

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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### FILER

#### PRUDENTIAL U S GOVERNMENT FUND

CIK: **782409** | IRS No.: **136864401** | State of Incorporation: **MA** | Fiscal Year End: **1031**  
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Mailing Address  
*ONE SEAPORT PLZ  
NEW YORK NY 10292*

Business Address  
*199 WATER ST  
NEW YORK NY 10292  
2122141248*

Prudential  
U.S. Government  
Fund

-----  
Prudential Mutual Funds  
BUILDING YOUR FUTURE  
(LOGO)  
ON OUR STRENGTH

LETTER TO  
SHAREHOLDERS

December 10, 1993

Dear Shareholder

During the past year, U.S. government bond investors enjoyed strong total returns as interest rates fell to 25-year lows in a slow growth, low inflation economy. We are pleased to report that the Prudential U.S. Government Fund benefitted from these trends.

The Fund seeks a high total return through a combination of capital appreciation plus high current income by investing in U.S. government securities.

Early in 1993, as the accompanying pie charts show, the Fund reduced its U.S. government position so that roughly 26% of the portfolio could be invested in corporate and foreign securities rated A or higher. The portfolio maintains a long-term effective maturity of approximately 10 years.

<TABLE>

Performance  
As of October 31, 1993

<CAPTION>

	12-month	NAV		30 Day
<S>	Total Return <C>	10/31/93 <C>	11/01/92 <C>	SEC Yield <C>
U.S. Government Fund				
Class A	16.4%	\$10.59	\$9.69	5.02%
Class B	15.4%	\$10.60	\$9.70	4.39%
Lipper U.S. Government Bond				
Fund Average	11.9%	N/A	N/A	N/A

</TABLE>

Falling Rates Drive Prices Higher

Long-term interest rates surprised many investors by falling almost two percentage points (200 basis points) in the past 12 months. In fact, the 30-year Treasury bond's yield stood at 6.0% on October 31, 1993, down from 7.6% one year ago. Falling interest rates produced substantial price gains for long-term U.S. government bond holders, since bond prices generally rise when interest rates fall, and long-term Treasury securities demonstrate greater sensitivity to this effect than do shorter-term Treasuries.

-1-

The Fund performed well in this environment for several reasons. First, a large part of the portfolio was in intermediate- and long-term Treasury and U.S. government bonds. Our Treasury holdings at the end of October were 30% of assets and government agency debt comprised another 23%. In addition, the final maturity of over 50% of the bonds in the portfolio is between 15 and 30 years. The price of the 30 year Treasury benchmark generally rises about 12% when interest rates fall one percentage point (of course, prices will also fall if interest rates rise.)

Corporate and Foreign Bonds Perform

We are especially pleased to note that the Investment Adviser's decision to invest a modest portion of assets in investment-grade corporate and foreign bonds was positive for the Fund. This category includes U.S. companies as well as international businesses and governments that issue "'yankee'" bonds. These securities provided slightly higher yields than U.S. government securities of similar maturity with only a modest increase in credit

risk. Since these bonds are denominated in U.S. dollars, they usually do not entail currency risk.

Examples of Fund positions offering attractive yields include the Republic of Italy, U.S. Life Corp. and Zeneca, a U.K.-based pharmaceutical concern. The Adviser carefully analyzes the market for issues that fit its high credit quality guidelines: the bonds, from issuers with good earnings and strong management, must be rated A or better. The portfolio's average credit quality remains high with about 76% of the holdings rated AAA, the safest category, or if unrated, of equivalent quality.

The low returns from traditional bank savings instruments have also contributed to this year's strong bond performance as investors, unhappy with low returns, have created an unusually high demand for bonds.

Mortgage Prepayments Increase

Mortgage backed securities (MBS) had positive, but disappointing performance this year. As rates fell, homeowners rushed to refinance their old, higher interest rate mortgages with new lower interest loans. Despite being good yield producers, this abnormally high prepayment level led the MBS market to underperform similar maturity U.S. government bonds by approximately 440 basis points for the 12 months ended October 31, 1993. Since our MBS holdings are a nominal percentage of total assets, prepayments did not significantly affect Fund performance. We are, however, monitoring our mortgage pools to protect against losses.

