



Audit Report



OIG-09-004

FINANCIAL MANAGEMENT:

Report on the Bureau of the Public Debt Trust Fund Management Branch Schedules for Selected Trust Funds as of and for the Year Ended September 30, 2008

November 7, 2008

Office of Inspector General

Department of the Treasury



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

November 7, 2008

**MEMORANDUM FOR VAN ZECK, COMMISSIONER
BUREAU OF THE PUBLIC DEBT**

FROM: Michael Fitzgerald /s/
Director, Financial Audits

SUBJECT: Report on the Bureau of the Public Debt
Trust Fund Management Branch Schedules for
Selected Trust Funds as of and for the
Year Ended September 30, 2008

I am pleased to transmit the attached Report on the Bureau of the Public Debt Trust Fund Management Branch (TFMB) Schedule of Assets and Liabilities and the related Schedule of Activity of Selected Trust Funds as of and for the year ended September 30, 2008 (the Schedules). Under a contract monitored by the Office of Inspector General, KPMG LLP, an independent certified public accounting firm, performed an examination of TFMB's assertions pertaining to the Schedules as of and for the year ended September 30, 2008. These Schedules relate solely to the functions performed by TFMB as custodian of the following Trust Funds' monies and investments:

- Federal Supplementary Medical Insurance Trust Fund,
- Federal Hospital Insurance Trust Fund,
- Highway Trust Fund,
- Airport and Airway Trust Fund,
- Hazardous Substance Superfund Trust Fund,
- Leaking Underground Storage Tank Trust Fund,
- Oil Spill Liability Trust Fund,
- Harbor Maintenance Trust Fund,
- Inland Waterways Trust Fund, and
- South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund

The contract required that the examination be performed in accordance with generally accepted government auditing standards and the attestation standards established by the American Institute of Certified Public Accountants.

In its examination of TFMB's assertions pertaining to the Schedules, KPMG LLP, found:

- TFMB's assertions (which are included in the Independent Auditors' Report on Management's Assertions) pertaining to the Schedules are fairly stated, in all material respects, based on the measurement and disclosure criteria set forth in note 1 to the Schedules, and
- a significant deficiency in internal control, described below, that is required to be reported in accordance with *Government Auditing Standards*.

In its report, KPMG LLP noted a significant deficiency relating to the recording of tax adjustments in the Airport and Airway Trust Fund, Highway Trust Fund, Inland Waterways Trust Fund, Leaking Underground Storage Tank Trust Fund, and the Oil Spill Liability Trust Fund. Although TFMB purchased or redeemed investments when TFMB received tax adjustments, TFMB did not record receivables/payables or tax receipts in the period that the tax adjustments related to, in accordance with Statement of Federal Financial Accounting Standards No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, and the related Interpretation of Federal Financial Accounting Standards No. 5, *Recognition by Recipient Entities of Receivable Nonexchange Revenue: An Interpretation of SFFAS No. 7*. However, KPMG also noted that it did not believe the significant deficiency is a material weakness.

In connection with the contract, we reviewed KPMG LLP's report and related documentation and inquired of its representatives. Our review, as differentiated from an examination of assertions in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on TFMB's assertions. KPMG LLP is responsible for the attached auditors' report dated November 3, 2008 and the conclusions expressed in the report. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with generally accepted government auditing standards.

Should you have any questions, please contact me at (202) 927-5789, or a member of your staff may contact Mark S. Levitt, Manager, Financial Audits at (202) 927-5076.

Attachment

cc: Kenneth E. Carfine
Fiscal Assistant Secretary

**U. S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH**

Schedules and Notes for Selected Trust Funds

As of and for the Year Ended September 30, 2008

**U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH**

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**I. INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT'S ASSERTIONS**



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Management's Assertions

Inspector General, U.S. Department of the Treasury, and
Commissioner, Bureau of the Public Debt:

We have examined the following assertions of the Trust Fund Management Branch (TFMB) of the Bureau of the Public Debt (BPD) of the U.S. Department of the Treasury (Treasury) with respect to the applicable accounts of each trust fund included on the accompanying Schedule of Assets and Liabilities of Selected Trust Funds as of September 30, 2008 and the related Schedule of Activity of Selected Trust Funds for the year then ended (Schedules):

