

## **FINANCIAL STATEMENTS**

**RAILROAD RETIREMENT BOARD  
CONSOLIDATED BALANCE SHEET  
AS OF SEPTEMBER 30, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
<b>Intragovernmental:</b>		
Fund Balances with Treasury (Note 2)	\$49,784,767	\$33,066,909
Investments (Note 3)	18,996,298,693	20,196,713,982
Accounts Receivable (Note 4)	3,741,519,164	3,705,913,018
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<b>Total Intragovernmental (Note 5)</b>	<b>22,787,602,624</b>	<b>23,935,693,909</b>
Accounts Receivable, Net (Note 6)	31,997,561	43,433,179
Inventory and related property, Net (Note 7)	141,986	86,206
General Property, Plant and Equipment, Net (Note 8)	2,355,727	1,720,901
Other (Note 9)	1,744	758
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<b>TOTAL ASSETS</b>	<b><u>\$22,822,099,642</u></b>	<b><u>\$23,980,934,953</u></b>
<b>LIABILITIES (Note 10)</b>		
<b>Intragovernmental:</b>		
Accounts Payable (Note 11)	\$411,995,000	\$431,144,438
Debt (Note 12)	2,947,641,085	2,973,339,932
Other	825,205	794,857
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<b>Total Intragovernmental</b>	<b>3,360,461,290</b>	<b>3,405,279,227</b>
Accounts Payable	621,091	1,277,834
Benefits Due and Payable (Note 13)	755,003,104	721,496,743
Other (Note 14)	7,722,847	6,832,086
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<b>Total Liabilities</b>	<b><u>4,123,808,332</u></b>	<b><u>4,134,885,890</u></b>
<b>NET POSITION</b>		
Unexpended Appropriations	15,256,368	18,139,901
Cumulative Results of Operations (Note 15)	18,683,034,942	19,827,909,162
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<b>Total Net Position</b>	<b><u>18,698,291,310</u></b>	<b><u>19,846,049,063</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$22,822,099,642</u></b>	<b><u>\$23,980,934,953</u></b>

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

**RAILROAD RETIREMENT BOARD  
CONSOLIDATED STATEMENT OF NET COST  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2002 AND 2001**

	<u>2002</u>	<u>RESTATED 2001</u>
<b>PROGRAM COSTS</b>		
<b>INTRAGOVERNMENTAL GROSS COSTS</b>		
Interest Expense - Treasury Borrowing (Note 16)	\$210,668,619	\$221,081,907
Salaries and Expenses (Note 17)	21,244,747	19,762,072
Imputed Costs - Post Retirement Benefits	8,508,837	7,790,679
<b>LESS: INTRAGOVERNMENTAL EARNED REVENUES</b>		
Reimbursement from CMS and DOJ	<u>5,062,958</u>	<u>4,646,844</u>
<b>INTRAGOVERNMENTAL NET COSTS</b>	<b><u>235,359,245</u></b>	<b><u>243,987,814</u></b>
<b>GROSS COSTS WITH THE PUBLIC</b>		
Benefit Payments - RRB (Note 17)	8,816,815,790	8,538,118,762
Salaries and Expenses (Note 17)	89,922,391	82,580,262
Loss (Gains) on Disposition of Assets, Net	36,114	2,284
<b>LESS: EARNED REVENUE FROM THE PUBLIC</b>		
Other Revenue - SI Recoveries & Misc.	<u>29,456,232</u>	<u>24,823,924</u>
<b>NET COSTS WITH THE PUBLIC</b>	<b><u>8,877,318,063</u></b>	<b><u>8,595,877,384</u></b>
<b>TOTAL NET PROGRAM COST</b>	<b>9,112,677,308</b>	<b>8,839,865,198</b>
<b>LESS: EARNED REVENUES NOT ATTRIBUTED TO PROGRAMS</b>	<u>83,999</u>	<u>96,347</u>
<b>NET COST OF OPERATIONS</b>	<b><u>\$9,112,593,309</u></b>	<b><u>\$8,839,768,851</u></b>

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

RAILROAD RETIREMENT BOARD  
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2002 and 2001