-2-

Looking To Next Year

The outlook for long-term bonds is difficult to accurately determine, but it appears that the yield on the 30-year Treasury has fallen into a trading range between 6.0% and 6.5%. We believe that rates will remain in this range in the near term though supply and demand factors may cause temporary fluctuations in price. But, historically, the long bond yield should hover about 3% over the rate of growth, which most economists expect to be about 3.0% in 1994. Until a definite upward trend in rates materializes, we plan to maintain our current portfolio weightings. If rates do rise, we will attempt to shorten the Fund's effective maturity and duration. The shorter maturities and higher relative corporate yields should help protect against severe net asset value volatility in the event economic growth and inflation take off in coming months.

Once again, we appreciate having you as a Prudential U.S. Government Fund shareholder and are pleased to report our activities to you.

Sincerely,

Lawrence C. McQuade  
President

Annamarie Carlucci  
Portfolio Manager

-3-

<TABLE>  
<CAPTION>

Principal Amount (000)	Description	Value (Note 1)
	LONG-TERM INVESTMENTS--96.5%	
	U.S. Treasury Securities--30.3%	
	U.S. Treasury Bonds,	
\$ 4,000	10.75%, 8/15/05.....	\$ 5,746,880
6,400	12.00%, 8/15/13.....	10,206,976
6,000	11.25%, 2/15/15.....	9,580,320
2,030	8.125%, 8/15/19.....	2,508,309
4,000	7.875%, 2/15/21.....	4,836,240
	U.S. Treasury Notes,	
1,000	3.875%, 9/30/95.....	998,120

1,000	7.75%, 3/31/96.....	1,081,410
3,000	6.75%, 5/31/97.....	3,220,320
6,000	5.125%, 3/31/98.....	6,090,960
4,500	5.125%, 4/30/98.....	4,564,665
	Zero Coupon Treasury Bonds,	
16,000	Zero Coupon, 11/15/15.....	3,780,319
		-----
	Total U.S. Treasury	
	Securities	
	(cost \$48,552,767).....	52,614,519
		-----
	U.S. Government Agencies--22.7%	
	Federal National Mortgage	
	Assoc.,	
5,000	9.80%, 5/10/00.....	5,415,600
40,000	Zero Coupon, 7/05/14.....	9,700,000
	Resolution Funding Corp.,	
15,000	8.875%, 7/15/20.....	19,954,650
	Tennessee Valley Auth.,	
4,000	8.75%, 10/01/19.....	4,368,440
		-----
	Total U.S. Government	
	Agencies	
	(cost \$31,904,386).....	39,438,690
		-----
	Mortgage-Related Securities--17.4%	
	Federal Home Loan Mortgage	
	Corp.,	
1,500	7.50%, 9/15/05, (CMO).....	1,569,375
2,200	7.50%, 7/15/07, (CMO).....	2,271,500
	Federal National Mortgage	
	Assoc.,	
5,000	8.50%, 3/25/09, (CMO).....	5,253,100
19	Series 111, Class D, (I/O),	
	(CMO).....	71,009
5,000	6.50%, 7/25/20, (CMO).....	4,998,400
5,000	8.25%, 3/25/21, (CMO).....	5,328,100
	Government National Mortgage	
	Assoc.,	
\$ 6,017	8.50%, 6/15/21.....	\$ 6,375,168
4,125	9.00%, 11/15/15-8/15/21.....	4,403,404
		-----
	Total Mortgage-Related	
	Securities	
	(cost \$29,438,930).....	30,270,056
		-----
	Corporate Bonds--19.3%	
	Domestic--15.9%	
	Bausch & Lomb, Inc.,	
3,500	6.80%, 12/12/96.....	3,696,315
	Communications Satellite	
	Corp.,	
3,000	8.125%, 4/01/04.....	3,434,700
	Dean Witter Discover & Co.,	
1,500	6.00%, 3/01/98.....	1,536,810
	Ford Motor Credit Co.,	
2,000	6.25%, 2/26/98.....	2,061,740
	Georgia Power Co.,	
2,000	4.75%, 3/01/96.....	2,008,820
	Heinz (H.J.) Co.,	
1,500	6.875%, 1/15/03.....	1,606,845
	NationsBank Corp.,	
2,500	6.625%, 1/15/98.....	2,629,900
	Republic N.Y. Corp.,	
2,000	9.70%, 2/01/09.....	2,610,880
	Southern California Edison	
	Co.,	
2,000	5.875%, 2/01/98.....	2,051,800
	USLIFE Corp.,	
2,000	6.375%, 6/15/00.....	2,039,240
	Zeneca Wilmington, Inc.,	
2,000	6.30%, 6/15/03.....	2,034,400
	Zurich Reinsurance Centre	
	Holdings, Inc.,	
2,000	7.125%, 10/15/23.....	1,962,060
		-----
	Total Domestic	
	(cost \$27,188,210).....	27,673,510
		-----

