United States General Accounting Office

GAO

Report to the Congress

June 1986

FINANCIAL AUDIT

Examination of GSA's Fiscal Year 1985 Financial Statements

035716

GAO

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

Comptroller General
of the United States

B-222974

June 11, 1986

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

This report presents the results of our examination of the U.S. General Services Administration's (GSA) consolidated financial statements for the fiscal year ended September 30, 1985. Our report describes several qualifications for restrictions on the scope of our examination, the result of which was to limit our opinion to GSA's consolidated balance sheet as of September 30, 1985. This report contains a separate report on GSA's system of internal accounting controls. It discusses several internal control weaknesses which could, if uncorrected, have a material impact on GSA's consolidated financial statements and contains recommendations to the Administrator, U.S. General Services Administration, for corrective action.

This report also contains a separate report on GSA's compliance with laws and regulations. It discusses a violation by GSA of the Anti-Deficiency Act (31 U.S.C. 1341 and 1517). As required by that act, GSA intends to report the violation to the President and the Congress.

The U.S. General Services Administration was established by the Federal Property and Administrative Services Act of 1949. GSA manages the U.S. government's real and personal property assets. Its activities include construction and operation of buildings; procurement and distribution of supplies; utilization and disposal of property; transportation, traffic, and communications management; stockpiling of strategic materials; and the management of the governmentwide automatic data processing resources program. We made our examination pursuant to the provisions of 31 U.S.C. 9105 and in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Director of the Office of Ma agement and Budget, the Secretary of the Treasury, and the Administrator of the U.S. General Services Administration.

Charles A. Bowsher
Comptroller General
of the United States

Contents

Abbreviations

GAO	General Accounting Office
GSA	General Services Administration
NARA	National Archives and Record Administration
SIBAC	Simplified Intragovernmental Billing and Collection System

GAO

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

Comptroller General
of the United States

B-222974

To the Administrator,
U.S. General Services Administration

We have examined the consolidated balance sheet of the U.S. General Services Administration (GSA) as of September 30, 1985, and the relate consolidated statements of revenues and expenses, of changes in finan cial position, and of reconciliation to budget reports for the fiscal year then ended. Except as described in the second, third, and fourth paragraphs of this report, 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 as we considered necessary in the circumstances.

Our examination of GSA's consolidated financial statements represents the first year such statements have been subjected to an audit in accor dance with generally accepted government auditing standards. Becaus our examination did not commence until January 1985, it was not prac tical to perform various auditing procedures with respect to determini whether, as of the beginning of the 1985 fiscal year, amounts of accounts receivable, inventories held for sale, accounts payable, and related amounts of revenues and expenses were recorded in the proper accounting period. These amounts are material to the determination of consolidated revenues and expenses, consolidated sources and applications of funds, and adjustments entering into the reconciliation to budget reports. Further, as described in the third paragraph of this report, conditions existed in the Automatic Data Processing Fund and the Federal Telecommunications Fund, which precluded us from deter mining whether certain amounts of revenues and expenses were properly stated. Accordingly, we do not express an opinion on the accompanying consolidated statements of revenues and expenses, of changes in financial position, and of reconciliation to budget reports fc the fiscal year ended September 30, 1985.

Conditions existed with respect to two of GSA's individual fund activiti which, although not of sufficient magnitude to preclude us from rendering an opinion on the consolidated balance sheet of GSA at September 30, 1985, were nonetheless departures from prescribed accounting and internal control procedures. The Automatic Data Processing Fund records unbilled accounts receivable and related revenue for services it has provided to other federal agencies through thir party subcontractors as it is charged for such subcontracted services.

Due to the nature of GSA's accounting records, we were unable to determine whether unbilled accounts receivable, which totaled $42,656,000 at September 30, 1985, reflected all revenue associated with related charges from the third-party subcontractors. The Federal Telecommunications Fund records a liability and related expense for estimated telephone charges incurred through subcontracting agreements for which bills have yet to be received. Accounting procedures for this Fund require that this liability be reconciled to such bills after they are received and paid and that the liability and related expense accounts then be adjusted accordingly. As of March 31, 1986, GSA had not completed this reconciliation and thus we could not determine whether this liability, which totaled $21,248,000 at September 30, 1985, and its related expense reflected all charges or credits included in the actual third-party bills.

The consolidated balance sheet includes property and equipment and National Defense Stockpile assets, many of which were acquired by or transferred to GSA over periods dating back to its establishment in 1949. Because these assets were acquired over periods dating back so many years, including in some instances before the establishment of GSA, documents of original cost are not readily obtainable and thus it was not practical to perform, nor did we perform, any auditing procedures with respect to the cost of property and equipment or of National Defense Stockpile assets acquired prior to September 30, 1984. Our procedures with respect to such assets did, however, include performing tests of physical existence and safeguarding.

Effective for fiscal year 1985, all funds comprising National Archives and Record activities are no longer being maintained by GSA and such funds have now been transferred to a separately reporting federal agency known as the National Archives and Records Administration (NARA). Accordingly, as discussed in note 1, NARA's financial statements have not been included in GSA's 1985 consolidated financial statements. Also, as discussed in note 1, in order to report all funds and accounts for which GSA has responsibility, the 1985 consolidated financial statements include deposit funds, clearing accounts, and special fund receipt accounts. In prior years, such funds and accounts were excluded because they had no budget authority. The unaudited 1984 consolidated financial statements have been restated to reflect the transfer of National Archives and Records activities and the inclusion of deposit funds, clearing accounts, and special fund receipt accounts.

Effective for fiscal year 1985, GSA adopted various revised generally accepted accounting principles for federal agencies as promulgated by the U.S. General Accounting Office in November 1984. As discussed in note 3, the principles adopted related to preparing a consolidated statement of reconciliation to budget reports for fiscal year 1985, recording an allowance for estimated uncollectible federal accounts receivables and a provision for contingent liabilities resulting from various legal actions, and capitalizing certain leases. The cumulative effect of adopting these revised generally accepted accounting principles for fed eral agencies has been included in the statement of revenues and expenses for the fiscal year ended September 30, 1985.

In our opinion, except for the effect on the consolidated balance sheet of such adjustments, if any, as might have been necessary had we been able to perform the necessary auditing procedures to resolve the matte discussed in the fourth paragraph of this report, the accompanying consolidated balance sheet presents fairly the financial position of the U.S General Services Administration at September 30, 1985, in conformity with generally accepted accounting principles for federal agencies. Suc accounting principles have been applied on a basis consistent with that of the preceding fiscal year after restatement for the transfer of National Archives and Records Administration activities and the inclusion of deposit funds, clearing accounts, and special fund receipt accounts, and except for the adoption, with which we concur, of revise generally accepted accounting principles for federal agencies discussed in the sixth paragraph of this report.

The accompanying consolidated financial statements for the fiscal yea ended September 30, 1984, were not audited by us and accordingly we express no opinion on them.

Our examination was made for the purpose of forming an opinion on tl consolidated financial statements taken as a whole. The supplemental schedules by fund type are presented for purposes of additional analy: rather than to present financial position, revenues and expenses, recon ciliation to budget reports, and changes in financial position of the indi vidual fund types. Accordingly, we do not express an opinion on the financial position, revenues and expenses, reconciliation to budget reports, and changes in financial position of the individual fund types. The supplemental schedules have, however, been subjected to the auditing procedures applied in the examination of the basic consolidat financial statements. For the reasons described in the second and third paragraphs of this report, we do not express an opinion on the schedul of revenues and expenses by fund type, changes in financial position by fund type, or reconciliation to budget reports by fund type. 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 matters discussed in the fourth paragraph of this report, the schedule of assets, liabilities, and equity of the U.S. government is fairly stated in all material respects in relation to the consolidated balance sheet taken as a whole.

Charles A. Bowsher

Charles A. Bowsher
Comptroller General
of the United States

March 31, 1986

Report on Internal Accounting Controls

We have examined the consolidated financial statements of the U.S. General Services Administration (GSA) for the fiscal year ended September 30, 1985, and have issued our report thereon dated March 31, 1986. This report pertains only to our study and evaluation of the system of internal accounting controls for the fiscal year ended September 30, 1985.

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 govern ment 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:

- Public Buildings operations,
- General Supply operations,
- Strategic Stockpile operations,
- Automated Data Processing Services operations,
- Federal Telecommunications Services operations,
- Fleet Management operations,
- Cash and Treasury interface,
- General and Administrative operations, and
- Financial Reporting.

Our study included all of the control categories listed above except for the General and Administrative operations, and Financial Reporting. F these activities, we found it more efficient to expand the scope of our substantive audit tests.

GSA's management is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectiv of a system of internal accounting controls are to provide management with reasonable, but not absolute, assurance that (1) assets are safeguarded against loss from unauthorized use or disposition, and (2) tran actions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statement in accordance with generally accepted accounting principles for federa agencies. Because of inherent limitations in any system of internal accounting controls, errors or irregularities may nevertheless occur an 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.

Our study and evaluation, made for the limited purpose described in the second paragraph, would not necessarily disclose all weaknesses in the system. Accordingly, we do not express an opinion on GSA's system of internal accounting controls taken as a whole or on the categories of controls identified in the second paragraph. However, our study and evaluation disclosed the following conditions which we believe could result in errors or irregularities in amounts material in relation to GSA's consolidated financial statements, which may not be promptly detected.

erifying General edger Balances

The GAO Policy and Procedures Manual for Guidance of Federal Agencies, title 2, appendix II, internal control standards, requires that reconciliations between summary and detailed records be performed periodically and that adjustments, if necessary, be made to bring these records into agreement. Further, GSA's own Comptroller Handbook - Accounting Policy and Procedures Manual also requires that these reconciliations be performed.

