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Report to the Congress

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Department of Agriculture's Financial Statements for Fiscal Year 1988

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Comptroller General
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To the President of the Senate and the
Speaker of the House of Representatives

This report presents the results of our audit of the U.S. Department of Agriculture's (USDA) consolidated financial statements for the fiscal year ended September 30, 1988. We have issued separate reports on our audits of USDA's six major agencies: the Farmers Home Administration (FmHA), Commodity Credit Corporation (CCC), Rural Electrification Administration (REA), Forest Service (FS), Food and Nutrition Service (FNS) and the Federal Crop Insurance Corporation (FCIC). These reports provide detailed information and our recommendations regarding the financial statements, operations, and internal controls of these six agencies. A list of these reports is in appendix V. We have also audited USDA's other agencies for fiscal year 1988. Our opinion on USDA's consolidated statements also encompasses these other agencies. These agencies are described in detail in note 13.

USDA is one of the largest civilian agencies, and its consolidated financial statements are among the most complex and comprehensive ever assembled for a federal agency. The Department touches the life of nearly every American as it fulfills its various missions which include stabilizing markets, promoting exports, increasing farm productivity, raising producers' incomes, providing food assistance to the poor, aiding rural development, and preserving the family farm and the nation's forests. Through its major agencies, USDA administers programs that generate revenue, such as credit, insurance, and timber sales programs, and programs that are wholly financed through appropriations, such as food assistance.

The financial information and analysis in this report is primarily for fiscal year 1988, but many of the issues are applicable today. This is the first set of consolidated financial statements prepared for USDA; it will serve as a prototype for the preparation of future statements. The statements required a great deal of effort to develop and audit because USDA's accounting systems are not designed to support the development of financial statements in accordance with applicable accounting standards and do not contain the necessary controls to ensure accurate data and reports.

The information in this report reflects the kind of financial disclosures that we believe should be made in an annual report to the President and the Congress by the head of each executive agency and government corporation. In addition to an opinion on the financial statements, this report includes a discussion and analysis of the financial information in the statements and assessments of agency internal controls and compliance with laws and regulations. The Federal Managers' Financial Integrity Act (FMFIA) summary focuses on recently reported problems that have not been fully addressed. Such information provides accountability and can be useful for oversight and decision-making when assessing department programs and determining public policy. This type of analysis and reporting also would satisfy the reporting requirements in the Chief Financial Officers (CFO) Act of 1990 (Public Law 101-576).

Results in Brief

We found that, except for (1) assets and costs related to the Forest Service's timber program and (2) the valuation of USDA's fixed assets and acquired property, USDA's consolidated financial statements fairly present the results of the Department's 1988 operations, its cash flows and use of budgetary resources, and financial position as of September 30, 1988, in conformity with generally accepted accounting principles (GAAP). The Forest Service's values for the cost of timber harvested and timber assets were not developed in accordance with GAAP, and we could not determine the original cost of USDA's fixed assets, such as land, buildings, and roads, or the value of property acquired by FmHA through foreclosure or conveyance because the related records were either not available or not reliable.

USDA and GAO identified numerous internal control and accounting system deficiencies that impeded the Department's ability to develop financial statements promptly and that rendered much of the data it reports to the Office of Management and Budget (OMB) and the Department of the Treasury unreliable. In March 1991, USDA submitted its fiscal year 1990 financial statements to OMB. Although we have not audited the 1990 statements, we believe that USDA will continue to have difficulty in producing accurate and complete financial information until the problems we identified in this report are corrected. In addition, the significance of the internal control weaknesses identified by USDA and GAO calls into question the Department's fiscal year 1988 report to the President and the Congress on internal controls. In this report, which is required under the FMFIA of 1982 (31 U.S.C. 3512), the Secretary stated that the Department's internal control structure, except for 14 categories identified as having material weaknesses, provided reasonable assurance that control objectives were achieved. However, USDA's 1990

FMFIA report stated that its internal controls could not provide reasonable assurance that the act's control objectives were being met. USDA needs to place greater emphasis on its corrective actions. As discussed in appendix IV, the Department deferred corrective action from 2 months to almost 6 years on four high-risk areas.

Highlights of USDA's Operations

Notable facts regarding USDA's financial operations are discussed below. The material includes audited consolidated financial information for fiscal year 1988, except that, for FmHA, CCC, and FCIC, we have also used fiscal year 1989 data which were available as a result of our audits of those agencies.

- To cover its $87 billion net operating cost for fiscal year 1988, USDA recognized funding of about $71 billion—appropriations of $46 billion, sales of commodities and timber of $14 billion, interest revenue of $6 billion, transfers from other agencies of $4 billion, and an additional $1 billion from other sources.
- At the end of fiscal year 1988, USDA's accounts, interest, and loans receivable balance of $97 billion represented over 38 percent of the federal government's total reported receivables outstanding. This amount was net of allowances for losses of over $31 billion. In addition, USDA had guaranteed $13.5 billion of loans for which it had established a liability of $3.6 billion for losses that are likely to occur.
- USDA's liabilities amounted to $156 billion at the end of fiscal year 1988. Of this amount, $124 billion were Treasury borrowings, which were used, for the most part, to finance USDA's loan portfolios.
- The cost of food and nutrition programs, which directly benefit urban as well as rural areas, was $20.8 billion, or 24 percent of USDA's operating costs in fiscal year 1988.
- The present value of the future interest subsidy, or unamortized discount, on USDA's loan portfolio exceeds $18 billion as of September 30, 1989.
- A considerable portion of USDA's loan portfolio carries a great deal of risk.
  - FmHA, with loan portfolios of $58.2 billion and $54.5 billion as of September 30, 1988 and 1989, respectively, functions as a lender of last resort. For each year, FmHA estimated that about one-third of its loan balance was uncollectible. Emergency farm loans were especially risky. FmHA reserved 80 percent of its $11.8 billion emergency farm loan portfolio as uncollectible at September 30, 1988 and 82 percent of its $10 billion emergency farm loan portfolio at September 30, 1989.

- CCC established allowances for uncollectible foreign loans of $5 billion at September 30, 1988, and $6.3 billion as of September 30, 1989. CCC also established liabilities of $2 billion as of September 30, 1988, and $2.4 billion at September 30, 1989, associated with its guarantees on foreign loans.
- REA, with loan portfolios of $36 billion as of September 30, 1988, ($34 billion net of allowances) provides extensive credits to utilities, including nuclear power facilities which have experienced repayment difficulties.

A detailed discussion and analysis of USDA's financial operations is included as appendix I.

Internal Controls and Financial Management Systems Are Weak

USDA and GAO identified numerous internal control and accounting system deficiencies which diminish the reliability of USDA's financial reports and impede the Department's ability to promptly develop auditable financial statements.

USDA management is responsible for establishing and maintaining a system of internal administrative and accounting controls in accordance with both the Accounting and Auditing Act of 1950 and FMFIA. In addition, FMFIA requires agency managers to annually report to the President and the Congress on material internal control weaknesses and on instances where agency accounting systems do not conform to the Comptroller General's accounting principles, standards, and related requirements. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that (1) obligations and costs are in compliance with applicable law, (2) funds, property, and other assets are safeguarded against waste, loss, and unauthorized use or misappropriation, and (3) assets, liabilities, revenues, and expenditures applicable to agency operations are properly recorded and accounted for. These control objectives are the same as those prescribed for FMFIA reporting. However, USDA also has another objective, which is to ensure that programs are efficiently and effectively carried out in accordance with applicable laws and regulations.

USDA Reported a Broad Range of Weaknesses

The Secretary's fiscal year 1988 FMFIA report stated that the Department's internal controls met the requirement to provide reasonable assurance that the FMFIA internal control objectives were being achieved, except for the 14 categories identified as having material weaknesses. Further, the report identified 130 material internal control weaknesses.

Almost half of these weaknesses pertained to USDA's ability to properly account for and report its financial operations or to ensure that general controls at its data centers were adequate. Deficiencies in general controls, for example, included inadequate physical security, the potential for improper access to certain systems and data, and the lack of disaster recovery plans. Such weaknesses could affect the reliability of all data processed at these centers.

The Secretary also reported that, overall, USDA's financial management systems did not conform to the accounting requirements prescribed by the Comptroller General. The report identified 18 specific instances of material nonconformance, 6 of which involved USDA's inability to report financial information in accordance with GAO or OMB requirements. Most of the others related to internal control deficiencies, such as the Department's failure to reconcile related account balances. A summary of the Department's FMFIA reports is included as appendix IV.

GAO Audits Identified Additional Weaknesses

In addition, we identified other internal control weaknesses that were not included in USDA's FMFIA report. These also affected a broad range of areas. The significance of identified weaknesses called into question the Department's 1988 FMFIA report conclusion that, except for the 14 categories identified as having material weaknesses, USDA's internal controls were adequate. USDA acknowledged in its 1990 FMFIA report that it could not provide assurance that its controls complied with FMFIA.

As a result of control and accounting deficiencies, adjustments exceeding $35 billion were necessary to bring fiscal year 1988 financial information relating to assets, such as loans and accounts receivable, liabilities, revenues, and expenses into conformance with generally accepted accounting principles. Further, we found that, because internal controls over financial reporting failed to produce reliable information, several USDA agencies' 1988 reports to the central management agencies, OMB, Treasury, and the General Services Administration, were inaccurate. If these central management agencies are to make sound decisions regarding federal government operations, it is essential that they receive accurate reports from the other federal agencies.

We agree with the Secretary's assertion, in the Department's 1988 FMFIA report, that USDA's financial systems did not conform to applicable accounting principles, based on the magnitude of the instances of nonconformance that USDA reported and on the additional instances of nonconformance that we identified during our audit.

Examples of specific internal control weaknesses and instances of non-conformance that were not reported in USDA's 1988 FMFIA report are listed below. Related GAO reports are identified in parentheses.

- The Farmers Home Administration's loan classification system, which provides some of the information used in determining an allowance for loan losses on its $25 billion farm loan portfolio, contained inaccurate data because controls over data input were inadequate. Our review of a statistical sample of 500 FmHA farm loan classifications and supporting documentation showed that loss estimates were inaccurate in 212 of the 500 cases. (See GAO/AFMD-90-37, January 25, 1990.)
- The Forest Service could not produce reliable and prompt financial reports because its accounting and financial reporting systems were not integrated, the financial information from its disparate systems was not reconciled with the general ledger, and control procedures failed to ensure that data contained in the systems were accurate. Audit adjustments exceeding $10 billion were needed to correct the Service's fiscal year 1988 statements. (See GAO/AFMD-91-18, March 18, 1991.)
- The Farmers Home Administration did not have an appropriate methodology for determining holding and disposition costs of property held for sale. (See GAO/AFMD-90-37, January 25, 1990.)
- An audit adjustment of about $850 million was necessary to properly value REA's loans as of September 30, 1988, because the Administration had not updated its methodology for estimating loan losses.
- FNS, whose food stamp program cost USDA $13.1 billion in fiscal year 1988, did not adequately monitor some states' control over the food stamps to prevent loss, theft, or misappropriation. (See GAO/AFMD-91-3, December 21, 1990.)

Two additional weaknesses involved operation of the Federal Crop Insurance Corporation and the Commodity Credit Corporation, entities that, at the time, USDA was not required to report on under FMFIA.

- The Federal Crop Insurance Corporation exercised inadequate oversight over reinsured companies' loss adjustment activities. (See GAO/AFMD-90-43, April 18, 1990.)
- The Commodity Credit Corporation did not promptly review and correct $418 million in accounting discrepancies resulting from a 1987 conversion to a new accounting system. (See GAO/AFMD-89-33, March 10, 1989.)

Compliance With Laws and Regulations

As part of our audit, we assessed compliance with terms and provisions of certain laws and regulations[1] and identified instances of noncompliance in two agencies--the Forest Service and the Commodity Credit Corporation. The Forest Service reported two violations of the Anti-Deficiency Act. During 1988, obligations exceeded budget authority by $4.3 million in the National Forest System appropriation and by $0.6 million in the Job Corps appropriation. We believe that the Commodity Credit Corporation did not follow statutory requirements regarding $21.1 billion in appropriations received in fiscal year 1988. The Corporation used its entire appropriation to reduce its Treasury debt, rather than for the 17 line items specified in its 1988 appropriations act, and did not perform the required fiscal year-end close-out procedures. About $2.9 billion of the Corporation's 1988 appropriations expired as unobligated at the end of fiscal year 1988. The Corporation's financial statements have been adjusted to reflect these expired appropriations. Our tests did not reveal any additional material instances of noncompliance with laws and regulations by any of the agencies we audited. Furthermore, with respect to the items not tested, nothing came to our attention that caused us to believe that any of the agencies had not complied, in all material respects, with applicable legal provisions.

Compliance With CFO Legislation Will Require System Improvements

The CFO Act of 1990 represents the most comprehensive financial management reform package in 40 years. Besides establishing a chief financial officer for each executive department and major executive agency, the act provides for improvements in accounting systems, internal controls, and financial management to ensure the issuance of reliable financial information. One of its major requirements is the annual preparation and audit of financial statements, which are to be submitted to OMB. Under the act, USDA is one of the first agencies required to begin submitting agencywide statements as part of a pilot project that will involve 10 federal agencies and extend through 1993. Under the act, USDA's fiscal year 1990 financial statements were to be submitted to OMB by March 31, 1991[2], and an auditor's report is to be provided to the

[1]In another report, we reviewed federal agencies' compliance with OMB's Nine-Point Program (See Credit Management: Deteriorating Credit Picture Emphasizes Importance of OMB's Nine-Point Program (GAO/AFMD-90-12, April 16, 1990).

[2]USDA submitted its fiscal year 1990 financial statements to OMB on March 29, 1991.

Secretary by June 30, 1991.[3] USDA's fiscal year 1991 and 1992 statements are to be submitted and audited by March 31, and June 30, respectively, in subsequent years.

Based on our work with the Department in preparing its 1988 statements and in auditing those statements, we believe that the Department and its auditors will have an extraordinary challenge in developing and auditing fiscal year 1990, 1991, and 1992 statements to meet the applicable deadlines. USDA's accounting systems are not designed to support the development of financial statements in accordance with applicable accounting standards. As discussed in the previous section on internal controls and system nonconformances, USDA's accounting systems do not contain the necessary internal controls to ensure accurate financial data and reports. As a result of system deficiencies, some agency statements had to be manually developed based on information extracted from numerous disparate systems, and officials sometimes had to rely on estimates because needed data were not readily available. As a result of internal control weaknesses, auditors had to spend more time testing data accuracy than they would have if adequate controls had been in operation. In some cases, the development and verification of needed data were impractical. Such data deficiencies caused us to qualify our opinion on USDA's fiscal year 1988 statements, despite over a year of work with USDA officials and extensive testing.

