

Part D

REQUIRED SUPPLEMENTARY
INFORMATION
(Unaudited)

REQUIRED SUPPLEMENTARY INFORMATION

DEFERRED MAINTENANCE

Overview

Deferred maintenance is maintenance that was scheduled to be performed but was delayed until a future period. Deferred maintenance represents a cost that the Federal government has elected not to fund and, therefore, the costs are not reflected in the financial statements.

Maintenance is defined to include preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable service and achieve its expected life. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to service needs different from, or significantly greater than, those originally intended.

Deferred maintenance is reported for general Property, Plant, and Equipment (PP&E), heritage assets, and stewardship assets. It is also reported separately for critical and noncritical amounts of maintenance needed to return each class of asset to its acceptable operating condition. Critical maintenance is defined as a serious threat to public health or safety, a natural resource, or the ability to carry out the mission of the organization. Noncritical maintenance is defined as a potential risk to the public or employee safety or health (e.g., compliance with codes, standards, or regulations), and potential adverse consequences to natural resources or mission accomplishment.

The USDA Forest Service uses condition surveys to estimate deferred maintenance on all major classes of PP&E. No deferred maintenance exists for fleet vehicles and computers that are managed through the agency's working capital fund (WCF). Each fleet vehicle is maintained according to schedule. The cost of maintaining the remaining classes of equipment is expensed.

Currently, no comprehensive national assessment of Forest Service property exists. Deferred maintenance estimates for all assets are based on condition surveys performed on a 5-year maximum revolving schedule, with the exception of bridges which are on a 2-year maximum revolving schedule. Condition surveys were performed on a statistical sample of closed and very low traffic volume roads.

The overall agency indirect cost for managing the program is 17.8 percent, which is not included in the figures in Exhibit 1.

Exhibit 1: Deferred Maintenance Totals by Asset Class as of September 30, 2005

Asset Class	Overall Condition	Cost to Return to Acceptable Condition	Critical Maintenance	Noncritical Maintenance
Bridge	Varies	\$115,248,805	\$25,386,409	\$89,862,396
Building	Varies	438,900,147	117,769,176	321,130,971
Dam	Varies	26,299,657	9,329,549	16,970,108
Developed Site (Minor Construction Features)	Varies	88,758,470	-	88,758,470
Fence	Varies	437,319,863	436,970,013	349,850
Handling facility	Varies	24,158,047	24,145,512	12,535
Heritage	Varies	32,623,192	8,148,122	24,475,070
Road	Varies	4,571,518,198	712,104,630	3,859,413,568
Trail bridge	Varies	9,432,803	3,969,179	5,463,624
Wastewater	Varies	31,081,129	18,509,528	12,571,601
Water	Varies	81,249,446	46,274,742	34,974,704

Asset Class	Overall Condition	Cost to Return to Acceptable Condition	Critical Maintenance	Noncritical Maintenance
Wildlife, Fish, TES	Varies	6,420,634	4,453,138	1,967,496
Trail (FY 2001)	Varies	98,927,407	33,471,650	65,455,757
General Forest Area (FY 2001)	Varies	4,750,598	1,469,064	3,281,534
TOTALS		\$5,966,688,396	\$1,442,000,712	\$4,524,687,684

The overall condition of major asset classes range from poor to good depending on the location, age, and type of property. The standards for acceptable operating condition for various classes of general PP&E, stewardship, and heritage assets are as follows.

Conditions of roads and bridges within the NFS road system are measured by various standards:

1. Federal Highway Administration regulations for the Federal Highway Safety Act;
2. Best management practices (BMP) for the nonpoint source provisions of the Clean Water Act from EPA and States;
3. Road management objectives developed through the NFMA forest planning process;
4. Forest Service Directives—FSM 7730, *Operation and Maintenance* (January 2003 amendment was superseded with August 25, 2005, revision); FSH 7709.56a, *Road Preconstruction*, and FSH 7709.56b, *Transportation Structures Handbook*.

Dams shall be managed according to FSM 7500, *Water Storage and Transmission*, and FSH 7509.11, *Dams Management Handbook*, as determined by condition surveys. The overall condition of dams is below acceptable. The condition of a dam is acceptable when the dam meets current design standards and does not have any deficiencies that threaten the safety of the structure or public. For dams to be rated as in acceptable condition, the agency needs to restore the dams to the original functional purpose, correct unsightly conditions, or prevent more costly repairs.

Buildings shall comply with the National Life Safety Code, the Forest Service Health and Safety Handbook, and the Occupational Safety Health Administration (OSHA) as determined by condition surveys. These requirements are found in FSM 7310, *Buildings and Related Facilities*, revised November 19, 2004. The condition of administrative facilities ranges from poor to good. Approximately half of these buildings are obsolete or in poor condition, needing major repairs or renovation. Approximately a quarter of these buildings are in fair condition, and the remaining facilities are in good condition.

