

Consolidated Financial Statements of the United States Government

PROTOTYPE

Advisory Committee on Federal Consolidated Financial Statements

The advisory committee provides advice on a number of issues confronting the Department of the Treasury in its preparation of consolidated financial statements for the U.S. Government. The committee has over the past two years considered many technical issues, among them objectives to be served by the statements, format of the statements, accounting and reporting for pensions, commitments, and contingencies, valuation of assets, depreciation methods, accruing federal tax revenues and inflation accounting. The committee members' views have been carefully considered in developing this prototype report and will be considered in developing subsequent publications of these Statements. The Treasury acknowledges the support and continuing assistance from the advisory 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 & Company Past 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 of Accounting and Arthur Andersen Faculty 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>Arthur Young Professor of Accounting and 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>
Mrs. Carol Loomis	<i>Member of Board of Editors, Fortune Magazine Author of the article, "An Annual Report for the Federal Government," 1973</i>
Dr. Robert K. Mautz, CPA	<i>Partner, Ernst & Ernst Member of Cost Accounting Standards Board</i>
Dr. Charles L. Schultze	<i>Chairman, Council of Economic Advisers Former Director, Bureau of the Budget (now OMB)</i>
Honorable Elmer B. Staats	<i>Comptroller General of the United States</i>
Mrs. Julia M. Walsh	<i>Chairman of the Board, Julia M. Walsh & Sons, Inc. Director, U.S. Chamber of Commerce</i>
Dr. George J. Staubus	<i>Director of Research and Technical Activities, Financial Accounting Standards Board An observer at Committee meetings</i>

Statement of the Secretary of the Treasury

Beginning in 1949 with the recommendations of the Commission on Organization of the Executive Branch (Hoover Commission), the Federal Government has moved slowly but steadily towards the application of accrual accounting to the measurement of its financial operations. State and local governments have also trended in this direction.

This prototype report is the result of an experimental undertaking aimed at extending accrual accounting concepts to new areas of governmental accounting. The undertaking is intended to contribute to

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

This second prototype report should not be regarded as a financial statement in the conventional sense, but rather as a step in the evolution of comprehensive and understandable government financial reporting. It has not been prepared in accordance with any set of generally accepted accounting principles, as there are none for the U.S. Government. As the Comptroller General points out in his accompanying statement, there are a number of significant controversial issues that must be resolved before statements of this type can be certified. There is also disagreement among the members of the Advisory Committee on Federal Consolidated Financial Statements, Government officials responsible for accounting matters, and others as to how these issues should be resolved and also as to various portions of this prototype. Hence, the report should be recognized only for what it is—a preliminary approach to the complex and controversial task of presenting accurate and understandable information about the financial condition of the Government. *It is not the Government's report on its financial condition and it should not be so interpreted.*

This second prototype has been revised in major respects based upon recommendations of the advisory committee (listed inside the front cover) and reactions of the general public to the first prototype report published in late 1976. The basic statements of financial condition and operations have been delineated more fully. A number of supplemental schedules have been added to amplify various aspects of the Government's financial operations that are not captured in the basic statements. Both the basic statements and the supplemental schedules, however, are embryonic. Many conceptual and methodological issues must be resolved before reports such as this prototype can be represented as conforming to generally accepted accounting principles.

For example, among any national government's principal assets are its powers to tax and to create money. These are not represented among the assets in this prototype report. The outer continental shelf and some 704 million acres of public domain lands are likewise not included among the assets in this report; however, proposals have been made for valuing these lands for inclusion in future financial statements. How to carry these assets on a balance sheet will not be an easy issue to resolve.

On the liability side, much debate centers on the liability for accrued social security pensions. Some contend that social security benefits are current transfers of income and that no liability for future payments should be shown. Others contend that the full actuarial deficit—the difference between projected receipts and payments over the next 75 years—should be shown as a liability. This report continues, in modified form, the practice used in the first prototype of showing an amortized portion of the actuarial deficit. However, this is clearly not the appropriate final resolution of the issue; it needs further study and this will be done in the coming months.

Despite these and other conceptual issues and data deficiencies that are not yet resolved, it is important that governments press forward with the development of better financial measurement and reporting. Combined Federal, state, and local expenditures in 1976 amounted to 34 percent of the gross national product. Government borrowings in 1976 accounted for 40 percent of the new issues in the capital markets. Financial operations of this magnitude require more sophisticated accounting techniques than traditional governmental fund accounting provides.

The focus of governmental accounting traditionally has been on preventing overspending of appropriations. That is an essential purpose, but it is much too narrow for the large and complex institutions that governments have become. The focus of governmental accounting must be shifted to broader purposes—on facilitating better management of government programs and government finances and on enhancing public understanding of resources used in the conduct of government operations. Through the exploration of new accounting concepts, the adaptation of old concepts, and the exposure to the public of various accounting applications, this and subsequent reports can contribute to achieving those broader purposes.

During the past year, the advisory committee met to consider a number of issues and staff reports dealing with the shape and content of this report. The advisory committee members faced an unusually difficult task in that the problems with which they were confronted were many of the same fundamental issues the accounting profession has been actively debating, and because those problems had to be dealt with in a governmental context, something that had not been done before.

To date, the advisory committee, the General Accounting Office, and the Treasury have given primary attention to identifying the highest priority problems which need to be solved if governmental accounting is to be brought up to the level of the private sector. The complexity of the task is illustrated by a chart appearing at the end of this report on the valuation of assets. One of the advisory committee's recommendations was that assets be valued at their current values. The chart shows the wide gap that must be bridged before this can be accomplished.

As with the first prototype, we seek the reactions and comments of readers of this financial report.



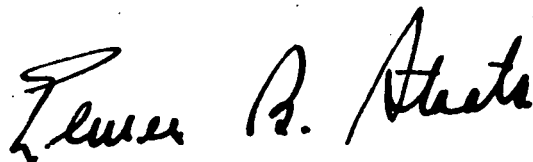
W. MICHAEL BLUMENTHAL
Secretary of the Treasury
July 26, 1977

Statement of the Comptroller General of the United States

In commenting on an initial prototype report last year, we noted the need to make this report more comprehensive by providing information on the full range of Government activities. Significant progress has been made in the design and development of information that supplements the traditional statements. However, as with the first report, we must caution that this report must be considered preliminary and that before fully satisfactory financial statements can be prepared, many aspects of presenting information and determining appropriate amounts for assets and liabilities will require further study. For example, such controversial issues as the following must be resolved:

- The basis for valuation of such diversified Federal assets as the public domain, defense weapon systems, and natural resources must be changed. In the attached statements, these assets are valued at cost. We agree with the preference expressed by the Advisory Committee on Federal Consolidated Financial Statements that Federal assets should be recorded and reported on a current value basis. Further study will be necessary to select the most appropriate current value method for each category of Federal asset and to determine the best source of the data needed to make the valuations.
- The fair presentation of actual liabilities for Federal pension plans, social security payments and veterans benefits needs further consideration. Liabilities for some Federal pension plans that are not included in these financial statements need to be determined. Also, the method of determining the amounts of all these liabilities, as well as the method of presenting when payment will be required, needs further study.
- The method of computing depreciation of Federal assets needs to be improved. The depreciation amounts used in these statements were based on broad calculations. Refinement of the methods used is desirable.
- The effect of tax benefits on revenues needs further study. In many cases the data essential for analyzing the amounts of revenue which the Government has not received because of exemptions or deductions authorized by tax law is insufficient. Additional work is needed to improve the accuracy and scope of these computations.
- The cost to the Government of interest subsidies on outstanding Government loans needs to be computed more precisely. The data currently available on interest subsidies represent only a very rough approximation of the costs of these subsidies to the Government. Efforts should be made to refine these data so that more accurate costs can be shown.
- The time span of the Flow of Funds Statement should be increased. This Statement predicts cash basis revenues and expenditures in future years using certain basic assumptions reflected in the Federal budget. We believe this Statement should be expanded to cover at least a fifteen year period with information for each year provided in ranges which take into consideration varying economic conditions.

We have not examined or audited these statements. Such an audit would be impractical because these statements are of a preliminary nature and several difficult problems such as those described above remain to be resolved. 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. We believe, however, that these preliminary statements will serve to highlight some of the critical financial problems that the Federal Government faces and will encourage more comprehensive financial reporting by government entities at all levels.

A handwritten signature in black ink, reading "Elmer B. Staats". The signature is written in a cursive style with a large initial 'E' and 'S'.

ELMER B. STAATS
Comptroller General of the United States
June 15, 1977

Consolidated Financial Statements

United States Government
Consolidated Statement of Financial Position
as of September 30, 1976, and June 30, 1976 and 1975

(amounts in billions)

Assets

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

	1976		1975
	Sept. 30	June 30	June 30
Cash and monetary reserves			
Operating cash in the Treasury	\$17.4	\$14.8	\$7.6
International monetary reserves (Note 1)	17.9	17.1	16.2
Other cash	6.3	7.1	5.2
	41.6	39.0	29.0
Receivables (net of allowances)			
Accounts receivable	5.4	3.9	5.5
Accrued taxes receivable (Note 2)	14.1	10.1	11.8
Loans receivable (Note 3)	100.2	106.4	82.7
Advances and prepayments	6.7	3.6	1.3
	126.4	124.0	101.3
Inventories (at cost) (Note 4)			
Goods for sale	13.5	13.2	11.2
Work in process .....	.8	.8	.7
Raw materials	1.4	1.6	2.8
Materials and supplies for Government use	35.4	35.5	31.2
Stockpiled materials and commodities	12.5	12.3	11.6
	63.6	63.4	57.5
Property and equipment (at cost)			
Land (Note 5)	7.6	7.5	7.0
Buildings, structures, and facilities (Note 6)	92.7	92.5	92.1
Military hardware (Note 7)	133.5	133.5	126.6
Equipment (Note 7)	42.9	42.6	41.1
Construction in progress	16.2	16.6	18.0
Other	1.7	1.8	2.1
	294.6	294.5	286.9
Accumulated depreciation (Note 8)	(147.2)	(145.1)	(136.5)
	147.4	149.4	150.4
Deferred charges and other assets	20.2	18.6	16.7
Total assets	\$399.2	\$394.4	\$354.9

The accompanying notes are an integral part of this statement.

United States Government
Consolidated Statement of Financial Position
as of September 30, 1976, and June 30, 1976 and 1975

(amounts in billions)

Liabilities

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

	1976		1975
	Sept. 30	June 30	June 30
Accounts payable	\$53.7	\$45.7	\$46.9
Unearned revenue	9.8	9.5	8.3
Borrowings from the public (Note 9)	494.6	476.6	394.4
Accrued pensions under retirement and disability plans (Note 10)			
Military personnel	119.3	117.3	96.6
Civilian employees	133.9	130.9	118.0
Social security	630.8	603.1	499.5
Veterans	113.4	113.6	117.3
	<u>997.4</u>	<u>964.9</u>	<u>831.4</u>
Loss reserves for guarantee and insurance programs (Note 11)	27.9	25.3	15.1
Other liabilities	42.5	41.8	39.4
Total liabilities	<u>1,625.9</u>	<u>1,563.8</u>	<u>1,335.5</u>

Fiscal Deficit

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

Fiscal deficit beginning of period	(1,169.4)	(980.6)	(833.2)
Current period fiscal deficit	(29.6)	(85.2)	(63.9)
Current noncash provision for social security (Note 12)	(27.7)	(103.6)	(83.5)
Fiscal deficit end of period	<u>(1,226.7)</u>	<u>(1,169.4)</u>	<u>(980.6)</u>
Total liabilities and fiscal deficit	<u>\$399.2</u>	<u>\$394.4</u>	<u>\$354.9</u>

The accompanying notes are an integral part of this statement.

**United States Government Consolidated Statement of Operations
for the Transitional Quarter (TQ) ended September 30, 1976,
and the Years ended June 30, 1976 and 1975**

(amounts in billions)

	1976		1975
	TQ	June 30	June 30
Revenues			
Levied under the Government's sovereign power			
Individual income taxes	\$38.8	\$131.6	\$122.4
Corporate income taxes	12.5	39.7	37.4
Social insurance taxes and contributions	25.8	92.7	86.4
Excise taxes	4.5	16.9	16.6
Estate and gift taxes	1.5	5.2	4.6
Customs duties	1.2	4.1	3.7
Miscellaneous	4.4	9.8	9.7
	<u>88.7</u>	<u>300.0</u>	<u>280.8</u>
Earned through Government business-type operations			
Sale of goods and services	5.7	14.8	11.8
Interest	2.4	16.3	11.9
Other	4.0	17.6	16.8
	<u>12.1</u>	<u>48.7</u>	<u>40.5</u>
Total revenues	<u>100.8</u>	<u>348.7</u>	<u>321.3</u>
Expenses by function (see also summary of expenses by object and agency)			
Agriculture	1.9	10.7	14.5
Commerce and transportation	6.3	17.6	15.4
Community and regional development	3.8	13.4	6.2
Education, training, employment, and social services	6.6	17.9	14.4
General government	3.2	12.2	7.9
General science, space and technology	1.4	4.3	3.7
Health	11.6	34.1	27.1
Income security			
Military personnel	4.8	28.1	23.1
Civilian employees	5.5	21.2	17.0
Social insurance	26.3	81.7	72.6
Veterans	1.6	4.7	14.2
Other	9.8	37.5	28.4
Interest	8.1	37.1	32.7
International affairs	4.3	12.0	8.1
Law enforcement and justice	1.2	3.4	2.8
National defense	22.6	65.6	73.3
Natural resources, environment, and energy	4.9	13.6	7.8
Revenue sharing and general purpose fiscal assistance	2.3	6.7	6.6
Veterans benefits and services	4.2	12.1	9.4
Total expenses	<u>130.4</u>	<u>433.9</u>	<u>385.2</u>
Current period fiscal deficit	<u>\$(29.6)</u>	<u>\$(85.2)</u>	<u>\$(63.9)</u>

The accompanying notes are an integral part of this statement.

