

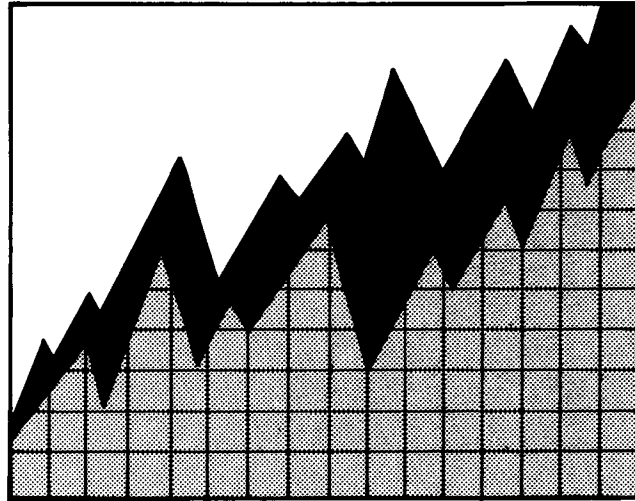


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DEPARTMENT OF THE TREASURY

UNITED STATES GOVERNMENT



ANNUAL

1986

REPORT

COMPILED BY THE
FINANCIAL MANAGEMENT
SERVICE

U.S. DEPARTMENT OF THE TREASURY

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Preface

Treasury Profile

The Treasury Department was created by an act of Congress approved on September 2, 1789, 31 U.S.C. 301. Many subsequent acts have influenced the development of the Department, delegating new duties and establishing numerous bureaus and divisions which 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 of the Department of the Treasury performs a critical role in fulfilling the Treasury's mission as financial agent of the Government. Financial Management Service promotes the financial integrity of the Government through sound money management on behalf of the public. The Financial Management Service is responsible for the Government's delivery systems for payments and collections, the central accounting and reporting systems, the Government's cash management programs and various other financial services.

In its role as financial agent for the Government, the Financial Management Service 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 that are maintained in the central accounts based on data provided by Federal entities, disbursing officers and Federal Reserve banks. Details supporting the information presented in this report are contained in the Annual Report Appendix which is available from Financial Management Service's Financial Reporting Division. An order form for the Appendix is provided as the last page of this publication.

Legislative Requirement

The requirements for the preparation of a report on the receipts and outlays of the Government originated with Article I, Section 9 of the Constitution of the United States. 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 and Account of the Receipts and Expenditures of all public money shall be published from time to time.*" (*Emphasis provided*). This requirement was followed by a standing order of the House of Representatives, dated December 31, 1791, which required an annual report on receipts and outlays of the Government. This requirement 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 with which all other reports containing similar data must be in agreement. It is used by the Congressional Budget Office in serving the needs of Congress; the Office of Management and Budget in reviewing the President's Budget programs; the General Accounting Office in performing its audit activities; the various departments and agencies of the Government in reconciling their accounts; and the general public in continually reviewing the operations of their Government. Other reports prepared by the Department of the Treasury that contain related information include: The Daily Treasury Statement; Monthly Treasury Statement of Receipts and Outlays of the United States Government; and the Treasury Bulletin.

SECRETARY'S LETTER



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

December 18, 1986

To: The President of the Senate
Speaker of the House of Representatives
Citizens of the United States of America

In accordance with the provisions of Section 15 of the Act of July 31, 1984 (31 U.S.C. 331(c) and Section 14 of the Act of September 12, 1950 (31 U.S.C. 3513), I am transmitting herewith the Annual Report of the United States Government for the Fiscal Year Ended September 30, 1986.

Significant financial results for the year include total receipts of \$769.1 billion, total outlays of \$989.8 billion and a deficit of \$220.7 billion, an increase of \$8.8 billion from the total deficit for fiscal year 1985.

Sincerely,

A handwritten signature in cursive script that reads "James A. Baker III".

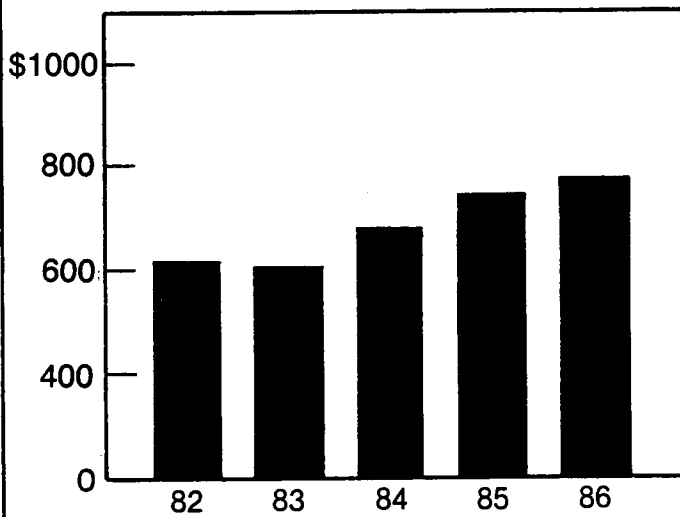
James A. Baker, III

*Financial
Highlights*

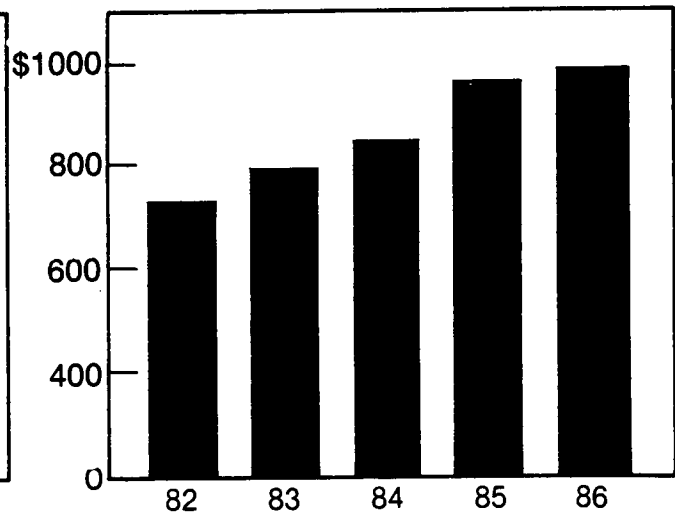
Financial Highlights (in Billions)

	FY 1986	FY 1985	PERCENTAGE CHANGE
Total Receipts	\$ 769.1	\$ 734.1	4.8%
Total Outlays	989.8	946.0	4.6
Total Deficit	220.7	211.9	4.2
Total Assets	75.6	55.2	37.0
Total Borrowing From The Public	1,745.6	1,509.9	15.6
Excess of Liabilities Over Assets	\$1,732.8	\$1,512.6	14.6

