

November 1988

# FINANCIAL AUDIT

## Examination of GSA's Financial Statements for Fiscal Years 1987 and 1986



137358

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**Comptroller General  
of the United States**

B-222974

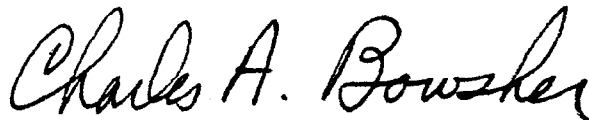
November 21, 1988

To the President of the Senate and the  
Speaker of the House of Representatives

This report presents the results of our examinations of the General Services Administration's (GSA) consolidated financial statements for the fiscal years ended September 30, 1987 and 1986. Our opinion on GSA's fiscal year 1986 consolidated financial statements was qualified due to implementation problems in GSA's new automated Fleet Management accounting system, which prevented us from determining whether the Fleet Management operations accounts were fairly stated. Accordingly, our opinion on GSA's fiscal year 1987 financial statements is qualified because we could not establish the propriety of opening balances for Fleet Management operations as of October 1, 1986.

This report contains separate reports on GSA's system of internal accounting controls and on its compliance with laws and regulations. GSA did not (1) maintain accurate inventory records for motor vehicles or (2) properly account for revenue in its Automated Data Processing Fund. GSA complied with the provisions of laws and regulations for the transactions we tested which could have materially affected its consolidated financial statements.

We are sending copies of this report to the Director of the Office of Management and Budget, the Secretary of the Treasury, and the Acting Administrator of General Services.



Charles A. Bowsher  
Comptroller General  
of the United States

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**Abbreviations**

ACORN	Agency Contracts Register Nationwide
ADP	automated data processing
FMS	Fleet Management System
GAO	General Accounting Office
GSA	General Services Administration
NEARS	National Electronic Accounting and Reporting System
TIRES	Transportation Interface and Reporting System



United States  
General Accounting Office  
Washington, D.C. 20548

Comptroller General  
of the United States

B-222974

To the Administrator  
General Services Administration

We have examined the consolidated balance sheets of the General Services Administration (GSA) as of September 30, 1987 and 1986, and the related consolidated statements of revenues and expenses, of changes in financial position, and of reconciliation to budget reports for the fiscal years then ended. Except as described in the following paragraph, our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. In addition to this opinion, we are also reporting to you on our study and evaluation of internal accounting controls and compliance with laws and regulations. These reports as well as the agency's Federal Managers' Financial Integrity Act report, dated December 31, 1987, contain other matters which, while not impacting on the fair presentation of the attached financial statements, warrant management's attention.

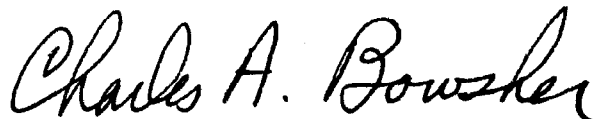
During fiscal year 1986, GSA implemented a new automated system to account for the activities of managing the interagency motor vehicle fleet, which are included in the General Supply Fund. GSA reported that Fleet Management's total assets were \$527 million and total revenues were \$322 million (50 and 14 percent of the General Supply Fund's total assets and revenues, respectively). However, numerous automated accounting systems development and implementation problems related to the Fleet Management operations prevented GSA from producing reliable data on accruals, depreciation, inventory, and accounts receivable for fiscal year 1986. Because this system did not operate properly until January 1987 and final fiscal year 1986 billings had not yet been computed and issued, it was not practical for us to perform, nor did we perform during our fiscal year 1986 audit, any auditing procedures with respect to the Fleet Management operations. During our fiscal year 1987 audit, we were able to satisfy ourselves with regard to the fair balance sheet presentation of Fleet Management in the General Supply Fund. However, the other operating statements remained qualified because we could not establish the propriety of opening balances for fleet operations as of October 1, 1986.

In our opinion, except for the effect of any adjustments on the consolidated financial statements that might have been necessary, as discussed in the preceding paragraph, the consolidated financial statements

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referred to above present fairly the financial position of the General Services Administration as of September 30, 1987 and 1986, and the results of its operations, the changes in its financial position, and the reconciliation to budget reports for the fiscal years ended September 30, 1987 and 1986, in conformity with generally accepted accounting principles for federal agencies applied on a consistent basis.

Our examinations were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental schedules by fund type for 1987 are presented for purposes of additional analysis rather than to present financial position, results of operations, changes in financial position, and reconciliation to budget reports of the individual fund types. The supplemental schedules have been subjected to the auditing procedures applied in the examination of the basic consolidated financial statements and, in our opinion, except for the effect of such adjustments, if any, as might have been necessary had we been able to perform the necessary auditing procedures to resolve the matter discussed in the second paragraph of this report, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.



Charles A. Bowsher  
Comptroller General  
of the United States

March 17, 1988

# Report on Internal Accounting Controls

We have examined the consolidated financial statements of the General Services Administration (GSA) for the fiscal years ended September 30, 1987 and 1986, and have issued our opinion thereon. This report pertains only to our study and evaluation of the system of internal accounting controls for the fiscal year ended September 30, 1987. Our report on the study and evaluation of internal accounting controls for the fiscal year ended September 30, 1986, is presented in GAO/AFMD-87-49, dated September 30, 1987.

As part of our examination, we made a study and evaluation of the system of internal accounting controls to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on GSA's consolidated financial statements. For purposes of this report, we have classified the significant internal accounting controls in the following categories:

- Automated Data Processing Services operations,
- cash reconciliations,
- Federal Telecommunications Services operations,
- financial reporting,
- Fleet Management operations,
- General Supply operations,
- Public Buildings operations, and
- National Defense Stockpile operations.

Our study included all of the control categories listed above, but we did not evaluate the internal accounting controls over all functions within the categories. For cash reconciliations and financial reporting, we found it more efficient to expand the scope of our substantive audit tests. For the remaining six categories, we obtained a knowledge and understanding of the control procedures, assessed the type and magnitude of errors and irregularities that could occur, and identified and evaluated the adequacy of significant internal accounting controls. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting controls taken as a whole or on any of the categories previously identified.

GSA's management is responsible for establishing and maintaining a system of internal accounting controls in accordance with the Accounting and Auditing Act of 1950 and the Federal Managers' Financial Integrity Act of 1982. In fulfilling this responsibility, estimates and judgments by



management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal accounting controls are to provide management with reasonable assurance that (1) obligations and costs are in compliance with applicable laws, (2) funds, property, and other assets are safeguarded against waste, loss, and unauthorized use or misappropriation, and (3) assets, liabilities, revenues, and expenditures applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over agency assets. Because of inherent limitations in any system of internal accounting controls, errors and irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

GSA reviewed its system of internal accounting and administrative controls in accordance with the Federal Managers' Financial Integrity Act of 1982 (Public Law 97-255). In its Federal Managers' Financial Integrity Act report for fiscal year 1987, dated December 31, 1987, GSA reported that its system of internal accounting and administrative controls, taken as a whole, provided reasonable assurance that controls were achieving their intended objectives. We reviewed GSA's report and considered its statements in conducting our study and evaluation to determine the nature, timing, and extent of audit tests.

Our study and evaluation, made for the limited purpose described in the second paragraph, would not necessarily disclose all material weaknesses in the system of internal accounting controls. Accordingly, we do not express an opinion on GSA's system of internal accounting controls taken as a whole or on any of the categories of controls identified in the second paragraph. However, our study and evaluation disclosed two conditions which we believe pose a high degree of risk that material errors or irregularities could occur and not be promptly detected. These were GSA's failure to maintain accurate inventory records for motor vehicles and its inability to properly account for revenue in its Automated Data Processing (ADP) Fund.

In our report on our fiscal year 1986 study and evaluation of internal controls, made as a part of our examination of GSA's consolidated financial statements (GAO/AFMD-87-49, dated September 30, 1987), we disclosed two conditions which we believed would adversely affect GSA's ability to record, process, and report financial data. We determined the need for

stronger internal accounting controls over reconciling cash balances with Treasury in a timely manner and implementing the automated accounting system in Fleet Management operations.

The results of our examination for fiscal year 1987 transactions indicate that GSA improved its controls and procedures in reconciling its cash balances with Treasury. Accordingly, we no longer consider this to be a material internal accounting control weakness. However, several remaining minor problems on this issue will be reported separately to GSA. GSA has also made progress in correcting problems in the Fleet Management operations accounting system which prevented the production of reliable data on accruals, depreciation, inventory, and accounts receivable through January 1987. We were able to satisfy ourselves as to the fair balance sheet presentation of Fleet Management accounts in the General Supply Fund as of September 30, 1987, through substantive testing. However, we considered inaccuracies found during our audit of GSA's inventory records for motor vehicles to be a material weakness in internal accounting controls. In addition, we identified GSA's inability to properly account for revenue in the ADP Fund as a new material weakness.

## Inaccurate Inventory Records for Motor Vehicles

GSA's inventory records for motor vehicles are maintained on two automated accounting systems, both of which contain inaccurate information. As a result of this problem, GSA's vehicle inventory records were overstated and required year-end audit adjustments to reduce vehicle inventory by over \$40 million as of September 30, 1987.

The Fleet Management System (FMS) operates at GSA's Fleet Management centers to track vehicle status, mileage, maintenance history and scheduling, and billing data. The Transportation Interface and Reporting System (TIRES) tracks vehicles acquired, on-hand, and disposed of; computes depreciation; prepares customer invoices from FMS billing data; and interfaces with GSA's automated general ledger system. The financial information on these two accounting systems is not current and does not reflect motor vehicles actually on hand at any point in time. The two primary causes of this condition were GSA's failure to account for motor vehicles when sold and failure to periodically reconcile the number of vehicles in the inventory records to the number of vehicles physically on hand. Title 2 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies requires the timely recognition of financial transactions and events and periodic comparisons of resources to records of accountability.

Since converting to TIRES in fiscal year 1986, GSA has not accurately accounted for motor vehicles it has disposed of through sales. Many of these sold vehicles remained in GSA's inventory records and continued to be depreciated, even though they were no longer owned by GSA. We found vehicles in this category at the end of fiscal year 1987 that had been disposed of more than a year previously. This occurred primarily because GSA did not promptly process the necessary vehicle sales information between the Federal Supply Service and the Office of Finance, which are the two organizational units primarily responsible for vehicle sales processing and related accounting.

