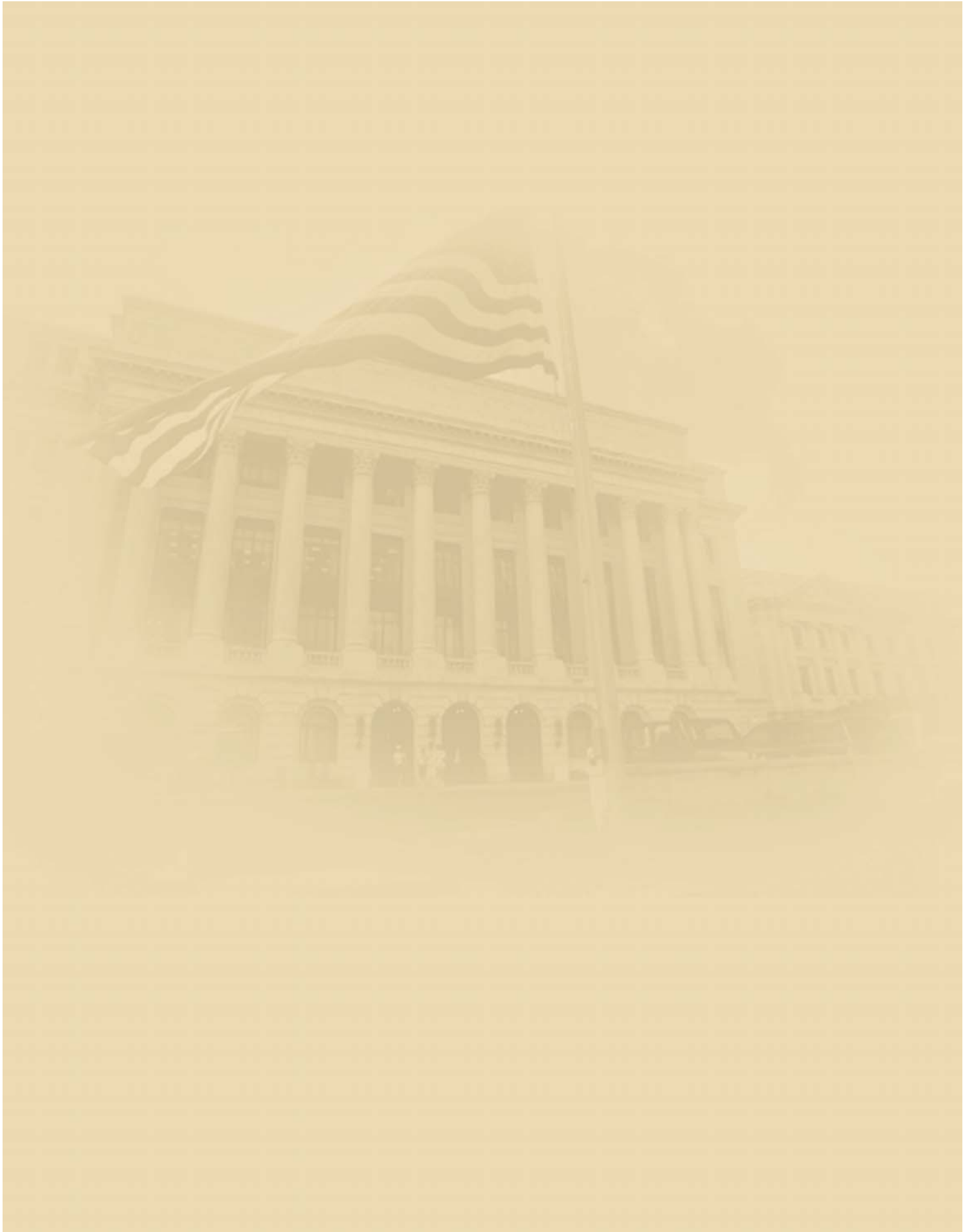


# Section IV

Financial Statements, Notes,  
Supplemental and Other  
Accompanying Information





## IV. Financial Statements, Notes, Supplemental and Other Accompanying Information

### MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I hope that you have received a clear snapshot of the significant role that USDA played in 2005 in enhancing so many aspects of American life. USDA is deeply committed to the performance and accountability process, and the ample opportunities it provides to have real visibility into our diverse operations and to continually improve the quality of services we provide to the American people. In making the most of this process, we are keenly aware of the pivotal role of sound financial management—knowing how resources are spent, having the confidence that programs and services are operating in continually more efficient ways, and possessing a clear sense of ongoing challenges that require management attention and focus.

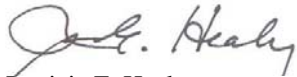


Through the individual leadership and collaborative efforts of USDA managers, employees, business partners and other stakeholders, we made significant strides in 2005 advancing the Department's impressive recent record of excellence in financial management. Here are some highlights of our substantive results over this past fiscal year:

- Another clean financial audit opinion. Our ability to sustain this critical performance benchmark is powerful evidence of the Department's improved accountability, internal control and data integrity;
- An 84 percent reduction in material deficiencies from FY 2002 to FY 2005. We are down from 19 to 3, and we plan to eliminate the remaining trouble spots altogether in the year ahead;
- An effective strategic plan for USDA that will guide efforts throughout the Department to align strategic direction, operating budgets and performance measures to drive continued performance enhancements and clear accountability throughout the organization;
- Innovative information technology solutions relating to financial management and administrative systems that allow us to push more resources to the front lines of program delivery. Noteworthy among these is the integration of program data from the Food and Nutrition Service into the corporate financial system to consolidate processing, reduce costly reconciliations and eliminate legacy systems and the implementation of improved financial reporting systems;
- Cost-effective and secure payroll and other administrative services reliably and accurately provided Government-wide through our National Finance Center (NFC); and
- Successfully implementing our disaster recovery and continuity of operations plan in response to hurricane Katrina. During this disaster, NFC timely and accurately paid over 565,000 federal employees from an alternate location, and USDA financial systems and operations resumed to ensure that all fiscal year-end deadlines were met.

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

In FY 2005, we made exceptional progress in financial management in USDA. As proud as we are of that record, we look forward to beating it next year as sound financial management continues to enhance all aspects of USDA's vital work.



Patricia E. Healy  
Acting Chief Financial Officer  
November 15, 2005



## Consolidated Financial Statements





# Consolidated Financial Statements

## CONSOLIDATED BALANCE SHEET

As of September 30, 2005 and 2004  
(in millions)

	<u>2005</u>	<u>2004</u>
<b>Assets:</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	\$ 42,327	\$ 39,488
Investments (Note 5)	69	56
Accounts Receivable, Net (Note 6)	712	625
Other (Note 10)	<u>1</u>	<u>1</u>
Total Intragovernmental	43,109	40,170
Cash and Other Monetary Assets (Note 4)	242	165
Investments (Note 5)	15	15
Accounts Receivable, Net (Note 6)	9,442	2,478
Loans Receivable and Related Foreclosed Property, Net (Note 7)	75,176	73,841
Inventory and Related Property, Net (Note 8)	29	142
General Property, Plant, and Equipment, Net (Note 9)	4,885	4,914
Other (Note 10)	<u>86</u>	<u>89</u>
<b>Total Assets (Note 2)</b>	<u><u>132,984</u></u>	<u><u>121,814</u></u>
<b>Liabilities:</b>		
Intragovernmental:		
Accounts Payable	821	809
Debt (Note 12)	83,515	69,053
Other (Note 14)	<u>18,591</u>	<u>18,861</u>
Total Intragovernmental	102,927	88,723
Accounts Payable	4,292	3,430
Loan Guarantee Liability (Note 7)	1,214	1,188
Debt Held by the Public (Note 12)	1	1
Federal Employee and Veterans Benefits	834	836
Environmental and Disposal Liabilities (Note 13)	28	23
Other (Notes 14 & 15)	<u>21,710</u>	<u>12,629</u>
<b>Total Liabilities (Note 11)</b>	131,006	106,830
Commitments and Contingencies (Note 16)		
<b>Net Position:</b>		
Unexpended Appropriations	21,490	22,158
Cumulative Results of Operations	<u>(19,512)</u>	<u>(7,174)</u>
<b>Total Net Position</b>	<u><u>1,978</u></u>	<u><u>14,984</u></u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 132,984</u></u>	<u><u>\$ 121,814</u></u>

The accompanying notes are an integral part of these statements.

CONSOLIDATED FINANCIAL STATEMENTS

**CONSOLIDATED STATEMENT OF NET COST**  
 For the Years Ended September 30, 2005 and 2004  
 (in millions)

	<u>2005</u>	<u>2004</u>
<b>Strategic Goals:</b>		
<i>Enhance Economic Opportunities for Agricultural Producers:</i>		
Gross Cost	\$ 44,015	\$ 19,942
Less: Earned Revenue	<u>15,137</u>	<u>3,338</u>
Net Cost of Goal 1	28,878	16,604
 <i>Support Increased Economic Opportunities and Improved Quality of Life in Rural America:</i>		
Gross Cost	5,358	6,102
Less: Earned Revenue	<u>4,344</u>	<u>3,989</u>
Net Cost of Goal 2	1,014	2,113
 <i>Enhance Protection and Safety of the Nation's Agriculture and Food Supply:</i>		
Gross Cost	3,071	2,935
Less: Earned Revenue	<u>630</u>	<u>520</u>
Net Cost of Goal 3	2,441	2,415
 <i>Improve the Nation's Nutrition and Health:</i>		
Gross Cost	51,033	45,452
Less: Earned Revenue	<u>46</u>	<u>41</u>
Net Cost of Goal 4	50,987	45,411
 <i>Protect and Enhance the Nation's Natural Resource Base and Environment:</i>		
Gross Cost	8,580	8,234
Less: Earned Revenue	<u>887</u>	<u>755</u>
Net Cost of Goal 5	7,693	7,479
 Total Gross Costs of Strategic Goals	112,057	82,665
Less: Total Earned Revenues	<u>21,044</u>	<u>8,643</u>
 <b>Net Cost of Operations (Note 17)</b>	<u><u>\$ 91,013</u></u>	<u><u>\$ 74,022</u></u>

The accompanying notes are an integral part of these statements.



CONSOLIDATED FINANCIAL STATEMENTS

**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION**

For the Years Ended September 30, 2005 and 2004

(in millions)

	2005		2004	
	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations</u>	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations</u>
<b>Beginning Balances</b>	\$ (7,174)	\$ 22,158	\$ (19,750)	\$ 22,192
Budgetary Financing Sources:				
Appropriations Received		80,697		87,089
Appropriations Transfer In (Out)		(507)		127
Other Adjustments(recissions, etc.)		(2,937)		(2,665)
Appropriations Used	77,921	(77,921)	84,588	(84,585)
Nonexchange Revenue	8		29	
Donations and Forfeitures of Cash	2		2	
Transfers In (Out) without Reimbursement	686		2,219	
Other Budgetary Financing Sources	(1)		-	
Other Financing Sources:				
Donations and Forfeitures of Property	31		4	
Transfers In (Out) without Reimbursement	(1,001)		(1,074)	
Imputed Financing from Costs Absorbed by Others	833		629	
Other	196		201	
<b>Total Financing Sources</b>	78,675	(668)	86,598	(34)
<b>Net Cost of Operations</b>	(91,013)		(74,022)	
<b>Net Change</b>	(12,338)	(668)	12,576	(34)
<b>Ending Balances</b>	\$ (19,512)	\$ 21,490	\$ (7,174)	\$ 22,158

The accompanying notes are an integral part of these statements.

CONSOLIDATED FINANCIAL STATEMENTS

**COMBINED STATEMENT OF BUDGETARY RESOURCES**

For the Years Ended September 30, 2005 and 2004

(in millions)

	2005		2004	
	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Non-Budgetary Financing Accounts
<b>Budgetary Resources:</b>				
Budget Authority:				
Appropriations Received	\$ 88,940		\$ 94,316	
Borrowing Authority (Notes 19 & 20)	45,357	\$ 10,886	29,006	\$ 11,356
Net Transfers	(35)		-	
Unobligated Balances:				
Beginning of Period (Note 21)	18,756	6,325	16,762	5,802
Net Transfers, Actual	(872)		(193)	
Spending Authority From Offsetting Collections:				
Earned				
Collected	27,460	8,576	23,462	7,519
Change in Receivables from Federal Sources	-	(113)	(672)	146
Change in Unfilled Customer Orders				
Advances Received	(1,383)		935	
Without Advances from Federal Sources	15	2	99	(97)
Transfers from Trust Funds - Collected	899			
Recoveries of Prior Year Obligations	6,243	559	5,256	634
Permanently not Available	(39,871)	(4,911)	(47,065)	(4,376)
Total Budgetary Resources	145,509	21,324	121,906	20,984
<b>Status of Budgetary Resources:</b>				
Obligations Incurred (Note 18):				
Direct	82,879	14,496	75,508	14,659
Reimbursable	43,460		27,642	
Unobligated Balance:				
Apportioned	5,919	5,672	6,396	5,921
Exempt from Apportionment	1,262	5	551	6
Unobligated Balance not Available	11,989	1,151	11,809	398
Total Status of Budgetary Resources	145,509	21,324	121,906	20,984
<b>Relationship of Obligations to Outlays:</b>				
Obligated Balance, Net, Beginning of Period (Note 21)	21,010	17,136	21,194	14,871
Obligations Incurred	126,339	14,496	103,150	14,659
Less:				
Recoveries of Prior Year Obligations	6,243	559	5,256	634
Change from Federal Sources	15	(111)	(573)	49
Obligated Balance, Net, End of Period:				
Accounts Receivable	(1,978)	(205)	(1,978)	(316)
Unfilled Customer Orders from Federal Sources	(428)	(635)	(412)	(635)
Undelivered Orders	15,982	18,716	14,353	17,735
Accounts Payable	12,979	326	9,047	352
Total Obligated Balance, Net, End of Period	26,555	18,202	21,010	17,136
Disbursements				
Disbursements	114,536	12,982	98,651	11,711
Collected and Advances Received	(26,976)	(8,576)	(24,397)	(7,519)
Outlays	87,560	4,406	74,254	4,192
Less: Distributed Offsetting Receipts	1,445	722	1,928	600
Net Outlays	\$ 86,115	\$ 3,684	\$ 72,326	\$ 3,592

The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENT OF FINANCING**  
 For the Years Ended September 30, 2005 and 2004  
 (in millions)

	<u>2005</u>	<u>2004</u>
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 140,835	\$ 117,809
Less: Spending authority from offsetting collections and recoveries	<u>42,258</u>	<u>37,282</u>
Obligations net of offsetting collections and recoveries	98,577	80,527
Less: Distributed Offsetting receipts	<u>2,167</u>	<u>2,528</u>
Net Obligations	<u>96,410</u>	<u>77,999</u>
Other Resources		
Donations and forfeitures of property	31	4
Transfers in(out) without reimbursement	(1,001)	(1,074)
Imputed financing from costs absorbed by others	833	629
Other	<u>196</u>	<u>201</u>
Net other resources used to finance activities	<u>59</u>	<u>(240)</u>
<b>Total resources used to finance activities</b>	<b>96,469</b>	<b>77,759</b>
<b>Resources Used to Finance Items not Part of the Net Cost of Operations:</b>		
Change in resources obligated for goods, services and benefits ordered, but not yet provided	2,192	2,532
Resources that fund expenses recognized in prior periods	2,127	2,529
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	(14,921)	(14,136)
Other	(12,825)	(10,259)
Resources that finance the acquisition of assets	31,208	23,151
Other resources or adjustments to net obligated resources that do not affect net cost of operations	<u>2,789</u>	<u>1,509</u>
Total resources used to finance items not part of the net cost of operations	<u>10,570</u>	<u>5,326</u>
<b>Total resources used to finance the net cost of operations</b>	<b>85,899</b>	<b>72,433</b>
<b>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</b>		
Components Requiring or Generating Resources in Future Periods:		
Increase in annual leave liability	-	49
Upward/Downward reestimates of credit subsidy expense	(1,853)	(341)
Increase in exchange revenue receivable from the public	(7,791)	534
Other	<u>9,151</u>	<u>1,587</u>
Total components of Net Cost of Operations that will require or generate resources in future periods (Note 25)	<u>(493)</u>	<u>1,829</u>
Components not Requiring or Generating Resources:		
Depreciation and amortization	524	598
Revaluation of assets or liabilities	(525)	(633)
Other	<u>5,608</u>	<u>(205)</u>
Total components of Net Cost of Operations that will not require or generate resources	<u>5,607</u>	<u>(240)</u>
<b>Total components of Net Cost of Operations that will not require or generate resources in the current period</b>	<b>5,114</b>	<b>1,589</b>
<b>Net Cost of Operations</b>	<b><u>\$ 91,013</u></b>	<b><u>\$ 74,022</u></b>

The accompanying notes are an integral part of these statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2005 and 2004

(in millions)

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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#### Organization

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

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

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

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

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

- Food and Nutrition Service (FNS)

#### FOOD SAFETY

- Food Safety and Inspection Service (FSIS)

#### MARKETING AND REGULATORY PROGRAMS (MRP)

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

#### NATURAL RESOURCES AND ENVIRONMENT (NRE)

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

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

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

## RURAL DEVELOPMENT

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

The President's Fiscal Year 2006 Budget proposes to establish the process and terms to implement dissolution of the RTB due to insufficient demand for the bank's loans and the availability of adequate financing from other sources. Stockholders of the RTB will receive a cash payout for their stock at par value. In August 2005, the RTB Board unanimously approved resolutions describing the process and terms to implement the liquidation and dissolution of the RTB, subject to there being no legal restrictions on redeeming Government-owned Class A Stock.

### Consolidation

The financial statements consolidate all the agencies' results. The effects of intradepartmental activity and balances are eliminated, except for the Statement of Budgetary Resources that is presented on a combined basis. The financial statements are prepared in accordance with generally accepted accounting principles for the Federal Government.

### Reclassifications

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

### Use of Estimates

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

### Revenue and Other Financing Sources

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

### Investments

The Department is authorized to invest certain funds in excess of its immediate needs in Treasury securities. Investments in non-marketable par value Treasury securities are classified as held to maturity and are carried at cost. Investments in market-based Treasury securities are classified as held to maturity and are carried at

amortized cost. The amortized cost of securities is based on the purchase price adjusted for amortization of premiums and accretion of discounts using the straight-line method over the term of the securities.

### Accounts Receivable

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

### Direct Loans and Loan Guarantees

Direct loans obligated and loan guarantees committed after 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. Commodities are valued at the lower of cost or net realizable value using a weighted average method.

### Property, Plant and Equipment

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

### Pension and Other Retirement Benefits

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

### Other Post-employment Benefits

Other post-employment benefits expense for former or inactive (but not retired) employees is recognized when a future outflow or other sacrifice of resources is probable and measurable on the basis of events



occurring on or before the reporting date. The liability for long-term other post-employment benefits is the present value of future payments.

### Contingencies

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

### Limitations of the Financial Statements

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

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

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

### NOTE 2. NON-ENTITY ASSETS

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

	FY 2005	FY 2004
Intragovernmental:		
Fund balance with Treasury	\$ 140	\$ 243
Accounts Receivable	1	1
Subtotal Intragovernmental	141	244
With the Public:		
Cash and other monetary assets	91	81
Accounts receivable	81	80
Subtotal With the Public	172	161
Total non-entity assets	313	405
Total entity assets	132,671	121,409
Total assets	\$ 132,984	\$ 121,814

**NOTE 3. FUND BALANCE WITH TREASURY**

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

	FY 2005	FY 2004
Fund Balances:		
Trust Funds	\$ 759	\$ 648
Revolving Funds	11,011	10,552
Appropriated Funds	30,009	27,584
Other Fund Types	548	704
Total	<u>42,327</u>	<u>39,488</u>
Status of Fund Balance with Treasury:		
Unobligated Balance:		
Available	12,630	12,190
Unavailable	11,870	11,669
Obligated Balance not yet Disbursed	26,357	20,579
Clearing Account Balances	170	299
Borrowing Authority not yet Converted to Fund Balance	(8,700)	(5,249)
Total	<u>\$ 42,327</u>	<u>\$ 39,488</u>

**NOTE 4. CASH AND OTHER MONETARY ASSETS**

In fiscal 2005 and 2004, cash includes Federal crop insurance escrow amounts of \$65 million and \$83 million, funds held in escrow for single family housing borrowers of \$90 million and \$81 million, and other receipts of \$87 million and \$1 million, respectively. The other receipts of \$87 million in fiscal 2005 include \$26 million of interest-bearing deposits.

	FY 2005	FY 2004
Cash	<u>\$ 242</u>	<u>\$ 165</u>

**NOTE 5. INVESTMENTS**

FY 2005					
	Amortization Method	Cost	Unamortized Premium/ (Discount)	Investments, Net	Market Value Disclosure
Intragovernmental:					
Non-marketable					
Par value		\$ 64	\$ -	\$ 64	\$ -
Market-based	Straight Line	5	-	5	5
Total		<u>\$ 69</u>	<u>\$ -</u>	<u>\$ 69</u>	<u>\$ 5</u>
With the Public:					
AARC		\$ 15	\$ -	\$ 15	\$ 15
Total		<u>\$ 15</u>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 15</u>
FY 2004					
	Amortization Method	Cost	Unamortized Premium/ (Discount)	Investments, Net	Market Value Disclosure
Intragovernmental:					
Non-marketable					
Par value		\$ 52	\$ -	\$ 52	\$ -
Market-based	Straight Line	4	-	4	4
Total		<u>\$ 56</u>	<u>\$ -</u>	<u>\$ 56</u>	<u>\$ 4</u>
With the Public:					
AARC		\$ 15	-	\$ 15	\$ 15
Total		<u>\$ 15</u>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 15</u>

**NOTE 6. ACCOUNTS RECEIVABLE, NET**

FY 2005			
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	\$ 712	\$ -	\$ 712
With the Public	9,607	165	9,442
<b>Total</b>	<b>\$ 10,319</b>	<b>\$ 165</b>	<b>\$ 10,154</b>
FY 2004			
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	\$ 625	\$ -	\$ 625
With the Public	2,696	218	2,478
<b>Total</b>	<b>\$ 3,321</b>	<b>\$ 218</b>	<b>\$ 3,103</b>

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

**Direct Loans**

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

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

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

Loans Receivable and Related Foreclosed Property, Net at the end of FY 2005 was \$75,176 million compared to \$73,841 million at the end of FY 2004. Loans exempt from the Federal Credit Reform Act of 1990 represent \$1,057 million of the total compared to \$2,092 million in FY 2004. Table 1 illustrates the overall composition of the Department’s credit program balance sheet portfolio by credit program for FY 2005 and 2004.

