

## PRINCIPAL FINANCIAL STATEMENTS

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### Principal Financial Statements Included in This Report

The principal financial statements included in this report have been prepared in accordance with the requirements of the Chief Financial Officers Act of 1990 (P.L. 101-576), the Government Management Reform Act of 1994 and the Office of Management and Budget's (OMB) Bulletin 01-09, "Form and Content of Agency Financial Statements." The responsibility for the integrity of the financial information included in these statements rests with management of the U.S. Department of Labor (DOL). The audit of DOL's principal financial statements for FY 2004 and 2003 was performed by R. Navarro & Associates, Inc., Certified Public Accountants. The auditors' report accompanies the principal statements.

The Department's principal financial statements for fiscal years (FY) 2004 and 2003 consisted of the following:

- The **Consolidated Balance Sheets**, which present as of September 30, 2004 and 2003 those resources owned or managed by DOL which are available to provide future economic benefits (assets); amounts owed by DOL that will require payments from those resources or future resources (liabilities) and residual amounts retained by DOL, comprising the difference (net position).
- The **Consolidated Statements of Net Cost**, which present the net cost of DOL operations for the years ended September 30, 2004 and 2003. DOL's net cost of operations includes the gross costs incurred by DOL less any exchange revenue earned from DOL activities. Due to the complexity of DOL's operations, the classification of gross cost and exchange revenues by major program and suborganization is presented in Note 14 to the consolidated financial statements.
- The **Consolidated Statements of Changes in Net Position**, which present the change in DOL's net position resulting from the net cost of DOL operations, budgetary financing sources other than exchange revenues and other financing sources for the years ended September 30, 2004 and 2003.
- The **Combined Statements of Budgetary Resources**, which present the budgetary resources available to DOL during FY 2004 and 2003, the status of these resources at September 30, 2004 and 2003, and the outlay of budgetary resources for the years ended September 30, 2004 and 2003.
- The **Consolidated Statements of Financing**, which reconcile the net cost of operations with the obligation of budgetary resources for the years ended September 30, 2004 and 2003.
- The **Consolidated Statements of Custodial Activity**, which present the sources and disposition of non-exchange revenues collected or accrued by DOL on behalf of other recipient entities for the years ended September 30, 2004 and 2003.

**CONSOLIDATED BALANCE SHEETS**  
**As of September 30, 2004 and 2003**  
(Dollars in Thousands)

	2004	2003
<b>ASSETS</b>		
Intra-governmental		
Funds with U.S. Treasury (Notes 1-C and 2)	\$ 9,700,757	\$ 9,615,513
Investments (Notes 1-D and 3)	45,446,510	48,408,153
Interest receivable from investments	580,180	726,160
Accounts receivable (Notes 1-E and 4)	3,916,674	3,789,999
Total intra-governmental	59,644,121	62,539,825
Accounts receivable, net of allowance (Notes 1-E and 4)	1,127,034	939,688
Advances (Notes 1-F and 5)	777,032	481,078
Property, plant and equipment, net of depreciation (Notes 1-G and 6)	876,269	830,558
<b>Total assets</b>	<b>\$ 62,424,456</b>	<b>\$ 64,791,149</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Liabilities (Note 1-I)</b>		
Intra-governmental		
Accounts payable	\$ 22,207	\$ 37,948
Advances from U.S. Treasury (Notes 1-J and 8)	8,740,557	8,243,557
Other liabilities (Note 11)	194,427	170,184
Total intra-governmental	8,957,191	8,451,689
Accounts payable	1,008,450	669,873
Accrued leave (Note 1-K)	99,676	97,913
Accrued benefits (Notes 1-L and 9)	1,344,009	1,638,594
Future workers' compensation benefits (Notes 1-M and 10)	528,068	592,125
Energy employees occupational illness compensation benefits (Note 1-N)	2,793,823	2,222,574
Other liabilities (Note 11)	239,333	270,125
<b>Total liabilities</b>	<b>14,970,550</b>	<b>13,942,893</b>
<b>Net position (Note 1-R)</b>		
Unexpended appropriations	8,299,897	8,587,666
Cumulative results of operations	39,154,009	42,260,590
<b>Total net position</b>	<b>47,453,906</b>	<b>50,848,256</b>
<b>Total liabilities and net position</b>	<b>\$ 62,424,456</b>	<b>\$ 64,791,149</b>

The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF NET COST**  
**For the Years Ended September 30, 2004 and 2003**  
(Dollars in Thousands)

	<u>2004</u>	<u>2003</u>
<b>NET COST OF OPERATIONS</b> (Notes 1-S and 14)		
<b>CROSSCUTTING PROGRAMS</b>		
<b>Income maintenance</b>		
Intra-governmental	\$ 972,951	\$ 852,394
With the public	<u>50,464,699</u>	<u>60,808,540</u>
Total cost	51,437,650	61,660,934
Less earned revenue	<u>(3,274,386)</u>	<u>(3,015,750)</u>
Net program cost	<u>48,163,264</u>	<u>58,645,184</u>
<b>Employment and training</b>		
Intra-governmental	44,642	43,709
With the public	<u>6,389,375</u>	<u>7,198,735</u>
Total cost	6,434,017	7,242,444
Less earned revenue	<u>(17,140)</u>	<u>(17,630)</u>
Net program cost	<u>6,416,877</u>	<u>7,224,814</u>
<b>Labor, employment and pension standards</b>		
Intra-governmental	137,019	138,110
With the public	<u>563,409</u>	<u>459,858</u>
Total cost	700,428	597,968
Less earned revenue	<u>(11,475)</u>	<u>(10,644)</u>
Net program cost	<u>688,953</u>	<u>587,324</u>
<b>Worker safety and health</b>		
Intra-governmental	163,696	158,339
With the public	<u>638,194</u>	<u>642,819</u>
Total cost	801,890	801,158
Less earned revenue	<u>(5,207)</u>	<u>(5,351)</u>
Net program cost	<u>796,683</u>	<u>795,807</u>
<b>OTHER PROGRAMS</b>		
<b>Statistics</b>		
Intra-governmental	165,549	168,252
With the public	<u>372,556</u>	<u>359,768</u>
Total cost	538,105	528,020
Less earned revenue	<u>(5,504)</u>	<u>(4,438)</u>
Net program cost	<u>532,601</u>	<u>523,582</u>
<b>Costs not assigned to programs</b>		
Less earned revenue not attributed to programs	98,721	126,139
Net cost not assigned to programs	<u>(20,643)</u>	<u>(29,669)</u>
Net cost not assigned to programs	<u>78,078</u>	<u>96,470</u>
<b>Net cost of operations</b>	<u>\$ 56,676,456</u>	<u>\$ 67,873,181</u>

The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION**  
**For the Years Ended September 30, 2004 and 2003**  
(Dollars in Thousands)

	<u>2004</u>		<u>2003</u>	
	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations</u>	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations</u>
<b>Beginning balances</b>	\$ 42,260,590	\$ 8,587,666	\$ 61,929,810	\$ 9,343,624
<b>Budgetary financing sources</b> (Note 1-T)				
Appropriations received		11,510,488		10,891,922
Appropriations transferred		(646,727)		(702,501)
Appropriations not available	-	(153,632)	-	(190,679)
Appropriations used	10,997,898	(10,997,898)	10,754,700	(10,754,700)
Nonexchange revenue (Note 15)				
Employer taxes	37,376,035		31,698,813	
Interest	2,525,135		3,454,045	
Assessments	145,564		137,723	
Reimbursement of unemployment benefits	2,411,887		2,050,363	
Total nonexchange revenue	42,458,621		37,340,944	
Transfers without reimbursement (Note 16)	3,000		3,000	
<b>Other financing sources</b> (Note 1-U)				
Imputed financing from costs absorbed by others	110,344		106,003	
Transfers without reimbursement (Note 16)	12		(686)	
<b>Total financing sources</b>	53,569,875	(287,769)	48,203,961	(755,958)
Net cost of operations	(56,676,456)		(67,873,181)	
<b>Ending balances</b>	<u>\$ 39,154,009</u>	<u>\$ 8,299,897</u>	<u>\$ 42,260,590</u>	<u>\$ 8,587,666</u>

The accompanying notes are an integral part of these statements.

**COMBINED STATEMENTS OF BUDGETARY RESOURCES**  
**For the Years Ended September 30, 2004 and 2003**  
(Dollars in Thousands)

	<u>2004</u>	<u>2003</u>
<b>BUDGETARY RESOURCES</b>		
Budget authority		
Appropriations received	\$ 58,039,574	\$ 68,937,478
Net transfers	(19,879)	(80,878)
Unobligated balance		
Beginning of period	3,173,996	2,971,602
Net transfers	(37,592)	(732)
Spending authority from offsetting collections		
Earned		
Collected	2,645,532	2,633,039
Receivable from Federal sources	(24,109)	(45,828)
Change in unfilled customer orders		
Advance received	(5,534)	17,650
Without advance from Federal sources	-	(2,396)
Transfers from trust funds	3,884,725	4,012,226
Total spending authority from offsetting collections	6,500,614	6,614,691
Recoveries of prior year obligations	463,631	308,966
Temporarily not available pursuant to public law	(22,661)	-
Permanently not available	(207,353)	(250,856)
<b>Total budgetary resources</b>	<u>\$ 67,890,330</u>	<u>\$ 78,500,271</u>
<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations incurred (Note 17)		
Direct	\$ 61,566,245	\$ 72,731,481
Reimbursable	2,746,299	2,595,002
Total obligations incurred	64,312,544	75,326,483
Unobligated balances available		
Apportioned	2,344,404	2,423,022
Exempt from apportionment	(5)	(208)
Other available	212,708	207,400
Unobligated balances not available	1,020,679	543,574
<b>Total status of budgetary resources</b>	<u>\$ 67,890,330</u>	<u>\$ 78,500,271</u>
<b>RELATIONSHIP OF OBLIGATIONS TO OUTLAYS</b>		
Obligated balance, net, beginning	\$ 9,364,834	\$ 10,538,670
Obligated balance transferred, net	-	1,304,116
Obligated balance, net, ending		
Accounts receivable	(1,344,626)	(1,336,589)
Undelivered orders	6,227,548	7,112,519
Accounts payable	3,628,904	3,588,904
Outlays		
Disbursements	64,693,879	76,534,321
Collections	(6,492,578)	(6,960,265)
Total outlays	58,201,301	69,574,056
Offsetting receipts	(1,549,472)	(1,277,239)
<b>Net outlays</b>	<u>\$ 56,651,829</u>	<u>\$ 68,296,817</u>

The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF FINANCING**  
**For the Years Ended September 30, 2004 and 2003**  
(Dollars in Thousands)

	<u>2004</u>	<u>2003</u>
<b>RESOURCES USED TO FINANCE ACTIVITIES</b>		
<b>Budgetary resources obligated</b>		
Obligations incurred	\$ 64,312,544	\$ 75,326,483
Recoveries of prior year obligations	(463,631)	(308,966)
Less spending authority from offsetting collections	<u>(6,500,614)</u>	<u>(6,614,691)</u>
Obligations, net of offsetting collections and recoveries	57,348,299	68,402,826
<b>Other resources</b>		
Imputed financing from costs absorbed by others	110,344	106,003
Transfers, net	3,012	2,314
Exchange revenue not in budget	(71,873)	(78,398)
Trust fund exchange revenue	<u>(823,315)</u>	<u>(613,147)</u>
<b>Total resources used to finance activities</b>	<u>56,566,467</u>	<u>67,819,598</u>
<b>RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS</b>		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet received or provided	583,394	931,663
Resources that finance the acquisition of assets	(102,862)	(101,221)
Allocation transfers to other agencies	(77,215)	(225,950)
Other resources that do not affect net cost of operations	<u>(800,760)</u>	<u>(191)</u>
<b>Total resources used to finance items not part of the net cost of operations</b>	<u>(397,443)</u>	<u>604,301</u>
<b>Total resources used to finance the net cost of operations</b>	<u>56,169,024</u>	<u>68,423,899</u>
<b>COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD</b>		
Components requiring or generating resources in future periods		
Increase in annual leave liability	1,763	3,979
Increase (decrease) in employee benefits and retirement liabilities	495,628	(572,516)
Other	<u>(28,273)</u>	<u>27,875</u>
Total	<u>469,118</u>	<u>(540,662)</u>
Components not requiring or generating resources		
Depreciation and amortization	50,106	43,275
Revaluation of assets and liabilities	678,954	472,304
Benefit overpayments	<u>(690,746)</u>	<u>(525,635)</u>
Total	<u>38,314</u>	<u>(10,056)</u>
<b>Total components of the net cost of operations that will not require or generate resources in the current period</b>	<u>507,432</u>	<u>(550,718)</u>
<b>Net cost of operations</b>	<u>\$ 56,676,456</u>	<u>\$ 67,873,181</u>

The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF CUSTODIAL ACTIVITY**  
**For the Years Ended September 30, 2004 and 2003**  
(Dollars in Thousands)

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	<u>2004</u>	<u>2003</u>
<b>SOURCES OF CUSTODIAL REVENUE</b> (Notes 1-V and 18)		
Cash collection of fines, penalties, assessments and related interest	\$ 131,639	\$ 119,911
Less refunds	<u>(2,206)</u>	<u>(102)</u>
Net cash collections	129,433	119,809
Increase (decrease) in amounts to be collected	<u>(1,964)</u>	<u>2,291</u>
<b>Total sources of custodial revenue</b>	<u>127,469</u>	<u>122,100</u>
<b>DISPOSITION OF CUSTODIAL REVENUE</b> (Note 1-V)		
Net transfers to U.S. Treasury general fund	129,433	119,809
Increase (decrease) in amounts to be transferred	<u>(1,964)</u>	<u>2,291</u>
<b>Total disposition of custodial revenue</b>	<u>127,469</u>	<u>122,100</u>
<b>Net custodial activity</b>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The U.S. Department of Labor (DOL), a cabinet level agency of the Executive Branch of the United States Government, was established in 1913, to promote the welfare of the wage earners of the United States. Today the Department's mission remains the same: to foster and promote the welfare of the job seekers, wage earners and retirees of the United States by improving their working conditions, advancing their opportunities for profitable employment, protecting their retirement and health care benefits, helping employers find workers, strengthening free collective bargaining, and tracking changes in employment, prices, and other economic measurements.

DOL is organized into major program agencies, which administer the various statutes and programs for which the Department is responsible. Through the execution of its congressionally approved budget, DOL conducts operations in five major Federal program areas, under three major budget functions: *education, training, employment and social services, health (occupational health and safety), and income security*. DOL's major program agencies, and the major programs in which they operate, are shown below.

