

# **Consolidated Financial Statements of the United States Government**

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*Fiscal Year 1977*

**PROTOTYPE**

# ADVISORY COMMITTEE on FEDERAL CONSOLIDATED FINANCIAL STATEMENTS

The advisory committee has provided advice on a number of issues confronting the Department of the Treasury in its preparation of consolidated financial statements for the U.S. Government. The committee, during its 2-year term which ended March 15, 1978, considered many issues. Among these were objectives to be served by the statements, format of the statements, accounting and reporting for pensions, commitments and contingencies, valuation of assets, depreciation methods, accruing Federal tax revenues, and inflation accounting. The committee members' views have been carefully considered in developing this prototype report and will continue to be considered in developing subsequent publications of these statements. The Treasury acknowledges the support and assistance received from its advisory committee whose membership was composed of:

Harvey Kapnick, CPA	<i>Chairman, Arthur Andersen &amp; Co. Chairman of Advisory Committee on Federal Consolidated Financial Statements</i>
Dr. Wilton Anderson, CPA	<i>Head of Accounting Department, Oklahoma State University Past President of American Accounting Association</i>
John Biegler, CPA	<i>Chairman, Price Waterhouse International Past President of the Board of Trustees, Financial Accounting Foundation</i>
Ivan Bull, CPA	<i>Managing Partner of McGladrey, Hansen, Dunn &amp; Company Past Chairman of the Board of American Institute of Certified Public Accountants</i>
Dr. Joe J. Cramer, Jr., CPA	<i>Professor of Accounting, The University of Southern California</i>
Nathan Cutler	<i>Former Executive Vice President, Association of Government Accountants Former Director of Audits, Department of Transportation</i>
Dr. Sidney Davidson, CPA	<i>Arthur Young Professor of Accounting and Director of Business Research, University of Chicago Past President of American Accounting Association</i>
Samuel A. Derieux, CPA	<i>Partner, Derieux, Baker, Thompson and Whitt Past President of American Institute of Certified Public Accountants</i>
Dr. Solomon Fabricant	<i>Research Associate Emeritus, National Bureau of Economic Research Former Consultant to General Accounting Office</i>
Gaylord Freeman	<i>Honorary Chairman of the Board, The First National Bank of Chicago Former Consultant to the Secretary of the Treasury</i>
Carol Loomis	<i>Member of Board of Editors, Fortune Magazine Author of the article, "An Annual Report for the Federal Government," 1973</i>
Dr. Robert K. Mautz, CPA	<i>Former Partner, Ernst &amp; Ernst Former member of Cost Accounting Standards Board</i>
Dr. Charles L. Schultze	<i>Chairman, Council of Economic Advisers Former Director, Bureau of the Budget (now OMB)</i>
Elmer B. Staats	<i>Comptroller General of the United States</i>
Julia M. Walsh	<i>Chairman of the Board, Julia M. Walsh &amp; Sons, Inc. Member of Board of Directors, U.S. Chamber of Commerce</i>
Dr. George J. Staubus	<i>Academic Fellow, Financial Accounting Standards Board Former Director of Research and Technical Activities, Financial Accounting Standards Board An observer at Committee meetings.</i>

# STATEMENT OF THE FISCAL ASSISTANT SECRETARY OF THE TREASURY

This prototype report is the third such report published by the Treasury Department and is the result of a continuing experimental effort to expand the use of accrual accounting concepts in governmental accounting. This undertaking is intended to contribute to:

- the improvement of accounting at all levels of government—Federal, state and local;
- the development of accounting standards for public financial reporting by government entities; and
- the integration of government accounting standards with accounting standards applicable to the private sector.

This report is not intended to compete with the Budget process. The President's Budget Document submitted to the Congress is the Government's primary tool for planning and controlling the allocation of economic resources.

These prototype financial statements are not and should not be regarded as the Government's official report on its financial condition. As the Secretary of the Treasury indicated in his preface to last year's statement, there are still many conceptual and methodological issues yet to be resolved before reports such as this prototype can be represented as conforming to generally accepted accounting principles. We are continuing to work towards a resolution of these issues for future reports.

Although no major revisions have been introduced since last year's report, there have been a number of technical changes. These are noted in the report and result from the studies that are presently under way or as a result of independent efforts of the General Accounting Office and the Treasury.

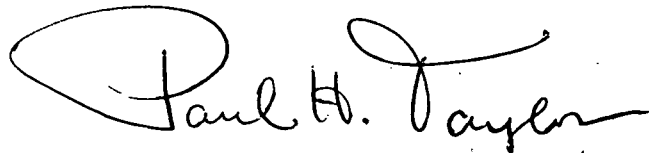
Any substantive changes will await the recommendations of the Comptroller General's interagency advisory committee which is seeking essential improvements in financial accounting and reporting for the Federal government. Agencies involved in these efforts include those which control and use significant resources, such as the Departments of Defense, Agriculture and Interior, and independent agencies such as the National Aeronautics and Space Administration. The status of this effort is described more fully in the introductory statement to the notes of the report.

The initial phase in the development of these financial statements was focused on identifying broad conceptual issues relating to the development of accounting and financial reporting for government entities. The Treasury, together with the interagency advisory committee, is now addressing the more practical problems associated with improving accounting and reporting in the Federal government. This is an essential element in providing the technical capabilities needed for routine preparation and publication of consolidated financial statements in the future.

It is intended that these reports act as a stimulus for improving accounting and reporting at all levels of government, Federal, state and local. This appears to be happening; for example, several cities have recently published comprehensive reports to present a simplified picture that reflects financial aggregates as opposed to highly technical and detailed reports.

This report remains a preliminary approach to the complex and emerging task of presenting comprehensive and more understandable historical information about the finances of the government. Through exploration of new accounting concepts, the adaption of old concepts, and the exposure of the public to various accounting applications, this and subsequent reports will seek to present a broader focus for government accounting and reporting. Our aim is to help enhance public understanding of the resources used in the conduct of government operations.

As with other prototypes, we seek your reactions and comments.

A handwritten signature in cursive script that reads "Paul H. Taylor". The signature is written in black ink and is positioned above the printed name and title.

PAUL H. TAYLOR  
Fiscal Assistant Secretary

Dated: September 25, 1978

# Statement of the United States General Accounting Office

This financial report, like its predecessors, is preliminary in nature. Much remains to be done before various technical problems with the data can be overcome and the preliminary phase of this effort ended. Nonetheless, these statements should be useful in providing a perspective on the financial activities of the Government that is not otherwise available.

An interagency committee, chaired by the Comptroller General, is currently working to develop solutions to the most significant technical problems. These problems concern: accrual of taxes, allowances for losses on accounts and loan receivables, valuation of assets, inflation accounting, and accounting for Federal employee retirement systems and social security. We are confident that the work of this committee, when completed, will make these statements considerably more useful.

The General Accounting Office continues to support this effort because we believe that consolidated information on Government financial activities can provide a broader perspective on the financial situation of the Government and its financial problems. Hopefully, this effort will lead to the development of more informative standards for financial reporting by all levels of Government.

We have neither examined nor audited these statements. Accordingly, we are not expressing an opinion on whether they fairly present the financial position and results of Government operations for the periods they cover.



D. L. Scantlebury  
Director, Division of  
Financial and General  
Management Studies

Dated: October 16, 1978

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## **Consolidated Financial Statements**

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**United States Government**  
**Consolidated Statement of Financial Position**  
**as of September 30, 1977 and 1976, and June 30, 1976**

(amounts in billions)

**Assets**

*(What the Government owns—resources that are available  
to pay obligations or to provide public services in the future)*

	<u>1977</u>	<u>1976</u>	
	Sept. 30	Sept. 30	June 30
Cash and monetary reserves			
Operating cash in the Treasury.....	\$19.1	\$17.4	\$14.8
International monetary reserves (Note 2).....	18.9	17.9	17.1
Other cash.....	5.4	6.3	7.1
	<u>43.4</u>	<u>41.6</u>	<u>39.0</u>
Receivables (net of allowances)			
Accounts receivable.....	6.6	5.5	5.5
Accrued taxes receivable (Note 3)...	13.5	14.1	10.1
Loans receivable (Note 4).....	111.8	100.2	106.4
Advances and prepayments.....	7.4	6.7	3.6
	<u>139.3</u>	<u>126.5</u>	<u>125.6</u>
Inventories (at cost) (Note 5)			
Goods for sale.....	14.0	13.5	13.2
Work in process.....	.9	.8	.8
Raw materials.....	1.8	1.4	1.6
Materials and supplies for Government use.....	33.9	35.4	35.5
Stockpiled materials and commodities	26.4	26.1	25.9
	<u>77.0</u>	<u>77.2</u>	<u>77.0</u>
Property and equipment (at cost)			
Land (Note 6).....	7.7	7.6	7.5
Buildings, structures, and facilities (Note 7).....	103.8	92.7	92.5
Military hardware (Note 8).....	143.3	133.5	133.5
Equipment (Note 8).....	48.1	43.4	42.6
Construction in progress.....	19.2	16.2	16.6
Other.....	1.6	1.7	1.8
	<u>323.7</u>	<u>295.1</u>	<u>294.5</u>
Accumulated depreciation (Note 9) ..	(159.3)	(147.2)	(145.1)
	<u>164.4</u>	<u>147.9</u>	<u>149.4</u>
Deferred charges and other assets.....	23.5	20.2	18.6
Total assets.....	<u>\$447.6</u>	<u>\$413.4</u>	<u>\$409.6</u>

