



United States Government

**Consolidated
Financial
Statements**

Prototype Report



This report is a prototype for an annual recurring report on the financial condition of the U.S. Government. It is an attempt to apply the principles of business accounting to the business of government.

The perception of government in this country is so heavily focused on political processes and social objectives that the financial dimension of government is often obscured. The fact is, nonetheless, that all governments are financial entities. Their ability to achieve their social objectives depends greatly upon their financial health.

Like the institutions that make up the other two great economic sectors of our Nation—business firms and households—governments conduct their business by acquiring and using economic resources, goods and services. They raise money through revenues and borrowings to acquire the resources needed to provide governmental services. Of the resources acquired, some are consumed currently and some are set aside for future use—to generate future revenues or services. Governments also make commitments to provide benefits in the future—commitments that do not have to be financed currently but which must be financed eventually.

Like business firms and households, governments can live within their means or they can become overextended and have difficulty paying the bills. Unless all of the financial transactions and events affecting a governmental entity are recorded, sorted out between what is applicable to current operations and what to future operations, and brought together in a reasonably simple accounting report, the average citizen, or even the financial expert, cannot hope to make an informed judgment about the financial health of the government. This prototype report is a first step in the design of a financial report with the express purpose of facilitating such judgments.

Traditional governmental financial reports seldom provide a simple overview of what a government owns and what it owes or an explanation of how it got where it is. They concentrate primarily on the matter of compliance with specific legislative authorizations. Compliance reporting is an essential function of governmental accounting and nothing in this report is intended to substitute for it. But events of the last few years, particularly the rising and seemingly uncontrollable Federal deficits and the financial crises in major cities and states, point to the need for a new perspective—one that looks at a government as a total financial entity and describes its financial condition in plain language and plain accounting.

The democratic process works best when the citizenry is well informed. Financial analysis is not the forte of the average citizen. But as with most technical subjects, the basics are well within the grasp of the citizen if the jargon is stripped away, the details are condensed to fundamentals, and the financial profile is based on common accounting concepts.

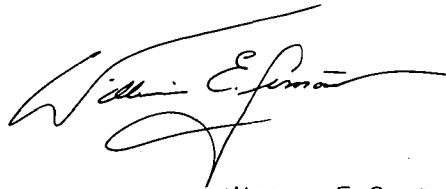
We have turned to business-type accounting for displaying the finances of government because it is the most widely known and understood system of measuring financial activity. Although government purposes are different from business purposes, financial activities and financial control are basically the same. Government is not in business to make a profit and therefore an excess of government revenue or expense does not have the same meaning as corporate profit or loss. It does have meaning, however, for tax policy, expenditure control, debt management, and for the economic goals of containing inflation and fostering high employment. The fiscal responsibility of public management can be judged in relation to those goals, just as the fiscal responsibility of corporate management can be judged in relation to profit goals, liquidity objectives, debt-equity balance, and so on. In other words, measuring profit is only one purpose of business accounting. It serves a wide variety of other management needs of which the most important is reporting on the accountability of management for the resources entrusted to its stewardship. That need is the same whether the accounting is to stockholders, creditors, or taxpayers.

Among the objectives of this type of financial report are these: (1) To provide the general public, which does not have ready access to detailed information, with a resource for obtaining information about the financial condition and operations of the government; (2) to provide information about past events and decisions that will be useful for assessing their economic results and future implications; (3) to provide information for evaluating and predicting the government's ability to raise revenues and acquire resources required for future years; and (4) to provide information for evaluating the effectiveness of past spending decisions.

Early this year, I invited a distinguished group of accountants, economists, and business people to serve on an advisory committee to help the Treasury develop a set of financial statements for the Federal Government that would carry out the ideas expressed in the foregoing paragraphs. This committee is heavily involved in studying a number of the complex issues. I believed that it would be useful, without waiting for the resolution of those issues, to go ahead with the publication of this prototype report in order to expose the basic concept and approach to the general public. Public reaction will help to shape future reports in the most useful mold. I would emphasize that these prototype statements are in conventional formats. There has not been time to experiment with new concepts and formats as many have suggested. However, nothing in this prototype represents a commitment to any matter of form or content. I earnestly solicit advice from anyone on ways that it might be improved.