	2002		RESTATED 2001	
	CUMULATIVE RESULTS OF OPERATIONS	UNEXPENDED APPROPRIATIONS	CUMULATIVE RESULTS OF OPERATIONS	UNEXPENDED APPROPRIATIONS
NET POSITION - BEGINNING BALANCES	<u>\$19,827,909,162</u>	<u>\$18,139,901</u>	<u>\$18,705,820,489</u>	<u>\$19,623,773</u>
BUDGETARY FINANCING SOURCES:				
APPROPRIATIONS RECEIVED (Note 18)	0	482,150,000	0	487,150,000
OTHER ADJUSTMENTS	0	(6,788,770)	0	(5,482,493)
APPROPRIATIONS USED	478,247,618	(478,247,618)	483,151,379	(483,151,379)
NON - EXCHANGE REVENUE (Note 19)	5,698,404,573	2,855	5,870,627,312	0
OTHER BUDGETARY FINANCING SOURCES	3,416,061	0	198,762,154	0
TRANSFERS OUT TO NRRIT (Note 20)	(1,502,000,000)			
TRANSFERS IN/OUT WITHOUT REIMBURSEMENT (NOTE 21)	3,281,142,000		3,401,526,000	
OTHER FINANCING SOURCES:				
IMPUTED FINANCING FROM COSTS ABSORBED BY OTHERS	<u>8,508,837</u>	<u>0</u>	<u>7,790,679</u>	<u>0</u>
TOTAL FINANCING SOURCES	<u>7,967,719,089</u>	<u>(2,883,533)</u>	<u>9,961,857,524</u>	<u>(1,483,872)</u>
NET COST OF OPERATIONS	<u>9,112,593,309</u>		<u>8,839,768,851</u>	
NET POSITION - ENDING BALANCES	<u><u>\$18,683,034,942</u></u>	<u><u>\$15,256,368</u></u>	<u><u>\$19,827,909,162</u></u>	<u><u>\$18,139,901</u></u>

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

**RAILROAD RETIREMENT BOARD  
 COMBINED STATEMENT OF BUDGETARY RESOURCES  
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2002 AND 2001**

	<u>2002</u>	<u>RESTATED 2001</u>
<b>Budgetary Resources:</b>		
Appropriations Received	\$11,001,350,606	\$11,270,723,747
Unobligated Balance - Beginning of Period	29,045,595	31,736,188
Spending Authority From Offsetting Collections	32,114,928	29,962,802
Recoveries of Prior - Year Obligations	611,731	415,638
Temporarily Not Available Pursuant to Public Law	2,986,481,949	(2,106,311,164)
Permanently Not Available	<u>(5,596,577)</u>	<u>(5,482,493)</u>
<b>Total Budgetary Resources</b>	<b><u>\$14,044,008,232</u></b>	<b><u>\$9,221,044,718</u></b>
<b>Status of Budgetary Resources:</b>		
Obligations Incurred (Note 23)	\$10,972,157,243	\$9,191,999,123
Unobligated Balance	3,057,018,695	4,195,415
Unobligated Balance Not Available	<u>14,832,294</u>	<u>24,850,180</u>
<b>Total Status of Budgetary Resources</b>	<b><u>\$14,044,008,232</u></b>	<b><u>\$9,221,044,718</u></b>
<b>Relationship of Obligations to Outlays:</b>		
<b>Obligated Balance, Net, Beginning of Period:</b>	<b>\$782,767,665</b>	<b>\$770,175,668</b>
<b>Obligated Balance, Net, End of Period:</b>		
Accounts Receivable	28,525,224	150,760
Undelivered Orders	(5,372,252)	(7,703,329)
Accounts Payable	<u>(804,190,342)</u>	<u>(775,215,096)</u>
<b>Outlays:</b>		
Disbursements	10,944,901,341	9,178,841,926
Collections	<u>(36,334,517)</u>	<u>(29,813,243)</u>
Subtotal	10,908,566,824	9,149,028,683
<b>Less: Offsetting Receipts (Note 24)</b>	<u>3,617,142,000</u>	<u>3,728,526,000</u>
<b>Net Outlays</b>	<b><u>\$7,291,424,824</u></b>	<b><u>\$5,420,502,683</u></b>

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

**RAILROAD RETIREMENT BOARD  
CONSOLIDATED STATEMENT OF FINANCING  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2002 AND 2001**

