

IV. CONSOLIDATED FINANCIAL STATEMENTS

Department of Agriculture
CONSOLIDATED BALANCE SHEET
As of September 30, 2003 and 2002
(in millions)

	2003	2002 Restated
Assets (Note 2):		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	\$ 36,480	\$ 39,617
Investments (Note 5)	45	96
Accounts Receivable, Net (Note 6)	666	242
Other (Note 10)	7	1
Total Intragovernmental	37,198	39,956
Cash and Other Monetary Assets (Note 4)	141	165
Investments (Note 5)	15	15
Accounts Receivable, Net (Note 6)	1,755	1,866
Loans Receivable and Related Foreclosed Property, Net (Note 7)	73,590	75,543
Inventory and Related Property, Net (Note 8)	278	749
General Property, Plant, and Equipment, Net (Note 9)	4,919	5,040
Other (Note 10)	245	284
Total Assets	118,141	123,618
Liabilities (Note 11):		
Intragovernmental		
Accounts Payable	1,206	571
Debt (Note 12)	76,140	75,933
Other (Note 14)	19,942	21,394
Total Intragovernmental	97,288	97,898
Accounts Payable	3,614	2,774
Loan Guarantee Liability (Note 7)	883	1,077
Debt Held by the Public (Note 12)	80	84
Environmental and Disposal Liabilities (Note 13)	21	22
Other (Notes 14 & 15)	13,860	10,843
Total Liabilities	115,746	112,698
Commitments and Contingencies (Note 16)		
Net Position:		
Unexpended Appropriations	16,810	25,619
Cumulative Results of Operations	(14,415)	(14,699)
Total Net Position	2,395	10,920
Total Liabilities and Net Position	\$ 118,141	\$ 123,618

The accompanying notes are an integral part of these statements.

Department of Agriculture
CONSOLIDATED STATEMENT OF NET COST
For the Years Ended September 30, 2003 and 2002
(in millions)

	<u>2003</u>	<u>2002 <i>Restated</i></u>
Program Costs (Notes 17, 18, & 19):		
Intragovernmental Gross Costs	\$ 7,707	\$ 7,897
Less: Intragovernmental Earned Revenues	<u>1,089</u>	<u>983</u>
Intragovernmental Net Costs	6,618	6,914
Gross Costs with the Public:		
Grants	63,099	51,595
Loan Cost Subsidies	(778)	(994)
Indemnities	3,848	4,165
Commodity Program Costs	6,568	5,934
Stewardship Land Acquisition	239	212
Other	<u>14,396</u>	<u>15,053</u>
Total Gross Costs with the Public	87,372	75,965
Less: Earned Revenues from the Public	<u>10,799</u>	<u>10,040</u>
Net Costs with the Public	<u>76,573</u>	<u>65,925</u>
Net Cost of Operations	<u>\$ 83,191</u>	<u>\$ 72,839</u>

The accompanying notes are an integral part of these statements.

Department of Agriculture
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
For the Years Ended September 30, 2003 and 2002
(in millions)

	2003		2002 <i>Restated</i>	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances	\$ (15,443)	\$ 26,196	\$ (22,286)	\$ 31,849
Prior Period Adjustments (Note 19)	744	(577)	708	(358)
Beginning Balances, as Adjusted	(14,699)	25,619	(21,578)	31,491
Budgetary Financing Sources:				
Appropriations Received		76,572		75,848
Appropriations Transferred In (Out)		(219)		3,068
Other Adjustments (rescissions, etc.)	(16)	(4,812)		(4,514)
Appropriations Used	80,373	(80,350)	80,135	(80,274)
Nonexchange Revenue	6		2	
Donations and Forfeitures of Cash	35			
Transfers In (Out) without Reimbursement	3,790		(379)	
Other Budgetary Financing Sources			(105)	
Other Financing Sources:				
Donations and Forfeitures of Property	1		14	
Transfers In (Out) without Reimbursement	(2,019)		(1,351)	
Imputed Financing from Costs Absorbed by Others	581		1,328	
Other	724		74	
Total Financing Sources	83,475	(8,809)	79,718	(5,872)
Net Cost of Operations	(83,191)		(72,839)	
Ending Balances	\$ (14,415)	\$ 16,810	\$ (14,699)	\$ 25,619

The accompanying notes are an integral part of these statements.

Department of Agriculture
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the Years Ended September 30, 2003 and 2002
(in millions)

	2003		2002 <i>Restated</i>	
	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Non-Budgetary Financing Accounts
Budgetary Resources:				
Budget Authority:				
Appropriations Received	\$ 83,967		\$ 84,606	
Borrowing Authority (Note 21 & 22)	49,343	\$ 10,257	34,055	\$ 9,689
Net Transfers	(189)		(2,171)	
	133,121	10,257	116,490	9,689
Unobligated Balances:				
Beginning of Period (Note 23)	18,627	5,264	24,895	2,341
Net Transfers, Actual	(439)		(58)	
	18,188	5,264	24,837	2,341
Spending Authority From Offsetting Collections:				
Earned				
Collected	24,301	7,721	21,808	7,182
Receivable from Federal Sources	1,596	62	(695)	(762)
Change in Unfilled Customer Orders				
Advance Received	289		148	
Without Advance from Federal Sources	47	57	55	664
	26,233	7,840	21,316	7,084
Recoveries of Prior Year Obligations	3,854	437	2,664	288
Permanently not Available	(57,168)	(4,275)	(52,406)	(1,893)
Total Budgetary Resources	124,228	19,523	112,901	17,509
Status of Budgetary Resources:				
Obligations Incurred (Note 20):				
Direct	70,628	13,721	64,730	12,245
Reimbursable	36,758		29,544	
	107,386	13,721	94,274	12,245
Unobligated Balance:				
Apportioned	5,832	5,343	4,347	4,252
Exempt from Apportionment	328	1	280	
Other Available	9		299	
Unobligated Balance not Available	10,673	458	13,701	1,012
	16,842	5,802	18,627	5,264
Total Status of Budgetary Resources	124,228	19,523	112,901	17,509
Relationship of Obligations to Outlays:				
Obligated Balance, Net, Beginning of Period (Note 23)	19,211	13,762	19,164	10,812
Obligated Balance, Net, End of Period:				
Accounts Receivable	(2,645)	(170)	(1,048)	(107)
Unfilled Customer Orders from Federal Sources	(313)	(732)	(267)	(676)
Undelivered Orders	14,143	15,351	14,517	14,107
Accounts Payable	9,830	422	6,009	438
	21,015	14,871	19,211	13,762
Outlays:				
Disbursements	100,262	12,058	92,239	9,105
Collections	(24,590)	(7,721)	(21,956)	(7,182)
	75,672	4,337	70,283	1,923
Less: Offsetting Receipts	1,550	1,293	862	130
Net Outlays	\$ 74,122	\$ 3,044	\$ 69,421	\$ 1,793

The accompanying notes are an integral part of these statements.

Department of Agriculture
CONSOLIDATED STATEMENT OF FINANCING
For the Years Ended September 30, 2003 and 2002
(in millions)

	2003	2002 <i>Restated</i>
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations incurred	\$ 121,107	\$ 106,519
Less: Spending authority from offsetting collections and recoveries	38,364	31,352
Obligations net of offsetting collections and recoveries	82,743	75,167
Less: Offsetting receipts	2,843	992
Net obligations	79,900	74,175
Other Resources		
Donations and forfeitures of property	1	14
Transfers in (out) without reimbursement	(2,019)	(1,351)
Imputed financing from costs absorbed by others	581	1,328
Other	724	74
Net other resources used to finance activities	(713)	65
Total resources used to finance activities	79,187	74,240
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	400	3,100
Resources that fund expenses recognized in prior periods	2,354	3,691
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)	(12,950)
Other	(11,835)	(10,189)
Resources that finance the acquisition of assets	28,477	26,694
Other resources or adjustments to net obligated resources that do not affect net cost of operations	2,644	131
Total resources used to finance items not part of the net cost of operations	7,211	10,477
Total resources used to finance the net cost of operations	71,976	63,763
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in annual leave liability	42	88
Increase in environmental and disposal liability	1	
Upward/Downward reestimates of credit subsidy expense	(315)	(260)
Decrease in exchange revenue receivable from the public	597	125
Other	2,839	1,272
Total components of Net Cost of Operations that will require or generate resources in future periods (Note 27)	3,164	1,225
Components not Requiring or Generating Resources:		
Depreciation and amortization	522	531
Revaluation of assets or liabilities	(38)	397
Other	7,567	6,923
Total components of Net Cost of Operations that will not require or generate resources	8,051	7,851
Total components of Net Cost of Operations that will not require or generate resources in the current period	11,215	9,076
Net Cost of Operations	\$ 83,191	\$ 72,839

The accompanying notes are an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2003 and 2002
(in millions)

Note 1. Significant Accounting Policies

Reporting Entity

The Department provides a wide variety of services in the United States and around the world in seven distinct mission areas: Natural Resources and Environment (NRE); Farm and Foreign Agricultural Services (FFAS); Rural Development (RD); Food, Nutrition, and Consumer Services (FNCS); Food Safety and Inspection Services (FSIS), Research, Education, and Economics (REE); and Marketing and Regulatory Programs (MRP).

Principles of Consolidation

The financial statements are prepared in accordance with generally accepted accounting principles for the Federal Government. The financial statements include the accounts of the Department of Agriculture (USDA) and the following agencies, including four Government corporations:

Forest Service (FS)
Natural Resources and Conservation Service (NRCS)
Farm Service Agency (FSA)
Foreign Agricultural Service (FAS)
Risk Management Agency (RMA)
Federal Crop Insurance Corporation (FCIC)
Commodity Credit Corporation (CCC)
Rural Housing Service (RHS)
Rural Business Service (RBS)
Rural Utilities Service (RUS)
Rural Telephone Bank, a corporation (RTB)
Food and Nutrition Service (FNS)
Food Safety and Inspection Service (FSIS)
Agricultural Research Service (ARS)
Cooperative State Research, Education, and Extension Service (CSREES)
Economic Research Service (ERS)
National Agricultural Statistics Service (NASS)
Agricultural Marketing Service (AMS)
Animal and Plant Health Inspection Service (APHIS)
Grain Inspection, Packers, and Stockyards Administration (GIPSA)
Alternative Agricultural Research and Commercialization Corporation (AARC)

Significant intradepartmental activity and balances have been eliminated, except for the Statement of Budgetary Resources that is presented on a combined basis.

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 fiscal 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 fiscal 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. Operating materials and supplies are valued on the basis of historical cost using a weighted average 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. The capitalization threshold for personal property and real property was changed from \$5,000 to \$25,000 effective October 1, 2002 and October 1, 2001, respectively.

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.

Note 2. Non-Entity Assets

	FY 2003	FY 2002
Intragovernmental:		
Fund balance with Treasury	\$ 841	\$ 1,337
Cash and other monetary assets	76	71
Accounts receivable	112	-
Inventory and related property	-	126
Total non-entity assets	1,029	1,534
Total entity assets	117,112	122,084
Total assets	\$ 118,141	\$ 123,618

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.

Note 3. Fund Balance with Treasury

	FY 2003	FY 2002
Fund Balances:		
Trust Funds	\$ 519	\$ 370
Revolving Funds	7,541	8,943
Appropriated Funds	27,411	29,091
Other Fund Types	1,009	1,212
Total	36,480	39,617

Status of Fund Balance with Treasury:

Unobligated Balance:		
Available	10,365	14,589
Unavailable	10,544	12,411
Obligated Balance not yet Disbursed	20,448	15,307
Clearing Account Balances	691	1,272
Borrowing Authority not yet Converted to Fund Balance	(5,568)	(3,962)
Total	\$ 36,480	\$ 39,617

Other fund types include special, deposit, and clearing accounts.

Note 4. Cash and Other Monetary Assets

	FY 2003	FY 2002
Cash	\$ 141	\$ 165

In fiscal 2003, cash includes 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.

In fiscal 2002, cash includes excess reserves from fee-for-service programs of \$86 million and funds held in escrow to pay property taxes and insurance for single-family housing borrowers of \$71 million.

Note 5. Investments

FY 2003	Cost	Amortization Method	Unamortized Premium/ (Discount)	Investments, Net	Market Value Disclosure
Intragovernmental Securities:					
Non-marketable:					
Par value	\$ 42			\$ 42	
Market-based	3	Straight Line	-	3	\$ 3
Total	45			45	3
Other Securities:					
AARC	15		-	15	15
Total	\$ 15		\$ -	\$ 15	\$ 15

FY 2002	Cost	Amortization Method	Unamortized Premium/ (Discount)	Investments, Net	Market Value Disclosure
Intragovernmental Securities:					
Non-marketable:					
Par value	\$ 63		\$ -	\$ 63	
Market-based	30	Straight Line	3	33	\$ 33
Total	93		3	96	33
Other Securities:					
AARC	15		-	15	15
Total	\$ 15		\$ -	\$ 15	\$ 15

Note 6. Accounts Receivable, Net

FY2003	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Accounts Receivable			
Intragovernmental	\$ 855	\$ 189	\$ 666
With the Public	1,986	231	1,755
Total	\$ 2,841	\$ 420	\$ 2,421

FY 2002	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Accounts Receivable			
Intragovernmental	\$ 243	\$ 1	\$ 242
With the Public	2,137	271	1,866
Total	\$ 2,380	\$ 272	\$ 2,108

In fiscal 2003, CCC recognized a receivable of \$613 million from the Department of Transportation for current and prior years' transportation costs in accordance with the Cargo Preference provisions of the Food Security Act. As these costs are subject to management determination, an allowance of \$188 million was recognized.

