

# FINANCIAL STATEMENTS

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## BASIS OF PRESENTATION

The financial statements were prepared to report the financial position and results of operations of the Bureau of Alcohol, Tobacco and Firearms (ATF or the Bureau). The financial statements have been prepared from the books and records of ATF in accordance with the form and content for financial statements specified by the Office of Management and Budget (OMB) in OMB Bulletin No. 94-01, and ATF's accounting policies which are summarized in this note. These statements are therefore different from the financial reports, also prepared by ATF pursuant to OMB directives, that are used to monitor and control ATF's use of budgetary resources.

## NOTE 1

### **Summary of Significant Accounting Policies**

## REPORTING ENTITY

ATF, an enforcement agency within the Department of the Treasury, was given full Bureau status in 1972. ATF's mission is to enforce the Federal laws and regulations relating to alcohol, tobacco, firearms, explosives and arson. In addition, ATF is responsible for the collection of excise taxes and fees from the alcohol, tobacco, firearms and ammunition industries, as well as Special Occupational Taxes from certain businesses in the alcohol, tobacco and firearms industries.

## BUDGETS AND BUDGETARY ACCOUNTING

Congressional appropriations provide financing sources on an annual and no-year basis. These appropriations finance operating expenses and the purchase of property and equipment as specified by law. Appropriations are also received to meet specific program objectives. The Bureau's activities are funded by the following:

- 20-7-1000 - Salaries and Expenses Appropriation
- 20-7-1000 - Salaries and Expenses Reimbursable Authority
- 20-X-1000 - No-year Appropriation
- 20-6/7-1000 - Prior-year Appropriations
- 20-7-1000 - Appropriation Transfers
- 20-X-1003 - Laboratory Facilities
- 20-X-8526 and 20-X-8528 - Violent Crime Trust Funds

The accompanying financial statements of ATF include the accounts of the above funds under ATF control.

## BASIS OF ACCOUNTING

The Bureau transactions in the financial statements are accounted for in accordance with the following hierarchy which constitutes an "other comprehensive basis of accounting":

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## NOTE 1

### **Summary of Significant Accounting Policies** (Continued)

- Federal Accounting Standards Advisory Board (FASAB) standards agreed to and published by the Joint Financial Management Improvement Program (JFMIP) Principals as of September 30, 1997;
- Form and content requirements included in OMB Bulletin No. 94-01, dated November 16, 1993;
- Accounting principles and standards published by the Department of the Treasury accounting policy and procedure manuals as of March 29, 1991, which are prevalent practices; and
- Accounting principles published by other Federal and private sector authoritative standard setting bodies and authoritative sources.

Entity financial resources of ATF present only those resources which will be consumed in current or future operating cycles, while the non-entity categories contain resources relating to ATF fiduciary activities of revenue collection.

The Bureau records entity accounting transactions on both an accrual basis of accounting as well as a budgetary basis. Under the accrual method, revenue is 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.

#### REVENUE AND OTHER FINANCING SOURCES

ATF receives the majority of the funding needed to support the Bureau through congressional appropriations. ATF receives both annual and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures (primarily equipment, furniture and furnishings). Additional amounts are obtained through reimbursements from other Federal agencies for law enforcement services performed for them by ATF.

Appropriations are recognized as a financing source at the time the related program or administrative expense is incurred. Appropriations expended for property are recognized as a financing source when the asset is consumed in operations (depreciation). Other revenue is recognized when earned, i.e., when services are rendered.

Costs financed by other Federal entities on behalf of ATF are recognized as imputed financing sources as required by Statements of Federal Financial Accounting Standards (SFFAS) No. 5, effective for FY 1997. Costs financed by other Federal entities on behalf of ATF were not recognized in FY 1996.

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As an agent of the Federal Government, ATF collects excise taxes from the alcohol, tobacco, firearms and ammunition industries, as well as permit and license fees. In addition, Special Occupational Taxes are collected from businesses, including producers, distributors and retailers of liquor, dealers in industrial alcohol, and certain firearms businesses.

Substantially all of the taxes and fees collected by ATF net of related refund disbursements are remitted to the Department of the Treasury General Fund. The Department of the Treasury further distributes this revenue to Federal agencies in accordance with various laws and regulations. Revenue collected from firearms and ammunition taxes is transferred directly to the Interior Department's Federal Aid to Wildlife Restoration Fund under provisions of the Pittman-Robertson Act of 1937 to support their mission. ATF disburses refunds to taxpayers and license applicants as well as to the Governments of Puerto Rico and the Virgin Islands to cover over (rebate) excise taxes collected for rum produced in these territories to support economic revitalization. The amount covered over (rebated) to these governments is based on the consolidation of figures obtained from the U.S. Customs Service and the Bureau of the Census, and domestic distilleries. The Bureau also refunds excise taxes to taxpayers who use distilled spirits in the manufacture of non-beverage products such as medicines, food products and flavorings.

Non-entity revenue is reported on the modified cash basis of accounting and is recognized when taxes are remitted or assessed. Refunds are also reported on the modified cash basis of accounting. Liabilities for approved but unpaid refunds of tax payments are accrued at year end.

Receivables are established through assessments of taxes and the imposition of penalties and interest. ATF recognizes revenue when non-entity accounts receivable are established, following the Department of the Treasury guidance published in *Accounting for Revenue*, May 1995.

## ASSETS

Entity intragovernmental assets include the fund balance with Treasury and amounts due from other Federal agencies under contractual agreements or other arrangements for services or activities performed by ATF. Entity governmental assets include accounts receivable and advances due from employees or vendors.

Non-entity intragovernmental assets also include the fund balance with Treasury as well as accounts receivable due from Treasury to

NOTE 1  
**Summary of  
 Significant  
 Accounting Policies**  
 (Continued)

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## NOTE 1

### **Summary of Significant Accounting Policies** (Continued)

disburse approved refund claims of excise taxes and fees. Non-entity governmental assets consist principally of receivables for excise taxes and fees which are to be distributed to the Treasury, other Federal agencies and other governments. None of the non-entity assets are considered financing sources (revenue) available to offset operating expenses of ATF.

#### FUND BALANCE WITH TREASURY AND CASH

The Department of the Treasury processes the Bureau's cash receipts and disbursements. Entity fund balance with Treasury and cash are primarily appropriated funds available to pay current liabilities and to finance authorized purchase commitments. Non-entity fund balance with Treasury is primarily escrow accounts designated to finance offers-in-compromise and cash bonds held in lieu of corporate surety bonds guaranteeing payment of taxes.

#### PROPERTY AND EQUIPMENT

The General Services Administration provides the land and buildings in which ATF operates and charges ATF rent that approximates the commercial rental for similar properties.

Equipment purchased, transferred or donated with a cost greater than or equal to \$25,000 per unit and a useful life of two years or more is capitalized at cost and depreciated. Other equipment is expensed when purchased. Normal repairs and maintenance are charged to expense as incurred.

At the beginning of FY 1996, ATF increased the capitalization threshold of property from \$5,000 to \$25,000. Items of property capitalized in previous years will continue to be depreciated over their remaining useful lives.

