



U.S. Department of Agriculture
Office of Inspector General
Financial and IT Operations
Audit Report

COMMODITY CREDIT CORPORATION'S
FINANCIAL STATEMENTS FOR
FISCAL YEAR 2000



**Audit Report No.
06401-14-FM
June 2001**



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20250



DATE: June 27, 2001

REPLY TO
ATTN OF: 06401-14-FM

SUBJECT: U.S. Department of Agriculture
Commodity Credit Corporation's Financial Statements for
Fiscal Year 2000

TO: Board of Directors
Commodity Credit Corporation

This report presents the results of our audit of the Commodity Credit Corporation's (CCC) financial statements for the fiscal year (FY) ending September 30, 2000. This report contains our disclaimer of opinion on the FY 2000 financial statements and the results of our assessment of CCC's internal control structure and compliance with laws and regulations.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective action taken or planned, including the timeframes, on our recommendations. Please note that the regulation requires a management decision to be reached on all findings and recommendations within a maximum of 6 months of report issuance.

We appreciate the courtesies and cooperation extended to us during the audit.

/s/

ROGER C. VIADERO
Inspector General

EXECUTIVE SUMMARY

U.S. DEPARTMENT OF AGRICULTURE COMMODITY CREDIT CORPORATION'S FINANCIAL STATEMENTS FOR FISCAL YEAR 2000 AUDIT REPORT NO. 06401-14-FM

PURPOSE

Our audit objectives were to determine whether (1) the Commodity Credit Corporation's (CCC) financial statements present fairly, in all material respects, the assets, liabilities, and net position; net costs; changes in net position; budgetary resources; and reconciliation of net costs to budgetary obligations in accordance with generally accepted accounting principles; (2) CCC's internal control structure provides reasonable assurance that control objectives were achieved; (3) CCC had complied with laws and regulations for those transactions and events that could have a material effect on the financial statements; and (4) the information in the Management Discussion and Analysis, and Supplemental Financial Information sections was materially consistent with the information in the financial statements.

RESULTS IN BRIEF

For the third consecutive year, we have been unable to issue an unqualified opinion on CCC's financial statements. For the fiscal year (FY) ended September 30, 2000, CCC received a disclaimer of opinion because the Corporation was not able to provide sufficient and competent evidential matter to substantiate certain material financial statement line items, within the timeframes established by the Department.

Although CCC had reported that it had taken actions to correct some of the serious problems we noted in our FY 1998 report, we found during our FY 1999 and FY 2000 audits, the problems had not materially improved. In addition, CCC experienced some problems relating to conversion of its domestic program operations to a new accounting system, which also impacted the availability and timeliness of accounting data. For FY 2000, CCC took substantial time after the deadline established by the Department (November 24, 2000), and processed billions of dollars in adjustments, to provide us on April 25, 2001, its financial statements for the FY ended September 30, 2000. However, our audit coverage still disclosed material errors in the April 25, 2001, financial statements, for CCC foreign loan

accounting operations, resulting in us providing CCC a disclaimer of opinion on these financial statements. The CCC needs to substantially strengthen its internal controls over its foreign loan accounting operations to correct the errors, omissions, and inconsistencies contained in its financial statements. In addition, CCC needs additional resources to assure it has the necessary knowledge, skills and abilities to effectively and accurately perform accounting functions for the Corporation's foreign loan operations. Our audit of this year's financial statements continued to find that financial reports are inaccurate, accounting operations are not reliably performed, and appropriate supervisory controls are not in place.

Unless actions are taken to resolve these problems, achieving the reforms required by recent financial management legislation will not be accomplished; departmental and CCC officials will not have accurate and timely financial information necessary to effectively and efficiently manage their operations; know the cost of CCC operations; or any other meaningful measure of financial performance. In essence, poor accounting and financial reporting obscures facts. As a result, users of information reported or taken from the underlying accounting systems, risk making errant decisions, whether for budget purposes or operationally, when they rely on questionable information. With assets of over \$14 billion, and costs of \$30 billion, it is essential reforms are made by CCC.

Our Report on CCC's Internal Control Structure discusses the following internal control weaknesses:

- Credit reform accounting for CCC continues to be plagued by systematic problems and pervasive errors. We found many material errors went undetected because system and operational improvements were needed and more effective supervisory oversight was needed. We have advised CCC officials about this problem since our 1998 audit. While some actions have been taken, further improvements are necessary.
- CCC personnel did not effectively monitor general ledger account balances, or perform necessary reconciliations and analyses to ensure the yearend account balances were accurate. As a result, CCC posted over \$27 billion in adjustments after the "initial" final statements were provided to us on February 1, 2001. These "initial" final statements were, in fact, due to us by November 24, 2000. Also, numerous account balances were unsupported and/or contained significant, abnormal amounts. The problem with abnormal balances in accounts has been reported to CCC officials by Office of Inspector General (OIG) in previous audit reports, but actions taken by CCC officials have not been effective.

- Different credit reform accounting processes were followed by CCC budget and accounting units. This causes additional workload for the CCC staff. Also, the failure, in our opinion, to follow established accounting standards for the budget process has led to potential misstatements in the budget, and unnecessary complexities in reconciling the two multi-billion dollar amounts in the financial statements.
- CCC has not documented its internal control structure for its new CORE Accounting System.
- Our recent review of security over CCC's information technology (IT) resources disclosed vulnerabilities that could impact program operations.

Our Report on CCC Compliance with Laws and Regulations noted the following problems:

- CCC was not in compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA). This is due to untimely preparation of financial statements, and problems we noted with its foreign loan financial management operations and systems. In addition, CCC is in nonconformance with Section 4 of the Federal Manager's Financial Integrity Act of 1982 (FMFIA).
- CCC reported to us in its management representation letter two instances of noncompliance with laws and regulations regarding potential Anti-Deficiency Act violations. CCC also had not made sufficient determinations whether violations of the Anti-Deficiency Act have occurred on a matter we reported in our prior audit report.

KEY RECOMMENDATIONS

We recommended that CCC obtain outside resources to improve its financial accounting and reporting functions, improve the timeliness and accuracy of its financial information, and strengthen supervisory management oversight over financial account reconciliations, accounting entries and adjustments.

AGENCY POSITION

CCC recognizes the need to address its financial accounting and reporting functions to improve the quality and timeliness of CCC's financial statements and its impact on the Department as a whole. CCC will continue actions to improve its financial systems and procedures so that they can routinely produce complete

reliable, timely and consistent financial statements without numerous material year end adjustments.

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REPORT OF THE OFFICE OF INSPECTOR GENERAL

**TO: Board of Directors
Commodity Credit Corporation**

We attempted to audit the accompanying Balance Sheet of the Commodity Credit Corporation (CCC) as of September 30, 2000, and the related Consolidating Statements of Net Costs and Changes in Net Position, and the Combining Statements of Budgetary Resources and Financing for the FY then ended. These financial statements are the responsibility of CCC's management.

We were unable to perform the audit because CCC was unable to provide financial statements in time for us to conduct the audit and still meet the Chief Financial Officer's Act mandated audit reporting time frames. CCC officials provided financial statements on February 1, 2001. However, the statements were incomplete and had pervasive errors. In our report, dated February 15, 2001, we disclaimed an opinion on CCC's Balance Sheet as of September 30, 2000, and the related Statements of Net Cost, Changes in Net Position, and Budgetary Resources and Financing provided to us on February 1, 2001¹.

Based on our audit coverage, we concluded that the Corporation was not able to provide sufficient and competent evidential matter, even after taking substantial time after the deadline provided by the Department, and making numerous material adjustments, to support material line items on its financial statements provided for audit on April 25, 2001. We could not substantiate the Corporation's financial statements and footnote disclosures related to direct credits, credit guarantees, and subsidy costs and their impact on "Fund Balance with the U.S. Treasury (Treasury);" "Accounts Receivable;" "Credit Reform Receivables, Net;" "Other Foreign Receivables, Net;" "Resources Payable to Treasury;" "Excess Subsidy Payable;" "Estimated Loss on Credit Guarantees;" "Unexpended Appropriations;" and "Cumulative Results of Operations" on the balance sheet, at September 30, 2000, as well as the related financial statement line items relative to direct credits, credit guarantees, and subsidy costs in the Foreign Programs section of the Consolidating Statement of Net Costs.

¹ CCC initially provided us with financial statements on February 1, 2001. As noted, we issued a disclaimer of opinion on these statements on February 15, 2001. CCC provided us with another set of financial statements on April 25, 2001. This report presents our disclaimer of opinion on these financial statements.

Furthermore, we were unable to obtain sufficient and competent evidential matter regarding CCC's foreign credit programs to support the Corporation's Statement of Changes in Net Position and Combining Statements of Budgetary Resources and Financing. These statements are impacted by the lack of support for the direct credits, credit guarantees and related subsidy costs described above. Accordingly, we determined that it was not practicable to perform further alternate procedures to satisfy ourselves as to: (1) the value of any of the financial statement line items on the Statement of Changes in Net Position; (2) the value of any of the financial statement line items on the Combining Statements of Budgetary Resources and Financing; and (3) the value of the assets, liabilities, equity, and costs as they relate to direct credits, credit guarantees and subsidy costs.

Because of the effects of the matters discussed in the preceding paragraphs, we were not able to satisfy ourselves as to value of CCC's assets, liabilities, and net position of the Corporation as of September 30, 2000; as well as its net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations for the fiscal year then ended. Therefore, we are unable to express, and we do not express, an opinion on the accompanying financial statements.

Our audit was conducted for the purpose of forming an opinion on CCC's financial statements taken as a whole. The information in the Management's Discussion and Analysis and Required Supplementary Information sections represents supplementary information required by Office of Management and Budget (OMB) Bulletin No. 97-01, "Form and Content of Agency Financial Statements." We have considered whether this information is materially consistent with the principal financial statements. Such information has not been subjected to auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

We have also issued a report on CCC's internal control structure, which cites five material weaknesses, and a report on CCC's compliance with laws and regulations that includes three instances of noncompliance.

This report is intended solely for the information and use of the management of CCC, OMB and Congress and is not intended to be and should not be used by anyone other than these specified parties.

ROGER C. VIADERO
Inspector General

May 1, 2001



REPORT OF THE OFFICE OF INSPECTOR GENERAL ON INTERNAL CONTROL STRUCTURE

**TO: Board of Directors
Commodity Credit Corporation**

We attempted to audit the financial statements of CCC as of and for the FY ended September 30, 2000, and have issued our report thereon dated May 1, 2001. In planning and performing our audit of the financial statements of CCC for the FY ended September 30, 2000, we considered its internal control structure over financial reporting by obtaining an understanding of the Corporation's internal controls, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 01-02. We did not test all internal controls relevant to operating objectives, as broadly defined by the FMFIA, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

In addition, we considered CCC's internal controls over Required Supplementary Stewardship Information by obtaining an understanding of the internal controls, determined whether the internal controls had been placed in operation, assessed control risk and performed tests of controls as required by OMB Bulletin 01-02, "Audit Requirements for Federal Financial Statements," and not to provide assurance on these internal controls. Accordingly, we do not provide assurance on such controls.

The information presented in the Management Discussion and Analysis is supplemental information required by OMB Bulletin 97-01, entitled "Form and Content of Agency Financial Statements." OMB Bulletin 01-02 requires that we obtain an understanding of the internal controls designed to ensure data supporting the performance measures are properly recorded and accounted for to permit the preparation of reliable and complete information. Our audit work in the area of performance measures involved confirming the financial information included in the Management Discussion and Analysis section with information contained in the principal financial statements and ensuring that there was data to support the performance measures.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL STRUCTURE

The management of CCC is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the internal control structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For its FY 2000 FMFIA report, the Farm Service Agency (FSA)/CCC reported to the Office of the Chief Financial Officer (OCFO) on November 17, 2000, that one of the three Section 2, Management Accountability and Control, weaknesses had been corrected and its one remaining Section 4, Financial Management System nonconformances had not yet been corrected. The reported Section 2 weakness pertained to the foreign credit reform accounting and subsidy reestimate process; and the Section 4 nonconformance related to CCC's foreign credit, and credit reform financial management systems not being fully automated and integrated into CCC's CORE Accounting System.

Additionally, CCC submitted its 2001-2002 Federal Financial Management Improvement Act (FFMIA) remediation plan, which discussed the status of CCC's corrective actions for the nonconformances in CCC's financial management systems. The plan showed that corrective actions were to be completed by December 31, 2001.

OIG'S EVALUATION OF CCC'S INTERNAL CONTROL STRUCTURE

For the purpose of this report, we have classified CCC's significant internal control structure policies and procedures into the following categories:

- Cash management - consists of policies and procedures associated with disbursing and collecting cash, reconciling cash balances, and managing debt.
- Commodity loans - consists of policies and procedures associated with authorizing and disbursing loans, accruing interest on loans, collecting loan repayments, and recognizing loan write-offs.
- Export trade - consists of policies and procedures associated with authorizing and disbursing credits and guarantee payments, collecting loan repayments, and disbursing export subsidies.
- Financial reporting - consists of policies and procedures associated with miscellaneous activity, processing accounting entries, and preparing CCC's annual financial statements and budgetary reports.
- Inventories - consists of policies and procedures associated with acquiring commodities through purchase and loan forfeiture, storing and managing commodity inventories, and disposing of commodities through sales and donations.
- Producer payments - consists of policies and procedures associated with determining producer eligibility, disbursing funds to producers, and accruing expenses.

For each of the internal control structure categories listed above, we obtained an understanding of the design of significant control policies and procedures and whether they have been placed in operation. We assessed control risk and performed tests of FSA/CCC's internal control structure.

In making our risk assessment, we considered FSA/CCC's FMFIA reports, as well as our prior and current audit efforts and other independent auditor reports on financial matters, and internal accounting control policies and procedures. Because of the internal accounting control weaknesses related to the problems discussed in this audit, we agree with management's assertion that it has a material weakness relating to its foreign loan accounting system. We do not believe that CCC complies with FMFIA Section 4 as noted in its FY 2000 FMFIA report to the Secretary.

Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable

conditions. We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants (AICPA), reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect CCC's ability to have reasonable assurance that the following objectives are met:

- (1) Transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and to maintain accountability over assets;
- (2) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition; and
- (3) Transactions, including those related to obligations and costs, are executed in compliance with (a) laws and regulations that could have a direct and material effect on the Principal Statements, and (b) any other laws and regulations that OMB, CCC, or we have identified as being significant for which compliance can be objectively measured and evaluated.

Matters involving internal control and their operation that we consider to be reportable conditions are presented in the "Findings and Recommendations" section of this report.

FINDINGS AND RECOMMENDATIONS

I. FOREIGN CREDIT REFORM PROBLEMS CONTINUE TO HAVE A MATERIAL IMPACT ON COMMODITY CREDIT CORPORATION FINANCIAL STATEMENTS AND BUDGET SUBMISSIONS

For the last six consecutive years, we have reported significant problems in the procedures used by CCC for reporting on its credit reform accounting, and other financial information. CCC has not implemented effective accounting and financial management systems to produce complete, reliable, timely and consistent financial statements. Extensive improvements are needed in the availability and reliability of critical financial data for CCC foreign credit operations. These problems continue to plague CCC because it had not taken sufficient action to implement the recommendations contained in our prior audit reports. As a result, CCC was unable to prepare financial statements with sufficient, competent, supporting documentation within the timeframes established by the Department the past three fiscal years. For FY 2000, CCC was five months late submitting its final set of financial statements. Consequently, CCC and departmental officials do not have a reliable source of information for decision making for budget and program purposes. CCC has credit program receivables and other foreign receivables totaling \$7.8 billion (net) and related foreign program costs of over \$2.2 billion.

In our audit of CCC's FY 1998 financial statements (Audit No. 06401-9-FM, dated February 22, 1999), we recommended CCC strengthen its financial management operations by reorganizing its accounting, budgeting and reporting functions; and making other changes to improve the timeliness and accuracy of its financial statements, accounting and budgetary reports. In response to our recommendations, CCC informed us that necessary accounting and financial personnel would receive extensive training in the use of OMB cash flow models. CCC believed that some new staff members, extensive training, and involvement of additional Financial Management Division (FMD) accounting resources would result in significant strengthening of financial management operations. However, we found during our FY 1999 audit (Audit No. 60401-11-FM, dated July 13, 2000) that CCC's planned actions were not effective, and some actions were not taken.

In our FY 1999 report, we again recommended that CCC reorganize its financial accounting and reporting functions, improve the timelines and accuracy of its financial information and strengthen its management over CCC financial management operations. In this audit, we also recommended that Chief Financial Officer's (CFO) office become involved in resolving this serious problem. CCC officials disagreed with our recommendations that a study of its financial management was needed, and stated

it had adequately addressed our audit findings and recommendations by “strengthening” CCC financial and accounting operations. Also, CCC officials advised that it had addressed organization changes needed by instituting a new policy, whereby, the CCC Chief Accountant would be more involved in foreign accounting operations. In addition, a contractor would perform an independent validation and verification of CCC’s credit reform accounting, and reconciliation procedures were established to timely and properly reconcile CCC records, especially CCC’s Fund Balance with Treasury, and credit reform accounts on a monthly basis.

However, our current audit work disclosed that those actions taken by CCC officials were not effective to resolve the longstanding problems we have reported. We continue to find a lack of quality assurance over CCC foreign loan accounting operations. As a result of the continued problems noted by OIG with CCC’s foreign loan accounting operations, CCC officials on May 4, 2001, revised their opinion, and now state that they will contract with a commercial firm to evaluate CCC’s foreign credit reform financial operations. CCC will also now coordinate this review with the Department’s CFO.

FINDING NO. 1

Non – Standard Credit Reform Accounting For CCC Budget Causes Misstatements and Increased Workload

As we reported in our prior report, there are substantially different credit reform accounting and reporting standards for the budget and financial statements for CCC. In our opinion, the difference in budgetary reestimates adversely impacts CCC's budget submissions because the budget does not reflect the current financial status of the individual countries. For FY 2000, CCC credit reform

subsidy costs for direct credits and guarantees disbursed during the year were estimated at over \$653 million.

Effective for FY 1992, the Federal Credit Reform Act (Act) of 1990 required the President's Budget to reflect the "costs" of direct loan and guarantee programs. "Costs" are defined by this Act to mean the estimated long-term cost to the Government of direct loans or loan guarantees, calculated on a net present value basis, excluding administrative costs and incidental effects of receipts and outlays. The primary intent of the Act is to ensure that the subsidy costs of federal loan programs are taken into account in making budgetary decisions.

In a memorandum, dated February 18, 1997, OMB advised agencies with international foreign loans and guarantees that when reestimating default subsidy, a country's expected default cash flow should remain the same as estimated at the original time the loan/guarantee was obligated². However, the Statement of Federal Financial Accounting Standards (SFFAS) No. 2, "Accounting for Direct Loans and Loan Guarantee" requires that the subsidy (loan loss reserve) be estimated as of the date of the financial statements using the current country default risk rating. To estimate the potential impact of using different risk ratings, we reestimated the subsidy for the remaining years of a loan to a country whose risk grade had dropped and noted that costs would be understated in the budget by 37 percent or \$11.3 million for this one country for one loan. In addition to distorting the budget, this procedure causes CCC personnel to prepare two different credit reform reestimates which takes additional staff time.

We made recommendations to the Department in our prior audit of

² The Inter-Agency Country Risk Assessment System (ICRAS) was developed to provide a consistent method of measuring the risk associated with loans and guarantees made to international borrowers. In this system, each borrower country on an individual basis is assigned to 1 of 11 risk categories. Default probabilities (risk premia), measured over the life of the loan or guarantee, are estimated for each risk category. These risk premia are then used to determine both expected repayment and subsidy levels.

the U.S. Department of Agriculture (USDA) Consolidated Financial Statements for FY 1998, Audit Report No. 50401-30-FM, dated February 22, 1999, to establish a working group to resolve all departmental credit reform problems. During FY 1999, the Department's CFO established a task force to assist in resolving the Department's credit reform problems. As part of its efforts, this task force is working to obtain consistency in the processes followed to estimate loan subsidy costs between the budget and financial statements. However, to date, little progress had been made in this area. Because OIG continues to work with the Department and CCC to overcome this problem, we are making no further recommendations in this report.

FINDING NO. 2
**Improvement in Foreign Loan
Accounting Still Needed**

We found significant errors and omissions in CCC's accounting records relating to direct and guaranteed foreign credit programs. These errors and omissions, involving billions of dollars, would have been detected had appropriate reconciliations been performed and supervisory oversight been more effective. These problems are further compounded because CCC's foreign credit subsidiary systems and credit reform financing systems are not fully automated and integrated into CCC's new CORE Accounting System. As a result of these material internal control weaknesses, financial management system limitations and other problems, we issued a disclaimer of opinion on CCC's FY 2000 financial statements.

Details of the conditions noted include:

- CCC's credit reform reestimates and other present value estimates contained numerous errors. For example, the cash flow spreadsheets, discounting the cash flows for CCC's pre-1992 loans, discounted the cash flows to a date different than the financial statement reporting date. As a result, CCC's estimate of the net present value of cash flows was incorrect by \$185 million (absolute value). The cash flow spreadsheets also incorrectly included some amounts multiple times. CCC performed additional calculations and adjustments but was unable to materially correct these problems in the April 25, 2001, financial statements provided to us.
- CCC made errors when personnel recorded the results of the net present value calculations. For example, CCC personnel did not include accrued interest receivable in the calculation for recording the net present value of the credit receivables in the general ledger. As a result, CCC's allowances for credit receivables were incorrect by material amounts. In addition, CCC did not properly record adjustments to the beginning balances of the net present value for credit receivables as prior period adjustments. CCC performed additional adjustments but was unable to materially correct these errors in the April 25, 2001 financial statements provided to us.
- As noted in prior audits, CCC continued to post extensive and material adjustments to its general ledger accounts after the general ledger was closed for the FY. This occurred because CCC's CORE Accounting System is not yet fully automated and

integrated with its loan subsidiary systems and credit reform financing systems. In addition, CCC personnel lack sufficient training, credit reform accounting skills, and need more effective supervisory oversight. We noted the following regarding CCC's adjustments in compiling their February 1 and April 25, 2001 versions of its FY 2000 financial statements.