	<u>2002</u>	<u>RESTATED 2001</u>
<b>Resources Used to Finance Activities:</b>		
<b>Budgetary Resources Obligated</b>		
Obligations Incurred	\$10,972,157,243	\$9,191,999,123
Less: Spending Authority from Offsetting Collections and Recoveries	(32,726,659)	(30,378,440)
Obligations Net of Offsetting Collections and Recoveries	<u>10,939,430,584</u>	<u>9,161,620,683</u>
Less: Offsetting Receipts (Note 24)	(3,617,142,000)	(3,728,526,000)
Net Obligations	<u><b>7,322,288,584</b></u>	<u><b>5,433,094,683</b></u>
<b>Resources Used to Finance Items Not Part of the Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated for Goods, Services & Benefits Ordered but not yet Provided	1,859,813	(4,045,605)
Resources That Finance the Acquisition of Assets	(1,896,994)	(634,582)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	<u>1,780,094,328</u>	<u>3,401,411,849</u>
Total Resources Used to Finance Items Not Part of Net Cost of Operations	<u><b>1,780,057,147</b></u>	<u><b>3,396,731,662</b></u>
Total Resources Used to Finance Net Cost of Operations	<b>9,102,345,731</b>	<b>8,829,826,345</b>
<b>Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:</b>		
<b>Components Requiring or Generating Resources in Future Periods:</b>		
Increase in Annual Leave Liability	569,689	162,775
Other	298,657	653,939
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	<u><b>868,346</b></u>	<u><b>816,714</b></u>
<b>Components Not Requiring or Generating Resources:</b>		
Depreciation and Amortization	870,395	1,335,113
Other	8,508,837	7,790,679
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	<u><b>9,379,232</b></u>	<u><b>9,125,792</b></u>
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in Current Period	<u><b>10,247,578</b></u>	<u><b>9,942,506</b></u>
<b>Net Cost of Operations</b>	<u><u><b>\$9,112,593,309</b></u></u>	<u><u><b>\$8,839,768,851</b></u></u>

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

**RAILROAD RETIREMENT BOARD  
STATEMENT OF CUSTODIAL ACTIVITY  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
<b>Revenue Activity:</b>		
<b>Sources of Collections:</b>		
Reimbursement from SSA	<u>\$1,160,541,045</u>	<u>\$1,152,648,859</u>
Total Cash Collections	\$1,160,541,045	\$1,152,648,859
Accrual Adjustments	<u>69,044</u>	<u>61,450</u>
<b>Total Custodial Revenue</b>	<b><u>1,160,610,089</u></b>	<b><u>1,152,710,309</u></b>
<b>Disposition of Collections:</b>		
Payment of SSA Benefits	1,160,610,591	1,152,735,055
Amounts Yet to be Transferred/Paid	<u>(502)</u>	<u>(24,746)</u>
<b>Total Disposition of Collections</b>	<b><u>1,160,610,089</u></b>	<b><u>1,152,710,309</u></b>
<b>Net Custodial Activity</b>	<b><u><u>\$0</u></u></b>	<b><u><u>\$0</u></u></b>

Note: Under Section 7(b)(2) of the Railroad Retirement Act of 1974, the RRB is required to pay certain individuals described in this section, monthly social security benefits on behalf of SSA. For the most part, the RRB is reimbursed in advance for the payment of these benefits.

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

**RAILROAD RETIREMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEARS ENDED SEPTEMBER 30, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

Public Law 107-289, dated November 7, 2002, amended Title 31 U.S.C., which requires that the RRB prepare and submit to the Congress and the Director of OMB audited financial statements for the preceding fiscal year not later than March 1, 2003, and each year thereafter. As required by the law, OMB has prescribed the form and content of the financial statements under OMB Bulletin 01-09, dated September 25, 2001. The RRB's financial statements were prepared in accordance with the form and content prescribed by OMB and with the generally accepted accounting principles and standards prescribed by the FASAB.

The principal statements (prepared on a consolidated basis, except for the Statement of Budgetary Resources which was prepared on a combined basis, and eliminating all significant interfund balances and transactions), are comprised of the Balance Sheet and Statements of Net Cost, Changes in Net Position, Budgetary Resources, Financing, and Custodial Activity. The unfunded actuarial liability is not presented within the financial statements but rather discussed in the Required Supplemental Stewardship Information section of the financial statements in accordance with SFFAS No. 17.

These statements are different from the financial reports, also prepared by the RRB pursuant to OMB directives, used to monitor and control the RRB's use of budgetary resources.

**B. Reporting Entity**

The railroad retirement and the unemployment and sickness insurance programs are financed through the following accounts:

- Railroad Retirement Account (8011) funds retirement, survivor, and disability benefits in excess of social security equivalent benefits from payroll taxes on employers and employees and other income sources.
- Social Security Equivalent Benefit Account (8010) funds the portion of railroad retirement benefits equivalent to a social security benefit from various income sources related to these benefits.
- Railroad Retirement Supplemental Account (8012) paid supplemental annuities, prior to January 1, 2002, to career rail employees from payroll taxes. In accordance with Section 106 of the Railroad Retirement and Survivors' Improvement Act of 2001, the Railroad Retirement Supplemental Account ceased to exist when the funds in that account were transferred to the NRRIT. Supplemental annuities are now paid from funds in the Railroad Retirement Account.
- Dual Benefits Payments Account (0111) funds the phase-out costs of certain vested dual benefits from general appropriations.

