



## FINANCIAL MANAGEMENT AND ANALYSIS

In order to strengthen the integrity for the financial operations and data reliability, DOT produces audited financial statements. The principal financial statements include: the Consolidated Balance Sheets; Consolidated Statement of Net Cost of Operations; Combined Statement of Budgetary Resources; and the Consolidated Statement of Financing. These principal financial statements, in addition to the financial information in the Other Supplemental Information section of the report, summarized the financial activities of the Department.

### Analysis of Financial Statements

An unqualified audit opinion reflects that the agency's information is reliable, and DOT attained an unqualified audit in FY 2002 from the Office of Inspector General (OIG). DOT had one beginning and four new material weaknesses related to the audit on the financial statements, resulting in 5 ending material weaknesses for FY 2002. The Department made efforts to comply with the requirements of the Federal Managers Financial Integrity Act (FMFIA) and regulations to improve its financial management system. DOT's management takes responsibility for the objectivity and integrity of the financial information presented in the financial statements contained in this report. Ongoing operations of the Department are subjected to enactment of appropriations. In the previous year, FY 2001, the Department obtained an unqualified audit opinion.

### Total Consolidated Statements of Net Cost

The net cost of DOT operations for FY 2002 was \$63 billion, as reflected in the Consolidated Statement of Net Cost as of September 30, 2002. This figure was an increase of over 5 percent compared to FY 2001 cost of operations. The increase was due to a rise in cost for surface and air transportation. However, the cost of maritime transportation decreased by 44 percent or \$5.5 billion in FY 2002 compared to FY 2001. From the \$63 billion for DOT's net cost of operations, 63 percent was from surface transportation, 21 percent from air transportation, 11 percent from maritime transportation, about 0.2 percent from crosscutting programs, and four percent from costs not assigned to any particular program.

For surface transportation, a large amount of the net cost was from the highway trust fund (\$32 billion of \$47 billion). The majority of air transportation cost was from FAA (\$12 billion). The U.S. Coast Guards accounted for about \$6.8 billion out of \$7.2 billion in maritime transportation costs.

### Assets

Total assets for DOT is \$84 billion for FY 2002. The decrease in FY 2002 is largely attributable to a reduction in investments by almost \$6 billion. Total intragovernmental assets for DOT are \$62 billion. A large amount of this funding came from investments (\$31 billion) and fund balance with Treasury (about \$30 billion).

Among general properties, plant and equipments (PP&E) for DOT, the total acquisition value is \$32 billion, most of this being equipment (\$12 billion), buildings and structures (\$6 billion), ships and vessels (\$6 billion), construction in progress (\$5 billion), and aircraft (\$1 billion).

### Liabilities and Net Position

Total liabilities for FY 2002 is \$42 billion, a slight increase over FY 2001 figures. The Federal Employees' Compensation Act liabilities include the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases, and a component for incurred but not reported claims. The Coast Guard Military Retirement System is funded through annual appropriations. In FY 2002, the value of the

projected plans and benefits for the Coast Guard's pension was \$18 billion, and their Military Health Care was \$11 billion. A large portion of DOT's liabilities was accounted by the US Coast Guard's pension in FY 2002. The total Federal employee and veteran benefits for FY 2002 were \$30 billion. Total intragovernmental liabilities experienced a decrease from \$2.4 billion in FY 2001 to \$2.2 billion in FY 2002. Of the \$42 billion for DOT's net position, 33 percent was from unexpended appropriations.

## **Program Costs**

Program costs generally experienced an increase in FY 2002 compared to FY 2001 in all areas with a few exceptions. Also from FY 2001 to FY 2002, Surface Transportation experienced an increase of about \$3 billion, Air Transportation increased by \$3 billion, and Maritime Transportation decreased by about \$6 billion.

## **Loans**

DOT gives direct loans and loan guarantees to non-Federal entities for the Amtrak Corridor Improvement Program, Railroad Rehabilitation Improvement Program, Alameda Corridor Transportation Authority Loan, TIFIA Loan, Maritime Guaranteed Loan, and to the Office of Small and Disadvantaged Business Utilization Guaranteed Loan Program.

## **Intra-Departmental Eliminations**

The Department of Treasury is requiring that all agencies confirm and reconcile intragovernmental transactions with their trading partners, including transactions occurring within DOT or outside DOT. This includes fiduciary (investment/borrowing with Treasury, DOL Federal Employees' Compensation Act liabilities, OPM employee benefits) and non-fiduciary (that is buy/sell goods and services, reimbursables, transfers) intragovernmental transactions. Fiduciary confirmation/reconciliations are done through the web-based confirmation system (IFCS). Non-fiduciary confirmations are done manually. Treasury strongly recommends the use of confirmation forms to confirm/reconcile non-fiduciary intragovernmental balances. DOT is requiring the OAs to report intragovernmental balances in their Treasury FACTS I reports and financial statements, which must be in agreement.

Treasury is also requiring CFO representations for the confirmation/reconciliation of intragovernmental activity and balances. These representations will provide assurances for the intragovernmental balances included in the financial statements. Additionally, the OAs will be required to submit representations using a standard form.

## **Transportation Equity Act for the 21<sup>st</sup> Century**

Federal funding for transportation infrastructure—improving the Nation's highways, transit rail and bus systems, intercity passenger rail service, airports and bridges—is the largest component in DOT's budget. Infrastructure funding focuses on ensuring a safe, efficient, accessible and convenient transportation system that meets vital National interests and enhances the quality of life of the American people.

The Administration is working toward reauthorizing TEA-21 by creating a version that would take effect for the next 6 years after TEA-21 expires at the end of FY 2003.

Significant financing features existing under TEA-21 financing include the following:

*Guaranteed Investment Levels.* Highway and transit discretionary programs are guaranteed a floor (a minimum level of spending) by new budget categories that effectively establish a budgetary "firewall" between each of those programs and all other domestic discretionary programs.

*Authorizations and Investment.* The minimum level of spending amount for highways is keyed to the projected receipts to the Highway Account of the Highway Trust Fund and will be adjusted as new receipt projections and actual receipts become available.

*Increases and Decreases.* Any increase in receipts to the Highway Account is reserved for the Federal-aid highway and highway safety construction programs.

*Obligation Limitations.* Spending limitations are applied to most programs. However, obligation limitations set aside each year for certain programs (e.g., Woodrow Wilson Memorial Bridge) do not expire if not used by the end of the fiscal year, but can be carried over to future years.

*Using Innovative Financing to Supplement Federal Funds.* The Transportation Infrastructure Finance and Innovation Act (TIFIA) of TEA-21 continues to use innovative financing techniques that move construction projects ahead faster, and supplement Federal funds with private and non-Federal public investment. TIFIA's purpose is to fill gaps in market funding or to leverage additional non-Federal resources by direct Federal loans, loan guarantees, and standby lines of credit.

## **Stewardship**

DOT's total non-Federal physical property investments were \$40 billion, \$37 being from surface transportation non-Federal physical property improvements, and about \$3 billion from air transportation physical property investments. Total human capital investments for DOT were \$30 million for FY 2002, of which \$21 million was from surface transportation capital investments, and \$8.7 million was from maritime transportation human capital investments. Total research and development investments for DOT in FY 2002 was \$450 million, from which \$324 million was from surface transportation investments, \$107 million was from air transportation investments, and \$19 million was from maritime transportation investments.