*The accompanying notes are an integral part of this statement.*

**United States Government**  
**Consolidated Statement of Financial Position**  
**as of September 30, 1977, and 1976, and June 30, 1976**

(amounts in billions)

**Liabilities**

*(What the Government owes—obligations incurred in the past that will require cash or other resources in the future)*

	1977	1976	
	Sept. 30	Sept. 30	June 30
Accounts payable .....	\$55.3	\$53.7	\$45.7
Unearned revenue .....	10.1	9.8	9.5
Borrowing from the public (Note 10) ...	548.6	494.8	476.0
Accrued pension, retirement, and disability plans (Note 11)			
Military personnel .....	128.9	119.3	117.3
Civilian employees .....	155.5	140.6	130.9
Social security .....	802.6	630.8	621.2
Veterans compensation .....	116.7	113.4	113.6
Federal employees compensation ....	7.4	6.4	6.1
	<u>1,211.1</u>	<u>1,010.5</u>	<u>989.1</u>
Loss reserves for guarantee and insurance programs (Note 12) .....	27.7	27.9	25.3
Other liabilities .....	45.2	42.5	41.8
Total liabilities .....	<u>1,898.0</u>	<u>1,639.2</u>	<u>1,587.4</u>

**Fiscal Deficit**

*(The accumulated amount by which the costs of Government activities have exceeded Government revenues)*

Fiscal deficit beginning of period .....	(1,233.4)	(1,185.9)	(980.6)
Prior period adjustment (Note 13) .....	7.6	8.1	12.3
Restated fiscal deficit beginning of period .....	(1,225.8)	(1,177.8)	(968.3)
Current period fiscal deficit .....	(52.8)	(38.4)	(87.8)
Current noncash provision for social security (Note 14) .....	(171.8)	(9.6)	(121.7)
Fiscal deficit end of period .....	<u>(1,450.4)</u>	<u>(1,225.8)</u>	<u>(1,177.8)</u>
Total liabilities and fiscal deficit ..	<u>\$447.6</u>	<u>\$413.4</u>	<u>\$409.6</u>

*The accompanying notes are an integral part of this statement.*



**United States Government Consolidated Statement of Operations for  
the Year ended September 30, 1977, the Transition Quarter (TQ)  
ended September 30, 1976, and the Year ended June 30, 1976**

*(amounts in billions)*

<b>Revenues</b>	1977	TQ	1976
Levied under the Government's sovereign power			
Individual income taxes .....	\$156.7	\$38.8	\$131.6
Corporate income taxes .....	54.3	12.5	39.7
Social insurance taxes and contributions .....	108.7	25.8	92.7
Excise taxes .....	17.6	4.5	17.0
Estate and gift taxes .....	7.3	1.5	5.2
Customs duties .....	5.2	1.2	4.1
Miscellaneous .....	10.3	2.9	9.8
	<u>360.1</u>	<u>87.2</u>	<u>300.1</u>
Earned through Government business- type operations			
Sale of goods and services .....	18.9	5.6	14.8
Interest .....	18.7	2.4	16.3
Other .....	19.8	4.0	17.6
	<u>57.4</u>	<u>12.0</u>	<u>48.7</u>
<b>Total revenues</b> .....	<u>417.5</u>	<u>99.2</u>	<u>348.8</u>
<b>Expenses by function (see also summary of expenses by object and agency)</b>			
Agriculture .....	4.9	.9	1.8
Commerce and transportation .....	13.4	6.2	16.0
Community and regional development .....	7.0	2.2	5.0
Education, training, employment, and social services .....	18.0	5.9	16.2
General government .....	10.0	1.2	8.7
General science, space and tech- nology .....	4.2	1.5	3.8
Health .....	42.1	13.6	34.5
Income security			
Military personnel .....	17.8	4.0	27.9
Civilian employees .....	25.0	11.8	21.2
Social insurance .....	98.0	21.8	88.0
Veterans compensation .....	12.5	1.9	4.7
Other .....	37.0	10.5	45.5
Interest .....	41.9	8.1	37.1
International affairs .....	5.7	2.3	4.8
Law enforcement and justice .....	3.3	1.1	3.1
National defense .....	90.8	33.2	83.1
Natural resources, environment, and energy .....	15.3	6.0	12.2
Revenue sharing and general purpose fiscal assistance .....	15.7	2.0	14.0
Veterans benefits and services .....	7.7	3.4	9.0
	<u>470.3</u>	<u>137.6</u>	<u>436.6</u>
<b>Total expenses</b> .....	<u>470.3</u>	<u>137.6</u>	<u>436.6</u>
<b>Current period fiscal deficit</b> ....	<u>\$(52.8)</u>	<u>\$(38.4)</u>	<u>\$(87.8)</u>

*The accompanying notes are an integral part of this statement.*

## Summary of Expenses by Object and Agency

	1977	TQ	1976
<b>Expenses by object</b>			
Salaries and employee benefits .....	\$73.9	\$14.3	\$65.2
Vendor services and supplies .....	66.7	18.0	65.8
Depreciation .....	12.1	2.1	8.9
Pensions, health and life insurance ...	59.0	17.2	61.5
Casualty insurance and indemnities ...	102.2	37.2	108.2
Grants, subsidies, and contributions ..	114.5	40.7	89.9
Interest .....	41.9	8.1	37.1
<b>Total expenses</b> .....	<u>\$470.3</u>	<u>\$137.6</u>	<u>\$436.6</u>
<b>Expenses by agency</b>			
Legislative branch.....	\$1.0	\$0.2	\$0.8
The Judiciary .....	.4	.1	.3
Executive branch			
Office of the President.....	12.9	5.0	11.6
Departments			
Agriculture.....	26.5	6.5	21.9
Commerce .....	2.9	.9	2.4
Defense .....	95.1	29.4	99.2
Health, Education, and Welfare ...	149.7	43.2	132.3
Housing and Urban Development .	12.1	5.0	15.5
Interior .....	4.0	1.4	3.2
Justice .....	2.7	1.0	2.6
Labor.....	23.8	7.7	30.6
State .....	1.3	.4	1.2
Transportation .....	12.9	3.9	12.4
Treasury: Interest.....	41.9	8.1	37.1
Other .....	12.5	3.8	10.0
Independent agencies .....	<u>70.6</u>	<u>21.0</u>	<u>55.5</u>
<b>Total expenses</b> .....	<u>\$470.3</u>	<u>\$137.6</u>	<u>\$436.6</u>

*The accompanying notes are an integral part of this statement.*

**United States Government Consolidated Statement  
of Changes in Financial Position  
for the Year ended September 30, 1977, the Transition Quarter (TQ)  
ended September 30, 1976, and the Year ended June 30, 1976**

(amounts in billions)

	1977	TQ	1976
Cash and monetary reserves beginning of period .....	\$41.6	\$39.0	\$29.0
<b>Sources of funds:</b>			
Taxes and other levies .....	360.1	87.2	300.1
Other Government operations .....	57.4	12.0	48.7
Sale of property and equipment .....	13.0	5.0	16.0
Net increase in borrowing .....	53.8	18.8	82.2
Depreciation .....	12.1	2.1	8.9
Provision for accrued pension, retirement, and disability plans.....	28.8	11.8	34.1
Provision for loss reserves for guarantee and insurance programs .....	(2)	2.6	10.2
Increase in liabilities .....	<u>4.6</u>	<u>9.0</u>	<u>2.4</u>
Total sources of funds.....	<u>571.2</u>	<u>187.5</u>	<u>531.6</u>
<b>Uses of funds:</b>			
Spending on Government programs...	470.3	137.6	436.6
Purchase of property and equipment..	41.6	5.6	23.9
Increase in receivables .....	12.8	.9	24.3
Increase in inventories.....	(2)	.2	5.9
Increase in deferred charges and other assets.....	<u>3.3</u>	<u>1.6</u>	<u>1.9</u>
Total uses of funds.....	<u>527.8</u>	<u>145.9</u>	<u>492.6</u>
Cash and monetary reserves end of period .....	<u>\$43.4</u>	<u>\$41.6</u>	<u>\$39.0</u>

*The accompanying notes are an integral part of this statement.*

## Introductory Statement to Notes

The Federal consolidated financial statements have been prepared to serve the common needs of a variety of users with emphasis on the general public. As is true of accounting in other types of entities, governmental accounting exists for the purpose of providing complete and accurate financial information in a meaningful format and on a timely basis to those responsible for and concerned with the operations of government. This information can help to promote a better understanding of the role of the Government's financial operations in the economy.

