



EPA's FY 2008 Performance and Accountability Report

Section III Financial Statements

This document is one chapter from the *Fiscal Year 2008 Performance and Accountability Report*, U.S. Environmental Protection Agency (EPA-190-R-08-004), published on November 17, 2008. This document is available at: www.epa.gov/ocfo/par/2008par/index.htm. Printed copies of EPA's *FY 2008 Performance and Accountability Report* are available from EPA's National Service Center for Environmental Publications at 1-800-490-9198 or by e-mail at ncepimal@one.net.

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FINANCIAL STATEMENTS

Environmental Protection Agency Consolidated Balance Sheet As of September 30, 2008 and 2007 (Dollars in Thousands)

	FY 2008	FY 2007
ASSETS		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 9,605,356	\$ 10,466,600
Investments (Notes 4 and 18)	6,174,828	5,753,061
Accounts Receivable, Net (Note 5)	34,636	57,039
Other (Note 6)	107,433	81,069
Total Intragovernmental	\$ 15,922,253	\$ 16,357,769
Cash and Other Monetary Assets (Note 3)	10	10
Accounts Receivable, Net (Note 5)	349,739	359,302
Loans Receivable, Net - Non-Federal (Note 7)	17,088	23,161
Property, Plant & Equipment, Net (Note 9)	814,253	809,873
Other (Note 6)	3,655	4,574
Total Assets	\$ 17,106,998	\$ 17,554,689
Stewardship PP& E (Note 11)		
LIABILITIES		
Intragovernmental:		
Accounts Payable and Accrued Liabilities (Note 8)	80,655	122,207
Debt Due to Treasury (Note 10)	13,158	16,156
Custodial Liability (Note 12)	47,951	39,369
Other (Note 13)	109,377	98,360
Total Intragovernmental	\$ 251,141	\$ 276,092
Accounts Payable & Accrued Liabilities (Note 8)	\$ 713,595	\$ 912,000
Pensions & Other Actuarial Liabilities (Note 15)	44,615	39,786
Environmental Cleanup Costs (Note 24)	19,411	18,214
Cashout Advances, Superfund (Note 16)	286,630	190,269
Commitments & Contingencies (Notes 19 and 24)	44	-
Payroll & Benefits Payable (Note 35)	232,958	205,198
Other (Note 13)	115,648	113,739
Total Liabilities	\$ 1,664,042	\$ 1,755,298
NET POSITION		
Unexpended Appropriations - Other Funds (Note 17)	8,674,711	9,350,591
Cumulative Results of Operations - Earmarked Funds (Note 20)	6,212,479	5,886,227
Cumulative Results of Operation - Other Funds	555,766	562,573
Total Net Position	15,442,956	15,799,391
Total Liabilities and Net Position	\$ 17,106,998	\$ 17,554,689

The accompanying notes are an integral part of these financial statements.

**Environmental Protection Agency
Consolidated Statement of Net Cost
For the Periods Ending September 30, 2008 and 2007
(Dollars in Thousands)**

		FY 2008		FY 2007
COSTS				
Gross Costs (Note 22)	\$	8,675,411	\$	9,263,304
Less:				
Earned Revenue (Notes 21, 22)		634,201		550,098
NET COST OF OPERATIONS (Note 22)	\$	8,041,210	\$	8,713,206

The accompanying notes are an integral part of these financial statements.

**Environmental Protection Agency
Consolidated Statement of Net Cost by Goal
For the Period Ending September 30, 2008
(Dollars in Thousands)**

	<u>Clean Air</u>	<u>Clean & Safe Water</u>	<u>Land Preservation & Restoration</u>	<u>Healthy Communities & Ecosystems</u>	<u>Compliance & Environmental Stewardship</u>
Costs:					
Intragovernmental	\$ 181,467	\$ 162,679	\$ 347,011	\$ 281,767	\$ 176,376
With the Public	<u>\$ 816,336</u>	<u>\$ 3,334,953</u>	<u>\$ 1,654,205</u>	<u>\$ 1,126,764</u>	<u>\$ 593,853</u>
Total Costs (Note 22)	<u>997,803</u>	<u>3,497,632</u>	<u>2,001,216</u>	<u>1,408,531</u>	<u>770,229</u>
Less:					
Earned Revenue, Federal	\$ 18,360	\$ 7,615	\$ 73,829	\$ 22,710	\$ 5,540
Earned Revenue, non-Federal	<u>\$ 2,043</u>	<u>\$ 2,841</u>	<u>\$ 460,055</u>	<u>\$ 39,407</u>	<u>\$ 1,801</u>
Total Earned Revenue (Notes 21 and 22)	<u>20,403</u>	<u>10,456</u>	<u>533,884</u>	<u>62,117</u>	<u>7,341</u>
NET COST OF OPERATIONS (Note 22)	<u><u>\$ 977,400</u></u>	<u><u>\$ 3,487,176</u></u>	<u><u>\$ 1,467,332</u></u>	<u><u>\$ 1,346,414</u></u>	<u><u>\$ 762,888</u></u>
	<u>Consolidated Totals</u>				
Costs:					
Intragovernmental	\$ 1,149,300				
With the Public	<u>\$ 7,526,111</u>				
Total Costs (Note 22)	<u>8,675,411</u>				
Less:					
Earned Revenue, Federal	\$ 128,054				
Earned Revenue, non-Federal	<u>\$ 506,147</u>				
Total Earned Revenue (Notes 21 and 22)	<u>634,201</u>				
NET COST OF OPERATIONS (Note 22)	<u><u>\$ 8,041,210</u></u>				

The accompanying notes are an integral part of these financial statements.

**Environmental Protection Agency
Consolidated Statement of Net Cost by Goal
For the Period Ending September 30, 2007
(Dollars in Thousands)**

	<u>Clean Air</u>	<u>Clean & Safe Water</u>	<u>Land Preservation & Restoration</u>	<u>Healthy Communities & Ecosystems</u>	<u>Compliance & Environmental Stewardship</u>
Costs:					
Intragovernmental	\$ 185,389	\$ 180,571	\$ 396,786	\$ 275,068	\$ 182,101
With the Public	818,753	3,868,428	1,607,952	1,144,793	603,463
Total Costs (Note 22)	<u>1,004,142</u>	<u>4,048,999</u>	<u>2,004,738</u>	<u>1,419,861</u>	<u>785,564</u>
Less:					
Earned Revenue, Federal	15,594	11,016	101,036	18,450	5,613
Earned Revenue, non-Federal	2,997	2,262	352,963	38,902	1,265
Total Earned Revenue (Notes 21 and 22)	<u>18,591</u>	<u>13,278</u>	<u>453,999</u>	<u>57,352</u>	<u>6,878</u>
NET COST OF OPERATIONS (Note 22)	<u>\$ 985,551</u>	<u>\$ 4,035,721</u>	<u>\$ 1,550,739</u>	<u>\$ 1,362,509</u>	<u>\$ 778,686</u>

	<u>Consolidated Totals</u>
Costs:	
Intragovernmental	\$ 1,219,915
With the Public	\$ 8,043,389
Total Costs (Note 22)	<u>\$ 9,263,304</u>
Less:	
Earned Revenue, Federal	\$ 151,709
Earned Revenue, non-Federal	\$ 398,389
Total Earned Revenue (Notes 21 and 22)	<u>\$ 550,098</u>
NET COST OF OPERATIONS (Note 22)	<u>\$ 8,713,206</u>

The accompanying notes are an integral part of these financial statements.

Environmental Protection Agency
Consolidating Statement of Changes in Net Position
For the Periods Ending September 30, 2008 and 2007
(Dollars in Thousands)

	<u>FY 2008 Earmarked Funds</u>	<u>FY 2008 All Other Funds</u>	<u>FY 2008 Consolidated Total</u>
Cumulative Results of Operations:			
Net Position - Beginning of Period	5,886,227	562,573	6,448,800
Beginning Balances, as Adjusted	\$ 5,886,227	\$ 562,573	\$ 6,448,800
Budgetary Financing Sources:			
Appropriations Used	-	7,743,276	7,743,276
Nonexchange Revenue - Securities Investment (Note 37)	241,873	-	241,873
Nonexchange Revenue - Other (Note 37)	204,115	-	204,115
Transfers In/Out (Note 33)	(18,190)	37,151	18,961
Trust Fund Appropriations	984,974	(984,974)	-
Other (Note 40)	19,878	-	19,878
Total Budgetary Financing Sources	\$ 1,432,650	\$ 6,795,453	\$ 8,228,103
Other Financing Sources (Non-Exchange)			
Transfers In/Out (Note 33)	-	28	28
Imputed Financing Sources (Note 34)	20,933	111,591	132,524
Total Other Financing Sources	\$ 20,933	\$ 111,619	\$ 132,552
Net Cost of Operations	(1,127,331)	(6,913,879)	(8,041,210)
Net Change	326,252	(6,807)	319,445
Cumulative Results of Operations	<u>\$ 6,212,479</u>	<u>\$ 555,766</u>	<u>\$ 6,768,245</u>
Unexpended Appropriations:			
Net Position - Beginning of Period	-	9,350,591	9,350,591
Beginning Balances, as Adjusted	-	9,350,591	9,350,591
Budgetary Financing Sources:			
Appropriations Received	-	7,197,712	7,197,712
Appropriations Transferred In/Out (Note 33)	-	(7,875)	(7,875)
Other Adjustments (Note 36)	-	(122,441)	(122,441)
Appropriations Used	-	(7,743,276)	(7,743,276)
Total Budgetary Financing Sources	-	(675,880)	(675,880)
Total Unexpended Appropriations	-	8,674,711	8,674,711
TOTAL NET POSITION	<u>\$ 6,212,479</u>	<u>\$ 9,230,477</u>	<u>\$ 15,442,956</u>

The accompanying notes are an integral part of these financial statements

Environmental Protection Agency
Consolidating Statement of Changes in Net Position
For the Periods Ending September 30, 2008 and 2007
(Dollars in Thousands)

	<u>FY 2007 Earmarked Funds</u>	<u>FY 2007 All Other Funds</u>	<u>FY 2007 Consolidated Total</u>
Cumulative Results of Operations:			
Net Position - Beginning of Period	5,533,025	575,846	6,108,871
Adjustment:			
Change in Accounting Principle (Note 38)	20,900	-	20,900
Beginning Balances, as Adjusted	\$ 5,553,925	\$ 575,846	\$ 6,129,771
Budgetary Financing Sources:			
Appropriations Used	-	8,367,123	8,367,123
Nonexchange Revenue - Securities Investment (Note 37)	258,986	-	258,986
Nonexchange Revenue - Other (Note 37)	252,148	-	252,148
Transfers In/Out (Note 33)	(25,686)	43,491	17,805
Trust Fund Appropriations	1,040,371	(1,040,371)	-
Total Budgetary Financing Sources	\$ 1,525,819	\$ 7,370,243	\$ 8,896,062
Other Financing Sources (Non-Exchange)			
Transfers In/Out (Note 33)	39	525	564
Imputed Financing Sources (Note 34)	21,868	113,741	135,609
Total Other Financing Sources	\$ 21,907	\$ 114,266	\$ 136,173
Net Cost of Operations	(1,215,424)	(7,497,782)	(8,713,206)
Net Change	332,302	(13,273)	319,029
Cumulative Results of Operations	\$ 5,886,227	\$ 562,573	\$ 6,448,800
Unexpended Appropriations:			
Net Position - Beginning of Period	-	10,299,640	10,299,640
Beginning Balances, as Adjusted	-	10,299,640	10,299,640
Budgetary Financing Sources:			
Appropriations Received	-	7,422,635	7,422,635
Other Adjustments (Note 36)	-	(4,561)	(4,561)
Appropriations Used	-	(8,367,123)	(8,367,123)
Total Budgetary Financing Sources	-	(949,049)	(949,049)
Total Unexpended Appropriations	-	9,350,591	9,350,591
TOTAL NET POSITION	\$ 5,886,227	\$ 9,913,164	\$ 15,799,391

The accompanying notes are an integral part of these financial statements

**Environmental Protection Agency
 Combined Statement of Budgetary Resources
 For the Periods Ending September 30, 2008 and 2007
 (Dollars in Thousands)**

	<u>FY 2008</u>	<u>FY 2007</u>
BUDGETARY RESOURCES		
Unobligated Balance, Brought Forward, October 1:	\$ 3,541,387	\$ 3,247,087
Adjustment to Unobligated Balance (Alloc Transfer Agencies) (Note 38)	-	15,527
Adjusted Subtotal	<u>3,541,387</u>	<u>3,262,614</u>
Recoveries of Prior Year Unpaid Obligations (Note 29)	281,117	387,621
Budgetary Authority:		
Appropriation	7,268,236	7,495,028
Borrowing Authority	34	29
Spending Authority from Offsetting Collections		
Earned:		
Collected	708,430	640,354
Change in Receivables from Federal Sources	(22,170)	(72,546)
Change in Unfilled Customer Orders:		
Advance Received	77,880	(34,934)
Without Advance from Federal Sources	59,780	(625)
Expenditure Transfers from Trusts Funds	<u>37,151</u>	<u>43,491</u>
Total Spending Authority from Offsetting Collections	861,071	575,740
Nonexpenditure Transfers, Net, Anticipated and Actual (Note 33)	1,387,967	1,344,610
Temporarily Not Available Pursuant to Public Law (Note 29)	(6,366)	-
Permanently Not Available (Note 29)	<u>(125,526)</u>	<u>(7,333)</u>
Total Budgetary Resources (Note 28)	<u>\$ 13,207,920</u>	<u>\$ 13,058,309</u>
 STATUS OF BUDGETARY RESOURCES		
Obligations Incurred:		
Direct	\$ 9,035,912	\$ 9,027,170
Reimbursable	<u>620,128</u>	<u>489,752</u>
Total Obligations Incurred (Note 28)	9,656,040	9,516,922
Unobligated Balances:		
Apportioned (Note 30)	<u>3,204,800</u>	<u>3,274,344</u>
Total Unobligated Balances	3,204,800	3,274,344
Unobligated Balances Not Available (Note 30)	<u>347,080</u>	<u>267,043</u>
Total Status of Budgetary Resources	<u>\$ 13,207,920</u>	<u>\$ 13,058,309</u>

The accompanying notes are an integral part of these financial statements

**Environmental Protection Agency
 Combined Statement of Budgetary Resources
 For the Periods Ending September 30, 2008 and 2007
 (Dollars in Thousands)**

	FY 2008	FY 2007
CHANGE IN OBLIGATED BALANCE		
Obligated Balance, Net:		
Unpaid Obligations, Brought Forward, October 1	\$ 9,873,207	\$ 10,956,328
Adjustment to Unpaid Obligations (Alloc Transfer Agencies) (Note 38)	-	7,215
Adjusted Total	9,873,207	10,963,543
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(632,790)	(712,239)
Total Unpaid Obligated Balance, Net	9,240,417	10,251,304
Obligations Incurred, Net (Note 28)	9,656,040	9,516,922
Less: Gross Outlays (Note 28)	(9,880,035)	(10,219,637)
Less: Recoveries of Prior Year Unpaid Obligations, Actual (Note 29)	(281,117)	(387,621)
Change in Uncollected Customer Payments from Federal Sources	(33,457)	79,449
Total, Change in Obligated Balance	8,701,848	9,240,417
 Obligated Balance, Net, End of Period:		
Unpaid Obligations	9,368,094	9,873,207
Less: Uncollected Customer Payments from Federal Sources	(666,246)	(632,790)
Total, Unpaid Obligated Balance, Net, End of Period	\$ 8,701,848	\$ 9,240,417
 NET OUTLAYS		
Net Outlays:		
Gross Outlays (Note 28)	\$ 9,880,035	\$ 10,219,637
Less: Offsetting Collections (Note 28)	(827,616)	(655,188)
Less: Distributed Offsetting Receipts (Notes 28 and 32)	(1,118,429)	(1,307,458)
Total, Net Outlays	\$ 7,933,990	\$ 8,256,991

The accompanying notes are an integral part of these financial statements.

