

U.S. Department of Labor

Office of Inspector General—Office of Audit

REPORT TO THE OFFICE OF WORKERS' COMPENSATION PROGRAMS



LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2025 AND 2024

This report was prepared by KPMG LLP, under contract to the U.S. Department of Labor, Office of the Inspector General, and by acceptance, it becomes a report of the Office of the Inspector General.

A handwritten signature in blue ink, appearing to read "Laura B. Nicolas".

U.S. Department of Labor
Assistant Inspector General for Audit

DATE ISSUED: May 06, 2026
REPORT NUMBER: 22-26-003-04-432

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**LONGSHORE AND HARBOR WORKERS'
COMPENSATION ACT SPECIAL FUND**

Management's Discussion and Analysis (Unaudited)
For the Years Ended September 30, 2025 and 2024

Management's Discussion and Analysis

Mission and Organizational Structure

The Longshore and Harbor Workers' Compensation Act of 1927 (LHWCA) provides medical benefits, compensation for lost wages, and rehabilitation services for job-related injuries and diseases sustained by private-sector workers in certain maritime and related employment. LHWCA also extends benefits to dependents if any injury results in a worker's death. Generally, benefits are paid directly by private entities, either authorized self-insured employers or authorized insurance carriers (herein collectively referred to as carriers). Cases meeting the requirements of LHWCA are paid from the Longshore and Harbor Workers' Compensation Act Special Fund (Fund), which is financed primarily through carriers' annual assessments. In Fiscal Years (FY) 2025 and 2024, respectively, 1,718 and 1,849 injured workers and dependents received compensation benefits from the Fund.

The reporting entity is the Fund. The Fund is administered by the Secretary of Labor who has delegated responsibility to the U.S. Department of Labor (DOL), Office of Workers' Compensation Programs (OWCP), Division of Longshore and Harbor Workers' Compensation (DLHWC). Thus, DLHWC has direct responsibility for administration of the Fund. The Fund supports the program mission by providing compensation and, in certain cases, medical care payments to employees disabled from injuries that occurred under LHWCA or its extensions.

Administrative services for operating the Fund are provided by OWCP. Funding for these costs is primarily provided by federal appropriations to OWCP's Salaries and Expense account, which is not part of the Fund. The Fund reimburses OWCP for certain direct expenses associated with administrative support of the Fund and for rehabilitation services provided to eligible claimants. The financial accounting functions and reporting duties are the responsibility of the Office of the Chief Financial Officer's Division of Central Accounting Operations and Division of Financial Reporting, respectively.

Financial Highlights

The majority of the Fund's revenue is generated through annual recurring assessments paid by self-insured employers and insurance carriers. Assessment revenue totaled \$81,308,390 in FY 2025 and \$85,003,953 in FY 2024. Other sources of payments into the Fund include fines and penalties levied under Sections 30(e) and 14(g) of LHWCA, payments of compensation by employers of \$5,000 under Section 44(c)(1) for each death case where there is no survivor entitled to the benefits, and interest payments on

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Fund investments. Recoveries from audits conducted to determine proper assessment calculations were \$23,460 in FY 2025 and \$208,851 in FY 2024.

The Fund's costs of \$89,504,911 in FY 2025 were higher compared to the FY 2024 costs of \$89,221,727. Proceeds of the Fund are used for payments under:

- Section 8(f) for second injury claims;
- Section 10(h) for initial and subsequent annual adjustments in compensation for permanent total disability or related death from injuries that occurred prior to the effective date of the 1972 LHWCA amendments;
- Sections 39(c) and 8(g) for the procurement of medical and vocational rehabilitation services for permanently disabled employees and to provide a maintenance allowance to workers undergoing rehabilitation;
- Section 18(b) for compensation to injured workers in cases of employer default; and
- Section 7(e) for the cost of certain medical examinations.

The Fund's budgetary appropriations of \$86,657,217 in FY 2025 decreased from \$91,166,954 in FY 2024. Assessments billed in FY 2025 were lower than FY 2024, contributing to the reason the assessment revenue was also lower in FY 2025. The Fund's budgetary outlays of \$89,378,913 in FY 2025 increased from \$88,967,151 in FY 2024.