Note 7. Direct Loans and Loan Guarantees, Non-Federal Borrowers

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

FY 2003	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Present Value Allowance	Value of Assets Related to Direct Loans
Obligated Pre-1992					
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
Pre-1992 Total	44,911	425	67	(13,122)	32,281
Obligated Post-1991					
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
Post-1991 Total	41,725	483	36	(6,646)	35,598
Total Direct Loan Program Receivables	86,636	908	103	(19,768)	67,879
Defaulted Guarantee Loans					
Pre-1992					
Foreign Loans	4,943	55	-	(2,203)	2,795
Business and Industry Loans	5	1	-	-	6
Pre-1992 Total	4,948	56	-	(2,203)	2,801
Post-1991					
Foreign Loans	1,800	28	-	(1,161)	667
Business and Industry Loans	189	2	-	(10)	181
Post-1991 Total	1,989	30	-	(1,171)	848
Total Defaulted Guarantee Loans	6,937	86	-	(3,374)	3,649
Loans Exempt from Credit Reform Act:					
Commodity Loans	1,644	119	-	(48)	1,715
Other Foreign Receivables	353	-	-	(6)	347
Total Loans Exempt	1,997	119	-	(54)	2,062
Total Loans Receivable and Related Foreclosed Property, Net				\$	73,590

USDA Performance and Accountability Report for FY 2003
Consolidated Financial Statements

FY 2002 Direct Loans	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Present Value Allowance	Value of Assets Related to Direct Loans
Obligated Pre-1992					
Foreign Loans	\$ 7,852	\$ 90	\$ -	\$ (4,259)	\$ 3,683
Farm Loans	3,976	307	44	(456)	3,871
Home Loans	14,957	108	39	(5,178)	9,925
Utility Loans	20,093	50	-	(1,874)	18,268
Community Loans	2,821	30	-	(22)	2,829
Business and Industry Loans	49	-	-	(11)	38
Pre-1992 Total	49,748	584	84	(11,801)	38,615
Obligated Post-1991					
Foreign Loans	2,978	36	-	(1,702)	1,312
Farm Loans	4,588	109	4	(1,545)	3,157
Home Loans	13,190	64	35	(2,171)	11,119
Utility Loans	11,564	6	-	(572)	10,998
Community Loans	5,055	55	-	(754)	4,356
Business and Industry Loans	524	4	-	(197)	332
Post-1991 Total	37,900	274	40	(6,939)	31,274
Total Direct Loan Program Receivables	87,648	858	123	(18,740)	69,889
Defaulted Guarantee Loans					
Pre-1992					
Foreign Loans	5,171	28	-	(2,566)	2,632
Business and Industry Loans	12	-	-	(9)	3
Pre-1992 Total	5,182	28	-	(2,575)	2,635
Post-1991					
Foreign Loans	1,759	47	-	(770)	1,036
Home Loans	4	-	-	-	4
Business and Industry Loans	180	-	-	(108)	72
Post-1991 Total	1,943	47	-	(878)	1,112
Total Defaulted Guarantee Loans	7,125	75	-	(3,453)	3,747
Loans Exempt from Credit Reform Act:					
Commodity Loans	1,729	-	-	(177)	1,552
Other Foreign Receivables	364	-	-	(10)	354
Total Loans Exempt	2,093	-	-	(187)	1,906
Total Loans Receivable and Related Foreclosed Property, Net					\$ 75,543

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

Beginning Balance, Changes, and Ending Balance	FY 2003	FY 2002
Beginning balance of the subsidy cost allowance	\$ 7,047	\$ 7,909
Add: Subsidy expense for direct loans disbursed during the year by component		
Interest rate differential costs	112	383
Default costs (net of recoveries)	234	143
Fees and other collections	(32)	(77)
Other subsidy costs	220	35
Adjustments		
Loan modifications	58	9
Fees received	14	12
Loans written off	(163)	(188)
Subsidy allowance amortization	(198)	(454)
Other	(103)	197
Ending balance of the subsidy cost allowance before reestimates	7,189	7,970
Add or subtract subsidy reestimates by component:		
Interest rate reestimate	81	20
Technical/default reestimate	(616)	(943)
Total of the above reestimate components	(535)	(923)
Ending balance of the subsidy cost allowance	\$ 6,654	\$ 7,047

USDA Performance and Accountability Report for FY 2003
Consolidated Financial Statements

Table 3. Direct Loan Subsidy Expense by Program and Component

FY 2003											
Subsidy Expense for New Direct Loans Disbursed											
Direct Loan Programs	Interest		Fees and Other			Total	Total Modifications	Rate Reestimates	Technical Reestimates	Total Reestimates	Current Year
	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	(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	
Total Subsidy Expense, Direct Loans	\$ 112	\$ 235	\$ (32)	\$ 220	\$ 535	\$ 58	\$ 82	\$ (618)	\$ (536)	\$ 57	

FY 2002											
Subsidy Expense for New Direct Loans Disbursed											
Direct Loan Programs	Interest		Fees and Other			Total	Total Modifications	Rate Reestimates	Technical Reestimates	Total Reestimates	Prior Year
	Differential	Defaults	Collections	Other							
P.L. 480, Title I	\$ 37	\$ 29	\$ -	\$ 15	\$ 80	\$ -	\$ (138)	\$ (210)	\$ (348)	\$ (268)	
Debt Reduction Fund	-	-	-	-	-	9	-	(69)	(69)	(60)	
Food for Progress	-	-	-	-	-	-	-	(112)	(112)	(112)	
Farm Storage Facility Loan Program	-	1	-	-	1	-	(1)	(6)	(6)	(5)	
Apple Loan Program	-	-	-	-	-	-	-	1	1	1	
Agriculture Credit Insurance Fund	10	88	(1)	(26)	72	-	(30)	41	11	83	
Rural Community Facilities Fund	18	1	(1)	-	18	-	3	(15)	(12)	6	
Rural Housing Insurance Fund	220	13	(75)	51	210	-	(47)	(423)	(470)	(260)	
Rural Electrification Loans	(2)	2	-	(2)	(2)	-	210	(117)	93	90	
Rural Telephone Loans	4	-	-	-	4	-	4	(6)	(2)	2	
Rural Telephone Bank	1	-	-	-	1	-	1	(3)	(2)	(2)	
Rural Water and Waste Disposal Loans	83	1	-	(3)	80	-	22	(27)	(5)	76	
Rural Business and Industry Loans	(6)	8	-	-	2	-	(3)	4	1	2	
Rural Development Loan Fund	16	-	-	-	16	-	-	(2)	(2)	15	
Rural Economic Development Loans	4	-	-	-	4	-	-	(1)	(1)	3	
Total Subsidy Expense, Direct Loans	\$ 383	\$ 143	\$ (77)	\$ 35	\$ 485	\$ 9	\$ 20	\$ (943)	\$ (923)	\$ (429)	

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

Direct Loans	FY 2003	FY 2002
Farm and Foreign Agricultural Services Mission Area		
P.L. 480, Title I	\$ 65	\$ 122
Farm Storage Facility Loan Program	44	66
Apple Loan Program	-	1
Agriculture Credit Insurance Fund	1,084	963
Mission area total	1,193	1,153
Rural Development Mission Area		
Rural Community Facilities Fund	228	201
Rural Housing Insurance Fund	1,163	1,207
Distance Learning and Telemedicine Loans	44	40
Rural Electrification Loans	3,007	2,080
Rural Telephone Loans	256	329
Rural Telephone Bank	56	60
Rural Water and Waste Disposal Loans	754	643
Rural Business and Industry Loans	2	36
Rural Development Loan Fund	26	33
Rural Economic Development Loans	11	17
Mission area total	5,547	4,646
Total Direct Loans Disbursed	\$ 6,740	\$ 5,799

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Table 5. Loan Guarantees Outstanding

FY 2003	Pre - 1992 Outstanding Principal, Face Value	Post - 1991 Outstanding Principal, Face Value	Total Outstanding Principal, Face Value	Pre - 1992 Outstanding Principal, Guaranteed	Post - 1991 Outstanding Principal, Guaranteed	Total Outstanding Principal, Guaranteed
Guaranteed Loans						
Farm and Foreign Agricultural Services Mission Area						
Agriculture Credit Insurance Fund	\$ 201	\$ 10,090	\$ 10,291	\$ 178	\$ 9,061	\$ 9,239
Export Credit Guarantee Programs	-	4,820	4,820	-	4,657	4,657
Agricultural Resource Conservation Demonstration	-	24	24	-	24	24
Mission area total	201	14,934	15,135	178	13,742	13,920
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	360	18,078	18,438	345	15,620	15,965
Total Guarantees Disbursed	\$ 561	\$ 33,012	\$ 33,573	\$ 523	\$ 29,362	\$ 29,885

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Table 5. Loan Guarantees Outstanding

FY 2002	Pre - 1992 Outstanding Principal, Face Value	Post - 1991 Outstanding Principal, Face Value	Total Outstanding Principal, Face Value	Pre - 1992 Outstanding Principal, Guaranteed	Post - 1991 Outstanding Principal, Guaranteed	Total Outstanding Principal, Guaranteed
Guaranteed Loans						
Farm and Foreign Agricultural Services Mission Area						
Agriculture Credit Insurance Fund	\$ 271	\$ 9,379	\$ 9,650	\$ 240	\$ 8,421	\$ 8,661
Export Credit Guarantee Programs	-	4,917	4,917	-	4,730	4,730
Mission area total	271	14,296	14,567	240	13,151	13,391
Rural Development Mission Area						
Rural Community Facilities Fund	-	301	301	-	249	249
Rural Housing Insurance Fund	16	13,602	13,618	14	12,241	12,256
Rural Electrification Loans	317	199	516	317	199	516
Rural Water and Waste Disposal Loans	-	30	30	-	24	24
Rural Business and Industry Loans	-	3,884	3,884	-	2,862	2,862
Rural Cooperative Development Fund	4	-	4	4	-	4
Rural Development Insurance Fund	80	-	80	57	-	57
Mission area total	417	18,015	18,432	391	15,576	15,968
Total Guarantees Disbursed	\$ 688	\$ 32,312	\$ 33,000	\$ 632	\$ 28,727	\$ 29,359

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

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	4	130	134
Mission area total	4	152	156
Rural Development Mission Area			
Rural Community Facilities Fund	-	1	1
Rural Housing Insurance Fund	-	399	399
Rural Business and Industry Loans	2	325	327
Mission area total	2	725	727
Total Liability for Loan Guarantees	\$ 6	\$ 877	\$ 883

FY 2002	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	\$ -	\$ 411	\$ 411
Agriculture Credit Insurance Fund	13	144	157
ARCD	-	2	2
Mission area total	13	557	570
Rural Development Mission Area			
Rural Community Facilities Fund	-	5	5
Rural Housing Insurance Fund	3	327	330
Rural Electrification Loans	23	-	23
Rural Business and Industry Loans	-	146	146
Rural Development Insurance Fund	3	-	3
Mission area total	30	477	507
Total Liability for Loan Guarantees	\$ 43	\$ 1,034	\$ 1,077

Table 7. Schedule for Reconciling Loan Guarantee Liability

Beginning Balance, Changes, and Ending Balance	FY 2003	FY 2002
Beginning balance of the loan guarantee liability	\$ 1,034	\$ 1,066
Add: Subsidy expense for guaranteed loans disbursed during the year by component		
Interest rate differential costs	45	65
Default costs (net of recoveries)	339	294
Fees and other collections	(141)	(76)
Adjustments		
Fees received	96	102
Interest supplements paid	(47)	(62)
Claim payments to lenders	(301)	(204)
Interest accumulation on the liability balance	48	17
Other	(115)	26
Ending balance of the subsidy cost allowance before reestimates	958	1,229
Add or subtract subsidy reestimates by component:		
Interest rate reestimate	32	(392)
Technical/default reestimate	(114)	196
Total of the above reestimate components	(82)	(195)
Ending balance of the loan guarantee liability	\$ 876	\$ 1,034

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Table 8. Guarantee Loan Subsidy Expense by Program and Component

Subsidy Expense for New Loan Guarantees											
Guaranteed Loan Programs	Interest		Fees and Other			Total	Total Modifications	Interest			Current Year
	Supplement	Defaults	Collections	Other	Rate Reestimates			Technical Reestimates	Total Reestimates		
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	