Scope and Methodology

Our analyses in appendix I were based primarily on accounting data included in USDA's audited consolidated financial statements for fiscal year 1988, except that, for FmHA, CCC, and FCIC, we have used fiscal year 1989 data which were available as a result of our recent audits of those agencies. Also, certain analyses required the use of other statistical and financial data from USDA's various budget and program reports. These other data were taken from unaudited sources and were not subjected to independent verification.

Also, as required by generally accepted government auditing standards and as part of our audit, we obtained an understanding of and assessed USDA's internal control structure to the extent we considered necessary in planning and performing our audit. This included consideration of the weaknesses reported in USDA's FMFIA report.

[3]The Department has asked OMB to use its authority under the CFO Act to waive the requirement that the 1990 statements be audited.

Our nine reports on USDA's major agencies provide more detailed discussions of our audit methodology.

Our discussion and analysis of USDA's financial operations and our opinion on USDA's financial statements are contained in appendixes I and II, respectively. Appendix III contains USDA's financial statements, appendix IV contains a summary of USDA's FMFIA reports, and appendix V contains a list of our recent financial audit reports on USDA's six major agencies.

Agency Comments

We discussed the contents of our report with USDA officials, and their comments have been incorporated where appropriate. They agreed with the contents of our report.

We are sending copies of this report to the Director of the Office of Management and Budget, the Secretary of the Treasury, and interested congressional committees.

Charles A. Bowsher

Charles A. Bowsher
Comptroller General
of the United States

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Abbreviations

ADP	automated data processing
AIMS	Administrative Integrated Management System
CCC	Commodity Credit Corporation
CFO	Chief Financial Officer
DFIS	Departmentwide Financial Information System
FARS	Financial Accounting and Reporting System
FCIC	Federal Crop Insurance Corporation
FFB	Federal Financing Bank
FMFIA	Federal Managers' Financial Integrity Act
FmHA	Farmers Home Administration
FNS	Food and Nutrition Service
FS	Forest Service
GAAP	generally accepted accounting principles
GAO	General Accounting Office
OIG	Office of Inspector General
OMB	Office of Management and Budget
REA	Rural Electrification Administration
RTB	Rural Telephone Bank
TSPIRS	Timber Sale Program Information Reporting System
USDA	United States Department of Agriculture

Discussion and Analysis of USDA's Operations

The discussion and analysis which follows is presented to help interpret USDA's financial statements for fiscal year 1988. It is also intended to highlight relevant information for users of the financial statements who may not be familiar with USDA's financial affairs. A narrative such as this should normally be prepared by agency managers, who would take responsibility for its form and content. This initial discussion and analysis should be expanded and improved upon in future years as agency managers identify the reasons why changes occur.

In this section, we are providing key financial data related to USDA's consolidated financial statements. We are also providing a narrative describing the results of our analyses of financial data applicable to each of USDA's major programs. Our analysis focuses on the (1) overall cost of USDA's operations, (2) operating costs of each major program, and (3) financing sources and the effect of these factors on USDA's financial position. We also discuss other important aspects of USDA's financial operations, such as its credit programs and debt collection efforts. For some programs, relevant trends are presented, to the extent data are available, and key performance measures are displayed. In addition, we have included information to alert the Congress to certain potential problems of USDA's programs, such as the need for significant future funding or the uncertain financial stability of a program.

Although such analyses can provide insights for program managers and the Congress, it is important to remember that the cost of USDA's programs is in large part a barometer of the agricultural sector in general. Because the agricultural economy is cyclical in nature, and is affected by past patterns of agricultural production, weather, and market demands, the trends in this report cannot be used to project the cost of future operations. However, the trends show the effects of how severe droughts, or other natural disasters, affect USDA's operations.

Our analyses are based primarily on accounting data included in USDA's audited consolidated financial statements for fiscal year 1988, except that, in the case of FmHA, CCC, and FCIC, we have used fiscal year 1989 data which were available as a result of our recent audits of those agencies. Also, certain analyses required the use of other statistical and financial data from USDA's various budget and program reports.

Except for the basic accounting data which were taken from USDA's audited financial statements, the statistical and financial data used in our analyses were taken from unaudited sources and were not subjected to independent verification. Thus, we are not expressing any views on the accuracy of the statistical and financial data used in our analyses.

Table I.1 shows the financial audit history of USDA agencies for fiscal years 1985 through 1989. USDA prepared and presented audited financial statements for all of its agencies for only 1 year—fiscal year 1988. Only the corporations, CCC and FCIC, had prepared financial statements for external reporting purposes every year. While reports to Treasury were prepared for each appropriation account, financial statements for most USDA agencies were not audited by an independent auditor.

Table I.1: Financial Audit History of USDA Agencies Since 1985

	Fiscal years				
Agency	**1985**	**1986**	**1987**	**1988**	**1989**
FmHA			audited[a]	audited	audited
CCC[b]	audited	audited	audited	audited	audited
REA			audited[a]	audited	audited
FS				audited	
FNS			audited[a]	audited	
FCIC[b]	audited	audited	audited	audited	audited
All other				audited	

[a]This was a first-year audit and an opinion was expressed only on the statement of financial position.

[b]Prior to the CFO Act, the Government Corporation Control Act required CCC and FCIC to have their financial transactions audited by GAO at least once every 3 years. These Corporations are now subject to annual auditing and reporting requirements.

Note: USDA's Office of Inspector General (OIG) is either auditing or contracting for the audits of FmHA, CCC, REA, and FCIC for 1990. The OIG is planning to audit or contract for the audits of all agencies for 1991.

Highlights of USDA's Financial Operations

USDA administers a number of business-type programs which generate revenues to offset or finance certain program costs. For example, it carries out credit activities through FmHA, CCC, and REA; it carries out insurance activities through FCIC; and it sells timber through the Forest Service. Other program costs such as food assistance programs administered by FNS are wholly funded through appropriations.

To cover its $87 billion net operating cost, USDA recognized funding of about $71 billion—appropriations of $46 billion, sales of commodities and timber of $14 billion, interest earned of $6 billion, transfers of $4 billion from other agencies, and other revenue of $1 billion.

USDA's net operating cost for fiscal year 1988 by agency is shown in table I.2.

Table I.2: USDA's Operating Costs by Agency for Fiscal Year 1988

Dollars in billions

Agency	Costs	Percent of total
Farmers Home Administration	$18.5	21
Commodity Credit Corporation	35.5	41
Rural Electrification Administration	3.1	4
Forest Service	2.5	3
Food and Nutrition Service	20.8	24
Federal Crop Insurance Corporation	1.3	1
All other agencies	6.2	7
Interagency eliminations	(.7)	(1)
Total	**$87.2**	**100**

At the end of fiscal year 1988, USDA's net assets totaled $141 billion. Sixty-nine percent, or $97 billion, of this amount was in loans, accounts, and interest receivable. Allowances for losses on these receivables totaled over $31 billion. These receivables constitute over 38 percent of the federal government's receivables outstanding.

A considerable portion of USDA's loan portfolio carries a great deal of risk, as indicated by the following examples.

- FmHA, with loan portfolios of $58.2 billion and $54.5 billion as of September 30, 1988 and 1989, respectively, functions as a lender of last resort. Each year, FmHA estimated that about a third of its loan balance was uncollectible. Emergency farm loans were especially risky. FmHA reserved 80 percent of its $11.8 billion emergency farm loan portfolio as uncollectible at the end of fiscal year 1988 and 82 percent of its $10 billion 1989 portfolio.
- For fiscal year 1988, CCC has established an allowance for uncollectible accounts of $5 billion for its $15.5 billion foreign loan portfolio. For 1989, it established an allowance of $6.3 billion for its 1989 foreign loan portfolio of $16.4 billion. Also in 1989, CCC established a $2.4 billion liability associated with its guarantees on $8.4 billion in foreign loans. Comparable amounts for 1988 were a $2 billion liability associated with its $6 billion in guarantees.
- REA, with loan portfolios of $36 billion as of September 30, 1988, provides extensive credits to utilities, including nuclear power facilities which have experienced repayment difficulties.
- For fiscal year 1988, USDA has guaranteed $13.5 billion of domestic and foreign loans for which it has established a liability of $3.6 billion for losses that are likely to occur.

- USDA reported a cumulative deficit of $44 billion as of September 30, 1988, which resulted primarily from credit and insurance losses.

In addition, USDA makes loans at interest rates below the rates it must pay on funds borrowed from the Treasury and provides interest credits to borrowers, giving rise to interest subsidies. The subsidies are one of the methods USDA uses to carry out its mission to support farm income, boost farm production and exports, and promote rural development. The subsidies are financed through annual appropriations over the life of the loans. Currently, USDA does not recognize the present value of the future interest subsidy for these loans and its accounting systems are unable to calculate loan discounts or to automatically compute related entries needed to account for the cost subsidy over the life of the loans. A loan-by-loan analysis would be required for such a determination. Using aggregate numbers, however, we estimate that the present value of the future interest subsidy, or unamortized discount, on USDA's loan portfolio exceeds $18 billion as of September 30, 1989.

The effect of reflecting the full amount of the interest subsidy in the financial statements would be to reduce USDA's loans' receivable account because future loan repayments received will be offset by future interest subsidies. Since the loans receivable account would be reduced, the allowance for losses would also be reduced.

The Federal Credit Reform Act of 1990, 2 U.S.C. 661-661f, is intended to more accurately measure the costs of federal credit programs and to place these programs on an equivalent budgetary basis with other federal spending. For credit granted in 1992 and beyond, the act requires that budget authority be available,[1] and outlays be recorded, for the expected costs (including subsidies) of all loans and loan guarantees when they are made. The budget is to reflect the combined effect of the loan disbursements, repayments, interest subsidies (including some which USDA currently treats as entitlements), and defaults for most of USDA's credit programs. USDA is required to develop the budget and accounting systems capability to comply with this legislation. The President's fiscal year 1992 budget request presents the estimated subsidy, budget authority, and subsidy outlays for both loans and loan guarantees.

[1] Loans and loan guarantees made under credit programs of CCC existing on November 5, 1990, are exempt from this requirement.

USDA's net investment, in fixed assets and timber and related facilities, was $9.9 billion. However, because USDA's land and much of its timber were acquired from the public domain at little or no cost, the value of these assets is far greater than historic cost indicates.

USDA's assets are presented by agency and by type of asset in tables I.3 and I.4, respectively.

Table I.3: USDA's Assets by Agency as of September 30, 1988

Dollars in billions

Agency	Amount	Percent of total
Farmers Home Administration	$45.0	32
Commodity Credit Corporation	40.6	29
Rural Electrification Administration	34.8	25
Forest Service	11.3	8
Food and Nutrition Service	2.2	2
Federal Crop Insurance Corporation	1.7	1
All other agencies	5.0	3
Total	**$140.6**	**100**

Table I.4: USDA's Assets by Type as of September 30, 1988

Dollars in billions

Asset	Amount	Percent of total
Funds with the U.S. Treasury	$10.9	8
Accounts receivable, net	2.3	2
Interest receivable, net	1.9	1
Loans receivable, net	92.7	66
Future appropriations[a]	16.4	11
Timber and related facilities	7.6	5
Property, plant and equipment, net	2.2	2
All other assets	6.6	5
Total	**$140.6**	**100**

[a]This item represents amounts which, under existing legislation, will have to be provided to USDA to cover certain program and operating costs. These amounts have been recognized for financial reporting purposes but have not yet been appropriated. These costs arise primarily from the operations of CCC's price support, inventory, and producer payment programs.

In the remaining discussion and analysis, the programs of each of USDA's six major agencies are discussed in more detail. Additional information on these agencies is provided in the reports listed in appendix V.

Farmers Home Administration

FmHA is a lender of last resort that provides loans and guarantees to those in rural America who are unable to obtain credit from other sources at reasonable rates and terms. When the agency began in 1935, its function was to make loans and grants to depression-stricken families to help them regain self-sufficiency on family farms. More recently, the Congress has created additional programs to benefit families and communities in rural areas. FmHA held 7 percent of the outstanding U.S. farm debt in 1978. This amount increased to 15.6 percent by September 30, 1989. The size of its programs depends on the health of the agricultural economy, expanding when the economy is depressed and decreasing when the economy improves.

FmHA's programs are administered in all 50 states and the U.S. territories through 46 state offices, 264 district offices, and 1,904 county offices, plus the national office in Washington, D.C., and the finance center in St. Louis. Loans and guarantees are financed through borrowings from the Treasury and the Federal Financing Bank (FFB); from interest received and repayments of loans; and from appropriations for reimbursement of interest subsidies, program administration, and loan losses.

FmHA's Losses Continued in Fiscal Years 1988 and 1989

FmHA operates at a loss. The majority of losses come from two sources. First, as a result of its mission as a lender of last resort, it incurs risks that commercial lenders refuse, and it incurs losses when borrowers do not repay their loans. Second, FmHA lends money to farmers and rural residents and enterprises at a lower rate than its cost of funds from the Treasury, in effect subsidizing their interest payments. Consequently, even if all FmHA borrowers repaid their loans promptly, FmHA would still lose money because of the below-market interest rates it charges. For example, in fiscal years 1988 and 1989 FmHA interest expenses exceeded its interest income by about $6.4 billion and $5.8 billion, respectively, primarily due to this interest subsidy.

As shown in table I.5, FmHA's fiscal year 1989 operations suffered a net loss of $6.9 billion, a decrease from its fiscal year 1988 net loss of $13.8 billion.

Table I.5: FmHA's Net Loss on Operations for Fiscal Years 1987 Through 1989

Dollars in billions

	Fiscal year		
Operating component	**1987**	**1988**	**1989**
Net interest expense	$6.3	$6.4	$5.8
Provision for credit losses	13.7	6.0	0.3
Loan asset sales losses	1.9	1.1	0.1
Net administrative costs	0.2	0.3	0.7
Total net loss on operations	**$22.1**	**$13.8**	**$6.9**

Note:Because 1987 was the first fiscal year that FmHA's financial statements were audited, the provision for loan losses included a substantial adjustment for prior years. Hence, the 1987 reported losses are not representative.

About half the loss in 1988 was due to the net interest expense. The loss was lower in 1989, due mainly to a $5.7 billion lower provision for losses and fewer losses on loan sales. Most of the fiscal year 1989 loss is also attributable to the net interest expense.

Furthermore, paying interest on the $18.6 billion of FmHA's $75.6 billion debt to Treasury for which reimbursements from appropriations have not yet been received increased FmHA's reported interest cost by about 31 percent, or $1.8 billion. Interest will be paid on the $18.6 billion until FmHA receives appropriations to reimburse it for the losses. Appropriations for losses are typically received 2 years after the year in which the loss was incurred.

