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 issued by the Federal Accounting Standards Advisory Board (FASAB) and Office of Management and Budget (OMB) Bulletin 01-09, "Form and Content of Agency Financial Statements." 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.

FPI, a reporting component of the Department of Justice, operates as a revolving fund and does not receive appropriations. Its budgetary information is based on a crosswalk from proprietary accounting data. The budgetary accounting data presented best represents the actual activity as reflected in the proprietary accounts. Therefore, FPI reports negative recoveries because it does not track upward and downward budgetary adjustments separately.

C. Basis of Accounting

Transactions are recorded on an accrual and a budgetary basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred, regardless of when cash is exchanged. Under the budgetary basis, however, funds availability is recorded based upon legal considerations and constraints. As a result, similar line items on the proprietary financial statements, budgetary financial statements, and notes may not equal. Examples include, but are not limited to, the following:

- Total Accounts Receivable on the Balance Sheet may not equal Accounts Receivable on the Statement of Budgetary Resources;
- Total Accounts Payable on the Balance Sheet may not equal Accounts Payable on the Statement of Budgetary Resources; and
- Appropriations Received on the Statement of Changes in Net Position may not equal Appropriations Received on the Statement of Budgetary Resources because offsetting receipts for special funds are reported as Appropriations Received on the Statement of Budgetary Resources but are reported as either exchange revenue on the Statement of Net Cost or non-exchange revenue on the Statement of Changes in Net Position.

Notes to the Principal Financial Statements
(Dollars in Thousands)

D. Revenues and Other Financing Sources

The Department receives the majority of funding needed to support its programs through Congressional appropriations. The Department receives 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 budgetary 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.

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 set by law and are periodically evaluated in accordance with OMB guidance and 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 end of fiscal year. 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.

Custodial activity reported on the Statement of Custodial Activity is prepared on the modified cash basis.

Notes to the Principal Financial Statements
(Dollars in Thousands)

E. Fund Balance with the U.S. 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.

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.

Notes to the Principal Financial Statements
(Dollars in Thousands)

H. Property, Plant and Equipment – Continued

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. 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, and leasehold improvements are 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.

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.

Notes to the Principal Financial Statements
(Dollars in Thousands)

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 15.

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.

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 Aprobable@ and an estimate for the liability can be made. Contingent liabilities that are considered Apossible@ are disclosed in the notes to the financial statements. Liabilities that are considered Aremote@ 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, whichever is later.

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).

Notes to the Principal Financial Statements
(Dollars in Thousands)

P. Retirement Plan – Continued

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 11 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).

Statement of Federal Financial Accounting Standards (SFFAS) No. 5, AAccounting 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 18 C Imputed Financing Sources, for additional details.

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.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Q. Federal Employee Compensation Benefits – Continued

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 cannot be met by the Department without further appropriation action.

Accrued Liability: The accrued FECA liability is the amount owed to the DOL for the benefits paid from the FECA SBF.

R. Principles of Consolidation

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 Statement of Custodial Activity are combined statements for FYs 2002 and 2001, and as such, intra-entity transactions have not been eliminated.

S. 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 2002	FY 2001
Fund Balances:		
Trust Funds	$ 1,786,921	$ 2,559,459
Revolving Funds	54,201	52,928
Appropriated Funds	16,039,972	14,190,701
Other Fund Types	2,981,986	3,032,232
Total Fund Balance with Treasury	$ 20,863,080	$ 19,835,320
Status of Fund Balances:		
Unobligated Balance - Available	$ 3,560,354	$ 2,135,996
Unobligated Balance - Unavailable	1,488,816	1,956,907
Obligated Balance not yet Disbursed	15,813,910	15,742,417
Total Status of Fund Balances	$ 20,863,080	$ 19,835,320

Note 3. Cash, Foreign Currency and Other Monetary Assets

	FY 2002	FY 2001
Cash:		
Undeposited Collections	$ 40,890	$ 50,230
Imprest Funds	8,528	8,105
Seized Cash Deposited	9,533	8,255
Other Cash	1,136	892
Total Cash	60,087	67,482
Foreign Currency	218	164
Other Monetary Assets:		
Other Monetary Assets	2,103	2,623
Seized Monetary Instrument	53,548	62,034
Total Other Monetary Assets	55,651	64,657
Total Cash, Foreign Currency and Other Monetary Assets	$ 115,956	$ 132,303

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 4. Investments - Federal Securities, Net