- Fund balance with Treasury is reported based on the balance reported by Treasury's Financial Management Service (FMS) in the Government-wide Accounting and Reporting Modernization Project (GWA) Account Statement and reconciling transactions identified and recorded by TFMB.
- Interest receivables are calculated and reported by TFMB based on the investment terms received and recorded by TFMB from BPD's Federal Investments Branch (FIB) in the investment confirmations and monthly statements of account.
- Other receivables are reported based on amounts received and recorded by TFMB from the program agencies responsible for the respective trust fund activity.
- Investments, net are calculated and reported at net cost based on the cost and premium/discount amounts reported to TFMB in the investment confirmations and monthly statements of account received from FIB.
- The market value of investments is calculated and reported by TFMB using the recorded investment cost and the market rates published in the September 30, 2008 *Treasury Quote* file and unrealized gains and losses are calculated and reported by TFMB as the difference between the market value and the investments, net.
- Program agency equity is calculated and reported by TFMB based on the assets of the trust fund.
- Available program agency equity is reported based on amounts received and recorded by TFMB from the program agencies responsible for the respective trust fund activity.
- Other program agency equity is calculated and reported by TFMB as the difference between the assets of the trust fund and the available program agency equity received and recorded by TFMB from the program agencies responsible for the respective trust fund activity.



- Interest revenue is reported based on the amounts received and recorded by TFMB from FIB in the monthly statements of account and accrued interest and amortization calculated by TFMB. Amortization of any premiums and discounts on investments is calculated and reported by TFMB based on the investment terms reported to TFMB by FIB using the straight-line method for investments with a term equal to or less than one year and using the level yield method which approximates the interest method for investments with a term of greater than one year.
- Penalties, fines, administrative fees, transfers in from program agencies, premiums, cost recoveries, and other income are reported based on the amounts received and recorded by TFMB from FMS and the program agencies responsible for the respective trust fund activity.
- Tax revenues, tax adjustments, and tax refunds are reported based on the amounts received and recorded by TFMB from the Office of Tax Analysis, Internal Revenue Service, FMS, and/or U.S. Customs and Border Protection.
- Transfers to program agencies are calculated and reported based on the disbursement request amounts received and recorded by TFMB from the program agencies responsible for the respective trust fund activity and the disbursement amounts returned and recorded by TFMB from the program agencies responsible for the respective trust fund activity.
- Reimbursements to Treasury bureaus and the General Fund are reported based on the disbursement request amounts received and recorded by TFMB from various Treasury bureaus, including BPD and FMS.

TFMB's management is responsible for the assertions. Our responsibility is to express an opinion on these assertions based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining on a test basis, evidence supporting the assertions stated above and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, TFMB's assertions referred to above relating to the applicable accounts of each trust fund reported on the accompanying Schedule of Assets and Liabilities of Selected Trust Funds as of September 30, 2008, and the related Schedule of Activity of Selected Trust Funds for the year then ended, are fairly stated, in all material respects based on the measurement and disclosure criteria set forth in note 1 to the Schedules of Selected Trust Funds.

In accordance with *Government Auditing Standards*, we are required to report significant deficiencies in internal control, identifying those considered to be material weaknesses, violations of provisions of contracts or grant agreements, and abuse that could have a material effect on TFMB's assertions referred to above relating to the applicable accounts of each trust fund reported on the Schedules, and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether TFMB's assertions referred to above relating to the applicable accounts of each trust fund reported on the Schedules is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedules or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed a significant deficiency that is required to be reported under *Government Auditing Standards* and this finding, along with the views of management, are described below. However, we do not believe the significant deficiency is a material weakness.



Condition and Criteria

The Airport and Airway Trust Fund, Highway Trust Fund, Inland Waterways Trust Fund, Leaking Underground Storage Tank Trust Fund, and the Oil Spill Liability Trust Fund receive tax adjustments each quarter. Although TFMB purchased or redeemed investments when TFMB received tax adjustments, TFMB did not record receivables/payables or tax receipts in the period that the tax adjustments related to, in accordance with Statement of Federal Financial Accounting Standards No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, and the related Interpretation of Federal Financial Accounting Standards No. 5, *Recognition by Recipient Entities of Receivable Nonexchange Revenue: An Interpretation of SFFAS No. 7*.

Cause

TFMB did not have procedures requiring management to document its review and approval of tax adjustments that staff determined TFMB did not need to record because the tax adjustments were immaterial.