**1. Major program agencies**

- *Employment and Training Administration (ETA)*
- *Employment Standards Administration (ESA)*
- *Occupational Safety and Health Administration (OSHA)*
- *Bureau of Labor Statistics (BLS)*
- *Mine Safety and Health Administration (MSHA)*
- *Employee Benefits Security Administration (EBSA)*  
*(Formerly Pension and Welfare Benefits Administration)*
- *Veterans' Employment and Training (VETS)*
- *Other Departmental Programs*
  - *Office of the Assistant Secretary for Administration and Management*
  - *Office of the Solicitor*
  - *Office of the Chief Financial Officer*
  - *Office of the Inspector General*
  - *Bureau of International Labor Affairs*
  - *Women's Bureau*
  - *Office of Disability Employment Policy*

**2. Major programs**

- *Income maintenance*
- *Employment and training*
- *Labor, employment, and pension standards*
- *Worker safety and health*
- *Statistics*

The Pension Benefit Guaranty Corporation (PBGC), a wholly owned Federal government corporation under the chairmanship of the Secretary of Labor, has been designated by the Office of Management and Budget (OMB) as a separate reporting entity for financial statement purposes and has been excluded from the DOL reporting entity.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### For the Years Ended September 30, 2004 and 2003

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### A. Reporting Entity - Continued

##### 3. Fund accounting structure

DOL's financial activities are accounted for by Federal account symbol, utilizing individual funds and fund accounts within distinct fund types, as discussed below.

- *Trust funds*

The Unemployment Trust Fund was established under the authority of Section 904 of the Social Security Act of 1935, as amended, to receive, hold, invest, and disburse monies collected under the Federal Unemployment Tax Act, as well as state unemployment taxes collected by the states and transferred to the Fund, and unemployment taxes collected by the Railroad Retirement Board and transferred to the Fund.

The Longshore and Harbor Workers' Compensation Act Trust Fund, established under the authority of the Longshore and Harbor Workers' Compensation Act, provides medical benefits, compensation for lost wages, and rehabilitation services for job related injuries and diseases or death to private sector workers in certain maritime and related employment.

The District of Columbia Workmens' Compensation Act Trust Fund, established under the authority District of Columbia Workmens' Compensation Act provides compensation and medical payments to District of Columbia employees for work related injuries or death which occurred prior to July 26, 1982.

The Black Lung Disability Trust Fund, established under the Black Lung Benefit Act, provides compensation and medical benefits to coal miners who suffer disability due to pneumoconiosis, and compensation benefits to their dependent survivors.

Gifts and Bequests uses miscellaneous funds received by gift or bequest to support various activities of the Secretary of Labor.

- *General funds*

Salaries and Expenses include appropriated funds which are used to carry out the missions and functions of the Department, except where specifically provided for from other Departmental funds.

Training and Employment Services provides for a flexible, decentralized system of Federal and local programs of training and other services for the economically disadvantaged designed to lead to permanent gains in employment, through grants to states and Federal programs such as Job Corps, authorized by the Workforce Investment Act and the Job Training Partnership Act.

Welfare to Work Jobs provides funding for the activities of the Welfare-to-Work Grants program established by the Balanced Budget Act of 1997. The program provides formula grants to States and Federally administered competitive grants to other eligible entities to assist welfare recipients in securing lasting unsubsidized employment.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**A. Reporting Entity - Continued**

**3. Fund accounting structure - continued**

- *General funds - continued*

State Unemployment Insurance and Employment Service Operations includes grants to states for administering the Unemployment Compensation and Employment Service programs. Unemployment Compensation provides administrative grants to state agencies which pay unemployment benefits to eligible workers and collect state unemployment taxes from employers. The Employment Service is a nationwide system providing no-fee employment services to individuals seeking employment and to employers seeking workers. Employment Service activities are financed by allotments to states distributed under a demographically based funding formula established under the Wagner-Peyser Act, as amended.

Payments to the Unemployment Trust Fund was initiated as a result of amendments to the Emergency Unemployment Compensation (EUC) law, which provided general fund financing to the Unemployment Trust Fund to pay emergency unemployment benefits and associated administrative costs. The fund is currently used to provide general fund financing for emergency benefits as provided by the Temporary Extended Unemployment Compensation Act.

Advances to the Unemployment Trust Fund and Other Funds provides advances to other accounts within the Unemployment Trust Fund to pay unemployment compensation whenever the balances in these accounts prove insufficient or whenever reimbursements to certain accounts, as allowed by law, are to be made. This account also provides repayable advances to the Black Lung Disability Trust Fund, to make disability payments whenever the fund balance proves insufficient.

Federal Unemployment Benefits and Allowances provides for payment of benefits, training, job search, and relocation allowances as authorized by the Trade Act of 1974.

Community Service Employment for Older Americans provides part time work experience in community service activities to unemployed, low income persons aged 55 and over.

The Federal Employees' Compensation Act Special Benefit Fund provides wage replacement benefits and payment for medical services to covered 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. The Fund also provides for rehabilitation of injured employees to facilitate their return to work.

The Energy Employees Occupational Illness Compensation Fund was established to adjudicate, administer, and pay claims for benefits under the Energy Employees Occupational Illness Compensation Program Act of 2000. The Act authorizes lump sum payments and the reimbursement of medical expenses to employees of the Department of Energy (DOE) or of private companies under contract with DOE, who suffer from specified diseases as a result of their work in the nuclear weapons industry. The Act also authorizes compensation to the survivors of these employees under certain circumstances.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**A. Reporting Entity - Continued**

**3. Fund accounting structure - continued**

- *General funds - continued*

Special Benefits for Disabled Coal Miners was established under the Federal Mine Safety and Health Act to pay benefits to coal miners disabled from pneumoconiosis and to their widows and certain other dependents. Part B of the Act assigned processing of claims filed from the origination of the program until June 30, 1973 to the Social Security Administration. Part B claims processing and payment operations were transferred to the Department of Labor effective October 1, 2003.

- *Revolving funds*

The Working Capital Fund maintains and operates a program of centralized services in the national office and the field. The Fund is paid in advance by the agencies, bureaus, and offices for which centralized services are provided, at rates which return the full cost of operations.

- *Special funds*

The Panama Canal Commission Compensation Fund was established to pay workers compensation obligations of the Panama Canal Commission under the Federal Employees' Compensation Act from funding provided by the Commission.

H-1b Funded provides demonstration grants to regional and local entities to provide technical skills training to unemployed and incumbent workers. The fund is supported by fees paid by employers applying for foreign workers under the H-1b temporary alien labor certification program authorized by the American Competitiveness and Workforce Improvement Act of 1998.

- *Deposit funds*

Deposit funds account for monies held temporarily by DOL until ownership is determined, or monies held by DOL as an agent for others.

- *Miscellaneous receipt and clearing accounts*

Miscellaneous receipt accounts hold non-entity receipts and accounts receivable from DOL activities which by law, cannot be deposited into funds under DOL control. The U.S. Department of the Treasury automatically transfers all cash balances in these receipt accounts to the general fund of the Treasury at the end of each fiscal year.

Clearing accounts hold monies which belong to DOL, but for which a specific receipt account has not been determined.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**A. Reporting Entity - Continued**

**4. Inter-departmental relationships**

DOL and the Department of the Treasury (Treasury) are jointly responsible for the operations of the Unemployment Trust Fund and the Black Lung Disability Trust Fund. DOL is responsible for the administrative oversight and policy direction of the programs financed by these trust funds. Treasury acts as custodian over monies deposited into the funds and also invests amounts in excess of disbursing requirements in Treasury securities on behalf of DOL. DOL consolidates the financial results of the Unemployment Trust Fund and the Black Lung Disability Trust Fund into these financial statements.

**B. Basis of Accounting and Presentation**

These consolidated financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, financing, and custodial activities of the U.S. Department of Labor, in accordance with accounting principles generally accepted in the United States of America and the form and content requirements of OMB Bulletin 01-09. They have been prepared from the books and records of DOL, and include the accounts of all funds under the control of the DOL reporting entity. All interfund balances and transactions have been eliminated, except in the Statement of Budgetary Resources. OMB Bulletin 01-09 requires that the Statement of Budgetary Resources be presented on a combined basis.

OMB 01-09 requires budget authority and other resources allocated to another agency to be reported by the transferor of the appropriation in its financial statements unless the allocation transfer is material to the recipient's financial statements. The activity relating to the allocation should be reported in all of the recipient's financial statements, except the Statement of Budgetary Resources, when the allocation transfer is material to the recipient's financial statements. The transferor should continue to report the appropriation and the related budgetary activity in its Statement of Budgetary Resources.

DOL has allocated appropriations to the Department of Agriculture and the Department of Interior in fiscal years 2004 and 2003. These Departments consider this activity material to their respective financial statements, and therefore, DOL reports this activity only in the Combined Statement of Budgetary resources. Appropriations have been allocated to DOL from the Environmental Protection Agency, the General Service Administration, and the Agency for International Development, which DOL considers to be immaterial. These amounts are not included in the DOL financial statements.

Accounting principles generally accepted in the United States of America 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 consolidated financial statements are different from the financial reports, also prepared by DOL pursuant to OMB directives, used to monitor DOL's use of budgetary resources.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **For the Years Ended September 30, 2004 and 2003**

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

##### **C. Funds with U.S. Treasury**

DOL's cash receipts and disbursements are processed by the U.S. Treasury. Funds with U.S. Treasury represent obligated and unobligated balances available to finance allowable expenditures and restricted balances, including amounts related to expired authority and amounts not available for use by DOL. (See Note 2.)

##### **D. Investments**

DOL trust fund balances not required to meet current expenditures are invested by Treasury in interest bearing securities of the U.S. government. Balances held in the Unemployment Trust Fund are invested in non-marketable, special issue Treasury securities, available for purchase exclusively by Federal government agencies and trust funds. Special issues are purchased and redeemed at face value (cost), which is equivalent to their net carrying value on the Consolidated Balance Sheet. Interest rates and maturity dates vary.

Balances held in the Longshore and Harbor Workers' Trust Fund and the District of Columbia Trust Fund, as well as balances held in the Panama Canal Commission Compensation Fund, the Energy Employees Occupational Illness Compensation Fund and the Backwage Restitution Fund are invested in marketable Treasury securities. These investments are stated at amortized cost, which is equivalent to their net carrying value on the Consolidated Balance Sheet. Discounts and premiums are amortized using the effective interest method. Interest rates and maturity dates vary.

Management expects to hold these marketable securities until maturity; therefore, no provision is made in the financial statements for unrealized gains or losses. (See Note 3.)

##### **E. Accounts Receivable, Net of Allowance**

Accounts receivable consists of intra-governmental amounts due to DOL, as well as amounts due from the public.

###### **1. Intra-governmental accounts receivable**

The Federal Employees Compensation (FEC) account within the Unemployment Trust Fund provides unemployment insurance to eligible Federal workers (UCFE) and ex-service members (UCX). DOL recognizes as accounts receivable amounts due from other Federal agencies for unreimbursed UCFE and UCX benefits.

DOL's Federal Employees' Compensation Act Special Benefit Fund provides workers' compensation (FECA) benefits to eligible Federal workers on behalf of other Federal agencies. DOL recognizes as accounts receivable amounts due from other Federal agencies to the Special Benefit Fund for unreimbursed FECA benefits.

DOL also has receivables from other Federal agencies for work performed on their behalf under various reimbursable agreements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**E. Accounts Receivable, Net of Allowance - Continued**

**2. Accounts receivable due from the public**

DOL recognizes as accounts receivable State unemployment taxes due from covered employers. Also recognized as accounts receivable are benefit overpayments made by DOL to individuals not entitled to receive the benefit.

DOL recognizes as accounts receivable amounts due from the public for fines and penalties levied against employers by OSHA, MSHA, ESA, and EBSA; for amounts due for backwages assessed against employers by ESA; and for amounts due from grantees and contractors for grant and contract costs disallowed by ETA.

**3. Allowance for doubtful accounts**

Accounts receivable are stated net of an allowance for uncollectible accounts. The allowance is estimated based on an aging of account balances, past collection experience, and an analysis of outstanding accounts at year-end. (See Note 4.)

**F. Advances**

DOL advances consist primarily of payments made to State employment security agencies (SESAs), and to grantees and contractors to provide for future DOL program expenditures. These advance payments are recorded by DOL as an asset, which is reduced when actual expenditures or the accrual of unreported expenditures are recorded by DOL. (See Note 5.)

**G. Property, Plant and Equipment, Net of Depreciation**

The majority of DOL's property, plant and equipment (PP&E) is general purpose PP&E held by Job Corps centers owned and operated by DOL through a network of contractors. DOL maintains the Capital Asset Tracking and Reporting System (CATARS) to account for Job Corp's PP&E, as well as other general purpose PP&E used by the Department. Internal use software is considered general purpose PP&E.

Real property purchases or improvements and leasehold improvements with a cost greater than \$500,000 and a useful life of 2 or more years, internal use software with a cost greater than \$300,000 and a useful life of 2 or more years, and equipment with a cost of \$50,000 or more and a useful life of 2 or more years are capitalized. PP&E acquisitions not meeting these criteria are charged to expense at the time of purchase. In 2001, PP&E (excluding internal use software) with a cost greater than \$25,000 (\$5,000 for the Working Capital Fund) and a useful life of 2 or more years and internal use software with a cost greater than \$300,000 and a useful life of 2 or more years were capitalized. Prior to 2001, internally developed software in the Working Capital Fund with a cost greater than \$5,000 was capitalized, when the cost was intended to be recovered through charges to other DOL users. Prior to 1996, PP&E with a cost greater than \$5,000 and a useful life of 2 or more years were capitalized. PP&E acquisitions not meeting these criteria were charged to expense at the time of purchase.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**G. Property, Plant and Equipment, Net of Depreciation - Continued**

Property, plant and equipment purchases and additions are stated at cost. Normal repairs and maintenance are charged to expense as incurred. Plant and equipment are depreciated over their estimated useful lives using the straight-line method of depreciation.

Job Corps center construction costs are capitalized as construction-in-progress until completed. Upon completion they are reclassified as structures or facilities and depreciated over their estimated useful life. Leasehold improvements made at Job Corps centers and DOL facilities leased from the General Services Administration are recorded at cost and amortized over their useful lives, using the straight-line method of amortization. (DOL has no operating leases which extend for a period of more than one year.)

Internal use software development costs are capitalized as software development in progress until the development stage has been completed and successfully tested. Upon completion and testing, software development-in-progress costs are reclassified as internal use software and amortized over their estimated useful life.

The table below shows the major classes of DOL's depreciable plant and equipment, and the depreciation periods used for each major classification. (See Note 6.)

