Consolidated Balance Sheet

as of September 30, 2000

(dollars in thousands)

		Directorates and Administrations		CGF		DRF		Consolidated
ASSETS								
Intragovernmental								
Fund Balance with Treasury (Note 2)	$	806,288	$	495,673	$	7,450,250	$	8,752,211
Investments, Net (Note 4)		1,483		-		-		1,483
Accounts Receivable, Net (Note 5)		42,172		-		217		42,389
Advances and Prepayments (Note 7)		20		-		-		20
Total Intragovernmental		849,963		495,673		7,450,467		8,796,103
Accounts Receivable, Net (Note 5)		14,848		-		52,568		67,416
Advances and Prepayments (Note 7)		291,350		-		21,483		312,833
Credit Program Receivables, Net (Note 6)		17,304		-		-		17,304
Cash and Other Monetary Assets (Note 3)		10,491		-		-		10,491
Inventory and Other Related Property, Net (Note 8)		4,173		-		-		4,173
General Property, Plant, and Equipment, Net (Note 9)		7,685		-		19,887		27,572
Total Assets	**$**	**1,195,814**	**$**	**495,673**	**$**	**7,544,405**	**$**	**9,235,892**
LIABILITIES								
Intragovernmental								
Accounts Payable	$	2,489	$	-	$	90,781	$	93,270
Debt (Note 10)		416,220		-		-		416,220
Other Intragovernmental Liabilities (Note 15)		151,529		-		110		151,639
Total Intragovernmental		570,238		-		90,891		661,129
Accounts Payable		62,379		182		194,515		257,076
Claims and Claims Settlement Expenses (Note 11)		36,309		436,695		-		473,004
Deferred Revenue (Note 12)		890,396		-		-		890,396
Federal Employee and Veterans' Benefits Payable (Note 14)		12,840		-		9,119		21,959
Other Governmental Liabilities (Note 15)		53,808		357		16,792		70,957
Total Liabilities		**1,625,970**		**437,234**		**311,317**		**2,374,521**
NET POSITION								
Unexpended Appropriations (Note 16)		490,133		58,449		7,248,497		7,797,079
Cumulative Results of Operations		(1,576,453)		-		(7,906)		(1,584,359)
Current Year		656,164		(10)		(7,503)		648,651
Total Net Position		**(430,156)**		**58,439**		**7,233,088**		**6,861,371**
TOTAL LIABILITIES AND NET POSITION	**$**	**1,195,814**	**$**	**495,673**	**$**	**7,544,405**	**$**	**9,235,892**

The accompanying Notes are an integral part of these statements.

Consolidated Statement of Net Cost

for the year ended September 30, 2000

(dollars in thousands)

	Directorates and Administrations	CGF	DRF	Consolidated
COSTS				
Production	$ 1,552,623	$ 441,568	$ 2,503,031	$ 4,497,222
Non-production	26,400	-	-	26,400
Total Program Costs	1,579,023	441,568	2,503,031	4,523,622
Less Earned Revenues	(1,565,416)	-	(281)	(1,565,697)
NET PROGRAM COSTS BEFORE ALLOCATIONS	**13,607**	**441,568**	**2,502,750**	**2,957,925**
Net Cost Allocations of Support Organizations and Prior Years' Appropriations	(98,030)	-	98,030	-
NET COST OF OPERATIONS AFTER ALLOCATIONS	**$ (84,423)**	**$ 441,568**	**$ 2,600,780**	**$ 2,957,925**

The accompanying Notes are an integral part of these statements.

Consolidated Statement of Changes in Net Position

for the year ended September 30, 2000

(dollars in thousands)

	Directorates and Administrations	CGF	DRF	Consolidated
NET COST OF OPERATIONS	$ 84,423	$ (441,568)	$ (2,600,780)	$ (2,957,925)
Financing Sources (Other than Exchange Revenues):				
Appropriations Used	660,477	441,552	2,492,037	3,594,066
Imputed Financing	9,294	6	3,210	12,510
Transfers-in	20,517	-	-	20,517
Transfers-out	(20,517)	-	-	(20,517)
Net Cost Allocations of Support Organizations	(98,030)	-	98,030	-
Net Results of Operations	656,164	(10)	(7,503)	648,651
Increase (Decrease) in Unexpended Appropriations	(35,188)	58,449	273,072	296,333
CHANGE IN NET POSITION	**620,976**	**58,439**	**265,569**	**944,984**
Net Position-Beginning of Period	(1,047,653)	-	6,967,519	5,919,866
Cancelled Authority	(3,479)	-	-	(3,479)
NET POSITION—END OF PERIOD	**$ (430,156)**	**$ 58,439**	**$ 7,233,088**	**$ 6,861,371**

The accompanying Notes are an integral part of these statements.

Consolidated Statement of Budgetary Resources

for the year ended September 30, 2000

(dollars in thousands)

	Directorates and Administrations	CGF	DRF	Consolidated
BUDGETARY RESOURCES				
Budget Authority	$ 1,234,986	$ 500,000	$ 2,765,109	$ 4,500,095
Unobligated Balance - Beginning of Period	859,288	-	950,849	1,810,137
Net Transfers Prior-Year Balance, Actual	1,324	-	-	1,324
Spending Authority from Offsetting Collections	1,609,928	-	369	1,610,297
Adjustments	(813,407)	-	(500,721)	(1,314,128)
Total Budgetary Resources	**$ 2,892,119**	**$ 500,000**	**$ 3,215,606**	**$ 6,607,725**
STATUS OF BUDGETARY RESOURCES				
Obligations Incurred	$ 1,815,401	$ 451,048	$ 2,387,351	$ 4,653,800
Unobligated Balances - Available	931,822	18,952	686,290	1,637,064
Unobligated Balances - Not Available	144,896	30,000	141,965	316,861
Total Status of Budgetary Resources	**$ 2,892,119**	**$ 500,000**	**$ 3,215,606**	**$ 6,607,725**
OUTLAYS				
Obligations Incurred	$ 1,815,401	$ 451,048	$ 2,387,351	$ 4,653,800
Less: Spending Authority From Offsetting Collections and Adjustments	1,609,764	-	581,657	2,191,421
Subtotal	205,637	451,048	1,805,694	2,462,379
Obligated Balance, Net - Beginning of Period	981,738	-	6,278,086	7,259,824
Less: Obligated Balance, Net - End of Period	687,839	446,721	5,519,867	6,654,427
TOTAL OUTLAYS	**$ 499,536**	**$ 4,327**	**$ 2,563,913**	**$ 3,067,776**

The accompanying Notes are an integral part of these statements.