**Environmental Protection Agency
Statement of Custodial Activity
For the Periods Ending September 30, 2008 and 2007
(Dollars in Thousands)**

	<u>FY 2008</u>	<u>FY 2007</u>
Revenue Activity:		
Sources of Cash Collections:		
Fines and Penalties	\$ 126,283	\$ 86,409
Other	<u>(13,733)</u>	<u>(4,171)</u>
Total Cash Collections	\$ 112,550	\$ 82,238
Accrual Adjustment	<u>8,107</u>	<u>7,092</u>
Total Custodial Revenue (Note 27)	<u>\$ 120,657</u>	<u>\$ 89,330</u>
Disposition of Collections:		
Transferred to Others (General Fund)	\$ 112,695	\$ 90,774
Increases/Decreases in Amounts to be Transferred	<u>7,962</u>	<u>(1,444)</u>
Total Disposition of Collections	<u>\$ 120,657</u>	<u>\$ 89,330</u>
Net Custodial Revenue Activity (Note 27)	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Environmental Protection Agency Notes to Financial Statements (Dollars in Thousands)

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

These accompanying financial statements have been prepared to report the financial position and results of operations of the U. S. Environmental Protection Agency (EPA or Agency) as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The reports have been prepared from the financial system and records of the Agency in accordance with OMB Circular No. A-136, *Financial Reporting Requirements*, and the EPA's accounting policies which are summarized in this note. In addition to the reports required by OMB Circular No. A-136, the Statement of Net Cost has been prepared with cost segregated by the Agency's strategic goals.

B. Reporting Entities

The EPA was created in 1970 by executive reorganization from various components of other federal agencies to better marshal and coordinate federal pollution control efforts. The Agency is generally organized around the media and substances it regulates - air, water, land, hazardous waste, pesticides, and toxic substances.

For FY 2008, the accompanying financial statements are grouped and presented in a consolidated basis for the Balance Sheet, and Statements of Net Cost, Changes in Net Position and Custodial Activity and a combined basis for the Statement of Budgetary Resources. These financial statements include the accounts of all funds described in this note by their respective Treasury fund group.

General Fund Appropriations (Treasury Fund Groups 0000 – 3999)

a. State and Tribal Assistance Grants (STAG) Appropriation: The STAG appropriation, Treasury fund group 0103, provides funds for environmental programs and infrastructure assistance including capitalization grants for State revolving funds and performance partnership grants. Environmental programs and infrastructure supported are: Clean and Safe Water; capitalization grants for the Drinking Water State Revolving Funds; Clean Air; direct grants for Water and Wastewater Infrastructure needs, partnership grants to meet Health Standards, Protect Watersheds, Decrease Wetland Loss, and Address Agricultural and Urban Runoff and Storm Water; Better Waste Management; Preventing

Pollution and Reducing Risk in Communities, Homes, Workplaces and Ecosystems; and Reduction of Global and Cross Border Environmental Risks.

b. *Science and Technology (S&T) Appropriation:* The S&T appropriation, Treasury fund group 0107, finances salaries, travel, science, technology, research and development activities including laboratory supplies, certain operating expenses, grants, contracts, intergovernmental agreements, and purchases of scientific equipment. These activities provide the scientific basis for the Agency's regulatory actions. In FY 2008, Superfund research costs were appropriated in Superfund and transferred to S&T to allow for proper accounting of the costs. Environmental scientific and technological activities and programs include Clean Air; Clean and Safe Water; Americans Right to Know about Their Environment; Better Waste Management; Preventing Pollution and Reducing Risk in Communities, Homes, Workplaces, and Ecosystems; and Safe Food.

c. *Environmental Programs and Management (EPM) Appropriation:* The EPM appropriation, Treasury fund group 0108, includes funds for salaries, travel, contracts, grants, and cooperative agreements for pollution abatement, control, and compliance activities and administrative activities of the Agency's operating programs. Areas supported from this appropriation include: Clean Air, Clean and Safe Water, Land Preservation and Restoration, Healthy Communities and Ecosystems, and Compliance and Environmental Stewardship.

d. *Buildings and Facilities Appropriation (B&F):* The B&F appropriation, Treasury fund group 0110, provides for the construction, repair, improvement, extension, alteration, and purchase of fixed equipment or facilities that are owned or used by the EPA.

e. *Office of Inspector General (OIG) Appropriation:* The OIG appropriation, Treasury fund group 0112, provides funds for audit and investigative functions to identify and recommend corrective actions on management and administrative deficiencies that create the conditions for existing or potential instances of fraud, waste and mismanagement. Additional funds for audit and investigative activities associated with the Superfund and the LUST Trust Funds are appropriated under those Trust Fund accounts and transferred to the Office of Inspector General account. The audit function provides contract, internal controls and performance, and financial and grant audit services. The appropriation includes expenses incurred and reimbursed from the appropriated trust funds accounted for under Treasury fund group 8145 and 8153.

f. *Payments to the Hazardous Substance Superfund Appropriation:* The Payment to the Hazardous Substance Superfund appropriation, Treasury fund group 0250, authorizes appropriations from the General Fund of the Treasury to finance activities conducted through the Hazardous Substance Superfund Program.

g. *Payments to Leaking Underground Storage Tank Appropriation:* The Payment to the Leaking Underground Storage Tank appropriation, Treasury fund group 0251, authorizes appropriations from the General Fund of the Treasury to finance activities conducted through the Leaking Underground Storage Tank program.

h. Asbestos Loan Program: The Asbestos Loan Program is accounted for under Treasury fund group 0118, Program Account, for interest subsidy and administrative support; under Treasury fund group 4322, Financing Account, for loan disbursements, loans receivable and loan collections on post-FY 1991 loans; and under Treasury fund group 2917 for pre-FY 1992 loans receivable and loan collections.

The Asbestos Loan Program was authorized by the Asbestos School Hazard Abatement Act of 1986 to finance control of asbestos building materials in schools. Funds have not been appropriated for this Program since FY 1993. For FY 1993 and FY 1992, the program was funded by a subsidy appropriated from the General Fund for the actual cost of financing the loans, and by borrowing from Treasury for the unsubsidized portion of the loan. The Program Account 0118 disburses the subsidy to the Financing Fund for increases in the subsidy. The Financing Account 4322 receives the subsidy payment, borrows from Treasury and collects the asbestos loans.

i. Allocations and Appropriations Transferred to the Agency: The EPA receives allocations or appropriations transferred from other federal agencies.

j. Treasury Clearing Accounts: The EPA Department of the Treasury Clearing Accounts include: (1) the Budgetary Suspense Account, (2) the Unavailable Check Cancellations and Overpayments Account, and (3) the Undistributed Intra-agency Payments and Collections (IPAC) Account. These are accounted for under Treasury fund groups 3875, 3880 and 3885, respectively.

k. General Fund Receipt Accounts: General Fund Receipt Accounts include: Hazardous Waste Permits; Miscellaneous Fines, Penalties and Forfeitures; General Fund Interest; Interest from Credit Reform Financing Accounts; Downward Re-estimates of Subsidies; Fees and Other Charges for Administrative and Professional Services; and Miscellaneous Recoveries and Refunds. These accounts are accounted for under Treasury fund groups 0895, 1099, 1435, 1499, 2753.3, 3200 and 3220, respectively.

l. Allocation of Budget Authority: EPA is an allocation budget transfer parent to five federal agencies: Department of Interior, Department of Labor, Center for Disease Control, Department of Commerce, and Federal Emergency Management Agency. EPA has an Interagency Agreement or a Memorandum of Understanding (MOU) with each child agency to provide an annual work plan and quarterly progress report containing an accounting of funds obligated in each budget category within 15 days after the end of each quarter. This allows EPA to properly report the financial activity. The allocation transfers are reported in the net cost of operations, changes in net position, balance sheet and budgetary resources where activity is being performed by the receiving Federal entity. In addition, EPA receives allocation transfers, as a child, from the Bureau of Land Management.

Revolving Funds (Treasury Fund Group 4000 – 4999)

a. *Federal Insecticide, Fungicide and Rodenticide Act (FIFRA):* The FIFRA Revolving Fund, Treasury fund group 4310, was authorized by the FIFRA Act of 1972, as amended in 1988 and as amended by the Food Quality Protection Act of 1996. Pesticide Maintenance fees are paid by industry to offset the costs of pesticide re-registration and reassessment of tolerances for pesticides used in or on food and animal feed, as required by law.

b. *Tolerance Revolving Fund:* The Tolerance Revolving Fund, Treasury fund group 4311, was authorized in 1963 for the deposit of tolerance fees. Fees are paid by industry for federal services to set pesticide chemical residue limits in or on food and animal feed. The fees collected prior to January 2, 1997 were accounted for under this fund. Presently these fees are being deposited in the FIFRA fund (see above).

c. *Asbestos Loan Program:* The Asbestos Loan Program is accounted for under Treasury fund group 4322, Financing Account for loan disbursements, loans receivable and loan collections on post-FY 1991 loans. Refer to General Fund Appropriations paragraph h. for details.

d. *Working Capital Fund (WCF):* The WCF, Treasury fund group, 4565, includes four activities: computer support services, financial system services, employee relocation services, and postage. The WCF derives revenue from these activities based upon a fee for services. The WCF's customers currently consist primarily of Agency program offices and a small portion from other federal agencies. Accordingly, those revenues generated by the WCF from services provided to Agency program offices and expenses recorded by the program offices for use of such services, along with the related advances/liabilities, are eliminated on consolidation of the financial statements.

Special Funds (Treasury Fund Group 5000 - 5999)

a. *Environmental Services Receipt Account:* The Environmental Services Receipt Account authorized by a 1990 act, "To amend the Clean Air Act (P.L. 101-549)," Treasury fund group 5295, was established for the deposit of fee receipts associated with environmental programs, including radon measurement proficiency ratings and training, motor vehicle engine certifications, and water pollution permits. Receipts in this special fund can only be appropriated to the S&T and EPM appropriations to meet the expenses of the programs that generate the receipts as authorized by Congress in the agency's appropriations bill.

b. *Exxon Valdez Settlement Fund:* The Exxon Valdez Settlement Fund authorized by a 1992 act, "Making appropriations for the Department of Veterans Affairs and Housing and Urban Development, and for sundry independent agencies, boards, commissions corporations, and offices for the fiscal year ending September 30, 1993 (P.L. 102-389)," Treasury fund group 5297, has funds available to carry out authorized environmental

restoration activities. Funding is derived from the collection of reimbursements under the Exxon Valdez settlement as a result of an oil spill.

c. Pesticide Registration Fund: The Pesticide Registration Fund authorized by a 2004 act, “Consolidated Appropriations Act (P.L. 108-199),” Treasury fund group 5374, was authorized in 2004 for the expedited processing of certain registration petitions and associated establishment of tolerances for pesticides to be used in or on food and animal feed. Fees covering these activities, as authorized under the FIFRA Act of 1988, are to be paid by industry and deposited into this fund group.

Deposit Funds (Treasury Fund Group 6000 – 6999)

Deposits include: Fees for Ocean Dumping; Nonconformance Penalties; Clean Air Allowance Auction and Sale; Advances without Orders; and Suspense and Payroll Deposits for Savings Bonds, and State, City Income Taxes Withheld, and Other Federal Payroll Withholding Allotments. These funds are accounted for under Treasury fund groups 6264, 6265, 6266, 6500, 6050, 6275, and 6276, respectively.

Trust Funds (Treasury Fund Group 8000 – 8999)

a. Superfund Trust Fund: In 1980, the Superfund Trust Fund, Treasury fund group 8145, was established by the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) to provide resources needed to respond to and clean up hazardous substance emergencies and abandoned, uncontrolled hazardous waste sites. The Superfund Trust Fund financing is shared by federal and state governments as well as industry. The EPA allocates funds from its appropriation to other federal agencies to carry out CERCLA. Risks to public health and the environment at uncontrolled hazardous waste sites qualifying for the Agency's National Priorities List (NPL) are reduced and addressed through a process involving site assessment and analysis and the design and implementation of cleanup remedies. NPL cleanups and removals are conducted and financed by the EPA, private parties, or other federal agencies. The Superfund Trust Fund includes Treasury's collections and investment activity.

b. Leaking Underground Storage Tank (LUST) Trust Fund: The LUST Trust Fund, Treasury fund group 8153, was authorized by the Superfund Amendments and Reauthorization Act of 1986 (SARA) as amended by the Omnibus Budget Reconciliation Act of 1990. The LUST appropriation provides funding to respond to releases from leaking underground petroleum tanks. The Agency oversees cleanup and enforcement programs which are implemented by the states. Funds are allocated to the states through cooperative agreements to clean up those sites posing the greatest threat to human health and the environment. Funds are used for grants to non-state entities including Indian tribes under Section 8001 of the Resource Conservation and Recovery Act. The program is financed by a one cent a gallon tax on motor fuels which will expire in 2011.

c. Oil Spill Response Trust Fund: The Oil Spill Response Trust Fund, Treasury fund group 8221, was authorized by the Oil Pollution Act of 1990 (OPA). Monies were

appropriated to the Oil Spill Response Trust Fund in 1993. The Agency is responsible for directing, monitoring and providing technical assistance for major inland oil spill response activities. This involves setting oil prevention and response standards, initiating enforcement actions for compliance with OPA and Spill Prevention Control and Countermeasure requirements, and directing response actions when appropriate. The Agency carries out research to improve response actions to oil spills including research on the use of remediation techniques such as dispersants and bioremediation. Funding for oil spill cleanup actions is provided through the Department of Transportation under the Oil Spill Liability Trust Fund and reimbursable funding from other federal agencies.

d. Miscellaneous Contributed Funds Trust Fund: The Miscellaneous Contributed Funds Trust Fund authorized in the Federal Water Pollution Control Act (Clean Water Act) as amended by (P.L. 92-500, The Federal Water Pollution Control Act Amendments of 1972), Treasury fund group 8741, includes gifts for pollution control programs that are usually designated for a specific use by donors and/or deposits from pesticide registrants to cover the costs of petition hearings when such hearings result in unfavorable decisions to the petitioner.

C. Budgets and Budgetary Accounting

General Funds

Congress adopts an annual appropriation for STAG, B&F, and for Payments to the Hazardous Substance Superfund to be available until expended, as well as annual appropriations for S&T, EPM and for the OIG to be available for 2 fiscal years. When the appropriations for the General Funds are enacted, Treasury issues a warrant to the respective appropriations. As the Agency disburses obligated amounts, the balance of funds available to the appropriation is reduced at Treasury.

The Asbestos Loan Program is a commercial activity financed from a combination of two sources, one for the long term costs of the loans and another for the remaining non-subsidized portion of the loans. Congress adopted a 1 year appropriation, available for obligation in the fiscal year for which it was appropriated, to cover the estimated long term cost of the Asbestos loans. The long term costs are defined as the net present value of the estimated cash flows associated with the loans. The portion of each loan disbursement that did not represent long term cost is financed under permanent indefinite borrowing authority established with the Treasury. A permanent indefinite appropriation is available to finance the costs of subsidy re-estimates that occur in subsequent years after the loans were disbursed.

Funds transferred from other federal agencies are funded by a non-expenditure transfer of funds from the other federal agencies. As the Agency disburses the obligated amounts, the balance of funding available to the appropriation is reduced at Treasury.

Clearing accounts and receipt accounts receive no appropriated funds. Amounts are recorded to the clearing accounts pending further disposition. Amounts recorded to the receipt accounts capture amounts collected for or payable to the Treasury General Fund.

Revolving Funds

Funding of the FIFRA and Pesticide Registration Funds is provided by fees collected from industry to offset costs incurred by the Agency in carrying out these programs. Each year the Agency submits an apportionment request to OMB based on the anticipated collections of industry fees.

Funding of the WCF is provided by fees collected from other Agency appropriations and other federal agencies to offset costs incurred for providing Agency administrative support for computer and telecommunication services, financial system services, employee relocation services, and postage.

Special Funds

The Environmental Services Receipt Account obtains fees associated with environmental programs that will be appropriated to the S&T and EPM appropriations.

Exxon Valdez uses funding collected from reimbursement from the Exxon Valdez settlement.

Deposit Funds

Deposit accounts receive no appropriated funds. Amounts are recorded to the deposit accounts pending further disposition. These are not EPA's funds.

