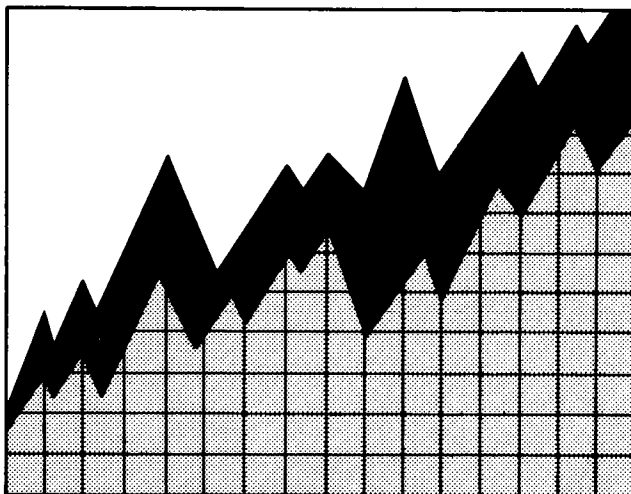




UNITED STATES GOVERNMENT



ANNUAL

—1988—

REPORT

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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

January 3, 1989

Dear Mr. Speaker:

In accordance with the provisions of Section 15 of the Act of July 31, 1894, (31 U.S.C. 331 (c)) and Section 114 of the Act of September 12, 1950, (31 U.S.C. 3513), I am transmitting herewith the United States Government Annual Report for the Fiscal Year Ended September 30, 1988.

The United States Department of the Treasury is proud of its nearly 200 years of promoting the financial integrity of the Government through improved accounting and financial reporting. The furtherance of this tradition is reflected in the financial statements contained herein, showing budget results and the cash-related assets and liabilities of the Federal Government. Details supporting the summary in this Report are contained in the Annual Report Appendix.

Financial results for the year include total receipts of \$909.0 billion, an increase of \$54.8 billion over 1987 receipts; total outlays of \$1,064.1 billion, an increase of \$60.3 billion over 1987 outlays; and a \$155.1 billion deficit, a increase of \$5.4 billion over the 1987 deficit.

Sincerely,

Nicholas F. Brady

The Honorable James C. Wright, Jr.
Speaker of the House
of Representatives
Washington, D.C. 20515

Enclosure

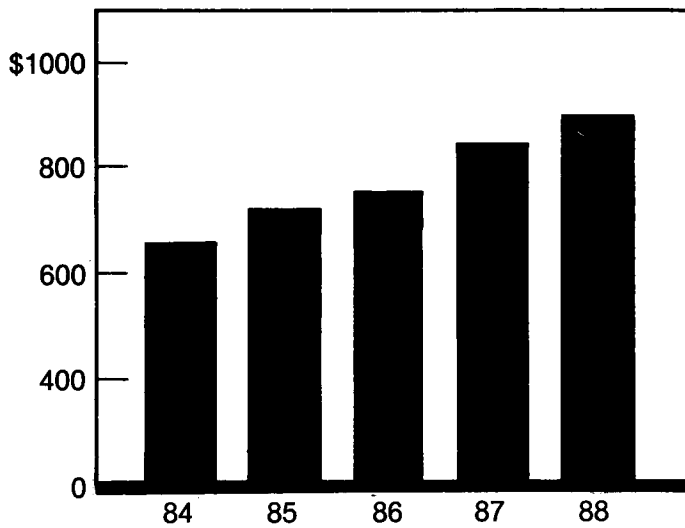
*Financial
Highlights*

Financial Highlights (in Billions)

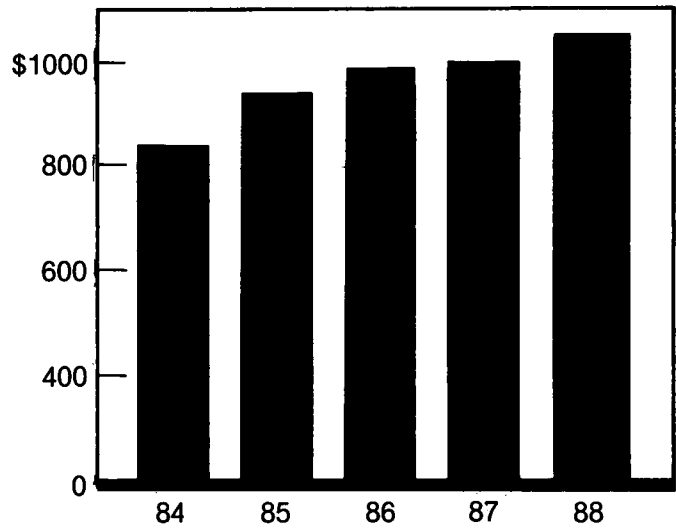
	FY 1988	FY 1987	PERCENTAGE CHANGE
Total Receipts	\$ 909.0	\$ 854.1	6.4%
Total Outlays	1,064.1	1,003.8	6.0
Total Deficit	155.1	149.7 ^r	3.6
Total Assets	73.0	66.5 ^r	9.7
Total Borrowing From The Public	2,064.0	1,897.8 ^r	8.8
Excess of Liabilities Over Assets	\$ 2,036.3	\$1,882.3 ^r	8.2%