- Federal Payments to the Railroad Retirement Accounts (0113) is used as a conduit for transferring certain income taxes on benefits and receiving credit for the interest portion of uncashed check transfers.
- Limitation on Administration Account (8237) pays salaries and expenses to administer the railroad retirement program and the railroad unemployment-sickness insurance programs. This account is financed by the Railroad Retirement Account, the Social Security Equivalent Benefit Account, the Railroad Retirement Supplemental Account, prior to January 1, 2002, and the Railroad Unemployment Insurance Trust Fund.
- Railroad Unemployment Insurance Trust Fund, Benefit Payments (8051.001) funds unemployment and sickness insurance benefits from contributions by railroad employers.
- Railroad Unemployment Insurance Trust Fund, Administrative Expenses (8051.002) was established to pay salaries and expenses to administer the program. This fund is financed by contributions from railroad employers. Monies are transferred from this fund, based on cost accounting estimates and records, to the Limitation on Administration Account (8237) from which salaries and expenses are paid for both the railroad retirement program and the railroad unemployment and sickness insurance program.
- Limitation on the Office of Inspector General (8018) was established to fund the administration of the Inspector General's Office.
- Savings Bonds Allotment (6050), and City and State Taxes (6275) were established as holding accounts for amounts withheld from employees' salaries but not yet paid to the appropriate institutions.

### C. Budgets and Budgetary Accounting

Budget requests are prepared and submitted by the RRB in accordance with OMB Circular A-11 and other specific guidance issued by OMB. The RRB prepares and submits to OMB Apportionment and Reapportionment Requests (SF-132) in accordance with OMB Circular A-34 for all funds appropriated by the Congress or permanently appropriated. Although OMB may apportion funds by category, time period, or object class of expense, the RRB controls and allocates all apportioned funds by three-digit object class codes of expense. For budgetary accounting, all receipts are recorded on a cash basis of accounting and obligations are recorded against the object class codes when they are incurred, regardless of when the resources acquired are to be consumed. Obligations are amounts of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payments during the same or a future period. Quarterly, the RRB prepares and submits Reports on Budget Execution (SF-133) to OMB, reporting all obligations incurred against the amounts apportioned.

#### D. Basis of Accounting

As required by law, the Dual Benefits Payments Account is on a cash basis of accounting. Payroll taxes and unemployment contributions are recorded on a modified cash basis in accordance with SFFAS No. 7. All other transactions are recorded on an accrual basis of accounting and a budgetary basis. Under the accrual method, revenues (except payroll taxes and unemployment contributions which are on a modified cash basis) are recognized when earned and expenses are recognized when a liability is incurred. For budgetary accounting, financial transactions are recorded when obligations are incurred, regardless of when the resources acquired are to be consumed.

The accompanying consolidated financial statements of the RRB include all funds maintained by the RRB, after elimination of all significant interfund balances and transactions.

## 2. FUND BALANCES WITH TREASURY

Fund balances with Treasury at September 30 consisted of:

	<u>2002</u>	<u>2001</u>
A. Fund Balances:		
(1) Trust Funds	\$34,473,730	\$14,843,555
(2) Revolving Funds	0	0
(3) Appropriated Funds	15,256,368	18,139,901
(4) Other Fund Types	<u>54,669</u>	<u>83,453</u>
Total	<u>49,784,767</u>	<u>33,066,909</u>
B. Status of Fund Balance with Treasury		
(1) Unobligated Balance		
(a) Available	216,874	2,928,428
(b) Unavailable	15,095,396	18,060,109
(2) Obligated Balance not yet Disbursed	<u>34,472,497</u>	<u>12,078,372</u>
Total	<u>\$49,784,767</u>	<u>\$33,066,909</u>

C. Other Information: The above represents cash held in Treasury. Unobligated and obligated funds not held in cash are invested in Treasury securities.

## 3. INVESTMENTS

The NRRIT was established pursuant to Section 105 of the Railroad Retirement and Survivors' Improvement Act of 2001, dated December 21, 2001. The NRRIT is to manage and invest the assets of the Railroad Retirement Account in a diversified investment portfolio in the same manner as those of private sector retirement plans. Prior to the Act, trust fund balances not immediately required for the payment of benefits could only be invested in interest bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States as provided for in Section 15(e) of the Railroad Retirement Act of 1974. Investment securities are stated at cost, adjusted for net unamortized discounts of \$6,313,099,600 and \$6,728,647,378 at September 30, 2002 and 2001, respectively. Amortization of market-based note and bond premiums/discounts are computed using the

compound method. Total premiums/discounts are prorated to interim periods on the basis of a constant rate (as opposed to a constant dollar amount), so that a uniform rate of interest income on the notes/bonds is recognized in the accounts. All amortization of premiums and discounts is recognized as an adjustment to interest on investments.

