

## **IV. FINANCIAL STATEMENTS, NOTES, SUPPLEMENTAL AND OTHER ACCOMPANYING INFORMATION**

## MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I hope that you have received a clear snapshot of the significant role that USDA played in 2004 in enhancing so many aspects of American life. USDA is deeply committed to the performance and accountability process, and the ample opportunities it provides to have real visibility into our diverse operations and to continually improve the quality of services we provide to the American people. In making the most of this process, we are keenly aware of the pivotal role of sound financial management—knowing how resources are spent, having the confidence that programs and services are operating in continually more efficient ways, and possessing a clear sense of ongoing challenges that require management attention and focus.



Through the individual leadership and collaborative efforts of USDA managers, employees, business partners and other stakeholders, we made significant strides in 2004 advancing the Department's impressive recent record of excellence in financial management. Here are some highlights of our substantive results over this past fiscal year:

- Another clean financial audit opinion. USDA had never achieved a clean audit opinion prior to FY 2002, so our ability to sustain this critical performance benchmark is powerful evidence of the Department's improved accountability, internal control and data integrity;
- An 84-percent reduction in material deficiencies from FY 2002 to FY 2004. We are down from 19 to 3, and we plan to eliminate the remaining trouble spots altogether in the year ahead;
- An effective strategic plan for USDA that will guide efforts throughout the Department to align strategic direction, operating budgets and performance measures to drive continued performance enhancements and clear accountability throughout the organization;
- Innovative information technology solutions relating to financial management and administrative systems that allow us to push more resources to the front lines of program delivery. Noteworthy among these is the new real property system that, in one place, accounts for USDA's 22,000 owned and 4,300 leased buildings and 192 million acres of land;
- Improved efficiency in travel through the selection of an electronic travel service provider, greatly simplifying the travel process to USDA's employees and reducing travel costs; and
- Cost-effective and secure payroll and other administrative services reliably and accurately provided Government-wide through our National Finance Center.

USDA is committed to providing sound management of the resources under our stewardship and to communicating the effectiveness of our efforts to all Americans through the performance and accountability reporting process. Our results are due to the hard work and innovative leadership of skilled career employees who take seriously their responsibility for the substantial resources entrusted to them by Congress and the American people to perform the important work of this Department. While we cannot yet give unqualified assurance of compliance with the Federal Managers' Financial Integrity Act or the financial systems requirements of the Federal Financial Management Improvement Act, we are redoubling our efforts in the coming fiscal year to resolve these deficiencies.

In FY 2004, we made exceptional progress in financial management in USDA. As proud as we are of that record, we look forward to beating it next year as sound financial management continues to enhance all aspects of USDA's vital work.

Patricia E. Healy  
Acting Chief Financial Officer  
November 15, 2004

## CONSOLIDATED FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

**CONSOLIDATED BALANCE SHEET**  
As of September 30, 2004 and 2003  
(in millions)

	<u>2004</u>	<u>2003 Restated</u>
<b>Assets:</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	\$ 39,488	\$ 36,450
Investments (Note 5)	56	45
Accounts Receivable, Net (Note 6)	625	646
Other (Note 10)	1	7
Total Intragovernmental	<u>40,170</u>	<u>37,148</u>
Cash and Other Monetary Assets (Note 4)	165	241
Investments (Note 5)	15	15
Accounts Receivable, Net (Note 6)	2,478	1,769
Loans Receivable and Related Foreclosed Property, Net (Note 7)	73,841	73,590
Inventory and Related Property, Net (Note 8)	142	278
General Property, Plant, and Equipment, Net (Note 9)	4,914	4,919
Other (Note 10)	89	145
<b>Total Assets (Note 2)</b>	<u><u>\$ 121,814</u></u>	<u><u>\$ 118,105</u></u>
<b>Liabilities:</b>		
Intragovernmental:		
Accounts Payable	809	1,206
Debt (Note 12)	69,053	76,140
Other (Note 14)	18,861	19,918
Total Intragovernmental	<u>88,723</u>	<u>97,264</u>
Accounts Payable	3,430	3,614
Loan Guarantee Liability (Note 7)	1,188	883
Debt Held by the Public (Note 12)	1	80
Federal Employee and Veterans Benefits	836	940
Environmental and Disposal Liabilities (Note 13)	23	21
Other (Notes 14 & 15)	12,629	12,861
<b>Total Liabilities (Note 11)</b>	<u>106,830</u>	<u>115,663</u>
Commitments and Contingencies (Note 16)		
<b>Net Position:</b>		
Unexpended Appropriations	22,158	22,192
Cumulative Results of Operations	<u>(7,174)</u>	<u>(19,750)</u>
<b>Total Net Position</b>	<u>14,984</u>	<u>2,442</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 121,814</u></u>	<u><u>\$ 118,105</u></u>

The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENT OF NET COST**  
 For the Years Ended September 30, 2004 and 2003  
 (in millions)

	<b>2004</b>	<b>2003 Restated</b>
<b>Program Costs :</b>		
Intragovernmental Gross Costs:		
Benefit Program Costs	\$ 1,092	\$ 1,034
Imputed Costs	629	581
Reimbursable Costs	1,191	2,200
Borrowing Interest Expense	3,702	3,878
Other	(184)	195
Total Intragovernmental Gross Costs	6,430	7,888
Less: Intragovernmental Earned Revenues	993	1,073
Intragovernmental Net Costs	5,437	6,815
Gross Costs With the Public:		
Grants	60,197	63,098
Loan Cost Subsidies	(717)	(778)
Indemnities	2,861	3,848
Commodity Program Costs	2,889	6,567
Stewardship Land Acquisition	113	239
Other (Note 18)	10,892	14,227
Total Gross Costs with the Public	76,235	87,201
Less: Earned Revenues from the Public	7,650	10,767
Net Costs with the Public	68,585	76,434
<b>Net Cost of Operations (Notes 17 &amp; 19)</b>	<b>\$ 74,022</b>	<b>\$ 83,249</b>

The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION**  
 For the Years Ended September 30, 2004 and 2003  
 (in millions)

	2004		2003 Restated	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
<b>Beginning Balances</b>	\$ (14,415)	\$ 16,810	\$ (14,699)	\$ 25,619
Prior Period Adjustments (Note 20)	(5,335)	5,382	258	(153)
Beginning Balances, as adjusted	<u>(19,750)</u>	<u>22,192</u>	<u>(14,441)</u>	<u>25,466</u>
<b>Budgetary Financing Sources:</b>				
Appropriations Received	-	87,089	-	76,572
Appropriations Transfer In (Out)	-	127	-	(219)
Other Adjustments (recissions, etc.)	-	(2,665)	(15)	(4,813)
Appropriations Used	84,588	(84,585)	74,837	(74,814)
Nonexchange Revenue	29	-	6	-
Donations and Forfeitures of Cash	2	-	36	-
Transfers In (Out) without Reimbursement	2,219	-	3,790	-
Other Budgetary Financing Sources	-	-	-	-
<b>Other Financing Sources:</b>				
Donations and Forfeitures of Property	4	-	1	-
Transfers In (Out) without Reimbursement	(1,074)	-	(2,019)	-
Imputed Financing from Costs Absorbed by Others	629	-	581	-
Other	201	-	723	-
<b>Total Financing Sources</b>	<u>86,598</u>	<u>(34)</u>	<u>77,940</u>	<u>(3,274)</u>
<b>Net Cost of Operations</b>	<u>(74,022)</u>	<u>-</u>	<u>(83,249)</u>	<u>-</u>
<b>Ending Balances</b>	<u>\$ (7,174)</u>	<u>\$ 22,158</u>	<u>\$ (19,750)</u>	<u>\$ 22,192</u>

The accompanying notes are an integral part of these statements.

**COMBINED STATEMENT OF BUDGETARY RESOURCES**  
 For the Years Ended September 30, 2004 and 2003  
 (in millions)

	2004		2003 <i>Restated</i>	
	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Non-Budgetary Financing Accounts
<b>Budgetary Resources:</b>				
Budget Authority:				
Appropriations Received	\$ 94,316		\$ 83,967	
Borrowing Authority (Note 22 & 23)	29,006	\$ 11,356	49,343	\$ 10,257
Net Transfers			(189)	
Unobligated Balances:				
Beginning of Period (Note 24)	16,762	5,802	19,788	5,264
Net Transfers, Actual	(193)		(453)	
Spending Authority From Offsetting Collections:				
Earned				
Collected	23,462	7,519	24,302	7,722
Change in Receivables from Federal Sources	(672)	146	1,602	62
Change in Unfilled Customer Orders				
Advances Received	935		289	
Without Advances from Federal Sources	99	(97)	47	56
Recoveries of Prior Year Obligations	5,256	634	3,865	437
Permanently not Available	<u>(47,065)</u>	<u>(4,376)</u>	<u>(57,167)</u>	<u>(4,275)</u>
Total Budgetary Resources	<u>121,906</u>	<u>20,984</u>	<u>125,394</u>	<u>19,523</u>
<b>Status of Budgetary Resources:</b>				
Obligations Incurred (Note 21):				
Direct	75,508	14,659	71,940	13,721
Reimbursable	27,642		36,692	
Unobligated Balance:				
Apportioned	6,396	5,921	5,850	5,343
Exempt from Apportionment	551	6	328	1
Other Available			9	
Unobligated Balance not Available	<u>11,809</u>	<u>398</u>	<u>10,575</u>	<u>458</u>
Total Status of Budgetary Resources	<u>121,906</u>	<u>20,984</u>	<u>125,394</u>	<u>19,523</u>
<b>Relationship of Obligations to Outlays:</b>				
Obligated Balance, Net, Beginning of Period (Note 24)	21,194	14,871	18,180	13,762
Obligations Incurred	103,150	14,659	108,632	13,721
Less:				
Recoveries of Prior Year Obligations	5,256	634	3,865	437
Change from Federal Sources	(573)	49	1,649	118
Obligated Balance, Net, End of Period:				
Accounts Receivable	(1,978)	(316)	(2,651)	(170)
Unfilled Customer Orders from Federal Sources	(412)	(635)	(313)	(732)
Undelivered Orders	14,353	17,735	14,278	15,351
Accounts Payable	<u>9,047</u>	<u>352</u>	<u>9,880</u>	<u>422</u>
Total Obligated Balance, Net, End of Period	<u>21,010</u>	<u>17,136</u>	<u>21,194</u>	<u>14,871</u>
Disbursements				
Disbursements	98,651	11,711	100,104	12,057
Collected and Advances Received	<u>(24,397)</u>	<u>(7,519)</u>	<u>(24,591)</u>	<u>(7,722)</u>
Outlays				
Outlays	74,254	4,192	75,513	4,335
Less: Offsetting Receipts	<u>1,928</u>	<u>600</u>	<u>1,763</u>	<u>1,292</u>
Net Outlays	<u>\$ 72,326</u>	<u>\$ 3,592</u>	<u>\$ 73,750</u>	<u>\$ 3,043</u>

The accompanying notes are an integral part of these statements.



**CONSOLIDATED STATEMENT OF FINANCING**  
 For the Years Ended September 30, 2004 and 2003  
 (in millions)

	<u>2004</u>	<u>2003 Restated</u>
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 117,809	\$ 122,353
Less: Spending authority from offsetting collections and recoveries	<u>37,282</u>	<u>38,382</u>
Obligations net of offsetting collections and recoveries	80,527	83,971
Less: Offsetting receipts	<u>2,528</u>	<u>3,055</u>
Net Obligations	<u>77,999</u>	<u>80,916</u>
Other Resources		
Donations and forfeitures of property	4	1
Transfers in(out) without reimbursement	(1,074)	(2,019)
Imputed financing from costs absorbed by others	629	581
Other	<u>201</u>	<u>723</u>
Net other resources used to finance activities	<u>(240)</u>	<u>(714)</u>
<b>Total resources used to finance activities</b>	77,759	80,202
<b>Resources Used to Finance Items not Part of the Net Cost of Operations:</b>		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	2,532	533
Resources that fund expenses recognized in prior periods	2,529	2,356
Budgetary offsetting collections and receipts that do not affect net cost of operations		
Credit program collections which increase liabilities for loan guarantees or allowances for subsidy	(14,136)	(14,829)
Other	(10,259)	(11,701)
Resources that finance the acquisition of assets	23,151	28,799
Other resources or adjustments to net obligated resources that do not affect net cost of operations	<u>1,509</u>	<u>2,641</u>
<b>Total resources used to finance items not part of the net cost of operations</b>	<u>5,326</u>	<u>7,799</u>
<b>Total resources used to finance the net cost of operations</b>	72,433	72,403
<b>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</b>		
Components Requiring or Generating Resources in Future Periods:		
Increase in annual leave liability	49	42
Increase in environmental and disposal liability	-	1
Upward/Downward reestimates of credit subsidy expense	(341)	(315)
Decrease in exchange revenue receivable from the public	534	758
Other	<u>1,587</u>	<u>2,141</u>
Total components of Net Cost of Operations that will require or generate resources in future periods (Note 28)	<u>1,829</u>	<u>2,627</u>
Components not Requiring or Generating Resources:		
Depreciation and amortization	598	522
Revaluation of assets or liabilities	(633)	284
Other	<u>(205)</u>	<u>7,413</u>
Total components of Net Cost of Operations that will not require or generate resources	<u>(240)</u>	<u>8,219</u>
<b>Total components of Net Cost of Operations that will not require or generate resources in the current period</b>	1,589	10,846
<b>Net Cost of Operations</b>	<u>\$ 74,022</u>	<u>\$ 83,249</u>

The accompanying notes are an integral part of these statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2004 and 2003  
(in millions)

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

#### Organization

The U.S. Department of Agriculture (USDA) provides a wide variety of services in the United States and around the world. USDA is organized into seven distinct mission areas and agencies that execute these missions.

Listed below are the missions and the agencies within each mission including four Government corporations:

#### FARM AND FOREIGN AGRICULTURAL SERVICES (FFAS)

- Farm Service Agency (FSA)
  - Commodity Credit Corporation (CCC)
- Foreign Agricultural Service (FAS)
- Risk Management Agency (RMA)
  - Federal Crop Insurance Corporation (FCIC)

#### FOOD, NUTRITION, AND CONSUMER SERVICES (FNCS)

- Food and Nutrition Service (FNS)

#### FOOD SAFETY

- Food Safety and Inspection Service (FSIS)

#### MARKETING AND REGULATORY PROGRAMS (MRP)

- Agricultural Marketing Service (AMS)
- Animal and Plant Health Inspection Service (APHIS)
- Grain Inspection, Packers and Stockyards Administration (GIPSA)

#### NATURAL RESOURCES AND ENVIRONMENT (NRE)

- Forest Service (FS)
- Natural Resources Conservation Service (NRCS)

#### RESEARCH, EDUCATION, AND ECONOMICS (REE)

- Agricultural Research Service (ARS)
- Cooperative State Research, Education, and Extension Service (CSREES)
- Economic Research Service (ERS)
- National Agricultural Statistics Service (NASS)

#### RURAL DEVELOPMENT

- Rural Development (RD)
  - Rural Telephone Bank (RTB) – a corporation
  - Alternative Agricultural Research and Commercialization Corporation (AARC)

#### Consolidation

The financial statements consolidate all the agencies' results. The effects of intradepartmental activity and balances are eliminated, except for the Statement of Budgetary Resources that is presented on a combined basis.

The financial statements are prepared in accordance with generally accepted accounting principles for the Federal Government.

### Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

### Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### Revenue and Other Financing Sources

Revenue from exchange transactions is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, sales price is fixed or determinable, and collection is reasonably assured. In certain cases, the prices charged by the Department are set by law or regulation, which for program and other reasons may not represent full cost. Prices set for products and services offered through the Department's working capital funds are intended to recover the full costs incurred by these activities. Revenue from non-exchange transactions is recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probable and the amount is reasonably estimable. Appropriations are recognized as a financing source when used. An imputed financing source is recognized for costs subsidized by other Government entities.

### Investments

The Department is authorized to invest certain funds in excess of its immediate needs in Treasury securities. Investments in non-marketable par value Treasury securities are classified as held to maturity and are carried at cost. Investments in market-based Treasury securities are classified as held to maturity and are carried at amortized cost. The amortized cost of securities is based on the purchase price adjusted for amortization of premiums and accretion of discounts using the straight-line method over the term of the securities.

### Accounts Receivable

Accounts receivable are reduced to net realizable value by an allowance for uncollectible accounts. The adequacy of the allowance is determined based on past experience and age of outstanding balances.

### Direct Loans and Loan Guarantees

Direct loans obligated and loan guarantees committed after FY 1991 are reported based on the present value of the net cash flows estimated over the life of the loan or guarantee. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as a subsidy cost allowance; the present value of estimated net cash outflows of the loan guarantees is recognized as a liability for loan guarantees. The subsidy expense for direct or guaranteed loans disbursed during the year is the present value of estimated net cash outflows for those loans or guarantees. A subsidy expense also is recognized for modifications made during the year to loans and guarantees outstanding and for reestimates made as of the end of the year to the subsidy allowances or loan guarantee liability for loans and guarantees outstanding.

Direct loans obligated and loan guarantees committed before FY 1992 are valued using the present-value method. Under the present-value method, the outstanding principal of direct loans is reduced by an allowance equal to the difference between the outstanding principal and the present value of the expected net cash flows. The liability for loan guarantees is the present value of expected net cash outflows due to the loan guarantees.

### Inventories and Related Property

Inventories to be consumed in the production of goods for sale or in the provision of services for a fee are valued on the basis of historical cost using a first-in, first-out method. Commodities are valued at the lower of cost or net realizable value using a weighted average method.

### **Property, Plant and Equipment**

Property, plant, and equipment (PP&E) are stated at cost less accumulated depreciation. Depreciation is determined using the straight-line method over the estimated useful lives of the assets. Useful lives for PP&E are disclosed in Note 9. Capitalization thresholds for personal property and real property are \$25,000, and \$100,000 for internal use software.

### **Pension and Other Retirement Benefits**

Pension and other retirement benefits (primarily retirement health care benefits) expense is recognized at the time the employees' services are rendered. The expense is equal to the actuarial present value of benefits attributed by the pension plan's benefit formula, less the amount contributed by the employees. An imputed cost is recognized for the difference between the expense and contributions made by and for employees.

### **Other Post-employment Benefits**

Other post-employment benefits expense for former or inactive (but not retired) employees is recognized when a future outflow or other sacrifice of resources is probable and measurable on the basis of events occurring on or before the reporting date. The liability for long-term other post-employment benefits is the present value of future payments.

### **Contingencies**

Contingent liabilities are recognized when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable and the future outflow or sacrifice of resources is measurable.

### **Limitations of the Financial Statements**

The financial statements report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515(b).

While the statements have been prepared from the books and records of the entity in accordance with the formats prescribed by the Office of Management and Budget (OMB), they also are used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. Thus, liabilities cannot be liquidated without enabling legislation that provides resources to do so.

**NOTE 2. NON-ENTITY ASSETS**

Non-entity assets include proceeds from the sale of timber payable to Treasury, and employer contributions and payroll taxes withheld for agencies serviced by the National Finance Center.

	<u>FY 2004</u>	<u>FY 2003</u>
Intragovernmental:		
Fund balance with Treasury	\$ 243	\$ 801
Accounts Receivable	1	-
Subtotal Intragovernmental	<u>244</u>	<u>801</u>
With the Public:		
Cash and other monetary assets	81	76
Accounts receivable	80	107
Subtotal With the Public	<u>161</u>	<u>183</u>
Total non-entity assets	405	984
Total entity assets	121,409	117,121
Total assets	<u>\$ 121,814</u>	<u>\$ 118,105</u>

**NOTE 3. FUND BALANCE WITH TREASURY**

Other Fund Types include special, deposit, and clearing accounts. Clearing Account Balances including suspense accounts are awaiting disposition or reclassification. Borrowing Authority not yet Converted to Fund Balance represents un-obligated and obligated amounts recorded at year-end that will be funded by future borrowings.

	<u>FY 2004</u>	<u>FY 2003</u>
Fund Balances:		
Trust Funds	\$ 648	\$ 519
Revolving Funds	10,552	7,541
Appropriated Funds	27,584	27,385
Other Fund Types	704	1,005
Total	<u>39,488</u>	<u>36,450</u>
Status of Fund Balance with Treasury:		
Unobligated Balance:		
Available	12,190	10,277
Unavailable	11,669	10,454
Obligated Balance not yet Disbursed	20,579	20,508
Clearing Account Balances	299	779
Borrowing Authority not yet Converted to Fund Balance	<u>(5,249)</u>	<u>(5,568)</u>
Total	<u>\$ 39,488</u>	<u>\$ 36,450</u>

## NOTE 4. CASH AND OTHER MONETARY ASSETS

In FY 2004, cash includes Federal crop insurance escrow amounts of \$83 million, funds held in escrow to pay property taxes and insurance for single-family housing borrowers of \$81 million, and \$1 million in other receipts.

In FY 2003, cash includes Federal crop insurance escrow amounts of \$100 million, funds held in escrow to pay property taxes and insurance for single-family housing borrowers of \$76 million, funds to be transferred out of \$30 million, loan repayment and certain other receipts of \$21 million, and interest-bearing deposits of \$14 million.

	<u>FY 2004</u>	<u>FY 2003</u>
Cash	<u>\$ 165</u>	<u>\$ 241</u>

## NOTE 5. INVESTMENTS

FY 2004	<u>Amortization Method</u>	<u>Cost</u>	<u>Unamortized Premium/ (Discount)</u>	<u>Investments, Net</u>	<u>Market Value Disclosure</u>
Intragovernmental:					
Non-marketable					
Par value		\$ 52	\$ -	\$ 52	\$ -
Market-based	Straight Line	4	-	4	4
Total		<u>\$ 56</u>	<u>\$ -</u>	<u>\$ 56</u>	<u>\$ 4</u>
With the Public:					
AARC		\$ 15	-	\$ 15	\$ 15
Total		<u>\$ 15</u>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 15</u>
FY 2003					
Intragovernmental:					
Non-marketable					
Par value		\$ 42	\$ -	\$ 42	\$ -
Market-based	Straight Line	3	-	3	3
Total		<u>\$ 45</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 3</u>
With the Public:					
AARC		\$ 15	-	\$ 15	\$ 15
Total		<u>\$ 15</u>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 15</u>

## NOTE 6. ACCOUNTS RECEIVABLE, NET

During FY 2004, CCC collected funds from the U.S. Department of Transportation (DOT) and eliminated the related allowance of \$188 million. In FY 2003, CCC had recognized a receivable of \$613 million from the DOT for current and prior years' transportation costs in accordance with the Cargo Preference provisions of the Food Security Act. Since these costs were subject to management determination, an allowance of \$188 million was recognized.

FY 2004			
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	\$ 625	\$ -	\$ 625
With the Public	2,696	218	2,478
Total	<u>\$ 3,321</u>	<u>\$ 218</u>	<u>\$ 3,103</u>
FY2003			
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	\$ 835	\$ 189	\$ 646
With the Public	2,000	231	1,769
Total	<u>\$ 2,835</u>	<u>\$ 420</u>	<u>\$ 2,415</u>

## NOTE 7. DIRECT LOANS AND GUARANTEES, NON-FEDERAL BORROWERS

### Direct Loans

Direct loan obligation or loan guarantee commitments made pre-1992 and the resulting direct loans or loan guarantees are reported at net present value.

Direct loan obligations or loan guarantee commitments made post-1991, and the Federal Credit Reform Act of 1990 as amended governs the resulting direct loan or loan guarantees. The Act requires agencies to estimate the cost of direct loans and loan guarantees at present value for the budget. Additionally, the present value of the subsidy costs (i.e. interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets and other cash flows) associated with direct loans and loan guarantees are recognized as a cost in the year the loan or loan guarantee is disbursed. The net present value of loans or defaulted guaranteed loans receivable at any point in time is the amount of the gross loan or defaulted guaranteed loans receivable less the present value of the subsidy at that time.

The net present value of Loans Receivable and Related Foreclosed Property, Net is not necessarily representative of the proceeds that might be expected if these loans were sold on the open market.

Loans Receivable and Related Foreclosed Property, Net at the end of FY 2004 was \$73,841 million compared to \$73,590 million at the end of FY 2003. Loans exempt from the Federal Credit Reform Act of 1990 represent \$2,092 million of the total compared to \$2,062 million in FY 2003. Table 1 illustrates the overall composition of the Department's credit program balance sheet portfolio by mission area and credit program for FY 2004 and 2003.

During the fiscal year, the gross outstanding balance of the direct loans obligated post-1991 is adjusted by the value of the subsidy cost allowance held against those loans. Current year subsidy expense, modifications and reestimates all contribute to the change of the subsidy cost allowance through the year. The subsidy cost allowance moved from \$6,654 million to \$6,256 million during FY 2004, a decrease of \$398 million. Table 2 shows the reconciliation of subsidy cost allowance balances from FY 2003 to FY 2004.

Total direct loan subsidy expense is a combination of subsidy expense for new direct loans disbursed in the current year, modifications to existing loans, and interest rate and technical reestimates to existing loans. Total direct loan subsidy expense in FY 2004 was negative \$131 million compared to \$57 million in FY 2003. Table 3 illustrates the breakdown of total subsidy expense for FY 2004 and 2003 by program.