Federal Supply Service personnel conduct the vehicle sales, collect and deposit the sales proceeds, and report these transactions to the Office of Finance. Upon receipt of the appropriate documentation, Office of Finance personnel record the sales transactions in the accounts and remove the vehicles from the "on-hand" inventory records by assigning them a "sold" or "disposed" inventory status code. GSA experienced long delays in completing this process during fiscal year 1987, thus preventing the timely removal of sold vehicles from both the FMS and TIRES inventory. While we were unable to determine the exact reasons for these delays, we did find that Fleet Management personnel did not update FMS until Finance received sales documentation. Finance, in turn, did not update TIRES until it received this documentation. We found that vehicles were usually sold within 2 months of the time they were taken out of active status and made available for sale. However, it was often 3 to 4 months before the vehicles were removed from both the FMS and TIRES inventory records. As a result, more than 5,700 sold vehicles, with a capitalized value of more than \$32 million and a net book value of \$12.4 million, were erroneously included in year-end inventory.

In addition, GSA did not periodically verify the accuracy of its inventory records through physical counts of vehicles and a subsequent reconciliation of inventory records to reflect actual vehicles currently in the fleet. GSA management is aware of reporting inconsistencies in the financial data of both the FMS and TIRES inventory systems, and has begun an effort to correct these deficiencies. GSA periodically contacts the managers of its Fleet Management centers regarding the vehicles under their responsibility and obtains their inventory counts; however, when differences were identified, no adjustments were made to correct the inventory records on either FMS or TIRES. At fiscal year-end, the two systems were not in agreement with one another nor with the fleet managers' counts.

Because of the above problems, plus several instances where capitalized values were recorded incorrectly, GSA made year-end audit adjustments of over \$40 million and removed over 5,700 sold vehicles from its inventory balance. These adjustments brought the vehicle inventory balance close to the inventory number supplied by GSA's fleet managers. The fleet managers did not conduct physical counts of all vehicles for which they were responsible at September 30, 1987. Based on our audit work, which validated a sample of the fleet managers' estimates, we believe that their unofficial site records and their knowledge of available vehicles on hand provided a reliable estimate of the motor vehicles in GSA's fleet inventory at fiscal year-end.

## Unreliable Revenue Accounting in the ADP Fund

The ADP Fund was unable to account for all of its revenue during fiscal year 1987. The inability to track revenue accruals and their reversals resulted in inaccurate account balances and unreliable financial reports requiring year-end and audit adjustments which reduced unbilled accounts receivable and related revenue for the year by \$64.5 million.

Effective October 1, 1986, GSA implemented a new enhancement to its automated accounting system, the Agency Contracts Register Nationwide (ACORN) system. ACORN, a subsystem of the National Electronic Accounting and Reporting System (NEARS), was implemented without adequately testing it to ensure that it could be relied upon for complete and accurate information. The head of each agency is responsible for establishing and maintaining adequate systems of accounting and internal controls. Our experience in reviewing systems development projects has shown that an agency should not place any new system in operation until all significant problems identified by testing have been corrected. (See GAO's Critical Factors in Developing Automated Accounting and Financial Management Systems, January 1987.) ACORN was intended to correct prior billing problems of the ADP Fund by providing a cumulative history at the detailed contract/task order level of all revenue accruals, accrual reversals, and actual billings processed at any point in time. In addition, the ACORN report—Analysis of Income Accruals and Billings—was intended to serve as the subsidiary ledger for the unbilled accounts receivable general ledger control account. The ACORN subsystem was unable to process and generate reliable financial data for unbilled accounts receivable and related revenues during fiscal year 1987. The system did not correctly reverse revenue accruals when the actual billings were prepared. The reversals often appeared to have no relationship to either the billed or accrued amounts.

Because of these problems, ADP Fund revenue, unbilled accounts receivable, and related financial reports were in error. GSA made a substantial effort near the end of fiscal year 1987 to identify and correct these errors. This effort involved manual recalculation of accruals on over 1,000 contracts and resulted in adjustments which reduced unbilled accounts receivable and related revenue accounts by \$55 million. However, this effort was hampered by resource and time constraints that limited the complete resolution of the problem. We found that some erroneous data remained in the accounts at fiscal year-end, requiring an audit adjustment of \$9.5 million which further reduced unbilled receivables and related revenue for total adjustments of \$64.5 million.

During fiscal year 1987, GSA's Office of Finance has been working to solve the ACORN subsystem problems. However, at the completion of our field work, the subsystem was still not working properly. Recent financial reports show unusually large profits in ADP Fund operations, which GSA attributes to the possible overstatement of revenue accruals and which it is investigating.

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## Conclusions

As a result of the above systems weaknesses, a high degree of risk exists that material errors in GSA's financial records could occur and not be promptly detected. Without accurate and reliable detailed subsidiary records, it becomes difficult to properly manage and maintain accountability for agency vehicles and to properly recognize ADP Fund revenue. The financial information produced by GSA's automated systems needs to be reliable in order to maximize its usefulness to agency management in making decisions regarding agency programs and operations.

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## Recommendations

We recommend that the Acting Administrator of General Services direct GSA staff to

- establish procedures to periodically verify the accuracy of inventory records for motor vehicles by physical count and reconcile them to reflect actual quantities on hand,
- expedite the processing of vehicle sales information so that timely adjustments are made to inventory records to account for vehicle disposals,
- thoroughly test the ACORN subsystem and make the required programming changes to ensure that the system processes and produces reliable financial information, and

- conduct a detailed review of billing activities relating to ADP contracts and task orders and make the necessary adjustments to correct unbilled accounts receivable and the related revenue accounts.

Except for the weaknesses discussed above, our study and evaluation disclosed no other conditions which we considered to be material in relation to the consolidated financial statements taken as a whole. We considered the above conditions in determining the nature, timing, and extent of the audit tests to be applied in our examination of GSA's consolidated financial statements for the fiscal year ended September 30, 1987, and, except for establishing the propriety of opening balances for Fleet Management operations as of October 1, 1986, they did not affect our opinion thereon.

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## Other Opportunities for Improvement

During the course of our examination, we identified a number of other weaknesses in GSA's internal accounting controls and procedures which, although not as significant as those discussed in this report, nonetheless merit corrective action to strengthen GSA's internal accounting controls. Accordingly, we are reporting them separately to the Acting Administrator of General Services.

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## Agency Comments

We did not request official written comments on this report. However, we provided a draft of the report to responsible GSA officials and have incorporated their comments where appropriate. The Deputy Comptroller for Finance agreed that accurate inventory records for motor vehicles should be maintained and that some unreliable revenue accounting exists in the ADP Fund. GSA is presently taking steps to correct these deficiencies.

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# Report on Compliance With Laws and Regulations

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We have examined the consolidated financial statements of the General Services Administration (GSA) for the fiscal years ended September 30, 1987 and 1986, and have issued our opinion thereon. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances.

This report pertains only to our review of compliance with laws and regulations for the fiscal year ended September 30, 1987. Our report on compliance with laws and regulations for the fiscal year ended September 30, 1986, is presented in GAO/AFMD-87-49, dated September 30, 1987.

The management of GSA is responsible for the agency's compliance with laws and regulations. In connection with our examination referred to above, we selected and tested transactions and records to determine GSA's compliance with laws and regulations, noncompliance with which could have a material effect on the consolidated financial statements of the agency.

Our review of compliance with laws and regulations, made for the limited purpose described in the preceding paragraph, does not necessarily cover all laws and regulations that GSA is required to comply with. Accordingly, we are expressing an opinion only with respect to those transactions tested. In our opinion, GSA complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its consolidated financial statements. In connection with our examination, nothing came to our attention that caused us to believe that GSA was not in compliance with the terms and provisions of laws and regulations for those transactions not tested. However, there is a compliance matter that merits attention which did not affect our opinion on GSA's fiscal year 1987 consolidated financial statements.

GSA awarded several telecommunication services contracts which were the subject of a bid protest. The basis for the protest included allegations that GSA disclosed confidential bid information to a competitor and engaged in other improprieties in violation of certain laws and regulations. The GSA Board of Contract Appeals issued a decision on May 17, 1988, which voided or terminated some contracts and awarded them to the protester and left other contracts undisturbed. The effects of this decision on GSA's costs of telecommunication services, if any, will be reflected in GSA's future financial statements.





# Financial Statements

## Consolidated Statement of Revenues and Expenses

For the fiscal years Ended September 30, 1987 and 1986  
(Dollars in Thousands)

Revenues: (Note 1-A)	1987		1986 (restated)	
	Amount	Percent	Amount	Percent
<b>Operating:</b>				
Building Rents and Services (Note 1-B)	\$ 2,683,692	42.8	\$ 2,520,290	41.8
Sale of Supplies	1,586,232	25.3	1,723,857	28.6
Telecommunications Services	722,103	11.5	707,168	11.7
Data Processing Services	240,626	3.8	231,109	3.8
Motor Vehicle Services	293,442	4.7	307,457	5.1
Stockpile Sales (Note 16)	170,306	2.7	59,383	1.0
Reimbursements (Note 1-C)	17,169	0.3	12,660	0.2
Proprietary Receipts (Note 1-G)	66,541	1.1	35,603	0.6
Other (Note 14)	133,941	2.1	59,183	1.0
<b>Total Operating Revenues</b>	<b>5,914,052</b>	<b>94.3</b>	<b>5,656,710</b>	<b>93.8</b>
Appropriations Expended (Note 15)	359,336	5.7	372,268	6.2
<b>Total Revenues</b>	<b>6,273,388</b>	<b>100.0</b>	<b>6,028,978</b>	<b>100.0</b>
<b>Expenses: (Note 1-A)</b>				
Cost of Sales	1,693,512	27.0	1,774,116	29.4
Personnel Salaries and Benefits	706,279	11.3	764,542	12.7
Rent	919,376	14.7	913,089	15.1
Telecommunications	622,154	9.9	617,728	10.2
Data Processing	221,961	3.5	217,689	3.6
Contracted Services	746,529	11.9	718,438	11.9
Depreciation and Amortization	280,167	4.5	266,283	4.4
Utilities	212,416	3.4	249,118	4.1
Operating Supplies	163,818	2.6	167,176	2.8
Interest	91,125	1.5	92,858	1.5
Real Estate Taxes	18,634	0.3	15,240	0.3
Travel and Transportation	15,280	0.2	12,204	0.2
Miscellaneous	33,705	0.5	49,468	0.8
<b>Total Expenses</b>	<b>5,724,956</b>	<b>91.3</b>	<b>5,857,949</b>	<b>97.2</b>
Excess of Revenues Over Expenses Before Cumulative Effect of Correction of Accounting Procedure	548,432	8.7	171,029	2.8
Cumulative Effect on Prior Years for Correction of Accounting Procedure (Note 17)	-	-	142,900	2.4
<b>Excess of Revenues Over Expenses</b>	<b>\$ 548,432</b>	<b>8.7</b>	<b>\$ 313,929</b>	<b>5.2</b>

The accompanying notes are an integral part of these statements.

