Analysis of Financial Statements

FEMA's financial statements were prepared to report the financial position and results of operations of the Agency. The principal financial statements include: (1) Consolidated Balance Sheets; (2) Consolidated Statements of Net Cost; (3) Consolidated Statement of Changes in Net Position; (4) Combined Statement of Budgetary Resources; and (5) Consolidated Statement of Financing. Additional financial information is also presented in the required supplementary stewardship schedules.

The Consolidated Balance Sheets is presented in a comparative format providing financial information for FY 2002 and FY 2001. It presents assets owned by FEMA, amounts owed (liabilities), and amounts that constitute FEMA's equity (net position). The Consolidated Balance Sheets reflects total assets of $14.8 billion and liabilities of $1.8 billion for FY 2002. Almost 97% of the assets are Fund Balance With Treasury, with a book value of $14.4 billion.

The Consolidated Statements of Net Cost presents the "income statement" (the annual cost of programs) and distributes fiscal year expenses by programmatic category. Appropriations used (costs expensed by enterprise) are as follows:

- *Disaster Relief*—68.0%
- *National Flood Insurance*—19.5%
- *Emergency Planning and Assistance*—7.1%
- *Cerro Grande Fire Claims*—1.7%
- *Other Programs*—3.7%

The Net Cost of Operations is reported on the Consolidated Statements of Net Cost and also on the Consolidated Statement of Financing.

The Consolidated Statement of Changes in Net Position identifies appropriated funds used as a financing source for goods, services, or capital acquisitions. This statement presents the accounting events that caused changes in the net position section of the Consolidated Balance Sheets from the beginning to the end of the reporting period.

The Combined Statement of Budgetary Resources highlights budget authority for the Agency and provides information on budgetary resources available to FEMA for the year and the status of those resources at the end of the year.

Outlays reported in this statement reflect cash disbursements for the fiscal year by the U.S. Department of the Treasury for FEMA.

Trend of FEMA's Budget (Dollars in Thousands)

FY 2002	$10,431,773
FY 2001	$4,751,281
FY 2000	$4,500,059
FY 1999	$3,300,581

Total Outlays (In Thousands of Dollars)

FY 2002	$4,270,484
FY 2001	$4,476,644
FY 2000	$3,067,776
FY 1999	$4,092,291

The Consolidated Statement of Financing provides a reconciliation between the obligations incurred to finance operations and the net costs of operating programs. Costs that do not require resources include depreciation. Costs capitalized on the Consolidated Balance Sheets are additions to capital assets made during the fiscal year. Obligations incurred include amounts of orders placed, contracts awarded, services received, and similar transactions that require payment during the same or future period. Obligations incurred links the Combined Statement of Budgetary Resources to the Consolidated Statement of Financing.

Required Supplementary Stewardship Information is included to provide information (financial and nonfinancial) on resources and responsibilities that cannot be measured in traditional financial reports.

Limitations on Financial Statements

Responsibility for the integrity and objectivity of the financial information presented in the financial statements lies with FEMA management. The financial statements and supplemental financial schedules included in this report reflect the financial position and results of operation of the Agency pursuant to the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. While these statements have been prepared from the books and records of

FEMA in accordance with guidance provided by the Office of Management and Budget and the Federal Accounting Standards Advisory Board, the statements differ from financial reports used to monitor and control budgetary resources that are prepared from the same books and records. The financial statements should be read with the realization that FEMA is an agency of the executive branch of the U.S. Government, a sovereign entity. Accordingly, unfunded liabilities reported in the statements cannot be liquidated without the enactment of an appropriation, and ongoing operations are subjected to enactment of appropriations.