

PRINCIPAL FINANCIAL STATEMENTS

Principal Financial Statements Included in This Report

The principal financial statements included in this report have been prepared in accordance with the requirements of the Chief Financial Officers Act of 1990 (P.L. 101-576), the Government Management Reform Act of 1994 and Office of Management and Budget's (OMB) Circular No. A-136, "Financial Reporting Requirements." The responsibility for the integrity of the financial information included in these statements rests with management of the U.S. Department of Labor (DOL). The audit of DOL's principal financial statements was performed by KPMG LLP. The auditors' report accompanies the principal statements.

The Department's principal financial statements for fiscal years (FY) 2008 and 2007 consisted of the following:

- The **Consolidated Balance Sheet**, which presents as of September 30, 2008 and 2007 those resources owned or managed by DOL that are available to provide future economic benefits (assets); amounts owed by DOL that will require payments from those resources or future resources (liabilities); and residual amounts retained by DOL, comprising the difference (net position).
- The **Consolidated Statement of Net Cost**, which presents the net cost of DOL operations for the years ended September 30, 2008 and 2007. DOL's net cost of operations includes the gross costs incurred by DOL less any exchange revenue earned from DOL activities. Due to the complexity of DOL's operations, the classification of gross cost and exchange revenues by major program and suborganization is presented in Note 15 to the consolidated financial statements.
- The **Consolidated Statement of Changes in Net Position**, which presents the change in DOL's net position resulting from the net cost of DOL operations, budgetary financing sources other than exchange revenues, and other financing sources for the years ended September 30, 2008 and 2007.
- The **Combined Statement of Budgetary Resources**, which presents the budgetary resources available to DOL during FY 2008 and 2007, the status of these resources at September 30, 2008 and 2007, the change in obligated balance during FY 2008 and 2007, and net outlays of budgetary resources for the years ended September 30, 2008 and 2007.
- The **Statement of Social Insurance**, which presents the net present value of projected cash inflows and cash outflows of the Black Lung Disability Trust Fund as of September 30, 2008, 2007, 2006, 2005, and 2004.



CONSOLIDATED BALANCE SHEET
As of September 30, 2008 and 2007
(Dollars in Thousands)

	2008	2007
ASSETS		
Intra-governmental		
Funds with U.S. Treasury (Notes 1-C and 2)	\$ 9,428,930	\$ 9,982,952
Investments (Notes 1-D and 3)	73,564,675	76,014,494
Accounts receivable (Notes 1-E and 4)	4,076,877	4,068,703
Total intra-governmental	87,070,482	90,066,149
Accounts receivable, net of allowance (Notes 1-E and 4)	976,428	1,060,223
Property, plant and equipment, net of accumulated depreciation (Notes 1-F and 5)	1,140,999	1,115,819
Other		
Advances (Notes 1-G and 6)	756,410	541,565
Total assets	\$ 89,944,319	\$ 92,783,756
LIABILITIES AND NET POSITION		
Liabilities (Note 1-I)		
Intra-governmental		
Accounts payable	\$ 28,782	\$ 21,761
Advances from U.S. Treasury (Notes 1-J, 8 and 23)	10,483,557	10,057,557
Other liabilities (Note 11)	219,337	230,932
Total intra-governmental	10,731,676	10,310,250
Accounts payable	908,799	1,042,185
Future workers' compensation benefits (Notes 1-K and 9)	762,836	635,848
Accrued benefits (Notes 1-L and 10)	1,775,576	1,448,772
Other		
Energy employees occupational illness compensation benefits (Note 1-M)	8,099,319	7,501,838
Accrued leave (Note 1-N)	111,507	101,257
Other liabilities (Note 11)	240,849	260,374
Total liabilities	22,630,562	21,300,524
Contingencies (Note 13)		
Net position (Note 1-R)		
Unexpended appropriations - other funds	8,169,166	8,207,904
Cumulative results of operations		
Earmarked funds (Note 21)	62,052,699	65,388,181
Other funds	(2,908,108)	(2,112,853)
Total net position	67,313,757	71,483,232
Total liabilities and net position	\$ 89,944,319	\$ 92,783,756

The accompanying notes are an integral part of these statements.



CONSOLIDATED STATEMENT OF NET COST

For the Years Ended September 30, 2008 and 2007

(Dollars in Thousands)

	<u>2008</u>	<u>2007</u>
NET COST OF OPERATIONS (Notes 1-S and 15)		
CROSSCUTTING PROGRAMS		
Income maintenance		
Gross cost	\$ 53,680,770	\$ 43,231,820
Less earned revenue	(3,365,944)	(3,265,223)
Net program cost	<u>50,314,826</u>	<u>39,966,597</u>
Employment and training		
Gross cost	5,703,975	6,088,647
Less earned revenue	(12,184)	(44,925)
Net program cost	<u>5,691,791</u>	<u>6,043,722</u>
Labor, employment and pension standards		
Gross cost	694,041	716,808
Less earned revenue	(13,240)	(11,024)
Net program cost	<u>680,801</u>	<u>705,784</u>
Worker safety and health		
Gross cost	920,563	882,471
Less earned revenue	(2,837)	(2,405)
Net program cost	<u>917,726</u>	<u>880,066</u>
OTHER PROGRAMS		
Statistics		
Gross cost	611,049	613,949
Less earned revenue	(5,275)	(6,083)
Net program cost	<u>605,774</u>	<u>607,866</u>
COSTS NOT ASSIGNED TO PROGRAMS		
Gross cost	111,912	93,009
Less earned revenue not attributed to programs	(15,836)	(6,325)
Net cost not assigned to programs	<u>96,076</u>	<u>86,684</u>
Net cost of operations	<u>\$ 58,306,994</u>	<u>\$ 48,290,719</u>

The accompanying notes are an integral part of these statements.



CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2008 and 2007

(Dollars in Thousands)

	2008			2007		
	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total	Consolidated Earmarked Funds	Consolidated All Other Funds	Consolidated Total
Cumulative results of operations, beginning	\$ 65,388,181	\$ (2,112,853)	\$ 63,275,328	\$ 57,146,431	\$ (1,434,125)	\$ 55,712,306
Budgetary financing sources (Note 1-T)						
Appropriations used	-	10,107,739	10,107,739	-	10,482,552	10,482,552
Non-exchange revenue (Note 16)						
Employer taxes	38,307,831	-	38,307,831	39,910,946	-	39,910,946
Interest	3,639,276	5,423	3,644,699	3,348,577	9,542	3,358,119
Assessments	-	136,827	136,827	-	140,578	140,578
Reimbursement of unemployment benefits	1,768,182	-	1,768,182	1,632,863	-	1,632,863
Total non-exchange revenue	43,715,289	142,250	43,857,539	44,892,386	150,120	45,042,506
Transfers without reimbursement (Note 17)	(3,683,586)	3,773,365	89,779	(3,470,145)	3,666,500	196,355
Other financing sources (Note 1-U)						
Imputed financing from costs absorbed by others	195	117,814	118,009	253	129,606	129,859
Transfers without reimbursement (Note 17)	-	3,191	3,191	-	2,469	2,469
Total financing sources	40,031,898	14,144,359	54,176,257	41,422,494	14,431,247	55,853,741
Net cost of operations	(43,367,380)	(14,939,614)	(58,306,994)	(33,180,744)	(15,109,975)	(48,290,719)
Net change	(3,335,482)	(795,255)	(4,130,737)	8,241,750	(678,728)	7,563,022
Cumulative results of operations, ending	<u>62,052,699</u>	<u>(2,908,108)</u>	<u>59,144,591</u>	<u>65,388,181</u>	<u>(2,112,853)</u>	<u>63,275,328</u>
Unexpended appropriations, beginning	-	8,207,904	8,207,904	-	8,242,168	8,242,168
Budgetary financing sources (Note 1-T)						
Appropriations received (Note 18-F)	-	10,936,004	10,936,004	-	11,006,912	11,006,912
Appropriations transferred	-	(431,909)	(431,909)	-	(426,657)	(426,657)
Appropriations not available	-	(435,094)	(435,094)	-	(131,967)	(131,967)
Appropriations used	-	(10,107,739)	(10,107,739)	-	(10,482,552)	(10,482,552)
Subtotal	-	(38,738)	(38,738)	-	(34,264)	(34,264)
Unexpended appropriations ending	<u>-</u>	<u>8,169,166</u>	<u>8,169,166</u>	<u>-</u>	<u>8,207,904</u>	<u>8,207,904</u>
Net position	<u>\$ 62,052,699</u>	<u>\$ 5,261,058</u>	<u>\$ 67,313,757</u>	<u>\$ 65,388,181</u>	<u>\$ 6,095,051</u>	<u>\$ 71,483,232</u>

The accompanying notes are an integral part of these statements.



COMBINED STATEMENT OF BUDGETARY RESOURCES

For the Years Ended September 30, 2008 and 2007

(Dollars in Thousands)

	<u>2008</u>	<u>2007</u>
BUDGETARY RESOURCES		
Unobligated balance, brought forward, October 1	\$ 4,311,781	\$ 4,196,286
Recoveries of prior year unpaid obligations	418,195	220,673
Budget authority		
Appropriations received (Note 18-F)	58,784,002	56,921,801
Borrowing authority	426,000	426,000
Spending authority from offsetting collections		
Earned		
Collected	2,947,436	2,787,587
Change in receivables from Federal sources	(3,996)	(5,294)
Change in unfilled customer orders		
Advance received	2,312	(219)
Without advance from Federal sources	-	-
Expenditure transfers from trust funds	<u>3,772,387</u>	<u>3,665,542</u>
Total budget authority	65,928,141	63,795,417
Nonexpenditure transfers, net	(9,750)	(389,627)
Temporarily not available pursuant to Public Law	(198,557)	(8,474,004)
Permanently not available	<u>(852,906)</u>	<u>(132,191)</u>
Total budgetary resources	<u>\$ 69,596,904</u>	<u>\$ 59,216,554</u>
STATUS OF BUDGETARY RESOURCES		
Obligations incurred (Note 18-A)		
Direct	\$ 62,457,299	\$ 52,020,071
Reimbursable	<u>2,982,177</u>	<u>2,884,702</u>
Total obligations incurred	65,439,476	54,904,773
Unobligated balances available		
Apportioned	2,499,272	2,440,989
Exempt from apportionment	<u>239,399</u>	<u>178,948</u>
Total unobligated balances available	2,738,671	2,619,937
Unobligated balances not available	<u>1,418,757</u>	<u>1,691,844</u>
Total status of budgetary resources	<u>\$ 69,596,904</u>	<u>\$ 59,216,554</u>
CHANGE IN OBLIGATED BALANCE		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	\$ 9,369,528	\$ 9,020,444
Less uncollected customer payments from Federal sources, brought forward, October 1	<u>(1,261,368)</u>	<u>(1,236,852)</u>
Total unpaid obligated balance, net	8,108,160	7,783,592
Obligations incurred, net	65,439,476	54,904,773
Less gross outlays	(65,027,610)	(54,335,016)
Less recoveries of prior year unpaid obligations, actual	(418,195)	(220,673)
Change in uncollected customer payments from Federal sources	<u>78,017</u>	<u>(24,516)</u>
Obligated balance, net, end of period		
Unpaid obligations	9,363,199	9,369,528
Less uncollected customer payments from Federal sources	<u>(1,183,351)</u>	<u>(1,261,368)</u>
Total unpaid obligated balance, net, end of period	<u>\$ 8,179,848</u>	<u>\$ 8,108,160</u>
NET OUTLAYS		
Gross outlays	\$ 65,027,610	\$ 54,335,016
Less offsetting collections	(6,788,590)	(6,420,360)
Less distributed offsetting receipts	<u>(740,880)</u>	<u>(795,011)</u>
Net outlays	<u>\$ 57,498,140</u>	<u>\$ 47,119,645</u>

The accompanying notes are an integral part of these statements.



STATEMENT OF SOCIAL INSURANCE

As of September 30, 2008, 2007, 2006, 2005, and 2004

(Dollars in Thousands)

	Projection Periods Ending September 30, 2040				
	2008	2007	2006	Unaudited	
				2005	2004
BLACK LUNG DISABILITY BENEFIT PROGRAM (Notes 1-W and 23)					
Actuarial present value of future benefit payments during the projection period to disabled coal miners and dependent survivors	\$ 2,139,810	\$ 2,450,064	\$ 2,722,801	\$ 2,622,302	\$ 2,880,559
Present value of estimated future administrative costs during the projection period	<u>827,437</u>	<u>831,439</u>	<u>848,218</u>	<u>845,158</u>	<u>759,282</u>
Actuarial value of future benefit payments and estimated administrative costs during the projection period	2,967,247	3,281,503	3,571,019	3,467,460	3,639,841
Less the present value of estimated future excise tax income during the projection period	<u>8,009,265</u>	<u>7,897,423</u>	<u>7,957,821</u>	<u>8,536,401</u>	<u>7,671,392</u>
Excess of present value of estimated future excise tax income over actuarial present value of benefit payments and estimated administrative costs for the projection period	5,042,018	4,615,920	4,386,802	5,068,941	4,031,551
Present value of estimated future interest on U. S. Treasury advances during the projection period	<u>22,544,657</u>	<u>21,134,984</u>	<u>20,838,219</u>	<u>21,583,744</u>	<u>19,949,150</u>
Excess of present values of total estimated future payments over estimated future excise tax income for the projection period	(17,502,639)	(16,519,064)	(16,451,417)	(16,514,803)	(15,917,599)
Trust fund net position deficit at start of projection period (Note 21)	<u>(10,439,186)</u>	<u>(10,027,701)</u>	<u>(9,604,743)</u>	<u>(9,160,009)</u>	<u>(8,711,444)</u>
Present value of total estimated future payments and trust fund net position deficit over estimated future excise tax income for the projection period	<u>\$ (27,941,825)</u>	<u>\$ (26,546,765)</u>	<u>\$ (26,056,160)</u>	<u>\$ (25,674,812)</u>	<u>\$ (24,629,043)</u>

The accompanying notes are an integral part of these statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Reporting Entity**

The U.S. Department of Labor (DOL or the Department), a cabinet level agency of the Executive Branch of the United States Government, was established in 1913, to promote the welfare of the wage earners of the United States. Today the Department's mission remains the same: to foster and promote the welfare of the job seekers, wage earners and retirees of the United States by improving their working conditions, advancing their opportunities for profitable employment, protecting their retirement and health care benefits, helping employers find workers, strengthening free collective bargaining, and tracking changes in employment, prices, and other economic measurements.