Summary of Expenses by Object and Agency

	1976		1975
	TQ	June 30	June 30
Expenses by object			
Salaries and employee benefits	\$8.3	\$67.8	\$63.9
Vendor services and supplies	24.1	68.5	67.3
Depreciation	2.1	8.6	7.7
Pensions, health and life insurance	10.1	57.3	48.8
Casualty insurance and indemnities	35.5	103.0	87.1
Grants, subsidies, and contributions	42.2	91.6	77.7
Interest	8.1	37.1	32.7
Total expenses	<u>\$130.4</u>	<u>\$433.9</u>	<u>\$385.2</u>
Expenses by agency			
Legislative Branch	\$.2	\$.8	\$.7
The Judiciary .....	.1	.3	.3
Executive Branch			
Office of the President	4.3	11.5	22.1
Departments			
Agriculture	5.8	22.1	8.0
Commerce .....	.8	2.3	1.7
Defense	27.8	97.2	96.8
Health, Education and Welfare	43.2	132.1	107.9
Housing and Urban Development	4.4	15.6	9.7
Interior	1.5	4.2	3.3
Justice .....	.8	2.5	2.2
Labor	7.7	26.4	17.0
State .....	.4	1.2	.9
Transportation	3.8	12.7	9.0
Treasury: Interest	8.1	37.1	32.7
Other	3.2	9.8	9.8
Independent Agencies	18.3	58.1	63.1
Total expenses	<u>\$130.4</u>	<u>\$433.9</u>	<u>\$385.2</u>

The accompanying notes are an integral part of this statement.

Introductory Statement to Notes

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. While the Federal Government presently prepares many types of statements for specialized users, these prototype 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 and to promote a more informed understanding of government's place in our economy. It is important to note that this report is a prototype: Many aspects of the financial statements require further analysis. Only as the various problems are resolved can fully satisfactory statements be prepared. A change in the fiscal year required that amounts be reflected in the Consolidated Statement of Financial Position as of September 30, 1976, June 30, 1976, and June 30, 1975. The revenues and expenses for the three month Transition Quarter (July 1, 1976, to September 30, 1976) are shown separately in the Consolidated Statement of Operations.

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. As of December 31, 1976, there were 338 accounting systems subject to approval by the Comptroller General. (The Comptroller General has approved the principles and standards of 98 percent of these accounting systems and the designs of 52 percent of the systems.) The great majority of information in this report is derived from these systems.

The accompanying financial statements include the accounts of all significant agencies and funds included in the Unified Budget of the United States Government. Agencies such as 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 also been included in the financial statements because they are wholly owned and are clearly within the scope of Government operations. Government-sponsored enterprises such as Federal Land Banks have been excluded because they are privately owned. The Federal Reserve System is excluded. Although the Government's power to tax and to create money may be considered its most important assets, these are not included in these statements because the concepts have not been developed to the point where valuation is possible.

Although the Advisory Committee on Federal Consolidated Financial Statements has generally agreed that assets should be shown on a current value basis, the current value method best suited for each type of asset has not yet been determined. The Valuation Methods Schedule (page 26) lists various current value methods applicable to each type of asset. This is one of the many conceptual as well as practical problems that the Treasury has begun to address and must resolve to improve the usefulness of these statements.

Notes to Financial Statements

1. International monetary reserves

This category as of the latest period shown, September 30, 1976, comprises the following items: \$11.6 billion in gold, which has been 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; \$2.4 billion of Special Drawing Rights, which are an international reserve asset; and \$3.9 billion representing the United States reserve position with the International Monetary Fund.

2. Accrued taxes receivable

The September 30, 1976, total for taxes receivable represents \$6.0 billion (net) for delinquent taxes and \$8.1 billion of accrued corporate taxes. The amounts as of June 30, 1975, were \$6.4 billion and \$5.4 billion, respectively. No accrual has been made for individual income taxes. (A method for accruing these taxes is scheduled for study.) Likewise, assessed tax deficiencies pending settlement have not been included.

3. Loans receivable

Outstanding loans and allowances for losses have been recorded as reported by the various lending agencies. No attempt has been made to evaluate the adequacy of the allowance for losses, but it is presumed to be understated and is under study. Interest rates and loan repayment terms vary considerably for outstanding loans, with rates ranging from 2 percent to 12 percent and terms from as short as 90 days to well over 40 years.

4. Inventories

Inventories include nondepreciable personal property and are generally stated at cost. The September 30, 1976, total for inventories comprises \$47.8 billion for the Department of Defense and \$15.8 billion for other agencies. The amounts as of June 30, 1975, were \$42.8 billion and \$14.7 billion, respectively. The inventory accounts do not include the weapons stockpile of the Energy Research and Development Administration, since the extent of this inventory is classified information.

5. Land

Land is valued at the cost paid by the Government. The cost of land acquired through donation, exchange, bequest, forfeiture, or judicial process is estimated by the General Services Administration at amounts the Government would have paid if purchased at the date of acquisition. Pending study of valuation methods, the outer continental shelf, other offshore lands, and the 704 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 (93 percent of the total on-shore acreage owned by the Federal Government) to be \$29.9 billion. Acreage owned by the Federal Government as of September 30, 1976, exclusive of off-shore lands, is summarized below by predominant usage.

<i>Usage</i>	<i>Acres (millions)</i>
Forest and wildlife	504.6
Grazing	163.5
Parks and historic sites	26.0
Alaska oil and gas reserves	23.0
Military (except airfields)	18.4
Flood control and navigation	8.1
Reclamation and irrigation	6.0
Industrial	2.9
Alaska native reserves	2.8
Airfields	1.9
Research and development	1.6
Power development and distribution	1.5
Other usages	1.8
Total	762.1

6. Buildings, structures, and facilities

This category consists of all real property owned by the Federal Government except land. The total reflects the acquisition cost of buildings and the costs of acquiring or erecting dams, utility systems, monuments, roads and bridges. The September 30, 1976, total for this category represents \$61.7 billion for the Department of Defense and \$31.0 billion for other agencies. The amounts as of June 30, 1975, were \$57.2 billion and \$34.9 billion, respectively.

