Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Department of Justice (Department) has a wide range of responsibilities which include: detecting, apprehending, prosecuting, and incarcerating criminal offenders; operating federal prison factories; upholding the civil rights of all Americans; enforcing laws to protect the environment; ensuring healthy competition of business in the United States' free enterprise system; safeguarding the consumer from fraudulent activity; carrying out the immigration laws of the United States; and representing the American people in all legal matters involving the U.S. Government. Under the direction of the Attorney General, these responsibilities are discharged by the components of the Department.

For purposes of these consolidated/combined financial statements, the following components comprise the Department's reporting entity:

- Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF/SADF)
- Offices, Boards and Divisions (OBDs)
- U.S. Marshals Service (USMS)
- Office of Justice Programs (OJP)
- Drug Enforcement Administration (DEA)
- Federal Bureau of Investigation (FBI)
- Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF)
- Bureau of Prisons (BOP)
- Federal Prison Industries, Inc. (FPI)

The American Recovery and Reinvestment Act of 2009 (ARRA) (Public Law 111-5) was signed into law by President Obama on February 17, 2009. As one of its many elements, the Recovery Act provides the Department with funding for grants to assist state, local, and tribal law enforcement (including support for hiring), to combat violence against women, to fight internet crimes against children, to improve the functioning of the criminal justice system, to assist victims of crime, and to support youth mentoring.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

B. Basis of Presentation

These financial statements have been prepared from the books and records of the Department in accordance with United States generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) and presentation guidelines in the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. These financial statements are different from the financial reports prepared pursuant to OMB directives which are used to monitor and control the use of the Department's budgetary resources. The accompanying financial statements include the accounts of all funds under the Department's control. To ensure that the Department financial statements are meaningful at the entity level and to enhance reporting consistency within the Department, Other Assets and Other Liabilities as defined by OMB Circular A-136 have been disaggregated on the balance sheet. These included Forfeited Property, Net; Advances and Prepayments; Accrued Grant Liabilities; Accrued Federal Employees' Compensation Act Liabilities; Custodial Liabilities; Accrued Payroll and Benefits; Accrued Annual and Compensatory Leave Liabilities; Deferred Revenue; Seized Cash and Monetary Instruments; Contingent Liabilities; Capital Lease Liabilities; and Radiation Exposure Compensation Act Liabilities.

C. Basis of Consolidation

The consolidated/combined financial statements of the Department include the accounts of the AFF/SADF, OBDs, USMS, OJP, DEA, FBI, ATF, BOP, and FPI. All significant proprietary intra-departmental transactions and balances have been eliminated in consolidation. The Statements of Budgetary Resources and Statements of Custodial Activity are combined statements for FYs 2009 and 2008, and as such, intra-departmental transactions have not been eliminated.

D. Basis of Accounting

Transactions are recorded on the accrual and budgetary bases of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred, regardless of when cash is exchanged. Under the budgetary basis, however, funds availability is recorded based upon legal considerations and constraints. As a result, certain line items on the proprietary financial statements may not equal similar line items on the budgetary financial statements. FPI is non-appropriated and self-sustaining. While FPI performs budgetary accounting in preparing its financial statements, FPI does not record budgetary information at the transaction level.

Custodial activity reported on the Combined Statement of Custodial Activity is prepared on the modified cash basis. Civil and Criminal Debt Collections are recorded when the Department receives payment from debtors. Accrual adjustments are made related to collections of fees and licenses.

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

D. Basis of Accounting (continued)

The financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources and legal authority to do so.

E. Non-Entity Assets

Non-entity assets are not available for use by the Department and consist primarily of restricted undisbursed civil and criminal debt collections, seized cash, accounts receivable, and other monetary assets.

F. Fund Balance with U.S. Treasury and Cash

Funds with the Department of the Treasury (Treasury) represent primarily appropriated, revolving, and trust funds available to pay current liabilities and finance future authorized purchases. The Treasury, as directed by authorized certifying officers, processes cash receipts and disbursements. The Department does not, for the most part, maintain cash in commercial bank accounts. Certain receipts, however, are processed by commercial banks for deposit into individual accounts maintained at the Treasury. The Department's cash and other monetary assets consist of undeposited collections, imprest funds, cash used in undercover operations, cash held as evidence, and seized cash.

G. Investments

Investments are market-based Treasury securities issued by the Bureau of Public Debt. When securities are purchased, the investment is recorded at face value (the value at maturity). The Department's intent is to hold investments to maturity, unless securities are needed to sustain operations. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity. The market value of the investments is the current market value at the end of the reporting period. It is calculated by using the "End of Day" price listed in The FedInvest Price File which can be found on the Bureau of Public Debt website (http://www.fedinvest.gov/). Investments are reported on the Consolidated Balance Sheet at their net value, the face value plus or minus any unamortized premium or discount. Premiums and discounts are amortized over the life of the Treasury security. Amortization is based on the straight-line method over the term of the securities.

The AFF, the U.S. Trustee System Fund, and the Federal Prison Commissary Fund are three earmarked funds that invest in Treasury securities. The Treasury does not set aside assets to pay future expenditures associated with earmarked funds. Instead, the cash generated from earmarked funds is used by the Treasury for general Government purposes. When these earmarked funds redeem their Treasury securities to make expenditures, the Treasury will finance the expenditures in the same manner that it finances all other expenditures.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

G. Investments (continued)

Treasury securities are issued to the earmarked funds as evidence of earmarked receipts and provide the funds with the authority to draw upon the U.S. Treasury for future authorized expenditures. Treasury securities held by an earmarked fund are an asset of the fund and a liability of the Treasury, so they are eliminated in consolidation for the U.S. Government-wide financial statements.

H. Accounts Receivable

Net accounts receivable includes reimbursement and refund receivables due from federal agencies and others, less the allowance for doubtful accounts. Generally, most intragovernmental accounts receivable are considered fully collectible. The allowance for doubtful accounts for public receivables is estimated based on past collection experience and analysis of outstanding receivable balances at year end.

I. Inventory and Related Property

Inventory is maintained primarily for the manufacture of goods for sale to customers. This inventory is composed of three categories: Raw Materials, Work in Process, and Finished Goods. Raw material inventory value is based upon moving average costs, and the values of sub-assembly and finished goods inventories are based upon standard costs that are periodically adjusted to approximate actual costs that include material, labor and manufacturing overhead.

An allowance for inventory valuation and obsolescence is recorded for anticipated inventory losses of contracts where the current estimated cost to manufacture the item exceeds the total sales price, as well as estimated losses for inventories that may not be utilized in the future.

Additional inventories consist of new and rehabilitated office furniture, equipment and supplies used for the repair of airplanes, administrative supplies and materials, commissary sales to inmates (sundry items), metals, plastics, electronics, graphics, and optics.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

J. General Property, Plant and Equipment

Real property, except for land, is capitalized when the cost of acquiring and/or improving the asset is $100 or more and the asset has a useful life of two or more years. Land is capitalized regardless of the acquisition cost. Real property is depreciated or amortized, based on historical cost, using the straight-line method over the estimated useful life of the asset.

Except for BOP and FPI, Department acquisitions of personal property, excluding internal use software, $25 and over are capitalized if the asset has an estimated useful life of two or more years. Personal property is depreciated, based on historical cost, using the straight-line method over the estimated useful life of the asset. BOP and FPI capitalize personal property acquisitions over $5.

Internal use software is capitalized when developmental phase costs or enhancement costs are $500 or more and the asset has an estimated useful life of two or more years. Aircraft are capitalized when the initial cost of acquiring those assets is $100 or more. Internal use software and aircraft are depreciated, based on historical cost, using the straight-line method over the estimated useful life of the asset.

K. Advances and Prepayments

Advances and prepayments, classified as assets on the Consolidated Balance Sheets, consist primarily of funds disbursed to grantees in excess of total expenditures made by those grantees to third parties, funds advanced to state and local participants in the DEA Domestic Cannabis Eradication and Suppression Program, and travel advances issued to federal employees for official travel. Travel advances are limited to meals and incidental expenses expected to be incurred by the employees during official travel. Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of payment and are recognized as expenses when the goods and services are received.

L. Forfeited and Seized Property

Forfeited property is property for which the title has passed to the U.S. Government. This property is recorded at the estimated fair market value at the time of forfeiture and is not adjusted for any subsequent increases and decreases in estimated fair market value. The value of the property is reduced by the estimated liens of record.

Property is seized in consequence of a violation of public law. Seized property can include monetary instruments, real property, and tangible personal property of others in the actual or constructive possession of the custodial agency. Most non-cash property is held by the USMS from the point of seizure until its disposition. This property is recorded at the estimated fair market value at the time of seizure.

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

M. Liabilities

Liabilities represent the monies or other resources that are likely to be paid by the Department as the result of a transaction or event that has already occurred. However, no liability can be paid by the Department absent proper budget authority. Liabilities that are not funded by the current year appropriation are classified as liabilities not covered by budgetary resources in Note 11.

On October 15, 1990, Congress passed the Radiation Exposure Compensation Act (RECA), 42 U.S.C. § 2210 note (1990), providing for compassionate payments to individuals who contracted certain cancers and other serious diseases as a result of their exposure to radiation released during above-ground nuclear weapons tests or as a result of their exposure to radiation during employment in underground uranium mines. The September 30, 2009 and 2008 estimated liabilities are based on historical data collected since the Program commenced operations in 1992, and management's assumptions concerning receipt and approval of claims in the future.