The Advisory Committee on Federal Consolidated Financial Statements, which was chartered from March 1976 to March 1978, identified many of the major conceptual and practical problems associated with the development of the financial statements and schedules. On July 6, 1977, the Comptroller General assumed chairmanship of an interagency committee whose role is to study the problems associated with implementing the recommendations resulting from the work of the advisory committee. A summary of these efforts is presented below.

- *Accrual of taxes.*—Presently Federal tax revenues are not accrued but recognized and reported on a cash basis. The objective is to develop a method for accruing taxes that takes into account taxes earned, refunds, and uncollectable amounts. Existing information is being analyzed to determine appropriate methods for developing annual accruals for financial reporting.
- *Allowances for losses on accounts and loans receivable.*—A significant number of government agencies do not provide a reasonable estimate of losses, while others make no estimate at all. The objective is to develop criteria for evaluating and reporting collectability. A survey of each agency's collection experience is underway and should form the basis for developing standards and techniques for making these estimates.
- *Valuation of assets.*—Presently assets are accounted for on a historical cost basis; some assets have no recorded value. The objective is to improve the basis for valuation of Federal assets. Asset classifications are being studied to assess the adequacy of valuation methods presently used. An improved historical cost base to which current values can be ascribed is being sought.
- *Federal employee retirement systems.*—There are approximately 50 Federal plans which could be included in the financial statements. There are no standards for reporting on the financial status of the plans. The objective is to develop disclosure methods that will be adequate for financial reporting purposes. Preliminary attention is being directed at the major plans; i.e., civil service, uniformed service, Foreign Service, and Tennessee Valley Authority.
- *Social security.*—The extent to which an accounting liability for social security should be recorded is indeterminate. The objective is to develop adequate disclosure for social security. An analysis of various methods for disclosure is under study as a joint project with efforts to improve reporting for Federal employee plans.
- *Inflation accounting.*—There is a recognized need to provide disclosure for the effects of inflation on accounting and reporting information. The objective is to determine the extent to which it is desirable and effective to account for the effects of inflation. Specific indexes related to discrete components of the financial statements, as well as the application of general indexes, are under consideration.

## Notes to Financial Statements

### 1. Summary of general accounting policies

*Principal financial statements*—The principal financial statements include a statement of financial position, a statement of operations, and a statement of changes in financial position. The statement of changes in financial position is presented for the first time. Because of the developmental nature of the statements, only the most significant changes in format are disclosed in the notes.

*Principles of consolidation*—The statements include the accounts of all significant agencies and funds included in the unified budget of the U.S. Government. Agencies such as the U.S. Postal Service and the Federal Financing Bank, which are classified as off-budget (not included in the budget), have also been included in the statements. They are included because they are wholly owned and are clearly within the scope of Government operations. Government-sponsored enterprises such as the Federal land banks were excluded because they are privately owned. The Federal Reserve System is excluded. Intragovernmental transactions were eliminated in consolidation.

*Fiscal year*—In calendar year 1976, the fiscal year of the U.S. Government was changed to end on September 30 instead of June 30. The amounts reflected in the Consolidated Statement of Financial Position are as of September 30, 1977, September 30, 1976, and June 30, 1976. The revenues and expenses for fiscal 1977, the transition quarter (July 1, 1976, through September 30, 1976), and fiscal 1976 are shown separately in the Consolidated Statement of Operations. The same periods are reflected in the Consolidated Statement of Changes in Financial Position.

*Reclassification and adjustment*—For comparability, certain fiscal 1976 and transition quarter data are reclassified where appropriate to conform to the financial statement presentation for fiscal 1977. Also, adjustments are made to some data because of different methods of calculation or reporting by the various agencies.

For example, veterans compensation is no longer classified as a pension program but is grouped with Federal employees compensation as a form of disability insurance.

### 2. International monetary reserves

This category as of the latest period shown, September 30, 1977, comprises the following items: \$11.6 billion in gold, which is recorded at \$42.22 per ounce, the statutory price at which gold is monetized by the issuance of gold certificates to the Federal Reserve System; \$2.5 billion of special drawing rights, which are an international reserve asset; and \$4.8 billion representing the U.S. reserve position with the International Monetary Fund.

### 3. Accrued taxes receivable

The September 30, 1977, total for taxes receivable represents \$6.9 billion (net) for delinquent taxes and \$6.6 billion of accrued corporate taxes. The amounts as of September 30, 1976, were \$6.0 billion and \$8.1 billion, respectively. No accrual is made for individual income taxes. (A method for accruing these taxes is under study.) Likewise, assessed taxes pending settlement are not included.

### 4. Loans receivable

Outstanding loans and allowances for losses are recorded as reported by the various lending agencies. No attempt has been made to evaluate the adequacy of the allowances for losses, but they are presumed to be understated and are under study. Interest rates and loan repayment terms vary considerably for outstanding loans, with rates up to 12 percent and terms from as short as 90 days to well over 40 years.

### 5. Inventories

Inventories include nondepreciable personal property and are generally stated at cost. The September 30, 1977, total for inventories comprises \$60.0 billion for the Department of Defense

and \$17.0 billion for other agencies. The amounts as of September 30, 1976, were \$61.4 billion and \$15.8 billion, respectively. The inventory accounts do not include the weapons stockpile of the Energy Research and Development Administration since the extent of this inventory is classified information.

## 6. Land

Land is valued at the cost paid by the Government. The cost of land acquired through donation, exchange, bequest, forfeiture, or judicial process is estimated by the General Services Administration at amounts the Government would have paid if purchased at the date of acquisition. Pending study of valuation methods, the Outer Continental Shelf and other offshore lands, and the 683 million acres of public domain lands are not reflected at any value. In 1972 a committee of the House of Representatives estimated the value of public domain lands (92 percent of the total onshore acreage owned by the Federal Government) to be \$29.9 billion.

## 7. Buildings, structures, and facilities

This category consists of all real property owned by the Federal Government except land. The total reflects the acquisition cost of buildings and the costs of acquiring or erecting dams, utility systems, monuments, roads, and bridges. The September 30, 1977, total for this category represents \$45.4 billion for the Department of Defense and \$58.4 billion for other agencies. The amounts as of September 30, 1976, were \$43.6 billion and \$49.1 billion, respectively.

## 8. Depreciable personal property

Equipment and military hardware are recorded at acquisition cost and include only depreciable property which is currently in use or in useable condition. The major components of each category are summarized below:

	Sept. 30, 1977	Sept. 30, 1976
	<i>(amounts in billions)</i>	
Military hardware		
Aircraft and related equipment.....	\$64.3	\$57.3
Ships and service craft.....	43.0	39.7
Combat and tactical vehicles.....	18.6	19.9
Missiles and related equipment.....	12.8	11.3
Other.....	4.6	5.3
Total.....	<u>\$143.3</u>	<u>\$133.5</u>
Equipment		
Department of Defense		
Industrial plant equipment.....	\$15.1	\$14.3
Communications and electronics...	3.6	4.2
Other.....	7.1	4.5
	<u>25.8</u>	<u>23.0</u>
Other agencies.....	22.3	20.4
Total.....	<u>\$48.1</u>	<u>\$43.4</u>

## 9. Accumulated depreciation

Most Government agencies do not calculate depreciation on property and equipment. Consequently, accumulated depreciation is estimated on a straight line basis, based on available information. The useful lives applied to each classification of asset are as follows: buildings, structures, and facilities-50 years; ships and service craft-30 years; industrial plant equipment-20 years; all other depreciable assets-10 years.

## 10. Borrowing from the public

As of September 30, 1977, the gross amount of Federal debt outstanding net of unamortized premiums and discounts was \$706.5 billion. This amount is reduced by \$157.9 billion for intragovernmental holdings. As of September 30, 1977, foreign and international investors held approximately \$95.0 billion of the debt outstanding with the public. The amount as of September 30, 1976, was \$75.0 billion. For additional information on borrowing from the public, see the Federal Debt Maturity Schedule in the supplementary section (page 26).

## 11. Accrued pension, retirement, and disability plans

The accounting for accrued pension and retirement plans is subject to several different assumptions, definitions, and methods of calculation. Specific methods applied to each of the major pension and retirement accruals are summarized below. Liabilities for approximately 50 other Government pension plans are not included because of insufficient data. Further study and analysis is required for adequate valuation and disclosure of pension and retirement liabilities.

