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United States General Accounting Office

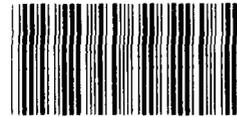
GAO

Report to the Congress

May 1988

FINANCIAL AUDIT

Panama Canal Commission's Financial Statements for 1987 and 1986



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Comptroller General
of the United States

B-114839

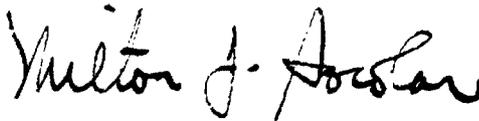
May 12, 1988

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

This report transmits our qualified opinion on the Panama Canal Commission's financial statements for the years ended September 30, 1987 and 1986. The report is qualified because the commission improperly used a reserve for floating equipment repairs. Our separate reports on the commission's internal accounting controls and on its compliance with laws and regulations follow our opinion. We made our examination pursuant to the provisions of the Panama Canal Act of 1979 (22 U.S.C. 3601-3871 (1982)) and in accordance with generally accepted government auditing standards.

The commission is a federal agency which was established on October 1, 1979, to carry out the responsibilities of the United States with respect to the Panama Canal under the Panama Canal Treaty of 1977. The commission will operate the canal until the treaty terminates on December 31, 1999, when the Republic of Panama will assume full responsibility for the canal.

As required by the act, we are sending copies of this report to the President of the United States and the Secretary of the Treasury. Also, we are sending copies to the Director of the Office of Management and Budget; the Secretaries of State, Defense, and the Army; and the Chairman of the Board of Directors of the Panama Canal Commission.

for 
Comptroller General
of the United States

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**Comptroller General
of the United States**

B-114839

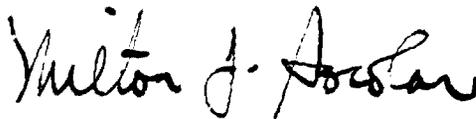
To the President of the Senate and the
Speaker of the House of Representatives

We have examined the statement of financial position of the Panama Canal Commission as of September 30, 1987 and 1986, and the related statements of operations and non-interest-bearing investment, the changes in financial position, the changes in the investment of the United States government, and the status of appropriations for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In July 1984, the commission established a reserve to provide for future repairs of floating equipment. During fiscal years 1985 through 1987, certain expenses of repairing floating equipment were charged to the reserve, and as of September 30, 1987 and 1986, the reserve balance was \$1.6 million. Since the commission is subject to a regulatory process by the Panama Canal Act, the amount of funds to be transferred into this reserve must be approved as part of the regulatory/toll-setting process. The transfer of such funds was not provided for in setting the 1984 to 1987 toll rates, which we believe is necessary before the commission can accumulate reserves for the recovery of future costs. Because the commission did not obtain regulatory approval in advance of establishing the floating equipment reserve, we have qualified our opinions on the commission's financial statements each year since the year ended September 30, 1984. The commission plans to seek regulatory approval of the reserve in its fiscal year 1989 toll submission.

In our opinion, except for establishing a reserve for floating equipment without regulatory approval as previously described, the financial statements referred to above present fairly the financial position of the Panama Canal Commission as of September 30, 1987 and 1986, the results of the commission's operations, the changes in financial position, the changes in the investment of the United States, and the status of appropriations for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving effect to the changes, with which we concur, in the basis of accounting for workman's injury compensation costs and presentation of advances for capital as described in notes 8a and 8b to the financial statements.

Our examinations were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The treaty-related cost schedules are presented as required by the Panama Canal Act, and the schedule of property, plant, and equipment is presented for purposes of additional analysis. Neither schedule is a required part of the basic financial statements. The treaty-related cost schedules have not been subjected to the auditing procedures applied in examining the basic financial statements, and, accordingly, we express no opinion on them. While we do not express an opinion on the detailed schedule of property, plant, and equipment, the aggregate amount has been tested within the scope of our examination of the basic financial statements taken as a whole.

for 
Comptroller General
of the United States

February 11, 1988

Report on Internal Accounting Controls

We have examined the financial statements of the Panama Canal Commission for the years ended September 30, 1987 and 1986, and have issued our report thereon. This report pertains only to our study and evaluation of the system of internal accounting controls for the year ended September 30, 1987. Our report on the study and evaluation of the system of internal accounting controls for the year ended September 30, 1986, is presented in GAO/AFMD-87-45, dated September 30, 1987.

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

- treasury,
- revenue,
- expenditure,
- payroll/personnel,
- inventory management,
- budgetary,
- fixed assets, and
- financial reporting.

Our study and evaluation included all of the control categories listed above. For each category, we obtained a knowledge and understanding of the control procedures, assessed the type and magnitude of errors and irregularities that could occur, and identified and evaluated the adequacy of significant internal accounting controls.

The management of the commission 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 objective of a system of internal accounting controls is to provide management with reasonable, but not absolute, assurance that (1) assets are safeguarded against loss from unauthorized use or disposition and (2) transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting practices prescribed by the

Panama Canal Act of 1979. Because of inherent limitations in any system of internal accounting controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The commission evaluated its system of internal accounting and administrative controls in accordance with the Federal Managers' Financial Integrity Act of 1982 (Public Law 97-255). The commission reported in December 1987 that its internal control system in effect during fiscal year 1987, taken as a whole, provided reasonable assurance that the commission's objectives were achieved within the limits described above. We reviewed and considered the commission's evaluation in conducting our study and evaluation and in determining the nature, timing, and extent of audit tests.

Our study and evaluation, made for the limited purpose described in the second paragraph of this report, would not necessarily disclose all material weaknesses in the system of internal accounting controls. Accordingly, we do not express an opinion on the system of internal accounting controls of the commission taken as a whole or on any of the control categories identified in the second paragraph. However, our study and evaluation and the commission's Financial Integrity Act report disclosed no condition that we believed to be a material weakness.

Report on Compliance With Laws and Regulations

We have examined the financial statements of the Panama Canal Commission for the years ended September 30, 1987 and 1986, and have issued our report thereon. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our review of compliance with laws and regulations for the year ended September 30, 1987. Our report on compliance with laws and regulations for the year ended September 30, 1986, is presented in GAO/AFMD-87-45, dated September 30, 1987.

In our opinion, the commission, except for the matter related to the floating equipment reserve as discussed below, complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. In connection with our examination, nothing came to our attention except for the matter of the floating equipment reserve that caused us to believe that the commission was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

Floating Equipment Reserve

In July 1984, the commission established a reserve for floating equipment repairs to provide for future costs. The commission put \$2.5 million in the reserve each fiscal year from 1984 to 1986 and \$3.3 million in fiscal year 1987. Charges against the reserve for normal repairs and maintenance were \$2.6 million in fiscal year 1985 and \$3.3 million each year in fiscal years 1986 and 1987. As of September 30, 1987, the reserve balance was \$1.6 million.

