

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

---

**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**

- C Employment and Training Administration (ETA)*
- C Employment Standards Administration (ESA)*
- C Occupational Safety and Health Administration (OSHA)*
- C Bureau of Labor Statistics (BLS)*
- C Mine Safety and Health Administration (MSHA)*
- C Pension and Welfare Benefits Administration (PWBA)*
- C Veterans' Employment and Training (VETS)*
- C 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*

**2. Major programs**

- C Income maintenance*
- C Employment and training*
- C Labor, employment, and pension standards*
- C Worker safety and health*
- C 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, 2002 and 2001**

---

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

**A. Reporting Entity - Continued**

**3. Fund and account 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.

*C 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.

*C 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, 2002 and 2001**

---

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

**A. Reporting Entity - Continued**

**3. Fund accounting structure - continued**

*C 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 continues to process benefit overpayment refunds for the terminated EUC program.

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, 2002 and 2001**

---

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

**A. Reporting Entity - Continued**

**3. Fund accounting structure - continued**

*C 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.

*C 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.

Salaries and Expenses, (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.

*C 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.

*C 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.

**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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

---

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

**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 as noted below.

OMB Bulletin 01-09, which DOL adopted for 2002, required changes to the Statement of Changes in Net Position, the Statement of Budgetary Resources, and the Statement of Financing. OMB Bulletin 01-09 requires that the Statement of Budgetary Resources be presented on a combined basis. Interfund balances and transactions have not been eliminated in this statement. Certain amounts for fiscal year 2001 have been reclassified to conform with the current year presentation.

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.

**C. Restatement**

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 2002 and 2001. 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. The activity regarding these allocated appropriations constitutes a change in reporting entity. Fiscal year 2001 balances have been restated to appropriately reflect this change.

**D. Prior Period Adjustment**

Prior to October 1, 2000 certain funds transferred from the Unemployment Trust Fund to State Unemployment Insurance and Employment Service Operations were misclassified within equity as unexpended appropriations. DOL has recorded a prior period adjustment of \$1,034 million at October 1, 2000 to properly classify these amounts as cumulative results of operations. Fiscal year 2001 appropriations used has been increased by \$135 million for the misclassification applicable to 2001. These misclassifications had no effect on net cost or total net position.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### For the Years Ended September 30, 2002 and 2001

---

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

##### **E. 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.)

##### **F. 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 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 straight-line method, which approximates 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.)

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

Accounts receivable consists of intra-governmental amounts due to the Department, 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, 2002 and 2001**

---

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

**G. 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 PWBA; 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.)

**H. 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.)

**I. 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.

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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### For the Years Ended September 30, 2002 and 2001

---

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

##### I. Property, Plant and Equipment, Net of Depreciation - Continued

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.

##### J. 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.)

##### K. 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.)



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

---

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

**L. 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 at September 30, 2002 bear interest rates ranging from 5.375% to 13.875%. Outstanding advances at September 30, 2001 bear interest rates ranging from 5.500% to 13.875%. 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.)

**M. Accrued Leave**

A liability for annual and compensatory leave is accrued as leave is earned and paid when leave is taken. At year end, leave balances are revalued to reflect current wages. The balance of leave earned but not taken will be paid from future funding sources. Sick leave and other types of nonvested leave are expensed as taken.

**N. 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 benefits, which began in 2002, are paid from the EUCA and are financed by Federal unemployment tax and general fund appropriations. 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

---

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

**N. Accrued Benefits - Continued**

**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 provides for 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.

**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 Workmen's 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.

**O. 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

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

**O. Future Workers' Compensation Benefits - Continued**

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 2002 and 2001 were as follows:

<u>2002</u> <u>2001</u>					<u>2002</u> <u>2001</u>				
<u>FY</u>	<u>COLA</u>	<u>COLA</u>	<u>CPIM</u>	<u>CPIM</u>	<u>FY</u>	<u>COLA</u>	<u>COLA</u>	<u>CPIM</u>	<u>CPIM</u>
1990	4.43%	4.43%	8.40%	8.40%	1998	2.70%	2.70%	2.77%	2.77%
1991	5.03%	5.03%	9.36%	9.36%	1999	1.53%	1.53%	3.50%	3.51%
1992	5.00%	5.00%	7.96%	7.96%	2000	1.97%	1.97%	3.70%	3.70%
1993	2.83%	2.83%	6.61%	6.61%	2001	2.93%	2.93%	4.42%	4.42%
1994	2.77%	2.77%	5.27%	5.27%	2002	2.70%	3.33%	4.59%	4.44%
1995	2.57%	2.57%	4.72%	4.72%	2003	1.80%	3.00%	4.31%	4.15%
1996	2.63%	2.63%	3.99%	3.99%	2004	2.67%	2.56%	4.01%	4.09%
1997	2.77%	2.77%	3.11%	3.11%	2005+	2.40%	2.50%	4.01%	4.09%

Projected annual payments were discounted to present value based on OMB's interest rate assumptions for ten year Treasury notes. For 2002, interest rate assumptions were 5.2% in year one and thereafter. For 2001, interest rate assumptions were 5.21% in year one and thereafter. (See Note 10.)

**P. 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 \$3.2 billion liability for estimated future benefits payable by DOL at September 30, 2002 and 2001, respectively, to eligible individuals under the EEOICPA. The September 30, 2002 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. An undiscounted liability is projected over a sixteen year period of \$3.8 billion with a discounted to present value liability of \$2.8 billion based on an interest rate of 4.43%. 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. The September 30, 2001 estimated liability was derived from OMB and the Congressional Budget Office data that ranged from \$3.2 billion to \$4.0 billion. The liability was projected over a twenty year period and discounted to present value based on OMB assumptions.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### For the Years Ended September 30, 2002 and 2001

---

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

##### **Q. 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 (FEGSIP). DOL matches the employee contributions to each program to pay for current benefits. During 2002, DOL's contributions to the FEHBP and FEGSIP were \$56.8 and \$1.8 million, respectively. During 2001, DOL's contributions to the FEHBP and FEGSIP were \$50.0 and \$1.7 million, respectively. These contributions are recognized as current operating expenses.

##### **R. Other Retirement Benefits**

DOL employees eligible to participate in the FEHBP and the FEGSIP 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 \$50.2 million in 2002 and \$44.9 million in 2001.

##### **S. 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 8.51% 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 \$49.9 million in 2002 and \$44.6 million in 2001.

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 7% of their gross pay to the TSP, but there is no departmental matching contribution. FERS participants may contribute up to 12% 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 \$11,000. 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

---

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

**S. Employee Pension Benefits - Continued**

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.

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.)

**T. 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.

**U. 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 2002 and DOL's net operating costs by budget function.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

---

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

**U. 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.

**V. 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.)

**C. 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. 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

---

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

**V. Budgetary Financing Sources - Continued**

**2. Non-exchange revenue - continued**

*C Employer taxes - continued*

Excise taxes are collected from coal mine operators based on the sale of coal. These excise taxes are collected by the Internal Revenue Service and transferred to the Black Lung Disability Trust Fund.

*C 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. Interest is also earned on Federal funds in the possession of non-Federal entities. Interest is recognized as non-exchange revenue when earned.

*C 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.

*C 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.)

**W. 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-R and S.)

**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.)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

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

**W. Other Financing Sources - Continued**

**3. Transfer of Energy Employees Occupational Illness Compensation Benefits liability**

Under the authority of the Energy Employees Occupational Illness Compensation Program Act of 2000, the Department of Energy recorded at September 30, 2000 a liability in the amount of \$1.6 billion for future compensation payments. In 2001, the responsibility for adjudicating and administering claims under the EEOICPA was transferred to DOL. Consistent with this transfer of administrative responsibility, DOE's \$1.6 billion liability was assumed by DOL, and included in the EEOICPA claims liability recorded by DOL in 2001. (See Note 1-P.)

**X. Custodial Activities**

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 PWBA 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 Activities. (See Note 18.)