r—revised

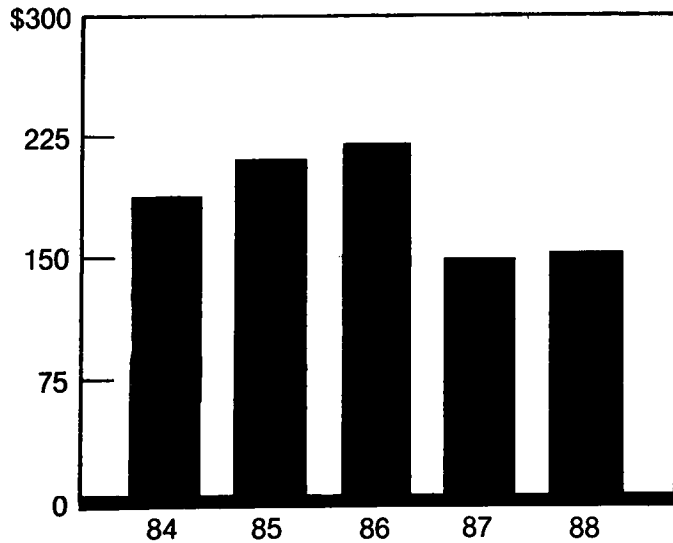
TOTAL RECEIPTS



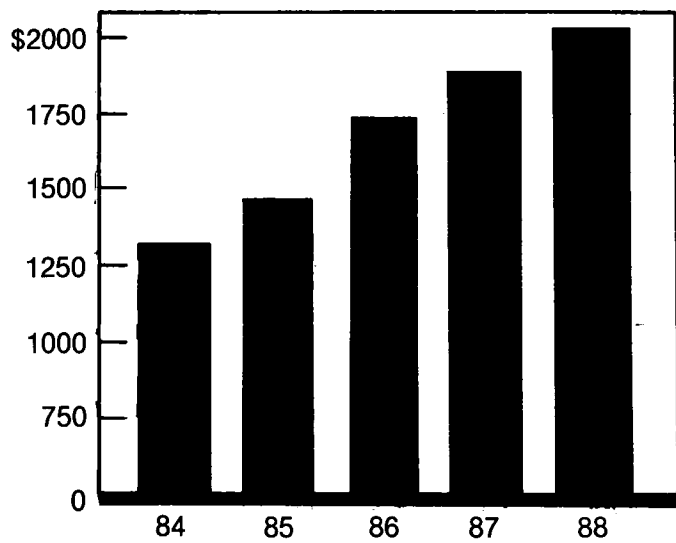
TOTAL OUTLAYS



TOTAL DEFICIT



TOTAL BORROWING FROM THE PUBLIC

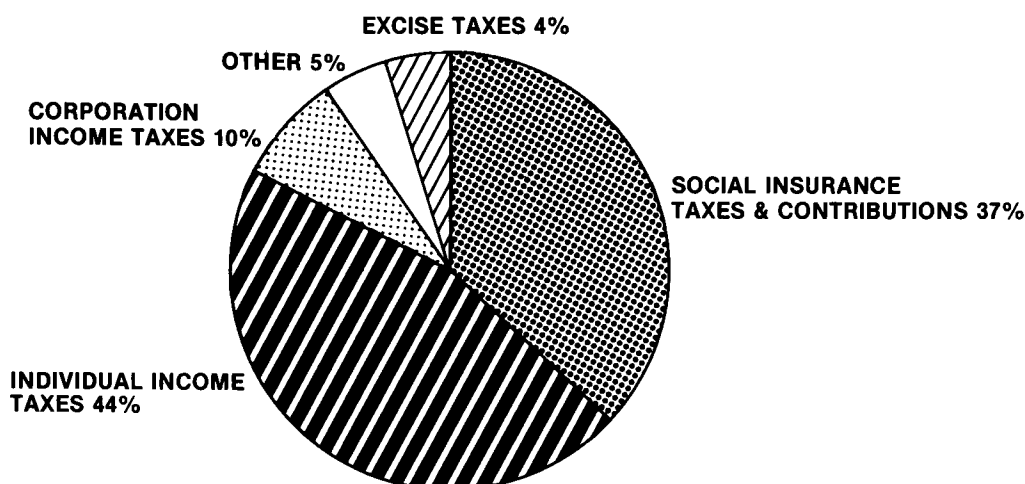


Financial Review

- 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 \$909.0 billion in FY 1988, an increase of \$54.8 billion from FY 1987. The percentage distribution of 1988 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 1988 and FY 1987 by source category, and the amount and percentage change from FY 1987.

- **Individual Income Taxes**—Individual income taxes were \$401.2 billion in FY 1988, an increase of \$8.6 billion, or 2.2%.
- **Corporation Income Taxes**—Corporation income taxes were \$94.2 billion, an increase of \$10.3 billion from FY 1987 to FY 1988.
- **Social Insurance Taxes and Contributions**—Receipts from the three major forms of social insurance taxes and contributions increased from \$303.3 billion in FY 1987 to \$334.3 billion in FY 1988, an increase of \$31.0 billion, or 10.2%.
 - **Employment Taxes and Contributions**—Receipts from this source totaled \$305.1 billion, a change of \$32.1 billion, or 11.7% over the prior year.
 - **Unemployment Insurance**—Unemployment insurance receipts were \$24.6 billion in FY 1988, a decrease from FY 1987 of \$1.0 billion, or 3.8%.
 - **Other Retirement Contributions**—Receipts in this category decreased by \$57 million to a total of \$4.7 billion in FY 1988.
- **Excise Taxes**—Receipts of excise taxes in FY 1988 were \$35.5 billion, an increase 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 \$41.9 billion in FY 1987 to \$43.7 billion in FY 1988. A discussion of the level of receipts for each of the components of this category is presented below.
 - **Estate and Gift Taxes**—Receipts in the Estate and Gift taxes category increased by \$0.1 billion in FY 1988 to \$7.6 billion.
 - **Customs Duties**—Customs Duties increased by \$1.1 billion in FY 1988 to \$16.2 billion.
 - **Miscellaneous Receipts**—These Receipts totaled \$19.9 billion in FY 1988, an increase of \$0.6 billion over the FY 1987 level.

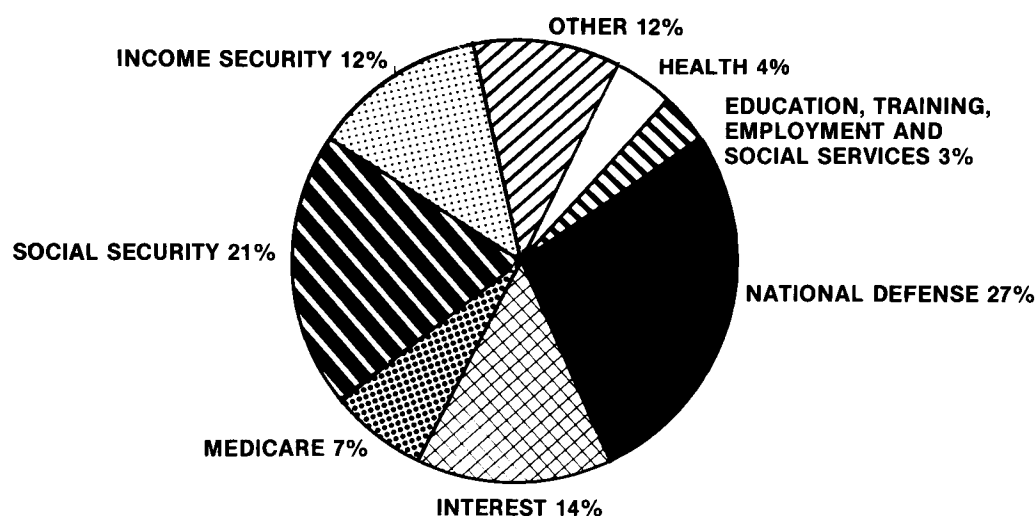
RECEIPTS BY SOURCE CATEGORY
(IN MILLIONS)

	FY 1988	FY 1987	CHANGE FROM 1987	PERCENTAGE CHANGE
Individual Income Taxes	\$401,181	\$392,557	\$8,624	2.2%
Corporation Income Taxes	94,195	83,926	10,269	12.2
Total Income Taxes	495,376	476,483	18,893	3.9
Social Insurance Taxes and Contributions:				
Employment Taxes and Contributions	305,093	273,028 ^r	32,065	11.7
Unemployment Insurance	24,584	25,575 ^r	(991)	(3.8)
Other Retirement Contributions	4,658	4,715	(57)	(1.2)
Total Social Insurance Taxes and Contributions	334,335	303,318	31,017	10.2
Excise Taxes	35,540	32,457 ^r	3,083	9.5
Other:				
Estate and Gift Taxes	7,594	7,493	101	1.3
Customs Duties	16,198	15,085 ^r	1,113	7.3
Miscellaneous Receipts	19,909	19,307	602	3.1
Total Other	43,701	41,885 ^r	1,816	4.3
Total Receipts	\$908,953	\$854,143	\$54,809	6.4%
Details may not add to totals due to rounding.				
r—revised				

Outlays by Function

Outlays are liquidations of the Government's obligations through the issuance of checks or disbursement of cash. Total outlays were \$1,064.1 billion in FY 1988, an increase of \$60.3 billion or 6.0% over the amount of the preceding fiscal year. Shown below is the percentage distribution of FY 1988 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 1988 were \$1,064.1 billion compared with \$1,003.8 billion in FY 1987. The percentage distribution of outlays among the seven largest functional classifications is shown graphically below.



The table that follows shows FY 1988 and FY 1987 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.