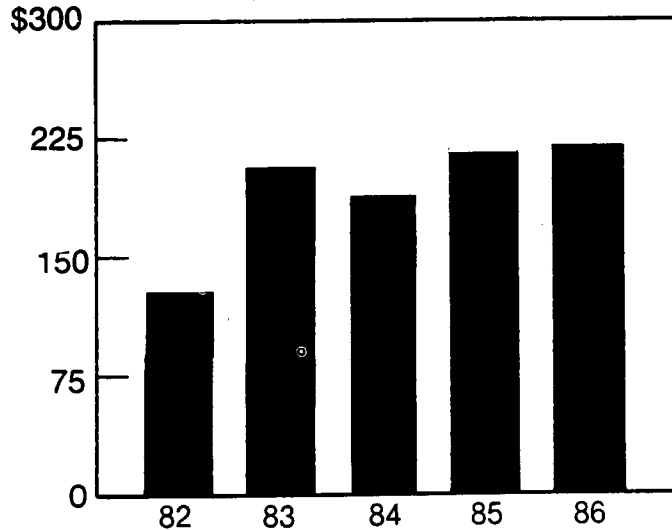
TOTAL RECEIPTS



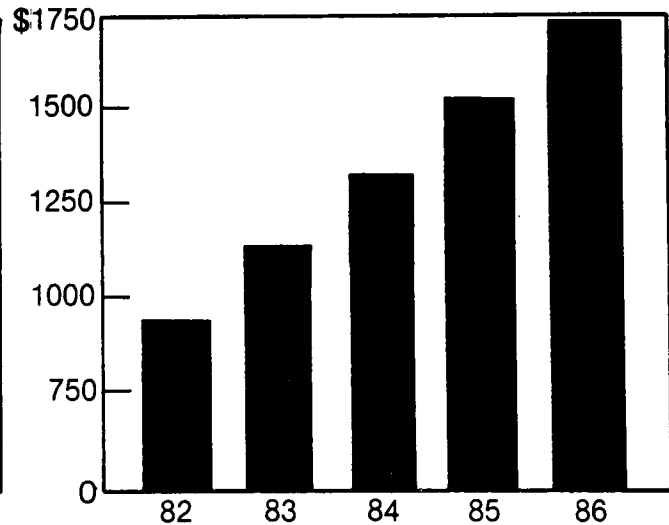
TOTAL OUTLAYS



TOTAL DEFICIT



TOTAL BORROWING FROM THE PUBLIC

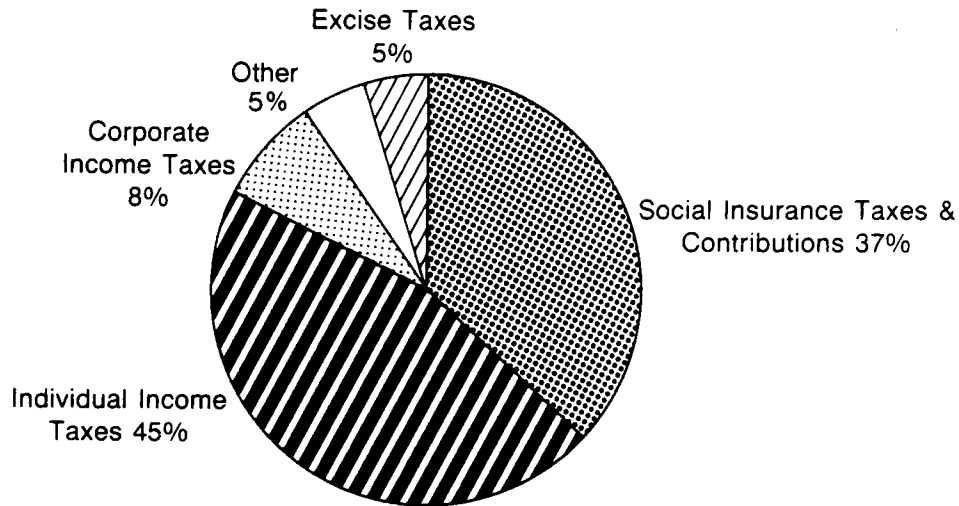


Financial Review

- Receipts by Source Category
 - 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
-

Receipts by Source Category

Total receipts amounted to \$769.1 billion in FY 1986, an increase of \$35.1 billion from FY 1985. The percentage distribution of 1986 receipts by source category is graphically depicted below.



Major changes in the amount of receipts by source category are described below. The table which follows shows the amount of receipts for FY 1986 and FY 1985 by source category, and the amount and percentage change from FY 1985.

- **Individual Income Taxes**—Individual income taxes were \$349 billion in FY 1986, an increase of \$14.4 billion, or 4.3%.
- **Corporation Income Taxes**—Corporation income taxes were \$63.1 billion, an increase of \$1.8 billion from FY 1985 to FY 1986.
- **Social Insurance Taxes and Contributions**—Receipts from the three major forms of social insurance taxes and contributions increased from \$265.2 billion in FY 1985 to \$283.9 billion in FY 1986, an increase of \$18.7 billion, or 7.1%.
 - **Employment Taxes and Contributions**—Receipts from this source totaled \$255.1 billion, a change of \$20.4 billion, or 8.7%, over the prior year.
 - **Unemployment Insurance**—Unemployment insurance receipts were \$24.1 billion in FY 1986, a decrease from FY 1985 of \$1.7 billion, or 6.4%.
 - **Other Retirement Contributions**—Receipts in this category decreased by \$17 million to a total \$4.7 billion in FY 1986.
- **Excise Taxes**—Receipts of excise taxes in FY 1986 were \$32.9 billion, a decrease of \$3.1 billion from the prior year.
- **The Other Receipts category** consisting of Estate and Gift Taxes, Customs Duties, and Miscellaneous Receipts increased from \$37 billion in FY 1985 to \$40.2 billion in FY 1986. A discussion of the level of receipts for each of the components of this category are presented below.
 - **Estate and Gift Taxes**—Receipts in the estate and gift category increased by \$0.5 billion in FY 1986 to \$7 billion.
 - **Customs Duties**—Customs duties increased by \$1.2 billion in FY 1986 to \$13.3 billion.
 - **Miscellaneous Receipts**—These receipts totaled \$19.9 billion in FY 1986, an increase of \$1.4 billion over the FY 1985 level.