FmHA's Loan Portfolio Is Declining

As table I.6 shows, FmHA's loan portfolio declined by about 10 percent from fiscal year 1987 through fiscal year 1989. The decline was primarily due to write-offs, loan asset sales, and a shift from direct FmHA loans to guarantees. In fiscal year 1988, FmHA wrote off $1.8 billion in loans. In fiscal year 1989, FmHA wrote off $2.8 billion in loans, $1.3 billion of which were attributable to the loan restructuring permitted by the Agricultural Credit Act of 1987. FmHA's allowance for loan losses declined from $18.5 billion in fiscal year 1988 to $15.3 billion in fiscal year 1989.

Table I.6: FmHA's Loan Portfolio for Fiscal Years 1987 Through 1989

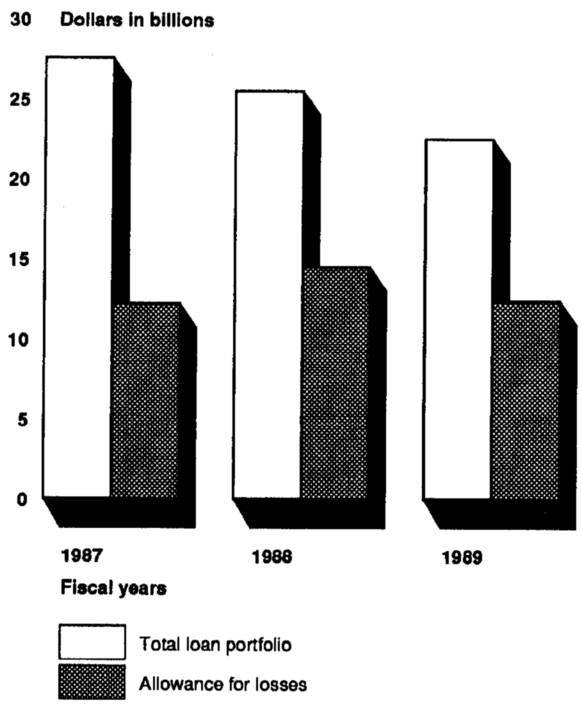
Dollars in billions

	Fiscal year		
Loan type	**1987**	**1988**	**1989**
Farm			
Emergency	$13.1	$11.8	$10.1
Ownership	7.5	7.3	7.0
Operations	6.3	5.7	4.9
Other	0.6	0.7	0.5
Subtotal farm loans	**27.5**	**25.5**	**22.5**
Nonfarm			
Rural housing	26.4	27.0	27.8
Rural development	7.0	5.7	4.2
Subtotal nonfarm loans	**33.4**	**32.7**	**32.0**
Total	**$60.9**	**$58.2**	**$54.5**

Farm Loans Have Declined

As figure I.1 shows, farm loans amounted to $25.5 billion as of September 30, 1988, and $22.5 billion (41 percent of FmHA's total loan portfolio) as of September 30, 1989, down from $27.5 billion (45 percent of the portfolio) in fiscal year 1987. The decline was primarily due to write-offs of uncollectible loans, loan restructuring, and a shift from direct FmHA loans to guarantees. As of September 30, 1989, farm loan losses constituted about 81 percent of FmHA's total allowance for loan losses.

Figure I.1: Farm Loans and Allowance for Losses for Fiscal Years 1987 Through 1989



As of September 30, 1989, emergency loans constituted about 45 percent of FmHA's total farm loan portfolio and represent a high risk of default. FmHA has reserved 82 percent of the $10 billion of emergency loans outstanding as of September 30, 1989, as uncollectible. Emergency loans are riskier than other FmHA farm loans because they are (1) made to help farmers recover from losses rather than to generate new income and (2) typically not backed by sufficient collateral. In another report,[2] we discussed the evolution of the emergency loan program, why its delinquency rate was so high, what alternatives were available to reduce uncollectible debt, and what changes were needed to make the program function more effectively.

New emergency loans have been significantly reduced in the past 4 years as a result of congressional and FmHA actions which limited both the number of farmers who qualify for emergency loan assistance and the size of the loans provided. From fiscal years 1986 through 1989,

[2]Farmers Home Administration: Problems and Issues Facing the Emergency Loan Program (GAO/RCED-88-4, November 30, 1987).

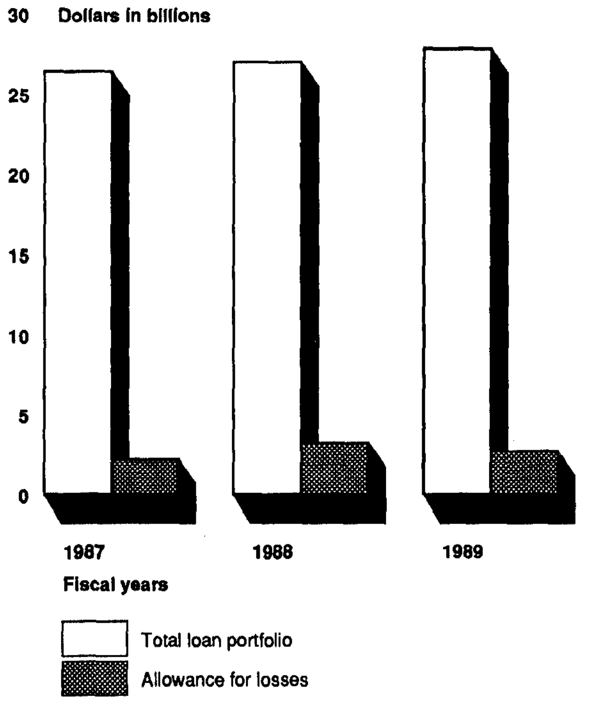
only $435 million in new emergency loans was added to the FmHA loan portfolio.

Nonfarm Loans Constitute Over Half of the FmHA Portfolio

Rural housing and rural development loans totaled about $32.7 billion in fiscal year 1988 and $32 billion in fiscal year 1989 and accounted for about 56 and 59 percent, respectively, of the total FmHA loan portfolio. During fiscal years 1987 through 1989, the Agricultural Credit Act of 1987, the Omnibus Budget Reconciliation Act of 1986, and the Continuing Appropriations Act of 1987 required FmHA to sell loan assets. Loan asset sales totaled about $8.4 billion during that period.

Rural housing loans grew from $26.4 billion in fiscal year 1987 to $27.8 billion in fiscal year 1989, even though $3 billion in housing loans were sold in fiscal year 1987. The allowance for housing loan losses has remained between 8 and 12 percent of the portfolio during the 3 years.

Figure I.2: Rural Housing Loans and Allowance for Losses for Fiscal Years 1987 Through 1989



The largest component of the rural housing loan portfolio is the single-family housing program, which has remained at approximately $19 billion since fiscal year 1987. These loans are provided to low-income rural residents who cannot obtain credit elsewhere to repair or purchase affordable housing. They are generally repayable over 33 years at an interest rate which could be as low as 1 percent annually; however, the average interest rate of the rural housing portfolio as of September 30, 1989, was 5.73 percent.

The remaining rural housing loan portfolio consists primarily of the multifamily housing program, which amounted to $8.9 billion in outstanding loans as of September 30, 1989, and accounted for the overall modest growth in the rural housing portfolio since fiscal year 1987. These loans finance rental units, cooperative housing, or related facilities for low-income and elderly people in rural communities of under 10,000 in population. They are repayable over 50 years and had an average annual interest rate of 2.15 percent as of September 30, 1989.

Interest Subsidy

FmHA makes loans at interest rates below Treasury market rates and provides interest credits to single-family home borrowers, thus giving rise to interest subsidies. The subsidies are provided for through annual appropriations over the life of the loans. Currently, FmHA does not recognize the present value of the future interest subsidy for these loans, and its accounting system is unable to calculate loan discounts or to automatically compute related entries needed to account for the cost subsidy over the life of the loans. A loan-by-loan analysis would be required for such a determination. Consequently, the analyses included in this appendix do not show the effect of the interest subsidy.

Using aggregate numbers, however, we estimate that the present value of the future interest subsidy, or unamortized discount, on FmHA's loan portfolio amounted to about $14.2 billion as of September 30, 1989. FmHA disclosed about $8.7 billion of the interest subsidy in its notes to the financial statements. This amount is the interest differential between the below-cost interest rates granted to FmHA borrowers and the average Treasury market rate of interest at the time the loans are made, an estimate of FmHA's net cost of borrowing funds over the life of the loans. The remaining $5.5 billion interest subsidy represents the estimated present value of interest credits provided annually to low-income, single-family home borrowers over the life of the mortgage. The annual interest credit on those mortgages (about $0.8 billion in 1989) is considered an entitlement and, in accordance with Title 2, is reported as an annual expense in the financial statements.

The effect of disclosing the full amount of the interest subsidy in the financial statements would be to reduce FmHA's loan portfolio and allowance for losses accounts, as shown in table I.7.

Table I.7: Disclosure of Full Interest Subsidy in FmHA's Fiscal Year 1989 Financial Statements

Dollars in billions

	Loans receivable	Less allowance for losses	Net loans receivable
FmHA portfolio	$54.5	$15.3	$39.2
Less interest subsidy	14.2	6.1	8.1
Portfolio net of subsidy	**$40.3**	**$9.2**	**$31.1**

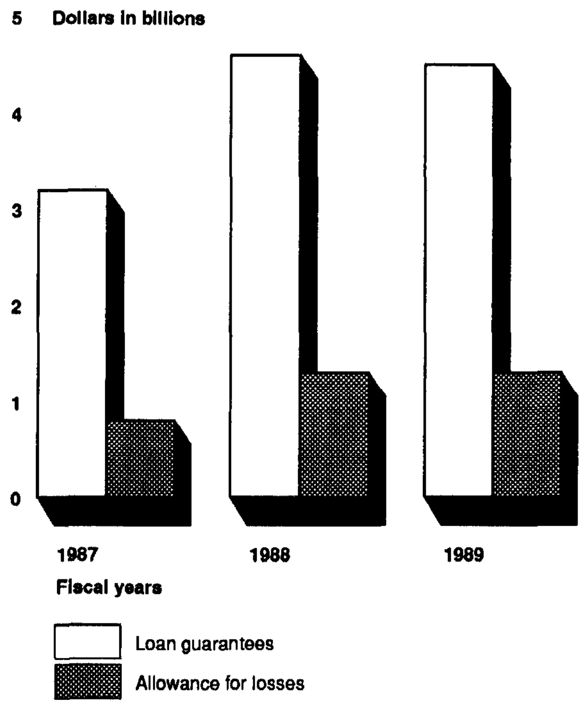
As discussed earlier, the Federal Credit Reform Act of 1990 is intended to more accurately measure the costs of federal credit programs and to place these programs on an equivalent budgetary basis with other federal spending.

FmHA Loan Guarantees Are Growing

FmHA is contingently liable, as of September 30, 1989, for $4.5 billion of loan guarantees, up 40 percent since September 30, 1987. Under the business and industry program legislated in 1972, commercial loans to individuals and corporations are guaranteed up to 90 percent of the total loan. These loans are used to finance development of, improvements in, and employment in rural communities with populations of less than 50,000. FmHA began emphasizing guaranteed farm loans in fiscal year 1984 to help retain lending in the private sector, reduce budget outlays, and better service a deteriorating direct loan portfolio. Based on its experience with defaults and losses, FmHA reserved $1.3 billion for losses on loan guarantees as of September 30, 1989.

Farm loan guarantees constituted 82 percent of total FmHA guarantees as of September 30, 1989, up from 65 percent as of September 30, 1987. Business and industrial loan guarantees accounted for the remaining 18 percent of the total guarantees as of September 30, 1989, down from 34 percent in 1987.

Figure I.3: FmHA Loan Guarantees and Allowance for Losses for Fiscal Years 1987 Through 1989



Commodity Credit Corporation

The Commodity Credit Corporation was created in 1933 to stabilize, support, and protect farm income and prices, to maintain balanced and adequate supplies of agricultural commodities, and to assist in the orderly distribution of these commodities.

CCC's principal operations include (1) price support programs for agricultural commodities, such as commodity loans, purchases, and payments, (2) storage, handling, and disposition of acquired commodities, and (3) export programs to develop foreign markets for U.S. agricultural commodities. Special activities include conservation programs and financing export sales under Public Law 83-480.

Domestic programs are administered by USDA's Agricultural Stabilization and Conservation Service through a system of 50 state and approximately 2,800 county offices whose services are reimbursed by CCC. Export programs are administered by the Foreign Agricultural Service.

CCC finances its programs through (1) borrowing authority from Treasury up to $30 billion, (2) appropriations, (3) advances for costs of foreign assistance programs and special activities, (4) receipts from operations, primarily commodity sales, and (5) $100 million in capital stock.

Net Operating Costs Have Declined

As shown in table I.8, between 1984 and 1989, CCC's net cost of operations peaked in 1987 at $25 billion, after rising steadily since 1984, reflecting the severe economic conditions in the U.S. farm economy. CCC's 1989 net cost of operations showed a decline of almost one-half from 1988.

Table I.8: Net Cost of Operations

Dollars in billions

	Fiscal year					
	1984	1985	1986	1987	1988	1989
Program expense	$4.6	$7.3	$14.0	$16.7	$12.1	$6.2
Inventory operations	2.8	3.4	4.5	5.4	5.4	1.8
Other costs and FCIC transfers	1.2	2.2	2.0	2.9	6.0	4.0
Total	**$8.6**	**$12.9**	**$20.5**	**$25.0**	**$23.5**	**$12.0**

This decline was primarily due to overall reduced levels of price support payments to producers ($5.9 billion), of which $3.6 billion was attributable to lower disaster payments and lower net costs on commodities sold, donated, stored, and handled.

Price Support Program Is Largest Cost

Price support payments to producers constitute over one half of CCC's net cost of operations. Price support payments are designed to (1) provide producers with a certain return on specified commodities despite market price fluctuations and (2) stabilize the market for agricultural commodities. The amounts and types of payments differ each year, as shown in table I.9, but deficiency payments represented about 75 percent of total program expense over the 6-year period and made up nearly all payments in 1989.

Table I.9: Components of Program Expense

Dollars in billions

	Fiscal year					
	1984	**1985**	**1986**	**1987**	**1988**	**1989**
Deficiency	$3.7	$5.8	$12.1	$12.2	$5.5	$6.5
Diversion	0.6	0.9	0.4	1.6	0.7	0.0
Disaster	0.0	0.0	0.0	0.6	5.6	(0.5)[a]
Conservation	0.0	0.0	0.1	1.3	0.0	0.0
Other	0.3	0.6	1.4	1.0	0.3	0.2
Total	**$4.6**	**$7.3**	**$14.0**	**$16.7**	**$12.1**	**$6.2**

[a]CCC was reimbursed for overpayments made in prior years.