Trust Funds

Congress adopts an annual appropriation amount for the Superfund, LUST and the Oil Spill Response Trust Funds to remain available until expended. A transfer account for the Superfund and LUST Trust Fund has been established for purposes of carrying out the program activities. As the Agency disburses obligated amounts from the transfer account, the Agency draws down monies from the Superfund and LUST Trust Fund at Treasury to cover the amounts being disbursed. The Agency draws down all the appropriated monies from the Principal Fund of the Oil Spill Liability Trust Fund when Congress adopts the appropriation amount.

D. Basis of Accounting

GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official standard-setting body for the Federal government.

Transactions are recorded on an accrual accounting basis and on a budgetary basis (where budgets are issued). Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

E. Revenues and Other Financing Sources

The following EPA policies and procedures to account for inflow of revenue and other financing sources are in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 7, "Accounting for Revenues and Other Financing Sources." The Superfund program receives most of its funding through appropriations that may be used, within specific statutory limits, for operating and capital expenditures (primarily equipment). Additional financing for the Superfund program is obtained through: reimbursements from other federal agencies, state cost share payments under Superfund State Contracts (SSCs), and settlement proceeds from Potentially Responsible Parties (PRPs) under CERCLA Section 122(b)(3) placed in special accounts. Special accounts were previously limited to settlement amounts for future costs. However, beginning in FY 2001, cost recovery amounts received under CERCLA Section 122 (b)(3) settlements could be placed in special accounts. Cost recovery settlements that are not placed in special accounts continue to be deposited in the Trust Fund.

The majority of all other funds receive funding needed to support programs through appropriations, which may be used, within statutory limits, for operating and capital expenditures. However, under Credit Reform provisions, the Asbestos Loan Program received funding to support the subsidy cost of loans through appropriations which may be used within statutory limits. The Asbestos Direct Loan Financing fund 4322, an off-budget fund, receives additional funding to support the outstanding loans through collections from the Program fund 0118 for the subsidized portion of the loan. The last year Congress provided appropriations to make new loans was 1993.

The FIFRA and Pesticide Registration funds receive funding through fees collected for services provided and interest on invested funds. The WCF receives revenue through fees collected for services provided to Agency program offices. Such revenue is eliminated with related Agency program expenses upon consolidation of the Agency's financial statements. The Exxon Valdez Settlement Fund receives funding through reimbursements.

Appropriated funds are recognized as Other Financing Sources expended when goods and services have been rendered without regard to payment of cash. Other revenues are recognized when earned (i.e., when services have been rendered).

F. Funds with the Treasury

The Agency does not maintain cash in commercial bank accounts. Cash receipts and disbursements are handled by Treasury. The major funds maintained with Treasury are Appropriated Funds, Revolving Funds, Trust Funds, Special Funds, Deposit Funds, and Clearing Accounts. These funds have balances available to pay current liabilities and finance authorized obligations, as applicable.

G. Investments in U.S. Government Securities

Investments in U.S. Government securities are maintained by Treasury and are reported at amortized cost net of unamortized discounts. Discounts are amortized over the term of the investments and reported as interest income. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity (see Note 4).

H. Notes Receivable

The Agency records notes receivable at their face value and any accrued interest as of the date of receipt.

I. Marketable Securities

The Agency records marketable securities at cost as of the date of receipt. Marketable securities are held by Treasury and reported at their cost value in the financial statements until sold (see Note 4).

J. Accounts Receivable and Interest Receivable

The majority of receivables for non-Superfund funds represent penalties and interest receivable for general fund receipt accounts, unbilled intragovernmental reimbursements receivable, allocations receivable from Superfund (eliminated in consolidated totals), and refunds receivable for the STAG appropriation.

Superfund accounts receivable represent recovery of costs from PRPs as provided under CERCLA as amended by SARA. However, cost recovery expenditures are expensed when incurred since there is no assurance that these funds will be recovered (see Note 5).

The Agency records accounts receivable from PRPs for Superfund site response costs when a consent decree, judgment, administrative order, or settlement is entered. These agreements are generally negotiated after site response costs have been incurred. It is the Agency's position that until a consent decree or other form of settlement is obtained, the amount recoverable should not be recorded.

The Agency also records accounts receivable from states for a percentage of Superfund site remedial action costs incurred by the Agency within those states. As agreed to under SSCs, cost sharing arrangements may vary according to whether a site was privately or publicly operated at the time of hazardous substance disposal and whether the Agency response action was removal or remedial. SSC agreements are usually for 10 percent or 50 percent of site remedial action costs, depending on who has the lead for the site (i.e., publicly or privately owned). States may pay the full amount of their share in advance or incrementally throughout the remedial action process.

K. Advances and Prepayments

Advances and prepayments represent funds advanced or prepaid to other entities both internal and external to the Agency for which a budgetary expenditure has not yet occurred.

L. Loans Receivable

Loans are accounted for as receivables after funds have been disbursed. Loans receivable resulting from obligations on or before September 30, 1991, are reduced by the allowance for uncollectible loans. Loans receivable resulting from loans obligated on or after October 1, 1991, are reduced by an allowance equal to the present value of the subsidy costs associated with these loans. The subsidy cost is calculated based on the interest rate differential between the loans and Treasury borrowing, the estimated delinquencies and defaults net of recoveries offset by fees collected and other estimated cash flows associated with these loans.

M. Appropriated Amounts Held by Treasury

For the Superfund and LUST Trust Funds and for amounts appropriated from the Superfund Trust Fund to the OIG, cash available to the Agency that is not needed immediately for current disbursements remains in the respective Trust Funds managed by Treasury.

N. Property, Plant, and Equipment

EPA accounts for its personal and real property accounting records in accordance with SFFAS No. 6, "Accounting for Property, Plant and Equipment." For EPA-held property, the Fixed Assets Subsystem (FAS) automatically generates depreciation entries monthly based on acquisition dates.

A purchase of EPA-held or contract personal property is capitalized if it is valued at \$25 thousand or more and has an estimated useful life of at least 2 years. Prior to implementing FAS, depreciation was taken on a modified straight-line basis over a period of 6 years depreciating 10 percent the first and sixth year, and 20 percent in years 2 through 5. This modified straight-line method is still used for contract property; detailed records are

maintained and accounted for in contractor systems, not in FAS. All EPA-held personal property purchased before the implementation of FAS was assumed to have an estimated useful life of 5 years. New acquisitions of EPA-held personal property are depreciated using the straight-line method over the specific asset's useful life, ranging from 2 to 15 years.

Personal property also consists of capital leases. To be defined as a capital lease, it must, at its inception, have a lease term of two or more years and the lower of the fair value or present value of the minimum lease payments must be \$75 thousand or more. Capital leases may also contain real property (therefore considered in the real property category as well), but these need to meet an \$85 thousand capitalization threshold. In addition, the lease must meet one of the following criteria: transfers ownership to EPA, contains a bargain purchase option, the lease term is equal to 75 percent or more of the estimated service life, or the present value of the lease and other minimum lease payments equal or exceed 90 percent of the fair value.

Superfund contract property used as part of the remedy for site-specific response actions is capitalized in accordance with the Agency's capitalization threshold. This property is part of the remedy at the site and eventually becomes part of the site itself. Once the response action has been completed and the remedy implemented, EPA retains control of the property (i.e., pump and treat facility) for 10 years or less, and transfers its interest in the facility to the respective state for mandatory operation and maintenance – usually 20 years or more. Consistent with EPA's 10 year retention period, depreciation for this property is based on a 10 year life. However, if any property is transferred to a state in a year or less, this property is charged to expense. If any property is sold prior to EPA relinquishing interest, the proceeds from the sale of that property shall be applied against contract payments or refunded as required by the Federal Acquisition Regulations.

An exception to the accounting of contract property includes equipment purchased by the Working Capital Fund (WCF). This property is retained in FAS and depreciated utilizing the straight-line method based upon the asset's acquisition date and useful life.

Real property consists of land, buildings, capital and leasehold improvements, as well as capital leases. Real property, other than land, is capitalized when the value is \$85 thousand or more. Land is capitalized regardless of cost. Buildings were valued at an estimated original cost basis, and land was valued at fair market value if purchased prior to FY 1997. Real property purchased during and after FY 1997 is valued at actual cost. Depreciation for real property is calculated using the straight-line method over the specific asset's useful life, ranging from 10 to 102 years. Leasehold improvements are amortized over the lesser of their useful life or the unexpired lease term. Additions to property and improvements not meeting the capitalization criteria, expenditures for minor alterations, and repairs and maintenance are expensed as incurred.

Software for the WCF, a revenue generating activity, is capitalized if the purchase price was \$100 thousand or more with an estimated useful life of 2 years or more. All other funds capitalize software if those investments are considered Capital Planning and

Investment Control (CPIC) or CPIC Lite systems with the provisions of SFFAS No. 10, "Accounting for Internal Use Software." Once software enters the production life cycle phase, it is depreciated using the straight-line method over the specific asset's useful life ranging from 2 to 10 years.

O. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by the Agency as the result of a transaction or event that has already occurred. However, no liability can be paid by the Agency without an appropriation or other collections.

Liabilities for which an appropriation has not been enacted are classified as unfunded liabilities and there is no certainty that the appropriations will be enacted. Liabilities of the Agency arising from other than contracts can be abrogated by the Government acting in its sovereign capacity.

P. Borrowing Payable to the Treasury

Borrowing payable to Treasury results from loans from Treasury to fund the Asbestos direct loans described in part B. and C. of this note. Periodic principal payments are made to Treasury based on the collections of loans receivable.

Q. Interest Payable to Treasury

The Asbestos Loan Program makes periodic interest payments to Treasury based on its debt. At the end of FY 2007 and FY 2008, there was no outstanding interest payable to Treasury since payment was made through September 30.

R. Accrued Unfunded Annual Leave

Annual, sick and other leave is expensed as taken during the fiscal year. Sick leave earned but not taken is not accrued as a liability. Annual leave earned but not taken as of the end of the fiscal year is accrued as an unfunded liability. Accrued unfunded annual leave is included in Note 35 as a component of "Payroll and Benefits Payable."

S. Retirement Plan

There are two primary retirement systems for federal employees. Employees hired prior to January 1, 1987, may participate in the Civil Service Retirement System (CSRS). On January 1, 1984, the Federal Employees Retirement System (FERS) went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which the Agency automatically contributes one percent of pay and matches any employee contributions up to an additional four percent of pay. The Agency also contributes the employer's matching share for Social Security.

With the issuance of SFFAS No. 5, "Accounting for Liabilities of the Federal Government," accounting and reporting standards were established for liabilities relating to the federal employee benefit programs (Retirement, Health Benefits, and Life Insurance). SFFAS No. 5 requires that the employing agencies recognize the cost of pensions and other retirement benefits during their employees' active years of service. SFFAS No. 5 requires that the Office of Personnel Management (OPM), as administrator of the CSRS and FERS, the Federal Employees Health Benefits Program, and the Federal Employees Group Life Insurance Program, provide federal agencies with the actuarial cost factors to compute the liability for each program.

T. Prior Period Adjustments

Prior period adjustments will be made in accordance with SFFAS No. 21, "Reporting Corrections of Errors and Changes in Accounting Principles." Specifically, prior period adjustments will only be made for material prior period errors to: (1) the current period financial statements, and (2) the prior period financial statements presented for comparison. Adjustments related to changes in accounting principles will only be made to the current period financial statements, but not to prior period financial statements presented for comparison.

Note 2. Fund Balance with Treasury (FBWT)

Fund Balances with Treasury as of September 30, 2008 and 2007, consist of the following:

	<u>FY 2008</u>			<u>FY 2007</u>		
	<u>Entity Assets</u>	<u>Non-Entity Assets</u>	<u>Total</u>	<u>Entity Assets</u>	<u>Non-Entity Assets</u>	<u>Total</u>
Trust Funds:						
Superfund	\$ 45,596	\$ -	\$ 45,596	\$ 51,081	\$ -	\$ 51,081
LUST	12,712	-	12,712	32,406	-	32,406
Oil Spill & Misc.	3,637	-	3,637	4,576	-	4,576
Revolving Funds:						
FIFRA/Tolerance	2,371	-	2,371	9,313	-	9,313
Working Capital	65,080	-	65,080	70,460	-	70,460
Cr. Reform Finan.	399	-	399	429	-	429
Appropriated	9,237,455	-	9,237,455	10,084,002	-	10,084,002
Other Fund Types	229,038	9,068	238,106	205,693	8,640	214,333
Total	\$ 9,596,288	\$ 9,068	\$ 9,605,356	\$ 10,457,960	\$ 8,640	\$ 10,466,600

Entity fund balances, except for special fund receipt accounts, are available to pay current liabilities and to finance authorized purchase commitments (see Status of Fund Balances below). Entity Assets for Other Fund Types consist of special purpose funds and special fund receipt accounts, such as the Pesticide Registration funds and the Environmental Services receipt account. The Non-Entity Assets for Other Fund Types consist of clearing

accounts and deposit funds, which are either awaiting documentation for the determination of proper disposition or being held by EPA for other entities.

	<u>FY 2008</u>	<u>FY 2007</u>
Status of Fund Balances:		
Unobligated Amounts in Fund Balances		
Available for Obligation	\$3,204,800	\$3,274,338
Unavailable for Obligation	339,319	267,042
Net Receivables from Invested Balances	(2,861,933)	(2,527,186)
Balances in Treasury Trust Fund (Note 18)	397	14,394
Obligated Balance not yet Disbursed	8,701,838	9,240,417
Non-Budgetary FBWT	220,935	197,595
Totals	<u><u>\$9,605,356</u></u>	<u><u>\$10,466,600</u></u>

The funds available for obligation may be apportioned by the OMB for new obligations at the beginning of the following fiscal year. Funds unavailable for obligation are mostly balances in expired funds, which are available only for adjustments of existing obligations. For FY 2008 and FY 2007 no differences existed between Treasury's accounts and EPA's statements for fund balances with Treasury.

Note 3. Cash and Other Monetary Assets

For September 30, 2008 and September 30, 2007, cash consists of an imprest fund of \$10 thousand.

Note 4. Investments

For September 30, 2008 and September 30, 2007 investments related to Superfund and LUST consist of the following:

	<u>Cost</u>	<u>Amortized (Premium) Discount</u>	<u>Interest Receivable</u>	<u>Investments, Net</u>	<u>Market Value</u>
Intragovernmental					
Non-Marketable FY 2008	\$ 6,057,258	\$ (77,301)	\$ 40,269	\$ 6,174,828	\$ 6,174,828
Non-Marketable FY 2007	\$ 5,680,321	\$ (29,481)	\$ 43,259	\$ 5,753,061	\$ 5,753,061

CERCLA, as amended by SARA, authorizes EPA to recover monies to clean up Superfund sites from responsible parties (RPs). Some RPs file for bankruptcy under Title 11 of the U.S. Code. In bankruptcy settlements, EPA is an unsecured creditor and is entitled to receive a percentage of the assets remaining after secured creditors have been satisfied. Some RPs satisfy their debts by issuing securities of the reorganized company. The Agency does not intend to exercise ownership rights to these securities, and instead will

convert them to cash as soon as practicable (see Note 6). All investments in Treasury securities are earmarked funds (see Note 20).

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to EPA as evidence of its receipts. Treasury securities are an asset to EPA and a liability to the U.S. Treasury. Because EPA and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or liability in the U.S. Government-wide financial statements.

Treasury securities provide EPA with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When EPA requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

Note 5. Accounts Receivable

The Accounts Receivable for September 30, 2008 and September 30, 2007 consist of the following:

	<u>FY 2008</u>	<u>FY 2007</u>
Intragovernmental Assets:		
Accounts & Interest Receivable	\$ 34,636	\$ 57,039
Total	\$ 34,636	\$ 57,039
Non-Federal Assets:		
Unbilled Accounts Receivable	\$ 113,359	\$ 136,779
Accounts & Interest Receivable	1,188,670	992,575
Less: Allowance for Uncollectibles	(952,290)	(770,052)
Total	\$ 349,739	\$ 359,302

The Allowance for Uncollectible Accounts is determined both on a specific identification basis, as a result of a case-by-case review of receivables, and on a percentage basis for receivables not specifically identified.

