

**CONSOLIDATED  
FINANCIAL STATEMENTS  
of the United States Government**

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**Fiscal Year 1986  
Prototype**

*... Treasury's commitment to full disclosure  
of financial information to the public.*



**PREPARED BY FINANCIAL MANAGEMENT SERVICE**

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THE SECRETARY OF THE TREASURY  
WASHINGTON

June 24, 1987

Statement of the  
Secretary of the Treasury

The Department of the Treasury is pleased to present these Consolidated Financial Statements, an annual effort begun more than a decade ago to apply the principles of business accounting to the business of government. Although the changes in this year's report are not pronounced, we have taken a major step to improve the process by using information for the Statement of Financial Position derived directly from agency financial systems.

We would like to thank all Federal agencies for accommodating our new reporting requirements. Those requirements are consistent with the new U.S. Government Standard General Ledger chart of accounts issued by OMB in September 1986. Once all agencies have implemented the Standard General Ledger, financial reporting will be more consistent and uniform.

As part of the President's Management Improvement Program, this Administration intends to consolidate and modernize Federal agency financial systems. Treasury, under a Memorandum of Understanding with OMB, will oversee the upgrading of those systems. In an atmosphere of cooperation and shared responsibility, we look forward to working with agencies to implement the improvements necessary to effectively manage the Government's resources. These financial statements will be one barometer of how well we do.

Beginning with this year's report, we are disclosing additional information about the amounts in the statements as well as those accounts for which disclosures need to be expanded. We are working with the agencies to resolve current accounting and reporting issues and to ensure shared responsibility for future reporting improvements. We invite you, the reader, to join us in this effort by completing the user survey form included in this issue.

James A. Baker, III



**Comptroller General  
of the United States**

Washington, D.C. 20548

June 24, 1987

STATEMENT OF THE UNITED STATES  
GENERAL ACCOUNTING OFFICE

One of the most critical issues facing our federal government today is the need for sound financial management. The federal government is perhaps the single largest entity in the world in terms of dollars of assets owned by it, liabilities owed by it, revenues raised by it, and amounts spent by it. Sound financial management of the federal government finances is dependent upon modern financial systems which contain and report reliable information.

This consolidated financial report is intended to include summary information about the financial condition and operations of the federal government as a whole, as opposed to segments of it, that is not available elsewhere in a single succinct document. It is supplementary to the information contained in budget documents. These consolidated statements are intended to disclose the magnitude of the government's assets (e.g., inventories and fixed assets), liabilities (e.g., disability claims and the size of the public debt), and the full cost of operations (e.g., pension, guarantee, and insurance costs) not fully disclosed in the budget.

Although this report is a prototype, it is a step towards a goal we strongly support--the annual publication of formal consolidated financial statements of the United States Government which can sustain the scrutiny of an independent audit. Achieving this goal will be a significant milestone towards building strong viable financial management systems that will serve the needs of government and help restore public confidence in the management of the government.

Although improvements have been and are being made, much still remains to be done to produce formal consolidated statements that can be audited. Our limited audit work has indicated that some of the numbers in these consolidated statements can be more fairly stated; for example, accounts and loans receivable and related allowances for uncollectable loans and accounts as well as the estimated losses on loan guarantees and insurance programs are, we believe, significantly understated.

Also, we believe property and equipment is understated by material amounts.

Regardless of the current shortcomings, however, these consolidated financial statements are an important step towards improving financial management. The General Accounting Office (GAO) as well as others have made a wide range of recommendations which are currently being considered by the executive branch and the Congress. Also, this past year GAO, Treasury, and the Office of Management and Budget (OMB) issued a joint statement of commitment towards improved financial management through shared responsibility.

We at GAO are committed to achieving the goal of audited consolidated federal financial statements and we are working with the Treasury and OMB to help make it a reality in the near future.

As with earlier reports of this nature, we have not audited the accompanying statements and accordingly, we do not express an opinion on them.



Charles A. Bowshey  
Comptroller General  
of the United States

## Introduction

In line with revisions to requirements and procedures for preparation of agency business-type financial statements, the preparation methodology of the Consolidated Financial Statements has been revised for fiscal 1986. Most significantly, the agency Reports on Financial Position (TFS 220) have been used as the primary source for the Consolidated Statement of Financial Position.

The total of all agency TFS 220 reports have been reviewed for material reporting variances from prior year totals and obvious intragovernmental transactions eliminated. Selected amounts from the Treasury general ledger have been added for accounts not maintained by program agencies. The Notes to Financial Statements disclose significant adjustments made to accounts during consolidation as well as gaps in data and accounting issues still under study. Fiscal 1985 totals have been realigned to the fiscal 1986 format, but they have not been restated to reflect the changes in accounting and reporting principles because the information needed to do so was not available.

Federal agencies also reported more information disclosing agency accounting policy and greater detail supporting amounts in their financial statements. Many agencies experienced difficulty in providing the full amount of additional financial information required, but reported that agency systems were being modified for future reporting periods. Where the information was able to be summarized, it has been included in the Notes to Financial Statements.

The agency data in this report have not been compared with any other reports submitted to the Treasury, nor have they been traced to source documents within the agency. In the past, instances have occurred where the underlying data and systems have had problems which affected the reliability of agency financial reports. In addition, revisions to certain financial reporting requirements which were implemented for fiscal 1986 reports have caused systemic delays within agencies creating gaps in information due to the Treasury on November 15, 1986. Missing data remain outstanding despite aggressive followup action initiated by the Treasury. Significant omissions have been disclosed in the Notes to Financial Statements.

The Consolidated Statements of Operations and Changes in Financial Position have been calculated as in prior years. Changes in sources have been disclosed in the statements as well as in the supplemental tables.

A user survey has been placed at the end of the report. The response from readers of the report will be used to guide the future development of the content and form of the report.

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# **Financial Highlights**

CONTENTS

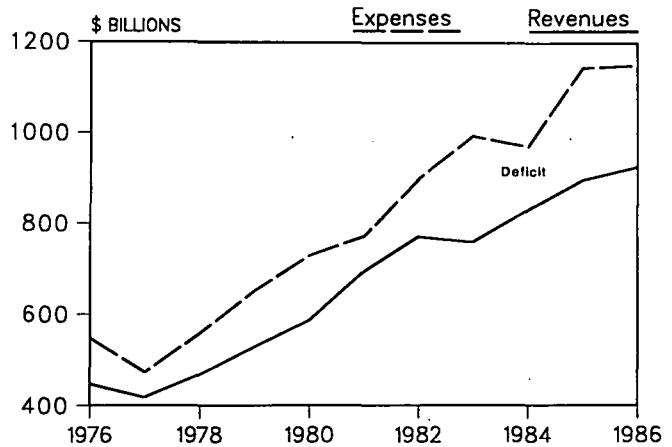
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# FINANCIAL HIGHLIGHTS

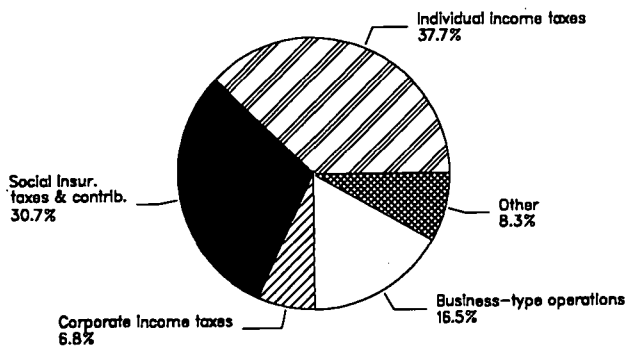
## Revenues and expenses

The following graphs show revenues and expenses for fiscal years 1976 through 1986, and the major categories of revenues by source and expenses by function for FY 1986. These amounts, taken from the Statement of Operations, have been calculated on an accrual basis and differ from those reported on the cash basis in other reports. The data supporting the graph of expenses by function have been estimated based on Treasury totals of budget outlays by function.