*Military personnel and civilian employees:* Liabilities are recorded based on the estimated present value of accrued benefits as actuarially computed by the administering agencies.

*Social security:* Estimates for social security are based on the present value of the projected excess of benefits over contributions for present participants for the next 75 years. On December 20, 1977, Public Law 95-216 amended the Social Security Act resulting in changes to the estimates of future benefits and contributions. If the amendments had been effective as of September 30, 1977, the liability for social security would have been \$739.1 billion compared with \$802.6 billion

reported on the Consolidated Statement of Financial Position.

*Veterans compensation:* The liability for veterans benefits represents the present value of annual benefit payments estimated to the year 2000.

*Federal employees compensation:* The liability for benefits under the Federal Employees Compensation Act represents estimated future costs for approved compensation cases.

For additional information on accrued pensions, see the Analysis of Pension and Retirement Plans Schedule in the supplementary section (page 27).

## 12. Loss reserves for guarantee and insurance programs

For additional information on loss reserves for guarantee and insurance programs, see the Commitments and Contingencies of the U.S. Government Schedule in the supplementary section (page 25).

## 13. Prior period adjustment

The balance of fiscal deficit at September 30, 1976, has been restated from the amount previously reported to reflect the cumulative effect of corrections for errors identified in fiscal 1977. Federal employees compensation was understated by \$6.4 billion at September 30, 1976, and \$6.1 billion at June 30, 1976. Inventory of stockpiled materials and commodities was understated by \$13.6 billion prior to fiscal 1976. Borrowing from the public was overstated by \$0.6 billion prior to fiscal 1976 because of a misclassification between debt held by Government accounts and the public.

## 14. Current noncash provision for social security

The noncash provision for social security represents changes in the social security accrued liability between periods based on a 30-year amortization of the actuarial deficit. Accounting methods for this provision require additional study.

The noncash amount is not included in the Statement of Operations because a substantial but indeterminate portion is not applicable to the current period. The Statement of Operations does include cash benefit payments.

On December 20, 1977, Public Law 95-216 amended the Social Security Act resulting in

changes to the estimates of future benefits and contributions. If the amendments had been effective as of September 30, 1977, the noncash provision for social security affecting the fiscal deficit section of the Consolidated Statement of Financial Position would have been \$108.3 billion instead of \$171.8 billion.

**15. Contingencies**

Several Government agencies insure businesses and individuals against various types of risks. The amount of insurance coverage in force, representing the maximum risk exposure to the Government, was \$1,728.6 billion as of September 30, 1977.

The Government also guarantees loans by non-Government enterprises to businesses and individuals. These guarantees become liabilities of the Government only when the Government is required to honor its guarantees. Loan guarantees in force as of September 30, 1977, were \$213.3 billion. For additional information on contingencies, see the Commitments and Contingencies of the U.S. Government Schedule in the supplementary section (page 25).

**16. Open-ended programs and fixed costs**

The Government also commits itself to provide services by passing laws that make spending

mandatory. Since a significant amount of future spending is fixed by law, it is very probable that the Government will pay for these programs in future years. Listed below are the programs for fiscal 1977 that can be terminated only if the laws are changed.

	1977 (amounts in billions)
Payments for individuals	
Social security and railroad retirement .....	\$87.7
Federal employees retirement and insurance .....	17.8
Unemployment assistance .....	15.8
Veterans benefits .....	12.9
Medicare and Medicaid .....	31.4
Housing payments .....	2.9
Public assistance related programs .....	20.9
	<u>189.4</u>
Net interest .....	30.0
General revenue sharing .....	<u>6.8</u>
Other open-ended programs and fixed costs .....	12.1
Total .....	<u><u>\$238.3</u></u>



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## **Supplemental Schedules**

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## Introductory Statement to the Schedules

The following schedules present information which in some cases is unique to the Federal Government or is not generally shown as a part of published financial statements. The information in the schedules reflects various operations of the Government under laws passed by the Congress, and in some cases shows the financial costs to the Government of providing benefits through the tax system or through other indirect means as opposed to direct Federal revenue collection or spending.

There are certain schedules that are incomplete. As a prototype, this report attempts to show what is planned with regard to providing a comprehensive overview of Federal financial operations. In some cases the schedules support the financial results shown in the consolidated financial statements; in others there is little relationship between the schedules and the statements. Consequently, each of the tables should be considered individually as a specialized information source.

The following schedules are presented in this section:

### I Flow of Funds Projections

The information in this schedule was obtained from the 1979 Budget of the U.S. Government prepared by the Office of Management and Budget. It presents actual 1977 and projected 1978-81 cash receipts and outlays. Although the consolidated financial statements are prepared on an accrual basis and reflect historical financial data, no attempt has been made here to develop projections on an accrual basis. The data presented here also differ from the statements in that certain receipts are treated as reductions of outlays, according to conventions adopted for budgeting purposes.

These projections are not forecasts of future receipts and outlays, nor are they recommendations for policy-setting purposes. They simply reflect what may happen to cash basis revenues and expenditures considering certain basic assumptions reflected in the budget. The receipts projections are consistent with the continuation of current tax laws as modified in the 1979 Budget. Outlay estimates indicate the degree to which resources would be committed by the continuation of existing and currently proposed programs through fiscal 1981.

### II Financial Statements of the U.S. Government Restated for General Price-Level Changes

This schedule is developed from the Statement of Financial Position and Statement of Operations. Historical values have been restated to account for changes in the general purchasing power of the dollar. Accounting for inflation/deflation by this method provides comparability between years since all dollars are equivalent to the current level of purchasing power. As data become available, this schedule will be expanded to include 10 years.

The guidelines for restatement are presented in Accounting Principles Board Statement No. 3 (Financial Statements Restated for General Price-Level Changes) and the Financial Accounting Standards Board Discussion Memorandum of February 15, 1974 (Reporting the Effects of General Price-Level Changes in Financial Statements).

The conversion factors, derived from the GNP implicit price deflator, are as follows: fiscal 1977—1.021; transition quarter—1.057; fiscal 1976—1.069; fiscal 1975—1.129. Monetary assets and liabilities as of September 30, 1977, are not restated because they already represent dollars of current general purchasing power.

### III Effect of Tax Benefits on Federal Revenues

The Effect of Tax Benefits on Federal Revenues Schedule is designed to show the revenue losses attributable to tax law provisions that allow special exclusions, exemptions, or deductions from gross income or provide special credits, tax rates, or deferrals. The schedule shows the approximate cost of tax benefits.

It should be noted that the effect on revenues of adding or deleting a particular tax benefit would not be the same as the dollar amount currently associated with the benefit. Consequently, it is not possible to say what the effects of increasing or decreasing selected benefits would be without considering a number of variables.

Some minor distortions may have occurred since data presented have been condensed for purposes of this report.

### IV Commitments and Contingencies of the U.S. Government

The Commitments and Contingencies Schedule is designed to show two basic types of financial information. These are the maximum potential liabilities and the anticipated liabilities which it is reasonably certain, based on experience and other factors, will occur. The anticipated liabilities are the equivalent to allowance for losses.

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

A contingency represents a possible exposure to a liability depending upon the outcome of uncertain future events or circumstances. Contingencies are stated in the table in terms of the maximum risk exposure without regard to existing contingent assets which would be available to offset potential losses. The "ratio of losses incurred to premiums written" represents the probability of incurring those losses. "Loss reserves" supports the balance sheet liability "loss reserves for guarantee and insurance programs" and represents the anticipated liability.

### V Federal Debt Maturity

The Federal Debt Maturity Schedule reflects information on the borrowing of the Federal Government needed to finance the Government's operations.

Information on the debt is provided by type of debt instrument, average interest rate charged for each type, and maturity. This schedule directly supports the balance sheet caption, "Borrowing from the public," which is shown net of intragovernmental holdings and unamortized premium or discount. Intragovernmental holdings represent that portion of the total Federal debt held by Federal entities, including the major trust funds.

### VI Additions to Non-Federal Economic Resources

This schedule indicates the ways in which the Government uses its resources to add to the physical and human resources of the nation without acquiring physical assets. Some of these investment type expenditures, while not adding to the Federal

assets, add to the assets of state and local government or private institutions, and all enhance the future productivity of the nation.

While this schedule does not provide a precise measure of the difference between capital and current items, it does indicate a useful general magnitude.

Additions to state, local, and private assets include construction grants for highways, hospitals, and airports, subsidies to the merchant fleet, and conservation projects, which increase the value of private farmland and water resources. Other developmental expenditures reflect current Federal expenditures and grants which will benefit the nation in future years by increasing productivity or well being. These include research and development costs and education and training.