It is my hope that as these statements evolve in the next few years, they will enable a more penetrating and realistic assessment of proposed programs and a better evaluation of the effect of government on the nation's economy. This prototype statement is a beginning at developing an anchor to which a great number of more detailed financial reports and concepts can be tied.

If the figures in this report raise questions, we will have begun to achieve our basic purpose. The business of government is to respond to the needs of the country in diverse social and economic ways that do not always reduce to easily measurable dollar figures on a financial statement. Nevertheless, political processes have financial results, and the discipline of periodic disclosure can be useful in evaluating our future courses of action. An understanding of the financial health and strength of the government is vital to the governed.

A handwritten signature in black ink, appearing to read "William E. Simon". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

WILLIAM E. SIMON
Secretary of the Treasury



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

OCT 6 1976

The Honorable
The Secretary of the Treasury

Dear Mr. Secretary:

The need for better accountability and good financial reporting extends to all forms of governments--Federal, State, and local. At the Federal level, the extensive use of deficit financing and the increase in pension liabilities have accentuated the need for the Federal Government to provide better overall financial reports that clearly show, the Congress and the public, the major aspects of its financial position and operations. Consequently, we endorse the concept that comprehensive, periodic financial statements covering the full range of Government activities be prepared in brief, easily understandable form, and we support the Treasury's effort to prepare such statements.

Although we endorse the concept of comprehensive financial statements covering Governmental financial activities, we believe the enclosed statements must be considered a first attempt and that before fully satisfactory financial statements can be prepared many aspects of presenting information and determining appropriate amounts for assets and liabilities require further study. These include:

- Changing statement formats and simplifying language so the statements will be easier for the public to understand.
- Valuing assets such as land, buildings, and defense weapons systems appropriately; many such assets are carried at no value or at outdated cost figures that are virtually meaningless.
- Making sure that the amounts shown for pension liabilities are a fair presentation of actual liabilities.
- Determining whether it is appropriate to depreciate all assets; particularly such assets as ships and aircraft.
- Accruing taxes receivable properly.



These are just some of the aspects we believe need to be considered further in preparing subsequent statements. A full listing of such aspects would be substantially longer.

As noted above, these statements are preliminary; we have not examined or audited them. Accordingly, we are not expressing an opinion on whether they fairly present the financial condition and results of Government operations for the periods of time they cover.

Although many aspects of these statements require further study and significant changes, we believe these preliminary statements will highlight some of the critical financial problems that should be addressed in making them a permanent part of Government financial reporting. We are pleased that the Federal Government is taking a leading role in promoting more comprehensive financial reporting by Government entities.

Sincerely,

A handwritten signature in cursive script that reads "James B. Stute". The signature is written in dark ink and is positioned below the word "Sincerely,".

Comptroller General
of the United States

UNITED STATES GOVERNMENT
Consolidated Statement of Financial Position
June 30, 1975 and 1974

[Amounts in billions]

Assets

	1975		1974	
	Amount	% Assets	Amount	% Assets
Cash and Monetary Assets:				
Cash and cash equivalents	\$ 12.8	3.6	\$ 14.7	4.5
Other monetary assets (Note 1)	<u>16.2</u>	<u>4.6</u>	<u>14.9</u>	<u>4.5</u>
	29.0	8.2	29.6	9.0
Receivables (net of allowances):				
Accounts	5.5	1.6	5.5	1.7
Taxes (Note 2)	11.8	3.3	15.0	4.6
Loans (Note 3)	<u>82.7</u>	<u>23.3</u>	<u>64.5</u>	<u>19.7</u>
	100.0	28.2	85.0	26.0
Inventories, at cost (Note 4):				
Military and strategic systems supplies	33.5	9.4	28.0	8.6
Stockpiled materials and commodities	11.6	3.3	11.5	3.5
Other materials and supplies	<u>12.2</u>	<u>3.4</u>	<u>11.1</u>	<u>3.3</u>
	57.3	16.1	50.6	15.4
Property and Equipment, at cost:				
Land (Note 5)	7.0	2.0	6.6	2.0
Buildings, structures and facilities (Note 6)	92.1	26.0	88.5	27.0
Strategic and tactical military assets (Note 7)	126.6	35.6	119.9	36.7
Nonmilitary equipment (Note 7)	41.1	11.6	39.7	12.1
Construction in progress	18.0	5.1	19.3	5.9
Other	<u>2.1</u>	<u>.6</u>	<u>2.1</u>	<u>.6</u>
	286.9	80.9	276.1	84.3
Less-Accumulated depreciation (Note 8)	<u>136.5</u>	<u>38.5</u>	<u>128.9</u>	<u>39.3</u>
	150.4	42.4	147.2	45.0
Deferred Charges and Other Assets	<u>18.0</u>	<u>5.1</u>	<u>15.0</u>	<u>4.6</u>
	<u>\$354.7</u>	<u>100.0</u>	<u>\$327.4</u>	<u>100.0</u>

