

UNITED STATES
GOVERNMENT

A **ANNUAL**
R **REPORT**

FISCAL YEAR 1998



Compiled and Published by

Department of the Treasury
Financial Management Service **fms**

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PREFACE

TREASURY PROFILE

An act of Congress, 31 U.S.C. 301, created the Department of the Treasury on September 2, 1789. Many subsequent acts influenced the development of the Department. Those acts delegated new duties and established the numerous bureaus and divisions that now compose the Department. Today, the Treasury's mission can be categorized into four basic functions: formulating and recommending economic, financial, tax and fiscal policies; serving as financial agent for the U.S. Government; enforcing the law; and manufacturing coins and currency.

FINANCIAL MANAGEMENT SERVICE

The Financial Management Service (FMS), which is a bureau of the Department of the Treasury, performs a critical role in fulfilling the Treasury's mission as the Government's financial manager. For example, FMS makes Federal payments and collections. It also maintains the Government's central accounting and reporting systems. In addition, FMS administers the Government's cash management programs, credit and debt collection activities, and various other financial services.

In its role as Federal financial agent, FMS publishes this "Annual Report of the U.S. Government." This report presents an overview of the Government's cash basis financial position and results of operations. It summarizes selected data maintained in the central accounts. Data provided by Federal entities, disbursing officers and the Federal Reserve Banks comprise those accounts.

The "Annual Report Appendix," available from FMS' Reports Management Division, provides details that support this document. The last page of the Annual Report contains an order form for the appendix.

LEGISLATIVE REQUIREMENT

The Constitution of the United States, Article 1, Section 9, outlines requirements for a report on the receipts and outlays of the Government. It provides, in part, that

"no money shall be drawn from the Treasury, but in consequence of appropriations made by law, and a regular Statement of Account of the Receipts and Expenditures of all public money shall be published from time to time." (Emphasis provided.) On December 31, 1791, the House of Representatives followed with a standing order that required a report on receipts and outlays of the Government annually. This was superseded by the following:

- 31 U.S.C. 331(c) provides, "On the first day of each regular session of Congress, the Secretary shall submit to Congress a report for the prior fiscal year on the total amount of public receipts and public expenditures listing receipts, when practicable, by ports, districts, and States and the expenditures by each appropriation."
- 31 U.S.C. 3513(a) provides, "The Secretary of the Treasury shall prepare reports that will inform the President, the Congress, and the public on the financial operations of the United States Government."

This Annual Report is recognized as the official publication of receipts and outlays. All other reports containing similar data must agree with it. Several major Government bodies rely on data found in the Annual Report. The Congressional Budget Office uses it to serve the needs of Congress; the Office of Management and Budget uses its data to review the President's Budget programs; the General Accounting Office uses it to perform audit activities; the various departments and agencies of the Government use it to reconcile their accounts; and the public uses it to review the operations of their Government. Other reports prepared by FMS that contain related information include: the "Daily Treasury Statement," the "Monthly Treasury Statement of Receipts and Outlays of the United States Government" and the "Treasury Bulletin."

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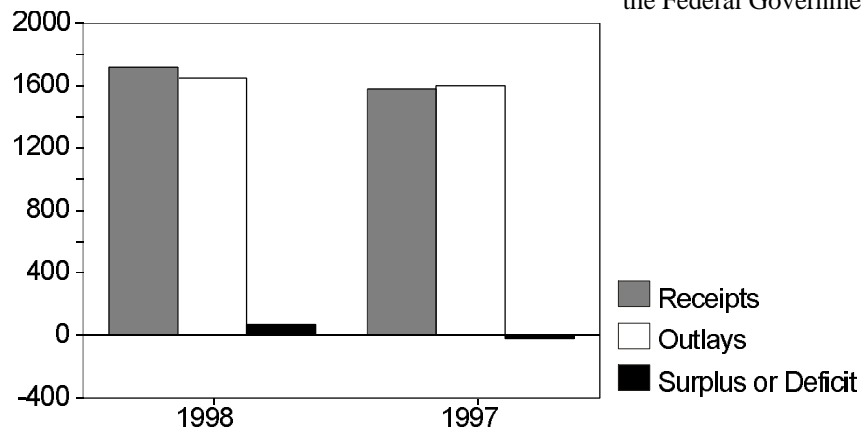
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FINANCIAL HIGHLIGHTS

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Total Receipts, Outlays and Surplus (+) or Deficit (-)

(In billions of dollars)

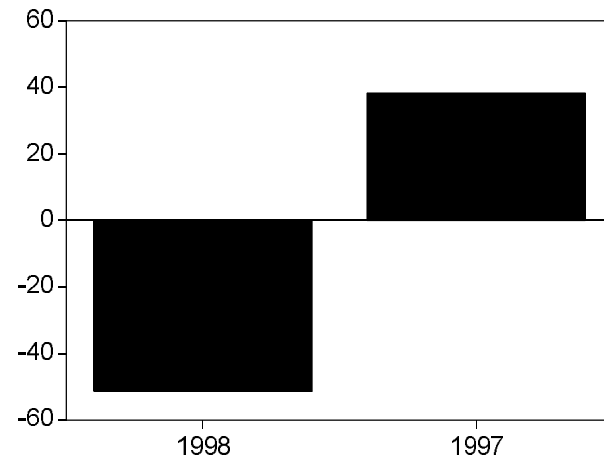


FINANCIAL HIGHLIGHTS

This report shows only those financial highlights of the U.S. Government directly related to the cash operations of the Department of the Treasury and the rest of the Federal Government.