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

Funds with U.S. Treasury at September 30, 2002 consisted of the following:

<b>(Dollars in thousands)</b>	<b>Entity Assets</b>	<b>Non-entity Assets</b>	<b>Total</b>
Revolving funds	\$ 12,796	\$ -	\$ 12,796
Trust funds	17,434	(59)	17,375
Appropriated funds	10,055,696	-	10,055,696
Other	-	80,976	80,976
	<u>\$ 10,085,926</u>	<u>\$ 80,917</u>	<u>\$ 10,166,843</u>

Funds with U.S. Treasury at September 30, 2001 consisted of the following:

<b>(Dollars in thousands)</b>	<b>Entity Assets</b>	<b>Non-entity Assets</b>	<b>Restated Total</b>
Revolving funds	\$ 19,185	\$ -	\$ 19,185
Trust funds	428,170	69	428,239
Appropriated funds	10,435,873	-	10,435,873
Other	-	78,809	78,809
	<u>\$ 10,883,228</u>	<u>\$ 78,878</u>	<u>\$ 10,962,106</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

**NOTE 3 - INVESTMENTS**

Investments at September 30, 2002 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>				
Special issue U.S. Treasury Bonds				
6.500% maturing June 30, 2003	\$ 12,342,691	\$ -	\$ 12,342,691	\$ 12,342,691
6.500% maturing June 30, 2004	20,691,993	-	20,691,993	20,691,993
6.250% maturing June 30, 2004	3,000,000	-	3,000,000	3,000,000
6.250% maturing June 30, 2005	23,705,952	-	23,705,952	23,705,952
5.500% maturing June 30, 2006	<u>8,524,011</u>	<u>-</u>	<u>8,524,011</u>	<u>8,524,011</u>
	<u>68,264,647</u>	<u>-</u>	<u>68,264,647</u>	<u>68,264,647</u>
<b>Panama Canal Commission Compensation Fund</b>				
<u>Marketable</u>				
U.S. Treasury Notes				
5.875% to 7.875% various maturities	13,747	114	13,861	15,402
U.S. Treasury Bonds				
8.750% to 14.000% various maturities	<u>63,304</u>	<u>11,370</u>	<u>74,674</u>	<u>79,565</u>
	<u>77,051</u>	<u>11,484</u>	<u>88,535</u>	<u>94,967</u>
<b>Longshore and Harbor Workers' Trust Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bills				
1.530% to 1.640% various maturities	63,244	(192)	63,052	63,052
<b>District of Columbia Trust Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bills				
1.590% to 1.660% various maturities	6,097	(20)	6,077	6,077
<b>Backwage Restitution Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bill				
1.565% to 1.665% various maturities	<u>1,590</u>	<u>(14)</u>	<u>1,576</u>	<u>1,576</u>
	<u>\$ 68,412,629</u>	<u>\$ 11,258</u>	<u>\$ 68,423,887</u>	<u>\$ 68,430,319</u>
<b>Entity investments</b>	\$ 68,383,150	\$ 11,272	\$ 68,394,422	\$ 68,400,854
<b>Non-entity investments</b>	<u>29,479</u>	<u>(14)</u>	<u>29,465</u>	<u>29,465</u>
	<u>\$ 68,412,629</u>	<u>\$ 11,258</u>	<u>\$ 68,423,887</u>	<u>\$ 68,430,319</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

**NOTE 3 - INVESTMENTS**

Investments at September 30, 2001 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>				
Special issue U.S. Treasury Bonds				
6.750% maturing June 30, 2002	\$ 20,240,350	\$ -	\$ 20,240,350	\$ 20,240,350
6.500% maturing June 30, 2003	21,000,000	-	21,000,000	21,000,000
6.500% maturing June 30, 2004	20,691,993	-	20,691,993	20,691,993
6.250% maturing June 30, 2004	3,000,000	-	3,000,000	3,000,000
6.250% maturing June 30, 2005	23,705,952	-	23,705,952	23,705,952
	<u>88,638,295</u>	<u>-</u>	<u>88,638,295</u>	<u>88,638,295</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	186	13,933	15,208
U.S. Treasury Bonds				
8.750% to 14.000% various maturities	63,493	11,156	74,649	78,826
	<u>77,240</u>	<u>11,342</u>	<u>88,582</u>	<u>94,034</u>
<b>Energy Employees Occupational Illness</b>				
<b>Compensation Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bill				
2.350% maturing October 25, 2001	302,235	(493)	301,742	301,742
<b>Longshore and Harbor Workers' Trust Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bills				
2.240% to 3.440% various maturities	59,082	(370)	58,712	58,712
<b>District of Columbia Trust Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bills				
2.260% to 3.440% various maturities	5,469	(36)	5,433	5,433
<b>Backwage Restitution Fund</b>				
<u>Marketable</u>				
U.S. Treasury Bill				
3.590% maturing November 29, 2001	1,577	(17)	1,560	1,560
	<u>\$ 89,083,898</u>	<u>\$ 10,426</u>	<u>\$ 89,094,324</u>	<u>\$ 89,099,776</u>
<b>Entity investments</b>	\$ 89,050,524	\$ 10,443	\$ 89,060,967	\$ 89,066,419
<b>Non-entity investments</b>	<u>33,374</u>	<u>(17)</u>	<u>33,357</u>	<u>33,357</u>
	<u>\$ 89,083,898</u>	<u>\$ 10,426</u>	<u>\$ 89,094,324</u>	<u>\$ 89,099,776</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

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

Accounts receivable at September 30, 2002 consisted of the following:

<b>(Dollars in thousands)</b>	<b>Gross Receivables</b>	<b>Allowance</b>	<b>Net Receivables</b>
<b>Entity intra-governmental assets</b>			
Due for UCFE and UCX benefits	\$ 267,570	\$ -	\$ 267,570
Due for workers' compensation benefits	3,488,153	-	3,488,153
Other	11,858	-	11,858
	<u>3,767,581</u>	<u>-</u>	<u>3,767,581</u>
<b>Entity assets</b>			
State unemployment taxes	739,465	(518,847)	220,618
Due from reimbursable employers	409,369	(36,583)	372,786
Benefit overpayments	1,882,039	(1,731,612)	150,427
Other	12,758	(491)	12,267
	<u>3,043,631</u>	<u>(2,287,533)</u>	<u>756,098</u>
<b>Non-entity assets</b>			
Fines and penalties	101,833	(41,030)	60,803
Backwages	11,932	(3,825)	8,107
	<u>113,765</u>	<u>(44,855)</u>	<u>68,910</u>
	<u>3,157,396</u>	<u>(2,332,388)</u>	<u>825,008</u>
	<u>\$ 6,924,977</u>	<u>\$ (2,332,388)</u>	<u>\$ 4,592,589</u>

Changes in the allowance for doubtful accounts during 2002 consisted of the following:

<b>(Dollars in thousands)</b>	<b>Balance at September 30, 2001</b>	<b>Write-offs</b>	<b>Revenue Adjustment</b>	<b>Bad Debt</b>	<b>Balance at September 30, 2002</b>
<b>Entity assets</b>					
State unemployment taxes	\$ (511,105)	\$ 282,070	\$ (289,812)	\$ -	\$ (518,847)
Due from reimbursable employers	(36,643)	25,027	(24,967)	-	(36,583)
Benefit overpayments	(2,173,992)	750,883	-	(308,503)	(1,731,612)
Other	(913)	208	-	214	(491)
	<u>(2,722,653)</u>	<u>1,058,188</u>	<u>(314,779)</u>	<u>(308,289)</u>	<u>(2,287,533)</u>
<b>Non-entity assets</b>					
Fines and penalties	(52,949)	17,943	(6,024)	-	(41,030)
Backwages	(3,952)	127	-	-	(3,825)
	<u>(56,901)</u>	<u>18,070</u>	<u>(6,024)</u>	<u>-</u>	<u>(44,855)</u>
	<u>\$ (2,779,554)</u>	<u>\$ 1,076,258</u>	<u>\$ (320,803)</u>	<u>\$ (308,289)</u>	<u>\$ (2,332,388)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

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

Accounts receivable at September 30, 2001 consisted of the following:

<b>(Dollars in thousands)</b>	<b>Gross Receivables</b>	<b>Allowance</b>	<b>Net Receivables</b>
<b>Entity intra-governmental assets</b>			
Due for UCFE and UCX benefits	\$ 194,564	\$ -	\$ 194,564
Due for workers' compensation benefits	3,317,132	-	3,317,132
Other	8,918	-	8,918
	<u>3,520,614</u>	<u>-</u>	<u>3,520,614</u>
<b>Entity assets</b>			
State unemployment taxes	676,952	(511,105)	165,847
Due from reimbursable employers	363,016	(36,643)	326,373
Benefit overpayments	2,360,671	(2,173,992)	186,679
Other	11,632	(913)	10,719
	<u>3,412,271</u>	<u>(2,722,653)</u>	<u>689,618</u>
<b>Non-entity assets</b>			
Fines and penalties	115,816	(52,949)	62,867
Backwages	11,158	(3,952)	7,206
	<u>126,974</u>	<u>(56,901)</u>	<u>70,073</u>
	<u>3,539,245</u>	<u>(2,779,554)</u>	<u>759,691</u>
	<u>\$ 7,059,859</u>	<u>\$ (2,779,554)</u>	<u>\$ 4,280,305</u>

Changes in the allowance for doubtful accounts during 2001 consisted of the following:

<b>(Dollars in thousands)</b>	<b>Balance at September 30, 2000</b>	<b>Write-offs</b>	<b>Revenue Adjustment</b>	<b>Bad Debt</b>	<b>Balance at September 30, 2001</b>
<b>Entity assets</b>					
State unemployment taxes	\$ (431,312)	\$ 248,031	\$ (327,824)	\$ -	\$ (511,105)
Due from reimbursable employers	(46,943)	13,819	(3,519)	-	(36,643)
Benefit overpayments	(2,108,150)	139,645	-	(205,487)	(2,173,992)
Other	(502)	1,136	-	(1,547)	(913)
	<u>(2,586,907)</u>	<u>402,631</u>	<u>(331,343)</u>	<u>(207,034)</u>	<u>(2,722,653)</u>
<b>Non-entity assets</b>					
Fines and penalties	(53,229)	12,131	(11,851)	-	(52,949)
Backwages	(3,000)	(952)	-	-	(3,952)
	<u>(56,229)</u>	<u>11,179</u>	<u>(11,851)</u>	<u>-</u>	<u>(56,901)</u>
	<u>\$ (2,643,136)</u>	<u>\$ 413,810</u>	<u>\$ (343,194)</u>	<u>\$ (207,034)</u>	<u>\$ (2,779,554)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

**NOTE 5 - ADVANCES**

Advances at September 30, 2002 and 2001 consisted of the following :

<u>(Dollars in thousands)</u>	<u>2002</u>	<u>2001</u>
Advances to states for UI benefit payments	\$ 504,283	\$ 169,095
Advances to grantees and contractors to finance future DOL program expenditures	8,911	10,172
Other	3,478	300
	<u>\$ 516,672</u>	<u>\$ 179,567</u>

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

Property, plant and equipment at September 30, 2002 and 2001 consisted of the following :

<u>(Dollars in thousands)</u>	<u>2002</u>			<u>Restated 2001</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	\$ 722,239	\$ (316,130)	\$ 406,109	\$ 408,588
Improvements to leased facilities	307,900	(192,939)	114,961	172,382
	<u>1,030,139</u>	<u>(509,069)</u>	<u>521,070</u>	<u>580,970</u>
<b>Furniture and equipment</b>				
Equipment held by contractors	170,150	(159,709)	10,441	9,887
Furniture and equipment	57,939	(24,628)	33,311	32,697
	<u>228,089</u>	<u>(184,337)</u>	<u>43,752</u>	<u>42,584</u>
<b>ADP software</b>	79,616	(33,376)	46,240	42,679
<b>Construction-in-progress</b>	105,951	-	105,951	52,620
<b>Land</b>	62,808	-	62,808	58,808
	<u>\$ 1,506,603</u>	<u>\$ (726,782)</u>	<u>\$ 779,821</u>	<u>\$ 777,661</u>

**NOTE 7 - NON-ENTITY ASSETS**

Non-entity assets consisted of the following at September 30, 2002 and 2001:

<u>(Dollars in thousands)</u>	<u>2002</u>	<u>2001</u>
Intra-governmental		
Funds with U.S. Treasury	\$ 80,917	\$ 78,878
Investments	29,465	33,357
Interest receivable from investments	438	515
	<u>110,820</u>	<u>112,750</u>
Accounts receivable, net of allowance	68,910	70,073
	<u>\$ 179,730</u>	<u>\$ 182,823</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

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

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 2002 consisted of the following:

<b>(Dollars in thousands)</b>	<b>Balance at September 30, 2001</b>	<b>Net Borrowing</b>	<b>Balance at September 30, 2002</b>
Intra-governmental			
Borrowing from the Treasury	\$ 7,253,557	\$ 465,000	\$ 7,718,557
	<u>\$ 7,253,557</u>	<u>\$ 465,000</u>	<u>\$ 7,718,557</u>

Advances from U.S. Treasury to the Black Lung Disability Trust Fund during 2001 consisted of the following:

<b>(Dollars in thousands)</b>	<b>Balance at September 30, 2000</b>	<b>Net Borrowing</b>	<b>Balance at September 30, 2001</b>
Intra-governmental			
Borrowing from the Treasury	\$ 6,748,557	\$ 505,000	\$ 7,253,557
	<u>\$ 6,748,557</u>	<u>\$ 505,000</u>	<u>\$ 7,253,557</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, 2002 and 2001 consisted of the following:

<b>(Dollars in thousands)</b>	<b>2002</b>	<b>2001</b>
State regular and extended unemployment benefits payable	\$ 1,340,034	\$ 1,275,564
Federal extended unemployment benefits payable	37,669	20,729
Federal temporary extended unemployment benefits	556,094	-
Federal emergency unemployment benefits payable	11,614	11,058
Federal employees' unemployment benefits payable	25,514	19,014
Federal employees' unemployment benefits for existing claims due in the subsequent year	<u>103,309</u>	<u>80,803</u>
Total unemployment benefits payable	2,074,234	1,407,168
Black lung disability benefits payable	29,469	29,703
Federal employees' disability and 10(h) benefits payable	131,970	120,115
Energy employees occupational illness compensation benefits payable	3,800	-
Longshore and harbor workers disability benefits payable	2,052	1,739
District of Columbia disability benefits payable	<u>154</u>	<u>121</u>
	<u>\$ 2,241,679</u>	<u>\$ 1,558,846</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

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

DOL's liability for future workers' compensation benefits at September 30, 2002 and 2001 consisted of the following:

<b>(Dollars in thousands)</b>	<b>2002</b>	<b>2001</b>
<i>Projected gross liability of the Federal government for future FECA benefits</i>	\$ 24,807,367	\$ 24,994,378
<i>Less liabilities attributed to other agencies:</i>		
U.S. Postal Service	(7,653,191)	(7,399,470)
Department of Navy	(2,872,301)	(2,968,541)
Department of Army	(1,929,082)	(1,955,183)
Department of Veterans Affairs	(1,762,577)	(1,812,675)
Department of Air Force	(1,476,884)	(1,529,893)
Department of Transportation	(1,151,854)	(1,202,987)
Tennessee Valley Authority	(652,098)	(657,530)
Department of Treasury	(1,076,954)	(1,076,106)
Department of Agriculture	(861,620)	(878,963)
Department of Justice	(1,204,284)	(1,193,590)
Department of Interior	(658,501)	(663,471)
Department of Defense, Other	(904,925)	(954,116)
Department of Health and Human Services	(276,699)	(293,355)
Social Security Administration	(280,549)	(278,345)
General Services Administration	(191,324)	(198,853)
Department of Commerce	(190,687)	(223,716)
Department of Energy	(92,442)	(95,748)
Department of State	(56,259)	(56,645)
Department of Housing & Urban Development	(80,994)	(84,758)
Department of Education	(21,665)	(22,723)
National Aeronautics and Space Administration	(67,280)	(69,672)
Environmental Protection Agency	(39,457)	(39,633)
Federal Emergency Management Association	(28,661)	(25,241)
Small Business Administration	(31,487)	(32,255)
Office of Personnel Management	(13,285)	(13,752)
National Science Foundation	(1,637)	(1,806)
Nuclear Regulatory Commission	(9,062)	(10,849)
Agency for International Development	(28,251)	(30,905)
Other	(596,424)	(637,380)
	<u>(24,210,434)</u>	<u>(24,408,161)</u>
	<u>\$ 596,933</u>	<u>\$ 586,217</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	\$ 254,210	\$ 261,755
FECA benefits due to eligible workers of DOL and Job Corp enrollees	272,977	250,278
FECA benefits due to eligible workers of the Panama Canal Commission	<u>69,746</u>	<u>74,184</u>
	<u>\$ 596,933</u>	<u>\$ 586,217</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

---

**NOTE 11 - OTHER LIABILITIES**

Other liabilities at September 30, 2002 and 2001 consisted of the following current liabilities:

<b><u>(Dollars in thousands)</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>
Intra-governmental		
Accrued payroll and benefits	\$ 13,901	\$ 3,970
Unearned FECA assessments	27,110	6,794
Non-entity receipts due to U.S. Treasury	60,801	62,866
Amounts held for the Railroad Retirement Board	28,268	32,381
Advances from other Federal agencies	1,655	1,412
Total intra-governmental	<u>131,735</u>	<u>107,423</u>
Accrued payroll and benefits	28,531	22,760
Due to Backwage recipients	48,882	47,162
Unearned assessment revenue	38,253	37,272
Deposit and clearing accounts	29,211	36,641
Readjustment allowances and other Job Corps liabilities	58,642	69,194
Other advances	7,642	-
	<u>211,161</u>	<u>213,029</u>
	<u>\$ 342,896</u>	<u>\$ 320,452</u>

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

Liabilities not covered by budgetary resources at September 30, 2002 and 2001 consisted of the following:

<b><u>(Dollars in thousands)</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>
Intra-governmental		
Advances from U.S. Treasury	\$ 7,718,557	\$ 7,253,557
Future workers' compensation benefits	272,977	250,278
Accrued annual leave	89,368	88,773
Readjustment allowances and other Job Corps liabilities	58,642	69,194
	<u>420,987</u>	<u>408,245</u>
	<u>\$ 8,139,544</u>	<u>\$ 7,661,802</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

---

**NOTE 13 - PENSION EXPENSE**

Pension expense in 2002 consisted of the following:

<b>(Dollars in thousands)</b>	<b>Employer Contributions</b>	<b>Accumulated Costs Imputed by OPM</b>	<b>Total Pension Expense</b>
Civil Service Retirement System	\$ 40,886	\$ 42,444	\$ 83,330
Federal Employees' Retirement System	58,935	-	58,935
Thrift Savings Plan	<u>22,831</u>	<u>-</u>	<u>22,831</u>
	<u>\$ 122,652</u>	<u>\$ 42,444</u>	<u>\$ 165,096</u>

Pension expense in 2001 consisted of the following:

<b>(Dollars in thousands)</b>	<b>Employer Contributions</b>	<b>Accumulated Costs Imputed by OPM</b>	<b>Total Pension Expense</b>
Civil Service Retirement System	\$ 40,865	\$ 42,435	\$ 83,300
Federal Employees' Retirement System	51,618	(535)	51,083
Thrift Savings Plan	<u>19,676</u>	<u>-</u>	<u>19,676</u>
	<u>\$ 112,159</u>	<u>\$ 41,900</u>	<u>\$ 154,059</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 2002.

