



# Audit Report



OIG-04-004

Report on the Treasury Bureau of the Public Debt Trust Fund  
Management Branch Schedules and Notes for Selected Trust  
Funds for the Period October 1, 2002 to September 30, 2003  
November 14, 2003

Office of  
Inspector General

Department of the Treasury



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

OFFICE OF  
INSPECTOR GENERAL

November 14, 2003

MEMORANDUM FOR VAN ZECK, COMMISSIONER  
BUREAU OF THE PUBLIC DEBT

FROM: William H. Pugh, *William H. Pugh*  
Deputy Assistant Inspector General  
for Financial Management and Information  
Technology Audits

SUBJECT: Report on the Treasury Bureau of the Public Debt  
Trust Fund Management Branch Schedules and Notes  
for Selected Trust Funds for the Period  
October 1, 2002 to September 30, 2003

I am pleased to transmit the attached Report on the Treasury 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, 2003 (the Schedules). We contracted with the independent certified public accounting firm of KPMG LLP, an Independent Public Accountant (IPA), to examine BPD's assertions pertaining to the Schedules as of and for the year ended September 30, 2003. 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.

The following IPA reports are incorporated in the attachment:

- Independent Auditors' Report on Management's Assertions; and
- Independent Auditors' Report on Compliance with Laws and Regulations.

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

- BPD's assertions (which are included in the IPA's Report on Management 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
- no instances of reportable noncompliance with laws and regulations tested.

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 audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the BPD's assertions; or a conclusion on compliance with laws and regulations. KPMG LLP is responsible for the attached auditor's report dated October 31, 2003 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) 927-5430, or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits at (202) 927-5789.

Attachment

cc: Donald V. Hammond  
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**

For the Period October 1, 2002 to September 30, 2003

**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**



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, 2003 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 Treasury Fund Statement 6653 Undisbursed Appropriation Account Ledger and appropriate reconciling transactions.
- 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 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, 2003 *Treasury Quote* file.
- Program agency equity is calculated and reported by TFMB based on the net 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 net 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, adjustments, and refunds are reported based on the amounts received and recorded by TFMB from FMS.
- Transfers to program agencies are reported based on the disbursement request amounts received 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.

These assertions are the responsibility of TFMB's management. 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 applicable standards 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 accounts of each trust fund reported on the accompanying Schedule of Assets and Liabilities of Selected Trust Funds as of September 30, 2003, 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.



In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2003, on our tests of compliance with certain provisions of laws and regulations applicable to BPD's management of the trust funds. We also issued reports dated October 31, 2003, in accordance with the American Institute of Certified Public Accountant's (AICPA) Statement on Auditing Standards (SAS) No. 70, *Service Organizations*, as amended, and SAS No. 94, *The Effect of Information Technology on the Auditors' Consideration of Internal Control in a Financial Statement Audit*, related to our examination of certain controls at FIB and TFMB. These reports should be read in conjunction with this report in considering the results of our attestation engagement.

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, Office of Management and Budget, General Accounting 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

October 31, 2003

## **II. Independent Auditors' Report on Compliance with Laws and Regulations**



2001 M Street NW  
Washington, DC 20036

## Independent Auditors' Report on Compliance with Laws and Regulations

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

We have examined assertions of the Trust Fund Management Branch (TFMB) of the Bureau of the Public Debt (BPD) of the U.S. Department of the Treasury with respect to the accounts of each of the following trust funds included on the Schedule of Assets and Liabilities of Selected Trust Funds as of September 30, 2003 and the related Schedule of Activity of Selected Trust Funds for the year then ended, and have issued our report thereon dated October 31, 2003:

- 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
- South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The management of BPD is responsible for complying with laws and regulations applicable to the management of the trust funds. As part of obtaining reasonable assurance about whether the assertions with respect to the accounts of each of the trust funds referred to above are free of material misstatement, we performed tests of BPD's compliance with certain provisions of laws and regulations related to the management of the trust funds, noncompliance with which could have a direct and material effect on the determination of the schedule amounts, and certain provisions of other laws and regulations specified in Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, including certain requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to BPD's management of





the trust funds. However, providing an opinion on compliance with laws and regulations was not an objective of our examination, and, accordingly, we do not express such an opinion.

The results of our tests of compliance with the certain provisions of laws and regulations described in the preceding paragraph of this report, exclusive of FFMIA, disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 01-02.

