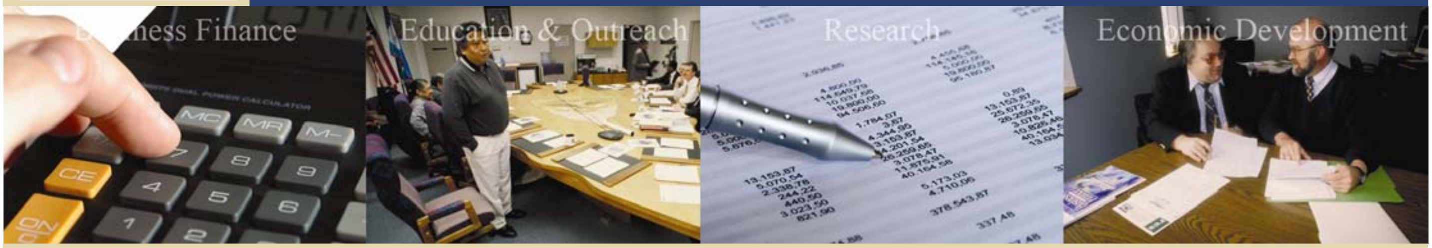
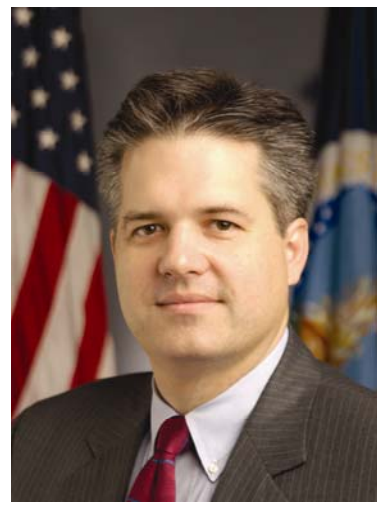
III.




# Financial Statements, Notes, Supplemental and Other Accompanying Information

## Message from the Chief Financial Officer



USDA programs and activities affect every American, every day. Most of USDA’s impact on average citizens involves food, fiber and natural resources. To facilitate these programs, the Department is entrusted with a vast amount of the citizens’ resources. These resources are invested in grants, supplemental payments, loans and assets. We are keenly aware of the importance of this fiduciary responsibility and remain committed to the performance and accountability mandates put forward by the President and Congress.

This year, USDA sustained its unqualified audit opinion on the consolidated financial statements. The Department’s receiving this performance benchmark is evidence of its focus and progress toward accountability, internal controls and data integrity.

Through the individual leadership and collaborative efforts of USDA managers, employees, business partners and other stakeholders, we made significant strides in 2006 advancing the Department’s record of excellence in financial management. Here are some highlights:

- The Department met the requirements for compliance with The Office of Management and Budget Circular A-123, *Management’s Responsibility for Internal Control*, Appendix A. This appendix is comparable to Sarbanes- Oxley, Section 404 in the private sector. The circular covers the documentation, testing and remediation of internal controls. Although the Department received the option of a multi-year implementation to reach compliance, we decided that the potential additional cost and the delay in necessary remediation necessitated compliance within one year. Our compliance efforts found four areas of material weaknesses. The detail of the material weaknesses and the Secretary’s letter of assurance can be found in the Management’s Discussion and Analysis section of this document;
- USDA continues to be a sponsoring organization of shared services in the Federal Government. The economies of scale provided by shared services that support more than 130 agencies provide a vast savings to USDA and the other agencies served. These services are located at the National Finance Center (NFC) in New Orleans, Louisiana. In 2005, Hurricane Katrina forced NFC employees to deploy to various areas of the U.S. under their Continuity of Operations Plan. Not only was the plan executed successfully, but NFC added two large agencies to their systems. Early this year, the 1,288-employee NFC returned to New Orleans in a logistically complex move that required precise coordination of business operations and employees’ personal needs. To further support hurricane issues,

NFC selected the Federal Center in Denver, Colorado, as the primary location for information technology. The primary location will be managed remotely from New Orleans allowing NFC to remain one of southern Louisiana's largest employers. It also will support the President's Gulf Coast rebuilding plan;

- The Department continues to focus even more on improper payments. This issue includes incorrect payments and incorrect paperwork related to payments. This year, USDA's largest program, the Food Stamp program, reported improper payments of 5.84 percent ($1.645 billion), a .04-percent decrease from the prior year. Additionally, the Wildlife Habitat Incentive, Grassland Reserve, Wetlands Reserve, Farm-Land Ranch and the Environmental Quality Incentive Programs demonstrated that the risk level for improper payment has been lowered substantially. However, FSA completed the measurement of several programs using a statistical sampling approach. FSA's results indicated a substantial increase in improper payments, which are due mostly to incorrect or missing paperwork required for payment. A few programs are still implementing plans to fully estimate the amount of improper payments due to complex program design and/or layering in the payment processes. The programs and the error rates are listed in Appendix B of this report. The leaders of the mission areas and I take improper payments seriously;
- USDA has issued a Request for Proposal (RFP) for the modernization of its financial systems. The Department currently operates nine general ledger systems that either are no longer supported by their vendors or were developed internally. The objective of this RFP is to support a Department-wide solution that will be the foundation for all USDA financial operations. The new system also will be designed to support electronic document approvals, consolidated financial reporting incorporating the Transparency Act of 2006 and shared services with other Government agencies;
- USDA developed the *USDA Strategic Plan for FY 2005 – 2010*, which guides Department efforts to align strategic direction, operating budgets and performance measures to drive continued performance enhancements, and clear accountability throughout the organization; and
- The Department developed pandemic continuity of operations plans and agency disaster-recovery plans.

While we continue to make progress in financial management, we cannot give unqualified assurance of compliance with the Federal Managers' Financial Integrity Act, or the financial systems requirements of the Federal Financial Management Improvement Act. However, we will continue to focus our teams to resolve these deficiencies. USDA is committed to providing sound management of the resources under its stewardship, and communicating the performance of its programs through this report. USDA's results are due to the hard work and innovative leadership of skilled, career employees. These employees take seriously their responsibility for the substantial resources entrusted to them by Congress, and to perform this important work for the American people.

Charles R. Christopherson
Chief Financial Officer
November 15, 2006

## Report of the Office of Inspector General

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20250

NOV 14 2006

REPLY TO
ATTN OF: 50401-59-FM

TO: Charles R. Christopherson, Jr.
Chief Financial Officer
Office of the Chief Financial Officer

ATTN: Kathy Donaldson
Audit Liaison Officer
Office of the Chief Financial Officer
Planning and Accountability Division

FROM: Phyllis K. Fong Phyllis K. Fong
Inspector General

SUBJECT: U.S. Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2006 and 2005

This report presents the results of our audits of the U.S. Department of Agriculture's consolidated financial statements for the fiscal years ending September 30, 2006, and 2005. The report contains an unqualified opinion and the results of our assessment of the Department's internal control structure and compliance with laws and regulations.

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

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

# Executive Summary

***U.S. Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2006 and 2005 (Audit Report No. 50401-59-FM)***

**Purpose**

Our audit objectives were to determine whether (1) the consolidated financial statements present fairly, in all material respects, in accordance with generally accepted accounting principles, the assets, liabilities, and net position, net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations; (2) the internal control objectives were met; (3) the Department complied with laws and regulations for those transactions and events that could have a material effect on the consolidated financial statements; and (4) the information in the Performance and Accountability Report was materially consistent with the information in the consolidated financial statements.

We conducted our audits at the financial offices of various U.S. Department of Agriculture (USDA) agencies and the Office of the Chief Financial Officer (OCFO) located in Washington, D.C., and its National Finance Center located in New Orleans, Louisiana. We also performed site visits to selected agencies' field offices.

**Results in Brief**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of USDA as of September 30, 2006 and 2005; and its net costs, changes in net position, reconciliation of net costs to budgetary obligations, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We have also issued reports on our consideration of USDA's internal control over financial reporting and its compliance with certain provisions of laws and regulations.

For internal control over financial reporting, we identified three reportable conditions as follows:

- Improvements needed in overall financial management across USDA,
- improvements needed in information technology security and controls, and
- improvements needed in certain financial management practices and processes.

We believe that the first two conditions are material weaknesses. Our report on compliance with laws and regulations discusses three instances of noncompliance relating to the Federal Financial Management Improvement

Act, the Improper Payment Information Act, and Managerial Cost Accounting practices.

In addition, the Department reported two potential Anti-Deficiency Act (ADA) violations in its fiscal year 2006 Statement of Assurance relating to the Forest Service and the Commodity Credit Corporation. The Department is working with the agencies and the Office of General Counsel to determine whether the potential ADA violations actually occurred.

**Key Recommendations**

OCFO has immediate and long term plans to address most of the weaknesses in its financial management systems. The key recommendations in this report were limited to additional improvements in financial management.

## Abbreviations Used in This Report

| | |
|---|---|
| BPMS | Budget and Performance Management System |
| C&A | certification and accreditation |
| CCC | Commodity Credit Corporation |
| CFO | Chief Financial Officer |
| FACTS | Federal Agencies' Centralized Trial Balance System |
| FFIS | Foundation Financial Information System |
| FFMI | Financial Management Modernization Initiative |
| FFMIA | Federal Financial Management Improvement Act |
| FFMSR | Federal Financial Management Systems Requirements |
| FISMA | Federal Information Security Management Act |
| FS | Forest Service |
| FSA | Farm Service Agency |
| GAO | U.S. Government Accountability Office |
| IT | information technology |
| ITS | Information Technology Services |
| MCA | Managerial Cost Accounting |
| NIST | National Institute of Standards and Technology |
| OCFO | Office of the Chief Financial Officer |
| OCIO | Office of the Chief Information Officer |
| OIG | Office of the Inspector General |
| OMB | Office of Management and Budget |
| RSSI | Required Supplemental Stewardship Information |
| SFFAS | Statement of Federal Financial Accounting Standard |
| SoF | Statement of Financing |
| SV | Standard Voucher |
| USDA | U.S. Department of Agriculture |
| UTN | Universal Telecommunications Network |

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UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20250

# Report of the Office of Inspector General

To: Charles R. Christopherson, Jr.
Chief Financial Officer
Office of the Chief Financial Officer

We have audited the accompanying consolidated balance sheets of the U.S. Department of Agriculture (USDA) as of September 30, 2006 and 2005, and the related consolidated statements of net cost, changes in net position, and financing, and the combined statements of budgetary resources for the fiscal years then ended (hereinafter referred to as the "consolidated financial statements"). The consolidated financial statements are the responsibility of USDA's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 06-03, "Audit Requirements for Federal Financial Statements." Those standards and OMB Bulletin No. 06-03 require that we plan and perform the audits to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of USDA as of September 30, 2006 and 2005; and its net costs, changes in net position, reconciliation of net costs to budgetary obligations, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 18 to the consolidated financial statements, in fiscal year 2006 USDA adopted Statement of Federal Financial Accounting Standard (SFFAS) No. 27, "Identifying and Reporting Earmarked Funds." In addition, as discussed in Note 1, USDA changed its method of accounting for and reporting stewardship land in fiscal year 2006 to adopt the provisions of SFFAS No. 29, "Heritage Assets and Stewardship Land."

The information in the Performance and Accountability Report (see exhibit D) is not a required part of the consolidated financial statements, but is supplemental information required by accounting principles generally accepted in the United States of America or by OMB Circular No. A-136, "Financial Reporting Requirements." We attempted to apply certain limited procedures, which

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consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, for fiscal years 2006 and 2005, we were not provided this information in time for us to complete our review. In addition, we believe that the Required Supplementary Stewardship Information related to heritage and stewardship land and the Required Supplementary Information related to deferred maintenance may not be consistent since preparation and completeness controls have not been effectively designed to ensure the accuracy, completeness, and timeliness of the reported information. We did not audit this information and, accordingly, we express no opinion on it.

We have also issued reports on our consideration of USDA's internal control over financial reporting and its compliance with certain provisions of laws and regulations. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards*, and, in considering the results of the audit, should be read in conjunction with this report. For internal control over financial reporting, we identified three reportable conditions as follows:

- Improvements needed in overall financial management across USDA,
- improvements needed in information technology security and controls, and
- improvements needed in certain financial management practices and processes.

We believe that the first two conditions are material weaknesses. Our report on compliance with laws and regulations discusses three instances of noncompliance relating to the Federal Financial Management Improvement Act, the Improper Payment Information Act, and Managerial Cost Accounting practices.

In addition, the Department reported two potential Anti-Deficiency Act (ADA) violations in its fiscal year 2006 Statement of Assurance relating to the Forest Service and the Commodity Credit Corporation. The Department is working with these agencies and the Office of General Counsel to determine whether the potential ADA violations actually occurred.

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

Phyllis K. Fong

Phyllis K. Fong
Inspector General

November 13, 2006

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USDA

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20250

# Report of the Office of Inspector General on Internal Control Over Financial Reporting

To: Charles R. Christopherson, Jr.
Chief Financial Officer
Office of the Chief Financial Officer

We have audited the accompanying consolidated balance sheets of the U.S. Department of Agriculture (USDA) as of September 30, 2006 and 2005, and the related consolidated statements of net cost, changes in net position, and financing, and the combined statements of budgetary resources (hereinafter referred to as the "consolidated financial statements"), for the fiscal years then ended and have issued our report thereon dated November 13, 2006. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 06-03, "Audit Requirements for Federal Financial Statements."

In planning and performing our audits, we considered USDA's internal control over financial reporting by obtaining an understanding of the design effectiveness of internal controls, determining whether the internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 06-03 and *Government Auditing Standards*. We did not test all internal controls as defined by the Federal Managers' Financial Integrity Act of 1982. The objective of our audits was not to provide assurance on USDA's internal control. Consequently, we do not provide an opinion on internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the agency's ability to meet the objectives of internal control. Material weaknesses are reportable conditions in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that errors, fraud, or noncompliance in amounts that would be material in relation to the consolidated financial statements or Required Supplementary Stewardship Information being audited, or material to a performance measure or aggregration of related performance measures, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected.

We noted certain matters described in the "Findings and Recommendations" involving the internal control over financial reporting and its operation that we consider to be reportable conditions as follows:

- Improvements needed in overall financial management across USDA (Section 1),
- improvements needed in information technology security and controls (Section 1), and
- improvement needed in certain financial management processes and practices (Section 2).

We believe that the first two conditions are material weaknesses.

**Additional Other Procedures**

As required by OMB Bulletin No. 06-03, we considered USDA's internal controls over Required Supplemental Stewardship Information (RSSI) by obtaining an understanding of the internal controls, determining whether these internal controls had been placed in operation, assessing control risk, and performing tests of controls. Our procedures were not designed to provide assurance on internal controls over such RSSI; accordingly, we do not provide an opinion on such controls.

As further required by OMB Bulletin No. 06-03, with respect to internal control related to performance measures determined by management to be key and reported in the Management's Discussion and Analysis section of the Performance and Accountability Report, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions and determined whether they had been placed in operation. Our procedures were not designed to provide assurance on internal control over reported performance measures; accordingly, we do not provide an opinion on such controls.

We did not identify any material weaknesses that were not disclosed in USDA's Federal Managers' Financial Integrity Act report.

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

Phyllis K. Fong

Phyllis K. Fong
Inspector General

November 13, 2006

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USDA

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20250

# *Report of the Office of Inspector General on Compliance with Laws and Regulations*

To: Charles R. Christopherson, Jr.
Chief Financial Officer
Office of the Chief Financial Officer

We have audited the consolidated balance sheets of the U.S. Department of Agriculture (USDA) as of September 30, 2006 and 2005, and the related consolidated statements of net cost, changes in net position, and financing, and the combined statements of budgetary resources for the fiscal years then ended (hereinafter referred to as the "consolidated financial statements"), and have issued our report thereon dated November 13, 2006. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 06-03, "Audit Requirements for Federal Financial Statements."

The management of USDA is responsible for complying with laws and regulations applicable to it. As part of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement, we performed tests of USDA's compliance with certain provisions of laws and regulations and Governmentwide policy requirements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 06-03, including certain requirements referred to in the Federal Financial Management Improvement Act of 1996 (FFMIA). We noted no reportable instances of noncompliance with these laws and regulations except as disclosed in this report. We limited our tests of compliance to the provisions described in the preceding sentence and did not test compliance with all laws and regulations applicable to USDA. However, providing an opinion on compliance with laws and regulations was not an objective of our audits, and accordingly, we do not express such an opinion.

The results of our tests of compliance disclosed two instances of reportable noncompliance or potential noncompliance with laws and regulations discussed in the second paragraph of this report, exclusive of FFMIA, that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 06-03. (See Findings and Recommendations, Section 3, "Compliance With Laws and Regulations.")

In addition, the Department reported two potential Anti-Deficiency Act (ADA) violations in its fiscal year 2006 Statement of Assurance relating to the Forest Service and the Commodity Credit Corporation. The Department is working with these agencies and the Office of General Counsel to determine whether the potential ADA violations actually occurred.

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

Phyllis K. Fong
Inspector General

November 13, 2006

# Findings and Recommendations

## Section 1. Internal Control Over Financial Reporting – Material Weaknesses

Material weaknesses are reportable conditions in which the design or operation of the internal control does not reduce to a relatively low level the risk that errors, fraud, or noncompliance in amounts that would be material in relation to the consolidated financial statements or Required Supplementary Stewardship Information being audited, or material to a performance measure or aggregration of related performance measures, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. We believe that the findings discussed in this section are material internal control weaknesses.

**Finding 1** **Improvements Needed in Overall Financial Management**

During fiscal year 2006, the Department continued to make significant improvements in its overall financial management. For example, the Forest Service (FS) made significant improvements in its financial reporting process. However, we noted areas where further improvements are needed. Details follow.

- During fiscal year 2005, the Office of the Chief Financial Officer (OCFO) instructed its agencies, including FS, that journal vouchers (JV) could no longer be processed. Instead, agencies had to request that new accounting entry IDs be established based on specific standard Treasury posting logic models. The OCFO generally established these as standard vouchers (SVs), which are generally used to correct errors, abnormal balances, and out-of-balance conditions.

  Through the elimination of JVs and the consolidation effort, FS continued to make progress in improving its financial management and reporting activities. However, weaknesses continued to exist in its ability to produce accurate and timely financial information. For example, FS was not identifying, researching, and correcting adjusting entries that no longer belong in the general ledger.

- In addition, at the end of fiscal year 2006, FS continued to use mass general ledger entries for delivered orders and undelivered orders that were not recorded into the various sub-systems due to the early yearend cutoff. Although FS had internal controls in place, they were not operating effectively based on the errors cited above.

- FS did not perform timely research to determine the reasons for abnormal general ledger account balances for certain account relationships (i.e., budgetary receivables and payables should equal the respective proprietary receivables and payables) and make corresponding corrections.

- FS needed to improve its financial management controls to ensure that an experienced accountant reviews and takes appropriate actions on abnormal balances in all budget clearing, suspense and deposit funds at least at the end of each accounting period. The financial statement risk is that revenues and expenses are recorded in these funds as receivables or liabilities on the Balance Sheet when they should correctly be recorded as revenues and expenses on the Statement of Net Costs.

- FS needed to improve its financial management controls to ensure the effective implementation of SFFAS 21, "Reporting Corrections of Errors and Changes in Accounting Principles." It needed to establish an accounting correction management process that documents and collects known errors to determine whether, as a whole, they are material at accounting period end.

We also noted that CCC's financial accounting and reporting policies and procedures should be strengthened to ensure that errors are prevented or identified and timely corrected and that management-prepared financial statements are in accordance with generally accepted accounting principles. The issues we identified pertaining to CCC's financial accounting and reporting policies and procedures affected both the form and content of CCC's financial statements.

- For example, detailed procedures over the June 30, 2006 Statement of Financing (SoF) revealed that the mapping used by CCC for several SoF reconciling line items was not in accordance with Treasury and other related guidance, specifically the Implementation Guide to Statement of Financing in the SFFAS 7, "Accounting for Revenue and Other Financing Sources: Detail Information on the Statement of Financing (Implementation Guide)." These departures from the guidance were not adequately explained.

- We did not see evidence that management performed a technical review of the statement compilation or evaluated the substance of the reconciling items prior to providing the SoF for audit. When CCC management determined the way the general ledger accounts were to be crosswalked to the SoF line items, it did not develop an audit trail that described the rationale behind the mapping logic. In addition, CCC's SoF Methodology Guide (the Guide) did not readily consider the technical justification for specific statement line item treatment of transactions. Further, we noted that CCC's Guide was not comprehensive because it did not list all accounts or transaction identification codes that were used by CCC in the compilation of the SoF. As a result, in some instances we noted inconsistencies between the Guide and the crosswalk.

- Based on the results of KPMG's audit procedures over the SoF, CCC reclassified balances in excess of $11.3 billion to properly reflect the account activity in the SoF prepared as of September 30, 2006. In addition, material corrections were made to the statement as late as November 10, 2006. This could have impeded CCC and the Department from meeting their mandated financial statement reporting requirements.

- In addition, as noted in its prior year's audit report, CCC used the e-Funds Control system, an intranet based application functional at the national, State, and county office levels, to help monitor daily program disbursements made at CCC's State and county offices. The system compared at a summary level the amount of budgetary authority remaining for programs to disbursements made without consideration given to program obligations (specifically undelivered orders and delivered orders-unpaid). As such, the e-Funds system did not provide the necessary management information to determine the true status of net available program resources as disbursements were made.

- Based on our fiscal year 2006 audit results, CCC continued to experience significant funds control deficiencies and in this regard remained non-compliant with FFMIA.

We also noted that within USDA, abnormal balances existed at yearend without being fully researched and corrected. As of fiscal yearend, we noted that over 50 abnormal account balances existed, totaling over $360 million. According to the Department, the existence of an abnormal balance indicates that transactions or adjustments may have been posted in error to an account. Agencies reported that their abnormal balances were caused by a variety of reasons. The number and dollar value of abnormal account balances had been significantly reduced from last year; however, when abnormal balances exist, immediate research should be performed to identify the cause and correct the condition.

**Finding 2** **Improvements Needed in Information Technology (IT) Security and Controls**

We reviewed the Department's IT security program and practices, as required by the Federal Information System Management Act[1] (FISMA). Our review disclosed that the efforts of USDA's Office of the Chief Information Officer (OCIO) and the Office of Inspector General (OIG) in the past few years have heightened program management's need to plan and implement effective IT security. The National Information Technology Center, located in Kansas City, Missouri, sustained its unqualified opinion on its general control structure. The Office of the Chief Financial Officer's National Finance Center, located in New Orleans, Louisiana, received its first unqualified opinion on the design of its general control structure. While the opinion on the effectiveness of its controls remained qualified, this was primarily attributed to the devastation caused by Hurricane Katrina. Although other agencies accelerated their efforts to comply with Federal information security requirements during the fiscal year, we continued to find significant weaknesses that can be attributed to a lack of management oversight and monitoring by both the Department and its agencies. While progress has been made, there is still much to be accomplished. An effective IT security program needs time to mature. Due to the significance of these weaknesses, the Department cannot be assured that its systems and data are adequately secured.

OCIO indicated that it was formulating a process for initiating, reviewing, and updating the Department's policies to provide guidance for improving compliance with Office of Management and Budget (OMB) requirements, National Institute of Standards and Technology (NIST) guidance, and Departmental Regulations (DR). OCIO reported that it was performing a gap analysis to prioritize required policy work and developing a program to review and update existing policies. In addition, OCIO had implemented a security review program to evaluate the accuracy of information provided by the agencies to improve the effectiveness of their security programs. However, until these controls are in place, operating, and effectively established, IT management and security remain a material internal control weakness for the Department. Details follow.

- During fiscal year 2006, OCIO implemented an annual Departmentwide IT system inventory requirement. However, we were unable to reach a conclusion on the accuracy/completeness of the inventory because OCIO relied on the agencies to report system inventory without validating the information reported. OCIO was unable to verify the accuracy and/or reliability of those agency-provided inventories.

[1] Audit Report No. 50501-7-FM, "Fiscal Year 2006 Federal Information Security Management Act," dated September 29, 2006.

- Agencies had not followed NIST guidance when preparing security plans, risk assessments, and disaster recovery plans. During fiscal year 2006, the Department acknowledged that certification and accreditation (C&A) documentation submitted prior to October 1, 2005, was inadequate and instituted a concurrency review process where second party approval was required prior to recommending agency accreditation. We found this process needed enhancements. We concluded that the three concurrency reviews we examined should not have resulted in approval for agency accreditation.

- The Department reported the level of C&A compliance in its quarterly reports to OMB. However, we noted that eight systems had only obtained a conditional approval to operate. OMB policy states that an information system should not be accredited during a period of limited authorization to operate.[2]

- Department oversight over contingency planning and testing information needed improvement. We reviewed the Department's system for storing contingency and disaster recovery plans and found some systems were not included and others were missing critical information. We examined a sample of five test plans and found that they lacked specific success criteria, detailed schedules, scenarios, and notification procedures, and/or internal or external connectivity.