Liabilities and Equity

	1975		1974	
	Amount	% Assets	Amount	% Assets
Federal Debt (Note 9):				
Gross debt outstanding	\$544.1	153.4	\$486.2	148.5
Less-Intragovernmental holdings:				
Trust funds	137.3	38.7	129.7	39.6
Other	9.9	2.8	10.4	3.2
Debt outstanding with the public	396.9	111.9	346.1	105.7
Less-Unamortized discount	2.5	.7	2.5	.8
	<u>394.4</u>	<u>111.2</u>	<u>343.6</u>	<u>104.9</u>
Payables:				
Accounts	35.9	10.1	32.5	9.9
Interest, annual leave and other	11.0	3.1	9.2	2.8
Unearned revenue	8.3	2.4	6.7	2.1
	<u>55.2</u>	<u>15.6</u>	<u>48.4</u>	<u>14.8</u>
Retirement and Disability Benefits (Note 10):				
Civil Service	118.0	33.3	108.0	33.0
Military	96.6	27.2	80.4	24.6
Veterans	117.3	33.0	111.0	33.9
	<u>331.9</u>	<u>93.5</u>	<u>299.4</u>	<u>91.5</u>
Accrued Social Security (Note 11)	499.5	140.8	416.0	127.1
Other Liabilities	39.4	11.1	33.6	10.2
Contingencies (Note 12)				
Total Liabilities	<u>1,320.4</u>	<u>372.2</u>	<u>1,141.0</u>	<u>348.5</u>
Less-Excess of Liabilities Over Assets	965.7	272.2	813.6	248.5
	<u>\$354.7</u>	<u>100.0</u>	<u>\$327.4</u>	<u>100.0</u>

The accompanying notes to financial statements and schedules are an integral part of this statement.

UNITED STATES GOVERNMENT
Consolidated Statement of Operations
for the Years Ended June 30, 1975 and 1974

[Amounts in billions]

	1975		1974	
	Amount	% Revenues	Amount	% Revenues
Revenues:				
Individual income taxes	\$122.4	43.5	\$119.0	43.2
Social security and unemployment taxes and retirement contributions	86.4	30.7	76.8	27.9
Corporate income taxes	37.5	13.3	40.7	14.7
Excise taxes	16.6	5.9	16.8	6.1
Estate and gift taxes	4.6	1.6	5.0	1.8
Outer continental shelf rents and royalties	2.4	.9	6.8	2.4
Other	11.7	4.1	10.8	3.9
Total revenues	281.6	100.0	275.9	100.0
Expenses (including transfer payments):				
National defense:				
Military personnel	24.9	8.8	23.7	8.6
Operations and maintenance	29.8	10.6	27.7	10.1
Research and development	8.9	3.2	8.6	3.1
Depreciation (Note 8)	7.7	2.7	11.1	4.0
Other	1.6	.6	1.4	.4
Total	72.9	25.9	72.5	26.2
Other operating expenses	45.8	16.3	42.0	15.3
Grants-in-aid, primarily to State and local governments	48.3	17.2	41.5	15.1
Transfer payments to individuals:				
Income security, including retirement, unemployment and social security payments made	97.2	34.5	69.4	25.2
Health care	14.6	5.2	11.3	4.0
Veterans benefits and services	12.7	4.5	10.4	3.8
Other	3.0	1.1	6.9	2.5
Total	127.5	45.3	98.0	35.5
Noncash provisions for retirement and disability benefits:				
Social security (Note 11)	83.4	29.6	75.1	-27.2
Civil service, military and veterans (Note 10)	32.5	11.5	20.5	7.4
Total	115.9	41.1	95.6	34.6
Interest expense (net of interest income)	23.3	8.3	21.5	7.7
Total expenses	433.7	154.1	371.1	134.4
Excess of expenses over revenues	\$152.1	54.1	\$95.2	34.4