Commodity Loans Have Declined

CCC provides loans on certain commodities at announced or guaranteed levels. The loans give producers the opportunity to obtain operating cash and remove their crops from market for potential later sale. The crops provide collateral and are forfeited to CCC if the loans are not repaid. These forfeited or purchased commodities become inventory of CCC and are used in conducting CCC operations, donated, or sold at prices which include the acquisition cost plus the processing and packaging expense.

Commodity loans receivable decreased about 41 percent from $8.3 billion as of September 30, 1988, to $4.9 billion as of September 30, 1989. As shown in table I.10, CCC's outstanding commodity loans at the end of 1989 were the lowest of the 6-year period.

Table I.10: Commodity Loan Transactions

Dollars in billions

	Fiscal year					
	1984	**1985**	**1986**	**1987**	**1988**	**1989**
Outstanding at beginning of year	$14.1	$7.9	$12.2	$16.7	$13.8	$8.3
New loans	5.1	10.1	17.4	16.6	13.3	7.1
Loans repaid	(10.3)	(4.2)	(5.5)	(13.8)	(17.9)	(9.4)
Loans forfeited	(1.0)	(1.6)	(7.4)	(5.7)	(0.9)	(1.1)
Outstanding at end of year	**$7.9**	**$12.2**	**$16.7**	**$13.8**	**$8.3**	**$4.9**

The decline in outstanding loans since 1986 is due, in part, to reduced loan rates on crop collateral. For example, the national loan rate for corn was $2.55 per bushel in 1986 but only $1.77 in 1989. The low forfeitures in 1988 and 1989 reflect the increased prices for commodities in the open market as well as lower loan settlement rates.

Foreign Loans and Guarantees Have Been a High Risk

CCC has experienced high risk in its loans and guarantees to foreign countries. As of September 30, 1989, loan and interest receivable from foreign governments amounted to $17.3 billion. For 1989, CCC established an allowance of $7 billion for the uncollectible portion of loans and interest due from countries experiencing financial difficulties. This reduced the net amount of loans and accrued interest receivable to $10.3 billion.

Also, as of September 30, 1989, CCC was contingently liable for $9 billion in connection with export credit guarantees issued for sales to foreign countries. CCC recognized a $2.6 billion liability for losses on such guaranteed loans and interest, based on its default and loss experience.

As shown in table I.11, the amount of outstanding loans to foreign countries has increased steadily each year since 1984, and the amount of guarantees outstanding has increased since 1986.

Table I.11: Foreign Loans and Guarantees Outstanding

Dollars in billions

	Fiscal year					
	1984	1985	1986	1987	1988	1989
Foreign loans	$11.7	$12.6	$13.7	$14.9	$15.5	$16.4
Foreign loan guarantees	6.3	5.7	4.4	4.5	6.0	8.4

Note:These amounts do not include accrued interest due on loans and guarantees.

Loans are made under the Public Law 480 program and are intended to (1) promote agricultural trade, (2) provide humanitarian relief, (3) aid the economic advancement of developing countries, and (4) promote U.S. foreign policy.

Defaults on guarantee programs have averaged $330 million annually since 1984. However, during this same period, foreign guarantee claims receivable, including rescheduled claims receivable, have more than doubled. Foreign countries' guarantees receivable have increased every year, from $1.5 billion as of September 30, 1984, to $3.4 billion as of September 30, 1989. Most of these guarantee receivables have been rescheduled and therefore are not technically past due. The ultimate collectibility of these claims remains doubtful.

The Corporation's previous losses on foreign country loans and loan guarantees were handled in accordance with GAAP but do not reflect (1) losses based on prior experience in rescheduling loans and (2) the mark-to-market valuation concept based on the secondary markets. We believe that if these concepts were applied to the Corporation's foreign country loans and loan guarantees, additional loss provisions would have to be established. Also, the financial statements do not show the additional losses that will occur due to the Gulf War. We recently issued a report that discussed the long-run costs of loan guarantees. See Loan Guarantees: Export Credit Guarantee Programs' Long-Run Costs Are High (GAO/NSIAD-91-180, April 19, 1991).

From 1984 through 1988, our opinions on CCC's annual financial statements were qualified because CCC had not established an allowance for the uncollectible portion of loans and a reserve for defaults on guarantees to countries experiencing financial difficulties. In June 1990, the Secretary of Agriculture approved CCC's establishment of an allowance for the uncollectible portion of these foreign loans and guarantees. CCC adjusted its 1989 financial statements and restated its 1988 financial statements to establish an allowance for uncollectible loans and interest receivable and to recognize a liability for guarantees based on historical default experience.

Net Cost of Inventory Operations Is Down

CCC's cost of inventory operations decreased in 1989, due to a drought that resulted in overall lower supplies of commodities to meet market demands. Because of the drought, CCC acquired fewer commodities from producers because they were able to sell above the price support level. As shown in table I.12, inventory operations normally show a net cost. Reduced inventory levels in 1989 resulted in a corresponding reduction in the cost of inventory operations. The cost of sales and donations in 1988 was $16.5 billion but dropped to $4.7 billion in 1989. (See table I.12.)

Table I.12: Net Cost of Inventory Operations

Dollars in billions

	Fiscal year					
	1984	**1985**	**1986**	**1987**	**1988**	**1989**
Sales	$9.5	$1.8	$2.5	$12.0	$12.2	$3.5
Cost of sales	10.2	2.2	4.4	14.0	14.8	3.9
Donated commodities	1.6	2.5	1.7	1.9	1.7	0.8
Storage, handling, and transportation	0.5	0.5	0.9	1.5	1.1	0.6
Net cost of inventory operations	**$(2.8)**	**$(3.4)**	**$(4.5)**	**$(5.4)**	**$(5.4)**	**$(1.8)**

CCC is authorized under certain statutory conditions to donate commodities for domestic uses (such as the school lunch program) and foreign uses (such as disaster relief and the Food for Peace Program). Since 1984, 79 percent of commodities donated have been for the domestic program and 21 percent for foreign programs. CCC has little control over the distribution of products under the various commodity donation programs because this is determined by other government agencies, based upon commodities available in CCC's inventories. Donations of commodities from 1984 through 1988 averaged almost $2 billion per year but fell to $0.8 billion in 1989. This was due to fewer commodities available for donation.

Commodity Inventories Are at a 6-Year Low

Commodity inventories, which were $3.3 billion at the end of 1984, increased to $9.7 billion by the end of 1987 and then declined to a 6-year low of $3 billion at the end of 1989. (See table I.13.) CCC acquires commodities held in inventory, other than dairy products, predominantly as a result of producers forfeiting commodities which had been pledged as collateral for price support loans.

Table I.13: Commodity Inventories

Dollars in billions

	Fiscal year					
	1984	**1985**	**1986**	**1987**	**1988**	**1989**
Feed grains	$1.4	$1.2	$3.3	$6.2	$3.6	$2.3
Wheat	1.5	2.0	4.1	3.4	1.2	0.7
Dairy products	4.1	3.0	2.8	1.4	0.7	0.7
All other	0.4	0.7	2.6	1.6	0.1	0.1
Total	**7.4**	**6.9**	**12.8**	**12.6**	**5.6**	**3.8**
Less allowance for loss disposition	4.1	3.8	4.1	2.9	1.1	0.8
Net inventories	**$3.3**	**$3.1**	**$8.7**	**$9.7**	**$4.5**	**$3.0**

During 1986 and 1987, market prices declined and producers forfeited crops which were being held as collateral for loans of about $7.4 billion and $5.7 billion, respectively. The 1988 drought created higher market prices due to the low supply, and forfeitures dropped to approximately $1 billion in 1988 and 1989.

Dairy product inventories declined from 1984 to 1988 and remained level at the end of 1989.

Financing of FCIC Crop Insurance

CCC provided $250 million in 1981, $450 million in 1986, $300 million in 1987, $900 million in 1988, and $400 million in 1989 to the Federal Crop Insurance Corporation to maintain its solvency in order to pay insurance claims from producers. This $2.3 billion financing of FCIC losses, authorized by the Federal Crop Insurance Act of 1980, was recorded as transfers and was included in CCC's net operating costs. Such treatment overstates CCC's cost of operations. Unless CCC is reimbursed, the funds and commodities transferred from CCC to other agencies are a component of CCC's net realized loss. The Corporation is reimbursed for net realized losses under Public Law 87-155, as amended.

Rural Electrification Administration

The Rural Electrification Administration is a USDA credit agency which assists rural electric and telephone organizations in obtaining the financing required to provide electric and telephone service in rural areas. Financial assistance may include (a) direct loans from REA, (b) guarantees of loans made by others, and (c) REA approval of security arrangements which permit the borrower to obtain financing from other lenders without a guarantee. These activities cost the federal government a total of $1.9 billion during 1987, 1988, and 1989, primarily due to loan losses. Because of subsidized interest rates in existing loan agreements, REA operations will continue to incur losses for years to come.

REA was established in 1935 as part of a general program of unemployment relief and became a part of USDA in 1939. Federal support was needed to provide electricity for rural America because most of the established utilities served high density areas and did not extend lines to farmers and other rural residents. They did not do this because they considered such investments not profitable. REA's role was expanded in 1949, when it was authorized to lend funds for telephone service in rural areas. In 1971, the Rural Telephone Bank (RTB) was established within REA to provide financing for rural telephone systems.

Both the rural electric and rural telephone programs of REA have achieved their goals. By 1964, 98.1 percent of U.S. farms had electricity. By 1976, more than 90 percent had telephones. Since then, percentages have risen to almost 99 percent for electric service and 96 percent for telephone service. Although the number of borrowers to whom REA provides financing has changed little since 1983, when current levels of service were first achieved, the number of customers and subscribers provided service has increased. According to REA, this growth is due primarily to the rapid population increases that have occurred in rural

America, particularly in sunbelt and western states. REA-financed utilities served approximately 11.8 million electric and 5.1 million telephone customers at the end of 1988.

REA Continues to Operate at a Loss

Table I.14: Selected REA Income and Loss Information

Dollars in millions

	Fiscal year		
	1987	1988	1989
Interest income on loans	$2,673	$2,320	$2,212
Interest expense	2,525	2,236	2,307
Net interest margin	$148	$84	$(95)
Provisions for loan and guarantee losses	$855	$877	$46
Net loss	$997	$767	$105

REA's credit activities resulted in annual losses during 1987, 1988, and 1989. As illustrated in table I.14 losses in 1987 and 1988 resulted mainly from provisions for loan and guarantee losses. However, 1989's loss resulted from both REA's provisions for loan and guarantee losses and its declining net interest margin. Although continuing negative net interest margins portend continued losses for the agency, REA management believes that the current allowance for losses on loans, which exceeds $2 billion, adequately provides for probable loan losses.

REA's net interest margin decreased over the past 3 years because interest earnings on its $37 billion loan portfolio have declined by 17 percent, while interest expense has declined by only 9 percent. Interest income from outstanding loans decreased from 7.1 percent in 1987 to 5.9 percent in 1989, due to both nonperforming loans and the prepayment of high interest loans in 1987 and 1988. However, over the past 3 years, interest expense as a percent of REA's outstanding borrowings has declined only slightly, from 7.5 to 7.2 percent.

REA's Funds Will Not Cover Its Debt Repayments

In future years, as REA borrows to finance repayment of its $7.9 billion noninterest-bearing debt, its interest expense will increase and its net interest margin will further decline. REA is currently scheduled to begin repaying its noninterest-bearing debt to Treasury in 1993. For some time, REA's primary loan fund has provided financing to borrowers in excess of its receipts. REA has predicted that the fund will run out of money sometime in the 1990s, thus requiring additional appropriations or borrowings to continue its lending activity.

REA Loans and Loan Loss Allowances

Table I.15: REA's Loans Receivable

Dollars in millions

	Fiscal year		
	1987	**1988**	**1989**
Loans receivable	$37,381	$36,289	$37,288
Allowance for loan losses	(991)	(1,792)	(2,070)
Net loans receivable	**$36,390**	**$34,497**	**$35,218**

As of September 30, 1989, a total of 2,118 borrowers had REA loans. Despite prepayments, REA's loan balances had increased by about $1 billion since 1986. The number of borrowers has not fluctuated significantly in recent years. The relatively small increases in the number of electric borrowers in recent years have been because of the formation of new power supply systems that are wholly owned by REA electric distribution borrowers. The number of telephone borrowers continues to increase each year mainly because of initial loans to existing telephone utilities to extend and upgrade telephone service.

REA's loan loss allowance doubled between September 30, 1987, and September 30, 1989. In 1987, REA reevaluated the collectibility of loan balances and significantly increased its allowance for uncollectible loans. The adjustment was based on prior years' experience as well as the deteriorating financial condition of certain REA borrowers who had invested in large power plants. In 1988, the financial condition of these borrowers deteriorated further and REA again significantly increased its loan loss allowance.

Although the ultimate loss or recovery of these loans depends on many variables, such as the overall economy of the areas served by the borrower, demand, wholesale cost of power, and regulators' approvals of utility rates, REA believes that its current estimates of the losses that may be incurred on its loans are adequate.

When regulators are slow to allow utilities to pass on their costs to consumers, amounts available to service debt for new construction are reduced. Regulating bodies have been reluctant to allow utilities to pass some of the costs related to power plant construction on to their customers through rate increases, and most of the increases that have been allowed have been related to increased fuel costs. Most of the power distributed by rural electric systems is purchased from investor-owned utilities, although REA borrowers have undertaken construction projects to increase their own generating capability.

Outstanding Loan Balances Declined Because of Prepayments

In recent years, REA borrowers have opted to prepay loans in order to reduce their interest payments. Prepayments of REA-guaranteed loans issued by the Federal Financing Bank (FFB) amounted to $2 billion and $580 million in 1988 and 1987, respectively, and accounted for the reduction in REA's loan portfolio. Penalties associated with these prepayments exceeded $900 million. In addition, because legislation[3] required REA to accept certain prepayments at a discount and required FFB to accept prepayments of REA-guaranteed loans at book value without prepayment penalties during fiscal years 1987 and 1988, REA lost $300 million in 1987 and FFB lost an additional $166 million.

Interest Rate Subsidies

REA's low interest rates on loans provide subsidies to its borrowers which are not apparent in REA's statements. In 1944, a fixed interest rate on loans of 2 percent was established by statute, which at that time was the approximate cost of money to the government. In 1973, the legislation establishing a revolving fund within REA set the interest rate on loans at 5 percent and authorized rates as low as 2 percent. At the same time, to provide a major source of financing for the low-interest loans, REA's outstanding borrowings, which exceeded $7.4 billion, were made noninterest-bearing. In addition, REA was authorized to sell Certificates of Beneficial Ownership as a source of financing for the revolving fund.