DATE	Total No. & Amount of Adjustments Made	No. & Amount of Credit Reform Adjustments Made
Through November 24, 2000 (Original Due Date)	33 Adjustments \$37 Billion	21 Adjustments \$6 Billion
Between November 25, 2000 – February 1, 2001 ("Initial" Final Statements)	208 Adjustments \$371 Billion	99 Adjustments \$313 Billion
Between February 2, 2001 – April 25, 2001 ("Final" Statements)	110 Adjustments \$27 Billion	106 Adjustments \$26 Billion
Total	351 Adjustments \$435 Billion	226 Adjustments \$345 Billion

We reviewed 174 of the 226 credit reform adjustments and determined that 80 contained errors. We also determined that 134 of the 174 adjustments reviewed were made to correct previous general ledger accounting entries, or previous adjusting entries that had been made in error. We attributed these errors to lack of sufficient training, credit reform accounting skills, and supervisory oversight.

- At the conclusion of our FY 1999 audit, we reported that CCC's general ledger, as adjusted, contained abnormal balances totaling \$575 million (absolute value), as of September 30, 1999. During our FY 2000 audit, we again identified that CCC's general ledger contained abnormal balances, now totaling \$582 million (absolute value), as of September 30, 2000. CCC performed additional research on these accounts in response to our March 15, 2001, issue paper on this matter, but was unable to materially resolve the problems with these abnormal balances in the April 25, 2001, financial statements provided to us. These abnormal balances continue to occur because of incorrect posting models, and incorrect accounting adjustments made by CCC personnel.
- In our FY 1999 report on internal controls, we reported numerous problems with CCC's reconciliations, and recommended that CCC establish a documented process to timely and properly reconcile CCC records. Additionally, we identified account reconciliations, either

prepared or reviewed by supervisory accounting personnel, which were prepared in error. In response to our FY 1999 report, CCC advised that a formal reconciliation procedure would be developed. However, we again noted during our FY 2000 audit that CCC's reconciliations were frequently not accurately and timely prepared. We again noted a need for improved supervisory oversight over this area. For example, we reviewed CCC's reconciliation of its liability for loan guarantees, to the underlying accounting activity, and determined that this reconciliation clearly indicated an error of \$48.6 million. However, this error was not detected in either the preparation, or review and approval of this reconciliation

- CCC used incorrect interest rates when calculating interest income and interest expense for financing accounts. As a result, CCC's interest income was overstated by \$3.3 million and interest expense was overstated by \$16.5 million. CCC subsequently corrected these errors in the April 25, 2001, financial statements provided to us.
- CCC made errors in calculating, reconciling and recording its accrued interest receivable as of September 30, 1999 and 2000. We determined that CCC's accrued interest receivable was incorrect by \$48.6 million (absolute value) and interest income-foreign programs was incorrect by \$78 million (absolute value). CCC subsequently corrected these errors in the April 25, 2001 financial statements provided to us.
- In our FY 1999 report on internal controls, we reported that 39 of 90 CORE transaction posting models reviewed were not in compliance with U.S. Government Standard General Ledger (SGL) guidance. We determined that CCC continued to use incorrect posting models to record its FY 2000 activity. Near the end of FY 2000, CCC developed a set of posting models which were in compliance with SGL guidance. However, CCC did not adopt these posting models for the FY 2000 year, because they were provided too late in the fiscal year to be implemented.
- We determined that CCC recorded several manual accounting entries incorrectly and it did not properly record some of its budgetary accounting entries. For example, CCC processed a manual entry to decrease Fund Balance With Treasury and increase credit program receivables by \$1.1 million. However, this adjustment caused CCC's loans receivable general ledger control account to become out-of-balance with its detail subsidiary files. We also noted that while the SGL requires that funds that are anticipated to be collected during the fiscal year are to be recorded in the budgetary accounts, we

determined that CCC did not record anticipated collections totaling \$102 million within the budgetary accounts for FY 2000. As a result, CCC filed incorrect interim Forms SF-133, Report on Budget Execution, with Treasury.

- CCC made errors when estimating its contingent liability for “unrecorded” guaranteed loans, as of September 30, 2000. CCC must estimate these guaranteed loans because of significant delays in receiving needed accounting information from lenders. We noted that CCC used incorrect risk categories when recording the subsidy expense for these loans. We estimated that CCC understated subsidy expense by \$26.1 million because of this error. In addition, if CCC’s reestimation had correctly used the estimate amounts for “unrecorded” loans, an additional downward reestimate of \$51 million would have been reported. CCC performed additional calculations and adjustments to materially correct these errors in the April 25, 2001 financial statements provided to us.
- In order for CCC to improve its Credit Reform accounting operations for FY 2000, CCC was to identify the accounting errors within its proprietary and budgetary accounts and make appropriate adjustments to the beginning balances. We found that CCC had not identified and corrected all errors, and that some prior period errors were not corrected properly. For example, after CCC identified errors in its FY 2000 beginning balances, and made adjustments, the beginning balances continued to reflect accounts with abnormal balances totaling \$416 million (absolute value). In addition, we reviewed certain equity accounts and budgetary closing accounts of CCC, and identified 72 accounting entries totaling \$228.2 million (absolute value), that appear to be improperly recorded. Also CCC’s Statement of Budgetary Resources does not accurately reflect FY 2000 budgetary activity because of adjustments CCC made to correct past budgetary accounting errors totaling \$435.1 million (absolute value).

CCC’s new accounting system is not yet fully automated and integrated with its loan subsidiary systems and credit reform financing systems. The CCC process to record foreign credit transactions, credit reform subsidy transactions, and credit reform financing transactions continues to rely entirely on the preparation of manual spreadsheets and journal voucher documents. As we have noted in prior audits, and again in this audit, significant problems exist with the preparation, review and posting of these accounting entries, and other financial management operations in CCC. The lack of properly prepared reconciliations, out of balance conditions, and abnormal account balances adversely affects

departmental and CCC official's ability to manage CCC's costly and complex multi-billion dollar operations.

RECOMMENDATION NO. 1

Obtain outside resources in consultation with the OCFO, to study CCC's financial management operations. Develop appropriate organizational changes, system enhancements and internal control structures based upon this study. Develop a comprehensive plan to remedy these longstanding problems within 6 months. In the interim, obtain additional outside resources to strengthen CCC's financial, budgeting, accounting, and financial reporting operations by obtaining personnel with strong financial management and credit reform accounting experience.

RECOMMENDATION NO. 2

Fully automate the credit reform subsidy estimate and reestimate process, in consultation with the OCFO credit reform task force. Establish and adhere to a system of controls that will provide timely and accurate credit reform subsidy estimates and reestimates.

RECOMMENDATION NO. 3

Develop and implement procedures, which provide routine monitoring of general ledger accounts for abnormal balances. Ensure these procedures provide for accurate research of the cause(s), determination of financial statement impact and accomplishment of corrective actions.

RECOMMENDATION NO. 4

Adopt a consistent procedure for calculating and accruing interest income on both performing and non-performing foreign credits, which follow CCC's policies and generally accepted accounting principles.

RECOMMENDATION NO. 5

Develop and implement procedures, which provide for the calculation of credit reform financing costs in accordance with Treasury and OMB guidelines.

RECOMMENDATION NO. 6

Develop and implement procedures for reconciling CCC accrued interest receivable as reported to Treasury and on CCC's audited financial statements.

RECOMMENDATION NO. 7

Perform a comprehensive review of all accounting system posting models and revise those found to be incorrect.

RECOMMENDATION NO. 8

Provide periodic reports to the Department's CFO on the progress achieved in resolving the weaknesses and deficiencies cited in this report.

RECOMMENDATION NO. 9

accounting transactions.

Obtain additional credit reform and budgetary accounting training for CCC supervisory accounting and other personnel responsible for recording and approving CCC credit reform

RECOMMENDATION NO. 10

Revise the process to estimate the amount of "unrecorded" guaranteed loans outstanding.

II. DOCUMENTATION OF CCC INTERNAL CONTROL NEEDED FOR NEW CORE ACCOUNTING SYSTEM

FINDING NO. 3

CCC has not documented the internal control structure for its new CORE Accounting System. Given the size and complexity of FSA/CCC's operations, a documented internal control structure would provide substantial assurances concerning the effectiveness and efficiency of operations, reliability of financial systems, and compliance with laws and regulations.

The Committee of Sponsoring Organizations of the Treadway Commission³ recommended sponsoring a project to provide practical, broadly accepted criteria for establishing internal control and evaluating its effectiveness. As a result of this study, in September 1992, the "Internal Control – Integrated Framework" was issued. The "framework" provides a comprehensive basis for developing and assessing internal controls in any organization. In November 1999, the General Accounting Office (GAO) updated its "Standards for Internal Control in the Federal Government."⁴ The GAO noted in this revision "rapid advances in information technology have highlighted the need for updated internal control guidance related to modern computer systems."

We have reported the absence of a documented internal control structure to CCC in prior financial statement audit reports. In our Audit Report No. 03600-16-FM, dated January 31, 1994, we recommended that CCC develop and document high and intermediate control objectives and techniques in an integrated, top down, risk oriented framework. Our next five financial statement audit reports also reported this problem. In response to our FY 1998 financial statement audit report, CCC reported to us that it had completed the documentation of its control objectives and techniques. However, we found that with the implementation of its new CORE Accounting System, these controls need review and updating.

CCC agreed with us that control objectives and techniques needed to be established and documented for the new CCC CORE Accounting System.

³ The National Commission on Fraudulent Financial Reporting – A joint sponsorship of the AICPA, American Accounting Association, Financial Executives Institute, Institute of Internal Auditors, and the Institute of Management Accountants.

⁴ The FMFIA requires the GAO to issue standards for internal controls in Government. OMB Circular A-123 provides specific requirements for assessing and reporting on controls. Recently, other laws have renewed focus on internal controls, such as the Government Performance and Results Act of 1993, the CFO Act of 1990 and the FFMA of 1996.

RECOMMENDATION NO. 11

Perform necessary risk assessments and document high and intermediate control objectives and techniques in an integrated, top down, risk-oriented framework for the

CCC CORE Accounting System.

III. IMPROVEMENTS NEEDED IN SECURITY AND CONTROL OVER FSA/CCC INFORMATION TECHNOLOGY (IT) RESOURCES

FINDING NO. 4

Security over FSA/CCC IT resources needs strengthening. We found that CCC's new CORE Accounting System does not meet OMB and Departmental security requirements, and that physical and logical security controls were weak. As a result, FSA/CCC could be susceptible to lengthy delays in the restoration of disrupted computer services, and to unauthorized access and manipulation of its critical data files.

CCC CORE Accounting System

CCC was not able to provide to us a system security certification, an application security plan, or evidence that the CORE Accounting System had been adequately tested as part of its disaster recovery and contingency planning efforts. As a result, CCC cannot provide reasonable assurance that a minimum set of internal controls, as required by OMB Circular A-130 and Departmental Manuals has been implemented for the CCC CORE Accounting System. This system processes approximately 20 million transactions annually.

OMB Circular A-130, Management of Federal Information Resources, dated February 8, 1996, Appendix III, Security of Federal Automated Information Resources, requires agencies to prepare an application security plan for each major application. Departmental Manual (DM) 3140-1, Management ADP Security Manual, dated July 19, 1984, requires agencies to certify the adequacy of security safeguards of each sensitive operational computer application system and to re-certify the systems at least every three years.

FSA/CCC officials agreed that problems exist in this area and plan to take corrective actions to resolve these problems.

IT Security Problems

Our audit of security over USDA IT resources,⁵ included a review of the security of FSA/CCC IT resources at six locations. Weaknesses identified during our review included:

⁵ Audit Report 50099-27-FM, "Security over USDA Information Technology Resources Needs Improvement", dated March 2001.

- FSA systems contained numerous vulnerabilities that, if left uncorrected, could allow unauthorized users access to critical and sensitive FSA/CCC programs and financial data. We found 40 high-risk vulnerabilities, 212 medium-risk vulnerabilities, and 964 low-risk vulnerabilities⁶ in the systems reviewed. These vulnerabilities place FSA/CCC at risk to unauthorized access to its system.
- Logical and physical access controls needed improvement. For example, we found that removal of access to systems for separated employees was inadequate, and password controls were inadequate for some systems.

Since these weaknesses and recommended corrective actions are being reported separately to the FSA/CCC in another audit report, we are making no further recommendations on IT security matters noted in this subsection.

RECOMMENDATION NO. 12

Prepare security assessments and related documents for the CCC CORE Accounting System, as required by OMB Circular A-130 and Departmental security requirements.

⁶ High-risk vulnerabilities are those which provide access to the computer, and possibly the network of computers. Medium-risk vulnerabilities are those that provide access to sensitive network data that may lead to the exploitation of higher risk vulnerabilities. Low-risk vulnerabilities are those that provide access to network data that might be sensitive, but is less likely to lead to a higher risk exploit.

IV. REIMBURSEMENT CLAIMS NOT MADE FOR EXCESS OCEAN FREIGHT PAYMENTS

FINDING NO. 5

A recent audit conducted by the OIG, U.S. Agency for International Development (USAID)⁷, found that USDA could be entitled to an additional \$289 million in unclaimed cargo preference reimbursements for costs incurred under the P.L. 480 food assistance programs since 1992⁸. According to the OIG report, this condition occurred, in part because there was confusion as to which CCC office was responsible for preparing and submitting the ocean freight reimbursement invoices. The audit also found CCC had not reconciled differences totaling \$187 million between its requested reimbursements and the amounts approved. As a result, CCC's accounts receivable could be materially understated.

CCC officials have initiated actions to correct the above reported problem. Because the detailed results of the audit and recommended corrective actions were reported to CCC management in another audit report, we are making no further recommendations herein.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. We believe the reportable conditions described in Finding Nos. 1 through 5 are material weaknesses.

⁷ Audit report No. 9-000-01-003-P, Audit of US AID'S Cargo Preference Reimbursements Under Section 901d of the Merchant Marine Act of 1936, dated March 30, 2001.

⁸ Section 901d of the Merchant Marine Act of 1936, as amended, authorized USDA to claim reimbursement for excess ocean freight costs associated with the transport of commodities under food assistance programs administered by USDA and USAID. A Memorandum of Understanding between the Department of Transportation, USDA Commodity Credit Corporation, and USAID describes the procedures regarding the calculation, request, and payment of cargo preference reimbursements.

This report is intended solely for the information and use of the management of CCC, OMB and Congress and is not intended to be and should not be used by anyone other than these specified parties.

ROGER C. VIADERO
Inspector General

May 1, 2001

REPORT OF THE OFFICE OF INSPECTOR GENERAL ON COMPLIANCE WITH LAWS AND REGULATIONS

**TO: Board of Directors
Commodity Credit Corporation**

We attempted to audit the accompanying financial statements of CCC as of and for the FY ended September 30, 2000, and have issued our report thereon dated May 1, 2001.

The management of CCC is responsible for compliance with laws and regulations applicable to it. As part of obtaining reasonable assurance about whether CCC's principal financial statements are free of material misstatements, we performed tests of CCC's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin 01-02, or designated significant by CCC. We limited our tests of compliance and did not test compliance with all laws and regulations applicable to CCC. We tested compliance with:

- Agriculture, Rural Development, Food and Drug Administration and Related Agencies Appropriations Act of 1997;
- Agricultural Act of 1938;
- Agricultural Act of 1949;
- Anti-Deficiency Acts of 1906 and 1950;
- Budget and Accounting Procedures Act of 1950;
- CCC Charter Act of 1948;
- Chief Financial Officers Act of 1990;
- Corporation Control Act of 1945;
- Debt Collection Improvement Act of 1996;
- Federal Agriculture Improvement and Reform Act of 1996;
- Federal Credit Reform Act of 1990;
- Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994;
- Federal Manager's Financial Integrity Act of 1982 (FMFIA);
- Federal Financial Management Improvement Act of 1996 (FFMIA);
- Food, Agriculture, Conservation and Trade Act of 1990;
- Food Security Act of 1985;
- Food Security Improvements Act of 1986;
- Government Performance Results Act of 1993; and
- Government Management Reform Act of 1994.

As part of the audit, we reviewed management's process for evaluating and reporting on internal control and accounting systems as required by the FMFIA and compared the agency's most recent FMFIA reports with the evaluation we conducted of the CCC's internal control structure. We also reviewed and tested the CCC's policies, procedures, and systems for documenting and supporting financial, statistical, and other information presented in the Management Discussion and Analysis section and Required Supplemental Information sections. However, providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit. Accordingly, we do not express such an opinion.

Under FFMA, we are required to report whether CCC's financial management systems substantially comply with: (1) the Federal financial management systems requirements, (2) Federal accounting standards, and (3) the U.S. Government Standard General Ledger (SGL) at the transaction level. The results of our tests disclosed instances, described in our "Findings and Recommendations" section, where the CCC's financial management systems did not substantially comply with the above requirements.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in law or regulation that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements, or the sensitivity of the matter would cause it to be perceived as significant by others. Material instances of noncompliance noted during our audit are presented in the "Findings and Recommendations" section of this report.

FINDINGS AND RECOMMENDATIONS

V. NONCOMPLIANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT AND FEDERAL MANAGER'S FINANCIAL INTEGRITY ACT

FINDING NO. 6

CCC's financial management systems do not substantially comply with the requirements of the FFMIA or the FMFIA. This lack of compliance is due to weaknesses in credit reform accounting, and the inability to prepare

financial statements that meet accounting standards in a timely manner. As a result, Department and agency officials do not have the critical financial management information to manage CCC's credit program receivables and other foreign receivables of over \$7.8 billion (net), and production costs related to the foreign credit programs of over \$2.2 billion.

The FFMIA provides that an agency of the Federal Government will be considered to be in substantial compliance with financial management system requirements if among other issues:

- Agency financial management systems meet the OMB Circular A-127 requirements.
- The agency can prepare audited financial statements in accordance with applicable accounting standards.
- The agency can comply with the SGL.

According to the FFMIA, substantial noncompliance with the requirements in any one or more of the three areas included in FFMIA would result in substantial noncompliance with the Act.

Beginning with our FY 1993 audit report, (Audit Report No. 03600-16-FM, dated March 1, 1994) and in each subsequent FY, OIG has reported on CCC's problems with its financial management systems. Although progress was achieved with the implementation of the new CORE Accounting System for CCC's domestic program operations, CCC's foreign financial systems still do not meet FFMIA requirements. CCC's financial management systems also do not follow requirements published in Joint

Financial Management Improvement Program's (JFMIP) Federal Financial Management System Requirements series, which prescribe the functions that must be performed by systems to capture information for financial statement preparation.

To support the financial reporting process, an agency's financial system must provide complete, reliable, consistent, timely and useful financial management information on operations to enable central management agencies, individual operating agencies, divisions, bureaus and other subunits to carry out their fiduciary responsibilities; deter fraud, waste and abuse of resources; and facilitate efficient and effective delivery of programs by relating financial consequences to program performance.

The problems we have noted with CCC financial systems follow:

- CCC uses a personal computer (PC) software program to prepare its financial statements. This software facilitated the posting of adjusting, reclassifying, and eliminating entries to the general ledger after the general ledger was closed for the fiscal year. For FY 2000, we noted that this system was not interfaced with the new CORE Accounting System and did not utilize the SGL account structure. CCC manually entered general ledger account balances, in SGL format for their domestic operations to the PC system using non-SGL accounts. (In effect, CCC cross walked a SGL compliant system to a non-SGL compliant system.)
- There was no automated interface between the CCC CORE Accounting System and the financial systems used by the peanut association and tobacco servicing agent banks to account for and report on their commodity loan operations for CCC. These programs are valued at over \$1.5 billion. In order to record peanut and tobacco loan activities, CCC manually inputs monthly summary entries into its new accounting system. In addition, peanut and tobacco servicing agent banks still account for and report on their commodity loan operations using the accounting structure for CCC's former Financial Management System that was replaced.
- As noted in our opinion, CCC was again unable to provide sufficient and competent evidential matter to substantiate the Corporation's financial statements related to direct credits, credit guarantees, and subsidy costs within the timeframes provided by the Department, and we have again identified many significant problems with the CCC's financial management operations.

- CCC's FFMIA Remediation Plan, dated December 6, 2000, identified two areas of planned remedial actions, along with planned completion dates, to resolve its financial management problems. One of the areas was to prepare financial statements in accordance with applicable accounting standards and meet established timeframes. The plan also showed that CCC, by December 2001, was to complete its implementation of a new General Sales Manager (GSM) system that interfaced directly to the CORE Accounting System. These actions were not achieved or are still pending.

We will continue to monitor CCC's detailed actions to accomplish its remediation plan. As required by the law, we plan to include our assessment of the progress achieved in our future Semiannual Report to Congress as required by the FFMIA.

RECOMMENDATION NO. 13

Report in FSA/CCC's FMFIA report that direct and guaranteed foreign credit program accounting and financial management systems problems contain material weaknesses.