	Acquisition Cost	Unamortized Premium	Unamortized Discount	Investments Net	Market Value
As of September 30, 2002:					
Intragovernmental					
Non-Marketable Securities					
Market Based	$ 1,293,741	$ 146	$ (2,415)	$ 1,291,472	$ 1,294,024
Sub-Total	1,293,741	$ 146	$ (2,415)	$ 1,291,472	1,294,024
Accrued Interest	468				468
Total	$ 1,294,209				$ 1,294,492
As of September 30, 2001:					
Intragovernmental					
Non-Marketable Securities					
Market Based	$ 1,401,183	$ 247	$ (2,765)	$ 1,398,665	$ 1,400,330
Sub-Total	1,401,183	$ 247	$ (2,765)	$ 1,398,665	1,400,330
Accrued Interest	837				837
Total	$ 1,402,020				$ 1,401,167

Note 5. Accounts Receivable, Net

	FY 2002	FY 2001
Intragovernmental		
Accounts Receivable	$ 247,493	$ 237,297
Allowance for Uncollectible Accounts	(4,447)	(4,781)
Total Intragovernmental	243,046	232,516
With the Public		
Accounts Receivable	270,457	168,711
Allowance for Uncollectible Accounts	(87,474)	(51,906)
Total With the Public	182,983	116,805
Total Accounts Receivable, Net	$ 426,029	$ 349,321

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 6. 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.

	FY 2002	FY 2001
Inventory:		
Raw Materials	$ 71,115	$ 71,972
Work-In-Process	39,362	28,834
Finished Goods	43,166	53,222
Inventory Purchased for Resale	13,058	11,777
Allowances:		
Excess, Obsolete and Unserviceable	(9,778)	(10,921)
Inventory Costs in Excess of Market Value	(2,005)	(2,340)
Operating Materials and Supplies:		
Held for Current Use	41,449	26,098
Total Inventory and Related Property	$ 196,367	$ 178,642

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 7. 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 1997 through 2002, equitable sharing allocation levels averaged $239,212. The anticipated equitable sharing allocation level for FY 2003 is $206,000.

Analysis of Change in Forfeited Property:

Pursuant to Federal Financial Accounting and Auditing Technical Release 4, AReporting 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.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 7. Forfeited and Seized Property- Continued

The following table represents the analysis of change in forfeited property for FY 2002:

Forfeited Property Category		Beginning Balance	Adjust-ments FY 2002	Forfeited During FY 2002	Disposed During FY 2002	Ending Balance	Liens and Claims	Ending Balance Net of Liens
Financial & Other	Number	77	5	93	109	66	-	66
Monetary Instruments	Value	$ 3,884	$ 139	$ 11,377	$ 11,598	$ 3,802	$ 1	$ 3,801
Real Property	Number	244	40	325	326	283	-	283
	Value	$ 27,670	$ 5,412	$ 52,105	$ 47,761	$ 37,426	$ 127	$ 37,299
Personal Property	Number	2,462	474	11,705	11,046	3,595	-	3,595
	Value	$ 25,089	$ 1,558	$ 62,011	$ 59,224	$ 29,434	$ 3,366	$ 26,068
Non-Valued	Number	886	(132)	705	668	791	-	791
Total	Number	3,669	387	12,828	12,149	4,735	-	4,735
	Value	$ 56,643	$ 7,109	$ 125,493	$ 118,583	$ 70,662	$ 3,494	$ 67,168

During FY 2002, $71,452 of forfeited property was sold, $19,913 was returned to owners, and $27,218 was disposed of by other means. 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 as a result of fair market appraisals and/or court orders received during FY 2002.

Note 7. Forfeited and Seized Property- Continued

Notes to the Principal Financial Statements
(Dollars in Thousands)

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	6,539	761	9,798	14,319	2,779	317	2,462
	Value	$ 31,380	$ 1,008	$ 66,706	$ 72,296	$ 26,798	$ 1,709	$ 25,089
Non-Valued	Number	802	(6)	1,434	1,338	892	6	886
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, $77,641 was forfeited property was sold, $26,860 was returned to owners, and $23,098 was disposed of by other means. 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 as a result of fair market appraisals and/or court orders received during FY 2001.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 7. 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, AReporting 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 2002:

Seized Property Category		Beginning Balance	Adjustments FY 2002	Seized During FY 2002	Disposed During FY 2002	Ending Balance	Liens and Claims	Ending Balance Net of Liens
Financial & Other Monetary Instruments	Number	429	(24)	145	118	432	-	432
	Value	$ 38,753	$ (1,398)	$ 6,011	$ 4,705	$ 38,661	$ 228	$ 38,433
Real Property	Number	203	125	275	302	301	-	301
	Value	$ 46,416	$ 17,033	$ 38,234	$ 46,533	$ 55,150	$ 7,765	$ 47,385
Personal Property	Number	5,307	1,483	15,192	13,859	8,123	-	8,123
	Value	$ 63,707	$ 4,034	$ 121,391	$ 91,977	$ 97,155	$13,178	$ 83,977
Non-Valued	Number	822	(203)	722	716	625	-	625
Total Seized for Forfeiture	Number	6,761	1,381	16,334	14,995	9,481	-	9,481
	Value	$148,876	$ 19,669	$ 165,636	$ 143,215	$ 190,966	$21,171	$ 169,795
Seized for Evidence	Number	26,556	10,348	13,486	9,809	40,581	-	40,581
	Value	$ 80,890	$ (30,160)	$ 36,033	$ 26,517	$ 60,246	$ -	$ 60,246
Total	Number	33,317	11,729	29,820	24,804	50,062	-	50,062
	Value	$229,766	$ (10,491)	$ 201,669	$ 169,732	$ 251,212	$21,171	$ 230,041