During the late 1970s and early 1980s, the gap between the cost of money to the government and the interest rates charged borrowers on REA loans widened. Although the gap has narrowed since 1981, the cost of money to the government remains higher than the rate that REA charges.

[3]Section 1401 of the Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203) and Section 1011 of the Omnibus Budget Reconciliation Act of 1986 (7 U.S.C. 936(a)).

REA's Rural Telephone Bank

REA's financial statements include those of the Rural Telephone Bank, a government corporation established within the agency. RTB's assets ($1.6 billion) constitute less than 5 percent of REA's total assets; however, in contrast to the rest of REA, RTB's operations have resulted in earnings. Largely due to an interest rate formula prescribed by its authorizing legislation, RTB, until the Omnibus Budget Reconciliation Act of 1987, charged its borrowers interest rates that exceeded its costs of funds. Although the 1987 act required that RTB revise its interest formula, the revisions affect only interest rates charged on new loans. Thus, in 1988, RTB's interest income of $114 million exceeded its interest expense by over $47 million. Furthermore, RTB has not had a loan default that resulted in a loss.

Although RTB distributed some of its earnings in the form of stock, RTB's reserve for interest rate fluctuations had risen to more than $90 million by the end of 1988. The Omnibus Budget Reconciliation Act provided for a distribution of RTB's excess reserves to stockholders, and, in 1989, RTB distributed stock valued at over $125 million.

Many telephone borrowers are diversifying into other telecommunication areas, and the impact this diversification will have on borrowers' financial positions and ability to repay RTB debt is not known. Industry changes are causing borrowers to explore facets of the long-distance telecommunications market such as resale operations, access service, and construction of facilities-based regional networks. Other areas of diversification include cable television, satellite television stations, and wholesaling or retailing of cellular mobile radio and electronic equipment. REA and the Federal Communications Commission are jointly monitoring the effects of federal decisions on rural telephone companies and subscribers.

Forest Service

The Forest Service was established within USDA for the purpose of maintaining and managing the Nation's forest reserves. As such, the Forest Service's activities include (1) protecting and managing 191 million acres of National Forest System land, (2) researching and developing forestry and rangelands management practices, and (3) establishing and maintaining cooperative agreements with state, local, and private groups to help protect and manage nonfederal forests and associated range and watershed lands. In addition, Forest Service programs provide economic benefits, such as jobs and job training in rural areas or protect and enhance natural resources through fire-fighting activities or forestry research.

The Forest Service's timber, lands, and natural resources are among the Nation's greatest assets, and they affect the economic, environmental, and social well-being of all Americans. The Forest Service's investment in timber and related facilities is $7.6 billion. However, since much of its timber was acquired from the public domain at little or no cost, its value is far greater than the historic cost indicates.

Financing the Forest Service's Operations

In 1988, over 44 percent of the Forest Service's revenues and financing was derived from timber and related activities. Although these revenues significantly reduce the net cost of Forest Service operations, the timber programs are not designed to operate on a full-cost recovery basis. Further, although the Forest Service can retain portions of its timber sales receipts for specific purposes, such as reforestation expenses, and to finance payments to states, all other receipts are returned to the Treasury. Fifty-five percent of the Forest Service's 1988 operations were financed from appropriations.

Environmental Issues May Impact Future Expected Timber Sales

While timber sales have remained steady, at about 11 billion board feet annually, and increases in Forest Service timber revenues have resulted from higher prices in recent years, environmental issues may curtail future timber sales. In recent years, environmental groups have expressed serious concerns over several issues, including the preservation of habitats for endangered species, clearcutting, and harvesting of old growth timber. Old growth timber harvests produce high volumes of valuable fine-grained timber sought by the timber industry. Currently, there is a major controversy surrounding the spotted owl and the acreage to be set aside to preserve its habitat. This threatened species primarily inhabits old growth timber in the Pacific Northwest.

Unusually Large Numbers of Forest Fires Prove Costly

During fiscal years 1987 and 1988, over 2 million acres of National Forests were burned. Fighting these fires was extremely costly to the Forest Service, and much of this cost was unanticipated. Of the $1.1 billion in expenses reported in the land management category in 1988, $417 million was incurred to fight forest fires, which were at record levels. The Forest Service has the authority to borrow from its trust funds to pay for the costs of fighting forest fires, and, in fiscal years 1986 through 1988, it used $807 million in unobligated trust funds for this purpose. As of September 30, 1988, over $500 million was owed to the trust funds. Most of this balance was repaid from appropriations received in fiscal years 1989 and 1990.

Recreational Support Costs Projected to Grow

Forest Service land contains 128,000 miles of streams and 2.2 million acres of lakes, ponds, and reservoirs. These are located primarily in the 11 western states and are important recreation resources. The Forest Service calculates that visitors use these lands the equivalent of more than 240 million visitor days a year.

In 1988, the Forest Service collected recreation fees of slightly over $34 million. However, expenditures for the related recreation activities exceeded $176 million. As table I.16 illustrates, expenditures have outpaced revenues since 1985, and the percentage of annual recreation expenditures recovered by related revenues has decreased slightly. Because the Forest Service has initiated programs to market and increase public awareness of its recreation programs, it expects the demand for all types of recreation to increase.

Table I.16: Forest Service Recreation Revenue and Expenditures

Dollars in millions

	Fiscal year			
	1985	1986	1987	1988
Revenue	$31	$30	$31	$34
Expenditures	104	101	114	177
Percent recovered by revenue	29.8	29.7	27.2	19.2

Forest Service Energy and Mineral Production Is Increasing

The Forest Service also manages lands and resources of enormous value, which produce annual revenues of over $40 million for the federal government. Table I.17 illustrates the Forest Service's rent and royalty receipts from the production of oil, gas, and coal.

Table I.17: Energy and Mineral Production—Fiscal Years 1984 Through 1988

Fiscal year	Receipts (millions)	Oil production (barrels)	Gas production (1,000 cubic feet)	Coal production (short tons)
1984	$51.6	12,000,000	205,000,000	15,100,000
1985	77.5[a]	13,000,000	217,000,000	15,600,000
1986	42.9	13,000,000	180,000,000	21,000,000
1987	46.7	19,000,000	190,000,000	41,200,000
1988	43.4	22,800,000[b]	191,000,000[b]	41,200,000[b]

[a]Includes $19 million windfall profit tax payment for 1980-84.

[b]All figures are Forest Service estimates.

Food and Nutrition Service

The Food and Nutrition Service administers food assistance programs which are intended to provide access to a more nutritious diet for persons with low incomes and to encourage better eating patterns among the nation's children. For fiscal year 1988, these programs cost $20.7 billion. FNS' major programs are the food stamp program and the child nutrition programs.

FNS Funding

In fiscal year 1988, FNS' financing included appropriations of $15.6 billion plus funds and commodities of $5.2 billion transferred from other USDA agencies. FNS used this funding to provide $7.6 billion in grant subsidy payments, primarily to states, and $13.1 billion in payments to the Federal Reserve Banks for food stamp redemptions.

FNS administers its programs through its headquarters, seven regional offices, 75 field offices, and various state and local government entities. Fifty-three state and county agencies administer the food stamp program. Their responsibilities include determining recipient eligibility and distributing the food stamps through 2,600 locations throughout the United States. Approximately 230,000 retailers accept food stamps.

Food Stamp Program

Food stamps are issued to eligible low-income households to enable them to obtain a better diet by increasing their food purchasing power. FNS administers the program in cooperation with state and local welfare agencies, and pays the full cost of the food stamps in addition to sharing eligible direct and indirect administrative costs which the states incur. In addition, FNS has provided the Commonwealth of Puerto Rico food assistance since 1982 in the form of cash grants, rather than stamps.

For fiscal year 1988, 18 million people received food stamps at an average annual cost of about $700 per person. Table I.18 shows the cost of the food stamp program and annual participation for fiscal years 1984 through 1988.

Table I.18: Food Stamp Program Participants and Costs

	Fiscal year				
	1984	1985	1986	1987	1988
Participants (millions)	20.9	19.9	19.4	19.1	18.6
Cost (billions)	$12.2	$12.5	$12.4	$12.4	$13.1

Child Nutrition Programs

The Child Nutrition Programs—National School Lunch, School Breakfast, Summer Food Service, and Child Care Food—provide nutritious meals to needy and other children attending schools, child-care institutions, and summer recreation programs. FNS works through state agencies by providing them with cash and commodities to prepare and serve meals. Funds are made available to state agencies by letter of credit so that they may reimburse participating schools and other institutions. Schools and institutions apply to the state agencies and, when approved, are reimbursed on a per-meal basis in accordance with the annually adjusted rates prescribed by law.

In fiscal year 1988, the National School Lunch program provided assistance for 4 billion lunches for over 24 million children, and the School Breakfast program provided for 637 million breakfasts for about 4 million children. The cost of the child nutrition programs has remained steady for the past several years at about $5 billion.

Other Nutrition Programs

FNS has reported that the cost of its other nutrition programs has increased from $1.5 billion in fiscal year 1984, to $2.1 billion in fiscal year 1988. These programs include the Special Milk Program and Supplemental Feeding Programs, which primarily benefit children and pregnant women. Statistics were not available on the number of participants served by each program.

Federal Crop Insurance Corporation

The Federal Crop Insurance Corporation manages a multiperil crop insurance program intended to stabilize and protect U.S. farm producers by covering unavoidable production losses due to adverse weather conditions, insects, plant disease, floods, fire, and earthquakes. The program was expanded by the Federal Crop Insurance Act of 1980 from a localized program covering only a few crops to a national program covering over 50 different crops in over 3,000 counties. The 1980 act directed the FCIC to develop an actuarially sound system of insurance so that the premiums will cover claims and build a reserve to provide for large or unusual claims in the future. However, premiums have not covered claims, and between 1984 and 1989, FCIC's deficit tripled.

The 1980 act also encouraged the sale of crop insurance through privately licensed agents and brokers. In 1989, private insurers wrote 88 percent of the crop insurance, which was reinsured by the FCIC against actuarial losses. Reinsured companies sell and service crop insurance policies under their own names and are responsible for making claim adjustments.

FCIC's Financial Condition Is Bleak

FCIC's accumulated deficit is growing, and its premium revenues are insufficient to cover insurance claims and expenses. Contributing factors to the FCIC's large losses include the expansion of the program as required by the Federal Crop Insurance Act of 1980; adverse weather conditions, particularly the 1988 drought; and competition with the disaster payments program.

From 1984 through 1989, the FCIC's accumulated deficit has increased over three times from $766 million to over $2.6 billion. This increasing deficit was caused primarily by a significant shortfall of crop insurance premiums needed to fund insurance claims and administrative expenses. The deficit has been financed by transfers of $2.3 billion from the Commodity Credit Corporation. The remaining $0.3 billion was funded from capital stock and U.S. Treasury borrowings. The program's worst financial performance was in 1988, when the program paid out almost two and a half times more in claims than it collected in premiums. During the period 1984 through 1989, program losses added $1.8 billion to the FCIC's cumulative deficit.

Premiums have not kept pace with claims due to a reluctance by FCIC to raise rates and risk reducing program participation. Prior to 1981, producers paid the full cost of the premium, while FCIC paid for all administrative costs. Since the 1980 act expanded the insurance program nationwide, claims have exceeded premiums every year. This is because FCIC has not established premium rates that adequately cover losses on insured crops and build a reasonable reserve against losses, as authorized by the act.

Participation rates rose to about 40 percent of all farmers in 1989 in response to the severity of the 1988 drought and requirements that some disaster assistance recipients must purchase crop insurance.

Continued Disaster Payments Decrease Participation

As a result of the 1980 act, the insurance program was intended to eventually replace disaster payments to farmers. However, disaster assistance continues through direct payments and emergency loan programs. This discourages participation in crop insurance because producers believe that in times of widespread crop failures, the Congress will approve disaster relief payments. In its 1990 farm bill proposal, the administration recommended replacing crop insurance with disaster payments.

In September 1989[4] and March 1990,[5] we took the position that a well-designed and well-managed crop insurance program can provide disaster assistance more equitably and efficiently than the emergency loan and direct payment disaster programs.

Reinsurance Program Has Resulted in Higher Costs

The 1980 act mandated that the Corporation offer a program of reinsurance to the private sector. Prior to the act, crop insurance was sold and serviced primarily by FCIC. Reinsurance business has increased from 55 percent of total coverage in 1984 to 88 percent in 1989.

Overpayments of claims by reinsured companies have cost the FCIC millions of dollars. This is because (1) reinsured companies have the authority to settle claims on policies they have sold and (2) FCIC has not adequately monitored reinsurance activities. In 1989, we reported that, in a sample of selected claims for the 1987 crop year, about 16 percent of the claims were overpaid by reinsured companies. The FCIC's Compliance Division has strengthened its monitoring of reinsured companies to help reduce claims overpayment.[6] USDA's 1990 FMFIA report identified this program as a high risk area.

[4]Disaster Assistance: Crop Insurance Can Provide Assistance More Effectively Than Other Programs (GAO/RCED-89-211, September 20, 1989).

[5]Roles, Cost, and Criteria for Assessing Agriculture Disaster Assistance Programs Between 1980 and 1988 (GAO/T-RCED-90-37, March 6, 1990).

[6]Crop Insurance: Private Company Loss Adjustment Improving, but Overpayment Still High (GAO/RCED-90-32, November 7, 1989).

GAO Opinion

GAO

United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-243699

To the Secretary
Department of Agriculture

We have audited the accompanying consolidated and consolidating statements of financial position of the U.S. Department of Agriculture (USDA) as of September 30, 1988, and the related statements of operations, cash flows, and reconciliation to budget for the fiscal year then ended. Fiscal year 1988 was the first year that USDA prepared consolidated financial statements encompassing all activities departmentwide. These financial statements are the responsibility of USDA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

USDA's financial activities interact with and are dependent on those of the federal government as a whole. Thus, these consolidated financial statements do not reflect the results of all financial decisions and activities applicable to USDA because it is not a stand-alone entity. For example, USDA's statements do not include the assets and liabilities applicable to USDA employee participation in federal retirement and health benefit programs.

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As discussed in note 3, the full cost of these and other activities is not reflected in USDA's consolidated financial statements.

FIXED ASSET AND ACQUIRED PROPERTY RECORDS NOT ADEQUATE

We were unable to determine whether USDA's financial statements accurately present fixed assets and acquired property. We could not determine the original cost of USDA's land and buildings because supporting documents were not available and the Farmers Home Administration's accounting system did not include current market values at the time of acquisition for property acquired through foreclosure.

USDA's records for land, buildings, and roads were not always subject to uniform accounting controls, were not consistently updated, and were not supported by adequate documentation. For example, we identified significant internal accounting control weaknesses in the acquired property system that allowed the reporting of inaccurate data. We determined that it was not practical for us to perform, nor did we perform, sufficient alternative audit procedures to satisfy ourselves as to the proper value of these assets.