</TABLE>

-2- See Notes to Financial Statements.

<TABLE>		
<CAPTION>		
Principal Amount (000)	Description	Value (Note 1)
<C>	<S>	<C>
	Yankee--3.4%	
	Hanson Plc.,	
\$ 2,000	7.735%, 1/15/03.....	\$ 2,168,360
	Pohang Iron & Steel Ltd.,	
2,000	6.625%, 7/01/03.....	2,021,780
	Svenska Handelsbanken,	
1,500	8.125%, 8/15/07.....	1,714,950
	Total Yankee	
	(cost \$5,586,738).....	5,905,090
	Total Corporate Bonds	
	(cost \$32,774,948).....	33,578,600
	Foreign Government Bonds--3.7%	
	Province of British Columbia,	
2,000	7.00%, 1/15/03.....	2,159,760
	Province of Quebec,	
2,000	9.125%, 3/01/00.....	2,355,140
	Republic of Italy,	
2,000	6.875%, 9/27/23.....	1,970,820
	Total Foreign Government Bonds	
	(cost \$6,170,820).....	6,485,720
	Asset Backed Securities--3.1%	
	Chase Manhattan Credit Card Trust,	
\$ 5,000	7.40%, 5/15/00	
	(cost \$4,993,900).....	\$ 5,364,050
	Total Long-Term Investments	
	(cost \$153,835,751).....	167,751,635
	SHORT-TERM INVESTMENT	
	Time Deposit--1.7%	
	Fuji Bank, Ltd.,	
2,880	3.00%, 11/01/93	
	(cost \$2,880,000).....	2,880,000
	Total Investments--98.2%	
	(cost \$156,715,751; Note 4).....	170,631,635
	Other assets in excess of liabilities--1.8%.....	3,123,871
	Net Assets--100%.....	\$173,755,506

</TABLE>

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CMO--Collateralized Mortgage Obligations.  
I/O--Interest Only.

-3- See Notes to Financial Statements.

PRUDENTIAL U.S. GOVERNMENT FUND  
Statement of Assets and Liabilities

<TABLE>	
<CAPTION>	
Assets	October 31, 1993
<S>	<C>
Investments, at value (cost \$156,715,751).....	\$170,631,635
Cash.....	1,539,593
Interest receivable.....	2,231,697
Receivable for Fund shares sold.....	358,070
Other assets.....	3,867
Total assets.....	174,764,862
Liabilities	

Payable for Fund shares reacquired.....	407,826
Dividends payable.....	256,858
Accrued expenses.....	127,049
Due to Distributors.....	143,443
Due to Manager.....	74,180
	-----
Total liabilities.....	1,009,356
	-----
Net Assets.....	\$173,755,506
	-----
Net assets were comprised of:	
Shares of beneficial interest, at par.....	\$ 163,990
Paid-in capital in excess of par.....	169,606,591
	-----
Accumulated net realized losses.....	169,770,581
Net unrealized appreciation.....	(9,930,959)
	13,915,884
	-----
Net Assets at October 31, 1993.....	\$173,755,506
	-----
Class A:	
Net asset value and redemption price per share	
(\$6,848,531 / 646,730 shares of beneficial interest issued and outstanding).....	\$10.59
Maximum sales charge (4.5% of offering price).....	.50
Maximum offering price to public.....	\$11.09
	-----
Class B:	
Net asset value, offering price and redemption price per share	
(\$166,906,975 / 15,752,300 shares of beneficial interest issued and outstanding)...	\$10.60
	-----

</TABLE>

See Notes to Financial Statements.

