

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

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*Fiscal Year 1978*

**PROTOTYPE**

## Statement of the Fiscal Assistant Secretary of the Treasury

The Treasury Department is continuing its efforts to improve governmental accounting and financial reporting with the publication of this prototype financial report. Like its predecessors, the report is part of an experimental effort to expand the use of accrual accounting concepts in government and stimulate improvements in financial reporting.

There is increasing evidence that the publication of these financial statements has focused attention on the need for improved accounting and financial reporting at all levels of government. For example, several States, counties, and cities have begun developing and publishing simplified, comprehensive financial reports. In addition, the Committee on State and Local Government Accounting of the American Institute of Certified Public Accountants is conducting an experimental financial reporting project. State and local governments are being urged to prepare consolidated financial statements for a recent fiscal period that present the cost of government services on the accrual basis.

In addition, several organizations have taken an active role in the research and development of a conceptual framework that will encompass State and local governmental units. These include the National Council on Governmental Accounting and the Financial Accounting Standards Board. Additionally, the U.S. General Accounting Office has announced a project to develop a conceptual framework for accounting and financial reporting in the Federal Government. This project is described in more detail in the Statement of the U.S. General Accounting Office.

Over the past year the Treasury and the U.S. General Accounting Office have continued to review and analyze alternative financial statement formats, as the preferred type and content of public sector statements remain unresolved issues. In an effort to encourage additional discussion on the subject, a second experimental set of summary-level statements has been included in this report. The significant feature of these statements is the focus on selected current assets and liabilities of the Government. The excess of current liabilities over current assets is defined by identifying the approximate amount of liabilities incurred that will mature over the next year and the current assets presently available to liquidate them. The statements also take into account characteristics considered unique to the Government, the size and long-term nature of its operations.

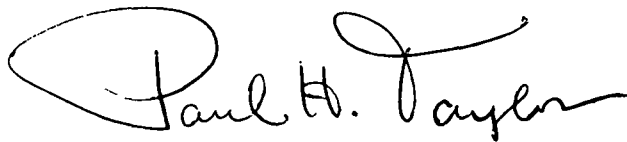
The Comptroller General's Interagency Advisory Committee on Consolidated Financial Statements is studying a number of technical issues. The Committee is comprised of representatives of agencies that have responsibility for the management of major Federal programs involving significant amounts of resources. At present, five task groups are still in operation. Since the last prototype report was issued, the following are particularly noteworthy:

- The *accrual of taxes* task group completed an analysis of the accrual processes for corporate taxes and recommended changes to the sources and procedures for calculating the data required in these financial statements. The recommendations were adopted and have resulted in an improvement of data for this year's report.
- The *allowance for losses on accounts and loans receivable* task group has conducted a survey of agency collection experience and the results are being assessed. In a related context, the General Accounting Office issued a report on the Government's debt collection procedures recommending the need for accounting and reporting improvements. This was followed by an Office of Management and Budget memorandum to agencies. Treasury issued interim reporting requirements to gather better data on Federal collection efforts. In addition, the President's Management Improvement Council has been asked to address this issue and OMB is chairing an interagency project to improve debt collection procedures in Federal agencies.

- The *Federal employee retirement systems* task group objective has been accelerated by the enactment of Public Law 95-595, dated November 4, 1978. This Public Law requires standards for an annual report for each of the Federal Government pension plans with the report form and financial data to be prescribed by the President in consultation with the Comptroller General. The requirement for an annual report is effective with plan years beginning after September 30, 1978. This financial data should be available for the next prototype consolidated financial statement.

As indicated in previous reports, these financial statements are 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. Also, this report is not and should not be regarded as the Government's official report on its financial condition. A significant amount of additional research, discussion, and debate is necessary before reports such as this prototype can be considered to be prepared on the basis of generally accepted accounting principles.

Reader reactions and comments on this prototype report are welcomed.

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

Paul H. Taylor  
Fiscal Assistant Secretary

Dated: January 18, 1980

## Statement of the United States General Accounting Office

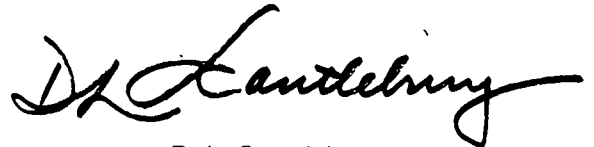
This statement, like its predecessors, is preliminary in nature and is intended to provide a broad focus on information that is useful in assessing the financial activities of the Government. It is hoped that these financial statements will enhance public understanding about the economic resources of the Government, the claims to the resources, and the effects of transactions, events, and circumstances that change resources and claims to them.

Over the past year, significant progress was made to resolve various technical problems with the data. The Statement of the Fiscal Assistant Secretary of the Treasury highlights various activities of the Comptroller General's Interagency Advisory Committee to improve financial accounting and reporting.

Currently, the General Accounting Office has a project underway to develop a conceptual framework for financial accounting and reporting in the Federal Government. This effort is aimed at establishing the objectives and concepts to be used in developing standards of financial accounting and reporting. We are confident that this project will complement the work being done by the Department of the Treasury and the Interagency Advisory Committee and will enhance the public's confidence in governmental accounting and reporting.

Much remains to be done before satisfactory statements can be prepared. In this respect, the General Accounting Office continues to support these statements, because we believe that consolidated information on Government financial activities can provide a broader perspective on the financial situation of the Government. Moreover, we believe that this project will encourage more comprehensive financial reporting by government entities at all levels.

As with prior prototype reports, we have not audited these statements. Accordingly, we are not expressing an opinion on whether they fairly present the financial position and results of operations for the Federal Government for the fiscal year ended September 30, 1978.



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

Dated: January 18, 1980

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**Alternative  
Financial Statement Formats**

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## Introduction

After the publication of Treasury's third prototype report in November 1978, discussion continued on the need for further study, experimentation, and improvement in governmental summary-level financial statements. This issue is being considered by Treasury and the U.S. General Accounting Office apart from the more technical accounting matters currently under study by the Comptroller General's advisory committee. Treasury's support for the need to continue experimentation is based on the fact that no consensus has emerged on financial statement formats for public sector organizations. Therefore, additional study and analysis is required.

Over the past year several alternative financial statement formats were developed and reviewed. These efforts led to the selection of an additional format for inclusion in this year's prototype report. The alternative statement approach was chosen for several reasons:

- The concepts for governmental summary-level statements remain in the discussion and debate stage.
- The nature of governmental operations may require alternative financial statements.
- Alternative formats in a prototype report allow the report reader to compare and react to the usefulness of the financial data.

The alternative statements, which are presented directly following this discussion, are based on the same financial data used in the remainder of this report. The Consolidated Statement of Selected Current Assets and Liabilities is a measure of short-term liquidity and provides a basis for assessing near-term financing requirements on the statement date. This statement also can be associated with future Government spending requirements. The financial data provided by this link may be a practical basis from which to evaluate the additional financing requirements that will result from program activities approved for future periods. Since such programs involve future periods of time, the financial results of their activities are not reflected in historical data. Reviewing the statement over several cycles of operations, in conjunction with proposed or approved programs for periods in the immediate future, can show the extent to which borrowings and operating revenues will be required.

