FINANCIAL SECTION

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Financial Section

Message from the Chief Financial Officer

I am pleased to present the RRB's Performance and Accountability Report for fiscal year 2008. This report incorporates the annual performance report under the Government Performance and Results Act of 1993, the internal control report under the Federal Managers' Financial Integrity Act, and audited consolidated financial statements under OMB guidance.

The RRB is committed to integrated and automated financial management systems that focus on the agency's mission and accountability. RRB strives to maintain an environment in which program and financial managers work in partnership to ensure the integrity of financial information and use that information to make decisions, measure performance, and monitor outcomes. In this environment, we envision integrated financial management systems with appropriate internal review and controls that provide agency managers with timely, accurate, and easily accessible information. We expect managers throughout the agency to use that information to achieve program objectives in a cost-effective manner and to ensure accountability.

The RRB continued to provide high quality financial management and financial reporting during fiscal year 2008. The RRB:

- Achieved an unqualified, or clean, audit opinion on its consolidated financial statements for fiscal year 2008. We also continued to prepare unaudited quarterly financial statements and met the accelerated schedule of releasing these statements to OMB.

- Continued its planning for the transition to a new financial management system. Initial efforts have focused on evaluating the potential costs and monitoring the progress of other Federal agencies that are migrating to a Financial Management Line of Business Shared Service Provider. During fiscal years 2009 and 2010, we intend to further evaluate various migration options.

- Implemented audit recommendations as follows:

  At the beginning of fiscal year 2008, the agency's audit follow-up tracking system reported 189 audit recommendations as being open. During the fiscal year, audit reports containing another 51 recommendations were issued. As a result, the total number of open recommendations during the year was 240. At the same time, final action was completed on 72 audit recommendations and 4 audit recommendations were rejected, resulting in a balance at the end of the fiscal year of 164 open recommendations. Many of the open recommendations deal with information technology, including several security-related recommendations, and require ongoing, long-term corrective actions to bring them to closure. Additionally, the status of the OIG-identified material weaknesses and planned corrective actions are presented in the Management's Discussion and Analysis' Management Assurance section.

The RRB will continue to provide financial information that is timely, accurate and useful in the coming years. We are committed to continuing our tradition of providing high quality financial services to agency management, the Congress, OMB, and the constituents we serve.

Original signed by:

Kenneth P. Boehne
Chief Financial Officer

RAILROAD RETIREMENT BOARD
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2008 AND 2007
(in dollars)

	FY 2008	FY 2007
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$40,683,215	$61,178,489
Investments (Note 4)	1,407,311,638	1,323,596,381
Accounts Receivable (Note 6)	4,047,203,316	3,911,000,908
Total Intragovernmental	**5,495,198,169**	**5,295,775,778**
NRRIT Net Assets (Note 5)	25,320,737,474	32,660,594,000
Accounts Receivable, Net (Note 6)	32,248,714	32,521,516
Inventory and Related Property, Net (Note 7)	97,452	101,517
General Property, Plant and Equipment, Net (Note 8)	1,432,927	1,371,309
Other	32,936	29,660
TOTAL ASSETS	**$30,849,747,672**	**$37,990,393,780**
LIABILITIES (Note 9)		
Intragovernmental:		
Accounts Payable	$509,991,700	$484,330,000
Debt	3,164,768,904	3,017,472,732
Other	1,094,480	992,347
Total Intragovernmental	**3,675,855,084**	**3,502,795,079**
Accounts Payable	619,370	883,223
Benefits Due and Payable	874,547,337	849,154,891
Other	111,055,144	110,158,446
TOTAL LIABILITIES	**4,662,076,935**	**4,462,991,639**
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET POSITION		
Unexpended Appropriations - Earmarked Funds (Note 17)	504,921	495,477
Unexpended Appropriations - Other Funds	5,699,982	6,132,482
Cumulative Results of Operations - Earmarked Funds (Note 17)	26,181,465,834	33,520,774,182
TOTAL NET POSITION	**26,187,670,737**	**33,527,402,141**
TOTAL LIABILITIES AND NET POSITION	**$30,849,747,672**	**$37,990,393,780**

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

RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007
(in dollars)

	FY 2008	FY 2007
Program Costs		
Railroad Retirement Program		
Gross Costs (Note 11)	$10,350,267,409	$10,111,342,675
Less: Earned Revenue	9,663,267	8,536,491
Net Program Costs	10,340,604,142	10,102,806,184
Railroad Unemployment and Sickness Insurance Program		
Gross Costs (Note 11)	122,293,690	117,351,269
Less: Earned Revenue	24,054,840	24,854,898
Net Program Costs	98,238,850	92,496,371
Costs Not Assigned to Programs	0	0
Less: Earned Revenues Not Attributed to Programs	290,031	241,770
NET COST OF OPERATIONS	**$10,438,552,961**	**$10,195,060,785**

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

RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2008
(in dollars)

FY 2008

	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	$33,520,774,182			$33,520,774,182
Budgetary Financing Sources:				
Appropriations Used	359,073,113	77,657,616		436,730,729
Non-Exchange Revenue	5,421,697,351	1,915	(359,073,113)	5,062,626,153
Transfers in from NRRIT (Note 12)	1,298,000,000			1,298,000,000
Transfers in/out Without Reimbursement	3,633,185,000			3,633,185,000
Other Financing Sources (Non-Exchange):				
Imputed Financing	8,559,257			8,559,257
Change in NRRIT Assets	(7,339,856,526)			(7,339,856,526)
Total Financing Sources	3,380,658,195	77,659,531	(359,073,113)	3,099,244,613
Net Cost of Operations	10,719,966,543	77,659,531	(359,073,113)	10,438,552,961
Net Change	(7,339,308,348)			(7,339,308,348)
Cumulative Results of Operations	**26,181,465,834**			**26,181,465,834**
Unexpended Appropriations:				
Beginning Balances	495,477	6,132,482		6,627,959
Budgetary Financing Sources:				
Appropriations Received	$359,150,000	$80,404,670		$439,554,670
Other Adjustments	(67,443)	(3,179,554)		(3,246,997)
Appropriations Used	(359,073,113)	(77,657,616)		(436,730,729)
Total Budgetary Financing Sources	9,444	(432,500)		(423,056)
Total Unexpended Appropriations	**504,921**	**5,699,982**		**6,204,903**
Net Position	**$26,181,970,755**	**$5,699,982**		**$26,187,670,737**

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

RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(in dollars)

