

## Appendix A—Principal Financial Statements and Notes, FY 2002

Consolidated Balance Sheet  
Consolidated Statement of Net Cost  
Consolidated Statement of Changes in Net Position  
Combined Statement of Budgetary Resources  
Consolidated Statement of Financing  
Notes to the Principal Financial Statements



**U.S. Department of Agriculture  
Forest Service  
CONSOLIDATED BALANCE SHEET  
As of September 30, 2002  
(In Thousands)**

<b>Assets:</b>	
Intragovernmental:	
Fund Balance with Treasury (Note 3)	\$ 2,824,948
Accounts Receivable, (Note 4)	66,110
Investments	2,040
Advances to Others	30
<b>Total Intragovernmental</b>	<b>2,893,128</b>
Cash	73
Accounts Receivable, Net (Note 4)	55,626
Inventory and Related Property, Net	22,207
General Property, Plant & Equipment, Net (Note 6)	3,890,915
Advances to Others	7,763
<b>Total Assets (Note 2)</b>	<b>\$ 6,869,712</b>
<b>Liabilities:</b>	
Intragovernmental:	
Accounts Payable	\$ 988
Other (Note 8)	545,577
<b>Total Intragovernmental</b>	<b>546,565</b>
Accounts Payable	374,537
Environmental and Disposal Liabilities	7,069
Other (Note 8)	1,287,614
<b>Total Liabilities (Note 7)</b>	<b>2,215,785</b>
<b>Net Position:</b>	
Unexpended Appropriations	2,638,108
Cumulative Results of Operations	2,015,819
<b>Total Net Position</b>	<b>4,653,927</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 6,869,712</b>

The accompanying notes are an integral part of these statements.

**U.S. Department of Agriculture  
Forest Service  
CONSOLIDATED STATEMENT OF NET COST  
For the Year Ended September 30, 2002  
(In Thousands)**

Intragovernmental Gross Costs	\$ 679,311
Less: Intragovernmental Earned Revenues	(170,095)
Intragovernmental Net Costs	509,216
Gross Costs With the Public	
Grants	606,678
Indemnities	11,510
Stewardship Land Acquisition	107,593
Operating Costs	3,698,369
Depreciation Expense	300,360
Reimbursable Costs	190,093
Other	133,578
Less: Earned Revenue from the Public	(152,626)
Net Costs with the Public	4,895,555
<b>Net Cost of Operations (Notes 10 and 13)</b>	<b>\$ 5,404,771</b>

The accompanying notes are an integral part of these statements.

**U.S. Department of Agriculture**  
**Forest Service**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION**  
**For the Year Ended September 30, 2002**  
**(In Thousands)**

	<u>Results of Operations</u>	<u>Unexpended Appropriations</u>
Beginning Balances	3,452,585	2,847,662
Prior Period Adjustments (Note 12)	<u>(1,375,243)</u>	<u>-</u>
Beginning Balances, as adjusted	2,077,342	2,847,662
Budgetary Financing Sources:		
Appropriations Received	-	1,278,935
Appropriations Transferred-in/out	-	(161,063)
Other Adjustments (rescissions, etc.)	-	3,497,097
Appropriations Used	4,855,441	(4,824,523)
Transfers in/out without Reimbursement	320,722	-
Other Financing Sources:		
Donations and Forfeitures of Property	4,280	-
Transfers in/out without Reimbursement, Net	(41,332)	-
Imputed Financing	188,824	-
Other	<u>15,313</u>	<u>-</u>
Total Financing Sources	5,343,248	(209,554)
Net Cost of Operations	5,404,771	-
<b>Ending Balances</b>	<b><u>2,015,819</u></b>	<b><u>2,638,108</u></b>

The accompanying notes are an integral part of these statements.

**U.S. Department of Agriculture**  
**Forest Service**  
**COMBINED STATEMENT OF BUDGETARY RESOURCES**  
**For the Year Ended September 30, 2002**  
**(In Thousands)**

**Budgetary Resources:**

Budget Authority:		
Appropriations Received	\$	5,095,687
Net Transfers		(102,407)
Unobligated Balance:		
Beginning of Period (Note 15)		1,251,351
Net Transfers, Actual		110,006
Spending Authority from Offsetting Collections:		
Earned		
Collected		883,972
Receivable from Federal Sources		(157,139)
Change in Unfilled Customer Orders		
Advance Received		(42,179)
Without Advance from Federal Sources		26,379
Subtotal		<u>711,034</u>
Recoveries of Prior Year Obligations		68,289
Permanently not Available		(18,568)
Total Budgetary Resources	\$	<u>7,115,392</u>

**Status of Budgetary Resources:**

Obligations Incurred (Note 14):		
Direct	\$	5,217,161
Reimbursable		685,845
Subtotal		<u>5,903,006</u>
Unobligated Balance:		
Apportioned		897,946
Exempt from Apportionment		(4,817)
Unobligated Balance Not Available		319,258
Total Status of Budgetary Resources	\$	<u>7,115,392</u>

**Relationship of Obligations to Outlays:**

Obligated Balance, Net, Beginning of Period (Note 15)	\$	1,496,066
Obligated Balance, Net, End of Period:		
Accounts Receivable		(91,873)
Unfilled Customers Orders from Federal Sources		(146,088)
Undelivered Orders		984,926
Accounts Payable		426,709
Outlays:		
Disbursements		6,287,869
Collections		(841,793)
Subtotal		<u>5,446,076</u>
Less: Offsetting Receipts		851,463
<b>Net Outlays</b>	<b>\$</b>	<b><u>4,594,613</u></b>

The accompanying notes are an integral part of these statements.