COST OF TIMBER HARVESTED NOT ACCURATE

The values developed by the Forest Service Timber Sale Program Information Reporting System (TSPIRS) for cost of timber harvested and timber assets were not in accordance with generally accepted accounting principles (GAAP). Specifically, (1) the cost of timber harvested was not properly calculated, (2) road costs were not properly allocated to the period benefitted, and (3) timber account balances were not reduced to reflect losses incurred from record-level fires in 1987 and 1988. We worked with the Forest Service on the basic design of TSPIRS and monitored progress on the system's modifications and implementation. However, TSPIRS does not yet fully comply with GAAP, and it was not practical for us to determine the adjustments needed to correct the financial statements. (See Financial Audit: Forest Service's Financial Statements for Fiscal Year 1988 (GAO/AFMD-91-18, March 18, 1991)).

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RESTATEMENT OF COMMODITY CREDIT CORPORATION'S 1988 STATEMENTS ELIMINATES QUALIFICATION

USDA's consolidated financial statements include the accounts of the Commodity Credit Corporation. In our report dated August 4, 1989 (GAO/AFMD-89-83), we qualified our opinion because CCC did not report in its 1988 financial statements an allowance for probable losses due to the uncollectibility of a portion of the outstanding balance of loans, guarantees, and accrued interest receivable due from foreign countries experiencing financial difficulties. However, for the fiscal year ended September 30, 1989, CCC changed its policy and appropriately reported an allowance. Accordingly, CCC's fiscal year 1988 financial statements have been restated to recognize an allowance of $5 billion on its $15.5 billion of loans to foreign countries and $640 million on the $964 million of accrued interest receivable as of September 30, 1988.

CCC also established an allowance for losses as of September 30, 1988, of $2 billion on its $6 billion of guaranteed loans to foreign countries. Accordingly, our opinion on CCC's 1988 financial statements has been changed from the qualified opinion previously issued and concludes that CCC's financial statements are presented fairly.

In addition to these changes, CCC's 1988 financial statements have been restated to eliminate $4.6 billion of appropriated capital related to 1988 appropriations which have lapsed. The effect of this restatement also reduced CCC's receivables from Future Financing Sources by $1.7 billion and established an additional amount owed to the U.S. Treasury of $2.9 billion. Our report on CCC's 1989 financial statements presents our opinion on the restated financial statements for 1988.

GAO OPINION

In our opinion, except for the effects of any adjustments that might have been determined to be necessary had we been able to perform the necessary auditing procedures to substantiate the fixed assets and acquired property balances, and except for the effects on the timber and related facilities and the effects on the cost of goods sold accounts of amortizing the TSPIRS growth pool balances using other than generally accepted accounting principles, the financial statements referred to above present fairly,

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in all material respects, the financial position of USDA as of September 30, 1988, and the results of its operations, cash flows, and reconciliation to budget for the fiscal year then ended, in conformity with generally accepted accounting principles.

Our examination was made for the purpose of forming an opinion on the consolidated and consolidating financial statements, taken as a whole. The supplemental schedules included in note 13 provide the detailed financial information supporting the totals for USDA's smaller agencies. These totals are included in the consolidating statements' "All Other" category. The supplemental schedules are presented for the purpose of additional analysis and have been subjected to the auditing procedures applied in the examination of the basic consolidated financial statements. In our opinion, except for the effects of any adjustments that might have been needed had we been able to perform the necessary auditing procedures to substantiate USDA's fixed assets as discussed above, the schedules are fairly stated in all material respects in relation to the basic consolidated and consolidating financial statements, taken as a whole.

Charles A. Bowsher

Charles A. Bowsher
Comptroller General
of the United States

April 10, 1991

USDA's Consolidated Financial Statements

Consolidated Statement of Financial Position With Consolidating Information (as of September 30, 1988)

(Dollars in Thousands)

	USDA Consolidated Total	Farmers Home Administration	Commodity Credit Corporation
ASSETS			
Funds With U.S. Treasury and Cash	$ 10,935,592	$ 3,343,405	$ 1,074
Accounts Receivable, Net (Note 4)	2,311,360	36,852	1,100,688
Interest Receivable	1,872,766	739,546	1,070,921
Loans Receivable, Net (Note 5)	92,682,297	39,697,111	18,487,774
Prepayments	750,884		722,330
Inventories, Net (Note 2)	4,476,771		4,476,771
Future Financing Sources (Note 2)	16,375,406	40,479	14,577,409
Acquired Property	867,941	867,941	
Timber and Related Facilities	7,627,916		
Property, Plant and Equipment, Net (Note 6)	2,233,428		109,565
Other Assets	490,797	266,364	136,805
TOTAL ASSETS	$140,625,158	$44,991,698	$40,683,337
LIABILITIES			
Accounts Payable	$ 5,037,147	$ 92,342	$ 1,268,226
Accrued Interest Payable	4,021,469	3,580,859	413,650
Amounts Due to U.S. Treasury (Note 2)	3,395,137		2,896,614
Unearned Revenues	552,981		
Long-Term Debt (Note 7)	125,256,940	80,824,496	11,758,466
Accrual for Estimated Losses on Guaranteed Loans (Note 8)	3,606,931	1,278,587	1,960,588
Accrued Liabilities	10,612,084	38,676	9,853,389
Trust and Deposit Liabilities	1,860,179		1,870,197
Other Liabilities	1,298,964	109,855	912,901
Total Liabilities	$155,641,832	$85,924,815	$30,934,031
Commitments and Contingencies (Note 9)			
EQUITY			
Investment of Others (Note 2)	$ 323,268	$	$
Equity of the U.S. Government:			
Unexpended Appropriations	5,405,099	505,533	1,080,401
Trust Fund Balance	249,602		
Additional Paid-In Capital (Note 10)	2,443,928		
Capital Stock (Note 10)	600,000		100,000
Invested Capital (Note 10)	20,062,868	1,148,812	9,035,616
Cumulative Results (Note 12)	(44,101,439)	(42,587,462)	(466,711)
Total Equity of the U.S. Government	(15,339,942)	(40,933,117)	9,749,306
Total Equity	($ 15,016,674)	($40,933,117)	$ 9,749,306
TOTAL LIABILITIES AND EQUITY	$140,625,158	$44,991,698	$40,683,337

The accompanying notes, which incorporate by reference the published financial statements of USDA's six major

Rural Electrification Administration	Forest Service	Food &- Nutrition Service	Federal Crop Insurance Corporation	All Other Agencies
$ 198,731	$ 1,503,929	$1,899,617	$1,448,647	$2,540,189
25	154,030	201,143	270,754	550,464
62,299				
34,497,412				
		64,577		42,043
2,845	314,021	9,925	6,482	1,424,245
	7,627,916			
2,091	1,629,770	5,737	703	485,562
805	29,410			57,413
$34,764,208	**$11,259,076**	**$2,180,999**	**$1,726,586**	**$5,099,916**
$ 446	$ 394,800	$ 829,060	$ 911,222	$1,543,647
26,918				42
		497,089	1,434	
	300,260		252,154	567
32,560,978			113,000	
367,756				
2,399	375,084	9,321	5,795	327,420
				68,048
4,049	107,295	131,734	16,594	16,536
$32,962,546	**$ 1,177,439**	**$1,467,204**	**$1,300,199**	**$1,956,260**
$ 323,268	$	$	$	$
2,758	693,562	526,597	4,641	2,591,607
	215,099			34,503
505,950			1,937,978	
			500,000	
1,565	9,172,976	187,198	703	515,998
968,121			(2,016,935)	1,548
1,478,394	**10,081,637**	**713,795**	426,387	3,143,656
$ 1,801,662	**$10,081,637**	**$ 713,795**	**$ 426,387**	**$3,143,656**
$34,764,208	**$11,259,076**	**$2,180,999**	**$1,726,586**	**$5,099,916**

agencies (Note 1), are an integral part of these financial statements.

Consolidated Statement of Operations With Consolidating Information (for the Fiscal Year Ended September 30, 1988)

(Dollars in Thousands)

	USDA Consolidated Total	Farmers Home Administration	Commodity Credit Corporation
OPERATING EXPENSES			
Operating/Program Expenses	$ 46,932,042	$ 912,601	$16,834,930
Cost of Goods Sold	18,379,753		17,684,538
Interest Expense	11,899,925	8,987,288	675,899
Provision for Losses	7,108,970	6,008,583	161,680
Loss on Sale of Loan Assets	1,074,893	1,074,893	
Expense Attributed to Housing Subsidy	1,427,314	1,427,314	
Other Expenses	365,263	80,377	107,618
TOTAL OPERATING EXPENSES	$ 87,188,160	$18,491,056	$35,464,665
OPERATING REVENUES			
Sale of Goods and Services	$ 14,054,520	$	$12,153,174
Insurance Premium Revenue	423,041		
Interest Earned	5,757,044	2,581,312	822,842
Revenue Attributed to Housing Subsidy	1,427,314	1,427,314	
Other Revenue	498,977	86,108	314,553
Total Operating Revenues	$ 22,160,896	$ 4,094,734	$13,290,569
OTHER FINANCING SOURCES			
Financing from Appropriations	$ 38,532,683	$ 611,225	$17,488,849
Financing from Trust Funds (net)	207,461		
Reimbursements and Other	629,020		(18,963)
Intra-USDA Transfers (Note 11)			
Transfers to Other USDA Agencies	(900,000)	(22,000)	(1,940,200)
Transfers from Other USDA Agencies	- 0 -		12,000
Inter-Departmental Transfers (Note 11)			
Transfers to Other Departments	(677,612)		(30,097)
Transfers from Other Departments	4,306,842		
Funds to be Provided by Future Appropriations	7,029,140	869	5,955,120
Total Other Financing Sources	$ 49,127,534	$ 590,094	$21,466,709
TOTAL REVENUES AND OTHER FINANCING SOURCES	$ 71,288,430	$ 4,684,828	$34,757,278
NET RESULTS	($ 15,899,730)	($13,806,228)	($ 707,387)

The accompanying notes, which incorporate by reference the published financial statements of USDA's six major

Rural Electrification Administration	Forest Service	Food & Nutrition Service	Federal Crop Insurance Corporation	All Other Agencies
$ 28,866	$ 1,706,502	$20,727,982	$1,270,795	$6,167,164
	695,215			
2,236,414			34	290
877,487	4,331	53,871	1,542	1,476
59	89,783	781	312	86,333
$ 3,142,826	$ 2,495,831	$20,782,634	$1,272,683	$6,255,263
$	$ 1,404,575	$	$	$ 496,771
			423,041	
2,347,739			4,750	401
270	91,733		2,681	3,632
$ 2,348,009	$ 1,496,308	$ - 0 -	$ 430,472	$ 500,804
$ 27,555	$ 1,378,817	$15,645,014	$ 215,924	$3,882,097
	207,461			
	(9,004)	983		656,004
		(39,627)		(4,344,026)
	5,006	5,240,998		187,849
	(590,924)			(56,591)
	5,333			4,301,509
59	2,834	182	63	1,070,013
$ 27,614	$ 999,523	$20,847,550	$ 215,987	$5,696,855
$ 2,375,623	$ 2,495,831	$20,847,550	$ 646,459	$6,197,659
($ 767,203)	$ - 0 -	$ 64,916	($ 626,224)	($ 57,604)

agencies (Note 1), are an integral part of these financial statements.

Consolidated Statement of Cash Flows With Consolidating Information (for the Fiscal Year Ended September 30, 1988)

(Dollars in Thousands)

	USDA Consolidated Total	Farmers Home Administration	Commodity Credit Corporation
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (Loss) (Note 2)	($39,669,017)	($13,806,228)	($23,477,151)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	694,570		19,251
Provision for Losses on:			
Loans Made	7,414,439	5,090,231	1,522,636
Accounts and Interest Receivable	482,260	85,318	335,722
Guaranteed Loans	703,557	627,642	
Commodity Inventories	(1,835,295)		(1,835,295)
Acquired Property	205,392	205,392	
Amounts Remitted to Treasury	(1,044,602)		
Loss on Sale of Loan Assets	1,074,893	1,074,893	
Changes in Assets & Liabilities:			
(Increase) Decrease in Accounts & Notes Receivable	(401,678)	95,261	(551,022)
(Increase) Decrease in Interest Receivable	(802,898)	(329,058)	(541,840)
(Increase) Decrease in Other Assets	7,599,495		7,724,914
Increase (Decrease) in Accounts Payable	1,122,191	12,492	438,097
Increase (Decrease) in Interest Payable	(551,615)	(240,032)	(317,625)
Increase (Decrease) in Other Liabilities	(1,444,929)		(1,334,772)
Other Adjustments (net)	1,037,789	231,938	71,405
Total Adjustments	14,253,569	6,854,077	5,531,471
Net Cash Provided (Used) by Operating Activities	($25,415,448)	($ 6,952,151)	($17,945,680)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collections on Loans	$30,011,560	$ 3,380,200	$23,825,510
Loans Made/Advanced	(24,398,642)	(3,493,511)	(19,192,235)
Acquisition of Property, Plant, and Equipment	(798,444)		(88,934)
Proceeds from the Sale of Loan Assets	1,053,975	1,053,975	
Other	(455,411)	(335,772)	50,648
Net Cash Provided (Used) by Investing Activities	$ 5,413,038	$ 604,892	$ 4,594,989
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings from Treasury	$33,361,000	$17,705,000	$15,656,000
Payments on Treasury Borrowings	(40,784,834)	(15,679,000)	(25,105,834)
Borrowings from Federal Financing Bank	269,714		
Payments on Federal Financing Bank Borrowings	(8,876,320)	(6,513,000)	
Appropriations/Reimbursements	29,813,954	7,561,671	19,296,640
Other	4,417,319	(371,947)	3,469,130
Net Cash Provided (Used) by Financing Activities	$18,200,833	$ 2,702,724	$13,315,936
NET INCREASE (DECREASE) IN CASH	($ 1,801,577)	($ 3,644,535)	($ 34,755)
FUNDS WITH U.S. TREASURY AND CASH - BEGINNING OF YEAR	$12,737,169	$ 6,987,940	$ 35,829
FUNDS WITH U.S. TREASURY AND CASH - END OF YEAR	$10,935,592	$ 3,343,405	$ 1,074

The accompanying notes, which incorporate by reference the published financial statements of USDA's six major

Rural Electrification Administration	Forest Service	Food & Nutrition Service	Federal Crop Insurance Corporation	All Other Agencies
($ 767,203)	**($ 999,523)**	**$ 64,916**	**($ 626,224)**	**($ 57,604)**
	592,307	599	249	82,164
801,572				
	4,331	53,871	1,542	1,476
75,915				
	(634,294)	(395,872)		(14,436)
6,326	(37,052)	(75,932)	(15,591)	176,332
68,000				
(530)	(1,754)	(4,771)		(118,364)
	81,771	(142,537)	549,448	182,920
6,000				42
1,127	485	52,005	(1,900)	(161,874)
(577)	(116,781)	675,750	107,671	68,383
957,833	**(110,987)**	**163,113**	**641,419**	**216,643**
$ 190,630	**($ 1,110,510)**	**$ 228,029**	**$ 15,195**	**$ 159,039**
$2,805,850	$	$	$	$
(1,712,896)				
(6)	(574,272)	(5,370)	(217)	(129,645)
96	(213,386)			43,003
$1,093,044	**($ 787,658)**	**($ 5,370)**	**($ 217)**	**($ 86,642)**
$	**$**	**$**	**$**	**$**
269,714				
(2,363,320)				
328,984	1,854,949	983		770,727
596,002	(211,569)	29,995	900,000	5,708
($1,168,620)	**$ 1,643,380**	**$ 30,978**	**$ 900,000**	**$ 776,435**
$ 115,054	**($ 254,788)**	**$ 253,637**	**$ 914,978**	**$ 848,832**
$ 83,677	**$ 1,758,717**	**$ 1,645,980**	**$ 533,669**	**$1,691,357**
$ 198,731	**$ 1,503,929**	**$ 1,899,617**	**$1,448,647**	**$2,540,189**

agencies (Note 1), are an integral part of these financial statements.