Total Increase (+) or Decrease (-) in Borrowing from the Public

(In billions of dollars)



(In billions of dollars)

	Fiscal 1998	Fiscal 1997	Percent change
Total receipts	1,721,409	1,578,953 r	9.0
Total outlays	1,651,194	1,600,910 r	3.1
Total surplus (+) or deficit (-)	70,215	-21,957 r	219.8
Total increase (+) or decrease (-) in assets	18,128	17,849 r	1.6
Total increase (+) or decrease (-) in borrowing from the public	-51,277	38,185	-234.3
Excess of liabilities (+) or assets (-)	-70,785	21,484 r	-429.5

r = revised

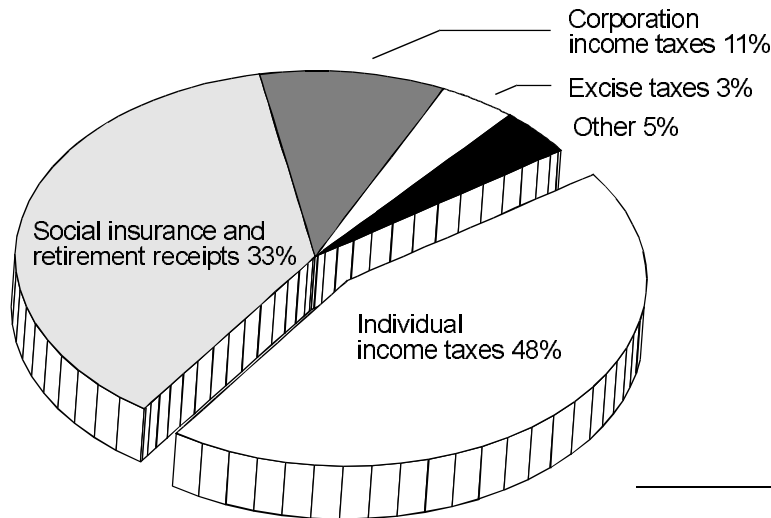
FINANCIAL REVIEW

- RECEIPTS BY SOURCE
 - OUTLAYS BY FUNCTION
 - TRUST FUND RECEIPT AND OUTLAY SUMMARY
 - REVOLVING FUND ACTIVITY BY DEPARTMENT
 - APPROPRIATIONS, OUTLAYS AND BALANCES
BY DEPARTMENT
 - FIVE-YEAR SUMMARY OF FINANCIAL HIGHLIGHTS
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RECEIPTS BY SOURCE

Total receipts increased by \$142.5, totaling \$1,721.4 billion in fiscal 1998. The graph below shows receipts by source.



The text below describes major changes in the amount of receipts by source category. The table that follows shows the amount of receipts for fiscal 1998 and 1997 by source category. It also includes the amount and percentage change from fiscal 1997.

- **Individual income taxes** were \$828.6 billion in fiscal 1998. This was an increase of \$91.1 billion, or 12.4 percent.
- **Corporation income taxes** were \$188.7 billion, a \$6.4 billion increase from fiscal 1997 to fiscal 1998.
- Receipts from the three major forms of **social insurance taxes and contributions** increased from \$539.4 billion in fiscal 1997 to \$571.8 billion in fiscal 1998. This represents an increase of \$32.5 billion, or 6.0 percent.
 - **Employment and general retirement contributions** totaled \$540.0 billion, a change of \$33.3 billion, or 6.6 percent over the prior year.
 - **Unemployment insurance** receipts were \$27.5 billion in fiscal 1998. Receipts decreased by \$718 million from fiscal 1997, which amounts to 2.5 percent.
 - **Other retirement contributions** decreased by 1.9 percent from fiscal 1997. Figures for fiscal 1998 totaled \$4.3 billion.
- **Excise tax** receipts in fiscal 1998 were \$57.7 billion, an increase of 1.3 percent from the prior year.
- **Other receipts**, including estate and gift taxes, customs duties and miscellaneous receipts increased from \$62.9 billion in fiscal 1997 to \$74.6 billion in fiscal 1998. The major components are shown below.
 - **Estate and gift tax** receipts increased by \$4.2 billion in fiscal 1998 to \$24.1 billion.
 - **Customs duties** increased by \$0.4 billion in fiscal 1998 to \$18.3 billion.
 - **Miscellaneous receipts** totaled \$32.3 billion in fiscal 1998. This represents a \$7.1 billion increase from fiscal 1997.

RECEIPTS BY SOURCE

IN MILLIONS OF DOLLARS

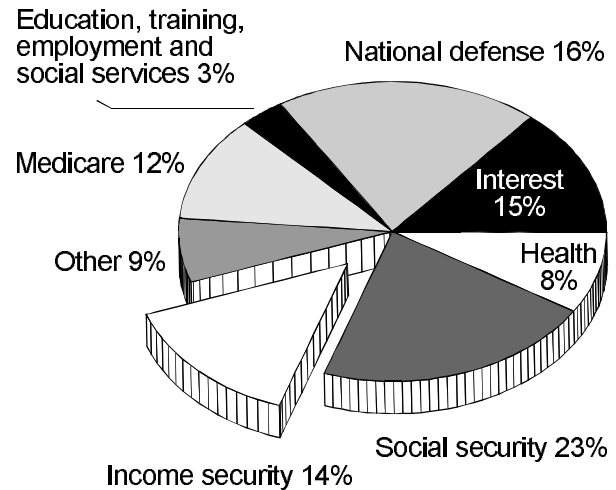
	Fiscal 1998	Fiscal 1997	Amount change from 1997	Percent change
Income taxes:				
Individual income taxes	828,587	737,466	91,121	12.4
Corporate income taxes	188,677	182,294	6,383	3.5
Total income taxes	1,017,263	919,759	97,504	10.6
Social insurance and retirement receipts:				
Employment and general retirement	540,016	506,750	33,265	6.6
Unemployment insurance	27,484	28,202	-718	-2.5
Other retirement	4,335	4,418	-83	-1.9
Total social insurance and retirement receipts	571,835	539,371	32,464	6.0
Excise taxes	57,669	56,926	743	1.3
Other:				
Estate and gift taxes	24,076	19,845	4,231	21.3
Customs duties	18,297	17,927	370	2.1
Miscellaneous receipts	32,269	25,126 r	7,143	28.4
Total other	74,642	62,898 r	11,744	18.7
Total receipts	1,721,409	1,578,953 r	142,456	9.0

Details may not add to totals due to rounding.
r = revised

Outlays occur when the Government pays its obligations, whether with cash, check or electronic funds transfer. Total outlays were \$1,651.2 billion in fiscal 1998, an increase of \$50.3 billion or 3.1 percent over the amount from fiscal 1997. The text below shows how outlays were divided in fiscal 1998. The seven largest categories of outlays are detailed below. These seven categories directly correspond to the Government's functional classification system.