Consolidated Statement of Financing

for the year ended September 30, 2000
(dollars in thousands)

	Directorates and Administrations	CGF	DRF	Consolidated
OBLIGATIONS AND NON-BUDGETARY RESOURCES				
Obligations Incurred	$ 1,815,401	$ 451,048	$ 2,387,351	$ 4,653,800
Less: Spending Authority from Offsetting Collections and Adjustments	1,609,764	-	581,657	2,191,421
Financing Imputed for Cost Subsidies	9,294	6	3,210	12,510
Exchange Revenue Not in the Budget	(18,306)	-	(1,040)	(19,346)
Other	35	-	-	35
Total Obligations, as Adjusted, and Non-budgetary Resources	**196,660**	**451,054**	**1,807,864**	**2,455,578**
RESOURCES THAT DO NOT FUND NET COST OF OPERATIONS				
Change in Amount of Goods, Services, and Benefits Ordered But Not Yet Received or Provided	(145,156)	(9,496)	687,382	532,730
Cost Capitalized on the Balance Sheet	5,615	-	(5,919)	(304)
Financing Sources that Fund Costs of Prior Periods	(59,510)	-	-	(59,510)
Total Resources that do not Fund Net Cost of Operations	**(199,051)**	**(9,496)**	**681,463**	**472,916**
COSTS THAT DO NOT REQUIRE RESOURCES				
Depreciation and Amortization	1,976	-	7,401	9,377
Other	16,097	-	-	16,097
TOTAL COSTS THAT DO NOT REQUIRE RESOURCES	**18,073**	**-**	**7,401**	**25,474**
Financing Sources Yet to be Provided	(2,075)	10	6,022	3,957
NET COST OF OPERATIONS	**$ 13,607**	**$ 441,568**	**$ 2,502,750**	**$ 2,957,925**

The accompanying Notes are an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2000

(DOLLARS IN THOUSANDS)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Federal Emergency Management Agency's (FEMA) agency-wide financial statements report all of the activities of the Agency: Directorates and Administrations, Cerro Grande Fund, and the Disaster Relief Fund.

The financial statements were prepared to meet the requirements of the Chief Financial Officers Act of 1990 (CFO Act) and the Government Management Reform Act of 1994 (GMRA). While the statements have been prepared from the books and records of FEMA in accordance with the form and content prescribed by the Office of Management and Budget (OMB), the statements are different from the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the understanding that they are for a sovereign entity, that liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation, and that the payment of all liabilities other than for contracts can be abrogated by the sovereign entity.

The consolidated financial statements are presented in conformity with OMB Bulletin Number 97-01, *Form and Content of Agency Financial Statements*, as amended by OMB Memorandums Number 99-03 and Number M-00-05, *Technical Amendments to OMB Bulletin Number 97-01, Form and Content of Agency Financial Statements*. As encouraged in the technical amendment, FEMA has elected early implementation of changes to the balance sheet presentation that will be required for FY 2001.

B. Reporting Entity

The accompanying consolidated financial statements of FEMA include activities of the following organizational components of the Agency:

1. Directorates and Administrations

   - Response and Recovery Directorate

     The Response and Recovery (R&R) Directorate is responsible for the planning, coordination and execution of the federal government's response in providing assistance to state and local governments, in the event of major disasters and emergencies. In addition, R&R is responsible for the Individual and Public Assistance Grant Programs, which are authorized by the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Public Law [P.L.] 93-288, as amended). The expenses of carrying out this disaster assistance under the Act are funded under a separate appropriation, the Disaster Relief Fund (DRF).

     R&R has responsibility for the Disaster Assistance Direct Loan Program (DADLP) which makes four types of loans: Community Disaster Loans; Individual and Family Grant State Share Loans; Public Assistance State Share Loans; and Hazard Mitigation State Share Loans. The DADLP for the non-Federal share of program costs was created under the

Robert T. Stafford Disaster Relief and Emergency Assistance Act, P.L. 93-288, as amended by P.L. 100-707. Community Disaster Loans were available under P.L. 93-288 prior to the Stafford Act.

The Bequests and Gifts, Cora Brown Fund, a trust fund, administered by the Human Services Division of the R&R Directorate provides for disaster-related needs that have not been and will not be met by governmental agencies or any other organizations. The fund contains the remainder of the initial endowment plus interest earned as well as other gifts.

- Mitigation Directorate

The Mitigation (MIT) Directorate provides for the development, coordination, and implementation of policies, plans, and programs to eliminate or reduce the long-term risk to human life and property from natural hazards, such as floods, earthquakes, hurricanes, and dam failures. The Directorate's programs identify and address the nature and extent of risk for all hazards. This information is developed into mitigation strategies and delivered through the FEMA regional offices or other appropriate mechanisms to the end user, whether it is state and local governments, engineers, architects, planners, code officials, or community leaders. Emphasis is given to the integration and efficient implementation of existing mitigation authorities; identification of gaps between these authorities and proposed remedies; and developing, implementing, and supporting innovations that encourage and foster a multi-hazard approach to mitigation activities at the federal, state, and local level in a partnership between government and private sector entities.

- Preparedness, Training & Exercises Directorate

The Preparedness, Training & Exercises (PT&E) Directorate provides resources for an array of all-hazard emergency management programs that assure that an integrated partnership of people, plans, systems, and facilities stand ready to provide assistance and relief in any emergency condition or situation. The technical assistance, training curriculum, and exercises funded by this activity are designed to foster and improve the knowledge and experience that a prepared, competent emergency management community must possess in order to save lives and mitigate the economic impact of disasters.

- Federal Insurance Administration

The Federal Insurance Administration (FIA) is the entity of FEMA that administers the National Flood Insurance Program (NFIP), the Unified National Program for Floodplain Management, and the National Insurance Development Fund, the vehicle used for funding the Federal Crime Insurance Program (FCIP). Computer Sciences Corporation (CSC), acts as the Bureau and Statistical Agent and produces financial statements with information for the Direct and Write Your Own (WYO) Insurance Underwriting Operations.

