NOTE 1
Summary of Significant Accounting Policies

REPORTING ENTITY

The Bureau of Alcohol, Tobacco and Firearms (ATF or the Bureau), 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.

BASIS OF PRESENTATION

The financial statements were prepared to report the significant assets, liabilities, net cost of operations, changes in net position, budgetary resources and custodial activity of ATF. The financial statements have been prepared from the books and records of ATF in conformity with generally accepted accounting principles (GAAP), and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Bulletin 01-09. ATF's accounting policies are summarized in this note. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated the official accounting standards-setting body for the Federal Government by the American Institute of Certified Public Accountants. These statements are 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.

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.

BUDGETS AND BUDGETARY ACCOUNTING

Congressional appropriations provide financing sources on an annual, multiple-year 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:

- 20-1-1000 - *Salaries and Expenses Appropriation*
- 20-1-1000 - *Salaries and Expenses Reimbursable Authority*
- 20-X-1000 - *No-year Appropriation*
- 20-0/1-1000 - *Prior-year Appropriation*
- 20-9/1-1000 - *Y2K Contingent Emergency Fund*
- 20-1-1000 - *Appropriation Transfers*
- 20-1/2-1000 - *High Intensity Drug Trafficking Area*
- 20-X-1003 - *Laboratory Facilities*
- 20-X-8526 and 20-X-8528 - *Violent Crime Trust Funds*

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All of these appropriations and the related gross costs, revenues and net cost as shown in the Statement of Net Cost are in Federal budget functional classification 750, Administration of Justice.

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

EXCHANGE REVENUE, NON-EXCHANGE REVENUE AND OTHER FINANCING SOURCES

EXCHANGE REVENUES

Exchange revenues are inflows of resources to a Government entity that the entity has earned. They arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return. That is, exchange revenue arises and is recognized when a Government entity provides something of value to the public or another Government entity at a price.

ATF provides a number of services including enforcement, training and professional development, and science and information technology to other government agencies on reimbursable agreements. ATF does not make goods to order.

Most of the funds received by ATF on a reimbursable basis result from the Bureau's agreement with the U.S. Department of State to train explosives-detecting canines for foreign countries. The canines will be used overseas in the war against terrorism and protecting American travelers abroad. Similarly, ATF is funded on a reimbursable basis for activity related to drug enforcement activity through the Interagency Crime and Drug Enforcement (ICDE) program formerly managed by the Justice Department.

NON-EXCHANGE REVENUES

Non-exchange revenues are inflows of resources that the Government demands or receives by donation. Such revenue is recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probable (more likely than not) and the amount is reasonably estimable.

Non-exchange revenue is recognized when taxes are remitted or assessed. Liabilities for approved but unpaid refunds of tax payments are accrued at year end.

As an agent of the Federal Government and as authorized by 26 U.S.C. § 6301, 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. ATF receives no dedicated collections.

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 its mission. ATF disburses refunds to taxpayers and license applicants as well as monthly payments to the Governments of Puerto Rico and the Virgin Islands. These payments are used to cover over (rebate) excise taxes collected for alcohol (mostly rum) produced in these territories and used by U.S. producers to support economic revitalization. The amount covered over to these governments is based on the consolidation of figures obtained from the U.S. Customs Service, Census Bureau, domestic distilleries and the Puerto Rico field office. 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.

Receivables are established when assessments are made for delinquent taxes or penalties and interest. ATF recognizes revenue when accounts receivable are established.

FINANCING SOURCES

Financing sources provide inflows of resources during the reporting period and include appropriations used and financing imputed with respect to any cost subsidies. Unexpended appropriations are recognized separately in determining net position but are not financing sources until used.

ATF receives the majority of the funding needed to support the Bureau through congressional appropriations. ATF receives annual, multiple-year and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures (primarily equipment, furniture and furnishings).

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).

Costs financed by other Federal entities on behalf of ATF are recognized as imputed financing sources as required by SFFAS No. 5, "Accounting for Liabilities of the Federal Government."

Other financing sources result from distributions ATF receives from the Treasury Asset Forfeiture Fund. These resources finance the Youth Crime Gun Interdiction Initiative and other law enforcement initiatives, including seizing and forfeiting property of parties engaged in unlawful activities.

