Minnesota Society of Certified Public Accountants

1650 West 82nd Street, Ste 600
Bloomington MN 55431
Ph: 952-831-2707 Fax: 952-831-7875
www.mncpa.org

The financial report of the United States government

Why it matters

By Michael Doorley, CPA

May 13, 2026

Every year, the federal government produces one of the largest and most comprehensive financial reports in the world. Yet most Americans — and even many financial professionals, including CPAs — have never heard of it.

The Financial Report of the United States Government is the federal government's annual audited financial report. It is structured like a public company's annual report. Produced by the U.S. Department of the Treasury in coordination with the Office of Management and Budget (OMB), the report presents the government's financial position using accrual-based accounting principles that are familiar to CPAs. The report for fiscal year (FY) 2025 was issued on March 19.

While public discussion about federal finances typically focuses on the annual budget deficit and the national debt, the financial report provides a broader picture of the government's overall financial condition, including long-term obligations and future commitments.

A long history of federal financial reporting

The idea that the federal government should publicly report its finances dates back to the founding of the country.

Article I, Section 9, Clause 7 of the U.S. Constitution requires that a "Statement and Account" of public receipts and expenditures be published from time to time. For much of American history, this requirement was met through relatively simple cash-based reporting that focused mainly on how much money the government collected and spent during the year.

As the federal government expanded during the 20th century — particularly after World War II — its finances became far larger and more complex. Programs such as Social Security, Medicare, federal retirement systems and veterans' benefits created long-term obligations that were not fully reflected in annual cash-based budget numbers.

In response, and after many decades of discussion, Congress passed the Chief Financial Officers Act of 1990, which required the federal government to begin producing audited financial statements on the accrual basis of accounting, similar to those used in the private sector.

Today, the report includes consolidated financial statements, notes, management discussion and analysis, and an independent audit report issued by the Government Accountability Office (GAO).

The difference between the deficit and the bottom line

One reason the financial report should attract attention from CPAs and others is that it presents federal finances differently from the annual budget process.

Most public discussion centers on the federal budget deficit, which is largely calculated using the cash basis of accounting. It discloses how much money the government collected versus how much it spent during the fiscal year.

The financial report, however, presents a measure called *net operating cost*. This is an accrual-based figure, akin to net income, that attempts to capture the full cost of government operations during the year, including changes in long-term liabilities and obligations that may not yet require immediate cash payments. Net operating cost is defined in the report as the government's bottom line.

For FY 2025:

- The budget deficit was approximately $1.8 trillion.
- Net operating cost was approximately $2.1 trillion (before the reversal of the 2025 tariffs that were declared illegal by the U.S. Supreme Court).

The gap between these measures can sometimes become much larger. For example, in FY 2022, the budget deficit was approximately $1.4 trillion, while net operating cost was approximately $4.2 trillion — a 200% increase.

For CPAs, the distinction is straightforward. Cash-based measures are useful for understanding annual financing needs, while accrual-based measures are designed to provide a broader view of financial performance and obligations.

A broader look at financial condition

The financial report also includes a governmentwide balance sheet.

For fiscal year 2025, the report showed:

- About $6 trillion in assets (exclusive of Heritage and Stewardship assets)
- About $48 trillion in liabilities
- A net position of approximately negative $42 trillion

These liabilities include Treasury debt held by the public, along with obligations for federal employee pensions, veterans' benefits and other commitments already earned but scheduled to be paid in future years.

The report also includes long-term projections related to Social Security and Medicare. Over a 75-year period, the estimated present value shortfall for these programs was reported at approximately $88 trillion.

Although these long-range projections are not recorded as liabilities under federal accounting rules, they are included to help readers understand future fiscal pressures and sustainability challenges. The report repeatedly warns that the government's fiscal trajectory is unsustainable.

Ongoing audit challenges

Since audits began for FY 1997, the GAO has issued a disclaimer of opinion on the consolidated statements every year.

The reasons include, among others, longstanding material weaknesses in internal control over financial reporting, other scope limitations and financial management challenges at several agencies, particularly the Department of Defense — the largest holder of government assets.

At the same time, many individual federal agencies receive clean audit opinions on their own financial statements. The challenge largely exists at the governmentwide consolidation level.

Why CPAs may find the report important

An interesting aspect of the financial report, as one of the federal government's most comprehensive financial documents, is how little attention it receives relative to its size and significance.

For professionals, the financial report offers a different, but complementary, lens through which to evaluate federal financial condition. It applies many of the same concepts familiar in corporate accounting — accrual recognition, long-term liabilities, financial statement analysis and sustainability disclosures — to one of the world's largest and most complex organizations. CPAs are well positioned to explain this report to others.

Michael Doorley, CPA, was a former public accounting auditor, and a 35-year financial services executive serving in CFO, CAO, COO and board positions. He founded usdebtforum.com, which seeks to educate others on the financial position and condition of the U.S. government and the U.S. national debt. You may reach him at mikedoorley@gmail.com.