As indicated in our reports on the commission's financial statements for fiscal years 1985 and 1986, this reserve was not approved through the regulatory process as an expense to be recovered through toll rates. The commission is rate-regulated subject to generally accepted accounting principles for regulated operations. The President of the United States is, in effect, the regulator in establishing the canal's toll rates. According to the statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation," before a reserve can be established, a regulator must approve rates intended to recover costs that are expected to be incurred in the future. However, in this instance, the floating equipment reserve was not included in any toll-rate proposals submitted for approval. The most recent revision to the toll rates was effective March 12, 1983, and did not consider this reserve as a

component of the rates. If a toll-rate proposal is not immediately forthcoming, an approval letter from the regulator would be sufficient to resolve this issue because, to date, the reserve has not been large enough to affect toll rates. In our previous reports, we recommended that the commission take such action.

**Agency Comments and
Our Evaluation**

In a February 11, 1988, exit conference, the commission reaffirmed its position that it did not believe that an immediate approval of the reserve was necessary and would include the reserve in its fiscal year 1989 toll submission. We continue to believe that regulator approval is necessary before our qualification on this issue can be removed. We can remove our qualification upon regulator approval of the fiscal year 1989 toll submission.

Financial Statements

Statement of Financial Position

September 30, 1987 and 1986

<u>A S S E T S</u>	<u>1987</u>	<u>1986</u>
PROPERTY, PLANT AND EQUIPMENT:		
At cost (Note 1c).....	\$915,595,874	\$891,030,194
Less accumulated depreciation and valuation allowances (Notes 1e and 2).....	<u>447,025,403</u>	<u>427,840,218</u>
	468,570,471	463,189,976
CURRENT ASSETS:		
Cash and fund balances (Notes 3 and 4):		
Deposit funds and undeposited receipts:		
Postal fund.....	134,738	140,954
Trust fund.....	1,214,518	1,122,442
Cash receipts for deposit into U.S. Treasury.....	<u>1,088,115</u>	<u>579,276</u>
	<u>2,437,371</u>	<u>1,842,672</u>
Unexpended appropriated funds:		
Operating funds.....	55,658,038	75,776,159
Capital funds.....	26,086,026	30,367,019
Emergency fund.....	<u>10,000,000</u>	<u>10,000,000</u>
	<u>91,744,064</u>	<u>116,143,178</u>
	94,181,435	117,985,850
Accounts receivable.....	<u>9,760,924</u>	<u>9,956,099</u>
Inventories, less allowance for obsolete and excess stock of \$537,268 and \$401,972, respectively (Note 1g).....	<u>35,139,169</u>	<u>34,452,692</u>
Other current assets.....	<u>1,887,373</u>	<u>1,868,675</u>
	140,968,901	164,263,316
OTHER ASSETS:		
Deferred charges:		
Cost of early retirement benefits (Note 1h).....	234,720,000	254,280,000
Cost of work injuries compensation benefits (Notes 1m, 7 and 8a).....	50,344,000	-
Retirement benefits to certain former employees of predecessor agencies (Note 1h).....	<u>6,628,000</u>	<u>7,599,000</u>
	<u>291,692,000</u>	<u>261,879,000</u>
Unrecovered costs due from subsequent revenues (Notes 1b and 5).....	<u>590,424</u>	-
	292,282,424	261,879,000
TOTAL ASSETS.....	<u>\$901,821,796</u>	<u>\$889,332,292</u>

The accompanying notes are an integral part of this statement.

Financial Statements

September 30, 1987 and 1986

CAPITAL AND LIABILITIES	1987	1986
CAPITAL:		
Investment of the United States Government:		
Interest-bearing (10.756% and 11.033%, respectively) (Notes 8c and 9).....	\$ 64,711,276	\$ 49,803,121
Non-interest-bearing.....	287,336,291	287,909,798
	<u>352,047,567</u>	<u>337,712,919</u>
Unexpended appropriations (Note 3):		
Obligated operating funds.....	55,658,038	75,776,159
Obligated capital funds.....	23,779,004	21,196,656
Unobligated capital funds.....	2,307,022	9,170,363
Unobligated emergency fund.....	10,000,000	10,000,000
	<u>91,744,064</u>	<u>116,143,178</u>
	443,791,631	453,856,097
CURRENT LIABILITIES:		
Accounts payable:		
U.S. Government agencies.....	4,752,021	5,119,155
Government of Panama.....	6,942,830	6,574,365
Other.....	10,490,935	11,989,470
	<u>22,185,786</u>	<u>23,682,990</u>
Accrued liabilities:		
Employees' leave.....	43,808,225	41,845,798
Salaries and wages.....	6,643,633	5,856,533
Cost of early retirement benefits (Note 1h).....	19,560,000	19,560,000
Retirement benefits to certain former employees of predecessor agencies (Note 1h).....	917,000	1,017,000
Employees' repatriation.....	613,000	930,000
Marine accident claims (Note 8d).....	10,296,755	26,485,284
Net revenue payable to Government of Panama (Note 6).....	-	2,012,762
Other.....	1,889,633	2,262,308
	<u>83,728,246</u>	<u>99,969,685</u>
Other current liabilities:		
Advances for capital - unexpended (Notes 1d and 10).....	16,316,050	16,435,985
Other.....	1,109,701	1,294,778
	<u>17,425,751</u>	<u>17,730,763</u>
	123,339,783	141,383,438
DEFERRED CREDIT:		
Advances for capital being amortized (Notes 1d and 10).....	32,517,416	28,185,316
LONG-TERM LIABILITIES AND RESERVES:		
Cost of early retirement benefits (Note 1h).....	215,160,000	234,720,000
Cost of work injuries compensation benefits (Notes 1m, 7 and 8a).....	50,344,000	-
Retirement benefits to certain former employees of predecessor agencies (Note 1h).....	5,711,000	6,582,000
Employees' repatriation.....	6,391,000	6,528,000
Lock overhauls (Note 1i).....	1,524,156	3,219,734
Marine accidents (Note 1j).....	20,516,706	12,452,991
Casualty losses (Note 1j).....	877,771	841,679
Floating equipment overhaul (Note 1k).....	1,648,333	1,563,037
	<u>302,172,966</u>	<u>265,907,441</u>
TOTAL CAPITAL AND LIABILITIES.....	<u>\$901,821,796</u>	<u>\$889,332,292</u>

The accompanying notes are an integral part of this statement.