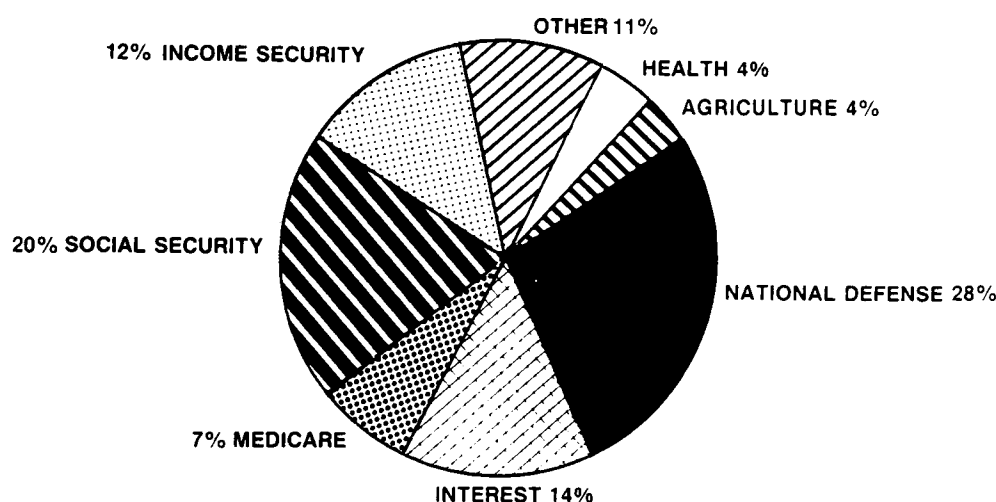
RECEIPTS BY SOURCE CATEGORY
(IN MILLIONS)

	FY 1986	FY 1985	CHANGE FROM 1985	PERCENTAGE CHANGE
Individual Income Taxes	\$348,959	\$334,560	\$14,399	4.3%
Corporate Income Taxes	63,143	61,331	1,812	3.0
Total Income Taxes	412,102	395,891	16,211	4.1
Social Insurance Taxes and Contributions:				
Employment Taxes and Contributions	255,062	234,646	20,416	8.7
Unemployment Insurance	24,098	25,758	(1,660)	(6.4)
Other Retirement Contributions	4,742	4,759	(17)	(.4)
Total Social Insurance Taxes and Contributions	283,902	265,162	18,740	7.1
Excise Taxes	32,919	35,992	(3,073)	(8.5)
Other				
Estate and Gift Taxes	6,958	6,422	536	8.3
Customs Duties	13,323	12,079	1,244	10.3
Miscellaneous Receipts	19,887	18,510	1,377	7.4
Total Other	40,168	37,011	3,157	8.5
Total Receipts	\$769,091	\$734,057	\$35,034	4.8%
Details may not add to totals due to rounding.				

Outlays by Function

Outlays are liquidations of the Government's obligations through the issuance of checks or disbursement of cash. Total outlays were \$989.8 billion in FY 1986, an increase of \$43.8 billion or 4.6% over the amount of the preceding fiscal year. Shown below is the percentage distribution of FY 1986 outlays among the seven largest categories included in the government's functional classification system. The functional classification system is a way of grouping the government's activities so that all budget authority and outlays, loan guarantees, and tax expenditures can be presented according to the national needs being addressed. National needs are grouped in 17 broad areas to provide a coherent and comprehensive basis for analyzing and understanding the budget. Three additional categories—Interest, Allowances 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 many outlays serve more than one purpose.

Total outlays in FY 1986 were \$989.8 billion compared with \$946 billion in FY 1985. The percentage distribution of outlays among the seven largest functional classifications is shown graphically below.



The table that follows shows FY 1986 and FY 1985 outlays for each functional classification and the amount and percentage change in outlay levels between these two fiscal years. Changes in outlays for the largest functional classifications are briefly discussed below.

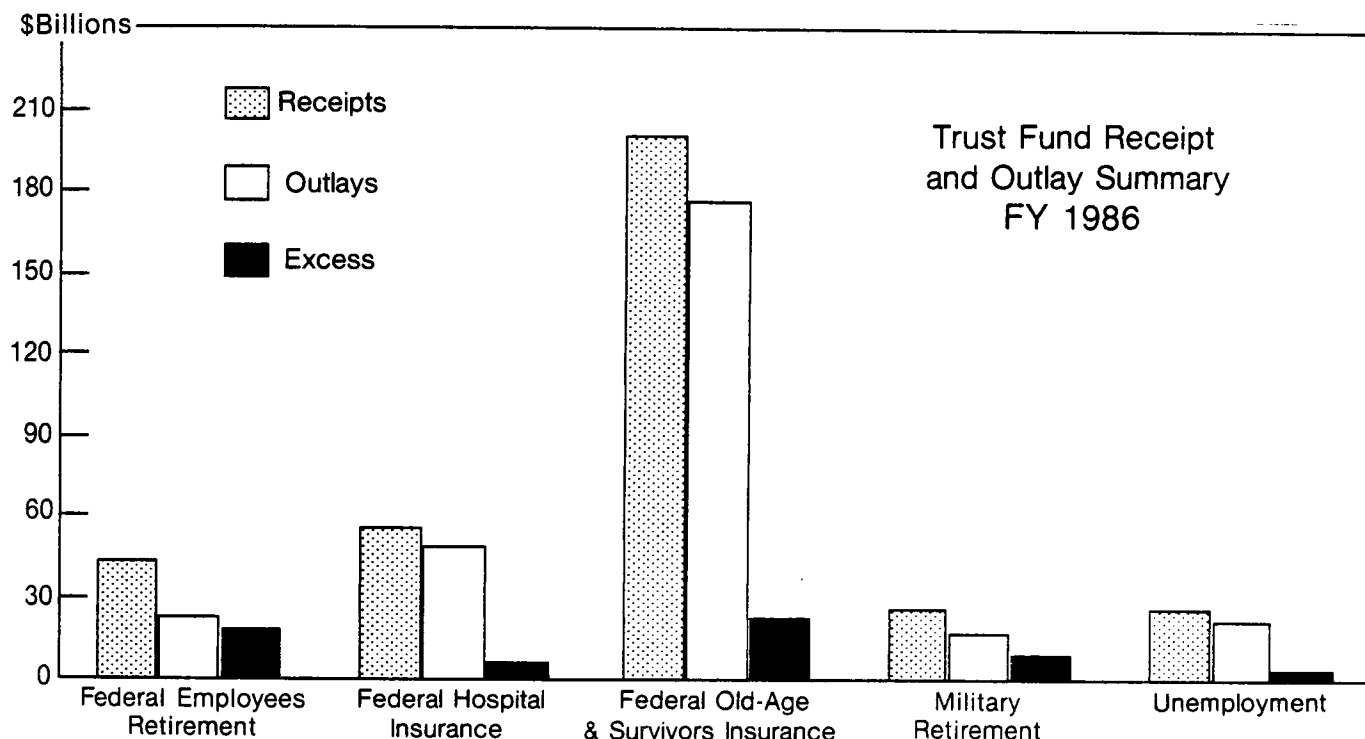
- **National Defense**—This function includes those activities that are directly related to the defense and security of the United States. To strengthen the nation's military capabilities, FY 1986 National Defense outlays increased by \$20.6 billion to \$273.4 billion. This amount encompasses government spending for conventional forces, strategic forces, supporting activities and atomic energy defense and related activities.
- **Health**—The Federal Government helps to 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 \$35.9 billion in FY 1986, an increase of \$2.4 billion over the prior fiscal year.
- **Social Security**—Through social security the Federal Government contributes to the income security of aged and disabled Americans. This function's outlays were \$198.8 billion for FY 1986, an increase of 5.7% or \$10.1 billion over the FY 1985 outlays.
- **Medicare**—Through medicare the Federal Government contributes to the health and well being of aged and disabled Americans. The outlays for this function were \$70.2 billion in FY 1986, an increase of 7% or \$4.3 billion over the FY 1985 outlays.

