

UNITED STATES
GOVERNMENT

ANNUAL
REPORT

FISCAL YEAR 1997



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Department of the Treasury
Financial Management Service *fms*

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PREFACE

TREASURY PROFILE

The Treasury Department was created by an act of Congress approved on September 2, 1789, 31 U.S.C. 301. Many subsequent acts have influenced the development of the Department, delegating new duties and establishing numerous bureaus and divisions which now compose the Department. Today, the Treasury's mission can be categorized into four basic functions: formulating and recommending of economic, financial, tax, and fiscal policies; serving as financial agent for the U.S. Government; enforcing the law; and manufacturing coins and currency.

Article 1, Section 9 of the Constitution of the United States. It provides in part that “no money shall be drawn from the Treasury, but in consequence of appropriations made by law, *and a regular Statement of Account of the Receipts and Expenditures of all public money shall be published from time to time.*” (*Emphasis provided*). This requirement was followed by a standing order of the House of Representatives, dated December 31, 1791, which required an annual report on receipts and outlays of the Government. This was superseded by the following:

FINANCIAL MANAGEMENT SERVICE

The Financial Management Service of the Department of the Treasury performs a critical role in fulfilling the Treasury's mission as the Government's financial manager through its responsibility for the Government's delivery systems for payments and collections, the central accounting and reporting systems, the Government's cash management programs, credit and debt collection activities, and various other financial services.

In its role as financial agent of the Government, the Financial Management Service publishes this Annual Report of the U.S. Government. This report presents an overview of the Government's cash basis financial position and results of operations. It summarizes selected data that are maintained in the central accounts based on data provided by Federal entities, disbursing officers, and the Federal Reserve banks. Details supporting the information presented in this report are contained in the Annual Report Appendix, which is available from Financial Management Service's Reports Management Division. An order form for the appendix is provided as the last page of this publication.

- 31 U.S.C. 331(c) provides, “On the first day of each regular session of Congress, the Secretary shall submit to Congress a report for the prior fiscal year on the total amount of public receipts and public expenditures listing receipts, when practicable, by ports, districts, and States and the expenditures by each appropriation.”
- 31 U.S.C. 351(a) provides, “The Secretary of the Treasury shall prepare reports that will inform the President, the Congress, and the public on the financial operations of the United States Government.”

This Annual Report is recognized as the official publication of receipts and outlays with which all other reports containing similar data must be in agreement. It is used by the Congressional Budget Office in serving the needs of Congress; the Office of Management and Budget in reviewing the President's Budget programs; the General Accounting Office in performing its audit activities; the various departments and agencies of the Government in reconciling their accounts; and the general public in continually reviewing the operations of their Government. Other reports prepared by the Financial Management Service that contain related information include: the “Daily Treasury Statement,” the “Monthly Treasury State-

LEGISLATIVE REQUIREMENT

The requirements for the preparation of a report on the receipts and outlays of the Government originated with

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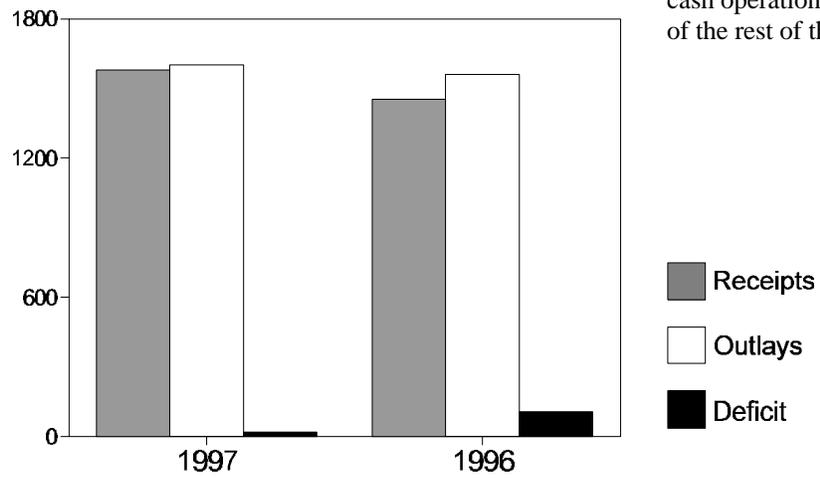
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FINANCIAL HIGHLIGHTS

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Total Receipts, Outlays, and Deficit

(In billions of dollars)

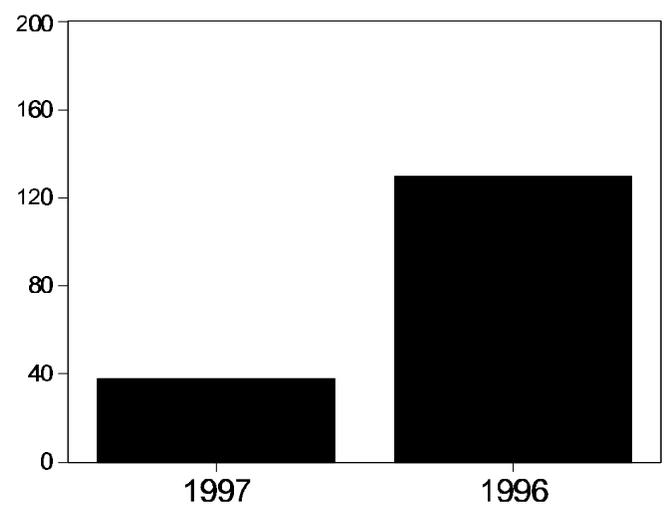


FINANCIAL HIGHLIGHTS

This report shows only those financial highlights of the U.S. Government that are directly related to the cash operations of the Department of the Treasury and of the rest of the Federal Government.