The functional classification system groups Government activities—budget authority and outlays, loan guarantees and tax expenditures—into categories that reflect the national need addressed by each transaction. The system identifies 17 broad categories that address national needs. This provides a coherent and comprehensive basis for analyzing and understanding the budget. Two additional categories—interest and undistributed offsetting receipts—do not address specific national needs but are included to cover the entire budget. Under the functional classification system, each outlay is assigned to a classification that best defines its most important purpose, even though the outlay may serve more than one purpose.

OUTLAYS BY FUNCTION



The table that follows shows fiscal 1998 and fiscal 1997 outlays for each functional classification. It also shows the amount and percentage change in outlay levels between these 2 fiscal years. Changes in outlays for the largest functional classifications are briefly discussed below.

- **National defense**—This function includes those activities directly related to the defense and security of the United States. This amount encompasses Government spending for conventional forces, strategic forces, atomic energy defense activities and other defense related activities. National defense outlays for fiscal 1998 decreased by \$2.2 billion, to \$270.4 billion.
- **Education, training, employment and social services**—These programs assist citizens in developing and learning skills to expand their potential opportunities and job placement possibilities. Outlays for this function were \$52.2 billion for fiscal 1998, an increase of 1.8 percent or \$0.9 billion from fiscal 1997 outlays.
- **Health**—The Federal Government helps meet the nation's health care needs by financing and providing health care services, aiding disease prevention, and supporting research and training. Outlays for this function were \$131.0 billion in fiscal 1998. This represents an increase of \$7.6 billion over the prior fiscal year.
- **Medicare**—Through Medicare, the Federal Government contributes to the health and well being of aged and disabled Americans. Outlays for this function were \$192.8 billion in fiscal 1998. That is an increase of 1.5 percent or \$2.8 billion over fiscal 1997 outlays.
- **Income security**—Income security benefits are paid to the aged, the disabled, the unemployed and low-income families. Included within this classification are programs such as general retirement and disability, public assistance and unemployment compensation. Outlays for these benefits were \$232.9 billion in fiscal 1998—an increase of 1.0 percent, or \$2.4 billion, over the fiscal 1997 level.

● **Social security**—Through Social Security, the Federal Government contributes to the income security of aged and disabled Americans. This function's outlays were \$379.2 billion for fiscal 1998. That represents an increase of 3.8 percent or \$14.0 billion over fiscal 1997 outlays.

● **Interest**—This function includes interest paid by the Federal Government offset by interest collections from the public and interest received by Government trust funds. Net interest outlays are very sensitive to both interest rates and the amount of debt outstanding. Net interest outlays decreased in fiscal 1998 to \$243.4 billion. This is a 0.3 percent decrease from the prior fiscal year.

OUTLAYS BY FUNCTION

IN MILLIONS OF DOLLARS

	Fiscal 1998	Fiscal 1997	Change from 1997	Percent change
National defense	270,407	272,610 r	-2,202	-0.8
International affairs	13,122	15,246 r	-2,124	-13.9
General science, space and technology	19,632	18,510	1,122	6.1
Energy	1,359	1,601 r	-242	-15.1
Natural resources and environment	21,888	20,828 r	1,060	5.1
Agriculture	14,080	10,800 r	3,279	30.4
Commerce and housing credit	948	-14,647 r	15,596	106.5
Transportation	36,607	37,155 r	-548	-1.5
Community and regional development	10,439	11,715 r	-1,276	-10.9
Education, training, employment and social services	52,214	51,311 r	903	1.8
Health	131,022	123,432	7,590	6.1
Medicare	192,820	190,018 r	2,802	1.5
Income security	232,949	230,594 r	2,356	1.0
Social security	379,226	365,257	13,969	3.8
Veterans benefits and services	41,784	39,311	2,473	6.3
Administration of justice	22,645	20,264 r	2,381	11.7
General Government	13,893	12,864 r	1,029	8.0
Interest	243,351	244,014 r	-663	-0.3
Undistributed offsetting receipts	-47,194	-49,973	2,779	5.6
Total outlays	1,651,194	1,600,910 r	50,284	3.1

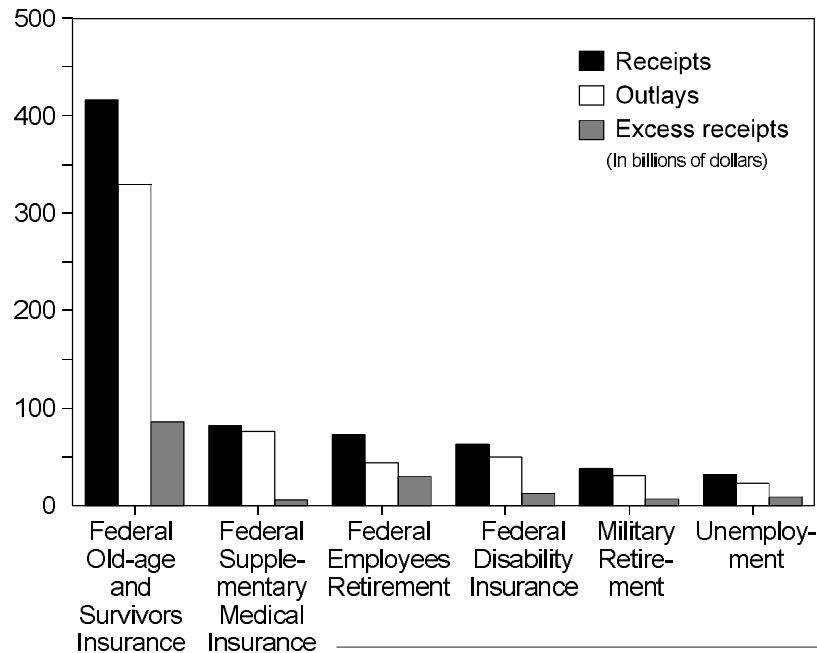
Details may not add to totals due to rounding.
r = revised

TRUST FUND RECEIPT AND OUTLAY SUMMARY

Trust fund accounts record the receipt and outlay of moneys held in trust by the Government for use in carrying out specific purposes or programs, in accordance with the terms of a trust agreement or statute. This section summarizes major trust funds and their operations for fiscal 1998. Some trust funds such as the Federal Disability Insurance Fund, the Federal Employees Retirement Fund, the Federal Old-age and Survivors Insurance Fund, the Federal Supplementary

Medical Insurance Fund, the Military Retirement Fund and the Unemployment Trust Funds accumulated excess receipts in fiscal 1998. Only those trust fund receipts derived from taxes and payroll contributions contribute to the overall level of receipts of the Federal Government. The chart presented below summarizes the operations of the major trust funds in fiscal 1998.