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 7. Forfeited and Seized Property - Continued

During FY 2002, $109,017 of seized property was forfeited, $46,184 was returned to owners, and $14,531 was disposed of by other means. 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 $9,533 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 as a result of fair market appraisals and/or court orders received during FY 2002.

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 Monetary Instruments	Number	245	13	279	101	436	7	429
	Value	$ 42,265	$ (6,776)	$ 11,607	$ 8,131	$ 38,965	$ 212	$ 38,753
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	4,410	3,101	10,948	11,890	6,569	1,262	5,307
	Value	$ 62,773	$ 12,532	$103,865	$103,109	$ 76,061	$ 12,354	$ 63,707
Non-Valued	Number	878	60	1,458	1,568	828	6	822
Total Seized for Forfeiture	Number	5,721	3,295	12,902	13,800	8,118	1,357	6,761
	Value	$154,680	$ 9,863	$147,449	$142,428	$169,564	$ 20,688	$ 148,876
Seized for Evidence	Number	20,508	-	9,760	3,712	26,556	-	26,556
	Value	$ 77,747	$ -	$ 26,464	$ 23,321	$ 80,890	$ -	$ 80,890
	Number	26,229	3,295	22,662	17,512	34,674	1,357	33,317
Total	Value	$232,427	$ 9,863	$173,913	$165,749	$250,454	$ 20,688	$ 229,766

During FY 2001, $103,145 of seized property was forfeited, $38,580 was returned to owners, and $24,024 was disposed of by other means, including $23,321 of DEA and FBI disposals that were not reported in FY2001. 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.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 7. Forfeited and Seized Property - Continued

Adjustments include property status and valuation changes as a result of fair market appraisals and/or court orders received during FY 2002.

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, AReporting 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 FYs 2002 and 2001:

Analyzed Drug Evidence	Beginning Balance KG	Analyzed During FY 2002 KG	Disposed During FY 2002 KG	Ending Balance KG
Cocaine	290,059	69,159	37,494	321,724
Heroin	2,509	1,044	478	3,075
Marijuana	46,258	12,607	17,750	41,115
Methamphetamine	4,832	1,653	1,325	5,160
Other narcotics	57,277	19,530	9,790	67,017
Total	400,935	103,993	66,837	438,091

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

Bulk and unanalyzed drugs held by DEA are not included in the above tables.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 8. General Property, Plant and Equipment, Net

Items are generally depreciated using the straight line method.

As of September 30, 2002	Acquisition Cost	Accumulated Depreciation	Net Book Value	Service Life
Land and Land Rights	$ 182,631	$ -	$ 182,631	N/A
Construction in Progress	1,795,646	-	1,795,646	N/A
Buildings, Improvements and Renovations	5,665,845	(1,549,000)	4,116,845	24-50 yrs
Other Structures & Facilities	464,523	(164,935)	299,588	10-50 yrs
Aircraft	245,715	(83,016)	162,699	7-25 yrs
Boat	3,440	(1,307)	2,133	18 yrs
Vehicles	440,982	(258,447)	182,535	2-25 yrs
Equipment	732,327	(408,846)	323,481	2-25 yrs
Assets Under Capital Leases	125,959	(37,093)	88,866	5-20 yrs
Leasehold Improvements	295,992	(107,422)	188,570	2-20 yrs
Internal Use Software	36,559	(10,955)	25,604	5 yrs
Internal Use Software in Development	59,000	-	59,000	N/A
Other General Property, Plant and Equipment	5,215	(2,950)	2,265	10-20 yrs
Total	$ 10,053,834	$ (2,623,971)	$ 7,429,863	

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 8. General Property, Plant and Equipment, Net - Continued