Effect

Although the trust funds earned investment income based on when TFMB received the tax adjustments, the Schedule of Activity of Selected Trust Funds for the fiscal year ended September 30, 2008, included the following tax adjustments related to the fiscal year ended September 30, 2007:

- a. Airport and Airway Trust Fund for \$179,673,000.
- b. Highway Trust Fund for \$(138,729,000).
- c. Inland Waterways Trust Fund for \$(85,000).
- d. Leaking Underground Storage Tank Trust Fund for \$(5,315,000).
- e. Oil Spill Liability Trust Fund for \$243,000.

Recommendations

We recommend that TFMB:

- a. Record tax receivables/payables for tax adjustments received prior to the issuance of the Schedules, unless the tax adjustment is clearly inconsequential.
- b. Develop and implement policies requiring management to review and approve tax adjustments that are not included in the Schedules because the tax adjustments are clearly inconsequential and requiring management to document such review and approval.
- c. Communicate unrecorded tax adjustments to the program agencies responsible for the respective trust fund activity.

Management's Response

TFMB concurs with the recommendations. Although financial reporting of tax adjustments in accordance with the aforementioned standard is the responsibility of program agencies, it is TFMB's goal to assist in the fulfillment of this responsibility by providing information pertaining to tax adjustments received. Accordingly, TFMB will work to strengthen practices surrounding the processing, management review, and communication of unrecorded tax adjustments to the program agencies.

We did not examine TFMB's response and, accordingly, we express no opinion on it.



This report is intended solely for the information and use of the management of BPD, program agencies responsible for their respective trust fund activity, the U.S. Department of the Treasury Office of Inspector General, the Office of Management and Budget, the Government Accountability Office, and the U. S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 6, 2008

**II. SCHEDULE OF ASSETS AND LIABILITIES OF
SELECTED TRUST FUNDS**

**U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH**

Schedule of Assets and Liabilities of Selected Trust Funds

As of September 30, 2008

	Federal Supplementary Medical Insurance Trust Fund	Federal Hospital Insurance Trust Fund	Highway Trust Fund	Airport and Airway Trust Fund	Hazardous Substance Superfund Trust Fund
Assets:					
Fund balance with Treasury	\$ 85,145,086	6,736,926	2,268,114,482	848,372,546	2,893,636
Interest receivables	671,328,260	3,962,998,925	—	72,837,779	11,533,340
Other receivables	275,000	510,050,000	—	—	—
Investments, net	59,089,947,000	318,740,983,000	12,811,128,000	7,673,709,000	2,914,699,552
Total assets	<u>59,846,695,346</u>	<u>323,220,768,851</u>	<u>15,079,242,482</u>	<u>8,594,919,325</u>	<u>2,929,126,528</u>
Liabilities:					
Program agency equity:					
Available	25,942,764,182	22,268,323,437	15,079,242,482	3,772,307,386	2,749,820,725
Other	33,903,931,164	300,952,445,414	—	4,822,611,939	179,305,803
Total program agency equity	<u>59,846,695,346</u>	<u>323,220,768,851</u>	<u>15,079,242,482</u>	<u>8,594,919,325</u>	<u>2,929,126,528</u>
Total liabilities	\$ <u>59,846,695,346</u>	<u>323,220,768,851</u>	<u>15,079,242,482</u>	<u>8,594,919,325</u>	<u>2,929,126,528</u>