DOL is organized into major program agencies, which administer the various statutes and programs for which the Department is responsible. Through the execution of its congressionally approved budget, DOL conducts operations in five major Federal program areas, under four major budget functions: education, training, employment, and social services; health (occupational health and safety); income security; and national defense. DOL's major program agencies, major programs in which they operate, and the relationship of these programs to the Department's 2008 Strategic Goals are shown below.

1. Major program agencies

- Employment and Training Administration (ETA)
- Employment Standards Administration (ESA)
- Office of Job Corps
- Occupational Safety and Health Administration (OSHA)
- Bureau of Labor Statistics (BLS)
- Mine Safety and Health Administration (MSHA)
- Employee Benefits Security Administration (EBSA)
- Veterans' Employment and Training (VETS)
- Other Departmental Programs
 - Office of the Assistant Secretary for Administration and Management
 - Office of the Solicitor
 - Office of the Chief Financial Officer
 - Office of the Inspector General
 - Bureau of International Labor Affairs
 - Women's Bureau
 - Office of Disability Employment Policy

The Pension Benefit Guaranty Corporation (PBGC), a wholly owned Federal government corporation under the chairmanship of the Secretary of Labor, has been designated by the Office of Management and Budget (OMB) as a separate reporting entity for financial statement purposes and has been excluded from the DOL reporting entity for purposes of these consolidated financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**A. Reporting Entity - Continued****2. Major programs**

- Income maintenance – Strategic Goal 4
- Employment and training – Strategic Goals 1 and 2
- Labor, employment, and pension standards – Strategic Goals 3 and 4
- Worker safety and health – Strategic Goal 3
- Statistics – Strategic Goal 1

3. Fund accounting structure

DOL's financial activities are accounted for by Federal account symbol, utilizing individual funds and fund accounts within distinct fund types used in reporting to Treasury Financial Management Services and OMB. For financial statement purposes, funds are classified as earmarked funds and all other funds.

Earmarked funds are financed by specifically identified revenues often supplemented by other financing sources which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes and must be accounted for separately from the Government's general revenues. Earmarked funds and all other funds are identified as follows:

Earmarked funds

The Unemployment Trust Fund was established under the authority of Section 904 of the Social Security Act of 1935, as amended, to receive, hold, invest, and disburse monies collected under the Federal Unemployment Tax Act, as well as state unemployment taxes collected by the states and transferred to the Fund, and unemployment taxes collected by the Railroad Retirement Board and transferred to the Fund.

The Black Lung Disability Trust Fund, established under Part C of the Black Lung Benefits Revenue Act, provides compensation and medical benefits to coal miners who suffer disability due to pneumoconiosis, and compensation benefits to their dependent survivors for claims filed subsequent to June 30, 1973. Claims filed from the origination of the program until June 30, 1973 are paid by the general fund Special Benefits to Disabled Coal Miners.

The Gifts and Bequests Fund uses miscellaneous funds received by gift or bequest to support various activities of the Secretary of Labor.

The Panama Canal Commission Compensation Fund was established to pay workers compensation obligations of the Panama Canal Commission under the Federal Employees' Compensation Act from funding provided by the Commission.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

3. Fund accounting structure – continued

Earmarked funds - continued

H-1B Funds provide demonstration grants to regional and local entities to provide technical skills training to unemployed and incumbent workers. The funds are supported by fees paid by employers applying for foreign workers under the H-1B temporary alien labor certification program authorized by the American Competitiveness and Workforce Improvement Act of 1998.

All other funds

- General funds

Salaries and Expenses include appropriated funds which are used to carry out the missions and functions of the Department, except where specifically provided for from other Departmental funds.

Training and Employment Services provides for a flexible, decentralized system of Federal and local programs of training and other services for the economically disadvantaged designed to lead to permanent gains in employment, through grants to states and Federal programs such as Job Corps, authorized by the Workforce Investment Act and the Job Training Partnership Act. The Departments of Labor, Health and Human Services, Education and Related Agencies Appropriations Act, 2006 established an Office of Job Corps within the Office of the Secretary of Labor. This Act transferred management and administration of Job Corps activities from the Employment and Training Administration to an autonomous office under the Secretary during FY 2006. Job Corps funding, appropriated to ETA in 2006, was transferred to the Office of Job Corps via an allotment process. This funding mechanism continued in 2007. In FY 2007, costs were reported under the Employment and Training Administration where funds were originally budgeted and appropriated. The Consolidated Appropriations Act, 2008 appropriated Job Corps funding directly to the Office of Job Corps, mandating the creation of a new account for the Office of Job Corps. In FY 2008, Job Corps costs associated with the 2008 appropriation are reported under a new sub-organization for the Office of Job Corps at the Departmental level. Costs associated with prior year appropriations continue to be reported under the Employment and Training Administration.

The Office of Job Corps supports the administration and management of the Job Corps program, which helps at-risk youth who need and can benefit from intensive education and training services to become more employable, responsible, and productive citizens.

Welfare to Work Jobs provides funding for the activities of the Welfare-to-Work Grants program established by the Balanced Budget Act of 1997. The program provides formula grants to States and Federally administered competitive grants to other eligible entities to assist welfare recipients in securing lasting unsubsidized employment.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**A. Reporting Entity - Continued****3. Fund accounting structure - continued****All other funds - continued**

- General funds - continued

State Unemployment Insurance and Employment Service Operations includes grants to states for administering the Unemployment Compensation and Employment Service programs. Unemployment Compensation provides administrative grants to state agencies which pay unemployment benefits to eligible individuals and collect state unemployment taxes from employers. The Employment Service is a nationwide system providing no-fee employment services to individuals seeking employment and to employers seeking workers. Employment Service activities are financed by allotments to states distributed under a demographically based funding formula established under the Wagner-Peyser Act, as amended.

Payments to the Unemployment Trust Fund was initiated as a result of amendments to the Emergency Unemployment Compensation (EUC) law, which provided general fund financing to the Unemployment Trust Fund to pay emergency unemployment benefits and the administrative costs.

Advances to the Unemployment Trust Fund and Other Funds provides advances to other accounts within the Unemployment Trust Fund to pay unemployment compensation whenever the balances in these accounts prove insufficient or whenever reimbursements to certain accounts, as allowed by law, are to be made. This account also provides repayable advances to the Black Lung Disability Trust Fund to make disability payments whenever the fund balance proves insufficient.

Federal Unemployment Benefits and Allowances provides for payment of benefits, training, job search, and relocation allowances as authorized by the Trade Act of 1974.

Community Service Employment for Older Americans provides part time work experience in community service activities to unemployed, low income persons aged 55 and over.

The Federal Employees' Compensation Act Special Benefit Fund provides wage replacement benefits and payment for medical services 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. The Fund also provides for rehabilitation of injured employees to facilitate their return to work.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

3. Fund accounting structure – continued

All other funds - continued

- General funds - continued

The Energy Employees Occupational Illness Compensation Fund was established to adjudicate, administer, and pay claims for benefits under the Energy Employees Occupational Illness Compensation Program Act of 2000. The Act authorizes lump sum payments and the reimbursement of medical expenses to employees of the Department of Energy (DOE) or of private companies under contract with DOE, who suffer from specified diseases as a result of their work in the nuclear weapons industry. The Act also authorizes compensation to the survivors of these employees under certain circumstances. The Act was amended by the Ronald Reagan National Defense Authorization Act of 2005 to provide coverage to additional claimants.

Special Benefits for Disabled Coal Miners was established under the Federal Mine Safety and Health Act to pay benefits to coal miners disabled from pneumoconiosis and to their widows and certain other dependents. Part B of the Act assigned processing of claims filed from the origination of the program until June 30, 1973 to the Social Security Administration. Part B claims processing and payment operations were transferred to DOL effective October 1, 2003.

- Revolving funds

The Working Capital Fund maintains and operates a program of centralized services in the national office and the field. The Fund is paid in advance by the agencies, bureaus, and offices for which centralized services are provided, at rates which return the full cost of operations.

- Miscellaneous receipt and clearing accounts

Miscellaneous receipt accounts hold non-entity receipts and accounts receivable from DOL activities which by law cannot be deposited into funds under DOL control. The U.S. Department of the Treasury (Treasury) automatically transfers all cash balances in these receipt accounts to the general fund of the Treasury at the end of each fiscal year.

Clearing accounts hold monies which belong to DOL, but for which a specific receipt account has not been determined.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**A. Reporting Entity - Continued****3. Fund accounting structure – continued****All other funds - continued**

- Trust funds

The Longshore and Harbor Workers' Compensation Act Trust Fund, established under the authority of the Longshore and Harbor Workers' Compensation Act, provides medical benefits, compensation for lost wages, and rehabilitation services for job-related injuries and diseases or death to private sector workers in certain maritime and related employment.

The District of Columbia Workmen's Compensation Act Trust Fund, established under the authority District of Columbia Workmen's Compensation Act, provides compensation and medical payments to District of Columbia employees for work-related injuries or death which occurred prior to July 26, 1982.

- Deposit funds

Deposit funds account for monies held temporarily by DOL until ownership is determined, or monies held by DOL as an agent for others.

4. Inter-departmental relationships

DOL and Treasury are jointly responsible for the operations of the Unemployment Trust Fund and the Black Lung Disability Trust Fund. DOL is responsible for the administrative oversight and policy direction of the programs financed by these trust funds. Treasury acts as custodian over monies deposited into the funds and also invests amounts in excess of disbursing requirements in Treasury securities on behalf of DOL. DOL consolidates the financial results of the Unemployment Trust Fund and the Black Lung Disability Trust Fund into these financial statements.

B. Basis of Accounting and Presentation

These consolidated financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and estimated and actuarial projections for the Black Lung social insurance program of the U.S. Department of Labor, in accordance with U.S. generally accepted accounting principles and the form and content requirements of OMB Circular No. A 136, "Financial Reporting Requirements." Except as described in the following paragraphs, they have been prepared from the books and records of DOL, and include the accounts of all funds under the control of the DOL reporting entity. All inter-fund balances and transactions have been eliminated, except in the Statement of Budgetary Resources. OMB Circular No. A-136 requires that the Statement of Budgetary Resources be presented on a combined basis. DOL changed the financial statement presentation of its custodial activities from a principal financial statement to a disclosure in the accompanying notes to the consolidated financial statements in 2008, as allowed by OMB Circular No. A 136 when this activity is immaterial. Fiscal year 2007 consolidated financial statements and notes have been revised to conform to the current year presentation.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Basis of Accounting and Presentation - Continued

DOL is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity.

OMB Circular No. A-136 requires the parent to report all budgetary and proprietary activity in its financial statements. DOL allocates appropriations to the Department of Agriculture and the Department of Interior to provide funds for youth training programs. Accordingly, all activity for these allocation accounts is included in the DOL financial statements for FY 2008 and FY 2007. Appropriations have been allocated to DOL from the Environmental Protection Agency, the General Services Administration, and the Agency for International Development. These amounts have not been included in the DOL financial statements for FY 2008 or FY 2007, as they are reported by those other agencies.

U.S. generally accepted accounting principles encompass both accrual and budgetary transactions. Under accrual accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred. Budgetary accounting facilitates compliance with legal constraints on, and controls over, the use of federal funds. These consolidated financial statements are different from the financial reports, also prepared by DOL pursuant to OMB directives, used to monitor DOL's use of budgetary resources.

Throughout these financial statements, intra-governmental assets, liabilities, earned revenue, and costs have been classified according to the type of entity with whom the transactions were made. Intra-governmental assets and liabilities are those from or to other federal entities. Intra-governmental earned revenue represents collections or accruals of revenue from other federal entities, and intra-governmental costs are payments or accruals to other federal entities.

C. Funds with U.S. Treasury

DOL's cash receipts and disbursements are processed by the U.S. Treasury. Funds with U.S. Treasury represent obligated and unobligated balances available to finance allowable expenditures and restricted balances, including amounts related to expired authority and amounts not available for use by DOL. (See Note 2)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**D. Investments**

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with DOL's earmarked funds. The cash receipts collected from the public for earmarked funds are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Interest earning Treasury securities are issued to DOL's earmarked funds as evidence of the receipts. These Treasury securities are assets to DOL and liabilities to the U.S. Treasury. Because DOL 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 a liability in the U.S. Government-wide financial statements. Treasury securities provide DOL with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When DOL 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.

Balances held in the Unemployment Trust Fund are invested in non-marketable, special issue Treasury securities (certificates of indebtedness and bonds) available for purchase exclusively by Federal government agencies and trust funds. Special issues are purchased and redeemed at face value (cost), which is equivalent to their net carrying value on the Consolidated Balance Sheet. Interest rates and maturity dates vary. Balances held in the Panama Canal Commission Compensation Fund are invested in marketable Treasury securities. These investments are stated at amortized costs that equal to their net carrying value on the Consolidated Balance Sheet. Discounts and premiums are amortized using the effective interest method. Interest rates and maturity dates vary. Management expects to hold these marketable securities until maturity; therefore, no provision is made in the financial statements for unrealized gains or losses.

Other funds also have investments in Treasury securities. Balances held in the Longshore and Harbor Workers' Compensation Act Trust Fund, the District of Columbia Workmen's Compensation Act Trust Fund, and the Energy Employees Occupational Illness Compensation Fund are invested in non-marketable Treasury one day certificates. (See Note 3)

E. Accounts Receivable, Net of Allowance

Accounts receivable consists of intra-governmental amounts due to DOL, as well as amounts due from the public.

1. Intra-governmental accounts receivable

The Federal Employees Compensation (FEC) account within the Unemployment Trust Fund provides unemployment insurance to eligible Federal workers (UCFE) and ex-service members (UCX). DOL recognizes as accounts receivable amounts due from other Federal agencies for unreimbursed UCFE and UCX benefits. DOL's Federal Employees' Compensation Act (FECA) Special Benefit Fund provides workers' compensation benefits to eligible Federal workers on behalf of other Federal agencies. DOL recognizes as accounts receivable amounts due from other Federal agencies to the Special Benefit Fund for unreimbursed FECA benefits.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**E. Accounts Receivable, Net of Allowance - Continued****1. Intra-governmental accounts receivable - continued**

DOL also has receivables from other Federal agencies for work performed on their behalf under various reimbursable agreements.

2. Accounts receivable due from the public

DOL recognizes as accounts receivable State unemployment taxes due from covered employers and reimbursements of benefits paid on behalf of reimbursable employers. Also recognized as accounts receivable are benefit overpayments made by DOL to individuals not entitled to receive the benefit.

