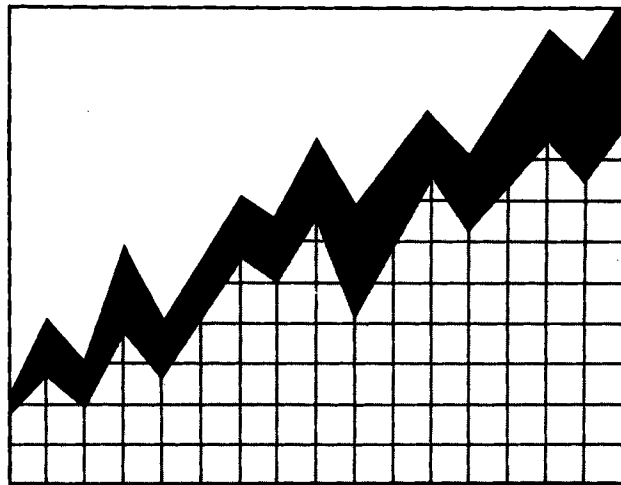




UNITED STATES GOVERNMENT



ANNUAL

1989

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. The Service promotes the financial integrity of the Government through sound money management on behalf of the public, and it is responsible for the Government's delivery systems for payments and collections, the central accounting and reporting systems, the Government's cash management programs, credit and debt collection activities 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 1, 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 Financial Management Service 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 10, 1990

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, 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 Annual Report of the United States Government for the Fiscal Year Ended September 30, 1989.

The United States Department of the Treasury is proud of its 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 \$990.8 billion, an increase of \$82.6 billion over 1988 receipts; total outlays of \$1,142.8 billion, an increase of \$79.5 billion over 1988 outlays; and a \$152 billion deficit, a decrease of 3.2 billion lower than the 1988 deficit.

Sincerely

A handwritten signature in cursive script that reads "Nicholas F. Brady".

Nicholas F. Brady

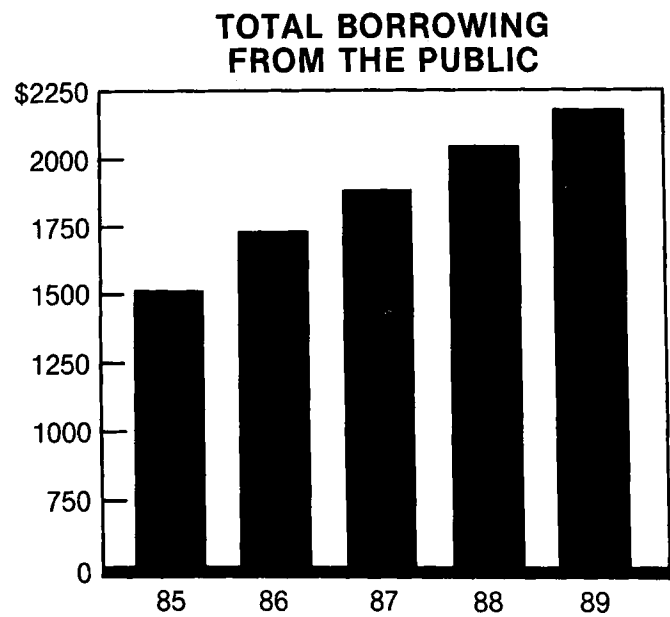
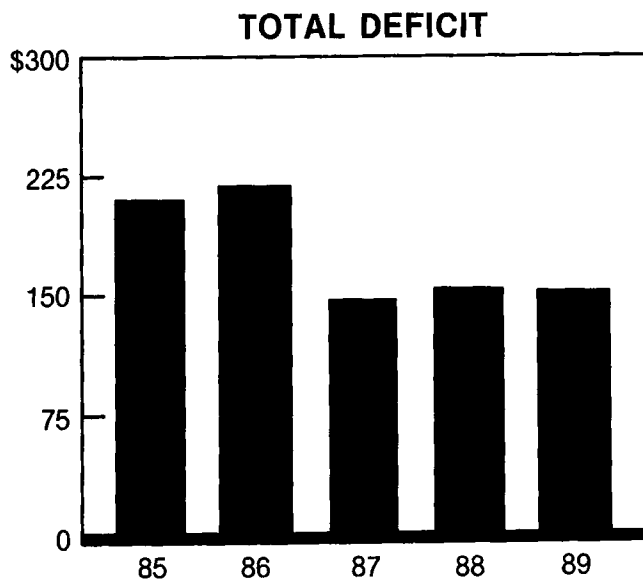
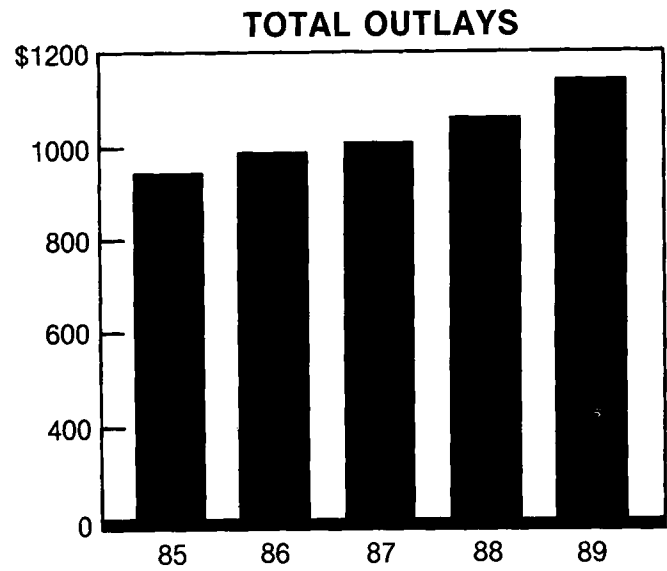
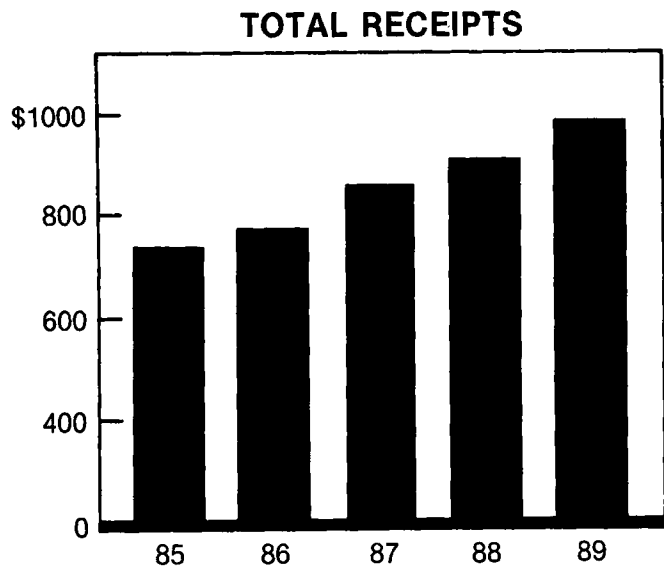
*Financial
Highlights*