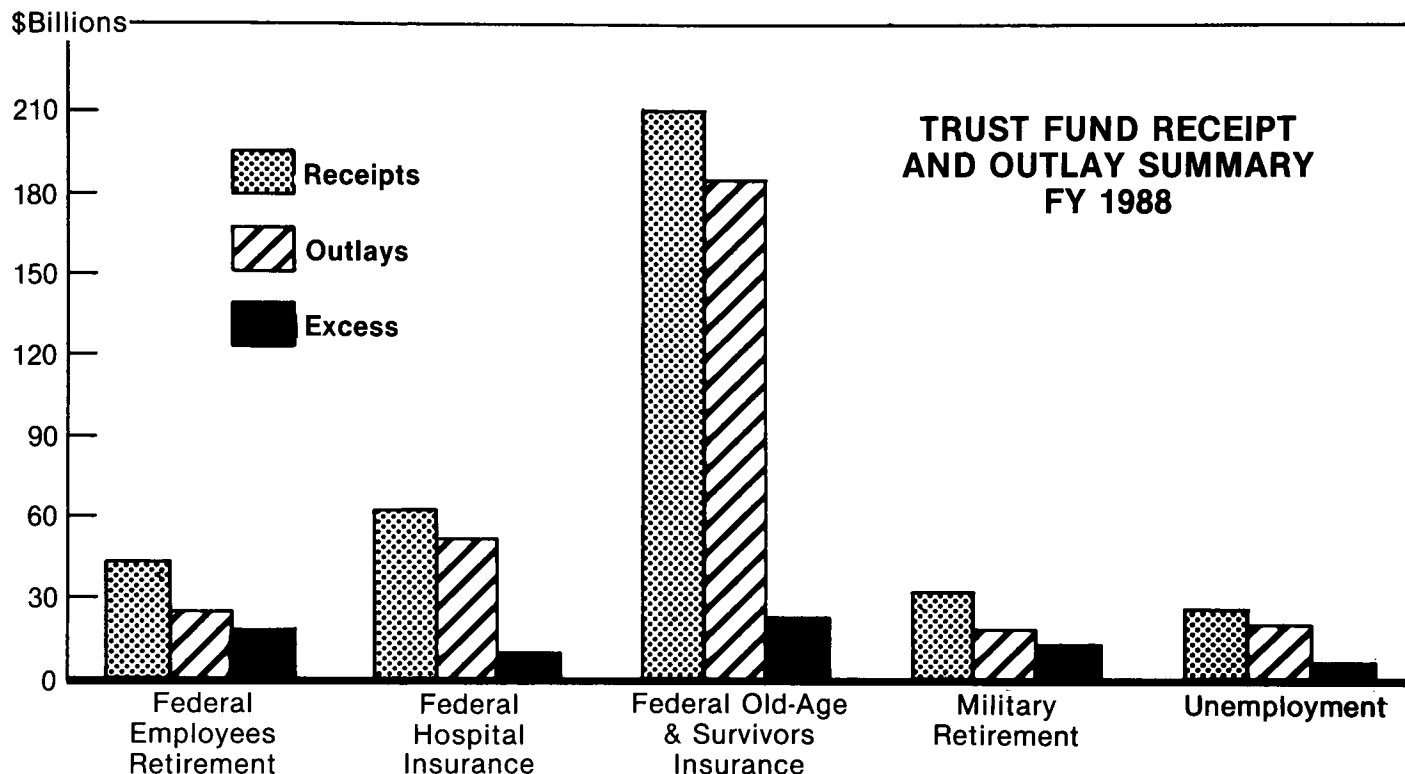
- **National Defense**—This function includes those activities that are directly related to the defense and security of the United States. To strengthen the nation's military capabilities, FY 1988 National Defense outlays increased by \$8.4 billion to \$290.3 billion. This amount encompasses government 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 \$44 billion in FY 1988, an increase of \$4.5 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 \$219.0 billion for FY 1988, an increase of 5.6% or \$11.7 billion over the FY 1987 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 \$78.8 billion in FY 1988, an increase of 4.9% or \$3.7 billion over the FY 1987 outlays.

- **Income Security**—Income security benefits are paid to the aged, the disabled, the unemployed and low income families. Outlays for these benefits were \$130.2 billion in FY 1988, an increase of 5.6% or \$6.9 billion from the FY 1987 level. Included within this classification are programs such as general retirement and disability, public assistance and unemployment compensation.
- **Education, Training Employment and Social Services**—A number of federal programs are directed toward improving the operations of the labor market, enhancing individuals' long-term employment and earnings prospects and providing social services to needy individuals. Outlays for these programs increased by 3.8% to \$30.9 billion in FY 1988.
- **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 1988 to \$151.7 billion, a 9.5% increase over the prior fiscal year.

OUTLAYS BY FUNCTION				
(In millions)				
	FY 1988	FY 1987	CHANGE FROM 1987	PERCENTAGE CHANGE
National Defense	\$ 290,349	\$ 281,999	\$ 8,350	3.0%
International Affairs	10,469	11,649	(1,180)	(10.1)
General Science, Space, and Technology	10,876	9,216	1,660	18.0
Energy	2,342	4,115	(1,773)	(43.0)
National Resources and Environment	14,538	13,363	1,175	8.8
Agriculture	17,210	26,606	(9,396)	(35.3)
Commerce and Housing Credit	19,064	6,156	12,908	209.7
Transportation	27,196	26,221	975	3.7
Community and Regional Development	5,577	5,051	526	10.4
Education, Training, Employment and Social Services	30,856	29,724	1,132	3.8
Health	44,482	39,968	4,514	11.3
Medicare	78,798	75,120	3,678	4.9
Income Security	130,174	123,255	6,919	5.6
Social Security	219,030	207,353	11,677	5.6
Veterans Benefits and Services	29,248	26,782	2,466	9.2
Administration of Justice	9,205	7,548	1,657	21.9
General Government	9,506	7,564	1,942	25.7
Interest	151,711	138,570	13,141	9.5
Undistributed Offsetting Receipts	(36,576)	(36,455)	(121)	(.3)
Total Outlays	\$1,064,055	\$1,003,804	\$60,251	6.0%

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 1988. The chart presented below summarizes the operations of the major trust funds in FY 1988.



The table on the following page summarizes trust fund operations in FY 1988 and FY 1987 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 1988.

- **Federal Employees Retirement**—In FY 1988, the receipts of the Federal Employees Retirement Fund were \$47.1 billion. The fund's outlays were \$28.4 billion for an excess of receipts over outlays of \$18.6 billion.
- **Federal Hospital Insurance**—In FY 1988 Federal Hospital Insurance Fund receipts were \$68.0 billion while outlays totaled \$52.7 for an excess of receipts over outlays of \$15.3 billion.
- **Federal Old-Age & Survivors Insurance**—In FY 1988, outlays in this fund were \$197.9 billion and receipts were \$239.4 billion. The excess of receipts over outlays amounted to \$41.5 billion.
- **Military Retirement**—In FY 1988, the Military Retirement Fund accumulated \$33.1 billion in receipts and \$19.0 billion in outlays for an excess of receipts over outlays of \$14.1 billion.
- **Unemployment**—The FY 1988 receipts of the Unemployment Trust Fund were \$27.0 billion and outlays were \$18.6 billion for an excess of receipts over outlays of \$8.4 billion.