**Financial Statements**

**Consolidated Balance Sheet**

As of September 30, 1987 and 1986  
(Dollars in Thousands)

Assets:	1987	1986 (restated)
<b>Current Assets:</b>		
Funds with U.S. Treasury (Note 1-D)	\$ 2,764,184	\$ 2,412,121
Accounts Receivable: (Note 10)		
From Other Federal Agencies	606,248	586,911
From Individuals		3,937
From Corporations	49,293	31,490
Notes Receivable	1,230	2,777
Inventories: (Note 1-E)		
Operating Supplies	12,139	14,902
For Sale to Federal Agencies	244,732	224,835
For Sale to the Public	1,497	1,265
Advances:		
To Other Federal Agencies	704	1,660
To the Public	2,294	1,774
Prepaid Expenses	33,700	39,406
<b>Total Current Assets</b>	<b>3,716,021</b>	<b>3,321,078</b>
<b>Property and Equipment: (Notes 1-F, 3, 11)</b>		
Buildings	4,819,625	4,584,186
Leasehold Improvements	11,426	9,382
Telecommunications Equipment	87,451	71,407
Automated Data Processing Equipment	86,711	85,141
Motor Vehicles	866,108	709,466
Other Equipment	97,692	112,159
Less: Accumulated Depreciation and Amortization	(2,237,787)	(2,051,372)
	3,731,226	3,520,369
Land	487,348	463,720
Construction in Process	563,007	412,989
<b>Total Property and Equipment</b>	<b>4,781,581</b>	<b>4,397,078</b>
<b>Other Assets:</b>		
National Defense Stockpile (Note 16)	3,681,651	3,691,754
Defense Production Act Stockpile	56,933	56,932
Notes Receivable (Note 10)	8,894	7,332
Other Noncurrent Assets (Note 12)	68,245	57,377
<b>Total Other Assets</b>	<b>3,815,723</b>	<b>3,813,395</b>
<b>Total Assets</b>	<b>\$ 12,313,325</b>	<b>\$ 11,531,551</b>

The accompanying notes are an integral part of these statements.

**Financial Statements**

Liabilities:	1987	1986 (restated)
<b>Current Liabilities:</b>		
Accounts Payable:		
To Other Federal Agencies	\$ 39,156	\$ 55,323
To the Public	901,507	645,637
Earnings Payable to U.S. Treasury (Note 13)	1,208	4,392
Deposit Fund Liability	145,324	106,899
Advances: (Note 1-I)		
From Other Federal Agencies	165,548	197,789
From the Public	10,132	9,871
Deferred Revenue	155,219	161,301
<b>Total Current Liabilities</b>	<b>1,418,094</b>	<b>1,181,212</b>
<b>Long-term Liabilities:</b>		
Annual Leave Liability (Note 1-H)	46,145	52,633
Purchase Contract Debt (Note 4)	1,022,546	1,055,419
Obligations under Capital Leases (Note 3)	41,507	36,735
Other Long-term Liabilities	25,041	18,889
<b>Total Long-term Liabilities</b>	<b>1,135,239</b>	<b>1,163,676</b>
<b>Total Liabilities</b>	<b>2,553,333</b>	<b>2,344,888</b>
<b>Equity of U.S. Government:</b>		
Invested Capital (Note 6)	8,722,475	8,680,502
Cumulative Results of Operations (Note 6)	968,796	457,716
Unexpended Appropriations: (Note 15)		
Unobligated Balances	5,168	930
Undelivered Orders	59,877	44,107
Reserve for Asset Replacement Cost (Note 19)	3,676	3,408
<b>Total Equity of U.S. Government</b>	<b>9,759,992</b>	<b>9,186,663</b>
<b>Total Liabilities and Equity of U.S. Government</b>	<b>\$ 12,313,325</b>	<b>\$ 11,531,551</b>

The accompanying notes are an integral part of these statements.

**Financial Statements**

**Consolidated Statement of Changes in Financial Position**

For the fiscal years Ended September 30, 1987 and 1986  
(Dollars in Thousands)

Source of Funds:	1987	1986 (restated)
<b>Operations:</b>		
Excess of Revenues Over Expenses Before Cumulative Effect of Cor- rection of Accounting Procedure	\$ 548,432	\$ 171,029
<b>Items Not Affecting Funds:</b>		
Depreciation and Amortization (Notes 1-F, 11)	280,028	266,141
Amortization of Participation Certificate Discount	139	142
Accrued Annual Leave Expense (Note 1-H)	(2,632)	2,111
Adjustments and Write-off of Capital Assets	(6,548)	(4,043)
Gain on Retirement of Participation Certificates	(622)	(819)
Other	27,062	5,406
<b>Total Funds Provided by Operations</b>	<b>845,859</b>	<b>439,967</b>
Disposition of Stockpile, Book Value	25,533	14,941
Disposition of Property and Equipment, Book Value (Notes 1-G, 11)	62,000	24,223
Reduction in Non-Current Receivables	(1,562)	22,389
Increase (Decrease) in Other Long-term Liabilities	11,343	7,636
Increase (Decrease) in Unexpended Appropriations	20,008	(2,812)
<b>Additional Appropriated Capital:</b>		
Appropriated Funds	(4)	2,667
Revolving Funds	8,735	29,219
Receipts Transferred In	121,617	181,273
*Decrease (Increase) in Working Capital Items	194,002	(161,567)
<b>Total Source of Funds</b>	<b>\$ 1,287,531</b>	<b>\$ 557,936</b>

The accompanying notes are an integral part of these statements.

**Financial Statements**

Application of Funds:	1987	1986 (restated)
<hr/>		
Purchases of Property and Equipment (Notes 1-F, 3, 11)		
Land	\$ 24,079	\$ 16,481
Buildings	131,376	7,485
Construction in Process	256,189	162,505
Telecommunications Equipment	12,824	4,645
ADP Equipment	1,569	230
Motor Vehicles	271,969	154,951
Other Equipment	10,164	14,962
<hr/>		
Total Purchases of Property and Equipment	708,170	361,259
Purchases of Stockpile	14,222	20,517
Reduction of Purchase Contract Debt	32,390	31,637
Reduction of Obligations under Capital Leases	-	5,190
Increase (Decrease) in Deferred Charges (Note 12)	(225)	(3,462)
Receipts Transferred Out (Note 1-G)	150,322	63,224
Receipts Appropriated (Note 1-G)	14,668	15,082
Sequestration/Congressional Rescission (Note 9)	-	35,572
Earnings Payable to U.S. Treasury	1,208	3,183
Other	14,713	21,752
<hr/>		
Total Application of Funds	935,468	553,954
<hr/>		
Funds with U.S. Treasury:		
Net Increase	352,063	3,982
Beginning Balance	2,412,121	2,408,139
<hr/>		
Ending Balance	\$ 2,764,184	\$ 2,412,121
<hr/>		
*Analysis of Working Capital Items (Excluding Funds with U.S. Treasury)		
Accounts Receivable	\$ 33,203	\$ 131,398
Notes Receivable	(1,547)	(4,294)
Inventories	17,366	96,016
Advances to Others	(436)	(297)
Prepaid Expenses	(5,706)	25,756
Accounts Payable	(239,703)	32,342
Earnings Payable to U.S. Treasury	3,184	(1,562)
Deposit Fund Liability	(38,425)	(25,446)
Advances from Others	31,980	(952)
Deferred Revenue	6,082	(91,394)
<hr/>		
Net Decrease in Working Capital Items	\$ (194,002)	\$ 161,567
<hr/>		

The accompanying notes are an integral part of these statements.

**Financial Statements**

**Consolidated Statement of Reconciliation to Budget Reports**

For the fiscal years Ended September 30, 1987 and 1986  
(Dollars in Thousands)

	1987	1986 (restated)
Increases (Decreases) to Outlays (Note 8):		
Excess of Revenues Over Expenses	\$ (548,432)	\$ (171,029)
Adjustments for:		
Increase in Assets	429,711	(103,739)
Increase in Liabilities	(211,629)	375,926
Appropriations Expended	359,336	372,268
Donations/Nonreciprocal Transfers	8,866	6,353
Funds Transactions Included in Outlays	(13,033)	(243,376)
Outlays (Excess of Reimbursements Over Gross Expenditures)	\$ 24,819	\$ 236,403
Relation of Obligations to Outlays		
Obligations Incurred	\$ 6,977,579	\$ 6,249,766
Offsetting Collections	(6,428,563)	(6,525,727)
Obligations Incurred, Net	549,016	(275,961)
Obligated Funds Balance--Beginning of Year	402,026	983,106
Less:		
Obligated Funds Balance--end of year	(866,842)	(402,168)
Adjustments to Unexpired Accounts	(59,381)	(68,574)
Outlays (Excess of Reimbursements Over Gross Expenditures)	\$ 24,819	\$ 236,403

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

1. Significant Accounting Policies

A. Basis of Consolidation

The accompanying consolidated financial statements of the U.S. General Services Administration include the accounts of all funds under GSA control which have been established and maintained to account for resources to GSA management. A discussion of these funds is included in the remarks immediately preceding the supplemental schedules.

All significant intra-agency balances and transactions have been eliminated in consolidation. Revenue and expense eliminations for the fiscal years ended September 30, 1987 and 1986 consist of the following:

(Dollars in Thousands)	1987	1986
Building rents and services	\$ 72,069	\$ 64,726
Sales/Purchase of supplies	286,707	171,831
Motor vehicle services	5,810	6,034
Telecommunications services	16,517	19,245
Printing and reproduction services	9,557	10,011
Data processing services	9,222	8,985
Administrative equipment services	190	9,980
Reimbursements	47,858	40,359
Total Eliminations	\$ 447,930	\$ 331,171

B. Revenue Recognition and Expended Appropriations

Generally, revolving fund revenue is recognized when goods have been delivered or services rendered. However, revenue under nonrecurring reimbursable repair and alteration projects is not recognized until project completion. Prior to completion, recognition of revenue from interim billings and of cost from direct material and direct labor incurred to date is deferred and the net is recorded on the consolidated balance sheet as deferred revenue or repairs and alterations in process.