Performance Goals and Results

DLHWC's administration of the Fund supports DOL's Strategic Goal 3 – *Improve Administration of and Strengthen Worker Safety Net Programs*. This goal broadly promotes the economic security of workers and families. In particular, DLHWC's administration of the Fund supports OWCP Performance Goal 3.1 – *Increase the efficiency and accuracy with which OWCP provides workers' compensation benefits for certain qualified workers who are injured or become ill on the job and improve return-to-work outcomes for injured workers*. DOL plays a large role in ensuring that worker benefits are protected and that employers administer benefit programs in an appropriate manner. DLHWC assists in meeting this strategic goal by ensuring sufficient funds are assessed to fund the benefit payments and payments to the beneficiaries are made promptly.

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Internal Controls

The DLHWC's Branch of Financial Management, Insurance and Assessment is composed of four employees and one supervisor. It implements strong internal controls by segregating duties and assigning roles and responsibilities to each function. Much of the oversight, evaluation, monitoring, control, and supervisory activities are face-to-face. Each of the district offices operates like the Branch of Financial Management, Insurance and Assessment.

Management communicates all procedural, policy, and operating goals to staff with a written procedure manual, e-mails, and frequent individual communications regarding changes, problems, and issues.

Statutes provide the formal standards where applicable, such as privacy statutes, internal control requirements, and conflict of interest regulations. All codes, statutes, and regulations governing the conduct of federal employees apply to all DLHWC employees.

For cases paid by the Fund, a District Director or Administrative Law Judge issues a formal Compensation Order to identify the payee and set the amount. Five employees review each new case before making the payment to ensure accuracy.

Known Risks and Uncertainties

The Fund is one of the largest payers of indemnity payments under LHWCA. Although there are approximately 529 carriers and self-insured employers, benefit payments are concentrated among relatively few. For example, the top 10 carriers and self-insurers alone pay 82 percent of the total industry payments for indemnity, excluding Fund payments. If a major carrier or self-insurer fails, the remainder would face substantially increased assessments.

There is no provision for reserving extra funds for future Fund obligations as the Fund is not liable for payments authorized by LHWCA that exceed the money or property deposited in or belonging to the Fund. Thus, the Fund's cash requirements are reviewed twice a year through the assessment process in order to meet current expenses. If one or more of the largest payers became insolvent and was unable to pay their assessment obligations, temporary collection issues would result, necessitating special, unscheduled assessments or other actions to ensure the Fund has sufficient liquid resources to pay claims liabilities as they come due.

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Management's Discussion and Analysis (Unaudited)

For the Years Ended September 30, 2025 and 2024

Limitations of the Financial Statements

The following are limitations of the financial statements:

- The financial statements have been prepared to report the financial position and results of operations of the Fund, pursuant to the requirements of LHWCA (Title 33 U.S.C. § 944(j)).
- While the statements have been prepared from the books and records of the Fund in accordance with generally accepted accounting principles for U.S. Government entities and the formats prescribed by the Office of Management and Budget (OMB), they differ from 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, a sovereign entity, that liabilities cannot be liquidated without the enactment of an appropriation, and that the payment of all liabilities other than for contracts can be abrogated by the sovereign entity.



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Independent Auditors' Report

Mr. James Macy, Director
Office of Workers' Compensation Programs, U.S. Department of Labor:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Longshore and Harbor Workers' Compensation Act Special Fund (Fund), a fiduciary fund of the U.S. Department of Labor (DOL), which comprise the balance sheets as of September 30, 2025 and 2024, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of September 30, 2025 and 2024, and its net cost, 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 and *Government Auditing Standards* 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

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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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Fund'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

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 section be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic 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 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 financial statements, and other knowledge we obtained during our audits of the basic 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 Reporting Required by *Government Auditing Standards*

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2025, we considered the Fund'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 fund'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements as of and for the year ended September 30, 2025 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 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*.

