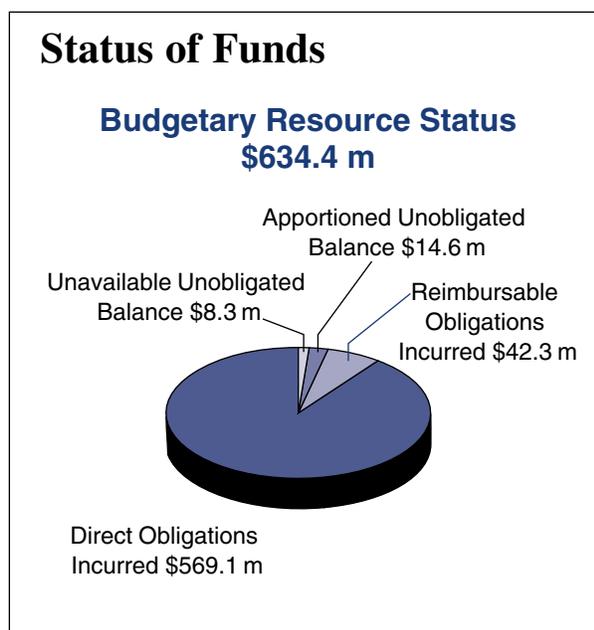
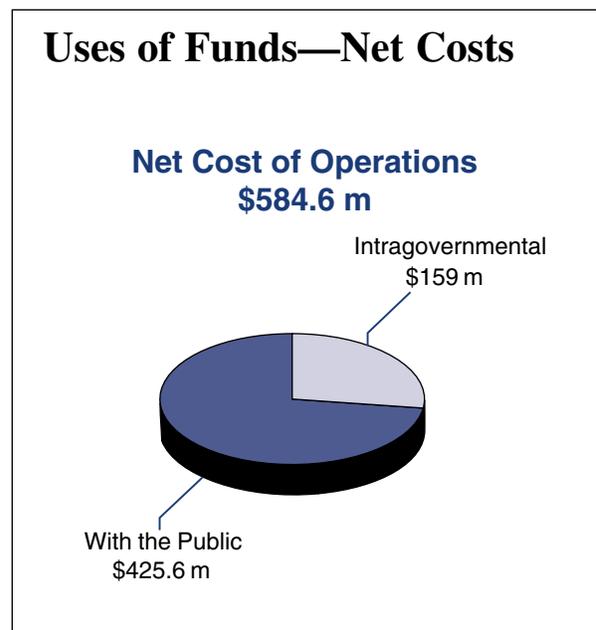
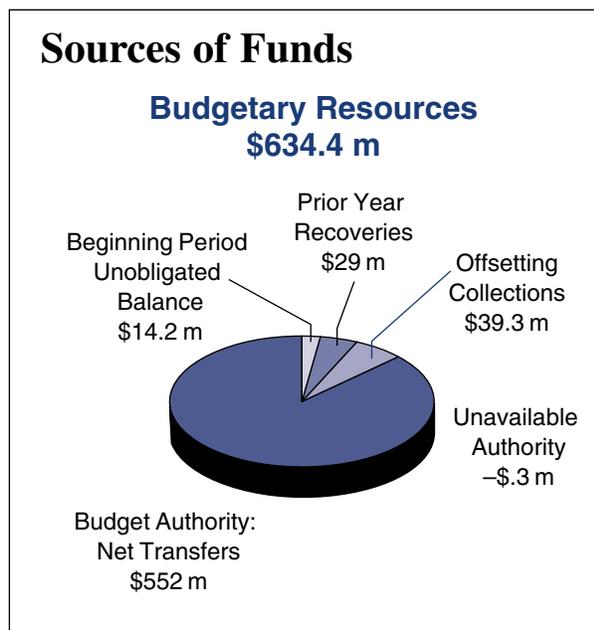


Financial Results, Position, and Condition

Overview of Financial Data

Budget Integrity



2003 Financial Highlights

ATF's total assets as of September 30, 2003, were \$484 million, of which approximately 46 percent consists of the fund balance with the Treasury. Total liabilities were approximately \$251 million. The net cost of ATF operations totaled \$585 million for the year ended September 30, 2003, all of which is reported under the Department of Justice's Strategic Goal Number 2: Enforce Federal Criminal Laws.

The Department of Justice's Strategic Goal 1 applies a strict definition to the resources that are considered "counter-terrorism" in nature; this definition includes those activities for which the primary mission is counter-terrorism. For ATF,

this includes joint terrorism task force initiatives. However, many of ATF's other activities support the counter-terrorism goal in a variety of ways. Explosives are a key terrorist tool; proceeds from the illegal diversion of alcohol and tobacco products represent a way to fund terrorist activities. ATF's responsibilities in preventing and investigating explosives and arson incidents and for enforcing Federal criminal laws as they relate to alcohol and tobacco diversion contribute to homeland security and the counter-terrorism effort. Using a broader definition of counter-terrorism activities, to include providing homeland security, ATF spent \$359.3 million or 61 percent of its net costs on the counter-terrorism/homeland security effort in FY 2003.