ASSETS

Entity intragovernmental assets include the fund balance with Treasury, amounts due from other Federal agencies under contractual agreements or other arrangements for services or activities performed by ATF and prepayments for authorized goods and services for Treasury's Working Capital Fund. Entity assets include property and equipment, as well as other assets comprised of advances and amounts due from employees or vendors.

Non-entity intragovernmental assets also include the fund balance with Treasury and accounts receivable due from Treasury to disburse approved refund claims of excise taxes and fees. Non-entity 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 is considered a financing source (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.

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PREPAYMENTS

Prepayments are payments made to cover certain periodic expenses before those expenses are incurred. In accordance with Public Law 91-614, ATF participates in the Treasury Department's Working Capital Fund activity, for which it receives services on a reimbursable basis. Payments made in advance are authorized for services that have been deemed as more advantageous and more economical when provided centrally. The services provided include those for Telecommunications, Payroll/Personnel Systems, Printing, and other central services. The amount reported represents the balance available at the end of the fiscal year after charges/expenses incurred by the Fund are deducted.

PROPERTY AND EQUIPMENT

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

At September 30, 2001, ATF was in the process of constructing a laboratory in College Park, Md. These costs are capitalized as construction in progress and will be transferred to the appropriate property account upon completion. ATF owns the land upon which the laboratory is being constructed. ATF has no deferred maintenance or cleanup costs.

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

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.

The Federal Accounting Standards Advisory Board promulgated SFFAS No. 10, *Accounting for Internal Use Software*, effective October 1, 2000. This standard requires the capitalization of commercial off-the-shelf (COTS), contractor developed and internally developed software. The ATF dollar threshold for capitalizing internal use software is $500,000. The same threshold will also apply to enhancements which add significant functionality to the software. ATF will amortize this software based on its classification. The classifications are as follow: (1) Enterprise and Other Business Software; 5 years, and (2) Personal productivity and desktop operating software; 3 years.

LIABILITIES

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 absent an appropriation. Liabilities for which an appropriation has not been enacted are classified as Liabilities Not Covered by Budgetary Resources 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.

Intragovernmental liabilities consist of amounts payable to the Treasury for collections of excise tax, fees receivable, payables to other Federal agencies and accrued FECA charges. Liabilities also 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.

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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.

FEDERAL EMPLOYEES' COMPENSATION ACT

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job and employees who have incurred a work-related injury or occupational disease. The future workers' compensation estimates were generated from an application of actuarial procedures developed to estimate the liability for FECA benefits. The actuarial liability estimates for FECA benefits include the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability is determined using the paid losses extrapolation method which is calculated over the next 37-year period. This method utilizes historical benefit payment patterns related to a specific incurred period to predict ultimate payments related to that period.

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 as required by Interpretation of Federal Financial Accounting Standards No. 2. Expected litigation and claim losses include settlements to be paid from the Treasury Judgment Fund (Judgment Fund) on behalf of ATF and settlements to be paid from Bureau appropriations.

Settlements paid from the Judgment Fund for ATF are recognized as an expense and imputed financing source as required by Interpretation No. 2.

RETIREMENT PLAN

Most ATF employees hired prior to January 1, 1984 participate in the Civil Service Retirement System (CSRS), to which ATF contributes 8.51 percent of basic pay (9.01 percent for those personnel classified as law enforcement agents) and the employee contributes 7.00 percent (7.50 percent for those personnel classified as law enforcement agents) for a total contribution rate of 15.51 percent in FY 2001 (16.51 percent for those personnel classified as law enforcement agents). 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. 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 0.8 percent of basic pay (1.3 percent for those personnel classified as law enforcement agents) while ATF contributes 10.7 percent (23.3 percent for those personnel classified as law enforcement agents) for a total contribution of 11.5 percent in FY 2001 (24.6 percent for those personnel classified as law enforcement agents). 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.

All employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees 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.