**U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH**

Schedule of Assets and Liabilities of Selected Trust Funds

As of September 30, 2008

	Leaking Underground Storage Tank Trust Fund	Oil Spill Liability Trust Fund	Harbor Maintenance Trust Fund	Inland Waterways Trust Fund	South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund
Assets:					
Fund balance with Treasury	\$ (2,497,000)	20,495,522	104,151,618	6,919,000	—
Interest receivables	28,735,169	6,510,885	24,410,971	—	808,692
Other receivables	—	—	—	—	—
Investments, net	<u>3,211,939,026</u>	<u>1,155,022,130</u>	<u>4,523,017,063</u>	<u>123,874,614</u>	<u>117,492,843</u>
Total assets	<u><u>3,238,177,195</u></u>	<u><u>1,182,028,537</u></u>	<u><u>4,651,579,652</u></u>	<u><u>130,793,614</u></u>	<u><u>118,301,535</u></u>
Liabilities:					
Program agency equity:					
Available	112,068,189	139,842,440	—	102,919,666	—
Other	<u>3,126,109,006</u>	<u>1,042,186,097</u>	<u>4,651,579,652</u>	<u>27,873,948</u>	<u>118,301,535</u>
Total program agency equity	<u>3,238,177,195</u>	<u>1,182,028,537</u>	<u>4,651,579,652</u>	<u>130,793,614</u>	<u>118,301,535</u>
Total liabilities	\$ <u><u>3,238,177,195</u></u>	<u><u>1,182,028,537</u></u>	<u><u>4,651,579,652</u></u>	<u><u>130,793,614</u></u>	<u><u>118,301,535</u></u>

See accompanying notes to the schedules of selected trust funds.

**III. SCHEDULE OF ACTIVITY OF
SELECTED TRUST FUNDS**

**U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH**

Schedule of Activity of Selected Trust Funds

For the Year Ended September 30, 2008

	Federal Supplementary Medical Insurance Trust Fund	Federal Hospital Insurance Trust Fund	Highway Trust Fund	Airport and Airway Trust Fund	Hazardous Substance Superfund Trust Fund
Revenues:					
Interest revenue	\$ 2,529,158,500	16,605,346,366	2,628,383	429,654,052	114,340,053
Penalties, fines, and administrative fees	—	576,316,977	17,988,767	—	2,849,714
Transfers in from program agencies	181,249,567,452	12,250,278,860	8,035,257,986	—	984,973,681
Tax revenues and adjustments	—	197,195,340,431	37,423,056,000	12,048,192,000	—
Tax refunds	—	—	(1,056,512,000)	(55,957,000)	—
Premiums	58,307,758,295	3,000,012,525	—	—	—
Cost recoveries	—	—	—	—	89,975,651
Other income	8,538,888	1,864,628	—	—	—
Total revenues	242,095,023,135	229,629,159,787	44,422,419,136	12,421,889,052	1,192,139,099
Disposition of revenues:					
Transfers to program agencies	230,605,056,445	221,718,107,036	44,094,505,143	12,549,321,945	1,016,401,019
Reimbursements to Treasury bureaus and the General Fund	242,440	166,033,244	—	—	—
Total disposition of revenues	230,605,298,885	221,884,140,280	44,094,505,143	12,549,321,945	1,016,401,019
Net increase/(decrease) in program agency equity	\$ 11,489,724,250	7,745,019,507	327,913,993	(127,432,893)	175,738,080

**U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH**

Schedule of Activity of Selected Trust Funds

For the Year Ended September 30, 2008

	Leaking Underground Storage Tank Trust Fund	Oil Spill Liability Trust Fund	Harbor Maintenance Trust Fund	Inland Waterways Trust Fund	South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund
Revenues:					
Interest revenue	\$ 127,345,581	33,037,889	159,193,154	4,772,325	4,808,996
Penalties, fines, and administrative fees	—	21,928,970	—	—	—
Transfers in from program agencies	—	—	—	—	—
Tax revenues and adjustments	170,762,000	333,259,522	1,467,233,001	87,598,000	—
Tax refunds	—	—	—	—	—
Premiums	—	—	—	—	—
Cost recoveries	—	7,923,189	—	—	—
Other income	—	—	—	—	10,000,000
Total revenues	298,107,581	396,149,570	1,626,426,155	92,370,325	14,808,996
Disposition of revenues:					
Transfers to program agencies	74,000,000	156,800,842	786,485,000	170,959,713	—
Reimbursements to Treasury bureaus and the General Fund	—	20,600	—	—	—
Total disposition of revenues	74,000,000	156,821,442	786,485,000	170,959,713	—
Net increase/(decrease) in program agency equity	\$ 224,107,581	239,328,128	839,941,155	(78,589,388)	14,808,996

See accompanying notes to the schedules of selected trust funds.

**IV. NOTES TO THE SCHEDULES OF
SELECTED TRUST FUNDS**

U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH

Notes to the Schedules of Selected Trust Funds

September 30, 2008

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The accompanying Schedule of Assets and Liabilities of Selected Trust Funds and related Schedule of Activity of Selected Trust Funds (Schedules) pertain to the aspects of certain Treasury-managed Trust Funds that are serviced by the Trust Fund Management Branch (TFMB) of the Bureau of the Public Debt (BPD) of the U.S. Department of the Treasury (Treasury). The Trust Funds were created by legislation enacted by the U.S. Congress.