Total Borrowing from the Public

(In billions of dollars)



(In billions of dollars)

	Fiscal 1997	Fiscal 1996	Percent change
Total receipts	1,578.951	1,452.765 r	8.7
Total outlays	1,600.919	1,560.210 r	2.6
Total deficit	21.968	107.445 r	-79.6
Total assets	119.395	103.432 r	15.4
Total borrowing from the public . . .	38.185	129.657	-70.5
Excess of liabilities over assets . . .	21.496	106.830 r	-79.9

r = revised

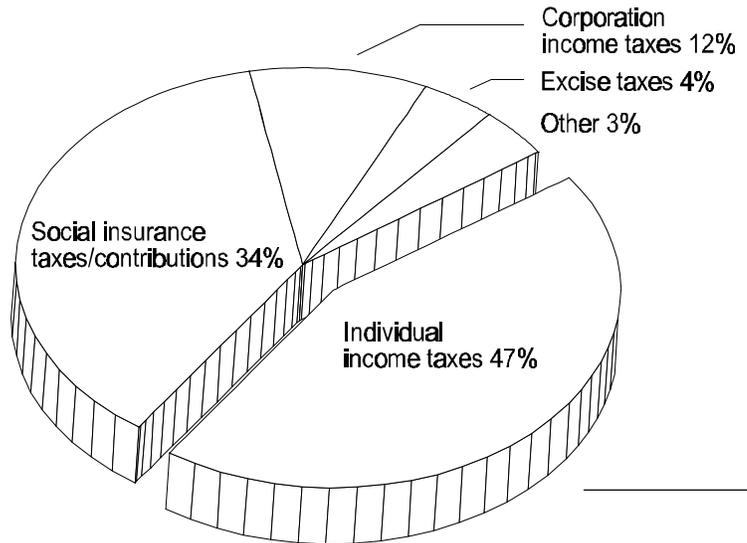
FINANCIAL REVIEW

- RECEIPTS BY SOURCE CATEGORY
 - OUTLAYS BY FUNCTION
 - TRUST FUND RECEIPT AND OUTLAY SUMMARY
 - REVOLVING FUND ACTIVITY BY DEPARTMENT
 - APPROPRIATIONS, OUTLAYS AND BALANCES BY DEPARTMENT
 - FIVE-YEAR SUMMARY OF FINANCIAL HIGHLIGHTS
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RECEIPTS BY SOURCE CATEGORY

Total receipts amounted to \$1,579.0 billion in fiscal 1997, an increase of \$126.2 billion from fiscal 1996. The percentage distribution of 1997 receipts by source category is graphically depicted below.



Major changes in the amount of receipts by source category are described below. The table that follows shows the amount of receipts for fiscal 1997 and 1996 by source category, and the amount and percentage change from fiscal 1996.

- **Individual income taxes** were \$737.5 billion in fiscal 1997, an increase of \$81.0 billion or 12.3 percent.
- **Corporation income taxes** were \$182.3 billion, an increase of \$10.5 billion from fiscal 1996 to fiscal 1997.
- Receipts from the three major forms of **social insurance taxes and contributions** increased from \$509.4 billion in fiscal 1996 to \$539.4 billion in fiscal 1997, an increase of \$30.0 billion or 5.9 percent.
 - **Employment taxes and contributions** totaled \$506.8 billion, a change of \$30.4 billion or 6.4 percent more than the prior year.
 - **Unemployment insurance** receipts were \$28.2 billion in fiscal 1997, a decrease from fiscal 1996 of \$0.4 billion or 1.3 percent.
 - **Other retirement contributions** receipts decreased by \$0.05 billion to a total of \$4.4 billion in fiscal 1997.
- **Excise tax** receipts in fiscal 1997 were \$57.0 billion, an increase of \$3.0 billion from the prior year.
- **Other receipts**, including estate and gift taxes, customs duties, and miscellaneous receipts, increased from \$61.0 billion in fiscal 1996 to \$62.9 billion in fiscal 1997. A discussion of the level of the receipts for each of the components of this category is presented below.
 - **Estate and gift tax** receipts increased by \$2.7 billion in fiscal 1997 to \$19.8 billion.
 - **Customs duties** decreased by \$0.7 billion in fiscal 1997 to \$18.0 billion.
 - **Miscellaneous receipts** totaled \$25.1 billion in fiscal 1997, a decrease of \$0.1 billion over the fiscal 1996 level.

RECEIPTS BY SOURCE CATEGORY

IN MILLIONS OF DOLLARS

	Fiscal 1997	Fiscal 1996	Change from 1996	Percent change
Individual income taxes	737,466	656,417	81,049	12.3
Corporate income taxes	182,294	171,824	10,470	6.1
Total income taxes	919,759	828,241	91,519	11.0
Social insurance taxes and contributions:				
Employment taxes and contributions	506,750	476,362	30,388	6.4
Unemployment insurance	28,202	28,584	-382	-1.3
Other retirement contributions	4,418	4,469	-51	-1.1
Total social insurance taxes and contributions	539,371	509,415	29,956	5.9
Excise taxes	56,926	54,015	2,910	5.4
Other:				
Estate and gift taxes	19,845	17,189	2,656	15.5
Customs duties	17,927	18,671	-744	-4.0
Miscellaneous receipts	25,124	25,234 r	-110	-0.4
Total other	62,896	61,094 r	1,802	2.9
Total receipts	1,578,951	1,452,765 r	126,187	8.7

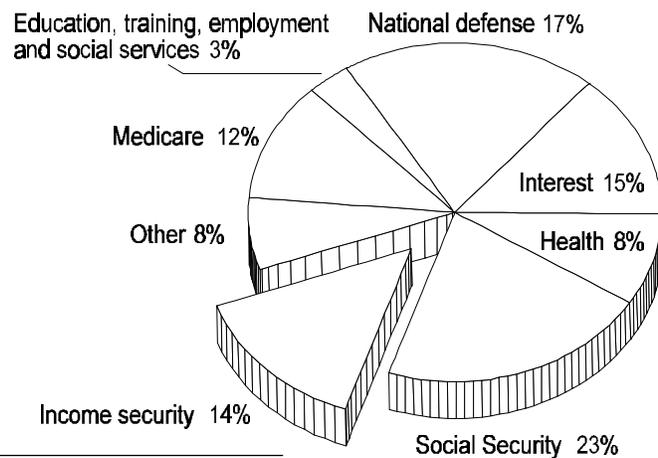
Details may not add to totals due to rounding.
r = revised

OUTLAYS BY FUNCTION

Outlays are liquidations of the Government's obligations through the issuance of checks or disbursement of cash. Total outlays were \$1,601.0 billion in fiscal 1997, an increase of \$40.7 billion or 2.6 percent over the amount from fiscal 1996. Shown below is the percentage distribution of fiscal 1997 outlays among the seven largest categories included in the Government's functional classification system.