Purpose of the Other 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 Fund's internal control or compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
May 6, 2026

FINANCIAL STATEMENTS

Balance Sheets

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT SPECIAL FUND

Balance Sheets

As of September 30, 2025 and 2024

(In Dollars)

Assets	2025	2024
Intragovernmental		
Fund Balance with Treasury (Note 2)	\$ 1,878,453	\$ 1,698,249
Investments, Net (Note 3)	<u>70,850,000</u>	<u>73,751,900</u>
Total Intragovernmental	<u>72,728,453</u>	<u>75,450,149</u>
With the Public		
Accounts Receivable, Net (Note 4)	<u>564,221</u>	<u>2,205,907</u>
Total Assets	<u><u>\$ 73,292,674</u></u>	<u><u>\$ 77,656,056</u></u>
Liabilities		
With the Public		
Benefits Due and Payable	\$ 944,560	\$ 866,537
Deferred Revenue	20,031,321	21,270,572
Other Liabilities (Note 5)		
Defaulted Carrier Liability	28,066,295	24,874,624
Other	<u>3,548</u>	<u>3,548</u>
Total Liabilities	<u>49,045,724</u>	<u>47,015,281</u>
Net Position		
Cumulative Results of Operations	<u>24,246,950</u>	<u>30,640,775</u>
Total Liabilities and Net Position	<u><u>\$ 73,292,674</u></u>	<u><u>\$ 77,656,056</u></u>

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

Statements of Net Cost

**LONGSHORE AND HARBOR WORKERS'
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Statements of Net Cost
For the Fiscal Years Ended September 30, 2025 and 2024
(In Dollars)

	<u>2025</u>	<u>2024</u>
Goal 3		
Gross Program Costs	\$ 89,504,911	\$ 89,221,727
Net Cost of Operations (Note 8)	<u>\$ 89,504,911</u>	<u>\$ 89,221,727</u>

Strategic Goal 3: Improve Administration of and Strengthen Worker Safety Net Programs

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

Statements of Changes in Net Position

**LONGSHORE AND HARBOR WORKERS'
 COMPENSATION ACT SPECIAL FUND**
 Statements of Changes in Net Position
 For the Fiscal Years Ended September 30, 2025 and 2024
 (In Dollars)

	2025	2024
Cumulative Results of Operations:		
Beginning Balance	\$ 30,640,775	\$ 32,529,276
Non-Exchange Revenue (Note 1i)		
Investment Interest	1,621,992	1,966,154
Payments Under Sec. 44(c)(i)	30,356	25,000
Fines and Penalties (Sec. 30(e) & 14(g))	9,394	14,051
Audit Recoveries	23,460	208,851
Assessments	81,308,390	85,003,953
Benefit Payments from Defaulted Carriers	117,494	115,217
Total Non-Exchange Revenue	\$ 83,111,086	\$ 87,333,226
Net Cost of Operations	(89,504,911)	(89,221,727)
Net Change in Cumulative Results of Operations	\$ (6,393,825)	\$ (1,888,501)
Total Cumulative Results of Operations	\$ 24,246,950	\$ 30,640,775
Net Position	\$ 24,246,950	\$ 30,640,775

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

Statements of Budgetary Resources

**LONGSHORE AND HARBOR WORKERS'
 COMPENSATION ACT SPECIAL FUND**
 Statements of Budgetary Resources
 For the Fiscal Years Ended September 30, 2025 and 2024
 (In Dollars)

	2025	2024
Budgetary Resources (Notes 7 and 8)		
Unobligated Balance from Prior Year Budget Authority, Net (Mandatory)	\$ 74,861,484	\$ 72,800,927
Appropriations (Mandatory)	86,657,217	91,166,954
Total Budgetary Resources	\$ 161,518,701	\$ 163,967,881
 Status of Budgetary Resources		
New Obligations and Upward Adjustments (Total)	\$ 89,734,808	\$ 89,384,269
Unobligated balances, End of Year		
Exempt From Apportionment, Unexpired Accounts	71,783,893	74,583,612
Unobligated Balances, End of Year (Total)	71,783,893	74,583,612
Total Budgetary Resources	\$ 161,518,701	\$ 163,967,881
 Outlays, Net		
Agency Outlays, Net (Mandatory)	\$ 89,378,913	\$ 88,967,151

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

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Notes to the Financial Statements

For the Years Ended September 30, 2025 and 2024

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

The principal accounting policies that have been followed in preparing the accompanying financial statements for the Longshore and Harbor Workers' Compensation Act Special Fund are set forth below.