DOL recognizes as accounts receivable amounts due from the public for fines and penalties levied against employers by OSHA, MSHA, ESA, and EBSA; for amounts due for backwages assessed against employers by ESA; and for amounts due from grantees and contractors for grant and contract costs disallowed by ETA.

3. Allowance for doubtful accounts

Accounts receivable due from the public are stated net of an allowance for uncollectible accounts. The allowance is estimated based on an aging of account balances, past collection experience, and an analysis of outstanding accounts at year-end. Intra-governmental accounts receivable are considered fully collectible. (See Note 4)

F. Property, Plant and Equipment, Net of Accumulated Depreciation

The majority of DOL's property, plant and equipment (PP&E) is general purpose PP&E held by Job Corps centers owned and operated by DOL through a network of contractors. Internal use software is considered general purpose PP&E.

DOL's capitalization thresholds are displayed in the following table.

Property classification	Prior to FY 1996	FY 1996 through FY 2001	FY 2002 and thereafter	Useful life
Equipment – WCF	> \$5,000	> \$5,000	>= \$50,000	>= 2 years
Equipment – Non WCF	> \$5,000	> \$25,000	>= \$50,000	>= 2 years
Real Property Purchases or Improvements	> \$5,000	> \$25,000	> \$500,000	>= 2 years
Leasehold Improvements	> \$5,000	> \$25,000	> \$500,000	>= 2 years
Internal Use Software – WCF	> \$5,000 *	> \$5,000 *	> \$300,000	>= 2 years
Internal Use Software – Non WCF	> \$5,000	> \$300,000	> \$300,000	>= 2 years
* Costs were intended to be recovered through charges to other DOL users.				



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**F. Property, Plant and Equipment, Net of Accumulated Depreciation - Continued**

PP&E purchases and additions are stated at cost. Normal repairs and maintenance are charged to expense as incurred. PP&E are depreciated over their estimated useful lives using the straight-line method of depreciation.

Job Corps center construction costs are capitalized as construction-in-progress until completed. Upon completion they are reclassified as structures or facilities and depreciated over their estimated useful lives. Leasehold improvements made at Job Corps centers and DOL facilities leased from the General Services Administration are recorded at cost and amortized over the remaining life of the lease or the useful life of the improvements, whichever is shorter, using the straight-line method of amortization. DOL has no operating leases which extend for a period of more than one year.

Internal use software development costs are capitalized as software development in progress until the development stage has been completed and successfully tested. Upon completion and testing, software development-in-progress costs are reclassified as internal use software and amortized over their estimated useful lives.

The table below shows the major classes of DOL's depreciable PP&E, and the depreciation periods used for each major classification. (See Note 5)

	<u>Years</u>
Structures, facilities and improvements	20 - 50
Furniture and equipment	2 - 36
ADP software	2 - 15

G. Advances

DOL advances consist primarily of payments made to State employment security agencies (SESAs), and to grantees and contractors to provide for future DOL program expenditures. These advance payments are recorded by DOL as an asset, which is reduced when actual expenditures or the accrual of unreported expenditures are recorded by DOL. (See Note 6)

H. Non-entity Assets

Assets held by DOL which are not available to DOL for obligation are considered non-entity assets. DOL holds non-entity assets for the Railroad Retirement Board and for transfer to the U.S. Treasury. (See Note 7)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**I. Liabilities**

Liabilities represent probable amounts to be paid by DOL as a result of past transactions, and are recognized when incurred, regardless of whether there are budgetary resources available to pay them. However, the liquidation of these liabilities will consume budgetary resources and cannot be made until available resources have been obligated. For financial reporting purposes, DOL's liabilities are classified as covered or not covered by budgetary resources.

Liabilities are classified as covered by budgetary resources if budgetary resources are available. Liabilities are also considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the balance sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first. Liabilities are classified as not covered by budgetary resources if budgetary resources are not available. These classifications differ from budgetary reporting, which categorizes liabilities as obligated, consuming budgetary resources, or unobligated, not consuming budgetary resources. Unobligated liabilities include those covered liabilities for which available budgetary resources have not been obligated, as well as liabilities not covered for which budgetary resources are not available. (See Notes 11 and 12)

J. Advances from U.S. Treasury

The Benefits Revenue Act provides for repayable advances to DOL's Black Lung Disability Trust Fund when fund resources are not adequate to meet fund obligations. Budget authority is derived from the Black Lung Disability Trust Fund's indefinite authority to borrow. Repayable advances are provided through transfers from the Advances to the Unemployment Trust Fund and Other Funds appropriation, to the extent of borrowings under the authority. Advances are repayable with interest rate equal to the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the anticipated period during which the advance will be outstanding. Advances made prior to 1982 carried rates of interest equal to the average rate borne by all marketable interest-bearing obligations of the United States then forming a part of the public debt. Outstanding advances bear interest rates ranging from 4.250% to 13.875% at September 30, 2008 and from 4.500% to 13.875% at September 30, 2007. Amounts in the trust fund shall be available, as provided by appropriation acts, for the payment of interest on, and the repayment of these repayable advances. Interest and principal are paid to the General Fund of the Treasury when the Secretary of the Treasury determines that funds are available in the trust fund for such purposes. (See Note 8)

These advances were retired on October 7, 2008 under the refinancing agreement authorized by the enactment of the Energy Improvement and Extension Act of 2008 on October 3, 2008. The Act gave authority to the Black Lung Disability Trust Fund to issue obligations to the Secretary of Treasury and gave authority to the Secretary of Treasury to purchase the obligations. The repayable advances were retired with the proceeds from these obligations and a one time appropriation to the Trust Fund. (See Note 23)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**K. Future Workers' Compensation Benefits**

The financial statements include an actuarial liability for future workers' compensation benefits payable by DOL to its employees, to employees of the Panama Canal Commission and to enrollees of the Job Corps, as well as benefits not chargeable to other Federal agencies, which must be paid by DOL's Federal Employees' Compensation Act Special Benefit Fund. The liability includes the expected payments for death, disability, medical, and miscellaneous costs for approved compensation cases, as well as a component for incurred but not reported claims. The liability is determined using historical benefit payment patterns related to injury years to predict the ultimate payments.

The actuarial methodology provides for the effects of inflation and adjusts historical payments to current year constant dollars by applying wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index-medical or CPIMs) to the calculation of projected benefits. The COLAs and CPIMs used in the projections for FY 2008 and FY 2007 were as follows:

FY	COLA		CPIM	
	2008	2007	2008	2007
2008	N/A	2.63%	N/A	3.74%
2009	3.87%	2.90%	4.01%	4.04%
2010	2.73%	2.47%	3.86%	4.00%
2011	2.20%	2.37%	3.87%	3.94%
2012	2.23%	2.30%	3.93%	3.94%
2013+	2.30%	2.30%	3.93%	3.94%

Projected annual payments were discounted to present value based on OMB's interest rate assumptions for ten year Treasury notes. For 2008, interest rate assumptions were 4.368% in year one and 4.770% in year two and thereafter. For 2007, interest rate assumptions were 4.93% in year one and 5.08% in year two and thereafter. (See Note 9)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**L. Accrued Benefits**

The financial statements include a liability for unemployment, workers' compensation, and disability benefits due and payable from various DOL funds, as discussed below. (See Note 10)

1. Unemployment benefits payable

The Unemployment Trust Fund provides benefits to unemployed workers who meet State and Federal eligibility requirements. Regular and extended unemployment benefits are paid from State accounts within the Unemployment Trust Fund, financed primarily by a State unemployment tax on employer payrolls. Fifty percent of the cost of extended unemployment benefits is paid from the Extended Unemployment Compensation Account (EUCA) within the Unemployment Trust Fund, financed by a Federal unemployment tax on employer payrolls. Emergency unemployment benefits, 2008, authorized by the Supplemental Appropriations Act, 2008, are paid from EUCA and are financed by Federal unemployment taxes and general fund appropriations. Emergency benefits were paid in prior years under the Temporary Extended Unemployment Compensation Act and the Emergency Unemployment Compensation Act. Unemployment benefits to unemployed Federal workers are paid from the Federal Employment Compensation Account within the Unemployment Trust Fund. These benefit costs are reimbursed by the responsible Federal agency. A liability is recognized for unpaid unemployment benefits applicable to the current period and for benefits paid by states that have not been reimbursed by the fund. DOL also recognizes a liability for Federal employees' unemployment benefits to the extent of unpaid benefits for existing claims filed during the current period, payable in the subsequent period.

2. Federal employees disability and 10(h) benefits payable

The Federal Employees' Compensation Act Special Benefit Fund 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. The fund is reimbursed by other Federal agencies for the FECA benefit payments made on behalf of their workers. The fund assumes the liability for unreimbursed (non-chargeable) FECA benefits. The fund also provides 50% of the annual cost-of-living adjustments for pre-1972 compensation cases under the authority of Section 10(h) of the Longshore and Harbor Workers' Compensation Act and the District of Columbia Workmen's Compensation Act. A liability for FECA benefits payable by the Special Benefit Fund to the employees of DOL and other Federal agencies and for 10(h) benefits is accrued to the extent of unpaid benefits applicable to the current period.

3. Black lung disability benefits payable

The Black Lung Disability Trust Fund and Special Benefits for Disabled Coal Miners provide compensation and medical benefits for eligible coal miners who are disabled due to pneumoconiosis (black lung disease). DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**L. Accrued Benefits - Continued****4. Energy employees occupational illness compensation benefits payable**

The Energy Employees Occupational Illness Compensation Fund provides benefits to eligible current or former employees of the Department of Energy (DOE) and its contractors suffering from designated illnesses incurred as a result of their work with DOE. Benefits are also paid to certain survivors of those employees and contractors, as well as to certain beneficiaries of the Radiation Exposure Compensation Act (RECA). DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

5. Longshore and harbor workers' and District of Columbia disability benefits payable

The Longshore and Harbor Workers' Compensation Act Trust Fund and the District of Columbia Workmen's Compensation Act Trust Fund provide compensation and medical benefits for work-related injuries to workers in certain maritime employment and to employees of the District of Columbia, respectively. DOL recognizes a liability for disability benefits payable by these funds to the extent of unpaid benefits applicable to the current period.

M. Energy Employees Occupational Illness Compensation Benefits

The Energy Employees Occupational Illness Compensation Fund, established under the authority of the Energy Employees Occupational Illness Compensation Program Act of 2000 (EEOICPA), provides benefits to eligible current or former employees of DOE and its contractors, or to certain survivors of those employees and contractors, as well as benefits to certain beneficiaries of RECA. DOL is responsible for adjudicating and administering claims filed under the EEOICPA. Effective July 31, 2001, compensation of \$150,000 and payment of medical expenses from the date a claim is filed are available to covered individuals suffering from designated illnesses incurred as a result of their work with DOE. Prior to October 2004, compensation of \$50,000 and payment of medical expenses from the date a claim is filed are available to individuals eligible for compensation under RECA. As a result of the October 2004 changes, new RECA cases are paid the full \$150,000 under EEOICPA.

The Ronald Reagan National Defense Authorization Act of 2005 amended EEOICPA to include Subtitle E – Contractor Employee Compensation. This amendment replaces Part D of the EEOICPA, which provided assistance from DOE in obtaining state workers' compensation benefits. The new program grants workers' compensation benefits to covered employees and their families for illness and death arising from exposure to toxic substances at a DOE facility. The amendment also makes it possible for uranium workers as defined under Section 5 of RECA to receive compensation under Part E for illnesses due to toxic substance exposure at a uranium mine or mill covered under that Act. These claims were formerly administered and paid by the Department of Justice (DOJ).



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

M. Energy Employees Occupational Illness Compensation Benefits - Continued

DOL has recognized an \$8.1 billion and \$7.5 billion actuarial liability for estimated future benefits payable by DOL at September 30, 2008 and 2007, respectively, to eligible individuals under the EEOICPA. At September 30, 2008, the undiscounted liability is \$13.1 billion discounted to a present value liability of \$8.1 billion based on an interest rate of 4.770% projected over a 52 year period. At September 30, 2007, the undiscounted liability is \$11.1 billion discounted to a present value liability of \$7.5 billion based on an interest rate 5.078% projected over a 51 year period. The estimated liability includes the expected lump sum and estimated medical payments for approved compensation cases and cases filed pending approval, as well as claims incurred but not yet filed. The actuarial projection methodology provided an estimate of the ultimate number of reported cases as a result of estimating future claims from the historical patterns of reported claims and subsequent claim approval rates. Medical payments were derived by estimating an average benefit award per living employee claimant.

N. Accrued Leave

A liability for annual and compensatory leave is accrued as leave is earned and paid when leave is taken. The balance of leave earned but not taken will be paid from future funding sources. Sick leave and other types of non-vested leave are expensed as taken.

O. Employee Health and Life Insurance Benefits

DOL employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGSIP). DOL matches the employee contributions to each program to pay for current benefits. During 2008, DOL's contributions to the FEHBP and FEGSIP were \$79.6 and \$2.1 million, respectively. During 2007, DOL's contributions to the FEHBP and FEGSIP were \$77.9 and \$2.0 million, respectively. These contributions are recognized as current operating expenses.

P. Other Retirement Benefits

DOL employees eligible to participate in the FEHBP and the FEGSIP may continue to participate in these programs after their retirement. DOL recognizes a current operating expense for the future cost of these other retirement benefits (ORB) at the time the employee's services are rendered. This ORB expense must be financed by OPM. Using cost factors supplied by OPM, DOL recorded ORB imputed costs and imputed financing sources of \$81.1 million in 2008 and \$86.5 million in 2007.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**Q. Employee Pension Benefits**

DOL employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). For employees participating in CSRS, 7.0% of their gross earnings is withheld and transferred to the Civil Service Retirement and Disability Fund. DOL contributes an additional 7.0% of the employee gross earnings to the Civil Service Retirement and Disability Fund. For employees participating in FERS, DOL withholds 0.8% of gross earnings and makes an 11.2% employer contribution. This total is transferred to the Federal Employees' Retirement Fund. The CSRS and FERS retirement funds are administered by the OPM. DOL contributions to the CSRS and FERS are recognized as current operating expenses. FERS participants are also covered under the Federal Insurance Contribution Act (FICA) and are subject to withholdings. DOL makes matching FICA contributions, recognized as operating expenses. DOL's matching contributions were \$74.5 million in 2008 and \$68.6 million in 2007.