Note 6. Other Assets

Other Assets for September 30, 2008 and 2007 consist of the following:

	<u>FY 2008</u>	<u>FY 2007</u>
Intragovernmental Assets:		
Advances to Federal Agencies \$	107,327	\$ 80,940
Advances for Postage	106	129
Total Intragovernmental Assets \$	<u>107,433</u>	<u>\$ 81,069</u>

Non-Federal Assets:		
Travel Advances \$	135	\$ 106
Letter of Credit Advances	88	9
Grant Advances	-	116
Other Advances	2,934	3,699
Operating Materials and Supplies	159	160
Inventory for Sale	339	246
Securities Received in Settlement of Debt	-	238
Total Non-Federal Assets \$	<u>3,655</u>	<u>\$ 4,574</u>

Note 7. Loans Receivable, Net - Non-Federal

Asbestos Loan Program loans disbursed from obligations made prior to FY 1992 are net of allowances for estimated uncollectible loans, if an allowance was considered necessary. Loans disbursed from obligations made after FY 1991 are governed by the Federal Credit Reform Act, which mandates that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, anticipated delinquencies, and defaults) associated with direct loans be recognized as an expense in the year the loan is made. The net loan present value is the gross loan receivable less the subsidy present value. The amounts as of September 30, 2008 and 2007 are as follows:

	<u>FY 2008</u>			<u>FY 2007</u>		
	Loans Receivable, Gross	Allowance*	Value of Assets Related to Direct Loans	Loans Receivable, Gross	Allowance*	Value of Assets Related to Direct Loans
Direct Loans Obligated Prior to FY 1992	\$ 4,327	\$ -	\$ 4,327	\$ 7,435	\$ -	\$ 7,435
Direct Loans Obligated After FY 1991	14,513	(1,752)	12,761	18,440	(2,714)	15,726
Total	<u>\$ 18,840</u>	<u>\$ (1,752)</u>	<u>\$ 17,088</u>	<u>\$ 25,875</u>	<u>\$ (2,714)</u>	<u>\$ 23,161</u>

* Allowance for Pre-Credit Reform loans (prior to FY 1992) is the Allowance for Estimated Uncollectible Loans, and the Allowance for Post Credit Reform Loans (after FY 1991) is the Allowance for Subsidy Cost (present value).

The Agency has permanent indefinite borrowing authority to replenish the Asbestos Loan account. During FY 2008, EPA calculated an Upward Subsidy Reestimate of \$33 thousand to utilize this replenishment. Budget authority was recorded and funds were expended for this. However, as of September 30, 2008 EPA had not received from OMB the apportionment authorizing this expenditure. The Agency is working with OMB and Legal Counsel to determine if this is an Anti-Deficiency situation since it has indefinite borrowing authority. During this review process, the EPA does not expect to receive the authorizing Apportionment Letter, and the Upward Subsidy Reestimate is unfunded as of September 30, 2008.

Subsidy Expenses for Credit Reform Loans (reported on a cash basis):

	Interest Rate Re- estimate	Technical Re-estimate estimate	Total
	<u> </u>	<u> </u>	<u> </u>
Upward Subsidy Reestimate - FY 2008	\$ 21	\$ 12	\$ 33
Downward Subsidy Reestimate - FY 2008	\$ (22)	\$ (12)	\$ (34)
FY 2008 Totals	\$ (1)	\$ -	\$ (1)
	<u> </u>	<u> </u>	<u> </u>
Downward Subsidy Reestimate – FY 2007	\$ (17)	\$ (12)	\$ (29)
FY 2007 Totals	\$ (17)	\$ (12)	\$ (29)
	<u> </u>	<u> </u>	<u> </u>

**Schedule for Reconciling Subsidy Cost Allowance Balances
(Post-1991 Direct Loans)**

	FY 2008	FY 2007
Beginning balance of the subsidy cost allowance	(\$2,714)	(\$3,882)
Add: subsidy expense for direct loans disbursed during the reporting years by component:		
(a) Interest rate differential costs	0.00	0.00
(b) Default costs (net of recoveries)	0.00	0.00
(c) Fees and other collections	0.00	0.00
(d) Other subsidy costs	0.00	0.00
Total of the above subsidy expense components	0.00	0.00
Adjustments:		
(a) Loan Modification:	0.00	0.00
(b) Fees received	0.00	0.00
(c) Foreclosed property acquired	0.00	0.00
(d) Loans written off	0.00	1.00
(e) Subsidy allowance amortization	981.00	1,167.00
(f) Other	0.00	0.00
Ending balance of the subsidy cost allowance before reestimates	981.00	1,168.00
Add or subtract subsidy reestimates by component:		
(a) interest rate reestimate	(21.00)	0.00 1/
(b) Technical/default reestimate	2.00	0.00 1/
Total of the above reestimate components	(19.00)	0.00
Ending Balance of the subsidy cost allowance	(\$1,752)	(\$2,714)

1/ There is an immaterial difference that will be researched in FY 2009.
EPA has not disbursed Direct Loans since 1993.

Note 8. Accounts Payable and Accrued Liabilities

The Accounts Payable and Accrued Liabilities are current liabilities and consist of the following amounts as of September 30, 2008 and 2007.

	<u>FY 2008</u>	<u>FY 2007</u>
Intragovernmental:		
Accounts Payable to other Federal Agencies	\$ 2,811	\$ 2,611
Liability for Allocation Transfers	-	19,878
Accrued Liabilities, Federal	<u>77,844</u>	<u>99,718</u>
Total Intragovernmental	<u>\$ 80,655</u>	<u>\$ 122,207</u>
Non-Federal:		
	<u>FY 2008</u>	<u>FY 2007</u>
Accounts Payable, Non-Federal	\$ 114,712	\$ 114,082
Advances Payable, Non-Federal	24	16
Interest Payable	7	7
Grant Liabilities	413,981	601,034
Other Accrued Liabilities, Non-Federal	<u>184,871</u>	<u>196,861</u>
Total Non-Federal	<u>\$ 713,595</u>	<u>\$ 912,000</u>

Note 9. General Property, Plant, and Equipment (PP&E)

General property, plant, and equipment consist of software, real property, EPA and Contractor-Held personal property, and capital leases.

As of September 30, 2008 and 2007, General Property, Plant, and Equipment consist of the following:

	FY 2008			FY 2007		
	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
EPA-Held Equipment	\$ 238,051	\$ (130,045)	\$ 108,006	\$ 222,848	\$ (119,605)	\$ 103,243
Software	307,883	(93,925)	213,958	258,637	(49,407)	209,230
Contractor Held Equip.	63,132	(28,417)	34,715	64,641	(23,486)	41,155
Land and Buildings	595,597	(154,986)	440,611	579,880	(143,594)	436,286
Capital Leases	47,505	(30,542)	16,963	47,505	(27,546)	19,959
Total	<u>\$ 1,252,168</u>	<u>\$ (437,915)</u>	<u>\$ 814,253</u>	<u>\$ 1,173,511</u>	<u>\$ (363,638)</u>	<u>\$ 809,873</u>

Note 10. Debt Due to Treasury

The debt due to Treasury consists of borrowings to finance the asbestos loan program. The debt to Treasury as of September 30, 2008 and 2007 is as follows:

All Other Funds	FY 2008			FY 2007		
	Beginning Balance	Net Borrowing	Ending Balance	Beginning Balance	Net Borrowing	Ending Balance
Intragovernmental:						
Debt to Treasury	\$ 16,156	\$ (2,998)	\$ 13,158	\$ 18,896	\$ (2,740)	\$ 16,156

Note 11. Stewardship Land

The Agency acquires title to certain land and land rights under the authorities provided in Section 104 (J) CERCLA related to remedial clean-up sites. The land rights are in the form of easements to allow access to clean-up sites or to restrict usage of remediated sites. In some instances, the Agency takes title to the land during remediation and returns it to private ownership upon the completion of clean-up. A site with “land acquired” may have more than one acquisition property. Sites are not counted as a withdrawal until all acquired properties have been transferred.

As of September 30, 2008 and 2007, the Agency possesses the following land and land rights:

	FY 2008	FY 2007
Superfund Sites with Easements		
Beginning Balance	33	32
Additions	1	2
Withdrawals	2	1
Ending Balance	<u>32</u>	<u>33</u>
Superfund Sites with Land Acquired		
Beginning Balance	32	31
Additions	2	1
Withdrawals	3	-
Ending Balance	<u>31</u>	<u>32</u>

Note 12. Custodial Liability

Custodial Liability represents the amount of net accounts receivable that, when collected, will be deposited to the Treasury General Fund. Included in the custodial liability are amounts for fines and penalties, interest assessments, repayments of loans, and miscellaneous other accounts receivable. As of September 30, 2008 and 2007, custodial liability is \$48 million and \$39 million, respectively.

Note 13. Other Liabilities

Other Liabilities consist of the following as of September 30, 2008:

	<u>Covered by Budgetary Resources</u>	<u>Not Covered by Budgetary Resources</u>	<u>Total</u>
Other Liabilities – Intragovernmental			
Current			
Employer Contributions & Payroll Taxes \$	17,125	\$ -	\$ 17,125
WCF Advances	3,166	-	3,166
Other Advances	14,489	-	14,489
Advances, HRSTF Cashout	41,586	-	41,586
Deferred HRSTF Cashout	1,089	-	1,089
Resources Payable to Treasury	3	-	3
Subsidy Payable to Treasury	5	-	5
Non-Current			
Unfunded FECA Liability	-	9,914	9,914
Payable to Treasury Judgment Fund	-	22,000	22,000
Total Intragovernmental	\$ 77,463	\$ 31,914	\$ 109,377
Other Liabilities - Non-Federal			
Current			
Unearned Advances, Non-Federal \$	77,088	\$ -	\$ 77,088
Liability for Deposit Funds, Non-Federal	8,810	-	8,810
Non-Current			
Other Liabilities	-	230	230
Capital Lease Liability	-	29,520	29,520
Total Non-Federal	\$ 85,898	\$ 29,750	\$ 115,648

Other Liabilities consist of the following as of September 30, 2007:

Other Liabilities – Intragovernmental	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
Current			
Employer Contributions & Payroll Taxes \$	13,632	\$ -	\$ 13,632
WCF Advances	1,779	-	1,779
Other Advances	11,040	-	11,040
Advances, HRSTF Cashout	40,063	-	40,063
Deferred HRSTF Cashout	609	-	609
Liability for Deposit Funds	(37)	-	(37)
Resources Payable to Treasury	138	-	138
Subsidy Payable to Treasury	34	-	34
Non-Current			
Unfunded FECA Liability	-	9,102	9,102
Payable to Treasury Judgment Fund	-	22,000	22,000
Total Intragovernmental	\$ 67,258	\$ 31,102	\$ 98,360
Other Liabilities - Non-Federal			
Current			
Unearned Advances, Non-Federal \$	72,671	\$ -	\$ 72,671
Liability for Deposit Funds, Non-Federal	8,453	-	8,453
Non-Current			
Other Liabilities	-	230	230
Capital Lease Liability	-	32,385	32,385
Total Non-Federal	\$ 81,124	\$ 32,615	\$ 113,739

Note 14. Leases

Capital Leases:

The Capital Leases:

Summary of Assets Under Capital Lease:	FY 2008	FY 2007
Real Property	\$ 40,913	\$ 40,913
Personal Property	155	155
Software License	6,437	6,437
Total	\$ 47,505	\$ 47,505
Accumulated Amortization	\$ 30,542	\$ 27,546

EPA has three capital leases for land and buildings housing scientific laboratories and/or computer facilities. All of these leases include a base rental charge and escalator clauses based upon either rising operating costs and/or real estate taxes. The base operating costs are adjusted annually according to escalators in the Consumer Price Indices published by the Bureau of Labor Statistics, U.S. Department of Labor. The real property leases terminate in FYs 2010, 2013, and 2025.

EPA has a capital lease expended out of the Working Capital Fund for a Microsoft Office Software Suite. This lease will terminate in FY 2009.

During FY 2005, EPA entered into a capital lease for a Storage Area Network. The lease terminates in FY 2009, and payments are expended from the EPM appropriation. The total future minimum capital lease payments are listed below.

<u>Future Payments Due:</u>	
Fiscal Year	Capital Leases
2009	\$ 6,295
2010	6,102
2011	5,714
2012	5,714
After 5 Years	53,487
Total Future Minimum Lease Payments	\$ 77,312
Less: Imputed Interest	(47,792)
Net Capital Lease Liability	\$ 29,520
Liabilities not Covered by Budgetary Resources (See Note 13)	\$ 29,520

Operating Leases:

The GSA provides leased real property (land and buildings) as office space for EPA employees. GSA charges a Standard Level User Charge that approximates the commercial rental rates for similar properties.

EPA has four current direct operating leases for land and buildings housing scientific laboratories and/or computer facilities. The leases include a base rental charge and escalator clauses based upon either rising operating costs and/or real estate taxes. The base operating costs are adjusted annually according to escalators in the Consumer Price Indices published by the Bureau of Labor Statistics. The leases expire in FY 2009, FY2010, 2017, and 2020. These charges are expended from the EPM appropriation.

The total minimum future operating lease costs are listed below.

<u>Fiscal Year</u>	<u>Operating Leases, Land and Buildings</u>	
2009	\$	112
2010		97
2011		89
2012		89
Beyond 2012		600
Payments	\$	987

Note 15. Pensions and Other Actuarial Liabilities

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Annually, EPA is allocated the portion of the long term FECA actuarial liability attributable to the entity. The liability is calculated to estimate the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases. The liability amounts and the calculation methodologies are provided by the Department of Labor.

The FECA Actuarial Liability at September 30, 2008 and 2007, consists of the following:

	<u>FY 2008</u>	<u>FY 2007</u>
FECA Actuarial Liability	\$ 44,615	\$ 39,786

The FY 2008 present value of these estimated outflows is calculated using a discount rate of 4.368 percent in the first year, and 4.770 percent in the years thereafter. The estimated future costs are recorded as an unfunded liability.

Note 16. Cashout Advances, Superfund

Cashouts are funds received by EPA, a state, or another PRP under the terms of a settlement agreement (e.g., consent decree) to finance response action costs at a specified Superfund site. Under CERCLA Section 122(b)(3), cashout funds received by EPA are placed in site-specific, interest bearing accounts known as special accounts and are used for potential future work at such sites in accordance with the terms of the settlement agreement. Funds placed in special accounts may be disbursed to PRPs, to states that take responsibility for the site, or to other Federal agencies to conduct or finance response actions in lieu of EPA without further appropriation by Congress. As of September 30, 2008 and 2007, cashouts are \$287 million and \$190 million, respectively.

Note 17. Unexpended Appropriations – Other Funds

As of September 30, 2008 and 2007, the Unexpended Appropriations consist of the following:

Unexpended Appropriations:	FY 2008	FY 2007
Unobligated		
Available	\$ 1,520,587	\$ 1,791,873
Unavailable	94,130	81,753
Undelivered Orders	7,059,994	7,476,965
Total	\$ 8,674,711	\$ 9,350,591

Note 18. Amounts Held by Treasury

Amounts Held by Treasury for Future Appropriations consist of amounts held in trusteeship by Treasury in the Superfund and LUST Trust Funds.

Superfund (Unaudited)

Superfund is supported primarily by general revenues, cost recoveries of funds spent to clean up hazardous waste sites, interest income, and fines and penalties.

The following reflects the Superfund Trust Fund maintained by Treasury as of September 30, 2008 and 2007. The amounts contained in these notes have been provided by Treasury. As indicated, a portion of the outlays represents amounts received by EPA's Superfund Trust Fund; such funds are eliminated on consolidation with the Superfund Trust Fund maintained by Treasury.