FY 2007

	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	$29,877,180,462			$29,877,180,462
Budgetary Financing Sources:				
Appropriations Used	460,089,400	86,486,517		546,575,917
Non-Exchange Revenue	5,490,878,777	2,460	(460,089,400)	5,030,791,837
Transfers in from NRRIT (Note 12)	1,391,000,000			1,391,000,000
Transfers in/out Without Reimbursement	3,573,541,000			3,573,541,000
Other Financing Sources (Non-Exchange):				
Imputed Financing	8,904,879			8,904,879
Change in NRRIT Assets	3,287,842,000			3,287,842,000
Other	(1,128)			(1,128)
Total Financing Sources	14,212,254,928	86,488,977	(460,089,400)	13,838,654,505
Net Cost of Operations	10,568,661,208	86,488,977	(460,089,400)	10,195,060,785
Net Change	3,643,593,720			3,643,593,720
Cumulative Results of Operations	**33,520,774,182**			**33,520,774,182**
Unexpended Appropriations:				
Beginning Balances	434,877	8,469,010		8,903,887
Budgetary Financing Sources:				
Appropriations Received	460,150,000	88,000,000		548,150,000
Other Adjustments		(3,850,011)		(3,850,011)
Appropriations Used	(460,089,400)	(86,486,517)		(546,575,917)
Total Budgetary Financing Sources	60,600	(2,336,528)		(2,275,928)
Total Unexpended Appropriations	**495,477**	**6,132,482**		**6,627,959**
Net Position	**$33,521,269,659**	**$6,132,482**		**$33,527,402,141**

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

RAILROAD RETIREMENT BOARD
COMBINED STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007
(in dollars)

	FY 2008	RESTATED FY 2007
BUDGETARY RESOURCES		
Unobligated balance, brought forward, October 1	$10,693,589	$12,048,208
Recoveries of prior year unpaid obligations	315,745	1,497,036
Budget authority		
Appropriation	11,082,467,857	11,234,210,880
Borrowing authority (Note 19)	3,385,800,000	3,232,600,000
Spending authority from offsetting collections		
Earned		
Collected	34,065,154	32,122,746
Change in receivables from Federal sources	(776)	19
Expenditure transfers from trust funds (Note 19)	108,930,154	110,866,564
Subtotal	14,611,262,389	14,609,800,209
Nonexpenditure transfers, net, anticipated and actual (Note 19)	(13,514)	(13,266)
Temporarily not available pursuant to Public Law	(445,444,583)	(574,373,107)
Permanently not available	(3,232,812,162)	(3,244,129,804)
TOTAL BUDGETARY RESOURCES	**$10,944,001,464**	**$10,804,829,276**
STATUS OF BUDGETARY RESOURCES		
Obligations incurred (Notes 18 and 19)		
Direct	$10,925,290,386	$10,785,440,556
Reimbursable	9,073,058	8,695,131
Subtotal	10,934,363,444	10,794,135,687
Unobligated balance		
Apportioned	1,489,724	1,959,099
Unobligated balance not available	8,148,296	8,734,490
TOTAL STATUS OF BUDGETARY RESOURCES	**$10,944,001,464**	**$10,804,829,276**
CHANGE IN OBLIGATED BALANCE		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	$910,619,388	$875,906,704
Uncollected customer payments from Federal sources, brought forward, October 1	(5,794,654)	(2,219,668)
Total unpaid obligated balance, net	**$904,824,734**	**$873,687,036**
Obligations incurred, net	$10,934,363,444	$10,794,135,687
Gross outlays	(10,912,440,273)	(10,755,707,056)
Recoveries of prior year unpaid obligations, actual	(315,745)	(1,497,036)
Change in uncollected customer payments from Federal sources	(999,224)	(5,793,897)
Obligated balance, net, end of period		
Unpaid Obligations (Note 13)	$926,432,936	$910,619,388
Uncollected customer payments from Federal sources	(1,000,000)	(5,794,654)
Total, unpaid obligated balance, net, end of period	**$925,432,936**	**$904,824,734**
NET OUTLAYS (Note 14)		
Gross outlays	$10,912,440,273	$10,755,707,056
Offsetting collections	(141,995,308)	(137,195,432)
Distributed offsetting receipts	(3,992,185,000)	(4,033,541,000)
Net Outlays	**$6,778,259,965**	**$6,584,970,624**

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

Statement of Social Insurance (Note 15, Note 16)

Actuarial Surplus or (Deficiency)

75-year Projection as of January 1, 2008

(Present values in billions of dollars)*

	1/1/2008	1/1/2007	1/1/2006	Unaudited 1/1/2005	Unaudited 1/1/2004
Estimated future income (excluding interest) received from or on behalf of:					
Current participants not yet having attained retirement age	$69.6	$66.7	$65.0	$56.8	$55.8
Current participants who have attained retirement age	66.2	63.4	62.5	56.9	54.9
Those expected to become participants	43.3	43.1	44.3	31.3	30.3
Subtotal - future income for the 75-year period	179.1	173.1	171.8	145.0	141.0
Estimated future expenditures:					
Current participants not yet having attained retirement age	88.4	86.0	84.1	72.9	71.8
Current participants who have attained retirement age	97.0	92.8	91.7	84.1	81.1
Those expected to become participants	26.0	25.5	25.0	15.8	13.9
Subtotal - future expenditures for the 75-year period	211.5	204.2	200.8	172.8	166.8
Estimated future excess of income over expenditures:	(32.3)	(31.1)	(29.0)	(27.8)	(25.9)
Fund balance:	33.2	32.0	30.0	28.6	26.6
Fund balance plus estimated future excess of income over expenditures:	0.9	0.9	1.0	0.8	0.8

*Present values changed from millions of dollars to billions. See explanation in Note 15.

<u>Notes to the Financial Statements</u>: Fiscal Years Ended September 30, 2008 and 2007

1. <u>Summary of Significant Accounting Policies</u>

A. Basis of Presentation

Public Law 107-289, the Accountability of Tax Dollars Act of 2002, added the Railroad Retirement Board (RRB) as an agency required to prepare audited financial statements for fiscal year 2003 and subsequent years. Office of Management and Budget (OMB) guidance requires that Performance and Accountability Reports (P&AR) for fiscal year 2008 are to be submitted to the President, the Congress, and the Director of OMB by November 17, 2008. As required by law, OMB has also prescribed the form and content of financial statements under OMB Circular A-136. The RRB's financial statements were prepared in accordance with the form and content prescribed by OMB and with generally accepted accounting principles and standards prescribed by the Federal Accounting Standards Advisory Board (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, and Social Insurance. 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 railroad unemployment and sickness insurance programs are financed through the following accounts:

- Railroad Retirement (RR) 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. Account 8011 is considered an earmarked fund. Our authority to use these collections is 45 United States Code (USC) §231(F)(c)(1).

- Social Security Equivalent Benefit (SSEB) Account (8010) funds the portion of railroad retirement benefits equivalent to a social security benefit from various income sources related to these benefits. Account 8010 is considered an earmarked fund. Our authority to use these collections is 45 USC §231N-1(c)(1).