TFMB acts as a service organization which processes receipts, disbursements, and transfers related to the trust funds based upon information received and recorded by TFMB from the Internal Revenue Service (IRS) and the Office of Tax Analysis (OTA), U.S Customs and Border Protection, the program agencies responsible for their trust fund activity, Treasury's Financial Management Service (FMS), and other Treasury bureaus. As part of its functions, BPD also manages the investments, maintains related accounting records and supporting documentation, and reports financial activity. The financial activity reported in these Schedules is limited to the activities performed by TFMB.

The program agencies are responsible for administering, regulating, and monitoring the program activities funded by the trust funds. The program agencies make all decisions regarding dispositions from the trust funds. As such, these Schedules do not include information regarding the ultimate disposition of amounts transferred from the trust funds to the program agencies.

(b) Basis of Presentation

The Schedules have been prepared to report the assets and liabilities of the trust funds under the function performed by TFMB, and the related activity, in accordance with the measurement and criteria discussed below.

(c) Basis of Accounting

The Schedules are recorded using the accrual basis of accounting in accordance with U.S generally accepted accounting principles.

(d) Fund Balance with Treasury

The Trust Funds do not maintain cash in commercial bank accounts. Treasury processes cash receipts and disbursements. Fund Balance with Treasury represents net revenue, disposition of revenue, and investment activity. Fund balance with Treasury is reported based on the balance reported by Treasury's Financial Management Service in the Government-wide Accounting and Reporting Modernization Project (GWA) Account Statement and reconciling transactions identified and recorded by TFMB.

(e) Interest Receivables

Interest receivables are calculated and reported by TFMB based on the investment terms received and recorded by TFMB from BPD's Federal Investments Branch (FIB) in the investment confirmations and monthly statements of account.

U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH

Notes to the Schedules of Selected Trust Funds

September 30, 2008

(f) Other Receivables

Other receivables are reported based on amounts received and recorded by TFMB from the program agencies responsible for the respective trust fund activity.

(g) Investments, Net

Pursuant to authorizing legislation, the Secretary of the Treasury shall invest, at the direction of the program agencies, such portion of the trust fund balances as is not, in the judgment of the program agencies, necessary to meet current withdrawals. Such investments shall be in non-marketable par value or non-marketable market-based securities as authorized by legislation. Par value securities are special issue bonds or certificates of indebtedness that bear interest determined by legislation or the Treasury. Market-based securities are Treasury securities that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. Both par value and market-based securities are issued and redeemed by FIB.

TFMB follows Treasury fiscal investment policy guidelines. TFMB determines the term of the securities purchased based on direction provided by the program agencies. The securities are acquired and held in the name of the Secretary of the Treasury for the trust funds. The interest on and proceeds from the sale or redemption of any security held for the trust funds are credited to the appropriate trust fund. Investments are selected for liquidation based on the following order: earliest maturity date, lowest prevailing interest rate, and first security in first security out.

Investments, net are calculated and reported at net cost based on the cost and premium/discount amounts reported to TFMB in the investment confirmations and monthly statements of account received from FIB. The market value of investments is calculated and reported by TFMB using the recorded investment cost and the market rates published in the September 30, 2008 *Treasury Quote* file (the last work day of the fiscal year) and unrealized gains and losses are calculated and reported by TFMB as the difference between the market value and the investments, net. The investments are exposed to various risks such as interest rate and market risks. Such risks, and the resulting investment market values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that material changes to the market values of the investments will occur in the near term.

(h) Available and Other Program Agency Equity

Program agency equity is calculated and reported by TFMB based on the assets of the trust fund. Program agency equity consists of available and other program agency equity.

Available program agency equity represents the amount of program agency equity that may be transferred as of September 30, 2008 to the program agencies at the request of the program agencies. Available program agency equity is reported based on amounts received and recorded by TFMB from the program agencies responsible for the respective trust fund activity.

The remaining balance of program agency equity is reported as other program agency equity. Other program agency equity is calculated and reported by TFMB as the difference between the assets of

U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH

Notes to the Schedules of Selected Trust Funds

September 30, 2008

the trust fund and the available program agency equity received and recorded by TFMB from the program agencies responsible for the respective trust fund activity.