The Consolidated Statements of Other Assets and Other Liabilities focus on the size and long-term nature of the Government's operations. The characteristics of many of the Government's assets and liabilities are uniquely associated with the purpose and structure of government. For example, it has been argued that the national debt differs in its essential nature from the liabilities of other organizations; in particular, there is no expectation that the national debt is a meaningful claim on assets listed on an accounting balance sheet. On the other hand, significant economic assets are controlled by Government. They form a large part of our national wealth. Some are resources that must be maintained for a given level of service; therefore, the use of these assets does affect the long-term financing requirements of the Government. Any review of the other assets and other liabilities of the Government must take into consideration the scale of operations as it relates to the characteristics of the Government in the total economy.

The Consolidated Statement of Changes in the Operating Cash Balance identifies the relationship between the operating cash balance, borrowing from the public, and the annual budget results. This additional statement, as well as the three statements described above, must be considered as an integral part of the group of statements presented in this report. These statements include: the Consolidated Statement of Operations which compares the revenues and expenses that can be attributed to the current reporting period; the Consolidated Statement of Changes in Financial Position which identifies the relationship of resource flows to the change in position of cash and monetary reserves; and the Notes to Financial Statements which provide more detailed disclosure on certain financial data in the statements.

**United States Government**  
**Consolidated Statement of Selected Current Assets and Liabilities**  
**as of September 30, 1978 and 1977**

[In billions]

**Current Assets**

*(What the Government owns—resources that approximate amounts  
available to pay liabilities or to provide public services in the next year)*

	1978	1977
Cash and monetary reserves		
Operating cash in the Treasury .....	\$22.4	\$19.1
International monetary reserves .....	18.8	18.9
Other cash .....	5.0	5.4
	46.2	43.4
Receivables (net of allowances)		
Accounts receivable .....	7.7	6.6
Accrued taxes receivable .....	24.0	13.5
Loans receivable .....	27.4	27.2
	59.1	47.3
 Total: Current assets .....	 105.3	 90.7

**Current Liabilities**

*(What the Government owes—amounts incurred in the  
past that will require cash or other resources in the next year)*

Accounts payable .....	65.8	55.3
Borrowing from the public .....	236.7	227.1
Accrued pension, retirement, and disability plans .....	151.3	134.3
 Total: Current liabilities .....	 453.8	 416.7
 Excess of current liabilities over current assets .....	 \$348.5	 \$326.0

**United States Government  
Consolidated Statement of Other Assets  
as of September 30, 1978 and 1977**

[In billions]

*(Resources that generally would not be liquidated to finance  
operations in the next year such as loans with terms over 40 years)*

	1978	1977
Advances and prepayments .....	<u>\$5.3</u>	<u>\$7.5</u>
Loans receivable (net of allowances) .....	<u>92.5</u>	<u>72.3</u>
<b>Inventories (at cost)</b>		
Goods for sale .....	16.1	13.9
Work in process .....	.9	.9
Raw materials .....	2.0	1.8
Materials and supplies for Government use .....	35.2	33.9
Stockpiled materials and commodities .....	<u>27.6</u>	<u>26.4</u>
	<u>81.8</u>	<u>76.9</u>
<b>Property and equipment</b>		
Land .....	9.1	7.7
Buildings, structures, and facilities .....	110.2	103.8
Military hardware .....	152.3	143.3
Equipment .....	45.9	48.1
Construction in progress .....	21.1	19.2
Other .....	<u>1.7</u>	<u>1.6</u>
	<u>340.3</u>	<u>323.7</u>
Accumulated depreciation .....	<u>(170.0)</u>	<u>(159.3)</u>
	<u>170.3</u>	<u>164.4</u>
Deferred charges and other assets .....	<u>24.4</u>	<u>23.5</u>
<b>Total: Other assets .....</b>	<u><u>\$374.3</u></u>	<u><u>\$344.6</u></u>



**United States Government**  
**Consolidated Statement of Other Liabilities**  
**as of September 30, 1978 and 1977**

[In billions]

*(Amounts owed that will not fall due in the next year  
such as social security estimated for a 75-year period)*

	1978	1977
Unearned revenue .....	\$11.3	\$10.1
Borrowing from the public .....	<u>370.0</u>	<u>321.5</u>
Accrued pension, retirement, and disability plans		
Military personnel .....	135.5	119.4
Civilian employees .....	159.6	142.8
Social security .....	802.6	690.5
Veterans compensation .....	143.9	116.7
Federal employees compensation .....	8.2	7.4
	<u>1,249.8</u>	<u>1,076.8</u>
Loss reserves for guarantee and insurance programs .....	<u>3.2</u>	<u>2.9</u>
Other liabilities .....	<u>45.2</u>	<u>45.2</u>
Total: Other liabilities .....	<u>\$1,679.5</u>	<u>\$1,456.5</u>

**United States Government  
Consolidated Statement of Changes in the  
Operating Cash Balance  
for the Years Ended September 30, 1978 and 1977**

[In billions]

	1978	1977
Operating cash beginning of period .....	\$19.1	\$17.4
Sources of cash:		
Budget receipts .....	402.0	357.8
Net borrowing from the public <sup>1</sup> .....	59.1	53.5
Other means of financing <sup>2</sup> .....	3.3	1.9
Total .....	<u>483.5</u>	<u>430.6</u>
Uses of cash:		
Budget outlays .....	450.8	402.8
Off-budget outlays .....	10.3	8.7
Total .....	<u>461.1</u>	<u>411.5</u>
Operating cash end of period .....	<u>\$22.4</u>	<u>\$19.1</u>

<sup>1</sup> Reconciliation of net borrowing from the public:

	<i>Current</i>	<i>Other</i>	<i>Total</i>
Balance as of 9/30/78 .....	\$236.7	\$370.0	\$606.7
Balance as of 9/30/77 .....	227.1	321.5	<u>548.6</u>
Net borrowing per Federal Debt Maturity (Sch. V) .....			58.1
Adjustment for deferred discounts and premiums, and certain intergovernmental transactions .....			1.0
Net borrowing from the public .....			<u>\$ 59.1</u>

<sup>2</sup> Includes the net change in: Special drawing rights, other assets, accrued interest payable to the public, checks outstanding, other liabilities, and other transactions not applied to surplus or deficit.

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## **Consolidated Financial Statements**

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**United States Government Consolidated Statement  
of Financial Position as of September 30, 1978 and 1977**

[In billions]

**Assets**

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

	1978	1977
Cash and monetary reserves		
Operating cash in the Treasury .....	\$22.4	\$19.1
International monetary reserves (Note 2) .....	18.8	18.9
Other cash .....	5.0	5.4
	<u>46.2</u>	<u>43.4</u>
Receivables (net of allowances)		
Accounts receivable .....	7.7	6.6
Accrued taxes receivable (Note 3) .....	24.0	13.5
Loans receivable (Note 4) .....	119.9	99.5
Advances and prepayments .....	5.3	7.5
	<u>156.9</u>	<u>127.1</u>
Inventories (at cost) (Note 5)		
Goods for sale .....	16.1	13.9
Work in process .....	.9	.9
Raw materials .....	2.0	1.8
Materials and supplies for Government use .....	35.2	33.9
Stockpiled materials and commodities .....	27.6	26.4
	<u>81.8</u>	<u>76.9</u>
Property and equipment (at cost)		
Land (Note 6) .....	9.1	7.7
Buildings, structures, and facilities (Note 7) .....	110.2	103.8
Military hardware (Note 8) .....	152.3	143.3
Equipment (Note 8) .....	45.9	48.1
Construction in progress .....	21.1	19.2
Other .....	1.7	1.6
	<u>340.3</u>	<u>323.7</u>
Accumulated depreciation (Note 9) .....	(170.0)	(159.3)
	<u>170.3</u>	<u>164.4</u>
Deferred charges and other assets .....	24.4	23.5
Total .....	<u>\$479.6</u>	<u>\$435.3</u>

