U.S. Department of Justice
Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Department has a wide-range of responsibilities which include: detecting, apprehending, prosecuting, and incarcerating criminal offenders; operating Federal prison factories; upholding the civil rights of all Americans; enforcing laws to protect the environment; ensuring healthy competition of business in the United States free enterprise system; safeguarding the consumer from fraudulent activity; carrying out the immigration laws of the United States; and representing the American people in all legal matters involving the United States Government. Under the direction of the Attorney General, these responsibilities are discharged by the components of the Department.

For purposes of these consolidated/combined financial statements, the following components comprise the Department's reporting entity:

- Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF/SADF)
- Working Capital Fund (WCF)
- Offices, Boards and Divisions (OBDs)
- Bureau of Prisons (BOP)
- U.S. Marshals Service (USMS)
- Office of Justice Programs (OJP)
- Federal Prison Industries, Inc. (FPI)
- Federal Bureau of Investigation (FBI)
- Drug Enforcement Administration (DEA)
- Immigration and Naturalization Service (INS)

Notes to the Principal Financial Statements
(Dollars in Thousands)

B. Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the Department as required by the Government Management Reform Act of 1994, Public Law 103-356, 108, Stat. 3515. These financial statements have been prepared from the books and records of the Department in accordance with generally accepted accounting principles (GAAP) issued by the Federal Accounting Standards Advisory Board (FASAB) and Office of Management and Budget (OMB) Bulletin 97-01, Form and Content of Agency Financial Statements, as amended. These financial statements are different from the financial reports, also prepared for the Department pursuant to OMB directives, which are used to monitor and control the use of the Department's budgetary resources. The accompanying financial statements include the accounts of all funds under the Department's control.

C. Basis of Accounting

Transactions are recorded on an accrual and a budgetary accounting basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

D. Revenues and Other Financing Sources

The Department receives the majority of funding needed to support its programs through Congressional appropriations. The Department receives both annual, no-year, and multi-year appropriations that may be used, within statutory limits, for operating and capital expenditures. Additional funding is obtained through exchange revenues, non-exchange revenues and transfers-in.

Appropriations are recognized as financing sources at the time the related program or administrative expenses are incurred. Exchange revenues are recognized when earned, for example, when goods have been delivered or services rendered. Non-exchange revenues are resources that the Government demands or receives, for example, forfeiture revenue and fines and penalties.

Notes to the Principal Financial Statements
(Dollars in Thousands)

D. Revenues and Other Financing Sources - Continued

The Department's exchange revenue consists of licensing fees to manufacture and distribute controlled substances, services rendered for legal activities, space management, and data processing services. Fees are collected for inspecting commercial and/or sea vessel passengers, and processing various immigration applications. Other exchange revenues are generated by the sale of merchandise and telephone services to inmates, and the sale of manufactured goods and services to other federal agencies. The pricing policy for goods and services provided is based on cost plus a predetermined gross margin ratio.

The Department's non-exchange revenue consists of forfeiture income resulting from the sale of forfeited property, penalties in lieu of forfeiture, recovery of returned asset management cost, judgment collections, and other miscellaneous income. Other non-exchange revenue includes the OJP Crime Victims Fund receipts and AFF/SADF interest on investments with the U.S. Department of the Treasury (Treasury).

The Department's deferred revenue includes fees received for processing various applications and licenses mostly with INS and DEA. Deferred revenue represents monies received to process applications and licenses for which the process was not completed at the year end. These monies are recorded as liabilities in the financial statements. Deferred revenue also includes forfeited property held for sale. When the property is sold, the deferred revenue is reversed and forfeiture revenue in the amount of the gross proceeds of the sale is recorded.

E. Funds with the U.S. Department of Treasury and Cash

Funds with the Treasury represent primarily appropriated, revolving, and trust funds available to pay current liabilities and finance future authorized purchases. Cash receipts and disbursements are processed by the Treasury as directed by authorized certifying officers. The Department does not, for the most part, maintain cash in commercial bank accounts. Certain receipts, however, are processed by commercial banks for deposit into individual accounts maintained at the Treasury. The Department's cash and other monetary assets consist of undeposited collections, imprest funds, cash used in undercover operations, cash held as evidence, seized cash, and drafts in transit.

Notes to the Principal Financial Statements
(Dollars in Thousands)

F. Investments in U.S. Government Securities

Investments are Federal debt securities issued by the Bureau of Public Debt. When securities are purchased, the investment is recorded at par value (the value at maturity). Premiums and/or discounts are amortized through the end of the reporting period. The Department's intent is to hold investments to maturity, unless securities are needed to sustain operations. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity.

G. Accounts Receivable

Net accounts receivable includes reimbursement and refund receivables due from Federal agencies and others, less the allowance for doubtful accounts. Generally, most intragovernmental accounts receivable are considered fully collectible. The allowance for doubtful accounts for public receivables is estimated based on past collection experience and analysis of outstanding receivable balances at year end.

H. Property, Plant and Equipment

The Department owns some of the buildings in which it operates. Other buildings are provided by the General Services Administration (GSA), which charges rent equivalent to the commercial rental rates for similar properties. Depreciation on buildings and equipment provided by the GSA is not recognized by the Department. Leasehold improvements are depreciated over the term of the remaining portion of the lease.

Except for BOP and FPI, Department acquisitions of personal property, excluding internal use software, $25 and over are capitalized and depreciated, based on historical cost, using the straight-line method over the estimated useful lives of the assets. Personal property, excluding internal use software, is capitalized when the initial cost of acquiring the asset is $25 or more and the asset has an estimated useful life of two or more years. The Statement of Federal Financial Accounting Standards (SFFAS) No. 10, "Accounting for Internal Use Software," was implemented as of October 1, 2000. Internal use software is capitalized when developmental phase costs or enhancement costs are $500 or more and the asset has an estimated useful life of two or more years. BOP and FPI capitalize personal property acquisitions over $5. Aircraft is capitalized when the initial cost of acquiring those assets is $100 or more. Real property, except for land, is capitalized when the cost of acquiring and/or improving the asset is $100 or more and the asset has a useful life of two or more years. Land is capitalized regardless of the acquisition cost.

Notes to the Principal Financial Statements
(Dollars in Thousands)

I. Advances and Prepayments

Advances and prepayments, classified as assets on the balance sheet, consist primarily of funds disbursed to grantees in excess of total of expenditures made by those grantees to third parties, funds advanced to state and local participants in the Domestic Cannabis Eradication and Suppression Program, and travel advances issued to Federal employees for official travel. Travel advances are limited to meals and incidental expenses expected to be incurred by the employees during official travel. Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of payment and are recognized as expenses when the goods and services are received.