Direct loan volume decreased from \$6,740 million in FY 2003 to \$6,430 million in FY 2004. Volume distribution between mission area and program is shown in Table 4.

### Guaranteed Loans

Guaranteed loans are administered in coordination with conventional agricultural lenders for up to 95 percent of the principal loan amount. Under the guaranteed loan programs, the lender is responsible for servicing the borrower's account for the life of the loan. The Department, however, is responsible for ensuring borrowers meet certain qualifying criteria to be eligible and monitoring the lender's servicing activities. Borrowers interested in guaranteed loans must apply to a conventional lender, which then arranges for the guarantee with a Department agency. Estimated losses on loan and foreign credit guarantees are reported at net present value as Loan Guarantee Liability. Defaulted guaranteed loans are reported at net present value as Loans Receivable and Related Foreclosed Property, Net.

Guaranteed loans outstanding at the end of FY 2004 were \$34,160 million in outstanding principal and \$30,369 million in outstanding principal guaranteed, compared to \$33,573 and \$29,885 million, respectively at the end of FY 2003. Table 5 shows the outstanding balances by credit program.

During the fiscal year, the value of the guaranteed loans is adjusted by the value of the loan guarantee liability held against those loans. Current year subsidy expense, modification and reestimates all contribute to the change of the loan guarantee liability through the year. The loan guarantee liability is a combination of the liability for losses on pre-1992 guarantees and post-1991 guarantees. Table 6 shows that total liability moved from \$883 million to \$1,188 million during FY 2004, an increase of \$305 million. The post-1991 liability moved from \$877 million to \$1,183 million, an increase of \$306 million. Table 7 shows the reconciliation of loan guarantee liability post-1991 balances and the total loan guarantee liability.

Total guaranteed loan subsidy expense is a combination of subsidy expense for new guaranteed loans disbursed in the current year, modifications to existing loans, and interest rate and technical reestimates to existing loans. Total guaranteed loan subsidy expense in FY 2004 was negative \$312 million compared to \$158 million in FY 2003. Table 8 illustrates the breakdown of total subsidy expense for FY 2004 and 2003 by program.

Guaranteed loan volume increased from \$9,149 million in FY 2003 to \$10,721 million in FY 2004. Volume distribution between mission area and program is shown in Table 9.

### Credit Program Discussion and Descriptions

The Department offers direct and guaranteed loans through credit programs in the FFAS mission area through the FSA and the CCC, and in the RD mission area.

### The Farm and Foreign Agricultural Services (FFAS) Mission Area

The FFAS mission area helps keep America's farmers and ranchers in business as they face the uncertainties of weather and markets. FFAS delivers commodity, credit, conservation, disaster and emergency assistance programs that help strengthen and stabilize the agricultural economy. FFAS contributes to the vitality of the farm sector with programs that encourage the expansion of export markets for U.S. agriculture.



FSA offers direct and guaranteed loans to farmers who are temporarily unable to obtain private, commercial credit and nonprofit entities that are engaged in the improvement of the nation's agricultural community. Often, FSA borrowers are beginning farmers who cannot qualify for conventional loans due to insufficient financial resources. Additionally, the agency helps established farmers who have suffered financial setbacks from natural disasters, or have limited resources to maintain profitable farming operations. FSA officials also provide borrowers with supervision and credit counseling.

FSA's mission is to provide supervised credit. FSA works with each borrower to identify specific strengths and weaknesses in farm production and management, and provides alternatives to address weaknesses. FSA is able to provide certain loan servicing options to assist borrowers whose accounts are distressed or delinquent. These options include reamortization, restructuring, loan deferral, lowering interest rate, acceptance of easements, and debt write-downs. The eventual goal of FSA's farm credit programs is to graduate its borrowers to commercial credit.

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. CCC offers both guarantee credit and direct credit programs for buyers of U.S. exports, suppliers, and sovereign countries in need of food assistance.

CCC permits debtor nations to reschedule debt under the aegis of the Paris Club (The Club). The Club is an internationally recognized organization under the leadership of the French Ministry of Economics and Finance. Its sole purpose is to assess, on a case-by-case basis, liquidity problems faced by the world's most severely economically disadvantaged countries. The general premise of the Club's activities is to provide disadvantaged nations short-term liquidity relief to enable them to re-establish their credit worthiness. The Departments of State and Treasury lead the U.S. Delegation and negotiations for all U.S. Agencies.

### Farm and Foreign Agricultural Service List of Programs

Farm Service Agency	Commodity Credit Corporation
Direct Farm Ownership	Guaranteed Sales Manager Credit Program
Direct Farm Operating	Supplier Credit Guarantee Program
Direct Emergency Loans	Facility Program Guarantee
Direct Indian Land Acquisition	P.L. 480 Title 1 Program
Direct Boll Weevil Eradication	Direct Farm Storage Facility
Direct Seed Loans to Producers	Direct Sugar Storage Facilities
Guaranteed Farm Operating Subsidized/Unsubsidized	
Agricultural Resource Demonstration Fund	
Bureau of Reclamation Loan Fund	
Guaranteed Farm Ownership Unsubsidized	

### The Rural Development (RD) Mission Area

Each year, RD programs create or preserve tens of thousands of rural jobs and provide or improve the quality of rural housing. To leverage the impact of its programs, RD is working with State, local and Indian tribal Governments, as well as private and not-for-profit organizations and user-owned cooperatives.

Through its rural housing loan and grant programs, RD provides affordable housing and essential community facilities to rural communities. Rural housing programs help finance new or improved housing for moderate, low, and very low-income families each year. The programs also help rural communities finance, construct, enlarge or improve fire stations, libraries, hospitals and medical clinics, industrial parks, and other community facilities.

The Rural Business Program goal is to promote a dynamic business environment in rural America. RD partners with the private sector and community-based organizations to provide financial assistance and business planning. It also provides technical assistance to rural businesses and cooperatives, conducts research into rural economic issues, and provides cooperative educational materials to the public.

The Rural Utilities Program helps to improve the quality of life in rural America through a variety of loan programs for electric energy, telecommunications, and water and environmental projects. This program leverages scarce Federal funds with private capital for investing in rural infrastructure, technology and development of human resources.

RD programs provide certain loan servicing options to borrowers whose accounts are distressed or delinquent. These options include reamortization, restructuring, loan deferral, lowering interest rate, acceptance of easements and debt write-downs. The choice of servicing options depends on the loan program and the individual borrower.

### Rural Development List of Programs

Rural Housing Program	Rural Business Program	Rural Utilities Program
Home Ownership Direct Loans	Business and Industry Direct Loans	Water and Environmental Direct Loans
Home Ownership Guaranteed Loans	Business and Industry Guaranteed Loans	Water and Environmental Guaranteed Loans
Home Improvement and Repair Direct Loans	Intermediary Relending Program Direct Loans	Electric Direct Loans
Home Ownership and Home Improvement and Repair Nonprogram Loans	Rural Economic Development Direct Loans	Electric Guaranteed Loans
Rural Housing Site Direct Loans		Telecommunications Direct Loans
Farm Labor Housing Direct Loans		Rural Telephone Bank
Rural Rental and Rural Cooperative Housing Loans		Federal Financing Bank-Telecommunications Guaranteed
Rental Housing Guaranteed Loans		Distance Learning and Telemedicine Direct
Multi-family Housing-Nonprogram-Credit Sales		Broadband Telecommunications Services
Community Facilities Direct Loans		
Community Facilities Guaranteed Loans		

### Discussion of Administrative Expenses, Subsidy Costs and Subsidy Rates

#### Administrative Expenses

Consistent with the Federal Credit Reform Act of 1990 as amended, subsidy cash flows exclude direct Federal administrative expenses. Administrative expenses for FY 2004 and 2003 are shown in Table 10.

#### Reestimates, Default Analysis, and Subsidy Rates

The Federal Credit Reform Act of 1990 as amended governs the proprietary and budgetary accounting treatment of direct and guaranteed loans. The long-term cost to the Government for direct loans or loan guarantees is referred to as "subsidy cost." Under the act, subsidy costs for loans obligated beginning in FY 1992 are recognized at the net present value of projected lifetime costs in the year the loan is disbursed. Subsidy costs are revalued annually. Components of subsidy include interest subsidies, defaults, fee offsets, and other cash flows.

Based on sensitivity analysis conducted for each cohort or segment of a loan portfolio, the difference between the budgeted and actual interest for both borrower and Treasury remain the key components for the subsidy formulation and reestimate rates of many USDA direct programs. USDA uses the Government-wide interest rate projections provided by the Office of Management and Budget (OMB) in order to do its calculations and analysis.

The Inter-agency Country Risk Assessment System is a Federal interagency effort chaired by OMB under the authority of the Federal Credit Reform Act of 1990 as amended. The system provides standardized risk assessment and budget assumptions for all direct credits and credit guarantees provided by the Government, to foreign borrowers. Sovereign and non-sovereign lending risks are sorted into risk categories, each associated with a default estimate.

The CCC delinquent debt is estimated at 100-percent allowance. When the foreign borrower reschedules their debt and renews their commitment to repay CCC, the allowance is estimated at less than 100 percent.

Subsidy rates are used to compute each year's subsidy expenses as disclosed above. The subsidy rates disclosed in Tables 11 and 12 pertain only to the FY 2004 and 2003 cohorts. These rates cannot be applied to the direct and guaranteed loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior-year cohorts. The subsidy expense reported in the current year also includes reestimates.

As a result of new guidance provided by the credit reform Treasury certificate training class, CCC chose to reflect interest on downward reestimates in the Statement of Changes in Net Position as other financing sources for FY 2004 and 2003, respectively. The remainder of USDA credit programs chose to reflect downward reestimates in earned revenue on the Statement of Net Cost. Both methodologies are accepted alternatives that have been promulgated by Treasury.

### **Foreclosed Property**

Property is acquired largely through foreclosure and voluntary conveyance. Acquired properties associated with loans are reported at their market value at the time of acquisition. The projected future cash flows associated with acquired properties are used in determining the related allowance (at present value).

As of September 30, 2004 and 2003, foreclosed property consisted of 783 and 952 rural single-family housing dwellings, with an average holding period of 24 and 22 months, respectively. As of September 30, 2004 and 2003, FSA-Farm Loan Program properties consist primarily of 133 and 169 farms, respectively. The average holding period for these properties in inventory for FY 2004 and 2003 was 60 and 62 months, respectively. Certain properties can be leased to eligible individuals.

### **Non-performing Loans**

Non-performing loans are defined as receivables that are in arrears by 90 or more days, or are on rescheduling agreements until such time two consecutive payments have been made following the rescheduling.

When RD, FSA and CCC calculate loan interest income, however, the recognition of revenue is deferred. Late interest is accrued on arrears.

### **Loan Modifications**

The Debt Reduction Fund is used to account for CCC's "modified debt." Debt is considered to be modified if the original debt has been reduced or the interest rate of the agreement changed. In contrast, when debt is "rescheduled," only the date of payment is changed. Rescheduled debt is carried in the original fund until paid. All outstanding CCC modified debt is carried in the Debt Reduction Fund and is governed by the Federal Credit Reform Act of 1990 as amended.

During FY 2004, modified loans resulting in a reduction of principal and interest just less than \$1 billion with the remaining amount of debt transferred to CCC's Debt Reduction Fund.

During FY 2003, two debts were modified. This resulted in \$22 million and \$32 million reductions in principal and interest with the remaining amount of debt transferred from CCC's liquidating/financing fund to its Debt Reduction Fund.

### **Interest Credit**

Approximately \$18,300 and \$18,600 million of RHS unpaid loan principal as of September 30, 2004, and 2003 were receiving interest credit, respectively. If those loans receiving interest credit had accrued interest at the full-unreduced rate, interest income would have been approximately \$1,100 million higher for FY 2004 and 2003.

**Restructured Loans**

At the end of FY 2004 and 2003, the RD portfolio contained approximately 88,000 and 96,000 restructured loans with an outstanding unpaid principal balance of \$2,500 and \$5,900 million, respectively.

**Table 1. Total Loans Receivable and Related Foreclosed Property, Net**

FY 2004

Direct Loans	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Present Value Allowance	Value of Assets Related to Direct Loans
<b>Obligated Pre - 1992</b>					
Foreign Loans	\$ 6,244	\$ 71	\$ -	\$ (2,930)	\$ 3,385
Farm Loans	2,809	171	28	(335)	2,673
Home Loans	13,215	124	17	(5,587)	7,769
Utility Loans	15,371	37	-	(1,938)	13,470
Community Loans	1,854	19	-	(289)	1,584
Business and Industry Loans	60	-	-	(28)	32
<b>Total Pre - 1992</b>	<b>39,553</b>	<b>422</b>	<b>45</b>	<b>(11,107)</b>	<b>28,913</b>
<b>Obligated Post -1991</b>					
Foreign Loans	3,007	34	-	(1,821)	1,220
Farm Loans	4,661	120	5	(610)	4,176
Home Loans	13,875	87	24	(2,066)	11,920
Utility Loans	17,014	7	-	(753)	16,268
Community Loans	6,009	63	-	(760)	5,312
Business and Industry Loans	524	2	-	(236)	290
<b>Total Post - 1991</b>	<b>45,090</b>	<b>313</b>	<b>29</b>	<b>(6,246)</b>	<b>39,186</b>
<b>Total Direct Loan Program Receivables</b>	<b>84,643</b>	<b>735</b>	<b>74</b>	<b>(17,353)</b>	<b>68,099</b>
<b>Defaulted Guarantee Loans</b>					
<b>Pre - 1992</b>					
Foreign Loans	4,709	21	(2,204)	-	2,526
Business and Industry Loans	5	1	-	-	6
<b>Total Pre - 1992</b>	<b>4,714</b>	<b>22</b>	<b>(2,204)</b>	<b>-</b>	<b>2,532</b>
<b>Post - 1991</b>					
Foreign Loans	1,794	27	(873)	-	948
Community Loans	4	-	-	-	4
Business and Industry Loans	176	-	-	(10)	166
<b>Total Post - 1991</b>	<b>1,974</b>	<b>27</b>	<b>(873)</b>	<b>(10)</b>	<b>1,118</b>
<b>Total Defaulted Guarantee Loans</b>	<b>6,688</b>	<b>49</b>	<b>(3,077)</b>	<b>(10)</b>	<b>3,650</b>
<b>Loans Exempt from Credit Reform Act</b>					
Commodity Loans	1,798	-	-	-	1,798
Other Foreign Receivables	294	-	-	-	294
<b>Total Loans Exempt</b>	<b>2,092</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,092</b>
<b>Total Loans Receivable and Related Foreclosed Property, Net</b>					<b>\$ 73,841</b>

**Table 1. Total Loans Receivable and Related Foreclosed Property, Net**

FY 2003

Direct Loans	Loans		Foreclosed Property	Present Value Allowance	Value of Assets Related to Direct Loans
	Receivable, Gross	Interest Receivable			
<b>Obligated Pre - 1992</b>					
Foreign Loans	\$ 7,545	\$ 75	\$ -	\$ (4,045)	\$ 3,575
Farm Loans	3,375	200	36	(821)	2,790
Home Loans	14,219	123	31	(5,801)	8,572
Utility Loans	17,581	8	-	(2,070)	15,519
Community Loans	2,127	19	-	(355)	1,791
Business and Industry Loans	64	-	-	(30)	34
<b>Total Pre - 1992</b>	<b>44,911</b>	<b>425</b>	<b>67</b>	<b>(13,122)</b>	<b>32,281</b>
<b>Obligated Post -1991</b>					
Foreign Loans	2,981	35	-	(1,747)	1,269
Farm Loans	4,741	129	6	(749)	4,127
Home Loans	13,435	68	30	(1,980)	11,553
Utility Loans	14,478	200	-	(1,162)	13,516
Community Loans	5,565	49	-	(809)	4,805
Business and Industry Loans	525	2	-	(199)	328
<b>Total Post - 1991</b>	<b>41,725</b>	<b>483</b>	<b>36</b>	<b>(6,646)</b>	<b>35,598</b>
<b>Total Direct Loan Program Receivables</b>	<b>86,636</b>	<b>908</b>	<b>103</b>	<b>(19,768)</b>	<b>67,879</b>
<b>Defaulted Guarantee Loans</b>					
<b>Pre - 1992</b>					
Foreign Loans	4,943	55	-	(2,203)	2,795
Business and Industry Loans	5	1	-	-	6
	<u>4,948</u>	<u>56</u>	<u>-</u>	<u>(2,203)</u>	<u>2,801</u>
<b>Post - 1991</b>					
Foreign Loans	1,800	28	-	(1,161)	667
Business and Industry Loans	189	2	-	(10)	181
<b>Total Post - 1991</b>	<b>1,989</b>	<b>30</b>	<b>-</b>	<b>(1,171)</b>	<b>848</b>
<b>Total Defaulted Guarantee Loans</b>	<b>6,937</b>	<b>86</b>	<b>-</b>	<b>(3,374)</b>	<b>3,649</b>
<b>Loans Exempt from Credit Reform Act:</b>					
Commodity Loans	1,644	119	-	(48)	1,715
Other Foreign Receivables	353	-	-	(6)	347
<b>Total Loans Exempt</b>	<b>1,997</b>	<b>119</b>	<b>-</b>	<b>(54)</b>	<b>2,062</b>
<b>Total Loans Receivable and Related Foreclosed Property, Net</b>					<b>\$ 73,590</b>

**Table 2. Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1999)  
Direct Loans**

	FY 2004	FY 2003
Beginning balance of the subsidy cost allowance	\$ 6,654	\$ 7,047
Add: Subsidy expense for direct loans disbursed during the year by component		
Interest rate differential costs	(83)	112
Default costs (net of recoveries)	211	234
Fees and other collections	(12)	(32)
Other subsidy costs	339	220
Total subsidy expense prior to adjustments and reestimates	455	534
Adjustments		
Loan modifications	142	58
Fees received	17	14
Loans written off	(405)	(163)
Subsidy allowance amortization	(317)	(198)
Other	437	(103)
Total subsidy cost allowance before reestimates	6,983	7,189
Add or subtract subsidy reestimates by component		
Interest rate reestimate	275	81
Technical/default reestimate	(1,002)	(616)
Total reestimates	(727)	(535)
Ending balance of the subsidy cost allowance	\$ 6,256	\$ 6,654

**Table 3. Direct Loan Subsidy Expense by Program and Component**

FY 2004

Direct Loan Programs	Interest		Fees and Other		Subtotal Subsidy	Total Modifications	Rate Re-estimates	Technical Re-estimates	Total Re-estimates	Total Subsidy Expense
	Differential	Defaults	Collections	Other						
P.L. 480, Title I	\$ 21	\$ 10	\$ -	\$ 3	\$ 34	\$ 141	\$ (3)	\$ (201)	\$ (204)	\$ (29)
Debt Reduction Fund	-	-	-	-	-	-	-	(118)	(118)	(118)
Farm Storage Facility Loan Program	(1)	1	-	-	-	-	2	7	9	9
Agriculture Credit Insurance Fund (ACIF)	(29)	162	-	(10)	123	-	(14)	(202)	(216)	(93)
Rural Community Facilities Fund	14	1	-	(1)	14	-	(13)	(1)	(14)	-
Rural Housing Insurance Fund	(161)	32	(12)	356	215	-	3	(23)	(20)	195
Rural Electrification Loans	(19)	3	-	(6)	(22)	-	352	(455)	(103)	(125)
Rural Telephone Loans	1	1	-	(1)	1	-	13	(40)	(27)	(26)
Rural Telephone Bank	1	-	-	-	1	-	(3)	(5)	(8)	(7)
Rural Water and Waste Disposal Loans	73	1	-	(3)	71	-	(67)	5	(62)	9
Rural Business and Industry Loans	-	-	-	-	-	-	5	37	42	42
Rural Development Loan Fund	13	-	-	-	13	-	(1)	(2)	(3)	10
Rural Economic Development Loans	4	-	-	-	4	-	(1)	(1)	(2)	2
<b>Total Subsidy Expense, Direct Loans</b>	<b>\$ (83)</b>	<b>\$ 211</b>	<b>\$ (12)</b>	<b>\$ 338</b>	<b>\$ 454</b>	<b>\$ 141</b>	<b>\$ 273</b>	<b>\$ (999)</b>	<b>\$ (726)</b>	<b>\$ (131)</b>

FY 2003

Direct Loan Programs	Interest		Fees and Other		Subtotal Subsidy	Total Modifications	Rate Re-estimates	Technical Re-estimates	Total Re-estimates	Total Subsidy Expense
	Differential	Defaults	Collections	Other						
P.L. 480, Title I	\$ 28	\$ 19	\$ -	\$ 3	\$ 50	\$ 58	\$ (1)	\$ 45	\$ 44	\$ 152
Debt Reduction Fund	-	-	-	-	-	-	-	(83)	(83)	(83)
Food for Progress	-	-	-	-	-	-	-	(81)	(81)	(81)
Farm Storage Facility Loan Program	-	1	-	-	1	-	-	(8)	(8)	(7)
Agriculture Credit Insurance Fund (ACIF)	(28)	185	-	(8)	149	-	(53)	(648)	(701)	(552)
Rural Community Facilities Fund	18	2	-	(1)	19	-	1	(9)	(8)	11
Rural Housing Insurance Fund	11	23	(32)	231	233	-	4	(192)	(188)	45
Rural Electrification Loans	(19)	4	-	(2)	(17)	-	94	359	453	436
Rural Telephone Loans	1	-	-	-	1	-	6	30	36	37
Rural Telephone Bank	1	-	-	-	1	-	-	(6)	(6)	(5)
Rural Water and Waste Disposal Loans	85	1	-	(3)	83	-	40	(37)	3	86
Rural Business and Industry Loans	-	-	-	-	-	-	(3)	10	7	7
Rural Development Loan Fund	12	-	-	-	12	-	(6)	3	(3)	9
Rural Economic Development Loans	3	-	-	-	3	-	-	(1)	(1)	2
<b>Total Subsidy Expense, Direct Loans</b>	<b>\$ 112</b>	<b>\$ 235</b>	<b>\$ (32)</b>	<b>\$ 220</b>	<b>\$ 535</b>	<b>\$ 58</b>	<b>\$ 82</b>	<b>\$ (618)</b>	<b>\$ (536)</b>	<b>\$ 57</b>

**Table 4. Total Amount of Direct Loans Disbursed (Post-1991)**

Direct Loans	<u>FY 2004</u>	<u>FY 2003</u>
Farm and Foreign Agricultural Services Mission Area		
P.L. 480, Title I	\$ 60	\$ 65
Farm Storage Facility Loan Program	61	44
Agriculture Credit Insurance Fund (ACIF)	894	1,084
Mission area total	<u>1,015</u>	<u>1,193</u>
Rural Development Mission Area		
Rural Community Facilities Fund	232	228
Rural Housing Insurance Fund	1,395	1,163
Distance Learning and Telemedicine Loans	58	44
Rural Electrification Loans	2,600	3,007
Rural Telephone Loans	319	256
Rural Telephone Bank	67	56
Rural Water and Waste Disposal Loans	700	754
Rural Business and Industry Loans	-	2
Rural Development Loan Fund	28	26
Rural Economic Development Loans	16	11
Mission area total	<u>5,415</u>	<u>5,547</u>
Total Direct Loans Disbursed	<u>\$ 6,430</u>	<u>\$ 6,740</u>



**Table 5. Loan Guarantees Outstanding**

	Pre - 1992 Outstanding Principal, Face Value	Post - 1991 Outstanding Principal, Face Value	<b>Total Outstanding Principal, Face Value</b>	Pre - 1992 Outstanding Principal, Guaranteed	Post - 1991 Outstanding Principal, Guaranteed	<b>Total Outstanding Principal, Guaranteed</b>
<b>FY 2004</b>						
Guaranteed Loans						
Farm and Foreign Agricultural Services Mission Area						
Agriculture Credit Insurance Fund (ACIF)	\$ 152	\$ 10,224	\$ 10,376	\$ 134	\$ 9,183	\$ 9,317
Export Credit Guarantee Programs	-	5,041	5,041	-	4,833	4,833
Mission area total	<u>152</u>	<u>15,265</u>	<u>15,417</u>	<u>134</u>	<u>14,016</u>	<u>14,150</u>
Rural Development Mission Area						
Rural Community Facilities Fund	-	437	437	-	375	375
Rural Housing Insurance Fund	9	13,549	13,558	8	12,194	12,202
Rural Electrification Loans	255	221	476	255	221	476
Rural Water and Waste Disposal Loans	-	33	33	-	27	27
Rural Business and Industry Loans	41	4,194	4,235	31	3,105	3,136
Rural Cooperative Development Fund	4	-	4	3	-	3
Mission area total	<u>309</u>	<u>18,434</u>	<u>18,743</u>	<u>297</u>	<u>15,922</u>	<u>16,219</u>
Total Guarantees Disbursed	<u>\$ 461</u>	<u>\$ 33,699</u>	<u>\$ 34,160</u>	<u>\$ 431</u>	<u>\$ 29,938</u>	<u>\$ 30,369</u>
<b>FY 2003</b>						
Guaranteed Loans						
Farm and Foreign Agricultural Services Mission Area						
Agriculture Credit Insurance Fund (ACIF)	\$ 201	\$ 10,090	\$ 10,291	\$ 178	\$ 9,061	\$ 9,239
Export Credit Guarantee Programs	-	4,820	4,820	-	4,657	4,657
Agriculture Research Conservation Demonstration (ARCD)	-	24	24	-	24	24
Mission area total	<u>201</u>	<u>14,934</u>	<u>15,135</u>	<u>178</u>	<u>13,742</u>	<u>13,920</u>
Rural Development Mission Area						
Rural Community Facilities Fund	-	373	373	-	319	319
Rural Housing Insurance Fund	12	13,420	13,432	10	12,078	12,088
Rural Electrification Loans	293	224	517	293	224	517
Rural Water and Waste Disposal Loans	-	29	29	-	23	23
Rural Business and Industry Loans	51	4,032	4,083	39	2,976	3,015
Rural Cooperative Development Fund	4	-	4	3	-	3
Mission area total	<u>360</u>	<u>18,078</u>	<u>18,438</u>	<u>345</u>	<u>15,620</u>	<u>15,965</u>
Total Guarantees Disbursed	<u>\$ 561</u>	<u>\$ 33,012</u>	<u>\$ 33,573</u>	<u>\$ 523</u>	<u>\$ 29,362</u>	<u>\$ 29,885</u>