(i) Interest Revenue

Interest revenue is reported based on the amounts received and recorded by TFMB from FIB in the monthly statements of account and accrued interest and amortization calculated by TFMB. Amortization of any premiums and discounts on investments is calculated and reported by TFMB based on the investment terms reported to TFMB by FIB using the straight-line method for investments with a term equal to or less than one year and using the level yield method which approximates the interest method for investments with a term of greater than one year.

(j) Revenues

Pursuant to authorizing legislation, revenue activity recorded in the trust funds consists primarily of interest, penalties, fines, administrative fees, transfers in from program agencies, tax revenues, tax adjustments, tax refunds, premiums, cost recoveries, and other income, which are transferred from the General Fund of the Treasury or from program agencies to the Trust Funds.

Penalties, fines, administrative fees, transfers in from program agencies, premiums, cost recoveries, and other income are reported based on the amounts received and recorded by TFMB from FMS and the program agencies responsible for the respective trust fund activity.

Tax revenues, tax adjustments, and tax refunds are reported based on the amounts received and recorded by TFMB from the OTA, IRS, FMS, and/or U.S. Customs and Border Protection. OTA estimates the tax revenues each month based on projected tax receipts and provides the estimates to FMS. FMS transfers the amount of estimated taxes to the trust fund accounts. The IRS or program agencies generally certify the tax revenues within two quarters after the taxes are estimated (i.e., 1st quarter estimate is certified in the 3rd quarter) and provide this certification to FMS. FMS calculates the tax adjustment as the difference between the taxes estimated by OTA and taxes certified by the IRS/program agencies and adjusts the trust fund accounts accordingly. FMS reports the tax adjustments to TFMB. As a result of the timing of the certifications, the Schedule of Activity includes certified tax revenues (i.e. actual tax revenues) for the first three quarters of the fiscal year and estimated tax revenues for the last quarter of the fiscal year.

(k) Transfers to Program Agencies

Dispositions from the Trust Funds are made in accordance with the authorizing legislation to the program agencies, which are responsible for the ultimate disposition of such funds, to cover program administration and related costs as defined by law. Transfers to program agencies are calculated and reported based on the disbursement request amounts received and recorded by TFMB from the program agencies responsible for the respective trust fund activity and the disbursement amounts returned and recorded by TFMB from the program agencies responsible for the respective trust fund activity.

**U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH**

Notes to the Schedules of Selected Trust Funds

September 30, 2008

(1) *Reimbursements to Treasury Bureaus and the General Fund*

In the case of certain trust funds, BPD and FMS are authorized by law to receive direct reimbursement from the trust funds for certain administrative expenses. Also, the Secretary of the Treasury is directed by law to charge trust funds to reimburse the General Fund for administrative expenses incurred by other Treasury bureaus in performing activities related to administering the trust funds. These reimbursement amounts are determined by Treasury based on its assessment of the value of the services provided. Reimbursements to Treasury bureaus and the General Fund are reported based on the disbursement request amounts received and recorded by TFMB from various Treasury bureaus, including BPD and FMS.

(2) *Investments, Net*

Federal Supplementary Medical Insurance Trust Fund

Investments at September 30, 2008, are non-marketable, par value intra governmental securities with a cost of \$59,089,947,000.

Federal Hospital Insurance Trust Fund

Investments at September 30, 2008, are non-marketable, par value intra governmental securities with a cost of \$318,740,983,000.

Highway Trust Fund

Investments at September 30, 2008, are non-marketable, par value intra governmental securities with a cost of \$12,811,128,000. In accordance with Public Law 105-277, 112 Statute 2681, investments held by the Trust Fund ceased earning interest after September 30, 1998. However, the fund can earn interest pursuant to the Cash Management Improvement Act.

Airport and Airway Trust Fund

Investments at September 30, 2008, are non-marketable, par value intra governmental securities with a cost of \$7,673,709,000.