Subsidy Expense for New Loan Guarantees											
Guaranteed Loan Programs	Interest		Fees and Other			Total	Total Modifications	Interest			Prior Year
	Supplement	Defaults	Collections	Other	Rate Reestimates			Technical Reestimates	Total Reestimates		
Export Credit Guarantee Programs	\$ -	\$ 120	\$ (10)	\$ -	\$ 110	\$ -	\$ (588)	\$ 514	\$ (74)	\$ 36	
Farm Operating—unsubsidized	-	46	(9)	-	37	-	243	(268)	(25)	11	
Farm Operating—subsidized	47	20	-	-	67	-	141	(131)	10	77	
Farm Ownership—unsubsidized	-	14	(10)	-	5	-	(78)	64	(13)	(9)	
Rural Community Facilities	-	-	-	-	-	-	(2)	6	4	4	
Rural Housing Insurance Fund	18	56	(38)	-	37	-	(45)	(47)	(92)	(55)	
Rural Business and Industry Loans	-	37	(9)	-	28	-	(75)	71	(4)	24	
Rural Business and Industry Loans	-	-	-	-	-	-	13	(12)	-	-	
Total Loan Guarantee Subsidy Expense	\$ 65	\$ 294	\$ (76)	\$ -	\$ 283	\$ -	\$ (392)	\$ 196	\$ (195)	\$ 88	

Table 9. Guaranteed Loans Disbursed

	FY 2003		FY 2002	
	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	\$ 2,770	\$ 2,529	\$ 3,340	\$ 3,131
Agriculture Credit Insurance Fund	2,592	2,328	2,551	2,290
Mission area total	5,362	4,857	5,891	5,421
Rural Development Mission Area				
Rural Community Facilities Fund	138	117	59	49
Rural Housing Insurance Fund	2,992	2,693	2,450	2,205
Rural Electrification Loans	-	-	54	54
Rural Water and Waste Disposal Loans	3	2	9	7
Rural Business and Industry Loans	654	513	839	658
Mission area total	3,787	3,325	3,410	2,973
Total Guaranteed Loans Disbursed	\$ 9,149	\$ 8,182	\$ 9,301	\$ 8,394

Table 10. Administrative Expenses

	FY 2003	FY 2002
Direct Loan Programs		
P.L. 480, Title 1	\$ 2	\$ 2
Agriculture Credit Insurance Fund	277	273
Rural Development	256	178
Total	535	452
Guaranteed Loan Programs		
Export Credit Guarantee Programs	4	4
Rural Development	155	131
Total	\$ 159	\$ 135

Table 11. Subsidy Rates for Direct Loans (percentage)

FY 2003	Interest Differential	Defaults	Fees and Other Collections	Other	Total
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
BollWeevil 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 11. Subsidy Rates for Direct Loans (percentage)

FY 2002	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Direct Loan Programs					
Farm Storage Facility Loan Program	0.30	2.24	(0.12)	-	2.42
P.L. 480, Title 1	46.07	30.82	-	4.84	81.73
Farm Operating	0.05	12.43	-	(3.55)	8.93
Farm Ownership	2.04	4.13	-	(3.54)	2.63
Emergency Disaster	9.42	4.12	-	(0.09)	13.45
Indian Land Acquisition	5.95	-	-	(0.03)	5.92
BollWeevil Eradication	(4.42)	2.24	-	-	(2.18)
Community Facilities Loans	4.53	1.18	-	(0.28)	5.43
Modular Housing Loans	17.94	0.03	(1.64)	1.35	17.68
Section 502 Direct Single Family Housing	13.20	1.31	(7.15)	5.80	13.16
Section 504 Direct Housing Repair	29.96	2.30	(5.98)	5.85	32.13
Section 203 Credit Sales (SFH)	(20.20)	4.55	(10.51)	21.34	(4.82)
Section 514 Farm Labor Housing	46.94	0.08	(2.51)	2.80	47.31
Section 515 Rural Rental Housing	50.56	(0.03)	(30.91)	22.70	42.32
Section 524 Housing Site Development	(1.75)	1.77	(9.64)	10.17	0.55
Section 523 Self-Help Housing Land	3.54	1.03	(9.14)	9.65	5.08
Section 209 Credit Sales	50.52	(0.02)	(1.96)	(6.37)	42.17
Electric Municipal	(0.15)	0.03	-	0.03	(0.09)
FFB Electric	(1.12)	0.03	-	(0.04)	(1.13)
Direct Electric Hardship	2.92	0.03	-	0.03	2.98
Telephone Treasury	-	0.04	-	0.06	0.10
FFB Telephone	(0.92)	0.11	-	(0.04)	(0.85)
Telephone Hardship	2.27	0.03	-	0.02	2.32
Rural Telephone Bank	2.29	0.02	-	(0.17)	2.14
Direct Water and Waste Disposal	6.96	0.12	-	(0.20)	6.88
Direct Business and Industry Loans	(30.79)	58.98	-	0.28	28.47
Intermediary Relending Program	43.22	-	-	(0.01)	43.21
Rural Economic Development	24.91	0.05	-	(0.80)	24.16
Electric Treasury	(0.06)	0.03	-	(0.01)	(0.04)
Distance Learning and Telemedicine	-	0.01	-	(0.08)	(0.07)

Table 12. Subsidy Rates for Loan Guarantees (percentage)

FY 2003	Interest Differential	Defaults	Fees and Other Collections	Other	Total
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

FY 2002	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Guaranteed Loan Programs					
Export Credit Guarantee Program	7.41	-	(0.66)	-	6.75
Farm Operating—Unsubsidized	-	4.41	(0.90)	-	3.51
Farm Operating—Subsidized	9.55	4.01	-	-	13.56
Farm Ownership—Unsubsidized	-	1.34	(0.89)	-	0.45
Rural Community Facilities Loans	-	0.12	(0.80)	-	(0.68)
Section 502 Subsidy Repair	-	3.28	(2.00)	-	1.28
Section 539 Multiple Family	8.82	2.24	(7.13)	-	3.93
Section 502 Single Family	-	3.28	(2.00)	-	1.28
NADBANK Loans	-	5.28	(1.60)	-	3.68
Business and Industry Loans	-	5.22	(1.48)	-	3.74
Electric	-	0.08	-	-	0.08
Water and Waste Disposal Loans	-	-	(0.80)	-	(0.80)

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 resulting direct loan or loan guarantees, are governed by the Federal Credit Reform Act of 1990 as amended. 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 fiscal 2003 was \$73,590 million compared to \$75,543 million at the end of fiscal 2002. Loans exempt from the Federal Credit Reform Act of 1990 represent \$2,062 million of the total compared to \$1,906 million in fiscal 2002. Table 1 illustrates the overall composition of the Department credit program balance sheet portfolio by mission area and credit program for fiscal 2003 and 2002.

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 \$7,047 million to \$6,654 million during fiscal 2003, a decrease of \$393 million. Table 2 shows the reconciliation of subsidy cost allowance balances from fiscal 2002 to fiscal 2003.

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 fiscal 2003 was \$57 million compared to negative \$429 million in fiscal 2002. Table 3 illustrates the breakdown of total subsidy expense for fiscal 2003 and 2002 by program.

Direct loan volume increased from \$5,799 million in fiscal 2002 to \$6,740 million in fiscal 2003. 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 fiscal 2003 were \$33,573 million in outstanding principal, and \$29,885 million in outstanding principal guaranteed, compared to \$33,000 and \$29,359 million, respectively at the end of fiscal 2002. 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. The total liability moved from \$1,077 million to \$883 million during fiscal 2003, a decrease of \$194 million. The post-1991 liability moved from \$1,034 million to \$877 million, a decrease of \$157 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 fiscal 2003 was \$158 million compared to \$88 million in fiscal 2002. Table 8 illustrates the breakdown of total subsidy expense for fiscal 2003 and 2002 by program.

Guaranteed loan volume decreased from \$9,301 million in fiscal 2002 to \$9,149 million in fiscal 2003. 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 through the RHS, the RBS, and the RUS.

The Farm and Foreign Agricultural Services 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 improve the strength and stability of 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.

The 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. In addition, 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 whose 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 Seed Loans to Producers	
Guaranteed Farm Operating Subsidized/Unsubsidized	
Agricultural Resource Demonstration Fund	
Bureau of Reclamation Loan Fund	

The Rural Development 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 nonprofit organizations and user-owned cooperatives.

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

RBS' goal is to promote a dynamic business environment in rural America. RBS works in partnership 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 RUS 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. RUS programs leverage scarce Federal funds with private capital for investing in rural infrastructure, technology and development of human resources.

RD agencies are able to 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 Service	Rural Business Service	Rural Utilities Service
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 fiscal 2003 and 2002 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 fiscal 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. A revised default methodology developed by OMB was implemented in fiscal 2002. The revised methodology resulted in significantly lower estimated defaults and resulting allowance balances.

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 fiscal 2003 and 2002 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, the CCC chose to reflect interest on downward reestimates of \$ 246 and \$413 million in the Statement of Changes in Net Position as other financing sources for fiscal 2003 and 2002, 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, 2003 and 2002, foreclosed property consisted of 952 and 1,114 rural single-family housing dwellings, with an average holding period of 22 and 20 months, respectively. As of September 30, 2003 and 2002, FSA-Farm Loan Program properties consist primarily of 169 and 253 farms, respectively. The average holding period for these properties in inventory for fiscal 2003 and 2002 was 62 and 54 months, respectively. At the end of fiscal 2003 and 2002, there were 20,671 and 22,681 borrowers for which foreclosure proceedings were in process, 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.

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 fiscal 2003, two debts were modified. This resulted in a \$22 and \$32 million reduction in principal and interest with the remaining amount of debt transferred from CCC's liquidating/financing fund to CCC's Debt Reduction Fund. The discount rates used for calculating the modifications are not available at this time.

During fiscal 2002, two debts were modified. This resulted in a \$3 and \$11 million reduction in principal with the remaining amount of debt transferred from CCC's liquidating fund to CCC's Debt Reduction Fund. The discount rate used for calculating the modification expense was 6.2971 and 5.4684 percent, respectively.

Interest Credit

Approximately \$18,600 and \$19,100 million of RHS unpaid loan principal as of September 30, 2003 and 2002 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 fiscal 2003 and 2002.

Restructured Loans

At the end of fiscal 2003 and 2002, the RD portfolio contained approximately 96 thousand and 104 thousand restructured loans with an outstanding unpaid principal balance of \$5,900 and \$6,200 million, respectively.

Note 8. Inventory and Related Property, Net

Inventories	FY 2003	2	FY 2002	-
	\$		\$	
Operating Materials and Supplies:				
Items held for Use		-		25
Commodities:	Volume (in millions)		Volume (in millions)	
Corn (In Bushels):				
On hand at the beginning of the year	18	33	22	45
Acquired during the year	20	57	74	165
Disposed of during the year				
Sales	(11)	(31)	(62)	(136)
Donations	(11)	(31)	(14)	(39)
Other	-	1	(2)	(1)
On hand at the end of the year	16	29	18	33
Wheat (In Bushels):				
On hand at the beginning of the year	102	364	118	404
Acquired during the year	84	392	105	371
Disposed of during the year				
Sales	(65)	(280)	(69)	(246)
Donations	(39)	(193)	(52)	(193)
Other	(1)	7	-	28
On hand at the end of the year	81	290	102	364
Nonfat Dry Milk (In Pounds):				
On hand at the beginning of the year	1,332	1,279	857	860
Acquired during the year	634	512	626	563
Disposed of during the year				
Sales	(269)	(257)	(16)	(16)
Donations	(253)	(262)	(121)	(135)
Other	(4)	22	(14)	6
On hand at the end of the year	1,440	1,294	1,332	1,279
Sugar (In Pounds):				
On hand at the beginning of the year	514	101	1,505	329
Acquired during the year	-	-	17	4
Disposed of during the year				
Sales	(462)	(92)	(721)	(176)
Donations	-	-	(13)	(3)
Other	(52)	(9)	(274)	(52)
On hand at the end of the year	-	-	514	101
Tobacco (In Pounds):				
On hand at the beginning of the year	225	599	225	599
Acquired during the year	-	1		
Disposed of during the year				
Sales	-	-	-	-
Donations	-	-	-	-
Other	(129)	(322)	-	-
On hand at the end of the year	96	278	225	599
Other:				
On hand at the beginning of the year		109		39
Acquired during the year		4,023		4,496
Disposed of during the year				
Sales		(3,804)		(4,112)
Donations		(244)		(329)
Other		9		17
On hand at the end of the year		93		110
Allowance for losses		(1,708)		(1,763)
Total Commodities		276		723
Total Inventory and Related Property, Net	\$	278	\$	749

In fiscal 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 that are purchased in bulk. In fiscal 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.

In fiscal 2002, operating material and supplies consisted of tree seeds for a variety of tree species, tree seedlings (nursery stock) and Smoky Bear memorabilia. The tree seeds and seedlings are used for reforestation and the Smoky Bear memorabilia promotes forest fire prevention.

