



DOT

Report QC2024007
November 15, 2023

Quality Control Review of the Independent Auditors' Report on the Department of Transportation's Audited Consolidated Financial Statements for Fiscal Years 2023 and 2022



Quality Control Review on the Independent Auditors' Report on the Department of Transportation's Audited Consolidated Financial Statements for Fiscal Years 2023 and 2022

Required by the Chief Financial Officers Act of 1990

Department of Transportation | QC2024007 | November 15, 2023

What We Looked At

We contracted with the independent public accounting firm KPMG LLP to audit the Department of Transportation's (DOT) consolidated financial statements as of and for the fiscal years ended September 30, 2023, and September 30, 2022. KPMG was required to provide an opinion on those financial statements, report on internal control over financial reporting, and report on compliance with laws and other matters. The contract also required KPMG to perform the audit in accordance with U.S. generally accepted Government auditing standards, Office of Management and Budget audit guidance, and the Governmental Accountability Office's and Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*. We performed a quality control review of KPMG's report dated November 13, 2023, and related documentation, and inquired of its representatives.

What We Found

Our quality control review disclosed no instances in which KPMG did not comply, in all material respects, with U.S. generally accepted Government auditing standards.

Our Recommendations

DOT concurred with KPMG's nine recommendations. We agree with KPMG's recommendations and are not making any additional recommendations.

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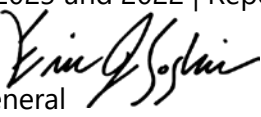
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Memorandum

Date: November 15, 2023

Subject: ACTION: Quality Control Review of the Independent Auditors' Report on the Department of Transportation's Audited Consolidated Financial Statements for Fiscal Years 2023 and 2022 | Report No. QC2024007

From: Eric J. Soskin 
Inspector General

To: The Secretary

I respectfully submit the results of our quality control review (QCR) of the independent auditors' report on the Department of Transportation's (DOT) audited consolidated financial statements for fiscal years 2023 and 2022.

We contracted with the independent public accounting firm KPMG LLP to audit DOT's consolidated financial statements as of and for the fiscal years ended September 30, 2023, and September 30, 2022, and provide an opinion on those financial statements, report on internal control over financial reporting, and report on compliance with laws and other matters. The contract required the audit to be performed in accordance with U.S. generally accepted Government auditing standards, Office of Management and Budget audit guidance, and the Government Accountability Office's (GAO) and Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*.¹

We appreciate the cooperation and assistance of DOT's representatives and KPMG. If you have any questions about this report, please contact me or Dormayne "Dory" Dillard-Christian, Assistant Inspector General for Financial Audits.

cc: DOT Audit Liaison, M-1
Federal Aviation Administrator

¹ GAO, *Financial Audit Manual*, Volume 1 (GAO-22-105894), May 2023; Volume 2 (GAO-22-105895), May 2023; Volume 3 (GAO-21-105127), June 2023.

Federal Aviation Administration Audit Liaison, AAE-100
Federal Transit Administration Audit Liaison, TBP-30
Federal Highway Administration Audit Liaison, HCF-B23

Independent Auditors' Report

In its report on DOT's consolidated financial statements for fiscal years 2023 and 2022, KPMG states that:

- DOT's consolidated financial statements² (see attachment 3) were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- it found three significant deficiencies³ in internal control over financial reporting that it did not consider to be a material weakness;⁴ and
- there were no instances of reportable noncompliance with provisions of laws tested, or reportable other matters.

KPMG made nine recommendations to address the significant deficiencies in internal control over financial reporting (see attachment 1).

Significant Deficiencies

Weaknesses in controls over grant accruals. KPMG found control deficiencies in Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) grant accrual methodologies and assumptions. Specifically, KPMG determined that (1) FTA management did not identify the risk that the assumption for billing cycle days used in the grant accrual methodology would not be valid for the COVID-19 funding, and (2) FHWA management did not identify the need for changes in assumption or method in response to the increases in grant expenses in 2023 related to the Infrastructure Investment and Jobs Act (IIJA).

Weaknesses in accounting policies for FHWA construction projects. KPMG found that controls were not designed and implemented to ensure that

² DOT's full Financial Report is available at <https://www.transportation.gov/mission/budget/financial-management>.

³A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness but important enough to merit attention by those charged with governance. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

⁴A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

appropriate accounting policies and procedures were in place over the Office of Federal Lands (FLH) construction of non-heritage fixed assets. Specifically, KPMG determined that FHWA accounting policies and procedures resulted in the recognition of expenses for non-heritage highway and bridge construction projects on Federal lands, instead of the necessary capitalization as construction-in-progress and subsequent transfer-out of the completed asset to the Federal land management agency (FLMA). This results in an overstatement of FHWA expenses and an understatement of FLH construction-in-progress.

Weaknesses in general information technology controls. KPMG identified general information technology control deficiencies at the application, operating system, and database levels related to system access controls for user access management, procurement, financial management, and grant award, and management systems. Specifically,

- controls were not designed effectively over system access, including provisioning of new or modified user access, and recertification of existing user access; or
- controls were not operating effectively over system access including provisioning of new or modified user access, provisioning of privileged user roles, recertification of existing user access including privileged user roles, and termination of access.

Recommendations

KPMG made the following recommendations to help strengthen DOT's control over grant accrual, accounting policies for construction of non-heritage assets, and general information technology controls. KPMG recommended that:

1. FTA management evaluate the COVID-19 grant programs and develop an estimation methodology responsive to the nature of the program and expected drawdown patterns;
2. FHWA management consider the increased IIJA funding and subsequent increase in expenses and develop an estimation methodology responsive to fluctuations in future expenses;
3. FHWA management review and update accounting policies and operating procedures to capitalize costs for the construction and procurement of non-heritage fixed assets on behalf of FLMA partners;
4. FHWA management establish and maintain communications channels with FLMA partners and establish protocols for communicating asset-level detail for projects required by each agency's property accountants;

5. FHWA management perform an assessment of costs expensed for completed fixed asset construction projects to determine materiality and record correcting accounting entries as needed;
6. DOT management perform procedures to consistently approve and document new or modified user account and recertification requests and timely remove separated users as required by internal policy and standards for effective internal control systems;
7. DOT management update policies and procedures to assign backup responsibilities for control operators;
8. DOT management provide training to system administrators on documented procedures; and
9. DOT management conduct monitoring to assess whether control operators are performing control activities in accordance with policy.

Quality Control Review

We performed a QCR of KPMG's report, dated November 13, 2023, and related documentation, and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted Government auditing standards, was not intended to enable us to express, and we do not express, an opinion on DOT's financial statements or conclusions about the effectiveness of internal control over financial reporting, or compliance with laws and other matters. KPMG is responsible for its report and the conclusions expressed therein.

Our QCR disclosed no instances in which KPMG did not comply, in all material respects, with U.S. generally accepted Government auditing standards.

Agency Comments and OIG Response

KPMG provided DOT with its draft report on November 9, 2023, and received DOT's response, dated November 14, 2023 (see attachment 2). DOT agreed with the deficiencies KPMG found. DOT also concurred with KPMG's nine recommendations and committed to developing a corrective action plan to address the deficiencies by December 31, 2023. We agree with KPMG's recommendations and are not making any additional recommendations.

Actions Required

We consider all nine of KPMG's recommendations open and unresolved pending receipt of the corrective action plan.

Exhibit. List of Acronyms

DOT	Department of Transportation
FHWA	Federal Highway Administration
FLH	Office of Federal Land
FLMA	Federal Land Management Agency
FTA	Federal Transit Administration
GAO	Government Accountability Office
IIJA	Infrastructure Investment and Jobs Act
OIG	Office of Inspector General
QCR	quality control review

Attachment 1. Independent Auditors' Report



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Secretary and Inspector General
United States Department of Transportation:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the US Department of Transportation (Department), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of net costs and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Department as of September 30, 2023 and 2022, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter – Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the Agency Financial Report to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Agency Financial Report. The other information comprises the Table of Contents, Foreword, Message from the Secretary, Message from the Assistant Secretary for Budget and Programs and CFO and Other Information but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.



In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2023, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in Exhibit I as item 2023-01, 2023-02, and 2023-03, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's consolidated financial statements as of and for the year ended September 30, 2023 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-01.

We also performed tests of the Department's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which the Department's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.



Department's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Department's response to the findings identified in our audit and described and presented in the section, Management's Response to the Independent Auditors' Report. The Department's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of the Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
November 13, 2023

2023 – 01: Weaknesses in Controls over Grant Accruals

Background

The Federal Transit Administration (FTA) and Federal Highways Administration (FHWA) maintain various grant programs that provide funding to state governments, local governments, and private partners for transportation related projects.

During the COVID-19 pandemic, FTA received additional funding, including \$30 billion from the American Rescue Plan Act (ARPA) and \$14 billion from the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA). This funding is to be available for the operating expenses of transit agencies to prevent, prepare for, and respond to the ongoing threat of COVID-19.

In 2022, the FHWA Federal-Aid program received \$52.5 billion in additional funding over five years through the Infrastructure Investment and Jobs Act (IIJA) to support transportation infrastructure projects. FHWA will receive additional annual funding through IIJA through 2026.

Criteria

The Green Book standards for internal control require entities to identify and analyze risks throughout the entity. The Green Book states, "Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses. To identify risks, management considers the types of risks that impact the entity. This includes both inherent and residual risk. Inherent risk is the risk to an entity in the absence of management's response to the risk. Residual risk is the risk that remains after management's response to inherent risk. Management's lack of response to either risk could cause deficiencies in the internal control system."

Federal Accounting Standards Advisory Board Technical Release 12, Accrual Estimate for Grant Programs, states:

"4. Footnote 2. Agencies must recognize and report balances due to or advanced to grantees at the end of the reporting period. Adjustments are needed to provide for eligible expenses that grantees have incurred as of the reporting date but have not yet reported to the agencies."

"16. In the absence of sufficient relevant and reliable historical data on which to base accrual estimates, agencies should prepare estimates based upon the best available data at the time the estimates are made."

"22. Management should ensure that adequate internal control procedures are in place. Procedures in place should ensure that grant accrual estimates are based on historical transactions in previous years to the extent that relevant and reliable historical data exists."

Conditions

FTA management did not identify the risk that the assumption for billing cycle days used in the grant accrual methodology would not be valid for the COVID-19 funding. The risk to this key assumption of the estimate methodology was identified through a variance in the grant accrual lookback for COVID-19 funding.

FHWA management did not identify the need for changes in assumption or method in response to the increases in grant expenses in 2023 related to IIJA, and a significant variance in management's FY2023 Q3 Grant Accrual lookback analysis.

Cause

When developing the grant accrual methodology and assumptions FHWA and FTA management did not consider all relevant factors and disconfirming evidence related to the underlying assumptions. The FTA incorrectly assumed that grantees will drawdown COVID-19 award funds in a regular pattern, the same as the Title 49 construction projects. The FHWA incorrectly assumed that historical disbursement data would be a consistently accurate indicator of future expenses regardless of major increases in funding levels year over year.

Effect

Improper assumptions in the grant accrual methodologies and lack of adjustments for current circumstances could result in misstatements in the grant accrual recorded in the consolidated financial statements that are not detected and corrected.

Recommendations

We recommend that:

- FTA management evaluate the COVID-19 grant programs and develop an estimation methodology responsive to the nature of the program and expected drawdown patterns.
- FHWA management consider the increased IIJA funding and subsequent increase in expenses and develop an estimation methodology responsive to fluctuations in future expenses.

2023 – 02: Weaknesses in Accounting Policies for Federal Highway Administration Construction

Background

The Federal Highway Administration (FHWA), Office of Federal Lands (FLH) mission is to administer a coordinated program of Federal public roads and bridges. FLH has programs that provide financial resources and engineering assistance for public roads across the country. FLH works with Federal land management agency (FLMA) partners to design and construct highway and bridge projects on Federal, state, municipal, and tribal-owned lands. FLH has the rights to the assets while constructing and administering the projects. At the completion of a FLH project, a Final Construction Report is completed, which includes acceptance from the FLMA of the completed project and acknowledgment as the maintaining agency – demonstrating that the ownership rights of the completed assets are transferred to the FLMA partner.

Through FY2023, FLH has spent \$18.6 billion on fixed assets across 12,001 projects. Of these costs, \$3.4 billion has been spent on non-heritage assets on Federal land across 1,315 projects.

Criteria

The Green Book standards for internal control require management to identify and analyze risks throughout the entity, establish expectations of competence for key roles, design control activities in response to the entity's objectives and risks, and use quality information to achieve the entity's objectives. Specifically, "Management designs a process that uses the entity's objectives and related risks to identify the information requirements needed to achieve the objectives and address the risks. Information requirements consider the expectations of both internal and external users... Management identifies information requirements in an iterative and ongoing process that occurs throughout an effective internal control system... Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements... Management obtains data on a timely basis so that they can be used for effective monitoring." Further the Green Book requires management to communicate externally necessary quality information to achieve the entity's objectives. Specifically, "Management communicates with, and obtains quality information from, external parties using established reporting lines. Open two-way external reporting lines allow for this communication. External parties include suppliers, contractors, service organizations, regulators, external auditors, government entities, and the general public. Management communicates quality information externally through reporting lines so that external parties can help the entity achieve its objectives and address related risks. Management includes in these communications information relating to the entity's events and activities that impact the internal control system."

Federal Accounting Standards Advisory Board *Statement of Federal Financial Accounting Standards (SFFAS) 6: Accounting for Property, Plant, and Equipment*, states:

"17. Property, plant, and equipment consists of tangible assets, including land, that meet the following criteria: they have estimated useful lives of 2 years or more; they are not intended for sale in the ordinary course of operations; and they have been acquired or constructed with the intention of being used, or being available for use by the entity."

"31. The cost of general PP&E transferred from other Federal entities shall be the cost recorded by the transferring entity for the PP&E net of accumulated depreciation or amortization. If the receiving entity cannot reasonably ascertain those amounts, the cost of the PP&E shall be its fair value at the time transferred."

"34. PP&E shall be recognized when title passes to the acquiring entity or when the PP&E is delivered to the entity or to an agent of the entity.⁴⁰ In the case of constructed PP&E, the PP&E shall be recorded as construction work in process until it is placed in service, at which time the balance shall be transferred to general PP&E."

Condition

Controls were not designed and implemented to ensure that appropriate accounting policies and procedures were in place over the FLH construction of non-heritage fixed assets (i.e., highway and bridge projects) on behalf of FLMA partners. Specifically:

The FHWA accounting policies and procedures resulted in the recognition of expenses for the construction of non-heritage highway and bridge projects on Federal lands, instead of the necessary capitalization as construction-in-progress and subsequent transfer-out of the completed asset (PP&E) to the FLMA. This results in an overstatement of FHWA expenses and an understatement of FLH Construction in Progress. Further, the lack of capitalized dollars in construction-in-progress prevents FLH from transferring the costs of the fixed asset to the FLMA partner for capitalization when the asset is placed in service and ownership is transferred to the FLMA.

Cause

The accounting policy was based on an incorrect interpretation of the criteria for recognition and capitalization of PP&E and improvements to PP&E. The accounting policy was based on the determination that the highway and bridge projects did not meet the SFFAS 6 criteria for capitalization as the resulting fixed assets were not constructed with the intention to be used or available for use by FLH, FHWA, or the Department.

Effect

FLH may inaccurately expense capital costs, which could result in misstatements in its operating expense, PP&E, and Financing Sources Transferred Out without Reimbursement accounts. As of September 30, 2023, to correct the impacts of the improper policy, FHWA has recorded \$134 million to construction in progress related to active ongoing projects for a specific FLMA and recorded an asset transfer to the same FLMA of \$40.6 million related to projects completed during FY2023. Further misstatements related to construction in progress of \$592 million for other ongoing projects and Financing Sources Transferred Out without Reimbursement of \$1 billion related to completed projects may continue to exist.

Recommendations

We recommend that FHWA management:

- Review and update accounting policies and operating procedures to capitalize costs for the construction and procurement of non-heritage fixed assets on behalf of FLMA partners.

**Department of Transportation
Independent Auditors' Report
Internal Control Over Financial Reporting**

**EXHIBIT I (Continued)
SIGNIFICANT DEFICIENCIES**

- Establish and maintain communications channels with FLMA partners and establish protocols for communicating asset-level detail for projects required by each agency's property accountants.
- Perform an assessment of costs expensed for completed fixed asset construction projects to determine materiality and record correcting accounting entries as needed.

2023 – 03: Weaknesses in General Information Technology Controls

Background

The Department utilizes various information technology systems to carry out its mission and to compile amounts recorded in its consolidated financial statements. Systems may vary within each operating administration based on the individual mission and needs of the operating administration.

The Federal Highway Administration (FHWA) utilizes various systems, including but not limited to, a grant management system, and a user profile and access control system to manage user access to various applications within the FHWA environment, including the grant management system.

The Federal Transit Administration (FTA) utilizes various systems, including but not limited to, a system to award and manage grant funding.

The Federal Aviation Administration (FAA) utilizes a procurement system to record and track requisitions, purchase orders, and contracts and to compile amounts recorded in its consolidated financial statements.

Criteria

The U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (Green Book), sets the standards for an effective internal control system and provides an overall framework for designing, implementing, and operating effective internal control systems. The standards require entities to design appropriate types of control activities to include limiting access to resources and records to authorized individuals, and to periodically compare resources with the recorded accountability to help reduce the risk of errors, fraud, misuse, or unauthorized alteration. In addition, management should communicate quality information down and across reporting lines to enable personnel to perform key roles in achieving objectives, addressing risks, and supporting the internal control system. In these communications, management assigns the internal control responsibilities for key roles.

Condition

Access control deficiencies exist at the application, operating system, and database levels within the systems mentioned above as follows:

- Controls were not designed effectively over system access, including provisioning of new or modified user access, and recertification of existing user access.
- Controls were not operating effectively over system access, including provisioning of new or modified user access, provisioning of privileged user roles, recertification of existing user access including privileged user roles, and termination of access.

Cause

Management has not designed and consistently implemented procedures to ensure compliance with standards for effective internal control systems and/or internal policy.

Effect

User accounts with inappropriate access may allow for unauthorized use, disclosure, or modification of system data, which could result in misstatements in the consolidated financial statements not being prevented, detected, or corrected.

Recommendations

We recommend that management:

- Perform procedures to consistently approve and document new or modified user account and recertification requests and timely remove separated users as required by internal policy and standards for effective internal control systems.
- Update policies and procedures to assign backup responsibilities for control operators.
- Provide training to system administrators on documented procedures.
- Conduct monitoring to assess whether control operators are performing control activities in accordance with policy.

Attachment 2. Agency Response



Memorandum

**U.S. Department of
Transportation**
Office of the Secretary
of Transportation

Subject: Management Response to the Audit Report on
the Consolidated Financial Statements for Fiscal Year (FY) 2023

From: Victoria B. Wassmer
Assistant Secretary for Budget and Programs and Chief Financial Officer

VICTORIA BAECHER WASSMER
Digitally signed by VICTORIA BAECHER WASSMER
Date: 2023.11.14 11:47:42 -05'00'

To: Eric J. Soskin
Inspector General

James Gould
Partner, KPMG LLP

cc: Joe Jarrin, Deputy Assistant Secretary for Finance and Budget
Jennifer Funk, Deputy Chief Financial Officer
Saesha Carlile, Deputy Assistant Secretary for Budget and Programs

I am pleased to respond to the report on the Department of Transportation's (DOT) Consolidated Financial Statements. We take great pride in our ability to sustain strong and vigilant financial management, as demonstrated in our achievement of an unmodified audit opinion. This success reflects the hard work of all our Operating Administrations and our shared commitment to careful stewardship of taxpayer dollars.

The annual financial statement audit provides an opportunity for continuous improvement as we promote the prudent, effective, and efficient use of funds across the Department. We concur with the three significant deficiencies contained in the report on internal controls over financial reporting and the corresponding recommendations. Corrective actions are already underway and we will submit a detailed plan along with estimated completion dates of the actions to the Inspector General no later than December 31, 2023.

I appreciate the professionalism and cooperation exhibited by your office during the audit. Our combined efforts and cooperation made the difference in successfully meeting the objectives of the financial audit process.

Please refer questions to the Deputy Chief Financial Officer, Ms. Jennifer Funk (202-366-5628).

Attachment 3. Agency Financial Statements, Related Notes, and Required Supplemental Information

Principal Financial Statements

INTRODUCTION

The principal financial statements have been prepared to report the financial position and results of DOT's operations, pursuant to the requirements of the Chief Financial Officers Act of 1990 (CFO Act), as expanded by the Government Management Reform Act of 1994. While the statements have been prepared from DOT's books and records in accordance with generally accepted accounting principles (GAAP) for federal entities and the formats prescribed by the OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government.

The following financial statements are presented:

The **Consolidated Balance Sheets (BS)**, as of September 30, 2023 and 2022, present those resources owned or managed by DOT that are available to provide future economic benefits (assets); amounts owed by DOT that will require payments from those resources or future resources (liabilities); and residual amounts retained by DOT comprising the difference (net position).

The **Consolidated Statements of Net Cost (SNC)**, present the net cost of DOT operations for the fiscal years ended September 30, 2023 and 2022. DOT's net cost of operations includes the gross costs incurred by DOT less any exchange revenue earned from DOT activities.

The **Consolidated Statements of Changes in Net Position (SCNP)** present the change in DOT's net position resulting from the net cost of DOT operations, budgetary financing sources other than exchange revenues, and other financing sources for the fiscal years ended September 30, 2023 and 2022.

The **Combined Statements of Budgetary Resources (SBR)** present the budgetary resources available to DOT during fiscal years ended September 30, 2023 and 2022; and the status of these resources and the net outlay of budgetary resources for the fiscal years ended September 30, 2023 and 2022. The Notes to the Financial Statements provide important disclosures and details related to information reported on the statements.

The **Notes to the Financial Statements** provide information to explain the basis of the accounting and presentation used to prepare the statements and to explain specific items in the statements. They also provide information to support how particular accounts have been valued and computed.