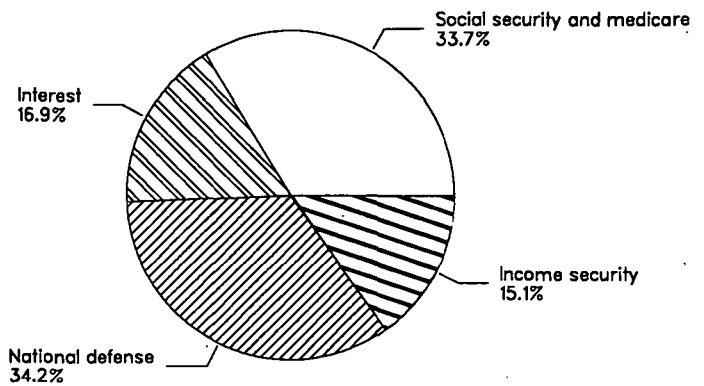
TOTAL REVENUES AND TOTAL EXPENSES  
FY 1976-86



MAJOR SOURCES OF REVENUES



MAJOR EXPENSES BY FUNCTION

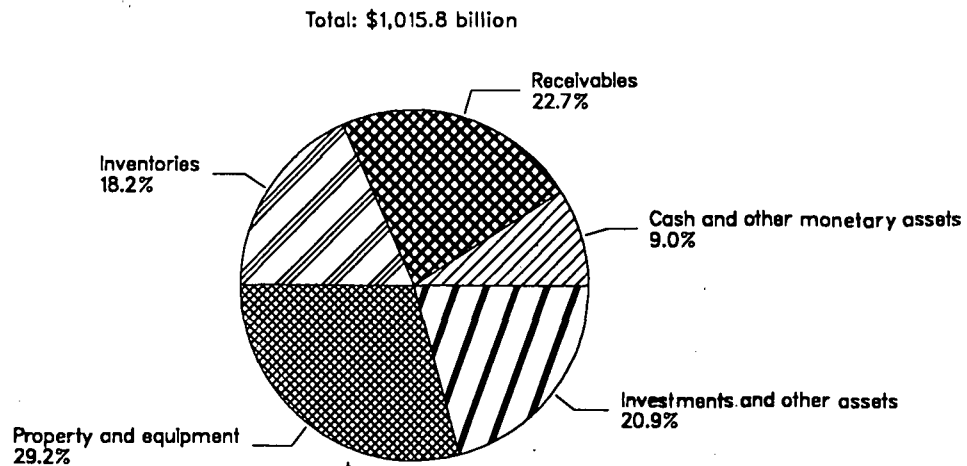




## Major categories of assets

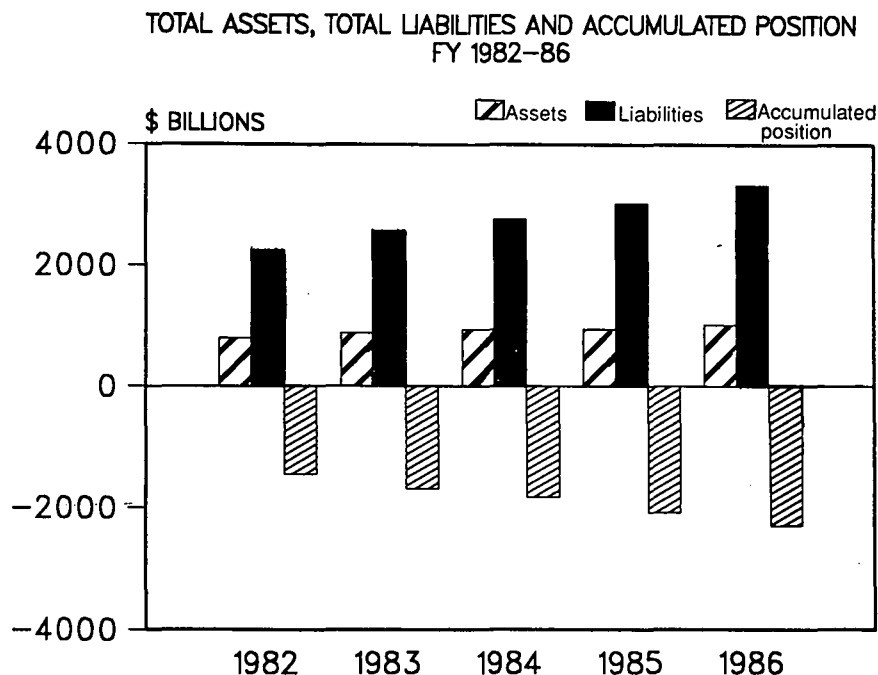
Assets are resources owned by the Federal Government that are available to pay liabilities or provide public services in the future. The following chart is derived from the Statement of Financial Position and depicts the major categories of assets for FY 1986 as a percent of total assets. The components for each of these major categories are contained in Notes to Financial Statements.

### MAJOR CATEGORIES OF ASSETS



## Assets, liabilities, and accumulated position

The following graph depicts the assets, liabilities, and accumulated position reported in the Statement of Financial Position for fiscal years 1982 through 1986. Accumulated position, the excess of liabilities over assets, is shown below the base line to emphasize Federal equity claims or interests in assets.