	<u>Years</u>
Structures, facilities and improvements	20 - 50
Furniture and equipment	2 - 36
ADP software	2 - 15

DOL grantees have acquired real and tangible property with Federal grant funds in which DOL has a reversionary interest when the property is disposed of or no longer used for its authorized purpose. DOL is entitled to a pro rata share of the proceeds from sale of the property or a pro rata share of the property's fair market value, if the property is retained by the grantee but no longer used for DOL purposes.

The value of DOL's reversionary interest in real and tangible property acquired with Federal grant funds can not be determined until the grantee's intention to sell or convert the property is known.

**H. Non-entity Assets**

Assets held by DOL which are not available to DOL for obligation are considered non-entity assets. DOL holds non-entity assets for the Railroad Retirement Board and for transfer to the U.S. Treasury. (See Note 7.)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**I. Liabilities**

Liabilities represent probable amounts to be paid by DOL as a result of past transactions, and are recognized when incurred, regardless of whether there are budgetary resources available to pay them. However, the liquidation of these liabilities will consume budgetary resources and cannot be made until available resources have been obligated. For financial reporting purposes, DOL's liabilities are classified as covered or not covered by budgetary resources. Liabilities are classified as covered by budgetary resources if budgetary resources are available for consumption, regardless of whether the available resources have been obligated. Liabilities are classified as not covered by budgetary resources if budgetary resources are not available for consumption. These classifications differ from budgetary reporting, which categorizes liabilities as obligated, consuming budgetary resources, or unobligated, not consuming budgetary resources. Unobligated liabilities include those covered liabilities for which available budgetary resources have not been obligated, as well as liabilities not covered for which budgetary resources are not available. (See Notes 11 and 12.)

**J. Advances from U.S. Treasury**

The Benefits Revenue Act provides for repayable advances to DOL's Black Lung Disability Trust Fund, in the event fund resources are not adequate to meet fund obligations. Spending authority is derived from the Black Lung Disability Trust Fund's indefinite authority to borrow. Repayable advances are provided through transfers from the Advances to the Unemployment Trust Fund and Other Funds appropriation, to the extent of borrowings under the authority. Advances are repayable with interest at a rate determined by the Secretary of the Treasury to be equal to the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the anticipated period during which the advance will be outstanding. Advances made prior to 1982 carried rates of interest equal to the average rate borne by all marketable interest-bearing obligations of the United States then forming a part of the public debt. Outstanding advances bear interest rates ranging from 5.250% to 13.875% at September 30, 2004 and 2003. Amounts in the trust fund shall be available, as provided by appropriation acts, for the payment of interest on, and the repayment of these repayable advances. Interest and principal are paid to the general fund of the Treasury when the Secretary of the Treasury determines that funds are available in the trust fund for such purposes. (See Note 8.)

**K. Accrued Leave**

A liability for annual and compensatory leave is accrued as leave is earned and paid when leave is taken. The balance of leave earned but not taken will be paid from future funding sources. Sick leave and other types of non-vested leave are expensed as taken.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued****L. Accrued Benefits**

The financial statements include a liability for unemployment, workers' compensation and disability benefits payable from various DOL funds, as discussed below. (See Note 9.)

**1. Unemployment benefits payable**

The Unemployment Trust Fund provides benefits to unemployed workers who meet State and Federal eligibility requirements. Regular and extended unemployment benefits are paid from State accounts within the Unemployment Trust Fund, financed primarily by a State unemployment tax on employer payrolls. Fifty percent of the cost of extended unemployment benefits is paid from the Extended Unemployment Compensation Account (EUCA) within the Unemployment Trust Fund, financed by a Federal unemployment tax on employer payrolls. Temporary extended unemployment benefits, which began in 2002, are paid from the EUCA and are financed by Federal unemployment tax and general fund appropriations. New claims for this program ended in January 2004. Unemployment benefits to unemployed Federal workers are paid from the Federal Employment Compensation Account within the Unemployment Trust Fund. These benefit costs are reimbursed by the responsible Federal agency. A liability is recognized for unpaid unemployment benefits applicable to the current period and for benefits paid by states that have not been reimbursed by the fund. DOL also recognizes a liability for Federal employees' unemployment benefits to the extent of unpaid benefits for existing claims filed during the current period, payable in the subsequent period.

**2. Federal employees disability and 10(h) benefits payable**

The Federal Employees' Compensation Act Special Benefit Fund provides income and medical cost protection to covered 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. The fund is reimbursed by other Federal agencies for the FECA benefit payments made on behalf of their workers. The fund assumes the liability for unreimbursed (non-chargeable) FECA benefits. The fund also provides 50% of the annual cost-of-living adjustments for pre-1972 compensation cases under the authority of Section 10(h) of the Longshore and Harbor Workers' Compensation Act and the District of Columbia Workmen's Compensation Act.

A liability for FECA benefits payable by the Special Benefit Fund to the employees of other Federal agencies and for 10(h) benefits is accrued to the extent of unpaid benefits applicable to the current period.

**3. Black lung disability benefits payable**

The Black Lung Disability Trust Fund and Special Benefits for Disabled Coal Miners provide compensation and medical benefits for eligible coal miners who are disabled due to pneumoconiosis (black lung disease). DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**L. Accrued Benefits – Continued**

**4. Energy employees occupational illness compensation benefits payable**

The Energy Employees Occupational Illness Compensation Fund provides benefits to eligible current or former employees of the Department of Energy (DOE) and its contractors suffering from designated illnesses incurred as a result of their work with DOE. Benefits are also paid to certain survivors of those employees and contractors, as well as to certain beneficiaries of the Radiation Exposure Compensation Act. DOL recognizes a liability for disability benefits to the extent of unpaid benefits applicable to the current period.

**5. Longshore and harbor workers' and District of Columbia disability benefits payable**

The Longshore and Harbor Workers' Compensation Trust Fund and the District of Columbia Workmens' Compensation Trust Fund provide compensation and medical benefits for work related injuries to workers in certain maritime employment and to employees of the District of Columbia, respectively. DOL recognizes a liability for disability benefits payable by these funds to the extent of unpaid benefits applicable to the current period.

**M. Future Workers' Compensation Benefits**

The financial statements include a liability for future workers' compensation benefits payable by DOL to its employees, to employees of the Panama Canal Commission and to enrollees of the Job Corps, as well as benefits not chargeable to other Federal agencies, which must be paid by DOL's Federal Employees' Compensation Act Special Benefit Fund. The liability includes the expected payments for death, disability, medical, and miscellaneous costs for approved compensation cases, as well as a component for incurred but not reported claims. The liability is determined using historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period.

The methodology provides for the effects of inflation and adjusts historical payments to current year constant dollars by applying wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index medical or CPIMs) to the calculation of projected benefits. The compensation COLAs and CPIMs used in the projections for 2004 and 2003 were as follows:

	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<u>FY</u>	<u>COLA</u>	<u>COLA</u>	<u>CPIM</u>	<u>CPIM</u>
2003	2.70%	2.70%	4.49%	4.49%
2004	2.13%	2.30%	4.10%	3.21%
2005	2.03%	2.00%	4.14%	3.54%
2006	2.73%	1.83%	3.96%	3.64%
2007	2.40%	1.97%	3.98%	3.80%
2008	2.40%	2.17%	3.99%	3.92%
2009+	2.40%	2.17%	4.02%	3.92%

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued****M. Future Workers' Compensation Benefits – Continued**

Projected annual payments were discounted to present value based on OMB's interest rate assumptions for ten year Treasury notes. For 2004, interest rate assumptions were 4.9% in year one and 5.2% in year two and thereafter. For 2003, interest rate assumptions were 3.8% in year one and 4.4% in year two and thereafter. (See Note 10.)

**N. Energy Employees Occupational Illness Compensation Benefits**

The Energy Employees Occupational Illness Compensation Fund, established under the authority of the Energy Employees Occupational Illness Compensation Program Act of 2000 (EEOICPA), provides benefits to eligible current or former employees of the Department of Energy (DOE) and its contractors, or to certain survivors of those employees and contractors, as well as benefits to certain beneficiaries of the Radiation Exposure Compensation Act. DOL is responsible for adjudicating and administering claims filed under the EEOICPA. Effective July 31, 2001, compensation of \$150,000 and payment of medical expenses from the date a claim is filed are available to covered individuals suffering from designated illnesses incurred as a result of their work with DOE. Compensation of \$50,000 and payment of medical expenses from the date a claim is filed are available to individuals eligible for compensation under of the Radiation Exposure Compensation Act.

DOL has recognized a \$2.8 billion and \$2.2 billion liability for estimated future benefits payable by DOL at September 30, 2004 and 2003, respectively, to eligible individuals under the EEOICPA. For fiscal year 2004, the undiscounted liability is \$4.4 billion discounted to a present value liability of \$2.8 billion based on an interest rate of 5.24% projected over a sixteen year period. For fiscal year 2003, the undiscounted liability is \$3.0 billion discounted to a present value liability of \$2.2 billion based on an interest rate 4.29% projected over a sixteen year period. The estimated liability includes the expected lump sum and estimated medical payments for approved compensation cases and cases filed pending approval, as well as claims incurred but not yet filed. The actuarial projection methodology provided an estimate of the ultimate number of reported cases as a result of estimating future claims from the historical patterns of reported claims and subsequent claim approval rates. Medical payments were derived by estimating an average benefit award per living employee claimant.

**O. Employee Health and Life Insurance Benefits**

DOL employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGLIP). DOL matches the employee contributions to each program to pay for current benefits. During 2004, DOL's contributions to the FEHBP and FEGLIP were \$70.4 and \$1.9 million, respectively. During 2003, DOL's contributions to the FEHBP and FEGLIP were \$63.4 and \$1.9 million, respectively. These contributions are recognized as current operating expenses.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**P. Other Retirement Benefits**

DOL employees eligible to participate in the FEHBP and the FEGLIP may continue to participate in these programs after their retirement. DOL recognizes a current operating expense for the future cost of these other retirement benefits (ORB) at the time the employee's services are rendered. This ORB expense must be financed by OPM, and is offset by DOL through recognition of an imputed financing source. Using cost factors supplied by OPM, DOL recorded ORB expense and imputed financing sources of \$60.8 million in 2004 and \$53.2 million in 2003.

**Q. Employee Pension Benefits**

DOL employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). For employees participating in CSRS, 7.0% of their gross earnings is withheld and transferred to the Civil Service Retirement and Disability Fund. DOL contributes an additional 7.0% of the employee gross earnings to the CSRS Retirement and Disability Fund. For employees participating in FERS, DOL withholds 0.8% of gross earnings, and matches the withholding with a 10.7% employer contribution. This total is transferred to the Federal Employees' Retirement Fund. The CSRS and FERS retirement funds are administered by the OPM. DOL contributions to the CSRS and FERS are recognized as current operating expenses. FERS participants are also covered under the Federal Insurance Contribution Act (FICA) and are subject to FICA withholdings. DOL makes matching contributions to FICA, recognized as operating expenses. DOL's matching FICA contributions were \$58.7 million in 2004 and \$54.4 million in 2003.

The Thrift Savings Plan (TSP) is a defined contribution retirement savings and investment plan for employees covered by either CSRS or FERS. CSRS participants may contribute up to 9% of their gross pay to the TSP, but there is no departmental matching contribution. FERS participants may contribute up to 14% of their gross pay to the TSP. For employees covered under FERS, DOL contributes 1% of the employees' gross pay to the TSP. DOL also matches 100% of the first 3% contributed and 50% of the next 2% contributed. DOL contributions to the TSP are recognized as current operating expenses. The maximum amount that either FERS or CSRS employees may contribute to the TSP in a calendar year is \$13,000. Employee and employer contributions to the TSP are transferred to the Federal Retirement Thrift Investment Board.

DOL recognizes the full cost of providing future CSRS and FERS pension benefits to covered employees at the time the employees' services are rendered. The pension expense recognized in the financial statements equals the service cost for covered DOL employees, less amounts contributed by these employees. Service cost represents the actuarial present value of benefits attributed to services rendered by covered employees during the accounting period.

The measurement of service cost requires the use of actuarial cost methods to determine the percentage of the employees' basic compensation sufficient to fund their projected pension benefit. These percentages (cost factors) are provided by OPM, and applied by DOL to the basic annual compensation of covered employees to arrive at the amount of total pension expense to be recognized in DOL's financial statements.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **For the Years Ended September 30, 2004 and 2003**

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

##### **Q. Employee Pension Benefits - Continued**

The excess of total pension expense over the amount contributed by the Department and by DOL's employees represents the amount of pension expense which must be financed directly by OPM. DOL recognized as non-exchange revenue an imputed financing source equal to the excess amount. DOL does not recognize in its financial statements FERS or CSRS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to its employees. (See Note 13.)

##### **R. Net Position**

DOL's net position consists of the following:

###### **1. Unexpended appropriations**

Unexpended appropriations include the unobligated balances and undelivered orders of DOL's appropriated funds. Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, until that appropriation is closed, five years after the appropriations expire. Multi-year appropriations remain available to DOL for obligation in future periods.

###### **2. Cumulative results of operations**

Cumulative results of operations includes the accumulated historical difference between expenses consuming budgetary resources and financing sources providing budgetary resources in DOL's trust, revolving and special funds; liabilities not consuming budgetary resources net of assets not providing budgetary resources; and DOL's net investment in capitalized assets.

##### **S. Net Cost of Operations**

###### **1. Operating costs**

Full operating costs are comprised of all direct costs consumed by the program and those indirect costs which can be reasonably assigned or allocated to the program. Full costs are reduced by exchange (earned) revenues to arrive at the program's net operating cost. The full and net operating costs of DOL's major programs are presented in the Consolidated Statements of Net Cost, and are also reported by suborganization in Note 14 to the financial statements. Note 14 also presents DOL's net operating costs by the outcome goals adopted in the Department's Annual Performance Plan for FY 2004 and DOL's net operating costs by budget function.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**S. Net Cost of Operations - Continued**

**2. Earned revenue**

Earned revenues arise from exchange transactions which occur through the provision of goods and services for a price, and are deducted from the full cost of DOL's major programs to arrive at net program cost. Earned revenues are recognized by DOL to the extent reimbursements are payable from other Federal agencies and from the public, as a result of costs incurred or services performed on their behalf. Major sources of DOL's earned revenue include reimbursements due to the Federal Employees' Compensation Act Special Benefit Fund from Federal agencies for the costs of disability compensation and medical care provided to or accrued on behalf of their employees, and reimbursements due to the Unemployment Trust Fund from Federal agencies for the cost of unemployment benefits provided to or accrued on behalf of their employees.

**T. Budgetary Financing Sources**

Budgetary financing sources other than earned revenues provide funding for the Department's net cost of operations and are reported on the Consolidated Statement of Changes in Net Position. These financing sources include appropriations received, less appropriations transferred and not available, non-exchange revenue, and transfers without reimbursement, as discussed below:

**1. Appropriations received, appropriations transferred and appropriations not available**

DOL receives financing sources through congressional appropriations to support its operations. A financing source is recognized for these appropriated funds received, less appropriations transferred or not available through rescission or cancellation.