Financial Highlights

(in Billions)

	FY 1989	FY 1988	PERCENTAGE CHANGE
Total Receipts	\$ 990.8	\$ 908.2 ^r	9.1%
Total Outlays	1,142.8	1,063.3 ^r	7.5
Total Deficit	152.0	155.2 ^r	2.1
Total Assets	68.8	73.0	5.8
Total Borrowing From The Public	2,088.8	2,050.0 ^r	6.8
Excess of Liabilities Over Assets	\$ 2,187.6	\$ 2,036.3	7.4%

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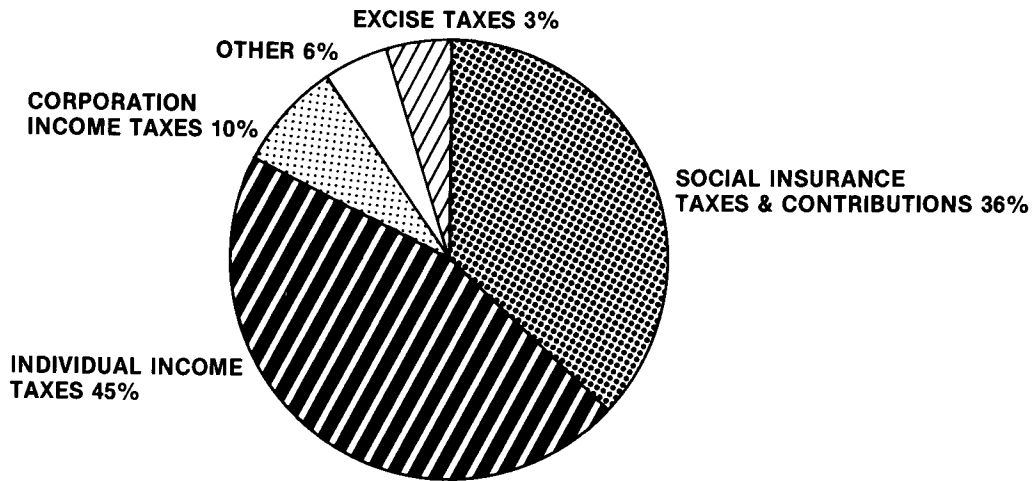


Financial Review

- 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 \$990.8 billion in FY 1989, an increase of \$87.6 billion from FY 1988. 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 1989 and FY 1988 by source category, and the amount and percentage change from FY 1988.

- Individual Income Taxes—Individual income taxes were \$445.7 billion in FY 1989 an increase of \$44.5 billion, or 11.1%.
- Corporation Income Taxes—Corporation income taxes were \$103.3 billion, an increase of \$9.1 billion from FY 1988 to FY 1989.
- Social Insurance Taxes and Contributions—Receipts from the three major forms of social insurance taxes and contributions increased from \$334.3 billion in FY 1988 to \$359.4 billion in FY 1989 an increase of \$25.1 billion, or 7.5%
 - Employment Taxes and Contributions—Receipts from this source totaled \$332.9 billion a change of \$27.8 billion, or 9.1% over the prior year.
 - Unemployment Insurance—Unemployment insurance receipts were \$22.0 billion in FY 1989, a decrease from FY 1988 of \$2.6 billion, or 10.5%.
 - Other Retirement Contributions—Receipts in this category decreased by \$112 million to a total of \$4.7 billion in FY 1989.
- Excise Taxes—Receipts of excise taxes in FY 1989 were \$34.4 billion, a decrease of \$1.1 billion from the prior year.
- The Other Receipts category consisting of Estate and Gift Taxes, Customs Duties, and Miscellaneous Receipts increased from \$43.7 billion in FY 1988 to \$48.0 billion in FY 1989. 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 \$1.1 billion in FY 1989 to \$8.7 billion.
 - Customs Duties—Customs Duties increased by \$9.2 billion in FY 1989 to \$16.3 billion.
 - Miscellaneous Receipts—These Receipts totaled \$22.9 billion in FY 1989, an increase of \$3.0 billion over the FY 1988 level.