Key factors in determining liability are the number of claims filed, the number of claims approved, and estimates for these factors through FY 2022. These estimates are then discounted in accordance with the discount rates set by OMB.

N. Accrued Grant Liabilities

Disbursements of grant funds are recognized as expenses at the time of disbursement. However, some grant recipients incur expenditures prior to initiating a request for disbursement based on the nature of the expenditures. The OBDs and OJP accrue a liability for expenditures incurred by grantees prior to receiving grant funds for expenditures. The amount to be accrued is determined through an analysis of historic grant expenditures. These estimates are based on the most current information available at the time the financial statements are prepared.

O. Contingencies and Commitments

The Department is involved in various legal actions, including administrative proceedings, lawsuits, and claims. A liability is generally recognized as an unfunded liability for those legal actions where unfavorable decisions are considered "probable" and an estimate for the liability can be made. Contingent liabilities that are considered "probable" or "reasonably possible" are disclosed in Note 16. Liabilities that are considered "remote" are not recognized in the financial statements or disclosed in the notes to the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

P. Annual, Sick, and Other Leave

Annual and compensatory leave is expensed with an offsetting liability as it is earned and the liability is reduced as leave is taken. Each year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. To the extent current or prior year appropriations are not available to fund annual and compensatory leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of nonvested leave are expensed as taken.

Q. Interest on Late Payments

Pursuant to the Prompt Payment Act, 31 U.S.C. § 3901-3907, the Department pays interest on payments for goods or services made to business concerns after the due date. The due date is generally 30 days after receipt of a proper invoice or acceptance of the goods or services, whichever is later.

R. Retirement Plan

With few exceptions, employees hired before January 1, 1984 are covered by the Civil Service Retirement System (CSRS) and employees hired on or after that date are covered by the Federal Employees Retirement System (FERS). For employees covered by CSRS, the Department contributes 7% of the employees' gross pay for regular and 7.5% for law enforcement officers' retirement. For employees covered by FERS, the Department contributes 11.2% of employees' gross pay for regular and 24.9% for law enforcement officers' retirement. All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For those employees covered by the FERS, a TSP account is automatically established to which the Department is required to contribute an additional 1% of gross pay and match employee contributions up to 4%. No contributions are made to the TSP accounts established by the CSRS employees. The Department does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to its employees. Such reporting is the responsibility of the Office of Personnel Management (OPM). Statement of Federal Financial Accounting Standards (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*, requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees' active years of service. Refer to Note 19, *Imputed Financing from Costs Absorbed by Others*, for additional details.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

S. Federal Employee Compensation Benefits

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The total FECA liability consists of an actuarial and an accrued portion as discussed below.

Actuarial Liability: The Department of Labor (DOL) calculates the liability of the federal government for future compensation benefits, which includes the expected liability for death, disability, medical, and other approved costs. The liability is 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. The projected annual benefit payments are discounted to present value. The resulting federal government liability is then distributed by agency. The Department portion of this liability includes the estimated future cost of death benefits, workers' compensation, medical, and miscellaneous cost for approved compensation cases for the Department employees. The Department liability is further allocated to component reporting entities on the basis of actual payments made to the FECA Special Benefits Fund (SBF) for the three prior years as compared to the total Department payments made over the same period.

The FECA actuarial liability is recorded for reporting purposes only. This liability constitutes an extended future estimate of cost, which will not be obligated against budgetary resources until the fiscal year in which the cost is actually billed to the Department. The cost associated with this liability cannot be met by the Department without further appropriation action.

Accrued Liability: The accrued FECA liability is the amount owed to the DOL for the benefits paid from the FECA SBF directly to Department employees.

T. Intragovernmental Activity

These transactions and/or balances result from business activities conducted between two different federal government entities.

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

U. Revenues and Other Financing Sources

The Department receives the majority of funding needed to support its programs through Congressional appropriations. The Department receives annual, multi-year, and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures. Additional funding is obtained through exchange revenues, nonexchange revenues, and transfers-in.

Appropriations Used are recognized as budgetary financing sources at the time the related program or administrative expenses are incurred. Exchange revenues are recognized when earned, for example, when goods have been delivered or services rendered. Nonexchange revenues are resources that the government demands or receives, for example, forfeiture revenue and fines and penalties.

The Department's exchange revenue consists of the following activities: licensing fees to manufacture and distribute controlled substances; services rendered for legal activities; space management; data processing services; sale of merchandise and telephone services to inmates; sale of manufactured goods and services to other federal agencies; and other services. Fees are set by law and are periodically evaluated in accordance with OMB guidance.

The Department's nonexchange revenue consists of forfeiture income resulting from the sale of forfeited property, penalties in lieu of forfeiture, recovery of returned asset management cost, judgment collections, and other miscellaneous income. Other nonexchange revenue includes the OJP Crime Victims Fund receipts, ATF fees from firearms and ammunition industries, and AFF/SADF interest on investments with the Treasury.

The Department's deferred revenue includes fees received for processing various applications and licenses with DEA for which the process was not completed at the end of fiscal year or for licenses that are valid for multiple years. These monies are recorded as liabilities in the financial statements. Deferred revenue also includes forfeited property held for sale. When the property is sold, deferred revenue is reversed and forfeiture revenue in the amount of the gross proceeds of the sale is recorded.

V. Earmarked Funds

SFFAS No. 27, *Identifying and Reporting Earmarked Funds*, defines 'earmarked funds' as being financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the government's general revenues. The three required criteria for an Earmarked Fund are:

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

V. Earmarked Funds (continued)

1. A statute committing the federal government to use specifically identified revenues and other financing sources only for designated activities, benefits or purposes;
2. Explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
3. A requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government's general revenues.

The following funds meet the definition of an earmarked fund: AFF, UST System Fund, Antitrust Division, Crime Victims Fund, Diversion Control Fee Account, and Federal Prison Commissary Fund.

W. Tax Exempt Status

As an agency of the federal government, the Department is exempt from all taxes imposed by any governing body whether it be a federal, state, commonwealth, local or foreign government.

X. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Y. Reclassifications

The FY 2008 financial statements were reclassified to conform to the FY 2009 Departmental financial statement presentation requirements. The reclassifications had no material effect on total assets, liabilities, net position, change in net position or budgetary resources as previously reported.

Z. Subsequent Events

Subsequent events and transactions occurring after September 30, 2009 through the date of the auditors' opinion have been evaluated for potential recognition or disclosure in the financial statements. The date of the auditors' opinion also represents the date that the financial statements were available to be issued.

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 2. Non-Entity Assets

As of September 30, 2009 and 2008

	2009	2008
Intragovernmental		
Fund Balance with U.S. Treasury	$ 293,403	$ 532,327
Investments, Net	1,376,821	1,208,217
Total Intragovernmental	1,670,224	1,740,544
With the Public		
Cash and Monetary Assets	205,908	148,410
Accounts Receivable, Net	15,053	15,003
Total With the Public	220,961	163,413
Total Non-Entity Assets	1,891,185	1,903,957
Total Entity Assets	34,736,643	27,440,090
Total Assets	$ 36,627,828	$ 29,344,047

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 3. Fund Balance with U.S. Treasury

The Fund Balances with U.S. Treasury represent the unexpended balances on the Department's books for all the Department's Treasury Symbols.

As of September 30, 2009 and 2008

	2009	2008
Fund Balances		
Trust Funds	$ 96,440	$ 82,885
Special Funds	4,396,836	3,247,682
Revolving Funds	414,811	612,318
General Funds	15,886,777	11,595,325
Other Fund Types	62,151	57,233
Total Fund Balances with U.S. Treasury	$ 20,857,015	$ 15,595,443
Status of Fund Balances		
Unobligated Balance - Available	$ 2,747,973	$ 2,451,886
Unobligated Balance - Unavailable	1,298,879	1,097,976
Obligated Balance not yet Disbursed	15,728,297	11,439,571
Other Funds (With)/Without Budgetary Resources	1,081,866	606,010
Total Status of Fund Balances	$ 20,857,015	$ 15,595,443

Annual and multi-year budget authority expires at the end of its period of availability. During the first through the fifth expired years, the unobligated balance becomes unavailable and may be used to adjust obligations and disbursements that were recorded before the budgetary authority expired or to meet a legitimate or bona fide need arising in the fiscal year for which the appropriation was made. The unobligated balance for no-year budget authority may be used to incur obligations indefinitely for the purpose specified by the appropriation act. No-year budget authority unobligated balances are still subject to the annual apportionment and allotment process.

Other Funds (With)/Without Budgetary Resources primarily represent the net difference of 1) investments in short-term securities with budgetary resources, 2) resources temporarily not available pursuant to public law, 3) custodial liabilities, and 4) miscellaneous receipts.