Financial Statements

Statement of Operations and Non-Interest-Bearing Investment

Fiscal Years Ended September 30, 1987 and 1986

	<u>1987</u>	<u>1986</u>
OPERATING REVENUES:		
Tolls revenue (Note 8b).....	\$329,858,775	\$319,643,202
Other revenues (Note 8b).....	<u>106,275,461</u>	<u>104,658,022</u>
Total operating revenues	<u>436,134,236</u>	<u>424,301,224</u>
OPERATING EXPENSES:		
Payments to the Government of Panama:		
Public services.....	10,000,000	10,000,000
Fixed annuity.....	10,000,000	10,000,000
Tonnage.....	<u>58,072,944</u>	<u>56,959,549</u>
	78,072,944	76,959,549
Maintenance of channels and harbors.....	49,264,895	40,256,410
Navigation service and control.....	73,257,348	70,835,092
Locks operation.....	46,527,859	49,260,120
General repair, engineering and maintenance services...	23,970,536	21,689,776
Supply and logistics.....	18,858,026	17,909,207
Utilities.....	30,181,152	31,783,509
Housing operations.....	6,380,002	4,940,672
General and administrative.....	69,234,014	66,487,315
Interest on interest-bearing investment (Notes 8c and 9).....	6,944,752	6,786,828
Other.....	<u>34,033,132</u>	<u>35,379,984</u>
Total operating expenses.....	<u>436,724,660</u>	<u>422,288,462</u>
NET OPERATING REVENUE (LOSS) (Notes 1b, 5, and 6).....	(590,424)	2,012,762
INVESTED CAPITAL - NON-INTEREST-BEARING:		
Unrecovered costs due from subsequent revenues (Notes 1b and 5).....	590,424	-
Net revenue payable to Government of Panama (Note 6)...	-	(2,012,762)
Investment at beginning of fiscal year.....	287,909,798	286,084,032
Miscellaneous receipts deposited into the U.S. Treasury.....	579,276	456,513
Due U.S. Treasury for undeposited receipts.....	(1,088,115)	(579,276)
Interest on interest-bearing investment (Notes 8c and 9).....	<u>(64,668)</u>	<u>1,948,529</u>
INVESTED CAPITAL - NON-INTEREST-BEARING AT END OF FISCAL YEAR.....	<u>\$287,336,291</u>	<u>\$287,909,798</u>

The accompanying notes are an integral part of this statement.

Financial Statements

Statement of Changes in Financial Position

Fiscal Years Ended September 30, 1987 and 1986

SOURCE OF FUNDS:	1987	1986
From Operations:		
Revenue.....	\$436,134,236	\$424,301,224
Loss operating expenses:		
Interest on interest-bearing investment.....	6,944,752	6,786,828
Payments to the Government of Panama.....	78,072,944	76,959,549
Other expenses.....	351,706,964	338,542,085
Total operating expenses.....	<u>436,724,660</u>	<u>422,288,462</u>
Net operating revenue (loss) (Notes 1b, 5, and 6)....	(590,424)	2,012,762
Unrecovered costs due from subsequent revenues (Notes 1b and 5).....	590,424	-
Net revenue payable to Government of Panama (Note 6).	-	(2,012,762)
Add transactions not requiring outlay of funds:		
Depreciation (Notes 1d, 1e, and 10).....	20,827,542	22,587,367
Provision for lock overhauls (Note 1i).....	4,333,000	4,141,000
Provision for casualty losses (Note 1j).....	5,226,464	5,200,000
Provision for floating equipment overhaul (Note 1k)	3,305,000	2,500,000
Other.....	5,329,995	2,055,856
	<u>39,022,001</u>	<u>36,486,223</u>
Change in investment of the U.S. Government:		
Interest on interest-bearing investment (Notes 8c and 9).....	(64,668)	1,948,529
Receipts deposited into U.S. Treasury.....	(441,233,422)	(436,961,276)
Disbursements from appropriated funds.....	456,448,815	411,819,260
Net property transfers.....	(307,238)	(1,955,916)
Other.....	(508,839)	(122,763)
	<u>14,334,648</u>	<u>(25,272,166)</u>
Advances for capital utilized (including transit booking fees) (Notes 1d and 10).....	5,968,896	3,623,694
Total source of funds.....	<u>59,325,545</u>	<u>14,835,751</u>
APPLICATION OF FUNDS:		
Lock overhauls expenditures.....	6,028,578	3,717,913
Casualty losses expenditures.....	1,917,360	5,704,238
Accrued capital expenditures.....	29,011,549	19,853,012
Floating equipment overhaul expenditures.....	3,219,705	3,322,565
Total application of funds.....	<u>40,177,192</u>	<u>32,597,728</u>
INCREASE (DECREASE) IN WORKING CAPITAL.....	<u>\$ 19,148,353</u>	<u>\$(17,761,977)</u>
ANALYSIS OF CHANGES IN WORKING CAPITAL:		
Increase (decrease) in current assets:		
Cash.....	\$ 594,699	\$ 67,666
Receivables.....	(195,174)	(2,181,713)
Inventories.....	686,477	(6,242,340)
Other.....	18,698	1,468,109
	<u>1,104,700</u>	<u>(6,888,278)</u>
Decrease (increase) in current liabilities:		
Accounts payable.....	1,497,204	(3,338,382)
Accrued liabilities.....	16,241,438	(23,659,260)
Other current liabilities.....	305,011	16,123,943
	<u>18,043,653</u>	<u>(10,873,699)</u>
INCREASE (DECREASE) IN WORKING CAPITAL.....	<u>\$ 19,148,353</u>	<u>\$(17,761,977)</u>

The accompanying notes are an integral part of this statement.