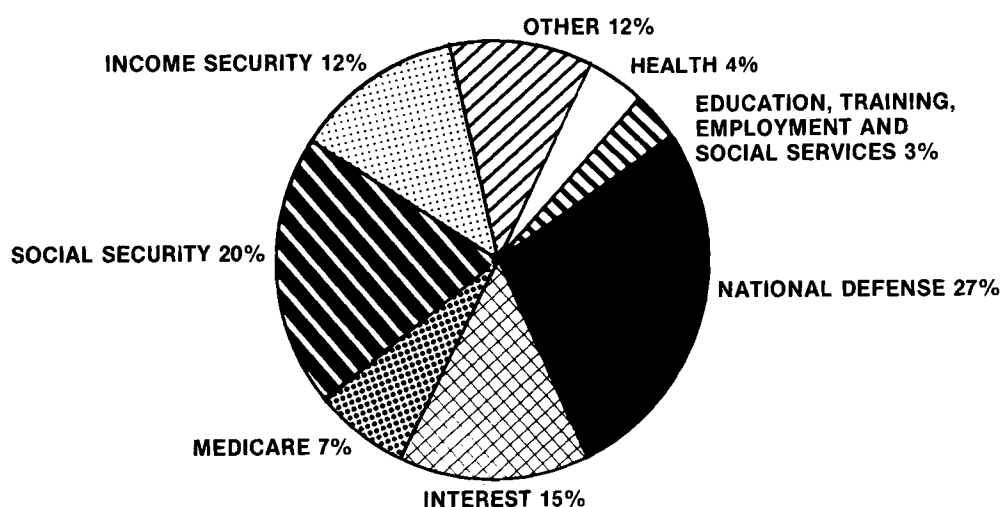
RECEIPTS BY SOURCE CATEGORY
(IN MILLIONS)

	FY 1989	FY 1988	CHANGE FROM 1988	PERCENTAGE CHANGE
Individual Income Taxes	\$445,690	\$401,181	\$44,509	11.1%
Corporation Income Taxes	103,291	94,195	9,096	9.7
Total Income Taxes	548,981	495,376	53,605	10.8
Social Insurance Taxes and Contributions:				
Employment Taxes and Contributions	332,859	305,093	27,766	9.1
Unemployment Insurance	22,011	24,584	-2,573	-10.5
Other Retirement Contributions	4,546	4,658	-112	-2.4
Total Social Insurance Taxes and Contributions	359,416	334,335	25,081	7.5
Excise Taxes	34,386	35,540	-1,154	-3.3
Other:				
Estate and Gift Taxes	8,745	7,594	1,151	15.2
Customs Duties	16,334	15,411 ^r	923	6.0
Miscellaneous Receipts	22,927	19,909	3,018	15.2
Total Other	48,006	42,914 ^r	5,092	11.9
Total Receipts	990,789	908,165 ^r	82,624	9.1%
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 \$1,142.8 billion in FY 1989, an increase of \$79.5 billion or 7.5% over the amount of the preceding fiscal year. Shown below is the percentage distribution of FY 1989 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 1989 were \$1,142.8 billion compared with \$1,063.3 billion in FY 1988. The percentage distribution of outlays among the seven largest functional classifications is shown graphically below.



The table that follows shows FY 1989 and FY 1988 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 1989 National Defense outlays increased by \$13.2 billion to \$303.6 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 \$48.4 billion in FY 1989, an increase of \$3.9 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 \$232.5 billion for FY 1989, an increase of 6.0% or \$13.2 billion over the FY 1988 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 \$85 billion in FY 1989, an increase of 7.7% or \$6.1 billion over the FY 1988 outlays.

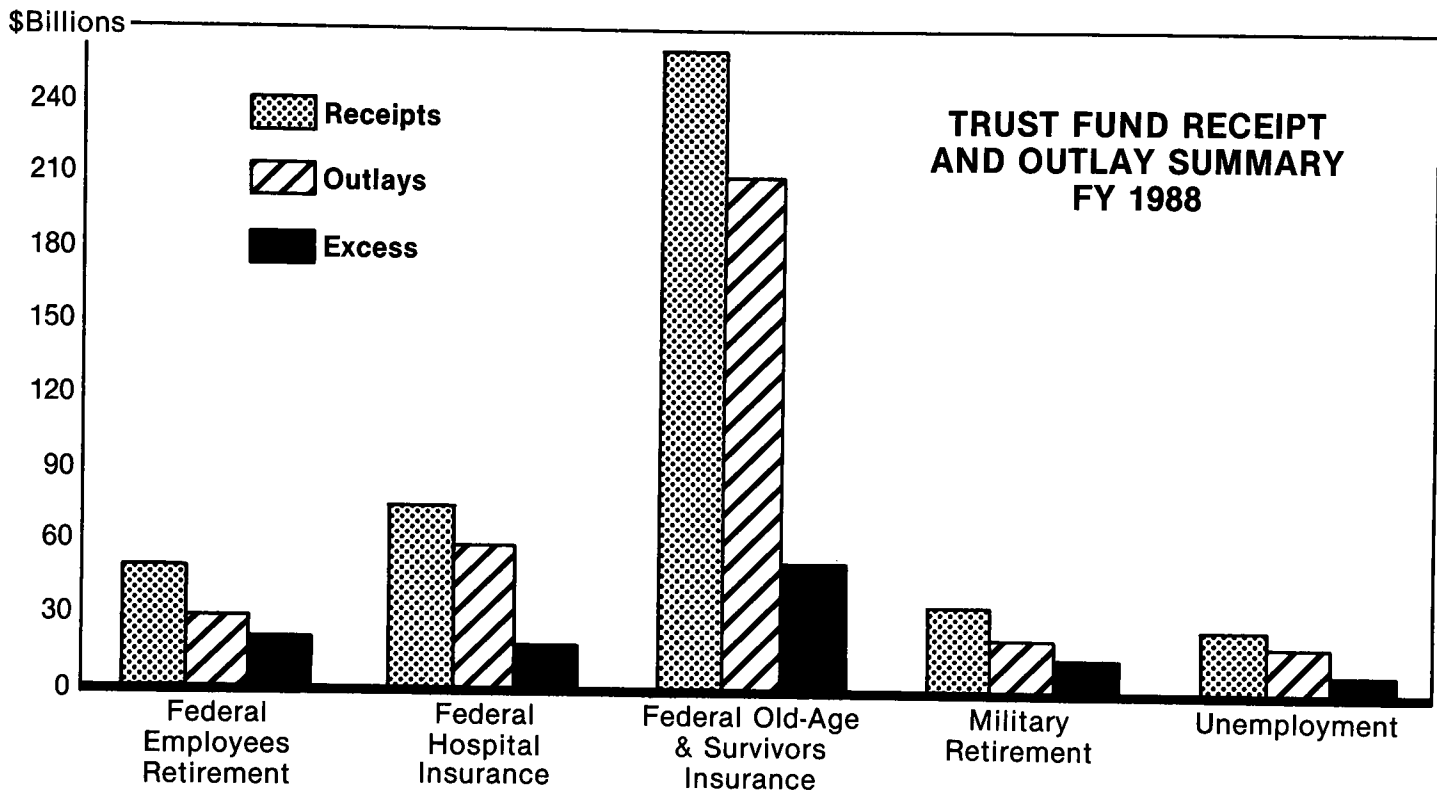
- **Income Security**—Income security benefits are paid to the aged, the disabled, the unemployed and low income families. Outlays for these benefits were \$136.8 billion in FY 1989 an increase of 5.8% or \$7.4 billion from the FY 1988 level. Included within this classification are programs such as general 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 11.8% to \$35.7 billion in FY 1989.
- **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 1989 to \$169.3 billion, a 11.6% increase over the prior fiscal year.