## VII Analysis of Pension and Retirement Plans

The Analysis of Pension and Retirement Plans Schedule is designed to provide an insight into the size of these programs and associated future financing requirements as of September 30, 1977, for all Government-financed plans. Amounts for social security, military personnel, civilian employees, and other plans support the liabilities on the Consolidated Statement of Financial Position. The second and third parts of this schedule provide information on cash flows and benefits paid to pensioners.

To the extent that information for this schedule was available, it was obtained from direct contact with actuaries for the respective agencies or from published Treasury Department reports. The schedule is incomplete in two significant regards: (1) The number of plans ultimately to be included in the schedule is not yet resolved—as many as 50 separate plans might be included; and (2) no determination has been made concerning the appropriate accounting procedures to be used in computing liabilities under the various plans. There are any number of ways the liabilities might be computed. Methods may be acceptable if they are rational and systematic and result in a reasonable measure of pension cost from year to year.

## VIII Estimated Interest Subsidy on Direct Loans Outstanding

Government public policy objectives are achieved in this area by providing credit for private borrowers and Government corporations on more favorable terms than are available to the Treasury. Many programs do not involve subsidies. This schedule attempts to measure the difference between what the Government has to pay to borrow funds to support its general operations and the interest an agency charges a borrower. The schedule shows the *annual* and *total* costs to the Government for all significant loan subsidy programs. Computations are based on (1) the average life of the loan, which represents the average number of years for repayment of each type of loan; (2) the Treasury borrowing rate for comparable maturities, which is based on the rates that the Treasury had to pay on interest-bearing public debt at the time the loan was made to the borrower; (3) the rate charged to the borrower, which is the average interest rate charged for each program; and (4) the total amount of subsidized loans outstanding, which covers the total amount of loans subsidized by the Treasury.

This year the addition of foreign subsidy information, supplied by the Treasury's Office of Economic Policy pursuant to section ( f ) of the Foreign Assistance Act, provides an improved picture of foreign loan subsidies. This schedule is a rough approximation of the costs of these programs to the Government. The lack of specific information on comparable maturities of public debt securities distorts the true cost. Additionally, while the schedule recognizes only annual interest costs, a more precise reading on the costs associated with the specific loan programs would require capitalizing the cost at the time the loans are made. The feasibility of these refinements is under consideration.

## IX Federal Facts and Figures

The schedule is designed to provide readers of the financial statements and schedules a set of recognizable benchmarks to use in making comparisons and identifying any relationships. Major emphasis has been given to providing information on the gross national product, the Consumer Price Index, employment, Federal debt, Federal expenses, and personal income taxes. In all cases the most current data available have been provided.

### SCHEDULE I Flow of Funds Projections for the Years ended September 30, 1977-81

(amounts in billions)

	1977 <i>Actual</i>	1978	1979	1980 <i>Estimated</i>	1981
<b>Cash Receipts</b>					
<b>Taxes</b>					
Individual .....	\$156.7	\$178.8	\$190.1	\$223.9	\$262.9
Corporation .....	54.9	58.9	62.5	69.1	77.7
<b>Social insurance taxes and contributions</b>					
Employment taxes and contributions .....	92.2	104.0	119.6	139.0	166.4
Unemployment insurance .....	11.3	14.4	16.3	14.9	13.5
Contributions for other insurance and retirement .....	5.2	5.7	5.9	6.2	6.4
Excise taxes .....	17.5	20.2	25.5	31.1	34.7
Estate and gift taxes .....	7.3	5.6	6.1	6.5	7.0
Customs duties .....	5.2	5.8	6.4	7.0	7.8
Miscellaneous .....	19.2	20.6	21.4	23.5	25.2
Rents and royalties .....	2.4	2.0	1.8	1.8	1.8
Total cash receipts .....	<u>371.9</u>	<u>416.0</u>	<u>455.6</u>	<u>523.0</u>	<u>603.4</u>
<b>Cash Outlays by Function</b>					
Administration of justice .....	3.6	4.0	4.2	4.3	4.3
Agriculture .....	5.5	9.1	5.4	5.0	3.7
Allowances for civilian pay raises and contingencies	-	-	2.8	5.8	9.7
Commerce and housing credit .....	-	3.5	3.0	4.5	3.2
Community and regional development .....	6.3	9.7	8.7	8.0	7.3
Education, training, employment, and social services	21.0	27.5	30.4	33.1	35.3
Energy .....	4.2	7.8	9.6	10.4	7.0
General government .....	3.3	4.1	4.3	4.6	4.3
General science, space, and technology .....	4.7	4.9	5.1	5.3	5.2
General purpose fiscal assistance .....	9.5	9.9	9.6	9.4	9.5
Health .....	38.8	44.3	49.7	53.7	58.2
Income security .....	137.0	147.6	160.0	174.3	190.1
Interest .....	38.1	43.8	49.0	53.7	56.5
International affairs .....	4.8	6.8	7.7	8.5	9.5
National defense .....	97.5	107.6	117.8	128.6	139.2
Natural resources and environment .....	10.0	12.1	12.2	13.1	13.2
Transportation .....	14.6	16.3	17.4	18.5	18.7
Veterans benefits and services .....	18.0	18.9	19.3	19.7	19.9
Total cash outlays .....	<u>416.9</u>	<u>477.9</u>	<u>516.2</u>	<u>560.5</u>	<u>594.8</u>
Total budget surplus (deficit) .....	(45.0)	(61.9)	(60.6)	(37.5)	8.6
Deficit, off-budget Federal entities .....	(8.7)	(11.5)	(12.5)	(8.1)	(7.8)
Total surplus (deficit) .....	<u>\$(53.7)</u>	<u>\$(73.4)</u>	<u>\$(73.1)</u>	<u>\$(45.6)</u>	<u>\$ .8</u>

\*Less than \$100 million.

**SCHEDULE II**  
**Financial Statements of the U.S. Government**  
**Restated for General Price-Level Changes**  
**(Restated to September 30, 1977 Dollars)**

(amounts in billions)

	1977	1976		1975
	Sept. 30	Sept. 30	June 30	June 30
<b>Financial Position</b>				
<b>Assets</b>				
Cash and monetary reserves.....	\$43.4	\$44.0	\$41.7	\$32.7
Receivables (net of allowances).....	139.3	133.7	134.3	114.4
Inventories (at cost).....	78.6	82.1	83.8	82.8
Property and equipment (net of accumulated depreciation).....	199.8	190.3	192.3	193.6
Deferred charges and other assets.....	27.6	24.9	23.3	21.2
<b>Total assets</b> .....	<u>\$488.7</u>	<u>\$475.0</u>	<u>\$475.4</u>	<u>\$444.7</u>
<b>Liabilities</b>				
Accounts payable.....	\$55.3	\$56.8	\$48.9	\$52.9
Unearned revenue.....	12.2	12.3	12.0	10.7
Borrowing from the public.....	548.6	523.0	508.8	444.6
Accrued pension, retirement, and disability plans.....	1,211.1	1,068.1	1,057.3	940.8
Loss reserves for guarantee and insurance programs.....	30.4	31.4	28.6	17.5
Other liabilities.....	45.2	44.9	44.7	44.5
<b>Total liabilities</b> .....	<u>1,902.8</u>	<u>1,736.5</u>	<u>1,700.3</u>	<u>1,511.0</u>
<b>Fiscal deficit</b>				
Fiscal deficit beginning of period.....	(1,269.3)	(1,233.2)	(1,079.6)	(1,022.1)
Prior period adjustment.....	7.8	8.3	13.3	15.1
Restated fiscal deficit beginning of period.....	(1,261.5)	(1,224.9)	(1,066.3)	(1,007.0)
Current period fiscal surplus (deficit).....	22.8	(26.3)	(26.2)	37.6
Current noncash provision for social security.....	(175.4)	(10.3)	(132.4)	(96.9)
Fiscal deficit end of period.....	(1,414.1)	(1,261.5)	(1,224.9)	(1,066.3)
<b>Total liabilities and fiscal deficit</b> .....	<u>\$488.7</u>	<u>\$475.0</u>	<u>\$475.4</u>	<u>\$444.7</u>
<b>Operating Results</b>				
<b>Revenues</b>				
Taxes and duties.....	\$367.7	\$92.7	\$326.6	\$326.2
Business-type operations.....	58.6	12.8	53.0	47.0
<b>Total revenues</b> .....	<u>426.3</u>	<u>105.5</u>	<u>379.6</u>	<u>373.2</u>
<b>Expenses</b>				
Agriculture.....	5.0	.9	1.9	16.8
Commerce and transportation.....	13.7	6.7	17.4	17.8
Community and regional development.....	7.1	2.3	5.5	7.2
Education, training, employment, and social services.....	18.4	6.2	17.6	16.7
General government.....	10.2	1.3	9.5	9.1
General science, space, and technology.....	4.3	1.6	4.2	4.3
Health.....	43.0	14.5	37.5	31.5
Income security.....	194.3	53.2	203.9	181.2
Interest.....	42.8	8.7	40.4	37.9
International affairs.....	5.8	2.4	5.3	9.4
Law enforcement and justice.....	3.4	1.2	3.4	3.3
National defense.....	92.7	35.3	90.4	85.1
Natural resources, environment, and energy.....	15.6	6.3	13.3	9.0
Revenue sharing and general purpose fiscal assistance.....	16.0	2.1	15.3	7.7
Veterans benefits and services.....	7.9	3.6	9.8	11.0
<b>Total expenses</b> .....	<u>480.2</u>	<u>146.3</u>	<u>475.4</u>	<u>448.0</u>
General price-level gain.....	76.7	14.5	69.6	112.4
<b>Current period fiscal surplus (deficit)</b> .....	<u>\$22.8</u>	<u>\$(26.3)</u>	<u>\$(26.2)</u>	<u>\$37.6</u>