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 4. Cash and Monetary Assets

As of September 30, 2009 and 2008

	2009	2008
Cash		
Undeposited Collections	$ 10,022	$ 14,881
Imprest Funds	11,158	15,332
Seized Cash Deposited	135,002	91,144
Other Cash	7,691	7,625
Total Cash	163,873	128,982
Monetary Assets		
Seized Monetary Instruments	65,921	53,227
Total Cash and Monetary Assets	$ 229,794	$ 182,209

Note 5. Investments, Net

	Face Value	Unamortized Premium (Discount)	Interest Receivable	Investments, Net	Market Value
As of September 30, 2009					
Intragovernmental					
Non-Marketable Securities					
Market Based	$ 3,843,066	$ (476)	$ 195	$ 3,842,785	$ 3,843,218
As of September 30, 2008					
Intragovernmental					
Non-Marketable Securities					
Market Based	$ 3,317,153	$ (5,849)	$ -	$ 3,311,304	$ 3,313,091

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 6. Accounts Receivable, Net

As of September 30, 2009 and 2008

	2009	2008
Intragovernmental		
Accounts Receivable	$ 332,216	$ 359,468
Allowance for Uncollectible Accounts	(5,806)	(891)
Total Intragovernmental	326,410	358,577
With the Public		
Accounts Receivable	94,791	146,123
Allowance for Uncollectible Accounts	(14,967)	(22,323)
Total With the Public	79,824	123,800
Total Accounts Receivable, Net	$ 406,234	$ 482,377

The accounts receivable with the public primarily consists of OBDs U.S. Trustee Chapter 11 quarterly fees, FBI Non Federal User Fee Program, FBI National Name Check Program, court mandated restitution, and refunds due from the public.

Note 7. Inventory and Related Property, Net

As of September 30, 2009 and 2008

	2009	2008
Inventory		
Raw Materials	$ 148,399	$ 134,422
Work in Process	49,282	53,648
Finished Goods	55,939	56,259
Inventory Purchased for Resale	16,653	20,599
Excess, Obsolete, and Unserviceable	22,825	20,288
Inventory Allowance	(12,213)	(14,501)
Operating Materials and Supplies		
Held for Current Use	17,816	13,502
Total Inventory and Related Property, Net	$ 298,701	$ 284,217

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 8. Forfeited and Seized Property

Equitable Sharing Payments:

The statute governing the use of the AFF (28 U.S.C. §524(c)) permits the payment of equitable shares of forfeiture proceeds to participating foreign governments and state and local law enforcement agencies. The statute does not require such sharing and permits the Attorney General wide discretion in determining those transfers. Actual sharing is difficult to predict because many factors influence both the amount and timing of disbursement of equitable sharing payments, such as the length of time required to move an asset through the forfeiture process to disposition, the amount of net proceeds available for sharing, the elapse of time for Departmental approval of equitable sharing requests for cases with asset values exceeding $1 million, and appeal of forfeiture judgments. Because of uncertainties surrounding the timing and amount of any equitable sharing payment, an obligation and expense are recorded only when the actual disbursement of the equitable sharing payment is imminent. The anticipated equitable sharing allocation level for FY 2010 is $450 million.

Analysis of Change in Forfeited Property:

The number of items represents quantities calculated using many different units of measure. The adjustments for FYs 2009 and 2008 include property status and valuation changes received after, but properly credited to FYs 2008 and 2007, respectively. The valuation changes include updates and corrections to an asset’s value recorded in a prior year.

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 8. Forfeited and Seized Property (continued)

For the Fiscal Year Ended September 30, 2009

Forfeited Property Category		Beginning Balance	Adjust-ments	Forfeitures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Financial Instruments	Number	80	-	143	(133)	90	-	90
	Value	$ 1,847	$ -	$ 49,642	$ (31,809)	19,680	$ -	$ 19,680
Real Property	Number	478	-	451	(433)	496	-	496
	Value	$103,163	$ -	$ 93,195	$ (91,453)	104,905	$ (1,488)	$ 103,417
Personal Property	Number	2,899	-	5,725	(5,128)	3,496	-	3,496
	Value	$ 41,532	$ (3,252)	$123,799	$ (57,041)	105,038	$ (1,292)	$ 103,746
Non-Valued Firearms	Number	22,607	-	11,377	(12,044)	21,940	-	21,940
Total	Number	26,064	-	17,696	(17,738)	26,022	-	26,022
	Value	$146,542	$ (3,252)	$266,636	$ (180,303)	$229,623	$ (2,780)	$ 226,843

For the Fiscal Year Ended September 30, 2008

Forfeited Property Category		Beginning Balance	Adjust-ments	Forfeitures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Financial Instruments	Number	61	3	254	(238)	80	-	80
	Value	$ 2,123	$ (660)	$ 39,869	$ (39,485)	1,847	$ -	$ 1,847
Real Property	Number	411	1	391	(325)	478	-	478
	Value	$ 90,709	$ 2,500	$ 73,585	$ (63,631)	103,163	$ (4,640)	$ 98,523
Personal Property	Number	2,970	378	4,436	(4,885)	2,899	-	2,899
	Value	$ 35,601	$ 488	$ 94,075	$ (88,632)	41,532	$ (2,005)	$ 39,527
Non-Valued Firearms	Number	19,650	-	8,939	(5,982)	22,607	-	22,607
Total	Number	23,092	382	14,020	(11,430)	26,064	-	26,064
	Value	$128,433	$ 2,328	$207,529	$ (191,748)	$146,542	$ (6,645)	$ 139,897

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 8. Forfeited and Seized Property (continued)

Method of Disposition of Forfeited Property:

During FYs 2009 and 2008, $104,883 and $93,916 of forfeited property were sold, $7,032 and $32,652 were destroyed or donated, $24,831 and $11,188 were returned to owners, and $43,557 and $53,992 were disposed of by other means, respectively. Other means of distribution include property transferred to other federal agencies for official use or equitable sharing or property distributed to a state or local agency.

Analysis of Change in Seized Property:

Property seized for any purpose other than forfeiture and held by the seizing agency or a custodial agency should be disclosed by the seizing agency. All property seized for forfeiture, including property with evidentiary value, will be reported by the AFF/SADF. The Department has established a reporting threshold of $1,000 (one thousand) or more for Personal Property seized for evidentiary purposes.

A seizure is the act of taking possession of goods in consequence of a violation of public law. Seized property consists of seized cash, monetary instruments, real property and tangible personal property in the actual or constructive possession of the seizing and the custodial agencies. The Department, until judicially or administratively forfeited, does not legally own such property. Seized evidence includes cash, financial instruments, non-monetary valuables, firearms, and illegal drugs. The AFF/SADF reports property seized for forfeiture and the FBI, DEA, and ATF report property seized for evidence.

During FY 2008, management determined that reporting Department-wide seized firearms is a preferred practice, although the seizure of firearms is considered inconsequential to FBI and DEA's primary mission. The sensitive nature of these items led management to adopt this practice in fiscal year 2008 by recognizing a one-time adjustment for FBI and DEA to ensure Department-wide reporting. Beginning in FY 2009, the seizures and disposals of firearms will be reported for all components.

The adjustments for FYs 2009 and 2008 include property status and valuation changes received after, but properly credited to FYs 2008 and 2007, respectively. The valuation changes include updates and corrections to an asset's value recorded in a prior year. In addition, adjustments include FY 2008 non-valued seized property ending balances that were used to determine the FY 2009 beginning balances for non-valued seized property.

The DEA, FBI, and ATF have custody of illegal drugs taken as evidence for legal proceedings. In accordance with Federal Financial Accounting and Auditing Technical Release No. 4, *Reporting on Non-Valued Seized and Forfeited Property*, the Department reports the total amount of seized drugs by quantity only, as illegal drugs have no value and are destroyed upon resolution of legal proceedings.

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 8. Forfeited and Seized Property (continued)

Analyzed drug evidence represents actual laboratory tested classification and weight in kilograms (KG). Since enforcing the controlled substances laws and regulations of the United States is a primary mission of the DEA, the DEA reports all analyzed drug evidence regardless of seizure weight. However, the enforcement of these laws and regulations is incidental to the missions of the FBI and ATF and therefore they only report those individual seizures exceeding 1 KG in weight.

"Adjustments" are primarily due to the validation of drug weights that occurs after the drugs have been analyzed. "Other Drugs" are illegal substances not including cocaine, heroin, marijuana, bulk drug evidence, and methamphetamine. "Bulk Drug Evidence" is comprised of controlled substances housed by the DEA in secured storage facilities of which only a sample is taken for laboratory analysis. The actual bulk drug weight may vary from seizure weight due to changes in moisture content over time.

Unanalyzed drug evidence is qualitatively different from analyzed and bulk drug evidence because unanalyzed drug evidence includes the weight of packaging and drug categories are based on the determination of Special Agents instead of laboratory chemists. For these reasons, unanalyzed drug evidence is not reported by the Department. Seized drug evidence must be analyzed and confirmed through laboratory testing to be placed in one of the five categories of drug above. "Disposals" occur when evidence is either returned to the owner or destroyed in accordance with federal guidelines.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 8. Forfeited and Seized Property (continued)

For the Fiscal Year Ended September 30, 2009

Seized Property Category		Beginning Balance	Adjust-ments	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized for Forfeiture								
Seized Cash Deposited and Seized Monetary Instruments	Value	$1,228,440	$ -	$1,544,033	$(1,321,214)	$ 1,451,259	$(62,683)	$ 1,388,576
Financial Instruments	Number	384	-	71	(90)	365	-	365
	Value	$ 102,209	$ -	$ 50,116	$ (27,747)	$ 124,578	$ (8,272)	$ 116,306
Real Property	Number	199	-	190	(179)	210	-	210
	Value	$ 65,663	$ -	$ 61,426	$ (60,911)	$ 66,178	$ (9,761)	$ 56,417
Personal Property	Number	7,365	3	7,501	(7,440)	7,429	-	7,429
	Value	$ 144,304	$ 389	$ 154,686	$ (140,499)	$ 158,880	$(15,238)	$ 143,642
Non-Valued Firearms	Number	42,708	-	14,919	(18,058)	39,569	-	39,569