The accompanying notes to financial statements and schedules are an integral part of this statement.

UNITED STATES GOVERNMENT
Effect of Including the Federal Reserve in the
Consolidated Statement of Financial Position
June 30, 1975

[Amounts in billions]

	Excluding Federal Reserve	Changes*	Including Federal Reserve
Assets.			
Cash and monetary assets	\$ 29.0	\$ (.9)	\$ 28.1
Receivables	100.0	.3	100.3
Inventories	57.3	-	57.3
Property and equipment - net of accumulated depreciation	150.4	.3	150.7
Deferred charges and other assets	18.0	2.5	20.5
	<u>\$354.7</u>	<u>\$ 2.2</u>	<u>\$356.9</u>
Liabilities and Equity			
Federal debt - net of Federal Reserve	\$394.4	\$(85.0)	\$309.4
Federal Reserve Notes outstanding	-	70.9	70.9
Deposits of member banks of the Federal Reserve System	-	25.8	25.8
Other Federal Reserve liabilities	-	2.4	2.4
Payables, accounts, interest, leave, and other	55.3	(.9)	54.4
Other Government liabilities	39.4	(11.6)	27.8
Retirement and disability benefits	331.8	-	331.8
Accrued social security	499.5	-	499.5
Excess of liabilities over assets	(965.7)	.6	(965.1)
	<u>\$354.7</u>	<u>\$ 2.2</u>	<u>\$356.9</u>

* Changes due to the Federal Reserve are based on figures provided in the Board's annual report as of December 31, 1974.

UNITED STATES GOVERNMENT
Reconciliation Schedule of Accrual Operating Results to
the Budget Deficit
for the Year Ended June 30, 1975

[Amounts in billions]

Reported Budget Outlays over Receipts		\$ 43.6
Additions:		
Noncash provisions for retirement and disability benefits	\$115.9	
Depreciation	7.7	
Net expenses of Off-budget Agencies	9.5	
		133.1
		176.7
Deductions:		
Capital outlays	19.7	
Net effect of accrual adjustments	4.3	
Seigniorage6	
		24.6
Excess of expenses over revenues per Consolidated Statement of Operations		\$152.1

INTRODUCTORY STATEMENT TO FOOTNOTES

As is true of accounting in other types of economic entities, governmental accounting exists for the purpose of providing complete and accurate financial information, in proper form and on a timely basis, to those responsible for, and concerned with, the operations of governmental units and agencies. Some of the potential user groups interested in the financial information produced by the Federal Government include the general public, investors and investment bankers, such individuals as accountants, financial analysts, economists, and political scientists and other governments.

While the Federal Government presently prepares many types of statements for specialized users, these Federal Consolidated Financial Statements have been prepared to serve the common needs of a variety of users, with emphasis on the general public to help promote understanding of the overall financial condition of the Federal Government. The statements are primarily historical in that information about events that have taken place provide the basis for our reporting. No projections concerning future events have been made except where otherwise noted.

The sources used in developing the statements were predominantly Treasury publications supplemented by reports from both the civilian and military sectors of the Federal Government. For the most part, these publications and reports are a product of the agencies' accounting systems, which, by law, must conform in all material respects to the accounting principles, standards and related requirements prescribed by the Comptroller General of the United States. The maintenance of accounts on the accrual basis is a basic requirement for all Federal agencies. The accrual basis of accounting consists of recognizing in the books and records of account the significant and accountable aspects of financial transactions or events as they occur. Under this basis, the accounting system provides a current

systematic record of changes in assets, liabilities, and sources of funds growing out of the incurrence of obligations, expenditures, and costs and expenses; the earning of revenue; the receipt and disbursement of cash; and other financial transactions.