**Schedule III**  
**Effect of Tax Benefits on Federal Revenues**  
**for Tax Years 1977 and 1976**  
*(amounts in billions)*

	Estimated amount of revenue loss	
	1977	1976
<b>Individuals</b>		
Income exclusions		
Payroll benefits and allowances (group life, accident, and unemployment) .....	\$2.3	\$2.2
Disability and retirement benefits (social security and private) .....	19.3	17.5
Education allowances (scholarships and GI benefits) .....	.2	.2
Medical care and insurance (employer premiums paid) .....	5.6	4.5
Interest and dividends (state and local bonds, and life insurance) .....	4.2	3.7
Foreign earnings and investment incentives (income earned abroad) .....	.5	.1
Capital gains at death .....	7.3	-
Other (includes real estate, old-age credit on home sales, and cooperatives) .....	*	(1)
Income deferrals		
Interest on savings bonds .....	.6	.6
Real estate (home sales) .....	.9	.8
Deductions and credits		
Old-age, disability, and other personal exemptions .....	3.2	3.7
Investments (commercial capital gains, depreciation, credits, and other investment incentives) .....	11.2	11.6
State and local nonbusiness, property, and other taxes .....	12.6	12.0
Property damages and losses (casualty losses) .....	.3	.3
Medical .....	2.2	2.3
Contributions (charitable and political) .....	5.3	4.9
Interest (mortgage and consumer) .....	6.3	7.0
Dependent care and work incentives (child and dependent care) .....	.5	.3
Real estate (new home purchases) .....	1.3	.7
Earned income .....	.1	.2
<b>Corporations</b>		
Income exclusions		
Interest and dividends (state and local debt) .....	3.5	3.1
Foreign earnings and investment incentives (domestic, international sales, Western Hemisphere trade, and controlled foreign corporations) .....	2.0	1.5
Cooperatives .....	-	.4
Interest deferrals		
Taxes (shipping companies) .....	.1	.1
Real estate (capital gains) .....	.5	.5
Deductions and credits		
Exemptions (credit unions, corporate surtax, and cooperatives) .....	4.4	4.3
Investments		
Commercial buildings and equipment (investment credit, depreciation, construction period interest, taxes, and expensing developmental costs) .....	14.8	11.4
Mining and timber (capital gains treatment of royalties and certain income) .....	.2	.3
Agriculture related (capital outlays and gains on certain income) .....	.1	.1
Contributions (charitable and political) .....	.7	.5
Work incentives (employment credits under work programs) .....	.6	.
Employee stock ownership plans (funded through investment and tax credits) .....	.2	.
Excess bad debt reserves (financial institutions) .....	.5	.5

\*Less than \$100 million.

**SCHEDULE IV**  
**Commitments and Contingencies**  
**of the U.S. Government**  
**as of September 30, 1977**

(amounts in billions)

	Amounts outstanding
<b>Commitments</b>	
Long-term contracts	
Shipbuilding .....	\$4.6
GSA building construction .....	2.1
Energy .....	6.1
Other .....	2.3
Subtotal .....	15.1
Undelivered orders	
Legislative branch .....	.1
Judicial branch .....	.
Executive branch .....	.
Funds appropriated to the President .....	10.1
Defense .....	35.5
Health, Education, and Welfare .....	25.6
Housing and Urban Development .....	165.9
Transportation .....	14.3
Environmental Protection Agency .....	10.6
Other agencies .....	39.0
Off-budget agencies .....	2.6
Subtotal .....	303.7
Total commitments .....	\$318.8

	Contingent Liability (maximum risk exposure)	Ratio of losses incurred to premiums written	Loss reserves
<b>Contingencies</b>			
Government loan and credit guarantees			
Housing .....	\$126.5	1.55%	\$1.9
Export-Import Bank of the United States .....	5.8	.01	.
Business loan and investment fund .....	6.4	N/A	N/A
Farm ownership .....	6.8	.05	.
Rural development .....	12.2	.06	.
Shipbuilding and operations .....	5.8	.50	.
Non-Federal loans .....	.	-	-
Transportation .....	2.1	N/A	N/A
Other .....	47.7	5.24	2.4
Subtotal .....	213.3		4.3
Insurance in force			
Federal Deposit Insurance Corp. ....	655.8	.01	.2
Federal Savings and Loan Insurance Corp. ....	369.2	.22	.8
Federal Insurance Administration .....	544.6	.60	3.3
Student loan insurance fund .....	2.5	7.20	.2
Other .....	156.5	6.25	9.7
Subtotal .....	1,728.6		14.2
Unadjudicated claims			
Social Security Administration .....	4.8	99.80	4.8
Transportation .....	2.9	1.42	.
Treasury .....	2.5	16.10	.4
Other .....	1.2	8.34	.1
Subtotal .....	11.4		5.3
International contingencies			
Inter-American Development Bank .....	3.5	N/A	N/A
International Bank for Reconstruction and Development .....	7.0	N/A	N/A
Other .....	.3	N/A	N/A
Subtotal .....	10.8		N/A
Other contingencies			
Veterans readjustment benefits .....	15.7	17.20	2.7
Other .....	4.5	26.67	1.2
Subtotal .....	20.2		3.9
Total contingencies .....	\$1,984.3		\$27.7
Total loss reserves .....			

N/A Not available.

\*Less than \$100 million.



**SCHEDULE V**  
**Federal Debt Maturity**  
**as of September 30, 1977**

(amounts in billions)

	Total debt	Average interest rate	Maturity					20 years or longer	No fixed maturity
			Within 1 year	1-5 years	5-10 years	10-20 years			
<b>Marketable</b>									
Bills	\$153.5	5.656%	\$153.5	\$-	\$-	\$-	\$-	\$-	
Notes	236.9	7.072	61.0	147.6	28.3	-	-	-	
Bonds	35.8	6.224	-	6.7	3.4	10.4	15.3	-	
	<u>426.2</u>	<u>6.496</u>	<u>214.5</u>	<u>154.3</u>	<u>31.7</u>	<u>10.4</u>	<u>15.3</u>	<u>-</u>	
<b>Nonmarketable</b>									
Foreign government series	21.8	6.475	5.2	14.4	2.2	-	-	-	
Government account series	.7	3.803	.4	.3	-	-	-	-	
Investment series	.2	2.750	-	.2	-	-	-	-	
U.S. savings bonds	75.4	5.347	3.9	23.1	2.1	-	-	46.3	
Other	14.6	6.050	2.5	-	-	-	-	12.1	
	<u>112.7</u>	<u>5.642</u>	<u>12.0</u>	<u>38.0</u>	<u>4.3</u>	<u>-</u>	<u>-</u>	<u>58.4</u>	
<b>Other</b>									
Agency securities	8.5	5.915	.6	1.4	.5	2.3	-	3.7	
Other	1.2	-	-	-	-	-	.5	.7	
	<u>9.7</u>	<u>5.915</u>	<u>.6</u>	<u>1.4</u>	<u>.5</u>	<u>2.3</u>	<u>.5</u>	<u>4.4</u>	
<b>Net borrowing from the public</b>									
Current period	548.6		227.1	193.7	36.5	12.7	15.8	62.8	
Prior period	494.8		216.3	157.5	47.8	11.1	12.4	49.7	
Net increase (decrease)	<u>\$53.8</u>		<u>\$10.8</u>	<u>\$36.2</u>	<u>\$(11.3)</u>	<u>\$1.6</u>	<u>\$3.4</u>	<u>\$13.1</u>	

**SCHEDULE VI**  
**Additions To Non-Federal Economic Resources**  
**for the Years ended September 30, 1977-79**

(amounts in billions)