**U.S Department of Agriculture  
Forest Service  
CONSOLIDATED STATEMENT OF FINANCING  
For the Year Ended September 30, 2002  
(In Thousands)**

**Resources Used to Finance Activities:**

Budgetary Resources Obligated	
Obligations Incurred	\$ 6,065,323
Less: Spending Authority from Offsetting Collections and Recoveries	<u>797,742</u>
Obligations Net of Offsetting Collections and Recoveries	5,267,581
Less: Offsetting Receipts	<u>851,407</u>
Net Obligations	4,416,174
Other Resources	
Donations and Forfeitures of Property	4,280
Transfers In/Out without Reimbursement	(41,332)
Imputed Financing from Costs Absorbed by Others	188,824
Other	<u>15,313</u>
Net Other Resources Used to Finance Activities	<u>167,085</u>
 Total Resources Used to Finance Activities	 4,583,259

**Resources Used to Finance Items Not Part of the Net Cost of Operations:**

Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	165,858
Resources That Fund Expenses Recognized in Prior Periods	(162,916)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations	(162,259)
Resources that Finance the Acquisition of Assets	(1,082,292)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Costs of Operations	<u>505,217</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>(736,392)</u>
 Total Resources Used to Finance the Net Cost of Operations	 <u>5,319,651</u>

**Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:**

Components Requiring or Generating Resources in Future Periods:	
Increase in Annual Leave Liability	6,755
Increase in Exchange Revenue Receivable from the Public	(266,142)
Other	<u>2,540</u>
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods (Note 18)	<u>(256,847)</u>

**CONSOLIDATED STATEMENT OF FINANCING**  
(Continued)

Components Not Requiring or Generating Resources:	
Depreciation and Amortization	300,360
Revaluation of Assets or Liabilities	40,804
Other	<u>803</u>
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	<u>341,967</u>
 Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	 <u>85,120</u>
 <b>Net Cost of Operations</b>	 <b><u>\$ 5,404,771</u></b>

The accompanying Notes are an integral part of the Financial Statements

## Notes to the Principal Financial Statements FY 2002 (Audited)

### Note 1. Significant Accounting Policies

#### A. Reporting Entity

The USDA Forest Service was established on February 1, 1905, as an agency of the United States, within the U.S. Department of Agriculture (USDA), for the purpose of maintaining and managing the Nation's forest reserves. It operates under the guidance of the Under Secretary for Natural Resources and Environment (NRE). The USDA Forest Service policy is implemented through nine regional offices, six research offices, one State and Private Forestry (S&PF) area office, the Forest Products Laboratory (FPL), and the International Institute of Tropical Forestry (IITF), with 868 administrative units functioning in 44 States, Puerto Rico, and the Virgin Islands.

The USDA Forest Service's mission includes the following major segments:

- National Forests and Grasslands—Protection and management of approximately 192 million acres of National Forest System (NFS) land, which includes 34.8 million acres of designated wilderness areas. In addition, the USDA Forest Service partners with other nations and organizations to foster global natural resource conservation and sustainable development of the world's forest resources.
- Forest and Rangeland Research—Research and development of forestry and rangeland management practices to provide scientific and technical knowledge for enhancing and protecting the economic productivity and environmental quality of the Nation's 1.6 billion acres of forests and associated rangelands.
- State and Private Forestry—Utilization of cooperative agreements with State and local governments, tribal governments, forest industries, and private landowners to help protect and manage non-Federal forests and associated rangeland and watershed areas.
- Fire and Aviation Management (FAM)—The Fire and Aviation Management program protects life, property, and natural resources on the 192 million acres of NFS land, and covers an additional 20 million acres of adjacent State and private land.
- Working Capital Fund (WCF)—The WCF is used for the purchase or construction of buildings and improvements, as well as for furnishing supply and equipment services in support of USDA Forest Service programs.

The accompanying financial statements of the USDA Forest Service include the accounts of all funds under the USDA Forest Service's control.

#### B. Basis of Presentation and Accounting

**Basis of Presentation:** These financial statements were prepared to report the financial position and results of operations and changes in net position of the USDA Forest Service, as required by the Chief Financial Officer's Act of 1990 and the Government Management Reform Act of 1994. They have been prepared from the books and records of the USDA Forest Service in accordance with generally accepted accounting principles, and in accordance with the Office of Management and Budget (OMB) Bulletin 01-09, *Form and Content of Agency Financial Statements*. The USDA Forest Service has an OMB-approved waiver, which provides an exemption from producing comparative financial statements as part of its fiscal year (FY) 2002 financial statements.

**Basis of Accounting:** Transactions are recorded on an accrual and a budgetary basis of accounting. Under the accrual method, revenues are recognized when earned and expenses

when a liability is incurred, regardless of when cash is exchanged. Under the budgetary basis, however, funds availability is recorded based upon legal considerations and constraints. Any prior period adjustments are recorded in accordance with Federal Accounting Standards Advisory Board Statements of Federal Financial Accounting Standards (SFFAS) No. 21, *Reporting Corrections of Errors and Changes in Accounting Principles*.

C. Fund Balance with the U.S. Treasury and Cash

The U.S. Department of the Treasury processes cash receipts and disbursements on behalf of the USDA Forest Service. Funds on deposit with Treasury are primarily special, trust, and appropriated funds that are available to pay current liabilities and to finance authorized purchase commitments.

Cash consists of undeposited collections and currency for change making and petty cash.

D. Advances

Payments made by the USDA Forest Service in advance of the receipt of goods and services are recorded as advances at the time of payment and recognized as expenditures/expenses when the related goods and services are received. Advance payments are a provision of some contracts and cooperative agreements to facilitate procurements and joint projects with small businesses, nonprofit organizations, and local environmental groups. For example, the USDA Forest Service may make an advance payment to a county government under a cooperative agreement to make repairs on a local bridge.

E. Inventory and Related Property

This category reflects only WCF operating materials and supplies, which consist of tree seeds for a variety of tree species and tree seedlings (nursery stock). The WCF sells these items primarily to USDA Forest Service units, State forestry commissions, and schools. The tree seeds and seedlings are used for reforestation. Customers are billed for items purchased; thus, costs of providing these items are recovered. Management has established no allowance against these inventories because losses from spoilage, obsolescence, damage, etc., are considered immaterial.

F. General Property, Plant and Equipment

General Property, Plant and Equipment (PP&E) includes real and personal property used in ordinary business operations that has a useful life of 2 years or more. Real and personal property is recorded at cost or estimated cost. As of October 1, 2001, the USDA Forest Service raised its capitalization thresholds for new acquisitions of real property from \$5,000 to \$25,000, and for internal use software from \$5,000 to \$100,000. Its threshold for personal property remained at \$5,000.