Trust Fund Receipt and Outlay Summary, Fiscal 1998



The table on the following page summarizes trust fund operations in fiscal 1998 and fiscal 1997. It also presents dollar changes between these 2 fiscal years. Presented below is a description of the receipts and outlays of the major trust funds for fiscal 1998.

- **Federal Old-age and Survivors Insurance Fund**—Receipts in this fund were \$415.7 billion and outlays were \$329.8 billion. Excess receipts amounted to \$85.9 billion.
- **Federal Supplementary Medical Insurance Fund**—Receipts in this fund were \$82.0 billion and outlays were \$76.3 billion—an excess of receipts of \$5.7 billion.
- **Federal Employees Retirement Fund**—Receipts of the Federal Employees Retirement Fund were \$73.4 billion. The fund's outlays were \$43.6 billion, which put excess receipts at \$29.8 billion.
- **Federal Disability Insurance Fund**—Federal Disability Insurance Fund receipts were \$63.0 billion while outlays totaled \$49.5 billion. Excess receipts for the fiscal year were \$13.5 billion.
- **Military Retirement Fund**—The Military Retirement Fund accumulated \$37.9 in receipts and \$31.1 in outlays. That put excess receipts \$6.8 billion.
- **Unemployment Trust Fund**—Receipts of the Unemployment Trust Fund were \$32.3 billion. Outlays were \$23.5 billion. Excess receipts amounted to \$8.8 billion.

TRUST FUND RECEIPT AND OUTLAY SUMMARY

IN MILLIONS OF DOLLARS

Trust fund	1998			1997			Change		
	Receipts	Outlays	Excess	Receipts	Outlays	Excess	Receipts	Outlays	Excess
Airport and airway	8,056	5,872	2,184	4,488	5,741	-1,252	3,567	131	3,436
Black lung disability	638	993	-355	617 r	995	-378 r	21	-2	23
Federal disability insurance	62,955	49,459	13,496	60,100	46,701	13,399	2,855	2,758	97
Federal employees life and health	-	-878	878	-	-366	366	-	-512	512
Federal employees retirement	73,375	43,600	29,776	71,367	42,243	29,125	2,008	1,357	651
Federal hospital insurance	138,203	137,298	905	128,548	137,884	-9,336	9,654	-586	10,241
Federal old-age and survivors insurance	415,687	329,769	85,919	386,485	318,569	67,916	29,202	11,200	18,002
Federal supplementary medical insurance	81,955	76,272	5,683	80,806	72,553	8,252	1,149	3,718	-2,569
Hazardous substance superfund	979	1,431	-452	975 r	1,433 r	-458	5	-2	6
Highway	27,715	24,480	3,235	25,310	24,518	793	2,405	-37	2,443
Military advances	14,135	14,010	125	15,128	15,096	32	-993	-1,086	93
Military retirement	37,898	31,142	6,756	38,173	30,188	7,984	-275	954	-1,229
Railroad retirement	10,443	8,396	2,046	9,270	8,326	944	1,173	70	1,102
Unemployment	32,297	23,466	8,831	32,481	24,374	8,108	-184	-907	723
Veterans life insurance	1,202	1,204	-3	1,254	1,210	45	-53	-5	-47
All other trust funds	3,823	7,026	-3,202	3,744 r	6,023 r	-2,279 r	79	1,002	-923
Total trust fund receipts and outlays	909,362	753,540	155,821	858,748 r	735,488 r	123,260 r	50,614	18,053	32,561
Total Federal fund receipts and outlays	1,114,922	1,200,528	-85,606	1,010,315	1,155,532 r	-145,217 r	104,607	44,996	59,611

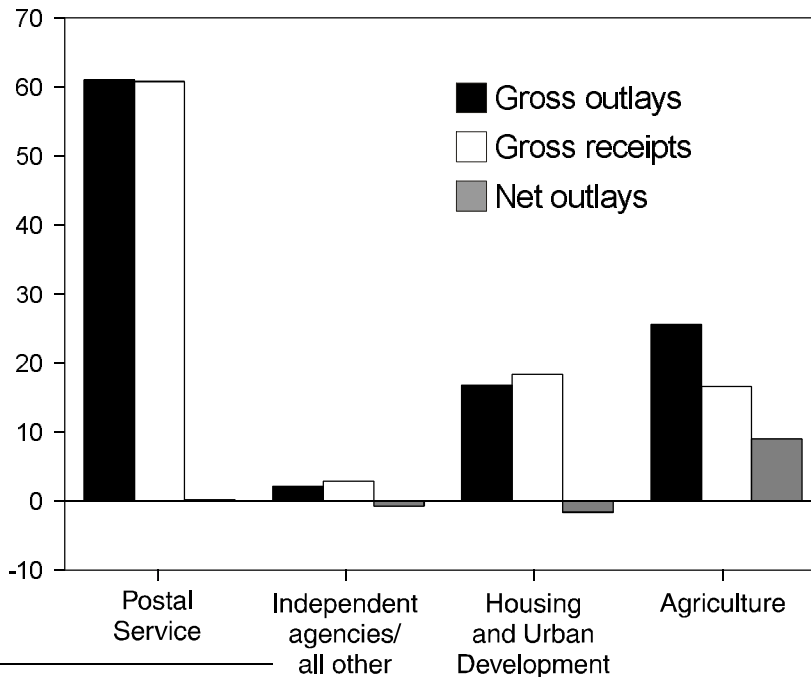
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r = revised

REVOLVING FUND ACTIVITY BY DEPARTMENT

Specific provisions of law authorize public enterprise revolving funds. These funds finance a continuing cycle of operations in which outlays generate receipts and the receipts are available for outlays without further action

by Congress. The chart below summarizes fiscal 1998 receipt and outlay activity for the departments of the Government with the largest revolving fund operations.