The FCIP authorization expired September 30, 1995, and the program is in the closeout process. P.L. 106-74 for the fiscal year (FY) ending September 30, 2000 forgives the FCIP's debt to the Treasury. (See Note 20.)

- U.S. Fire Administration

The United States Fire Administration (USFA) is the federal fire focus within FEMA and has ultimate responsibility for all fire and emergency medical services programs and training activities. Fire prevention and hazard mitigation activities are developed and delivered through the USFA, utilizing programs designed to build capacity at the state and local level; to enhance the nation's fire prevention, arson control, and Emergency Management Support (EMS) activities and, thereby, significantly reduce the nation's loss of life from fire; to achieve a reduction in property loss and non-fatal injuries to firefighters and citizens due to fires; and to improve emergency preparedness capability. Education and training programs are provided through the National Fire Academy in Emmitsburg, MD.

- Support Organizations

  The Support Organizations provide services to the Directorates and Administrations, the CGF, and the DRF so that FEMA can effectively and efficiently meet its agency-wide objectives. FEMA's Support Organizations are comprised of the Office of Inspector General, Operations Support, Executive Direction, Information Technology Services, and Policy and Regional Operations. These organizations provide services such as oversight of Agency programs and operations, coordination among agency programs, management of information technology resources, logistics management, financial management, and agency-wide planning, policy development, and strategic initiatives.

2. Cerro Grande Fund

   The Cerro Grande Fund (CGF) was established under the Cerro Grande Fire Assistance Act (P.L. 106-246) to compensate victims of the Cerro Grande fire that occurred in May 2000 in several counties in New Mexico. The fire resulted in the loss of federal, state, local, tribal and private property. The Secretary of the Interior and the National Park Service have assumed responsibility for the fire and the subsequent losses of property. The Act established within FEMA the responsibility for receiving, processing and paying claims associated with the fire and reimbursing other federal agencies for claims related to processing support. Claimants have until no later than two years after the date on which regulations are first promulgated, to submit to FEMA a written claim for one or more injuries suffered by the injured person in accordance with requirements established by FEMA. The CGF is funded by a no-year appropriation.

3. Disaster Relief Fund

   The Disaster Relief Fund was established to provide assistance to supplement state and local governments' disaster response, recovery, preparedness, and mitigation efforts. The Robert T. Stafford Disaster Relief and Emergency Assistance Act (P.L. 93-288, as amended) authorized the President to provide such assistance, and Executive Order 12148 delegated the responsibility for administering the federal government's efforts to the Director of FEMA. The Stafford Act authorizes five types of declarations or actions: (1) Major disasters for which the President declares a major disaster upon the request of the Governor of the affected state; (2) Emergency declaration which authorizes only emergency type assistance; (3) Fire Suppression to provide assistance to supplement the resources of communities; (4) Defense Emergency where the Department of Defense performs for a short period to preserve life and property; and (5) Incident Deployment when a disaster situation threatens human health and safety, and the disaster is imminent but not yet declared. It is the policy of FEMA to provide an orderly and continuing means of assistance by the federal government to state and local governments in carrying out their responsibilities to alleviate the suffering and damage resulting from major disasters and emergencies. The DRF is funded by no-year appropriations.

C. Budgets and Budgetary Accounting

Budgetary accounting measures the appropriation and consumption of budget authority and other budgetary resources and facilitates compliance with legal constraints and controls over the use of federal funds. Under budgetary reporting principles, budgetary resources are consumed at the time of purchase. Assets and liabilities, which do not consume current budgetary resources, are not reported, and only those liabilities for which a valid obligation has been established are considered to consume budgetary resources.

Within FEMA, budget authority, the authority to enter into financial obligations that will result in an immediate or future outlay, is derived from: (1) cost reimbursement for the provision of goods or services, (2) receipts that are held in trust for use in carrying out specific purposes and programs in accordance with agreements or statutes, and (3) congressional appropriations or other authorizations to spend general revenues.

D. Basis of Accounting

Established under the authority of the CFO Act of 1990, the Federal Accounting Standards Advisory Board (FASAB) recommends federal accounting standards to the Secretary of the Treasury, the Director of OMB and the Comptroller General, co-principals of the FASAB. Specific standards agreed upon by the three principals are concurrently issued by the Director of OMB and the Comptroller General.

On October 19, 1999, the Council of the American Institute of Certified Public Accountants (AICPA) recognized the FASAB as the body designated to establish generally accepted accounting principles (GAAP) for federal governmental entities under Rule 203, "Accounting Principles," of the AICPA's *Code of Professional Conduct*.

FEMA prepared these principal financial statements in accordance with generally accepted accounting principles, under the following hierarchy:

- FASAB accounting principles, standards and requirements agreed to by the co-principals and published by GAO and OMB;
- interpretations related to the standards issued by OMB in accordance with the procedures outlined in OMB Circular A-134, "Financial Accounting Principles and Standards;"
- form and content requirements in OMB Bulletin 97-01 and its amendments; and
- accounting principles published by authoritative standard setting bodies and other authoritative sources, in the absence of other guidance in the first three parts of this hierarchy, and if the use of such accounting standards improves the meaningfulness of the financial statements.

E. Revenues and Financing Sources

FEMA receives the majority of the funding needed to support the programs through congressional appropriations. FEMA receives annual, multi-year, and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures. Additional amounts are obtained through sales of goods and services to the public. The revenue from the sales of goods and services to the public consist primarily of: (1) insurance premiums for FIA's flood insurance program which are recognized as income ratably over policy coverage periods, and (2) user fees for PT&E's Radiological Emergency Preparedness Program that provides services to commercial nuclear power plants. FEMA receives interest revenue from its loan program as well as from Treasury on invested funds. FEMA receives gifts from donors in a trust fund. In addition, FEMA has programs for which the expenses are reimbursed by other federal agencies.

Imputed financing sources consist of imputed revenue for post-retirement benefits for FEMA employees as described in Note 1.V.

Appropriations are recognized as revenues at the time the related program or administrative expenses are incurred.

F. Fund Balance with Treasury and Cash and Other Monetary Assets

FEMA does not, except for minimal balances maintained by FIA's WYO companies, maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Treasury. The Fund Balances with Treasury and Cash and Other Monetary Assets are primarily appropriated, revolving, or trust funds that are available to pay current liabilities and finance authorized purchase commitments.