This basis of accounting provides more information than the cash basis alone, under which financial transactions are recorded in the accounts only when cash is received or disbursed. It also provides more information than the obligation basis alone, under which financial transactions involving use of funds are recorded in the accounts primarily when obligations are incurred.

The accompanying financial statements include the accounts of all significant agencies and funds included in the Unified Budget of the United States Government. Agencies like the U.S. Postal Service, the Export-Import Bank of the United States, and the Federal Financing Bank which are classified as "off-budget" (not included in the budget) have been included in the financial statements because they clearly are within the scope of Government operations. Government-sponsored enterprises such as Federal Land Banks have been excluded because they are privately owned. We have also excluded the financial results of the Federal Reserve System from the principal statements, but show the effect of including the Federal Reserve in a supplemental table to show the interrelationships due to (1) the amount of Federal debt held, (2) gold pledged to FRB's in return for Treasury demand deposits, (3) annual transfer of net income to Treasury, and (4) in the event of liquidation, after return of capital to member banks, residual assets would go to Treasury. Intra-governmental assets, liabilities, and revenue/expense items have been eliminated in consolidation. Amounts reflected are as of June 30, 1975, and 1974.

NOTES TO FINANCIAL STATEMENTS

1. Other Monetary Assets

This category includes the following items: Gold which has been recorded at the official rate of \$42.22 per ounce established by law—\$11.6 billion; Special Drawing Rights which are an international reserve asset—\$2.4 billion; and the United States reserve position with the International Monetary Fund—\$2.2 billion.

2. Taxes Receivable

The total for taxes receivable includes \$6.4 billion (net) for delinquent taxes owed and \$5.4 billion of accrued corporate taxes receivable as of June 30, 1975; the comparable amounts as of June 30, 1974, were \$5.0 billion and \$10.0 billion, respectively. No accrual has been made for individual income taxes because of the payroll withholding system. Also, assessed tax deficiencies pending settlement have not been included in receivables because the ultimate settlement value is indeterminable.

3. Loans Receivable

Interest rates and loan repayment terms vary considerably for outstanding loans, with rates varying to 12 percent and terms from as short as 90 days to well over 40 years. The longer terms and lower rates generally apply to loans to foreign governments. Outstanding balances and allowances for losses have been recorded as reported by various lending agencies. No attempt has been made to evaluate collectability or the adequacy of the allowances for losses.

4. Inventories

Inventories include nondepreciable personal property and are generally stated at cost. The major components of inventory are summarized below.

Classification	(Billions)	
	1975	1974
Military and strategic supplies:		
Ammunition	\$11.9	\$9.4
Materials related to missile, air and weapons systems	12.5	11.3
Repair parts for weapons and vehicles ..	2.6	2.5
Excess materials awaiting disposition ...	2.3	2.4
Miscellaneous	4.2	2.4
	<u>33.5</u>	<u>28.0</u>
Stockpiled materials and commodities:		
Nuclear materials	7.1	6.6
Metals and like materials	4.0	4.4
Helium5	.5
	<u>11.6</u>	<u>11.5</u>

Other materials and supplies:

Department of Defense:		
Electric, industrial and petroleum supplies	3.8	4.1
Clothing, subsistence and general supplies	2.6	1.9
Excess materials awaiting disposition ..	2.0	2.2
Miscellaneous7	.5
	<u>9.1</u>	<u>8.7</u>
Other agencies	3.1	2.4
	<u>12.2</u>	<u>11.1</u>
	<u>\$57.3</u>	<u>\$50.6</u>

The inventory accounts do not include the weapons stockpile of Energy Research and Development Administration, since the extent of this inventory is classified information.

5. Land

Land owned by the Federal Government as of June 30, 1975, is summarized below by predominant usage.