SUPERFUND FY 2008	EPA	Treasury	Combined
Undistributed Balances			
Uninvested Fund Balance	\$ -	\$ 2,894	\$ 2,894
Total Undisbursed Balance	-	2,894	2,894
Interest Receivable	-	11,533	11,533
Investments, Net	2,749,821	164,878	2,914,699
Total Assets	\$ 2,749,821	\$ 179,305	\$ 2,929,126
Liabilities & Equity			
Receipts and Outlays	\$	\$	\$ -
Equity	\$ 2,749,821	\$ 179,305	\$ 2,929,126
Total Liabilities and Equity	\$ 2,749,821	\$ 179,305	\$ 2,929,126
Receipts			
Cost Recoveries	\$ -	\$ 89,975	\$ 89,975
Fines & Penalties	-	2,850	2,850
Total Revenue	-	92,825	92,825
Appropriations Received	-	984,974	984,974
Interest Income	-	114,340	114,340
Total Receipts	\$ -	\$ 1,192,139	\$ 1,192,139
Outlays			
Transfers to/from EPA, Net	\$ 1,301,315	\$ (1,301,315)	\$ -
Transfer from CDC (recovery)	-	1,905	1,905
Total Outlays	1,301,315	(1,299,410)	1,905
Net Income	\$ 1,301,315	\$ (107,271)	\$ 1,194,044

In FY 2008, the EPA received an appropriation of \$985 million for Superfund. Treasury's Bureau of Public Debt (BPD), the manager of the Superfund Trust Fund assets, records a liability to EPA for the amount of the appropriation. BPD does this to indicate those trust fund assets that have been assigned for use and, therefore, are not available for appropriation. As of September 30, 2008 and 2007, the Treasury Trust Fund has a liability to EPA for previously appropriated funds of \$2,749.9 million and \$2,466.8 million, respectively.

SUPERFUND FY 2007	<u>EPA</u>	<u>Treasury</u>	<u>Combined</u>
Undistributed Balances			
Uninvested Fund Balance	\$ -	\$ 1,538	\$ 1,538
Total Undisbursed Balance	-	1,538	1,538
Interest Receivable	-	12,795	12,795
Investments, Net	2,466,812	272,244	2,739,056
Total Assets	<u>\$ 2,466,812</u>	<u>\$ 286,577</u>	<u>\$ 2,753,389</u>
Liabilities & Equity			
Receipts and Outlays	-	-	-
Equity	\$ 2,466,812	\$ 286,577	\$ 2,753,389
Total Liabilities and Equity	<u>\$ 2,466,812</u>	<u>\$ 286,577</u>	<u>\$ 2,753,389</u>
Receipts			
Corporate Environmental	\$ -	\$ 2,602	\$ 2,602
Cost Recoveries	-	234,050	234,050
Fines & Penalties	-	1,063	1,063
Total Revenue	-	237,715	237,715
Appropriations Received	-	1,040,371	1,040,371
Interest Income	-	141,407	141,407
Total Receipts	<u>\$ -</u>	<u>\$ 1,419,493</u>	<u>\$ 1,419,493</u>
Outlays			
Transfers to/from EPA, Net	\$ 1,316,114	\$ (1,316,114)	\$ -
Transfers from CDC (recovery)	\$ -	\$ 1,370	\$ 1,370
Total Outlays	<u>1,316,114</u>	<u>(1,314,744)</u>	<u>1,370</u>
Net Income	<u>\$ 1,316,114</u>	<u>\$ 104,749</u>	<u>\$ 1,420,863</u>

LUST (Unaudited)

LUST is supported primarily by a sales tax on motor fuels to clean up LUST waste sites. In FYs 2008 and 2007 there were no fund receipts from cost recoveries. The following represents the LUST Trust Fund as maintained by Treasury. The amounts contained in these notes have been provided by Treasury. Outlays represent appropriations received by EPA's LUST Trust Fund; such funds are eliminated on consolidation with the LUST Trust Fund maintained by Treasury.

LUST FY 2008	<u>EPA</u>	<u>Treasury</u>	<u>Combined</u>
Undistributed Balances			
Uninvested Fund Balance	\$ - \$	(2,497) \$	(2,497)
Total Undisbursed Balance	-	(2,497)	(2,497)
Interest Receivable	-	28,735	28,735
Investments, Net	112,068	3,099,871	3,211,939
Total Assets	\$ 112,068 \$	3,126,109 \$	3,238,177
Liabilities & Equity			
Equity	\$ 112,068 \$	3,126,109 \$	3,238,177
Equity	\$ 112,068 \$	3,126,109 \$	3,238,177
Receipts			
Highway TF Tax	\$ - \$	154,309 \$	154,309
Airport TF Tax	-	16,240	16,240
Inland TF Tax	-	213	213
Total Revenue	-	170,762	170,762
Interest Income	-	127,346	127,346
Total Receipts	\$ - \$	298,108 \$	298,108
Outlays			
Transfers to/from EPA, Net	\$ 105,816 \$	(105,816) \$	-
Total Outlays	105,816	(105,816)	-
Net Income	\$ 105,816 \$	192,292 \$	298,108

LUST FY 2007	<u>EPA</u>	<u>Treasury</u>	<u>Combined</u>
Undistributed Balances			
Uninvested Fund Balance	\$ -	\$ 12,856	\$ 12,856
Total Undisbursed Balance	-	12,856	12,856
Interest Receivable	-	30,465	30,465
Investments, Net	80,252	2,890,497	2,970,749
Total Assets	\$ 80,252	\$ 2,933,818	\$ 3,014,070
Liabilities & Equity			
Equity	\$ 80,252	\$ 2,933,818	\$ 3,014,070
Equity	\$ 80,252	\$ 2,933,818	\$ 3,014,070
Receipts			
Highway TF Tax	\$ -	\$ 204,272	\$ 204,272
Airport TF Tax	-	23,528	23,528
Inland TF Tax	-	457	457
Refund Gasoline Tax	-	(914)	(914)
Refund Diesel Tax	-	(934)	(934)
Refund Aviation Fuel	-	(197)	(197)
Refund Aviation Tax	-	(18)	(18)
Total Revenue	-	226,194	226,194
Interest Income	-	117,579	117,579
Total Receipts	\$ -	\$ 343,773	\$ 343,773
Outlays			
Transfers to/from EPA, Net	\$ 72,035	\$ (72,035)	\$ -
Total Outlays	72,035	(72,035)	-
Net Income	\$ 72,035	\$ 271,738	\$ 343,773

Note 19. Commitments and Contingencies

EPA may be a party in various administrative proceedings, legal actions and claims brought by or against it. These include:

- Various personnel actions, suits, or claims brought against the Agency by employees and others.
- Various contract and assistance program claims brought against the Agency by vendors, grantees and others.
- The legal recovery of Superfund costs incurred for pollution cleanup of specific sites, to include the collection of fines and penalties from responsible parties.
- Claims against recipients for improperly spent assistance funds which may be settled by a reduction of future EPA funding to the grantee or the provision of additional grantee matching funds.

Superfund:

Under CERCLA Section 106(a), EPA issues administrative orders that require parties to clean up contaminated sites. CERCLA Section 106(b) allows a party that has complied with such an order to petition EPA for reimbursement from the fund of its reasonable costs of responding to the order, plus interest. To be eligible for reimbursement, the party must demonstrate either that it was not a liable party under CERCLA Section 107(a) for the response action ordered, or that the Agency's selection of the response action was arbitrary and capricious or otherwise not in accordance with law.

As of September 30, 2008, there are currently two CERCLA Section 106(b) administrative claims. If the claimants are successful, the total losses on the claims could amount to approximately \$3.3 million. The Environmental Appeals Board has not yet issued final decisions on any of the administrative claims; therefore, a definite estimate of the amount of the contingent loss cannot be made. One claimant's chance of success is characterized as reasonably possible and one (\$2.5 million) is characterized as remote chance of success.

Judgment Fund:

In cases that are paid by the U.S. Treasury Judgment Fund, EPA must recognize the full cost of a claim regardless of which entity is actually paying the claim. Until these claims are settled or a court judgment is assessed and the Judgment Fund is determined to be the appropriate source for the payment, claims that are probable and estimable must be recognized as an expense and liability of the Agency. For these cases, at the time of settlement or judgment, the liability will be reduced and an imputed financing source recognized. See Interpretation of Federal Financial Accounting Standards No. 2, "Accounting for Treasury Judgment Fund Transactions."

As of September 30, 2008, there are no material claims pending in the Treasury's Judgment Fund. However, EPA has a \$22 million liability to the Treasury Judgment Fund for a payment made by the Fund to settle a contract dispute claim.

Other Commitments:

EPA has a legal commitment under a non-cancellable agreement with the United Nations Environment Program (UNEP). This agreement enables EPA to provide funding to the Multilateral Fund for the Implementation of the Montreal Protocol. Future payments totaling \$9.5 million are scheduled to be processed in FY 2009 and FY 2010.

Note 20. Earmarked Funds

	Environmental Services	LUST	Superfund	Other Earmarked Funds	Total Earmarked Funds
Balance Sheet as of September 30, 2008					
ASSETS					
Fund Balance with Treasury	\$ 211,282	\$ 12,711	\$ 45,596	\$ 23,765	\$ 293,354
Investments	-	3,240,674	2,926,233	7,921	6,174,828
Accounts Receivable, Net	-	27	317,773	4,404	322,204
Other Assets	-	72	89,409	2,487	91,968
Total Assets	<u>\$ 211,282</u>	<u>\$ 3,253,484</u>	<u>\$ 3,379,011</u>	<u>\$ 38,577</u>	<u>\$ 6,882,354</u>
Other Liabilities					
Total Liabilities	<u>\$ -</u>	<u>\$ 8,988</u>	<u>\$ 624,299</u>	<u>\$ 36,588</u>	<u>\$ 669,875</u>
Cumulative Results of Operations	\$ 211,282	\$ 3,244,496	\$ 2,754,712	\$ 1,989	\$ 6,212,479
Total Liabilities and Net Position	<u>\$ 211,282</u>	<u>\$ 3,253,484</u>	<u>\$ 3,379,011</u>	<u>\$ 38,577</u>	<u>\$ 6,882,354</u>

**Statement of Changes in Net Cost For the Period
Ended September 30, 2008**

Gross Program Costs	\$ -	\$ 77,702	\$ 1,530,979	\$ 73,284	\$ 1,681,965
Less: Earned Revenues	<u>-</u>	<u>32</u>	<u>502,177</u>	<u>52,425</u>	<u>554,634</u>
Net Cost of Operations	<u>\$ -</u>	<u>\$ 77,670</u>	<u>\$ 1,028,802</u>	<u>\$ 20,859</u>	<u>\$ 1,127,331</u>

**Statement of Changes in Net Position for the Period
Ended September 30, 2008**

Net Position, Beginning of Period	\$ 188,371	\$ 3,023,769	\$ 2,670,425	\$ 3,662	\$ 5,886,227
Nonexchange Revenue - Securities Investment	-	127,346	114,340	187	241,873
Nonexchange Revenue	22,911	170,762	10,442	-	204,115
Other Budgetary Financing Sources	-	-	969,606	17,056	986,662
Other Financing Sources	-	289	18,701	1,943	20,933
Net Cost of Operations	-	(77,670)	(1,028,802)	(20,859)	(1,127,331)
Change in Net Position	<u>\$ 22,911</u>	<u>\$ 220,727</u>	<u>\$ 84,287</u>	<u>\$ (1,673)</u>	<u>\$ 326,252</u>
Net Position End of Period	<u>\$ 211,282</u>	<u>\$ 3,244,496</u>	<u>\$ 2,754,712</u>	<u>\$ 1,989</u>	<u>\$ 6,212,479</u>

	Environmental Services	LUST	Superfund	Other Earmarked Funds	Total Earmarked Funds
Balance Sheet as of September 30, 2007					
ASSETS					
Fund Balance with Treasury	\$ 188,370	\$ 32,405	\$ 51,081	\$ 31,213	\$ 303,069
Investments	-	3,001,214	2,751,850	(3)	5,753,061
Accounts Receivable, Net	-	-	329,829	3,724	333,553
Other Assets	-	180	86,558	757	87,495
Total Assets	<u>\$ 188,370</u>	<u>\$ 3,033,799</u>	<u>\$ 3,219,318</u>	<u>\$ 35,691</u>	<u>\$ 6,477,178</u>
LIABILITIES					
Other Liabilities	\$ -	\$ 10,030	\$ 548,893	\$ 32,028	\$ 590,951
Total Liabilities	<u>\$ -</u>	<u>\$ 10,030</u>	<u>\$ 548,893</u>	<u>\$ 32,028</u>	<u>\$ 590,951</u>
Cumulative Results of Operations	\$ 188,370	\$ 3,023,769	\$ 2,670,425	\$ 3,663	\$ 5,886,227
Total Liabilities and Net Position	<u>\$ 188,370</u>	<u>\$ 3,033,799</u>	<u>\$ 3,219,318</u>	<u>\$ 35,691</u>	<u>\$ 6,477,178</u>

**Statement of Changes in Net Cost For the Period Ended
September 30, 2007**

Gross Programs Costs	\$ -	\$ 76,242	\$ 1,497,010	\$ 72,308	\$ 1,645,560
Less: Earned Revenues	<u>-</u>	<u>(1,414)</u>	<u>377,904</u>	<u>53,646</u>	<u>430,136</u>
Net Cost of Operations	<u>\$ -</u>	<u>\$ 77,656</u>	<u>\$ 1,119,106</u>	<u>\$ 18,662</u>	<u>\$ 1,215,424</u>

**Statement of Changes in Net Position for the Period Ended
September 30, 2007**

Net Position, Beginning of Period	\$ 165,723	\$ 2,757,325	\$ 2,606,400	\$ 3,577	\$ 5,533,025
Changes in Accounting Principle (Alloc Trans Agency) (Note 38)	-	-	20,900	-	20,900
Beginning Balance as Adjusted	<u>165,723</u>	<u>2,757,325</u>	<u>2,627,300</u>	<u>3,577</u>	<u>5,553,925</u>
Nonexchange Revenue - Securities Investment	-	117,579	141,407	-	258,986
Nonexchange Revenue - Other	22,648	226,194	2,721	585	252,148
Other Budgetary Financing Sources	-	-	998,952	15,733	1,014,685
Other Financing Sources	-	327	19,151	2,429	21,907
Net Cost of Operations	-	(77,656)	(1,119,106)	(18,662)	(1,215,424)
Change in Net Position	<u>\$ 22,648</u>	<u>\$ 266,444</u>	<u>\$ 43,125</u>	<u>\$ 85</u>	<u>\$ 332,302</u>
Net Position End of Period	<u>\$ 188,371</u>	<u>\$ 3,023,769</u>	<u>\$ 2,670,425</u>	<u>\$ 3,662</u>	<u>\$ 5,886,227</u>

Earmarked funds are as follows:

Environmental Services Receipt Account: The Environmental Services Receipt Account authorized by a 1990 act, "To amend the Clean Air Act (P.L. 101-549)," Treasury fund group 5295, was established for the deposit of fee receipts associated with environmental programs, including radon measurement proficiency ratings and training, motor vehicle engine certifications, and water pollution permits. Receipts in this special fund can only be appropriated to the S&T and EPM appropriations to meet the expenses of the programs that generate the receipts as authorized by Congress in the Agency's appropriations bill.

Leaking Underground Storage Tank (LUST) Trust Fund: The LUST Trust Fund, Treasury fund group 8153, was authorized by the Superfund Amendments and Reauthorization Act of 1986 (SARA) as amended by the Omnibus Budget Reconciliation Act of 1990. The LUST appropriation provides funding to respond to releases from leaking underground petroleum tanks. The Agency oversees cleanup and enforcement programs which are implemented by the states. Funds are allocated to the states through cooperative agreements to clean up those sites posing the greatest threat to human health and the environment. Funds are used for grants to non-state entities including Indian tribes

under Section 8001 of the Resource Conservation and Recovery Act. The program is financed by a one cent per gallon tax on motor fuels which will expire in 2011.

Superfund Trust Fund: In 1980, the Superfund Trust Fund, Treasury fund group 8145, was established by CERCLA to provide resources to respond to and clean up hazardous substance emergencies and abandoned, uncontrolled hazardous waste sites. The Superfund Trust Fund financing is shared by federal and state governments as well as industry. The EPA allocates funds from its appropriation to other Federal agencies to carry out CERCLA. Risks to public health and the environment at uncontrolled hazardous waste sites qualifying for the Agency's National Priorities List (NPL) are reduced and addressed through a process involving site assessment and analysis and the design and implementation of cleanup remedies. NPL cleanups and removals are conducted and financed by the EPA, private parties, or other Federal agencies. The Superfund Trust Fund includes Treasury's collections, special account receipts from settlement agreements, and investment activity.