J. Seized and Forfeited Property

Property is seized in consequence of a violation of public law. Seized property can include monetary instruments, real property, and tangible personal property of others in the actual or constructive possession of the custodial agency. Most non-cash property is held by the USMS from the point of seizure until its disposition.

Forfeited property is property for which the title has passed to the U.S. Government. This property is recorded at the estimated fair market value at the time of forfeiture. The value of the property is reduced by the estimated liens of record.

K. Non-Entity Assets

Non-entity assets are not available for use by the Department and consist of restricted undisbursed civil and criminal debt collections, cash bonds, and seized cash and other monetary assets.

L. Liabilities, Loans and Interest Payable to the U.S. Treasury

Liabilities represent the monies or other resources that are likely to be paid by the Department as the result of a transaction or event that has already occurred. However, no liability can be paid by the Department absent proper budget authority. Liabilities that are not funded by the current year appropriation are classified as liabilities not covered by budgetary resources in Note 18.

Congress granted the FPI borrowing authority pursuant to Public Law 100-690. Under this authority, the FPI borrowed $20,000 from the Treasury with a lump-sum maturity date of September 30, 2008.

Notes to the Principal Financial Statements
(Dollars in Thousands)

M. Contingencies and Commitments

The Department is involved in various legal actions, including administrative proceedings, lawsuits, and claims. A liability is generally recognized as an unfunded liability for those legal actions where unfavorable decisions are considered "probable" and an estimate for the liability can be made. Contingent liabilities that are considered "possible" are disclosed in the notes to the financial statements. Liabilities that are considered "remote" are not recognized in the financial statements or disclosed in the notes to the financial statements.

N. Annual, Sick and Other Leave

Annual and compensatory leave is expensed with an offsetting liability as it is earned and the liability is reduced as leave is taken. Each year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. To the extent current or prior year appropriations are not available to fund annual and compensatory leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of nonvested leave are expensed as taken.

O. Interest on Late Payments

Pursuant to the Prompt Payment Act, 31 U.S.C. § 3901-3907, Federal agencies must pay interest on payments for goods or services made to business concerns after the due date. The due date is generally 30 days after receipt of a proper invoice or acceptance of the goods or services.

P. Retirement Plan

With few exceptions, employees hired before January 1, 1984, are covered by the Civil Service Retirement System (CSRS) and employees hired after that date are covered by the Federal Employees Retirement System (FERS).

For employees covered by the CSRS, the Department contributes 8.5 percent of the employees' gross pay for normal retirement or 9 percent for hazardous duty retirement. For employees covered by the FERS, the Department contributes approximately 13 percent of employees' gross pay. All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For those employees covered by the FERS, a TSP is automatically established, and the Department is required to contribute an additional 1 percent of gross pay to this plan and match employee contributions up to 4 percent. No matching contributions are made to the TSPs established by the CSRS employees. The Department does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to its employees. Such reporting is the responsibility of the Office of Personnel Management (OPM).

P. Retirement Plan - Continued

SFFAS No. 5, "Accounting for Liabilities of the Federal Government," requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees' active years of service. Refer to Note 14 — Imputed Financing Sources.

Q. Federal Employee Compensation Benefits

The Federal Employees Compensation Act (FECA) 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 total FECA liability consists of an actuarial and an accrued portion as discussed below.

Actuarial Liability: The U.S. Department of Labor (DOL) calculates the liability of the Federal Government for future compensation benefits, which includes the expected liability for death, disability, medical, and other approved costs. The liability is determined using the paid-losses extrapolation method calculated over the next 37-year period. This method utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefit payments were discounted to present value. The resulting Federal Government liability was then distributed by agency. The Department portion of this liability includes the estimated future cost of death benefits, workers' compensation, medical, and miscellaneous cost for approved compensation cases for the Department employees. The Department liability is further allocated to component reporting entities on the basis of actual payments made to the FECA Special Benefits Fund (SBF) for the three prior years as compared to the total Department payments made over the same period.

The FECA actuarial liability is recorded for reporting purposes only. This liability constitutes an extended future estimate of cost which will not be obligated against budgetary resources until the FY in which the cost is actually billed to the Department. The cost associated with this liability may be met by the Department without further appropriation action.

Accrued Liability: The accrued FECA liability is the difference between the FECA benefits paid by the FECA SBF and the agency's actual cash payments to the FECA SBF. For example, the FECA SBF will pay benefits on behalf of an agency through the current year. However, most agencies' actual cash payments to the FECA SBF for the current FY will reimburse the FECA SBF for benefits paid through a prior FY. The difference between these two amounts is the accrued FECA liability.

R. Principles of Consolidation

Notes to the Principal Financial Statements
(Dollars in Thousands)

The consolidated/combined financial statements of the Department include the accounts of the AFF/SADF, WCF, OBD, USMS, OJP, DEA, FBI, INS, BOP, and FPI. All significant proprietary intra-entity transactions and balances have been eliminated in consolidation. The statement of budgetary resources and the statement of financing are combined statements for FYs 2001 and 2000, and as such, intra-entity transactions have not been eliminated.

S. Reclassifications

The FY 2000 Departmental financial statements were reclassified to conform with the FY 2001 Departmental financial statement presentation requirements. The reclassifications had no effect on total assets, liabilities, net position, or the change in net position as previously reported.

T. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 2. Fund Balance with the U.S. Treasury

The Fund Balance with the U.S. Treasury amount reported in the financial statements represents the unexpended cash balance on the Department's books for all the Department's Treasury Symbols:

	FY 2001	FY 2000
Trust Funds	$ 2,559,459	$ 3,472,882
Revolving Funds	52,928	26,757
Appropriated Funds	14,190,701	12,322,489
Other Fund Types	3,000,323	2,572,613
Total	$ 19,803,411	$ 18,394,741

Note 3. Cash, Foreign Currency and Other Monetary Assets

	FY 2001	FY 2000
Undeposited Collections	$ 50,230	$ 29,328
Imprest Funds	8,105	9,153
Other Cash	32,801	40,480
Other Monetary Assets	2,623	2,814
Foreign Currency	164	263
Seized Monetary Instruments	62,034	61,308
Seized Cash Deposited	8,255	28,617
Total	$ 164,212	$ 171,963

Notes to the Principal Financial Statements (Dollars in Thousands)

Note 4. Investments - Federal Securities, Net

As of September 30, 2001

	Acquisition Cost	Unamortized Premium	Unamortized Discount	Investments Net	Market Value Disclosure
Intragovernmental Non-Marketable Securities	$ 1,401,183	$ 247	$ (2,765)	$ 1,398,665	$ 1,400,330
Total	$ 1,401,183	$ 247	$ (2,765)	$ 1,398,665	$ 1,400,330