G. Investments, Net

Investments in U.S. Government securities are reported at cost or amortized cost, net of unamortized premiums or discounts. Premiums or discounts are amortized into interest income over the term of the investment. FEMA's intent is to hold investments to maturity, unless they 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.

H. Accounts Receivable, Net

Accounts Receivable, Net—Intragovernmental consists of amounts due from other federal agencies.

Accounts Receivable, Net consists primarily of premiums and restitution due from WYO companies participating in FIA's flood insurance program, amounts due from insurance customers and agents' commissions from canceled policies, and amounts due from overpayments to grant recipients in the Disaster Relief Fund.

I. Credit Program Receivables, Net

Loans are accounted for as receivables as funds are disbursed. For loans obligated prior to October 1, 1991, loan principal and interest receivable are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on past experience and an analysis of outstanding balances.

For loans obligated on or after October 1, 1991, the loans receivable are reduced by an allowance equal to the subsidy costs (due to the interest rate differential between the loans and Treasury borrowing, the estimated delinquencies and defaults net of recoveries, the offset from fees, and other estimated cash flows) associated with these loans.

J. Advances and Prepayments

Advances for DRF consist of disaster assistance grants to states and to other federal agencies tasked with mission assignments. Advances for the Directorates and Administrations consist primarily of grants to states of which the largest category is Emergency Management Performance Grants, a consolidation of grant programs, that supports state and local emergency management staffs and operations. Upon receipt of goods and services, the advances are expensed.

FIA payments made in advance of the receipt of goods and services are recorded as prepaid assets at the time of prepayment and recognized as expenses when the related goods and services are received. Policy acquisition costs, consisting of commissions incurred at policy issuance, are deferred and amortized over the period in which the related premiums are earned, generally one to three years.

K. Inventory and Related Property, Net

Inventory and Related Property, Net are comprised of floodplain maps and studies. Inventory on hand at year-end is stated at the lower of cost or market using the average cost method. The recorded values are adjusted for the results of physical inventories taken periodically in accordance with a cyclical counting plan. Expenses are recorded when the inventories are sold or distributed.

Operating materials and supplies that are pre-positioned in Territory Logistics Centers for disaster use are expensed as purchased.

L. General Property, Plant, and Equipment, Net

General Property, Plant, and Equipment is capitalized at cost if the initial acquisition cost is $25,000 or more. Property, Plant, and Equipment is depreciated using a 1/2-year convention and the straight-line method over the asset's useful life. Property, Plant, and Equipment with an acquisition cost of less than $25,000 is expensed when purchased.

FEMA has adopted the following useful lives for classes of depreciable property:

- 5-Year Property: Cars, light and heavy general purpose trucks; qualified technological equipment, computer-based telephone switching equipment; radios and other voice/data communications equipment; computers and peripheral equipment; qualified internally and contractor developed software; office machinery and equipment; office furniture and fixtures; capital leasehold improvements; and any additional personal property that is not otherwise classified.
- 20-Year Property: Buildings and structures and their elevators and escalators; additions, betterments and replacements to buildings and structures; and land improvements.

M. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by FEMA as the result of a transaction or event that has already occurred. However, no liability can be paid by FEMA absent an appropriation. Liabilities for which an appropriation has not been enacted are therefore classified as unfunded liabilities since there is no certainty that the appropriations will be enacted. The Government, acting in its sovereign capacity, can abrogate liabilities of FEMA arising from other than contracts.

N. Accounts Payable

Accounts Payable—Intragovernmental consists of amounts owed to other federal agencies. Accounts Payable consists of trade accounts payable, commissions payable, and bank overdraft liability.

O. Debt

Debt results from loans from the Treasury to fund FIA and DADLP operations disclosed in Note 10. These programs are required to make periodic principal payments to the Treasury based on the terms of the notes.

FEMA's FIA and DADLP have interest payable to Treasury. They are required to make periodic interest payments to the Treasury Department based on the loans outstanding less the unexpended cash in the account at Treasury.

Additional funding for FIA's NFIP may be obtained through a Treasury Department borrowing authority of $500 million (up to $1 billion with the approval of the President). Approval from the President was granted on March 19, 1996, to borrow in excess of $500 million. P.L. 104-208, making omnibus consolidated appropriations for the FY ended September 30, 1998 and for other purposes, increased borrowing authority from $1 billion to $1.5 billion. P.L. 105-65 making omnibus consolidated appropriations for the FY ended September 30, 1999 and for other purposes, maintained borrowing authority at $1.5 billion.

As of September 30, 2000, FCIP had borrowed $3.4 million from the Treasury Department. FCIP's debt to the Treasury was forgiven as part of the FY 2000 appropriation. (See Note 20.)

As of September 30, 2000 NFIP and DADLP had borrowed $345 and $59 million, respectively.

P. Claims and Claims Settlement Expenses

Provision for NFIP losses adjustment expenses, and estimates for incurred but not reported losses are based on reports of individual cases. Adjustments to estimated provisions are reflected in the financial statements as they occur. Loss adjustment expense includes direct costs of settlement and, for the WYO portion of Insurance Underwriting Operations, a provision for unallocated loss adjustment expenses. Loss reserves for the year ended September 30, 2000 were derived using loss development data available through November 2000.

Provision for Cerro Grande Fire claims settlement expenses are based on actuarial analysis as of September 30, 2000.

Q. Deferred Revenue

NFIP premium revenues are recognized ratably over the life of the policies. Unearned premiums are reserved to provide for the unexpired period of insurance coverage.

R. Net Cost of Operations

Net Cost of Operations includes all direct expenses for the Directorates and Administrations, CGF and the DRF as well as the indirect and overhead expenses allocated from FEMA's Support Services to the DRF.

S. Contingencies

NFIP premium rates are generally established for actuarially rated policies with the intent of generating sufficient premiums to cover losses and loss adjustment expenses of a historical average loss year and to provide a surplus to compensate the Insurance Underwriting Operations for the loss potential of an unusually severe loss year due to catastrophic flooding.

Notwithstanding the foregoing, subsidized rates are charged on a countrywide basis for certain classifications of insureds. These subsidized rates produce a premium somewhat less than the loss and loss adjustment expenses expected to be incurred in a historical average loss year, and do not include a provision for losses that may result from catastrophic flooding. Subsidized rates are used to provide affordable insurance on construction or substantial improvements started on or before December 31, 1974, or before the effective date of the initial Flood Insurance Rate Map (i.e., an official map of a community on which NFIP has delineated both the special hazard areas and the non-subsidized premium zones applicable to the community).