Revolving Fund Activity by Department, Fiscal 1998

(In billions of dollars)

Below is a summary of receipts and outlays for the major revolving funds. The table on page 18 shows revolving fund activity by department for fiscal 1998.

- **U.S. Postal Service**—In fiscal 1998, revolving funds of the U.S. Postal Service generated \$61.0 billion in gross outlays and \$60.8 billion in gross receipts.
- **Independent agencies and all others**—Net outlays of revolving funds maintained by these agencies amounted to -\$6.5 billion in fiscal 1998. This total consisted of \$12.9 billion in gross outlays and \$19.4 billion in gross receipts, and includes:
 - Export-Import Bank, which had net outlays of -\$0.9 billion.

- Federal Deposit Insurance Corporation, which had gross outlays of \$1.8 billion and gross receipts of \$6.0 billion.

- Tennessee Valley Authority, which had gross outlays of \$9.0 billion and gross receipts of \$9.8 billion.

- **Department of Housing and Urban Development**—In fiscal 1998, the gross outlays of revolving funds totaled \$16.8 billion, while gross receipts were \$18.4 billion. Net revolving fund outlays in fiscal 1998 were -\$1.6 billion.
- **Department of Agriculture**—In fiscal 1998, gross outlays of revolving funds operated by the Department of Agriculture totaled \$25.6 billion and gross receipts totaled \$16.6 billion. Net outlays were \$9.1 billion.

REVOLVING FUND ACTIVITY BY DEPARTMENT

IN MILLIONS OF DOLLARS

	Fiscal 1998 gross outlays	Fiscal 1998 gross receipts	Fiscal 1998 net outlays	Fiscal 1997 net outlays	Difference
Legislative Branch	14	16	-2	-1	-1
Departments:					
Agriculture	25,628	16,557	9,071	5,324	3,747
Commerce	53	60	-7	-20	13
Defense-Military	152	66	85	99	-14
Education	-40	96	-136	-44	-93
Energy	1,731	1,921	-189	-186	-3
Health and Human Services	35	23	12	30	-19
Housing and Urban Development	16,810	18,403	-1,593	-4,148	2,555
Interior	253	226	26	12 r	15
Labor	1,064	2,281	-1,218	-1,197	-21
Transportation	411	421	-10	-66 r	56
Treasury	727	2,054	-1,328	-997	-330
Veterans Affairs	2,464	2,516	-52	57	-108
Environmental Protection Agency	21	19	2	-3	5
Executive Office of the President	-	*	*	-	*
Federal Emergency Management Agency	313	775	-462	278	-740
General Services Administration	172	-	172	-	172
International Assistance Program	434	2,212	-1,778	-1,465 r	-313
Small Business Administration	288	678	-390	-509	119
Other independent agencies:					
Export-Import Bank	-156	724	-880	-1,034	154
Federal Deposit Insurance Corporation	1,823	5,974	-4,151	-14,182	10,031
U.S. Postal Service	60,971	60,754	217	-49	266
Tennessee Valley Authority	9,004	9,788	-784	-337	-447
All Other	2,191	2,919	-727	-464	-264
Total other independent agencies	73,834	80,160	-6,326	-16,066 r	9,740
Total revolving fund receipts and outlays	124,363	128,486	-4,123	-18,903 r	14,780

Details may not add to totals due to rounding.

r = revised

* Less than \$500,000.

APPROPRIATIONS, OUTLAYS AND BALANCES BY DEPARTMENT

IN MILLIONS OF DOLLARS

	Unobligated balances beginning of fiscal year	Appropriated and other obligational authority	Transfers, borrowings, and investments	Outlays	Balances withdrawn and other transactions	Unobligated balances end of fiscal year
Legislative Branch	1,497	r 2,602	-17	2,543	72	1,520
The Judiciary	748	3,552	-	3,463	89	740
Departments:						
Agriculture	44,961	79,158	-29,118	53,950	-3,910	33,166
Commerce	559	4,220	-	4,047	174	616
Defense-Military	53,192	r 255,878	-83	256,136	-340	51,731
Education	3,398	r 35,528	-80	30,492	4,956	4,085
Energy	10,213	16,201	-175	14,444	1,582	10,859
Health and Human Services	143,957	r 366,211	-7	350,570	15,634	148,613
Housing and Urban Development	41,668	23,105	-817	30,224	-7,936	40,005
Interior	5,942	r 8,298	-5	7,232	1,062	7,190
Justice	5,022	18,427	-2	16,162	2,263	4,863
Labor	72,300	42,109	-48	30,002	12,058	82,856
State	9,679	5,796	7	4,585	1,218	10,579
Transportation	41,371	r 48,619	-	39,465	9,154	49,198
Treasury	15,183	r 391,690	3,082	390,089	4,682	16,232
Veterans Affairs	15,141	42,781	-	41,776	1,005	15,669
Corps of Engineers ¹	3,121	4,342	35	3,833	545	4,347
Other Defense Civil Programs ¹	136,979	r 37,928	-	31,216	6,848	143,697
Environmental Protection Agency	9,054	6,655	-	6,294	360	8,291
Executive Office of the President	35	r 232	-	213	19	32
Federal Emergency Management Agency	4,314	3,069	-395	2,101	574	1,864
General Services Administration	4,038	400	-78	1,136	-813	4,247
International Assistance Program	30,580	r 21,774	-265	8,979	12,535	37,368
National Aeronautics and Space Administration	1,071	13,650	-	14,206	-557	916
National Science Foundation	76	3,475	-	3,188	287	151
Office of Personnel Management	452,114	76,433	-	46,307	30,126	471,953
Small Business Administration	996	243	-42	-78	279	744
Social Security Administration	596,631	506,093	-	408,202	97,891	693,291
Other independent agencies	75,131	r 22,382	-3,518	11,454	6,687	69,192
Total appropriations, outlays and balances	1,778,970	r 2,040,851	-31,526	1,812,230	196,542	1,914,015

Details may not add to totals due to rounding.

r = revised

* Less than \$500,000.