- **Income Security**—Income security benefits are paid to the aged, the disabled, the unemployed and low income families. Outlays for these benefits were \$120.7 billion in FY 1986, a decrease of 6.4% or \$8.3 billion from the FY 1985 level. Included within this classification are programs such as general retirement and disability, public assistance and unemployment compensation.
- **Agriculture**—This functional category includes the government's agricultural research activities and services which help to increase productivity and economic stability for the nation's farms. Agricultural outlays were \$31.2 billion in FY 1986, an increase of 22.5% over the FY 1985 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 increased in FY 1986 to \$135.3 billion, a 4.7% increase over the prior fiscal year.

OUTLAYS BY FUNCTION				
(in millions)				
	FY 1986	FY 1985	CHANGE FROM 1985	PERCENTAGE CHANGE
National Defense	\$273,369	\$252,785	\$20,584	8.1%
International Affairs	14,471	16,399	(1,928)	(11.8)
General Science Space and Technology	9,017	8,633	384	4.4
Energy	4,792	5,789	(997)	(17.2)
Natural Resources and Environment	13,508	13,083	425	3.2
Agriculture	31,169	25,438	5,731	22.5
Commerce and Housing Credit	4,258	4,001	257	6.4
Transportation	28,058	25,879	2,179	8.4
Community and Regional Development	7,510	8,051	(541)	(6.7)
Education, Training, Employment and Social Services	29,662	28,352	1,310	4.6
Health	35,936	33,544	2,392	7.1
Social Security	198,757	188,623	10,134	5.4
Medicare	70,164	65,822	4,342	6.6
Income Security	120,686	128,961	(8,275)	(6.4)
Veterans Benefits and Services	26,614	26,376	238	.9
Administration of Justice	6,555	6,255	300	4.8
General Government	6,796	5,387	1,409	26.2
General Purpose Fiscal Assistance	6,430	6,353	77	1.2
Interest	135,284	129,156	6,128	4.7
Undistributed Offsetting Receipts	(33,244)	(32,901)	(343)	1.0
Total Outlays	\$989,789	\$945,987	\$43,802	4.6%

Trust Fund Receipt and Outlay Summary

Trust fund accounts are maintained to 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 how trust fund operations contribute to the overall level of receipts and outlays of the Federal Government. This section also demonstrates the variety of trust funds and their operations. Some trust funds such as the Federal Employees Retirement Fund, Federal Hospital Insurance Fund, Federal Old-Age and Survivors Insurance, Military Retirement Fund and Unemployment Fund accumulated sizable excess receipts in FY 1986. The chart presented below summarizes the operations of the major trust funds in FY 1986.



The table on the following page summarizes trust fund operations in FY 1986 and FY 1985 and the dollar change between these two fiscal years. Presented below is a description of the receipt and outlay levels of the major trust funds for FY 1986.

- **Federal Employees Retirement**—In FY 1986, the receipts of the Federal Employees Retirement Fund were \$43.0 billion. The fund's outlays were \$23.9 billion for an excess of receipts over outlays of \$19.1 billion.
- **Federal Hospital Insurance**—The FY 1986 Federal Hospital Insurance Fund receipts were \$56.0 billion while outlays totalled \$49.3 for an excess of receipts over outlays of \$6.7 billion.
- **Federal Old-Age & Survivors Insurance**—In FY 1986, outlays in this fund were \$177.0 billion and receipts were \$199.7 billion. The excess of receipts over outlays amounted to \$22.7 billion.
- **Military Retirement**—In FY 1986, the Military Retirement Fund accumulated \$26.5 billion in receipts and \$17.6 billion in outlays for an excess of receipts over outlays of \$8.9 billion.
- **Unemployment**—The FY 1986 receipts of the Unemployment Trust Fund were \$26.1 billion and outlays were \$21.7 billion for an excess of receipts over outlays of \$4.4 billion.

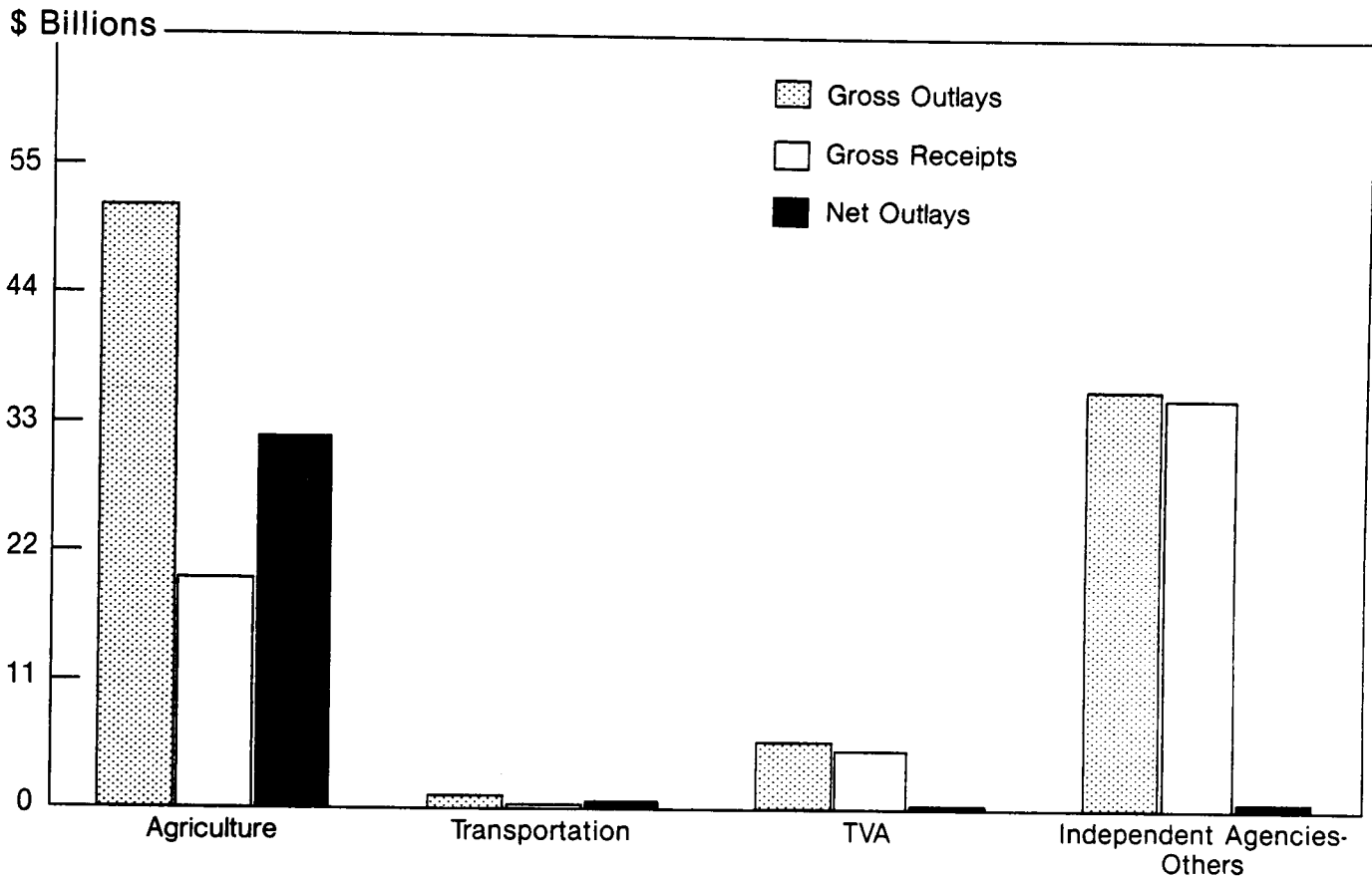
TRUST FUND RECEIPT AND OUTLAY SUMMARY
(IN MILLIONS)