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 \$964 and \$5 million in fiscal 2004, respectively. Commodity donations and loan forfeitures were estimated to be \$548 and \$69 million in fiscal 2003, respectively.

Note 9. General Property, Plant, and Equipment, Net

FY 2003	Useful Life		Accumulated	Net
Category	(Years)	Cost	Depreciation	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
Total		\$ 10,758	\$ 5,839	\$ 4,919

FY 2002	Useful Life		Accumulated	Net
Category	(Years)	Cost	Depreciation	Book Value
Land and Land Rights		\$ 77	\$ 2	\$ 75
Improvements to Land	10-50	4,827	2,337	2,489
Construction-in-Progress		102	-	102
Buildings, Improvements and Renovations	15-30	1,841	839	1,002
Other Structures and Facilities	15-50	1,614	1,004	610
Equipment	5-20	1,921	1,276	644
Leasehold Improvements	10	7	3	4
Internal-Use Software	5-8	172	76	96
Internal-Use Software in Development		13	1	12
Other General Property, Plant and Equipment	5-15	6	-	6
Total		\$ 10,578	\$ 5,538	\$ 5,040

Note 10. Other Assets

	FY 2003	FY 2002
Intragovernmental:		
Advances to Others	\$ 4	\$ 1
Prepayments	3	-
Total Intragovernmental	7	1
With the Public:		
Advances to Others	207	243
Prepayments	1	-
Other Assets	37	41
Total Other Assets	\$ 252	\$ 285

In fiscal 2003 and 2002, other assets include investments of \$35 million in trust for loan asset sales.

Note 11. Liabilities Not Covered By Budgetary Resources

	FY 2003	FY 2002
Intragovernmental:		
Other	\$ 346	\$ 351
Debt held by the public	11	-
Federal employee and veterans' benefits	935	862
Environmental and disposal liabilities	8	7
Other	3,736	3,094
Total liabilities not covered by budgetary resources	5,036	4,314
Total liabilities covered by budgetary resources	110,710	108,384
Total liabilities	\$ 115,746	\$ 112,698

In fiscal 2003 and 2002, other liabilities not covered by budgetary resources includes accrued rental payments under the Conservation Reserve Program (CRP) of \$1,634 and \$1,600 million, unfunded leave of \$524 and \$494 million, estimated losses on insurance claims of \$1,400 and \$670 million, and contract dispute claims payable to Treasury's Judgment Fund of \$192 and \$189 million, respectively.

Note 12. Debt

FY 2003	Beginning Balance	Net Borrowing	Ending Balance
Agency Debt:			
Held by the Public	\$ 84	\$ (4)	\$ 80
Other Debt:			
Debt to the Treasury	53,555	(115)	53,440
Debt to the Federal Financing Bank	22,379	321	22,700
Total Other Debt	75,934	206	76,140
Total Debt	\$ 76,018	\$ 202	\$ 76,220

FY 2002	Beginning Balance	Net Borrowing	Ending Balance
Agency Debt:			
Held by the Public	\$ 87	\$ (3)	\$ 84
Other Debt:			
Debt to the Treasury	55,608	(2,054)	53,554
Debt to the Federal Financing Bank	25,221	(2,842)	22,379
Total Other Debt	80,829	(4,896)	75,933
Total Debt	\$ 80,916	\$ (4,899)	\$ 76,017

Note 13. Environmental and Disposal Liabilities

The Department 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. The FS and CCC estimates the liability for total cleanup costs for sites known to contain hazardous waste to be \$8 and \$13 million in fiscal 2003 and \$7 and \$15 million in fiscal 2002, 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

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	10	51
Other Liabilities	1	1,463	1,464
Total Intragovernmental	102	19,840	19,942
With the Public			
Other Accrued Liabilities	6	5,790	5,796
Accrued Funded Payroll and Leave	(2)	34	32
Employer Contributions and Payroll Taxes Payable	9	-	9
Unfunded Leave	29	495	524
Other Unfunded Employment Related Liability	611	747	1,358
Advances from Others	7	30	37
Deferred Credits	-	275	275
Liability for Deposit Funds, Clearing Accounts	24	975	999
Contingent Liabilities	9	9	18
Capital Lease Liability	-	23	23
Accounts Payable from Canceled Appropriations	5	-	5
Custodial Liability	-	96	96
Other Liabilities	1,327	3,361	4,688
Total Other Liabilities	\$ 2,127	\$ 31,675	\$ 33,802

Note 14. Other Liabilities

FY 2002	Non-Current	Current	Total
Intragovernmental			
Contract Holdbacks			
Other Accrued Liabilities	\$ 189	\$ 189	378
Employer Contributions and Payroll Taxes	-	16	16
Unfunded FECA Liability	38	120	158
Advances from Others	21	28	49
Liability for Deposit Funds, Clearing Accounts	-	1,018	1,018
Liability for Subsidy Related to Undisbursed Loans	-	990	990
Resources Payable to Treasury	-	18,598	18,598
Custodial Liability	31	23	55
Other Liabilities	-	130	130
Total Intragovernmental	280	21,112	21,393
With the Public			
Contract Holdbacks			
Other Accrued Liabilities	2	2,824	2,826
Accrued Funded Payroll and Leave	-	25	25
Other Post-Employment Benefits Due and Payable	-	8	8
Benefit Premiums Payable to Carriers	-	36	36
Unfunded Leave	19	475	494
Other Unfunded Employment Related Liability	572	52	623
Advances from Others	(21)	35	14
Deferred Credits	-	42	42
Liability for Deposit Funds, Clearing Accounts	31	1,440	1,471
Contingent Liabilities	37	7	44
Custodial Liability	-	225	225
Other Liabilities	22	5,013	5,034
Total Other Liabilities	\$ 943	\$ 31,294	\$ 32,237

In fiscal 2003, other liabilities include estimated losses on insurance claims of \$2,803 million, stock payable to RTB borrowers of \$1,309 million, amounts payable to Treasury's General Fund due to downward reestimates of \$1,454 million, premium subsidy deficiency reserve of \$342 million, and underwriting gains due companies of \$167 million.

In fiscal 2002, other liabilities include estimated losses on insurance claims of \$2,865 million and stock payable to RTB borrowers of \$1,343 million.

Note 15. Leases

FY 2003

Capital Leases:

Summary of Assets Under Capital Leases	
Land and Building	\$ 41
Accumulated Amortization	17

Future Payments Due:

Fiscal Year	Land & Buildings	Totals
2004	11	11
2005	11	11
2006	11	11
2007	11	11
2008	10	10
After 5 Years	98	98
Total Future Lease Payments	152	152
Less: Imputed Interest	41	41
Less: Executory Costs	24	24
Net Capital Lease Liability	87	87

Lease liabilities covered by budgetary resources 87

Operating Leases:

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	331	-	331
Total Future Lease Payments	\$ 671	\$ 2	\$ 673

FY 2002

Operating Leases:

Fiscal Year	Land & Buildings	Machinery & Equipment	Totals
2003	\$ 71	\$ 1	72
2004	65	1	66
2005	56	-	56
2006	58	-	58
2007	51	-	51
After 5 Years	239	-	239
Total Future Lease Payments	\$ 540	\$ 2	\$ 542

Note 16. Commitments and Contingencies

The Department 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, \$19 and \$38 million has been accrued in the financial statements as of September 30, 2003 and 2002, 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 is \$211 and \$1,727 million as of September 30, 2003 and 2002, respectively.

In fiscal 2003 and 2002, commitments under contractual and other commercial obligations were estimated to be \$52,000 million, primarily consisting of \$20,000 million in rental payments under the CRP, \$14,000 and \$15,000 million in undelivered orders, \$15,000 and \$14,000 million in direct loans, and \$3,000 million in loan guarantees, respectively.

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 necessitate general modernization and costs are expected in the hundreds of millions of dollars.

In fiscal 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. The 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. Additional costs may be incurred by FCIC for other administrative costs of AGIC, however these costs are not quantifiable at this time.

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Note 17. Suborganization Program Costs/Program Costs by Segment

FY 2003	FNCS	FFAS	NRE	RD	REE	MRP	FSIS	DO	Inter-Mission Area Elimination	Total
Program Costs (Notes 17, 18, & 19):										
Intragovernmental Gross Cost	\$ 118	\$ 1,193	\$ 1,268	\$ 3,409	\$ 246	\$ 1,787	\$ 221	\$ 285	\$ (820)	\$ 7,707
Less: Intragovernmental Earned Revenues	2	419	371	322	39	16	3	344	(428)	1,088
Intragovernmental Net Costs	116	774	897	3,087	207	1,771	218	(59)	(392)	6,619
Gross Costs With the Public										
Grants	40,537	19,017	848	1,530	1,055	71	41	---	-	63,099
Loan Cost Subsidies		(1,633)		855					-	(778)
Indemnities	-	3,768	12	8	1	59	-	---	-	3,848
Commodity Program Costs	798	5,770							-	6,568
Stewardship Land Acquisition		48	191						-	239
Other	161	2,483	5,597	2,257	1,348	1,253	697	600	-	14,396
Less: Earned Revenues from the Public	56	5,572	504	3,998	29	516	108	16	-	10,799
Net Costs with the Public	41,441	23,881	6,144	652	2,373	866	630	584	-	76,571
Net Cost of Operations	\$ 41,558	\$ 24,655	\$ 7,041	\$ 3,739	\$ 2,580	\$ 2,638	\$ 848	\$ 525	\$ (392)	\$ 83,192

FY 2002	FNCS	FFAS	NRE	RD	REE	MRP	FSIS	DO	Inter-Mission Area Elimination	Total
Program Costs :										
Intragovernmental Gross Costs	\$ 910	\$ 1,286	\$ 1,004	\$ 3,558	\$ 318	\$ 1,118	\$ 196	\$ 275	\$ (768)	\$ 7,897
Less: Intragovernmental Earned Revenue	1	370	299	297	57	7	2	333	(384)	983
Intragovernmental Net Costs	909	916	704	3,261	261	1,111	193	(57)	(384)	6,915
Gross Costs With the Public :										
Grants	36,036	12,378	678	1,443	974	43	43		-	51,595
Loan Cost Subsidies	-	(620)	-	(373)	-	-	-	-	-	(994)
Indemnities		4,115	12	-		37			-	4,165
Commodity Program Costs	594	5,340	-	-	-	-	-	-	-	5,934
Stewardship Land Acquisition	-	105	108	-	-	-	-	-	-	212
Other	187	2,891	5,639	3,077	1,137	962	643	516	-	15,053
Less: Earned Revenues from the Public	104	4,794	397	4,047	50	535	101	11	-	10,040
Net Costs with the Public	36,714	19,414	6,038	99	2,061	508	585	505	-	65,925
Net Cost of Operations	\$ 37,623	\$ 20,330	\$ 6,743	\$ 3,360	\$ 2,322	\$ 1,618	\$ 779	\$ 448	\$ (384)	\$ 72,840

Note 17. Suborganization Program Costs/Program Costs by Segment

Food, Nutrition and Consumer Service

FY 2003	Child Nutrition	Food Stamp	Food Donations	Women, Infants, and Children	Commodity Assistance	Total
Program Costs :						
Intragovernmental Gross Costs	\$ 5	\$ 21	\$ 91	\$ 1	\$ -	\$ 118
Less: Intragovernmental Earned Revenue	-	-	1	-	-	1
Intragovernmental Net Costs	5	21	90	1	-	117
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
Less: Earned Revenues from the Public	-	55	-	-	-	55
Net Costs with the Public	10,926	25,553	247	4,554	161	41,441
Net Cost of Operations	\$ 10,931	\$ 25,574	\$ 337	\$ 4,555	\$ 161	\$ 41,558

FY 2002	Child Nutrition	Food Stamp	Food Donations	Women, Infants, and Children	Commodity Assistance	Total
Program Costs :						
Intragovernmental Gross Costs	\$ 23	\$ 56	\$ 822	\$ 9	\$ 1	\$ 910
Less: Intragovernmental Earned Revenue	-	1	-	-	-	1
Intragovernmental Net Costs	22	55	822	9	1	909
Gross Costs With the Public :						
Grants	9,698	21,662	169	4,415	92	36,036
Commodity Program Costs	367	91	56	-	80	594
Other	52	120	1	14	-	187
Less: Earned Revenues from the Public	6	78	-	15	5	104
Net Costs with the Public	10,111	21,796	225	4,414	168	36,714
Net Cost of Operations	\$ 10,133	\$ 21,851	\$ 1,047	\$ 4,422	\$ 169	\$ 37,623