7. Depreciable personal property

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

	Sept. 30, 1976	June 30, 1975
<i>(amounts in billions)</i>		
Military hardware		
Aircraft and related equipment	\$57.3	\$51.6
Ships and service craft	39.7	38.0
Combat and tactical vehicles	19.9	17.8
Missiles and related equipment	11.3	10.6
Other	5.3	8.6
Total	<u>\$133.5</u>	<u>\$126.6</u>
Equipment		
Department of Defense		
Industrial plant equipment	\$14.3	\$13.9
Communication and electronics ..	4.2	4.9
Other	4.5	3.5
	<u>23.0</u>	<u>22.3</u>
Other agencies	<u>19.9</u>	<u>18.8</u>
Total	<u>\$42.9</u>	<u>\$41.1</u>

8. Accumulated depreciation

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

Reported amounts were used for those agencies, for example, Tennessee Valley Authority and U.S. Postal Service, that do depreciate property and equipment. These agencies account for approximately 6 percent of the total accumulated depreciation reflected in the Consolidated Statement of Financial Position.

9. Borrowings from the public

The gross amount of Federal debt outstanding has been reduced by intragovernmental holdings net of unamortized premiums and discounts. The largest such reduction reflects the holdings of Government trust funds. Significant intragovernmental holdings of Federal debt securities are summarized below. For additional information on

borrowings from the public, see the Federal Debt Maturity Schedule in the supplementary section (page 24).

	Sept. 30, 1976	June 30, 1975
<i>(amounts in billions)</i>		
Social Security Administration		
Federal Old Age and Survivors	\$37.1	\$39.9
Federal Disability Insurance	6.4	8.1
Federal Hospital Insurance	11.0	9.8
Federal Supplementary Medical Insurance	1.2	1.4
	<u>55.7</u>	<u>59.2</u>
Civil Service Commission		
Civil Service Retirement and Disability	42.7	38.6
Other	2.5	2.0
	<u>45.2</u>	<u>40.6</u>
Department of Labor—Unemployment	4.9	7.2
Department of Transportation		
Highway	9.0	9.6
Other	2.7	1.9
	<u>11.7</u>	<u>11.5</u>
Veterans Administration	8.3	8.1
Federal Deposit Insurance Corporation	6.6	6.2
Other	3.6	4.5
Total	<u>\$136.0</u>	<u>\$137.3</u>

As of September 30, 1976, foreign and international investors held approximately \$75.0 billion of the debt outstanding with the public. The amount as of June 30, 1975, was \$66.0 billion.

10. Accrued pensions under retirement and disability plans

The accounting for accrued pensions is subject to several different assumptions, definitions, and methods of calculation for the various retirement and disability plans. Specific methods applied to each of the major pension accruals are summarized below. Liabilities for approximately 30 other Government pension plans are not included because of insufficient data. Further study and analysis is required for adequate valuation and disclosure of pension liabilities.

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

Social security: Estimates for social security are based on the present value of the projected excess of benefits over contributions for present participants for the next 75 years.

Veterans: The liability for Veterans Administration benefits represents the computed present value of annual benefit payments estimated by the Veterans Administration to the year 2000.

11. Loss reserves for guarantee and insurance programs

For additional information on loss reserves for guarantee and insurance programs, see the Commitments and Contingencies Schedule in the supplementary section (pages 22-23).

12. Current noncash provision for social security

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

The noncash amounts are 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.

13. 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 of the Government, is \$1,566.9 billion as of September 30, 1976.

The Government also guarantees loans by non-Government enterprises to businesses and individuals. These guarantees become liabilities of

the Government only when the Government is required to honor its guarantees. Loan guarantees in force at September 30, 1976, are \$194.4 billion. For further information on contingencies, see the Commitments and Contingencies Schedule in the supplemental section (pages 22-23).

14. 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 the Transition Quarter and Fiscal Year 1976 that can be terminated only if a law is changed.

	TQ	1976
	<i>(amounts in billions)</i>	
Payments for individuals		
Social security and railroad retirement	\$20.7	\$76.2
Federal employees' retirement and insurance	4.3	15.6
Unemployment assistance	4.2	19.8
Veterans benefits ..	2.9	13.9
Medicare and Medicaid	7.0	26.3
Housing payments .....	.6	2.5
Public assistance related programs ..	4.9	20.2
	<u>44.6</u>	<u>174.5</u>
Net interest	7.0	26.8
General revenue sharing	1.6	6.2
Other open-ended programs and fixed costs	3.3	9.4
Total	<u>\$56.5</u>	<u>\$216.9</u>

Supplemental Schedules

Introductory Statement to Supplemental Schedules

The following schedules present a variety of 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 in terms of giving a comprehensive overview of Federal financial operations. Where figures are not available at present, this is noted in the summary description of the schedule (see below).

In some cases the schedules support the financial results shown in the statements appearing at the front of this report; in others there is little relationship between the schedules and the financial statements. (Other differences in the characteristics of the tables are noted.) Consequently, each of the tables which follow 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 taken from the 1978 Budget of the United States, prepared by the Office of Management and Budget, and represents projections of cash receipts and cash outlays over a 5-year period. Although the Consolidated Financial Statements are prepared on an accrual basis and reflect historical financial data, no attempt is made here to develop projections on an accrual basis. The data presented here also differ from the Financial 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 Fiscal Year 1978 Budget. Outlay estimates indicate the degree to which resources would be committed by the continuation of existing and currently proposed programs for 1977, 1978, and 1979.

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

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

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

The conversion factors, derived from the GNP Implicit Price Deflator, are as follows: Transition Quarter—1.005; Fiscal Year 1976—1.011; and Fiscal Year 1975—1.067. Monetary assets and liabilities as of September 30, 1976, 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 money 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 premiums written to losses incurred" represents the probability of incurring those losses. "Loss reserves" supports the balance sheet liability "loss reserve for guarantee and insurance programs" and represents the anticipated liability. (Note 13)

V Reconciliation Schedule of Accrual Operating Results to the Cash Basis Budget

The Reconciliation Schedule of Accrual Operating Results to the Cash Basis Budget deficit reflects the separate bases used to prepare each (accrual vs. cash). The Consolidated Financial Statements are prepared on the accrual basis and, accordingly, are more comprehensive because they recognize revenues and expenses in the accounting period to which they relate rather than when the receipt or outlay takes place. The Unified Budget of the United States Government reflects only cash received or spent.

The items shown as additions represent additional expenses not recognized under the Budget concept, while deductions are adjustments for redistribution items.

VI Federal Debt Maturity Schedule

The Federal Debt Maturity Schedule reflects information on the borrowings 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, "Borrowings 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. (Note 9)

VII 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.

VIII Analysis of Pension Liabilities

The Analysis of Pension Liabilities Schedule is designed to provide an insight into the size of these programs and associated future financing requirements as of September 30, 1976, for all Government-financed plans. Amounts for social security, military personnel, civilian employees, veterans, 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 30 to 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.