Appropriations for general fund activities are recorded as a financing source when expended. Unexpended appropriations are recorded as equity of the U. S. Government.

C. Reimbursements (General Funds)

Certain work performed for other Federal agencies and entities is initially financed through general funds and subsequently reimbursed by such customers. Reimbursements are recognized as revenues as related expenses are incurred. In fiscal years 1987 and 1986 reimbursable services amounted to \$17.2 million and \$12.7 million, respectively, which included major efforts such as federal employee training and accounting and various professional services.

D. Funds with U.S. Treasury

This total represents all unexpended balances on GSA's accounts with the U.S. Treasury.

E. Inventories

Operating supplies which are consumed in operations are valued at the lower of cost, determined principally on the first-in, first-out method, or market.

Inventories held for sale to other Federal agencies consist of General Supply Fund inventories which are valued at the lower of cost, generally determined on a moving average basis, or market. The recorded values are adjusted for the results of physical inventories taken periodically in accordance with a cyclical counting plan.

F. Property and Equipment

Property and equipment purchases and additions are valued at cost. Property and equipment transferred to GSA from other Federal agencies, either at the date GSA was established or subsequent thereto, is stated at the transfer value which, GSA believes, approximates cost. Expenditures for major additions, replacements and alterations are capitalized. Normal repair and maintenance costs are expensed as incurred. The cost of repair and alteration and of leasehold improvements performed by GSA, but financed by other agencies, is not capitalized in GSA's financial statements as such amounts are transferred to other agencies upon completion of the project.

Depreciation and amortization of property and equipment, exclusive of that acquired under capital leases, are calculated on the straight-line basis over their initial or remaining useful lives. Buildings capitalized by the Federal Buildings Fund at its inception in 1974 were assigned remaining useful lives of 30 years. Prior to 1974 no depreciation was recorded by GSA. Upon completion, construction in process costs are capitalized in the building account.

Telecommunications and other equipment, exclusive of that acquired under capital leases, are depreciated over periods generally ranging from 5-10 years. Substantially all automated data processing equipment was fully depreciated (but still in use) at September 30, 1987 and 1986. Motor vehicles, exclusive of those under capital leases, are depreciated over the lesser of 72 months or 60,000 miles. Leasehold improvements are depreciated over the unexpired lease term.

Telecommunications equipment and motor vehicles under capital leases are depreciated over their estimated useful life, which approximates ten years for telecommunications equipment and approximately four years for vehicles. The depreciable lives assigned to these assets are based upon capitalization criteria contained in the leases.

**G. Receipts from Disposal of Property and Equipment**

GSA acts as a disposal agent for surplus Federally-owned real and related personal property. In some cases, public law entitles the owning agency to the sale proceeds, net of disposal expenses incurred by GSA. For the vast majority of sales, however, the gross proceeds are deposited in GSA's special fund receipt accounts. A portion of these proceeds is subsequently transferred to general or special funds to finance expenses incurred in disposing of surplus property. The remainder is recorded as a proprietary receipt in the statement of revenues and expenses, and periodically accumulated amounts are transferred to the Land and Water Conservation Fund administered by the Department of the Interior. Transfers in fiscal years 1987 and 1986 were \$32 million and \$63 million, respectively.

Proceeds from the disposal of equipment are generally retained by GSA to purchase replacement or more modern equipment. Also retained by GSA are proceeds from the disposal of inventories held by the National Defense Stockpile Transaction Fund. This activity is being transferred to the Department of Defense as of June 30, 1988.

**H. Annual, Sick and Other Types of Leave**

Annual leave is accrued as it is earned and the accrual is relieved as leave is taken. At least once a year, the balance in the accrued annual leave account is adjusted to reflect current pay rates of cumulative annual leave earned, but not taken. Sick leave and other types of leave are expensed as taken.

**I. Advances from Others**

Advances from others are comprised of funds received in advance of shipment of goods or services performed.

**2. Accounting for Intragovernmental Activities**

GSA is an agency of the Federal government which is authorized to perform many services on behalf of other Federal agencies including procurement and management of property, supplies, and other common services such as telecommunications and automated data processing. To finance these services, GSA obtains funds through interagency billings and records revenue and sources of funds as goods are shipped or services rendered.

Conversely, other Federal agencies make financial decisions and report certain financial matters on behalf of the Federal government as a whole, including matters in which individual agencies may be an indirect party in interest. This concept of having Federal agencies record or report only those government-wide financial matters for which they are directly responsible is consistent with generally accepted accounting principles for Federal agencies which seeks to identify financial matters to the departments or agencies that have been granted budget authority and resources to manage them.

The following summarizes financial matters which are either maintained or reported by other Federal agencies in which GSA is indirectly involved:

- Although GSA funds a portion of pension benefits under the Civil Service Retirement System and the Federal Employees Retirement System relating to its employees and makes the necessary payroll withholdings from them, it does not disclose the assets the retirement systems nor does it disclose actuarial

data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting such amounts is the direct responsibility of the Office of Personnel Management.

- To the extent capital investments are financed with Congressional appropriations, a portion of which represents funds obtained through public borrowings, no interest has been capitalized since such public borrowings are recorded in total by the Department of the Treasury and are not specifically identified to individual agencies' investing activities.
- GSA is responsible for legal matters involving contractual arrangements it has entered into (Note 7). The costs of administering, litigating, and resolving these actions are generally borne by GSA unless it can recover the cost from another Federal agency. Certain legal matters in which GSA may be a named party are administered and, in some instances, litigated by other Federal agencies. Amounts to be paid under any decision, settlement or award pertaining thereto are sometimes funded by those agencies. In most cases, tort claims are administered and resolved by the Department of Justice and any amounts necessary for resolution are obtained from a special fund maintained by the Department of the Treasury. Amounts paid from this Judgment Fund on behalf of GSA were \$4.3 million and \$1.9 million in fiscal years 1987 and 1986, respectively. Legal actions brought by employees of GSA for on-the-job injuries fall under the Federal Employees Compensation Act, administered by the Department of Labor (DOL), which does not make a separate measurement of each agency's future obligations for claims; therefore, GSA has not recorded a liability for them. Instead, DOL bills each agency annually as its claims are paid, and bills are due in two years so they can be included in the budget process. Consequently, although GSA records an expense each year, there is a two year time lag between payment by DOL and reimbursement and expensing of the payments by GSA. The expenses for payments made by DOL in fiscal years 1986 and 1987, which are not reflected in these statements, are not considered to be material to those years' financial statements.

**3. Leasing Arrangements**

At September 30, 1987, GSA was committed to various non-cancellable operating leases primarily covering administrative office space and storage facilities maintained by its Federal Buildings Fund. Many of these leases contain escalation clauses and renewal options.

GSA was also committed to various capital leases covering telecommunications equipment maintained through the Federal Telecommunications Fund and motor vehicles maintained through the General Supply Fund. Capital leases covering telecommunications equipment generally transfer ownership to GSA at the end of the lease term. In most cases, capital leases covering motor vehicles allow GSA to acquire such motor vehicles at the end of the lease term at their fair value. For those capital leases that neither transfer ownership nor grant purchase options, GSA has the right to renew said leases at the fair rental value.

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year and under capital leases together with the present value of the minimum lease payments.



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(Dollars in Thousands)	Operating Leases	Capital Leases	Total
<b>Fiscal year ending:</b>			
1988	\$ 747,687	\$ 12,162	\$ 759,849
1989	640,145	29,720	669,865
1990	545,012	7,126	552,138
1991	445,650	3,942	449,592
1992 and thereafter	1,268,441	9,479	1,277,920
<b>Total minimum lease payments</b>	<b>\$ 3,646,935</b>	<b>62,429</b>	<b>\$ 3,709,364</b>
Less: Amount representing interest		(7,740)	
Executory Costs		(5,181)	
<b>Total Obligations under capital leases</b>		<b>49,508</b>	
Less current maturities		(8,001)	
<b>Obligations under capital leases, non-current</b>		<b>\$ 41,507</b>	

Substantially all leased space maintained by the Federal Buildings Fund is sublet to other Federal agencies at rent charges based upon approximate commercial rates for comparable space. The agreements covering the sublease arrangements allow customer agencies to, among other things, terminate the sublease at any time. In most cases, however, management believes the subleases will continue without interruption. Rental income under subleasing agreements approximated \$1,016 million and \$998 million respectively, for the fiscal years ended September 30, 1987 and 1986. Rent expense under all operating leases, including short-term non-cancellable leases, was approximately \$889 million and \$834 million for these same years.

Included in telecommunications equipment and in motor vehicles on the consolidated balance sheet as of September 30, 1987 are \$52.6 million and \$64.1 million, respectively, of property under capital leases and \$51.3 million of aggregate accumulated depreciation thereon.

For substantially all of its leased property, management expects that in the normal course of business such leases will be either renewed or replaced in accordance with the needs of its customer agencies.

Aggregate debt maturities for all capital leases are as follows (in thousands): 1988, \$12,162; 1989, \$29,720; 1990, \$7,126; 1991, \$3,942; 1992 and beyond \$9,479.

**4. Purchase Contract Debt**

Purchase contract debt consists of two distinct financing methods employed to finance construction of Federal buildings. The Dual System provided monies via publicly issued participation certificates (Series A through J) and participation certificates of the Department of the Treasury's Federal Financing Bank (Series K through M). The Package System, for which construction and financing were arranged by the same party, consists of mortgage notes which are payable in semi-annual installments over a 30 year period. GSA is not authorized to obtain any additional debt.

The purchase contract debt outstanding at September 30, 1987 and 1986 was as follows: (Dollars in Thousands)		
	1987	1986
<b>Dual System:</b>		
Participation Certificates held by the public:		
Series A-E,		
due November 1, 2002, bearing interest at rates ranging from 7.125% to 7.4%	\$ 146,757	\$ 152,516
Series F, due December 15, 2002, bearing interest at 7.15%	138,285	139,001
Series G, due March 1, 2003, bearing interest at 7.5%	82,469	82,435
Series H-J, due July 31, 2003, bearing interest at rates ranging from 8.1% to 8.2%	129,075	130,193
Participation Certificates held by the Federal Financing Bank:		
Series K,		
due June 26, 2004, bearing interest at 9.074%	127,303	130,393
Series L, due November 15, 2004, bearing interest at 8.472%	93,254	95,528
Series M, due June 26, 2003, bearing interest at 9.162%	267,076	274,258
<b>Total Dual System</b>	<b>984,219</b>	<b>1,004,324</b>
<b>Package System:</b>		
Mortgage loans due at various dates through 2005 at interest rates ranging from 7.07% to 7.95%		
	65,962	72,729
Less: Current maturities	1,050,181	1,077,053
	27,635	21,634
<b>Totals</b>	<b>\$ 1,022,546</b>	<b>\$ 1,055,419</b>

The participation certificates held by the public are covered by a Public Buildings Purchase Contract and Trust Indenture, which among other things, gives the trustee security interest in the property. GSA has annual sinking fund requirements to retire a portion of the outstanding certificates in varying amounts as specified by the indenture. In addition, GSA, at its option, may elect to retire additional certificates at their existing market rates. This is done only when favorable market conditions exist.