The loss potential of catastrophic flooding cannot be meaningfully quantified as it relates to insurance policies in effect as of September 30, 2000. Accordingly, the financial statements do not include any provision for this contingent liability.

T. Annual, Sick, and Other Leave

A liability for annual leave is accrued as leave is earned and paid as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent current or prior-year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources.

Sick leave and other types of non-vested leave are not accrued but expensed as taken.

U. Workers' Compensation Liability

Workers' Compensation is comprised of two components: (1) the accrued liability which represents money owed for claims incurred through the current fiscal year, and (2) the actuarial liability for approved compensation cases incurred beyond the current fiscal year.

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. Claims incurred for benefits for FEMA employees under FECA are administered by the Department of Labor and are ultimately paid by FEMA.

Future workers' compensation estimates were generated from an application of actuarial procedures developed by the Department of Labor to estimate the liability for FECA benefits. The liability for future workers' compensation benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability is determined utilizing historical benefit payment patterns related to a specific period to estimate the ultimate payments related to that period.

V. Pensions, Other Retirement Benefits, and Other Post-Employment Benefits

Each employing federal agency is required to recognize its share of the cost and imputed financing of providing pension and post-retirement health benefits and life insurance to its employees, effective with fiscal years beginning after September 30, 1996, as required by Statement of Federal Financial Accounting Standards (SFFAS) No. 5, Accounting for Liabilities of the Federal Government. Factors used in the calculation of these pension and post-retirement health and life insurance benefits expenses were provided by the Office of Personnel Management (OPM) Financial Management Letter F-00-07, *2000 Cost Factors for Pension and other Retirement Benefits Expenses*, to each agency to meet this requirement.

FEMA's employees are covered under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) to which FEMA makes contributions according to plan requirements. CSRS and FERS are multi-employer plans. FEMA does not maintain or report information about the assets of the plans, nor does it report actuarial data for accumulated plan benefits. The reporting of such amounts is the responsibility of OPM, but the pension expense of the Agency's employees is reported in accordance with SFFAS No. 5. A corresponding amount of imputed revenue is recorded to offset the expense.

W. Estimation Process

The preparation of the financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

X. Litigation

FEMA is a party in various administrative proceedings, legal actions, and claims brought against it. In the opinion of FEMA management and legal counsel, the ultimate resolution of these proceedings, actions and claims, will not materially affect the financial position or results of operations.

In the course of settling insurance claims, FIA is a defendant in litigation filed by claimants disputing the amount of insurance coverage or the amount of loss. The estimated liability for any resulting settlements is considered when establishing reserves for losses and loss adjustment expense. The FIA is also seeking subrogation remedies against communities and others for reimbursement of certain claims. The proceeds of such actions are recognized as reductions of losses incurred.

Y. Expired Accounts and Canceled Authority

Unless otherwise specified by law, annual authority expires for incurring new obligations at the beginning of the subsequent fiscal year. The account into which the annual authority is placed is called the expired account. For five fiscal years, the expired account is available for expenditure to liquidate valid obligations incurred during the unexpired period. Adjustments are allowed to increase or decrease valid obligations incurred during the unexpired period but not previously reported. At the end of the fifth expired year, the expired account is canceled. These amounts are reported in the Statement of Changes in Net Position to adjust the beginning Net Position balances.

NOTE 2. FUND BALANCES WITH TREASURY (IN THOUSANDS)

Directorates and Administrations	
Trust Funds	$ 199
Revolving Funds	85,283
Appropriated Funds	667,175
Other Fund Types	53,631
Subtotal	806,288
Cerro Grande Fund	
Appropriated Funds	495,673
Subtotal	495,673
Disaster Relief Fund	
Appropriated Funds	7,450,250
Subtotal	7,450,250
Total	$ 8,752,211

NOTE 3. CASH AND OTHER MONETARY ASSETS (IN THOUSANDS)

Directorates and Administrations	
Cash	$ 8
Other Cash - Agency	15
Other Cash - Contractor	10,468
Total	$ 10,491

In FIA, minimal cash balances are maintained at commercial banks by the Write Your Own companies and the servicing agent to fund claim payments and other cash needs.

NOTE 4. INVESTMENTS, NET (IN THOUSANDS)

Intragovernmental Securities:

	Cost	Amortization Method	Unamortized (Premium) Discount	Investments, Net	Other Adjustments	Required Market Value Disclosure
Directorates and Administrations						
Marketable	$ 1,483	Straight Line	$ -	$ 1,483	$ -	$ 1,483
Total	$ 1,483		$ -	$ 1,483	$ -	$ 1,483

NOTE 5. ACCOUNTS RECEIVABLE, NET (IN THOUSANDS)

	Intra-governmental	Other	Total
Directorates and Administrations			
Accounts Receivable - Intragovernmental	$ 42,172	$ -	$ 42,172
Accounts Receivable	-	15,194	15,194
Allowance for Loss	-	(346)	(346)
Subtotal	42,172	14,848	57,020
Disaster Relief Fund			
Accounts Receivable - Intragovernmental	217	-	217
Accounts Receivable	-	86,312	86,312
Allowance for Loss	-	(33,744)	(33,744)
Subtotal	217	52,568	52,785
Total	$ 42,389	$ 67,416	$ 109,805

NOTE 6. DISASTER ASSISTANCE DIRECT LOAN PROGRAM (IN THOUSANDS)

A. FEMA operates the following direct loan programs for Non-Federal borrowers:

(1) Community Disaster Loans

(2) Individual & Family Grant Loans

(3) Public Assistance Loans

(4) Miscellaneous (State of NY) - Prior to FY 1992

(5) Hazard Mitigation Loans - After FY 1991

An analysis of loans receivable and the nature and amounts of the subsidy and administrative costs associated with the direct loans is provided in the following sections.

B. Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method):

Loan Programs	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Loan Losses	Related to Direct Loans
(1) Community Disaster Loans	$ 29,262	$ 14,735	$ -	$ (32,810)	$ 11,187
(2) Individual & Family Grant Loans	-	-	-	-	-
(3) Public Assistance Loans	-	-	-	-	-
(4) Miscellaneous (State of NY)	-	-	-	-	-
Total	$ 29,262	$ 14,735	$ -	$ (32,810)	$ 11,187

C. Direct Loans Obligated After FY 1991:

Loan Programs	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Loan Losses	Value of Assets Related to Direct Loans
(1) Community Disaster Loans	$ 129,494	$ 29,690	$ -	$ (156,047)	$ 3,137
(2) Individual & Family Grant Loans	1,997	203	-	(1,283)	917
(3) Public Assistance Loans	2,867	292	-	(1,841)	1,318
(4) Miscellaneous (State of NY)	-	-	-	-	-
(5) Hazard Mitigation Loans	1,621	165	-	(1,041)	745
Total	$ 135,979	$ 30,350	$ -	$ (160,212)	$ 6,117

D. Administrative Expenses:

Total	$ 207

NOTE 7. ADVANCES AND PREPAYMENTS (IN THOUSANDS)

Directorates and Administrations	
Intragovernmental	$ 20
Other	291,350
Subtotal	291,370
Disaster Relief Fund	
Other	21,483
Subtotal	21,483
Total	$ 312,853

NOTE 8. INVENTORY AND OTHER RELATED PROPERTY, NET (IN THOUSANDS)

	Valuation Method	Held for Current Sale	Held for Distribution	Excess, Obsolete and Unserviceable	Total
Directorates and Administrations					
Floodplain Maps and Studies	Average Cost	$ 1,416	$ 2,757	$ -	$ 4,173
Total		$ 1,416	$ 2,757	$ -	$ 4,173

NOTE 9. GENERAL PROPERTY, PLANT, AND EQUIPMENT (IN THOUSANDS)

	Depreciation Method	Service Life	Acquisition Value	Accumulated Depreciation	Net Book Value
Directorates and Administrations					
Construction in Progress			$ 1,725	$ -	$ 1,725
Bldgs, Improvements, & Renovations	Straight Line	20/5 Years	1,361	(202)	1,159
Other Structures & Facilities	Straight Line	20/5 Years	840	(127)	713
Equipment	Straight Line	5 Years	7,252	(4,356)	2,896
Leasehold Improvements	Straight Line	5 Years	172	(85)	87
ADP Software	Straight Line	5 Years	3,594	(2,489)	1,105
Subtotal			14,944	(7,259)	7,685
Disaster Relief Fund					
Bldgs, Improvements, & Renovations	Straight Line	20/5 Years	132	-	132
Equipment	Straight Line	5 Years	33,487	(14,843)	18,644
Leasehold Improvements	Straight Line	5 Years	1,985	(874)	1,111
Subtotal			35,604	(15,717)	19,887
Total			$ 50,548	$ (22,976)	$ 27,572

NOTE 10. DEBT (IN THOUSANDS)

A. Other Debt:

	Beginning Balance	Net Borrowings	Ending Balance
Directorates and Administrations			
Debt to the Treasury - Principal	$ 603,217	$ (199,400)	$ 403,817
Debt to the Treasury - Interest Payable	14,450	(2,047)	12,403
Total	$ 617,667	$ (201,447)	$ 416,220

B. Classification of Debt:

Intragovernmental	$ 416,220
Total	$ 416,220

NOTE 11. CLAIMS AND CLAIMS SETTLEMENT EXPENSES (IN THOUSANDS)

Federal Insurance Administration

The liability for unpaid losses and loss adjustment expenses represents an estimate of the ultimate net cost of all losses that are unpaid at the balance sheet date and is based on the loss and loss adjustment expense factors inherent in the FIA Insurance Underwriting Operations experience and expectations. Estimation factors used by the Insurance Underwriting Operations reflect current Case basis estimates and give effect to estimates of trends in claim severity and frequency. These estimates are continually reviewed; and adjustments, reflected in current operations, are made as deemed necessary.

Although the Insurance Underwriting Operations believes the liability for unpaid losses and loss adjustment expenses is reasonable and adequate in the circumstances, it is possible that the Insurance Underwriting Operations' actual incurred losses and loss adjustment expenses will not conform to the assumptions inherent in the estimation of the liability. Accordingly, the ultimate settlement of losses and the related loss adjustment expenses may vary from the amount included in the financial statements.

Activity in the liability for unpaid losses and loss adjustment expenses can be summarized as follows:

Balance at October 1, 1999:	
Loss & LAE Reserve	$ 514,531
Incurred Related To:	
Current Year	244,937
Prior Year	42,852
Total Incurred	287,789
Paid Related To:	
Current Year	231,002
Prior Year	535,009
Total Paid	766,011
Balance at September 30, 2000:	
Loss & LAE Reserve Related to:	
Current Year	13,936
Prior Year	22,373
Total Reserves	$ 36,309

Cerro Grande Fire Assistance Act

The National Park Service initiated a prescribed burn on federal land at Bandelier National Monument in New Mexico during the peak fire season in the Southwest. The prescribed burn exceeded the capabilities of the National Park Service and became classified as a wildfire. The fire resulted in the loss of federal, state, local, tribal and private property. The Secretary of the Interior and the National Park Service assumed responsibility for the fire and subsequent losses of property. On July 13, 2000, President Clinton signed into law the Cerro Grande Fire Assistance Act (CGFAA). Congress passed the CGFAA to compensate as fully as possible those parties who suffered damages from the Cerro Grande Fire. The goal of Congress in passing the CGFAA was to provide a fair, simple, fast and inexpensive method for receiving compensation for losses from the Cerro Grande Fire. Congress appropriated $455 million for the payment of claims in accordance with the CGFAA as well as $45 million for administration costs.

For the year ended September 30, 2000, the estimated claims liability for the CGFAA is $437 million. The liability for unpaid claims and claim adjustment expenses represents an estimate of the known probable and estimable losses that are unpaid as of the balance sheet date and is based on the August 28, 2000, Interim Final Rules entitled, the Disaster Assistance: Cerro Grande Fire Assistance, Interim Final Rules, published in the Federal Register Part V at 44 CFR Chapter I, Part 295.

As these are "Interim Final Rules", the $437 million estimate may change as a result of modified or Final Rules under the aforementioned Act. The factors used in the development of the estimate include case basis estimates, trend estimates for claim severity and frequency and the use of forensic accounting procedures. These estimates will be reviewed; and adjustments, reflected in current operations are made as deemed necessary.