- The Department implemented a new system to track plan of actions and milestones (POA&M) during fiscal year 2006. While this was a marked improvement over the legacy reporting system, numerous problems were encountered during implementation. Specifically, we found that known IT weaknesses were not reported, not all weaknesses were tracked, conflicting information was reported, and agencies did not ensure that corrective actions were taken before closing out the weaknesses. In addition, the information contained in the system was not being used to report to OMB.

- We noted that improvements were needed in the Department's reporting of system risk categories. For example, we found that two general support systems were rated as moderate risk even though those systems processed data from 18 high risk applications. In another example, a system that stored information on biological agents and toxins was rated as moderate risk.

- Annual risk assessments within the Department did not always include an assessment of actual controls within the systems. One agency reported

[2] OMB Circular No. A-130, Appendix III, "Security of Federal Automated Information Resources," dated November 28, 2000.

that change management was fully implemented, yet our audit disclosed that its policies and procedures were ineffective. In another assessment the agency listed 93 controls as not applicable, because the hosting agency was responsible for them. Our audit disclosed that some of the controls did belong to the agency and should have been assessed.

- The Department implemented a security review program to periodically evaluate the accuracy of information provided by the agencies and provide effective oversight of agency security programs. However, we found that this program needed improvements. We noted that in the 8 reviews performed during fiscal year 2006, there were 123 weaknesses identified by OCIO. Of those, only 52 were addressed in the agency POA&Ms. This occurred because the Department did not always follow up on the findings to ensure the agencies were accurately mitigating weaknesses.

- We found that USDA's Information Security Status (scorecard) did not always contain accurate information. We found that agencies were not properly reporting the status of their programs in the monthly or quarterly updates to OMB. We found inaccurate reporting by the agencies in every category except security awareness training.

- We completed four stand-alone IT security audits that fed into our FISMA consolidation. We also ensured that the IT security audit coverage for our fiscal year 2006 financial statement audits was completed in time to be consolidated into our FISMA report. We noted that configuration management within the Department was not always effective. Although most agencies had policies and procedures, we found that they were not always followed. We found that controls were not always implemented to help ensure that system software changes were properly authorized, documented, tested, and monitored.

- We noted that the Department's vulnerability scanning and patch management program needed improved oversight. We found that the number of devices that needed scanning varied significantly on a monthly basis. In addition, at one agency, we found that 6,270 devices needed scanning and 10,505 devices needed patches.[3] We also noted unmitigated vulnerabilities that were not reported as weaknesses on agency POA&Ms.

- We noted that incident reporting within the Department needed improvement. We found that incidents were not always tracked, reported to appropriate authorities, and/or timely closed. For example, our review of incidents reported through July 15, 2006, disclosed that (1) incidents

[3] Scanning should be performed on all devices on the network, while patching is done only as new vulnerabilities are found and vendors mitigate them. The number of devices patched should not significantly outnumber the total number of devices scanned.

were not always closed within 30 days, (2) incidents were missing from the tracking spreadsheet, (3) incidents were not always reported to appropriate authorities, and (4) false positives documentation was deleted and not further tracked, even though some were ultimately found to be actual incidents.

- We noted that the Department needed an internet protocol (IP) address inventory system.

Due to the significance of these issues, IT security remained a material internal control weakness for the Department. The Department and its agencies are in the process of addressing the above weaknesses by implementing recommendations made in other audit reports. Therefore, we are making no additional recommendations in this report.

## Section 2. Internal Control Over Financial Reporting – Reportable Condition

Reportable conditions are matters coming to our attention that, in our judgment, should be communicated because they represent significant deficiencies in the design or operation of internal control, which could adversely affect the organization's ability to meet the objectives of internal control.

### Finding 3 Additional Financial Management Issues Warrant Attention

Our review disclosed additional reportable, but not material, areas where financial management processes and practices could be improved. For example:

- The Foundation Financial Information System (FFIS) uses SVs to process adjustments to the general ledger. SVs use predefined debits and credits based on business rules. We reviewed 122 SVs processed during fiscal year 2006 but prior to October 1, 2006. Our review disclosed that the supporting documentation was inadequate for 47 SVs. We also noted that 24 of the SVs reviewed were needed due to a systemic weakness and 45 were processed to compensate for a control weakness (including correcting a previous SV). The types of problems that we found could have been reduced had the agencies effectively implemented the controls outlined in applicable FFIS Bulletins.[4]

  In addition, we reviewed 56 documents processed after the close of agency fiscal month 12. These were needed to correct account balances for financial reporting. Many of the documents reviewed impacted cash or budgetary accounts. We noted that 28 of the documents were processed to (1) correct a prior adjustment, (2) compensate for a control weakness, and/or (3) correct a system weakness.

- Our review disclosed that the credit reform processes used by the Department's lending agencies had improved from previous years.[5] However, we noted that further improvements were needed. These conditions were primarily caused by lack of adequate management oversight and/or second party review.

[4] FFIS Bulletin 02-06, "Internal Controls Over Standard Vouchers in the FFIS," through July 31, 2006. On August 1, 2006, OCFO issued FFIS Bulletins 06-03 and 06-04, "Internal Controls Over Standard Vouchers in the FFIS," and "Internal Controls Over Balanced Vouchers," respectively. These were implemented in response to OIG's recommendation last year.

[5] OIG reported material internal control weaknesses for fiscal years 2001-2005 relating to credit reform processes and practices.

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- CCC made errors in making changes to its cash flow models. Furthermore, there was no evidence of a technical review of the changes prior to implementation.

- Rural Development's processes related to the revision of its cash flow models, accuracy of data used in the models and controls over the related footnote disclosure needed improvement.

OCFO informed us that it will revise Departmental guidance relating to cash flow models to clarify testing and approval requirements after changes are made. OCFO plans to finalize this guidance in December 2006.

- Our review again disclosed that obligations were not always valid because agencies were not effectively reviewing all unliquidated (open or active) obligations and taking appropriate actions (de-obligating).[6] Invalid obligations increase the risk that funds may be inappropriately diverted for purposes other than what Congress intended. Treasury's annual closing guidance (Treasury Bulletin No. 2006-08) requires the annual review of unliquidated obligations. Departmental Regulation (DR) 2230-1, "Reviews of Unliquidated Obligations," dated April 17, 2002, requires semiannual reviews and annual certifications from agency Chief Financial Officers (CFO) that the semiannual reviews were performed and unliquidated obligations existing at yearend were valid based on the reviews. Last year, we selected 60 unliquidated obligations from 4 agencies for which no activity had occurred for over 2 years and we found that 54 of 60 (90 percent) obligations reviewed were invalid and agencies indicated the items would be de-obligated.

  This year, we selected a similar sample of 61 obligations from 11 agencies and found that 32 (52 percent) of the obligations reviewed were invalid and agencies planned to de-obligate the items. In response to our recommendation last year, the Department revised the DR on August 22, 2006. The DR now requires annual reviews and certifications. Additionally, the Department is in the process of developing a reporting tool for agencies to use to perform the required reviews of unliquidated obligations.

- Our review disclosed that agencies had not adequately monitored overrides of document errors.[7] OIG recommended in fiscal year 2002

[6] Obligation means a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.
[7] The FFIS system has built in edits for processing documents that can be overridden by authorized users. For example, funds control edits may give an error message if the obligation entered exceeds the amount allotted to that particular fund. An authorized user can override this error message to process the document.

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that the Department ensure that agencies track and monitor overrides of FFIS edits or control processes, and take action to address inappropriate overrides.[8] In response, the Department issued guidance[9] that required agencies to track and monitor overrides, perform monthly reviews, and provide the override analysis to the agency CFO quarterly for review and certification. Generally, agencies did not provide evidence of reviews or the evidence provided did not demonstrate that overrides had been effectively reviewed.

OCFO has immediate and long-term plans to improve its financial management systems. These actions include working with the business process owners to address the problems with the legacy feeder systems, with the objective to provide an improved integration of the financial management architecture within the Department.

**Recommendation 1**

Ensure that agencies comply with FFIS Bulletin 02-12 by providing a standard and effective method of monitoring and reviewing overrides and taking remedial action to address inappropriate overrides or develop other compensating controls.

[8] Audit Report No. 50401-42-FM, "Audit of Selected Foundation Financial Information System Operations," dated June 24, 2002.
[9] FFIS Bulletin 02-12, "Policy for Agencies to Implement a Monthly Review of the Override Logging Table to Track and Monitor Users Overriding Document Errors in the Foundation Financial Information System," dated October 1, 2002.

## Section 3. Compliance With Laws and Regulations

The management of USDA is responsible for complying with applicable laws, regulations, and Governmentwide policy requirements, including noncompliance with laws and regulations disclosed by the audit, except for those instances that, in our judgment, are clearly inconsequential. As part of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement, we performed tests of USDA compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 06-03, including certain requirements referred to in the Federal Financial Management Improvement Act (FFMIA). We noted noncompliance with certain aspects of FFMIA, the Improper Payment Information Act, and Managerial Cost Accounting Practices.

### Finding 4 Substantial Noncompliance With FFMIA Requirements

Under FFMIA, agencies are required to annually assess whether their financial management systems comply substantially with (1) Federal Financial Management Systems Requirements (FFMSR), (2) applicable Federal accounting standards, and (3) the U.S. Government Standard General Ledger (SGL) at the transaction level. In addition, FISMA requires each agency to report significant information security deficiencies, relating to financial management systems, as a lack of substantial compliance under FFMIA. FFMIA also requires auditors to report in their CFO Act financial statement audit reports whether the financial management systems substantially comply with FFMIA's systems requirements.

During fiscal year 2006, USDA evaluated its financial management systems to assess compliance with the Act. The Department reported that it was not substantially compliant with FFMSR, applicable Federal accounting standards, the SGL at the transaction level, and FISMA requirements. As part of its financial systems strategy, USDA indicated that it would work continuously to meet FFMIA and FISMA objectives. During the fiscal year, the OCFO, OCIO and component agencies worked together to address IT security weaknesses in USDA's financial systems. As a result, corrective actions were taken to eliminate/mitigate several significant deficiencies. These noncompliances are discussed in detail in Section 1, "Internal Control Over Financial Reporting – Material Weaknesses," of this report.

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The Department plans to continue its effort to achieve compliance with the FFMIA requirements. OCFO indicated that all scheduled completion dates have been targeted for completion by fiscal year 2009.

Additionally, OIG recommended in 2004[10] that OCIO and OCFO ensure that reports for FISMA, FMFIA, and FFMIA are consistent and complete. According to OCFO, additional work is needed in fiscal year 2007 to complete the process for reconciling the three reports.

Improving Federal financial management systems is critical to increasing the accountability of financial program managers, providing better information for decision-making, and increasing the efficiency and effectiveness of services provided by the Federal Government.

**Finding 5** **Improper Payment Information Act**

USDA was not in full compliance with requirements of the Improper Payment Information Act (IPIA). Under the IPIA, executive agencies must identify any of their programs that may be susceptible to significant improper payments, estimate the annual amount of improper payments and submit those estimates to Congress. USDA has four programs required to report under Section 57 of OMB Circular No. A-11, "Preparation, Submission, and Execution of the Budget," and has identified an additional 11 programs at risk of significant improper payments through the risk assessments process. USDA is taking steps to implement IPIA. USDA will be able to move to "green" status when error rates are available for all programs and it demonstrates that reduction and recovery goals are being met. For the programs without an estimated error rate, USDA is working with OMB to develop interim methods to establish and track erroneous payment percentages.

USDA has disclosed its IPIA compliance status, including its planned remedial actions, in its Performance and Accountability Report. As a result, we are making no further recommendations in this report.

[10] "U.S. Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2004 and 2003," Audit Report No. 50401-53-FM, dated November 15, 2004.

**Finding 6** **Managerial Cost Accounting Practices**

The CFO Act of 1990[11] contains several provisions related to managerial cost accounting (MCA), one of which states that an agency's CFO should develop and maintain an integrated accounting and financial management system that provides for the development and reporting of cost information. Statement of Federal Financial Accounting Standards No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government, established accounting standards and system requirements for MCA information at Federal agencies. The FFMIA of 1996[12] built on this foundation and required, among other things, CFO Act agencies to comply substantially with Federal accounting standards and FFMSR.

GAO recently issued a report addressing USDA's MCA practices.[13] It reported that USDA had not shown strong leadership to promote, guide, and monitor MCA implementation. USDA did not have a Departmentwide MCA system in place and, instead, had delegated responsibility for MCA implementation to the component agencies. USDA, moreover, did not have procedures in place to monitor component agency MCA initiatives, and had only limited information on the status of MCA implementation at its component agencies at the time of our review.

USDA's current financial system, FFIS, was not designed to provide in-depth MCA information. FFIS analysis and reporting functions and their related data warehouses allow users to conduct inquiries and execute ad hoc reports on, for instance, the status of funds and open obligations. These analyses, however, do not integrate nonfinancial data with financial data to provide the cost of activities or outputs on an ongoing basis.

According to USDA officials, the Financial Management Modernization Initiative (FMMI) system is scheduled to replace FFIS by the end of fiscal year 2012. FMMI is expected to include a cost accounting module which officials said will incorporate MCA functionalities required by the Office of Federal Financial Management at OMB.

[11] Public Law No. 101-576, 104 Stat. 2838 (November 15, 1990).
[12] Public Law No. 104-208, div. A., 101 (f), title VIII, 110 Stat. 3009, 3009-389 (September 30, 1996).
[13] GAO-06-1002R, "Managerial Cost Accounting Practices," dated September 21, 2006.

## Exhibit A – Audit Reports Related to the Fiscal Year 2006 Financial Statements

| AUDIT NUMBER | AUDIT TITLE | RELEASE DATE |
|---|---|---|
| 05401-15-FM | Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2006 and 2005 | November 2006 |
| 06401-21-FM | Commodity Credit Corporation's Financial Statements for Fiscal Years 2006 and 2005 | November 2006 |
| 08401-7-FM | Forest Service's Financial Statement Audit for Fiscal Years 2006 and 2005 | November 2006 |
| 11401-24-FM | Fiscal Year 2006 Review of the National Finance Center General Controls | September 2006 |
| 15401-7-FM | Rural Telephone Bank's Financial Statements for Fiscal Year 2006 | November 2006 |
| 27401-31-HY | Food and Nutrition Service's Financial Statements for Fiscal Years 2006 and 2005 | November 2006 |
| 50501-7-FM | Fiscal Year 2006 Federal Information Security Management Act Report | September 2006 |
| 85401-13-FM | Rural Development's Financial Statements for Fiscal Years 2006 & 2005 | November 2006 |
| 88501-6-FM | Management and Security Over the U.S. Department of Agriculture Universal Telecommunication Network | August 2006 |
| 88501-9-FM | National Information Technology Center General Controls Review-Fiscal Year 2006 | September 2006 |

# Exhibit B – Summary of Prior Year Recommendations

Exhibit Page 1 of 2

## PRIOR YEAR RECOMMENDATIONS[14]

| NUMBER | RECOMMENDATION | DEPARTMENTAL STATUS | OIG RESULTS |
|---|---|---|---|
| 1 | Finalize supporting documentation for any required manual adjustments to the SoF. The SoF compilation should be supported by transactions and account balances that are traceable to the general ledger. | The Department agreed to document the rationale used to prepare the SoF, (published November 15, 2005 for both the Department and FS) and noted that the compilation was supported by transactions and account balances traceable to the general ledger. Subsequently, sufficient, evidential matter was provided to the FS auditors to substantiate the fair presentation of certain line items within the FS fiscal year 2005 SoF. The FS audit report was then re-issued December 21, 2005, with a revised unqualified opinion. The Department considered corrective action completed with the re-issuance of the FS financial statement audit report. | The Office of Inspector General (OIG) reviewed the support provided to the FS auditors and re-issued the FS fiscal year 2005 audit report. |
| 2 | Provide additional training on the relationship of the SoF to the statements of budgetary resources and net cost. | The Department agreed and planned to conduct training sessions on the compilation process for the SoF for all USDA agencies. The training was conducted in May and June 2006. Thus, the Department indicated corrective action was completed June 30, 2006. | OIG staff attended training sessions provided by the Department to its agencies. |
| 3 | Continue to assess the overall process used to compile the SoF in order to identify approaches and techniques that provide for a more efficient, accurate, and consistent compilation process. The compilation should be subjected to a secondary review by a trained manager who is independent of the financial statement preparation process. In addition to reviewing specific support for the compilation, the review should also include an analytical analysis of the relationships among balances. | The Department agreed and planned to take several actions: perform an independent review of crosswalk used to create the SoF, review of the crosswalk in conjunction with the audit of the FS financial statements (conducted by an independent public accounting firm), and re-convene the financial statement crosswalk committee (which includes all mission areas) to review, analyze and approve the mapping of current and future accounting entries affecting the SoF. The Department indicated that the final corrective action was completed September 1, 2006. | As discussed in Finding 1, CCC did not always follow applicable guidance in preparing its SoF and provided no evidence of a technical review by management of the compilation process. |
| 4 | Provide oversight to the lending agencies to ensure that cash flow models and data inputs as well as estimates and reestimates are subject to appropriate controls, including management oversight review. | The Department agreed and planned several actions to provide oversight through: (1) monitoring agency progress via bi-weekly credit reform working group meetings; (2) issuance of guidance to standardize the methodology and internal controls over cash flow model development and changes; (3) completion of | OIG participated in the Departmental and agency cash flow model meetings throughout the year. OIG also reviewed guidance issued, model changes, |

[14] Recommendations were made in Audit Report No. 50401-56-FM, "U.S. Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2005 and 2004," issued November 15, 2005.

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## Exhibit B – Summary of Prior Year Recommendations



| | | | |
|---|---|---|---|
| | | fiscal year 2006 cash flow model changes in accordance with the new guidance; and (4) issuance of guidance to standardize the management oversight review process to be used for re-estimates. The Department indicated these actions were completed as of August 9, 2006. | and re-estimates. We found additional improvements were needed, as discussed in Finding 3. |
| 5 | Ensure that agencies adhere to FFIS Bulletin No. 02-06, "Internal Controls Over Standard Vouchers (SV) in the FFIS." | The Department agreed and planned to take three actions: (1) review all agencies' SV forms and approval process, (2) reduce the universe of available SVs (by removing inactive and noncompliant posting models from applicable FFIS tables) and (3) update and expand FFIS Bulletin No. 02-06. The Department advised us that these actions were completed August 4, 2006. | OIG reviewed the revised guidance and monitored the progress of the posting models. As noted in Finding 3, we analyzed 178 adjustments made for fiscal year 2006. Our review disclosed that agencies again did not consistently adhere to the requirements of applicable FFIS Bulletins. |
| 6 | Ensure that agency approval of appropriate significant documents is required prior to processing. | The Department agreed that sensitive documents, as defined by OMB Circular No. A-123, should require secondary approval. The functionality for such approval is involved by table settings controlled by the agencies. The Department provided oversight to ensure that agencies set the approval flag correctly as part of a project to standardize table settings. The Department indicated the table settings for secondary approvals were implemented September 1, 2006. | OIG's review of agency approvals for sensitive documents disclosed that approvals for sensitive documents were generally required. |
| 7 | Provide oversight to ensure that general ledgers reflect valid obligations and that agencies perform the required reviews of unqualified obligations appropriately and effectively. Additionally, ensure that agencies maintain evidence of the reviews. | The Department agreed and planned to revise Departmental Regulation-2230-01 (DR), "Improvement of Management Controls Over Unliquidated Obligations." Additionally, the Department planned to develop a report to obtain information about each agency's unliquidated obligations without activity in the past two years and then use the new report to obtain justification for each unliquidated obligation or agency action to liquidate. As of September 30, 2006, the Department indicated the revised DR was in signature process and the report tool was still in development. | OIG reviewed the updated DR. As discussed in Finding 3, we also reviewed a sample of unliquidated obligations. Agencies indicated that 52 percent (32 of 61) would be de-obligated. |

# Exhibit C – Agency Response

**United States Department of Agriculture**

Office of the Chief Financial Officer

1400 Independence Avenue, SW

Washington, DC 20250

TO: Phyllis K. Fong
Inspector General

FROM: Charles R. Christopherson, Jr.
Chief Financial Officer

NOV 14 2006

SUBJECT: Management Response – Audit Report on the Department of Agriculture's Consolidated Financial Statements for Fiscal Years 2006 and 2005

The Department is pleased to respond to your audit report on the Consolidated Financial Statements for fiscal years 2006 and 2005.

We concur with the two material weaknesses and one reportable condition contained in your report. The Department plans to submit a detailed Action Plan no later than December 31, 2006, to address the findings and recommendation contained in your report.

We generally agree with the recommendation in the report and will develop corrective action measures accordingly.

The achievement of an unqualified audit opinion was accomplished through the joint efforts of your staff, contract auditors and the financial staffs of the Department and agencies.

I would like to express my appreciation for the cooperation and professionalism displayed by your staff and your contractors during the course of the audit.

AN EQUAL OPPORTUNITY EMPLOYER

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## CONSOLIDATED BALANCE SHEET

**As of September 30, 2006 and 2005**
**(in millions)**

| | 2006 | 2005 |
|---|---|---|
| **Assets:** | | |
| Intragovernmental: | | |
| Fund Balance with Treasury (Note 3) | $ 42,191 | $ 42,327 |
| Investments (Note 5) | 81 | 69 |
| Accounts Receivable, Net (Note 6) | 246 | 712 |
| Other (Note 11) | - | 1 |
| Total Intragovernmental | 42,518 | 43,109 |
| Cash and Other Monetary Assets (Note 4) | 224 | 242 |
| Investments (Note 5) | 3 | 15 |
| Accounts Receivable, Net (Note 6) | 8,635 | 9,442 |
| Loans Receivable and Related Foreclosed Property, Net (Note 7) | 77,791 | 75,176 |
| Inventory and Related Property, Net (Note 8) | 55 | 29 |
| General Property, Plant, and Equipment, Net (Note 9) | 4,905 | 4,885 |
| Other (Note 11) | 98 | 86 |
| **Total Assets (Note 2)** | 134,229 | 132,984 |
| Stewardship PP&E (Note 10) | | |
| **Liabilities:** | | |
| Intragovernmental: | | |
| Accounts Payable | 7 | 821 |
| Debt (Note 13) | 83,447 | 83,515 |
| Other (Note 15) | 14,080 | 18,591 |
| Total Intragovernmental | 97,534 | 102,927 |
| Accounts Payable | 4,170 | 4,292 |
| Loan Guarantee Liability (Note 7) | 1,296 | 1,214 |
| Debt Held by the Public (Note 13) | - | 1 |
| Federal Employee and Veterans Benefits | 808 | 834 |
| Environmental and Disposal Liabilities (Note 14) | 63 | 28 |
| Other (Notes 15 & 16) | 20,082 | 21,710 |
| **Total Liabilities (Note 12)** | 123,953 | 131,006 |
| Commitments and Contingencies (Note 17) | | |
| **Net Position:** | | |
| Unexpended Appropriations | - | 21,490 |
| Unexpended Appropriations - earmarked funds | 976 | - |
| Unexpended Appropriations - other funds | 25,409 | - |
| Cumulative Results of Operations | - | (19,512) |
| Cumulative Results of Operations - earmarked funds | 518 | - |
| Cumulative Results of Operations - other funds | (16,627) | - |
| **Total Net Position** | 10,276 | 1,978 |
| **Total Liabilities and Net Position** | $ 134,229 | $ 132,984 |

The accompanying notes are an integral part of these statements.

## CONSOLIDATED STATEMENT OF NET COST
**For the Years Ended September 30, 2006 and 2005**
**(in millions)**

| | 2006 | 2005 |
|---|---|---|
| *Enhance International Competitiveness and the Sustainability of Rural and Farm Economies:* | | |
| Gross Cost | $ 31,841 | $ 41,909 |
| Less: Earned Revenue | 6,979 | 15,136 |
| Net Cost | 24,862 | 26,773 |
| *Support Increased Economic Opportunities and Improved Quality of Life in Rural America:* | | |
| Gross Cost | 7,048 | 5,358 |
| Less: Earned Revenue | 3,980 | 4,344 |
| Net Cost | 3,068 | 1,014 |
| *Enhance Protection and Safety of the Nation's Agriculture and Food Supply:* | | |
| Gross Cost | 3,629 | 3,071 |
| Less: Earned Revenue | 649 | 630 |
| Net Cost | 2,980 | 2,441 |
| *Improve the Nation's Nutrition and Health:* | | |
| Gross Cost | 53,064 | 51,033 |
| Less: Earned Revenue | 36 | 46 |
| Net Cost | 53,028 | 50,987 |
| *Protect and Enhance the Nation's Natural Resource Base and Environment:* | | |
| Gross Cost | 12,592 | 10,686 |
| Less: Earned Revenue | 1,104 | 888 |
| Net Cost | 11,488 | 9,798 |
| Total Gross Costs | 108,174 | 112,057 |
| Less: Total Earned Revenues | 12,748 | 21,044 |
| **Net Cost of Operations (Note 19)** | $ 95,426 | $ 91,013 |

The accompanying notes are an integral part of these statements.

## CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

**For the Years Ended September 30, 2006 and 2005**

**(in millions)**

| | 2006 | | | | 2005 |
|---|---|---|---|---|---|
| | Earmarked Funds | All Other Funds | Eliminations | Consolidated Total | Consolidated Total |
| **Cumulative Results of Operations:** | | | | | |
| Beginning Balances | $ 964 | $ (20,476) | $ - | $ (19,512) | $ (7,174) |
| Budgetary Financing Sources: | | | | | |
| Appropriations Used | 3,184 | 91,765 | - | 94,949 | 77,921 |
| Non-exchange Revenue | - | 2 | - | 2 | 8 |
| Donations and Forfeitures of Cash and Equivalents | 1 | - | - | 1 | 2 |
| Transfers In (Out) without Reimbursement | 915 | 2,694 | - | 3,609 | 686 |
| Other | - | - | - | - | (1) |
| Other Financing Sources (Non-Exchange): | | | | | |
| Donations and Forfeitures of Property | - | - | - | - | 31 |
| Transfers In (Out) without Reimbursement | - | (544) | - | (544) | (1,001) |
| Imputed Financing | 43 | 3,113 | (2,349) | 807 | 833 |
| Other | 5 | - | - | 5 | 196 |
| Total Financing Sources | 4,148 | 97,030 | (2,349) | 98,829 | 78,675 |
| Net Cost of Operations | (4,594) | (93,181) | 2,349 | (95,426) | (91,013) |
| Net Change | (446) | 3,849 | - | 3,403 | (12,338) |
| **Cummulative Results of Operations, Ending** | 518 | (16,627) | - | (16,109) | (19,512) |
| **Unexpended Appropriations:** | | | | | |
| Beginning Balances | 923 | 20,567 | - | 21,490 | 22,158 |
| Budgetary Financing Sources: | | | | | |
| Appropriations Received | 3,308 | 97,832 | - | 101,140 | 80,697 |
| Appropriations transferred in/out | (5) | 103 | - | 98 | (507) |
| Other Adjustments | (66) | (1,328) | - | (1,394) | (2,937) |
| Appropriations Used | (3,184) | (91,765) | - | (94,949) | (77,921) |
| Total Budgetary Financing Sources | 53 | 4,842 | - | 4,895 | (668) |
| **Unexpended Appropriations, Ending** | 976 | 25,409 | - | 26,385 | 21,490 |
| **Net Position** | $ 1,494 | $ 8,782 | $ - | $ 10,276 | $ 1,978 |

The accompanying notes are an integral part of these statements.

## COMBINED STATEMENT OF BUDGETARY RESOURCES
**For the Years Ended September 30, 2006 and 2005**
**(in millions)**

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Budgetary | Non-Budgetary Credit Reform Financing Accounts | Budgetary | Non-Budgetary Credit Reform Financing Accounts |
| **Budgetary Resources:** | | | | |
| Unobligated balance, brought forward, October 1 (Note 24) | $ 19,170 | $ 6,828 | $ 18,756 | $ 6,325 |
| Recoveries of prior year unpaid obligations | 9,071 | 941 | 6,243 | 559 |
| Budget Authority - | | | | |
| Appropriation | 109,856 | - | 88,940 | - |
| Borrowing Authority (Notes 22 & 23) | 44,465 | 12,608 | 45,357 | 10,886 |
| Earned - | | | | |
| Collected | 23,265 | 7,864 | 27,460 | 8,576 |
| Change in receivables from Federal Sources | (129) | (29) | - | (113) |
| Change in unfilled customer orders - | | | | |
| Advances received | 299 | - | (1,383) | - |
| Without advance from Federal Sources | 70 | 11 | 15 | 2 |
| Expenditure transfers from trust funds | 1,050 | - | 899 | - |
| Nonexpenditure transfers, net, anticipated and actual | (342) | - | (907) | - |
| Permanently not available | (55,745) | (8,798) | (39,871) | (4,911) |
| Total Budgetary Resources | 151,030 | 19,425 | 145,509 | 21,324 |
| **Status of Budgetary Resources:** | | | | |
| Obligations Incurred (Note 21) - | | | | |
| Direct | 87,185 | 15,710 | 82,879 | 14,496 |
| Reimbursable | 42,563 | - | 43,460 | - |
| Unobligated Balance - | | | | |
| Apportioned | 7,818 | 1,625 | 5,919 | 5,672 |
| Exempt from Apportionment | 771 | - | 1,262 | 5 |
| Unobligated balance not available | 12,693 | 2,090 | 11,989 | 1,151 |
| Total status of budgetary resources | 151,030 | 19,425 | 145,509 | 21,324 |
| **Change in Obligated Balances:** | | | | |
| Obligated balance, net, brought forward October 1 (Note 24) | 26,555 | 18,202 | 21,010 | 17,136 |
| Obligations incurred | 129,748 | 15,710 | 126,339 | 14,496 |
| Gross outlays | (120,756) | (14,089) | (114,536) | (12,982) |
| Recoveries of prior year unpaid | (9,071) | (941) | (6,243) | (559) |
| Change in uncollected payments from Federal Sources | 59 | 18 | (15) | 111 |
| Obligated balance, net, end of period - | | | | |
| Unpaid obligations (Note 28) | 28,881 | 19,722 | 28,961 | 19,042 |
| Uncollected customer payments from Federal Sources | (2,344) | (822) | (2,406) | (840) |
| Obligated balance, net, end of period | 26,537 | 18,900 | 26,555 | 18,202 |
| **Net Outlays:** | | | | |
| Gross outlays | 120,756 | 14,089 | 114,536 | 12,982 |
| Offsetting collections | (24,612) | (7,864) | (26,976) | (8,576) |
| Distributed offsetting receipts | (1,708) | (987) | (1,445) | (722) |
| Net Outlays | $ 94,436 | $ 5,238 | $ 86,115 | $ 3,684 |

The accompanying notes are an integral part of these statements.

## CONSOLIDATED STATEMENT OF FINANCING
### For the Years Ended September 30, 2006 and 2005
### (in millions)

| | 2006 | 2005 |
|---|---|---|
| **Resources Used to Finance Activities:** | | |
| Budgetary Resources Obligated - | | |
| Obligations Incurred | $ 145,458 | $ 140,835 |
| Less: Spending authority from offsetting collections and recoveries | 42,413 | 42,258 |
| Obligations net of offsetting collections and recoveries | 103,045 | 98,577 |
| Less: Offsetting receipts | 2,695 | 2,167 |
| Net Obligations | 100,350 | 96,410 |
| Other Resources - | | |
| Donations and forfeitures of property | - | 31 |
| Transfers in(out) without reimbursement | (544) | (1,001) |
| Imputed financing from costs absorbed by others | 807 | 833 |
| Other | 5 | 196 |
| Net other resources used to finance activities | 268 | 59 |
| **Total resources used to finance activities** | 100,618 | 96,469 |
| **Resources Used to Finance Items not Part of the Net Cost of Operations:** | | |
| Change in undelivered orders | (840) | (2,192) |
| Resources that fund expenses recognized in prior periods | (812) | (432) |
| 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 | 12,067 | 14,921 |
| Other | 7,811 | 10,968 |
| Resources that finance the acquisition of assets | (28,444) | (31,208) |
| Other resources or adjustments to net obligated resources that do not affect net cost of operations | (1,860) | (932) |
| Total resources used to finance items not part of the net cost of operations | (12,078) | (8,875) |
| **Total resources used to finance the net cost of operations** | 88,540 | 87,594 |
| **Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:** | | |
| Components Requiring or Generating Resources in Future Periods - | | |
| Increase in annual leave liability | 43 | - |
| Increase in environmental and disposal liability | 35 | - |
| Upward/Downward reestimates of credit subsidy expense | 650 | (1,853) |
| Increase in exchange revenue receivable from the public | (377) | (7,791) |
| Other | 95 | 7,456 |
| Total components of Net Cost of Operations that will require or generate resources in future periods (Note 29) | 446 | (2,188) |
| Components not Requiring or Generating Resources - | | |
| Depreciation and amortization | 375 | 524 |
| Revaluation of assets or liabilities | (53) | (525) |
| Other | 6,118 | 5,608 |
| Total components of Net Cost of Operations that will not require or generate resources | 6,440 | 5,607 |
| **Total components of Net Cost of Operations that will not require or generate resources in the current period** | 6,886 | 3,419 |
| **Net Cost of Operations** | $ 95,426 | $ 91,013 |

The accompanying notes are an integral part of these statements.

# Notes to the Consolidated Financial Statements

**As of September 30, 2006 and 2005**
**(in millions)**

## Note 1. Significant Accounting Policies

### 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)

With the passage of the 2006 Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriation Act, Public Law No. 109-97, the legal restriction on redeeming Government-owned Class A stock was removed for RTB. As a result of this change, the process of liquidation and dissolution of the RTB began. During FY 2008 RTB will be dissolved in its entirety and will no longer be a reportable entity.

## 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.

## Earmarked Funds

In accordance with SFFAS 27, Identifying and Reporting Earmarked Funds, which became effective in FY 2006, the USDA has reported the earmarked funds for which it has program management responsibility when the following three criteria are met:  (1)  a statute committing the Federal Government to use specifically identified revenues and other financing sources only for designated activities, benefits or purposes; (2)  explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits or purposes; and (3) a requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government's general revenues. In accordance with SFFAS 27, the USDA did not restate FY 2005. In FY 2005, these funds were considered to be dedicated collections.

### Stewardship PP&E

SFFAS 29, Heritage Assets and Stewardship Land, was issued in July 2005. SFFAS 29 reclassified all heritage assets and stewardship land information as basic except for condition information, which is classified as RSI. The reclassification as basic is being phased in per SFFAS 29. Heritage assets and stewardship land information that was previously reported in RSSI will temporarily shift to RSI until it moves to a note on the balance sheet as basic information. The phase-in of disclosure requirements being reported as basic information provides that SFFAS 29 will be fully implemented for reporting periods beginning after September 30, 2008.

### 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, employer contributions and payroll taxes withheld for agencies serviced by the National Finance Center, property taxes and insurance for single family housing, and interest, fines and penalties.

| | FY 2006 | FY 2005 |
|---|---|---|
| Intragovernmental: | | |
| Fund balance with Treasury | $ 37 | $ 140 |
| Accounts Receivable | 17 | 1 |
| Subtotal Intragovernmental | 54 | 141 |
| With the Public: | | |
| Cash and other monetary assets | 98 | 91 |
| Accounts receivable | 32 | 81 |
| Subtotal With the Public | 130 | 172 |
| Total non-entity assets | 184 | 313 |
| Total entity assets | 134,045 | 132,671 |
| Total assets | $ 134,229 | $ 132,984 |

## 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 2006 | FY 2005 |
|---|---|---|
| Fund Balances: | | |
| Trust Funds | $ 551 | $ 759 |
| Revolving Funds | 5,227 | 11,011 |
| Appropriated Funds | 36,061 | 30,009 |
| Other Fund Types | 352 | 548 |
| Total | 42,191 | 42,327 |
| Status of Fund Balance with Treasury: | | |
| Unobligated Balance: | | |
| Available | 11,108 | 12,630 |
| Unavailable | 13,147 | 11,870 |
| Obligated Balance not yet Disbursed | 26,011 | 26,357 |
| Clearing Account Balances | 16 | 170 |
| Borrowing Authority not yet Converted to Fund Balance | (8,091) | (8,700) |
| Total | $ 42,191 | $ 42,327 |

## NOTE 4. CASH AND OTHER MONETARY ASSETS

In fiscal 2006 and 2005, cash includes Federal crop insurance escrow amounts of $90 million and $65 million, funds held in escrow for single family housing borrowers of $98 million and $90 million, and other receipts of $36 million and $87 million, respectively. The other receipts of $87 million in fiscal 2005 include $26 million of interest-bearing deposits.

| | FY 2006 | FY 2005 |
|---|---|---|
| Cash | $ 224 | $ 242 |

## NOTE 5. INVESTMENTS

| FY 2006 | Amortization Method | Cost | Unamortized Premium/ (Discount) | Investments, Net | Market Value Disclosure |
|---|---|---|---|---|---|
| Intragovernmental: | | | | | |
| Non-marketable | | | | | |
| Par value | | $ 76 | $ - | $ 76 | $ - |
| Market-based | Straight Line | 5 | - | 5 | 5 |
| Total | | $ 81 | $ - | $ 81 | $ 5 |
| With the Public: | | | | | |
| AARC | | $ 3 | $ - | $ 3 | $ 3 |
| Total | | $ 3 | $ - | $ 3 | $ 3 |

| 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 | | $ 69 | $ - | $ 69 | $ 5 |
| With the Public: | | | | | |
| AARC | | $ 15 | - | $ 15 | $ 15 |
| Total | | $ 15 | $ - | $ 15 | $ 15 |

## NOTE 6. ACCOUNTS RECEIVABLE, NET

FY 2006

| | Accounts Receivable, Gross | Allowance for Uncollectible Accounts | Accounts Receivable, Net |
|---|---|---|---|
| Intragovernmental | $ 246 | $ - | $ 246 |
| With the Public | 8,732 | 97 | 8,635 |
| Total | $ 8,978 | $ 97 | $ 8,881 |

FY 2005

| | Accounts Receivable, Gross | Allowance for Uncollectible Accounts | Accounts Receivable, Net |
|---|---|---|---|
| Intragovernmental | $ 712 | $ - | $ 712 |
| With the Public | 9,607 | 165 | 9,442 |
| Total | $ 10,319 | $ 165 | $ 10,154 |

## 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 2006 was $77,791 million compared to $75,176 million at the end of FY 2005. Loans exempt from the Federal Credit Reform Act of 1990 represent $1,381 million of the total compared to $1,057 million in FY 2005. Table 1 illustrates the overall composition of the Department's credit program balance sheet portfolio by mission area and credit program for FY 2006 and 2005.

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 $4,674 million to $5,090 million during FY 2006, an increase of $416 million. Table 2 shows the reconciliation of subsidy cost allowance balances from FY 2005 to FY 2006.

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 2006 was $717 million compared to negative $783 million in FY 2005. Table 3 illustrates the breakdown of total subsidy expense for FY 2006 and 2005 by program.

Direct loan volume increased from $7,740 million in FY 2005 to $8,875 million in FY 2006. 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 2006 were $33,419 million in outstanding principal and $29,643 million in outstanding principal guaranteed, compared to $34,072 and $30,269 million, respectively at the end of FY 2005. 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 $1,214 million to $1,296 million during FY 2006, an increase of $82 million. The post-1991 liability moved from $1,210 million to $1,294 million, an increase of $84 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 2006 was negative $64 million compared to negative $222 million in FY 2005. Table 8 illustrates the breakdown of total subsidy expense for FY 2006 and 2005 by program.

Guaranteed loan volume decreased from $8,987 million in FY 2005 to $7,394 million in FY 2006. 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 2006 and 2005 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 cash flow 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 2005 and FY 2004 actual budgetary reestimates were recorded as of September 30, 2006 and 2005, 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 2006 reestimate process resulted in a $353 million increase in the post 1991 estimated cost of the direct loan portfolio and a $269 million reduction in the post 1991 estimated cost of the guaranteed loan portfolio.

Table 3 discloses the direct loan subsidy expense including the $353 million increase due to reestimates. The increase was most affected by a $798 million increase in the housing program and $253 million reduction in the electric program. The housing FY 2006 upward reestimates was largely due to model and data assumption changes that were implemented during the current fiscal year. These changes reversed the large decrease reported during FY 2005. The reduction in the electric program was due to differences between the Treasury discount rate and the borrower interest rate varying from the original assumptions in the Federal Financing Bank electric loan cohort and Underwriters cohort. In conjunction, the borrower rate and payment consistency contributed to the Government cost savings and reduced subsidy expense.

Table 8 discloses the loan guarantee subsidy expenses including the $269 million reduction due to reestimate. The reduction was most impacted by the $348 million reduction in the export 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.

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 2006 and 2005 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 2006 and 2005, 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, 2006 and 2005, foreclosed property consisted of 530 and 587 rural single-family housing dwellings, with an average holding period of 27 and 26 months, respectively. As of September 30, 2006 and 2005, FSA-Farm Loan Program properties consist primarily of 78 and 100 farms, respectively. The average holding period for these properties in inventory for FY 2006 and 2005 was 58 and 57 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

A modification is any Government action different from the baseline assumptions that affects the subsidy cost, such as a change in the terms of the loan contract. The cost of a modification is the difference between the present value of the cash flows before and after the modification.

In FY 2006, Rural Development modified several loan programs. The multiple-family housing direct loan program was modified due to the revitalization project. The revitalization project is used to rehabilitate ailing housing developments. In this program, Rural Development determines whether the development owner should be offered a financial restructuring plan and what type of incentives, if any, should be offered to the owner to rehabilitate an ailing housing development and to provide affordable rents for tenants who live in such projects that are revitalized.

The electric program direct loans have been modified for two borrowers due to damage caused by the hurricanes which occurred during the 2005 calendar year. One borrower’s loans were modified to defer principal payments for three years and to extend the loan term for three years. The other modification was made to defer principal and interest for five years and to extend the maturity by five years.

The guaranteed single-family housing loan programs were modified to enable eligible delinquent borrowers that were impacted by the hurricanes which occurred during the 2005 calendar year to receive a one-time advance from their loan servicer in an amount equal to not more than 12 months past due mortgage payments. Loan servicers are reimbursed by Rural Development and the borrower is required to repay Rural Development.

To determine the cost of the above modifications, the most recently approved President's budget was used for the net present value discount factor for the premodification cash flow, which was FY 2006. The post modification cash flows are discounted at the net present value discount factor for the FY 2004 Reestimates for the respective cohort.

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.

There was one loan modification effected in FY 2005. A Forest Conservation Agreement between the Government of Jamaica and the Government of the United States, signed September 21, 2004, which resulted in a reduction of debt in the amount of $6.5 million. No gain or loss was recognized.

**Interest Credit**

Approximately $17.9 and $18.2 billion of RHS unpaid loan principal as of September 30, 2006, and 2005 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 $1.0 and $1.1 billion higher for FY 2006 and 2005, respectively.

**Restructured Loans**

At the end of FY 2006 and 2005, the RD portfolio contained approximately 81 and 80 thousand restructured loans with an outstanding unpaid principal balance of $2.6 billion. At the end of FY 2006 and 2005, the farm loan portfolio contained approximately 23 and 25 thousand restructured loans with an outstanding unpaid principal balance of $1.3 and $1.4 billion, respectively. Direct credit and credit guarantee principal receivables in the food aid and export programs under rescheduling agreements as of September 30, 2006 and 2005, were $4.2 and $5.5 billion, respectively.

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

| FY 2006 Direct Loans | Loans Receivable, Gross | Interest Receivable | Foreclosed Property | Present Value Allowance | Value of Assets Related to Direct Loans |
|---|---|---|---|---|---|
| Obligated Pre-1992 | | | | | |
| Farm | $ 1,981 | $ 133 | $ 13 | $ (174) | $ 1,953 |
| Export | - | - | - | - | - |
| Food Aid | 5,600 | 68 | - | (2,570) | 3,098 |
| Housing | 11,666 | 101 | 16 | (5,212) | 6,571 |
| Electric | 11,969 | 25 | - | (1,460) | 10,534 |
| Telecommunications | 1,239 | 2 | - | (79) | 1,162 |
| Water and Environmental | 1,568 | 16 | - | (216) | 1,368 |
| Business and Industry | 1 | 1 | - | (1) | 1 |
| Economic Development | 44 | - | - | (22) | 22 |
| Pre-1992 Total | 34,068 | 346 | 29 | (9,734) | 24,709 |
| Obligated Post-1991 | | | | | |
| Farm | 4,692 | 152 | 4 | (642) | 4,206 |
| Export | - | - | - | - | - |
| Food Aid | 2,548 | 34 | - | (1,249) | 1,333 |
| Housing | 15,145 | 87 | 16 | (2,099) | 13,149 |
| Electric | 22,237 | 3 | - | (240) | 22,000 |
| Telecommunications | 2,718 | 5 | - | 77 | 2,800 |
| Water and Environmental | 7,104 | 73 | - | (663) | 6,514 |
| Business and Industry | 70 | - | - | (67) | 3 |
| Economic Development | 488 | 2 | - | (162) | 328 |
| Post-1991 Total | 55,002 | 356 | 20 | (5,045) | 50,333 |
| Total Direct Loan Program Receivables | 89,070 | 702 | 49 | (14,779) | 75,042 |
| Defaulted Guarantee Loans | | | | | |
| Pre-1992 | | | | | |
| Farm | 8 | - | - | (6) | 2 |
| Export | 516 | 7 | - | (137) | 386 |
| Food Aid | - | - | - | - | - |
| Housing | - | - | - | - | - |
| Electric | - | - | - | - | - |
| Telecommunications | - | - | - | - | - |
| Water and Environmental | - | - | - | - | - |
| Business and Industry | - | - | - | - | - |
| Economic Development | 4 | - | - | - | 4 |
| Pre-1992 Total | 528 | 7 | - | (143) | 392 |
| Post-1991 | | | | | |
| Farm | 36 | 1 | - | (22) | 15 |
| Export | 1,189 | 20 | - | (406) | 803 |
| Food Aid | - | - | - | - | - |
| Housing | 17 | - | - | (14) | 3 |
| Electric | - | - | - | - | - |
| Telecommunications | - | - | - | - | - |
| Water and Environmental | - | - | - | - | - |
| Business and Industry | 162 | 2 | - | (9) | 155 |
| Economic Development | - | - | - | - | - |
| Post-1991 Total | 1,404 | 23 | - | (451) | 976 |
| Total Defaulted Guarantee Loans | 1,932 | 30 | - | (594) | 1,368 |
| Loans Exempt from Credit Reform Act: | | | | | |
| Commodity Loans | 1,493 | - | - | (132) | 1,361 |
| Other Foreign Receivables | 62 | - | - | (42) | 20 |
| Total Loans Exempt | 1,555 | - | - | (174) | 1,381 |
| Total Loans Receivable and Related Foreclosed Property, Net | | | | | $ 77,791 |

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

| FY 2005 Direct Loans | Loans Receivable, Gross | Interest Receivable | Foreclosed Property | Present Value Allowance | Value of Assets Related to Direct Loans |
|---|---|---|---|---|---|
| Obligated Pre-1992 | | | | | |
| Farm | $ 2,336 | $ 151 | $ 21 | $ (247) | $ 2,261 |
| Export | - | - | - | - | - |
| Food Aid | 5,909 | 69 | - | (2,624) | 3,354 |
| 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 | 36,211 | 379 | 34 | (9,965) | 26,659 |
| Obligated Post-1991 | | | | | |
| Farm | 4,562 | 141 | 3 | (645) | 4,061 |
| Export | - | - | - | - | - |
| Food Aid | 2,794 | 37 | - | (1,391) | 1,440 |
| 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 | 49,343 | 323 | 22 | (4,664) | 45,024 |
| Total Direct Loan Program Receivables | 85,554 | 702 | 56 | (14,629) | 71,683 |
| 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 | 1,413 | 16 | - | (129) | 1,300 |
| 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 | 1,811 | 26 | - | (701) | 1,136 |
| Total Defaulted Guarantee Loans | 3,224 | 42 | - | (830) | 2,436 |
| Loans Exempt from Credit Reform Act: | | | | | |
| Commodity Loans | 1,031 | - | - | - | 1,031 |
| Other Foreign Receivables | 26 | - | - | - | 26 |
| Total Loans Exempt | 1,057 | - | - | - | 1,057 |
| Total Loans Receivable and Related Foreclosed Property, Net | | | | | $ 75,176 |

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

| | FY 2006 | FY 2005 |
|---|---|---|
| Beginning balance of the subsidy cost allowance | $ 4,674 | $ 6,256 |
| Add: Subsidy expense for direct loans disbursed during the year by component | | |
| Interest rate differential costs | (119) | (89) |
| Default costs (net of recoveries) | 120 | 141 |
| Fees and other collections | (3) | (7) |
| Other subsidy costs | 337 | 326 |
| Total subsidy expense prior to adjustments and reestimates | 335 | 371 |
| Adjustments | | |
| Loan modifications | 27 | 6 |
| Fees received | 22 | 20 |
| Loans written off | (276) | (191) |
| Subsidy allowance amortization | (78) | (527) |
| Other | 32 | (99) |
| Total subsidy cost allowance before reestimates | 4,736 | 5,836 |
| Add or subtract subsidy reestimates by component | | |
| Interest rate reestimate | 97 | 108 |
| Technical/default reestimate | 257 | (1,270) |
| Total reestimates | 354 | (1,162) |
| Ending balance of the subsidy cost allowance | $ 5,090 | $ 4,674 |