**2. Non-exchange revenue**

Non-exchange revenues arise from the Federal government's power to demand payments from and receive donations from the public. Non-exchange revenues are recognized by DOL on the Consolidated Statement of Changes in Net Position for the transfer of employer and excise taxes from the entities collecting these taxes and for interest from investments, as discussed below: (See Note 15.)

- *Employer taxes*

Employer tax revenues are recognized on a modified cash basis, to the extent of cash transferred by the collecting entity to DOL, plus the change in inter-entity balances between the collecting entity and DOL. Inter-entity balances represent revenue received by the collecting entity, net amounts due to the collecting entity and adjustments made to previous transactions by the collecting entity which have not been transferred to the receiving entity.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued****T. Budgetary Financing Sources - Continued****2. Non-exchange revenue - continued**

- *Employer taxes - continued*

Federal and state unemployment taxes represent non-exchange revenues collected from employers based on wages paid to employees in covered employment. Federal unemployment taxes are collected by the Internal Revenue Service and transferred to designated accounts within the Unemployment Trust Fund. State unemployment taxes are collected by each State and deposited in separate State accounts within the Unemployment Trust Fund. Federal unemployment taxes are used to pay the Federal share of extended unemployment benefits and to provide for Federal and State administrative expenses related to the operation of the unemployment insurance program. State unemployment taxes are restricted in their use to the payment of unemployment benefits.

- *Interest*

The Unemployment Trust Fund, Longshore and Harbor Workers' Trust Fund, District of Columbia Trust Fund, the Panama Canal Commission Compensation Fund and the Energy Employees Occupational Illness Compensation Fund receive interest on fund investments. The Unemployment Trust Fund receives interest from states that had accounts with loans payable to the Federal unemployment account at the end of the prior fiscal year. Interest is also earned on Federal funds in the possession of non-Federal entities. Interest is recognized as non-exchange revenue when earned.

- *Assessments*

The Longshore and Harbor Workers' Trust Fund and District of Columbia Trust Fund receive non-exchange revenues from assessments levied on insurance companies and self-insured employers. Assessments are recognized as non-exchange revenues when due.

- *Reimbursement of unemployment benefits*

The Unemployment Trust Fund receives reimbursements from state and local government entities and non-profit organizations for the cost of unemployment benefits provided to their employees. These reimbursements are recognized as other non-exchange revenue when due.

**3. Transfers without reimbursement**

Other transfers recognized as financing sources by DOL include the transfer from various DOL general fund unexpended appropriation accounts to the Working Capital Fund's cumulative results of operations. (See Note 16.)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**U. Other Financing Sources**

Other financing sources include nonexchange revenue and other items that do not represent budgetary resources.

**1. Imputed financing**

A financing source is imputed by DOL to provide for pension and other retirement benefit expenses recognized by DOL but financed by OPM. (See Notes 1-P and Q.)

**2. Transfers without reimbursement**

Other transfers recognized as financing sources by DOL include the transfer of property from the General Services Administration to the Employment and Training Administration (ETA) to be used in ETA job training programs. (See Note 16.)

**V. Custodial Activity**

DOL collects and transfers to the general fund of the U.S. Treasury custodial non-exchange revenues for penalties levied against employers by OSHA, MSHA, ESA, and EBSA for regulatory violations, for ETA disallowed grant costs assessed against canceled appropriations and for FECA administrative costs assessed against government corporations in excess of amounts reserved to finance capital improvements in the Federal Employees' Compensation Act Special Benefit Fund. These collections are not available to the agencies for obligation or expenditure. Penalties and other assessments are recognized as custodial revenues when collected or subject to collection. The source and disposition of these revenues are reported on the Consolidated Statements of Custodial Activity. (See Note 18.)



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 2 - FUNDS WITH U.S. TREASURY**

Funds with U.S. Treasury at September 30, 2004 consisted of the following:

<b>(Dollars in thousands)</b>	<b>Entity Assets</b>			<b>Total Entity Assets</b>	<b>Non-entity Assets</b>	<b>Total</b>
	<b>Unobligated Balance Available</b>	<b>Unobligated Balance Unavailable</b>	<b>Obligated Balance Not Yet Disbursed</b>			
Revolving funds	\$ 3,900	\$ -	\$ 24,280	\$ 28,180	\$ -	\$ 28,180
Trust funds	149,034	53	52,908	201,995	2	201,997
Appropriated funds	2,566,402	655,579	6,179,624	9,401,605	-	9,401,605
Other	-	-	-	-	68,975	68,975
	<u>\$ 2,719,336</u>	<u>\$ 655,632</u>	<u>\$ 6,256,812</u>	<u>\$ 9,631,780</u>	<u>\$ 68,977</u>	<u>\$ 9,700,757</u>

Funds with U.S. Treasury at September 30, 2003 consisted of the following:

<b>(Dollars in thousands)</b>	<b>Entity Assets</b>			<b>Total Entity Assets</b>	<b>Non-entity Assets</b>	<b>Total</b>
	<b>Unobligated Balance Available</b>	<b>Unobligated Balance Unavailable</b>	<b>Obligated Balance Not Yet Disbursed</b>			
Revolving funds	\$ 3,900	\$ -	\$ 20,692	\$ 24,592	\$ -	\$ 24,592
Trust funds	99,076	184	(127,486)	(28,226)	(206)	(28,432)
Appropriated funds	2,458,905	293,596	6,782,608	9,535,109	-	9,535,109
Other	-	-	-	-	84,244	84,244
	<u>\$ 2,561,881</u>	<u>\$ 293,780</u>	<u>\$ 6,675,814</u>	<u>\$ 9,531,475</u>	<u>\$ 84,038</u>	<u>\$ 9,615,513</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 3 - INVESTMENTS**

Investments at September 30, 2004 consisted of the following:

<b>(Dollars in thousands)</b>	<b>Face Value</b>	<b>Premium (Discount)</b>	<b>Net Value</b>	<b>Market Value</b>
<b>Unemployment Trust Fund</b>				
<u>Non-marketable</u>				
U.S. Treasury Certificates of Indebtedness				
4.375% maturing June 30, 2005	\$ 10,238,570	\$ -	\$ 10,238,570	\$ 10,238,570
Special issue U.S. Treasury Bonds				
4.375% maturing June 30, 2005	4,210,119	-	4,210,119	4,210,119
6.250% maturing June 30, 2005	22,266,681	-	22,266,681	22,266,681
5.500% maturing June 30, 2006	8,524,011	-	8,524,011	8,524,011
	<u>45,239,381</u>	<u>-</u>	<u>45,239,381</u>	<u>45,239,381</u>
<b>Panama Canal Commission</b>				
<b>Compensation Fund</b>				
<u>Marketable</u>				
U.S. Treasury Notes				
3.625% to 7.875% various maturities	27,685	450	28,135	28,607
U.S. Treasury Bonds				
10.375% to 14.000% various maturities	49,428	6,494	55,922	58,767
	<u>77,113</u>	<u>6,944</u>	<u>84,057</u>	<u>87,374</u>
<b>Energy Employees Occupational Illness</b>				
<b>Compensation Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bill				
1.720% maturing October 1, 2004	46,833	-	46,833	46,833
<b>Longshore and Harbor Workers' Trust Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bills				
1.340% to 1.890% various maturities	69,863	(210)	69,653	69,653
<b>District of Columbia Trust Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bills				
1.320% to 1.790% various maturities	5,020	(13)	5,007	5,007
<b>Backwage Restitution Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bill				
1.543% to 1.553% various maturities	1,593	(14)	1,579	1,579
	<u>\$ 45,439,803</u>	<u>\$ 6,707</u>	<u>\$ 45,446,510</u>	<u>\$ 45,449,827</u>
<b>Entity investments</b>	\$ 45,353,104	\$ 6,707	\$ 45,359,811	\$ 45,363,128
<b>Non-entity investments</b>	86,699	-	86,699	86,699
	<u>\$ 45,439,803</u>	<u>\$ 6,707</u>	<u>\$ 45,446,510</u>	<u>\$ 45,449,827</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### For the Years Ended September 30, 2004 and 2003

#### NOTE 3 - INVESTMENTS - Continued

Investments at September 30, 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Face Value</u>	<u>Premium (Discount)</u>	<u>Net Value</u>	<u>Market Value</u>
<b>Unemployment Trust Fund</b>				
<u>Non-marketable</u>				
U.S. Treasury Certificates of Indebtedness				
4.625% maturing June 30, 2004	\$ 1,367,501	\$ -	\$ 1,367,501	\$ 1,367,501
Special issue U.S. Treasury Bonds				
4.875% maturing June 30, 2004	522,089	-	522,089	522,089
6.500% maturing June 30, 2004	14,068,830	-	14,068,830	14,068,830
6.250% maturing June 30, 2005	23,705,952	-	23,705,952	23,705,952
5.500% maturing June 30, 2006	8,524,011	-	8,524,011	8,524,011
	<u>48,188,383</u>	<u>-</u>	<u>48,188,383</u>	<u>48,188,383</u>
<b>Panama Canal Commission</b>				
<b>Compensation Fund</b>				
<u>Marketable</u>				
U.S. Treasury Notes				
5.875% to 7.875% various maturities	13,747	43	13,790	14,882
U.S. Treasury Bonds				
8.750% to 14.000% various maturities	62,701	12,222	74,923	77,192
	<u>76,448</u>	<u>12,265</u>	<u>88,713</u>	<u>92,074</u>
<b>Energy Employees Occupational Illness</b>				
<b>Compensation Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bill				
0.950% maturing October 1, 2003	60,232	-	60,232	60,232
<b>Longshore and Harbor Workers' Trust Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bills				
0.900% to 0.990% various maturities	64,438	(90)	64,348	64,348
<b>District of Columbia Trust Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bills				
0.900% to 0.960% various maturities	4,903	(5)	4,898	4,898
<b>Backwage Restitution Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bill				
0.865% to 0.940% various maturities	1,592	(13)	1,579	1,579
	<u>\$ 48,395,996</u>	<u>\$ 12,157</u>	<u>\$ 48,408,153</u>	<u>\$ 48,411,514</u>
<b>Entity investments</b>	\$ 48,339,233	\$ 12,157	\$ 48,351,390	\$ 48,354,751
<b>Non-entity investments</b>	56,763	-	56,763	56,763
	<u>\$ 48,395,996</u>	<u>\$ 12,157</u>	<u>\$ 48,408,153</u>	<u>\$ 48,411,514</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE**

Accounts receivable at September 30, 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Gross Receivables</u>	<u>Allowance</u>	<u>Net Receivables</u>
<b>Entity intra-governmental assets</b>			
Due for UCFE and UCX benefits	\$ 333,918	\$ -	\$ 333,918
Due for workers' compensation benefits	3,572,765	-	3,572,765
Other	9,991	-	9,991
	<u>3,916,674</u>	<u>-</u>	<u>3,916,674</u>
<b>Entity assets</b>			
State unemployment taxes	755,789	(556,917)	198,872
Due from reimbursable employers	659,820	(39,404)	620,416
Benefit overpayments	2,091,586	(1,862,710)	228,876
Other	6,991	(2,121)	4,870
	<u>3,514,186</u>	<u>(2,461,152)</u>	<u>1,053,034</u>
<b>Non-entity assets</b>			
Fines and penalties	115,869	(56,326)	59,543
Backwages	24,846	(10,389)	14,457
	<u>140,715</u>	<u>(66,715)</u>	<u>74,000</u>
	<u>3,654,901</u>	<u>(2,527,867)</u>	<u>1,127,034</u>
	<u>\$ 7,571,575</u>	<u>\$ (2,527,867)</u>	<u>\$ 5,043,708</u>

Changes in the allowance for doubtful accounts during 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Balance at September 30, 2003</u>	<u>Write-offs</u>	<u>Revenue Adjustment</u>	<u>Bad Debt</u>	<u>Balance at September 30, 2004</u>
<b>Entity assets</b>					
State unemployment taxes	\$ (524,043)	\$ 307,970	\$ (340,844)	\$ -	\$ (556,917)
Due from reimbursable employers	(36,072)	18,974	(22,306)	-	(39,404)
Benefit overpayments	(1,881,135)	688,846	-	(670,421)	(1,862,710)
Other	(481)	1,061	-	(2,701)	(2,121)
	<u>(2,441,731)</u>	<u>1,016,851</u>	<u>(363,150)</u>	<u>(673,122)</u>	<u>(2,461,152)</u>
<b>Non-entity assets</b>					
Fines and penalties	(51,700)	8,504	(13,130)	-	(56,326)
Backwages	(921)	-	-	(9,468)	(10,389)
	<u>(52,621)</u>	<u>8,504</u>	<u>(13,130)</u>	<u>(9,468)</u>	<u>(66,715)</u>
	<u>\$ (2,494,352)</u>	<u>\$ 1,025,355</u>	<u>\$ (376,280)</u>	<u>\$ (682,590)</u>	<u>\$ (2,527,867)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 4 - ACCOUNTS RECEIVABLE, NET OF ALLOWANCE - Continued**

Accounts receivable at September 30, 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Gross Receivables</u>	<u>Allowance</u>	<u>Net Receivables</u>
<b>Entity intra-governmental assets</b>			
Due for UCFE and UCX benefits	\$ 254,464	\$ -	\$ 254,464
Due for workers' compensation benefits	3,520,021	-	3,520,021
Other	15,514	-	15,514
	<u>3,789,999</u>	<u>-</u>	<u>3,789,999</u>
<b>Entity assets</b>			
State unemployment taxes	665,961	(524,043)	141,918
Due from reimbursable employers	538,542	(36,072)	502,470
Benefit overpayments	2,090,664	(1,881,135)	209,529
Other	9,242	(481)	8,761
	<u>3,304,409</u>	<u>(2,441,731)</u>	<u>862,678</u>
<b>Non-entity assets</b>			
Fines and penalties	113,206	(51,700)	61,506
Backwages	16,425	(921)	15,504
	<u>129,631</u>	<u>(52,621)</u>	<u>77,010</u>
	<u>3,434,040</u>	<u>(2,494,352)</u>	<u>939,688</u>
	<u>\$ 7,224,039</u>	<u>\$ (2,494,352)</u>	<u>\$ 4,729,687</u>