During fiscal years 1987 and 1986, participation certificates and mortgage loans held by the public with approximate carrying value of \$12.5 million and \$15.3 million were retired for \$11.9 million and \$14.5 million and resultant gains on retirement of \$622 thousand and \$819 thousand were recorded, respectively. In the event GSA defaults on any principal or interest payment, the participation certificates become immediately due and payable at which time ownership of the secured property may pass to the trustee.

Participation certificates held by the public were presented net of an unamortized discount of \$2.2 million and \$2.4 million as of September 30, 1987 and 1986, respectively. The unamortized discount, which was

**Financial Statements**

recorded upon issuance of the certificates, is being amortized on a straight-line method, which approximates the interest method over the redemption period.

Aggregate debt maturities are as follows (in thousands): 1988, \$27,635; 1989, \$40,535; 1990, \$43,991; 1991, \$47,602; 1992, \$51,249; 1993 and beyond, \$839,169.

**5. Employee Benefit Plans**

The majority of GSA's employees were covered by the Civil Service Retirement System (CSRS) during 1987 and 1986. Total GSA (employer) matching contributions (7 percent of pay) to CSRS for all employees were approximately \$38.4 million and \$46.7 million for the fiscal years ended September 30, 1987 and 1986, respectively. For employees hired since December 31, 1983, GSA also contributed the employer's matching amount for Social Security.

On January 1, 1987, the new Federal Employees Retirement System (FERS) went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1983, were automatically covered by FERS and Social Security while employees hired prior to January 1, 1984, may elect to either join FERS and Social Security or remain in CSRS. One of the primary differences between FERS and CSRS is that FERS offers a savings plan to which GSA will automatically contribute 1 percent of pay and then match any employee contribution up to an additional 4 percent of pay. For the fiscal year ended September 30, 1987, the first year of implementation, total GSA (employer) contributions to FERS was \$8.9 million.

As discussed in Note 2, data regarding the Civil Service Retirement System's actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability are maintained by the Office of Personnel Management and are not allocated to individual departments and agencies.

**6. Invested Capital, Cumulative Results of Operations and Prior Period Adjustments**

Invested capital represents U.S. Government resources invested in certain GSA assets, principally land, buildings, construction in process, equipment, and strategic material stockpiles. Increases to invested capital are recorded only when such assets are acquired with direct appropriations or with monies transferred to GSA for that purpose.

GSA records no diminution in invested capital for depreciation since it recovers depreciation expense through interagency billings. Monies obtained through such billings are generally used to replace, repair or otherwise alter GSA's existing capital asset base thus maintaining the value of invested capital.

Cumulative results of operations for business-type funds include the excess of revenues over expenses since their inception, reduced by the excess returned to the Treasury,

by U.S. Congressional rescissions and by transfers to other Federal departments or agencies.

During fiscal year 1987 various adjustments were made to correct errors in the consolidated financial statements of prior fiscal years. As a result, fiscal year 1986 balances were restated accordingly. These adjustments related to reinstating accounts receivable previously written-off in error, to recording depreciation which should have been recorded in prior years, to properly recording prior year expenditures for property improvements as capitalized costs rather than as expenses, and to adjusting the prior year balances in the stockpile and vehicle accounts to reflect actual activity.

Following is a summary of the activity of Invested Capital and Cumulative Results of Operations for fiscal years 1987 and 1986.

(Dollars in Thousands)	1987		1986 (restated)	
	Invested Capital	Cumulative Results of Operations	Invested Capital	Cumulative Results of Operations
Beginning Balance—originally reported	\$8,680,502	\$457,716	\$8,633,964	\$227,015
Prior period adjustments			(142,900)	142,900
Beginning Balance—restated	8,680,502	457,716	8,491,064	369,915
Excess of revenues over expenses		548,432		171,029
Appropriations	8,731		31,886	
Sequestration/ Congressional Rescission (Note 9)			(35,572)	
Earnings payable to U.S. Treasury		(1,208)		(3,183)
Transfer of funds to the Land and Water Conservation Fund (Note 1-G)		(32,322)		(63,224)
Acquisition of property and equipment with appropriations	1,225		3,531	
Receipts from the Department of Energy (Note 16)			179,714	
Reclassification of Deposit Fund Equity as Liability				(10,001)
Other, Net	32,017	(3,822)	9,879	(6,820)
Balance—end of year	\$8,722,475	\$968,796	\$8,680,502	\$457,716

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**7. Commitments and Contingencies**

In addition to future lease commitments discussed in Note 3, GSA is also committed under obligations it has incurred for goods and services which have been ordered but not yet received at fiscal year-end (i.e., undelivered orders). Aggregate undelivered orders for all GSA fund activities amounted to \$1.4 billion and \$1.1 billion at September 30, 1987 and 1986, respectively.

GSA is also committed through its Federal Telecommunications Fund to certain long-term contractual agreements arising from the procurement of telephone and other telecommunications systems. Annual commitments under these agreements are expected to approximate \$40 million per year through fiscal year 1992.

GSA is also a party in various administrative proceedings, legal actions, and claims brought by or against it. In the opinion of management and legal counsel, the ultimate resolution of these proceedings, actions and claims, will not materially affect the financial position or results of operations of GSA.

As of September 30, 1987 and 1986, GSA recorded a contingent liability of \$15.2 million and \$15 million, respectively, for those pending legal matters for which, in the opinion of management and legal counsel, GSA will probably incur losses.

In most cases, legal matters which directly involve GSA relate to contractual arrangements it has entered into either for property and services it has obtained or for property or services it has procured on behalf of other Federal agencies. However, as discussed in Note 2, there are other legal matters in which GSA has indirect involvement which are administered, litigated, or settled by other Federal agencies.

**8. Reconciliation to Budget Reports**

The Consolidated Statement of Reconciliation to Budget Reports is designed to serve two purposes. It reconciles the accrual basis excess of revenues over expenses to outlays reported to the U.S. Treasury by eliminating the impact of accrual transactions (i.e., through adjustments for increases or decreases in asset and liability accounts) and by adding or subtracting other transactions which impact outlays. It also shows the relation of obligations and offsetting collections to outlays together with the impact of changes in the obligated fund balance. This format is designed to coincide with the budget activity reported by the Office of Management and Budget.

In addition to the adjustments made to eliminate the impact of accrual transactions, the reconciliation to outlays includes the following significant adjustments: Appropriations Expended are added since they are a financing source (revenue) provided by the U.S. Treasury and therefore are included in outlays for budgetary purposes; and a receipt of \$179.7 million in fiscal year 1986, which was accounted for as a transfer of invested capital for financial reporting purposes was subtracted since for budgetary purposes, they were reported as offsetting collections against outlays.

Outlays reported on this statement are net of reimbursements. For fiscal years 1987 and 1986, gross outlays exceeded reimbursements.

Funds with U.S. Treasury include obligated funds as reported in the statement of reconciliation to budget reports and unobligated funds. Following is a breakdown of Funds with U.S. Treasury :

(Dollars in Thousands)	1987	1986 (restated)
Obligated Funds Balance	\$ 866,842	\$ 402,168
Unobligated Funds Balance	1,897,342	2,009,953
<b>Total Funds with U.S. Treasury</b>	<b>\$2,764,184</b>	<b>\$2,412,121</b>

**9. Sequestration/Congressional Rescission**

Pursuant to Public Law 99-177 (The Balanced Budget Act of 1985), the sequestration order ratified by Public Law 99-366, GSA transferred \$36.6 million to the U.S. Treasury during fiscal year 1986. Of this amount \$35.6 million represented a return of a portion of prior years' unobligated balance of funds appropriated to the National Defense Stockpile Transaction Fund and, consequently, was deducted from the revolving fund's invested capital. The remaining \$980 thousand was deducted from the revolving funds' appropriations.

No such adjustments were necessary in fiscal year 1987.

**10. Accounts and Notes Receivable:**

(Dollars in Thousands)	1987	1986 (restated)
<b>Current:</b>		
Accounts receivable-billed	\$ 466,592	\$ 378,620
Accounts receivable-unbilled	249,712	273,232
Allowance for Doubtful accounts	(60,763)	(29,514)
<b>Subtotal</b>	<b>655,541</b>	<b>622,338</b>
Accounts receivable	655,541	622,338
Notes receivable - current	1,230	2,777
<b>Total - current</b>	<b>\$ 656,771</b>	<b>\$ 625,115</b>
<b>Noncurrent:</b>		
Notes receivable from the sale of surplus real and related personal property. Interest rates range from 0 to 13.375 percent		
From individuals	\$ 538	\$ 1,169
From corporations	7,652	6,413
From state and local governments	1,934	2,527
<b>Subtotal Notes Rec</b>	<b>10,124</b>	<b>10,109</b>
Less: current portion	1,230	2,777
<b>Total - noncurrent</b>	<b>\$ 8,894</b>	<b>\$ 7,332</b>

Annual maturities in thousands of dollars on notes receivable outstanding at September 30, 1987 are as follows: 1988, \$1,230; 1989, \$960; 1990, \$730; 1991, \$640; 1992, \$618; 1993 and beyond, \$5,946.

Substantially all accounts receivable are with other Federal agencies. Unbilled accounts receivable result from the delivery of goods or performance of services for which bills have not yet been rendered.

The allowance for doubtful accounts is based upon analyses of collection experience performed by program.