For the Fiscal Year Ended September 30, 2008

Seized Property Category		Beginning Balance	Adjust-ments	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized for Forfeiture								
Seized Cash Deposited and Seized Monetary Instruments	Value	$1,265,908	$ 3,284	$1,032,772	$(1,073,524)	$ 1,228,440	$(73,740)	$ 1,154,700
Financial Instruments	Number	304	36	190	(146)	384	-	384
	Value	$ 115,246	$ (239)	$ 24,528	$ (37,326)	$ 102,209	$ (6,455)	$ 95,754
Real Property	Number	203	-	254	(258)	199	-	199
	Value	$ 77,042	$ 600	$ 47,031	$ (59,010)	$ 65,663	$(10,582)	$ 55,081
Personal Property	Number	6,574	5	7,188	(6,402)	7,365	-	7,365
	Value	$ 163,624	$ 118	$ 108,469	$ (127,907)	$ 144,304	$(16,596)	$ 127,708
Non-Valued Firearms	Number	35,120	-	16,903	(9,315)	42,708	-	42,708

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 8. Forfeited and Seized Property (continued)

For the Fiscal Year Ended September 30, 2009

Seized Property Category		Beginning Balance	Adjust-ments	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized for Evidence								
Seized Monetary Instruments	Value	$ 38,171	$ (4,946)	$ 35,375	$ (28,199)	$ 40,401	$ -	$ 40,401
Personal Property	Number	51,693	(50,625)	740	(323)	$ 1,485	-	1,485
	Value	$ 29,459	$(18,475)	$ 25,717	$ (8,758)	$ 27,943	$ -	$ 27,943
Non-Valued								
Firearms	Number	45,259	(269)	6,807	(7,919)	$ 43,878	-	43,878
Drug Evidence								
Cocaine	KG	393,021	540	58,114	(102,224)	349,451	-	349,451
Heroin	KG	3,489	(81)	654	(490)	3,572	-	3,572
Marijuana	KG	21,017	(1,776)	5,359	(4,687)	19,913	-	19,913
Bulk Drug Evidence	KG	216,689	2,358	1,200,533	(1,195,644)	223,936	-	223,936
Methamphetamine	KG	6,212	204	1,741	(1,366)	6,791	-	6,791
Other Drugs	KG	52,598	(370)	6,217	(11,265)	47,180	-	47,180
Total Drug Evidence	KG	693,026	875	1,272,618	(1,315,676)	650,843	-	650,843

For the Fiscal Year Ended September 30, 2008

Seized Property Category		Beginning Balance	Adjust-ments	Seizures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
Seized for Evidence								
Seized Monetary Instruments	Value	$ 33,305	$ (3,927)	$ 33,655	$ (24,862)	$ 38,171	$ -	$ 38,171
Personal Property	Number	58,193	(9,757)	16,750	(13,493)	51,693	-	51,693
	Value	$ 26,034	$ 1,786	$ 12,129	$ (10,490)	$ 29,459	$ -	$ 29,459
Non-Valued								
Firearms	Number	15,814	28,994	6,012	(5,561)	45,259	-	45,259
Drug Evidence								
Cocaine	KG	470,579	97	38,138	(115,793)	393,021	-	393,021
Heroin	KG	3,345	(19)	738	(575)	3,489	-	3,489
Marijuana	KG	22,450	539	4,320	(6,292)	21,017	-	21,017
Bulk Drug Evidence	KG	196,341	5,891	824,464	(810,007)	216,689	-	216,689
Methamphetamine	KG	6,999	(262)	1,353	(1,878)	6,212	-	6,212
Other Drugs	KG	50,882	44	8,910	(7,238)	52,598	-	52,598
Total Drug Evidence	KG	750,596	6,290	877,923	(941,783)	693,026	-	693,026

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 8. Forfeited and Seized Property (continued)

Method of Disposition of Seized Property:

During FYs 2009 and 2008, $1,402,885 and $1,197,402 of seized property were forfeited, $136,939 and $92,606 were returned to parties with a bonafide interest, and $47,504 and $43,111 were disposed of by other means, respectively. Other means of disposition include seized property that is sold, converted to cash, or destroyed.

Note 9. General Property, Plant and Equipment, Net

As of September 30, 2009

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 192,971	$ -	$ 192,971	N/A
Improvements to Land	4,518	(251)	4,267	15 yrs
Construction in Progress	884,163	-	884,163	N/A
Buildings, Improvements and Renovations	8,789,318	(3,374,721)	5,414,597	2-50 yrs
Other Structures and Facilities	774,780	(358,344)	416,436	10-50 yrs
Aircraft	343,708	(102,815)	240,893	5-30 yrs
Boats	10,061	(4,709)	5,352	5-25 yrs
Vehicles	500,119	(311,073)	189,046	2-25 yrs
Equipment	1,548,950	(982,552)	566,398	2-25 yrs
Assets Under Capital Lease	107,247	(54,366)	52,881	5-30 yrs
Leasehold Improvements	971,367	(509,398)	461,969	2-20 yrs
Internal Use Software	333,728	(151,195)	182,533	3-10 yrs
Internal Use Software in Development	603,520	-	603,520	N/A
Total	$ 15,064,450	$ (5,849,424)	$ 9,215,026	

	Federal	Public	Total
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2009	$ 252,302	$ 911,475	$ 1,163,777

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 9. General Property, Plant and Equipment, Net (continued)

As of September 30, 2008

	Acquisition Cost	Accumulated Depreciation	Net Book Value	Useful Life
Land and Land Rights	$ 191,090	$ -	$ 191,090	N/A
Construction in Progress	882,838	-	882,838	N/A
Buildings, Improvements and Renovations	8,521,747	(3,087,493)	5,434,254	2-50 yrs
Other Structures and Facilities	728,679	(323,457)	405,222	10-50 yrs
Aircraft	268,484	(88,848)	179,636	5-30 yrs
Boats	9,250	(4,097)	5,153	5-25 yrs
Vehicles	474,756	(283,562)	191,194	2-25 yrs
Equipment	1,435,683	(921,869)	513,814	2-25 yrs
Assets Under Capital Lease	102,118	(49,083)	53,035	5-30 yrs
Leasehold Improvements	778,083	(431,048)	347,035	2-20 yrs
Internal Use Software	278,920	(115,281)	163,639	3-10 yrs
Internal Use Software in Development	391,630	-	391,630	N/A
Total	$ 14,063,278	$ (5,304,738)	$ 8,758,540	

	Federal	Public	Total
Sources of Capitalized Property, Plant and Equipment Purchases for FY 2008	$ 181,226	$ 1,020,773	$ 1,201,999

Note 10. Other Assets

As of September 30, 2009 and 2008

	2009	2008
Intragovernmental		
Advances and Prepayments	$ 130,878	$ 118,675
Other Intragovernmental Assets	110	87
Total Intragovernmental	130,988	118,762
Other Assets With the Public	4,921	4,738
Total Other Assets	$ 135,909	$ 123,500

Other Assets With the Public primarily consist of farm livestock held by the BOP.

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 11. Liabilities not Covered by Budgetary Resources

As of September 30, 2009 and 2008

	2009	2008
Intragovernmental		
Accrued FECA Liabilities	$ 234,173	$ 224,679
Other Unfunded Employment Related Liabilities	1,528	3,406
Other	46	-
Total Intragovernmental	235,747	228,085
With the Public		
Actuarial FECA Liabilities	1,233,899	1,136,569
Accrued Annual and Compensatory Leave Liabilities	771,814	717,168
Environmental and Disposal Liabilities (Note 12)	22,112	22,112
Deferred Revenue	269,840	215,330
Contingent Liabilities (Note 16)	172,653	164,312
Capital Lease Liabilities (Note 13)	36,956	42,735
RECA Liabilities	343,835	321,671
Other	14,282	8,375
Total With the Public	2,865,391	2,628,272
Total Liabilities not Covered by Budgetary Resources	3,101,138	2,856,357
Total Liabilities Covered by Budgetary Resources	6,095,373	5,759,201
Total Liabilities	$ 9,196,511	$ 8,615,558

Generally, liabilities not covered by budgetary resources are liabilities for which Congressional action is needed before budgetary resources can be provided. However, some liabilities do not require appropriations and will be liquidated by the assets of the entities holding these liabilities. Such assets include civil and criminal debt collections, seized cash and monetary instruments, and revolving fund operations.

Note 12. Environmental and Disposal Liabilities

The BOP operates firing ranges on 64 of the sites where its institutions are located. Use of these firing ranges generates waste consisting primarily of lead shot and spent rounds from rifles, shotguns, pistols, and automatic weapons. At operational firing ranges, lead-containing bullets are fired and eventually fall to the ground at or near the range. In FYs 2009 and 2008, BOP management determined that an estimated cleanup liability of $22,112 should be recorded in both years.

An extensive review of the current and past safety practices of FPI’s Recycling business segment revealed that cleanup of past lead and other contamination was recommended as the result of their glass breaking operation. Included in FPI’s Balance Sheet as of September 30, 2009 is $204 in Environmental and Disposal Liabilities.

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 13. Leases

Capital leases include a Federal Detention Center (25 year lease term) in Oklahoma City, Oklahoma; an airplane hangar (20 year lease term) in Oklahoma City, Oklahoma; and other machinery and equipment that expire over future periods.

As of September 30, 2009 and 2008

Capital Leases	2009	2008
Summary of Assets Under Capital Lease		
Land and Buildings	$ 100,352	$ 100,352
Machinery and Equipment	6,895	1,766
Accumulated Amortization	(54,366)	(49,083)
Total Assets Under Capital Lease (Note 9)	$ 52,881	$ 53,035

The net capital lease liability not covered by budgetary resources primarily represents the capital lease of the Federal Detention Center for which the Department received Congressional authority to fund with annual appropriations.