(a) Reporting Entity

The Fund was established by Title 33 U.S.C. § 944, when LHWCA was enacted in 1927. The Fund is currently administered by DOL, OWCP, and DLHWC. DLHWC has direct responsibility for the administration of the Fund. The Fund offers compensation, and in certain cases, medical care payments to employees disabled from injuries that occurred on the navigable waters of the United States, or in adjoining areas used for loading, unloading, repairing, or building a vessel.

Prior to 1972, weekly and aggregate lifetime amounts of indemnity payments were capped at statutorily set limits. In 1972, the benefit scheme was radically altered by eliminating the aggregate limit and tying weekly indemnity payment amounts to the national average weekly wage that is recalculated each year. In order to equalize benefits payable for pre-1972 cases, Section 10(h) of LHWCA established a one-time increase, as well as annual benefit increases, for pre-1972 cases entitled to compensation for permanent total disability or death. Fifty percent of this annual benefit increase for pre-1972 compensation cases is paid by the Fund through annual assessment. The remaining fifty percent is paid by the separate Federal Employees' Compensation Act's Special Benefit Fund through federal appropriations.

(b) Basis of Accounting and Presentation

These financial statements are not intended to present, and do not present, the full cost of the LHWCA Program (Program). In addition to the Fund costs presented in these statements, the full cost of the Program would include certain direct costs of OWCP in the form of salaries and expenses for administration of the Program and allocated costs of OWCP and other DOL agencies incurred in support of the Program. These financial statements present the Fund's financial position, net cost of operations, changes in net position and budgetary resources, in accordance with U.S. generally accepted accounting principles and the form and content requirements of OMB Circular A-136, Financial Reporting Requirements.

**LONGSHORE AND HARBOR WORKERS'
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Notes to the Financial Statements

For the Years Ended September 30, 2025 and 2024

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

(c) Fund Balance with Treasury

The Fund's cash receipts and disbursements are processed by the U.S. Department of the Treasury (Treasury). Fund Balance with Treasury represents obligated and unobligated balances available to pay current liabilities and finance authorized purchase commitments.

(d) Investments, Net

Investments in U.S. Government securities are reported at cost, net of unamortized premiums or discounts if any, which approximates market value. Premiums or discounts are amortized on a straight-line basis, which approximates the effective interest method. The Fund's intent is to hold 1-day investments to maturity. No provision is made for unrealized gains or losses on these securities because they are held to maturity. A portion of these investments is available for payment of compensation and medical benefits to covered employees of the defaulted insurance carriers or self-insured employers.

(e) Accounts Receivable, Net

The amounts due as receivables are stated net of an allowance for uncollectible accounts. The allowance is estimated based on past experience in the collection of the receivables and an analysis of the outstanding balances. Accounts receivable comprise assessments receivable and the Fund's benefit overpayments made to individuals primarily from amended compensation orders and corrections of payment computations.

(f) Benefits Due and Payable

The Fund provides compensation and medical benefits for work-related injuries to workers in certain maritime employment. The Fund recognizes a liability for disability benefits payable to the extent of unpaid benefits applicable to the current period. Ultimate responsibility for payment of claims rests with the employer organizations.

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Notes to the Financial Statements

For the Years Ended September 30, 2025 and 2024

(g) Other Liabilities

Other liabilities primarily consist of a carrier deposit due to the District of Columbia Workmen's Compensation Act Special Fund and amounts received by the Fund from defaulted employers which are being held as security by authority of Section 32 of LHWCA. These funds and investments are available for compensation and medical benefits to covered employees of the defaulted companies. In accordance with 20 C.F.R. Part 703, once the Fund, within its discretion, determines amounts seized from a carrier are no longer needed, it must return the funds to the insolvent carrier's estate. As a result, the Fund reports these amounts as a liability until the related benefits are paid. Management estimates that these funds and investments held will be sufficient to cover the future benefits associated with the covered employees.

Also included in other liabilities are assessment overpayments by carriers which are to be refunded at the carriers' request or applied to reduce future assessments.