**Financial Statements**

**11. Property and Equipment Changes for fiscal year 1987**

(Dollars in Thousands)	Accumulated	Net	
Balances Sept. 30, 1986 (restated):	Cost	Depreciation	Book Value
Land	\$ 463,720	\$ -	\$ 463,720
Buildings	4,584,186	1,611,402	2,972,784
Leasehold			
Improvements	9,382	7,426	1,956
Construction-in-Process	412,989	-	412,989
Telecommunications			
Equipment	71,407	26,158	45,249
ADP Equipment	85,141	84,355	786
Other Equipment	112,159	52,814	59,345
Motor Vehicles	709,466	269,217	440,249
<b>Totals</b>	<b>\$6,448,450</b>	<b>\$2,051,372</b>	<b>\$4,397,078</b>
<b>Acquisitions:</b>			
Purchases	\$ 708,170	\$ -	\$ 708,170
Transfers In	44,006	22,638	21,368
Adjustments	26,825	30,038	(3,213)
<b>Totals</b>	<b>\$ 779,001</b>	<b>\$ 52,676</b>	<b>\$ 726,325</b>
<b>Disposals:</b>			
Sales	\$ (161,250)	\$ (87,849)	\$ (73,401)
Transfers Out	(8,866)	(1,986)	(6,880)
Adjustments	(37,967)	(56,454)	18,487
<b>Totals</b>	<b>\$ (208,083)</b>	<b>\$ (146,289)</b>	<b>\$ (61,794)</b>
<b>Annual Depreciation</b>	<b>\$ -</b>	<b>\$ 280,028</b>	<b>\$ (280,028)</b>
<b>Balances Sept. 30, 1987:</b>			
Land	\$ 487,348	\$ -	\$ 487,348
Buildings	4,819,625	1,780,363	3,039,262
Leasehold			
Improvements	11,426	7,906	3,520
Construction-in-Process	563,007	-	563,007
Telecommunications			
Equipment	87,451	29,343	58,108
ADP Equipment	86,711	84,498	2,213
Other Equipment	97,692	47,961	49,731
Motor Vehicles	866,108	287,716	578,392
<b>Totals</b>	<b>\$7,019,368</b>	<b>\$2,237,78</b>	<b>\$4,781,581</b>

Substantially all land, buildings and leasehold improvements are leased to other Federal departments and agencies under short-term cancellable agreements. These departments and agencies are billed for leased space at rent charges based upon commercial rates for comparable space. Motor vehicles are leased on a short-term basis to individual users within the Federal Government on an as-needed basis. Telecommunications and automated data processing equipment are used in operations to perform services for other Federal agencies for which billings are rendered. Most of the assets comprising other equipment are used internally by GSA.

**12. Other Noncurrent Assets**

(Dollars in Thousands)	1987	1986
Artworks	\$ 1,081	\$ 997
Deferred Charges	16,608	16,837
Surplus Property Held for Sale	50,289	39,215
Idle Property and Equipment	267	325
<b>Total</b>	<b>\$68,245</b>	<b>\$57,374</b>

**13. Earnings Payable to U.S. Treasury**

Current year earnings in excess of amounts allowed to be retained are recorded as a current liability by the revolving funds. Payment is made to the U.S. Treasury during the next fiscal year. The liability by fund is as follows:

(Dollars in Thousands)	1987	1986
General Supply Fund	\$ -	\$ 2,415
Working Capital Fund	1,100	712
William Langer Jewel		
Bearing Plant Fund	108	1,265
<b>Total</b>	<b>\$ 1,208</b>	<b>\$ 4,392</b>

**14. Other Income**

(Dollars in Millions)	1987	1986 (restated)
Gain on retirement of participation certificates held by the public	\$ .7	\$ .8
Consumer information services	4.2	3.7
Export program surcharges	24.2	20.4
Furniture reclamation	2.9	2.5
Working Capital Fund revenues from other agencies	11.7	11.1
Miscellaneous categories	90.2	20.7
<b>Totals</b>	<b>\$ 133.9</b>	<b>\$ 59.2</b>

**15. Analysis of Appropriated Funds**

The term "appropriated funds" refers to the Congressional appropriations to GSA's general and special fund groups through the budget process.

Appropriated funds generally incur obligations at the time an order is placed; the obligations are recorded in the Undelivered Orders Account and are reflected as an equity item on the Balance Sheet. No expense is recognized in the Statement of Revenues and Expenses nor payment made until the goods or services have been received. At the end of the fiscal year, certain multi-year or no-year appropriations which have not been obligated remain available to GSA to obligate in future periods. This is shown as Unobligated Balances, an equity account on the Balance Sheet. Other unobligated appropriations are reverted to the U.S. Treasury. Some or all of these appropriations may be restored to pay for claims against that particular fund year.

**Financial Statements**

The following summarizes appropriated fund activities:  
**Analysis of Appropriated Funds**  
 For the fiscal year Ended September 30, 1987

(Dollars in Thousands)	Appropriations	Undelivered Orders	Unobligated Balances
<b>Beginning Balances</b>			
October 1, 1986		\$44,108	\$ 930
Adjustment to Balance		1,349	2,149
1986 Appropriations	\$400,902		
<b>Less: Appropriations to Business-Type Entities</b>			
<b>Consumer Information Center</b>			
National Defense	(1,286)		
Stockpile	(10,000)		
<b>Operating Appropriations</b>			
Current Year (Net)	389,616		
<b>Expenses against 1987 Appropriations:</b>			
Accrued	332,854		
Obligated not Accrued	43,967	43,967	
<b>Obligated</b>			
	376,821		
<b>Unobligated 1987 Appropriations</b>			
	12,795		12,795
<b>Expenses against Prior Appropriations</b>			
	27,666	(30,016)	2,350
<b>Balances to be Reverted to Treasury</b>			
From Operations			(13,021)
Per P.L. 100-71			(35)
<b>Ending Balance</b>			
September 30, 1987		\$59,408	\$ 5,168
<b>Reconciliation of Expenses</b>			
			<b>Accrued Expenses</b>
<b>Accrued expenses</b>			
1987 Appropriations		\$ 332,854	
Less Capital Purchases		(1,225)	
Inventory Transfer			
Adjustments		41	
Depreciation		0	
Prior Appropriations		27,666	
<b>Subtotal</b>			359,336
Expenses Reimbursed			64,985
<b>Subtotal</b>			424,321
Revolving Funds Expenses			5,748,565
<b>Total Expenses</b>			6,172,886
Intra-GSA Eliminations			447,930
<b>Total Expenses per Statement of Revenues and Expenses</b>			\$5,724,956

**16. Major Activities**

GSA's major activities consist of general, special, revolving and deposit fund activities. A description of general, special and deposit fund activities together with the pertinent financial information is included in the supplemental schedules. Revolving funds, which represent the most significant part of GSA's activities, were established by law to finance a continuing cycle of intragovernmental business-type operations. The receipts derived from such operations are normally available in their entirety for use without further action by Congress. The revenue and expense accounts of these various revolving funds are closed into cumulative results of operations at the end of the fiscal year. A positive balance in the cumulative results of operations must be transferred to the U.S. Treasury for the three funds listed in Note 13. The other four are specifically authorized by law to keep such earnings.

Effective January 1, 1987, the Automatic Data Processing Fund and the Federal Telecommunications Fund were merged to form a single fund, the Information Technology Fund. This newly formed fund is discussed in greater detail in this footnote.

**Federal Buildings Fund**

The Federal Buildings Fund (FBF) finances the real property management and related activities of the Public Buildings Service. Its income is derived from rent assessments charged to occupants of GSA-controlled space. By law, these charges must approximate commercial rates for comparable space and services.

Beginning in fiscal year 1987 GSA instituted a new Rent Program. The program provides for full disclosure of the rate setting process. As a result of implementing this new system, income has increased significantly for fiscal year 1987.

The fund is also subject to annual appropriation by the Congress and apportionment by the Office of Management and Budget. Because of this, it operates similarly to an appropriated fund with allowances, operating budget plans, and legal limitations on the level of obligations incurred.

The overall operations of the Federal Buildings Fund for fiscal year 1987 resulted in an excess of revenues over expenses of \$303.3 million compared to an excess of \$92.6 million for fiscal year 1986.

**General Supply Fund**

The General Supply Fund finances the following operations of the Federal Supply Service:

(1) supplies, (2) motor vehicles and (3) administrative equipment. For fiscal year 1987 a loss of \$28.8 million was incurred by supply operations, while a \$69.7 million and a \$144 thousand gain were realized from motor pool and administrative equipment operations, respectively. The fund realized a \$41.1 million gain in total, resulting mainly from adjustments made to correct the accounting procedures for motor vehicle replacement costs. See Note 17 regarding accounting procedures for motor vehicle replacement costs.

**Information Technology Fund**

The Information Technology Fund is a revolving fund established by the Paperwork Reduction Act of 1986. Effective January 1, 1987, the fund was created by consolidating the Automatic Data Processing (ADP) Fund and the Federal Telecommunications (FT) Fund. Resulting from the increased convergence of data processing and telecommunications technologies, the two former funds were merged pursuant to PL 99-591. Maintained by the

Information Resources Management Service (IRMS), the IT Fund provides a variety of information resources technology services to Government agencies on a reimbursable basis. The programs provide services to Government agencies that specifically benefit from central, rather than individual, agency management. However, under the conditions of the authorizing legislation and with the further approval of the Office of Management and Budget, the Information Technology Fund may retain up to \$125 million of their annual net gains. A substantial portion of the net gain realized in 1987 has been reserved to offset the conversion costs for FTS-2000 and to cover any impending and/or unexpected tariff increases in future years. In addition, the Administrator of GSA is empowered to set rates to finance the expansion of the fund.

The Information Technology Fund finances ADP services in two major areas: the equipment lease program and the data processing programs. GSA is reimbursed by Federal agencies for ADP services based upon predetermined billing rates which approximate the cost of the services rendered. Telecommunications services provided by the fund consist of four major areas: voice, data, circuit procurement, and special programs. Some of the subprograms are voice into local service, intercity network services, radio, technical assistance, national teleconferencing network, data into federal communications centers and data communications.

Fiscal year 1987 closed with an excess of \$23.6 million of revenues over expenses, an increase of \$18.6 million compared to the combined \$5 million of revenue over expenses reported by the ADP and FT programs for fiscal year 1986.

**Consumer Information Center Fund**

The Consumer Information Center (CIC) provides the public with consumer information which has been collected as a by-product of ongoing government research, programs and activities. The CIC promotes public awareness of available consumer information through production of the quarterly Consumer Information Catalog and other media services. In conjunction with the Government Printing Office, the CIC also coordinates distribution of free Federal consumer publications from a central distribution facility in Pueblo, Colorado.

The fiscal year 1987 Consumer Information Center Fund revenues consisted of an annual appropriation of \$1.3 million for charges to other Federal agencies for distribution of their publications and user fees charged the public.

The excess of revenues over expenses for fiscal year 1987 was \$399 thousand, slightly higher than the \$365 thousand profit in fiscal year 1986.