However, we found that general ledger balances were not always fully supported by detailed subsidiary records, nor were discrepancies between the two satisfactorily resolved on a timely basis. As a result, numerous adjustments—some involving material amounts—were required to correct the general ledger balances for the fiscal year ending September 30, 1985.

Adequate reconciling procedures, at a minimum, should include identifying, investigating, and resolving all items comprising any differences, and, where warranted, making appropriate adjustments to either the subsidiary records or the general ledger account balances. Although GSA requires such reconciliation procedures either monthly or, at a minimum, as of the end of the fiscal year, we noted the following instances where they were not being so performed:

- For the Federal Building Fund, general ledger account balances for construction in progress exceeded the supporting subsidiary records by $668,000,000.

- For the National Defense Stockpile Transaction Fund, the general ledge balance for stockpile materials exceeded available supporting records l approximately $42,000,000.
- For the Federal Telecommunications Fund, the general ledger account balance for unbilled accounts receivable exceeded the supporting subsidiary records by approximately $1,635,000.
- For the Automatic Data Processing Fund, the general ledger balance fo billed accounts receivable exceeded the supporting subsidiary records by approximately $680,000.

Although GSA officials were able to make the necessary corrections to their records for these discrepancies when we advised them, adherence to basic control procedures would have enabled GSA to detect and resolve such problems on a timely basis.

Ensuring Revenues Are Recorded and Billings Rendered

Guidelines for the Evaluation and Improvement of and Reporting on Internal Control Systems in the Federal Government, issued by the Office of Management and Budget, requires that accounts receivable be billed on a timely basis. In its comptroller handbook, GSA also requires prompt billing of accounts receivable.

However, we found that GSA's Automatic Data Processing Fund did not exercise adequate control to ensure that it promptly billed customers fo automatic data processing services it provided through third-party sub contractors. In some instances, billings had not been provided for services rendered over a year ago. This problem resulted from a lack of review of unbilled accounts receivable, which would have shown that automatic data processing services provided through third-party subcontractors were not being billed on a timely basis.

We advised GSA officials of this condition and efforts have been made to render billings for services previously provided. To date, these efforts have resulted in special billings of over $8 million. In the absence of a control to ensure that all services provided are promptly billed, a risk exists that subsequent collection could become doubtful.

The Office of Management and Budget guidelines also require prompt and accurate recording of all receivables. However, we noted that GSA officials did not adequately control the process of recording unbilled accounts receivable and related revenue for services it provided throug third-party subcontractors. Procedures exist to record estimated amounts of revenue and expense for services received but for which GS has not yet been charged. However, adequate controls do not exist to ensure that these estimates are adjusted properly or promptly for actual invoices received from the subcontractors and for bills rendered to the ultimate users. Further, current procedures and existing documentation do not allow for a comparison of the individual amounts comprising the unbilled accounts receivable balance to the amounts that are eventually billed.

In the absence of such documentation, we were unable to determine whether the amounts of unbilled accounts receivable and related revenue were fairly stated and, in this regard, our report on GSA's consolidated financial statements included a qualification for this scope restriction.

Reconciling Cash Balances With Treasury

The Department of the Treasury's Treasury Fiscal Requirements Manual for Guidance of Departments and Agencies and related bulletins require that the analysis and adjustment of all discrepancies between its fund balance and the cash balance recorded by GSA be completed within 90 days after notification of such discrepancies. Further, this manual requires that any differences recorded in the suspense subaccount which affect prior fiscal years be resolved by the end of the current fiscal year.

The Department of the Treasury maintains several subaccounts, which in the aggregate, comprise the balance of GSA's funds with the U.S. Treasury. These subaccounts identify cash transactions by general type of activity. A subaccount is maintained which records most of GSA's collection and disbursement transactions which have been processed by both Treasury and GSA. A suspense subaccount is maintained by Treasury for unresolved differences between GSA and Treasury accounts from prior fiscal years. Other subaccounts are also maintained for Simplified Intragovernmental Billing and Collection System (SIBAC) chargebacks. Under the SIBAC system, collections are automatically processed by Treasury for intragovernmental billings. SIBAC chargebacks are reversals of previous SIBAC collections due to billing disputes.

Although at September 30, 1985, GSA adjusted its cash balance upwards to agree with that reported by Treasury, it did not, within the time frames specified by Treasury, analyze and adjust individual differences and discrepancies between GSA's cash balance and that reported by Treasury. In addition, differences in the suspense subaccount from prior fiscal years had not been resolved as of September 30, 1985.

As stated by Treasury in its fiscal requirements manual, it is essential that collection and disbursement transactions processed by an agency b in agreement with Treasury's records. The procedures for analyzing an adjusting discrepancies between GSA and Treasury are designed for this purpose. If these procedures are not followed, there is the potential tha GSA's records will not properly reflect collection and disbursement trans actions processed by Treasury.

There were also many SIBAC chargebacks recorded by Treasury which were not, as of September 30, 1985, recorded in GSA's accounting systen In some cases, such as in the Federal Buildings Fund and Automated Data Processing Fund, unrecorded chargebacks were as much as a year old. Treasury's fiscal requirements manual and bulletins require that such chargebacks be recorded in GSA's accounting system and promptly resolved. By not recording chargebacks promptly, there is a greater potential that many of them will have to be written off.

Recording Costs of Telephone Services

GSA's Office of Information and Resource Management Services contracts with commercial telephone companies for telephone services provided to federal agencies. Under these contracts, GSA, as the central manager, is billed for such services. GSA, in turn, charges its customer agencies for their portion of the telephone costs incurred. GSA's Federal Telecommunications Fund finances this operation.

We found that GSA's Federal Telecommunications Fund has not promptl reconciled its liability for telephone usage with actual bills received and paid. Accounting procedures for this fund require that this liability be reconciled with actual bills received and paid and that the liability and related expense accounts then be adjusted accordingly. As of September 30, 1985, GSA's Federal Telecommunications Fund reported a liability of approximately $21 million for the cost of telephone services provided to federal agencies from commercial telephone companies but for which GSA had not yet been billed. As of March 31, 1986, GSA had no completed this reconciliation for September 30, 1985, and, thus, we could not determine whether this liability and its related expense reflected all charges and credits included in the bills received.

Specifically, 6 of GSA's 11 regional Information Management Service offices did not report necessary cost information to GSA's Office of Finance so it could complete this reconciliation. Of particular concern is the fact the Office of Finance reiterated these instructions several times to the regions, emphasizing the critical nature of the data requested.

As a result, GSA did not have adequate assurance as to the amount of its current liability and related expense for telephone costs incurred. Further, this was one of the conditions requiring us to restrict the scope of our opinion dated March 31, 1986, on GSA's consolidated financial statements.

'onclusions and :ecommendations to he Administrator, ;eneral Services ιdministration

In its written instructions and procedures, GSA recognizes the need for adequate internal accounting controls and has generally provided appropriate guidance for establishing and maintaining such controls. However, our testing indicated that the internal control weaknesses discussed in this report were often a result of employees not following established procedures. As a result, the possibility exists that material errors in GSA's financial records could occur and not be promptly detected.

We did not obtain formal comments on this report. However, we did provide a draft of the report to appropriate GSA officials, discussed its contents with them, and agreed to incorporate their oral comments into the report. GSA's Director of Finance stated:

"The Office of Finance concurs with the findings presented in the General Accounting Office's Report on Internal Accounting Controls. Projects are already in process to resolve the situations discussed by GAO. The Director of Finance believes the weaknesses cited are not of the magnitude which would impair the credibility of the agency's financial operations, and therefore, is of the opinion that the weaknesses cited by GAO should properly be classified as significant weaknesses, not material weaknesses. Certain problems, i.e., differences in Treasury records, arise predominantly as a by-product of converting to the new Treasury journal voucher system. This reconciliation is tedious, and not within the direct control of GSA. However, GSA is working on the elimination of the problem. Other concerns cited by GAO, i.e., reconciliations of GSA subsidiary records to the appropriate general ledger accounts, represent a continuous accounting process. These findings, and the other findings discussed by GAO, will be identified in GSA's own internal control review report as significant weaknesses and will be tracked and resolved appropriately."

We are pleased that GSA officials have agreed to initiate actions to correct the weaknesses discussed in this report. In regard to these weaknesses being classified as material, professional auditing standards for use by independent accountants in conjunction with reporting on their review of an entity's system of internal accounting control provide that a weakness is material if the condition results in more than a relatively low risk of such errors or irregularities in amounts that would be material in relation to financial statements. In our judgment, the weaknesses described in this report are material in accordance with the standard cited above.

Accordingly, we recommend that the Administrator reemphasize the need for GSA employees to comply with established internal control requirements. Specifically, we recommend that the Administrator direct the heads of each of GSA's major services and offices to:

- review, within their respective areas of responsibility, the status of compliance with applicable internal accounting controls;
- report to the Administrator in writing on all areas where compliance is not being achieved; and
- provide the Administrator with a detailed plan for corrective actions including anticipated accomplishment dates.

The Administrator may wish to incorporate these recommendations into GSA's self-assessment process pursuant to the Federal Managers' Financial Integrity Act of 1982.