During the fiscal year, the gross outstanding balance of the direct loans obligated post-1991 is adjusted by the value of the subsidy cost allowance held against those loans. Current year subsidy expense, modifications and reestimates all contribute to the change of the subsidy cost allowance through the year. The subsidy cost allowance moved from \$6,256 million to \$4,674 million during FY 2005, a decrease of \$1,582 million. Table 2 shows the reconciliation of subsidy cost allowance balances from FY 2004 to FY 2005.

Total direct loan subsidy expense is a combination of subsidy expense for new direct loans disbursed in the current year, modifications to existing loans, and interest rate and technical reestimates to existing loans. Total direct loan subsidy expense in FY 2005 was negative \$783 million compared to negative \$131 million in FY 2004. Table 3 illustrates the breakdown of total subsidy expense for FY 2005 and 2004 by program.

Direct loan volume increased from \$6,430 million in FY 2004 to \$7,740 million in FY 2005. Volume distribution between mission area and program is shown in Table 4.

### Guaranteed Loans

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

Guaranteed loans outstanding at the end of FY 2005 were \$34,072 million in outstanding principal and \$30,269 million in outstanding principal guaranteed, compared to \$34,161 and \$30,368 million, respectively at the end of FY 2004. Table 5 shows the outstanding balances by credit program.

During the fiscal year, the value of the guaranteed loans is adjusted by the value of the loan guarantee liability held against those loans. Current year subsidy expense, modification and reestimates all contribute to the change of the loan guarantee liability through the year. The loan guarantee liability is a combination of the liability for losses on pre-1992 guarantees and post-1991 guarantees. Table 6 shows that total liability moved from \$1,188 million to \$1,214 million during FY 2005, an increase of \$26 million. The post-1991 liability moved from \$1,183 million to \$1,210 million, an increase of \$27 million. Table 7 shows the reconciliation of loan guarantee liability post-1991 balances and the total loan guarantee liability.

Total guaranteed loan subsidy expense is a combination of subsidy expense for new guaranteed loans disbursed in the current year, modifications to existing loans, and interest rate and technical reestimates to existing loans. Total guaranteed loan subsidy expense in FY 2005 was negative \$222 million compared to negative \$312 million in FY 2004. Table 8 illustrates the breakdown of total subsidy expense for FY 2005 and 2004 by program.

Guaranteed loan volume decreased from \$10,721 million in FY 2004 to \$8,987 million in FY 2005. Volume distribution between mission area and program is shown in Table 9.

## Credit Program Discussion and Descriptions

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

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

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

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

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

CCC's foreign programs provide economic stimulus to both the U.S. and foreign markets, while also giving humanitarian assistance to the most-needy people throughout the world. CCC offers both guarantee credit and direct credit programs for buyers of U.S. exports, suppliers, and sovereign countries in need of food assistance.

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



**Farm and Foreign Agricultural Service List of Programs**

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

**The Rural Development (RD) Mission Area**

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

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

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

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

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

**Rural Development List of Programs**

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

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

**Administrative Expenses**

Consistent with the Federal Credit Reform Act of 1990 as amended, subsidy cash flows exclude direct Federal administrative expenses. Administrative expenses for FY 2005 and 2004 are shown in Table 10.

**Reestimates, Default Analysis, and Subsidy Rates**

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

Rural Development’s cashflow models are tailored for specific programs based on unique program characteristics. The models utilized are housing, guaranteed, and a direct model that covers the remaining portfolio with similar characteristics. Actual budgetary reestimates lag a year behind while the approximator method is used for financial statement purposes. For example, the FY 2004 and FY 2003 actual budgetary reestimates were recorded as of September 30, 2005 and 2004, respectively. The two exceptions to the method are the single family and multi-family housing programs whose reestimates are recorded in the current fiscal year.

The annual reestimate process updates the budget assumptions with actual portfolio performance, interest rates and updated estimates for future loan performance. The FY 2005 reestimate process resulted in a \$1,162 million reduction in the post 1991 direct loan portfolio and a \$519 million reduction in the post 1991 guaranteed loan portfolio.

Table 3 discloses the direct loan subsidy expense including the \$1.2 billion reduction due to reestimates. The reduction was most affected by a \$751 million reduction in the housing program and \$343 million reduction in the export program. The housing FY 2005 downward reestimates was largely due to model and data assumption changes that were implemented during the current fiscal year. After analyzing foreign credits government-wide, OMB determined that actual performance on foreign credits was better than had been previously forecast and therefore mandated a change to the default calculation methodology. This is a major contributor to the significant downward subsidy reestimates for the food aid program

Table 8 discloses the loan guarantee subsidy expenses including the \$518 million reduction due to reestimate. The reduction was most impacted by the \$475 million reduction in the export programs and \$161 million reduction in the farm loan programs. After analyzing foreign credits government-wide, OMB determined that actual performance on foreign credits was better than had been previously forecast and therefore mandated a change to the default calculation methodology. This is a major contributor to the significant downward subsidy reestimates for the export program. The reduction in the farm loan program has not been fully analyzed at this time. A detailed analysis will be performed during FY 2006.

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

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

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

Subsidy rates are used to compute each year's subsidy expenses as disclosed above. The subsidy rates disclosed in Tables 11 and 12 pertain only to the FY 2005 and 2004 cohorts. These rates cannot be applied to the direct and guaranteed loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior-year cohorts. The subsidy expense reported in the current year also includes reestimates.

As a result of new guidance provided by the credit reform Treasury certificate training class, CCC chose to reflect interest on downward reestimates in the Statement of Changes in Net Position as other financing sources for FY 2005 and 2004, 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, 2005 and 2004, foreclosed property consisted of 587 and 783 rural single-family housing dwellings, with an average holding period of 26 and 24 months, respectively. As of September 30, 2005 and 2004, FSA-Farm Loan Program properties consist primarily of 100 and 133 farms, respectively. The average holding period for these properties in inventory for FY 2005 and 2004 was 57 and 60 months, respectively. Certain properties can be leased to eligible individuals.

**Non-performing Loans**

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

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

**Loan Modifications**

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

**Interest Credit**

Approximately \$18,200 and \$18,300 million of RHS unpaid loan principal as of September 30, 2005, and 2004 were receiving interest credit, respectively. If those loans receiving interest credit had accrued interest at the full-unreduced rate, interest income would have been approximately \$1,100 million higher for FY 2005 and 2004.

**Restructured Loans**

At the end of FY 2005 and 2004, the RD portfolio contained approximately 80,000 and 88,000 restructured loans with an outstanding unpaid principal balance of \$2,600 and \$2,500 million, respectively. At the end of FY 2005 and 2004, the farm loan portfolio contained approximately 25,008 and 27,259 restructured loans with an outstanding unpaid principal balance of \$1,351 and \$1,484 million, respectively. Direct credit and credit guarantee principal receivables in the food aid and export programs under rescheduling agreements as of September 30, 2005 and 2004, were \$5.5 and \$7.4 billion, respectively.

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

FY 2005	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Present Value Allowance	Value of Assets Related to Direct Loans
Direct Loans					
Obligated Pre-1992					
Farm	\$ 2,336	\$ 151	\$ 21	\$ (247)	\$ 2,261
Export	5,909	69	-	(2,624)	3,354
Food Aid	-	-	-	-	-
Housing	12,379	114	13	(5,112)	7,394
Electric	12,308	25	-	(1,599)	10,734
Telecommunications	1,526	3	-	(109)	1,420
Water and Environmental	1,700	17	-	(248)	1,469
Business and Industry	1	-	-	(1)	-
Economic Development	52	-	-	(25)	27
Pre-1992 Total	<u>36,211</u>	<u>379</u>	<u>34</u>	<u>(9,965)</u>	<u>26,659</u>
Obligated Post-1991					
Farm	4,562	141	3	(645)	4,061
Export	2,794	37	-	(1,391)	1,440
Food Aid	-	-	-	-	-
Housing	14,423	73	19	(1,114)	13,401
Electric	17,857	2	-	(600)	17,259
Telecommunications	2,533	3	-	24	2,560
Water and Environmental	6,639	65	-	(705)	5,999
Business and Industry	83	-	-	(76)	7
Economic Development	452	2	-	(157)	297
Post-1991 Total	<u>49,343</u>	<u>323</u>	<u>22</u>	<u>(4,664)</u>	<u>45,024</u>
Total Direct Loan Program Receivables	<u>85,554</u>	<u>702</u>	<u>56</u>	<u>(14,629)</u>	<u>71,683</u>
Defaulted Guarantee Loans					
Pre-1992					
Farm	9	-	-	(7)	2
Export	1,401	15	-	(122)	1,294
Food Aid	-	-	-	-	-
Housing	-	-	-	-	-
Electric	-	-	-	-	-
Telecommunications	-	-	-	-	-
Water and Environmental	-	-	-	-	-
Business and Industry	-	-	-	-	-
Economic Development	3	1	-	-	4
Pre-1992 Total	<u>1,413</u>	<u>16</u>	<u>-</u>	<u>(129)</u>	<u>1,300</u>
Post-1991					
Farm	26	1	-	(18)	9
Export	1,605	24	-	(691)	938
Food Aid	-	-	-	-	-
Housing	13	-	-	-	13
Electric	-	-	-	-	-
Telecommunications	-	-	-	-	-
Water and Environmental	-	-	-	-	-
Business and Industry	167	1	-	8	176
Economic Development	-	-	-	-	-
Post-1991 Total	<u>1,811</u>	<u>26</u>	<u>-</u>	<u>(701)</u>	<u>1,136</u>
Total Defaulted Guarantee Loans	<u>3,224</u>	<u>42</u>	<u>-</u>	<u>(830)</u>	<u>2,436</u>
Loans Exempt from Credit Reform Act:					
Commodity Loans	1,031	-	-	-	1,031
Other Foreign Receivables	26	-	-	-	26
Total Loans Exempt	<u>1,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,057</u>
Total Loans Receivable and Related Foreclosed Property, Net					<u>\$ 75,176</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Table 1. Total Loans Receivable and Related Foreclosed Property, Net (cont'd)**

FY 2004	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Present Value Allowance	Value of Assets Related to Direct Loans
Direct Loans					
Obligated Pre-1992					
Farm	\$ 2,799	\$ 171	\$ 28	\$ (327)	\$ 2,671
Export	6,244	71	-	(2,930)	3,385
Food Aid	-	-	-	-	-
Housing	12,949	123	17	(5,558)	7,531
Electric	13,283	28	-	(1,780)	11,531
Telecommunications	2,092	9	-	(159)	1,942
Water and Environmental	-	-	-	-	-
Business and Industry	-	-	-	-	-
Economic Development	2,176	21	-	(347)	1,850
Pre-1992 Total	<u>39,543</u>	<u>423</u>	<u>45</u>	<u>(11,101)</u>	<u>28,910</u>
Obligated Post-1991					
Farm	4,646	120	5	(598)	4,173
Export	3,007	34	-	(1,821)	1,220
Food Aid	-	-	-	-	-
Housing	13,874	87	25	(2,066)	11,920
Electric	14,675	4	-	(748)	13,931
Telecommunications	2,339	2	-	(5)	2,336
Water and Environmental	6,009	64	-	(760)	5,313
Business and Industry	89	-	-	(78)	11
Economic Development	435	2	-	(158)	279
Post-1991 Total	<u>45,074</u>	<u>313</u>	<u>30</u>	<u>(6,234)</u>	<u>39,183</u>
Total Direct Loan Program Receivables	<u>84,617</u>	<u>736</u>	<u>75</u>	<u>(17,335)</u>	<u>68,093</u>
Defaulted Guarantee Loans					
Pre-1992					
Farm	10	1	-	(8)	3
Export	4,709	21	-	(2,204)	2,526
Food Aid	-	-	-	-	-
Housing	-	-	-	-	-
Electric	-	-	-	-	-
Telecommunications	-	-	-	-	-
Water and Environmental	-	-	-	-	-
Business and Industry	-	-	-	-	-
Economic Development	4	1	-	-	5
Pre-1992 Total	<u>4,723</u>	<u>23</u>	<u>-</u>	<u>(2,212)</u>	<u>2,534</u>
Post-1991					
Farm	15	-	-	(11)	4
Export	1,794	27	-	(873)	948
Food Aid	-	-	-	-	-
Housing	4	-	-	-	4
Electric	-	-	-	-	-
Telecommunications	-	-	-	-	-
Water and Environmental	-	-	-	-	-
Business and Industry	176	-	-	(10)	166
Economic Development	-	-	-	-	-
Post-1991 Total	<u>1,989</u>	<u>27</u>	<u>-</u>	<u>(894)</u>	<u>1,122</u>
Total Defaulted Guarantee Loans	<u>6,712</u>	<u>50</u>	<u>-</u>	<u>(3,106)</u>	<u>3,656</u>
Loans Exempt from Credit Reform Act:					
Commodity Loans	1,798	-	-	-	1,798
Other Foreign Receivables	294	-	-	-	294
Total Loans Exempt	<u>2,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,092</u>
Total Loans Receivable and Related Foreclosed Property, Net					<u>\$ 73,841</u>



**Table 2. Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991)  
Direct Loans**

	FY 2005	FY 2004
Beginning balance of the subsidy cost allowance	\$ 6,256	\$ 6,654
Add: Subsidy expense for direct loans disbursed during the year by component		
Interest rate differential costs	(89)	(83)
Default costs (net of recoveries)	141	211
Fees and other collections	(7)	(12)
Other subsidy costs	326	339
Total subsidy expense prior to adjustments and reestimates	<u>371</u>	<u>455</u>
Adjustments		
Loan modifications	6	142
Fees received	20	17
Loans written off	(191)	(405)
Subsidy allowance amortization	(527)	(317)
Other	(99)	437
Total subsidy cost allowance before reestimates	<u>5,836</u>	<u>6,983</u>
Add or subtract subsidy reestimates by component		
Interest rate reestimate	108	275
Technical/default reestimate	(1,270)	(1,002)
Total reestimates	<u>(1,162)</u>	<u>(727)</u>
Ending balance of the subsidy cost allowance	<u>\$ 4,674</u>	<u>\$ 6,256</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Table 3. Direct Loan Subsidy Expense by Program and Component

FY 2005

	Interest		Fees and Other		Subtotal	Total	Rate	Technical	Total	Total Subsidy
	Differential	Defaults	Collections	Other						
Direct Loan Programs										
Farm	\$ (4)	\$ 97	\$ -	\$ (18)	\$ 75	\$ -	\$ (8)	\$ 42	\$ 34	\$ 109
Export	21	5	-	1	27	6	-	(343)	(343)	(310)
Food Aid	-	-	-	-	-	-	-	-	-	-
Housing	(176)	35	(7)	358	210	-	(52)	(699)	(751)	(541)
Electric	(23)	2	-	(10)	(31)	-	126	(147)	(21)	(52)
Telecommunications	(2)	1	-	(2)	(3)	-	27	(38)	(11)	(14)
Water and Environmental	77	1	-	(3)	75	-	16	(80)	(64)	11
Business and Industry	-	-	-	-	-	-	1	(1)	-	-
Economic Development	18	-	-	-	18	-	(2)	(2)	(4)	14
Total Direct Loan Subsidy Expense	\$ (89)	\$ 141	\$ (7)	\$ 326	\$ 371	\$ 6	\$ 108	\$ (1,268)	\$ (1,160)	\$ (783)

FY 2004

	Interest		Fees and Other		Subtotal	Total	Rate	Technical	Total	Total Subsidy
	Differential	Defaults	Collections	Other						
Direct Loan Programs										
Farm	\$ (29)	\$ 163	\$ -	\$ (10)	\$ 124	\$ -	\$ (12)	\$ (194)	\$ (206)	\$ (82)
Export	21	10	-	3	34	141	(2)	(319)	(321)	(146)
Food Aid	-	-	-	-	-	-	-	-	-	-
Housing	(148)	33	(12)	355	228	-	(10)	(23)	(33)	195
Electric	(19)	3	-	(6)	(22)	-	352	(456)	(104)	(126)
Telecommunications	2	1	-	(1)	2	-	9	(46)	(37)	(35)
Water and Environmental	73	1	-	(3)	71	-	(67)	5	(62)	9
Business and Industry	-	-	-	-	-	-	5	37	42	42
Economic Development	17	-	-	-	17	-	(2)	(3)	(5)	12
Total Direct Loan Subsidy Expense	\$ (83)	\$ 211	\$ (12)	\$ 338	\$ 454	\$ 141	\$ 273	\$ (999)	\$ (726)	\$ (131)

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

	<u>FY 2005</u>	<u>FY 2004</u>
Direct Loan Programs		
Farm	\$ 906	\$ 956
Export	-	60
Food Aid	20	-
Housing	1,744	1,626
Electric	3,600	2,600
Telecommunications	567	445
Water and Environmental	855	700
Business and Industry	2	-
Economic Development	46	43
Total Direct Loans Disbursed	<u>\$ 7,740</u>	<u>\$ 6,430</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Table 5. Loan Guarantees Outstanding**

FY 2005	Pre - 1992	Post - 1991	Total	Pre - 1992	Post - 1991	Total
	Outstanding Principal, Face Value	Outstanding Principal, Face Value	Outstanding Principal, Face Value	Outstanding Principal, Guaranteed	Outstanding Principal, Guaranteed	Outstanding Principal, Guaranteed
Loan Guarantee Programs						
Farm	\$ 115	\$ 10,209	\$ 10,324	\$ 101	\$ 9,170	\$ 9,271
Export	-	4,240	4,240	-	4,098	4,098
Food Aid	-	-	-	-	-	-
Housing	6	14,788	14,794	11	13,287	13,298
Electric	233	220	453	233	220	453
Telecommunications	-	-	-	-	-	-
Water and Environmental	-	32	32	-	26	26
Business and Industry	35	4,191	4,226	22	3,098	3,120
Economic Development	3	-	3	3	-	3
Total Guarantees Disbursed	<u>\$ 392</u>	<u>\$ 33,680</u>	<u>\$ 34,072</u>	<u>\$ 370</u>	<u>\$ 29,899</u>	<u>\$ 30,269</u>
FY 2004	Pre - 1992	Post - 1991	Total	Pre - 1992	Post - 1991	Total
	Outstanding Principal, Face Value	Outstanding Principal, Face Value	Outstanding Principal, Face Value	Outstanding Principal, Guaranteed	Outstanding Principal, Guaranteed	Outstanding Principal, Guaranteed
Loan Guarantee Programs						
Farm	\$ 152	\$ 10,224	\$ 10,376	\$ 134	\$ 9,182	\$ 9,316
Export	0	5,042	5,042	0	4,833	4,833
Food Aid	0	0	0	0	0	0
Housing	9	13,986	13,995	8	12,569	12,577
Electric	255	221	476	255	221	476
Telecommunications	4	0	4	3	0	3
Water and Environmental	0	33	33	0	27	27
Business and Industry	41	4,194	4,235	31	3,105	3,136
Economic Development	0	0	0	0	0	0
Total Guarantees Disbursed	<u>\$ 461</u>	<u>\$ 33,700</u>	<u>\$ 34,161</u>	<u>\$ 431</u>	<u>\$ 29,937</u>	<u>\$ 30,368</u>

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

FY 2005	Liabilities for Losses on Pre-1992 Guarantees Present Value	Liabilities for Loan Guarantees on Post- 1991 Guarantees Present Value	Total Liabilities for Loan Guarantees
Loan Guarantee Programs			
Farm	\$ 2	\$ 26	\$ 28
Export	-	260	260
Food Aid	-	-	-
Housing	-	556	556
Electric	-	-	-
Telecommunications	-	-	-
Water and Environmental	-	-	-
Business and Industry	2	368	370
Economic Development	-	-	-
Total Liability for Loan Guarantees	<u>\$ 4</u>	<u>\$ 1,210</u>	<u>\$ 1,214</u>

FY 2004	Liabilities for Losses on Pre-1992 Guarantees Present Value	Liabilities for Loan Guarantees on Post- 1991 Guarantees Present Value	Total Liabilities for Loan Guarantees
Loan Guarantee Programs			
Farm	\$ 2	\$ 162	\$ 164
Export	-	240	240
Food Aid	-	-	-
Housing	-	447	447
Electric	-	-	-
Telecommunications	-	-	-
Water and Environmental	-	-	-
Business and Industry	3	334	337
Economic Development	-	-	-
Total Liability for Loan Guarantees	<u>\$ 5</u>	<u>\$ 1,183</u>	<u>\$ 1,188</u>

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

	FY 2005	FY 2004
Beginning balance of the loan guarantee liability	\$ 1,183	\$ 876
Add: Subsidy expense for guaranteed loans disbursed during the year by component		
Interest rate differential costs	35	35
Default costs (net of recoveries)	369	481
Fees and other collections	(106)	(105)
Other subsidy costs	-	0
Total of the above subsidy expense components	<u>298</u>	<u>411</u>
Adjustments		
Loan modifications	-	-
Fees received	103	116
Interest supplements paid	(10)	(4)
Claim payments to lenders	(360)	(372)
Interest accumulation on the liability balance	16	31
Other	498	847
Ending balance of the subsidy cost allowance before reestimates	<u>1,728</u>	<u>1,905</u>
Add or subtract subsidy reestimates by component:		
Interest rate reestimate	(284)	(202)
Technical/default reestimate	(235)	(520)
Total of the above reestimate components	<u>(519)</u>	<u>(722)</u>
Ending balance of the loan guarantee liability	<u>\$ 1,209</u>	<u>\$ 1,183</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

FY 2005

Loan Guarantee Programs	Interest		Fees and Other			Total Modifications	Interest		Total Reestimates	Total Subsidy Expense
	Supplement	Defaults	Collections	Other	Subtotal		Rate Reestimates	Technical Reestimates		
Farm	\$ 29	\$ 58	\$ (17)	\$ -	\$ 70	\$ -	\$ (19)	\$ (142)	\$ (161)	\$ (91)
Export	-	181	(16)	-	165	-	(287)	(188)	(475)	(310)
Food Aid	-	-	-	-	-	-	-	-	-	-
Housing	6	93	(66)	-	33	-	18	75	93	126
Electric	-	-	-	-	-	-	-	-	-	-
Telecommunications	-	-	-	-	-	-	-	-	-	-
Water and Environmental	-	-	-	-	-	-	-	-	-	-
Business and Industry	-	36	(8)	-	28	-	4	21	25	53
Economic Development	-	-	-	-	-	-	-	-	-	-
<b>Total Loan Guarantee Subsidy Expense</b>	<b>\$ 35</b>	<b>\$ 368</b>	<b>\$ (107)</b>	<b>\$ -</b>	<b>\$ 296</b>	<b>\$ -</b>	<b>\$ (284)</b>	<b>\$ (234)</b>	<b>\$ (518)</b>	<b>\$ (222)</b>