As of September 30, 2001	Acquisition Cost	Accumulated Depreciation	Net Book Value	Service Life
Land and Land Rights	$ 169,450	$ -	$ 169,450	N/A
Construction in Progress	940,960	-	940,960	N/A
Buildings, Improvements and Renovations	5,585,164	(1,357,544)	4,227,620	24-50 yrs
Other Structures & Facilities	433,734	(144,446)	289,288	10-50 yrs
Aircraft	211,955	(78,217)	133,738	7-25 yrs
Boat	3,440	(1,116)	2,324	18 yrs
Vehicles	377,209	(210,925)	166,284	2-25 yrs
Equipment	657,673	(356,328)	301,345	2-25 yrs
Assets Under Capital Leases	108,443	(28,079)	80,364	5-20 yrs
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 General Property, Plant and Equipment	3,678	(2,298)	1,380	10-20 yrs
Total	$ 8,737,032	$ (2,260,184)	$ 6,476,848	

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 9. Other Assets

	FY 2002	FY 2001
Intragovernmental		
Advances to Others	$ 61,446	$ 82,101
Prepayments	980	1,408
Other	43,823	-
Total Intragovernmental	106,249	83,509
Other Assets	5,751	3,242
Total Other Assets	$ 112,000	$ 86,751

Other represents funds in the amount of $100,000 disbursed from and $56,255 deposited into the Treasury General Fund during FY 2002. The FY 2002 disbursement from the Treasury General Fund resulted because during FY 2000, Debt Collection Management was instructed to deposit the proceeds from a case settlement into the Treasury General Fund. A subsequent change in application document required the distribution of the funds to another Federal Agency instead of the Treasury General Fund.

Note 10. Non-Entity Assets

	FY 2002	FY 2001
Intragovernmental		
Fund Balance with U.S. Treasury	$ 481,607	$ 758,088
Accounts Receivable, Net	-	18
Investments, Net	517,359	528,271
Other	43,745	-
Total Intragovernmental	1,042,711	1,286,377
Cash and Other Monetary Assets	65,143	72,380
Accounts Receivable, Net	9,443	3,014
Total Non-Entity Assets	1,117,297	1,361,771
Total Entity Assets	30,026,510	27,962,470
Total Assets	$ 31,143,807	$ 29,324,241

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 11. 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 an extended lump-sum maturity date of 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, 2002 and 2001.

Note 12. 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 78, with the remaining 13 projects scheduled for completion over the next 12 -18 months. The total cumulative estimated remediation costs decreased from $21,200 in FY 2000 to $18,800 in FY 2001 and remained $18,800 for FY 2002. Of the $18,800, $15,867 has been disbursed. The remaining $2,933 has been accrued and is included in the environmental and disposal liability, of which $2,698 is covered and $235 is not covered by budgetary resources at September 30, 2002. 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 DEA owns a section of land located in Chicago, Illinois. Soil samples taken from this land, after removal of underground storage tanks indicated levels of benzene, ethyl benzene, and lead that were above soil remediation standards. Phase I of an environmental site assessment was conducted on January 15, 2002, for this site. The assessment revealed evidence of a potential environmental condition and recommended the study be extended to determine the extent of the contamination. Phase II of the environmental site assessment is scheduled to begin in FY 2003. At this time, needs for remediation activities have not been resolved nor have potential cleanup costs been determined. Although DEA may have a liability to cleanup this land, costs can not be estimated at this time. Therefore, no costs are reflected in the financial statements for this environmental cleanup project.

Notes to the Principal Financial Statements (Dollars in Thousands)

Note 13. Leases

Capital leases include a Federal Detention Center (25 year lease term) and an airplane hangar (20 year lease term) in Oklahoma City, Oklahoma and a training facility (16 year lease term) in Pineville, Louisiana.

Capital Leases:	FY 2002	FY 2001
Summary of Assets Under Capital Lease:		
Land & Buildings	$ 104,070	$ 103,910
Machinery & Equipment	21,889	4,533
Accumulated Amortization	(37,093)	(28,079)
Total	$ 88,866	$ 80,364

Future Payments Due:

Fiscal Year	Building	Equipment	Total
2003	$ 10,577	$ 4,732	$ 15,309
2004	10,577	2,739	13,316
2005	10,577	797	11,374
2006	10,577	441	11,018
2007	10,577	130	10,707
After 2007	68,434	-	68,434
Subtotal	$ 121,319	$ 8,839	$ 130,158
Less: Imputed Interest	(43,552)	(815)	(44,367)
FY 2002 Net Capital Lease Liability	$ 77,767	$ 8,024	$ 85,791
FY 2001 Net Capital Lease Liability	$ 81,704	$ 1,971	$ 83,675

	FY 2002	FY 2001
Net Capital Leases Liability Covered by Budgetary Resources	$ 3,465	$ 676
Net Capital Leases Liability Not Covered by Budgetary Resources	$ 82,326	$ 82,999

Operating Leases:

Future Operating Lease Payments Due:

Fiscal Year	Buildings	Equipment	Total
2003	$ 1,256,004	$ 20,792	$ 1,276,796
2004	1,358,523	21,240	1,379,763
2005	1,458,802	21,919	1,480,721
2006	1,564,949	22,732	1,587,681
2007	1,682,082	23,626	1,705,708
After 2007	3,481,250	60,984	3,542,234
Total Future Lease Payments	$ 10,801,610	$ 171,293	$ 10,972,903

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 13. Leases – Continued

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. Most of 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 $10,972,903 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 $10,801,610 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 14. Other Liabilities

	FY 2002	FY 2001
Intragovernmental Liabilities		
Other Accrued Liabilities	$ 159	$ 627
Employer Contributions and Payroll Taxes	66,750	120,573
Advances from Others	187,638	130,208
Advances from Others (Non - Current)	5,971	3,852
Liability for Deposit Fund, Clearing Accounts & Undeposited Collections	19,586	31,734
Other Liabilities	6,667	198,004
Total Intragovernmental	286,771	484,998
Other Accrued Liabilities	2,635	2,293
Advances from Others	5,378	6,290
Liability for Deposit Fund, Clearing Accounts & Undeposited Collections	272,119	236,992
Custodial Liabilities	34,220	43,530
Other Liabilities	8,896	11,494
Total With the Public	323,248	300,599
Total Other Liabilities	$ 610,019	$ 785,597

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 15. Liabilities Not Covered by Budgetary Resources

	FY 2002	FY 2001
Intragovernmental		
Custodial Liability	$ 232,731	$ 269,054
Accrued FECA Liability	216,852	201,154
Other Liabilities (Note 14)	7,614	2,904
Total Intragovernmental	457,197	473,112
Environmental Cleanup Cost	235	352
FECA Actuarial Liabilities	1,204,284	1,193,590
Accrued Annual and Compensatory Leave	628,818	590,331
Capital Lease Liabilities (Note 13)	82,326	82,999
Contingent Liabilities (Note 16)	142,996	73,909
Deferred Revenue	1,223	1,175
Other Liabilities (Note 14)	37,280	46,394
Total With the Public	2,097,162	1,988,750
Total Liabilities Not Covered by Budgetary Resources	2,554,359	2,461,862
Total Liabilities Covered by Budgetary Resources	4,986,496	4,840,272
Total Liabilities	$ 7,540,855	$ 7,302,134

Generally, liabilities not covered by budgetary resources are liabilities for which Congressional action is needed before budgetary resources can be provided. 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 and revolving fund operations.

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 includes 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 2002 and 2001 were $142,996 and $73,909, respectively and recorded in the financial statements. There also are legal actions pending where adverse decisions are considered to be reasonably possible. The range for potential loss is undetermined at this time.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 17. Future Funding Requirements

The total liabilities not covered by budgetary resources presented in Note 15 for FYs 2002 and 2001 of $2,554,359 and $2,461,862, respectively do not equal the Components of net cost of operations requiring or generating resources in future periods on the Statement of Financing for FYs 2002 and 2001 of $93,947 and $250,725, respectively. Total components requiring or generating resources in future periods on the Statement of Financing include only current unfunded expense amounts and increases in exchange revenue receivable from the public, while the unfunded liabilities included on the Balance Sheet represent both current and prior year unfunded expense amounts including the unfunded annual and compensatory leave balances for FYs 2002 and 2001 of $628,818 and $590,331, respectively. The actuarial/accrued FECA liability for FYs 2002 and 2001 were $1,421,136 and $1,394,744, respectively.

Note 18. Imputed Financing Source

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 SFFAS 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 (24.6 law enforcement) percent and 24.2 (40.0 law enforcement) percent respectively of each employee's salary would be sufficient to fund these projected pension benefits.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 18. Imputed Financing Sources – Continued

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.

Imputed financing sources:

	FY 2002	FY 2001
Judgment Fund	$ 30,697	$ 53,416
Health Insurance	380,261	326,828
Life Insurance	1,281	1,199
Pension	172,632	193,972
Total	$ 584,871	$ 575,415

Note 19. Restatements and Reclassifications

In accordance with SFFAS No. 21, "Reporting Corrections of Errors and Changes in Accounting Principles" the Department's FY 2001 financial statements were restated as follows:

	As Reported	As Restated	Difference
Combined Statement of Budgetary Resources:			
Budgetary Resources:			
Budget Authority	$ 22,825,163	$ 24,660,397	$ 1,835,234
Unobligated Balance	$ 4,185,860	$ 4,401,675	$ 215,815
Spending Authority from Offsetting Collections	$ 5,599,326	$ 5,629,602	$ 30,276
Other	$ (314,120)	$ (512,507)	$ (198,387)
Status of Budgetary Resources:			
Obligations Incurred	$ 29,332,372	$ 31,062,922	$ 1,730,550
Unobligated Balances	$ 2,963,857	$ 3,116,245	$ 152,388
Outlays	$ 21,612,063	$ 23,312,338	$ 1,700,275
Unobligated Balance, End to Beginning	$ 3,116,245	$ 3,118,516	$ 2,271