To help ensure this effort achieves the results intended, we further recommend that the Administrator request GSA's inspector general to monitor and report on the adequacy of the reviews by the offices and services and the effectiveness of the corrective actions undertaken.

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, 1985.

Other Opportunities for Improvement

During the course of our examination, we did identify a number of other weaknesses in internal controls and procedures which we are reporting separately in a management letter to GSA's comptroller. Although we did not consider these weaknesses to be material to the consolidated financial statements, they nonetheless merit corrective action to strengthen GSA's internal accounting controls.

Report on Compliance With Laws and Regulations

We have examined the consolidated financial statements of the U.S. General Services Administration (GSA) for the fiscal year ended September 30, 1985, and have issued our report thereon dated March 31, 1986. 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.

In our opinion, GSA, except for the matter discussed below, complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected GSA's financial statements.

Violation of Anti-Deficiency Act

The Anti-Deficiency Act (31 U.S.C. 1341) provides that no officer or employee of the United States shall make or authorize an expenditure from or create or authorize an obligation under any appropriation or fund in excess of the amount available therein. The act also provides that no officer or employee of the United States shall authorize or create any obligation or make any expenditure in excess of an apportionment or in excess of the amount permitted by regulation (31 U.S.C. 1517). Furthermore, in the event of a violation of the act, the head of the agency concerned shall immediately report to the President and the Congress all pertinent facts together with a statement of actions taken.

During March 1986, we concluded that GSA's Federal Telecommunications Fund had, as of September 30, 1985, incurred obligations in excess of the amount available in the fund by approximately $8.8 million. As a result, GSA's management has determined, and we concur, that this constituted a violation of the Anti-Deficiency Act. Management intends to obtain the funds necessary to cover this fiscal year 1985 deficiency through increased fiscal year 1986 billings.

Pursuant to the act, management will report all pertinent facts and a statement of action taken to the President and the Congress.

In connection with our examination, except for the condition which existed with regard to the Federal Telecommunications Fund, 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.

The matter explained above was considered in determining the nature, timing, and extent of the audit tests to be applied in our examination, and it does not affect our report on GSA's consolidated financial statements dated March 31, 1986.

U.S. General Services Administration

Consolidated Statement of Revenues and Expenses

For the Fiscal Years Ended September 30, 1985 and 1984
(Dollars in Thousands)

	1985		1984 (unaudited-restated)	
Revenues: (Note 1-A)	**Amount**	**Percent**	**Amount**	**Percent**
Operating:				
Building Rents and Services (Note 1-B)	$2,531,455	40.7	$2,189,113	40.3
Sale of Supplies	1,969,025	31.6	1,583,358	29.1
Telecommunications Services	641,390	10.3	670,798	12.3
Data Processing Services	210,069	3.4	164,159	3.0
Motor Vehicle Services	257,559	4.1	232,306	4.3
Stockpile Sales (Note 19)	72,782	1.2	63,274	1.2
Reimbursements (Note 1-C)	17,046	0.3	16,739	0.3
Proprietary Receipts (Note 1-G)	44,544	0.7	99,506	1.8
Other (Note 17)	101,952	1.6	63,063	1.2
Total Operating Revenues	5,845,822	93.9	5,082,316	93.5
Appropriations Expended (Note 18)	379,737	6.1	352,207	6.5
Total Revenues	6,225,559	100.0	5,434,523	100.0
Expenses: (Note 1-A)				
Cost of Sales (Note 16)	1,978,123	31.8	1,580,158	29.1
Personnel Salaries and Benefits	778,111	12.5	740,232	13.6
Rent	770,629	12.4	759,403	14.0
Telecommunications	601,121	9.7	643,241	11.8
Data Processing	196,691	3.2	152,770	2.8
Contracted Services	715,531	11.5	557,355	10.3
Depreciation and Amortization	284,027	4.6	258,364	4.8
Utilities	249,209	4.0	245,146	4.5
Operating Supplies	165,286	2.6	158,995	2.9
Interest	123,028	2.0	94,430	1.7
Real Estate Taxes	21,198	0.3	20,613	0.4
Travel and Transportation	12,680	0.2	11,468	0.2
Miscellaneous	40,759	0.6	4,478	0.1
Total Expenses	5,936,393	95.4	5,226,653	96.2
Excess of Revenues Over Expenses Before the Cumulative Effect of Changes in Accounting Principles	289,166	4.6	207,870	3.8
Cumulative Effect on Prior Years of Changes in Accounting Principles (Note 3)	(71,836)	(1.1)	—	—
Excess of Revenues Over Expenses	$ 217,330	3.5	$ 207,870	3.8

The accompanying notes are an integral part of these statements.

U.S. General Services Administration

Consolidated Balance Sheet

As of September 30, 1985 and 1984
(Dollars in Thousands)

Assets:	1985	1984 (unaudited-restated)
Current Assets:		
Funds with U.S. Treasury (Note 1-D)	$ 2,408,139	$ 2,117,729
Accounts Receivable: (Note 12)		
From Other Federal Agencies	440,115	443,107
From Individuals	4,522	6,130
From Corporations	7,319	8,941
Notes Receivable	7,071	8,029
Inventories: (Note 1-E)		
Operating Supplies	7,850	11,743
For Sale to Federal Agencies	236,618	282,100
For Sale to the Public	1,262	927
Reimbursable Repairs and Alterations in Process (Note 1-B)	337,824	296,457
Advances:		
To Other Federal Agencies	994	1,048
To the Public	2,737	2,042
Prepaid Expenses	13,650	17,796
Total Current Assets	3,468,101	3,196,049
Property and Equipment: (Notes 1-F, 4,13)		
Buildings	4,492,548	4,428,379
Leasehold Improvements	9,767	9,677
Telecommunications Equipment	76,498	39,626
Automated Data Processing Equipment	84,911	84,916
Motor Vehicles	784,732	658,377
Other Equipment	110,170	126,995
Less: Accumulated Depreciation and Amortization	(1,929,278)	(1,722,672)
	3,629,348	3,625,298
Land	449,103	431,276
Construction in Process	304,949	225,971
Total Property and Equipment	4,383,400	4,282,545
Other Assets:		
National Defense Stockpile (Note 19)	3,640,062	3,537,093
Defense Production Act Stockpile	56,932	56,932
Notes Receivable (Note 12)	29,633	45,345
Other Noncurrent Assets (Note 14)	60,305	76,993
Total Other Assets	3,786,932	3,716,363
Total Assets	$11,638,433	$11,194,957

The accompanying notes are an integral part of these statements.

Liabilities:	1985	1984 (unaudited-restated)
Current Liabilities:		
Accounts Payable:		
To Other Federal Agencies	$ 47,962	$ 77,329
To the Public	682,254	592,227
Earnings Payable to U.S. Treasury (Note 15)	2,830	64,247
Deposit Fund Liability	71,453	60,362
Advances: (Note 1-I)		
From Other Federal Agencies	201,839	207,984
From the Public	4,869	603
Deferred Revenue	515,386	394,038
Total Current Liabilities	1,526,593	1,396,790
Long-term Liabilities:		
Annual Leave Liability (Note 1-H)	50,594	48,676
Purchase Contract Debt (Note 5)	1,087,056	1,105,627
Obligations under Capital Leases (Note 4)	41,925	10,162
Other Long-term Liabilities	11,253	9,495
Total Long-term Liabilities	1,190,828	1,173,960
Total Liabilities	2,717,421	2,570,750
Equity of U.S. Government:		
Invested Capital (Note 8)	8,633,964	8,303,145
Cumulative Results of Operations (Note 8)	235,971	276,154
Unexpended Appropriations: (Note 18)		
Unobligated Balances	2,916	3,492
Undelivered Orders	44,933	38,658
Reserve for Asset Replacement Cost (Note 6)	3,228	2,758
Total Equity of U.S. Government	8,921,012	8,624,207
Total Liabilities and Equity of U.S. Government	$11,638,433	$11,194,957

The accompanying notes are an integral part of these statements.

U.S. General Services Administration

Consolidated Statement of Changes in Financial Position

For the Fiscal Years Ended September 30, 1985 and 1984
(Dollars in Thousands)

Source of Funds:	1985	1984 (unaudited-restated)
Operations:		
Excess of Revenues Over Expenses Before the Cumulative Effect of Changes in Accounting Principles	$ 289,166	$207,870
Items Not Affecting Funds:		
Depreciation and Amortization (Notes 1-F,13)	244,519	221,215
Asset Replacement Cost Expense (Notes 1-F,13)	39,000	37,000
Amortization of Participation Certificate Discount	146	149
Accrued Annual Leave Expense (Notes 1-H)	303	(1,436)
Adjustments and Writeoff of Capital Assets	9,869	21,471
Sales with Deferred Collections	—	(22,039)
Gain on Retirement of Participation Certificates	(2,174)	(2,636)
Other	2,097	1,983
Total Funds Provided by Operations Before the Cumulative Effect of Changes in Accounting Principles	582,926	463,577
Cumulative Effect on Prior Years of Changes in Accounting Principles (Note 3)	(71,836)	—
Total Funds Provided by Operations	511,090	463,577
Disposition of Stockpile, book value	41,980	33,215
Disposition of Property and Equipment, book value (Notes 1-G,13)	25,045	32,630
Capitalized Lease Obligations (Note 4)	69,746	8,306
Reduction in Non-Current Receivables	16,206	4,912
Increase (Decrease) in Other Long-Term Liabilities	1,758	(922)
Increase in Unexpended Appropriations	5,701	18,825
Additional Appropriated Capital:		
Appropriated Funds	1,099	1,671
Revolving Funds	348	2,650
Receipts Transferred In (Note 19)	297,414	—
*Decrease in Working Capital Items	148,161	98,048
Total Source of Funds	$1,118,548	$662,912

The accompanying notes are an integral part of these statements.