G. Liabilities

Liabilities represent the amount of monies or other resources that is likely to be paid by the USDA Forest Service as a result of a transaction or event that has occurred. The USDA Forest Service cannot satisfy a liability, however, without an appropriation. Liabilities for which there is no appropriation, and for which there is no certainty that an appropriation will be enacted, are classified as unfunded liabilities. The Government, acting in its sovereign capacity, can abrogate liabilities. Note 7, Liabilities Not Covered by Budgetary Resources, segregates liabilities covered by budgetary resources from liabilities not covered by budgetary resources.

H. Environmental and Disposal Liabilities	The USDA Forest Service’s estimated Government–related environmental liabilities relate principally to the future remediation of certain landfills, buildings, and other related sites in accordance with all applicable Federal, State, and local laws. Such estimates do not consider the effect of future inflation, new technology, laws, or regulations.
I. Comments and Contingencies	The full value of probable and estimable amounts related to unsettled litigation and other claims against the USDA Forest Service is recognized as a liability and expense. Expected amounts related to litigation and other claims include amounts to be paid by the Department of the Treasury on behalf of the USDA Forest Service from a permanent appropriation for judgments and from other appropriations. The USDA Forest Service is a party in various other administrative proceedings, legal actions, environmental lawsuits, and other claims brought by or against the USDA Forest Service. In the opinion of the USDA Forest Service management and the opinion of legal counsel, the ultimate resolution of these proceedings is currently indeterminable.
J. Imputed Pension and Other Retirement Benefits	<p>In accordance with Federal Government accounting guidance, the USDA Forest Service recognizes the liability and associated expense of employee pensions and other retirement benefits (including health care and other post-employment benefits) at the time the employee’s services are rendered.</p> <p>Pension expenses, retirement health benefits, and related liabilities are recorded at estimated actuarial present value of future benefits, less the estimated actuarial present value of normal cost contributions made by, and for, covered employees. Other postemployment benefit expenses and related liabilities are recognized when the future outflow of resources is probable and measurable on the basis of events occurring on or before the reporting date.</p>
K. Workers’ Compensation Liability	The Federal Employees’ Compensation Act (FECA) provides income and medical cost protection to Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for the USDA Forest Service’s employees under FECA are administered by the U.S. Department of Labor (DOL) and are ultimately paid by the USDA. Consequently, the USDA Forest Service recognizes a liability for this compensation that has two components: (1) an accrued liability that represents money owed for claims paid through the current fiscal year and (2) an actuarial liability that represents the expected liability for approved compensation cases beyond the current fiscal year.
L. Employee Annual, Sick, and Other Leave	Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued leave account is adjusted to reflect current pay rates. To the extent current- or prior-year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of leave are expended as taken.
M. Retirement Plans	The USDA Forest Service employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). On January 1, 1984, CSRS employees were required by Congress to begin paying contributions to the Medicare portion of Social Security. At that time, the Office of Personnel Management (OPM) began

creating the administrative provisions of FERS. FERS officially became effective January 1, 1987, pursuant to Public Law 99-335. The time between January 1, 1984, and January 1, 1987, is called the “interim period.” Employees hired after December 31, 1983, are covered by FERS and Social Security.

For employees covered under FERS, the USDA Forest Service withholds, in addition to Social Security, 1 percent of gross earnings. For employees covered under the CSRS, the USDA Forest Service withholds 8.51 percent of their gross earnings. The USDA Forest Service matches the employees’ contribution and the sum is transferred to CSRS. The USDA Forest Service does not report CSRS assets, accumulated plan benefits, or unfunded liabilities (if any) applicable to its employees. Reporting such amounts is the responsibility of the OPM.

On April 1, 1987, the Federal Government initiated the Thrift Savings Plan (TSP), which is a retirement savings and investment plan for Federal employees covered by both FERS and CSRS. FERS employees may contribute up to 12 percent of their gross pay to the TSP. The USDA Forest Service automatically contributes 1 percent of a FERS employee’s gross salary to the TSP. For the first 3 percent of gross pay contributed by a FERS employee, the USDA Forest Service will match the contribution dollar for dollar. For the next 2 percent contributed, the USDA Forest Service will match 50 cents per dollar contributed. CSRS employees may contribute up to 7 percent of their gross pay, but there is no matching contribution.

The maximum amount of employee contributions to the TSP is established on a calendar year basis. The maximum amount that FERS employees can contribute to the TSP in calendar year 2002 is the lesser of \$11,000 or 12 percent of their gross pay. The maximum amount that CSRS employees can contribute to the plan in calendar year 2002 is the lesser of \$11,000 or 7 percent of their gross pay. The sum of employee and the USDA Forest Service contributions is transferred to the TSP, which is administered by the Federal Retirement Thrift Investment Board.

#### N. Revenues and Other Financing Sources

The USDA Forest Service is funded principally through Congressional appropriations and other authorizations from the Budget of the United States. The USDA Forest Service receives annual, multiyear, and no-year appropriations that are used, within statutory limits, for operating and capital expenditures. Other funding sources are derived through reimbursements for services performed for other Federal and non-Federal entities, sale of goods to the public, gifts from donors, and interest on invested funds.

Appropriations are recognized as revenues at the time the related programs or administrative expenses are incurred. Appropriations expended for property and equipment are recognized as expenses when an asset is consumed in operations. Other revenues are recognized when earned; that is, when goods have been delivered or services rendered.

In accordance with Federal Government accounting guidance, the USDA Forest Service classifies revenue as either “exchange revenue” or “non-exchange revenue.” Exchange revenue arises from transactions that occur when each party to the transaction sacrifices value and receives value in return. In some cases, the USDA Forest Service is required to remit exchange revenue receipts to Treasury. In other instances the USDA Forest Service is authorized to use all or a portion of its exchange revenues for specific purposes. Non-exchange revenue is revenue the Federal Government is able to demand or receive because of its sovereign powers.