These notes are an integral part of the financial statements

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 19. Restatements and Reclassifications - Continued

In FY 2001, the INS presented a consolidated Statement of Budgetary Resources (SBR), where their Fee Accounts and Salaries & Expense Accounts were combined and intra-fund reimbursement transactions were eliminated. The INS SBR was restated to reflect the Fee Accounts as a separate fund type from the Salaries and Expense Accounts. The restatement increased Total Budgetary Resources and Status of Resources by $1,716,662. In addition, amounts appropriated to INS by Treasury related to H1-B custodial collections were also adjusted to be reflected as offsetting receipts. The USMS also presented a consolidated SBR in FY 2001 and accordance with OMB Bulletin No. 01-09, “Form and Content of Agency Financial Statements,” restated the SBR to a combined presentation.

As a result of the restatements discussed above, similar restatements were made to the Statement of Financing to account for these errors.

The Department has fully implemented the provisions of OMB Bulletin No. 01-09 that became effective in FY 2002 and substantially changed the presentation of the Statement of Changes in Net Position and the SBR. As a result, the Department’s FY 2001 SBR, as discussed below, was reclassified to account for changes in financial presentation.

In FY 2001, the OBD’s Radiation Exposure Trust Fund received $126,641 in appropriations to pay eligible claimants who suffered certain injuries during the 1950s as a result of atmospheric nuclear tests and radiation in underground uranium mines. The appropriation was originally credited to an annual fund but was then transferred to a no-year expenditure fund to be disbursed to eligible claimants. In accordance with OMB Bulletin No. 01-09, the OBD’s reclassified $126,617 in transfers to the following SBR line items: Appropriations Received, Obligations Incurred, Outlays, and Offsetting Receipts. Although the reclassification increased the OBD’s FY 2001 budgetary resources and obligations incurred by $126,617, it had no net effect on the total resources provided or used to pay claims during FY 2001.

Additionally, a change in accounting treatment related to OJP transfers to the Department of Health and Human Services (HHS) is reflected in the change from the FY 2001 unobligated balance ending to the FY 2002 unobligated balance beginning.

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

Budget Functional Classification		Gross Costs	Earned Revenue	Net Costs
Fiscal Year Ended September 30, 2002				
National Defense	050	$ 224,614	$ -	$ 224,614
International Affairs	150	946	-	946
Administration of Justice	750	27,889,711	(3,492,571)	24,397,140
General Government	800	15	-	15
Total		$ 28,115,286	$ (3,492,571)	$ 24,622,715
Fiscal Year Ended September 30, 2001				
National Defense	050	$ 58,067	$ -	58,067
International Affairs	150	812	-	812
Administration of Justice	750	24,504,014	(3,425,583)	21,078,431
General Government	800	32	-	32
Total		$ 24,562,925	$ (3,425,583)	$ 21,137,342

Intragovernmental Gross Cost and Earned Revenue by Budget Functional Classification

Budget Functional Classification		Gross Costs	Earned Revenue	Net Costs
Fiscal Year Ended September 30, 2002				
National Defense	050	$ 1,052	$ -	$ 1,052
International Affairs	150	375	-	375
Administration of Justice	750	5,967,185	(1,235,665)	4,731,520
Total		5,968,612	(1,235,665)	4,732,947
Fiscal Year Ended September 30, 2001				
National Defense	050	$ 1,484	$ -	$ 1,484
International Affairs	150	492	-	492
Administration of Justice	750	4,973,291	(1,129,345)	3,843,946
General Government	800	(113)	-	(113)
Total		$ 4,975,154	$ (1,129,345)	$ 3,845,809

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, through the INS, is also responsible for collections for other Federal agencies that are deposited in the U.S. Treasury. These collections are reported on the Statement of Custodial Activity. The largest of these collections in the Custodial Statement relates to the $1,000 fee paid by employers sponsoring nonimmigrant petitioners for employment authorization in accordance with Section 214(c)(9) of the INA. In accordance with the enacting legislation, these monies are deposited by the INS directly to the Nonimmigrant Petitioner Account in the General Fund of the US Treasury who distributes these collections (via Treasury warrant) to the Department of Labor and the National Science Foundation with four percent transferred back to the INS.

In general, SFFAS No. 7, "Accounting for Revenue and Other Financing Sources" requires that agencies collecting exchange revenue report such revenue on the Statement of Net Cost regardless of whether the entity retains the revenue for its own use or transfers to others. SFFAS No. 7 does, however, provide for an alternative treatment in certain exceptional circumstances such as when the reporting entity recognizes virtually no costs in connection with collecting the revenue. In such cases where the entity collects these amounts on behalf of others, entities are to report such exchange revenue as custodial activity.