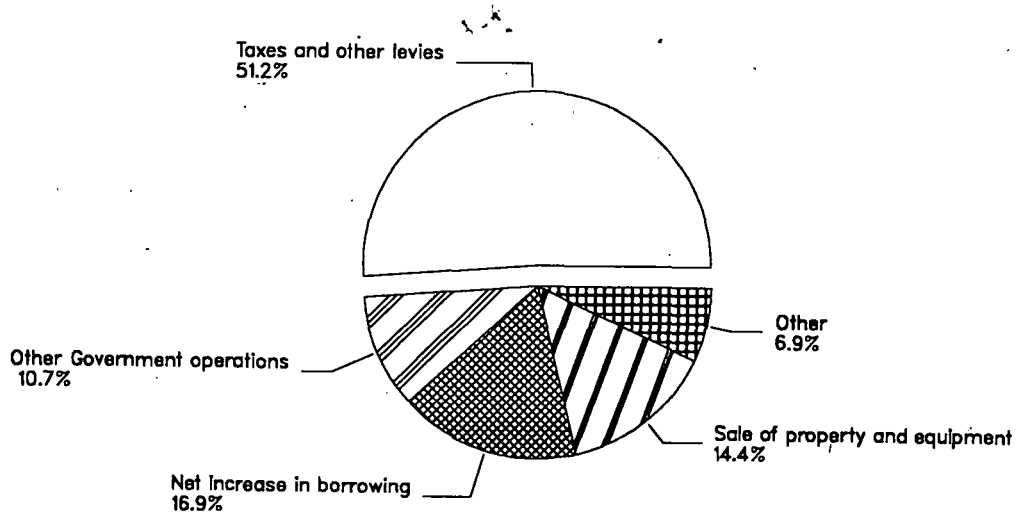


## Sources and uses of funds

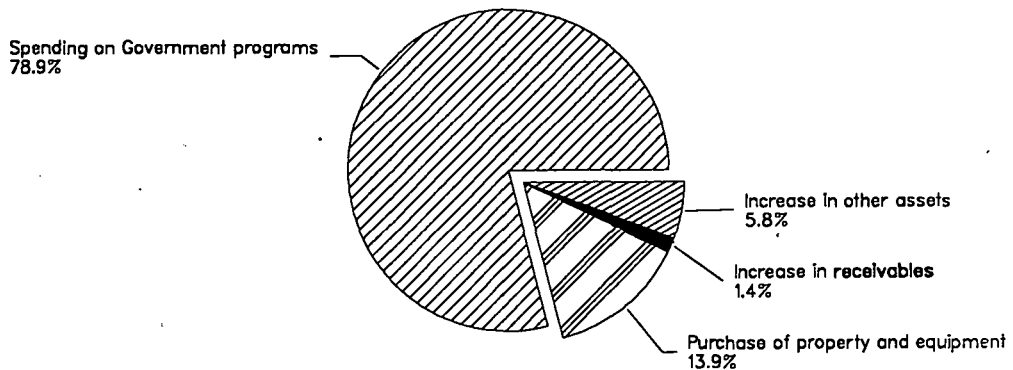
The charts below have been derived from the Statement of Changes in Financial Position for FY 1986 and show the resources provided during the period and the uses to which they were put. This statement is not intended to substitute for either the Statement of Financial Position or the Statement of Operations; instead, it presents additional useful information not included in those reports.

Other sources of funds include depreciation, 2.4 percent; provision for accrued pension, retirement, and disability plans, 1.0 percent; increase in liabilities, 2.4 percent; and decrease in inventories, 1.1 percent. Spending on Government programs includes interest on the public debt, 14.1 percent.

### SOURCES OF FUNDS



### USES OF FUNDS



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**Consolidated  
Financial  
Statements**

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**United States Government Consolidated Statement  
of Financial Position as of September 30, 1986 and 1985**

	1986	1985
<b>Assets</b>	<b>(\$ billions)</b>	
Cash .....	31.4	17.1
Other monetary assets (Note 2) .....	59.8	47.5
Accounts receivable, net of allowances for losses of \$13.8 in 1986 and \$16.3 in 1985 (Note 3) .....	68.6	64.0
Advances and prepayments .....	17.2	7.0
Inventories (Note 4) .....	185.3	200.5
Investments, net of premiums, discounts, and allowances for losses (Note 5) ...	3.9	—
Loans receivable, net of allowances for losses of \$23.0 in 1986 and \$7.2 in 1985 (Note 6) .....	144.6	139.6
Property, plant and equipment, net of accumulated depreciation of \$284.2 in 1986 and \$315.3 in 1985 (Note 7) .....	296.9	343.0
Other assets (Note 8) .....	208.1	130.7
Total .....	1,015.8	949.4
<b>Liabilities and Accumulated Position</b>		
Accounts payable .....	86.2	105.3
Interest payable .....	29.9	26.7
Accrued payroll and benefits and unfunded annual leave .....	11.4	5.6
Unearned revenue .....	41.2	41.4
Debt issued under borrowing authority (Note 9) .....	1,740.6	1,498.8
Actuarial liabilities (Note 10) .....	1,232.9	1,218.7
Other liabilities (Note 11) .....	173.2	128.7
Total liabilities .....	3,315.4	3,025.2
Accumulated position end of period (Note 12) .....	-2,299.6	-2,075.8
Total .....	1,015.8	949.4

The accompanying notes are an integral part of this statement.

**United States Government**  
**Consolidated Statement of Operations**  
**for the Years Ended September 30, 1986 and 1985**

	1986	1985
	(\$ billions)	
<b>Revenues</b>		
Levied under the Government's sovereign power		
Individual income taxes .....	349.0	334.6
Corporate income taxes .....	63.0	70.7
Social insurance taxes and contributions .....	283.9	265.2
Excise taxes .....	32.9	36.0
Estate and gift taxes .....	7.0	6.4
Customs duties .....	13.3	12.1
Miscellaneous .....	24.1	11.8
	773.2	736.8
Earned through Government business-type operations		
Sale of goods and services .....	30.9	32.0
Interest .....	83.7	66.0
Other .....	38.4	62.8
	926.2	897.6
<b>Expenses by agency</b>		
Legislative branch .....	1.4	1.3
Judicial branch .....	0.9	0.8
Executive branch		
Office of the President .....	23.5	22.3
Departments		
Agriculture .....	74.9	88.6
Commerce .....	1.9	2.2
Defense .....	318.9	323.8
Education .....	15.3	14.5
Energy .....	14.9	17.1
Health and Human Services .....	119.3	113.5
Housing and Urban Development .....	22.1	47.8
Interior .....	8.0	10.0
Justice .....	3.3	3.6
Labor .....	19.9	20.2
State .....	2.4	2.4
Transportation .....	43.1	40.4
Treasury: Interest .....	156.6	148.1
Other .....	7.3	10.0
Independent agencies .....	316.3	278.9
	1,150.0	1,145.5
Total expenses .....	1,150.0	1,145.5
Current period results .....	-223.8	-247.9

The accompanying notes are an integral part of this statement.

**United States Government  
Consolidated Statement of Receipts and Outlays  
and Reconciliation of Accrual Operating Results  
to the Cash Basis Budget  
as of September 30, 1986 and 1985**

	1986	1985
	(\$ billions)	
<b>Budget receipts</b>		
Individual income taxes .....	349.0	334.6
Corporation income taxes .....	63.1	61.3
Social insurance taxes and contributions .....	283.9	265.2
Excise taxes .....	32.9	36.0
Estate and gift taxes .....	7.0	6.4
Customs duties .....	13.3	12.1
Miscellaneous receipts .....	19.9	18.5
Total budget receipts .....	769.1	734.1
<b>Budget outlays</b>		
Legislative branch .....	1.7	1.6
Judicial branch .....	1.0	1.0
Executive Office of the President .....	0.1	0.1
Funds appropriated to the President .....	11.4	12.1
Departments		
Agriculture .....	58.7	55.5
Commerce .....	2.1	2.2
Defense .....	286.1	264.2
Education .....	17.7	16.7
Energy .....	11.0	10.6
Health and Human Services .....	333.9	315.5
Housing and Urban Development .....	14.1	28.7
Interior .....	4.8	4.8
Justice .....	3.8	3.6
Labor .....	24.1	23.9
State .....	2.9	2.6
Transportation .....	27.4	25.0
Treasury .....	176.2	165.0
Independent agencies .....	74.9	71.9
Undistributed offsetting receipts .....	-62.1	-59.0
Total budget outlays .....	989.8	946.0
Total budget deficit .....	-220.7	-211.9