The functional classification system is a way of grouping the Government's activities, so that all budget authority and outlays, loan guarantees, and tax expenditures can be presented according to the national needs being addressed. National needs are grouped in 17 broad areas to provide a coherent and comprehensive basis for analyzing and understanding the budget. Two additional categories—interest and undistributed offsetting receipts—do not address specific national needs but are included to cover the entire budget. Under the functional

classification system, each outlay is assigned to a classification that best defines its most important purpose, even though many outlays serve more than one purpose.



The table that follows shows fiscal 1997 and fiscal 1996 outlays for each functional classification and the amount and percentage change in outlay levels between these 2 fiscal years. Changes in outlays for the largest functional classifications are briefly discussed below.

- National defense**—This function includes those activities that are directly related to the defense and security of the United States. This amount encompasses Government spending for conventional forces, strategic forces, atomic energy defense activities and other defense related activities. National defense outlays for fiscal 1997 increased by \$4.3 billion to \$270.1 billion.
- Education, training, employment and social services**—These programs provide assistance for the development and learning of skills for opportunities and job placement. Outlays for this function were \$51.5 billion for fiscal 1997, a decrease of 1.0 percent or \$0.5 billion from fiscal 1996 outlays.
- Health**—The Federal Government helps to meet the nation's health care needs by financing and providing health care services, aiding disease prevention and supporting research and training. Outlays for this function were \$123.4 billion in fiscal 1997, an increase of \$4.4 billion over the prior fiscal year.
- Medicare**—Through Medicare, the Federal Government contributes to the health and well being of aged and disabled Americans. Outlays for this function were \$190.0 billion in fiscal 1997, an increase of 9.0 percent or \$15.7 billion over fiscal 1996 outlays.
- Income security**—Income security benefits are paid to the aged, the disabled, the unemployed and low income families. Included within this classification are programs such as general retirement and disability, public assistance and unemployment compensation. Outlays for these benefits were \$230.4 billion in fiscal 1997, an increase of 1.9 percent or \$4.4 billion over the fiscal 1996 level.

● **Social security**—Through social security, the Federal Government contributes to the income security of aged and disabled Americans. This function's outlays were \$365.3 billion for fiscal 1997, an increase of 4.5 percent or \$15.6 billion over fiscal 1996 outlays.

● **Interest**—Interest includes that paid by the Federal Government, offset by interest collected from the public and received by Government trust funds. Net interest outlays are very sensitive to interest rates and the amount of debt outstanding. Net interest outlays increased in fiscal 1997 to \$244.1 billion, a 1.2 percent increase over the prior fiscal year.

OUTLAYS BY FUNCTION

IN MILLIONS OF DOLLARS

	Fiscal 1997	Fiscal 1996	Change from 1996	Percent change
National defense	270,084	265,748 r	4,336	1.6
International affairs	15,382	13,496 r	1,886	14.0
General science, space and technology	18,510	16,709 r	1,801	10.8
Energy	1,583	2,836 r	-1,253	-44.2
Natural resources and environment	20,977	21,608 r	-631	-2.9
Agriculture	10,713	9,159 r	1,554	17.0
Commerce and housing credit	-14,629	-10,472 r	-4,157	39.7
Transportation	39,725	39,565 r	160	0.4
Community and regional development	11,672	10,685 r	987	9.2
Education, training, employment and social services	51,503	52,001 r	-498	-1.0
Health	123,432	119,074 r	4,358	3.7
Medicare	189,970	174,225	15,745	9.0
Income security	230,376	225,989 r	4,387	1.9
Social security	365,257	349,676 r	15,581	4.5
Veterans benefits and services	39,311	36,981 r	2,330	6.3
Administration of justice	20,221	17,548 r	2,673	15.2
General Government	12,747	11,914 r	833	7.0
Interest	244,058	241,090 r	2,968	1.2
Undistributed offsetting receipts	-49,973	-37,620 r	-12,353	32.8
Total outlays	1,600,919	1,560,210 r	40,709	2.6

Details may not add to totals due to rounding.

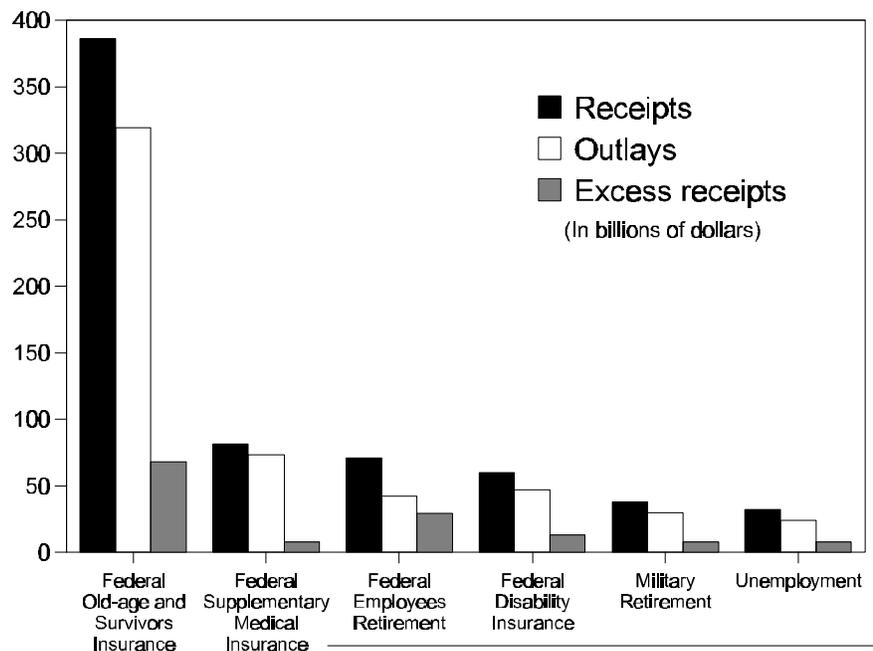
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TRUST FUND RECEIPT AND OUTLAY SUMMARY