- Dual Benefits Payments (DBP) Account (0111) funds the phase-out costs of certain vested dual benefits from general appropriations. Account 0111 is considered a general fund. Our authority to use these collections is 45 USC §231(N)(d).

- Federal Payments to the Railroad Retirement Accounts (0113) was established by OMB, not by legislation, and is used as a conduit for transferring certain income taxes on benefits and receiving credit for the interest portion of uncashed check transfers. Account 0113 is considered an earmarked fund. This account has no basis in law.

- Limitation on Administration Account (8237) pays salaries and expenses to administer the railroad retirement program and the railroad unemployment and sickness insurance program. This account is financed by the RR Account, the SSEB Account, and the Railroad

Unemployment Insurance Trust Fund, Administrative Expenses. Account 8237 is considered an earmarked fund. Our authority to use these collections is 45 USC §231N-1(c) and 45 USC §231N-(H).

- Railroad Unemployment Insurance Trust Fund, Benefit Payments (8051.001) funds railroad unemployment and sickness insurance benefits from contributions by railroad employers. Account 8051.001 is considered an earmarked fund. Our authority to use these collections is 45 USC §360.

- Railroad Unemployment Insurance Trust Fund, Administrative Expenses (8051.002) was established to pay salaries and expenses to administer the program. Account 8051.002 is considered an earmarked fund. 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. Our authority to use these collections is 45 USC §361.

- Limitation on the Office of Inspector General (8018) was established to fund the administration of the Inspector General's Office. Account 8018 is considered an earmarked fund. Our authority to use these collections is Public Law 110-161.

- City and State Taxes (6275) was established as a holding account 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-11 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 DBP Account is on a cash basis of accounting. Payroll taxes and unemployment contributions are recorded on a modified cash basis in accordance with Statement of Federal Financial Accounting Standards (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.

E. Concepts

The Fund Balance with Treasury (FBWT) is the aggregate amount of funds on deposit with the Treasury, excluding seized cash deposited. The FBWT is increased by (1) receiving appropriations, reappropriations, continuing resolutions, appropriation restorations, and allocations; and (2) receiving transfers and reimbursements from other agencies. It also is increased by amounts borrowed from the Bureau of the Public Debt (BPD), the Federal Financing Bank, or other entities, and amounts collected and credited to appropriation or fund accounts. The FBWT is reduced by (1) disbursements made to pay liabilities or to purchase assets, goods, and services; (2) investments in U.S. securities (securities issued by BPD or other Federal Government agencies); (3) cancellation of expired appropriations; (4) transfers and reimbursements to other entities or to the General Fund of the Treasury; and, (5) sequestration or rescission of appropriations.

2. Related Parties

The RRB has significant transactions with the following governmental and nongovernmental entities:

- The Department of the Treasury (Treasury) collects payroll taxes from the railroads on behalf of the RRB. The taxes collected are credited by Treasury to the RRB's trust fund account via an appropriation warrant. In fiscal years 2008 and 2007, net payroll taxes transferred to the RRB by Treasury were $4.9 billion and $4.7 billion, respectively.

  Treasury provides payment services to Federal agencies and operates collections and deposit systems. The RRB invests in government account securities through BPD. In fiscal years 2008 and 2007, investments, including accrued interest, totaled $1.4 billion and $1.3 billion, respectively. In addition, Treasury advances funds to the RRB for the financial interchange which are repaid annually. The amount paid by the RRB to Treasury in fiscal year 2008 due to the financial interchange advances during fiscal year 2007 included principal of $3.2 billion and interest of $181.4 million. The amount paid by the RRB to Treasury in fiscal year 2007 due to the financial interchange advances during fiscal year 2006 included principal of $3.2 billion and interest of $178.7 million.

- The Social Security Administration (SSA) and RRB participate in an annual financial interchange. The financial interchange is intended to place the social security trust funds in the same position in which they would have been had railroad employment been covered by the Social Security Act and Federal Insurance Contributions Act (FICA). In fiscal year 2008, the RRB trust funds realized $4.0 billion through the financial interchange.

  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. SSA reimburses the RRB for benefits paid on behalf of SSA. The amounts reimbursed in fiscal years 2008 and 2007 were almost $1.2 billion, each year.

- The Centers for Medicare & Medicaid Services (CMS) participates in the annual financial interchange in the same manner as described for SSA. The RRB transferred $526 million and $483 million to CMS in fiscal years 2008 and 2007, respectively. In addition to the financial interchange transactions, CMS reimburses the RRB for certain expenses it incurs associated with administering the Medicare program. The amounts reimbursed in fiscal years 2008 and 2007 were $9.2 million and $8.0 million, respectively.

- The General Services Administration (GSA) provides payroll processing and human resources services to the RRB. In addition, the RRB paid rent to GSA in the amount of $3.4 million for fiscal years 2008 and 2007.

- The Department of Labor (DOL) invests Railroad Unemployment Insurance Act (RUIA) contributions. Accounts receivable with the DOL amounted to $110 million and $109 million for fiscal years 2008 and 2007, respectively.

- The National Railroad Retirement Investment Trust (NRRIT) transfers funds to the RRB for payment of railroad retirement benefits. During fiscal years 2008 and 2007, the NRRIT transferred $1,298 million and $1,391 million, respectively, to the RR Account. The NRRIT holds and invests funds not immediately needed to pay benefits under the RRA. The net assets of the NRRIT are reported on the RRB's balance sheet as a non-governmental investment. The RRB reports this information based on information provided by the NRRIT for that purpose.

3. Fund Balances with Treasury

Fund balances with Treasury at September 30 consisted of:

	2008	2007
A. Fund Balances:		
(1) Trust Funds	$34,467,960	$54,540,225
(2) General Funds	6,204,903	6,627,959
(3) Other Fund Types	10,352	10,305
Total	$40,683,215	$61,178,489
B. Status of Fund Balance with Treasury (FBWT)		
(1) Unobligated Balance		
(a) Available	$ 1,489,724	$ 1,959,099
(b) Unavailable	8,148,296	8,734,490
(2) Obligated Balance not yet Disbursed	31,034,843	50,474,595
(3) Non-Budgetary FBWT	10,352	10,305
Total	$40,683,215	$61,178,489

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

4. Investments

The investments in Treasury securities represent the investments of two of the RRB's earmarked funds, the RR and the SSEB Accounts.