**Reconciliation of Accrual Operating Results  
to the Cash Basis Budget  
as of September 30, 1986 and 1985**

	1986	1985
	(\$ billions)	
Expenses over revenues (current period results on accrual basis) .....	223.8	247.9
<b>Deduct:</b>		
Other accrual adjustments .....	90.2	133.8
Increase in actuarial liabilities for pension, retirement, and disability plans ..	14.2	8.1
Depreciation .....	34.9	40.4
<b>Add:</b>		
Capital outlays .....	124.6	117.8
Net loan disbursements .....	11.2	28.0
Seigniorage .....	0.4	0.5
Reported budget outlays over receipts (cash basis) .....	220.7	211.9

**United States Government Consolidated Statement  
of Changes in Financial Position  
for the Year Ended September 30, 1986**

(\$ billions)

<b>Uses of funds:</b>	
Excess of expenses over revenues .....	223.8
Charges not requiring cash in current period:	
Depreciation .....	-34.9
Provision for accrued pension, retirement, and disability plans .....	-14.2
Increase in liabilities .....	-34.2
Cash used in operations .....	140.5
Purchase of property and equipment .....	195.2
Increase in receivables .....	19.8
Increase in other assets .....	81.2
Total uses of funds .....	436.7
<b>Sources of funds:</b>	
Borrowing from the public .....	241.8
Sale of property and equipment .....	206.3
Decrease in inventories .....	15.2
Total sources of funds .....	463.3
Decrease in cash and monetary reserves .....	-26.6
Cash and monetary reserves at beginning of year .....	64.6
Cash and monetary reserves at end of year .....	91.2

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The accompanying notes are an integral part of this statement.



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**Notes to Financial  
Statements**

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# Notes to Financial Statements

## 1. Summary of general accounting policies

Principal financial statements.—These consist of a Statement of Financial Position, a Statement of Operations, and a Statement of Changes in Financial Position. Because of their developmental nature, only the most significant changes are disclosed in the Notes.

Principles of consolidation.—The statements include the accounts of all significant agencies and funds included in the budget of the U.S. Government. All former off-budget agencies are now presented on-budget. The Federal old-age and survivors insurance and the Federal disability insurance trust funds, now classified as off-budget, have been included in the statements because they are clearly within the scope of Government operations. Government-sponsored enterprises such as the Federal land banks are excluded because they are privately owned. Significant intragovernmental transactions of an identifiable nature were eliminated in consolidation.

Fiscal year.—The fiscal year of the U.S. Government ends on September 30.

Reclassification and adjustment.—For comparability, certain fiscal 1985 data are reclassified where appropriate to conform to the financial statement presentation for fiscal 1986.

Change in sources.—The fiscal 1986 Statement of Financial Position has been compiled from agency reports submitted in response to I TFM 2-4100, Federal Agencies' Financial Reports. Selected amounts from the Treasury general ledger have been added. In prior years, separate sources and estimates of missing amounts were used in preparing the statements. The Notes to Financial Statements disclose changes in data and sources as well as necessary estimates for the Statement of Financial Position. The Statement of Operations and Statement of Changes in Financial Position have been calculated as in prior years.

## 2. Other monetary assets

	Sept. 30, 1986	Sept. 30, 1985
(\$ billions)		
Gold (monetized at the statutory price of \$42.22 per ounce) . . . . .	11.1	11.1
Special drawing rights . . . . .	8.3	6.8
U.S. reserve position in the International Monetary Fund . . . . .	11.9	11.7
Accountability for cash and other assets held outside the Treasury . . . . .	9.4	7.3
Convertible foreign currencies (at market value) . . . . .	16.8	8.7
Other U.S. Treasury monetary assets . . . . .	1.8	1.3
Nonpurchased foreign currencies . . . . .	0.5	0.6
	59.8	47.5

## 3. Accounts receivable

All receivables are reported net of reported allowances for losses. Totals reported by the Internal Revenue Service for delinquent taxes receivable for fiscal 1986 and 1985 were \$37.7 billion and \$36.1 billion, respectively. An amount for corporate taxes receivable was not available for fiscal 1986. The amount included in fiscal 1985 was \$3.7 billion.

A change in sources for accounts receivable from the Report on Accounts and Loans Receivable Due From the Public to the Report on Financial Position has created the following differences in the totals for fiscal 1986 and 1985. Other receivables, not included in fiscal 1985 totals, have been reclassified by the agencies into accounts or loans receivable totals. Total other receivables and allowances for losses for fiscal 1985 were \$18.4 billion and \$3.6 billion, respectively.

The fiscal 1985 accounts receivable amount has been restated to reflect the elimination of \$30.8 billion of receivables due from Government agencies.

The allowances for losses have been recorded as reported by the agencies. They are presumed to be understated and are under study.

#### 4. Inventories

	Sept. 30, 1986	Sept. 30, 1985
	(\$ billions)	
Operating consumables . . . . .	121.0	98.4
Product or service components . . . . .	19.4	84.6
Stockpiled materials . . . . .	43.1	17.5
Other . . . . .	<u>1.8</u>	<u>—</u>
	<u>185.3</u>	<u>200.5</u>

Product or service components contain amounts reported in goods-for-sale, work-in-process, and raw materials in prior years. Agencies have reported inventory totals net of allowance accounts, where appropriate.

The inventory accounts do not include the weapons stockpile because the extent of this inventory is classified. Totals for the Department of Defense for fiscal 1986 and 1985 were \$140.7 billion and \$129.9 billion, respectively.

Agencies disclosed their costing method for inventory totals. The first-in-first-out valuation method was used more often than moving or weighted averages or last-in-first-out valuations. Several agencies reported estimated inventory amounts.

Few agencies reported restrictions on the use of their inventories. Of those reporting restrictions, most indicated that use was limited to agency operations or program activities.

#### 5. Investments

The amount for fiscal 1986 represents agency investments in non-Federal securities and other investments and is reported net of applicable premiums, discounts, and allowances for losses.

The reporting distinction allowing the identification of non-Federal investments was not available in fiscal 1985.

#### 6. Loans receivable

All receivables are reported net of reported allowances for losses. The allowances for losses have been recorded as reported by the agencies. They are presumed to be understated and are under study.

A change in sources for loans receivable from the Report on Accounts and Loans Receivable Due From the Public to the Report on Financial Position has created the following differences in the totals for fiscal 1986 and 1985. Other receivables, not included in fiscal 1985 totals, have been reclassified by the agencies into accounts or loans receivable totals. Total other receivables and allowances for losses for fiscal 1985 were \$18.4 billion and \$3.6 billion, respectively.

Loans receivable due from Federal agencies were reported separately in fiscal 1986 reports and have been eliminated from the total. Loans receivable of \$153.5 billion reported by the Federal Financing Bank were eliminated from the fiscal 1985 amount. Other loans receivable due from Federal agencies which were unable to be identified are presumed to be included in the fiscal 1985 amount.

## 7. Property, plant and equipment

	Sept. 30, 1986	Sept. 30, 1985
	(\$ billions)	
Structures, facilities and leasehold improvements .....	143.8	156.7
Military equipment .....	313.3	352.4
Equipment .....	57.5	93.7
Construction in progress .....	41.8	38.2
Land .....	10.5	13.5
Other .....	<u>14.2</u>	<u>3.8</u>
	<u>581.1</u>	<u>658.3</u>

Other assets include ADP software, assets under capital lease, and other unidentified assets. The amounts shown for fiscal 1986 are net of depreciation recorded by the agencies.