Trust fund accounts are maintained to record the receipt and outlay of moneys held in trust by the Government for use in carrying out specific purposes or programs in accordance with the terms of a trust agreement or statute. This section summarizes major trust funds and their operations for fiscal 1997. Some trust funds such as the Federal Disability Insurance Fund, the Federal Employees Retirement Fund, the Federal Old-age and Survivors Insurance Fund, the

Federal Supplementary Medical Insurance Fund, the Military Retirement Fund and the Unemployment Trust Funds, accumulated excess receipts in fiscal 1997. These excess receipts do not contribute to the overall level of receipts of the Federal Government except those receipts derived from taxes and payroll contributions. The chart presented below summarizes the operations of the major trust funds in fiscal 1997.

Trust Fund Receipt and Outlay Summary, Fiscal 1997



The table on the following page summarizes trust fund operations in fiscal 1997 and fiscal 1996 and the dollar change between these 2 fiscal years. Presented below is a description of the receipts and outlays of the major trust funds for fiscal 1997.

- **Federal Old-age and Survivors Insurance Fund**

—Receipts in this fund were \$386.5 billion and outlays were \$318.6 billion. The excess of receipts amounted to \$68.0 billion.

- **Federal Supplementary Medical Insurance Fund**

—The receipts in this fund were \$80.8 billion and outlays were \$72.6 billion. Excess receipts were \$8.3 billion.

- **Federal Employees Retirement Fund**—Receipts in the fund were \$71.4 billion. The fund's outlays were \$42.2 billion, with excess receipts of \$29.1 billion.

- **Federal Disability Insurance Fund**—Receipts were \$60.1 billion while outlays totaled \$46.7 billion, which put excess receipts for the fiscal year at \$13.4 billion.

- **Military Retirement Fund**—The fund accumulated \$38.2 in receipts and made outlays of \$30.2. This put receipts in excess of \$8.0 billion more than outlays.

- **Unemployment Trust Fund**—Receipts were \$32.5 billion and outlays were \$24.4 billion. Excess receipts amounted to \$8.1 billion.

TRUST FUND RECEIPT AND OUTLAY SUMMARY

IN MILLIONS OF DOLLARS

Trust fund	1997			1996			Change		
	Receipts	Outlays	Excess	Receipts	Outlays	Excess	Receipts	Outlays	Excess
Airport and airway	4,488	5,741	-1,252	3,128	6,619	-3,491	1,360	-878	2,239
Black lung disability	992	995	-3	991	986	5	1	9	-9
Federal disability insurance	60,100	46,701	13,399	59,435	44,558	14,877	665	2,143	-1,478
Federal employees life and health	-	-366	366	-	-657	657	-	291	-291
Federal employees retirement	71,367	42,243	29,125	68,461	40,263	28,198	2,907	1,980	927
Federal hospital insurance	128,548	137,884	-9,336	123,501	127,683	-4,182	5,048	10,201	-5,154
Federal old-age and survivors insurance	386,485	318,569	67,916	356,993	305,461	51,533	29,492	13,108	16,384
Federal supplementary medical insurance	80,806	72,553	8,252	82,025	68,946	13,079	-1,219	3,607	-4,826
Hazardous substance superfund	1,709	2,167	-458	1,486	1,416	70	223	751	-528
Highway	25,310	24,518	793	25,974	23,329	2,645	-664	1,188	-1,852
Military advances	15,128	15,096	32	14,747	14,323	425	381	774	-392
Military retirement	38,173	30,188	7,984	33,374	28,831	4,543	4,799	1,357	3,441
Railroad retirement	9,270	8,326	944	8,763 r	8,247 r	516	507	79	428
Unemployment	32,481	24,374	8,108	32,398	26,229	6,169	84	-1,855	1,939
Veterans life insurance	1,254	1,210	45	1,295	1,221	74	-41	-12	-29
All other trust funds	3,300	5,565	-2,265	3,655 r	4,257 r	-602	-355	1,308	-1,663
Total trust fund receipts and outlays	859,413	735,763	123,650	816,226 r	701,710 r	114,515	43,187	34,052	9,135
Total Federal fund receipts and outlays	1,010,315	1,155,933	-145,618	914,420 r	1,136,380 r	-221,960 r	95,895	19,552	76,342

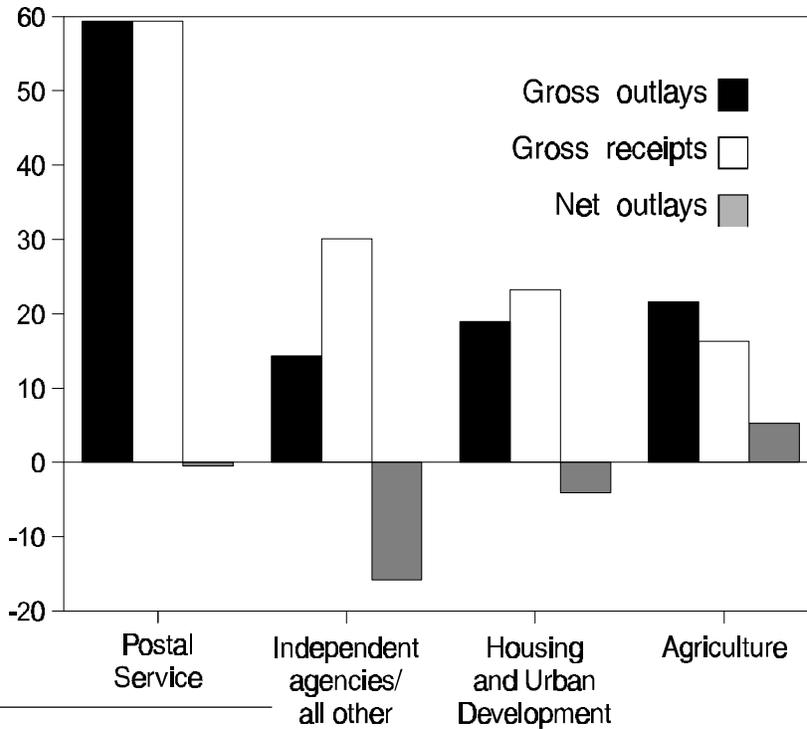
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r = revised

REVOLVING FUND ACTIVITY BY DEPARTMENT

Public enterprise revolving funds are authorized by specific provisions of law to finance a continuing cycle of operations in which outlays generate receipts and the receipts are available for outlays without further action by Congress. The chart below

summarizes fiscal 1997 receipt and outlay activity for the departments of the Government that have the largest revolving fund operations.



