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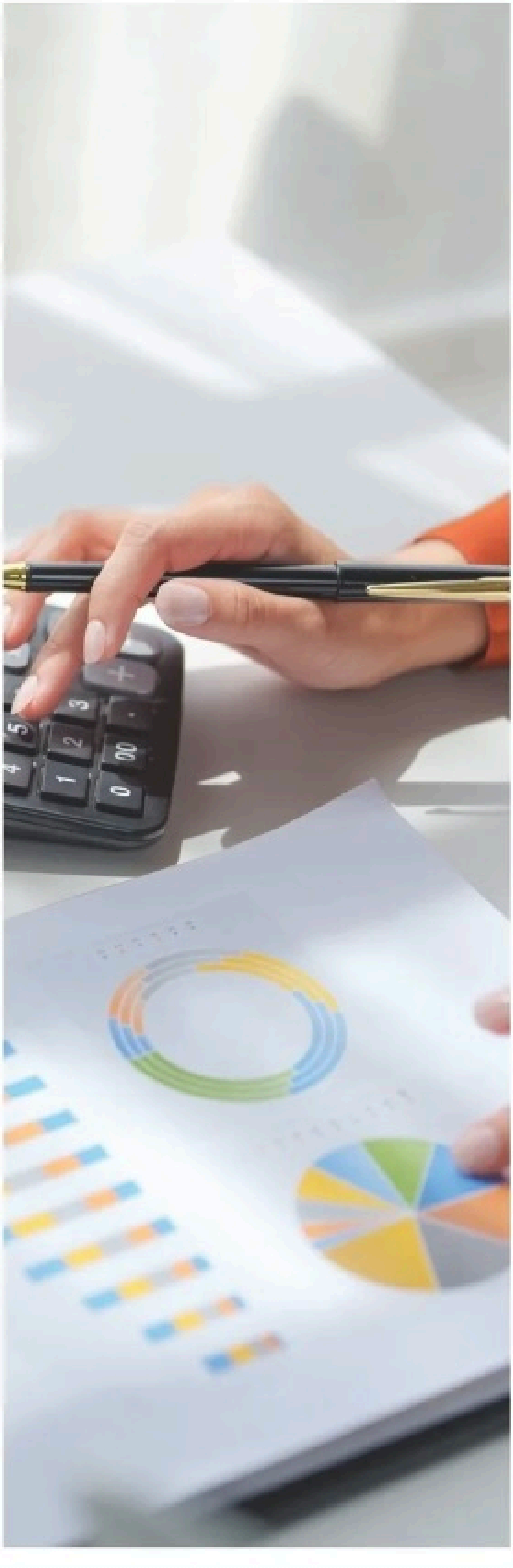
ONE OF THE BEST KEPT SECRETS IN AMERICA: Why Tennessee CPAs Should Pay Attention to the Financial Report of the United States Government



Jim Cooper's Warning About America's Most Comprehensive Financial Report

In March 2011, Congressman Jim Cooper (D-TN-5) called the Financial Report of the United State Government "a more important look at the federal government than probably any other document," yet "one of the best kept secrets" at a hearing with the Oversight and Government Reform Subcommittee on Government Organization, Efficiency and Financial Management.

More than a decade later, his comment remains remarkably relevant.

The Department of the Treasury and Office of Management and Budget annually produce a comprehensive, accrual-based financial statements for the federal government, including a balance sheet, operations statements, management discussion and analysis, and an independent Government Accountability Office (GAO) audit.

Despite its importance, the report receives little media attention and remains largely absent from public discourse. Most Americans—and even many CPAs—have never read it or heard it discussed.

Cooper believed the report deserved more attention because it highlights the need to understand the government's full financial position, not just annual cash deficits. This matters to Tennessee CPAs, as the report uses accounting concepts familiar from corporate, nonprofit, and government reporting.

The 2025 Financial Report, released March 19, 2026, offers CPAs a detailed portrait of the government's operations, obligations, and long-term fiscal condition.