Financial Statements

Statement of Changes in the Investment of the United States Government

	Fiscal Year Ended September 30, 1987					
	Invested Capital		Emergency Fund	Operating Funds	Capital Funds	Total
	Interest-Bearing	Non-Interest-Bearing				
INVESTMENT AT OCTOBER 1, 1986.....	\$ 49,803,121	\$287,909,798	\$ 10,000,000	\$ 75,776,159	\$ 30,367,019	\$453,856,097
Appropriation by the Congress for FY 1987.	-	-	-	414,783,000	24,403,000	439,186,000
Appropriation Public Law 99-195 (indefinite - funded interest).....	-	-	-	7,000,000	-	7,000,000
	<u>49,803,121</u>	<u>287,909,798</u>	<u>10,000,000</u>	<u>497,559,159</u>	<u>54,770,019</u>	<u>900,042,097</u>
INCREASES IN INVESTMENT:						
Prior year receipts deposited into the U.S. Treasury.....	-	579,276	-	-	-	579,276
Expenditures from capital appropriations..	28,683,993	-	-	-	(28,683,993)	-
Expenditures from operating appropriations	427,764,822	-	-	(427,764,822)	-	-
Interest on interest-bearing investment...	-	(64,668)	-	-	-	(64,668)
Unrecovered costs due from subsequent revenues (Notes 1b and 5).....	-	590,424	-	-	-	590,424
	<u>456,448,815</u>	<u>1,105,032</u>	<u>-</u>	<u>(427,764,822)</u>	<u>(28,683,993)</u>	<u>1,105,032</u>
DECREASES IN INVESTMENT:						
Funds to be covered into the U.S.Treasury.	-	-	-	14,136,299	-	14,136,299
Receipts deposited into the U.S. Treasury.	441,233,422	-	-	-	-	441,233,422
Due U.S. Treasury for undeposited receipts	-	1,088,115	-	-	-	1,088,115
Property transferred to the Government of Panama.....	131,798	-	-	-	-	131,798
Property transferred to other U.S. Government agencies.....	175,440	-	-	-	-	175,440
Net loss (Notes 1b and 5).....	-	590,424	-	-	-	590,424
	<u>441,540,660</u>	<u>1,678,539</u>	<u>-</u>	<u>14,136,299</u>	<u>-</u>	<u>457,355,498</u>
INVESTMENT AT SEPTEMBER 30, 1987.....	\$ 64,711,276	\$287,336,291	\$ 10,000,000	\$ 55,658,038	\$ 26,086,026	\$443,791,631
	(Note 9)					

The accompanying notes are an integral part of this statement.

Financial Statements

Fiscal Year Ended September 30, 1986

	Invested Capital		Emergency Fund	Operating Funds	Capital Funds	Total
	Interest-Bearing	Non-Interest-Bearing				
INVESTMENT AT OCTOBER 1, 1985.....	\$ 76,901,053	\$286,084,032	\$ 10,000,000	\$ 43,357,867	\$ 24,605,692	\$440,948,644
Appropriation by the Congress for FY 1986, Appropriation Public Law 99-195 (indefinite - funded interest).....	-	-	-	418,584,000	25,500,000	444,084,000
	-	-	-	6,450,000	-	6,450,000
	<u>76,901,053</u>	<u>286,084,032</u>	<u>10,000,000</u>	<u>468,391,867</u>	<u>50,105,692</u>	<u>891,482,644</u>
INCREASES IN INVESTMENT:						
Prior year receipts deposited into the U.S. Treasury.....	-	456,513	-	-	-	456,513
Expenditures from capital appropriations..	19,738,673	-	-	-	(19,738,673)	-
Expenditures from operating appropriations	392,080,587	-	-	(392,080,587)	-	-
Interest on interest-bearing investment...	-	1,948,529	-	-	-	1,948,529
Net revenue (Note 6).....	-	2,012,762	-	-	-	2,012,762
	<u>411,819,260</u>	<u>4,417,804</u>	<u>-</u>	<u>(392,080,587)</u>	<u>(19,738,673)</u>	<u>4,417,804</u>
DECREASES IN INVESTMENT:						
Funds to be covered into the U.S. Treasury.	-	-	-	535,121	-	535,121
Receipts deposited into the U.S. Treasury.	436,961,276	-	-	-	-	436,961,276
Due U.S. Treasury for undeposited receipts	-	579,276	-	-	-	579,276
Property transferred to the Government of Panama.....	1,948,292	-	-	-	-	1,948,292
Property transferred to other U.S. Government agencies.....	7,624	-	-	-	-	7,624
Net revenue payable to Government of Panama (Note 6).....	-	2,012,762	-	-	-	2,012,762
	<u>438,917,192</u>	<u>2,592,038</u>	<u>-</u>	<u>535,121</u>	<u>-</u>	<u>442,044,351</u>
INVESTMENT AT SEPTEMBER 30, 1986.....	<u>\$ 49,803,121</u>	<u>\$287,909,798</u>	<u>\$ 10,000,000</u>	<u>\$ 75,776,159</u>	<u>\$ 30,367,019</u>	<u>\$453,856,097</u>
	(Notes 8c and 9)					

The accompanying notes are an integral part of this statement.

Financial Statements

Statement of Status of Appropriations

Fiscal Years Ended September 30, 1987 and 1986

SOURCE OF APPROPRIATIONS:	<u>1987</u>	<u>1986</u>
Operating funds:		
Current year operating appropriation.....	\$414,783,000	\$418,584,000
Appropriation Public Law 99-195 (indefinite - funded interest).....	7,000,000	6,450,000
	<u>421,783,000</u>	<u>425,034,000</u>
Obligated operating funds brought forward:		
Fiscal year 1980.....	674,235	713,275
Fiscal years - Merged.....	9,215,292	3,687,150
Fiscal year 1984.....	-	3,197,827
Fiscal year 1985.....	5,525,096	35,759,615
Fiscal year 1986.....	<u>60,361,536</u>	<u>-</u>
	<u>75,776,159</u>	<u>43,357,867</u>
	<u>497,559,159</u>	<u>468,391,867</u>
Capital funds:		
Current year capital appropriation (no year).....	<u>24,403,000</u>	<u>25,500,000</u>
Obligated capital funds brought forward:		
Fiscal year 1980.....	20,908	124,574
Fiscal years 1981 through 1985.....	-	15,107,899
Fiscal years 1981 through 1986.....	<u>21,175,748</u>	<u>-</u>
	<u>21,196,656</u>	<u>15,232,473</u>
Unobligated capital funds brought forward (no year):		
Fiscal year 1980.....	30,997	53,346
Fiscal years 1981 through 1985.....	-	9,319,873
Fiscal years 1981 through 1986.....	<u>9,139,366</u>	<u>-</u>
	<u>9,170,363</u>	<u>9,373,219</u>
	<u>54,770,019</u>	<u>50,105,692</u>
 Emergency fund (no year).....	 <u>10,000,000</u>	 <u>10,000,000</u>
 TOTAL SOURCE OF APPROPRIATIONS.....	 <u>\$562,329,178</u>	 <u>\$528,497,559</u>

The accompanying notes are an integral part of this statement.