**U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH**

Notes to the Schedules of Selected Trust Funds

September 30, 2008

Hazardous Substance Superfund Trust Fund

Investments at September 30, 2008, are non-marketable, market-based intra governmental securities as follows:

	<u>Cost</u>	<u>Net unamortized premium (discount)</u>	<u>Net investments</u>	<u>Market value</u>
One-day certificates	\$ 252,821,130	N/A	252,821,130	252,821,130
Notes	<u>2,631,356,144</u>	<u>30,522,278</u>	<u>2,661,878,422</u>	<u>2,669,274,701</u>
Total	<u>\$ 2,884,177,274</u>	<u>30,522,278</u>	<u>2,914,699,552</u>	<u>2,922,095,831</u>

The net unrealized gain on investments is \$7,396,279 at September 30, 2008.

Leaking Underground Storage Tank Trust Fund

The investments at September 30, 2008, are non-marketable, market-based intra governmental securities as follows:

	<u>Cost</u>	<u>Net unamortized premium (discount)</u>	<u>Net investments</u>	<u>Market value</u>
One-day certificates	\$ 157,333,419	N/A	157,333,419	157,333,419
Notes	<u>3,007,826,212</u>	<u>46,779,395</u>	<u>3,054,605,607</u>	<u>3,184,132,259</u>
Total	<u>\$ 3,165,159,631</u>	<u>46,779,395</u>	<u>3,211,939,026</u>	<u>3,341,465,678</u>

The net unrealized gain on investments is \$129,526,652 at September 30, 2008.

**U.S. DEPARTMENT OF THE TREASURY
BUREAU OF THE PUBLIC DEBT TRUST FUND MANAGEMENT BRANCH**

Notes to the Schedules of Selected Trust Funds

September 30, 2008

Oil Spill Liability Trust Fund

The investments at September 30, 2008, are non-marketable, market-based intra governmental securities as follows:

	<u>Cost</u>	<u>Net unamortized premium (discount)</u>	<u>Net investments</u>	<u>Market value</u>
One-day certificates	\$ 251,666,887	N/A	251,666,887	251,666,887
Bills and notes	<u>872,727,451</u>	<u>30,627,792</u>	<u>903,355,243</u>	<u>918,522,850</u>
Total	<u>\$ 1,124,394,338</u>	<u>30,627,792</u>	<u>1,155,022,130</u>	<u>1,170,189,737</u>

The net unrealized gain on investments is \$15,167,607 at September 30, 2008.

Harbor Maintenance Trust Fund

The investments at September 30, 2008, are non-marketable, market-based intra governmental securities as follows:

	<u>Cost</u>	<u>Net unamortized premium (discount)</u>	<u>Net investments</u>	<u>Market value</u>
One-day certificates	\$ 446,206,831	N/A	446,206,831	446,206,831
Bills and notes	<u>4,050,697,808</u>	<u>26,112,424</u>	<u>4,076,810,232</u>	<u>4,217,416,915</u>
Total	<u>\$ 4,496,904,639</u>	<u>26,112,424</u>	<u>4,523,017,063</u>	<u>4,663,623,746</u>

The net unrealized gain on investments is \$140,606,683 at September 30, 2008.

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Notes to the Schedules of Selected Trust Funds

September 30, 2008

Inland Waterways Trust Fund

The investments at September 30, 2008, are non-marketable, market-based intra governmental securities as follows:

	<u>Cost</u>	<u>Net unamortized premium (discount)</u>	<u>Net investments</u>	<u>Market value</u>
One-day certificates	\$ 61,177,998	N/A	61,177,998	61,177,998
Bills	62,917,000	(220,384)	62,696,616	62,871,560
Total	<u>\$ 124,094,998</u>	<u>(220,384)</u>	<u>123,874,614</u>	<u>124,049,558</u>

The net unrealized gain on investments is \$174,944 at September 30, 2008.

South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund

The investments at September 30, 2008, are non-marketable, market-based intra governmental securities as follows:

	<u>Cost</u>	<u>Net unamortized premium (discount)</u>	<u>Net investments</u>	<u>Market value</u>
One-day certificates	\$ 18,457,144	N/A	18,457,144	18,457,144
Notes	99,278,224	(242,525)	99,035,699	103,786,686
Total	<u>\$ 117,735,368</u>	<u>(242,525)</u>	<u>117,492,843</u>	<u>122,243,830</u>

The net unrealized gain on investments is \$4,750,987 at September 30, 2008.