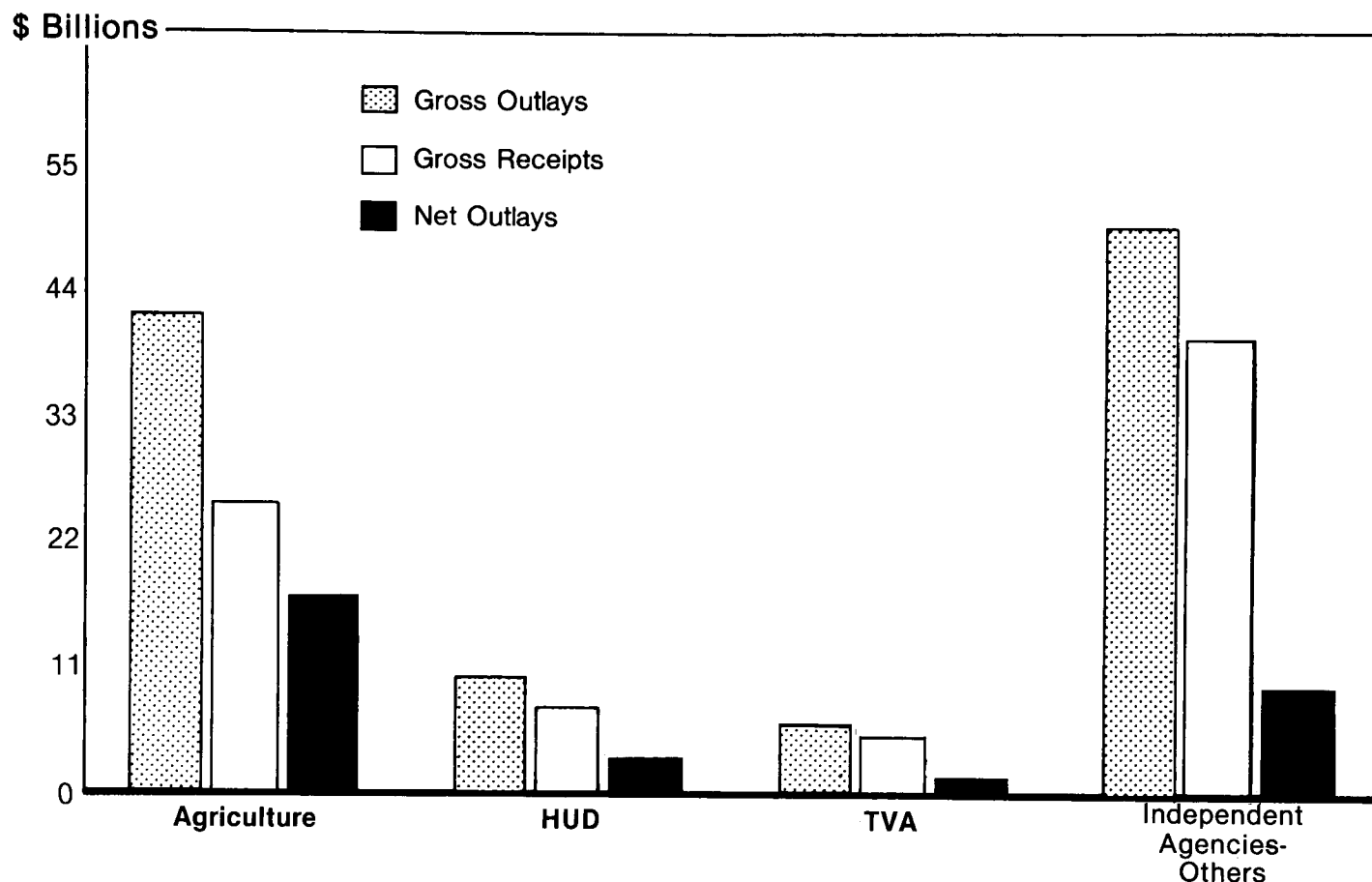
TRUST FUND RECEIPT AND OUTLAY SUMMARY
(IN MILLIONS)

TRUST FUND	FY 1988			FY 1987			CHANGE		
	RECEIPTS	OUTLAYS	EXCESS	RECEIPTS	OUTLAYS	EXCESS	RECEIPTS	OUTLAYS	EXCESS
Airport	\$ 4,081	\$ 2,868	\$ 1,214	\$ 3,940	\$ 2,602	\$ 1,339	\$ 141	\$ 266	\$ (125)
Black Lung Disability	640	639	1	642	643	(**)	(2)	(4)	1
Federal Deposit Insurance Corporation	—	2,146	(2,146)	—	(1,438)	1,438	—	3,584	(3,584)
Federal Disability Insurance	22,521	22,360	161	20,172	21,290	(1,119)	2,349	1,070	1,280
Federal Employees Life and Health Benefits	—	(1,101)	1,101	—	(495)	495	—	(606)	606
Federal Employees Retirement	47,063	28,431	18,632	44,078	26,046	18,032	2,985	2,385	600
Federal Hospital Insurance	67,999	52,730	15,270	62,735	50,803	11,932	5,264	1,927	3,338
Federal Old-Age and Survivors Insurance	239,386	197,897	41,490	210,082	186,780	23,303	29,304	11,117	18,187
Federal Supplementary Medical Insurance	35,002	34,947	55	27,797	30,837	(3,039)	7,205	4,110	3,094
Highways	15,307	13,913	1,394	14,310	12,642	1,669	997	1,271	(275)
Military Assistance Advances	8,964	9,057	(93)	8,504	9,910	(1,407)	460	(853)	1,314
Railroad Retirement	4,507	6,435	(1,928)	4,104	6,203	(2,099)	403	232	171
Military Retirement	33,117	19,009	14,108	32,031	18,078	13,953	1,086	931	155
Unemployment	26,984	18,598	8,386	27,613	20,527	7,086	(629)	(1,929)	1,300
Veterans Life Insurance	1,423	1,058	365	1,408	996	412	15	62	(47)
All Other Trust	3,863	4,455	(592)	3,666	2,980	686	197	1,475	(1,278)
Total Trust Fund Receipts and Outlays	510,861	413,440	97,420	461,083	388,403	72,680	49,778	25,037	24,740
Total Federal Government Receipts and Outlays	\$908,953	\$1,064,055	\$(155,102)	\$854,143	\$1,003,804	\$(149,661)	\$54,810	\$60,251	\$(5,441)

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 with further action by the Congress. The following chart summarizes FY 1988 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 1988. Summarized below are the receipt and outlay levels of those departments with the most sizable revolving fund operations.

- Department of Agriculture—FY 1988 gross outlays of revolving funds operated by Agriculture totaled \$42.3 billion and gross receipts totaled \$25.4 billion. The net outlays were \$16.9 billion.
- Department of Housing and Urban Development—In FY 1988, the gross outlays of revolving funds of this Department totaled \$10.2 billion while gross receipts were \$7.5 billion. Net revolving fund outlays in FY 1988 were \$2.7 billion.
- Tennessee Valley Authority—In FY 1988, revolving funds of the Tennessee Valley Authority generated \$6.0 billion gross outlays, \$4.9 billion in gross receipts and net outlays of \$1.1 billion.
- Independent Agencies - Others—The net outlays of revolving funds maintained by these agencies amounted to \$9.5 billion in FY 1988. This consisted of \$49.9 billion in gross outlays and \$40.4 billion in gross receipts.

REVOLVING FUND ACTIVITY BY DEPARTMENT
(IN MILLIONS)

	FY 1988 GROSS OUTLAYS	FY 1988 GROSS RECEIPTS	FY 1988 NET OUTLAYS	FY 1987 NET OUTLAYS	DIFFERENCE
Legislative Branch	\$ 9	\$ 9	\$ 1	**	\$ 1
The Judiciary	0	0	0	0	0
Executive Office of the President	0	0	0	0	0
Funds Appropriated to the President	1,609	1,002	606	\$ (186)	792
Department of Agriculture	42,274	25,416	16,858	24,357	(7,499)
Department of Commerce	62	130	(68)	95	(163)
Department of Defense—Military	6	2	4	15	(11)
Department of Defense—Civil	0	0	0	0	0
Department of Education	71	444	(373)	(558)	185
Department of Energy	1,047	1,188	(141)	19	(160)
Department of Health and Human Services, except Social Security	21	12	9	(1)	10
Department of Health and Human Services, Social Security	0	0	0	0	0
Department of Housing and Urban Development	10,800	8,191	2,608	483	2,125
Department of the Interior	362	134	228	237	(9)
Department of Justice	**	**	**	**	0
Department of Labor	445	723	(278)	(72)	(206)
Department of State	0	0	0	0	0
Department of Transportation	358	481	(123)	560	(683)
Department of the Treasury	(1,490)	7	(1,497)	(1,410)	(87)
Environmental Protection Agency	**	**	**	**	0
General Services Administration	**	0	**	1	(1)
National Aeronautics and Space Administration	0	0	0	0	0
Office of Personnel Management	0	0	0	0	0
Small Business Administration	1,259	1,616	(357)	(354)	(3)
Veterans Administration	3,310	2,235	1,076	317	759
Independent Agencies:					
Export-Import Bank of the United States	2,156	3,050	(894)	(3,159)	2,265
Tennessee Valley Authority	6,015	4,926	1,089	2,215	(1,126)
Others	49,875	40,383	9,491	6,798	2,693
Total Revolving Fund Receipts and Outlays	\$118,189	\$89,949	\$28,239	\$29,357	\$(1,118)
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 1988 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	\$ 362	2,127	\$ 0	\$ 1,852	\$ 279	\$ 595
The Judiciary	177	1,338	0	1,337	1	140
Executive Office of the President	**	125	0	121	4	1
Funds Appropriated to the President	25,993	11,606	(\$3,097)	7,252	1,256	26,804
Department of Agriculture	2,300	91,719	(49,481)	44,003	(1,765)	9,386
Department of Commerce	255	2,424	28	2,279	173	334
Department of Defense	84,875	320,201	(61)	303,987	16,152	93,929
Department of Education	2,241	20,228	245	18,246	2,227	2,825
Department of Energy	2,793	11,324	21	11,161\$	183	2,922
Department of Health and Human Services, except Social Security	57,852	176,829	(1)	158,991	17,838	73,298
Department of Health and Human Services, Social Security	48,576	252,978	0	214,178	38,800	85,579
Department of Housing and Urban Development	50,200	14,660	(658)	18,956	(4,953)	45,136
Department of the Interior	1,927	5,139	125	5,152	113	1,910
Department of Justice	640	5,624	0	5,426	198	675
Department of Labor	32,093	30,635	(35)	21,870	8,730	40,520
Department of State	4,781	3,765	0	3,421	344	4,931
Department of Transportation	30,784	35,767	(231)	26,404	9,133	40,350
Department of the Treasury	8,839	204,280	(182)	202,472	1,138	8,245
Environmental Protection Agency	2,162	5,371	0	4,872	499	1,846
General Services Administration	1,115	184	(31)	(285)	438	1,672
National Aeronautics and Space Administration	3,298	8,962	90	9,092	(40)	2,359
Office of Personnel Management	183,758	48,141	0	29,191	18,950	202,336
Small Business Administration	785	415	(90)	(54)	379	1,089
Veterans Administration	13,915	28,922	762	29,244	439	13,807
Independent Agencies	24,421	27,873	9,397	23,361	14,261	24,626
Total Appropriations, Outlays and Balances	\$584,143	\$1,310,636	(\$43,199)	\$1,142,528	\$124,778	\$685,314