ATF recognized the full cost of providing future pension and other retirement benefits (ORB) for current employees as required by SFFAS No. 5. Full cost includes pension and ORB contributions paid out of Bureau appropriations and costs financed by the Office of Personnel Management (OPM). Reporting amounts such as plan assets, accumulated plan benefits, or unfunded liabilities, if any, is the responsibility of the OPM.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, as well as the disclosure of contingent liabilities at the date of the financial statements, and the amount of revenues and costs reported during the period. Actual results could differ from those estimates.

RECLASSIFICATIONS

Certain prior year balances have been reclassified to conform with current year's presentation.

NOTE 2
Fund Balance with Treasury and Cash

Fund balance with Treasury and cash as of September 30, 2001 and 2000 consisted of the following:

FY 2001
(In Thousands)

Entity:	Obligated	Unobligated Available	Unobligated Restricted	Total
Trust Funds	$ 15,625	$ 5,438	$ -	$ 21,063
Appropriated Funds	241,737	16,907	-	258,644
Other Fund Types	-	1,804	-	1,804
Fund Balance	$ 257,362	$ 24,149	$ -	$ 281,511
Cash		$ 2,041	$ -	$ 2,041
Non-Entity:				
Cash			$ 2,514	$ 2,514

FY 2000
(In Thousands)

Entity:	Obligated	Unobligated Available	Unobligated Restricted	Total
Trust Funds	$ 27,658	$ 8,934	$ -	$ 36,592
Appropriated Funds	147,618	19,266	-	166,884
Other Fund Types	-	2,474	-	2,474
Fund Balance	$ 175,276	$ 30,674	$ -	$ 205,950
Cash		$ 2,136	$ -	$ 2,136
Non-Entity:				
Cash			$ 2,741	$ 2,741

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

Cash available for ATF use represents 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 cash 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 cash 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 liabilities covered by budgetary resources, other liabilities on the Balance Sheet. 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, 2001 and 2000 were as follows:

(In Thousands)	*FY 2001*		*FY 2000*	
	Entity	***Non-Entity***	***Entity***	***Non-Entity***
Intragovernmental Receivables	$11,192	$11,025	$23,326	$10,225
Receivables:				
Taxes/Fees		$58,008		$124,728
Interest		16,015		29,663
Penalties		10,002		6,069
Restitution Cases		624		550
		84,649		161,010
Less:				
Allowance for Uncollectible Accounts		(78,701)		(157,915)
Receivables, Net		$5,948		$3,095

Intragovernmental entity receivables represent amounts due under reimbursable agreements with Federal entities for services provided by ATF.

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

An allowance for receivables deemed uncollectible was not established for these amounts because monies due from other Federal entities are considered fully collectible.

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 non-entity receivables. The allowance is based on an analysis of individual receivable balances, historical collections and the application of estimated collectible amounts to categories of receivable balances at year end. As of September 30, 2001 and 2000, approximately $.3 million and $140.0 million of the allowance, respectively, was based on cases that ATF had entered into negotiations for payment through offers-in-compromise, which had not yet been finalized.

NOTE 4
Property and Equipment

Property and equipment consisted of the following as of September 30, 2001 and 2000:

FY 2001 *(In Thousands)*	*Service Life (Years)*	*Acquisition Value*	*Accumulated Depreciation*	*Net Book Value*
ADP Software	3	$10,507	$6,917	$3,590
Equipment	2-10	157,135	80,146	76,989
Leasehold Improvements	2-5	24,486	8,279	16,207
Assets Under Capital Lease	3-6	28,002	4,595	23,407
Construction in Progress		25,502	-	25,502
Land		3,200	-	3,200
Buildings	40	6,515	172	6,343
Total Property & Equipment		$255,347	$100,109	$155,238

FY 2000 *(In Thousands)*	*Service Life (Years)*	*Acquisition Value*	*Accumulated Depreciation*	*Net Book Value*
ADP Software	3	$7,574	$4,599	$2,975
Equipment	2-10	131,885	74,287	57,598
Leasehold Improvements	2-5	16,822	6,071	10,751
Assets Under Capital Lease	3-6	26,476	21,837	4,639
Construction in Progress		15,379	-	15,379
Land		3,200	-	3,200
Buildings	40	1,243	31	1,212
Total Property & Equipment		$202,579	$106,825	$95,754

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 or the life of the lease, whichever is shorter. Construction in progress at September 30, 2001 represents the initial costs of developing Bureau requirements for the construction of a laboratory in College Park, Md. The land located in College Park, Md. is recorded at its acquisition value. Construction in progress at September 30, 2000 represents costs incurred to construct a building for the canine training facility in Front Royal, Va., which was completed in FY 2001. There are no restrictions on the use or convertibility of property and equipment.