Under FFMIA, we are required to report whether BPD's financial management systems used to manage the trust funds substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.

The results of our tests disclosed no instances in which the financial management systems used to manage the trust funds did not substantially comply with the three requirements discussed in the preceding paragraph.

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, Office of Management and Budget, General Accounting 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

October 31, 2003

### **III. 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, 2003

	Federal Supplementary Medical Insurance Trust Fund	Federal Hospital Insurance Trust Fund	Highway Trust Fund	Airport and Airway Trust Fund	Hazardous Substance Superfund Trust Fund
<b>ASSETS</b>					
Fund Balance with Treasury	\$29,114,820	\$17,134,257	\$2,541,209,598	\$614,503,051	\$866,075
Interest Receivables	398,668,008	3,657,084,886	-	105,178,910	37,413
Other Receivables	-	700,395,163	-	-	-
Investments (Net)	24,921,606,000	251,323,322,000	13,577,565,000	10,517,891,000	2,516,109,797
<b>Total Assets</b>	<b>\$25,349,388,828</b>	<b>\$255,697,936,306</b>	<b>\$16,118,774,598</b>	<b>\$11,237,572,961</b>	<b>\$2,517,013,285</b>
<b>LIABILITIES</b>					
Program Agency Equity:					
Available	\$1,224,042,243	\$1,749,832,716	\$4,717,090,861	\$3,115,668,802	\$2,517,013,285
Other	24,125,346,585	253,948,103,590	11,401,683,737	8,121,904,159	-
<b>Total Liabilities</b>	<b>\$25,349,388,828</b>	<b>\$255,697,936,306</b>	<b>\$16,118,774,598</b>	<b>\$11,237,572,961</b>	<b>\$2,517,013,285</b>

The accompanying notes are an integral part of the schedules.

(Continued)

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, 2003

	Leaking Underground Storage Tank Trust Fund	Oil Spill Liability Trust Fund	Harbor Maintenance Trust Fund	Inland Waterways Trust Fund	South Dakota Trust Fund
<b>ASSETS</b>					
Fund Balance with Treasury	\$12,376,940	\$1,182,500	\$59,521,450	\$6,206,124	\$766
Interest Receivables	25,834,295	3,936,655	10,138,938	1,544,012	-
Other Receivables	-	-	-	-	-
Investments (Net)	2,088,852,691	963,869,310	2,022,419,229	391,264,394	53,087,000
<b>Total Assets</b>	<b>\$2,127,063,926</b>	<b>\$968,988,465</b>	<b>\$2,092,079,617</b>	<b>\$399,014,530</b>	<b>\$53,087,766</b>
<b>LIABILITIES</b>					
Program Agency Equity:					
Available	\$66,573,572	\$170,572,287	-	\$7,389,136	-
Other	2,060,490,354	798,416,178	2,092,079,617	391,625,394	53,087,766
<b>Total Liabilities</b>	<b>\$2,127,063,926</b>	<b>\$968,988,465</b>	<b>\$2,092,079,617</b>	<b>\$399,014,530</b>	<b>\$53,087,766</b>

The accompanying notes are an integral part of the schedules.

#### **IV. 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, 2003

	Federal Supplementary Medical Insurance Trust Fund	Federal Hospital Insurance Trust Fund	Highway Trust Fund	Airport and Airway Trust Fund	Hazardous Substance Superfund Trust Fund
<b>REVENUES</b>					
Interest Revenue	\$2,220,088,488	\$14,894,572,107	\$2,308,963	\$570,967,095	\$48,944,519
Penalties, Fines, and Administrative Fees	-	242,506,965	15,682,617	-	2,872,936
Transfers In from Program Agencies	80,908,992,472	1,045,139,168	112,008	-	632,307,114
Tax Revenue and Adjustments	-	158,157,121,695	34,740,102,000	8,728,728,000	(99,355,078)
Tax Refunds	-	-	(1,031,928,000)	(44,320,000)	-
Premiums	26,834,236,234	1,597,950,431	-	-	-
Cost Recoveries	-	-	-	-	146,502,181
Other Income	4,235,657	1,644,100	-	-	-
<b>Total Revenues</b>	<b>\$109,967,552,851</b>	<b>\$175,938,934,466</b>	<b>\$33,726,277,588</b>	<b>\$9,255,375,095</b>	<b>\$731,271,672</b>
<b>DISPOSITION OF REVENUES</b>					
Transfers to Program Agencies	\$124,034,217,229	\$153,334,682,371	\$38,559,174,008	\$9,724,156,063	\$1,526,108,848
Reimbursements to Treasury Bureaus and the General Fund	285,258	58,058,224	-	-	-
<b>Total Disposition of Revenues</b>	<b>\$124,034,502,487</b>	<b>\$153,392,740,595</b>	<b>\$38,559,174,008</b>	<b>\$9,724,156,063</b>	<b>\$1,526,108,848</b>
<b>Net Increase/(Decrease) in Program Agency Equity</b>	<b>(\$14,066,949,636)</b>	<b>\$22,546,193,871</b>	<b>(\$4,832,896,420)</b>	<b>(\$468,780,968)</b>	<b>(\$794,837,176)</b>

