

**Principal Financial Statements
and Related Notes**

See Independent Auditors' Report on Financial Statements

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U.S. Department of Justice
Assets Forfeiture Fund and Seized Asset Deposit Fund
Consolidated Balance Sheets
As of September 30, 2011 and 2010

Dollars in Thousands	2011	2010
ASSETS (Note 2)		
Intragovernmental		
Fund Balance with U.S. Treasury (Note 3)	\$ 229,030	\$ 180,150
Investments, Net (Note 5)	6,346,771	3,491,262
Accounts Receivable, (Note 6)	4,869	4,245
Other Assets (Note 9)	1,766	2,607
Total Intragovernmental	<u>6,582,436</u>	<u>3,678,264</u>
Cash and Monetary Assets (Note 4)	113,822	131,030
Forfeited Property, Net (Note 7)	172,746	189,122
General Property, Plant and Equipment, Net (Note 8)	633	1,417
Advances and Prepayments	6	12
Total Assets	<u>\$ 6,869,643</u>	<u>\$ 3,999,845</u>
LIABILITIES (Note 10)		
Intragovernmental		
Accounts Payable	\$ 67,345	\$ 69,170
Other Liabilities, (Note 12)	169	-
Total Intragovernmental	<u>\$ 67,514</u>	<u>\$ 69,170</u>
Accounts Payable	851,013	629,347
Accrued Payroll and Benefits	767	-
Accrued Annual and Compensatory Leave Liabilities	168	-
Deferred Revenue	172,746	189,122
Seized Cash and Monetary Instruments (Note 11)	4,016,891	1,424,806
Total Liabilities	<u>\$ 5,109,099</u>	<u>\$ 2,312,445</u>
Contingent Liabilities (Note 13)		
NET POSITION		
Cumulative Results of Operations - Earmarked Funds (Note 14)	\$ 1,760,544	\$ 1,687,400
Total Net Position	<u>\$ 1,760,544</u>	<u>\$ 1,687,400</u>
Total Liabilities and Net Position	<u>\$ 6,869,643</u>	<u>\$ 3,999,845</u>

The accompanying notes are an integral part of these financial statements.

U.S. Department of Justice
 Assets Forfeiture Fund and Seized Asset Deposit Fund
 Consolidated Statements of Net Cost
 For the Fiscal Years Ended September 30, 2011 and 2010

Dollars in Thousands

FY	Gross Costs			Less: Earned Revenues			Net Cost of Operations (Note 15)
	Intra- governmental	With the Public	Total	Intra- governmental	With the Public	Total	
Goal 2							
2011	\$ 380,028	\$ 1,293,384	\$ 1,673,412	\$ 9,513	\$ -	\$ 9,513	\$ 1,663,899
2010	\$ 382,798	\$ 908,944	\$ 1,291,742	\$ 7,324	\$ -	\$ 7,324	\$ 1,284,418
Total							
2011	<u>\$ 380,028</u>	<u>\$ 1,293,384</u>	<u>\$ 1,673,412</u>	<u>\$ 9,513</u>	<u>\$ -</u>	<u>\$ 9,513</u>	<u>\$ 1,663,899</u>
2010	<u>\$ 382,798</u>	<u>\$ 908,944</u>	<u>\$ 1,291,742</u>	<u>\$ 7,324</u>	<u>\$ -</u>	<u>\$ 7,324</u>	<u>\$ 1,284,418</u>

Goal 2: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People

The accompanying notes are an integral part of these financial statements.

U.S. Department of Justice
Assets Forfeiture Fund and Seized Asset Deposit Fund
Consolidated Statements of Changes in Net Position
For the Fiscal Years Ended September 30, 2011 and 2010

Dollars in Thousands	2011	2010
	Earmarked Funds	Earmarked Funds
Cumulative Results of Operations		
Beginning Balances	\$ 1,687,400	\$ 1,425,883
Budgetary Financing Sources		
Nonexchange Revenues (Note 19)	4,596	3,864
Donations and Forfeitures of Cash and Cash Equivalents (Note 20)	1,580,584	1,502,466
Other Financing Sources		
Donations and Forfeitures of Property (Note 20)	157,381	70,864
Transfers-In/Out Without Reimbursement (Note 18)	(6,120)	(31,259)
Imputed Financing from Costs Absorbed by Others (Note 16)	602	-
Total Financing Sources	<u>1,737,043</u>	<u>1,545,935</u>
Net Cost of Operations	<u>(1,663,899)</u>	<u>(1,284,418)</u>
Net Change	<u>73,144</u>	<u>261,517</u>
Cumulative Results of Operations	<u>\$ 1,760,544</u>	<u>\$ 1,687,400</u>
Net Position	<u><u>\$ 1,760,544</u></u>	<u><u>\$ 1,687,400</u></u>

The accompanying notes are an integral part of these financial statements.

U.S. Department of Justice
Assets Forfeiture Fund and Seized Asset Deposit Fund
Combined Statements of Budgetary Resources
For the Fiscal Years Ended September 30, 2011 and 2010

Dollars in Thousands	2011	2010
Budgetary Resources		
Unobligated Balance, Brought Forward, October 1	\$ 1,010,179	\$ 1,195,445
Recoveries of Prior Year Unpaid Obligations	83,669	67,328
Budget Authority		
Appropriations Received	2,097,810	1,554,993
Spending Authority from Offsetting Collections		
Earned		
Collected	11,665	10,073
Change in Receivable from Federal Sources	624	223
Change in Unfilled Customer Orders		
Without Advance from Federal Sources	20	-
Subtotal Budget Authority	2,110,119	1,565,289
Temporarily not Available Pursuant to Public Law	(495,042)	(387,200)
Permanently Not Available	-	-
Total Budgetary Resources (Note 17)	\$ 2,708,925	\$ 2,440,862
Status of Budgetary Resources		
Obligations Incurred		
Direct	\$ 1,615,962	\$ 1,423,309
Reimbursable	4,244	7,374
Total Obligations Incurred (Note 17)	1,620,206	1,430,683
Unobligated Balance - Available		
Apportioned	635,227	669,036
Total Unobligated Balance - Available	635,227	669,036
Unobligated Balances not Available	453,492	341,143
Total Status of Budgetary Resources	\$ 2,708,925	\$ 2,440,862
Change in Obligated Balance		
Obligated Balance, Net - Brought Forward, October 1		
Unpaid Obligations	\$ 982,679	\$ 919,387
Less: Uncollected Customer Payments from Federal Sources	4,245	4,022
Total Unpaid Obligated Balance, Net - Brought Forward, October 1	978,434	915,365
Obligations Incurred, Net	1,620,206	1,430,683
Less: Gross Outlays	1,426,916	1,300,063
Less: Recoveries of Prior Year Unpaid Obligations, Actual	83,669	67,328
Change in Uncollected Customer Payments from Federal Sources	(644)	(223)
Obligated Balance, Net - End of Period		
Unpaid Obligations	1,092,300	982,679
Less: Uncollected Customer Payments from Federal Sources	4,889	4,245
Total Unpaid Obligated Balance, Net - End of Period	\$ 1,087,411	\$ 978,434
Net Outlays		
Gross Outlays	\$ 1,426,916	\$ 1,300,063
Less: Offsetting Collections	11,665	10,073
Less: Distributed Offsetting Receipts (Note 17)	4,596	3,864
Total Net Outlays (Note 17)	\$ 1,410,655	\$ 1,286,126