The USDA Forest Service reports the full cost of products and services generated from the consumption of resources. Full cost is the total amount of resources used to produce a product or provide a service unless otherwise noted. In accordance with SFFAS No.7, Accounting for Revenue and Other Financing Sources, the USDA Forest Service's pricing policies are set to recover full cost except where mandated by law or otherwise for the public good, such as in the case of grazing fees.

**Note 2. Nonentity Assets**

Total assets consist of both entity and nonentity. Nonentity assets are those assets not available for use in the operations of the USDA Forest Service and consist primarily of amounts recorded in the National Forest Fund account, Budget Clearing Account, and General Fund Proprietary Receipts, such as collections of fines and penalties.

As of September 30, 2002, total nonentity assets consist of:

<b>In Thousands</b>	
Intragovernmental	
Fund Balance with Treasury	\$ 609,033
Accounts Receivable	195
Total Intragovernmental	609,228
Accounts Receivable	58,915
<b>Total Nonentity Assets</b>	668,143
<b>Total Entity Assets</b>	6,201,569
<b>Total Assets</b>	<b><u>\$ 6,869,712</u></b>

**Note 3. Fund Balance with Treasury**

The U.S. Department of the Treasury processes cash receipts and disbursements. Funds with the Department of the Treasury are primarily special, trust, and appropriated funds that are available to pay current liabilities and finance authorized purchase commitments. Fund balances with Treasury include both entity and non-entity fund balances. It is the policy of the USDA Forest Service to record the amount of Fund Balance with Treasury, consistent with the balances reflected according to the records of the U.S. Department of the Treasury. Fund Balances on September 30, 2002, consisted of the following:

<b>In Thousands</b>	
A. Fund Balances:	
(1) Trust Funds	\$ 308,076
(2) Revolving Funds	107,817
(3) Appropriated Funds	2,214,795
(4) Other Fund Types	194,260
<b>Total</b>	<b><u>\$ 2,824,948</u></b>
B. Status of Fund Balances with Treasury	
(1) Unobligated Balance	
(a) Available	957,845
(b) Unavailable	83,117
(2) Obligated Balance Not Yet Disbursed	1,203,480
(3) Suspense, Deposit, and Other Funds	580,506
<b>Total</b>	<b><u>\$ 2,824,948</u></b>

**Note 4. Accounts Receivable**

Intragovernmental accounts receivable represent amounts due under reimbursable and cooperative agreements with Federal entities for services provided by the USDA Forest Service. An allowance for receivables deemed uncollectible was not established for these amounts because monies due from other Federal entities are considered fully collectible.

Accounts receivable (Non-Federal) are composed primarily of reimbursements and refunds of fire prevention and suppression activities. An allowance for receivables deemed uncollectible was established for 20 percent or 80 percent, according to the age of the receivable. Governmental accounts receivable as of September 30, 2002, were as follows:

	<b>In Thousands</b>
Accounts Receivable	\$ 197,626
Allowance for Doubtful Accounts	<u>(142,000)</u>
<b>Accounts Receivable, Net</b>	<b><u>\$ 55,626</u></b>

Nonentity accounts receivable are composed primarily of timber harvest. An allowance for timber-related receivables is established based on analysis of individual accounts.

**Note 5. Forfeited and Seized Property**

A seizure is the act of taking possession of goods in consequence of a violation of public law. Seized property consists of monetary instruments, real property, and tangible personal property in the actual or constructive possession of the seizing and the custodial agencies. Such property is not legally owned by the USDA Forest Service until judicially or administratively forfeited. Seized evidence includes cash, weapons, nonmonetary valuables, and illegal drugs.

Pursuant to Federal Financial Accounting and Auditing Technical Release No. 4, *Reporting on Non-Valued Seized and Forfeited Property*, the value of seized property with no legal market in the United States (e.g., weapons, chemicals, drug paraphernalia, gambling devices) is not included on the consolidated balance sheet.

As of September 30, 2002, the USDA Forest Service seized property included:

<b>Seized Property Category</b>	<b>In Thousands</b>
Financial & Other Monetary Instruments (Cash)	\$ 28
Personal Property (20 Items)	<u>131</u>
Non-Valued Items (See Below*)	
<b>Total</b>	<b><u>\$ 159</u></b>

\* Nonvalued items are further detailed below:

The USDA Forest Service has custody of illegal drugs and weapons taken as evidence for legal proceedings. In accordance with Federal Financial Accounting and Auditing Technical Release No. 4, *Reporting on Non-Valued Seized and Forfeited Property*, the USDA Forest Service reported the total amount of seized drugs below by quantity (kilograms) only.

Illegal drugs and weapons have no salable value to the Federal Government and are destroyed upon resolution of legal proceedings. Seized property on September 30, 2002, included:

<b>Evidence</b>	<b>(kg)</b>
Cocaine	0.06566
Marijuana	5,362.682
Cannabis Cultivation—Plant	17,427 (Plants)
Methamphetamine	0.61919
Mushrooms	0.089
Weapons (firearms)	546 Items

**Note 6. General Property, Plant and Equipment, Net**

Depreciation of General Property, Plant and Equipment for the USDA Forest Service is recorded on the straight-line method based on the useful lives listed below. As of September 30, 2002, the USDA Forest Service's PP&E consists of the following:

<b>Property Class</b>	<b>Useful Life (Years)</b>	<b>In Thousands</b>		
		<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Book Value</b>
Personal Property	5-20	\$ 998,190	\$(607,552)	\$ 390,638
Real Property	10-50	<u>7,206,355</u>	<u>(3,706,078)</u>	<u>3,500,277</u>
<b>Total</b>		<b>\$ 8,204,545</b>	<b>\$(4,313,630)</b>	<b>\$3,890,915</b>

**Note 7. Liabilities Not Covered by Budgetary Resources**

Liabilities not covered by budgetary resources as of September 30, 2002, consist of the following:

<b>In Thousands</b>	
Intragovernmental	
Judgment Fund	\$ 189,300
FECA	63,910
Governmental	
Actuarial FECA	365,607
Leave	170,098
Contingent Liabilities	37,400
Payment to States	105,073
Environmental and Disposal Liabilities	7,069
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>938,457</b>
<b>Total Liabilities Covered by Budgetary Resources</b>	<b>1,277,328</b>
<b>Total Liabilities</b>	<b>\$ 2,215,785</b>

**Note 8. Other Liabilities**

The following table segregates Other Liabilities between Covered and Not Covered by Budgetary Resources and between Intragovernmental and Governmental as of September 30, 2002.