Note 17. Suborganization Program Costs/Program Costs by Segment

Farm and Foreign Agricultural Services

FY 2003	Commodity Operations	Income Support	Conservation Programs	Foreign Programs	Farm Loan Programs	Crop Insurance	Other	Intra-Mission Area Elimination	Total
Program Costs :									
Intragovernmental Gross Costs	\$ 48	\$ 926	\$ 201	\$ 171	\$ 635	\$ 49	\$ 479	\$ (1,315)	\$ 1,194
Less: Intragovernmental Earned Revenue	7	8	-	99	221	-	481	(397)	419
Intragovernmental Net Costs	41	918	201	72	414	49	(2)	(918)	775
Gross Costs With the Public :									
Grants	-	16,123	1,984	695	3	-	211	-	19,016
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)	(365)	773	844	1,210	-	2,483
Less: Earned Revenues from the Public	3,212	102	(1)	491	659	1,072	36	-	5,571
Net Costs with the Public	2,503	16,097	2,026	(1,282)	(388)	3,540	1,385	-	23,881
Net Cost of Operations	\$ 2,544	\$ 17,015	\$ 2,227	\$ (1,210)	\$ 26	\$ 3,589	\$ 1,383	\$ (918)	\$ 24,656

FY 2002	Commodity Operations	Income Support	Conservation Programs	Foreign Programs	Farm Loan Programs	Crop Insurance	Other	Intra-Mission Area Elimination	Total
Program Costs :									
Intragovernmental Gross Costs	\$ 69	\$ 807	\$ 190	\$ 1,279	\$ 397	\$ 61	\$ (675)	\$ (842)	\$ 1,286
Less: Intragovernmental Earned Revenue	528	11	-	140	175	-	(389)	(95)	370
Intragovernmental Net Costs	(459)	796	190	1,139	222	61	(286)	(747)	916
Gross Costs With the Public :									
Grants	-	9,669	2,075	522	3	-	109	-	12,378
Loan Cost Subsidies	-	(2)	-	(552)	(67)	-	-	-	(620)
Indemnities	-	-	-	-	-	4,115	-	-	4,115
Commodity Program Costs	5,340	-	-	-	-	-	-	-	5,340
Stewardship Land Acquisition	-	-	105	-	-	-	-	-	105
Other	356	776	(3)	(72)	140	710	984	-	2,891
Less: Earned Revenues from the Public	2,098	87	(1)	572	601	1,419	18	-	4,794
Net Costs with the Public	3,598	10,356	2,178	(673)	(525)	3,405	1,075	-	19,414
Net Cost of Operations	\$ 3,139	\$ 11,153	\$ 2,368	\$ 466	\$ (302)	\$ 3,466	\$ 789	\$ (747)	\$ 20,330

Note 17. Suborganization Program Costs/Program Costs by Segment

Natural Resources and Environment

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
Program Costs :								
Intragovernmental Gross Costs	\$ 843	\$ 24	\$ 13	\$ 210	\$ 22	\$ 316	\$ (160)	\$ 1,268
Less: Intragovernmental Earned Revenue	145	48	9	128	158	43	(160)	371
Intragovernmental Net Costs	698	(24)	4	82	(136)	273	-	897
Gross Costs With the Public :								
Grants	421	6	237	7	-	177	-	848
Indemnities	10	-	-	1	-	1	-	12
Stewardship Land Acquisition	191	-	-	-	-	-	-	191
Other	1,988	279	139	1,734	344	1,113	-	5,597
Less: Earned Revenues from the Public	306	28	2	87	67	14	-	504
Net Costs with the Public	2,304	257	374	1,655	277	1,277	-	6,144
Net Cost of Operations	\$ 3,002	\$ 233	\$ 378	\$ 1,737	\$ 141	\$ 1,550	\$ -	\$ 7,041

FY 2002	National Forests and Grasslands	Forest Research	State and Private Forestry	Wildland Fire Management	Working Capital Fund	Natural Resources Conservation	Intra-Mission Area Elimination	Total
Program Costs :								
Intragovernmental Gross Costs	\$ 484	\$ 15	\$ 13	\$ 386	\$ (219)	\$ 328	\$ (4)	\$ 1,004
Less: Intragovernmental Earned Revenue	135	20	6	10	-	133	(4)	299
Intragovernmental Net Costs	350	(5)	8	376	(219)	195	-	704
Gross Costs With the Public :								
Grants	376	4	217	10	-	71	-	678
Indemnities	10	-	-	1	-	-	-	12
Stewardship Land Acquisition	108	-	-	-	-	-	-	108
Other	2,344	231	55	1,790	255	965	-	5,639
Less: Earned Revenues from the Public	313	3	-	60	-	22	-	397
Net Costs with the Public	2,525	232	272	1,741	255	1,014	-	6,038
Net Cost of Operations	\$ 2,875	\$ 227	\$ 279	\$ 2,117	\$ 35	\$ 1,209	\$ -	\$ 6,743

Note 17. Suborganization Program Costs/Program Costs by Segment

Rural Development

FY 2003	Mortgage Credit	Housing Assistance	Area and Regional Development	Energy Supply Conservation	Agricultural Research	Total
Program Costs :						
Intragovernmental Gross Costs	\$ 1,028	\$ 13	\$ 644	\$ 1,724	\$ -	\$ 3,409
Less: Intragovernmental Earned Revenue	101	1	142	79	-	323
Intragovernmental Net Costs	927	12	502	1,645	-	3,086
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	411	-	2,256
Less: Earned Revenues from the Public	1,482	-	607	1,908	-	3,997
Net Costs with the Public	(106)	822	954	(1,022)	4	652
Net Cost of Operations	\$ 821	\$ 834	\$ 1,456	\$ 623	\$ 4	\$ 3,738

FY 2002	Mortgage Credit	Housing Assistance	Area and Regional Development	Energy Supply Conservation	Agricultural Research	Total
Program Costs :						
Intragovernmental Gross Costs	\$ 1,172	\$ 13	\$ 730	\$ 1,643	\$ -	\$ 3,558
Less: Intragovernmental Earned Revenue	118	-	113	65	-	297
Intragovernmental Net Costs	1,054	12	617	1,578	-	3,261
Gross Costs With the Public :						
Grants	2	728	710	-	2	1,443
Loan Cost Subsidies	(486)	2	51	59	-	(373)
Other	3,458	23	(668)	265	-	3,077
Less: Earned Revenues from the Public	1,635	-	683	1,730	-	4,047
Net Costs with the Public	1,340	753	(590)	(1,406)	3	99
Net Cost of Operations	\$ 2,394	\$ 766	\$ 26	\$ 172	\$ 3	\$ 3,360

Note 17. Suborganization Program Costs/Program Costs by Segment

Research, Education and Economics

FY 2003	Agricultural Research	Economic Research	National Agricultural Statistics	Cooperative State Research Education and Extension	Intra-Mission Area Elimination	Total
Program Costs :						
Intragovernmental Gross Costs	\$ 175	\$ 31	\$ 49	\$ 47	\$ (57)	\$ 245
Less: Intragovernmental Earned Revenue	71	3	13	10	(57)	40
Intragovernmental Net Costs	104	28	36	37	-	205
Gross Costs With the Public :						
Grants	30	2	-	1,023	-	1,055
Indemnities	1	-	-	-	-	1
Other	1,105	51	115	77	-	1,348
Less: Earned Revenues from the Public	13	(1)	3	15	-	30
Net Costs with the Public	1,123	54	112	1,085	-	2,374
Net Cost of Operations	\$ 1,227	\$ 82	\$ 148	\$ 1,122	\$ -	\$ 2,579

FY 2002	Agricultural Research	Economic Research	National Agricultural Statistics	Cooperative State Research Education and Extension	Intra-Mission Area Elimination	Total
Program Costs :						
Intragovernmental Gross Costs	\$ 230	\$ 24	\$ 40	\$ 39	\$ (15)	\$ 318
Less: Intragovernmental Earned Revenue	34	3	7	28	(15)	57
Intragovernmental Net Costs	196	21	33	10	-	261
Gross Costs With the Public :						
Grants	17	2	-	954	-	974
Other	708	55	92	282	-	1,137
Less: Earned Revenues from the Public	23	1	5	20	-	50
Net Costs with the Public	703	56	87	1,215	-	2,061
Net Cost of Operations	\$ 899	\$ 78	\$ 120	\$ 1,225	\$ -	\$ 2,322

Note 17. Suborganization Program Costs/Program Costs by Segment

Marketing and Regulatory Programs

FY 2003	Agricultural Marketing	Animal and Plant Health Inspection	Grain Inspection, Packers and Stockyards	Intra-Mission Area Elimination	Total
Program Costs :					
Intragovernmental Gross Costs	\$ 1,534	\$ 242	\$ 22	\$ (10)	\$ 1,788
Less: Intragovernmental Earned Revenue	6	18	2	(10)	16
Intragovernmental Net Costs	1,528	224	20	-	1,772
Gross Costs With the Public :					
Grants	4	67	-	-	71
Indemnities	-	59	-	-	59
Other	241	966	46	-	1,253
Less: Earned Revenues from the Public	177	307	32	-	516
Net Costs with the Public	68	785	14	-	867
Net Cost of Operations	\$ 1,596	\$ 1,009	\$ 34	\$ -	\$ 2,639

FY 2002	Agricultural Marketing	Animal and Plant Health Inspection	Grain Inspection, Packers and Stockyards	Intra-Mission Area Elimination	Total
Program Costs :					
Intragovernmental Gross Costs	\$ 854	\$ 242	\$ 32	\$ (10)	\$ 1,118
Less: Intragovernmental Earned Revenue	(7)	22	2	(10)	7
Intragovernmental Net Costs	860	220	30	-	1,111
Gross Costs With the Public :					
Grants	2	41	-	-	43
Indemnities	-	37	-	-	37
Other	119	788	56	-	962
Less: Earned Revenues from the Public	188	315	32	-	535
Net Costs with the Public	(67)	551	24	-	508
Net Cost of Operations	\$ 793	\$ 771	\$ 54	\$ -	\$ 1,618

Note 18. Gross Cost and Earned Revenue by Budget Functional Classification

FY 2003

Budget Functional Classification	Gross Cost	Earned Revenue	Net Cost
150 International Affairs	\$ (159)	\$ 199	\$ (358)
270 Energy	2,610	1,987	623
300 Natural Resources and Environment	7,308	785	6,523
350 Agriculture	76,784	6,384	70,400
370 Commerce and Housing Credit	2,404	1,583	821
450 Community and Regional Development	2,243	750	1,493
550 Health	954	107	847
600 Income Security	2,326	1	2,325
800 General Government	608	91	517
Total	95,078	11,887	83,191

Intragovernmental Total Cost and Earned Revenue by Budget Functional Classification:

Budget Functional Classification	Gross Cost	Earned Revenue	Net Cost
270 Energy	1,724	79	1,645
300 Natural Resources and Environment	1,275	367	908
350 Agriculture	1,334	389	945
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	\$ 7,707	\$ 1,089	\$ 6,618

FY 2002

Budget Functional Classification	Gross Cost	Earned Revenue	Net Cost
150 International Affairs	\$ 1,026	\$ 229	\$ 797
270 Energy	1,967	1,795	172
300 Natural Resources and Environment	6,948	723	6,225
350 Agriculture	66,844	5,635	61,210
370 Commerce and Housing Credit	4,158	1,765	2,394
450 Community and Regional Development	855	796	59
550 Health	882	103	779
600 Income Security	682	1	681
800 General Government	500	(23)	523
Total	\$ 83,862	\$ 11,023	\$ 72,839

Intragovernmental Total Cost and Earned Revenue by Budget Functional Classification:

Budget Functional Classification	Gross Cost	Earned Revenue	Net Cost
150 International Affairs	\$ 508	\$ -	\$ 508
270 Energy	1,643	65	1,578
300 Natural Resources and Environment	1,013	303	709
350 Agriculture	1,847	378	1,468
370 Commerce and Housing Credit	1,173	119	1,054
450 Community and Regional Development	732	113	619
550 Health	195	2	193
600 Income Security	785	2	783
Total	\$ 7,897	\$ 983	\$ 6,914

Note 19. Prior Period Adjustments

Restatements

In fiscal 2003, FS corrected its fiscal 2002 financial statements to align budgetary and proprietary account relationships and correct posting errors in the Wildland Fire Management fund, the Knutson-Vandenberg fund and other funds; account for budgetary resources received by trust, special, deposit, and clearing funds that had previously been accounted for as General funds; record revenue from the National Reservation System and Map sales that had been recorded as a liability as of September 30, 2002; and record liabilities that had been incorrectly recognized as reductions of operating costs during the year ended September 30, 2002. Correction of these errors increased the beginning balance of Cumulative Results of Operations by \$883 and \$1,027 million and decreased the beginning balance of Unexpended Appropriations by \$876 and \$677 million in fiscal 2003 and 2002, respectively.

In addition, FS recorded \$18 million to the Balance Sheet for PP&E received but not accrued as of September 30, 2002; recorded a prior year \$110 million expenditure transfer to the Wildland Fire Management fund and the subsequent payback during fiscal 2002 on the Statement of Changes in Net Position; corrected \$23 million of errors in recording obligations for the Wildland Fire Management fund and adjusted offsetting receipts by approximately \$413 million to reflect only distributed offsetting receipts on the Statement of Budgetary Resources, and excluded certain funds received from the Department of Labor-Job Corps that had previously been included in the Statement of Financing.