Cost and revenue by suborganization for the nine outcome goals adopted in the Department's Annual Performance Plan for FY 2002, submitted under the requirements of the Government Performance and Review Act (GPRA), are presented in schedule D.

Detailed cost and revenue information by budget function for 2002 is presented in Schedule E and intra-governmental cost and revenue information by budget function for 2002 is presented in Schedule F.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

**NOTE 14 - PROGRAM COST - Continued**

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

Net cost by suborganization for the year ended September 30, 2002 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	\$ 222,855	\$ 672,553	\$ -	\$ -
With the public	<u>54,982,858</u>	<u>2,971,177</u>	<u>-</u>	<u>-</u>
Total cost	55,205,713	3,643,730	-	-
Less earned revenue	<u>(537,306)</u>	<u>(2,302,943)</u>	<u>-</u>	<u>-</u>
Net program cost	<u>54,668,407</u>	<u>1,340,787</u>	<u>-</u>	<u>-</u>
<b>Employment and training</b>				
Intra-governmental	119,667	-	-	-
With the public	<u>6,645,297</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cost	6,764,964	-	-	-
Less earned revenue	<u>(16,337)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net program cost	<u>6,748,627</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Labor, employment, and pension standards</b>				
Intra-governmental	-	105,054	-	-
With the public	<u>-</u>	<u>229,909</u>	<u>-</u>	<u>-</u>
Total cost	-	334,963	-	-
Less earned revenue	<u>-</u>	<u>229</u>	<u>-</u>	<u>-</u>
Net program cost	<u>-</u>	<u>335,192</u>	<u>-</u>	<u>-</u>
<b>Worker safety and health</b>				
Intra-governmental	-	-	99,748	-
With the public	<u>-</u>	<u>-</u>	<u>384,271</u>	<u>-</u>
Total cost	-	-	484,019	-
Less earned revenue	<u>-</u>	<u>-</u>	<u>(493)</u>	<u>-</u>
Net program cost	<u>-</u>	<u>-</u>	<u>483,526</u>	<u>-</u>
<b>OTHER PROGRAMS</b>				
<b>Statistics</b>				
Intra-governmental	-	-	-	178,419
With the public	<u>-</u>	<u>-</u>	<u>-</u>	<u>335,094</u>
Total cost	-	-	-	513,513
Less earned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,765)</u>
Net program cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,748</u>
<b>Cost not assigned to programs</b>				
Less earned revenue not attributed to programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cost not assigned to programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net cost of operations</b>	<u>\$ 61,417,034</u>	<u>\$ 1,675,979</u>	<u>\$ 483,526</u>	<u>\$ 500,748</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

<u>Mine Safety and Health Administration</u>	<u>Pension and Welfare Benefits Administration</u>	<u>Veterans' Employment and Training</u>	<u>Other Departmental Programs</u>	<u>Eliminations</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 13,990	\$ (31,335)	\$ 878,063
-	-	-	25,331	4,101	57,983,467
-	-	-	39,321	(27,234)	58,861,530
-	-	-	2	27,234	(2,813,013)
-	-	-	39,323	-	56,048,517
-	-	10,603	289	(35,238)	95,321
-	-	190,265	16,012	35,091	6,886,665
-	-	200,868	16,301	(147)	6,981,986
-	-	-	-	147	(16,190)
-	-	200,868	16,301	-	6,965,796
-	38,653	244	18,616	(38,954)	123,613
-	106,634	4,292	120,050	38,864	499,749
-	145,287	4,536	138,666	(90)	623,362
-	(7,710)	-	(1)	90	(7,392)
-	137,577	4,536	138,665	-	615,970
84,272	-	-	124	(41,609)	142,535
197,721	-	-	336	41,609	623,937
281,993	-	-	460	-	766,472
(930)	-	-	-	-	(1,423)
281,063	-	-	460	-	765,049
-	-	-	-	(15,010)	163,409
-	-	-	-	8,281	343,375
-	-	-	-	(6,729)	506,784
-	-	-	-	6,729	(6,036)
-	-	-	-	-	500,748
-	-	-	139,959	(9,917)	130,042
-	-	-	(44,987)	9,917	(35,070)
-	-	-	94,972	-	94,972
<u>\$ 281,063</u>	<u>\$ 137,577</u>	<u>\$ 205,404</u>	<u>\$ 289,721</u>	<u>\$ -</u>	<u>\$ 64,991,052</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

---

**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, 2002 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	\$ 50,893,369	\$ 50	\$ -	\$ 50,893,419
Grants	4,018,115	-	-	4,018,115
Interest	5,333	-	-	5,333
Other	<u>288,603</u>	<u>3,243</u>	<u>(3,000)</u>	<u>288,846</u>
Total cost	55,205,420	3,293	(3,000)	55,205,713
Less earned revenue	<u>(540,306)</u>	<u>-</u>	<u>3,000</u>	<u>(537,306)</u>
Net program cost	<u>54,665,114</u>	<u>3,293</u>	<u>-</u>	<u>54,668,407</u>
<b>Employment and training</b>				
Benefits	-	28,335	-	28,335
Grants	-	6,495,931	-	6,495,931
Other	<u>-</u>	<u>240,698</u>	<u>-</u>	<u>240,698</u>
Total cost	-	6,764,964	-	6,764,964
Less earned revenue	<u>-</u>	<u>(16,337)</u>	<u>-</u>	<u>(16,337)</u>
Net program cost	<u>-</u>	<u>6,748,627</u>	<u>-</u>	<u>6,748,627</u>
<b>Net cost of operations</b>	<u>\$ 54,665,114</u>	<u>\$ 6,751,920</u>	<u>\$ -</u>	<u>\$ 61,417,034</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

**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, 2002 consisted of the following:

<b>(Dollars in thousands)</b>	<b>Office of Workers' Compensation Programs</b>	<b>Office of Federal Contract Compliance</b>	<b>Wage and Hour Division</b>	<b>Office of Labor Management Standards</b>	<b>Eliminations</b>	<b>Total</b>
<b>CROSSCUTTING PROGRAMS</b>						
<b>Income maintenance</b>						
Benefits	\$ 2,795,402	\$ -	\$ -	\$ -	\$ (1,884)	\$ 2,793,518
Interest	595,589	-	-	-	-	595,589
Other	<u>254,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>254,623</u>
Total cost	3,645,614	-	-	-	(1,884)	3,643,730
Less earned revenue	<u>(2,304,827)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,884</u>	<u>(2,302,943)</u>
Net program cost	<u>1,340,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,340,787</u>
<b>Labor, employment, and pension standards</b>						
Benefits	-	12,618	25,366	5,245	-	43,229
Other	<u>-</u>	<u>83,975</u>	<u>175,584</u>	<u>32,175</u>	<u>-</u>	<u>291,734</u>
Total cost	-	96,593	200,950	37,420	-	334,963
Less earned revenue	<u>-</u>	<u>-</u>	<u>229</u>	<u>-</u>	<u>-</u>	<u>229</u>
Net program cost	<u>-</u>	<u>96,593</u>	<u>201,179</u>	<u>37,420</u>	<u>-</u>	<u>335,192</u>
<b>Net cost of operations</b>	<u>\$ 1,340,787</u>	<u>\$ 96,593</u>	<u>\$ 201,179</u>	<u>\$ 37,420</u>	<u>\$ -</u>	<u>\$ 1,675,979</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