<b>In Thousands</b>			
<b>Other Liabilities Covered by Budgetary Resources</b>			
	<b>Noncurrent</b>	<b>Current</b>	<b>Total</b>
<b>Intragovernmental</b>			
Employer Contributions & Payroll Tax	\$ -	\$ 6,718	\$ 6,718
Other Accrued Liabilities	-	58,777	58,777
Advances from Others	-	26,101	26,101
Trust and Deposit Liabilities	-	181,076	181,076
Custodial Liability	-	23,355	23,355
Other Liabilities	-	(3,660)	-3,660
<b>Total Intragovernmental</b>	<b>\$ -</b>	<b>\$ 292,367</b>	<b>\$ 292,367</b>
	<b>Noncurrent</b>	<b>Current</b>	<b>Total</b>
Other Accrued Liabilities	\$ -	\$ 477,170	\$ 477,170
Advances from Others	-	31,443	31,443
Trust and Deposit Liabilities	-	23,579	23,579
Purchaser Road Credits	-	42,024	42,024
Custodial Liability	-	31,138	31,138
Other Liabilities	-	4,082	4,082
<b>Total Governmental</b>	<b>\$ -</b>	<b>\$ 609,436</b>	<b>\$ 609,436</b>
<b>Other Liabilities Not Covered by Budgetary Resources</b>			
	<b>Noncurrent</b>	<b>Current</b>	<b>Total</b>
<b>Intragovernmental</b>			
Treasury Judgment Fund	\$ 189,300	\$ -	\$ 189,300
Unfunded FECA	36,668	27,242	63,910
<b>Total Intragovernmental</b>	<b>\$ 225,968</b>	<b>\$ 27,242</b>	<b>\$ 253,210</b>
	<b>Noncurrent</b>	<b>Current</b>	<b>Total</b>
Actuarial FECA	\$ 365,607	\$ -	\$ 365,607
Payments to States	105,073	-	105,073
Unfunded Annual Leave	9,098	161,000	170,098
Contingent Liabilities	37,400	-	37,400
<b>Total Governmental</b>	<b>517,178</b>	<b>161,000</b>	<b>678,178</b>
<b>Total Other Liabilities</b>	<b>\$ 743,146</b>	<b>\$ 1,090,045</b>	<b>\$ 1,833,191</b>

As of September 30, 2002, the USDA Forest Service's major components of other liabilities are as follows:

**Advances from Others:** Advances from Others consist of monies on deposit for cooperative work project agreements with the public.

**Trust and Deposit Liabilities:** Trust and Deposit Liabilities, Governmental, consist primarily of cash prepayments and deposits from timber purchasers before the actual harvest of timber. The remaining Trust and Deposit Liabilities include liabilities that have been temporarily included in suspense accounts.

**Custodial Liability:** Custodial Liability consists of amounts held in special receipt accounts that belong to non-USDA Forest Service entities. (See Note 20 for more on Custodial Liability.)

**Purchaser Road Credits:** Purchaser Road Credits (PRCs) are liabilities arising under timber sales contracts issued through April 1999 that are still in effect. Under the terms of certain timber sales contracts, timber purchasers are allowed to construct roads to gain access to timber. If the USDA Forest Service has a use for the roads upon contract completion, the timber purchaser is given a credit, referred to as a PRC, for the value of the roads, to the extent their service lives exceed the contract's duration. Effective April 1999, in accordance with 16 U.S.C. § 535a, such PRCs are prohibited on newly issued timber contracts.

The amount of the PRC granted to contractors in connection with pre-April 1999 contracts is based on a USDA Forest Service engineering estimate made at the time of the timber sale. A PRC is established when the USDA Forest Service accepts the road. At that time, an asset (a component of Property, Plant and Equipment) and a liability (Unearned Revenue) are recorded for the amount of the PRC established.

On applicable contracts, the timber purchaser can use the PRC as an offset to payments on timber harvested. As the PRC is used in lieu of cash in paying for timber harvested, the amount in Unearned Revenue is reduced and current year revenue is recognized. If all PRCs have not been applied when the contract is closed, they are canceled and the amounts are removed from the Unearned Revenue account. PRCs that are not applied against the timber sale contract price are, in effect, donated to the Federal Government.

**Treasury Judgment Fund:** The USDA Forest Service pays small tort claims out of its own funds. Other legal actions exceeding \$2,500, however, fall under the Federal Tort Claims Act. These are paid from the Claims, Judgments, and Relief Acts Fund (Judgment Fund) maintained by the Department of the Treasury. Absent a specific statutory requirement, the USDA Forest Service is not required to record a liability or reimburse the Judgment Fund for payments for tort claims made on its behalf. These payments, however, are recognized as an expense and an imputed financing source in the Statement of Net Cost and Statement of Change in Net Position. Payments reported from torts and court of claims for FY 2002 amounted to \$9,184 thousand.

The Contract Dispute Resolution Act (CDRA) governs litigation arising from contract disputes (such as from timber sales contracts). Subsection 612(c) provides that CDRA payments made on behalf of Federal agencies by the Judgment Fund shall be reimbursed to the Fund. Consequently, the debtor Federal agency is required to record a payable to the Judgment Fund. Those amounts remain a receivable on Financial Management Service's (Department of the Treasury) books and a payable on the debtor agency's books until reimbursement to the Fund is made by the agency. On September 30, 2002, the Department of the Treasury indicated that the USDA Forest Service is liable for \$189,300 thousand.

**Federal Employees' Compensation Act Liabilities:** Liabilities under the Federal Employees' Compensation Act (FECA) are incurred as a result of workers' compensation benefits that have accrued to employees, but have not yet been paid by the USDA Forest Service. Workers' compensation benefits include the current and expected future liability for death, disability, medical, and other approved costs. The DOL actuarially determines the expected future liability for the USDA as a whole, including the USDA Forest Service. The USDA Forest Service is billed annually as its claims are paid by the DOL. Payment to the DOL is deferred for 2 years so that the bills may be funded through the budget. Payments to the DOL are recognized as an expense in the Statement of Net Cost. The amounts of unpaid FECA billings constitute the accrued FECA payable.