¹ Based on the "Budget of the United States Government, Fiscal Year 1999", this activity was transferred from the Department of Defense.

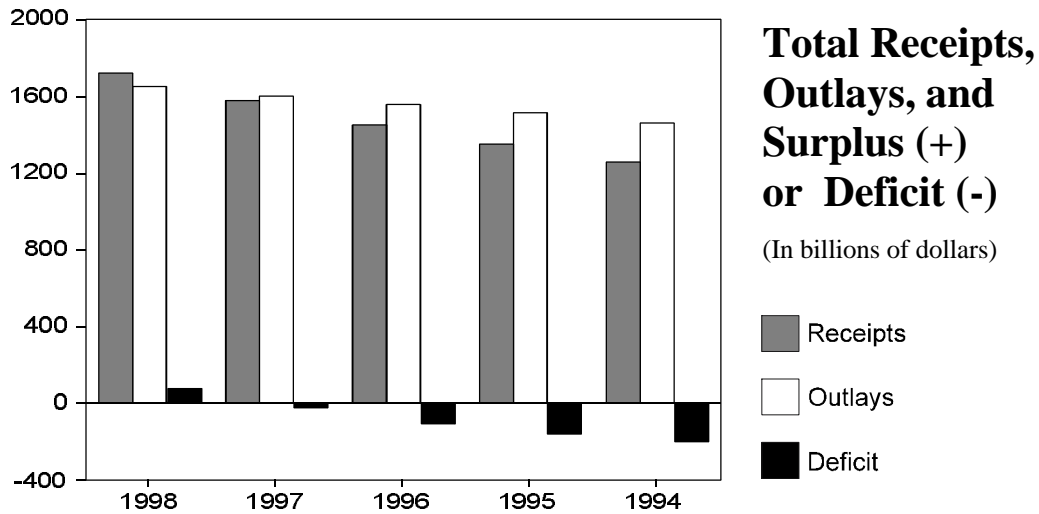
FIVE-YEAR SUMMARY OF FINANCIAL HIGHLIGHTS

IN MILLIONS OF DOLLARS

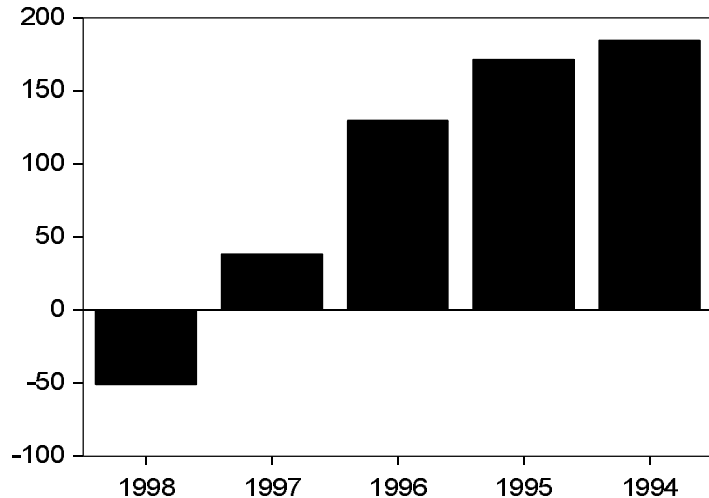
(This financial statement shows only those financial highlights of the United States Government directly related to the cash operations of the Department of the Treasury and the rest of the Federal Government.)

	Fiscal 1998	Fiscal 1997	Fiscal 1996	Fiscal 1995	Fiscal 1994
Total receipts	1,721,409	1,578,953 r	1,452,765	1,351,495	1,258,411
Total outlays	1,651,194	1,600,910 r	1,560,210	1,515,410	1,461,359
Total surplus (+) or deficit (-)	70,215	-21,957 r	-107,445	-163,916	-202,948
Total increase (+) or decrease (-) in assets	18,128	17,849 r	14,075	16,411	-15,153
Total increase (+) or decrease (-) in borrowing from the public	-51,277	38,185	129,657	171,363	184,583
Excess of liabilities (+) or assets (-) ...	-70,785	21,484 r	106,830	163,194	202,234

r = revised



Total Increase (+) or Decrease (-) in Borrowing from the Public
(In billions of dollars)



FINANCIAL STATEMENTS

- BALANCE SHEET
 - STATEMENT OF OPERATIONS
 - STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS
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BALANCE SHEET

IN MILLIONS OF DOLLARS

	September 30, 1998	September 30, 1997
Assets:		
Cash and monetary assets:		
U.S. Treasury operating cash:		
Federal reserve account	4,952	7,692
Tax and loan note accounts	33,926	35,930
Special drawing rights (SDR's):		
Total holdings	10,106	9,997
SDR certificates issued to Federal Reserve Banks	-9,200	-9,200
Monetary assets with International Monetary Fund (IMF)	21,155	14,045
Loans to the IMF	484	*
Other cash and monetary assets:		
U.S. Treasury monetary assets	87	87
Cash and other assets held outside the Treasury account	21,523	18,670 r
U.S. Treasury time deposits	4,543	4,021 r
Total cash and monetary assets	87,586	81,242 r
Loan financing accounts:		
Guaranteed loan financing	-13,391	-13,905 r
Direct loan financing	65,289	53,816 r
Miscellaneous asset accounts	-83	120 r
Total assets	139,401	121,273 r
Excess of liabilities over assets:		
Excess of liabilities over assets at beginning of fiscal year	3,713,378	3,691,894 r
Add: Total surplus (+) or deficit (-) for fiscal year	70,215	-21,957 r
Subtotal	3,643,163	3,713,850 r
Deduct: Other transactions not applied to surplus or deficit	569	472
Excess of liabilities over assets at close of fiscal year	3,642,594	3,713,378 r
Total assets and excess of liabilities over assets	3,781,994	3,834,651 r
Liabilities:		
Borrowing from the public:		
Public debt securities outstanding	5,526,194	5,413,147
Premium and discount on public debt securities	-76,849	-76,633
Total public debt securities	5,449,345	5,336,514
Agency securities outstanding	29,372	33,187
Total Federal securities	5,478,717	5,369,700
Deduct: Net Federal securities held as investments by Government accounts	1,758,853	1,598,559
Total borrowing from the public	3,719,864	3,771,141
Accrued interest payable	45,448	46,083
SDR's allocated by IMF	6,719	6,689
Deposit fund liabilities	6,041	6,800
Miscellaneous liability accounts (checks outstanding, etc.)	3,923	3,938 r
Total liabilities	3,781,994	3,834,651 r