IX Estimated Interest Subsidy on Loans Outstanding

Government public policy objectives are achieved in this area by providing credit for private borrowers and Government corporations on more favorable terms than are available to the Treasury. Many programs do not involve subsidies. This schedule attempts to measure the difference between what the Government has to pay to borrow funds to support its general operations and the interest an agency charges a borrower. The schedule shows the *annual* and *total* costs to the Government for all significant loan subsidy programs. Computations are based on (1) the average life of the loan, which represents the average number of years for repayment for each type of loan; (2) the average Treasury borrowing rate for comparable maturities, which is a computed average of the rate that the Treasury Department 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 loaned that is outstanding, which is the total amount that has been loaned by the various agencies over time and not yet repaid.

This schedule is a very rough approximation of the costs of these programs to the Government. The use of annual averages, and the lack of specific information on comparable maturities of Public Debt Securities which should be associated with loans, distort the true costs. Additionally, while the schedule recognizes only annual interest cost, a more precise reading on the cost associated with specific loan programs would require capitalizing the cost at the time the loans are made. The feasibility of these refinements is under consideration.

X Valuation Methods

XI 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 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.

Where data are not available or not applicable, notation is made using N/A (not available) or a dash (not applicable).

SCHEDULE I
Flow of Funds Projections
for the Transition Quarter (TQ) and Years 1975-1979
(amounts in billions)

	June 30		TQ	September 30		
	1975	1976		1977	1978	1979
	Actual			Estimated		
Cash Receipts						
Taxes						
Individual	\$122.4	\$131.6	\$38.8	\$160.1	\$183.0	\$205.3
Corporation	40.6	41.4	8.5	55.0	61.3	63.7
Social insurance taxes and contributions						
Employment taxes and contributions	75.2	79.9	21.8	92.0	104.6	123.4
Unemployment insurance	6.7	8.1	2.7	10.9	14.2	17.0
Contributions for other insurance and retirement	4.5	4.7	1.3	5.1	5.3	5.7
Excise taxes	16.5	17.0	4.4	17.9	18.5	19.1
Estate and gift taxes	4.6	5.2	1.5	7.1	5.4	6.3
Customs duties	3.7	4.1	1.2	4.7	5.3	5.9
Miscellaneous receipts	18.4	20.0	2.9	19.4	19.1	22.8
Rents and royalties	2.4	2.7	1.3	2.3	2.7	2.5
Total cash receipts	<u>295.0</u>	<u>314.7</u>	<u>84.4</u>	<u>374.5</u>	<u>419.4</u>	<u>471.7</u>
Cash Outlays by Function						
Agriculture	1.7	2.5	.6	4.5	4.4	1.9
Commerce and transportation	16.0	17.3	4.7	14.9	19.9	18.6
Community and regional development	4.4	5.3	1.5	7.7	9.9	7.1
Education, training, employment, and social services	15.3	18.2	5.0	20.7	27.0	18.1
General government	3.1	2.9	.9	3.8	4.0	4.0
General science, space, and technology	4.0	4.4	1.1	4.6	4.7	5.2
Health	27.6	33.5	8.7	39.1	44.6	46.7
Income security	108.6	127.4	32.8	138.6	148.7	152.8
Interest	31.0	34.6	7.2	37.8	40.9	42.4
International affairs	5.9	5.1	2.0	6.6	7.2	7.6
Law enforcement and justice	2.9	3.3	.9	3.7	3.8	3.8
National defense	86.6	90.0	22.5	97.1	112.8	123.8
Natural resources, environment, and energy	9.5	11.3	3.3	16.0	20.9	20.6
Revenue sharing and general purpose fiscal assistance	7.0	7.1	2.0	9.9	9.7	8.3
Veterans benefits and services	16.6	18.4	4.0	18.2	18.8	18.0
Total cash outlays	<u>340.2</u>	<u>381.3</u>	<u>97.2</u>	<u>423.2</u>	<u>477.3</u>	<u>478.9</u>
Net income (deficit)	<u>\$(45.2)</u>	<u>\$(66.6)</u>	<u>\$(12.8)</u>	<u>\$(48.7)</u>	<u>\$(57.9)</u>	<u>\$(7.2)</u>

SCHEDULE II
Financial Statements of the U.S. Government
Restated for General Price-Level Changes
(Restated to September 30, 1976 Dollars)
(amounts in billions)

Financial Position	1976		1975
	TO	June 30	June 30
Assets			
Cash and monetary reserves	\$41.6	\$39.4	\$30.9
Receivables (net of allowances)	126.4	125.4	108.2
Inventories	63.9	65.2	63.1
Property and equipment (net)	148.1	153.8	165.0
Deferred charges and other assets	20.3	19.1	18.4
Total assets	\$400.3	\$402.9	\$385.6
Liabilities			
Accounts payable	\$ 53.7	\$ 46.2	\$ 50.0
Unearned revenue	9.8	9.8	9.1
Net borrowings from the public	494.6	481.8	421.1
Accrued pensions under retirement and disability plans	997.4	975.5	887.5
Loss reserves	28.0	26.1	16.6
Other liabilities	42.7	43.1	43.3
Total liabilities	1,626.2	1,582.5	1,427.6
Fiscal deficit			
Fiscal deficit beginning of period	(1,179.6)	(1,042.0)	(976.7)
Current period fiscal income (deficit)	(18.5)	(31.0)	26.3
Current noncash provision for social security	(27.8)	(106.6)	(91.6)
Fiscal deficit end of period	(1,225.9)	(1,179.6)	(1,042.0)
Total liabilities and fiscal deficit	\$400.3	\$402.9	\$385.6
Operating Results			
Revenues			
Individual income taxes	\$39.0	\$135.4	\$134.4
Corporate income taxes	12.6	40.9	41.0
Social insurance taxes and contributions	25.9	95.4	94.8
Excise taxes	4.5	17.4	18.2
Estate and gift taxes	1.5	5.4	5.0
Customs duties	1.2	4.2	4.1
Miscellaneous	4.4	10.1	10.7
Revenues earned through Government business-type operations	12.2	50.1	44.4
Total revenues	101.3	358.9	352.6
Expenses			
Agriculture	1.9	11.0	15.9
Commerce and transportation	6.3	18.1	16.9
Community and regional development	3.8	13.8	6.8
Education, training, employment, and social services	6.6	18.4	15.8
General government	3.2	12.6	8.7
General science, space and technology	1.4	4.4	4.1
Health	11.6	35.1	29.7
Income security	48.3	178.3	170.5
Interest	8.1	38.2	35.9
International affairs	4.3	12.4	8.9
Law enforcement and justice	1.2	3.5	3.1
National defense	22.7	67.5	80.4
Natural resources, environment, and energy	4.9	14.0	8.6
Revenue sharing and general purpose fiscal assistance	2.3	6.9	7.2
Veteran's benefits and services	4.2	12.4	10.3
Total expenses	130.8	446.6	422.8
General price level gain	11.0	56.7	96.5
Current period fiscal income or (deficit)	\$(18.5)	\$(31.0)	\$26.3