The Thrift Savings Plan (TSP) is a defined contribution retirement savings and investment plan for employees covered by either CSRS or FERS. CSRS participants may contribute up to \$15,500 of their gross pay to the TSP during calendar year 2008, but there is no departmental matching contribution. FERS participants may contribute up to \$15,500 of their gross pay to the TSP during calendar year 2008. CSRS and FERS contribution limits were the same during calendar year 2007. For employees covered under FERS, DOL contributes 1% of the employees' gross pay to the TSP. DOL also matches employees' contributions dollar-for-dollar on the first 3% of pay contributed each pay period and 50 cents on the dollar for the next 2% of pay contributed. DOL contributions to the TSP are recognized as current operating expenses. Employee and employer contributions to the TSP are transferred to the Federal Retirement Thrift Investment Board.

DOL recognizes the full cost of providing future CSRS and FERS pension benefits to covered employees at the time the employees' services are rendered. The pension expense recognized in the financial statements equals the service cost for covered DOL employees, less amounts contributed by these employees. Service cost represents the actuarial present value of benefits attributed to services rendered by covered employees during the accounting period.

The measurement of service cost requires the use of actuarial cost methods to determine the percentage of the employees' basic compensation sufficient to fund their projected pension benefit. These percentages (cost factors) are provided by OPM, and applied by DOL to the basic annual compensation of covered employees to arrive at the amount of total pension expense to be recognized in DOL's financial statements.

The excess of total pension expense over the amount contributed by the Department and by DOL's employees represents the amount of pension expense which must be financed directly by OPM. DOL recognized an imputed cost and an imputed financing source equal to the excess amount. DOL does not recognize in its financial statements FERS or CSRS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to its employees. (See Note 14)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

R. Net Position

DOL's net position consists of the following:

1. Unexpended appropriations

Unexpended appropriations include the unobligated balances and undelivered orders of DOL's appropriated funds. Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, until those appropriations are closed, five years after the appropriations expire. Unexpired multi-year and no-year appropriations remain available to DOL for obligation in future periods.

2. Cumulative results of operations

Cumulative results of operations include the accumulated historical difference between expenses consuming budgetary resources and financing sources providing budgetary resources in DOL's trust, revolving and special funds; liabilities not consuming budgetary resources net of assets not providing budgetary resources; and DOL's net investment in capitalized assets.

S. Net Cost of Operations

1. Operating costs

Full operating costs are comprised of all direct costs consumed by the program and those indirect costs which can be reasonably assigned or allocated to the program. Full costs are reduced by exchange (earned) revenues to arrive at net program cost. The full and net operating costs of DOL's major programs are presented in the Consolidated Statements of Net Cost, and are also reported by sub-organization in Note 15 to the financial statements.

2. Earned revenue

Earned revenues arise from exchange transactions which occur through the provision of goods and services for a price, and are deducted from the full cost of DOL's major programs to arrive at net program cost. Earned revenues are recognized by DOL to the extent reimbursements are payable from other Federal agencies and from the public, as a result of costs incurred or services performed on their behalf. Major sources of DOL's earned revenue include reimbursements to the Federal Employees' Compensation Act Special Benefit Fund from Federal agencies for the costs of disability compensation and medical care provided to or accrued on behalf of their employees, and reimbursements to the Unemployment Trust Fund from Federal agencies for the cost of unemployment benefits provided to or accrued on behalf of their former employees.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**T. Budgetary Financing Sources**

Budgetary financing sources other than earned revenues provide funding for the Department's net cost of operations and are reported on the Consolidated Statement of Changes in Net Position. These financing sources include appropriations received, less appropriations transferred and not available, non-exchange revenue, and transfers without reimbursement, as discussed below:

1. Appropriations received, appropriations transferred and appropriations not available

DOL receives financing sources through congressional appropriations to support its operations. A financing source is recognized for these appropriated funds received, less appropriations transferred or not available through rescission or cancellation.

2. Non-exchange revenue

Non-exchange revenues arise from the Federal government's power to demand payments from the public. Non-exchange revenues are recognized by DOL on the Consolidated Statement of Changes in Net Position for the transfer of employer and excise taxes from the entities collecting these taxes and for interest from investments, as discussed below. (See Note 16)

- Employer taxes

Employer tax revenues are recognized on a modified cash basis, to the extent of cash transferred by the collecting entity to DOL, plus the change in inter-entity balances between the collecting entity and DOL. Inter-entity balances represent revenue received by the collecting entity, net amounts due to the collecting entity and adjustments made to previous transactions by the collecting entity which have not been transferred to DOL.

Federal and state unemployment taxes represent non-exchange revenues collected from employers based on wages paid to employees in covered employment. Federal unemployment taxes are collected by the Internal Revenue Service and transferred to designated accounts within the Unemployment Trust Fund. State unemployment taxes are collected by each State and deposited in separate State accounts within the Unemployment Trust Fund. Federal unemployment taxes are used to pay the Federal share of extended unemployment benefits and to provide for Federal and State administrative expenses related to the operation of the unemployment insurance program. State unemployment taxes are restricted in their use to the payment of unemployment benefits.

- Interest

The Unemployment Trust Fund, Longshore and Harbor Workers' Compensation Act Trust Fund, District of Columbia Workmen's Compensation Act Trust Fund, the Panama Canal Commission Compensation Fund, and the Energy Employees Occupational Illness Compensation Fund receive interest on fund investments. The Unemployment Trust Fund receives interest from states that had accounts with loans payable to the Federal unemployment account at the end of the prior fiscal year. Interest is also earned on Federal funds in the possession of non-Federal entities. Interest is recognized as non-exchange revenue when earned.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

T. Budgetary Financing Sources – Continued

2. Non-exchange revenue – continued

- Assessments

The Longshore and Harbor Workers' Compensation Act Trust Fund and District of Columbia Workmen's Compensation Act Trust Fund receive non-exchange revenues from assessments levied on insurance companies and self-insured employers. Assessments are recognized as non-exchange revenues when earned.

- Reimbursement of unemployment benefits

The Unemployment Trust Fund receives reimbursements from state and local government entities and non-profit organizations for the cost of unemployment benefits provided to or accrued on behalf of their employees. These reimbursements are recognized as other non-exchange revenue when earned.

3. Transfers without reimbursement

Transfers recognized as budgetary financing sources by DOL include transfers from the Department of Homeland Security H-1B Nonimmigrant Petitioner Account to H-1B Funds in ETA and ESA. Also included are transfers from various DOL general fund unexpended appropriation accounts to the Working Capital Fund's cumulative results of operations. (See Note 17)

U. Other Financing Sources

Other financing sources include items that do not represent budgetary resources.

1. Imputed financing

A financing source is imputed by DOL to provide for pension and other retirement benefit expenses recognized by DOL but financed by OPM. (See Notes 1-P and Q)

2. Transfers without reimbursement

Transfers recognized as other financing sources by DOL include the transfers of property from the General Services Administration. (See Note 17)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**V. Custodial Activity**

DOL collects and transfers to the general fund of the U.S. Treasury custodial non-exchange revenues for penalties levied against employers by OSHA, MSHA, ESA, and EBSA for regulatory violations; for ETA disallowed grant costs assessed against canceled appropriations; and for FECA administrative costs assessed against government corporations in excess of amounts reserved to finance capital improvements in the Federal Employees' Compensation Act Special Benefit Fund. These collections are not available to the agencies for obligation or expenditure. Penalties and other assessments are recognized as custodial revenues when collected or subject to collection. (See Notes 1-B and 20)

W. Significant Assumptions Used in the Statement of Social Insurance

The Black Lung Disability Benefit Program provides for compensation, medical and survivor benefits for eligible coal miners who are disabled due to pneumoconiosis (black lung disease) arising out of their coal mine employment. The Black Lung Disability Trust Fund (BLDTF) provides benefit payments to eligible coal miners disabled by pneumoconiosis when no responsible mine operator can be assigned the liability.

Black lung disability benefit payments are funded by excise taxes from coal mine operators based on the sale of coal, as are the fund's administrative costs. These taxes are collected by the Internal Revenue Service and transferred to the BLDTF, which was established under the authority of the Black Lung Benefits Revenue Act, and administered by the U.S. Department of the Treasury. The Black Lung Benefits Revenue Act provides for repayable advances to the BLDTF from the General Fund of the Treasury, in the event that BLDTF resources are not adequate to meet program obligations.

The significant assumptions used in the projections for the Statement of Social Insurance are the number of beneficiaries, life expectancy, coal excise tax revenue estimates, the tax rate structure, Federal civilian pay raises, medical cost inflation, and the interest rate on new repayable advances from Treasury.

The Office of Tax Analysis of the Department of the Treasury provides estimates of future receipts of the black lung excise tax. Its estimates are based on projections of future coal production and sale prices prepared by the Energy Information Agency of the Department of Energy. The Department of Treasury's Office of Tax Analysis provides the first eleven years of tax receipt estimates. The remaining years are estimated using a growth rate based on both historical tax receipts and the Department of Treasury's estimated tax receipts. The coal excise tax rate structure is \$1.10 per ton of underground-mined coal and \$0.55 per ton of surface-mined coal sold, with a cap of 4.4 percent of sales price, through December 31, 2013. Starting in 2014, the tax rates revert to \$0.50 per ton of underground-mined coal and \$0.25 per ton surface-mine coal sold, and a limit of two percent of sales price.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**W. Significant Assumptions Used in the Statement of Social Insurance - Continued**

The beneficiary population data is updated from information supplied by the program. The beneficiary population is a nearly closed universe in which attrition by death exceeds new entrants by a ratio of more than ten to one. Projections for new participants are included in the overall projections and are considered immaterial. Social Security Administration life tables are used to project the life expectancies of the beneficiary population. The Office of Management and Budget supplies assumptions for future monthly benefit rate increases based on increases in the Federal pay scale and future medical cost inflation based on increases in the consumer price index-medical, which are used to calculate future benefit costs. During the current projection period, future benefit rate increases 2.4% in each year and medical cost increases 3.9% in each year. Estimates for administrative costs for the first 11 years of the projection are supplied by DOL's Budget Office, based on current year enacted amounts, while later years are based on the number of projected beneficiaries. Estimates for future interest on advances are based on the interest rates on outstanding advances ranging from 4.250% to 13.875% and new borrowings ranging from 4.9% to 5.6%.

The projection period ends September 30, 2040, because the primary purpose of the BLDTF, which was established in 1978, is to compensate the victims of coal mine dust exposures which occurred prior to 1970. By the end of FY 2040, not only the disabled miners and their widows in that class, but also virtually all of their eligible dependent disabled adult children will be deceased. All of the current year projections are discounted using an interest rate of 4.25%, which is the last actual rate on advances taken at the end of FY 2008.

Based on Treasury's interpretation of the Energy Improvement and Extension Act of 2008, enacted on October 3, 2008, the temporary increase in coal excise tax rates was extended for an additional five years from January 1, 2014 to December 31, 2018. The higher excise tax rates will continue until the earlier of December 31, 2018 or the first December 31 after 2007 in which there exist no (1) balance of repayable advances described in section 9501 of the Internal Revenue Code and (2) unpaid interest on the advances. Although the language of section 9501 of the Internal Revenue Code uses the term "advances," the Treasury has interpreted the language to include any obligations of the Trust Fund to Treasury.

The Act also authorized the Black Lung Disability Trust Fund to issue obligations to the Secretary of the U.S. Treasury and gave authority to the Treasury Secretary to purchase the obligations. On the October 7, 2008 statutory refinancing date, the proceeds from issuance of these obligations, plus a one-time appropriation, were used to effect the retirement of the Advances from U.S. Treasury principal and interest that had been outstanding at the refinancing date.

The Statement of Social Insurance does not reflect the effect of these subsequent events. Refer to Note 23 for the effect of this debt restructuring on the projections included in the Statement of Social Insurance.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**X. Tax Exempt Status**

As an agency of the Federal government, the Department is exempt from all taxes imposed by any governing body whether it is a Federal, state, commonwealth, local, or foreign government.

Y. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Z. Reclassifications

Certain reclassifications have been made to 2007 financial statements to conform to the 2008 presentation.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 2 - FUNDS WITH U.S. TREASURY

Funds with U.S. Treasury at September 30, 2008 consisted of the following:

(Dollars in thousands)	Entity Assets			Total Entity Assets	Non-entity Assets	Total
	Unobligated Balance Available	Unobligated Balance Unavailable	Obligated Balance Not Yet Disbursed			
Revolving funds	\$ 13,388	\$ -	\$ 45,518	\$ 58,906	\$ -	\$ 58,906
Trust funds	192,605	-	(285,620)	(93,015)	(503)	(93,518)
General funds	2,489,715	1,340,149	5,555,362	9,385,226	-	9,385,226
Other	-	-	-	-	78,316	78,316
	<u>\$ 2,695,708</u>	<u>\$ 1,340,149</u>	<u>\$ 5,315,260</u>	<u>\$ 9,351,117</u>	<u>\$ 77,813</u>	<u>\$ 9,428,930</u>

Funds with U.S. Treasury at September 30, 2007 consisted of the following:

(Dollars in thousands)	Entity Assets			Total Entity Assets	Non-entity Assets	Total
	Unobligated Balance Available	Unobligated Balance Unavailable	Obligated Balance Not Yet Disbursed			
Revolving funds	\$ 9,254	\$ -	\$ 37,715	\$ 46,969	\$ -	\$ 46,969
Trust funds	172,261	-	(28,292)	143,969	(115)	143,854
General funds	2,415,351	1,604,964	5,692,427	9,712,742	-	9,712,742
Other	-	-	-	-	79,387	79,387
	<u>\$ 2,596,866</u>	<u>\$ 1,604,964</u>	<u>\$ 5,701,850</u>	<u>\$ 9,903,680</u>	<u>\$ 79,272</u>	<u>\$ 9,982,952</u>

The negative fund balances reported as of September 30, 2008 and 2007 relate to the Unemployment Trust Fund (UTF) and are the result of the timing of processing the investments and redemptions of UTF. The investments and redemptions relating to the last business day of the month are not processed until the first day of the next month. This could result in a negative cash position for the preceding business day if the disbursements are greater than the receipts to the fund.