U.S. DEPARTMENT OF TRANSPORTATION CONSOLIDATED BALANCE SHEETS

As of September 30, 2023 and 2022

DOLLARS IN THOUSANDS	2023	2022
ASSETS		
Intragovernmental		
Fund Balance with Treasury (Note 2)	\$ 144,884,983	\$ 127,914,274
Investments, Net (Note 3)	134,878,954	140,810,090
Accounts Receivable, Net (Note 4)	89,139	109,402
Advances and Prepayments (Note 5)	13,347	7,184
Total Intragovernmental	279,866,423	268,840,950
Other than Intragovernmental		
Accounts Receivable, Net (Note 4)	138,160	116,534
Loans Receivable, Net (Note 6)	21,336,520	16,265,614
Inventory and Related Property, Net (Note 7)	1,076,627	1,073,843
Property, Plant and Equipment, Net (Note 8)	14,009,229	12,873,847
Advances and Prepayments (Note 5)	2,230,464	1,944,998
Total Other than Intragovernmental	38,791,000	32,274,836
Total Assets	<u>\$ 318,657,423</u>	<u>\$ 301,115,786</u>
Stewardship Property, Plant and Equipment (Note 9)		
LIABILITIES (NOTE 10)		
Intragovernmental		
Accounts Payable	\$ 3,979	\$ 26,525
Debt (Note 11)	22,553,726	16,415,203
Advances From Others and Deferred Revenue	1,208,499	925,463
Other Liabilities (Note 15)	682,435	854,237
Total Intragovernmental	24,448,639	18,221,428
Other than Intragovernmental		
Accounts Payable	664,685	818,988
Loan Guarantee Liability (Note 6)	217,255	281,225
Federal Employee Benefits Payable (Note 12)	1,406,748	1,410,184
Environmental and Disposal Liabilities (Note 13 and Note 17)	942,229	876,220
Advances From Others and Deferred Revenue	263,411	257,244
Other Liabilities		
Accrued Grant Liabilities (Note 14)	12,826,749	15,398,805
Other (Note 15)	964,264	948,764
Total Other than Intragovernmental	17,285,341	19,991,430
Total Liabilities	<u>\$ 41,733,980</u>	<u>\$ 38,212,858</u>
Commitments and Contingencies (Note 17)		
NET POSITION		
Unexpended Appropriations—Funds From Dedicated Collections (Consolidated) (Note 18)	\$ 1,165,492	\$ 1,258,322
Unexpended Appropriations—Funds from Other than Dedicated Collections (Consolidated)	130,716,114	109,619,829
Total Unexpended Appropriations (Consolidated)	131,881,606	110,878,151
Cumulative Results of Operations - Funds From Dedicated Collections (Consolidated) (Note 18)	134,434,955	142,127,489
Cumulative Results of Operations - Funds from Other than Dedicated Collections (Consolidated)	10,606,882	9,897,288
Total Cumulative Results of Operations (Consolidated)	145,041,837	152,024,777
Total Net Position	276,923,443	262,902,928
Total Liabilities and Net Position	<u>\$ 318,657,423</u>	<u>\$ 301,115,786</u>

The accompanying notes are an integral part of these financial statements

**U.S. DEPARTMENT OF TRANSPORTATION
CONSOLIDATED STATEMENTS OF NET COST**
For the years ended September 30, 2023 and 2022

DOLLARS IN THOUSANDS	2023	2022
Program Costs		
SURFACE TRANSPORTATION		
Gross Costs	\$ 86,886,313	\$ 91,735,194
Less: Earned Revenue	1,150,721	1,069,262
Net Program Costs	85,735,592	90,665,932
AIR TRANSPORTATION		
Gross Costs	21,941,910	23,678,974
Less: Earned Revenue	697,973	544,079
Net Program Costs	21,243,937	23,134,895
MARITIME TRANSPORTATION		
Gross Costs	1,236,919	1,590,700
Less: Earned Revenue	966,959	522,128
Net Program Costs	269,960	1,068,572
CROSS-CUTTING PROGRAMS		
Gross Costs	666,167	585,900
Less: Earned Revenue	147,217	126,391
Net Program Costs	518,950	459,509
Costs Not Assigned to Programs	299,468	915,368
Less: Earned Revenues Not Attributed to Programs	6,309	7,696
Net Cost of Operations	<u>\$ 108,061,598</u>	<u>\$ 116,236,580</u>

The accompanying notes are an integral part of these financial statements

U.S. DEPARTMENT OF TRANSPORTATION

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the years ended September 30, 2023 and 2022

DOLLARS IN THOUSANDS	2023			2022		
	Funds from Dedicated Collections (Consolidated)	Funds from Other than Dedicated Collections (Consolidated)	Total	Funds from Dedicated Collections (Consolidated)	Funds from Other than Dedicated Collections (Consolidated)	Total
UNEXPENDED APPROPRIATIONS						
Beginning Balance	\$ 1,258,322	\$ 109,619,829	\$ 110,878,151	\$ 719,382	\$ 95,377,129	\$ 96,096,511
Appropriations Received (Note 1W)	1,921,179	51,830,197	53,751,376	5,000,000	175,621,270	180,621,270
Appropriations Transferred-in/(out)	1,080	(21,495)	(20,415)	-	(495)	(495)
Other Adjustments	(25,023)	(2,775,768)	(2,800,791)	(25)	(289,777)	(289,802)
Appropriations Used	(1,990,066)	(27,936,649)	(29,926,715)	(4,461,035)	(161,088,298)	(165,549,333)
Net Change in Unexpended Appropriations	(92,830)	21,096,285	21,003,455	538,940	14,242,700	14,781,640
Total Unexpended Appropriations	1,165,492	130,716,114	131,881,606	1,258,322	109,619,829	110,878,151
CUMULATIVE RESULTS OF OPERATIONS						
Beginning Balance	\$ 142,127,489	\$ 9,897,288	\$ 152,024,777	\$ 32,310,357	\$ 11,108,326	\$ 43,418,683
Other Adjustments	-	(63)	(63)	-	(416)	(416)
Appropriations Used	1,990,066	27,936,649	29,926,715	4,461,035	161,088,298	165,549,333
Nonexchange Revenue (Note 19)	70,588,818	2,472	70,591,290	59,216,981	1,734	59,218,715
Donations/Forfeitures of Cash/Cash Equivalents	901	-	901	1,025	-	1,025
Transfers-in/(out) Without Reimbursement	(1,365,865)	1,400,569	34,704	117,010,185	(116,943,607)	66,578
Donations and Forfeitures of Property	-	13,012	13,012	-	24,868	24,868
Imputed Financing	792,961	73,194	866,155	450,895	45,106	496,001
Other	(174,461)	(179,595)	(354,056)	(433,149)	(80,281)	(513,430)
Net Cost of Operations	79,524,954	28,536,644	108,061,598	70,889,840	45,346,740	116,236,580
Net Change in Cumulative Results of Operations	(7,692,534)	709,594	(6,982,940)	109,817,132	(1,211,038)	108,606,094
Total Cumulative Results of Operations	134,434,955	10,606,882	145,041,837	142,127,489	9,897,288	152,024,777
Net Position	\$ 135,600,447	\$ 141,322,996	\$ 276,923,443	\$ 143,385,811	\$ 119,517,117	\$ 262,902,928

The accompanying notes are an integral part of these financial statements

U.S. DEPARTMENT OF TRANSPORTATION COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the years ended September 30, 2023 and 2022

DOLLARS IN THOUSANDS	2023		2022	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
BUDGETARY RESOURCES (NOTE 20)				
Unobligated Balance From Prior Year Budget Authority, Net	\$ 110,983,951	\$ 492,457	\$ 98,951,382	\$ 260,661
Appropriations (Note 1W)	65,206,595	-	190,836,653	7,338
Borrowing Authority	-	1,749,970	-	5,599,774
Contract Authority	78,311,258	-	76,698,407	-
Spending Authority From Offsetting Collections	13,183,651	236,385	9,150,388	694,485
Total Budgetary Resources	\$ 267,685,455	\$ 2,478,812	\$ 375,636,830	\$ 6,562,258
STATUS OF BUDGETARY RESOURCES				
New Obligations and Upward Adjustments	\$ 138,926,573	\$ 2,181,044	\$ 268,863,408	\$ 6,072,177
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	103,654,355	10,603	78,144,953	308,342
Unapportioned, Unexpired Accounts	24,646,893	287,165	28,332,416	181,739
Unexpired Unobligated Balance, End of Year	128,301,248	297,768	106,477,369	490,081
Expired Unobligated Balance, End of Year	457,634	-	296,053	-
Unobligated Balance, End of Year	128,758,882	297,768	106,773,422	490,081
Total Budgetary Resources	\$ 267,685,455	\$ 2,478,812	\$ 375,636,830	\$ 6,562,258
OUTLAYS, NET, AND DISBURSEMENTS, NET				
Outlays, Net	\$ 110,914,296		\$ 233,432,830	
Distributed Offsetting Receipts	(1,431,755)		(119,736,439)	
Agency Outlays, Net	\$ 109,482,541		\$ 113,696,391	
Disbursements, Net		\$ 6,330,835		\$ 1,775,252

The accompanying notes are an integral part of these financial statements

Notes to the Principal Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Department reporting entity is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

The Department serves as the strategic focal point in the Federal Government's national transportation plan. It partners with cities and States to meet local and national transportation needs by providing financial and technical assistance; ensuring the safety of all transportation modes; protecting the interests of the American traveling public; promoting international transportation treaties; and conducting planning and research for the future.

The Department is comprised of the Office of the Secretary and the DOT Operating Administrations (OAs), each having its own management team and organizational structure. Collectively, they provide services and oversight to ensure the best possible transportation system serves the American public. The Department's consolidated financial statements present the financial data for various trust funds, revolving funds, appropriations and special funds of the following organizations (referred to as Operating Administrations):

- **Office of the Secretary (OST) [includes OST Working Capital Fund, Volpe National Transportation Center, and Office of the Assistant Secretary for Research and Technology]**
- **Federal Aviation Administration (FAA)**
- **Federal Highway Administration (FHWA)**
- **Federal Motor Carrier Safety Administration (FMCSA)**
- **Federal Railroad Administration (FRA)**
- **Federal Transit Administration (FTA)**
- **Maritime Administration (MARAD)**
- **National Highway Traffic Safety Administration (NHTSA)**
- **Office of Inspector General (OIG)**
- **Pipeline and Hazardous Materials Safety Administration (PHMSA)**

The Great Lakes Saint Lawrence Seaway Development Corporation (GLS) is a wholly owned Government corporation and an Operating Administration of the Department. However, GLS's financial data is not consolidated into the DOT consolidated financial statements as the dollar value of its activities is not material to that of the Department taken as a whole. The GLS is subject to separate reporting requirements under the Government Corporation Control Act and undergoes its own annual financial statement audit. GLS's financial statements are available via their website.

B. Basis of Presentation

The consolidated financial statements have been prepared to report the Department's financial position and results of operations, as required by the CFO Act and Title IV of the Government Management Reform Act of 1994. The statements have been prepared from the DOT books and records in accordance with Office of Management and Budget (OMB) form and content requirements for entity financial statements and DOT's accounting policies and procedures. Material intradepartmental transactions and balances have been eliminated from the principal statements for presentation on a consolidated basis, except for the Combined Statement of Budgetary Resources, which is presented on a combined basis in accordance with OMB Circular A-136, *Financial Reporting Requirements*, as revised, and as such, intra-entity transactions have not been eliminated. Unless otherwise noted, all dollar amounts are presented in thousands.

The Consolidated Balance Sheets and certain accompanying notes to the consolidated financial statements present agency assets, liabilities, and net position (which equals total assets minus total liabilities) as of the reporting dates. Agency assets substantially consist of entity assets (those which are available for use by the agency). Nonentity assets (those which are managed by the agency, but not available for use in its operations) are primarily for DOT's downward reestimates in its loan programs. The downward reestimates are not available to DOT and they are returned to the Treasury in the fiscal year following the accrual of the reestimates. See Note 10 for additional discussion of non-entity assets and liabilities. Agency liabilities include both those covered by budgetary resources, those not covered by budgetary resources, and those not requiring budgetary resources.

The Consolidated Statements of Net Cost present the gross costs of programs, less earned revenue, to arrive at the net cost of operations, for both the programs and the Department, as a whole for the reporting periods.

The Consolidated Statements of Changes in Net Position report beginning balances, budgetary and other financing sources, and net cost of operations, to arrive at ending net position balances.

The Combined Statements of Budgetary Resources provide information about how budgetary resources were made available, as well as the status of budgetary resources at the end of the reporting periods. Recognition and measurement of budgetary information reported on these statements is based on budget terminology, definitions, and guidance presented in OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, dated August 2023.

A Statement of Custodial Activity is not presented as DOT custodial activity is incidental to departmental operations and is not considered material to the consolidated financial statements taken as a whole. DOT custodial activity is presented in Note 21.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

On the Consolidated Balance Sheets and in certain accompanying notes to the consolidated financial statements, transaction balances are classified as either being intragovernmental or other than intragovernmental. Intragovernmental transactions and balances result from exchange transactions made between DOT and other Federal Government entities while those classified as “other than intragovernmental” result from exchange transactions between DOT and non-Federal entities. For example, if DOT purchases goods or services from the public and sells them to another Federal entity, the costs would be classified as “other than intragovernmental,” but the related revenues would be classified as “intragovernmental.” This could occur, for example, when DOT provides goods or services to another Federal Government entity on a reimbursable basis. The purpose of this classification is to enable the Federal Government to prepare consolidated financial statements, and not to match other than intragovernmental and intragovernmental revenue with costs that are incurred to produce other than intragovernmental and intragovernmental revenue.

DOT accounts for dedicated collections separately from other funds. Funds from dedicated collections are financed by specifically identified revenues, provided to the Government by non-Federal sources, often supplemented by other financing sources which remain available over time. Funds from dedicated collections are required, by statute, to be used for designated activities, benefits, or purposes. See Note 18 for additional discussion on funds from dedicated collections.

C. Budgets and Budgetary Accounting

DOT follows standard Federal budgetary accounting policies and practices in accordance with OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, dated August 2023. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. Each year, the U.S. Congress (Congress) provides budget authority, primarily in the form of appropriations, to the DOT Operating Administrations (OAs) to incur obligations in support of agency programs. For FY 2023 and FY 2022, the Department was accountable for trust fund appropriations, general fund appropriations, revolving fund activity, borrowing authority, and contract authority. DOT recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through warrants and trust fund transfers.

Programs are financed from authorizations enacted in authorizing legislation and codified in Title 23 and 49 of the United States Code (U.S.C.). The DOT receives its budget authority in the form of direct appropriations, borrowing authority, contract authority, and spending authority from offsetting collections. Contract authority permits programs to incur obligations in advance of an appropriation, offsetting collections or receipts. Subsequently, Congress provides an appropriation for the liquidation of the contract authority to allow payments to be made for the obligations

incurred. Funds apportioned by statute under Titles 23 and 49 of the U.S.C., Subtitle III by the Secretary of Transportation for activities in advance of the liquidation of appropriations are available for a specific time period.

D. Basis of Accounting

The Department’s consolidated financial statements are prepared in accordance with all applicable accounting principles and standards developed and issued by FASAB, which is recognized by the American Institute of Certified Public Accountants (AICPA) as the entity to establish GAAP for the Federal Government. The Federal Financial Management Improvement Act (FFMIA) of 1996 requires the Department to comply substantially with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Standard General Ledger requirements at the transaction level.

Transactions are recorded on an accrual and a budgetary accounting basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. Under the budgetary basis, however, funds availability is recorded based upon legal considerations and constraints.

E. Fund Balance With Treasury

Fund balance with Treasury is an asset of the Department and a liability of the General Fund of the U.S. Government. Similarly, investments in U.S. Government securities that are held by dedicated collections accounts are assets of the DOT and liabilities of the General Fund of the U.S. Government. In both cases, the amounts represent commitments by the government to provide resources for particular programs, but they do not represent net assets to the government as a whole.

When the DOT seeks to use fund balance with Treasury or investments in U.S. Government securities to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

DOT does not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Treasury. The funds with the U.S. Treasury are appropriated, revolving, and trust funds that are available to pay liabilities and finance authorized purchases. Lockboxes have been established with financial institutions to collect certain payments, and these funds are transferred directly to the U.S. Treasury on a daily (business day) basis. DOT does not maintain any balances of foreign currencies.

F. Investments in U.S. Government Securities

Investments, consisting of U.S. Government Securities, are reported at cost, adjusted for amortized cost, net of premiums or discounts, and are held to maturity. Premiums

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

or discounts are amortized into interest income over the term of the investment using the interest method. The Department has the intent and the ability to hold investments to maturity. Investments, redemptions, and reinvestments are controlled and processed by the U.S. Treasury. DOT has nonmarketable par value and market-based Treasury securities. DOT also has marketable securities issued by the Treasury at market price.

G. Receivables***Accounts Receivable***

Accounts receivable consist of amounts owed to the Department by other Federal agencies and the public. Federal accounts receivable are generally the result of the provision of goods and services to other Federal agencies. Public accounts receivable are generally the result of the provision of goods and services or the levy of fines and penalties from the Department's regulatory activities. Accounts receivable including federal and public are presented net of an allowance for loss on uncollectible amounts, which is based on historical collection experience or an analysis of the individual receivables.

Loans Receivable

Loans are accounted for as receivables after funds have been disbursed. Loans receivable is reduced by an allowance equal to the present value of the subsidy costs (resulting from the interest rate differential between the loans and U.S. Treasury borrowing, the estimated delinquencies and defaults net of recoveries, the offset from fees, and other estimated cash flows) associated with these loans.

H. Inventory and Related Operating Materials and Supplies

Within the FAA's Franchise Fund, inventory is held for sale to the FAA field locations and other domestic entities and foreign governments. Inventory consists of materials and supplies that the FAA uses to support our nation's airspace system and is predominantly located at the FAA Mike Monroney Aeronautical Center (MMAC) in Oklahoma City. Inventory costs include material, labor, and applicable manufacturing overhead.

Inventory held for sale includes both purchased inventory and refurbished inventory. Inventory held for sale is valued using historical cost, applying the moving average cost flow method. The moving average cost flow method is an inventory costing method used in conjunction with a perpetual inventory system. A weighted average cost per unit is recomputed after every purchase. Goods sold are costed at the most recent moving average cost.

FAA field locations frequently exchange non-operational repairable units with the Franchise Fund. These components are classified as "held for repair" and valued using the direct method.

Inventory may be deemed to be "excess, obsolete, and unserviceable" if, for example, the quantity exceeds

projected demand for the foreseeable future or if the item has been technologically surpassed. The "excess, obsolete, and unserviceable" inventory is determined to have no residual net realizable value, therefore, a loss is recognized to write off the inventory in the current period.

Operating materials and supplies primarily consist of unissued supplies that will be consumed in future operations. They are valued based on the latest acquisition cost. Operating materials and supplies are expensed using the consumption method of accounting. Operating materials and supplies may be classified as excess, obsolete, and unserviceable and an allowance is established based on the condition of various asset categories and historical experience with disposing of such assets.

I. Property and Equipment

DOT OAs have varying methods of determining the value of general purpose property and equipment and how it is depreciated. DOT currently has a capitalization threshold of \$200 thousand for structures and facilities and for internal use software, and \$100 thousand for other property, plant, and equipment (PPE). Capitalization thresholds are established at the departmental level, however, capitalization at lesser amounts is permitted at the OA level. This could result in amounts being capitalized that would have been expensed using the departmental level threshold. Construction in progress is valued at direct (actual) costs plus applied overhead and other indirect cost. The straight line method is used to depreciate capitalized assets.

DOT's heritage assets, consisting of Union Station in Washington, D.C., the Nuclear Ship *Savannah*, and collections of maritime artifacts, are considered priceless and are not capitalized in the Consolidated Balance Sheet (See Note 9).

J. Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenses or capitalized, as appropriate, when the related goods and services are received. Advances to others and prepayments primarily relates to the FRA advances provided to Amtrak.

K. Liabilities

Liabilities represent amounts expected to be paid as the result of a transaction or event that has already occurred. Liabilities covered by budgetary resources are liabilities, which are covered by available budgetary resources as of the balance sheet date. Available budgetary resources include new budget authority, spending authority from offsetting collections, recoveries of unexpired budget authority through downward adjustments of prior year obligations, unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, and permanent indefinite appropriations or borrowing authority. Unfunded liabilities are not considered to be covered by such budgetary resources. An example of

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

an unfunded liability is actuarial liabilities for future Federal Employees' Compensation Act payments. The Government, acting in its sovereign capacity, can abrogate liabilities arising from transactions other than contracts. Liabilities not requiring budgetary resources are liabilities that have not in the past required and will not in the future require the use of budgetary resources (i.e., custodial collections).

L. Grant Accrual

The Department records an obligation at the time a grant is awarded. As grant recipients conduct eligible activities under the terms of their grant agreement, they request payment by the DOT, typically made via an electronic payment process. Expenses are recorded at the time of payment approval during the year. The DOT also recognizes an accrued liability and expense for estimated eligible grant payments not yet requested by grant recipients. Grant expenses, including associated administrative costs, are included within the respective programs within the Consolidated Statements of Net Cost.

M. Contingencies

The criteria for recognizing contingencies for claims are (1) a past event or exchange transaction has occurred as of the date of the statements; (2) a future outflow or other sacrifice of resources is probable; and (3) the future outflow or sacrifice of resources is measurable (reasonably estimable). Contingent liabilities that are considered remote are not disclosed. DOT recognizes material contingent liabilities in the form of claims, legal actions, administrative proceedings, and environmental suits that have been brought to the attention of legal counsel, some of which will be paid from the Judgment Fund administered by the U.S. Treasury.

The Department has entered into contractual commitments that require future use of financial resources, specifically for long-term lease obligations. The Department is committed to various leases primarily covering administrative office space, technical facilities and fleet vehicles with the General Services Administration (GSA) and other vendors, when granted the authority. Specifically, FAA and MARAD have general procurement provisions, pursuant to U.S.C. Title 49 Section 40110(c)(1) and Title 46 Section 50303, respectively. Leases may contain escalation clauses tied to changes in inflation, taxes, or renewal options. Although most have short termination arrangements, the Department intends to remain in the leases. Depending on terms, the leases are either recorded as capital or operating leases (See Note 16).

N. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued annual leave account is adjusted to reflect the latest pay rates and unused hours of leave. Liabilities associated with other types of vested leave, including compensatory, credit hours, restored leave, and sick leave in certain circumstances, are accrued based on latest pay rates and

unused hours of leave. Sick leave is generally nonvested, except for sick leave balances at retirement under the terms of certain union agreements. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned and not taken. Nonvested leave is expensed when used.

O. Retirement Plan

For DOT employees who participate in the Civil Service Retirement System (CSRS), DOT contributes a matching contribution equal to 7 percent of pay. On January 1, 1987, Federal Employee Retirement System (FERS) went into effect pursuant to Public Law (P.L.) 99-335. Most employees hired after December 31, 1983 are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984 could elect to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which DOT automatically contributes 1 percent of pay and matches any employee contribution up to an additional 4 percent of pay. For most employees hired after December 31, 1983, DOT also contributes the employer's matching share for Social Security.

Employing agencies are required to recognize pensions and other postretirement benefits during the employees' active years of service. Reporting the assets and liabilities associated with such benefit plans is the responsibility of the administering agency, the U.S. Office of Personnel Management (OPM). Therefore, DOT does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to employees.

P. Federal Employees Health Benefit (FEHB) Program

Most Department employees are enrolled in the FEHB Program, which provides current and postretirement health benefits. OPM administers these programs and is responsible for reporting the related liabilities. OPM contributes the 'employer' share for retirees via an appropriation and the retirees contribute their portion of the benefit directly to OPM. OPM calculates the U.S. Government's service cost for covered employees each fiscal year. The Department has recognized the employer cost of these postretirement benefits for covered employees as an imputed cost.

Q. Federal Employees Group Life Insurance (FGLI) Program

Most Department employees are entitled to participate in the FGLI Program. Participating employees can obtain basic term life insurance where the employee pays two-thirds of the cost and the Department pays one-third of the cost. OPM administers this program and is responsible for reporting the related liabilities. OPM calculates the U.S. Government's service cost for the postretirement portion of the basic life coverage each fiscal year. Because OPM fully allocates the Department's contributions for basic life coverage to the preretirement portion of coverage, the

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Department has recognized the entire service cost of the postretirement portion of basic life coverage as an imputed cost.

R. Federal Employees Compensation Act (FECA) Benefits

The Federal Employees Compensation Act (FECA) (P.L. 103-3) provides income and medical cost protection to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the DOT for these paid claims.

A liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the FECA. The actual costs incurred are reflected as a liability because DOT will reimburse the DOL 2 years after the actual payment of expenses. Future revenues will be used to reimburse DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under FECA.

S. Environmental and Disposal Liabilities

DOT recognizes two types of environmental liabilities: unfunded environmental remediation liability and unfunded asset disposal liability. The liability for environmental remediation is an estimate of costs necessary to bring known contaminated sites into compliance with applicable environmental standards. The increase or decrease in the annual liability is charged to current year expense.

The asset cleanup and disposal liability is the estimated cost that will be incurred to remove, contain, and/or dispose of hazardous material when an asset presently in service is shut down. DOT estimates the asset cleanup and disposal liability at the time that an asset is placed in service. For assets placed in service through FY 1998, the increase or decrease in the estimated environmental cleanup liability is charged to expense. Assets placed in service in FY 1999 and after do not contain any known hazardous materials, and therefore do not have associated environmental liabilities.

There are no known possible changes to these estimates based on inflation, deflation, technology, or applicable laws and regulations.

T. Inter-Entity Costs

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the DOT are recognized as imputed cost in the Statement of Net Cost, and are offset by imputed financing sources in the Statement of Changes in Net Position. Such imputed costs and revenues relate to business-type activities, employee

benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

U. Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amount of assets, liabilities and contingent liability disclosures as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Significant estimates underlying the accompanying financial statements include the accruals of accounts and grants payable, and accrued legal, environmental, and disposal liabilities. Additionally, the Federal Credit Reform Act of 1990 (FCRA) requires the Department to use estimates in determining the reported amount of direct loan and loan guarantees, the loan guarantee liability and the loan subsidy costs associated with future loan performance.

V. Allocation Transfers

DOT is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and a recipient (child) entity. Allocation transfers are legal delegations by one Federal agency of its authority to obligate budget authority and outlay funds to another Federal agency. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account and subsequent obligations and outlays incurred by the receiving entity (child) are charged to this allocation account as the delegated activity is executed on the parent entity's behalf. All financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived.

DOT allocates funds, as the parent agency, to the following non-DOT Federal agencies in accordance with applicable public laws and statutes: U.S. Bureau of Indian Affairs, U.S. Bureau of Reclamation, U.S. Forest Service, U.S. National Park Service, U.S. Bureau of Land Management, U.S. Fish and Wildlife Service, U.S. Department of the Army, U.S. Army Corps of Engineers, Internal Revenue Service (IRS), U.S. Department of Housing and Urban Development (HUD), Denali Commission, U.S. Department of Navy, U.S. Department of the Air Force, U.S. Department of Agriculture, U.S. Department of Treasury, and the Appalachian Regional Commission.