NOTE 5
Other Assets

Other assets consisted of the following as of September 30, 2001 and 2000:

(In Thousands)	***FY 2001*** ***Entity***	***FY 2000*** ***Entity***
Other Assets:		
Advances	$55	$232
Due From Employees	292	550
Total Other Assets	$347	$782

Advances and amounts Due From Employees are cash outlays made to its employees, contractors, grantees or others to cover a part or all of the recipients' anticipated expenses or as advance payments for the costs of goods and services the entity receives.

NOTE 6
Other Liabilities

Other Liabilities Covered by Budgetary Resources primarily consist of amounts withheld from employees' salaries for taxes, employee benefit contribution, wage garnishments and others.

Other Liabilities Not Covered by Budgetary Resources include current amounts held for offers-in-compromise, cash bonds, and deposit fund amounts held in escrow.

NOTE 7 - LEASES

NOTE 7(A)
Future Capital Lease Payments (in thousands)

For Assets Under Capital Lease, the acquisition value of machinery and equipment, which represents computer hardware, laboratory and other office equipment, is $23,277. The remaining $4,725 is the acquisition value of related computer software.

Future minimum lease payments due for capital leases on machinery, equipment and related computer software as of September 30, 2001 and 2000 were as follows:

(In Thousands) ***Fiscal Year***	***FY 2001***	***FY 2000***
2001	$ -	$2,286
2002	12,520	95
2003	8,762	84
2004	2,541	66
2005	314	44
2006	139	-
Future Lease Payments	$24,276	$2,575
Less: Imputed Interest	(2,035)	(187)
Net Capital Lease Liability	$22,241	$2,388

In FY 2001, ATF entered into a capital lease, modernizing its Information Technology through Bureau-wide deployment of its Enterprise Systems Architecture. Under this capital lease agreement, the contractor is providing computer and related software for ATF's strategic and day-to-day business requirements. In addition to this major program, the Bureau has entered into a number of smaller capital lease agreements for laboratory and other office equipment.

Assets acquired by capital lease agreements are reported on the accompanying Balance Sheet based on the lesser of the present value of the future minimum lease payments or the fair market value of the asset. Imputed interest rates range from 4.3 to 13.9 percent.

The capital lease liability is expected to be funded from future sources and is presented on the Balance Sheet as a component of other liabilities not covered by budgetary resources.

NOTE 7(B)
Future Operating Lease Payments

The Bureau leases various copiers, fax machines and vehicles under agreements accounted for as operating leases. Future commitments under operating leases for equipment as of September 30, 2001 and 2000 were as follows:

(In Thousands)

Fiscal Year	***FY 2001***	***FY 2000***
2001	$ -	$ 629
2002	746	256
2003	669	94
2004	598	37
2005	563	9
2006	526	-
Total Future Lease Payments	$ 3,102	$ 1,025

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NOTE 8
Contingent Liabilities

A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur. The likelihood that the future event or events will confirm the loss or the incurrence of a liability can range from probable to remote. SFFAS No. 5 and SFFAS No. 12 contain the criteria for recognition and disclosure of contingent liabilities.

ATF is a party to various administrative proceedings, legal actions, and claims brought by or against it. These claims are of a nature considered normal for a government law enforcement agency. 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 Treasury Judgment Fund (Judgment Fund). In the opinion of the Bureau's management, the ultimate resolution of these proceedings, actions and claims will not materially affect the financial position or cost of operations of ATF.

At September 30, 2001, ATF legal counsel was processing approximately 216 of these actions against the Bureau. ATF identified and accrued, at September 30, 2001, $20.8 million as a contingent liability. These amounts represent those costs which ATF believes are probable and reasonably estimable. These liabilities result from administrative tort and employee claims, lawsuits filed under the Federal Tort Claims Act, and personnel and EEO cases.