The accompanying notes are an integral part of these financial statements

**U.S. Department of Justice
Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)**

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Assets Forfeiture Fund (AFF or Fund) and Seized Asset Deposit Fund (SADF) together comprise a single financial reporting entity of the Department of Justice (DOJ or Department), which includes the specified funds, property seized for forfeiture, and the transactions and program activities of DOJ forfeiture program components and other participating agencies as described more fully herein.

The primary mission of the DOJ Asset Forfeiture Program (AFP) is to maximize the effectiveness of forfeiture as a deterrent to crime. This is accomplished by means of depriving drug traffickers, racketeers, and other criminal syndicates of their ill-gotten proceeds and instrumentalities of their trade. Components responsible for administration and financial management of the AFP are charged with lawfully, effectively, and efficiently supporting law enforcement authorities in the application of specified forfeiture statutes.

The AFF was created by the Comprehensive Crime Control Act of 1984 to be a repository of proceeds from forfeitures under any law enforced and administered by the DOJ. AFF and SADF are managed by the Asset Forfeiture Management Staff (AFMS), Justice Management Division (JMD). The SADF was created administratively by the Department to ensure control over monies seized by agencies participating in the Department's AFP.

B. Basis of Presentation

These financial statements have been prepared from the books and records of the AFF/SADF 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 No. A-136, *Financial Reporting Requirements*. These financial statements are different from the financial reports prepared pursuant to OMB

**U.S. Department of Justice
Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)**

B. Basis of Presentation (continued)

directives, which are used to monitor and control the use of the AFF/SADF budgetary resources. To ensure that the AFF/SADF 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 No. A-136 have been disaggregated on the balance sheet. These include Forfeited Property, Net; Advances and Prepayments; Accrued Payroll and Benefits; Accrued Annual and Compensatory Leave Liabilities; Deferred Revenue and Seized Cash and Monetary Instruments.

C. Basis of Consolidation

The consolidated/combined financial statements include the accounts of the AFF/SADF. All significant proprietary intra-entity transactions and balances have been eliminated in consolidation. The Statement of Budgetary Resources is a combined statement for FYs 2011 and 2010, and as such, intra-entity 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.

E. Non-Entity Assets

Non-entity assets consist of seized property and investments of seized cash that are not available to fund the operations of the AFP.

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

Generally, the U.S. Treasury processes cash receipts and disbursements for the AFF and SADF. The funds in the AFF, a special fund receipt account, are entity assets and are used to finance the operations of the AFP. Seized cash is deposited and accounted for in the SADF, a deposit fund, until a determination has been made as to its disposition. If title passes to the U.S. Government, the forfeited cash is then transferred from the SADF to the AFF. The cash balance in the SADF is a non-entity asset and is not available to finance the AFP activities, but the AFP does have statutory authority for the investment of idle cash.

U.S. Department of Justice
Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

G. Investments

The AFF and SADF are authorized by 28 U.S.C. § 524(c) to invest idle funds in excess of their immediate needs in U.S. Treasury Securities. Investments are short-term non-marketable market-based Federal Debt securities issued by the Bureau of Public Debt (BPD) and purchased exclusively through the BPD's Division of Federal Investments. 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. AFF and SADF intend to hold investments to maturity. Accordingly, no provision is made for unrealized gains or losses on these securities.

H. Accounts Receivable

Accounts receivable mainly consist of amounts due from other Federal agencies for goods or services provided by the AFP. Receivables arising from services provided to other Federal agencies are considered fully collectible. Therefore, no allowance for uncollectible accounts is established.

I. General Property, Plant and Equipment

The General Services Administration (GSA), which charges rent equivalent to the commercial rates for similar properties, provides a building on a reimbursable basis in which AFMS operates. The Department does not recognize depreciation on buildings owned by the GSA.

Property, plant and equipment consist of leasehold improvements and enhancements to the Consolidated Asset Tracking System (CATS), which meet the SFFAS No. 10, *Accounting for Internal Use Software*, definition of "internal use software." Leasehold improvements are capitalized when the initial cost of acquiring the asset is \$100 or more, and the asset has an estimated useful life of two or more years. 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. Internal use software purchases with an acquisition cost of less than \$500 are expensed when purchased. Depreciation is calculated using the straight-line method over the useful lives of the assets.

**U.S. Department of Justice
Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)**

J. Advances and Prepayments

Advances and prepayments include advances to other Federal agencies for any law enforcement, litigative/prosecutive, and correctional activity, or any other authorized purpose of the DOJ and travel advances issued to Federal employees for official travel. Travel advances are limited to meals and incidental expenses expected to be incurred by 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. Advances and prepayments involving other Federal agencies are classified as Other Assets on the balance sheet.

K. Forfeited and Seized Property

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. The value of seized property is its estimated fair market value at the time it was seized. Most seized property is held by the USMS from the point of seizure until its disposition. In certain cases, the investigative agency will keep seized property in its custody if the intention is to place the property into official use after forfeiture or to use the property as evidence in a court proceeding.

Forfeited property is property for which 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 estimated liens of record. The amount ultimately realized from the forfeiture and disposition of these assets could differ from the amounts initially reported. The proceeds from the sale of forfeited property are deposited in the AFF.

L. Liabilities

AFF accounts payable represent liabilities to both Federal and non-Federal entities. Deferred revenue represents the value of forfeited property not yet sold or placed into official use. Seized cash and monetary instruments represent liabilities for SADF amounts on deposit pending disposition.