Details may not add to totals due to rounding.

r = revised

* Less than \$500,000

STATEMENT OF OPERATIONS

IN MILLIONS OF DOLLARS

	Fiscal 1998	Fiscal 1997
Receipts:		
Individual income taxes	828,587	737,466
Corporation income taxes	188,677	182,294
Social insurance and retirement receipts:		
Employment and general retirement (off-budget)	415,800	391,989
Employment and general retirement (on-budget)	124,215	114,761
Unemployment insurance	27,484	28,202
Other retirement	4,335	4,418
Excise taxes	57,669	56,926
Estate and gift taxes	24,076	19,845
Custom duties	18,297	17,927
Miscellaneous receipts	32,269	25,126 r
Total receipts	1,721,409	1,578,953 r
Outlays:		
Legislative Branch	2,543	2,362
Judiciary	3,463	3,259
Departments:		
Agriculture	53,950	52,549 r
Commerce	4,047	3,780
Defense-Military	256,136	258,330 r
Education	30,492	30,014 r
Energy	14,444	14,470
Health and Human Services	350,570	339,541 r
Housing and Urban Development	30,224	27,525
Interior	7,232	6,721 r
Justice	16,162	14,315 r
Labor	30,002	30,461
State	4,585	5,245
Transportation	39,465	39,835 r
Treasury:		
Interest on the public debt	363,824	355,796
Other	26,265	23,549 r
Veterans Affairs	41,776	39,277
Corps of Engineers ¹	3,833	3,599
Other Defense Civil Programs ¹	31,216	30,282 r
Environmental Protection Agency	6,294	6,167
Executive Office of the President	213	219
Federal Emergency Management Agency	2,101	3,326
General Service Administration	1,136	1,083
International Assistance Program	8,979	10,128 r
National Aeronautics and Space Administration	14,206	14,358
National Science Foundation	3,188	3,131
Office of Personnel Management	46,307	45,404
Small Business Administration	-78	334
Social Security Administration	408,202	393,309
Other independent agencies	11,454	-2,489 r
Undistributed offsetting receipts:		
Interest	-113,839	-104,992
Other	-47,197	-49,978
Total outlays	1,651,194	1,600,910 r
Surplus (+) or deficit (-)	70,215	-21,957 r
Other transactions not applied to current year's surplus (+) or deficit (-):		
Seigniorage (gain on coin production)	562	465
Profit on sale of gold	7	7
Total other transactions not applied to current year's surplus (+) or deficit (-)	569	472

Details may not add to totals due to rounding.

r = revised

¹ Based on the "Budget of the United States Government, Fiscal Year 1999", this activity was transferred from the Department of Defense.

STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS

IN MILLIONS OF DOLLARS

	Fiscal 1998	Fiscal 1997
Sources:		
Surplus	70,215	-
Increases in liabilities:		
Borrowing from the public	-	38,185
Accrued interest payable to the public	-	478
Special drawing rights (SDR's) allocated by International Monetary Fund (IMF)	30	-
Miscellaneous liabilities (checks outstanding, etc.)	-	1,447 r
Decreases in assets:		
U.S. Treasury operating cash:		
Federal reserve account	2,740	8
Tax and loan note accounts	2,003	595
SDR's:		
Total holdings	-	180
Monetary assets with IMF	-	1,383
Other cash and monetary assets	-	3,166 r
Guaranteed loan financing accounts	-	143 r
Miscellaneous asset accounts	203	-
Other transactions not applied to surplus (+) or deficit (-)	569	472
Total sources	75,761	46,058 r
Applications:		
Deficit	-	21,957 r
Increases in assets:		
SDR's:		
Total holdings	108	-
SDR certificates issued to Federal Reserve Banks	-	518
Monetary assests with IMF	7,110	-
Loans to IMF	495	-
Other cash and monetary assets	3,375	-
Guaranteed loan financing accounts	514	-
Direct loan financing accounts	11,472	21,033 r
Miscellaneous asset accounts	-	1,774 r
Decreases in liabilities:		
Borrowing from the public	51,277	-
Accrued interest payable to the public	635	-
SDR's allocated by IMF	-	363
Deposit fund liabilities	760	413
Miscellaneous liabilities (checks outstanding, etc.)	15	-
Total applications	75,761	46,058 r

Details may not add to totals due to rounding.
r = revised

NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS

1. *Description of Accounts Related to Cash Operations*

The Government maintains several classes of accounts connected to its cash operations. They include:

- The accounts of fiscal officers or agents who receive money for deposit in the U.S. Treasury or other authorized disposition, or who make expenditures by drawing checks on the Treasury.
- The accounts of administrative agencies that classify receipt and outlay transactions according to the individual receipt, appropriation or fund account.
- The accounts of the Treasury, which is responsible for the receipt and custody of money deposited by fiscal officers or agents.

FMS maintains a set of central accounts used to consolidate financial data reported by the above sources. This allows FMS to publish the results of cash operations for the Government as a whole. The Government also uses this data as a means of internal control.

The central accounts related to cash operations disclose monthly and fiscal year information on:

- The Government's receipts, by principal sources, and its outlays, according to the different appropriations and other funds involved.
- Cash transactions, classified by type, together with certain directly related assets and liabilities that underlie such receipts and outlays.