VI. POTENTIAL NONCOMPLIANCE WITH ANTI-DEFICIENCY ACT REQUIREMENTS

FINDING NO. 7

In its management representation letter to OIG, CCC officials reported two instances of noncompliance with laws and regulations. These matters pertained to the reimbursable amounts with other government agencies and its 1999 Livestock Indemnity Program. In addition, CCC has not taken sufficient actions to address a matter we reported in our prior audit report, that its budgetary accounts relating to foreign loan credit programs reflected a negative balance indicating potential Anti-Deficiency Act violation of \$5 million.

The Anti-Deficiency Act states, in part, that an officer or employee of the United States Government may not (a) make or authorize an expenditure or obligations exceeding an amount available in an appropriation or fund for the expenditure or obligation; (b) involve government in a contract obligation for the payment of money before an appropriation is made unless authorized by law; (c) make or authorize an expenditure or obligation of funds required to be sequestered under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985; or (d) involve government in a contract or obligation for the payment of money required to be sequestered under section 252 of the Balanced Budget and Emergency Deficit Control of 1985. If an officer or employee of an executive agency violates section 1341 (a) or 1342 of this title, the head of the agency shall report immediately to the President and Congress all relevant facts and a statement of actions taken.

- Section 161 P.L. 104-127, the Federal Agriculture Improvement and Reform Act of 1996, amended Section 11 of the CCC Charter Act, Cooperation with Other Government Agencies, to limit the amount of CCC funds for reimbursable agreements and transfers and allotments of funds to other government agencies. Starting in FY 1997, the total of CCC fund transfers under this section in a fiscal year, including agreements for automated data processing or information technology management activities are not to exceed the total of such allotments and transfers in FY 1995.

The following chart depicts potential Anti-Deficiency Act violations:

Year	Limit (\$ millions)	Apportionments (\$ millions)	Obligations (\$ millions)	Fees Transferred (\$ millions)	Transfers in excess of Limit ⁹ (\$ millions)
1997	46.2	43.7	39.3	11.7	4.8
1998	46.2	43.3	37.9	10.0	1.7
1999	36.2 ¹⁰	35.8	34.7	17.6	16.1
2000	36.2 ¹⁰	36.2	36.2	19.3	19.3
					41.9

After consultation with the Office of the General Counsel (OGC), CCC officials advised they had recently determined that two reimbursements relating to loan service fees and measurement services with the FSA were not considered in calculating the amounts reimbursed in FY 1995. Since these two reimbursements were only recently determined to be part of the Section 11 limitation, no amounts were included for them in any of the apportionments for the cited fiscal years, including the FY 2000 Apportionment Schedule.

Based on information CCC provided supporting its FY 2000 financial statements, it appears CCC exceeded the \$36.2 million limitation amount shown in its FY 2000 Apportionment Schedule by about \$11.7 million based on total transfers of \$47.9 million. However, we did not establish the exact amount actually transferred by CCC each fiscal year or the amount(s) applicable to the Section 11 limitation.

- We reported in our FY 1999 audit, that CCC's budgetary accounts relating to foreign loan credit programs reflected a negative balance of \$5 million. (A negative balance could indicate the possibility of an Anti-Deficiency Act violation.) In our report, we recommended that CCC complete a review of its appropriations and apportionments to assure that no Anti-Deficiency Act violations occurred and report to Congress, as required, if it was found that an Anti-Deficiency Act violation occurred. CCC advised it had

⁹ Transfers in excess of the limit equals the limit less obligations and fees transferred.

¹⁰ CCC initially established a \$46.2 limitation in 1999 but after OGC opined in April 1998 that CCC had erroneously included \$10 million in expenditures for the Emerging Markets Program, the limitation was lowered to \$36.2 effective for FY's 1999 and beyond.

found the payments were made against the wrong appropriation. Since CCC believed it had authority to transfer funds between two appropriations, it transferred the funds from the correct appropriation to eliminate the negative fund balance with Treasury.

Based upon our current audit, we do not believe CCC has fully analyzed and resolved this matter. We noted that CCC corrected (transferred) funds for only a portion of the incorrect payments. Furthermore, CCC was unable to provide us any interpretation and/or legal opinion supporting its assertion that it had authority to transfer the funds.

- The Livestock Indemnity Program was authorized by the general provisions of the 1999 Emergency Supplemental Appropriations Act (Public Law 106-31) and an amount of \$3 million was appropriated to implement the program for losses occurring during specific dates. CCC officials reported to us that CCC disbursed \$50,000 in FY 2000 more than was appropriated for the program. After consulting with the OGC, it was determined that there was no other authority to utilize any other appropriated CCC, USDA or FSA funds, including the Disaster Reserve, to cover the amount. The OGC suggested that CCC utilize its claims settlement authority¹¹ in settling and adjusting potential claims from producers rather than attempting to recover the payments from them and incurring additional costs as a result of potential litigation. Accordingly, CCC advised us that these monies were reimbursed to the appropriation from CCC's revolving fund in FY 2001 under CCC claims settlement authority.

RECOMMENDATION NO. 14

Perform a comprehensive review to identify all foreign loan credit program payments, which were paid from the incorrect appropriation and make the necessary corrections, and ascertain whether a violation of the Anti-Deficiency Act did occur.

RECOMMENDATION NO. 15

Provide the facts and circumstances for these cited conditions to the OGC and request written legal opinions on whether violations of the Anti-Deficiency Act have occurred. Report to Congress, as required, if it is determined by OGC that Anti-Deficiency Act violations have occurred. Also, obtain an OGC opinion regarding the legality of transferring funds between the various P.L. 480 appropriations.

¹¹ 15 USC 714b(k) provides that "CCC shall have the authority to make final and conclusive settlement and adjustment of any claims by or against the Corporation or the accounts of its fiscal officers".

VII. ANNUAL REVIEW OF USER FEES NOT PERFORMED FOR ALL PROGRAMS

FINDING NO. 8

As reported, in our FY 1999 financial statement audit, CCC has not yet conducted required annual reviews of fees associated with the GSM guarantee program. As a result, the fees CCC charges for its GSM-102 and GSM-103 export credit guarantee programs have not been changed in 7 years and may not be reflecting current costs.

OMB Circular A-129, dated November 29, 2000, Section II, 3 b states: "Agencies should establish interest and fees structures for direct loans and loan guarantees and should review structures at least annually.... Interest and fees should be set at levels that minimize default and other subsidiary costs, of the direct loan or loan guarantee, while supporting the achievement of the program's policy objectives."

We reported previously that CCC's GSM-102 Export Credit Guarantee Program has a legislative requirement that prohibits the charging of a fee in excess of 1 percent of the guarantee. Under CCC regulations, current fees range from 15.3 cents per \$100 guaranteed for a 90-day credit guarantee, to 66.3 cents per \$100 guaranteed on a 36-month credit guarantee. There is no legislative limit on the fees that CCC can charge on the GSM-103 program. We recommended in our prior audit that CCC conduct the required review of fees to assure the charges are set at levels that minimize the corporation's cost without unduly impairing these loan program's policy objectives, and ensure that these loan guarantee fees are reviewed annually in the future. In response to our recommendations, CCC stated that the Foreign Agricultural Service would work with the OCFO staff to develop a standard template for an annual review of fees.

Because of the recommendations made in our prior report and CCC's planned corrective actions, we are making no further recommendations at this time.

We considered these reportable instances of noncompliance in forming our opinion on whether CCC's FY 2000 financial statements are presented fairly, in all material respects, and this report does not modify the disclaimer of opinion on CCC's financial statements

expressed in our report dated May 1, 2001.

This report is intended solely for the information and use of the management of CCC, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

ROGER C. VIADERO
Inspector General

May 1, 2001

ABBREVIATIONS

AICPA	American Institute of Certified Public Accountants
CCC	Commodity Credit Corporation
CFO	Chief Financial Officer
CORE	CORE Accounting System
DM	Departmental Manual
FMD	Financial Management Division
FFMIA	Federal Financial Management Improvement Act of 1996
FMFIA	Federal Manager's Financial Integrity Act of 1982
FSA	Farm Service Agency
FY	Fiscal Year
GAO	General Accounting Office
GSM	General Sales Manager
IT	Information Technology
OCFO	Office of Chief Financial Officer
OGC	Office of the General Counsel
OIG	Office of Inspector General
OMB	Office of Management and Budget
PC	Personal Computer
SGL	U.S. Government Standard General Ledger
Treasury	U.S. Treasury
USDA	U.S. Department of Agriculture
USAID	U.S. Agency for International Development

Management's Discussion and Analysis (MD&A) provides a high level overview of the Commodity Credit Corporation (CCC). MD&A describes who we are, what we do and how well we meet our goals.

The Mission and Organizational Structure section contains a brief description of CCC's mission, related organizational structure, and the major programs we fund.

Next, the MD&A discusses major issues and challenges that CCC will face in the future (i.e., e-commerce service delivery, USDA service center initiative, and CCC trends). While these issues are challenging, we believe we have plans in place to help ensure they are adequately addressed.

In addition, the Performance Goals and Results section displays selected indicators from the Farm Service Agency (FSA) 2000-2005 Strategic Plan as it relates to CCC and our FY 2000 Annual Performance Plan.

Finally, we address CCC's Financial Highlights and Results of Operations and Management Controls.

MISSION AND ORGANIZATIONAL STRUCTURE

The CCC is a wholly owned government corporation, created to stabilize, support, and protect farm income and prices. CCC also helps maintain balanced and adequate supplies of agricultural commodities and aids in their orderly distribution.

CCC was incorporated October 17, 1933, under a Delaware charter. On July 1, 1939, CCC was transferred to the United States Department of Agriculture (USDA). It was reincorporated on July 1, 1948, as a Federal corporation within USDA by the CCC Charter Act.

The CCC Charter Act, as amended, authorizes CCC to aid producers through loans, purchases, income support payments,

and other operations, and make available materials and facilities required in the production and marketing of agricultural commodities.

The CCC Charter Act also authorizes the sale of agricultural commodities to other government agencies and foreign governments and the donation of food to domestic, foreign, or international relief agencies. CCC also assists in the development of new domestic and foreign markets and marketing facilities for agricultural commodities.

Since 1933, CCC has been the Federal Government's financing arm for an array of domestic and international farm programs. The principal operations conducted by CCC include commodity loan and inventory management activities, donations and sales of government-owned stocks for humanitarian or commercial uses, foreign market development, export credit guarantees, and conservation practices.

CCC has no employees. The Corporation carries out its program objectives through personnel and with the support of the FSA, Agricultural Marketing Service, Natural Resources Conservation Service (NRCS), Foreign Agricultural Service, other agencies of the Department of Agriculture, and the U.S. Agency for International Development.

CCC is managed by a Board of Directors, subject to the general supervision and direction of the Secretary of Agriculture, who is an ex-officio director and chairperson of the Board. The Board consists of seven members, in addition to the Secretary, who are appointed by the President of the United States, with the advice and consent of the Senate. The members of the Board and the Corporation's officers are officials of USDA. The organizational chart on page 2 shows a layout of CCC's Board of Directors as of September 2000.

COMMODITY CREDITY CORPORATION

Management's Discussion and Analysis
September 30, 2000

Commodity Credit Corporation Organizational Chart, Fiscal Year 2000

Board of Directors

Chairman, Daniel R. Glickman
Secretary, USDA

Vice Chairman, Richard E. Rominger
Deputy Secretary, USDA

Member, August Schumacher, Jr.
Under Secretary, Farm & Foreign
Agricultural Services, USDA

Member, Jill Long Thompson
Under Secretary, Rural Economic &
Community Development, USDA

Member, Shirley Robinson Watkins
Under Secretary, Food & Nutrition
Service, USDA

Member, I. Miley Gonzalez
Under Secretary, Research, Education &
Economics, USDA

Member, Michael V. Dunn
Under Secretary, Marketing & Regulatory
Programs, USDA

Member, Keith Kelly
Administrator, Farm Service
Agency, USDA

Officers

President, August Schumacher, Jr.
Under Secretary, Farm & Foreign
Agricultural Services

Executive Vice President, Keith Kelly
Administrator, Farm Service Agency

Vice President, Parks Schackelford
Associate Administrator, FSA

Vice President, George Arredondo
Associate Administrator,
Operations and Management, FSA

Vice President, Kathleen Merrigan
Administrator, AMS

Vice President, Timothy Galvin
Administrator, FAS

Vice President, Richard Fritz
General Sales Manager, FAS

Vice President, Samuel Chambers, Jr.
Administrator, FNS

Vice President, Pearlie S. Reed
Chief, NRCS

Deputy Vice President, Alex King
Deputy Administrator,
Commodity Operations, FSA

Acting Deputy Vice President, John Williams
Deputy Administrator, Management, FSA

Deputy Vice President, Larry Mitchell
Deputy Administrator, Farm Programs, FSA

Deputy Vice President, Larry Walker
Director, Economic & Policy Analysis
Staff, FSA

Deputy Vice President, Danny Sells
Associate Chief, NRCS

Deputy Vice President, Thomas A. Weber
Deputy Chief, Programs, NRCS

Deputy Vice President, Dwight P. Holman
Deputy Chief, Management, NRCS

Secretary, VACANT
Executive Assistant to the Administrator,
FSA

Deputy Secretary, Jack Sikora
Director, Strategic Management and
Corporate Operations Staff, FSA

Assistant Secretary, Juanita Daniels
Staff Assistant, Strategic Management
and Corporate Operations Staff, FSA

Acting Controller, Sally F. Nunn
Acting Director, Financial Management
Division, FSA

Treasurer, Sally Nunn
Deputy Director, Financial Management
Division, FSA

Chief Accountant, Dwight T. Tayman
Chief, Financial Accounting & Reports
Branch, Financial Management
Division, FSA

Officers of CCC, directly or through officials of designated USDA agencies, maintain liaison with numerous other governmental and private trade operations. CCC's commodity programs must be approved by the Board of Directors and/or Secretary of Agriculture.

Most of CCC's programs are delivered through an extensive network of FSA field offices, including over 2,500 USDA Service Centers and 51 State Offices (including Puerto Rico). This extensive network enables FSA/CCC to maintain close relationships with agency customers and successfully address customer's needs in an effort to continually improve the delivery of our programs.

MAJOR PROGRAMS AND OPERATIONS

The following is a summary of the major programs and operations of CCC.

Commodity Price Support Loan, Marketing Assistance Loan, and Purchase Programs

Producers complying with the provisions of annual farm programs are eligible to receive price support and marketing assistance loans from CCC. The Federal Agriculture Improvement and Reform Act of 1996 (1996 Act) provides for the administration of these and other agricultural and food programs. Generally, the objectives of these programs are to provide income support for producers, and to provide price support or marketing assistance loans while ensuring the orderly marketing of commodities. While the 1996 Act provides for production flexibility contracts for those commodities which have traditionally been eligible for deficiency payments, it also continues to provide for specific marketing assistance loans for those commodities.

Commodities pledged as collateral for price support and marketing assistance loans

have been recognized as an important aspect to a stable agricultural economy and are subject to significant fluctuations in supply and demand.

Loans are provided to producers of wheat, corn, grain sorghum, barley, oats, soybeans, minor oilseeds, rice, upland cotton and extra long staple cotton.

Loans on eligible commodities made to producers are nonrecourse, i.e., if market prices rise above the loan level, the producer can repay the loan with interest, and sell the crop in the market. If prices fall below the loan level, the producer can forfeit the commodity to CCC in full payment of the loan. A producer must have entered into a production flexibility contract to be eligible for nonrecourse loans for wheat, feed grains, rice and upland cotton. The nature of these programs affect the volume of producer participation. Policy decisions also can have a significant effect on the level of price support or marketing assistance loan provided to a participant.

CCC outstanding commodity loans increased to \$3.1 billion as of September 30, 2000. Reduced market prices resulted in more loans made (\$9.7 billion) in relation to loans repaid (\$7.0 billion) during the fiscal year. Additionally, there was a sharp increase in marketing loan losses, whereby some portion of repayment of loan principal and interest is waived, rather than the forfeiture of loan collateral being delivered to the Corporation. Marketing loan losses totaled \$1,697 million in fiscal year 2000, as compared to \$988 million in the prior fiscal year.

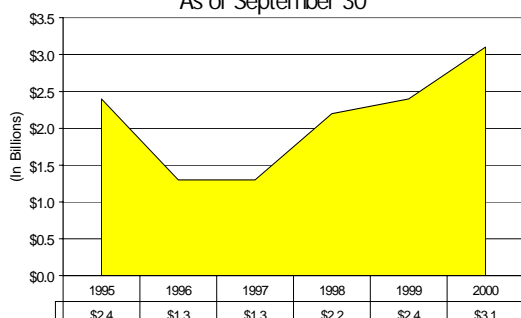
The chart on the following page shows the recent history of commodity loans outstanding.

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Total Loans Outstanding

As of September 30



During fiscal year 2000, CCC loan repayments increased slightly to \$6,957 million, as compared to \$6,903 million last year. A comparison by commodity is presented below.

Commodity Loan Repayments (In Millions)		
Commodity	FY 2000	FY 1999
Feed Grains	\$ 2,301	\$ 2,732
Soybeans	1,226	1,370
Cotton	1,566	941
Wheat	365	691
All Other*	1,499	1,169
Total Repayments	\$ 6,957	\$ 6,903

*Includes rough rice, tobacco, honey, peanuts, sugar, oilseeds and mohair.

Conservation Programs

The 1996 Act expanded CCC's farm programs in fiscal year 1996, to provide for the use of CCC funds for the Conservation Reserve Program (CRP). In addition, it also authorized several other conservation programs. The Farmland Protection Program provides incentives for land to remain available for agricultural uses. The Environmental Quality Incentive Program was created to consolidate several conservation programs and expand financial incentives for adopting conservation practices. Furthermore, the Charter Act was amended to provide general authority for

CCC to operate conservation programs otherwise provided by law.

For the fiscal year ended September 30, 2000, CCC incurred net expenses for conservation programs in the amount of \$2,225 million.

Commodity Inventory Operations

Under the income support and marketing assistance loan programs authorized under Title I of the 1996 Act, CCC may acquire commodities through purchases and loan forfeitures. Commodity inventories are valued at their acquisition cost plus the cost of processing and packaging after acquisition. Commodities acquired by CCC are subsequently disposed of according to various statutes. Dispositions include sales and donations. CCC recognizes realized gains or losses at the time of inventory disposition. The following table presents CCC's net inventory for fiscal years 1999 and 2000.

Inventory, Net* (In Millions)		
Description	FY 2000	FY 1999
Inventory, Beginning	\$ 714	\$ 531
Acquisitions	1,768	996
Cost of Sales	(858)	(135)
Donations	(396)	(691)
Other	(24)	13
Inventory, Ending	1,204	714
Less Allowance for Losses	(702)	(358)
Commodity Inventories, Net	\$ 502	\$ 356

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Foreign Programs

CCC's foreign programs provide economic stimulus to both the U.S. and foreign markets, while also giving humanitarian assistance to the most needy people throughout the world.

Through separate appropriation and borrowing authority, the Corporation extends credit and export credit guarantees in addition to making grants and donations. Extension of concessional credit is made under Title I of P.L. 480. CCC provides short- and intermediate-term export credit guarantees to exporters of U.S. agricultural commodities, which creates jobs in the U.S. farm and food processing industries, while improving the U.S. balance of payments and trade deficit. Guarantees are made under four Export Credit Guarantee programs (also known as GSM programs) designated as the GSM-102, GSM-103, Supplier Credit, and Facility programs. The GSM-102 Program offers short-term coverage of up to 3 years, and the GSM-103 Program offers intermediate-term coverage of 3-10 years. The Supplier Credit Program guarantees payment up to 180 days. The Facility Program promotes the export of U.S. agricultural commodities or products to emerging markets, and guarantees coverage up to 10 years. As of September 30, 2000, no guarantees were recorded for this program. Through the GSM programs, CCC guarantees payment of credit extended by the private U.S. banking sector to foreign banks, issuing irrevocable letters of credit, for food and agricultural products sold to foreign buyers.

Foreign Activity Selected Financial Data (In Millions)		
Description	FY 2000	FY 1999
P. L. 480 Direct Credits Outstanding Receivables as of September 30	\$11,342	\$11,191
Claims and Rescheduled Export Credit Guarantees Outstanding as of September 30	7,302	7,267
FY 2000 Guarantee Claims Paid	146	244
Port Value of GSM Registrations Issued through September 30	4,470	4,800
GSM Guarantees Issued for Registrations through September 30	4,363	4,696
Direct Sales Program (Office of General Sales Manager) Outstanding Receivables	42	42
Donations and Grants through September 30*	1,032	1,183
Market Access Program Payments through September 30	94	114

*Includes Sections 416, Title I, Food for Progress, and Title II, Title III, Food for Progress.

MAJOR ISSUES FACING CCCE-Commerce Services

FSA/CCC has made considerable progress planning implementation of e-commerce services and developing the supporting infrastructure, as required by the Government Paperwork Elimination Act, the Presidential Memorandum on "Electronic Government," the Freedom to E-File Act, and the Office of Management and Budget.

FSA/CCC has engaged in the Electronic Access Initiative (EAI) to develop a common internet-based service delivery architecture with other USDA agencies by FY 2002. Through EAI, the partner agencies have adopted a "web-farm" concept where FSA/CCC can host highly available, secure, and scalable web-based services for USDA customers, employees, and partners. These services will be provided through a coordinated web-farm management structure, and common e-commerce policies, procedures, technologies, and management processes.