Changes in the allowance for doubtful accounts during 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Balance at September 30, 2002</u>	<u>Write-offs</u>	<u>Revenue Adjustment</u>	<u>Bad Debt</u>	<u>Balance at September 30, 2003</u>
<b>Entity assets</b>					
State unemployment taxes	\$ (518,847)	\$ 299,589	\$ (304,785)	\$ -	\$ (524,043)
Due from reimbursable employers	(36,583)	17,273	(16,762)	-	(36,072)
Benefit overpayments	(1,731,612)	318,674	-	(468,197)	(1,881,135)
Other	(491)	2,115	-	(2,105)	(481)
	<u>(2,287,533)</u>	<u>637,651</u>	<u>(321,547)</u>	<u>(470,302)</u>	<u>(2,441,731)</u>
<b>Non-entity assets</b>					
Fines and penalties	(41,030)	6,966	(17,636)	-	(51,700)
Backwages	(3,825)	2,904	-	-	(921)
	<u>(44,855)</u>	<u>9,870</u>	<u>(17,636)</u>	<u>-</u>	<u>(52,621)</u>
	<u>\$ (2,332,388)</u>	<u>\$ 647,521</u>	<u>\$ (339,183)</u>	<u>\$ (470,302)</u>	<u>\$ (2,494,352)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 5 – ADVANCES**

Advances at September 30, 2004 and 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2004</u>	<u>2003</u>
Advances to states for UI benefit payments	\$ 623,172	\$ 471,592
Advances to grantees and contractors to finance future DOL program expenditures	146,463	8,798
Other	7,397	688
	<u>\$ 777,032</u>	<u>\$ 481,078</u>

**NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, NET OF DEPRECIATION**

Property, plant and equipment at September 30, 2004 and 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2004</u>			<u>2003</u>
	<u>Cost or Basis</u>	<u>Accumulated Depreciation/Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
<b>Structures, facilities and improvements</b>				
Structures and facilities	\$ 801,869	\$ (337,815)	\$ 464,054	\$ 461,690
Improvements to leased facilities	356,904	(206,116)	150,788	115,492
	<u>1,158,773</u>	<u>(543,931)</u>	<u>614,842</u>	<u>577,182</u>
<b>Furniture and equipment</b>				
Equipment held by contractors	160,744	(154,718)	6,026	9,648
Furniture and equipment	62,648	(33,338)	29,310	31,128
	<u>223,392</u>	<u>(188,056)</u>	<u>35,336</u>	<u>40,776</u>
<b>ADP software</b>	106,406	(54,059)	52,347	49,693
<b>Construction-in-progress</b>	106,668	-	106,668	96,831
<b>Land</b>	67,076	-	67,076	66,076
	<u>\$ 1,662,315</u>	<u>\$ (786,046)</u>	<u>\$ 876,269</u>	<u>\$ 830,558</u>

**NOTE 7 - NON-ENTITY ASSETS**

Non-entity assets consisted of the following at September 30, 2004 and 2003:

<u>(Dollars in thousands)</u>	<u>2004</u>	<u>2003</u>
Intra-governmental		
Funds with U.S. Treasury	\$ 68,977	\$ 84,038
Investments	86,699	56,763
Interest receivable from investments	1,086	828
	<u>156,762</u>	<u>141,629</u>
Accounts receivable, net of allowance	74,000	77,010
	<u>\$ 230,762</u>	<u>\$ 218,639</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### For the Years Ended September 30, 2004 and 2003

#### NOTE 8 - ADVANCES FROM U.S. TREASURY

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Balance at September 30, 2003</u>	<u>Net Borrowing</u>	<u>Balance at September 30, 2004</u>
Intra-governmental Borrowing from the Treasury	\$ 8,243,557	\$ 497,000	\$ 8,740,557
	<u>\$ 8,243,557</u>	<u>\$ 497,000</u>	<u>\$ 8,740,557</u>

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Balance at September 30, 2002</u>	<u>Net Borrowing</u>	<u>Balance at September 30, 2003</u>
Intra-governmental Borrowing from the Treasury	\$ 7,718,557	\$ 525,000	\$ 8,243,557
	<u>\$ 7,718,557</u>	<u>\$ 525,000</u>	<u>\$ 8,243,557</u>

Assuming the continuation of current operating conditions, repayment of these and necessary future advances will require a change in the statutory operating structure of the fund. (See Note 19.)

#### NOTE 9 – ACCRUED BENEFITS

Accrued benefits at September 30, 2004 and 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2004</u>	<u>2003</u>
State regular and extended unemployment benefits payable	\$ 869,504	\$ 983,337
Federal extended unemployment benefits payable	36,265	76,528
Federal temporary extended unemployment benefits	23,581	199,700
Federal emergency unemployment benefits payable	31,951	28,391
Federal employees' unemployment benefits payable	26,200	24,499
Federal employees' unemployment benefits for existing claims due in the subsequent year	141,022	152,614
Total unemployment benefits payable	1,128,523	1,465,069
Black lung disability benefits payable	55,542	25,654
Federal employees' disability and 10(h) benefits payable	155,716	144,747
Energy employees occupational illness compensation benefits payable	790	777
Longshore and harbor workers disability benefits payable	3,155	2,172
District of Columbia disability benefits payable	283	175
	<u>\$ 1,344,009</u>	<u>\$ 1,638,594</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 10 - FUTURE WORKERS' COMPENSATION BENEFITS**

DOL's liability for future workers' compensation benefits at September 30, 2004 and 2003 consisted of the following:

<b>(Dollars in thousands)</b>	<u>2004</u>	<u>2003</u>
<i>Projected gross liability of the Federal government for future FECA benefits</i>	\$ 25,570,723	\$ 27,054,049
<i>Less liabilities attributed to other agencies:</i>		
U.S. Postal Service	(8,379,832)	(8,729,029)
Department of Navy	(2,744,041)	(2,999,824)
Department of Army	(1,937,818)	(2,081,971)
Department of Veterans Affairs	(1,752,895)	(1,887,701)
Department of Air Force	(1,418,832)	(1,558,355)
Department of Transportation	(1,020,500)	(1,114,602)
Department of Homeland Security	(1,398,161)	(1,103,401)
Tennessee Valley Authority	(594,461)	(664,669)
Department of Treasury	(678,272)	(782,903)
Department of Agriculture	(836,341)	(939,818)
Department of Justice	(829,336)	(839,748)
Department of Interior	(664,856)	(711,565)
Department of Defense, Other	(858,146)	(955,952)
Department of Health and Human Services	(266,389)	(296,315)
Social Security Administration	(288,158)	(305,289)
General Services Administration	(176,351)	(195,552)
Department of Commerce	(179,186)	(200,056)
Department of Energy	(95,184)	(102,553)
Department of State	(59,984)	(61,628)
Department of Housing & Urban Development	(78,622)	(84,240)
Department of Education	(19,882)	(22,265)
National Aeronautics and Space Administration	(68,876)	(69,446)
Environmental Protection Agency	(40,281)	(44,096)
Small Business Administration	(28,436)	(31,822)
Office of Personnel Management	(13,077)	(14,397)
National Science Foundation	(1,465)	(1,649)
Nuclear Regulatory Commission	(8,114)	(9,073)
Agency for International Development	(24,523)	(27,400)
Other	(580,636)	(626,605)
	<u>(25,042,655)</u>	<u>(26,461,924)</u>
	<u>\$ 528,068</u>	<u>\$ 592,125</u>
 <i>Projected liability of the Department of Labor for future FECA benefits</i>		
FECA benefits not chargeable to other Federal agencies payable by DOL's Federal Employees' Compensation Act Special Benefit Fund	\$ 228,487	\$ 241,639
FECA benefits due to eligible workers of DOL and Job Corp enrollees	236,560	280,398
FECA benefits due to eligible workers of the Panama Canal Commission	63,021	70,088
	<u>\$ 528,068</u>	<u>\$ 592,125</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

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**NOTE 11 - OTHER LIABILITIES**

Other liabilities at September 30, 2004 and 2003 consisted of the following current liabilities:

<u>(Dollars in thousands)</u>	<u>2004</u>	<u>2003</u>
Intra-governmental		
Accrued payroll and benefits	\$ 8,281	\$ 6,314
Unearned FECA assessments	39,261	44,577
Non-entity receipts due to U.S. Treasury	59,542	61,506
Amounts held for the Railroad Retirement Board	86,209	55,806
Advances from other Federal agencies	1,134	1,981
Total intra-governmental	<u>194,427</u>	<u>170,184</u>
Accrued payroll and benefits	40,833	34,539
Due to Backwage recipients	63,901	58,354
Unearned assessment revenue	48,117	44,653
Deposit and clearing accounts	20,738	38,561
Readjustment allowances and other Job Corps liabilities	58,244	86,518
Other advances	7,500	7,500
	<u>239,333</u>	<u>270,125</u>
	<u>\$ 433,760</u>	<u>\$ 440,309</u>

**NOTE 12 - LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

Liabilities not covered by budgetary resources at September 30, 2004 and 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2004</u>	<u>2003</u>
Intra-governmental		
Advances from U.S. Treasury	\$ 8,740,557	\$ 8,243,557
Future workers' compensation benefits	236,559	280,398
Accrued annual leave	94,846	93,324
Readjustment allowances and other Job Corps liabilities	58,244	86,518
	<u>389,649</u>	<u>460,240</u>
	<u>\$ 9,130,206</u>	<u>\$ 8,703,797</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 13 - PENSION EXPENSE**

Pension expense in 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employer Contributions</u>	<u>Accumulated Costs Imputed by OPM</u>	<u>Total Pension Expense</u>
Civil Service Retirement System	\$ 31,473	\$ 46,281	\$ 77,754
Federal Employees' Retirement System	72,622	3,199	75,821
Thrift Savings Plan	28,712	-	28,712
	<u>\$ 132,807</u>	<u>\$ 49,480</u>	<u>\$ 182,287</u>

Pension expense in 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employer Contributions</u>	<u>Accumulated Costs Imputed by OPM</u>	<u>Total Pension Expense</u>
Civil Service Retirement System	\$ 39,378	\$ 48,827	\$ 88,205
Federal Employees' Retirement System	65,834	2,954	68,788
Thrift Savings Plan	25,755	-	25,755
	<u>\$ 130,967</u>	<u>\$ 51,781</u>	<u>\$ 182,748</u>

**NOTE 14 - PROGRAM COST**

Schedules A, B, and C present detailed cost and revenue information by suborganization (responsibility segment) for programs in the Department, the Employment and Training Administration, and the Employment Standards Administration in support of the summary information presented in the Consolidated Statement of Net Cost for 2004.

Cost and revenue by suborganization for the nine outcome goals adopted in the Department's Annual Performance Plan for FY 2004, submitted under the requirements of the Government Performance and Review Act (GPRR), are presented in schedule D.

Detailed cost and revenue information by budget function for 2004 is presented in Schedule E and intra-governmental cost and revenue information by budget function for 2004 is presented in Schedule F.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 14 - PROGRAM COST - Continued**

**A. Consolidating Statement of Net Cost by Suborganization**

Net cost by suborganization for the year ended September 30, 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employment and Training Administration</u>	<u>Employment Standards Administration</u>	<u>Occupational Safety and Health Administration</u>	<u>Bureau of Labor Statistics</u>
<b>CROSSCUTTING PROGRAMS</b>				
<b>Income maintenance</b>				
Intra-governmental	\$ 211,805	\$ 782,018	\$ -	\$ -
With the public	46,152,478	4,285,156	-	-
Total cost	<u>46,364,283</u>	<u>5,067,174</u>	<u>-</u>	<u>-</u>
Less earned revenue	(901,861)	(2,394,786)	-	-
Net program cost	<u>45,462,422</u>	<u>2,672,388</u>	<u>-</u>	<u>-</u>
<b>Employment and training</b>				
Intra-governmental	56,263	-	-	-
With the public	6,164,127	-	-	-
Total cost	<u>6,220,390</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less earned revenue	(17,235)	-	-	-
Net program cost	<u>6,203,155</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Labor, employment and pension standards</b>				
Intra-governmental	-	107,613	-	-
With the public	-	227,619	-	-
Total cost	<u>-</u>	<u>335,232</u>	<u>-</u>	<u>-</u>
Less earned revenue	-	(970)	-	-
Net program cost	<u>-</u>	<u>334,262</u>	<u>-</u>	<u>-</u>
<b>Worker safety and health</b>				
Intra-governmental	-	-	114,460	-
With the public	-	-	391,575	-
Total cost	<u>-</u>	<u>-</u>	<u>506,035</u>	<u>-</u>
Less earned revenue	-	-	(4,191)	-
Net program cost	<u>-</u>	<u>-</u>	<u>501,844</u>	<u>-</u>
<b>OTHER PROGRAMS</b>				
<b>Statistics</b>				
Intra-governmental	-	-	-	179,644
With the public	-	-	-	356,809
Total cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>536,453</u>
Less earned revenue	-	-	-	(5,504)
Net program cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>530,949</u>
<b>Cost not assigned to programs</b>				
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net cost of operations</b>	<u>\$ 51,665,577</u>	<u>\$ 3,006,650</u>	<u>\$ 501,844</u>	<u>\$ 530,949</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

<u>Mine Safety and Health Administration</u>	<u>Employee Benefits Security Administration</u>	<u>Veterans' Employment and Training</u>	<u>Other Departmental Programs</u>	<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 4,666	\$ -	\$ 4,278	\$ (29,816)	\$ 972,951
-	10,776	-	8,755	7,534	50,464,699
-	15,442	-	13,033	(22,282)	51,437,650
-	-	-	(21)	22,282	(3,274,386)
-	15,442	-	13,012	-	48,163,264
-	-	8,639	2,320	(22,580)	44,642
-	-	197,709	5,054	22,485	6,389,375
-	-	206,348	7,374	(95)	6,434,017
-	-	-	-	95	(17,140)
-	-	206,348	7,374	-	6,416,877
-	39,486	518	32,127	(42,725)	137,019
-	109,490	11,664	171,911	42,725	563,409
-	148,976	12,182	204,038	-	700,428
-	(10,351)	-	(154)	-	(11,475)
-	138,625	12,182	203,884	-	688,953
90,874	-	-	227	(41,865)	163,696
204,182	-	-	572	41,865	638,194
295,056	-	-	799	-	801,890
(1,016)	-	-	-	-	(5,207)
294,040	-	-	799	-	796,683
-	-	-	454	(14,549)	165,549
-	-	-	1,198	14,549	372,556
-	-	-	1,652	-	538,105
-	-	-	-	-	(5,504)
-	-	-	1,652	-	532,601
-	-	-	100,383	(1,662)	98,721
-	-	-	(22,305)	1,662	(20,643)
-	-	-	78,078	-	78,078
<u>\$ 294,040</u>	<u>\$ 154,067</u>	<u>\$ 218,530</u>	<u>\$ 304,799</u>	<u>\$ -</u>	<u>\$ 56,676,456</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 14 - PROGRAM COST - Continued**