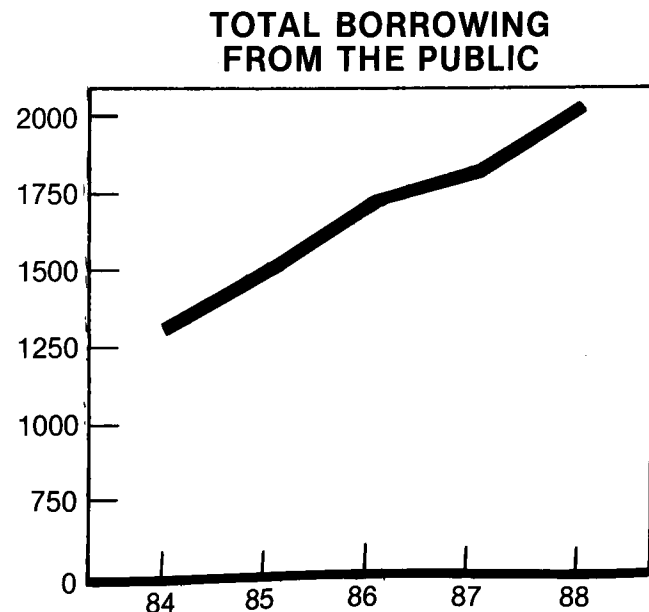
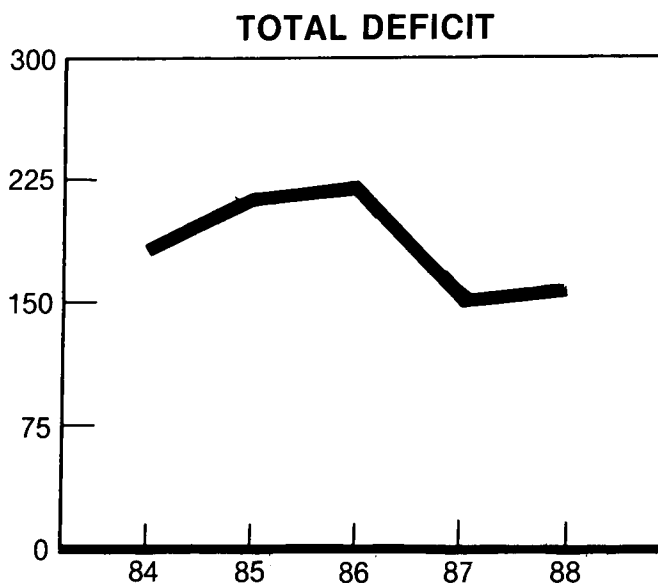
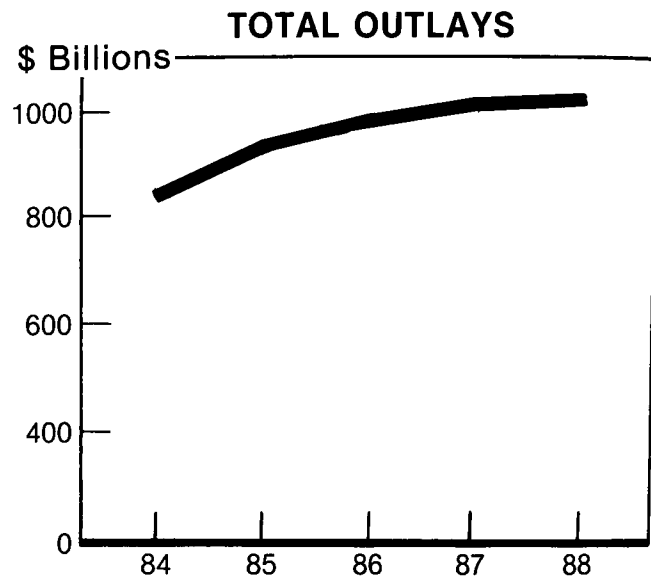
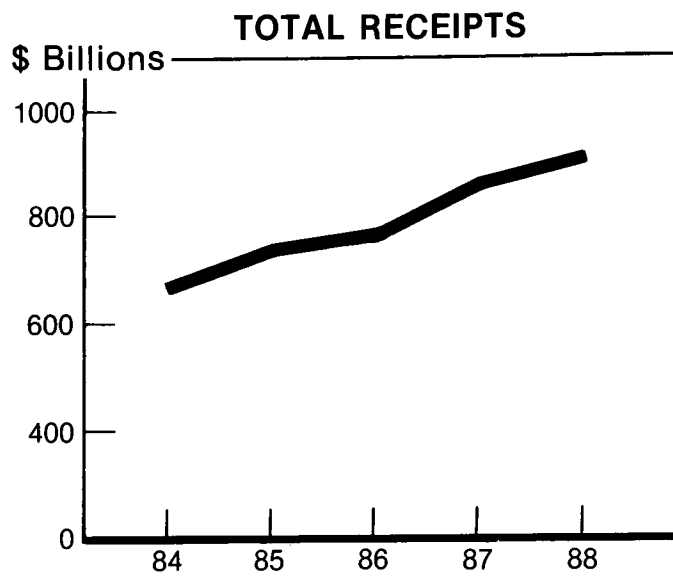
Details may not add to totals due to rounding.
 **Less than \$500,000

Five-Year Summary of Financial Highlights

(In Millions)