Land is valued at the cost paid by the Government. The land acquired through donation, exchange, bequest, forfeiture, or judicial process is estimated at amounts the Government would have paid if purchased at the date of acquisition.

Pending the study of valuation methods, the Outer Continental Shelf and other offshore lands and more than 662 million acres of public domain land have not been included. In prior years, the Department of the Interior reported an estimated value of \$4.3 billion for public domain lands although these lands have no recorded cost. Interior believes that any estimate of the value of these lands would be highly subjective and unreliable because there is no feasible method available for reasonably estimating their current value.

Depreciation accounting is encouraged for all Federal functions and activities. Meanwhile, only business-type operations such as revolving and industrial funds and activities which recover costs from reimbursements or user charges are required to report depreciation on their financial statements.

The accumulated depreciation shown in the Statement of Financial Position is estimated using the straight-line method applied to the total of reported depreciable assets. The useful lives applied to each classification of asset are:

Buildings, structures and facilities .....	50 years
Ships and service craft .....	30 years
Industrial plant equipment .....	20 years
All other depreciable assets .....	10 years

The amount of accumulated depreciation reported by Federal agencies in their financial statements for fiscal 1986 and 1985 were \$22.7 billion and \$32.7 billion, respectively. The straight-line depreciation method was selected more often for all classifications of assets.

Most agencies reported the valuation basis for fixed assets was cost. Capitalization policies varied greatly with thresholds of \$5,000 and \$1,000 selected most often.

Agencies provided information about the range of service life assigned to asset categories. The majority of agencies assigned a range of 3-5 years or 6-10 years to ADP software. The ranges selected most often for equipment were 6-10 years followed by 3-5 years. Agencies reported the greatest diversity in their selection of ranges for structures and facilities with an equal distribution among the ranges of 6-10 years, 16-20 years, and greater than 25 years.

Agencies provided the following information about property not subject to depreciation:

	(\$ billions)
Fully depreciated assets .....	260.8
Nondepreciable assets .....	19.9
Value of property not in use .....	1.7

## 8. Other assets

Agencies reported amounts in other assets which were not included in any previous asset classification. Identification of the type of assets included in this category support the presumption that this amount is overstated by amounts which should be reclassified to other asset categories such as receivables, advances, and property, plant and equipment.

Much work remains to be done to encourage proper reporting in this category for fiscal 1987. While deferred charges or prepaid expenses were classified correctly by many agencies, other items identified as notes or noncurrent receivables, seized or acquired property, and materials and supplies need to be reviewed.

Miscellaneous asset accounts from the Treasury general ledger have been added to this category.

## 9. Debt issued under borrowing authority

The amount of Federal debt outstanding is reported net of unamortized premiums and discounts. The amounts reported for fiscal years 1986 and 1985 reflect a reduction for intragovernmental holdings of \$383.9 billion and \$318.1 billion, respectively.

Agencies also reported \$8.8 billion of other debt which is included in the fiscal 1986 amount. Amounts in this account have not been reviewed to reclassify any possible intragovernmental transactions.

## 10. Actuarial liabilities.

The accounting for accrued pension, retirement, and disability plans is subject to several different assumptions, definitions, and methods of calculation. Each of the major plans is summarized below.

	Sept. 30, 1986	Sept. 30, 1985
	(\$ billions)	
Military personnel .....	440.6	440.6
Civilian employees .....	563.0	563.0
Veterans compensation .....	185.3	184.5
Federal employees compensation .....	12.7	11.9
Other pension plans .....	31.3	18.7
	<u>1,232.9</u>	<u>1,218.7</u>

Military personnel and civilian employees: The liabilities under these two plans represent a major portion of the total unfunded liability which is to be reported under Public Law 95-595. The accrued pension liabilities at September 30 represent the actuarial present value of the accumulated plan benefits and have been calculated in accordance with instructions developed jointly by the General Accounting Office and the Office of Management and Budget under the provisions of Public Law 95-595.

The actuarial liabilities as of September 30, 1986, were not reported for either plan. September 30, 1985, amounts have been used for fiscal 1986 also. In the past, estimates were inserted when the Department of Defense and the Office of Personnel Management did not provide current calculations of the actuarial liability. Because both agencies reported prior-year amounts in their fiscal 1986 reports, these amounts have not been replaced with Treasury estimates.

Veterans compensation: This amount represents the value of projected annual benefit payments. The amount is calculated by projecting for a 20-year period the 7-year estimates of total cases and estimated pension and compensation costs provided by the Veterans Administration.

In financial statements prepared by the Veterans Administration, an estimated future liability for compensation and pension benefits of \$142.5 billion was disclosed in the notes. This calculation was actuarially computed but excluded certain demographic assumptions which will be used in future computations. No final decision has been made as to how this future liability will be presented in the agency's financial statements.

Federal employees compensation: This amount represents the estimated future costs for approved Federal Employees Compensation Act cases.

Other pension plans: Other annual pension reports received from plans covered by Public Law 95-595 are reported in the same manner as military personnel and civilian employees described above.

#### 11. Other liabilities

Agencies reported amounts in other liabilities which were not included in any previous liability classification. Contingent liabilities for guarantee and insurance programs, formerly a separate account in the Statement of Financial Position, is included in this account.

Miscellaneous liability accounts from the Treasury general ledger have been added to this category.

Amounts contained in other liabilities will be reviewed to encourage full disclosure and correct classification for fiscal 1987 reporting.

#### 12. Accumulated position

	Sept. 30, 1986	Sept. 30, 1985
	(\$ billions)	
Accumulated position beginning of period . . . .	2,075.8	1,827.9
Current period results . . . . .	<u>223.8</u>	<u>247.9</u>
Accumulated position end of period . . . . .	<u>2,299.6</u>	<u>2,075.8</u>

Current period results for fiscal 1986 does not include the increase in the accrued actuarial liability for the military personnel and civilian employees pension plans. Current period expense for both plans is included.

### 13. Leases

Federal agencies were required to provide financial information about lease commitments for the first time in fiscal 1986. Several agencies noted they were not yet able to accumulate lease information from their accounting systems or report estimated amounts. The majority of leases were identified as building and office space rental. The amounts reported are summarized below:

	Operating leases	Capital leases
	(\$ billions)	
Lease costs where the agency is the lessee		
Year 1 .....	4.1	1.9
Year 2 .....	2.8	*
Year 3 .....	2.6	*
Year 4 .....	2.5	*
Year 5 .....	2.6	*
Beyond 5 years .....	7.5	0.9
	<u>22.1</u>	<u>2.9</u>
Lease revenues where the agency is the lessor		
Year 1 .....	*	*
Year 2 .....	*	*
Year 3 .....	*	*
Year 4 .....	*	*
Year 5 .....	*	*
Beyond 5 years .....	0.2	—
	<u>0.3</u>	<u>*</u>

\*Less than \$50 million.

The current and long-term portions of lease costs are included in accounts payable and other liabilities, respectively. The lease revenues are included in the current and noncurrent portions of accounts receivable. The information reported does not allow intragovernmental leasing transactions to be eliminated in consolidation.