(h) Deferred Revenue

Deferred revenue represents the unearned assessment revenue as of September 30. The annual assessments cover a calendar year, and accordingly, the portion extending beyond September 30 has been deferred.

(i) Non-exchange Revenue

Non-exchange revenues arise from the federal government's power to demand payments from and receive donations from the public.

Annual assessments levied on insurance carriers and self-insured employers are the Fund's primary source of revenue. Assessments are recognized as non-exchange revenue when due. Refunds of assessment collections are recognized as contra revenue when issued. In the case of amounts received by the Fund from defaulted carriers which are being held as security by authority of Section 32 of LHWCA, revenue is recognized at the time benefits are paid. The Fund also receives interest on Fund investments and on federal funds in the possession of non-federal entities. The Fund also receives revenue from fines and penalties assessed in accordance with various sections of LHWCA.

(j) Other Conforming Changes

Note 2, Fund Balance with Treasury, was updated to conform to the presentation requirements of OMB Circular A-136.

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Notes to the Financial Statements

For the Years Ended September 30, 2025 and 2024

Note 2 – Fund Balance with Treasury

The Status of Fund Balance with Treasury as of September 30, 2025 and 2024, consisted of the following:

<u>(In Dollars)</u>	<u>2025</u>	<u>2024</u>
Status of Fund Balance with Treasury		
Obligated Balance Not Yet Disbursed	\$ 1,878,453	\$ 1,698,249
Total Fund Balance with Treasury	<u>\$ 1,878,453</u>	<u>\$ 1,698,249</u>

Fund Balance with Treasury as of September 30, 2025 and 2024 consisted of cash deposits of \$1,878,453 and \$1,698,249, respectively. These cash deposits as of September 30, 2025 and 2024 included \$495 and \$424, respectively, which are being held as security by authority of Section 32 of LHWCA. These Funds relate to the default of self-insured employers and are available for payment of compensation and medical benefits to covered employees of the self-insured employers.

Note 3 – Investments, Net

Investments, net as of September 30, 2025, consisted of the following:

<u>(In Dollars)</u>	<u>2025</u>			
	<u>Face Value</u>	<u>Premium (Discount)</u>	<u>Net Value</u>	<u>Market Value</u>
Intragovernmental Securities:				
Non-Marketable:				
Par Value (4.13%)	<u>\$ 70,850,000</u>	<u>\$ -</u>	<u>\$ 70,850,000</u>	<u>\$ 70,850,000</u>

Investments, net as of September 30, 2024, consisted of the following:

<u>(In Dollars)</u>	<u>2024</u>			
	<u>Face Value</u>	<u>Premium (Discount)</u>	<u>Net Value</u>	<u>Market Value</u>
Intragovernmental Securities:				
Non-Marketable:				
Par Value (4.79%)	<u>\$ 73,751,900</u>	<u>\$ -</u>	<u>\$ 73,751,900</u>	<u>\$ 73,751,900</u>

A portion of the investments are assets being held as security by the authority of Section 32 of LHWCA for compensation and medical benefits to covered employees of

**LONGSHORE AND HARBOR WORKERS'
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Notes to the Financial Statements

For the Years Ended September 30, 2025 and 2024

defaulted carriers. These investments were \$28,065,800 and \$24,874,200 as of September 30, 2025 and 2024, respectively. Investments as of September 30, 2025 and 2024 consist of overnight securities. Investments as of September 30, 2025 and 2024 bear an interest rate of 4.13 and 4.79 percent, respectively. Interest rates on securities bought and sold during FY 2025 and FY 2024 ranged between 4.08 and 4.86 percent and between 4.67 and 5.45 percent, respectively.