PRUDENTIAL U.S. GOVERNMENT FUND  
Statement of Operations

<TABLE>  
<CAPTION>

	Year Ended October 31, 1993
	-----
Net Investment Income	-----
<S>	<C>
Income	
Interest and discount earned.....	\$12,311,281
	-----
Expenses	
Distribution fee--Class A.....	9,508
Distribution fee--Class B.....	1,621,067
Management fee.....	842,229
Transfer agent's fees and expenses.....	275,000
Custodian's fees and expenses.....	110,000
Trustees' fees.....	54,000
Registration fees.....	39,000
Audit fee.....	30,000
Legal fees.....	5,000
Miscellaneous.....	13,064
	-----
Total expenses.....	2,998,868
	-----
Net investment income.....	9,312,413
	-----
Realized and Unrealized Gain (Loss) on Investments	
Net realized gain (loss) on:	
Investment transactions.....	6,713,276
Financial futures contracts.....	(612,137)
	-----
	6,101,139
	-----
Net change in unrealized appreciation of investments.....	8,892,501
	-----
Net gain on investments.....	14,993,640

Net Increase in Net Assets Resulting  
from Operations..... \$24,306,053

</TABLE>

PRUDENTIAL U.S. GOVERNMENT FUND  
Statement of Changes in Net Assets

<TABLE>  
<CAPTION>

Increase (Decrease) in Net Assets	Year Ended October 31,	
	1993	1992
<S>	<C>	<C>
Operations		
Net investment income...	\$ 9,312,413	\$ 9,644,784
Net realized gain on investments.....	6,101,139	3,202,179
Net change in unrealized appreciation of investments.....	8,892,501	(23,492)
Net increase in net assets resulting from operations.....	24,306,053	12,823,471
Dividends to shareholders from net investment income (Note1)		
Class A.....	(402,303)	(262,423)
Class B.....	(8,910,110)	(9,382,361)
	(9,312,413)	(9,644,784)
Fund share transactions (Note 5)		
Net proceeds from shares subscribed.....	83,709,350	69,673,768
Net asset value of shares issued in reinvestment of dividends.....	6,045,712	6,024,862
Cost of shares reacquired.....	(91,160,162)	(80,074,858)
Net decrease in net assets from Fund share transactions.....	(1,405,100)	(4,376,228)
Total increase (decrease).....	13,588,540	(1,197,541)
Net Assets		
Beginning of year.....	160,166,966	161,364,507
End of year.....	\$173,755,506	\$160,166,966

</TABLE>

See Notes to Financial Statements. See Notes to Financial Statements.

PRUDENTIAL U.S. GOVERNMENT FUND  
Notes to Financial Statements

Prudential U.S. Government Fund (the ``Fund'') was organized as a Massachusetts business trust on October 2, 1986. Investment operations commenced on November 7, 1986. The Fund's primary investment objective is to seek a high total return, capital appreciation plus high current income, primarily through investment in U.S. Government securities and obligations issued or guaranteed by U.S. Government agencies or instrumentalities. The ability of issuers of debt securities, other than those issued or guaranteed by the U.S. Government, may be affected by economic developments in a specific industry or region.

Note 1. Accounting Policies  
The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

Security Valuation: The Board of Trustees has authorized the use of an independent pricing service to determine valuations for normal institutional size trading units of securities. The pricing service considers such factors as security prices, yields, maturities, call features, ratings and developments relating to specific securities in arriving at securities valuations. Options and financial futures contracts listed on exchanges are valued at their closing price on the applicable exchange. When market quotations are not readily available, a security is valued at fair value as determined in good faith by or under the direction of the Board of Trustees.

Short-term securities which mature in more than 60 days are valued at current market quotations. Short-term securities which mature in 60 days or less are valued at amortized cost which approximates market value.