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

FY 2006

| | Interest Differential | Defaults | Fees and Other Collections | Other | Subtotal Subsidy | Total Modifications | Rate Reestimates | Technical Reestimates | Total Reestimates | Total Subsidy Expense |
|---|---|---|---|---|---|---|---|---|---|---|
| Direct Loan Programs | | | | | | | | | | |
| Farm | $ 12 | $ 73 | $ - | $ (4) | $ 81 | $ - | $ 5 | $ (18) | $ (13) | $ 68 |
| Export | - | - | - | - | - | - | - | - | - | - |
| Food Aid | 18 | 4 | - | - | 22 | 26 | - | (89) | (89) | (41) |
| Housing | (178) | 31 | (3) | 360 | 210 | - | 337 | 461 | 798 | 1,008 |
| Electric | (45) | 9 | - | (14) | (50) | 1 | (214) | (39) | (253) | (302) |
| Telecommunications | (1) | 2 | - | (1) | - | - | (6) | (43) | (49) | (49) |
| Water and Environmental | 53 | 1 | - | (3) | 51 | - | (29) | (4) | (33) | 18 |
| Business and Industry | - | - | - | - | - | - | 3 | (9) | (6) | (6) |
| Economic Development | 23 | - | - | - | 23 | - | - | (2) | (2) | 21 |
| Total Direct Loan Subsidy Expense | $ (118) | $ 120 | $ (3) | $338 | $ 337 | $ 27 | $ 96 | $ 257 | $ 353 | $ 717 |

FY 2005

| | Interest Differential | Defaults | Fees and Other Collections | Other | Subtotal Subsidy | Total Modifications | Rate Reestimates | Technical Reestimates | Total Reestimates | Total Subsidy Expense |
|---|---|---|---|---|---|---|---|---|---|---|
| Direct Loan Programs | | | | | | | | | | |
| Farm | $ (4) | $ 97 | $ - | $ (18) | $ 75 | $ - | $ (8) | $ 42 | $ 34 | $ 109 |
| Export | - | - | - | - | - | - | - | - | - | - |
| Food Aid | 21 | 5 | - | 1 | 27 | 6 | - | (343) | (343) | (310) |
| 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) |

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

| | FY 2006 | FY 2005 |
|---|---|---|
| Direct Loan Programs | | |
| Farm | $ 1,041 | $ 906 |
| Export | - | - |
| Food Aid | 16 | 20 |
| Housing | 1,790 | 1,744 |
| Electric | 4,802 | 3,600 |
| Telecommunications | 485 | 567 |
| Water and Environmental | 675 | 855 |
| Business and Industry | - | 2 |
| Economic Development | 66 | 46 |
| Total Direct Loans Disbursed | $ 8,875 | $ 7,740 |

## Table 5. Loan Guarantees Outstanding

| FY 2006 | Pre - 1992 Outstanding Principal, Face Value | Post - 1991 Outstanding Principal, Face Value | Total Outstanding Principal, Face Value | Pre - 1992 Outstanding Principal, Guaranteed | Post - 1991 Outstanding Principal, Guaranteed | Total Outstanding Principal, Guaranteed |
|---|---|---|---|---|---|---|
| Loan Guarantee Programs | | | | | | |
| Farm | $ 86 | $ 10,069 | $ 10,155 | $ 76 | $ 9,046 | $ 9,122 |
| Export | - | 3,022 | 3,022 | - | 2,925 | 2,925 |
| Food Aid | - | - | - | - | - | - |
| Housing | 12 | 15,889 | 15,901 | 10 | 14,286 | 14,296 |
| Electric | 167 | 222 | 389 | 167 | 222 | 389 |
| Telecommunications | - | - | - | - | - | - |
| Water and Environmental | - | 34 | 34 | - | 28 | 28 |
| Business and Industry | 23 | 3,892 | 3,915 | 17 | 2,863 | 2,880 |
| Economic Development | 3 | - | 3 | 3 | - | 3 |
| Total Guarantees Disbursed | $ 291 | $ 33,128 | $ 33,419 | $ 273 | $ 29,370 | $ 29,643 |

| FY 2005 | Pre - 1992 Outstanding Principal, Face Value | Post - 1991 Outstanding Principal, Face Value | Total Outstanding Principal, Face Value | Pre - 1992 Outstanding Principal, Guaranteed | Post - 1991 Outstanding Principal, Guaranteed | Total Outstanding Principal, Guaranteed |
|---|---|---|---|---|---|---|
| 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 | $ 392 | $ 33,680 | $ 34,072 | $ 370 | $ 29,899 | $ 30,269 |

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

| FY 2006 | 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 | $ 1 | $ 121 | $ 122 |
| Export | - | 220 | 220 |
| Food Aid | - | - | - |
| Housing | - | 624 | 624 |
| Electric | - | - | - |
| Telecommunications | - | - | - |
| Water and Environmental | - | - | - |
| Business and Industry | 1 | 329 | 330 |
| Economic Development | - | - | - |
| Total Liability for Loan Guarantees | $ 2 | $ 1,294 | $ 1,296 |

| 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 | $ 4 | $ 1,210 | $ 1,214 |

## Table 7. Schedule for Reconciling Loan Guarantee Liability

| | FY 2006 | FY 2005 |
|---|---|---|
| Beginning balance of the loan guarantee liability | $ 1,209 | $ 1,183 |
| Add:Subsidy expense for guaranteed loans disbursed during the year by component | | |
| Interest rate differential costs | 35 | 35 |
| Default costs (net of recoveries) | 290 | 369 |
| Fees and other collections | (118) | (106) |
| Other subsidy costs | - | - |
| Total of the above subsidy expense components | 207 | 298 |
| Adjustments | | |
| Loan modifications | - | - |
| Fees received | 95 | 103 |
| Interest supplements paid | (6) | (10) |
| Claim payments to lenders | (154) | (360) |
| Interest accumulation on the liability balance | 127 | 16 |
| Other | 84 | 498 |
| Ending balance of the subsidy cost allowance before reestimates | 1,562 | 1,728 |
| Add or subtract subsidy reestimates by component: | | |
| Interest rate reestimate | 57 | (284) |
| Technical/default reestimate | (326) | (235) |
| Total of the above reestimate components | (269) | (519) |
| Ending balance of the loan guarantee liability | $ 1,293 | $ 1,209 |

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

FY 2006

| Loan Guarantee Programs | Interest Supplement | Defaults | Fees and Other Collections | Other | Subtotal | Total Modifications | Interest Rate Reestimates | Technical Reestimates | Total Reestimates | Total Subsidy Expense |
|---|---|---|---|---|---|---|---|---|---|---|
| Farm | $ 25 | $ 58 | $ (17) | $ - | $ 66 | $ - | $ 1 | $ 18 | $ 19 | $ 85 |
| Export | - | 78 | (9) | - | 69 | - | 23 | (371) | (348) | (279) |
| Food Aid | - | - | - | - | - | - | - | - | - | - |
| Housing | 10 | 97 | (68) | - | 39 | - | 20 | 31 | 51 | 90 |
| Electric | - | - | - | - | - | - | - | - | - | - |
| Telecommunications | - | - | - | - | - | - | - | - | - | - |
| Water and Environmental | - | - | - | - | - | - | - | - | - | - |
| Business and Industry | - | 56 | (25) | - | 31 | - | 13 | (4) | 9 | 40 |
| Economic Development | - | - | - | - | - | - | - | - | - | - |
| Total Loan Guarantee Subsidy Expense | $ 35 | $ 289 | $ (119) | $ - | $ 205 | $ - | $ 57 | $ (326) | $ (269) | $ (64) |

FY 2005

| Loan Guarantee Programs | Interest Supplement | Defaults | Fees and Other Collections | Other | Subtotal | Total Modifications | Interest Rate Reestimates | Technical Reestimates | Total Reestimates | Total Subsidy Expense |
|---|---|---|---|---|---|---|---|---|---|---|
| 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 | - | - | - | - | - | - | - | - | - | - |
| Total Loan Guarantee Subsidy Expense | $ 35 | $ 368 | $ (107) | $ - | $ 296 | $ - | $ (284) | $ (234) | $ (518) | $ (222) |

## Table 9. Guaranteed Loans Disbursed

| | FY 2006 | | FY 2005 | |
|---|---|---|---|---|
| | Principal, Face Value Disbursed | Principal, Guaranteed Disbursed | Principal, Face Value Disbursed | Principal, Guaranteed Disbursed |
| Loan Guarantee Programs | | | | |
| Farm | $ 2,146 | $ 1,928 | $ 2,191 | $ 1,968 |
| Export | 1,568 | 1,451 | 2,956 | 2,678 |
| Food Aid | - | - | - | - |
| Housing | 3,187 | 2,864 | 3,130 | 2,813 |
| Electric | 3 | 3 | 2 | 2 |
| Telecommunications | - | - | - | - |
| Water and Environmental | 1 | 1 | 5 | 4 |
| Business and Industry | 489 | 382 | 703 | 550 |
| Economic Development | - | - | - | - |
| Total Guaranteed Loans Disbursed | $ 7,394 | $ 6,629 | $ 8,987 | $ 8,015 |

## Table 10. Administrative Expenses

| | FY 2006 | FY 2005 |
|---|---|---|
| Direct Loan Programs | $ 535 | $ 516 |
| Guaranteed Loan Programs | 253 | 253 |
| Total Administrative Expenses | $ 788 | $ 769 |

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

| FY 2006 | Interest Differential | Defaults | Fees and Other Collections | Other | Total |
|---|---|---|---|---|---|
| Direct Loan Programs | | | | | |
| Farm Operating | 1.62 | 8.05 | - | 0.28 | 9.95 |
| Indian Land Acquisition | 5.87 | (1.86) | - | - | 4.01 |
| Emergency Disaster | 5.02 | 6.25 | - | (0.33) | 10.94 |
| Boll Weevil Eradication | 0.51 | (18.74) | - | 0.14 | (18.09) |
| Farm Ownership | 0.63 | 2.49 | - | 2.00 | 5.12 |
| Farm Storage Facility Loan Program | 0.04 | 6.76 | (0.11) | (7.31) | (0.62) |
| Sugar Storage Facility Loan Program | 0.36 | 0.90 | - | - | 1.26 |
| Community Facility Loans | 3.59 | 0.24 | - | (0.48) | 3.35 |
| Water and Waste Disposal Loans | 7.14 | 0.09 | - | (0.32) | 6.91 |
| Distance Learning and Telemedicine Loans | - | 1.63 | - | (0.13) | 1.50 |
| Broadband 4% Loans (Mandatory) | 5.83 | 2.13 | - | (0.01) | 7.95 |
| Broadband 4% Loans (Discretionary) | 5.83 | 2.13 | - | (0.01) | 7.95 |
| Broadband Treasury Loans (Mandatory) | - | 2.22 | - | (0.07) | 2.15 |
| Broadband Treasury Loans (Discretionary) | - | 2.22 | - | (0.07) | 2.15 |
| Electric Hardship Loans | 0.69 | 0.02 | - | 0.21 | 0.92 |
| Municipal Electric Loans | 4.68 | 0.02 | - | 0.35 | 5.05 |
| FFB Electric Loans | (0.49) | 0.02 | - | (0.01) | (0.48) |
| Treasury Electric Loans | - | 0.02 | - | (0.01) | 0.01 |
| Telecommunication Hardship Loans | (1.84) | 0.02 | - | 0.02 | (1.80) |
| FFB Telecommunications Loans | (1.03) | 0.02 | - | (0.56) | (1.57) |
| Treasury Telecommunication Loans | - | 0.03 | - | 0.02 | 0.05 |
| Rural Telephone Bank Loans | - | - | - | - | - |
| Single-Family Housing Credit Sales | (19.35) | 1.16 | - | 3.66 | (14.53) |
| Multi-Family Housing Credit Sales | (19.82) | 0.12 | - | 65.10 | 45.40 |
| Section 502 Single-Family Housing | (16.77) | 2.32 | - | 25.84 | 11.39 |
| Section 504 Housing Repair | 27.00 | 2.45 | - | (0.20) | 29.25 |
| Section 515 Multi-Family Housing | (17.86) | 0.04 | (0.05) | 63.75 | 45.88 |
| Section 523 Self-Help Site Development | 1.03 | - | - | - | 1.03 |
| Section 524 Site Development | (4.30) | 0.79 | - | - | (3.51) |
| Section 514 Farm Labor Housing | 44.91 | 0.03 | - | (0.35) | 44.59 |
| Intermediary Relending Program | 43.84 | - | - | (0.82) | 43.02 |
| Rural Economic Development Loans | 21.40 | 0.07 | - | 1.50 | 22.97 |
| Electric Underwriting | (2.09) | 0.83 | - | - | (1.26) |
| MFH Preservation | 46.76 | - | - | - | 46.76 |
| P. L. 480 Direct Credits | 44.39 | 11.01 | - | - | 55.40 |

| FY 2005 | Interest Differential | Defaults | Fees and Other Collections | Other | Total |
|---|---|---|---|---|---|
| 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 |
| Electric Underwriting | - | - | - | - | - |
| MFH Preservation | - | - | - | - | - |
| P. L. 480 Direct Credits | 45.85 | 10.13 | - | - | 55.98 |

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

| FY 2006 | Interest Differential | Defaults | Fees and Other Collections | Other | Total |
|---|---|---|---|---|---|
| Guaranteed Loan Programs | | | | | |
| CCC Export Loan Guarantee Program | - | 9.50 | (0.57) | - | 8.93 |
| Farm Operating—Unsubsidized | - | 3.93 | (0.90) | - | 3.03 |
| Farm Operating—Subsidized | 9.24 | 3.26 | - | - | 12.50 |
| Farm Ownership—Unsubsidized | - | 1.38 | (0.90) | - | 0.48 |
| Business and Industry Loans | - | 8.20 | (3.41) | - | 4.79 |
| Guaranteed Business & Industry NadBank Loans | - | 13.76 | (3.28) | (0.01) | 10.47 |
| Community Facility Loans | - | 1.21 | (0.85) | - | 0.36 |
| Water and Waste Disposal Loans | - | - | (0.90) | - | (0.90) |
| Electric Guaranteed Loans | - | 0.90 | - | - | 0.90 |
| Local Television Loans (Discretionary) | - | - | - | - | - |
| Local Television Loans (Mandatory) | - | - | - | - | - |
| Guaranteed Broadband Loans (Discretionary) | - | 3.82 | - | - | 3.82 |
| Guaranteed Broadband Loans (Mandatory) | - | 3.82 | - | - | 3.82 |
| Section 502 Single-Family Housing Purchase | - | 3.16 | (2.00) | - | 1.16 |
| Section 502 Single-Family Housing Refinance | - | 0.79 | (0.50) | - | 0.29 |
| 538 Multi-Family Housing-Subsidized | 12.28 | 0.57 | (7.44) | 0.01 | 5.42 |
| Renewable Energy | - | 8.20 | (1.75) | - | 6.45 |
| Rural Business Investment Program | - | - | - | - | - |

| FY 2005 | Interest Differential | Defaults | Fees and Other Collections | Other | Total |
|---|---|---|---|---|---|
| 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 | - | - | - | - | - |

## 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, 2006 and 2005 were $106 million and $79 million, respectively. In fiscal year 2005, tobacco loan forfeitures amounted to $985 million including accrued interest. Estimated future commodity donations are expected to be $37 million.

| | FY 2006 | | FY 2005 | |
|---|---|---|---|---|
| Inventories | | $ 1 | | $ - |
| Commodities: | Volume (in millions) | Amount | Volume (in millions) | Amount |
| Corn (In Bushels): | | | | |
| On hand at the beginning of the year | 1 | 2 | 12 | 22 |
| Acquired during the year | 289 | 561 | 99 | 204 |
| Disposed of during the year | | | | |
| Sales | (288) | (558) | (97) | (198) |
| Donations | (1) | (3) | (13) | (25) |
| Other | - | - | - | (1) |
| On hand at the end of the year | 1 | 2 | 1 | 2 |
| Wheat (In Bushels): | | | | |
| On hand at the beginning of the year | 47 | 171 | 81 | 291 |
| Acquired during the year | 56 | 240 | 68 | 287 |
| Disposed of during the year | | | | |
| Sales | (28) | (134) | (71) | (295) |
| Donations | (32) | (118) | (31) | (112) |
| Other | - | - | - | - |
| On hand at the end of the year | 43 | 159 | 47 | 171 |
| Nonfat Dry Milk (In Pounds): | | | | |
| On hand at the beginning of the year | 104 | 94 | 661 | 594 |
| Acquired during the year | 62 | 50 | 34 | 26 |
| Disposed of during the year | | | | |
| Sales | (27) | (25) | (186) | (164) |
| Donations | (82) | (76) | (276) | (259) |
| Other | (8) | (3) | (129) | (103) |
| On hand at the end of the year | 49 | 40 | 104 | 94 |
| Sugar (In Pounds): | | | | |
| On hand at the beginning of the year | - | - | 32 | 8 |
| Acquired during the year | - | - | 48 | 10 |
| Disposed of during the year | | | | |
| Sales | - | - | (80) | (18) |
| Donations | - | - | - | - |
| Other | - | - | - | - |
| On hand at the end of the year | - | - | - | - |
| Tobacco (In Pounds): | | | | |
| On hand at the beginning of the year | - | - | 2 | 2 |
| Acquired during the year | - | - | 280 | 986 |
| Disposed of during the year | | | | |
| Sales | - | - | (200) | (696) |
| Donations | - | - | (82) | (292) |
| Other | - | - | - | - |
| On hand at the end of the year | - | - | - | - |
| Other: | | | | |
| On hand at the beginning of the year | | 37 | | 33 |
| Acquired during the year | | 5,140 | | 5,675 |
| Disposed of during the year | | | | |
| Sales | | (5,085) | | (5,507) |
| Donations | | (68) | | (164) |
| Other | | - | | - |
| On hand at the end of the year | | 24 | | 37 |
| Allowance for losses | | (171) | | (275) |
| Total Commodities | | 54 | | 29 |
| Total Inventory and Related Property, Net | | $ 55 | | $ 29 |

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

| FY 2006 Category | Useful Life (Years) | Cost | Accumulated Depreciation | Net Book Value |
|---|---|---|---|---|
| Land and Land Rights | | $ 75 | $ - | $ 75 |
| Improvements to Land | 10 - 50 | 4,986 | 2,711 | 2,275 |
| Construction-in-Progress | | 828 | - | 828 |
| Buildings, Improvements and Renovations | 15 - 30 | 1,815 | 1,099 | 716 |
| Other Structures and Facilities | 15 - 50 | 1,604 | 1,194 | 410 |
| Equipment | 5 - 20 | 1,711 | 1,375 | 336 |
| Assets Under Capital Lease | 3 - 20 | 44 | 16 | 28 |
| Leasehold Improvements | 10 | 50 | 34 | 16 |
| Internal-Use Software | 5 - 8 | 442 | 263 | 179 |
| Internal-Use Software in Development | | 38 | - | 38 |
| Other General Property, Plant and Equipment | 5 - 15 | 4 | - | 4 |
| Total | | $ 11,597 | $ 6,692 | $ 4,905 |

| FY 2005 Category | Useful Life (Years) | Cost | Accumulated Depreciation | Net Book Value |
|---|---|---|---|---|
| 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 | | $ 11,337 | $ 6,452 | $ 4,885 |

## NOTE 10. STEWARDSHIP PP&E

Stewardship PP&E consist of assets whose physical properties resemble those of General PP&E that are traditionally capitalized in the financial statements. Due to the nature of these assets however, valuation would be difficult and matching costs with specific periods would not be meaningful. Stewardship PP&E include heritage assets and stewardship land.

Heritage assets are unique and are generally expected to be preserved indefinitely.  Heritage assets may be unique because they have historical or natural significance, are of cultural, educational or artistic importance, or have significant architectural characteristics.  The assets are reported in terms of physical units rather than cost, fair value, or other monetary values.  No amounts are shown on the balance sheet for heritage assets, except for multi-use heritage assets in which the predominant use of the asset is in general government operations.  The costs of acquisition, betterment, or reconstruction of multi-use heritage assets is capitalized as general PP&E and depreciated, with required supplementary information providing the physical quantity information for the multi-use heritage assets.  The costs of acquiring, constructing, improving, reconstructing, or renovating heritage assets, other than multi-use is considered an expense in the period incurred when determining the net cost of operations. Heritage assets are held by the FS, NRCS, and ARS, consisting mainly of buildings and structures.

Stewardship land is land and land rights not acquired for or in connection with items of general PP&E. Land is defined as the solid surface of the earth, excluding natural resources. 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. These assets are reported in terms of physical units rather than cost, fair value, or other monetary values. No asset amount is shown on the balance sheet for stewardship land. The acquisition cost of stewardship land is considered an expense in the period acquired when determining the net cost of operations. The FS manages public land, the majority of which is classified as stewardship land. The NRCS manages several conservation easement programs.

## NOTE 11. OTHER ASSETS

In fiscal 2006 and 2005, other assets include investments in trust for loan asset sales of $37 million and $36 million, respectively.

| | FY 2006 | FY 2005 |
|---|---|---|
| Intragovernmental: | | |
| Advances to Others | $ - | $ 1 |
| Subtotal Intragovernmental | - | 1 |
| With the Public: | | |
| Advances to Others | 60 | 48 |
| Prepayments | 1 | 1 |
| Other Assets | 37 | 37 |
| Subtotal With the Public | 98 | 86 |
| Total Other Assets | $ 98 | $ 87 |

## NOTE 12. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

In fiscal 2006 and 2005, other intragovernmental liabilities not covered by budgetary resources include accruals for Federal Employee Compensation Act (FECA) of $159 million and $155 million, respectively, and contract disputes claims payable to Treasury's Judgment Fund of $13 million and $10 million, respectively.

In fiscal 2006 and 2005, other liabilities with the public not covered by budgetary resources include, accruals for rental payments under the Conservation Reserve Program (CRP) of $1,779 million and $1,695 million, unfunded leave of $589 million and $546 million, Payments to States $398 million and $378 million, future funded indemnity cost of $296 and $479 million, and, contingent liabilities of $15 million and $19 million, respectively. In fiscal 2006 and 2005, CCC reported a liability in the amount of $6,137 and $7,100 million under the Tobacco Transition Payment Program (TTPP), respectively.

| | FY 2006 | FY 2005 |
|---|---|---|
| Intragovernmental: | | |
| Other | $ 173 | $ 166 |
| Subtotal Intragovernmental | 173 | 166 |
| With the Public: | | |
| Federal employee and veterans' benefits | 808 | 834 |
| Environmental and disposal liabilities | 63 | 28 |
| Benefits due and payable | - | - |
| Other | 9,216 | 10,553 |
| Subtotal With the Public | 10,087 | 11,415 |
| Total liabilities not covered by budgetary resources | 10,260 | 11,581 |
| Total liabilities covered by budgetary resources | 113,693 | 119,425 |
| Total liabilities | $ 123,953 | $ 131,006 |

## NOTE 13. DEBT

| FY 2006 | Beginning Balance | Net Borrowing | Ending Balance |
|---|---|---|---|
| Intragovernmental | | | |
| Debt to the Treasury | $ 60,708 | $ (2,521) | $ 58,187 |
| Debt to the Federal Financing Bank | 22,807 | 2,453 | 25,260 |
| Total Intragovernmental | 83,515 | (68) | 83,447 |
| Agency Debt: | | | |
| Held by the Public | 1 | (1) | - |
| Total Debt | $ 83,516 | $ (69) | $ 83,447 |

| FY 2005 | Beginning Balance | Net Borrowing | Ending Balance |
|---|---|---|---|
| Intragovernmental | | | |
| Debt to the Treasury | $ 41,439 | $ 13,545 | $ 54,984 |
| Debt to the Federal Financing Bank | 27,614 | 917 | 28,531 |
| Total Intragovernmental | 69,053 | 14,462 | 83,515 |
| Agency Debt: | | | |
| Held by the Public | 1 | - | 1 |
| Total Debt | $ 69,054 | $ 14,462 | $ 83,516 |

## NOTE 14. 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 $53 million and $10 million in fiscal 2006, $18 million for FS and $10 million for CCC in fiscal 2005, 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 15. OTHER LIABILITIES

As of September 30, 2006 and 2005, other intragovernmental liabilities include credit reform reestimates of $202 million and $410 million, respectively. In fiscal 2005, the General Sales Manager (GSM) Program, was $23 million.

In fiscal 2006, other liabilities with the public include estimated losses on crop insurance claims of $2,328 million, estimated underwriting gains on crop insurance of $652 million, crop insurance premium subsidy deficiency reserve of $431 million, payments to states of $398 million, credit reform programs of $47 million, undistributed credits for insured loans of $16 million, peanut/tobacco programs of $10 million, and estimated program delivery cost to reinsurer of $3 million.