The change in contingent liabilities from September 30, 2000 resulted from the resolution of various administrative tort and employee claims, lawsuits filed under the Federal Tort Claims Act, and the reclassifying of a lawsuit filed under the Federal Tort Claims Act from reasonably possible to probable.

ATF counsel identified at September 30, 2001, $2.9 million for which ATF has not recorded an accrual; because, in management's opinion, an unfavorable outcome is reasonably possible but not probable. These cases result from administrative tort and employee claims, contract takings, patent infringement and tax claims lawsuits, administrative EEO/personnel cases, and lawsuits filed under the Federal Tort Claims Act.

As of September 30, 2001, there was one large group of Federal Tort Claims Act administrative claims involving the bombing of the Federal building in Oklahoma City, Oklahoma. This group entailed 655 individual claims seeking over $16 billion in damages. The Department of Justice is the lead agency and is handling the claims as they involve allegations of negligence by a number of Federal agencies, including ATF. ATF believes that it has meritorious defenses to these claims and that ATF acted properly at all times in these matters. In addition, there were eight lawsuits filed under the Federal Tort Claims Act against the United States involving actions by ATF employees acting within the scope of their employment at the Branch Davidian compound near Waco, Texas. The plaintiffs were seeking approximately $7.36 billion. The district court issued a favorable decision, but the plaintiffs have filed an appeal. ATF believes these cases are without merit and is aggressively defending the cases on appeal. ATF believes that it has strong arguments that the district court's decision was proper and that ATF's agents acted properly. Accordingly, ATF has not recorded any loss provision relative to damages sought by the plaintiffs for these cases.

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 $2,000 of obligations relating to appropriations canceled at the end of FY 2001. ATF estimates obligations relating to canceled appropriations that will be paid from future appropriations will not exceed $1.0 million in any fiscal year.

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NOTE 9
Net Position

Net position of the Bureau as of September 30, 2001 and 2000 was as follows:

FY 2001 *(In Thousands)*	**Trust Funds**	**Appropriated Funds**	**Other**	**Total**
Unexpended Appropriations:				
Unobligated - Available	$ 5,438	$ 18,948	-	$ 24,386
Unobligated - Unavailable	-	-	-	-
Undelivered Orders	11,483	176,171	-	187,654
Total Unexpended Appropriations	16,921	195,119	-	212,040
Cumulative Results of Operations	8,215	(55,419)	-	(47,204)
Net Position	$ 25,136	$ 139,700	-	$ 164,836

FY 2000 *(In Thousands)*	**Trust Funds**	**Appropriated Funds**	**Other**	**Total**
Unexpended Appropriations:				
Unobligated - Available	$ 8,929	$ 19,154	-	$ 28,083
Unobligated - Unavailable	-	-	-	-
Undelivered Orders	17,755	114,507	-	132,262
Total Unexpended Appropriations	26,684	133,661	-	160,345
Cumulative Results of Operations	12,686	(63,128)	-	(50,442)
Net Position	$ 39,370	$ 70,533	-	$ 109,903

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

Cumulative results of operations are the net results of operations since inception plus the cumulative amount of prior period adjustments.

NOTE 10
Earned Revenue

Earned revenue represents amounts earned for services provided by the Bureau to other government agencies 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, the Department of Justice, the National Drug Intelligence Center, the Department of Housing and Urban Development, the Department of State, the Environmental Protection Agency, and other components of the Department of the 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 in those territories.

NOTE 11
Imputed Financing

Imputed financing sources represent amounts paid in FY 2001 by the Judgment Fund to settle lawsuits and claims against the Bureau. Additional imputed financing is recognized for amounts financed in FY 2001 by OPM to provide future pension and other retirement benefits to current ATF employees.

The cost of providing a CSRS benefit is more than the amounts contributed by ATF and its employees. In accordance with SFFAS No. 5, bureaus are required to report the full cost of providing pension benefits to include the cost financed by OPM. This additional expense totaling $11.3 million is included as an expense and as an imputed financing source in the financial statements for FY 2001.