Revolving Fund Activity by Department, Fiscal 1997

(In billions of dollars)

Below is a summary of receipts and outlays of the major revolving funds. The table on page 18 shows revolving fund activity by department for fiscal 1997.

- **U.S. Postal Service**—In fiscal 1997, revolving funds of the U.S. Postal Service generated \$59.4 billion in gross outlays and \$59.4 billion in gross receipts.
- **Independent agencies-all others**—The net outlays of revolving funds maintained by these agencies amounted to -\$15.8 billion in fiscal 1997. This total consisted of \$14.3 billion in gross outlays and \$30.1 billion in gross receipts, and includes:

- Export-Import Bank, which had net outlays of -\$1.0 billion;

- Federal Deposit Insurance Corporation, which had gross outlays of \$2.3 billion and gross receipts of \$16.4 billion, and

- Tennessee Valley Authority, which had gross outlays of \$8.7 billion and gross receipts of \$9.1 billion.

- **Department of Housing and Urban Development**—In fiscal 1997, the gross outlays of revolving funds of this department totaled \$19.0 billion while gross receipts were \$23.2 billion. Net revolving fund outlays in fiscal 1997 were -\$4.1 billion.
- **Department of Agriculture**—In fiscal 1997, gross outlays of revolving funds operated by the Department of Agriculture totaled \$21.6 billion and gross receipts totaled \$16.3 billion. Net outlays were \$5.3 billion.

REVOLVING FUND ACTIVITY BY DEPARTMENT

IN MILLIONS OF DOLLARS

	Fiscal 1997 gross outlays	Fiscal 1997 gross receipts	Fiscal 1997 net outlays	Fiscal 1996 net outlays	Difference
Legislative branch	10	11	-1	*	-1
Funds Appropriated to the President.....	442	1,907	-1,465	-1,464	-1
Departments:					
Agriculture	21,584	16,260	5,324	4,216	1,108
Commerce	55	75	-20	11	-30
Defense, military	174	74	99	28	71
Education	3	47	-44	-43	-1
Energy.....	1,616	1,802	-186	-125	-6
Health and Human Services	66	35	30	16	14
Housing and Urban Development	19,023	23,171	-4,148	-5,287 r	1,139
Interior	195	180	16	121	-106
Labor.....	969	2,165	-1,197	-851	-345
Transportation	424	486	-63	-53	-9
Treasury	536	1,533	-997	-1,692	694
Veterans Affairs	1,825	1,769	57	-146	202
Environmental Protection Agency.....	*	3	-3	*	-3
General Services Administration	-	-	-	-1 r	1
Small Business Administration	347	856	-509	-303	-206
Independent agencies:					
Export-Import Bank.....	27	1,062	-1,034	-1,047	12
Federal Deposit Insurance Corporation	2,266	16,448	-14,182	-8,350 r	-5,832
U.S. Postal Service	59,384	59,434	-49	-180 r	131
Tennessee Valley Authority	8,719	9,056	-337	757	-1,094
All Other	3,311	3,497	-186	-363 r	177
Total independent agencies.....	73,708	89,497	-15,789	-9,184 r	-6,605
Total revolving fund receipts and outlays.....	120,976	139,872	-18,896	-14,756 r	-4,139

Details may not add to totals due to rounding.

r = revised

* Less than \$500,000.

APPROPRIATIONS, OUTLAYS, AND BALANCES BY DEPARTMENT

IN MILLIONS OF DOLLARS

	Unobligated balances beginning of fiscal year	Appropriated and other obligational authority	Transfers, borrowings, and investments	Outlays	Balances withdrawn and other transactions	Unobligated balances end of fiscal year
Legislative branch	1,449	2,558	-17	2,362	238	1,494
The Judiciary.....	683	3,392	-18	3,259	115	748
Executive Office of the President ..	20	216	-	219	-3	15
Funds Appropriated to the President.....	31,939	24,163	-214	10,192	13,750	30,609
Departments:						
Agriculture	47,649 r	70,739	-17,194	52,558	987	44,961
Commerce.....	644	3,764	3	3,780	-12	559
Defense.....	185,372 r	298,068	-32	292,163	5,736	189,248
Education	4,988 r	32,809	-78	30,013	2,718	3,397
Energy.....	8,593	15,562	-205	14,470	888	10,213
Health and Human Services	144,789	355,818	-8	339,493	16,317	143,955
Housing and Urban Development	32,060 r	16,845	-733	27,525	-11,413	41,668
Interior.....	5,494	7,460	10	6,725	744	5,937
Justice.....	4,792	17,252	18	14,288	2,982	5,022
Labor	63,568 r	40,476	-53	30,461	9,962	72,300
State.....	9,106 r	5,791	21	5,245	567	9,679
Transportation	39,753	42,106	-9	39,838	2,259	41,368
Treasury	15,200 r	380,803	1	379,379	1,425	15,561
Veterans Affairs	15,324	39,742	-	39,277	465	15,141
Environmental Protection Agency	9,472	6,057	1	6,167	-110	9,054
General Services Administration	2,942 r	571	67	1,083	-445	4,038
National Aeronautics and Space Administration	1,736	13,346	-49	14,358	-1,062	1,071
Office of Personnel Management.....	422,807	73,310	-	45,404	27,905	452,114
Small Business Administration ..	907	836	-43	334	459	996
Social Security Administration...	516,116	474,730	-	393,309	81,421	596,631
Independent agencies	67,642 r	24,401	-7,313	3,989	13,400	79,535
Total.....	1,633,045 r	1,950,813	-25,847	1,755,890	169,295	1,775,312

Details may not add to totals due to rounding.

r = revised

* Less than \$500,000.