Financial Statements

Fiscal Years Ended September 30, 1987 and 1986

APPLICATION OF APPROPRIATIONS:	<u>1987</u>	<u>1986</u>
Operating funds:		
Expenditures from operating appropriations:		
Fiscal year 1980.....	\$ 362,500	\$ 4,111
Fiscal years - Merged.....	2,316,168	507,114
Fiscal year 1984.....	-	1,317,197
Fiscal year 1985.....	2,011,226	31,588,926
Fiscal year 1986.....	52,852,454	358,663,239
Fiscal year 1987.....	<u>370,222,474</u>	<u>-</u>
	<u>427,764,822</u>	<u>392,080,587</u>
Obligated operating funds:		
Fiscal year 1980.....	311,229	674,235
Fiscal years - Merged.....	1,857,423	7,352,546
Fiscal year 1984.....	-	1,862,745
Fiscal year 1985.....	2,148,693	5,525,097
Fiscal year 1986.....	5,695,374	60,361,536
Fiscal year 1987.....	<u>45,645,319</u>	<u>-</u>
	<u>55,658,038</u>	<u>75,776,159</u>
Unobligated operating funds lapsed.....	<u>14,136,299</u>	<u>535,121</u>
	<u>497,559,159</u>	<u>468,391,867</u>
Capital funds:		
Expenditures from capital appropriations:		
Fiscal year 1980.....	31,578	126,014
Fiscal years 1981 through 1986.....	-	19,612,659
Fiscal years 1981 through 1987.....	<u>28,652,415</u>	<u>-</u>
	<u>28,683,993</u>	<u>19,738,673</u>
Obligated capital funds:		
Fiscal year 1980.....	12,070	20,908
Fiscal years 1981 through 1986.....	-	21,175,748
Fiscal years 1981 through 1987.....	<u>23,766,934</u>	<u>-</u>
	<u>23,779,004</u>	<u>21,196,656</u>
Unobligated capital funds (no year):		
Fiscal year 1980.....	8,257	30,997
Fiscal years 1981 through 1986.....	-	9,139,366
Fiscal years 1981 through 1987.....	<u>2,298,765</u>	<u>-</u>
	<u>2,307,022</u>	<u>9,170,363</u>
	<u>54,770,019</u>	<u>50,105,692</u>
Unobligated emergency fund (no year).....	<u>10,000,000</u>	<u>10,000,000</u>
TOTAL APPLICATION OF APPROPRIATIONS.....	<u>\$562,329,178</u>	<u>\$528,497,559</u>

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

1. Summary of Significant Accounting Policies.

The Comptroller General of the United States approved the Accounting Principles and Standards Statement of the Panama Canal Commission in his letter dated September 14, 1982. A summary of significant accounting policies follows.

a. Accounting and reporting. As required by section 1311(a) of the Panama Canal Act of 1979 (Public Law 96-70), hereinafter referred to as the Act, the accounts of the Commission are maintained pursuant to the Accounting and Auditing Act of 1950. This requires that the principles, standards and related requirements be met, as prescribed by the Comptroller General of the United States, after consulting with the Secretary of the Treasury and the Director of the Office of Management and Budget concerning their accounting, financial reporting and budgetary needs. The Accounting and Auditing Act of 1950 also requires that the accounts be maintained on an accrual basis.

b. Cost recovery. As required by section 1341(e)(1) of the Act, the application of generally accepted accounting principles to the Panama Canal Commission, a United States Government agency comparable to a rate-regulated public utility, determines the manner in which costs are recognized. The basis for tolls rates is prescribed in section 1602(b) of the Act. This section of the Act, known as the "statutory tolls formula," provides that:

"Tolls shall be prescribed at rates calculated to produce revenues to cover as nearly as practicable all costs of maintaining and operating the Panama Canal, together with the facilities and appurtenances related thereto, including unrecovered costs incurred on or after the effective date of this Act, interest, depreciation, payments to the Republic of Panama pursuant to paragraph 5 of Article III and paragraph 4(a) and (b) of Article XIII of the Panama Canal Treaty of 1977, and capital for plant replacement, expansion, and improvements. Tolls shall not be prescribed at rates calculated to produce revenues sufficient to cover payments to the Republic of Panama pursuant to paragraph 4(c) of Article XIII of the Panama Canal Treaty of 1977."

Under this statutory tolls formula, any unrecovered costs are to be recovered from subsequent revenues. The amount for recovery from subsequent revenues is transferred from Invested Capital to an account within the Other Assets classification. Unrecovered costs are charged back to Invested Capital to the extent subsequent annual revenues exceed annual costs.

Financial Statements

c. Property, plant and equipment. Property, plant and equipment are recorded at cost, or if acquired from another United States Government agency, at the value determined by the Director of the Office of Management and Budget. Administrative and other related general expenses are recovered currently and therefore not capitalized. The cost of minor items of property, plant and equipment is charged to expense as incurred.

d. Advances for capital. A portion of tolls in excess of depreciation recoveries may be programmed annually by the Board of Directors for plant replacement, expansion, or improvements. In fiscal year 1986, \$3.1 million were programmed for this purpose. In fiscal year 1987 no amounts were programmed. Such funds are considered capital advances from Canal users. Upon utilization, these advances are amortized through an offset to depreciation expense in an amount calculated to approximate the depreciation on assets acquired with such advances.

e. Depreciation. Property, plant and equipment are depreciated over their estimated service lives at rates computed using a straight-line method with additional annual depreciation, identified as composite, to provide for premature plant retirements.

The recurring costs of dredging the waterway are charged to expense. Non-recurring dredging costs for substantial improvements and betterments to the waterway are considered additions to plant and are capitalized and depreciated over their estimated service lives.

f. Accounts receivable. Uncollectible accounts receivable of the Panama Canal Commission are recognized as a reduction in revenue when written off. Any subsequent collections of Commission accounts receivable previously written off are recorded as revenue.

g. Inventories. Operating materials and supplies are stated at average cost, plus cost of transportation to the ultimate destination on the Isthmus of Panama. An allowance has been established to reflect the estimated cost of obsolete and excess stock.

h. Retirement benefits. Employer payments to the contributory United States Civil Service Retirement System and to the Republic of Panama Social Security System are charged to expense. The Commission has no liability for future payments to employees under these systems.

Non-United States citizen employees who retired from predecessor agencies prior to October 5, 1958 are not covered by the United States Civil Service Retirement System but do receive benefits under a separate annuity plan. Payments made under this annuity plan are recorded as a current year expense. Annual amounts expended were \$1.4 million in fiscal year 1987 and fiscal year 1986. The liability of the Commission for future annuity payments to these former employees or their eligible widows is reflected in the balance sheet as retirement benefits to certain former employees of predecessor agencies and an equal amount is recorded as a Deferred charge.