OUTLAYS BY FUNCTION				
(in millions)				
	FY 1989	FY 1988	CHANGE FROM 1988	PERCENTAGE CHANGE
National Defense	\$303,551	\$290,361 ^r	\$13,190	4.5%
International Affairs	9,596	10,471 ^r	-875	-8.4
General Science, Space, and Technology	12,891	10,841 ^r	2,050	18.9
Energy	3,745	2,297 ^r	1,448	63.0
National Resources and Environment	16,084	14,625 ^r	1,459	10.0
Agriculture	16,948	17,210 ^r	-262	-1.5
Commerce and Housing Credit	27,718	18,828 ^r	8,890	47.2
Transportation	27,623	27,272 ^r	351	1.3
Community and Regional Development	5,755	5,294 ^r	461	8.7
Education, Training, Employment and Social Services	35,697	31,938 ^r	3,759	11.8
Health	48,391	44,490 ^r	3,901	8.8
Medicare	84,964	78,878 ^r	6,086	7.7
Income Security	136,765	129,332 ^r	7,433	5.8
Social Security	232,542	219,341 ^r	13,201	6.0
Veterans Benefits and Services	30,066	29,406 ^r	660	2.2
Administration of Justice	9,396	8,436 ^r	960	11.4
General Government	8,940	9,518 ^r	-578	-6.1
Interest	169,314	151,748 ^r	17,566	11.6
Undistributed Offsetting Receipts	-37,212	-36,967 ^r	-245	-.7
Total Outlays	1,142,777	1,063,318^r	79,459^r	7.5

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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 1989. The chart presented below summarizes the operations of the major trust funds in FY 1989.



The table on the following page summarizes trust fund operations in FY 1989 and FY 1988 and the dollar change between these two fiscal years. Presented below is a description of the receipt and outlay of the major trust funds for FY 1989.

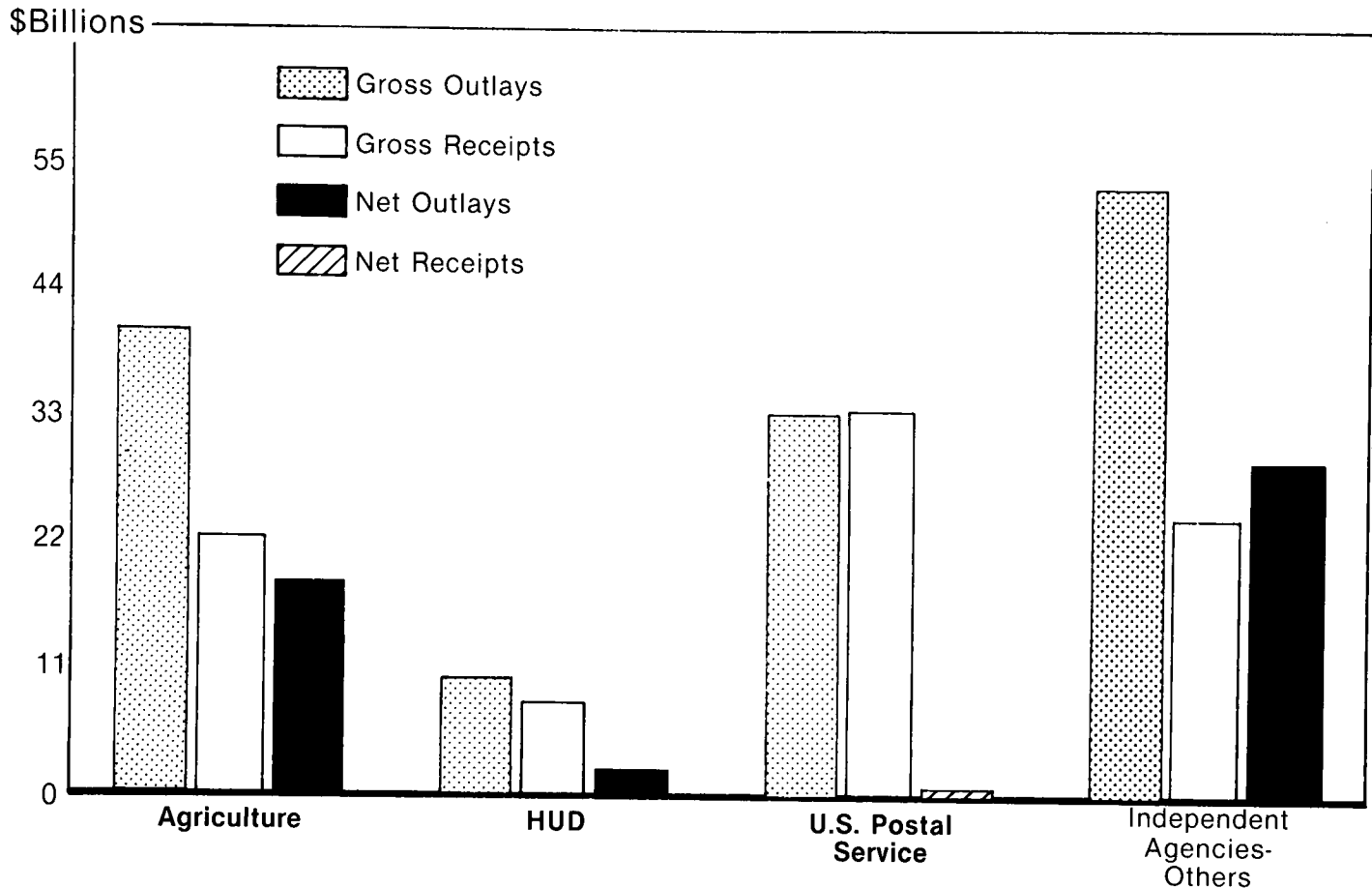
- Federal Employees Retirement—In FY 1989, the receipts of the Federal Employees Retirement Fund were \$49.7 billion. The fund's outlays were \$29.6 billion for an excess of receipts over outlays of \$20.2 billion.
- Federal Hospital Insurance—In FY 1989 Federal Hospital Insurance Fund receipts were \$75.1 billion while outlays totaled \$58.2 for an excess of receipts over outlays of \$16.9 billion.
- Federal Old-Age & Survivors Insurance—In FY 1989, outlays in this fund were \$210.1 billion and receipts were \$261.5 billion. The excess of receipts over outlays amounted to \$51.4 billion.
- Military Retirement—In FY 1989, the Military Retirement Fund accumulated \$34.0 billion in receipts and \$20.2 billion in outlays for an excess of receipts over outlays of \$13.8 billion.
- Unemployment—The FY 1989 receipts of the Unemployment Trust Fund were \$25.5 billion and outlays were \$18.7 billion for an excess of receipts over outlays of \$6.8 billion.