	Amounts for Balance Sheet Reporting		
	Cost	Interest Receivable	Investments Net
Intragovernmental Securities:			
Non Marketable Par Value 2008	$1,404,971,000	$2,340,638	$1,407,311,638
Non Marketable Par Value 2007	$1,320,915,000	$2,681,381	$1,323,596,381

The balance on September 30, 2008, consisted of investments in 3.125 percent par value specials (with market value equal to face value) maturing on October 1, 2008. The balance on September 30, 2007, consisted of investments in 4.375 percent par value specials (with market value equal to face value) maturing on October 1, 2007. Par value specials mature on the first working day of the month following the month of issue and have a yield based on the average yield of marketable Treasury notes with maturity dates at least 3 years away.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with the RR and SSEB Accounts. The cash receipts from the railroads for the RR and SSEB Accounts are deposited in the Treasury, which uses the cash for general government purposes. Treasury securities are issued to the RRB as evidence of its receipts. Treasury securities are an asset to the RRB and a liability to the Treasury. Because the RRB and the 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 the RRB with authority to draw upon the Treasury to make future benefit payments or other expenditures. When the RRB 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.

5. NRRIT Net Assets

The balance sheet amounts represent the net asset value of NRRIT assets, at market value, as of September 30, 2008 and 2007. These figures were provided to the RRB by the NRRIT for the fiscal years ended September 30, 2008 and 2007.

Readers of these financial statements should be aware that the RRSIA authorizes the NRRIT to invest railroad retirement assets in a diversified investment portfolio in the same manner as those of private sector retirement plans.

6. Accounts Receivable

- *Intragovernmental*

Accounts receivable - Intragovernmental at September 30 consisted of:

	2008	2007
Financial Interchange – Principal	$3,826,800,000	$3,688,700,000
Financial Interchange – Interest	109,700,000	113,100,000
Department of Labor	110,455,311	108,973,750
Social Security Administration - OASI/DI Benefits (Old Age and Survivors Insurance/Disability Insurance)	248,005	227,158
Total	$4,047,203,316	$3,911,000,908

• *Accounts Receivable, Net*

Accounts receivable, net at September 30 consisted of:

	2008	2007
Accounts receivable - Benefit overpayments	$40,161,656	$39,509,459
Accounts receivable – Past due RUI contributions and taxes	54,511	68,352
Accounts receivable – Interest, penalty & administrative costs	241,736	252,460
Total	$40,457,903	$39,830,271
Less: Allowances for doubtful accounts	8,209,189	7,308,755
Net Total	$32,248,714	$32,521,516

The RRB's September 30, 2008, accounts receivable balance (after writing-off currently not collectible (CNC) receivables but prior to the application of the allowance for doubtful accounts) of $40,457,903 includes $36,490,471 (90%) in railroad retirement program receivables and $3,967,432 (10%) in railroad unemployment insurance program receivables. The total allowance for doubtful accounts is $8,209,189. This includes $7,250,657 (88%) for the railroad retirement program and $958,532 (12%) for the unemployment insurance program receivables.

The allowance for doubtful accounts for the railroad retirement program was calculated, excluding debts classified as CNC, as follows: (1) categorizing the accounts receivable by cause and age, (2) analyzing each category using historical data, (3) determining the percentage of amounts due the RRB that would probably not be collected, and (4) applying the determined percentages against accounts receivable.

7. Inventory and Related Property

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

8. General Property, Plant 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:

		At September 30, 2008		
Classes of Fixed Assets	Service Lives	Cost	Accumulated Depreciation	Net Book Value
Structures, facilities and leasehold improvements	15 years	$ 2,723,731	$ 2,612,979	$ 110,752
ADP software	5 years	19,578,768	19,521,668	57,100
Equipment	5-10 years	5,412,577	5,250,276	162,301
Internal-Use Software in Development		1,102,774	0	1,102,774
		$28,817,850	$27,384,923	$1,432,927

Classes of Fixed Assets	Service Lives	At September 30, 2007 Cost	Accumulated Depreciation	Net Book Value
Structures, facilities and leasehold improvements	15 years	$ 2,651,787	$ 2,580,470	$ 71,317
ADP software	5 years	19,578,768	19,484,356	94,412
Equipment	5-10 years	5,538,068	5,292,068	246,000
Internal-Use Software in Development		959,580	0	959,580
		$28,728,203	$27,356,894	$1,371,309

9. Liabilities

Liabilities at September 30 consisted of:

	2008	2007
Intragovernmental:		
Other – Unfunded Federal Employees' Compensation Act Liability	$ 343,470	$ 385,281
Public:		
Other – Accrued Unfunded Leave	$ 6,888,788	$ 6,756,781
Total Liabilities Not Covered by Budgetary Resources	$ 7,232,258	$ 7,142,062
Total Liabilities Covered by Budgetary Resources	4,654,844,677	4,455,849,577
Total Liabilities	$4,662,076,935	$4,462,991,639

- *Debt*

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

	2008	2007
Beginning Balance, Principal	$2,944,600,000	$2,958,200,000
New Borrowing	3,381,000,000	3,226,400,000
Repayments	(3,229,400,000)	(3,240,000,000)
Ending Balance, Principal	3,096,200,000	2,944,600,000
Accrued Interest	68,568,904	72,872,732
Total	$3,164,768,904	$3,017,472,732

- *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 $11,132,404 and $10,557,048, at September 30, 2008 and 2007, 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. Finally, a special workload of approximately 16,000 benefit cases, estimated at $6 to $10 million, has been identified and will be processed over the next few years.

- *Other Liabilities*

Other liabilities at September 30 consisted of:

	Non-Current	Current	FY 2008 Total
Intragovernmental:			
Employer Contributions & Payroll Taxes Payable	$ 0	$ 751,010	$ 751,010
Unfunded FECA Liability	0	343,470	343,470
Total Intragovernmental	0	1,094,480	1,094,480
Accrued Unfunded Liabilities	0	6,888,788	6,888,788
Accrued Payroll	0	3,514,699	3,514,699
Accrued RRB Contributions – Thrift Savings Plan	0	74,070	74,070
Withholdings Payable	0	26,618	26,618
Contingent Liability (see Note 10 for details)	100,000,000		100,000,000
Capital Lease Liability	0	1,446	1,446
Other	0	549,523	549,523
Total Other Liabilities	$100,000,000	$12,149,624	$112,149,624

	Non-Current	Current	FY 2007 Total
Intragovernmental:			
Employer Contributions & Payroll Taxes Payable	$ 0	$ 607,066	$ 607,066
Unfunded FECA Liability	0	385,281	385,281
Total Intragovernmental		992,347	992,347
Accrued Unfunded Liabilities	0	6,756,782	6,756,782
Accrued Payroll	0	2,867,018	2,867,018
Accrued RRB Contributions – Thrift Savings Plan	0	55,148	55,148
Withholdings Payable	0	29,719	29,719
Contingent Liability (see Note 10 for details)	100,000,000		100,000,000
Capital Lease Liability	1,653	2,479	4,132
Other	0	445,647	445,647
Total Other Liabilities	$100,001,653	$ 11,149,140	$111,150,793

10. Commitments and Contingencies

The RRB is involved in the following actions:

- A transportation company filed a claim for refund of Railroad Retirement Tax Act (RRTA) or FICA taxes paid on lump-sum separation payments on the theory that such payments were supplemental unemployment benefits. Since the period during which the United States Supreme Court can be petitioned has expired, the RRB's legal counsel has determined that it is remote that the RR and SSEB Accounts are contingently liable.