	1977 actual	1978 estimate	1979 estimate
<b>Additions to State, Local, and Private Assets</b>			
Conservation	\$1.7	\$2.0	\$1.7
Economic development	.4	.4	.4
Environment	3.5	4.1	4.6
Housing	3.2	3.4	3.3
Social services	1.0	2.7	2.4
Transportation			
Highways	5.9	6.7	7.3
Mass transportation	1.0	1.2	1.4
Aviation and other	.3	.5	.6
Other	.3	.3	.5
<b>Total additions</b>	<u>17.3</u>	<u>21.3</u>	<u>22.2</u>
<b>Other Development Expenditures</b>			
Agricultural research	.5	.6	.6
Conservation	2.8	3.5	3.8
Economic development	.2	.3	.3
Education	8.3	9.2	10.5
Employment assistance and training	10.3	13.9	15.3
Environment	.3	.3	.3
Health	1.6	1.9	2.0
Human development	.5	.7	.9
Science and humanities	4.8	5.1	5.5
Social services	.6	.6	.6
Transportation	.3	.3	.3
Other	.3	.4	.4
<b>Total development expenditures</b>	<u>30.5</u>	<u>36.8</u>	<u>40.5</u>
<b>Total investment outlays</b>	<u>\$47.8</u>	<u>\$58.1</u>	<u>\$62.7</u>

**SCHEDULE VII**  
**Analysis of Pension and Retirement Plans**  
**as of September 30, 1977**

(amounts in billions)

	Social security	Military personnel	Civilian employees	Other
<b>Liabilities</b>				
Accrued liability, September 30, 1976	\$630.8	\$119.3	\$140.6	\$N/A
Add:				
Accruals	259.3	17.8	24.6	N/A
Deduct:				
Benefits paid	87.5	8.2	9.7	N/A
Accrued liability, September 30, 1977	<u>\$802.6</u>	<u>\$128.9</u>	<u>\$155.5</u>	<u>\$N/A</u>
Accrued liability, September 30, 1977	\$802.6	\$128.9	\$155.5	\$N/A
Cumulative trust fund transactions through end of period				
Receipts	724.3		118.5	N/A
Outlays (net of unamortized discount and premium on investments)	684.6		68.9	N/A
Total assets of the trust fund	<u>39.7</u>		<u>49.6</u>	<u>N/A</u>
Liability net of trust fund balance, September 30, 1977	<u>\$762.9</u>	<u>\$128.9</u>	<u>\$105.9</u>	<u>\$N/A</u>

	Number of years covered	Social security		Military personnel	Civilian employees		Other
		Percent of taxable payroll	Amount	Amount	Contribution rate	Amount	Amount
<b>Projected Cash Receipts and Disbursements</b>							
<b>Cash receipts</b>							
1977	1	10.26%	\$82.0		7.0%	\$15.1	\$N/A
1978-1981	4	10.42	455.1		7.0	78.1	N/A
1982-1991	10	11.85	2,232.2		7.0	293.4	N/A
1992-2001	10	13.77	4,815.3		7.0	496.1	N/A
Subtotal	25		7,584.6			882.7	N/A
2002-2026	25	14.37	37,676.5		7.0	2,949.0	N/A
2027-2050	24	9.30	87,585.4		7.0%	8,292.1	N/A
Total			<u>132,846.5</u>			<u>12,123.8</u>	<u>N/A</u>
<b>Cash disbursements</b>							
1977	1	10.89	87.5	\$ 8.2		9.7	N/A
1978-1981	4	10.32	448.2	38.0		50.9	N/A
1982-1991	10	10.47	1,957.3	155.5		228.1	N/A
1992-2001	10	10.81	3,774.8	287.9		402.3	N/A
Subtotal	25		6,267.8	489.6		691.0	N/A
2002-2026	25	13.46	37,577.9	—		2,600.0	N/A
2027-2050	24	16.71%	170,789.7	—		8,050.7	N/A
Total			<u>214,635.4</u>	<u>489.6</u>		<u>11,341.7</u>	<u>N/A</u>
Net receipts or (disbursements)			<u>\$(81,788.9)</u>	<u>\$(489.6)</u>		<u>\$782.1</u>	<u>\$N/A</u>

	Calendar year									
	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
<b>Beneficiaries</b>										
<b>Number receiving benefits (thousands)</b>										
Social security	34,084	33,024	32,085	30,854	29,872	28,345	27,289	26,235	25,312	24,562
Military personnel	1,175	1,129	1,070	1,007	946	890	831	773	714	651
Civilian employees	1,508	1,432	1,372	1,306	1,192	1,092	1,026	959	910	810
Other plans	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Average monthly benefit (dollars)</b>										
Social security	211	194	179	162	143	137	112	100	85	84
Military personnel	583	539	486	424	387	364	340	307	285	268
Civilian employees	527	495	439	366	308	276	266	231	212	200
Other plans	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A Not available.

**SCHEDULE VIII**  
**Estimated Interest Subsidy**  
**on Direct Loans Outstanding**  
**as of September 30, 1977**

(amounts in billions)

Agency and program	Total loans outstanding	Loan maturity range	Total subsidized loans outstanding	Treasury average borrowing range (percent)	Range charged borrower (percent)	Annual cost to Government	Total cost to Government
<b>Domestic loans</b>							
<b>Agriculture</b>							
Commodity Credit Corporation							
Commodity loans	\$1.9	1	\$N/A	2.2-6.5	Various	\$N/A	\$N/A
Other	1.5	1-5		2.2-6.5	Various		
Farmers Home Administration	2.3	up to 40		2.2-6.5	1-9.3		
<b>Rural Electrification Administration</b>							
Electric systems	7.3	35		2.2-6.5	2-5		
Telephone systems	.5	35-50		2.2-6.5	2-5		
Other	1.0	35		2.2-6.5	2-5		
Other		up to 50		2.2-6.5	1-9.3		
<b>Commerce</b>							
Economic development	.5	up to 40		2.2-6.5	3.4-8.3		
Other	.1	12-20		2.2-6.5	6-7		
<b>Health, Education, and Welfare</b>							
Education	1.0	3-40		2.2-6.5	3-8		
Health education	.6	5-30		2.2-6.5	5-7.2		
Other	3.2	20-50		2.2-6.5	3-10.6		
<b>Housing and Urban Development</b>							
Federal housing	3.3	up to 50		2.2-6.5	3-12		
<b>Government National Mortgage Association</b>							
Community development	.4	3-20		2.2-6.5	Various		
Elderly or handicapped	.5	30-50		2.2-6.5	3-3.8		
Other	3.7	10-30		2.2-6.5	5.2-7.8		
<b>Interior</b>							
Reclamation	.2	22-50		2.2-6.5	3-4.1		
Other	.1	up to 30		2.2-6.5	2-10.1		
<b>Transportation</b>							
Highways	.3	2-10		2.2-6.5	—		
Railroads	.4	1-20		2.2-6.5	5.5		
Other	.1	1-40		2.2-6.5	3-8.5		
<b>Veterans</b>							
Insurance	1.2	Indefinite		2.2-6.5	4-5		
Education and housing	.1	7-30		2.2-6.5	8		
Other	1.4	7-30		2.2-6.5	4-9.5		

**SCHEDULE VIII—Continued**

	Total loans outstanding	Loan maturity range	Total subsidized loans outstanding	Treasury average borrowing range (percent)	Range charged borrower (percent)	Annual cost to Government	Total cost to Government
<b>Small Business</b>							
Business and investment .....	1.8	10-30		2.2-6.5	6-7.9		
Disaster .....	1.4	30		2.2-6.5	6.6		
District of Columbia .....	1.2	5-40		2.2-6.5	2.6-8.4		
Other .....	.8	1-40	N/A	2.2-6.5	up to 10	N/A	N/A
Subtotal .....	<u>40.2</u>		<u>N/A</u>			<u>N/A</u>	<u>N/A</u>
<b>Foreign loans</b>							
International security assistance							
Military Sales Act .....	1.9	7-40	1.2	3.6-6.6	3.0-6.1	*	.4
Agency for International Development							
Country loans .....	13.1	3-40	11.5	2.9-6.3	.8-6.0	*	5.5
Currency loans to foreign Governments .....	1.2	3-40	.3	3.4-6.6	.8-6.0	*	.1
Currency loans to private enterprises .....	.1	3-23	*	3.4-6.6	.8-6.0	*	.3
Agriculture							
Long-term dollar sales .....	5.3	7-40	5.2	3.2-6.3	.8-6.0	*	2.7
Commodity loans .....	1.2	3	—	6.6	6.1	—	—
U.S. Postal debt settlements .....	1.0	1-5	*	5.1-6.3	—	*	*
Treasury							
OPIC—investment support .....	*	10	*	6.3	5.8	*	*
Military Sales Act .....	2.5	1-8	.6	6.3-6.4	6.2	*	.2
Sales of overseas surplus .....	.2	15	*	5.1	4.0	*	*
Assets acquired in Euro Fund liquidation .....	.1	5	.1	5.9	3.0	*	*
Overseas Private Investment Corporation .....							
Investment support .....	.1	3-20	.1	5.6-6.6	2.5-6.0	*	*
Inter-American Development Bank							
Social progress .....	.5	19-30	.2	3.2-6.4	2.0-3.5	*	*
Export-Import Bank of the U.S. .....	11.4	1-30	2.2	3.2-6.6	up to 6.0	*	*
U.S. Information Agency							
Mutual education and cultural exchange .....	*	3-24	*	4.4-6.4	—	*	*
Subtotal .....	<u>38.6</u>		<u>21.4</u>			<u>*</u>	<u>9.2</u>
Total .....	<u>\$78.8</u>		<u>\$N/A</u>			<u>\$N/A</u>	<u>\$N/A</u>

N/A Not available.  
\* Less than \$100 million.