U.S. Department of Justice
Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

M. Contingencies and Commitments

The AFF is party to various administrative proceedings, legal actions and claims. The balance sheet includes an estimated liability for those legal actions where management and the Chief Counsel consider adverse decisions “probable” and amounts are reasonably estimable. Legal actions where management and the Chief Counsel consider adverse decisions “probable” or “reasonably possible” and the amounts are reasonably estimable are disclosed in Note 13, *Contingencies and Commitments*. However, there are cases where amounts have not been accrued or disclosed because the amounts of the potential loss cannot be estimated or the likelihood of an unfavorable outcome is considered “remote”.

N. Retirement Plans

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 AFF contributes 7% of the employees’ gross pay for retirement. For employees covered by FERS, the AFF contribute 11.7% of the employees’ gross pay for 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, and the AFF is required to contribute an additional 1% of gross pay to this plan and match employee contributions up to 4%. No contributions are made to the TSP accounts established by the CSRS employees. The AFF does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to their 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 16, *Imputed Financing from Costs Absorbed by Others*, for additional details.

O. Interest on Late Payments

Pursuant to the Prompt Payment Act, 31 U.S.C. § 3901-3907, Federal agencies must pay interest on payments for goods or services made to 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.

**U.S. Department of Justice
Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)**

P. Intragovernmental Activity

Intragovernmental costs and exchange revenue represent transactions made between two reporting entities within the Federal government. Costs and earned revenues with the public represent exchange transactions made between the reporting entity and a non-Federal entity. The classification of revenue or cost as “intragovernmental” or “with the public” 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 public and intragovernmental revenue with costs incurred to produce public and intragovernmental revenue.

Q. Revenues and Other Financing Sources

The funds in the AFF are derived primarily from financing sources and are presented on the Consolidated Statements of Changes in Net Position as both Budgetary and Other Financing Sources. Financing sources consist of (1) interest earned on investments (i.e., nonexchange revenues) and (2) donations and forfeitures, which include forfeited cash, proceeds from the sale of forfeited property (or conversion of deferred revenue to realized revenue through sale), receipt of payments in lieu of property forfeiture, recovery of asset management expenses, and financing sources from judgments. These financing sources are recognized when cash is forfeited, forfeited property is sold, or forfeited property is placed into official use or transferred to another Federal agency. The financing sources from legal judgments are not recognized until the judgment has been enforced. Deferred revenue is recorded when the property is forfeited. When the property is sold or otherwise disposed, the deferred revenue becomes earned and a financing source is recognized. The AFF recognizes exchange revenue when the United States Attorneys Offices provide services in judicial forfeiture cases brought by agencies participating in the U.S. Department of the Treasury (Treasury), Treasury Forfeiture Fund (TFF). The AFF recognizes exchange revenue on a reimbursement basis and the revenue is presented on the Consolidated Statements of Net Cost as earned revenue. In accordance with 28 U.S.C. § 524 and AFMS Memorandums of Understanding, donations and forfeitures available for use by certain Federal agencies are treated as returns of financing sources when disbursed. The funds in the SADF are held in trust until a determination is made as to their disposition. These funds include seized cash, proceeds from preforfeiture sales of seized property, and income from property under seizure. No revenue recognition is given to cash deposited in the SADF.

U.S. Department of Justice
Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)

R. Earmarked Funds

SFFAS No. 27, *Identifying and Reporting Earmarked Fund* 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:

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 AFF meets the definition of an Earmarked Fund, but the SADF does not meet the definition of an Earmarked Fund.

S. Tax Exempt Status

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

T. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

U. Subsequent Events

Subsequent events and transactions occurring after September 30, 2011 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.

**U.S. Department of Justice
Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)**

Note 2. Non-Entity Assets

Non-entity assets are assets held by the AFP that are not available for use by the AFP.

As of September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Intragovernmental		
Investments, Net (Note 5)	\$ 3,903,069	\$ 1,293,776
With the Public		
Cash and Monetary Assets	<u>113,822</u>	<u>131,030</u>
Total Non-Entity Assets	4,016,891	1,424,806
Total Entity Assets	<u>2,852,752</u>	<u>2,575,039</u>
Total Assets	<u>\$ 6,869,643</u>	<u>\$ 3,999,845</u>

Note 3. Fund Balance with U.S. Treasury

As of September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Fund Balances		
Special Funds	<u>\$ 229,030</u>	<u>\$ 180,150</u>
Status of Fund Balances		
Unobligated Balance - Available	\$ 635,227	\$ 669,036
Unobligated Balance - Unavailable	453,492	341,143
Obligated Balance not yet Disbursed	1,087,411	978,434
Other Funds (With)/Without Budgetary Resources	<u>(1,947,100)</u>	<u>(1,808,463)</u>
Total Status of Fund Balances	<u>\$ 229,030</u>	<u>\$ 180,150</u>

Other Funds (With)/Without Budgetary Resources primarily represent the AFF investments in short-term securities less amounts Temporarily not Available Pursuant to Public Law.

**U.S. Department of Justice
Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)**

Note 4. Cash and Monetary Assets

Cash consists of seized cash deposited in the SADF. Monetary assets include seized cash in DOJ custody but not yet deposited in the SADF.

As of September 30, 2011 and 2010

	2011	2010
Cash		
Seized Cash Deposited	\$ 87,243	\$ 106,154
Monetary Assets		
Seized Monetary Instruments	26,579	24,876
Total Cash and Monetary Assets	\$ 113,822	\$ 131,030

Note 5. Investments, Net

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with AFF. The cash receipts collected from the public for the AFF, an earmarked fund, are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the AFF as evidence of its receipts. Treasury securities are an asset to the AFF and a liability to the U.S. Treasury. Because the AFF and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

**U.S. Department of Justice
Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)**

Note 5. Investments, Net (continued)

Treasury securities provide the AFF with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the AFF requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

	<u>Face Value</u>	<u>Unamortized Premium (Discount)</u>	<u>Investments, Net</u>	<u>Market Value</u>
As of September 30, 2011				
Intragovernmental				
Non-Marketable Securities				
Market-Based				
AFF	\$ 2,443,690	\$ 12	\$ 2,443,702	\$ 2,443,596
SADF	<u>3,903,291</u>	<u>(222)</u>	<u>3,903,069</u>	<u>3,903,095</u>
Total	<u>\$ 6,346,981</u>	<u>\$ (210)</u>	<u>\$ 6,346,771</u>	<u>\$ 6,346,691</u>
As of September 30, 2010				
Intragovernmental				
Non-Marketable Securities				
Market-Based				
AFF	\$ 2,197,692	\$ (206)	\$ 2,197,486	\$ 2,236,272
SADF	<u>1,294,372</u>	<u>(596)</u>	<u>1,293,776</u>	<u>1,255,044</u>
Total	<u>\$ 3,492,064</u>	<u>\$ (802)</u>	<u>\$ 3,491,262</u>	<u>\$ 3,491,316</u>

**U.S. Department of Justice
Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)**

Note 6. Accounts Receivable

Accounts receivable consist mostly of amounts owed to the AFF from the Treasury Executive Office for Asset Forfeiture for services provided to the U.S. Treasury. There is no allowance for uncollectible accounts since accounts receivable from business with Federal entities are considered fully collectible.