### 14. Social security

In prior years, liability equalling the amortized portion of the unfunded liability for the social security program was included on the Statement of Financial Position. The unfunded liability is determined annually and the change is amortized over a 30 year period. As of September 30, 1986, the unfunded liability for social security was \$5,393.5 billion of which \$2,232.6 billion was recorded through amortization. The amounts for September 30, 1985, were \$4,647.4 billion and \$2,059.8 billion, respectively. The liability represents the present value of the projected excess of future benefit payments to present participants over the contributions still to be made by the same group and their employers for the next 75 years. This liability has been reclassified as a contingent liability and may be found in the supplemental table, Commitments and Contingencies.

The Congress and the trustees of the funds prepare estimates based on a different financing method they regard as more appropriate for social insurance programs. The actuarial amounts below are calculated on the assumption that future young workers will be covered by the program as they enter the labor force.

	Sept. 30, 1986	Sept. 30, 1985
	(\$ billions)	
Actuarial liabilities .....	14,468.0	12,328.9
Actuarial assets .....	<u>14,125.4</u>	<u>12,060.1</u>
Actuarial surplus or deficit (-) .....	<u>-342.6</u>	<u>-268.8</u>

## 15. Contingencies

Several Government agencies insure businesses and individuals against various types of risks. The amount of insurance coverage in force, representing the maximum risk exposure to the Government, is \$2,988.2 billion as of September 30, 1986.

The Government also guarantees loans by non-Government enterprises to businesses and individuals. These guarantees become liabilities of the Government only when it is required to honor its guarantees. Loan guarantees in force at September 30, 1986, are \$831.5 billion.



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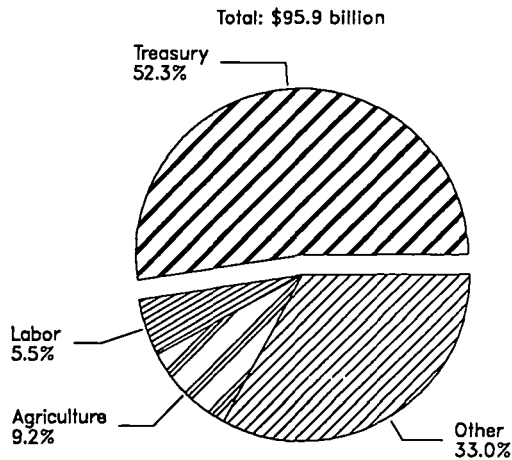
**Supplemental  
Tables**

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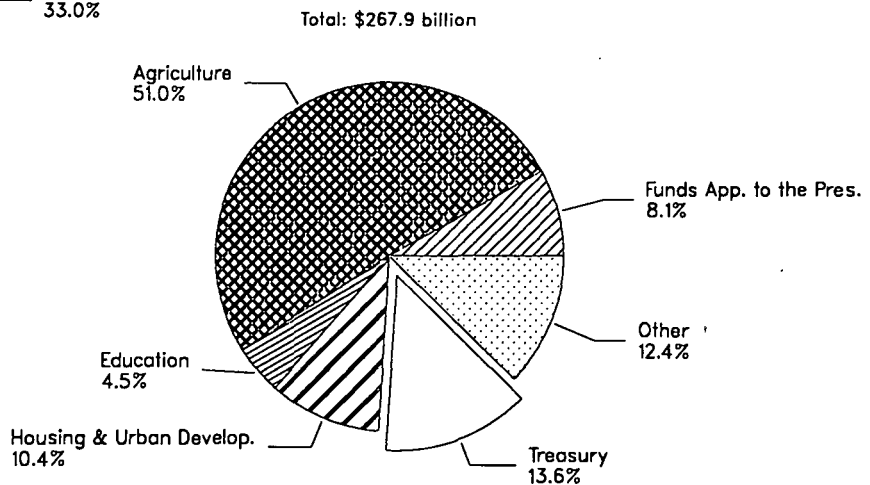
## SUMMARY OF ACCOUNTS AND LOANS RECEIVABLE DUE FROM THE PUBLIC

Total accounts receivable amounted to \$95.9 billion in FY 1986, an increase of \$0.3 billion over FY 1985. Total loans receivable amounted to \$267.9 billion in FY 1986, a decrease of \$20.2 billion from FY 1985. Graphically depicted below are summaries by agency of accounts and loans receivable data. Treasury accounts receivable includes IRS, 49.6 percent.

### ACCOUNTS RECEIVABLE



### LOANS RECEIVABLE



The Debt Collection Act of 1982 (31 U.S.C. 3719) requires the Director of the Office of Management and Budget, in consultation with the Secretary of the Treasury and the Comptroller General of the United States, to establish regulations requiring each agency with outstanding debts to prepare and transmit to OMB and the Treasury a report which summarizes the status of accounts and loans receivable managed by each agency. These receivables result from a wide range of Federal activities including tax assessments; sale of Government services such as satellite launchings; sale of Government goods such as natural resources from Federal lands; overpayments to annuitants; and various loan programs such as student and housing loans. The data in the reports will enable the Federal Government to improve collection activity.

The amounts in the graphs and the following tables do not agree with the totals reported in the Statement of Financial Position due to different sources. These amounts have been summarized from the Report on Accounts and Loans Receivable Due from the Public. This schedule reflects all receivables reported by Federal agencies including other and off-budget receivables. The distinction allowing identification and elimination of Federal transactions from this source was not available.

## Accounts and Loans Receivable by Agency

(\$ billions)

	Accounts receivable		Loans receivable	
	1986	1985	1986	1985
Legislative branch .....	*	*	—	—
Executive branch				
Funds appropriated to the President .....	1.4	1.1	21.7	20.9
Departments				
Agriculture .....	8.8	7.9	136.5	24.9
Commerce .....	0.1	0.2	0.8	0.9
Defense .....	1.3	1.3	*	*
Education .....	0.7	0.8	12.1	11.1
Energy .....	2.1	3.0	*	*
Health and Human Services .....	2.8	3.0	0.6	0.6
Housing and Urban Development .....	3.0	1.8	27.9	27.3
Interior .....	1.9	1.7	0.5	0.6
Justice .....	0.4	0.3	—	—
Labor .....	5.3	6.9	*	*
State .....	*	*	*	*
Transportation .....	0.7	0.7	3.0	2.2
Treasury .....	50.2	44.9	36.5	3.2
Veterans Administration .....	1.9	1.8	2.5	2.7
Other independent agencies .....	15.3	13.9	25.8	28.6
Off-budget agencies .....	—	6.3	—	165.1
Gross receivables .....	<u>95.9</u>	<u>95.6</u>	<u>267.9</u>	<u>288.1</u>
Less taxes receivable, allowances, and intragovernmental transfers .....	-27.3	-31.6	-123.3	-148.5
Net receivables due from the public .....	<u>68.6</u>	<u>64.0</u>	<u>144.6</u>	<u>139.6</u>

### Summary of Gross Accounts and Loans Receivable

	Accounts receivable	Percent of total	Loans receivable	Percent of total
Beginning balance, September 30, 1985 .....	90.9	94.8	257.1	96.0
New receivables .....	83.0	86.6	46.8	17.5
Repayments and reclassifications .....	-75.9	-79.1	-34.7	-13.0
Amounts written off .....	-2.1	-2.3	-1.3	-0.5
Ending balance September 30, 1986 .....	<u>95.9</u>	<u>100.0</u>	<u>267.9</u>	<u>100.0</u>