TRUST FUND	FY 1986			FY 1985			CHANGE		
	RECEIPTS	OUTLAYS	EXCESS	RECEIPTS	OUTLAYS	EXCESS	RECEIPTS	OUTLAYS	EXCESS
Airport and Airway	\$ 3,565	\$ 2,339	\$ 1,226	\$ 3,598	\$ 2,586	\$ 1,012	\$ (33)	\$ (247)	\$ 214
Black Lung Disability	599	617	(18)	917	898	19	(318)	(281)	(37)
Federal Deposit Insurance Corporation	—	262	(262)	—	(1,942)	1,942	—	2,204	(2,204)
Federal Disability Insurance	20,406	20,175	230	17,698	18,965	(1,267)	2,708	1,210	1498
Federal Employees Life and Health Benefits	—	(999)	999	—	(939)	939	—	(60)	60
Federal Employees Retirement	43,023	23,920	19,102	40,563	22,927	17,636	2,460	993	1,467
Federal Hospital Insurance	56,002	49,263	6,739	49,684	47,423	2,261	6,318	1,840	4,478
Federal Old-Age and Survivors Insurance	199,691	176,986	22,705	182,287	169,303	12,983	17,404	7,683	9,721
Federal Supplementary Medical Insurance	19,304	20,518	(1,214)	19,052	17,206	1,846	252	3,312	(3,060)
General Revenue Sharing	4,185	5,114	(929)	4,567	4,584	(17)	(382)	530	(912)
Highway	14,700	14,021	679	14,328	12,622	1,705	372	1,399	(1,027)
Military Assistance Advances	—	(1,016)	1,016	—	143	(143)	—	(1,159)	1,159
Railroad Retirement	4,454	6,033	(1,580)	3,913	5,860	(1,947)	541	173	368
Military Retirement	26,544	17,611	8,933	27,426	15,789	11,637	(882)	1,822	(2,704)
Unemployment	26,073	21,699	4,374	28,592	23,714	4,877	(2,519)	(2,015)	(504)
Veterans Life Insurance	946	569	377	905	514	392	41	55	(14)
All Other Trust	783	1,465	(682)	941	1,275	(334)	(158)	190	(348)
Total Trust Fund Receipts and Outlays	\$420,273	\$358,577	\$61,696	\$394,468	\$340,928	\$53,540	\$25,805	\$17,649	\$8,156
Total Federal Government Receipts and Outlays	\$769,091	\$989,789	\$(220,698)	\$734,057	\$945,987	\$(211,931)	\$35,034	\$43,802	\$(8,768)

Details may not add to totals due to rounding.

Revolving Fund Activity by Department

Public enterprise revolving funds are authorized by specific provisions of law to finance a continuing cycle of operations in which outlays generate receipts and the receipts are available for outlays without further action by the Congress. The following chart summarizes FY 1986 receipt and outlay activity for the departments of the Government that have the most sizable revolving fund operations.



The table on the following page presents revolving fund activity by department for FY 1986. Summarized below are the receipt and outlay levels of those departments with the most sizable revolving fund operations.

- Department of Agriculture—FY 1986 gross outlays of revolving funds operated by Agriculture totalled \$51.6 billion and gross receipts totalled \$19.7 billion. The net outlays were \$32.0 billion.
- Department of Transportation—In FY 1986, the gross outlays of revolving funds of this Department totalled \$1.5 billion while gross receipts were \$0.4 billion. Net revolving fund outlays in FY 1986 were \$1.1 billion.
- Tennessee Valley Authority—In FY 1986, revolving funds of the Tennessee Valley Authority generated \$5.9 billion in gross outlays, \$5.2 billion in gross receipts and net outlays of \$0.7 billion.
- Independent Agencies - Others—The net outlays of revolving funds maintained by these agencies amounted to \$0.9 billion in FY 1986. This consisted of \$36.3 billion in gross outlays and \$35.5 billion in gross receipts.

REVOLVING FUND ACTIVITY BY DEPARTMENT
(IN MILLIONS)

	FY 1986 GROSS OUTLAYS	FY 1986 GROSS RECEIPTS	FY 1986 NET OUTLAYS	FY 1985 NET OUTLAYS	DIFFERENCE
Legislative Branch	\$17	\$17	**	**	**
The Judiciary	0	0	0	0	0
Executive Office of the President	0	0	0	0	0
Funds Appropriated to the President	1,334	1,149	\$185	\$267	\$(82)
Department of Agriculture	51,648	19,685	31,963	23,645	8,318
Department of Commerce	63	95	(32)	62	(94)
Department of Defense—Military	6	3	3	2	1
Department of Defense—Civil	0	0	0	0	0
Department of Education	82	156	(74)	(164)	90
Department of Energy	1,071	1,158	(87)	(331)	244
Department of Health and Human Services, except Social Security	25	5	20	15	5
Department of Health and Human Services, Social Security	0	0	0	0	0
Department of Housing and Urban Development	6,113	7,448	(1,335)	12,839	(14,174)
Department of the Interior	408	128	280	256	24
Department of Justice	0	**	**	**	**
Department of Labor	241	347	(106)	(19)	(87)
Department of State	0	0	0	0	0
Department of Transportation	1,517	374	1,143	242	901
Department of the Treasury	(769)	2	(771)	(557)	(214)
Environmental Protection Agency	1	1	0	**	**
General Services Administration	**	0	**	**	**
National Aeronautics and Space Administration	0	0	0	0	0
Office of Personnel Management	0	0	0	0	0
Small Business Administration	1,767	1,719	48	15	33
Veterans Administration	2,399	2,238	161	209	(48)
Independent Agencies:					
Export-Import Bank of the United States	2,860	4,027	(1,167)	(384)	(783)
Tennessee Valley Authority	5,910	5,193	717	914	(197)
Others	36,326	35,457	869	(541)	328
Total Revolving Fund Receipts and Outlays	\$111,019	\$79,202	\$31,817	\$36,471	\$(4,654)
Details may not add to totals due to rounding.					
**Less than \$500,000.					