FY 2004

Loan Guarantee Programs	Interest		Fees and Other			Total Modifications	Interest		Total Reestimates	Total Subsidy Expense
	Supplement	Defaults	Collections	Other	Subtotal		Rate Reestimates	Technical Reestimates		
Farm	\$ 27	\$ 64	\$ (20)	\$ -	\$ 71	\$ -	\$ 9	\$ (32)	\$ (23)	\$ 48
Export	-	271	(25)	-	246	-	(259)	(549)	(808)	(562)
Food Aid	-	-	-	-	-	-	-	-	-	-
Housing	8	90	(47)	-	51	-	40	12	52	103
Electric	-	-	-	-	-	-	-	-	-	-
Telecommunications	-	-	-	-	-	-	-	-	-	-
Water and Environmental	-	-	-	-	-	-	-	-	-	-
Business and Industry	-	54	(12)	-	42	-	8	49	57	99
Economic Development	-	-	-	-	-	-	-	-	-	-
<b>Total Loan Guarantee Subsidy Expense</b>	<b>\$ 35</b>	<b>\$ 479</b>	<b>\$ (104)</b>	<b>\$ -</b>	<b>\$ 410</b>	<b>\$ -</b>	<b>\$ (202)</b>	<b>\$ (520)</b>	<b>\$ (722)</b>	<b>\$ (312)</b>

**Table 9. Guaranteed Loans Disbursed**

	FY 2005		FY 2004	
	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed
Loan Guarantee Programs				
Farm	\$ 2,191	\$ 1,968	\$ 2,347	\$ 2,108
Export	2,956	2,678	3,873	3,373
Food Aid	-	-	-	-
Housing	3,130	2,813	3,555	3,193
Electric	2	2	18	18
Telecommunications	-	-	-	-
Water and Environmental	5	4	4	3
Business and Industry	703	550	924	725
Economic Development	-	-	-	-
Total Guaranteed Loans Disbursed	<u>\$ 8,987</u>	<u>\$ 8,015</u>	<u>\$ 10,721</u>	<u>\$ 9,420</u>

**Table 10. Administrative Expenses**

	FY 2005	FY 2004
Direct Loan Programs	\$ 516	\$ 567
Guaranteed Loan Programs	253	163
Total Administrative Expenses	<u>\$ 769</u>	<u>\$ 730</u>



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

FY 2005	Fees and Other				Total
	Interest Differential	Defaults	Collections	Other	
Direct Loan Programs					
Farm Operating	0.14	9.39	-	0.56	10.09
Indian Land Acquisition	5.30	0.43	-	(0.46)	5.27
Emergency Disaster	2.46	17.55	-	(7.07)	12.94
Boll Weevil Eradication	(4.08)	(0.88)	-	(0.72)	(5.68)
Farm Ownership	(0.40)	14.77	-	(9.02)	5.35
Farm Storage Facility Loan Program	(1.68)	0.51	(0.11)	(0.15)	(1.43)
Sugar Storage Facility Loan Program	-	-	-	-	-
Community Facility Loans	4.48	0.24	-	(0.67)	4.05
Water and Waste Disposal Loans	9.36	0.10	-	(0.46)	9.00
Distance Learning and Telemedicine Loans	-	1.61	-	(0.19)	1.42
Broadband 4% Loans (Mandatory)	5.83	2.18	-	-	8.01
Broadband 4% Loans (Discretionary)	5.83	2.18	-	-	8.01
Broadband Treasury Loans (Mandatory)	-	2.27	-	(0.14)	2.13
Broadband Treasury Loans (Discretionary)	-	2.27	-	(0.14)	2.13
Electric Hardship Loans	3.19	0.03	-	(0.18)	3.04
Municipal Electric Loans	1.63	0.03	-	(0.31)	1.35
FFB Electric Loans	(1.35)	0.01	-	(0.89)	(2.23)
Treasury Electric Loans	-	0.03	-	(0.08)	(0.05)
Telecommunication Hardship Loans	(1.25)	0.02	-	0.02	(1.21)
FFB Telecommunications Loans	(1.03)	0.12	-	(1.04)	(1.95)
Treasury Telecommunication Loans	-	0.05	-	(0.01)	0.04
Rural Telephone Bank Loans	(1.43)	0.02	-	(0.42)	(1.83)
Single-Family Housing Credit Sales	(21.08)	1.72	-	3.13	(16.23)
Multi-Family Housing Credit Sales	(18.85)	0.07	-	67.22	48.44
Section 502 Single-Family Housing	(17.35)	2.68	-	26.25	11.58
Section 504 Housing Repair	26.95	2.38	-	(0.27)	29.06
Section 515 Multi-Family Housing	(18.03)	0.02	(0.05)	65.15	47.09
Section 523 Self-Help Site Development	(0.47)	-	-	-	(0.47)
Section 524 Site Development	(5.91)	0.96	-	0.01	(4.94)
Section 514 Farm Labor Housing	45.87	0.02	-	1.17	47.06
Intermediary Relending Program	46.64	-	-	(0.26)	46.38
Rural Economic Development Loans	20.32	0.04	-	(1.57)	18.79
P. L. 480 Direct Credits	45.85	10.13	-	-	55.98

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

FY 2005	Interest		Fees and Other		Total
	Differential	Defaults	Collections	Other	
Guaranteed Loan Programs					
CCC Export Loan Guarantee Program	-	7.48	0.65	-	8.13
Farm Operating—Unsubsidized	-	4.12	(0.89)	-	3.23
Farm Operating—Subsidized	10.31	3.07	-	(0.07)	13.31
Farm Ownership—Unsubsidized	-	1.43	(0.90)	-	0.53
Business and Industry Loans	-	6.51	(1.47)	(0.01)	5.03
Guaranteed Business & Industry NadBank Loans	-	9.91	(1.61)	-	8.30
Community Facility Loans	-	0.93	(0.84)	-	0.09
Water and Waste Disposal Loans	-	-	(0.90)	-	(0.90)
Electric Guaranteed Loans	-	0.06	-	-	0.06
Local Television Loans (Discretionary)	-	-	-	-	-
Local Television Loans (Mandatory)	-	-	-	-	-
Guaranteed Broadband Loans (Discretionary)	-	3.93	-	-	3.93
Guaranteed Broadband Loans (Mandatory)	-	3.93	-	-	3.93
Section 502 Single-Family Housing Purchase	-	3.07	(2.00)	-	1.07
Section 502 Single-Family Housing Refinance	-	0.77	(0.50)	-	0.27
538 Multi-Family Housing-Subsidized	10.32	0.55	(7.39)	0.01	3.49
Renewable Energy	-	6.51	(0.78)	-	5.73
Rural Business Investment Program	-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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 loan forfeitures during the fiscal years ended September 30, 2005 and 2004 were \$79 million and \$25 million, respectively. In fiscal year 2005, tobacco loan forfeitures amounted to \$985 million including accrued interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	FY 2005		FY 2004	
		\$		\$
Inventories		-		1
Commodities:	Volume	Amount	Volume	Amount
Corn (In Bushels):				
On hand at the beginning of the year	12	22	16	29
Acquired during the year	99	204	19	52
Disposed of during the year				
Sales	(97)	(198)	(22)	(58)
Donations	(13)	(25)	-	(1)
Other	-	(1)	(1)	-
On hand at the end of the year	1	2	12	22
Wheat (In Bushels):				
On hand at the beginning of the year	81	291	81	290
Acquired during the year	68	287	56	240
Disposed of during the year				
Sales	(71)	(295)	(51)	(221)
Donations	(31)	(112)	(4)	(16)
Other	-	-	(1)	(2)
On hand at the end of the year	47	171	81	291
Nonfat Dry Milk (In Pounds):				
On hand at the beginning of the year	661	594	1,440	1,294
Acquired during the year	34	26	359	288
Disposed of during the year				
Sales	(186)	(164)	(381)	(344)
Donations	(276)	(259)	(436)	(388)
Other	(129)	(103)	(321)	(256)
On hand at the end of the year	104	94	661	594
Sugar (In Pounds):				
On hand at the beginning of the year	32	8	-	-
Acquired during the year	48	10	32	8
Disposed of during the year				
Sales	(80)	(18)	-	-
Donations	-	-	-	-
Other	-	-	-	-
On hand at the end of the year	-	-	32	8
Tobacco (In Pounds):				
On hand at the beginning of the year	2	2	96	278
Acquired during the year	280	986	-	-
Disposed of during the year				
Sales	(200)	(696)	(2)	(4)
Donations	(82)	(292)	-	-
Other	-	-	(93)	(272)
On hand at the end of the year	-	-	1	2
Other:				
On hand at the beginning of the year		33		93
Acquired during the year		5,675		871
Disposed of during the year				
Sales		(5,507)		(689)
Donations		(164)		(239)
Other		-		(3)
On hand at the end of the year		37		33
Allowance for losses		(275)		(809)
Total Commodities		29		141
Total Inventory and Related Property, Net		\$ 29		\$ 142

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

FY 2005	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Category				
Land and Land Rights		\$ 76	\$ -	\$ 76
Improvements to Land	10 - 50	4,958	2,596	2,362
Construction-in-Progress		562	-	562
Buildings, Improvements and Renovations	15 - 30	1,820	1,055	765
Other Structures and Facilities	15 - 50	1,602	1,146	456
Equipment	5 - 20	1,781	1,397	384
Assets Under Capital Lease	3 - 20	40	17	23
Leasehold Improvements	10	50	30	20
Internal-Use Software	5 - 8	417	211	206
Internal-Use Software in Development		29	-	29
Other General Property, Plant and Equipment	5 - 15	2	-	2
Total		<u>\$ 11,337</u>	<u>\$ 6,452</u>	<u>\$ 4,885</u>

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

**NOTE 10. OTHER ASSETS**

In fiscal 2005 and 2004, other assets include investments of \$35 million in trust for loan asset sales.

	FY 2005	FY 2004
Intragovernmental:		
Advances to Others	\$ 1	\$ 1
Subtotal Intragovernmental	<u>1</u>	<u>1</u>
With the Public:		
Advances to Others	48	51
Prepayments	1	1
Other Assets	37	37
Subtotal With the Public	<u>86</u>	<u>89</u>
Total Other Assets	<u>\$ 87</u>	<u>\$ 90</u>

**NOTE 11. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

In fiscal 2005 and 2004, other intragovernmental liabilities not covered by budgetary resources include accruals for Federal Employee Compensation Act (FECA) of \$155 million and \$161 million. Contract disputes claims payable to Treasury’s Judgment Fund of \$10 million and \$7 million, respectively.

In fiscal 2005 and 2004, other liabilities with the public not covered by budgetary resources include, accruals for rental payments under the Conservation Reserve Program (CRP) of \$1,858 million and \$1,663 million, unfunded leave of \$546 million and \$526 million, Payments to States \$378 million and \$380 million, future funded indemnity cost of \$479 million, and, contingent liabilities of \$19 million and \$10 million, respectively. There were no future funded indemnity costs in fiscal 2004. In fiscal 2005, CCC reported a long-term liability in the amount of \$7,100 million under the TTPP.

	<u>FY 2005</u>	<u>FY 2004</u>
Intragovernmental:		
Other	\$ 166	\$ 168
Subtotal Intragovernmental	<u>166</u>	<u>168</u>
With the Public:		
Federal employee and veterans' benefits	834	836
Environmental and disposal liabilities	28	23
Benefits due and payable	-	36
Other	10,553	2,634
Subtotal With the Public	<u>11,415</u>	<u>3,529</u>
Total liabilities not covered by budgetary resources	<u>11,581</u>	<u>3,697</u>
Total liabilities covered by budgetary resources	<u>119,425</u>	<u>103,133</u>
Total liabilities	<u>\$ 131,006</u>	<u>\$ 106,830</u>

**NOTE 12. DEBT**

	Beginning Balance	Net Borrowing	Ending Balance
FY 2005			
Intragovernmental:			
Debt to the Treasury	\$ 41,439	\$ 13,545	\$ 54,984
Debt to the Federal Financing Bank	27,614	917	28,531
Total Intragovernmental	<u>69,053</u>	<u>14,462</u>	<u>83,515</u>
Agency Debt:			
Held by the Public	<u>1</u>	<u>-</u>	<u>1</u>
Total Debt	<u>\$ 69,054</u>	<u>\$ 14,462</u>	<u>\$ 83,516</u>
FY 2004			
Intragovernmental:			
Debt to the Treasury	\$ 53,440	\$ (6,547)	\$ 46,893
Debt to the Federal Financing Bank	22,700	(540)	22,160
	76,140	(7,087)	69,053
Agency Debt:			
Held by the Public	<u>80</u>	<u>(79)</u>	<u>1</u>
Total Debt	<u>\$ 76,220</u>	<u>\$ (7,166)</u>	<u>\$ 69,054</u>

**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 estimate the liability for total cleanup costs for sites known to contain hazardous waste to be \$18 million and \$10 million in fiscal 2005, \$8 million for FS and \$15 million for CCC in fiscal 2004, 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. This liability is not covered by budgetary resources.

**NOTE 14. OTHER LIABILITIES**

As of September 30, 2005 and 2004, other intragovernmental liabilities include; credit reform reestimates of \$410 million and \$382 million; and General Sales Manager (GSM) Program \$23 million and \$17 million respectively.

Other liabilities with the public include estimated losses on crop insurance claims of \$1,924 million and \$2,320 million, stock payable to RTB borrowers of \$1,390 million and \$1,343 million, estimated underwriting gains on crop insurance of \$740 million and \$784 million, crop insurance premium subsidy deficiency reserve

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of \$371 million and \$420 million, RTB dividend payable to treasury of \$50 million and \$49 million and peanut/tobacco programs of \$33 million and \$32 million respectively.

FY 2005	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
Intragovernmental:			
Other Accrued Liabilities	\$ 6	\$ 1,018	\$ 1,024
Employer Contributions and Payroll Taxes	1	38	39
Unfunded FECA Liability	1	156	157
Advances from Others	-	21	21
Liability for Deposit Funds, Clearing Accounts	-	30	30
Resources Payable to Treasury	-	16,819	16,819
Custodial Liability	22	46	68
Other Liabilities	-	433	433
Subtotal Intragovernmental	<u>30</u>	<u>18,561</u>	<u>18,591</u>
With the Public:			
Contract Holdbacks	-	2	2
Other Accrued Liabilities	6	16,023	16,029
Accrued Funded Payroll and Leave	-	49	49
Unfunded Leave	11	527	538
Other Unfunded Employment Related Liability	-	4	4
Advances from Others	2	50	52
Deferred Credits	-	248	248
Liability for Deposit Funds, Clearing Accounts	12	160	172
Contingent Liabilities	-	47	47
Capital Lease Liability	-	23	23
Custodial Liability	-	12	12
Other Liabilities	1,409	3,125	4,534
Subtotal With the Public	<u>1,440</u>	<u>20,270</u>	<u>21,710</u>
Total Other Liabilities	<u>\$ 1,470</u>	<u>\$ 38,831</u>	<u>\$ 40,301</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FY 2004	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
Intragovernmental:			
Other Accrued Liabilities	\$ 19	\$ 582	\$ 601
Employer Contributions and Payroll Taxes	1	35	36
Unfunded FECA Liability	39	124	163
Advances from Others	3	15	18
Liability for Deposit Funds, Clearing Accounts	(1)	83	82
Resources Payable to Treasury	-	17,469	17,469
Custodial Liability	34	59	93
Other Liabilities	-	399	399
Subtotal Intragovernmental	<u>95</u>	<u>18,766</u>	<u>18,861</u>
With the Public:			
Other Accrued Liabilities	11	5,997	6,008
Accrued Funded Payroll and Leave	2	37	39
Unfunded Leave	31	495	526
Other Unfunded Employment Related Liability	-	43	43
Advances from Others	-	41	41
Deferred Credits	-	309	309
Liability for Deposit Funds, Clearing Accounts	20	614	634
Contingent Liabilities	1	9	10
Capital Lease Liability	-	23	23
Accounts Payable from Canceled Appropriations	1	-	1
Custodial Liability	-	16	16
Other Liabilities	1,361	3,618	4,979
Subtotal With the Public	<u>1,427</u>	<u>11,202</u>	<u>12,629</u>
Total Other Liabilities	<u>\$ 1,522</u>	<u>\$ 29,968</u>	<u>\$ 31,490</u>

**NOTE 15. LEASES**

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

Pursuant to the agreement, USDA retains that portion of GSA rental payments and makes it available for the operation, maintenance and repair of the building and expends such funds directly for the operation, maintenance or repair of the building or facility. At current market rate, the estimated yearly rental payment for the above mentioned space would be \$52 million. This agreement is still in effect and as a result, USDA activities located in the Headquarter complex are not billed for rental costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FY 2005

Capital Leases:

Summary of Assets Under Capital Leases

Land and Building	\$ 38
Accumulated Amortization	17

Future Payments Due:

Fiscal Year	Land & Buildings
2006	11
2007	11
2008	11
2009	11
2010	10
After 5 Years	<u>88</u>
Total Future Lease Payments	142
Less: Imputed Interest	38
Less: Executory Costs	48
Less: Lease Renewal Options	<u>33</u>
Net Capital Lease Liability	<u><u>23</u></u>

Lease liabilities covered by budgetary resources 23

Operating Leases:

Future Payments Due:

Fiscal Year	Land & Buildings	Machinery & Equipment	Totals
2006	106	1	107
2007	98	1	99
2008	89	1	90
2009	78	-	78
2010	69	-	69
After 5 Years	<u>408</u>	<u>-</u>	<u>408</u>
Total Future Lease Payments	<u><u>\$ 848</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ 851</u></u>

FY 2004

Capital Leases:

Summary of Assets Under Capital Leases:

Land and Building	\$ 40
Accumulated Amortization	17

Future Payments Due:

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

Lease liabilities covered by budgetary resources \$ 23

Operating Leases:

Future Payments Due:

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

**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, \$47 million and \$10 million has been accrued in the financial statements as of September 30, 2005 and 2004, respectively.

No amounts have been accrued in the financial statements for claims where the amount or probability of judgment is uncertain. The Department's potential liability for these claims ranges from \$114 million to \$134 million, as of September 30, 2005 and \$475 million to \$514 million as of September 30, 2004.

In fiscal 2005 and 2004, commitments under contractual and other commercial obligations were estimated to be \$39,000 million and \$66,000 million respectively. These consist of \$2,000 million and \$32,000 million in rental payments under the CRP; \$2,000 million and \$2,000 million in loan guarantees; and \$19,000 million and \$18,000 million of undelivered orders in direct loans, respectively. In addition, undelivered orders were \$16,000 million for fiscal year 2005 and \$14,000 million for fiscal 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17. SUBORGANIZATION PROGRAM COSTS/PROGRAM COSTS BY SEGMENT

FY 2005	FSA		CCC		FAS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
<b>Strategic Goals:</b>						
Enhance Economic Opportunities for Agricultural Producers:	-	-	-	-	-	-
Gross Costs	\$ 848	\$ 1,129	\$ 1,870	\$ 34,623	\$ 88	\$ 231
Less: Earned Revenue	260	418	130	13,104	74	-
Net Goal Cost	588	711	1,740	21,519	14	231
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:	-	-	-	-	-	-
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Goal Cost	-	-	-	-	-	-
Enhance Protection and Safety of the Nation's Agriculture and Food Supply:	-	-	-	-	-	-
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Goal Cost	-	-	-	-	-	-
Improve the Nation's Nutrition and Health:	-	-	-	-	-	-
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Goal Cost	-	-	-	-	-	-
Protect and Enhance the Nation's Natural Resource Base and Environment:	-	-	-	-	-	-
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Goal Cost	-	-	-	-	-	-
<b>Total Gross Costs</b>	<b>848</b>	<b>1,129</b>	<b>1,870</b>	<b>34,623</b>	<b>88</b>	<b>231</b>
<b>Less: Total Earned Revenue</b>	<b>260</b>	<b>418</b>	<b>130</b>	<b>13,104</b>	<b>74</b>	<b>-</b>
<b>Net Cost of Operations</b>	<b>\$ 588</b>	<b>\$ 711</b>	<b>\$ 1,740</b>	<b>\$ 21,519</b>	<b>\$ 14</b>	<b>\$ 231</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FY 2005

	RMA		FNS		FSIS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
<b>Strategic Goals:</b>						
Enhance Economic Opportunities for Agricultural Producers:	-	-	-	-	-	-
Gross Costs	\$ 40	\$ 3,678	\$ -	\$ -	\$ -	\$ -
Less: Earned Revenue	-	1,019	-	-	-	-
Net Goal Cost	40	2,659	-	-	-	-
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:	-	-	-	-	-	-
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Goal Cost	-	-	-	-	-	-
Enhance Protection and Safety of the Nation's Agriculture and Food Supply:	-	-	-	-	-	-
Gross Costs	-	-	-	-	249	748
Less: Earned Revenue	-	-	-	-	3	119
Net Goal Cost	-	-	-	-	246	629
Improve the Nation's Nutrition and Health:	-	-	-	-	-	-
Gross Costs	-	-	1,093	50,513	-	-
Less: Earned Revenue	-	-	5	24	-	-
Net Goal Cost	-	-	1,088	50,489	-	-
Protect and Enhance the Nation's Natural Resource Base and Environment:	-	-	-	-	-	-
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Goal Cost	-	-	-	-	-	-
<b>Total Gross Costs</b>	40	3,678	1,093	50,513	249	748
<b>Less: Total Earned Revenue</b>	-	1,019	5	24	3	119
<b>Net Cost of Operations</b>	\$ 40	\$ 2,659	\$ 1,088	\$ 50,489	\$ 246	\$ 629