TRUST FUND RECEIPT AND OUTLAY SUMMARY
(IN MILLIONS)

TRUST FUND	FY 1989			FY 1988			CHANGE		
	RECEIPTS	OUTLAYS	EXCESS	RECEIPTS	OUTLAYS	EXCESS	RECEIPTS	OUTLAYS	EXCESS
Airport	\$ 4,674	\$ 2,856	\$ 1,817	\$ 4,081	\$ 2,896 ^r	\$ 1,185 ^r	\$ 593	\$ -40	\$ 632
Black Lung disability	628	627	1	640	639	1	-12	-12	**
FDIC	—	856	-856	—	2,146	-2,146	—	-1,290	1,290
Federal Disability Insurance	24,577	23,487	1,090	22,460 ^r	22,360	100 ^r	2,117	1,127	990
Federal employees life and health	—	-2,716	2,716	—	-1,101	1,101	—	-1,615	1,615
Federal employees retirement	49,705	29,555	20,150	47,016 ^r	28,431	18,585 ^r	2,689	1,124	1,565
Federal hospital insurance	75,117	58,238	16,880	67,999	52,730	15,270	7,118	5,508	1,610
Federal old-age and survivors insurance	261,495	210,141	51,354	236,596 ^r	197,897	38,700 ^r	24,899	12,244	12,654
Federal supplementary medical insurance	42,147	38,215	3,932	35,002	34,947	55	7,145	3,268	3,877
FSMI catastrophic coverage	1,135	102	1,033	—	—	—	1,135	102	1,033
Highways	16,873	14,450	2,423	15,307	14,733 ^r	573 ^r	1,566	-283	1,850
Military advances	8,154	8,431	-278	8,964	9,057	-93	-810	-626	-185
Railroad retirement	7,413	6,667	746	7,359 ^r	6,435	923 ^r	54	232	-177
Military retirement	33,994	20,182	13,812	33,117	19,009	14,108	877	1,173	-296
Unemployment	25,507	18,730	6,777	26,984	18,598	8,386	-1,477	132	-1,609
Veterans life insurance	1,445	143	303	1,423	1,058	365	22	85	-62
All other trusts	4,846	3,077	1,769	3,912 ^r	3,470 ^r	442 ^r	934	-393	1,327
Total Trust Fund Receipts and Outlays	557,709	434,040	123,669	510,860 ^r	413,304 ^r	97,556 ^r	46,849	20,736	26,113
Total Federal Government Receipts and Outlays	\$611,178	\$886,926	\$-275,749	\$556,860 ^r	\$809,568 ^r	\$-252,708 ^r	\$54,318	\$77,358	\$-23,041
Details may not add to totals due to rounding.									
**Less than \$500,000.									
r—revised									

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 1989 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 1989. Summarized below are the receipt and outlay levels of those departments with the most sizable revolving fund operations.

- Department of Agriculture—FY 1989 gross outlays of revolving funds operated by Agriculture totaled \$40.6 billion and gross receipts totaled \$22.1 billion. The net outlays were \$18.5 billion.
- Department of Housing and Urban Development—In FY 1989, the gross outlays of revolving funds of this Department totaled \$10.4 billion while gross receipts were \$8.3 billion. Net revolving fund outlays in FY 1989 were \$2 billion.
- U.S. Postal Service—In FY 1989, revolving funds of the U.S. Postal Service generated \$33.1 billion gross outlays, \$33.4 billion in gross receipts and net receipts of \$310 million.
- Independent Agencies-Others—The net outlays of revolving funds maintained by these agencies amounted to \$29.5 billion in FY 1989. This consisted of \$53.4 billion in gross outlays and \$23.9 billion in gross receipts.