Appropriations, Outlays and Balances by Department

The following table summarizes the FY 1986 appropriations, outlays and balances for each major department of the Federal Government.

APPROPRIATIONS, OUTLAYS AND BALANCES BY DEPARTMENT (IN MILLIONS)

	Unobligated Balances Beginning of Fiscal Year	Appropriation and Other Obligational Authority	Transfers Borrowings and Investments	Outlays	Balances Withdrawn and Other Transactions	Unobligated Balances End of Fiscal Year
Legislative Branch	\$404	\$1,722	0			
The Judiciary	142	1,044	0	\$1,665	\$50	\$421
Executive Office of the President	**	108	0	1,069	-25	122
Funds Appropriated to the President	27,228	10,709	\$251	11,377	-417	24,869
Department of Agriculture	3,536	89,588	-27,393	58,666	3,528	4,949
Department of Commerce	492	2,054	27	2,084	-3	378
Department of Defense	72,274	308,046	237	286,116	22,167	79,228
Department of Education	1,993	17,872	-88	17,673	111	1,676
Department of Energy	3,885	11,389	-1,251	11,025	-887	3,522
Department of Health and Human Services, except Social Security	36,776	145,829	10,595	143,251	13,173	48,654
Department of Health and Human Services, Social Security	25,026	207,415	-10,613	190,684	6,117	30,046
Department of Housing and Urban Development	58,427	16,424	-98	14,139	2,187	56,735
Department of the Interior	2,037	4,477	32	4,791	-282	1,877
Department of Justice	465	3,865	0	3,768	97	354
Department of Labor	21,514	28,457	0	24,141	4,315	25,084
Department of State	3,013	4,038	5	2,864	1,179	3,994
Department of Transportation	30,096	27,916	1,301	27,365	1,852	30,436
Department of the Treasury	12,774	169,583	-181	176,160	-6,758	8,419
Environmental Protection Agency	1,206	3,420	0	4,869	-1,448	1,666
General Services Administration	1,244	393	-1	286	106	1,881
National Aeronautics and Space Administration	913	7,807	0	7,403	404	1,256
Office of Personnel Management	147,000	44,200	0	23,955	20,244	166,458
Small Business Administration	1,774	371	30	490	-88	318
Veterans Administration	14,003	27,075	-2	26,536	537	14,172
Independent Agencies	15,959	16,633	25	11,422	5,236	16,562
Total Appropriations, Outlays and Balances	\$482,183	\$1,150,435	-\$27,123	\$1,051,906	\$71,378	\$523,078

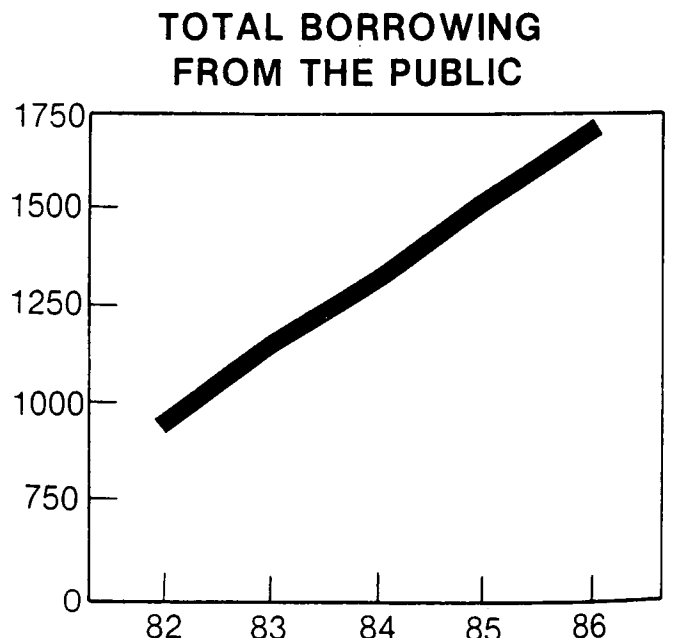
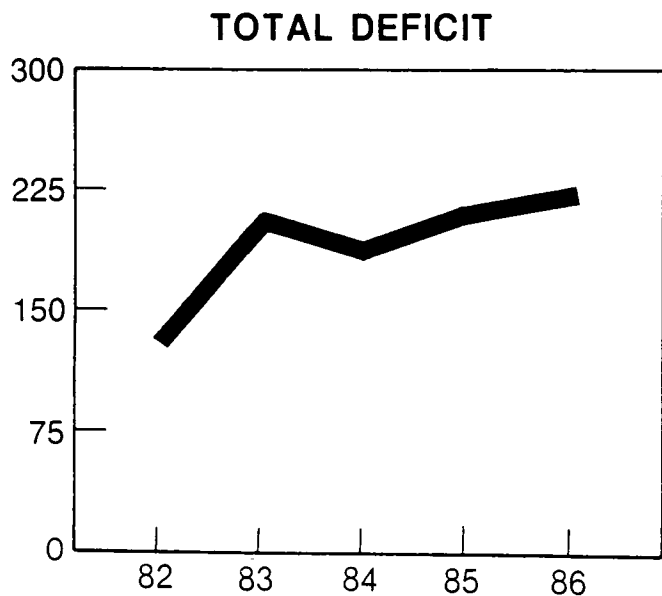
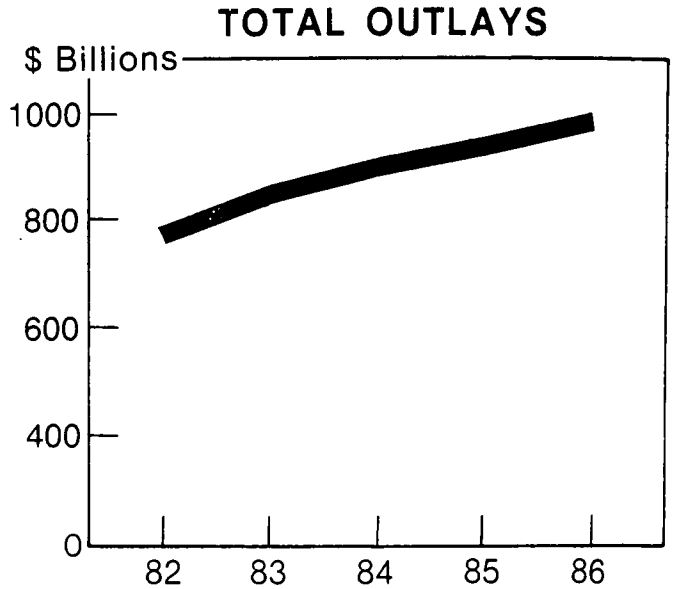
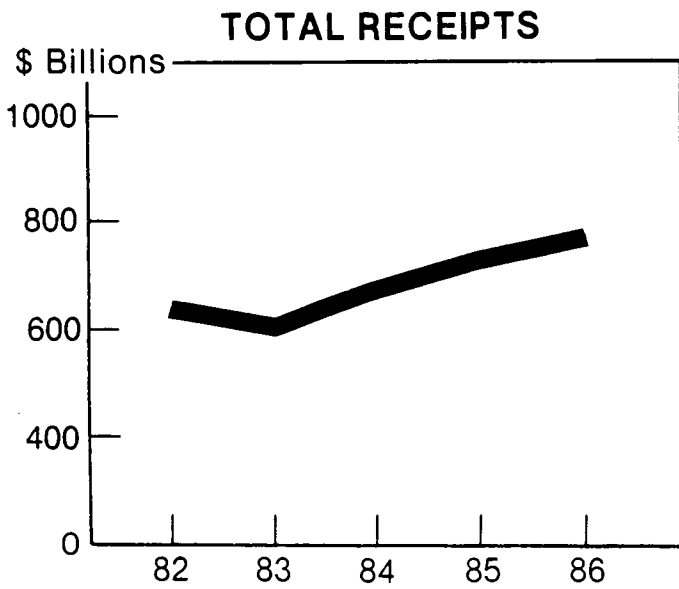
Details may not add to totals due to rounding.