Unobligated Balance Available at September 30, 2008 includes \$378 million of funds apportioned for use in the subsequent year.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 3 - INVESTMENTS

Investments at September 30, 2008 consisted of the following:

(Dollars in thousands)	Face Value	Premium (Discount)	Interest Receivable	Net Value	Market Value
Unemployment Trust Fund					
<u>Non-marketable</u>					
Special issue U.S. Treasury Bonds					
4.875% maturing June 30, 2009	3,304,955	-	40,279	3,345,234	3,304,955
5.000% maturing June 30, 2009	11,000,000	-	137,500	11,137,500	11,000,000
5.000% maturing June 30, 2010	24,855,747	-	310,697	25,166,444	24,855,747
4.500% maturing June 30, 2010	5,000,000	-	56,250	5,056,250	5,000,000
4.500% maturing June 30, 2011	28,271,737	-	318,057	28,589,794	28,271,737
	<u>72,432,439</u>	<u>-</u>	<u>862,783</u>	<u>73,295,222</u>	<u>72,432,439</u>
Panama Canal Commission Compensation Fund					
<u>Marketable</u>					
U.S. Treasury Notes					
3.500% to 4.750% various maturities	70,089	5	1,166	71,260	71,247
U.S. Treasury Bonds					
11.750% various maturities	5,163	472	228	5,863	5,729
	<u>75,252</u>	<u>477</u>	<u>1,394</u>	<u>77,123</u>	<u>76,976</u>
Longshore and Harbor Workers' Compensation Act Trust Fund					
<u>Non-marketable</u>					
One Day Certificate					
0.330% maturing October 1, 2008	61,905	-	-	61,905	61,905
District of Columbia Workmen's Compensation Act Trust Fund					
<u>Non-marketable</u>					
One Day Certificate					
0.330% maturing October 1, 2008	5,160	-	-	5,160	5,160
Energy Employees Occupational Illness Compensation Fund					
<u>Non-marketable</u>					
One Day Certificate					
0.330% maturing October 1, 2008	125,265	-	-	125,265	125,265
	<u>\$ 72,700,021</u>	<u>\$ 477</u>	<u>\$ 864,177</u>	<u>\$ 73,564,675</u>	<u>\$ 72,701,745</u>
Entity Investments	\$ 72,590,369	\$ 477	\$ 862,871	\$ 73,453,717	\$ 72,592,093
Non-entity Investments	<u>109,652</u>	<u>-</u>	<u>1,306</u>	<u>110,958</u>	<u>109,652</u>
	<u>\$ 72,700,021</u>	<u>\$ 477</u>	<u>\$ 864,177</u>	<u>\$ 73,564,675</u>	<u>\$ 72,701,745</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 3 - INVESTMENTS - Continued

Investments at September 30, 2007 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Face Value</u>	<u>Premium (Discount)</u>	<u>Interest Receivable</u>	<u>Net Value</u>	<u>Market Value</u>
Unemployment Trust Fund					
<u>Non-marketable</u>					
U.S. Treasury Certificates of Indebtedness					
5.000% maturing June 30, 2008	8,208,313	-	64,004	8,272,317	8,208,313
Special issue U.S. Treasury Bonds					
4.625% maturing June 30, 2008	10,879,148	-	125,790	11,004,938	10,879,148
4.875% maturing June 30, 2008	10,000,000	-	121,875	10,121,875	10,000,000
4.875% maturing June 30, 2009	9,980,072	-	121,632	10,101,704	9,980,072
5.000% maturing June 30, 2009	11,000,000	-	137,500	11,137,500	11,000,000
5.000% maturing June 30, 2010	24,855,747	-	310,697	25,166,444	24,855,747
	<u>74,923,280</u>	<u>-</u>	<u>881,498</u>	<u>75,804,778</u>	<u>74,923,280</u>
Panama Canal Commission					
Compensation Fund					
<u>Marketable</u>					
U.S. Treasury Bill					
Maturing November 15, 2007	7,170	(43)	-	7,127	7,138
U.S. Treasury Notes					
3.625% to 5.625% various maturities	43,152	(142)	753	43,763	43,418
U.S. Treasury Bonds					
10.375% to 11.750% various maturities	27,078	1,013	1,080	29,171	28,054
	<u>77,400</u>	<u>828</u>	<u>1,833</u>	<u>80,061</u>	<u>78,610</u>
Longshore and Harbor Workers' Compensation Act Trust Fund					
<u>Non-marketable</u>					
One Day Certificate					
3.99% maturing October 1, 2007	69,979	-	16	69,995	69,979
District of Columbia Workmen's Compensation Act Trust Fund					
<u>Non-marketable</u>					
One Day Certificate					
3.99% maturing October 1, 2007	6,585	-	1	6,586	6,585
Energy Employees Occupational Illness Compensation Fund					
<u>Non-marketable</u>					
One Day Certificate					
3.99% maturing October 1, 2007	53,062	-	12	53,074	53,062
	<u>\$ 75,130,306</u>	<u>\$ 828</u>	<u>\$ 883,360</u>	<u>\$ 76,014,494</u>	<u>\$ 75,131,516</u>
Entity Investments	\$ 75,022,470	\$ 828	\$ 882,091	\$ 75,905,389	\$ 75,023,680
Non-entity Investments	<u>107,836</u>	<u>-</u>	<u>1,269</u>	<u>109,105</u>	<u>107,836</u>
	<u>\$ 75,130,306</u>	<u>\$ 828</u>	<u>\$ 883,360</u>	<u>\$ 76,014,494</u>	<u>\$ 75,131,516</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE

Accounts receivable at September 30, 2008 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Gross Receivables</u>	<u>Allowance</u>	<u>Net Receivables</u>
Entity Intra-governmental assets			
Due for UCFE and UCX benefits	\$ 292,833	\$ -	\$ 292,833
Due for workers' compensation benefits	3,771,775	-	3,771,775
Other	12,269	-	12,269
	<u>4,076,877</u>	<u>-</u>	<u>4,076,877</u>
Entity assets			
State unemployment taxes	823,667	(639,682)	183,985
Due from reimbursable employers	502,342	(28,540)	473,802
Benefit overpayments	1,935,897	(1,678,795)	257,102
Other	13,126	(2,127)	10,999
	<u>3,275,032</u>	<u>(2,349,144)</u>	<u>925,888</u>
Non-entity assets			
Fines and penalties	76,778	(32,605)	44,173
Backwages	16,785	(10,418)	6,367
	<u>93,563</u>	<u>(43,023)</u>	<u>50,540</u>
	<u>3,368,595</u>	<u>(2,392,167)</u>	<u>976,428</u>
	<u>\$ 7,445,472</u>	<u>\$ (2,392,167)</u>	<u>\$ 5,053,305</u>

Accounts receivable at September 30, 2007 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Gross Receivables</u>	<u>Allowance</u>	<u>Net Receivables</u>
Entity Intra-governmental assets			
Due for UCFE and UCX benefits	\$ 302,723	\$ -	\$ 302,723
Due for workers' compensation benefits	3,754,382	-	3,754,382
Other	11,598	-	11,598
	<u>4,068,703</u>	<u>-</u>	<u>4,068,703</u>
Entity assets			
State unemployment taxes	922,643	(646,571)	276,072
Due from reimbursable employers	489,269	(30,077)	459,192
Benefit overpayments	1,907,770	(1,656,975)	250,795
Other	8,864	(1,727)	7,137
	<u>3,328,546</u>	<u>(2,335,350)</u>	<u>993,196</u>
Non-entity assets			
Fines and penalties	92,805	(31,820)	60,985
Backwages	10,839	(4,797)	6,042
	<u>103,644</u>	<u>(36,617)</u>	<u>67,027</u>
	<u>3,432,190</u>	<u>(2,371,967)</u>	<u>1,060,223</u>
	<u>\$ 7,500,893</u>	<u>\$ (2,371,967)</u>	<u>\$ 5,128,926</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION

Property, plant and equipment at September 30, 2008 consisted of the following:

(Dollars in thousands)	Cost	Accumulated Depreciation/ Amortization	Net Book Value
Structures, facilities and improvements			
Structures and facilities	\$ 1,067,982	\$ (437,047)	\$ 630,935
Improvements to leased facilities	423,580	(233,798)	189,782
	<u>1,491,562</u>	<u>(670,845)</u>	<u>820,717</u>
Furniture and equipment			
Equipment held by contractors	166,504	(159,612)	6,892
Furniture and equipment	51,777	(36,132)	15,645
	<u>218,281</u>	<u>(195,744)</u>	<u>22,537</u>
ADP software	206,369	(92,110)	114,259
Construction-in-progress	90,233	-	90,233
Land	93,253	-	93,253
	<u>\$ 2,099,698</u>	<u>\$ (958,699)</u>	<u>\$ 1,140,999</u>

Property, plant and equipment at September 30, 2007 consisted of the following:

(Dollars in thousands)	Cost	Accumulated Depreciation/ Amortization	Net Book Value
Structures, facilities and improvements			
Structures and facilities	\$ 1,014,233	\$ (409,570)	\$ 604,663
Improvements to leased facilities	427,769	(228,257)	199,512
	<u>1,442,002</u>	<u>(637,827)</u>	<u>804,175</u>
Furniture and equipment			
Equipment held by contractors	168,049	(161,300)	6,749
Furniture and equipment	54,067	(36,653)	17,414
	<u>222,116</u>	<u>(197,953)</u>	<u>24,163</u>
ADP software	190,014	(74,433)	115,581
Construction-in-progress	78,651	-	78,651
Land	93,249	-	93,249
	<u>\$ 2,026,032</u>	<u>\$ (910,213)</u>	<u>\$ 1,115,819</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 6 - ADVANCES

Advances at September 30, 2008 and 2007 consisted of the following:

Advances at September 30, 2008 and 2007 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2008</u>	<u>2007</u>
Advances to states for UI benefit payments	\$ 706,556	\$ 509,848
Advances to grantees and contractors to finance future DOL program expenditures	35,947	29,504
Other	13,907	2,213
	<u>\$ 756,410</u>	<u>\$ 541,565</u>

NOTE 7 - NON-ENTITY ASSETS

Non-entity assets consisted of the following at September 30, 2008 and 2007:

<u>(Dollars in thousands)</u>	<u>2008</u>	<u>2007</u>
Intra-governmental		
Funds with U.S. Treasury	\$ 77,813	\$ 79,272
Investments	110,958	109,105
	<u>188,771</u>	<u>188,377</u>
Accounts receivable, net of allowance	50,540	67,027
	<u>\$ 239,311</u>	<u>\$ 255,404</u>

NOTE 8 - ADVANCES FROM U.S. TREASURY

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 2008 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Balance at September 30, 2007</u>	<u>Net Borrowing</u>	<u>Balance at September 30, 2008</u>
Intra-governmental			
Borrowing from the Treasury	\$ 10,057,557	\$ 426,000	\$ 10,483,557

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 2007 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Balance at September 30, 2006</u>	<u>Net Borrowing</u>	<u>Balance at September 30, 2007</u>
Intra-governmental			
Borrowing from the Treasury	\$ 9,631,557	\$ 426,000	\$ 10,057,557

These advances were retired on October 7, 2008 under the refinancing agreement authorized by the enactment of the Energy Improvement and Extension Act of 2008 on October 3, 2008. (See Note 23)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 9 - FUTURE WORKERS' COMPENSATION BENEFITS

DOL's liability for future workers' compensation benefits at September 30, 2008 and 2007 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2008</u>	<u>2007</u>
<i>Projected gross liability of the Federal government for future FECA benefits</i>	\$ 27,589,632	\$ 26,306,065
<i>Less liabilities attributed to other agencies:</i>		
U.S. Postal Service	(9,543,798)	(8,923,407)
Department of Navy	(2,685,911)	(2,694,074)
Department of Army	(1,980,257)	(1,977,872)
Department of Veterans Affairs	(1,905,472)	(1,826,564)
Department of Air Force	(1,395,449)	(1,381,158)
Department of Transportation	(985,336)	(949,465)
Department of Homeland Security	(1,795,351)	(1,683,569)
Tennessee Valley Authority	(532,499)	(538,096)
Department of Treasury	(593,196)	(573,038)
Department of Agriculture	(832,013)	(775,281)
Department of Justice	(1,136,570)	(1,046,480)
Department of Interior	(692,389)	(659,333)
Department of Defense, Other	(800,883)	(777,041)
Department of Health and Human Services	(282,517)	(275,776)
Social Security Administration	(297,932)	(271,981)
General Services Administration	(163,826)	(164,883)
Department of Commerce	(169,580)	(164,416)
Department of Energy	(104,734)	(105,231)
Department of State	(68,892)	(68,078)
Department of Housing & Urban Development	(84,529)	(81,779)
Department of Education	(16,554)	(16,186)
National Aeronautics and Space Administration	(63,977)	(64,060)
Environmental Protection Agency	(44,615)	(39,786)
Small Business Administration	(27,061)	(26,321)
Office of Personnel Management	(22,139)	(21,020)
National Science Foundation	(1,198)	(1,182)
Nuclear Regulatory Commission	(7,059)	(6,833)
Agency for International Development	(23,137)	(23,528)
Other	(569,922)	(533,779)
	<u>(26,826,796)</u>	<u>(25,670,217)</u>
	<u>\$ 762,836</u>	<u>\$ 635,848</u>
<i>Projected liability of the Department of Labor for future FECA benefits</i>		
FECA benefits not chargeable to other Federal agencies payable by DOL's Federal Employees' Compensation Act Special Benefit Fund	\$ 473,892	\$ 346,299
FECA benefits due to eligible workers of DOL and Job Corps enrollees	235,382	237,920
FECA benefits due to eligible workers of the Panama Canal Commission	53,562	51,629
	<u>\$ 762,836</u>	<u>\$ 635,848</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 10 – ACCRUED BENEFITS

Accrued benefits at September 30, 2008 and 2007 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2008</u>	<u>2007</u>
State regular and extended unemployment benefits payable	\$ 966,415	\$ 1,053,055
Federal extended unemployment benefits payable	39,144	35,945
Federal emergency unemployment benefits payable, 2008	324,534	-
Federal temporary extended unemployment benefits payable	23,971	23,641
Federal emergency unemployment benefits payable, other	46,739	44,950
Federal employees' unemployment benefits payable	25,431	30,432
Federal employees' unemployment benefits for existing claims due in the subsequent year	<u>202,759</u>	<u>123,576</u>
Total unemployment benefits payable	1,628,993	1,311,599
Black lung disability benefits payable	40,003	43,277
Federal employees' disability and 10(h) benefits payable	76,952	65,937
Energy employees occupational illness compensation benefits payable	24,712	24,006
Longshore and harbor workers disability benefits payable	4,571	3,655
District of Columbia disability benefits payable	<u>345</u>	<u>298</u>
	<u>\$ 1,775,576</u>	<u>\$ 1,448,772</u>

NOTE 11 - OTHER LIABILITIES

Other liabilities at September 30, 2008 and 2007 consisted of the following current liabilities:

<u>(Dollars in thousands)</u>	<u>2008</u>	<u>2007</u>
Intra-governmental		
Accrued benefits	\$ 13,055	\$ 10,385
Unearned FECA assessments	52,724	51,192
Non-entity receipts due to U.S. Treasury	42,803	59,615
Amounts held for the Railroad Retirement Board	110,455	108,990
Advances from other Federal agencies	<u>300</u>	<u>750</u>
Total intra-governmental	<u>219,337</u>	<u>230,932</u>
Accrued payroll and benefits	59,043	48,280
Due to Backwage recipients	84,925	85,583
Unearned assessment revenue	41,217	41,965
Deposit and clearing accounts	1,127	1,216
Readjustment allowances and other Job Corps liabilities	<u>54,537</u>	<u>83,330</u>
	<u>240,849</u>	<u>260,374</u>
	<u>\$ 460,186</u>	<u>\$ 491,306</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 12 - LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources at September 30, 2008 and 2007 consisted of the following:

(Dollars in thousands)	2008	2007
Intra-governmental Advances from U.S. Treasury	\$ 10,483,557	\$ 10,057,557
Future workers' compensation benefits	231,965	237,920
Accrued annual leave	105,763	96,014
Readjustment allowances and other Job Corps liabilities	54,537	83,330
	<u>392,265</u>	<u>417,264</u>
	<u>\$ 10,875,822</u>	<u>\$ 10,474,821</u>

NOTE 13 – CONTINGENCIES

The Department is involved in various lawsuits incidental to its operations. Judgments resulting from litigation against the Department are generally paid by the Department of Justice. In the opinion of management, the ultimate resolution of pending litigation will not have a material effect on the Department's financial position.