Financial Futures Contracts: A financial futures contract is an agreement to purchase (long) or sell (short) an agreed amount of debt securities at a set price for delivery on a future date. Upon entering into a financial futures contract, the Fund is required to pledge to the broker an amount of cash and/or other assets equal to a certain percentage of the contract amount. This amount is known as the "initial margin". Subsequent payments, known as "variation margin", are made or received by the Series each day, depending on the daily fluctuations in the value of the underlying security. Such variation margin is recorded for financial statement purposes on a daily basis as unrealized gain or loss. The Fund invests in financial futures contracts solely for the purpose of hedging its existing portfolio securities or securities the Fund intends to purchase against fluctuations in value caused by changes in prevailing market interest rates. Should interest rates move unexpectedly, the Fund may not achieve the anticipated benefits of the financial futures contracts and may realize a loss. The use of futures transactions involves the risk of imperfect correlation in movements in the price of futures contracts, interest rates and the underlying hedged assets.

Securities Transactions and Investment Income: Securities transactions are recorded on the trade date. Realized gains or losses on sales of investments are calculated on the identified cost basis. Interest income is recorded on the accrual basis.

Net investment income, other than distribution fees, and unrealized and realized gains or losses are allocated daily to each class of shares based upon the relative proportion of net assets of each class at the beginning of the day.

Federal Income Taxes: It is the Fund's policy to continue to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable net income to its shareholders. Therefore, no federal income tax provision is required.

Dividends and Distributions: Dividends from net investment income are accrued daily and payable monthly. The Fund will distribute annually any net realized capital gains in excess of capital loss carry-forward if any. Dividends and distributions are recorded on the ex-dividend date.

Income distributions and capital gains distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles.

Reclassification of Capital Accounts: Effective November 1, 1992, the Fund began accounting and reporting for distributions to shareholders in accordance with Statement of Position 93-2: Determination, Disclosure, and Financial Statement Presentation of Income, Capital Gain, and Return of Capital Distributions by Investment Companies. The effect caused by adopting this statement was to decrease paid-in-capital and decrease accumulated net realized losses by \$6,842 compared to amounts previously reported through October

-6-

31, 1992. Net investment income, net realized gains, and net assets were not affected by this change.

Note 2. Agreements                      The Fund has a management agreement with Prudential Mutual Fund Management, Inc. ("PMF"). Pursuant to this agreement, PMF has responsibility for all investment advisory services and supervises the subadviser's performance of such services. PMF has entered into a subadvisory agreement with The Prudential Investment Corporation ("PIC"); PIC furnishes investment advisory services in connection with the management of the Fund. PMF pays for the cost of the subadviser's services, the compensation of officers of the Fund, occupancy and certain clerical and bookkeeping costs of the Fund. The Fund bears all other costs and expenses.

The management fee paid PMF is computed daily and payable monthly at an annual rate of .50 of 1% of the Fund's average daily net assets.

The Fund has distribution agreements with Prudential Mutual Fund



Distributors, Inc. ('PMFD'), which acts as the distributor of the Class A shares of the Fund, and Prudential Securities Incorporated ('PSI'), which acts as distributor of the Class B shares of the Fund (collectively the 'Distributors'). To reimburse the Distributors for their expenses incurred in distributing the Fund's Class A and B shares, the Fund, pursuant to plans of distribution, pays the Distributors a reimbursement, accrued daily and payable monthly.

Pursuant to the Class A Plan, the Fund reimburses PMFD for its distribution-related expenses with respect to Class A shares, accrued daily and payable monthly, at an annual rate of up to .30 of 1% of the average daily net assets of the Class A shares. Such expenses under the Class A Plan were .15 of 1% of the average daily net assets of the Class A shares for the fiscal year ended October 31, 1993. PMFD pays various broker-dealers, including PSI and Pruco Securities Corporation ('Prusec'), affiliated broker-dealers, for account servicing fees and other expenses incurred by such broker-dealers.

Pursuant to the Class B Plan, the Fund reimburses PSI for its distribution-related expenses with respect to the Class B shares, accrued daily and paid monthly, at an annual rate of up to 1% of the average daily net assets of the Class B shares.

The Class B distribution expenses include commission credits for payments of commissions and account servicing fees to financial advisers and an allocation for overhead and other distribution-related expenses, interest and/or carrying charges, the cost of printing and mailing prospectuses to potential investors and of advertising incurred in connection with the distribution of shares.

The Distributors recover the distribution expenses and service fees incurred through the receipt of reimbursement payments from the Fund under the Plans and the receipt of initial sales charges (Class A only) and contingent deferred sales charges (Class B only) from shareholders.