While we have made considerable progress planning the implementation of e-commerce services, FSA/CCC has significant cultural issues to overcome as we migrate from a one-on-one service delivery organization to an e-commerce service provider. In addition, more funding, extensive training, and new user and technical support mechanisms are needed to support our on-line delivery of services. Funding deficits will begin to impact our progress beginning in FY 2001.

USDA Service Center Modernization Initiative

One major Departmental project affecting CCC is the USDA Service Center Modernization Initiative. This initiative will provide one-stop service to customers, with access to multiple agencies which provide

high quality service from one location. Over the past several years, the USDA has consolidated and co-located agency offices at the county level by establishing Service Centers to deliver programs and services more efficiently and at reduced cost. Approximately 2,500 Service Centers are now in place. However, the disparate, stand alone, legacy computer systems of the Service Center agencies, which consist largely of 1980's and early 1990's technology, have posed a formidable barrier to achieving many of the objectives of the Service Center initiatives.

From 1997 through 2000, significant progress was made by the Service Center agencies in addressing portions of the outdated technologies. This included the installation of telecommunication systems in 2,522 Service Centers, over 35,000 identical workstations with common office automation software and over 7,500 shareable printers. A plan has been developed for migrating CCC's legacy software application programs to the common computing environment that is being implemented in the Service Centers. The plan was shared with the Office of Management and Budget and Congress as part of the request to fund the acquisition. It is now being reviewed by program managers and it will need to be approved by the new Administration's leadership. Implementation of legacy systems are targeted to begin in October 2002, with the final migration occurring in February 2004.

Dependencies that may impact the migration plan are acquiring system connectivity and file transmission software, defining common functions and security requirements and developing standards. In addition to the technology dependencies, the farm economy and possible new legislation impose uncertainties. It is difficult to assess the impact these may have on having fully operational Service Centers in 2004, while still maintaining our

business operations and providing quality service to our customers.

CCC Trends

In FY 2001, the Commodity Credit Corporation will continue to support the U.S. farmers and ranchers in providing disaster assistance in numerous programs. Marketing loss assistance and crop loss assistance payments are anticipated to be over \$2 billion and livestock assistance will be even higher in FY 2001 than in FY 2000. New disaster assistance programs in FY 2001 will provide assistance on crops which have not been included in the recent past, such as apples, potatoes, and citrus crops. Dairy assistance will remain high in FY 2001. Loan deficiency and production flexibility payments are expected to remain high. We expect to see a small decline in loans made down to \$8.7 billion, but this is still considered a relatively high loan level.

Participation in the conservation programs are anticipated to be higher than FY 2000, with a significant increase in the Conservation Reserve Program, specifically. Other programs which may have increased participation in FY 2001 include the Farmland Protection Program, Environmental Quality Incentive Program, and the Wetlands Reserve Program.

In FY 2000, CCC began funding the Foreign Market Development Cooperative Program and the Quality Samples Program. We expect participation in these programs to continue. Other foreign programs include the P.L. 480 programs and the Export Credit Guarantee programs, including the funds for ocean transportation, are expected to continue at a stable pace for the near future.

Beyond FY 2001, it becomes very difficult to predict the future. While the budget is prepared using current assumptions, there are a number of variables that may revise

future forecasts. The new Farm Bill is expected to be out by the end of FY 2001 or beginning of FY 2002. This may change the entire direction that CCC takes in providing assistance to farmers and ranchers. The Commission on the 21st Century Agriculture reported to Congress recently and made recommendations for future assistance. This may also play a part in molding CCC agricultural programs. Lastly, the new Administration is anticipated to provide guidance on the direction USDA and CCC will operate and provide assistance in the future.

PERFORMANCE GOALS AND RESULTS

CCC has placed a considerable focus on improving its financial management practices, the effectiveness of its programs and its own accountability to the public. The Chief Financial Officers Act of 1990 (the CFO Act) mandates financial management reform by requiring agencies to take steps to improve financial management systems and information. The CFO Act also requires that agency financial management systems provide for the systematic measurement of performance. In addition, the Government Performance and Results Act of 1993 (GPRA) created requirements for agencies to generate information that congressional and executive branch decision makers need in considering measures to improve government performance and reduce costs. GPRA is aimed directly at improving agency program performance.

Following the requirements of these two landmark reforms, in fiscal year 1997, FSA completed a 5-year strategic plan, which provides a mission statement, vision, and long-term strategic goals for the Agency (this plan was subsequently updated in fiscal year 2000). The plan describes the methods that will be used to achieve such goals through FSA/CCC activities and through the Agency's human, capital, information and other resources. The following program and

financial management performance measures are consistent with the major goals established by FSA in its strategic plan.

Performance Goal:

Provide an economic safety net through farm income support to eligible producers, cooperatives, and associations to help improve the economic stability and viability of the agricultural sector and to ensure the production of an adequate and reasonably priced supply of food and fiber.

Objectives:

Maintain a high **Production Flexibility Contract (PFC)** rate for eligible acreage.

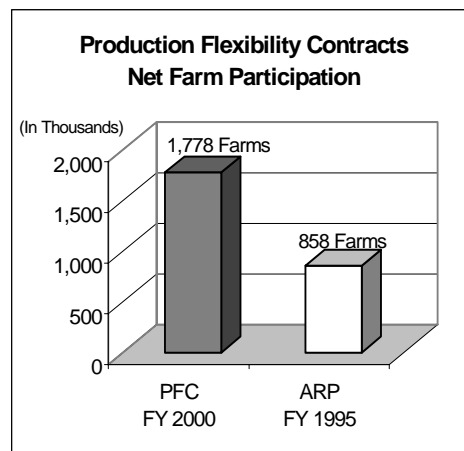
Stabilize the price and production of tobacco and peanuts.

The 1996 Act provided a one-time sign-up for Production Flexibility Contracts, whereby producers receive seven annual fixed, but declining, payments for fiscal years 1996 through 2002. The payments are independent of farm prices and crop production, enabling crop production decisions and farm commodity prices to be determined by market factors, rather than government subsidies and production controls. Participating producers must comply with highly erodible land and wetland conservation requirements, as well as fruit and vegetable planting restrictions in order to receive payments.

For the fiscal year ended September 30, 2000, CCC incurred net expenses for production flexibility contracts (excluding

market loss assistance payments) in the amount of \$5,060 million, compared to \$5,472 million in fiscal year 1999.

One of CCC's major objectives is to maintain a high PFC participation rate for eligible producers. Based upon the amount of average acreage enrolled in the program, the Corporation's goal is to achieve a 98% annual participation rate during the period of fiscal years 1997 through 2002. For the fiscal year ended September 30, 2000, the total production flexibility contract acreage enrolled was 213 million out of a total 214 million potential acreage. This reflects a 99% annual participation rate for the program.



During fiscal year 2000, the number of farms maintaining participation under a PFC was significantly higher as compared to the number of farms that were typically enrolled in the predecessor Acreage Reduction Programs (ARP). High PFC participation indicates that eligible producers view the program as a farm income support option, which contributes to the economic stability and viability of the agricultural sector.

CCC tobacco and peanut price support programs provide loans to eligible producers through loan associations under cooperative

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agreements with CCC. These programs operate at no-net-cost to the Federal Government. As such, tobacco and peanut allotments and quotas, approved by producers in referenda, are established to help ensure a balance between supply and demand in the marketplace. Furthermore, producers, and in some cases, purchasers of certain tobacco and peanuts incur a marketing assessment for tobacco and peanuts brought into the marketplace.

Maintaining a balance between supply and demand in the marketplace stabilizes the price of tobacco and peanuts by helping to ensure that market prices equal or exceed price support loan rates. When market prices exceed loan rates, producers' income improves and loans outstanding decrease, thereby lowering expenses associated with the operation of the tobacco and peanut price support programs. Assessments are collected to cover losses on certain tobacco and peanut loans.

Analysis of Tobacco Price Support Activity			
Activity	Actual*	GPRA Goal	Variance Favorable/Unfavorable
<u>FY 2000</u>			
Price Per Pound of Tobacco	\$1.83	\$1.70	8% favorable
Assessment per Pound of Tobacco	\$.041	\$.0800	49% favorable
<u>FY 1999</u>			
Price Per Pound of Tobacco	\$1.84	\$1.70	8% favorable
Assessment per Pound of Tobacco	\$.0360	\$.0800	55% favorable

*Estimated average market price for crop years 1999 and 2000 as of September 30 of the applicable crop year.

Analysis of Peanut Price Support Activity			
Activity	Actual*	GPRA Goal	Variance Favorable/Unfavorable
<u>Crop Year 1999</u>			
Average Assessment per Pound of Peanut – Quota	\$.00366	\$.00366	0.00% favorable
Average Assessment per Pound of Peanut – Non-quota	\$.0011	\$.0011	0.00% favorable
<u>Crop Year 1998</u>			
Average Assessment per Pound of Peanut – Quota	\$.00366	\$.00366	0.00% favorable
Average Assessment per Pound of Peanut – Non-quota	\$.0011	\$.0011	0.00% favorable

*Represents fiscal year 2000 activity for crop year 1999 and fiscal year 1999 activity for crop year 1998.

Performance Goal:

Assist agricultural producers and landowners in achieving a high level of stewardship of soil, water, air, and wildlife resources on America's farms and ranches while protecting the human and natural environment.

Objective:

Provide **CRP** funding to help improve environmental quality, protect natural resources, and enhance habitat for fish and wildlife, including threatened and endangered species.

The CRP is the Federal Government's single largest environmental program, safeguarding millions of acres of American topsoil from erosion, increasing wildlife habitat, and protecting ground and surface water.

CRP participants sign a contract with CCC for a period of 10 to 15 years under which highly erodible cropland and certain other environmentally sensitive land are retired from production for the duration of the contract period, and permanent conservation practices are established on enrolled land. In return, CCC provides participants annual rental payments, makes cost-sharing assistance on long-term resource conserving cover and other conservation practices, and arranges for technical assistance in cooperation with the Natural Resources Conservation Service, the Forest Service, and the U.S. Fish and Wildlife Service. The 1996 Act amended the Food Security Act of 1985 to provide that CCC may maintain an enrollment of up to 36.4 million acres in the CRP through September 30, 2002. Actual enrolled acreage will vary from year to year due to program provisions which allow for

extension of existing contracts, regularly scheduled sign-up periods, early termination of contracts on less environmentally sensitive acreage, and a continuous sign-up for select environmental priority practice acreage.

For the fiscal years ended September 30, 2000 and 1999, the Corporation incurred net outlays for CRP in the amount of \$1,512 million and \$1,434 million, respectively.

Maintaining high enrollment levels in CRP and implementing approved conservation practices on enrolled lands, restoring wetlands, and improving wildlife habitat protects the nation's natural resources and assists agricultural producers in attaining a high level of stewardship on America's farmland and ranches.

Conservation Reserve Program Activity				
(In Millions)	FY 2000		FY 1999	
	Actual	GPRA Goal	Actual	GPRA Goal
Number of Acres Enrolled	31.5	32.8	30.3	31.1
Acres of Highly Enrolled Land Retired	24.9	24.0	23.0	23.1
Restored Acres of Wetlands	1.5	1.6	1.4	1.4
Acres Planted with Trees	2.2	2.0	2.0	2.0

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Performance Goals:

Improve financial management and reporting

Objectives:

Participate in Treasury's Offset and Cross-Servicing Programs Under the Debt Collection Improvement Act of 1996

Obtain an unqualified audit opinion on CCC's Financial Statements

CCC's Participation in Treasury's Offset and Cross-Servicing Programs

The Debt Collection Improvement Act of 1996 requires all Federal agencies to refer debts over 180 days delinquent to the Department of Treasury for inclusion into the Treasury's Offset (TOP) and Cross-Servicing Programs. TOP is designed to assist agencies in the collection of debt owed to the Federal Government. Cross-servicing is the process whereby Federal agencies refer delinquent debts to Treasury for collection. In FY 2000, FSA/CCC referred 10,553 debts, valued at \$66.4 million to the TOP and 831 debts valued at \$9.6 million to Treasury's Cross-Servicing Program. As a result of these referrals, FSA/CCC received \$1.4 million in offsets from Federal payments that were scheduled to be made to individuals who have delinquent debts with the FSA/CCC, and \$1.9 million in cross-servicing due to Treasury's collections efforts.

	FY 2000		FY 1999	
	Actual	GPRA GOAL	Actual	GPRA GOAL
Percentage of Eligible Debts Referred to Treasury Offset Program	100%	100%	90%	100%
Percentage of Eligible Debts Referred to Treasury for Cross-Servicing*	100%	100%	86%	100%

*FSA/CCC implemented Treasury Cross-Servicing Program in July 1999.

Audit of the Corporation's Financial Statements

CCC's goal is to obtain an unqualified audit opinion on its financial statements. CCC is working with the USDA Chief Financial Officer and the Office of Inspector General (OIG) to resolve prior audit concerns and to ensure its financial statements are in compliance with Federal and Departmental policies and standards.

In FY 1995, OIG issued an unqualified audit opinion on CCC's financial statements. In FY 1996, however, CCC received a disclaimer of opinion on its statements because OIG cited potential irregularities in the administration of the FSA funded Agricultural Mediation Program. The state officials, who are responsible for administering the program on behalf of FSA, denied OIG access to certain mediation records. Consequently, OIG could not determine the impact, if any, of the potential irregularities on CCC's programs and financial statements.

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In FY 1997, CCC's financial statements received an unqualified opinion because the scope limitation regarding restrictions imposed on OIG's access to certain records during fiscal year 1996 were removed. In FY 1998, CCC received a disclaimer because the Corporation was not able to provide sufficient and competent evidential matter, within the timeframes provided by the Department, to substantiate the line items related to CCC's direct credit and credit guarantee programs. In FY 1999, the OIG issued a qualification because substantial time was taken by CCC after the Department's deadline had passed to provide OIG the FY 1999 financial statements.

Type of Audit Opinion Fiscal Years 1990 - 2000	
Fiscal Year	Audit Opinion*
2000	Not Available
1999	Qualified
1998	Disclaimer
1997	Unqualified
1996	Disclaimer
1995	Unqualified
1994	Unqualified
1993	Unqualified
1992	Unqualified
1991	Unqualified
1990	Unqualified

*CCC's goal is to obtain an unqualified audit opinion.

**CCC'S FINANCIAL HIGHLIGHTS
AND RESULTS OF OPERATIONS**

The following two pages highlight significant activities and operations of CCC for the fiscal year ended September 30, 2000. Comparative information is presented to show financial and program trends. Activities featured in this section include outlays, receipts, domestic program expenses, domestic loans, and commodity inventory.

FY 2000 Outlays and Receipts (In Million)			
Activity	Plan 1/	Actual	Percentage Difference 2/
Total Outlays - CCC	\$25,648	\$42,809	66.91%
Total Receipts	\$11,786	\$10,544	-10.54%
Net Outlays - Public Law 480	\$558	\$797	42.83%

1/ As estimated in fiscal year 2000 Mid-Session Review.

2/ A positive (or negative) percentage difference represents the underestimation (or overestimation) of fund resources for FY 2000.

Domestic program expenses for the fiscal year ended September 30 were \$25,212 million in 2000, and \$20,451 million in 1999. The dollar amount of domestic program expenses increased from the prior year due to final market loss assistance payments made to eligible owners and producers under the Agricultural Risk Protection Act of 2000.

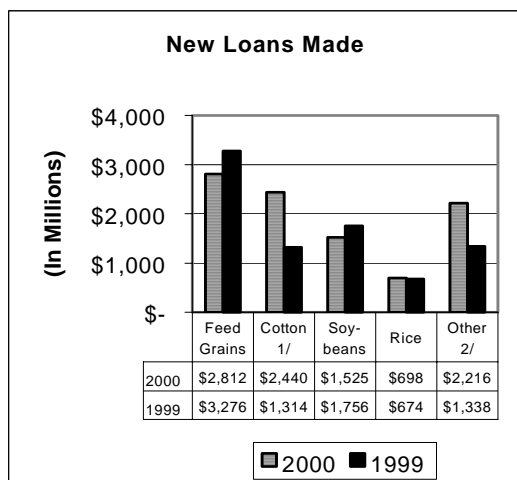
Domestic Program Expenses (In Millions)		
Program Expense	FY 2000	FY 1999
Market Loss Assistance	\$ 10,923	\$ 2,811
Income Support and PFC Program	10,098	12,911
Conservation Programs	2,225	2,364
Disaster Programs	1,882	2,276
All Other*	84	89
Total Domestic Program Expenses	\$ 25,212	\$ 20,451

* Includes loan storage and other program expenses.

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The dollar amount of new commodity loans made for the fiscal year ended September 30, 2000, increased from the same period ending September 30, 1999, due to lower market prices. Loans made through September 30 totaled \$9,691 million in 2000 and \$8,358 million in 1999.



1/ Includes extra long staple cotton,, upland cotton,, upland seed cotton.

2/ Includes wheat, tobacco, honey, sugar, peanuts, oilseeds, and mohair.

The Corporation's commodity inventory increased over the past year because of increased purchases of dried milk. Inventory as of September 30 totaled \$1,204 million in 2000, compared to \$714 million in 1999.

Commodity Inventory (In Millions)		
Commodity	FY 2000	FY 1999
Dairy	\$562	\$206
Wheat	399	426
Feed Grains	72	42
All Other*	171	40
Total Inventory	\$1,204	\$714

*Includes rice products, rough rice, extra long staple cotton, upland cotton, oils and oilseeds, peanut oil-refined products, dry edible beans, blended foods, dry whole peas, and vegetable oil products.

The current financial condition of CCC reflects the general state of the U.S. agricultural economy. America's farmers have been hard hit by the effects of declining commodity prices and harsh weather conditions. Consequently, CCC has increased its assistance to farmers, helping to maintain farm income and tempering financial hardship for many producers. During fiscal year 2000, CCC experienced increased domestic program expenses, a higher amount of commodity loans outstanding, and an increased amount of its borrowing authority in use.

Limitations of the Financial Statements

The financial statements report the financial position and results of operations of CCC pursuant to the requirements of 31 U.S.C. 3515(b). They have been prepared from the books and records of CCC in accordance with the formats prescribed by the Office of Management and Budget. The statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. Furthermore, the statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

MANAGEMENT CONTROLS

Federal Managers' Financial Integrity Act of 1982 (FMFIA)

The FMFIA promotes the development of systematic and proactive measures to ensure management's accountability for the effectiveness and efficiency of program operations.

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Section 2 of FMFIA, focuses on the assessment of the adequacy of management controls to manage the risk associated with a given program and to provide reasonable assurance that obligations/costs comply with applicable laws and regulations; that Federal assets are safeguarded against fraud, waste and mismanagement; and that transactions are properly recorded and accounted for. A material weakness identifies an instance in which management controls are not sufficient to provide the level of assurance required by Section 2 and requires major milestones for corrective action. Such a weakness may significantly impair the fulfillment of an agency component's mission; deprive the public of needed services; violate statutory or regulatory requirements; significantly weaken safeguards against waste, loss, unauthorized use or misappropriation of funds, property, or other assets; or result in a conflict of interest.

FMFIA Noncompliance (Section 2, Material Weakness in Internal Control)	
Description of Material Weakness:	Credit Reform Accounting and Subsidy Process – Concerns Over Accuracy and Dependability of the Credit Reform Accounting and Subsidy Re-estimate Process used by CCC Related to the Direct and Foreign Credit Guarantee Programs.
Year Identified:	FY 2000
Planned Completion Date:	FY 2001

Section 4 of FMFIA relates to the review of financial accounting systems to ensure conformance with certain principles, standards, and other Federal requirements. A financial management system nonconformance is an instance in which the financial systems do not conform to the

requirements of Section 4. A material financial management system nonconformance also requires major milestones for corrective action.

FMFIA Noncompliance (Section 4, Material Nonconformances in Financial Systems)	
Description of Material Nonconformance:	Credit Reform Financial Management Systems – Foreign Credit Subsidiary and Credit Reform Systems are not Fully Automated and Integrated into CORE.
Year Identified:	FY 2000
Planned Completion of all Corrective Actions Date:	FY 2002

Federal Financial Management Improvement Act of 1996 (FFMIA)

FFMIA requires Federal agencies to implement and maintain financial management systems that comply substantially with Federal financial management systems requirements, applicable accounting standards, and the U. S. Standard General Ledger at the transaction level. If an agency is not in compliance with FFMIA, they shall prepare a remediation plan to bring the agency's financial management systems into compliance.

CCC is pleased to report continued progress in strengthening management controls. In October 1999, CCC implemented its CORE accounting system. With the exception of Credit Reform accounting and certain peanut and tobacco activities, the implementation of CORE has brought the legacy CCC general ledger system into compliance with the federal financial management systems requirements, applicable Federal accounting standards,

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and the Standard General Ledger at the transaction level. CCC is working with the USDA Chief Financial Officer to fully integrate CORE into the Department's Foundation Financial Information System. CCC is also working to develop the CORE Data Warehouse as the reporting solution to meet the reporting needs of program managers. This system will extract financial information from multiple systems, integrate and organize the data for reporting and analysis, and make the data available

directly to managers, analysts and other end users for decision making.

Although CCC continues to make progress in strengthening management controls, CCC has developed a remediation plan to bring CCC's credit reform accounting and subsidy re-estimate process in compliance with FFMIA, as shown below.

