

## Analysis of Financial Statements

The Department's financial statements, which appear in Section III of this document, received an unqualified audit opinion for fiscal years ended September 30, 2007 and 2006. 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 Office of Management and Budget (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 2007. The complete set of financial statements, related notes, and the opinion of the Department's auditors can be found in Section III of this document.

**Assets:** The Department's Consolidated Balance Sheet as of September 30, 2007 shows \$29.5 billion in total assets, an increase of \$2.7 billion over the previous year's total assets of \$26.8 billion. Fund Balance with U.S. Treasury was \$16.5 billion, which represents 56 percent of total assets.

**Liabilities:** Total Department liabilities were \$9.1 billion as of September 30, 2007, an increase of \$1.4 billion from the previous year's total liabilities of \$7.7 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 \$25.9 billion for the year ended September 30, 2007, an increase of \$1.1 billion (4 percent) from the previous year's net cost of operations of \$24.8 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 for ATF, Criminal Division, DEA, FBI, NSD, United States Attorneys (USA) and USMS
II	Includes resources for the Assets Forfeiture Fund (AFF), ATF, BOP, Community Oriented Policing Services (COPS), Community Relations Service (CRS), DEA, FBI, Foreign Claims Settlement Commission (FCSC), Organized Crime Drug Enforcement Task Force (OCDETF) program, Office of Dispute Resolution (ODR), OJP, Office of Legal Counsel (OLC), Office of the Pardon Attorney (OPA), Office of the Solicitor General (OSG), Office on Violence Against Women (OVW), USAs, USMS, U.S. National Central Bureau (USNCB), United States Trustees and the Antitrust, Civil, Civil Rights, Criminal, Environment and Natural Resources and Tax Divisions
III	Includes resources for BOP, EOIR, Fees and Expenses of Witnesses (FEW), Federal Prison Industries (FPI), OJP, JPATS, USMS, USPC, and services to America's crime victims

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.<sup>1</sup>

<sup>1</sup> 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.

**Budgetary Resources:** The Department's FY 2007 Combined Statement of Budgetary Resources shows \$36.8 billion in total budgetary resources, an increase of \$2.9 billion from the previous year's total budgetary resources of \$33.9 billion.

**Net Outlays:** The Department's FY 2007 Combined Statement of Budgetary Resources shows \$23.64 billion in net outlays, a decrease of \$23 million from the previous year's total net outlays of \$23.66 billion.

## Data Reliability and Validity

The Department views data reliability and validity as critically important in the planning and assessment of its performance. As such, the Department makes every effort to constantly improve the completeness and reliability of its performance information by performing "data scrubs" (routine examination of current and historical data sets, as well as looking toward the future for trends) to ensure the data we rely on to make day-to-day management decisions are as accurate and reliable as possible and targets are ambitious enough given the resources provided. In an effort to communicate our data limitations and commitment to providing accurate data, this document includes a discussion of data validation, verification, and any identified data limitations for each performance measure presented. The Department ensures each reporting component providing data for this report meets the following criteria as outlined in the OMB, Circular A-11, *Preparation, Submission, and Execution of the Budget*, Section 230.2 (e), paragraph 3:

*Performance data need not be perfect to be reliable, particularly if the cost and effort to secure the best performance data possible will exceed the value of any data so obtained. Agencies must discuss in their assessments of the completeness and reliability of the performance data any limitations on the reliability of the data. Additionally, agencies should discuss in their annual performance reports efforts underway to improve the completeness and reliability of future performance information as well as any audits, studies, or evaluations that attest to the quality of current data or data collection efforts.*