PMFD has advised the Fund that it has received approximately \$107,100 in front-end sales charges resulting from sales of Class A shares during the fiscal year ended October 31, 1993. From these fees, PMFD paid such sales charges to dealers which in turn paid commissions to sales persons.

With respect to the Class B Plan, at any given time the amount of expenses incurred by PSI in distributing the Fund's shares and not recovered through the imposition of contingent deferred sales charges in connection with certain redemptions of shares may exceed the total reimbursement made by the Fund pursuant to the Class B Plan. For the year ended October 31, 1993, PSI advised the Fund that it received approximately \$423,200 in contingent deferred sales charges imposed upon redemptions by shareholders. PSI, as distributor, has also advised the Fund that at October 31, 1993, the amount of distribution expenses incurred by PSI and not yet reimbursed by the Fund or recovered through contingent deferred sales charges approximated \$34,800. This amount may be recovered through future payments under the Class B Plan or contingent deferred sales charges.

In the event of termination or noncontinuation of the Class B Plan, the Fund would not be contractually obligated to pay PSI, as distributor, for any expenses not previously reimbursed or recovered through contingent deferred sales charges.

PMFD is a wholly-owned subsidiary of PMF; PSI, PMF and PIC are indirect, wholly-owned subsidiaries of The Prudential Insurance Company of America.

Note 3. Other Prudential Mutual Fund  
Transactions Services, Inc. ('PMFS'), a  
with Affiliates wholly-owned subsidiary of  
PMF, serves as the Fund's transfer agent. During  
the fiscal year ended October 31, 1993, the Fund incurred fees of approximately  
\$215,000 for the services of PMFS. As of October 31, 1993, approximately \$18,000  
of such fees were due to PMFS. Transfer agent fees and expenses in the Statement  
of

-7-

Operations include certain out-of-pocket expenses paid to non-affiliates.

Note 4. Portfolio Purchases and sales of  
Securities investment securities, other  
than short-term investments, for the fiscal year  
ended October 31, 1993 were \$98,802,525 and \$101,424,731, respectively.  
The federal income tax basis of the Fund's investments at October 31, 1993  
was \$156,715,751 and accordingly, net unrealized appreciation of investments for  
federal income tax purposes was \$13,915,884 (gross unrealized  
appreciation-\$14,521,731; gross unrealized depreciation-\$605,847).

For federal income tax purposes, the Fund has a capital loss carryforward as of October 31, 1993 of approximately \$9,319,000 of which \$1,017,000 expires in 1997 and \$8,302,000 expires in 1998. Accordingly, no capital gains distribution is expected to be paid to shareholders until net gains have been realized in

excess of such carryforward.

Note 5. Capital

The Fund offers both Class A and Class B shares. Class A shares are sold with a front-end sales charge of up to 4.5%. Class B shares are sold with a contingent deferred sales charge which declines from 5% to zero depending on the period of time the shares are held. Both classes of shares have equal earnings, assets and voting privileges except that each class bears different distribution expenses and has exclusive voting rights with respect to its distribution plan.

The Fund has authorized an unlimited number of shares of beneficial interest of each class at \$.01 par value. Transactions in shares of beneficial interest for the fiscal years ended October 31, 1993 and 1992 were as follows:

Class A		
	Shares	Amount
<S>	<C>	<C>
Year ended October 31, 1993:		
Shares sold.....	750,713	\$ 7,553,655
Shares issued in reinvestment of dividends.....	26,658	272,022
Shares reacquired.....	(649,104)	(6,560,954)
Net increase in shares outstanding.....	128,267	\$ 1,264,723
-----		
-----		
-----		
<CAPTION>		
Year ended October 31, 1992:		
<S>	<C>	<C>
Shares sold.....	585,157	\$ 5,686,194
Shares issued in reinvestment of dividends.....	17,268	167,246
Shares reacquired.....	(355,255)	(3,470,324)
Net increase in shares outstanding.....	247,170	\$ 2,383,116
-----		
-----		
-----		
Class B		
-----		
<S>	<C>	<C>
Year ended October 31, 1993:		
Shares sold.....	7,467,812	\$ 76,155,695
Shares issued in reinvestment of dividends.....	565,555	5,773,690
Shares reacquired.....	(8,280,106)	(84,599,208)
Net decrease in shares outstanding.....	(246,739)	\$ (2,669,823)
-----		
-----		
-----		
Year ended October 31, 1992:		
Shares sold.....	6,589,480	\$ 63,987,574
Shares issued in reinvestment of dividends.....	605,743	5,857,616
Shares reacquired.....	(7,916,199)	(76,604,534)
Net decrease in shares outstanding.....	(720,976)	\$ (6,759,344)
-----		
-----		
-----		