	<u>At September 30, 2002</u>	
	<u>Book Value</u>	<u>Market Value</u>
3.375% par value specials maturing on October 1, 2002	\$ 8,053,972,000	\$ 8,053,972,000
Zero coupon bonds with maturities ranging from February 15, 2009, to February 15, 2017, and market yields ranging from 3.39% to 4.95%.	8,828,739,940	10,381,764,615
Market-based notes and bonds with maturities ranging from November 15, 2015, to February 15, 2016, and market yields ranging from 4.21% to 4.29%.	<u>2,064,160,460</u>	<u>2,463,163,750</u>
Subtotal	18,946,872,400	20,898,900,365
Accrued interest - Market-based	29,960,625	29,960,625
- Par value	<u>19,465,668</u>	<u>19,465,668</u>
Total	<u>\$18,996,298,693</u>	<u>\$20,948,326,658</u>

	<u>At September 30, 2001</u>	
	<u>Book Value</u>	<u>Market Value</u>
4.50% par value specials maturing on October 1, 2001	\$ 9,728,172,000	\$ 9,728,172,000
Zero coupon bonds with maturity dates ranging from February 5, 2009, to November 15, 2015, and market yields ranging from 4.64% to 5.61%.	8,323,220,629	8,970,263,909
Market-based notes and bonds with maturity dates ranging from November 15, 2015, to February 15, 2016, and market yields ranging from 5.14% to 5.20%.	<u>2,085,131,993</u>	<u>2,310,413,750</u>
Subtotal	20,136,524,622	21,008,849,659
Accrued interest - Market-based	29,960,625	29,960,625
- Par value	<u>30,228,735</u>	<u>30,228,735</u>
Total	<u>\$20,196,713,982</u>	<u>\$21,069,039,019</u>

#### **4. ACCOUNTS RECEIVABLE - INTRAGOVERNMENTAL**

Accounts receivable - Intragovernmental at September 30 consisted of:

	<u>2002</u>	<u>2001</u>
Financial Interchange – Principal	\$3,586,300,000	\$3,542,500,000
Financial Interchange – Interest	126,600,000	130,600,000
Department of Labor	28,292,323	32,405,221
Social Security Administration - OASI/DI Benefits	<u>326,841</u>	<u>407,797</u>
Total	<u>\$3,741,519,164</u>	<u>\$3,705,913,018</u>

The FY 2002 financial interchange accounts receivable for principal and interest are based on economic assumptions in the mid-session review of the Federal 2003 budget. These receivables have been shown as a corresponding intragovernmental liability on the September 30, 2002 Consolidated Balance Sheet for the Social Security Administration released in November 2002.

#### **5. INTRAGOVERNMENTAL ASSETS**

Intragovernmental assets at September 30 consisted of:

	<u>2002</u>	<u>2001</u>
Fund Balance with Treasury	\$ 49,784,767	\$ 33,066,909
Investments	18,996,298,693	20,196,713,982
Accounts Receivable	<u>3,741,519,164</u>	<u>3,705,913,018</u>
Total	<u>\$22,787,602,624</u>	<u>\$23,935,693,909</u>

#### **6. ACCOUNTS RECEIVABLE, NET**

Accounts receivable, net at September 30 consisted of:

	<u>2002</u>	<u>2001</u>
Accounts receivable - Benefit overpayments	\$37,659,123	\$50,300,334
Accounts receivable – Past due RUI contributions and taxes	90,211	378,378
Accounts receivable - Interest, penalty & administrative costs	<u>666,027</u>	<u>4,538,518</u>
Total	38,415,361	55,217,230
Less: Allowances for doubtful accounts	<u>6,417,800</u>	<u>11,784,051</u>
Net Total	<u>\$31,997,561</u>	<u>\$43,433,179</u>

The RRB's ending accounts receivable balance (after writing-off currently not collectible (CNC) receivables but prior to the application of the allowance for doubtful accounts) of \$38,415,361 includes \$31,335,767 (81.6%) in railroad retirement program receivables and \$7,079,594 (18.4%) in railroad unemployment insurance program receivables. The total allowance for doubtful accounts is \$6,417,800. This includes \$5,968,554 (19.0%) for the railroad retirement program and \$449,246 (6.4%) for the unemployment insurance program receivables.

The allowance for doubtful accounts for the railroad retirement program was calculated, taking into consideration the CNC write-off initiated this year, as follows: (1) stratifying the accounts receivable into 12 categories, (2) analyzing each category using sampling and historical data, (3) determining the percentage of amounts due the RRB that would probably not be collected, (4) applying the determined percentages against accounts receivable for each category, and (5) adding the amounts derived for each category to obtain the total allowance for doubtful accounts. The allowance for doubtful accounts for the unemployment insurance program was calculated based on the ages of accounts receivable and historical information.