As of September 30, 2000

	Acquisition Cost	Unamortized Premium	Unamortized Discount	Investments Net	Market Value Disclosure
Intragovernmental Non-Marketable Securities	$ 1,387,291	$ 253	$ (6,907)	$ 1,380,637	$ 1,382,115
Total	$ 1,387,291	$ 253	$ (6,907)	$ 1,380,637	$ 1,382,115

Note 5. Accounts Receivable, Net

	FY 2001	FY 2000
Intragovernmental Accounts Receivable	$ 237,297	$ 218,664
Less: Allowance for Uncollectible Accounts	(4,781)	(6,075)
Total Intragovernmental Accounts Receivable, Net	232,516	212,589
Accounts Receivable	168,715	178,086
Less: Allowance for Uncollectible Accounts	(51,906)	(42,428)
Total Accounts Receivable, Net with the Public	116,809	135,658
Total Accounts Receivable, Net	$ 349,325	$ 348,247

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 6. Other Assets

	FY 2001	FY 2000
Intragovernmental		
Advances to Others	$ 82,101	$ 60,871
Prepayments	1,408	188
Other	1,407	2,030
Total Intragovernmental	84,916	63,089
Other Assets	1,831	2,720
Total Other Assets	$ 86,747	$ 65,809

Note 7. Inventory and Related Property

Inventories consist of new and rehabilitated office furniture, equipment and supplies used for the repair of airplanes, administrative supplies and materials, commission sales to inmates (sundry items), metals, plastics, electronics, graphics, and optics.

The value of new stock is determined on the basis of acquisition cost, whereas, the value of rehabilitated stock is determined on the basis of rehabilitation and transportation costs. Inventory on hand at year end is reported at the lower of original costs (using the first-in, first-out method) or current market value. Recorded values of inventories are adjusted for the results of physical inventories conducted throughout and at the close of the fiscal year.

An allowance for inventory valuation and obsolescence is recorded for anticipated inventory losses of contracts where the current estimated cost to manufacture the item exceeds the total sales price, as well as estimated losses for inventories that may not be utilized in the future.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 7. Inventory and Related Property - Continued

	FY 2001	(Restated) FY 2000
Inventory:		
Raw Materials	$ 71,972	$ 65,984
Work-In-Process	28,834	26,682
Finished Goods	53,222	39,302
Inventory		
Inventory Purchased for Resale	11,777	11,871
Excess, Obsolete and Unserviceable Inventory	(10,921)	(11,474)
Allowance	(2,340)	(3,431)
Operating Materials and Supplies		
Held for Current Use	26,098	30,379
Total Inventory	$ 178,642	$ 159,313

Note 8. Forfeited and Seized Property

Anticipated Equitable Sharing in Future Periods:

The statute governing the use of the AFF (28 U.S.C. §524(c)) permits the payment of equitable shares of forfeiture proceeds to participating foreign governments and state and local law enforcement agencies. The statute does not require such sharing and permits the Attorney General wide discretion in determining those transfers. Actual sharing is difficult to predict because many factors influence both the amount and time of disbursement of sharing payments, such as the length of time required to move an asset through the forfeiture process to disposition, the amount of net proceeds available for sharing, the elapse of time for Departmental approval of equitable sharing requests for cases with asset values exceeding $1 million, and appeal of forfeiture judgments. Because of uncertainties surrounding the timing and amount of any equitable sharing payment, an obligation and expense are recorded only when the actual disbursement of the equitable sharing payment is imminent. From FYs 1996 through 2001, equitable sharing allocation levels averaged $234 million. The anticipated equitable sharing allocation level for FY 2002 is $220 million.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 8. Forfeited and Seized Property- Continued

Analysis of Change in Forfeited Property:

Pursuant to Federal Financial Accounting and Auditing Technical Release 4, "Reporting on Non-Valued Seized and Forfeited Property", the value of forfeited property with no legal market in the United States (e.g., weapons, chemicals, drug paraphernalia, gambling devices) is not included in the net forfeited property value, although the item count of non-valued items is disclosed.

The following table represents the analysis of change in forfeited property for FY 2001:

Forfeited Property Category		Beginning Balance	Adjust-ments FY 2001	Forfeited During FY 2001	Disposed During FY 2001	Ending Balance	Liens and Claims	Ending Balance Net of Liens
Financial & Other	Number	65	(4)	82	65	78	1	77
Monetary Instruments	Value	$ 3,887	$ (1,162)	$ 7,653	$ 6,371	$ 4,007	$ 123	$ 3,884
Real Property	Number	288	46	273	359	248	4	244
	Value	$ 36,634	$ 5,985	$ 34,173	$ 48,932	$ 27,860	$ 190	$ 27,670
Personal Property	Number	6,427	788	9,656	14,193	2,678	316	2,362
	Value	$ 30,363	$ 1,428	$ 63,018	$ 69,582	$ 25,227	$ 1,679	$ 23,548
Other	Number	112	(27)	142	126	101	1	100
	Value	$ 1,017	$ (420)	$ 3,688	$ 2,714	$ 1,571	$ 30	$ 1,541
Non-Valued	Number	802	(6)	1,434	1,338	892	6	886
	Value	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total	Number	7,694	797	11,587	16,081	3,997	328	3,669
	Value	$ 71,901	$ 5,831	$ 108,532	$ 127,599	$ 58,665	$ 2,022	$ 56,643

During FY 2001, forfeited property was sold ($77,641), returned to owners ($26,860), and disposed of by other means ($23,098). Other means of distribution include property transferred to other federal agencies for official use or equitable sharing, property distributed to a state or local agency, or destroyed.