Consolidated Statement of Reconciliation to Budget With Consolidating Information (for the Fiscal Year Ended September 30, 1988)

(Dollars in Thousands)

	USDA Consolidated Total	Farmers Home Administration	Commodity Credit Corporation
OPERATING EXPENSES			
Operating/Program Expenses	$ 46,932,042	$ 912,601	$16,834,930
Cost of Goods Sold	18,379,753		17,684,538
Interest Expense	11,899,925	8,987,288	675,899
Provision for Losses	7,108,970	6,008,583	161,680
Loss on Sale of Loan Assets	1,074,893	1,074,893	
Expense Attributed to Housing Subsidy	1,427,314	1,427,314	
Other Expenses	365,263	80,377	107,618
TOTAL OPERATING EXPENSES	$ 87,188,160	$18,491,056	$35,464,665
ADD BUDGETARY OUTLAYS NOT EXPENSED			
Loans Made/Advanced	$24,398,642	$ 3,493,511	$19,192,235
Loss Settlement of Guaranteed Loans	113,486	113,486	
Acquired Property Disbursements	73,698	73,698	
Purchase of Loans	262,015	262,015	
Payments Made to Investors	84,674	74,550	
Payments on Notes Payable	371,947	371,947	
Capital Expenditures	1,011,824		88,934
Other Outlays	281,907	6,854	(50,648)
Total Budget Outlays Not Expensed	$26,598,193	$ 4,396,061	$19,230,521
LESS ITEMS EXPENSED NOT REQUIRING OUTLAYS			
Depreciation and Amortization	$ 694,570	$	$ 19,251
Provision for Losses on:			
Loans Made	7,414,439	5,090,231	1,522,636
Accounts and Interest Receivable	482,260	85,318	335,722
Guaranteed Loans	1,115,957	627,642	412,400
Commodity Inventories	(1,835,295)		(1,835,295)
Acquired Property	205,392	205,392	
Interest Credit Program Expense	1,427,314	1,427,314	
Loss on Sale of Loan Assets	1,074,893	1,074,893	
Changes in Liabilities:			
Increase (Decrease) in Accounts Payable	1,122,191	12,492	438,097
Increase (Decrease) in Interest Payable	(551,615)	(240,032)	(317,625)
Increase (Decrease) in Other Liabilities	(1,857,329)		(1,747,172)
Other Adjustments (Net)	8,491,859	27,873	6,703,457
Total Items Expensed Not Requiring Outlays	$17,784,636	$ 8,311,123	$ 5,531,471
TOTAL OUTLAYS	$96,001,717	$14,575,994	$49,163,715
LESS OFFSETTING COLLECTIONS	$53,933,394	$ 7,301,875	$39,074,376
NET OUTLAYS (RECEIPTS)	$42,068,323	$ 7,274,119	$10,089,339

The accompanying notes, which incorporate by reference the published financial statements of USDA's six major

Rural Electrification Administration	Forest Service	Food & Nutrition Service	Federal Crop Insurance Corporation	All Other Agencies
$ 28,866	$ 1,706,502	$20,727,982	$1,270,795	$6,167,164
	695,215			
2,236,414			34	290
877,487	4,331	53,871	1,542	1,476
59	89,783	781	312	86,333
$ 3,142,826	**$ 2,495,831**	**$20,782,634**	**$1,272,683**	**$6,255,263**
$ 1,712,896	$	$	$	$
10,124				
	787,658	5,370	217	129,645
530	207,552	117,619		
$ 1,723,550	**$ 995,210**	**$ 122,989**	**$ 217**	**$ 129,645**
$	$ 592,307	$ 599	$ 249	$ 82,164
801,572				
	4,331	53,871	1,542	1,476
75,915				
	81,771	(142,537)	549,448	182,920
6,000				42
1,127	485	52,005	(1,900)	(161,874)
7,894	26,517	1,311,491	92,229	1,039,196
$ 892,508	**$ 705,411**	**$ 1,275,429**	**$ 641,568**	**$1,143,924**
$ 3,973,868	**$ 2,785,630**	**$19,630,194**	**$ 631,332**	**$5,240,984**
$ 6,128,355	**$ 97,651**	**$ - 0 -**	**$ 321,589**	**$1,009,548**
($ 2,154,487)	**$ 2,687,979**	**$19,630,194**	**$ 309,743**	**$4,231,436**

agencies (Note 1), are an integral part of these financial statements.

Notes to the Financial Statements

FISCAL YEAR 1988

NOTE 1 - ORGANIZATION AND MISSION

The United States Department of Agriculture (USDA) was created in 1862 to conduct research and disseminate agricultural information. Over time its mission has expanded to where today USDA programs affect the lives of all Americans and millions of people around the world. The USDA's programs provide billions of dollars annually to support farm income, boost farm production and exports, promote small community and rural development, ensure a safe food supply for the nation, manage natural resources, and improve the nutrition of families and persons with low incomes.

The Department is comprised of 28 agencies, the Commodity Credit Corporation and the Federal Crop Insurance Corporation, and various offices through which it implements its programs (the majority of USDA offices are reported under Departmental Administration or Office of the Secretary). All USDA entities are referred to as agencies in these financial statements unless otherwise noted. During fiscal year 1988, USDA employed over 110,000 people in over 15,000 locations around the world. In addition, it paid for the services of over 17,000 county office employees of the Agricultural Stabilization and Conservation Service.

The consolidating financial statement presentation displays information on USDA's six major agencies separately. The remaining USDA agencies have been consolidated under the caption "All Other Agencies." As discussed in Note 2, the "USDA Consolidated Total" column represents the consolidated balances for the Department and has been adjusted to eliminate intra-agency transactions.

These consolidated statements do not include the financial activities of the USDA Graduate School because its operations are independent of USDA. The school's financial statements are audited by an independent public accounting firm. They can be obtained from the USDA Graduate School, 600 Maryland Avenue, S.W., Washington, D.C.

USDA's six major agencies' financial statements have been published separately by the U.S. General Accounting Office (GAO) and are incorporated into the consolidated notes by reference. They can be obtained from the GAO, 441 G Street, N.W., Washington, D.C. The six major agencies are:

- The Farmers' Home Administration (FmHA) is a credit agency for agriculture and rural development. It serves as a temporary source of supervised credit and technical support for rural Americans for improving their farming enterprises, housing conditions, community facilities, and other business endeavors until they are able to qualify for private sector resources (see GAO/AFMD-90-37).

- The Commodity Credit Corporation (CCC) stabilizes, supports, and protects farm income and prices. CCC makes loans and provides price supports to farmers to guarantee participants a specific return on their commodities. CCC makes and guarantees export credit loans. CCC also provides commodities to domestic and international relief agencies. As discussed in greater detail in Note 2, CCC's 1988 financial statements were restated. GAO's report on CCC's fiscal year 1989 and 1988 financial statements presents the information used to prepare the USDA statements (see GAO/AFMD-91-5).

- The Rural Electrification Administration (REA) finances electric and telephone organizations serving rural areas. REA's financial statements include the operations of the Rural Telephone Bank, a government corporation (see GAO/AFMD-90-73 and GAO/AFMD-90-69).

- The Forest Service (FS) maintains and manages the 191 million acres comprising the national forest system. FS supports research and development of forestry and rangelands management practices to develop scientific and technical knowledge to enhance and protect the economic productivity and environmental quality of the nation's forests and associated rangelands. FS also establishes cooperative agreements with state and local governments, forest industries, and private landowners to help protect and manage non-federal forests and associated range and watershed lands (see GAO/AFMD-91-18).

- The Food and Nutrition Service (FNS) administers USDA's food assistance programs including the Food Stamp and Child Nutrition Programs. These programs are intended to provide access to a nutritionally adequate diet for families and persons with low incomes, and encourage better eating habits among the nation's children. Each year these programs serve approximately 51 million people (see GAO/AFMD-91-3).

- The Federal Crop Insurance Corporation (FCIC) manages an all-risk crop insurance program to assist in stabilizing and protecting the farm sector of the nation's economy (see GAO/AFMD-90-43).

The USDA agencies included as "All Other Agencies" provide a wide range of services. Note 13 briefly describes each agency and presents its consolidating financial information in detail.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal year 1988 represents the first year that USDA has prepared consolidated financial statements. The statements are presented on the accrual basis of accounting in conformance with generally accepted accounting principles for federal agencies.

Principles of Consolidation and Consolidating Agency Statements

The consolidated financial statements include all funds for which USDA agencies are responsible. Except for the transfer of funds from CCC to FCIC for which CCC will be reimbursed in future appropriations (Note 11), all significant intra-agency balances and transactions have been eliminated in consolidation.

The consolidating financial statement presentation provides information on USDA's six major agencies. The information was restated from each agency's audited financial statements. In addition, certain accruals for annual leave and Federal Employees Compensation Act liability were added to the agencies' statements where applicable. The remaining USDA agencies are combined under the caption "All Other Agencies." Because intra-agency balances are eliminated in consolidation, the "USDA Consolidated Total" does not always agree to the sum of the agency balances.

Appropriations, Revenues, and Other Resources Provided

USDA operations are financed by appropriations, revenues from sales of goods and services, and other revenue sources, such as user fees.

Operating funds are also provided by borrowings (Note 7). FmHA, CCC, and REA have authority to borrow from the U.S. Treasury including the Federal Financing Bank.

USDA agencies transfer appropriations and commodities between USDA agencies and between USDA agencies and other Departments which are used by the recipient agency for its operations (Note 11).

Appropriations Used and Revenue Recognition

USDA operations are financed by appropriations and revenues. Annual and multi-year appropriations are provided. Appropriations are used to fund program and other operating expenses such as personnel compensation and fringe benefits, rents, communications, utilities, and other administrative expenses. Appropriations are also used to fund capital investments. For financial reporting under accrual accounting, appropriations are considered "used" as they finance current year expenses. Appropriations expended for capital items are not recognized as expenses until the asset is consumed in operations. Assets financed in this manner are presented as Equity of the U.S. Government. Unexpended appropriations are also presented as Equity of the U.S. Government.

The differences between the accrual based recognition of appropriations used and cash basis budgetary outlays are reconciled in USDA's Statement of Reconciliation to Budget Reports.

Revenues are recognized on an accrual basis when the goods have been delivered or the service provided. USDA revolving funds and corporations use revenues to support operations. The Forest Service is primarily funded by appropriations and most of its revenues revert to the U.S. Treasury.

Reclassification of Balances

Certain balances as presented in USDA's six major agencies' published financial statements have been reclassified to conform with USDA's consolidated presentation. In addition, accruals for annual leave and Federal Employees Compensation Act liability were added to the agencies' statements where applicable.

CCC Financial Statements Restated

CCC began recording allowances for doubtful foreign receivables and guarantees for the first time during fiscal year 1989. The allowance provides for the risk of loss inherent in the lending process. Recognition of the doubtful foreign receivables implies that although the amounts are still owed the prospects of collection of some of CCC's foreign loans are impaired.

No loans have been forgiven or written off. The allowance does not provide for losses on a country-by-country basis and is intended only to provide an overall reevaluation of the loan portfolio. The allowance is available to absorb credit losses related to the total foreign loan portfolio. In addition, the accrued liability for guarantees provides for both probable and reasonably estimated amounts that CCC may be liable for under the Export Credit Guarantee Programs.

The establishment of an allowance for doubtful foreign receivables and an accrued liability for guarantees for fiscal year 1989 was a prior period adjustment per Accounting Principles Board (APB) Opinion No. 20. In accordance with the provisions of APB Opinion No. 20, CCC's previously issued fiscal year 1988 financial statements have been restated to reflect the change.

Funds With U.S. Treasury and Cash

The majority of USDA agencies do not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Treasury. The balance in Funds With U.S. Treasury and Cash is primarily appropriated, revolving, and trust funds that are available to pay current liabilities and to finance authorized purchase commitments. Cash balances held outside the U.S. Treasury are not material. For the purposes of the Statement of Cash Flows, Funds With U.S. Treasury are considered cash.

Interest Receivable

Interest Receivable represents interest income earned but not yet received. It is comprised of accrued interest related to loans in FmHA, CCC, and REA loan portfolios.

Future Financing Sources

Future Financing Sources represent expenses incurred by the USDA for which future appropriations will provide funding. Thus, this asset is an intragovernmental receivable to be funded from future federal revenues (also see Note 3). A majority of the balance in Future Financing Sources is the amount due to CCC for its reimbursable losses. Public Law 87-155, as amended, authorizes reimbursement to CCC for its net realized losses each year. USDA also recognizes a Future Financing Source for expenses accrued but not paid under Conservation Reserve Program contracts (Note 9). For all USDA agencies, annual leave is accrued when earned. The expense is not funded until payment is required. A Future Financing Source is recognized for USDA's accrued liability for annual leave expense. USDA also recognizes a Future Financing Source for its accrued liability related to Federal Employees Compensation Act expenses (Note 3).

Acquired Property

USDA's Acquired Property balance is presented at net realizable value and is comprised of property acquired by FmHA through foreclosure and voluntary conveyance.

Inventories - CCC

USDA's inventories are comprised of commodities acquired by CCC in carrying out its commodity price support program. Commodity inventories are recorded at acquisition cost plus processing and packaging costs incurred after acquisition. Acquisition cost is the amount of the commodity loan settlement, excluding interest, or the amount of purchase settlement. The loan and purchase rates under price support programs are fixed to accomplish objectives set by legislation. Therefore, acquisitions are usually at a cost higher than market value. Allowances on commodity inventories are based on the estimated loss on ultimate commodity dispositions. The allowance on commodity inventories was $1.1 billion at September 30, 1988.