Equipment with a unit price less than \$25,000 that is purchased in bulk, totaling \$250,000 or greater, for special projects or start up activities is also capitalized. Bulk purchases are grouped according to commodity type and depreciated using the same methodology as single capitalized purchases. At the beginning of FY 1996, ATF increased the capitalization threshold of bulk purchases from \$75,000 to \$250,000. Bulk purchases capitalized in previous years will continue to be depreciated over their remaining useful lives.

#### LIABILITIES

Entity liabilities represent the amount of monies or other resources that are likely to be paid by ATF as the result of a transaction or event that has already occurred. However, no liability can be paid by ATF

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absent an appropriation. Liabilities for which an appropriation has not been enacted are classified as unfunded liabilities and there is no certainty that an appropriation will be enacted. Also, liabilities of ATF arising from other than contracts can be abrogated by the Government, acting in its sovereign capacity.

Non-entity intragovernmental liabilities consist of amounts payable to the Treasury for collections on excise tax and fee receivables. Non-entity governmental liabilities consist of amounts due to be refunded to taxpayers as well as amounts held in escrow for offers-in-compromise and cash bonds held in lieu of corporate surety bonds guaranteeing payment of taxes.

## ANNUAL, OTHER AND SICK LEAVE

Annual and other types of leave are accrued as earned, and the accrual is reduced as leave is taken. The balance reflects current pay rates. Sick leave is expensed as taken.

## LITIGATION CONTINGENCIES AND SETTLEMENTS

Probable and estimable unsettled litigation and claims against ATF are recognized as a liability and expense for the full amount of the expected loss in FY 1997. Expected litigation and claim losses include settlements to be paid from the Judgment Fund on behalf of ATF and settlements to be paid from Bureau appropriations as required by Interpretation of Federal Financial Accounting Standards No. 2, effective for FY 1997. Probable and estimable unsettled litigation and claims against ATF to be paid from the Judgment Fund on behalf of ATF were not recognized in FY 1996.

Settlements paid from the Judgment Fund for ATF in FY 1997 are recognized as an expense and imputed financing source in FY 1997 as required by Interpretation No. 2. Settlements paid from the Judgment Fund for ATF in FY 1996 were not recognized.

## RETIREMENT PLAN

Most ATF employees hired prior to January 1, 1984, participate in the Civil Service Retirement System (CSRS), to which ATF and the employee each contribute 7 percent of basic pay (7.5 percent for those personnel classified as law enforcement agents) for a total contribution rate of 14 percent. On January 1, 1984, the Federal Employees' Retirement System (FERS) went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1983, are automatically covered by FERS and Social Security. All employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees

NOTE 1  
**Summary of  
 Significant  
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 (Continued)

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**NOTE 1**

**Summary of Significant Accounting Policies**  
(Continued)

participating in the FERS, a TSP account is automatically established, and ATF makes a mandatory 1 percent contribution to this account. In addition, ATF makes matching contributions, ranging from 1 to 4 percent, for FERS eligible employees who contribute to their TSP accounts. Matching contributions are not made to the TSP accounts established by CSRS employees. For most employees hired after December 31, 1983, ATF also contributes the employer's matching share of Social Security. For FERS basic benefit, the employee contributes .8 percent of their basic pay while ATF contributes 11.5 percent for a total contribution of 12.3 percent in FY 1997. The cost of providing a FERS basic benefit as provided by OPM is equal to the amounts contributed by ATF and the employees because the plan is fully funded.

ATF recognized the full cost of providing future pension and other retirement benefits (ORB) for current employees as required by Statements of Federal Financial Accounting Standards (SFFAS) No. 5, effective for FY 1997. Full cost includes pension and ORB contributions paid out of Bureau appropriations and costs financed by the Office of Personnel Management (OPM). Pension and ORB costs financed by the OPM were not recognized in FY 1996. Reporting amounts such as plan assets, accumulated plan benefits, or unfunded liabilities, if any, is the responsibility of the OPM.

**NOTE 2**

**Fund Balance with Treasury and Cash**

Fund balance with Treasury and cash as of September 30, 1997 and 1996, consisted of the following:

| <b><i>FY 1997</i></b> |                         |                           |                          |                     |
|-----------------------|-------------------------|---------------------------|--------------------------|---------------------|
| <i>(In Thousands)</i> |                         |                           |                          |                     |
| <b>Entity:</b>        | <b><i>Obligated</i></b> | <b><i>Unobligated</i></b> |                          | <b><i>Total</i></b> |
|                       |                         | <b><i>Available</i></b>   | <b><i>Restricted</i></b> |                     |
| Trust Funds           | \$19,350                | \$ 9,354                  | \$ —                     | \$ 28,704           |
| Appropriated Funds    | 72,056                  | 29,229                    | 3,912                    | 105,197             |
| Other Fund Types      | —                       | 1,217                     | —                        | 1,217               |
| <b>Fund Balance</b>   | <b>\$91,406</b>         | <b>\$39,800</b>           | <b>\$3,912</b>           | <b>\$135,118</b>    |
| Cash                  |                         | <u>\$ 2,237</u>           | —                        | <u>\$ 2,237</u>     |
| <b>Non-Entity:</b>    |                         |                           |                          |                     |
| Fund Balance          |                         |                           | <u>\$ 112</u>            | <u>\$112</u>        |

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| <b>FY 1996</b><br><i>(In Thousands)</i> |                  |                    |                   |                 |
|---|------------------|--------------------|-------------------|-----------------|
| <b>Entity:</b>                          | <b>Obligated</b> | <b>Unobligated</b> |                   | <b>Total</b>    |
|   |                  | <b>Available</b>   | <b>Restricted</b> |                 |
| Trust Funds                             | \$10,553         | \$ 3,748           | \$ —              | \$14,301        |
| Appropriated Funds                      | 46,051           | 25,864             | 3,744             | 75,659          |
| Other Fund Types                        | —                | 528                | —                 | 528             |
| Fund Balance                            | <u>\$56,604</u>  | <u>\$30,140</u>    | <u>\$3,744</u>    | <u>\$90,488</u> |
| Cash                                    |                  | <u>\$ 2,242</u>    | —                 | <u>\$ 2,242</u> |
| <b>Non-Entity:</b>                      |                  |                    |                   |                 |
| Fund Balance                            |                  |                    | <u>\$1,849</u>    | <u>\$ 1,849</u> |

NOTE 2  
**Fund Balance with  
Treasury and Cash**  
(Continued)

Other fund types include proceeds from the sales of surplus vehicles and amounts held in suspense clearing accounts.

Entity funds restricted from use in FY 1997 represent the FY 1992 fund balance that will be withdrawn and returned to the Treasury. Entity funds restricted from use in FY 1996 represent the FY 1991 fund balance that was withdrawn and returned to the Treasury.

Cash available for ATF use represents petty cash imprest and agent cashier funds. The agent cashier funds are used to finance the purchase of evidence and information from informants in open ATF investigations and enforcement operations.

Non-entity fund balance consists of offers-in-compromise held in escrow accounts representing reduced payments received by ATF from parties assessed taxes, penalties, interest and fees awaiting resolution. Non-entity fund balance also consists of cash bonds received (money orders or cash) in lieu of corporate surety bonds guaranteeing payment of taxes. These amounts are reflected as non-entity, other governmental liabilities on the Statements of Financial Position. These funds are restricted solely for the purposes described and are unavailable to fund ATF operations.