Financial Statements

As required by the Act, the Panama Canal Commission is liable for the increase in the unfunded liability of the United States Civil Service Retirement Fund which is attributable to benefits payable from that fund to, or on behalf of, employees and their survivors under the early retirement provisions of the Act. The annual installment to liquidate the increased liability is determined by the Office of Personnel Management.

i. Reserve for lock overhauls. A reserve is provided through an annual charge to expense to cover the estimated cost of periodic lock overhauls.

j. Reserve for casualty losses. A reserve is provided through an annual charge to expense to cover the estimated cost of marine accidents and other casualty losses.

k. Reserve for floating equipment overhaul. A reserve is provided through an annual charge to expense to cover the estimated cost of overhauls to the Commission tugboat fleet.

l. Housing use rights. No monetary value is assigned to the rights granted to the United States Government by the Republic of Panama to use Canal Area housing transferred to the Government of Panama under the terms of the Panama Canal Treaty of 1977. The cost to manage, maintain and provide livability improvements to these quarters is charged to expense. Rental income is included in other revenues.

m. Work injuries compensation benefits. Under provisions of the Act, the Panama Canal Commission is liable for payment of all benefits due under the Federal Employees' Compensation Act (FECA) which provides compensation for workplace injuries for eligible employees. The Commission accounts for these costs on an accrual basis.

2. Plant Valuation Allowances.

At July 1, 1951, certain valuation allowances for property, plant and equipment transferred from the Panama Canal (agency) to the Panama Canal Company and the Canal Zone Government were established, to reduce to usable value the costs of the assets transferred. At October 1, 1979, such valuation allowances as were applicable to the assets transferred from the Panama Canal Company and the Canal Zone Government to the Panama Canal Commission were carried forward and are comprised of: (a) \$4.7 million at September 30, 1987, and 1986, to reduce to usable value the cost of property, plant and equipment transferred; (b) \$50.9 million at September 30, 1987, and 1986, to offset interest costs imputed for the original Canal construction period; and (c) \$42.3 million at September 30, 1987, and 1986, to offset the cost of defense facilities and suspended construction projects, the latter being principally the partial construction of a third set of locks abandoned in the early part of World War II.

Property, plant and equipment offset by valuation allowances, when fully or partially reactivated, are reinstated by a reduction in the valuation allowance and by an increase to the non-interest-bearing investment of the United States Government in proportion to the value to the Commission of the reactivated asset.

Financial Statements

3. Cash and Fund Balances.

As of September 30, 1987, the cash and fund balances totaled \$94,181,435. Of this total, \$91,744,064 represents current unexpended appropriated funds for operations, capital and the emergency fund, and \$2,437,371 represents postal and trust funds. These funds are deposited: \$87,961,303 in the United States Treasury, \$2,717,457 in commercial banks and \$3,502,675 on hand.

As of September 30, 1986, the cash and fund balances totaled \$117,985,850. Of this total, \$116,143,178 represented unexpended appropriated funds for operations, capital and the emergency fund, and \$1,842,672 represented postal and trust funds. These funds were deposited: \$111,480,204 in the United States Treasury, \$2,209,950 in commercial banks and \$4,295,696 on hand.

The unexpended appropriated funds for operations are limited to paying operating obligations incurred but not yet liquidated. The unexpended appropriated funds for capital are limited to paying for the acquisition or construction of property, plant and equipment.

The emergency fund represents the amount on deposit in the United States Treasury which is to be used "...to defray emergency expenditures and to insure the continuous efficient and safe operation of the Panama Canal when funds appropriated for the operation and maintenance of the Canal prove insufficient for such purposes...."

The postal fund consists of outstanding money orders, postal savings and interest accrued thereon. This fund will remain available until liquidated. The trust fund primarily includes deposits made by customers for future tolls and other service payments.

4. Panama Canal Commission Fund.

The Panama Canal Commission Fund as established by the Panama Canal Act of 1979 (the Act) is made up of receipts deposited in the United States Treasury less appropriation warrants issued during the fiscal year. The balance in this account, \$176.9 million as of September 30, 1987, and \$167.7 million as of September 30, 1986, is available for future appropriations.

Section 1302 of the Act provides that all appropriations necessary to operate the Panama Canal shall be issued from the Panama Canal Commission Fund. The appropriations for fiscal year 1980 were issued to the Commission from the General Fund of the United States Treasury. The status of the amount still owed to the General Fund of the United States Treasury for fiscal year 1980 is as follows:

Financial Statements

	<u>Millions of Dollars</u>	
Operating Appropriation	\$ 427.2	
Capital Appropriation	<u>36.6</u>	\$ 463.8
Repaid to General Fund (07/81)	(350.0)	
Repaid to General Fund (12/82)	<u>(28.2)</u>	<u>(378.2)</u>
Amount owed General Fund of U.S. Treasury as of September 30, 1987		\$ <u>85.6</u>
5. <u>Unrecovered Costs Due from Subsequent Revenues.</u>		

Pursuant to the provisions of section 1602(b) of the Panama Canal Act of 1979 (Public Law 96-70), the net loss from fiscal year 1987 operations of \$0.6 million was deferred as an unearned cost to be recovered from subsequent revenues. Also, in accordance with section 1341(b)(2) of the Act such unearned costs must be deducted from any future net operating revenue due to the Government of Panama.

6. Net Revenue Payable to Government of Panama.

Based on the provisions of paragraph 4(c) of Article XIII of the Panama Canal Treaty, which states that an annual amount of up to \$10 million will be paid out of Canal operating revenue to the extent that such revenue exceed expenditures of the Panama Canal Commission, net revenue in the amount of \$2.0 million from fiscal year 1986 operations was payable to the Government of Panama. This net revenue was paid to the Government of Panama on July 20, 1987.

7. Cost of Work Injuries Compensation.

The Commission administers a self-insured program to compensate certain employees for death and disability resulting from workplace injuries or illnesses as set forth in the Federal Employees' Compensation Act (FECA). All United States citizen employees are eligible for coverage, as are non-United States citizen employees hired prior to October 1, 1979 who elected coverage on that date. As provided by FECA, employees and certain dependents are beneficiaries for various periods that can extend to life.

The liability and deferred charge recorded in these statements reflect the net present value of all expected future payments for accidents occurring prior to October 1, 1987, adjusted for inflation. The gross amount to be recovered from tolls over the remaining life of the Treaty to retire this liability is \$75.6 million.