The number of items represents quantities calculated using many different units of measure. Adjustments include property status and valuation changes received after, but properly credited to FY 2000. Valuation changes include updates and corrections to an asset's value recorded in a prior year.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 8. Forfeited and Seized Property- Continued

The following table represents the analysis of change in forfeited property for FY 2000:

Forfeited Property Category		Beginning Balance	Adjust- ments FY 2000	Forfeited During FY 2000	Disposed During FY 2000	Ending Balance	Liens and Claims	Ending Balance Net of Liens
Financial & Other	Number	77	5	68	85	65	-	65
Monetary Instruments	Value	$ 5,390	$ (1)	$ 2,990	$ 4,492	$ 3,887	$ -	$ 3,887
Real Property	Number	312	33	338	386	297	9	288
	Value	$ 35,147	$ 1,336	$ 49,748	$ 49,340	$ 36,891	$ 257	$ 36,634
Personal Property	Number	5,632	56	37,229	35,754	7,163	736	6,427
	Value	$ 38,771	$ (2,844)	$ 140,195	$ 143,505	$ 32,617	$ 2,254	$ 30,363
Other	Number	132	(19)	185	183	115	3	112
	Value	$ 925	$ 59	$ 1,916	$ 1,866	$ 1,034	$ 17	$ 1,017
Non-Valued	Number	658	7	1,667	1,527	805	3	802
	Value	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total	Number	6,811	82	39,487	37,935	8,445	751	7,694
	Value	$ 80,233	$ (1,450)	$ 194,849	$ 199,203	$ 74,429	$ 2,528	$ 71,901

During FY 2000, forfeited property was sold ($100,481), returned to owners ($75,587), and disposed of by other means ($23,135). Other means of distribution include property transferred to other federal agencies for official use or equitable sharing, property distributed to a state or local agency, or destroyed.

The number of items represents quantities calculated using many different units of measure. Adjustments include property status and valuation changes received after, but properly credited to FY 1999. Valuation changes include updates and corrections to an asset's value recorded in a prior year.

In prior years, the AFF/SADF presented certain assets that had been converted to cash under both the classification in which the asset was seized and as cash. Beginning FY 2001, AFF/SADF discontinued presenting this dual accountability in the financial statements, though it continues to track assets according to their original character for management purposes. The FY 2000 Forfeited property amounts were reclassified to conform with the FY 2001 presentation.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 8. Forfeited and Seized Property - Continued

Analysis of Change in Seized Property and Evidence:

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

Pursuant to Federal Financial Accounting and Auditing Technical Release 4, "Reporting on Non-Valued Seized and Forfeited Property," the value of seized property with no legal market in the United States (e.g., weapons, chemicals, drug paraphernalia, gambling devices) is not included in the net seized property value, although the item count of non-valued items is disclosed. The gross value of seized property, less estimated liens, equals the net seized property value.

The following table represents the analysis of change in seized property for FY 2001:

Seized Property Category		Beginning Balance	Adjust-ments FY 2001	Seized During FY 2001	Disposed During FY 2001	Ending Balance	Liens and Claims	Ending Balance Net of Liens
Financial & Other	Number	706	13	596	330	985	7	978
Monetary Instruments	Value	$ 88,286	$ (6,776)	$ 26,602	$ 22,231	$ 85,881	$ 212	$ 85,669
Real Property	Number	188	121	217	241	285	82	203
	Value	$ 49,642	$ 4,107	$ 31,977	$ 31,188	$ 54,538	$ 8,122	$ 46,416
Personal Property	Number	24,219	3,152	20,242	15,208	32,405	1,254	31,151
	Value	$ 88,478	$ 13,576	$ 111,563	$ 108,377	$ 105,240	$ 12,179	$ 93,061
Other	Number	238	(51)	149	165	171	8	163
	Value	$ 6,021	$ (1,044)	$ 3,771	$ 3,953	$ 4,795	$ 175	$ 4,620
Non-Valued	Number	878	60	1,458	1,568	828	6	822
	Value	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total	Number	26,229	3,295	22,662	17,512	34,674	1,357	33,317
	Value	$ 232,427	$ 9,863	$ 173,913	$ 165,749	$ 250,454	$ 20,688	$ 229,766

Note 8. Forfeited and Seized Property - Continued

Notes to the Principal Financial Statements
(Dollars in Thousands)

During FY 2001, seized property was forfeited ($103,145), returned to owners ($38,580), and disposed of by other means ($24,024). Other means of distribution include seized property that is sold, converted to cash, or destroyed.

Seized cash deposited (see Note 3) in the SADF of $8,255 is not presented in this note. Also, the number of items represents quantities calculated using many different units of measure. Adjustments include property status and valuation changes received after, but properly credited to FY 2000. Valuation changes include updates and corrections to an asset's value recorded in a prior year.

FY 2000 ending number of units does not agree to FY 2001 beginning number of units. In FY 2001, DEA was able to qualify the number of units for financial instruments (461) and personal property (81) and adjusted the beginning balance to reflect these units.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 8. Forfeited and Seized Property - Continued

The following table represents the analysis of change in seized property for FY 2000:

Seized Property Category		Beginning Balance	Adjust-ments FY 2000	Seized During 2000	Disposed During 2000	Ending Balance	Liens and Claims	Ending Balance Net of Liens
Financial & Other	Number	151	2	204	102	255	10	245
Monetary Instruments	Value	$ 56,331	$ (127)	$ 62,628	$ 27,173	$ 91,659	$ 3,373	$ 88,286
Real Property	Number	333	32	263	328	300	112	188
	Value	$ 37,437	$ 15,707	$ 56,355	$ 49,681	$ 59,818	$ 10,176	$ 49,642
Personal Property	Number	21,807	(111)	49,250	43,773	27,173	3,035	24,138
	Value	$ 116,444	$(13,059)	$ 200,114	$ 191,022	$ 112,477	$ 23,999	$ 88,478
Other	Number	273	16	201	237	253	15	238
	Value	$ 5,371	$ 151	$ 5,182	$ 3,169	$ 7,535	$ 1,514	$ 6,021
Non-Valued	Number	871	37	1,901	1,912	897	19	878
	Value	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total	Number	23,435	(24)	51,819	46,352	28,878	3,191	25,687
	Value	$ 215,583	$ 2,672	$ 324,279	$ 271,045	$ 271,489	$ 39,062	$ 232,427

During FY 2000, seized property was forfeited ($188,437), returned to owners ($52,088), and disposed of by other means ($30,520). Other means of distribution include seized property that is sold, converted to cash, or destroyed.

Seized cash deposited (Note 3) in the SADF of $28,617 is not presented in this note. Also, the number of items represents quantities calculated using many different units of measure. Adjustments include property status and valuation changes received after, but properly credited to FY 1999. Valuation changes include updates and corrections to an asset's value recorded in a prior year.

In prior years, the AFF/SADF presented certain assets that had been converted to cash under both the classification in which the asset was seized and as cash. Beginning FY 2001, AFF/SADF discontinued presenting this dual accountability in the financial statements, though it continues to track assets according to their original character for management purposes. The FY 2000 Seized property amounts were reclassified to conform with the FY 2001 presentation.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 8. Forfeited and Seized Property - Continued

The DEA and FBI have custody of illegal drugs taken as evidence for legal proceedings. In accordance with Federal Financial Accounting and Auditing Technical Release No. 4, "Reporting on Non-Valued Seized and Forfeited Property," the Department reported the total amount of seized drugs below by quantity (kilograms) only, as illegal drugs have no value and are destroyed upon resolution of legal proceedings.