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**NOTE 3**

**Accounts Receivable**

Accounts receivable as of September 30, 1997 and 1996, are as follows:

| <i>(In Thousands)</i>                     | <i>FY 1997</i> |                   | <i>FY 1996</i> |                   |
|---|----------------|-------------------|----------------|-------------------|
|   | <i>Entity</i>  | <i>Non-Entity</i> | <i>Entity</i>  | <i>Non-Entity</i> |
| Intragovernmental Receivables             | \$9,054        | \$ 10,017         | \$12,001       | \$ 13,206         |
| Governmental Receivables:                 |                |                   |                |                   |
| Taxes/Fees                                |                | \$ 14,274         |                | \$ 16,533         |
| Interest                                  |                | 2,987             |                | 2,809             |
| Penalties                                 |                | 1,755             |                | 1,489             |
| Restitution Cases                         |                | 9                 |                | 8                 |
|   |                | 19,025            |                | 20,839            |
| Less: allowance for uncollectible amounts |                | (16,116)          |                | (18,261)          |
| Governmental Receivables, Net             |                | \$ 2,909          |                | \$ 2,578          |

Intragovernmental entity receivables represent amounts due under reimbursable agreements with Federal entities for services provided by ATF. An allowance for receivables deemed uncollectible was not established for these amounts because monies due from other Federal entities are considered fully collectible.

Intragovernmental non-entity receivables consist principally of funds due to ATF from the Treasury to refund certain excise tax and license fee claims.

Governmental non-entity receivables consist principally of outstanding excise and Special Occupational Taxes, fees, fines, penalties and interest that have been assessed and remain unpaid at year end.

An allowance for uncollectible amounts has been recognized for governmental non-entity receivables. The allowance is based on an analysis of individual receivable balances and historical collections and the application of estimated collectible amounts to categories of receivable balances at year end. In FY 1997 and FY 1996, approximately \$6.9 and \$8.1 million of the allowance, respectively, was based on cases that ATF had entered into negotiations for payment through offers-in-compromise.



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Property and equipment consist of the following as of September 30, 1997 and 1996:

NOTE 4  
**Property and  
Equipment, Net**

| <i>FY 1997</i><br><i>(In Thousands)</i> | <i>Service<br/>Life<br/>(Years)</i> | <i>Acquisition<br/>Value</i> | <i>Accumulated<br/>Depreciation</i> | <i>Net<br/>Book<br/>Value</i> |
|---|-------------------------------------|------------------------------|-------------------------------------|-------------------------------|
| ADP Software                            | 3                                   | \$ 428                       | \$ 191                              | \$ 237                        |
| Equipment                               | 2 - 10                              | 96,803                       | 54,306                              | 42,497                        |
| Leasehold Improvements                  |                                     | 5,214                        | 2,633                               | 2,581                         |
| Assets Under Capital Lease              |                                     | 1,357                        | 352                                 | 1,005                         |
| Construction in Progress                |                                     | 425                          | —                                   | 425                           |
| <b>Total Property &amp; Equipment</b>   |                                     | <b>\$104,227</b>             | <b>\$57,482</b>                     | <b>\$46,745</b>               |

| <i>FY 1996</i><br><i>(In Thousands)</i> | <i>Service<br/>Life<br/>(Years)</i> | <i>Acquisition<br/>Value</i> | <i>Accumulated<br/>Depreciation</i> | <i>Net<br/>Book<br/>Value</i> |
|---|-------------------------------------|------------------------------|-------------------------------------|-------------------------------|
| ADP Software                            | 3                                   | \$ 162                       | \$ 88                               | \$ 74                         |
| Equipment                               | 2 - 10                              | 74,276                       | 48,271                              | 26,005                        |
| Leasehold Improvements                  |                                     | 3,886                        | 1,697                               | 2,189                         |
| Assets Under Capital Lease              |                                     | 450                          | 159                                 | 291                           |
| Construction in Progress                |                                     | 153                          | —                                   | 153                           |
| <b>Total Property &amp; Equipment</b>   |                                     | <b>\$78,927</b>              | <b>\$50,215</b>                     | <b>\$28,712</b>               |

Construction in progress represents initial costs of developing Bureau requirements for the construction of a new headquarters building.

- Depreciation and amortization are calculated using the straight line method.
- Leasehold improvements are amortized over the lesser of the life of the lease or useful life of the asset.

Assets under capital lease are capitalized at the lesser of present value of future payments or fair market value at the time of acquisition and depreciated under the guidelines of the respective property categories.

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## NOTE 5

### **FECA Liabilities**

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to cover Federal civilian employees injured on the job, employees who have incurred work-related occupational diseases, and beneficiaries of employees whose deaths are attributable to a job-related injury or occupational disease. Claims incurred for benefits to ATF employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by ATF.

The accrued FECA liability as of September 30, 1997 and 1996, was \$16.4 million and \$15.9 million, respectively. This accrual represents claims incurred for benefits administered and paid by DOL to ATF employees. ATF will reimburse DOL for these claims in future periods.

Based on information provided by DOL, the Department of the Treasury determined that the FECA actuarial liability for ATF, as of September 30, 1997 and 1996, was \$89.1 million and \$79.5 million, respectively. The FECA actuarial estimate includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability was 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. For FY 1997, these annual benefit payments have been discounted to present value using the discount rates of: 6.24 percent in year one; 5.82 percent in year two; 5.60 percent in year three; 5.45 percent in year four; 5.40 percent in year five and thereafter. For FY 1996, annual benefit payments were discounted to present value using discount rates of: 6.21 percent in year one, 5.97 percent in year two, 5.60 percent in year three, 5.32 percent in year four, 5.15 percent in year five, and 5.10 percent each year thereafter.

The effect of the increases in the FY 1997 and FY 1996 estimated actuarial liabilities from the FYs 1996 and 1995 estimated actuarial liabilities, respectively, of \$9.6 million and \$4.0 million are reflected as a change in actuarial liability on the Statements of Operations and Changes in Net Position.

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## CAPITAL LEASE LIABILITY

NOTE 6

Future minimum lease payments due for capital leases as of September 30, 1997 and 1996, are as follows:

**Leases**

| <b>Fiscal Year</b><br><i>(In Thousands)</i> | <b><i>FY 1997</i></b> | <b><i>FY 1996</i></b> |
|---|-----------------------|-----------------------|
| 1997  | \$ —                  | \$118                 |
| 1998  | 473                   | 43                    |
| 1999  | 417                   | 18                    |
| 2000  | 15                    | —                     |
| 2001  | 8                     | —                     |
| 2002  | 8                     | —                     |
| Future Lease Payments                       | \$921                 | \$179                 |
| Less: Imputed Interest                      | (125)                 | (34)                  |
| Capital Lease Liability                     | <u>\$796</u>          | <u>\$145</u>          |

The Bureau enters into capital lease agreements for laboratory and office equipment. Assets acquired by capital lease agreements are reported on the accompanying Statements of Financial Position based on the present value of the future minimum lease payments. Imputed interest rates range from 5.0 to 7.6 percent.

The capital lease liability is expected to be funded from future sources and is presented on the Statements of Financial Position as a component of entity liabilities not covered by funded resources.