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FY 2005

	AMS		APHIS		GIPSA	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
<b>Strategic Goals:</b>						
Enhance Economic Opportunities for Agricultural Producers:	-	-	-	-	-	-
Gross Costs	\$ 82	\$ 1,325	\$ -	\$ -	\$ 26	\$ 66
Less: Earned Revenue	3	189	-	-	1	36
Net Goal Cost	79	1,136	-	-	25	30
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:	-	-	-	-	-	-
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Goal Cost	-	-	-	-	-	-
Enhance Protection and Safety of the Nation's Agriculture and Food Supply:	-	-	-	-	-	-
Gross Costs	-	-	252	1,063	-	-
Less: Earned Revenue	-	-	20	462	-	-
Net Goal Cost	-	-	232	601	-	-
Improve the Nation's Nutrition and Health:	-	-	-	-	-	-
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Goal Cost	-	-	-	-	-	-
Protect and Enhance the Nation's Natural Resource Base and Environment:	-	-	-	-	-	-
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Goal Cost	-	-	-	-	-	-
<b>Total Gross Costs</b>	82	1,325	252	1,063	26	66
<b>Less: Total Earned Revenue</b>	3	189	20	462	1	36
<b>Net Cost of Operations</b>	\$ 79	\$ 1,136	\$ 232	\$ 601	\$ 25	\$ 30

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FY 2005

	FS		NRCS		ARS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
<b>Strategic Goals:</b>						
Enhance Economic Opportunities for Agricultural Producers:						
Gross Costs	\$ -	\$ -	\$ -	\$ 5	\$ 71	\$ 398
Less: Earned Revenue	-	-	(1)	-	19	7
Net Goal Cost	-	-	1	5	52	391
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:						
Gross Costs	-	-	23	108	-	-
Less: Earned Revenue	-	-	1	3	-	-
Net Goal Cost	-	-	22	105	-	-
Enhance Protection and Safety of the Nation's Agriculture and Food Supply:						
Gross Costs	-	-	-	-	69	387
Less: Earned Revenue	-	-	-	-	18	7
Net Goal Cost	-	-	-	-	51	380
Improve the Nation's Nutrition and Health:						
Gross Costs	-	-	-	-	16	89
Less: Earned Revenue	-	-	-	-	4	2
Net Goal Cost	-	-	-	-	12	87
Protect and Enhance the Nation's Natural Resource Base and Environment:						
Gross Costs	929	4,902	433	1,953	42	232
Less: Earned Revenue	265	524	80	45	11	4
Net Goal Cost	664	4,378	353	1,908	31	228
<b>Total Gross Costs</b>	<b>929</b>	<b>4,902</b>	<b>456</b>	<b>2,066</b>	<b>198</b>	<b>1,106</b>
<b>Less: Total Earned Revenue</b>	<b>265</b>	<b>524</b>	<b>80</b>	<b>48</b>	<b>52</b>	<b>20</b>
<b>Net Cost of Operations</b>	<b>\$ 664</b>	<b>\$ 4,378</b>	<b>\$ 376</b>	<b>\$ 2,018</b>	<b>\$ 146</b>	<b>\$ 1,086</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FY 2005

	CSREES		ERS		NASS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
<b>Strategic Goals:</b>						
Enhance Economic Opportunities for Agricultural Producers:	-	-	-	-	-	-
Gross Costs	\$ 10	\$ 360	\$ 14	\$ 26	\$ 35	\$ 101
Less: Earned Revenue	8	-	1	-	19	4
Net Goal Cost	2	360	13	26	16	97
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:	-	-	-	-	-	-
Gross Costs	3	167	3	6	4	16
Less: Earned Revenue	5	-	-	-	-	-
Net Goal Cost	(2)	167	3	6	4	16
Enhance Protection and Safety of the Nation's Agriculture and Food Supply:	-	-	-	-	-	-
Gross Costs	9	275	1	3	1	3
Less: Earned Revenue	6	-	-	-	1	-
Net Goal Cost	3	275	1	3	-	3
Improve the Nation's Nutrition and Health:	-	-	-	-	-	-
Gross Costs	2	131	6	11	-	-
Less: Earned Revenue	4	-	-	-	-	-
Net Goal Cost	(2)	131	6	11	-	-
Protect and Enhance the Nation's Natural Resource Base and Environment:	-	-	-	-	-	-
Gross Costs	5	201	4	8	2	5
Less: Earned Revenue	4	-	-	-	1	-
Net Goal Cost	1	201	4	8	1	5
<b>Total Gross Costs</b>	29	1,134	28	54	42	125
<b>Less: Total Earned Revenue</b>	27	-	1	-	21	4
<b>Net Cost of Operations</b>	\$ 2	\$ 1,134	\$ 27	\$ 54	\$ 21	\$ 121

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FY 2005

	RD		DO		TOTAL	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
<b>Strategic Goals:</b>						
Enhance Economic Opportunities for Agricultural Producers:	-	-	-	-	-	-
Gross Costs	\$ -	\$ -	\$ 124	\$ 271	\$ 3,208	\$ 42,213
Less: Earned Revenue	-	-	190	5	704	14,782
Net Goal Cost	-	-	(66)	266	2,504	27,431
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:	-	-	-	-	-	-
Gross Costs	3,314	1,730	49	106	3,396	2,133
Less: Earned Revenue	416	3,920	74	2	496	3,925
Net Goal Cost	2,898	(2,190)	(25)	104	2,900	(1,792)
Enhance Protection and Safety of the Nation's Agriculture and Food Supply:	-	-	-	-	-	-
Gross Costs	-	-	60	132	641	2,611
Less: Earned Revenue	-	-	92	2	140	590
Net Goal Cost	-	-	(32)	130	501	2,021
Improve the Nation's Nutrition and Health:	-	-	-	-	-	-
Gross Costs	-	-	35	77	1,152	50,821
Less: Earned Revenue	-	-	54	1	67	27
Net Goal Cost	-	-	(19)	76	1,085	50,794
Protect and Enhance the Nation's Natural Resource Base and Environment:	-	-	-	-	-	-
Gross Costs	-	-	77	168	1,492	7,469
Less: Earned Revenue	-	-	118	3	479	576
Net Goal Cost	-	-	(41)	165	1,013	6,893
<b>Total Gross Costs</b>	3,314	1,730	345	754	9,889	105,247
<b>Less: Total Earned Revenue</b>	416	3,920	528	13	1,886	19,900
<b>Net Cost of Operations</b>	<u>\$ 2,898</u>	<u>\$ (2,190)</u>	<u>\$ (183)</u>	<u>\$ 741</u>	<u>\$ 8,003</u>	<u>\$ 85,347</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FY 2005	<u>Intradepartmental Eliminations</u>	<u>GRAND TOTAL</u>
<b>Strategic Goals:</b>		
Enhance Economic Opportunities for Agricultural Producers:	-	-
Gross Costs	\$ (1,406)	\$ 44,015
Less: Earned Revenue	(349)	15,137
Net Goal Cost	<u>(1,057)</u>	<u>28,878</u>
	-	-
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:	-	-
Gross Costs	(171)	5,358
Less: Earned Revenue	(77)	4,344
Net Goal Cost	<u>(94)</u>	<u>1,014</u>
	-	-
Enhance Protection and Safety of the Nation's Agriculture and Food Supply:	-	-
Gross Costs	(181)	3,071
Less: Earned Revenue	(100)	630
Net Goal Cost	<u>(81)</u>	<u>2,441</u>
	-	-
Improve the Nation's Nutrition and Health:	-	-
Gross Costs	(940)	51,033
Less: Earned Revenue	(48)	46
Net Goal Cost	<u>(892)</u>	<u>50,987</u>
	-	-
Protect and Enhance the Nation's Natural Resource Base and Environment:	-	-
Gross Costs	(381)	8,580
Less: Earned Revenue	(168)	887
Net Goal Cost	<u>(213)</u>	<u>7,693</u>
	-	-
<b>Total Gross Costs</b>	(3,079)	112,057
<b>Less: Total Earned Revenue</b>	(742)	21,044
<b>Net Cost of Operations</b>	<u>\$ (2,337)</u>	<u>\$ 91,013</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FY 2004	FSA		CCC		FAS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
<b>Strategic Goals:</b>						
Enhance Economic Opportunities for Agricultural Producers:						
Gross Costs	\$ 687	\$ 665	\$ 1,221	\$ 12,115	\$ 161	\$ 155
Less: Earned Revenue	252	474	135	1,510	75	-
Net Goal Cost	435	191	1,086	10,605	86	155
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:						
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Goal Cost	-	-	-	-	-	-
Enhance Protection and Safety of the Nation's Agriculture and Food Supply:						
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Goal Cost	-	-	-	-	-	-
Improve the Nation's Nutrition and Health:						
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Goal Cost	-	-	-	-	-	-
Protect and Enhance the Nation's Natural Resource Base and Environment:						
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Goal Cost	-	-	-	-	-	-
<b>Total Gross Costs</b>	<b>687</b>	<b>665</b>	<b>1,221</b>	<b>12,115</b>	<b>161</b>	<b>155</b>
<b>Less: Total Earned Revenue</b>	<b>252</b>	<b>474</b>	<b>135</b>	<b>1,510</b>	<b>75</b>	<b>-</b>
<b>Net Cost of Operations</b>	<b>\$ 435</b>	<b>\$ 191</b>	<b>\$ 1,086</b>	<b>\$ 10,605</b>	<b>\$ 86</b>	<b>\$ 155</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FY 2004	RMA		FNS		FSIS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
<b>Strategic Goals:</b>						
Enhance Economic Opportunities for Agricultural Producers:						
Gross Costs	\$ 61	\$ 3,810	\$ -	\$ -	\$ -	\$ -
Less: Earned Revenue	-	745	-	-	-	-
Net Goal Cost	61	3,065	-	-	-	-
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:						
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Goal Cost	-	-	-	-	-	-
Enhance Protection and Safety of the Nation's Agriculture and Food Supply:						
Gross Costs	-	-	-	-	234	729
Less: Earned Revenue	-	-	-	-	9	117
Net Goal Cost	-	-	-	-	225	612
Improve the Nation's Nutrition and Health:						
Gross Costs	-	-	1,040	45,056	-	-
Less: Earned Revenue	-	-	1	17	-	-
Net Goal Cost	-	-	1,039	45,039	-	-
Protect and Enhance the Nation's Natural Resource Base and Environment:						
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Goal Cost	-	-	-	-	-	-
<b>Total Gross Costs</b>	<b>61</b>	<b>3,810</b>	<b>1,040</b>	<b>45,056</b>	<b>234</b>	<b>729</b>
<b>Less: Total Earned Revenue</b>	<b>-</b>	<b>745</b>	<b>1</b>	<b>17</b>	<b>9</b>	<b>117</b>
<b>Net Cost of Operations</b>	<b>\$ 61</b>	<b>\$ 3,065</b>	<b>\$ 1,039</b>	<b>\$ 45,039</b>	<b>\$ 225</b>	<b>\$ 612</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FY 2004	AMS		APHIS		GIPSA	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
<b>Strategic Goals:</b>						
Enhance Economic Opportunities for Agricultural Producers:						
Gross Costs	\$ 86	\$ 840	\$ -	\$ -	\$ 19	\$ 57
Less: Earned Revenue	2	178	-	-	2	35
Net Goal Cost	84	662	-	-	17	22
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:						
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Goal Cost	-	-	-	-	-	-
Enhance Protection and Safety of the Nation's Agriculture and Food Supply:						
Gross Costs	-	-	241	980	-	-
Less: Earned Revenue	-	-	31	332	-	-
Net Goal Cost	-	-	210	648	-	-
Improve the Nation's Nutrition and Health:						
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Goal Cost	-	-	-	-	-	-
Protect and Enhance the Nation's Natural Resource Base and Environment:						
Gross Costs	-	-	-	-	-	-
Less: Earned Revenue	-	-	-	-	-	-
Net Goal Cost	-	-	-	-	-	-
<b>Total Gross Costs</b>	<b>86</b>	<b>840</b>	<b>241</b>	<b>980</b>	<b>19</b>	<b>57</b>
<b>Less: Total Earned Revenue</b>	<b>2</b>	<b>178</b>	<b>31</b>	<b>332</b>	<b>2</b>	<b>35</b>
<b>Net Cost of Operations</b>	<b>\$ 84</b>	<b>\$ 662</b>	<b>\$ 210</b>	<b>\$ 648</b>	<b>\$ 17</b>	<b>\$ 22</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FY 2004	FS		NRCS		ARS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
<b>Strategic Goals:</b>						
Enhance Economic Opportunities for Agricultural Producers:						
Gross Costs	-	-	-	(8)	64	445
Less: Earned Revenue	-	-	1	-	22	9
Net Goal Cost	-	-	(1)	(8)	42	436
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:						
Gross Costs	-	-	21	110	-	-
Less: Earned Revenue	-	-	3	1	-	-
Net Goal Cost	-	-	18	109	-	-
Enhance Protection and Safety of the Nation's Agriculture and Food Supply:						
Gross Costs	-	-	-	-	60	421
Less: Earned Revenue	-	-	-	-	21	8
Net Goal Cost	-	-	-	-	39	413
Improve the Nation's Nutrition and Health:						
Gross Costs	-	-	-	-	14	96
Less: Earned Revenue	-	-	-	-	5	2
Net Goal Cost	-	-	-	-	9	94
Protect and Enhance the Nation's Natural Resource Base and Environment:						
Gross Costs	1,207	4,712	406	1,497	34	240
Less: Earned Revenue	121	538	58	16	12	5
Net Goal Cost	1,086	4,174	348	1,481	22	235
<b>Total Gross Costs</b>	1,207	4,712	427	1,599	172	1,202
<b>Less: Total Earned Revenue</b>	121	538	62	17	60	24
<b>Net Cost of Operations</b>	<u>1,086</u>	<u>4,174</u>	<u>365</u>	<u>1,582</u>	<u>112</u>	<u>1,178</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FY 2004	CSREES		ERS		NASS	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
<b>Strategic Goals:</b>						
Enhance Economic Opportunities for Agricultural Producers:						
Gross Costs	\$ 12	\$ 357	\$ 16	\$ 31	\$ 36	\$ 92
Less: Earned Revenue	13	4	1	1	15	3
Net Goal Cost	(1)	353	15	30	21	89
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:						
Gross Costs	3	163	4	7	3	17
Less: Earned Revenue	9	2	-	-	-	-
Net Goal Cost	(6)	161	4	7	3	17
Enhance Protection and Safety of the Nation's Agriculture and Food Supply:						
Gross Costs	9	263	1	2	1	3
Less: Earned Revenue	9	1	-	-	-	-
Net Goal Cost	-	262	1	2	1	3
Improve the Nation's Nutrition and Health:						
Gross Costs	3	124	3	6	-	-
Less: Earned Revenue	7	1	-	-	-	-
Net Goal Cost	(4)	123	3	6	-	-
Protect and Enhance the Nation's Natural Resource Base and Environment:						
Gross Costs	6	197	4	7	1	2
Less: Earned Revenue	7	1	-	-	-	-
Net Goal Cost	(1)	196	4	7	1	2
<b>Total Gross Costs</b>	<b>33</b>	<b>1,104</b>	<b>28</b>	<b>53</b>	<b>41</b>	<b>114</b>
<b>Less: Total Earned Revenue</b>	<b>45</b>	<b>9</b>	<b>1</b>	<b>1</b>	<b>15</b>	<b>3</b>
<b>Net Cost of Operations</b>	<b>\$ (12)</b>	<b>\$ 1,095</b>	<b>\$ 27</b>	<b>\$ 52</b>	<b>\$ 26</b>	<b>\$ 111</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FY 2004	RD		DO		TOTAL	
	Intragovernmental	With the Public	Intragovernmental	With the Public	Intragovernmental	With the Public
<b>Strategic Goals:</b>						
Enhance Economic Opportunities for Agricultural Producers:						
Gross Costs	-	-	127	227	2,490	18,786
Less: Earned Revenue	-	-	152	11	670	2,970
Net Goal Cost	-	-	(25)	216	1,820	15,816
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:						
Gross Costs	3,339	2,407	55	98	3,425	2,802
Less: Earned Revenue	349	3,620	66	5	427	3,628
Net Goal Cost	2,990	(1,213)	(11)	93	2,998	(826)
Enhance Protection and Safety of the Nation's Agriculture and Food Supply:						
Gross Costs	-	-	59	105	605	2,503
Less: Earned Revenue	-	-	70	5	140	463
Net Goal Cost	-	-	(11)	100	465	2,040
Improve the Nation's Nutrition and Health:						
Gross Costs	-	-	38	68	1,098	45,350
Less: Earned Revenue	-	-	45	3	58	23
Net Goal Cost	-	-	(7)	65	1,040	45,327
Protect and Enhance the Nation's Natural Resource Base and Environment:						
Gross Costs	-	-	78	140	1,736	6,795
Less: Earned Revenue	-	-	94	7	292	567
Net Goal Cost	-	-	(16)	133	1,444	6,228
<b>Total Gross Costs</b>	3,339	2,407	357	638	9,354	76,236
<b>Less: Total Earned Revenue</b>	349	3,620	427	31	1,587	7,651
<b>Net Cost of Operations</b>	2,990	(1,213)	(70)	607	7,767	68,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FY 2004	<u>Intradepartmental Eliminations</u>	<u>GRAND TOTAL</u>
<b>Strategic Goals:</b>		
Enhance Economic Opportunities for Agricultural Producers:		
Gross Costs	\$ (1,334)	\$ 19,942
Less: Earned Revenue	<u>(301)</u>	<u>3,339</u>
Net Goal Cost	(1,033)	16,603
Support Increased Economic Opportunities and Improved Quality of Life in Rural America:		
Gross Costs	(125)	6,102
Less: Earned Revenue	<u>(65)</u>	<u>3,990</u>
Net Goal Cost	(60)	2,112
Enhance Protection and Safety of the Nation's Agriculture and Food Supply:		
Gross Costs	(172)	2,936
Less: Earned Revenue	<u>(85)</u>	<u>518</u>
Net Goal Cost	(87)	2,418
Improve the Nation's Nutrition and Health:		
Gross Costs	(994)	45,454
Less: Earned Revenue	<u>(40)</u>	<u>41</u>
Net Goal Cost	(954)	45,413
Protect and Enhance the Nation's Natural Resource Base and Environment:		
Gross Costs	(299)	8,232
Less: Earned Revenue	<u>(103)</u>	<u>756</u>
Net Goal Cost	(196)	7,476
<b>Total Gross Costs</b>	(2,924)	82,666
<b>Less: Total Earned Revenue</b>	<u>(594)</u>	<u>8,644</u>
<b>Net Cost of Operations</b>	<u>\$ (2,330)</u>	<u>\$ 74,022</u>

**NOTE 18. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED**

	<u>Direct</u>	<u>Reimbursable</u>	<u>Total</u>
FY 2005			
Apportionment by Fiscal Quarter	\$ 65,399	\$ 447	\$ 65,846
Apportionment for Special Activities	30,937	42,982	73,919
Exempt from Apportionment	<u>1,039</u>	<u>31</u>	<u>1,070</u>
Total Obligations Incurred	<u>\$ 97,375</u>	<u>\$ 43,460</u>	<u>\$ 140,835</u>
FY 2004			
	<u>Direct</u>	<u>Reimbursable</u>	<u>Total</u>
Apportionment by Fiscal Quarter	\$ 69,234	\$ 891	\$ 70,125
Apportionment for Special Activities	19,897	26,702	46,599
Exempt from Apportionment	<u>1,036</u>	<u>49</u>	<u>1,085</u>
Total Obligations Incurred	<u>\$ 90,167</u>	<u>\$ 27,642</u>	<u>\$ 117,809</u>

**NOTE 19. AVAILABLE BORROWING AUTHORITY, END OF PERIOD**

Available borrowing authority at September 30, 2005 and 2004 was \$29,073 and \$38,828 million, respectively.

**NOTE 20. 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 21. ADJUSTMENTS TO BEGINNING BALANCE OF BUDGETARY RESOURCES**

In fiscal 2004, RMA corrected errors in amounts previously reported. The effect of these corrections increased obligated and unobligated balances by \$97 million and \$3 million, respectively.

In fiscal 2004, FS corrected errors in amounts previously reported. The effect of these corrections increased obligated and decreased unobligated balances by \$82 million.

	FY 2005		FY 2004	
	Obligated	Unobligated	Obligated	Unobligated
Beginning balances	\$ 38,146	\$ 25,081	\$ 35,886	\$ 22,644
Adjustments	-	-	179	(80)
Beginning balances, as adjusted	\$ 38,146	\$ 25,081	\$ 36,065	\$ 22,564

**NOTE 22. 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 is 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 23. 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 24. DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT**

The differences between the FY 2004 Statement of Budgetary Resources and the FY 2004 actual numbers presented in the FY 2006 Budget of the United States Government (Budget) are summarized below. The Budget excludes expired accounts that are no longer available for new obligations.

Corrections of timing differences and errors were made subsequent to the Budget submission as follows:

Rural Development — Error resulting from activity incorrectly recorded to Recoveries of Prior Year Obligations and Obligations Incurred when interest rate changes were processed due to market rate fluctuations. Forest Service — Cash adjustment, Supplemental 224, processed subsequent to the Budget submission.

In addition, Food and Nutrition Service made a downward adjustment to the current period Grant account balances based on the historical relationship between the September 30 grant account balance and the final

grant account balance produced throughout the closeout process which does not occur for 3-9 months after the end of the fiscal year. 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. Other items mainly consist of balances in suspense accounts and differences due to rounding that are excluded from the Budget.

A comparison between the fiscal 2005 Statement of Budgetary Resources and the fiscal 2005 actual numbers presented in the fiscal 2007 Budget cannot be performed as the fiscal 2007 Budget is not yet available. The fiscal 2007 Budget is expected to be published in February 2006 and will be available from the Government Printing Office.

FY 2004

	Budgetary Resources	Outlays
Combined Statement of Budgetary Resources	\$ 142,890	\$ 78,446
Reconciling Items:		
Expired accounts	(8,236)	(8)
Food and Nutrition Service	(453)	-
Rural Development	(239)	-
Forest Service	0	154
Native American Institutions	(11)	(10)
Milk Market Orders Fund	49	5
Other	(47)	7
Budget of the United States Government	<u>\$ 133,953</u>	<u>\$ 78,594</u>

**NOTE 25. RELATIONSHIP BETWEEN LIABILITIES NOT COVERED BY BUDGETARY RESOURCES ON THE BALANCE SHEET AND THE CHANGE IN COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS**

The change in liabilities not covered by budgetary resources should be the same as the change in components requiring or generating resources in future periods, 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 below for the portion of liabilities not covered by budgetary resources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	<u>FY 2005</u>	<u>FY 2004</u>
Current year liabilities not covered by budgetary resources, as disclosed in Note 11	\$ 11,581	\$ 3,697
Prior year liabilities not covered by budgetary resources	(3,697)	(5,141)
Increase (Decrease) in liabilities not covered by budgetary resources	<u>7,884</u>	<u>(1,444)</u>
Upward/Downward Reestimates of Credit Subsidy Expense	(1,853)	(341)
Increase in Exchange Revenue Receivable from the Public	(7,791)	534
Other	<u>1,267</u>	<u>3,080</u>
Components requiring or generating resources in future periods, as reported on the Statement of Financing	<u>\$ (493)</u>	<u>\$ 1,829</u>

**NOTE 26. 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 27. INCIDENTAL CUSTODIAL COLLECTIONS**

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.

