

## **Scenario IV**

### **Trust Fund Investments**

Federal trust funds are managed by either a Federal program agency or by Fiscal Service on behalf of an agency. The managing entities make the investment decisions. The Secretary of the Treasury administers the investment programs for Federal accounts authorized by law to invest in U.S. Government interest-bearing obligations. Treasury's role is twofold: 1) to act as executor of investment decisions directed by Federal program agencies (for agency-managed trust funds) and 2) to maintain the role of managing trustee (for Treasury-managed trust funds), wherein Treasury makes and executes investment decisions for certain funds. Fiscal Service administers these two mission-critical functions. Scenario IV applies to both agency-managed and Treasury-managed trust funds. The entity that manages the fund, which would be either the agency or Fiscal Service acting on behalf of the agency, records the transactions outlined herein.

Federal trust fund receipts can be invested in various types of securities, but appropriate authorization is required. Trust fund investments are primarily in public debt securities, issued by Fiscal Service, with maturities suitable to meet the needs of the fund. Investments in public debt securities are treated as an exchange of an asset. Scenario IV addresses these types of investments. A small number of trust funds are authorized to invest in non-Federal securities (securities held outside of the Government). Investments in non-Federal securities are treated as a purchase of an asset, rather than as an exchange of an asset. An obligation and an outlay must be recorded for the purchase. Investments in non-Federal securities are less common, and therefore are not covered in this scenario. Even fewer trust funds are authorized to invest in agency securities, whereby one agency purchases securities issued by another agency. This type of investment, which is also uncommon in the Federal Government, requires specific authorization and is not covered in this scenario. Refer to OMB Circular A-34 for additional reporting guidance, and to the USSGL Web site for guidance on accounting for agency securities.

For trust funds managed by Federal program agencies (e.g., Civil Service Retirement and Disability Trust Fund), program agencies are responsible for determining the amounts to be invested and the terms of the investments. Agencies also are responsible for calling Fiscal Service with specific investment/redemption orders and reporting investment activity via the SF 224: Statement of Transactions, (SF 133, USSGL 2108, P&F), and on the agency financial statements.

For trust funds managed by Fiscal Service (e.g., Federal Old-Age and Survivors Insurance Trust Fund, Unemployment Trust Fund), Fiscal Service is responsible for administering and monitoring the daily activities of the managed trust funds for receipts, investments, redemptions, and interest calculations. Unlike agency-managed trust funds, Fiscal Service reports the investment activity via the SF 224 for the trust funds it manages. Fiscal Service also reports the appropriate investment figures through FACTS II and provides the same information to the agency responsible for FACTS I reporting and the agency financial statements.

This scenario is specific to trust funds, and illustrates basic investment transactions. For additional transactions and reporting requirements, refer to OMB Circulars A-34 and A-11; TFM Volume I Part 2 - Chapter 4300: Intragovernmental Fiduciary Transactions Accounting Guide; TFM Volume I Part 2 - Chapter 4300, T/L 587: Reporting Instructions for Accounts Invested in Department of the Treasury Securities; and additional individualized scenarios developed by the USSGL staff (located on the USSGL Web site).

## **Scenario IV Trust Fund Investments**

### **Scenario Assumptions**

The following assumptions apply to Scenario IV:

- Receipts of this trust fund consist of predominantly non-exchange revenue. Therefore, the interest earned on investments is classified as non-exchange. For guidance on interest classified as exchange, refer to SFFAS #7, Accounting for Revenue and Other Financing Sources, paragraphs 306-308.
- The programs of the investing entity are not subject to apportionment. Refer to Section III, Accounting Transactions, of TFM S2-01-02 (as updated) for comprehensive transactions that include accounting for programs that are subject to apportionment.