Usage	Acres (Millions)	Cost (Millions)
Forest and wildlife	502.3	\$589
Grazing	164.0	26
Parks and historic sites	25.3	618
Alaska oil and gas reserves	23.0	—
Military (except airfields)	18.1	334
Flood control and navigation	8.0	3,381
Reclamation and irrigation	7.0	313
Industrial	2.9	206
Airfields	2.3	199
Power development and distribution	1.5	273
Other	6.0	933
	<u>760.4</u>	<u>6,872</u>
Outside United States6	152
	<u>761.0</u>	<u>\$7,024</u>

The Government owns approximately 33.5 percent of the total acreage of the United States, or 760.4 million acres (of which 352 million acres are located in Alaska). This total includes 704 million acres of public domain land. The Outer Continental Shelf and other offshore lands are not included.

Cost represents the price paid by the Government, except that the cost of land acquired through donation, exchange, bequest, forfeiture, or judicial process is estimated at amounts the Government would have paid if purchased at the date of acquisition. The 704 million acres of public domain land are not included; however, in 1972 a committee of the House of Representatives estimated the value of the land to be \$29.9 billion.

6. Buildings, Structures and Facilities

This category includes all real property owned by the Federal Government except land. The annual rental of real property leased amounts to \$0.6 billion annually. Approximately \$41 billion of the total at June 30, 1975, and \$36 billion at June 30, 1974, reflects the acquisition cost of buildings, whereas the balance includes the costs of acquiring or erecting dams, utility systems, monuments, roads, and bridges. The following table summarizes the buildings, structures, and facilities reported.

Agency or department	(Billions)	
	1975	1974
Air Force	\$17.1	\$16.7
Army:		
Corps of Engineers	14.9	14.3
Other	12.6	12.1
Navy	12.6	12.2
Interior	9.2	9.0
Tennessee Valley Authority	5.6	4.8
Energy Research and Development		
Administration	7.1	4.2
Agriculture	3.2	3.0
National Aeronautics and Space		
Administration	2.6	2.5
General Services Administration	2.4	2.4
Other	4.8	7.3
	<u>\$92.1</u>	<u>\$88.5</u>

7. Depreciable Personal Property

Depreciable personal property has been divided into two categories. Assets are recorded at acquisition cost and include only those which are currently in use or in usable condition. The major components of each category are summarized below.

Classification	(Billions)	
	1975	1974
U.S. Strategic and Tactical military assets:		
Aircraft and related equipment	\$51.6	\$51.0
Ships and service craft	38.0	36.3
Combat and tactical vehicles	17.8	16.9
Missiles and related equipment	10.6	9.7
Weapons	3.9	1.1
Other (primarily ground support)	4.7	4.9
	<u>\$126.6</u>	<u>\$119.9</u>

U.S. Nonmilitary equipment:		
Department of Defense:		
Industrial plant equipment	\$13.9	\$14.0
Communication and electronics	4.9	4.1
Vehicles	2.4	2.2
Other	1.1	1.4
	<u>22.3</u>	<u>21.7</u>

Energy Research and Development		
Administration	6.0	5.8
Maritime Administration	1.6	1.5
Tennessee Valley Authority	1.4	1.4
U.S. Postal Service	1.4	1.2
Other agencies	8.4	8.1
	<u>\$41.1</u>	<u>\$39.7</u>

8. Depreciation

Most Government agencies do not depreciate property and equipment. Accumulated depreciation as of June 30, 1975 and 1974, for such agencies was estimated, on a straight line basis, based on available information. Reported amounts were used for those agencies; e.g., TVA and Postal Service, which do depreciate property and equipment. The useful lives for 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.

9. Federal Debt

The gross amount of Federal debt outstanding at June 30, 1975, and June 30, 1974, consisted of the securities summarized below.

Type of security	(Billions)	
	1975	1974
Marketable:		
Treasury bills	\$128.6	\$105.0
Treasury notes	150.2	128.4
Treasury bonds	36.8	33.2
	<u>315.6</u>	<u>266.6</u>
Nonmarketable:		
U.S. Savings bonds	65.5	61.9
Foreign series	23.2	25.0
Government account series (special issues related to specific funds)	124.2	115.4
Other	4.7	5.3
Total Treasury obligations	533.2	474.2
Agency securities	10.9	12.0
	<u>\$544.1</u>	<u>\$486.2</u>

Maturities of the outstanding marketable securities are reflected in the following tables.