### Aging Schedule of Accounts and Loans Receivable as of September 30, 1986

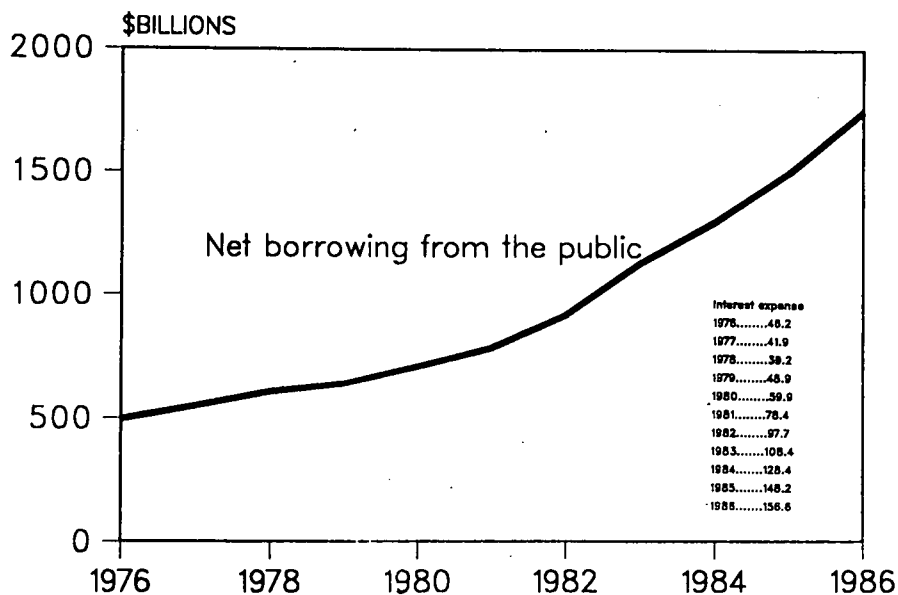
	Accounts receivable	Percent of total	Loans receivable	Percent of total
Not delinquent .....	<u>16.5</u>	<u>17.2</u>	<u>28.2</u>	<u>10.5</u>
Delinquent				
1-30 days .....	5.0	5.3	0.2	0.1
31-60 days .....	2.8	2.9	0.2	0.1
61-90 days .....	2.9	3.0	0.3	0.1
91-180 days .....	7.0	7.3	0.8	0.3
181-360 days .....	7.9	8.2	2.8	1.0
Over 360 days .....	27.4	28.6	10.9	4.1
Total delinquent .....	<u>53.0</u>	<u>55.3</u>	<u>15.2</u>	<u>5.7</u>
Noncurrent receivables .....	26.4	27.5	224.5	83.8
Total gross receivables .....	<u>95.9</u>	<u>100.0</u>	<u>267.9</u>	<u>100.0</u>

\* Less than \$50 million.

## FEDERAL DEBT

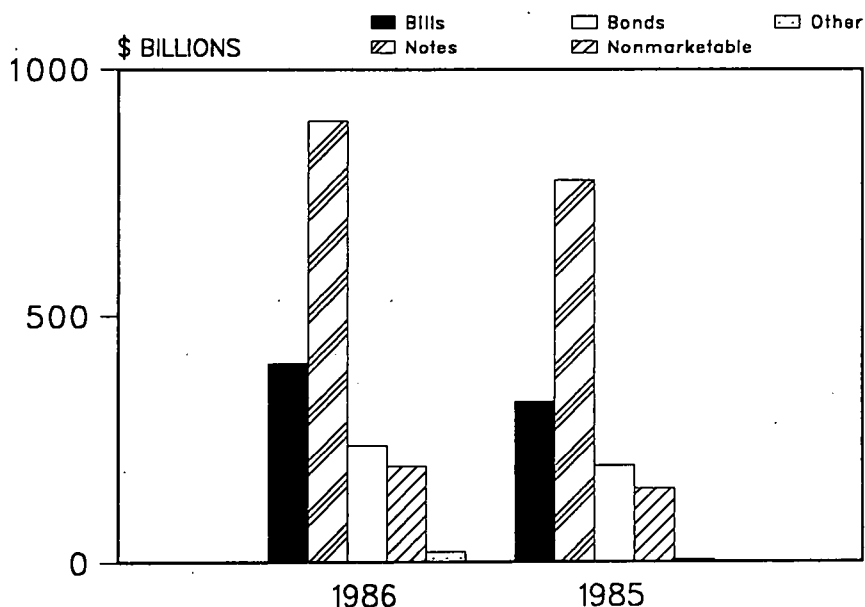
Total net borrowing from the public amounted to \$1,749.1 billion in FY 1986, an increase of \$250.3 billion from FY 1985. This chart has been presented to graphically show the increase in net borrowing from the public.

### NET BORROWING FROM THE PUBLIC WITH INTEREST EXPENSE, FY 1976-86



The Federal Debt schedule which follows reflects information on the borrowing of the Federal Government needed to finance the Government's operations. This schedule supports the balance sheet caption, "Debt issued under borrowing authority," which is shown net of intragovernmental holdings and unamortized premium or discount. Intragovernmental holdings represent that portion of the total Federal debt held by Federal entities, including the major trust funds. The distribution of 1986 net borrowing from the public by major source category is graphically depicted.

### NET BORROWING BY MAJOR SOURCE CATEGORY



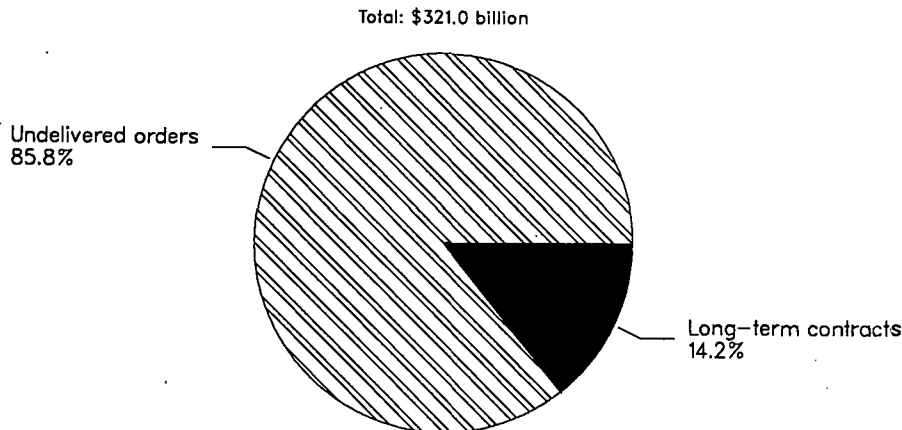
## Federal Debt as of September 30, 1986

	Average interest rate (percent)	Total debt	
		1986	1985
		(\$ billions)	
<b>Marketable</b>			
Bills .....	6.324	403.4	375.6
Notes .....	10.034	894.8	774.8
Bonds .....	10.639	236.9	194.5
	<u>8.999</u>	<u>1,535.1</u>	<u>1,344.9</u>
<b>Nonmarketable</b>			
Foreign government series .....	7.683	4.1	6.6
Government account series .....	6.958	0.8	0.9
U.S. savings bonds .....	7.268	85.6	77.0
Other .....	5.794	102.8	64.2
	<u>6.925</u>	<u>193.3</u>	<u>148.7</u>
<b>Other</b>			
Agency series .....	6.212	3.1	3.2
Other .....	11.906	17.6	2.0
	<u>9.074</u>	<u>20.7</u>	<u>5.2</u>
<b>Net borrowing from the public</b>			
Current period .....		1,749.1	1,498.8
Prior period .....		1,498.8	1,299.5
Net increase .....		<u>250.3</u>	<u>199.3</u>