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

**United States Government Consolidated Statement  
of Financial Position as of September 30, 1978 and 1977**

[In billions]

**Liabilities**

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

	1978	1977
Accounts payable .....	<u>\$65.8</u>	<u>\$55.3</u>
Unearned revenue .....	<u>11.3</u>	<u>10.1</u>
Borrowing from the public (Note 10) .....	<u>606.7</u>	<u>548.6</u>
Accrued pension, retirement, and disability plans (Note 11)		
Military personnel .....	147.4	128.9
Civilian employees .....	173.6	155.5
Social security .....	928.0	802.6
Veterans compensation .....	143.9	116.7
Federal employees compensation .....	<u>8.2</u>	<u>7.4</u>
	<u>1,401.1</u>	<u>1,211.1</u>
Loss reserves for guarantee and insurance programs (Note 12) .....	<u>3.2</u>	<u>2.9</u>
Other liabilities .....	<u>45.2</u>	<u>45.2</u>
Total .....	<u>\$2,133.3</u>	<u>\$1,873.2</u>

**Accumulated Position**

Accumulated position beginning of period .....	(1,450.4)	(1,225.8)
Prior period adjustment (Note 13) .....	12.5	14.2
Restated accumulated position beginning of period .....	<u>(1,437.9)</u>	<u>(1,211.6)</u>
Current period results .....	(90.4)	(54.5)
Current noncash provision for social security (Note 14) .....	(125.4)	(171.8)
Accumulated position end of period .....	<u>(1,653.7)</u>	<u>(1,437.9)</u>
Total .....	<u>\$479.6</u>	<u>\$435.3</u>

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

# United States Government Consolidated Statement of Operations for the Years Ended September 30, 1978 and 1977

[In billions]

	1978	1977
<b>Revenues</b>		
Levied under the Government's sovereign power		
Individual income taxes .....	\$181.0	\$157.6
Corporate income taxes .....	70.5	54.3
Social insurance taxes and contributions .....	123.4	108.7
Excise taxes .....	18.4	17.5
Estate and gift taxes .....	5.3	7.3
Customs duties .....	6.5	5.2
Miscellaneous .....	11.3	10.4
	<u>416.4</u>	<u>361.0</u>
Earned through Government business-type operations		
Sale of goods and services .....	18.7	18.9
Interest .....	21.8	18.7
Other .....	23.4	19.8
	<u>63.9</u>	<u>57.4</u>
Total .....	<u>480.3</u>	<u>418.4</u>
<b>Expenses by function (see also summary of expenses by object and agency)</b>		
Administration of justice .....	3.7	3.4
Agriculture .....	7.2	4.9
Commerce and housing credit .....	2.4	1.2
Community and regional development .....	11.2	6.4
Education, training, employment, and social services ...	24.7	18.5
Energy .....	6.7	4.7
General government .....	11.8	10.2
General purpose fiscal assistance .....	18.7	15.7
General science, space, and technology .....	4.4	4.2
Health .....	51.7	42.1
Income security		
Military personnel .....	27.7	17.8
Civilian employees .....	28.7	25.0
Social insurance .....	105.5	98.6
Veterans compensation .....	36.9	12.5
Other .....	35.4	37.3
Interest .....	48.7	41.9
International affairs .....	17.7	16.0
National defense .....	91.2	80.5
Natural resources and environment .....	12.6	11.0
Transportation .....	14.8	13.3
Veterans benefits and services .....	9.0	7.7
	<u>570.7</u>	<u>472.9</u>
Total .....	<u>570.7</u>	<u>472.9</u>
Current period results .....	<u>\$(90.4)</u>	<u>\$(54.5)</u>

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

## Summary of Expenses by Object and Agency

	1978	1977
<b>Expenses by object</b>		
Salaries and employee benefits .....	\$81.9	\$73.9
Vendor services and supplies .....	87.9	65.7
Depreciation .....	19.4	18.6
Pensions, health and life insurance .....	94.4	57.9
Casualty insurance and indemnities .....	114.9	100.9
Grants, subsidies, and contributions .....	123.5	114.0
Interest .....	48.7	41.9
	<u>570.7</u>	<u>472.9</u>
 <b>Expenses by agency</b>		
Legislative branch .....	1.1	1.0
Judicial branch .....	.4	.4
Executive branch		
Office of the President .....	13.7	12.9
Departments		
Agriculture .....	40.4	26.5
Commerce .....	5.6	2.9
Defense .....	114.1	95.1
Energy .....	5.1	5.1
Health, Education, and Welfare .....	172.0	149.8
Housing and Urban Development .....	12.3	12.1
Interior .....	4.9	3.7
Justice .....	3.2	2.7
Labor .....	25.0	23.8
State .....	1.5	1.2
Transportation .....	14.4	12.9
Treasury: Interest .....	48.7	41.9
Other .....	12.8	13.4
Independent agencies .....	95.5	67.5
	<u>\$570.7</u>	<u>\$472.9</u>

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

**United States Government Consolidated Statement  
of Changes in Financial Position  
for the Years Ended September 30, 1978 and 1977**

[In billions]

	1978	1977
Cash and monetary reserves beginning of period .....	\$43.4	\$41.6
<b>Sources of funds:</b>		
Taxes and other levies .....	416.4	361.0
Other Government operations .....	63.9	57.4
Sale of property and equipment .....	17.4	13.0
Net increase in borrowing .....	58.1	53.7
Depreciation .....	19.4	18.6
Provision for accrued pension, retirement, and disability plans .....	64.6	28.8
Provision for loss reserves for guarantee and insurance programs .....	.3	.1
Increase in liabilities .....	11.7	4.7
Total .....	695.2	578.9
<b>Uses of funds:</b>		
Spending on Government programs .....	570.7	472.9
Purchase of property and equipment .....	42.7	48.1
Increase in receivables .....	29.8	11.4
Increase in inventories .....	4.9	(.2)
Increase in deferred charges and other assets .....	.9	3.3
Total .....	649.0	535.5
Cash and monetary reserves end of period .....	\$46.2	\$43.4

*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; rather, they are 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. A methodology for corporate taxes has been developed and used to prepare this year's accrual. Existing information in two other areas is also being analyzed to determine appropriate methods for developing annual accruals which pertain to individual and excise taxes.
- *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." The results of a survey of each agency's collection experience are being assessed. This information, in conjunction with the release of interim reporting requirements, will be used to develop standards and techniques for estimating uncollectable amounts.
- *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. Further work has been deferred pending implementation of Public Law 95-595. This law has made it incumbent on the General Accounting Office and the President to develop an adequate reporting system.
- *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.
- *Allowances for losses on loan guarantees.*—A number of agencies do not make any provision for estimated losses while others do not provide reasonable estimates of losses. The objective is to develop criteria to determine estimated losses to be reported.
- *Allowance for losses on insurance.*—A number of agencies do not make any provisions for estimated losses while others do not provide a reasonable estimate of losses. The objective is to develop criteria to determine estimated losses to be reported.