- Several Class 1 railroads have filed suits claiming a refund of RRTA or FICA taxes paid on lump-sum separation payments on the theory that such payments are supplemental unemployment benefits. The suits are pending the outcome of the above case and the RRB's legal counsel has determined that it is reasonably possible that the RR and SSEB Accounts are contingently liable for an estimated amount of $82 million.

- A transportation company filed a claim for refund of RRTA or FICA taxes paid on separation payments and productivity fund distributions on the theory that such payments were not wages for services rendered. This claim has been pending the outcome of the transportation company case disclosed above and the RRB's legal counsel has determined that it is reasonably possible that the RR and SSEB Accounts are contingently liable for an estimated amount of $4.6 million, exclusive of interest.

- Resulting from an earlier claim for tax offset and refund by a transportation company, a Court of Appeals decision affirming an earlier District Court judgment in favor of the Government became final when no further appeal was filed by the June 2008 deadline. The RRB's legal counsel has determined that it is remote that the RR and SSEB Accounts are contingently liable.

No provision has been made in the accompanying financial statements regarding the above four claims other than this disclosure.

- In fiscal year 2005, we recorded a contingent liability in the amount of $100,000,000, for an estimated forthcoming adjustment to the financial interchange for military service credits due SSA.

The total fiscal year 2008 contingent liability recorded is $100 million.

- Several Class 1 railroads have filed claims for refund of taxes with the Internal Revenue Service (IRS). Of the $2.3 billion in claims, the RRB's legal counsel has determined that it is reasonably possible that the RR and SSEB Accounts are contingently liable for an estimated amount of $1.4 billion, and the $0.9 billion is remote. Under the anti-disclosure provision of the IRS code, we are not permitted to disclose any details related to these claims. No provision has been made in the accompanying financial statements regarding these claims other than this disclosure.

11. Intragovernmental Costs and Exchange Revenue

	2008	2007
Railroad Retirement (RR) Program		
Intragovernmental Costs	$ 208,857,878	$ 207,049,278
Public Costs	10,141,409,531	9,904,293,397
Total RR Program Costs	$10,350,267,409	$10,111,342,675
Intragovernmental Earned Revenue	$ 9,172,230	$ 8,015,913
Public Earned Revenue	491,037	520,578
Total RR Program Earned Revenue	$ 9,663,267	$ 8,536,491
Railroad Unemployment and Sickness Insurance (RUIA) Program		
Intragovernmental Costs	$ 4,689,312	$ 4,495,995
Public Costs	117,604,378	112,855,274
Total RUIA Program Costs	$ 122,293,690	$ 117,351,269
Intragovernmental Earned Revenue	$ 0	$ 0
Public Earned Revenue	24,054,840	24,854,898
Total RUIA Program Earned Revenue	$ 24,054,840	$ 24,854,898

These totals do not include $290,031 and $241,770 of earned revenues not attributable to either program for fiscal years 2008 and 2007, respectively.

Intragovernmental costs (exchange transactions made between two reporting entities within the Federal government) are being reported separately from costs with the public (exchange transactions made between the reporting entity and a non-Federal entity). Intragovernmental exchange revenues (exchange transactions made between two reporting entities within the Federal government) are reported separately from exchange revenues with the public (exchange transactions made between the reporting entity and a non-Federal entity). Intragovernmental expenses relate to the source of goods and services purchased by the reporting entity, not to the classification of related revenue.

12. Transfers To/From NRRIT

The RRB received a total of $1,298 million and $1,391 million from the NRRIT during fiscal years 2008 and 2007, respectively. These funds were received into the RR Account. Transfers were to fund the payment of benefits.

13. Undelivered Orders at the End of the Period

	2008	2007
Undelivered Orders	$6,225,572	$7,988,215

14. Explanation of Material Differences Between the Combined Statement of Budgetary Resources and the Budget of the United States Government

A reconciliation was completed of budgetary resources, obligations incurred, distributed offsetting receipts, and outlays, as presented in the Restated Statement of Budgetary Resources for the year ended September 30, 2007, to amounts included in the Budget of the United States Government. A reconciliation was not performed for the period ended September 30, 2008, since the RRB's Performance and Accountability Report is published in November 2008, and OMB's MAX system will not have actual budget data available until mid-December 2008.

The Budget of the United States Government and the RRB's Statement of Budgetary Resources differ because of the following transaction types:

		Fiscal Year 2007 (in millions)			
		Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
1.	Restated Combined Statement of Budgetary Resources – September 30, 2007	$10,805	$10,794	$4,034	$6,585
2.	Expenditure Transfers from Trust Funds due to Restatement	(111)	(111)		
3.	Unobligated Balance, Brought Forward October 1, 2006	(12)			
4.	Recoveries of Prior Year Unpaid Obligations	(1)			
5.	Sickness Insurance Benefit Recoveries	(24)			
6.	Administrative Expense Reimbursement	(9)			
7.	Cancelled Authority	4			
8.	Interfund Transfers: Federal Payment Obligations – Income Taxes Collected on Benefits (0113)	(460)			
9.	Intrafund Transfers: Receipts from the Old-Age and Survivors Insurance (OASI) Trust Fund	(3,575)			
10.	Intrafund Transfers: Receipts from the Disability Insurance (DI) Trust Fund	(445)			
	Financial Interchange				
11.	Accrued Receipts from the OASI and DI Trust Funds			(48)	48
12.	RRB Transfers to the Federal Hospital Insurance Trust Fund			494	(494)
	NRRIT				
13.	NRRIT Obligations / Outlays	1,446	1,446		1,446
14.	Intrafund Transfers: NRRIT Transfer to RRA	(1,391)		1,391	(1,391)
15.	Proprietary Receipts: NRRIT – Gains and Losses	(4,248)		4,248	(4,248)
16.	Proprietary Receipts: NRRIT – Interest and Dividends	(462)		462	(462)
17.	Rounding		(1)		(1)
18.	Budget of the United States Government FY 2007 Actuals	$1,517	$12,128	$10,581	$1,483

15. Social Insurance

- Actuarial Surplus or (Deficiency) represents combined values for the RR Account, SSEB Account, and NRRIT.