Application of Funds:	1985	1984 (unaudited-restated)
Purchases of Property and Equipment (Notes 1-F.4.13)		
Land	$ 27,019	$ 22,375
Buildings	16,852	32,484
Leasehold Improvements	116	385
Construction in Process	103,583	121,945
Telecommunications Equipment	36,882	13,253
ADP Equipment	4	238
Motor Vehicles	172,596	165,338
Other Equipment	11,613	10,850
Total Purchases of Property and Equipment	368,665	366,868
Purchases of Stockpile	143,763	101,648
Reduction of Purchase Contract Debt	18,717	28,574
Reduction of Obligations under Capital Leases	37,983	7,870
Increase in Deferred Charges	208	19,436
Receipts Transferred Out (Note 1-G)	220,000	—
Receipts Appropriated (Note 1-G)	1,091	2,103
Congressional Rescissions (Note 11)	34,683	—
Earnings Payable to U.S. Treasury (Note 15)	2,830	64,247
Other	198	983
Total Application of Funds	828,138	591,729
Funds with U.S. Treasury:		
Net Increase	290,410	71,183
Beginning Balance	2,117,729	1,828,941
Additional Accounts (Note 1-A)	—	231,691
Exclusion of NARS (Note 1-A)	—	(14,086)
Ending Balance	$2,408,139	$2,117,729
*Analysis of Working Capital Items: (Excluding Funds with U.S. Treasury)		
Accounts Receivable	$ (6,222)	$ (27,559)
Notes Receivable	(958)	(486)
Inventories	(7,673)	25,965
Advances to Others	641	(1,593)
Prepaid Expenses	(4,146)	12,391
Accounts Payable	(60,660)	(43,562)
Earnings Payable to U.S. Treasury	61,417	(49,136)
Deposit Fund Liability	(11,091)	7,875
Advances from Others	1,879	(20,072)
Deferred Revenue	(121,348)	(1,871)
Net Decrease in Working Capital Items	$(148,161)	$ (98,048)

The accompanying notes are an integral part of these statements.

U.S. General Services Administration

Consolidated Statement of Reconciliation to Budget Reports

For the Fiscal Year Ended September 30, 1985
(Dollars in Thousands)

Increases (Decreases) to Outlays (Note 10):	
Excess of Revenues Over Expenses	$ (217,330)
Adjustments for:	
Increase in Assets	153,066
Increase in Liabilities	(208,088)
Appropriations Expended	379,737
Donations/Nonreciprocal Transfers	8,693
Asset Replacment Cost Amortization	(39,000)
Funds Transactions included in Outlays	(290,563)
Outlays (Excess of Reimbursements over Gross Expenditures)	$ (213,485)
Relation of Obligations to Outlays:	
Obligations Incurred	$6,465,545
Offsetting Collections	(6,481,593)
Obligations Incurred, Net	(16,048)
Obligated Funds Balance-beginning of year	843,785
Less:	
Obligated Funds Balance-end of year	(969,575)
Adjustments to Unexpired Accounts	(71,647)
Outlays (Excess of Reimbursements over Gross Expenditures)	$ (213,485)

The accompanying notes are an integral part of these statements.

U.S. General Services Administration

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 entrusted to GSA management. A discussion of these funds is included in the remarks immediately preceding the supplemental schedules. In prior years, GSA's deposit funds, clearing accounts and special fund receipt accounts were excluded from the consolidated financial statements since they lacked budgetary authority. However, for fiscal 1985 such funds have been included in the interest of reporting all funds for which GSA has responsibility.

Pursuant to Public Law 98-497, The National Archives and Records Service (NARS) of GSA was abolished in 1985. As provided in that law, the National Archives and Records Administration, an independent Federal agency, now manages the activities and funds formerly associated with NARS. Accordingly, all amounts pertaining to the accounts of this entity have been excluded from GSA's 1985 consolidated financial statements.

Fiscal 1984 totals on the consolidated financial statements have been restated to reflect the inclusion of the deposit funds, clearing accounts, and special fund receipt accounts and the transfer of the National Archives and Records activities. The effect of these changes was to increase the excess of revenues over expenses for 1984 by $98.1 million. Other significant increases for 1984 occurred in the balance sheet accounts, ie. Funds with U. S. Treasury increased by $324.6 million, all other assets by $137.4 million, and liabilities increased by $127.3 million.

All significant intra-agency balances and transactions have been eliminated in consolidation. Revenue and expense eliminations for the fiscal years ended September 30, 1985 and 1984 consist of the following:

(Dollars in Thousands)	1985	1984 (unaudited)
Building rents and services	$ 73,673	$ 67,130
Sales/Purchase of supplies	41,977	39,942
Motor vehicle services	6,624	4,304
Telecommunications services	23,891	21,834
Printing and reproduction services	10,467	8,676
Data processing services	7,370	5,247
Administrative equipment services	6,376	3,184
Reimbursements	38,964	37,462
Total Eliminations	$209,342	$187,779

B. Revenue Recognition and Expended Appropriations

Generally, revolving fund revenue is recognized when goods have been delivered or services rendered. However, revenue under non-recurring reimbursable repair and alteration projects is not recognized until 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 recorded on the consolidated balance sheet as deferred revenue and repairs and alterations in process, respectively.

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 1985 reimbursable services amounted to $17 million, which included major efforts such as:

(1) federal employee training, (2) technical assistance to Saudi Arabia for the establishment of a central procurement activity, and (3) 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 consists 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 quarterly 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 repairs and maintenance expenditures 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, is 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 thereto no depreciation was recorded by GSA.

Telecommunications and other equipment, exclusive of that acquired under capital leases, is 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, 1985 and 1984. 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, and the lease term, which approximates 4 years respectively. The depreciable lives assigned to these assets are based upon the capitalization criteria contained in the leases. Upon completion, construction in process costs are capitalized in the buildings account.

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 year 1985 were $220 million.

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.

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 per 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 comprise funds received in advance of goods being shipped or services performed.

J. **Reclassifications**
Certain reclassifications have been made in the fiscal 1984 consolidated financial statements to conform them to fiscal 1985 classifications.

2. **Accounting for Intergovernmental Activities**
GSA is an agency of the Federal government and in this capacity performs 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 to 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 seek to identify financial matters to the department or agency that has 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 relating to its employees and makes the necessary payroll withholdings from them, it does not disclose the assets of the Civil Service Retirement System nor does it disclose actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees as reporting such amounts is the responsibility of the Office of Personnel Management.

- To the extent capital investments are financed with Congressional appropriations, a portion of which represent 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.

- Certain legal matters to which GSA may be a named party are administered and, in some instances, litigated by other Federal agencies and amounts to be paid under any decision, settlement or award pertaining thereto are generally funded by those agencies. In most cases, tort claims, including personal injury 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. Similarly, any legal actions brought by employees of GSA fall under the Federal Employees Compensation Act which is administered by the Department of Labor. The cost of administering, litigating, and resolving these legal matters has not been allocated to individual Federal agencies. GSA is, however responsible for legal matters involving contractual arrangements it has entered into (Note 9). The costs of administering, litigating, and resolving these actions are generally borne by GSA unless it has the ability to indemnify itself against another Federal agency.

3. **Adoption of Revised Generally Accepted Accounting Principles for Federal Agencies**
Effective for fiscal year 1985, GSA adopted various revised generally accepted accounting principles for Federal agencies as promulgated by the U.S. General Accounting Office in November 1984. The accounting principles adopted relate to preparing a consolidated statement of reconciliation to budget reports for fiscal year 1985, recording an allowance for estimated uncollectible Federal accounts receivable and a provision for contingent liabilities related to various legal actions, and to capitalizing certain leases.

The consolidated statement of reconciliation to budget reports was prepared to reconcile amounts included in the consolidated financial statements to information reported to the Department of the Treasury and the Office of Management and Budget. A consolidated statement of reconciliation to budget reports was not prepared for fiscal year 1984.

The allowance for doubtful Federal accounts receivable was recorded to more properly match revenues with their related costs. GSA previously followed the policy of writing off such receivables directly to the statement of revenues and expenses only at the time collection efforts were terminated.

The provision for contingent liabilities was recorded for those legal actions where GSA's legal counsel believed it was probable that a loss or expense would be realized and the amounts thereof could be reasonably estimated. GSA previously recorded losses or expenses from legal actions only at the time such legal actions were decided or settled.

Certain additional leasing arrangements were capitalized by recording an asset and liability in amounts essentially equivalent to the present value of minimum lease payments together with related amounts of depreciation and interest. GSA has, in prior years, recorded certain of its leases as capital leases but only for those which transferred ownership to GSA at the end of the lease. Revised generally accepted accounting principles for Federal agencies require that leases also be capitalized if they meet certain other criteria relating to the useful lives and fair market value of the leased property or if a bargain purchase option exists. The additional leases capitalized during fiscal year 1985 reflect the application of these additional criteria.