## OPERATING LEASES

The Bureau leases various equipment under leases accounted for as operating leases. Future commitments for operating leases as of September 30, 1997 and 1996, are as follows:

| <b>Fiscal Year</b><br><i>(In Thousands)</i> | <b><i>FY 1997</i></b> | <b><i>FY 1996</i></b> |
|---|-----------------------|-----------------------|
| 1997  | \$ —                  | \$166                 |
| 1998  | 261                   | 138                   |
| 1999  | 179                   | 110                   |
| 2000  | 49                    | 33                    |
| Future Lease Commitments                    | <u>\$489</u>          | <u>\$447</u>          |

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## NOTE 7

### **Contingent Liabilities**

ATF is a party to various administrative proceedings, legal actions, and claims brought by or against it. Most financial liabilities resulting from litigation and claims against ATF are payable from the permanent judgment appropriation established by 31 U.S.C. Section 1304 (Judgment Fund). In the opinion of the Bureau's management and legal counsel, the ultimate resolution of these proceedings, actions and claims will not materially affect the financial position or results of operation of ATF. At September 30, 1997 and 1996, ATF legal counsel was processing approximately 247 and 250, respectively, of these actions against the Bureau. ATF identified and accrued, at September 30, 1997 and 1996, \$661,000 and \$865,000, respectively, as probable liability on the Statements of Financial Position. The September 30, 1997 probable liability results from the following types of claims pending resolution:

- Administrative tort and employee claims in process against ATF for which counsel has identified \$124,000 as probable liability, of that; \$15,000 would affect ATF appropriations and \$109,000 would be referred to the Financial Management Service (FMS) for payment from the Judgment Fund. Counsel identified \$25,000 as probable liability affecting ATF appropriations in FY 1996. When any administrative tort claim of \$2,500 or greater is allowed, it is referred to the FMS for payment from the Judgment Fund.
- Administrative employee claims for retirement and other benefits for which counsel has identified \$400,000 as probable liability that would affect ATF appropriations. Counsel identified \$720,000 as probable liability for those claims in FY 1996.
- Personnel and EEO cases for which counsel has identified \$137,000 as probable liability that would be referred to the FMS for payment from the Judgment Fund. No liability for those cases was accrued in FY 1996.

The change in contingent liabilities from September 30, 1996 resulted from the activity detailed above and the resolution of the following claims in FY 1997:

- Administrative tort and employee claims settled.
- Administrative employee claims for retirement and other benefits settled on preferential terms.
- Cases seeking reimbursement of attorney fees under the Equal Access to Justice Act of which the Bureau recorded a \$120,000 probable liability were resolved in FY 97.

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ATF counsel identified at September 30, 1997, \$891,000 as reasonably possible liability resulting from the following types of claims pending resolution.

- Administrative tort and employee claims in process against ATF for which counsel has identified \$264,000 as reasonably possible liability that would be referred to the FMS for payment from the Judgment Fund.
- Administrative employee claims for retirement and other benefits for which counsel has identified \$275,000 as possible liability that would affect ATF appropriations.
- Personnel and EEO cases for which counsel has identified \$219,000 as possible liability that would be referred to the FMS for payment from the Judgment Fund.
- Cases seeking reimbursement of attorney fees under the Equal Access to Justice Act of which counsel identified \$133,000 possible liability: \$23,000 would affect ATF appropriations and \$110,000 would be referred to the FMS for payment from the Judgment Fund.

Public Law 101-510, enacted November 5, 1990, requires Federal agencies to automatically cancel obligated balances on annual appropriated Funds after specific future time periods, even though the agency remains contingently liable to pay valid contractor invoices for services received under contracts signed in the year of obligation. Legitimately incurred obligations that have not been paid at the time an appropriation is canceled must be paid from current appropriations available for the same purpose. ATF canceled approximately \$208,000 and \$470,000 of obligations relating to appropriations canceled at the end of FY 1997 and FY 1996, respectively. ATF estimates obligations relating to canceled appropriations that will be paid from future appropriations will not exceed \$1.0 million in any fiscal year.

NOTE 7  
**Contingent  
Liabilities**  
(Continued)

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## NOTE 8

**Net Position**

Net position of the Bureau as of September 30, 1997 and 1996, is as follows:

| <i><b>FY 1997</b></i><br><i>(In Thousands)</i> | <i><b>Trust<br/>Funds</b></i> | <i><b>Appropriated<br/>Funds</b></i> | <i><b>Total</b></i> |
|--|-------------------------------|--------------------------------------|---------------------|
| Unexpended Appropriations:                     |                               |                                      |                     |
| Unobligated                                    |                               |                                      |                     |
| Available                                      | \$ 9,354                      | \$ 29,226                            | \$ 38,580           |
| Unavailable                                    | —                             | 4,301                                | 4,301               |
| Undelivered Orders                             | 10,887                        | 49,942                               | 60,829              |
| Invested Capital                               | 11,350                        | 28,635                               | 39,985              |
| Other  | —                             | 12,445                               | 12,445              |
| Future Funding Requirements                    | —                             | (131,286)                            | (131,286)           |
| Net Position                                   | \$31,591                      | \$ (6,737)                           | \$ 24,854           |

| <i><b>FY 1996</b></i><br><i>(In Thousands)</i> | <i><b>Trust<br/>Funds</b></i> | <i><b>Appropriated<br/>Funds</b></i> | <i><b>Total</b></i> |
|--|-------------------------------|--------------------------------------|---------------------|
| Unexpended Appropriations:                     |                               |                                      |                     |
| Unobligated                                    |                               |                                      |                     |
| Available                                      | \$ 3,748                      | \$ 25,919                            | \$ 29,667           |
| Unavailable                                    | —                             | 3,274                                | 3,274               |
| Undelivered Orders                             | 5,628                         | 33,937                               | 39,565              |
| Invested Capital                               | 2,654                         | 19,041                               | 21,695              |
| Other  | —                             | 7,017                                | 7,017               |
| Future Funding Requirements                    | —                             | (119,904)                            | (119,904)           |
| Net Position                                   | \$12,030                      | \$ (30,716)                          | \$ (18,686)         |

Unexpended appropriations represent the amount of spending authorized as of year-end that is unliquidated or unobligated and had not lapsed, been rescinded, or withdrawn. No-year appropriations remain available for obligation until expended. Annual appropriations remain available for upward or downward adjustment of obligations until expired.

Invested capital represents Federal Government resources invested in ATF's property and equipment. Increases to invested capital are recorded when assets are acquired with direct appropriations, and decreases are recorded as a result of the depreciation, disposition of capital assets, or consumption of materials and supplies.

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Other represents transfers in of equipment, materials and supplies from other Federal agencies without reimbursement, and assets donated by non-governmental entities. Increases to the other category are recorded when assets are transferred in, and decreases are recorded as a result of the depreciation, disposition of capital assets, or consumption of materials and supplies.

NOTE 8  
**Net Position**  
(Continued)

Future funding requirements represent (a) accumulated annual leave earned but not taken, (b) accrued workers' compensation, (c) capital lease requirements, and (d) accrued contingent liabilities. The expense for these accruals is not funded from current appropriations but rather will be funded from future appropriations and assessments.