A Constitutional Foundation

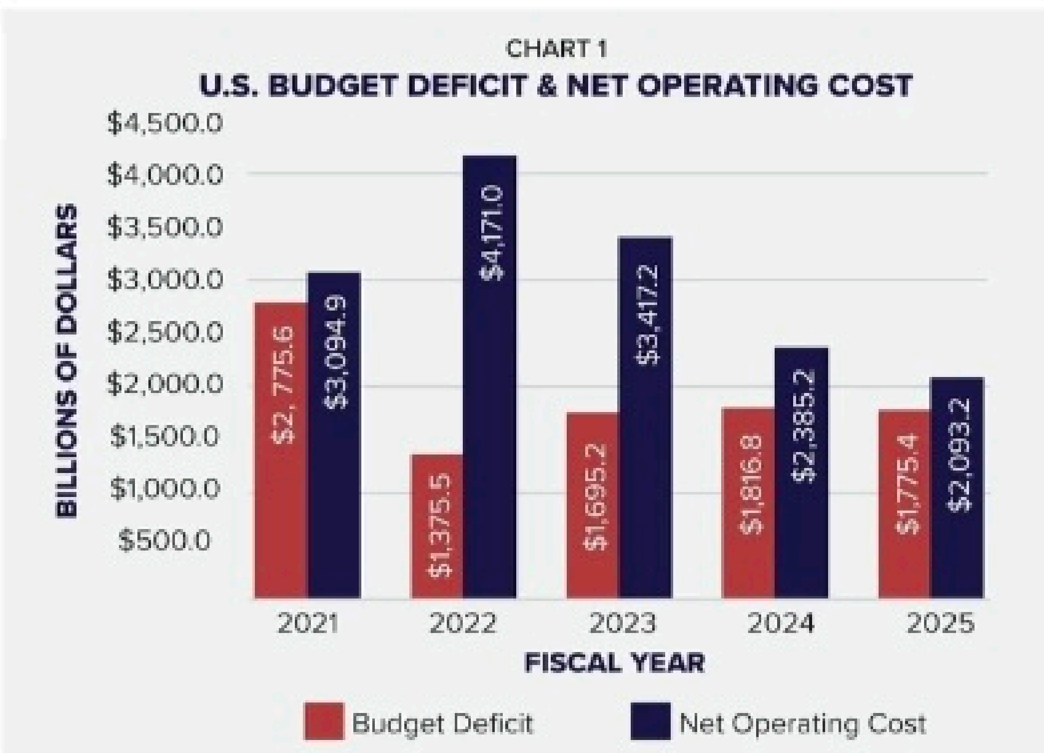
Federal financial reporting traces its roots directly to the U.S. Constitution. Article I, Section 9, Clause 7 stating:

"A regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time."

This constitutional requirement was fulfilled through cash-based reporting, disclosed money collected and spent, and resulting surplus or deficit. As the federal government expanded, programs like Social Security, Medicare, pensions, and veterans' benefits created long-term obligations not reflected in annual cash-based budgets. Policymakers and accountants saw the need for more comprehensive reporting.

The CFO Act and the Push for Modern Financial Reporting
After decades of discussion, the Chief Financial Officers Act of 1990 passed, which modernized federal financial management and established a framework for audited financial reporting throughout the federal government. The Act required federal agencies to prepare audited financial statements and elevated the role of financial management across major government agencies. It represented a significant move toward accrual-based accounting at the federal level.

One individual closely associated with these reforms was former Congressman Joseph J. DioGuardi, the first practicing CPA elected to the U.S. House of Representatives. He became a strong advocate for improved governmental financial accountability and frequently argued that the federal government should be held to reporting standards like those expected in the private sector. His efforts helped build momentum for reforms that ultimately contributed to the CFO Act and the development of audited, accrual-based federal financial statements.
Today, federal accounting standards are established by the Federal Accounting Standards Advisory Board (FASAB), which the AICPA recognizes as the body responsible for setting generally accepted accounting principles for federal entities.



Two Different Measures of Financial Performance
The Financial Report receives less attention than the annual budget because it measures performance differently. Public discussion focuses on the annual, cash-based budget deficit, showing spending versus receipts. The Financial Report also presents Net Operating Cost—an accrual-based "bottom line" capturing full costs, including changes in long-term liabilities. For 2025, the budget deficit was about $1.8 trillion, while Net Operating Cost was $2.1 trillion. In 2022, the deficit was $1.4 trillion, but Net Operating Cost reached $4.2 trillion—a 200% increase. These differences reflect accrual accounting's recognition of obligations not yet paid, such as pensions and veterans' benefits.

Those differences arise because accrual accounting captures obligations and economic costs that may not yet involve immediate cash payments, including pension liabilities, veterans' benefits obligations, actuarial changes, and other long-term commitments.

For CPAs, the distinction is familiar, but both perspectives matter. Cash-based measures are important for understanding financing needs and liquidity. Accrual-based measures provide a broader view of financial performance and obligations incurred during the reporting period.