In addition to the recognized claims liability of $437 million there is a reasonable possibility that additional liabilities may have been incurred. These liabilities consist of potential claims that may be submitted to FEMA under the CGFAA. Such claims are probable but are not currently estimable due to the fact that many of these potential claims are either unknown or have not been defined under the CGFAA "Interim Final Rules." These potential claims include devaluation issues related to both residential and commercial real estate and Pueblo lands.

NOTE 12. DEFERRED REVENUE (IN THOUSANDS)

Directorates and Administrations		
Prepaid Flood Insurance Premiums	$	890,396
Total	$	890,396

NOTE 13. OPERATING LEASES (IN THOUSANDS)

Description of Lease Arrangements: Includes Agency payments for rented/leased office and non-office space and land.

Future Payments Due:	<<---- Asset Category ---->>		
Fiscal Year	(1)	(2)	Total
2001	$ 20,041	$ 5,884	$ 25,925
2002	25,588	5,248	30,836
2003	26,612	5,458	32,070
2004	27,676	5,676	33,352
2005	28,783	5,903	34,686
After 5 Years **	29,934	6,139	36,073
Total	$ 158,634	$ 34,308	$ 192,942

(1) General Services Administration (GSA) controlled leases
    2001 and 2002 based on GSA estimates
    2003 and beyond reflect planning estimates only

(2) Other than GSA-controlled leases
    2003 and beyond relect planning estimates only

>> Does not include disaster field offices

** Estimate for 6th Year based on 4% annual increase

NOTE 14. FEDERAL EMPLOYEE AND VETERANS' BENEFITS (IN THOUSANDS)

Workers' Compensation

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. Claims incurred for benefits for FEMA employees under FECA are administered by the Department of Labor and are ultimately paid by FEMA.

Future workers' compensation estimates were generated from an application of actuarial procedures developed by the Department of Labor to estimate the liability for FECA benefits. The liability for future workers' compensation benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to estimate the ultimate payments related to that period.

Consistent with past practice, these projected annual benefit payments have been discounted to present value using the Office of Management and Budget's (OMB) economic assumptions for 10-year Treasury notes and bonds. Interest rate assumptions utilized for discounting were as follows:

6.15% in year 1,
6.28% in year 2,
6.30% in year 3,
and thereafter.

To provide more specifically for the effects of inflation on the liability for future workers' compensation benefits, wage inflation factors that include cost of living adjustments and medical inflation factors are applied to the calculation of projected future benefits. These factors are also used to adjust the methodology's historical payments to current year constant dollars. The methodology also includes a discounting formula to recognize the timing of actual compensation payments as thirteen payments per year instead of one lump sum per year. The projected number of years of benefits payments is 37 years.

The model's resulting projections were analyzed by DOL to ensure that the amounts were reliable. The analysis is based on three tests: (1) a comparison of the current year projections to the prior year projections, (2) a comparison of the prior year projected payments to the current year actual payments, excluding any new case payments that had arisen during the current year, and (3) a comparison of the current year actual payment data to the prior year actual payment data. Based on the outcome of this analysis, ad hoc adjustments were made by DOL to correct any anomalies in the projections.

Based on the actuarial liability estimates provided by the Department of Labor, FEMA's recorded expense and the related increase in the estimated liability for future worker's compensation benefits as of September 30, 2000 were:

	FY 2000 Expense	<<------------------ Liability ------------------>> FY 2000 Liability	Beginning of Year Liability	Total Liability
Directorates and Administrations	$ 6,527	$ 6,527	$ 6,313	$ 12,840
Disaster Relief Fund	3,656	3,656	5,463	9,119
Total	$ 10,183	$ 10,183	$ 11,776	$ 21,959

Accrued FECA Liability

The accrued FECA liability is the difference between the FECA benefit paid by the FECA Special Benefits Fund and FEMA's actual cash payments to the Fund. For example, the Special Benefits Fund will pay benefits on behalf of FEMA through the current year. However, FEMA's actual cash payments to the FECA Special Benefit Fund for the current FY will reimburse the Fund for benefits paid through a prior fiscal year. The difference between these two amounts—benefits paid by the Fund and reimbursements made by FEMA—is the accrued FECA liability.

Pensions and Other Retirement Benefits:

To calculate the liability for pensions and other retirement benefit costs, the "service cost" or normal cost is calculated. Service cost is defined as the actuarial present value of benefits attributed by the pension plan's benefit formula to services rendered by employees during the accounting period. The amount of the service cost, less any employee contributions attributable to post-retirement benefits is defined as the "pension expense" for the entity.

Cost factors and imputed cost calculations provided by OPM Retirement and Insurance Service Financial Management Letter F-00-07 dated October 16, 2000 were used to calculate the amount of additional expense to be recorded by FEMA. The employer's contribution is subtracted from the pension expense since FEMA's contribution is expended with each pay period. Since the benefit for pensions is received after retirement, employee and employer contributions are attributed to the period after retirement and are subtracted from the service costs.

The employee and employer contributions for health care and life insurance are attributed to the current period, and therefore, there is no offset to these service costs to calculate the other retirement benefit expense for the entity. These additional expenses represent the "subsidy" being made by the OPM for employees' retirement benefits.

Based on the information provided by the OPM, FEMA determined that the imputed costs for Pensions and Other Retirement Benefits for the year ended September 30, 2000 were:

	Pensions	Health Insurance	Life Insurance	Total
Directorates and Administrations	$ 4,833	$ 4,440	$ 21	$ 9,294
Cerro Grande Fund	3	3	-	6
Disaster Relief Fund	907	2,293	10	3,210
Total	$ 5,743	$ 6,736	$ 31	$ 12,510

NOTE 15. OTHER LIABILITIES (IN THOUSANDS)

A. Other Liabilities Covered by Budgetary Resources:

	Current	Non-Current	Total
Directorates and Administrations			
Other	$ 29,178	$ -	$ 29,178
Advances from Others	151,529	-	151,529
Accrued Payroll and Benefits	13,704	-	13,704
Subtotal	194,411	-	194,411
Cerro Grande Fund			
Accrued Payroll and Benefits	347	-	347
Subtotal	347	-	347
Disaster Relief Fund			
Advances from Others	110	-	110
Accrued Payroll and Benefits	6,208	-	6,208
Subtotal	6,318	-	6,318
Total	$ 201,076	$ -	$ 201,076