Other Earmarked Funds:

Oil Spill Response Trust Fund: The Oil Spill Response Trust Fund, Treasury fund group 8221, was authorized by the Oil Pollution Act of 1990 (OPA). Monies were appropriated to the Oil Spill Response Trust Fund in 1993. The Agency is responsible for directing, monitoring and providing technical assistance for major inland oil spill response activities. This involves setting oil prevention and response standards, initiating enforcement actions for compliance with OPA and Spill Prevention Control and Countermeasure requirements, and directing response actions when appropriate. The Agency carries out research to improve response actions to oil spills including research on the use of remediation techniques such as dispersants and bioremediation. Funding for oil spill cleanup actions is provided through the Department of Transportation under the Oil Spill Liability Trust Fund and reimbursable funding from other Federal agencies.

Miscellaneous Contributed Funds Trust Fund: The Miscellaneous Contributed Funds Trust Fund authorized in the Federal Water Pollution Control Act (Clean Water Act) as amended P.L. 92-500 (The Federal Water Pollution Control Act Amendments of 1972), Treasury fund group 8741, includes gifts for pollution control programs that are usually designated for a specific use by donors and/or deposits from pesticide registrants to cover the costs of petition hearings when such hearings result in unfavorable decisions to the petitioner.

Pesticide Registration Fund: The Pesticide Registration Fund authorized by a 2004 Act, "Consolidated Appropriations Act (P.L. 108-199)," Treasury fund group 5374, was authorized in 2004 for the expedited processing of certain registration petitions and associated establishment of tolerances for pesticides to be used in or on food and animal feed. Fees covering these activities, as authorized under the FIFRA Act of 1988, are to be paid by industry and deposited into this fund group.

Federal Insecticide, Fungicide and Rodenticide Act (FIFRA): The FIFRA Revolving Fund, Treasury fund group 4310, was authorized by the FIFRA Act of 1972, as amended in 1988 and as amended by the Food Quality Protection Act of 1996. Pesticide maintenance fees are paid by industry to offset the costs of pesticide reregistration and reassessment of tolerances for pesticides used in or on food and animal feed, as required by law.

Tolerance Revolving Fund: The Tolerance Revolving Fund, Treasury fund group 4311, was authorized in 1963 for the deposit of tolerance fees. Fees are paid by industry for Federal services to set pesticide chemical residue limits in or on food and animal feed. The fees collected prior to January 2, 1997 were accounted for under this fund. Presently these fees are being deposited in the FIFRA fund.

Exxon Valdez Settlement Fund: The Exxon Valdez Settlement Fund authorized by a 1992 Act, “Making appropriations for the Department of Veterans Affairs and Housing and Urban Development, and for sundry independent agencies, boards, commissions, corporations, and offices for the fiscal year ending September 30, 1993 (P.L. 102-389),” Treasury fund group 5297, has funds available to carry out authorized environmental restoration activities. Funding is derived from the collection of reimbursements under the Exxon Valdez settlement as a result of an oil spill.

Note 21. Exchange Revenues, Statement of Net Cost

Exchange revenues on the Statement of Net Cost include income from services provided, interest revenue (with the exception of interest earned on trust fund investments), and miscellaneous earned revenue. As of September 30, 2008 and 2007, exchange revenues are \$634 million and \$550 million, respectively.

Note 22. Intragovernmental Costs and Exchange Revenue

	FY 2008			FY 2007		
	Intragovernmental	With the Public	TOTAL	Intragovernmental	With the Public	TOTAL
Clean Air						
Program Costs	\$ 181,467	\$ 816,336	\$ 997,803	\$ 185,389	\$ 818,753	\$ 1,004,142
Earned Revenue	18,360	2,043	20,403	15,594	2,997	18,591
NET COST	\$ 163,107	\$ 814,293	\$ 977,400	\$ 169,795	\$ 815,756	\$ 985,551
Clean & Safe Water						
Program Costs	\$ 162,679	3,334,953	\$ 3,497,632	\$ 180,571	\$ 3,868,428	\$ 4,048,999
Earned Revenue	7,615	2,841	10,456	11,016	2,262	13,278
NET COST	\$ 155,064	\$ 3,332,112	\$ 3,487,176	\$ 169,555	\$ 3,866,166	\$ 4,035,721
Land Preservation & Restoration						
Program Costs	\$ 347,011	\$ 1,654,205	\$ 2,001,216	\$ 396,786	\$ 1,607,952	\$ 2,004,738
Earned Revenue	73,829	460,055	533,884	101,036	352,963	453,999
NET COST	\$ 273,182	\$ 1,194,150	\$ 1,467,332	\$ 295,750	\$ 1,254,989	\$ 1,550,739
Healthy Communities & Ecosystems						
Program Costs	\$ 281,767	\$ 1,126,764	\$ 1,408,531	\$ 275,068	\$ 1,144,793	\$ 1,419,861
Earned Revenue	22,710	39,407	62,117	18,450	38,902	57,352
NET COST	\$ 259,057	\$ 1,087,357	\$ 1,346,414	\$ 256,618	\$ 1,105,891	\$ 1,362,509
Compliance & Environmental Stewardship						
Program Costs	\$ 176,376	\$ 593,853	\$ 770,229	\$ 182,101	\$ 603,463	\$ 785,564
Earned Revenue	5,540	1,801	7,341	5,613	1,265	6,878
NET COST	\$ 170,836	\$ 592,052	\$ 762,888	\$ 176,488	\$ 602,198	\$ 778,686
Total						
Program Costs	\$ 1,149,300	\$ 7,526,111	\$ 8,675,411	\$ 1,219,915	\$ 8,043,389	\$ 9,263,304
Earned Revenue	128,054	506,147	634,201	151,709	398,389	550,098
NET COST	\$ 1,021,246	\$ 7,019,964	\$ 8,041,210	\$ 1,068,206	\$ 7,645,000	\$ 8,713,206

Intragovernmental costs relate to the source of the goods or services not the classification of the related revenue.

Note 23. Cost of Stewardship Land

The costs related to the acquisition of stewardship land was approximately \$2 million in FY 2008 and less than \$150 thousand in FY 2007. These costs are included in the Statement of Net Cost.

Note 24. Environmental Cleanup Costs

As of September 30, 2008, EPA has six sites that require clean up stemming from its activities. Costs amounting to \$269 thousand may be paid out of the Treasury Judgment Fund. Two claimants' chance of success are characterized as probable and three as reasonably possible. Additionally, EPA has one site (\$80 thousand) characterized as having a remote chance of success. EPA also holds title to a site in Edison, New Jersey which was formerly an Army Depot. While EPA did not cause the contamination, the

Agency could potentially be liable for a portion of the cleanup costs. However, it is expected that the Department of Defense and General Services Administration will bear all or most of the cost of remediation. In addition, EPA has two sites that have an unfunded environmental liability of \$230 thousand.

Accrued Cleanup Cost:

The EPA has 16 sites that will require future clean up associated with permanent closure. The estimated costs will be approximately \$19 million. Since the cleanup costs associated with permanent closure are not primarily recovered through user fees, EPA has elected to recognize the estimated total cleanup cost as a liability and record changes to the estimate in subsequent years.

The FY 2008 estimate for unfunded cleanup costs increased by \$1.2 million from the FY 2007 estimate.

Note 25. State Credits

Authorizing statutory language for Superfund and related Federal regulations requires states to enter into SSCs when EPA assumes the lead for a remedial action in their state. The SSC defines the state's role in the remedial action and obtains the state's assurance that it will share in the cost of the remedial action. Under Superfund's authorizing statutory language, states will provide EPA with a 10 percent cost share for remedial action costs incurred at privately owned or operated sites, and at least 50 percent of all response activities (i.e., removal, remedial planning, remedial action, and enforcement) at publicly operated sites. In some cases, states may use EPA-approved credits to reduce all or part of their cost share requirement that would otherwise be borne by the states. Credit is limited to state site-specific expenses EPA has determined to be reasonable, documented, direct out-of-pocket expenditures of non-Federal funds for remedial action.

Once EPA has reviewed and approved a state's claim for credit, the state must first apply the credit at the site where it was earned. The state may apply any excess/remaining credit to another site when approved by EPA. As of September 30, 2008, the total remaining state credits have been estimated at \$15.3 million. The estimated ending credit balance on September 30, 2007 was \$14.5 million.

Note 26. Preauthorized Mixed Funding Agreements

Under Superfund preauthorized mixed funding agreements, PRPs agree to perform response actions at their sites with the understanding that EPA will reimburse them a certain percentage of their total response action costs. EPA's authority to enter into mixed funding agreements is provided under CERCLA Section 111(a)(2). Under CERCLA Section 122(b)(1), as amended by SARA, PRPs may assert a claim against the Superfund Trust Fund for a portion of the costs they incurred while conducting a preauthorized response action agreed to under a mixed funding agreement. As of September 30, 2008, EPA had 14 outstanding preauthorized mixed funding agreements with obligations totaling

\$25 million. A liability is not recognized for these amounts until all work has been performed by the PRP and has been approved by EPA for payment. Further, EPA will not disburse any funds under these agreements until the PRP's application, claim, and claims adjustment processes have been reviewed and approved by EPA.

Note 27. Custodial Revenues and Accounts Receivable

	<u>FY 2008</u>	<u>FY 2007</u>
Fines, Penalties and Other Miscellaneous Receipts	\$ 120,657	\$ 89,330
Accounts Receivable for Fines, Penalties and Other Miscellaneous Receipts:		
Accounts Receivable	\$ 220,123	\$ 196,590
Less: Allowance for Uncollectible Accounts	(171,966)	(156,401)
Total	\$ 48,157	\$ 40,189

EPA uses the accrual basis of accounting for the collection of fines, penalties and miscellaneous receipts. Collectibility by EPA of the fines and penalties is based on the RPs' willingness and ability to pay.

Note 28. Statement of Budgetary Resources

Budgetary resources, obligations incurred and outlays, as presented in the audited FY 2008 Statement of Budgetary Resources, will be reconciled to the amounts included in the FY 2009 Budget of the United States Government when they become available. The Budget of the United States Government with actual numbers for FY 2008 has not yet been published. We expect it will be published by March 2009, and it will be available on the OMB website at <http://www.whitehouse.gov/>. The actual amounts published for the year ended September 30, 2007 are included in EPA's FY 2008 financial statement disclosures.

<u>FY 2007</u>	<u>Budgetary Resources</u>	<u>Obligations</u>	<u>Offsetting Receipts</u>	<u>Net Outlays</u>
Statement of Budgetary Resources	\$ 13,058,309	9,516,922	1,307,458	9,564,449
Adjustments to Undelivered Orders and Other	3,780	1,679	-	-
Expired and Immaterial Funds*	(264,384)	(1,520)	-	-
Rounding Differences**	(1,705)	(1,081)	(458)	(1,449)
Reported in Budget of the U. S. Government	\$ 12,796,000	\$ 9,516,000	\$ 1,307,000	\$ 9,563,000

* Expired funds are not included in Budgetary Resources Available for Obligation and Total New Obligations in the Budget Appendix (lines 23.90 and 10.00). Also, minor funds are not included in the Budget Appendix.

** Balances are rounded to millions in the Budget Appendix.

Note 29. Recoveries and Resources Not Available, Statement of Budgetary Resources

Recoveries of Prior Year Obligations, Temporarily Not Available, and Permanently Not Available on the Statement of Budgetary Resources consist of the following amounts:

	<u>FY 2008</u>	<u>FY 2007</u>
Recoveries of Prior Year Obligations- downward adjustments of prior years' obligations	\$ <u>281,117</u>	\$ <u>387,621</u>
Temporarily Not Available-rescinded authority	<u>(6,366)</u>	<u>-</u>
Permanently Not Available:		
Payments to Treasury	(3,032)	(2,769)
Rescinded authority	(117,284)	-
Canceled authority	<u>(5,210)</u>	<u>(4,564)</u>
Total Permanently Not Available	\$ <u>(125,526)</u>	\$ <u>(7,333)</u>

Note 30. Unobligated Balances Available

The unobligated balances available consist of the following as of September 30, 2008 and 2007. Unobligated balances are a combination of two lines on the Statement of Budgetary Resources: Apportioned, Unobligated Balances and Unobligated Balances Not Available. Unexpired unobligated balances are available to be apportioned by the OMB for new obligations at the beginning of the following fiscal year. The expired unobligated balances are only available for upward adjustments of existing obligations.

	<u>FY 2008</u>	<u>FY 2007</u>
Unexpired Unobligated Balance	\$ 3,205,306	\$ 3,279,240
Expired Unobligated Balance	346,574	262,147
Total	\$ <u>3,551,880</u>	\$ <u>3,541,387</u>

Note 31. Undelivered Orders at the End of the Period

Budgetary resources obligated for undelivered orders at the end of the September 30, 2008 and 2007 are as follows:

	<u>FY 2008</u>	<u>FY 2007</u>
Undelivered Orders	\$ 8,427,344	\$ 8,714,675

Note 32. Offsetting Receipts

Distributed offsetting receipts credited to the general fund, special fund, or trust fund receipt accounts offset gross outlays. For FYs 2008 and 2007, the following receipts were generated from these activities:

	<u>FY 2008</u>	<u>FY 2007</u>
Trust Fund Recoveries	\$ 89,995	\$ 234,171
Special Fund Environmental Service	22,911	22,648
Downward Re-estimates of Subsidies	-	29
Trust Fund Appropriation	984,974	1,040,372
Special Fund Receipt Account and Treasury		
Miscellaneous Receipts and Clearing Accounts	20,549	10,238
Total	\$ 1,118,429	\$ 1,307,458

Note 33. Transfers-In and Out, Statement of Changes in Net Position

Appropriation Transfers, In/Out:

For FYs 2008 and 2007, the Appropriation Transfers under Budgetary Financing Sources on the Statement of Changes in Net Position are comprised of nonexpenditure transfers that affect Unexpended Appropriations for non-invested appropriations. These amounts are included in the Budget Authority, Net Transfers and Prior Year Unobligated Balance, Net Transfers lines on the Statement of Budgetary Resources. Detail of the Appropriation Transfers on the Statement of Changes in Net Position and reconciliation with the Statement of Budgetary Resources follow:

Transfers In/Out Without Reimbursement, Budgetary:

Fund/Type of Account	<u>FY 2008</u>	<u>FY 2007</u>
U.S. Navy	\$ (7,875)	\$ -
Total Appropriation Transfers (Other Funds)	\$ (7,875)	-
Net Transfers from Invested Funds	1,389,902	1,344,610
Transfer to Another Agency	(7,875)	-
Allocations Rescinded	5,940	-
Total of Net Transfers on Statement of Budgetary Resources	\$ 1,387,967	\$ 1,344,610

For FYs 2008 and 2007, Transfers In/Out under Budgetary Financing Sources on the Statement of Changes in Net Position consist of transfers to or from other Federal agencies and between EPA funds. These transfers affect Cumulative Results of Operations. Detail of the transfers-in and transfers-out, expenditure and nonexpenditure, follows:

Type of Transfer/Funds	FY 2008		FY 2007	
	Earmark	Other Funds	Earmark	Other Funds
Transfers-in (out) nonexpenditure, Earmark to S&T and OIG funds	\$ (37,204)	\$ 37,204	\$ (43,491)	\$ 43,491
Transfer-in nonexpenditure recovery from CDC	1,905	-	1,370	-
Transfers-in, nonexpenditure, Oil Spill	17,056	-	15,734	-
Transfer-in (out) cancelled funds	53	(53)		
Adjustment from Prior Year	-	-	701	-
Total Transfers in (out) without Reimbursement, Budgetary	<u>\$ (18,190)</u>	<u>\$ 37,151</u>	<u>\$ (25,686)</u>	<u>\$ 43,491</u>

Transfers In/Out without Reimbursement, Other Financing Sources:

For FYs 2008 and 2007, Transfers In/Out without Reimbursement under Other Financing Sources on the Statement of Changes in Net Position are comprised of negative subsidy to a special receipt fund for the credit reform funds. The amounts reported on the Statement of Changes in Net Position are as follows:

Type of Transfer/Funds	FY 2008		FY 2007	
	Earmark	Other Funds	Earmark	Other Funds
Transfers-in by allocation transfer agency	\$ -	\$ -	\$ 39	\$ -
Transfers-in property	-	-	-	530
Transfers (out) of prior year negative subsidy to be paid following year	-	28	-	(5)
Total Transfers in (out) without Reimbursement, Budgetary	<u>\$ -</u>	<u>\$ 28</u>	<u>\$ 39</u>	<u>\$ 525</u>

Note 34. Imputed Financing Sources

In accordance with SFFAS No. 5, "Accounting for Liabilities of the Federal Government," Federal agencies must recognize the portion of employees' pensions and other retirement benefits to be paid by the OPM trust funds. These amounts are recorded as imputed costs and imputed financing for each agency. Each year the OPM provides Federal agencies with cost factors to calculate these imputed costs and financing that apply to the current

year. These cost factors are multiplied by the current year's salaries or number of employees, as applicable, to provide an estimate of the imputed financing that the OPM trust funds will provide for each agency. The estimates for FY 2008 were \$130.1 million (\$20.9 million from Earmark funds, and \$109.2 million from Other Funds). For FY 2007, the estimates were \$133.3 million (\$21.9 million from Earmark Funds, and \$111.4 million from Other Funds).