The following table represents the analysis of change in Seized Narcotics Held for Evidence for FY 2001:

Analyzed Drug Evidence	Beginning Balance KG	Analyzed During FY 2001 KG	Disposed During FY 2001 KG	Ending Balance KG
Cocaine	287,222	36,888	34,051	290,059
Heroin	2,153	736	380	2,509
Marijuana	43,845	26,766	24,353	46,258
Methamphetamine	4,206	1,714	1,088	4,832
Other narcotics	35,961	33,525	12,209	57,277
Total	373,387	99,629	72,081	400,935

For FY 2001 reporting, the Department modified its analysis of change in seized narcotics held for evidence by removing unanalyzed drug evidence. This modification created a variance between the FY 2000 ending and FY 2001 beginning analysis of change in seized narcotics held for evidence balances. Unanalyzed drug evidence is qualitatively different from analyzed drug evidence because unanalyzed drug evidence includes the weight of packaging and drug categories are based on the determination of Special Agents instead of laboratory chemists. Unanalyzed drug evidence also includes bulk drugs housed in secured storage facilities of which only a sample is taken for laboratory analysis. The FY 2001 beginning balance of unanalyzed drug evidence totaled 157,995 kilograms (kg). Seizures amounting to 597,005 kg were added to this balance during the year and 578,660 kg were analyzed or destroyed during the year leaving an ending balance of 176,340 kg of unanalyzed drug evidence.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 8. Forfeited and Seized Property - Continued

The following table represents the analysis of change in Seized Narcotics Held for Evidence for FY 2000:

Drug Evidence	Beginning Balance KG	Seized During FY 2000 KG	Disposed During FY 2000 KG	Ending Balance KG
Cocaine	281,798	51,209	37,309	295,698
Heroin	2,300	532	492	2,340
Marijuana	167,199	570,439	553,385	184,253
Methamphetamine	4,907	1,510	1,735	4,682
Other narcotics	34,782	22,580	12,953	44,409
Total	490,986	646,270	605,874	531,382

During 2000, the DEA adjusted the beginning balances of seized narcotics due to the correction of errors in previously reported quantities and the identification of unanalyzed evidence not previously reported by the DEA.

Notes to the Principal Financial Statements (Dollars in Thousands)

Note 9. General Property, Plant and Equipment, Net

Items are generally depreciated using the straight line method.

As of September 30, 2001	Acquisition Cost	Accumulated Depreciation	Net Book Value	Service Life
Aircraft	$ 211,955	$ (78,217)	$ 133,738	7-25 yrs
Buildings, Improvements and Renovations	5,585,164	(1,357,544)	4,227,620	24-50 yrs
Assets Under Capital Leases	108,443	(28,079)	80,364	5-20 yrs
Construction in Progress	940,960	-	940,960	N/A
Equipment	657,673	(356,328)	301,345	2-25 yrs
Land and Land Rights	169,450	-	169,450	N/A
Leasehold Improvements	216,274	(75,551)	140,723	2-20 yrs
Internal Use Software	18,726	(5,680)	13,046	5 yrs
Internal Use Software in Development	10,326	-	10,326	N/A
Other Structures & Facilities	433,734	(144,446)	289,288	10-50 yrs
Vehicles	377,209	(210,925)	166,284	2-25 yrs
Other General Property, Plant and Equipment	7,118	(3,414)	3,704	10-20 yrs
Total	$ 8,737,032	$ (2,260,184)	$ 6,476,848	

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 9. General Property, Plant and Equipment, Net - Continued

As of September 30, 2000 (Restated)	Acquisition Cost	Accumulated Depreciation	Net Book Value	Service Life
Aircraft	$ 212,835	$ (70,303)	$ 142,532	7-25 yrs
Buildings, Improvements and Renovations	4,847,688	(1,183,758)	3,663,930	24-50 yrs
Assets Under Capital Leases	108,355	(24,006)	84,349	5-20 yrs
Construction in Progress	1,013,508	-	1,013,508	N/A
Equipment	690,592	(365,904)	324,688	2-25 yrs
Land and Land Rights	158,791	-	158,791	N/A
Leasehold Improvements	195,313	(59,972)	135,341	2-20 yrs
Internal Use Software	10,793	(4,861)	5,932	5 yrs
Other Structures & Facilities	400,859	(127,208)	273,651	10-50 yrs
Vehicles	242,209	(115,088)	127,121	2-25 yrs
Other General Property, Plant and Equipment	9,442	(4,068)	5,374	10-20 yrs
Total	$ 7,890,385	$ (1,955,168)	$ 5,935,217	

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 10. Debt

During 1988, Congress granted FPI borrowing authority pursuant to Public Law 100-690. Under this authority, FPI borrowed $20,000 from the U.S. Treasury with a lump-sum maturity or optional renegotiation date of September 30, 1998. During 1998, the $20,000 loan maturity date was extended to September 30, 2008. The funds received under this loan were internally restricted for use in the construction of factories and the purchase of equipment. The loan accrues interest, payable March 31 and September 30 of each year, at 5.5 percent (the rate equivalent to the yield of U.S. Treasury obligations of comparable maturities which existed on the date of the loan extension). Accrued interest payable under the loan is either fully or partially offset to the extent the non-interest bearing cash deposits are maintained with the U.S. Treasury. In this regard, there is no accrual of interest unless the cash balance, on deposit with the U.S. Treasury, falls below $20,000. When this occurs, interest is calculated on the difference between the loan amount ($20,000) and the cash balance.

The loan agreement provides for certain restrictive covenants and a prepayment penalty for debt retirements prior to FY 2008. Additionally, the agreement limits authorized borrowings in an aggregate amount not to exceed 25 percent of the FPI's net equity. There were no net interest expenses for the years ended September 30, 2001 and 2000.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 11. Other Liabilities

	FY 2001	FY 2000
Intragovernmental Liabilities		
Accrued Payroll and Benefits	$ 6,075	$ 1,128
Employer Contributions and Payroll Taxes	120,573	111,479
Advances from Others	130,208	94,922
Advances from Others (Non - Current)	3,852	-
Liability for Deposit Fund, Clearing Accounts & Undeposited Collections	31,734	(9,485)
Other Liabilities	198,004	15,553
Total Intragovernmental	490,446	213,597
Other Accrued Liabilities	2,280	-
Advances from Others	6,290	18,064
Liability for Deposit Fund, Clearing Accounts & Undeposited Collections	221,874	214,038
Custodial Liabilities	43,530	47,984
Other Liabilities	26,612	31,194
Total	$ 791,032	$ 524,877

Intragovernmental other liabilities primarily represent civil debt collections where the Treasury General Fund is designated as the recipient of either a portion of a collection or the entire amount of a collection.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 12. Leases

Capital leases include a 30-year capital lease for a Federal Detention Center in Oklahoma City and an airplane hangar with an estimated cost of $20,000 over 20 years, with an estimated interest rate of 7 percent; and a lease for a training center with an estimated cost of $6,000 over 16 years with an estimated interest rate of 6.5 percent.