CCC Remediation Plan (September 30, 2000)	
<u>Remediation Action #1</u>	
Description:	Ensure substantial compliance with applicable Joint Financial Management Improvement Program systems requirements, particularly those pertaining to the capture of information for preparing financial statements. To accomplish this, CCC has developed a plan to review all CCC financial systems.
Year Identified:	FY 2000
Date of Plan Development:	FY 2000
Date for Completion of all Financial Functions:	FY 2004
<u>Remediation Action #2</u>	
Description:	Prepare financial statements in accordance with applicable Credit Reform accounting standards, for foreign programs.
Date of Plan Development:	FY 2000
Year Identified:	FY 2000
Date for Completion of all Financial Functions:	FY 2001

Exhibit A

Commodity Credit Corporation Balance Sheet

As of September 30, 2000
(Dollars in Millions)

Federal Assets:	
Fund Balance with Treasury (Note 2)	\$ 2,764
Accounts Receivable (Note 3)	<u>76</u>
Total Federal Assets	2,840
Accounts Receivable, Net (Note 3)	116
Commodity Loans, Net (Note 4)	3,049
Credit Program Receivables, Net (Note 5)	7,455
Other Foreign Receivables, Net (Note 6)	330
Advances	19
Cash (Note 7)	65
Commodity Inventories, Net (Note 8)	502
Property and Equipment, Net (Note 9)	<u>16</u>
Total Assets	<u>\$ 14,392</u>
Federal Liabilities:	
Accounts Payable	\$ 701
Resources Payable to Treasury (Note 10)	5,997
U.S. Treasury Borrowings (Note 11)	24,878
Accrued Liabilities (Note 12)	4
Deposit and Trust Liabilities (Note 13)	527
Excess Subsidy Payable (Note 14)	<u>203</u>
Total Federal Liabilities	32,310
Accounts Payable	24
Accrued Liabilities (Note 12)	2,870
Estimated Loss on Credit Guarantees (Note 5)	92
Deposit and Trust Liabilities (Note 13)	669
Other Liabilities (Note 15)	<u>7</u>
Total Liabilities	<u>\$ 35,972</u>
Contingencies and Commitments (Note 16)	
Net Position	
Unexpended Appropriations (Note 17)	\$ 1,821
Capital Stock	100
Cumulative Results of Operations	<u>(23,501)</u>
Total Net Position	<u>(21,580)</u>
Total Liabilities and Net Position	<u>\$ 14,392</u>

The accompanying notes are an integral part of these statements.

Exhibit B

Commodity Credit Corporation
Statement of Changes in Net Position

As of September 30, 2000
(Dollars in Millions)

	<u>Commodity Operations</u>	<u>Income Support Programs</u>	<u>Conservation Reserve Program</u>	<u>Foreign Programs</u>	<u>Other</u>	<u>Reimbursement for Prior Year Losses</u>	<u>Intra-Agency Eliminations</u>	<u>Consolidated Total</u>
Net Cost of Operations	\$ (1,355)	\$ (23,495)	\$ (1,821)	\$ (1,240)	\$ (2,873)	\$	\$	\$ (30,784)
Financing Sources:								
Appropriations Used			20	1,597	428	38,737		40,782
Other Nonexchange Revenue		11						11
Imputed Financing	24	447	63	8	152			694
Transfers In								0
Transfers Out					<u>(1,135)</u>			<u>(1,135)</u>
Net Results of Operations	(1,331)	(23,037)	(1,738)	365	(3,428)	38,737	0	9,568
Net Results Not Affecting Net Position				(665)				(665)
Prior Period Adjustments (Note 19)				<u>3,262</u>				<u>3,262</u>
Net Change in Cumulative Results of Operations	(1,331)	(23,037)	(1,738)	2,962	(3,428)	38,737	0	12,165
Increase (Decrease) in Unexpended Appropriations			<u>(20)</u>	<u>(419)</u>	<u>4</u>			<u>(435)</u>
Change in Net Position	(1,331)	(23,037)	(1,758)	2,543	(3,424)	38,737	0	11,730
Net Position - Beginning of Fiscal Year	<u>(1,598)</u>	<u>(24,622)</u>	<u>(3,142)</u>	<u>99</u>	<u>(3,820)</u>	<u>(227)</u>		<u>(33,310)</u>
Net Position - End of Fiscal Year	<u>\$ (2,929)</u>	<u>\$ (47,659)</u>	<u>\$ (4,900)</u>	<u>\$ 2,642</u>	<u>\$ (7,244)</u>	<u>\$ 38,510</u>	<u>\$ 0</u>	<u>\$ (21,580)</u>

The accompanying notes are an integral part of these statements.

Exhibit C

Commodity Credit Corporation
Consolidating Statement of Net Costs

As of September 30, 2000
(Dollars in Millions)

	<u>Commodity Operations</u>	<u>Income Support Programs</u>	<u>Conservation Reserve Program</u>	<u>Foreign Programs</u>	<u>Other</u>	<u>Combined Total</u>	<u>Intra-Agency Eliminations</u>	<u>Consolidated Total</u>
Net Program Costs:								
Federal	\$ 715	\$ 991	\$ 153	\$ 434	\$ 284	\$ 2,577	\$ (656)	\$ 1,921
Non-Federal:								
Grants and Payments								
Grants and Payments		20,900	1,668	991	2,420	25,979		25,979
Credit Program Subsidy				592		592		592
Commodity Program Costs	1,621					1,621		1,621
Other Program Costs	<u>344</u>	<u>1,754</u>		<u>216</u>	<u>87</u>	<u>2,401</u>		<u>2,401</u>
Total Program Production Costs	2,680	23,645	1,821	2,233	2,791	33,170	(656)	32,514
Less Earned Revenue (Note 20)	<u>(1,325)</u>	<u>(150)</u>		<u>(993)</u>	<u>(30)</u>	<u>(2,498)</u>	<u>656</u>	<u>(1,842)</u>
Excess Costs over Revenues	1,355	23,495	1,821	1,240	2,761	30,672	0	30,672
Nonproduction and Nonrecurring Items:								
Acquisition Cost of Stewardship Land					113	113		113
(Gain)/Loss on Disposition of Assets					<u>(1)</u>	<u>(1)</u>		<u>(1)</u>
Net Cost of Operations	<u>\$ 1,355</u>	<u>\$ 23,495</u>	<u>\$ 1,821</u>	<u>\$ 1,240</u>	<u>\$ 2,873</u>	<u>\$ 30,784</u>	<u>\$ 0</u>	<u>\$ 30,784</u>

The accompanying notes are an integral part of these statements.

Exhibit D

Commodity Credit Corporation
Combining Statement of Budgetary Resources (Note 21)

As of September 30, 2000
(Dollars in Millions)

	<u>Revolving Fund</u>	<u>P.L. 480 Programs</u>	<u>Export Credit Guarantees</u>	<u>FSA Programs</u>	<u>Other</u>	<u>Combined Total</u>
Budgetary Resources:						
Budget Authority	\$ 83,953	\$ 987	\$ 213	\$ 209	\$ 104	\$ 85,466
Unobligated Balances – Beginning of Fiscal Year	534	1,290	1,840	85	49	3,798
Spending Authority from Offsetting Collections	9,829	1,033	636		25	11,523
Adjustments	<u>(54,556)</u>	<u>(480)</u>	<u>(292)</u>	<u>4</u>	<u>4</u>	<u>(55,320)</u>
Total Budgetary Resources	<u>\$ 39,760</u>	<u>\$ 2,830</u>	<u>\$ 2,397</u>	<u>\$ 298</u>	<u>\$ 182</u>	<u>\$ 45,467</u>
Status of Budgetary Resources:						
Obligations Incurred	\$ 38,736	\$ 2,018	\$ 293	\$ 215	\$ 124	\$ 41,386
Unobligated Balances - Available	1,024	669	1,874	68	13	3,648
Unobligated Balances - Not Available		<u>143</u>	<u>230</u>	<u>15</u>	<u>45</u>	<u>433</u>
Total Status of Budgetary Resources	<u>\$ 39,760</u>	<u>\$ 2,830</u>	<u>\$ 2,397</u>	<u>\$ 298</u>	<u>\$ 182</u>	<u>\$ 45,467</u>
Outlays:						
Obligations Incurred	\$ 38,736	\$ 2,018	\$ 293	\$ 215	\$ 124	\$ 41,386
Less: Spending Authority from Offsetting Collections and Adjustments	(9,829)	(1,102)	(636)	(5)	(29)	(11,601)
Obligated Balance, Net - Beginning of Fiscal Year	5,937	720		45	73	6,775
Obligated Balance Transferred, Net				16		16
Less: Obligated Balance, Net - End of Fiscal Year	<u>(2,938)</u>	<u>(813)</u>	<u>(45)</u>	<u>(38)</u>	<u>(106)</u>	<u>(3,940)</u>
Total Outlays	<u>\$ 31,906</u>	<u>\$ 823</u>	<u>\$ (388)</u>	<u>\$ 233</u>	<u>\$ 62</u>	<u>\$ 32,636</u>

The accompanying notes are an integral part of these statements.

Exhibit E

Commodity Credit Corporation
Combining Statement of Financing

As of September 30, 2000
(Dollars in Millions)

	<u>Revolving Fund</u>	<u>P.L. 480 Programs</u>	<u>Export Credit Guarantees</u>	<u>FSA Programs</u>	<u>Other</u>	<u>Combined Total</u>
Resources Used to Finance Operations:						
Budgetary:						
Budgetary Resources Obligated for Items to be Received or Provided to Others	\$ 38,736	\$ 2,018	\$ 293	\$ 215	\$ 124	\$ 41,386
Less: Offsetting Collections, Recoveries of Prior-Year Authority, and Changes in Unfilled Customer Orders	<u>(9,829)</u>	<u>(1,102)</u>	<u>(636)</u>	<u>(5)</u>	<u>(29)</u>	<u>(11,601)</u>
Net Budgetary Resources Used to Finance Operations	28,907	916	(343)	210	95	29,785
Non-budgetary:						
Cost Incurred by Others Without Reimbursement	688	5				693
Other Non-budgetary Resources (Note 22)	<u>11</u>					<u>11</u>
Net Non-budgetary Resources Used to Finance Operations	<u>699</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>704</u>
Total Resources Used to Finance Operations	<u>29,606</u>	<u>921</u>	<u>(343)</u>	<u>210</u>	<u>95</u>	<u>30,489</u>
Resources Used to Fund Items Not Part of the Net Cost of Operations:						
Increase or (Decrease) in Budgetary Resources Obligated to Order Goods or Services Not Yet Received or Benefits Not Yet Provided	(406)	(92)	151	12	(41)	(376)
Budgetary Offsetting Collections Not Increasing Earned Revenue or Decreasing Expense	7,122	631	48		2	7,803
Less: Adjustments Made to Compute Net Budgetary Resources Not Affecting Net Cost of Operations	557	(17)		4	4	548
Resources Funding Expenses Recognized in Prior Periods	(1,476)			(8)		(1,484)
Resources Financing the Acquisition of Assets or Liquidation of Liabilities	(11,893)	(398)	(146)		(10)	(12,447)
Other Resources Used to Fund Items Not Part of the Net Cost of Operations	<u>(2)</u>					<u>(2)</u>
Total Resources Used to Fund Items Not Part of the Net Cost of Operations	<u>(6,098)</u>	<u>124</u>	<u>53</u>	<u>8</u>	<u>(45)</u>	<u>(5,958)</u>
Resources Used to Finance Net Cost of Operations	<u>23,508</u>	<u>1,045</u>	<u>(290)</u>	<u>218</u>	<u>50</u>	<u>24,531</u>

Continued on next page

Exhibit E

Commodity Credit Corporation
Combining Statement of Financing, Continued

As of September 30, 2000
(Dollars in Millions)

	<u>Revolving Fund</u>	<u>P.L. 480 Programs</u>	<u>Export Credit Guarantees</u>	<u>FSA Programs</u>	<u>Other</u>	<u>Combined Total</u>
Components of Net Cost of Operations Not Requiring or Generating Resources During the Reporting Period:						
Expenses or Earned Revenue Related to the Disposition of Assets or Liabilities, or Allocation of Their Cost Over Time	4,250	231	(39)			4,442
Expenses Which Will Be Financed With Budgetary Resources Recognized in Future Periods	1,670	128	325			2,123
Other Net Cost Components Not Requiring or Generating Resources During the Reporting Period (Note 22)			<u>(312)</u>			<u>(312)</u>
Total Components of Net Cost of Operations Not Requiring or Generating Resources During the Reporting Period	<u>5,920</u>	<u>359</u>	<u>(26)</u>	<u>0</u>	<u>0</u>	<u>6,253</u>
Net Cost of Operations	<u>\$ 29,428</u>	<u>\$ 1,404</u>	<u>\$ (316)</u>	<u>\$ 218</u>	<u>\$ 50</u>	<u>\$ 30,784</u>

The accompanying notes are an integral part of these statements.

Schedule A

Commodity Credit Corporation
Supporting Schedule to the Statement of Net Costs

As of September 30, 2000
(Dollars in Millions)

	<u>Commodity Operations</u>	<u>Farm Income Support Program</u>	<u>Production Flexibility Contracts</u>	<u>Conservation Reserve Program</u>	<u>P.L. 480 Programs</u>	<u>Export Credit Guarantees</u>	<u>Other Foreign Programs</u>	<u>Emergency Assistance Programs</u>	<u>Other Conservation Programs</u>	<u>Unallocated Expenses</u>	<u>Combined Total</u>
Net Program Costs:											
Federal	\$ 715	\$ 683	\$ 308	\$ 153	\$ 106	\$ 308	\$ 20	\$ 149	\$ 97	\$ 38	\$ 2,577
Non-Federal:											
Grants and Payments											
Grants and Payments		15,840	5,060	1,668	886		105	2,004	337	79	25,979
Credit Program Subsidy					594	(16)	14				592
Commodity Program Costs	1,621										1,621
Other Program Costs	<u>344</u>	<u>1,754</u>			<u>214</u>	<u>(44)</u>	<u>46</u>		<u>(9)</u>	<u>96</u>	<u>2,401</u>
Total Program Production Costs	2,680	18,277	5,368	1,821	1,800	248	185	2,153	425	213	33,170
Less Earned Revenue	<u>(1,325)</u>	<u>(150)</u>			<u>(396)</u>	<u>(564)</u>	<u>(33)</u>			<u>(30)</u>	<u>(2,498)</u>
Excess Costs over Revenues	1,355	18,127	5,368	1,821	1,404	(316)	152	2,153	425	183	30,672
Nonproduction and Nonrecurring Items:											
Acquisition Cost of Stewardship Land									113		113
(Gain)/Loss on Disposition of Assets										<u>(1)</u>	<u>(1)</u>
Net Cost of Operations	<u>\$ 1,355</u>	<u>\$ 18,127</u>	<u>\$ 5,368</u>	<u>\$ 1,821</u>	<u>\$ 1,404</u>	<u>\$ (316)</u>	<u>\$ 152</u>	<u>\$ 2,153</u>	<u>\$ 538</u>	<u>\$ 182</u>	<u>\$ 30,784</u>

The accompanying notes are an integral part of these statements.

Schedule B

Commodity Credit Corporation
Change in Inventory, by Commodity

For Fiscal Year 2000
(In Thousands)

Commodity	Unit of Measure	Beginning Inventory October 1, 1999		Acquisitions		Cost of Sales a/		Donations		Other Dispositions b/		Other Additions/ (Deductions), Net c/		Ending Inventory September 30, 2000	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Feed Grains:															
Barley	Bushel	861	\$ 1,519	3,519	\$ 5,536	3,973	\$ 6,252		\$		\$			407	\$ 802
Corn	Bushel	14,963	39,554	103,311	202,201	85,255	169,588	1,222	3,025	1	(1,386)	(1,040)	(694)	30,757	69,834
Corn Products	Pound			120,624	11,583	67,527	6,245	50,595	5,072	112	15			2,391	251
Oats	Bushel	243	266	296	324	509	550							30	41
Oats, Rolled	Pound														
Rye	Bushel														
Sorghum	Cwt.	544	961	5,363	10,166	5,590	10,585				(80)			317	622
Sorghum Grits	Pound			25,183	2,987	25,054	2,975			128	12				
Total Feed Grains		xxx	42,299	xxx	232,796	xxx	196,194	xxx	8,097	xxx	(1,439)	xxx	(694)	xxx	71,550
Wheat															
Wheat Flour	Bushel	118,832	425,695	142,887	431,479	77,726	228,718	60,369	197,945	z	(6,506)	(16,405)	(37,616)	107,220	399,400
Wheat Products, Other	Pound			1,063,356	71,105	364,135	30,316	696,279	40,567	235	1			2,706	221
	Pound			22,191	3,791	21,860	3,733	329	59	2	z				
Rice Products:															
Rice, Rough	Cwt.	15	97	30,301	196,481	30,307	196,513							9	65
Rice, Brown	Pound			16,409	2,192			16,409	2,220	z	(28)				
Rice, Milled	Cwt.	262	3,336	4,048	44,898	2,936	34,555	1,374	13,671	z	4			z	4
Cotton, E. L. S.															
Cotton, Upland	Bale	3	1,191	81	33,612	81	33,251							4	1,552
	Bale	9	2,190	1,037	259,123	1,043	260,591	z	8					2	714
Dairy Products:															
Butter	Pound														
Butter Oil	Pound														
Cheese	Cwt.			6,814	7,822	861	1,016	4,175	4,790	24	32			1,754	1,984
Milk, Dried	Cwt.	203,196	206,418	458,000	463,252	43,947	44,689	81,213	70,686	748	949	373	6,826	535,661	560,172
Milk, UHT	Pound														
Milk, Corn Soya	Cwt.			1,213	349			1,213	349						
Total Dairy Products		xxx	206,418	xxx	471,423	xxx	45,704	xxx	75,826	xxx	981	xxx	6,826	xxx	562,156
Oils and Oilseeds:															
Peanuts	Pound			44	13	44	13								
Peanut Butter	Pound														
Peanut Products	Pound														
Soybeans	Bushel	4,823	25,149	20,893	110,107	16,480	86,951			z	(76)			9,237	48,381
Soybean Salad Oil	Cwt.			193,990	32,572	187,379	31,385	6,613	1,186	(2)	z				
Soybean Meal	Cwt.			133,353	11,158	57,294	5,082	76,059	6,076						
Buckwheat Groats	Cwt.			2,931	1,446	2,931	1,446								
Flaxseed	Cwt.	7	62	171	1,573	174	1,600							3	35
Mustard Seed	Cwt.			2	15	2	15								
Crambe Oilseed	Cwt.			128	1,089	128	1,089								
Safflower Seed	Cwt.			1	7	1	7								
Canola Seed	Cwt.	1	5	571	5,475	570	5,473							1	7
Field Seeds	Pound			40,226	23,631			40,226	23,631						
Vegetable Seeds	Pound			5,892	4,707			5,892	4,707						
Sunflower Seed	Cwt.	8	72	438	4,011	440	4,032							5	51
Sunflower Seed Oil	Cwt.			3,305	575	3,305	575								
Sunflower Seed, Non-Oil	Cwt.			2	16	2	16								
Total Oils and Oilseeds		xxx	25,288	xxx	196,395	xxx	137,685	xxx	35,600	xxx	(76)	xxx	0	xxx	48,474

Schedule B

Commodity Credit Corporation
Change in Inventory, by Commodity

For Fiscal Year 2000
(In Thousands)

Commodity	Unit of Measure	Beginning Inventory October 1, 1999		Acquisitions		Cost of Sales a/		Donations		Other Dispositions b/		Other Additions/ (Deductions), Net c/		Ending Inventory September 30, 2000	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Beans, Dry Edible	Cwt.	227	\$ 5,862	984	\$ 20,858	1,028	\$ 22,047	91	\$ 2,401	3	\$ 10			88	\$ 2,263
Blended Foods	Cwt.	5,719	628	669,582	78,762	663,014	78,040	331	41	727	78			11,228	1,231
Bulgur	Cwt.			349,992	24,824	299,269	22,889	50,942	1,931	(218)	4				
Honey	Pound														
Fish, Canned Salmon	Pound			2,102	2,203	2,028	2,111	74	92						
Tallow	Pound														
Peas, Dry Whole	Cwt.	617	66	95,235	9,984	94,379	9,888	551	91	145	z			777	71
Lentils	Cwt.	2,093	337	63,451	10,561	63,084	10,660	551	131					1,910	107
Pork Bellies	Pound			15,316	11,891	15,316	11,891								
Poultry, Frozen Chicken	Pound														
Egg Mix, Dry	Pound														
Baby Food, Glass Jar	Pound														
Nutritional Powdered Bev.	Pound														
Sugar, Raw Cane	Pound			95,546	17,055									95,546	17,055
Sugar, Refined Beet	Pound			439,500	94,025									439,500	94,025
Sugar, Refined Cane	Pound			21,000	4,227									21,000	4,227
Meat	Pound			93,940	75,881	93,940	75,881								
Plants & Seeds	Pound														
Dry Vegetable Burger Mix	Pound														
Emergency Food Ration	Cwt.														
Feed for Gov't Facilities	Cwt.														
Vegetable Oil Products	Cwt.	2,380	776	386,630	130,730	336,419	113,521	50,912	17,365	400	34			1,279	587
Subtotal		xxx	714,184	xxx	2,425,046	xxx	1,514,189	xxx	396,045	xxx	(6,938)	xxx	(31,484)	xxx	1,203,700
Elimination of Sales to P.L. 480 Program					(656,440)		(656,440)								
Total Inventory Operations		xxx	\$ 714,184	xxx	\$ 1,767,857	xxx	\$ 857,749	xxx	\$ 396,045	xxx	\$ (6,938)	xxx	\$ (31,484)	xxx	\$ 1,203,700

NOTE: Inventories of commodities as shown in this schedule include commodities committed to sale or otherwise obligated.

z Less than 500.