The effect on the fiscal year 1985 statement of revenues and expenses of recording an allowance for doubtful Federal accounts receivable and a reserve for contingent liabilities and of recording capital leases was to increase (decrease) the excess of revenues over expenses by ($21,471,000), ($6,000,000) and $735,000, respectively. The cumulative effect on prior years of recording an allowance for doubtful Federal accounts receivable and of capitalizing additional leases was $71,068,000 and $768,000, respectively. The cumulative effect of recording a reserve for contingent liabilities was not material and is included in the $6,000,000 1985 provision.

4. **Leasing Arrangements**

At September 30, 1985, 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 noncancellable lease terms in excess of one year and under capital leases together with the present value of the minimum lease payments.

(Dollars in Thousands)	Operating Leases	Capital Leases	Total
Fiscal year ending September 30,			
1986	$689,171	$46,632	$735,803
1987	496,553	11,794	508,347
1988	378,541	10,815	389,356
1989	300,287	25,792	326,079
1990 and thereafter	1,005,925	7,349	1,013,274
Total minimum lease payments	$2,870,477	102,382	$2,972,859
Less amount representing interest		(22,474)	
Total Obligations under capital leases		79,908	
Less current maturities		(37,983)	
Obligations under capital leases, non-current		$41,925	

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 $993 million and $834 million respectively, for the fiscal years ended September 30, 1985 and 1984. Rent expense under all operating leases, including short-term noncancellable leases, was approximately $771 million and $760 million for these same years.

Included in telecommunications equipment and in motor vehicles on the consolidated balance sheet as of September 30, 1985, are $40.9 million and $64.1 million, respectively, of property under capital leases and $13.9 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): 1986, $37,983; 1987, $6,345; 1988, $6,341; 1989, $22,766; 1990, $4,464; 1991 and beyond, $2,009.

5. **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 generally payable in quarterly or 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, 1985 and 1984 was as follows:

(Dollars in Thousands)	1985	1984 (unaudited)
Dual System:		
Participation Certificates held by the public:		
Series A-E, due November 1, 2002, bearing interest at rates ranging from 7.125% to 7.4%	$157,740	$162,438
Series F, due December 15, 2002, bearing interest at 7.15%	139,159	139,137
Series G, due March 1, 2003, bearing interest at 7.5%	86,196	86,160
Series H-J, due July 31, 2003, bearing interest at rates ranging from 8.1% to 8.2%	133,384	133,352
Participation Certificates held by the Federal Financing Bank:		
Series K, due June 26, 2004, bearing interest at 9.0741%	133,222	135,814
Series L, due November 15, 2004, bearing interest at 8.472%	97,621	99,547
Series M, due June 26, 2003, bearing interest at 9.162%	280,824	286,828
Total Dual System	1,028,146	1,043,276
Package System:		
Mortgage loans due at various dates through 2005 at interest rates ranging from 7.07% to 7.95%	77,481	97,395
	1,105,627	1,140,671
Less: Current maturities	18,571	35,044
Totals	$1,087,056	$1,105,627

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 1985 and 1984, participation certificates held by the public with approximate carrying values of $21,897,000 and $15,223,000 were retired for $19,723,000 and $12,587,000 and resultant gains on retirement of $2,174,000 and $2,636,000 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 are recorded net of an unamortized discount of $2,629,000 and $2,806,000, at September 30, 1985 and 1984. The unamortized discount, which was 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): 1986, $18,571; 1987, $21,463; 1988, $27,948; 1989, $40,400; 1990, $44,266; 1991 and beyond, $952,979.

6. **Reserve for Asset Replacement Cost.**
In accordance with Public Law 95-506, GSA is authorized to recover, through interagency billings, increments for the replacement cost of certain of its property and equipment, principally motor vehicles. The law, which was enacted in recognition of the rising cost of replacing equipment and the need to provide additional funds to do so, permits recovery only to the extent of replacement cost amortization.

Funds collected through billings of the replacement cost increment are maintained in a separate reserve account and may only be used to replace the assets to which they pertain.

GSA calculates and records its replacement reserve on an annual incremental basis whereby the amount recorded in any fiscal year represents only that portion of the total replacement cost pertaining to that fiscal year. This annual increment is amortized to expense in total during the course of the fiscal year in a manner which approximates the related recovery through interagency billings. Thus the amount capitalized for motor vehicles in the consolidated balance sheet at September 30, 1985, reflects only historical cost since the replacement cost increment has been fully amortized by the end of the fiscal year.

To the extent funds held for asset replacement cost are used to replace old assets, the amount thereof is transferred from the reserve for asset replacement cost to invested capital. As of September 30, 1985, all funds held for motor vehicle replacement cost were used for that purpose, therefore this reserve account shows no balance at September 30, 1985. The balance in the motor vehicle reserve account at September 30, 1984, was transferred to invested capital since GSA determined that these funds had previously been used for motor vehicle replacement.

Reserving funds collected through interagency billings for the asset replacement cost only applies to those assets specifically authorized for this purpose by Congress. Funds needed to replace other property and equipment must be obtained by other means, including appropriations and other Federal financing methods, as authorized by Congress.

7. **Employee Benefit Plans**
Substantially all of GSA's employees are covered by the Civil Service Retirement System, which is currently two-tiered. For employees hired prior to January 1, 1984, GSA withholds approximately 7 percent of their gross earnings. Their contribution is then matched by GSA and the sum is transferred to the Civil Service Retirement Fund, from which this employee group will receive retirement benefits. For employees hired on or after January 1, 1984, GSA withholds, in addition to social security withholdings, approximately 1.3 percent of their gross earnings, but matches such withholdings with a 7 percent contribution, as above. This second employee group will receive retirement benefits from the Civil Service Retirement System along with the Social Security System, to which they concurrently contribute.

Total GSA (employer) matching contributions to the Civil Service Retirement System for all employees were approximately $46,144,000 for the fiscal year ended September 30, 1985.

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.

8. **Invested Capital, Cumulative Results of Operations and Prior Period Adjustments**
Invested Capital represents U.S. Government resources invested in certain of GSA's 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 and when monies from the reserve for motor vehicle replacement are used to replace motor vehicles (see Note 6.)

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 includes the excess of revenues over expenses generated by business-type Funds 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 1985, various adjustments were made which represented corrections of errors in the consolidated financial statements of prior fiscal years. These adjustments related to recording the cost of buildings and 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 reimbursable repairs and alterations in process and stockpile accounts to reflect actual activity. The statement of revenue and expenses for fiscal year 1984 has been restated to reflect the 1984 impact of these prior period adjustments which increased the excess of revenues over expenses by $14,153,000. To the extent these adjustments affected fiscal years prior to 1984, the balance of Cumulative Results of Operations at October 1, 1983, the beginning of fiscal year 1984, has been restated.

Following is a summary of the activity in Invested Capital and Cumulative Results of Operations for fiscal years 1985 and 1984:

	1985		1984 (unaudited)	
(Dollars in Thousands)	**Invested Capital**	**Cumulative results of Operations**	**Invested Capital**	**Cumulative results of Operations**
Beginning balance-originally reported	$8,303,145	$276,154	$8,112,343	$(28,086)
Transfer of NARS (Note 1-A)			(1,625)	(6,518)
Inclusion of deposit funds, clearing accounts and special fund receipt accounts (Note 1-A)			104,027	180,366
Prior period adjustments				(13,231)
Reclassification of prior year reserve for motor vehicle replacement (Note 6)			66,900	
Beginning balance - restated	8,303,145	276,154	8,281,645	132,531
Excess of revenues over expenses		217,330		207,870
Congressional rescission (Note 11)		(34,683)		
Earning payable to U.S. Treasury		(2,830)		(64,247)
Transfer of funds to the Land and Water Conservation Fund (Note 1-G)		(220,000)		
Acquisition of property and equipment with appropriations	1,299		2,158	
Receipts from the Department of Energy (Note 19)	297,414			
Reclassification of current year reserve for motor vehicle replacement	39,000		37,000	
Disposal of surplus property book value			(16,156)	
Other, net	(6,894)		(1,502)	
Balance-end of year	$8,633,964	$235,971	$8,303,145	$276,154

9. **Committments and Contingencies**

In addition to future lease commitments discussed in Note 4, GSA is also committed under obligations it has incurred as of September 30, 1985, under which goods and services have been ordered but not yet received (i.e. undelivered orders). Aggregate undelivered orders for all GSA fund activities amounted to $ 1.27 billion at September 30, 1985.

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 1992.

Most building repair and alteration projects presently in process are on behalf of other Federal departments or agencies and any commitments arising thereunder are entirely financed by those departments or agencies under reimbursable agreements.

During 1984, an appeal was filed to the GSA Board of Contract Appeals in Denver alleging that GSA wrongfully terminated an agreement for construction and subsequent leasing of certain real property. Plaintiffs are seeking damages of $260 million which purportedly represent lost rental income, additional construction costs, and lost income from the eventual sale of the property. Legal counsel believes that the plaintiff's allegations are without merit and that the amount of damages stated in the complaint is excessive in relation to the terms of the original agreement.

GSA is also a defendant in a legal action filed in the Court of Claims, in which plaintiffs allege that construction delays and changes imposed by GSA and its subsequent misuse of rental property caused plaintiffs additional costs and they are seeking damages of $12,000,000.

Management and legal counsel believe GSA has substantial defenses for both of these matters and they intend to vigorously defend GSA in them.

In addition to these matters, 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, 1985, GSA recorded a provision of $6,000,000 for those pending legal matters for which, in the opinion of management and legal counsel, GSA is contingently liable.

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.