**Less than \$500,000

Five-Year Summary of Financial Highlights

(In Millions)

	FY 1986	FY 1985	FY 1984	FY 1983	FY 1982
Total Receipts	\$ 769,091	\$ 734,057	\$ 666,457	\$ 600,562	\$ 617,766
Total Outlays	989,789	945,987	841,800	795,916	728,424
Total Deficit	220,698	211,931	185,339	207,711	127,989
Total Assets	75,621	55,204	66,600	70,760	57,778
Total Borrowing from the Public	1,745,602	1,509,857	1,312,589	1,141,770	929,346
Excess of Liabilities Over Assets	1,732,827	1,512,576	1,301,228	1,116,629	909,583



Financial Statements

- *Balance Sheet*
 - *Statement of Operations*
 - *Statement of Sources and
Applications of Funds*
-

Balance Sheet

(This financial statement is confined to showing only those assets and liabilities of the United States Government which are directly related to the cash operations of the Department of the Treasury and the rest of the Federal Government.)

	September 30, 1986	September 30, 1985
(in millions)		
ASSETS		
Cash and Monetary Assets:		
U.S. Treasury Operating Cash:		
Federal Reserve Account	\$7,514	\$4,174
Treasury Tax and Loan Note Accounts	23,870	12,886
Special Drawing Rights	8,295	6,847
Less: Special Drawing Rights Certificates		
Issued to Federal Reserve Banks	5,018	4,618
Monetary Assets with International Monetary Fund	11,905	11,678
Other Cash and Monetary Assets:		
U.S. Treasury Monetary Assets	1,816	1,310
Cash and Other Assets held Outside the Treasury Account	9,497	7,558
Time Deposits Supported by 2% Depository Bonds	4	4
Total Cash and Monetary Assets	57,883	39,839
Miscellaneous Asset Accounts	17,738	15,365
TOTAL ASSETS	75,621	55,204
EXCESS OF LIABILITIES OVER ASSETS		
Excess of Liabilities Over Assets at Beginning of Fiscal Year	1,512,576	1,301,228
Add: Total Deficit for Fiscal Year	220,698	211,931
Subtotal	1,733,274	1,513,159
Deduct: Other Transactions not Applied to Surplus or Deficit	447	582
Excess of Liabilities Over Assets at Close of Fiscal Year	1,732,827	1,512,576
TOTAL ASSETS AND EXCESS OF LIABILITIES OVER ASSETS	1,808,448	1,567,780
LIABILITIES		
Borrowing from the Public:		
Public Debt Securities Outstanding	2,125,304	1,823,103
Agency Securities Outstanding	4,217	4,366
Total Federal Securities Outstanding	2,129,522	1,827,470
Deduct: Federal Securities held by Government Accounts	383,919	317,612
Total Borrowing from the Public	1,745,603	1,509,857
Accrued Interest Payable to the Public	29,481	26,709
Special Drawing Rights Allocated by International Monetary Fund	5,945	5,191
Deposit Fund Liabilities	10,944	14,385
Miscellaneous Liability Accounts (Checks Outstanding, Etc.)	16,477	11,639
TOTAL LIABILITIES	1,808,488	1,567,780
Details may not add to totals due to rounding.		

Statement of Operations

(in Millions)

	Fiscal Year 1986	Fiscal Year 1985
RECEIPTS		
Individual Income Taxes	\$ 348,959	\$ 334,560
Corporation Income Taxes	63,143	61,331
Social Insurance Taxes and Contributions:		
Employment taxes and contributions (off-budget)	200,228	186,170
Employment taxes and contributions (on-budget)	54,834	48,475
Unemployment Insurance	24,098	25,758
Contributions for Other Insurance and Retirement	4,742	4,759
Excise Taxes	32,919	35,992
Estate and Gift Taxes	6,958	6,422
Customs Duties	13,323	12,079
Miscellaneous Receipts	19,887	18,510
Total Receipts	769,091	734,057
OUTLAYS		
Legislative Branch	1,665	1,610
The Judiciary	1,069	966
Executive Office of the President	107	111
Funds Appropriated to the President	11,377	12,050
Agriculture	58,666	55,523
Commerce	2,084	2,140
Defense—Military	265,636	245,371
Defense—Civil	20,480	18,842
Education	17,673	16,682
Energy	11,025	10,586
Health and Human Services, except Social Security	143,251	132,103
Health and Human Services, Social Security	190,684	183,434
Housing and Urban Development	14,139	28,720
Interior	4,791	4,826
Justice	3,768	3,586
Labor	24,141	23,893
State	2,864	2,645
Transportation	27,365	25,022
Treasury	176,159	164,987
Environmental Protection Agency	4,869	4,511
General Services Administration	286	-219
National Aeronautics and Space Administration	7,403	7,251
Office of Personnel Management	23,955	23,727
Small Business Administration	490	680
Veterans Administration	26,536	26,333
Independent Agencies	11,422	9,580
Undistributed offsetting receipts	-62,118	-58,973
Total Outlays	989,789	945,987
Total Deficit	-220,698	-211,931
OTHER TRANSACTIONS NOT APPLIED TO CURRENT YEAR'S SURPLUS OR DEFICIT		
Seigniorage (Gain on Coin Production)	-392	-516
Profit on Sale of Gold	-46	-67
Net gain (-)/loss for IMF loan valuation adjustment	-8
Total Other Transactions not Applied to Current Year's Surplus or Deficit	-447	-582
Details may not add to totals due to rounding.		