**Table 6. Liability for Loan Guarantees (Present Value Method for Pre-1992 Guarantees)**

FY 2004	Liabilities for Losses on Pre- 1992 Guarantees Present Value	Liabilities for Loan Guarantees on Post- 1991 Guarantees Present Value	Total Liabilities for Loan Guarantees
Liability for Loan Guarantees			
Farm and Foreign Agricultural Services Mission Area			
Export Credit Guarantee Programs	\$ -	\$ 240	\$ 240
Agriculture Credit Insurance Fund (ACIF)	<u>2</u>	<u>162</u>	<u>164</u>
Total Mission area	<u>2</u>	<u>402</u>	<u>404</u>
Rural Development Mission Area			
Rural Community Facilities Fund	-	7	7
Rural Housing Insurance Fund	-	440	440
Rural Business and Industry Loans	<u>3</u>	<u>334</u>	<u>337</u>
Total Mission area	<u>3</u>	<u>781</u>	<u>784</u>
Total Liability for Loan Guarantees	<u>\$ 5</u>	<u>\$ 1,183</u>	<u>\$ 1,188</u>
FY 2003	Liabilities for Losses on Pre- 1992 Guarantees Present Value	Liabilities for Loan Guarantees on Post- 1991 Guarantees Present Value	Total Liabilities for Loan Guarantees
Liability for Loan Guarantees			
Farm and Foreign Agricultural Services Mission Area			
Export Credit Guarantee Programs	\$ -	\$ 22	\$ 22
Agriculture Credit Insurance Fund (ACIF)	<u>4</u>	<u>130</u>	<u>134</u>
Total Mission area	<u>4</u>	<u>152</u>	<u>156</u>
Rural Development Mission Area			
Rural Community Facilities Fund	-	1	1
Rural Housing Insurance Fund	-	399	399
Rural Business and Industry Loans	<u>2</u>	<u>325</u>	<u>327</u>
Total Mission area	<u>2</u>	<u>725</u>	<u>727</u>
Total Liability for Loan Guarantees	<u>\$ 6</u>	<u>\$ 877</u>	<u>\$ 883</u>

**Table 7. Schedule for Reconciling Loan Guarantee Liability**

	FY 2004	FY 2003
Beginning balance of the loan guarantee liability	\$ 876	\$ 1,034
Add: Subsidy expense for guaranteed loans disbursed during the year by component		
Interest rate differential costs	35	45
Default costs (net of recoveries)	481	339
Fees and other collections	(105)	(141)
Total of the above subsidy expense components	411	243
Adjustments		
Fees received	116	96
Interest supplements paid	(4)	(47)
Claim payments to lenders	(372)	(301)
Interest accumulation on the liability balance	31	48
Other	847	(115)
Ending balance of the subsidy cost allowance before reestimates	1,905	958
Add or subtract subsidy reestimates by component		
Interest rate reestimate	(202)	32
Technical/default reestimate	(520)	(114)
Total of the above reestimate components	(722)	(82)
Ending balance of the loan guarantee liability	\$ 1,183	\$ 876

**Table 8. Guarantee Loan Subsidy Expense by Program and Component**

FY 2004

	Interest		Fees and Other		Subtotal	Total Modifi- cations	Interest Rate Re- estimates	Technical Re- estimates	Total Re- estimates	Total Subsidy Expense
	Supplement	Defaults	Collections	Other						
Guaranteed Loan Programs										
Export Credit Guarantee Programs	\$ -	\$ 271	\$ (25)	\$ -	\$246	\$ -	\$ (259)	\$ (549)	\$ (808)	\$ (562)
Farm Operating—Unsubsidized	-	40	(8)	-	32	-	5	(25)	(20)	12
Farm Operating—Subsidized	27	9	(2)	-	34	-	1	-	1	35
Farm Ownership—Unsubsidized	-	15	(10)	-	5	-	3	(7)	(4)	1
Rural Community Facilities	-	-	(1)	-	(1)	-	-	13	13	12
Rural Housing Insurance Fund	8	90	(46)	-	52	-	40	(1)	39	91
Rural Business and Industry Loans	-	54	(12)	-	42	-	8	49	57	99
Total Loan Guarantee Subsidy Expense	\$ 35	\$ 479	\$ (104)	\$ -	\$410	\$ -	\$ (202)	\$ (520)	\$ (722)	\$ (312)

FY 2003

	Interest		Fees and Other		Subtotal	Total Modifi- cations	Interest Rate Re- estimates	Technical Re- estimates	Total Re- estimates	Total Subsidy Expense
	Supplement	Defaults	Collections	Other						
Guaranteed Loan Programs										
Export Credit Guarantee Programs	\$ -	\$ 93	\$ (8)	\$ -	\$ 85	\$ -	\$ 4	\$ (205)	\$ (201)	\$ (116)
Farm Operating—Unsubsidized	-	41	(9)	-	32	-	2	(21)	(19)	13
Farm Operating—Subsidized	39	14	(4)	-	49	-	(4)	(14)	(18)	31
Farm Ownership—Unsubsidized	-	20	(11)	-	9	-	4	(6)	(2)	7
Rural Community Facilities	-	-	(1)	-	(1)	-	-	(2)	(2)	(3)
Rural Housing Insurance Fund	6	129	(98)	-	37	-	13	58	71	108
Rural Business and Industry Loans	-	42	(11)	-	31	-	12	75	87	118
Total Loan Guarantee Subsidy Expense	\$ 45	\$ 339	\$ (142)	\$ -	\$242	\$ -	\$ 31	\$ (115)	\$ (84)	\$ 158

**Table 9. Guaranteed Loans Disbursed**

	FY 2004		FY 2003	
	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed
Guaranteed Loans				
Farm and Foreign Agricultural Services Mission Area				
Export Credit Guarantee Programs	\$ 3,873	\$ 3,372	\$ 2,770	\$ 2,529
Agriculture Credit Insurance Fund (ACIF)	2,347	2,108	2,592	2,328
Total Mission area	<u>6,220</u>	<u>5,480</u>	<u>5,362</u>	<u>4,857</u>
Rural Development Mission Area				
Rural Community Facilities Fund	135	116	138	117
Rural Housing Insurance Fund	3,420	3,078	2,992	2,693
Rural Electrification Loans	18	18	-	-
Rural Water and Waste Disposal Loans	4	3	3	2
Rural Business and Industry Loans	924	725	654	513
Total Mission area	<u>4,501</u>	<u>3,940</u>	<u>3,787</u>	<u>3,325</u>
Total Guaranteed Loans Disbursed	<u>\$ 10,721</u>	<u>\$ 9,420</u>	<u>\$ 9,149</u>	<u>\$ 8,182</u>

**Table 10. Administrative Expenses**

	FY 2004	FY 2003
Direct Loan Programs		
P.L. 480, Title 1	\$ 2	\$ 2
Agriculture Credit Insurance Fund (ACIF)	283	277
Rural Development	282	256
Total	<u>\$ 567</u>	<u>\$ 535</u>
Guaranteed Loan Programs		
Export Credit Guarantee Programs	\$ 4	\$ 4
Rural Development	159	155
Total	<u>\$ 163</u>	<u>\$ 159</u>

**Table 11. Subsidy Rates for Direct Loans (percentage)**

FY 2004	Interest		Fees and Other		Total
	Differential	Defaults	Collections	Other	
Direct Loan Programs					
Farm Storage Facility Loan Program	(0.97)	1.62	(0.11)	0.68	1.22
P.L. 480, Title 1	42.49	24.53	-	11.88	78.90
Farm Operating	(3.05)	16.48	-	0.99	14.42
Farm Ownership	(6.48)	37.56	-	(9.00)	22.08
Emergency Disaster	2.15	18.10	-	(6.42)	13.83
Indian Land Acquisition	(1.02)	0.76	-	(0.52)	(0.78)
Boll Weevil Eradication	(6.73)	1.58	-	(0.92)	(6.07)
Community Facilities Loans	(0.48)	0.19	-	(0.42)	(0.71)
Section 502 Direct Single Family Housing	(19.23)	2.62	-	25.88	9.27
Section 504 Direct Housing Repair	25.08	2.59	-	(0.21)	27.46
Section 203 Credit Sales (SFH)	(21.54)	1.22	-	2.86	(17.46)
Section 514 Farm Labor Housing	42.74	0.03	-	(0.04)	42.73
Section 515 Rural Rental Housing	(20.70)	0.01	-	63.70	43.01
Section 524 Housing Site Development	(4.76)	3.37	-	1.36	(0.03)
Section 523 Self-Help Housing Land	0.13	3.22	-	(0.27)	3.08
Section 209 Credit Sales	(21.32)	0.07	-	65.45	44.20
Electric Municipal	(2.26)	0.03	-	(0.19)	(2.42)
FFB Electric	(1.35)	0.01	-	(0.65)	(1.99)
Direct Electric Hardship	(2.27)	0.03	-	(0.09)	(2.33)
Telephone Treasury	-	0.04	-	0.01	0.05
FFB Telephone	(1.04)	0.11	-	(0.92)	(1.85)
Telephone Hardship	(4.49)	0.02	-	0.03	(4.44)
Rural Telephone Bank	(4.29)	0.02	-	(0.05)	(4.32)
Direct Water and Waste Disposal	3.56	0.09	-	(0.32)	3.33
Intermediary Relending Program	43.27	-	-	-	43.27
Rural Economic Development	19.61	0.04	-	(1.04)	18.61
Electric Treasury	-	0.03	-	(0.09)	(0.06)
Broadband 4%	2.79	2.15	-	-	4.94
Broadband	-	2.28	-	(0.10)	2.18

FY 2003	Interest		Fees and Other		Total
	Differential	Defaults	Collections	Other	
Direct Loan Programs					
Farm Storage Facility Loan Program	(0.88)	2.27	(0.11)	-	1.28
P.L. 480, Title 1	47.24	22.04	-	5.83	75.11
Farm Operating	(4.34)	20.36	-	1.23	17.25
Farm Ownership	(8.17)	27.53	-	(7.75)	11.61
Emergency Disaster	8.48	15.24	-	(3.33)	20.39
Indian Land Acquisition	7.79	8.02	-	(6.86)	8.95
Boll Weevil Eradication	(9.56)	8.35	-	(1.49)	(2.70)
Community Facilities Loans	6.80	0.20	-	(0.76)	6.24
Modular Housing Loans	21.03	(0.10)	-	(3.01)	17.92
Section 502 Direct Single Family Housing	(12.90)	2.68	-	29.59	19.37
Section 504 Direct Housing Repair	28.98	2.27	-	(0.23)	31.02
Section 203 Credit Sales (SFH)	(16.51)	1.17	-	5.76	(9.58)
Section 514 Farm Labor Housing	48.64	0.07	-	0.31	49.02
Section 515 Rural Rental Housing	(13.18)	0.03	-	59.78	46.63
Section 524 Housing Site Development	(4.02)	3.92	-	1.19	1.09
Section 523 Self-Help Housing Land	1.15	3.72	-	(0.46)	4.41
Section 209 Credit Sales	(13.12)	0.03	-	59.77	46.68
Electric Municipal	4.46	-	-	(0.43)	4.03
FFB Electric	(1.26)	0.04	-	(0.60)	(1.82)
Direct Electric Hardship	5.84	-	-	(0.13)	5.71
Telephone Treasury	-	0.02	-	0.03	0.05
FFB Telephone	(1.09)	0.13	-	(1.40)	(2.36)
Telephone Hardship	1.71	-	-	-	1.71
Rural Telephone Bank	2.21	0.02	-	(0.85)	1.38
Direct Water and Waste Disposal	11.77	0.10	-	(0.53)	11.34
Intermediary Relending Program	48.32	-	-	(0.06)	48.26
Rural Economic Development	22.46	0.05	-	(1.15)	21.36
Electric Treasury	-	0.03	-	(0.07)	(0.04)
Distance Learning and Telemedicine	0.41	-	-	(1.56)	(1.15)
Broadband	-	5.21	-	(0.05)	5.16

**Table 12. Subsidy Rates for Loan Guarantees (percentage)**

FY 2004	Interest		Fees and Other		Total
	Differential	Defaults	Collections	Other	
Guaranteed Loan Programs					
Export Credit Guarantee Program	-	7.48	(0.66)	-	6.82
Farm Operating—Unsubsidized	-	4.23	(0.90)	-	3.33
Farm Operating—Subsidized	10.18	3.48	(0.89)	-	12.77
Farm Ownership—Unsubsidized	-	1.44	(0.90)	-	0.54
Rural Community Facilities Loans	-	0.23	(0.83)	-	(0.60)
Section 538 Multiple Family	9.61	0.56	(4.22)	-	5.95
Section 502 Single Family	-	3.07	(1.50)	-	1.57
NADBANK Loans	-	4.53	(1.59)	-	2.94
Business and Industry Loans	-	6.33	(1.48)	0.01	4.86
Electric	-	0.06	-	-	0.06
Water and Waste Disposal Loans	-	-	(0.90)	-	(0.90)
Local Television	-	8.96	(0.50)	-	8.46
Guaranteed & Broadband Loans	-	3.90	-	-	3.90
Section 502 Single Family- Refinance	-	0.79	(0.50)	-	0.29

FY 2003	Interest		Fees and Other		Total
	Differential	Defaults	Collections	Other	
Guaranteed Loan Programs					
Export Credit Guarantee Program	-	7.64	(0.68)	-	6.96
Farm Operating—Unsubsidized	-	4.07	(0.90)	-	3.17
Farm Operating—Subsidized	9.31	3.38	(0.89)	-	11.80
Farm Ownership—Unsubsidized	-	1.64	(0.89)	-	0.75
Rural Community Facilities Loans	-	0.28	(0.82)	-	(0.54)
Section 538 Multiple Family	8.22	-	(3.72)	-	4.50
Section 502 Single Family	-	2.72	(2.00)	-	0.72
NADBANK Loans	-	6.15	(1.59)	-	4.56
Business and Industry Loans	-	5.45	(1.48)	-	3.97
Electric	-	0.08	-	-	0.08
Water and Waste Disposal Loans	-	-	(0.81)	-	(0.81)
Section 502 Single Family - Refinance	-	0.68	(0.50)	-	0.18

**NOTE 8. INVENTORY AND RELATED PROPERTY, NET**

In FY 2003, the Departmental Working Capital Fund began recognizing inventory of supplies to be consumed in the production of goods for sale or in the provision of services for a fee. The inventory mainly consists of copier paper, toner and other office supplies purchased in bulk. In FY 2003, the FS changed its method of accounting for operating material and supplies. Previously, FS had capitalized operating materials and supplies when purchased and recognized an expense when consumed in normal operations. Under the new accounting method, operating materials and supplies are expensed when purchased.

Commodity inventory is restricted for the purpose of alleviating distress caused by natural disasters, providing emergency food assistance in developing countries and providing price support and stabilization. Commodity donations and loan forfeitures are estimated to be \$645 and \$25 million in FY 2005, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	FY 2004		FY 2003	
		\$		\$
Inventories		<u>1</u>		<u>2</u>
Commodities:	Volume (in millions)	Amount	Volume (in millions)	Amount
Corn (In Bushels):				
On hand at the beginning of the year	16	29	18	33
Acquired during the year	19	52	20	57
Disposed of during the year				
Sales	(22)	(58)	(11)	(31)
Donations	-	(1)	(11)	(31)
Other	(1)	-	-	1
On hand at the end of the year	<u>12</u>	<u>22</u>	<u>16</u>	<u>29</u>
Wheat (In Bushels):				
On hand at the beginning of the year	81	290	102	364
Acquired during the year	56	240	84	392
Disposed of during the year				
Sales	(51)	(221)	(65)	(280)
Donations	(4)	(16)	(39)	(193)
Other	(1)	(2)	(1)	7
On hand at the end of the year	<u>81</u>	<u>291</u>	<u>81</u>	<u>290</u>
Nonfat Dry Milk (In Pounds):				
On hand at the beginning of the year	1,440	1,294	1,332	1,279
Acquired during the year	359	288	634	512
Disposed of during the year				
Sales	(381)	(344)	(269)	(257)
Donations	(436)	(388)	(253)	(262)
Other	(321)	(256)	(4)	22
On hand at the end of the year	<u>661</u>	<u>594</u>	<u>1,440</u>	<u>1,294</u>
Sugar (In Pounds):				
On hand at the beginning of the year	-	-	514	101
Acquired during the year	32	8	-	-
Disposed of during the year				
Sales	-	-	(462)	(92)
Other	-	-	(52)	(9)
On hand at the end of the year	<u>32</u>	<u>8</u>	<u>-</u>	<u>-</u>
Tobacco (In Pounds):				
On hand at the beginning of the year	96	278	225	599
Acquired during the year	-	-	-	1
Disposed of during the year				
Sales	(2)	(4)	-	-
Other	(93)	(272)	(129)	(322)
On hand at the end of the year	<u>1</u>	<u>2</u>	<u>96</u>	<u>278</u>
Other:				
On hand at the beginning of the year		93		109
Acquired during the year		871		4,023
Disposed of during the year				
Sales		(689)		(3,804)
Donations		(239)		(244)
Other		(3)		9
On hand at the end of the year		<u>33</u>		<u>93</u>
Allowance for losses		(809)		(1,708)
Total Commodities		<u>141</u>		<u>276</u>
Total Inventory and Related Property, Net		<u>\$ 142</u>		<u>\$ 278</u>



**NOTE 9. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET**

During FY 2004 the Department implemented the Corporate Property Automated Information System (CPAIS). CPAIS tracks and manages real property assets including owned, leased and General Services Administration (GSA)-assigned property. It serves as the subsidiary ledger for owned property by recording the acquisition, depreciation and disposal of property.

Prior to the CPAIS implementation, depreciation calculations were made based on the actual date an asset was placed into service. CPAIS utilizes the mid-year convention methodology for calculation of depreciation. Additionally, the implementation of CPAIS standardizes the useful life tables for adding structures and their improvements to the system. The useful life table methodology for depreciation calculation is consistent with GSA and OMB standards.

As a result of these changes, an additional \$73 million of depreciation was recorded in the current fiscal year.

In FY 1995–1999 the construction costs of the George Washington Carver Center (GWCC) (a USDA owned building) and the renovations and improvements to the South Building (a GSA-owned building) were expensed. In FY 2004, \$83 million was recorded to capitalize GWCC for \$55 million, and leasehold improvements for the South Building of \$28 million. Accumulated amortization for the building and leasehold improvements of \$23 million was recorded, and prior year expensed costs for the 2 buildings of \$60 million were reversed. An additional \$25 million in depreciation was recorded for the 2 buildings as a result of the conversion to CPAIS.

FY 2004	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land and Land Rights		\$ 76	\$ -	\$ 76
Improvements to Land	10 - 50	4,917	2,480	2,437
Construction-in-Progress		438	-	438
Buildings, Improvements and Renovations	15 - 30	1,766	983	783
Other Structures and Facilities	15 - 50	1,544	1,092	452
Equipment	5 - 20	1,842	1,378	464
Assets Under Capital Lease	3 - 20	40	17	23
Leasehold Improvements	10	46	26	20
Internal-Use Software	5 - 8	335	163	172
Internal-Use Software in Development		43	-	43
Other General Property, Plant and Equipment	5 - 15	6	-	6
<b>Total</b>		<b>\$ 11,053</b>	<b>\$ 6,139</b>	<b>\$ 4,914</b>

FY 2003	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land and Land Rights		\$ 77	\$ -	\$ 77
Improvements to Land	10 - 50	4,872	2,375	2,497
Construction-in-Progress		320	-	320
Buildings, Improvements and Renovations	15 - 30	1,681	859	822
Other Structures and Facilities	15 - 50	1,516	1,048	468
Equipment	5 - 20	1,937	1,402	535
Assets Under Capital Lease	3 - 20	41	17	24
Leasehold Improvements	10	12	8	4
Internal-Use Software	5 - 8	264	130	134
Internal-Use Software in Development		32	-	32
Other General Property, Plant and Equipment	5 - 15	6	-	6
<b>Total</b>		<b>\$ 10,758</b>	<b>\$ 5,839</b>	<b>\$ 4,919</b>

## NOTE 10. OTHER ASSETS

In FY 2004 and 2003, other assets include investments of \$35 million in trust for loan asset sales.

	FY 2004	FY 2003
Intragovernmental:		
Advances to Others	\$ 1	\$ 4
Prepayments	-	3
Subtotal Intragovernmental	<u>1</u>	<u>7</u>
With the Public:		
Advances to Others	51	107
Prepayments	1	1
Other Assets	37	37
Subtotal With the Public	<u>89</u>	<u>145</u>
Total Other Assets	<u>\$ 90</u>	<u>\$ 152</u>

## NOTE 11. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

In FY 2004 and 2003, other liabilities not covered by budgetary resources includes accrued rental payments under the Conservation Reserve Program (CRP) of \$1,663 and \$1,634 million, unfunded leave of \$526 and \$524 million, and contract dispute claims payable to Treasury's Judgment Fund of \$7 million and \$192 million, respectively. Estimated losses on insurance claims were covered by budgetary resources in FY 2004 due to sufficient premium received. FY 2003 includes estimated losses on insurance claims of \$1,400 million not covered by budgetary resources.

	FY 2004	FY 2003
Intragovernmental:		
Other	\$ 168	\$ 346
Subtotal Intragovernmental	<u>168</u>	<u>346</u>
With the Public:		
Federal employee and veterans' benefits	836	940
Environmental and disposal liabilities	23	8
Benefits due and payable	36	-
Other	2,634	3,847
Total With the Public	<u>3,529</u>	<u>4,795</u>
Total liabilities not covered by budgetary resources	<u>3,697</u>	<u>5,141</u>
Total liabilities covered by budgetary resources	103,133	110,522
Total liabilities	<u>\$ 106,830</u>	<u>\$ 115,663</u>

**NOTE 12. DEBT**

	Beginning Balance	Net Borrowing	Ending Balance
FY 2004			
Intragovernmental:			
Debt to the Treasury	\$ 53,440	\$ (6,547)	\$ 46,893
Debt to the Federal Financing Bank	22,700	(540)	22,160
	<u>76,140</u>	<u>(7,087)</u>	<u>69,053</u>
Agency Debt:			
Held by the Public	80	(79)	1
Total Debt	<u>\$ 76,220</u>	<u>\$ (7,166)</u>	<u>\$ 69,054</u>
FY 2003			
Intragovernmental:			
Debt to the Treasury	\$ 53,555	\$ (115)	\$ 53,440
Debt to the Federal Financing Bank	22,379	321	22,700
	<u>75,934</u>	<u>206</u>	<u>76,140</u>
Agency Debt:			
Held by the Public	84	(4)	80
Total Debt	<u>\$ 76,018</u>	<u>\$ 202</u>	<u>\$ 76,220</u>

**NOTE 13. ENVIRONMENTAL AND DISPOSAL LIABILITIES**

USDA is subject to the Comprehensive Environmental Response, Compensation, and Liability Act, the Clean Water Act, and the Resource Conservation and Recovery Act for cleanup of hazardous waste. FS and CCC estimate the liability for total cleanup costs for sites known to contain hazardous waste to be \$8 million and \$15 million in FY 2004, and \$8 and \$13 million in FY 2003, respectively, based on actual cleanup costs at similar sites. These estimates will change as new sites are discovered, remedy standards change and new technology is introduced.