## Notes to Financial Statements

### 1. Summary of general accounting policies

*Principal financial statements*—These consist of a statement of financial position, a statement of operations, and a statement of changes in financial position. Because of their developmental nature, 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, classified as off-budget (not included in calculating the budget surplus or deficit), have also been included in the statements because they are wholly owned and are clearly within the scope of Government operations. Government-sponsored enterprises such as the Federal land banks are excluded because they are privately owned. The Federal Reserve System is also excluded. Intragovernmental transactions were eliminated in consolidation.

*Fiscal year*—The fiscal year of the U.S. Government ends on September 30.

*Reclassification and adjustment*—For comparability, certain fiscal 1977 data are reclassified where appropriate to conform to the financial statement presentation for fiscal 1978.

### 2. International monetary reserves

This category as of September 30, 1978, comprises the following items: \$11.7 billion in gold, 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; \$2.9 billion of special drawing rights, an international reserve asset; and \$4.2 billion representing the U.S. reserve position in the International Monetary Fund.

### 3. Accrued taxes receivable

The September 30, 1978, total for taxes receivable represents \$8.1 billion (net) for delinquent taxes and \$15.9 billion of accrued corporate taxes.

On May 10, 1979, the Interagency Advisory Committee's task group on accrual of taxes presented its findings on corporate taxes. The methodology developed by the group has resulted in an increase

in the estimate for fiscal 1978 and in the incomparability of amounts shown for fiscal 1978 and 1977. Had the new methodology been available for the fiscal 1977 statement, the amount would have been \$20.8 billion instead of \$13.5 billion.

The September 30, 1977, total for taxes receivable as shown on the Statement of Financial Position represents \$6.9 billion (net) for delinquent taxes and \$6.6 billion of accrued corporate taxes.

A method of estimating individual income taxes has not been developed, and no accrual has been made. However, the subject is being studied by the accrual of taxes task group.

No estimated tax credit carryforward is available to be subtracted from taxes receivable or to be presented as a deferred credit for fiscal 1978, although it is estimated to approach \$9 billion. A method for estimating the current carryforward is under study. In 1976—the latest year for which preliminary data are available—the amount is \$6.9 billion, with about 85 percent of all credits ultimately being used.

### 4. Loans receivable

Outstanding loans and allowances for losses have been recorded as reported by the various lending agencies. The allowances for losses are presumed to be understated and they 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, 1978, total for inventories comprises \$64.2 billion for the Department of Defense and \$17.6 billion for other agencies. The amounts as of September 30, 1977, were \$60 billion and \$16.9 billion, respectively. The inventory accounts do not include the weapons stockpile 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, ex-

change, 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 712 million acres of public domain lands have not been included. 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 cost of acquiring or erecting dams, utility systems, monuments, roads, and bridges. The September 30, 1978, total represents \$46.5 billion for the Department of Defense and \$63.7 billion for other agencies. The amounts as of September 30, 1977, were \$45.4 billion and \$58.4 billion, respectively.

### 8. Depreciable personal property

Military hardware and equipment are recorded at acquisition cost and include only depreciable property currently in use or in usable condition. The major components of each category are summarized below.

	1978	1977
	[In billions]	
<b>Military hardware</b>		
Aircraft and related equipment .....	\$63.0	\$64.3
Ships and service craft .....	46.6	43.0
Combat and tactical vehicles .....	21.9	18.6
Missiles and related equipment .....	13.3	12.8
Other .....	7.5	4.6
Total .....	<u>\$152.3</u>	<u>\$143.3</u>
<b>Equipment</b>		
Department of Defense		
Industrial plant equipment .....	\$12.5	\$15.1
Communication and electronics .....	3.8	3.6
Other .....	6.0	7.1
	<u>22.3</u>	<u>25.8</u>
Other agencies .....	23.6	22.3
Total .....	<u>\$45.9</u>	<u>\$48.1</u>

### 9. Accumulated depreciation

Most Government agencies do not calculate depreciation on property and equipment; therefore, accumulated depreciation is estimated on a straight-line basis, from 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, 1978, the gross amount of Federal debt outstanding net of unamortized premiums and discounts was \$776.6 billion. This amount is reduced by \$169.9 billion for intragovernmental holdings. As of September 30, 1978, foreign and international investors held approximately \$121 billion of the debt outstanding with the public. The amount as of September 30, 1977, was \$95 billion. For additional information on borrowing from the public, see the Federal Debt Maturity schedule in the supplemental section (page 34).

### 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 are required for adequate valuation and disclosure of pension and retirement liabilities.

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

*Social security:* 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. Because of the different bases for calculation of the liability as of September 30, 1978 and 1977, the estimates are not comparable. If the amendments had been effective as of September 30, 1977, the liability for social security would have been \$739.1 billion instead of \$802.6 billion.

*Veterans compensation:* Represents the present value of annual benefit payments estimated to the year 2000.

*Federal employees compensation:* Represents estimated future costs for approved Federal Employees Compensation Act cases.

For additional information on accrued pensions, see the Analysis of Pension and Retirement Plans schedule in the supplemental section (page 35).

## 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 supplemental section (page 33).

## 13. Prior period adjustment

The balance of fiscal deficit at September 30, 1977, has been restated from the amount previously reported to reflect the cumulative effect of corrections for errors identified in fiscal 1978. The loss reserves for guarantee and insurance programs was overstated by \$24.8 billion at September 30, 1977, and \$25.1 billion at September 30, 1976. Loans receivable was overstated by \$12.3 billion at September 30, 1977, and \$10.9 billion at September 30, 1976.

## 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. Because of the different bases for calculation of the liability as of September 30, 1978 and 1977, the estimates are not comparable. If the amendments had been effective as of September 30, 1977, the noncash provision for social security 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, is \$2,056.2 billion as of September 30, 1978.

The Government also guarantees loans by non-Government enterprises to businesses and individuals. These guarantees become liabilities of the Government only when it is required to honor its guarantees. Loan guarantees in force at September 30, 1978, are \$234.9 billion. For further information on contingencies, see the Commitments and Contingencies of the U.S. Government schedule in the supplemental section (page 33).

## 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 1978 that can be terminated only if the laws are changed.

	1978 [In billions]
Payments for individuals	
Social security and rail- road retirement .....	\$96.2
Federal employees retirement and insurance .....	20.0
Unemployment assistance .....	12.4
Veterans benefits .....	13.1
Medicare and Medicaid .....	35.9
Housing payments .....	3.6
Public assistance related programs .....	22.7
	<u>203.9</u>
Net interest .....	35.4
General revenue sharing .....	6.8
Other open-ended programs and fixed costs .....	15.5
Total .....	<u>\$261.6</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 1980 Budget of the U.S. Government prepared by the Office of Management and Budget. It presents actual 1978 and projected 1979-82 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 1980 Budget. Outlay estimates indicate the degree to which resources would be committed by the continuation of existing and currently proposed programs through fiscal 1982.

### 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 by this method provides comparability between years, since all dollars are equivalent to the current level of purchasing power.

This restatement generally follows Accounting Principles Board Statement No. 3, "Financial Statements Restated for General Price-Level Changes." On December 28, 1978, the Financial Accounting Standards Board issued the Exposure Draft, "Financial Reporting and Changing Prices," which provides a format for supplemental inflation reporting as well as a choice between current costs and, if certain criteria are met, historical cost/constant dollar reporting.