In fiscal 2002, FCIC changed its method of accounting for indemnities. Previously, FCIC had recognized subsidy expense when the risk was underwritten. Under the new accounting method, FCIC recognizes subsidy expense when indemnities are paid. The effect of this change was to decrease the beginning balance of the Cumulative Results of Operations and increase the beginning balance of Unexpended Appropriations by \$300 and by \$318 million in fiscal 2003 and 2002, respectively.

ARS restated PP&E as of September 30, 2002 to properly capitalize construction in progress and certain other real property. Correction of these errors increased the beginning balance of the Cumulative Results of Operations by \$159 million in fiscal 2003.

Reclassifications

Certain reclassifications were made to conform to the current year presentation as follows:

FS increased Appropriations Received and decreased Other Adjustments by \$3,432 million in the Statement of Changes in Net Position.

CCC decreased Grants and Other by \$243 and \$284 million respectively and increased Commodity Program Costs by \$527 million. RMA increased Indemnities and decreased Earned Revenue from the Public by \$220 million in the Statement of Net Cost.

In the Statement of Financing, RD increased Components Requiring or Generating Resources in Future Periods by \$3,290 and decreased the Total Resources Used to Finance the Net Cost of Operations by \$3,157 million and the Total Components not Requiring or Generating Resources by \$133 million, respectively.

Note 20. Apportionment Categories of Obligations Incurred

FY 2003	Direct	Reimbursable	Total
Category A	\$ 54,857	\$ 930	\$ 55,787
Category B	28,096	35,810	63,906
Exempt from Apportionment	1,396	18	1,414
Total Obligations Incurred	\$ 84,349	\$ 36,758	\$ 121,107

FY 2002	Direct	Reimbursable	Total
Category A	\$ 32,955	\$ 672	\$ 33,627
Category B	43,847	28,848	72,695
Exempt from Apportionment	173	24	197
Total Obligations Incurred	\$ 76,975	\$ 29,544	\$ 106,519

Note 21. Available Borrowing Authority, End of Period

Available borrowing authority at September 30, 2003 and 2002 was \$27,133 and \$25,631 million, respectively.

Note 22. 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 term of one year. On January 1 of each year, USDA refinances its outstanding borrowings, including accrued interest, at the January borrowing rate.

In addition, 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. CBO's outstanding with the FFB and private investors are generally secured by unpaid loan principal balances. CBO's outstanding are related to pre-credit reform loans and no longer used for program financing.

FFB's CBO's are repaid as they mature and 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.

Prepayments can be made on Treasury borrowings without a penalty; however, they cannot be made on FFB CBO's, without a penalty.

Funds may also 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 23. Adjustments to Beginning Balance of Budgetary Resources

	FY 2003		FY 2002	
	Obligated	Unobligated	Obligated	Unobligated
Beginning balances	\$ 33,300	\$ 23,801	\$ 31,102	\$ 26,294
Adjustments	(327)	90	(1,126)	942
Beginning balances, as adjusted	\$ 32,973	\$ 23,891	\$ 29,976	\$ 27,236

In fiscal 2003, FNS corrected errors in amounts previously reported. The effect of these corrections decreased obligated balances \$532 and \$460 million and increased unobligated balances \$460 million in fiscal 2003 and 2002, respectively.

In fiscal 2003, FS corrected errors in amounts previously reported. The effect of these corrections increased obligated balances \$204 million and decreased unobligated balances \$370 million. In fiscal 2002, unobligated balances decreased \$62 million.

In fiscal 2002, FCIC changed its method of accounting for indemnities. Previously, FCIC had recognized expended appropriations when the risk was underwritten. Under the new accounting method, FCIC recognizes expended appropriations when indemnities are paid. The effect of this change was to decrease obligated balances and increase unobligated balances \$708 million.

In fiscal 2002, the Department changed its method of accounting for allocations of appropriation transfers. Previously, the Department reported activity in its Statement of Budgetary Resources related to allocations received from other Federal agencies. Under the new accounting method, the Department excludes the appropriation and related budgetary activity in its Statement of Budgetary Resources. The effect of this change was to decrease obligated and unobligated balances \$30 million and \$111 million, respectively.

Other adjustments for correction of errors increased obligated balances \$72 million and decreased unobligated balances \$53 million in fiscal 2002.

Note 24. 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 are mainly 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. They are treated as permanent the first year they become available, as well as in succeeding years. However, 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 25. 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 to 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 not available 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 26. Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

FY 2002

	Budgetary Resources	Outlays
Combined Statement of Budgetary Resources	\$ 130,410	\$ 72,206
Reconciling Items:		
Expired accounts	(12,246)	(104)
Audit adjustments	(635)	-
Agricultural Quarantine Inspection user fees	(185)	(171)
Department of Homeland Security transfers	(44)	(11)
Native American Institution Endowment Fund	(32)	-
Milk Market Orders Assessment Fund	81	-
Food Stamp Program	28	-
Fund for Rural America	-	11
Other	40	9
Budget of the United States Government	\$ 117,417	\$ 71,940

The differences between the fiscal 2002 Statement of Budgetary Resources and the fiscal 2002 actual numbers presented in the fiscal 2004 Budget of the United States Government (Budget) are summarized above.

The Budget excludes expired accounts that are no longer available for new obligations. Audit adjustments were made subsequent to the Budget submission. The Budget includes a portion of the Agricultural Quarantine Inspection user fees appropriated whereas the Statement of Budgetary Resources reflects the total of user fees collected. The Budget reflects transfers to the Department of Homeland Security for comparability even though the transfers did not occur until fiscal 2003. 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 since employees of the Milk Market Administrators participate in the Federal retirement system, though these funds are not available for use by the Department. Actual reimbursable authority from offsetting collections earned from the Food Stamp Program varied from estimates made at the time the Budget was submitted. The 2002 Farm Bill repealed the Fund for Rural America that is excluded from the Statement of Budgetary Resources. Other items mainly consist of balances in suspense accounts that are excluded from the Budget.

A comparison between the fiscal 2003 Statement of Budgetary Resources and the fiscal 2003 actual numbers presented in the fiscal 2005 Budget cannot be performed as the fiscal 2005 Budget is not yet available. The fiscal 2005 Budget is expected to be published in February 2004 and will be available from the Government Printing Office.

Note 27. Relationship Between Liabilities Not Covered by Budgetary Resources on the Balance Sheet and the Change in Components Requiring or Generating Resources in Future Periods

	FY 2003		FY 2002
Current year liabilities not covered by budgetary resources, as disclosed in Note 11	5,036	\$	4,314
Prior year liabilities not covered by budgetary resources	(4,314)		(3,158)
Increase (Decrease) in liabilities not covered by budgetary resources	722		1,156
Upward/Downward Reestimates of Credit Subsidy Expense	(315)		(260)
Decrease in Exchange Revenue Receivable from the Public	597		125
Other	2,160		204
Components requiring or generating resources in future periods, as reported on the Statement of Financing	3,164	\$	1,225

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, except for 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 reflected above for the portion of liabilities not covered by budgetary resources.

Note 28. 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 Department of Labor for training underemployed youths; the 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 29. Incidental Custodial Collections

	FY 2003	FY 2002
Revenue Activity:		
Sources of Collections:		
Miscellaneous	\$ 126	\$ 256
Total Cash Collections	126	256
Accrual Adjustments	(13)	11
Total Custodial Revenue	113	267
Disposition of Collections:		
Transferred to Others:		
Treasury	(10)	(240)
States and Counties	(22)	-
Increase in Amounts Yet to be Transferred	(80)	(27)
Retained by the Reporting Entity	(1)	-
Net Custodial Activity	\$ -	\$ -

The majority of custodial collections represent 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.

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. Costs of these stewardship-type resources are treated as expenses in the financial statements in the year the costs are incurred. However, these costs and resultant resources are intended to provide long-term benefits to the public and 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.

Stewardship Investments

Stewardship investments are substantial investments made by the Federal Government for the benefit of the nation but 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.

Heritage Assets

Category	FY 2002 Sites	Condition
Total Heritage Assets	308,431	Poor-Fair
Eligible for the National Register of Historic Places	51,630	Poor-Fair
Listed on the National Register	2,834	Fair
Sites with structures listed on the National Register	1,083	Poor-Fair
National Historic Landmarks	17	Fair

The FS estimates that over 300 thousand heritage assets are on land that it manages. This information was estimated from the nine FS regions and annual Department of the Interior Report to Congress. Some of these assets are listed on the National Register of Historic Places and some are designated as National Historic Landmarks. The number of sites for fiscal 2003 was not available at time of publication. 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, and 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 that are significant in U.S. history, architecture, and 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.

Stewardship Land

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
Wilderness Areas	34,828,502	39,194	-	34,789,308
Primitive Areas	173,762	-	-	173,762
Wild and Scenic River Areas	947,999	1,621	-	946,378
Recreation Areas	2,911,239	875	-	2,910,364
Scenic-Research Areas	137,072	1,257	-	135,815
Game Refuges and Wildlife Preserve Areas	1,198,099	-	-	1,198,099
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
Total National Forest System Land	192,524,685	94,428	(7,501)	192,437,758
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
Total Conservation Easements	1,285,593	133,734	-	1,151,859

Description	FY 2002 Balance	Additions (+)	Withdrawals (-)	FY 2001 Balance
National Forest System Land (In acres):				
National Forests	143,796,683	-	(52,114)	143,848,797
Wilderness Areas	34,789,308	-	(23,349)	34,812,657
Primitive Areas	173,762	-	-	173,762
Wild and Scenic River Areas	946,378	1,223	-	945,155
Recreation Areas	2,910,364	-	-	2,910,364
Scenic-Research Areas	135,815	-	-	135,815
Game Refuges and Wildlife Preserve Areas	1,198,099	31,725	-	1,166,374
Monument Areas	3,840,582	-	-	3,840,582
National Grasslands	3,836,577	10	-	3,836,567
Purchase Units	357,053	6,452	-	350,601
Land Utilization Projects	1,876	-	-	1,876
Other Areas	451,261	89,716	-	361,545
Total National Forest System Land	192,437,758	129,126	(75,463)	192,384,095
Conservation Easements (In acres):				
Commodity Credit Corporation				
Wetlands Reserve Program	971,680	342,615	-	629,065
Natural Resources Conservation Service				
Emergency Wetlands Reserve Program	92,159	-	-	92,159
Emergency Watershed Protection Program	88,020	-	-	88,020
Total Conservation Easements	1,151,859	342,615	-	809,244

National Forest System

The FS manages over 192 million acres of public land, the majority of which 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:

- Wilderness Areas: Areas designated by Congress as part of the National Wilderness Preservation System.
- 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.
- Wild and Scenic River Areas: Areas designated by Congress as part of the National Wild and Scenic River System.
- Recreation Areas: Areas established by Congress for the purpose of assuring and implementing the protection and management of public outdoor recreation opportunities.
- Scenic-Research Areas: Areas established by Congress to provide use and enjoyment of certain ocean headlands and to insure protection and encourage the study of the areas for research and scientific purposes.
- Game Refuges and Wildlife Preserve Areas: Areas designated by Presidential Proclamation or by Congress for the protection of wildlife.
- 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 the FS that are not included in one of the above groups.

Condition of NFS Lands

The 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 providing 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 two 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 fiscal 2003. Insect and disease prevention and suppression treatments were completed on 1.5 million acres of NFS lands in fiscal 2003.

At the time of submission of this information the net change values include the net effects of FS land transactions, except for the Southwestern region. Land that is needed to protect critical wildlife habitat, cultural and historic values, support the purposes of congressional designation, and satisfy recreation and conservation purposes is acquired through purchase or exchange.

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 in order to restore and protect wetlands. The landowner voluntarily limits the future use of the land, yet retains private ownership. The program provides many benefits for the entire community, such as better water quality, enhanced habitat for wildlife, reduced soil erosion, reduced flooding, and better water supply.

To be eligible for WRP, land must be restorable and suitable for wildlife benefits. Once land is enrolled in the program, the landowner continues to control access to the land—and may lease the land—for hunting, fishing, and other undeveloped recreational activities. Once enrolled, the land is monitored to ensure compliance with 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 can be either permanent or 30-year duration. In exchange for establishing a permanent easement, the landowner receives payment up to the agricultural value of the land and 100 percent of the restoration costs for restoring the wetlands. The 30-

year easement payment is 75 percent of what would be provided for a permanent easement on the same site and 75 percent of the restoration cost.

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

In fiscal 2002, funding responsibility for WRP returned to NRCS; however, CCC remains responsible for easements using funding prior to the signing of the 2002 Farm Bill. Additionally, CCC acres acquired during fiscal 2003 were purchased with CCC funds, as in the past.

