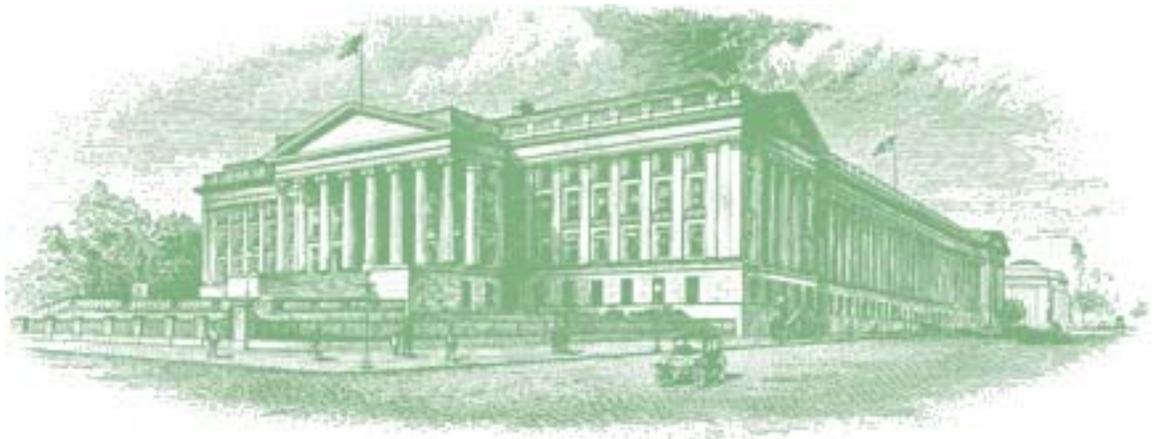




# Audit Report



OIG-08-004

## 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, 2007

November 5, 2007

## Office of Inspector General

Department of the Treasury



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

OFFICE OF  
INSPECTOR GENERAL

November 5, 2007

**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, 2007

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, 2007 (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, 2007. 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.

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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.

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 2, 2007 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, Audit 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, 2007

**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, 2007 and the related Schedule of Activity of Selected Trust Funds for the year then ended:

- 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 and other payables 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 28, 2007 *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, tax refunds, and other income – tax revenue transfers are reported based on the amounts received and recorded by TFMB from the Office of Tax Analysis, Internal Revenue Service and/or FMS.
- Transfers to program agencies and other transfers 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, 2007, 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.

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 2, 2007

**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, 2007

	<b>Federal Supplementary Medical Insurance Trust Fund</b>	<b>Federal Hospital Insurance Trust Fund</b>	<b>Highway Trust Fund</b>	<b>Airport and Airway Trust Fund</b>	<b>Hazardous Substance Superfund Trust Fund</b>
<b>Assets:</b>					
Fund balance with Treasury	\$ 145,462,209	7,726,830	2,546,784,489	715,577,951	1,538,456
Interest receivables	479,930,214	4,090,118,187	—	75,831,267	12,794,749
Other receivables	8,483,565,673	484,100,000	—	—	—
Investments, net	39,248,013,000	319,377,370,000	12,204,544,000	7,930,943,000	2,739,055,243
Total assets	<u>48,356,971,096</u>	<u>323,959,315,017</u>	<u>14,751,328,489</u>	<u>8,722,352,218</u>	<u>2,753,388,448</u>
<b>Liabilities:</b>					
Other payables	—	8,483,565,673	—	—	—
Program agency equity:					
Available	24,235,760,468	20,892,422,161	14,751,328,489	2,855,239,220	2,466,811,552
Other	24,121,210,628	294,583,327,183	—	5,867,112,998	286,576,896
Total program agency equity	<u>48,356,971,096</u>	<u>315,475,749,344</u>	<u>14,751,328,489</u>	<u>8,722,352,218</u>	<u>2,753,388,448</u>
Total liabilities	\$ <u>48,356,971,096</u>	<u>323,959,315,017</u>	<u>14,751,328,489</u>	<u>8,722,352,218</u>	<u>2,753,388,448</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, 2007