Other revenue and financing sources for the years ended September 30, 1997 and 1996 are as follows:

NOTE 9  
**Other Revenue and Financing Sources**

| <i>(In Thousands)</i>                | <i>FY 1997</i> | <i>FY 1996</i> |
|--------------------------------------|----------------|----------------|
| <b>Entity</b>                        |                |                |
| Reimbursement from Services Provided | \$15,552       | \$18,121       |
| Other Financing Sources              | \$ 103         | \$ 2,880       |
| Imputed Financing Sources            | \$33,398       | \$ —           |
| <b>Non-Entity</b>                    |                |                |
| Other Revenue                        | \$197          | \$148          |

Reimbursement from services provided represents amounts earned from other government agencies for services provided by the Bureau under reimbursable agreements. ATF has entered into a variety of reimbursable agreements to provide services such as enforcement, training and professional development, science and information technology, and the management of common areas. These agreements are with agencies such as the Secret Service, Department of Justice, the National Drug Intelligence Center, Housing and Urban Development, the State Department, the Environmental Protection Agency, and other components of Treasury. ATF maintains a reimbursable agreement with the governments of Puerto Rico and the Virgin Islands which stipulates that any expenses incurred by the Department of the Treasury at these sites are to be fully offset from tax collections related to distilled spirits production or manufacture.

Entity other financing sources represents depreciation of assets transferred in from other entities.

# FINANCIAL STATEMENTS

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NOTE 9

**Other Revenue and  
Financing Sources**  
(Continued)

Imputed financing sources represents \$6.7 million paid in FY 1997 by the Judgment Fund to settle lawsuits and claims against the Bureau and \$26.7 million financed in FY 1997 by the OPM to provide future pension and other retirement benefits to current ATF employees (total imputed financing sources of \$33.4 million).

**PENSION COSTS, OTHER RETIREMENT BENEFITS, AND  
OTHER POSTEMPLOYMENT BENEFITS**

The cost of providing a CSRS benefit, which is 24.2 percent as provided by the Office of Personnel Management (OPM), is more than the amounts contributed by ATF and the employees. As a result of Statements of Federal Financial Accounting Standards (SFFAS) No. 5, which is effective for FY 1997, bureaus are required to report the full cost of providing pension benefits to include the cost financed by OPM. The additional expense totaling \$17.8 million is included as an expense and as an imputed financing source in the financial statements for FY 1997.

ATF does not report CSRS assets, FERS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to retirement plans because the accounting for and reporting of such amounts is the responsibility of OPM. Contributions of \$32.2 million related to these plans were made for FY 1997.

Similar to Federal retirement plans, OPM, rather than ATF reports liabilities for future payments to retired employees who participate in the Federal Employees Health Benefits Program (FEHBP) and Federal Employees Group Life Insurance (FEGLI) Program. As a result of SFFAS No. 5, ATF is required to report the full cost of providing other retirement benefits (ORB). Currently ATF does not recognize expenses or contribute funds for the cost to provide health benefits and life insurance to its retirees. The FY 1997 FEHBP cost factor applied to a weighted average number of employees enrolled in the FEHBP is \$2,493 which is provided by OPM. The FEHBP ORB amount totaling \$8.8 million is included as an expense and imputed financing source in ATF's financial statements for FY 1997. The FY 1997 FEGLI cost factor for employees enrolled in the FEGLI program is .02 percent of their basic pay. The FEGLI ORB amount totaling \$40,000 is included as an expense and imputed financing source in ATF's financial statements for FY 1997. Total imputed financing sources for FY 1997 equal \$26.7 million (the sum of \$17.8 for pension expense, \$8.8 for FEHBP ORB and \$40,000 for FEGLI ORB).



# FINANCIAL STATEMENTS

ATF's contribution for active employees who participate in the FEHBP was \$9.7 million for FY 1997. ATF contributions for active employees who participate in the FEGLI programs were \$455,000 for FY 1997.

NOTE 9  
**Other Revenue and  
 Financing Sources**  
 (Continued)

In addition to requiring ATF to record the full cost for pensions and ORB, SFFAS No. 5 requires recognition of an expense and liability for other postemployment benefits (OPEB), which includes all types of benefits to former or inactive employees, their beneficiaries, and covered dependents. ATF recognizes an expense and liability for OPEB when a future outflow or other sacrifice of resources is probable and measurable on the basis of events occurring on or before the end of the fiscal year.

Non-entity other revenue includes court ordered restitution for criminal acts against ATF, interest on agent cashier funds, and monies representing legally processed debts collected by the Justice Department and transferred to ATF. The debts involve commercial litigation, criminal restitution, and other monetary claims.

Taxes collected for the Federal Government, net of refund disbursements and accruals for claims payable for the years ended September 30, 1997 and 1996, include the following:

NOTE 10  
**Taxes**

| <i>(In Thousands)</i>               | <i><b>FY 97 Net<br/>Revenue</b></i> | <i><b>FY 96 Net<br/>Revenue</b></i> |
|-------------------------------------|-------------------------------------|-------------------------------------|
| Alcohol and Tobacco                 |                                     |                                     |
| Excise Taxes                        | \$ 12,468,447                       | \$ 12,406,784                       |
| Puerto Rico/Virgin Island           |                                     |                                     |
| Cover Over                          | (207,956)                           | (223,706)                           |
| Manufacturer of non-Beverage        |                                     |                                     |
| Products Drawbacks                  | (235,019)                           | (235,901)                           |
| Firearms Excise Taxes               | 150,135                             | 163,101                             |
| Special Occupational Taxes          | 106,338                             | 107,854                             |
| National Firearms Act               |                                     |                                     |
| Making/Transfer Taxes               | 1,785                               | 4,330                               |
| License and Permit Fees             | 3,831                               | 4,396                               |
| Floor Stock Taxes                   | 33                                  | 104                                 |
| Other Tax Revenue                   | 588                                 | 82                                  |
| Total Tax Revenue, Net              | <u>\$12,288,182</u>                 | <u>\$12,227,044</u>                 |
| Interest and Penalties, Non-Federal | <u>\$1,903</u>                      | <u>\$3,411</u>                      |

# FINANCIAL STATEMENTS

**NOTE 10**

**Taxes**  
(Continued)

At September 30, 1997 and 1996, ATF had approximately \$26.3 million and \$11.5 million, respectively, in refund claims under audit by the Tax Processing Center and the Technical Services offices. Refunds are payable upon approval.

Other tax revenue represents revenue resulting from various tax offers-in-compromise and payments for permit and recordkeeping violations.