- Estimated future income (excluding interest) includes tier 1 taxes, tier 2 taxes, income taxes on benefits, financial interchange income, advances from general revenues, and repayments of advances from general revenues.

- Estimated future expenditures include benefit and administrative costs.

- A closed group estimate of the future excess of income over expenditures using the projected tax rates under employment assumption II may be obtained by subtracting future expenditures for current participants from future income for current participants.

- Detail may not add to totals due to rounding. Employee and beneficiary status are determined as of 1/1/2007, whereas present values are as of 1/1/2008.

- The figures in the Statement of Social Insurance, formerly rounded to millions of dollars, have been rounded to tenths of billions. The practice of displaying the figures in the Statement of Social Insurance in millions of dollars implies a degree of accuracy that 75-year projections do not possess.

Fund Balance

The fund balance appears on the face of the statement because the size of the balance directly affects projected future cash flows. Lower fund balances lead to higher future tier 2 tax rates and consequently higher tax income, while higher fund balances lead to lower tier 2 tax rates and lower tax income.

The tier 2 tax rate is based on the Average Account Benefits Ratio (AABR). At the end of each fiscal year (September 30), an Account Benefits Ratio (ABR) is calculated by dividing the fair market value of the assets in the RR Account and the NRRIT (and for years before 2002, the SSEB Account) as of the close of such fiscal year by the total benefits and administrative expenses paid from the RR Account and the NRRIT during such fiscal year. The AABR, with respect to any calendar year, is then calculated as the average of the account benefits ratios for the 10 most recent fiscal years ending before such calendar year.

The January 1, 2007, fund balance does not include less than $0.1 billion of accrued interest and dividends and miscellaneous adjustments related primarily to operating expenses of the NRRIT. The January 1, 2006, fund balance was not reduced for certain payables of the NRRIT, which were estimated to be less than $1 billion.

Prior to 2006, certain accrual adjustments were included in the fund balances. In 2006, they were excluded to promote clarity and to be consistent with the account benefit ratio calculation, wherein the asset values do not include these accrual adjustments. If the accrual adjustments had been made as in prior years, the 1/1/2006 fund balance would have been $0.4 billion higher.

As stated earlier, a higher fund balance results in lower tax rates and consequently lower future tax income and a lower balance results in higher rates and income. This self-adjusting tax rate mechanism mitigates the effects of changes in the fund balance on the program's net actuarial position.

Subsequent to January 1, 2008, the effective date of the Statement of Social Insurance, market fluctuations resulted in a significant reduction in the value of the fund balance, which directly affects projected future cash flows. Based on the decrease in asset value through September 30, 2008, the combined balance of the NRRIT, RR Account, and SSEB Account is still not expected to become negative over the 75-year projection period under the current financing structure, because automatic changes in the tier 2 tax rate help to keep the system in actuarial balance. However, future levels of railroad employment and investment return will determine whether corrective action may be necessary in the future.

16. Significant Assumptions

The estimates used in the Statement of Social Insurance and Required Supplementary Information are based on the assumption that the program will continue as presently constructed. The calculations assume that all future transfers required by current law under the financial interchange will be made.

The estimates are also based on various economic, employment, and other actuarial assumptions. The ultimate economic assumptions are a 7.5 percent interest rate, a 3 percent annual increase in the cost of living, and a 4 percent annual wage increase.

The employment assumption for the Statement of Social Insurance is employment assumption II, the intermediate employment assumption, as used in the 2008 Section 502 Report. Under employment assumption II, starting with an average 2007 employment of 236,000, (1) railroad passenger employment is assumed to remain level at 43,000, and (2) the employment base, excluding passenger employment, is assumed to decline at a constant annual rate of 2.5 percent for 25 years, at a reducing rate over the next 25 years, and remain level thereafter.

Actuarial assumptions are those published in the Technical Supplement to the "Twenty-Third Actuarial Valuation of the Assets and Liabilities Under the Railroad Retirement Acts as of December 31, 2004." This may be found on the RRB's website, www.rrb.gov.
Actuarial assumptions published in the Twenty-Third Actuarial Valuation include:

Table S-1.	2004 RRB Annuitants Mortality Table
Table S-2.	2004 RRB Disabled Mortality Table for Annuitants with Disability Freeze
Table S-3.	2004 RRB Disabled Mortality Table for Annuitants without Disability Freeze
Table S-4.	1994 RRB Active Service Mortality Table
Table S-5.	2004 RRB Spouse Total Termination Table
Table S-6.	Probability of a retired employee having a spouse eligible for railroad retirement benefits
Table S-7.	1995 RRB Mortality Table for Widows
Table S-8.	1997 RRB Remarriage Table
Table S-9.	2004 RRB Total Termination Table for Disabled Children
Table S-10.	Calendar year rates of immediate age retirement