NOTE 14 - PENSION EXPENSE

Pension expense in 2008 consisted of the following:

(Dollars in thousands)	Employer Contributions	Costs Imputed by OPM	Total Pension Expense
Civil Service Retirement System	\$ 22,251	\$ 36,925	\$ 59,176
Federal Employees' Retirement System	103,805	-	103,805
Thrift Savings Plan	39,286	-	39,286
	<u>\$ 165,342</u>	<u>\$ 36,925</u>	<u>\$ 202,267</u>

Pension expense in 2007 consisted of the following:

(Dollars in thousands)	Employer Contributions	Costs Imputed by OPM	Total Pension Expense
Civil Service Retirement System	\$ 24,503	\$ 39,287	\$ 63,790
Federal Employees' Retirement System	94,390	-	94,390
Thrift Savings Plan	36,092	-	36,092
	<u>\$ 154,985</u>	<u>\$ 39,287</u>	<u>\$ 194,272</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 15 - PROGRAM COST

Schedules A, B, and C present detailed cost and revenue information by suborganization (responsibility segment) for programs in the Department, the Employment and Training Administration, and the Employment Standards Administration in support of the summary information presented in the Consolidated Statement of Net Cost for 2008.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 15 - PROGRAM COST - Continued**A. Consolidating Statement of Net Cost by Suborganization**

Net cost by suborganization for the year ended September 30, 2008 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employment and Training Administration</u>	<u>Employment Standards Administration</u>	<u>Office of Job Corps</u>	<u>Occupational Safety and Health Administration</u>
CROSSCUTTING PROGRAMS				
Income maintenance				
Intra-governmental	\$ 224,744	\$ 901,873	\$ -	\$ -
With the public	47,143,092	5,387,831	-	-
Gross cost	47,367,836	6,289,704	-	-
Intra-governmental earned revenue	(728,874)	(2,658,557)	-	-
Public earned revenue	-	-	-	-
Less earned revenue	(728,874)	(2,658,557)	-	-
Net program cost	46,638,962	3,631,147	-	-
Employment and training				
Intra-governmental	40,395	-	9,493	-
With the public	4,634,551	-	808,342	-
Gross cost	4,674,946	-	817,835	-
Intra-governmental earned revenue	(11,569)	-	(47)	-
Public earned revenue	(245)	-	(323)	-
Less earned revenue	(11,814)	-	(370)	-
Net program cost	4,663,132	-	817,465	-
Labor, employment and pension standards				
Intra-governmental	-	122,364	-	-
With the public	-	257,241	-	-
Gross cost	-	379,605	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	(1,000)	-	-
Less earned revenue	-	(1,000)	-	-
Net program cost	-	378,605	-	-
Worker safety and health				
Intra-governmental	-	-	-	121,944
With the public	-	-	-	416,170
Gross cost	-	-	-	538,114
Intra-governmental earned revenue	-	-	-	(264)
Public earned revenue	-	-	-	(1,321)
Less earned revenue	-	-	-	(1,585)
Net program cost	-	-	-	536,529
OTHER PROGRAMS				
Statistics				
Intra-governmental	-	-	-	-
With the public	-	-	-	-
Gross cost	-	-	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	-	-	-
COSTS NOT ASSIGNED TO PROGRAMS				
Gross cost	-	-	-	-
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	-	-	-	-
Net cost of operations	\$ 51,302,094	\$ 4,009,752	\$ 817,465	\$ 536,529



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

Bureau of Labor Statistics	Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Other Departmental Programs	Eliminations	Total
\$ -	\$ -	\$ 11,693	\$ -	\$ 1,400	\$ (87,352)	\$ 1,052,358
-	-	23,254	-	8,370	65,865	52,628,412
-	-	34,947	-	9,770	(21,487)	53,680,770
-	-	-	-	-	21,487	(3,365,944)
-	-	-	-	-	-	-
-	-	-	-	-	21,487	(3,365,944)
-	-	34,947	-	9,770	-	50,314,826
-	-	-	10,262	427	(17,698)	42,879
-	-	-	199,760	745	17,698	5,661,096
-	-	-	210,022	1,172	-	5,703,975
-	-	-	-	-	-	(11,616)
-	-	-	-	-	-	(568)
-	-	-	-	-	-	(12,184)
-	-	-	210,022	1,172	-	5,691,791
-	-	44,430	1,023	15,787	(54,113)	129,491
-	-	111,589	19,047	122,560	54,113	564,550
-	-	156,019	20,070	138,347	-	694,041
-	-	(12,097)	-	(100)	-	(12,197)
-	-	(30)	-	(13)	-	(1,043)
-	-	(12,127)	-	(113)	-	(13,240)
-	-	143,892	20,070	138,234	-	680,801
-	115,333	-	-	4,164	(58,425)	183,016
-	256,221	-	-	6,731	58,425	737,547
-	371,554	-	-	10,895	-	920,563
-	(5)	-	-	-	-	(269)
-	(1,247)	-	-	-	-	(2,568)
-	(1,252)	-	-	-	-	(2,837)
-	370,302	-	-	10,895	-	917,726
204,912	-	-	-	11,973	(24,270)	192,615
374,813	-	-	-	19,351	24,270	418,434
579,725	-	-	-	31,324	-	611,049
(1)	-	-	-	-	-	(1)
(5,274)	-	-	-	-	-	(5,274)
(5,275)	-	-	-	-	-	(5,275)
574,450	-	-	-	31,324	-	605,774
-	-	-	-	115,823	(3,911)	111,912
-	-	-	-	(19,747)	3,911	(15,836)
-	-	-	-	96,076	-	96,076
\$ 574,450	\$ 370,302	\$ 178,839	\$ 230,092	\$ 287,471	\$ -	\$ 58,306,994



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 15 - PROGRAM COST - Continued**B. Consolidating Statement of Net Cost - Employment and Training Administration**

Net cost of the Employment and Training Administration for the year ended September 30, 2008 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employment Security</u>	<u>Training and Employment Programs</u>	<u>Office of Job Corps</u>	<u>Eliminations</u>	<u>Total</u>
CROSSCUTTING PROGRAMS					
Income maintenance					
Benefits	\$ 42,543,343	\$ 91	\$ -	\$ -	\$ 42,543,434
Grants	4,301,250	-	-	-	4,301,250
Interest	3,519	-	-	-	3,519
Administrative and other	519,222	41,411	-	(41,000)	519,633
Gross cost	47,367,334	41,502	-	(41,000)	47,367,836
Less earned revenue	(769,874)	-	-	41,000	(728,874)
Net program cost	46,597,460	41,502	-	-	46,638,962
Employment and training					
Benefits	-	16,178	4,023	-	20,201
Grants	-	3,829,199	99,997	-	3,929,196
Administrative and other	-	295,410	430,139	-	725,549
Gross cost	-	4,140,787	534,159	-	4,674,946
Less earned revenue	-	(11,272)	(542)	-	(11,814)
Net program cost	-	4,129,515	533,617	-	4,663,132
Net cost of operations	\$ 46,597,460	\$ 4,171,017	\$ 533,617	\$ -	\$ 51,302,094



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 15 - PROGRAM COST - Continued**C. Consolidating Statement of Net Cost - Employment Standards Administration**

Net cost of the Employment Standards Administration for the year ended September 30, 2008 consisted of the following:

(Dollars in thousands)	Office of Workers' Compensation Programs	Office of Federal Contract Compliance	Wage and Hour Division	Office of Labor Management Standards	Eliminations	Total
CROSSCUTTING PROGRAMS						
Income maintenance						
Benefits	\$ 5,170,202	\$ -	\$ -	\$ -	\$ (1,712)	\$ 5,168,490
Interest	739,469	-	-	-	-	739,469
Administrative and other	381,745	-	-	-	-	381,745
Gross cost	6,291,416	-	-	-	(1,712)	6,289,704
Less earned revenue	(2,660,269)	-	-	-	1,712	(2,658,557)
Net program cost	3,631,147	-	-	-	-	3,631,147
Labor, employment and pension standards						
Benefits	-	12,575	27,903	7,986	-	48,464
Administrative and other	-	86,773	197,433	46,935	-	331,141
Gross cost	-	99,348	225,336	54,921	-	379,605
Less earned revenue	-	-	(1,000)	-	-	(1,000)
Net program cost	-	99,348	224,336	54,921	-	378,605
Net cost of operations	\$ 3,631,147	\$ 99,348	\$ 224,336	\$ 54,921	\$ -	\$ 4,009,752

Schedules D, E and F present detailed cost and revenue information by suborganization (responsibility segment) for programs in the Department, the Employment and Training Administration, and the Employment Standards Administration in support of the summary information presented in the Consolidated Statement of Net Cost for 2007.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 15 - PROGRAM COST - Continued**D. Consolidating Statement of Net Cost by Suborganization**

Net cost by suborganization for the year ended September 30, 2007 consisted of the following:

(Dollars in thousands)	Employment and Training Administration	Employment Standards Administration	Occupational Safety and Health Administration	Bureau of Labor Statistics
CROSSCUTTING PROGRAMS				
Income maintenance				
Intra-governmental	\$ 233,861	\$ 916,551	\$ -	\$ -
With the public	36,917,255	5,148,596	-	-
Gross cost	37,151,116	6,065,147	-	-
Intra-governmental earned revenue	(732,135)	(2,554,992)	-	-
Public earned revenue	(1,253)	-	-	-
Less earned revenue	(733,388)	(2,554,992)	-	-
Net program cost	36,417,728	3,510,155	-	-
Employment and training				
Intra-governmental	61,577	-	-	-
With the public	5,816,989	-	-	-
Gross cost	5,878,566	-	-	-
Intra-governmental earned revenue	(44,553)	-	-	-
Public earned revenue	(372)	-	-	-
Less earned revenue	(44,925)	-	-	-
Net program cost	5,833,641	-	-	-
Labor, employment and pension standards				
Intra-governmental	-	120,834	-	-
With the public	-	249,898	-	-
Gross cost	-	370,732	-	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	-	370,732	-	-
Worker safety and health				
Intra-governmental	-	-	123,047	-
With the public	-	-	406,101	-
Gross cost	-	-	529,148	-
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	(1,292)	-
Less earned revenue	-	-	(1,292)	-
Net program cost	-	-	527,856	-
OTHER PROGRAMS				
Statistics				
Intra-governmental	-	-	-	195,947
With the public	-	-	-	385,328
Gross cost	-	-	-	581,275
Intra-governmental earned revenue	-	-	-	-
Public earned revenue	-	-	-	(6,083)
Less earned revenue	-	-	-	(6,083)
Net program cost	-	-	-	575,192
COSTS NOT ASSIGNED TO PROGRAMS				
Gross cost	-	-	-	-
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	-	-	-	-
Net cost of operations	\$ 42,251,369	\$ 3,880,887	\$ 527,856	\$ 575,192



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

Mine Safety and Health Administration	Employee Benefits Security Administration	Veterans' Employment and Training	Other Departmental Programs	Eliminations	Total
\$ -	\$ 11,324	\$ -	\$ 2,007	\$ (54,911)	\$ 1,108,832
-	22,246	-	3,137	31,754	42,122,988
-	33,570	-	5,144	(23,157)	43,231,820
-	-	-	-	23,157	(3,263,970)
-	-	-	-	-	(1,253)
-	-	-	-	23,157	(3,265,223)
-	33,570	-	5,144	-	39,966,597
-	-	10,043	448	(20,803)	51,265
-	-	198,798	792	20,803	6,037,382
-	-	208,841	1,240	-	6,088,647
-	-	-	-	-	(44,553)
-	-	-	-	-	(372)
-	-	-	-	-	(44,925)
-	-	208,841	1,240	-	6,043,722
-	43,868	1,002	15,775	(50,701)	130,778
-	106,072	18,797	160,562	50,701	586,030
-	149,940	19,799	176,337	-	716,808
-	(10,982)	-	(25)	-	(11,007)
-	(17)	-	-	-	(17)
-	(10,999)	-	(25)	-	(11,024)
-	138,941	19,799	176,312	-	705,784
108,334	-	-	4,321	(53,979)	181,723
233,624	-	-	7,044	53,979	700,748
341,958	-	-	11,365	-	882,471
-	-	-	-	-	-
(1,113)	-	-	-	-	(2,405)
(1,113)	-	-	-	-	(2,405)
340,845	-	-	11,365	-	880,066
-	-	-	12,422	(23,272)	185,097
-	-	-	20,252	23,272	428,852
-	-	-	32,674	-	613,949
-	-	-	-	-	-
-	-	-	-	-	(6,083)
-	-	-	-	-	(6,083)
-	-	-	32,674	-	607,866
-	-	-	96,999	(3,990)	93,009
-	-	-	(10,315)	3,990	(6,325)
-	-	-	86,684	-	86,684
\$ 340,845	\$ 172,511	\$ 228,640	\$ 313,419	\$ -	\$ 48,290,719



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 15 - PROGRAM COST - Continued**E. Consolidating Statement of Net Cost - Employment and Training Administration**