As of September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Intragovernmental		
Accounts Receivable	\$ 4,869	\$ 4,245
Total Accounts Receivable	<u>\$ 4,869</u>	<u>\$ 4,245</u>

Note 7. Forfeited and Seized Property

Property seized for any purpose other than forfeiture and held by the seizing agency or a custodial agency is reported in the financial statements of the seizing or custodial agency. All property seized for forfeiture, including property with evidentiary value, is reported in the financial statements of the AFF/SADF. Federal Financial Accounting and Auditing Technical Release No. 4, *Reporting on Non-Valued Seized and Forfeited Property*, requires disclosure of property that does not have a legal market in the United States or does not have a value to the Federal government.

A. Forfeited Property

The following tables show the analysis of changes in and methods of disposition of forfeited property, excluding cash, during the fiscal years ended September 30, 2011 and 2010, respectively.

FY 2011 AFF/SADF Annual Financial Statements

**U.S. Department of Justice
Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)**

Analysis of Changes in Forfeited Property -- For the Fiscal Year Ended September 30, 2011

Forfeited Property Category		Beginning			Ending		Liens and Claims	Ending Balance Net of Liens
		Balance	Adjustments (1)	Forfeitures	Disposals	Balance		
Financial Instruments	Number	97	-	155	(135)	117	-	117
	Value	\$2,219	-	\$15,822	(\$16,311)	\$1,730	-	\$1,730
Real Property	Number	477	-	315	(340)	452	-	452
	Value	\$89,018	-	\$74,928	(\$65,938)	\$98,008	(\$866)	\$97,142
Personal Property	Number	3,047	-	5,996	(5,659)	3,384	-	3,384
	Value	\$102,196	-	\$93,813	(\$121,163)	\$74,846	(\$972)	\$73,874
Firearms, Non-Valued	Number	19,378	-	16,231	(12,016)	23,593	-	23,593
Total	Number	22,999	-	22,697	(18,150)	27,546	-	27,546
	Value	\$193,433	-	\$184,563	(\$203,412)	\$174,584	(\$1,838)	\$172,746

(1) Adjustments represent changes in the valuation or status of property as a result of fair market appraisals and court orders.

Methods of Disposition of Forfeited Property -- For the Fiscal Year Ended September 30, 2011

Forfeited Property Category		Converted Financial Instruments/Property	Destroyed/Donated/ Transferred	Sold/ Liquidated (1)	Official Use/ Transfer for	Returned Assets	Variance (2)	Total
					Equitable Sharing			
Financial Instruments	Number	21	112	-	-	2	-	135
	Value	\$484	\$14,571	-	-	\$1,256	-	\$16,311
Real Property	Number	-	5	309	1	25	-	340
	Value	-	\$179	\$60,290	\$55	\$5,414	-	\$65,938
Personal Property	Number	-	986	3,509	972	192	-	5,659
	Value	-	\$1,461	\$105,116	\$11,994	\$2,592	-	\$121,163
Firearms, Non-Valued	Number	-	11,355	-	265	396	-	12,016
Total	Number	21	12,458	3,818	1,238	615	-	18,150
	Value	\$484	\$16,211	\$165,406	\$12,049	\$9,262	-	\$203,412

(1) The sold/liquidated total dollar value does not agree to Donations and Forfeitures of Property on the Statement of Changes in Net Position and Note 20 because the sold/liquidated amount above represents the assets at their appraised values at forfeiture, and the Donations and Forfeitures of Property on the Statement of Changes in Net Position and Note 20 represents the proceeds realized upon disposition.

(2) Variances can result from differences between the value of the property when seized and the value of the property when disposed.

These notes are an integral part of the financial statements.

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Analysis of Changes in Forfeited Property -- For the Fiscal Year Ended September 30, 2010

Forfeited Property Category		Beginning		Forfeitures	Disposals	Ending Balance	Liens and Claims	Ending Balance, Net of Liens
		Balance	Adjustments (1)					
Financial Instruments	Number	90	-	162	(155)	97	-	97
	Value	\$19,680	-	\$10,043	(\$27,504)	\$2,219	(\$155)	\$2,064
Real Property	Number	496	-	358	(377)	477	-	477
	Value	\$104,905	-	\$60,739	(\$76,626)	\$89,018	(\$3,468)	\$85,550
Personal Property	Number	3,496	-	5,264	(5,713)	3,047	-	3,047
	Value	\$105,038	-	\$67,480	(\$70,322)	\$102,196	(\$688)	\$101,508
Firearms, Non-Valued	Number	21,940	-	9,457	(12,019)	19,378	-	19,378
Total	Number	26,022	-	15,241	(18,264)	22,999	-	22,999
	Value	\$229,623	-	\$138,262	(\$174,452)	\$193,433	(\$4,311)	\$189,122

(1) Adjustments represent changes in the valuation or status of property as a result of fair market appraisals and court orders.

Methods of Disposition of Forfeited Property -- For the Fiscal Year Ended September 30, 2010

Forfeited Property Category		Converted Financial Instruments/Property	Destroyed/Donated/ Transferred	Sold/ Liquidated (1)	Official Use/ Transfer for Equitable Sharing	Returned Assets	Variance (2)	Total
	Value	\$26,814	\$11	-	-	\$679	-	\$27,504
Real Property	Number	-	28	302	1	46	-	377
	Value	-	\$2,264	\$62,439	\$300	\$11,623	-	\$76,626
Personal Property	Number	4	1,225	3,240	1,037	191	16	5,713
	Value	\$49	\$4,285	\$41,239	\$10,856	\$4,743	\$9,150	\$70,322
Firearms, Non-Valued	Number	-	11,600	-	103	316	-	12,019
Total	Number	151	12,858	3,542	1,141	556	16	18,264
	Value	\$26,863	\$6,560	\$103,678	\$11,156	\$17,045	\$9,150	\$174,452

(1) The sold/liquidated total dollar value does not agree to Donations and Forfeitures of Property on the Statement of Changes in Net Position and Note 20 because the sold/liquidated amount above represents the assets at their appraised values at forfeiture, and the Donations and Forfeitures of Property on the Statement of Changes in Net Position and Note 20 represents the proceeds realized upon disposition.