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. Total contributions by ATF of $49.2 million related to these plans were made for FY 2001. 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. In accordance with 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 2001 FEHBP cost factor applied to a weighted average number of employees enrolled in the FEHBP is $2,999, which is provided by OPM. The FEHBP ORB amount totaling $12.3 million is included as an expense and imputed financing source in ATF's financial statements for FY 2001. The FY 2001 FEGLI cost factor for employees enrolled in the FEGLI program, as provided by OPM, is .02 percent of their basic pay. The FEGLI ORB amount totaling $53,000 is included as an expense and imputed financing source in ATF's financial statements for FY 2001.

Total imputed financing sources for FY 2001 equal about $23.6 million (the sum of $11.3 million for pension expense, $12.3 million for FEHBP ORB and $53,000 for FEGLI ORB).

ATF's contributions for active employees who participate in the FEHBP were $15.7 million for FY 2001. ATF's contributions for active employees who participate in the FEGLI programs were $591,000 for FY 2001.

(In Thousands)	***FY 2001***	***FY 2000***
Funds paid by the Judgment Fund	$ 1,397	$ 1,327
Future pension and other retirement benefits financed by OPM	23,624	22,759
Total Imputed Financing	$ 25,021	$ 24,086

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NOTE 12
Transfers-In

Transfers-in consist of funds received by ATF from Treasury's Executive Office for Asset Forfeiture (EOAF) to carryout the Bureau's role as a law enforcement entity supporting law enforcement initiatives. EOAF, also known as the Treasury Asset Forfeiture Fund, was established pursuant to the Treasury Forfeiture Fund Act of 1992 and 31 U.S.C. 9703. The Fund serves as the Department's central funding source for financing asset seizure and forfeiture law enforcement initiatives. Although the Fund is the Department's central funding source for these initiatives, EOAF cannot undertake asset seizure and forfeiture. Only law enforcement agencies, including ATF, are lawfully authorized to perform these duties. Consequently, EOAF distributes a portion of the Fund's resources to ATF.

NOTE 13
Budgetary Resource Information

Adjustments during the period included recovery of prior year obligations and cancellation of FY 1996 and 1995 appropriations in the amount of $2.5 and $3.3 million respectively. Based on reviews conducted by ATF at mid-year and year-end, recoveries include any open obligation where all goods and services were received and final payments made were liquidated. On September 30th of the 5th fiscal year after the period of availability for obligation of an annual appropriation (FY 1996), the account is closed and funds returned to Treasury's general fund.

FY 2001

(In Thousands)

Net Amount of Budgetary Resources Obligated for Undelivered Orders at Year End	$	228,868
Available Borrowing and Contract Authority at Year End	$	-
Adjustments During the Reporting Period to Budgetary Resources Available at the Beginning of the Year	$	21,272
Amount of Contributed Capital Received During the Reporting Period	$	-

FY 2000

(In Thousands)

Net Amount of Budgetary Resources Obligated for Undelivered Orders at Year End	$	157,570
Available Borrowing and Contract Authority at Year End	$	-
Adjustments During the Reporting Period to Budgetary Resources Available at the Beginning of the Year	$	46,462
Amount of Contributed Capital Received During the Reporting Period	$	-

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NOTE 14
Non-Exchange Revenue

As of September 30, 2001, Non-Exchange revenue collections and refunds consisted of the following:

(In Thousands) Tax Year	Cumulative Cash Collections Received FY 2001	2001	2000	1999	Prior Years
Excise Taxes	$13,970,054	$10,248,276	$3,719,034	$ 481	$ 2,263
Fees and Licenses	109,948	108,788	863	122	175
Fines, Penalties, Interest and Other Revenue	1,196	496	384	32	284
Total Non-Exchange Revenue Collections	$14,081,198	$10,357,560	$3,720,281	$ 635	$ 2,722

(In Thousands) Tax Year	Cumulative Cash Collections Received FY 2000	2000	1999	1998	Prior Years
Excise Taxes	$ 13,733,630	$ 10,422,871	$ 3,309,694	$ 207	$ 858
Fees and Licenses	372,114	371,727	204	78	105
Fines, Penalties, Interest and Other Revenue	514	252	157	75	30
Total Non-exchange Revenue Collections	$ 14,106,258	$ 10,794,850	$ 3,310,055	$ 360	$ 993