Capital Leases:	FY 2001	Restated FY 2000
Summary of Assets Under Capital Lease:		
Land & Buildings	$ 103,910	$ 103,910
Machinery & Equipment	4,533	4,445
Accumulated Amortization	(28,079)	(24,006)
Total	$ 80,364	$ 84,349

Future Payments Due:

Fiscal Year	Building	Equipment	Total
2002	$ 10,577	$ 999	$ 11,576
2003	10,577	748	11,325
2004	10,577	455	11,032
2005	10,577	108	10,685
2006	10,577	27	10,604
After 2006	78,851	-	78,851
Subtotal	$ 131,736	$ 2,337	$ 134,073
Less: Imputed Interest	(50,032)	(366)	(50,398)
FY 2001 Net Capital Lease Liability	$ 81,704	$ 1,971	$ 83,675
FY 2000 Net Capital Lease Liability (Restated)	$ 85,501	$ 2,301	$ 87,802

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 12. Leases - Continued

Operating Leases:

Future Operating Lease Payments Due:

Fiscal Year	Buildings	Equipment	Total
2002	$ 1,131,578	$ 17,872	$ 1,149,450
2003	1,216,567	19,173	1,235,740
2004	1,295,249	20,704	1,315,953
2005	1,389,527	22,410	1,411,937
2006	1,487,716	24,511	1,512,227
After 2006	1,236,762	663	1,237,425
Total Future Lease Payments	$ 7,757,399	$ 105,333	$ 7,862,732

The majority of space occupied by the Department is leased from the General Services Administration (GSA). The space is assigned to the Department by the GSA based on the Department's square footage requirements. The rent charged to the Department is intended to approximate commercial rates. These leases may be terminated without incurring termination charges, however, it is anticipated that the Department will continue to lease space from the GSA in future years. Total future operating lease payments of $7,862,732 include GSA leases.

Operating leases have been established for multiple years. Many of the operating leases that expire over an extended period of time include an option to purchase the equipment at the current fair market value, or to renew the lease for additional periods. Approximately $7,757,399 was for office space, parking facilities, and warehouses, and the remainder for office equipment and vehicles. Vehicles are leased from vendors for 12 months or less.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 13. Future Funding Requirements

Total liabilities not covered by budgetary resources for FYs 2001 and 2000 in amount of $2,461,386 and $2,226,948, respectively, do not equal the total financing sources yet to be provided on the Statement of Financing for FYs 2001 and 2000 of $227,006 and $395,589, respectively. Only current unfunded expenses are included in the Statement of Financing, while liabilities not covered by budgetary resources on the balance sheet include both unfunded expenses for the current and prior fiscal years.

Generally, liabilities not covered by budgetary resources require future funding and can only be liquidated with the enactment of future appropriations. These liabilities include accrued leave, actuarial liabilities, and other contingent liabilities. However, some of the liabilities not covered by budgetary resources do not require appropriations and will be liquidated by the assets of these entities. They include civil and criminal debt collections.

Note 14. Imputed Financing Sources

Imputed financing recognizes actual cost of future benefits, the Federal Employees Health Benefits Program (FEHB), the Federal Employees Group Life Insurance Program (FEGLI), and the Pension that are paid by other Federal entities. The Treasury Judgment Fund was established by the Congress and funded at 31 U.S.C. 1304 to pay in whole or in part the court judgments and settlement agreements negotiated by the Department on behalf of agencies, as well as certain types of administrative awards. Interpretation of Federal Financial Accounting Standards No. 2, "Accounting for Treasury Judgment Fund Transactions," requires agencies to recognize liabilities and expenses when unfavorable litigation outcomes are probable and the amount can be estimated and will be paid by the Treasury Judgment Fund.

SFFAS No. 5, "Accounting for Liabilities of the Federal Government," requires that employing agencies recognize the cost of pensions and other retirement benefits during their employees active years of service. SFFAS No. 5 requires OPM to provide cost factors necessary to calculate cost. OPM actuaries calculate the value of pension benefits expected to be paid in the future, and then determine the total funds to be contributed by and for covered employees. For FERS and CSRS employees, OPM calculated that 11.5 percent and 24.2 percent respectively of each employee's salary would be sufficient to fund these projected pension benefits. The cost to be paid by other agencies is the total calculated future costs, less employee and employer contributions. In addition, other retirement benefits which include the Federal Employees Health Benefits Program (FEHB) and the Federal Employees Group Life Insurance Program (FEGLI) that are paid by other Federal entities must also be disclosed.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 14. Imputed Financing Sources - Continued

Imputed financing sources:

	FY 2001	FY 2000
Judgment Fund	$ 53,416	$ 33,406
Health Insurance	327,188	291,495
Life Insurance	1,199	1,137
Pension	193,612	180,403
Total	$ 575,415	$ 506,441

Note 15. Unexpended Appropriations

Appropriated Funds:	FY 2001	FY 2000
Unobligated - Available	$ 1,898,684	$ 1,575,040
Unobligated - Unavailable	333,614	451,055
Undelivered Orders	11,893,051	10,212,056
Total	$ 14,125,349	$ 12,238,151

The Office of the Independent Counsel, within the OBDs, has permanent indefinite authority. A permanent indefinite appropriation is open-ended as to both its period of availability (amount of time the agency has to spend the funds) and its amount.

The restricted use of the unobligated balance includes cash bonds held in trust by the INS, undisbursed civil and criminal debt collections due to other agencies, annual appropriations that expire and will be transferred to the general fund, and unobligated balances from other Departmental appropriations transferred to the WCF.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 16. Contingencies and Commitments

The Department is party to various administrative proceedings, legal actions, and claims, including environmental damage claims, equal opportunity matters, and contractual bid protests. The balance sheet recognizes an estimated liability for those legal actions where adverse decisions are considered "probable" by the Chief Counsel. Management has determined that it is probable that some of these proceedings and actions will result in the incurrence of liabilities, and the amounts are reasonably estimable. The estimated liability for these cases for FYs 2001 and 2000 were $73,922 and $196,109, respectively and recorded in the financial statements. There are legal actions pending where adverse decisions are considered to be reasonably possible. The range for potential loss is undetermined at this time.