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 previously were wetlands. The program is patterned after the WRP. Participants in the program sell a conservation easement to USDA in order 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 and 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 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 the installation and maintenance of land treatment measures deemed necessary and desirable to effectively achieve the purposes of the easement. 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

(in millions)

Program	FY 2003 Expense	FY 2002 Expense	FY 2001 Expense	FY 2000 Expense
Non-Federal Physical Property:				
Food and Nutrition Service				
Food Stamp Program	\$ 39	\$ -	\$ 41	\$ 28
Special Supplemental Nutrition Program	16	-	18	29
Cooperative State Research, Education, and Extension Service				
Extension 1890 Facilities Program	15	14	12	12
Total Non-Federal Property	\$ 70	\$ 14	\$ 71	\$ 69
Human Capital:				
Cooperative State Research, Education, and Extension Service				
Higher Education and Extension Programs	\$ 511	\$ 532	\$ 479	\$ 466
Food and Nutrition Service				
Food Stamp Program	99	-	57	156
Forest Service				
Job Corps Program	118	104	101	94
Agricultural Research Service				
National Agricultural Library	21	20	21	19
Risk Management Agency				
Risk Management Education	4	-	-	1
Total Human Capital	\$ 753	\$ 656	\$ 658	\$ 736
Research and Development:				
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	78	80	77	72
Integration of Agricultural Systems	43	40	34	31
Collaborative Research Program	6	11	11	-
Cooperative State Research, Education, and Extension Service				
Land-grant University System	601	542	495	476
Forest Service				
Natural Resource Management	233	227	200	255
Economic Research Service				
Economic and Social Science	69	67	66	64
National Agricultural Statistics Service				
Statistical	5	5	4	4
Total Research and Development	\$ 1,918	\$ 1,740	\$ 1,649	\$ 1,592

Non-Federal Physical Property

Food and Nutrition Service

FNS' nonfederal physical property consists of computer systems and other equipment obtained by the State and local governments for the purpose of administering the Food Stamp Program. The total Food Stamp Program Expense for ADP Equipment & Systems has been reported as of the date of FNS' finan-

cial statements. FNS' nonfederal physical property also consists of computer systems and other equipment obtained by the State and local governments for the purpose of administering 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 fiscal 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 Food Stamp Program. The E&T program requires recipients of food stamp benefits to participate in an employment and training program as a condition for 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 769,535 work registrants subject to the 3-month Food Stamp Program participant limit and 503,200 work registrants not subject to the limit in either job-search, job-training, job-workfare, education, or work experience.

Forest Service

In partnership with the U.S. Department of Labor (DOL), the FS operates 18 Job Corps Civilian Conservation Centers. Job Corps is the only Federal residential employment and education training program for economically challenged young people, ages 16-24. The purpose of the program is to provide young adults with the skills necessary to become employable, independent, and productive citizens. Job Corps is funded from DOL annually on a program year beginning on July 1 and ending on June 30 of each year.

During fiscal 2003 (July 1st to June 30th), there were 8,277 participants with 3,291 placements. The average starting hourly wage for FS Job Corps students was \$8.52, which is 50 cents above the DOL national average rate. Approximately, 1,931 women students received training in nontraditional vocations. There were 1,075 students enrolled in the GED program, 431 students enrolled in High School programs, and 62 ex-Job Corps students working at 18 Centers. Over 2,000 Job Corps students and 300 staff assisted the agency in its fire fighting efforts. The students also accomplished conservation work on National Forest

lands appraised at \$14.6 million. All the Job Corps Centers were studied under the A-76 Streamlined Competitive Sourcing process. All 18 centers won the competition and the center operations will remain in house.

Established in 1964, Job Corps has trained and educated about 227,000 young men and women. The program is administered in a structured, coeducational, and residential environment that provides education, vocational and life-skills training, counseling, medical care, work experience, placement assistance and follow-up, recreational opportunities, and biweekly monetary stipends. Job corps students can 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 maintenances, warehousing, and plastering.

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.

The NAL was created as the departmental library for USDA in 1862 and 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 over 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 1996 Act, the FCIC has formed new partnerships with CSREES, the Commodity Futures Trading Commission, the USDA National Office of Outreach, Economic Research Service, and private industry 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 RME Summit that raised awareness of the tools and resources needed by farmers and ranchers to manage their risks. RMA has built on this foundation during fiscal year 2003 by expanding State and Regional education partnerships; encouraging the development of information and technology decision aids; supporting the National Future Farmers of America foundation with an annual essay contest; facilitating local training workshops; and supporting cooperative agreements with educational and outreach organizations.

One of the directives of Agricultural Risk Protection Act is to expedite the FCIC's educational and outreach efforts in certain areas of the country that have been historically underserved by the Federal crop insurance program. The Secretary determined that fifteen 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 better manage and utilize animal wastes.

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 and reduce erosion, and improve air quality. The effects of global change are also researched.

Human Nutrition

The research program emphasis is on 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 to develop market-based agricultural systems necessary to meet the food needs of their populations and develop and strengthen trade linkages between their countries and related agribusiness and agricultural enterprise in the United States.

The NAL also provides support to ARS' research programs.

Cooperative State Research, Education, and Extension Service Program

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 research and development provides reliable science based information that is incorporated into natural resource decision-making. Efforts consist of developing new technology, and then adapting and transferring this technology to facilitate more effective resource management. Some major research areas include:

- 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 accomplishments include:

- Estimated 316 new interagency agreements and contracts;
- Estimated 221 interagency agreements and contracts continued;
- Estimated 1,326 articles published in journals;
- Estimated 1,829 articles published in all other publications;
- Six patents granted; and
- Eighteen 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 is 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. In addition, 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 2003	FFAS		RD		FNCS	FSIS	MRP	NRE	REE	DO	Total	Total
	Budgetary	Non-Budgetary Credit Program Financing Accounts	Budgetary	Non-Budgetary Credit Program Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Non-Budgetary Credit Program Financing Accounts
Budgetary Resources:												
Budget Authority:												
Appropriations Received	\$ 25,338		\$ 3,545		\$ 37,148	\$ 764	\$ 7,074	\$ 6,873	\$ 2,667	\$ 560	\$ 83,969	-
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)	5	(188)	-
Unobligated Balances:												
Beginning of Period (Note 26)	2,477	4,188	1,487	1,076	12,216	58	626	1,010	562	192	18,628	5,264
Net Transfers, Actual	(315)	-	-	-	-	-	-	(116)	(9)	-	(440)	-
Spending Authority From Offsetting Collections:												
Earned												
Collected	16,248	3,250	6,382	4,471	102	107	170	784	112	397	24,302	7,721
Receivable from Federal Sources	1,467	58	69	4	-	1	(8)	82	(18)	3	1,596	62
Advance Received	292	-	-	-	-	-	(1)	(1)	(1)	-	289	-
Without Advance from Federal Sources	2	8	-	48	-	-	-	(50)	18	76	46	56
Subtotal	18,009	3,316	6,451	4,523	101	107	162	816	110	476	26,232	7,839
Recoveries of Prior Year Obligations	1,416	91	193	346	470	80	282	354	978	82	3,855	437
Permanently not Available	(48,413)	(2,408)	(4,101)	(1,866)	(4,572)	(6)	(14)	(34)	(25)	(6)	(57,171)	(4,274)
Total Budgetary Resources	\$ 45,764	\$ 8,068	\$ 7,657	\$ 11,455	\$ 50,182	\$ 1,003	\$ 3,831	\$ 10,229	\$ 4,253	\$ 1,309	\$ 124,228	\$ 19,523

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FY 2003	FFAS		RD		FNCS	FSIS	MRP	NRE	REE	DO	Total	Total
	Budgetary	Non- Budgetary Credit Program Financing Accounts	Budgetary	Non- Budgetary Credit Program Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Non- Budgetary Credit Program Financing Accounts
Status of Budgetary Resources:												
Obligations Incurred (Note 20):												
Direct	\$ 7,832	\$ 3,658	\$ 4,872	\$ 10,064	\$ 42,044	\$ 836	\$ 3,053	\$ 7,971	\$ 3,427	\$ 591	\$ 70,626	\$ 13,722
Reimbursable	34,504	-	487	-	61	102	195	769	158	485	36,761	-
Subtotal	42,336	3,658	5,359	10,064	42,105	938	3,248	8,740	3,585	1,076	107,387	13,722
Unobligated Balance:												
Apportioned	2,738	4,300	317	1,043	760	25	317	964	564	147	5,832	5,343
Exempt from Apportionment	11	1	-	-	-	1	246	35	32	3	328	1
Other Available	9	-	-	-	-	-	-	-	-	-	9	-
Unobligated Balance not Available	670	109	1,981	348	7,317	39	20	490	72	83	10,672	457
Total Status of Budgetary Resources	45,764	8,068	7,657	11,455	50,182	1,003	3,831	10,229	4,253	1,309	124,228	19,523
Relationship of Obligations to Outlays:												
Obligated Balance, Net, Beginning of Period	5,937	604	6,774	13,158	2,354	73	325	2,150	1,494	104	19,211	13,762
Accounts Receivable	(2,091)	(166)	(94)	(4)	-	(24)	(50)	(273)	(50)	(64)	(2,646)	(170)
Unfilled Customer Orders from Federal S	(8)	(18)	-	(714)	-	-	-	(106)	(96)	(104)	(314)	(732)
Undelivered Orders	2,552	247	6,599	15,105	435	91	478	2,107	1,669	213	14,144	15,352
Accounts Payable	5,879	419	411	2	2,360	21	67	979	59	54	9,830	421
Outlays:												
Disbursements	39,056	3,623	4,954	8,434	41,194	842	2,804	7,796	2,519	1,098	100,263	12,057
Collections	(16,541)	(3,250)	(6,382)	(4,471)	(102)	(107)	(169)	(783)	(110)	(398)	(24,592)	(7,721)
Subtotal	22,515	373	(1,428)	3,963	41,092	735	2,635	7,013	2,409	700	75,671	4,336
Less: Offsetting Receipts	351	1,293	790	-	-	1	5	405	-	-	1,552	1,293
Net Outlays	\$ 22,164	\$ (920)	\$ (2,218)	\$ 3,963	\$ 41,092	\$ 734	\$ 2,630	\$ 6,608	\$ 2,409	\$ 700	\$ 74,119	\$ 3,043

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FY 2002	FFAS		RD		FNCS	FSIS	MRP	NRE	REE	DO	Total	Total
	Budgetary	Non- Budgetary Credit Program Financing Accounts	Budgetary	Non- Budgetary Credit Program Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Non- Budgetary Credit Program Financing Accounts
Budgetary Resources:												
Budget authority:												
Appropriations received	\$ 30,037	\$ -	\$ 4,618	\$ -	\$ 32,806	\$ 734	\$ 7,260	\$ 6,132	\$ 2,511	\$ 509	\$ 84,607	-
Borrowing authority	34,054	1,586	1	8,103	-	-	-	-	-	-	34,055	\$ 9,689
Net transfers	(3,501)	-	588	-	5,173	-	(5,046)	580	15	21	(2,171)	-
Beginning of period	5,443	1,728	1,159	612	16,001	45	488	1,303	338	118	24,896	2,341
Net transfers, actual	(7)	-	-	-	20	-	2	(73)	-	-	(57)	-
Spending authority from offsetting collections:												
Earned												
Collected	13,762	3,548	5,877	3,634	143	101	162	1,299	81	383	21,808	7,183
Receivable from Federal sources	(479)	(68)	(12)	(694)	-	2	17	(216)	12	(20)	(695)	(762)
Advance received	209	-	-	-	(15)	-	-	(48)	2	-	148	-
Without advance from Federal sources	(3)	(2)	-	666	-	-	-	26	10	22	55	664
Subtotal	13,489	3,478	5,866	3,606	128	103	179	1,061	105	385	21,317	7,084
Recoveries of prior year obligations	472	78	268	210	712	73	176	125	778	60	2,664	288
Permanently not available	(42,135)	(597)	(5,290)	(1,296)	(4,931)	(1)	(10)	(22)	(15)	(4)	(52,407)	(1,893)
Total Budgetary Resources (Note)	\$ 37,852	\$ 6,273	\$ 7,210	\$ 11,236	\$ 49,910	\$ 954	\$ 3,050	\$ 9,106	\$ 3,732	\$ 1,089	\$ 112,902	\$ 17,509