10. **Reconciliation to Budget Reports**

The Consolidated Statement of Reconciliation to Budget Reports, which has been included in the consolidated financial statements for the first time in fiscal year 1985, 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 $297,414,000 which was accounted for as a transfer of invested capital for financial reporting purposes, was subtracted since, for budgetary purposes, it was reported as an offsetting collection against outlays.

Outlays reported on this statement are net of reimbursements. For fiscal year 1985, reimbursements exceeded gross outlays.

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 (in thousands):

(Dollars in Thousands)	1985	1984 (unaudited)
Obligated Funds Balance	$969,575	$843,785
Unobligated Funds Balance	1,438,564	1,273,944
Total Funds with U.S. Treasury	$2,408,139	$2,117,729

11. Congressional Rescission

Pursuant to Public Law 99-88 (The Supplemental Appropriations Act of 1985), GSA transferred $37.5 million to the U.S. Treasury during fiscal 1985. For the general funds, appropriations were reduced by $2.8 million. Revolving fund transfers of $34.7 were recorded as a reduction to the appropriate cumulative results of operations accounts.

12. Accounts and Notes Receivable:

(Dollars in Thousands)	1985	1984 (unaudited)
Current:		
Accounts receivable-billed	$255,627	$333,063
Accounts receivable-unbilled	218,597	126,168
Allowance for doubtful accounts	(22,268)	(1,053)
	451,956	458,178
Notes receivable	7,071	8,029
Totals	$459,027	$466,207
Non-Current:		
Notes receivable from the sale of surplus real and related personal property. Interest rates range from 4.25 to 14.625 percent		
From individuals	$1,555	
From corporations	32,507	
From state and local governments	2,642	
	36,704	
Less: current portion	7,071	
Total	$29,633	

Annual maturities in thousands of dollars on notes receivable outstanding at September 30, 1985, are as follows: 1986, $7,071; 1987, $22,240; 1988, $1,239; 1989, $1,015; 1990, $998; 1991 and beyond, $4,141. Amounts relative to Notes Receivable at September 30, 1984 are not available.

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 prior collection experience, performed by program. As discussed in Note 3 during fiscal 1985, GSA began recording an allowance for doubtful Federal accounts receivable. Previously, the expense for uncollectible Federal accounts receivable was recognized only at the time collection efforts were terminated.

13. Property and Equipment Changes for Fiscal Year 1985

(Dollars in Thousands)	Cost	Accumulated Depreciation	Net Book Value
Balances Sept. 30, 1984 (unaudited):			
Land	$431,276	$—	$431,276
Buildings	4,428,379	1,217,693	3,210,686
Leasehold Improvements	9,677	7,572	2,105
Construction-in-Process	225,971	—	225,971
Telecommunications Equipment	39,626	12,658	26,968
ADP Equipment	84,916	84,353	563
Other Equipment	126,995	77,188	49,807
Motor Vehicles	658,377	323,208	335,169
Totals	$6,005,217	$1,722,672	$4,282,545
Acquisitions:			
Purchases	$368,665	$—	$368,665
Transfers In	35,760	7,054	28,706
Adjustments	4,385	6,993	(2,608)
Totals	$408,810	$14,047	$394,763
Disposals:			
Sales	$(109,292)	$(84,247)	$(25,045)
Transfers Out	(19,640)	(2,042)	(17,598)
Adjustments	(11,417)	(4,671)	(6,746)
Totals	$(140,349)	$(90,960)	$(49,389)
Replacement Cost Adjustment	$39,000	$39,000	$—
Annual Depreciation	$—	$244,519	$(244,519)
Balances Sept. 30, 1985:			
Land	$449,103	$—	$449,103
Buildings	4,492,548	1,373,829	3,118,719
Leasehold Improvements	9,767	7,612	2,155
Construction-in-Process	304,949	—	304,949
Telecommunications Equipment	76,498	25,162	51,336
ADP Equipment	84,911	84,279	632
Other Equipment	110,170	61,697	48,473
Motor Vehicles	784,732	376,699	408,033
Totals	$6,312,678	$1,929,278	$4,383,400

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.

14. Other Noncurrent Assets

(Dollars in Thousands)	1985	1984 (unaudited)
Artworks	$1,252	$1,008
Deferred Charges	20,299	20,091
Long-term Receivables	88	582
Surplus Property Held for Sale[1]	31,363	30,832
Idle Property and Equipment	7,303	24,480
Total	$60,305	$76,993

[1] The Surplus Property Held for Sale account balance reflects GSA initiatives to identify land and buildings not essential to the needs of the Federal government.

15. 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)	1985	1984 (unaudited)
General Supply Fund	$850	$55,807
Automatic Data Processing Fund	—	2,596
Federal Telecommunications Fund	—	4,344
Working Capital Fund	771	703
William Langer Jewel Bearing Plant Fund	1,209	797
Total	$2,830	$64,247

16. Cost of Sales

Cost of Sales reflects the value assigned to inventories sold during the period along with related costs incurred to acquire those goods and prepare them for sale.

Cost of Sales presented on the Statement of Revenues and Expenses is composed of charges for the following:

(Dollars in Thousands)	1985	1984 (unaudited)
General Supply Fund	$1,933,611	$1,544,013
National Defense Stockpile Transaction Fund	41,980	33,474
William Langer Jewel Bearing Plant Fund	2,532	2,671
Total Cost of Sales	$1,978,123	$1,580,158

17. Other Income

(Dollars in Millions)	1985	1984 (unaudited)
Gain on retirement of participation certificates held by the public	$2.2	$2.7
Consumer information services	3.8	3.4
Export program surcharges	30.6	32.6
Restored stockpile receipts	18.6	—
Furniture reclamation	2.1	1.7
Credit returns program	1.5	1.7
Working Capital Fund revenues from other agencies	11.8	11.9
Miscellaneous categories	31.4	9.1
Totals	$102.0	$63.1

18. 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 incur obligations at the time an order is placed, and the obligations are recorded in the Undelivered Orders Account and 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 appropriations which have not been obligated remain available to GSA to obligate in future periods through multi-year or other authority. 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 for up to three years to pay for claims against that particular fund year.

The following summarizes appropriated fund activities.

Analysis of Appropriated Funds
For the Fiscal Year Ended September 30, 1985

(Dollars in Thousands)	Appropriations	Undelivered Orders	Unobligated Balances
Ending Balances September 30, 1984		$ 59,265	$ 8,567
Less: NARS Totals		(20,607)	(5,075)
Beginning Balances October 1, 1984		38,658	3,492
1985 Appropriations	$398,952		
Less: Appropriations to Business-Type Entities			
Federal Buildings Fund	(348)		
Consumer Information Center	(1,149)		
Operating Appropriations Current Year (Net)	397,455		
Expenses against 1985 Appropriations:			
Accrued	356,581		
Obligated not Accrued	29,580	29,580	
Obligated	386,161		
Unobligated 1985 Appropriations	$11,294		11,294
Expenses against Prior Appropriations	$24,264	(23,305)	(960)
Balances to be Reverted to Treasury			(10,910)
Ending Balance September 30, 1985		$ 44,933	$ 2,916

Reconciliation of Expenses	Accrued Expenses
Accrued expenses	
1985 Appropriations	$356,581
Less Capital Purchases	(1,299)
Depreciation	191
Prior Appropriations	24,264
Subtotal	379,737
Expenses Reimbursed	56,010
Subtotal	435,747
Revolving Funds Expenses	5,709,988
Total Expenses	6,145,735
Intra-GSA Eliminations	(209,342)
Total Expenses per Statement of Revenues and Expenses	$5,936,393

19. 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 financial information thereon 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 the 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 five funds listed in Note 15. The other four are specifically authorized by law to keep such earnings.

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.

The FBF also is subject to annual appropriation by the Congress and apportionment by the Office of Management and Budget.

During 1985, FBF recorded additional expenses comprised of a cumulative effect on prior years of $59.2 million and a current year effect of $1.2 million relating to the charge off of accounts receivable deemed uncollectible and to recording a reserve for certain other delinquent accounts, pursuant to the adoption of a new accounting principle discussed in Note 3. In addition, FBF recorded an expense of $6 million for contingent liabilities arising out of certain legal matters.

The excess of revenues over expenses for the current fiscal year was derived from direct operations, $103.0 million; reimbursable operations, $7.7 million; and other activity, $3.5 million.

General Supply Fund

The General Supply Fund (GSF) finances the following operations of the Federal Supply Service (FSS): (1) supplies, (2) motor vehicles, and (3) administrative equipment.

The excess of revenues over expenses from program operations for fiscal 1985 of $50.7 million, was provided mainly by Supply Operations, $38.2 million, of which $37.3 million was generated in the depot area. Additional charges from a change in accounting principle (Note 3) and non-recurring costs arising from a writeoff of assets reduced the 1985 excess of revenues over expenses by $18.9 million to $31.8 million.

The GSF will be allowed to retain as permanent equity $6 million of the earnings generated in fiscal 1985. This amount represents additional funds needed by FSS to maintain current inventory levels as a result of inflation.

Automatic Data Processing Fund

The Automatic Data Processing (ADP) Fund is a revolving fund which finances, on a reimbursable basis, ADP services provided through two major programs. These programs are the Equipment Lease Program and the Data Processing Programs. The Data Processing Programs include Contract Services, Federal Data Processing Centers, and Multiple Award Schedule Contracts (time-sharing and personal computers).