(3) Change in Program Agency Equity

Federal Supplementary Medical Insurance Trust Fund

Change in program agency equity for the year ended September 30, 2008, is:

Balance, beginning of year	\$ 48,356,971,096
Increase in balance	<u>11,489,724,250</u>
Balance, end of year	<u>\$ 59,846,695,346</u>

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Notes to the Schedules of Selected Trust Funds

September 30, 2008

Federal Hospital Insurance Trust Fund

Change in the program agency equity for the year ended September 30, 2008, is:

Balance, beginning of year	\$ 315,475,749,344
Increase in balance	<u>7,745,019,507</u>
Balance, end of year	<u><u>\$ 323,220,768,851</u></u>

Highway Trust Fund

Change in program agency equity for the year ended September 30, 2008, is:

Balance, beginning of year	\$ 14,751,328,489
Increase in balance	<u>327,913,993</u>
Balance, end of year	<u><u>\$ 15,079,242,482</u></u>

The program agency equity available as of September 30, 2008 is \$15,079,242,482. However, Congress has authorized appropriations in excess of current available trust fund assets that amounts to \$9,266,866,042 after considering amounts already transferred to the program agency.

Airport and Airway Trust Fund

Change in program agency equity for the year ended September 30, 2008, is:

Balance, beginning of year	\$ 8,722,352,218
Decrease in balance	<u>(127,432,893)</u>
Balance, end of year	<u><u>\$ 8,594,919,325</u></u>

Hazardous Substance Superfund Trust Fund

Change in program agency equity for the year ended September 30, 2008, is:

Balance, beginning of year	\$ 2,753,388,448
Increase in balance	<u>175,738,080</u>
Balance, end of year	<u><u>\$ 2,929,126,528</u></u>

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Notes to the Schedules of Selected Trust Funds

September 30, 2008

Leaking Underground Storage Tank Trust Fund

Change in program agency equity for the year ended September 30, 2008, is:

Balance, beginning of year	\$ 3,014,069,614
Increase in balance	<u>224,107,581</u>
Balance, end of year	<u><u>\$ 3,238,177,195</u></u>

Oil Spill Liability Trust Fund

Change in program agency equity for the year ended September 30, 2008, is:

Balance, beginning of year	\$ 942,700,409
Increase in balance	<u>239,328,128</u>
Balance, end of year	<u><u>\$ 1,182,028,537</u></u>

Harbor Maintenance Trust Fund

Change in program agency equity for the year ended September 30, 2008, is:

Balance, beginning of year	\$ 3,811,638,497
Increase in balance	<u>839,941,155</u>
Balance, end of year	<u><u>\$ 4,651,579,652</u></u>

Inland Waterways Trust Fund

Change in program agency equity for the year ended September 30, 2008, is:

Balance, beginning of year	\$ 209,383,002
Decrease in balance	<u>(78,589,388)</u>
Balance, end of year	<u><u>\$ 130,793,614</u></u>

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Notes to the Schedules of Selected Trust Funds

September 30, 2008

South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund

Change in program agency equity for the year ended September 30, 2008, is:

Balance, beginning of year	\$ 103,492,539
Increase in balance	<u>14,808,996</u>
Balance, end of year	<u><u>\$ 118,301,535</u></u>

The Omnibus Consolidated and Emergency Supplemental Appropriations Act dated October 21, 1998 (Public Law 105-277, DIVISION C, Title VI, Section 603) established this trust fund in 1999. This Act states that the Secretary of the Treasury may not transfer or withdraw any amount deposited in the trust fund until after the fund has been fully capitalized with at least \$108,000,000 in transfers from the general fund of the Treasury. As such, the program agency equity balance as of September 30, 2008 is not available to the program agency.

(4) Other Income

South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund

The \$10,000,000 of other income for the year ended September 30, 2008 represents the amounts deposited into the trust fund by the Secretary of the Treasury in accordance with the trust fund's enabling legislation (Public Law 105-277, DIVISION C, Title VI, Section 603).

(5) Related Parties

TFMB, on behalf of the Secretary of the Treasury, compiles amounts deposited into the trust funds, invests receipts in Treasury securities, redeems securities and transfers funds to the program agencies, maintains accounting records for receipts and disbursements of the trust funds, and reports trust fund financial activity to the program agencies and other interested parties. The program agencies, OTA, IRS, and/or FMS determine the amounts to be deposited in the trust funds. The program agencies determine the disposition of the trust fund balances.