Derived from the GNP implicit price deflator, the conversion factors used here are: fiscal 1978—1.030; fiscal 1977—1.076; transition quarter—1.141; fiscal 1976—1.154; and fiscal 1975—1.219. Monetary assets and liabilities as of September 30, 1978, 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, 1978, 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. This schedule is being developed using gross loans receivable as a basis; therefore, it does not take into account allowances for losses.

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 to subsidized loans outstanding, which covers the total amount of loans subsidized by the Treasury.

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, 1978-82**  
(In billions)

	1978 <i>Actual</i>	1979	1980	1981	1982
		<i>Estimate</i>			
<b>Cash receipts</b>					
Taxes					
Individual .....	\$181.0	\$203.6	\$227.3	\$269.1	\$311.2
Corporation .....	59.9	70.3	71.0	76.7	86.0
Social insurance taxes and contributions					
Employment taxes and contributions .....	103.9	119.7	139.2	162.5	185.4
Unemployment insurance .....	13.8	15.9	15.9	15.9	15.5
Contributions for other insurance and retirement .....	5.7	6.2	6.4	6.8	7.1
Excise taxes .....	18.4	18.4	18.5	19.4	19.5
Estate and gift taxes .....	5.3	5.7	6.0	6.2	6.7
Customs duties .....	6.6	7.5	8.4	9.5	10.2
Miscellaneous .....	20.9	23.9	26.3	28.7	31.4
Rents and royalties .....	2.3	3.5	2.6	3.0	3.0
Total cash receipts .....	<u>417.8</u>	<u>474.7</u>	<u>521.6</u>	<u>597.8</u>	<u>676.0</u>
<b>Cash outlays by function</b>					
Administration of justice .....	3.8	4.4	4.4	4.4	4.4
Agriculture .....	7.7	6.2	4.3	5.6	5.9
Allowances and civilian pay raises and contingencies .....	-	-	1.4	8.5	15.2
Commerce and housing credit .....	3.3	3.0	3.4	3.4	3.0
Community and regional development .....	11.0	9.1	7.3	8.4	8.8
Education, training, employment, and social services .....	26.5	30.7	30.2	31.0	31.5
Energy .....	5.9	8.6	7.9	7.8	6.8
General government .....	3.8	4.4	4.4	4.5	4.7
General science, space, and technology .....	4.7	5.2	5.5	5.5	5.3
General purpose fiscal assistance .....	9.6	8.9	8.8	8.7	8.7
Health .....	43.7	49.1	53.4	58.8	64.2
Income security .....	146.2	158.9	179.1	194.1	207.5
Interest .....	44.0	52.8	57.0	59.1	59.5
International affairs .....	5.9	7.3	8.2	8.9	9.5
National defense .....	105.2	114.5	125.8	137.0	148.2
Natural resources and environment .....	10.9	11.2	11.4	12.6	13.3
Transportation .....	15.4	17.5	17.6	19.5	20.0
Veterans benefits and services .....	19.0	20.3	20.5	21.2	21.7
Total cash outlays .....	<u>466.6</u>	<u>512.1</u>	<u>550.6</u>	<u>599.0</u>	<u>638.2</u>
Total budget surplus (deficit) .....	(48.8)	(37.4)	(29.0)	(1.2)	37.8
Off-budget Federal entities (deficit) .....	(10.3)	(12.0)	(12.0)	(11.5)	(11.1)
Total surplus (deficit) .....	<u>\$(59.1)</u>	<u>\$(49.4)</u>	<u>\$(41.0)</u>	<u>\$(12.7)</u>	<u>\$26.7</u>

**SCHEDULE II**  
**Financial Statements of the**  
**U.S. Government**  
**Restated for General Price-Level Changes**  
**(Restated to September 30, 1978, Dollars)**

[In billions]

	1978	1977	1976		1975
	Sept. 30	Sept. 30	Sept. 30	June 30	June 30
<b>Financial position</b>					
<b>Assets</b>					
Cash and monetary reserves .....	\$46.2	\$46.7	\$47.3	\$44.9	\$35.2
Receivables (net of allowances) .....	156.9	136.8	131.6	133.0	114.5
Inventories (at cost) .....	84.3	84.6	88.3	90.2	89.1
Property and equipment (net of accumulated depreciation) .....	221.6	215.0	204.8	206.9	208.3
Deferred charges and other assets .....	30.7	29.7	26.8	25.1	22.8
<b>Total assets</b> .....	<u>\$539.7</u>	<u>\$512.8</u>	<u>\$498.8</u>	<u>\$500.1</u>	<u>\$469.9</u>
<b>Liabilities</b>					
Accounts payable .....	\$65.8	\$59.5	\$61.1	\$52.6	\$56.9
Unearned revenue .....	14.3	13.1	13.2	12.9	11.5
Borrowing from the public .....	606.7	590.3	562.7	547.5	478.4
Accrued pension, retirement, and disability plans .....	1,401.1	1,303.1	1,149.3	1,137.7	1,012.3
Loss reserves for guarantee and insurance programs .....	3.8	5.5	5.2	4.8	4.0
Other liabilities .....	45.2	48.6	48.3	48.1	47.9
<b>Total liabilities</b> .....	<u>2,136.9</u>	<u>2,020.1</u>	<u>1,839.8</u>	<u>1,803.6</u>	<u>1,611.0</u>
<b>Accumulated position</b>					
Accumulated position beginning of period .....	(1,520.8)	(1,357.4)	(1,318.0)	(1,147.3)	(1,083.5)
Prior period adjustment .....	13.5	16.4	14.5	6.2	-
Restated accumulated position beginning of period .....	(1,507.3)	(1,341.0)	(1,303.5)	(1,141.1)	(1,083.5)
Current period results .....	39.3	22.4	(26.4)	(19.9)	46.7
Current noncash provision for social security .....	(129.2)	(188.7)	(11.1)	(142.5)	(104.3)
Accumulated position end of period .....	(1,597.2)	(1,507.3)	(1,341.0)	(1,303.5)	(1,141.1)
<b>Total liabilities and accumulated position</b> .....	<u>\$539.7</u>	<u>\$512.8</u>	<u>\$498.8</u>	<u>\$500.1</u>	<u>\$469.9</u>
<b>Operating results</b>					
<b>Revenues</b>					
Taxes and duties .....	\$428.9	\$397.1	\$100.0	\$352.3	\$352.0
Business-type operations .....	65.8	63.1	13.8	57.2	50.8
<b>Total revenues</b> .....	<u>494.7</u>	<u>460.2</u>	<u>113.8</u>	<u>409.5</u>	<u>402.8</u>
<b>Expenses</b>					
Administration of justice .....	3.7	3.7	2.1	3.5	3.5
Agriculture .....	7.4	5.4	.8	2.6	1.9
Commerce and housing credit .....	2.5	1.3	1.0	4.8	5.9
Community and regional development .....	11.5	7.0	2.1	5.3	4.4
Education, training, employment, and social services .....	25.4	20.4	7.3	19.8	17.6
Energy .....	6.9	5.2	1.1	3.3	2.3
General government .....	12.2	11.2	2.1	7.3	8.4
General purpose fiscal assistance .....	19.3	17.3	2.4	8.5	9.0
General science, space, and technology .....	4.5	4.6	1.7	4.7	4.4
Health .....	53.3	46.3	12.4	35.3	30.6
Income security .....	241.2	210.2	55.7	203.3	195.9
Interest .....	50.2	46.1	9.3	43.6	41.0
International affairs .....	18.2	17.6	7.3	17.3	13.9
National defense .....	93.9	88.6	29.2	89.8	91.0
Natural resources and environment .....	13.0	12.1	13.0	29.4	26.3
Transportation .....	15.2	14.6	4.9	15.5	12.7
Veterans benefits and services .....	9.3	8.5	3.3	10.0	8.7
<b>Total expenses</b> .....	<u>587.7</u>	<u>520.1</u>	<u>155.7</u>	<u>504.0</u>	<u>477.5</u>
General price-level gain .....	132.3	82.3	15.6	74.6	121.4
<b>Current period results</b> .....	<u>\$39.3</u>	<u>\$22.4</u>	<u>\$(26.3)</u>	<u>\$(19.9)</u>	<u>\$46.7</u>