**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, 2002 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>
Increase employment, earnings, and assistance	\$ 3,395,382	\$ -	\$ -	\$ -
Less earned revenue	(19,158)	-	-	-
Net program cost	<u>3,376,224</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase the number of youth making a successful transition to work	2,826,873	-	-	-
Less earned revenue	(421)	-	-	-
Net program cost	<u>2,826,452</u>	<u>-</u>	<u>-</u>	<u>-</u>
Improve the effectiveness of information and analysis on the U.S. economy	-	-	-	513,513
Less earned revenue	-	-	-	(12,765)
Net program cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,748</u>
Increase compliance with worker protection laws	-	232,676	-	-
Less earned revenue	-	-	-	-
Net program cost	<u>-</u>	<u>232,676</u>	<u>-</u>	<u>-</u>
Protect worker benefits	54,087,226	3,649,300	-	-
Less earned revenue	(533,906)	(2,302,713)	-	-
Net program cost	<u>53,553,320</u>	<u>1,346,587</u>	<u>-</u>	<u>-</u>
Provide worker retraining	1,661,197	-	-	-
Less earned revenue	(159)	-	-	-
Net program cost	<u>1,661,038</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reduce workplace injuries, illnesses, and fatalities	-	-	484,019	-
Less earned revenue	-	-	(493)	-
Net program cost	<u>-</u>	<u>-</u>	<u>483,526</u>	<u>-</u>
Foster equal opportunity workplaces	-	96,716	-	-
Less earned revenue	-	-	-	-
Net program cost	<u>-</u>	<u>96,716</u>	<u>-</u>	<u>-</u>
Reduce exploitation of child labor and address core international labor standards issues	-	-	-	-
Less earned revenue	-	-	-	-
Net program cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>\$ 61,417,034</u>	<u>\$ 1,675,979</u>	<u>\$ 483,526</u>	<u>\$ 500,748</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

<b>Mine Safety and Health Administration</b>	<b>Pension and Welfare Benefits Administration</b>	<b>Veterans' Employment and Training</b>	<b>Other Departmental Programs</b>	<b>Eliminations</b>	<b>Total</b>
\$ -	\$ -	\$ 195,546	\$ 24,493	\$ (1,459)	\$ 3,613,962
-	-	-	-	1,459	(17,699)
<u>-</u>	<u>-</u>	<u>195,546</u>	<u>24,493</u>	<u>-</u>	<u>3,596,263</u>
-	-	-	2,214	(1)	2,829,086
-	-	-	-	1	(420)
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,214</u>	<u>-</u>	<u>2,828,666</u>
-	-	-	8,475	(6,729)	515,259
-	-	-	-	6,729	(6,036)
<u>-</u>	<u>-</u>	<u>-</u>	<u>8,475</u>	<u>-</u>	<u>509,223</u>
-	100,752	-	21,892	(64)	355,256
-	(5,474)	-	-	64	(5,410)
<u>-</u>	<u>95,278</u>	<u>-</u>	<u>21,892</u>	<u>-</u>	<u>349,846</u>
-	44,535	-	51,119	(25,947)	57,806,233
-	(2,236)	-	3	25,947	(2,812,905)
<u>-</u>	<u>42,299</u>	<u>-</u>	<u>51,122</u>	<u>-</u>	<u>54,993,328</u>
-	-	-	837	-	1,662,034
-	-	-	-	-	(159)
<u>-</u>	<u>-</u>	<u>-</u>	<u>837</u>	<u>-</u>	<u>1,661,875</u>
281,993	-	-	16,469	-	782,481
(930)	-	-	-	-	(1,423)
<u>281,063</u>	<u>-</u>	<u>-</u>	<u>16,469</u>	<u>-</u>	<u>781,058</u>
-	-	9,858	10,100	-	116,674
-	-	-	(1)	-	(1)
<u>-</u>	<u>-</u>	<u>9,858</u>	<u>10,099</u>	<u>-</u>	<u>116,673</u>
-	-	-	106,096	-	106,096
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>106,096</u>	<u>-</u>	<u>106,096</u>
-	-	-	93,011	(9,917)	83,094
-	-	-	(44,987)	9,917	(35,070)
<u>-</u>	<u>-</u>	<u>-</u>	<u>48,024</u>	<u>-</u>	<u>48,024</u>
<u>\$ 281,063</u>	<u>\$ 137,577</u>	<u>\$ 205,404</u>	<u>\$ 289,721</u>	<u>\$ -</u>	<u>\$ 64,991,052</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

**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, 2002 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	\$ 62,636	\$ -	\$ 804,154
With the public	199,133	-	57,756,615
Total cost	261,769	-	58,560,769
Less earned revenue	(2,719)	-	(2,810,294)
Net program cost	259,050	-	55,750,475
<b>Employment and training</b>			
Intra-governmental	89,437	-	-
With the public	6,694,888	-	-
Total cost	6,784,325	-	-
Less earned revenue	(16,190)	-	-
Net program cost	6,768,135	-	-
<b>Labor, employment, and pension standards</b>			
Intra-governmental	99,110	-	24,287
With the public	394,918	-	100,602
Total cost	494,028	-	124,889
Less earned revenue	229	-	(7,620)
Net program cost	494,257	-	117,269
<b>Worker safety and health</b>			
Intra-governmental	10,688	131,847	-
With the public	32,347	591,590	-
Total cost	43,035	723,437	-
Less earned revenue	-	(1,423)	-
Net program cost	43,035	722,014	-
<b>OTHER PROGRAMS</b>			
<b>Statistics</b>			
Intra-governmental	163,409	-	-
With the public	343,375	-	-
Total cost	506,784	-	-
Less earned revenue	(6,036)	-	-
Net program cost	500,748	-	-
<b>Cost not assigned to programs</b>			
Less earned revenue not attributed to programs	130,042	-	-
Net cost not assigned to programs	(35,070)	-	-
	94,972	-	-
<b>Net cost of operations</b>	<b>\$ 8,160,197</b>	<b>\$ 722,014</b>	<b>\$ 55,867,744</b>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

---

<b>National Defense</b>	<b>Veterans' Benefits and Services</b>	<b>Total</b>
\$ 11,273	\$ -	\$ 878,063
<u>27,719</u>	<u>-</u>	<u>57,983,467</u>
38,992	-	58,861,530
<u>-</u>	<u>-</u>	<u>(2,813,013)</u>
<u>38,992</u>	<u>-</u>	<u>56,048,517</u>
-	5,884	95,321
<u>-</u>	<u>191,777</u>	<u>6,886,665</u>
-	197,661	6,981,986
<u>-</u>	<u>-</u>	<u>(16,190)</u>
<u>-</u>	<u>197,661</u>	<u>6,965,796</u>
-	216	123,613
<u>-</u>	<u>4,228</u>	<u>499,748</u>
-	4,444	623,361
<u>-</u>	<u>-</u>	<u>(7,391)</u>
<u>-</u>	<u>4,444</u>	<u>615,970</u>
-	-	142,535
<u>-</u>	<u>-</u>	<u>623,937</u>
-	-	766,472
<u>-</u>	<u>-</u>	<u>(1,423)</u>
<u>-</u>	<u>-</u>	<u>765,049</u>
-	-	163,409
<u>-</u>	<u>-</u>	<u>343,375</u>
-	-	506,784
<u>-</u>	<u>-</u>	<u>(6,036)</u>
<u>-</u>	<u>-</u>	<u>500,748</u>
-	-	130,042
<u>-</u>	<u>-</u>	<u>(35,070)</u>
<u>-</u>	<u>-</u>	<u>94,972</u>
<u>\$ 38,992</u>	<u>\$ 202,105</u>	<u>\$ 64,991,052</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

**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, 2002 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>CROSSCUTTING PROGRAMS</b>						
<b>Income maintenance</b>						
Intra-governmental	\$ 62,636	\$ -	\$ 804,154	\$ 11,273	\$ -	\$ 878,063
Less earned revenue	<u>(2,721)</u>	<u>-</u>	<u>(2,810,294)</u>	<u>-</u>	<u>-</u>	<u>(2,813,015)</u>
Net program cost	<u>59,915</u>	<u>-</u>	<u>(2,006,140)</u>	<u>11,273</u>	<u>-</u>	<u>(1,934,952)</u>
<b>Employment and training</b>						
Intra-governmental	89,437	-	-	-	5,884	95,321
Less earned revenue	<u>(15,611)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,611)</u>
Net program cost	<u>73,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,884</u>	<u>79,710</u>
<b>Labor, employment and pension standards</b>						
Intra-governmental	99,110	-	24,287	-	216	123,613
Less earned revenue	<u>229</u>	<u>-</u>	<u>(7,385)</u>	<u>-</u>	<u>-</u>	<u>(7,156)</u>
Net program cost	<u>99,339</u>	<u>-</u>	<u>16,902</u>	<u>-</u>	<u>216</u>	<u>116,457</u>
<b>Worker safety and health</b>						
Intra-governmental	10,688	131,847	-	-	-	142,535
Less earned revenue	<u>-</u>	<u>(975)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(975)</u>
Net program cost	<u>10,688</u>	<u>130,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,560</u>
<b>OTHER PROGRAMS</b>						
<b>Statistics</b>						
Intra-governmental	163,409	-	-	-	-	163,409
Less earned revenue	<u>(5,322)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,322)</u>
Net program cost	<u>158,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,087</u>
<b>Cost not assigned to programs</b>						
Intra-governmental	67,087	-	-	-	-	67,087
Less earned revenue not attributed to programs	<u>(30,457)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,457)</u>
Net cost not assigned to programs	<u>36,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,630</u>
<b>Net cost of operations</b>	<u>\$ 438,485</u>	<u>\$ 130,872</u>	<u>\$ (1,989,238)</u>	<u>\$ 11,273</u>	<u>\$ 6,100</u>	<u>\$ (1,402,508)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