(2) Variances can result from differences between the value of the property when seized and the value of the property when disposed.

These notes are an integral part of the financial statements.

**U.S. Department of Justice
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(Dollars in Thousands, Except as Noted)**

Note 7. Forfeited and Seized Property (continued)

B. Seized Property

The following tables show the analysis of changes in and methods of disposition of property seized for forfeiture during the fiscal years ended September 30, 2011 and 2010, respectively. In the following tables, Seized Cash and Monetary Instruments includes seized cash in transit as well as pre-forfeiture deposits into the SADF of monetary instruments and depository account balances, proceeds from pre-forfeiture sales, and cash received in lieu of seized property. Financial Instruments include negotiable instruments and restricted depository accounts.

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Analysis of Changes in Seized Property -- For the Fiscal Year Ended September 30, 2011

Seized Property Category		Beginning				Ending Balance	Liens and Claims	Ending Balance Net of Liens
		Balance	Adjustments (1)	Seizures	Disposals			
Seized Cash and Monetary Instruments	Number	11,084	-	13,078	(12,114)	12,048	-	12,048
	Value	\$1,424,806	-	\$3,844,026	(\$1,251,941)	\$4,016,891	(\$92,080)	\$3,924,811
Financial Instruments	Number	413	(109)	274	(101)	477	-	477
	Value	\$99,712	(\$66,438)	\$24,101	(\$4,134)	\$53,241	(\$3,236)	\$50,005
Real Property	Number	183	-	153	(190)	146	-	146
	Value	\$61,270	-	\$49,431	(\$62,337)	\$48,364	(\$16,030)	\$32,334
Personal Property	Number	7,319	-	7,171	(7,013)	7,477	-	7,477
	Value	\$161,552	-	\$124,371	(\$101,920)	\$184,003	(\$16,209)	\$167,794
Firearms, Non-Valued	Number	34,281	-	23,858	(21,224)	36,915	-	36,915
Total	Number	53,280	(109)	44,534	(40,642)	57,063	-	57,063
	Value	\$1,747,340	(\$66,438)	\$4,041,929	(\$1,420,332)	\$4,302,499	(\$127,555)	\$4,174,944

(1) Adjustments represent changes in the valuation or status of property as a result of fair market appraisals and court orders

Methods of Disposition of Seized Property -- For the Fiscal Year Ended September 30, 2011

Seized Property Category		Converted Financial Instruments/Property	Destroyed/Donated/ Transferred	Sold/ Liquidated	Returned Assets	Forfeited (1)	Variance (2)	Total
								Total
Seized Cash and Monetary Instruments	Number	-	114	-	933	11,067	-	12,114
	Value	-	\$10,223	-	\$73,616	\$1,168,102	-	\$1,251,941
Financial Instruments	Number	-	9	-	33	59	-	101
	Value	-	\$495	-	\$937	\$2,702	-	\$4,134
Real Property	Number	-	5	1	29	155	-	190
	Value	-	\$161	\$1,600	\$9,333	\$51,243	-	\$62,337
Personal Property	Number	-	112	6	1,425	5,470	-	7,013
	Value	-	\$1,030	\$29	\$25,145	\$75,716	-	\$101,920
Firearms, Non-Valued	Number	-	572	-	1,104	19,548	-	21,224
Total	Number	-	812	7	3,524	36,299	-	40,642
	Value	-	\$11,909	\$1,629	\$109,031	\$1,297,763	-	\$1,420,332

(1) Forfeitures reported on the Analysis of Changes in Forfeited Property may be greater because some assets are not seized until after they are declared forfeited

(2) Variances can result from differences between the value of the property when seized and the value of the property when disposed

These notes are an integral part of the financial statements.

FY 2011 AFF/SADF Annual Financial Statements

**U.S. Department of Justice
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(Dollars in Thousands, Except as Noted)**

Analysis of Changes in Seized Property -- For the Fiscal Year Ended September 30, 2010

Seized Property Category		Beginning				Ending Balance	Liens and Claims	Ending Balance Net of Liens
		Balance	Adjustments (1)	Seizures	Disposals			
Seized Cash and Monetary Instruments	Number	10,053	-	12,766	(11,735)	11,084	-	11,084
	Value	\$1,451,259	-	\$1,588,064	(\$1,614,517)	\$1,424,806	(\$91,260)	\$1,333,546
Financial Instruments	Number	365	-	114	(66)	413	-	413
	Value	\$124,578	(\$37,259)	\$28,692	(\$16,299)	\$99,712	(\$9,045)	\$90,667
Real Property	Number	210	-	162	(189)	183	-	183
	Value	\$66,178	(\$5,699)	\$56,409	(\$55,618)	\$61,270	(\$9,675)	\$51,595
Personal Property	Number	7,429	-	6,699	(6,809)	7,319	-	7,319
	Value	\$158,880	-	\$88,032	(\$85,360)	\$161,552	(\$11,544)	\$150,008
Firearms, Non-Valued	Number	39,569	-	9,459	(14,747)	34,281	-	34,281
Total	Number	57,626	-	29,200	(33,546)	53,280	-	53,280
	Value	\$1,800,895	(\$42,958)	\$1,761,197	(\$1,771,794)	\$1,747,340	(\$121,524)	\$1,625,816

(1) Adjustments represent changes in the valuation or status of property as a result of fair market appraisals and court orders

Methods of Disposition of Seized Property -- For the Fiscal Year Ended September 30, 2010

Seized Property Category		Converted Financial Instruments/Property	Destroyed/Donated/ Transferred	Sold/ Liquidated	Returned Assets	Forfeited (1)	Variance (2)	Total
Seized Cash and Monetary Instruments	Number	53	56	-	872	10,754	-	11,735
	Value	\$3,318	\$781	-	\$97,626	\$1,512,792	-	\$1,614,517
Financial Instruments	Number	-	5	-	12	49	-	66
	Value	-	\$14	-	\$2,234	\$14,051	-	\$16,299
Real Property	Number	-	3	2	22	162	-	189
	Value	-	\$739	\$347	\$8,458	\$46,074	-	\$55,618
Personal Property	Number	-	103	13	1,552	5,141	-	6,809
	Value	-	\$2,413	\$207	\$26,771	\$55,969	-	\$85,360
Firearms, Non-Valued	Number	-	181	-	1,276	13,290	-	14,747
Total	Number	53	348	15	3,734	29,396	-	33,546
	Value	\$3,318	\$3,947	\$554	\$135,089	\$1,628,886	-	\$1,771,794

(1) Forfeitures reported on the Analysis of Change in Forfeited Property may be greater because some assets are not seized until after they are declared forfeited

(2) Variances can result from differences between the value of the property when seized and the value of the property when disposed

These notes are an integral part of the financial statements.