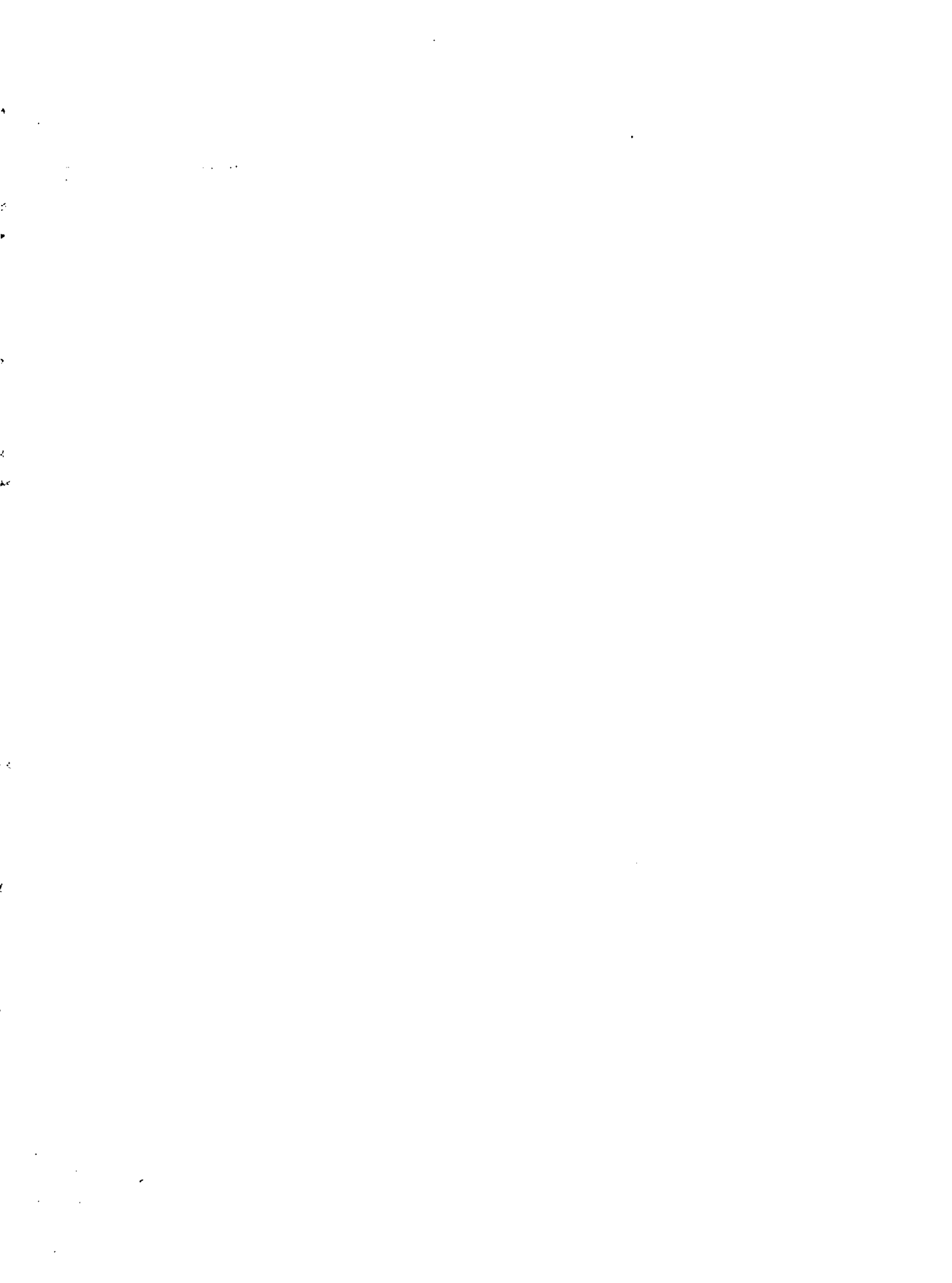
**SCHEDULE IX**  
**Federal Facts and Figures**

	Unit of Measure	1977	1976	1975
<i>Gross national product</i>				
Current dollars	billions	1,916	1,727	1,497
Per capita	dollars	8,823	8,018	7,011
1972 dollars	billions	1,347	1,283	1,188
Per capita	dollars	6,205	5,959	5,566
Population (includes Armed Forces)	millions	217.2	215.4	213.6
<i>Consumer Price Index</i>				
All items (1967 = 100)		184.0	170.5	160.6
Purchasing power (1967 = \$1.00)		.54	.58	.62
<i>Employment</i>				
Total labor force	millions	97.9	95.2	92.6
Total employed	millions	91.1	87.8	84.5
<i>Federal employment</i>				
Armed Forces	millions	2.1	2.1	2.1
Civilian	millions	2.7	2.7	2.7
Federal employment as a percent of total U.S. employment	percent	5.3	5.6	5.8
<i>Federal debt</i>				
Gross debt	billions	709.1	645.7	544.1
1972 dollars	billions	498.7	479.9	432.0
Held by public (current dollars)	billions	548.6	494.8	393.8
Percent of GNP	percent	28.6	28.6	26.3
Per capita	dollars	2,525	2,296	1,843
1972 dollars	billions	385.7	367.7	312.6
<i>Interest on the Federal debt (current dollars)</i>				
Per Capita	dollars	41.9	45.2	32.7
Percent of GNP	percent	192.9	209.8	153.1
Percent of total Federal expenses	percent	2.2	2.6	2.2
1972 dollars	billions	8.9	7.8	8.4
<i>Total Federal expenses (accrual)</i>				
Current dollars	billions	29.5	33.6	26.0
Percent of GNP	percent	470.3	574.2	385.9
Per capita	dollars	24.5	33.2	25.7
<i>Personal Income</i>				
Current dollars	billions	2,165	2,665	1,806
Percent of GNP	percent	1,561	1,402	1,259
Per capita	dollars	81.5	81.2	84.1
1972 dollars	billions	7,190	6,507	5,893
Percent of GNP	percent	1,098	1,042	999
Per capita	dollars	81.5	81.2	84.1
<i>Total income taxes paid for adjusted income levels</i>				
Under \$5,000	billions	N/A	1.1	1.2
Number of taxpayers	thousands	N/A	8,801	7,269
\$5,000-\$9,999	billions	N/A	9.9	10.8
Number of taxpayers	thousands	N/A	19,125	17,506
\$10,000-\$14,999	billions	N/A	18.0	19.2
Number of taxpayers	thousands	N/A	14,493	14,720
\$15,000-\$24,999	billions	N/A	42.2	38.2
Number of taxpayers	thousands	N/A	17,827	15,837
\$25,000-\$49,999	billions	N/A	38.9	29.6
Number of taxpayers	thousands	N/A	7,234	5,458
\$50,000-\$99,999	billions	N/A	16.2	13.4
Number of taxpayers	thousands	N/A	944	776
\$100,000-\$999,999	billions	N/A	14.1	11.3
Number of taxpayers	thousands	N/A	224	185
\$1 million and over	billions	N/A	1.5	1.1
Number of taxpayers	thousands	N/A	1	1

**SCHEDULE IX—Continued**

	Unit of Measure	1977	1976	1975
<i>Federal participation in domestic credit markets</i>				
Total funds advanced in U.S. credit markets (non-financial sectors) .....	billions	317.5	309.9	180.9
Total funds advanced under Federal guidance (direct and guaranteed loans) .....	billions	36.6	33.4	26.9
Federal participation rate .....	percent	11.5	10.7	14.9
Total funds raised in U.S. credit markets (non-financial sectors) .....	billions	317.5	309.9	180.9
Total funds raised under Federal guidance (includes Federal borrowing from the public, guaranteed borrowing, and sponsored agency borrowing) .....	billions	78.9	116.6	64.7
Federal participation rate .....	percent	24.9	37.8	35.8

N/A Not available.



**DEPARTMENT OF THE TREASURY**  
**FISCAL SERVICE**  
**BUREAU OF GOVERNMENT FINANCIAL OPERATIONS**  
**WASHINGTON, D.C. 20226**

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