The Department believes the H1-B nonimmigrant petitioner collections meet the requirement of the exception to the general standard, and have reported these collections as custodial activity. To ensure that INS is reporting the H1-B collection in accordance with the accounting standards, an interpretation is being requested from the FASAB. Should FASAB determine that the INS needs to report this activity differently, the Department will include these collections on the Statement of Net Cost and show the respective transfer out on the Statement of Changes in Net Position.

During the periods reported the DEA and INS also collected fines, penalties, and restitution payments that were incidental to their missions. Since these agencies have no statutory authority to use the funds they are transmitted to the Treasury's General Fund upon receipt.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 22. Permanent Indefinite Appropriations

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. Congress enacted a permanent indefinite appropriation to fund the expenses of Independent Counsel investigations and prosecutions in the 1988 Department of Justice Appropriations Act (P.L. 100-202). Under this appropriation, all necessary costs and expenses incurred in the pursuit of these investigations were funded from amounts available in the Treasury. On June 30, 1999, the Reauthorization Act of 1994 expired. To date there has been no reauthorization; however, several investigations are on going. This account also pays for appointed Special Counsel.

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

As of September 30, 2001 (Restated)	**Budgetary Resources**	**Obligations Incurred**	**Outlays**
Statement of Budgetary Resourses (SBR)	$ 34,179,000	$ 31,063,000	$ 23,312,000
Funds not Reported in Budget of the U.S.:			
USMS Court Security Funds	(216,000)	(203,000)	(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 and USMS Recovery of PY Obligations	(609,000)	(497,000)	-
INS Fee Account Offsetting Receipts	(1,709,000)	(1,565,000)	-
Other	(55,000)	21,000	66,000
Budget of the United States (excluding Full Funding for Federal Retiree Costs)	$ 31,240,000	$ 28,635,000	$ 23,134,000
Full Funding for Federal Retiree Costs	534,000	534,000	484,000
Budget of the United States	$ 31,774,000	$ 29,169,000	$ 23,618,000

Notes to the Principal Financial Statements
(Dollars in Thousands)

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

The reconciliation as of September 30, 2002 is not presented, because the submission of the Budget of the United States occurs after publication of these financial statements. The Department of Justice Budget Appendix can be found on the OMB website (http://www.whitehouse.gov/omb/budget) and will be available in early February 2003.

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.

In addition to the above, a reconciliation with the SF-133, "Report on Budget Execution and Budgetary Resources", was also performed and confirmed that differences between the Statement of Budgetary Resources and the SF-133 are also the result of the adjustments identified above.

Note 24. Apportionment Categories of Obligations Incurred

	Direct Obligations	Reimbursable Obligations	Total Obligations Incurred
Fiscal Year Ended September 30, 2002			
Obligations Apportioned Under:			
Category A	$ 26,615,809	$ 5,877,342	$ 32,493,151
Category B	1,649,560	6,164	1,655,724
Total	$ 28,265,369	$ 5,883,506	$ 34,148,875
Fiscal Year Ended September 30, 2001			
Obligations Apportioned Under:			
Category A	$ 24,168,642	$ 5,265,702	$ 29,434,344
Category B	1,622,512	6,066	1,628,578
Total	$ 25,791,154	$ 5,271,768	$ 31,062,922

Category A obligations represent resources apportioned for calendar quarters. Category B obligations represent resources apportioned for other time periods; for activities, projects, objectives or for combination there of.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 25. Dedicated Collections

In 1984, Congress enacted the Victims of Crime Act (VOCA), which authorized the establishment of a Crime Victims Fund and direct services programs and national-scope training and technical assistance efforts on behalf of crime victims. In support of VOCA, OJP provides federal leadership for the rights and needs of crime victims through policy development, funding promising practices, monitoring compliance with federal victims' rights statutes, public awareness, and educational activities intended to promote justice for crime victims. The funds or revenue are inflows from the public provided by U.S. Courts, Army, Debt Management and collections for criminal fines. FYs 2002 and 2001 condensed financial information about assets, liabilities, net position, gross cost, exchange revenues and net cost of operations is presented below:

	FY 2002	FY 2001
Assets:		
Fund Balance with U.S. Treasury	$ 2,097,678	$ 2,062,584
Other Assets	8,561	-
Liabilities	60,360	53,088
Net Position	2,045,879	2,009,496
Gross Cost of Operations	561,610	453,561
Exchange Revenues	469	281
Net Cost of Operations	561,141	453,280

Note 26. Allocation Transfers of Appropriation

During both FY 2002 and 2001, the Department transferred $17,000 for the Crime Victims Fund to HHS. This transfer is required by law and is used for child abuse prevention and treatment grants. These amounts are obligated and expended by the Secretary of HHS for grants. However, because the amounts transferred to HHS are not material to HHS they are included as part of these financial statements.