**U.S. Department of Justice
Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)**

Note 7. Forfeited and Seized Property (continued)

C. Anticipated Equitable Sharing in Future Periods

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 time 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 lapse 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 2012 is \$446 million.

Note 8. General Property, Plant and Equipment, Net

	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Useful Life</u>
As of September 30, 2011				
Leasehold Improvements	\$ 470	\$ (470)	\$ -	5 years
Internal Use Software	709	(76)	633	7 years
Total	<u>\$ 1,179</u>	<u>\$ (546)</u>	<u>\$ 633</u>	
As of September 30, 2010				
Leasehold Improvements	\$ 470	\$ (470)	\$ -	5 years
Internal Use Software	4,577	(3,160)	1,417	7 years
Total	<u>\$ 5,047</u>	<u>\$ (3,630)</u>	<u>\$ 1,417</u>	

These notes are an integral part of the financial statements.

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**U.S. Department of Justice
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Note 9. Other Assets

As of September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Intragovernmental		
Advances and Prepayments	\$ 1,766	\$ 2,607

Note 10. Liabilities not Covered by Budgetary Resources

As of September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Accrued Annual and Compensatory Leave Liability	\$ 168	\$ -
Total Liabilities not Covered by Budgetary Resources	168	-
Total Liabilities Covered by Budgetary Resources	<u>5,108,931</u>	<u>2,312,445</u>
Total Liabilities	<u>\$ 5,109,099</u>	<u>\$ 2,312,445</u>

Note 11. Seized Cash and Monetary Instruments

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

As of September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Investments, Net (Note 5)	\$ 3,903,069	\$ 1,293,776
Seized Cash Deposited (Note 4)	87,243	106,154
Seized Monetary Instruments (Note 4)	<u>26,579</u>	<u>24,876</u>
Total Seized Cash and Monetary Instruments	<u>\$ 4,016,891</u>	<u>\$ 1,424,806</u>

These notes are an integral part of the financial statements.

FY 2011 AFF/SADF Annual Financial Statements

**U.S. Department of Justice
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(Dollars in Thousands, Except as Noted)**

Note 12. Other Liabilities

All Other Liabilities are current liabilities.

As of September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Intragovernmental		
Employer Contributions and Payroll Taxes Payable	\$ 169	\$ -

Note 13. Contingencies and Commitments

	<u>Accrued Liabilities</u>	<u>Estimated Range of Loss</u>	
		<u>Lower</u>	<u>Upper</u>
As of September 30, 2011			
Reasonably Possible	\$ -	\$ 4,000	\$ 4,000
As of September 30, 2010			
Reasonably Possible	\$ -	\$ 4,000	\$ 4,000

These notes are an integral part of the financial statements.

U.S. Department of Justice
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Note 14. Earmarked Funds

The AFF, an earmarked fund, exists to eliminate economic disincentives to operation of an extensive national asset forfeiture program by providing a stable source of funds to pay costs, not otherwise funded under agency appropriations, to execute forfeiture functions. This is made possible by depositing the proceeds of all forfeitures under any laws enforced or administered by the Department into the Fund, and using those receipts to finance expenses associated with asset forfeiture functions.

The funds in the AFF are derived primarily from financing sources and are presented on the Consolidated Statement of Changes in Net Position as both Budgetary and Other Financing Sources. Financing sources consist of (1) interest earned on Treasury investments (i.e., nonexchange revenues) and (2) non-governmental donations and forfeitures, which include forfeited cash, proceeds from the sale of forfeited property (or conversion of deferred revenue to realized revenue through sale), receipt of payments in lieu of property forfeiture, recovery of asset management expenses, and financing sources from judgments.

The AFF recognizes exchange revenue, on a reimbursement basis, when the United States Attorneys Offices provide services in judicial forfeiture cases brought by agencies participating in the TFF. This revenue is presented on the Consolidated Statement of Net Cost as earned revenue. In accordance with 28 U.S.C. § 524 and AFMS Memorandums of Understanding, donations and forfeitures available for use by certain Federal agencies are treated as returns of financing sources when disbursed.

All funds deposited to the AFF are considered "public" monies, i.e., funds belonging to the U.S. Government. The monies deposited into the AFF are available to cover all expenditures in support of the AFP that are allowable under the Fund statute created by the Comprehensive Crime Control Act of 1984 (P.L. 98-473, dated October 12, 1984) at 28 U.S.C. § 524(c).

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**U.S. Department of Justice
Notes to the Financial Statements
(Dollars in Thousands, Except as Noted)**

Note 14. Earmarked Funds (continued)

As of September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Balance Sheet		
Assets		
Fund Balance with U.S. Treasury	\$ 229,030	\$ 180,150
Investments, Net	2,443,702	2,197,486
Other Assets	180,020	197,403
Total Assets	<u>\$ 2,852,752</u>	<u>\$ 2,575,039</u>
Liabilities		
Accounts Payable	\$ 918,358	\$ 698,517
Other Liabilities	173,850	189,122
Total Liabilities	<u>\$ 1,092,208</u>	<u>\$ 887,639</u>
Net Position		
Cumulative Results of Operations	\$ 1,760,544	\$ 1,687,400
Total Net Position	<u>\$ 1,760,544</u>	<u>\$ 1,687,400</u>
Total Liabilities and Net Position	<u>\$ 2,852,752</u>	<u>\$ 2,575,039</u>

For the Fiscal Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Statement of Net Cost		
Gross Cost of Operations	\$ 1,673,412	\$ 1,291,742
Less: Exchange Revenue	9,513	7,324
Net Cost of Operations	<u>\$ 1,663,899</u>	<u>\$ 1,284,418</u>
Statement of Changes in Net Position		
Net Position Beginning of Period	\$ 1,687,400	\$ 1,425,883
Budgetary Financing Sources	1,585,180	1,506,330
Other Financing Sources	151,863	39,605
Total Financing Sources	<u>1,737,043</u>	<u>1,545,935</u>
Net Cost of Operations	(1,663,899)	(1,284,418)
Net Change	<u>73,144</u>	<u>261,517</u>
Net Position End of Period	<u>\$ 1,760,544</u>	<u>\$ 1,687,400</u>

These notes are an integral part of the financial statements.