	<u>FY 2005</u>	<u>FY 2004</u>
Revenue Activity:		
Sources of Collections:		
Miscellaneous	\$ 64	\$ 62
Total Cash Collections	<u>64</u>	<u>62</u>
Accrual Adjustments	(7)	9
Total Custodial Revenue	<u>57</u>	<u>71</u>
Disposition of Collections:		
Transferred to Others:		
Treasury	(8)	(7)
States and Counties	(7)	(52)
( Increase )/Decrease in Amounts Yet to be Transferred	<u>(42)</u>	<u>(12)</u>
Net Custodial Activity	<u>\$ -</u>	<u>\$ -</u>

**NOTE 28. DEDICATED COLLECTIONS**

Dedicated funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes and must be accounted for separately from the Government's general revenues.

Financial information for all significant dedicated collections is shown below. Following the descriptive narrative is the financial information for each of the significant dedicated collection funds. Donations are handled on the cash basis and all other collections are accounted for on the accrual basis.

**Commodity Credit Corporation****Tobacco Transition Payment Program**

The Tobacco Transition Payment Program (TTPP) was authorized by the Fair and Equitable Tobacco Reform Act of 2004. The program terminates the New Deal-era tobacco quota program and establishes a 10-year transitional payment program funded through assessments of approximately \$10 billion on domestic manufacturers of tobacco products and importers of foreign tobacco. The legislation authorizes the Farm Service Agency (FSA) to provide outreach, communication and other necessary services to ensure that all eligible producers and quota holders are familiar with the features of the TTPP.

**Risk Management Agency****Federal Crop Insurance Corporation Fund (FCIC)**

Resources for the FCIC Fund includes funds collected from the public for insurance premiums and other insurance related fees that are used with appropriations from Congress and unobligated balances from previous years to fund the Federal Crop Insurance Program. Funds are available under 7 U.S.C. 1501-1519.

**Agricultural Marketing Service****Funds for Strengthening Markets, Income, and Supply**

This fund is used to purchase commodities for schools and elderly feeding programs, to provide goods and other necessities in emergencies and disasters, and to purchase agricultural commodities to stabilize markets. The fund is permanently financed by statutory transfer of an amount equal to 30 percent of customs receipts collected during each calendar year is automatically appropriated for expanding outlets for perishable, non-price supported commodities. An amount equal to 30 percent of receipts collected on fishery products is transferred to the Food and Nutrition Service and is used to purchase commodities under section 6 of the National School Lunch Act and other authorities specified in the child nutrition appropriation. Funds are available under section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c).

**Expenses and Refunds, Inspection and Grading of Farm Products**

The commodity grading programs provide grading, examination, and certification services for a wide variety of fresh and processed food commodities using federally approved grade standards and purchase specifications. This fund is financed by the collection of fees charged to producers of various food



commodities who request, on a voluntary basis, inspection and grading of agricultural food commodities. This program is authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627).

### **Perishable Agricultural Commodities Act**

The act is intended to ensure equitable treatment to farmers and others in the marketing of fresh and frozen fruits and vegetables. Commission merchants, dealers, and brokers handling these products in interstate and foreign commerce are licensed. The fund is financed by license fees charged for the issuance of Federal licenses to dealers in perishable agricultural commodities who meet and maintain the financial stability necessary to ensure payment is made to producers of perishable agricultural commodities. License fees are deposited in this special fund and are used to meet the costs of administering the Perishable Agricultural Commodities and Produce Agency Act (7 U.S.C. 491-497, 499a-499s).

## **Animal Plant Health Inspection Service**

### **Agricultural Quarantine Inspection User Fee Account**

This fund is used to record and report on expenditures and revenue associated with operating Agricultural Quarantine Inspection (AQI) activities at ports of entry. The Farm Bill of 1990, as amended by the Federal Agriculture Improvement and Reform Act of 1996, gave the Animal and Plant Health Inspection Service (APHIS) the authority to charge user fees for AQI services, and to use the revenue to fund AQI activities. In March of 2003, a portion of the AQI program was transferred to the Department of Homeland Security (DHS); however, APHIS retained the authority to collect AQI revenue. APHIS transfers a portion of the revenue to DHS periodically throughout the year to fund their expenditures. The revenue in the fund is collected from airlines, air passengers, vessels, trucks, and railroad cars that are subject to AQI inspection at ports of entry. These user fees are an inflow of revenue from the public that is used to fund AQI inspections that are required by APHIS and DHS. The authority is codified in 21 U.S.C. 136(a).

### **Miscellaneous Contributed Funds**

The revenue in this fund is collected, in advance of the work, from cooperators who request services for activities such as inspecting and pre-clearing certain fruits, vegetables, and nursery products before they are shipped to the United States, or for inspecting commercial birds in a Veterinary Services (VS) approved commercial bird quarantine facility. All costs incurred to provide these services are the responsibility of the cooperator, and are recorded in this fund. The authority is codified in 21 U.S.C. 111 and 134(c).

## **Forest Service**

### **Cooperative Work**

Cooperative contributions are deposited for disbursement in compliance with the terms and provisions of the agreement between the cooperator and the USDA Forest Service. Cooperators include timber purchasers, not-for-profit organizations, and local hunting and fishing clubs. The governing authorities are the Act of June 30, 1914 (16 U.S.C. 498), and the Knutson-Vandenberg Act.

### **Land Acquisition**

Each fiscal year this fund receives a transfer of recreation user fees from the Department of the Interior's Land and Water Conservation Fund, to be used for the acquisition of land or waters, or interest therein, including

administrative expenses, to carry out the provisions of the Land and Water Conservation Fund Act of 1965, as amended (16 U.S.C. 4601-4-11), pertaining to the preservation of watersheds. The Land Acquisition program is authorized by the Interior and Related Agencies Appropriations Act of December 30, 1982 (96 Stat. 1983, Public Law 97-394).

### **Payments to States, National Forest Fund**

The Payments to States, National Forest Fund receives receipts from the National Forest Fund. These monies are generated from the sale of goods and services at the national forests. Annually, revenue-sharing payments are made to the States in which the national forests are located, for public schools and public roads in the county or counties in which the national forests are situated. The Act of May 23, 1908, as amended (16 U.S.C. 500), authorized the Payments to States, National Forest Fund program.

### **Timber Salvage Sales**

The Salvage Sale Fund was established to facilitate the timely removal of timber damaged by fire, wind, insects, disease, or other events. Amounts collected from the sale of salvaged timber are used on other qualifying salvage sales to cover the cost of preparing and administering the sales. The Timber Salvage Sales program is authorized by 16 USC 472(a).

### **Fees, Operations and Maintenance of Recreation Facilities**

This fund accumulates a portion of deposits derived from fees authorized by the Land and Water Conservation Fund Act and is available for expenditure by the USDA Forest Service only upon appropriation by Congress. Funds deposited are not appropriated under this heading and Congressional intent is to not use the deposits for activities over and above those amounts already provided in the National Forest System appropriation. The Land and Water Conservation Fund Act (16 U.S.C. 4601 et. seq.) authorized the establishment of this special fund and regulates admission and special recreation user fees at certain recreational areas.

### **Timber Roads, Purchaser Election**

The Timber Roads fund receives deposits from small business timber purchasers who elect to pay the USDA Forest Service to construct or reconstruct any road or bridge required by their respective timber sale. These collections are used to finance only those forest development roads constructed or reconstructed under the terms and conditions of the timber sale contract(s) involved, and only to a standard necessary to harvest and remove the timber and other products covered by the particular sale(s). The Timber Roads, Purchaser Election program is authorized by 16 USC 472(I) (2).

### **Expenses, Brush Disposal**

Deposits from timber purchasers are used to cover the cost required to dispose of slash, brush, and other debris resulting from timber cutting operations and for supplemental protection of the cutover areas in lieu of actual disposal. The Expenses, Brush Disposal program is authorized by 16 U.S.C. 490-498.

### **State, Private, and International Forestry Land and Water Conservation Fund**

The Fiscal Year 2004 Department of Interior and Related Agencies Appropriation Act (Public Law 108-108) authorizes the Forest Service to receive a transfer of receipts from the Department of Interior's Land and Water Conservation Fund to finance the existing Forest Legacy Program, funded previously by State and Private Forestry general appropriation. To accommodate the new financing arrangement and at OMB's

request, the U.S. Department of Treasury established a new special fund, “State, Private and International Forestry Land and Water Conservation Fund”. The program expenditures include grants and an occasional land purchase, but not real property will be procured or constructed.

### **Federal-Aid Highways**

The Federal Highway Act, as amended (23 U.S.C. 120, 125, and 205) establishes the Federal Highway Trust Fund, managed by the Department of Transportation. Federal highway construction, maintenance, and other projects defined in the Act are financed from the Federal Highway Trust Fund. The Department of Transportation transfers these monies to the Forest Service for highway projects pertinent to National Forest System lands. The Secretary of Transportation, through the Federal Highway Administration (FHWA), requests through the U.S. Department of Treasury, to transfer trust funds to eligible Federal agencies that qualify under 23 U.S.C. 125.

### **Recreation Fee Demonstration Program**

The Recreation Fee Demonstration Program fund receives deposits of recreation fees collected from projects that are part of the Recreation Fee Demonstration Program. These monies are retained and used for backlog repair and maintenance of recreation areas, sites or projects. These funds are also used for interpretation, signage, habitat or facility enhancement, resource preservation, annual operation, maintenance, and law enforcement related to public use of recreation areas and sites. The Recreation Fee Demonstration Program is authorized by 16 U.S.C. 4601-6(a).

### **Roads and Trails for States, National Forest Fund**

The Roads and Trails for States, National Forest Fund receives annual deposits equal to ten percent of all revenues from the National Forest Fund. These amounts are then paid to the States, without regard to the State in which the amounts were derived, to repair or reconstruct roads, bridges, and trails on National Forest System lands. Also, to carry out and administer projects to improve forest health conditions, which may include the repair or reconstruction of roads, bridges, and trails on National Forest System lands in the wild land-community interface where there is an abnormally high risk of fire. The Roads and Trails for States, National Forest Fund is authorized by the Act of March 4, 1913, as amended (16 U.S.C. 501).

### **National Forest Fund Receipts**

The Federal Lands Recreation Enhancement Act (FLREA) (Public Law 108-447) sets forth provisions for collection of recreation fees and retention of special recreation permit fees by the Forest Service. The Forest Service deposits 85 percent of special use permit revenues from these authorizations into the National Forest Fund.

### **Reforestation Trust Fund**

The Reforestation Trust Fund receives periodic transfers of tariffs collected from exported timber from the U.S. Department of Treasury. Such deposits may not exceed \$30 million dollars in a fiscal year. Amounts are invested and reinvested in United States Treasury interest-bearing Government securities. The interest income is added to the balance in the Reforestation Trust Fund for use by the Secretary of Agriculture for reforestation and timber-stand improvement activities. The Act of October 14, 1980, as amended (16 U.S.C. 1606(a)(d)) established the Reforestation Trust Fund.

### **Restoration of Forest Lands and Improvements**

The Restoration of Forest Lands and Improvements Acts (16 U.S.C. 579(c)) provides that any moneys received by the United States with respect to lands under the administration of the Forest Service (a) as a result of the forfeiture of a bond or deposit by a permittee or timber purchaser for failure to complete performance of improvement, protection, or rehabilitation work required under the permit or timber sale contract or (b) as a result of a judgment, compromise, or settlement of any claim, involving present or potential damage to lands or improvements, shall be deposited into the United States Treasury and are appropriated and made available until expended to cover the cost to the United States of any improvement, protection, or rehabilitation work on lands under the administration of the Forest Service rendered necessary by the action which led to the forfeiture, judgment, compromise, or settlement: Provided, that any portion of the moneys received in excess of the amount expended in performing the work necessitated by the action which led to their receipt shall be transferred to miscellaneous receipts.

### **Payments to Counties, National Grasslands**

Credit receipts from Title III of the Bankhead-Jones Farm Tenant Act lands designated as either national grasslands or land utilization projects to a special account (sec. 60.1, para. 3). When the status of such lands is changed to that of a national forest, credit such receipts to the National Forest Fund. At the end of each calendar year, 25 percent of the net revenues from each national grassland or land utilization project are paid to the counties in which such lands are located. These payments are not payments in lieu of taxes (PILT); instead, they are national grassland or land utilization project receipts to be shared through grants with local governments for the purposes stated in the Act.

### **Timber Sales Pipeline Restoration Fund**

The Timber Sale Pipeline Restoration Fund provides an additional source of funds for restoring the timber sale pipeline and addressing backlog recreation project needs. These funds are revenue from timber sales released under section 2001(k) of the fiscal year 1995 Supplemental Appropriations for Disaster Assistance and Recessions Act, minus payments to States and local governments and other necessary deposits (sec. 60.1, para. 27). Based on an Office of General Counsel opinion dated December 13, 2002, payments to States must be made from these receipts before net receipts are deposited into this fund (sec. 60.1, para. 28). The Forest Service and the Bureau of Land Management share in these revenues, referred to as first generation funds. Seventy-five percent of the net funds are deposited in an account for timber sale pipeline preparation and 25 percent are deposited separately for the recreation backlog program. Revenues (less payments to States and other necessary deposits) generated by timber sales prepared using these funds are to be deposited back into the Timber Sale Pipeline Restoration Fund for additional timber sale preparation and backlog recreation work using the same 75 percent and 25 percent distributions, respectively. However, these second generation funds are not shared with the Bureau of Land Management.

### **Cooperative State Research Education and Extension Service**

#### **Native American Institutions Endowment Fund**

The Native American Institutions Endowment Fund is authorized by Public Law 103-382 (7 U.S.C. 301 note). This program provides for an endowment for the 1994 land-grant institutions (31 Tribally controlled colleges) to strengthen the infrastructure of these institutions and develop Indian expertise for the food and agricultural

sciences and businesses and their own communities. At the termination of each fiscal year, the Secretary shall withdraw the income from the endowment fund for the fiscal year, and after making adjustments for the cost of administering the fund, distribute the adjusted income on a formula basis to the 1994 land-grant institutions.

## **Agricultural Research Service**

### **Miscellaneous Contributed Funds**

This fund is used to promote research in food, agriculture and related areas; to enhance the accomplishment of technology transfer; and share the licensing and royalty fees resulting from patents. The Agricultural Research Service (ARS) may receive Miscellaneous Contributed Funds (MCF) from states, counties, municipal agencies, universities and colleges, associations, companies, organizations, and individuals for the purpose of supporting cooperative/in-house research or research related services of mutual interest to the agency and the contributing party. The duration of an incoming MCF is as specified in the agreement, but it must not exceed 5 years. Authorization to use these revenues and other financing sources are under statutory authority 7 U.S.C. 450(a), 3318(b), 450(b), 3319(c), 4501.

## **Rural Development**

### **Alternative Agricultural Research and Commercialization Revolving Fund**

This fund was set up to expedite the development and market penetration of biobased industrial (nonfood-nonfeed) products from agricultural and forestry materials as well as assist in bridging the gap between the private sector for the research and commercialization of these biobased industrial (nonfood-nonfeed) products from farm and forestry materials and animal by-products. Funding is currently limited to the amounts collected from the recipients of the program and these funds are used to pay the costs of managing the closure of the fund and the remaining is returned to the United States Treasury. The authority to establish this fund occurred in the 1990 Farm Bill, P.L. 101-624, but was discontinued in fiscal year 1999. The Farm Security and Rural Investment Act of 2002, Section 6201, transferred the complete portfolio to Rural Development/Rural Business –Cooperative Service (RD/RBS) to manage the fund while safeguarding its assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Dedicated Collections

As of and for the year ended September 30, 2005

(in millions)

Dedicated Collections

As of and for the year ended September 30, 2005

	CCC	RMA	AMS	AMS	AMS	APHIS	APHIS	FS	FS	FS	FS	FS	FS
	Tobacco Transition Payment Program	Federal Crop Insurance Corporation Fund	Funds for Strengthening Markets, Income, and Supply	Expenses and Refunds, Inspection and Grading of Farm Products	Perishable Agricultural Commodities Act	Agricultural Quarantine Inspection User Fee Account	Miscellaneous Contributed Funds	Cooperative Work	Land Acquisition	Payments to States, National Forests Fund	Timber Salvage Sales	Fee, Operation and Maintenance of Recreation Facilities	Timber Roads, Purchaser Election
(In Millions)													
ASSETS													
Fund Balance with Treasury	\$ -	\$ 1,537	\$ 350	\$ 44	\$ 20	\$ 91	\$ 13	\$ 624	\$ 67	\$ 165	\$ 101	\$ 13	\$ 68
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable, Net	7,215	1,368	1	23	-	8	10	2	20	-	2	-	-
Loans Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
General Property, Plant, and Equipment, Net	-	-	-	2	-	4	-	17	48	3	1	-	2
Other	-	65	244	15	3	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>7,215</b>	<b>2,970</b>	<b>595</b>	<b>84</b>	<b>23</b>	<b>103</b>	<b>23</b>	<b>643</b>	<b>135</b>	<b>168</b>	<b>104</b>	<b>13</b>	<b>70</b>
LIABILITIES													
Accounts Payable	341	13	1	3	-	(3)	-	-	-	1	(1)	-	-
Federal Employee and Veterans Benefits	-	-	-	34	-	-	-	-	-	-	-	-	-
Other	-	3,486	3	22	1	4	-	49	1	65	5	11	-
<b>TOTAL LIABILITIES</b>	<b>341</b>	<b>3,499</b>	<b>4</b>	<b>59</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>49</b>	<b>1</b>	<b>66</b>	<b>4</b>	<b>11</b>	<b>-</b>
<b>Total Net Position</b>	<b>6,874</b>	<b>(529)</b>	<b>591</b>	<b>25</b>	<b>22</b>	<b>102</b>	<b>23</b>	<b>594</b>	<b>134</b>	<b>102</b>	<b>100</b>	<b>2</b>	<b>70</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>7,215</b>	<b>2,970</b>	<b>595</b>	<b>84</b>	<b>23</b>	<b>103</b>	<b>23</b>	<b>643</b>	<b>135</b>	<b>168</b>	<b>104</b>	<b>13</b>	<b>70</b>
CHANGE IN NET POSITION													
Beginning Balances	-	(205)	933	34	27	95	16	442	145	69	95	82	63
Prior Period Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Beginning Balances, as adjusted</b>	<b>-</b>	<b>(205)</b>	<b>933</b>	<b>34</b>	<b>27</b>	<b>95</b>	<b>16</b>	<b>442</b>	<b>145</b>	<b>69</b>	<b>95</b>	<b>82</b>	<b>63</b>
Budgetary Financing Sources:													
Appropriations Received	-	2,242	-	-	-	-	-	-	-	-	-	-	-
Appropriations Transfer In (Out)	-	(5)	-	-	-	-	-	-	-	-	-	-	-
Other Adjustments (rescissions, etc.)	-	49	-	-	-	-	-	-	-	-	-	-	-
Donations and Forfeitures of Cash	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In (Out) without Reimbursement	-	5	749	-	-	(208)	-	149	61	-	-	(80)	-
Imputed Financing from Costs Absorbed by Others	-	-	-	28	-	-	-	-	-	-	-	-	-
Other	-	2	-	-	-	-	-	-	-	-	-	-	-
<b>Total Financing Sources</b>	<b>-</b>	<b>2,293</b>	<b>749</b>	<b>28</b>	<b>-</b>	<b>(208)</b>	<b>-</b>	<b>149</b>	<b>61</b>	<b>-</b>	<b>-</b>	<b>(80)</b>	<b>-</b>
<b>Net Cost of Operations</b>	<b>6,874</b>	<b>(2,618)</b>	<b>(1,090)</b>	<b>(38)</b>	<b>(4)</b>	<b>215</b>	<b>8</b>	<b>3</b>	<b>(72)</b>	<b>32</b>	<b>5</b>	<b>-</b>	<b>7</b>
<b>Ending Balances</b>	<b>\$ 6,874</b>	<b>\$ (530)</b>	<b>\$ 592</b>	<b>\$ 24</b>	<b>\$ 23</b>	<b>\$ 102</b>	<b>\$ 24</b>	<b>\$ 594</b>	<b>\$ 134</b>	<b>\$ 101</b>	<b>\$ 100</b>	<b>\$ 2</b>	<b>\$ 70</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Dedicated Collections

As of and for the year ended September 30, 2005

	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	CSREES	ARS
		State, Private, and International Forestry, Land and Water Conservation Fund	Federal-Aid Highways	Recreation Fee Demonstration Program	Roads and Trails for States, National Forest Fund	National Forest Fund Receipts	Reforestation Trust Fund	Restoration of Forest Lands and Improvements	Payments to Counties, National Grasslands	Timber Sales Pipeline Restoration Fund	Native American Institutions Endowment Fund		Miscellaneous Contributed Funds
(In Millions)	Expenses, Brush Disposal												
<b>ASSETS</b>													
Fund Balance with Treasury	\$ 57	\$ 80	\$ 24	\$ 130	\$ 29	\$ 21	\$ 26	\$ 19	\$ 54	\$ 12	\$ 7	\$ 18	
Investments	-	-	-	-	-	-	-	-	-	-	64	-	-
Accounts Receivable, Net	-	-	28	1	-	7	-	-	7	-	-	-	-
Loans Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
General Property, Plant, and Equipment, Net	-	-	10	3	16	-	-	-	-	2	-	-	1
Other	-	-	-	1	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>57</b>	<b>80</b>	<b>62</b>	<b>135</b>	<b>45</b>	<b>28</b>	<b>26</b>	<b>19</b>	<b>61</b>	<b>14</b>	<b>71</b>	<b>19</b>	
<b>LIABILITIES</b>													
Accounts Payable	-	-	-	1	1	-	-	-	-	-	-	-	-
Federal Employee and Veterans Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	(1)	6	1	3	2	25	3	-	18	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>(1)</b>	<b>6</b>	<b>1</b>	<b>4</b>	<b>3</b>	<b>25</b>	<b>3</b>	<b>-</b>	<b>18</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total Net Position	58	74	61	131	42	3	23	20	43	14	71	19	
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>57</b>	<b>80</b>	<b>62</b>	<b>135</b>	<b>45</b>	<b>28</b>	<b>26</b>	<b>20</b>	<b>61</b>	<b>14</b>	<b>71</b>	<b>19</b>	
<b>CHANGE IN NET POSITION</b>													
Beginning Balances	56	52	52	44	38	(1)	23	20	(1)	13	58	23	
Prior Period Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Beginning Balances, as adjusted</b>	<b>56</b>	<b>52</b>	<b>52</b>	<b>44</b>	<b>38</b>	<b>(1)</b>	<b>23</b>	<b>20</b>	<b>(1)</b>	<b>13</b>	<b>58</b>	<b>23</b>	
<b>Budgetary Financing Sources:</b>													
Appropriations Received	-	-	-	-	-	-	-	-	-	-	12	-	-
Appropriations Transfer In (Out)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Adjustments (rescissions, etc.)	-	-	-	-	-	-	-	-	-	-	-	-	-
Donations and Forfeitures of Cash	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In (Out) without Reimbursement	-	57	16	81	-	-	30	-	-	-	-	-	-
Imputed Financing from Costs Absorbed by Others	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Financing Sources	-	57	16	81	-	-	30	-	-	-	12	-	-
Net Cost of Operations	1	(35)	(6)	6	4	3	(30)	-	44	1	1	(4)	
<b>Ending Balances</b>	<b>\$ 57</b>	<b>\$ 74</b>	<b>\$ 62</b>	<b>\$ 131</b>	<b>\$ 42</b>	<b>\$ 2</b>	<b>\$ 23</b>	<b>\$ 20</b>	<b>\$ 43</b>	<b>\$ 14</b>	<b>\$ 71</b>	<b>\$ 19</b>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Dedicated Collections  
As of and for the year ended September 30, 2005