## Scenario IV Trust Fund Investments

1. **To record the collection of tax receipts that are deposited into a trust fund receipt account. The receipts are automatically credited to the corresponding expenditure account, whereby they can be invested.<sup>1</sup> (TC A186)**

***Budgetary***

4114	Appropriated Trust or Special Fund Receipts	1,000,000
4620	Unobligated Funds Not Subject to Apportionment	1,000,000

***Proprietary***

1010	Fund Balance With Treasury	1,000,000
5800	Tax Revenue Collected	1,000,000

2. **To record the immediate investment of the receipts in U.S. Treasury Security A issued by the Bureau of the Fiscal Service. The security has a par value of \$1,000,000 and was purchased at a *discount* of \$200,000. (TC B128)**

***Budgetary***

None

***Proprietary***

1610	Investments in U.S. Treasury Securities Issued by Fiscal Service	1,000,000
1611	Discount on U.S. Treasury Securities Issued by Fiscal Service	200,000
1010	Fund Balance With Treasury	800,000

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<sup>1</sup> The transactions in this scenario combine the activity of the receipt and expenditure accounts into one. The receipt-expenditure account relationship is described in more detail in the Introduction of the Guide.

## Scenario IV Trust Fund Investments

3. **To record the collection of additional receipts that are deposited into the trust fund receipt account. The receipts are automatically credited to the corresponding expenditure account, whereby they can be invested. (TC A186)**

***Budgetary***

4114	Appropriated Trust or Special Fund Receipts	5,000,000
4620	Unobligated Funds Not Subject to Apportionment	5,000,000

***Proprietary***

1010	Fund Balance With Treasury	5,000,000
5800	Tax Revenue Collected	5,000,000

4. **To record the immediate investment of the receipts in U.S. Treasury Security B issued by the Bureau of the Fiscal Service. The security has a par value of \$5,000,000 and was purchased for a *premium* of \$10,000. (TC B126)**

***Budgetary***

4620	Unobligated Funds Not Subject to Apportionment	10,000
4114	Appropriated Trust or Special Fund Receipts	10,000

***Proprietary***

1610	Investments in U.S. Treasury Securities Issued by Fiscal Service	5,000,000
1612	Premium on U.S. Treasury Securities Issued by Fiscal Service	10,000
1010	Fund Balance With Treasury	5,010,000

5. **To record accrued interest receivable for Securities A and B. Budgetary resources are not recorded until interest is collected. (TC C215)**

***Budgetary***

None

***Proprietary***

1340	Interest Receivable	101,000
5310	Interest Revenue	101,000

## Scenario IV Trust Fund Investments

**6. To record the maturity of Security A.**

**A. To record the amortization of the discount. (TC D510)**

*Budgetary*

None

*Proprietary*

1613	Amortization of Discount and Premium on U.S. Treasury Securities Issued by Fiscal Service	200,000	
5310	Interest Revenue		200,000

**B. To record the redemption. (TC C124)**

*Budgetary*

4114	Appropriated Trust or Special Fund Receipts	200,000	
4620	Unobligated Funds Not Subject to Apportionment		200,000

*Proprietary*

1010	Fund Balance With Treasury	1,000,000	
1610	Investments in U.S. Treasury Securities Issued by Fiscal Service	1,000,000	
1611	Discount on U.S. Treasury Securities Issued by Fiscal Service	200,000	
1613	Amortization of Discount and Premium on U.S. Treasury Securities Issued by Fiscal Service	200,000	

**7. To record the obligation and disbursement of funds to non-Federal recipients. Investments redeemed in the previous transaction are enough to cover disbursement needs. (TC B107)**

*Budgetary*

4620	Unobligated Funds Not Subject to Apportionment	12,000	
4902	Delivered Orders - Obligations, Paid		12,000

*Proprietary*

6100	Operating Expenses/Program Costs	12,000	
1010	Fund Balance With Treasury		12,000

## Scenario IV Trust Fund Investments

**8. To record the maturity of Security B.**

**A. To record the collection of interest deposited into the trust fund receipt account. (TC A196)**

*Budgetary*

4114	Appropriated Trust or Special Fund Receipts	100,000
4620	Unobligated Funds Not Subject to Apportionment	100,000

*Proprietary*

1010	Fund Balance With Treasury	100,000
1340	Interest Receivable	100,000

**B. To record the amortization of the premium. (TC D510)**

*Budgetary*

None

*Proprietary*

5310	Interest Revenue	10,000
1613	Amortization of Discount and Premium on U.S. Treasury Securities Issued by Fiscal Service	10,000