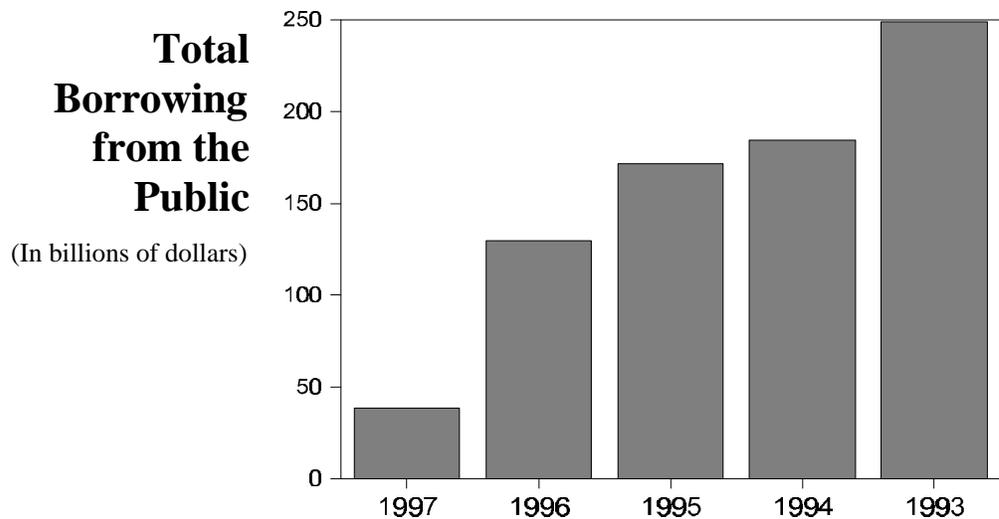
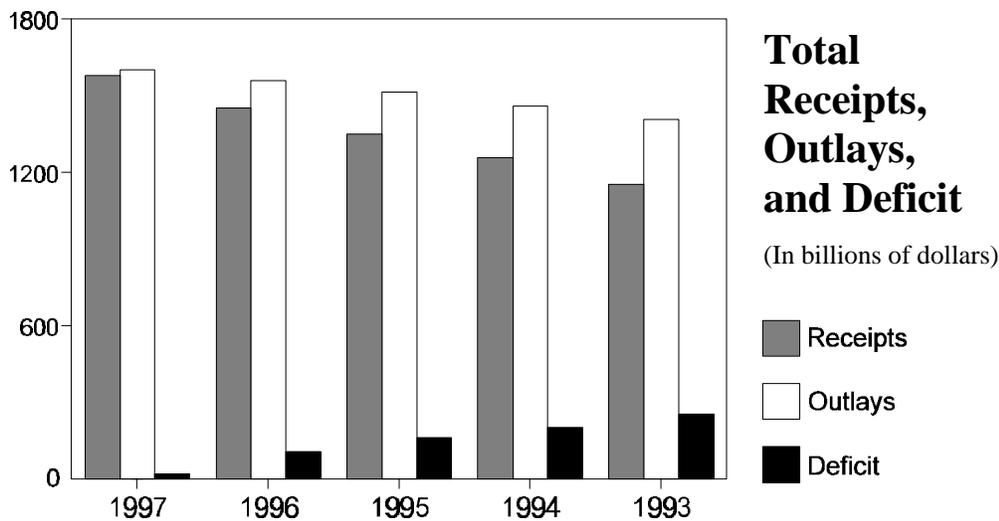
FIVE-YEAR SUMMARY OF FINANCIAL HIGHLIGHTS

IN MILLIONS OF DOLLARS

(This financial statement shows only those financial highlights of the United States Government directly related to the cash operations of the Department of the Treasury and the rest of the Federal Government.)

	Fiscal 1997	Fiscal 1996	Fiscal 1995	Fiscal 1994	Fiscal 1993
Total receipts	1,578,951	1,452,765 r	1,351,495	1,258,411	1,153,226
Total outlays	1,600,919	1,560,210 r	1,515,410	1,461,359	1,408,532
Total deficit	21,968	107,445 r	163,916	202,948	255,306
Total assets	119,395	103,432 r	89,349	151,153	6,110
Total borrowing from the public	38,185	129,657	171,363	184,583	248,594
Excess of liabilities over assets	21,496	106,830 r	163,194	202,234	254,955

r = revised



FINANCIAL STATEMENTS

- BALANCE SHEET
 - STATEMENT OF OPERATIONS
 - STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS
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BALANCE SHEET

IN MILLIONS OF DOLLARS

	September 30, 1997	September 30, 1996
Assets		
Cash and monetary assets:		
U.S. Treasury operating cash:		
Federal reserve account	7,692	7,700
Tax and loan note accounts	35,930	36,525
Special drawing rights:		
Total holdings	9,997	10,177
Special drawing rights certificates issued to Federal Reserve banks	-9,200	-9,718
Monetary assets with International Monetary Fund (IMF) . . .	14,045	15,428
Other cash and monetary assets:		
U.S. Treasury monetary assets	87	87
Cash and other assets held outside the Treasury account ..	18,609	21,133
U.S. Treasury time deposits	4,214	4,724
Total cash and monetary assets	81,372	86,056
Loan financing accounts:		
Guaranteed loans	-13,892	-13,750 r
Direct loans	53,803	32,780
Miscellaneous asset accounts	-1,888	-1,654 r
Total assets	119,395	103,432 r
Excess of liabilities over assets		
Excess of liabilities over assets at beginning		
of fiscal year	3,691,747	3,584,917
Add: Total deficit for fiscal year	21,968	107,445 r
Subtotal	3,713,715	3,692,362 r
Deduct: Other transactions not applied to surplus or deficit	472	615
Excess of liabilities over assets at close of fiscal year	3,713,243	3,691,747 r
Total assets and excess of liabilities over assets	3,832,638	3,795,179 r
Liabilities		
Borrowing from the public:		
Public debt securities outstanding	5,413,147	5,224,812
Premium and discount on public debt securities	-76,633	-77,932 r
Total public debt securities	5,336,514	5,146,880
Agency Securities Outstanding	33,187	35,043
Total Federal securities	5,369,700	5,181,923
Deduct: Net Federal securities held as investments by Government accounts		
Total borrowing from the public	3,771,141	3,732,957
Accrued interest payable	46,083	45,605
Special drawing rights allocated by IMF	6,689	7,052
Deposit fund liabilities	6,800	7,213 r
Miscellaneous liability accounts (checks outstanding, etc.) ..	1,925	2,352 r
Total liabilities	3,832,638	3,795,179