**NOTE 14. OTHER LIABILITIES**

As of September 30, 2004, and 2003, other liabilities include estimated losses on crop insurance claims of \$2,320 million and \$2,803 million respectively; stock payable to RTB borrowers of \$1,343 million and \$1,309 million respectively; amounts payable to Treasury’s General Fund due to subsidy downward reestimates of \$399 million and \$1,454 million respectively; crop insurance premium subsidy deficiency reserve of \$420 million and \$342 million respectively; and underwriting gains on crop insurance due companies of \$784 million and \$167 million respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FY 2004	Non-Current	Current	Total
Intragovernmental:			
Other Accrued Liabilities	\$ 19	\$ 582	\$ 601
Employer Contributions and Payroll Taxes	1	35	36
Unfunded FECA Liability	39	124	163
Advances from Others	3	15	18
Liability for Deposit Funds, Clearing Accounts	(1)	83	82
Resources Payable to Treasury	-	17,469	17,469
Custodial Liability	34	59	93
Other Liabilities	-	399	399
Subtotal Intragovernmental	<u>95</u>	<u>18,766</u>	<u>18,861</u>
With the Public:			
Other Accrued Liabilities	11	5,997	6,008
Accrued Funded Payroll and Leave	2	37	39
Unfunded Leave	31	495	526
Other Unfunded Employment Related Liability	-	43	43
Advances from Others	-	41	41
Deferred Credits	-	309	309
Liability for Deposit Funds, Clearing Accounts	20	614	634
Contingent Liabilities	1	9	10
Capital Lease Liability	-	23	23
Accounts Payable from Canceled Appropriations	1	-	1
Custodial Liability	-	16	16
Other Liabilities	1,361	3,618	4,979
Subtotal With the Public	<u>1,427</u>	<u>11,202</u>	<u>12,629</u>
Total Other Liabilities	<u>\$ 1,522</u>	<u>\$ 29,968</u>	<u>\$ 31,490</u>
FY 2003			
	Non-Current	Current	Total
Intragovernmental:			
Other Accrued Liabilities	\$ 16	\$ 1,030	\$ 1,046
Employer Contributions and Payroll Taxes	-	26	26
Unfunded FECA Liability	41	123	164
Advances from Others	2	21	23
Liability for Deposit Funds, Clearing Accounts	1	186	187
Resources Payable to Treasury	-	16,981	16,981
Custodial Liability	41	(14)	27
Other Liabilities	1	1,463	1,464
Subtotal Intragovernmental	<u>102</u>	<u>19,816</u>	<u>19,918</u>
With the Public:			
Other Accrued Liabilities	6	5,790	5,796
Accrued Funded Payroll and Leave	(2)	33	31
Unfunded Leave	29	495	524
Other Unfunded Employment Related Liability	-	427	427
Advances from Others	7	30	37
Deferred Credits	-	256	256
Liability for Deposit Funds, Clearing Accounts	24	904	928
Contingent Liabilities	9	9	18
Capital Lease Liability	-	23	23
Accounts Payable from Canceled Appropriations	5	-	5
Custodial Liability	-	128	128
Other Liabilities	1,327	3,361	4,688
Subtotal With the Public	<u>1,405</u>	<u>11,456</u>	<u>12,861</u>
Total Other Liabilities	<u>\$ 1,507</u>	<u>\$ 31,272</u>	<u>\$ 32,779</u>

**NOTE 15. LEASES**

USDA activities based in the Washington D.C. area are located in General Services Administration (GSA) leased facilities and USDA-owned buildings. The USDA Headquarters complex (Whitten Building, South Building and Cotton Annex) is a Government-owned facility, which is part of the GSA Federal Buildings Inventory. As the result of a 1998 Agreement between GSA and USDA, a moratorium was placed on the rental billings for the Headquarters complex beginning in FY 1999.

Pursuant to the agreement, USDA retains that portion of GSA rental payments and makes it available for the operation, maintenance and repair of the building. It also expends such funds directly for the operation, maintenance or repair of the building or facility. At current market rate, the estimated yearly rental payment for the above-mentioned space would be \$54 million. This agreement remains in effect, and as result, USDA activities located in the Headquarters complex are not billed for rental costs.

USDA has undertaken major projects to improve and maintain some of these buildings that are over 60 years old and in need of repair. In FY 2003, USDA received an appropriation to perform these major improvements for this modernization program of \$34 million.

FY 2004

Capital Leases:

Summary of Assets Under Capital Leases:

Land and Building	\$	40
Accumulated Amortization		17

Future Payments Due:

Fiscal Year	Land & Buildings
2005	11
2006	11
2007	11
2008	10
2009	10
After 5 Years	88
Total Future Lease Payments	141
Less: Imputed Interest	38
Less: Executory Costs	48
Less: Lease Renewal Options	32
Net Capital Lease Liability	<u>\$ 23</u>

Lease liabilities covered by budgetary resources \$ 23

Operating Leases:

Future Payments Due:

Fiscal Year	Land & Buildings	Machinery & Equipment	Totals
2005	101	1	102
2006	93	1	94
2007	85	1	86
2008	75	-	75
2009	67	-	67
After 5 Years	360	-	360
Total Future Lease Payments	<u>\$ 781</u>	<u>\$ 3</u>	<u>\$ 784</u>

FY 2003

Capital Leases:

Land and Building	\$ 41
Accumulated Amortization	17

Future Payments Due:

Fiscal Year	Land & Buildings
2004	11
2005	11
2006	11
2007	11
2008	10
After 5 Years	<u>97</u>
Total Future Lease Payments	151
Less: Imputed Interest	41
Less: Executory Costs	24
Less: Lease Renewal Options	<u>63</u>
Net Capital Lease Liability	<u>\$ 23</u>

Lease liabilities covered by budgetary resources \$ 23

Operating Leases:

Future Payments Due:

Fiscal Year	Land & Buildings	Machinery & Equipment	Totals
2004	85	1	86
2005	74	1	75
2006	67	-	67
2007	61	-	61
2008	53	-	53
After 5 Years	<u>331</u>	<u>-</u>	<u>331</u>
Total Future Lease Payments	<u>\$ 671</u>	<u>\$ 2</u>	<u>\$ 673</u>

## NOTE 16. COMMITMENTS AND CONTINGENCIES

USDA is subject to various claims and contingencies related to lawsuits as well as commitments under contractual and other commercial obligations.

For cases in which payment has been deemed probable and for which the amount of potential liability has been estimated, \$10 million and \$19 million has been accrued in the financial statements as of September 30, 2004, and 2003, respectively.

No amounts have been accrued in the financial statements for claims where the amount or probability of judgment is uncertain. The Department's potential liability for these claims ranges from \$475 million to \$514 million and \$211 million as of September 30, 2004, and 2003, respectively.

In FY 2004 and 2003, commitments under contractual and other commercial obligations were estimated to be \$66,000 million and \$52,000 million respectively. These consist of \$32,000 million and \$20,000 million in rental payments under the CRP, \$2,000 million and \$3,000 million in loan guarantees, and \$18,000 million and \$15,000 million in direct loans, respectively. Additionally, undelivered orders were \$14,000 million for FY 2004 and 2003.

RD has determined that no adequate funds were accrued to address future maintenance costs for the multiple family housing portfolio for 2003. For the next 5 years, approximately 4,250 properties and 85,000 apartment units will need general modernization. Costs for this process are expected in the hundreds of millions of dollars.

In FY 2003, one of the FCIC's reinsured companies, American Growers Insurance Company (AGIC) was placed under an order of supervision by the Nebraska Department of Insurance. FCIC is working with the Nebraska Department of Insurance and AGIC management to ensure that all outstanding policy claims will be paid and service to producers will continue. Approximately \$580 million of the estimated \$3,000 million losses on insurance claims for the 2002 crop year were related to business written by AGIC. While additional costs may be incurred by FCIC for other administrative costs of AGIC, they are not quantifiable at this time.

**NOTE 17. SUBORGANIZATION PROGRAM COSTS/PROGRAM COSTS BY SEGMENT**

FY 2004	FNCS	FFAS	NRE	RD	REE	MRP	FSIS	DO	Inter-Mission Area Elimination	Total
<b>Program Costs:</b>										
Intragovernmental Gross Costs:										
Benefit Program Costs	\$ 16	\$ 170	\$ 478	\$ 68	\$ 110	\$ 94	\$ 109	\$ 47	\$ -	\$ 1,092
Imputed Costs	64	198	365	98	96	114	82	27	(415)	\$ 629
Reimbursable Costs	48	293	788	69	42	130	43	255	(477)	1,191
Borrowing Interest Expense	-	598	-	3,104	-	-	-	-	-	3,702
Other	-	(183)	1	-	1	-	-	(3)	-	(184)
Total Intragovernmental Gross Costs	128	1,076	1,632	3,339	249	338	234	326	(892)	6,430
Less: Intragovernmental Earned Revenues	1	410	181	349	97	27	8	396	(476)	993
Intragovernmental Net Costs	127	666	1,451	2,990	152	311	226	(70)	(416)	5,437
Gross Costs With the Public:										
Grants	44,301	11,790	1,231	1,692	1,082	56	45	-	-	60,197
Loan Cost Subsidies	-	(1,016)	-	300	-	-	-	(1)	-	(717)
Indemnities	-	2,829	(3)	(8)	1	40	-	2	-	2,861
Commodity Program Costs	613	2,276	-	-	-	-	-	-	-	2,889
Stewardship Land Acquisition	-	26	87	-	-	-	-	-	-	113
Other	142	839	4,996	423	1,389	1,781	684	638	-	10,892
Total Gross Costs with the Public	45,056	16,744	6,311	2,407	2,472	1,877	729	638	-	76,234
Less: Earned Revenues from the Public	17	2,728	554	3,620	36	545	118	29	-	7,647
Net Costs with the Public	45,039	14,016	5,757	(1,213)	2,436	1,332	611	609	-	68,587
<b>Net Cost of Operations (Notes 17, 18 &amp; 19)</b>	<b>\$ 45,166</b>	<b>\$ 14,682</b>	<b>\$ 7,208</b>	<b>\$ 1,777</b>	<b>\$ 2,588</b>	<b>\$ 1,643</b>	<b>\$ 837</b>	<b>\$ 537</b>	<b>\$ (416)</b>	<b>\$ 74,022</b>
FY 2003	FNCS	FFAS	NRE	RD	REE	MRP	FSIS	DO	Inter-Mission Area Elimination	Total
<b>Program Costs:</b>										
Intragovernmental Gross Costs:										
Benefit Program Costs	\$ 16	\$ 162	\$ 444	\$ 64	\$ 101	\$ 98	\$ 105	\$ 44	\$ -	\$ 1,034
Imputed Costs	60	179	338	95	86	111	79	25	(392)	581
Reimbursable Costs	42	155	479	64	59	1,579	38	212	(428)	2,200
Borrowing Interest Expense	-	692	-	3,186	-	-	-	-	-	3,878
Other	-	193	-	-	-	(1)	(1)	4	-	195
Total Intragovernmental Gross Costs	118	1,381	1,261	3,409	246	1,787	221	285	(820)	7,888
Less: Intragovernmental Earned Revenues	2	419	356	322	39	16	3	344	(428)	1,073
Intragovernmental Net Costs	116	962	905	3,087	207	1,771	218	(59)	(392)	6,815
Gross Costs With the Public:										
Grants	40,537	19,016	848	1,530	1,055	71	41	-	-	63,098
Loan Cost Subsidies	-	(1,633)	-	855	-	-	-	-	-	(778)
Indemnities	-	3,768	12	8	1	59	-	-	-	3,848
Commodity Program Costs	798	5,769	-	-	-	-	-	-	-	6,567
Stewardship Land Acquisition	-	48	191	-	-	-	-	-	-	239
Other	161	2,296	5,635	2,257	1,345	1,241	697	595	-	14,227
Total Gross Costs with the Public	41,496	29,264	6,686	4,650	2,401	1,371	738	595	-	87,201
Less: Earned Revenues from the Public	54	5,572	492	3,998	28	504	108	11	-	10,767
Net Costs with the Public	41,442	23,692	6,194	652	2,373	867	630	584	-	76,434
<b>Net Cost of Operations (Notes 17, 18 &amp; 19)</b>	<b>\$ 41,558</b>	<b>\$ 24,654</b>	<b>\$ 7,099</b>	<b>\$ 3,739</b>	<b>\$ 2,580</b>	<b>\$ 2,638</b>	<b>\$ 848</b>	<b>\$ 525</b>	<b>\$ (392)</b>	<b>\$ 83,249</b>



**NOTE 17. SUBORGANIZATION PROGRAM COSTS/PROGRAM COSTS BY SEGMENT**

**Food, Nutrition and Consumer Service**

	Child Nutrition	Food Stamp	Food Donations	Women, Infants, and Children	Commodity Assistance	Total
FY 2004						
Program Costs						
Intragovernmental Gross Costs						
Benefit Program Costs	\$ -	\$ -	\$ -	\$ -	\$ 16	\$ 16
Imputed Costs	-	-	-	-	64	64
Reimbursable Costs	11	23	5	1	8	48
Total Intragovernmental Gross Costs	11	23	5	1	88	128
Less: Intragovernmental Earned Revenue	-	-	-	-	1	1
Intragovernmental Net Costs	11	23	5	1	87	127
Gross Costs With the Public						
Grants	10,941	28,372	26	4,865	97	44,301
Commodity Program Costs	347	130	47	-	89	613
Other	15	16	2	2	107	142
Total Gross Costs with the Public	11,303	28,518	75	4,867	293	45,056
Less: Earned Revenues from the Public	-	17	-	-	-	17
Net Costs with the Public	11,303	28,501	75	4,867	293	45,039
Net Cost of Operations	\$ 11,314	\$ 28,524	\$ 80	\$ 4,868	\$ 380	\$ 45,166
FY 2003						
Program Costs						
Intragovernmental Gross Costs						
Benefit Program Costs	\$ -	\$ -	\$ 16	\$ -	\$ -	\$ 16
Imputed Costs	-	-	60	-	-	60
Reimbursable Costs	5	21	15	1	-	42
Total Intragovernmental Gross Costs	5	21	91	1	-	118
Less: Intragovernmental Earned Revenue	-	-	2	-	-	2
Intragovernmental Net Costs	5	21	89	1	-	116
Gross Costs With the Public						
Grants	10,375	25,431	85	4,553	93	40,537
Commodity Program Costs	534	152	45	-	67	798
Other	17	25	117	1	1	161
Total Gross Costs with the Public	10,926	25,608	247	4,554	161	41,496
Less: Earned Revenues from the Public	-	55	(1)	-	-	54
Net Costs with the Public	10,926	25,553	248	4,554	161	41,442
Net Cost of Operations	\$ 10,931	\$ 25,574	\$ 337	\$ 4,555	\$ 161	\$ 41,558

**NOTE 17. SUBORGANIZATION PROGRAM COSTS/PROGRAM COSTS BY SEGMENT**

**Farm and Foreign Agricultural Services**

FY 2004	Commodity Operations	Income Support	Conservation Programs	Foreign Programs	Farm Loan Programs	Crop Insurance	Other	Intra-Mission Area Elimination	Total
<b>Program Costs</b>									
Intragovernmental Gross Costs									
Benefit Program Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ 164	\$ -	\$ 170
Imputed Costs	40	766	175	11	-	11	194	(999)	198
Reimbursable Costs	-	2	12	21	283	43	(13)	(55)	293
Borrowing Interest Expense	(1)	96	17	207	277	-	2	-	598
Other	4	-	-	(187)	-	-	-	-	(183)
Total Intragovernmental Gross Costs	43	864	204	52	560	60	347	(1,054)	1,076
Less: Intragovernmental Earned Revenue	6	7	-	122	136	-	191	(52)	410
Intragovernmental Net Costs	37	857	204	(70)	424	60	156	(1,002)	666
Gross Costs With the Public									
Grants	-	9,235	2,068	306	4	-	177	-	11,790
Loan Cost Subsidies	-	10	-	(988)	(38)	-	-	-	(1,016)
Indemnities	-	-	-	-	-	2,829	-	-	2,829
Commodity Program Costs	2,276	-	-	-	-	-	-	-	2,276
Stewardship Land Acquisition	-	-	26	-	-	-	-	-	26
Other	(899)	63	(6)	(120)	(319)	981	1,139	-	839
Total Gross Costs with the Public	1,377	9,308	2,088	(802)	(353)	3,810	1,316	-	16,744
Less: Earned Revenues from the Public	776	114	1	616	457	745	19	-	2,728
Net Costs with the Public	601	9,194	2,087	(1,418)	(810)	3,065	1,297	-	14,016
Net Cost of Operations	\$ 638	\$ 10,051	\$ 2,291	\$ (1,488)	\$ (386)	\$ 3,125	\$ 1,453	\$ (1,002)	\$ 14,682
<b>FY 2003</b>									
<b>Program Costs</b>									
Intragovernmental Gross Costs:	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Benefit Program Costs	-	-	-	-	-	6	156	-	162
Imputed Costs	31	711	143	8	15	11	159	(899)	179
Reimbursable Costs	-	79	38	(17)	278	32	161	(416)	155
Borrowing Interest Expense	13	136	19	179	343	-	2	-	692
Other	5	-	-	188	-	-	-	-	193
Total Intragovernmental Gross Costs	49	926	200	358	636	49	478	(1,315)	1,381
Less: Intragovernmental Earned Revenue	7	8	-	99	221	-	481	(397)	419
Intragovernmental Net Costs	42	918	200	259	415	49	(3)	(918)	962
Gross Costs With the Public									
Grants	-	16,123	1,984	695	4	-	211	-	19,017
Loan Cost Subsidies	-	(7)	-	(1,121)	(505)	-	-	-	(1,633)
Indemnities	-	-	-	-	-	3,768	-	-	3,768
Commodity Program Costs	5,770	-	-	-	-	-	-	-	5,770
Stewardship Land Acquisition	-	-	48	-	-	-	-	-	48
Other	(55)	83	(7)	(553)	773	844	1,210	-	2,295
Total Gross Costs with the Public	5,715	16,116	2,025	(979)	272	4,612	1,421	-	29,265
Less: Earned Revenues from the Public	3,212	102	(1)	491	660	1,072	36	-	5,572
Net Costs with the Public	2,503	16,014	2,026	(1,470)	(388)	3,540	1,385	-	23,693
Net Cost of Operations	\$ 2,545	\$ 17,015	\$ 2,226	\$ (1,211)	\$ 27	\$ 3,589	\$ 1,382	\$ (918)	\$ 24,655

**NOTE 17. SUBORGANIZATION PROGRAM COSTS/PROGRAM COSTS BY SEGMENT**

**Natural Resources and Environment**

FY 2004	National Forests and Grasslands	Forest Research	State and Private Forestry	Wildland Fire Management	Working Capital Fund	Natural Resources Conservation	Intra-Mission Area Elimination	Total
<b>Program Costs</b>								
<b>Intragovernmental Gross Costs</b>								
Benefit Program Costs	\$ 337	\$ 1	\$ -	\$ 11	\$ 1	\$ 128	\$ -	\$ 478
Imputed Costs	243	-	-	-	-	122	-	365
Reimbursable Costs	385	39	122	188	(121)	177	(2)	788
Other	1	-	-	-	-	-	-	1
Total Intragovernmental Gross Costs	966	40	122	199	(120)	427	(2)	1,632
Less: Intragovernmental Earned Revenue	78	24	7	10	2	62	(2)	181
Intragovernmental Net Costs	888	16	115	189	(122)	365	-	1,451
<b>Gross Costs With the Public</b>								
Grants	709	2	169	11	-	340	-	1,231
Indemnities	(10)	-	-	6	-	1	-	(3)
Stewardship Land Acquisition	87	-	-	-	-	-	-	87
Other	1,628	296	126	1,467	221	1,258	-	4,996
Total Gross Costs with the Public	2,414	298	295	1,484	221	1,599	-	6,311
Less: Earned Revenues from the Public	413	2	-	52	71	16	-	554
Net Costs with the Public	2,001	296	295	1,432	150	1,583	-	5,757
Net Cost of Operations	2,889	312	410	1,621	28	1,948	-	7,208
<b>FY 2003</b>								
FY 2003	National Forests and Grasslands	Forest Research	State and Private Forestry	Wildland Fire Management	Working Capital Fund	Natural Resources Conservation	Intra-Mission Area Elimination	Total
<b>Program Costs</b>								
<b>Intragovernmental Gross Costs</b>								
Benefit Program Costs	\$ 315	\$ 1	\$ -	\$ 9	\$ 1	\$ 118	\$ -	\$ 444
Imputed Costs	229	-	-	-	-	109	-	338
Reimbursable Costs	297	24	13	202	(145)	90	(2)	479
Total Intragovernmental Gross Costs	841	25	13	211	(144)	317	(2)	1,261
Less: Intragovernmental Earned Revenue	130	48	9	128	-	43	(2)	356
Intragovernmental Net Costs	711	(23)	4	83	(144)	274	-	905
<b>Gross Costs With the Public</b>								
Grants	421	6	237	7	-	177	-	848
Indemnities	10	-	-	1	-	1	-	12
Stewardship Land Acquisition	191	-	-	-	-	-	-	191
Other	2,036	280	130	1,733	347	1,109	-	5,635
Total Gross Costs with the Public	2,658	286	367	1,741	347	1,287	-	6,686
Less: Earned Revenues from the Public	286	28	1	104	62	11	-	492
Net Costs with the Public	2,372	258	366	1,637	285	1,276	-	6,194
Net Cost of Operations	\$ 3,083	\$ 235	\$ 370	\$ 1,720	\$ 141	\$ 1,550	\$ -	\$ 7,099

**NOTE 17. SUBORGANIZATION PROGRAM COSTS/PROGRAM COSTS BY SEGMENT**

**Rural Development**

FY 2004	Mortgage Credit	Housing Assistance	Area and Regional Development	Energy Supply Conservation	Agricultural Research	Total
<b>Program Costs</b>						
Intragovernmental Gross Costs						
Benefit Program Costs	\$ 41	\$ 4	\$ 18	\$ 5	\$ -	\$ 68
Imputed Costs	60	6	25	7	-	98
Reimbursable Costs	42	4	18	5	-	69
Borrowing Interest Expense	856	-	562	1,686	-	3,104
Total Intragovernmental Gross Costs	999	14	623	1,703	-	3,339
Less: Intragovernmental Earned Revenue	128	1	147	73	-	349
Intragovernmental Net Costs	871	13	476	1,630	-	2,990
Gross Costs With the Public						
Grants	-	875	815	-	2	1,692
Loan Cost Subsidies	275	10	168	(153)	-	300
Indemnities	(5)	-	(2)	(1)	-	(8)
Other	273	29	188	(67)	-	423
Total Gross Costs with the public	543	914	1,169	(221)	2	2,407
Less: Earned Revenues from the Public	1,280	-	624	1,716	-	3,620
Net Costs with the Public	(737)	914	545	(1,937)	2	(1,213)
Net Cost of Operations	\$ 134	\$ 927	\$ 1,021	\$ (307)	\$ 2	\$ 1,777
<b>FY 2003</b>						
<b>Program Costs</b>						
Intragovernmental Gross Costs:						
Benefit Program Costs	\$ 39	\$ 4	\$ 17	\$ 4	\$ -	\$ 64
Imputed Costs	58	5	25	7	-	95
Reimbursable Costs	39	4	16	5	-	64
Borrowing Interest Expense	892	-	586	1,708	-	3,186
Total Intragovernmental Gross Costs	1,028	13	644	1,724	-	3,409
Less: Intragovernmental Earned Revenue	101	1	142	78	-	322
Intragovernmental Net Costs	927	12	502	1,646	-	3,087
Gross Costs With the Public						
Grants	1	793	732	-	4	1,530
Loan Cost Subsidies	153	2	226	474	-	855
Indemnities	5	-	2	1	-	8
Other	1,217	27	601	412	-	2,257
Total Gross Costs with the Public	1,376	822	1,561	887	4	4,650
Less: Earned Revenues from the Public	1,482	-	607	1,909	-	3,998
Net Costs with the Public	(106)	822	954	(1,022)	4	652
Net Cost of Operations	\$ 821	\$ 834	\$ 1,456	\$ 624	\$ 4	\$ 3,739

**NOTE 17. SUBORGANIZATION PROGRAM COSTS/PROGRAM COSTS BY SEGMENT**

**Research, Education and Economics**

FY 2004	Agricultural Research	Economic Research	National Agricultural Statistics	Cooperative State Research Education and Extension	Intra-Mission Area Elimination	Total
<b>Program Costs</b>						
Intragovernmental Gross Costs						
Benefit Program Costs	\$ 88	\$ 5	\$ 12	\$ 5	\$ -	\$ 110
Imputed Costs	64	9	15	8	-	96
Reimbursable Costs	21	13	14	20	(26)	42
Other	-	1	-	-	-	1
Total Intragovernmental Gross Costs	173	28	41	33	(26)	249
Less: Intragovernmental Earned Revenue	61	2	16	44	(26)	97
Intragovernmental Net Costs	112	26	25	(11)	-	152
Gross Costs With the Public						
Grants	19	1	-	1,062	-	1,082
Indemnities	1	-	-	-	-	1
Other	1,181	52	115	41	-	1,389
Total Gross Costs with the Public	1,201	53	115	1,103	-	2,472
Less: Earned Revenues from the Public	24	-	3	9	-	36
Net Costs with the Public	1,177	53	112	1,094	-	2,436
Net Cost of Operations	\$ 1,289	\$ 79	\$ 137	\$ 1,083	\$ -	\$ 2,588
<b>FY 2003</b>						
<b>Program Costs</b>						
Intragovernmental Gross Costs:						
Benefit Program Costs	\$ 80	\$ 5	\$ 11	\$ 5	\$ -	\$ 101
Imputed Costs	56	8	14	8	-	86
Reimbursable Costs	40	18	24	34	(57)	59
Total Intragovernmental Gross Costs	176	31	49	47	(57)	246
Less: Intragovernmental Earned Revenue	71	3	12	10	(57)	39
Intragovernmental Net Costs	105	28	37	37	-	207
Gross Costs With the Public						
Grants	30	2	-	1,023	-	1,055
Indemnities	1	-	-	-	-	1
Other	1,102	51	115	77	-	1,345
Total Gross Costs with the Public	1,133	53	115	1,100	-	2,401
Less: Earned Revenues from the Public	11	(1)	3	15	-	28
Net Costs with the Public	1,122	54	112	1,085	-	2,373
Net Cost of Operations	\$ 1,227	\$ 82	\$ 149	\$ 1,122	\$ -	\$ 2,580

**NOTE 17. SUBORGANIZATION PROGRAM COSTS/PROGRAM COSTS BY SEGMENT**

**Marketing and Regulatory Programs**

			Grain	Intra-Mission	
	Agricultural	Animal and	Inspection,	Area	Total
	Marketing	Plant Health	Packers and	Elimination	
		Inspection	Stockyards		
FY 2004					
Program Costs					
Intragovernmental Gross Costs					
Benefit Program Costs	\$ 27	\$ 63	\$ 4	\$ -	\$ 94
Imputed Costs	27	77	10	-	114
Reimbursable Costs	32	101	5	(8)	130
Total Intragovernmental Gross Costs	86	241	19	(8)	338
Less: Intragovernmental Earned Revenue	2	31	2	(8)	27
Intragovernmental Net Costs	84	210	17	-	311
Grants	4	52	-	-	56
Indemnities	-	40	-	-	40
Other	836	888	57	-	1,781
Total Gross Costs with the Public	840	980	57	-	1,877
Less: Earned Revenues from the Public	178	332	35	-	545
Net Costs with the Public	662	648	22	-	1,332
Net Cost of Operations	\$ 746	\$ 858	\$ 39	\$ -	\$ 1,643
FY 2003					
Program Costs					
Intragovernmental Gross Costs:					
Benefit Program Costs	\$ 25	\$ 63	\$ 10	\$ -	\$ 98
Imputed Costs	23	79	9	-	111
Reimbursable Costs	1,486	100	3	(10)	1,579
Other	-	(1)	-	-	(1)
Total Intragovernmental Gross Costs	1,534	241	22	(10)	1,787
Less: Intragovernmental Earned Revenue	6	18	2	(10)	16
Intragovernmental Net Costs	1,528	223	20	-	1,771
Gross Costs With the Public					
Grants	4	67	-	-	71
Indemnities	-	59	-	-	59
Other	236	960	45	-	1,241
Total Gross Costs with the Public	240	1,086	45	-	1,371
Less: Earned Revenues from the Public	172	301	31	-	504
Net Costs with the Public	68	785	14	-	867
Net Cost of Operations	\$ 1,596	\$ 1,008	\$ 34	\$ -	\$ 2,638

**NOTE 18. OTHER GROSS COSTS WITH THE PUBLIC**

In FY 2004, other costs of \$624 million include the following: risk management program delivery (\$863 million), interest expense subsidy (\$846 million), other interest expense (\$366 million), adjustments to allowance for bad debt expense (\$2,525 million), other services including depreciation and assets below the capitalization threshold (\$1,458 million) and receivable for program overpayments (\$384 million).