	<b>Leaking Underground Storage Tank Trust Fund</b>	<b>Oil Spill Liability Trust Fund</b>	<b>Harbor Maintenance Trust Fund</b>	<b>Inland Waterways Trust Fund</b>	<b>South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund</b>
<b>Assets:</b>					
Fund balance with Treasury	\$ 12,856,000	20,663,000	80,902,812	5,258,000	—
Interest receivables	30,464,417	4,371,337	22,967,291	28,648	1,011,698
Other receivables	—	—	—	—	—
Investments, net	2,970,749,197	917,666,072	3,707,768,394	204,096,354	102,480,841
Total assets	<u>3,014,069,614</u>	<u>942,700,409</u>	<u>3,811,638,497</u>	<u>209,383,002</u>	<u>103,492,539</u>
<b>Liabilities:</b>					
Other payables	—	—	—	—	—
Program agency equity:					
Available	80,252,080	113,436,519	—	71,718,879	—
Other	2,933,817,534	829,263,890	3,811,638,497	137,664,123	103,492,539
Total program agency equity	<u>3,014,069,614</u>	<u>942,700,409</u>	<u>3,811,638,497</u>	<u>209,383,002</u>	<u>103,492,539</u>
Total liabilities	\$ <u>3,014,069,614</u>	<u>942,700,409</u>	<u>3,811,638,497</u>	<u>209,383,002</u>	<u>103,492,539</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, 2007

	<b>Federal Supplementary Medical Insurance Trust Fund</b>	<b>Federal Hospital Insurance Trust Fund</b>	<b>Highway Trust Fund</b>	<b>Airport and Airway Trust Fund</b>	<b>Hazardous Substance Superfund Trust Fund</b>
<b>Revenues:</b>					
Interest revenue	\$ 2,083,809,436	16,285,436,405	2,385,732	473,308,653	141,406,687
Penalties, fines, and administrative fees	—	425,170,357	16,868,607	—	1,062,750
Transfers in from program agencies	179,179,538,913	11,852,215,232	—	—	1,040,370,865
Tax revenues and adjustments	—	187,991,709,870	40,385,077,388	11,534,814,612	2,601,882
Tax refunds	—	—	(1,040,135,668)	(67,229,332)	—
Premiums	54,414,948,264	2,835,677,697	—	—	—
Cost recoveries	—	—	—	—	234,049,916
Other income	16,045,235	3,750,844	10,361,561	—	—
Other income - tax revenue transfers	—	—	(223,307,280)	223,307,280	—
<b>Total revenues</b>	<b>235,694,341,848</b>	<b>219,393,960,405</b>	<b>39,151,250,340</b>	<b>12,164,201,213</b>	<b>1,419,492,100</b>
<b>Disposition of revenues:</b>					
Transfers to program agencies	229,348,428,686	201,881,821,770	37,787,933,729	12,054,845,807	1,294,380,409
Other transfers	(8,483,565,673)	8,483,565,673	—	—	—
Reimbursements to Treasury bureaus and the General Fund	157,684	134,971,975	—	—	—
<b>Total disposition of revenues</b>	<b>220,865,020,697</b>	<b>210,500,359,418</b>	<b>37,787,933,729</b>	<b>12,054,845,807</b>	<b>1,294,380,409</b>
<b>Net increase/(decrease) in program agency equity</b>	<b>\$ 14,829,321,151</b>	<b>8,893,600,987</b>	<b>1,363,316,611</b>	<b>109,355,406</b>	<b>125,111,691</b>

**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, 2007

	<b>Leaking Underground Storage Tank Trust Fund</b>	<b>Oil Spill Liability Trust Fund</b>	<b>Harbor Maintenance Trust Fund</b>	<b>Inland Waterways Trust Fund</b>	<b>South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund</b>
<b>Revenues:</b>					
Interest revenue	\$ 117,579,298	30,545,729	154,032,570	10,381,331	4,153,756
Penalties, fines, and administrative fees	—	6,856,307	—	—	—
Transfers in from program agencies	—	—	—	—	—
Tax revenues and adjustments	228,257,000	452,372,000	1,261,731,132	91,097,000	—
Tax refunds	(2,063,000)	—	—	—	—
Premiums	—	—	—	—	—
Cost recoveries	—	16,117,287	—	—	—
Other income	—	—	—	—	10,000,000
Other income - tax revenue transfers	—	—	—	—	—
<b>Total revenues</b>	<b>343,773,298</b>	<b>505,891,323</b>	<b>1,415,763,702</b>	<b>101,478,331</b>	<b>14,153,756</b>
<b>Disposition of revenues:</b>					
Transfers to program agencies	80,200,000	167,540,888	909,873,962	159,767,055	—
Other transfers	—	—	—	—	—
Reimbursements to Treasury bureaus and the General Fund	—	50,425	—	—	—
<b>Total disposition of revenues</b>	<b>80,200,000</b>	<b>167,591,313</b>	<b>909,873,962</b>	<b>159,767,055</b>	<b>—</b>
<b>Net increase/(decrease) in program agency equity</b>	<b>\$ 263,573,298</b>	<b>338,300,010</b>	<b>505,889,740</b>	<b>(58,288,724)</b>	<b>14,153,756</b>

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, 2007

**(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), 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 (FMS) 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, 2007

**(f) *Other Receivables and Other Payables***

Other receivables and other payables 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 28, 2007 *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.