(In Thousands) Tax Year	Refunds Disbursed FY 2001	2001	2000	1999	Prior Years
Excise Taxes	$ 302,515	$ 135,868	$ 158,873	$ 6,725	$ 1,049
Fees and Licenses	2,392	2,180	147	38	27
Fines, Accounts Receivable and Other Revenue	103	103	-	-	-
Total Non-exchange Revenue Refunds	$ 305,010	$ 138,151	$ 159,020	$ 6,763	$ 1,076

(In Thousands) Tax Year	Refunds Disbursed FY 2000	2000	1999	1998	Prior Years
Excise Taxes	$ 267,388	$ 135,290	$ 126,311	$ 3,033	$ 2,754
Fees and Licenses	630	431	112	53	34
Fines, Accounts Receivable and Other Revenue	-	-	-	-	-
Total Non-exchange Revenue Refunds	$ 268,018	$ 135,721	$ 126,423	$ 3,086	$ 2,788

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NOTE 15
Analyses of Changes in Seized 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 SFFAS No. 3, Accounting for Inventory and Related Property; OMB Bulletin No. 01-09; and Departmental accounting policy. All property seized or forfeited by ATF for Title 18 forfeiture is accounted for in the financial statements of the TFF. Seized and forfeited property activity is also reported in the notes to the TFF financial statements.

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 seized and forfeited property holdings for the year ended September 30, 2001 and 2000. ATF reports year-end seized and 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. Net adjustments to previously recorded balances result primarily from the receipt of updated information on the legal status of this property.

Included in ATF's ending balance of seized and forfeited property are 428 items that were located in vaults in the World Trade Center. These assets were verified as being on hand during the annual inventory in August. The status of these items is uncertain as of September 30, 2001.

An analysis of change in Material Non-Valued seized property during Fiscal Years 2001 and 2000 is presented by number of line items seized. The analysis is as follows:

FY 2001 Analysis of Changes in Seized Property
(Number of Transactions)

	Balance 10/1/00	Net Adjustments	Seizures	Cash Adjustments	Remissions	Other Disposals	Forfeitures	Balance 9/30/01
General Property - Prohibited Units	30,026	3,417	15,818	-	(502)	(228)	(9,858)	38,673

FY 2000 Analysis of Changes in Seized Property
(Number of Transactions)

	Balance 10/1/99	Net Adjustments	Seizures	Cash Adjustments	Remissions	Other Disposals	Forfeitures	Balance 9/30/00
General Property - Prohibited Units	25,035	805	12,897	-	(1,502)	(23)	(7,186)	30,026

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For material categories, the ending balances for Material Non-Valued seized property have been restated to actual quantity of items in compliance with Federal Financial Accounting and Auditing Technical Release No. 4. The restated ending balances are as follows:

Seized	2001	2000
Handguns	11,764	10,535
Machineguns	1,591	955
Other	3,157	28,532
Rifles	7,460	9,824
Shotguns	3,787	3,472
Total	27,759	53,318

An analysis of change in Material Non-Valued forfeited property during Fiscal Years 2001 and 2000 is presented by number of line items seized. The analysis is as follows:

FY 2001 Analysis of Disposition of Forfeited Property
(Number of Transactions)

	Balance 10/1/00	Net Adjustments	Forfeitures	Deposits	Sales	Transfers	Transfers to Third Disposals	Destructions	Balance 9/30/01
General Property - Prohibited Units	4,331	(1,350)	9,858	-	-	(45)	(259)	(7,722)	4,813

FY 2000 Analysis of Disposition of Forfeited Property
(Number of Transactions)

	Balance 10/1/99	Net Adjustments	Forfeitures	Deposits	Sales	Transfers	Transfers to Third Disposals	Destructions	Balance 9/30/00
General Property-Prohibited Units	2,703	197	7,186	-	(1)	(114)	(57)	(5,583)	4,331

For material categories, the ending balances for Material Non-Valued forfeited property have been restated to actual quantity of items in compliance with Federal Financial Accounting and Auditing Technical Release No. 4. The restated ending balances are as follows:

Forfeited	2001	2000
Handguns	1,573	1,660
Machineguns	188	83
Other	430	28,607
Rifles	897	956
Shotguns	399	639
Total	3,487	31,945

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