**NOTE 11**

**Program and Operating Expenses**

Operating expenses by appropriation for the years ended September 30, 1997 and 1996, are as follows:

|  | <i><b>FY 1997</b></i>   | <i><b>FY 1996</b></i>   |
|--|-------------------------|-------------------------|
| <i>(In Thousands)</i>                          |                         |                         |
| Personal Services and Benefits                 | \$339,812               | \$304,602               |
| Travel and Transportation                      | 20,074                  | 14,925                  |
| Rental, Communication and Utilities            | 48,345                  | 50,678                  |
| Printing and Reproduction                      | 1,915                   | 1,615                   |
| Contractual Services                           | 46,697                  | 39,659                  |
| Supplies and Materials                         | 9,845                   | 8,489                   |
| Equipment not Capitalized                      | 24,209                  | 10,204                  |
| Insurance Claims and Indemnities               | 7,447                   | 141                     |
| Other:   |                         |                         |
| Contingent Liabilities                         | (204)                   | 511                     |
| <b>Total Expenses by Object Classification</b> | <u><u>\$498,140</u></u> | <u><u>\$430,824</u></u> |

Program and operating expenses by object classification, for the years ended September 30, 1997 and 1996, are as follows:

|  | <i><b>FY 1997</b></i>   | <i><b>FY 1996</b></i>   |
|--|-------------------------|-------------------------|
| <i>(In Thousands)</i>                  |                         |                         |
| Salaries and Expenses                  | \$445,553               | \$378,629               |
| Salaries and Expenses Reimbursable     | 13,656                  | 16,600                  |
| Violent Crime Trust Funds              | 23,710                  | 24,878                  |
| No-Year                                | 15,221                  | 10,541                  |
| Transfers                              | —                       | 176                     |
| <b>Total Expenses by Appropriation</b> | <u><u>\$498,140</u></u> | <u><u>\$430,824</u></u> |

# FINANCIAL STATEMENTS

In FY 1995, ATF calculated the September 30, 1995 accrued leave liability using the employee's basic rate of pay. The Bureau did not include the Law Enforcement Availability Pay (LEAP), which is an additional 25 percent of a criminal investigator's rate of basic pay, in the accrued leave calculation.

NOTE 12  
**Prior Period  
Adjustment**

Accordingly, in FY 1996, ATF recalculated the FY 1995 accrued leave to include LEAP. It was determined that LEAP totaling \$2.8 million was not accrued at September 30, 1995. The FY 1995 personal services and benefits expense, accrued leave, and future funding requirements balances were restated to include LEAP.

Non-operating changes for the years ended September 30, 1997 and 1996, are as follows:

NOTE 13  
**Non-Operating**

| <i>(In Thousands)</i>                               | <i><b>FY 1997</b></i> | <i><b>FY 1996</b></i> |
|---|-----------------------|-----------------------|
| Change in Unexpended Appropriations                 | \$ 31,204             | \$ (7,687)            |
| Change in Assets Transferred-In from Other Agencies | 5,428                 | (2,211)               |
| Change in Assets Transferred-Out to Other Agencies  | —                     | (70,706)              |
| Change in Fixed Assets                              | 18,289                | 2,335                 |
| Payments on Prior Years' Unfunded Expenses          | (651)                 | 8,655                 |
| Total Non-Operating Changes                         | <u>\$54,270</u>       | <u>\$(69,614)</u>     |

# FINANCIAL STATEMENTS

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NOTE 14

**Analyses of Changes  
in Seized Property/  
Currency and  
Forfeited Property**

ATF uses the Department of Justice's Consolidated Asset Tracking System (CATS) to support its fiduciary stewardship responsibilities as they relate to seized and forfeited property. ATF is a full participating member of the Department of the Treasury Forfeiture Fund (TFF).

Accounting methodologies for seized and forfeited property reflect standards published in OMB Statement of Federal Financial Accounting Standards No. 3, Accounting for Inventory and Related Property, OMB Bulletin No. 94-01, and Departmental accounting policy.

Seized property includes all property such as monetary instruments, real property, and tangible personal property of others, that is in actual, constructive, or custodial possession of the Federal Government as a result of enforcement of Federal law. Although seized property is not legally owned by the Federal Government until judicially or administratively forfeited, ATF does have a fiduciary responsibility for such property. Because of the fungible nature of currency and the high level of control required to maintain it, seized currency is reported as a non-entity asset of the TFF upon seizure. However, data on currency seized and/or forfeited by ATF are reported as part of this note. All seized property including currency is reported as an entity asset of the TFF upon forfeiture. All property seized by ATF for Title 18 forfeiture is accounted for in the financial statements of the TFF, and is also disclosed in this note. Seized property activity is also reported in the notes to the TFF financial statements.

Seized property is appraised at fair market value by the seizing official (ATF special agent). In cases where value cannot be readily assessed, independent appraisal is obtained. Current values and valuations at time of seizure may differ due to market fluctuations. A valuation allowance for liens or claims from a third party is reflected in schedules below.

ATF has the authority in accordance with provisions of the Federal Criminal Code and Federal Rules of Criminal Procedure to retain property within its custody for evidentiary purposes. Because this property is not seized under seizure and forfeiture laws, it is intended to be returned to the owner at some future date. This property is not disclosed in the financial statements, but does represent a fiduciary responsibility for ATF.

The following charts represent an analysis of the changes in seized property for the periods ended September 30, 1997 and 1996. ATF reports year-end seized property/currency balances based on the most recent information from the United States Attorneys and the Federal Courts on the legal status of this property/currency. Net adjustments to previously reported balances result primarily from the receipt of updated information on the legal status of this property/currency.

# FINANCIAL STATEMENTS

## FY 1997 Analysis of Changes in Seized Property/Currency (dollars in thousands)

|                                    | <i>Balance<br/>10/1/96</i> | <i>Net<br/>Adjustments</i> | <i>Seizures</i> | <i>Cash<br/>Adjustments</i> | <i>Remissions</i> | <i>Other<br/>Disposals</i> | <i>Forfeitures</i> | <i>Balance<br/>9/30/97</i> |
|------------------------------------|----------------------------|----------------------------|-----------------|-----------------------------|-------------------|----------------------------|--------------------|----------------------------|
| Currency                           | \$2,389                    | (\$258)                    | \$1,066         | \$ —                        | \$ —              | \$ —                       | \$(1,741)          | \$1,456                    |
| Other Cash                         | —                          | —                          | —               | —                           | —                 | —                          | —                  | —                          |
| Other Monetary Instruments         | 930                        | 2                          | —               | 45                          | —                 | —                          | (49)               | 928                        |
| Real Property                      | 111                        | —                          | 315             | —                           | —                 | —                          | (217)              | 209                        |
| General Property, Cigarettes       | 559                        | (129)                      | 1,049           | —                           | —                 | —                          | (1,033)            | 446                        |
| General Property, Other Units      | 26                         | (21)                       | 55              | —                           | —                 | —                          | (1)                | 59                         |
| General Property, Liquor           | 652                        | (191)                      | 7               | —                           | —                 | —                          | (262)              | 206                        |
| General Property, Prohibited Units | —                          | —                          | —               | —                           | —                 | —                          | —                  | —                          |
| Aircraft                           | —                          | —                          | —               | —                           | —                 | —                          | —                  | —                          |
| Vehicles                           | 778                        | (312)                      | 360             | —                           | —                 | —                          | (282)              | 544                        |
| <b>Total</b>                       | <b>\$5,445</b>             | <b>\$ (909)</b>            | <b>\$2,852</b>  | <b>\$45</b>                 | <b>\$ —</b>       | <b>\$ —</b>                | <b>\$(3,585)</b>   | <b>\$3,848</b>             |