In FY 2003, other costs of \$4,495 million include the following; risk management program delivery (\$729 million), interest expense subsidy (\$1,604 million), interest expense (\$141 million), adjustments to allowance for bad debt expense (\$617 million), other services including depreciation and assets below the capitalization threshold (\$1,404 million).

Object Class:	FY 2004	FY 2003
Personnel Compensation and Benefits	\$ 6,724	\$ 6,727
Travel and Transportation	357	366
Rent, Communications, and Utilities	302	270
Printing and Reproduction	3	4
Advisory and Assistance Services	94	170
Operation and Maintenance	1,230	1,567
Research and Development	627	596
Supplies and Materials	931	32
Other	624	4,495
<b>Total Other Gross Costs with the Public</b>	<b>\$ 10,892</b>	<b>\$ 14,227</b>

## NOTE 19. GROSS COST AND EARNED REVENUE BY BUDGET FUNCTIONAL CLASSIFICATION

FY 2004

Budget Functional Classification:

	Gross Cost	Earned Revenue	Net Cost
150 International Affairs	\$ (177)	\$ 295	\$ (472)
270 Energy	1,473	1,790	(317)
300 Natural Resources and Environment	7,525	731	6,794
350 Agriculture	67,534	3,516	64,018
370 Commerce and Housing Credit	1,542	1,408	134
450 Community and Regional Development	1,815	771	1,044
550 Health	958	123	835
600 Income Security	1,558	3	1,555
800 General Government	436	6	430
950 Undistributed Offsetting Receipts	1	-	1
Total	\$ 82,665	\$ 8,643	\$ 74,022

**Intragovernmental Gross Cost and Earned Revenue by Budget Functional Classification:**

Budget Functional Classification:

	Gross Cost	Earned Revenue	Net Cost
270 Energy	\$ 1,702	\$ 74	\$ 1,628
300 Natural Resources and Environment	1,637	182	1,455
350 Agriculture	1,210	452	758
370 Commerce and Housing Credit	999	128	871
450 Community and Regional Development	625	147	478
550 Health	234	8	226
600 Income Security	23	2	21
Total	\$ 6,430	\$ 993	\$ 5,437

FY 2003

Budget Functional Classification:

	Gross Cost	Earned Revenue	Net Cost
150 International Affairs	\$ (159)	\$ 199	\$ (358)
270 Energy	2,611	1,987	624
300 Natural Resources and Environment	7,339	759	6,580
350 Agriculture	76,763	6,363	70,400
370 Commerce and Housing Credit	2,404	1,582	822
450 Community and Regional Development	2,251	750	1,501
500 Education, Training, Employment, and Social Services	(8)	-	(8)
550 Health	954	108	846
600 Income Security	2,326	1	2,325
800 General Government	608	91	517
Total	\$ 95,089	\$ 11,840	\$ 83,249

**Intragovernmental Gross Cost and Earned Revenue by Budget Functional Classification:**

Budget Functional Classification:

	Gross Cost	Earned Revenue	Net Cost
150 International Affairs	\$ -	\$ -	\$ -
270 Energy	1,724	79	1,645
300 Natural Resources and Environment	1,268	352	916
350 Agriculture	1,522	388	1,134
370 Commerce and Housing Credit	1,028	101	927
450 Community and Regional Development	646	142	504
550 Health	221	3	218
600 Income Security	1,479	2	1,477
800 General Government	-	6	(6)
Total	\$ 7,888	\$ 1,073	\$ 6,815



---

**NOTE 20. PRIOR PERIOD ADJUSTMENTS**

---

In FY 2004, USDA corrected its FY 2003 financial statements as follows:

FS corrected errors in amounts for alignment of budgetary and proprietary account relationships in various special and trust funds; unsupported balances in various suspense and deposit clearing funds; Fund Balance with Treasury and associated custodial liability; and certain revenue transactions.

FNS, NRCS, and APHIS corrected errors in amounts for improper recognition of appropriations used.

RMA corrected errors in amounts for FY 2003 obligations and obligated balances carried forward from FY 2002. Additionally, RMA changed its accounting policy for funds held in escrow for crop insurance losses.

CCC corrected errors in amounts for intragovernmental costs previously recorded as costs with the public.

The Department corrected errors in amounts recorded for non-USDA disbursements from the Payroll Accounting System for agencies serviced by the NFC.

The effects of these corrections and certain reclassifications made to conform to the current year presentation are reflected in the schedules as follows:

CONSOLIDATED BALANCE SHEET  
As of September 30, 2003  
(in millions)

	AS PREVIOUSLY REPORTED						AS RESTATED	
	2003	USDA	RMA	NRCS	APHIS	FNS	FS	2003
<b>Assets:</b>								
Intragovernmental:								
Fund Balance with Treasury (Note 3)	\$ 36,480	\$ -	\$ -	\$ -	\$ -	\$ -	(30)	\$ 36,450
Investments (Note 5)	45	-	-	-	-	-	-	45
Accounts Receivable, Net (Note 6)	666	-	-	-	-	-	(20)	646
Other (Note 10)	7	-	-	-	-	-	-	7
<b>Total Intragovernmental</b>	<b>37,198</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(50)</b>	<b>37,148</b>
Cash and Other Monetary Assets (Note 4)	141	-	100	-	-	-	-	241
Investments (Note 5)	15	-	-	-	-	-	-	15
Accounts Receivable, Net (Note 6)	1,755	-	-	-	-	-	14	1,769
Loans Receivable and Related Foreclosed Property, Net (Note 7)	73,590	-	-	-	-	-	-	73,590
Inventory and Related Property, Net (Note 8)	278	-	-	-	-	-	-	278
General Property, Plant, and Equipment, Net (Note 9)	4,919	-	-	-	-	-	-	4,919
Other (Note 10)	245	-	(100)	-	-	-	-	145
<b>Total Assets (Note 2)</b>	<b>\$118,141</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(36)</b>	<b>\$118,105</b>
<b>Liabilities:</b>								
Intragovernmental								
Accounts Payable	1,206	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,206
Debt (Note 12)	76,140	-	-	-	-	-	-	76,140
Other (Note 14)	19,942	-	-	-	-	-	(24)	19,918
<b>Total Intragovernmental</b>	<b>97,288</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24)</b>	<b>97,264</b>
Accounts Payable	3,614	-	-	-	-	-	-	3,614
Loan Guarantee Liability (Note 7)	883	-	-	-	-	-	-	883
Debt Held by the Public (Note 12)	80	-	-	-	-	-	-	80
Federal Employee and Veterans Benefits	-	940	-	-	-	-	-	940
Environmental and Disposal Liabilities (Note 13)	21	-	-	-	-	-	-	21
Other (Note 14 & 15)	13,860	(940)	-	-	-	-	(59)	12,861
<b>Total Liabilities (Note 11)</b>	<b>115,746</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(83)</b>	<b>115,663</b>
Commitments and Contingencies (Note 16)								
<b>Net Position:</b>								
Unexpended Appropriations	16,810	-	-	478	311	4,761	(168)	22,192
Cumulative Results of Operations	(14,415)	-	-	(478)	(311)	(4,761)	215	(19,750)
<b>Total Net Position</b>	<b>2,395</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47</b>	<b>2,442</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 118,141</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(36)</b>	<b>\$ 118,105</b>

CONSOLIDATED STATEMENT OF NET COST  
For the Year Ended September 30, 2003  
(in millions)

Program Costs:	AS				AS RESTATED 2003
	PREVIOUSLY REPORTED 2003	USDA	FS	CCC	
Intragovernmental Gross Costs:	\$ 7,707	(7,707)			
Benefit Program Costs	-	1,034			\$ 1,034
Imputed Costs	-	581			581
Reimbursable Costs	-	2,200			2,200
Borrowing Interest Expense	-	3,878			3,878
Other	-	7		188	195
Total Intragovernmental Gross Costs	7,707	(7)	-	188	7,888
Less: Intragovernmental Earned Revenues	1,089		(16)		1,073
Intragovernmental Net Costs	6,618	(7)	16	188	6,815
Gross Costs With the Public:					
Grants	63,099	(1)			63,098
Loan Cost Subsidies	(778)				(778)
Indemnities	3,848				3,848
Commodity Program Costs	6,568	(1)			6,567
Stewardship Land Acquisition	239				239
Other (Note 18)	14,396	(22)	41	(188)	14,227
Total Gross Costs with the Public	87,372	(24)	41	(188)	87,201
Less: Earned Revenues from the Public	10,799	(30)	(2)		10,767
Net Costs with the Public	76,573	6	43	(188)	76,434
<b>Net Cost of Operations (Notes 17 &amp; 19)</b>	<b>\$ 83,191</b>	<b>(1)</b>	<b>59</b>	<b>-</b>	<b>\$ 83,249</b>

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION  
For the Year Ended September 30, 2003  
(in millions)

	AS PREVIOUSLY REPORTED 2003		USDA		NRCS		APHIS		FNS		FS		AS RESTATED 2003	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
<b>Beginning Balances</b>	\$ (5,443)	\$ 26,196	744	\$ (577)									\$ (14,699)	\$ 25,619
Prior Period Adjustments (Note 20)	744	(577)	(744)	577	-	-	-	-	-	-	258	(153)	258	(153)
Beginning Balances, as adjusted	(4,699)	25,619	-	-	-	-	-	-	-	-	258	(153)	(4,441)	25,466
Budgetary Financing Sources:														
Appropriations Received	-	76,572	-	-	-	-	-	-	-	-	-	-	-	76,572
Appropriations Transfer In (Out)	-	(219)	-	-	-	-	-	-	-	-	-	-	-	(219)
Other Adjustments (recissions, etc.)	(16)	(4,812)	1	-	-	-	-	-	-	-	-	(1)	(16)	(4,813)
Appropriations Used	80,373	(80,350)	(2)	-	(478)	478	(311)	311	(4,761)	4,761	16	(14)	74,837	(74,814)
Nonexchange Revenue	6	-	-	-	-	-	-	-	-	-	-	-	6	-
Donations and Forfeitures of Cash	35	-	1	-	-	-	-	-	-	-	-	-	36	-
Transfers In (Out) without Reimbursement	3,790	-	-	-	-	-	-	-	-	-	-	-	3,790	-
Other Financing Sources:														
Donations and Forfeitures of Property	1	-	-	-	-	-	-	-	-	-	-	-	1	-
Transfers In (Out) without Reimbursement	(2,019)	-	-	-	-	-	-	-	-	-	-	-	(2,019)	-
Imputed Financing from Costs Absorbed by Others	581	-	-	-	-	-	-	-	-	-	-	-	581	-
Other	724	-	(1)	-	-	-	-	-	-	-	-	-	723	-
Total Financing Sources	83,475	(8,809)	(1)	-	(478)	478	(311)	311	(4,761)	4,761	16	(15)	77,940	(3,274)
Net Cost of Operations	(83,191)		1		-						(59)		(83,249)	
<b>Ending Balances</b>	\$ (14,415)	\$ 16,810	-	\$ 0	(478)	\$ 478	(311)	\$ 311	(4,761)	\$ 4,761	215	\$ (168)	\$ (19,750)	\$ 22,192

COMBINED STATEMENT OF BUDGETARY RESOURCES  
For the Year Ended September 30, 2003  
(in millions)

	AS PREVIOUSLY REPORTED 2003		USDA		RMA	FS	AS RESTATED 2003	
	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Budgetary	Budgetary	Non-Budgetary Financing Accounts
<b>Budgetary Resources:</b>								
Budget Authority:								
Appropriations Received	\$ 83,967	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,967	\$ -
Borrowing Authority (Note 22 & 23)	49,343	10,257	-	-	-	-	49,343	10,257
Net Transfers	(189)	-	-	-	-	-	(189)	-
Unobligated Balances:								
Beginning of Period (Note 24)	18,627	5,264	-	-	1,170	(9)	19,788	5,264
Net Transfers, Actual	(439)	-	-	-	-	(14)	(453)	-
Spending Authority From Offsetting Collections:								
Earned								
Collected	24,301	7,721	-	1	-	1	24,302	7,722
Change in Receivables from Federal Sources	1,596	62	-	-	-	6	1,602	62
Change in Unfilled Customer Orders								
Advances Received	289	-	-	-	-	-	289	-
Without Advances from Federal Sources	47	57	-	(1)	-	-	47	56
Recoveries of Prior Year Obligations	3,854	437	(1)	-	-	12	3,865	437
Permanently not Available	(57,168)	(4,275)	1	-	-	-	(57,167)	(4,275)
<b>Total Budgetary Resources</b>	<b>\$ 124,228</b>	<b>\$ 19,523</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,170</b>	<b>\$ (4)</b>	<b>\$ 125,394</b>	<b>\$ 19,523</b>
<b>Status of Budgetary Resources:</b>								
Obligations Incurred (Note 21):								
Direct	70,628	13,721	-	-	1,167	145	71,940	13,721
Reimbursable	36,758	-	-	-	-	(66)	36,692	-
Unobligated Balance:								
Apportioned	5,832	5,343	11	-	3	4	5,850	5,343
Exempt from Apportionment	328	1	-	-	-	-	328	1
Other Available	9	-	-	-	-	-	9	-
Unobligated Balance not Available	10,673	458	(11)	-	-	(87)	10,575	458
<b>Total Status of Budgetary Resources</b>	<b>\$ 124,228</b>	<b>\$ 19,523</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,170</b>	<b>\$ (4)</b>	<b>\$ 125,394</b>	<b>\$ 19,523</b>
<b>Relationship of Obligations to Outlays:</b>								
Obligated Balance, Net, Beginning of Period (Note 24)	\$ 19,211	\$ 13,762	\$ -	\$ -	\$ (1,054)	\$ 23	\$ 18,180	\$ 13,762
Obligations Incurred	-	-	-	-	1,167	79	108,632	13,721
Less:								
Recoveries of Prior Year Obligations	-	-	-	-	-	12	3,865	437
Change from Federal Sources	-	-	-	-	-	6	1,649	118
Obligated Balance, Net, End of Period:								
Accounts Receivable	(2,645)	(170)	-	-	-	(6)	(2,651)	(170)
Unfilled Customer Orders from Federal Sources	(313)	(732)	-	-	-	-	(313)	(732)
Undelivered Orders	14,143	15,351	-	-	-	135	14,278	15,351
Accounts Payable	9,830	422	-	-	97	(47)	9,880	422
<b>Total Obligated Balance, Net, End of Period</b>	<b>\$ 21,015</b>	<b>\$ 14,871</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 97</b>	<b>\$ 82</b>	<b>\$ 21,194</b>	<b>\$ 14,871</b>
Disbursements	100,262	12,058	(176)	(1)	16	2	100,104	12,057
Collected and Advances Received	(24,590)	(7,721)	-	(1)	-	(1)	(24,591)	(7,722)
Outlays	75,672	4,337	(176)	(2)	16	1	75,513	4,335
Less: Offsetting Receipts	1,550	1,293	213	(1)	-	-	1,763	1,292
<b>Net Outlays</b>	<b>\$ 74,122</b>	<b>\$ 3,044</b>	<b>\$ (389)</b>	<b>\$ (1)</b>	<b>\$ 16</b>	<b>\$ 1</b>	<b>\$ 73,750</b>	<b>\$ 3,043</b>

CONSOLIDATED STATEMENT OF FINANCING  
For the Year Ended September 30, 2003  
(in millions)

	AS PREVIOUSLY REPORTED 2003	USDA	RMA	APHIS	CCC	FS	AS RESTATED 2003
<b>Resources Used to Finance Activities:</b>							
<b>Budgetary Resources Obligated</b>							
Obligations Incurred	\$ 121,107	\$ -	\$ 1,167	\$ -	\$ -	\$ 79	\$ 122,353
Less: Spending authority from offsetting collections and recoveries	38,364	(1)	-	-	-	19	38,382
Obligations net of offsetting collections and recoveries	82,743	1	1,167	-	-	60	83,971
Less: Offsetting receipts	2,843	212	-	-	-	-	3,055
Net Obligations	79,900	(211)	1,167	-	-	60	80,916
<b>Other Resources</b>							
Donations and forfeitures of property	1	-	-	-	-	-	1
Transfers In(Out) without reimbursement	(2,019)	-	-	-	-	-	(2,019)
Imputed financing from costs absorbed by others	581	-	-	-	-	-	581
Other	724	(1)	-	-	-	-	723
Net other resources used to finance activities	(713)	(1)	-	-	-	-	(714)
<b>Total resources used to finance activities</b>	79,187	(212)	1,167	-	-	60	80,202
<b>Resources Used to Finance Items not Part of the Net Cost of Operations:</b>							
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	400	-	-	-	-	133	533
Resources that fund expenses recognized in prior periods	2,354	2	-	-	-	-	2,356
Budgetary offsetting collections and receipts that do not affect net cost of operations							
Credit program collections which increase liabilities for loan guarantees or allowances for subsidy	(14,829)	-	-	-	-	-	(14,829)
Other	(11,835)	1	-	203	-	(70)	(11,701)
Resources that finance the acquisition of assets	28,477	-	-	-	322	-	28,799
Other resources or adjustments to net obligated resources that do not affect net cost of operations	2,644	(3)	-	-	-	-	2,641
<b>Total resources used to finance items not part of the net cost of operations</b>	7,211	-	-	203	322	63	7,799
<b>Total resources used to finance the net cost of operations</b>	71,976	(212)	1,167	(203)	(322)	(3)	72,403
<b>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</b>							
<b>Components Requiring or Generating Resources in Future Periods:</b>							
Increase in annual leave liability	42	-	-	-	-	-	42
Increase in environmental and disposal liability	1	-	-	-	-	-	1
Upward/Downward reestimates of credit subsidy expense	(315)	-	-	-	-	-	(315)
Decrease in exchange revenue receivable from the public	597	(1)	177	-	-	(15)	758
Other	2,839	212	(1,344)	437	-	(3)	2,141
Total components of Net Cost of Operations that will require or generate resources in future periods (Note 28)	3,164	211	(1,167)	437	-	(18)	2,627
<b>Components not Requiring or Generating Resources:</b>							
Depreciation and amortization	522	-	-	-	-	-	522
Revaluation of assets or liabilities	(38)	-	-	-	322	-	284
Other	7,567	-	-	(234)	-	80	7,413
Total components of Net Cost of Operations that will not require or generate resources	8,051	-	-	(234)	322	80	8,219
<b>Total components of Net Cost of Operations that will not require or generate resources in the current period</b>	11,215	211	(1,167)	203	322	62	10,846
<b>Net Cost of Operations</b>	\$ 83,191	(1)	-	-	-	59	\$ 83,249

**NOTE 21. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED**

FY 2004	Direct	Reimbursable	Total
Apportionment by Fiscal Quarter	\$69,234	\$ 891	\$ 70,125
Apportionment for Special Activities	19,897	26,702	46,599
Exempt from Apportionment	1,036	49	1,085
Total Obligations Incurred	<u>\$90,167</u>	<u>\$ 27,642</u>	<u>\$ 117,809</u>

FY 2003	Direct	Reimbursable	Total
Apportionment by Fiscal Quarter	\$60,440	\$ 1,561	\$ 62,001
Apportionment for Special Activities	23,826	35,113	58,939
Exempt from Apportionment	1,395	18	1,413
Total Obligations Incurred	<u>\$85,661</u>	<u>\$ 36,692</u>	<u>\$ 122,353</u>

**NOTE 22. AVAILABLE BORROWING AUTHORITY, END OF PERIOD**

Available borrowing authority at September 30, 2004, and 2003 was \$38,828 and \$27,133 million, respectively.

**NOTE 23. TERMS OF BORROWING AUTHORITY USED**

The Secretary of Agriculture has the authority to make and issue notes to the Secretary of Treasury for the purpose of discharging obligations for RD's insurance funds and CCC's nonreimbursed realized losses and debt related to foreign assistance programs. The permanent indefinite borrowing authority includes both interest bearing and non-interest notes. These notes are drawn upon daily when disbursements exceed deposits. Notes payable under the permanent indefinite borrowing authority have a one-year term. On January 1 of each year, USDA refinances its outstanding borrowings, including accrued interest, at that month's borrowing rate.

Additionally, USDA has permanent indefinite borrowing authority for the foreign assistance and export credit programs to finance disbursements on post-credit reform, direct credit obligations and credit guarantees. In accordance with the Federal Credit Reform Act of 1990 as amended, USDA 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. Repayment under this agreement may be, in whole or in part, prior to maturity by paying the principal amount of the borrowings plus accrued interest to the date of repayment. Interest is paid on these borrowings based on weighted average interest rates for the cohort, to which the borrowings are associated. Interest is earned on the daily balance of uninvested funds in the credit reform financing funds maintained at Treasury. The interest income is used to reduce interest expense on the underlying borrowings.

USDA has authority to borrow from the Federal Financing Bank (FFB) and private investors in the form of Certificates of Beneficial Ownership (CBO) or loans executed directly between the borrower and FFB with an unconditional USDA repayment guarantee. CBOs outstanding with the FFB and private investors generally are secured by unpaid loan principal balances. CBOs outstanding are related to pre-credit reform loans and no longer used for program financing.

FFB's CBOs are repaid as they mature. They are not related to any particular group of loans. Borrowings made to finance loans directly between the borrower and FFB mature and are repaid as the related group of loans

become due. Interest rates on the related group of loans are equal to interest rates on FFB borrowings, except in those situations where an FFB funded loan is restructured and the terms of the loan are modified.

While prepayments can be made on Treasury borrowings without a penalty; they cannot be made on FFB CBOs without a penalty.

Funds also may be borrowed from private lending agencies and others. USDA reserves a sufficient amount of its borrowing authority to purchase, at any time, all notes and other obligations evidencing loans made by agencies and others. All bonds, notes, debentures and similar obligations issued by the Department are subject to approval by the Secretary of the Treasury. Reservation of borrowing authority for these purposes has not been required for many years.

## NOTE 24. ADJUSTMENTS TO BEGINNING BALANCE OF BUDGETARY RESOURCES

In FY 2004 and 2003, RMA corrected errors in amounts previously reported. The effect of these corrections increased obligated and unobligated balances \$97 million and \$3 million, respectively in FY 2004. It also decreased obligated and increased unobligated balances \$1,054 million and \$1,170 million, respectively, in FY 2003.