The accompanying notes are an integral part of the schedules.

(Continued)

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, 2003

	Leaking Underground Storage Tank		Oil Spill Liability		Harbor Maintenance		Inland Waterways		South Dakota	
	Trust Fund	Trust Fund	Trust Fund	Trust Fund	Trust Fund	Trust Fund	Trust Fund	Trust Fund	Trust Fund	Trust Fund
<b>REVENUES</b>										
Interest Revenue	\$64,446,580	\$16,590,700	\$46,524,286	\$9,522,415	\$653,959					
Penalties, Fines, and Administrative Fees	-	44,276,943	-	-	-					
Transfers In from Program Agencies	-	-	-	-	-					
Tax Revenue and Adjustments	190,029,000	-	757,993,525	89,520,000	-					
Tax Refunds	(5,552,000)	-	-	-	-					
Premiums	-	-	-	-	-					
Cost Recoveries	-	6,728,935	-	-	-					
Other Income	-	-	-	-	-					10,000,000
<b>Total Revenues</b>	<b>\$248,923,580</b>	<b>\$67,596,578</b>	<b>\$804,517,811</b>	<b>\$99,042,415</b>	<b>\$10,653,959</b>					
<b>DISPOSITION OF REVENUES</b>										
Transfers to Program Agencies	\$86,144,000	\$106,556,284	\$585,854,941	\$112,663,061	-					
Reimbursements to Treasury Bureaus and the General Fund	-	40,000	-	-	-					
<b>Total Disposition of Revenues</b>	<b>\$86,144,000</b>	<b>\$106,596,284</b>	<b>\$585,854,941</b>	<b>\$112,663,061</b>	<b>-</b>					
<b>Net Increase/(Decrease) in Program Agency Equity</b>	<b>\$162,779,580</b>	<b>(\$38,999,706)</b>	<b>\$218,662,870</b>	<b>(\$13,620,646)</b>	<b>\$10,653,959</b>					

The accompanying notes are an integral part of the schedules.

**V. Notes to the Schedules**

**U.S. Department of the Treasury – Bureau of the Public Debt**  
**Trust Fund Management Branch**  
**Notes to the Schedules**  
**September 30, 2003**

**Note 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 applicable financial presentation guidelines to the extent those guidelines apply to the limited activities performed by TFMB.

C. Basis of Accounting

The Schedules are recorded using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**U.S. Department of the Treasury – Bureau of the Public Debt**  
**Trust Fund Management Branch**  
**Notes to the Schedules**  
**September 30, 2003**

**Note 1 - Summary of Significant Accounting Policies (continued)**

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 Treasury Fund Statement 6653 Undisbursed Appropriation Account Ledger and appropriate reconciling transactions.

E. 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.

F. Investments

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 the Federal Investments Branch of BPD.

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 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 BPD's Federal Investments Branch (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, 2003 *Treasury Quote* file.

**U.S. Department of the Treasury – Bureau of the Public Debt**  
**Trust Fund Management Branch**  
**Notes to the Schedules**  
**September 30, 2003**

**Note 1 - Summary of Significant Accounting Policies (continued)**

G. Interest

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. TFMB calculates and reports the amortization of premiums and discounts as adjustments to interest income, utilizing the straight-line method for short term securities (i.e., bills) and the level yield method for longer term securities (i.e., notes). The level yield method approximates the interest method of amortization. Interest on investments is accrued as it is earned.

Interest receivables are calculated and reported by TFMB based on the investment terms received and recorded by TFMB from FIB in the investment confirmations and monthly statements of account.

H. Available and Other Program Agency Equity

Program agency equity is calculated and reported by TFMB based on the net 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, 2003 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 net assets of the trust fund and the available program agency equity.