REVOLVING FUND ACTIVITY BY DEPARTMENT
(IN MILLIONS)

	FY 1989 GROSS OUTLAYS	FY 1989 GROSS RECEIPTS	FY 1989 NET OUTLAYS	FY 1988 NET OUTLAYS	DIFFERENCE
Legislative Branch	9	10	-1	** ^r	-1
The Judiciary	—	—	—	—	—
Executive Office of the President	—	—	—	—	—
Funds Appropriated to the President	1,456	980	476	602 ^r	-126
Department of Agriculture	40,614	22,141	18,473	16,931 ^r	1,542
Department of Commerce	49	46	3	-5 ^r	8
Department of Defense—Military	14	13	1	** ^r	1
Department of Defense—Civil	—	—	—	—	—
Department of Education	28	59	-31	— ^r	-31
Department of Energy	1,155	1,373	-218	-141	-77
Department of Health and Human Services, except Social Security	17	3	14	-2 ^r	16
Department of Health and Human Services, Social Security	—	—	—	—	—
Department of Housing and Urban Development	10,379	8,333	2,046	1,137 ^r	909
Department of the Interior	419	128	291	235 ^r	56
Department of Justice	**	**	**	**	**
Department of Labor	—	—	—	-278	-278
Department of State	—	—	—	—	—
Department of Transportation	185	453	-268	-118 ^r	-150
Department of the Treasury	-1,073	46	-1,119	1 ^r	-1,118
Environmental Protection Agency	-15	**	-15	**	-15
General Services Administration	—	—	—	—	—
National Aeronautics and Space Administration	—	—	—	—	—
Office of Personnel Management	—	—	—	—	—
Small Business Administration	1,178	573	605	-357	962
Veterans Administration	3,041	2,172	869	1,076	-207
Independent Agencies					
Export-Import Bank of the United States	2,160	2,113	47	-894	941
Tennessee Valley Authority	—	—	—	— ^r	—
Postal Service	33,104	33,414	-310	-32 ^r	-278
Others	51,271	21,773	29,498	8,755 ^r	20,743
Total Revolving Fund Receipts and Outlays	143,991	93,630	50,361	26,910 ^r	23,451
Details may not add to totals due to rounding.					
**Less than \$500,000.					
r-revised					

Appropriations, Outlays and Balances by Department

The following table summarizes the FY 1989 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	\$595	\$2,130	\$ 0	\$2,094	\$139	\$634
The Judiciary	152	1,476	0	1,493	-17	175
Executive Office of the President	-1	129	0	124	5	3
Funds Appropriated to the President	26,804	10,979	-\$6,254	4,302	423	23,524
Department of Agriculture	9,386	55,669	-33,075	48,414	-25,820	16,419
Department of Commerce	334	2,736	29	2,571	194	429
Department of Defense	93,840	328,018	-186	318,303	9,529	105,470
Department of Education	2,825	23,874	-177	21,608	2,089	2,295
Department of Energy	2,922	12,040	-198	11,387	454	3,506
Department of Health and Human Services, except Social Security	73,375	197,177	-13	172,301	24,863	95,924
Department of Health and Human Services, Social Security	85,579	279,918	0	227,473	52,445	137,064
Department of Housing and Urban Development	45,136	13,121	1,150	19,680	-5,409	40,135
Department of the Interior	1,910	5,154	139	5,308	-15	1,913
Department of Justice	675	6,758	20	6,232	546	1,216
Department of Labor	40,520	29,872	-1	22,657	7,214	48,076
Department of State	4,931	3,975	110	3,722	362	5,269
Department of Transportation	40,350	32,466	-805	26,689	4,972	44,309
Department of the Treasury	8,294	231,420	707	230,573	1,554	10,077
Department of Veterans Affairs	13,807	29,977	0	30,041	-63	14,039
Environmental Protection Agency	1,846	5,394	0	4,906	489	3,806
General Services Administration	1,669	188	-11	-462	639	1,872
National Aeronautics and Space Administration	2,359	10,873	96	11,036	-67	1,997
Office of Personnel Management	202,336	51,248	0	29,073	22,175	223,021
Small Business Administration	1,089	419	-154	83	182	1,292
Independent Agencies	24,626	138,850	11,287	32,323	117,098	39,652
Total Appropriations, Outlays and Balances	685,359	1,473,860	-27,335	1,231,932	213,982	822,117

Details may not add to totals due to rounding

**Less than \$500,000

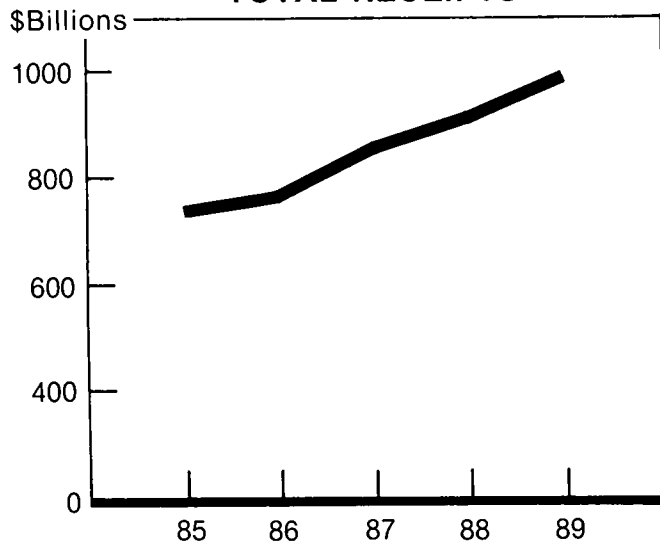
Five-Year Summary of Financial Highlights

(In Millions)