In fiscal 2005, other liabilities with the public include estimated losses on crop insurance claims of $1,924 million, stock payable to RTB borrowers of $1,390 million, estimated underwriting gains on crop insurance of $740 million, crop insurance premium subsidy deficiency reserve of $371 million, RTB dividend payable to treasury of $50 million, and peanut/tobacco programs of $33 million.

| FY 2006 | Non-Current | Current | Total |
|---|---|---|---|
| Intragovernmental: | | | |
| Other Accrued Liabilities | $ 49 | $ 549 | $ 598 |
| Employer Contributions and Payroll Taxes | 1 | 44 | 45 |
| Unfunded FECA Liability | - | 159 | 159 |
| Advances from Others | - | 8 | 8 |
| Liability for Deposit Funds, Clearing Accounts | - | (136) | (136) |
| Liability for Subsidy Related to Undisbursed Loans | - | 9 | 9 |
| Resources Payable to Treasury | - | 13,158 | 13,158 |
| Custodial Liability | - | 37 | 37 |
| Other Liabilities | - | 202 | 202 |
| Subtotal Intragovernmental | 50 | 14,030 | 14,080 |
| With the Public: | | | |
| Contract Holdbacks | - | - | - |
| Other Accrued Liabilities | 23 | 14,869 | 14,892 |
| Accrued Funded Payroll and Leave | 2 | 43 | 45 |
| Unfunded Leave | 8 | 581 | 589 |
| Other Unfunded Employment Related Liability | - | - | - |
| Advances from Others | - | 58 | 58 |
| Deferred Credits | - | 311 | 311 |
| Liability for Deposit Funds, Clearing Accounts | - | 231 | 231 |
| Contingent Liabilities | 5 | 10 | 15 |
| Capital Lease Liability | 26 | 2 | 28 |
| Custodial Liability | - | 27 | 27 |
| Other Liabilities | 19 | 3,867 | 3,886 |
| Subtotal With the Public | 83 | 19,999 | 20,082 |
| Total Other Liabilities | $ 133 | $ 34,029 | $ 34,162 |

| FY 2005 | Non-Current | Current | Total |
|---|---|---|---|
| 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 | 30 | 18,561 | 18,591 |
| 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 | 1,440 | 20,270 | 21,710 |
| Total Other Liabilities | $ 1,470 | $ 38,831 | $ 40,301 |

## NOTE 16. 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 $53 million. This agreement is still in effect and as a result, USDA activities located in the Headquarter complex are not billed for rental costs.

| | |
|---|---|
| FY 2006 | |
| Capital Leases: | |
| Summary of Assets Under Capital Leases | |
| Land and Building | $ 41 |
| Machinery and Equipment | 3 |
| Accumulated Amortization | 16 |
| Future Payments Due: | |
| | Land & Buildings |
| Fiscal Year | |
| 2007 | 7 |
| 2008 | 7 |
| 2009 | 7 |
| 2010 | 7 |
| 2011 | 7 |
| After 5 Years | 52 |
| Total Future Lease Payments | 87 |
| Less: Imputed Interest | 54 |
| Less: Executory Costs | 5 |
| Less: Lease Renewal Options | - |
| Net Capital Lease Liability | 28 |
| Lease liabilities covered by budgetary resources | 28 |

Operating Leases:
Future Payments Due:

| Fiscal Year | Land & Buildings | Machinery & Equipment | Other | Totals |
|---|---|---|---|---|
| 2007 | 80 | - | 5 | 85 |
| 2008 | 75 | - | 4 | 79 |
| 2009 | 68 | - | 4 | 72 |
| 2010 | 61 | - | 4 | 65 |
| 2011 | 54 | - | 3 | 57 |
| After 5 Years | 368 | - | 42 | 410 |
| Total Future Lease Payments | $ 706 | $ - | $ 62 | $ 768 |

FY 2005

Capital Leases:

| | |
|---|---|
| Summary of Assets Under Capital Leases | |
| Land and Building | $ 38 |
| Machinery and Equipment | 2 |
| Accumulated Amortization | 17 |

Future Payments Due:

| Fiscal Year | Land & Buildings |
|---|---|
| 2006 | 11 |
| 2007 | 11 |
| 2008 | 11 |
| 2009 | 11 |
| 2010 | 10 |
| After 5 Years | 88 |
| Total Future Lease Payments | 142 |
| Less: Imputed Interest | 38 |
| Less: Executory Costs | 48 |
| Less: Lease Renewal Options | 33 |
| Net Capital Lease Liability | 23 |
| | |
| Lease liabilities covered by budgetary resources | 23 |

Operating Leases:

Future Payments Due:

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

## NOTE 17. 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, $15 million and $47 million has been accrued in the financial statements as of September 30, 2006 and 2005, respectively.

No amounts have been accrued in the financial statements for claims where the amount is uncertain or where the probability of judgment against USDA is remote. The Department's potential liability for claims where a judgment against the Department is reasonably possible ranges from $2,890 million to $2,900 million as of September 30, 2006, compared to $114 million to $134 million as of September 30, 2005. This estimate increased in fiscal 2006 because of pending class litigation.

In fiscal 2006 and 2005, CRP annual rental payments are estimated to be $2,000 million. Commitments to extend loan guarantees are estimated to be $2,300 million and $2,000 million in fiscal 2006 and 2005, respectively.

## NOTE 18. EARMARKED FUNDS

Earmarked 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. The implementation of SFFAS 27 in FY 2006 supersedes the dedicated collections provisions in SFFAS 7 for earmarked funds. These funds were reported as dedicated collections in FY 2005.

Financial information for all significant earmarked funds follows the descriptions of each fund's purpose shown below.

### 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. 460l-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 Highway Trust Fund

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.

### Acquisition of Lands to Complete Land Exchanges

As authorized by 7 statutes , this program is funded annually by congressional appropriation action, with forest revenues generated by the occupancy of public land or from the sale of natural resources other than minerals. All funds appropriated that remain unobligated at the end of the fiscal year are returned to the receipts of the affected national forests.

Use these funds to purchase land and for related expenditures such as title search, escrow, recording, and personnel costs when the purchase is considered necessary to minimize soil erosion and flood damage. This appropriation is available for land acquisition within the exterior boundaries of the national forests.

### Southern Nevada Public Lands Management

Department of Interior's Treasury symbol 14X5232 "Southern Nevada Public Lands Management, Bureau of Land Management" (BLM) was established by the Department of Interior as authorized by 112 Stat. 2345. The Act authorizes BLM to sell parcels of public land and retain the sale proceeds for various work projects related to improving and managing the public lands in Southern Nevada. Forest Service has participated in these work projects for several years, using many reimbursable agreements each year to conduct business with the other Federal agencies involved. FY 2005 was the first year that DOI/BLM is providing this financing with a transfer fund.

### Operation and Maintenance of Forest Service Quarters

As authorized by 5 U.S.C. 5911, this appropriation is funded from quarters rental income from Forest Service owned and operated employee housing. The funds are available without further appropriation for maintenance of the residences including any Government-owned property, appliances, and utility systems integral to the facility and common to the residential community.. The fund does not cover betterments, additions, or replacement construction and new construction. This appropriation should not be used for complete or partial replacement of structures when lost by fire, flood, wind, earthquake, other disaster, or acts of God.

## 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.

Earmarked Funds

| | RMA | AMS | AMS | AMS | APHIS | APHIS | FS | FS | FS | FS |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance Sheet As of September 30, 2006** | 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 |
| ASSETS | | | | | | | | | | |
| Fund Balance with Treasury | $ 1,431 | $ 202 | $ 58 | $ 19 | $ 122 | $ 14 | $ 412 | $ 40 | $ 324 | $ 95 |
| Investments | - | - | - | - | - | - | - | - | - | - |
| Other Assets | 1,714 | 483 | 19 | - | 10 | 1 | 22 | 50 | 5 | 4 |
| Total Assets | 3,145 | 685 | 77 | 19 | 132 | 15 | 434 | 90 | 329 | 99 |
| Other Liabilities | 3,927 | 3 | 61 | - | 9 | - | 57 | 1 | 201 | 7 |
| Total Liabilities | 3,927 | 3 | 61 | - | 9 | - | 57 | 1 | 201 | 7 |
| Unexpended Appropriations | 510 | 302 | - | - | 130 | - | - | - | - | - |
| Cumulative Results of Operations | (1,292) | 380 | 16 | 19 | (7) | 15 | 377 | 89 | 128 | 92 |
| Total Liabilities and Net Position | 3,145 | 685 | 77 | 19 | 132 | 15 | 434 | 90 | 329 | 99 |
| **Statement of Net Cost For the Period Ended September 30, 2006** | | | | | | | | | | |
| Gross program costs | 4,584 | 1,087 | 171 | 10 | 162 | 16 | 173 | 83 | 245 | 76 |
| Less Earned Revenues | 1,100 | 1 | 132 | 7 | 424 | 7 | 116 | 1 | 271 | 68 |
| Net Cost of Operations | 3,484 | 1,086 | 39 | 3 | (262) | 9 | 57 | 82 | (26) | 8 |
| **Statement of Changes in Net Position For the period Ended September 30, 2006** | | | | | | | | | | |
| Net Position Beginning of Period | (529) | 591 | 25 | 22 | 102 | 23 | 594 | 134 | 102 | 100 |
| Non-Exchange Revenue | 3,230 | 1,177 | (3) | - | (240) | - | (159) | 37 | - | - |
| Other Financing Sources | - | - | 31 | - | - | - | - | - | - | - |
| Net Cost of Operations | (3,484) | (1,086) | (39) | (3) | 262 | (9) | (57) | (82) | 26 | (8) |
| Change in net Position | (254) | 91 | (11) | (3) | 22 | (9) | (216) | (45) | 26 | (8) |
| Net Position End of Period | $ (783) | $ 682 | $ 14 | $ 19 | $ 124 | $ 14 | $ 378 | $ 89 | $ 128 | $ 92 |

Earmarked Funds

| | FS | FS | FS | FS | FS | FS | FS | FS | FS | FS | FS |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance Sheet As of September 30, 2006** | 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 Highway Trust Fund | 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 |
| ASSETS | | | | | | | | | | | |
| Fund Balance with Treasury | $ 13 | $ 64 | $ 55 | $ 85 | $ 11 | $ 132 | $ 30 | $ 3 | $ 25 | $ 21 | $ 1 |
| Investments | - | - | - | - | - | - | - | - | - | - | - |
| Other Assets | - | 2 | 1 | 2 | 16 | 7 | 18 | 7 | - | 4 | 2 |
| Total Assets | 13 | 66 | 56 | 87 | 27 | 139 | 48 | 10 | 25 | 25 | 3 |
| Other Liabilities | - | - | - | 3 | 1 | 4 | 3 | - | 3 | - | - |
| Total Liabilities | - | - | - | 3 | 1 | 4 | 3 | - | 3 | - | - |
| Unexpended Appropriations | - | - | - | - | - | - | - | - | - | - | - |
| Cumulative Results of Operations | 13 | 66 | 56 | 84 | 26 | 135 | 45 | 10 | 22 | 25 | 3 |
| Total Liabilities and Net Position | 13 | 66 | 56 | 87 | 27 | 139 | 48 | 10 | 25 | 25 | 3 |
| **Statement of Net Cost For the Period Ended September 30, 2006** | | | | | | | | | | | |
| Gross program costs | - | 1 | 13 | 47 | 12 | 50 | 12 | - | 31 | 10 | - |
| Less Earned Revenues | 12 | 7 | 12 | - | - | 54 | 15 | 6 | - | 15 | (40) |
| Net Cost of Operations | (12) | (6) | 1 | 47 | 12 | (4) | (3) | (6) | 31 | (5) | 40 |
| **Statement of Changes in Net Position For the period Ended September 30, 2006** | | | | | | | | | | | |
| Net Position Beginning of Period | 1 | 70 | 58 | 74 | 61 | 131 | 42 | 2 | 23 | 20 | 43 |
| Non-Exchange Revenue | - | (10) | - | 57 | (22) | - | - | 1 | 30 | - | - |
| Other Financing Sources | - | - | - | - | - | - | - | - | - | - | - |
| Net Cost of Operations | 12 | 6 | (1) | (47) | (12) | 4 | 3 | 6 | (31) | 5 | (40) |
| Change in net Position | 12 | (4) | (1) | 10 | (34) | 4 | 3 | 7 | (1) | 5 | (40) |
| Net Position End of Period | $ 13 | $ 66 | $ 57 | $ 84 | $ 27 | $ 135 | $ 45 | $ 9 | $ 22 | $ 25 | $ 3 |

Earmarked Funds

| | FS | FS | FS | FS | CSREES | ARS | AARC | | |
|---|---|---|---|---|---|---|---|---|---|
| **Balance Sheet As of September 30, 2006** | Timber Sales Pipeline Restoration Fund | Acquisition of Lands to Complete Land Exchanges | Southern Nevada Public Land Management | Operation and Maintenance of Quarters | Native American Institutions Endowment Fund | Miscellaneous Contributed Funds | Alternative Agricultural Research and Commercialization Revolving Fund | Other | Total |
| ASSETS | | | | | | | | | |
| Fund Balance with Treasury | $ 10 | $ 35 | $ 34 | $ 10 | $ 8 | $ 19 | $ 1 | $ 64 | $ 3,338 |
| Investments | - | - | - | - | 76 | - | 3 | 5 | 84 |
| Other Assets | 2 | 11 | - | - | - | 1 | - | 14 | 2,395 |
| Total Assets | 12 | 46 | 34 | 10 | 84 | 20 | 4 | 83 | 5,817 |
| Other Liabilities | 1 | 1 | 2 | 2 | - | 1 | - | 36 | 4,323 |
| Total Liabilities | 1 | 1 | 2 | 2 | - | 1 | - | 36 | 4,323 |
| Unexpended Appropriations | - | - | - | - | 24 | - | (1) | 12 | 976 |
| Cumulative Results of Operations | 11 | 45 | 32 | 8 | 60 | 19 | 5 | 35 | 518 |
| | | | | | | | | | - |
| Total Liabilities and Net Position | 12 | 46 | 34 | 10 | 84 | 20 | 4 | 83 | 5,817 |
| **Statement of Net Cost For the Period Ended September 30, 2006** | | | | | | | | | |
| Gross program costs | 6 | 3 | 13 | 7 | 2 | 17 | 12 | 108 | 6,951 |
| Less Earned Revenues | 4 | 25 | - | 8 | 3 | 17 | 1 | 91 | 2,357 |
| Net Cost of Operations | 2 | (22) | 13 | (1) | (1) | - | 11 | 17 | 4,594 |
| **Statement of Changes in Net Position For the period Ended September 30, 2006** | | | | | | | | | |
| Net Position Beginning of Period | 14 | 13 | - | 7 | 70 | 19 | 15 | 60 | 1,887 |
| Non-Exchange Revenue | - | 10 | 45 | - | 13 | - | - | (13) | 4,153 |
| Other Financing Sources | - | - | - | - | - | - | - | 17 | 48 |
| Net Cost of Operations | (2) | 22 | (13) | 1 | 1 | - | (11) | (17) | (4,594) |
| Change in net Position | (2) | 32 | 32 | 1 | 14 | - | (11) | (13) | (393) |
| Net Position End of Period | $ 12 | $ 45 | $ 32 | $ 8 | $ 84 | $ 19 | $ 4 | $ 47 | $ 1,494 |

Dedicated Collections

| | RMA | AMS | AMS | AMS | APHIS | APHIS | FS | FS | FS | FS |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance Sheet As of September 30, 2005** | 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 |
| ASSETS | | | | | | | | | | |
| Fund Balance with Treasury | $ 1,537 | $ 350 | $ 44 | $ 20 | $ 90 | $ 13 | $ 624 | $ 67 | $ 165 | $ 101 |
| Investments | - | - | - | - | - | - | - | - | - | - |
| Other Assets | 1,433 | 245 | 40 | 3 | 13 | 10 | 19 | 68 | 3 | 3 |
| Total Assets | 2,970 | 595 | 84 | 23 | 103 | 23 | 643 | 135 | 168 | 104 |
| Other Liabilities | 3,499 | 4 | 59 | 1 | 1 | - | 49 | 1 | 66 | 4 |
| Total Liabilities | 3,499 | 4 | 59 | 1 | 1 | - | 49 | 1 | 66 | 4 |
| Unexpended Appropriations | 465 | 302 | 6 | - | 130 | - | - | (1) | - | - |
| Cumulative Results of Operations | (994) | 289 | 19 | 22 | (28) | 23 | 594 | 135 | 102 | 100 |
| Total Liabilities and Net Position | 2,970 | 595 | 84 | 23 | 103 | 23 | 643 | 135 | 168 | 104 |
| **Statement of Net Cost For the Period Ended September 30, 2005** | | | | | | | | | | |
| Gross program costs | 3,637 | 1,090 | 164 | 11 | 129 | 16 | 109 | 92 | 83 | 67 |
| Less Earned Revenues | 1,019 | - | 126 | 7 | 344 | 24 | 112 | 20 | 115 | 72 |
| Net Cost of Operations | 2,618 | 1,090 | 38 | 4 | (215) | (8) | (3) | 72 | (32) | (5) |
| **Statement of Changes in Net Position For the period Ended September 30, 2005** | | | | | | | | | | |
| Net Position Beginning of Period | (205) | 933 | 34 | 27 | 95 | 16 | 442 | 145 | 69 | 95 |
| Non-Exchange Revenue | 2,291 | 749 | - | - | (208) | - | 149 | 61 | - | - |
| Other Financing Sources | 2 | - | 28 | - | - | - | - | - | - | - |
| Net Cost of Operations | (2,618) | (1,090) | (38) | (4) | 215 | 8 | 3 | (72) | 32 | 4 |
| Change in net Position | (325) | (341) | (10) | (4) | 7 | 8 | 152 | (11) | 32 | 4 |
| Net Position End of Period | $ (530) | $ 592 | $ 24 | $ 23 | $ 102 | $ 24 | $ 594 | $ 134 | $ 101 | $ 99 |

Dedicated Collections

| | FS | FS | FS | FS | FS | FS | FS | FS | FS | FS | FS |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance Sheet As of September 30, 2005** | 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 | Restoration of Forest Lands and Improvements | Payments to Counties, National Grasslands |
| ASSETS | | | | | | | | | | | |
| Fund Balance with Treasury | $ 13 | $ 68 | $ 57 | $ 80 | $ 24 | $ 129 | $ 29 | $ 21 | $ 26 | $ 19 | $ 65 |
| Investments | - | - | - | - | - | - | - | - | - | - | - |
| Other Assets | - | 2 | - | - | 38 | 6 | 16 | 7 | - | 1 | 7 |
| Total Assets | 13 | 70 | 57 | 80 | 62 | 135 | 45 | 28 | 26 | 20 | 72 |
| Other Liabilities | 12 | - | - | 5 | 1 | 4 | 3 | 25 | 3 | - | 18 |
| Total Liabilities | 12 | - | - | 5 | 1 | 4 | 3 | 25 | 3 | - | 18 |
| Unexpended Appropriations | - | - | - | - | - | - | (1) | - | - | - | - |
| Cumulative Results of Operations | 1 | 70 | 57 | 75 | 61 | 131 | 43 | 3 | 23 | 20 | 54 |
| Total Liabilities and Net Position | 13 | 70 | 57 | 80 | 62 | 135 | 45 | 28 | 26 | 20 | 72 |
| **Statement of Net Cost For the Period Ended September 30, 2005** | | | | | | | | | | | |
| Gross program costs | - | - | 12 | 35 | 6 | 44 | 12 | - | 30 | 3 | 7 |
| Less Earned Revenues | - | 7 | 13 | - | - | 50 | 16 | 3 | - | 3 | 55 |
| Net Cost of Operations | - | (7) | (1) | 35 | 6 | (6) | (4) | (3) | 30 | - | (48) |
| **Statement of Changes in Net Position For the period Ended September 30, 2005** | | | | | | | | | | | |
| Net Position Beginning of Period | 81 | 63 | 56 | 52 | 52 | 44 | 38 | (1) | 23 | 20 | 5 |
| Non-Exchange Revenue | (80) | - | - | 57 | 16 | 81 | - | - | 30 | - | - |
| Other Financing Sources | - | - | - | - | - | - | - | - | - | - | - |
| Net Cost of Operations | - | 6 | 1 | (35) | (6) | 6 | 4 | 3 | (30) | - | 48 |
| Change in net Position | (80) | 6 | 1 | 22 | 10 | 87 | 4 | 3 | - | - | 48 |
| Net Position End of Period | $ 1 | $ 69 | $ 57 | $ 74 | $ 62 | $ 131 | $ 42 | $ 2 | $ 23 | $ 20 | $ 53 |

Dedicated Collections

| | FS | FS | FS | FS | CSREES | ARS | AARC | | |
|---|---|---|---|---|---|---|---|---|---|
| **Balance Sheet As of September 30, 2005** | Timber Sales Pipeline Restoration Fund | Acquisition of Lands to Complete Land Exchanges | Southern Nevada Public Land Management | Operation and Maintenance of Quarters | Native American Institutions Endowment Fund | Miscellaneous Contributed Funds | Alternative Agricultural Research and Commercialization Revolving Fund | Other | Total |
| ASSETS | | | | | | | | | |
| Fund Balance with Treasury | $ 12 | $ 4 | $ - | $ 9 | $ 7 | $ 18 | $ - | $ 54 | $ 3,646 |
| Investments | - | - | - | - | 63 | - | 15 | 6 | 84 |
| Other Assets | 2 | 9 | - | - | - | 2 | - | 15 | 1,942 |
| Total Assets | 14 | 13 | - | 9 | 70 | 20 | 15 | 75 | 5,672 |
| Other Liabilities | - | - | - | 3 | - | - | - | 23 | 3,781 |
| Total Liabilities | - | - | - | 3 | - | - | - | 23 | 3,781 |
| Unexpended Appropriations | - | - | - | - | 12 | - | (1) | 11 | 923 |
| Cumulative Results of Operations | 14 | 13 | - | 6 | 58 | 20 | 16 | 41 | 968 |
| | | | | | | | | | - |
| Total Liabilities and Net Position | 14 | 13 | - | 9 | 70 | 20 | 15 | 75 | 5,672 |
| **Statement of Net Cost For the Period Ended September 30, 2005** | | | | | | | | | |
| Gross program costs | 5 | 2 | - | 8 | 2 | 19 | - | 72 | 5,655 |
| Less Earned Revenues | 6 | 8 | - | 7 | 3 | 16 | - | 62 | 2,088 |
| Net Cost of Operations | (1) | (6) | - | 1 | (1) | 3 | - | 10 | 3,567 |
| **Statement of Changes in Net Position For the period Ended September 30, 2005** | | | | | | | | | |
| Net Position Beginning of Period | 13 | 6 | - | 7 | 58 | 23 | 15 | 39 | 2,245 |
| Non-Exchange Revenue | - | 1 | - | - | 12 | - | - | 4 | 3,163 |
| Other Financing Sources | - | - | - | - | - | - | - | 20 | 50 |
| Net Cost of Operations | 1 | 6 | - | - | 1 | (4) | - | (8) | (3,567) |
| Change in net Position | 1 | 7 | - | - | 13 | (4) | - | 16 | (354) |
| Net Position End of Period | $ 14 | $ 13 | $ - | $ 7 | $ 71 | $ 19 | $ 15 | $ 55 | $ 1,891 |