The Government accounts for receipts on the basis of collections; it treats refunds of receipts as deductions from gross receipts. The Government accounts for outlays on the basis of checks issued, electronic funds transferred and cash payments made (cash basis). It treats revolving and management fund receipts and reimbursements of moneys previously expended as deductions from gross outlays. The Government recog-

nizes interest on the public debt, public issues, on the accrual basis; however, it recognizes interest on special issues on the cash basis. The structure of the accounts provides for a reconciliation, on a firm accounting basis, between the published reports of receipts and outlays for the Government as a whole and changes in the Treasury cash balance. It does that by using such factors as checks outstanding, deposits in transit and cash held outside the Treasury. Within the central accounts, the Government classifies receipt and outlay accounts as:

- General fund receipt accounts.
- Special fund receipt accounts.
- General fund expenditure accounts.
- Revolving fund accounts.
- Consolidated working fund accounts.
- Management fund accounts.
- Trust fund accounts.
- Transfer appropriation accounts.

The Annual Report Appendix describes these reports in detail.

2. *U.S. Treasury Operating Cash*

FMS uses several sources of information to determine Treasury's operating cash. The major sources include the Daily Balance Wires from the Federal Reserve Banks, reporting from the Bureau of the Public Debt, and electronic funds transfers and reconciling wires from the Internal Revenue Service Centers. The Government presents operating cash on a modified cash basis. These reports reflect deposits as they are received and withdrawals as they are processed.

3. *Special Drawing Rights (SDR's)*

The Special Drawing Rights Act of 1968, and the Bretton Woods Agreements Act of 1945, authorize the

United States to participate in the SDR Department of the International Monetary Fund. They also allow the Government to accept the resulting financial obligations of the Fund. The SDR Act provides the permanent authority for the United States to meet its financing requirements in connection with the acquisition and use of SDR's (the unit of account for fund transactions) by the issuance of SDR certificates to Federal Reserve Banks.

4. *Miscellaneous Asset Accounts*

Miscellaneous assets include gold assets and their related certificates, in the following amounts:

	Fiscal 1998	Fiscal 1997
Gold assets	\$11,044	\$11,050
Liabilities (certificates) . . .	\$11,044	\$11,050

5. *Other Transactions Not Applied to Surplusor Deficit*

Seigniorage is the difference between the value of coins as money and their cost of production. Seigniorage on coins arises from the exercise of the Government's monetary powers. It differs from receipts coming from the public because there is no corresponding payment by another party. Therefore, the Government excludes seigniorage from receipts and treats it as a means of financing a deficit or as a supplementary amount to be applied to reduce debt. It also is used to increase the cash in the Treasury during a year with a surplus.

The Government treats profit resulting from the sale of gold as a monetary asset. Gold is treated like seigniorage because the value of gold is determined by its value as a monetary asset rather than a commodity.

6. *Federal Securities Outstanding*

These consist of public debt. They include all public and agency issues outstanding.

- Public debt is that portion of the Federal debt incurred when the Treasury or the Federal Financing Bank (FFB) borrows funds directly from the public or another fund or account. To avoid double counting, the Government does not include FFB borrowing from the Treasury in the public

debt. (Public debt already includes money borrowed by Treasury and lent to the FFB.)

- Agency debt is that portion of the Federal debt incurred when a Federal agency, other than the Treasury or the FFB, is authorized by law to borrow funds directly from the public or another fund or account. To avoid double counting, the Government does not include agency borrowing from Treasury or the FFB, and Federal fund advances to trust funds in the Federal debt. (Public debt already includes money borrowed by Treasury or FFB and lent to an agency.)

7. *Deposit Fund Liabilities*

These include certain accounts established to record amounts either (a) held in suspense temporarily and later refunded or paid upon administrative or legal determination as to proper disposition, or (b) held by the Government as agent for others (for example, State and local income taxes withheld from Federal employees' salaries and payroll deductions for the purchase of savings bonds by civilian employees of the Government).

8. *Undistributed Offsetting Receipts*

These receipts are composed of the following types of payments:

- Payments to trust funds by Government agencies for their employees' retirement.
- Interest paid to trust funds on their investments in Government securities.
- Proprietary receipts from rent royalties on the Outer Continental Shelf lands.

The Government does not deduct undistributed offsetting receipts from outlays at the function, subfunction or agency levels. It does deduct them from the budget totals.

9. *Where applicable, prior year amounts have been revised to reflect realignment to the current budget of the U.S. Government.*

PRINCIPAL ADMINISTRATIVE AND STAFF OFFICERS OF THE TREASURY

Secretary of the Treasury	Robert E. Rubin
Deputy Secretary of the Treasury	Lawrence H. Summers
Under Secretary for International Affairs	VACANT
Under Secretary for Domestic Finance	VACANT
Under Secretary for Enforcement	James E. Johnson
Assistant Secretary for Financial Institutions	Richard S. Carnell
Assistant Secretary for Economic Policy	David Wilcox
Assistant Secretary for Enforcement.	Elizabeth Bresee
Fiscal Assistant Secretary	Donald V. Hammond
General Counsel	Edward S. Knight
Inspector General	David C. Williams
Assistant Secretary for International Affairs	Timothy Geithner
Assistant Secretary for Legislative Affairs and Public Liaison	Linda L. Robertson
Assistant Secretary for Management/Chief Financial Officer	Nancy Killefer
Assistant Secretary for Public Affairs	Howard M. Schloss
Assistant Secretary for Tax Policy	Donald C. Lubick
Treasurer of the United States	Mary Ellen Withrow
Acting Comptroller of the Currency.	Julie L. Williams
Commissioner of Financial Management Service	Richard L. Gregg
Commissioner of Internal Revenue Service	Charles O. Rossotti
Commissioner of Bureau of the Public Debt.	Van Zeck
Director, Office of Thrift Supervision	Ellen Seidman

ANNUAL REPORT APPENDIX ORDER FORM

Details pertaining to the information presented in this publication are contained in the U.S. Government Annual Report Appendix. The Appendix includes details of receipts, outlays, appropriations, and balances, including summary General Ledger account balances.

For a free copy of the Appendix, mail this order form to:

Financial Management Service
Reports Management Division
Budget Reports Branch, Room 518D
3700 East West Highway
Hyattsville, MD 20782

Name _____

Address _____