Note 17 Earmarked Funds

	8010 SSEB	8011 RRA	8051.001 RUIA Benefit Payments	0113 Federal Payments to RR Accounts	8237 Limitation on Administration	8051.002 RUIA Admin Expenses	8018 Limitation on OIG	Eliminations	Total Earmarked Funds
Balance Sheet as of September 30, 2008									
Assets									
Fund Balance with Treasury	$10,067,681	$8,210,187	$4,960,920	$504,921	$9,898,615	$298,067	$1,032,492		$34,972,883
Investments	782,456,367	624,855,271							1,407,311,638
NRRIT Net Invested Assets		25,320,737,474							25,320,737,474
Taxes and Interest Receivable	3,936,500,000	29,510,605	103,335,214		3,868,978	10,128,996	1,409	(3,893,173)	4,079,452,029
Other Assets					1,419,844		143,468		1,563,312
Total Assets	**4,729,024,048**	**25,983,313,537**	**108,296,134**	**504,921**	**15,187,437**	**10,427,063**	**1,177,369**	**(3,893,173)**	**30,844,037,336**
Liabilities Due and Payable	4,172,225,078	371,939,988	8,432,372		771,682	407,918	26,534	(3,893,173)	4,549,910,399
Other Liabilities	100,000,000	549,522			10,910,616		696,044		112,156,182
Total Liabilities	**4,272,225,078**	**372,489,510**	**8,432,372**		**11,682,298**	**407,918**	**722,578**	**(3,893,173)**	**4,662,066,581**
Unexpended Appropriations				504,921					504,921
Cumulative Results of Operations	456,798,970	25,610,824,027	99,863,762		3,505,139	10,019,145	454,791		26,181,465,834
Total Liabilities and Net Position	**$4,729,024,048**	**$25,983,313,537**	**$108,296,134**	**$504,921**	**$15,187,437**	**$10,427,063**	**$1,177,369**	**($3,893,173)**	**$30,844,037,336**
Statement of Net Cost for the Period Ended September 30, 2008									
Gross Program Costs	$6,124,100,298	$4,038,150,045	$104,112,719	$359,073,113	$121,394,045		$7,582,838	($359,509,575)	$10,394,903,483
Less Earned Revenues		491,037	24,054,840		9,210,607		400,000	(438,377)	33,718,107
Net Program Costs	$6,124,100,298	$4,037,659,008	$80,057,879	$359,073,113	$112,183,438		$7,182,838	($359,071,198)	$10,361,185,376
Costs Not Attributable to Program Costs Less Earned Revenues Not Attributable to Program Costs					289,816		215		290,031
Net Cost of Operations	**$6,124,100,298**	**$4,037,659,008**	**$80,057,879**	**$359,073,113**	**$111,893,622**		**$7,182,623**	**($359,071,198)**	**$10,360,895,345**
Statement of Changes in Net Position for the Period Ended September 30, 2008									
Net Position Beginning of Period	**$450,419,400**	**$32,954,170,376**	**$100,685,579**	**$495,477**	**$6,182,923**	**$9,084,314**	**$231,590**		**$33,521,269,659**
Appropriations Received				359,150,000					359,150,000
Expended Appropriations				359,073,113					359,073,113
Other Adjustments				(67,443)					(67,443)
Appropriations Used				(359,073,113)					(359,073,113)
Taxes and Non-Exchange Revenue	2,675,562,851	2,650,226,884	72,074,657			23,832,959		(359,071,198)	5,062,626,153
Other Financing Sources	3,454,917,017	85,942,301	7,161,405		109,215,838	(22,898,128)	7,405,824		3,641,744,257
Transfers In From NRRIT		1,298,000,000							1,298,000,000
Change in NRRIT Assets		(7,339,856,526)							(7,339,856,526)
Net Cost of Operations	(6,124,100,298)	(4,037,659,008)	(80,057,879)	(359,073,113)	(111,893,622)		(7,182,623)	359,071,198	(10,360,895,345)
Change in Net Position	**6,379,570**	**(7,343,346,349)**	**(821,817)**	**9,444**	**(2,677,784)**	**934,831**	**223,201**		**(7,339,298,904)**
Net Position End of Period	**$456,798,970**	**$25,610,824,027**	**$99,863,762**	**$504,921**	**$3,505,139**	**$10,019,145**	**$454,791**		**$26,181,970,755**

Note 17 Earmarked Funds

	8010 SSEB	8011 RRA	8051.001 RUIA Benefit Payments	0113 Federal Payments to RR Accounts	8237 Limitation on Administration	8051.002 RUIA Admin Expenses	8018 Limitation on OIG	Eliminations	Total Earmarked Funds
Balance Sheet as of September 30, 2007									
Assets									
Fund Balance with Treasury	$19,537,468	$20,647,722	$6,527,507	$495,477	$6,960,401	$97,612	$769,515		$55,035,702
Investments	726,234,578	597,361,803							1,323,596,381
NRRIT Net Invested Assets		32,660,594,000							32,660,594,000
Taxes and Interest Receivable	3,801,800,000	29,432,764	102,369,261		8,992,777	9,921,139	1,408	(8,994,925)	3,943,522,424
Other Assets					1,392,290		110,196		1,502,486
Total Assets	**4,547,572,046**	**33,308,036,289**	**108,896,768**	**495,477**	**17,345,468**	**10,018,751**	**881,119**	**(8,994,925)**	**37,984,250,993**
Liabilities Due and Payable	3,997,152,646	353,420,218	8,211,189		1,073,995	934,437	26,376	(8,994,925)	4,351,823,936
Other Liabilities	100,000,000	445,695			10,088,550		623,153		111,157,398
Total Liabilities	**4,097,152,646**	**353,865,913**	**8,211,189**		**11,162,545**	**934,437**	**649,529**	**(8,994,925)**	**4,462,981,334**
Unexpended Appropriations				495,477					495,477
Cumulative Results of Operations	450,419,400	32,954,170,376	100,685,579		6,182,923	9,084,314	231,590		33,520,774,182
Total Liabilities and Net Position	**$4,547,572,046**	**$33,308,036,289**	**$108,896,768**	**$495,477**	**$17,345,468**	**$10,018,751**	**$881,119**	**($8,994,925)**	**$37,984,250,993**
Statement of Net Cost for the Period Ended September 30, 2007									
Gross Program Costs	$5,881,443,284	$4,034,919,838	$99,414,487	$460,089,400	$119,546,625		$7,318,181	($460,524,388)	$10,142,207,427
Less Earned Revenues		520,578	24,854,898		8,453,361			(437,448)	33,391,389
Net Program Costs	$5,881,443,284	$4,034,399,260	$74,559,589	$460,089,400	$111,093,264		$7,318,181	($460,086,940)	$10,108,816,038
Costs Not Attributable to Program Costs Less Earned Revenues Not Attributable to Program Costs					241,770				241,770
Net Cost of Operations	**$5,881,443,284**	**$4,034,399,260**	**$74,559,589**	**$460,089,400**	**$110,851,494**		**$7,318,181**	**($460,086,940)**	**$10,108,574,268**
Statement of Changes in Net Position for the Period Ended September 30, 2007									
Net Position Beginning of Period	**$321,059,509**	**$29,443,814,247**	**$97,261,348**	**$434,877**	**$5,587,732**	**$9,420,743**	**$36,883**		**$29,877,615,339**
Appropriations Received				460,150,000					460,150,000
Expended Appropriations				460,089,400					460,089,400
Appropriations Used				(460,089,400)					(460,089,400)
Taxes and Non-Exchange Revenue	2,650,328,563	2,746,734,584	70,621,637			23,193,993		(460,086,940)	5,030,791,837
Other Financing Sources	3,360,474,612	119,178,805	7,362,183		111,446,685	(23,530,422)	7,512,888		3,582,444,751
Transfers In From NRRIT		1,391,000,000							1,391,000,000
Change in NRRIT Assets		3,287,842,000							3,287,842,000
Net Cost of Operations	(5,881,443,284)	(4,034,399,260)	(74,559,589)	(460,089,400)	(110,851,494)		(7,318,181)	460,086,940	(10,108,574,268)
Change in Net Position	**129,359,891**	**3,510,356,129**	**3,424,231**	**60,600**	**595,191**	**(336,429)**	**194,707**		**3,643,654,320**
Net Position End of Period	**$450,419,400**	**$32,954,170,376**	**$100,685,579**	**$495,477**	**$6,182,923**	**$9,084,314**	**$231,590**		**$33,521,269,659**

18. Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

All RRB direct and reimbursable obligations are incurred against Category B apportionments. There are no RRB direct or reimbursable obligations incurred against Categories A or Exempt apportionments.