Future Capital Lease Payments Due

Fiscal Year	Land and Buildings	Machinery and Equipment	Total
2010	$ 10,086	$ 1,641	$ 11,727
2011	10,086	1,027	11,113
2012	9,073	877	9,950
2013	9,073	526	9,599
2014	9,073	-	9,073
After 2014	161	-	161
Total Future Capital Lease Payments	$ 47,552	$ 4,071	$ 51,623
Less: Imputed Interest	(8,765)	(637)	(9,402)
FY 2009 Net Capital Lease Liabilities	$ 38,787	$ 3,434	$ 42,221
FY 2008 Net Capital Lease Liabilities	$ 45,392	$ 240	$ 45,632

	2009	2008
Net Capital Lease Liabilities Covered by Budgetary Resources	$ 5,265	$ 2,897
Net Capital Lease Liabilities not Covered by Budgetary Resources	$ 36,956	$ 42,735

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 13. Leases (continued)

Operating leases have been established for multiple years. Many of the operating leases that expire over an extended period of time include an option to purchase the equipment at the current fair market value, or to renew the lease for additional periods.

Operating Lease Expenses

Lease Type	2009	2008
Noncancelable Operating Leases	$ 100,079	$ 98,874
Cancelable Operating Leases	1,500,363	1,524,156
Total Operating Lease Expenses	$ 1,600,442	$ 1,623,030

Future Noncancelable Operating Lease Payments Due

Fiscal Year	Land and Buildings	Machinery and Equipment	Total
2010	$ 116,469	$ 19,691	$ 136,160
2011	175,160	6,268	181,428
2012	240,789	4,629	245,418
2013	275,924	4,617	280,541
2014	289,598	12	289,610
After 2014	3,426,961	3	3,426,964
Total Future Noncancelable Operating Lease Payments	$ 4,524,901	$ 35,220	$ 4,560,121

Note 14. Seized Cash and Monetary Instruments

The Seized Cash and Monetary Instruments represent liabilities for seized assets held by the Department pending disposition.

As of September 30, 2009 and 2008

	2009	2008
Investments, Net	$ 1,290,737	$ 1,122,240
Seized Cash Deposited	135,002	91,144
Seized Monetary Instruments	65,921	53,227
Total Seized Cash and Monetary Instruments	$ 1,491,660	$ 1,266,611

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 15. Other Liabilities

As of September 30, 2009 and 2008

	2009	2008
Intragovernmental		
Employer Contributions and Payroll Taxes Payable	$ 151,946	$ 127,944
Other Post-Employment Benefits Due and Payable	125	-
Other Unfunded Employment Related Liabilities	1,528	3,558
Advances from Others	259,841	309,144
Liability for Deposit Funds, Clearing Accounts and Undeposited Collections	31,773	15,153
Other Liabilities	99,992	286,281
Total Intragovernmental	545,205	742,080
With the Public		
Other Accrued Liabilities	14,400	8,467
Advances from Others	8,591	7,406
Liability for Deposit Funds, Clearing Accounts and Undeposited Collections	46,438	46,236
Custodial Liabilities	104,446	108,965
Other Liabilities	1,990	3,439
Total With the Public	175,865	174,513
Total Other Liabilities	$ 721,070	$ 916,593

Intragovernmental Other Liabilities primarily represent civil debt collections where the Treasury General Fund is designated as the recipient of either a portion of a collection or the entire amount of a collection.

Other Accrued Liabilities with the Public consists of future funded utilities and judgment fund settlements.

The majority of Liabilities are current with the exception of a portion that consists of capital leases and those liabilities related to future employee related expenses.

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 16. Contingencies and Commitments

The Department is party to various administrative proceedings, legal actions, and claims. The balance sheet includes an estimated liability for those legal actions where the management and Chief Counsel consider adverse decisions "probable" and the amounts are reasonably estimable. For those legal actions where the management and Chief Counsel consider adverse decisions "reasonably possible" and amounts are reasonably estimable information is disclosed below. However, there are cases where amounts have not been accrued or disclosed below because the amounts of the potential loss cannot be estimated or the likelihood of an unfavorable outcome is less than reasonably possible.

	Accrued Liabilities	Estimated Range of Loss	
		Lower	Upper
As of September 30, 2009			
Probable	$ 172,653	$ 172,653	$ 197,535
Reasonably Possible		173,765	200,307
As of September 30, 2008			
Probable	$ 164,312	$ 164,312	$ 184,595
Reasonably Possible		193,229	225,777

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 17. Earmarked Funds

Earmarked funds are financed by specifically identified revenues and are required by statute to be used for designated activities or purposes, and must be accounted for separately from the Government's general revenues. See SFFAS 27, *Identifying and Reporting Earmarked Funds*, for the required criteria for an earmarked fund.

As of September 30, 2009

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Earmarked Funds
Balance Sheet							
Assets							
Fund Balance with U. S. Treasury	$ 39,583	$ 9,018	$ 45,651	$ 4,203,542	$ 143,100	$ 76,756	$ 4,517,650
Investments, Net	2,072,999	129,065	-	-	-	-	2,202,064
Other Assets	235,695	11,223	6,091	3,807	46,228	26,997	330,041
Total Assets	$ 2,348,277	$ 149,306	$ 51,742	$ 4,207,349	$ 189,328	$ 103,753	$ 7,049,755
Liabilities							
Accounts Payable	$ 695,551	$ 13,222	$ 11,660	$ 36,329	$ 995	$ 19,165	$ 776,922
Other Liabilities	226,843	19,943	14,348	58,039	288,891	11,539	619,603
Total Liabilities	$ 922,394	$ 33,165	$ 26,008	$ 94,368	$ 289,886	$ 30,704	$ 1,396,525
Net Position							
Unexpended Appropriations	$ -	$ -	$ 22,207	$ -	$ -	$ -	$ 22,207
Cumulative Results of Operations	1,425,883	116,141	3,527	4,112,981	(100,558)	73,049	5,631,023
Total Net Position	$ 1,425,883	$ 116,141	$ 25,734	$ 4,112,981	$ (100,558)	$ 73,049	$ 5,653,230
Total Liabilities and Net Position	$ 2,348,277	$ 149,306	$ 51,742	$ 4,207,349	$ 189,328	$ 103,753	$ 7,049,755

For the Fiscal Year Ended September 30, 2009

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Earmarked Funds
Statement of Net Cost							
Gross Cost of Operations	$ 1,001,512	$ 223,649	$ 159,370	$ 588,070	$ 217,450	$ 328,415	$ 2,518,466
Less: Exchange Revenues	6,723	231,498	42,208	-	179,933	319,601	779,963
Net Cost (Revenue) of Operations	$ 994,789	$ (7,849)	$ 117,162	$ 588,070	$ 37,517	$ 8,814	$ 1,738,503
Statement of Changes in Net Position							
Net Position Beginning of Period	$ 1,007,809	$ 107,305	$ 17,330	$ 2,955,373	$ (69,174)	$ 78,480	$ 4,097,123
Budgetary Financing Sources	1,387,107	234	125,075	1,745,678	-	-	3,258,094
Other Financing Sources	25,756	753	491	-	6,133	3,383	36,516
Total Financing Sources	1,412,863	987	125,566	1,745,678	6,133	3,383	3,294,610
Net Cost (Revenue) of Operations	(994,789)	7,849	(117,162)	(588,070)	(37,517)	(8,814)	(1,738,503)
Net Change	418,074	8,836	8,404	1,157,608	(31,384)	(5,431)	1,556,107
Net Position End of Period	$ 1,425,883	$ 116,141	$ 25,734	$ 4,112,981	$ (100,558)	$ 73,049	$ 5,653,230

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 17. Earmarked Funds (continued)

As of September 30, 2008

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Earmarked Funds
Balance Sheet							
Assets							
Fund Balance with U. S. Treasury	$ 111,756	$ 6,304	$ 17,007	$ 3,015,259	$ 113,076	$ 72,291	$ 3,335,693
Investments, Net	1,635,344	115,043	-	-	-	-	1,750,387
Other Assets	145,121	15,300	22,536	6,073	51,922	33,845	274,797
Total Assets	$ 1,892,221	$ 136,647	$ 39,543	$ 3,021,332	$ 164,998	$ 106,136	$ 5,360,877
Liabilities							
Accounts Payable	$ 744,515	$ 11,023	$ 9,026	$ 3,351	$ 586	$ 16,713	$ 785,214
Other Liabilities	139,897	18,319	13,187	62,608	233,586	10,943	478,540
Total Liabilities	$ 884,412	$ 29,342	$ 22,213	$ 65,959	$ 234,172	$ 27,656	$ 1,263,754
Net Position							
Unexpended Appropriations	$ -	$ -	$ 44,902	$ -	$ -	$ -	$ 44,902
Cumulative Results of Operations	1,007,809	107,305	(27,572)	2,955,373	(69,174)	78,480	4,052,221
Total Net Position	$ 1,007,809	$ 107,305	$ 17,330	$ 2,955,373	$ (69,174)	$ 78,480	$ 4,097,123
Total Liabilities and Net Position	$ 1,892,221	$ 136,647	$ 39,543	$ 3,021,332	$ 164,998	$ 106,136	$ 5,360,877

