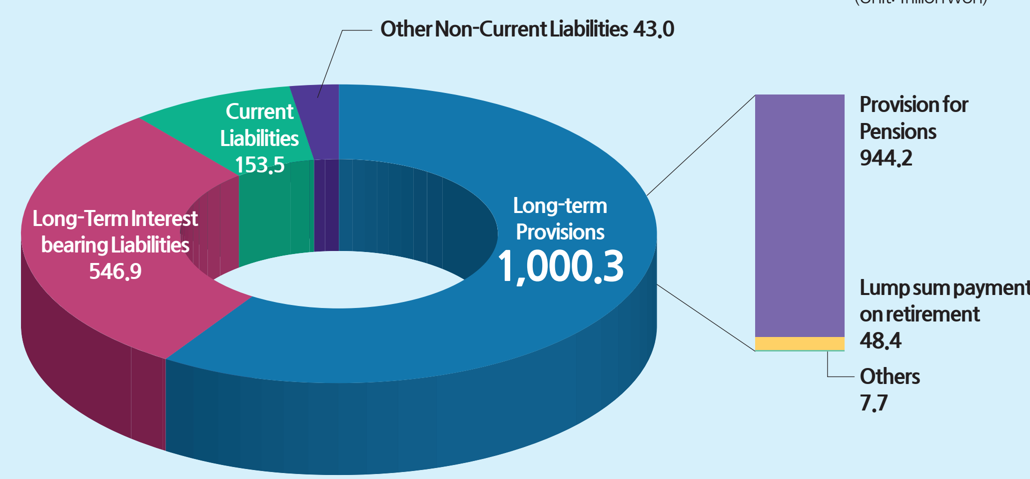
The ratio of assets structure

(Unit: Trillion won)



The ratio of liabilities structure

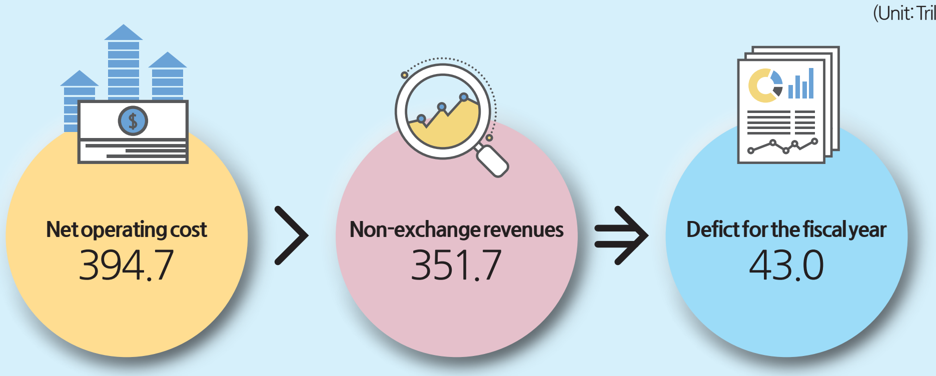
(Unit: Trillion won)



Note: Long-term Provisions consist of Provision for Pensions, Lump sum payments on retirement, and others.

3. Statement of financial operations

(Unit: Trillion won)



- In the fiscal year 2019, net operating cost was 394.7 trillion won, an increase of 51.5 trillion won from 2018.
  The non-exchange revenues (e.g., taxes, contribution, fines and penalties) was 351.7 trillion won, an increase of 0.6 trillion won from 2018.
- The Defict for the fiscal year, minus non-exchange revenues from the net operating cost, was 43 trillion won, which indicated that the cost of financial operations exceeded the revenue.

The government prepared the financial statement for the fiscal year 2019, following Articles 56 to 61 of the National Financial Law and Articles 13 to 16 of the National Accounting Law. This financial statement was then approved by the National Council and the President, and submitted to the National Assembly, reflecting the final results of inspection from the Board of Audit and Inspection.

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