Financial Performance

ATF's annual Financial Management Performance Plan contains key financial performance indicators. There are three major activities identified in the Plan:

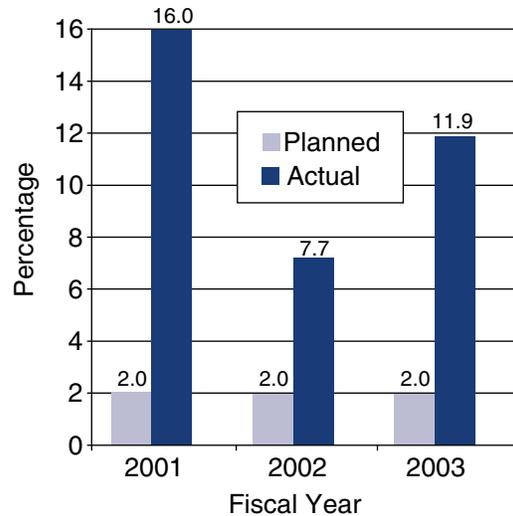
1. provide leadership to promote the acquisition and management of ATF's resources, revenue, and assets;
2. provide quality financial services; and
3. provide financial information on ATF operations that supports reporting and decision-making. Strategic goals, annual performance goals, and measures were developed to achieve these three financial management activities.

Goal: Focus on customer service and innovate financial processes.

Compliance with Prompt Payment Act (PPA).

ATF's target is 2 percent or less per year. In FY 2003, the annual delinquent rate for all invoices increased to 11.98 percent from 7.7 percent in the previous fiscal year. The increase is attributable

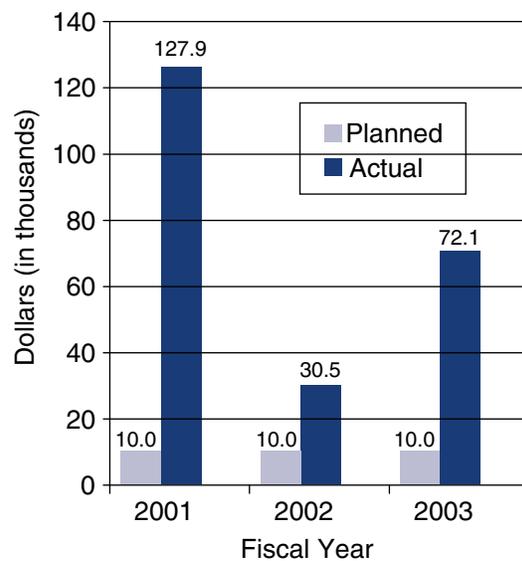
Percentage of Invoices Paid Late



to the split of ATF into ATF and TTB and the transition of the bureaus into their respective departments.

ATF's target is \$10,000 or less per year. In FY 2003, ATF paid \$72,142 in Prompt Payment interest, an increase from \$30,549 in the preceding year. The increase is attributable to the split of ATF into ATF and TTB and the transition of the bureaus into their respective departments.

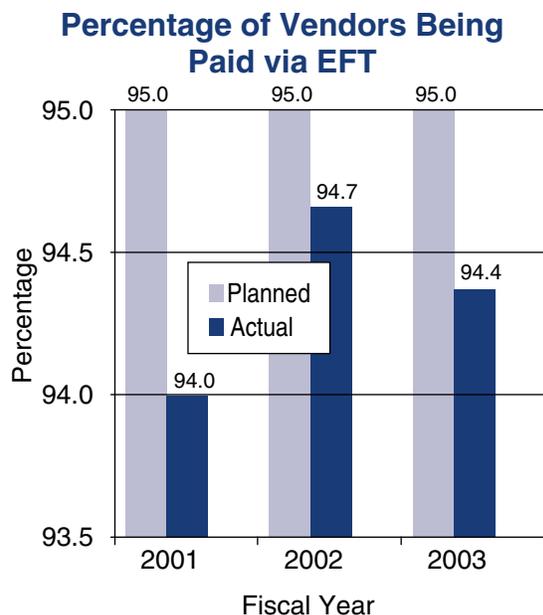
Dollar Amount of Interest Paid



Compliance with electronic funds transfer legislation. The Debt Collection Improvement Act of 1996 requires the use of electronic funds transfer for all Federal payments made after January 1, 1999.

Indicator being measured: Percentage of vendors paid via Electronic Funds Transfer (EFT).

ATF's target is 95 percent or greater per year. In FY 2003, the percentage of vendors being paid via EFT was 94.4 percent, down slightly from the 94.7 percent reached in FY 2002. ATF is now using the Central Contractor Registry as required by regulation and continues its efforts to increase the percentage of contractors being paid via EFT.



Goal: Provide complete and accurate financial statements.

Implement new schedules required under OMB Bulletin 01-09.

Indicator being measured: Earn an unqualified audit opinion on ATF's Financial Statements.

After performing two reviews on ATF's financial statements (2001 and 2002) and one internal control review (2002), KPMG audited ATF's financial statements for FY 2003. ATF received an unqualified audit opinion. This is the seventh unqualified opinion that ATF has received (FY 1995–2000, 2003).

Cash Management

ATF is complying with existing cash management laws and regulations and is aggressively working to enhance its cash management policies and operations through the implementation of new or improved technologies. Activities in cash management include:

- Debt Collection Improvement Act compliance. In FY 2003, ATF paid 94.4 percent of its vendors electronically. In addition, ATF has initiated acceptance of electronic invoices with its integrated charge card vendor.
- Collection Mechanisms. ATF uses lockboxes through the Treasury lockbox network to collect firearms and explosives license fees, National Firearms Act making and transfer taxes, and import fees. ATF is receiving check and document images through the lockbox for its firearms and explosives applications and payments and is working to expand image usage.