In addition to the pension and retirement benefits described above, EPA also records imputed costs and financing for Treasury Judgment Fund payments made on behalf of the Agency. Entries are made in accordance with the Interpretation of Federal Financial Accounting Standards No. 2, "Accounting for Treasury Judgment Fund Transactions." For FY 2008 entries for Judgment Fund payments totaled \$2.4 million (Other Funds). For FY 2007, entries for Judgment Fund payments totaled \$2.3 million (Other Funds).

The combined total of imputed financing costs for FY 2008 is \$132.5 million and in FY 2007 was \$135.6 million.

Note 35. Payroll and Benefits Payable

Payroll and benefits payable to EPA employees for the years ending September 30, 2008 and 2007, consist of the following:

FY 2008 Payroll & Benefits Payable	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
Accrued Funded Payroll & Benefits	\$ 46,966	\$ -	\$ 46,966
Withholdings Payable	30,659	-	30,659
Employer Contributions Payable-TSP	2,670	-	2,670
Accrued Unfunded Annual Leave	-	152,663	152,663
Total - Current	\$ 80,295	\$ 152,663	\$ 232,958
FY 2007 Payroll & Benefits Payable			
Accrued Funded Payroll & Benefits	\$ 30,957	\$ -	\$ 30,957
Withholdings Payable	29,297	-	29,297
Employer Contributions Payable-TSP	2,101	-	2,101
Accrued Unfunded Annual Leave	-	142,843	142,843
Total - Current	\$ 62,355	\$ 142,843	\$ 205,198

Note 36. Other Adjustments, Statement of Changes in Net Position

The Other Adjustments under Budgetary Financing Sources on the Statement of Changes in Net Position consist of rescissions to appropriated funds and cancellation of funds that expired 5 years earlier. These amounts affect Unexpended Appropriations.

	<u>Other Funds FY 2008</u>	<u>Other Funds FY 2007</u>
Rescissions to General Appropriations	\$ 117,284	\$ -
Canceled General Authority	5,157	4,561
Total Other Adjustments	\$ 122,441	\$ 4,561

Note 37. Nonexchange Revenue, Statement of Changes in Net Position

The Nonexchange Revenue, Budgetary Financing Sources, on the Statement of Changes in Net Position for FYs 2008 and 2007 consists of the following items:

	<u>Earmark Funds FY 2008</u>	<u>Earmark Funds FY 2007</u>
Investments	\$ 241,873	\$ 258,986
Tax Revenue, Net of Refunds	170,762	228,796
Fines and Penalties Revenue	10,442	704
Special Receipt Fund Revenue	22,911	22,648
Revenue	\$ 445,988	\$ 511,134

Note 38. Adjustment for Allocation Transfers

Beginning in FY 2007, the agency that transfers budget authority to another Federal entity must report all budgetary and proprietary activity related to these transfers in its financial statements. The cumulative effect of this activity is reported as a “Change in Accounting Principle” on the Statement of Net Position (\$20.9 million - Earmark Funds) and as an “Adjustment to Unobligated Balance, Brought Forward” and an “Adjustment to Unpaid Obligations, Brought Forward” on the Statement of Budgetary Resources. There was no adjustment necessary for FY 2008.

Statement of Budgetary Resources

	<u>FY 2007</u>
Beginning Balance:	
Unobligated Balance, Brought Forward October 1	\$ 3,247,087
Adjustment of Unobligated Balance (Allocation Transfer Agencies)	15,527
Adjusted Total Beginning Balance	<u>\$ 3,262,614</u>

Note 39. Reconciliation of Net Cost of Operations to Budget (formerly the Statement of Financing)

	<u>FY 2008</u>	<u>FY 2007</u>
RESOURCES USED TO FINANCE ACTIVITIES:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 9,656,040	\$ 9,516,922
Less: Spending Authority from Offsetting Collections and Recoveries	(1,142,189)	(963,361)
Obligations, Net of Offsetting Collections	\$ 8,513,851	\$ 8,553,561
Less: Offsetting Receipts	(1,118,429)	(1,307,458)
Net Obligations	\$ 7,395,422	\$ 7,246,103
Other Resources		
Transfers In/Out Without Reimbursement, Property	\$ -	\$ 530
Imputed Financing Sources	132,524	135,609
Net Other Resources Used to Finance Activities	\$ 132,524	\$ 136,139
Total Resources Used To Finance Activities	\$ 7,527,946	\$ 7,382,242
RESOURCES USED TO FINANCE ITEMS		
NOT PART OF THE NET COST OF OPERATIONS:		
Change in Budgetary Resources Obligated	\$ 415,809	\$ 1,229,438
Resources that Fund Prior Periods Expenses	(22)	-
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Credit Program Collections Increasing Loan Liabilities for Guarantees or Subsidy Allowances	3,985	3,979
Offsetting Receipts Not Affecting Net Cost	133,455	267,087
Resources that Finance Asset Acquisition	(98,715)	(113,393)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	\$ 454,512	\$ 1,387,111
Total Resources Used to Finance the Net Cost of Operations	\$ 7,982,458	\$ 8,769,353

	<u>FY 2008</u>	<u>FY 2007</u>
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	\$ 9,807	\$ 7,771
Increase in Environmental and Disposal Liability	1,197	8,073
Increase in Unfunded Contingencies	44	-
Upward/Downward Reestimates of Credit Subsidy Expense	-	33
Increase in Public Exchange Revenue Receivables	(132,904)	(168,330)
Increase in Workers Compensation Costs	5,641	986
Other	<u>59</u>	<u>420</u>
Total Components of Net Cost of Operations that Require or Generate Resources in Future Periods	\$ (116,156)	\$ (151,047)
Components Not Requiring/Generating Resources:		
Depreciation and Amortization	\$ 88,586	\$ 52,248
Expenses Not Requiring Budgetary Resources	<u>86,322</u>	<u>42,652</u>
Total Components of Net Cost that Will Not Require or Generate Resources	\$ 174,908	\$ 94,900
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	<u>\$ 58,752</u>	<u>\$ (56,147)</u>
Net Cost of Operations	<u>\$ 8,041,210</u>	<u>\$ 8,713,206</u>

Note 40. Other – Statement of Net Position

In FY 2008, EPA identified an error of \$20 million in the *Payable for Transfers of Currently Invested Balances* account. This balance was related to activity prior to FY 2001 involving the allocation of budgetary authority to other federal agencies (parent/child relationship). This error resulted in an overstatement of payables on the Balance Sheet and an understatement of Cumulative Results of Operations. In addition, the budgetary resources were increased by this amount. Since this amount is immaterial to the financial statements a prior period adjustment was not recorded. To adjust the Cumulative Results of Operations, the \$20 million was recorded on the “Other” line on the Statement of Net Position.

REQUIRED SUPPLEMENTARY INFORMATION

1.

**Environmental Protection Agency
Required Supplementary Information
As of September 30, 2008
(Dollars in Thousands)
(Unaudited)**

Deferred Maintenance

The EPA classifies tangible property, plant, and equipment as follows: (1) EPA-Held Equipment, (2) Contractor-Held Equipment, (3) Land and Buildings, and, (4) Capital Leases. The condition assessment survey method of measuring deferred maintenance is utilized. The Agency adopts requirements or standards for acceptable operating condition in conformance with industry practices. No deferred maintenance was reported for any of the four categories.

Stewardship Land

Stewardship land is acquired as contaminated sites in need of remediation and clean-up; thus the quality of the land is far-below the standard for usable and manageable land. Easements on stewardship lands are in good and usable condition but acquired in order to gain access to contaminated sites.

2.
Environmental Protection Agency
Required Supplementary Information
Supplemental Statement of Budgetary Resources (Unaudited)
As of September 30, 2008
(Dollars in Thousands)

	EPM	FIFRA	LUST	S&T	STAG	OTHER	TOTAL
BUDGETARY RESOURCE							
Unobligated Balance Brought Forward, October 1	\$ 672,087	\$ 7,015	\$ 6,272	\$ 221,937	\$ 1,330,730	\$ 1,303,346	\$ 3,541,387
Recoveries of prior year unpaid obligations	28,536	985	3,424	6,047	66,165	175,960	281,117
Budgetary Authority:							
Appropriation	2,364,854	-	-	772,129	2,983,595	1,147,658	7,268,236
Borrowing Authority	-	-	-	-	-	34	34
Spending Authority from Offsetting Collections:							
Collected	80,512	20,730	39	4,844	5,840	596,465	708,430
Change in receivables from Federal sources	(24,331)	-	-	(129)	-	2,290	(22,170)
Advance received	(3,311)	1,429	12	3,890	-	75,860	77,880
Without advance from Federal source	23,661	-	-	7,838	-	28,281	59,780
Expenditure Transfers from trust funds	-	-	-	25,718	-	11,433	37,151
Nonexpenditure transfers, net anticipated and actual	-	-	107,492	-	(7,875)	1,288,350	1,387,967
Temporarily not available pursuant to Public Law	-	-	(1,677)	-	-	(4,689)	(6,366)
Permanently not available	(41,098)	-	-	(12,935)	(51,544)	(19,949)	(125,526)
Total Budgetary Resources	\$ 3,100,910	\$ 30,159	\$ 115,562	\$ 1,029,339	\$ 4,326,911	\$ 4,605,039	\$ 13,207,920
STATUS OF BUDGETARY RESOURCES							
Obligations Incurred:							
Direct	\$ 2,361,866	\$ -	\$ 108,231	\$ 793,930	\$ 3,236,228	\$ 2,535,657	\$ 9,035,912
Reimbursable	112,631	23,529	32	8,908	-	475,028	620,128
Total Obligations Incurred	2,474,497	23,529	108,263	802,838	3,236,228	3,010,685	9,656,040
Unobligated Balances:							
Unobligated funds apportioned	320,214	6,630	7,299	191,973	1,090,683	1,588,001	3,204,800
Unobligated balance not available	306,199	-	-	34,528	-	6,353	347,080
Total Status of Budgetary Resources	\$ 3,100,910	\$ 30,159	\$ 115,562	\$ 1,029,339	\$ 4,326,911	\$ 4,605,039	\$ 13,207,920
CHANGE IN OBLIGATED BALANCE							
Obligated Balance, Net							
Unpaid obligations brought forward, October 1	\$ 830,336	\$ 2,295	\$ 93,531	\$ 506,362	\$ 6,930,438	\$ 1,510,245	\$ 9,873,207
Less: Uncollected customer payments from Federal sources brought forward, October 1	(447,386)	-	-	(33,960)	-	(151,444)	(632,790)
Total unpaid obligation balance, net	382,950	2,295	93,531	472,402	6,930,438	1,358,801	9,240,417
Obligations incurred, net	2,474,498	23,529	108,263	802,838	3,236,228	3,010,684	9,656,040
Less: Gross outlays	(2,382,395)	(21,181)	(78,392)	(829,852)	(3,767,034)	(2,801,181)	(9,880,035)
Less: Recoveries of prior year unpaid obligations, actual	(28,536)	(985)	(3,424)	(6,047)	(66,165)	(175,960)	(281,117)
Change in uncollected customer payments from Federal sources	669	-	-	(2,539)	-	(31,587)	(33,457)
Total	447,186	3,658	119,978	436,802	6,333,467	1,360,757	8,701,848
Obligated balance, net, end of period:							
Unpaid obligations	893,903	3,658	119,978	473,301	6,333,467	1,543,787	9,368,094
Less: Uncollected customer payments from Federal sources	(446,717)	-	-	(36,499)	-	(183,030)	(666,246)
Total, unpaid obligated balance, net, end of period	\$ 447,186	\$ 3,658	\$ 119,978	\$ 436,802	\$ 6,333,467	\$ 1,360,757	\$ 8,701,848
NET OUTLAYS							
Gross outlays	\$ 2,382,395	\$ 21,181	\$ 78,392	\$ 829,852	\$ 3,767,034	\$ 2,801,181	\$ 9,880,035
Less: Offsetting collections	(77,200)	(22,159)	(53)	(39,621)	(5,840)	(682,743)	(827,616)
Less: Distributed Offsetting Receipts	-	-	-	-	-	(1,118,429)	(1,118,429)
Total, Net Outlays	\$ 2,305,195	\$ (978)	\$ 78,339	\$ 790,231	\$ 3,761,194	\$ 1,000,009	\$ 7,933,990

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

**Environmental Protection Agency
Required Supplementary Stewardship Information (Unaudited)
For the Year Ended September 30, 2008
(Dollars in Thousands)**

INVESTMENT IN THE NATION'S RESEARCH AND DEVELOPMENT:

Public and private sector institutions have long been significant contributors to our nation's environment and human health research agenda. EPA's Office of Research and Development, however, is unique among scientific institutions in this country in combining research, analysis, and the integration of scientific information across the full spectrum of health and ecological issues and across the risk assessment and risk management paradigm. Research enables us to identify the most important sources of risk to human health and the environment, and by so doing, informs our priority-setting, ensures credibility for our policies, and guides our deployment of resources. It gives us the understanding, the framework, and technologies we need to detect, abate, and avoid environmental problems. Research also provides the crucial underpinning(s) for EPA decision-making and challenges us to apply the best available science and technical analysis to our environmental problems and to practice more integrated, efficient and effective approaches to reducing environmental risks.

Among the Agency's highest priorities are research programs that address: the development of alternative techniques for prioritizing chemicals for further testing through computational toxicology; the provision of near-term, appropriate, affordable, reliable, tested, and effective technologies and guidance for potential threats to homeland security; the potential risks and effects of manufactured nanomaterials on human health and the environment; the impacts of global change and providing information to policy makers to help them adapt to a changing climate; the environmental effects on children's health; the potential risks of unregulated contaminants in drinking water; the development of recreational water quality criteria; the health effects of air pollutants such as particulate matter; and the protection of the nation's ecosystems. EPA also supports regulatory decision-making with chemical risk assessments.

For FY 2008, the full cost of the Agency's Research and Development activities totaled approximately \$701 million. Below is a breakout of the expenses (dollars in thousands):

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY2007</u>	<u>FY2008</u>
Programmatic Expenses	581,323	628,467	630,438	624,088	597,080
Allocated Expenses	91,675	112,558	104,167	100,553	103,773

See Section II of the PAR for more detailed information on the results of the Agency's investment in research and development. Each of EPA's strategic goals has a Science and Research Objective.

INVESTMENT IN THE NATION'S INFRASTRUCTURE (Non-Federal Physical Property):

The Agency makes significant investments in the nation's drinking water and clean water infrastructure. The investments are the result of three programs: the Construction Grants Program, which is being phased out and two State Revolving Fund (SRF) programs.

Construction Grants Program: During the 1970s and 1980s, the Construction Grants Program was a source of Federal funds, providing more than \$60 billion of direct grants for the construction of public wastewater treatment projects. These projects, which constituted a significant contribution to the nation's water infrastructure, included sewage treatment plants, pumping stations, and collection and intercept sewers, rehabilitation of sewer systems, and the control of combined sewer overflows. The construction grants led to the improvement of water quality in thousands of municipalities nationwide.