## 7. INVENTORY AND RELATED PROPERTY

Operating materials and supplies are valued on the weighted average basis. The recorded values are adjusted for the results of physical inventories taken periodically. Expenditures are recorded when inventories are consumed.

## 8. PROPERTY AND EQUIPMENT

These assets are stated at cost less accumulated depreciation/amortization. Acquisitions are capitalized if the cost is \$5,000 or more and the service life is 2 years or greater. Depreciation/amortization is computed on the straight-line method. These assets consisted of:

<u>Classes of Fixed Assets</u>	<u>Service Lives</u>	<u>At September 30, 2002</u>		
		<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Structures, facilities and leasehold improvements	15 years	\$ 2,582,985	\$ 2,253,371	\$ 329,614
ADP software	5 years	19,674,777	18,852,746	822,031
Equipment	5-10 years	4,856,558	4,103,591	752,967
Internal-Use Software in Development		<u>451,115</u>	<u>0.00</u>	<u>451,115</u>
		<u>\$27,565,435</u>	<u>\$25,209,708</u>	<u>\$ 2,355,727</u>

<u>Classes of Fixed Assets</u>	<u>Service Lives</u>	<u>At September 30, 2001</u>		
		<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Structures, facilities and leasehold improvements	15 years	\$ 2,718,770	\$ 2,248,379	\$ 470,391
ADP software	5 years	18,965,097	18,726,416	238,681
Equipment	5-10 years	<u>5,961,998</u>	<u>4,950,169</u>	<u>1,011,829</u>
		<u>\$27,645,865</u>	<u>\$25,924,964</u>	<u>\$ 1,720,901</u>

## 9. OTHER ASSETS

Other Governmental Assets at September 30 consisted of:

	<u>2002</u>	<u>2001</u>
Other - Advances to employees for health insurance and TSP contributions	<u>\$ 1,744</u>	<u>\$ 758</u>

## 10. LIABILITIES

Liabilities at September 30 consisted of:

	<u>2002</u>	<u>RESTATED 2001</u>
Intragovernmental:		
Accounts Payable	\$ 411,995,000	\$ 431,144,438
Debt	2,947,641,085	2,973,339,932
Other	<u>383,993</u>	<u>316,308</u>
Liabilities Covered by Budgetary Resources	<u>\$3,360,020,078</u>	<u>\$3,404,800,678</u>
Liabilities Not Covered by Budgetary Resources:		
Other – Unfunded FECA Liability	<u>\$ 441,212</u>	<u>\$ 478,549</u>
Public:		
Accounts Payable	\$ 621,091	\$ 1,277,834
Benefits Due and Payable	755,003,104	721,496,743
Other	<u>1,729,610</u>	<u>1,408,538</u>
Liabilities Covered by Budgetary Resources	<u>\$ 757,353,805</u>	<u>\$ 724,183,115</u>
Liabilities Not Covered by Budgetary Resources:		
Other – Accrued Unfunded Leave	<u>\$ 5,993,237</u>	<u>\$ 5,423,548</u>
Total Liabilities Covered by Budgetary Resources	\$4,117,373,883	\$4,128,983,793
Total Liabilities Not Covered by Budgetary Resources	<u>6,434,449</u>	<u>5,902,097</u>
Total Liabilities	<u>\$4,123,808,332</u>	<u>\$4,134,885,890</u>

## 11. ACCOUNTS PAYABLE - INTRAGOVERNMENTAL

Accounts payable - Intragovernmental at September 30 consisted of:

	<u>2002</u>	<u>2001</u>
Accrued Expenses	\$ 195,000	\$ 144,438
Accounts Payable - FHI Principal	398,800,000	414,100,000
Accounts Payable - FHI Interest	<u>13,000,000</u>	<u>16,900,000</u>
Total	<u>\$411,995,000</u>	<u>\$431,144,438</u>

The FY 2002 financial interchange accounts payable – FHI principal and interest are based on economic assumptions in the mid-session review of the Federal 2003 budget. These estimates are also being used by CMS as receivables in their financial statements.

## 12. DEBT

Intragovernmental debt results from borrowing from Treasury to fund benefit payments from the SSEB Account.

	<u>2002</u>	<u>2001</u>
Beginning Balance, Principal	\$2,884,100,000	\$2,746,000,000
New Borrowing	3,148,900,000	3,139,400,000
Repayments	<u>(3,162,800,000)</u>	<u>(3,001,300,000)</u>
Ending Balance, Principal	2,870,200,000	2,884,100,000
Accrued Interest	<u>77,441,085</u>	<u>89,239,932</u>
Total	<u>\$2,947,641,085</u>	<u>\$2,973,339,932</u>

## 13. BENEFITS DUE AND PAYABLE

Benefits due and payable are accrued for all benefits to which recipients are entitled for the month of September, which, by statute, are not paid until October. Also, liabilities are accrued on benefits for past periods that have not completed processing, such as benefit payments due but not paid. The amounts include uncashed checks of \$8,540,244 and \$8,078,858, at September 30, 2002 and 2001, respectively. Under Public Law 100-86, the amount of RRB benefits represented by checks which remain uncashed for 12 months after the check issue date are credited (including interest thereon) to the accounts from which the checks were drawn. The principal amount of uncashed checks must remain in a liability account until the RRB determines that entitlement no longer exists or another check is issued to the beneficiary.