DOT receives allocations of funds, as the child agency, from the following non-DOT Federal agencies in accordance with applicable laws and statutes: U.S. Department of the Interior, U.S. Department of the Navy, U.S. Department of the Army, U.S. Department of the Air Force, U.S. Department

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

of Defense (DoD), and the Appalachian Regional Commission. This activity is included in the financial statements of the parent agency and is not included in the DOT financial statements.

W. Revenues and Other Financing Sources**Funds from Dedicated Collections Excise Tax Revenues (Nonexchange)**

Two significant DOT programs, the Highway Trust Fund (HTF) and the Airport and Airway Trust Fund (AATF), receive nonexchange funding support from the dedicated collection of excise taxes.

The DOT September 30, 2023 financial statements reflect excise taxes certified by the IRS through June 30, 2023 and excise taxes distributed by the U.S. Treasury, Office of Tax Analysis (OTA) for the period July 1, 2023 to September 30, 2023, as specified by FASAB SFFAS Number 7, *Accounting for Revenue and Other Financing Sources*. Actual excise tax collection data for the quarter ended September 30, 2023 will not be available until after the statements are released. The HTF and AATF receive their budget authority in the form of contract authority and direct appropriations. Contract authority permits programs to incur obligations in advance of an appropriation, offsetting collections, or receipts and authorizes the collections and deposits of excise taxes into and making expenditures from the HTF and AATF. Subsequently, Congress authorizes DOT to liquidate the contract authority only as appropriated. The excise tax revenue received in the HTF and AATF accounts remain invested until needed and is thereby liquidated and withdrawn from the investments.

Appropriations (Financing Source)

As a component of the U.S. Government-wide reporting entity, the DOT is subject to the federal budget process, which involves appropriations that are provided annually and appropriations that are provided on a permanent basis. The financial transactions that are supported by budgetary resources, which include appropriations, are generally the same transactions reflected in agency and the U.S. Government-wide financial reports.

The DOT's budgetary resources reflect past congressional action and enable the entity to incur budgetary obligations, but they do not reflect assets to the U.S. Government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions. After budgetary obligations are incurred, Treasury will make disbursements to liquidate the budgetary obligations and finance those disbursements in the same way it finances all disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

DOT receives annual, multiyear, and no-year appropriations. Appropriations are recognized as financing sources when related program and administrative expenses are incurred. Additional amounts are obtained from offsetting collections

and user fees (e.g., overflight fees and registry certification fees) and through reimbursable agreements for services performed for domestic and foreign governmental entities. Additional revenue is received from gifts of donors, sales of goods and services to other agencies and the public, the collection of fees and fines, interest/dividends on invested funds, loans, and cash disbursements to banks. Interest income is recognized as revenue on the accrual basis rather than when received.

On October 2, 2021, President Biden signed the Surface Transportation Extension Act of 2021, extending the HTF authorization through October 31, 2021. On October 31, 2021, President Biden also signed the Surface Transportation Extension Act of 2021, further extending the HTF authorization through December 3, 2021. On November 15th, 2021, P.L. 117-58 was signed into law, providing funding for surface transportation through September 30th, 2026. P.L. 117-58 also appropriated \$118 billion in cash transfers from the General Fund of the U.S. Government to the HTF in FY 2022.

On October 5, 2018, former President Trump signed the FAA Reauthorization Act of 2018 (P.L. 115-254) which extended the AATF authorizations and related revenue authorities to September 30, 2023. The Continuing Appropriations Act, 2024 and Other Extensions Act, P.L. 118-15, further extended the AATF authorizations through December 31, 2023. The authority to collect, deposit and expend AATF funds ends on December 31, 2023 without a further reauthorization.

The Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL), was signed into law on November 15, 2021 (P.L. 117-58), providing \$383.3 billion in funding over a 5 year period for highway construction, infrastructure, research and development (R&D), safety, and transit programs. In addition to these amounts, Division J of P.L. 117-58 also provides \$184.1 billion in Supplemental funding over a 5-year period for Highways, Transit, Aviation, Ports, Rail, and other key Transportation priorities. In addition to the amounts provided, IIJA/BIL also authorized an additional \$93.5 billion for future appropriations.

The Inflation Reduction Act (IRA), P.L. 117-169, was signed into law on August 16, 2022. IRA provided roughly \$5.6 billion to advance transportation equity and environmental programs.

X. Fiduciary Activities

Fiduciary assets and liabilities are not assets and liabilities of the Department and, as such, are not recognized on the Balance Sheet. The MARAD Title XI Escrow Fund contains fiduciary activity as detailed in Note 23.

Y. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation. Specifically, for Note 10 - Liabilities Not Covered by Budgetary Resources, the liability for non-entity assets were reclassified to

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

liabilities not requiring budgetary resources.

Z. Taxes

DOT, as a Federal entity is not subject to Federal, State, or local income taxes and, accordingly, does not record a provisions for income taxes in the accompanying financial statements.

AA. Classified Activities

SFFAS 56 requires all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

AB. Subsequent Events

Effective October 1, 2023, the Department is operating under a continuing resolution (CR), P.L. 118-15, to continue Government operations. The CR will be in effect through November 17, 2023 unless superseded by enactment of specified appropriations legislation and includes a provision that allows the DOT to continue spending at FY 2023 rates.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance With Treasury as of September 30, 2023 and 2022 consists of the following:

DOLLARS IN THOUSANDS	2023	2022
STATUS OF FUND BALANCE WITH TREASURY		
Unobligated Balance		
Available	\$ 98,673,726	\$ 74,788,145
Unavailable	3,502,450	8,975,199
Obligated Balance Not Yet Disbursed	42,363,689	43,604,985
Non-Budgetary Fund Balance with Treasury	345,118	545,945
Total	<u>\$ 144,884,983</u>	<u>\$ 127,914,274</u>

Fund Balances with Treasury are the aggregate amounts of the Department's accounts with Treasury for which the Department is authorized to make expenditures and pay liabilities. Fund Balance with Treasury is an asset to the DOT, but not to the Government as a whole because it is a liability of the Treasury General Fund.

Unobligated fund balances are reported as not available when the balance is not legally available for obligation. However, balances that are not available can be used for upward adjustments of obligations that were incurred during the period of availability or for paying claims attributable to that time period. Obligated Balance not yet Disbursed includes unpaid obligations offset by investments, contract authority, and uncollected customer payments from other federal government accounts. Therefore, the unobligated and obligated balances presented will not agree to related amounts reported on the Combined Statements of Budgetary Resources.

The DOT is funded with appropriations from trust funds and the General Fund of the Treasury. While amounts appropriated from the General Fund of the Treasury are included in Fund Balance with Treasury, trust fund investments are not. Trust fund investments are redeemed, as needed, to meet DOT's cash disbursement needs, at which time the funds are transferred into Fund Balance with Treasury. The DOT also receives contract authority which allows obligations to be incurred in advance of an appropriation. The contract authority is subsequently funded, as authorized, from the trust fund allowing for the liquidation of the related obligations. Thus, investments and contract authority are not part of Fund Balance with Treasury; however, their balances will be transferred from the trust fund to Fund Balance with Treasury over time to liquidate obligated balances and unobligated balances as they become obligated, and thus are necessarily included in the Status of Fund Balance with Treasury.

As of September 30, 2023 and 2022, the unused funds in expired appropriations that were returned to Treasury at the end of the fiscal year were \$66.4 million and \$22.9 million, respectively. These balances are excluded from amounts reported as Fund Balance with Treasury.

DOT reports significantly more Fund Balance with Treasury than prior year, primarily due to the additional appropriations received from the IJJA, also known as the BIL.

NOTE 3. INVESTMENTS

Investments as of September 30, 2023 consist of the following:

DOLLARS IN THOUSANDS	Cost/ Acquisition Value	Amortized Discount	Investments (Net)	Market Value
INTRAGOVERNMENTAL SECURITIES AND INVESTMENTS				
Marketable	\$ 53,025	\$ (929)	\$ 52,096	\$ 51,016
Non-Marketable: Par Value	132,274,094	-	132,274,094	132,274,094
Non-Marketable: Market-Based	2,456,438	(31,378)	2,425,060	2,410,588
Subtotal	134,783,557	(32,307)	134,751,250	134,735,698
Accrued Interest Receivable	127,704	-	127,704	
Total Intragovernmental Securities and Investments	<u>\$ 134,911,261</u>	<u>\$ (32,307)</u>	<u>\$ 134,878,954</u>	<u>\$ 134,735,698</u>

Investments as of September 30, 2022 consist of the following:

DOLLARS IN THOUSANDS	Cost/ Acquisition Value	Amortized Discount	Investments (Net)	Market Value
INTRAGOVERNMENTAL SECURITIES AND INVESTMENTS				
Marketable	\$ 51,979	\$ (306)	\$ 51,673	\$ 49,790
Non-Marketable: Par Value	138,364,780	-	138,364,780	138,364,780
Non-Marketable: Market-Based	2,366,184	(13,813)	2,352,371	2,323,933
Subtotal	140,782,943	(14,119)	140,768,824	140,738,503
Accrued Interest Receivable	41,266	-	41,266	
Total Intragovernmental Securities and Investments	<u>\$ 140,824,209</u>	<u>\$ (14,119)</u>	<u>\$ 140,810,090</u>	<u>\$ 140,738,503</u>

Investments include nonmarketable par value and market-based Treasury securities and marketable securities issued by the Treasury. The Secretary of the Treasury invests AATF and HTF funds on behalf of the DOT in nonmarketable par value Treasury securities. The DOT investments are considered investment authority and are available to offset the cost of operations to the extent authorized by the U.S. Congress. As of September 30, 2023 and 2022, \$132.3 billion and \$138.4 billion were invested respectively in U.S. Treasury Certificates of Indebtedness. Nonmarketable par value Treasury securities are special series debt securities that the U.S. Treasury issues to federal entities at face value (par value). The securities are redeemed at face value on demand; thus investing entities recover the full amounts invested plus interest.

Nonmarketable market-based Treasury securities are also issued by the Bureau of Fiscal Service to Federal accounts. They are debt securities that the Treasury issues to federal entities without statutorily fixed interest rates. Although the securities are not marketable, their terms (prices and interest rates) mirror the terms of marketable Treasury securities. Marketable Federal securities can be bought and sold on the open market. The premiums and discounts are amortized over the life of the nonmarketable market-based and marketable securities using the interest method.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with dedicated collections. The cash receipts collected from the public that meet the definition of dedicated collections are deposited in the U.S. Treasury, which uses the cash for Government purposes. Treasury securities held by a fund from dedicated collections are an asset of the fund and a liability of the U.S. Treasury, so they are eliminated in consolidation for the U.S. Government-wide financial statements. Nonmarketable par value Treasury securities are issued to DOT as evidence of these receipts. These securities provide DOT with authority to draw upon the U.S. Treasury to make future expenditures. When DOT 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, in the same way that the Government finances all other expenditures.

The DOT does not have any investments in non-federal securities.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts Receivable as of September 30, 2023 consist of the following:

DOLLARS IN THOUSANDS	Gross Amount Due	Allowance For Uncollectible Amounts	Net Amount Due
INTRAGOVERNMENTAL			
Accounts Receivable	\$ 92,364	\$ (3,225)	\$ 89,139
Transfers Receivable	-	-	-
Total Intragovernmental	92,364	(3,225)	89,139
OTHER THAN INTRAGOVERNMENTAL			
Accounts Receivable	309,440	(173,346)	136,094
Accrued Interest	7,485	(5,419)	2,066
Total Other than Intragovernmental	316,925	(178,765)	138,160
Total Accounts Receivable	<u>\$ 409,289</u>	<u>\$ (181,990)</u>	<u>\$ 227,299</u>

Accounts Receivable as of September 30, 2022 consist of the following:

DOLLARS IN THOUSANDS	Gross Amount Due	Allowance For Uncollectible Amounts	Net Amount Due
INTRAGOVERNMENTAL			
Accounts Receivable	\$ 110,613	\$ (7,861)	\$ 102,752
Transfers Receivable	6,650	-	6,650
Total Intragovernmental	117,263	(7,861)	109,402
OTHER THAN INTRAGOVERNMENTAL			
Accounts Receivable	285,474	(170,678)	114,796
Accrued Interest	6,451	(4,713)	1,738
Total Other than Intragovernmental	291,925	(175,391)	116,534
Total Accounts Receivable	<u>\$ 409,188</u>	<u>\$ (183,252)</u>	<u>\$ 225,936</u>

NOTE 5. ADVANCES AND PREPAYMENTS

Advances and Prepayments consist of the following as of September 30, 2023 and 2022:

DOLLARS IN THOUSANDS	2023	2022
INTRAGOVERNMENTAL		
Advances to Others and Prepayments	\$ 13,347	\$ 7,184
Total Intragovernmental Other Assets	<u>\$ 13,347</u>	<u>\$ 7,184</u>
OTHER THAN INTRAGOVERNMENTAL		
Advances to States for Right of Way	\$ 252	\$ 252
Advances to Others and Prepayments	2,230,212	1,944,746
Total Other than Intragovernmental	<u>\$ 2,230,464</u>	<u>\$ 1,944,998</u>

Intragovernmental Advances to Others and Prepayments are comprised of advance payments to other Federal Government entities for agency expenses not yet incurred and for goods and services not yet received. Other than Intragovernmental Advances to Others and Prepayments are comprised of advances to States, employees, grantees, and contractors, for expenses not yet incurred and services not yet received. The \$2.23 billion and \$1.94 billion of Other than Intragovernmental Advances to Others and Prepayments is primarily related to the advances provided to Amtrak for expenses not yet incurred and services not yet received. Due to the funding in the IIJA appropriations during FY 2022, Amtrak received significantly more advances in FY 2023.

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES

FCRA divides direct loans and loan guarantees into two groups:

1. **Pre-1992** - Direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or loan guarantees; and
2. **Post-1991** - Direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees.

The Act, as amended, governs direct loan obligations and loan guarantee commitments made after FY 1991, and the resulting direct loans and loan guarantees. Consistent with the Act, SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*, requires Federal agencies to recognize the present value of the subsidy costs (which arises from interest rate differentials, interest supplements, defaults [net of recoveries], fee offsets, and other cash flows) as a cost in the year the direct or guaranteed loan is disbursed. Direct loans are reported net of an allowance for subsidy at present value, and loan guarantee liabilities are reported at present value. Foreclosed property is valued at the net realizable value. The value of assets for direct loans and defaulted guaranteed loans is not the same as the proceeds that would be expected from the sale of the loans. DOT does not have any Pre-1992 loans. All DOT loans are Post-1991.

Interest on the loans is accrued based on the terms of the loan agreement. DOT does not accrue interest on nonperforming loans that have filed for bankruptcy protection. DOT management considers administrative costs to be insignificant.

DOT administers the following direct loan and/or loan guarantee programs:

1. The Railroad Rehabilitation Improvement Financing Program is used to acquire, improve, or rehabilitate intermodal or rail equipment or facilities, including track, components of tract, bridges, yards, buildings, and shops; refinance outstanding debt incurred; and develop or establish new intermodal or railroad facilities.
2. The Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Program provides Federal credit assistance for major transportation investments of critical national importance such as highway, transit, passenger rail, certain freight facilities, and certain port projects with regional and national benefits. The TIFIA credit program is designed to fill market gaps and leverage substantial private coinvestment by providing supplemental and subordinate capital.
3. The Federal Ship Financing Fund (Title XI) offers loan guarantees to qualified shipowners and shipyards. Approved applicants are provided the benefit of long-term financing at stable interest rates. In FY 2019, Title XI ceased guarantees of new loans financed by the private sector. During FY 2020, the Department began disbursing loans financed by the Federal Financing Bank (FFB). Although, by statute, Title XI is a guaranteed loan program, under OMB reporting instructions, guarantees of FFB financed loans are accounted for as direct loans. Accordingly, MARAD has established a receivable for these loans on its books of record and services the debt by collecting and transferring payments to the FFB.
4. The OST Minority Business Resource Center (MBRC) Guaranteed Loan Program was created to help small businesses gain access to the financing needed to participate in transportation-related contracts. In FY 2018, MBRC ceased disbursement of new loans as new budget authority is no longer provided. As of the end of FY 2021, the loan guarantee terms expired on the remaining program loans.

An analysis of loans receivable, allowance for subsidy costs, liability for loan guarantees, foreclosed property, modifications, and reestimates associated with direct loans and loan guarantees is provided in the following sections:

Direct Loans*Obligated After FY 1991*

	2023 Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Sub- sidy Cost (Present Value)	Value Of Assets Related To Direct Loans, Net
DIRECT LOAN PROGRAMS					
(1) Railroad Rehabilitation Improvement Financing Program	\$ 1,864,933	\$ 4,093	\$ -	\$ (81,524)	\$ 1,787,502
(2) TIFIA Loans	19,946,608	145,240	166,635	(1,203,435)	19,055,048
(3) Federal Ship Financing Fund (Title XI)	333,328	-	-	(4,069)	329,259
Total	<u>\$ 22,144,869</u>	<u>\$ 149,333</u>	<u>\$ 166,635</u>	<u>\$ (1,289,028)</u>	<u>\$ 21,171,809</u>

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES (CONT.)

	2022 Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Sub- sidy Cost (Present Value)	Value Of Assets Related To Direct Loans, Net
DIRECT LOAN PROGRAMS					
(1) Railroad Rehabilitation Improvement Financing Program	\$ 1,105,423	\$ 2,767	\$ -	\$ (35,820)	\$ 1,072,370
(2) TIFIA Loans	14,459,078	113,133	166,635	(49,527)	14,689,319
(3) Federal Ship Financing Fund (Title XI)	349,281	-	-	(10,282)	338,999
Total	<u>\$ 15,913,782</u>	<u>\$ 115,900</u>	<u>\$ 166,635</u>	<u>\$ (95,629)</u>	<u>\$ 16,100,688</u>

Total Amount Of Direct Loans Disbursed (Post-1991)

	2023	2022
DIRECT LOAN PROGRAMS		
(1) Railroad Rehabilitation Improvement Financing Program	\$ 810,748	\$ 382,000
(2) TIFIA Loans	5,628,921	2,559,074
(3) Federal Ship Financing Fund (Title XI)	-	51,458
Total	<u>\$ 6,439,669</u>	<u>\$ 2,992,532</u>

Subsidy Expense For Direct Loans By Program And Component
Subsidy Expense for New Direct Loans Disbursed

	2023 Interest Differential	Defaults	Fees And Other Collections	Other Subsidy Costs	Total
DIRECT LOAN PROGRAMS					
(1) Railroad Rehabilitation Improvement Financing Program	\$ -	\$ 23,341	\$ (23,341)	\$ (2,102)	\$ (2,102)
(2) TIFIA Loans	-	15,443	-	(52,146)	(36,703)
(3) Federal Ship Financing Fund (Title XI)	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 38,784</u>	<u>\$ (23,341)</u>	<u>\$ (54,248)</u>	<u>\$ (38,805)</u>

	2022 Interest Differential	Defaults	Fees And Other Collections	Other Subsidy Costs	Total
DIRECT LOAN PROGRAMS					
(1) Railroad Rehabilitation Improvement Financing Program	\$ -	\$ -	\$ -	\$ (1,168)	\$ (1,168)
(2) TIFIA Loans	-	7,731	-	(26,856)	(19,125)
(3) Federal Ship Financing Fund (Title XI)	-	1,603	(2,897)	-	(1,294)
Total	<u>\$ -</u>	<u>\$ 9,334</u>	<u>\$ (2,897)</u>	<u>\$ (28,024)</u>	<u>\$ (21,587)</u>

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES (CONT.)

Modifications and Reestimates

	2023 Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
DIRECT LOAN PROGRAMS				
(1) Railroad Rehabilitation Improvement Financing Program	\$ -	\$ -	\$ 41,621	\$ 41,621
(2) TIFIA Loans	-	(1,069,098)	2,270,554	1,201,456
(3) Federal Ship Financing Fund (Title XI)	-	(696)	(5,542)	(6,238)
Total	<u>\$ -</u>	<u>\$ (1,069,794)</u>	<u>\$ 2,306,633</u>	<u>\$ 1,236,839</u>

	2022 Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
DIRECT LOAN PROGRAMS				
(1) Railroad Rehabilitation Improvement Financing Program	\$ 4,536	\$ -	\$ (2,080)	\$ (2,080)
(2) TIFIA Loans	325,817	(17,942)	(127,382)	(145,324)
(3) Federal Ship Financing Fund (Title XI)	-	(18)	(7,661)	(7,679)
Total	<u>\$ 330,353</u>	<u>\$ (17,960)</u>	<u>\$ (137,123)</u>	<u>\$ (155,083)</u>

Total Direct Loan Subsidy Expense

	2023	2022
DIRECT LOAN PROGRAMS		
(1) Railroad Rehabilitation Improvement Financing Program	\$ 39,519	\$ 1,288
(2) TIFIA Loans	1,164,753	161,368
(3) Federal Ship Financing Fund (Title XI)	(6,238)	(8,973)
Total	<u>\$ 1,198,034</u>	<u>\$ 153,683</u>

Budget Subsidy Rates For Direct Loans For The Current Year Cohort

	2023 Interest Differential	Defaults	Fees And Other Collections	Other	Total
DIRECT LOAN PROGRAMS					
(1) Railroad Rehabilitation Improvement Financing Program	-2.36%	1.57%	0.00%	0.00%	-0.79%
(2) TIFIA Loans Risk Category 1	-1.62%	1.79%	0.00%	0.00%	0.17%
(3) Federal Ship Financing Fund (Title XI)	0.00%	10.03%	-6.30%	0.00%	3.73%

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES (CONT.)
Schedule For Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans)

DOLLARS IN THOUSANDS	2023	2022
BEGINNING BALANCE, CHANGES, AND ENDING BALANCE		
Beginning Balance of the Subsidy Cost Allowance	\$ 95,629	\$ (212,826)
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component		
Default Costs (Net of Recoveries)	38,784	9,334
Fees and Other Collections	(23,341)	(2,897)
Other Subsidy Costs	(54,248)	(28,024)
Total of the Above Subsidy Expense Components	(38,805)	(21,587)
Adjustments		
Loan Modifications	-	330,353
Fees Received	25	2,907
Subsidy Allowance Amortization	(28,000)	151,863
Other	23,340	2
Ending Balance of the Subsidy Cost Allowance Before Reestimates	52,189	250,712
Add or Subtract Subsidy Reestimates by Component		
Interest Rate Reestimate	(1,069,794)	(17,960)
Technical/Default Reestimate	2,306,633	(137,123)
Total of the Above Reestimate Components	1,236,839	(155,083)
Ending Balance of the Subsidy Cost Allowance	<u>\$ 1,289,028</u>	<u>\$ 95,629</u>

The economic assumptions of the TIFIA upward and downward reestimates were the result of a reassessment of risk levels as well as estimated changes in future cash flows on loans.

The Railroad Rehabilitation Improvement Financing Program's upward and downward reestimates were the result of an update for actual cash flows and changes in technical assumptions.

The downward reestimate on the Federal Ship Financing Fund (Title XI) FFB Loan Guarantees was a result of reduced risk levels of the loan portfolio.

Guaranteed Loans
Defaulted Guaranteed Loans From Post-1991 Guarantees

	2023 Defaulted Guaranteed Loans Receiv- able, Gross	Interest Receivable	Foreclosed Property	Allowance For Subsidy (Present Value)	Assets Related To Default Guaranteed Loans Receivable, Net
LOAN GUARANTEE PROGRAMS					
(3) Federal Ship Financing Fund (Title XI)	\$ 163,702	\$ -	\$ 1,009	\$ -	\$ 164,711
(4) OST Minority Business Resource Center	724	72	-	(796)	-
Total	<u>\$ 164,426</u>	<u>\$ 72</u>	<u>\$ 1,009</u>	<u>\$ (796)</u>	<u>\$ 164,711</u>

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES (CONT.)