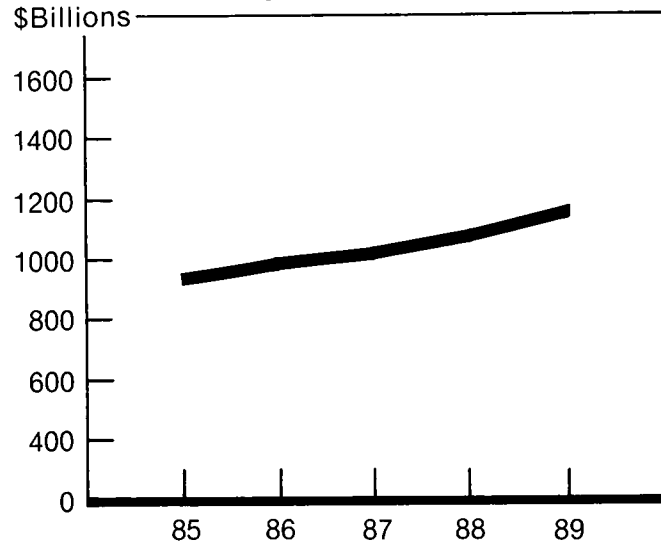
	FY 1989	FY 1988	FY 1987	FY 1986	FY 1985
Total Receipts	\$ 990,789	\$ 908,166 ^r	\$ 854,143	\$ 769,091	\$ 734,057
Total Outlays	1,142,777	1,063,318 ^r	1,003,804 ^r	990,231 ^r	945,987
Total Deficit	151,988	155,151 ^r	149,661 ^r	221,140 ^r	211,931
Total Assets	68,752	73,038	66,525 ^r	75,621	55,204
Total Borrowing from the Public	2,188,821	2,049,998 ^r	1,897,761 ^r	1,746,044 ^r	1,509,857
Excess of Liabilities Over Assets	\$2,187,587	\$2,036,266 ^r	\$1,882,263 ^r	\$1,733,270 ^r	\$1,512,576

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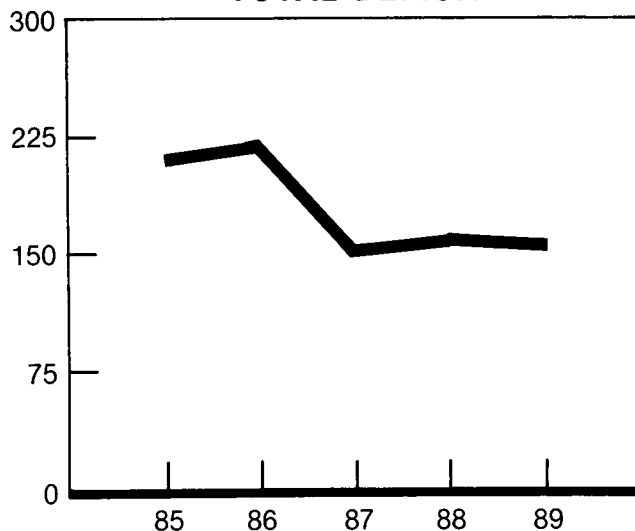
TOTAL RECEIPTS



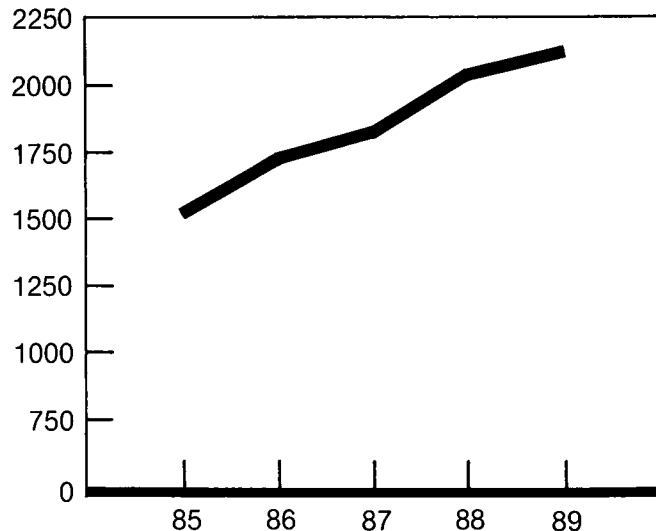
TOTAL OUTLAYS



TOTAL DEFICIT



TOTAL BORROWING FROM THE PUBLIC



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, 1989	September 30, 1988
(in millions)		
ASSETS		
Cash and Monetary Assets:		
U.S. Treasury Operating Cash:		
Federal Reserve Account	\$ 13,452	\$ 13,024
Tax and Loan Note Accounts	27,521	31,375
Special Drawing Rights	9,487	9,074
Less: Special Drawing Rights Certificates Issued to Federal Reserve Banks	8,518	5,018
Monetary Assets with International Monetary	8,785	9,635
Other Cash and Monetary Assets:		
U.S. Treasury Monetary Assets	1,495	1,494
Cash and Other Assets held Outside the Treasury Account	8,101	8,818
Time Deposits Supported by 2% Depository Bonds	2	2
Total Cash and Monetary Assets	60,325	68,403
Miscellaneous Asset Accounts	8,426	4,635
TOTAL ASSETS	68,752	73,038
EXCESS OF LIABILITIES OVER ASSETS		
Excess of Liabilities Over Assets at Beginning of Fiscal Year	2,036,266	1,882,263
Add: Total Deficit for Fiscal Year	151,988	155,151 ^f
Subtotal	2,188,254	2,037,414 ^f
Deduct: Other Transactions not Applied to Surplus or Deficit	667	1,148 ^f
Excess of Liabilities Over Assets at Close of Fiscal Year	2,187,587	2,036,266 ^f
TOTAL ASSETS AND EXCESS OF LIABILITIES OVER ASSETS	2,256,339	2,109,304^f
LIABILITIES		
Borrowing from the Public:		
Public Debt Securities Outstanding	2,857,431	2,602,183
Agency Securities Outstanding	23,680	12,398
Total Federal Securities Outstanding	2,881,112	2,614,581
Deduct: Federal Securities held by Government Accounts	676,842	550,681 ^f
Total Borrowing from the Public	2,204,270	2,063,900 ^f
Premium and Discount on Public Debt Securities	15,448	13,902
Total Borrowing less Premium and Discount	2,188,822	2,049,998 ^f
Accrued Interest Payable to the Public	40,747	34,067
Special Drawing Rights Allocated by International Monetary Fund	6,270	6,322
Deposit Fund Liabilities	9,279	8,549 ^f
Miscellaneous Liability Accounts (Checks Outstanding, Etc.)	11,222	10,368
TOTAL LIABILITIES	\$ 2,256,339	\$ 2,109,304^f
Details may not add to totals due to rounding.		
r-revised		