	FY 1988	FY 1987	FY 1986	FY 1985	FY 1984
Total Receipts	\$ 908,953	\$ 854,143	\$ 769,091	\$ 734,057	\$ 666,457
Total Outlays	1,064,055	1,003,804 ^r	990,231 ^r	945,987	841,800
Total Deficit	155,102	149,661 ^r	221,140 ^r	211,931	175,342
Total Assets	73,038	66,525 ^r	75,621	55,204	66,600
Total Borrowing from the Public	2,063,932	1,897,761 ^r	1,746,044 ^r	1,509,857	1,312,589
Excess of Liabilities Over Assets	\$2,036,254	\$1,882,263 ^r	\$1,733,270 ^r	\$1,512,576	\$1,301,228

r-revised



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, 1988	September 30, 1987
(In millions)		
ASSETS		
Cash and Monetary Assets:		
U.S. Treasury Operating Cash:		
Federal Reserve Account	\$ 13,024	\$ 9,120
Tax and Loan Note Accounts	31,375	27,316
Special Drawing Rights	9,074	9,078
Less: Special Drawing Rights Certificates Issued to Federal Reserve Banks	5,018	5,018
Monetary Assets with International Monetary	9,635	10,907
Other Cash and Monetary Assets:		
U.S. Treasury Monetary Assets	1,494	1,360
Cash and Other Assets held Outside the Treasury Account	8,818	8,048
Time Deposits Supported by 2% Depository Bonds	2	-0-
Total Cash and Monetary Assets	68,403	60,811
Miscellaneous Asset Accounts	4,635	5,714 ^f
TOTAL ASSETS	73,038	66,525^f
EXCESS OF LIABILITIES OVER ASSETS		
Excess of Liabilities Over Assets at Beginning of Fiscal Year	1,882,263	1,733,270
Add: Total Deficit for Fiscal Year	155,102	149,661 ^f
Subtotal	2,037,365	1,882,931 ^f
Deduct: Other Transactions not Applied to Surplus or Deficit	1,111	668
Excess of Liabilities Over Assets at Close of Fiscal Year	2,036,254	1,882,263 ^f
TOTAL ASSETS AND EXCESS OF LIABILITIES OVER ASSETS	2,109,292	1,948,788^f
LIABILITIES		
Borrowing from the Public:		
Public Debt Securities Outstanding	2,602,183	2,350,277
Agency Securities Outstanding	12,398	4,929 ^f
Total Federal Securities Outstanding	2,614,581	2,355,206 ^f
Deduct: Federal Securities held by Government Accounts	550,649	457,444 ^f
Total Borrowing from the Public	2,063,932	1,897,761 ^f
Premium and Discount on Public Debt Securities	13,902	9,702
Total Borrowing less Premium and Discount	2,050,030	1,888,060
Accrued Interest Payable to the Public	34,067	31,712
Special Drawing Rights Allocated by International Monetary Fund	6,322	6,270
Deposit Fund Liabilities	8,505	9,114 ^f
Miscellaneous Liability Accounts (Checks Outstanding, Etc.)	10,368	13,633 ^f
TOTAL LIABILITIES	\$2,109,292	\$1,948,788^f
Details may not add to totals due to rounding. r-revised		

Statement of Operations

(in Millions)

	Fiscal Year 1988	Fiscal Year 1987
RECEIPTS		
Individual Income Taxes	\$ 401,181	\$ 392,557
Corporation Income Taxes	94,195	83,926
Social Insurance Taxes and Contributions:		
Employment taxes and contributions (off-budget)	241,491	213,402
Employment taxes and contributions (on-budget)	63,602	59,626 ^r
Unemployment Insurance	24,584	25,575 ^r
Contributions for Other Insurance and Retirement	4,658	4,715
Excise Taxes	35,540	32,457 ^r
Estate and Gift Taxes	7,594	7,493
Customs Duties	16,198	15,085 ^r
Miscellaneous Receipts	19,909	19,307
Total Receipts	908,953	854,143
OUTLAYS		
Legislative Branch	1,852	1,812
The Judiciary	1,337	1,178
Executive Office of the President	121	109
Funds Appropriated to the President	7,252	10,406 ^r
Agriculture	44,003	49,593
Commerce	2,279	2,156
Defense—Military	281,940	273,938 ^r
Defense—Civil	22,047	20,659
Education	18,246	16,800
Energy	11,161	10,688
Health and Human Services, except Social Security	158,991	148,893
Health and Human Services, Social Security	214,178	202,422
Housing and Urban Development	18,956	15,464
Interior	5,152	5,054
Justice	5,426	4,333
Labor	21,870	23,453
State	3,421	2,788
Transportation	26,404	25,431 ^r
Treasury	202,472	180,346 ^r
Environmental Protection Agency	4,872	4,903
General Services Administration	(285)	74 ^r
National Aeronautics and Space Administration	9,092	7,591
Office of Personnel Management	29,191	26,966
Small Business Administration	(54)	(72)
Veterans Administration	29,244	26,952
Independent Agencies	23,361	14,266 ^r
Undistributed offsetting receipts	(78,474)	(72,400)
Total Outlays	1,064,055	1,003,804^r
Total Deficit	(155,102)	(149,661)^r
OTHER TRANSACTIONS NOT APPLIED TO CURRENT YEAR'S SURPLUS OR DEFICIT		
Seigniorage (Gain on Coin Production)	(470)	(458)
Profit on Sale of Gold	(37)	(173)
Proceeds from sale of loan assets	(540)	- 0 -
Net gain (-)/loss for IMF loan valuation adjustment	(63)	(37)
Total Other Transactions not Applied to Current Year's Surplus or Deficit	\$ (1,111)	\$ (668)
Details may not add to totals due to rounding. r-revised		

Statement of Sources and Applications of Funds

(in Millions)

	Fiscal Year 1988	Fiscal Year 1987
SOURCES		
Increases in Liabilities:		
Borrowing from the Public	\$166,171	151,717 ^r
Premium and Discount on public debt securities	(4,201)	247
Accrued Interest Payable to the Public	2,354	2,232
Deposit Fund Liabilities	(609)	(1,830) ^r
Miscellaneous Liabilities (Checks Outstanding Etc.)	(3,265)	(2,421) ^r
Special Drawing Rights Allocated by International Monetary Fund	53	324
Decreases in Assets:		
Other Cash and Monetary Assets:		
Other U.S. Treasury Monetary Assets	(134)	456
Cash and Other Assets held Outside the Treasury Account	(771)	1,454
Special Drawing Rights (SDRs)	5	(784)
Less: SDR Certificates Issued to Federal Reserve Banks	—	—
Net Change, SDRs	5	(784)
Other Transactions not Applied to Surplus or Deficit	1,111	668
Total Sources	160,714	152,061^r
APPLICATIONS		
Deficits	155,102	149,661 ^r
Increases in Assets		
U.S. Treasury Operating Cash:		
Federal Reserve Account	3,904	1,606
Tax and Loan Note Accounts	4,059	3,446
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	(918)	(594)
Loans to International Monetary Fund	(354)	(405)
Miscellaneous Assets	(1,079)	(1,653) ^r
Total Applications	\$160,714	\$152,061^r
Details may not add to totals due to rounding.		
r-revised		



*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 1988	FY 1987
Gold assets	\$11,062 million	\$11,075 million
Liabilities (certificates)	\$11,062 million	\$11,075 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.

*Accrual
Financial Information*

ADDITIONAL FINANCIAL INFORMATION

INTRODUCTION

Last year marked the beginning of an important phase in the growth and improvement of the financial reporting provided users of this Annual Report. Including selected financial information on the accrual basis was begun in the 1987 Report. This year information obtained from sound accrual financial data has been expanded based on Treasury's capability to verify the integrity of agencies' reports. "Inventories," "Property, Plant and Equipment," and "Accounts Payable" have been included along with "Accounts and Loans Receivable" for FY 1984 through FY 1987 with appropriate projections for FY 1988.

The results depicted in these charts are based on financial information publicized in the Consolidated Financial Statements of the United States Government (CFS). The Statement of Financial Position in the CFS was compiled in FY 1987 entirely from the annual reports required under Treasury Financial Manual, I TFM 2-4100, "Federal Agencies' Financial Reports." It includes summary information on the financial condition and operations of the Federal Government. Any cash-based budget information is supported by historical information contained within the CFS.