	2022 Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Subsidy (Present Value)	Assets Related To Default Guaranteed Loans Receivable, Net
LOAN GUARANTEE PROGRAMS					
(3) Federal Ship Financing Fund (Title XI)	\$ 163,917	\$ -	\$ 1,009	\$ -	\$164,926
(4) OST Minority Business Resource Center	724	72	-	(796)	-
Total	<u>\$ 164,641</u>	<u>\$ 72</u>	<u>\$ 1,009</u>	<u>\$ (796)</u>	<u>\$ 164,926</u>

Guaranteed Loans Outstanding

	2023 Outstanding Principal Of Guaranteed Loans, Face Value	Amount Of Outstanding Principal Guaranteed
LOAN GUARANTEE PROGRAMS		
(3) Federal Ship Financing Fund (Title XI)	\$ 1,016,981	\$ 1,016,981
Total	<u>\$ 1,016,981</u>	<u>\$ 1,016,981</u>

Liability For Loan Guarantee (Present Value Method)

	2023 Liabilities for Post-1991 Guarantees, Present Value
LOAN GUARANTEE PROGRAMS	
(3) Federal Ship Financing Fund (Title XI)	\$ 217,255
Total	<u>\$ 217,255</u>

Subsidy Expense For Loan Guarantees By Program And Component
Modifications and Reestimates

	2023 Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
LOAN GUARANTEE PROGRAMS				
(3) Federal Ship Financing Fund (Title XI)	\$ -	\$ (27,059)	\$ (36,918)	\$ (63,977)
Total	<u>\$ -</u>	<u>\$ (27,059)</u>	<u>\$ (36,918)</u>	<u>\$ (63,977)</u>

	2022 Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
LOAN GUARANTEE PROGRAMS				
(3) Federal Ship Financing Fund (Title XI)	\$ -	\$ 26,695	\$ 109,048	\$ 135,743
Total	<u>\$ -</u>	<u>\$ 26,695</u>	<u>\$ 109,048</u>	<u>\$ 135,743</u>

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES (CONT.)

Total Loan Guarantee Subsidy Expense

	2023	2022
LOAN GUARANTEE PROGRAMS		
(3) Federal Ship Financing Fund (Title XI)	\$ (63,977)	\$ 135,743
Total	<u>\$ (63,977)</u>	<u>\$ 135,743</u>

Schedule For Reconciling Loan Guarantee Liability Balances (Post-1991 Loan Guarantees)

DOLLARS IN THOUSANDS	2023	2022
BEGINNING BALANCE, CHANGES, AND ENDING BALANCE		
Beginning Balance of the Loan Guarantee Liability	\$ 281,225	\$ 145,644
Less: Claim Payments To Lenders	-	-
Add: Fees Received	-	-
Less: Interest Supplements Paid	-	-
Add: Foreclosed Property and Loans Acquired	-	-
Less: Interest Revenue on Uninvested Funds	-	-
Add: Interest Expense on Entity Borrowings	-	-
Add: Subsidy Expense	-	-
Less: Negative Subsidy Payments	-	-
Add: Upward Reestimates	80,868	140,098
Less: Downward Reestimates	(144,845)	(4,355)
Other	7	(162)
Ending Balance of the Loan Guarantee Liability	<u>\$ 217,255</u>	<u>\$ 281,225</u>

The Federal Ship Financing Fund (Title XI) downward technical reestimate was the result of a reassessment of risk levels on the loan portfolio.

The sufficiency of DOT's loan and loan guarantee portfolio reserves at September 30, 2023 is subject to future market and economic conditions. DOT continues to evaluate market risks in light of evolving economic conditions. The impact of such risks on DOT's portfolio reserves, if any, cannot be fully known at this time and could cause results to differ from estimates. Under the FCRA, reserve reestimates are automatically covered by permanent indefinite budget authority, thereby providing DOT with sufficient resources to cover losses incurred without further Congressional action.

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES (CONT.)

Direct and Guarantee Loans Receivable, Net Summary

The following table provides a summary of the change in loan receivables, net for direct and defaulted guaranteed loans as of September 30, 2023 and 2022:

	2023	2022
Loans Receivable, Net - Beginning of the Year	\$ 16,265,614	\$ 15,245,491
Add: Loans Disbursed Payments	6,439,669	2,992,532
Add: Capitalized Interest	150,801	155,241
Less: Principal and Interest Payments Received	(326,164)	(1,819,197)
Less: Fees Received	(25)	(2,907)
Add: Foreclosed Property Acquired	-	-
Less: Rent Received	-	-
Less: Sale of Foreclosed Property	-	-
Less: Loans Written Off	-	-
Less: Interest Revenue on Uninvested Funds	-	-
Add: Interest Expense on Entity Borrowings	-	-
Less: Subsidy Expense	(38,784)	(9,334)
Add: Negative Subsidy Payments	54,248	30,921
Less: Upward Reestimates	(1,383,675)	(317,949)
Add: Downward Reestimates	146,836	473,032
Less: Subsidy Allowance Amortization	28,000	(151,863)
Less: Loan Modifications	-	(330,353)
Loans Receivable, Net - End of Year	<u>\$ 21,336,520</u>	<u>\$ 16,265,614</u>

NOTE 7. INVENTORY AND RELATED PROPERTY

Inventory and Related Property as of September 30, 2023 consists of the following:

DOLLARS IN THOUSANDS	Cost	Allowance For Loss	Net
INVENTORY			
Inventory Held for Current Sale	\$ 280,973	\$ -	\$ 280,973
Inventory Held for Repair	443,426	-	443,426
Other	36,923	-	36,923
Total Inventory	761,322	-	761,322
OPERATING MATERIALS AND SUPPLIES			
Items Held for Use	253,920	(1,986)	251,934
Items Held in Reserve for Future Use	36,653	-	36,653
Excess, Obsolete and Unserviceable Items	7,404	(6,189)	1,215
Items Held for Repair	48,524	(23,021)	25,503
Total Operating Materials & Supplies	346,501	(31,196)	315,305
Total Inventory and Related Property			<u>\$ 1,076,627</u>

Inventory and Related Property as of September 30, 2022 consists of the following:

DOLLARS IN THOUSANDS	Cost	Allowance For Loss	Net
INVENTORY			
Inventory Held for Current Sale	\$ 269,198	\$ -	\$ 269,198
Inventory Held for Repair	449,742	-	449,742
Other	35,798	-	35,798
Total Inventory	754,738	-	754,738
OPERATING MATERIALS AND SUPPLIES			
Items Held for Use	255,429	(25,645)	229,784
Items Held in Reserve for Future Use	38,306	-	38,306
Excess, Obsolete and Unserviceable Items	3,269	(2,054)	1,215
Items Held for Repair	49,800	-	49,800
Total Operating Materials & Supplies	346,804	(27,699)	319,105
Total Inventory and Related Property			<u>\$ 1,073,843</u>

Inventory is held for sale to the FAA field locations and other domestic entities and foreign governments and is classified as either held for sale, held for repair, or excess, obsolete, and unserviceable. Other inventory consists of raw materials and work in progress. Collectively, FAA's inventory is used to support our Nation's airspace system and is predominately located at the FAA MMAC in Oklahoma City. Inventory that is deemed to be excess, obsolete and unserviceable is expected to have no net realizable value and a loss is recognized for the carrying amount. The carrying amount before identification as excess, obsolete and unserviceable inventory was \$20.8 million in FY 2023 and \$5.0 million in FY 2022.

Operating materials and supplies consist primarily of unissued materials and supplies to be used in the repair and maintenance of FAA-owned aircraft and to support the training vessels and day-to-day operations at the U.S. Merchant Marine Academy (USMMA).

See Note 1H for additional information on DOT Accounting Policies related to Inventory and Related Property.

NOTE 8. PROPERTY, PLANT & EQUIPMENT, NET

Property, Plant and Equipment as of September 30, 2023 consists of the following:

DOLLARS IN THOUSANDS	Service Life (In Years)	Acquisition Value	Accumulated Depreciation/ Amortization	Book Value
MAJOR CLASSES				
Land and Improvements	10-40	\$ 105,489	\$ (2,391)	\$ 103,098
Buildings and Structures	20-40	7,811,161	(4,764,146)	3,047,015
Equipment	5-15	18,475,554	(14,437,063)	4,038,491
Internal Use Software	3-10	5,710,893	(3,261,559)	2,449,334
Assets Under Capital Lease	6-10	90,111	(57,861)	32,250
Leasehold Improvements	3	200,606	(167,397)	33,209
Aircraft	20	505,519	(391,076)	114,443
Ships and Vessels	20-25	2,406,004	(1,826,991)	579,013
Small Boats	10	30,186	(29,548)	638
Construction-in-Progress	N/A	3,611,738	-	3,611,738
Total		<u>\$ 38,947,261</u>	<u>\$ (24,938,032)</u>	<u>\$ 14,009,229</u>

	Net PPE 2023
Balance Beginning of Year	\$ 12,873,847
Capitalized Acquisitions	2,590,153
Dispositions	(2,114)
Revaluations	(254,314)
Donations	13,012
Transfers	47,414
Depreciation Expense	(1,258,769)
Balance End of Year	<u>\$ 14,009,229</u>

NOTE 8. PROPERTY, PLANT & EQUIPMENT, NET (CONT.)

Property, Plant and Equipment as of September 30, 2022 consists of the following:

DOLLARS IN THOUSANDS	Service Life (In Years)	Acquisition	Accumulated Depreciation/ Amortization	Book Value
Land and Improvements	10-40	\$ 102,811	\$ (2,390)	\$ 100,421
Buildings and Structures	20-40	7,600,632	(4,554,416)	3,046,216
Equipment	5-15	18,376,827	(14,157,504)	4,219,323
Internal Use Software	3-10	5,428,688	(2,991,589)	2,437,099
Assets Under Capital Lease	6-10	90,111	(54,295)	35,816
Leasehold Improvements	3	206,496	(168,543)	37,953
Aircraft	20	471,615	(379,019)	92,596
Ships and Vessels	20-25	1,826,043	(1,813,725)	12,318
Small Boats	10	29,614	(29,478)	136
Construction-in-Progress	N/A	2,891,969	-	2,891,969
Total		<u>\$ 37,024,806</u>	<u>\$ (24,150,959)</u>	<u>\$ 12,873,847</u>

Net PPE 2022

Balance Beginning of Year	\$ 12,711,237
Capitalized Acquisitions	1,806,381
Dispositions	(38,353)
Revaluations	(319,864)
Donations	24,868
Transfers	39,515
Depreciation Expense	(1,349,937)
Balance End of Year	<u>\$ 12,873,847</u>

Construction-in-progress (CIP) primarily relates to national airspace assets, which are derived from centrally funded national systems development contracts, site preparation and testing, raw materials, and internal labor charges. The accumulation of costs to be capitalized for assets in PPE typically flow into and remain in the CIP account until the asset is ready for deployment and placed in service. Once placed in service, the asset balance is transferred from the CIP category to its respective asset category.

See Note 11 for additional information on DOT Accounting Policies related to PPE, net.

Information concerning deferred maintenance and repairs (DM&R) and estimated land acreage is discussed in unaudited required supplementary information.

NOTE 9. STEWARDSHIP PROPERTY, PLANT, & EQUIPMENT

DOT has title to both personal and real property Heritage assets.

Personal Property Heritage Assets

Implied within the MARAD's mission is the promotion of the Nation's rich maritime heritage; including the collection, maintenance, and distribution of maritime artifacts removed from agency-owned ships prior to their disposal. As ships are assigned to a nonretention status, artifact items are collected, inventoried, photographed, and relocated to secure shoreside storage facilities. This resulting inventory is made available on a long-term loan basis to qualified organizations for public display purposes.

MARAD artifacts and other collections are generally on loan to single-purpose memorialization and remembrance groups, such as AMVETS National Service Foundation and other preservation societies. MARAD maintains a Web-based inventory system that manages the artifact loan process. The program also supports the required National Historic Preservation Act processing prior to vessel disposal. Funding for the maintenance of heritage items is typically the responsibility of the organization requesting the loan of a heritage asset. The artifacts and other collections are composed of ships' operating equipment obtained from obsolete ships. The ships are inoperative and in need of preservation and restoration. As all items are durable and restorable, disposal is not a consideration. The artifacts and other collections are removed from inventory when determined to be in excess of the needs of the collection, or destroyed while on loan. The following table shows the number of physical units added and withdrawn as of September 30, 2023.

	Units As Of 9/30/2022	Additions	Withdrawals	Units As Of 9/30/2023
HERITAGE ASSETS				
Personal Property				
Artifacts	463	9	(111)	361
Other Collections	6,152	28	(129)	6,051
Total Personal Property Heritage Assets	<u>6,615</u>	<u>37</u>	<u>(240)</u>	<u>6,412</u>

Real Property Heritage Assets

Washington's Union Station supports DOT's mobility mission, facilitating the movement of intercity and commuter rail passengers through the Washington, D.C. metropolitan area. FRA has an oversight role in the management of Washington's Union Station. FRA received title pursuant to statute and leases the property to a private entity, which manages the property.

Union Station is an elegant and unique turn-of-the-century rail station in which a wide variety of elaborate, artistic workmanship, characteristic of the period is found. Union Station is listed on the National Register of Historic Places. The station consists of the renovated original building and a parking garage, which was added by the National Park Service.

The Nuclear Ship Savannah is the world's first nuclear-powered merchant ship. It was constructed as a joint project of the MARAD and the Atomic Energy Commission (AEC) as a signature element of President Eisenhower's "Atoms for Peace" program. In 1965, the AEC issued a commercial operating license and ended its participation in the joint program. The ship remains licensed and regulated by the U.S. Nuclear Regulatory Commission (NRC), successor to the AEC. The Nuclear Ship *Savannah* is listed on the National Register of Historic Places. The ship is a boldly styled passenger/cargo vessel powered by a nuclear reactor.

Actions taken by MARAD since FY 2006 have stabilized the ship and rehabilitated portions of its interior for workday occupancy by staff and crew. The ship is currently located in Baltimore, MD, where it is being prepared for continued "SAFSTOR" (The NRC method of preparing nuclear facilities for storage and decontamination) retention under the provisions of its NRC license.

MARAD also has 35 buildings that encircle the central quadrangle of the U.S. Merchant Marine Academy (USMMA) and the William S. Barstow house, which are listed on the National Register of Historic Places.

Information concerning DM&R and estimated land acreage is discussed in unaudited required supplementary information.

NOTE 10. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities Not Covered by Budgetary Resources as of September 30, 2023 and 2022 consist of the following:

DOLLARS IN THOUSANDS	2023	2022
INTRAGOVERNMENTAL		
Other Liabilities		
Unfunded FECA Liabilities	\$ 151,197	\$ 153,249
Unfunded Employment Related Liability	29,252	29,404
Other Liabilities	6,592	6,233
Total Intragovernmental	187,041	188,886
OTHER THAN INTRAGOVERNMENTAL		
Federal Employee Benefits Payable	1,387,315	1,392,167
Environmental and Disposal Liabilities (Note 13)	907,010	822,232
Other Liabilities		
Legal Claims	419,974	429,299
Capital Lease Liabilities	32,470	39,044
Other Liabilities	23,345	24,099
Total Other than Intragovernmental	2,770,114	2,706,841
Total Liabilities Not Covered by Budgetary Resources	2,957,155	2,895,727
Total Liabilities Covered by Budgetary Resources	38,446,626	34,805,164
Total Liabilities Not Requiring Budgetary Resources	330,199	511,967
Total Liabilities	\$ 41,733,980	\$ 38,212,858

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

Intragovernmental Liabilities are those liabilities that are with other Federal Government entities.

Liabilities Not Requiring Budgetary Resources are those liabilities payable to the General Fund of the U.S. Government primarily for custodial and other liabilities for nonentity assets to include downward subsidy reestimates in the general fund receipt account.

Certain line items may not tie to the related financial statement line item due to information contained in this note is related only to liabilities not covered by budgetary resources.

NOTE 11. DEBT

Debt activities during the fiscal year ended September 30, 2023 and September 30, 2022 consist of the following:

DOLLARS IN THOUSANDS	2022 Beginning Balance	2022 Net Borrowing	2022 Ending Balance	2023 Net Borrowing	2023 Ending Balance
INTRAGOVERNMENTAL DEBT					
Debt to the Treasury	\$ 14,753,337	\$ 1,312,584	\$ 16,065,921	\$ 6,154,476	\$ 22,220,397
Debt to the Federal Financing Bank	311,676	37,606	349,282	(15,953)	333,329
Total Intragovernmental Debt	<u>\$ 15,065,013</u>	<u>\$ 1,350,190</u>	<u>\$ 16,415,203</u>	<u>\$ 6,138,523</u>	<u>\$ 22,553,726</u>

As part of its credit reform program, DOT borrows from the U.S. Treasury and FFB to fund certain transactions disbursed in its financing accounts. Borrowings are needed to fund the unsubsidized portion of anticipated loan disbursements and to transfer the credit subsidy related to downward reestimates from the financing account to the receipt account or when available cash is less than claim payments.

During FY 2023, DOT's U.S. Treasury borrowings carried interest rates ranging from 0.28 percent to 6.1 percent. The maturity dates for these borrowings occur between September 2025 and September 2060. FFB borrowings carried interest rates ranging from 1.32 percent to 2.38 percent. The maturity dates for these borrowings occur between October 2043 and March 2047. Loans may be repaid in whole or in part without penalty at any time. Borrowings from the U.S. Treasury and the FFB are considered covered by budgetary resources, as no congressional action is necessary to pay the debt.

The increase in Debt to the Treasury is primarily due to increases in borrowing for the TIFIA Loan Program.

NOTE 12. FEDERAL EMPLOYEE BENEFITS PAYABLE

Federal Employee Benefits Payable during the fiscal year ended September 30, 2023 and September 30, 2022 consist of the following:

DOLLARS IN THOUSANDS	2023	2022
Actuarial FECA Liability	\$ 717,993	\$ 730,316
Employer Contributions Payable	19,432	18,017
Unfunded Leave	622,169	614,408
Other Unfunded Employment Related Liability	47,154	47,443
Total Federal Employee Benefits Payable	<u>\$ 1,406,748</u>	<u>\$ 1,410,184</u>

Federal Employees Compensation Act (FECA)

FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by DOL, which pays valid claims and subsequently seeks reimbursement from DOT for these paid claims.

The FECA liability consists of two components. The first component is based on actual claims paid by DOL but not yet reimbursed by DOT. DOT reimburses DOL for the amount of the actual claims as funds are appropriated for this purpose. There is generally a two year lag between payment by DOL and reimbursement by DOT. As a result, DOT recognizes a liability for the actual claims paid by DOL and to be reimbursed by DOT.

The second component is the estimated liability for future benefit payments as a result of past events. This liability includes death, disability, medical, and miscellaneous costs. DOL determines this component annually, as of September 30, using a method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. DOT recognizes an unfunded liability to DOL for these estimated future payments. The projected annual benefit payments are discounted to present value using the OMB's economic assumptions for 10-year Treasury notes and bonds. To provide for the effects of inflation on the liability, wage inflation factors (i.e., cost of living adjustments) and medical inflation factors (i.e., consumer price index medical adjustments) are applied to the calculation of projected future benefit payments. These factors are also used to adjust historical benefit payments to current-year constant dollars. A discounting formula is used to recognize the timing of benefit payments as 13 payments per year rather than an annual lump sum.

In addition, Other Liabilities (Note 15) includes \$151.5 million and \$153.5 million at September 30, 2023 and 2022, respectively, for intragovernmental FECA liabilities representing amounts billed to DOT by the DOL for FECA payments made on DOT's behalf.

NOTE 12. FEDERAL EMPLOYEE BENEFITS PAYABLE (CONT.)**Employer Contributions Payable**

Employer contributions include the Thrift Savings Plan tax-deferred retirement savings and investment plan available to federal employees.

Unfunded Leave

The unfunded leave liability consists of unpaid leave earned that an employee is entitled to upon separation and that will be funded by future years' budgetary resources. Unfunded leave liability includes accrued annual, compensatory, and credit hours leave. The accrued annual leave is \$606.3 million and \$599.3 million at September 30, 2023 and 2022, respectively.

Other Unfunded Employment Related Liability

The other unfunded employment related liability is comprised of sick leave buyback option for eligible employees. Under the terms of various bargaining unit agreements, employees who are in Federal Employees Retirement System (FERS) have the option to receive a lump sum payment for 40 percent of their accumulated sick leave as of their effective retirement date.

NOTE 13. ENVIRONMENTAL & DISPOSAL LIABILITIES

Environmental and Disposal Liabilities as of September 30, 2023 and 2022 consist of the following:

DOLLARS IN THOUSANDS	2023	2022
Environmental Remediation	\$ 371,373	\$ 382,347
Asset Cleanup and Disposal	570,856	493,873
Total Environmental and Disposal Liabilities	<u>\$ 942,229</u>	<u>\$ 876,220</u>

Environmental Remediation

Environmental remediation generally occurs under the Resource Conservation and Recovery Act of 1976 (RCRA), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA or Superfund), or the Toxic Substances Control Act (TSCA). Environmental remediation includes the remediation of fuels, solvents, and other contamination associated with releases to the environment where DOT owns the property, leases the property, or is identified as a responsible party by a regulatory agency.

As of September 30, 2023 and 2022, DOT's environmental remediation liability primarily includes the removal of contaminants and remediation at various sites managed by the FAA and MARAD. To help manage the cleanup of the contaminated sites, FAA established an Environmental Cleanup Program that includes three service areas, which are responsible for oversight of the contaminated sites. The service area personnel use both actual costs and an automated, parametric cost-estimating tool that provides estimates for all phases of investigation and remediation to estimate the environmental remediation liability.

Asset Cleanup and Disposal

The FAA asset cleanup liability is estimated using a combination of actual costs, adjusted for inflation, and project-specific cost proposals for certain targeted facilities. FAA uses the average cleanup costs of the targeted facilities as the cost basis for the other like facilities to arrive at the estimated liability for asset cleanup.

The National Maritime Heritage Act requires that MARAD dispose of certain merchant vessels owned by the U.S. Government, including nonretention ships in the fleet. Residual fuel, asbestos, and solid polychlorinated biphenyls (PCB) sometimes exist onboard MARAD's nonretention ships. Nonretention ships are those MARAD September vessels that no longer have a useful application and are pending disposition. The asset disposal liability as of September 30, 2023, includes the estimated cost of disposing 91 ships. In addition, DOT records an asset disposal liability for the estimated cost that will be incurred to remove, contain, and/or dispose of hazardous materials when an asset is removed from service.

Estimating the Department's cost estimates for environmental cleanup and asset disposal liabilities requires making assumptions about future activities and is inherently uncertain. These liabilities are not adjusted for inflation and are subject to revision as a result of changes in technology and environmental laws and regulations.

See Note 17 for contingent environmental liabilities.

NOTE 14. GRANT ACCRUAL

Grantees primarily include State and local governments and transit authorities. The grant accrual consists of an estimate of grantee expenses incurred, but not yet paid, by DOT.

Grant accruals by DOT Operating Administrations as of September 30, 2023 and 2022 were as follows:

DOLLARS IN THOUSANDS	2023	2022
Federal Aviation Administration	\$ 3,243,824	\$ 6,640,832
Federal Highway Administration	6,074,269	5,822,998
Federal Transit Administration	3,199,820	2,643,022
Other Operating Administrations	308,836	291,953
Total Grant Accrual	<u>\$ 12,826,749</u>	<u>\$ 15,398,805</u>

The decrease in grant accruals are primarily due to increases in reimbursements from grantees for the FAA Coronavirus Disease 2019 (COVID-19) related grants. These reimbursements result in a reduction of grant accrual payable balance.

NOTE 15. OTHER LIABILITIES

Other Liabilities as of September 30, 2023 consist of the following:

DOLLARS IN THOUSANDS	Non-Current	Current	Total
INTRAGOVERNMENTAL			
Accrued Pay and Benefits	\$ -	\$ 164,926	\$ 164,926
FECA Billings	83,432	68,035	151,467
Liability for Nonentity Assets	-	291,277	291,277
Other Accrued Liabilities	288	74,477	74,765
Total Intragovernmental	<u>\$ 83,720</u>	<u>\$ 598,715</u>	<u>\$ 682,435</u>
OTHER THAN INTRAGOVERNMENTAL			
Accrued Pay and Benefits	-	466,661	466,661
Legal Claims (Note 17)	-	419,974	419,974
Capital Leases (Note 16)	24,579	7,891	32,470
Other Accrued Liabilities	-	45,159	45,159
Total Other than Intragovernmental	<u>24,579</u>	<u>939,685</u>	<u>964,264</u>
Total Other Liabilities	<u>\$ 108,299</u>	<u>\$ 1,538,400</u>	<u>\$ 1,646,699</u>

NOTE 15. OTHER LIABILITIES (CONT.)