**Working Capital Fund**

The Working Capital Fund is a revolving fund established for the payment of blueprinting, photostating and duplicating services provided to Federal agencies in multi-use facilities.

The excess of revenues over expenses for fiscal year 1987 was \$1.1 million compared to an \$857 thousand excess in fiscal year 1986. Monies transferred to the Department of the Treasury amounted to \$712 thousand.

**William Langer Jewel Bearing Plant Fund**

GSA contracted with a private firm to operate a government-owned plant in Rolla, North Dakota, to produce jewel bearings needed for national security purposes. The plant operates through resources provided by the William Langer Jewel Bearing Fund and is a primary source of supply for defense contractors and subcontractors from whom revenues are obtained. There was an excess of revenues over expenses for fiscal year 1987 of \$52 thousand compared to a \$56 thousand profit in fiscal year 1986.

**National Defense Stockpile Transaction Fund**

This fund provides capital for the acquisition of certain strategic and critical materials for national defense purposes.

Stockpile inventories are carried at acquisition cost. Related operating costs (storage, inspection, protection, etc.) are provided for under a separate appropriation. The stockpile inventories had a market value of \$9.0 billion and \$8.6 billion at September 30, 1987 and 1986, respectively.

The excess of revenues over expenses for fiscal year 1987 was \$112.5 million, up \$109.5 million from the fiscal year 1986 total, and was primarily the result of large silver sales occurring in FY 1987.

In accordance with Public Law 98-525 funds with the U.S. Treasury were augmented by transfers amounting to \$179.7 million in fiscal year 1986 for petroleum receipts from the Department of Energy. This law expired as of fiscal year 1987.

GSA enters into a number of nonmonetary sales transactions in which excess stockpile materials are transferred at market value to contractors to satisfy liabilities for the costs of upgrading stockpile commodities. The fund realized a profit of \$13 million and \$7.8 million on these exchange sales transactions in fiscal years 1987 and 1986 respectively.

**Selected Financial Information by Major Revolving Fund Activity**

For the fiscal year Ended September 30, 1987  
(Dollars in Thousands)

1987	Federal Buildings Fund	General Supply Fund	Information Technology Fund	National Defense Stockpile Transaction Fund	Others <sup>1</sup>	Totals
Revenues <sup>2</sup>	\$2,757,168	\$2,284,170	\$988,469	\$ 171,576	\$29,073	\$ 6,230,456
Excess (Deficiency) of Revenues over Expenses	303,252	41,086	23,550	112,477	2,526	481,891
Depreciation and Amortization	168,081	103,311	8,431	-	344	280,167
Assets	5,743,253	1,233,628	439,640	4,418,994	19,339	11,854,854
Capital Expenditures	411,583	279,698	14,393	-	1,271	706,945
<b>1986</b>						
Revenues <sup>2</sup>	\$2,588,021	\$2,257,018	\$966,615	\$ 59,514	\$28,118	\$ 5,899,286
Excess (Deficiency) of Revenues over Expenses	92,600	33,552	5,009	3,014	1,278	135,453
Depreciation and Amortization	153,828	105,135	6,988	-	313	266,264
Assets	5,457,193	1,052,165	306,692	4,325,432	20,638	11,163,120
Capital Expenditures	186,585	165,975	4,875	-	293	357,728

<sup>1</sup> Includes the following: Working Capital Fund, Consumer Information Center Fund, William Langer Jewel Bearing Fund. (Since the Virgin Islands Corporation Liquidation Fund closed in FY 1986, it has been excluded from the FY 1986 amounts for comparative purposes only.)

<sup>2</sup> Prior to intra-GSA eliminations.

**17. Cumulative Effect on Prior Years for Correction to Accounting Procedure**

Prior to fiscal year 1987 GSA reported the annual increase in the replacement cost of the motor vehicles in its fleet as an expense. This is not an acceptable practice under generally accepted accounting principles for Federal agencies as promulgated by the GAO in November, 1984 (Title II). GSA corrected this practice in fiscal year 1987 by ceasing to report replacement cost as an expense.

The effect on the fiscal year 1986 statement of revenues and expenses of removing vehicle replacement cost from the expenses was to increase the excess of revenues over expenses by \$40.8 million. The cumulative effect on prior years of removing vehicle replacement cost from the expenses was to increase earnings from those years by \$142.9 million.

**18. Subsequent Events**

On February 25, 1988, the President signed Executive Order 12626, transferring the management of the National

Defense Stockpile to the Department of Defense. Consequently, as of June 30, 1988, the National Defense Stockpile Transaction Fund and the National Defense Stockpile Rotation Fund are being transferred to the Department of Defense. The most significant impact of this transfer on GSA's financial position is a reduction in assets of more than \$4.4 billion during fiscal year 1988.

**19. Reserve for Asset Replacement Cost**

In accordance with Public Law 95-506, GSA is authorized to recover through interagency billings, increments for the estimated replacement cost of certain of its property and equipment. Funds collected through billings of the replacement increment are maintained in a separate reserve account and may only be used to replace the assets to which they pertain. Reserves were maintained to cover the cost of replacing property and equipment in the amount of \$3.7 million and \$3.4 million at September 30, 1987, and September 30, 1986, respectively.

# Supplemental Schedules

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The supplemental schedules present GSA's financial reporting by fund type. A description of each fund type is as follows:

- General fund accounts are used to record financial transactions arising under Congressional appropriations or other authorizations to spend general revenues. GSA is managing 19 general fund accounts; seven are funded by current year appropriations and one is a multi-year appropriation. The remaining 11 cannot incur new obligations.
- Special fund accounts are established to account for receipts of the government that are earmarked by law for a specific purpose, but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts. GSA uses special fund receipts to pay certain costs associated with the disposal of surplus real property and for rotational sales of the National Defense Stockpile.
- Revolving fund accounts are established by law to finance a continuing cycle of operations with receipts derived from such operations usually available in their entirety for use by the fund without further action by the Congress. Note 16 briefly describes GSA's revolving funds' activities.
- Deposit fund accounts hold monies outside the budget, accordingly their transactions do not affect budget surplus or deficit. These accounts include:
  - (1) deposits received for which GSA is acting as an agent or custodian;
  - (2) unidentified remittances;
  - (3) monies withheld from payments for goods and services received; and
  - (4) monies whose distribution awaits a legal determination or investigation.



**Supplemental Schedules**

**Schedule of Revenues and Expenses by Fund Type**

For the fiscal year Ended September 30, 1987  
(Dollars in Thousands)

	General Funds	Special Funds	Revolving Funds	Intra-GSA Eliminations	Totals
<b>Revenues:</b>					
<b>Operating:</b>					
Building Rents and Services	\$ -	\$ -	\$ 2,755,761	\$ 72,069	\$ 2,683,692
Sale of Supplies	-	-	1,872,939	286,707	1,586,232
Telecommunications Services	-	-	738,620	16,517	722,103
Data Processing Services	-	-	249,848	9,222	240,626
Motor Vehicle Services	-	-	299,252	5,810	293,442
Stockpile Sales	-	-	170,306	-	170,306
Reimbursements	64,985	-	-	47,816	17,169
Proprietary Receipts	-	66,541	-	-	66,541
Other	-	-	143,730	9,789	133,941
<b>Total Operating Revenues</b>	<b>64,985</b>	<b>66,541</b>	<b>6,230,456</b>	<b>447,930</b>	<b>5,914,052</b>
Appropriations Expended	357,486	1,850	-	-	359,336
<b>Total Revenues</b>	<b>422,471</b>	<b>68,391</b>	<b>6,230,456</b>	<b>447,930</b>	<b>6,273,388</b>
<b>Expenses:</b>					
Cost of Sales	-	-	1,980,219	286,707	1,693,512
Personnel Salaries and Benefits	251,588	-	454,691	-	706,279
Rent	50,407	-	941,038	72,069	919,376
Telecommunications	-	-	638,671	16,517	622,154
Data Processing	-	-	231,183	9,222	221,961
Contracted Services	92,326	1,724	700,337	47,858	746,529
Depreciation and Amortization	-	-	280,167	-	280,167
Utilities	-	-	212,416	-	212,416
Operating Supplies	9,313	-	154,505	-	163,818
Interest	-	-	91,125	-	91,125
Real Estate Taxes	-	-	18,634	-	18,634
Travel and Transportation	6,991	-	14,099	5,810	15,280
Miscellaneous	11,846	126	31,480	9,747	33,705
<b>Total Expenses</b>	<b>422,471</b>	<b>1,850</b>	<b>5,748,565</b>	<b>447,930</b>	<b>5,724,956</b>
<b>Excess of Revenues Over Expenses</b>	<b>\$ -</b>	<b>\$ 66,541</b>	<b>\$ 481,891</b>	<b>\$ -</b>	<b>\$ 548,432</b>

**Supplemental Schedules**

**Schedule of Assets, Liabilities, and Equity of the U.S. Government by Fund Type**

As of September 30, 1987 (Dollars in Thousands)					
Assets:	General Funds	Special Funds	Revolving Funds	Deposit Funds	Totals
<b>Current Assets:</b>					
Funds with					
U.S. Treasury	\$ 89,304	\$71,366	\$ 2,478,097	\$125,417	\$ 2,764,184
Accounts Receivable:					
From Other Federal Agencies	14,275	-	591,973	-	606,248
From Individuals	-	-	-	-	-
From Corporations	81	1,031	24,269	23,912	49,293
Notes Receivable	408	811	11	-	1,230
Inventories:					
Operating Supplies	13	-	12,126	-	12,139
For Sale to Federal Agencies	-	-	244,732	-	244,732
For Sale to the Public	-	-	1,497	-	1,497
Advances:					
To Other Federal Agencies	-	-	704	-	704
To the Public	1,008	-	1,286	-	2,294
Prepaid Expenses	2,201	5	11,529	19,965	33,700
<b>Total Current Assets</b>	<b>107,290</b>	<b>73,213</b>	<b>3,366,224</b>	<b>169,294</b>	<b>3,716,021</b>
<b>Property and Equipment:</b>					
Buildings	-	-	4,819,625	-	4,819,625
Leasehold Improvements	-	-	11,426	-	11,426
Telecommunications					
Equipment	-	-	87,451	-	87,451
Automated Data					
Processing Equipment	-	-	86,711	-	86,711
Motor Vehicles	-	-	866,108	-	866,108
Other Equipment	11,925	-	85,767	-	97,692
Less: Accumulated Depreciation and Amortization	(1,284)	-	(2,236,503)	-	(2,237,787)
<b>Land</b>	<b>10,641</b>	<b>-</b>	<b>3,720,585</b>	<b>-</b>	<b>3,731,226</b>
Construction in Process	-	-	487,348	-	487,348
Construction in Process	-	-	563,007	-	563,007
<b>Total Property and Equipment</b>	<b>10,641</b>	<b>-</b>	<b>4,770,940</b>	<b>-</b>	<b>4,781,581</b>
<b>Other Assets:</b>					
National Defense Stockpile	-	-	3,681,651	-	3,681,651
Defense Production Act Stockpile	56,933	-	-	-	56,933
Notes Receivable	5,584	3,310	-	-	8,894
Other Noncurrent Assets	33,908	-	34,337	-	68,245
<b>Total Other Assets</b>	<b>96,425</b>	<b>3,310</b>	<b>3,715,988</b>	<b>-</b>	<b>3,815,723</b>
<b>Total Assets</b>	<b>\$214,356</b>	<b>\$76,523</b>	<b>\$11,853,152</b>	<b>\$169,294</b>	<b>\$12,313,325</b>