PRUDENTIAL U.S. GOVERNMENT FUND  
Financial Highlights

Class A					Class B				
	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
January 22,									

	Year Ended October 31,			1990@	Year Ended October 31,				
	1993	1992	1991	Through October 31, 1990	1993	1992	1991	1990	1989
<CAPTION>									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE:									
Net asset value, beginning of period...	\$ 9.69	\$ 9.49	\$ 8.97	\$ 9.31	\$ 9.70	\$ 9.50	\$ 8.97	\$ 9.54	\$ 9.05
Income from investment operations									
Net investment income...	.64	.68	.66	.55	.55	.59	.59	.62	.64
Net realized and unrealized gain (loss) on investment transactions.....	.90	.20	.52	(.34)	.90	.20	.53	(.57)	.52
Total from investment operations.....	1.52	.88	1.18	.21	1.46	.79	1.12	.05	1.16
Less distributions									
Dividends from net investment income.....	(.64)	(.68)	(.66)	(.55)	(.55)	(.59)	(.59)	(.62)	(.64)
Distributions from paid-in-capital.....	--	--	--	--	--	--	--	--	(.03)
Total distributions...	(.64)	(.68)	(.66)	(.55)	(.55)	(.59)	(.59)	(.62)	(.67)
Net asset value, end of period.....	\$10.59	\$ 9.69	\$ 9.49	\$ 8.97	\$ 10.60	\$ 9.70	\$ 9.50	\$ 8.97	\$ 9.54
TOTAL RETURN#.....	16.43%	9.39%	13.72%	2.16%	15.44%	8.46%	12.86%	.64%	13.53%
RATIOS/SUPPLEMENTAL DATA:									
Net assets, end of period (000).....	\$6,849	\$5,024	\$2,574	\$1,617	\$166,907	\$155,143	\$158,790	\$172,521	\$169,825
Average net assets (000).....	\$6,339	\$3,769	\$2,158	\$ 918	\$162,107	\$154,502	\$168,421	\$174,276	\$156,322
Ratios to average net assets:									
Expenses, including distribution fees...	.96%	.94%	1.24%	1.08%*	1.81%	1.79%	2.09%	1.99%	2.05%
Expenses, excluding distribution fees...	.81%	.79%	1.09%	.94%*	.81%	.79%	1.09%	.99%	1.06%
Net investment income.....	6.35%	6.92%	7.24%	7.16%*	5.50%	6.07%	6.39%	6.89%	6.95%
Portfolio turnover.....	66%	66%	236%	608%	66%	66%	236%	608%	392%

</TABLE>

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\* Annualized.

@ Commencement of offering of Class A shares.

# Total return does not consider the effects of sales loads. Total return is calculated assuming a purchase of shares on the first day and a sale on the last day of each period reported and includes reinvestment of dividends and distributions. Total returns for periods of less than a full year are not annualized.

See Notes to Financial Statements.

INDEPENDENT AUDITORS' REPORT

The Shareholders and Trustees  
Prudential U.S. Government Fund

We have audited the accompanying statement of assets and liabilities of Prudential U.S. Government Fund, including the portfolio of investments, as of October 31, 1993, the related statements of operations for the year then ended and of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain

reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of the securities owned as of October 31, 1993 by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements and financial highlights present fairly, in all material respects, the financial position of Prudential U.S. Government Fund, as of October 31, 1993 the results of its operations, the changes in its net assets, and the financial highlights for the respective stated periods in conformity with generally accepted accounting principles.

Deloitte & Touche  
New York, New York  
December 15, 1993

#### IMPORTANT NOTICE FOR SHAREHOLDERS

Mutual fund dividends which have been derived from interest on federal obligations are not taxable to New York, California, Massachusetts and Oregon shareholders providing the mutual fund meets certain requirements mandated by the state taxing authorities. We are pleased to report that 50% of the dividends paid by the Fund qualify for such tax deduction.