Table may not add due to rounding.

a/ Includes commodities subsequently exported and financed under P.L. 480.

b/ Includes inventory quantity gains under the Export Program, and the losses incurred for conversion, insured casualties and transit, and shrinkage and spoilage of commodities.

c/ Includes the net of over-deliveries, premiums, under-deliveries and discounts resulting from warehousing operations; the net change in value and quantity of inventory exchanged or in process of exchange; processing and packaging costs and related quantitative gains and losses in processing operations and items which are footnoted individually.

Required Supplementary Information

**Commodity Credit Corporation
Supporting Schedule to the Combining Statement of Budgetary Resources
Revolving Funds**

**As of September 30, 2000
(Dollars in Millions)**

	<u>12X4336</u>	<u>1284336</u>	<u>1294336</u>	<u>1204336</u>	<u>Total</u>
Budgetary Resources:					
Budget Authority	\$ 83,754	\$	\$	\$ 199	\$ 83,953
Unobligated Balances - Beginning of Fiscal Year	534				534
Spending Authority from Offsetting Collections	9,829				9,829
Adjustments	<u>(54,556)</u>				<u>(54,556)</u>
Total Budgetary Resources	<u>\$ 39,561</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 199</u>	<u>\$ 39,760</u>
Status of Budgetary Resources:					
Obligations Incurred	\$ 38,537	\$	\$	\$ 199	\$ 38,736
Unobligated Balances - Available	<u>1,024</u>				<u>1,024</u>
Total Status of Budgetary Resources	<u>\$ 39,561</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 199</u>	<u>\$ 39,760</u>
Outlays:					
Obligations Incurred	\$ 38,537	\$	\$	\$ 199	\$ 38,736
Less: Spending Authority from Offsetting Collections and Adjustments	(9,829)				(9,829)
Obligated Balance, Net - Beginning of Fiscal Year	5,933		4		5,937
Less: Obligated Balance, Net - End of Fiscal Year	<u>(2,742)</u>		<u>(1)</u>	<u>(195)</u>	<u>(2,938)</u>
Total Outlays	<u>\$ 31,899</u>	<u>\$ 0</u>	<u>\$ 3</u>	<u>\$ 4</u>	<u>\$ 31,906</u>

Required Supplementary Information

Commodity Credit Corporation Supporting Schedule to the Combining Statement of Budgetary Resources P.L. 480 Programs

As of September 30, 2000
(Dollars in Millions)

	<u>12X4049</u>	<u>12X4078</u>	<u>12X4143</u>	<u>12X2273</u>	<u>12X2274</u>	<u>12X2277</u>	<u>12X2278</u>	<u>Total</u>
Budgetary Resources:								
Budget Authority	\$ 26	\$	\$ 14	\$ (4)	\$	\$ 91	\$ 860	\$ 987
Unobligated Balances - Beginning of Fiscal Year	401	27	1	4	74	568	215	1,290
Spending Authority from Offsetting Collections	491	(11)	22		510		21	1,033
Adjustments	<u>(54)</u>	<u>(4)</u>			<u>(489)</u>	<u>(2)</u>	<u>69</u>	<u>(480)</u>
Total Budgetary Resources	<u>\$ 864</u>	<u>\$ 12</u>	<u>\$ 37</u>	<u>\$ 0</u>	<u>\$ 95</u>	<u>\$ 657</u>	<u>\$ 1,165</u>	<u>\$ 2,830</u>
Status of Budgetary Resources:								
Obligations Incurred	\$ 593	\$ 12	\$ 28	\$	\$	\$ 398	\$ 987	\$ 2,018
Unobligated Balances - Available	255		2		10	259	143	669
Unobligated Balances - Not Available	<u>16</u>		<u>7</u>		<u>85</u>		<u>35</u>	<u>143</u>
Total Status of Budgetary Resources	<u>\$ 864</u>	<u>\$ 12</u>	<u>\$ 37</u>	<u>\$ 0</u>	<u>\$ 95</u>	<u>\$ 657</u>	<u>\$ 1,165</u>	<u>\$ 2,830</u>
Outlays:								
Obligations Incurred	\$ 593	\$ 12	\$ 28	\$	\$	\$ 398	\$ 987	\$ 2,018
Less: Spending Authority from Offsetting Collections and Adjustments	(491)	11	(22)		(510)		(90)	(1,102)
Obligated Balance, Net - Beginning of Fiscal Year	(67)	(28)				106	709	720
Less: Obligated Balance, Net - End of Fiscal Year	<u>18</u>		<u>(26)</u>		<u>18</u>	<u>(210)</u>	<u>(613)</u>	<u>(813)</u>
Total Outlays	<u>\$ 53</u>	<u>\$ (5)</u>	<u>\$ (20)</u>	<u>\$ 0</u>	<u>\$ (492)</u>	<u>\$ 294</u>	<u>\$ 993</u>	<u>\$ 823</u>

Required Supplementary Information

Commodity Credit Corporation Supporting Schedule to the Combining Statement of Budgetary Resources Export Credit Guarantees

As of September 30, 2000
(Dollars in Millions)

	<u>12X1336</u>	<u>12X4337</u>	<u>12X4338</u>	<u>Total</u>
Budgetary Resources:				
Budget Authority	\$ 213	\$	\$	\$ 213
Unobligated Balances - Beginning of Fiscal Year	330	1,477	33	1,840
Spending Authority from Offsetting Collections		384	252	636
Adjustments			<u>(292)</u>	<u>(292)</u>
Total Budgetary Resources	<u>\$ 543</u>	<u>\$ 1,861</u>	<u>\$ (7)</u>	<u>\$ 2,397</u>
Status of Budgetary Resources:				
Obligations Incurred	\$ 82	\$ 208	\$ 3	\$ 293
Unobligated Balances - Available	351	1,522	1	1,874
Unobligated Balances - Not Available	<u>110</u>	<u>131</u>	<u>(11)</u>	<u>230</u>
Total Status of Budgetary Resources	<u>\$ 543</u>	<u>\$ 1,861</u>	<u>\$ (7)</u>	<u>\$ 2,397</u>
Outlays:				
Obligations Incurred	\$ 82	\$ 208	\$ 3	\$ 293
Less: Spending Authority from Offsetting Collections and Adjustments		(384)	(252)	(636)
Obligated Balance, Net - Beginning of Fiscal Year	204	(204)		0
Less: Obligated Balance, Net - End of Fiscal Year	<u>(81)</u>	<u>28</u>	<u>8</u>	<u>(45)</u>
Total Outlays	<u>\$ 205</u>	<u>\$ (352)</u>	<u>\$ (241)</u>	<u>\$ (388)</u>

Required Supplementary Information

Commodity Credit Corporation
Supporting Schedule to the Combining Statement of Budgetary Resources
FSA Programs

As of September 30, 2000
(Dollars in Millions)

	<u>12X3314(36)</u>	<u>12X3316(36)</u>	<u>123/43316(36)</u>	<u>124/53316(36)</u>	<u>12X3337(36)</u>	<u>1272701(36)</u>	<u>1282701(36)</u>
Budgetary Resources:							
Budget Authority	\$ 1	\$ 60	\$	\$	\$	\$	\$
Unobligated Balances - Beginning of Fiscal Year		73			3	4	
Spending Authority from Offsetting Collections Adjustments							
Total Budgetary Resources	<u>\$ 1</u>	<u>\$ 133</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3</u>	<u>\$ 4</u>	<u>\$ 0</u>
Status of Budgetary Resources:							
Obligations Incurred	\$	\$ 66	\$	\$	\$	\$	\$
Unobligated Balances-Available	1	67					
Unobligated Balances-Not Available					3	4	
Total Status of Budgetary Resources	<u>\$ 1</u>	<u>\$ 133</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3</u>	<u>\$ 4</u>	<u>\$ 0</u>
Outlays:							
Obligations Incurred	\$	\$ 66	\$	\$	\$	\$	\$
Less: Spending Authority from Offsetting Collections and Adjustments						(1)	
Obligated Balance, Net - Beginning of Fiscal Year		24				1	5
Obligated Balance Transferred, Net							
Less: Obligated Balance, Net - End of Fiscal Year		(25)				(1)	(4)
Total Outlays	<u>\$ 0</u>	<u>\$ 65</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1)</u>	<u>\$ 1</u>

Continued on next page

Required Supplementary Information

Commodity Credit Corporation
Supporting Schedule to the Combining Statement of Budgetary Resources
FSA Programs, Continued

As of September 30, 2000
(Dollars in Millions)

	<u>1292701(36)</u>	<u>12-3300(36)</u>	<u>12-0600(36)</u>	<u>Total</u>
Budgetary Resources:				
Budget Authority	\$ 1	\$ 0	\$ 148	\$ 209
Unobligated Balances - Beginning of Fiscal Year	1		4	85
Spending Authority from Offsetting Collections				0
Adjustments			<u>4</u>	<u>4</u>
Total Budgetary Resources	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ 156</u>	<u>\$ 298</u>
Status of Budgetary Resources:				
Obligations Incurred	\$ 1	\$ 0	\$ 148	\$ 215
Unobligated Balances-Available				68
Unobligated Balances-Not Available			<u>8</u>	<u>15</u>
Total Status of Budgetary Resources	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ 156</u>	<u>\$ 298</u>
Outlays:				
Obligations Incurred	\$ 1	\$ 0	\$ 148	\$ 215
Less: Spending Authority from Offsetting Collections and Adjustments			(4)	(5)
Obligated Balance, Net-Beginning of Fiscal Year	2		13	45
Obligated Balance Transferred, Net			16	16
Less: Obligated Balance, Net-End of Fiscal Year	<u>(2)</u>		<u>(6)</u>	<u>(38)</u>
Total Outlays	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ 167</u>	<u>\$ 233</u>

Required Supplementary Information

**Commodity Credit Corporation
Supporting Schedule to the Combining Statement of Budgetary Resources
Other Programs**

**As of September 30, 2000
(Dollars in Millions)**

	<u>12X4158</u>	<u>12X3301</u>	<u>12X0500</u>	<u>12X3318</u>	<u>12X2268</u>	<u>12X1080</u>
Budgetary Resources:						
Budget Authority	\$ 77	\$ 10	\$ 3		\$ 3	\$ 3
Unobligated Balances - Beginning of Fiscal Year				1	3	3
Spending Authority from Offsetting Collections	25					
Adjustments						
Total Budgetary Resources	<u>\$ 102</u>	<u>\$ 10</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ 3</u>
Status of Budgetary Resources:						
Obligations Incurred	\$ 102	\$ 2	\$ 3	\$	\$	\$ 3
Unobligated Balances - Available		8		1	3	
Unobligated Balances - Not Available						
Total Status of Budgetary Resources	<u>\$ 102</u>	<u>\$ 10</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ 3</u>
Outlays:						
Obligations Incurred	\$ 102	\$ 2	\$ 3	\$	\$	\$ 3
Less: Spending Authority from Offsetting Collections and Adjustments	(25)					
Obligated Balance, Net - Beginning of Fiscal Year			2	3	8	15
Less: Obligated Balance, Net - End of Fiscal Year	(67)	(2)	(3)	(1)	(5)	(11)
Total Outlays	<u>\$ 10</u>	<u>\$ 0</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 7</u>

Continued on Next Page

Required Supplementary Information

Commodity Credit Corporation
Supporting Schedule to the Combining Statement of Budgetary Resources
Other Programs, Continued

As of September 30, 2000
(Dollars in Millions)

	<u>12X3315</u>	<u>12X3319</u>	<u>110091</u>	<u>Total</u>
Budgetary Resources:				
Budget Authority	\$	\$	\$ 14	\$ 104
Unobligated Balances - Beginning of Fiscal Year	41	1		49
Spending Authority from Offsetting Collections				25
Adjustments	<u>4</u>			<u>4</u>
Total Budgetary Resources	<u>\$ 45</u>	<u>\$ 1</u>	<u>\$ 14</u>	<u>\$ 182</u>
Status of Budgetary Resources:				
Obligations Incurred	\$	\$	\$ 14	\$ 124
Unobligated Balances - Available		1		13
Unobligated Balances - Not Available	<u>45</u>			<u>45</u>
Total Status of Budgetary Resources	<u>\$ 45</u>	<u>\$ 1</u>	<u>\$ 14</u>	<u>\$ 182</u>
Outlays:				
Obligations Incurred	\$	\$	\$ 14	\$ 124
Less: Spending Authority from Offsetting Collections and Adjustments	(4)			(29)
Obligated Balance, Net - Beginning of Fiscal Year	25	20		73
Less: Obligated Balance, Net - End of Fiscal Year	<u>(17)</u>			<u>(106)</u>
Total Outlays	<u>\$ 4</u>	<u>\$ 20</u>	<u>\$ 14</u>	<u>\$ 62</u>

Required Supplementary Information

Intra-governmental Amounts

The intra-governmental amounts represent the assets, liabilities, non-exchange and earned revenues between CCC and other Federal departments. Amounts as of September 30, 2000, are as follows:

Intra-governmental Assets:

		(In Millions)	
<u>Department</u>	<u>Fund Balance With Treasury</u>	<u>Accounts Receivable</u>	
Treasury	\$ 2,764	\$ 48	
Transportation	--	15	
Other Agriculture Agencies	--	*	
Other	--	13	
Total	<u>\$ 2,764</u>	<u>\$ 76</u>	

* Less than \$500 thousand

Intra-governmental Liabilities:

		(In Millions)				
<u>Department</u>	<u>Accounts Payable</u>	<u>Resources Payable to Treasury</u>	<u>U.S. Treasury Borrowings</u>	<u>Accrued Liabilities</u>	<u>Deposit and Trust Liabilities</u>	<u>Excess Subsidy Payable</u>
Treasury	\$ 232	\$ 5,997	\$ 24,878	\$ --	\$ (2)	\$ 203
U.S. Agency for Int'l Dev.	465	--	--	--	--	--
Energy	--	--	--	*	--	--
Other Agriculture Agencies	4	--	--	4	529	--
Other	*	--	--	--	*	--
Total	<u>\$ 701</u>	<u>\$ 5,997</u>	<u>\$ 24,878</u>	<u>\$ 4</u>	<u>\$ 527</u>	<u>\$ 203</u>

* Less than \$500 thousand

Intra-governmental Non-Exchange Revenue:

		(In Millions)
<u>Department</u>	<u>Transfers Out</u>	
Treasury	\$ *	
U.S. Agency for Int'l Dev.	514	
Other Agriculture Agencies	621	
Total	<u>\$ 1,135</u>	

* Less than \$500 thousand

Intra-governmental Earned Revenue:

		(In Millions)
<u>Department</u>	<u>Earned Revenue</u>	
Treasury	\$ 282	
Transportation	21	
Other	*	
Total	<u>\$ 303</u>	

* Less than \$500 thousand

Required Supplementary Stewardship Information

Wetlands Reserve Program

The Wetlands Reserve Program (WRP), administered by NRCS and funded by CCC, is a voluntary program established to restore, protect, and enhance wetlands on agricultural land. Participants in the program may sell a conservation easement or enter into a cost-share restoration agreement with USDA in order to restore and protect wetlands. The landowner voluntarily limits the future use of the land, yet retains private ownership. The program provides many benefits for the entire community, such as better water quality, enhanced habitat for wildlife, reduced soil erosion, reduced flooding, and better water supply.

To be eligible for WRP, land must be restorable and be suitable for wildlife benefits. Once land is enrolled in the program, the landowner continues to control access to the land -- and may lease the land -- for hunting, fishing, and other undeveloped recreational activities. Once enrolled, the land is monitored to ensure compliance with contract requirements. At any time, a landowner may request that additional activities (such as cutting hay, grazing livestock, or harvesting wood products) be evaluated to determine if they are compatible uses for the site. Compatible uses are allowed if they are fully consistent with the protection and enhancement of the wetland. The condition of the land is immaterial as long as the easement on the land meets the eligibility requirements of the program.

Easements purchased under this program meet the definition of stewardship land. CCC records an expense for the acquisition cost of purchasing easements plus any additional costs such as closing, survey, and restoration costs. Easements can be either permanent or 30-year duration. In exchange for establishing a permanent easement, the landowner receives payment up to the agricultural value of the land and 100 percent of the restoration costs for restoring the wetlands. The 30-year easement payment is 75 percent of what would be provided for a permanent easement on the same site and 75 percent of the restoration cost.

Withdrawals from the program are rare. The Secretary of Agriculture has the authority to terminate contracts, with agreement from the landowner, after an assessment of the effect on public interest, and following a 90-day notification period of the House and Senate agriculture committees.

The change in acres covered by these easements for the fiscal year ended September 30, 2000, is as follows:

Acres Purchased, as of September 30, 1999	363,840
Additions	149,915
Withdrawals	<u>0</u>
Acres Purchased, as of September 30, 2000	<u>513,755</u>

Note 1 - Significant Accounting Policies

These financial statements have been prepared to report the financial position and results of operations of the Commodity Credit Corporation (CCC). CCC's financial statements are presented in accordance with the Office of Management and Budget (OMB) Bulletin 97-01 (as amended), Form and Content of Agency Financial Statements.

Reporting Entity

CCC is a Federal corporation operating within and through the United States Department of Agriculture (USDA). It was established to:

- stabilize, support, and protect farm income and prices;
- assist in the maintenance of balanced and adequate supplies of agricultural commodities; and
- facilitate the orderly distribution of those commodities.

CCC's statutory authority for its operations is found in the CCC Charter Act, 15 U.S.C. 714, et seq. It is managed by a Board of Directors, subject to the general supervision and direction of the Secretary of Agriculture, who is an ex-officio director and chairperson of the Board. The members of the Board and the Corporation's Officers are officials of USDA.

CCC operations are financed through appropriated and revolving funds, as well as an authority to borrow from the U.S. Treasury. The U.S. Treasury also holds capital stock in the amount of \$100 million, on which the Corporation pays interest. CCC receives direct appropriations for its foreign assistance programs and special activities, such as disaster aid. Permanent indefinite appropriation authority exists for programs subject to the Federal Credit Reform Act of 1990 (Credit Reform). Receipts flowing through CCC's revolving fund include proceeds from the sale of CCC commodities, loan repayments, interest income, and various program fees.

CCC has no employees. Its programs are administered through various agencies including the Farm Service Agency (FSA), the Agricultural

Marketing Service (AMS), the Natural Resources Conservation Service (NRCS), the Foreign Agricultural Service (FAS), and the U.S. Agency for International Development. The accompanying financial statements include an allocation, as appropriate, of salaries and expenses incurred by these agencies.

Basis of Accounting

The accounting principles and standards applied in preparing the financial statements and described in this note are in accordance with generally accepted accounting principles (GAAP) for Federal entities.

Transactions are recorded on an accrual basis of accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. All proprietary interfund balances and transactions have been eliminated. Budgetary balances are presented on a combined basis, rather than consolidated.

Fund Balance with Treasury

Most CCC disbursements are made by either checks or electronic payments drawn against its account at Treasury. Generally, disbursements and receipts for which CCC is responsible are processed by the Federal Reserve Banks (FRB), their branches, and the U.S. Treasury, which report activity to the Corporation.

Commodity Loans

CCC makes both recourse and nonrecourse loans to producers on designated agricultural commodities. In the case of nonrecourse loans, producers have the option to: (a) repay the principal plus interest; (b) for certain announced commodities, repay the loan at the market rate; or (c) at maturity, forfeit the commodity in satisfaction of the loan. These loans are not subject to the accounting and reporting requirements of Credit Reform.

Interest is accrued on the unpaid principal balance of commodity loans, and a related allowance is established.

Commodity Loans, continued

Commodity loans are reported net of an allowance for doubtful accounts, which reduces the loans to net realizable value. The allowances are based on the estimated loss on ultimate commodity disposition, when it is more likely than not that the loans will not be totally collected. The allowance also takes into account losses anticipated on the disposition of inventory acquired through loan forfeiture. When forfeited commodities are subsequently disposed, any loss on the disposition is realized as either a cost of sales or donation, depending on the type of disposition.

Tobacco loans are subject to the No-Net-Cost Tobacco Program Act of 1982, as amended, which requires tobacco producers to pay CCC a No-Net-Cost Assessment (NNCA) on each pound of tobacco they sell. Additionally, importers and purchasers of flue cured and burley tobacco are required to pay a NNCA on each pound of tobacco imported or purchased. These funds earn interest and are applied against future loan losses of the respective tobacco cooperative.

In addition, the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act) provides for special assessments from producers and handlers to cover any losses on peanut loans.

Credit Program Receivables

CCC has several credit programs subject to Credit Reform requirements. Credit program receivables consist of:

- direct credits extended under P.L. 83-480 (P.L. 480) programs, the Food for Progress Program, and the Debt Reduction Fund;
- guaranteed payments made under the Export Credit Guarantee programs; and
- loans made to grain producers to build or upgrade farm storage and handling facilities.

These receivables, both pre- and post-Credit Reform, are recognized as assets at the present value of their estimated net cash inflows. The difference between the outstanding principal of these receivables and the present value of their net cash inflows is recognized as an allowance.

Capitalized Interest

Rescheduling agreements frequently allow CCC to add uncollected interest to the principal balance of foreign credit receivables (capitalized interest). In such circumstances, CCC records an allowance to reduce the receivable, including the capitalized interest, to the net present value of future cash flows. Interest income is recognized only when, in management's judgment, debtors have demonstrated the ability to repay the debt in the normal course of business.

Commodity Inventories

Inventories are recorded at acquisition cost plus processing and packaging costs incurred after acquisition. Acquisition cost is the amount of the loan settlement, excluding interest, or the amount of the purchase settlement price. Since loan rates are established by statute, inventory acquisitions are usually at a cost higher than market value.