Note 4 – Accounts Receivable, Net

Accounts receivable, net as of September 30, 2025, consisted of the following:

(In Dollars)	2025		
	Gross Receivables	Allowance	Net Receivables
Entity Assets			
Benefit Overpayments	\$ 160,052	\$ (74,770)	\$ 85,282
Assessments Receivable	925,894	(446,955)	478,939
	<u>\$ 1,085,946</u>	<u>\$ (521,725)</u>	<u>\$ 564,221</u>

Accounts receivable, net as of September 30, 2024, consisted of the following:

(In Dollars)	2024		
	Gross Receivables	Allowance	Net Receivables
Entity Assets			
Benefit Overpayments	\$ 299,805	\$ (105,365)	\$ 194,440
Assessments Receivable	2,463,461	(451,994)	2,011,467
	<u>\$ 2,763,266</u>	<u>\$ (557,359)</u>	<u>\$ 2,205,907</u>

Accounts receivable, net, as of September 30, 2025 and 2024 were \$564,221 and \$2,205,907, respectively. Assessments receivable represent the unpaid annual assessments. Accounts receivable from benefit overpayments to claimants arise primarily from amended compensation orders and corrections of payment computations. These receivables are being primarily recovered by partial withholding of benefit payments, to the extent possible.

**LONGSHORE AND HARBOR WORKERS'
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Notes to the Financial Statements

For the Years Ended September 30, 2025 and 2024

Note 5 – Other Liabilities

Other liabilities as of September 30, 2025 and 2024, consisted of the following:

<u>(In Dollars)</u>	<u>2025</u>	<u>2024</u>
Other Liabilities		
Assessment Overpayments by Carriers	\$ 3,548	\$ 3,548
Defaulted Carrier Liability		
Held in LS Fund Investments	28,065,800	24,874,200
Held in Cash	495	424
	<u>28,066,295</u>	<u>24,874,624</u>
Total Other Liabilities	<u>\$ 28,069,843</u>	<u>\$ 24,878,172</u>

Defaulted employer liability relates to cash and investments held by the Fund which are being held as security by authority of Section 32 of LHWCA. These funds and investments are available for compensation and medical benefits to covered employees of the defaulted companies. Management estimates that these funds and investments held will be sufficient to cover the future benefits associated with the covered employees. The current portions of the defaulted carrier liability for FY 2025 and FY 2024 are \$117,778 and \$155,556, respectively.

Note 6 – Transfers to OWCP

The Fund reimburses OWCP (a related entity within DOL) for rehabilitation services provided to eligible claimants and certain direct expenses associated with administrative support of the Fund. Approved transfers to OWCP were annually \$2,205,000 in FY 2025 and FY 2024. Transfers are made from the Fund in accordance with Sections 39(c), 44(d), and 44(j) of LHWCA.

**LONGSHORE AND HARBOR WORKERS'
 COMPENSATION ACT SPECIAL FUND**

Notes to the Financial Statements

For the Years Ended September 30, 2025 and 2024

Note 7 – Status of Budgetary Resources

A. Net Adjustment to Unobligated Balance, Brought Forward, October 1

For the year ended September 30, 2025, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2024. These adjustments include, among other things, downward adjustments to undelivered and delivered orders that were obligated in a prior fiscal year and anticipated recoveries of prior year obligations. The adjustments during the years ended September 30, 2025, and 2024, are presented below. The net unobligated balance from prior year budget authority during the years ended September 30, 2025 and 2024 were \$74,861,484 and \$72,800,927, respectively.

<u>(In Dollars)</u>	<u>2025</u>	<u>2024</u>
Unobligated Balance, Brought Forward from Prior Year	\$ 74,583,612	\$ 72,706,553
Adjustments to Budgetary Resources Made During Current Year		
Downward Adjustments of Prior Year Delivered Orders	277,872	94,374
Unobligated Balance from Prior Year Budget Authority, Net (Mandatory)	<u>\$ 74,861,484</u>	<u>\$ 72,800,927</u>

B. Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government for FY 2024

A reconciliation of budgetary resources, new obligations, and upward adjustments, and outlays, as presented in the Statement of Budgetary Resources to amounts included in the Budget of the United States Government for the year ended September 30, 2024, is shown below.