Note 17. Non-Entity Assets

	FY 2001	Restated FY 2000
Intragovernmental		
Fund Balance with U.S. Treasury	$ 726,179	$ 530,836
Accounts Receivable, Net	18	142
Investments, Net	528,271	501,308
Total Intragovernmental	1,254,468	1,032,286
Cash and Other Monetary Assets	104,289	120,268
Accounts Receivable, Net	3,014	3,476
Total Non-Entity Assets	1,361,771	1,156,030
Total Entity Assets	27,962,470	25,822,886
Total Assets	$ 29,324,241	$ 26,978,916

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 18. Liabilities Not Covered by Budgetary Resources

	FY 2001	(Restated) FY 2000
Intragovernmental		
Custodial Liability	$ 269,054	$ 262,117
Accrued FECA Liability	201,249	183,495
Other Liabilities (Note 11)	2,904	3,294
Total Intragovernmental	473,207	448,906
Environmental Cleanup Cost	352	3,482
FECA Actuarial Liabilities	1,193,590	985,513
Accrued Annual and Compensatory Leave	590,331	554,912
Capital Lease Liabilities (Note 12)	82,999	87,698
Contingent Liabilities (Note 16)	73,922	97,309
Deferred Revenue	1,175	1,144
Other Liabilities (Note 11)	45,810	47,984
Total Liabilities Not Covered by Budgetary Resources	2,461,386	2,226,948
Total Liabilities Covered by Budgetary Resources	4,840,748	5,029,189
Total Liabilities	$ 7,302,134	$ 7,256,137

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 19. Restatements, Prior Period Adjustments and Reclassifications

In FY 2001, the Department implemented SFFAS No. 21, "Reporting Corrections of Errors and Changes in Accounting Principles" that requires (a) the restatement of prior period financial statements for material errors identified in the current period and (b) prior period adjustments to the cumulative results of operations in the earliest financial statements presented, for material errors identified in financial statements that are not presented.

The Department's FY 2000 financial statements were restated as follows:

	As Reported	As Restated	Difference
Consolidated Balance Sheet:			
Inventory and Related Property, Net	$ 160,324	$ 159,313	$ (1,011)
Property, Plant and Equipment, Net	$ 5,915,756	$ 5,935,217	$ 19,461
Capital Lease Liabilities	$ 87,638	$ 87,802	$ 164
Consolidated Statement of Net Cost:			
Intragovernmental Gross Cost	$ 4,794,385	$ 4,823,059	$ 28,674
Gross Cost With the Public	$ 19,494,147	$ 19,462,523	$ (31,624)
Earned Revenue	$ 2,977,638	$ 2,998,500	$ 20,862
Combined Statement of Budgetary Resources:			
Unobligated Balance, End to Beginning	$ 2,951,972	$ 4,229,982	$ 1,278,010
Obligated Balance, End to Beginning	$ 14,206,736	$ 14,232,403	$ 25,667
Total Outlays	$ 20,117,896	$ 20,096,967	$ (20,929)

The balance sheet restatements to property, plant and equipment represent the FBI assets that were not capitalized. The restatements to inventory and related property, and capital lease liabilities represent the recordation of an additional inventory allowance and assets that were not capitalized, respectively, at the FPI.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 19. Restatements, Prior Period Adjustments and Reclassifications - Continued

The restatements to intragovernmental gross costs represent amounts improperly classified in the FPI financial statements. The restatements to gross costs with the public represent the FBI unrecorded capitalized assets ($19,297 decrease) and the FPI restatement of its inventory allowance and other amounts improperly classified ($12,327 decrease). Finally, earned revenues were restated by $15,331 to account for improperly classified amounts on the FPI financial statements, and the remaining amount was the result of the reclassification from non-exchange revenues to earned revenues.

The change from the FY 2000 unobligated balance ending to the FY 2001 unobligated balance beginning reflects the accounting treatment for certain budgetary transactions in accordance with OMB Circular No. A-34, *Instructions on Budget Execution*. The majority of the change is related to the OJP Crime Victims Fund, where revenues of $1,262,140 were not considered resources in FY 2000, but are considered available at the beginning of FY 2001. The remaining change of $15,870 represents similar transactions at the AFF, DEA, and BOP.

The change from the FY 2000 obligated balance ending to the FY 2001 obligated balance beginning is a result of a correction of an error in the BOP FY 2000 financial statements.

The restatement of $20,929 in Outlays relates to the adjustments to the FPI ($20,964 increase) and the FBI ($41,893 decrease) financial statements as discussed above.

As a result of the restatements to the balance sheet, statements of net cost, changes in net position, and budgetary resources discussed above, similar restatements were made to the statement of financing to account for these error corrections. In addition, corrections were made to amounts reported by the INS in the Depreciation and Amortization ($92 decrease), Other Resources That Do Not Fund Net Cost Of Operations ($16,996 decrease) and Other Costs That Do Not Require Resources ($17,088 increase) line items in the statement of financing to correct for an error in the recordation of bad debt expense.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 19. Restatements, Prior Period Adjustments and Reclassifications - Continued

In accordance with SFFAS No. 21, the Department's FY 2000 cumulative results of operations include the following prior period adjustments:

Accounts Payable and Other Liabilities	OJP, INS, BOP	$ 30,621
Accounts Receivable	USMS, BOP	9,268
Actuarial/Accrued FECA Liabilities	BOP, WCF, OBD	(3,607)
Appropriated Capital Used	OJP, BOP	23,392
Capital Property	FBI, BOP, USMS	38,086
Construction in Process	BOP	8,598
Transfers	OJP, AFF, OBD, WCF	(31,216)
Unexpended Appropriations	BOP, OJP	12,159
Other	BOP, WCF, FPI	3,205
Total Prior Period Adjustment		$ 90,506

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 19. Restatements, Prior Period Adjustments and Reclassifications - Continued

In FY2001, the Department's reporting components reclassified FY 2000 financial statement line items to conform to the Department's Financial Statement Preparation and Reporting Guide, and the requirements of OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements.* The financial statements and line items affected include the following:

Combined Statement of Budgetary Resources:		
Budgetary Resources:		
Unobligated Balance - Beginning of Period	$	47,403
Spending Authority from Offsetting Collections	$	680,530
Adjustments	$	(996)
Status of Budgetary Resources:		
Obligations Incurred	$	711,930
Unobligated Balance Available	$	15,007

The reclassifications in the statement of budgetary resources are from two sources. The FPI now includes a statement of budgetary resources in its financial statement package; therefore, except for the amounts related to the OBDs as discussed below, all of the reclassifications to the statement of budgetary resources relate to the FPI.