AARC

(In Millions)	Alternative Agricultural Research and Commercialization Revolving Fund	Other	Total
<b>ASSETS</b>			
Fund Balance with Treasury	\$ -	\$ 83	\$ 3,653
Investments	15	5	84
Accounts Receivable, Net	-	21	8,713
Loans Receivable	-	-	-
General Property, Plant, and Equipment, Net	-	2	111
Other	-	-	328
<b>TOTAL ASSETS</b>	<u>15</u>	<u>111</u>	<u>12,889</u>
<b>LIABILITIES</b>			
Accounts Payable	-	1	358
Federal Employee and Veterans Benefits	-	10	44
Other	-	15	3,719
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>26</u>	<u>4,121</u>
Total Net Position	15	85	8,769
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>15</u>	<u>111</u>	<u>12,890</u>
<b>CHANGE IN NET POSITION</b>			
Beginning Balances	15	57	2,245
Prior Period Adjustments	-	-	-
Beginning Balances, as adjusted	<u>15</u>	<u>57</u>	<u>2,245</u>
<b>Budgetary Financing Sources:</b>			
Appropriations Received	-	1	2,255
Appropriations Transfer In (Out)	-	1	(4)
Other Adjustments (rescissions, etc.)	-	-	49
Donations and Forfeitures of Cash	-	-	-
Transfers In (Out) without Reimbursement	-	4	864
Imputed Financing from Costs Absorbed by Others	-	10	38
Other	-	8	10
<b>Total Financing Sources</b>	<u>-</u>	<u>24</u>	<u>3,212</u>
Net Cost of Operations	-	4	3,311
<b>Ending Balances</b>	<u>\$ 15</u>	<u>\$ 85</u>	<u>\$ 8,768</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Dedicated Collections

As of and for the year ended September 30, 2004

(in millions)

As of and for the year ended September 30, 2004

	RMA	AMS	AMS	AMS	APHIS	APHIS	FS	FS	FS
	Federal Crop Insurance Corporation Fund	Funds for Strengthening Markets, Income, and Supply	Expenses and Refunds, Inspection and Grading of Farm Products	Perishable Agricultural Commodities Act	Agricultural Quarantine Inspection User Fee Account	Miscellaneous Contributed Funds	Cooperative Work	Land Acquisition	Payments to States, National Forests Fund
<b>(In Millions)</b>									
<b>ASSETS</b>									
Fund Balance with Treasury	\$ 2,160	\$ 453	\$ 67	\$ 27	\$ 82	\$ 15	\$ 472	\$ 99	\$ 131
Investments	-	-	-	-	-	-	-	-	-
Accounts Receivable, Net	1,487	4	18	-	10	-	2	-	-
Loans Receivable	-	-	-	-	-	-	-	-	-
General Property, Plant, and Equipment, Net	-	-	2	-	5	1	16	48	2
Other	84	481	-	1	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>3,731</b>	<b>938</b>	<b>87</b>	<b>28</b>	<b>97</b>	<b>16</b>	<b>490</b>	<b>147</b>	<b>133</b>
<b>LIABILITIES</b>									
Accounts Payable	82	-	2	1	-	-	-	-	1
Federal Employee and Veterans Benefits	-	-	35	-	-	-	-	-	-
Other	3,854	4	15	-	1	-	48	3	63
<b>TOTAL LIABILITIES</b>	<b>3,936</b>	<b>4</b>	<b>52</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>48</b>	<b>3</b>	<b>64</b>
Total Net Position	(205)	934	35	27	96	16	442	144	69
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>3,731</b>	<b>938</b>	<b>87</b>	<b>28</b>	<b>97</b>	<b>16</b>	<b>490</b>	<b>147</b>	<b>133</b>
<b>CHANGE IN NET POSITION</b>									
Beginning Balances	(451)	410	42	29	90	13	300	76	53
Prior Period Adjustments	-	-	-	-	-	-	-	-	-
Beginning Balances, as adjusted	(451)	410	42	29	90	13	300	76	53
<b>Budgetary Financing Sources:</b>									
Appropriations Received	3,366	-	-	-	-	-	-	-	-
Appropriations Transfer In (Out)	(5)	-	-	-	-	-	-	-	-
Other Adjustments (recissions, etc.)	(78)	-	-	-	-	-	-	(1)	-
Donations and Forfeitures of Cash	-	-	-	-	-	-	-	-	-
Transfers In (Out) without Reimbursement	5	1,148	-	-	(141)	-	154	163	93
Imputed Financing from Costs Absorbed by Others	-	-	27	-	-	-	-	-	-
Other	2	-	-	-	-	-	-	-	-
Total Financing Sources	3,290	1,148	27	-	(141)	-	154	162	93
Net Cost of Operations	(3,044)	(624)	(35)	(2)	147	2	(12)	(94)	(77)
Ending Balances	\$ (205)	\$ 934	\$ 34	\$ 27	\$ 96	\$ 15	\$ 442	\$ 144	\$ 69

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of and for the year ended September 30, 2004

	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS
	Timber Salvage Sales	Fee, Operation and Maintenance of Recreation Facilities	Timber Roads, Purchaser Election	Expenses, Brush Disposal	State, Private, and International Forestry, Land and Water Conservation Fund	Federal-Aid Highways	Recreation Fee Demonstration Program	Roads and Trails for States, National Forest Fund	National Forest Fund Receipts	Reforestation Trust Fund
(In Millions)										
ASSETS										
Fund Balance with Treasury	\$ 98	\$ 93	\$ 62	\$ 56	\$ 55	\$ 33	\$ 42	\$ 26	\$ 20	\$ 26
Investments	-	-	-	-	-	-	-	-	-	-
Accounts Receivable, Net	-	1	-	-	-	12	2	-	6	-
Loans Receivable	-	-	-	-	-	-	-	-	-	-
General Property, Plant, and Equipment, Net	1	-	1	-	-	8	4	15	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>99</b>	<b>94</b>	<b>63</b>	<b>56</b>	<b>55</b>	<b>53</b>	<b>48</b>	<b>41</b>	<b>26</b>	<b>26</b>
LIABILITIES										
Accounts Payable	(1)	-	-	-	-	-	1	1	-	-
Federal Employee and Veterans Benefits	-	-	-	-	-	-	-	-	-	-
Other	5	12	-	-	3	1	3	2	27	3
<b>TOTAL LIABILITIES</b>	<b>4</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>3</b>	<b>27</b>	<b>3</b>
Total Net Position	95	82	63	56	52	52	44	38	(1)	23
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>99</b>	<b>94</b>	<b>63</b>	<b>56</b>	<b>55</b>	<b>53</b>	<b>48</b>	<b>41</b>	<b>26</b>	<b>26</b>
CHANGE IN NET POSITION										
Beginning Balances	56	82	29	35	-	48	28	38	31	25
Prior Period Adjustments	-	-	-	-	-	-	-	-	-	-
<b>Beginning Balances, as adjusted</b>	<b>56</b>	<b>82</b>	<b>29</b>	<b>35</b>	<b>-</b>	<b>48</b>	<b>28</b>	<b>38</b>	<b>31</b>	<b>25</b>
Budgetary Financing Sources:										
Appropriations Received	-	-	-	-	-	-	-	-	-	-
Appropriations Transfer In (Out)	-	-	-	-	-	-	-	-	-	-
Other Adjustments (recissions, etc.)	-	-	-	-	-	-	-	-	-	-
Donations and Forfeitures of Cash	-	-	-	-	-	-	-	-	-	-
Transfers In (Out) without Reimbursement	35	-	35	20	64	12	14	(2)	(121)	30
Imputed Financing from Costs Absorbed by Others	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Total Financing Sources</b>	<b>35</b>	<b>-</b>	<b>35</b>	<b>20</b>	<b>64</b>	<b>12</b>	<b>14</b>	<b>(2)</b>	<b>(121)</b>	<b>30</b>
Net Cost of Operations	5	-	-	2	(12)	(8)	2	2	89	(32)
<b>Ending Balances</b>	<b>\$ 96</b>	<b>\$ 82</b>	<b>\$ 64</b>	<b>\$ 57</b>	<b>\$ 52</b>	<b>\$ 52</b>	<b>\$ 44</b>	<b>\$ 38</b>	<b>\$ (1)</b>	<b>\$ 23</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of and for the year ended September 30, 2004

	FS	FS	FS	CSREES	ARS	AARC		
	Restoration of Forest Lands and Improvements	Payments to Counties, National Grasslands	Timber Sales Pipeline Restoration Fund	Native American Institutions Endowment Fund	Miscellaneous Contributed Funds	Alternative Agricultural Research and Commercialization Revolving Fund	Other	Total
<b>(In Millions)</b>								
<b>ASSETS</b>								
Fund Balance with Treasury	\$ 12	\$ 17	\$ 12	\$ 5	\$ 22	\$ -	\$ 74	\$ 4,159
Investments	-	-	-	53	-	15	4	72
Accounts Receivable, Net	8	-	-	-	-	-	6	1,556
Loans Receivable	-	-	-	-	-	-	-	-
General Property, Plant, and Equipment, Net	-	-	2	-	2	-	2	109
Other	-	-	-	-	-	-	-	566
<b>TOTAL ASSETS</b>	<b>20</b>	<b>17</b>	<b>14</b>	<b>58</b>	<b>24</b>	<b>15</b>	<b>86</b>	<b>6,462</b>
<b>LIABILITIES</b>								
Accounts Payable	-	-	-	-	-	-	-	87
Federal Employee and Veterans Benefits	-	-	-	-	-	-	9	44
Other	-	18	1	-	1	-	20	4,084
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>18</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>29</b>	<b>4,215</b>
Total Net Position	20	(1)	13	58	23	15	57	2,247
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>20</b>	<b>17</b>	<b>14</b>	<b>58</b>	<b>24</b>	<b>15</b>	<b>86</b>	<b>6,462</b>
<b>CHANGE IN NET POSITION</b>								
Beginning Balances	7	(1)	11	48	29	16	99	1,143
Prior Period Adjustments	-	-	-	-	-	-	-	-
Beginning Balances, as adjusted	<u>7</u>	<u>(1)</u>	<u>11</u>	<u>48</u>	<u>29</u>	<u>16</u>	<u>99</u>	<u>1,143</u>
<b>Budgetary Financing Sources:</b>								
Appropriations Received	-	-	-	-	-	-	1	3,367
Appropriations Transfer In (Out)	-	-	-	-	-	-	-	(5)
Other Adjustments (recissions, etc.)	-	-	-	-	-	(1)	-	(80)
Donations and Forfeitures of Cash	-	-	-	-	-	-	1	1
Transfers In (Out) without Reimbursement	-	(6)	5	-	-	-	(47)	1,461
Imputed Financing from Costs Absorbed by Others	-	-	-	-	-	-	10	37
Other	-	-	-	-	-	-	-	2
<b>Total Financing Sources</b>	<b>-</b>	<b>(6)</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(35)</b>	<b>4,783</b>
Net Cost of Operations	13	6	(3)	10	(6)	-	(7)	(3,678)
<b>Ending Balances</b>	<b>\$ 20</b>	<b>\$ (1)</b>	<b>\$ 13</b>	<b>\$ 58</b>	<b>\$ 23</b>	<b>\$ 15</b>	<b>\$ 57</b>	<b>\$ 2,248</b>

## REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

USDA has stewardship responsibility for certain resources entrusted to it that do not meet the criteria for recognition in the financial statements. Information about these resources is important to understanding USDA’s mission, operations, and financial condition at the date of the financial statements and in subsequent periods. 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, Stewardship Property, Plant and Equipment and Stewardship Investments as follows:

### STEWARDSHIP PROPERTY, PLANT AND EQUIPMENT

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

#### Heritage Assets

Category	FY 2004 (Sites)	Condition
Total Heritage Assets	318,259	Poor to Fair
Eligible for the National Register of Historic Places	57,925	Poor to Fair
Listed on the National Register	3,397	Fair
Sites with Structures Listed on the National Register	1,874	Poor to Fair
National Historic Landmarks	19	Fair to Good

The FS estimates that more than 320,000 heritage assets are on land that it manages. Assets held at museums and universities are managed by those entities. This information was estimated from the nine FS regions and annual 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 FS heritage resource specialists on the 155 national forests maintain separate inventories of heritage assets. Most assets not used for administrative or public purposes receive no annual maintenance. A long-term methodology to better assess the extent and condition of these assets is being formulated to comply with Executive Order 13287, Preserve America. A module in the agency’s Real Property Management Infrastructure System (INFRA) has been developed and implemented for heritage assets. The Healthy Forests Initiative and competing budget priorities, however, have prevented full population of the database. Heritage assets include the following:

#### Historic Structures

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

**National Historic Landmarks**

Includes sites, buildings, or structures that possess exceptional value in commemorating or illustrating the history of the United States, 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.

**Acquisition and Withdrawal of Heritage Assets**

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

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

**Stewardship Land**

The acquisition cost of stewardship land in FY 2005 and FY 2004 was \$246 million and \$113 million, respectively.

Description	FY 2005 Balance	Additions (+)	Withdrawals (-)	FY 2004 Balance
<b>National Forest System Land (In acres):</b>				
National Forests	144,460,314	383,523	-	144,076,791
National Forests Wilderness Areas	34,957,078	3,708	-	34,953,370
National Forests Primitive Areas	173,762	-	-	173,762
National Wild and Scenic River Areas	930,633	-	(20,273)	950,906
National Recreation Areas	2,818,268	-	(92,971)	2,911,239
National Scenic-Research Areas	137,290	160	-	137,130
National Game Refuges and Wildlife Preserve Areas	1,198,099	-	-	1,198,099
National Monument Areas	3,834,041	100	-	3,833,941
National Grasslands	3,838,166	-	(1,377)	3,839,543
Purchase Units	370,031	5	-	370,026
Land Utilization Projects	1,876	-	-	1,876
Other Areas	509,857	59,229	(9)	450,637
<b>Total National Forest System Land</b>	<b>193,229,415</b>	<b>446,725</b>	<b>(114,630)</b>	<b>192,897,320</b>
<b>Conservation Easements (In acres):</b>				
<b>Natural Resources Conservation Service</b>				
Wetlands Reserve Program	1,396,369	134,250	-	1,262,119
Grassland Reserve Program	13,712	13,712	-	-
Emergency Wetlands Reserve Program	92,159	-	-	92,159
Emergency Watershed Protection Program	94,349	250	-	94,099
<b>Total Conservation Easements</b>	<b>1,596,589</b>	<b>148,212</b>	<b>-</b>	<b>1,448,377</b>
Description	FY 2004 Balance	Additions (+)	Withdrawals (-)	FY 2003 Balance
<b>National Forest System Land (In acres):</b>				
National Forests	144,076,791	233,515	-	143,843,276
National Forests Wilderness Areas	34,953,370	124,868	-	34,828,502
National Forests Primitive Areas	173,762	-	-	173,762
National Wild and Scenic River Areas	950,906	2,907	-	947,999
National Recreation Areas	2,911,239	-	-	2,911,239
National Scenic-Research Areas	137,130	58	-	137,072
National Game Refuges and Wildlife Preserve Areas	1,198,099	-	-	1,198,099
National Monument Areas	3,833,941	-	-	3,833,941
National Grasslands	3,839,543	376	-	3,839,167
Purchase Units	370,026	10,675	-	359,351
Land Utilization Projects	1,876	-	-	1,876
Other Areas	450,637	236	-	450,401
<b>Total National Forest System Land</b>	<b>192,897,320</b>	<b>372,635</b>	<b>-</b>	<b>192,524,685</b>
<b>Conservation Easements (In acres):</b>				
<b>Natural Resources Conservation Service</b>				
Wetlands Reserve Program	1,262,119	162,784	-	1,099,335
Emergency Wetlands Reserve Program	92,159	-	-	92,159
Emergency Watershed Protection Program	94,099	-	-	94,099
<b>Total Conservation Easements</b>	<b>1,448,377</b>	<b>162,784</b>	<b>-</b>	<b>1,285,593</b>

## 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:

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

### National Grasslands

A unit designated by the Secretary of Agriculture and permanently held by the USDA under Title III of the Bankhead-Jones Farm Tenant 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 and Research and Experimentation Areas

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 45 States covering 77 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 193 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 1.5 million acres in fiscal year 2005 and another .4 million acres were treated to reduce risk from fire, improve wildlife habitat and prevent insect outbreaks for a total of 1.9 million acres of NFS lands. Insect and disease prevention and suppression treatments were completed on 1.7 million acres of NFS lands.

### 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.

### **Grassland Reserve Program**

The Grassland Reserve Program (GRP) is a voluntary program that helps landowners and operators restore and protect grassland, including rangeland, pastureland, and certain other lands, while maintaining the land's suitability for grazing. The emphasis of the program is to support grazing operations, plant and animal biodiversity, and grassland and land containing shrubs or forbs under the greatest threat of conversion. The program is jointly administered by the Natural Resources Conservation Service (NRCS) and the Farm Service Agency (FSA). NRCS has the lead responsibility on technical issues and easement administration. FSA has the lead responsibility for rental agreement administration and financial activities.

Land is eligible if it is privately owned or tribal land and it is: 1) grassland that contains forbs or shrubs (including rangeland and pastureland); or 2) located in an area that has been historically dominated by grassland, forbs, or shrubs; and has potential to provide habitat for animal or plant populations of significant ecological value if the land is retained in the current use; or restored to a natural condition. Incidental lands may be included to allow for the efficient administration of an agreement or easement.

Participants have the opportunity to enroll acreage in rental agreements with varying lengths or long-term or permanent easements. With both easements and rental agreements, participants have the opportunity to utilize common management practices to maintain the viability of the grassland acreage. GRP participants are required to follow a conservation plan on all acres enrolled in the program.

Enrollment options permit grazing on the land in a manner that is consistent with maintaining the viability of the natural grasses, shrubs, and forbs. Haying, mowing, or harvesting for seed production is also permitted except during the nesting seasons for birds in the area that are in significant decline.

The various enrollment options are as follows:

- 10-year, 15-year, 20-year or 30-year rental agreements: Rental payment amounts will not exceed 75 percent of the grazing value for the length of the agreement. Rental payments are paid annually after the anniversary date of the agreement. Local grazing values are determined on a per county basis based on soil productivity and posted in USDA Service Centers. Payment rates are evaluated locally to determine whether the rates generally reflect local prevailing rental rates.
- Permanent easements: Easement duration is in perpetuity. Participants are provided an easement payment after the easement is filed. Easement payment amounts are based on the current market value of the land less the grazing value of the land encumbered by the easement. Land values are determined through a site specific appraisal.
- 30-year easements or easements for the maximum duration permitted based on State law: Participants are provided an easement payment that is 30 percent of the amount determined for a permanent easement.

For all easement options, the CCC pays for all the overhead costs associated with recording the easement in the local land records office including recording fees, charges for abstracts, surveys, appraisal fees, and title insurance. If NRCS and the landowner determine that restoration is necessary to return the vegetation to a desired condition, cost-share assistance is available. Participants may receive up to 90 percent of the cost of carrying out measures and practices on lands that have never been cultivated and not more than 75 percent of the cost on land that has been cultivated.

#### **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**

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.

**Stewardship Investments** (in millions)

	FY 2005 Expense	FY 2004 Expense	FY 2003 Expense	FY 2002 Expense	FY 2001 Expense
<b>Non-Federal Physical Property:</b>					
Food and Nutrition Service					
Food Stamp Program	\$ 22	\$ 36	\$ 39	\$ -	\$ 41
Special Supplemental Nutrition Program	17	8	16	-	18
Cooperative State Research, Education, and Extension Service					
Extension 1890 Facilities Program	17	15	15	14	12
<b>Total Non-Federal Property</b>	<b>\$ 56</b>	<b>\$ 59</b>	<b>\$ 70</b>	<b>\$ 14</b>	<b>\$ 71</b>
<b>Human Capital:</b>					
Cooperative State Research, Education, and Extension Service					
Higher Education and Extension Programs	\$ 507	\$ 502	\$ 511	\$ 532	\$ 479
Food and Nutrition Service					
Food Stamp Program	49	75	99	-	57
Forest Service					
Job Corps Program	161	106	118	104	101
Agricultural Research Service					
National Agricultural Library	21	21	21	20	21
Risk Management Agency					
Risk Management Education	10	7	4	-	-
<b>Total Human Capital</b>	<b>\$ 748</b>	<b>\$ 711</b>	<b>\$ 753</b>	<b>\$ 656</b>	<b>\$ 658</b>
<b>Research and Development:</b>					
Agricultural Research Service					
Plant Sciences	\$ -	\$ -	\$ 394	\$ 384	\$ 324
Commodity Conversion and Delivery	-	-	185	182	194
Animal Sciences	-	-	194	102	146
Soil, Water, and Air Sciences	-	-	110	100	98
Human Nutrition	84	83	78	80	77
Integration of Agricultural Systems	-	-	43	40	34
Collaborative Research Program	6	5	6	11	11
Product Quality/Value Added	105	104	-	-	-
Livestock Production	84	82	-	-	-
Crop Production	197	194	-	-	-
Food Safety	103	96	-	-	-
Livestock Protection	78	64	-	-	-
Crop Protection	193	183	-	-	-
Environmental Stewardship	219	216	-	-	-
Homeland Security	-	21	-	-	-
Cooperative State Research, Education, and Extension Service					
Land-grant University System	645	610	601	542	495
Forest Service	295	312	233	227	200
Economic Research Service					
Economic and Social Science	74	71	69	67	66
National Agricultural Statistics Service					
Statistical	5	5	5	5	4
<b>Total Research and Development</b>	<b>\$ 2,088</b>	<b>\$ 2,046</b>	<b>\$ 1,918</b>	<b>\$ 1,740</b>	<b>\$ 1,649</b>

## 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' financial 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, a resident instruction grant program for insular areas, 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 to food stamp eligibility.