**C. To record the redemption. Budgetary resources were previously reduced for premium at the time of purchase. (TC C122)**

*Budgetary*

None

*Proprietary*

1010	Fund Balance With Treasury	5,000,000
1610	Investments in U.S. Treasury Securities Issued by Fiscal Service	5,000,000
1613	Amortization of Discount and Premium on U.S. Treasury Securities Issued by Fiscal Service	10,000
1612	Premium on U.S. Treasury Securities Issued by Fiscal Service	10,000

## Scenario IV Trust Fund Investments

9. To record the collection of additional receipts that are deposited into the trust fund receipt account. The receipts are automatically credited to the corresponding expenditure account, whereby they can be invested. (TC A186)

***Budgetary***

4114	Appropriated Trust or Special Fund Receipts	500,000
4620	Unobligated Funds Not Subject to Apportionment	500,000

***Proprietary***

1010	Fund Balance With Treasury	500,000
5800	Tax Revenue Collected	500,000

10. To record the immediate investment of the receipts in U.S. Treasury Security C issued by the Bureau of the Fiscal Service. The security has a par value of \$500,000 and was purchased at a *discount* of \$40,000. (TC B128)

***Budgetary***

None

***Proprietary***

1610	Investments in U.S. Treasury Securities Issued by Fiscal Service	500,000
1611	Discount on U.S. Treasury Securities Issued by Fiscal Service	40,000
1010	Fund Balance With Treasury	460,000

11. To record the amortization of the discount for Security C. (TC D510)

***Budgetary***

None

***Proprietary***

1613	Amortization of Discount and Premium on U.S. Treasury Securities Issued by Fiscal Service	10,000
5310	Interest Revenue	10,000

## Scenario IV Trust Fund Investments

*Note: For those trust funds with receipts that are limited to the year=s obligations, an adjusting entry is required. Follow the guidance in Scenario II: Trust Fund Balances Precluded from Obligation for treatment of unobligated balances.*

### Budgetary Pre-Closing Adjusted Trial Balance (FACTS II ATB):

4114	6,790,000	
4620		6,778,000
4902		12,000
	6,790,000	6,790,000

### Budgetary Closing Entries:

#### C1. To record the consolidation of actual net-funded resources. (TC F204)

4201	Total Actual Resources - Collected	6,790,000
4114	Appropriated Trust or Special Fund Receipts	6,790,000

#### C2. To record the closing of Expended Authority - Paid. (TC F214)

4902	Delivered Orders - Obligations, Paid	12,000
4201	Total Actual Resources - Collected	12,000

### Budgetary Post-Closing Trial Balance:

4201	6,778,000	
4620		6,778,000
	6,778,000	6,778,000

## Scenario IV Trust Fund Investments

### Proprietary Pre-Closing Trial Balance (FACTS I Trial Balance):

1010	6,318,000	
1340	1,000	
1610	500,000	
1611		40,000
1613	10,000	
5310		301,000
5800		6,500,000
6100	12,000	
	6,841,000	6,841,000

### Proprietary Closing Entries:

**C1. To record the closing of revenues and expenses to cumulative results of operations. (TC F228)**

5310	Interest Revenue	301,000
5800	Tax Revenue Collected	6,500,000
	<b>3310 Cumulative Results of Operations</b>	<b>6,789,000</b>
6100	Operating Expenses/Program Costs	12,000

### Proprietary Post-Closing Trial Balance:

1010	6,318,000	
1340	1,000	
1610	500,000	
1611		40,000
1613	10,000	
3310		6,789,000
	6,829,000	6,829,000