The OBDs presented a consolidated statement of budgetary resources in FY2000; however, the new standards require a combined statement of budgetary resources. Accordingly, the OBDs reclassified the statement of budgetary resources to include $105,373 in the Spending Authority from Offsetting Collections and the Obligations Incurred line items.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 20. Consolidated Gross Cost and Earned Revenue by Budget Functional Classification

Consolidated Cost and Earned Revenue by Budget Functional Classification

Fiscal Year Ended September 30, 2001

Budget Functional Classification		Gross Costs	Earned Revenue	Net Costs
National Defense	050	$ 58,067	$ -	$ 58,067
International Affairs	150	812	-	812
Administration of Justice	750	24,504,013	(3,425,582)	21,078,431
General Government	800	32	-	32
Total		$ 24,562,924	$ (3,425,582)	$ 21,137,342

Fiscal Year Ended September 30, 2000

Budget Functional Classification		Gross Costs	Earned Revenue	Net Costs
National Defense	050	$ 13,011	$ -	$ 13,011
International Affairs	150	1,063	-	1,063
Administration of Justice	750	24,271,520	(2,998,500)	21,273,020
General Government	800	(12)	-	(12)
Total		$ 24,285,582	$ (2,998,500)	$ 21,287,082

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 20. Consolidated Gross Cost and Earned Revenue by Budget Functional Classification - Continued

Intragovernmental Gross Cost and Earned Revenue by Budget Functional Classification

Fiscal Year Ended September 30, 2001

Budget Functional Classification		Gross Costs	Earned Revenue	Net Costs
National Defense	050	$ 1,484	$ -	$ 1,484
International Affairs	150	492	-	492
Administration of Justice	750	4,973,290	(1,129,344)	3,843,946
General Government	800	(113)	-	(113)
Total		$ 4,975,153	$ (1,129,344)	$ 3,845,809

Fiscal Year Ended September 30, 2000

Budget Functional Classification		Gross Costs	Earned Revenue	Net Costs
National Defense	050	$ 1,842	$ -	$ 1,842
International Affairs	150	995	-	995
Administration of Justice	750	4,820,220	(1,122,180)	3,698,040
General Government	800	2	-	2
Total		$ 4,823,059	$ (1,122,180)	$ 3,700,879

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 21. Net Custodial Revenue Activity

Debt Collection Management (DCM) is responsible for implementing the provisions of the Federal Debt Recovery Act of 1986, which authorizes the Attorney General to contract with private counsel to help the U.S. Attorneys collect delinquent Federal civil debts. Since FY 1994, the Attorney General has been authorized to credit the WCF up to 3 percent of the total civil cash collections to be used for paying the costs of "processing and tracking" such litigation. DCM is responsible for the operation of the Nationwide Central Intake Facility, the private counsel pilot project, and other projects funded by the 3 percent of the civil debt collections.

The Department also collects the Nonimmigrant Petition Fee with a shared distribution between the Department of Labor and the National Science Foundation. Treasury makes a quarterly distribution from this General Fund Receipts account to the respective agencies. The Department receives 4 percent of the proceeds.

Note 22. Environmental Cleanup Costs

The FIST-5 (Fuel In Storage Tank 5-Year) Program is a nation-wide effort begun in FY 1995 to upgrade and optimize automotive and aviation bulk fueling capabilities. The Department monitors the environmental cleanup and any required remediation for all its known underground storage tanks. The original FIST-5 proposal indicated that the program would develop and identify new projects as time passes. During the course of the 5-year effort, the FIST-5 program has grown from 41 projects to 91 individual projects. Completed projects total 75, with the remaining 16 projects scheduled for completion over the next 12 -18 months. The total estimated remediation costs decreased from $21,200 in FY 2000 to $18,800 in FY 2001. Of the $18,800, $13,700 has been expended as an accrued liability. The remaining $5,101 has been accrued and is included in the environmental and disposal liability, of which $4,749 is covered and $352 is not covered by budgetary resources at September 30, 2001. FY 2000 environmental and disposal liability was $9,013, of which $5,531 was covered and $3,482 was not covered by budgetary resources. All the Department underground storage tanks have been certified in compliance with the new, more stringent Environmental Protection Agency (EPA) regulations that took effect on December 22, 1999. The fuel tank inventory is complete and current. The FIST-5 Program, as a separate initiative, ended on September 30, 2000. Projects still involved in active remediation will be pursued until successfully completed. Underground storage tanks will be managed, inspected and maintained as part of the routine facility maintenance and repair program activities.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 23. Statement of Budgetary Resources vs Budget of the United States Government

As of September 30, 2001	Budgetary Resources	Obligations Incurred	Outlays
Statement of Budgetary Resources (SBR)	$ 32,296,000	$ 29,332,000	$ 21,612,000
Funds not Reported in Budget of the United States:			
USMS Court Security Funds	(185,000)	(163,000)	(207,000)
OBDs Health Care Fraud and Abuse Funds	(53,000)	(42,000)	(37,000)
DEA, FBI and BOP Expired Funds	(297,000)	(142,000)	-
INS Recovery of PY Obligations	(593,000)	(498,000)	-
Funds not Reported in SBR:			
INS Fee Reimbursements	-	-	1,574,000
Other	(113,000)	21,000	65,000
Budget of the United States	$ 31,055,000	$ 28,508,000	$ 23,007,000

Other differences represent financial statement adjustments, timing differences and other immaterial differences between amounts reported in the Department SBR and the Budget of the United States.

The Budget of the United States represents amounts reported to OMB via MAX Budget Information System reports as of January 9, 2002.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 23. Statement of Budgetary Resources vs Budget of the United States Government - Continued

As of September 30, 2000	Budgetary Resources	Obligations Incurred	Outlays
Restated Statement of Budgetary Resources (SBR)	$ 28,581,000	$ 25,628,000	$ 20,097,000
Funds not Reported in the Budget of the United States:			
USMS Court Security Funds	(192,000)	(176,000)	(184,000)
INS Fee Account Funds	(161,000)	(105,000)	-
OBDs Health Care Fraud and Abuse Funds	(40,000)	(40,000)	(35,000)
DEA and BOP Expired Funds	(226,000)	(54,000)	18,000
INS Recovery of PY Obligations	(50,000)	(50,000)	-
Funds not Reported in SBR:			
OBDs Court Services and Offender Supervision Funds	100,000	95,000	14,000
Other	(131,000)	(92,000)	(42,000)
Budget of the United States	$ 27,881,000	$ 25,206,000	$ 19,868,000

Other differences represent financial statement adjustments, timing differences and other immaterial differences between amounts reported in the Department SBR and the Budget of the United States.