SCHEDULE III
Effect of Tax Benefits on Federal Revenues
for Tax Years 1976 and 1975
(amounts in billions)

	Estimated amount of revenue loss	
	1976	1975
Individuals		
Income exclusions		
Payroll benefits and allowances (group life, accident, and unemployment)	\$2.2	\$1.7
Disability and retirement benefits (social security and private)	17.5	13.2
Education allowances (scholarships and GI benefits) .....	.2	.5
Medical care and insurance (employer premiums paid)	4.5	3.3
Interest and dividends (state and local bonds, and life insurance)	3.7	3.1
Foreign earnings and investment incentives (income earned abroad) .....	.1	.1
Other (includes real estate, old age credit on home sales, and cooperatives)	(1)	-
Income deferral		
Interest on savings bonds .....	.6	.5
Real estate (home sales) .....	.8	.8
Deductions and credits		
Old age, disability, and other personal exemptions	3.7	3.5
Investments (commercial capital gains, depreciation, credits, and other investment incentives)	11.6	9.0
State and local non-business, property, and other taxes	12.0	13.8
Property damages and losses (casualty losses) .....	.3	.3
Medical	2.3	2.3
Contributions (charitable and political)	4.9	4.9
Interest (mortgage and consumer)	7.0	6.6
Dependent care and work incentives (child and dependent care) .....	.3	.3
Real estate (new home purchases) .....	.7	-
Earned income .....	.2	-
Corporations		
Income exclusions		
Interest and dividends (state and local debt)	3.1	1.7
Foreign earnings and investment incentives (domestic international sales corporations and western hemisphere trade corporations)	1.5	1.4
Cooperatives .....	.4	-
Interest deferral		
Taxes (shipping companies) .....	.1	-
Real estate (capital gains) .....	.5	.7
Deductions and credits		
Exemptions (credit unions and corporate surtax)	4.3	3.5
Investments		
Commercial buildings and equipment (investment credit, depreciation, construction period interest and taxes)	11.4	9.6
Mining and timber (capital gains treatment of royalties and certain income) .....	.3	.2
Agriculture related (capital outlays and gains on certain income) .....	.1	.2
Contributions (education and political) .....	.5	.6
Work incentives (employment credits under work programs)	-	-
Employee stock ownership plans (funded through investment and tax credits)	-	-
Excess bad debt reserves (financial institutions) .....	.5	-

* Less than \$100 million.

SCHEDULE IV
Commitments and Contingencies
of the U.S. Government
as of September 30, 1976
(amounts in billions)

	Amount outstanding
Commitments	
Long-term contracts	
Ship building and operations	\$4.2
GSA building construction	2.1
Energy	4.7
Other	2.0
Subtotal	13.0
Undelivered orders	
Rural development	2.0
Export-Import Bank	2.6
Other .....	.4
Subtotal	5.0
Total commitments	\$18.0

Schedule IV—Continued

	Contingent liability (maximum risk exposure)	Loss ratio (percent)	Loss reserves
Contingencies			
Government loan and credit guarantees			
Housing	\$153.5	2.08%	\$3.2
Export-Import Bank	6.0	.07	.
Business loan and investment fund	5.5	7.27	.4
Farm ownership	5.8	.69	.
Rural development	8.7	.23	.
Ship building and operations	5.0	.40	.
Non-Federal loans	4.0	1.75	.1
Other	5.9	28.81	1.7
Subtotal	<u>194.4</u>		<u>5.4</u>
Insurance in force			
Federal Deposit Insurance Corp.	587.8	.06	.4
Federal Savings and Loan Insurance Corp.	316.2	3.26	10.3
Federal Insurance Administration	520.8	.04	.2
Other	142.1	4.16	5.9
Subtotal	<u>1,566.9</u>		<u>16.8</u>
Unadjudicated claims			
Health	4.1	100.00	4.1
Transportation	5.4	1.00	.1
Treasury	2.6	23.08	.6
Other	1.9	21.05	.4
Subtotal	<u>14.0</u>		<u>5.2</u>
International contingencies			
Inter-American Development Bank	3.0	-0-	-0-
International Bank for Reconstruction and Development	7.1	-0-	-0-
Other .....	.2	-0-	-0-
Subtotal	<u>10.3</u>		<u>-0-</u>
Other contingencies			
Veterans readjustment benefits	23.8	1.45	.4
Other	5.1	1.96	.1
Subtotal	<u>28.9</u>		<u>.5</u>
Total contingencies	<u>\$1,814.5</u>		
Total loss reserves ¹			<u>\$27.9</u>

* Less than \$100 million.

SCHEDULE V
Reconciliation Schedule of Accrual Operating Results to
the Cash Basis Budget
for the Transition Quarter (TQ) ended September 30, 1976,
and the Year ended June 30, 1976
(amounts in billions)

	TQ	June 30
Reported Budget Outlays over Receipts (Cash Basis)	\$13.0	\$66.4
Add:		
Noncash provisions for retirement and disability benefits	4.8	29.9
Depreciation	2.1	8.6
Net expenses of off-budget agencies	1.8	7.2
Guarantee and insurance program losses	2.6	10.2
Noncash purchases and operating expenses	9.0	2.4
	<u>20.3</u>	<u>58.3</u>
Deduct:		
Capital outlays	6.0	24.6
Net loan disbursements	3.7	10.9
Seigniorage .....	.1	.7
	<u>9.8</u>	<u>36.2</u>
Net effect of other accrual adjustments	6.1	(3.3)
Current period fiscal deficit per Consolidated Statement of Operations (accrual basis)	<u>\$29.6</u>	<u>\$85.2</u>

SCHEDULE VI
Federal Debt Maturity Schedule
as of June 30, 1976, and September 30, 1976
(amounts in billions)

September 30

	June 30 Total debt	Total debt	Average interest rate	Maturity					
				within one year	one to five years	five to ten years	ten to twenty years	twenty years or longer	no fixed maturity
Marketable									
Bills	\$159.5	\$159.7	5.518%	\$159.7	\$—	\$—	\$—	\$—	\$—
Notes	182.8	198.5	7.366	42.5	120.8	35.2	—	—	—
Bonds	28.8	29.7	5.861	—	3.5	6.0	9.4	10.8	—
	<u>371.1</u>	<u>387.9</u>	<u>6.490</u>	<u>202.2</u>	<u>124.3</u>	<u>41.2</u>	<u>9.4</u>	<u>10.8</u>	<u>—</u>
Nonmarketable									
Foreign government series	21.5	20.9	6.468	8.8	9.1	3.0	—	—	—
Government account series	1.3	1.2	6.871	.8	.4	—	—	—	—
Investment series .....	.2	.2	2.750	—	.2	—	—	—	—
U.S. savings bonds	69.7	70.8	5.218	3.3	21.1	2.7	—	—	43.7
Other	2.7	3.4	6.978	—	—	—	—	—	3.4
	<u>95.4</u>	<u>96.5</u>	<u>5.566</u>	<u>12.9</u>	<u>30.8</u>	<u>5.7</u>	<u>—</u>	<u>—</u>	<u>47.1</u>
Other									
Agency securities	8.9	9.1	6.177	.9	2.5	1.0	1.6	1.6	1.5
Other	1.2	1.1	—	—	—	—	—	—	1.1
	<u>10.1</u>	<u>10.2</u>	<u>6.177%</u>	<u>.9</u>	<u>2.5</u>	<u>1.0</u>	<u>1.6</u>	<u>1.6</u>	<u>2.6</u>
Net borrowings from the public									
Current period	476.6	494.6		216.0	157.6	47.9	11.0	12.4	49.7
Prior period	394.4	476.6		N/A	N/A	N/A	N/A	N/A	N/A
Net increase (decrease)	<u>\$82.2</u>	<u>\$18.0</u>		<u>\$N/A</u>	<u>\$N/A</u>	<u>\$N/A</u>	<u>\$N/A</u>	<u>\$N/A</u>	<u>\$N/A</u>