**B. Consolidating Statement of Net Cost - Employment and Training Administration**

Net cost of the Employment and Training Administration for the year ended September 30, 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employment Security</u>	<u>Training and Employment Programs</u>	<u>Eliminations</u>	<u>Total</u>
<b>CROSSCUTTING PROGRAMS</b>				
<b>Income maintenance</b>				
Benefits	\$ 41,431,384	\$ 63	\$ -	\$ 41,431,447
Grants	4,563,342	-	-	4,563,342
Interest	3,421	-	-	3,421
Other	365,837	236	-	366,073
Total cost	46,363,984	299	-	46,364,283
Less earned revenue	(901,861)	-	-	(901,861)
Net program cost	45,462,123	299	-	45,462,422
<b>Employment and training</b>				
Benefits	-	(8,217)	-	(8,217)
Grants	-	6,057,175	-	6,057,175
Other	-	171,432	-	171,432
Total cost	-	6,220,390	-	6,220,390
Less earned revenue	-	(17,235)	-	(17,235)
Net program cost	-	6,203,155	-	6,203,155
<b>Net cost of operations</b>	<b>\$ 45,462,123</b>	<b>\$ 6,203,454</b>	<b>\$ -</b>	<b>\$ 51,665,577</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 14 - PROGRAM COST - Continued**

**C. Consolidating Statement of Net Cost - Employment Standards Administration**

Net cost of the Employment Standards Administration for the year ended September 30, 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Office of Workers' Compensation Programs</u>	<u>Office of Federal Contract Compliance</u>	<u>Wage and Hour Division</u>	<u>Office of Labor Management Standards</u>	<u>Eliminations</u>	<u>Total</u>
<b>CROSSCUTTING PROGRAMS</b>						
<b>Income maintenance</b>						
Benefits	\$ 4,150,302	\$ -	\$ -	\$ -	\$ (1,982)	\$ 4,148,320
Interest	650,579	-	-	-	-	650,579
Other	268,275	-	-	-	-	268,275
Total cost	5,069,156	-	-	-	(1,982)	5,067,174
Less earned revenue	(2,396,768)	-	-	-	1,982	(2,394,786)
Net program cost	<u>2,672,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,672,388</u>
<b>Labor, employment and pension standards</b>						
Benefits	-	10,335	22,012	4,881	-	37,228
Grants	-	-	16	-	-	16
Other	-	83,229	175,121	39,638	-	297,988
Total cost	-	93,564	197,149	44,519	-	335,232
Less earned revenue	-	-	(970)	-	-	(970)
Net program cost	<u>-</u>	<u>93,564</u>	<u>196,179</u>	<u>44,519</u>	<u>-</u>	<u>334,262</u>
<b>Net cost of operations</b>	<u>\$ 2,672,388</u>	<u>\$ 93,564</u>	<u>\$ 196,179</u>	<u>\$ 44,519</u>	<u>\$ -</u>	<u>\$ 3,006,650</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### For the Years Ended September 30, 2004 and 2003

#### NOTE 14 - PROGRAM COST - Continued

#### D. Consolidating Statement of Net Cost by Outcome Goal

Net cost by outcome goal for the year ended September 30, 2004 consisted of the following:

<b>(Dollars in thousands)</b>	<b>Employment and Training Administration</b>	<b>Employment Standards Administration</b>	<b>Occupational Safety and Health Administration</b>	<b>Bureau of Labor Statistics</b>
<b>A prepared workforce</b>				
Increase employment, earnings and assistance	\$ 5,230,392	\$ -	\$ -	\$ -
Less earned revenue	(30,253)	-	-	-
Net program cost	<u>5,200,139</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase the number of youth making a successful transition to work	2,697,935	-	-	-
Less earned revenue	(455)	-	-	-
Net program cost	<u>2,697,480</u>	<u>-</u>	<u>-</u>	<u>-</u>
Improve the effectiveness of information and analysis on the U.S. economy	-	-	-	536,273
Less earned revenue	-	-	-	(5,504)
Net program cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>530,769</u>
Total	<u>7,897,619</u>	<u>-</u>	<u>-</u>	<u>530,769</u>
<b>A secure workforce</b>				
Increase compliance with worker protection laws	2,259	237,995	-	-
Less earned revenue	(13)	(1,006)	-	-
Net program cost	<u>2,246</u>	<u>236,989</u>	<u>-</u>	<u>-</u>
Protect worker benefits	44,653,510	5,073,637	-	-
Less earned revenue	(888,375)	(2,394,750)	-	-
Net program cost	<u>43,765,135</u>	<u>2,678,887</u>	<u>-</u>	<u>-</u>
Total	<u>43,767,381</u>	<u>2,915,876</u>	<u>-</u>	<u>-</u>
<b>Quality workplaces</b>				
Reduce workplace injuries, illnesses and, fatalities	-	-	505,845	-
Less earned revenue	-	-	(4,191)	-
Net program cost	<u>-</u>	<u>-</u>	<u>501,654</u>	<u>-</u>
Foster equal opportunity workplaces	-	90,367	-	-
Less earned revenue	-	-	-	-
Net program cost	<u>-</u>	<u>90,367</u>	<u>-</u>	<u>-</u>
Reduce exploitation of child labor, protect the basic rights of workers and strengthen labor markets	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>90,367</u>	<u>501,654</u>	<u>-</u>
<b>A competitive workforce</b>				
Promote job flexibility and minimize regulatory burden	577	407	190	180
Less earned revenue	-	-	-	-
Net program cost	<u>577</u>	<u>407</u>	<u>190</u>	<u>180</u>
Total	<u>577</u>	<u>407</u>	<u>190</u>	<u>180</u>
Cost not assigned to goals	-	-	-	-
Less earned revenue not attributed to goals	-	-	-	-
Net cost not assigned to goals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cost of operations	<u>\$ 51,665,577</u>	<u>\$ 3,006,650</u>	<u>\$ 501,844</u>	<u>\$ 530,949</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

<b>Mine Safety and Health Administration</b>	<b>Employee Benefits Security Administration</b>	<b>Veterans' Employment and Training</b>	<b>Other Departmental Programs</b>	<b>Eliminations</b>	<b>Total</b>
\$ -	\$ -	\$ 205,868	\$ 6,087	\$ -	\$ 5,442,347
-	-	-	-	-	(30,253)
-	-	205,868	6,087	-	5,412,094
-	-	-	5,574	(95)	2,703,414
-	-	-	-	95	(360)
-	-	-	5,574	-	2,703,054
-	-	-	8,548	-	544,821
-	-	-	-	-	(5,504)
-	-	-	8,548	-	539,317
-	-	205,868	20,209	-	8,654,465
-	2,746	-	54,184	-	297,184
-	-	-	-	-	(1,019)
-	2,746	-	54,184	-	296,165
-	161,665	-	65,953	(22,282)	49,932,483
-	(10,351)	-	(175)	22,282	(3,271,369)
-	151,314	-	65,778	-	46,661,114
-	154,060	-	119,962	-	46,957,279
294,800	-	-	16,467	-	817,112
(1,016)	-	-	-	-	(5,207)
293,784	-	-	16,467	-	811,905
-	-	12,659	9,385	-	112,411
-	-	-	-	-	-
-	-	12,659	9,385	-	112,411
-	-	-	96,603	-	96,603
-	-	-	-	-	-
-	-	-	96,603	-	96,603
293,784	-	12,659	122,455	-	1,020,919
256	7	3	4,078	-	5,698
-	-	-	-	-	-
256	7	3	4,078	-	5,698
256	7	3	4,078	-	5,698
-	-	-	60,400	(1,662)	58,738
-	-	-	(22,305)	1,662	(20,643)
-	-	-	38,095	-	38,095
\$ 294,040	\$ 154,067	\$ 218,530	\$ 304,799	\$ -	\$ 56,676,456



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 14 - PROGRAM COST - Continued**

**E. Consolidating Statement of Net Cost by Budget Function**

Net cost by budget function for the year ended September 30, 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Education, Training and Employment</u>	<u>Health</u>	<u>Income Security</u>
<b>CROSSCUTTING PROGRAMS</b>			
<b>Income maintenance</b>			
Intra-governmental	\$ 68,154	\$ -	\$ 841,646
With the public	287,379	-	49,299,603
Total cost	<u>355,533</u>	<u>-</u>	<u>50,141,249</u>
Less earned revenue	(78)	-	(3,274,308)
Net program cost	<u>355,455</u>	<u>-</u>	<u>46,866,941</u>
<b>Employment and training</b>			
Intra-governmental	38,973	-	-
With the public	6,190,693	-	-
Total cost	<u>6,229,666</u>	<u>-</u>	<u>-</u>
Less earned revenue	(17,140)	-	-
Net program cost	<u>6,212,526</u>	<u>-</u>	<u>-</u>
<b>Labor, employment and pension standards</b>			
Intra-governmental	109,111	-	27,402
With the public	440,236	-	111,565
Total cost	<u>549,347</u>	<u>-</u>	<u>138,967</u>
Less earned revenue	(1,124)	-	(10,351)
Net program cost	<u>548,223</u>	<u>-</u>	<u>128,616</u>
<b>Worker safety and health</b>			
Intra-governmental	10,723	152,973	-
With the public	37,550	600,644	-
Total cost	<u>48,273</u>	<u>753,617</u>	<u>-</u>
Less earned revenue	-	(5,207)	-
Net program cost	<u>48,273</u>	<u>748,410</u>	<u>-</u>
<b>OTHER PROGRAMS</b>			
<b>Statistics</b>			
Intra-governmental	165,549	-	-
With the public	372,556	-	-
Total cost	<u>538,105</u>	<u>-</u>	<u>-</u>
Less earned revenue	(5,504)	-	-
Net program cost	<u>532,601</u>	<u>-</u>	<u>-</u>
<b>Cost not assigned to programs</b>			
Less earned revenue not attributed to programs	98,721	-	-
Net cost not assigned to programs	<u>(20,643)</u>	<u>-</u>	<u>-</u>
	<u>78,078</u>	<u>-</u>	<u>-</u>
<b>Net cost of operations</b>	<u>\$ 7,775,156</u>	<u>\$ 748,410</u>	<u>\$ 46,995,557</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

<u>National Defense</u>	<u>Veterans' Benefits and Services</u>	<u>Total</u>
\$ 63,151	\$ -	\$ 972,951
877,717	-	50,464,699
<u>940,868</u>	<u>-</u>	<u>51,437,650</u>
-	-	(3,274,386)
<u>940,868</u>	<u>-</u>	<u>48,163,264</u>
-	5,669	44,642
-	198,682	6,389,375
<u>-</u>	<u>204,351</u>	<u>6,434,017</u>
-	-	(17,140)
<u>-</u>	<u>204,351</u>	<u>6,416,877</u>
-	506	137,019
<u>-</u>	<u>11,608</u>	<u>563,409</u>
-	12,114	700,428
<u>-</u>	<u>-</u>	<u>(11,475)</u>
<u>-</u>	<u>12,114</u>	<u>688,953</u>
-	-	163,696
<u>-</u>	<u>-</u>	<u>638,194</u>
-	-	801,890
<u>-</u>	<u>-</u>	<u>(5,207)</u>
<u>-</u>	<u>-</u>	<u>796,683</u>
-	-	165,549
<u>-</u>	<u>-</u>	<u>372,556</u>
-	-	538,105
<u>-</u>	<u>-</u>	<u>(5,504)</u>
<u>-</u>	<u>-</u>	<u>532,601</u>
-	-	98,721
<u>-</u>	<u>-</u>	<u>(20,643)</u>
<u>-</u>	<u>-</u>	<u>78,078</u>
<u>\$ 940,868</u>	<u>\$ 216,465</u>	<u>\$ 56,676,456</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 14 - PROGRAM COST - Continued**

**F. Consolidating Statement of Net Cost by Budget Function (Intra-governmental)**

Net intra-governmental cost by budget function for the year ended September 30, 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Education, Training, and Employment</u>	<u>Health</u>	<u>Income Security</u>	<u>National Defense</u>	<u>Veterans' Benefits and Services</u>	<u>Total</u>
<b>CROSS CUTTING PROGRAMS</b>						
<b>Income maintenance</b>						
Intra-governmental	\$ 68,154	\$ -	\$ 841,646	\$ 63,151	\$ -	\$ 972,951
Less earned revenue	(78)	-	(3,272,008)	-	-	(3,272,086)
Net program cost	<u>68,076</u>	<u>-</u>	<u>(2,430,362)</u>	<u>63,151</u>	<u>-</u>	<u>(2,299,135)</u>
<b>Employment and training</b>						
Intra-governmental	38,973	-	-	-	5,669	44,642
Less earned revenue	(16,780)	-	-	-	-	(16,780)
Net program cost	<u>22,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,669</u>	<u>27,862</u>
<b>Labor, employment and pension standards</b>						
Intra-governmental	109,111	-	27,402	-	506	137,019
Less earned revenue	(95)	-	(9,804)	-	-	(9,899)
Net program cost	<u>109,016</u>	<u>-</u>	<u>17,598</u>	<u>-</u>	<u>506</u>	<u>127,120</u>
<b>Worker safety and health</b>						
Intra-governmental	10,723	152,973	-	-	-	163,696
Less earned revenue	-	(2,363)	-	-	-	(2,363)
Net program cost	<u>10,723</u>	<u>150,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,333</u>
<b>OTHER PROGRAMS</b>						
<b>Statistics</b>						
Intra-governmental	165,549	-	-	-	-	165,549
Less earned revenue	(4,197)	-	-	-	-	(4,197)
Net program cost	<u>161,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,352</u>
<b>Cost not assigned to programs</b>						
Intra-governmental	98,721	-	-	-	-	98,721
Less earned revenue not attributed to programs	(10,912)	-	-	-	-	(10,912)
Net cost not assigned to programs	<u>87,809</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,809</u>
<b>Net cost of operations</b>	<u>\$ 459,169</u>	<u>\$ 150,610</u>	<u>\$ (2,412,764)</u>	<u>\$ 63,151</u>	<u>\$ 6,175</u>	<u>\$ (1,733,659)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

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**NOTE 14 - PROGRAM COST - Continued**

Schedules G, H and I present detailed cost and revenue information by suborganization (responsibility segment) for programs in the Department, the Employment and Training Administration, and the Employment Standards Administration in support of the summary information presented in the Consolidated Statement of Net Cost for 2003.