The Federal Government's Balance Sheet
The Financial Report also includes a government-wide balance sheet that rarely enters broader public discussion.
For fiscal year 2025, the federal government reported approximately:

- Six trillion dollars in assets (exclusive of Stewardship and Heritage assets),
- Forty-eight trillion dollars in liabilities (exclusive of long-term commitments)
- Negative net position of approximately $42 trillion.

In 2025, the government reported $6 trillion in assets and $48 trillion in liabilities, for a negative net position of $42 trillion. Liabilities include Treasury debt and retirement obligations. The report also projects an $88 trillion shortfall for Social Security and Medicare over 75 years, highlighting long-term fiscal challenges.

The report repeatedly warns that the federal government remains on an "unsustainable fiscal trajectory." Regardless of political perspective, these disclosures represent financial information prepared in accordance with established accounting principles and subject to audit procedures.

The Continuing Audit Challenge
The Financial Report is audited annually by the GAO. Since 1997, the GAO has issued a disclaimer of opinion every year, meaning it cannot express an opinion due to insufficient evidence. Several causes include material weaknesses in internal control, uncertainties related to the achievement of projected reductions in Medicare growth, the government's inability to determine properties held by the Department of Defense and to estimate the value of loans receivable and loan guarantees, notably those at the Small Business Administration. Many agencies receive clean audit opinions individually; most issues arise in the DoD, SBA, and during consolidation, reflecting the complexity of auditing such a large entity.

Why Tennessee CPAs Should Care

The Financial Report is not simply a federal accounting exercise. Its implications extend to businesses, governments, nonprofits, healthcare organizations, financial institutions, and taxpayers throughout Tennessee. Federal fiscal conditions influence interest rates, inflation, taxation, healthcare funding, infrastructure investment, and broader economic growth.

Tennessee's economy—including healthcare in Nashville, logistics in Memphis, manufacturing across the state, and rapidly growing technology sectors—is affected by federal fiscal policy and long-term economic conditions. CPAs advising businesses, lenders, investors, and governmental entities benefit from understanding those broader financial pressures.

EXECUTIVE SUMMARY TO THE FY 2025 FINANCIAL REPORT OF THE U.S. GOVERNMENT

NATION BY THE NUMBERS

A Snapshot of The Government's Financial Position & Condition

Financial Measures (Dollars in Billions):

	2025	2024*
Net Cost:		
Gross Costs	(8,071.4)	(7,750.2)
Less: Earned Revenue	752.2	670.7
Gain/(Loss) from Changes in Assumptions	(18.6)	283.6
Total Net Cost	$(7,337.8)	$(7,363.1)
Less: Total Tax and Other Unearned Revenues	$5,244.6	$4,977.9
Net Operating Cost	(2,093.2)	(2,385.2)
Budget Deficit	$(1,775.4)	$(1,816.8)
Assets, comprised of:		
Cash and Other Monetary Assets	1,187.7	1,177.7
Inventory and Related Property, Net	504.2	479.9
Loans Receivable, Net	2,002.5	1,751.0
Property, Plant, and Equipment, Net	1,400.3	1,302.1
Other	960.7	973.1
Total Assets	$6,055.4	$5,683.8
Less: Liabilities, comprised of:		
Federal Debt and Interest Payable	(30,334.1)	(28,338.9)
Federal Employee and Veteran Benefits Payable	(15,472.2)	(15,033.4)
Other	(1,972.5)	(1,960.8)
Total Liabilities	$(47,778.8)	$(45,333.1)
Net Position[1]	$(41,723.4)	$(39,649.3)
Sustainability Measures (Dollars in Trillions):		
Social Insurance Net Expenditures[2]	$(88.4)	$(78.3)
Total Federal Non-Interest Net Expenditures	$(79.6)	$(72.7)
Sustainability Measures as Percent GDP:		
Social Insurance Net Expenditures[2]	(4.6%)	(4.2%)
Total Federal Non-Interest Net Expenditures	(3.9%)	(3.6%)
Fiscal Gap[3]	(4.7%)	(4.3%)

1 The government's net position is calculated in accordance with federal accounting standards. Per these standards, net position does not include the financial value of the government's sovereign power to tax, regulate commerce, or set monetary policy, or the value of nonoperational resources, such as national and natural resources, for which the government is a steward.

2 Pursuant to federal accounting standards, for SOSI reporting, the federal government's social insurance programs include Social Security, Medicare Parts A, B, and D, DOL's Black Lung program, and the RRB.