8. Accounting Changes.

a. Effective in fiscal year 1987, the Commission changed from a cash basis to an accrual basis in accounting for workmen's injury compensation costs under the Federal Employees' Compensation Act. To implement this change, the cost of accidents will be expensed as incurred starting in fiscal year 1989. Also beginning in 1989, the unamortized cost of accidents which occur prior to that year will be amortized to expense over the remaining life of the Treaty. In fiscal year 1987, the total liability for past accidents was recorded. This change has no impact on the fiscal year 1987 financial position or operating results of the Commission.

b. Effective with fiscal year 1987 financial statements, advances for capital will no longer be shown as separate line items on the Statement of Operations and Non-interest-Bearing Investment. In prior years, advances for capital were shown as deductions from tolls and other revenues. This presentation has been discontinued because those collections represent direct capital contributions by Canal users and not operating revenues. The fiscal year 1986 presentation was changed to be consistent with fiscal year 1987.

c. Effective January 1, 1986, the Commission implemented a change in the treatment of interest required by enactment of Public Law 99-195 on December 23, 1985 which amended, prospectively, the interest provision of the Panama Canal Act of 1979. Under the Act as amended, interest on the United States investment in the Panama Canal will be deposited into the General Fund of the United States Treasury as miscellaneous receipts rather than into the Panama Canal Commission Fund. Accordingly, as of January 1, 1986, interest will no longer reduce the investment base. Interest for fiscal year 1986 amounted to \$6,786,828 of which \$4,838,299 was deposited into the General Fund of the United States Treasury in accordance with the Act, as amended.

d. Public Law 99-209, dated December 23, 1985, amended the Act to authorize the Commission to adjust and pay damages from marine accidents which occurred outside the locks where the amount of the claim exceeded \$120,000. The authority under Public Law 99-209 is retroactive to October 1, 1979. Prior to this amendment, the Commission's authority was limited to those claims for accidents which occurred (i) prior to October 1, 1979, (ii) within the locks after September 30, 1979, or (iii) outside the locks where the claim was \$120,000 or less. Claims exceeding \$120,000 for accidents occurring outside the locks were, prior to the amendment, required to be submitted to Congress for approval and were booked as non-fund liabilities. Beginning in fiscal year 1986, the Commission eliminated the non-fund category of marine accident liabilities and recognized all these liabilities as funded.

9. Interest-Bearing Investment of the United States Government.

The interest-bearing investment of the United States Government in the Panama Canal is determined based on section 1603(a) of the Act. The interest-bearing investment of the United States Government at September 30, 1987, and September 30, 1986, was determined as follows:

Financial Statements

	<u>Millions of Dollars</u>	
Investment at September 30, 1985		\$ 76.9
Fiscal year 1986 transactions:		
Disbursements	\$ 411.9	
Receipts	(437.0)	
Net property transfers	(2.0)	
Net change		<u>(27.1)</u>
Investment at September 30, 1986		49.8
Fiscal year 1987 transactions:		
Disbursements	456.4	
Receipts	(441.2)	
Net property transfers	(0.3)	
Net change		<u>14.9</u>
Investment at September 30, 1987		<u>\$ 64.7</u>

10. Advances for Capital - Transit Booking System Fees.

With the approval of the Board of Directors, a system was activated in fiscal year 1983 whereby shippers, for a fee, can make an advance reservation for vessel transit. This system generated funds of \$5.8 million in fiscal year 1987 and \$7.4 million in fiscal year 1986. Such funds are considered capital advances from Canal users. By direction of the Board of Directors, these fees are set aside for capital improvements. Upon utilization, these advances are amortized through an offset to depreciation expense in an amount calculated to approximate the depreciation on assets acquired with such advances.

11. Contingent Liabilities and Commitments.

In addition to recorded liabilities, the estimated maximum contingent liability which could result from pending claims and lawsuits was \$19.6 million at September 30, 1987 and \$14.1 million at September 30, 1986. In the opinion of management and Commission counsel, these pending claims and lawsuits will be resolved with no material adverse effect on the financial condition of the agency.

Commitments under uncompleted construction contracts and unfilled purchase orders amounted to \$40.0 million at September 30, 1987 and \$39.9 million at September 30, 1986. Of these amounts \$0.1 million in unfilled purchase orders were prepaid as of September 30, 1987 and 1986.

Cash and negotiable securities of a kind acceptable by the United States Government in the amount of \$11.4 million were held by United States depositories designated by the Panama Canal Commission at September 30, 1987 and \$8.9 million at September 30, 1986, to guarantee payment by third parties of their obligations.

Financial Statements

The Panama Canal Treaty of 1977, Article XIII, paragraph 4(c), provides that an annual amount of up to \$10 million per year be paid to the Government of Panama out of operating revenues to the extent that such revenues exceed expenditures. Payment to the Government of Panama is subject to the limitations set forth in section 1341(e) of the Act. In the event operating revenues in any year do not produce a surplus sufficient to cover this payment, the unpaid balance shall be paid from operating surpluses in future years up to the amount available from these surpluses. As of September 30, 1987, the balance contingently payable to the Government of Panama amounts to \$71.1 million. As of September 30, 1986, the balance contingently payable to the Government of Panama amounted to \$61.1 million.

12. Treaty Impact.

On September 7, 1977, the United States of America and the Republic of Panama signed the Panama Canal Treaty of 1977. The Treaty provided for the establishment of the Panama Canal Commission on October 1, 1979, to assume certain operational responsibilities for the Canal until December 31, 1999. When the Treaty terminates on December 31, 1999, the Republic of Panama shall assume total responsibility for the management, operation and maintenance of the Panama Canal, which shall be turned over in operating condition and free of liens and debts, except as the two Parties may otherwise agree. The effects of these long-range requirements are not considered in the financial statements.

13. Recent Legislation - Public Law 100-203.

Public Law 100-203, converted the Panama Canal Commission from a special fund agency to a revolving fund agency effective January 1, 1988. This conversion to a revolving fund financial structure is not expected to result in any major change in the accounting policies and principles of the Commission. In addition to affecting the financial format of the agency, Public Law 100-203 provides: (a) for reimbursement to the General Fund of the U.S. Treasury of the \$85.6 million balance of the 1980 appropriation to the Commission, as described in note 4; and (b) for restoring \$61.7 million to the interest-bearing investment of the United States Government in the Panama Canal by transferring interest collections prior to January 1, 1986 to the General Fund of the U.S. Treasury.