I. 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, taxes (net of 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.

**U.S. Department of the Treasury – Bureau of the Public Debt**  
**Trust Fund Management Branch**  
**Notes to the Schedules**  
**September 30, 2003**

**Note 1 - Summary of Significant Accounting Policies (continued)**

I. Revenues, continued

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 and refunds are reported based on the amounts received and recorded by TFMB from 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.

J. 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 reported based on the disbursement request amounts received and recorded by TFMB from the program agencies responsible for the respective trust fund activity.

K. 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 authorized 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.

**U.S. Department of the Treasury – Bureau of the Public Debt**  
**Trust Fund Management Branch**  
**Notes to the Schedules**  
**September 30, 2003**

**Note 2 - Investments**

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

Investments at September 30, 2003, are non-marketable par value intragovernmental securities with a cost of \$24,921,606,000.

***Federal Hospital Insurance Trust Fund***

Investments at September 30, 2003, are non-marketable par value intragovernmental securities with a cost of \$251,323,322,000.

***Highway Trust Fund***

Investments as of September 30, 2003, are non-marketable par value intragovernmental securities with a cost of \$13,577,565,000. 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, 2003, are non-marketable par value intergovernmental securities with a cost of \$10,517,891,000.

***Hazardous Substance Superfund Trust Fund***

Investments at September 30, 2003, are non-marketable market-based intragovernmental securities as follows:

	Cost	Net Unamortized Premium (Discount)	Net Investments	Market Value
One-day Certificates	\$346,415,000	N/A	\$346,415,000	\$346,415,000
Bills and Notes	2,161,512,000	\$8,182,797	2,169,694,797	2,172,855,786
Total	<u>\$2,507,927,000</u>	<u>\$8,182,797</u>	<u>\$2,516,109,797</u>	<u>\$2,519,270,786</u>

The market value of investments is calculated using rates for September 30, 2003, as published in the *Treasury Quote* file. The net unrealized gain on the securities is \$3,160,989 at September 30, 2003.

**U.S. Department of the Treasury – Bureau of the Public Debt  
Trust Fund Management Branch  
Notes to the Schedules  
September 30, 2003**

**Note 2 – Investments (continued)**

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

The investments at September 30, 2003, are non-marketable market-based intragovernmental securities as follows:

	Cost	Net Unamortized Premium (Discount)	Net Investments	Market Value
One-day Certificates	\$100,483,000	N/A	\$100,483,000	\$100,483,000
Bills and Notes	1,937,077,000	\$51,292,691	1,988,369,691	2,034,786,968
Totals	<u>\$2,037,560,000</u>	<u>\$51,292,691</u>	<u>\$2,088,852,691</u>	<u>\$2,135,269,968</u>

The market value of investments is calculated using rates for September 30, 2003, as published in the *Treasury Quote* file. The net unrealized gain on investments is \$46,417,277 at September 30, 2003.

***Oil Spill Liability Trust Fund***

The investments at September 30, 2003, are non-marketable market-based intragovernmental securities as follows:

	Cost	Net Unamortized Premium (Discount)	Net Investments	Market Value
One-day Certificates	\$73,553,000	N/A	\$73,553,000	\$73,553,000
Bills, Notes, Bonds	881,486,000	\$8,830,310	890,316,310	893,776,459
Totals	<u>\$955,039,000</u>	<u>\$8,830,310</u>	<u>\$963,869,310</u>	<u>\$967,329,459</u>

The market value of investments is calculated using rates for September 30, 2003, as published in the *Treasury Quote* file. The net unrealized gain on the securities is \$3,460,149 at September 30, 2003.

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**Note 2 – Investments (continued)**

***Harbor Maintenance Trust Fund***

The investments at September 30, 2003, are non-marketable market-based intragovernmental securities as follows:

	Cost	Net Unamortized Premium (Discount)	Net Investments	Market Value
One-day Certificates	\$191,492,000	N/A	\$191,492,000	\$191,492,000
Bills and Notes	1,751,406,000	\$79,521,229	1,830,927,229	1,867,461,880
Totals	<u>\$1,942,898,000</u>	<u>\$79,521,229</u>	<u>\$2,022,419,229</u>	<u>\$2,058,953,880</u>

The market value of investments is calculated using rates for September 30, 2003, as published in the *Treasury Quote* file. The net unrealized gain on investments is \$36,534,651 at September 30, 2003.