The amounts of Category B direct and reimbursable obligations are reported on the face of the Statement of Budgetary Resources for fiscal years 2007 and 2008.

This disclosure agrees with the aggregate of RRB direct and reimbursable obligations as reported on the RRB's fiscal year 2008 year-end SF-133, *Report on Budget Execution and Budgetary Resources*, and lines 8A and 8B in the Statement of Budgetary Resources.

19. Change in Statement of Budgetary Resources Presentation

In fiscal year 2008, changes in the RRB's approved apportionment caused corresponding changes in reporting on the Statement of Budgetary Resources. The RRB borrowing authority from the U.S. Treasury related to the financial interchange is reported as borrowing authority on the Statement of Budgetary Resources whereas in fiscal year 2007, this borrowing authority was reported as nonexpenditure transfers. In addition, the method of transferring funds between the parent and limitation trust funds was changed from nonexpenditure to expenditure transfers.

20. Subsequent Events

Notes from the audited financial statements of the NRRIT as of and for the fiscal year ended September 30, 2008, contain information on subsequent events with respect to investment valuation and securities lending. Excerpts from the NRRIT notes are presented below:

- "The ability of issuers of the debt securities held by the Trust to meet their obligations may be affected by economic developments in a specific industry or region. The values of the securities can be significantly affected by changes in interest rates or in the financial condition of the issuer or market conditions generally. The Trust invests a portion of its assets in mortgage-backed securities and debentures. The value and related income of these securities is sensitive to change in economic conditions, including delinquencies and/or defaults. Recent instability in the markets for fixed-income securities, particularly mortgage-backed securities, has resulted in increased volatility of market prices and periods of illiquidity have adversely impacted the valuation of certain securities held by the Trust. The values of such investments are reported in the accompanying financial statements at their fair value determined based upon the market conditions as of September 30, 2008. Due to continued market instability since year end, the fair values of such investments have decreased from the amounts reported in the accompanying financial statements."

- "The Trust engages in a securities lending program with its custodian, as lending agent, to enhance the return on its investments."

  "The current market conditions have led to the Trust's custodian placing liquidity restrictions on the immediate withdrawal of investment in the securities lending collateral pool. Subsequent to the Trust's fiscal year end, the Trust began a staged withdrawal program to take place over a period of approximately 12 months to terminate participation in its custodian's securities lending program."

Note 21 Reconciliation of Net Cost of Operations to Budget
For the Years Ended September 30, 2008 and 2007
(in dollars)

	2008	RESTATED 2007
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$10,934,363,444	$10,794,135,687
Less: Spending Authority from Offsetting Collections and Recoveries	(143,310,277)	(144,486,365)
Obligations Net of Offsetting Collections and Recoveries	10,791,053,167	10,649,649,322
Less: Offsetting Receipts	(3,992,185,000)	(4,033,541,000)
Net Obligations	**6,798,868,167**	**6,616,108,322**
Other Resources		
Imputed Financing from Costs Absorbed by Others	8,559,257	8,904,879
Other	(7,339,856,526)	3,287,840,872
Net Other Resources Used to Finance Activities	**(7,331,297,269)**	**3,296,745,751**
Total Resources Used to Finance Activities	**(532,429,102)**	**9,912,854,073**
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services & Benefits Ordered but not yet Provided	1,791,158	(151,398)
Budgetary Offsetting Collections & Receipts That Do Not Affect Net Cost of Operations	(3,883,265)	(3,623,700)
Resources That Finance the Acquisition of Assets	7,339,400,228	(3,288,358,958)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	3,633,185,000	3,573,541,000
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	**10,970,493,121**	**281,406,944**
Total Resources Used to Finance the Net Cost of Operations	**10,438,064,019**	**10,194,261,017**
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	132,007	193,310
Other	197,054	309,116
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	**329,061**	**502,426**
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	153,520	296,214
Revaluation of Assets or Liabilities	0	1,128
Other	6,361	0
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	**159,881**	**297,342**
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	**488,942**	**799,768**
Net Cost of Operations	**$10,438,552,961**	**$10,195,060,785**

22. Restatements

The FY 2007 Statement of Budgetary Resources (SBR) was restated for the following reasons: 1) to change advances against the Financial Interchange from nonexpenditure transfers to borrowing authority; and 2) to change transfers from the trust funds to the limitation accounts by using expenditure transfers instead of nonexpenditure transfers. Both of these changes were at the direction of the Office of Management and Budget. The effects of the material changes on the restated SBR are: 1) Borrowing authority went from $0 to $3,232,600,000; 2) Expenditure transfers went from $0 to $110,866,564; 3) Nonexpenditure transfers went from a credit of $7,693,059 to a credit of $13,266; 4) Funds permanently not available went from a credit of $3,850,011 to a credit of $3,244,129,804; 5) Obligations incurred–direct went from $10,674,573,992 to $10,785,440,556; 6) Gross outlays went from $10,650,634,370 to $10,755,707,056; 7) Change in uncollected customer payments from Federal sources went from a credit of $19 to a credit of $5,793,897; 8) Unpaid obligations went from $904,825,510 to $910,619,388; 9) Uncollected customer payments from Federal sources went from a credit of $776 to a credit of $5,794,654; and, 10) Offsetting collections went from a credit of $32,122,746 to a credit of $137,195,432.

In addition, SBR changes affected the RRB's FY 2007 Reconciliation of Net Cost of Operations to Budget (see Note 21) as follows: 1) obligations incurred increased from $10,683,269,123 to $10,794,135,687; and 2) spending authority from offsetting collections and recoveries increased from $33,619,801 to $144,486,365.

These changes had no effect on the cumulative results of operations. The effect was limited to the Statement of Budgetary Resources and the Reconciliation of Net Cost of Operations to Budget. Since the changes were not known until 90 days prior to the publication of the RRB's FY 2008 Performance and Accountability Report, notification to primary users of the FY 2007 financial statements was not required.

23. Terms of Borrowing Authority Used

The Railroad Retirement Solvency Act of 1983 provided for monthly advances of the Financial Interchange (FI) from Treasury to be repaid when the FI is settled each June. Prior to 2008, these advances were reported as nonexpenditure transfers, but are now reported as borrowing authority. Section 7(c)(4) of the RRA provides the rules for repayment of the FI advances and references Section 7(c)(3) for the interest rate to be used. The interest rate on the repayment of the advances is the same as that used in the actual FI determination from the close of the prior fiscal year until the date of transfer.

24. Legal Arrangements Affecting Use of Unobligated Balances

The portion of RRB trust fund receipts collected in the current fiscal year that exceed the amount needed to pay benefits or other valid obligations remain in the RRB trust funds as unobligated balances. These receipts can become available in the current year if needed for valid obligations. RRB receipts are assets of the trust fund and available for obligation as needed in the future.