Net cost of the Employment and Training Administration for the year ended September 30, 2007 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employment Security</u>	<u>Training and Employment Programs</u>	<u>Office of Job Corps</u>	<u>Eliminations</u>	<u>Total</u>
CROSSCUTTING PROGRAMS					
Income maintenance					
Benefits	\$ 32,334,443	\$ 72	\$ -	\$ -	\$ 32,334,515
Grants	4,258,410	-	-	-	4,258,410
Interest	3,772	-	-	-	3,772
Administrative and other	554,008	17,911	-	(17,500)	554,419
Gross cost	37,150,633	17,983	-	(17,500)	37,151,116
Less earned revenue	(750,888)	-	-	17,500	(733,388)
Net program cost	36,399,745	17,983	-	-	36,417,728
Employment and training					
Benefits	-	13,224	6,712	-	19,936
Grants	-	4,080,988	160,323	-	4,241,311
Administrative and other	-	314,076	1,303,243	-	1,617,319
Gross cost	-	4,408,288	1,470,278	-	5,878,566
Less earned revenue	-	(43,687)	(1,238)	-	(44,925)
Net program cost	-	4,364,601	1,469,040	-	5,833,641
Net cost of operations	\$ 36,399,745	\$ 4,382,584	\$ 1,469,040	\$ -	\$ 42,251,369



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 15 - PROGRAM COST - Continued**F. Consolidating Statement of Net Cost - Employment Standards Administration**

Net cost of the Employment Standards Administration for the year ended September 30, 2007 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Office of Workers' Compensation Programs</u>	<u>Office of Federal Contract Compliance</u>	<u>Wage and Hour Division</u>	<u>Office of Labor Management Standards</u>	<u>Eliminations</u>	<u>Total</u>
CROSSCUTTING PROGRAMS						
Income maintenance						
Benefits	\$ 4,924,372	\$ -	\$ -	\$ -	\$ (1,641)	\$ 4,922,731
Interest	717,214	-	-	-	-	717,214
Administrative and other	425,202	-	-	-	-	425,202
Gross cost	6,066,788	-	-	-	(1,641)	6,065,147
Less earned revenue	(2,556,633)	-	-	-	1,641	(2,554,992)
Net program cost	3,510,155	-	-	-	-	3,510,155
Labor, employment and pension standards						
Benefits	-	11,736	25,750	7,261	-	44,747
Administrative and other	-	86,448	190,435	49,102	-	325,985
Gross cost	-	98,184	216,185	56,363	-	370,732
Less earned revenue	-	-	-	-	-	-
Net program cost	-	98,184	216,185	56,363	-	370,732
Net cost of operations	\$ 3,510,155	\$ 98,184	\$ 216,185	\$ 56,363	\$ -	\$ 3,880,887



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 16 - NON-EXCHANGE REVENUE

Non-exchange revenues reported on the Consolidated Statement of Changes in Net Position in 2008 and 2007 consisted of the following:

(Dollars in thousands)	2008	2007
Employer taxes		
Unemployment Trust Fund		
Federal unemployment taxes	\$ 7,281,534	\$ 7,238,283
State unemployment taxes	30,373,647	32,033,466
	37,655,181	39,271,749
Black Lung Disability Trust Fund excise taxes	652,650	639,197
	<u>38,307,831</u>	<u>39,910,946</u>
Interest		
Unemployment Trust Fund	3,635,617	3,344,577
Longshore and Harbor Workers' Compensation Act Trust Fund	1,044	2,077
District of Columbia Workmen's Compensation Act Trust Fund	127	250
Panama Canal Commission Compensation Fund	3,108	3,537
Energy Employees Occupational Illness Compensation Fund	4,252	7,215
Black Lung Disability Trust Fund	551	463
	<u>3,644,699</u>	<u>3,358,119</u>
Assessments		
Longshore and Harbor Workers' Compensation Act Trust Fund	127,418	128,934
District of Columbia Workmen's Compensation Act Trust Fund	8,920	11,264
Other	489	380
	<u>136,827</u>	<u>140,578</u>
Reimbursement of unemployment benefits from state and local governments and non-profit organizations to the Unemployment Trust Fund	1,768,182	1,632,863
	<u>\$ 43,857,539</u>	<u>\$ 45,042,506</u>

NOTE 17 - TRANSFERS WITHOUT REIMBURSEMENT

Transfers from (to) other Federal agencies in 2008 and 2007 consisted of the following:

(Dollars in thousands)	2008	2007
Budgetary financing sources		
From H-1B Nonimmigrant Petitioner Account, Department of Homeland Security	\$ 86,779	\$ 193,355
From DOL general fund unexpended appropriation accounts to the DOL Working Capital Fund	3,000	3,000
	<u>89,779</u>	<u>196,355</u>
Other financing sources		
From General Services Administration	3,191	2,469
	<u>3,191</u>	<u>2,469</u>
	<u>\$ 92,970</u>	<u>\$ 198,824</u>

The balance of \$89,779 and \$196,355 in budgetary financing sources for FY 2008 and 2007, respectively, reflects the elimination of intra-DOL transfers of \$3,683,586 and \$3,470,145.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 18 - STATUS OF BUDGETARY RESOURCES**A. Apportionment Categories of Obligations Incurred**

Obligations incurred reported on the Combined Statement of Budgetary Resources in 2008 and 2007 consisted of the following:

(Dollars in thousands)	2008	2007
Direct Obligations		
Category A	\$ 4,075,613	\$ 4,121,138
Category B	9,137,416	9,068,443
Exempt from apportionment	<u>49,244,270</u>	<u>38,830,490</u>
Total direct obligations	<u>62,457,299</u>	<u>52,020,071</u>
Reimbursable Obligations		
Category A	206,345	194,918
Category B	<u>2,775,832</u>	<u>2,689,784</u>
Total reimbursable obligations	<u>2,982,177</u>	<u>2,884,702</u>
	<u>\$ 65,439,476</u>	<u>\$ 54,904,773</u>

B. Permanent Indefinite Appropriations

DOL's permanent indefinite appropriations include all trust funds, the Federal Employees' Compensation Act Special Benefit Fund, the Panama Canal Commission Compensation Fund, the Energy Employees Occupational Illness Compensation Fund, ETA and ESA H-1B funds, and portions of State Unemployment Insurance and Employment Service Operations and Federal Unemployment Benefits and Allowances. These funds are described in Note 1-A.3.

C. Legal Arrangements Affecting Use of Unobligated Balances

Unemployment Trust Fund receipts are reported as budget authority in the Combined Statement of Budgetary Resources. The portion of UTF receipts collected in the current year in excess of amounts needed to pay benefits and other valid obligations are precluded by law from being available for obligation. Therefore, these excess receipts are not classified as budgetary resources in the Combined Statement of Budgetary Resources. Current year excess receipts are reported as temporarily not available pursuant to Public Law. Conversely, when obligations exceed receipts in the current year, amounts are drawn from unavailable collections to meet these obligations. Cumulative excess receipts are not included in unobligated balances in the status of budgetary resources included in that Statement. All excess receipts are reported as assets of the UTF and are included in the Consolidated Balance Sheet. They will become available for obligation as needed in the future.

The cumulative amounts of excess UTF receipts are denoted as unavailable collections in the Budget of the United States Government. The cumulative amount of these excess receipts at September 30, 2008 and 2007 reclassified from unobligated balances to UTF unavailable collections is presented on the following page.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 18 - STATUS OF BUDGETARY RESOURCES – Continued**C. Legal Arrangements Affecting Use of Unobligated Balances - Continued**

<u>(Dollars in millions)</u>	<u>2008</u>	<u>2007</u>
Unemployment Trust Fund unavailable collections, beginning	\$ 72,448	\$ 63,995
Budget authority from current year appropriations	43,852	44,909
Less obligations	<u>(46,791)</u>	<u>(36,456)</u>
Excess (deficiency) of budget authority over obligations	<u>(2,939)</u>	<u>8,453</u>
Unemployment Trust Fund unavailable collections, ending	<u>\$ 69,509</u>	<u>\$ 72,448</u>

D. Explanation of Differences between the Combined Statement of Budgetary Resources and the Budget of the United States Government

The Budget of the United States Government with actual amounts for the year ended September 30, 2008 has not been published as of the issue date of these financial statements. This document will be available in February 2009.

A reconciliation of budgetary resources, obligations incurred and net outlays, as presented in the Combined Statement of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 2007 is shown below.

<u>(Dollars in millions)</u>	<u>Budgetary Resources</u>	<u>Obligations Incurred</u>	<u>Net Outlays</u>
Combined Statement of Budgetary Resources	\$ 59,217	\$ 54,905	\$ 47,120
Pension Benefit Guaranty Corporation reported separately	19,080	4,573	457
Distributed offsetting receipts	-	-	795
Amounts in the Combined Statement of Budgetary Resources not included in the budget	(81)	(12)	(5)
Expired accounts	(1,412)	(79)	-
Other	<u>(16)</u>	<u>(8)</u>	<u>(7)</u>
Budget of the United States Government	<u>\$ 76,788</u>	<u>\$ 59,379</u>	<u>\$ 48,360</u>

E. Undelivered Orders

Undelivered orders at September 30, 2008 and 2007 were as follows.

<u>(Dollars in thousands)</u>	<u>2008</u>	<u>2007</u>
Undelivered orders	<u>\$ 5,604,384</u>	<u>\$ 5,678,989</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 18 - STATUS OF BUDGETARY RESOURCES – Continued**F. Appropriations Received**

The Combined Statement of Budgetary Resources discloses appropriations received of \$58,784 and \$56,922 million for FY 2008 and 2007, respectively. Appropriations received on the Consolidated Statement of Changes in Net Position are \$10,936 and \$11,007 million for FY 2008 and 2007, respectively. The differences of \$47,848 and \$45,915 million represent certain dedicated and earmarked receipts recognized as exchange revenue or non-exchange revenue reported on the Consolidated Statement of Net Cost or the Consolidated Statement of Changes in Net Position.

NOTE 19 - RECONCILIATION OF BUDGETARY RESOURCES OBLIGATED TO NET COST OF OPERATIONS

<u>(Dollars in thousands)</u>	<u>2008</u>	<u>2007</u>
Resources used to finance activities		
Budgetary resources obligated		
Obligations incurred	\$ 65,439,476	\$ 54,904,773
Recoveries of prior year obligations	(418,195)	(220,673)
Less spending authority from offsetting collections	<u>(6,718,139)</u>	<u>(6,447,616)</u>
Obligations, net of offsetting collections and recoveries	58,303,142	48,236,484
Other resources		
Imputed financing from costs absorbed by others	118,009	129,859
Transfers, net	3,191	2,469
Exchange revenue not in budget	<u>(733,748)</u>	<u>(784,278)</u>
Total resources used to finance activities	<u>57,690,594</u>	<u>47,584,534</u>
Resources used to finance items not part of the net cost of operations		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet received or provided	(139,399)	108,524
Resources that finance the acquisition of assets	<u>(102,539)</u>	<u>(129,596)</u>
Total resources used to finance items not part of the net cost of operations	<u>(241,938)</u>	<u>(21,072)</u>
Total resources used to finance the net cost of operations	<u>57,448,656</u>	<u>47,563,462</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 other periods		
Increase in annual leave liability	10,250	3,735
Increase in employee benefits liabilities	803,610	633,248
Other	<u>(27,912)</u>	<u>24,250</u>
Total	<u>785,948</u>	<u>661,233</u>
Components not requiring or generating resources		
Depreciation and amortization	66,248	61,233
Revaluation of assets and liabilities	483,119	461,967
Benefit overpayments	<u>(476,977)</u>	<u>(457,176)</u>
Total	<u>72,390</u>	<u>66,024</u>
Total components of the net cost of operations that will not require or generate resources in the current period	<u>858,338</u>	<u>727,257</u>
Net cost of operations	<u>\$ 58,306,994</u>	<u>\$ 48,290,719</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 20 – SOURCES AND DISPOSITIONS OF CUSTODIAL REVENUE

Custodial revenues in 2008 consisted of the following:

<u>(Dollars In thousands)</u>	<u>Cash Collections</u>	<u>Less Refunds</u>	<u>Net Cash Collections and Transfers to U.S. Treasury General Fund</u>	<u>Increase (Decrease) in Amounts to be Collected and Transferred</u>	<u>Total Revenues</u>
Civil monetary penalties					
OSHA	\$ 71,367	\$ (182)	\$ 71,185	\$ 1,362	\$ 72,547
MSHA	56,004	-	56,004	8,083	64,087
EBSA	25,776	-	25,776	(5,286)	20,490
ESA	27,442	-	27,442	(1,305)	26,137
	<u>180,589</u>	<u>(182)</u>	<u>180,407</u>	<u>2,854</u>	<u>183,261</u>
ETA disallowed grant costs	15,627	-	15,627	(19,392)	(3,765)
Other	1,209	-	1,209	(286)	923
	<u>\$ 197,425</u>	<u>\$ (182)</u>	<u>\$ 197,243</u>	<u>\$ (16,824)</u>	<u>\$ 180,419</u>

Custodial revenues in 2007 consisted of the following:

<u>(Dollars In thousands)</u>	<u>Cash Collections</u>	<u>Less Refunds</u>	<u>Net Cash Collections and Transfers to U.S. Treasury General Fund</u>	<u>Increase (Decrease) in Amounts to be Collected and Transferred</u>	<u>Total Revenues</u>
Civil monetary penalties					
OSHA	\$ 65,660	\$ (233)	\$ 65,427	\$ 1,161	\$ 66,588
MSHA	30,357	-	30,357	(1,330)	29,027
EBSA	24,168	-	24,168	3,511	27,679
ESA	11,689	-	11,689	395	12,084
	<u>131,874</u>	<u>(233)</u>	<u>131,641</u>	<u>3,737</u>	<u>135,378</u>
ETA disallowed grant costs	4,670	-	4,670	11,377	16,047
Other	2,676	(2)	2,674	-	2,674
	<u>\$ 139,220</u>	<u>\$ (235)</u>	<u>\$ 138,985</u>	<u>\$ 15,114</u>	<u>\$ 154,099</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 21 – EARMARKED FUNDS

DOL is responsible for the operation of certain earmarked funds. Other earmarked funds include Gifts and Bequests, Panama Canal Commission Compensation Fund, and H-1B Funds. The financial position of the earmarked funds as of September 30, 2008 is shown below.