3 To prevent the debt-to-GDP ratio from rising over the next 75 years, a combination of non-interest spending reductions and receipt increases that amount to 4.7 percent of GDP on average is needed (4.3 percent of GDP on average in FY 2024). See Financial Statement Note 24 for additional information.

* Restated for prior period adjustment due to correction of error (see Financial Statement Note 1.V).

Many Tennessee CPAs work with municipalities, school systems, hospitals, nonprofit organizations, and public-sector entities. The concepts discussed in the Financial Report—long-term liabilities, pension obligations, sustainability disclosures, and accrual-based reporting—closely parallel issues encountered in state and local government accounting. The federal report provides a large-scale example of the importance of transparent long-term financial reporting.

The Profession's Role in Financial Literacy

CPAs are uniquely positioned to explain complex financial information to the public. In virtually every other context, audited accrual-based financial statements are central to evaluating financial performance and condition. Investors, boards, lenders, regulators, and rating agencies rely heavily on accrual-based reporting.

The same principles apply at the federal level. That does not mean CPAs must advocate for particular policy outcomes. Reasonable people may disagree about taxation, entitlement reform, spending priorities, or debt management, but objective financial reporting remains essential regardless of political philosophy.

Why the Report Remains "One of the Best Kept Secrets"

Several factors may help explain why the Financial Report remains relatively unknown:

- Accrual accounting is inherently more complex than cash-based budget reporting. Budget deficits are easier to summarize in headlines, soundbites, and political messaging
- Economists and policymakers traditionally focus on deficits, debt issuance, and macroeconomic trends rather than accrual-based accounting measures
- The report itself is highly technical and lengthy, and
- Possibly as Cooper noted, some of the difference between the budget deficit and Net Operating Costs are not fun to go into since they represent benefits to Federal employees and Veterans (approximately $15 trillion in liabilities on the 2025 balance sheet).

Nevertheless, complexity or lack of "fun" should not prevent broader awareness. The federal government's audited financial statements are publicly available, professionally prepared, and highly relevant to discussions about fiscal sustainability and long-term economic planning.

Cooper's 2011 observation still resonates today because the report continues to exist largely outside mainstream public discussion despite containing information central to understanding the nation's financial condition.

The Profession's Potential Role

The accounting profession has long promoted transparency, comparability, and informed decision-making. CPAs are trained to analyze financial statements, evaluate liabilities, interpret disclosures, and assess long-term sustainability. Those skills are directly applicable to understanding the federal government's financial reports.

That does not mean CPAs must advocate particular political solutions or fiscal policies. Reasonable people can disagree about taxation, spending priorities, entitlement reform, economic growth strategies, and debt management. But objective financial information remains essential regardless of ideology. The Financial Report provides information that can help inform those discussions.

The AICPA has supported efforts to increase awareness of federal financial reporting, including bipartisan legislation such as the Fiscal State of the Nation Act, which would require annual presentations to Congress regarding the government's audited financial statements and long-term fiscal condition.

Looking Ahead

The Financial Report of the United States Government may never replace the federal budget as the primary focus of political debate. Budget deficits and debt levels remain important because they directly affect borrowing needs and fiscal policy decisions. However, the Financial Report provides an important complementary perspective by presenting the government's financial position and condition using accrual-based accounting principles familiar to the accounting profession.

For Tennessee CPAs, the report offers an opportunity to bring professional expertise into broader public conversations about transparency, accountability, and long-term fiscal sustainability.

Conclusion

The Financial Report of the United States Government represents one of the most ambitious financial reporting efforts in the world. Rooted in constitutional principles and strengthened through the Chief Financial Officers Act of 1990, the report attempts to apply modern accrual-based accounting concepts to the federal government's vast operations and obligations.

Jim Cooper noted, "that people are getting their favorite company's annual report. Yet, somehow, they don't even know their favorite country's annual report exists." He followed with, he "looks forward to the average Rotarian back home being able to access and know about this report. And it's true it is available on the web, but nobody knows when they are reading the Wall Street Journal every day that they are reporting cash numbers only. So, they really don't know what is on the national credit card." His description of the report as "one of the best kept secrets in America" remains remarkably accurate today. The report is not hidden. It is publicly available and professionally prepared.

The larger question is whether more Americans—including CPAs and other financial professionals—will begin paying attention to it, and whether CPAs will be a voice in that conversation.

About the Author

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. He may be contacted at *mikedoorley@gmail.com*.

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