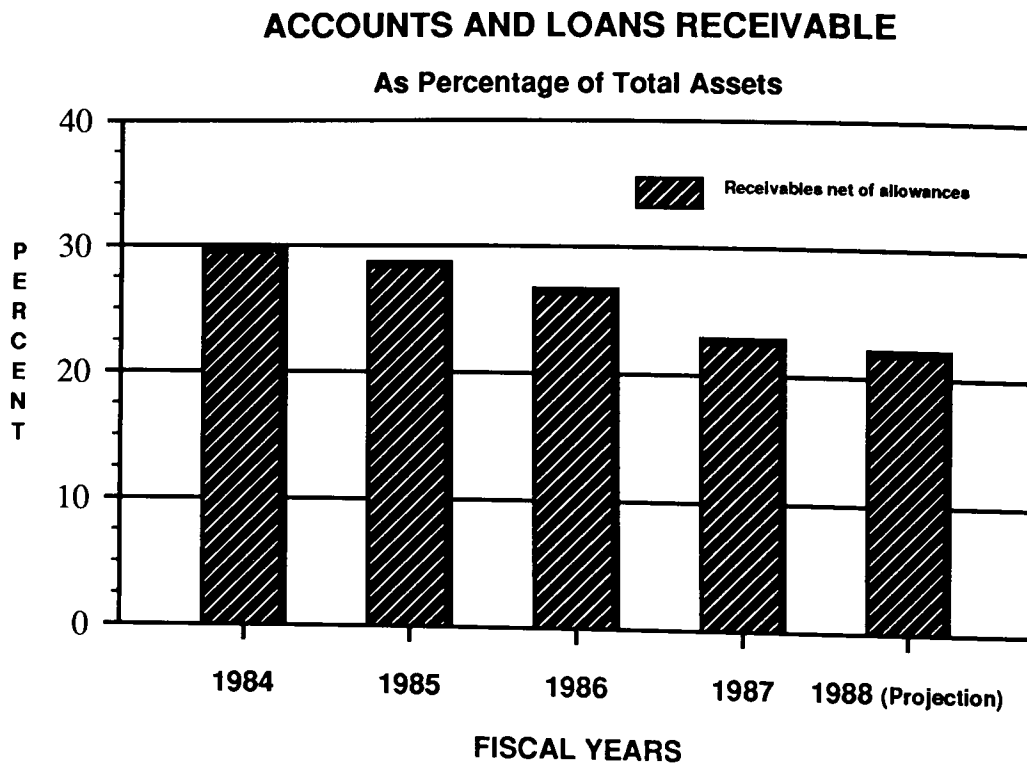
Continual progress in the area of accrual financial reporting has received special attention recently in Government. It has become a major priority of the Financial Management Service in concert with the General Accounting Office and the Office of Management and Budget to sponsor initiatives, many times under the auspices of the Joint Financial Management Improvement Program and the recently inaugurated Chief Financial Officers' Council, to provide the stimulus necessary to underwrite the improvements of financial reporting systems based on the Standard General Ledger. Steps within the evolution toward solid reporting on the accrual basis will be reflected by changes and additions to this section of the Annual Report.

Summary of Accounts and Loans Receivable Due From the Public

The amounts in the first three charts have been summarized from the Report on Accounts and Loans Receivable Due from the Public (SF 220-9). The Debt Collection Act of 1982 (31 U.S.C. 3719) necessitated the diligent monitoring of each agency's outstanding receivables by the Office of Management and Budget, the General Accounting Office, and Treasury. (See introductory text for a further explanation.)

Accounts and Loans Receivable

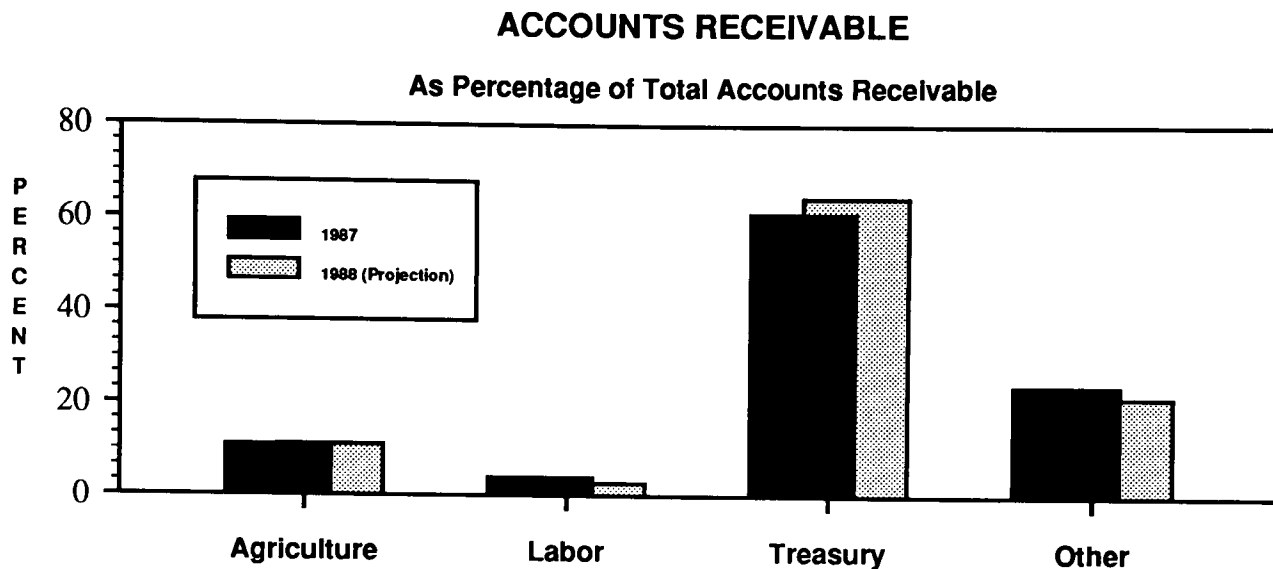
The data in the following chart is presented net of allowances and is shown as a percentage of total assets.



Note.--The fiscal 1987 receivables figure of 22.9 percent is up from an earlier projection of 20 percent. The increase resulted from an upward revision of the 1986 total, the basis for the projection.

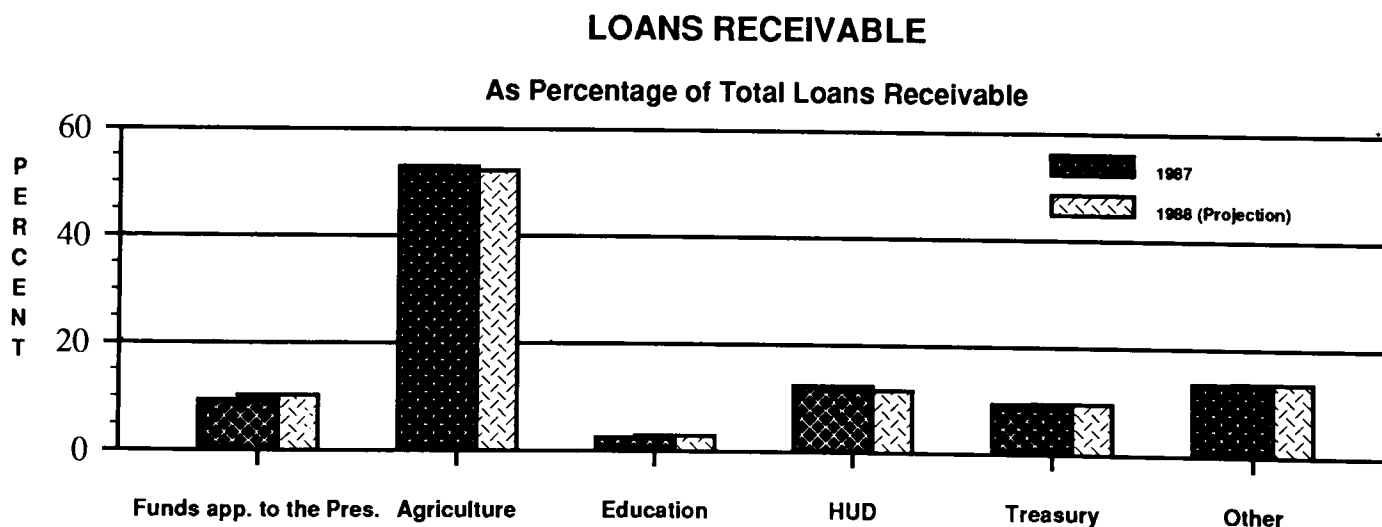
Accounts Receivable

The following chart shows the three agencies with the largest amount of accounts receivable, and all other, as a percentage of total accounts receivable. The information presented represents a comparison of the fiscal 1988 projection with the actual figure for the prior year.