Outcome data for the E&T program is only available through the third quarter. As of this period, FNS' E&T program has placed 839,218 work registrants subject to the 3 - month Food Stamp Program participant limit and 1,207,295 work registrants not subject to the limit in either job-search, job-training, job-workfare, education, or work experience.

### Forest Service

The FS' Job Corps Civilian Conservation (Job Corps) Centers, in coordination with the Department of Interior (DOI) National Parks Service, Fish and Wildlife Service, and Bureau of Reclamation, continued "Empowering Youth and Enhancing Communities and Natural Resources."

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

Job Corps is funded from DOL annually on a program year; the fiscal year is July 1 to June 30. During Job Corps' FY 2005, accomplishments included the following:

- 8,889 participants received 4,441 placements with an average starting hourly wage of 43 cents more than the DOL national average.
- Approximately 1,500 female students received training in nontraditional vocations.
- 482 students received high school diplomas, and 1,934 students obtained general equivalency diplomas.
- Approximately 1,100 Job Corps students and staff assisted the agency in its firefighting efforts.
- Students accomplished conservation work on NFS lands appraised at \$20.3 million.

Since 1964, the FS' Job Corps Centers have trained and educated more than 300,000 young men and women.

On January 10, 2005 the agency successfully transferred the Mingo Job Corps Center from DOI Fish and Wildlife Service to the USDA Forest Service.

### **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 Federal Agricultural Improvement and Reform Act of 1996, the FCIC has formed new partnerships with the 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 Risk Management Education Summit that raised awareness of the tools and resources needed by farmers and ranchers to manage their risks. RMA has built on this foundation since 2003 by expanding State and Regional education partnerships; encouraging the development of information and technology decision aids; supporting the National Future Farmers of America (FFA) foundation with an annual essay contest; facilitating local training workshops; and supporting Cooperative Agreements with Educational and outreach organizations.

During fiscal years 2005 and 2004, the RME worked toward the goals by funding risk management sessions, most of which targeted producers directly. The number of producers reached through these sessions is approximately 47,000 in fiscal year 2005 and 46,000 in fiscal year 2004. Additionally, some training sessions helped those who work with producers, such as lenders, agricultural educators, and crop insurance agents, better understand those areas of risk management with which they may be unfamiliar. Total RME obligations incurred by the FCIC were approximately \$9.4 million for fiscal year 2005 and \$9.8 million for fiscal year 2004. The following table summarizes the RME initiatives since fiscal year 2001:

(dollars in millions)		2005	2004	2003	2002	2001
RME Obligations	\$	9.4	10	9	6	5
Number of producers attending RME sessions		47,000	46,000	62,000	50,000	50,000

One of the directives of the Agricultural Risk Protection Act (ARPA) is to step up the FCIC’s educational and outreach efforts in certain areas of the country that have been 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

The ARS mission is to conduct research to develop and transfer solutions to agricultural problems of high national priority and provide information access and dissemination to: ensure high quality, safe food, and other agricultural products; assess the nutritional needs of Americans; sustain a competitive agricultural economy; enhance the natural resource base and the environment; and provide economic opportunities for rural citizens, communities, and society as a whole.

ARS has five strategic goals and two major management initiatives (i.e., NAL and Buildings and Facilities).

**GOAL 1: Enhance Economic Opportunities for Agricultural Producers.** Under this goal research focuses on:

- **Product Quality/Value Added**—New products, new uses, and value-added processes that appeal to consumers will create additional demand-driven need for agricultural production, thus providing more opportunities for agricultural producers and businesses. Biobased technologies promise new opportunities for energy, industrial, and pharmacological markets for U.S. farmers. New markets are emerging for environmental activities and products that mitigate environmental concerns.
- **Livestock Production**—Intense competition in global markets emphasizes the need for American agriculture to pursue and market higher value animal products. Research must respond to consumer demands for more healthful and safe products to ensure a sustainable and profitable livestock production system that produces affordable value-added food, fiber, and industrial products. These superior technologies must effectively differentiate U.S. agricultural products from competing sources, and provide customers with value-added processes that enhance product quality.
- **Crop Production**—ARS will develop and disseminate science-based information to provide U.S. crop producers with increased flexibility to effectively manage unforeseen risks that impact profitability and product quality. U.S. agricultural production and marketability is constantly influenced by factors such as unpredictable weather, disease and pest outbreaks, and changing consumer demands. Use of genetically diverse germplasm resource collections and best management practices require research that helps improve production efficiency and productivity through the development of pest resistant varieties and information to facilitate decision-making.

**GOAL 2: Support Increased Economic Opportunities and Improved Quality of Life in Rural America.**

While ARS research has a positive impact on rural America, most of its research programs are organized around the other four programmatic strategic goals detailed here.

**GOAL 3: Enhance Protection and Safety of the Nation’s Agriculture and Food Supply.** Under this goal research focuses on:

- **Food Safety**—For the Nation to have affordable and safe food, the food system must be protected at each step from production to consumption. The production and distribution system for food in the United States has been a diverse, extensive, and easily accessible system. This open system is vulnerable to introduction of pathogens and toxins through natural processes, global commerce, and by intentional means. Thus, the food supply must be protected during production, processing, and preparation from pathogens, toxins, and chemical contamination that cause disease in humans.
- **Livestock Protection**—Economic sustainability of livestock production systems in both domestic and global markets is limited by the disease status of the animals. Many factors affect the likelihood of diseases in livestock. These include globalization and international commerce, presence of pathogen vectors, industrialization of agriculture, availability of vaccines and protection systems, movements of animals during production, continued emergence of new diseases, genetic resistance, and the availability of trained animal health specialists. Livestock production systems are in transition from open and extensive systems to more closely monitored intensive management systems which remain vulnerable to accidental and intentional exposure to pathogens. Many of these pathogens are zoonotic and impact public health.
- **Crop Protection**—Economic sustainability of agricultural crop production in both domestic and global markets is limited by the disease status of crops. Many factors affect the likelihood of



diseases to crops including, globalization and international commerce, presence of pathogen vectors, availability of protection systems, continued emergence of new diseases, genetic resistance of crops, and the availability of trained plant health specialists. Crop systems have limited diversity and will remain extensive and thereby more vulnerable to intentional exposure to pathogens.

**GOAL 4: Improve the Nation’s Nutrition and Health.** Under this goal research focuses on:

- **Human Nutrition:** Improving the Nation’s health requires enhancing the quality of the American diet. The United States is experiencing an obesity epidemic resulting from multifaceted causes including a “more is better” mindset, a sedentary lifestyle, and the selection of readily available high calorie foods. In addition, four of the top ten causes of death in the United States - cardiovascular disease, cancer, stroke, and diabetes - are associated with the quality of our diets - diets too high in calories, total fat, saturated fat, cholesterol, or too low in fiber. Americans want fresh foods that taste good, are convenient to prepare and consume, and yet, offer nutrition and health benefits. Building a strong connection between agriculture and human health is an important step to providing a nutritionally enhanced food supply. Promoting healthier food choices and educating Americans to balance caloric intake with sufficient daily physical activity are vital steps to preventing obesity and decreasing risk for chronic disease.

**GOAL 5: Protect and Enhance the Nation’s Natural Resource Base and Environment.** Under this goal research focuses on:

- **Environmental Stewardship**—Agriculture relies on a natural resource base whose sustainability depends on sound, science-based production practices. The management of our renewable natural resources often seems to be a continuous balancing of conflicting and competing goals and concerns. While this is often the case, particularly in the short-term, longer-term management strategies combined with adequate knowledge of the complex natural systems can yield maximum sustainable benefits from our resources that can satisfy most competing concerns. The outcome will be technology and practices that will mitigate the adverse impact of agriculture on the environment, moderate the build up of greenhouse gasses that may contribute to climate change, and remove the necessity of farming environmentally sensitive marginal lands.

**Management Initiative:** Provide Agricultural Library and Information Services to USDA and the Nation via the National Agricultural Library.

The National Agricultural Library (NAL), the world’s primary agricultural library, has two legislative mandates, to serve the Nation as one of four national libraries of the United States, and to be USDA’s library. NAL, whose vision statement is “advancing access to global information for agriculture,” serves its customers by identifying, collecting, providing access to, and preserving agricultural information. NAL’s collections, programs, and services support USDA agencies as well as multiple client audiences which include scientists, researchers, practitioners, policy-makers, teachers, and students. The Library’s program is organized to provide three kinds of services:

- **Access to Information**—Reference and research services, many Web-based; specialized information centers in Animal Welfare, Food, Nutrition and Food Safety, Alternative Farming, Water Quality, Technology Transfer, and Rural Revitalization; management of NAL collections including



Special Collections (responsible for rare and historical publications); document delivery services; desktop access for USDA staff to electronic information via the USDA Digital Desktop Library (DigiTop) initiative; leadership of the AgNIC (Agricultural Network Information Center) Alliance, an international partnership which provides collaboration access to agricultural information via the Web, and the [www.invasivespecies.gov](http://www.invasivespecies.gov), [www.nutrition.gov](http://www.nutrition.gov) and [www.science.gov](http://www.science.gov) Federal interagency Web portals.

- **Information Management**—Production of the AGRICOLA database; selection and acquisition of printed and electronic publications for the NAL collections and the USDA Digital Desktop Library (DigiTop) initiative; production of the NAL Thesaurus; and development and promulgation of standards for the creation, organization, and maintenance of computerized bibliographic data.
- **Information Systems**—Information technology support for the Library’s programs and services; preservation of digital publications; and digitization of printed materials.

**Management Initiative:** Facilities

- ARS’ Facilities program is designed to meet the needs of its scientists and support personnel to accomplish the agency’s mission.
- ARS has over 100 laboratories, primarily located throughout the United States. The agency is in the process of modernizing and upgrading selected laboratories, many of which are badly outdated and no longer meet ARS’ requirements.

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

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

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

A representative summary of FY 2005 accomplishments include the following:

- 63 new interagency agreements and contracts

- 93 interagency agreements and contracts continued
- 1,320 articles published in journals
- 1,779 articles published in all other publications
- 1 patents granted
- 16 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

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF BUDGETARY RESOURCES

FY 2005	FSA		CCC		FAS	RMA	FNS	FSIS	AMS	APHIS
	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary
Budgetary Resources:										
Budget Authority:										
Appropriations Received	\$ 1,736	\$ -	\$ 15,444	\$ -	\$ 316	\$ 2,314	\$ 47,398	\$ 827	\$ 6,267	\$ 1,179
Borrowing Authority (Note 19 & 20)	-	1,723	45,357	688	-	-	-	-	-	-
Contract Authority	-	-	-	-	-	-	-	-	-	-
Net Transfers	50	-	(2,171)	-	13	(1)	5,168	-	(5,139)	169
Other	-	-	-	-	-	-	-	-	-	-
Unobligated Balances:										
Beginning of Period (Note 21)	246	1,868	1,197	2,643	37	2,060	7,768	54	517	366
Net Transfers, Actual	-	-	(665)	-	-	-	-	-	-	(208)
Anticipated Transfers Balances	-	-	-	-	-	-	-	-	-	-
Spending Authority From Offsetting Collections:										
Earned	-	-	-	-	-	-	-	-	-	-
Collected	1,016	1,535	17,267	1,769	97	1,236	80	110	59	81
Receivable from Federal Sources	13	-	(158)	(113)	(24)	-	-	6	(2)	17
Change in Unfilled Customer Orders	-	-	-	-	-	-	-	-	-	-
Advance Received	3	(3)	(1,391)	3	-	-	-	2	-	-
Without Advance from Federal Sources	-	-	-	(4)	-	-	-	-	-	-
Anticipated for the Rest of Year, Without Advances	-	-	-	-	-	-	-	-	-	-
Previously unavailable	-	-	-	-	-	-	-	-	-	-
Transfers from Trust Funds	-	-	899	-	-	-	-	-	-	-
Recoveries of Prior Year Obligations	70	70	2,837	3	761	5	391	247	10	269
Temporarily not Available Pursuant to Public Law	-	-	-	-	-	-	-	-	-	-
<b>Permanently not Available</b>	(655)	(1,368)	(33,582)	(735)	(3)	(2)	(2,511)	(17)	(164)	(8)
<b>Total Budgetary Resources</b>	<u>2,479</u>	<u>3,825</u>	<u>45,034</u>	<u>4,254</u>	<u>1,197</u>	<u>5,612</u>	<u>58,294</u>	<u>1,229</u>	<u>1,548</u>	<u>1,865</u>
Status of Budgetary Resources:										
Obligations Incurred (Note 18):										
Direct	1,714	1,678	2,954	1,556	926	4,255	51,157	1,053	1,115	1,305
Reimbursable	419	-	40,784	-	97	-	28	104	56	245
Unobligated Balance:	-	-	-	-	-	-	-	-	-	-
Apportioned	176	1,692	333	2,523	76	1,355	526	42	49	274
Exempt from Apportionment	-	-	872	5	1	-	-	2	343	12
Other Available	-	-	-	-	-	-	-	-	-	-
<b>Unobligated Balance not Available</b>	166	454	97	170	98	2	6,582	28	(14)	29
<b>Total Status of Budgetary Resources</b>	<u>2,475</u>	<u>3,824</u>	<u>45,040</u>	<u>4,254</u>	<u>1,198</u>	<u>5,612</u>	<u>58,293</u>	<u>1,229</u>	<u>1,549</u>	<u>1,865</u>
Relationship of Obligations to Outlays:										
Obligated Balance, Net, Beginning of Period (Note 21)	200	436	5,596	(229)	73	204	3,048	101	93	435
Obligated Balance, Transferred, Net	-	-	(216)	-	-	-	-	-	-	-
Obligations Incurred	2,133	1,678	43,738	1,556	1,023	4,255	51,185	1,157	1,171	1,550
Less:										
Recoveries of Prior Year Obligations	70	70	2,837	3	761	5	391	247	10	269
Change from Federal Sources	13	-	(158)	(117)	(24)	-	-	6	(2)	17
Obligated Balance, Net, End of Period:										
Accounts Receivable	(21)	-	(1,221)	(205)	(29)	-	-	(27)	(6)	(43)
Unfilled Customer Orders from Federal Sources	(10)	(11)	-	-	-	-	-	-	-	-
Undelivered Orders	129	183	1,661	48	87	80	700	91	99	463
Accounts Payable	68	314	7,988	1	19	188	3,240	18	26	60
<b>Total Obligated Balance, Net, End of Period</b>	<u>166</u>	<u>486</u>	<u>8,428</u>	<u>(156)</u>	<u>77</u>	<u>268</u>	<u>3,940</u>	<u>82</u>	<u>119</u>	<u>480</u>
Disbursements	2,079	1,564	38,011	1,591	281	4,186	49,902	923	1,137	1,218
Collected and Advances Received	(1,015)	(1,536)	(16,780)	(1,768)	(97)	(1,236)	(79)	(112)	(59)	(81)
Outlays	1,064	28	21,231	(177)	184	2,950	49,823	811	1,078	1,137
Less: Offsetting Receipts	322	-	1	72	-	-	-	3	122	15
<b>Net Outlays</b>	<u>\$ 742</u>	<u>\$ 28</u>	<u>\$ 21,230</u>	<u>\$ (895)</u>	<u>\$ 184</u>	<u>\$ 2,950</u>	<u>\$ 49,823</u>	<u>\$ 808</u>	<u>\$ 956</u>	<u>\$ 1,122</u>

REQUIRED SUPPLEMENTARY INFORMATION

FY2005	GIPSA	FS	NRCS	ARS	CSREES	ERS	NASS	RD		DO	TOTAL	
	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Budgetary	Non-Budgetary Financing Accounts
Budgetary Resources:												
Budget Authority:												
Appropriations Received	\$ 37	\$ 5,812	\$ 1,354	\$ 1,314	\$ 1,195	\$ 75	\$ 130	\$ 2,997	\$ -	\$ 545	\$ 88,940	\$ -
Borrowing Authority (Note 19 & 20)	-	-	-	-	-	-	-	-	8,475	-	45,357	10,886
Contract Authority	-	-	-	-	-	-	-	-	-	-	-	-
Net Transfers	-	50	1,813	6	5	-	-	1	-	1	(35)	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Unobligated Balances:												
Beginning of Period (Note 21)	7	1,738	313	342	148	2	5	3,751	1,814	205	18,756	6,325
Net Transfers, Actual	-	1	-	-	-	-	-	-	-	-	(872)	-
Anticipated Transfers Balances	-	-	-	-	-	-	-	-	-	-	-	-
Spending Authority From Offsetting Collections:												
Earned												
Collected	36	448	1,637	67	30	1	23	4,737	5,272	535	27,460	8,576
Receivable from Federal Sources	1	13	45	(1)	(7)	-	2	19	-	76	-	(113)
Change in Unfilled Customer Orders	-	-	-	-	-	-	-	-	-	-	-	-
Advance Received	-	3	-	-	-	-	-	-	-	-	(1,383)	-
Without Advance from Federal Sources	-	75	-	4	(7)	-	(3)	-	6	(54)	15	2
Anticipated for the Rest of Year, Without Advances	-	-	-	-	-	-	-	-	-	-	-	-
Previously unavailable	-	-	-	-	-	-	-	-	-	-	-	-
Transfers from Trust Funds	-	-	-	-	-	-	-	-	-	-	899	-
Recoveries of Prior Year Obligations	11	169	464	265	350	28	22	273	486	71	6,243	559
Temporarily not Available Pursuant to Public Law	-	-	-	-	-	-	-	-	-	-	-	-
<b>Permanently not Available</b>	<b>(1)</b>	<b>(67)</b>	<b>(9)</b>	<b>(14)</b>	<b>(16)</b>	<b>(2)</b>	<b>(1)</b>	<b>(2,812)</b>	<b>(2,808)</b>	<b>(7)</b>	<b>(39,871)</b>	<b>(4,911)</b>
<b>Total Budgetary Resources</b>	<b>91</b>	<b>8,242</b>	<b>5,617</b>	<b>1,983</b>	<b>1,698</b>	<b>104</b>	<b>178</b>	<b>8,966</b>	<b>13,245</b>	<b>1,372</b>	<b>145,509</b>	<b>21,324</b>
Status of Budgetary Resources:												
Obligations Incurred (Note 18):												
Direct	47	5,545	5,011	1,478	1,511	101	150	3,949	11,262	608	82,879	14,496
Reimbursable	37	264	139	94	58	2	22	520	-	591	43,460	-
Unobligated Balance:												
Apportioned	5	1,804	306	395	101	-	3	362	1,457	112	5,919	5,672
Exempt from Apportionment	-	-	4	11	14	-	-	-	-	3	1,262	5
Other Available	-	-	-	-	-	-	-	-	-	-	-	-
<b>Unobligated Balance not Available</b>	<b>3</b>	<b>625</b>	<b>158</b>	<b>5</b>	<b>13</b>	<b>1</b>	<b>2</b>	<b>4,136</b>	<b>527</b>	<b>58</b>	<b>11,989</b>	<b>1,151</b>
<b>Total Status of Budgetary Resources</b>	<b>92</b>	<b>8,238</b>	<b>5,618</b>	<b>1,983</b>	<b>1,697</b>	<b>104</b>	<b>177</b>	<b>8,967</b>	<b>13,246</b>	<b>1,372</b>	<b>145,509</b>	<b>21,324</b>
Relationship of Obligations to Outlays:												
Obligated Balance, Net, Beginning of Period (Note 21)	9	1,493	1,437	476	1,192	29	15	6,527	16,929	82	21,010	17,136
Obligated Balance, Transferred, Net	-	-	216	-	-	-	-	-	-	-	-	-
Obligations Incurred	84	5,809	5,150	1,572	1,569	103	172	4,469	11,262	1,199	126,339	14,496
Less:												
Recoveries of Prior Year Obligations	11	169	464	265	350	28	22	273	486	71	6,243	559
Change from Federal Sources	1	88	45	3	(14)	-	(1)	19	6	22	15	(111)
Obligated Balance, Net, End of Period:												
Accounts Receivable	(6)	(226)	(99)	(39)	(9)	(2)	(6)	(97)	-	(147)	(1,978)	(205)
Unfilled Customer Orders from Federal Sources	-	(192)	(1)	(38)	(57)	-	(3)	-	(624)	(127)	(428)	(635)
Undelivered Orders	5	1,226	3,506	462	1,329	24	18	5,852	18,485	250	15,982	18,716
Accounts Payable	8	752	160	58	5	5	7	268	11	109	12,979	326
<b>Total Obligated Balance, Net, End of Period</b>	<b>7</b>	<b>1,560</b>	<b>3,566</b>	<b>443</b>	<b>1,268</b>	<b>27</b>	<b>16</b>	<b>6,023</b>	<b>17,872</b>	<b>85</b>	<b>26,555</b>	<b>18,202</b>
Disbursements	74	5,489	2,728	1,338	1,157	76	152	4,681	9,827	1,104	114,536	12,982
Collected and Advances Received	(36)	(451)	(1,637)	(67)	(30)	(1)	(23)	(4,737)	(5,272)	(535)	(26,976)	(8,576)
Outlays	38	5,038	1,091	1,271	1,127	75	129	(56)	4,555	569	87,560	4,406
Less: Offsetting Receipts	-	426	-	15	3	-	-	538	-	-	1,445	722
<b>Net Outlays</b>	<b>\$ 38</b>	<b>\$ 4,612</b>	<b>\$ 1,091</b>	<b>\$ 1,256</b>	<b>\$ 1,124</b>	<b>\$ 75</b>	<b>\$ 129</b>	<b>\$ (594)</b>	<b>\$ 4,555</b>	<b>\$ 569</b>	<b>\$ 86,115</b>	<b>\$ 3,684</b>