Details may not add to totals due to rounding.

r = revised

STATEMENT OF OPERATIONS

IN MILLIONS OF DOLLARS

	Fiscal 1997	Fiscal 1996
Receipts		
Individual income taxes	737,466	656,417
Corporation income taxes	182,294	171,824
Social insurance taxes and contributions:		
Employment taxes and contributions (off-budget)	391,989	367,492
Employment taxes and contributions (on-budget)	114,761	108,870
Unemployment insurance	28,202	28,584
Other retirement contributions	4,418	4,469
Excise taxes	56,926	54,015
Estate and gift taxes	19,845	17,189
Custom duties	17,927	18,671
Miscellaneous receipts	25,124	25,234 r
Total receipts	1,578,951	1,452,765 r
Outlays		
Legislative Branch	2,362	2,272
The Judiciary	3,259	3,061
Executive Office of the President	219	202
Funds Appropriated to the President	10,192	9,711 r
Departments:		
Agriculture	52,558	54,338
Commerce	3,780	3,703
Defense, Military	253,330	253,258
Defense, Civil	33,833	32,535
Education	30,013	29,734 r
Energy	14,470	16,204 r
Health and Human Services	339,493	319,802
Housing and Urban Development	27,525	25,240 r
Interior	6,725	6,718
Justice	14,288	11,950 r
Labor	30,461	32,496
State	5,245	4,955
Transportation	39,838	38,776
Treasury	379,379	365,336 r
Veterans Affairs	39,277	36,915
Environmental Protection Agency	6,167	6,046
General Service Administration	1,083	731 r
National Aeronautics and Space Administration	14,358	13,882
Office of Personnel Management	45,404	42,872
Small Business Administration	334	872
Social Security Administration	393,309	375,232
Independent agencies	3,989	9,076 r
Undistributed offsetting receipts	-154,970	-135,705
Total outlays	1,600,919	1,560,210 r
Surplus (+) or deficit (-)	-21,968	-107,445 r
Other transactions not applied to current year's surplus or deficit		
Seigniorage (gain on coin production)	-465	-587
Profit on sale of gold	-7	-28
Total other transactions not applied to current year's surplus (+) or deficit (-)	-472	-615

Details may not add to totals due to rounding.

* Less than \$500,000.

r = revised

STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS

IN MILLIONS OF DOLLARS

	Fiscal 1997	Fiscal 1996
Sources		
Increases in liabilities:		
Borrowing from the public	38,185	129,657
Accrued interest payable to the public	478	-
Special drawing rights allocated by International Monetary Fund (IMF)	-	-
Deposit fund liabilities	-	-
Miscellaneous liabilities (checks outstanding, etc.)	-	-
Decreases in assets:		
U.S. Treasury operating cash:		
Federal reserve account	8	920
Tax and loan note accounts	595	-
Special drawing rights (SDRs):		
SDR certificates issued to Federal Reserve banks	-	-
Total holdings	180	858
Funds available with IMF	1,383	-
Net activity, guaranteed loan financing	142	1,036 r
Other cash and monetary assets	3,035	4,637
Miscellaneous assets	234	-
Other transactions not applied to surplus or deficit	472	615
Total sources	44,713	137,724 r
Applications		
Deficit	21,968	107,445 r
Increases in assets:		
U.S. Treasury operating cash:		
Federal reserve account	-	-
Tax and loan note accounts	-	7,196
Special drawing rights (SDRs):		
SDR certificates issued to Federal Reserve banks	518	450
Total holdings	-	-
Funds available with IMF	-	746
Net activity, direct loan financing	21,023	13,049
Other cash and monetary assets	-	-
Miscellaneous assets	-	94 r
Decreases in liabilities:		
Accrued interest payable to the public	-	5,006
Special drawing rights allocated by IMF	363	328
Deposit fund liabilities	413	973 r
Miscellaneous liabilities (checks outstanding, etc.)	427	2,438 r
Total applications	44,713	137,724 r

Details may not add to totals due to rounding.

r = revised

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**NOTES TO THE FINANCIAL
STATEMENTS**

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NOTES TO THE FINANCIAL STATEMENTS

1. Description of Accounts Related to Cash Operations

The classes of accounts maintained in connection with the cash operations of the Government include:

- The accounts of fiscal officers or agents who receive money for deposit in the U.S. Treasury or for other authorized disposition or who make expenditures by drawing checks on the Treasury;
- The accounts of administrative agencies that classify receipt and outlay transactions according to the individual receipt, appropriation, or fund account, and
- The accounts of the Treasury of the United States, which is responsible for the receipt and custody of money deposited by fiscal officers or agents.

A set of central accounts is maintained by the Financial Management Service for the purpose of consolidating financial data reported periodically from these three sources, in order to permit the results of cash operations in central financial reports, for the Government as a whole and as a means of internal control.

The central accounts relating to cash operations disclose monthly and fiscal year information on:

- The Government's receipts by principal sources, and its outlays according to the different appropriations and other funds involved, and
- The cash transactions, classified by type, together with certain directly related assets and liabilities that underlie such receipts and outlays.