Due Within—	(Billions)	
	1975	1974
One year	\$164.0	\$139.9
One to five years	101.9	77.2
Five to ten years	26.8	27.0
Ten to twenty years	14.5	17.4
Twenty years or longer	8.4	5.1
	<u>\$315.6</u>	<u>\$266.6</u>

The gross amount of Federal debt outstanding has been reduced by the holdings of entities included in the Consolidated Financial Statements. The largest such reduction reflects the holdings of Government trust funds. Significant trust fund holdings of Federal debt securities are summarized below.

Trust fund	(Billions)	
	1975	1974
Social Security Administration:		
Federal old-age and survivors' insurance	\$39.9	\$37.7
Federal disability insurance	8.1	8.2
Federal hospital insurance	9.8	7.9
Federal supplementary medical insurance	1.4	1.2
	<u>59.2</u>	<u>55.0</u>
Civil Service Commission:		
Civil service retirement and disability	38.6	34.3
Other	2.0	1.7
	<u>40.6</u>	<u>36.0</u>
Department of Labor-unemployment	7.2	12.1
Department of Transportation:		
Highway	9.6	7.6
Other	1.9	.9
	<u>11.5</u>	<u>8.5</u>
Veterans Administration	8.1	7.6
Federal Deposit Insurance Corporation	6.2	5.8
Other	4.5	4.7
	<u>\$137.3</u>	<u>\$129.7</u>

Of the debt outstanding with the public as of June 30, 1975, and June 30, 1974, approximately \$66.0 billion and \$57.7 billion, respectively, was held by foreign and international investors.

10. Retirement and Disability Benefits

Liabilities for military retirement benefits and for retirement and disability benefits provided under Civil Service have been recorded based on the estimated present values of vested benefits. These were derived from the actuarially computed present values of future benefits (as computed by the agencies involved with administering the various plans) less the present values of future employee contributions.

The liability for Veterans Administration benefits represents the computed present value of annual benefit payments, which have been estimated by the Veterans Administration to the year 2000. The noncash provisions for retirement and disability benefits of \$32.5 billion for 1975 and \$20.5 billion for 1974 represent the combined changes in liabilities for civil service, military retirement and veterans benefits between years.

Liabilities for several other Government plans providing future benefits were not included at this time, since it has not been determined whether the total liabilities for such plans would be significant in relation to amounts shown.

11. Accrued Social Security

Estimates for social security give consideration to contributions (taxes) and benefits for the next 75 years. As of June 30, 1975, the projected excess of benefits over contributions, on a present value basis, for present participants over the next 75 years is \$2.7 trillion. The full accrued liability on a level cost basis as it would be computed for a private pension plan is estimated to be in the \$3-4 trillion range.

Only a portion of the full liability is shown in the Statement of Financial Position, \$499 billion for 1975 and \$416 billion for 1974. These amounts represent an approximate application of the Accounting Principles Board's Opinion No. 8, using a 30-year amortization period. The Treasury's Advisory Committee is considering the appropriate disclosure for future reports.

The noncash provisions for social security of \$75.1 billion in 1974 and \$83.4 billion in 1975, in the Consolidated Statement of Operations, represents changes in the social security accrual between years.

12. Contingencies

Several Government agencies insure businesses and individuals against various risks. The amount of insurance coverage in force, representing the maximum contingent exposure of the Government, is summarized below as of June 30, 1975.

Nature of Coverage	(Billions)
Federal Deposit Insurance Corporation	\$549.0
Federal Savings and Loan Insurance Corporation	257.0
Housing and Urban Development—Riot Insurance	450.0
Nuclear Regulatory Commission (Formerly Atomic Energy Commission)	59.0
Other	166.0
	<u>\$1,481.0</u>

The Government also guarantees loans made to businesses and individuals by non-Government enterprises. These guarantees become liabilities of the Government only when the Government is required to honor its guarantees. Loan guarantees in force at June 30, 1975, are summarized below.