Other Liabilities as of September 30, 2022 consist of the following:

DOLLARS IN THOUSANDS	Non-Current	Current	Total
INTRAGOVERNMENTAL			
Accrued Pay and Benefits	\$ -	\$ 153,125	\$ 153,125
FECA Billings	83,955	69,553	153,508
Liability for Nonentity Assets	-	477,726	477,726
Other Accrued Liabilities	-	69,878	69,878
Total Intragovernmental	\$ 83,955	\$ 770,282	\$ 854,237
OTHER THAN INTRAGOVERNMENTAL			
Accrued Pay and Benefits	-	434,420	434,420
Legal Claims (Note 17)	-	429,299	429,299
Capital Leases (Note 16)	31,006	8,038	39,044
Other Accrued Liabilities	-	46,001	46,001
Total Other than Intragovernmental	\$ 31,006	\$ 917,758	\$ 948,764
Total Other Liabilities	<u>\$ 114,961</u>	<u>\$ 1,688,040</u>	<u>\$ 1,803,001</u>

NOTE 16. LEASES

Entity As Lessee

Capital Leases

As of September 30, 2023 and 2022, capital leases were comprised of the following:

DOLLARS IN THOUSANDS	2023	2022
SUMMARY OF ASSETS UNDER CAPITAL LEASE BY CATEGORY		
Land, Buildings & Machinery	\$ 90,111	\$ 90,111
Accumulated Amortization	(57,861)	(54,295)
Net Assets Under Capital Lease	<u>\$ 32,250</u>	<u>\$ 35,816</u>

As of September 30, 2022, all assets were under non-Federal capital lease.

As of September 30, 2023, DOT's future payments due on assets under capital lease were:

Fiscal Year	Federal	Non-Federal
FUTURE PAYMENTS DUE		
FY 2024	-	7,891
FY 2025	-	7,238
FY 2026	-	6,701
FY 2027	-	3,714
FY 2028	-	3,595
FY 2029+	-	7,584
Total Future Lease Payments	-	36,723
Less: Imputed Interest	-	4,253
Net Capital Lease Liability	<u>\$ -</u>	<u>\$ 32,470</u>

NOTE 16. LEASES (CONT.)

The capital lease payments disclosed in the preceding table relate to FAA and are authorized to be funded annually as codified in U.S.C. Title 49, Section 40110(c)(1), which addresses general procurement authority. The remaining principal payments are recorded as unfunded lease liabilities. The imputed interest is funded and expensed annually. DOT's capital leases contain terms expiring at various dates through FY 2039.

Operating Leases

DOT has operating leases for real property, aircraft, telecommunications equipment, and vehicles. Operating lease expenses incurred were \$314.4 million and \$311.7 million for the years ended September 30, 2023 and 2022, respectively. For FY 2023, the Federal operating lease expense incurred was \$230.3 million and the non-Federal operating lease expense incurred was \$84.1 million. For FY 2022, the Federal operating lease expense incurred was \$228.2 million and the non-Federal operating lease expense incurred was \$83.5 million. GSA leases include terms with a short termination privilege. However, DOT intends to remain in the leases. The GSA rent activity for the DOT Headquarters Building is paid to the DOT Working Capital Fund by the OAs. The DOT Working Capital Fund then pays the total lease payments for the Department to GSA. DOT's current and future federal lease payments reflect the removal of the intra-departmental rent activity for the DOT Headquarters Building. DOT's operating leases carry terms expiring at various dates ranging from 2023 to 2043. Any estimates of lease termination dates would be subjective, and any projection of future lease payments would be arbitrary.

As of September 30, 2023, DOT's future payments due on assets under operating lease were:

DOLLARS IN THOUSANDS	Land, Buildings, Machinery & Other	
	Federal	Non-Federal
FUTURE PAYMENTS DUE		
FY 2024	205,239	69,360
FY 2025	194,360	43,122
FY 2026	187,311	37,096
FY 2027	182,764	32,376
FY 2028	140,820	25,673
FY 2029+	509,886	79,967
Total Future Lease Payments	<u>\$ 1,420,380</u>	<u>\$ 287,594</u>

The operating lease amounts due after five years do not include estimated payments for leases with annual renewal options.

NOTE 17. COMMITMENTS & CONTINGENCIES

Legal Liabilities

DOT legal contingencies include asserted and pending legal claims. An accrued liability is recognized for legal claims where the loss is probable and the amount can be reasonably estimated. For pending legal claims where the loss is reasonably possible, a liability is not recognized, however, the estimated range of loss is disclosed in the following table. There are other claims that could result in significant pay-outs; however, it is not possible at this time to determine the probability of an unfavorable outcome, or to estimate the amount of potential loss in the event of such an outcome. DOT does not have material amounts of known unasserted claims.

As of September 30, 2023 and 2022, DOT's contingent liabilities, in excess of amounts accrued (Note 15), for asserted and pending legal claims are as follows:

2023	Accrued Liabilities	Estimated Range Of Loss	
		Lower End	Upper End
LEGAL CONTINGENCIES			
Probable	\$ 419,974	\$ 419,805	\$ 419,805
Reasonably Possible		372,795	2,183,095

2022	Accrued Liabilities	Estimated Range Of Loss	
		Lower End	Upper End
LEGAL CONTINGENCIES			
Probable	\$ 429,299	\$ 429,299	\$ 429,299
Reasonably Possible		112,995	124,213

Grant Programs

Advance construction is a technique which allows a State to initiate a project using non-federal funds while preserving eligibility for future Federal-aid funds. FHWA has authority to approve projects using advance construction under 23 U.S.C. 115(a) and 23 Code of Federal Regulations (CFR) 630.701–630.709. FHWA does not guarantee the ultimate funding to the States for these “advance construction” projects and, accordingly, does not obligate any funds for these projects. The State may submit a written request to the FHWA that a project be converted to a regular Federal-aid project at any time provided that sufficient Federal-aid funds and obligation authority are available. The State also retains discretion to fund a project that was authorized for advanced construction without any Federal funds or with less than the maximum Federal share. As of September 30, 2023 and 2022, FHWA has \$75.4 billion and \$69.3 billion, respectively, of advanced construction authorizations that could be converted to Federal obligations, subject to the availability of funds. These authorizations have not been recognized in the DOT consolidated financial statements at September 30, 2023 and 2022.

FTA executes Full Funding Grant Agreements (FFGAs) under its Capital Investment Grants Program under 49 U.S.C. 5309(k)(2), Fixing America's Surface Transportation Act of 2015 (FAST Act) § 3005(b)(2), and similar provisions in earlier surface transportation acts. The FFGAs authorize transit authorities to incur costs with their own funds in advance of Federal funds being made available. As of September 30, 2023 and September 30, 2022, FTA had funding commitments in FFGAs totaling \$2.16 billion and \$6.49 billion, respectively, which had not been obligated. FTA includes information about these commitments in its budget submissions and annual funding recommendations report to Congress. There is no liability related to these commitments reflected in the DOT consolidated financial statements at September 30, 2023.

FAA's Airport Improvement Program (AIP) provides grants for the planning and development of public-use airports that are included in the National Plan of Integrated Airport Systems. FAA has authority under 49 U.S.C. 47110(e) to issue letters of intent to enter into a series of annual AIP grant agreements. A letter of intent is neither an obligation nor an administrative commitment of funds. FAA records an obligation when a grant is awarded. As of September 30, 2023 and 2022, FAA has letters of intent totaling \$280 million and \$256 million, respectively, which had not been obligated. These letters of intent have not been recognized in the DOT consolidated financial statements at September 30, 2023 and 2022.

NOTE 17. COMMITMENTS & CONTINGENCIES (CONT.)

Environmental Liabilities

As of September 30, 2023 and 2022, DOT environmental contingencies include environmental remediation, and environmental clean-up and decommissioning. An accrued liability is recognized for environmental contingencies where the loss is probable and the amount can be reasonably estimated. For environmental contingencies where the loss is reasonably possible, a liability is not recognized, however, the estimated range of loss is disclosed in the following table. The FAA is a party to environmental remediation sites in Alaska, the Pacific Islands, and New Jersey in which the extent of liability is not both probable and reasonably estimable. As a result, a liability is not recognized for these sites without further studies and negotiations with other federal agencies.

2023	Accrued Liabilities	Estimated Range Of Loss	
		Lower End	Upper End
ENVIRONMENTAL CONTINGENCIES			
Probable	\$ 942,229	942,229	942,229
Reasonably Possible		135,295	135,295

2022	Accrued Liabilities	Estimated Range Of Loss	
		Lower End	Upper End
ENVIRONMENTAL CONTINGENCIES			
Probable	\$ 876,220	\$ 876,220	\$ 876,220
Reasonably Possible		126,863	126,863

See Note 13 for additional information on environmental liabilities.

Aviation Insurance Program

The FAA provides non-premium war risk insurance for certain U.S. Government contracted operations as permitted by 49 U.S.C. 44305. Coverage is provided without premium to air carriers at the written request of other U.S. Government agencies. The scope of coverage under the Non-Premium War Risk Insurance program includes hull, bodily injury, personal injury, and property damage. The FAA is currently providing coverage for certain DoD contracted air carrier operations.

Because insurance policies are issued only at the request of other federal departments and agencies, total coverage-in-force fluctuates throughout the fiscal year. The coverage-in-force at any given point in time does not represent a potential liability against the Aviation Insurance Revolving Fund because the Secretary of Defense has entered into an indemnity agreement with the Secretary of Transportation and will fully reimburse the Fund for all losses paid by the FAA on behalf of DoD.

Marine War Risk Insurance Program

MARAD is authorized to issue hull and liability insurance under the Marine War Risk Insurance Program for vessel operations for which commercial insurance is not available on reasonable terms and conditions, when the vessel is considered to be in the interest of national defense or national economy of the United States. MARAD may issue (1) premium-based insurance for which a risk based premium is charged and (2) nonpremium insurance for vessels under charter operations for the Military Sealift Command.

Additional commitments are discussed in Note 6-Loan Receivable, Net and Loan Guarantee Liabilities, Non-Federal Borrowers, and Note 16-Leases.

Other Contingencies

The FAA's logistics center issues parts to customers with a 90-day warranty, that are replaced free of charge if warranty conditions are met. An accrued liability is recognized for warranty contingencies where the loss is probable and the amount can be reasonably estimated. The loss contingency is estimated based on historical averages of parts that failed and the warranty claims are approved. A loss contingency is not estimated for warranty claims that are reasonably possible of loss.

NOTE 18. FUNDS FROM DEDICATED COLLECTIONS

DOT administers certain dedicated collections, which are specifically identified revenues, often supplemented by other financing sources, that remain available over time. Descriptions of the significant dedicated collections related to these accounts are as follows:

Highway Trust Fund (HTF)

The HTF was created by the Highway Revenue Act of 1956 with the main objective of funding the construction of the Dwight D. Eisenhower System of Interstate and Defense Highways. Over the years, the use of the fund has been expanded to include mass transit and other surface transportation programs such as highway safety and motor carrier safety programs. The Highway Revenue Act of 1982 established two accounts within the HTF, the Highway Account and the Mass Transit Account. The HTF consists of the Highway Corpus Trust Fund and certain accounts of FHWA, FMCSA, FRA, FTA, NHTSA, and OST. The HTF's programs and activities are primarily financed from excise taxes collected on specific motor fuels, truck taxes, and fines and penalties.

Airport & Airway Trust Fund (AATF)

The AATF was authorized by the Airport and Airway Revenue Act of 1970 to provide funding for the Federal commitment to the Nation's aviation system.

Funding currently comes from several aviation-related excise tax collections from passenger tickets, passenger flight segments, international arrivals/departures, cargo waybills, and aviation fuels.

Mass Transit Account

Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) legislation (P.L. 109-59) changed the way FTA programs are funded. Beginning in FY 2006, the FTA formula and bus grant programs are funded 100 percent by the HTF.

The following is a list of other funds from dedicated collections for which DOT has program management responsibility.

Other Dedicated Collections

- Aviation Insurance Revolving Fund
- Pipeline Safety
- Emergency Preparedness Grant
- Aviation User Fees
- Aviation Operations
- Grants-in-Aid for Airports
- Aviation Facilities and Equipment
- Aviation Research, Engineering and Development
- Essential Air Service and Rural Airport Improvement Fund
- Contributions for Highway Research Program
- Cooperative Work, Forest Highways
- Payment to Air Carriers
- Technical Assistance, United States Dollars Advanced from Foreign Governments
- Gifts and Bequests, Maritime Administration
- Special Studies, Services and Projects
- Equipment, Supplies, etc., for Cooperating Countries
- War-Risk Insurance Revolving Fund
- International Highway Transportation Outreach Program
- Trust Fund Share of Pipeline Safety
- Advances from State Cooperating Agencies, Foreign Governments, and Other Federal Agencies

For the periods ended September 30, 2023 and 2022, respectively, funds from dedicated collections are summarized in the following charts. This note is presented on a combined basis. The combined presentation does not eliminate intra-entity balances or transactions between funds from dedicated collections held by the entity. Similarly, the combined presentation does not eliminate intra-entity balances or transactions with non-dedicated collections. In addition, this note presents only the funds from dedicated collections that are financing sources available for future expenses, and funds that have been expended but have not yet achieved their designated purpose, such as construction in progress. As such, PPE that has been placed in service, that was funded from dedicated collections, are excluded from this note; these funds are no longer available for future expenditure and have been used for their intended purpose.

NOTE 18. FUNDS FROM DEDICATED COLLECTIONS (CONT.)

Fiscal Year 2023

DOLLARS IN THOUSANDS	Highway Trust Fund	Airport and Airway Trust Fund	Mass Transit	Other Funds From Dedicated Collections	Total Funds From Dedicated Collections (Combined)	Eliminations Between Dedicated Collection Funds	Fiscal Year 2023 Total Funds From Dedicated Collections (Consolidated)
BALANCE SHEET							<i>As of September 30, 2023</i>
Assets							
Intragovernmental							
Fund Balance with Treasury	\$ 5,901,340	\$ 789,749	\$ 14,652	\$ 3,715,247	\$ 10,420,988	\$ -	\$ 10,420,988
Investments, Net	115,690,657	16,694,184	-	2,494,113	134,878,954	-	134,878,954
Accounts Receivable, Net	102,164,562	-	-	6,335,151	108,499,713	(108,456,381)	43,332
Advances and Prepayments	191,398	-	-	251,139	442,537	(28,324)	414,213
Total Intragovernmental	223,947,957	17,483,933	14,652	12,795,650	254,242,192	(108,484,705)	145,757,487
Other than Intragovernmental							
Accounts Receivable, Net	14,401	-	-	38,041	52,442	-	52,442
Property, Plant & Equipment, Net	401,895	-	-	3,392,865	3,794,760	-	3,794,760
Advances and Prepayments	763	-	-	1,881	2,644	-	2,644
Total Other than Intragovernmental	417,059	-	-	3,432,787	3,849,846	-	3,849,846
Total Assets	\$ 224,365,016	\$ 17,483,933	\$ 14,652	\$ 16,228,437	\$ 258,092,038	\$ (108,484,705)	\$ 149,607,333
Liabilities and Net Position							
Intragovernmental							
Accounts Payable	\$ 103,459,544	\$ 6,314,529	\$ -	\$ 19,041	\$ 109,793,114	\$ (108,456,381)	\$ 1,336,733
Advances from Others and Deferred Revenue	531,364	-	-	36,547	567,911	(28,324)	539,587
Other Liabilities	18,782	-	-	303,335	322,117	-	322,117
Total Intragovernmental Liabilities	104,009,690	6,314,529	-	358,923	110,683,142	(108,484,705)	2,198,437
Other than Intragovernmental							
Accounts Payable	36,221	-	-	447,065	483,286	-	483,286
Federal Employee Benefits Payable	74,166	-	-	1,238,040	1,312,206	-	1,312,206
Accrued Grant Liabilities	7,720,841	-	88	1,602,052	9,322,981	-	9,322,981
Advances from Others and Deferred Revenue	88,825	-	-	143,535	232,360	-	232,360
Other Liabilities	58,578	-	1,444	397,594	457,616	-	457,616
Total Other than Intragovernmental Liabilities	7,978,631	-	1,532	3,828,286	11,808,449	-	11,808,449
Total Liabilities	111,988,321	6,314,529	1,532	4,187,209	122,491,591	(108,484,705)	14,006,886
Unexpended Appropriations	-	-	550	1,164,942	1,165,492	-	1,165,492
Cumulative Results of Operations	112,376,695	11,169,404	12,570	10,876,286	134,434,955	-	134,434,955
Total Liabilities and Net Position	\$ 224,365,016	\$ 17,483,933	\$ 14,652	\$ 16,228,437	\$ 258,092,038	\$ (108,484,705)	\$ 149,607,333
STATEMENT OF NET COST							<i>For the year ended September 30, 2023</i>
Program Costs	\$ 61,752,258	\$ -	\$ 154	\$ 18,800,656	\$ 80,553,068	\$ (19,350)	\$ 80,533,718
Less Earned Revenue	370,232	4	-	657,878	1,028,114	(19,350)	1,008,764
Net Program Costs	61,382,026	(4)	154	18,142,778	79,524,954	-	79,524,954
Costs Not Attributed to Programs	-	-	-	-	-	-	-
Net Cost of Operations	\$ 61,382,026	\$ (4)	\$ 154	\$ 18,142,778	\$ 79,524,954	\$ -	\$ 79,524,954

NOTE 18. FUNDS FROM DEDICATED COLLECTIONS (CONT.)

Fiscal Year 2023

DOLLARS IN THOUSANDS	Highway Trust Fund	Airport and Airway Trust Fund	Mass Transit	Other Funds From Dedicated Collections	Total Funds From Dedicated Collections (Combined)	Eliminations Between Dedicated Collection Funds	Fiscal Year 2023 Total Funds From Dedicated Collections (Consolidated)
STATEMENT OF CHANGES IN NET POSITION							
For the year ended September 30, 2023							
Unexpected Appropriations							
Beginning Balance	\$ -	\$ -	\$ 550	\$ 1,257,772	\$ 1,258,322	\$ -	\$ 1,258,322
Appropriations Received	-	-	-	1,921,179	1,921,179	-	1,921,179
Appropriations Transferred in/out	-	-	-	1,080	1,080	-	1,080
Other Adjustments	-	-	-	(25,023)	(25,023)	-	(25,023)
Appropriations Used	-	-	-	(1,990,066)	(1,990,066)	-	(1,990,066)
Total Unexpended Appropriations	=	=	550	1,164,942	1,165,492	=	1,165,492
Cumulative Results of Operations							
Beginning Balance	\$ 125,691,575	\$ 5,425,218	\$ 12,724	\$ 10,997,972	\$ 142,127,489	\$ -	\$ 142,127,489
Appropriations Used	-	-	-	1,990,066	1,990,066	-	1,990,066
Other than Intragovernmental Non-Exchange Revenue:							
Miscellaneous Receipts	48,476	-	-	4,384	52,860	-	52,860
Intragovernmental Non-Exchange Revenue	47,939,375	22,596,583	-	-	70,535,958	-	70,535,958
Donations and Forfeitures of Cash/Cash Equivalents	-	-	-	901	901	-	901
Transfers In/Out Without Reimbursement	194,579	(16,852,401)	-	15,291,957	(1,365,865)	-	(1,365,865)
Imputed Financing	59,177	-	-	733,784	792,961	-	792,961
Other	(174,461)	-	-	-	(174,461)	-	(174,461)
Net Cost of Operations	61,382,026	(4)	154	18,142,778	79,524,954	-	79,524,954
Net Change in Cumulative Results of Operations	(13,314,880)	5,744,186	(154)	(121,686)	(7,692,534)	-	(7,692,534)
Cumulative Results of Operations: Ending	112,376,695	11,169,404	12,570	10,876,286	134,434,955	-	134,434,955
Net Position, End of Period	\$ 112,376,695	\$ 11,169,404	\$ 13,120	\$ 12,041,228	\$ 135,600,447	\$ -	\$ 135,600,447

NOTE 18. FUNDS FROM DEDICATED COLLECTIONS (CONT.)

Fiscal Year 2022

DOLLARS IN THOUSANDS	Highway Trust Fund	Airport and Airway Trust Fund	Mass Transit	Other Funds From Dedicated Collections	Total Funds From Dedicated Collections (Combined)	Eliminations Between Dedicated Collection Funds	Fiscal Year 2022 Total Funds From Dedicated Collections (Consolidated)
BALANCE SHEET							<i>As of September 30, 2022</i>
Assets							
Intragovernmental							
Fund Balance with Treasury	\$ 5,921,454	\$ 766,693	\$ 15,013	\$ 4,383,505	\$ 11,086,665	\$ -	\$ 11,086,665
Investments, Net	127,546,569	10,848,905	-	2,414,616	140,810,090	-	140,810,090
Accounts Receivable, Net	88,468,255	-	-	6,233,270	94,701,525	(94,646,853)	54,672
Advances and Prepayments	167,354	-	-	241,495	408,849	(29,302)	379,547
Total Intragovernmental	222,103,632	11,615,598	15,013	13,272,886	247,007,129	(94,676,155)	152,330,974
Other than Intragovernmental							
Accounts Receivable, Net	11,097	-	-	38,821	49,918	-	49,918
Property, Plant & Equipment, Net	247,763	-	-	3,413,828	3,661,591	-	3,661,591
Advances and Prepayments	762	-	-	1,936	2,698	-	2,698
Total Other than Intragovernmental	259,622	-	-	3,454,585	3,714,207	-	3,714,207
Total Assets	\$ 222,363,254	\$ 11,615,598	\$ 15,013	\$ 16,727,471	\$ 250,721,336	\$ (94,676,155)	\$ 156,045,181
Liabilities and Net Position							
Intragovernmental							
Accounts Payable	\$ 88,705,951	\$ 6,190,380	\$ -	\$ 24,287	\$ 94,920,618	\$ (94,646,853)	\$ 273,765
Advances from Others and Deferred Revenue	407,534	-	-	26,688	434,222	(29,302)	404,920
Other Liabilities	16,985	-	-	298,173	315,158	-	315,158
Total Intragovernmental Liabilities	89,130,470	6,190,380	-	349,148	95,669,998	(94,676,155)	993,843
Other than Intragovernmental							
Accounts Payable	41,019	-	-	419,952	460,971	-	460,971
Federal Employee Benefits Payable	72,912	-	-	1,248,175	1,321,087	-	1,321,087
Accrued Grant Liabilities	7,274,391	-	295	1,943,932	9,218,618	-	9,218,618
Advances from Others and Deferred Revenue	95,666	-	-	127,567	223,233	-	223,233
Other Liabilities	57,221	-	1,444	382,953	441,618	-	441,618
Total Other than Intragovernmental Liabilities	7,541,209	-	1,739	4,122,579	11,665,527	-	11,665,527
Total Liabilities	96,671,679	6,190,380	1,739	4,471,727	107,335,525	(94,676,155)	12,659,370
Unexpended Appropriations	-	-	550	1,257,772	1,258,322	-	1,258,322
Cumulative Results of Operations	125,691,575	5,425,218	12,724	10,997,972	142,127,489	-	142,127,489
Total Liabilities and Net Position	\$ 222,363,254	\$ 11,615,598	\$ 15,013	\$ 16,727,471	\$ 250,721,336	\$ (94,676,155)	\$ 156,045,181
STATEMENT OF NET COST							<i>For the year ended September 30, 2022</i>
Program Costs	\$ 54,272,486	\$ -	\$ 559	\$ 17,494,856	\$ 71,767,901	\$ (16,737)	\$ 71,751,164
Less Earned Revenue	322,450	-	7	555,604	878,061	(16,737)	861,324
Net Program Costs	53,950,036	-	552	16,939,252	70,889,840	-	70,889,840
Costs Not Attributed to Programs	-	-	-	-	-	-	-
Net Cost of Operations	\$ 53,950,036	\$ -	\$ 552	\$ 16,939,252	\$ 70,889,840	\$ -	\$ 70,889,840

NOTE 18. FUNDS FROM DEDICATED COLLECTIONS (CONT.)