---

**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 2001.

Detailed cost and revenue information by budget function for 2001 is presented in Schedule J and intra-governmental cost and revenue information by budget function for 2001 is presented in Schedule K.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

**NOTE 14 - PROGRAM COST - Continued**

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

Net cost by suborganization for the year ended September 30, 2001 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	\$ 194,248	\$ 624,166	\$ -	\$ -
With the public	<u>32,123,099</u>	<u>4,462,113</u>	<u>-</u>	<u>-</u>
Total cost	32,317,347	5,086,279	-	-
Less earned revenue	<u>(406,729)</u>	<u>(2,190,211)</u>	<u>-</u>	<u>-</u>
Net program cost	<u>31,910,618</u>	<u>2,896,068</u>	<u>-</u>	<u>-</u>
<b>Employment and training</b>				
Intra-governmental	66,799	-	-	-
With the public	<u>5,608,738</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cost	5,675,537	-	-	-
Less earned revenue	<u>(9,437)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net program cost	<u>5,666,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Labor, employment, and pension standards</b>				
Intra-governmental	-	96,267	-	-
With the public	<u>-</u>	<u>229,301</u>	<u>-</u>	<u>-</u>
Total cost	-	325,568	-	-
Less earned revenue	<u>-</u>	<u>(2,594)</u>	<u>-</u>	<u>-</u>
Net program cost	<u>-</u>	<u>322,974</u>	<u>-</u>	<u>-</u>
<b>Worker safety and health</b>				
Intra-governmental	-	-	88,293	-
With the public	<u>-</u>	<u>-</u>	<u>352,568</u>	<u>-</u>
Total cost	-	-	440,861	-
Less earned revenue	<u>-</u>	<u>-</u>	<u>(2,127)</u>	<u>-</u>
Net program cost	<u>-</u>	<u>-</u>	<u>438,734</u>	<u>-</u>
<b>OTHER PROGRAMS</b>				
<b>Statistics</b>				
Intra-governmental	-	-	-	163,486
With the public	<u>-</u>	<u>-</u>	<u>-</u>	<u>307,173</u>
Total cost	-	-	-	470,659
Less earned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,350)</u>
Net program cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>459,309</u>
<b>Cost not assigned to programs</b>				
Less earned revenue not attributed to programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cost not assigned to programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net cost of operations</b>	<u>\$ 37,576,718</u>	<u>\$ 3,219,042</u>	<u>\$ 438,734</u>	<u>\$ 459,309</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

<u>Mine Safety and Health Administration</u>	<u>Pension and Welfare Benefits Administration</u>	<u>Veterans' Employment and Training</u>	<u>Other Departmental Programs</u>	<u>Eliminations</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 15,352	\$ (25,015)	\$ 808,751
-	-	-	26,361	(1,583)	36,609,990
-	-	-	41,713	(26,598)	37,418,741
-	-	-	-	26,598	(2,570,342)
-	-	-	41,713	-	34,848,399
-	-	9,750	416	(34,604)	42,361
-	-	178,818	1,211	34,604	5,823,371
-	-	188,568	1,627	-	5,865,732
-	-	-	-	-	(9,437)
-	-	188,568	1,627	-	5,856,295
-	34,011	218	15,349	(34,581)	111,264
-	86,986	4,020	62,821	34,581	417,709
-	120,997	4,238	78,170	-	528,973
-	(9,915)	-	-	-	(12,509)
-	111,082	4,238	78,170	-	516,464
82,043	-	-	93	(38,363)	132,066
195,802	-	-	271	38,363	587,004
277,845	-	-	364	-	719,070
(897)	-	-	-	-	(3,024)
276,948	-	-	364	-	716,046
-	-	-	-	(14,189)	149,297
-	-	-	-	7,668	314,841
-	-	-	-	(6,521)	464,138
-	-	-	-	6,521	(4,829)
-	-	-	-	-	459,309
-	-	-	95,486	(7,083)	88,403
-	-	-	(32,695)	7,083	(25,612)
-	-	-	62,791	-	62,791
<u>\$ 276,948</u>	<u>\$ 111,082</u>	<u>\$ 192,806</u>	<u>\$ 184,665</u>	<u>\$ -</u>	<u>\$ 42,459,304</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

---

**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, 2001 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	\$ 28,548,424	\$ 49	\$ -	\$ 28,548,473
Grants	3,637,669	-	-	3,637,669
Interest	4,029	-	-	4,029
Other	126,938	238	-	127,176
Total cost	<u>32,317,060</u>	<u>287</u>	<u>-</u>	<u>32,317,347</u>
Less earned revenue	(406,729)	-	-	(406,729)
Net program cost	<u>31,910,331</u>	<u>287</u>	<u>-</u>	<u>31,910,618</u>
<b>Employment and training</b>				
Benefits	2,539	31,582	-	34,121
Grants	47,957	5,378,218	-	5,426,175
Other	22,020	193,221	-	215,241
Total cost	<u>72,516</u>	<u>5,603,021</u>	<u>-</u>	<u>5,675,537</u>
Less earned revenue	-	(9,437)	-	(9,437)
Net program cost	<u>72,516</u>	<u>5,593,584</u>	<u>-</u>	<u>5,666,100</u>
<b>Net cost of operations</b>	<u>\$ 31,982,847</u>	<u>\$ 5,593,871</u>	<u>\$ -</u>	<u>\$ 37,576,718</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

**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, 2001 consisted of the following:

<b>(Dollars in thousands)</b>	<b>Office of Workers' Compensation Programs</b>	<b>Office of Federal Contract Compliance</b>	<b>Wage and Hour Division</b>	<b>Office of Labor Management Standards</b>	<b>Eliminations</b>	<b>Total</b>
<b>CROSSCUTTING PROGRAMS</b>						
<b>Income maintenance</b>						
Benefits	\$ 4,351,196	\$ -	\$ -	\$ -	\$ (1,623)	\$ 4,349,573
Interest	567,814	-	-	-	-	567,814
Other	<u>168,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,892</u>
Total cost	5,087,902	-	-	-	(1,623)	5,086,279
Less earned revenue	<u>(2,191,834)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,623</u>	<u>(2,190,211)</u>
Net program cost	<u>2,896,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,896,068</u>
<b>Labor, employment, and pension standards</b>						
Benefits	-	11,768	23,009	4,813	-	39,590
Other	<u>-</u>	<u>82,734</u>	<u>173,104</u>	<u>30,140</u>	<u>-</u>	<u>285,978</u>
Total cost	-	94,502	196,113	34,953	-	325,568
Less earned revenue	<u>-</u>	<u>-</u>	<u>(2,594)</u>	<u>-</u>	<u>-</u>	<u>(2,594)</u>
Net program cost	<u>-</u>	<u>94,502</u>	<u>193,519</u>	<u>34,953</u>	<u>-</u>	<u>322,974</u>
<b>Net cost of operations</b>	<u>\$ 2,896,068</u>	<u>\$ 94,502</u>	<u>\$ 193,519</u>	<u>\$ 34,953</u>	<u>\$ -</u>	<u>\$ 3,219,042</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