(Dollars in thousands)	Unemployment	Black Lung Disability	Other	Total
Assets				
Intra-governmental				
Funds with U.S. Treasury	\$ (147,882)	\$ 53,064	\$ 381,801	\$ 286,983
Investments	73,295,222	-	77,123	73,372,345
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	292,981	-	-	292,981
Total intra-governmental	73,440,321	53,064	458,924	73,952,309
Accounts receivable, net				
State unemployment tax	183,985	-	-	183,985
Due from reimbursable employers	473,802	-	-	473,802
Benefit overpayments	220,191	10,776	-	230,967
Other	-	-	2	2
Advances	706,556	-	-	706,556
Other	-	-	366	366
Total assets	\$ 75,024,855	\$ 63,840	\$ 459,292	\$ 75,547,987
Liabilities				
Intra-governmental				
Accounts payable to DOL agencies	\$ 1,176,351	\$ -	\$ -	\$ 1,176,351
Advances from U.S. Treasury	-	10,483,557	-	10,483,557
Amounts held for the Railroad Retirement Board	110,455	-	-	110,455
Other	-	-	7,616	7,616
Total intra-governmental	1,286,806	10,483,557	7,616	11,777,979
Accounts payable	-	-	14,683	14,683
Future workers' compensation benefits	-	-	53,562	53,562
Accrued benefits	1,628,993	19,469	-	1,648,462
Other	-	-	602	602
Total liabilities	2,915,799	10,503,026	76,463	13,495,288
Net position				
Cumulative results of operations	72,109,056	(10,439,186)	382,829	62,052,699
Total liabilities and net position	\$ 75,024,855	\$ 63,840	\$ 459,292	\$ 75,547,987



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 21 – EARMARKED FUNDS – Continued

The net results of operations of the earmarked funds for the year ended September 30, 2008 is shown below.

<u>(Dollars in thousands)</u>	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Other</u>	<u>Total</u>
Cost, net of earned revenues				
Benefits	\$ (42,533,112)	\$ (266,960)	\$ (8,538)	\$ (42,808,610)
Grants	-	-	(90,490)	(90,490)
Interest	(3,519)	(739,469)	-	(742,988)
Administrative and other	(414,822)	(376)	(21,769)	(436,967)
	<u>(42,951,453)</u>	<u>(1,006,805)</u>	<u>(120,797)</u>	<u>(44,079,055)</u>
Earned revenue	711,675	-	-	711,675
	<u>(42,239,778)</u>	<u>(1,006,805)</u>	<u>(120,797)</u>	<u>(43,367,380)</u>
Net financing sources				
Taxes	37,655,181	652,650	-	38,307,831
Interest	3,635,617	551	3,108	3,639,276
Reimbursement of unemployment benefits	1,768,182	-	-	1,768,182
Imputed financing	-	-	195	195
Transfers-in				
Department of Homeland Security	-	-	86,779	86,779
DOL entities	2,396	-	-	2,396
Transfers-out				
DOL entities	(3,714,880)	(57,881)	-	(3,772,761)
	<u>39,346,496</u>	<u>595,320</u>	<u>90,082</u>	<u>40,031,898</u>
Net results of operations	(2,893,282)	(411,485)	(30,715)	(3,335,482)
Net position, beginning of period	<u>75,002,338</u>	<u>(10,027,701)</u>	<u>413,544</u>	<u>65,388,181</u>
Net position, end of period	<u>\$ 72,109,056</u>	<u>\$ (10,439,186)</u>	<u>\$ 382,829</u>	<u>\$ 62,052,699</u>

Advances from U.S. Treasury for the Black Lung Disability Trust Fund were retired on October 7, 2008 under the refinancing agreement authorized by the enactment of the Energy Improvement and Extension Act of 2008 on October 3, 2008. (See Note 23)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 21 – EARMARKED FUNDS - Continued

The financial position of the earmarked funds as of September 30, 2007 is shown below.

<u>(Dollars in thousands)</u>	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Other</u>	<u>Total</u>
Assets				
Intra-governmental				
Funds with U.S. Treasury	\$ 103,124	\$ 40,359	\$ 419,245	\$ 562,728
Investments	75,804,778	-	80,061	75,884,839
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	302,912	-	-	302,912
Total intra-governmental	76,210,814	40,359	499,306	76,750,479
Accounts receivable, net				
State unemployment tax	276,072	-	-	276,072
Due from reimbursable employers	459,192	-	-	459,192
Benefit overpayments	209,807	10,056	-	219,863
Other	-	-	2	2
Advances	509,848	-	379	510,227
Other	-	-	39	39
Total assets	\$ 77,665,733	\$ 50,415	\$ 499,726	\$ 78,215,874
Liabilities				
Intra-governmental				
Accounts payable to DOL agencies	\$ 1,242,806	\$ -	\$ -	\$ 1,242,806
Advances from U.S. Treasury	-	10,057,557	-	10,057,557
Amounts held for the Railroad				
Retirement Board	108,990	-	-	108,990
Other	-	-	7,857	7,857
Total intra-governmental	1,351,796	10,057,557	7,857	11,417,210
Accounts payable	-	-	26,041	26,041
Future workers' compensation benefits	-	-	51,629	51,629
Accrued benefits	1,311,599	20,559	-	1,332,158
Other	-	-	655	655
Total liabilities	2,663,395	10,078,116	86,182	12,827,693
Net position				
Cumulative results of operations	75,002,338	(10,027,701)	413,544	65,388,181
Total liabilities and net position	\$ 77,665,733	\$ 50,415	\$ 499,726	\$ 78,215,874



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 21 – EARMARKED FUNDS – Continued

The net results of operations of the earmarked funds for the year ended September 30, 2007 is shown below.

<u>(Dollars in thousands)</u>	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Other</u>	<u>Total</u>
Cost, net of earned revenues				
Benefits	\$ (32,325,084)	\$ (285,632)	\$ (3,139)	\$ (32,613,855)
Grants	-	-	(103,179)	(103,179)
Interest	(3,772)	(717,214)	-	(720,986)
Administrative and other	(446,430)	(593)	(19,615)	(466,638)
	<u>(32,775,286)</u>	<u>(1,003,439)</u>	<u>(125,933)</u>	<u>(33,904,658)</u>
Earned revenue	723,914	-	-	723,914
	<u>(32,051,372)</u>	<u>(1,003,439)</u>	<u>(125,933)</u>	<u>(33,180,744)</u>
Net financing sources				
Taxes	39,271,749	639,197	-	39,910,946
Interest	3,344,577	463	3,537	3,348,577
Reimbursement of unemployment benefits	1,632,863	-	-	1,632,863
Imputed financing	-	-	253	253
Transfers-in				
Department of Homeland Security	-	-	193,355	193,355
Transfers-out				
DOL entities	(3,604,321)	(59,179)	-	(3,663,500)
	<u>40,644,868</u>	<u>580,481</u>	<u>197,145</u>	<u>41,422,494</u>
Net results of operations	8,593,496	(422,958)	71,212	8,241,750
Net position, beginning of period	<u>66,408,842</u>	<u>(9,604,743)</u>	<u>342,332</u>	<u>57,146,431</u>
Net position, end of period	<u>\$ 75,002,338</u>	<u>\$ (10,027,701)</u>	<u>\$ 413,544</u>	<u>\$ 65,388,181</u>

See Note 23 for the effects of the debt refinancing agreement for the Black Lung Disability Trust Fund authorized by the enactment of the Energy Improvement and Extension Act of 2008 on October 3, 2008.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 22 – DEDICATED COLLECTIONS

The Department administers four trust funds that receive dedicated collections. Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds, became effective in FY 2006. This standard affected former standards dealing with dedicated collections, and as a result, the Unemployment Trust Fund and the Black Lung Disability Trust Fund were classified as earmarked funds. The financial position of the two remaining trust funds as of September 30, 2008 is shown below.

<u>(Dollars in thousands)</u>	<u>Longshore and Harbor Workers' Compensation Act</u>	<u>District of Columbia Workmen's Compensation Act</u>
Assets		
Intra-governmental		
Funds with U.S. Treasury	\$ 735	\$ 439
Investments	61,905	5,160
Interest receivable from investments	-	-
Total intra-governmental	<u>62,640</u>	<u>5,599</u>
Other accounts receivable, net	<u>7,971</u>	<u>191</u>
Total assets	<u><u>\$ 70,611</u></u>	<u><u>\$ 5,790</u></u>
Liabilities		
Accrued benefits	\$ 4,571	\$ 345
Other	<u>38,796</u>	<u>2,423</u>
Total liabilities	<u><u>43,367</u></u>	<u><u>2,768</u></u>
Net position		
Cumulative results of operations	<u>27,244</u>	<u>3,022</u>
Total liabilities and net position	<u><u>\$ 70,611</u></u>	<u><u>\$ 5,790</u></u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 22 – DEDICATED COLLECTIONS – Continued

The net results of operations of each trust fund for the year ended September 30, 2008 is shown below.

(Dollars in thousands)	Longshore and Harbor Workers' Compensation Act	District of Columbia Workmen's Compensation Act
Cost, net of earned revenues		
Benefits	\$ (130,085)	\$ (10,158)
Net financing sources		
Interest	1,044	127
Assessments	127,418	8,920
Transfers-out		
DOL entities	(2,022)	-
	<u>126,440</u>	<u>9,047</u>
Net results of operations	(3,645)	(1,111)
Net position, beginning of period	<u>30,889</u>	<u>4,133</u>
Net position, end of period	<u>\$ 27,244</u>	<u>\$ 3,022</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 22 – DEDICATED COLLECTIONS – Continued

The net results of operations of each trust fund for the year ended September 30, 2007 is shown below.

<u>(Dollars in thousands)</u>	<u>Longshore and Harbor Workers' Compensation Act</u>	<u>District of Columbia Workmen's Compensation Act</u>
Assets		
Intra-governmental		
Funds with U.S. Treasury	\$ 154	\$ 75
Investments	69,979	6,585
Interest receivable from investments	16	1
Total intra-governmental	<u>70,149</u>	<u>6,661</u>
Other accounts receivable, net	<u>3,803</u>	<u>327</u>
Total assets	<u>\$ 73,952</u>	<u>\$ 6,988</u>
Liabilities		
Accrued benefits	\$ 3,655	\$ 298
Other	39,408	2,557
Total liabilities	<u>43,063</u>	<u>2,855</u>
Net position		
Cumulative results of operations	<u>30,889</u>	<u>4,133</u>
Total liabilities and net position	<u>\$ 73,952</u>	<u>\$ 6,988</u>

The net results of operations of each trust fund for the year ended September 30, 2007 is shown below.

<u>(Dollars in thousands)</u>	<u>Longshore and Harbor Workers' Compensation Act</u>	<u>District of Columbia Workmen's Compensation Act</u>
Cost, net of earned revenues		
Benefits	\$ (129,040)	\$ (9,819)
Net financing sources		
Interest	2,077	250
Assessments	128,934	11,264
Transfers-out		
DOL entities	<u>(2,042)</u>	<u>-</u>
	<u>128,969</u>	<u>11,514</u>
Net results of operations	(71)	1,695
Net position, beginning of period	<u>30,960</u>	<u>2,438</u>
Net position, end of period	<u>\$ 30,889</u>	<u>\$ 4,133</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 2008 and 2007

NOTE 23 – SUBSEQUENT EVENTS

P.L. 110-343, Division B--Energy Improvement and Extension Act of 2008, was enacted on October 3, 2008. Section 113 of the Act allowed for the temporary increase in coal excise tax rates to continue an additional five years beyond the current statutory limit and restructuring of trust fund debt by the repayment of the market value of outstanding repayable advances with the proceeds of obligations issued by the Black Lung Disability Trust Fund to the U.S. Treasury and a one-time appropriation.

Temporary Increase in Coal Excise Tax Rates. In accordance with Internal Revenue Code section 4121, the coal excise tax rates were set to decrease from \$1.10 per ton for coal from underground mines and \$0.55 per ton for coal from surface mines (not to exceed 4.4 percent of sales) to \$0.50 per ton for coal from underground mines and \$0.25 per ton for coal from surface mines (not to exceed 2 percent of sales) on January 1, 2014. P.L. 110-343 extended the temporary increase in coal excise tax rates an additional five years from January 1, 2014 to December 31, 2018. The higher excise tax rates will continue until the earlier of December 31, 2018 or the first December 31 after 2007 in which there exist no (1) balance of repayable advances described in section 9501 of the Internal Revenue Code and (2) unpaid interest on the advances. Treasury has interpreted repayable advances to mean any obligations of the Trust Fund to Treasury.

Issuance of Obligations by the Black Lung Disability Trust Fund. P.L. 110-343 gave authority to the Black Lung Disability Trust Fund to issue obligations to the Secretary of Treasury and gave authority to the Secretary of Treasury to purchase the obligations. The proceeds from issuance of these obligations were used to effect the refinancing of the Black Lung Disability Trust Fund. The proceeds from issuance of obligations subsequent to the refinancing may be used to make benefit payments, other authorized expenditures, or to repay obligations and interest from the initial refinancing.

Restructuring of Trust Fund Debt. P.L. 110-343 provided that the refinancing date occur two days after its enactment. Treasury has interpreted this to mean two business days after enactment. Effective October 7, 2008, the Black Lung Disability Trust Fund repaid the market value of the outstanding repayable Advances from U.S. Treasury plus accrued interest, by transferring to the Treasury general fund (1) obligations whose denominations, rate, and maturity were prescribed by the Secretary of the Treasury and (2) the one-time appropriation amount, which was the difference between the proceeds received from issuance of the obligations described above and the market value of the outstanding advances payable.

The effect of the refinancing was to eliminate high interest rate Advances from U.S. Treasury and replace them with zero coupon bonds bearing interest rates between 1.412% and 4.556%. Pursuant to the refinancing, the market value of the outstanding repayable Advances from U.S. Treasury plus accrued interest was \$12.994 billion. The total par value of the zero coupon bonds is \$11.424 billion and the total proceeds to the Black Lung Disability Trust Fund were \$6.496 billion. The one-time appropriation amount was \$6.498 billion. The Trust Fund recognized a loss of \$2.496 billion for the difference between the market value of the outstanding advances of \$12.994 billion as determined by Treasury and the carrying value of the outstanding advances and accrued interest of \$10.498 billion.

Effect of Restructuring of Trust Fund Debt on the Statement of Social Insurance. This restructuring resulted in an actuarial present value of future excise tax income during the projection period of \$9.293 billion as of October 7, 2008 and an actuarial present value of the par value of the zero coupon bonds coming due during the projection period of \$6.326 billion as of October 7, 2008. This, with an actuarial present value of \$2.967 billion for expenses, results in a fund balance of zero at the end of the projection period.