For more detailed information regarding your state and local taxes, you should contact your tax adviser or the state/local taxing authorities.

-10-

Past performance is not predictive of future performance and an investor's shares may be worth more or less than their original cost.

These graphs are furnished to you in accordance with SEC regulations. They compare a \$10,000 investment in Prudential U.S. Government Fund (Class A and Class B) with a similar investment in the Lehman Brothers Government Bond Index (LGBI) by portraying the initial account values at the commencement of operations of each class and subsequent account values at the end of each fiscal year (October 31), as measured on a quarterly basis, beginning in 1990 for Class A shares and in 1986 for Class B shares. For purposes of the graphs and, unless otherwise indicated, the accompanying tables, it has been assumed that (a) the maximum sales charge was deducted from the initial \$10,000 investment in Class A shares; (b) the maximum applicable contingent deferred sales charge was deducted from the value of the investment in Class B shares assuming full redemption on October 31, 1993; (c) all recurring fees (including management fees) were deducted; and (d) all dividends and distributions were reinvested.

The LGBI is a weighted index comprised of securities issued or backed by the U.S. government, its agencies and instrumentalities with a remaining maturity of one to thirty years. The LGBI is an unmanaged index and includes the reinvestment of all dividends, but does not reflect the payment of transaction costs and advisory fees associated with an investment in the Fund. The securities which comprise the LGBI may differ substantially from the securities in the Fund's portfolio. The LGBI is not the only index that may be used to characterize performance of income funds and other indices may portray different comparative performance.

-11-

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Manager  
Prudential Mutual Fund Management, Inc.  
One Seaport Plaza  
New York, NY 10292

Investment Adviser  
The Prudential Investment Corporation  
Prudential Plaza  
Newark, NJ 07101

Distributors  
Prudential Mutual Fund Distributors, Inc.  
Prudential Securities Incorporated  
One Seaport Plaza  
New York, NY 10292

Custodian  
State Street Bank and Trust Company  
One Heritage Drive  
North Quincy, MA 02171

Transfer Agent  
Prudential Mutual Fund Services, Inc.  
P.O. Box 15005  
New Brunswick, NJ 08906

Independent Accountants  
Deloitte & Touche  
1633 Broadway  
New York, NY 10019

Legal Counsel  
Shereff, Friedman, Hoffman & Goodman  
919 Third Avenue  
New York, NY 10022

One Seaport Plaza  
New York, NY 10292  
Toll free (800) 225-1852  
Collect (908) 417-7555

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## I. Prudential U.S. Government Fund

### Performance Charts

#### A. Historical Investment Results

The chart shows comparative historical investment results for a one-year period for the Class A shares of the Fund, the Class B shares of the Fund, and the Lipper U.S. Government Bond Fund Average without taking into account front-end or contingent deferred sales charges.

#### B. Average Annual Total Returns

The chart also shows the average annual total returns for the one-year, five-year and since inception periods ended September 30, 1993 for Class A and Class B shares taking into account any applicable sales charges.

## II. Prudential U.S. Government Fund

Two pie charts showing asset allocation by type of investment for the 1993 fiscal year end and the 1992 fiscal year end. The first chart shows the allocation as of October 31, 1993, which was 3.1% in asset-backed securities, 11.2% in CMOS, 30.3% in U.S. Treasury securities, 3.5% in cash, 6.2% in GNMA's, 22.7% in U.S. agency securities and 3.7% in foreign government bonds.

The second chart shows the allocation as of October 31, 1992, which was 3.9% in asset-backed securities, 12.4% in CMOS, 54.2% in U.S. Treasury securities, 1.4% in cash, 9.5% in GNMA's and 18.6% in U.S. agency securities.

III. Prudential U.S. Government Fund

SEC Required Charts

The following two charts compare a \$10,000 investment in Class A shares and Class B shares, with a similar investment in the Morgan Stanley Pacific Index. Included in the charts are the average annual total returns for Class A for the one-year and since inception periods with and without sales charges and Class B for the one-year, five year and since inception periods with and without sales charges.