B. Other Liabilities Not Covered by Budgetary Resources:

	Current	Non-Current	Total
Directorates and Administrations			
Accrued Annual Leave	$ 10,926	$ -	$ 10,926
Subtotal	10,926	-	10,926
Cerro Grande Fund			
Accrued Annual Leave	10	-	10
Subtotal	10	-	10
Disaster Relief Fund			
Other	2,920	-	2,920
Accrued Annual Leave	7,664	-	7,664
Subtotal	10,584	-	10,584
Total	$ 21,520	$ -	$ 21,520

NOTE 16. UNEXPENDED APPROPRIATIONS (IN THOUSANDS)

Directorates and Administrations		
Unobligated		
Available	$	75,434
Unavailable		41,001
Unexpended Obligations		373,698
Subtotal		490,133
Cerro Grande Fund		
Unobligated		
Available	$	18,952
Unavailable		33,305
Unexpended Obligations		6,192
Subtotal		58,449
Disaster Relief Fund		
Unobligated		
Available	$	686,290
Unavailable		1,311,980
Unexpended Obligations		5,250,227
Subtotal		7,248,497
Total	$	7,797,079

NOTE 17. ALLOCATION OF SUPPORT ORGANIZATION COSTS (IN THOUSANDS)

FEMA allocated Support Organizations' FY 2000 program costs to the Directorates and Administrations and the DRF to reflect the costs of operating these organizational components. Support Organizations' cost of $132.5 million was allocated to the Directorates and Administrations and the DRF. The DRF was allocated 74% of the support organization cost compared to 86% in the prior year.

NOTE 18. ESTIMATED DISASTER COSTS (IN THOUSANDS)

One of FEMA's primary missions is to respond to major disasters and emergencies under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (P.L. 93-288, as amended). By law, all requests to the President of the United States for disaster assistance must be made by the Governor of the affected state. The Governor requests assistance for specific disaster programs through the FEMA Regional Director. The FEMA Regional Office and the state conduct preliminary damage assessments to determine if the situation is of such severity that it is beyond the ability of the state and the local governments to respond. If the impact of the disaster warrants federal assistance, the Director of FEMA submits a recommendation to the President for a major disaster or an emergency declaration.

In accordance with SFFAS No. 5, Accounting for Liabilities of the Federal Government, liabilities for federal accounting purposes are "probable and measurable future outflows or other sacrifices of resources" as a result of past transactions or events, such as major disasters. Such transaction or events can arise from: (1) past exchange transactions, (2) Government-related events, (3) Government-acknowledged events, or (4) non-exchange transactions.

Government-acknowledged events, such as declared natural disasters, are of financial consequence to the federal government because it chooses to respond to the event in its role in providing for the public's general welfare, assuming responsibilities for which it has no prior legal obligation.

Costs from many natural disasters may ultimately become the responsibility of the federal government and FEMA. However, these costs do not meet the definition of a liability for financial reporting purposes until the government formally acknowledges financial responsibility for costs from the event and an exchange or non-exchange transaction has occurred. In the case of Government-acknowledged events such formal acceptance of financial responsibility by the federal government occurs when the President declares a disaster. Liabilities resulting from exchange transactions are recognized when the goods or services are provided. For non-exchange events, the liability is recognized only when the unpaid amount is due.

The FEMA Disaster Finance Center tracks all of the disasters that have been declared since FY 1989 under the guidance of the Stafford Act. Cost projections are built based on historical data for the disasters considering all of the following components:

- Public Assistance
- Individual Assistance
- Mission Assignments
- Hazard Mitigation
- FEMA Administration

Cost projections are compared against current obligations and expenditures incurred to provide FEMA with budgeting information, and to prepare appropriations requests to Congress.

FEMA has projected the ultimate total costs of the declared disasters to be approximately $28.8 billion as of September 30, 2000, of which approximately $28.3 billion has been obligated and $22.8 billion paid or accrued. Should all projected remaining costs and obligations be funded by the government and paid or accrued by FEMA, an additional $6 billion in expenses would be recorded.

Information regarding the disaster cost projections and their effect on DRF as of September 30, 2000, is summarized below:

Unfunded Cost:	
Cost Projections	$ 28,780,556
Obligations	(28,270,548)
Total Unfunded Costs	510,008
Unliquidated Obligations:	
Obligations	28,270,548
Expenditures Incurred	(22,750,681)
Total Unliquidated Obligations	5,519,867
Remaining Project Cost:	
Unfunded Cost	510,008
Unliquidated Obligations	5,519,867
Remaining Cost	$ 6,029,875

NOTE 19. GROSS COST AND EARNED REVENUE BY BUDGET FUNCTIONAL CLASSIFICATION (IN THOUSANDS)

	Gross Cost	Earned Revenue	Net Cost
Directorates and Administrations			
050 National Defense	$ 480,002	$ (42,382)	$ 437,620
450 Community & Regional Development	967,572	(1,501,204)	(533,632)
600 Income Security	110,000	-	110,000
800 General Government	21,449	(21,830)	(381)
Subtotal	1,579,023	(1,565,416)	13,607
Cerro Grande Fund			
450 Community & Regional Development	441,568	-	441,568
Disaster Relief Fund			
450 Community & Regional Development	2,503,031	(281)	2,502,750
Total	$ 4,523,622	$ (1,565,697)	$ 2,957,925

NOTE 20. NATIONAL INSURANCE DEVELOPMENT FUND DEBT FORGIVENESS (IN THOUSANDS)

P.L. 106-74, appropriating for the Departments of Veterans Affairs and Housing and Urban Development, and for sundry independent agencies, boards, commissions, corporations, and offices for the FY ended September 30, 2000, and for other purposes, contained a debt forgiveness provision for any indebtedness of the Director of the Federal Emergency Management Agency resulting from the Director borrowing sums before the date of this Act to carry out Title XII of the National Housing Act, and the Director shall not be obligated to repay such sums or any interest thereon, and no further interest shall accrue on such sums.

The National Insurance Development Fund, the vehicle used for funding the Federal Crime Insurance Program (FCIP), as of September 30, 2000 had borrowed $3.4 million from Treasury, and $500 thousand of interest had accrued on that debt. FCIP's debt to Treasury, including the accrued interest, was forgiven subsequent to year-end as part of the FY 2000 appropriation.