## FY 1996 Analysis of Changes in Seized Property/Currency (dollars in thousands)

|                                    | <i>Balance<br/>10/1/95</i> | <i>Net<br/>Adjustments</i> | <i>Seizures</i> | <i>Cash<br/>Adjustments</i> | <i>Remissions</i> | <i>Other<br/>Disposals</i> | <i>Forfeitures</i> | <i>Balance<br/>9/30/96</i> |
|------------------------------------|----------------------------|----------------------------|-----------------|-----------------------------|-------------------|----------------------------|--------------------|----------------------------|
| Currency                           | \$1,798                    | \$ 45                      | \$ 679          | \$ —                        | \$—               | \$—                        | \$(133)            | \$2,389                    |
| Other Cash                         | —                          | —                          | —               | —                           | —                 | —                          | —                  | —                          |
| Other Monetary Instruments         | 838                        | (68)                       | —               | 160                         | —                 | —                          | —                  | 930                        |
| Real Property                      | 234                        | 6                          | 69              | —                           | —                 | —                          | (198)              | 111                        |
| General Property, Cigarettes       | 389                        | (47)                       | 374             | —                           | —                 | —                          | (157)              | 559                        |
| General Property, Other Units      | 3                          | 3                          | 20              | —                           | —                 | —                          | —                  | 26                         |
| General Property, Liquor           | 593                        | 22                         | 430             | —                           | —                 | —                          | (393)              | 652                        |
| General Property, Prohibited Units | —                          | —                          | —               | —                           | —                 | —                          | —                  | —                          |
| Aircraft                           | —                          | —                          | —               | —                           | —                 | —                          | —                  | —                          |
| Vehicles                           | 849                        | (173)                      | 219             | —                           | (9)               | —                          | (108)              | 778                        |
| <b>Total</b>                       | <b>\$4,704</b>             | <b>\$ (212)</b>            | <b>\$1,791</b>  | <b>\$160</b>                | <b>\$ (9)</b>     | <b>\$—</b>                 | <b>\$(989)</b>     | <b>\$5,445</b>             |

# FINANCIAL STATEMENTS

## FY 1997 Analysis of Changes in Seized Property/Currency (number of transactions)

|                                    | <i>Balance<br/>10/1/96</i> | <i>Net<br/>Adjustments</i> | <i>Seizures</i> | <i>Cash<br/>Adjustments</i> | <i>Remissions</i> | <i>Other<br/>Disposals</i> | <i>Forfeitures</i> | <i>Balance<br/>9/30/97</i> |
|------------------------------------|----------------------------|----------------------------|-----------------|-----------------------------|-------------------|----------------------------|--------------------|----------------------------|
| Currency                           | 107                        | 3                          | 52              | —                           | —                 | —                          | (73)               | 89                         |
| Other Cash                         | —                          | —                          | —               | —                           | —                 | —                          | —                  | —                          |
| Other Monetary Instruments         | 2                          | 5                          | —               | —                           | —                 | —                          | (1)                | 6                          |
| Real Property                      | 2                          | —                          | 12              | —                           | —                 | —                          | (5)                | 9                          |
| General Property, Cigarettes       | 307                        | —                          | 633             | —                           | —                 | —                          | (814)              | 126                        |
| General Property, Other Units      | 51                         | (35)                       | 6               | —                           | —                 | —                          | (9)                | 13                         |
| General Property, Liquor           | 56                         | (21)                       | 13              | —                           | —                 | —                          | (10)               | 38                         |
| General Property, Prohibited Units | 12,297                     | (751)                      | 11,995          | —                           | (21)              | (450)                      | (3,560)            | 19,510                     |
| Aircraft                           | —                          | —                          | —               | —                           | —                 | —                          | —                  | —                          |
| Vehicles                           | 53                         | (20)                       | 27              | —                           | —                 | —                          | (19)               | 41                         |
| <b>Total</b>                       | <b>12,875</b>              | <b>(819)</b>               | <b>12,738</b>   | <b>—</b>                    | <b>(21)</b>       | <b>(450)</b>               | <b>(4,491)</b>     | <b>19,832</b>              |

## FY 1996 Analysis of Changes in Seized Property/Currency (number of transactions)

|                                    | <i>Balance<br/>10/1/95</i> | <i>Net<br/>Adjustments</i> | <i>Seizures</i> | <i>Cash<br/>Adjustments</i> | <i>Remissions</i> | <i>Other<br/>Disposals</i> | <i>Forfeitures</i> | <i>Balance<br/>9/30/96</i> |
|------------------------------------|----------------------------|----------------------------|-----------------|-----------------------------|-------------------|----------------------------|--------------------|----------------------------|
| Currency                           | 70                         | 36                         | 22              | —                           | —                 | —                          | (21)               | 107                        |
| Other Cash                         | —                          | —                          | —               | —                           | —                 | —                          | —                  | —                          |
| Other Monetary Instruments         | 2                          | —                          | —               | —                           | —                 | —                          | —                  | 2                          |
| Real Property                      | 6                          | (3)                        | 1               | —                           | —                 | —                          | (2)                | 2                          |
| General Property, Cigarettes       | 8                          | 88                         | 218             | —                           | —                 | —                          | (7)                | 307                        |
| General Property, Other Units      | 3                          | 6                          | 42              | —                           | —                 | —                          | —                  | 51                         |
| General Property, Liquor           | 14                         | 24                         | 27              | —                           | —                 | —                          | (9)                | 56                         |
| General Property, Prohibited Units | 5,192                      | 177                        | 8,916           | —                           | (5)               | —                          | (1,983)            | 12,297                     |
| Aircraft                           | —                          | —                          | —               | —                           | —                 | —                          | —                  | —                          |
| Vehicles                           | 58                         | (14)                       | 17              | —                           | (1)               | —                          | (7)                | 53                         |
| <b>Total</b>                       | <b>5,353</b>               | <b>314</b>                 | <b>9,243</b>    | <b>—</b>                    | <b>(6)</b>        | <b>—</b>                   | <b>(2,029)</b>     | <b>12,875</b>              |

# FINANCIAL STATEMENTS

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Seized property may be subsequently forfeited to the Federal Government through abandonment, administrative or judicial procedures. Forfeited property consists of: monetary instruments, intangible property, real property, and tangible personal property acquired through forfeiture proceedings; property acquired by the Government to satisfy a tax liability; and unclaimed and abandoned merchandise.

Once forfeited, the property is either retained for official use by ATF, destroyed, sold, or transferred to a state, local, or federal agency or foreign government. If the forfeited property is transferred to ATF, the property then becomes an ATF asset and is included in its inventory records. All other proceeds resulting from disposition or sale of forfeited property should become assets of TFF. Forfeited property is reported in the TFF financial statements at fair market value at time of forfeiture. A valuation allowance is established for any expected payments to third party claimants. For purposes of disclosure in ATF's financial statements, forfeited property is reported at its seizure value.

All contraband (prohibited) property such as illegal firearms, ammunition, and explosives which no longer have intrinsic economic value and will not be reintroduced into the open marketplace are subject to destruction. ATF does maintain fiduciary stewardship responsibility for contraband property from time of receipt through final disposition.

The following schedules represent an analysis of the changes in forfeited property holdings for the years ended September 30, 1997 and 1996. ATF reports year-end forfeited property balances based on the most recent information from the United States Attorneys and the Federal Courts on the legal status of this property/currency. Net adjustments to previously reported balances result primarily from the receipt of updated information on the legal status of this property/currency.