The total components of accrued FECA payable as of September 30, 2002, are as follows:

	<b>In Thousands</b>
<b>Not Covered by Budgetary Resources, Intragovernmental</b>	
Liability for FECA	<u>\$63,910</u>
<b>Not Covered by Budgetary Resources, Governmental</b>	
Expected Future Liability for FECA	<u>365,607</u>
<b>Total</b>	<u><u><b>\$429,517</b></u></u>

**Pending Litigation and Unasserted Claims (Contingencies):** As of September 30, 2002, the USDA Forest Service has five legal actions pending; based on information provided by legal counsel, management believes an adverse decision is probable. The estimated loss is \$37,400 thousand.

The USDA Forest Service has other pending legal actions for which the likelihood of adverse outcomes is reasonably possible. The potential loss related to these actions totals approximately \$1,660,000 thousand.

**Note 9. Lease Liabilities**

The USDA Forest Service enters into leasing agreements through the General Services Administration (GSA) and through leasing authority delegated by GSA to enter into leases of general facilities (buildings and office space), equipment and land. Leases may include renewal options for periods of 1 or more years. Most leases are cancelable upon certain funding conditions. The future USDA Forest Service operating lease agreement payments as of September 30, 2002, are as follows:

Fiscal Year	Asset Category (In Thousands)		Totals
	Personal Property	Real Property	
FY 2003	\$ 1,112	\$ 47,686	\$ 48,798
FY 2004	698	43,966	44,664
FY 2005	395	41,334	41,729
FY 2006	174	38,365	38,539
FY 2007	38	35,869	35,907
After FY 2007	14	237,177	237,191
<b>Total</b>	<b>\$ 2,431</b>	<b>\$ 444,397</b>	<b>\$ 446,828</b>

**Note 10. Program Costs by Segment**

The USDA Forest Service reflects costs through five primary responsibility segments: National Forests and Grasslands, Forest and Rangeland Research, State and Private Forestry, Fire and Aviation Management, and the Working Capital Fund.

The following table illustrates program costs by segments.

**USDA Forest Service**  
**Program Costs by Segment**  
**For the Year Ended September 30, 2002**  
(In Thousands)

	National Forests and Grasslands	Forest and Rangeland Research	State and Private Forestry	Fire and Aviation Management	Working Capital Fund	Total	Working Capital Fund Elimination	Total Net of Working Capital Fund Elimination
Intragovernmental Gross Costs	\$ 484,430	\$ 15,080	\$ 13,396	\$ 385,596	\$ (1,056)	\$ 897,446	\$(218,135)	\$ 679,311
Less: Intragovernmental Earned Revenue	(134,542)	(20,229)	(5,794)	(9,530)	(218,135)	(388,230)	218,135	(170,095)
Intragovernmental Net Costs	349,888	(5,149)	\$ 7,602	376,066	(219,191)	509,216	-	509,216
Gross Costs with the Public:								
Grants	376,213	3,642	216,899	9,897	27	606,678	-	606,678
Indemnities	10,151	253	194	893	19	11,510	-	11,510
Stewardship Land Acquisition	107,593	-	-	-	-	107,593	-	107,593
Operating Costs	1,760,486	206,286	51,748	1,608,200	71,649	3,698,369	-	3,698,369
Depreciation Expense	252,033	2,084	423	3,285	42,535	300,360	-	300,360
Reimbursable Costs	102,322	22,293	2,683	62,795	-	190,093	-	190,093
Other	99,935	(66)	8	5,286	29,415	133,578	-	133,578
Less: Earned Revenues from the Public	(90,055)	(2,636)	(99)	(59,836)	-	(152,626)	-	(152,626)
Net Costs with the Public	2,617,678	231,856	271,856	1,630,520	143,645	4,895,555	-	4,895,555
<b>Net Cost of Operations</b>	<b>\$ 2,967,566</b>	<b>\$ 226,707</b>	<b>\$ 279,458</b>	<b>\$ 2,006,586</b>	<b>\$ (75,546)</b>	<b>\$ 5,404,771</b>	<b>\$ -</b>	<b>\$ 5,404,771</b>

**Note 11. Cost of Stewardship PP&E**

Stewardship assets acquired through purchase in FY 2002 amounted to \$107,592 thousand and consisted of land, easements, and rights-of-way. Stewardship land is all land that is not general-purpose land; i.e., land that does not have a general-purpose building on it. Stewardship land costs include purchase cost and any salary costs, survey costs, title costs, closing costs, restoration costs, or any other expenses necessary to prepare the land for its intended use.

**Note 12. Prior Period Adjustments**

In FY 2002, the USDA Forest Service discovered and corrected accounting errors that occurred in previous fiscal years. A summary of the adjustments follows:

<b>In Thousands</b>		Cumulative Results of Operations
Beginning Balance, as Previously Stated		\$ 3,452,585
Corrections Related to:		
General PP&E		(915,061)
Accounts Payable		(312,121)
Net Position		(305,541)
Accounts Receivable		(76,347)
Other		233,827
<b>Total Prior Period Adjustments</b>		<b>(1,375,243)</b>
<b>Beginning Balance, as Restated</b>		<b>\$ 2,077,342</b>

**Note 13. Gross Cost and Earned Revenue by Budget Functional Classification**

The breakdown of USDA Forest Service's net costs by Budget Functional Classification is as follows:

<b>Gross Cost and Earned Revenue by Budget Functional Classification:</b>				
<b>In Thousands</b>				
<u>Budget Functional Classification</u>	<u>Gross Cost</u>	<u>Earned Revenue</u>	<u>Net Cost</u>	
300 Natural Resources and Environment	\$ 5,226,684	\$ 345,512	\$ 4,881,172	
350 Agriculture	349	191	158	
450 Community and Regional Development	249	-	249	
800 General Government	500,210	(22,982)	523,192	
<b>Total</b>	<b>\$ 5,727,492</b>	<b>\$ 322,721</b>	<b>\$ 5,404,771</b>	