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FY 2002	FFAS		RD		FNCS	FSIS	MRP	NRE	REE	DO	Total	Total
	Budgetary	Non-Budgetary Credit Program Financing Accounts	Budgetary	Non-Budgetary Credit Program Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Non-Budgetary Credit Program Financing Accounts
Status of Budgetary Resources:												
Obligations incurred (Note):												
Direct	\$ 8,419	\$ 2,085	\$ 5,242	\$ 10,160	\$ 37,614	\$ 795	\$ 2,006	\$ 7,113	\$ 3,021	\$ 519	\$ 64,730	\$ 12,245
Reimbursable	26,956	-	481	-	79	102	418	983	149	377	29,545	
Subtotal	35,375	2,085	5,723	10,160	37,693	897	2,424	8,096	3,170	896	94,274	12,245
Unobligated balance												
Apportioned	1,834	3,978	207	274	517	43	432	823	409	80	4,346	4,252
Exempt from apportionment	42	-	-	-	-	1	172	10	56	-	281	
Other available	299	-	-	-	-	-	-	-	-	-	299	
Unobligated balance not available	301	210	1,279	802	11,699	13	21	177	97	112	13,702	1,012
Total Status of Budgetary Resources	37,852	6,273	7,210	11,236	49,910	954	3,050	9,106	3,732	1,089	112,902	17,509
Relationship of Obligations to Outlays:												
Obligated balance, net, beginning of period	5,890	580	6,729	10,232	2,598	73	360	1,968	1,464	81	19,164	10,812
Accounts receivable	(654)	(107)	(24)	-	-	(23)	(58)	(156)	(68)	(64)	(1,048)	(107)
Unfilled customer orders from Federal sources	(6)	(10)	-	(666)	-	-	-	(156)	(77)	(28)	(267)	(676)
Undelivered orders	4,041	284	6,360	13,823	340	80	265	1,715	1,584	132	14,517	14,107
Accounts payable	2,556	437	438	-	2,014	17	118	746	56	64	6,008	437
Outlays:												
Disbursements	35,339	2,053	5,422	7,053	37,226	821	2,296	7,979	2,340	816	92,239	9,105
Collections	(13,972)	(3,548)	(5,877)	(3,634)	(128)	(101)	(162)	(1,251)	(83)	(383)	(21,956)	(7,183)
Subtotal	21,368	(1,495)	(455)	3,418	37,098	720	2,134	6,728	2,258	433	70,283	1,923
Less: Offsetting Receipts	57	130	356	-	-	1	10	439	-	-	862	130
Net Outlays	\$ 21,311	\$ (1,625)	\$ (811)	\$ 3,418	\$ 37,098	\$ 720	\$ 2,124	\$ 6,289	\$ 2,257	\$ 433	\$ 69,421	\$ 1,793

Deferred Maintenance

FY 2003	Cost to Return to Acceptable Condition	Cost of Critical Maintenance	Cost of Non- critical Maintenance
Asset Class			
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
Total Forest Service	\$ 5,188	\$ 1,469	\$ 3,719

FY 2002	Cost to Return to Acceptable Condition	Cost of Critical Maintenance	Cost of Non- critical Maintenance
Asset Class			
Forest Service			
Roads, Bridges, and Major Culverts	\$ 4,955	\$ 1,161	\$ 3,794
Buildings	518	189	329
Developed Recreation Sites	291	99	192
Dams	30	9	21
Range Structures	491	491	-
Wildlife, Fish, and Threatened and Endangered Species Structures	4	3	1
Trails	138	51	87
Heritage Assets	73	42	31
Total Forest Service	\$ 6,501	\$ 2,047	\$ 4,454

Deferred maintenance is maintenance that was scheduled to be performed and 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 is also reported separately for critical and non-critical amounts of maintenance needed to return each class of asset to its acceptable operating condition.

The 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 is 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 Forest Service 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 2003	Fund Balance with Treasury	Investments	Accounts Receivable	Other
Trading Partner (Code)				
Unknown (00)	\$ -	\$ 4	\$ 67	\$ 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)	36,480	-	(1)	-
Department of the Treasury (20)	-	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	-
Federal Emergency Management Agency (58)	-	-	7	-
Department of Transportation (69)	-	-	428	(1)
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	-
Total Assets	\$ 36,480	\$ 45	\$ 666	\$ 7

FY 2002	Fund Balance with Treasury	Investments	Accounts Receivable	Other
Trading Partner (Code)				
Unknown (00)	\$ -	\$ 5	\$ 169	\$ 2
Department of Interior (14)	-	-	4	-
Department of Justice (15)	-	-	1	-
Department of Labor (16)	-	-	7	-
Department of State (19)	-	-	1	-
Department of the Treasury (20)	39,617	91	13	-
Department of the Army (21)	-	-	7	-
Office of Personnel Management (24)	-	-	2	-
General Services Administration (47)	-	-	7	-
Department of the Air Force (57)	-	-	1	-
Environmental Protection Agency (68)	-	-	3	-
Department of Transportation (69)	-	-	1	(1)
Department of Health and Human Services (75)	-	-	5	-
National Aeronautics and Space Administration (80)	-	-	1	-
Department of Energy (89)	-	-	17	-
U.S. Army Corps of Engineers (96)	-	-	1	-
Office of the Secretary of Defense-Defense Agencies (97)	-	-	3	-
Total Assets	\$ 39,617	\$ 96	\$ 242	\$ 1

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Liabilities

FY 2003	Accounts Payable	Debt	Resources Payable to Treasury	Other
Trading Partner (Code)				
Unknown (00)	\$ 4	\$ -	\$ -	313
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)
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
Federal Emergency Management Agency (58)	-	-	-	1
Agency for International Development (72)	1,202	-	-	4
U.S. Army Corps of Engineers (96)	-	-	-	(100)
Office of the Secretary of Defense-Defense Agencies (98)	-	-	-	1
Treasury General Fund (99)	-	-	16,981	2,224
Total Liabilities	\$ 1,206	\$ 76,140	\$ 16,981	\$ 2,961

FY 2002	Accounts Payable	Debt	Resources Payable to Treasury	Other
Trading Partner (Code)				
Unknown (00)	\$ (17)	\$ -	\$ -	212
Department of Commerce (13)	-	-	-	1
Department of Interior (14)	-	-	-	68
Department of Justice (15)	-	-	-	8
Department of Labor (16)	-	-	-	94
Department of the Navy (17)	-	-	-	(1)
Department of State (19)	-	-	-	(4)
Department of the Treasury (20)	47	75,933	-	1,063
Department of the Army (21)	-	-	-	1
Office of Personnel Management (24)	-	-	-	20
General Services Administration (47)	-	-	-	11
Department of Transportation (69)	-	-	-	7
Agency for International Development (72)	541	-	-	4
Department of Health and Human Services (75)	-	-	-	1
National Aeronautics and Space Administration (80)	-	-	-	(1)
Department of Energy (89)	-	-	-	5
U.S. Army Corps of Engineers (96)	1	-	-	(66)
Treasury General Fund (99)	-	-	18,598	1,372
Total Liabilities	\$ 572	\$ 75,933	\$ 18,598	\$ 2,795

Earned Revenue, Federal

	FY 2003 Earned Revenue Federal	FY 2002 Earned Revenue Federal
Earned Revenue Federal:		
Trading Partner (Code)		
Unknown (00)	\$ 14	\$ 97
Library of Congress (03)	1	1
General Accounting Office (05)	1	1
Executive Office of the President (11)	1	-
Department of Commerce (13)	6	5
Department of Interior (14)	80	47
Department of Justice (15)	16	15
Department of Labor (16)	27	57
Department of the Navy (17)	2	-
U.S. Postal Service (18)	1	1
Department of State (19)	4	2
Department of the Treasury (20)	658	567
Department of the Army (21)	19	17
Office of Personnel Management (24)	2	5
Smithsonian Institution (33)	1	1
Department of Veterans Affairs (36)	1	-
Appalachian Regional Commission (46)	-	11
General Services Administration (47)	53	73
Federal Deposit Insurance Corporation (51)	2	1
Department of the Air Force (57)	(4)	2
Federal Emergency Management Agency (58)	114	(5)
Environmental Protection Agency (68)	7	12
Department of Transportation (69)	20	16
Agency for International Development (72)	9	8
Small Business Administration (73)	-	1
Department of Health and Human Services (75)	5	8
National Aeronautics and Space Administration (80)	2	2
Department of Housing and Urban Development (86)	2	2
Department of Energy (89)	17	-
Selective Service System (90)	-	25
U.S. Army Corps of Engineers (96)	15	7
Office of the Secretary of Defense-Defense Agencies (97)	13	6
Total Earned Revenue Federal	\$ 1,089	\$ 983

Cost to Generate Earned Revenue Federal:

	FY 2003	FY 2002
Federal and Non-Federal		
Functional Classification		
350 Agriculture	\$ 630	\$ 440
Total Cost to Generate Revenue	\$ 630	\$ 440

Cost, Federal

Trading Partner (Code)	FY 2003		FY 2002	
	Cost Federal		Cost Federal	
Unknown (00)	\$	1,474	\$	2,007
Library of Congress (03)		1		1
Government Printing Office (04)		17		12
General Accounting Office (05)		-		1
Department of Commerce (13)		21		11
Department of Interior (14)		109		73
Department of Justice (15)		15		26
Department of Labor (16)		153		67
Department of the Navy (17)		7		6
U.S. Postal Service (18)		19		17
Department of State (19)		36		18
Department of the Treasury (20)		3,927		4,129
Department of the Army (21)		7		2
Office of Personnel Management (24)		1,502		1,343
Social Security Administration (28)		10		8
Department of Veterans Affairs (36)		1		1
General Services Administration (47)		378		138
Office of Special Counsel (62)		-		1
Tennessee Valley Authority (64)		1		-
Environmental Protection Agency (68)		1		1
Department of Transportation (69)		11		-
Department of Homeland Security (70)		-39		-
Department of Health and Human Services (75)		24		11
National Aeronautics and Space Administration (80)		6		3
Department of Energy (89)		7		13
Department of Education (91)		1		-
Federal Mediation and Conciliation Service (93)		1		-
Independent Agencies (95)		1		2
U.S. Army Corps of Engineers (96)		8		3
Office of the Secretary of Defense-Defense Agencies (97)		5		4
Treasury General Fund (99)		3		-
Total Cost Federal	\$	7,707	\$	7,897

Non-exchange Revenue Federal

Trading Partner (Code)	FY 2003		FY 2002	
	Transfers-In	Transfers-Out	Transfers-In	Transfers-Out
Unknown (00)	\$ 2,189	\$ (1,843)	\$ 1,751	\$ (243)
Department of Commerce (13)	3	-	-	-
Department of Interior (14)	-	-	-	(200)
Department of Labor (16)	108	-	-	-
Department of State (19)	6	-	-	-
Department of the Treasury (20)	-	-	2,619	(3,101)
Appalachian Regional Commission (46)	16	-	-	-
Department of Homeland Security (70)	-	(151)	-	-
Agency for International Development (72)	-	(1,196)	-	(611)
Department of Health and Human Services (75)	58	-	-	-
Treasury General Fund (99)	6,954	(4,592)	-	(1,945)
Total Non-exchange Revenue Federal	\$ 9,334	\$ (7,782)	\$ 4,370	\$ (6,100)

Segment Information

The Departmental Working Capital Fund and the FS Working Capital Fund are not separately reported 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, 2003, and 2002.

FY 2003	Departmental Working Capital Fund	Forest Service Working Capital Fund	Total Working Capital Funds
Condensed Information			
Fund Balance	\$ 86	\$ 134	\$ 220
Accounts Receivable	17	1	18
Property, Plant, and Equipment	47	275	322
Other Assets	4	0	4
Total Assets	154	410	564
Liabilities and Net Position			
Accounts Payable	2	1	3
Other Liabilities	55	34	89
Unexpended Appropriations	44	0	44
Cumulative Results of Operations	53	375	428
Total Liabilities and Net Position	154	410	564

FY 2003	Cost of Goods and Services Provided	Related Exchange Revenue	Excess of Costs Over Exchange Revenue
Product or Business Line			
Departmental Working Capital Fund:			
Finance and Management	222	203	19
Communications	6	6	0
Information Technology	89	87	2
Administration	33	28	5
Executive Secretariat	2	2	0
Total Departmental Working Capital Fund	352	326	26
Forest Service Working Capital Fund:			
Other	369	224	145
Total Working Capital Funds	\$ 721	\$ 550	\$ 171

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FY 2002	Departmental Working Capital Fund	Forest Service Working Capital Fund	Total Working Capital Funds
Condensed Information			
Fund Balance	\$ 74	\$ 108	\$ 182
Accounts Receivable	28	1	29
Property, Plant, and Equipment	50	338	388
Other Assets	3	22	25
Total Assets	155	469	624
Liabilities and Net Position			
Accounts Payable	3	17	20
Other Liabilities	52	26	78
Unexpended Appropriations	26	-	26
Cumulative Results of Operations	74	426	500
Total Liabilities and Net Position	\$ 155	\$ 469	\$ 624

FY 2002	Cost of Goods and Services Provided	Related Exchange Revenue	Excess of Costs Over Exchange Revenue
Product or Business Line			
Departmental Working Capital Fund:			
Finance and Management	\$ 185	\$ 204	\$ (19)
Communications	5	5	-
Information Technology	74	81	(7)
Administration	26	29	(3)
Executive Secretariat	2	2	-
Total Departmental Working Capital Fund	292	321	(29)
Forest Service Working Capital Fund:			
Other	253	218	35
Total Working Capital Funds	\$ 545	\$ 539	\$ 6

Departmental Working Capital Fund

Services provided by the Departmental Working Capital 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 the 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.