Detailed cost and revenue information by budget function for 2003 is presented in Schedule J and intra-governmental cost and revenue information by budget function for 2003 is presented in Schedule K.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 14 - PROGRAM COST - Continued**

**G. Consolidating Statement of Net Cost by Suborganization**

Net cost by suborganization for the year ended September 30, 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employment and Training Administration</u>	<u>Employment Standards Administration</u>	<u>Occupational Safety and Health Administration</u>	<u>Bureau of Labor Statistics</u>
<b>CROSSCUTTING PROGRAMS</b>				
<b>Income maintenance</b>				
Intra-governmental	\$ 169,269	\$ 711,102	\$ -	\$ -
With the public	58,047,556	2,750,513	-	-
Total cost	<u>58,216,825</u>	<u>3,461,615</u>	<u>-</u>	<u>-</u>
Less earned revenue	(633,588)	(2,407,747)	-	-
Net program cost	<u>57,583,237</u>	<u>1,053,868</u>	<u>-</u>	<u>-</u>
<b>Employment and training</b>				
Intra-governmental	62,255	-	-	-
With the public	6,959,849	-	-	-
Total cost	<u>7,022,104</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less earned revenue	(17,607)	-	-	-
Net program cost	<u>7,004,497</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Labor, employment and pension standards</b>				
Intra-governmental	-	106,262	-	-
With the public	-	232,908	-	-
Total cost	<u>-</u>	<u>339,170</u>	<u>-</u>	<u>-</u>
Less earned revenue	-	(1,879)	-	-
Net program cost	<u>-</u>	<u>337,291</u>	<u>-</u>	<u>-</u>
<b>Worker safety and health</b>				
Intra-governmental	-	-	105,801	-
With the public	-	-	397,210	-
Total cost	<u>-</u>	<u>-</u>	<u>503,011</u>	<u>-</u>
Less earned revenue	-	-	(4,547)	-
Net program cost	<u>-</u>	<u>-</u>	<u>498,464</u>	<u>-</u>
<b>OTHER PROGRAMS</b>				
<b>Statistics</b>				
Intra-governmental	-	-	-	182,072
With the public	-	-	-	346,741
Total cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>528,813</u>
Less earned revenue	-	-	-	(6,030)
Net program cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>522,783</u>
<b>Cost not assigned to programs</b>				
Less earned revenue not attributed to programs	-	-	-	-
Net cost not assigned to programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net cost of operations</b>	<u>\$ 64,587,734</u>	<u>\$ 1,391,159</u>	<u>\$ 498,464</u>	<u>\$ 522,783</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

<u>Mine Safety and Health Administration</u>	<u>Employee Benefits Security Administration</u>	<u>Veterans' Employment and Training</u>	<u>Other Departmental Programs</u>	<u>Eliminations</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 2,747	\$ (30,724)	\$ 852,394
-	-	-	5,332	5,139	60,808,540
-	-	-	8,079	(25,585)	61,660,934
-	-	-	-	25,585	(3,015,750)
-	-	-	8,079	-	58,645,184
-	-	10,398	384	(29,328)	43,709
-	-	208,563	972	29,351	7,198,735
-	-	218,961	1,356	23	7,242,444
-	-	-	-	(23)	(17,630)
-	-	218,961	1,356	-	7,224,814
-	42,054	624	31,543	(42,373)	138,110
-	113,054	12,373	59,826	41,697	459,858
-	155,108	12,997	91,369	(676)	597,968
-	(9,441)	-	-	676	(10,644)
-	145,667	12,997	91,369	-	587,324
94,387	-	-	201	(42,050)	158,339
203,052	-	-	507	42,050	642,819
297,439	-	-	708	-	801,158
(804)	-	-	-	-	(5,351)
296,635	-	-	708	-	795,807
-	-	-	225	(14,045)	168,252
-	-	-	574	12,453	359,768
-	-	-	799	(1,592)	528,020
-	-	-	-	1,592	(4,438)
-	-	-	799	-	523,582
-	-	-	126,691	(552)	126,139
-	-	-	(30,221)	552	(29,669)
-	-	-	96,470	-	96,470
<u>\$ 296,635</u>	<u>\$ 145,667</u>	<u>\$ 231,958</u>	<u>\$ 198,781</u>	<u>\$ -</u>	<u>\$ 67,873,181</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 14 - PROGRAM COST - Continued**

**H. Consolidating Statement of Net Cost - Employment and Training Administration**

Net cost of the Employment and Training Administration for the year ended September 30, 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Employment Security</u>	<u>Training and Employment Programs</u>	<u>Eliminations</u>	<u>Total</u>
<b>CROSSCUTTING PROGRAMS</b>				
<b>Income maintenance</b>				
Benefits	\$ 53,423,986	\$ 62	\$ -	\$ 53,424,048
Grants	4,336,284	-	-	4,336,284
Interest	3,350	-	-	3,350
Other	452,899	7,244	(7,000)	453,143
Total cost	58,216,519	7,306	(7,000)	58,216,825
Less earned revenue	(640,588)	-	7,000	(633,588)
Net program cost	57,575,931	7,306	-	57,583,237
<b>Employment and training</b>				
Benefits	-	25,496	-	25,496
Grants	-	6,776,529	-	6,776,529
Other	-	220,079	-	220,079
Total cost	-	7,022,104	-	7,022,104
Less earned revenue	-	(17,607)	-	(17,607)
Net program cost	-	7,004,497	-	7,004,497
<b>Net cost of operations</b>	<b>\$ 57,575,931</b>	<b>\$ 7,011,803</b>	<b>\$ -</b>	<b>\$ 64,587,734</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

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**NOTE 14 - PROGRAM COST - Continued**

**I. Consolidating Statement of Net Cost - Employment Standards Administration**

Net cost of the Employment Standards Administration for the year ended September 30, 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Office of Workers' Compensation Programs</u>	<u>Office of Federal Contract Compliance</u>	<u>Wage and Hour Division</u>	<u>Office of Labor Management Standards</u>	<u>Eliminations</u>	<u>Total</u>
<b>CROSSCUTTING PROGRAMS</b>						
<b>Income maintenance</b>						
Benefits	\$ 2,608,321	\$ -	\$ -	\$ -	\$ (1,893)	\$ 2,606,428
Interest	620,582	-	-	-	-	620,582
Other	234,605	-	-	-	-	234,605
Total cost	3,463,508	-	-	-	(1,893)	3,461,615
Less earned revenue	(2,409,640)	-	-	-	1,893	(2,407,747)
Net program cost	<u>1,053,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,053,868</u>
<b>Labor, employment and pension standards</b>						
Benefits	-	10,500	21,898	4,788	-	37,186
Grants	-	-	366	-	-	366
Other	-	85,362	180,189	36,067	-	301,618
Total cost	-	95,862	202,453	40,855	-	339,170
Less earned revenue	-	-	(1,879)	-	-	(1,879)
Net program cost	<u>-</u>	<u>95,862</u>	<u>200,574</u>	<u>40,855</u>	<u>-</u>	<u>337,291</u>
<b>Net cost of operations</b>	<u>\$ 1,053,868</u>	<u>\$ 95,862</u>	<u>\$ 200,574</u>	<u>\$ 40,855</u>	<u>\$ -</u>	<u>\$ 1,391,159</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 14 - PROGRAM COST - Continued**

**J. Consolidating Statement of Net Cost by Budget Function**

Net cost by budget function for the year ended September 30, 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Education, Training and Employment</u>	<u>Health</u>	<u>Income Security</u>
<b>CROSSCUTTING PROGRAMS</b>			
<b>Income maintenance</b>			
Intra-governmental	\$ 55,543	\$ -	\$ 768,731
With the public	181,892	-	60,866,574
Total cost	<u>237,435</u>	<u>-</u>	<u>61,635,305</u>
Less earned revenue	(4,088)	-	(3,011,662)
Net program cost	<u>233,347</u>	<u>-</u>	<u>58,623,643</u>
<b>Employment and training</b>			
Intra-governmental	37,679	-	-
With the public	6,987,814	-	-
Total cost	<u>7,025,493</u>	<u>-</u>	<u>-</u>
Less earned revenue	(17,630)	-	-
Net program cost	<u>7,007,863</u>	<u>-</u>	<u>-</u>
<b>Labor, employment and pension standards</b>			
Intra-governmental	110,374	-	27,131
With the public	342,685	-	104,851
Total cost	<u>453,059</u>	<u>-</u>	<u>131,982</u>
Less earned revenue	(1,879)	-	(8,765)
Net program cost	<u>451,180</u>	<u>-</u>	<u>123,217</u>
<b>Worker safety and health</b>			
Intra-governmental	11,027	147,312	-
With the public	35,290	607,529	-
Total cost	<u>46,317</u>	<u>754,841</u>	<u>-</u>
Less earned revenue	-	(5,351)	-
Net program cost	<u>46,317</u>	<u>749,490</u>	<u>-</u>
<b>OTHER PROGRAMS</b>			
<b>Statistics</b>			
Intra-governmental	168,252	-	-
With the public	359,768	-	-
Total cost	<u>528,020</u>	<u>-</u>	<u>-</u>
Less earned revenue	(4,438)	-	-
Net program cost	<u>523,582</u>	<u>-</u>	<u>-</u>
<b>Cost not assigned to programs</b>			
Less earned revenue not attributed to programs	126,139	-	-
	(29,669)	-	-
Net cost not assigned to programs	<u>96,470</u>	<u>-</u>	<u>-</u>
<b>Net cost of operations</b>	<u>\$ 8,358,759</u>	<u>\$ 749,490</u>	<u>\$ 58,746,860</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

<u>National Defense</u>	<u>Veterans' Benefits and Services</u>	<u>Total</u>
\$ 28,120	\$ -	\$ 852,394
(239,926)	-	60,808,540
<u>(211,806)</u>	<u>-</u>	<u>61,660,934</u>
-	-	(3,015,750)
<u>(211,806)</u>	<u>-</u>	<u>58,645,184</u>
-	6,030	43,709
-	210,921	7,198,735
<u>-</u>	<u>216,951</u>	<u>7,242,444</u>
-	-	(17,630)
<u>-</u>	<u>216,951</u>	<u>7,224,814</u>
-	605	138,110
<u>-</u>	<u>12,322</u>	<u>459,858</u>
-	12,927	597,968
<u>-</u>	<u>-</u>	<u>(10,644)</u>
<u>-</u>	<u>12,927</u>	<u>587,324</u>
-	-	158,339
<u>-</u>	<u>-</u>	<u>642,819</u>
-	-	801,158
<u>-</u>	<u>-</u>	<u>(5,351)</u>
<u>-</u>	<u>-</u>	<u>795,807</u>
-	-	168,252
<u>-</u>	<u>-</u>	<u>359,768</u>
-	-	528,020
<u>-</u>	<u>-</u>	<u>(4,438)</u>
<u>-</u>	<u>-</u>	<u>523,582</u>
-	-	126,139
<u>-</u>	<u>-</u>	<u>(29,669)</u>
<u>-</u>	<u>-</u>	<u>96,470</u>
<u>\$ (211,806)</u>	<u>\$ 229,878</u>	<u>\$ 67,873,181</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 14 - PROGRAM COST - Continued**

**K. Consolidating Statement of Net Cost by Budget Function (Intra-governmental)**

Net intra-governmental cost by budget function for the year ended September 30, 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Education, Training, and Employment</u>	<u>Health</u>	<u>Income Security</u>	<u>National Defense</u>	<u>Veterans' Benefits and Services</u>	<u>Total</u>
<b>CROSS CUTTING PROGRAMS</b>						
<b>Income maintenance</b>						
Intra-governmental	\$ 55,543	\$ -	\$ 768,731	\$ 28,120	\$ -	\$ 852,394
Less earned revenue	(4,088)	-	(3,010,287)	-	-	(3,014,375)
Net program cost	<u>51,455</u>	<u>-</u>	<u>(2,241,556)</u>	<u>28,120</u>	<u>-</u>	<u>(2,161,981)</u>
<b>Employment and training</b>						
Intra-governmental	37,679	-	-	-	6,030	43,709
Less earned revenue	(17,244)	-	-	-	-	(17,244)
Net program cost	<u>20,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,030</u>	<u>26,465</u>
<b>Labor, employment and pension standards</b>						
Intra-governmental	110,374	-	27,131	-	605	138,110
Less earned revenue	89	-	(8,216)	-	-	(8,127)
Net program cost	<u>110,463</u>	<u>-</u>	<u>18,915</u>	<u>-</u>	<u>605</u>	<u>129,983</u>
<b>Worker safety and health</b>						
Intra-governmental	11,027	147,312	-	-	-	158,339
Less earned revenue	-	(2,757)	-	-	-	(2,757)
Net program cost	<u>11,027</u>	<u>144,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,582</u>
<b>OTHER PROGRAMS</b>						
<b>Statistics</b>						
Intra-governmental	168,252	-	-	-	-	168,252
Less earned revenue	(3,440)	-	-	-	-	(3,440)
Net program cost	<u>164,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,812</u>
<b>Cost not assigned to programs</b>						
Intra-governmental	69,236	-	-	-	-	69,236
Less earned revenue not attributed to programs	(19,446)	-	-	-	-	(19,446)
Net cost not assigned to programs	<u>49,790</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,790</u>
<b>Net cost of operations</b>	<u>\$ 407,982</u>	<u>\$ 144,555</u>	<u>\$ (2,222,641)</u>	<u>\$ 28,120</u>	<u>\$ 6,635</u>	<u>\$ (1,635,349)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 15 - NON-EXCHANGE REVENUE**

Non-exchange revenues reported on the Consolidated Statement of Changes in Net Position in 2004 and 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2004</u>	<u>2003</u>
Employer taxes		
Unemployment Trust Fund		
Federal unemployment taxes	\$ 6,613,154	\$ 6,514,194
State unemployment taxes	30,196,902	24,678,538
	<u>36,810,056</u>	<u>31,192,732</u>
Black Lung Disability Trust Fund excise taxes	565,979	506,081
	<u>37,376,035</u>	<u>31,698,813</u>
Interest		
Unemployment Trust Fund	2,522,421	3,447,565
Longshore and Harbor Workers' Trust Fund	421	511
District of Columbia Trust Fund	31	48
Panama Canal Commission Compensation Fund	1,299	6,155
Energy Employees Occupational Illness Compensation Fund	655	263
Black Lung Disability Trust Fund	308	(497)
	<u>2,525,135</u>	<u>3,454,045</u>
Assessments		
Longshore and Harbor Workers' Trust Fund	135,813	127,661
District of Columbia Trust Fund	10,352	9,510
Other	(601)	552
	<u>145,564</u>	<u>137,723</u>
Reimbursement of unemployment benefits from state and local governments and non-profit organizations to the Unemployment Trust Fund	2,411,887	2,050,363
	<u>\$ 42,458,621</u>	<u>\$ 37,340,944</u>

**NOTE 16 - TRANSFERS WITHOUT REIMBURSEMENT**

Transfers from (to) other Federal agencies in 2004 and 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2004</u>	<u>2003</u>
<b>Budgetary financing sources</b>		
From DOL general fund unexpended appropriation accounts to the DOL Working Capital Fund	\$ 3,000	\$ 3,000
<b>Other financing sources</b>		
From General Services Administration	1,063	2,123
To General Services Administration	(1,051)	(2,809)
	<u>12</u>	<u>(686)</u>
	<u>\$ 3,012</u>	<u>\$ 2,314</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### For the Years Ended September 30, 2004 and 2003

#### NOTE 17 - STATUS OF BUDGETARY RESOURCES

##### A. Apportionment Categories of Obligations Incurred

Obligations incurred reported on the Combined Statement of Budgetary Resources in 2004 and 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>2004</u>	<u>2003</u>
Direct Obligations		
Category A	\$ 3,961,569	\$ 3,815,410
Category B	10,399,454	10,265,880
Exempt from apportionment	<u>47,205,222</u>	<u>58,650,191</u>
Total direct obligations	<u>61,566,245</u>	<u>72,731,481</u>
Reimbursable Obligations		
Category A	154,951	150,970
Category B	<u>2,591,348</u>	<u>2,444,032</u>
Total reimbursable obligations	<u>2,746,299</u>	<u>2,595,002</u>
	<u>\$ 64,312,544</u>	<u>\$ 75,326,483</u>

##### B. Permanent Indefinite Appropriations

The Department of Labor's permanent indefinite appropriations include all trust funds, the Federal Employees' Compensation Act Special Benefit Fund, the Panama Canal Commission Compensation Fund, the Energy Employees Occupational Illness Compensation Fund, ETA and ESA H-1b funds, and portions of State Unemployment Insurance and Employment Service Operations and Federal Unemployment Benefits and Allowances. These funds are described in Note 1-A.3.