## NOTE 19. SUBORGANIZATION PROGRAM COSTS/PROGRAM COSTS BY SEGMENT

| FY 2006 | FSA | | CCC | | FAS | |
|---|---|---|---|---|---|---|
| | **Intragovernmental** | **With the Public** | **Intragovernmental** | **With the Public** | **Intragovernmental** | **With the Public** |
| Enhance International Competitiveness and the Sustainability of Rural and Farm Economies: | | | | | | |
| Gross Costs | $ 901 | $ 1,266 | $ 1,801 | $ 21,876 | $ 64 | $ 252 |
| Less: Earned Revenue | 314 | 378 | 246 | 4,749 | 75 | 14 |
| Net Cost | 587 | 888 | 1,555 | 17,127 | (11) | 238 |
| Support Increased Economic Opportunities and Improved Quality of Life in Rural America: | | | | | | |
| Gross Costs | - | - | - | - | - | - |
| Less: Earned Revenue | - | - | - | - | - | - |
| Net Cost | - | - | - | - | - | - |
| Enhance Protection and Safety of the Nation's Agriculture and Food Supply: | | | | | | |
| Gross Costs | - | - | - | - | - | - |
| Less: Earned Revenue | - | - | - | - | - | - |
| Net Cost | - | - | - | - | - | - |
| Improve the Nation's Nutrition and Health: | | | | | | |
| Gross Costs | - | - | - | - | - | - |
| Less: Earned Revenue | - | - | - | - | - | - |
| Net Cost | - | - | - | - | - | - |
| Protect and Enhance the Nation's Natural Resource Base and Environment: | | | | | | |
| Gross Costs | - | - | 284 | 2,082 | - | - |
| Less: Earned Revenue | - | - | - | 35 | - | - |
| Net Cost | - | - | 284 | 2,047 | - | - |
| **Total Gross Costs** | 901 | 1,266 | 2,085 | 23,958 | 64 | 252 |
| **Less: Total Earned Revenue** | 314 | 378 | 246 | 4,784 | 75 | 14 |
| **Net Cost of Operations** | $ 587 | $ 888 | $ 1,839 | $ 19,174 | $ (11) | $ 238 |

| FY 2006 | RMA | | FNS | | FSIS | |
|---|---|---|---|---|---|---|
| | Intragovernmental | With the Public | Intragovernmental | With the Public | Intragovernmental | With the Public |
| Enhance International Competitiveness and the Sustainability of Rural and Farm Economies: | | | | | | |
| Gross Costs | $ 45 | $ 4,626 | $ - | $ - | $ - | $ - |
| Less: Earned Revenue | - | 1,100 | - | - | - | - |
| Net Cost | 45 | 3,526 | - | - | - | - |
| Support Increased Economic Opportunities and Improved Quality of Life in Rural America: | | | | | | |
| Gross Costs | - | - | - | - | - | - |
| Less: Earned Revenue | - | - | - | - | - | - |
| Net Cost | - | - | - | - | - | - |
| Enhance Protection and Safety of the Nation's Agriculture and Food Supply: | | | | | | |
| Gross Costs | - | - | - | - | 273 | 801 |
| Less: Earned Revenue | - | - | - | - | 3 | 125 |
| Net Cost | - | - | - | - | 270 | 676 |
| Improve the Nation's Nutrition and Health: | | | | | | |
| Gross Costs | - | - | 785 | 52,666 | - | - |
| Less: Earned Revenue | - | - | 3 | 18 | - | - |
| Net Cost | - | - | 782 | 52,648 | - | - |
| Protect and Enhance the Nation's Natural Resource Base and Environment: | | | | | | |
| Gross Costs | - | - | - | - | - | - |
| Less: Earned Revenue | - | - | - | - | - | - |
| Net Cost | - | - | - | - | - | - |
| **Total Gross Costs** | 45 | 4,626 | 785 | 52,666 | 273 | 801 |
| **Less: Total Earned Revenue** | - | 1,100 | 3 | 18 | 3 | 125 |
| **Net Cost of Operations** | $ 45 | $ 3,526 | $ 782 | $ 52,648 | $ 270 | $ 676 |

| FY 2006 | AMS | | APHIS | | GIPSA | |
|---|---|---|---|---|---|---|
| | Intragovernmental | With the Public | Intragovernmental | With the Public | Intragovernmental | With the Public |
| Enhance International Competitiveness and the Sustainability of Rural and Farm Economies: | | | | | | |
| Gross Costs | $ 467 | $ 929 | $ - | $ - | $ 29 | $ 56 |
| Less: Earned Revenue | 9 | 190 | - | - | 1 | 39 |
| Net Cost | 458 | 739 | - | - | 28 | 17 |
| Support Increased Economic Opportunities and Improved Quality of Life in Rural America: | | | | | | |
| Gross Costs | - | - | - | - | - | - |
| Less: Earned Revenue | - | - | - | - | - | - |
| Net Cost | - | - | - | - | - | - |
| Enhance Protection and Safety of the Nation's Agriculture and Food Supply: | | | | | | |
| Gross Costs | - | - | 271 | 1,483 | - | - |
| Less: Earned Revenue | - | - | 400 | 471 | - | - |
| Net Cost | - | - | (129) | 1,012 | - | - |
| Improve the Nation's Nutrition and Health: | | | | | | |
| Gross Costs | - | - | - | - | - | - |
| Less: Earned Revenue | - | - | - | - | - | - |
| Net Cost | - | - | - | - | - | - |
| Protect and Enhance the Nation's Natural Resource Base and Environment: | | | | | | |
| Gross Costs | - | - | - | - | - | - |
| Less: Earned Revenue | - | - | - | - | - | - |
| Net Cost | - | - | - | - | - | - |
| **Total Gross Costs** | 467 | 929 | 271 | 1,483 | 29 | 56 |
| **Less: Total Earned Revenue** | 9 | 190 | 400 | 471 | 1 | 39 |
| **Net Cost of Operations** | $ 458 | $ 739 | $ (129) | $ 1,012 | $ 28 | $ 17 |

| FY 2006 | FS | | NRCS | | ARS | |
|---|---|---|---|---|---|---|
| | Intragovernmental | With the Public | Intragovernmental | With the Public | Intragovernmental | With the Public |
| Enhance International Competitiveness and the Sustainability of Rural and Farm Economies: | | | | | | |
| Gross Costs | $ - | $ - | $ - | $ - | $ 84 | $ 403 |
| Less: Earned Revenue | - | - | - | - | 24 | 10 |
| Net Cost | - | - | - | - | 60 | 393 |
| Support Increased Economic Opportunities and Improved Quality of Life in Rural America: | | | | | | |
| Gross Costs | - | - | - | - | - | - |
| Less: Earned Revenue | - | - | - | - | - | - |
| Net Cost | - | - | - | - | - | - |
| Enhance Protection and Safety of the Nation's Agriculture and Food Supply: | | | | | | |
| Gross Costs | - | - | - | - | 84 | 403 |
| Less: Earned Revenue | - | - | - | - | 24 | 10 |
| Net Cost | - | - | - | - | 60 | 393 |
| Improve the Nation's Nutrition and Health: | | | | | | |
| Gross Costs | - | - | - | - | 16 | 78 |
| Less: Earned Revenue | - | - | - | - | 5 | 2 |
| Net Cost | - | - | - | - | 11 | 76 |
| Protect and Enhance the Nation's Natural Resource Base and Environment: | | | | | | |
| Gross Costs | 1,106 | 5,831 | 540 | 2,472 | 49 | 235 |
| Less: Earned Revenue | 386 | 649 | 119 | (15) | 14 | 6 |
| Net Cost | 720 | 5,182 | 421 | 2,487 | 35 | 229 |
| **Total Gross Costs** | 1,106 | 5,831 | 540 | 2,472 | 233 | 1,119 |
| **Less: Total Earned Revenue** | 386 | 649 | 119 | (15) | 67 | 28 |
| **Net Cost of Operations** | $ 720 | $ 5,182 | $ 421 | $ 2,487 | $ 166 | $ 1,091 |

| FY 2006 | CSREES | | ERS | | NASS | |
|---|---|---|---|---|---|---|
| | Intragovernmental | With the Public | Intragovernmental | With the Public | Intragovernmental | With the Public |
| Enhance International Competitiveness and the Sustainability of Rural and Farm Economies: | | | | | | |
| Gross Costs | $ 11 | $ 371 | $ 18 | $ 32 | $ 35 | $ 100 |
| Less: Earned Revenue | 9 | - | 1 | (1) | 11 | 3 |
| Net Cost | 2 | 371 | 17 | 33 | 24 | 97 |
| Support Increased Economic Opportunities and Improved Quality of Life in Rural America: | | | | | | |
| Gross Costs | 5 | 160 | 3 | 5 | 10 | 27 |
| Less: Earned Revenue | 4 | - | - | - | 3 | 1 |
| Net Cost | 1 | 160 | 3 | 5 | 7 | 26 |
| Enhance Protection and Safety of the Nation's Agriculture and Food Supply: | | | | | | |
| Gross Costs | 8 | 268 | 2 | 3 | 1 | 3 |
| Less: Earned Revenue | 7 | - | - | - | - | - |
| Net Cost | 1 | 268 | 2 | 3 | 1 | 3 |
| Improve the Nation's Nutrition and Health: | | | | | | |
| Gross Costs | 4 | 123 | 4 | 7 | - | - |
| Less: Earned Revenue | 3 | - | - | - | - | - |
| Net Cost | 1 | 123 | 4 | 7 | - | - |
| Protect and Enhance the Nation's Natural Resource Base and Environment: | | | | | | |
| Gross Costs | 6 | 189 | 4 | 7 | 1 | 4 |
| Less: Earned Revenue | 5 | - | - | - | - | - |
| Net Cost | 1 | 189 | 4 | 7 | 1 | 4 |
| **Total Gross Costs** | 34 | 1,111 | 31 | 54 | 47 | 134 |
| **Less: Total Earned Revenue** | 28 | - | 1 | (1) | 14 | 4 |
| **Net Cost of Operations** | $ 6 | $ 1,111 | $ 30 | $ 55 | $ 33 | $ 130 |

| FY 2006 | RD | | DO | | TOTAL | |
|---|---|---|---|---|---|---|
| | Intragovernmental | With the Public | Intragovernmental | With the Public | Intragovernmental | With the Public |
| Enhance International Competitiveness and the Sustainability of Rural and Farm Economies: | | | | | | |
| Gross Costs | $ - | $ - | $ 181 | $ 302 | $ 3,636 | $ 30,213 |
| Less: Earned Revenue | - | - | 213 | 6 | 903 | 6,488 |
| Net Cost | - | - | (32) | 296 | 2,733 | 23,725 |
| Support Increased Economic Opportunities and Improved Quality of Life in Rural America: | | | | | | |
| Gross Costs | 3,133 | 3,709 | 58 | 94 | 3,209 | 3,995 |
| Less: Earned Revenue | 348 | 3,632 | 69 | 1 | 424 | 3,634 |
| Net Cost | 2,785 | 77 | (11) | 93 | 2,785 | 361 |
| Enhance Protection and Safety of the Nation's Agriculture and Food Supply: | | | | | | |
| Gross Costs | - | - | 86 | 140 | 725 | 3,101 |
| Less: Earned Revenue | - | - | 103 | 3 | 537 | 609 |
| Net Cost | - | - | (17) | 137 | 188 | 2,492 |
| Improve the Nation's Nutrition and Health: | | | | | | |
| Gross Costs | - | - | 49 | 79 | 858 | 52,953 |
| Less: Earned Revenue | - | - | 57 | 1 | 68 | 21 |
| Net Cost | - | - | (8) | 78 | 790 | 52,932 |
| Protect and Enhance the Nation's Natural Resource Base and Environment: | | | | | | |
| Gross Costs | - | - | 112 | 181 | 2,102 | 11,001 |
| Less: Earned Revenue | - | - | 135 | 1 | 659 | 676 |
| Net Cost | - | - | (23) | 180 | 1,443 | 10,325 |
| **Total Gross Costs** | 3,133 | 3,709 | 486 | 796 | 10,530 | 101,263 |
| **Less: Total Earned Revenue** | 348 | 3,632 | 577 | 12 | 2,591 | 11,428 |
| **Net Cost of Operations** | $ 2,785 | $ 77 | $ (91) | $ 784 | $ 7,939 | $ 89,835 |

| FY 2006 | Intradepartmental Eliminations | GRAND TOTAL |
|---|---|---|
| Enhance International Competitiveness and the Sustainability of Rural and Farm Economies: | | |
| Gross Costs | $ (2,008) | $ 31,841 |
| Less: Earned Revenue | (412) | 6,979 |
| Net Cost | (1,596) | 24,862 |
| Support Increased Economic Opportunities and Improved Quality of Life in Rural America: | | |
| Gross Costs | (156) | 7,048 |
| Less: Earned Revenue | (78) | 3,980 |
| Net Cost | (78) | 3,068 |
| Enhance Protection and Safety of the Nation's Agriculture and Food Supply: | | |
| Gross Costs | (197) | 3,629 |
| Less: Earned Revenue | (497) | 649 |
| Net Cost | 300 | 2,980 |
| Improve the Nation's Nutrition and Health: | | |
| Gross Costs | (747) | 53,064 |
| Less: Earned Revenue | (53) | 36 |
| Net Cost | (694) | 53,028 |
| Protect and Enhance the Nation's Natural Resource Base and Environment: | | |
| Gross Costs | (511) | 12,592 |
| Less: Earned Revenue | (231) | 1,104 |
| Net Cost | (280) | 11,488 |
| **Total Gross Costs** | (3,619) | 108,174 |
| **Less: Total Earned Revenue** | (1,271) | 12,748 |
| **Net Cost of Operations** | $ (2,348) | $ 95,426 |

| FY 2005 | FSA | | CCC | | FAS | |
|---|---|---|---|---|---|---|
| | Intragovernmental | With the Public | Intragovernmental | With the Public | Intragovernmental | With the Public |
| Enhance International Competitiveness and the Sustainability of Rural and Farm Economies: | | | | | | |
| Gross Costs | $ 848 | $ 1,129 | $ 1,683 | $ 32,653 | $ 88 | $ 231 |
| Less: Earned Revenue | 260 | 418 | 129 | 13,102 | 74 | - |
| Net Cost | 588 | 711 | 1,554 | 19,551 | 14 | 231 |
| Support Increased Economic Opportunities and Improved Quality of Life in Rural America: | | | | | | |
| Gross Costs | - | - | - | - | - | - |
| Less: Earned Revenue | - | - | - | - | - | - |
| Net Cost | - | - | - | - | - | - |
| Enhance Protection and Safety of the Nation's Agriculture and Food Supply: | | | | | | |
| Gross Costs | - | - | - | - | - | - |
| Less: Earned Revenue | - | - | - | - | - | - |
| Net Cost | - | - | - | - | - | - |
| Improve the Nation's Nutrition and Health: | | | | | | |
| Gross Costs | - | - | - | - | - | - |
| Less: Earned Revenue | - | - | - | - | - | - |
| Net Cost | - | - | - | - | - | - |
| Protect and Enhance the Nation's Natural Resource Base and Environment: | | | | | | |
| Gross Costs | - | - | 187 | 1,970 | - | - |
| Less: Earned Revenue | - | - | 1 | 1 | - | - |
| Net Cost | - | - | 186 | 1,969 | - | - |
| **Total Gross Costs** | 848 | 1,129 | 1,870 | 34,623 | 88 | 231 |
| **Less: Total Earned Revenue** | 260 | 418 | 130 | 13,103 | 74 | - |
| **Net Cost of Operations** | $ 588 | $ 711 | $ 1,740 | $ 21,520 | $ 14 | $ 231 |

| FY 2005 | RMA | | FNS | | FSIS | |
|---|---|---|---|---|---|---|
| | Intragovernmental | With the Public | Intragovernmental | With the Public | Intragovernmental | With the Public |
| Enhance International Competitiveness and the Sustainability of Rural and Farm Economies: | | | | | | |
| Gross Costs | $ 40 | $ 3,678 | $ - | $ - | $ - | $ - |
| Less: Earned Revenue | - | 1,019 | - | - | - | - |
| Net Cost | 40 | 2,659 | - | - | - | - |
| Support Increased Economic Opportunities and Improved Quality of Life in Rural America: | | | | | | |
| Gross Costs | - | - | - | - | - | - |
| Less: Earned Revenue | - | - | - | - | - | - |
| Net Cost | - | - | - | - | - | - |
| Enhance Protection and Safety of the Nation's Agriculture and Food Supply: | | | | | | |
| Gross Costs | - | - | - | - | 249 | 748 |
| Less: Earned Revenue | - | - | - | - | 3 | 119 |
| Net Cost | - | - | - | - | 246 | 629 |
| Improve the Nation's Nutrition and Health: | | | | | | |
| Gross Costs | - | - | 1,093 | 50,513 | - | - |
| Less: Earned Revenue | - | - | 5 | 24 | - | - |
| Net Cost | - | - | 1,088 | 50,489 | - | - |
| Protect and Enhance the Nation's Natural Resource Base and Environment: | | | | | | |
| Gross Costs | - | - | - | - | - | - |
| Less: Earned Revenue | - | - | - | - | - | - |
| Net Cost | - | - | - | - | - | - |
| **Total Gross Costs** | 40 | 3,678 | 1,093 | 50,513 | 249 | 748 |
| **Less: Total Earned Revenue** | - | 1,019 | 5 | 24 | 3 | 119 |
| **Net Cost of Operations** | $ 40 | $ 2,659 | $ 1,088 | $ 50,489 | $ 246 | $ 629 |

| FY 2005 | AMS | | APHIS | | GIPSA | |
|---|---|---|---|---|---|---|
| | Intragovernmental | With the Public | Intragovernmental | With the Public | Intragovernmental | With the Public |
| Enhance International Competitiveness and the Sustainability of Rural and Farm Economies: | | | | | | |
| Gross Costs | $ 82 | $ 1,325 | $ - | $ - | $ 26 | $ 66 |
| Less: Earned Revenue | 3 | 189 | - | - | 1 | 36 |
| Net Cost | 79 | 1,136 | - | - | 25 | 30 |
| Support Increased Economic Opportunities and Improved Quality of Life in Rural America: | | | | | | |
| Gross Costs | - | - | - | - | - | - |
| Less: Earned Revenue | - | - | - | - | - | - |
| Net Cost | - | - | - | - | - | - |
| Enhance Protection and Safety of the Nation's Agriculture and Food Supply: | | | | | | |
| Gross Costs | - | - | 252 | 1,063 | - | - |
| Less: Earned Revenue | - | - | 20 | 462 | - | - |
| Net Cost | - | - | 232 | 601 | - | - |
| Improve the Nation's Nutrition and Health: | | | | | | |
| Gross Costs | - | - | - | - | - | - |
| Less: Earned Revenue | - | - | - | - | - | - |
| Net Cost | - | - | - | - | - | - |
| Protect and Enhance the Nation's Natural Resource Base and Environment: | | | | | | |
| Gross Costs | - | - | - | - | - | - |
| Less: Earned Revenue | - | - | - | - | - | - |
| Net Cost | - | - | - | - | - | - |
| **Total Gross Costs** | 82 | 1,325 | 252 | 1,063 | 26 | 66 |
| **Less: Total Earned Revenue** | 3 | 189 | 20 | 462 | 1 | 36 |
| **Net Cost of Operations** | $ 79 | $ 1,136 | $ 232 | $ 601 | $ 25 | $ 30 |

| FY 2005 | FS | | NRCS | | ARS | |
|---|---|---|---|---|---|---|
| | Intragovernmental | With the Public | Intragovernmental | With the Public | Intragovernmental | With the Public |
| Enhance International Competitiveness and the Sustainability of Rural and Farm Economies: | | | | | | |
| Gross Costs | $ - | $ - | $ - | $ 5 | $ 71 | $ 398 |
| Less: Earned Revenue | - | - | (1) | - | 19 | 7 |
| Net 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 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 Cost | - | - | - | - | 51 | 380 |
| Improve the Nation's Nutrition and Health: | | | | | | |
| Gross Costs | - | - | - | - | 16 | 89 |
| Less: Earned Revenue | - | - | - | - | 4 | 2 |
| Net 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 Cost | 664 | 4,378 | 353 | 1,908 | 31 | 228 |
| **Total Gross Costs** | 929 | 4,902 | 456 | 2,066 | 198 | 1,106 |
| **Less: Total Earned Revenue** | 265 | 524 | 80 | 48 | 52 | 20 |
| **Net Cost of Operations** | $ 664 | $ 4,378 | $ 376 | $ 2,018 | $ 146 | $ 1,086 |

| FY 2005 | CSREES | | ERS | | NASS | |
|---|---|---|---|---|---|---|
| | Intragovernmental | With the Public | Intragovernmental | With the Public | Intragovernmental | With the Public |
| Enhance International Competitiveness and the Sustainability of Rural and Farm Economies: | | | | | | |
| Gross Costs | $ 10 | $ 360 | $ 14 | $ 26 | $ 35 | $ 101 |
| Less: Earned Revenue | 8 | - | 1 | - | 19 | 4 |
| Net 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 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 Cost | 3 | 275 | 1 | 3 | - | 3 |
| Improve the Nation's Nutrition and Health: | | | | | | |
| Gross Costs | 2 | 131 | 6 | 11 | - | - |
| Less: Earned Revenue | 4 | - | - | - | - | - |
| Net 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 Cost | 1 | 201 | 4 | 8 | 1 | 5 |
| **Total Gross Costs** | 29 | 1,134 | 28 | 54 | 42 | 125 |
| **Less: Total Earned Revenue** | 27 | - | 1 | - | 21 | 4 |
| **Net Cost of Operations** | $ 2 | $ 1,134 | $ 27 | $ 54 | $ 21 | $ 121 |

| FY 2005 | RD | | DO | | TOTAL | |
|---|---|---|---|---|---|---|
| | Intragovernmental | With the Public | Intragovernmental | With the Public | Intragovernmental | With the Public |
| Enhance International Competitiveness and the Sustainability of Rural and Farm Economies: | | | | | | |
| Gross Costs | $ - | $ - | $ 125 | $ 271 | $ 3,022 | $ 40,243 |
| Less: Earned Revenue | - | - | 191 | 5 | 704 | 14,780 |
| Net Cost | - | - | (66) | 266 | 2,318 | 25,463 |
| 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 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 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 Cost | - | - | (19) | 76 | 1,085 | 50,794 |
| Protect and Enhance the Nation's Natural Resource Base and Environment: | | | | | | |
| Gross Costs | - | - | 75 | 168 | 1,677 | 9,439 |
| Less: Earned Revenue | - | - | 118 | 3 | 480 | 577 |
| Net Cost | - | - | (43) | 165 | 1,197 | 8,862 |
| **Total Gross Costs** | 3,314 | 1,730 | 344 | 754 | 9,888 | 105,247 |
| **Less: Total Earned Revenue** | 416 | 3,920 | 529 | 13 | 1,887 | 19,899 |
| **Net Cost of Operations** | $ 2,898 | $ (2,190) | $ (185) | $ 741 | $ 8,001 | $ 85,348 |

| FY 2005 | Intradepartmental Eliminations | GRAND TOTAL |
|---|---|---|
| Enhance International Competitiveness and the Sustainability of Rural and Farm Economies: | | |
| Gross Costs | $ (1,356) | $ 41,909 |
| Less: Earned Revenue | (348) | 15,136 |
| Net Cost | (1,008) | 26,773 |
| Support Increased Economic Opportunities and Improved Quality of Life in Rural America: | | |
| Gross Costs | (171) | 5,358 |
| Less: Earned Revenue | (77) | 4,344 |
| Net Cost | (94) | 1,014 |
| Enhance Protection and Safety of the Nation's Agriculture and Food Supply: | | |
| Gross Costs | (181) | 3,071 |
| Less: Earned Revenue | (100) | 630 |
| Net Cost | (81) | 2,441 |
| Improve the Nation's Nutrition and Health: | | |
| Gross Costs | (940) | 51,033 |
| Less: Earned Revenue | (48) | 46 |
| Net Cost | (892) | 50,987 |
| Protect and Enhance the Nation's Natural Resource Base and Environment: | | |
| Gross Costs | (430) | 10,686 |
| Less: Earned Revenue | (169) | 888 |
| Net Cost | (261) | 9,798 |
| **Total Gross Costs** | (3,078) | 112,057 |
| **Less: Total Earned Revenue** | (742) | 21,044 |
| **Net Cost of Operations** | $ (2,336) | $ 91,013 |

## NOTE 20. COST OF STEWARDSHIP PP&E

The acquisition cost of stewardship land in FY 2006 and FY 2005 was $291 million and $246 million, respectively.

## NOTE 21. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

FY 2006

| | Direct | Reimbursable | Total |
|---|---|---|---|
| Apportionment by Fiscal Quarter | $ 70,503 | $ 1,336 | $ 71,839 |
| Apportionment for Special Activities | 30,857 | 41,166 | 72,023 |
| Exempt from Apportionment | 1,535 | 61 | 1,596 |
| Total Obligations Incurred | $ 102,895 | $ 42,563 | $ 145,458 |

FY 2005

| | Direct | Reimbursable | Total |
|---|---|---|---|
| Apportionment by Fiscal Quarter | $ 65,399 | $ 447 | $ 65,846 |
| Apportionment for Special Activities | 30,937 | 42,982 | 73,919 |
| Exempt from Apportionment | 1,039 | 31 | 1,070 |
| Total Obligations Incurred | $ 97,375 | $ 43,460 | $ 140,835 |

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

Available borrowing authority at September 30, 2006 and 2005 was $29,700 million and $29,073 million, respectively.

## NOTE 23. TERMS OF BORROWING AUTHORITY USED

The Secretary of Agriculture has the authority to make and issue notes to the Secretary of Treasury for the purpose of discharging obligations for RD's insurance funds and CCC's nonreimbursed realized losses and debt related to foreign assistance programs. The permanent indefinite borrowing authority includes both interest bearing and non–interest notes. These notes are drawn upon daily when disbursements exceed deposits. Notes payable under the permanent indefinite borrowing authority have a 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 24. ADJUSTMENTS TO BEGINNING BALANCE OF BUDGETARY RESOURCES

| | FY 2006 | | FY 2005 | |
|---|---|---|---|---|
| | Obligated | Unobligated | Obligated | Unobligated |
| Beginning balances | $ 44,757 | $ 25,998 | $ 38,146 | $ 25,081 |
| Adjustments | - | - | - | - |
| Beginning balances, as adjusted | $ 44,757 | $ 25,998 | $ 38,146 | $ 25,081 |

## NOTE 25. PERMANENT INDEFINITE APPROPRIATIONS

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

The permanent indefinite appropriations for credit reform 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 26. LEGAL ARRANGEMENTS AFFECTING USE OF UNOBLIGATED BALANCES

Unobligated budget authority is the difference between the obligated balance and the total unexpended balance. It represents that portion of the unexpended balance unencumbered by recorded obligations. Appropriations are provided on an annual, multi-year, and no-year basis. An appropriation expires on the last day of its period of availability and is no longer available for new obligations. Unobligated balances retain their fiscal-year identity in an expired account for an additional five fiscal years. The unobligated balance remains available to make legitimate obligation adjustments, i.e., to record previously unrecorded obligations and 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 27. DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT

The differences between the fiscal 2005 Statement of Budgetary Resources and the fiscal 2005 actual numbers presented in the fiscal 2007 Budget of the United States Government (Budget) are summarized below.