**Supplemental Schedules**

Liabilities:	General Funds	Special Funds	Revolving Funds	Deposit Funds	Totals
<b>Current Liabilities:</b>					
Accounts Payable:					
To Other Federal Agencies	\$ 10,462	\$ 6	\$ 28,688	\$ -	\$ 39,156
To the Public	29,996	218	871,292	1	901,507
Earnings Payable to					
U.S. Treasury	-	-	1,208	-	1,208
Deposit Fund Liability	-	-	-	145,324	145,324
Advances:					
From Other					
Federal Agencies	30	-	165,495	23	165,548
From the Public	-	45	10,087	-	10,132
Deferred Revenue	1,691	121	129,462	23,945	155,219
<b>Total Current Liabilities</b>	<b>42,179</b>	<b>390</b>	<b>1,206,232</b>	<b>169,293</b>	<b>1,418,094</b>
<b>Long-Term Liabilities:</b>					
Annual Leave Liability	15,287	-	30,858	-	46,145
Purchase Contract Debt	-	-	1,022,546	-	1,022,546
Obligations under					
Capital Leases	-	-	41,507	-	41,507
Other Long-term Liabilities	5,978	-	19,063	-	25,041
<b>Total Long-term Liabilities</b>	<b>21,265</b>	<b>-</b>	<b>1,113,974</b>	<b>-</b>	<b>1,135,239</b>
<b>Total Liabilities</b>	<b>63,444</b>	<b>390</b>	<b>2,320,206</b>	<b>169,293</b>	<b>2,553,333</b>
<b>Equity of U.S. Government:</b>					
Invested Capital	102,346	-	8,620,128	1	8,722,475
Cumulative Results of Operations	(15,287)	74,941	909,142	-	968,796
Unexpended Appropriations:					
Unobligated Balances	4,910	258	-	-	5,168
Undelivered Orders	58,943	934	-	-	59,877
Reserve for Asset					
Replacement Cost	-	-	3,676	-	3,676
<b>Total Equity of U.S. Government</b>	<b>150,912</b>	<b>76,133</b>	<b>9,532,946</b>	<b>1</b>	<b>9,759,992</b>
<b>Total Liabilities and Equity of U.S. Government</b>	<b>\$214,356</b>	<b>\$76,523</b>	<b>\$11,853,152</b>	<b>\$169,294</b>	<b>\$12,313,325</b>

**Supplemental Schedules**

**Schedule of Changes in Financial Position by Fund Type**

For the fiscal year Ended September 30, 1987  
(Dollars in Thousands)

Source of Funds:	General Funds	Special Funds	Revolving Funds	Deposit Funds	Totals
<b>Operations:</b>					
Excess of Revenues over Expenses	\$ -	\$66,541	\$ 481,891	\$ -	\$ 548,432
<b>Items Not Affecting Funds:</b>					
Depreciation and Amortization	-	-	280,028	-	280,028
Amortization of Participation Certificate Discount	-	-	139	-	139
Accrued Annual Leave Expense	-	-	(2,632)	-	(2,632)
Adjustments and Write-off of Capital Assets	-	-	(6,548)	-	(6,548)
Gain on Retirement of Participation Certificates	-	-	(622)	-	(622)
Other	-	-	27,062	-	27,062
<b>Total Funds Provided by Operations</b>	-	66,541	779,318	-	845,859
Disposition of Stockpile, book value	-	-	25,533	-	25,533
Disposition of Property and Equipment, book value	1,435	-	60,565	-	62,000
Reduction in Non-Current Receivables	(1,950)	388	-	-	(1,562)
Increase (Decrease) in Other Long-term Liabilities	5,977	-	5,366	-	11,343
Increase (Decrease) in Unexpended Appropriations	20,181	(173)	-	-	20,008
<b>Additional Appropriated Capital:</b>					
Appropriated Funds	(4)	-	-	-	(4)
Revolving Funds	16	-	8,719	-	8,735
Receipts Transferred In	8	3,609	118,000	-	121,617
<b>*Decrease (Increase) in Working Capital Items</b>	14,074	993	146,427	32,508	194,002
<b>Total Source of Funds</b>	<b>\$39,737</b>	<b>\$71,358</b>	<b>\$1,143,928</b>	<b>\$32,508</b>	<b>\$1,287,531</b>

**Supplemental Schedules**

<b>Application of Funds:</b>	<b>General Funds</b>	<b>Special Funds</b>	<b>Revolving Funds</b>	<b>Deposit Funds</b>	<b>Totals</b>
<b>Purchases of Property and Equipment:</b>					
Land	\$ -	\$ -	\$ 24,079	\$ -	\$ 24,079
Buildings	-	-	131,376	-	131,376
Leasehold Improvements	-	-	-	-	-
Construction in Process	-	-	256,189	-	256,189
Telecommunications Equipment	-	-	12,824	-	12,824
ADP Equipment	-	-	1,569	-	1,569
Motor Vehicles	-	-	271,969	-	271,969
Other Equipment	1,225	-	8,939	-	10,164
<b>Total Purchases of Property and Equipment</b>	<b>1,225</b>	<b>-</b>	<b>706,945</b>	<b>-</b>	<b>708,170</b>
Purchases of Stockpile	-	-	14,222	-	14,222
Reduction of Purchase Contract Debt	-	-	32,390	-	32,390
Reduction of Obligations under Capital Leases	-	-	-	-	-
Increase (Decrease) in Deferred Charges	-	-	(225)	-	(225)
Receipts Transferred Out	-	32,322	118,000	-	150,322
Receipts Appropriated	-	14,668	-	-	14,668
Sequestration/Congressional Rescission	-	-	-	-	-
Earnings Payable to U.S. Treasury	-	-	1,208	-	1,208
Other	266	-	14,447	-	14,713
<b>Total Application of Funds</b>	<b>1,491</b>	<b>46,990</b>	<b>886,987</b>	<b>-</b>	<b>935,468</b>
<b>Funds with U.S. Treasury:</b>					
Net Increase	38,246	24,368	256,941	32,508	352,063
Beginning Balance	51,058	46,998	2,221,156	92,909	2,412,121
<b>Ending Balance</b>	<b>\$ 89,304</b>	<b>\$71,366</b>	<b>\$2,478,097</b>	<b>\$125,417</b>	<b>\$2,764,184</b>
<b>Analysis of Changes in Working Capital Items:</b> (Excluding Funds with U.S. Treasury)					
Accounts Receivable	\$ (8,127)	\$ 719	\$ 40,638	\$ (27)	\$ 33,203
Notes Receivable	(16)	(1,539)	8	-	(1,547)
Inventories	(36)	-	17,402	-	17,366
Advances to Others	(76)	-	(360)	-	(436)
Prepaid Expenses	(12,180)	-	609	5,865	(5,706)
Accounts Payable	5,732	(131)	(245,303)	(1)	(239,703)
Earnings Payable to U.S. Treasury	-	-	3,184	*	3,184
Deposit Fund Liability	-	-	-	(38,425)	(38,425)
Advances from Others	(15)	37	31,981	(23)	31,980
Deferred Revenue	644	(79)	5,414	103	6,082
<b>* Net Increase (Decrease) in Working Capital Items</b>	<b>\$ (14,074)</b>	<b>\$ (993)</b>	<b>\$ (146,427)</b>	<b>\$ (32,508)</b>	<b>\$ (194,002)</b>

**Supplemental Schedules**

**Schedule of Reconciliation to Budget Reports by Fund Type**

For the fiscal year Ended September 30, 1987  
(Dollars in Thousands)

	General Funds	Special Funds	Revolving Funds	Deposit Funds	Totals
Increases (Decreases) to Outlays:					
Excess of Revenues Over Expenses	\$ -	\$(66,541)	\$ (481,891)	\$ -	\$ (548,432)
Adjustments for:					
Increase (Decrease) in Assets	(18,676)	(1,208)	443,757	5,838	429,711
(Increase) Decrease in Liabilities	4,657	(173)	(177,767)	(38,346)	(211,629)
Appropriations Expended	357,486	1,850	-	-	359,336
Donations/Nonreciprocal Transfers	-	-	8,866	-	8,866
Asset Replacement Cost Amortization	-	-	-	-	-
Funds Transactions (included) excluded in outlays	3,483	1,254	(50,278)	32,508	(13,033)
<b>Outlays (Excess of Reimbursements over Gross Expenditures)</b>	<b>\$346,950</b>	<b>\$(64,818)</b>	<b>\$ (257,313)</b>	<b>\$ -</b>	<b>\$ 24,819</b>
Relation of Obligations to Outlays:					
Obligations incurred	\$436,412	\$ 1,677	\$ 6,539,490	\$ -	\$ 6,977,579
Offsetting Collections	(63,171)	(66,541)	(6,298,851)	-	(6,428,563)
<b>Obligations Incurred, Net</b>	<b>373,241</b>	<b>(64,864)</b>	<b>240,639</b>	<b>-</b>	<b>549,016</b>
<b>Obligated Funds Balance—beginning of year (restated)</b>	<b>57,674</b>	<b>1,199</b>	<b>343,153</b>	<b>-</b>	<b>402,026</b>
Less:					
Obligated Funds Balance—end of year	(83,517)	(1,153)	(782,172)	-	(866,842)
Adjustments in Unexpired Accounts	(448)	-	(58,933)	-	(59,381)
<b>Outlays (Excess of Reimbursements over Gross Expenditures)</b>	<b>\$346,950</b>	<b>\$(64,818)</b>	<b>\$ (257,313)</b>	<b>\$ -</b>	<b>\$ 24,819</b>

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