Fiscal Year 2022

DOLLARS IN THOUSANDS	Highway Trust Fund	Airport and Airway Trust Fund	Mass Transit	Other Funds From Dedicated Collections	Total Funds From Dedicated Collections (Combined)	Eliminations Between Dedicated Collection Funds	Fiscal Year 2022 Total Funds From Dedicated Collections (Consolidated)
STATEMENT OF CHANGES IN NET POSITION				For the year ended September 30, 2022			
Unexpected Appropriations							
Beginning Balance	\$ -	\$ -	\$ 550	\$ 718,831	\$ 719,381	\$ -	\$ 719,381
Appropriations Received	-	-	-	5,000,000	5,000,000	-	5,000,000
Other Adjustments	-	-	-	(24)	(24)	-	(24)
Appropriations Used	-	-	-	(4,461,035)	(4,461,035)	-	(4,461,035)
Total Unexpended Appropriations	=	=	550	1,257,772	1,258,322	=	1,258,322
Cumulative Results of Operations							
Beginning Balance	\$ 14,170,291	\$ 7,114,547	\$ 20,010	\$ 11,005,509	\$ 32,310,357	-	32,310,357
Appropriations Used	-	-	-	4,461,035	4,461,035	-	4,461,035
Other than Intragovernmental Non-Exchange Revenue:							
Miscellaneous Receipts	66,686	-	-	4,723	71,409	-	71,409
Intragovernmental Non-Exchange Revenue	47,612,547	11,533,025	-	-	59,145,572	-	59,145,572
Donations and Forfeitures of Cash/ Cash Equivalents	-	-	-	1,025	1,025	-	1,025
Transfers In/Out Without Reimbursement	118,184,713	(13,222,354)	(6,734)	12,054,560	117,010,185	-	117,010,185
Imputed Financing	40,523	-	-	410,372	450,895	-	450,895
Other	(433,149)	-	-	-	(433,149)	-	(433,149)
Net Cost of Operations	53,950,036	-	552	16,939,252	70,889,840	-	70,889,840
Net Change in Cumulative Results of Operations	111,521,284	(1,689,329)	(7,286)	(7,537)	109,817,132	-	109,817,132
Cumulative Results of Operations: Ending	125,691,575	5,425,218	12,724	10,997,972	142,127,489	-	142,127,489
Net Position, End of Period	\$ 125,691,575	\$ 5,425,218	\$ 13,274	\$ 12,255,744	\$ 143,385,811	\$ -	\$ 143,385,811

NOTE 19. EXCISE TAXES & OTHER NONEXCHANGE REVENUE

The IRS collects various excise taxes that are deposited into the HTF and AATF. The U.S. Treasury, OTA distributes the amount collected/revenue recognized bimonthly and adjusts the allocations to reflect actual collections quarterly. The IRS submits certificates of actual tax collections to DOT four months after the quarter end. During FY 2023, the DOT financial statements include actual excise tax revenue certified through June 30, 2023, and excise tax revenue allocated by OTA for the quarters ended September 30, 2023. As a result, total taxes recognized in the DOT FY 2023 financial statements include the OTA allocation of \$15.4 billion for the quarter ended September 30, 2023 and the actual amounts certified through June 30, 2023 of \$47.1 billion.

NOTE 19. EXCISE TAXES & OTHER NONEXCHANGE REVENUE (CONT.)

For the years ended September 30, 2023 and 2022, respectively, excise taxes and associated nonexchange revenue, which are reported on the Consolidated Statements of Changes in Net Position, are as follows:

Nonexchange Revenue

For the periods ended September 30, 2023 and 2022

DOLLARS IN THOUSANDS	2023	2022
HIGHWAY TRUST FUND		
Excise Taxes and Other Nonexchange Revenue		
Gasoline	\$ 23,491,817	\$ 27,944,943
Diesel and Special Motor Fuels	10,952,827	13,053,167
Trucks	9,232,300	6,921,636
Investment Income	5,717,542	977,928
Fines and Penalties	53	(88)
Total Taxes	49,394,539	48,897,586
Less: Transfers	(1,542,265)	(1,306,950)
Other Nonexchange Revenue	87,154	21,823
Net Highway Trust Fund Excise Taxes & Other Nonexchange Revenue	47,939,428	47,612,459
FEDERAL AVIATION ADMINISTRATION		
Excise Taxes and Other Nonexchange Revenue		
Passenger Ticket	\$15,740,165	\$8,129,148
International Departure	5,195,110	1,946,903
Fuel (Air)	849,320	590,043
Waybill	748,610	737,117
Investment Income	319,098	156,400
Tax Refunds and Credits	(255,721)	(26,586)
Other	4,384	4,723
Net Federal Aviation Administration Excise Taxes & Other Nonexchange Revenue	22,600,966	11,537,748
Other Miscellaneous Net Nonexchange Revenue	50,896	68,508
Total Nonexchange Revenue	\$ 70,591,290	\$ 59,218,715

The increase in nonexchange is primarily due to an increase in FAA excise tax collection resulting from increases in air travel following reductions in air travel as a result of the COVID-19 pandemic.

NOTE 20. INFORMATION RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

The purpose of Federal budgetary accounting is to control, monitor, and report on funds made available to Federal agencies by law and help ensure compliance with law.

The following budget terms are commonly used:

- **Appropriation:** A provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.
- **Borrowing authority:** A type of budget authority that permits obligations and outlays to be financed by borrowing.
- **Budgetary resources:** Amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.
- **Contract authority:** A type of budget authority that permits obligations in advance of an appropriation, offsetting collections, or receipts to make outlays to liquidate the obligations.
- **Distributed offsetting receipts:** Amounts that an agency collects from the public or from other U.S. Government agencies that are used to offset or reduce an agency's budget outlays. Agency outlays are measured on both a gross and net basis, with net outlays being reduced by offsetting receipts (and other amounts).
- **Offsetting collections:** Payments to the Government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts. The authority to spend offsetting collections is a form of budget authority.
- **Offsetting receipts:** Payments to the Government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the Government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government, and from intragovernmental transactions with other Government accounts.
- **Obligation:** A binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.
- **Outlay:** A payment to liquidate an obligation. Outlays generally are equal to cash disbursements and are the measure of Government spending.
- **Spending authority from offsetting collections:** A type of budget authority that permits obligations and outlays to be financed by offsetting collections.

Unobligated Balance From Prior Year Budget Authority, Net

The unobligated balance from prior year budget authority is presented net of transfers, recoveries from prior year obligations, and balances withdrawn for cancelled authority. As a result, the amount will not equal the prior year unobligated balance, end of year total.

For the periods ended September 30, 2023 and 2022

DOLLARS IN THOUSANDS	2023	2022
Unobligated Balance brought forward, October 1	\$ 107,263,503	\$ 99,077,983
Adjustments to Unobligated Balance brought forward, October 1	2,539,049	(1,989)
Recoveries of Prior Year Obligations	2,000,081	2,382,656
Other Adjustments to Unobligated Balance brought forward, October 1	(326,225)	(2,246,607)
Unobligated Balance from prior year budget authority, net	<u>\$ 111,476,408</u>	<u>\$ 99,212,043</u>

NOTE 20. INFORMATION RELATED TO THE STATEMENT OF BUDGETARY RESOURCES (CONT.)**Borrowing Authority, End Of Period And Terms Of Borrowing Authority Used**

DOT had \$1.7 billion and \$5.6 billion in borrowing authority in FY 2023 and FY 2022, respectively. Borrowing authority is indefinite and authorized under FCRA, and is used to finance obligations during the current year, as needed. Under the provisions of FCRA, DOT's direct loan and loan guarantee programs are authorized to borrow funds from Treasury to support its credit programs. All loan drawdowns are dated October 1 of the applicable fiscal year. Interest is payable at the end of each fiscal year based on activity for that fiscal year. Principal can be repaid at any time funds become available. Repayment is effectuated by a combination of loan recoveries and upward reestimates.

AVAILABLE CONTRACT AUTHORITY*For the periods ended September 30, 2023 and 2022*

DOLLARS IN THOUSANDS	2023	2022
Available Contract Authority at Year-End	\$ 24,914,130	\$ 18,725,455

UNDELIVERED ORDERS

DOLLARS IN THOUSANDS	2023		2022	
	Federal	Non-Federal	Federal	Non-Federal
Undelivered Orders at Year-End, unpaid	\$ 1,132,716	\$ 176,426,148	\$ 1,103,982	\$ 166,665,986
Undelivered Orders at Year-End, paid	786,240	2,230,840	565,728	1,945,205

Existence, Purpose, And Availability Of Permanent Indefinite Appropriations

DOT has permanent indefinite budgetary authority for use in their credit programs that is provided from, and more details are available in FCRA. This funding is available for reestimates and interest on reestimates. DOT's credit programs are explained in detail in Note 6.

Legal Arrangements Affecting The Use Of Obligated Balances

Unobligated balances remain legally available for obligation when the funds are apportioned by OMB and the period of availability is unexpired. Unobligated balances are not available when the funds are not yet apportioned or the period of availability is expired. Unobligated balances of expired accounts are not available to fund new obligations, but they can be used for upward adjustments of obligations that were incurred during the period of availability or for paying claims attributable to that time period.

Aviation insurance investments and marine war risk insurance investments are not available for obligation until authorized, for example, in the event of a major air carrier loss or vessel operations loss caused by a war risk occurrence.

Statement Of Budgetary Resources Vs. Budget Of The United States Government

The reconciliation for the year ended September 30, 2022, is presented in the following table. The reconciliation for the fiscal year ended September 30, 2023, is not presented, because the submission of the Budget of the United States Government (Budget) for FY 2025, which presents the execution of the FY 2023 budget, occurs after publication of these financial statements. The DOT Budget Appendix can be found on the OMB website and will be available in early February 2024.

DOLLARS IN MILLIONS	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 382,199	\$ 274,936	\$ (119,736)	\$ 233,433
Funds Not Reported in the Budget				
Expired Funds	(311)	-	-	-
Non-Budgetary Credit Reform Financing Accounts - Disbursements, Net	-	-	-	1,775
Other	(4)	(9)	59	(2)
Budget of the United States Government	<u>\$ 381,884</u>	<u>\$ 274,927</u>	<u>\$ (119,677)</u>	<u>\$ 235,206</u>

Other differences represent financial statement adjustments, timing differences, and other immaterial differences between amounts reported in the Department's Statement of Budgetary Resources and the Budget of the United States Government.

NOTE 21. CUSTODIAL ACTIVITY

Cash collections that are “custodial” are not revenue to the DOT, but are collected on behalf of other Federal entities or funds. Custodial collections are considered to be incidental to the DOT’s operations. The following table presents custodial collections and the disposition of those collections for the years ended September 30, 2023 and 2022:

DOLLARS IN THOUSANDS	2023	2022
SOURCES OF CASH COLLECTIONS		
Miscellaneous Receipts	\$ 397,233	\$ 45,636
User Fees	1,322	407
Fines, Penalties and Forfeitures	134,443	47,310
Total Cash Collections	532,998	93,353
Accrual Adjustment	10,446	11,641
Total Custodial Revenue	543,444	104,994
DISPOSITION OF COLLECTIONS		
Transferred to Treasury’s General Fund	452,055	77,509
Transferred to Highway Trust Fund	80,943	15,844
Increase (Decrease) in Amounts to be Transferred	10,446	11,641
Net Custodial Activity	\$ -	\$ -

DOT custodial revenue increase is primarily due to an increase in collections received in FY 2023 for the Corporate Average Fuel Economy (CAFÉ) fines and penalties fees.

NOTE 22. RECONCILIATION OF NET OPERATING COST & NET BUDGETARY OUTLAYS

The objective of this information is to provide an explanation of the differences between budgetary and financial (proprietary) accounting. This is accomplished by means of a reconciliation of budgetary outlays and non-budgetary resources available to the reporting entity with its net cost of operations. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government’s financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

Net cost should be reconciled to net outlays, which should exclude financing account activity. Net outlays represent net budgetary outlays and do not include net disbursements of credit financing accounts. The change in FCRA loan receivables should not be reflected as a reconciling item due to credit programs affecting net cost and net outlays via the subsidy cost.

The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

- The acquisition of capital assets results in outlays, but does not result in costs. Rather, the costs are recognized over the useful lives of the assets as depreciation expense. To reconcile this difference, depreciation is a component of net operating cost, but not part of net outlays; and the acquisition of capital assets is a component of net outlays, but not part of net operating cost.
- The grant accrual results in costs, but does not result in outlays. The grant accrual consists of an estimate of grantee expenses incurred, but not yet paid by DOT which is a component of net operating costs, but not part of net outlays.
- The effects of the prior year subsidy cost re-estimate does not impact the current year net cost of operations, but is part of the net outlays in the current year to reflect the budgetary outlay to the general fund receipt account.

Although some differences presented in the reconciliation relate to amounts reported in the balance sheet and statement of net position, the amounts may not tie. Certain financial activities do not result in net operating cost, nor net outlays, and are therefore excluded from the reconciliation. For example, the purchase of investments results in a change in assets on the balance sheet, but does not result in net operating cost nor net outlays. In addition, intradepartmental transactions and balances have been eliminated from the balance sheet for presentation on a consolidated basis, however, intradepartmental transactions and balances have not been eliminated on the reconciliation for the accounts receivable and related liability and transfer activity related to credit reform upward and downward reestimates. The reciprocating elimination activity is included in the credit financing accounts which have been excluded from the reconciliation.

NOTE 22. RECONCILIATION OF NET OPERATING COST & NET BUDGETARY OUTLAYS (CONT.)

For the year ended September 30, 2023

DOLLARS IN THOUSANDS	Intragovernmental	Other than Intragovernmental	Total
NET OPERATING COST (SNC)	\$ 2,886,060	\$ 105,175,538	\$ 108,061,598
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation	-	(1,258,769)	(1,258,769)
Property, Plant, and Equipment Disposal & Reevaluation	-	(256,428)	(256,428)
Cost of Goods Sold	(306)	(61,837)	(62,143)
Inventory Disposals Revaluations	-	12,935	12,935
Year-end Credit Reform Subsidy Re-estimates	345,930	-	345,930
Increase/(Decrease) in Assets			
Accounts Receivable, Net	(200,062)	11,442	(188,620)
Investments, Net	12,337	-	12,337
Advances and Prepayments	6,160	285,466	291,626
(Increase)/Decrease in Liabilities:			
Accounts Payable	(993,660)	154,303	(839,357)
Environmental and Disposal Liabilities	-	(66,009)	(66,009)
Federal Employee Benefits Payable	-	3,437	3,437
Advances From Others and Deferred Revenue	(283,036)	(7,291)	(290,327)
Accrued Grant Liabilities	-	2,572,056	2,572,056
Other Liabilities	177,156	(16,082)	161,074
Financing Sources			
Imputed Costs	(866,155)	-	(866,155)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(1,801,636)	1,373,223	(428,413)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	199,626	2,390,527	2,590,153
Acquisition of Inventory	-	51,992	51,992
Effect of Prior Year Credit Reform Subsidy Re-estimates	(795,272)	-	(795,272)
Financing Sources			
Donated Revenue	-	(901)	(901)
Transfers Out (In) Without Reimbursements	(304,901)	-	(304,901)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	(900,547)	2,441,618	1,541,071
Miscellaneous Items			
FCRA Net Cost Impact	(531,937)	538,275	6,338
Custodial/Non-exchange Revenue	2,583	(79,048)	(76,465)
Custodial/Exchange Revenue	138,635	(376,587)	(237,952)
Non-Entity Activity	345,901	-	345,901
Appropriated Receipts for Trust/Special Funds	270,463	-	270,463
Total Other Reconciling Items	225,645	82,640	308,285
Total Net Outlays	<u>\$ 409,522</u>	<u>\$ 109,073,019</u>	<u>\$ 109,482,541</u>
Outlays, Net (SBR 4190)			110,914,296
Distributed Offsetting Receipts (SBR 4200)			(1,431,755)
Budgetary Agency Outlays, Net (SBR)			<u>\$ 109,482,541</u>

NOTE 22. RECONCILIATION OF NET OPERATING COST & NET BUDGETARY OUTLAYS (CONT.)

For the year ended September 30, 2022

DOLLARS IN THOUSANDS	Intragovernmental	Other than Intragovernmental	Total
NET OPERATING COST (SNC)	\$ 3,095,089	\$ 113,141,491	\$ 116,236,580
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation	\$ -	\$ (1,349,937)	\$ (1,349,937)
Property, Plant, and Equipment Disposal & Reevaluation	(13,294)	(344,923)	(358,217)
Cost of Goods Sold	44	(62,146)	(62,102)
Inventory Disposals Revaluations	-	21,090	21,090
Year-end Credit Reform Subsidy Re-estimates	593,830	-	593,830
Increase/(Decrease) in Assets			
Accounts Receivable, Net	(702,522)	(42)	(702,564)
Investments, Net	(7,583)	-	(7,583)
Advances and Prepayments	(11,678)	(1,036,881)	(1,048,559)
(Increase)/Decrease in Liabilities:			
Accounts Payable	(270,378)	(253,931)	(524,309)
Environmental and Disposal Liabilities	-	(11,337)	(11,337)
Federal Employee Benefits Payable	-	85,689	85,689
Advances From Others and Deferred Revenue	(251,093)	20,013	(231,080)
Accrued Grant Liabilities	-	692,211	692,211
Other Liabilities	721,792	(401,831)	319,961
Financing Sources			
Imputed Costs	(496,000)	-	(496,000)
Total Components of Net Operating Cost Not Part of the Budget Outlays	\$ (436,882)	\$ (2,642,025)	\$ (3,078,907)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	\$ 52,636	\$ 1,753,745	\$ 1,806,381
Acquisition of Inventory	-	76,865	76,865
Effect of Prior Year Credit Reform Subsidy Re-estimates	(1,441,005)	-	(1,441,005)
Financing Sources			
Donated Revenue	-	(1,025)	(1,025)
Transfers Out (In) Without Reimbursements	(543,283)	-	(543,283)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	\$ (1,931,652)	\$ 1,829,585	\$ (102,067)
Miscellaneous Items			
FCRA Net Cost Impact	\$ (399,206)	\$ 392,249	\$ (6,957)
Custodial/Non-exchange Revenue	1,866	(94,663)	(92,797)
Custodial/Exchange Revenue	91,992	(11,789)	80,203
Non-Entity Activity	447,313	-	447,313
Appropriated Receipts for Trust/Special Funds	213,023	-	213,023
Total Other Reconciling Items	354,988	285,797	640,785
Total Net Outlays	<u>\$ 1,081,543</u>	<u>\$ 112,614,848</u>	<u>\$ 113,696,391</u>
Outlays, Net (SBR 4190)			233,432,830
Distributed Offsetting Receipts (SBR 4200)			(119,736,439)
Budgetary Agency Outlays, Net (SBR)			<u>\$ 113,696,391</u>

NOTE 23. FIDUCIARY ACTIVITIES

The Title XI Escrow Fund was authorized pursuant to the Merchant Marine Act of 1936, as amended. The fund was originally established to hold guaranteed loan proceeds pending construction of MARAD-approved and financed vessels.

The act allows the deposit of additional cash security items such as reserve funds or debt reserve funds. Individual shipowners provide funds to serve as security on MARAD-guaranteed loans. Funds deposited and invested by MARAD remain the property of individual shipowners. In the event of default, MARAD will use the escrow funds to offset the shipowners' debt to the Government.

Fund investments are limited to U.S. Government securities purchased by MARAD through the Treasury.

SCHEDULE OF FIDUCIARY ACTIVITY

For the years ended September 30, 2023 and 2022

DOLLARS IN THOUSANDS	2023	2022
Fiduciary Net Assets, Beginning of Year	\$ 2,457	\$ 2,018
Contributions	1,213	2,370
Investment Earnings	(1,018)	146
Disbursements to and on Behalf of Beneficiaries	(1,479)	(2,077)
Increases/(Decreases) in Fiduciary Net Assets	(1,284)	439
Fiduciary Net Assets, End of Year	<u>\$ 1,173</u>	<u>\$ 2,457</u>

FIDUCIARY NET ASSETS

As of September 30, 2023 and 2022

DOLLARS IN THOUSANDS	2023	2022
Fiduciary Fund Balance with Treasury	\$ 1,088	\$ 1,354
Investments in Treasury Securities	85	1,103
Total Fiduciary Net Assets	<u>\$ 1,173</u>	<u>\$ 2,457</u>

NOTE 24. DISCLOSURE ENTITIES

Amtrak is a private, for-profit corporation under 49 U.S.C. § 24301 and District of Columbia law and is not a department, agency, or instrumentality of the federal government. Amtrak is governed by an independent Board of Directors comprised of 10 directors. The Secretary of Transportation (Secretary), who is a director by statute, and 8 of the other Amtrak directors, are appointed by the U.S. President with the advice and consent of the Senate. The President of Amtrak also is a board member and is appointed by the Board. Amtrak provides intercity passenger railroad service as a transportation alternative to highway, bus, passenger car, and airline services in certain markets, in addition to serving as a contractor in various capacities for several commuter rail agencies. Amtrak's mission is to deliver intercity transportation with superior safety, customer service and financial excellence, which is directly tied to the statutorily defined mission of Amtrak "to provide efficient and effective intercity passenger rail mobility consisting of high quality service that is trip-time competitive with other intercity travel options and that is consistent with the goals set forth in [49 U.S.C. § 24101(c)]." 49 U.S.C. § 24101(b). As a private, for-profit organization, Amtrak does not take actions on behalf of the federal government but benefits the national economy by providing a transportation option in 46 states and the District of Columbia. Key financial indicators are revenue growth and targeted decrease in adjusted operating earnings, which are reviewed on a regular basis (monthly/quarterly/annually) and compared with the comparable period in the prior year to show trends. Amtrak publishes annual audited financial statements and monthly unaudited performance reports. These documents are available on Amtrak's website.

The federal government (through DOT) owns 100% of Amtrak's preferred stock (109,396,994 shares of \$100 par value). The Amtrak Reform and Accountability Act of 1997 changed the structure of the preferred stock by rescinding the voting rights with respect to the election of the Board of Directors and by eliminating the preferred stock's liquidation preference over the common stock (see Section 415(c), P.L. 105-134, 111 Stat. 2590 (December 2, 1997)). The Act also eliminated further issuance of preferred stock to the Department. Each share of preferred stock is convertible into 10 shares of common stock. Four common stockholders (private sector corporations) own 9,385,694 shares of \$10 par value common stock. The common stockholders have voting rights for "amendments to Amtrak's Articles of Incorporation proposed by the Board of Directors and for certain other extraordinary events."¹ Although Section 4.02(g) of the Amtrak Articles of Incorporation allow for the conversion of preferred stock to common stock, the government would not convert its holdings without Congressional authorization. Section 4.02(g) of the Amtrak Articles of Incorporation does not limit the timing of conversion, or require any preapprovals. Conversion is effective the business day following receipt of written notice of the holder's election to convert. The Department does not recognize the Amtrak preferred stock in its financial statements because, under the Corporation's current financial structure, the preferred shares do not have a liquidation preference over the common shares, the preferred shares do not have any voting rights, and dividends are neither declared nor in arrears. In addition to the purchase/ownership of the Amtrak preferred stock, the Department has provided funding to Amtrak, since 1972, primarily through grants and loans.

Amtrak receives grants from DOT, through the FRA, that cover a portion of the corporation's annual operating expenses and capital investments. Funding provided to Amtrak through grant agreements are included in DOT's annual budget and the DOT financial statements. For the period ended September 30, 2023, net costs related to Amtrak grants were \$2.9 billion, total budgetary outlays were \$3.2 billion, and the remaining undelivered order balance for Amtrak is \$10.2 billion. For the period ended September 30, 2022, net costs related to Amtrak grants were \$3.2 billion, total budgetary outlays were \$2.3 billion, and the remaining undelivered order balance for Amtrak was \$6.7 billion.

In 2016, DOT entered into a loan agreement with Amtrak under the RRIF program (2016 RRIF loan). The amount of the loan is \$2.45 billion. The final maturity of the loan is the earlier of (a) twenty-nine (29) years from the date of the first disbursement under the financing agreement and (b) September 15, 2045. The interest rate is 2.23% and the credit risk premium, payable pro rate at each disbursement, is 5.80% or \$142.1 million. Amtrak is required to maintain funds in a dedicated debt service reserve account at amounts specified in the loan agreement. The loan shall be disbursed solely to pay directly for or to reimburse Amtrak for its prior payment of allowable costs incurred in connection with project elements.

In each fiscal year for which Amtrak draws down funds under its 2016 RRIF loan and/or makes repayments towards the loan, the Department records amounts paid out to Amtrak and amounts Amtrak repays to the Department in its financial system. The RRIF loan is accounted for in accordance with SFFAS 2 (see Note 6). As of September 30, 2023, the undelivered order balance of the RRIF loan is \$1.49 billion. There was a disbursement of \$402.4 million as of September 2023. As of September 30, 2022, the undelivered order balance of the RRIF loan is \$1.9 billion. There were no disbursements as of September 30, 2022.

In addition, to the grants and loans provided to Amtrak, the Department has possession of two long-term notes with Amtrak. The first note is for \$4 billion and matures in 2975 and, the second note is for \$1.1 billion and matures in 2082 with renewable 99-year terms. Interest is not accruing on these notes as long as the current financial structure of Amtrak remains unchanged. If the financial structure of Amtrak changes, both principal and accrued interest are due and payable. The Department does not recognize the long-term notes in its financial statements since the notes, with maturity dates of 2975 and 2082, are considered fully uncollectible due to the lengthy terms and Amtrak's history of operating losses.

1 Amtrak Office of Inspector General, Governance: Quality Control Review of the Independent Audit of Amtrak's Consolidated Financial Statements for Fiscal Year Ended 2016 21 (2017)

NOTE 24. DISCLOSURE ENTITIES (CONT.)

In the event of an Amtrak bankruptcy, the federal government would be at risk of financial loss as a result of longstanding debt and the 2016 RRIF loan. However, such risk of loss is limited given that each of these debts is secured with real property and/or equipment. In general, the federal government's losses in a bankruptcy would be offset by the value of the collateral. The risk of loss and delay in full and timely payments due to bankruptcy are part of most credit relationships, and are not unique to the federal government/Amtrak credit relationship.