## 14. OTHER GOVERNMENTAL LIABILITIES

Other governmental liabilities at September 30 consisted of:

	<u>2002</u>	<u>2001</u>
Accrued Unfunded Liabilities	\$5,993,237	\$5,423,548
Accrued Payroll	1,564,090	1,232,716
Accrued RRB Contributions – TSP	163,897	297,021
Withholdings Payable	2,140	(160,656)
Other	<u>(517)</u>	<u>39,457</u>
Total	<u>\$7,722,847</u>	<u>\$6,832,086</u>

## **15. CUMULATIVE RESULTS OF OPERATIONS**

Included in the cumulative results of operations for FY 2002 and FY 2001 were undelivered orders of \$5,372,252 and \$7,703,329, respectively.

## **16. INTEREST EXPENSE - TREASURY BORROWING**

The interest expense - Treasury borrowing represents the interest expense on the advances from the financial interchange.

## **17. SALARIES AND EXPENSES AND BENEFIT PAYMENTS**

The details of salaries and expenses and benefit payments by budget object code are shown in the supplementary schedules.

## **18. APPROPRIATIONS RECEIVED**

Appropriations received for the fiscal year ended September 30 was comprised of amounts appropriated to the following funds:

	<u>2002</u>	<u>RESTATED 2001</u>
Dual Benefits Payments Account	\$146,000,000	\$160,000,000
Federal Payments to the Railroad Retirement Accounts:		
Federal Income Taxes	336,000,000	327,000,000
Interest	<u>150,000</u>	<u>150,000</u>
Total	<u>\$482,150,000</u>	<u>\$487,150,000</u>

The amounts shown for the Dual Benefits Payments Account include Federal income tax transfers of \$7,000,000 in FY 2002 and \$10,000,000 in FY 2001.

Although the Combined Statement of Budgetary Resources shows FY 2002 appropriations received as \$11,001,350,606, and the Statement of Net Position shows \$482,150,000 as appropriations received, the \$10.5 billion difference is due to the exclusion on the Statement of Net Position of appropriations dedicated and earmarked for special and non-revolving trust funds. OMB Bulletin No. 01-09, Section 5.4, requires that these appropriations be accounted for as either exchange or nonexchange revenue on the Statement of Net Position in accordance with SFFAS No. 7.

## **19. TAXES AND OTHER NON-EXCHANGE REVENUES – CUMULATIVE RESULTS FROM OPERATIONS**

Taxes and other non-exchange revenues (excluding unexpended appropriations for FY 2002 of \$2,855 for interest on uncashed checks) for the fiscal year ended September 30 consisted of:

	<u>2002</u>	<u>RESTATED 2001</u>
Tier I	\$2,044,311,547	\$2,039,913,079
Tier II	2,505,336,000	2,594,838,372
Supplemental Taxes	23,568,000	67,881,121
Railroad Unemployment Insurance Contributions	95,415,354	50,652,171
Interest Revenue and Other Income	1,037,865,974	1,126,062,875
Carriers' Refunds Principal	<u>(8,092,302)</u>	<u>(8,720,306)</u>
Total	<u>\$5,698,404,573</u>	<u>\$5,870,627,312</u>

## **20. TRANSFERS TO NRRIT**

The NRRIT was established pursuant to Section 105 of the Railroad Retirement and Survivors' Improvement Act of 2001 that was signed into law on December 21, 2001, with an effective date of February 1, 2002. See Financial Highlights on page 29 for more details pertaining to NRRIT.

During FY 2002, the RRB transferred \$1,431,588,908 from the Railroad Retirement Account and \$70,411,092 from the Railroad Retirement Supplemental Account, or a total of \$1.502 billion, to NRRIT.

In fiscal year 2003 (through January 24, 2003), the RRB has transferred \$10.25 billion to the NRRIT, which is in addition to the \$1.502 billion transferred in FY 2002.