For the Fiscal Year Ended September 30, 2008

	Assets Forfeiture Fund	U.S. Trustee System Fund	Antitrust Division	Crime Victims Fund	Diversion Control Fee Account	Federal Prison Commissary Fund	Total Earmarked Funds
Statement of Net Cost							
Gross Cost of Operations	$ 1,033,894	$ 225,145	$ 161,841	$ 642,195	$ 216,644	$ 313,322	$ 2,593,041
Less: Exchange Revenues	3,178	171,783	102,939	-	191,356	319,066	788,322
Net Cost (Revenue) of Operations	$ 1,030,716	$ 53,362	$ 58,902	$ 642,195	$ 25,288	$ (5,744)	$ 1,804,719
Statement of Changes in Net Position							
Net Position Beginning of Period	$ 734,213	$ 153,216	$ 32,812	$ 2,700,816	$ (49,352)	$ 69,686	$ 3,641,391
Budgetary Financing Sources	1,306,333	162	38,703	896,752	-	-	2,241,950
Other Financing Sources	(2,021)	7,289	4,717	-	5,466	3,050	18,501
Total Financing Sources	1,304,312	7,451	43,420	896,752	5,466	3,050	2,260,451
Net Cost (Revenue) of Operations	(1,030,716)	(53,362)	(58,902)	(642,195)	(25,288)	5,744	(1,804,719)
Net Change	273,596	(45,911)	(15,482)	254,557	(19,822)	8,794	455,732
Net Position End of Period	$ 1,007,809	$ 107,305	$ 17,330	$ 2,955,373	$ (69,174)	$ 78,480	$ 4,097,123

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 17. Earmarked Funds (continued)

The Comprehensive Crime Control Act of 1984 established the AFF to receive the proceeds of forfeiture and to pay the costs associated with such forfeitures, including the costs of managing and disposing of property, satisfying valid liens, mortgages, and other innocent owner claims, and costs associated with accomplishing the legal forfeiture of the property. Authorities of the fund have been amended by various public laws enacted since 1984. Under current law, authority to use the fund for certain investigative expenses shall be specified in annual appropriation acts. Expenses necessary to seize, detain, inventory, safeguard, maintain, advertise or sell property under seizure are funded through a permanent, indefinite appropriation. In addition, beginning in FY 1993, other general expenses of managing and operating the Asset Forfeiture Program are paid from the permanent, indefinite portion of the fund. Once all expenses are covered, the balance is maintained to meet ongoing expenses of the program. Excess unobligated balances may also be allocated by the Attorney General in accordance with 28 U.S.C. §524(c)(8)(E).

United States Trustees supervise the administration of bankruptcy cases and private trustees in the Federal Bankruptcy Courts. The Bankruptcy Judges, UST, and Family Farmer Bankruptcy Act of 1986 (Public Law 99–554) expanded the pilot trustee program to a 21 region, nationwide program encompassing 88 judicial districts. The UST System Fund collects user fees assessed against debtors, which offset the annual appropriation.

The Antitrust Division administers and enforces antitrust and related statutes. This program primarily involves the investigation of suspected violations of the antitrust laws, the conduct of civil and criminal proceedings in the federal courts, and the maintenance of competitive conditions. The Antitrust Division collects filing fees for pre-merger notifications and retains these fees for expenditure in support of its programs.

The Crime Victims Fund is financed by collections of fines, penalty assessments, and bond forfeitures from defendants convicted of federal crimes. This fund supports victim assistance and compensation programs around the country and advocates, through policy development, for the fair treatment of crime victims. The Office for Victims of Crime administers formula and discretionary grants for programs designed to benefit victims, provides training for diverse professionals who work with victims, develops projects to enhance victims' rights and services, and undertakes public education and awareness activities on behalf of crime victims.

The Diversion Control Fee Account is established in the general fund of the Treasury as a separate account. Fees charged by the DEA under the Diversion Control Program are set at a level that ensures the recovery of the full costs of operating this program. The program’s purpose is to prevent, detect, and investigate the diversion of controlled substances from legitimate channels, while ensuring an adequate and uninterrupted supply of controlled substances required to meet legitimate needs.

The Federal Prison Commissary Fund was created in the early 1930s to allow inmates a means to purchase additional products and services above the necessities provided by appropriated federal funds, e.g., personal grooming products, snacks, postage stamps, and telephone services. The Trust Fund is a self-sustaining trust revolving fund account that is funded through sales of goods and services to inmates.

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 18. Net Cost of Operations by Suborganization

For the Fiscal Year Ended September 30, 2009

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security											
Gross Cost	$ -	$ 340,620	$ 5,138	$ -	$ 66,558	$ 4,220,194	$ 8,321	$ -	$ -	$ (115,280)	$ 4,525,551
Less: Earned Revenue	-	114,099	-	-	536	560,603	-	-	-	(115,280)	559,958
Net Cost (Revenue) of Operations	-	226,521	5,138	-	66,022	3,659,591	8,321	-	-	-	3,965,593
Goal 2: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People											
Gross Cost	1,001,512	5,265,364	4,129	1,919,976	2,672,648	3,819,673	1,153,318	6,987	-	(965,591)	14,878,016
Less: Earned Revenue	6,723	865,107	-	116,353	592,747	718,689	55,556	-	-	(965,591)	1,389,584
Net Cost (Revenue) of Operations	994,789	4,400,257	4,129	1,803,623	2,079,901	3,100,984	1,097,762	6,987	-	-	13,488,432
Goal 3: Ensure the Fair and Efficient Administration of Justice											
Gross Cost	-	2,156,636	2,792,695	1,024,312	-	-	-	6,573,615	1,061,586	(1,738,020)	11,870,824
Less: Earned Revenue	-	198,914	1,471,465	58,795	-	-	-	357,601	987,949	(1,709,671)	1,365,053
Net Cost (Revenue) of Operations	-	1,957,722	1,321,230	965,517	-	-	-	6,216,014	73,637	(28,349)	10,505,771
Net Cost (Revenue) of Operations	$ 994,789	$ 6,584,500	$ 1,330,497	$ 2,769,140	$ 2,145,923	$ 6,760,575	$ 1,106,083	$ 6,223,001	$ 73,637	$ (28,349)	$ 27,959,796

For the Fiscal Year Ended September 30, 2008

Dollars in Thousands	AFF/SADF	OBDs	USMS	OJP	DEA	FBI	ATF	BOP	FPI	Eliminations	Consolidated
Goal 1: Prevent Terrorism and Promote the Nation's Security											
Gross Cost	$ -	$ 373,938	$ 5,361	$ -	$ 78,422	$ 3,811,909	$ 7,388	$ -	$ -	$ (147,797)	$ 4,129,221
Less: Earned Revenue	-	113,635	-	-	216	305,935	-	-	-	(147,797)	271,989
Net Cost (Revenue) of Operations	-	260,303	5,361	-	78,206	3,505,974	7,388	-	-	-	3,857,232
Goal 2: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People											
Gross Cost	1,033,894	5,130,556	4,718	1,960,019	2,435,187	3,247,183	1,123,903	4,722	-	(1,000,028)	13,940,154
Less: Earned Revenue	3,178	814,369	-	126,467	574,956	675,521	45,369	-	-	(1,000,028)	1,239,832
Net Cost (Revenue) of Operations	1,030,716	4,316,187	4,718	1,833,552	1,860,231	2,571,662	1,078,534	4,722	-	-	12,700,322
Goal 3: Ensure the Fair and Efficient Administration of Justice											
Gross Cost	-	2,067,363	2,677,142	1,084,454	-	-	-	6,254,441	1,015,026	(1,598,953)	11,499,473
Less: Earned Revenue	-	204,917	1,404,981	131,855	-	-	-	356,367	981,680	(1,571,391)	1,508,409
Net Cost (Revenue) of Operations	-	1,862,446	1,272,161	952,599	-	-	-	5,898,074	33,346	(27,562)	9,991,064
Net Cost (Revenue) of Operations	$ 1,030,716	$ 6,438,936	$ 1,282,240	$ 2,786,151	$ 1,938,437	$ 6,077,636	$ 1,085,922	$ 5,902,796	$ 33,346	$ (27,562)	$ 26,548,618

Intragovernmental costs and exchange revenue, as presented on the Consolidated Statements of Net Cost, represent transactions made between two reporting entities within the federal government. The classification of revenue or cost as “intragovernmental” is defined on a transaction-by-transaction basis. The purpose of this classification is to enable the federal government to prepare consolidated financial statements, not to match intragovernmental revenue with the costs incurred to produce intragovernmental revenue.

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 19. Imputed Financing from Costs Absorbed by Others

Imputed Inter-Departmental Financing Sources are the unreimbursed (i.e., non-reimbursed and under-reimbursed) portion of the full costs of goods and services received by the Department from a providing entity that is not part of the Department. In accordance with SFFAS No. 30, *Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*, the material Imputed Inter-Departmental financing sources currently recognized by the Department include the actual cost of future benefits for the Federal Employees Health Benefits Program (FEHB), the Federal Employees' Group Life Insurance Program (FEGLI), and the Federal Pension plans that are paid by other federal entities, and any un-reimbursed payments made from the Treasury Judgment Fund on behalf of the Department. The Treasury Judgment Fund was established by the Congress and funded at 31 U.S.C. §1304 to pay in whole or in part the court judgments and settlement agreements negotiated by the Department on behalf of agencies, as well as certain types of administrative awards. Interpretation of Federal Financial Accounting Standards Interpretation No. 2, *Accounting for Treasury Judgment Fund Transactions*, requires agencies to recognize liabilities and expenses when unfavorable litigation outcomes are probable and the amount can be estimated and will be paid by the Treasury Judgment Fund.

SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, requires that employing agencies recognize the cost of pensions and other retirement benefits during their employees' active years of service. SFFAS No. 5 requires OPM to provide cost factors necessary to calculate cost. OPM actuaries calculate the value of pension benefits expected to be paid in the future, and then determine the total funds to be contributed by and for covered employees, such that the amount calculated would be sufficient to fund the projected pension benefits. For employees covered by Civil Service Retirement System (CSRS), the cost factors are 25.8% of basic pay for regular, 43.5% law enforcement officers, 20% regular offset, and 38.7% law enforcement officers offset. For employees covered by Federal Employees Retirement System (FERS), the cost factors are 12.3% of basic pay for regular and 26.7% for law enforcement officers.

The cost to be paid by other agencies is the total calculated future costs, less employee and employer contributions. In addition, other retirement benefits, which include health and life insurance that are paid by other federal entities, must also be disclosed.

For the Fiscal Years Ended September 30, 2009 and 2008

	2009	2008
Imputed Inter-Departmental Financing		
U.S. Treasury Judgment Fund	$ 40,448	$ 29,759
Health Insurance	540,484	478,215
Life Insurance	1,843	1,708
Pension	120,925	126,762
Total Imputed Inter-Departmental	$ 703,700	$ 636,444

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 19. Imputed Financing from Costs Absorbed by Others (continued)

Imputed Intra-Departmental Financing Sources as defined in SFFAS No. 4, *Managerial Cost Accounting Standards and Concepts*, are the unreimbursed portion of the full costs of goods and services received by a Department component from a providing entity that is part of the Department. Recognition is required for those transactions determined to be material to the receiving entity. The determination of whether the cost is material requires considerable judgment based on the specific facts and circumstances of each type of good or service provided. SFFAS No. 4 also states that costs for broad and general support need not be recognized by the receiving entity, unless such services form a vital and integral part of the operations or output of the receiving entity. Cost are considered broad and general if they are provided to many, if not all, reporting components and not specifically related to the receiving entity's output. The FPI imputed $28,349 and $27,562 for FYs 2009 and 2008, respectively of unreimbursed costs for BOP warehouse space used in the production of goods by the FPI and for managerial and operational services BOP provided to FPI. These imputed costs have been eliminated from the consolidated financial statements.

Note 20. Information Related to the Statement of Budgetary Resources

Apportionment Categories of Obligations Incurred:

	Direct Obligations	Reimbursable Obligations	Total Obligations Incurred
For the Fiscal Year Ended September 30, 2009			
Obligations Apportioned Under			
Category A	$ 32,327,966	$ 5,359,554	$ 37,687,520
Category B	1,749,791	66,542	1,816,333
Exempt from Apportionment	-	1,025,950	1,025,950
Total	$ 34,077,757	$ 6,452,046	$ 40,529,803
For the Fiscal Year Ended September 30, 2008			
Obligations Apportioned Under			
Category A	$ 26,182,998	$ 5,190,764	$ 31,373,762
Category B	1,736,591	69,475	1,806,066
Exempt from Apportionment	-	1,029,542	1,029,542
Total	$ 27,919,589	$ 6,289,781	$ 34,209,370

Per OMB Circular A-11, Category A obligations represent resources apportioned for calendar quarters. Category B obligations represent resources apportioned for other time periods; for activities, projects, and objectives or for a combination thereof.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 20. Information Related to the Statement of Budgetary Resources (continued)

Status of Undelivered Orders:

Undelivered Orders (UDO) represents the amount of goods and/or services ordered, which have not been actually or constructively received. This amount includes any orders which may have been prepaid or advanced but for which delivery or performance has not yet occurred.

As of September 30, 2009 and 2008

	2009	2008
UDO Obligations Unpaid	$ 13,063,814	$ 9,109,542
UDO Obligations Prepaid/Advanced	1,799,409	1,073,615
Total UDO	$ 14,863,223	$ 10,183,157

Permanent Indefinite Appropriations:

A permanent indefinite appropriation is open-ended as to both its period of availability (amount of time the agency has to spend the funds) and its amount. Following are the Department's permanent indefinite appropriations.

- 28 U.S.C. §524(c)(4) authorized the Attorney General to retain AFF receipts to pay operations expenses, equitable sharing to state and local law enforcement agencies who assist in forfeiture cases, and lien holders.

- On October 5, 1990, Congress passed the Radiation Exposure Compensation Act ("RECA" or "the Act"), 42 U.S.C. §2210 note, providing for compassionate payments to individuals who contracted certain cancers and other serious diseases as a result of their exposure to radiation released during above-ground nuclear weapons tests or as a result of their exposure to radiation during employment in underground uranium mines. Implementing regulations were issued by the Department of Justice and published in the Federal Register on April 10, 1992. These regulations established procedures to resolve claims in a reliable, objective, and non-adversarial manner, with little administrative cost to the United States or to the person filing the claim. Revisions to the regulations, published in the Federal Register on March 22, 1999, served to greater assist claimants in establishing entitlement to an award. On July 10, 2000, P.L. 106-245, the Radiation Exposure Compensation Act Amendments of 2000 ("the 2000 Amendments") were passed. On November 2, 2002, the President signed the "21st Century Department of Justice Appropriation Authorization Act" (P.L. 107-273). Contained in the law were several provisions relating to RECA. While most of these amendments were "technical" in nature, some affected eligibility criteria and revised claims adjudication procedures. The Consolidated Appropriations Act, 2005 provides a permanent indefinite appropriation for the OBDs' Radiation Exposure Compensation Act program beginning FY 2006.

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 20. Information Related to the Statement of Budgetary Resources (continued)

Permanent Indefinite Appropriations (continued):

- Congress established the Federal Prison Commissary Fund (Trust Fund) in 1932 to allow inmates a means to purchase additional products and services above the necessities provided by appropriated federal funds. The BOP Trust Fund is now a self-sustaining revolving account that is funded through the sales of goods and services, rather than annual or no-year appropriations.

Legal Arrangements Affecting Use of Unobligated Balances:

Unobligated balances represent the cumulative amount of budget authority that is not obligated and that remains available for obligation under law, unless otherwise restricted. The use of unobligated balances is restricted based on annual legislation requirements and other enabling authorities. Funds are appropriated on an annual, multi-year, and no-year basis. Appropriated funds shall expire on the last day of availability and are no longer available for new obligations. Unobligated balances in unexpired fund symbols are available in the next fiscal year for new obligations unless some restrictions had been placed on those funds by law. Amounts in expired fund symbols are unavailable for new obligations, but may be used to adjust previously established obligations.

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 20. Information Related to the Statement of Budgetary Resources (continued)

Statement of Budgetary Resources vs Budget of the United States Government:

The reconciliation as of September 30, 2008 is presented below. The reconciliation as of September 30, 2009 is not presented, because the submission of the Budget of the United States (Budget) for FY 2011, which presents the execution of the FY 2009 Budget, occurs after publication of these financial statements. The Department of Justice Budget Appendix can be found on the OMB website (http://www.whitehouse.gov/omb/budget) and will be available in early February 2010.

For the Fiscal Year Ended September 30, 2008 (Dollars in Millions)	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources (SBR)	$ 37,759	$ 34,209	$ (122)	$ 26,887
Funds not Reported in the Budget				
Expired Funds: OBDs, USMS, DEA, OJP, FBI, ATF & BOP	(845)	(244)	-	-
AFF/SADF Forfeiture Activity	(37)	-	-	-
USMS Court Security Funds	(352)	(345)	-	(325)
Distributed Offsetting Receipts	-	-	632	(631)
AFF/SADF/OBDs/DEA Special and Trust Fund Receipts	-	-	-	513
Other	(12)	(1)	7	(5)
Budget of the United States	$ 36,513	$ 33,619	$ 517	$ 26,439

Other differences represent financial statement adjustments, timing differences and other immaterial differences between amounts reported in the Department SBR and the Budget of the United States.

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 21. Allocation Transfers of Appropriation

During FY 2009 the Department transferred $17,000 from the Crime Victims Fund to the Department of Health and Human Services (HHS). For FY 2008, the OJP, as the parent, transferred the same amount to HHS. This funding is required by 42 U.S.C. §10603a {Sec. 14-4A} for *Child Abuse Prevention and Treatment Grants*. Amounts made available by section §10601(d)(2) of this title, for the purpose of this section, shall be obligated and expended by the Secretary of HHS for grants under section §5106c of this title. The activity related to these transfers is included as part of these financial statements.

The Department also allocated funds from BOP to the Public Health Service (PHS). PHS provides a portion of medical treatment for federal inmates. The money is designated and expended for current year obligation of PHS staff salaries, benefits, and applicable relocation expenses. The amounts BOP, as the parent, transferred to PHS totaled $82,000 and $72,000 for the fiscal years ended September 30, 2009 and 2008, respectively, and the related activity is included as part of these financial statements.

The Department receives allocation transfers of appropriation from the Administrative Office of U.S. Courts (AOUSC). However, the AOUSC is not an Executive Branch entity and is not required to report annual financial statements. Although the USMS is the child in the allocation transfer, per OMB guidance, all activity relative to these allocation transfers is reported in these financial statements. The allocation transfers are used for costs associated with protective guard services - Court Security Officers (CSOs) at United States courthouses and other facilities housing federal court operations. These costs include their salaries (paid through contracts), equipment, and supplies. This transfer is performed on an annual basis.