FY 2011 AFF/SADF Annual Financial Statements

**U.S. Department of Justice
Notes to the Financial Statements
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Note 15. Net Cost of Operations by Suborganization

		<u>Gross Cost</u>	<u>Less: Earned Revenue</u>	<u>Net Cost of Operations</u>
For the Fiscal Year Ended September 30, 2011				
Goal 2:	Payments to Third Parties	\$ 639,253	\$ -	\$ 639,253
	Asset Management Expenses	47,630	-	47,630
	Special Contract Services	116,746	9,513	107,233
	ADP Equipment	7,425	-	7,425
	Forfeiture Case Prosecution	53,530	-	53,530
	Forfeiture Training and Printing	12,725	-	12,725
	Other Program Management	35,014	-	35,014
	Awards for Information	28,218	-	28,218
	Purchase of Evidence	9,078	-	9,078
	Equipping Conveyances	147	-	147
	Contracts to Identify Assets	31,874	-	31,874
	Investigative Cost Leading to Seizure	74,225	-	74,225
	Equitable Sharing	440,063	-	440,063
	Joint Law Enforcement Operations	177,484	-	177,484
	Net Cost of Operations	<u>\$1,673,412</u>	<u>\$ 9,513</u>	<u>\$ 1,663,899</u>

Goal 2: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People

		<u>Gross Cost</u>	<u>Less: Earned Revenue</u>	<u>Net Cost of Operations</u>
For the Fiscal Year Ended September 30, 2010				
Goal 2:	Payments to Third Parties	\$ 254,228	\$ -	\$ 254,228
	Asset Management Expenses	9,823	-	9,823
	Special Contract Services	116,709	7,324	109,385
	ADP Equipment	7,489	-	7,489
	Forfeiture Case Prosecution	54,039	-	54,039
	Forfeiture Training and Printing	10,309	-	10,309
	Other Program Management	44,661	-	44,661
	Awards for Information	12,127	-	12,127
	Purchase of Evidence	7,776	-	7,776
	Equipping Conveyances	819	-	819
	Contracts to Identify Assets	19,778	-	19,778
	Investigative Cost Leading to Seizure	55,110	-	55,110
	Equitable Sharing	550,288	-	550,288
	Joint Law Enforcement Operations	148,586	-	148,586
	Net Cost of Operations	<u>\$1,291,742</u>	<u>\$ 7,324</u>	<u>\$ 1,284,418</u>

Goal 2: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People

These notes are an integral part of the financial statements.

**U.S. Department of Justice
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Note 16. 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 AFF from a providing entity that is not part of the Department of Justice. 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 recognized by the AFF are the cost of benefits for the Federal Employees Health Benefits Program (FEHB), the Federal Employees' Group Life Insurance Program (FEGLI), 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 AFF.

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 CSRS, the cost factors are 30.1% of basic pay. For employees covered by FERS, the cost factors are 13.8% of basic pay.

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

For the Fiscal Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Imputed Inter-Departmental Financing		
Health Insurance	398	-
Life Insurance	2	-
Pension	202	-
Total Imputed Inter-Departmental	<u>\$ 602</u>	<u>\$ -</u>

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 the AFF from another component in the Department. The AFF does not have any imputed intra-departmental financing sources that meet the reporting requirements of the Department.

**U.S. Department of Justice
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Note 17. Information Related to the Statement of Budgetary Resources

Apportionment Categories of Obligations Incurred:

	<u>Direct Obligations</u>	<u>Reimbursable Obligations</u>	<u>Obligations Incurred</u>
For the Fiscal Year Ended September 30, 2011			
Obligations Apportioned Under			
Category A	\$ 16,425	\$ -	\$ 16,425
Category B	1,599,537	4,244	1,603,781
Total	<u>\$ 1,615,962</u>	<u>\$ 4,244</u>	<u>\$ 1,620,206</u>
For the Fiscal Year Ended September 30, 2010			
Obligations Apportioned Under			
Category A	\$ 31,830	\$ -	\$ 31,830
Category B	1,391,479	7,374	1,398,853
Total	<u>\$ 1,423,309</u>	<u>\$ 7,374</u>	<u>\$ 1,430,683</u>

Apportionment categories are determined in accordance with the guidance provided in Part 4 *Instructions on Budget Execution* of OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*. Category A represents resources apportioned for calendar quarters. Category B represents resources apportioned for other periods; for activities, projects, and objectives; or for a combination thereof.

**U.S. Department of Justice
Notes to the Financial Statements
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Note 17. Information Related to the Statement of Budgetary Resources (continued)

Status of Undelivered Orders:

Undelivered Orders (UDOs) represent 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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
UDO Obligations Unpaid	\$ 173,007	\$ 284,162
UDO Obligations Prepaid/Advanced	<u>1,774</u>	<u>2,620</u>
Total UDOs	<u>\$ 174,781</u>	<u>\$ 286,782</u>

Permanent Indefinite Appropriations:

28 U.S.C. § 524(c)(1) authorizes the Attorney General to use AFF receipts to pay program operations expenses, equitable sharing to state and local law enforcement agencies who assist in forfeiture cases, and lien holders. This permanent indefinite authority is open-ended as to both its period of availability (amount of time the agency has to spend the funds) and its amount.

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, unless otherwise restricted. Excess unobligated balances identified at the end of a fiscal year may be declared a "Super Surplus" balance. Super Surplus balances may be allocated at the discretion of the Attorney General for "...any Federal law enforcement, litigative/prosecutive, and correctional activities, or any other authorized purpose of the DOJ" pursuant to 28 U.S.C. § 524(c)(8)(E).

**U.S. Department of Justice
Notes to the Financial Statements
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Note 17. 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, 2011 is not presented, because the submission of the Budget of the United States (Budget) for FY 2013, which presents the execution of the FY 2011 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 2012.