Generally, disposition costs are based on the average cost of the commodity in inventory at the end of the previous month. However, in other cases, the cost is computed on the basis of actual (historical) cost of the commodity. This is prevalent with the following: (a) dispositions from peanut price support inventory; (b) simultaneous acquisition and disposition for commodity export programs; and (c) dispositions of commodities previously pledged as price support loan collateral which are acquired by CCC during the exchange of commodity certificates. Commodity certificates are negotiable instruments issued by CCC, which can be exchanged for a commodity owned or controlled by the Corporation.

Commodity inventories held under price support and stabilization programs are reported at lower of cost or net realizable value through use of a commodity valuation allowance. This allowance is based on the estimated loss on commodity disposition, including donations (for which a 100 percent allowance is established).

Property and Equipment

Property and equipment purchases are recorded at the acquisition cost plus any expenditures, such as freight, installation or testing, related to placing the asset into service. Purchases of personal property valued at \$5,000 or more, with a useful life greater than 2 years, are capitalized. All other purchases of property or equipment are fully expensed in the year of acquisition. Equipment used directly in the operation of programs is depreciated to an estimated salvage value on a straight-line basis over a 5 to 10 year period.

Liabilities

CCC recognizes a liability in one of two ways, depending on the type of transaction. If an exchange transaction occurs (i.e., when CCC receives goods or services in return for a promise to provide money or other resources in the future), a liability is recognized in the period in which the exchange occurred. If a nonexchange transaction occurs (i.e., government programs where there is a one-way flow of resources or promises), a liability is recognized for any unpaid amounts due as of the reporting date.

Estimated Loss on Credit Guarantees

The estimated loss on credit guarantees represents the estimated net cash outflows (loss) of the guarantees on a net present value basis. To this effect, CCC records a liability and charges an expense to the extent, in management's estimate, CCC will be unable to recover claim payments under the post-Credit Reform Export Credit Guarantee programs.

Interest Income on Direct Credits and Credit Guarantees

Interest income is accrued on both performing and non-performing credits and credit guarantee receivables as it is earned. A non-performing direct credit or credit guarantee receivable is defined as a repayment schedule under a credit agreement, with an installment payment in arrears more than 90 days. For those non-performing receivables, interest is not

recognized as income; rather, it is deferred until the interest is received or the receivable is returned to performing status.

Conservation Programs

As a result of the 1996 Act, CCC has assumed responsibility for funding certain conservation programs which are administered by various agencies. For example, the Conservation Reserve Program (CRP) is carried out by FSA and the Wetlands Reserve Program (WRP), Wildlife Habitat Incentives Program (WHIP), Farmland Protection Program (FPP), and Environmental Quality Incentives Program (EQIP) are administered by NRCS. In order to ensure completeness of reporting for these programs, FSA and NRCS residual activity funded by appropriations prior to the 1996 Act are presented in these statements.

Prior Period Adjustments to Budgetary Balances

Budgetary balances reflected in this year's financial statements include certain prior period adjustments. Because there is no authoritative guidance on the accounting treatment of budgetary prior period adjustments, these adjustments are reflected in current year activity. The Corporation is following up with the Department of Treasury for guidance, but as of the issuance of these financial statements, a response has not yet been received.

Change in Accounting Policy

In order to comply with Department of Treasury accounting and reporting requirements for transfer appropriations, beginning in fiscal year 2000, CCC's financial statements recognize transfers out to the U.S. Agency for International Development (AID). Heretofore, CCC accounted for these transfers as Federal advances and recognized them as assets on the Balance Sheet. Additionally, and in conformance with Treasury requirements, the financial statements reflect a payable to AID for advance obligational authority granted.

COMMODITY CREDIT CORPORATION

Notes to Financial Statements
September 30, 2000

Note 2 - Fund Balance with Treasury

Fund balances with Treasury, by type of fund, as of September 30, 2000, are as follows:

	(In Millions)		
	<u>2000</u>		
	<u>Appropriated Funds</u>	<u>Revolving Funds</u>	<u>Total</u>
Obligated	\$ 1,191	\$ (1,455)	\$ (264)
Unobligated:			
Available	828	1,520	2,348
Expired Authority	12		12
Restricted	<u>187</u>	<u>481</u>	<u>668</u>
Total Fund Balance with Treasury	<u>\$ 2,218</u>	<u>\$ 546</u>	<u>\$ 2,764</u>

CCC is authorized to use in the conduct of its business all funds appropriated, transferred, or allocated to it. The negative revolving fund amount is a result of using these funds, which are offset by other funds available to the Corporation, to repay its borrowings from Treasury.

Differences exist between CCC's records and cash, and what was reported by Treasury and in the President's Budget. These differences are primarily due to variations in the timing of document processing, resulting in a Treasury balance \$88 million lower than that recorded in CCC's books at September 30, 2000.

COMMODITY CREDIT CORPORATION

Notes to Financial Statements
September 30, 2000

Note 3 - Accounts Receivable

Accounts receivable as of September 30, 2000, are as follows:

	(In Millions)
	<u>2000</u>
<u>Federal:</u>	
Treasury Department	\$ 48
Transportation Department	15
Other Federal Agencies	<u>13</u>
	<u>\$ 76</u>
<u>Non-Federal:</u>	
Producer Overpayments on CCC Programs	\$ 142
Claims Originating in State Offices	72
Interest Receivable	43
Other	<u>1</u>
Subtotal	258
Less Offset in Deferred Receivables	<u>(39)</u>
Subtotal	219
Less Allowance for Doubtful Accounts	<u>(103)</u>
Total Non-Federal Accounts Receivable, Net	<u>\$ 116</u>

Non-Federal accounts receivable are adjusted by a valuation allowance based on historical collection and write-off information, which reduces the receivables to their net realizable value.

The change in the allowance for doubtful accounts for the fiscal year ended September 30, 2000, is as follows:

	(In Millions)
	<u>2000</u>
Allowance – Beginning of Fiscal Year	\$ 108
Less Charge-offs	(6)
Plus Provision for Doubtful Accounts	<u>1</u>
Allowance - End of Fiscal Year	<u>\$ 103</u>

COMMODITY CREDIT CORPORATION

Notes to Financial Statements
September 30, 2000

Note 4 – Commodity Loans, Net

CCC's commodity loan programs are exempt from the provisions of Credit Reform. Commodity loans receivable, by commodity, as of September 30, 2000, are as follows:

	(In Millions)
<u>Commodity</u>	<u>2000</u>
Tobacco	\$ 1,544
Wheat	332
Corn	345
Sugar	357
Soybeans	137
Rice	172
Cotton	129
Other	<u>54</u>
Total Commodity Loans	3,070
Accrued Interest Receivable	235
Less Allowance for Losses	<u>(256)</u>
Total Commodity Loans, Net	<u>\$ 3,049</u>

COMMODITY CREDIT CORPORATION

Notes to Financial Statements
September 30, 2000

Note 5 - Credit Program Receivables, Net

Credit program receivables consist of direct loans under the Farm Storage Facility Loan (FSFL) program, direct credits under the P.L. 480 programs and claims against defaulting obligors under the Export Credit Guarantee programs, as well as the associated interest. Credit program receivables as of September 30, 2000, are as follows:

	(In Millions)			
	Credit Receivable, <u>Gross</u>	Interest Receivable, <u>Gross</u>	Allowance for Uncollectible <u>Accounts</u>	Credit Program Receivable, <u>Net</u>
P.L. 480 Title I	\$ 10,731	\$ 136	\$ (6,736)	\$ 4,131
Debt Reduction Fund	103		(70)	33
Food for Progress	508	11	(381)	138
Export Credit Guarantee Programs	7,302	46	(4,205)	3,143
Farm Storage Facility Loan Program	<u>10</u>	<u>*</u>	<u>(*)</u>	<u>10</u>
Total Credit Program Receivables	<u>\$ 18,654</u>	<u>\$ 193</u>	<u>\$ (11,392)</u>	<u>\$ 7,455</u>

* Less than \$500 thousand

P.L. 480 direct credits outstanding that were obligated prior to fiscal year 1992 and related interest receivable as of September 30, 2000, are as follows:

	(In Millions)			
	Credit Receivable, <u>Gross</u>	Interest Receivable, <u>Gross</u>	Allowance for Uncollectible <u>Accounts</u>	Credit Program Receivable, <u>Net</u>
P.L. 480 Title I	<u>\$ 8,542</u>	<u>\$ 107</u>	<u>\$ (5,143)</u>	<u>\$ 3,506</u>

COMMODITY CREDIT CORPORATION

Notes to Financial Statements
September 30, 2000

P.L. 480 direct credits and FSFL direct loans that were obligated after fiscal year 1991 and related interest receivable outstanding as of September 30, 2000, are as follows:

	(In Millions)			
	Credit Receivable, <u>Gross</u>	Interest Receivable, <u>Gross</u>	Allowance for Uncollectible <u>Accounts</u>	Credit Program Receivable, <u>Net</u>
P.L. 480 Title I	\$ 2,189	\$ 29	\$ (1,593)	\$ 625
Debt Reduction Fund	103		(70)	33
Food for Progress	508	11	(381)	138
Farm Storage Facility Loan Program	<u>10</u>	<u>*</u>	<u>(*)</u>	<u>10</u>
Total	<u>\$ 2,810</u>	<u>\$ 40</u>	<u>\$ (2,044)</u>	<u>\$ 806</u>

* Less than \$500 thousand

Defaults on credit guarantees made prior to fiscal year 1992 and related interest receivable as of September 30, 2000, are as follows:

	(In Millions)			
	Credit Receivable, <u>Gross</u>	Interest Receivable, <u>Gross</u>	Allowance for Uncollectible <u>Accounts</u>	Credit Program Receivable, <u>Net</u>
Export Credit Guarantee Programs	<u>\$ 5,543</u>	<u>\$ 22</u>	<u>\$ (3,204)</u>	<u>\$ 2,361</u>

COMMODITY CREDIT CORPORATION

Notes to Financial Statements
September 30, 2000

Defaults on credit guarantees made after fiscal year 1991 and related interest receivable as of September 30, 2000, are as follows:

	(In Millions)			
	Credit Receivable, <u>Gross</u>	Interest Receivable, <u>Gross</u>	Allowance for Uncollectible <u>Accounts</u>	Credit Program Receivable, <u>Net</u>
Export Credit Guarantee Programs	<u>\$ 1,759</u>	<u>\$ 24</u>	<u>\$ (1,001)</u>	<u>\$ 782</u>

The change in the allowance for uncollectible accounts for the fiscal year ended September 30, 2000, is as follows:

	(In Millions)
	<u>2000</u>
Allowance – Beginning of Fiscal Year, Unadjusted	\$ 10,700
Prior Period Adjustments	<u>(130)</u>
Allowance – Beginning of Fiscal Year, As Unadjusted	10,570
Less Change in Deferred Liability for Prepaid Amounts Received	(5)
Plus Provision for Doubtful Accounts	<u>827</u>
Allowance - End of Fiscal Year	<u>\$ 11,392</u>

As of September 30, 2000, credit guarantees outstanding are as follows:

	(In Millions)			
	Outstanding Principal, <u>Face Value</u>	Outstanding Interest, <u>Face Value</u>	Outstanding Principal <u>Guaranteed *</u>	Outstanding Interest <u>Guaranteed *</u>
Export Credit Guarantee Programs	<u>\$ 4,470</u>	<u>\$ 359</u>	<u>\$ 4,363</u>	<u>\$ 193</u>

* Represents a contingent liability for amounts owed by foreign banks to exporters or assignee U.S. financial institutions participating in the program.

COMMODITY CREDIT CORPORATION

Notes to Financial Statements
September 30, 2000

The liability for credit guarantees as of September 30, 2000, is as follows:

	(In Millions)		
	Liability for Losses on Pre-1992 <u>Guarantees</u>	Liabilities for Losses on Post-1991 <u>Guarantees</u>	Total Liabilities for <u>Credit Guarantees</u>
Export Credit Guarantee Programs	\$ <u>0</u>	\$ <u>92</u>	\$ <u>92</u>

Subsidy expense for the P.L. 480 programs for fiscal year 2000 is \$586 million.

For the fiscal year ended September 30, 2000, subsidy expense for current year disbursements of post-1991 direct credits is as follows:

	(In Millions)		
	<u>Interest Differential*</u>	<u>Defaults</u>	<u>Total</u>
P.L. 480 Title I	\$ <u>254</u>	\$ <u>228</u>	\$ <u>482</u>

* Represents the difference between the interest rate charged to borrowers and the interest rate paid on CCC's Treasury borrowings.

For the fiscal year ended September 30, 2000, subsidy re-estimates on direct credits and loans are as follows:

	(In Millions)
	<u>2000</u>
P.L. 480 Title I	\$ 99
Debt Reduction Fund	(2)
Food For Progress	7
Farm Storage Facility Loan Program	<u>*</u>
Total Direct Credit Upward/(Downward) Re-estimates	\$ <u>104</u>

* Less than \$500 thousand

These amounts include re-estimates calculated for financial statement purposes for cumulative disbursements for all cohorts. Technical re-estimates for budget purposes are calculated separately.

COMMODITY CREDIT CORPORATION

Notes to Financial Statements
September 30, 2000

Subsidy expense for credit guarantees for fiscal year 2000 is \$527 million.

Subsidy expense for current year disbursements of credit guarantees made after fiscal year 1991 for fiscal year ended September 30, 2000, is as follows:

	(In Millions)		
	<u>Defaults</u>	<u>Fees</u>	<u>Total</u>
Export Credit Guarantee Programs	<u>\$ 188</u>	<u>\$ (17)</u>	<u>\$ 171</u>

For the fiscal year ended September 30, 2000, upward subsidy re-estimates on credit guarantees are \$356 million. This amount includes re-estimates calculated for financial statement purposes for cumulative disbursements for all cohorts. Technical re-estimates for budget purposes are calculated separately.

The principal balance of CCC direct credit and credit guarantee receivables in a non-performing status at September 30, 2000, totaled \$1,619 million. If interest had been reported on these non-performing receivables, instead of reported only to the extent of the collections received, direct credit and credit guarantee interest income would have increased by \$36 million to a total of \$975 million in fiscal year 2000. During the entire delinquency, if interest had been reported on these non-performing receivables, instead of reported only to the extent of the collections received, interest income would have increased by \$417 million.

Direct credit and credit guarantee receivables under rescheduling agreements as of September 30, 2000, were \$7,782 million. During fiscal year 2000, CCC entered into agreements with debtor countries to reschedule their delinquent debt owed to CCC. These reschedulings totaled \$415 million in delinquent principal and \$391 million in delinquent interest. As a result of these reschedulings, CCC increased its estimate

of the net present value of future cash inflows of foreign credit receivables. In addition, CCC decreased its estimate of the related subsidy expense and bad debt expense because of these reschedulings. Foreign credit rescheduling results through negotiations conducted through the Paris Club.

The Paris Club Agreed Minutes of April 13, 1999, consolidated and reduced Honduras credit guarantees owed to CCC. As a result of this modification, principal in the amount of \$22 million was transferred from CCC's Liquidating Fund to CCC's Debt Reduction Fund. This amount is exclusive of interest to be capitalized.

In addition, the Government of the United States and the Government of the People's Republic of Bangladesh entered into a Tropical Forest Agreement to facilitate the conservation, protection, restoration, and sustainable use and management of tropical forests in Bangladesh. This modification resulted in the reduction of P.L. 480 direct credits of \$1 million in principal and \$1 million of accrued interest owed to CCC. The remaining amount of debt was transferred from CCC's Liquidating Fund to CCC's Debt Reduction Fund.

The discount rate used for calculating the modification expense of \$14 million was 6.4%.

COMMODITY CREDIT CORPORATION

Notes to Financial Statements
September 30, 2000

Note 6 - Other Foreign Receivables, Net

Other foreign receivables, consisting of principal and interest, as of September 30, 2000, are as follows:

	(In Millions)
	<u>2000</u>
Export Credit Sales Program	\$ 60
Office of General Sales Manager Program	42
Consolidated Rescheduled	<u>305</u>
Subtotal	407
Less Allowance for Doubtful Accounts	<u>(77)</u>
Total Other Foreign Receivables, Net	<u>\$ 330</u>

Note 7 - Cash

Cash consists of collections in transit. As of September 30, 2000, cash totaled \$65 million.

COMMODITY CREDIT CORPORATION

Notes to Financial Statements
September 30, 2000

Note 8 - Commodity Inventories, Net

CCC's inventory as of September 30, 2000, is as follows:

	(In Millions)
	<u>2000</u>
Commodity Inventories - Beginning of Fiscal Year	\$ 714
Acquisitions	1,768
Cost of Sales	(858)
Donations	(396)
Other Dispositions, Additions and Deductions	<u>(24)</u>
Commodity Inventories - End of Fiscal Year	1,204
Less Allowance for Losses	<u>(702)</u>
Commodity Inventories, Net	<u>\$ 502</u>

Commodity loan forfeitures during the fiscal year ended September 30, 2000, were \$341 million. Estimated future commodity donations are expected to be \$557 million. An analysis of the change in inventory by commodity for the fiscal year ended September 30, 2000, is presented in Schedule B.

Restrictions on Commodity Inventory

In accordance with the Agricultural Act of 1970, as amended, CCC may establish, maintain, and dispose of a separate reserve of inventories for the purpose of alleviating distress caused by a natural disaster. These inventories may consist of feed grains, soybeans, and wheat. The reserve has been depleted. By statute, the amount held in reserve cannot exceed 20 million bushels.

CCC maintains a required commodity reserve for use when domestic supplies are so limited that quantities cannot meet the availability criteria under P.L. 480. In addition, if commodities that meet unanticipated needs under Title II of P.L. 480 cannot be made available in a timely manner, the Secretary may release up to 500,000 metric tons of wheat or an equivalent value of eligible commodities, plus up to 500,000 metric tons of eligible commodities that could have been released, but were not released, under this authority in prior fiscal

years. Commodities are to be used solely for emergency food assistance in developing countries. As a result of the 1996 Act, the reserve may include rice, corn, and sorghum, as well as wheat. The reserve is established at 4 million metric tons and is replenished through purchases or by designation of commodities owned by CCC. The authority to replenish the reserve expires at the end of fiscal year 2002.

As of September 30, 2000, CCC had committed over 5.5 million hundredweight of refined sugar valued at \$105 million from CCC's inventory to be used as a payment-in-kind for a sugar diversion program. As of September 30, CCC had \$98 million of refined sugar in inventory; the balance committed for this program will be acquired through loan forfeitures. This inventory of sugar will be given to sugar producers in exchange for their diverting current year production. The level of exchange was established as a result of an offer made by the producer and accepted by CCC. The sugar will be made available to sugar processors who have been designated by sugar producers to handle the marketing of the sugar on their behalf. The sugar will be released to the processors at approximately the same time the commodity would have normally entered the market to minimize its impact.

Note 9 - Property and Equipment, Net

Property and equipment is depreciated to its estimated salvage value on a straight-line basis. ADP equipment has a service life of 6 years, while non-expendable administrative property is depreciated over a service life range of 5 to 10 years. The salvage value, as a percentage of acquisition cost, is 10 percent for ADP equipment, and 5 to 20 percent for non-expendable administrative property.

Contractor developed software costs are capitalized and depreciated over a period of 5 years, beginning with the first year the software is fully operational. Capitalized software development costs consist of activities associated with the establishment of a new CORE accounting system for CCC, which was implemented in fiscal year 2000.

Property and equipment as of September 30, 2000, are as follows:

	(In Millions)		
	<u>2000</u>		
	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
ADP Equipment	\$ 112	\$ (104)	\$ 8
Non-Expendable Administrative Property	27	(22)	5
Capitalized Software Development Costs	4	(1)	3
Other	*	(0)	*
	<u>143</u>	<u>(127)</u>	<u>16</u>
Total Property and Equipment	<u>\$ 143</u>	<u>\$ (127)</u>	<u>\$ 16</u>

* Less than \$500 thousand

Note 10 - Resources Payable to Treasury

Resources payable to Treasury represents the net resources of the pre-Credit Reform programs. This liability is increased (or decreased) by net gains (or losses) incurred in

these programs. In addition, it is reduced by payments to Treasury of excess funds not needed for working capital.

The change in resources payable to Treasury for fiscal year 2000, is as follows:

	(In Millions)
	<u>2000</u>
Resources Payable to Treasury - Beginning of Fiscal Year, Unadjusted	\$ 6,089
Prior Period Adjustments	<u>395</u>
Resources Payable to Treasury - Beginning of Fiscal Year, As Adjusted	6,484
Repayment of Excess Funds to Treasury	(781)
Net Gain/(Loss) on Liquidating Funds	270
Receivable from Treasury	19
Other	<u>5</u>
Resources Payable to Treasury - End of Fiscal Year	<u>\$ 5,997</u>

COMMODITY CREDIT CORPORATION

Notes to Financial Statements
September 30, 2000

Note 11 - U.S. Treasury Borrowings

U.S. Treasury borrowings, categorized as interest bearing and non-interest bearing notes, as of September 30, 2000, are as follows:

	(In Millions)
	<u>2000</u>
Borrowings - Beginning of Fiscal Year:	
Interest Bearing	\$ 20,226
Non-Interest Bearing	<u>10,098</u>
Total Borrowings Outstanding – Beginning of Fiscal Year	30,324
New Borrowings:	
Interest Bearing	33,081
Non-Interest Bearing	<u>0</u>
Total New Borrowings	33,081
Repayments:	
Interest Bearing	(38,012)
Non-Interest Bearing	<u>(540)</u>
Total Repayments	(38,552)
Interest Refinanced	25
Borrowings - End of Fiscal Year	
Interest Bearing	15,320
Non-Interest Bearing	<u>9,558</u>
Total Borrowings Outstanding - End of Fiscal Year	<u>\$ 24,878</u>

The total amount refinanced in fiscal year 2000 was \$16,087 million. Of that amount, \$16,062 million consisted of outstanding borrowings rolled over. Accrued interest rolled over into notes payable was \$25 million.