In FY 2004 and 2003, FS corrected errors in amounts previously reported. The effect of these corrections was to increase obligated and decreased unobligated balances by \$82 million, respectively, in FY 2004. It also increased obligated and decreased unobligated balances \$227 million and \$379 million, respectively, in FY 2003.

In FY 2003, FNS corrected errors in amounts previously reported. The effect of these corrections decreased obligated and increased unobligated balances \$532 million and \$460 million, respectively.

	FY 2004		FY 2003	
	Obligated	Unobligated	Obligated	Unobligated
Beginning balances	\$ 35,886	\$ 22,644	\$ 33,300	\$ 23,801
Adjustments	179	(80)	(1,358)	1,251
Beginning balances, as adjusted	<u>\$ 36,065</u>	<u>\$ 22,564</u>	<u>\$ 31,942</u>	<u>\$ 25,052</u>

## NOTE 25. PERMANENT INDEFINITE APPROPRIATIONS

USDA has permanent indefinite appropriations available to fund 1) subsidy costs incurred under credit reform programs, 2) certain costs of the crop insurance program, and 3) certain costs associated with FS programs.

The permanent indefinite appropriations for credit reform mainly are available to finance any disbursements incurred under the liquidating accounts. These appropriations become available pursuant to standing provisions of law without further action by Congress after transmittal of the budget for the year involved. While they are treated as permanent the first year they become available and in succeeding years, they are not stated as specific amounts but are determined by specified variable factors, such as cash needs for liquidating accounts and information about the actual performance of a cohort or estimated changes in future cash flows of the cohort in the program accounts.

The permanent indefinite appropriation for the crop insurance program is used to cover premium subsidy, delivery expenses, losses in excess of premiums and research and delivery costs.



The permanent indefinite appropriation for FS programs are used to fund Recreation Fee Collection Costs, Brush Disposal, License programs, Smokey Bear and Woodsy Owl, Restoration of Forest Lands and Improvements, Roads and Trails for States, National Forest Fund, Timber Roads, Purchaser Elections, Timber Salvage Sales and Operations, and Maintenance of Quarters. Each of these permanent indefinite appropriations is funded by receipts made available by law, and is available until expended.

## **NOTE 26. LEGAL ARRANGEMENTS AFFECTING USE OF UNOBLIGATED BALANCES**

Unobligated budget authority is the difference between the obligated balance and the total unexpended balance. It represents that portion of the unexpended balance unencumbered by recorded obligations. Appropriations are provided on an annual, multi-year and no-year basis. 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 an additional five fiscal years. The unobligated balance remains available to make legitimate obligation adjustments, i.e., to record previously unrecorded obligations and make upward adjustments in previously underestimated obligations for five years. At the end of the fifth year, the authority is canceled. Thereafter, the authority is unavailable for any purpose.

Any information about legal arrangements affecting the use of the unobligated balance of budget authority is specifically stated by program and fiscal year in the appropriation language or in the alternative provisions section at the end of the appropriations act.

## **NOTE 27. DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT**

The differences between the FY 2003 Statement of Budgetary Resources and the FY 2003 actual numbers presented in the FY 2005 Budget of the United States Government (Budget) are summarized below.

The Budget excludes expired accounts that are no longer available for new obligations. Audit adjustments were made subsequent to the Budget submission. Disbursements from the payroll accounting system were included erroneously in outlays. The Budget excludes resources of the crop insurance fund related to the reclassification of amounts held in escrow and certain adjustments to obligated balances made subsequent to the Budget submission. Unavailable collections for the Native American Institution Endowment Fund were included as budgetary resources in the Statement of Budgetary Resources.

The Budget includes the Milk Market Orders Assessment Fund. Employees of the Milk Market Administrators participate in the Federal retirement system even though these funds are unavailable for use by the Department. Other items mainly consist of balances in suspense accounts and differences due to rounding that are excluded from the Budget.

A comparison between the FY 2004 Statement of Budgetary Resources and the FY 2004 actual numbers presented in the FY 2006 Budget cannot be performed as the FY 2006 Budget is not yet available. The FY 2006 Budget is expected to be published in February 2005 and will be available from the Government Printing Office.

FY 2003

	Budgetary Resources	Outlays
Combined Statement of Budgetary Resources	\$ 144,917	\$ 79,848
Reconciling Items:		
Expired accounts	(9,605)	(251)
Audit adjustments	371	(3)
Payroll Accounting System	-	177
Crop Insurance Fund	(1,166)	(15)
Native American Institution Endowment Fund	(53)	(8)
Milk Market Orders Assessment Fund	40	2
Other	47	29
Budget of the United States Government	<u>\$ 134,551</u>	<u>\$ 79,779</u>

## **NOTE 28. RELATIONSHIP BETWEEN LIABILITIES NOT COVERED BY BUDGETARY RESOURCES ON THE BALANCE SHEET AND THE CHANGE IN COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS**

The change in liabilities not covered by budgetary resources should be the same as the change in components requiring or generating resources in future periods. This excludes other components requiring or generating resources in future periods that are reported separately. The components requiring or generating resources in future periods as reported on the Statement of Financing differ from the components requiring or generating resources in future periods. They are reflected below for the portion of liabilities not covered by budgetary resources.

	FY 2004	FY 2003
Current year liabilities not covered by budgetary resources, as disclosed in Note 11	\$ 3,697	\$ 5,141
Prior year liabilities not covered by budgetary resources	(5,141)	(4,314)
Increase (Decrease) in liabilities not covered by budgetary resources	(1,444)	827
Upward/Downward Reestimates of Credit Subsidy Expense	(341)	(315)
Decrease in Exchange Revenue Receivable from the Public	534	758
Other	3,080	1,357
Components requiring or generating resources in future periods, as reported on the Statement of Financing	<u>\$ 1,829</u>	<u>\$ 2,627</u>

## **NOTE 29. DESCRIPTION OF TRANSFERS THAT APPEAR AS A RECONCILING ITEM ON THE STATEMENT OF FINANCING**

Allocation transfers that appear as reconciling items on the Statement of Financing include funds received from the U.S. Department of Labor for training underemployed youths, the U.S. Department of Transportation for maintenance and upkeep of Federal highways traversing National Forest System lands, the Appalachian Regional Commission and Economic Development Administration for accounting services, and funds transferred to the Agency for International Development for transportation in connection with foreign commodity donations.

**NOTE 30. INCIDENTAL CUSTODIAL COLLECTIONS**

The majority of custodial collections represents National Forest Fund receipts from the sale of timber and other forest products. The balance represents miscellaneous general fund receipts, such as collections on accounts receivable related to canceled year appropriations, civil monetary penalties and interest, and commercial fines and penalties. Custodial collection activities are considered immaterial and incidental to the mission of the Department.

Revenue Activity:	FY 2004	FY 2003
Sources of Collections:		
Miscellaneous	\$ 62	\$ 134
Total Cash Collections	62	134
Accrual Adjustments	9	(13)
Total Custodial Revenue	71	121
Disposition of Collections:		
Transferred to Others:		
Treasury	(7)	(10)
States and Counties	(52)	(22)
( Increase )/Decrease in Amounts Yet to be Transferred	(12)	(87)
Retained by the Reporting Entity	-	(2)
Net Custodial Activity	\$ -	\$ -

**NOTE 31. DEDICATED COLLECTIONS**

The FS recognizes the following funds as dedicated collections. These funds finance the enhancement and maintenance of National Forest System lands including reforestation. Donations are handled on the cash basis and all other collections are accounted for on the accrual basis. Financial information for all significant dedicated collections is shown below. Following the financial information is the related descriptive narrative for each of the significant dedicated collection funds.

**Dedicated Collections**  
**As of and for the year ended September 30, 2004**  
**(in millions)**

	Cooperative Work	Land Acquisition	Payments to States, National Forest Fund	Timber Salvage Sales	Fee, Operations and Maintenance of Recreation Facilities	Timber Roads, Purchaser Election	Expenses, Brush Disposal	Recreation Fee Demonstration Program	Roads and Trails for States, National Forest Fund	Reforestation Trust Fund	Other Funds	Total
<b>ASSETS</b>												
Fund Balance with Treasury	\$ 472	\$ 99	\$ 131	\$ 98	\$ 93	\$ 61	\$ 56	\$ 42	\$ 26	\$ 26	\$ 59	\$ 1,163
Investments	-	-	-	-	-	-	-	-	-	-	4	4
Accounts Receivable, Net	2	-	-	1	-	-	-	2	-	-	9	14
General Property, Plant & Equipment, Net	16	48	2	1	-	2	-	3	15	-	3	90
<b>TOTAL ASSETS</b>	<b>\$ 490</b>	<b>\$ 147</b>	<b>\$ 133</b>	<b>\$ 100</b>	<b>\$ 93</b>	<b>\$ 63</b>	<b>\$ 56</b>	<b>\$ 47</b>	<b>\$ 41</b>	<b>\$ 26</b>	<b>\$ 75</b>	<b>\$ 1,271</b>
<b>LIABILITIES</b>												
Accounts Payable	\$ (1)	\$ -	\$ 1	\$ (2)	\$ -	\$ -	\$ -	\$ 1	\$ 1	\$ -	\$ -	\$ -
Other Liabilities	49	2	63	7	12	-	-	2	2	3	5	145
<b>TOTAL LIABILITIES</b>	<b>48</b>	<b>2</b>	<b>64</b>	<b>5</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>145</b>
Total Net Position	442	145	69	95	81	63	56	44	38	23	70	1,126
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 490</b>	<b>\$ 147</b>	<b>\$ 133</b>	<b>\$ 100</b>	<b>\$ 93</b>	<b>\$ 63</b>	<b>\$ 56</b>	<b>\$ 47</b>	<b>\$ 41</b>	<b>\$ 26</b>	<b>\$ 75</b>	<b>\$ 1,271</b>
<b>CHANGE IN NET POSITION</b>												
Beginning Balances	\$ 300	\$ 76	\$ 53	\$ 56	\$ 81	\$ 28	\$ 35	\$ 28	\$ 38	\$ 26	\$ 44	\$ 765
Prior Period Adjustments	-	-	-	-	-	-	-	-	1	-	2	3
Beginning Balances, as adjusted	300	76	53	56	81	28	35	28	39	26	46	768
<b>Budgetary Financing Sources:</b>												
Other Adjustments (rescissions, etc.)	-	(1)	-	-	-	-	-	-	-	-	-	(1)
Donations and Forfeitures of Cash	-	-	-	-	-	-	-	-	-	-	1	1
Transfers -in/out without Reimbursement	154	163	93	35	-	35	20	14	13	29	14	570
Total Financing Sources	154	162	93	35	-	35	20	14	13	29	15	570
Net Cost of Operations	12	93	77	(4)	-	-	(1)	(2)	14	32	(9)	212
<b>ENDING BALANCES</b>	<b>\$ 442</b>	<b>\$ 145</b>	<b>\$ 69</b>	<b>\$ 95</b>	<b>\$ 81</b>	<b>\$ 63</b>	<b>\$ 56</b>	<b>\$ 44</b>	<b>\$ 38</b>	<b>\$ 23</b>	<b>\$ 70</b>	<b>\$ 1,126</b>

**Dedicated Collections**  
**As of and for the year ended September 30, 2003**  
**(in millions)**

	Cooperative Work	Land Acquisition	Payments to States, National Forest Fund	Timber Salvage Sales	Fee, Operations and Maintenance of Recreation Facilities	Timber Roads, Purchaser Election	Expenses, Brush Disposal	Recreation Fee Demonstration Program	Roads and Trails for States, National Forest Fund	Reforestation Trust Fund	Other Funds	Total
<b>ASSETS</b>												
Fund Balance with Treasury	\$ 325	\$ 32	\$ 104	\$ 52	\$ 89	\$ 27	\$ 33	\$ 25	\$ 29	\$ 28	\$ 46	\$ 790
Investments	-	-	-	-	-	-	-	-	-	-	3	3
Accounts Receivable, Net	8	-	-	6	-	-	1	1	-	-	3	19
General Property, Plant & Equipment, Net	13	48	-	1	-	1	1	2	13	-	1	80
<b>TOTAL ASSETS</b>	<b>\$ 346</b>	<b>\$ 80</b>	<b>\$ 104</b>	<b>\$ 59</b>	<b>\$ 89</b>	<b>\$ 28</b>	<b>\$ 35</b>	<b>\$ 28</b>	<b>\$ 42</b>	<b>\$ 28</b>	<b>\$ 53</b>	<b>\$ 892</b>
<b>LIABILITIES</b>												
Accounts Payable	\$ (1)	\$ 2	\$ -	\$ (2)	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ 2	\$ 2
Other Liabilities	47	2	51	5	8	-	-	-	2	2	5	122
<b>TOTAL LIABILITIES</b>	<b>46</b>	<b>4</b>	<b>51</b>	<b>3</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>2</b>	<b>7</b>	<b>124</b>
Total Net Position	300	76	53	56	81	28	35	28	39	26	46	768
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 346</b>	<b>\$ 80</b>	<b>\$ 104</b>	<b>\$ 59</b>	<b>\$ 89</b>	<b>\$ 28</b>	<b>\$ 35</b>	<b>\$ 28</b>	<b>\$ 42</b>	<b>\$ 28</b>	<b>\$ 53</b>	<b>\$ 892</b>
<b>CHANGE IN NET POSITION</b>												
Beginning Balances	\$ 213	\$ 59	\$ (116)	\$ 90	\$ 81	\$ 8	\$ 38	\$ 26	\$ 2	\$ 30	\$ 9	\$ 440
Prior Period Adjustments	(16)	(1)	116	(14)	-	-	(2)	(1)	(11)	(1)	6	76
Beginning Balances, as adjusted	197	58	-	76	81	8	36	25	(9)	29	15	516
<b>Budgetary Financing Sources:</b>												
Donations and Forfeitures of Cash	-	-	-	-	-	-	-	-	-	-	1	1
Transfers -in/out without Reimbursement	129	176	107	(5)	-	8	-	-	16	30	21	482
<b>Other Financing Sources:</b>												
Transfers-in/out without Reimbursement	-	-	-	(1)	-	-	-	-	-	-	(1)	(2)
Total Financing Sources	129	176	107	(6)	-	8	-	-	16	30	21	481
Net Cost of Operations	26	158	54	14	-	(12)	1	(3)	(32)	33	(10)	229
<b>ENDING BALANCES</b>	<b>\$ 300</b>	<b>\$ 76</b>	<b>\$ 53</b>	<b>\$ 56</b>	<b>\$ 81</b>	<b>\$ 28</b>	<b>\$ 35</b>	<b>\$ 28</b>	<b>\$ 39</b>	<b>\$ 26</b>	<b>\$ 46</b>	<b>\$ 768</b>

## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

USDA has stewardship responsibility for certain resources entrusted to it that do not meet the criteria for recognition in the financial statements. Information about these resources is important to understanding USDA's mission, operations and financial condition at the date of the financial statements and in subsequent periods. While costs of these stewardship-type resources are treated as expenses in the financial statements in the year the costs are incurred, these costs and resultant resources are intended to provide long-term benefits to the public. They are included as required supplementary stewardship reporting to highlight their long-term benefit nature and to demonstrate accountability over them.

Stewardship resources are categorized into two major groups as follows:

### STEWARDSHIP PROPERTY, PLANT AND EQUIPMENT

Stewardship PP&E consists of assets whose physical properties resemble those of general PP&E that are traditionally capitalized in financial statements. However, due to the nature of these assets, (1) valuation would be difficult and (2) matching costs with specific periods would not be meaningful. Stewardship PP&E includes heritage assets and stewardship land.

#### Heritage Assets

Category	FY 2003 (Sites)	Condition
Total Heritage Assets	310,611	Poor to fair
Eligible for the National Register of Historic Places	58,669	Poor to fair
Listed on the National Register	3,380	Fair
Sites with Structures Listed on the National Register	1,870	Poor to fair
National Historic Landmarks	18	Fair to good

FS estimates that more than 300,000 heritage assets are on land that it manages. Assets held at museums and universities are managed by those entities. This information was estimated from the nine FS regions and annual U.S. Department of the Interior report to Congress. Some of these assets are listed on the National Register of Historic Places, and others are designated as National Historic Landmarks. The FS heritage resource specialists on the 155 national forests maintain separate inventories of heritage assets. Most assets not used for administrative or public purposes receive no annual maintenance. A long-term methodology to assess the extent and condition of these assets better is being formulated to comply with Executive Order 13287, Preserve America. While a module in the agency's Real Property Management Infrastructure System (INFRA) has been developed and implemented for heritage assets, the Healthy Forests Initiative and competing budget priorities, however, have prevented full population of the database. Heritage assets include the following:

#### Historic Structures

Constructed works consciously created to serve some human purpose. They include buildings, monuments, logging and mining camps, and ruins.

#### National Historic Landmarks

Includes sites, buildings or structures that possess exceptional value in commemorating or illustrating the history of the United States. They also demonstrate exceptional value or quality in illustrating and interpreting the heritage of the United States. The Secretary of the Interior is the official designator of National Historic Landmarks.

#### National Register of Historic Places

Includes properties, buildings and structures significant in U.S. history, architecture, archaeology and the cultural foundation of the Nation.

## Eligible for the National Register

Those sites formally determined as eligible for the National Register through the Keeper of the National Register or documented by consultation with State Historic Preservation Offices.

## Acquisition and Withdrawal of Heritage Assets

FS generally does not construct heritage assets, although in some circumstances important site-structural components may be rehabilitated or reconstructed into viable historic properties to provide forest visitors with use and interpretation. While heritage assets can be acquired through the procurement process, this rarely occurs. Normally, heritage assets are part of the land acquisition and inventory process. Withdrawal occurs through land exchange or natural disasters.

## Stewardship Land

Description	FY 2004 Balance	Additions (+)	Withdrawals (-)	FY 2003 Balance
National Forest System Land (In acres):				
National Forests	144,076,791	233,515	-	143,843,276
National Forests Wilderness Areas	34,953,370	124,868	-	34,828,502
National Forests Primitive Areas	173,762	-	-	173,762
National Wild and Scenic River Areas	950,906	2,907	-	947,999
National Recreation Areas	2,911,239	-	-	2,911,239
National Scenic-Research Areas	137,130	58	-	137,072
National Game Refuges and Wildlife Preserve Areas	1,198,099	-	-	1,198,099
National Monument Areas	3,833,941	-	-	3,833,941
National Grasslands	3,839,543	376	-	3,839,167
Purchase Units	370,026	10,675	-	359,351
Land Utilization Projects	1,876	-	-	1,876
Other Areas	450,637	236	-	450,401
<b>Total National Forest System Land</b>	<b>192,897,320</b>	<b>372,635</b>	<b>-</b>	<b>192,524,685</b>
Conservation Easements (In acres):				
Commodity Credit Corporation				
Wetlands Reserve Program	1,262,119	162,784	-	1,099,335
Natural Resources Conservation Service				
Emergency Wetlands Reserve Program	92,159	-	-	92,159
Emergency Watershed Protection Program	94,099	-	-	94,099
<b>Total Conservation Easements</b>	<b>1,448,377</b>	<b>162,784</b>	<b>-</b>	<b>1,285,593</b>
Description	FY 2003 Balance	Additions (+)	Withdrawals (-)	FY 2002 Balance
National Forest System Land (In acres):				
National Forests	143,843,276	46,593	-	143,796,683
National Forests Wilderness Areas	34,828,502	39,194	-	34,789,308
National Forests Primitive Areas	173,762	-	-	173,762
National Wild and Scenic River Areas	947,999	1,621	-	946,378
National Recreation Areas	2,911,239	875	-	2,910,364
National Scenic-Research Areas	137,072	1,257	-	135,815
National Game Refuges and Wildlife Preserve Areas	1,198,099	-	-	1,198,099
National Monument Areas	3,833,941	-	(6,641)	3,840,582
National Grasslands	3,839,167	2,590	-	3,836,577
Purchase Units	359,351	2,298	-	357,053
Land Utilization Projects	1,876	-	-	1,876
Other Areas	450,401	-	(860)	451,261
<b>Total National Forest System Land</b>	<b>192,524,685</b>	<b>94,428</b>	<b>(7,501)</b>	<b>192,437,758</b>
Conservation Easements (In acres):				
Commodity Credit Corporation				
Wetlands Reserve Program	1,099,335	127,655	-	971,680
Natural Resources Conservation Service				
Emergency Wetlands Reserve Program	92,159	-	-	92,159
Emergency Watershed Protection Program	94,099	6,079	-	88,020
<b>Total Conservation Easements</b>	<b>1,285,593</b>	<b>133,734</b>	<b>-</b>	<b>1,151,859</b>

## National Forest System

FS manages more than 192 million acres of public land. Most of this acreage is classified as stewardship land. Stewardship land is valued for its environmental resources, recreational and scenic value, cultural and paleontological resources, vast open spaces, and resource commodities and revenue provided to the Federal Government, States and counties. The National Forest System (NFS) is comprised of the following:

### National Forests

A unit formerly established and permanently set aside and reserved for National Forest purposes. The following categories of NFS lands have been set aside for specific purposes in designated areas:

- National Forests Wilderness Areas: Areas designated by Congress as part of the National Wilderness Preservation System.
- National Forests Primitive Areas: Areas designated by the Chief of the Forest Service as primitive areas. They are administered in the same manner as wilderness areas, pending studies to determine sustainability as a component of the National Wilderness Preservation System.
- National Wild and Scenic River Areas: Areas designated by Congress as part of the National Wild and Scenic River System.
- National Recreation Areas: Areas established by Congress for the purpose of assuring and implementing the protection and management of public outdoor recreation opportunities.
- National Scenic-Research Areas: Areas established by Congress to provide use and enjoyment of certain ocean headlands, ensure protection and encourage the study of the areas for research and scientific purposes.
- National Game Refuges and Wildlife Preserve Areas: Areas designated by Presidential Proclamation or by Congress for the protection of wildlife.
- National Monument Areas: Areas including historic landmarks, historic and prehistoric structures, and other objects for historic or scientific interest, declared by Presidential Proclamation or by Congress.

### National Grasslands

A unit designated by the Secretary of Agriculture and permanently held by the USDA under Title III of the Bankhead-Jones Tenent Act.

### Purchase Units

A unit of land designated by the Secretary of Agriculture or previously approved by the National Forest Reservation Commission for purposes of Weeks Law acquisition. The law authorizes the Federal Government to purchase lands for stream-flow protection and maintain the acquired lands as national forests.

### Land Utilization Projects

A unit reserved and dedicated by the Secretary of Agriculture for forest and range research and experimentation.

### Other Areas

Areas administered by FS that are excluded from the above.

### Condition of NFS Lands

FS monitors the condition of NFS lands based on information compiled by two national inventory and monitoring programs. Annual inventories of forest status and trends are conducted by the Forest Inventory and Analysis Program in 48 States covering 70 percent of the forested lands of the U.S. The Forest Health Monitoring Program is active in 50 States. It provides surveys and evaluations of forest health conditions and trends. While most of the 149 million acres of forestland on NFS lands continue to produce valuable benefits (i.e. clean air, clean water, habitat for wildlife, and products for human use), significant portions are at risk to pest outbreaks and/or catastrophic fires.



About 33 million acres of NFS forestland are at risk to future mortality from insects and diseases (based on the current Insect and Disease Risk Map). Nearly 73 million acres of NFS forestland are prone to catastrophic fire based on current condition and departure from historic fire regimes (Fire Regimes 1&2 and Condition Classes 2&3). Based on these 2 maps, approximately 9.5 million acres are at risk to both pest-caused mortality and fire. Invasive species of insects, diseases and plants continue to impact our native ecosystems by causing mortality to, or displacement of native vegetation. The National Fire Plan has enhanced our efforts to prevent and suppress future fires adequately and restore acres that are at risk. Risk to fires was reduced by fuel hazard treatments on 1.4 million acres of NFS lands in FY 2003. Insect and disease prevention and suppression treatments were completed on 1.5 million acres of NFS lands in FY 2003.

## Conservation Easements

### Wetlands Reserve Program

The Wetlands Reserve Program (WRP) 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 CCC/NRCS 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 suitable for wildlife benefits. Once land is enrolled in the program, the landowner continues to control access to the land—and may lease it—for hunting, fishing and other undeveloped recreational activities. Once enrolled, the land is monitored to ensure compliance with program requirements. At any time, a landowner may request the evaluation of additional activities (such as cutting hay, grazing livestock or harvesting wood products) to determine if there are other compatible uses for the site. Compatible uses are allowed if it is 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.

CCC/NRCS records an expense for the acquisition cost of purchasing easements plus any additional costs, such as closing transactions, survey and restoration costs. Easements either can be permanent or have a 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. The termination could occur after an assessment of the effect on public interest, and following a 90-day notification period of the U.S. House and Senate Agriculture Committees.

### Emergency Wetlands Reserve Program

The Emergency Wetlands Reserve Program (EWRP) administered by NRCS was established as part of the emergency restoration package following the flooding of the Mississippi River and its tributaries in 1993. EWRP provides landowners an alternative to restoring agricultural production lands that were previously wetlands. The program is patterned after WRP. Participants in the program sell a conservation easement to USDA to restore and protect wetlands. The landowner voluntarily limits the future use of the land, yet retains private ownership.