##### C. Legal Arrangements Affecting Use of Unobligated Balances

Unemployment Trust Fund receipts are reported as budget authority in the Consolidated Statement of Budgetary Resources. The portion of UTF receipts collected in excess of amounts needed to pay benefits and other valid obligations are precluded by law from being available for obligation at year end. Therefore, these excess receipts are not classified as budgetary resources in the Consolidated Statement of Budgetary Resources and are not included in unobligated balances in the status of budgetary resources included in that Statement. All excess receipts are reported as assets of the UTF and are included in the Consolidated Balance Sheet. They will become available for obligation as needed in the future.

##### D. 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 amounts for the year ended September 30, 2004 has not been published as of the issue date of these financial statements. This document will be available in February 2005. In addition, the reconciliation of the SF133 and the Statement of Budgetary Resources will be performed in Fiscal Year 2005 after the Department receives the final SF 133 reports from Trust Funds and allocated accounts.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 17 - STATUS OF BUDGETARY RESOURCES – Continued**

**D. Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government - Continued**

A reconciliation of budgetary resources, obligations incurred and outlays, as presented in the Consolidated Statement of Budgetary Resources, to amounts included in the Budget of the United States Government for the year ended September 30, 2003 is shown below.

<u>(Dollars in millions)</u>	<u>Budgetary Resources</u>	<u>Obligations Incurred</u>	<u>Total Outlays</u>
<b>Consolidated Statement of Budgetary Resources</b>	\$ 78,500	\$ 75,326	\$ 69,574
Pension Benefit Guaranty Corporation reported separately	14,764	2,546	229
Special benefits for disabled coal miners reported by the Social Security Administration	410	420	421
Reimbursements recognized as budgetary resources in the budget	639	639	639
Accruals not reported in the budget	686	686	-
Amounts in the budget not included in the Consolidated Statement of Budgetary Resources	(43)	(43)	
Amounts in the Consolidated Statement of Budgetary Resources not included in the budget	-	-	9
Expired accounts	(460)	(177)	-
Other	(4)	(3)	(3)
<b>Budget of the United States Government</b>	<u>\$ 94,492</u>	<u>\$ 79,394</u>	<u>\$ 70,869</u>

Unemployment Trust Fund receipts are reported as budget authority in the Consolidated Statement of Budgetary Resources. The portion of UTF receipts collected in the current year in excess of amounts needed to pay benefits and other valid obligations are precluded by law from being available for obligation. Therefore, these excess receipts are not classified as budgetary resources in the Consolidated Statement of Budgetary Resources. Conversely, when obligations exceed receipts in the current year, amounts are drawn from unavailable collections to meet these obligations. Cumulative excess receipts are not included in unobligated balances in the status of budgetary resources included in that Statement. All excess receipts are reported as assets of the UTF and are included in the Consolidated Balance Sheet. They will become available for obligation as needed in the future.

The cumulative amount of excess UTF receipts are denoted as unavailable collections in the Budget of the United States Government. The cumulative amount of these excess receipts at September 30, 2003, reclassified from unobligated balances to UTF unavailable collections, is presented below.

<u>(Dollars in millions)</u>	<u>2003</u>
<b>Unemployment Trust Fund unavailable collections, beginning</b>	\$ 65,021
Budget authority from current year appropriations	37,584
Less obligations	<u>(57,116)</u>
Excess of obligations over budget authority	<u>(19,532)</u>
<b>Unemployment Trust Fund unavailable collections, ending</b>	<u>\$ 45,489</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 18 – SOURCES OF CUSTODIAL REVENUE**

Custodial revenues in 2004 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Cash Collections</u>	<u>Less Refunds</u>	<u>Net Cash Collections</u>	<u>Increase (Decrease) in Amounts to be Collected</u>	<u>Total Revenues</u>
Civil monetary penalties					
OSHA	\$ 60,390	\$ -	\$ 60,390	\$ 917	\$ 61,307
MSHA	17,399	-	17,399	6,017	23,416
EBSA	13,373	-	13,373	843	14,216
ESA	24,370	(318)	24,052	(3,543)	20,509
	<u>115,532</u>	<u>(318)</u>	<u>115,214</u>	<u>4,234</u>	<u>119,448</u>
ETA disallowed grant costs	15,526	(1,808)	13,718	(6,198)	7,520
Other	<u>581</u>	<u>(80)</u>	<u>501</u>	<u>-</u>	<u>501</u>
	<u>\$ 131,639</u>	<u>\$ (2,206)</u>	<u>\$ 129,433</u>	<u>\$ (1,964)</u>	<u>\$ 127,469</u>

Custodial revenues in 2003 consisted of the following:

<u>(Dollars in thousands)</u>	<u>Cash Collections</u>	<u>Less Refunds</u>	<u>Net Cash Collections</u>	<u>Increase (Decrease) in Amounts to be Collected</u>	<u>Total Revenues</u>
Civil monetary penalties					
OSHA	\$ 59,563	\$ -	\$ 59,563	\$ (985)	\$ 58,578
MSHA	16,628	-	16,628	4,532	21,160
EBSA	9,450	-	9,450	(1,520)	7,930
ESA	23,789	(96)	23,693	136	23,829
	<u>109,430</u>	<u>(96)</u>	<u>109,334</u>	<u>2,163</u>	<u>111,497</u>
ETA disallowed grant costs	4,853	(6)	4,847	128	4,975
Other	<u>5,628</u>	<u>-</u>	<u>5,628</u>	<u>-</u>	<u>5,628</u>
	<u>\$ 119,911</u>	<u>\$ (102)</u>	<u>\$ 119,809</u>	<u>\$ 2,291</u>	<u>\$ 122,100</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 19 - DEDICATED COLLECTIONS**

DOL is responsible for the operation of four major trust funds. The financial position of each trust fund as of September 30, 2004 is shown below.

<u>(Dollars in thousands)</u>	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Longshore and Harbor Workers'</u>	<u>District of Columbia</u>
<b>Assets</b>				
Intra-governmental				
Funds with U.S. Treasury	\$ 157,591	\$ 43,777	\$ 465	\$ 2
Investments	45,239,381	-	69,653	5,007
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	333,918	-	-	-
Interest receivable from investments	577,341	-	-	-
Total intra-governmental	<u>46,308,231</u>	<u>43,777</u>	<u>70,118</u>	<u>5,009</u>
Accounts receivable, net				
State unemployment tax	198,872	-	-	-
Due from reimbursable employers	620,416	-	-	-
Benefit overpayments	196,156	9,651	-	-
Other	-	1,003	1,317	280
Advances to states	623,172	-	-	-
<b>Total assets</b>	<u>\$ 47,946,847</u>	<u>\$ 54,431</u>	<u>\$ 71,435</u>	<u>\$ 5,289</u>
<b>Liabilities</b>				
Intra-governmental				
Accounts payable to DOL agencies	\$ 1,336,263	\$ -	\$ -	\$ -
Advances from U.S. Treasury	-	8,740,557	-	-
Amounts held for the Railroad Retirement Board	86,209	-	-	-
Total intra-governmental	<u>1,422,472</u>	<u>8,740,557</u>	<u>-</u>	<u>-</u>
Accrued benefits	1,128,523	25,318	3,155	283
Other	-	-	44,138	3,979
<b>Total liabilities</b>	<u>2,550,995</u>	<u>8,765,875</u>	<u>47,293</u>	<u>4,262</u>
<b>Net position</b>				
Cumulative results of operations	<u>45,395,852</u>	<u>(8,711,444)</u>	<u>24,142</u>	<u>1,027</u>
<b>Total liabilities and net position</b>	<u>\$ 47,946,847</u>	<u>\$ 54,431</u>	<u>\$ 71,435</u>	<u>\$ 5,289</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 19 - DEDICATED COLLECTIONS – Continued**

The net results of operations of each trust fund for the year ended September 30, 2004 is shown below.

<u>(Dollars in thousands)</u>	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Longshore and Harbor Workers'</u>	<u>District of Columbia</u>
<b>Cost, net of earned revenues</b>				
Benefits	\$ (41,424,320)	\$ (344,340)	\$ (133,560)	\$ (10,800)
Interest	(3,421)	(650,579)	-	-
Administrative	(293,243)	(60)	-	-
	<u>(41,720,984)</u>	<u>(994,979)</u>	<u>(133,560)</u>	<u>(10,800)</u>
Earned revenue	823,315	-	-	-
	<u>(40,897,669)</u>	<u>(994,979)</u>	<u>(133,560)</u>	<u>(10,800)</u>
<b>Net financing sources</b>				
Taxes	36,810,056	565,979	-	-
Interest	2,522,421	309	421	30
Assessments	2,411,887	-	135,813	10,352
Transfers-in				
Treasury	80,000	-	-	-
DOL Entities	721,054	-	-	-
Transfers-out				
DOL entities	(3,829,105)	(55,743)	(2,021)	-
	<u>38,716,313</u>	<u>510,545</u>	<u>134,213</u>	<u>10,382</u>
Net results of operations	(2,181,356)	(484,434)	653	(418)
<b>Net position, beginning of period</b>	<u>47,577,208</u>	<u>(8,227,010)</u>	<u>23,489</u>	<u>1,445</u>
<b>Net position, end of period</b>	<u>\$ 45,395,852</u>	<u>\$ (8,711,444)</u>	<u>\$ 24,142</u>	<u>\$ 1,027</u>

The financial position of each trust fund as of September 30, 2003 is shown below and on the following page.

<u>(Dollars in thousands)</u>	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Longshore and Harbor Workers'</u>	<u>District of Columbia</u>
<b>Assets</b>				
Intra-governmental				
Funds with U.S. Treasury	\$ (59,434)	\$ 30,432	\$ 56	\$ 4
Investments	48,188,383	-	64,348	4,898
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	254,677	-	-	-
Interest receivable from investments	723,114	-	-	-
Total intra-governmental	<u>49,106,740</u>	<u>30,432</u>	<u>64,404</u>	<u>4,902</u>
Accounts receivable, net				
State unemployment tax	141,918	-	-	-
Due from reimbursable employers	502,470	-	-	-
Benefit overpayments	179,479	10,638	-	-
Other	-	1,131	2,541	87
Advances to states	471,592	-	-	-
<b>Total assets</b>	<u>\$ 50,402,199</u>	<u>\$ 42,201</u>	<u>\$ 66,945</u>	<u>\$ 4,989</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2004 and 2003**

**NOTE 19 - DEDICATED COLLECTIONS - Continued**

<u>(Dollars in thousands)</u>	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Longshore and Harbor Workers'</u>	<u>District of Columbia</u>
<b>Liabilities</b>				
Intra-governmental				
Accounts payable to DOL agencies	\$ 1,304,116	\$ -	\$ -	\$ -
Advances from U.S. Treasury	-	8,243,557	-	-
Amounts held for the Railroad Retirement Board	55,806	-	-	-
Total intra-governmental	<u>1,359,922</u>	<u>8,243,557</u>	<u>-</u>	<u>-</u>
Accrued benefits	1,465,069	25,654	2,172	175
Other	-	-	41,284	3,369
<b>Total liabilities</b>	<u>2,824,991</u>	<u>8,269,211</u>	<u>43,456</u>	<u>3,544</u>
<b>Net position</b>				
Cumulative results of operations	<u>47,577,208</u>	<u>(8,227,010)</u>	<u>23,489</u>	<u>1,445</u>
<b>Total liabilities and net position</b>	<u>\$ 50,402,199</u>	<u>\$ 42,201</u>	<u>\$ 66,945</u>	<u>\$ 4,989</u>

The net results of operations of each trust fund for the year ended September 30, 2003 is shown below.

<u>(Dollars in thousands)</u>	<u>Unemployment</u>	<u>Black Lung Disability</u>	<u>Longshore and Harbor Workers'</u>	<u>District of Columbia</u>
<b>Cost, net of earned revenues</b>				
Benefits	\$ (53,417,598)	\$ (375,031)	\$ (133,286)	\$ (11,055)
Interest	(3,350)	(620,582)	-	-
Administrative	(386,531)	(59)	-	-
	<u>(53,807,479)</u>	<u>(995,672)</u>	<u>(133,286)</u>	<u>(11,055)</u>
Earned revenue	613,146	-	-	-
	<u>(53,194,333)</u>	<u>(995,672)</u>	<u>(133,286)</u>	<u>(11,055)</u>
<b>Net financing sources</b>				
Taxes	31,192,732	506,081	-	-
Interest	3,447,565	(497)	511	48
Assessments	2,050,363	-	127,661	9,510
Transfers-out				
DOL entities	(3,315,901)	(55,273)	(2,016)	-
	<u>33,374,759</u>	<u>450,311</u>	<u>126,156</u>	<u>9,558</u>
Net results of operations	<u>(19,819,574)</u>	<u>(545,361)</u>	<u>(7,130)</u>	<u>(1,497)</u>
<b>Net position, beginning of period</b>	<u>67,396,782</u>	<u>(7,681,649)</u>	<u>30,619</u>	<u>2,942</u>
<b>Net position, end of period</b>	<u>\$ 47,577,208</u>	<u>\$ (8,227,010)</u>	<u>\$ 23,489</u>	<u>\$ 1,445</u>