<u>(Dollars in Millions)</u>	<u>2024</u>		
	<u>Budgetary Resources</u>	<u>New Obligations & Upward Adjustments (Total)</u>	<u>Outlays, Net (Total)</u>
Statement of Budgetary Resources	\$ 164	\$ 89	\$ 89
Add: DCCA Stmt. of Budgetary Resources	8	5	5
Total Statement of Budgetary Resources	<u>\$ 172</u>	<u>\$ 94</u>	<u>\$ 94</u>
Budget of the United States Government	<u>\$ 172</u>	<u>\$ 94</u>	<u>\$ 94</u>

**LONGSHORE AND HARBOR WORKERS'
 COMPENSATION ACT SPECIAL FUND**

Notes to the Financial Statements

For the Years Ended September 30, 2025 and 2024

Note 8 – Reconciliation of Net Cost to Net Outlays

Budgetary and financial accounting information differ. 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. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

The Accounts Receivable, Net line, represents the net change in accounts receivable for benefit overpayments during the year.

The Benefits Due and Payable line, in the accrual basis, represents the change in accrued benefit expenses during the year.

Assessment Refunds are payments made to carriers to return amounts overpaid during the Advance (estimate) assessment cycle.

The reconciliation for the years ended September 30, 2025 and 2024 is shown below. All amounts shown are With the Public.

<u>(In Dollars)</u>	<u>2025</u>	<u>2024</u>
NET COST OF OPERATIONS	<u>\$ 89,504,911</u>	<u>\$ 89,221,727</u>
Components of Net Operating Cost Not Part of the Budgetary Outlays		
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:		
Accounts Receivable, Net	(104,119)	(36,558)
Increase/(Decrease) in Liabilities Not Affecting Budgetary Outlays:		
Benefits Due and Payable	<u>(78,023)</u>	<u>(322,744)</u>
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	<u>(182,142)</u>	<u>(359,302)</u>
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost		
Assessment Refunds	<u>56,144</u>	<u>104,726</u>
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	<u>56,144</u>	<u>104,726</u>
Agency Outlays, Net (Mandatory)	<u>\$ 89,378,913</u>	<u>\$ 88,967,151</u>

**LONGSHORE AND HARBOR WORKERS'
 COMPENSATION ACT SPECIAL FUND**

Notes to the Financial Statements

For the Years Ended September 30, 2025 and 2024

Note 9 – Non-Custodial Non-Exchange Revenues

Non-custodial non-exchange revenue for the year ended September 30, 2025, consisted of the following:

(In Dollars)

	Current Fiscal Year	Prior Fiscal Year 2024	All Other Prior Fiscal Years	Current Year Collections
Non-Exchange Revenue:				
Assessment Revenue	\$ 79,822,335	\$ 1,757,512	\$ -	\$ 81,579,847
Total Amount of Federal Revenues Collected	<u>\$ 79,822,335</u>	<u>\$ 1,757,512</u>	<u>\$ -</u>	<u>\$ 81,579,847</u>

Refunds for the year ended September 30, 2025, consisted of the following:

(In Dollars)

	Current Fiscal Year	Prior Fiscal Year 2024	All Other Prior Fiscal Years	Current Year Refunds
Refunds/Payments:				
Assessment Revenue	\$ -	\$ 56,144	\$ -	\$ 56,144
Total Amount of Refunds	<u>\$ -</u>	<u>\$ 56,144</u>	<u>\$ -</u>	<u>\$ 56,144</u>

Non-custodial non-exchange revenue for the year ended September 30, 2024, consisted of the following:

(In Dollars)

	Current Fiscal Year	Prior Fiscal Year 2023	All Other Prior Fiscal Years	Current Year Collections
Non-Exchange Revenue:				
Assessment Revenue	\$ 83,324,773	\$ 3,612,603	\$ 682,075	\$ 87,619,451
Total Amount of Federal Revenues Collected	<u>\$ 83,324,773</u>	<u>\$ 3,612,603</u>	<u>\$ 682,075</u>	<u>\$ 87,619,451</u>

Refunds for the year ended September 30, 2024, consisted of the following:

(In Dollars)

	Current Fiscal Year	Prior Fiscal Year 2023	All Other Prior Fiscal Years	Current Year Refunds
Refunds/Payments:				
Assessment Revenue	\$ -	\$ 104,726	\$ -	\$ 104,726
Total Amount of Refunds	<u>\$ -</u>	<u>\$ 104,726</u>	<u>\$ -</u>	<u>\$ 104,726</u>

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