**(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, 2007 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 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.

**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, 2007

**(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, tax refunds, and other income – tax revenue transfers are reported based on the amounts received and recorded by TFMB from the OTA, IRS and/or FMS. 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 two quarters after the taxes are estimated (i.e., 1<sup>st</sup> quarter estimate is certified in the 3<sup>rd</sup> 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 certification, the statement of activity includes certified tax revenues (i.e. actual tax revenues) for the first two quarters of the fiscal year and estimated tax revenues for the second two quarters of the fiscal year.

**(k) Transfers to Program Agencies and Other Transfers**

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 and other transfers 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.

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

In the case of certain trust funds, BPD and Financial Management Service (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

**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, 2007

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, 2007, are non-marketable, par value intra governmental securities with a cost of \$39,248,013,000.

***Federal Hospital Insurance Trust Fund***

Investments at September 30, 2007, are non-marketable, par value intra governmental securities with a cost of \$319,377,370,000.

***Highway Trust Fund***

Investments at September 30, 2007, are non-marketable, par value intra governmental securities with a cost of \$12,204,544,000. 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, 2007, are non-marketable, par value intra governmental securities with a cost of \$7,930,943,000.

***Hazardous Substance Superfund Trust Fund***

Investments at September 30, 2007, 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	\$ 264,705,993	N/A	264,705,993	264,705,993
Bills and notes	<u>2,478,803,000</u>	<u>(4,453,750)</u>	<u>2,474,349,250</u>	<u>2,479,165,524</u>
Total	<u>\$ 2,743,508,993</u>	<u>(4,453,750)</u>	<u>2,739,055,243</u>	<u>2,743,871,517</u>

The net unrealized gain on investments is \$4,816,274 at September 30, 2007.

**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, 2007

***Leaking Underground Storage Tank Trust Fund***

The investments at September 30, 2007, 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	\$ 152,290,236	N/A	152,290,236	152,290,236
Bills and notes	<u>2,784,522,000</u>	<u>33,936,961</u>	<u>2,818,458,961</u>	<u>2,849,144,094</u>
Total	<u>\$ 2,936,812,236</u>	<u>33,936,961</u>	<u>2,970,749,197</u>	<u>3,001,434,330</u>

The net unrealized gain on investments is \$30,685,133 at September 30, 2007.

***Oil Spill Liability Trust Fund***

The investments at September 30, 2007, 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	\$ 212,628,488	N/A	212,628,488	212,628,488
Bills and notes	<u>707,412,000</u>	<u>(2,374,416)</u>	<u>705,037,584</u>	<u>705,397,869</u>
Total	<u>\$ 920,040,488</u>	<u>(2,374,416)</u>	<u>917,666,072</u>	<u>918,026,357</u>

The net unrealized gain on investments is \$360,285 at September 30, 2007.

***Harbor Maintenance Trust Fund***

The investments at September 30, 2007, 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	\$ 422,246,124	N/A	422,246,124	422,246,124
Bills and notes	<u>3,292,858,000</u>	<u>(7,335,730)</u>	<u>3,285,522,270</u>	<u>3,314,354,338</u>
Total	<u>\$ 3,715,104,124</u>	<u>(7,335,730)</u>	<u>3,707,768,394</u>	<u>3,736,600,462</u>

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Notes to the Schedules of Selected Trust Funds

September 30, 2007

The net unrealized gain on investments is \$28,832,068 at September 30, 2007.

***Inland Waterways Trust Fund***

The investments at September 30, 2007, 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	\$ 129,239,243	N/A	129,239,243	129,239,243
Bills and notes	76,001,000	(1,143,889)	74,857,111	74,868,289
Total	<u>\$ 205,240,243</u>	<u>(1,143,889)</u>	<u>204,096,354</u>	<u>204,107,532</u>

The net unrealized gain on investments is \$11,178 at September 30, 2007.

***South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund***

The investments at September 30, 2007, 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>
Bills and notes	\$ 102,808,202	(327,361)	102,480,841	102,400,818

The net unrealized loss on investments is \$80,023 at September 30, 2007.