NOTE 14  
**Analyses of Changes  
 in Seized Property/  
 Currency and  
 Forfeited Property**  
 (Continued)

# FINANCIAL STATEMENTS

## FY 1997 Analysis of Disposition of Forfeited Property (dollars in thousands)

|                                    | <i>Balance<br/>10/1/96</i> | <i>Net<br/>Adjustments</i> | <i>Forfeitures</i> | <i>Deposits</i> | <i>Sales</i> | <i>Transfers</i> | <i>Fair Value<br/>Adjustment</i> | <i>Balance<br/>9/30/97</i> |
|------------------------------------|----------------------------|----------------------------|--------------------|-----------------|--------------|------------------|----------------------------------|----------------------------|
| Currency                           | \$ 11                      | \$81                       | \$1,741            | \$(1,781)       | \$ —         | \$ —             | \$—                              | \$ 52                      |
| Other Cash                         | —                          | —                          | —                  | —               | —            | —                | —                                | —                          |
| Other Monetary Instruments         | —                          | —                          | 49                 | (49)            | —            | —                | —                                | —                          |
| Real Property                      | 338                        | —                          | 217                | —               | (172)        | —                | (55)                             | 328                        |
| General Property, Cigarettes       | 187                        | —                          | 1,033              | —               | (488)        | —                | —                                | 732                        |
| General Property, Liquor           | 410                        | —                          | 262                | —               | (212)        | —                | —                                | 460                        |
| General Property, Other Units      | 1                          | 1                          | 1                  | —               | (2)          | —                | —                                | 1                          |
| General Property, Prohibited Units | —                          | —                          | —                  | —               | —            | —                | —                                | —                          |
| Vehicles                           | 104                        | (15)                       | 282                | —               | (120)        | (149)            | —                                | 102                        |
| Total                              | \$1,051                    | \$67                       | \$3,585            | \$(1,830)       | \$(994)      | \$(149)          | \$(55)                           | \$1,675                    |
| Inventory Pending Sale             | \$563                      |                            |                    |                 |              |                  |                                  | \$1,623                    |
| Inventory Pending Transfer         | 11                         |                            |                    |                 |              |                  |                                  | —                          |
| Total                              | \$574                      |                            |                    |                 |              |                  |                                  | \$1,623                    |

## FY 1996 Analysis of Disposition of Forfeited Property (dollars in thousands)

|                                    | <i>Balance<br/>10/1/96</i> | <i>Net<br/>Adjustments</i> | <i>Forfeitures</i> | <i>Deposits</i> | <i>Sales</i> | <i>Transfers</i> | <i>Fair Value<br/>Adjustment</i> | <i>Balance<br/>9/30/97</i> |
|------------------------------------|----------------------------|----------------------------|--------------------|-----------------|--------------|------------------|----------------------------------|----------------------------|
| Currency                           | \$ 39                      | \$—                        | \$133              | \$(161)         | \$ —         | \$ —             | \$—                              | \$ 11                      |
| Other Cash                         | 1                          | —                          | —                  | (1)             | —            | —                | —                                | —                          |
| Real Property                      | 183                        | 3                          | 198                | —               | (46)         | —                | —                                | 338                        |
| General Property, Cigarettes       | 49                         | —                          | 157                | —               | (19)         | —                | —                                | 187                        |
| General Property, Liquor           | 76                         | —                          | 393                | —               | (59)         | —                | —                                | 410                        |
| General Property, Other Units      | 5                          | —                          | —                  | —               | (4)          | —                | —                                | 1                          |
| General Property, Prohibited Units | —                          | —                          | —                  | —               | —            | —                | —                                | —                          |
| Vehicles                           | 155                        | —                          | 108                | —               | (95)         | (64)             | —                                | 104                        |
| Total                              | \$508                      | \$ 3                       | \$989              | \$(162)         | \$(223)      | \$(64)           | \$—                              | \$1,051                    |
| Inventory Pending Sale             | \$399                      |                            |                    |                 |              |                  |                                  | \$563                      |
| Inventory Pending Transfer         | —                          |                            |                    |                 |              |                  |                                  | 11                         |
| Total                              | \$399                      |                            |                    |                 |              |                  |                                  | \$574                      |



# FINANCIAL STATEMENTS

**FY 1997 Analysis of Disposition of Forfeited Property**  
(number of transactions)

|                                    | <i>Balance</i> | <i>Net</i>         |                    |                 |              |                  |                     | <i>Balance</i> |
|------------------------------------|----------------|--------------------|--------------------|-----------------|--------------|------------------|---------------------|----------------|
|                                    | <i>10/1/96</i> | <i>Adjustments</i> | <i>Forfeitures</i> | <i>Deposits</i> | <i>Sales</i> | <i>Transfers</i> | <i>Destructions</i> | <i>9/30/97</i> |
| Currency                           | 14             | 5                  | 73                 | (64)            | —            | —                | —                   | 28             |
| Other Cash                         | —              | —                  | —                  | —               | —            | —                | —                   | —              |
| Other Monetary Instruments         | —              | —                  | 1                  | (1)             | —            | —                | —                   | —              |
| Real Property                      | 5              | —                  | 5                  | —               | (1)          | —                | —                   | 9              |
| General Property, Cigarettes       | 8              | —                  | 814                | —               | (402)        | —                | —                   | 420            |
| General Property, Liquor           | 11             | —                  | 10                 | —               | (9)          | —                | —                   | 12             |
| General Property, Other Units      | 1              | 1                  | 9                  | —               | (2)          | —                | —                   | 9              |
| General Property, Prohibited Units | 866            | —                  | 3,560              | —               | —            | (28)             | (2,784)             | 1,614          |
| Vehicles                           | 3              | (1)                | 19                 | —               | (7)          | (9)              | —                   | 5              |
| <b>Total</b>                       | <b>908</b>     | <b>5</b>           | <b>4,491</b>       | <b>(65)</b>     | <b>(421)</b> | <b>(37)</b>      | <b>(2,784)</b>      | <b>2,097</b>   |

**FY 1996 Analysis of Disposition of Forfeited Property**  
(number of transactions)

|                                    | <i>Balance</i> | <i>Net</i>         |                    |                 |              |                  |                     | <i>Balance</i> |
|------------------------------------|----------------|--------------------|--------------------|-----------------|--------------|------------------|---------------------|----------------|
|                                    | <i>10/1/96</i> | <i>Adjustments</i> | <i>Forfeitures</i> | <i>Deposits</i> | <i>Sales</i> | <i>Transfers</i> | <i>Destructions</i> | <i>9/30/97</i> |
| Currency                           | 6              | —                  | 21                 | (13)            | —            | —                | —                   | 14             |
| Other Cash                         | 1              | —                  | —                  | (1)             | —            | —                | —                   | —              |
| Real Property                      | 4              | 1                  | 2                  | —               | (2)          | —                | —                   | 5              |
| General Property, Cigarettes       | 3              | —                  | 7                  | —               | (2)          | —                | —                   | 8              |
| General Property, Liquor           | 3              | —                  | 9                  | —               | (1)          | —                | —                   | 11             |
| General Property, Other Units      | 2              | —                  | —                  | —               | (1)          | —                | —                   | 1              |
| General Property, Prohibited Units | 429            | —                  | 1,909              | —               | —            | (2)              | (1,470)             | 866            |
| Vehicles                           | 4              | —                  | 7                  | —               | (4)          | (4)              | —                   | 3              |
| <b>Total</b>                       | <b>452</b>     | <b>1</b>           | <b>1,955</b>       | <b>(14)</b>     | <b>(10)</b>  | <b>(6)</b>       | <b>(1,470)</b>      | <b>908</b>     |