Loans Receivable

The following chart shows the five agencies with the largest amount of loans receivable, and all other, as a percentage of total loans receivable. The information presented represents a comparison of the fiscal 1988 projection with the actual figure for the prior year.

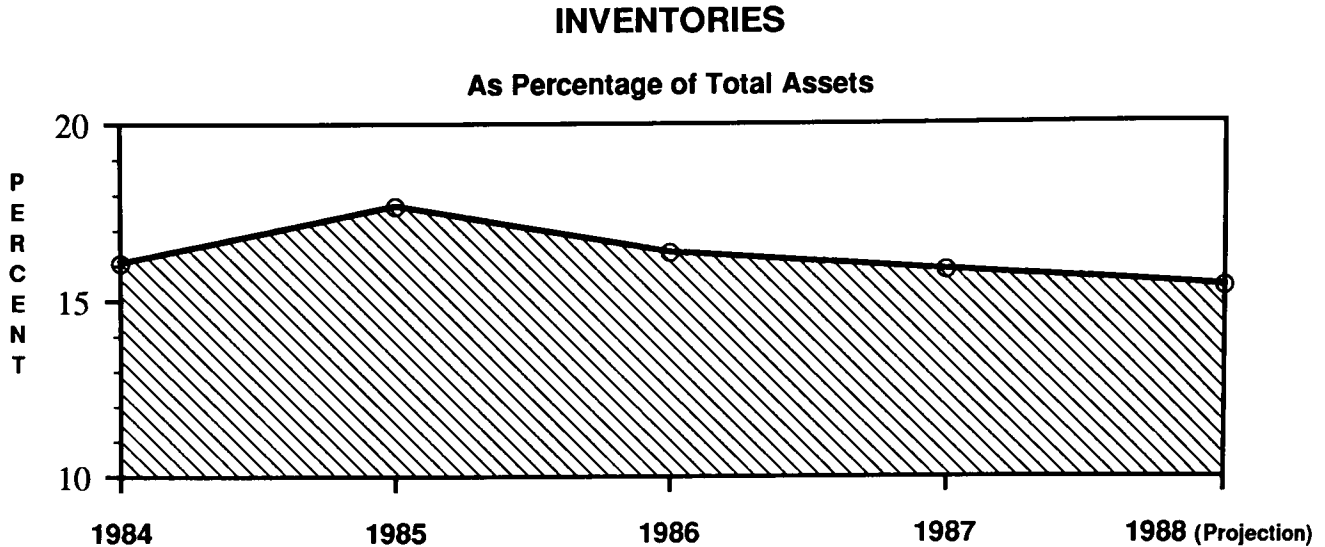


Summary of Inventories; Property, Plant and Equipment; and Accounts Payable

The amounts in the following charts have been summarized from the Report on Financial Position (SF 220). (See introductory text for a further explanation.)

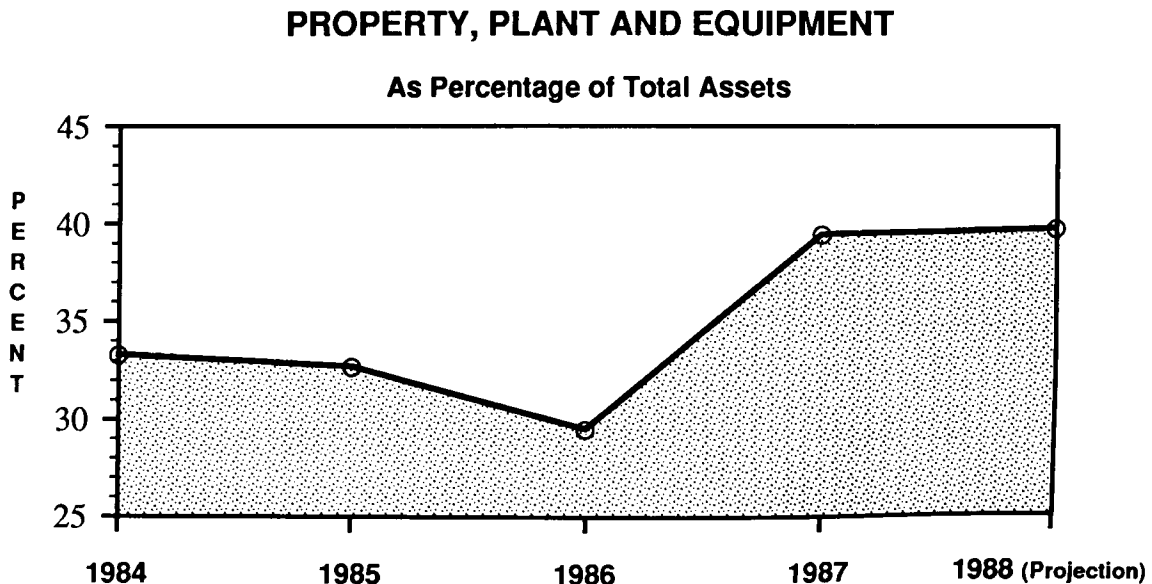
Inventories

The following chart shows 4 years of actual data plus a projection for fiscal 1988. Inventories consist of the following: operating consumables, product or service components, stockpiled materials, and other inventories.



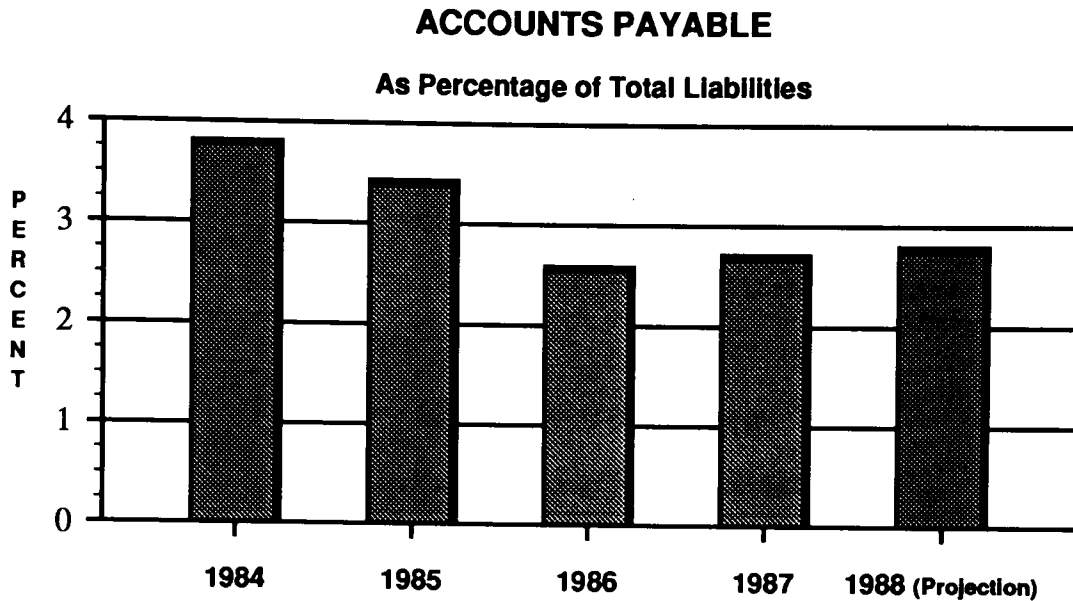
Property, Plant and Equipment

The following chart shows 4 years of actual data plus a projection for fiscal 1988. Property, plant and equipment is shown net of accumulated depreciation and consists of the following: structures, facilities and leasehold improvements; military equipment; ADP software; equipment; assets held under capital leases; construction in progress; land; and other.



Accounts Payable

The following chart represents the total accounts payable to the public for amounts owed to vendors, individuals, and private sector organizations. The chart shows 4 prior years of actual data along with a projection for fiscal 1988.



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**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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