To be eligible, the land must have been damaged by a natural disaster and be restorable as a wetland. Once the land is enrolled in the program, the landowner continues to control access to the land. The land is monitored to ensure that the wetland is in compliance with contract requirements, including compatible uses, such as recreational activities or grazing livestock.

Easements purchased under this program meet the definition of stewardship land. NRCS records an expense for the acquisition cost of purchasing easements plus any additional costs such as closing, survey and restoration

costs. Easements purchased under EWRP are permanent in duration. In exchange for establishing a permanent easement, the landowner receives payment based on agricultural value of the land, a geographic land payment cap or the landowner offer. Easement values are assessed on pre-disaster conditions. The landowner may receive up to 100 percent of restoring the wetland. There are no provisions in the easement to terminate the purchase.

#### **Emergency Watershed Protection Program**

The Emergency Watershed Protection Program (EWP) Floodplain Easements is administered by NRCS. A floodplain easement is purchased on flood prone lands to provide a more permanent solution to repetitive disaster assistance payments. The purchase is also designed to achieve greater environmental benefits where the situation warrants when the affected landowner is willing to participate in the easement approach. The easement is to restore, protect, manage, maintain and enhance the functions of wetlands, riparian areas, conservation buffer strips and other lands.

Easements purchased under this program meet the definition of stewardship land. NRCS records an expense for the acquisition cost of purchasing easements plus any additional costs such as closing, survey and restoration costs. Easements purchased under EWP are permanent. In exchange for establishing a permanent easement, the landowner receives payment based on agricultural value of the land, a geographic land payment cap or the landowner offer. Easement values are assessed on pre-disaster conditions. The landowner may receive up to 100 percent of the installation and maintenance of land treatment measures deemed necessary and desirable to achieve the purposes of the easement effectively. The easements provide permanent restoration of the natural floodplain hydrology as an alternative to traditional attempts to restore damaged levees, lands and structures. There are no provisions in the easement to terminate the purchase.

## STEWARDSHIP INVESTMENTS

Stewardship investments are substantial investments made by the Federal Government to benefit the Nation. These investments are not physical assets owned by the Federal Government. Such investments are measured in terms of expenses incurred for non-Federal physical property, human capital, and research and development.

### Stewardship Investments (in millions)

	FY 2004 Expense	FY 2003 Expense	FY 2002 Expense	FY 2001 Expense	FY 2000 Expense
<b>Non-Federal Physical Property:</b>					
Food and Nutrition Service					
Food Stamp Program	\$ 36	\$ 39	\$ -	\$ 41	\$ 28
Special Supplemental Nutrition Program	8	16	-	18	29
Cooperative State Research, Education, and Extension Service					
Extension 1890 Facilities Program	15	15	14	12	12
<b>Total Non-Federal Property</b>	<b>\$ 59</b>	<b>\$ 70</b>	<b>\$ 14</b>	<b>\$ 71</b>	<b>\$ 69</b>
<b>Human Capital:</b>					
Cooperative State Research, Education, and Extension Service					
Higher Education and Extension Programs	\$ 502	\$ 511	\$ 532	\$ 479	\$ 466
Food and Nutrition Service					
Food Stamp Program	75	99	-	57	156
Forest Service					
Job Corps Program	106	118	104	101	94
Agricultural Research Service					
National Agricultural Library	21	21	20	21	19
Risk Management Agency					
Risk Management Education	7	4	-	-	1
<b>Total Human Capital</b>	<b>\$ 711</b>	<b>\$ 753</b>	<b>\$ 656</b>	<b>\$ 658</b>	<b>\$ 736</b>
<b>Research and Development:</b>					
Agricultural Research Service					
Plant Sciences	\$ -	\$ 394	\$ 384	\$ 324	\$ 296
Commodity Conversion and Delivery	-	185	182	194	172
Animal Sciences	-	194	102	146	133
Soil, Water, and Air Sciences	-	110	100	98	89
Human Nutrition	83	78	80	77	72
Integration of Agricultural Systems	-	43	40	34	31
Collaborative Research Program	5	6	11	11	-
Product Quality/Value Added	104	-	-	-	-
Livestock Production	82	-	-	-	-
Crop Production	194	-	-	-	-
Food Safety	96	-	-	-	-
Livestock Protection	64	-	-	-	-
Crop Protection	183	-	-	-	-
Environmental Stewardship	216	-	-	-	-
Homeland Security	21	-	-	-	-
Cooperative State Research, Education, and Extension Service					
Land-grant University System	610	601	542	495	476
Forest Service	312	233	227	200	255
Economic Research Service					
Economic and Social Science	71	69	67	66	64
National Agricultural Statistics Service					
Statistical	5	5	5	4	4
<b>Total Research and Development</b>	<b>\$ 2,046</b>	<b>\$ 1,918</b>	<b>\$ 1,740</b>	<b>\$ 1,649</b>	<b>\$ 1,592</b>

### Non-Federal Physical Property

#### Food and Nutrition Service

FNS' non-Federal physical property consists of computer systems and other equipment obtained by the State and local governments to administer the Food Stamp Program (FSP). The total FSP expense for ADP Equipment & Systems has been reported as of the date of FNS' financial statements. FNS' non-Federal physical property also consists of computer systems and other equipment obtained by the State and local Governments to administer the Special Supplemental Nutrition Program for Women, Infants and Children.

## Cooperative State Research, Education and Extension Service

The Extension 1890 Facilities Program supports the renovation of existing buildings and the construction of new facilities that permit faculty, students and communities to benefit fully from the partnership between USDA and the historically African-American land-grant universities.

## Human Capital

### Cooperative State Research, Education and Extension Service

The higher education programs include graduate fellowship grants, competitive challenge grants, Secondary/2-year Post Secondary grants, Hispanic serving institutions education grants, a multicultural scholars program, a Native American institutions program, a Native American institutions endowment fund, an Alaska Native Serving and Native Hawaiian Serving institutions program and a capacity-building program at the 1890 institutions. These programs enable universities to broaden their curricula, increase faculty development and student research projects, and increase the number of new scholars recruited in the food and agriculture sciences. CSREES also supports extension-related work at 1862 and 1890 land-grant institutions throughout the country through formula and competitive programs. CSREES supported the Outreach and Assistance for Disadvantaged Farmers Program for the first time in FY 2003. The purpose is to enhance the ability of minority and small farmers and ranchers to operate farming or ranching enterprises independently to assure adequate income and maintain reasonable lifestyles.

### Food and Nutrition Service

FNS' human capital consists of employment and training (E&T) for the FSP. The E&T requires recipients of food stamp benefits to participate in an employment and training program as a condition to food stamp eligibility.

Outcome data for the E&T program is only available through the third quarter. As of this period, FNS' E&T program has placed 685,400 work registrants subject to the 3-month FSP participation limit. It also has declared 1,626,783 work registrants not subject to the limit in either job search, job training, job workfare, education or work experience.

### Forest Service

The FS' Job Corps Civilian Conservation (Job Corps) Centers, in coordination with the National Parks Service, Fish and Wildlife Service, and Bureau of Reclamation, celebrated its 40th anniversary. The anniversary's theme was, "40 Years of Empowering Youth and Enhancing Communities and Natural Resources." Secretary of Agriculture Ann Veneman was the keynote speaker.

The anniversary event highlighted that, in the last 40 years, all the Job Corps Centers combined have contributed an appraised value of work of approximately \$1.5 billion in community projects, community and public structures, natural resources and fighting wildland fires. Some of the anniversary events were a presentation of the 40th anniversary video, the unveiling of the Job Corps Wall of Names (erected at the entrance of the Schenck Job Corps Center), visits to the Lyndon B. Johnson (the first Forest Service Job Corps Center) and the Oconaluftee Job Corps Centers, and remarks by past and present staff, center directors and students.

In partnership with the U.S. Department of Labor (DOL), the FS operates 18 Job Corps Centers. Job Corps is the only Federal residential employment and education training program for economically challenged young people ages 16 to 24. The program is designed to provide young adults with the skills necessary to become employable, independent, and productive citizens. It is administered in a structured, coeducational, residential environment that provides education, vocational and life-skills training, counseling, medical care, work experience, placement assistance and follow-up, recreational opportunities, and bi-weekly monetary stipends. Job Corps students choose from a wide variety of careers, such as urban forestry, heavy equipment operations and maintenance, business, clerical, carpentry, culinary arts, painting, cement and brick masonry, welding, auto mechanics, health services, building and apartment maintenance, warehousing, and plastering.

Job Corps is funded from DOL annually on a program year. The fiscal year is from July 1 to June 30. During Job Corps' FY 2004, accomplishments included the following:

- 8,133 participants received 3,780 placements with an average starting hourly wage of \$8.41, 32 cents more than the DOL national average;
- Approximately 1,857 female students received training in nontraditional vocations;
- 617 students received high school diplomas, and 1,438 students obtained general equivalency diplomas;
- Approximately 3,000 Job Corps students and staff assisted the agency in its firefighting efforts; and
- Students accomplished conservation work on NFS lands appraised at \$17.4 million.

Since 1964, FS' Job Corps Centers have trained and educated more than 235,000 young men and women. The agency is actively pursuing the transfer of two U.S. Department of Interior's Fish and Wildlife Job Corps Centers and their personnel to FS.

### Agricultural Research Service

As the Nation's primary source for agricultural information, the National Agricultural Library (NAL) has a mission to increase the availability and utilization of agricultural information for researchers, educators, policymakers, consumers of agricultural products, and the public. The NAL is one of the world's largest and most accessible agricultural research libraries and plays a vital role in supporting research, education and applied agriculture.

NAL was created as the USDA library in 1862. It became a national library in 1962. One of four national libraries of the U.S. (with the Library of Congress, the National Library of Medicine and the National Library of Education), it is also the coordinator for a national network of State land-grant and USDA field libraries. In its international role, the NAL serves as the U.S. center for the international agricultural information system, coordinating and sharing resources and enhancing global access to agricultural data. The NAL collection of more than 3.5 million items and its leadership role in information services and technology applications combine to make it the foremost agricultural library in the world.

### Risk Management Agency

In response to the Secretary's 1996 Risk Management Education (RME) initiative, and as mandated by the Federal Agricultural Improvement and Reform Act of 1996, FCIC has formed new partnerships with CSREES, the Commodity Futures Trading Commission, the USDA National Office of Outreach, Economic Research Service, and private industry. The partnerships are designed to leverage the Federal Government's funding of its RME program by using both public and private organizations to help educate their members in agricultural risk management. The RME effort was launched in 1997 with a Risk Management Education Summit that raised awareness of the tools and resources needed by farmers and ranchers to manage their risks. RMA built on this foundation during fiscal year 2003 by expanding State and Regional education partnerships. It also encouraged the development of information and technology decision aids, supported the National Future Farmers of America (FFA) Foundation with an annual essay contest facilitating local training workshops and supported cooperative agreements with educational and outreach organizations.

During FY 2004 and FY 2003, the RME worked toward the goals by funding risk management sessions, most of which targeted producers directly. The number of producers reached through these sessions is approximately 46,000 in FY 2004 and 62,000 in FY 2003. Additionally, some training sessions helped those who work with producers, such as lenders, agricultural educators, and crop insurance agents, better understand those areas of risk management with which they may be unfamiliar. Total RME obligations incurred by the FCIC were approximately \$9.8 million for fiscal year 2004 and \$9.4 million for fiscal year 2003. The following table summarizes the RME initiatives since fiscal year 2000:

	2004	2003	2002	2001	2000
	(dollars in millions)				
RME Obligations	\$ 10	9	6	5	1
Number of producers attending RME sessions	46,000	62,000	50,000	50,000	30,000

One of the directives of the Agricultural Risk Protection Act (ARPA) is to step up the FCIC's educational and outreach efforts in certain areas of the country that have been underserved historically by the Federal Crop Insurance Program. The Secretary determined that 15 states met the underserved criteria. These states are Maine, Massachusetts, Connecticut, Wyoming, New Jersey, New York, Delaware, Nevada, Pennsylvania, Vermont, Maryland, Utah, Rhode Island, New Hampshire and West Virginia.

## **Research and Development**

### **Agricultural Research Service**

ARS is the principal in-house research agency of USDA. Its mission is to conduct research to develop the following program activities:

#### **Plant Sciences**

The research emphasis is on increasing the productivity and quality of crop plants, and improving the competitiveness of agricultural products in domestic and world markets. The research involves developing improved production practices and methods for reducing crop losses caused by weeds, diseases, insects and other pests. The research also includes broadening the germplasm resources of plants and beneficial organisms to ensure genetic diversity for improving productivity.

#### **Commodity Conversion and Delivery**

The research program focuses on maximizing the use of agricultural products in domestic and international markets. New agricultural products and processes are developed along with technologies for reducing or eliminating post harvest losses caused by pests, spoilage, and physical and environmental damage. Also, research is conducted on food safety to reduce pathogens, naturally occurring toxicants, mycotoxins, and chemical residues in the food supply.

#### **Animal Sciences**

The research program places primary emphasis on increasing the productivity of animals and the quality of animal products. The research involves increasing the genetic capacity of animals for production, improving the efficiency of reproduction, improving animal nutrition and feed efficiency, and controlling or preventing losses from pathogens, diseases, parasites and insect pests. Additionally, the research includes the development of systems and technologies to manage and utilize animal wastes better.

#### **Soil, Water, and Air Sciences**

The research program is directed to managing and conserving the Nation's soil, water and air resources to maintain a stable and productive agriculture. The research focuses on developing technologies and systems to conserve water and protect its quality, enhance soil quality, reduce erosion and improve air quality. The effects of global change are also researched.

#### **Human Nutrition**

The research program emphasizes promoting optimum human health and well being through improved nutrition. Research is directed to defining the nutrient requirements of humans at all stages of the life cycle. The research also focuses on determining the nutrient content of agricultural products and processed foods consumed, and establishing the bioavailability of their nutrients.

#### **Integration of Agricultural Systems**

The research integrates scientific knowledge of agricultural production, processing and marketing into systems that optimize resources management and facilitate the transfer of technology to users.

#### **Collaborative Research Program**

Funds from the U.S. Agency for International Development allow USDA to provide short-term scientific exchanges with the new independent states of the former Soviet Union. The plan is designed to develop market-based agricultural systems necessary to meet the food needs of their populations. It also focuses on developing

and strengthening trade linkages between their countries and related agribusiness and agricultural enterprise in the U.S.

#### **Product Quality/Value Added**

ARS research enhances the economic viability and competitiveness of U.S. agriculture by maintaining the quality of harvested agricultural commodities or enhancing their marketability. It also expands domestic and global market opportunities through the development of value-added food and non-food products and processes, and reduces the Nation's dependence on foreign oil and improving the environment by developing alternate energy sources and increasing the use of agricultural crops as feedstocks for biofuels.

#### **Livestock Production**

ARS conducts research that develops biotechnological methods to use animal germplasm and associated genetic and genomic repositories and databases to ensure an abundant and safe food supply of animal products. Research also provides the knowledge to scientifically assess farm animal well being, reduce animal stress, increase animal health and improve the international competitiveness and sustainability of United States aquaculture.

#### **Crop Production**

ARS safeguards and utilizes plant, microbial and insect germplasm associated genetic and genomic databases, and bioinformatic tools to ensure an abundant, safe and inexpensive supply of food, feed, fiber, ornamentals and industrial products. The agency conducts fundamental research on plants that form the basis for greater crop productivity and efficiency, better product quality and safety, improved protection against pests and diseases, and sustainable practices that maintain environmental quality.

#### **Food Safety**

ARS research provides the means to ensure that the food supply is safe for consumers, and that food and feed meet foreign and domestic regulatory requirements. Research also focuses on the reduction of the hazards of both introduced and naturally occurring toxicants in foods and feed. These toxicants include pathogenic bacteria, viruses, parasites, chemical contaminants, mycotoxins produced by fungi growing on plants, and naturally occurring toxins produced by plants.

#### **Livestock Protection**

ARS produces the knowledge and technology to reduce the economic losses from infectious, genetic and metabolic diseases of livestock and poultry. This work also helps eliminate the losses to animal production and products caused by arthropod diseases and arthropod borne trauma. An arthropod disease refers to one transmitted via the bite or feces of a mite, tick or other insect. The research also reduces the risk to humans of arthropod borne zoonotic diseases, enhances the safety of animal products and increases the quality of life for humans.

#### **Crop Protection**

ARS provides the knowledge to reduce the losses caused by plant diseases by defining practices that are effective and affordable, and maintain environmental quality. Research also provides the technology to manage pest populations below economic damage thresholds. It does this by integrating by the integration of environmentally compatible strategies that are based on an increased understanding of the pest's biology and ecology.

#### **Environmental Stewardship**

Forest, rangeland and pasture ecosystems provide a number of goods and services that are critical to maintaining a healthy and livable environment. Among these are clean water, clean air, productive soils, carbon storage, biodiversity, scenic vistas and recreational opportunities. Additionally, they are an important source of food, fiber and forest products. Even though these systems are managed less intensively than conventional farmlands, sound scientific management is very important. Intensively managed croplands, in addition to providing food and fiber, play a critical role in determining air, water and soil quality. Sound scientific

management of productive croplands should lead to the sustainability high levels of soil, air, and water quality and benefit both agricultural production and the environment.

The NAL also provides support to ARS' research programs.

### **Cooperative State Research, Education, and Extension Service Program (CSREES)**

CSREES participates in a nationwide land-grant university system of agriculture related research and program planning and coordination between State institutions and USDA. It assists in maintaining cooperation among the State institutions, and between the State institutions and their Federal research partners. CSREES administers grants and formula payments to State institutions to supplement State and local funding for agriculture research.

### **Forest Service (FS)**

FS Research and Development (R&D) provides reliable, science-based information that is incorporated into natural resource decision making. Responsibilities include developing new technology and then adapting and transferring this technology to facilitate more effective resource management. Some major research areas include the following:

- Vegetation management and protection;
- Wildlife, fish, watershed and air;
- Resource valuation and use research; and
- Forest Resources inventory and monitoring.

Research staff is involved in all areas of the FS, supporting agency goals by providing more efficient and effective methods where applicable.

A representative summary of FY 2004 accomplishments include the following:

- 250 new interagency agreements and contracts;
- 445 interagency agreements and contracts continued;
- 1,539 articles published in journals;
- 2,419 articles published in all other publications;
- 8 patents granted; and
- 27 rights to inventions established.

### **Economic Research Service**

ERS provides economic and other social science research and analysis for public and private decisions on agriculture, food, natural resources, and rural America. Research results and economic indicators on these important issues are fully disseminated through published and electronic reports and articles; special staff analyses, briefings, presentations, and papers; databases; and individual contacts. ERS' objective information and analysis helps public and private decision makers attain the goals that promote agricultural competitiveness, food safety and security, a well-nourished population, environmental quality, and a sustainable rural economy.

### **National Agricultural Statistics Service**

Statistical research and service are conducted to improve the statistical methods and related technologies used in developing U.S. agricultural statistics. The highest priority of the research agenda is to aid the NASS estimation program through development of better estimators at lower cost and with less respondent burden. This means greater efficiency in sampling and data collection coupled with higher quality data upon which to base the official estimates. Additionally, new products for data users are being developed with the use of technologies such as remote sensing and geographic information systems. Continued service to users will be increasingly dependent upon methodological and technological efficiencies.



## REQUIRED SUPPLEMENTARY INFORMATION

### STATEMENT OF BUDGETARY RESOURCES

FY 2004	FFAS		RD		FNCS	FSIS	MRP	NRE	REE	DO	Total	
	Budgetary	Non Budgetary Financing Accounts	Budgetary	Non Budgetary Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Non Budgetary Financing Accounts
<b>Budgetary Resources:</b>												
Budget Authority:												
Appropriations Received	\$ 30,166	\$ -	\$ 3,457	\$ -	\$ 42,592	\$ 788	\$ 7,232	\$ 7,106	\$ 2,466	\$ 509	\$ 94,316	\$ -
Borrowing Authority (Note 21 & 22)	29,004	2,876	2	8,480	-	-	-	-	-	-	29,006	11,356
Net Transfers	(1,771)	-	3	-	4,715	(1)	(4,569)	1,603	12	8	-	-
Unobligated Balances:												
Beginning of Period (Note 23)	3,431	4,411	2,298	1,391	8,077	65	583	1,406	669	233	16,762	5,802
Net Transfers, Actual	(2)	-	-	-	-	-	(195)	4	-	-	(193)	-
Spending Authority From Offsetting Collections:												
Earned												
Collected	16,083	2,576	5,853	4,943	84	124	185	505	120	508	23,462	7,519
Change in Receivables from Federal Sources	(653)	150	(16)	(4)	-	(2)	(12)	(11)	12	10	(672)	146
Change in Unfilled Customer Orders												
Advances Received	943	-	-	-	2	-	-	(10)	-	-	935	-
Without Advances from Federal Sources	(3)	(2)	-	(95)	-	-	-	5	-	77	99	(97)
Recoveries of Prior Year Obligations	2,328	91	309	543	468	93	351	629	1,005	73	5,256	634
Permanently not Available	(41,590)	(2,028)	(2,981)	(2,348)	(2,369)	(20)	(8)	(59)	(30)	(8)	(47,065)	(4,376)
<b>Total Budgetary Resources</b>	<b>\$ 37,936</b>	<b>\$ 8,074</b>	<b>\$ 8,925</b>	<b>\$ 12,910</b>	<b>\$ 53,569</b>	<b>\$ 1,047</b>	<b>\$ 3,567</b>	<b>\$ 11,888</b>	<b>\$ 4,264</b>	<b>\$ 1,410</b>	<b>\$ 121,906</b>	<b>\$ 20,984</b>

REQUIRED SUPPLEMENTARY INFORMATION

FY 2004	FFAS		RD		FNCS	FSIS	MRP	NRE	REE	DO	Total	
	Budgetary	Non Budgetary Financing Accounts	Budgetary	Non Budgetary Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Non Budgetary Financing Accounts
<b>Status of Budgetary Resources:</b>												
Obligations Incurred (Note 20):												
Direct	\$ 8,835	\$ 3,563	\$ 4,665	\$ 11,096	\$ 45,783	\$ 847	\$ 2,395	\$ 8,813	\$ 3,565	\$ 605	\$ 75,508	\$ 14,659
Reimbursable	25,563	-	509	-	18	146	281	323	202	600	27,642	-
Unobligated Balance:												
Apportioned	2,949	4,488	396	1,433	619	1	335	1,514	428	154	6,396	5,921
Exempt from Apportionment	3	6	-	-	-	-	524	5	16	3	551	6
Other Available												
Unobligated Balance not Available	586	17	3,355	381	7,149	53	32	533	53	48	11,809	398
Total Status of Budgetary Resources	<u>37,936</u>	<u>8,074</u>	<u>8,925</u>	<u>12,910</u>	<u>53,569</u>	<u>1,047</u>	<u>3,567</u>	<u>11,888</u>	<u>4,264</u>	<u>1,410</u>	<u>12,1906</u>	<u>20,984</u>
<b>Relationship of Obligations to Outlays:</b>												
Obligated Balance, Net, Beginning of Period (Note 23)	6,429	482	6,916	14,389	2,796	88	495	2,789	1,582	99	21,194	14,871
Obligations Incurred	34,398	3,563	5,174	11,096	45,801	993	2,676	9,136	3,767	1,205	103,150	14,659
Less:												
Recoveries of Prior Year Obligations	2,328	91	309	543	468	93	351	629	1,005	73	5,256	634
Change from Federal Sources	(656)	148	(16)	(99)	-	(2)	(12)	4	22	87	(573)	49
Obligated Balance, Net, End of Period:												
Accounts Receivable	(1,437)	(316)	(78)	-	-	(22)	(39)	(268)	(62)	(72)	(1,978)	(316)
Unfilled Customer Orders from Federal Sources	(5)	(16)	-	(619)	-	-	-	(121)	(105)	(181)	(412)	(635)
Undelivered Orders	2,234	188	6,320	17,547	531	92	478	2,641	1,804	253	14,353	17,735
Accounts Payable	5,280	352	285	-	2,517	31	98	679	76	81	9,047	352
Total Obligated Balance, Net, End of Period	<u>6,072</u>	<u>208</u>	<u>6,527</u>	<u>16,928</u>	<u>3,048</u>	<u>101</u>	<u>537</u>	<u>2,931</u>	<u>1,713</u>	<u>81</u>	<u>21,010</u>	<u>17,136</u>
Disbursements	33,083	3,598	5,270	8,113	45,081	889	2,295	8,361	2,609	1,063	98,651	11,711
Collected and Advances Received	(17,026)	(2,576)	(5,853)	(4,943)	(86)	(124)	(185)	(495)	(120)	(508)	(24,397)	(7,519)
Outlays	<u>16,057</u>	<u>1,022</u>	<u>(583)</u>	<u>3,170</u>	<u>44,995</u>	<u>765</u>	<u>2,110</u>	<u>7,866</u>	<u>2,489</u>	<u>555</u>	<u>74,254</u>	<u>4,192</u>
Less: Offsetting Receipts	995	600	387	-	-	3	141	385	17	-	1,928	600
Net Outlays	<u>\$ 6,062</u>	<u>\$ 422</u>	<u>\$ (970)</u>	<u>\$ 3,170</u>	<u>\$ 44,995</u>	<u>\$ 762</u>	<u>\$ 1,969</u>	<u>\$ 7,481</u>	<u>\$ 2,472</u>	<u>\$ 555</u>	<u>\$ 72,326</u>	<u>\$ 3,592</u>