**NOTE 14 - PROGRAM COST - Continued**

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

Net cost by budget function for the year ended September 30, 2001 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	\$ 54,503	\$ -	\$ 753,328
With the public	<u>178,063</u>	<u>-</u>	<u>34,822,299</u>
Total cost	232,566	-	35,575,627
Less earned revenue	<u>(2,628)</u>	<u>-</u>	<u>(2,567,714)</u>
Net program cost	<u>229,938</u>	<u>-</u>	<u>33,007,913</u>
<b>Employment and training</b>			
Intra-governmental	37,279	-	-
With the public	<u>5,598,079</u>	<u>-</u>	<u>47,925</u>
Total cost	5,635,358	-	47,925
Less earned revenue	<u>(9,437)</u>	<u>-</u>	<u>-</u>
Net program cost	<u>5,625,921</u>	<u>-</u>	<u>47,925</u>
<b>Labor, employment, and pension standards</b>			
Intra-governmental	89,708	-	21,367
With the public	<u>332,284</u>	<u>-</u>	<u>81,510</u>
Total cost	421,992	-	102,877
Less earned revenue	<u>(2,594)</u>	<u>-</u>	<u>(9,915)</u>
Net program cost	<u>419,398</u>	<u>-</u>	<u>92,962</u>
<b>Worker safety and health</b>			
Intra-governmental	9,776	122,290	-
With the public	<u>31,355</u>	<u>555,649</u>	<u>-</u>
Total cost	41,131	677,939	-
Less earned revenue	<u>-</u>	<u>(3,024)</u>	<u>-</u>
Net program cost	<u>41,131</u>	<u>674,915</u>	<u>-</u>
<b>OTHER PROGRAMS</b>			
<b>Statistics</b>			
Intra-governmental	149,297	-	-
With the public	<u>314,841</u>	<u>-</u>	<u>-</u>
Total cost	464,138	-	-
Less earned revenue	<u>(4,829)</u>	<u>-</u>	<u>-</u>
Net program cost	<u>459,309</u>	<u>-</u>	<u>-</u>
<b>Cost not assigned to programs</b>			
Less earned revenue not attributed to programs	88,403	-	-
Net cost not assigned to programs	<u>(25,612)</u>	<u>-</u>	<u>-</u>
	<u>62,791</u>	<u>-</u>	<u>-</u>
<b>Net cost of operations</b>	<u>\$ 6,838,488</u>	<u>\$ 674,915</u>	<u>\$ 33,148,800</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

---

<b>National Defense</b>	<b>Veterans' Benefits and Services</b>	<b>Total</b>
\$ 920	\$ -	\$ 808,751
<u>1,609,628</u>	<u>-</u>	<u>36,609,990</u>
1,610,548	-	37,418,741
<u>-</u>	<u>-</u>	<u>(2,570,342)</u>
<u>1,610,548</u>	<u>-</u>	<u>34,848,399</u>
-	5,082	42,361
<u>-</u>	<u>177,367</u>	<u>5,823,371</u>
-	182,449	5,865,732
<u>-</u>	<u>-</u>	<u>(9,437)</u>
<u>-</u>	<u>182,449</u>	<u>5,856,295</u>
-	189	111,264
<u>-</u>	<u>3,915</u>	<u>417,709</u>
-	4,104	528,973
<u>-</u>	<u>-</u>	<u>(12,509)</u>
<u>-</u>	<u>4,104</u>	<u>516,464</u>
-	-	132,066
<u>-</u>	<u>-</u>	<u>587,004</u>
-	-	719,070
<u>-</u>	<u>-</u>	<u>(3,024)</u>
<u>-</u>	<u>-</u>	<u>716,046</u>
-	-	149,297
<u>-</u>	<u>-</u>	<u>314,841</u>
-	-	464,138
<u>-</u>	<u>-</u>	<u>(4,829)</u>
<u>-</u>	<u>-</u>	<u>459,309</u>
-	-	88,403
<u>-</u>	<u>-</u>	<u>(25,612)</u>
<u>-</u>	<u>-</u>	<u>62,791</u>
<u>\$ 1,610,548</u>	<u>\$ 186,553</u>	<u>\$ 42,459,304</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

**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, 2001 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>CROSCUTTING PROGRAMS</b>						
<b>Income maintenance</b>						
Intra-governmental	\$ 54,503	\$ -	\$ 753,328	\$ 920	\$ -	\$ 808,751
Less earned revenue	<u>(2,623)</u>	<u>-</u>	<u>(2,567,714)</u>	<u>-</u>	<u>-</u>	<u>(2,570,337)</u>
Net program cost	<u>51,880</u>	<u>-</u>	<u>(1,814,386)</u>	<u>920</u>	<u>-</u>	<u>(1,761,586)</u>
<b>Employment and training</b>						
Intra-governmental	37,279	-	-	-	5,082	42,361
Less earned revenue	<u>(8,915)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,915)</u>
Net program cost	<u>28,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,082</u>	<u>33,446</u>
<b>Labor, employment, and pension standards</b>						
Intra-governmental	89,708	-	21,367	-	189	111,264
Less earned revenue	<u>(30)</u>	<u>-</u>	<u>(9,443)</u>	<u>-</u>	<u>-</u>	<u>(9,473)</u>
Net program cost	<u>89,678</u>	<u>-</u>	<u>11,924</u>	<u>-</u>	<u>189</u>	<u>101,791</u>
<b>Worker safety and health</b>						
Intra-governmental	9,776	122,290	-	-	-	132,066
Less earned revenue	<u>-</u>	<u>(1,013)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,013)</u>
Net program cost	<u>9,776</u>	<u>121,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,053</u>
<b>OTHER PROGRAMS</b>						
<b>Statistics</b>						
Intra-governmental	149,297	-	-	-	-	149,297
Less earned revenue	<u>(3,740)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,740)</u>
Net program cost	<u>145,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,557</u>
<b>Cost not assigned to programs</b>						
Intra-governmental	57,947	-	-	-	-	57,947
Less earned revenue not attributed to programs	<u>(24,060)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,060)</u>
Net cost not assigned to programs	<u>33,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,887</u>
<b>Net cost of operations</b>	<u>\$ 359,142</u>	<u>\$ 121,277</u>	<u>\$ (1,802,462)</u>	<u>\$ 920</u>	<u>\$ 5,271</u>	<u>\$ (1,315,852)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

**NOTE 15 - NON-EXCHANGE REVENUE**

Non-exchange revenues reported on the Consolidated Statement of Changes in Net Position in 2002 and 2001 consisted of the following:

<b><u>(Dollars in thousands)</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>
Employer taxes		
Unemployment Trust Fund		
Federal unemployment taxes	\$ 6,613,294	\$ 6,937,235
State unemployment taxes	<u>19,642,722</u>	<u>19,775,275</u>
	26,256,016	26,712,510
Black Lung Disability Trust Fund excise taxes	<u>566,645</u>	<u>522,197</u>
	<u>26,822,661</u>	<u>27,234,707</u>
Interest		
Unemployment Trust Fund	5,083,191	5,764,079
Longshore and Harbor Workers' Trust Fund	854	1,891
District of Columbia Trust Fund	85	157
Panama Canal Commission Compensation Fund	6,380	6,099
Energy Employees Occupational Illness Compensation Fund	1,468	1,744
Black Lung Disability Trust Fund	<u>2,343</u>	<u>1,296</u>
	<u>5,094,321</u>	<u>5,775,266</u>
Assessments		
Longshore and Harbor Workers' Trust Fund	134,081	133,948
District of Columbia Trust Fund	11,559	12,170
Other	<u>(27)</u>	<u>595</u>
	<u>145,613</u>	<u>146,713</u>
Reimbursement of unemployment benefits from state and local governments and non-profit organizations to the Unemployment Trust Fund	<u>1,371,411</u>	<u>1,072,686</u>
	<u>\$ 33,434,006</u>	<u>\$ 34,229,372</u>

**NOTE 16 - TRANSFERS WITHOUT REIMBURSEMENT**

Transfers from (to) other Federal agencies in 2002 and 2001 consisted of the following:

<b><u>(Dollars in thousands)</u></b>	<b><u>2002</u></b>	<b><u>Restated 2001</u></b>
<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	3,009	2,802
To General Services Administration	<u>(662)</u>	<u>(4,306)</u>
	<u>2,347</u>	<u>(1,504)</u>
	<u>\$ 5,347</u>	<u>\$ 1,496</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

---

**NOTE 17 - STATUS OF BUDGETARY RESOURCES**

**A. Apportionment Categories of Obligations Incurred**

Obligations incurred reported on the Combined Statement of Budgetary Resources in 2002 and 2001 consisted of the following:

<b><u>(Dollars in thousands)</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>
Direct Obligations		
Category A	\$ 3,748,936	\$ 3,468,986
Category B	9,843,443	8,861,729
Exempt from apportionment	<u>56,907,290</u>	<u>33,360,507</u>
Total direct obligations	<u>70,499,669</u>	<u>45,691,222</u>
Reimbursable Obligations		
Category A	174,901	177,453
Category B	<u>2,388,904</u>	<u>2,393,485</u>
Total reimbursable obligations	<u>2,563,805</u>	<u>2,570,938</u>
	<u>\$ 73,063,474</u>	<u>\$ 48,262,160</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, 2002 has not been published as of the issue date of these financial statements. This document will be available in February, 2003.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