Supplementary Information

Schedule of Treaty-Related Costs

Statement Unaudited

Department of Defense (DOD) Costs (Savings)
Through Fiscal Year 1987

	Prior FY costs ^a	FY 86 costs	FY 87 costs	Total costs
U.S. Army				
Base Operations	\$ 89,128,410	\$ 16,463,850	\$ 16,691,134	\$ 122,283,394
Communications	14,992,803	3,201,377	3,285,892	21,480,072
Commissary	6,539,388	539,190	759,593	7,838,171
Transportation	2,892,773	3,481	2,927	2,899,181
Technical Assistance	336,223	24,017	0	360,240
Health Services	63,439,687	14,020,894	14,775,770	92,236,351
Disposition of Remains	1,452,320	380,672	417,181	2,250,173
Criminal Investigations	308,657	67,836	73,022	449,515
Tropical Test Center	35,408	0	0	35,408
Procurement of Equipment	3,046,789	0	0	3,046,789
Military Construction	36,397,791	0	0	36,397,791
Military Pay	74,138,370	9,910,258	7,485,084	71,533,712
Ports	165,868	0	0	165,868
Family Housing Operations	5,202,610	1,640,445	1,857,074	8,700,129
Total Army	<u>278,077,097</u>	<u>46,252,020</u>	<u>45,347,677</u>	<u>369,676,794</u>
U.S. Air Force	24,052,898	4,800,322	2,591,038	31,444,258
U.S. Navy	33,359	(91,379)	375,836	317,816
DOD Dependents Schools ^c	4,783,000	(2,427,000)	431,000	2,787,000
Defense Mapping Agency	1,158,764	note ^b	note ^b	1,158,764
Total DOD	<u>\$308,105,118</u>	<u>\$48,533,963</u>	<u>\$48,745,551</u>	<u>\$405,384,632</u>

^aIncludes prior-year adjustments.

^bNot reported.

^cObligations incurred rather than actual expenditures.

Supplementary Information

Statement Unaudited

Non-DOD Costs (Savings) Through Fiscal Year 1987

<u>Agency</u>	<u>Prior FY costs^a</u>	<u>FY 1986 costs</u>	<u>FY 1987 costs</u>	<u>Total costs</u>
State Department	\$ (8,585,995)	\$(1,790,039)	\$(1,787,218)	\$(12,163,252)
Federal Aviation Administration	(19,459,883)	(4,251,300)	(4,251,300)	(27,962,483)
American Battle Monuments Commission	2,093,203	393,000	322,000	2,808,203
Panama Canal Commission	300,000	0	0	300,000
General Accounting Office	988,995	197,448	211,768	1,398,211
Smithsonian Tropical Research Institute	1,860,450	408,417	359,002	2,627,869
Gorgas Memorial Laboratory	(121,056)	(136,295)	(136,295)	(393,646)
Canal Area Court System				
U.S. Attorney	(423,747)	(118,014)	(120,374)	(662,135)
U.S. Marshall	(265,621)	(51,585)	(49,202)	(366,408)
Clerk of Court	(1,856,715)	(544,727)	(585,690)	(2,987,132)
Bureau of Prisons	690,856	302,775	272,282	1,265,913
Foreign Broadcast Information Service	86,418	56,703	62,971	206,092
National Oceanic and Atmospheric Administration	<u>11,964</u>	<u>note^b</u>	<u>note^b</u>	<u>11,964</u>
Total non-DOD	\$ <u>(24,681,131)</u>	\$ <u>(5,533,617)</u>	\$ <u>(5,702,056)</u>	\$ <u>(35,916,804)</u>

^aIncludes prior-year adjustments.
^bNot reported.

Supplementary Information

Statement Unaudited

Property Transferred by the Panama Canal
Commission and Predecessor Organizations
to the Republic of Panama Since October 1, 1979

<u>Agency</u>	<u>Acquisition Cost</u>			
	<u>Prior transfers</u>	<u>FY 86 transfers</u>	<u>FY 87 transfers</u>	<u>Total transfers</u>
Canal Zone Government and Panama Canal Company	\$168,317,629	\$ 0	\$ 0	\$168,317,629
Panama Canal Commission	<u>23,517,969</u>	<u>5,144,572</u>	<u>170,548</u>	<u>28,833,089</u>
Total	<u>\$191,835,598</u>	<u>\$5,144,572</u>	<u>\$170,548</u>	<u>\$197,150,718</u>

<u>Agency</u>	<u>Net Book Value</u>			
	<u>Prior transfers</u>	<u>FY 1986 transfers</u>	<u>FY 1987 transfers</u>	<u>Total transfers</u>
Canal Zone Government and Panama Canal Company	\$84,886,222	\$ 0	\$ 0	\$84,886,222
Panama Canal Commission	<u>7,482,666</u>	<u>1,948,292</u>	<u>131,799</u>	<u>9,562,757</u>
Total	<u>\$92,368,888</u>	<u>\$1,948,292</u>	<u>\$ 131,799</u>	<u>\$94,448,979</u>

Supplementary Information

Statement Unaudited

Property Transferred by the Department of Defense
and the Federal Aviation Administration
to the Republic of Panama Since October 1, 1979

<u>Agency</u>	<u>Acquisition Cost</u>			<u>Total transfers</u>
	<u>Prior transfers</u>	<u>FY 86 transfers</u>	<u>FY 87 transfers</u>	
Department of Defense				
U.S. Army	\$40,231,105	\$ 106,941	\$ 0	\$40,338,046
U.S. Navy	4,930,769	0	0	4,930,769
U.S. Air Force	275,874	0	0	275,874
Total DOD	45,437,748	106,941	0	45,544,689
Federal Aviation Administration	4,638,360	0	0	4,638,360
Total	<u>\$50,076,108</u>	<u>\$ 106,941</u>	<u>\$ 0</u>	<u>\$50,183,049</u>

Supplementary Information

Schedule of Property, Plant, and Equipment

Schedule of Property, Plant and Equipment
September 30, 1987 and 1986

	Estimated Service Life	1 9 8 7		1 9 8 6	
		Cost	Depreciation and valuation allowances	Cost	Depreciation and valuation allowances
Titles and treaty rights.....	40 yrs.	\$ 14,728,889	\$ 5,247,167	\$ 14,728,889	\$ 4,878,945
Interest during construction.....	-	50,892,311	50,892,311	50,892,311	50,892,311
Canal excavation, fills and embankments....	15-100 yrs.	347,536,452	123,071,833	347,536,452	114,551,412
Canal structures and equipment.....	4-100 yrs.	301,627,426	145,097,031	288,439,752	138,474,168
Supporting and general facilities.....	5-100 yrs.	125,431,001	80,193,747	122,268,880	76,515,928
Facilities held for future use.....	10-100 yrs.	2,824,202	2,377,516	2,827,602	2,381,656
Plant additions in progress.....	-	32,409,795	-	24,190,510	-
Suspended construction projects.....	-	<u>40,145,798</u>	<u>40,145,798</u>	<u>40,145,798</u>	<u>40,145,798</u>
TOTAL.....		<u>\$915,595,874</u>	<u>\$447,025,403</u>	<u>\$891,030,194</u>	<u>\$427,840,218</u>

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