**Intragovernmental Total Cost and Earned Revenue by Budget Functional Classification:**

<b>In Thousands</b>			
<u>Budget Functional Classification</u>	<u>Gross Cost</u>	<u>Earned Revenue</u>	<u>Net Cost</u>
300 Natural Resources and Environment	\$ 679,185	\$ 170,092	\$ 509,093
350 Agriculture	82	3	79
800 General Government	44	-	44
<b>Total</b>	<b>\$ 679,311</b>	<b>\$ 170,095</b>	<b>\$ 509,216</b>

**Note 14. Apportionment Categories of Obligations Incurred**

The OMB usually distributes budgetary resources in an account or fund by specific time periods, activities, projects, objects, or a combination of these categories. Apportionments by fiscal quarters are classified as Category A apportionments. All other apportionments are classified as Category B apportionments. USDA Forest Service apportionments are not made on a quarterly basis; therefore, they are classified as Category B apportionments.

**Note 15. Adjustments to Beginning Balance of Budgetary Resources**

Reporting Requirements for Transfer Appropriation Accounts – OMB Bulletin No. 01-09, Section 9.36, prescribes that the parent should report the activity in its financial statement, unless the allocation is material to the child’s financial statements. If the allocation transfer is material to the child’s financial statements, the child should report the activity relating to the allocation in all of its financial statements, except the Statement of Budgetary Resources. The parent should continue to report the appropriation and the related budgetary activity in its Statement of Budgetary Resources. It is the responsibility of the parent to ensure that the reporting to Treasury, through FACTS I, is consistent with the presentation in the financial statements. The USDA Forest Service is required to report two treasury symbols as “child”: the Transfer Appropriation accounts related to the DOL, Job Corps Civilian Conservation, and the Department of Transportation, Federal Highway Trust Fund. Job Corps is a DOL residential training program for unemployed and underemployed young people, financed by the DOL, conducted on campuses on national forest land, and the supervised by USDA Forest Service employees. Based on the above guidance, both accounts were excluded from the Statement of Budgetary Resources in FY 2002, resulting in adjusted beginning balances.

The impact on the Statement of Budgetary Resources is as follows:

**In Thousands**

***Unobligated Balance, Beginning of Period:***

FY 2001 Ending Balance	Adjustment	FY 2002 Beginning Balance
\$ 1,342,828	(91,477)	1,251,351

***Obligated Balance, Net, Beginning of Period:***

FY 2001 Ending Balance	Adjustment	FY 2002 Beginning Balance
\$ 1,540,125	(44,059)	1,496,066

**Note 16. Permanent Indefinite Appropriations**

The following permanent indefinite appropriations exist for the purposes shown, with funds available until expended.

<b>APPROPRIATION NAME</b>	<b>PURPOSE</b>
Brush Disposal	Deposits from timber purchasers are used for disposal of brush and other debris from cutting operations on timber sale areas.
Licensee Programs, Smokey Bear and Woodsy Owl	Royalty income from character licensing is used to promote forest fire prevention and environmental quality.

<b>APPROPRIATION NAME</b>	<b>PURPOSE</b>
Forestlands Restoration and Improvements	Forfeitures of cash and surety bonds are used by USDA Forest Service to complete improvement or rehabilitation work left unfinished by permittees or timber purchasers.
Recreation Fee Collection Costs	Up to 15 percent of recreation fee revenue may be used to cover fee collection costs.
Recreation Fee Demonstration Program	Recreation fee revenue is used for operation, maintenance, and improvements of recreation areas and related habitat.
Timber Roads—Purchaser Election Program	Deposits from timber purchasers are used by the USDA Forest Service for roads and bridges required for timber sales.
Timber Salvage Sales	Income from the sale of damaged timber is used to design, engineer, and supervise the preparation of future salvage sales.
Timber Sale Pipeline Restoration Fund	Income from the sale of healthy timber is used to prepare more timber sales and reduce the backlog of recreation projects.
Road and Trails for States	10 percent of the national forest receipts are used for roads and trails within the national forests in the States where the receipts were collected.
Midewin National Tallgrass Prairie Rental Fees	Income from user fees and sales is used for the costs of restoration, prairie improvement, and administration.
Midewin National Tallgrass Prairie Restoration Fund	Income from user fees and sales is used for the costs of restoration, the visitor center, and facilities construction.
Operation and Maintenance of Quarters	Rental fees for Government-owned housing are used to maintain those residences.
Land Between the Lakes Management Fund	Income from recreation user fees is used for management costs, including salaries and expenses.
Payment to Minnesota	Income from national forests in Minnesota is used for an annual payment to benefit the Boundary Waters Canoe Area.
Payments to Counties—National Grasslands Fund	Income from national grasslands is used for an annual payment to counties where the grasslands are located.
Payments to States—National Forest Fund	Income from national forests is used to partially fund payments to States where the forests are located.

**Note 17. Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government**

The Budget of the United States Government with actual numbers for the fiscal year was not published at the time of the audit. It was published in the spring of 2003. Copies may be obtained from the Government Printing Office.

**Note 18. Explanation of the Relationship Between Liabilities Not Covered by Budgetary Resources and the Change in Components Requiring or Generating Resources in Future Periods.**

The USDA Forest Service's FY 2002 difference between the liabilities not covered by budgetary resources and the change in components requiring or generating resources in future periods results from liabilities not covered by budgetary resources being recorded in the current year to the Statement of Net Cost; while liabilities not covered by budgetary resources are cumulative over fiscal years. The components of the Net Cost of Operations that will require or generate resources in the future are as follows:

Increase in Annual Leave Liability	\$ 6,755
Increase in Exchange Revenue Receivable from the Public	(266,142)
Other (FECA Liability)	<u>2,540</u>
<b>Total Components of Net Cost of Operations That Will Require or Generate Resources in the Current Period</b>	<b><u>\$ (256,847)</u></b>

**Note 19. Description Of Transfers That Appears As A Reconciling Item On The Statement Of Financing**

The USDA Forest Service has the following routine transfers without reimbursement:

**Transfers In**

<b>Trading Partner</b>	<b>Account Title</b>	<b>Purpose</b>
Department of Labor	Job Corps Civilian Conservation	Provide training for underemployed youths
Department of Transportation	Federal Highway Trust Fund	Maintenance and upkeep of Federal highway traversing national forest lands

**Note 20. Incidental Custodial Collections**

The USDA Forest Service, as of September 30, 2002, had collected the following funds, of which portions are due to States and counties. The largest component of custodial collections comes from the sale of products and services from the national forests and grasslands. These amounts payable are included in Other Liabilities as Custodial Liability:

<b>In Thousands</b>	
Beginning Balance	\$ 280,469
Revenue Activity:	
Sources of Collections:	
National Forest Fund Receipts	21,648
Payments and Receipts, National Grasslands	11,253
Miscellaneous	3,514
Total Cash Collections	36,415
 Total Custodial Revenue and Beginning Balance	 <u>316,884</u>
Disposition of Collections:	
Transferred to Others:	
States and Counties (Payments to States)	(306,799)
(Increase)/Decrease in Amounts Yet to Be Transferred	(10,085)
Total Disposition	<u>(316,884)</u>
 <b>Net Custodial Activity</b>	 <u><u>\$ -</u></u>

**Note 21. Dedicated Collections**

The USDA Forest Service recognizes the following funds as dedicated collections. These funds are used as dedicated for the benefit of enhancing and maintaining NFS lands, including reforestation. Donations are handled on a cash basis and all others are accounted for on the accrual basis.

**Trust Funds**

TREASURY SYMBOL	FUND/NAME	PURPOSE	AUTHORITY
12X8028	Cooperative Work	Advances from cooperators	16 U.S.C. 498,72(c),72a, 76b,81
12X8029	Mount Saint Helens Highway	Repair highways	23 U.S.C. 203,207
12X8034	Gifts, Donations, and Bequests for Forest and Rangeland Research	Segregate donations for research	16 U.S.C. 1643b
12X8039	Land Between the Lakes Trust Fund	Donations to National Recreation Area	112 Stat. 2681-317
12X8046	Reforestation Trust Fund	Reforestation	16 U.S.C. 1606a
1269X8083	Federal Aid to Highways	Maintain Federal highways in USDA Forest Service land	31 U.S.C. 3515
12X8203	Gifts and Bequests	Segregate general donations	7 U.S.C. 2269

### Special Funds

<b>TREASURY SYMBOL</b>	<b>FUND/NAME</b>	<b>PURPOSE</b>	<b>AUTHORITY</b>
12X5004	Land Acquisition	Watershed management	96 Stat. 1983
12X5010	Recreation Fees	Collection costs	107 Stat. 1610
12X5072	Fees, Operations, and Maintenance of Recreation Facilities	Maintain recreational facilities	101 Stat. 1330-265
12X5201	Payments to States, National Forest Fund	Revenue sharing grant	16 U.S.C. 500
12X5202	Timber Roads, Purchaser Election	Timber sale area purchasers' roads	16 U.S.C. 472(l)(2)
12X5203	Roads and Trails for States, National Forest Fund	Recreation road and trail improvements	16 U.S.C. 501
12X5204	Timber Salvage Sales	Prepare salvage sale and reforest after sale	16 U.S.C. 472(a)
12X5206	Expenses, Brush Disposal	Timber operators' amounts for brush disposal	16 U.S.C. 490
12X5207	Range Betterment	Improvements to grazing lands	16 U.S.C. 580h
12X5212	Construction of Facilities or Land Acquisition	Inactive	94 Stat. 3372
12X5213	Payment to Minnesota (Cook, Lake, and Saint Louis Counties) from the National Forest Fund	Revenue sharing grant	16 U.S.C. 577g, 577g-1
12X5214	Licensee Program	Smokey Bear and Woodsy Owl licensing royalties used for fire prevention	31 U.S.C. 488a
12X5215	Restoration of Forest Lands and Improvements	Environmental restoration	16 U.S.C. 579c
12X5216	Acquisition of Lands to Complete Land Exchanges	Land exchange and acquisition for forest management purposes	96 Stat. 1984; 16 U.S.C. 484a
12X5217	Tongass Timber Supply Fund	Management of timber supply in Alaska	16 U.S.C. 539d, 539c
12X5219	Operation and Maintenance of Quarters	Government-owned quarters rents finance maintenance	5 U.S.C. 5911
12X5220	Resource Management Timber Receipts	Accelerate management practices of natural resources	102 Stat. 1809

**Special Funds**

<b>TREASURY SYMBOL</b>	<b>FUND/NAME</b>	<b>PURPOSE</b>	<b>AUTHORITY</b>
12X5223	Quinault Special Management Area	Management of special Quinault tribal area	102 Stat. 3328
12X5224	Strawberry Valley Land Transfer	Transfer of specific land tract	102 Stat. 2828; 2829
12X5225	Pacific Yew	Management of Pacific Yew species, natural source of Taxol pharmaceuticals	106 Stat. 862
12X5264	Timber Sales Pipeline Restoration Fund	Prepare timber sales and reduce the backlog of recreation projects	110 Stat. 1321-206 Sec. 327
12X5268	Recreation Fee Demonstration Program	Maintenance of recreation areas, support of recreation program at demonstration sites	16 U.S.C. 4601-6a
12X5277	Midewin National Prairie Rental Fee Account	Maintenance of Midewin	110 Stat. 602
12X5278	Midewin National Tallgrass Prairie Restoration Fund	Restoration of Midewin	110 Stat. 602
12X5360	Land Between the Lakes Management Fund	Maintenance of national recreation area	112 Stat. 2681-315
12X5361	Administrative Rights-of-Way and Other Land Uses Fund	Maintenance of commercial filming sites	113 Stat. 1501A-196, Sec. 331
12X5363	Valles Caldera Fund	Maintenance of Valles Caldera Preserve, NM	114 Stat. 605
12X5462	Hardwood Technology Transfer and Applied Research Fund	Support and stimulation of hardwood forestry practices	112 Stat. 297-298, Sec. 343(e)
12X5896	Payments to Counties, National Grasslands	Revenue-sharing grant	7 U.S.C. 1012