The ADP Fund's revenues increased by $48 million over the last fiscal year. This was due almost entirely to greater utilization of the Contract Services Program by customers. However, the fund had a deficiency of revenues over expenses of $2.1 million for fiscal 1985. A factor leading to this deficiency was the charge off of and reserve against delinquent accounts receivable of approximately $2.5 million. These actions were taken pursuant to the adoption of a new accounting principle as discussed in Note 3.

Federal Telecommunications Fund

The Federal Telecommunications Fund (FTF) finances, on a reimbursable basis, a telecommunications system for the Federal Government. The services provided are contained in four major programs: Voice, Data, Circuit Procurement, and Special Programs. The two major subprograms of the Voice Program, i.e., Local Service and Intercity Service comprise 32 percent and 63 percent respectively, of the FTF's activity.

The FTF ended fiscal 1985 with a deficiency of revenues over expenses of $13 million. Of the $13 million deficiency, approximately $3.3 million resulted from write-offs of prior years' accounts receivable balances that were determined to be uncollectible or unbillable. The Voice Program had a deficiency of $9.4 million, caused by losses in the Local Service and in the Intercity Service. The Local Service's rate setting responsibility is being centralized in 1986 to ensure a more timely recovery of expenses. A deficiency of $1.9 million in the Data Program was directly attributed to write-offs of delinquent accounts receivables in the Advanced Record System. This system was discontinued at GSA during fiscal 1984.

Other deficiencies totalling $1.7 million occurred in the Special Programs, the largest component being write-offs of accounts receivables in the Federal Disaster Assistance Program.

Consumer Information Center Fund

The Consumer Information Center (CIC) provides to the public 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. The CIC also coordinates distribution, with the Government Printing Office, of free Federal consumer publications from a central distribution facility in Pueblo, Colorado.

The Consumer Information Center Fund provides financing for the operation of the CIC. Its revenues consist of annual appropriations of $1,149 thousand for fiscal 1985, and $1,348 thousand for fiscal 1984, charges to other Federal agencies for distribution of their publications, and user fees charged the Public.

A 23 percent increase in the demand for publications occurred in fiscal 1985, but revenues did not keep pace with expenses due largely to a shift in consumer buying habits. A trend was evident toward order quantities that had "bargain" user charges and this contributed to the deficiency of revenues over expenses of $13 thousand.

During fiscal 1985, $159 thousand of collections from Federal agencies were found to be overpayments, so the previously stated fiscal 1984 net income of $574 thousand was revised to $415 thousand.

Working Capital Fund

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

The excess of revenues over expenses decreased 20% to $1.25 million in 1985. Of this excess, $470 thousand was transferred to the Provision for Equipment Costs and $771 thousand was established as a payable to the U.S. Treasury.

William Langer Jewel Bearing Plant Fund

GSA contracts 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 sub-contractors from whom revenues are obtained. The excess of revenues over expenses decreased by $178 thousand in fiscal year 1985, principally due to a decrease in sales volume.

National Defense Stockpile Transaction Fund

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

Stockpile acquisitions are made in accordance with amounts authorized by Congress and in conformity to an Annual Materials Plan initiated by the Federal Emergency Management Agency (FEMA) and GSA. In its continuing resolution for fiscal year 1985, Congress authorized that $185 million may be obligated from amounts in the fund for the purpose of acquiring additional Stockpile materials. This amount, along with amounts previously appropriated, remain available until expended.

Obligation of existing budget authority was voluntarily halted during fiscal year 1985 although the fund had sufficient receipts available to accomplish the acquisition of goal materials. The General Accounting Office has determined that the decision to refrain from making these acquisitions constitute a deferral of budget authority reportable to Congress pursuant to the Impoundment Control Act of 1974. This deferral was reported to Congress by the Comptroller General on June 24, 1985.

Stockpile inventories are carried at acquisition cost. Related operating costs (storeage, inspection, protection, etc.) are provided for under a separate appropriation.

The excess of revenues over expenses for fiscal 1985 was $40.2 million, up $10.2 million over the adjusted fiscal 1984 total. Expense for fiscal 1984 was reduced as $19.4 million in transportation costs were reclassified as deferred charges. This $19.4 million is includable as a proper charge to the National Defense Stockpile account upon receipt of title to the materials.

Funds with U.S. Treasury were augmented in fiscal 1985 by a transfer of $297.4 million of petroleum receipts from the Department of Energy in accordance with Public Law 98-525.

Selected Financial Information by Major Revolving Fund Activity
(Dollars in Thousands)

1985	Federal Buildings Fund	General Supply Fund	Automatic Data Processing Fund	Federal Telecommunications Fund	National Defense Stockpile Transaction Fund	Others[1]	Totals
Revenues[2]	$2,608,624	$2,342,712	$217,439	$665,281	$91,440	$29,114	$5,954,610
Excess (Deficiency) of Revenues over Expenses	114,179	31,792	(2,076)	(13,030)	40,230	1,691	172,786
Depreciation and Amortization	150,776	124,572	(69)	8,280	—	277	283,836
Assets	5,741,609	1,112,472	93,824	197,432	4,109,353	19,056	11,273,746
Capital Expenditures	148,524	181,367	4	36,882	—	650	367,427
1984							
Revenues[2]	$2,259,481	$1,903,623	$169,406	$692,632	$63,503	$27,743	$5,116,388
Excess (Deficiency) of Revenues over Expenses	9,672	59,145	2,596	4,344	30,030	2,577	108,364
Depreciation and Amortization	140,483	114,077	385	3,124	—	231	258,300
Assets	5,531,330	1,071,826	76,758	173,902	3,766,583	17,843	10,638,242
Capital Expenditures	177,878	173,008	238	13,253	—	335	364,712

[1] Includes the following: Working Capital Fund, Consumer Information Center Fund, William Langer Jewel Bearing Fund, and the Virgin Islands Corporation Liquidation Fund.

[2] Prior to intra-GSA eliminations.

Supplemental Schedules

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 22 general fund accounts, of which only 9 are funded by current year appropriations. The remaining 13 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 19 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.

Commencing with fiscal 1985, the Schedule of Reconciliation to Budget Reports by Fund Type is included in the supplemental schedules.

U.S. General Services Administration

Schedule of Revenues and Expenses by Fund Type

For the Fiscal Year Ended September 30, 1985
(Dollars in Thousands)

	General Funds	Special Funds	Revolving Funds	Intra-GSA Eliminations	Totals
Revenues:					
Operating:					
Building Rents and Services	$ —	$ —	$2,605,128	$73,673	$2,531,455
Sale of Supplies	—	—	2,011,002	41,977	1,969,025
Telecommunications Services	—	—	665,281	23,891	641,390
Data Processing Services	—	—	217,439	7,370	210,069
Motor Vehicle Services	—	—	264,183	6,624	257,559
Stockpile Sales	—	—	72,782	—	72,782
Reimbursements	56,010	—	—	38,964	17,046
Proprietary Receipts	—	44,544	—	—	44,544
Other	—	—	118,795	16,843	101,952
Total Operating Revenues	56,010	44,544	5,954,610	209,342	5,845,822
Appropriations Expended	377,577	2,160	—	—	379,737
Total Revenues	433,587	46,704	5,954,610	209,342	6,225,559
Expenses:					
Cost of Sales	—	—	2,020,100	41,977	1,978,123
Personnel Salaries and Benefits	278,839	—	499,272	—	778,111
Rent	60,803	—	783,499	73,673	770,629
Telecommunications	—	—	625,012	23,891	601,121
Data Processing	—	—	204,061	7,370	196,691
Contracted Services	71,541	1,959	687,371	45,340	715,531
Depreciation and Amortization	191	—	283,836	—	284,027
Utilities	—	—	249,209	—	249,209
Operating Supplies	10,083	—	155,203	—	165,286
Interest	—	—	123,028	—	123,028
Real Estate Taxes	—	—	21,198	—	21,198
Travel and Transportation	4,748	—	14,556	6,624	12,680
Miscellaneous	7,382	201	43,643	10,467	40,759
Total Expenses	433,587	2,160	5,709,988	209,342	5,936,393
Excess of Revenues Over Expenses Before the Cumulative Effect of Changes in Accounting Principles	—	44,544	244,622	—	289,166
Cumulative Effect on Prior Years of Changes in Accounting Principles	—	—	(71,836)	—	(71,836)
Excess of Revenues Over Expenses	$ —	$44,544	$ 172,786	$ —	$ 217,330

U.S. General Services Administration

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

As of September 30, 1985
(Dollars in Thousands)