<u>Guarantees related to</u>	Amount Outstanding (Billions)
Federal Housing Administration	\$98.6
Veterans Administration	27.9
Farm Credit Administration	28.8
Federal Home Loan Bank Board	25.6
Federal National Mortgage Association	29.1
Other	40.4
	<u>\$250.4</u>

The Government also commits itself to provide services by passing laws which make spending mandatory. It should be noted that some of these programs are included in the Consolidated Financial Statements. Examples include social security and other benefit programs and some contractual obligations which have already been accrued. However, the point is that a significant amount of future spending is fixed by law. Therefore, it is very probable that the Government will pay for these programs in future years. The list below shows

programs for Fiscal Year 1975 which cannot be stopped until a law is changed.

	(Billions)
Social security and railroad retirement	\$68.4
Federal employees' retirement and insurance	13.3
Unemployment assistance	14.0
Veterans benefits	12.4
Medicare and Medicaid	21.6
Housing payments	2.1
Public assistance and related programs	<u>16.9</u>
Subtotal, payments for individuals	148.7
Net interest	23.3
General revenue sharing	6.1
Other open-ended programs and fixed costs	<u>8.7</u>
Total, open-ended programs and fixed costs ...	186.8
Outlays from prior-year contracts and obligations ...	<u>50.7</u>
Total, relatively uncontrollable costs	237.5
Relatively controllable outlays	91.1
Undistributed employer share, employee retirement ..	<u>(4.0)</u>
Total budget outlays	<u>\$324.6</u>

Advisory Committee on Federal Consolidated Financial Statements

The role of the advisory committee is to provide advice on a number of issues confronting the Treasury in the preparation of consolidated financial statements for the U.S. Government. While the Treasury's initial prototype statement is in production, the advisory committee will be considering, in detail, a number of technical issues; namely, objectives to be served by the statements, format of the statements, and accounting and reporting for pensions, commitments, and contingencies. It is

expected that their views on these issues will be incorporated in subsequent publications of these statements. In the interim, Treasury considers it worthwhile to expose for comment the accompanying statements which represent one of the statement formats currently being considered by the advisory committee. The Treasury acknowledges the support and continuing assistance from the members of the Committee:

Mr. Harvey Kapnick, CPA	<i>Chairman, Arthur Andersen & 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>
Mr. John Biegler, CPA	<i>Senior Partner, Price Waterhouse & Co. President of the Board of Trustees, Financial Accounting Foundation</i>
Mr. Ivan Bull, CPA	<i>Managing Partner of McGladrey, Hansen, Dunn & Co. Chairman of the Board of American Institute of Certified Public Accountants</i>
Dr. Joe J. Cramer, Jr., CPA	<i>Faculty Resident, Arthur Andersen & Co. Professor, Department of Accounting, Arthur Andersen Fellow, The Pennsylvania State University</i>
Mr. Nathan Cutler	<i>Executive Vice President, Association of Government Accountants Former Director of Audits, Department of Transportation</i>
Dr. Sidney Davidson, CPA	<i>Director of Business Research, University of Chicago Past President of American Accounting Association</i>
Mr. 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>Member of Senior Research Staff, National Bureau of Economic Research Former Consultant to General Accounting Office</i>
Mr. Gaylord Freeman	<i>Honorary Chairman of the Board, First National Bank of Chicago Former Consultant to the Secretary of the Treasury</i>
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Dr. Charles L. Schultze	<i>Senior Fellow, Brookings Institution Former Director, Bureau of the Budget (now OMB)</i>
Honorable Elmer Staats	<i>Comptroller General of the United States</i>
Mrs. Julia M. Walsh	<i>Vice Chairman of the Board, Ferris & Co. Director, U.S. Chamber of Commerce</i>
Dr. George A. Staubus	<i>Director of Research and Technical Activities, Financial Accounting Standards Board An observer at Committee meetings</i>

CONSOLIDATED FINANCIAL STATEMENTS

Readers are invited to comment on the content and usefulness of this publication and make suggestions or recommendations for future editions. We regret that we cannot make individual replies to requests for clarification or additional information.

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