REQUIRED SUPPLEMENTARY INFORMATION

FY 2004	FSA		CCC		FAS	RMA	FNS	FSIS	AMS
	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary
<b>Budgetary Resources:</b>									
Budget Authority:									
Appropriations Received	\$ 1,514	\$ -	\$ 24,941	\$ -	\$ 273	\$ 3,438	\$ 42,592	\$ 788	\$ 6,141
Borrowing Authority (Note 19 & 20)	-	2,184	29,004	693	-	-	-	-	-
Contract Authority	-	-	-	-	-	-	-	-	-
Net Transfers	(6)	-	(1,781)	-	15	-	4,715	(1)	(4,779)
Other	-	-	-	-	-	-	-	-	-
Unobligated Balances:									
Beginning of Period (Note 21)	173	2,315	1,340	2,095	61	1,857	8,077	65	245
Net Transfers, Actual	-	-	(2)	-	-	-	-	-	-
Anticipated Transfers Balances	-	-	-	-	-	-	-	-	-
Spending Authority From Offsetting Collections:									
Earned	-	-	-	-	-	-	-	-	-
Collected	1,169	1,485	13,931	1,090	55	928	84	124	48
Receivable from Federal Sources	(4)	-	(669)	150	19	-	-	(2)	-
Change in Unfilled Customer Orders	-	-	-	-	-	-	-	-	-
Advance Received	-	-	942	-	-	-	2	-	-
Without Advance from Federal Sources	(3)	(1)	-	-	-	-	-	-	-
Anticipated for the Rest of Year, Without Advances	-	-	-	-	-	-	-	-	-
Previously unavailable	-	-	-	-	-	-	-	-	-
Transfers from Trust Funds	-	-	-	-	-	-	-	-	-
Recoveries of Prior Year Obligations	112	79	1,848	12	357	10	468	93	24
Temporarily not Available Pursuant to Public Law	-	-	-	-	-	-	-	-	-
Permanently not Available	(728)	(1,906)	(40,856)	(123)	(2)	(2)	(2,369)	(21)	(2)
<b>Total Budgetary Resources</b>	<b>\$ 2,227</b>	<b>\$ 4,156</b>	<b>\$ 28,698</b>	<b>\$ 3,917</b>	<b>\$ 778</b>	<b>\$ 6,231</b>	<b>\$ 53,569</b>	<b>\$ 1,046</b>	<b>\$ 1,677</b>
<b>Status of Budgetary Resources:</b>									
Obligations Incurred (Note 18):									
Direct	\$ 1,578	\$ 2,289	\$ 2,431	\$ 1,274	\$ 654	\$ 4,171	\$ 45,783	\$ 847	\$ 1,111
Reimbursable	406	-	25,070	-	88	-	19	145	50
Unobligated Balance:									
Apportioned	66	1,861	813	2,627	13	2,057	619	-	17
Exempt from Apportionment	-	-	1	6	2	-	-	1	500
Other Available	-	-	-	-	-	-	-	-	-
Unobligated Balance not Available	178	7	382	10	23	3	7,149	54	-
<b>Total Status of Budgetary Resources</b>	<b>\$ 2,228</b>	<b>\$ 4,157</b>	<b>\$ 28,697</b>	<b>\$ 3,917</b>	<b>\$ 780</b>	<b>\$ 6,231</b>	<b>\$ 53,570</b>	<b>\$ 1,047</b>	<b>\$ 1,678</b>
<b>Relationship of Obligations to Outlays:</b>									
Obligated Balance, Net, Beginning of Period (Note 21)	\$ 263	\$ 512	\$ 5,789	\$ (30)	\$ 137	\$ 240	\$ 2,796	\$ 88	\$ 82
Obligated Balance, Transferred, Net	-	-	-	-	-	-	-	-	-
Obligations Incurred	1,984	2,289	27,501	1,274	742	4,171	45,801	993	1,161
Less:									
Recoveries of Prior Year Obligations	112	79	1,848	12	357	10	468	93	24
Change from Federal Sources	(7)	(1)	(669)	150	19	-	-	(2)	-
Obligated Balance, Net, End of Period:									
Accounts Receivable	(6)	-	(1,379)	(316)	(52)	-	-	(22)	(8)
Unfilled Customer Orders from Federal Sources	(5)	(16)	-	-	-	-	-	-	-
Undelivered Orders	160	101	1,885	87	115	75	532	92	79
Accounts Payable	50	351	5,090	1	11	129	2,517	31	22
<b>Total Obligated Balance, Net, End of Period</b>	<b>\$ 199</b>	<b>\$ 436</b>	<b>\$ 5,596</b>	<b>\$ (228)</b>	<b>\$ 74</b>	<b>\$ 204</b>	<b>\$ 3,049</b>	<b>\$ 101</b>	<b>\$ 93</b>
Disbursements	\$ 1,942	\$ 2,286	\$ 26,515	\$ 1,311	\$ 429	\$ 4,197	\$ 45,081	\$ 888	\$ 1,126
Collected and Advances Received	(1,169)	(1,485)	(14,873)	(1,090)	(55)	(928)	(86)	(124)	(48)
Outlays	773	801	11,642	221	374	3,269	44,995	764	1,078
Less: Offsetting Receipts	994	-	-	601	-	-	-	3	126
<b>Net Outlays</b>	<b>\$ (221)</b>	<b>\$ 801</b>	<b>\$ 11,642</b>	<b>\$ (380)</b>	<b>\$ 374</b>	<b>\$ 3,269</b>	<b>\$ 44,995</b>	<b>\$ 761</b>	<b>\$ 952</b>

REQUIRED SUPPLEMENTARY INFORMATION

FY 2004	APHIS	GIPSA	FS	NRCS	ARS	CSREES	ERS	NASS
	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary	Budgetary
<b>Budgetary Resources:</b>								
Budget Authority:								
Appropriations Received	\$ 1,056	\$ 36	\$ 5,923	\$ 1,182	\$ 1,171	\$ 1,095	\$ 71	\$ 129
Borrowing Authority (Note 19 & 20)	-	-	-	-	-	-	-	-
Contract Authority	-	-	-	-	-	-	-	-
Net Transfers	210	-	(12)	1,616	6	6	-	-
Other	-	-	-	-	-	-	-	-
Unobligated Balances:								
Beginning of Period (Note 21)	327	10	1,256	150	455	207	3	3
Net Transfers, Actual	(194)	-	4	-	-	-	-	-
Anticipated Transfers Balances	-	-	-	-	-	-	-	-
Spending Authority From Offsetting Collections:								
Earned	-	-	-	-	-	-	-	-
Collected	99	36	428	77	57	42	2	19
Receivable from Federal Sources	(12)	1	(13)	2	13	-	1	(1)
Change in Unfilled Customer Orders	-	-	-	-	-	-	-	-
Advance Received	-	-	(10)	1	-	-	-	-
Without Advance from Federal Sources	-	-	20	(5)	4	4	(1)	3
Anticipated for the Rest of Year, Without Advances	-	-	-	-	-	-	-	-
Previously unavailable	-	-	-	-	-	-	-	-
Transfers from Trust Funds	-	-	-	-	-	-	-	-
Recoveries of Prior Year Obligations	318	8	97	533	244	730	10	21
Temporarily not Available Pursuant to Public Law	-	-	(1)	-	-	-	-	-
Permanently not Available	(6)	-	(54)	(7)	(10)	(18)	(1)	(1)
Total Budgetary Resources	\$ 1,798	\$ 91	\$ 7,638	\$ 3,549	\$ 1,940	\$ 2,066	\$ 85	\$ 173
<b>Status of Budgetary Resources:</b>								
Obligations Incurred (Note 18):								
Direct	\$ 1,237	\$ 47	\$ 5,632	\$ 3,181	\$ 1,504	\$ 1,837	\$ 82	\$ 142
Reimbursable	195	37	269	54	93	81	2	25
Unobligated Balance:								
Apportioned	317	1	1,263	251	308	116	-	4
Exempt from Apportionment	24	-	-	5	15	2	-	(1)
Other Available	-	-	-	-	-	-	-	-
Unobligated Balance not Available	26	6	475	58	20	30	2	2
Total Status of Budgetary Resources	\$ 1,799	\$ 91	\$ 7,639	\$ 3,549	\$ 1,940	\$ 2,066	\$ 86	\$ 172
<b>Relationship of Obligations to Outlays:</b>								
Obligated Balance, Net, Beginning of Period (Note 21)	\$ 410	\$ 3	\$ 1,597	\$ 1,192	\$ 414	\$ 1,134	\$ 23	\$ 10
Obligated Balance, Transferred, Net	-	-	-	-	-	-	-	-
Obligations Incurred	1,432	84	5,901	3,235	1,597	1,918	84	168
Less:								
Recoveries of Prior Year Obligations	318	8	97	533	244	730	10	21
Change from Federal Sources	(12)	1	7	(3)	17	3	-	2
Obligated Balance, Net, End of Period:								
Accounts Receivable	(25)	(5)	(213)	(55)	(40)	(16)	(2)	(4)
Unfilled Customer Orders from Federal Sources	-	-	(120)	(1)	(34)	(65)	-	(7)
Undelivered Orders	387	11	1,233	1,408	498	1,266	22	18
Accounts Payable	73	3	594	85	52	6	9	8
Total Obligated Balance, Net, End of Period	\$ 435	\$ 9	\$ 1,494	\$ 1,437	\$ 476	\$ 1,191	\$ 29	\$ 15
Disbursements	\$ 1,100	\$ 69	\$ 5,901	\$ 2,460	\$ 1,274	\$ 1,127	\$ 68	\$ 140
Collected and Advances Received	(99)	(36)	(418)	(78)	(58)	(42)	(2)	(19)
Outlays	1,001	33	5,483	2,382	1,216	1,085	66	121
Less: Offsetting Receipts	16	-	384	-	14	2	-	1
Net Outlays	\$ 985	\$ 33	\$ 5,099	\$ 2,382	\$ 1,202	\$ 1,083	\$ 66	\$ 120

REQUIRED SUPPLEMENTARY INFORMATION

FY 2004	RD		DO	TOTAL	
	Budgetary	Non-Budgetary Financing Accounts	Budgetary	Budgetary	Non-Budgetary Financing Accounts
<b>Budgetary Resources:</b>					
Budget Authority:					
Appropriations Received	\$ 3,457	\$ -	\$ 508	\$ 94,315	\$ -
Borrowing Authority (Note 19 & 20)	2	8,480	-	29,006	11,357
Contract Authority	-	-	-	-	-
Net Transfers	3	-	8	-	-
Other	-	-	-	-	-
Unobligated Balances:					
Beginning of Period (Note 21)	2,298	1,391	233	16,760	5,801
Net Transfers, Actual	-	-	-	(192)	-
Anticipated Transfers Balances	-	-	-	-	-
Spending Authority From Offsetting Collections:					
Earned					
Collected	5,852	4,943	509	23,460	7,518
Receivable from Federal Sources	(16)	(4)	10	(671)	146
Change in Unfilled Customer Orders	-	-	-	-	-
Advance Received	-	(96)	-	935	(96)
Without Advance from Federal Sources	-	-	77	99	(1)
Anticipated for the Rest of Year, Without Advances	-	-	-	-	-
Previously unavailable	-	-	-	-	-
Transfers from Trust Funds	-	-	-	-	-
Recoveries of Prior Year Obligations	309	543	73	5,255	634
Temporarily not Available Pursuant to Public Law	-	-	-	(1)	-
Permanently not Available	(2,981)	(2,347)	(8)	(47,066)	(4,376)
<b>Total Budgetary Resources</b>	<b>\$ 8,924</b>	<b>\$ 12,910</b>	<b>\$ 1,410</b>	<b>\$ 121,900</b>	<b>\$ 20,983</b>
<b>Status of Budgetary Resources:</b>					
Obligations Incurred (Note 18):					
Direct	\$ 4,665	\$ 11,096	\$ 606	\$ 75,508	\$ 14,659
Reimbursable	509	-	599	27,642	-
Unobligated Balance:					
Apportioned	396	1,434	156	6,397	5,922
Exempt from Apportionment	-	-	2	551	6
Other Available	-	-	-	-	-
Unobligated Balance not Available	3,355	381	48	11,811	398
<b>Total Status of Budgetary Resources</b>	<b>\$ 8,925</b>	<b>\$ 12,911</b>	<b>\$ 1,411</b>	<b>\$ 121,905</b>	<b>\$ 20,985</b>
<b>Relationship of Obligations to Outlays:</b>					
Obligated Balance, Net, Beginning of Period (Note 21)	\$ 6,916	\$ 14,389	\$ 100	\$ 21,194	\$ 14,871
Obligated Balance, Transferred, Net	-	-	-	0.00	0.00
Obligations Incurred	5,174	11,096	1,205	103,151	14,659
Less:					
Recoveries of Prior Year Obligations	309	543	73	5,255	634
Change from Federal Sources	(16)	(100)	87	(573)	49
Obligated Balance, Net, End of Period:					
Accounts Receivable	(78)	-	(71)	(1,976)	(316)
Unfilled Customer Orders from Federal Sources	-	(618)	(181)	(413)	(634)
Undelivered Orders	6,320	17,547	253	14,354	17,735
Accounts Payable	285	-	81	9,046	352
<b>Total Obligated Balance, Net, End of Period</b>	<b>\$ 6,527</b>	<b>\$ 16,929</b>	<b>\$ 82</b>	<b>\$ 21,011</b>	<b>\$ 17,137</b>
Disbursements	\$ 5,270	\$ 8,113	\$ 1,064	\$ 98,651	\$ 11,710
Collected and Advances Received	(5,852)	(4,943)	(509)	(24,396)	(7,518)
Outlays	(582)	3,170	555	74,255	4,192
Less: Offsetting Receipts	387	-	-	1,927	601
<b>Net Outlays</b>	<b>\$ (969)</b>	<b>\$ 3,170</b>	<b>\$ 555</b>	<b>\$ 72,328</b>	<b>\$ 3,591</b>

REQUIRED SUPPLEMENTARY INFORMATION

**DEFERRED MAINTENANCE**

FY 2005	Cost to Return to Acceptable Condition	Cost of Critical Maintenance	Cost of Non-critical Maintenance
Asset Class			
Forest Service			
Bridges	\$ 115	\$ 25	\$ 90
Buildings	439	118	321
Dam	26	9	17
Developed Site (minor Constr. Features)	89	-	89
Fence	437	437	-
Handling Facility	24	24	-
Heritage	32	8	24
Road	4,571	712	3,859
Trail Bridge	9	4	5
Wastewater	32	19	13
Water	81	46	35
Wildlife, Fish, TES	6	4	2
Trails (FY 2001)	98	33	65
General Forest Area (FY 2001)	4	1	3
<b>Total Forest Service</b>	<b>\$ 5,963</b>	<b>\$ 1,440</b>	<b>\$ 4,523</b>
FY 2004	Cost to Return to Acceptable Condition	Cost of Critical Maintenance	Cost of Non-critical Maintenance
Asset Class			
Forest Service			
Bridges	\$ 121	\$ 25	\$ 96
Buildings	436	113	323
Dam	29	10	19
Developed Site (minor Constr. Features)	91	0	91
Fence	440	440	0
Handling Facility	24	24	0
Heritage	10	5	5
Road	5,159	749	4,410
Trail Bridge	8	3	5
Wastewater	31	19	12
Water	79	49	30
Wildlife, Fish, TES	6	4	2
Trails (FY 2001)	98	33	65
General Forest Area (FY 2001)	4	1	3
<b>Total Forest Service</b>	<b>\$ 6,536</b>	<b>\$ 1,475</b>	<b>\$ 5,061</b>

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.



Currently, no comprehensive national assessment of FS property exists. Deferred maintenance estimates for all assets are based on condition surveys performed on a 5-year maximum revolving schedule, with the exception of bridges which are a maximum of 2 years. Condition surveys were performed on a statistical sample of closed and very low traffic volume roads.

The overall agency indirect cost for managing the program is 17.8 percent.

### Condition of Assets

The overall condition of major asset classes range from poor to good depending on the location, age, and type of property. The standards for acceptable operating condition for various classes of general PP&E, stewardship, and heritage assets are as follows.

#### Roads and Bridges

Conditions of roads and bridges with 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.

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

#### 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. These requirements are found in FSM 7310, *Buildings and Related Facilities*, revised November 19, 2004. The condition of administrative facilities ranges from poor to good. Approximately half of these buildings are obsolete or in poor condition, needing major repairs or renovation. Approximately a quarter of these buildings are in fair condition, and the remaining facilities are in good condition.

#### Recreation Facilities

This category includes developed recreation sites, general forest areas, 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 (fences and stock handling facilities) 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.

**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.

**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).

**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.

INTRAGOVERNMENTAL AMOUNTS

Assets

FY 2005	Fund Balance with Treasury	Investments	Accounts Receivable	Other
Trading Partner (Code)				
Unidentified (00)	\$ -	\$ -	\$ 140	\$ (4)
Department of Interior (14)	-	-	46	-
Department of Justice (15)	-	-	2	-
Department of Labor (16)	-	-	4	-
Department of the Navy (17)	-	-	1	-
U.S. Postal Service (18)	-	-	1	6
Department of the Treasury (20)	42,327	69	7	-
Department of the Army (21)	-	-	13	-
Office of Personnel Management (24)	-	-	2	-
General Services Administration (47)	-	-	30	-
Environmental Protection Agency (68)	-	-	2	-
Department of Transportation (69)	-	-	195	(1)
Department of Homeland Security (70)	-	-	96	-
Agency for International Development (72)	-	-	24	-
Department of Health and Human Services (75)	-	-	1	-
National Aeronautics & Space Admin. (80)	-	-	1	-
Department of Energy (89)	-	-	2	-
U.S. Army Corps of Engineers (96)	-	-	3	-
Office of the Secretary of Defense-Defense Agencies (97)	-	-	8	-
Treasury General Fund (99)	-	-	134	-
Total Assets	\$ 42,327	\$ 69	\$ 712	\$ 1

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

REQUIRED SUPPLEMENTARY INFORMATION

Liabilities

FY 2005				
	Accounts Payable	Debt	Resources Payable to Treasury	Other
Trading Partner (Code)				
Unidentified (00)	\$ 7	\$ -	\$ -	\$ 171
Architect of the Capitol (01)	-	-	-	(5)
Government Printing Office (04)	-	-	-	(4)
Department of Commerce (13)	-	-	-	1
Department of Interior (14)	-	-	-	128
Department of Justice (15)	-	-	-	32
Department of Labor (16)	-	-	-	199
U.S. Postal Service (18)	-	-	-	2
Department of State (19)	1	-	-	(4)
Department of the Treasury (20)	-	83,515	-	19
Department of the Army (21)	-	-	-	4
Office of Personnel Management (24)	-	-	-	42
Department of Veterans Affairs (36)	-	-	-	(1)
General Services Administration (47)	-	-	-	31
Department of Transportation (69)	-	-	-	1
Department of Homeland Security (70)	-	-	-	1
Agency for International Development (72)	813	-	-	5
Department of Health and Human Services (75)	-	-	-	(2)
National Aeronautics & Space Admin. (80)	-	-	-	-
U.S. Army Corps of Engineers (96)	-	-	-	(176)
Treasury General Fund (99)	-	-	18,147	-
Total Assets	<u>\$ 821</u>	<u>\$ 83,515</u>	<u>\$ 18,147</u>	<u>\$ 444</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

Non-exchange Revenue

Trading Partner (Code)	FY 2005		FY 2004	
	Transfers- In	Transfers- Out	Transfers- In	Transfers- Out
Unidentified (00)	\$ 473	\$ (293)	\$ 395	\$ (376)
Department of Commerce (13)	-	(80)	-	(80)
Department of Interior (14)	1	(5)	131	(13)
Department of Justice (15)	-	-	1	-
Department of Labor (16)	114	(3)	100	(1)
Department of State (19)	6	-	5	-
Appalachian Regional Commission (46)	12	-	16	-
Department of Transportation (69)	-	-	12	-
Department of Homeland Security (70)	-	(208)	30	(194)
Agency for International Development (72)	13	(1,159)	-	(696)
Arms Control & Disarmament Agency (94)	-	-	3	-
Independent Agencies (95)	1	-	-	-
Office of the Secretary of Defense-Defense Agencies (97)	40	-	-	-
Treasury General Fund (99)	\$ 6,051	\$ (5,785)	\$ 5,930	\$ (3,991)
	<u>\$ 6,711</u>	<u>\$ (7,533)</u>	<u>\$ 6,623</u>	<u>\$ (5,351)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**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, 2005, and 2004.

FY 2005	Departmental Working Capital Fund	Forest Service Working Capital Fund	Total Working Capital Funds
<b>Condensed Information</b>			
Fund Balance	\$ 56	\$ 128	\$ 184
Accounts Receivable	106	1	107
Property, Plant, and Equipment	54	205	259
Other Assets	-	-	-
<b>Total Assets</b>	<b><u>\$ 216</u></b>	<b><u>\$ 334</u></b>	<b><u>\$ 550</u></b>
<b>Liabilities and Net Position</b>			
Accounts Payable	\$ 2	\$ -	\$ 2
Deferred Revenues	-	-	-
Other Liabilities	102	34	136
Unexpended Appropriations	84	9	93
Cumulative Results of Operations	28	291	319
<b>Total Liabilities and Net Position</b>	<b><u>\$ 216</u></b>	<b><u>\$ 334</u></b>	<b><u>\$ 550</u></b>
	Cost of Goods and Services Provided	Related Exchange Revenue	Excess of Costs Over Exchange Revenue
<b>Product or Business Line</b>			
<b>Departmental Working Capital Fund:</b>			
Finance and Management	\$ 255	\$ 233	\$ 22
Communications	7	7	-
Information Technology	193	185	8
Administration	40	40	-
Executive Secretariat	3	4	(1)
<b>Total Departmental Working Capital Fund</b>	<b><u>498</u></b>	<b><u>469</u></b>	<b><u>29</u></b>
<b>Forest Service Working Capital Fund:</b>			
Other	238	178	60
<b>Total Working Capital Funds</b>	<b><u>\$ 736</u></b>	<b><u>\$ 647</u></b>	<b><u>\$ 89</u></b>

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**Departmental Working Capital Fund**

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

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

Major customers of the fund are the FSA and the FS in FY 2005 and the FS and the Thrift Savings Investment Board in FY 2004.

### **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.