Congress set 1990 as the last year that funds would be appropriated for Construction Grants. Projects funded in 1990 and prior will continue until completion. After 1990, EPA shifted the focus of municipal financial assistance from grants to loans that are provided by State Revolving Funds.

State Revolving Funds: EPA provides capital, in the form of capitalization grants, to state revolving funds which state governments use to make loans to individuals, businesses, and governmental entities for the construction of wastewater and drinking water treatment infrastructure. When the loans are repaid to the state revolving fund, the collections are used to finance new loans for new construction projects. The capital is reused by the states and is not returned to the Federal Government.

The Agency also is appropriated funds to finance the construction of infrastructure outside the Revolving Funds. These are reported below as Other Infrastructure Grants.

The Agency's expenses related to investments in the nation's Water Infrastructure are outlined below (dollars in thousands):

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Construction Grants	48,948	21,148	39,193	9,975	11,517
Clean Water SRF	1,407,345	1,127,883	1,339,702	1,399,616	1,063,825
Safe Drinking Water SRF	802,629	715,060	910,032	962,903	816,038
Other Infrastructure Grants	341,767	385,226	411,023	381,481	388,555
Allocated Expenses	410,129	402,853	446,113	443,716	396,253

See the Goal 2 – Clean and Safe Water portion in Section II of the PAR for more detailed information on the results of the Agency’s investment in infrastructure.

HUMAN CAPITAL

Agencies are required to report expenses incurred to train the public with the intent of increasing or maintaining the nation’s economic productive capacity. Training, public awareness, and research fellowships are components of many of the Agency’s programs and are effective in achieving the Agency’s mission of protecting public health and the environment, but the focus is on enhancing the nation’s environmental, not economic, capacity.

The Agency’s expenses related to investments in the Human Capital are outlined below (dollars in thousands):

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Training and Awareness Grants	48,416	46,750	43,765	32,845	30,768
Fellowships	7,553	10,195	12,639	12,185	9,650
Allocated Expenses	8,826	10,199	9,320	7,255	7,025

SUPPLEMENTAL INFORMATION AND OTHER REPORTING REQUIREMENTS (UNAUDITED)

Environmental Protection Agency Supplemental Information and Other Reporting Requirements (Unaudited) Balance Sheet for Superfund Trust Fund For the Periods Ending September 30, 2008 and 2007 (Dollars in Thousands)

	FY 2008	FY 2007
ASSETS		
Intragovernmental:		
Fund Balance With Treasury (Note S1)	\$ 45,596	\$ 51,081
Investments	2,926,233	2,751,850
Accounts Receivable, Net	17,832	16,955
Other	21,116	14,927
Total Intragovernmental	\$ 3,010,777	\$ 2,834,813
Accounts Receivable, Net	299,941	312,874
Property, Plant & Equipment, Net	67,542	70,601
Other	751	1,030
Total Assets	\$ 3,379,011	\$ 3,219,318
LIABILITIES		
Intragovernmental:		
Accounts Payable and Accrued Liabilities	52,639	89,239
Other	50,448	46,182
Total Intragovernmental	\$ 103,087	\$ 135,421
Accounts Payable & Accrued Liabilities	\$ 141,049	\$ 139,607
Pensions & Other Actuarial Liabilities	7,921	6,889
Cashout Advances, Superfund (Note S2)	286,630	190,269
Payroll & Benefits Payable	40,902	35,914
Other	44,710	40,793
Total Liabilities	\$ 624,299	\$ 548,893
NET POSITION		
Cumulative Results of Operations	2,754,712	2,670,425
Total Net Position	2,754,712	2,670,425
Total Liabilities and Net Position	\$ 3,379,011	\$ 3,219,318

Environmental Protection Agency
Supplemental Information and Other Reporting Requirements (Unaudited)
Statement of Net Cost for Superfund Trust Fund
For the Periods Ending September 30, 2008 and 2007
(Dollars in Thousands)

	FY 2008	FY 2007
COSTS		
Gross Costs	\$ 1,530,979	\$ 1,497,010
Expenses from Other Appropriations (Note S5)	69,769	76,452
Total Costs	1,600,748	1,573,462
Less:		
Earned Revenue	502,177	377,904
NET COST OF OPERATIONS	\$ 1,098,571	\$ 1,195,558

Environmental Protection Agency
Supplemental Information and Other Reporting Requirements (Unaudited)
Statement of Changes in Net Position for Superfund Trust Fund
For the Periods Ending September 30, 2008 and 2007
(Dollars in Thousands)

	<u>FY2008</u> <u>Cumulative</u> <u>Results of</u> <u>Operations</u>	<u>FY 2007</u> <u>Cumulative</u> <u>Results of</u> <u>Operations</u>
Net Position - Beginning of Period	\$ 2,670,425	\$ 2,606,400
Adjustment:		
Adjustment to Unobligated Balance (Alloc Transfer Agencies) (Note 38)	-	20,900
Beginning Balances, as Adjusted	\$ <u>2,670,425</u>	\$ <u>2,627,300</u>
Budgetary Financing Sources:		
Nonexchange Revenue -Securities Investment	114,340	141,407
Nonexchange Revenue -Other	10,442	2,721
Transfers In/Out	(35,246)	(41,419)
Trust Fund Appropriations	984,974	1,040,371
Other (Note 40)	19,878	-
Income from Other Appropriations (Note S5)	69,769	76,452
Total Budgetary Financing Sources	\$ <u>1,164,157</u>	\$ <u>1,219,532</u>
Other Financing Sources (Non-Exchange)		
Transfers in/Out	-	39
Imputed Financing Sources	18,701	19,112
Total Other Financing Sources	\$ <u>18,701</u>	\$ <u>19,151</u>
Net Cost of Operations	(1,098,571)	(1,195,558)
Net Change	84,287	43,125
Cumulative Results of Operations	\$ <u><u>2,754,712</u></u>	\$ <u><u>2,670,425</u></u>

Environmental Protection Agency
Supplemental Information and Other Reporting Requirements (Unaudited)
Statement of Budgetary Resources for Superfund Trust Fund
For the Periods Ending September 30, 2008 and 2007
(Dollars in Thousands)

	FY 2008	FY 2007
BUDGETARY RESOURCES		
Unobligated Balance, Brought Forward, October 1	\$ 1,245,311	\$ 1,088,388
Adjustment to Unobligated Balance (Alloc Transfer Agcy) (Note 38)	-	15,527
Adjusted Subtotal	1,245,311	1,103,915
Recoveries of Prior Year Unpaid Obligations	168,480	127,261
Budgetary Authority:		
Appropriation	37,205	43,493
Spending Authority from Offsetting Collections		
Earned:		
Collected	390,753	227,367
Change in Receivables from Federal Sources	(1,725)	(1,811)
Change in Unfilled Customer Orders:		
Advance Received	74,038	(33,969)
Without Advance from Federal Sources	4,476	29,999
Total Spending Authority from Offsetting Collections	467,542	221,586
Nonexpenditure Transfers, Net, Anticipated and Actual	1,288,349	1,272,575
Temporarily Not Available Pursuant to Public Law	(4,263)	-
Permanently Not Available	(54)	(2)
Total Budgetary Resources	\$ 3,202,570	\$ 2,768,828
 STATUS OF BUDGETARY RESOURCES		
Obligations Incurred:		
Direct	\$ 1,425,282	\$ 1,367,588
Reimbursable	264,112	155,929
Total Obligations Incurred	1,689,394	1,523,517
Unobligated Balances:		
Apportioned	1,512,670	1,240,416
Total Unobligated Balances	1,512,670	1,240,416
Unobligated Balances Not Available	506	4,895
Total Status of Budgetary Resources (\$6)	\$ 3,202,570	\$ 2,768,828

Environmental Protection Agency
Supplemental Information and Other Reporting Requirements (Unaudited)
Statement of Budgetary Resources for Superfund Trust Fund
For the Periods Ending September 30, 2008 and 2007
(Dollars in Thousands)

	<u>FY 2008</u>	<u>FY 2007</u>
CHANGE IN OBLIGATED BALANCE		
Obligated Balance, Net:		
Unpaid Obligations, Brought Forward, October 1	\$ 1,361,335	\$ 1,454,495
Adjustment to Unpaid Obligations (Alloc Transfer Agencies) (Note 38)	-	7,215
Adjusted Total	<u>1,361,335</u>	<u>1,461,710</u>
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	<u>(110,170)</u>	<u>(81,983)</u>
Total Unpaid Obligated Balance, Net	1,251,165	1,379,727
Obligations Incurred	1,689,394	1,523,517
Less: Gross Outlays	(1,489,936)	(1,496,631)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(168,480)	(127,261)
Change in Uncollected Customer Payments from Federal Sources	<u>(2,752)</u>	<u>(28,187)</u>
Total, Change in Obligated Balance	1,279,391	1,251,165
Obligated Balance, Net, End of Period:		
Unpaid Obligations	1,392,312	1,361,335
Less: Uncollected Customer Payments from Federal Sources	<u>(112,921)</u>	<u>(110,170)</u>
Total, Unpaid Obligated Balance, Net, End of Period	\$ 1,279,391	\$ 1,251,165
NET OUTLAYS		
Net Outlays:		
Gross Outlays (Note S6)	\$ 1,489,936	\$ 1,496,631
Less: Offsetting Collections (Note S6)	(464,790)	(193,398)
Distributed Offsetting Receipts *(Note S6)	<u>(1,074,969)</u>	<u>(1,274,542)</u>
Total, Net Outlays	(49,823)	28,691

*Offsetting receipts line includes the amount in 68X0250 (payment to trust fund) from Treasury.
The payment cannot be made directly through the trust fund but must go through a "pass-through" fund.

**Environmental Protection Agency
Supplemental Information and Other Reporting Requirements (Unaudited)
Related Notes to Superfund Trust Financial Statements**

Note S1. Fund Balance with Treasury for Superfund Trust

Fund Balances with Treasury as of September 30, 2008 and 2007 consist of the following:

	FY 2008	FY 2007
Fund Balance	\$ 45,596	\$ 51,081

Fund balances are available to pay current liabilities and to finance authorized purchase commitments (see Status of Fund Balances below).

Status of Fund Balances:	FY 2008	FY 2007
Unobligated Amounts in Fund Balances:		
Available for Obligation	\$ 1,512,670	\$ 1,240,417
Unavailable for Obligations	506	4,895
Net Receivables from Invested Balances	(2,749,864)	(2,446,934)
Balances in Treasury Trust Fund	2,894	1,539
Obligated Balance not yet Disbursed	1,279,390	1,251,164
Totals	\$ 45,596	\$ 51,081

The funds available for obligation may be apportioned by the OMB for new obligations at the beginning of the following fiscal year. Funds unavailable for obligation are mostly balances in expired funds, which are available only for adjustments of existing obligations.

Note S2. Cashout Advances, Superfund

Cashouts are funds received by EPA, a state, or another PRP under the terms of a settlement agreement (e.g., consent decree) to finance response action costs at a specified Superfund site. Under CERCLA Section 122(b)(3), cashout funds received by EPA are placed in site-specific, interest bearing accounts known as special accounts and are used for potential future work at such sites in accordance with the terms of the settlement agreement. Funds placed in special accounts may be disbursed to PRPs, to states that take responsibility for the site, or to other Federal agencies to conduct or finance response actions in lieu of EPA without further appropriation by Congress. As of September 30, 2008 and 2007, cashouts are \$287 million and \$190 million, respectively.

Note S3. Superfund State Credits

Authorizing statutory language for Superfund and related Federal regulations require states to enter into SSCs when EPA assumes the lead for a remedial action in their state. The SSC defines the state's role in the remedial action and obtains the state's assurance that they will share in the cost of the remedial action. Under Superfund's authorizing statutory language, states will provide EPA with a 10 percent cost share for remedial action costs incurred at privately owned or operated sites, and at least 50 percent of all response activities (i.e., removal, remedial planning, remedial action, and enforcement) at publicly operated sites. In some cases, states may use EPA approved credits to reduce all or part of their cost share requirement that would otherwise be borne by the states. Credit is limited to state site-specific expenses EPA has determined to be reasonable, documented, direct out-of-pocket expenditures of non-Federal funds for remedial action.

Once EPA has reviewed and approved a state's claim for credit, the state must first apply the credit at the site where it was earned. The state may apply any excess/remaining credit to another site when approved by EPA. As of September 30, 2008, the total remaining state credits have been estimated at \$15.3 million. The estimated ending credit balance on September 30, 2007 was \$14.5 million.

Note S4. Superfund Preauthorized Mixed Funding Agreements

Under Superfund preauthorized mixed funding agreements, PRPs agree to perform response actions at their sites with the understanding that EPA will reimburse them a certain percentage of their total response action costs. EPA's authority to enter into mixed funding agreements is provided under CERCLA Section 111(a)(2). Under CERCLA Section 122(b)(1), as amended by SARA, PRPs may assert a claim against the Superfund Trust Fund for a portion of the costs they incurred while conducting a preauthorized response action agreed to under a mixed funding agreement. As of September 30, 2008, EPA had 14 outstanding preauthorized mixed funding agreements with obligations totaling \$25 million. A liability is not recognized for these amounts until all work has been performed by the PRP and has been approved by EPA for payment. Further, EPA will not disburse any funds under these agreements until the PRP's application, claim, and claims adjustment processes have been reviewed and approved by EPA.

Note S5. Income and Expenses from other Appropriations; General Support Services Charged to Superfund

The Statement of Net Cost reports costs that represent the full costs of the program outputs. These costs consist of the direct costs and all other costs that can be directly traced, assigned on a cause and effect basis, or reasonably allocated to program outputs.

During FYs 2008 and 2007, the EPM appropriation funded a variety of programmatic and non-programmatic activities across the Agency, subject to statutory requirements. This appropriation was created to fund personnel compensation and benefits, travel,

procurement, and contract activities. This distribution is calculated using a combination of specific identification of expenses to Reporting Entities, and a weighted average that distributes expenses proportionately to total programmatic expenses. As illustrated below, this estimate does not impact the consolidated totals of the Statement of Net Cost or the Statement of Changes in Net Position.

	FY 2008			FY 2007		
	Income from Other Appropriations	Expenses from Other Appropriations	Net Effect	Income from Other Appropriations	Expenses from Other Appropriations	Net Effect
Superfund	\$ 69,769	(69,769)	\$ -	\$ 76,452	\$(76,452)	\$ -
All Others	(69,769)	69,769	-	(76,452)	76,452	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

In addition, the related general support services costs allocated to the Superfund Trust Fund from the S&T and EPM funds are \$0.5 million for FY 2008 and \$2.3 million for FY 2007.

Note S6. Statement of Budgetary Resources, Superfund

Budgetary resources, obligations incurred, and outlays, as presented in the audited FY 2007 Statement of Budgetary Resources, will be reconciled to the amounts included in the Budget of the United States Government when they become available. The Budget of the United States Government with actual numbers for FY 2008 has not yet been published. We expect it will be published by March 2009, and it will be available on the OMB website at <http://www.whitehouse.gov/omb/budget/fy2010>. The actual amounts published for the year ended September 30, 2007 are included in EPA’s FY 2008 financial statement disclosures.

FY 2007	Budgetary Resources	Obligations	Offsetting Receipts	Outlays
Statement of Budgetary Resources	\$ 2,768,828	1,523,517	1,274,542	\$ 1,303,233
Rounding Differences*	(828)	483	(542)	(1,233)
Reported in Budget of the U. S. Government	\$ 2,768,000	\$ 1,524,000	\$ 1,274,000	\$ 1,302,000

* Balances are rounded to millions in the Budget Appendix.

Note S7. Superfund Eliminations

The Superfund Trust Fund has intra-agency activities with other EPA funds which are eliminated on the consolidated Balance Sheet and the Statement of Net Cost. These are listed below:

	<u>FY 2008</u>	<u>FY 2007</u>
Advances	\$9,716	\$5,817
Expenditure Transfers Payable	\$26,794	\$30,948
Accrued Liabilities	\$3,704	\$6,001
Expenses	\$28,718	\$21,418
Transfers	\$37,151	\$43,491