28 U.S.C. §524(c)(9)(E) provides authority for the Attorney General to use excess end-of-year monies, without fiscal year limitation, in the AFF for authorized purposes of the Department of Justice. For 2002 and FY 2001 transfers of $18,937 and 17,302 were made, respectively. In addition, during FY 2002 and FY 2001, the AFF transferred out forfeited property for official use of $6,134 and $7,747.

The Department also allocated funds from BOP to Public Health Services (PHS) that provides a portion of medical treatment for federal inmates. The money is designated and expended for current year obligation of PHS staff salaries, benefits, and applicable relocation expenses. The amounts transferred to PHS are not material to PHS and are therefore included as part of these financial statements.

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 27. Status of the September 11th Victim Compensation Fund

The Air Transportation Safety and System Stabilization Act of 2001 (P.L. 107-42) created the September 11th Victim Compensation Fund to provide compensation to those physically injured or to personal representatives of those killed as a result of the terrorist attacks of September 11, 2001. It created a program that is administered by a Special Master appointed by the Attorney General. Its mission is to fairly and expeditiously resolve claims, consistent with the Act and associated regulations. All claims must be filed within two years of the publication of regulations.

The Act established an indefinite appropriation for making payments on approved claims. The Department of Justice received appropriations of $486,000 for FY 2002, however $354,000 was not required for the period and was made permanently not available. Through the end of FY 2002, 728 claims for compensation were submitted. Some of these claims sought initial benefits, resulting in initial payments totaling $3,925. A total of 52 final benefit award letters were sent to claimants. Claimants have 21 days to accept the award or request a hearing. Through FY 2002, 12 final benefit claims were paid, for a total of $16,275. In total, initial and final benefit payments of $20,200 were disbursed in FY 2002. Summarized financial information about appropriated funds received, donations received from the public, benefit payments disbursed and payable, and the Fund balance is presented below:

Appropriated Funds Received	$ 132,000.0
Donations Received From The Public	0.4
Total Funding	132,000.4
Less: Benefit Payments Disbursed	20,200.4
Fund Balance Remaining With Treasury	$ 111,800.0
Accounts Payable	$ 39,996.8

These notes are an integral part of the financial statements

Notes to the Principal Financial Statements
(Dollars in Thousands)

Note 28. OMB Form and Content Consolidated Balance Sheet Presentation

DEPARTMENT OF JUSTICE
Consolidated Balance Sheets
As of September 30, 2002 and 2001

Dollars in Thousands	2002	2001
ASSETS		
Intragovernmental		
Fund Balance with U.S. Treasury	$ 20,863,080	$ 19,835,320
Investments, Net	1,291,472	1,398,665
Accounts Receivable, Net	243,046	232,516
Other	106,249	83,509
Total Intragovernmental	22,503,847	21,550,010
Accounts Receivable, Net	182,983	116,805
Cash and Other Monetary Assets	115,956	132,303
Inventory and Related Property	196,367	178,642
General Property, Plant and Equipment, Net	7,429,863	6,476,848
Other Assets	714,791	869,633
Total Assets	**$ 31,143,807**	**$ 29,324,241**
LIABILITIES		
Intragovernmental		
Accounts Payable	$ 328,437	$ 268,485
Debt	20,000	20,000
Other	741,097	957,432
Total Intragovernmental	1,089,534	1,245,917
Accounts Payable	2,368,765	1,991,875
Environmental and Disposal Liabilities	2,933	5,101
Contingent Liabilities	142,996	73,909
Other	3,936,627	3,985,332
Total Liabilities	**$ 7,540,855**	**$ 7,302,134**
NET POSITION		
Unexpended Appropriations	$ 14,835,234	$ 14,125,349
Cumulative Results of Operations	8,767,718	7,896,758
Total Net Position	**$ 23,602,952**	**$ 22,022,107**
Total Liabilities and Net Position	**$ 31,143,807**	**$ 29,324,241**

Notes to the Principal Financial Statements (Dollars in Thousands)

Note 29. Subsequent Events

On November 25, 2002, the President signed the Homeland Security Act of 2002, which creates a new Department of Homeland Security. Agencies that will become part of the new department, including the Immigration and Naturalization Service and other selected functions of the Department, will be transferred some time during a one-year transition period. In addition, the Act also transfers most of the functions of the Bureau of Alcohol, Tobacco, and Firearms from the Department of the Treasury to the Department of Justice, to create a new Bureau of Alcohol, Tobacco, Firearms, and Explosives.