Note 22. Net Custodial Revenue Activity

Custodial revenue activity represents those collections of non-exchange revenue on behalf of other recipient entities. These collections are not recorded as revenue by the Department but as activity on the Statement of Custodial Activity. The custodial liabilities presented on the Consolidated Balance Sheet and Note 15 represent funds held by the Department that have yet to be disbursed to the appropriate Federal agency or individual.

The primary source of DCM collections consists of civil litigated matters (i.e., student loan defaults, health care fraud, etc.). The DCM also processes certain payments on criminal debts as an accommodation for the Bureau of Prisons (BOP) and the Clerks of the U.S. District Courts. The BOP aggregates collections of inmate criminal debt by correction facility, and the DCM sorts the collections by judicial district and disburses payments to the respective Clerks of the U.S. Court. The DCM also accepts wire transfers or other payments on a criminal debt if a Clerk of the U.S. Court is unable or unwilling to do so. In addition, other negligible custodial collections occur for interest, fines and penalties.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 22. Net Custodial Revenue Activity (continued)

The OBDs collect civil fines, penalties, and restitution payments that are incidental to its mission. By court order, the OBDs were given the investment authority and the settlement funds collected must be invested. The OBDs invest these funds with the Treasury, Bureau of the Public Debt. As of September 30, 2009 and 2008, the custodial assets and liabilities recorded by the OBDs on the balance sheet are $238,242 and $294,021 respectively. The OBDs custodial collections totaled $2,907,842 and $2,787,920 for the fiscal years ended September 30, 2009 and 2008.

For the fiscal years ended September 30, 2009 and 2008, DEA collected $59,961 and $36,936, respectively. DEA's collections include $15 million of the total fees collected for the Diversion Control Program and civil monetary penalties related to violations of the Controlled Substances Act that were incidental to DEA's mission. Since DEA has no statutory authority to use these excess funds, DEA transmits them to the Treasury General Fund. The DEA has a custodial liability for funds that have not yet been transmitted to the Treasury General Fund. The September 30, 2009 and 2008 balances for custodial liabilities were $2,310 and $1,150 respectively.

As an agent of the federal government and as authorized by 26 U.S.C. § 6301, ATF collects fees from firearms and explosives industries, as well as import, permit and license fees. In addition, Special Occupational Taxes are collected from certain firearms businesses. As ATF is unable to use these collections in its operations, ATF also has the authority to transfer these collections to the Treasury General Fund. The ATF custodial collections totaled $14,529 and $12,436 for the fiscal years ended September 30, 2009 and 2008, respectively.

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 23. OMB Circular A-136 Consolidated Balance Sheet Presentation

U.S. Department of Justice
Consolidated Balance Sheets
As of September 30, 2009 and 2008

Dollars in Thousands	2009	2008
ASSETS		
Intragovernmental		
Fund Balance with U.S. Treasury	$ 20,857,015	$ 15,595,443
Investments, Net	3,842,785	3,311,304
Accounts Receivable, Net	326,410	358,577
Other Assets	130,988	118,762
Total Intragovernmental	25,157,198	19,384,086
Cash and Other Monetary Assets	229,794	182,209
Accounts Receivable, Net	79,824	123,800
Inventory and Related Property, Net	298,701	284,217
General Property, Plant and Equipment, Net	9,215,026	8,758,540
Other Assets	1,647,285	611,195
Total Assets	**$ 36,627,828**	**$ 29,344,047**
LIABILITIES		
Intragovernmental		
Accounts Payable	$ 309,072	$ 243,522
Other Liabilities	917,569	1,154,839
Total Intragovernmental	1,226,641	1,398,361
Accounts Payable	2,253,013	2,140,129
Federal Employee and Veteran Benefits	1,233,899	1,136,569
Environmental and Disposal Liabilities	22,316	22,112
Other Liabilities	4,460,642	3,918,387
Total Liabilities	**$ 9,196,511**	**$ 8,615,558**
NET POSITION		
Unexpended Appropriations - Earmarked Funds	$ 22,207	$ 44,902
Unexpended Appropriations - All Other Funds	13,902,525	9,169,075
Cumulative Results of Operations - Earmarked Funds	5,631,023	4,052,221
Cumulative Results of Operations - All Other Funds	7,875,562	7,462,291
Total Net Position	**$ 27,431,317**	**$ 20,728,489**
Total Liabilities and Net Position	**$ 36,627,828**	**$ 29,344,047**

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 24. Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing)

For the Fiscal Years Ended September 30, 2009 and 2008

	2009	2008
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	$ 40,529,803	$ 34,209,370
Less: Spending Authority from Offsetting Collections and Recoveries	7,633,297	7,255,171
Obligations Net of Offsetting Collections and Recoveries	32,896,506	26,954,199
Less: Offsetting Receipts	539,325	(121,927)
Net Obligations	32,357,181	27,076,126
Other Resources		
Donations and Forfeitures of Property	68,213	65,854
Transfers-In/Out Without Reimbursement	9,170	(3,860)
Imputed Financing from Costs Absorbed by Others (Note 19)	703,700	636,444
Net Other Resources Used to Finance Activities	781,083	698,438
Total Resources Used to Finance Activities	33,138,264	27,774,564
Resources Used to Finance Items not Part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not Yet Provided	(4,940,729)	(306,294)
Resources That Fund Expenses Recognized in Prior Periods (Note 25)	(7,656)	(31,122)
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	(65,939)	(627,115)
Resources That Finance the Acquisition of Assets	(1,174,153)	(1,282,348)
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	29,514	38,635
Total Resources Used to Finance Items not Part of the Net Cost of Operations	(6,158,963)	(2,208,244)
Total Resources Used to Finance the Net Cost of Operations	$ 26,979,301	$ 25,566,320

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 24. Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing) (continued)

For the Fiscal Years Ended September 30, 2009 and 2008	2009	2008
Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period		
Components of Net Cost of Operations That will Require or Generate Resources in Future Periods (Note 25)	$ 267,978	$ 296,964
Components not Requiring or Generating Resources		
Depreciation and Amortization	685,778	672,980
Revaluation of Assets or Liabilities	28,129	11,506
Other	(1,390)	848
Total Components of Net Cost of Operations That will not Require or Generate Resources	712,517	685,334
Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period	980,495	982,298
Net Cost of Operations	$ 27,959,796	$ 26,548,618

These notes are an integral part of the financial statements.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

Note 25. Explanation of Differences Between Liabilities not Covered by Budgetary Resources and Components of Net Cost of Operations Requiring or Generating Resources in Future Periods

Liabilities that are not covered by realized budgetary resources and for which there is not certainty that budgetary authority will be realized, such as the enactment of an appropriation, are considered liabilities not covered by budgetary resources. These liabilities totaling $3,101,138 and $2,856,357 on September 30, 2009 and 2008, respectively, are discussed in Note 11, *Liabilities not Covered by Budgetary Resources.* Decreases in these liabilities result from current year budgetary resources that were used to fund expenses recognized in prior periods. Increases in these liabilities represent unfunded expenses that were recognized in the current period. These increases along with the change in the portion of exchange revenue receivables from the public, which are not considered budgetary resources until collected, represent components of current period net cost of operations that will require or generate budgetary resources in future periods. The changes in liabilities not covered by budgetary resources and receivables generating resources in future periods are comprised of the following:

For the Fiscal Years Ended September 30, 2009 and 2008

	2009	2008
Resources that Fund Expenses Recognized in Prior Periods		
Decrease in Contingent Liabilities	-	(25,778)
Decrease in Capital Lease Liabilities	(5,779)	(5,344)
Decrease in Other Unfunded Employment Related Liabilities	(1,877)	-
Total Other	(7,656)	(31,122)
Total Resources that Fund Expenses Recognized in Prior Periods	$ (7,656)	$ (31,122)
Components of Net Cost of Operations Requiring or Generating Resources in Future Periods		
Increase in Accrued Annual and Compensatory Leave Liabilities	$ 54,646	$ 51,491
(Increase)/Decrease in Exchange Revenue Receivable from the Public	3,877	(1,147)
Other		
Increase in Actuarial FECA Liabilities	97,330	90,090
Increase in Accrued FECA Liabilities	9,494	10,787
Increase in Deferred Revenue	54,510	29,731
Increase in Contingent Liabilities	8,341	-
Increase in RECA Liabilities	22,164	133,213
Increase in Other Unfunded Employee Related Liabilities	-	1,815
Increase in Other Liabilities	5,953	3,814
(Increase)/Decrease in Nonexchange Receivables from the Public	113	195
(Increase)/Decrease in Surcharge Revenue Receivable from Other Federal Agencies	11,550	(23,025)
Total Other	209,455	246,620
Total Components of Net Cost of Operations Requiring or Generating Resources in Future Periods	$ 267,978	$ 296,964

These notes are an integral part of the financial statements.

Note 26. Change in Accounting Principle

For FY 2009, in accordance with guidance provided by the Office of Management and Budget (OMB), the Department changed its method of reporting temporary rescissions of budgetary authority by reporting a $285 million rescission as unobligated balances not available in the status of budgetary resources section of AFF's SBR. In prior years, rescissions were reported as temporarily not available pursuant to public law in the budgetary resources section of the SBR. The new method of accounting for rescissions was adopted based on guidance received from OMB to better align rescissions reported in the SBR with the amounts reported in the SF-132, *Request for Apportionment/Reapportionment*, and SF-133, *Reports on Budget Execution and Budgetary Resources*.

Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

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These notes are an integral part of the financial statements.