FY 2003	FFAS		RD		FNCS	FSIS	MRP	NRE	REE	DO	Total	
	Budgetary	Non Budgetary Financing Accounts	Budgetary	Non Budgetary Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Non Budgetary Financing Accounts
<b>Budgetary Resources:</b>												
Budget Authority:												
Appropriations Received	\$ 25,338	\$ -	\$ 3,545	\$ -	\$ 37,148	\$ 763	\$ 7,074	\$ 6,873	\$ 2,667	\$ 559	\$ 83,967	-
Borrowing Authority (Note 21& 22)	49,343	2,881	-	7,376	-	-	-	-	-	-	49,343	10,257
Net Transfers	(2,091)	-	82	-	4,819	-	(4,299)	1,326	(30)	4	(189)	-
Unobligated Balances:												
Beginning of Period (Note 23)	3,647	4,188	1,487	1,076	12,216	58	626	1,001	562	191	19,788	5,264
Net Transfers, Actual	(316)	-	-	-	-	-	-	(129)	(9)	-	(453)	-
Spending Authority From Offsetting Collections:												
Earned												
Collected	16,248	3,250	6,382	4,472	101	106	171	785	111	398	24,302	7,722
Change in Receivables from Federal Sources	1,467	58	69	4	-	1	(8)	88	(18)	3	1,602	62
Change in Unfilled Customer Orders												
Advances Received	292	-	-	-	-	-	(1)	(1)	(1)	-	289	-
Without Advances from Federal Sources	2	8	-	48	-	-	-	(50)	18	77	47	56
Recoveries of Prior Year Obligations	1,416	91	183	346	470	80	282	365	978	81	3,865	437
Temporarily not Available Pursuant to Public Law												
Permanently not Available	(48,413)	(2,408)	(4,101)	(1,867)	(4,572)	(5)	(14)	(33)	(25)	(4)	(57,167)	(4,275)
Total Budgetary Resources	<u>\$ 46,934</u>	<u>\$ 8,068</u>	<u>\$ 7,657</u>	<u>\$ 11,455</u>	<u>\$ 50,182</u>	<u>\$ 1,003</u>	<u>\$ 3,831</u>	<u>\$ 10,225</u>	<u>\$ 4,253</u>	<u>\$ 1,309</u>	<u>\$ 125,394</u>	<u>\$ 19,523</u>

REQUIRED SUPPLEMENTARY INFORMATION

FY 2003	FFAS		RD		FNCS	FSIS	MRP	NRE	REE	DO	Total	
	Budgetary	Non Budgetary Financing Accounts	Budgetary	Non Budgetary Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Non Budgetary Financing Accounts
<b>Status of Budgetary Resources:</b>												
Obligations Incurred (Note 20):												
Direct	\$ 8,999	\$ 3,658	\$ 4,872	\$ 10,063	\$ 42,044	\$ 836	\$ 3,053	\$ 8,117	\$ 3,427	\$ 592	\$ 71,940	\$ 13,721
Reimbursable	34,504	-	487	-	61	102	195	701	158	484	36,692	-
Unobligated Balance:												
Apportioned	2,772	4,300	317	1,043	760	28	317	956	555	145	5,850	5,343
Exempt from Apportionment	11	1	-	-	-	1	246	35	32	3	328	1
Other Available	9	-	-	-	-	-	-	-	-	-	9	-
Unobligated Balance not Available	639	109	1,981	349	7,317	36	20	416	81	85	10,575	458
<b>Total Status of Budgetary Resources</b>	<b>46,934</b>	<b>8,068</b>	<b>7,657</b>	<b>11,455</b>	<b>50,182</b>	<b>1,003</b>	<b>3,831</b>	<b>10,225</b>	<b>4,253</b>	<b>1,309</b>	<b>125,394</b>	<b>9,523</b>
<b>Relationship of Obligations to Outlays:</b>												
Obligated Balance, Net, Beginning of Period (Note 23)	4,883	604	6,774	13,158	2,354	73	325	2,172	1,494	105	18,180	13,762
Obligations Incurred	43,503	3,658	5,359	10,063	42,105	938	3,248	8,818	3,585	1,076	108,632	13,721
Less:												
Recoveries of Prior Year Obligations	1,416	91	193	346	470	80	282	365	978	81	3,865	437
Change from Federal Sources	1,469	66	69	52	-	1	(8)	38	-	80	1,649	18
Obligated Balance, Net, End of Period:												
Accounts Receivable	(2,091)	(166)	(94)	(4)	-	(24)	(50)	(279)	(50)	(63)	(2,651)	(170)
Unfilled Customer Orders from Federal Sources	(8)	(8)	-	(714)	-	-	-	(106)	(96)	(103)	(313)	(732)
Undelivered Orders	2,552	246	6,599	15,105	436	91	478	2,243	1,669	210	14,278	15,351
Accounts Payable	5,976	420	411	2	2,360	21	67	931	59	55	9,880	422
<b>Total Obligated Balance, Net, End of Period</b>	<b>6,429</b>	<b>482</b>	<b>6,916</b>	<b>14,389</b>	<b>2,796</b>	<b>88</b>	<b>495</b>	<b>2,789</b>	<b>1,582</b>	<b>99</b>	<b>21,914</b>	<b>14,871</b>
Disbursements	39,072	3,623	4,955	8,434	41,193	842	2,804	7,798	2,519	921	100,104	12,057
Collected and Advances Received	(16,541)	(3,250)	(6,382)	(4,472)	(101)	(106)	(170)	(784)	(110)	(398)	(24,591)	(7,722)
Outlays	22,531	373	(1,427)	3,962	41,092	736	2,634	7,014	2,409	523	75,513	4,335
Less: Offsetting Receipts	353	1,292	791	-	-	3	43	439	34	-	1,763	1,292
<b>Net Outlays</b>	<b>\$ 22,178</b>	<b>\$ (919)</b>	<b>\$ (2,218)</b>	<b>\$ 3,962</b>	<b>\$ 41,092</b>	<b>\$ 733</b>	<b>\$ 2,491</b>	<b>\$ 6,575</b>	<b>\$ 2,375</b>	<b>\$ 523</b>	<b>\$ 73,750</b>	<b>\$ 3,043</b>

## DEFERRED MAINTENANCE

FY 2004	Cost to Return to Acceptable Condition	Cost of Critical Maintenance	Cost of Non-critical Maintenance
<b>Asset Class</b>			
Forest Service			
Roads, Bridges, and Major Culverts	\$ 5,280	\$ 774	\$ 4,506
Buildings	462	129	333
Developed Recreation Sites	178	52	126
Dams	29	10	19
Range Structures	464	464	-
Wildlife, Fish, and Threatened and Endangered Species Structures	6	4	2
Trails	107	37	70
Heritage Assets	10	5	5
<b>Total Forest Service</b>	<b>\$ 6,536</b>	<b>\$ 1,475</b>	<b>\$ 5,061</b>

  

FY 2003	Cost to Return to Acceptable Condition	Cost of Critical Maintenance	Cost of Non-critical Maintenance
<b>Asset Class</b>			
Forest Service			
Roads, Bridges, and Major Culverts	\$ 3,851	\$ 696	\$ 3,155
Buildings	421	128	293
Developed Recreation Sites	189	55	134
Dams	29	10	19
Range Structures	490	490	-
Wildlife, Fish, and Threatened and Endangered Species Structures	5	3	2
Trails	120	42	78
Heritage Assets	83	45	38
<b>Total Forest Service</b>	<b>\$ 5,188</b>	<b>\$ 1,469</b>	<b>\$ 3,719</b>

Deferred maintenance is scheduled maintenance delayed until a future period. Deferred maintenance represents a cost that the government has elected not to fund and, therefore, the costs are not reflected in the financial statements. Maintenance is defined to include preventative maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable service and achieve its expected life. It excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to service needs different from, or significantly greater than, those originally intended. Deferred maintenance is reported for general PP&E, stewardship assets, and heritage assets. It also is reported separately for critical and non-critical amounts of maintenance needed to return each class of asset to its acceptable operating condition.

FS uses condition surveys to estimate deferred maintenance on all major classes of PP&E. There is no deferred maintenance for fleet vehicles and computers that are managed through the Agency's working capital fund. Each fleet vehicle is maintained according to schedule. The cost of maintaining the remaining classes of equipment is expensed.

### Condition of Administrative Facilities

The condition of administrative facilities ranges from poor to good. Approximately half of these buildings are obsolete or in poor condition needing major repair or renovation. Approximately one fourth is in fair condition and the remaining in good condition.

### Condition of Dams

The overall condition of dams is below acceptable. The condition of dams is acceptable when current design standards are met and no deficiencies that threaten the safety of the structure or public are detected.

## Condition of General Property, Plant and Equipment

The standards for acceptable operating condition for various classes of general PP&E, stewardship and heritage assets are:

### Buildings

Comply with the National Life Safety Code, the Forest Service Health and Safety Handbook, and the Occupational Safety Health Administration as determined by condition surveys.

### Roads and Bridges

Conditions of the National Forest System Road system are measured by various standards that include applicable regulations for the Highway Safety Act developed by the Federal Highway Administration, best management practices for road construction and maintenance developed by the Environmental Protection Agency and the states to implement the non-point source provisions of the Clean Water Act, road management objectives developed through the forest planning process prescribed by the National Forest Management Act, and the requirements of FS manuals and handbooks.

### Developed Recreation Sites

This category includes campgrounds, trailheads, trails, wastewater facilities, interpretive facilities, and visitor centers. All developed sites are managed in accordance with Federal laws and regulations (CFR 36). Detailed management guidelines are contained in the Forest Service Manual (FSM 2330, Publicly Managed Recreation Opportunities) and regional and forest level user guides. Standards of quality for developed recreation sites were developed under the meaningful measures system and established for the following categories: health and cleanliness, settings, safety and security, responsiveness, and the condition of facility.

### Range Structures

The condition assessment is based on: 1) a determination by knowledgeable range specialists or other district personnel that the structure performs as intended, and 2) a determination through the use of a protocol system to assess conditions based on age. A long-range methodology is used to gather this data.

### Dams

Managed according to Forest Service Manual 7500, Water Storage and Transmission, and Forest Service Handbook 7509.11, Dams Management as determined by condition surveys.

### Wildlife, Fish and Threatened and Endangered Species Structures

Field biologists at the forest used their professional judgment to determine deferred maintenance. Deferred maintenance was considered as upkeep that had not occurred on a regular basis. The amount was considered critical if resource damage or species endangerment would likely occur if maintenance was deferred much longer.

### Trails

Trails are managed according to Federal law and regulations (CFR 36). More specific direction is contained in the Forest Service Manual (FSM 2350, Trail, River, and Similar Recreation Opportunities) and the Forest Service Trails Management Handbook (FSH 2309.18).

### Heritage Assets

These assets include archaeological sites that require determinations of National Register of Historic Places status, National Historic Landmarks, and significant historic properties. Some heritage assets may have historical significance, but their primary function within the agency is as visitation or recreation sites and, therefore, may not fall under the management responsibility of the heritage program.

**INTRAGOVERNMENTAL AMOUNTS**

**Assets**

FY 2004	Fund		Accounts	Other
	Balance with Treasury	Investments	Receivable	
Trading Partner (Code)				
Unidentified (00)	\$ -	\$ -	\$ 143	\$ (5)
Department of Interior (14)	-	-	29	-
Department of Justice (15)	-	-	1	-
Department of Labor (16)	-	-	-	-
Department of the Navy (17)	-	-	1	-
U.S. Postal Service (18)	-	-	-	6
Department of State (19)	-	-	-	-
Department of the Treasury (20)	39,488	56	10	-
Department of the Army (21)	-	-	10	-
Office of Personnel Management (24)	-	-	2	-
General Services Administration (47)	-	-	7	-
Federal Deposit Insurance Corporation (51)	-	-	-	-
Department of Transportation (69)	-	-	298	-
Department of Homeland Security (70)	-	-	9	-
Agency for International Development (72)	-	-	54	-
Department of Health and Human Services (75)	-	-	-	-
Department of Energy (89)	-	-	2	-
U.S. Army Corps of Engineers (96)	-	-	1	-
Office of the Secretary of Defense-Defense Agencies (97)	-	-	12	-
Treasury General Fund (99)	-	-	46	-
<b>Total Assets</b>	<b>\$ 39,488</b>	<b>\$ 56</b>	<b>\$ 625</b>	<b>\$ 1</b>

FY 2003	Fund		Accounts	Other
	Balance with Treasury	Investments	Receivable	
Trading Partner (Code)				
Unidentified (00)	\$ -	\$ 4	\$ 47	\$ 5
Department of Interior (14)	-	-	9	-
Department of Justice (15)	-	-	1	-
Department of Labor (16)	-	-	4	-
Department of the Navy (17)	-	-	1	-
U.S. Postal Service (18)	-	-	1	3
Department of State (19)	-	-	(1)	-
Department of the Treasury (20)	36,450	41	67	-
Department of the Army (21)	-	-	7	-
Office of Personnel Management (24)	-	-	1	-
General Services Administration (47)	-	-	6	-
Federal Deposit Insurance Corporation (51)	-	-	1	-
Department of Transportation (69)	-	-	428	(1)
Department of Homeland Security (70)	-	-	7	-
Agency for International Development (72)	-	-	33	-
Department of Health and Human Services (75)	-	-	13	-
Department of Energy (89)	-	-	3	-
U.S. Army Corps of Engineers (96)	-	-	1	-
Office of the Secretary of Defense-Defense Agencies (97)	-	-	10	-
Treasury General Fund (99)	-	-	7	-
<b>Total Assets</b>	<b>\$ 36,450</b>	<b>\$ 45</b>	<b>\$ 646</b>	<b>\$ 7</b>

**Liabilities**

	Accounts Payable	Debt	Resources Payable to Treasury	Other
FY 2004				
Trading Partner (Code)				
Unidentified (00)	\$ 4	\$ -	\$ -	\$ 205
Architect of the Capitol (01)	-	-	-	(5)
Government Printing Office (04)	-	-	-	-
Department of Commerce (13)	-	-	-	3
Department of Interior (14)	-	-	-	129
Department of Justice (15)	-	-	-	22
Department of Labor (16)	-	-	-	166
Department of the Navy (17)	-	-	-	-
U.S. Postal Service (18)	-	-	-	1
Department of State (19)	-	-	-	(4)
Department of the Treasury (20)	1	69,053	-	20
Department of the Army (21)	-	-	-	5
Office of Personnel Management (24)	-	-	-	39
General Services Administration (47)	-	-	-	21
Tennessee Valley Authority (64)	-	-	-	1
Environmental Protection Agency (68)	-	-	-	1
Department of Transportation (69)	-	-	-	1
Department of Homeland Security (70)	-	-	-	-
Agency for International Development (72)	804	-	-	1
Department of Health and Human Services (75)	-	-	-	30
Department of Energy (89)	-	-	-	1
U.S. Army Corps of Engineers (96)	-	-	-	(133)
Office of the Secretary of Defense-Defense Agencies (97)	-	-	-	1
Treasury General Fund (99)	-	-	17,469	887
<b>Total Liabilities</b>	<b>\$ 809</b>	<b>\$ 69,053</b>	<b>\$ 17,469</b>	<b>\$ 1,392</b>

	Accounts Payable	Debt	Resources Payable to Treasury	Other
FY 2003				
Trading Partner (Code)				
Unidentified (00)	\$ 4	\$ -	\$ -	\$ 289
Architect of the Capitol (01)	-	-	-	-
Government Printing Office (04)	-	-	-	(2)
Department of Commerce (13)	-	-	-	2
Department of Interior (14)	-	-	-	17
Department of Justice (15)	-	-	-	24
Department of Labor (16)	-	-	-	186
Department of the Navy (17)	-	-	-	(1)
U.S. Postal Service (18)	-	-	-	-
Department of State (19)	-	-	-	(4)
Department of the Treasury (20)	-	76,140	-	242
Department of the Army (21)	-	-	-	4
Office of Personnel Management (24)	-	-	-	28
General Services Administration (47)	-	-	-	22
Tennessee Valley Authority (64)	-	-	-	-
Environmental Protection Agency (68)	-	-	-	-
Department of Transportation (69)	-	-	-	-
Department of Homeland Security (70)	-	-	-	1
Agency for International Development (72)	1,202	-	-	4
Department of Health and Human Services (75)	-	-	-	-
Department of Energy (89)	-	-	-	-
U.S. Army Corps of Engineers (96)	-	-	-	(100)
Office of the Secretary of Defense-Defense Agencies (97)	-	-	-	1
Treasury General Fund (99)	-	-	16,981	2,224
<b>Total Liabilities</b>	<b>\$ 1,206</b>	<b>\$ 76,140</b>	<b>\$ 16,981</b>	<b>\$ 2,937</b>



**Earned Revenue**

	<u>FY 2004</u>	<u>FY 2003</u>
Earned Revenue:		
Trading Partner (Code)		
Unidentified (00)	\$ 14	\$ (2)
Library of Congress (03)	1	1
General Accounting Office (05)	1	1
Executive Office of the President (11)	1	1
Department of Commerce (13)	6	6
Department of Interior (14)	60	80
Department of Justice (15)	19	16
Department of Labor (16)	19	27
Department of the Navy (17)	2	2
U.S. Postal Service (18)	1	1
Department of State (19)	4	4
Department of the Treasury (20)	631	658
Department of the Army (21)	28	19
Office of Personnel Management (24)	3	2
Smithsonian Institution (33)	-	1
Department of Veterans Affairs (36)	-	1
General Services Administration (47)	50	53
Federal Deposit Insurance Corporation (51)	1	2
Department of the Air Force (57)	1	(4)
Environmental Protection Agency (68)	6	7
Department of Transportation (69)	15	20
Department of Homeland Security (70)	15	114
Agency for International Development (72)	67	9
Small Business Administration (73)	1	-
Department of Health and Human Services (75)	9	5
National Aeronautics and Space Administration (80)	1	2
Department of Housing and Urban Development (86)	1	2
Department of Energy (89)	5	17
Independent Agencies (95)	1	-
U.S. Army Corps of Engineers (96)	17	15
Office of the Secretary of Defense-Defense Agencies (97)	13	13
Total Earned Revenue	<u>\$ 993</u>	<u>\$ 1,073</u>

**Cost to Generate Earned Revenue**

	<u>FY 2004</u>	<u>FY 2003</u>
Functional Classification		
350 Agriculture	\$ 709	\$ 630
Total Cost to Generate Revenue	<u>\$ 709</u>	<u>\$ 630</u>

**Cost**

	FY 2004	FY 2003
Trading Partner (Code)		
Unidentified (00)	\$ 102	\$ 1,461
Library of Congress (03)	1	1
Government Printing Office (04)	25	17
General Accounting Office (05)	11	21
Department of Commerce (13)	84	109
Department of Interior (14)	11	15
Department of Justice (15)	102	153
Department of Labor (16)	2	7
Department of the Navy (17)	10	19
U.S. Postal Service (18)	31	36
Department of State (19)	3,914	3,927
Department of the Treasury (20)	7	7
Department of the Army (21)	1,639	1,502
Office of Personnel Management (24)	6	10
Social Security Administration (28)	4	1
Department of Veterans Affairs (36)	487	384
General Services Administration (47)	1	1
Office of Special Counsel (62)	1	1
Tennessee Valley Authority (64)	9	199
Environmental Protection Agency (68)	(7)	(39)
Department of Transportation (69)	(188)	-
Department of Homeland Security (70)	1	-
Department of Health and Human Services (75)	134	24
National Aeronautics and Space Administration (80)	4	6
Department of Energy (89)	9	7
Department of Education (91)	1	1
Federal Mediation and Conciliation Service (93)	-	1
Independent Agencies (95)	-	1
U.S. Army Corps of Engineers (96)	18	8
Office of the Secretary of Defense-Defense Agencies (97)	11	5
Treasury General Fund (99)	-	3
<b>Total Cost</b>	<b>\$ 6,430</b>	<b>\$ 7,888</b>

**Non-exchange Revenue**

	FY 2004		FY 2003	
	Transfers- In	Transfers- Out	Transfers- In	Transfers- Out
Trading Partner (Code)				
Unidentified (00)	\$ 395	\$ (376)	\$ 2,189	\$ (1,843)
Department of Commerce (13)	-	(80)	3	-
Department of Interior (14)	131	(13)	-	-
Department of Justice (15)	1	-	-	-
Department of Labor (16)	100	(1)	108	-
Department of State (19)	5	-	6	-
Department of the Treasury (20)	-	-	-	-
Appalachian Regional Commission (46)	16	-	16	-
Department of Transportation (69)	12	-	-	-
Department of Homeland Security (70)	30	(194)	-	(151)
Agency for International Development (72)	-	(696)	-	(1,196)
Department of Health and Human Services (75)	-	-	58	-
Independent Agencies (95)	3	-	-	-
Treasury General Fund (99)	5,930	(3,991)	6,954	(4,592)
<b>Total Non-exchange Revenue</b>	<b>\$ 6,623</b>	<b>\$ (5,351)</b>	<b>\$ 9,334</b>	<b>\$ (7,782)</b>

**Segment Information**

The Departmental Working Capital Fund and the FS Working Capital Fund are not reported separately in the consolidated financial statements. The following information summarizes the working capital funds' financial condition and results of operations as of and for the fiscal years ending September 30, 2004, and 2003.

FY 2004	Departmental Working Capital Fund	Forest Service Working Capital Fund	Total Working Capital Funds
<b>Condensed Information</b>			
Fund Balance	\$ 109	\$ 139	\$ 248
Accounts Receivable	29	3	32
Property, Plant, and Equipment	52	242	294
Other Assets	1	-	1
<b>Total Assets</b>	<b>\$ 191</b>	<b>\$ 384</b>	<b>\$ 575</b>
<b>Liabilities and Net Position</b>			
Accounts Payable	\$ 2	\$ 1	\$ 3
Other Liabilities	77	24	101
Unexpended Appropriations	87	9	96
Cumulative Results of Operations	25	350	375
<b>Total Liabilities and Net Position</b>	<b>\$ 191</b>	<b>\$ 384</b>	<b>\$ 575</b>
	Cost of Goods and Services Provided	Related Exchange Revenue	Excess of Costs Over Exchange Revenue
<b>Product or Business Line</b>			
<b>Departmental Working Capital Fund:</b>			
Finance and Management	\$ 257	\$ 250	\$ 7
Communications	11	11	-
Information Technology	96	97	(1)
Administration	34	33	1
Executive Secretariat	3	3	-
<b>Total Departmental Working Capital Fund</b>	<b>401</b>	<b>394</b>	<b>7</b>
<b>Forest Service Working Capital Fund:</b>			
Other	263	238	25
<b>Total Working Capital Funds</b>	<b>\$ 664</b>	<b>\$ 632</b>	<b>\$ 32</b>

FY 2003	Departmental Working Capital Fund	Forest Service Working Capital Fund	Total Working Capital Funds
<b>Condensed Information</b>			
Fund Balance	\$ 86	\$ 134	\$ 220
Accounts Receivable	17	1	18
Property, Plant, and Equipment	47	275	322
Other Assets	4	-	4
<b>Total Assets</b>	<b>\$ 154</b>	<b>\$ 410</b>	<b>\$ 564</b>
<b>Liabilities and Net Position</b>			
Accounts Payable	\$ 2	\$ 1	\$ 3
Other Liabilities	55	34	89
Unexpended Appropriations	44	-	44
Cumulative Results of Operations	53	375	428
<b>Total Liabilities and Net Position</b>	<b>\$ 154</b>	<b>\$ 410</b>	<b>\$ 564</b>
	Cost of Goods and Services Provided	Related Exchange Revenue	Excess of Costs Over Exchange Revenue
<b>Product or Business Line</b>			
<b>Departmental Working Capital Fund:</b>			
Finance and Management	\$ 222	\$ 203	\$ 19
Communications	6	6	-
Information Technology	89	87	2
Administration	33	28	5
Executive Secretariat	2	2	-
<b>Total Departmental Working Capital Fund</b>	<b>352</b>	<b>326</b>	<b>26</b>
<b>Forest Service Working Capital Fund:</b>			
Other	369	224	145
<b>Total Working Capital Funds</b>	<b>\$ 721</b>	<b>\$ 550</b>	<b>\$ 171</b>

### **Departmental Working Capital Fund**

Services provided by the Departmental Working Capital Fund include the following:

- Administrative and Supply Services;
- Video, Teleconferencing, Graphic and Exhibit Services;
- Payroll, Accounting and Administrative Services and Thrift Saving Plan Support;
- ADP Services, Application Development and Telecommunications Services; and
- Executive correspondence control and tracking.

Major customers of the fund are the FS and the Thrift Investment Board.

### **Forest Service Working Capital Fund**

Services provided by FS Working Capital Fund include the following:

- Fleet services, rental and maintenance;
- Aircraft services, operation and maintenance;
- Supply services; and
- Computer services.

Major customers of the fund are FS units.