NOTE 25. COVID-19 ACTIVITY

The Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) was signed into law on March 27, 2020. DOT received \$36 billion of FY 2020 supplemental appropriations to prevent, prepare for, or respond to COVID-19. Several DOT programs received general fund appropriations in support of maintaining and continuing the operations and business needs of various transportation systems in response to the coronavirus. FTA received \$25 billion in the Transit Infrastructure Grants (TIG) program to be allocated to recipients of urbanized and rural area formula funds to support capital, operating, and other expenses of public transit transportation. FAA received \$10 billion in Grants-In-Aid for Airports. FAA Airport grants can be used for airport capital expenditures and airport operating expenses such as payroll, utilities, and debt services. In addition, of the amounts previously made available from the AATF for operations in the Bipartisan Budget Act of 2018 (P.L. 115-123), up to \$25 million may be repurposed to prevent, prepare for, and respond to the COVID-19 public health emergency. FRA received \$1.0 billion in grants to Amtrak to support the railroad's activities to maintain service for its passengers and support business operations. OST received \$56 million in the Essential Air Service and Rural Improvement program to support the small communities to maintain access to the national air transportation system. MARAD received \$2 million in appropriations to use in support of State Maritime Academies and USMMA, and an additional \$2 million to support its Operations and Training program. The OIG received \$5 million in appropriations to use for administrative expenses to ensure the COVID-19 projects and activities were carried out as intended with CARES Act funding.

There were no additional funding received in FY 2023 or FY 2022 for COVID-19 relief efforts.

Because Grants-In-Aid for Airports is a trust fund account, budgetary concepts require that the general fund appropriation be deposited to a general fund payment account, apportioned, then transferred to an available trust fund receipt account, fully expending the appropriation. The transfer-in to the available trust fund receipt account is then recorded as an appropriated receipt, apportioned, and available for obligation.

The classification of funds from dedicated collections is made by individual fund. In this case, the general fund payment account is classified as all other funds because its funding comes from general fund appropriations. Whereas, Grants-in-Aid for Airports is classified as funds from dedicated collections. In situations where there is a mixed source of funding, which is the case with Grants-in-Aid for Airports, the classification is based on the predominant source of funding. Even though the appropriated receipt for COVID-19 activity originates from general fund appropriations, the long-term expectation is that the predominant source of funding for Grants-in-Aid for Airports comes from aviation excise taxes, which are non-federal sources to be used for designated purposes.

The below financial information provides the asset, liabilities, net costs, revenue, net position, and budgetary resources of the DOT programs that received COVID-19 funding as of September 30, 2023 and 2022. This note is presented on a combined basis. The combined presentation does not eliminate intra-entity balances or transactions.

NOTE 25. COVID-19 ACTIVITY (CONT.)

DOLLARS IN THOUSANDS	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2023 Total Programs and Activities
BALANCE SHEET								
<i>As of September 30, 2023</i>								
Assets								
Intragovernmental								
Fund Balance with Treasury	\$ 10,522,232	\$ 2,212,208	\$ 3,165,545	\$ 14	\$ 14,054	\$ 337	\$ 3,011	\$ 15,917,401
Advances and Prepayments	-	239	-	794	43	-	-	1,076
Total Intragovernmental	10,522,232	2,212,447	3,165,545	808	14,097	337	3,011	15,918,477
Other than Intragovernmental								
Accounts Receivable, Net	2	207	-	-	712	-	-	921
Advances, Prepayments, and Other Assets	-	-	-	72,129	712	-	-	72,841
Total Other than Intragovernmental	2	207	-	72,129	1,424	-	-	73,762
Total Assets	\$ 10,522,234	\$ 2,212,654	\$ 3,165,545	\$ 72,937	\$ 15,521	\$ 337	\$ 3,011	\$ 15,992,239
Liabilities and Net Position								
Intragovernmental								
Other Liabilities	\$ 74	-	-	-	-	-	-	\$ 74
Total Intragovernmental	74	-	-	-	-	-	-	74
Other than Intragovernmental								
Accounts Payable	-	1,457	-	-	-	-	-	1,457
Federal Employee and Benefits Payable	481	-	-	-	-	-	-	481
Grant Accrual	1,108,364	2,055,951	-	-	-	-	-	3,164,315
Other Liabilities	-	-	-	-	-	-	-	-
Total Other than Intragovernmental	1,108,845	2,057,408	-	-	-	-	-	3,166,253
Total Liabilities	\$ 1,108,919	\$ 2,057,408	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,166,327
Unexpended Appropriations - Funds from Dedicated Collections	-	-	-	-	662	-	-	662
Unexpended Appropriations - Funds from Other than Dedicated Collections	9,413,868	121,449	3,165,545	72,937	10,147	337	3,011	12,787,294
Cumulative Results of Operations - Funds From Dedicated Collections	-	32,180	-	-	-	-	-	32,180
Cumulative Results of Operations - Funds from Other than Dedicated Collections	(553)	1,617	-	-	4,712	-	-	5,776
Total Net Position	9,413,315	155,246	3,165,545	72,937	15,521	337	3,011	12,825,912
Total Liabilities and Net Position	\$ 10,522,234	\$ 2,212,654	\$ 3,165,545	\$ 72,937	\$ 15,521	\$ 337	\$ 3,011	\$ 15,992,239

NOTE 25. COVID-19 ACTIVITY (CONT.)

DOLLARS IN THOUSANDS	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2023 Total Programs and Activities
STATEMENT OF NET COSTS								
	<i>For the period ended September 30, 2023</i>							
Program Costs	\$ 9,956,064	\$ 781,755	\$ 1,989,829	\$ 191,111	\$ (8,342)	\$ 3	\$ 489	\$ 12,910,909
Net Cost of Operations	\$ 9,956,064	\$ 781,755	\$ 1,989,829	\$ 191,111	\$ (8,342)	\$ 3	\$ 489	\$ 12,910,909
STATEMENT OF CHANGES IN NET POSITION								
Unexpended Appropriations								
Beginning Balance (Funds from Dedicated Collections)	\$ -	\$ -	\$ -	\$ -	\$ 662	\$ -	\$ -	\$ 662
Beginning Balance (Funds from Other than Dedicated Collections)	19,369,311	798,074	5,340,051	266,048	2,312,179	340	3,500	28,089,503
Appropriations Transferred-In/Out (Funds from Other than Dedicated Collections)	-	-	(147,497)	-	-	-	-	(147,497)
Other Adjustments (Funds from Other than Dedicated Collections)	-	(48,228)	(37,180)	(2,000)	(2,309,829)	-	-	(2,397,237)
Appropriations Used (Funds from Dedicated Collections)	-	-	-	-	-	-	-	-
Appropriations Used (Funds from Other than Dedicated Collections)	(9,955,443)	(628,397)	(1,989,829)	(191,111)	7,797	(3)	(489)	(12,757,475)
Total Unexpended Appropriations (Funds from Dedicated Collections)	-	-	-	-	662	-	-	662
Total Unexpended Appropriations (Funds from Other than Dedicated Collections)	9,413,868	121,449	3,165,545	72,937	10,147	337	3,011	12,787,294
Total Unexpended Appropriations - Ending	\$ 9,413,868	\$ 121,449	\$ 3,165,545	\$ 72,937	\$ 10,809	\$ 337	\$ 3,011	\$ 12,787,956
Cumulative Results of Operations								
Beginning Balance (Funds from Dedicated Collections)	\$ -	\$ 193,594	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 193,594
Beginning Balance (Funds from Other than Dedicated Collections)	(487)	926	-	-	4,167	-	-	4,606
Appropriations Used (Funds from Dedicated Collections)	-	-	-	-	-	-	-	-
Appropriations Used (Funds from Other than Dedicated Collections)	9,955,443	628,397	1,989,829	191,111	(7,797)	3	489	12,757,475
Transfers-in/(out) Without Reimbursement (Funds from Dedicated Collections)	-	(7,384)	-	-	-	-	-	(7,384)
Imputed Financing (Funds from Dedicated Collections)	-	5	-	-	-	-	-	5
Imputed Financing (Funds from Other than Dedicated Collections)	555	14	-	-	-	-	-	569

NOTE 25. COVID-19 ACTIVITY (CONT.)

DOLLARS IN THOUSANDS	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2023 Total Programs and Activities
Total (Funds From Dedicated Collections)	-	186,215	-	-	-	-	-	186,215
Total (Funds from Other than Dedicated Collections)	9,955,511	629,337	1,989,829	191,111	(3,630)	3	489	12,762,650
Net Cost of Operations (Funds from Dedicated Collections)	-	154,035	-	-	-	-	-	154,035
Net Cost of Operations (Funds from Other than Dedicated Collections)	9,956,064	627,720	1,989,829	191,111	(8,342)	3	489	12,756,874
Cumulative Results of Operations (Funds from Dedicated Collections)	-	32,180	-	-	-	-	-	32,180
Cumulative Results of Operations (Funds from Other than Dedicated Collections)	(553)	1,617	-	-	4,712	-	-	5,776
Total Cumulative Results of Operations - Ending	\$ (553)	\$ 33,797	\$ -	\$ -	\$ 4,712	\$ -	\$ -	\$ 37,956
Total Net Position End of Period (Funds from Dedicated Collections)	-	32,180	-	-	662	-	-	32,842
Total Net Position End of Period (Funds from Other than Dedicated Collections)	9,413,315	123,066	3,165,545	72,937	14,859	337	3,011	12,793,070
Total Net Position	<u>\$ 9,413,315</u>	<u>\$ 155,246</u>	<u>\$ 3,165,545</u>	<u>\$ 72,937</u>	<u>\$ 15,521</u>	<u>\$ 337</u>	<u>\$ 3,011</u>	<u>\$ 12,825,912</u>
COMBINED STATEMENTS OF BUDGETARY RESOURCES For the period ended September 30, 2023								
Budgetary resources								
Unobligated Balance From Prior Year Budget Authority, Net	\$ 3,742,743	\$ 378,997	\$ 2,687,112	\$ 2,000	\$ 2,324,375	\$ 335	\$ 3,500	\$ 9,139,062
Appropriations	-	(55,612)	(37,180)	(2,000)	(2,309,830)	-	-	(2,404,622)
Total Budgetary Resources	<u>\$ 3,742,743</u>	<u>\$ 323,385</u>	<u>\$ 2,649,932</u>	<u>\$ -</u>	<u>\$ 14,545</u>	<u>\$ 335</u>	<u>\$ 3,500</u>	<u>\$ 6,734,440</u>
Status of Budgetary Resources								
New Obligations and Upward Adjustments	\$ 3,494,796	\$ 312,550	\$ 2,648,748	\$ -	\$ 6,704	\$ -	\$ 489	\$ 6,463,287
Unobligated Balance, End of Year								
Apportioned Unexpired Accounts	247,947	1,508	1,184	-	490	-	3,011	254,140
Unapportioned Unexpired Accounts	-	77			7,351	-		7,428
Expired Unobligated Balance		9,250				335		9,585
Unobligated Balance, End of Year	247,947	10,835	1,184	-	7,841	335	3,011	271,153
Total Budgetary Resources	<u>\$ 3,742,743</u>	<u>\$ 323,385</u>	<u>\$ 2,649,932</u>	<u>\$ -</u>	<u>\$ 14,545</u>	<u>\$ 335</u>	<u>\$ 3,500</u>	<u>\$ 6,734,440</u>
Outlays, Net								
Outlays, Net (total)	\$ 9,727,894	\$ 4,442,978	\$ 1,989,829	\$ -	\$ 191,083	\$ 3	\$ 489	\$ 16,352,276
Agency Outlays, Net	<u>\$ 9,727,894</u>	<u>\$ 4,442,978</u>	<u>\$ 1,989,829</u>	<u>\$ -</u>	<u>\$ 191,083</u>	<u>\$ 3</u>	<u>\$ 489</u>	<u>\$ 16,352,276</u>

NOTE 25. COVID-19 ACTIVITY (CONT.)

DOLLARS IN THOUSANDS	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2022 Total Programs and Activities
BALANCE SHEET								
<i>As of September 30, 2022</i>								
Assets								
Intragovernmental								
Fund Balance with Treasury	\$ 20,250,126	\$ 6,710,922	\$ 5,340,051	\$ 2,015	\$ 2,514,967	\$ 340	\$ 3,500	\$ 34,821,921
Advances and Prepayments	-	949	-	900	42	-	-	1,891
Total Intragovernmental	20,250,126	6,711,871	5,340,051	2,915	2,515,009	340	3,500	34,823,812
Other than Intragovernmental								
Accounts Receivable, Net	1	-	-	-	167	-	-	168
Advances, Prepayments, and Other Assets	-	-	-	263,133	1,789	-	-	264,922
Total Other than Intergovernmental	1	-	-	263,133	1,956	-	-	265,090
Total Assets	\$ 20,250,127	\$ 6,711,871	\$ 5,340,051	\$ 266,048	\$ 2,516,965	\$ 340	\$ 3,500	\$ 35,088,902
Liabilities and Net Position								
Intragovernmental								
Other Liabilities	\$ 35	\$ 20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55
Total Intragovernmental	35	20	-	-	-	-	-	55
Other than Intragovernmental								
Accounts Payable	\$ -	\$ 4,360	\$ -	\$ -	\$ 199,957	\$ -	\$ -	\$ 204,317
Federal Employee and Benefits Payable	453	106	-	-	-	-	-	559
Grant Accrual	880,815	5,714,737	-	-	-	-	-	6,595,552
Other Liabilities	-	54	-	-	-	-	-	54
Total Other than Intragovernmental	881,268	5,719,257	-	-	199,957	-	-	6,800,482
Total Liabilities	\$ 881,303	\$ 5,719,277	\$ -	\$ -	\$ 199,957	\$ -	\$ -	\$ 6,800,537
Unexpended Appropriations - Funds from Dedicated Collections	\$ -	\$ -	\$ -	\$ -	\$ 662	\$ -	\$ -	\$ 662
Unexpended Appropriations - Fund from Other than Dedicated Collections	19,369,311	798,074	5,340,051	266,048	2,312,179	340	3,500	28,089,503
Cumulative Results of Operations - Funds From Dedicated Collections	-	193,594	-	-	-	-	-	193,594
Cumulative Results of Operations - Funds from Other than Dedicated Collections	(487)	926	-	-	4,167	-	-	4,606
Total Net Position	19,368,824	992,594	5,340,051	266,048	2,317,008	340	3,500	28,288,365
Total Liabilities and Net Position	\$ 20,250,127	\$ 6,711,871	\$ 5,340,051	\$ 266,048	\$ 2,516,965	\$ 340	\$ 3,500	\$ 35,088,902

NOTE 25. COVID-19 ACTIVITY (CONT.)

DOLLARS IN THOUSANDS	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2022 Total Programs and Activities
STATEMENT OF NET COSTS								
<i>For the period ended September 30, 2022</i>								
Program Costs	\$ 23,919,734	\$ 4,215,646	\$ 2,270,616	\$ 1,014,783	\$ 658,980	\$ 16	\$ 1,074	\$ 32,080,849
Less Earned Revenue	-	-	-	-	-	-	-	-
Net Cost of Operations	\$ 23,919,734	\$ 4,215,646	\$ 2,270,616	\$ 1,014,783	\$ 658,980	\$ 16	\$ 1,074	\$ 32,080,849
STATEMENT OF CHANGES IN NET POSITION								
Unexpended Appropriations								
Beginning Balance (Funds from Dedicated Collections)	\$ -	\$ -	\$ -	\$ -	\$ 1,451	\$ -	\$ -	\$ 1,451
Beginning Balance (Funds from Other than Dedicated Collections)	43,288,417	4,838,873	7,631,060	1,280,831	2,970,537	356	4,574	60,014,648
Appropriations Transferred-In/Out (Funds from Other than Dedicated Collections)	-	-	(20,393)	-	-	-	-	(20,393)
Appropriations Used (Funds from Dedicated Collections)	-	-	-	-	(789)	-	-	(789)
Appropriations Used (Funds from Other than Dedicated Collections)	(23,919,106)	(4,040,799)	(2,270,616)	(1,014,783)	(658,358)	(16)	(1,074)	(31,904,752)
Total Unexpended Appropriations (Funds from Dedicated Collections)	-	-	-	-	662	-	-	662
Total Unexpended Appropriations (Funds from Other than Dedicated Collections)	19,369,311	798,074	5,340,051	266,048	2,312,179	340	3,500	28,089,503
Total Unexpended Appropriations - Ending	\$ 19,369,311	\$ 798,074	\$ 5,340,051	\$ 266,048	\$ 2,312,841	\$ 340	\$ 3,500	\$ 28,090,165
Cumulative Results of Operations								
Beginning Balance (Funds from Dedicated Collections)	\$ -	368,363	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 368,363
Beginning Balance (Funds from Other than Dedicated Collections)	(198)	966	-	-	4,000	-	-	4,768
Appropriations Used (Funds from Dedicated Collections)	-	-	-	-	789	-	-	789
Appropriations Used (Funds from Other than Dedicated Collections)	23,919,106	4,040,799	2,270,616	1,014,783	658,358	16	1,074	31,904,752
Transfers-in/(out) Without Reimbursement (Funds from Dedicated Collections)	-	(1)	-	-	-	-	-	(1)
Imputed Financing (Funds from Dedicated Collections)	-	12	-	-	-	-	-	12
Imputed Financing (Funds from Other than Dedicated Collections)	339	27	-	-	-	-	-	366
Total (Funds From Dedicated Collections)	-	368,374	-	-	789	-	-	369,163
Total (Funds from Other than Dedicated Collections)	23,919,247	4,041,792	2,270,616	1,014,783	662,358	16	1,074	31,909,886
Net Cost of Operations (Funds from Dedicated Collections)	-	174,780	-	-	789	-	-	175,569

NOTE 25. COVID-19 ACTIVITY (CONT.)

DOLLARS IN THOUSANDS	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2022 Total Programs and Activities
Net Cost of Operations (Funds from Other than Dedicated Collections)	23,919,734	4,040,866	2,270,616	1,014,783	658,191	16	1,074	31,905,280
Cumulative Results of Operations (Funds from Dedicated Collections)	-	193,594	-	-	-	-	-	193,594
Cumulative Results of Operations (Funds from Other than Dedicated Collections)	(487)	926	-	-	4,167	-	-	4,606
Total Cumulative Results of Operations - Ending	\$ (487)	\$ 194,520	\$ -	\$ -	\$ 4,167	\$ -	\$ -	\$ 198,200
Total Net Position End of Period (Funds from Dedicated Collections)	-	193,594	-	-	662	-	-	194,256
Total Net Position End of Period (Funds from Other than Dedicated Collections)	19,368,824	799,000	5,340,051	266,048	2,316,346	340	3,500	28,094,109
Total Net Position	<u>\$ 19,368,824</u>	<u>\$ 992,594</u>	<u>\$ 5,340,051</u>	<u>\$ 266,048</u>	<u>\$ 2,317,008</u>	<u>\$ 340</u>	<u>\$ 3,500</u>	<u>\$ 28,288,365</u>
COMBINED STATEMENTS OF BUDGETARY RESOURCES								
For the period ended September 30, 2022								
Budgetary resources								
Unobligated Balance From Prior Year Budget Authority, Net	\$ 29,988,175	\$ 3,994,444	\$ 5,787,887	\$ 2,000	\$ 2,589,459	\$ 315	\$ 4,574	\$ 42,366,854
Appropriations	-	-	-	-	-	-	-	-
Total Budgetary Resources	<u>\$ 29,988,175</u>	<u>\$ 3,994,444</u>	<u>\$ 5,787,887</u>	<u>\$ 2,000</u>	<u>\$ 2,589,459</u>	<u>\$ 315</u>	<u>\$ 4,574</u>	<u>\$ 42,366,854</u>
Status of Budgetary Resources								
New Obligations and Upward Adjustments	\$26,358,641	\$ 3,799,073	\$ 2,962,049	\$ -	\$ 288,068	\$ -	\$ 1,074	\$ 33,408,905
Unobligated Balance, End of Year								
Apportioned Unexpired Accounts	3,629,534	176,817	2,825,838	2,000	2,300,564	-	3,500	8,938,253
Unapportioned Unexpired Accounts	-	17,566			827	-		18,393
Expired Unobligated Balance	-	988	-	-	-	315	-	1,303
Unobligated Balance, End of Year	3,629,534	195,371	2,825,838	2,000	2,301,391	315	3,500	8,957,949
Total Budgetary Resources	<u>\$ 29,988,175</u>	<u>\$ 3,994,444</u>	<u>\$ 5,787,887</u>	<u>\$ 2,000</u>	<u>\$ 2,589,459</u>	<u>\$ 315</u>	<u>\$ 4,574</u>	<u>\$ 42,366,854</u>
Outlays, Net								
Outlays, Net (total)	\$ 24,116,181	\$4,934,429	\$2,714,566	\$ 1,001	\$ 302,947	\$ 16	\$ 1,074	\$ 32,070,214
Agency Outlays, Net	<u>\$ 24,116,181</u>	<u>\$ 4,934,429</u>	<u>\$ 2,714,566</u>	<u>\$ 1,001</u>	<u>\$ 302,947</u>	<u>\$ 16</u>	<u>\$ 1,074</u>	<u>\$ 32,070,214</u>

NOTE 25. COVID-19 ACTIVITY (CONT.)

BUDGETARY ACTIVITY

For the years ended September 30, 2023 and 2022

DOLLARS IN THOUSANDS	2023	2022
Budgetary Resources: Unobligated balance carried forward from the prior year	\$ 8,957,950	\$ 42,135,895
New Budget Authority (+)	-	-
Rescissions (-) and other changes (+/-) to budgetary resources	(2,223,510)	230,960
Budgetary Resources Obligated (-)	(6,463,287)	(33,408,905)
Budgetary Resources: Ending unobligated balance to be carried forward	\$ 271,153	\$ 8,957,950
Outlays, Net (total)	<u>\$ 16,352,276</u>	<u>\$ 32,070,214</u>

NOTE 26. RECLASSIFICATION OF STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS

To prepare the Financial Report of the U.S. Government (FR), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger (USSGL) account that appear in the financial statements. Treasury uses the trial balance information reported in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows the DOT financial statements and the DOT reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the 2022 FR can be found on the Bureau of the Fiscal Service Reports, Statements & Publications website and a copy of the 2023 FR will be posted to this site as soon as it is released.

The term “intragovernmental” is used in this note to refer to the amounts that result from other components of the Federal Government. The term “non-Federal” is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

FY 2023 U.S. DOT STATEMENT OF NET COST		LINE ITEMS USED TO PREPARE FY 2023 GOVERNMENT-WIDE STATEMENT OF NET COST					
Financial Statement Line	Amounts	Dedicated Collections Combined	Dedicated Collections Eliminations	Other Than Dedicated Collections Amounts (With Eliminations)	Eliminations Between Dedicated Collections and Other Than Dedicated Collections	Total	Reclassified Financial Statement Line
							<i>Non-Federal Costs</i>
Gross Costs	111,030,777	\$ 76,178,662	\$ -	\$ 30,115,657	\$ -	\$ 106,294,319	Non-Federal Gross Cost
		76,178,662	-	30,115,657	-	106,294,319	Total Non-Federal Costs
							<i>Intragovernmental Costs</i>
		2,112,406	-	193,475	-	2,305,881	Benefit Program Costs
		792,961	-	73,194	-	866,155	Imputed Costs
		1,004,988	(19,350)	110,231	(659,415)	436,454	Buy/Sell Costs
		192,543	(647)	3,710	(42,499)	153,107	Purchase of Assets
		16	-	610,495	-	610,511	Borrowing and Other Interest Expense
		464,035	-	53,422	-	517,457	Other Expenses (w/o Reciprocals)
		(192,543)	647	(3,710)	42,499	(153,107)	Purchase of Assets Offset
		4,374,406	(19,350)	1,040,817	(659,415)	4,736,458	Total Intragovernmental Costs

NOTE 26. RECLASSIFICATION OF STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS (CONT.)