**SCHEDULE III**  
**Effect of Tax Benefits on Federal Revenues**  
**for Tax Years 1978 and 1977**

[In billions]

	Estimated amount of revenue loss	
	1978	1977
<b>Individuals</b>		
Income exclusions		
Payroll benefits and allowances (group life, accident, and unemployment) .....	\$2.5	\$2.3
Disability and retirement benefits (social security and private) .....	22.4	19.3
Education allowances (scholarships and GI benefits) .....	.3	.2
Medical care and insurance (employer premiums paid) .....	7.1	5.6
Interest and dividends (State and local bonds, and life insurance) .....	5.0	4.2
Foreign earnings and investment incentives (income earned abroad) .....	.6	.5
Capital gains at death .....	8.1	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) .....	1.0	.9
Deductions and credits		
Old-age, disability, and other personal exemptions .....	3.4	3.2
Investments (commercial capital gains, depreciation, credits, and other investment incentives) .....	12.7	11.2
State and local nonbusiness, property, and other taxes .....	16.4	12.6
Property damages and losses (casualty losses) .....	.4	.3
Medical .....	2.8	2.2
Contributions (charitable and political) .....	6.6	5.3
Interest (mortgage and consumer) .....	9.9	6.3
Dependent care and work incentives (child and dependent care) .....	.6	.5
Real estate (new home purchases) .....	-	.1
Earned income .....	.3	.4
<b>Corporations</b>		
Income exclusions		
Interest and dividends (State and local debt) .....	3.6	3.5
Foreign earnings and investment incentives (domestic, international sales, Western Hemisphere trade, and controlled foreign corporations) .....	2.3	2.0
Interest deferrals		
Taxes (shipping companies) .....	.1	.1
Real estate (capital gains) .....	.5	.5
Deductions and credits		
Exemptions (credit unions, corporate surtax, and cooperatives) .....	5.8	4.4
Investments		
Commercial buildings and equipment (investment credit, depreciation, construction period interest, taxes, and expensing development costs) .....	17.2	14.8
Mining and timber (capital gains treatment of royalties and certain income) .....	.3	.2
Agriculture related (capital outlays and gains on certain income) .....	.1	.1
Contributions (charitable and political) .....	.8	.7
Work incentives (employment credits under work programs) .....	1.5	.6
Employee stock ownership plans (funded through investment and tax credits) .....	.3	.2
Excess bad debt reserves (financial institutions) .....	.8	.5

\*Less than \$100 million.

**SCHEDULE IV**  
**Commitments and Contingencies**  
**of the U.S. Government**  
**as of September 30, 1978**

[Amounts in billions]

	Amounts outstanding
<b>Commitments</b>	
Long-term contracts	
Shipbuilding .....	\$4.6
GSA building construction .....	2.2
Energy .....	10.8
Other .....	1.6
Subtotal .....	<u>19.2</u>
Undelivered orders	
Legislative branch .....	.1
Judicial branch .....	.
Executive Office of the President .....	.
Funds appropriated to the President .....	18.1
Defense .....	35.5
Health, Education, and Welfare .....	29.9
Housing and Urban Development .....	193.6
Transportation .....	18.8
Environmental Protection Agency .....	10.2
Other agencies .....	35.1
Off-budget agencies .....	2.9
Subtotal .....	<u>344.2</u>
Total commitments .....	<u>\$363.4</u>

	Contingent liability (maximum risk exposure)	Ratio of losses incurred to premiums written	Loss reserves
<b>Contingencies</b>			
Government loan and credit guarantees			
Housing .....	\$133.8	**%	\$0.1
Export-Import Bank of the United States .....	5.2	16.5	.9
Business loan and investment fund .....	7.6	1.3	.1
Farm ownership .....	9.8	1.2	.1
Rural development .....	18.1	.2	.
Shipbuilding and operations .....	5.6	**	.
Transportation .....	2.3	-	-
Veterans benefits .....	41.0	-	-
Other .....	11.5	1.3	.2
Subtotal .....	<u>234.9</u>		<u>1.4</u>
Insurance in force			
Federal Deposit Insurance Corp .....	721.6	**	.3
Federal Savings and Loan Insurance Corp .....	411.8	**	.
Federal Insurance Administration .....	618.7	-	-
Nuclear Regulatory Commission .....	74.5	-	-
National Credit Union Administration .....	43.0	-	-
Veterans Administration .....	33.8	.4	.1
Department of Transportation .....	123.0	-	-
Other .....	29.8	3.3	1.0
Subtotal .....	<u>2,056.2</u>		<u>1.4</u>
Unadjudicated claims			
Transportation .....	4.6	-	-
Other .....	2.2	.3	.
Subtotal .....	<u>6.8</u>		<u>.</u>
Other contingencies			
Veterans readjustment benefits .....	12.7	-	-
Other .....	8.1	5.1	.4
Subtotal .....	<u>20.8</u>		<u>.4</u>
Total contingencies .....	<u>\$2,318.7</u>		
Total loss reserves .....			<u>\$3.2</u>

\*Less than \$100 million.

\*\*Less than one-tenth of 1 percent.

**SCHEDULE V**  
**Federal Debt Maturity**  
**as of September 30, 1978**

[Amounts in billions]

	Total debt	Average interest rate	Maturity					
			Within 1 year	1-5 years	5-10 years	10-20 years	20 years or longer	No fixed maturity
<b>Marketable</b>								
Bills .....	\$157.8	7.668%	\$157.8	\$-	\$-	\$-	\$-	\$-
Notes .....	263.7	7.314	62.1	171.4	30.2	-	-	-
Bonds .....	46.0	6.761	-	8.0	2.0	16.3	19.7	-
	<u>467.5</u>	<u>7.377</u>	<u>219.9</u>	<u>179.4</u>	<u>32.2</u>	<u>16.3</u>	<u>19.7</u>	<u>-</u>
<b>Nonmarketable</b>								
Foreign government series .....	21.7	6.908	7.2	12.7	1.8	-	-	-
Government account series .....	.8	4.292	.6	.2	-	-	-	-
Investment series .....	.2	2.750	-	.2	-	-	-	-
U.S. savings bonds .....	79.8	5.390	7.6	20.7	2.1	-	-	49.4
Other .....	24.8	6.041	-	-	-	-	-	24.8
	<u>127.3</u>	<u>5.765</u>	<u>15.4</u>	<u>33.8</u>	<u>3.9</u>	<u>-</u>	<u>-</u>	<u>74.2</u>
<b>Other</b>								
Agency securities .....	7.3	5.950	1.4	1.3	1.3	1.8	-	1.5
Other .....	4.6	-	-	-	-	-	-	4.6
	<u>11.9</u>	<u>5.950</u>	<u>1.4</u>	<u>1.3</u>	<u>1.3</u>	<u>1.8</u>	<u>-</u>	<u>6.1</u>
<b>Net borrowing from the public</b>								
Current period .....	606.7		236.7	214.5	37.4	18.1	19.7	80.3
Prior period .....	548.6		227.1	193.7	36.5	12.7	15.8	62.8
Net increase .....	<u>\$58.1</u>		<u>\$9.6</u>	<u>\$20.8</u>	<u>\$9</u>	<u>\$5.4</u>	<u>\$3.9</u>	<u>\$17.5</u>