SCHEDULE VII
Additions to Non-Federal Economic Resources
for the Transition Quarter (TQ) ended September 30, 1976,
and Years ended June 30, 1976, 1975, and 1974
(amounts in billions)

	1976		1975	1974
	TQ	June 30	June 30	June 30
Additions to State, Local, and Private Assets				
Conservation	\$2	\$9	\$9	\$5
Economic development .....	.2	.6	.7	.6
Environment	1.0	2.5	2.0	1.6
Health .....	.1	.6	.5	.4
Housing .....	.1	.1	*	.3
Transportation				
Highways	1.6	6.1	4.6	4.3
Mass transit .....	.2	1.0	.7	.5
Aviation and other	*	.3	.3	.3
Other .....	.1	.2	.2	.4
Total additions	<u>3.5</u>	<u>12.3</u>	<u>9.9</u>	<u>8.9</u>
Other Developmental Expenditures				
Agricultural research .....	.1	.5	.4	.4
Conservation .....	.7	2.3	1.5	1.5
Education	1.5	5.9	5.4	4.0
Employment assistance and training	1.7	6.1	3.9	2.7
Environment .....	.1	.2	.6	.1
Health	1.4	5.1	4.5	3.5
Human development	*	.8	.6	.6
National defense	2.4	9.3	9.4	9.0
Science and humanities	1.4	5.1	4.6	4.4
Social services	2.3	9.0	7.2	6.2
Transportation .....	.1	.3	.3	.3
Other .....	.2	.8	.9	1.1
Total development expenditures	<u>11.9</u>	<u>45.4</u>	<u>39.3</u>	<u>33.8</u>
Total investment outlays	<u>\$15.4</u>	<u>\$57.7</u>	<u>\$49.2</u>	<u>\$42.7</u>

* Less than \$100 million.

SCHEDULE VIII
Analysis of Pension Liabilities
as of September 30, 1976
(amounts in billions)

	Social security	Military personnel	Civilian employees	Veterans	Other
Pension Liabilities					
Accrued liability, July 1, 1975	\$499.5	\$96.6	\$118.0	\$117.3	\$N/A
Add:					
Accruals	209.5	30.0	24.2	(2)	N/A
Deduct:					
Benefits paid	78.2	7.3	8.3	3.7	N/A
Accrued liability, September 30, 1976	<u>\$630.8</u>	<u>\$119.3</u>	<u>\$133.9</u>	<u>\$113.4</u>	<u>\$N/A</u>
Accrued liability, September 30, 1976	<u>\$630.8</u>	<u>\$119.3</u>	<u>\$133.9</u>	<u>\$113.4</u>	<u>\$N/A</u>
Cumulative trust fund transactions through end of period					
Receipts	643.0	-	102.0	-	N/A
Expenditures (net of unamortized discount and premium on investments)	599.5	-	59.3	-	N/A
Total assets of the trust fund	43.5	-	42.7	-	N/A
Liability net of trust fund balance, September 30, 1976	<u>\$587.3</u>	<u>\$119.3</u>	<u>\$91.2</u>	<u>\$113.4</u>	<u>\$N/A</u>

	Number of years covered	Social security		Military personnel	Civil Service Employees		Veterans	Other
		% of taxable payroll	amount	amount	contribution rate	amount	amount	amount
Projected Cash Receipts and Disbursements								
Cash receipts								
1976	1	9.90%	\$71.6	\$7.3	7.0%	\$12.8	\$3.7	\$N/A
1977-1980	4	9.90	377.3	37.4	7.0	67.2	10.9	N/A
1981-1990	10	9.90	1,651.0	163.8	7.0	259.9	35.2	N/A
1991-2000	10	9.90	3,059.4	295.0	7.0	447.5	17.2	N/A
Subtotal	25	9.90	5,159.3	503.5	7.0	787.4	67.0	N/A
2001-2025	25	11.10	26,498.0	-	7.0	2,736.4	-	N/A
2026-2050	25	11.90	108,484.5	-	7.0	2,283.5	-	N/A
Total			<u>140,141.8</u>	<u>503.5</u>		<u>5,807.3</u>	<u>67.0</u>	<u>N/A</u>
Cash disbursements								
1976	1	10.78	78.2	7.3		8.3	3.7	N/A
1977-1980	4	10.72	406.3	37.4		51.8	10.9	N/A
1981-1990	10	11.28	1,894.5	163.8		194.8	35.2	N/A
1991-2000	10	12.88	4,000.0	295.0		342.8	17.2	N/A
Subtotal	25	11.81	6,381.0	503.5		597.7	67.0	N/A
2001-2025	25	17.95	44,729.1	-		2,362.8	-	N/A
2026-2050	25	27.04	250,130.5	-		2,201.1	-	N/A
Total			<u>301,240.6</u>	<u>503.5</u>		<u>5,161.6</u>	<u>67.0</u>	<u>N/A</u>
Net receipts or (disbursements)			<u>\$(161,098.8)</u>	<u>\$0</u>		<u>\$645.7</u>	<u>\$0</u>	<u>\$N/A</u>

	Calendar Year									
	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
Beneficiaries										
Number receiving benefits (thousands)										
Social security	33,024	32,085	30,854	29,872	28,345	27,289	26,235	25,312	24,562	23,707
Military personnel	1,129	1,070	1,007	946	890	831	773	714	651	590
Civilian employees	1,432	1,372	1,302	1,192	1,092	1,026	959	910	872	831
Veterans and survivors	2,270	2,269	2,309	2,344	2,313	2,264	2,250	2,236	2,218	2,193
Other plans	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average monthly benefit (dollars)										
Social security	\$194	\$179	\$162	\$143	\$137	\$112	\$100	\$85	\$84	\$73
Military personnel	772	713	626	528	502	488	440	412	394	380
Civilian employees	495	439	366	308	276	266	231	212	200	188
Veterans and survivors	272	206	190	187	186	175	168	161	153	148
Other plans	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