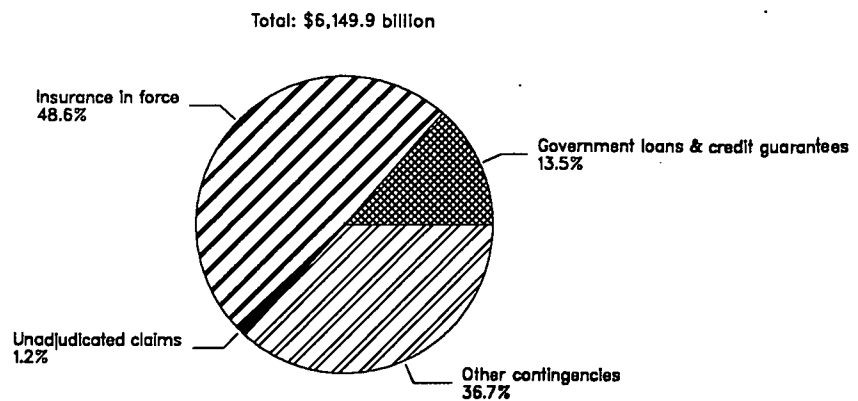
## COMMITMENTS AND CONTINGENCIES

In FY 1986, total commitments amounted to \$321.0 billion and total contingencies amounted to \$6,149.9 billion. The charts below show the percentage distribution of 1986 commitments and contingencies by source category. Other contingencies include social security benefits, 36.3 percent.

### COMMITMENTS



### CONTINGENT LIABILITIES



The table that follows shows two basic types of information: the maximum potential liabilities (commitments) and the anticipated liabilities (contingencies) which it is reasonably certain, based on experience and other factors, will occur. The anticipated liabilities are the equivalent to allowances for losses.

A commitment represents an obligation to pay for goods or services upon delivery under a contractual arrangement. Commitments shown in the table are represented by long-term contracts for which appropriations have not yet been provided by the Congress, and undelivered orders represent obligations of currently available appropriations.

A contingency represents a possible exposure to a liability depending upon the outcome of uncertain future events or circumstances. Contingencies are stated in terms of the maximum risk exposure without regard to existing contingent assets which would be available to offset potential losses. The actuarial liability for future social security benefits, previously disclosed on the balance sheet, has been included with other contingencies because the probability that these payments will be continued is high. "Contingent liabilities" represents the anticipated liability and is included in the balance sheet item "Other liabilities."

**Commitments and Contingencies of the United States Government  
as of September 30, 1986**  
(\$ billions)

		<b>Amounts outstanding</b>
<b>Commitments</b>		
Long-term contracts		
Defense .....		6.3
General Services Administration .....		2.6
Tennessee Valley Authority .....		7.2
Energy .....		27.9
Other .....		1.7
Subtotal .....		45.7
<b>Undelivered orders</b>		
Funds appropriated to the President .....		26.0
Defense .....		158.4
Health and Human Services .....		11.5
Housing and Urban Development .....		7.7
Transportation .....		25.4
Other agencies .....		46.3
Subtotal .....		275.3
Total commitments .....		321.0
	<b>Contingent liability (Max. risk exposure)</b>	<b>Contingent liabilities</b>
<b>Contingencies</b>		
Government loan and credit guarantees		
Housing .....	552.9	—
Farm ownership and rural development .....	72.8	0.1
Veterans benefits .....	63.5	—
Education .....	47.1	—
Other .....	95.2	0.4
Subtotal .....	831.5	0.5
Insurance in force		
Federal Deposit Insurance Corporation .....	1,526.2	6.3
Federal Savings and Loan Insurance Corp .....	873.0	—
Federal Emergency Management Agency .....	148.5	—
Nuclear Regulatory Commission .....	72.5	*
National Credit Union Administration .....	130.7	—
Transportation .....	174.9	—
Other .....	62.4	0.6
Subtotal .....	2,988.2	6.9
Unadjudicated claims		
Energy .....	13.6	—
Transportation .....	40.9	—
Other .....	17.3	—
Subtotal .....	71.8	—
Other contingencies		
Veterans benefits .....	13.8	—
Social security benefits .....	2,232.6	—
Other .....	12.0	—
Subtotal .....	2,258.4	—
Total contingencies .....	6,149.9	—
Total contingent liabilities .....		7.4

\* Less than \$50 million.

# USER SURVEY

## Consolidated Financial Statements

The Department of the Treasury maintains an interest in seeing that user needs are responsibly addressed as it periodically evaluates the content and form of the CFS. Your answers to the following questions will provide valuable information which could be the impetus for future data enhancements.

So that we can begin our analysis of user response quickly, we are asking that you return the survey to us by September 30, if possible, or at your earliest convenience. Please fold and staple the completed survey so that our mailing address is showing.

The Treasury acknowledges with appreciation the use of some survey questions developed by Barbara Smith, Ph.D., University of San Francisco.

Thank you for your participation.

	Agree	Neutral	Disagree
Please circle the appropriate response:			
1. The broad overview of the CFS gives additional perspective to information contained in other Treasury reports.	1	2	3
2. The CFS' approach is overly simplistic and provides little worthwhile information.	1	2	3
3. The CFS points out areas of concern and is a starting point for further analysis of issues.	1	2	3
4. The CFS provides worthwhile information to citizens so that they may contribute to the decisionmaking process through their elected representatives.	1	2	3
5. The charts and graphs contribute to greater understanding of the CFS.	1	2	3
The CFS is—			
6. Easily understood.	1	2	3
7. Timely.	1	2	3
8. Relevant.	1	2	3
9. Unbiased toward any specific viewpoint or conclusion.	1	2	3
10. The CFS would be more useful if it were audited by the GAO.	1	2	3
	<b>Too much</b>	<b>Just right</b>	<b>Too little</b>
The amount of information provided in the following sections is:			
11. Statement of Financial Position.	1	2	3
12. Statement of Operations.	1	2	3
13. Statement of Receipts and Outlays and Reconciliation of Accrual Operating Results to the Cash Basis Budget.	1	2	3
14. Statement of Changes in Financial Position.	1	2	3
15. Notes to Financial Statements.	1	2	3
16. Supplemental tables.	1	2	3
Please circle the appropriate answer:			
17. My primary interest in the CFS is—	18. My work may be classified as		
a. General interest.	a. Federal Government.		
b. Classroom discussion.	b. State or local government.		
c. Starting point for further research.	c. Academia.		
d. Basis for input to elected officials.	d. Public accounting.		
e. Other (please specify).	e. Industry.		
	f. News media.		
	g. Finance/banking.		
	h. Other (please specify).		
19. Approximately how many people in your organization use the CFS?			
a. None	b. 1-2	c. 3-5	d. 6-10
			e. More than 10



(FOLD HERE)

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**Department of the Treasury  
Financial Management Service  
Financial Reports Branch  
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