**NOTE 18 - CUSTODIAL REVENUES**

Custodial revenues in 2002 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	\$ 59,535	\$ -	\$ 59,535	\$ 1,585	\$ 61,120
MSHA	17,888	-	17,888	552	18,440
PWBA	11,429	-	11,429	584	12,013
ESA	15,456	(12)	15,444	865	16,309
	<u>104,308</u>	<u>(12)</u>	<u>104,296</u>	<u>3,586</u>	<u>107,882</u>
ETA disallowed grant costs	9,190	(12)	9,178	(5,652)	3,526
Other	<u>580</u>	<u>(2)</u>	<u>578</u>	<u>-</u>	<u>578</u>
	<u>\$ 114,078</u>	<u>\$ (26)</u>	<u>\$ 114,052</u>	<u>\$ (2,066)</u>	<u>\$ 111,986</u>

Custodial revenues in 2001 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	\$ 57,974	\$ 186	\$ 58,160	\$ 1,768	\$ 59,928
MSHA	18,576	-	18,576	1,598	20,174
PWBA	14,667	-	14,667	(1,220)	13,447
ESA	12,714	-	12,714	694	13,408
	<u>103,931</u>	<u>186</u>	<u>104,117</u>	<u>2,840</u>	<u>106,957</u>
ETA disallowed grant costs	10,260	(16)	10,244	(8,253)	1,991
Other	<u>1,330</u>	<u>-</u>	<u>1,330</u>	<u>-</u>	<u>1,330</u>
	<u>\$ 115,521</u>	<u>\$ 170</u>	<u>\$ 115,691</u>	<u>\$ (5,413)</u>	<u>\$ 110,278</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

**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, 2002 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	\$ (23,255)	\$ 38,828	\$ 629	\$ 34
Investments	68,264,647	-	63,052	6,077
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	267,737	-	-	-
Interest receivable from investments	1,071,299	-	-	-
Total intra-governmental	69,580,428	38,828	63,681	6,111
Accounts receivable, net				
State unemployment tax	220,618	-	-	-
Due from reimbursable employers	372,786	-	-	-
Benefit overpayments	105,384	24,728	-	-
Other	-	2,821	4,025	204
Advances to states	504,283	-	-	-
<b>Total assets</b>	<u>\$ 70,783,499</u>	<u>\$ 66,377</u>	<u>\$ 67,706</u>	<u>\$ 6,315</u>
<b>Liabilities</b>				
Intra-governmental				
Accounts payable to ETA - SUIESO	\$ 1,284,215	\$ -	\$ -	\$ -
Advances from U.S. Treasury	-	7,718,557	-	-
Amounts held for the Railroad Retirement Board	28,268	-	-	-
Total intra-governmental	1,312,483	7,718,557	-	-
Accrued benefits	2,074,234	29,469	2,052	154
Other	-	-	35,035	3,219
<b>Total liabilities</b>	<u>3,386,717</u>	<u>7,748,026</u>	<u>37,087</u>	<u>3,373</u>
<b>Net position</b>				
Cumulative results of operations	67,396,782	(7,681,649)	30,619	2,942
<b>Total liabilities and net position</b>	<u>\$ 70,783,499</u>	<u>\$ 66,377</u>	<u>\$ 67,706</u>	<u>\$ 6,315</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

**NOTE 19 - DEDICATED COLLECTIONS - Continued**

The net results of operations of each trust fund for the year ended September 30, 2002 is shown below.

<b>(Dollars in thousands)</b>	<b>Unemployment</b>	<b>Black Lung Disability</b>	<b>Longshore and Harbor Workers'</b>	<b>District of Columbia</b>
<b>Cost, net of earned revenues</b>				
Benefits	\$ (50,887,009)	\$ (367,911)	\$ (129,139)	\$ (10,962)
Interest	(5,333)	(595,589)	-	-
Administrative	(227,363)	(33)	-	-
	<u>(51,119,705)</u>	<u>(963,533)</u>	<u>(129,139)</u>	<u>(10,962)</u>
Earned revenue	520,264	-	-	-
	<u>(50,599,441)</u>	<u>(963,533)</u>	<u>(129,139)</u>	<u>(10,962)</u>
<b>Net financing sources</b>				
Taxes	26,256,016	566,645	-	-
Interest	5,083,191	2,343	854	85
Assessments	1,371,411	-	134,081	11,559
Transfers-in				
Treasury	270,090	-	-	-
DOL entities	102,079	-	-	-
Transfers-out				
DOL entities	(4,092,672)	(54,239)	(1,970)	-
	<u>28,990,115</u>	<u>514,749</u>	<u>132,965</u>	<u>11,644</u>
Net results of operations	(21,609,326)	(448,784)	3,826	682
<b>Net position, beginning of period</b>	<u>89,006,108</u>	<u>(7,232,865)</u>	<u>26,793</u>	<u>2,260</u>
<b>Net position, end of period</b>	<u>\$ 67,396,782</u>	<u>\$ (7,681,649)</u>	<u>\$ 30,619</u>	<u>\$ 2,942</u>

The financial position of each trust fund as of September 30, 2001 is shown below and on the following page.

<b>(Dollars in thousands)</b>	<b>Unemployment</b>	<b>Black Lung Disability</b>	<b>Longshore and Harbor Workers'</b>	<b>District of Columbia</b>
<b>Assets</b>				
Intra-governmental				
Funds with U.S. Treasury	\$ 387,435	\$ 38,066	\$ 274	\$ 32
Investments	88,638,295	-	58,712	5,433
Accounts receivable, net				
Due from other Federal agencies for UCX and UCFE benefits	194,989	-	-	-
Interest receivable from investments	1,436,331	-	-	-
Total intra-governmental	<u>90,657,050</u>	<u>38,066</u>	<u>58,986</u>	<u>5,465</u>
Accounts receivable, net				
State unemployment tax	165,847	-	-	-
Due from reimbursable employers	326,373	-	-	-
Benefit overpayments	154,490	11,229	-	-
Other	-	1,100	3,538	197
Advances to states	169,095	-	-	-
<b>Total assets</b>	<u>\$ 91,472,855</u>	<u>\$ 50,395</u>	<u>\$ 62,524</u>	<u>\$ 5,662</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

**NOTE 19 - DEDICATED COLLECTIONS - Continued**

<b>(Dollars in thousands)</b>	<b><u>Unemployment</u></b>	<b><u>Black Lung Disability</u></b>	<b><u>Longshore and Harbor Workers'</u></b>	<b><u>District of Columbia</u></b>
<b>Liabilities</b>				
Intra-governmental				
Accounts payable to ETA - SUIESO	\$ 1,027,198	\$ -	\$ -	\$ -
Advances from U.S. Treasury	-	7,253,557	-	-
Amounts held for the Railroad Retirement Board	32,381	-	-	-
Total intra-governmental	<u>1,059,579</u>	<u>7,253,557</u>	<u>-</u>	<u>-</u>
Accrued benefits	1,407,168	29,703	1,739	121
Other	-	-	33,992	3,281
<b>Total liabilities</b>	<u>2,466,747</u>	<u>7,283,260</u>	<u>35,731</u>	<u>3,402</u>
<b>Net position</b>				
Cumulative results of operations	<u>89,006,108</u>	<u>(7,232,865)</u>	<u>26,793</u>	<u>2,260</u>
<b>Total liabilities and net position</b>	<u>\$ 91,472,855</u>	<u>\$ 50,395</u>	<u>\$ 62,524</u>	<u>\$ 5,662</u>

The net results of operations of each trust fund for the year ended September 30, 2001 is shown below.

<b>(Dollars in thousands)</b>	<b><u>Unemployment</u></b>	<b><u>Black Lung Disability</u></b>	<b><u>Longshore and Harbor Workers'</u></b>	<b><u>District of Columbia</u></b>
<b>Cost, net of earned revenues</b>				
Benefits	\$ (28,544,470)	\$ (391,087)	\$ (130,727)	\$ (11,229)
Interest	(4,029)	(567,814)	-	-
Administrative	(88,579)	(51)	-	-
	<u>(28,637,078)</u>	<u>(958,952)</u>	<u>(130,727)</u>	<u>(11,229)</u>
Earned revenue	390,155	-	-	-
	<u>(28,246,923)</u>	<u>(958,952)</u>	<u>(130,727)</u>	<u>(11,229)</u>
<b>Net financing sources</b>				
Taxes	26,712,510	522,197	-	-
Interest	5,764,079	1,296	1,891	157
Assessments	1,072,686	-	133,948	12,170
Transfers-in				
DOL entities	7,300	-	-	-
Transfers-out				
DOL entities	(3,539,681)	(51,897)	(1,981)	-
	<u>30,016,894</u>	<u>471,596</u>	<u>133,858</u>	<u>12,327</u>
Net results of operations	1,769,971	(487,356)	3,131	1,098
<b>Net position, beginning of period</b>	<u>87,236,137</u>	<u>(6,745,509)</u>	<u>23,662</u>	<u>1,162</u>
<b>Net position, end of period</b>	<u>\$ 89,006,108</u>	<u>\$ (7,232,865)</u>	<u>\$ 26,793</u>	<u>\$ 2,260</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended September 30, 2002 and 2001**

---