The Budget excludes expired accounts that are no longer available for new obligations.

Adjustments were made subsequent to the Budget submission as follows:

Forest Service – A Treasury symbol that was established and utilized for Fire Transfer Payback and included in the President's Budget should not have been treated as an offsetting receipt.

CCC – Beginning balance difference resulting primarily from the accounting for cohorts in the President's Budget and FACTS ll for Budgetary Resources and Obligations incurred. In addition the difference in the Outlays are as a result of a timing difference of a Parent-child relationship with another governmental agency.

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 2006 Statement of Budgetary Resources and the fiscal 2006 actual numbers presented in the fiscal 2008 Budget cannot be performed as the fiscal 2008 Budget is not yet available. The fiscal 2008 Budget is expected to be published in February 2007 and will be available from the Government Printing Office.

FY 2005

| | Budgetary Resources | Obligations incurred | Distributed offsetting receipts | Net Outlays |
|---|---|---|---|---|
| Combined Statement of Budgetary Resources | $ 166,833 | $ 140,836 | $ 2,167 | $ 89,799 |
| Reconciling items: | | | | |
| Expired accounts | (9,479) | (4,060) | - | - |
| Adjustment - Forest Service | - | - | 168 | (168) |
| Adjustment- CCC | 184 | 184 | - | (47) |
| Native American Institutions | (15) | (1) | - | - |
| Milk Market Orders Fund | 49 | 49 | - | (2) |
| Other | (4) | 9 | 1 | (16) |
| Budget of the United States Government | $ 157,568 | $ 137,017 | $ 2,336 | $ 89,566 |

## NOTE 28. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders as of September 30, 2006 and 2005 was $35,204 million and $34,698 million, respectively.

## NOTE 29. 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.

| | FY 2006 | FY 2005 |
|---|---|---|
| Current year liabilities not covered by budgetary resources, as disclosed in Note 12 | $ 10,260 | $ 11,581 |
| Prior year liabilities not covered by budgetary resources | (11,581) | (3,697) |
| Increase (Decrease) in liabilities not covered by budgetary resources | (1,321) | 7,884 |
| Upward/Downward Reestimates of Credit Subsidy Expense | 650 | (1,853) |
| Increase in Exchange Revenue Receivable from the Public | (377) | (7,791) |
| Other | 1,494 | (428) |
| Components requiring or generating resources in future periods, as reported on the Statement of Financing | $ 446 | $ (2,188) |

## NOTE 30. 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 Department of Interior for watershed improvement projects and oil and gas use authorizations; 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; the Department of Interior for state and private forestry; the Department of Transportation for capital improvement and maintenance; and the Department of Defense for state and private forestry.

## NOTE 31. INCIDENTAL CUSTODIAL COLLECTIONS

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

| Revenue Activity: | FY 2006 | FY 2005 |
|---|---|---|
| Sources of Collections: | | |
| Miscellaneous | $ 65 | $ 64 |
| Total Cash Collections | 65 | 64 |
| Accrual Adjustments | (11) | (7) |
| Total Custodial Revenue | 54 | 57 |
| Disposition of Collections: | | |
| Transferred to Others: | | |
| Treasury | (46) | (8) |
| States and Counties | - | (7) |
| ( Increase )/Decrease in Amounts Yet to be Transferred | (8) | (42) |
| Net Custodial Activity | $ - | $ - |

# Required Supplementary Stewardship Information

## 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. When incurred, they are treated as expenses in determining the net cost of operations. However, these items merit special treatment so that users of Federal financial reports know the extent of investments that are made for long-term benefit. 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 2006 Expense | FY 2005 Expense | FY 2004 Expense | FY 2003 Expense | FY 2002 Expense |
|---|---|---|---|---|---|
| **Non-Federal Physical Property:** | | | | | |
| Food and Nutrition Service | | | | | |
| Food Stamp Program | $ 21 | $ 22 | $ 36 | $ 39 | $ - |
| Special Supplemental Nutrition Program | 12 | 17 | 8 | 16 | - |
| Cooperative State Research, Education, and Extension Service | | | | | |
| Extension 1890 Facilities Program | 17 | 17 | 15 | 15 | 14 |
| Total Non-Federal Property | $ 50 | $ 56 | $ 59 | $ 70 | $ 14 |
| **Human Capital:** | | | | | |
| Cooperative State Research, Education, and Extension Service | | | | | |
| Higher Education and Extension Programs | $ 525 | $ 507 | $ 502 | $ 511 | $ 532 |
| Food and Nutrition Service | | | | | |
| Food Stamp Program | 66 | 49 | 75 | 99 | - |
| Forest Service | | | | | |
| Job Corps Program | 110 | 161 | 106 | 118 | 104 |
| Agricultural Research Service | | | | | |
| National Agricultural Library | 22 | 21 | 21 | 21 | 20 |
| Risk Management Agency | | | | | |
| Risk Management Education | 10 | 10 | 7 | 4 | - |
| Total Human Capital | $ 733 | $ 748 | $ 711 | $ 753 | $ 656 |
| **Research and Development:** | | | | | |
| Agricultural Research Service | | | | | |
| Plant Sciences | $ - | $ - | $ - | $ 394 | $ 384 |
| Commodity Conversion and Delivery | - | - | - | 185 | 182 |
| Animal Sciences | - | - | - | 194 | 102 |
| Soil, Water, and Air Sciences | - | - | - | 110 | 100 |
| Human Nutrition | 85 | 84 | 83 | 78 | 80 |
| Integration of Agricultural Systems | - | - | - | 43 | 40 |
| Collaborative Research Program | 7 | 6 | 5 | 6 | 11 |
| Product Quality/Value Added | 107 | 105 | 104 | - | |
| Livestock Production | 85 | 84 | 82 | - | - |
| Crop Production | 201 | 197 | 194 | - | - |
| Food Safety | 105 | 103 | 96 | - | - |
| Livestock Protection | 90 | 78 | 64 | - | - |
| Crop Protection | 199 | 193 | 183 | - | - |
| Environmental Stewardship | 223 | 219 | 216 | - | - |
| Homeland Security | - | - | 21 | - | - |
| Cooperative State Research, Education, and Extension Service | | | | | |
| Land-grant University System | 661 | 645 | 610 | 601 | 542 |
| Forest Service | 318 | 295 | 312 | 233 | 227 |
| Economic Research Service | | | | | |
| Economic and Social Science | 75 | 74 | 71 | 69 | 67 |
| National Agricultural Statistics Service | | | | | |
| Statistical | 5 | 5 | 5 | 5 | 5 |
| Total Research and Development | $ 2,161 | $ 2,088 | $ 2,046 | $ 1,918 | $ 1,740 |

## Non-Federal Physical Property

### Food and Nutrition Service

FNS' non-Federal physical property consists of computer systems and other equipment obtained by 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' non-Federal 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 781,543 work registrants subject to the 3 - month Food Stamp Program participant limit and 1,203,142 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 19 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 2006, accomplishments included the following:

- 8,732 participants received 4,116 placements with an average starting hourly wage of 55 cents more than the DOL national average.
- Approximately 1,806 female students received training in nontraditional vocations.
- 634 students received high school diplomas, and 1,429 students obtained general equivalency diplomas.
- Approximately 1,223 Job Corps students and staff assisted the agency in its firefighting efforts.
- Students accomplished conservation work on NFS lands appraised at $26.4 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 2006 and 2005, 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 48,000 in fiscal year 2006 and 47,000 in fiscal year 2005. 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 $10 million for fiscal year 2006 and $10 million for fiscal year 2005. The following table summarizes the RME initiatives since fiscal year 2002:

| (dollars in millions) | | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|---|
| RME Obligations | $ | 10 | 9.4 | 10 | 9 | 6 |
| Number of producers attending RME sessions | | 48,000 | 47,000 | 46,000 | 62,000 | 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 is in the process of revising its Strategic Plan to align it with the Department's new Strategic Plan. ARS' major program areas are being aligned as follows:

**GOAL: Enhance the Competitiveness and Sustainability of Rural and Farm Economies.**

- **Product Quality/Value Added**—Many agricultural products are marketed as low value commodities; harvested commodities often suffer losses due to spoilage or damage during shipping, storage, and handling. Biobased products represent a small fraction of the market for industrial products and their performance is often uncertain. Biofuels and some biobased products are not yet economically competitive with petroleum-based products. Healthy foods are often not convenient and/or are not widely accepted by many consumers. Currently, the agency has active research programs designed to address these new product/product quality issues and concerns.
- **Livestock Production**—Producers need new scientific information and technologies to increase production efficiency; safeguard the environment; improve animal well-being; reduce production risks and product losses; and understand the relationships between nutrients, reproduction, growth, and conversion to and marketability of

animal products. In addition, new research is needed to identify genes that are responsible for economically important traits; to maintain and develop improved germplasm and use genetic resources to optimize and safeguard genetic diversity; to understand biological mechanisms; and to promote viable, vigorous production systems. Currently, ARS has active research programs designed to address these livestock production issues and concerns.

- **Crop Production**—Producers need new scientific information and technologies to increase production efficiency; safeguard the environment; reduce production risks and product losses; and understand the relationships between nutrients, reproduction, growth, and conversion to and marketability of plant products. In addition, new research is needed to identify genes that are responsible for economically important traits; to maintain and develop improved germplasm and use genetic resources to optimize and safeguard genetic diversity; to understand biological mechanisms; and to promote viable, vigorous production systems. Currently, ARS has active research programs designed to address these crop production issues and concerns.

**GOAL: Enhance Protection and Safety of the Nation's Agriculture and Food Supply**.

- **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 the introduction of pathogens and toxins through natural processes, global commerce, and by intentional means. The food supply must be protected during production, processing, and preparation from pathogens, toxins, and chemical contamination that cause diseases in humans. Currently, the agency has active research programs designed to develop new on-farm preharvest systems, practices, and products to reduce pathogen and toxin contamination of animal and plant derived foods; and to develop and transfer to Federal and State agencies and the private sector technologies that rapidly and accurately detect, identify, and differentiate the most critical and economically important foodborne pathogenic bacteria and viruses.
- **Livestock Protection**—Economic sustainability of livestock production systems in 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, 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. Currently, the agency has active research programs designed to protect animals from pests and infectious diseases; identify, develop, and release to the U.S. agricultural community genetic markers, genetic lines, breeds, or germplasm that result in food animals with improved pest and disease resistance traits; and to provide producers of agriculturally important animals, scientific information and technologies to control, monitor, and manage invasive insects and pathogens.
- **Crop Production**—Economic sustainability of agricultural crop production in 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, emergence of new diseases, genetic resistance, and the availability of trained plant health specialists. Crop systems have limited diversity and remain more vulnerable to intentional exposure to pathogens. Currently, the agency has active research programs designed to protect plants from pests (including weeds) and diseases;

identify, develop, and release to the U.S. agricultural community genetic markers, genetic lines, or germplasm that result in plants with improved pest and disease resistance traits; to provide producers of agriculturally important plants, scientific information and technologies to control, monitor, and manage invasive insects, weeds, and pathogens; and to conduct biologically-based integrated and area-wide management of key invasive species.

**GOAL: Improve the Nation's Nutrition and Health.**

- **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. 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.

  Currently, the agency has active research programs designed to address food consumption patterns; and dietary intervention strategies and programs to prevent obesity and promote healthy dietary behavior. Research is being conducted to implement the combined "What We Eat in America" dietary survey; and to update and revise Dietary Reference Intake and the National Nutrient Database of nutrient content of foods. Research is also being conducted to provide information, technology, services, and data from the National Nutrient Database, and from the "What We Eat in America" survey to USDA agencies and the private sector to support revision of the Dietary Guidelines.

**GOAL: Protect and Enhance the Nation's Natural Resource Base and Environment.**

- **Environmental Stewardship**— Agriculture relies on a natural resource base whose sustainability depends on sound, science-based production practices. The management of the Nation's 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 the country's resources that can satisfy most competing concerns. ARS research in the broad area of environmental stewardship is designed to address specific issues relating to agriculture's impact on the environment and the environment's impact on agriculture. EPA estimates that only 70 percent of the rivers, 68 percent of the estuaries, and 60 percent of the lakes now meet legislatively mandated goals. Dust emissions from agricultural operations and ammonia emissions from animal feeding operations pose a threat to environmental quality and human health. Approximately half of the rangelands have been significantly degraded by fire, invasive weeds, environmental changes, and poor grazing management. Approximately 500 million acres of cropland and grazing land have been degraded by various causes, including erosion, loss of organic matter, compaction, salinity, and soil acidification. Increases in the atmospheric concentration of greenhouse gases and related increases in weather variability affect the physiology and ecology of plants on croplands and rangelands in often unpredictable ways. Currently, ARS has active research programs designed to respond to these environmental issues and concerns.

**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, policymakers, teachers, and students.

**Management Initiative**: Provide Adequate Federal Facilities Required to Support the Research Mission of ARS.

ARS has over 100 laboratories, primarily located throughout the United States. ARS' facilities program is designed to meet the needs of its scientists and support personnel to accomplish the agency's mission

### 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:

- Fire, Invasive species
- Recreation
- Research Data and Analysis
- Research Management and Use
- 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 2006 accomplishments include the following:

- 54 new interagency agreements and contracts
- 15 interagency agreements and contracts continued
- 1,691 articles published in journals
- 1,817 articles published in all other publications
- 7 patents granted
- 1 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

## STEWARDSHIP PROPERTY, PLANT AND EQUIPMENT

### Heritage Assets

**Forest Service**

The FS estimates that more than 340,000 heritage assets are on land that it manages. Some of these assets are listed on the National Register of Historic Places, and some are designated as National Historic Landmarks. Collection assets held at museums and universities are managed by those entities, and not the FS.

Heritage assets designated as National Historic Landmarks are 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.

Heritage assets listed in the National Register of Historic Places include properties, buildings, and structures that are significant in U.S. history, architecture, and archaeology, and in the cultural foundation of the Nation. Sites formally determined as eligible for the National Register by the Keeper of the National Register, or documented through consultation with State Historic Preservation Offices, are considered potentially eligible for the National Register.

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.

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. Most additions occur through inventory activities, where previously undocumented sites are discovered and added to the total. Although not technically additions—they already existed on NFS lands—they do represent an increased management responsibility commensurate with the spirit of "additions."

Major FS heritage assets by category and condition for FY 2005 are shown below:

| Category | 2004 Final Sites | Additions | Withdrawals | FY 2005 Ending Balance | Condition |
|---|---|---|---|---|---|
| Total heritage assets | 318,259 | 24,103 | 1 | 342,361 | Poor – Fair |
| Eligible for the National Register of Historic Places | 57,925 | 0 | 3,963 | 53,962 | Poor – Fair |
| Listed on the National Register | 3,397 | 82 | 1 | 3,478 | Fair |
| Sites with structures listed on the National Register | 1,874 | 82 | 0 | 1,956 | Poor – Fair |
| National Historic Landmarks | 19 | 1 | 0 | 20 | Fair – Good |

**Natural Resources Conservation Service**

NRCS currently owns one heritage asset, the Tucson Plant Materials Center (TPMC). It was listed in the National Register of Historic Places (NRHP) on July 2, 1997. The TPMC develops and evaluates native plants and addresses an array of resource issues in the areas of rangeland, mined land, urban lands, cropland riparian areas, and desert lands. It provides technical assistance to NRCS field offices, RC& D groups, Conservation districts, federal, state, and tribal agencies, and private landowners throughout the greater Southwest.

**Agricultural Research Service**

ARS has approximately 60 heritage assets at three locations under its custody and control. These locations include: (1) the U.S. National Arboretum, Washington, D.C.; (2) the Grazinglands Research Laboratory (GRL), El Reno, Oklahoma; and (3) the Fort Keogh Livestock and Range Research Laboratory, Miles City, Montana.

Established in 1927 by an Act of Congress, the mission of the U.S. National Arboretum is to serve the public need for scientific research, education, and gardens that conserve and showcase plants to enhance the environment.

GLR was established by Public Law 80-494, 62 Stat. 197 on April 21, 1948, and includes 6,737-acres of withdrawn public land. The mission of the GRL is to provide new technologies and management strategies which increase the profitability of forage and livestock production, reduce risks associated with management decisions, promote sustainability, and conserve the productivity of grazing land resources of the Great Plains.

The Fort Keogh Livestock and Range Research Laboratory was established by an Act of Congress in 1924 and includes 55,767 acres within the original area of the Fort Keogh Military Reservation just west of Miles City, Montana. The mission of the Fort Keogh Livestock and Range Research Laboratory is to research and develop ecologically and economically sustainable range animal management systems that ultimately meet consumers' needs. The Fort Keogh Military Reservation, which was established by an Act of Congress in 1876, was placed on the National Register of Historic Places in March of 1978.

## Stewardship Land

| Description | FY 2006 Balance | Additions (+) | Withdrawals (-) | FY 2005 Balance |
|---|---|---|---|---|
| National Forest System Land (In acres): | | | | |
| National Forests | 144,056,315 | - | (403,999) | 144,460,314 |
| National Forests Wilderness Areas | 34,816,228 | - | (140,850) | 34,957,078 |
| National Forests Primitive Areas | 173,762 | - | - | 173,762 |
| National Wild and Scenic River Areas | 931,314 | 681 | - | 930,633 |
| National Recreation Areas | 2,912,576 | 94,308 | - | 2,818,268 |
| National Scenic–Research Areas | 137,486 | 196 | - | 137,290 |
| National Game Refuges and Wildlife Preserve Areas | 1,198,099 | - | - | 1,198,099 |
| National Monument Areas | 3,834,041 | - | - | 3,834,041 |
| National Grasslands | 3,837,870 | - | (296) | 3,838,166 |
| Purchase Units | 374,749 | 4,718 | - | 370,031 |
| Land Utilization Projects | 1,876 | - | - | 1,876 |
| Other Areas | 512,497 | 2,640 | - | 509,857 |
| Total National Forest System Land | 192,786,813 | 102,543 | (545,145) | 193,229,415 |
| Conservation Easements (In acres): | | | | |
| Natural Resources Conservation Service | | | | |
| Wetlands Reserve Program | 1,531,185 | 135,486 | - | 1,395,699 |
| Grassland Reserve Program | 42,902 | 29,190 | - | 13,712 |
| Emergency Wetlands Reserve Program | 92,159 | - | - | 92,159 |
| Emergency Watershed Protection Program | 94,399 | 50 | - | 94,349 |
| Total Conservation Easements | 1,760,645 | 164,726 | - | 1,595,919 |

| Description | FY 2005 Balance | Additions (+) | Withdrawals (-) | FY 2004 Balance |
|---|---|---|---|---|
| National Forest System Land (In acres): | | | | |
| 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 |
| Total National Forest System Land | 193,229,415 | 446,725 | (114,630) | 192,897,320 |
| Conservation Easements (In acres): | | | | - |
| Natural Resources Conservation Service | | | | - |
| Wetlands Reserve Program | 1,395,699 | 133,580 | - | 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 |
| Total Conservation Easements | 1,595,919 | 147,542 | - | 1,448,377 |

### National Forest System

The FS manages an estimated 193 million acres of public land, most of which are classified as stewardship assets. These stewardship assets are valued for the following reasons:

- Environmental resources;
- Recreational and scenic values;
- Cultural and paleontological resources;
- Vast open spaces; and
- Resource commodities and revenue they provide to the Federal Government, States, and counties.

Land needed to protect critical wildlife habitat and cultural and historic values, to support the purposes of congressional designation, and for recreation and conservation purposes is acquired through purchase or exchange.

### National Forests

The national forests are formally 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 Wilderness Areas. Areas designated by Congress as part of the National Wilderness Preservation System.
- National 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 ensure protection and encourage the study of the areas for research and scientific purposes.
- National Game Refuges and Wildlife Preserve Areas. Areas designated by Presidential proclamation or 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 Congress.

### National Grasslands

National Grasslands are designated by the Secretary of Agriculture and permanently held by the USDA under Title III of the Bankhead-Jones Farm Tenant Act.

### Purchase Units

Purchase units are 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

Land utilization projects are reserved and dedicated by the Secretary of Agriculture for forest and range research and experimentation.

### Other Areas

There are areas administered by the FS that are not included in one of the above groups.

### Condition of NFS Lands

The condition of NFS lands varies by purpose and location. The FS monitors the condition of NFS lands based on information compiled by two national inventory and monitoring programs—Forest Inventory and Analysis (FIA) and Forest Health Monitoring (FHM).

The FIA program conducts annual inventories of forest status and trends. FIA has historic inventory data in all 50 States and is currently collecting annual inventory data in 45 States, including 38 of the 41 States containing NFS land. Active throughout all 50 States, FHM provides surveys and evaluations of forest health conditions and trends.

Although most of the estimated 193 million acres of NFS forest 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 or catastrophic fires. About 25.03 million acres of NFS forest land are at risk to future mortality from insects and diseases, based on the current Insect and Disease Risk Map; and nearly 111 million acres are at risk of losing key ecosystem components from wildland fire based on current condition and departure from historic fire regimes.

The LANDFIRE dataset is mapping vegetation for fire behavior and fire regime across all ownerships, including NFS lands, at a 30-meter pixel resolution from Landsat Satellite Imagery. The 2005 release of the LANDFIRE Rapid Assessment included subject matter experts' maps of current fire regime condition class. The national LANDFIRE dataset, available in 2009, will document fire regime condition class of all lands based on satellite imagery and plot data, displaying departure from the historic fire regimes.

Invasive species of insects, diseases, and plants continue to affect our native ecosystems by causing mortality to, or displacement of, native vegetation. Insect and disease prevention and suppression treatments were completed on 154,000 acres of NFS lands in FY 2006.

## Conservation Easements

### Wetlands Reserve Program

The Wetlands Reserve Program (WRP) is authorized under Section 1237 of the Food Security Act of 1985 (P.L. 99-198), as amended, by the Food, Agriculture, Conservation and Trade Act of 1990 (P.O. 101-624), the Federal Agriculture Improvement and Reform Act of 1996 (P.L. 104-127), and the Farm Security and Rural Investment Act of 2002 (P.L. 107-171) ("2002 Farm Bill"). The Secretary of Agriculture delegated the authority for WRP to the Chief of the Natural Resources Conservation Service (NRCS), who is a vice president of the Commodity Credit Corporation (CCC). WRP is a voluntary program offering landowners the opportunity to restore, protect, and enhance wetlands on agricultural land. Participants in the program may sell a conservation easement 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. Easements can be either permanent or 30-year duration. 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.

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 authorized by Section 1238n of Title XII, of Food Security Act of 1985, as amended by section 2401 of the 2002 Farm Bill. The Secretary of Agriculture delegated the authority for FRPP to the Chief of the Natural Resources Conservation Service (NRCS), who is a vice president of the Commodity Credit Corporation (CCC). GRP assists landowners in restoring and protecting grassland, including rangeland, pastureland, and certain other lands, while maintaining the lands 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.

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.

NRCS develops a conservation plan with the landowners eligible for the program. The plan specifies the management options available on the grasslands with the goal of maintaining the viability for the grassland's resources. Easements can be permanent, 30-year, or the maximum duration permitted based on State or Tribal law. NRCS continues to provide assistance to the landowner after the acres are enrolled. GRP easements prohibit the production of crops (other than hay), fruit trees, and vineyards that require breaking the soil surface and any other activity that would permanently disturb the surface of the land, except for appropriate land management activities included in a the grassland conservation plan. Withdrawals from the program are not permitted.

**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. Easements purchased under EWRP are permanent in duration. 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. 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 – Floodplain Easements**

The Emergency Watershed Protection Program (EWP) Floodplain Easements is authorized by the Federal Agriculture Improvement and Reform Act of 1996, Public Law 104-127, and administered by NRCS. Floodplain easements restore, protect, manage, maintain, and enhance the functions of wetlands, riparian areas; conserve natural values including fish and wildlife habitat, water quality, flood water retention, ground water recharge, and open space; and safeguard lives and property from floods, drought, and the products of erosion. 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 EWP are permanent in duration. 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.