**SCHEDULE VI**  
**Additions to Non-Federal**  
**Economic Resources**  
**for the Years Ended September 30, 1978-80**

[In billions]

	1978 <i>Actual</i>	1979 <i>Estimate</i>	1980 <i>Estimate</i>
<b>Additions to State, local, and private assets</b>			
Community and regional development .....	\$3.5	\$4.0	\$4.5
Environment .....	3.4	3.4	3.8
Local public works .....	3.1	2.0	.3
Transportation			
Highways and mass transit .....	7.2	8.1	8.5
Other transportation .....	.7	.7	.6
Other .....	.2	.2	.2
<b>Total additions</b> .....	<u>18.1</u>	<u>18.4</u>	<u>17.9</u>
<b>Other developmental expenditures</b>			
Agriculture .....	.6	.6	.6
Conservation .....	2.9	3.9	4.0
Economic development .....	.3	.3	.3
Education .....	7.9	9.5	9.9
Education-income support .....	6.1	6.2	6.0
Environment .....	.4	.5	.6
Health .....	3.7	3.8	4.1
Science and engineering .....	5.5	6.4	7.0
Training .....	3.8	4.9	4.7
Transportation .....	.3	.4	.3
Other .....	.3	.4	.4
<b>Total developmental expenditures</b> .....	<u>31.8</u>	<u>36.9</u>	<u>37.9</u>
<b>Total investment outlays</b> .....	<u>\$49.9</u>	<u>\$55.3</u>	<u>\$55.8</u>

**SCHEDULE VII**  
**Analysis of Pension and Retirement Plans**  
**as of September 30, 1978**

[Amounts in billions]

	Social security	Military personnel	Civilian employees	Other
<b>Liabilities</b>				
Accrued liability, September 30, 1977	\$802.6	\$128.9	\$155.5	\$N/A
Add:				
Accruals	222.5	27.7	28.9	N/A
Deduct:				
Benefits paid	97.1	9.2	10.8	N/A
Accrued liability, September 30, 1978	<u>\$928.0</u>	<u>\$147.4</u>	<u>\$173.6</u>	<u>\$N/A</u>
Accrued liability, September 30, 1978	\$928.0	\$147.4	\$173.6	\$N/A
Cumulative trust fund transactions through end of period				
Receipts	813.9		136.1	N/A
Outlays (net of unamortized discount and premium on investments)	778.5		79.8	N/A
Total assets of the trust fund	35.4		56.3	N/A
Liability net of trust fund balance, September 30, 1978	<u>\$892.6</u>	<u>\$147.4</u>	<u>\$117.3</u>	<u>\$N/A</u>

	Number of years covered	Social security		Military personnel	Civilian employees		Other
		Percent of taxable payroll	Amount	Amount	Contribution rate (percent)	Amount	Amount
<b>Projected cash receipts and disbursements</b>							
<b>Cash receipts</b>							
1978	1	10.35	\$91.8		7	\$17.2	\$N/A
1979-1982	4	10.56	517.4		7	83.4	N/A
1983-1992	10	12.04	2,570.6		7	309.9	N/A
1993-2002	10	13.74	5,494.9		7	521.4	N/A
Subtotal	25		8,674.7			931.9	N/A
2003-2027	25	14.13	42,804.1		7	3,085.0	N/A
2028-2052	25	8.99	106,183.6		7	9,255.6	N/A
Total			<u>157,662.4</u>			<u>13,272.5</u>	<u>N/A</u>
<b>Cash disbursements</b>							
1978	1	10.95	97.1	\$9.2		10.8	N/A
1979-1982	4	10.29	501.8	47.7		56.1	N/A
1983-1992	10	10.44	2,211.6	187.8		243.7	N/A
1993-2002	10	10.96	4,375.6	299.0		422.7	N/A
Subtotal	25		7,186.1	543.7		733.3	N/A
2003-2027	25	13.51	43,622.3	—		2,738.9	N/A
2028-2052	25	16.50	213,790.7	—		8,992.8	N/A
Total			<u>264,599.1</u>	<u>543.7</u>		<u>12,465.0</u>	<u>N/A</u>
Net receipts or (disbursements)			<u>\$(106,936.7)</u>	<u>\$(543.7)</u>		<u>\$807.5</u>	<u>\$N/A</u>

	Calendar year									
	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
<b>Beneficiaries</b>										
Number receiving benefits (thousands)										
Social security	34,587	34,084	33,024	32,085	30,854	29,872	28,345	27,289	26,235	25,312
Military personnel	1,220	1,175	1,129	1,070	1,007	946	890	831	773	714
Civilian employees	1,583	1,508	1,432	1,372	1,306	1,192	1,092	1,026	959	910
Other plans	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average monthly benefits (dollars)										
Social security	229	211	194	179	162	143	137	112	100	85
Military personnel	626	583	539	486	424	387	364	340	307	285
Civilian employees	604	527	495	439	366	308	276	266	231	212
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, 1978**

[Amounts in billions]

Agency and program	Total loans outstanding	Loan maturity range	Total subsidized loans outstanding	Treasury 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 .....	\$0.8	5-8	\$N/A	2.2-7.4	Various	\$N/A	\$N/A
Farmers Home Administration .....	2.7	Up to 40		2.2-7.4	Various		
<b>Rural Electrification Administration</b>							
Electric systems .....	7.1	35		2.2-7.4	2-5		
Telephone systems .....	2.6	35-50		2.2-7.4	2-5		
Other .....	*	Up to 50		2.2-7.4	Up to 8.6		
<b>Commerce</b>							
Economic Development Administration .....	.6	Up to 40		2.2-7.4	3.4-8.3		
Other .....	.1	3-25		2.2-7.4	3-9.5		
<b>Health, Education, and Welfare</b>							
Health Resources Administration .....	.6	5-50		2.2-7.4	2.3-10.6		
Office of Education .....	4.7	Up to 40		2.2-7.4	3-8		
Other .....	*	Up to 20		2.2-7.4	3-7.5		
<b>Housing and Urban Development</b>							
Federal housing .....	3.2	Up to 40		2.2-7.4	3-12		
<b>Government National Mortgage Association</b>							
Association .....	3.5	25-30		2.2-7.4	7.5-8.5		
Community development .....	.4	Up to 20		2.2-7.4	Various		
College housing .....	3.0	30-50		2.2-7.4	2.8-3.8		
Elderly or handicapped .....	.7	30-50		2.2-7.4	6.9-7.4		
Other .....	.7	Up to 40		2.2-7.4	3-8.8		
<b>Interior</b>							
Reclamation .....	.3	22-50		2.2-7.4	3-4.1		
Other .....	.1	Up to 30		2.2-7.4	2-10.3		
<b>Transportation</b>							
Highways .....	.3	2-10		2.2-7.4	—		
Other .....	.1	1-40		2.2-7.4	1-8.5		
<b>Veterans</b>							
Insurance .....	1.2	Indefinite		2.2-7.4	4-5		
Education and housing .....	1.0	7-30		2.2-7.4	3-9.5		
Other .....	.5	7-30		2.2-7.4	4-9.5		
District of Columbia .....	1.3	5-40		2.2-7.4	2.6-8.4		
Interstate Commerce Commission .....	.1	1-25		2.2-7.4	4.5-9.5		
<b>Small Business</b>							
Business and investment .....	1.8	15-25		2.2-7.4	6.6-7.9		
Disaster .....	3.7	30		2.2-7.4	6.6		
U.S. Railway Association .....	2.2	3-15		2.2-7.4	2-5		
Federal Financing Bank .....	33.8	Up to 30		2.2-7.4	1-9.3		
Other .....	.3						
Subtotal .....	<u>77.4</u>		<u>N/A</u>			<u>N/A</u>	<u>N/A</u>