Recreation facilities include developed recreation sites, general forest areas, campgrounds, trailheads, trails, water and wastewater systems, interpretive facilities, and visitor centers. All developed sites are managed in accordance with Federal laws and regulations (CFR 36). Detailed management guidelines are contained in FSM 2330, *Publicly Managed Recreation Opportunities*, and forest- and regional-level user guides. Quality standards for developed recreation sites were established as Meaningful Measures for health and cleanliness, settings, safety and security, responsiveness, and the condition of the facility

The condition assessment for range structures (fences and stock handling facilities) is based on (1) a determination by knowledgeable range specialists or other district personnel of whether the structure would perform the originally intended function, and (2) a determination through the use of a protocol system to assess conditions based on age. A longstanding range methodology is used to gather this data.

Heritage assets include archaeological sites that require determinations of National Register of Historic Places status, National Historic Landmarks, and significant historic properties. Some heritage assets may have historical significance, but their primary function in the agency is as visitation or recreation sites and, therefore, may not fall under the management responsibility of the heritage program.

Trails (and trail bridges) are managed according to Federal law and regulations (CFR 36). More specific direction is contained in FSM 2350, *Trail, River, and Similar Recreation Opportunities*, and the FSH 2309.18, *Trails Management Handbook*.

Deferred maintenance of structures for wildlife, fish, and TES species is determined by field biologists using their professional judgment. The deferred maintenance is considered critical if resource damage or species endangerment would likely occur if maintenance were deferred much longer.

Required Supplementary Information—Unaudited
For the Years Ended September 30, 2005 and 2004

Combining Statement of Budgetary Resources
For the Year Ended September 30, 2005
(In millions)

	National Forest and Grasslands	Forest and Rangeland Research	State and Private Forestry	Capital Improvement and Maintenance	Wildland Fire Management	Permanent and Trust Funds	Working Capital Fund	Total
\$	1,581	280	346	597	2,128	880	\$	5,812
Budget Authority:								
Appropriations Received	10	87	302	605	2,051	880		5,812
Net Transfers	(60)	29	81	106	(5)	81		1,738
Subtotal	1,591	302	433	605	2,051	880		5,862
Unobligated Balance:								
Beginning of Period	197	29	81	106	(5)	81		1,738
Net Transfers	(80)	29	86	106	308	983		1,739
Subtotal	117	29	86	106	308	983		1,739
Spending Authority From Offsetting Collections:								
Earned:								
Collected	85	27	11	8	109	27		448
Receivable from Federal	12	2	(21)	2	28	(9)		12
Change in Unfilled Customer Orders:								
Advances Received	1	(4)	3	-	-	3		3
W/out Advance from Fed.	(35)	15	14	(12)	89	-		71
Previously unavailable	2							2
Subtotal	65	40	7	(2)	226	21		536
Recoveries of prior year obligations	52	10	29	13	62	1		169
Permanently/Temporarily Not Available	(21)	(4)	(6)	(6)	(30)	-		(67)
Total Budgetary Resources	1,804	377	549	716	2,617	1,885		8,239

\$	1,510	304	464	601	1,769	708	\$	5,545
Obligations Incurred	109	32	29	16	79	-		265
Reimbursable	1,619	336	493	617	1,848	708		5,810
Subtotal	140	33	187	96	555	750		1,804
Appropriated	45	8	(131)	3	214	427		625
Unobligated Balances not Available	185	41	56	99	769	102		2,429
Subtotal	1,804	377	549	716	2,617	1,885		8,239

\$	204	85	522	247	330	76	\$	1,493
Obligations Incurred	1,619	336	493	617	1,848	708		5,810
Less:	52	10	29	13	62	1		169
Recoveries of Prior Year Obligations	(23)	17	(7)	(9)	117	(9)		84
Change from Federal Sources	(58)	(9)	(10)	(11)	(137)	-		(226)
Obligated Balance, Net, End of Period	(38)	(41)	(14)	(12)	(87)	-		(192)
Accounts Receivable	166	82	519	237	149	55		1,226
Unfilled Orders from Fed.	127	37	91	75	378	36		753
Undelivered Orders	197	69	586	289	303	91		1,561
Accounts Payable	1,597	325	407	572	1,696	700		5,489
Subtotal	(87)	(24)	(14)	(6)	(108)	(29)		(451)
Obligations Incurred	1,510	301	393	564	1,588	671		5,038
Less: Distributed Offsetting Receipts	1	-	-	-	-	425		428
Net Outlays	1,511	301	393	564	1,588	1,096		4,612

Required Supplementary Information—Unaudited
For the Years Ended September 30, 2005 and 2004

Combining Statement of Budgetary Resources
For the Year Ended September 30, 2004
(in millions)