Assets:	General Funds	Special Funds	Revolving Funds	Deposit Funds	Totals
Current Assets:					
Funds with U.S. Treasury	$ 60,665	$61,032	$ 2,205,641	$80,801	$ 2,408,139
Accounts Receivable:					
From Other Federal Agencies	14,219	—	425,896	—	440,115
From Individuals	—	—	4,522	—	4,522
From Corporations	3,612	913	2,794	—	7,319
Notes Receivable	3,527	3,544	—	—	7,071
Inventories:					
Operating Supplies	68	—	7,782	—	7,850
For Sale to Federal Agencies	—	—	236,618	—	236,618
For Sale to the Public	—	—	1,262	—	1,262
Reimbursable Repairs and Alterations in Process	—	—	337,824	—	337,824
Advances:					
To Other Federal Agencies	—	—	994	—	994
To the Public	970	—	1,767	—	2,737
Prepaid Expenses	7,114	—	5,883	653	13,650
Total Current Assets	90,175	65,489	3,230,983	81,454	3,468,101
Property and Equipment:					
Buildings	—	—	4,492,548	—	4,492,548
Leasehold Improvements	—	—	9,767	—	9,767
Telecommunications Equipment	—	—	76,498	—	76,498
Automated Data Processing Equipment	—	—	84,911	—	84,911
Motor Vehicles	—	—	784,732	—	784,732
Other Equipment	9,194	—	100,976	—	110,170
Less: Accumulated Depreciation and Amortization	(1,268)	—	(1,928,010)	—	(1,929,278)
	7,926	—	3,621,422	—	3,629,348
Land	—	—	449,103	—	449,103
Construction in Process	—	—	304,949	—	304,949
Total Property and Equipment	7,926	—	4,375,474	—	4,383,400
Other Assets:					
National Defense Stockpile	—	—	3,640,062	—	3,640,062
Defense Production Act Stockpile	56,932	—	—	—	56,932
Notes Receivable	937	28,696	—	—	29,633
Other Noncurrent Assets	33,078	—	27,227	—	60,305
Total Other Assets	90,947	28,696	3,667,289	—	3,786,932
Total Assets	$189,048	$94,185	$11,273,746	$81,454	$11,638,433

Liabilities:	General Funds	Special Funds	Revolving Funds	Deposit Funds	Totals
Current Liabilities:					
Accounts Payable:					
To Other Federal Agencies	$ 18,736	$ —	$ 29,226	$ —	$ 47,962
To the Public	23,095	89	659,070	—	682,254
Earnings Payable to U.S. Treasury	—	—	2,830	—	2,830
Deposit Fund Liability	—	—	—	71,453	71,453
Advances:					
From Other Federal Agencies	15	—	201,824	—	201,839
From the Public	—	81	4,788	—	4,869
Deferred Revenue	540	30	514,816	—	515,386
Total Current Liabilities	42,386	200	1,412,554	71,453	1,526,593
Long-term Liabilities:					
Annual Leave Liability	19,246	—	31,348	—	50,594
Purchase Contract Debt	—	—	1,087,056	—	1,087,056
Obligations under Capital Leases	—	—	41,925	—	41,925
Other Long-term Liabilities	937	—	10,316	—	11,253
Total Long-term Liabilities	20,183	—	1,170,645	—	1,190,828
Total Liabilities	62,569	200	2,583,199	71,453	2,717,421
Equity of U.S. Government:					
Invested Capital	98,936	—	8,535,028	—	8,633,964
Cumulative Results of Operations	(19,246)	92,925	152,291	10,001	235,971
Unexpended Appropriations:					
Unobligated Balances	2,658	258	—	—	2,916
Undelivered Orders	44,131	802	—	—	44,933
Reserve for Asset Replacement Cost	—	—	3,228	—	3,228
Total Equity of U.S. Government	126,479	93,985	8,690,547	10,001	8,921,012
Total Liabilities and Equity of U.S. Government	$189,048	$94,185	$11,273,746	$81,454	$11,638,433

U.S. General Services Administration

Schedule of Changes in Financial Position by Fund Type

For the Fiscal Year Ended September 30, 1985
(Dollars in Thousands)

Source of Funds:	General Funds	Special Funds	Revolving Funds	Deposit Funds	Totals
Operations:					
Excess of Revenues Over Expenses Before the Cumulative Effect of Changes in Accounting Principles	$ —	$44,544	$ 244,622	$ —	$ 289,166
Items Not Affecting Funds:					
Depreciation and Amortization	191	—	244,328	—	244,519
Capital Replacement Cost Expense	—	—	39,000	—	39,000
Amortization of Participation Certificate Discount	—	—	146	—	146
Accrued Annual Leave Expense	—	—	303	—	303
Adjustments and Writeoff of Capital Assets	8	—	9,861	—	9,869
Sales with Deferred Collections	—	—	—	—	—
Gain on Retirement of Participation Certificates	—	—	(2,174)	—	(2,174)
Other	—	—	2,097	—	2,097
Total Funds Provided by Operations Before the Cumulative Effect of Changes in Accounting Principles	199	44,544	538,183	—	582,926
Cumulative Effect on Prior Years of Changes in Accounting Principles	—	—	(71,836)	—	(71,836)
Total Funds Provided by Operations	199	44,544	466,347	—	511,090
Disposition of Stockpile, book value	—	—	41,980	—	41,980
Disposition of Property and Equipment, book value	—	—	25,045	—	25,045
Capitalized Lease Obligations	—	—	69,746	—	69,746
Reduction in Non-Current Receivables	6,608	9,104	494	—	16,206
Increase in Other Long-Term Liabilities	(6,608)	—	8,366	—	1,758
Increase in Unexpended Appropriations	6,244	(543)	—	—	5,701
Additional Appropriated Capital:					
Appropriated Funds	1,099	—	—	—	1,099
Revolving Funds	—	—	348	—	348
Receipts Transferred In	—	—	297,414	—	297,414
*Decrease in Working Capital Items	(6,226)	4,243	134,587	15,557	148,161
Total Source of Funds	$1,316	$57,348	$1,044,327	$15,557	$1,118,548

Application of Funds:	General Funds	Special Funds	Revolving Funds	Deposit Funds	Totals
Purchases of Property and Equipment:					
Land	$ —	$ —	$ 27,019	$ —	$ 27,019
Buildings	—	—	16,852	—	16,852
Leasehold Improvements	—	—	116	—	116
Construction in Process	—	—	103,583	—	103,583
Telecommunications Equipment	—	—	36,882	—	36,882
ADP Equipment	—	—	4	—	4
Motor Vehicles	—	—	172,596	—	172,596
Other Equipment	1,238	—	10,375	—	11,613
Total Purchases of Property and Equipment	1,238	—	367,427	—	368,665
Purchases of Stockpile	—	—	143,763	—	143,763
Reduction of Purchase Contract Debt	—	—	18,717	—	18,717
Reduction of Obligations under Capital Leases	—	—	37,983	—	37,983
Increase in Deferred Charges	—	—	208	—	208
Receipts Transferred Out	—	230,000	—	(10,000)	220,000
Receipts Appropriated	—	1,091	—	—	1,091
Congressional Rescissions	—	—	34,683	—	34,683
Earnings Payable to U.S. Treasury	—	—	2,830	—	2,830
Other	—	2	196	—	198
Total Application of Funds	1,238	231,093	605,807	(10,000)	828,138
Funds with U.S. Treasury:					
Net Increase	78	(173,745)	438,520	25,557	290,410
Beginning Balance	60,587	234,777	1,767,121	55,244	2,117,729
Ending Balance	$60,665	$61,032	$2,205,641	$ 80,801	$2,408,139
*Analysis of Working Capital Items: (Excluding Funds with U.S. Treasury)					
Accounts Receivable	6,948	(1,904)	(11,266)	—	(6,222)
Notes Receivable	1,255	(2,213)	—	—	(958)
Inventories	60	—	(7,733)	—	(7,673)
Advances to Others	21	—	620	—	641
Prepaid Expenses	(235)	(176)	731	(4,466)	(4,146)
Accounts Payable	(1,824)	134	(58,970)	—	(60,660)
Earnings Payable to U.S. Treasury	—	—	61,417	—	61,417
Deposit Fund Liability	—	—	—	(11,091)	(11,091)
Advances from Others	—	(81)	1,960	—	1,879
Deferred Revenue	1	(3)	(121,346)	—	(121,348)
Net Increase (Decrease) in Working Capital Items	$ 6,226	$(4,243)	$ (134,587)	$(15,557)	$ (148,161)

U.S. General Services Administration

Schedule of Reconciliation to Budget Reports by Fund Type

For the Fiscal Year Ended September 30, 1985
(Dollars in Thousands)

	General Funds	Special Funds	Revolving Funds	Deposit Funds	Totals
Increases (Decreases) to Outlays:					
Excess of Revenues Over Expenses	$ —	$(44,544)	$(172,786)	$—	$(217,330)
Adjustments for:					
Increase (Decrease) in Assets	5,620	(13,396)	165,308	(4,466)	153,066
(Increase) Decrease in Liabilities	3,169	50	(200,216)	(11,091)	(208,088)
Appropriations Expended	377,577	2,160	—	—	379,737
Donations/Nonreciprocal Transfers	(1,515)	10,000	10,208	(10,000)	8,693
Asset Replacement Cost Amortization	—	—	(39,000)	—	(39,000)
Funds Transactions (included) excluded in Outlays	(3,386)	(15,320)	(297,414)	25,557	(290,563)
Outlays (Excess of Reimbursements over Gross Expenditures)	$381,465	$(61,050)	$(533,900)	$—	$(213,485)
Relation of Obligations to Outlays:					
Obligations Incurred	$442,276	$ 2,113	$6,021,156	$—	$6,465,545
Offsetting Collections	(56,010)	(63,503)	(6,362,080)	—	(6,481,593)
Obligations Incurred, Net	386,266	(61,390)	(340,924)	—	(16,048)
Obligated Funds Balance–beginning of year	44,915	1,231	797,639	—	843,785
Less:					
Obligated Funds Balance–end of year	(48,793)	(891)	(919,891)	—	(969,575)
Adjustments in Unexpired Accounts	(923)	—	(70,724)	—	(71,647)
Outlays (Excess of Reimbursements over Gross Expenditures)	$381,465	$(61,050)	$(533,900)	$—	$(213,485)

Requests for copies of GAO reports should be sent to:

U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are $2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.