Statement of Operations

(in Millions)

	Fiscal Year 1989	Fiscal Year 1988
RECEIPTS		
Individual Income Taxes	\$445,690	\$401,181
Corporation Income Taxes	103,291	94,195
Social Insurance Taxes and Contributions:		
Employment taxes and contributions (off-budget)	263,666	241,491
Employment taxes and contributions (on-budget)	69,193	63,602
Unemployment Insurance	22,011	24,584
Contributions for Other Insurance and Retirement	4,546	4,658
Excise Taxes	34,386	35,540
Estate and Gift Taxes	8,745	7,594
Customs Duties	16,334	15,411 ^r
Miscellaneous Receipts	22,927	19,909
Total Receipts	990,789	908,166^r
OUTLAYS		
Legislative Branch	2,094	1,852
The Judiciary	1,493	1,337
Executive Office of the President	124	121
Funds Appropriated to the President	4,302	7,252
Agriculture	48,414	44,003
Commerce	2,571	2,279
Defense—Military	294,876	281,935 ^r
Defense—Civil	23,427	22,047
Education	21,608	18,246
Energy	11,387	11,166 ^r
Health and Human Services, except Social Security	172,301	158,991
Health and Human Services, Social Security	227,473	214,178
Housing and Urban Development	19,680	18,956
Interior	5,308	5,147 ^r
Justice	6,232	5,426
Labor	22,657	21,870
State	3,722	3,421
Transportation	26,689	26,404 ^r
Treasury	230,573	201,644 ^r
Veteran Affairs	30,041	29,249 ^r
Environmental Protection Agency	4,906	4,872
General Services Administration	-462	-281 ^r
National Aeronautics and Space Administration	11,036	9,092
Office of Personnel Management	29,073	29,191
Small Business Administration	83	-54
Independent Agencies	32,323	23,446 ^r
Undistributed offsetting receipts	-89,155	-78,474
Total Outlays	1,142,777	1,063,318^r
Total Deficit	-151,988	-155,151^r
OTHER TRANSACTIONS NOT APPLIED TO CURRENT YEAR'S SURPLUS OR DEFICIT		
Seigniorage (Gain on coin Production)	-594	-470
Profit on Sale of Gold	-15	-37
Proceeds from sale of loan assets	-24	-577 ^r
Net gain (-) /loss for IMF loan valuation adjustment	-34	-63
Total Other Transactions not Applied to Current Year's Surplus or Deficit	\$ -667	\$ -1,148^r
Details may not add to totals due to rounding		
r-revised		

Statement of Sources and Applications of Funds

(in Millions)

	Fiscal Year 1989	Fiscal Year 1988
SOURCES		
Increases in Liabilities:		
Borrowing from the Public	\$ 140,369	\$ 166,139 ^r
Premium and Discount on public debt securities	-1,546	-4,201
Accrued Interest Payable to the Public	6,680	2,354
Deposit Fund Liabilities	730	-564 ^r
Miscellaneous Liabilities (Checks Outstanding Etc.)	854	-3,265
Special Drawing Rights Allocated by International Monetary Fund	-52	53
Decreases in Assets:		
Other Cash and Monetary Assets:		
Other U.S. Treasury Monetary Assets	—	-134
Cash and Other Assets held Outside the Treasury Account	715	-771
Special Drawing Rights (SDRs)	-413	5
Less: SDR Certificates Issues to Federal Reserve Banks	3,500	—
Net Change, SDRs	3,087	5
Other Transactions not Applied to Surplus or Deficit	667	1,148 ^r
Total Sources	151,504	160,764 ^r
APPLICATIONS		
Deficits	152,080	155,151 ^r
Increases in Assets		
U.S. Treasury Operating Cash:		
Federal Reserve Account	428	3,904
Tax and Loan Note Accounts	-3,854	4,059
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	-636	-918
Loans to International Monetary Fund	-214	-354
Miscellaneous Assets	3,700	-1,079
Total Applications	\$ 151,504	\$ 160,763 ^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 by the Financial Management Service 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 by the Financial Management Service (FMS) 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 FMS' 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 1989	FY 1988
Gold assets	\$11,065 million	\$11,062 million
Liabilities (certificates)	\$11,065 million	\$11,062 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	Nicholas F. Brady
Deputy Secretary of the Treasury	John E. Robson
Under Secretary for Finance	Robert R. Glauber
Assistant Secretary for Economic Policy	Sidney L. Jones
Inspector General	Donald E. Kirkendall
Assistant Secretary for Legislative Affairs	Bryce L. Harlow
Assistant Secretary for Enforcement	Salvatore R. Martoche
General Counsel	Edith E. Holiday
Assistant Secretary for Tax Policy	Kenneth W. Gideon
Under Secretary for International Affairs	David C. Mulford
Fiscal Assistant Secretary	Gerald Murphy
Treasurer of the United States	Vacant
Assistant Secretary for Management	Linda M. Combs
Assistant Secretary for Domestic Finance	David W. Mullins, Jr.
Assistant Secretary for Public Affairs and Public Liaison	Roger Bol
Comptroller of the Currency	Robert L. Clarke
Commissioner of Financial Management Service	William E. Douglas
Commissioner of Internal Revenue	Fred T. Goldberg
Commissioner of the Bureau of the Public Debt	Richard L. Gregg
Assistant Secretary for International Affairs	Charles H. Dallara

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:

Financial Management Service
Financial Reporting Division
Budget Reports Branch
Liberty Center
Attn: UCP, Room 749
401 14th Street, S.W.
Washington, D.C. 20227

Name _____

Street address _____

City and State _____

_____ ZIP Code _____