	National Forest And Grasslands	Forest And Rangeland Research	State And Private Forestry	Capital Improvement And Maintenance	Wildland Fire Management	Permanent And Trust Funds	Working Capital Fund	Total
Budgetary Resources								
Budget Authority:								
Appropriations Received	\$ 1,657	\$ 270	\$ 333	\$ 562	\$ 2,369	\$ 732	\$ -	\$ 5,923
Net Transfers	85	28	105	51	(337)	51	5	(12)
Subtotal	1,742	298	438	613	2,032	783	5	5,911
Unobligated Balance:								
Beginning of Period	173	43	59	78	311	524	68	1,256
Net Transfers	66	5	34	43	(200)	52	4	4
Subtotal	239	48	93	121	111	576	72	1,260
Spending Authority from Offsetting Collections:								
Earned:								
Collected	97	33	9	10	44	-	235	428
Receivable from Federal	(6)	(20)	(10)	1	20	(2)	4	(13)
Change in Unfilled Customer Orders:								
Advances Received	-	(5)	(1)	-	-	(4)	-	(10)
W/out Advance from Fed.	18	4	1	2	(5)	-	-	20
Subtotal	109	12	(1)	13	59	(6)	239	425
Recoveries of prior year obligations	9	1	11	1	8	64	3	97
Permanently / Temporarily not Available	(19)	(3)	(3)	(7)	(22)	-	-	(54)
Total Budgetary Resources	\$ 2,080	\$ 356	\$ 538	\$ 741	\$ 2,188	\$ 1,417	\$ 319	\$ 7,639
Status of Budgetary Resources:								
Obligations Incurred								
Direct	\$ 1,777	\$ 290	\$ 448	\$ 622	\$ 1,771	\$ 516	\$ 208	\$ 5,632
Reimbursable	107	37	9	13	103	(1)	1	269
Subtotal	1,884	327	457	635	1,874	515	209	5,901
Unobligated Balance:								
Apportioned	179	28	76	105	64	768	42	1,262
Unobligated Balances not Available	17	1	5	1	250	134	68	476
Subtotal	196	29	81	106	314	902	110	1,738
Total Status of Budgetary Resources	\$ 2,080	\$ 356	\$ 538	\$ 741	\$ 2,188	\$ 1,417	\$ 319	\$ 7,639
Relation of Obligations to Outlays								
Obligated Balance, Net, Beg. of Period	\$ 166	\$ 71	\$ 449	\$ 225	\$ 457	\$ 163	\$ 66	\$ 1,587
Obligations Incurred:	1,884	327	457	635	1,874	515	209	5,901
Less:								
Recoveries of Prior Year Obligations	9	1	11	1	8	64	3	97
Change from Federal Sources	12	(16)	(9)	3	15	(2)	5	8
Obligated Balance, Net, End of Period	(45)	(7)	(31)	(9)	(109)	(9)	(3)	(213)
Accounts Receivable	(73)	(26)	1	(24)	2	-	-	(120)
Unfilled Orders from Fed.	216	85	445	221	196	47	22	1,232
Undelivered Orders	106	34	108	58	240	38	10	594
Accounts Payable	204	86	523	246	329	76	29	1,493
Subtotal	1,825	326	382	609	1,977	540	241	5,900
Outlays:	(97)	(28)	(8)	(9)	(43)	4	(237)	(418)
Collections	1,728	298	374	600	1,934	544	4	5,462
Subtotal	1	-	-	-	-	383	-	384
Less: Distributed Offsetting Receipts								
Net Outlays	\$ 1,727	\$ 298	\$ 374	\$ 600	\$ 1,934	\$ 161	\$ 4	\$ 5,098

Working Capital Fund

The USDA Forest Service manages a Working Capital Fund (WCF) to provide orderly, efficient financial management of certain service and supply functions. Specifically, management of the WCF seeks to:

- Determine equitable rates and prices for goods and services of specified programs so that they operate on a self-supporting basis with enough funds to cover expenditures and an adequate reserve for emergencies, without great variations in the rates from year to year; and
- Preserve current capital investment by providing for the recovery of increase costs due to inflation.

Once a property item becomes part of the WCF program, use rates and replacement rates are charged to appropriate funds each month and are maintained in the WCF account to cover maintenance costs and future replacement.

Exhibit 2: FY 2005 Segment Information as of September 30, 2005 (in thousands)

	FY 2005	Forest Service WCF
Condensed Information:		
Fund Balance	\$128,087	
Accounts Receivable	1,340	
Property, Plant, and Equipment	205,126	
Other Assets	(10,806)	
Total Assets	\$323,747	
Liabilities and Net Position:		
Accounts Payable	\$484	
Deferred Revenues	0	
Other Liabilities	23,502	
Unexpended Appropriations	8,975	
Cumulative Results of Operations	290,786	
Total Liabilities and Net Position	\$323,747	
Cost of Goods and Services Provided		
	\$75,435	Excess of Costs Over Exchange Revenue
Forest Service Working Capital Fund :	15,986	59,449

Exhibit 3: FY 2004 Segment Information as of September 30, 2004 (in thousands)

	FY 2004	Forest Service WCF
Condensed Information:		
Fund Balance	\$138,985	
Accounts Receivable	3,076	
Property, Plant, and Equipment	242,080	
Other Assets	12	
Total Assets	\$384,153	
Liabilities and Net Position:		
Accounts Payable	\$1,235	
Deferred Revenues	0	
Other Liabilities	23,709	
Unexpended Appropriations	8,971	
Cumulative Results of Operations	\$350,238	
Total Liabilities and Net Position	\$384,153	
		Excess of Costs Over Exchange Revenue
		238,392
		24,532
		Cost of Goods and Services Provided
		\$262,924
Forest Service Working Capital Fund:		