## **21. TRANSFERS IN/OUT WITHOUT REIMBURSEMENT**

	<u>2002</u>	<u>RESTATED 2001</u>
Transfers-in consisted of:		
Financial Interchange Transfer – FOASI/DI Principal	\$3,467,400,000	\$3,616,200,000
Financial Interchange Transfer – FOASI/DI Interest	219,207,000	260,715,000
Transfers-out consisted of:		
Financial Interchange Transfer – FHI Principal	(372,900,000)	(428,500,000)
Financial Interchange Transfer – FHI Interest	<u>(32,565,000)</u>	<u>(46,889,000)</u>
Net Transfers In/Out	<u>\$3,281,142,000</u>	<u>\$3,401,526,000</u>

Transfer of principal occurs subsequent to the fiscal year.

## **22. CONTINGENT LIABILITIES**

The RRB is involved in the following actions:

- CSX Transportation, et al, filed a claim for refund of RRTA or FICA taxes paid on lump-sum separation payments on the theory that such payments were supplemental unemployment benefits. It is reasonably possible that the RR Account and SSEB Account are contingently liable for an estimated amount of \$300 million.

- Atchinson, Topeka and Santa Fe Railway, Southern Pacific Railway, St. Louis Southwestern Railway, and Grand Trunk Western Railway, filed a claim for refund of RRTA or FICA taxes paid on lump-sum separation payments on the theory that such payments were supplemental unemployment benefits. The cases are pending the outcome of the CSX case. It is reasonably possible that the RR Account and SSEB Account are contingently liable for an estimated amount of \$82 million.
- Several Class 1 railroads have filed claims for refund of taxes with the Internal Revenue Service (IRS). Based on prior experience, it is remote that the RR Account and SSEB Account are contingently liable for an estimated amount of \$569.8 million. Under the anti-disclosure provision of the IRS code, we are not permitted to disclose any details related to these claims.

Because none of the above cases have been categorized as probable, no provision has been made in the accompanying financial statements.

### **23. DIRECT AND REIMBURSABLE OBLIGATIONS**

	<u>2002</u>	<u>RESTATED 2001</u>
Direct Obligations	\$10,966,527,787	\$9,186,869,288
Reimbursable Obligations	<u>5,629,456</u>	<u>5,129,835</u>
Total Obligations	<u>\$10,972,157,243</u>	<u>\$9,191,999,123</u>

### **24. EXPLANATION OF DIFFERENCES BETWEEN THE COMBINED STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT**

Reconciliations of offsetting receipts presented in the Combined Statement of Budgetary Resources to the amounts in the Budget of the United States Government for the years ended September 30, 2002, and September 30, 2001, are shown below.

	<u>FY 2002</u>	<u>FY 2001</u>
Offsetting receipts reflected in the Budget of the United States Government	\$5,148,807,000	\$3,282,815,000
Less: Offsetting receipts for the NRRIT <sup>1</sup>	(1,502,000,000)	(-0-)
Financial Interchange settlement for Federal Hospital Insurance (FHI) <sup>2</sup>	(405,465,000)	(475,389,000)
Plus: Federal Income Tax Receipts <sup>3</sup>	336,000,000	327,000,000
Difference between FI Cash and Accrual <sup>4</sup>	<u>39,800,000</u>	<u>594,100,000</u>
Statement of Budgetary Resources	<u>\$3,617,142,000</u>	<u>\$3,728,526,000</u>

<sup>1</sup> Offsetting receipts of the NRRIT are excluded because the financial transactions of the NRRIT are not included in the financial statements of the RRB.

<sup>2</sup> OMB reflects the financial interchange settlement for FHI in the Budget of the United States as a negative tax receipt. The RRB's statement shows the FHI as a reduction to the FI settlement.

<sup>3</sup> Federal income tax receipts are treated by OMB in the Budget of the United States as interfund transactions. The RRB's statement shows Federal income tax receipts as appropriations received.

<sup>4</sup> OMB reflects the FI in the Budget of the United States on a cash basis. The FI, however, is included in the RRB's statement on an accrual basis.

## **25. RESTATEMENTS**

For FY 2001, the Statement of Net Cost, the Statement of Changes in Net Position, the Statement of Budgetary Resources, and the Statement of Financing were restated to conform to the new format required under OMB Bulletin No. 01-09.

The restatement in the Statement of Net Cost was due to the separation of revenues between intragovernmental earned revenues and earned revenues from the public.

In the Statement of Net Position, net position is broken down into two components: Cumulative Results of Operations and Unexpended Appropriations. The statement now displays both components of net position separately to enable the user to better understand the nature of the changes to net position as a whole.

On the Statement of Budgetary Resources, FY 2001 amounts were restated to present amounts on a combined basis rather than on the consolidated basis used in FY 2001. Additionally, OMB Bulletin No. 01-09 required the disclosure of offsetting receipts.

On the Statement of Financing, FY 2001 obligations were restated to present amounts on a combined basis.

## **SUPPLEMENTARY SCHEDULES**