## SCHEDULE VIII—Continued

[Amounts in billions]

	Total loans outstanding	Loan maturity range	Total subsidized loans outstanding	Treasury borrowing range (percent)	Range charged borrower (percent)	Annual cost to Government	Total cost to Government
<b>Foreign loans</b>							
International security assistance							
Military Sales Act .....	1.8	Up to 40	1.2	3.6-7.4	3.0-6.1	*	.4
Agency for International Development							
Currency loans to foreign governments .....	1.1	Up to 40	.3	3.4-6.6	.8-5.4	*	.1
Currency loans to private enterprises .....	.1	10-20	*	4.9-7.4	Up to 6.0	*	*
Country loans .....	14.2	Up to 40	12.5	2.9-7.4	.5-6.0	.2	6.4
Agriculture							
Commodity loans .....	4.2	1-20	.9	6.3-7.4	Up to 6.3	*	.6
Long-term dollar sales .....	5.9	7-40	5.8	3.2-7.4	.8-5.0	.1	3.2
Short-term export sales .....	2.2	3	*	6.6-7.4	Up to 6.1	*	*
Treasury							
Lend-lease and surplus property .....	1.3	15	*	Up to 5.1	4.0	*	*
Loans to the United Kingdom .....	2.5	55	N/A	Up to 3.0	2.0	N/A	N/A
Other .....	.1	Indefinite	N/A	2.2-3.0	Up to 6.0	N/A	N/A
Export-Import Bank of the United States .....	11.6	Up to 30	2.1	3.6-7.4	Up to 6.0	*	.1
International Communication Agency .....	*	4-25	*	2.2-7.4	Various	*	*
Other .....	.1	Various	*	2.2-7.4	Various	*	*
Subtotal .....	<u>45.1</u>		<u>22.8</u>			<u>.3</u>	<u>10.8</u>
Total .....	<u>\$122.5</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	1978	1977	1976
<i>Gross national product</i>				
Current dollars	billions	2,141	1,916	1,727
Per capita	dollars	9,784	8,823	8,018
1972 dollars	billions	1,394	1,347	1,283
Per capita	dollars	6,370	6,205	5,959
<i>Population (includes Armed Forces)</i>	millions	218.9	217.2	215.4
<i>Consumer Price Index</i>				
All items (1967 = 100)		199.1	184.0	170.5
Purchasing power (1967 = \$1.00)		.50	.54	.58
<i>Employment</i>				
Total labor force	millions	100.9	97.9	95.2
Total employed	millions	94.9	91.1	87.8
<i>Federal employment</i>				
Armed Forces	millions	2.2	2.1	2.1
Civilian	millions	2.8	2.7	2.7
Federal employment as a percent of total U.S. employment	percent	5.3	5.3	5.6
<i>Federal debt</i>				
Gross debt	billions	780.4	709.1	645.7
1972 dollars	billions	508.1	498.7	479.9
Held by public (current dollars)	billions	606.7	548.6	494.8
Percent of GNP	percent	28.3	28.6	28.6
Per capita	dollars	2,772	2,525	2,296
1972 dollars	billions	395.0	385.7	367.7
<i>Interest on the Federal debt (current dollars)</i>	billions	48.7	41.9	45.2
Per capita	dollars	222.5	192.9	209.8
Percent of GNP	percent	2.3	2.2	2.6
Percent of total Federal expenses	percent	8.5	8.9	7.8
1972 dollars	billions	31.7	29.5	33.6
<i>Total Federal expenses (accrual)</i>				
Current dollars	billions	570.7	472.9	574.3
Percent of GNP	percent	26.7	24.7	33.3
Per capita	dollars	2,607	2,177	2,666
<i>Personal income</i>				
Current dollars	billions	1,743	1,561	1,402
Percent of GNP	percent	81.4	81.5	81.2
Per capita	dollars	7,963	7,190	6,507
1972 dollars	billions	1,135	1,098	1,042
Percent of GNP	percent	81.4	81.5	81.2
Per capita	dollars	5,185	5,056	4,836
<i>Total income taxes paid for adjusted income levels</i>				
Under \$6,000	billions	N/A	1.6	2.2
Number of taxpayers	thousands		22,630	13,063
\$6,000-\$9,999	billions		7.6	8.7
Number of taxpayers	thousands		15,037	14,863
\$10,000-\$15,999	billions		21.2	18.0
Number of taxpayers	thousands		16,815	14,493
\$16,000-\$24,999	billions		41.7	42.2
Number of taxpayers	thousands		16,594	17,827
\$25,000-\$49,999	billions		49.1	38.9
Number of taxpayers	thousands		9,078	7,234
\$50,000-\$99,999	billions		19.2	16.2
Number of taxpayers	thousands		1,122	944
\$100,000-\$999,999	billions		17.2	14.1
Number of taxpayers	thousands		273	224
\$1 million and over	billions		1.9	1.5
Number of taxpayers	thousands		N/A	2.0
<i>Federal participation in domestic credit markets</i>				
Total funds advanced in U.S. credit markets (nonfinancial sectors)	billions	366.9	317.5	309.9
Total funds advanced under Federal guidance (direct and guaranteed loans)	billions	59.0	36.6	33.4
Federal participation rate	percent	16.1	11.5	10.7
Total funds raised in U.S. credit markets (nonfinancial sectors)	billions	366.9	317.5	309.9
Total funds raised under Federal guidance (includes Federal borrowing from the public, guaranteed borrowing, and sponsored agency borrowing)	billions	94.5	78.9	116.6
Federal participation rate	percent	25.8	24.9	37.8

N/A Not available.

**DEPARTMENT OF THE TREASURY**

**FISCAL SERVICE**

**BUREAU OF GOVERNMENT FINANCIAL OPERATIONS**

**WASHINGTON, D.C. 20226**

**OFFICIAL BUSINESS**

**PENALTY FOR PRIVATE USE, \$300**

**POSTAGE AND FEES PAID  
DEPARTMENT OF THE TREASURY  
TREAS 553**