FY 2023 U.S. DOT STATEMENT OF NET COST		LINE ITEMS USED TO PREPARE FY 2023 GOVERNMENT-WIDE STATEMENT OF NET COST					
Financial Statement Line	Amounts	Dedicated Collections Combined	Dedicated Collections Eliminations	Other Than Dedicated Collections Amounts (With Eliminations)	Eliminations Between Dedicated Collections and Other Than Dedicated Collections	Total	Reclassified Financial Statement Line
<i>Total Gross Costs</i>	111,030,777	80,553,068	(19,350)	31,156,474	(659,415)	111,030,777	Total Reclassified Gross Costs
Earned Revenue	2,969,179	477,070	-	641,711	-	1,118,781	Non-Federal Earned Revenue
							<i>Intragovernmental Revenue</i>
		471,775	(19,350)	1,899,561	(659,415)	1,692,571	Buy/Sell Revenue
		79,264	-	-	-	79,264	Federal Securities Interest Revenue Including Associated Gains/Losses (Exchange)
		5	-	78,558	-	78,563	Borrowing and Other Interest Revenue
		551,044	(19,350)	1,978,119	(659,415)	1,850,398	<i>Total Intragovernmental Earned Revenue</i>
<i>Total Earned Revenue</i>	2,969,179	1,028,114	(19,350)	2,619,830	(659,415)	2,969,179	Total Reclassified Earned Revenue
Net Cost of Operations	\$ 108,061,598	\$ 79,524,954	\$ -	\$ 28,536,644	\$ -	\$ 108,061,598	Net Cost of Operations
Exchange Statement of Custodial Activity							
Exchange Custodial Collections from Note on Custodial Collections	383,955	-	-	383,952	-	383,952	Non-Federal Earned Revenue
		-	-	3	-	3	Buy/Sell Revenue (Federal)
<i>Total Exchange Custodial Collections</i>	383,955	-	-	383,955	-	383,955	<i>Total Reclassified Exchange Custodial Collections</i>
Disposition of Exchange Custodial Collections from Note on Custodial Collections	(383,955)	-	-	(383,955)	-	(383,955)	Reclassified Disposition of Custodial Collections

NOTE 26. RECLASSIFICATION OF STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS (CONT.)

FY 2023 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2023 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION					
Financial Statement Line	Amounts	Dedicated Collections Combined	Dedicated Collections Eliminations	Other Than Dedicated Collections Amounts (With Eliminations)	Eliminations Between Dedicated Collections and Other Than Dedicated Collections	Total	Reclassified Financial Statement Line
UNEXPENDED APPROPRIATIONS							
Unexpended Appropriations, Beginning Balance	\$ 110,878,151	\$ 1,258,322	\$ -	\$ 109,619,829	\$ -	\$ 110,878,151	Net Position, Beginning of Period
Appropriations Received	53,751,376	1,921,179	-	51,830,197	-	53,751,376	Appropriations Received as Adjusted
Appropriations Transferred In/Out	(20,415)	1,080	-	14,000	-	15,080	Non-Expenditure Transfers-In of Unexpended Appropriations
		-	-	(35,495)		(35,495)	Non-Expenditure Transfers-out of Unexpended Appropriations
<i>Total Appropriations Transferred In/Out</i>	(20,415)	1,080	-	(21,495)	-	(20,415)	<i>Total Reclassified Appropriations Transferred In/Out</i>
Other Adjustments	(2,800,791)	(25,023)	-	(2,775,768)	-	(2,800,791)	Appropriations Received as Adjusted
Appropriations Used	(29,926,715)	(1,990,066)	-	(27,936,649)	-	(29,926,715)	Appropriations Used (Federal)
Total Unexpended Appropriations: Ending	\$ 131,881,606	\$ 1,165,492	\$ -	\$ 130,716,114	\$ -	\$ 131,881,606	Total Unexpended Appropriations
CUMULATIVE RESULTS OF OPERATIONS							
Cumulative Results, Beginning Balance	152,024,777	142,127,489	-	9,897,288	-	152,024,777	Net Position, Beginning of Period
Other Adjustments	(63)	-	-	(63)	-	(63)	Revenue and Other Financing Sources - Cancellations
Appropriations Used	29,926,715	1,990,066	-	27,936,649	-	29,926,715	Appropriation Expended (Federal)

NOTE 26. RECLASSIFICATION OF STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS (CONT.)

FY 2023 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2023 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION					
Financial Statement Line	Amounts	Dedicated Collections Combined	Dedicated Collections Eliminations	Other Than Dedicated Collections Amounts (With Eliminations)	Eliminations Between Dedicated Collections and Other Than Dedicated Collections	Total	Reclassified Financial Statement Line
Non-Exchange Revenue	70,591,290						Non-Federal Non-Exchange Revenues
		52,860	-	2,472	-	55,332	Other Taxes and Receipts
		52,860	-	2,472	-	55,332	Total Non-Federal Non-Exchange Revenues
							Federal Non-Exchange Revenue
		6,036,640	-	-	-	6,036,640	Federal Securities Interest Revenue
		446		-		446	Borrowings and Other Interest Revenue
		80,943				80,943	Collections Transferred to a Treasury Account Symbol (TAS) Other Than the General Fund of the U.S. Government
		5,766	-	-	-	5,766	Accrual for Entity Amounts to be Collected in a TAS Other Than the General Fund
		64,412,163	-	-	-	64,412,163	Other Taxes and Receipts
		70,535,958	-	-	-	70,535,958	Total Federal Non-Exchange Revenue
Total Non-Exchange Revenue	70,591,290	70,588,818	-	2,472	-	70,591,290	Total Reclassified Non-Exchange Revenues
Donations and Forfeitures of Cash/ Cash Equivalents	901	901	-	-	-	901	Donations and Forfeitures of Cash/ Cash Equivalents
Transfers-In/ (Out) Without Reimbursement	34,704	103,269,521	(102,859,287)	1,789,258	(2,123,443)	76,049	Transfers-In w/o Reimbursement
		(104,635,386)	102,859,287	(388,689)	2,123,443	(41,345)	Transfers-Out w/o Reimbursement
		(1,365,865)	-	1,400,569	-	34,704	Total Reclassified Transfers-In/Out w/o Reimbursement
Donations and Forfeitures of Property	13,012	-	-	13,012	-	13,012	Donations and Forfeitures of Property

NOTE 26. RECLASSIFICATION OF STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS (CONT.)

FY 2023 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2023 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION					
Financial Statement Line	Amounts	Dedicated Collections Combined	Dedicated Collections Eliminations	Other Than Dedicated Collections Amounts (With Eliminations)	Eliminations Between Dedicated Collections and Other Than Dedicated Collections	Total	Reclassified Financial Statement Line
Imputed Financing	866,155	792,961	-	73,194	-	866,155	Imputed Financing Sources (Federal)
Other	(354,056)			(539,763)		(539,763)	Non-Entity Collections Transferred to the General Fund
		-	-	186,449	-	186,449	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
		(173,719)	-	173,719	-	-	Borrowings and Other Interest Revenue (Non-exchange)
		(742)		-	-	(742)	Other Taxes and Receipts
<i>Total Other</i>	(354,056)	(174,461)	-	(179,595)	-	(354,056)	<i>Total Reclassified Other</i>
Net Cost of Operations	108,061,598	79,524,954	-	28,536,644	-	108,061,598	Net Cost of Operations
Ending Balance – Cumulative Results of Operations	145,041,837	134,434,955	-	10,606,882	-	145,041,837	Net Position – Ending Balance
Total Net Position	\$ 276,923,443	\$ 135,600,447	\$ -	\$ 141,322,996	\$ -	\$ 276,923,443	Total Net Position
Non-Exchange Statement of Custodial Activity							
Non-Exchange Custodial Collections from the Note on Custodial Activity	159,489	-	-	159,489	-	159,489	Other Taxes and Receipts

NOTE 26. RECLASSIFICATION OF STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS (CONT.)

FY 2023 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2023 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION					
Financial Statement Line	Amounts	Dedicated Collections Combined	Dedicated Collections Eliminations	Other Than Dedicated Collections Amounts (With Eliminations)	Eliminations Between Dedicated Collections and Other Than Dedicated Collections	Total	Reclassified Financial Statement Line
Disposition of Non-Exchange Custodial Collections from the Note on Custodial Activity	(159,489)	-	-	(68,257)	-	(68,257)	Non-Entity Custodial Collections Transferred to the General Fund
				(80,943)		(80,943)	Collections Transferred to a TAS Other Than the General Fund of the U.S. Government
				(5,766)		(5,766)	Accrual of Collections Yet to be Transferred to a TAS Other Than the General Fund of the U.S. Government
		-	-	(4,523)	-	(4,523)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
<i>Total Disposition of Non-Exchange Custodial Collections</i>	(159,489)	-	-	(159,489)	-	(159,489)	<i>Total Reclassified Disposition of Non-Exchange Custodial Collections</i>

Required Supplementary Information

DEFERRED MAINTENANCE AND REPAIR (UNAUDITED)

For the period ended September 30, 2023

DOLLARS IN THOUSANDS			Cost To Return To Acceptable Condition	
DOT Entity	Major Class of Asset	Description	Beginning Balance	Ending Balance
FAA	Staffed Facilities	Buildings, structures, and facilities at major and nonmajor airports	\$ 719,730	\$ 1,114,523
	Unstaffed Facilities	Long range radars; unstaffed infrastructure and fuel storage tanks	1,226,097	1,435,319
MARAD	Vessels	Ready Reserve Force ships and vessels at various locations	17,156	29,871
	Buildings	Real property structure—U.S. Merchant Marine Academy	324,940	316,210
Total			<u>\$ 2,287,923</u>	<u>\$ 2,895,923</u>

Deferred Maintenance and Repairs (DM&R) are maintenance and repairs that were not performed when they should have been or were scheduled to be performed and delayed until a future period. Maintenance and repairs are the act of keeping fixed assets in acceptable condition, and they include preventative maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve assets in a condition to provide acceptable service and to achieve expected useful lives.

DOT's reporting of DM&R includes the Operating Administrations of FAA and MARAD, which include facilities critical to our Nation's airspace and maritime operations.

The FAA deferred maintenance includes facilities that must be maintained at 90 to 95 percent of prescribed levels to be considered in fair condition or better. DM&R are estimated using condition assessment surveys to establish Facilities Condition Index scores and lifecycle short forecasts. The estimates include FAA's buildings, structures, and facilities, both staffed and unstaffed. The staffed facilities that directly support air traffic control operations are assessed for DM&R and lifecycle costs on a rotating basis by a qualified engineering firm. DM&R for unstaffed infrastructure facilities is determined by facility surveys.

DM&R estimates for the FAA long-range radar facilities supporting critical airspace system facilities were computed through actual onsite facility assessments based on the Plant (facility) Replacement Value as estimated by the long-range radar planning and requirements specialist located in FAA's service centers. DM&R calculations for fuel storage tanks are determined based on the age of the structure. Additionally, FAA revised the methodology for computing the deferred maintenance for unstaffed infrastructure in FY 2017. FAA now maintains an itemized database that contains all active capital assets along with their associated lifecycles and replacement costs. The current computation is based upon asset lifecycles instead of the previous estimate methodology, which was based upon a 2008 engineering assessment and annual sustainment requirements.

The DM&R at MARAD includes Ready Reserve Force (RRF) vessels at various locations, National Defense Reserve Fleet (NDRF) and facilities, and the USMMA. MARAD maintains RRF vessels in accordance with their assigned readiness status and current condition status. The current condition status is a function of required repairs of deficiencies and their impact on the ability to activate and operate a vessel in accordance with the readiness status. The MARAD ship managers prioritize preventive maintenance actions, repair, and upgrade actions in accordance with the activities' impact to readiness. Exclusions were made for environmental initiatives work not normally considered maintenance because these represent enhancements for energy savings impacting the environment or other environmental impacts.

In 2012, USMMA developed a Building Evaluation Report. In 2022 USMMA requested a re-evaluation of the 2012 report to assist with long term planning and budgeting. The reassessment report updated the DM&R information and the change in beginning balance reflects more accurate and up to date data.

NDRF and fleet facilities are required to maintain updated facility condition assessment documentation and fleet craft servicing plans to ensure facilities are maintaining acceptable operational and infrastructural conditions for mission accomplishment. In support of this, appropriate planning and budgeting is performed throughout the year. Priorities are assigned based upon annual budget guidance. The NDRF fleets and facilities acceptable condition is determined by the fleet organization's ability to accomplish the fleet mission, meet all fleet policy objectives, and comply with annual budget guidance. The NDRF fleets and facilities acceptable condition is determined by the fleet organization's ability to accomplish the fleet mission, meet all fleet policy objectives, and comply with annual budget guidance. The MARAD Resource Management Board has concluded that it has sufficient resources to fund requirements necessary to maintain NDRF and fleet facilities in acceptable condition. Projects

DEFERRED MAINTENANCE AND REPAIR (UNAUDITED) (CONT.)

that would improve fleet conditions beyond just acceptable conditions remain in budget submissions mainly for visibility purposes and to support future decisions if critical factors change and the improvements themselves become mission critical. This change resulted in zero DM&R costs for NDRF and fleet facilities.

The Computerized Maintenance Management System, or CMMS, is primarily used to track maintenance and repairs on the USMMA property and equipment and generating preventative maintenance schedules on a predetermined period. DM&R activities are prioritized based on life and safety concerns as determined by the USMMA Department of Public Works management and USMMA environmental department. Acceptable condition standards must meet the established maintenance standards and operate efficiently under normal life expectancy. Scheduled maintenance is sufficient to maintain the current condition or meet the minimum standards while requiring additional maintenance or repair to prevent further deterioration, increase operating efficiency, and to achieve normal life expectancy.

COMBINING STATEMENTS OF BUDGETARY RESOURCES BY MAJOR ACCOUNT
(UNAUDITED)

For the period ended September 30, 2023

DOLLARS IN THOUSANDS	Federal-Aid	FAA	FTA	MARAD	All Other	Total
BUDGETARY RESOURCES						
Unobligated Balance From Prior Year Budget Authority, Net	\$2 4,412,720	\$ 11,387,866	\$ 28,643,764	\$ 2,198,244	\$ 44,833,814	\$ 111,476,408
Appropriations (Note 1W)	-	20,624,528	7,798,100	1,487,082	35,296,885	65,206,595
Borrowing Authority	-	-	-	8,069	1,741,901	1,749,970
Contract Authority	57,945,312	3,350,000	15,012,445	-	2,003,501	78,311,258
Spending Authority From Offsetting Collections	325,402	10,998,101	3,585	1,089,209	1,003,739	13,420,036
Total Budgetary Resources	\$ 82,683,434	\$ 46,360,495	\$ 51,457,894	\$ 4,782,604	\$ 84,879,840	\$ 270,164,267
STATUS OF BUDGETARY RESOURCES						
New Obligations and Upward Adjustments	\$ 56,690,911	\$ 34,306,978	\$ 22,017,329	\$ 2,178,765	\$ 25,913,634	\$ 141,107,617
Unobligated Balance, End of Year						
Apportioned, Unexpired Accounts	4,646,437	9,444,480	29,004,382	2,280,260	58,289,399	103,664,958
Unapportioned, Unexpired Accounts	21,346,086	2,420,929	431,672	313,537	421,834	24,934,058
Unexpired Unobligated Balance, End of Year	25,992,523	11,865,409	29,436,054	2,593,797	58,711,233	128,599,016
Expired Unobligated Balance, End of Year	-	188,108	4,511	10,042	254,973	457,634
Unobligated Balance, End of Year	25,992,523	12,053,517	29,440,565	2,603,839	58,966,206	129,056,650
Total Budgetary Resources	\$ 82,683,434	\$ 46,360,495	\$ 51,457,894	\$ 4,782,604	\$ 84,879,840	\$ 270,164,267
OUTLAYS, NET						
Outlays, Net	\$ 48,088,283	\$ 23,824,106	\$ 23,597,692	\$ 1,049,235	\$ 14,354,980	\$ 110,914,296
Distributed Offsetting Receipts	-	(17,685)	(8,317)	(14,085)	(1,391,668)	(1,431,755)
Agency Outlays, Net	\$ 48,088,283	\$ 23,806,421	\$ 23,589,375	\$ 1,035,150	\$ 12,963,312	\$109,482,541
Disbursements, Net				\$ (150,942)	\$ 6,481,777	\$ 6,330,835

COMBINING STATEMENTS OF BUDGETARY RESOURCES BY MAJOR ACCOUNT (UNAUDITED) (CONT.)

For the period ended September 30, 2022

DOLLARS IN THOUSANDS	Federal-Aid	FAA	FTA	MARAD	All Other	Total
BUDGETARY RESOURCES						
Unobligated Balance From Prior Year Budget Authority, Net	\$ 21,525,936	\$ 10,024,552	\$ 46,412,513	\$ 1,326,635	\$ 19,922,407	\$ 99,212,043
Appropriations (Note 1W)	-	20,505,993	7,152,764	1,727,734	161,457,500	190,843,991
Borrowing Authority	-	-	-	52,820	5,546,954	5,599,774
Contract Authority	56,939,400	3,350,000	14,448,081	-	1,960,926	76,698,407
Spending Authority From Offsetting Collections	266,204	7,169,001	1,532	932,325	1,475,811	9,844,873
Total Budgetary Resources	\$ 78,731,540	\$ 41,049,546	\$ 68,014,890	\$ 4,039,514	\$ 190,363,598	\$ 382,199,088
STATUS OF BUDGETARY RESOURCES						
New Obligations and Upward Adjustments	\$ 56,165,174	\$ 30,275,337	\$ 40,960,274	\$ 1,886,911	\$ 145,647,889	\$ 274,935,585
Unobligated Balance, End of Year						
Apportioned, Unexpired Accounts	3,146,256	7,937,515	26,852,699	1,920,833	38,595,992	78,453,295
Unapportioned, Unexpired Accounts	19,420,110	2,675,069	199,615	225,654	5,993,707	28,514,155
Unexpired Unobligated Balance, End of Year	22,566,366	10,612,584	27,052,314	2,146,487	44,589,699	106,967,450
Expired Unobligated Balance, End of Year	-	161,625	2,302	6,116	126,010	296,053
Unobligated Balance, End of Year	22,566,366	10,774,209	27,054,616	2,152,603	44,715,709	107,263,503
Total Budgetary Resources	\$ 78,731,540	\$ 41,049,546	\$ 68,014,890	\$ 4,039,514	\$ 190,363,598	\$ 382,199,088
OUTLAYS, NET, AND DISBURSEMENTS, NET						
Outlays, Net	\$ 44,130,597	\$ 23,071,125	\$ 34,077,316	\$ 738,570	\$ 131,415,222	\$ 233,432,830
Distributed Offsetting Receipts	-	(9,669)	(14,366)	(50,225)	(119,662,179)	(119,736,439)
Agency Outlays, Net	\$ 44,130,597	\$ 23,061,456	\$ 34,062,950	\$ 688,345	\$ 11,753,043	\$ 113,696,391
Disbursements, Net				\$ 41,860	\$ 1,733,392	\$ 1,775,252

MARINE WAR RISK INSURANCE PROGRAM (UNAUDITED)

For FY 2023 and FY 2022, MARAD covered nonpremium war risk insurance with a total coverage per year of \$279 million for U.S. Department of Defense (DoD) controlled vessels. The DoD indemnifies MARAD for any losses arising out of the nonpremium insurance. There have been no losses and no claims are outstanding for this nonpremium insurance. There is approximately \$53 million in the Marine War Risk Insurance fund to reimburse operators that may be covered by premium insurance in future periods for national economic security and foreign policy purposes. For FY 2023 and FY 2022, there were no outstanding policies or obligations for the premium based war risk insurance program.

LAND (UNAUDITED)

PPE Land and Stewardship Land Estimated Acreage by Predominant Use

FY 2023	Commercial	Conservation and Preservation	Operational	Total Estimated Acreage
PPE LAND AND LAND RIGHTS				
Start of Prior Year (October 1, 2021)	11,802	-	102,198	114,000
End of Prior Year/Start of Current Year (October 1, 2022)	11,802	-	100,903	112,705
End of Current Period/Year (September 30, 2023)	11,802	-	98,101	109,903
STEWARDSHIP LAND AND LAND RIGHTS				
Start of Prior Year (October 1, 2021)	-	20	44	64
End of Prior Year/Start of Current Year (October 1, 2022)	-	20	44	64
End of Current Period/Year (September 30, 2023)	-	20	44	64
PPE LAND HELD FOR DISPOSAL OR EXCHANGE				
Start of Prior Year (October 1, 2021)	-	-	968	968
End of Prior Year/Start of Current Year (October 1, 2022)	-	-	971	971
End of Current Period/Year (September 30, 2023)	-	-	571	571

The FAA has 77,036 acres of PPE land of which 11,802 is for commercial use and 65,234 is used for operational. FAA also has 571 acres of operational use PPE land held for disposal. The FAA acquires land and permanent land rights when there is an operational requirement in support of the FAA's mission, to provide the safest most efficient aerospace system in the world. This includes land to provide space for FAA facilities and equipment, such as navigational aids and communication systems that are location specific, meaning there is nowhere else the equipment can be placed that will provide the service required. Permanent land rights include utility and access easements.

On June 7, 1987, Washington Dulles International and Washington National Airports were transferred to the Metropolitan Washington Airports Authority under a 50-year lease authorized by the Metropolitan Washington Airports Act of 1986, Title VI of P.L. 99-500. All property was transferred to the Metropolitan Washington Airports Authority, and the Federal government holds title to the lease. In 2003, the Secretary of Transportation approved a 30-year extension of the lease agreement. This land is therefore categorized as commercial use land.

To acquire land, the FAA must comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, also known as the Uniform Relocation Act (URA). Provisions of the URA are mandatory and provide minimum real property acquisition policies for appraisal, negotiation, and property possession standards and requirements. Title 49 CFR 24, Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally Assisted Programs, promulgates rules to implement the URA.

It is policy of the FAA to purchase real property interests that are in the best interest of the FAA and at fair and reasonable prices. A lease versus purchase analysis must be completed for all prospective real property land acquisitions. All lease versus purchase analyses must take into consideration the anticipated term to satisfy the FAA's needs. The lease versus purchase analysis is used to determine the most cost-effective acquisition strategy.

It is also FAA policy to identify and evaluate environmental conditions prior to the acquisition or disposal of land to inform decision-making and minimize potential environmental liabilities.

FRA has 32,772 acres of operational use PPE land and land rights. FRA's Transportation Technology Center (TTC) near Pueblo, Colorado, is 50 square miles. The land supports R&D and training for FRA. The TTC mission is "to maintain state-of-the-art research and test capabilities to support DOT and other governmental and private entities in problem solving, personnel training, product evaluation and the support of research and development of new emerging technologies to improve the safety, security, efficiency and environmental impact of transportation."

LAND (UNAUDITED) (CONT.)

FRA has a contract with a private contractor to operate the TTC, including the ability to order R&D and training services from the Contractor.

FRA has lease rights. Beginning in 1970, FRA entered into a 150 year lease with State of Colorado, comprised of a 50 year base period and two 50 year options. The consideration to Colorado was \$10. FRA has exercised the first of the two options. As a result, the current lease expiration date extends to 2070, with one 50 year option period remaining.

FRA has 20 acres of stewardship land held for conservation and preservation use. FRA's Washington Union Station (WUS) is a hertiage asset. In the 1981 Union Station Redevelopment Act, Congress directed the Secretary of Transportation, acting through FRA, to redevelop and rehabilitate WUS. The 1981 Act included the following goal: "(d) Withdrawal by the Federal Government from any active role in the operation and management of the Union Station complex as soon as practical and at the least possible Federal expense consistent with the goals set forth in subsections (a) through (c) of this section."

FRA has 99-year lease with Union Station Redevelopment Corporation, a private Washington D.C. non-profit corporation. The lease expires in 2084. The lease contains the terms and policies for the WUS. FRA acquired fee simple ownership of the WUS complex in 1988.

MARAD has 139 acres of operational use PPE land and Stewardship land, of which 95 acres is PPE land and 44 acres is Stewardship land. The USMMA is located and operated on federally owed land since 1942 and resides on 82 acres of land of which 44 acres of the land has 35 buildings and the William S. Barstow house residing on the land. The 35 buildings that encircle the central quadrangle of the USMMA and the William S. Barstow house are heritage assets. The Barstow house is the site of the American Merchant Marine Museum. 46 CFR 386 governs the management of buildings and grounds of USMMA.

MARAD purchased a private parcel of land within the boundary of the USMMA Campus May 26, 2021. The purchase of the property put the parcel of land under federal control and enhances USMMA security posture by eliminating private residence within the campus boundary.

MARAD acquired the Enterprise lease that was executed December 30, 2002. The structures that reside on this lease are owned by MARAD and were erected at the beginning of the lease term. These structures are owned but are located on leased land. The Secretary's authority under 46 U.S.C. § 50303 provides that the Secretary has the authority "to operate or lease docks, wharves, piers, vessels, or real property under the Secretary's control, except that the prior consent of the Secretary of Defense for such use shall be required with respect to any vessel in the Ready Reserve Force or in the NDRF which is maintained in a retention status for the Department of Defense."

MARAD owns and operates PPE land in support of the NDRF.

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