Accounting for receipts is on the basis of collections; refunds of receipts are treated as deductions from gross receipts. Accounting for outlays is on the basis of checks issued and cash payments made (cash basis). Revolving and management fund receipts and reimbursements of moneys previously expended are

treated as deductions from gross outlays. The interest on the public debt, public issues, is recognized on the accrual basis; however, the interest on special issues is on the cash basis. The structure of the accounts provides for a reconciliation, on a firm accounting basis, between the published reports of receipts and outlays for the Government as a whole and changes in the Treasury cash balance by means of such factors as checks outstanding, deposits in transit, and cash held outside the Treasury. Within the central accounts, receipt and outlay accounts are classified as:

- General fund receipt accounts;
- Special fund receipt accounts;
- General fund expenditure accounts;
- Revolving fund accounts;
- Consolidated working fund accounts;
- Management fund accounts;
- Trust fund accounts, and
- Transfer appropriation accounts.

These accounts are described in detail in the Annual Report Appendix.

2. U.S. Treasury Operating Cash

Major sources of information used by the Financial Management Service to determine Treasury's operating cash include the Daily Balance Wires from the Federal Reserve banks, reporting from the Bureau of the Public Debt, and electronic funds transfers and reconciling wires from the Internal Revenue Service Centers. Operating cash is presented on a modified cash basis: deposits are reflected as received and withdrawals are reflected as processed.

3. Special Drawing Rights (SDR's)

The special drawing rights act of 1968 and the Bretton Woods Agreements Act of 1945 authorize the United States to participate in the Special Drawing Rights Department of the International Monetary Fund and accept the resulting financial obligations of the Fund. The Special Drawing Rights Act provides the permanent authority for the United States to meet its financing requirements in connection with the acquisition and use of SDR's (the unit of account for fund transactions) by the issuance of SDR certificates to Federal Reserve banks.

4. *Miscellaneous Asset Accounts*

Included in miscellaneous assets are gold assets and their related certificates in the following amounts:

	Fiscal 1997	Fiscal 1996
Gold assets	\$11,050	\$11,050
Liabilities	\$11,050	\$11,050

5. *Other Transactions Not Applied to Surplus or Deficit*

Seigniorage is the difference between the value of coins as money and their cost of production. Seigniorage on coins arises from the exercise of the Government's monetary powers and differs from receipts coming from the public, since there is no corresponding payment by another party. Therefore, seigniorage is excluded from receipts and treated as a means of financing a deficit or as a supplementary amount to be applied to reduce debt or to increase the cash in the Treasury in a year with a surplus.

Profit resulting from the sale of gold as a monetary asset is treated like seigniorage, since the value of gold is determined by its value as a monetary asset rather than as a commodity.

6. *Federal Securities Outstanding*

These consist of public debt and include all public and agency issues outstanding.

- Public debt is that portion of the Federal debt incurred when the Treasury or the Federal Financing Bank (FFB) borrows funds directly from the public or another fund or account. To avoid double counting, FFB borrowing from the Treasury is not included in the public debt. (The Treas-

ury borrowing required to obtain the money to lend to the FFB is already part of the public debt.)

- Agency debt is that portion of the Federal debt incurred when a Federal agency, other than the Treasury or the FFB, is authorized by law to borrow funds directly from the public or another fund or account. To avoid double counting, agency borrowing from Treasury or the FFB and Federal fund advances to trust funds are not included in the Federal debt. (The Treasury or FFB borrowing required to obtain the money to lend to the agency is already part of the public debt.)

7. *Deposit Fund Liabilities*

These include certain accounts established to record amounts either (a) held in suspense temporarily and later refunded or paid upon administrative or legal determination as to proper disposition thereof, or (b) held by the Government as agent for others (for example, State and local income taxes withheld from Federal employees' salaries and payroll deductions for the purchase of savings bonds by civilian employees of the Government).

8. *Undistributed Offsetting Receipts*

These receipts are composed of the following types of payments:

- Payments to trust funds by Government agencies for their employees' retirement;
- Interest paid to trust funds on their investments in Government securities; and
- Proprietary receipts from rent royalties on the Outer Continental Shelf lands.

Undistributed offsetting receipts are not deducted from outlays at the function, subfunction, or agency levels. They are deducted from the budget totals.

9. *Where applicable, prior year amounts have been revised to reflect realignment to the current budget of the U.S. Government.*

PRINCIPAL ADMINISTRATIVE AND STAFF OFFICERS OF THE TREASURY

Secretary of the Treasury	Robert E. Rubin
Deputy Secretary of the Treasury	Lawrence H. Summers
Under Secretary for International Affairs	David A. Lipton
Under Secretary for Domestic Finance	John D. Hawke, Jr.
Under Secretary for Enforcement	Raymond Kelly
Assistant Secretary for Financial Institutions	Richard S. Carnell
Assistant Secretary for Economic Policy	David Wilcox
Assistant Secretary for Enforcement	James E. Johnson
Fiscal Assistant Secretary	Gerald Murphy
General Counsel	Edward S. Knight
Inspector General	Valerie Lau
Assistant Secretary for International Affairs	Timothy Geithner
Assistant Secretary for Legislative Affairs and Public Liaison	Linda L. Robertson
Assistant Secretary for Management/Chief Financial Officer	Nancy Killefer
Assistant Secretary for Public Affairs	Howard M. Schloss
Assistant Secretary for Tax Policy	Donald C. Lubick (acting)
Treasurer of the United States	Mary Ellen Withrow
Comptroller of the Currency	Eugene A. Ludwig
Commissioner of Financial Management Service	Richard L. Gregg
Commissioner of Internal Revenue Service	Charles O. Rossotti
Commissioner of Bureau of the Public Debt	Van Zeck

ANNUAL REPORT APPENDIX ORDER FORM

Details pertaining to the information presented in this publication are contained in the U.S. Government Annual Report Appendix. The Appendix includes details of receipts, outlays, appropriations, and balances, including summary General Ledger account balances.

For a free copy of the Appendix, mail this order form to:

Financial Management Service
Reports Management Division
Budget Reports Branch, Room 518D
3700 East West Highway
Hyattsville, MD 20782

Name _____

Address _____