SCHEDULE IX
Estimated Interest Subsidy
on Loans Outstanding
as of September 30, 1976
(amounts in billions)

Agency and Program	Average life of loan	Average Treasury borrowing rate for comparable maturities	Rate charged borrower	Total amount loaned outstanding	Total cost to Government	Annual cost to Government
<i>Direct loans</i>						
Funds appropriated to the President						
International security assistance	N/A	N/A	N/A	\$N/A	\$N/A	\$N/A
International development assistance						
Agriculture						
Price support						
CCC: Public Law 480						
Rural Electrification Administration						
Health, Education and Welfare						
Education and health education	N/A	N/A	N/A	N/A	N/A	N/A
Medical facilities	25.0	6.388	6.003	.1		
Student loan funds	N/A	N/A	N/A	N/A	N/A	N/A
Housing and Urban Development						
Urban renewal .....	.7	6.436	3.081	1.9	.1	.1
Low rent public housing .....	.7	6.436	3.501	56.7	.2	.2
Housing for elderly	N/A	N/A	N/A	N/A	N/A	N/A
Veterans Administration						
Insurance policy loans						
Export-Import Bank						
Small Business Administration						
Business and investment loans						
Disaster loan fund	N/A	N/A	N/A	N/A	N/A	N/A
				<u>\$58.7</u>	<u>\$3</u>	<u>\$3</u>

* Less than \$100 million.

SCHEDULE X
Valuation Methods

Items	Valuation methods identified by the Task Force and the Advisory Committee	Valuation method currently used	Advisory Committee preference
Gold	Record at the statutory price	X	
	Record at the market price as of the balance sheet date		X
Loans	Cost, net of allowances	X	X
Inventories	Cost for stockpiled materials for which no ready market is available and for material and supply stocks used and purchased on a regular basis	X	X
	Indexed cost for all stockpiled materials		
	Current value for excess stockpiled materials and for inventoried stockpiled materials and supplies for which there is a market		X
	Current value for all inventories		
Land	Discounted cash flow for offshore (Continental shelf) for proven reserves		X
	A second tier cash flow based on lease value for unproven reserves		X
	The best measure of current value for recreation, and forest and timber lands		X
	The best measure of current value for all other land		X
	Market price less cost to market proven reserve		
	Capitalize future income flow and recognize depletion		
	Historical cost for all land	X	
Buildings, structures, and facilities	Appraised or current value		
	Indexed historical cost		
	Historical cost	X	
	Historical cost for power systems and utility systems when there is a revenue limitation based on cost, otherwise use indexed cost		X
	Current value based on GSA rentals for federally owned office buildings		X
	Indexed cost for public buildings		X
	Indexed cost for military facilities		X
Equipment	Monuments to be written off when purchased		
	Indexed cost for monuments		X
	Appraisal value or market value for art objects		
	Cost	X	X
	Indexed cost for military hardware		X

SCHEDULE XI
Federal Facts and Figures

	Unit of Measure	1976	1975	1974
<i>Gross National Product</i>				
Current dollars	billions	1,691	1,516	1,413
Per capita	dollars	7,851	7,016	6,640
1972 dollars	billions	1,265	1,192	1,214
Per capita	dollars	5,883	5,552	5,714
<i>Population (includes Armed Forces)</i>	millions	215.4	213.5	211.9
<i>Consumer Price Index</i>				
All items (1967 = 100)		170.5	161.2	147.7
Purchasing power (1967 = \$1.00)		.58	.62	.68
<i>Employment</i>				
Total labor force	millions	95.2	94.8	93.2
Total employed	millions	87.8	84.8	85.9
<i>Federal employment</i>				
Armed Forces	millions	2.2	2.1	2.2
Civilian	millions	2.9	2.9	2.9
Federal employment as a percent of total U.S. employment	percent	5.8	5.9	5.9
<i>Federal Debt</i>				
Gross debt	billions	645.7	544.1	486.2
1972 dollars	billions	482.9	427.6	417.7
Held by public (current dollars)	billions	494.6	394.4	343.6
1972 dollars	billions	369.8	309.9	295.2
Percent of GNP	percent	29.2	26.0	24.3
Per capita	dollars	2,296	1,847	1,622
Interest on the Federal debt (current dollars)	billions	45.2	32.7	29.3
1972 dollars (interest)	billions	34	26	25
Per capita	dollars	210	153	138
Percent of GNP	percent	2.6	2.2	2.1
Percent of total Federal expenses	percent	6.5	7.0	7.3
<i>Total Federal Expenses (accrual)</i>				
Current dollars	billions	695.6	468.7	399.8
Percent of GNP	percent	41.1	30.9	28.3
Per capita	dollars	3,229	2,195	1,887
<i>Personal Income</i>				
Current dollars	billions	1,392	1,254	1,148
Percent of GNP	percent	82.3	82.7	81.2
Per capita	dollars	6,460	5,832	5,450
1972 dollars	billions	1,037	996	985
Percent of GNP	percent	82.0	83.6	81.1
Per capita	dollars	4,814	4,663	4,646
<i>Total Income Taxes Paid for Adjusted Income Levels</i>				
Under \$5,000	billions	N/A	1.2	2.2
Number of taxpayers	thousands	N/A	7,269	11,709
\$5,000 - \$9,999	billions	N/A	10.8	13.6
Number of taxpayers	thousands	N/A	17,506	19,740
\$10,000 - \$14,999	billions	N/A	19.2	21.5
Number of taxpayers	thousands	N/A	14,720	15,539
\$15,000 - \$24,999	billions	N/A	38.2	37.8
Number of taxpayers	thousands	N/A	15,837	14,944
\$25,000 - \$49,999	billions	N/A	29.6	25.0
Number of taxpayers	thousands	N/A	5,458	4,451
\$50,000 - \$99,999	billions	N/A	13.4	12.2
Number of taxpayers	thousands	N/A	776	699
\$100,000 - \$999,999	billions	N/A	11.3	10.2
Number of taxpayers	thousands	N/A	185	165
\$1,000,000 and over	billions	N/A	1.1	1.1
Number of taxpayers	thousands	N/A	1	1
<i>Federal Participation in Domestic Credit Markets</i>				
Total funds advanced in U.S. credit markets (non-financial sectors)	billions	239.4	183.3	191.4
Total funds advanced under Federal guidance (direct and guaranteed loans)	billions	26.6	26.9	26.6
Federal participation rate	percent	11.0	14.7	13.9
Total funds raised in U.S. credit markets (non-financial sectors)	billions	239.4	183.3	191.4
Total funds raised under Federal guidance (includes Federal borrowing from the public, guaranteed borrowing, and sponsored agency borrowing)	billions	97.5	64.7	24.1
Federal participation rate	percent	40.7	35.3	12.6

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**