Statement of Sources and Applications of Funds

(in Millions)

	Fiscal Year 1986	Fiscal Year 1985
SOURCES		
Increases in Liabilities:		
Borrowing from the Public	\$ 235,745	\$ 197,269
Accrued Interest Payable to the Public	2,772	-650
Deposit Fund Liabilities	-3,441	2,093
Miscellaneous Liabilities (Checks Outstanding Etc.)	4,838	945
Special Drawing Rights Allocated by International Monetary Fund	755	296
Decreases in Assets:		
Other Cash and Monetary Assets:		
Other U.S. Treasury Monetary Assets	-506	-504
Cash and Other Assets held Outside the Treasury Account	-1,939	-820
Special Drawing Rights (SDRs)	-1,448	-1,293
Less: SDR Certificates Issued to Federal Reserve Banks	400	—
Net Change, SDRs	-1,048	-1,293
Other Transactions not Applied to Surplus or Deficit	447	582
Total Sources	237,623	197,919
APPLICATIONS		
Deficits	220,698	211,931
Increases in Assets		
U.S. Treasury Operating Cash:		
Federal Reserve Account	3,340	-4,340
Tax and Loan Note Accounts	10,984	-9,027
Other Cash and Monetary Assets:		
Other U.S. Treasury Monetary Assets	—	—
Cash and Other Assets held Outside the Treasury Account	—	—
Special Drawing Rights (SDRs)	—	—
Less: SDR Certificates Issued to Federal Reserve Banks	—	—
Net Change, SDRs	—	—
Funds Available with International Monetary Fund	417	204
Loans to International Monetary Fund	-189	-127
Miscellaneous Assets	2,373	-722
Total Applications	237,623	197,919
Details may not add to totals due to rounding.		

*Notes to the
Financial Statements*

Notes to the Financial Statements

1. Description of Accounts Related to Cash Operations

The classes of accounts maintained in connection with the cash operations of the Government include:

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

A set of central accounts is maintained in the Department of the Treasury for the purpose of consolidating financial data reported periodically from these three sources in order to permit the results of cash operations in central financial reports, for the Government as a whole and as a means of internal control.

The central accounts relating 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; and
- The cash transactions, classified by type, together with certain directly related assets and liabilities which underlie such receipts and outlays.

Accounting for receipts is on the basis of collections; outlays of receipts are treated as deductions from gross receipts. Accounting for outlays is on the basis of checks issued and cash payments made (cash basis): revolving and management fund receipts, reimbursements and refunds of monies previously expended are treated as deductions from gross outlays. The interest on the public debt, public issues, is recognized on the accrual basis however, the interest on special issues is 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 by means of such factors as checks outstanding, deposits in transit, and cash held outside the Treasury. Within the central accounts, receipts and outlay accounts are classified as:

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

These accounts are described in detail in the Annual Report Appendix.

2. U.S. Treasury Operating Cash

Major sources of information used to determine Treasury's operating cash include the Daily Balance Wires from the Federal Reserve Banks, reporting from the Bureau of the Public Debt, electronic transfers through the Treasury Financial Communications System and reconciling wires from Internal Revenue Service Centers. Operating cash is presented on a modified cash basis: deposits are reflected as received; and withdrawals are reflected as processed.

3. Special Drawing Rights (SDRs)

The Special Drawing Rights Act of 1968 and the Bretton Woods Agreements Act of 1945 authorize the United States to participate in the Special Drawing Rights Department of the International Monetary Fund and accept the resulting financial obligations in the Fund. The Special Drawing Rights Act provides the permanent authority for the United States to meet its financing requirements in connection with the acquisition and use of SDRs (which is the unit of account for Fund transactions), by the issuance of SDR certificates to Federal Reserve Banks.

4. Miscellaneous Asset Accounts

Included in miscellaneous assets are gold assets and their related certificates in the following amounts:

	FY 1986	FY 1985
Gold assets	\$11,084 million	\$11,090 million
Liabilities (certificates)	\$11,084 million	\$11,090 million

5. Other Transactions not Applied to Surplus or 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 and differs from receipts coming from the public, since there is no corresponding payment by another party. Therefore, seigniorage is excluded from receipts and treated as a means of financing a deficit or as a supplementary amount to be applied to reduce debt or to increase the cash in the Treasury in a year with a surplus.

Profit resulting from the sale of gold as a monetary asset is treated like seigniorage, since the value of gold is determined by its value as a monetary asset rather than as a commodity.

6. Federal Securities Outstanding

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

- Public Debt—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, FFB borrowing from the Treasury is not included in the public debt. (The Treasury borrowing required to obtain the money to lend to the FFB is already part of the public debt.)
- Agency Debt—That portion of the Federal debt incurred when a Federal agency, other than the Treasury or the Federal Financing Bank, is authorized by law to borrow funds directly from the public or another fund or account. To avoid double counting, agency borrowing from Treasury or the FFB and Federal fund advances to trust funds are not included in the Federal debt. (The Treasury or FFB borrowing required to obtain the money to lend to the agency is already part of the public debt.)

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 thereof, 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; and
- Proprietary receipts from rent royalties on the Outer Continental Shelf lands.

Undistributed offsetting receipts are not deducted from outlays at the function, subfunction and agency levels. However, they are deducted 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	James A. Baker, III
Deputy Secretary of the Treasury	Richard G. Darman
Under Secretary for Finance	George D. Gould
Assistant Secretary for Economic Policy	Michael R. Darby
Inspector General	Michael R. Hill
Assistant Secretary for Legislative Affairs	J. Michael Hudson (designate)
Assistant Secretary for Enforcement	Francis A. Keating
General Counsel	Robert M. Kimmitt
Assistant Secretary for Tax Policy	J. Roger Mentz
Assistant Secretary for International Affairs	David C. Mulford
Fiscal Assistant Secretary	Gerald Murphy
Treasurer of the United States	Katherine D. Ortega
Assistant Secretary for Management	John F.W. Rogers
Assistant Secretary for Domestic Finance	Charles O. Sethness
Assistant Secretary for Public Affairs and Public Liaison	Margaret D. Tutwiler
Comptroller of the Currency	Robert L. Clarke
Commissioner of Financial Management Service	William E. Douglas
Commissioner of Internal Revenue	Lawrence B. Gibbs

ANNUAL REPORT APPENDIX
ORDER FORM

Detail pertaining to the information presented in this publication is contained in the U.S. Government Annual Report Appendix. The Appendix contains Summary General Ledger Account Balances, Details of Receipts and Details of Appropriations, Outlays, and Balances.

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

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