

Analysis of Financial Statements

The Department's financial statements, which appear in Part III of this document, received an unqualified audit opinion for fiscal years ended September 30, 2006 and 2005. These statements have been prepared from the accounting records of the Department in conformity with the accounting principles generally accepted in the United States, and OMB Circular A-136, *Financial Reporting Requirements*. These principles are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

The following provides highlights of the Department's financial position and results of operations in FY 2006. The complete set of financial statements, related notes, and the opinion of Department's auditors can be found in Part III of this document.

Assets: The Department's Consolidated Balance Sheet as of September 30, 2006 shows \$26.8 billion in total assets, a decrease of \$220.8 million over the previous year's total assets of \$27.1 billion. Fund Balance with U.S. Treasury was \$15.0 billion, which represents 56 percent of total assets.

Liabilities: Total Department liabilities were \$7.7 billion as of September 30, 2006, an increase of \$325.9 million from the previous year's total liabilities of \$7.4 billion.

Net Cost of Operations: The Consolidated Statement of Net Cost presents the Department's gross and net cost by strategic goal. The net cost of Department operations totaled \$24.8 billion for the year ended September 30, 2006, an increase of \$508.5 million (2 percent) from the previous year's net cost of operations of \$24.3 billion.

Brief descriptions of some of the major costs included in each Strategic Goal are as follows:

Strategic Goal	Description of Major Costs
I	Includes resources dedicated to counterterrorism initiatives, the United States Attorneys (USAs), FBI, and Criminal Division
II	Includes resources for the ATF; DEA; FBI; USAs; the Criminal, Civil, Civil Rights, Tax, Antitrust, and Environment and Natural Resources Divisions; the United States Trustees; and the Assets Forfeiture Fund (AFF)
III	Includes resources for FBI, OJP, COPS, OVW, AFF, and services to America's crime victims
IV	Includes the resources for USMS, the BOP (including FPI), the OFDT, the U.S. Parole Commission, EOIR, and Fees and Expenses of Witnesses Program

Management and administrative costs, including the Department's leadership offices, Justice Management Division, the Wireless Management Office, and others are allocated to each goal based on full-time equivalent (FTE) employment.¹

Budgetary Resources: The Department's FY 2006 Combined Statement of Budgetary Resources shows \$33.9 billion in total budgetary resources, an increase of \$2.1 billion from the previous year's total budgetary resources of \$31.8 billion.

Net Outlays: The Department's FY 2006 Combined Statement of Budgetary Resources shows \$23.7 billion in net outlays, an increase of \$668.2 million from the previous year's total net outlays of \$23.0 billion.

¹ FTE employment means the total number of regular straight-time hours (i.e., not including overtime or holiday hours) worked by employees divided by the number of compensable hours applicable to each fiscal year. Annual leave, sick leave, compensatory time off and other approved leave categories are considered "hours worked" for purposes of defining FTE employment.