Interest on borrowings under CCC's permanent indefinite borrowing authority from Treasury is paid at a rate based upon the average interest rate of all outstanding marketable obligations (of comparable maturity date) of the United States as of the preceding month. Monthly interest rates ranged from 5.25 percent to 6.25 percent during fiscal year 2000. Interest expense incurred on these borrowings was \$572 million for fiscal year 2000.

The fiscal year 2000 interest rate on long-term borrowings under the permanent indefinite borrowing authority for the P.L. 480 programs was 6.36 percent for fiscal year 2000 disbursements. The interest rate for the Export Credit Guarantee programs, GSM-102 and GSM-103, was 6.38 percent and 6.39 percent, respectively, for fiscal year 2000 disbursements. The interest rate for the FSFL direct loans program was 6.39 percent for fiscal year 2000 disbursements. These are the average interest rates computed by OMB and used uniformly by all government entities, unless specific exemptions apply. These rates are applied retroactively to all borrowings from October 1 of the preceding year. Weighted average interest rates are computed based upon actual disbursements for prior cohorts.

COMMODITY CREDIT CORPORATION

Notes to Financial Statements
September 30, 2000

During fiscal year 2000, the terms for borrowings made for the Export Credit Guarantee programs were at least 10 years, while the repayment terms for borrowings for the P.L. 480 program were 30 years and 7 years for direct loans under the FSFL program.

Interest expense incurred on borrowings associated with these programs amounted to \$150 million for fiscal year 2000.

Note 12 - Accrued Liabilities

Accrued liabilities as of September 30, 2000, are as follows:

	(In Millions)
	<u>2000</u>
Liabilities Covered by Budgetary Resources	
<u>Federal:</u>	
Reimbursable Agreement Activities	\$ <u>4</u>
Total Federal Accrued Liabilities	\$ <u>4</u>
<u>Non-Federal:</u>	
Loan Deficiency Payments	\$ 1,167
Accrued Carrying Charges	10
Crop Loss Disaster Program	9
Other Programs	<u>14</u>
Subtotal	\$ <u>1,200</u>
Liabilities Not Covered by Budgetary Resources	
<u>Non-Federal:</u>	
Conservation Reserve Program	\$ <u>1,670</u>
Total Non-Federal Accrued Liabilities	\$ <u>2,870</u>

COMMODITY CREDIT CORPORATION

Notes to Financial Statements
September 30, 2000

Note 13 - Deposit and Trust Liabilities

Deposit and trust liabilities are amounts advanced to or deposited with CCC, on behalf of other entities. The balances, categorized as Federal and non-Federal, as of September 30, 2000, are as follows:

	(In Millions)
	<u>2000</u>
<u>Federal:</u>	
Advances from Agricultural Marketing Service and Food and Nutrition Service	\$ 510
Other	<u>17</u>
Total Federal Deposit and Trust Liabilities	<u>\$ 527</u>
<u>Non-Federal:</u>	
No Net Cost Tobacco Program	\$ 579
Other	<u>90</u>
Total Non-Federal Deposit and Trust Liabilities	<u>\$ 669</u>

Note 14 - Excess Subsidy Payable

Excess subsidy payable as of September 30, 2000, is as follows:

	(In Millions)
	<u>2000</u>
P.L. 480 Programs	\$ 203
Farm Storage Facility Loan Program	<u>*</u>
Total Excess Subsidy Payable	<u>\$ 203</u>

* Less than \$500 thousand

This payable represents excess subsidy to be returned to Treasury as a result of Credit Reform negative subsidy re-estimates.

Note 15 - Other Liabilities

Other liabilities as of September 30, 2000, are as follows:

	(In Millions)
	<u>2000</u>
<u>Non-Federal:</u>	
Deferred Tobacco Marketing Assessment Income	\$ 7
Other	<u>*</u>
Total Other Non-Federal Liabilities	<u>\$ 7</u>

* Less than \$500 thousand

These liabilities are considered current.

Note 16 - Contingencies and Commitments

CCC has commitments and contingencies as discussed below which are not otherwise reflected on the financial statements. Sales and other disposition commitments are not reflected in the accounts, but are considered in establishing allowances for doubtful accounts.

The 1996 Act replaced acreage reduction programs with production flexibility contract payments. These payments are made on a fixed payment schedule over 7 years. CCC paid over \$5 billion during fiscal year 2000, with \$8 billion remaining to be paid over the next 2 years.

Under WRP, CCC purchases easements, based on agricultural value, to restore wetlands that have previously been drained and converted to agricultural uses, to protect or enhance wetlands on the owner's property. WRP also provides an opportunity for landowners to receive cost-share payments to restore, protect, or enhance a wetland without selling an easement. Program expenses for the fiscal year ended September 30, 2000, were \$115 million. At September 30,

2000, CCC's estimated future liabilities are \$200 million.

The Noninsured Crop Assistance Program (NAP) was authorized as a CCC program under the 1996 Act and is a standing crop disaster aid program for crops that are not covered by catastrophic risk protection crop insurance. Program expenses for the fiscal year ended September 30, 2000, were \$38 million. An estimate of the range of annual payments cannot be made. However, it is estimated that \$177 million will be outlayed in fiscal year 2001.

Commitments to acquire commodities represent the contract value of commodities not yet delivered under CCC purchase contracts. Commodity contracts amounted to \$330 million at September 30, 2000.

The Dairy Export Incentive Program is authorized under the Food Security Act of 1985, to facilitate the export of U.S. dairy products. Under this program, CCC pays the exporter a bonus, when necessary, to enable an exporter to sell the product at a competitive world price.

COMMODITY CREDIT CORPORATION

Notes to Financial Statements
September 30, 2000

Program expenses were approximately \$112 million for fiscal year 2000. On September 30, 2000, CCC estimated its future liabilities to be \$34 million.

The Corporation formerly operated approximately 4,500 grain storage facilities in the United States. To date, at approximately 120 of these facilities, Carbon Tetrachloride (a fumigant commonly used at grain storage facilities during that time) was discovered in groundwater. As of September 30, 2000, the Environmental Protection Agency has designated CCC the potentially responsible party for ground water contamination near 4 of the former 120 CCC grain storage locations. CCC is undertaking site investigations at these and other former locations. USDA roughly estimates the total cost of this effort (including site inspection and cleanup, as well as operations and maintenance) to be \$34 million for the fiscal years 2001 through 2004. Of this amount, the Department is expected to provide funding of \$12 million under the ongoing Department-wide hazardous waste management program. However, this amount is contingent on the amount actually appropriated to the USDA hazardous waste fund and subsequently allotted to CCC. Potential costs are extremely difficult to estimate until site investigations are completed. CCC intends to monitor the cost estimate and make revisions as necessary.

The Market Access Program was authorized by the Agriculture Trade Act of 1978, as amended, to encourage the development, maintenance, and expansion of commercial export markets for agricultural commodities through cost-share assistance to eligible trade organizations that implement a foreign market development program. CCC makes funds available to reimburse program participants for authorized promotional expenses. Program expenses for the fiscal year ended September 30, 2000, were \$94 million. At September 30, 2000, CCC estimated its future liabilities could range up to \$159 million.

Through CRP, participants sign 10-15 year contracts to remove land from production in exchange for an annual rental payment. The participants also receive a one-time payment equal to not more than 50 percent of the eligible costs of establishing conservation practices on the reserve acreage. CCC estimates that the future liability for CRP annual rental payments through fiscal year 2010 is \$18 billion. This estimate is based on current program levels with the assumption that expiring lands are re-enrolled or replaced with lands of equal value. At September 30, 2000, accrued payments totaled \$1,670 million.

The following is a schedule of future minimum rental payments required under FSA operating leases for which CCC is directly liable. The leases can be canceled after a period not to exceed 120 days.

<u>Fiscal Year ended September 30</u>	(In Millions)
2001	\$ 4
2002 and thereafter	<u>3</u>
Total	<u>\$ 7</u>

Allocated rent expense net of reimbursements received on these leases was \$62 million for fiscal year 2000.

Notes to Financial Statements
September 30, 2000

According to an AID Office of Inspector General report, it is estimated that CCC could be entitled to \$289 million in unclaimed reimbursements from the Department of Transportation. Of this amount, up to \$175 million could be made available to AID. Since CCC has not yet verified these amounts, they are not reflected in these financial statements.

In the normal course of business, CCC becomes involved in legal disputes and claims for action against the Corporation. CCC, through the Office of the General Counsel, is vigorously defending these actions. In the opinion of CCC, claims and litigations asserted against the Corporation as of September 30, 2000, will have no material effect on the financial statements. See Note 18 for additional disclosures.

Note 17 - Unexpended Appropriations

Unexpended appropriations of the Corporation as of September 30, 2000, are as follows:

	(In Millions)
	<u>2000</u>
Undelivered Orders	\$ 780
Unobligated:	
Available	833
Unavailable	<u>208</u>
Total Unexpended Appropriations	<u>\$ 1,821</u>

Note 18 - Disclosures Not Related to a Specific Statement

Related Party Transactions

CCC's domestic programs are carried out primarily through FSA personnel. CCC makes disbursements for many FSA programs, which are funded through allocation transfers from FSA. During fiscal year 2000, FSA transferred to CCC \$220 million to cover payments made by CCC in the approximate amount of \$236 million.

The Corporation also provides and uses the services of other USDA agencies to carry out its authorities and responsibilities. AMS and the Food and Nutrition Service (FNS) fund the purchase of some commodities. In addition, AMS funds the purchase of commodities for the purpose of facilitating additional sales in world markets at competitive prices. As of September 30, 2000, the related deposit and trust liability for AMS and FNS was \$510 million.

CCC donates commodities for use under domestic feeding programs administered by FNS. The value of commodities donated for

these domestic purposes, including related transportation and storage costs, for the fiscal year ended September 30, 2000, was \$45 million.

Under Credit Reform, CCC transferred \$5 million to FAS and an additional \$1 million to FSA during fiscal year 2000 for salaries and expenses of the foreign programs. In addition, CCC paid \$56 million to FSA to cover administrative costs in carrying out the Market Loss Assistance Program.

During fiscal year 2000, outlays under reimbursable agreements with other USDA agencies amounted to \$48 million. Interagency accruals, reflecting amounts due and payable as of September 30, 2000, on reimbursable agreements, amounted to \$4 million.

During the fiscal year ended September 30, 2000, the Corporation transferred \$217 million to the Animal and Plant Health Inspection

COMMODITY CREDIT CORPORATION

Notes to Financial Statements
September 30, 2000

Note 18 - Disclosures Not Related to a Specific Statement, *continued*

Service (APHIS) for the eradication of animal and plant diseases. It also transferred \$5 million for a livestock mandatory market news program. A deposit and trust liability to cover payments for karnal bunt on behalf of APHIS was \$2 million as of September 30, 2000.

In fiscal year 2000, CCC transferred \$400 million to the Risk Management Agency (RMA) for funding the emergency financial assistance premium discount program. In addition, CCC transferred \$430 million to RMA for the fiscal year 1999 funding of this program.

CCC paid NRCS \$33 million for CRP technical assistance and \$33 million for EQIP technical assistance during fiscal year 2000.

Also, CCC transferred \$3 million to the Forest Service for emergency program activities.

Custodial Activity

Custodial activity for the fiscal year ended September 30, 2000, is as follows:

	(In Millions)
	<u>2000</u>
Sources of Collection:	
Repayment of Farm Credit Loans	\$ 1,635
Warehouse Fees	*
Administrative and Other Service Fees	*
Total Revenue Collected	<u>1,635</u>
Disposition of Collection:	
Farm Service Agency	1,635
Amounts Transferred to Treasury	*
Amounts Retained by CCC	*
Total Disposition of Revenue	<u>1,635</u>
Net Custodial Activity	<u>\$ 0</u>

* Less than \$500 thousand

Subsequent Events

Section 11, Cooperation with Other Government Agencies, of the Corporation's Charter Act was amended in 1996 to provide that reimbursable amounts with other government agencies, beginning in fiscal year 1997, could not exceed the amounts reimbursed in fiscal year 1995. In consultation with the Office of General Counsel, CCC officials determined that two reimbursements relating to service charges and measurement services with FSA were not

considered in calculating the amounts reimbursed in fiscal year 1995.

A Stipulation and Order filed in the United States District Court on February 7, 2001, provided that members of the Pigford Class Action who prevailed on a claim of discrimination involving a USDA non-credit benefit program shall be entitled to a lump sum payment. Total claims to be paid by CCC involving CCC programs will amount to \$1 million.

COMMODITY CREDIT CORPORATION

Notes to Financial Statements
September 30, 2000

Note 19 - Disclosures Related to the Statement of Changes in Net Position

Prior period adjustments, representing increases to Cumulative Results of Operations, as of September 30, 2000, are as follows:

	(In Millions)
	<u>2000</u>
Export Credit Guarantee Programs	\$ 3,186
P.L. 480 Programs	64
Other	<u>12</u>
Total Prior Period Adjustments	<u>\$ 3,262</u>

As a result of extensive research conducted on the Credit Reform program allowances and other activity, significant adjustments were made to general ledger balances, requiring the correction of prior years' results.

COMMODITY CREDIT CORPORATION

Notes to Financial Statements
September 30, 2000

Note 20 - Earned Revenue

Earned revenue as of September 30, 2000, is as follows:

	(In Millions)
	<u>2000</u>
Earned Revenue from Non-Federal Parties:	
Interest Revenue	\$ 851
Commodity Operations	669
Farm Income Support	7
P.L. 480	2
Other Program Revenue	<u>10</u>
Total Earned Revenues from Non-Federal Parties	1,539
Earned Revenue from Federal Parties	<u>303</u>
Total Earned Revenue	<u>\$ 1,842</u>

Subsidy expense is the present value of net cash flows related to Credit Reform direct credit and credit guarantee programs. One of the cash inflow elements included in the calculation of subsidy expense is interest revenue.

During fiscal year 2000, interest revenue from Credit Reform direct credit and credit guarantee programs was \$678 million.

Note 21- Disclosures Related to the Statement of Budgetary Resources

The Statement of Budgetary Resources is a combining statement and, as such, intra-entity transactions have not been eliminated.

The net amount of budgetary resources obligated for undelivered orders as of September 30, 2000, is \$2,789 million.

The amount of available borrowing authority as of September 30, 2000, is \$7,051 million.

The majority of the \$55,320 million adjustments represent redemption of debt or the amount of principal repayments paid to the Treasury on CCC's outstanding borrowings. The majority of the remaining balance represents the actual recoveries of prior year obligations.

CCC has a permanent indefinite borrowing authority, as defined by OMB Circular A-11, Preparation and Submission of Budget Estimates, of \$30 billion. The Corporation's borrowing authority is made up of both interest and non-interest bearing notes. These notes are drawn upon daily when disbursements exceed deposits, as reported by the FRB's, their branches and CCC's financing office. When deposits exceed disbursements, CCC makes repayments on its notes. Deposits (financing sources) flowing through CCC's revolving fund include proceeds from the sale of CCC commodities, loan repayments, interest income and various program fees. CCC's notes payable under its permanent indefinite borrowing authority have a term of one year.

On January 1 of each year, CCC refinances its outstanding borrowings, including accrued interest, at the January borrowing rate.

CCC may borrow interest-free up to the amount of its unreimbursed realized losses. For interest bearing notes, interest is accrued at a rate based upon the average interest rate of all outstanding U.S. marketable obligations of comparable maturity date as of the preceding month.

CCC has a separate permanent indefinite borrowing authority for the Credit Reform programs to finance disbursements on post-Credit Reform direct credit obligations and credit guarantees. In accordance with Credit Reform, CCC borrows from Treasury on October 1, for the entire fiscal year, based on annual estimates of the difference between the amount appropriated (subsidy) and the amount to be disbursed to the borrower. CCC may repay under this agreement, in whole or in part, prior to maturity by paying the principal amount of the borrowings plus accrued interest to the date of repayment. CCC is required to pay interest to Treasury on the last day of the fiscal year, based on the outstanding balance of borrowings in each financing fund. Interest is paid on these borrowings based on weighted average interest rates for the cohort to which the borrowings are associated. CCC earns interest from Treasury on the daily balance of uninvested funds in the Credit Reform financing funds. The interest income is used to reduce interest expense on the underlying borrowings.

No adjustments were made during the reporting period to budgetary resources available at the beginning of the year.

Under Credit Reform, CCC receives an annual appropriation to fund subsidy costs incurred. In addition, CCC has permanent indefinite appropriation authority available to finance any disbursements incurred under the liquidating

accounts that are not covered by sufficient working capital.

Unobligated budget authority is the difference between the obligated balance and the total unexpended balance and represents that portion of the unexpended balance unencumbered by recorded obligations. An appropriation expires on the last day of its period of availability and is no longer available for new obligations. Unobligated balances retain their fiscal year identity in an "expired account" for that appropriation for an additional five fiscal years. The unobligated balance remains available to make legitimate obligation adjustments, i.e., to record previously unrecorded obligations and to make upward adjustments in previously under-recorded obligations.

CCC's borrowing authority under its revolving fund is indefinite and, therefore, no unobligated balance carries forward to the following year, except for any federal receivables and unfilled customer orders.

No contributed capital was received during the reporting period.

The Statement of Budgetary Resources agrees with the SF-133, Report on Budget Execution. However, differences exist between the net outlays on the Statement of Budgetary Resources and the net disbursements as reported on the Monthly Treasury Statement and the TFS-6653, Undisbursed Appropriation Account Ledger. Reconciliations are performed to the general ledger to identify and determine the nature of the differences and ensure that they are resolved. Because of varying processing times and cut-off dates between agencies, timing differences will occur which represent activities that are either recorded in Treasury and not processed by CCC during the same month/fiscal year or vice versa.

COMMODITY CREDIT CORPORATION

Notes to Financial Statements
September 30, 2000

The following provides a comparison of the Net Outlays on the Statement of Budgetary Resources to the Net Disbursements on the Monthly Treasury Statement and the TFS-6653. The differences identified are timing differences resulting from transactions processed by Treasury in a different month/fiscal year than was processed by CCC.

(In Millions)

Fund Symbol	Net Outlays Statement of Budgetary Resources	Net Disbursements TFS-6653	Difference
12X4336-CCC Revolving Fund	\$ 31,906	\$ 31,881	\$ 25
12X0500-Hazardouse Waste Mgmt. Fund	2	2	0
12X1336-Export Credit Guarantee Program	205	205	0
12X4337-Export Credit Guarantee Financing	(352)	(290)	(62)
12X4338-Export Credit Guarantee Liquidating	(241)	(214)	(27)
12X2277-P.L. 480 Direct Credit Program	294	294	0
12X4049-P.L. 480 Direct Credit Financing	53	88	(35)
12X2274-P.L. 480 Direct Credit Liquidating	(492)	(489)	(3)
12X2273-P.L. 480 Title I, FFP Program	0	0	0
12X4078-P.L. 480 Title I, FFP Financing	(5)	(5)	0
12X4143-Debt Reduction Financing	(20)	(20)	0
12X2278-P.L. 480 Grants, Titles I OFD, II & III	993	993	0
110091-Treasury Debt Reduction Program	14	14	0
12X3301-Farm Storage Facility Program	0	0	0
12X4158-Farm Storage Facility Financing	10	10	0
12FY0600(36)-FSA Salaries and Expenses	167	167	0
12FY3300(36)-FSA Salaries and Expenses	*	*	0
12X2701(36)-FSA Tree Assistance Program	1	1	0
12X3314(36)-FSA Dairy & Beekeeper Indem.	*	*	0
12X3315-FSA Agricultural Conservation	4	4	0
12X3316(36)-FSA Emergency Conservation	65	65	0
12X3319-FSA Conservation Reserve	20	20	0
12X3337(36)-FSA Rural Clean Water	0	0	0
12X1080-NRCS Wetlands Reserve	7	7	0
12X2268-NRCS Great Plains Conservation	3	3	0
12X3318-NRCS Colorado River Salinity	2	2	0
Total	<u>\$ 32,636</u>	<u>\$ 32,737</u>	

*Less than 500 thousand.

COMMODITY CREDIT CORPORATION

Notes to Financial Statements
September 30, 2000

Note 22 - Disclosures Related to the Statement of Financing

The following provides a description of the "Other" categories on the Statement of Financing.

	(In Millions)
	<u>2000</u>
Other Non-Budgetary Resources	
Non-Exchange Revenues:	
Fees	\$ 0
Fines/Penalties	11
Assessments	*
Miscellaneous	<u>*</u>
Total Other Non-Budgetary Resources	<u>\$ 11</u>
Other Resources Used to Fund Items Not Part of the Net Cost of Operations	
Prior Period Adjustment – Reclass of Prior Year Receivable	\$ <u>(2)</u>
Total Other Resources Used to Fund Items Not Part of the Net Cost of Operations	<u>\$ (2)</u>
Other Net Cost Components Not Requiring or Generating Resources During the Reporting Period	
Excess Subsidy Expense:	
Farm Storage Facility Loan Program	\$ (*)
P.L. 480 Programs	(*)
Export Credit Guarantee Programs	<u>(312)</u>
Total Other Net Cost Components Not Requiring or Generating Resources During the Reporting Period	<u>\$ (312)</u>

* Less than \$500 thousand