**(3) Change in Program Agency Equity**

***Federal Supplementary Medical Insurance Trust Fund***

Change in program agency equity for the year ended September 30, 2007, is:

Balance, beginning of year	\$ 33,527,649,945
Increase in balance	<u>14,829,321,151</u>
Balance, end of year	<u>\$ 48,356,971,096</u>

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Notes to the Schedules of Selected Trust Funds

September 30, 2007

***Federal Hospital Insurance Trust Fund***

Change in the program agency equity for the year ended September 30, 2007, is:

Balance, beginning of year	\$ 306,582,148,357
Increase in balance	<u>8,893,600,987</u>
Balance, end of year	<u><u>\$ 315,475,749,344</u></u>

***Highway Trust Fund***

Change in program agency equity for the year ended September 30, 2007, is:

Balance, beginning of year	\$ 13,388,011,878
Increase in balance	<u>1,363,316,611</u>
Balance, end of year	<u><u>\$ 14,751,328,489</u></u>

The program agency equity available as of September 30, 2007 is \$14,751,328,489. However, Congress has authorized appropriations in excess of current available trust fund assets that amounts to \$3,628,503,594 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, 2007, is:

Balance, beginning of year	\$ 8,612,996,812
Increase in balance	<u>109,355,406</u>
Balance, end of year	<u><u>\$ 8,722,352,218</u></u>

***Hazardous Substance Superfund Trust Fund***

Change in program agency equity for the year ended September 30, 2007, is:

Balance, beginning of year	\$ 2,628,276,757
Increase in balance	<u>125,111,691</u>
Balance, end of year	<u><u>\$ 2,753,388,448</u></u>

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Notes to the Schedules of Selected Trust Funds

September 30, 2007

***Leaking Underground Storage Tank Trust Fund***

Change in program agency equity for the year ended September 30, 2007, is:

Balance, beginning of year	\$ 2,750,496,316
Increase in balance	<u>263,573,298</u>
Balance, end of year	\$ <u><u>3,014,069,614</u></u>

***Oil Spill Liability Trust Fund***

Change in program agency equity for the year ended September 30, 2007, is:

Balance, beginning of year	\$ 604,400,399
Increase in balance	<u>338,300,010</u>
Balance, end of year	\$ <u><u>942,700,409</u></u>

***Harbor Maintenance Trust Fund***

Change in program agency equity for the year ended September 30, 2007, is:

Balance, beginning of year	\$ 3,305,748,757
Increase in balance	<u>505,889,740</u>
Balance, end of year	\$ <u><u>3,811,638,497</u></u>

***Inland Waterways Trust Fund***

Change in program agency equity for the year ended September 30, 2007, is:

Balance, beginning of year	\$ 267,671,726
Decrease in balance	<u>(58,288,724)</u>
Balance, end of year	\$ <u><u>209,383,002</u></u>

***South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund***

Change in program agency equity for the year ended September 30, 2007, is:

Balance, beginning of year	\$ 89,338,783
Increase in balance	<u>14,153,756</u>
Balance, end of year	\$ <u><u>103,492,539</u></u>

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Notes to the Schedules of Selected Trust Funds

September 30, 2007

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 the aggregate amount is equal to at least \$108,000,000. As such, the program agency equity balance as of September 30, 2007 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, 2007 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) Other Income – Tax Revenue Transfers**

***Airport and Airway Trust Fund and Highway Trust Fund***

Other income – tax revenue transfers of \$223,307,280 represents the transfer of amounts from the Highway Trust Fund to the Airport and Airway Trust Fund. During fiscal year 2006, the program agency provided TFMB excise tax collections for diesel fuel to be recorded in the Highway Trust Fund and TFMB recorded and reported such amounts in the Highway Trust Fund. In fiscal year 2007, the OTA, IRS and/or FMS requested TFMB to transfer amounts from the Highway Trust Fund to the Airport and Airway Trust Fund and TFMB reported this as other income – tax revenue transfers on the fiscal year 2007 schedule of activity of selected trust funds.

**(6) Other Payables, Receivables, and Transfers**

***Federal Supplementary Medical Insurance Trust Fund and Federal Hospital Insurance Trust Fund***

From May 2005 to August 2007, the program agency requested transfers from Federal Supplementary Medical Insurance Trust Fund for hospice benefits and TFMB recorded and reported such transfers in the Federal Supplementary Medical Insurance Trust Fund. In fiscal year 2007, the program agency determined that it should have requested the transfers for hospice benefits from the Federal Hospital Insurance Trust Fund and requested that TFMB transfer \$8,483,565,673 from the Federal Supplementary Medical Insurance Trust Fund to the Federal Hospital Insurance Trust Fund as of September 30, 2007. TFMB reported the \$8,483,565,673 as other transfers on the schedule of activity, and as an other payable in the Federal Hospital Insurance Trust Fund and an other receivable in the Federal Supplementary Medical Insurance Trust Fund on the schedule of assets and liabilities.

**(7) 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 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.