For the Fiscal Year Ended September 30, 2010
(Dollars in Millions)

	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources (SBR)	\$ 2,441	\$ 1,431	\$ 4	\$ 1,286
Funds not Reported in Budget of the U.S.				
Forfeiture Activity	(12)	-	-	-
OCDETF Adjustments	(9)	15	-	-
Special and Trust Funds Receipts	-	-	-	4
Other	-	(1)	1	-
Budget of the United States Government	<u>\$ 2,420</u>	<u>\$ 1,445</u>	<u>\$ 5</u>	<u>\$ 1,290</u>

Funds not reported in the Budget - Forfeiture Activity, primarily represent forfeiture activities that are unavailable until the authority is granted in the subsequent year. These activities represent real estate sales and accrued revenue. Other differences represent financial statement adjustments, timing differences, and other immaterial differences between amounts reported in the AFF's SBR and the Budget of the United States.

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Note 18. Super Surplus Transfers

The AFF’s statute, 28 U.S.C. §524(c)(8)(E), provides the Attorney General with the authority to use the AFF’s excess unobligated balance remaining at the end of a FY without fiscal year limitation for any Federal law enforcement, litigative/prosecutive, and correctional activities, or any other authorized purpose of the Department of Justice. The excess unobligated balance consists of the AFF’s unobligated balance at the end of the FY after the Program’s operational needs for the subsequent year are reserved. The excess unobligated balance is historically known as “Super Surplus.”

The Attorney General approved the following allocations of Super Surplus during FYs 2011 and 2010. The most recent Super Surplus declarations were in FYs 2005 and 2008.

For the Fiscal Years Ended September 30, 2011 and 2010

	2011	2010
Civil Division	\$ 338	\$ 338
Executive Office for U.S. Attorneys	32	194
Community Oriented Policing Services	-	26,000
Total DOJ Allocations	\$ 370	\$ 26,532
2005 Super Surplus	\$ 370	\$ 532
2008 Super Surplus	-	26,000
Total Allocations	\$ 370	\$ 26,532

**U.S. Department of Justice
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Note 18. Super Surplus Transfers (continued)

Since Super Surplus authority is not the result of an exchange of goods or services between the AFF and the agency receiving the funding, the AFF records the allocation of Super Surplus funds to the agencies as transfers out. The agencies receiving Super Surplus authority record transfers in. As of September 30, 2011 and 2010, \$27 and \$26,474 was transferred out respectively. The AFF also records a liability for the amount of any Super Surplus provided in the current or prior fiscal years that has not yet been transferred out. As of September 30, 2011 and 2010, Super Surplus liabilities totaled \$70 and \$62, respectively.

Transfers-out of Forfeited Property for Official Use. Property was distributed pursuant to the Attorney General’s authority to share forfeiture revenues with agencies that participated in the forfeiture that generated the property, and pursuant to the DOJ’s authority to place forfeited property into official use by the Government. As of September 30, 2011 and 2010, transfers-out of forfeited property for official use totaled \$6,091 and \$4,785, respectively.

Note 19. Nonexchange Revenues

Nonexchange revenue consists of income from the investment of the AFF and SADF in U.S. Treasury securities. The investment accrual revenue represents the amortization of the discount on marketable bills using the straight-line basis.

For the Fiscal Years Ended September 30, 2011 and 2010

	2011	2010
Income from AFF investments	\$ 2,369	\$ 2,474
Income from SADF investments	2,492	2,108
Amortization of AFF/SADF discount/(premium)	(265)	(718)
Total Investment Income	\$ 4,596	\$ 3,864

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Note 20. Donations and Forfeitures

Forfeiture income includes forfeited cash, sales of forfeited property, penalties in lieu of forfeiture, recovery of returned asset management costs, judgment collections, and other miscellaneous income. For the Fiscal Years ended September 30, 2011 and 2010, net forfeiture income attributable to the AFF totaled \$1,737,965 and \$1,573,330 respectively, after the following payments and returns to agencies participating in seizures that led to forfeiture.

	<u>2011</u>	<u>2010</u>
Payments to individuals or organizations for proceeds from assets forfeited and deposited into the AFF and subsequently returned to them through a settlement agreement or by court order.	\$ 2,130	\$ 6,524
Return of forfeiture income to the TFF for its participation in seizures that led to forfeiture.	94,587	159,167
Return of forfeiture income to the U.S. Postal Service for its participation in seizures that led to forfeiture.	21,645	25,142
Return of forfeiture income to other Federal agencies for their participation in seizures that led to forfeiture.	504	1,481
Total Return of Forfeiture Income	<u>\$ 118,866</u>	<u>\$ 192,314</u>

**U.S. Department of Justice
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Note 21. Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing)

For the Fiscal Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	\$ 1,620,206	\$ 1,430,683
Less: Spending Authority from Offsetting Collections and Recoveries	<u>95,978</u>	<u>77,624</u>
Obligations Net of Offsetting Collections and Recoveries	1,524,228	1,353,059
Less: Offsetting Receipts	<u>4,596</u>	<u>3,864</u>
Net Obligations	1,519,632	1,349,195
Other Resources		
Donations and Forfeitures of Property	157,381	70,864
Transfers-In/Out Without Reimbursement	(6,120)	(31,259)
Imputed Financing from Cost Absorbed by Others	<u>602</u>	<u>-</u>
Net Other Resources Used to Finance Activities	151,863	39,605
Total Resources Used to Finance Activities	<u>1,671,495</u>	<u>1,388,800</u>
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	111,312	(60,185)
Budgetary Offsetting Collections and Receipts That do not Affect Net Cost of Operations	(152,785)	(67,602)
Other Resources or Adjustments to Net Obligated Resources That do not Affect Net Cost of Operations	<u>6,091</u>	<u>4,784</u>
Total Resources Used to Finance Items not Part of the Net Cost of Operations	<u>(35,382)</u>	<u>(123,003)</u>
Total Resources Used to Finance the Net Cost of Operations	<u>1,636,113</u>	<u>1,265,797</u>

These notes are an integral part of the financial statements.

**U.S. Department of Justice
Notes to the Financial Statements
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Note 21. Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing) (continued)

Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period		
Components That Will Require or Generate Resources in Future Periods (Note 22)	\$ 168	\$ -
Components not Requiring or Generating Resources		
Depreciation and Amortization	1,493	654
Other	<u>26,125</u>	<u>17,967</u>
	\$ 27,618	\$ 18,621
Total Components of Net Cost of Operations That Will not Require or Generate Resources in the Current Period	<u>27,786</u>	<u>18,621</u>
Net Cost of Operations	<u>\$ 1,663,899</u>	<u>\$ 1,284,418</u>

These notes are an integral part of the financial statements.

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Note 22. 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 \$168 and \$0 on September 30, 2011 and 2010, respectively, are discussed in Note 10, 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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods		
Increase in Accrued Annual and Compensatory Leave Liabilities	\$ 168	\$ -