## DEFERRED MAINTENANCE

| FY 2006 | Cost to Return to Acceptable Condition | Cost of Critical Maintenance | Cost of Non-critical Maintenance |
|---|---|---|---|
| Asset Class | | | |
| Forest Service | | | |
| Bridges | $ 116 | $ 27 | $ 89 |
| Buildings | 483 | 106 | 377 |
| Dam | 21 | 8 | 13 |
| Minor Constructed Features | 88 | - | 88 |
| Fence | 403 | 403 | - |
| Handling Facility | 24 | 24 | - |
| Heritage | 32 | 9 | 23 |
| Road | 4,054 | 748 | 3,306 |
| Trail Bridge | 10 | 4 | 6 |
| Wastewater | 31 | 17 | 14 |
| Water | 85 | 47 | 38 |
| Wildlife, Fish, TES | 6 | 4 | 2 |
| Trails | 243 | 19 | 224 |
| General Forest Area | - | - | - |
| Total Forest Service | $ 5,596 | $ 1,416 | $ 4,180 |

| 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 |
| Minor Constructed 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 | 98 | 33 | 65 |
| General Forest Area | 4 | 1 | 3 |
| Total Forest Service | $ 5,963 | $ 1,440 | $ 4,523 |

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.

Critical maintenance is defined as a serious threat to public health or safety, a natural resource, or the ability to carry out the mission of the organization. Noncritical maintenance is defined as a potential risk to the public or employee safety or health (e.g., compliance with codes, standards, or regulations), and potential adverse consequences to natural resources or mission accomplishment.

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.

## Condition of Assets

In previous years, the FS reported deferred maintenance estimates for General Forest Areas (GFA) and Developed Sites (Minor Constructed Features) in this table. The revised Heritage Assets and Stewardship Lands standard (SFFAS 29) provides the FS the means to report these land units' deferred maintenance by their respective individual asset, although deferred maintenance for the Minor Constructed Features located on the Developed Sites will remain in this table.

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.

Conditions of roads and bridges within the NFS road system are measured by various standards:

1. Federal Highway Administration regulations for the Federal Highway Safety Act;
2. Best management practices (BMP) for the nonpoint source provisions of the Clean Water Act from EPA and States;
3. Road management objectives developed through the NFMA forest planning process;

4. Forest Service Directives—FSM 7730, Operation and Maintenance (January 2003 amendment was superseded with August 25, 2005, revision); FSH 7709.56a, Road Preconstruction, and FSH 7709.56b, Transportation Structures Handbook.

Dams are managed according to FSM 7500, Water Storage and Transmission, and FSH 7509.11, Dams Management Handbook, as determined by condition surveys. The overall condition of dams is below acceptable. The condition of a dam is acceptable when the dam meets current design standards and does not have any deficiencies that threaten the safety of the structure or public. For dams to be rated as in acceptable condition, the agency needs to restore the dams to the original functional purpose, correct unsightly conditions, or prevent more costly repairs.

Buildings comply with the National Life Safety Code, the Forest Service Health and Safety Handbook, and the Occupational Safety Health Administration (OSHA) 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 include developed recreation sites, general forest areas, campgrounds, trailheads, trails, water and wastewater systems, 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 FSM 2330, Publicly Managed Recreation Opportunities, and forest- and regional-level user guides. Quality standards for developed recreation sites were established as Meaningful Measures for health and cleanliness, settings, safety and security, responsiveness, and the condition of the facility

The condition assessment for range structures (fences and stock handling facilities) is based on (1) a determination by knowledgeable range specialists or other district personnel of whether the structure would perform the originally intended function, and (2) a determination through the use of a protocol system to assess conditions based on age. A longstanding range methodology is used to gather this data.

Heritage 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 in the agency is as visitation or recreation sites and, therefore, may not fall under the management responsibility of the heritage program.

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

Deferred maintenance of structures for wildlife, fish, and threatened and endangered species (TES) is determined by field biologists using their professional judgment. The deferred maintenance is considered critical if resource damage or species endangerment would likely occur if maintenance were deferred much longer.

## STATEMENT OF BUDGETARY RESOURCES

| FY 2006 | 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:** | | | | | | | | | | |
| Unobligated balance, brought forward, October 1: (Note 24) | $ 343 | $ 2,146 | $ 1,299 | $ 2,699 | $ 175 | $ 1,358 | $ 7,108 | $ 71 | $ 378 | $ 316 |
| Recoveries of prior year unpaid obligations | 43 | 77 | 4,945 | 4 | 754 | 4 | 797 | 177 | 20 | 338 |
| Budget Authority: | | | | | | | | | | |
| Appropriation | 1,884 | - | 28,112 | - | 341 | 3,372 | 53,813 | 844 | 6,719 | 1,335 |
| Borrowing Authority (Notes 22 & 23) | - | 1,746 | 44,465 | 824 | - | - | - | - | - | - |
| Earned - | | | | | | | | | | |
| Collected | 979 | 1,483 | 15,068 | 1,174 | 81 | 1,208 | 85 | 132 | 60 | 477 |
| Change in receivables from Federal Sources | (15) | - | 54 | (29) | 10 | - | - | (10) | (1) | (24) |
| Change in unfilled customer orders - | | | | | | | | | | |
| Advances received | - | - | 259 | - | - | - | - | (2) | - | 23 |
| Without advance from Federal Sources | (1) | 1 | - | - | - | - | 1 | - | - | - |
| Expenditure transfers from trust funds | - | - | 891 | - | - | - | - | - | - | - |
| Nonexpenditure transfers, net, anticipated and actual | (38) | - | (1,872) | - | 14 | (5) | 5,203 | - | (5,265) | (180) |
| Permanently not available | (541) | (2,862) | (50,153) | (1,690) | (3) | (2) | (1,032) | (23) | (40) | (17) |
| Total Budgetary Resources | 2,654 | 2,591 | 43,068 | 2,982 | 1,372 | 5,935 | 65,975 | 1,189 | 1,871 | 2,268 |
| **Status of Budgetary Resources:** | | | | | | | | | | |
| Obligations Incurred (Note 21): | | | | | | | | | | |
| Direct | 1,801 | 1,810 | 2,970 | 1,355 | 965 | 4,666 | 53,530 | 999 | 1,565 | 1,229 |
| Reimbursable | 483 | - | 38,933 | - | 111 | - | 27 | 149 | 58 | 681 |
| Unobligated Balance: | | | | | | | | | | |
| Apportioned | 260 | 361 | 363 | 748 | 101 | 1,266 | 3,160 | 7 | 20 | 314 |
| Exempt from Apportionment | - | - | 533 | - | 1 | - | - | 1 | 178 | 13 |
| Unobligated balance not available | 110 | 420 | 269 | 879 | 194 | 3 | 9,258 | 33 | 50 | 31 |
| Total Status of Budgetary Resources | 2,654 | 2,591 | 43,068 | 2,982 | 1,372 | 5,935 | 65,975 | 1,189 | 1,871 | 2,268 |
| **Change in Obligated Balances:** | | | | | | | | | | |
| Obligated balance, net, brought forward October 1 (Note 24) | 168 | 483 | 8,428 | (153) | 77 | 268 | 3,940 | 82 | 119 | 479 |
| Obligations incurred | 2,284 | 1,810 | 41,903 | 1,355 | 1,076 | 4,666 | 53,557 | 1,148 | 1,623 | 1,910 |
| Gross outlays | (2,180) | (1,752) | (37,326) | (1,325) | (350) | (4,653) | (52,533) | (968) | (1,616) | (1,627) |
| Recoveries of prior year unpaid | (43) | (77) | (4,945) | (4) | (754) | (4) | (797) | (177) | (20) | (338) |
| Change in uncollected payments from Federal Sources | 16 | (1) | (53) | 29 | (10) | - | (1) | 10 | 1 | 24 |
| Obligated balance, net, end of period - | | | | | | | | | | |
| Unpaid obligations (Note 28) | 259 | 476 | 9,281 | 75 | 77 | 276 | 4,166 | 113 | 112 | 468 |
| Uncollected customer payments from Federal Sources | (14) | (14) | (1,275) | (174) | (39) | - | (1) | (17) | (5) | (19) |
| Obligated balance, net, end of period | 245 | 462 | 8,006 | (99) | 38 | 276 | 4,165 | 96 | 107 | 449 |
| **Net Outlays:** | | | | | | | | | | |
| Gross outlays | 2,180 | 1,752 | 37,326 | 1,325 | 350 | 4,653 | 52,533 | 968 | 1,616 | 1,627 |
| Offsetting collections | (979) | (1,483) | (16,217) | (1,174) | (81) | (1,208) | (85) | (130) | (60) | (501) |
| Distributed offsetting receipts | (396) | - | - | (987) | 2 | (3) | (1) | (12) | (148) | (11) |
| Net Outlays | $ 805 | $ 269 | $ 21,109 | $ (836) | $ 271 | $ 3,442 | $ 52,447 | $ 826 | $ 1,408 | $ 1,115 |

| FY 2006 | 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:** | | | | | | | | | | | | |
| Unobligated balance, brought forward, October 1: (Note 24) | $ 8 | $ 2,429 | $ 468 | $ 412 | $ 128 | $ 1 | $ 5 | $ 4,498 | $ 1,983 | $ 173 | $ 19,170 | $ 6,828 |
| Recoveries of prior year unpaid obligations | 7 | 78 | 721 | 295 | 444 | 13 | 29 | 304 | 860 | 102 | 9,071 | 941 |
| Budget Authority: | | | | | | | | | | | | |
| Appropriation | 38 | 5,362 | 1,358 | 1,330 | 1,221 | 76 | 141 | 3,298 | - | 612 | 109,856 | - |
| Borrowing Authority (Notes 22 & 23) | - | - | - | - | - | - | - | - | 10,038 | - | 44,465 | 12,608 |
| Earned - | | | | | | | | | | | | |
| Collected | 42 | 665 | 151 | 84 | 33 | 1 | 20 | 3,410 | 5,207 | 769 | 23,265 | 7,864 |
| Change in receivables from Federal Sources | (2) | (21) | (48) | (9) | (8) | (2) | (2) | (26) | - | (25) | (129) | (29) |
| Change in unfilled customer orders - | | | | | | | | | | | | |
| Advance received | - | 19 | - | - | - | - | - | - | - | - | 299 | - |
| Without advance from Federal Sources | - | 37 | 30 | 13 | 7 | - | 2 | 2 | 10 | (21) | 70 | 11 |
| Expenditure transfers from trust funds | - | 159 | - | - | - | - | - | - | - | - | 1,050 | - |
| Nonexpenditure transfers, net, anticipated and actual | - | 3 | 1,741 | 6 | 5 | - | - | 37 | - | 9 | (342) | - |
| Permanently not available | (1) | (65) | (28) | (20) | (20) | (1) | (2) | (3,755) | (4,246) | (42) | (55,745) | (8,798) |
| Total Budgetary Resources | 92 | 8,666 | 4,393 | 2,111 | 1,810 | 88 | 193 | 7,768 | 13,852 | 1,577 | 151,030 | 19,425 |
| **Status of Budgetary Resources:** | | | | | | | | | | | | |
| Obligations Incurred (Note 21): | | | | | | | | | | | | |
| Direct | 45 | 6,382 | 3,363 | 1,690 | 1,630 | 86 | 169 | 5,427 | 12,545 | 668 | 87,185 | 15,710 |
| Reimbursable | 38 | 475 | 166 | 113 | 47 | 1 | 21 | 523 | - | 737 | 42,563 | - |
| Unobligated Balance: | | | | | | | | | | | | |
| Apportioned | 1 | 1,052 | 527 | 278 | 104 | - | 1 | 244 | 516 | 120 | 7,818 | 1,625 |
| Exempt from Apportionment | - | - | 3 | 15 | 25 | - | - | - | - | 2 | 771 | - |
| Unobligated balance not available | 8 | 757 | 334 | 15 | 4 | 1 | 2 | 1,574 | 791 | 50 | 12,693 | 2,090 |
| Total Status of Budgetary Resources | 92 | 8,666 | 4,393 | 2,111 | 1,810 | 88 | 193 | 7,768 | 13,852 | 1,577 | 151,030 | 19,425 |
| **Change in Obligated Balances:** | | | | | | | | | | | | |
| Obligated balance, net, brought forward October 1 (Note 24) | 7 | 1,561 | 3,565 | 442 | 1,268 | 28 | 16 | 6,022 | 17,872 | 85 | 26,555 | 18,202 |
| Obligations incurred net | 83 | 6,857 | 3,529 | 1,803 | 1,677 | 87 | 190 | 5,950 | 12,545 | 1,405 | 129,748 | 15,710 |
| Gross outlays | (76) | (6,375) | (2,907) | (1,408) | (1,136) | (74) | (163) | (6,041) | (11,012) | (1,323) | (120,756) | (14,089) |
| Recoveries of prior year unpaid | (7) | (78) | (721) | (295) | (444) | (13) | (29) | (304) | (860) | (102) | (9,071) | (941) |
| Change in uncollected payments from Federal Sources | 2 | (15) | 17 | (4) | 1 | 2 | (1) | 24 | (10) | 46 | 59 | 18 |
| Obligated balance, net, end of period | | | | | | | | | | | | |
| Unpaid obligations (Note 28) | 13 | 2,383 | 3,567 | 619 | 1,430 | 30 | 23 | 5,725 | 19,171 | 339 | 28,881 | 19,722 |
| Uncollected customer payments from Federal Sources | (4) | (433) | (83) | (81) | (65) | - | (10) | (73) | (634) | (225) | (2,344) | (822) |
| Obligated Balance, net, end of period | 9 | 1,950 | 3,484 | 538 | 1,365 | 30 | 13 | 5,652 | 18,537 | 114 | 26,537 | 18,900 |
| **Net Outlays:** | | | | | | | | | | | | |
| Gross outlays | 76 | 6,375 | 2,907 | 1,408 | 1,136 | 74 | 163 | 6,041 | 11,012 | 1,323 | 120,756 | 14,089 |
| Offsetting collections | (42) | (844) | (151) | (84) | (33) | (1) | (20) | (3,410) | (5,207) | (766) | (24,612) | (7,864) |
| Distributed offsetting receipts | - | (457) | (19) | (22) | (4) | 1 | - | (688) | - | 50 | (1,708) | (987) |
| Net Outlays | $ 34 | $ 5,074 | $ 2,737 | $ 1,302 | $ 1,099 | $ 74 | $ 143 | $ 1,943 | $ 5,805 | $ 607 | $ 94,436 | $ 5,238 |

| 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:** | | | | | | | | | | |
| Unobligated balance, brought forward, October 1: (Note 24) | $ 244 | $ 1,868 | $ 1,197 | $ 2,643 | $ 37 | $ 2,060 | $ 7,768 | $ 54 | $ 517 | $ 366 |
| Recoveries of prior year unpaid obligations | 71 | 69 | 2,837 | 3 | 761 | 5 | 391 | 247 | 10 | 269 |
| Budget Authority: | | | | | | | | | | |
| Appropriation | 1,735 | - | 15,444 | - | 316 | 2,314 | 47,398 | 827 | 6,267 | 1,179 |
| Borrowing Authority (Notes 22 & 23) | - | 1,724 | 45,357 | 688 | - | - | - | - | - | - |
| Earned - | | | | | | | | | | |
| Collected | 1,016 | 1,535 | 17,267 | 1,768 | 97 | 1,236 | 80 | 110 | 59 | 81 |
| Change in receivables from Federal Sources | 15 | - | (158) | (113) | (24) | - | - | 6 | (2) | 17 |
| Change in unfilled customer orders - | | | | | | | | | | |
| Advances received | - | - | (1,387) | - | - | - | - | 2 | - | - |
| Without advance from Federal Sources | 3 | (3) | - | - | - | - | - | - | - | - |
| Expenditure transfers from trust funds | - | - | 899 | - | - | - | - | - | - | - |
| Nonexpenditure transfers, net, anticipated and actual | 50 | - | (2,838) | - | 13 | (1) | 5,168 | - | (5,139) | (39) |
| Permanently not available | (656) | (1,368) | (33,582) | (735) | (3) | (2) | (2,511) | (17) | (164) | (8) |
| Total Budgetary Resources | 2,478 | 3,825 | 45,036 | 4,254 | 1,197 | 5,612 | 58,294 | 1,229 | 1,548 | 1,865 |
| **Status of Budgetary Resources:** | | | | | | | | | | |
| Obligations Incurred (Note 21): | | | | | | | | | | |
| Direct | 1,716 | 1,678 | 2,954 | 1,556 | 925 | 4,255 | 51,158 | 1,053 | 1,114 | 1,305 |
| Reimbursable | 419 | - | 40,782 | - | 97 | - | 28 | 104 | 56 | 245 |
| Unobligated Balance: | | | | | | | | | | |
| Apportioned | 176 | 1,693 | 331 | 2,523 | 76 | 1,355 | 526 | 42 | 49 | 274 |
| Exempt from Apportionment | - | - | 872 | 5 | 1 | - | - | 2 | 343 | 12 |
| Unobligated balance not available | 167 | 454 | 97 | 170 | 98 | 2 | 6,582 | 28 | (14) | 29 |
| Total Status of Budgetary Resources | 2,478 | 3,825 | 45,036 | 4,254 | 1,197 | 5,612 | 58,294 | 1,229 | 1,548 | 1,865 |
| **Change in Obligated Balances:** | | | | | | | | | | |
| Obligated balance, net, brought forward October 1 (Note 24) | 198 | 436 | 5,596 | (228) | 74 | 204 | 3,048 | 101 | 93 | 435 |
| Obligations incurred net | 2,135 | 1,678 | 43,736 | 1,556 | 1,022 | 4,255 | 51,186 | 1,157 | 1,170 | 1,550 |
| Gross outlays | (2,076) | (1,565) | (38,011) | (1,591) | (281) | (4,186) | (49,902) | (923) | (1,137) | (1,218) |
| Unpaid obligations transferred | - | - | (216) | - | - | - | - | - | - | - |
| Recoveries of prior year unpaid | (71) | (69) | (2,837) | (3) | (761) | (5) | (391) | (247) | (10) | (269) |
| Change in uncollected payments from Federal Sources | (18) | 3 | 158 | 113 | 24 | - | - | (6) | 2 | (17) |
| Obligated balance, net, end of period | | | | | | | | | | |
| Unpaid obligations (Note 28) | 198 | 496 | 9,649 | 50 | 106 | 268 | 3,940 | 109 | 125 | 523 |
| Uncollected customer payments from Federal Sources | (30) | (13) | (1,221) | (203) | (29) | - | - | (27) | (6) | (43) |
| Obligated balance, net, end of period | 168 | 483 | 8,428 | (153) | 77 | 268 | 3,940 | 82 | 119 | 480 |
| **Net Outlays:** | | | | | | | | | | |
| Gross outlays | 2,076 | 1,565 | 38,011 | 1,591 | 281 | 4,186 | 49,902 | 923 | 1,137 | 1,218 |
| Offsetting collections | (1,016) | (1,535) | (16,780) | (1,768) | (97) | (1,236) | (79) | (112) | (59) | (81) |
| Distributed offsetting receipts | (320) | - | - | (722) | - | - | - | (3) | (122) | (15) |
| Net Outlays | $ 740 | $ 30 | $ 21,231 | $ (899) | $ 184 | $ 2,950 | $ 49,823 | $ 808 | $ 956 | $ 1,122 |

| FY 2005 | 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:** | | | | | | | | | | | | |
| Unobligated balance, brought forward, October 1: (Note 24) | $ 7 | $ 1,738 | $ 313 | $ 342 | $ 148 | $ 2 | $ 5 | $ 3,751 | $ 1,814 | $ 207 | $ 18,756 | $ 6,325 |
| Recoveries of prior year unpaid obligations | 11 | 169 | 464 | 265 | 350 | 28 | 22 | 273 | 487 | 70 | 6,243 | 559 |
| Budget Authority: | | | | | | | | | | | | |
| Appropriation | 37 | 5,812 | 1,354 | 1,314 | 1,195 | 75 | 130 | 2,997 | - | 546 | 88,940 | - |
| Borrowing Authority (Notes 22 & 23) | - | - | - | - | - | - | - | - | 8,474 | - | 45,357 | 10,886 |
| Earned - | | | | | | | | | | | | |
| Collected | 36 | 448 | 1,637 | 67 | 30 | 1 | 23 | 4,737 | 5,273 | 535 | 27,460 | 8,576 |
| Change in receivables from Federal Sources | 1 | 13 | 45 | (1) | (7) | - | 2 | 19 | - | 74 | - | (113) |
| Change in unfilled customer orders - | | | | | | | | | | | | |
| Advances received | - | 3 | - | - | - | - | - | - | - | (1) | (1,383) | - |
| Without advance from Federal Sources | - | 72 | - | 4 | (7) | - | (3) | - | 5 | (54) | 15 | 2 |
| Expenditure transfers from trust funds | - | - | - | - | - | - | - | - | - | - | 899 | - |
| Nonexpenditure transfers, net, anticipated and actual | - | 53 | 1,813 | 6 | 5 | - | - | 1 | - | 1 | (907) | - |
| Permanently not available | (1) | (67) | (9) | (14) | (16) | (2) | (1) | (2,812) | (2,808) | (6) | (39,871) | (4,911) |
| Total Budgetary Resources | 91 | 8,241 | 5,617 | 1,983 | 1,698 | 104 | 178 | 8,966 | 13,245 | 1,372 | 145,509 | 21,324 |
| **Status of Budgetary Resources:** | | | | | | | | | | | | |
| Obligations Incurred (Note 21): | | | | | | | | | | | | |
| Direct | 47 | 5,546 | 5,011 | 1,478 | 1,511 | 101 | 150 | 3,948 | 11,262 | 607 | 82,879 | 14,496 |
| Reimbursable | 37 | 265 | 138 | 94 | 58 | 2 | 23 | 520 | - | 592 | 43,460 | - |
| Unobligated Balance: | | | | | | | | | | | | |
| Apportioned | 5 | 1,805 | 306 | 395 | 102 | - | 3 | 362 | 1,456 | 112 | 5,919 | 5,672 |
| Exempt from Apportionment | - | - | 4 | 11 | 14 | - | - | - | - | 3 | 1,262 | 5 |
| Unobligated balance not available | 2 | 625 | 158 | 5 | 13 | 1 | 2 | 4,136 | 527 | 58 | 11,989 | 1,151 |
| Total Status of Budgetary Resources | 91 | 8,241 | 5,617 | 1,983 | 1,698 | 104 | 178 | 8,966 | 13,245 | 1,372 | 145,509 | 21,324 |
| **Change in Obligated Balances:** | | | | | | | | | | | | |
| Obligated balance, net, brought forward October 1 (Note 24) | 9 | 1,493 | 1,437 | 477 | 1,192 | 29 | 15 | 6,527 | 16,928 | 82 | 21,010 | 17,136 |
| Obligations incurred net | 84 | 5,811 | 5,149 | 1,572 | 1,569 | 103 | 173 | 4,468 | 11,262 | 1,199 | 126,339 | 14,496 |
| Gross outlays | (74) | (5,489) | (2,728) | (1,338) | (1,157) | (76) | (152) | (4,681) | (9,826) | (1,107) | (114,536) | (12,982) |
| Unpaid obligations transferred | - | - | 216 | - | - | - | - | - | - | - | - | - |
| Recoveries of prior year unpaid | (11) | (169) | (464) | (265) | (350) | (28) | (22) | (273) | (487) | (70) | (6,243) | (559) |
| Change in uncollected payments from Federal Sources | (1) | (85) | (45) | (3) | 14 | - | 1 | (19) | (5) | (20) | (15) | 111 |
| Obligated balance, net, end of period | | | | | | | | | | | | |
| Unpaid obligations (Note 28) | 13 | 1,978 | 3,666 | 519 | 1,334 | 30 | 25 | 6,120 | 18,496 | 358 | 28,961 | 19,042 |
| Uncollected customer payments from Federal Sources | (6) | (418) | (100) | (77) | (66) | (2) | (9) | (97) | (624) | (275) | (2,406) | (840) |
| Obligated balance, net, end of period | 7 | 1,560 | 3,566 | 442 | 1,268 | 28 | 16 | 6,023 | 17,872 | 83 | 26,555 | 18,202 |
| **Net Outlays:** | | | | | | | | | | | | |
| Gross outlays | 74 | 5,489 | 2,728 | 1,338 | 1,157 | 76 | 152 | 4,681 | 9,826 | 1,107 | 114,536 | 12,982 |
| Offsetting collections | (36) | (451) | (1,637) | (67) | (30) | (1) | (23) | (4,737) | (5,273) | (534) | (26,976) | (8,576) |
| Distributed offsetting receipts | - | (429) | - | (15) | (3) | - | - | (538) | - | - | (1,445) | (722) |
| Net Outlays | $ 38 | $ 4,609 | $ 1,091 | $ 1,256 | $ 1,124 | $ 75 | $ 129 | $ (594) | $ 4,553 | $ 573 | $ 86,115 | $ 3,684 |