## Scenario IV Trust Fund Investments

### SF 133: Report on Budget Execution and Budgetary Resources (Quarter 4):

1A	Appropriations (4114E)	6,790,000
2A	Unobligated Balance Brought Forward	
3	Spending Authority from Offsetting Collections	
5	Temporarily Not Available Pursuant to Public Law	
<b>7</b>	<b>Total Budgetary Resources</b>	<b>6,790,000</b>
8A1	Obligations Incurred, Direct	
8A3	Obligations Incurred, Direct, Not Subject to Apportionment (4902E)	12,000
9	Unobligated Balances Available (4620E)	<u>6,778,000</u>
<b>11</b>	<b>Total Status of Budgetary Resources</b>	<b>6,790,000</b>
12.	Obligated Balance, Net as of October 1	
13.	Obligated Balance Transferred, Net	
14.	Obligated Balance, Net, End of Period	
15A.	Disbursements (4902E)	12,000

### USSGL 2108: Year-end Closing Statement:

Column 5	Post-Closing Unexpended Balance (1010E)	6,318,000
Column 6	Other Authorizations (1610E, 1611E)	460,000
Column 11	Unobligated Balance (4620E)	6,778,000

## Scenario IV Trust Fund Investments

### Program and Financing Schedule (P&F):

#### Obligations by Program Activity

1000	Total new obligations (4902E)	12,000
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#### Budgetary Resources Available for Obligation

2140	Unobligated balance available, start of year	0
2200	New budget authority(gross) (sum 4000 to 6990)	6,790,000
2395	Total new obligations (-) (from line 1000)	(12,000)
2499	Unobligated balance carried forward, end of year (4620E)	6,778,000

#### New Budgetary Authority (Gross), Detail

4026	Appropriation (trust fund, definite) (4114E)	6,790,000
7000	Total new budget authority (gross) (4114E)	6,790,000

#### Memorandum Entries

9201	Total investments, start of year (par) (1610B)	0
9202	Total investments, end of year (par) (1610E)	500,000

**Scenario IV**  
**Trust Fund Investments**  
**OMB Form and Content Statements**

<b>Balance Sheet</b>		
<b>ASSETS</b>		
1A1	Fund Balance With Treasury (1010E)	6,318,000
1A4	Investments (1340E, 1610E, 1611E, 1613E)	471,000
<b>LIABILITIES and NET POSITION</b>		
6B	Cumulative Results of Operations (3310E)	6,789,000
<b>Statement of Net Cost</b>		
1	Program Costs - Public - Production (6100E)	12,000
1D	Less Earned Revenue	0 <sup>2</sup>
4	Net Cost of Operations (calculation)	12,000
<b>Statement of Changes in Net Position</b>		
1	Net Cost of Operations	12,000
2B	Taxes (and other nonexchange revenue) (5310E, 5800E)	6,801,000
9	Net Position - End of Period (calculation 2-1)	6,789,000

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2 For most trust funds, invested balances are derived predominantly from earmarked taxes and other non-exchange revenue. Accordingly, the interest earned is classified as non-exchange, thus **not** deducted from the gross cost of operations. For those trust funds, however, where the main source of balances consist of exchange revenue (e.g. Civil Service Retirement and Disability fund), the interest shall be classified as exchange, and thus deducted from the gross cost of operations. (See SFFAS #7, &306-308).

**Scenario IV  
Trust Fund Investments**

**OMB Form and Content Statements (continued)**

<b>Statement of Budgetary Resources</b>		
1A	Budget Authority - Appropriations (4114E)	6,790,000
<b>5</b>	<b>Total Budgetary Resources</b>	<b>6,790,000</b>
6	Obligations Incurred (4902E)	12,000
7B	Unobligated - Exempt from Apportionment (4620E)	6,778,000
<b>9</b>	<b>Total Status of Budgetary Resources</b>	<b>6,790,000</b>
10.	Obligations Incurred (4902E)	12,000

  

<b>Statement of Financing</b>		
1	Obligations and Nonbudgetary Resources (4902E)	12,000
2	Resources That Do Not Fund Net Cost of Operations	0
3	Components of Costs of Operations That Do Not Require or Generate Resources	0
4	Financing Sources Yet to be Provided	0
5	Net Cost of Operations	12,000