***Inland Waterways Trust Fund***

The investments at September 30, 2003, are non-marketable market-based intragovernmental securities as follows:

	Cost	Net Unamortized Premium (Discount)	Net Investments	Market Value
One-day Certificates	\$40,917,000	N/A	\$40,917,000	\$40,917,000
Bills and Notes	343,212,000	7,135,394	350,347,394	352,061,138
Totals	<u>\$384,129,000</u>	<u>\$7,135,394</u>	<u>\$391,264,394</u>	<u>\$392,978,138</u>

The market value of investments is calculated using rates for September 30, 2003, as published in the *Treasury Quote* file. The net unrealized gain on investments is \$1,713,744 at September 30, 2003.

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

Investments at September 30, 2003, are one-day securities with a cost and market value of \$53,087,000.

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**Note 3 - Change in Program Agency Equity**

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

Change in program agency equity, for the year ended September 30, 2003, is:

Balance, beginning of year	\$ 39,416,338,464
Decrease in balance	<u>(14,066,949,636)</u>
Balance, end of year	<u>\$ 25,349,388,828</u>

***Federal Hospital Insurance Trust Fund***

Change in the program agency equity, for the year ended September 30, 2003, is:

Balance, beginning of year	\$ 233,151,742,435
Increase in balance	<u>22,546,193,871</u>
Balance, end of year	<u>\$ 255,697,936,306</u>

***Highway Trust Fund***

Change in program agency equity for the year ended September 30, 2003 is:

Balance, beginning of year	\$20,951,671,018
Decrease in balance	<u>(4,832,896,420)</u>
Balance, end of year	<u>\$ 16,118,774,598</u>

***Airport and Airway Trust Fund***

Change in program agency equity for the year ended September 30, 2003, is:

Balance, beginning of year	\$11,706,353,929
Decrease in balance	<u>(468,780,968)</u>
Balance, end of year	<u>\$11,237,572,961</u>

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**Note 3 - Change in Program Agency Equity (continued)**

***Hazardous Substance Superfund Trust Fund***

Change in program agency equity for the year ended September 30, 2003, is:

Balance, beginning of year	\$3,311,850,461
Decrease in balance	<u>(794,837,176)</u>
Balance, end of year	<u>\$2,517,013,285</u>

The program agency equity available as of September 30, 2003 is \$2,517,013,285. However, Congress has authorized appropriations in excess of the available trust fund assets that amounts to \$2,599,743,742 after considering amounts already transferred to the program agency.

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

Change in program agency equity for the year ended September 30, 2003, is:

Balance, beginning of year	\$1,964,284,346
Increase in balance	<u>162,779,580</u>
Balance, end of year	<u>\$2,127,063,926</u>

***Oil Spill Liability Trust Fund***

Change in program agency equity for the year ended September 30, 2003, is:

Balance, beginning of year	\$1,007,988,171
Decrease in balance	<u>(38,999,706)</u>
Balance, end of year	<u>\$ 968,988,465</u>

***Harbor Maintenance Trust Fund***

Change in program agency equity for the year ended September 30, 2003, is:

Balance, beginning of year	\$1,873,416,747
Increase in balance	<u>218,662,870</u>
Balance, end of year	<u>\$2,092,079,617</u>

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**Note 3 - Change in Program Agency Equity (continued)**

***Inland Waterways Trust Fund***

Change in program agency equity for the year ended September 30, 2003, is:

Balance, beginning of year	\$412,635,176
Decrease in balance	<u>(13,620,646)</u>
Balance, end of year	<u>\$399,014,530</u>

***South Dakota Trust Fund***

Change in program agency equity for the year ended September 30, 2003, is:

Balance, beginning of year	\$42,433,807
Increase in balance	<u>10,653,959</u>
Balance, end of year	<u>\$53,087,766</u>

This trust fund was established by the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (Public Law 105-277, DIVISION C, Title VI, Section 603) dated October 21, 1998. The Act (Section 603 (e)) 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, 2003 is not available to the program agency.

**Note 4 – Other Income**

***South Dakota Trust Fund***

The \$10,000,000 of other income for the year ended September 30, 2003 represents the amounts deposited into the trust fund by the Secretary of the Treasury in accordance with Section 603 (b) of the trust fund's enabling legislation.

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**Note 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 IRS and OTA determine the amounts to be deposited in the trust funds. The program agencies determine the disposition of the trust fund balances.