Timber and Related Facilities

Timber and Related Facilities represents the unamortized portions of timber costs associated with FS's timber sales program. Amortization rates are determined with reference to costs, volume harvested, and the estimated total volume (board feet of timber to be harvested over the rotation period). A forest's rotation period is the average or typical length of time it takes a seedling to mature into a harvestable tree.

Accounts Payable

Accounts Payable represent the amounts due under contracts and owed by USDA for goods and services received but unpaid for at fiscal year-end. It also includes FCIC's claims payable.

Accrued Interest Payable

The USDA's Accrued Interest Payable is primarily the interest due on borrowings from the U.S. Treasury and Federal Financing Bank at fiscal year-end.

Amounts Due to U.S. Treasury

Amounts Due to U.S. Treasury primarily represent fiscal year 1988 appropriations to CCC as contained in the Rural Development, Agriculture, and Related Agencies Appropriation Act of 1988 (Public Law 100-202). The Act provided for seventeen individual spending authorizations totalling $21.1 billion for the purpose of financing CCC's programs. As originally reported, $1.4 billion was applied as reimbursement of fiscal year 1987 losses, $15 billion of fiscal year 1988 operating expenses, and $126 million for the National Wool Program. Subsequently, fiscal year 1988 financial statements were restated to apply an additional $1.7 billion against fiscal year 1988 operating expenses, with the remaining $2.9 billion reported as Due to U.S. Treasury. Prior to restatement these funds ($4.6 billion) were reported as Appropriated Capital.

Amounts Due to U.S. Treasury also include FNS's expected collections on prior grants accounts receivable, and food stamp accounts receivable due from retailers/wholesalers, as well as funds no longer needed to satisfy the unredeemed food coupon liability.

Trust and Deposit Liabilities

Trust and Deposit Liabilities are amounts deposited with USDA agencies to finance specific programs. The majority of these funds relate to programs administered by CCC. Material intra-agency balances have been eliminated in consolidation.

Investment of Others

USDA's Investment of Others is the amount of RTB stock held by non-federal owners.

Trust Fund Balance

USDA's Trust Fund Balance is comprised primarily of FS trust funds for reforestation, cooperative work, and highway construction within the National Forest System.

Cost of Goods Sold

Cost of Goods Sold consists of the costs and expenses associated with obtaining, storing, and selling commodities by CCC. It also includes those costs reported by FS related to the harvesting of timber in the timber sales program.

Interest Expense

USDA's Interest Expense recognized for fiscal year 1988 was $11.9 billion. It consists primarily of interest on borrowings from the U.S. Treasury and Federal Financing Bank.

Revenue Attributed to Housing Subsidy and Related Expense

Interest Income for FmHA does not include $1.4 billion of interest credit provided to single family housing and rural rental housing borrowers; however, the amount is reported as Revenue Attributed to Housing Subsidy and the related interest credit program expense is reported as Expense Related to Housing Subsidy. The unpaid principal balance of loans receiving interest credit is approximately $19.2 billion.

Net Income (Loss) on Statement of Cash Flows

USDA's Net Results, as reported on the Statement of Operations, is recognized as Net Income (Loss) for the purpose of the Statement of Cash Flows with the exception of CCC and FS. CCC's Net Results pertain only to its Public Law 83-480 activities. Therefore, Cash Flows from Operating Activities is determined using CCC's Total Loss for the year (see GAO/AFMD-91-5). FS does not report Net Results, Cash Flows from Operating Activities is determined using the excess of Operating Expenses over Operating Revenues (see GAO/AFMD-91-18).

NOTE 3 - INTRAGOVERNMENTAL FINANCIAL ACTIVITIES

USDA's financial activities interact with and are dependent upon those of the federal government as a whole. Thus, USDA's financial statements do not reflect the results of all financial decisions and activities applicable to its operations as if USDA were a stand-alone entity.

USDA's consolidated financial statements are not intended to report the Department's proportionate share of the federal deficit or of public borrowings, including interest thereon. Financing for budget appropriations reported on USDA's Consolidated Statement of Operations and Consolidated Statement of Cash Flows could derive from tax revenues or public borrowings or both; the ultimate source of this financing, whether from tax revenues or public borrowings, has not been specifically allocated to USDA.

Office of Finance and Management's National Finance Center (Center)

USDA, through its Center in New Orleans, Louisiana, services all USDA agencies and cross-services about 25 other government agencies. Services include payroll, billings and collections, general accounting, and other data processing services.

USDA earned $13.3 million from non-USDA agencies in fiscal year 1988.

Federal Employees Compensation Act

Legal actions brought by employees of the USDA for on-the-job injuries are covered by the Federal Employees Compensation Act (FECA), administered by the Department of Labor (DOL). USDA is billed annually as claims are paid by DOL. Payment to DOL for these bills is deferred two years so they may be funded through the budget process. Unpaid FECA bills are included in Accounts Payable and Future Financing Sources.

DOL also estimates a liability for the long-term payments at the end of each fiscal year. At September 30, 1988, USDA's liability for future FECA payments was estimated to be $387 million and is included in Accrued Liabilities and Future Financing Sources. USDA has a Rehabilitation/Rehire Program which re-employs disabled workers.

Job Corps Program

USDA's Forest Service operates 18 Job Corps centers providing basic education and job training to disadvantaged youth. Funds for Job Corp programs are provided by DOL.

Mineral Rents and Royalties

Mineral rents and royalties are earned by USDA's Forest Service and the Department of Interior. Revenues are for the extraction of oil, minerals, and other natural resources from Forest Service land. Only Forest Service earnings are included in these financial statements.

Retirement Benefits

The majority of USDA's employees participate in the contributory Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), which became effective January 1, 1984. Employees participating in FERS are covered under the Federal Insurance Contributions Act (FICA). USDA makes matching contributions to CSRS, FERS, and FICA. USDA matches employee contributions to the savings component of FERS up to 5 percent of basic pay. USDA contributions are recognized as expenses in the Statement of Operations. In fiscal year 1988, USDA contributed $443 million to CSRS, FERS, and FICA. USDA does not report CSRS, FERS, and Social Security assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees because this data is reported only in total by the Office of Personnel Management.

Claims, Judgments, and Relief Acts Fund

Most legal actions that affect USDA and involve an amount in excess of $2,500 fall under the Federal Tort Claims Act and are paid from the Claims, Judgments, and Relief Acts Fund maintained by the Department of Treasury. USDA is not required to reimburse this Fund for payments made on its behalf. The amount of payments from the Fund for USDA are not reflected in USDA's financial statements. During fiscal year 1988, $4.9 million was paid from the Fund to settle actions against USDA.

NOTE 4 - ACCOUNTS RECEIVABLE

USDA's Accounts Receivable are comprised primarily of amounts due to CCC from commodity producers and amounts due to other USDA agencies from the public for goods provided or services performed. They have been reduced by an allowance for amounts estimated to be uncollectible based on historical data, present market conditions, and an analysis of outstanding account balances. The fiscal year 1988 provision for losses on these receivables was $77 million. The balance in Accounts Receivable and the related allowance for losses as of September 30, 1988, were as follows (dollars in thousands):

Agency	Public Accounts Receivable	Allowance	Net Public Receivables	Federal Receivables	Net Accounts Receivable
FmHA	$ 45,089	$ (8,237)	$ 36,852	$ --	$ 36,852
CCC	1,288,619	(194,623)	1,093,996	6,692	1,100,688
REA	25	--	25	--	25
FS	8,661	(4,330)	4,331	149,699	154,030
FNS	457,970	(256,827)	201,143	--	201,143
FCIC	281,754	(11,000)	270,754	--	270,754
All Other	45,492	(2,841)	42,651	507,813	550,464
Intra-agency Eliminations	--	--	--	(2,596)	(2,596)
USDA Total	$2,127,610	($ 477,858)	$1,649,752	$661,608	$2,311,360

NOTE 5 - LOANS RECEIVABLE

As of September 30, 1988, the unpaid principal balance and related allowance for loan losses, by agency, were as follows (dollars in thousands):

Agency	Unpaid Principal	Allowance for Loan Losses	Net Loan Receivable
Farmers Home Administration	$ 58,170,612	$18,473,501	$39,697,111
Commodity Credit Corporation	23,872,144	5,384,370	18,487,774
Rural Electrification Administration	36,289,384	1,791,972	34,497,412
USDA Total	$118,332,140	$25,649,843	$92,682,297

The allowance for loan losses is based on historical data, an analysis of the loan classification of borrower accounts, and an analysis of current market factors and conditions (including delinquent and rescheduled accounts). The fiscal year 1988 provision for losses and loan write-offs were as follows (dollars in thousands):

Agency	Provision for Losses	Write-offs
Farmers Home Administration	$5,588,231	$1,779,078
Commodity Credit Corporation	1,522,636	370,272
Rural Electrification Administration	801,572	- 0 -
USDA Total	$7,912,439	$2,149,350

Debt Modification

FmHA, CCC, and REA have loans whose terms have been restructured to provide a reduction or deferral of interest and/or principal because of deterioration in the financial position of the borrower.

Farmers Home Administration

The FmHA loan deferral program allows a delinquent borrower to postpone the payment of principal and interest for up to five years. The borrower is not required to pay interest on the deferred interest. Instead, the deferred interest will be repaid in equal installments over the remaining term of the loan. The interest rate at the end of the deferral will be the lesser of the current rate on a similar type new loan or the original rate on the loan. As of September 30, 1988, approximately 14,200 borrowers were participants in the debt set-aside program with almost $604 million of principal being set aside. Interest rates on the majority of the related loans ranged from 4.5 to 13.5 percent.

Commodity Credit Corporation

As of September 30, 1988, CCC had an outstanding balance of rescheduled foreign loans receivable of $2.7 billion. Interest income on CCC loans delinquent 90 days or more is offset by a 100 percent provision for doubtful accrued interest receivable.

Rural Electrification Administration

As of September 30, 1988, the outstanding balance of REA's restructured loans was $2.4 billion. The gross interest income that would have been recognized during the fiscal year if the restructured loans had been current was $223.8 million. Interest income actually reported was $112.2 million. REA has commitments to lend additional funds of $3.5 million to restructured debtors.

NOTE 6 - PROPERTY, PLANT, AND EQUIPMENT

USDA controls over 191 million acres of land, much of which was acquired at no cost because there was no carrying value associated with the land when it was transferred to USDA. The majority of this land is managed by the Forest Service.

Buildings, Other Structures, Equipment and Roads is valued at acquisition cost. Expenditures for major additions, replacements, or alterations are capitalized. Maintenance is recognized as an expense when it is incurred.

Buildings are depreciated over their economic useful lives, which average 30 to 40 years, using the straight line method. Equipment is depreciated on a straight line basis over its useful life, which for most equipment, is 3 to 15 years. Depreciable components of roads are expensed over an estimated useful life of 31.5 years. Depreciation expense is included as a component of Other Expenses. At September 30, 1988 the balances for Property, Plant, and Equipment were as follows (dollars in thousands):

	Cost	Accumulated Depreciation	Net Carrying Value
Land	$ 833,187	$ - 0 -	$ 833,187
Buildings and Structures	1,313,557	1,050,846	262,711
Equipment	1,839,229	973,709	865,520
Roads	304,792	38,704	266,088
Other	11,768	5,846	5,922
USDA Total	$4,302,533	$2,069,105	$2,233,428

NOTE 7 - LONG-TERM DEBT

The Secretary of Agriculture is authorized under Title 7, U.S.C., to make and issue notes to the Secretary of the Treasury for the purpose of obtaining funds necessary for discharging obligations and for making loans, advances, and other authorized expenditures. USDA's long-term debt includes Certificates of Beneficial Ownership issued by FmHA and REA.

USDA's Long-Term Debt as of September 30, 1988, was as follows (dollars in thousands):

Agency	Federal	Public	Total
Farmers Home Administration	$ 80,154,218	$ 670,278	$ 80,824,496
Commodity Credit Corporation	11,758,466	- 0 -	11,758,466
Rural Electrification Administration	31,992,200	568,778	32,560,978
Federal Crop Insurance Corporation	113,000	- 0 -	113,000
USDA Total	$124,017,884	$1,239,056	$125,256,940

Interest rates on USDA's debt vary from nothing to 16.516%.

FmHA's borrowings from private investors ($670 million) are in the form of Certificates of Beneficial Ownership and are secured by unpaid loan principal balances.

REA, in conjunction with the restructuring of several loans receivable, assumed notes payable to the public totalling $569 million, maturing through the year 2017. As of September 30, 1988, about 4 percent of this debt was payable over the next 5 years at interest rates which range from 8.18 percent to 10.78 percent.

NOTE 8 - GUARANTEES

Outstanding Guarantees

As of September 30, 1988, USDA was contingently liable for $13.5 billion in loan guarantees as follows (dollars in thousands). These loan guarantees are not included in the accompanying financial statements.

Agency	Amount Guaranteed	Total
Farmer's Home Administration:		
Agricultural Credit Insurance Loans	$3,618,477	
Rural Development Insurance Loans	965,062	
Rural Housing Insurance Loans	17,306	
Total - FmHA		$ 4,600,845
Rural Electrification Administration:		
Rural Electrification and Telephone	2,174,488	
Rural Communication Development	5,604	
Rural Telephone Bank	688,174	
Total - REA		2,868,266
Commodity Credit Corporation:		
Commodity Loans to Foreign Countries		6,022,051
USDA Total		$13,491,162

The maximum period for these guarantees varies from three years for CCC's guarantees on loans for commodities exported to foreign countries to 40 years for FmHA's guarantees on loans made through its Agricultural Credit, Rural Home, and Rural Development Insurance Funds.

Recognized Losses

Estimated losses on these loan guarantees are based on historical data, losses experienced in comparable programs, current market conditions, and management's assessment of the borrower's financial condition. Estimated losses on guaranteed loans are accrued by USDA. The fiscal year 1988 expense and accrual for estimated losses at September 30, 1988 on these guarantees were as follows (dollars in thousands):

Agency	FY 1988 Expense	Accrued Liability 9/30/88
Farmer's Home Administration	$ 627,642	$1,278,587
Commodity Credit Corporation	412,400	1,960,588
Rural Electrification Administration	75,915	367,756
USDA Total	$1,115,957	$3,606,931

Subsequent Event

On January 16, 1991 war broke out in the Middle East, which has further increased the likelihood that some USDA loans to certain countries may not be collected and USDA's liability related to guarantees may increase.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The following commitments and contingencies are not reflected in the accounts of the accompanying consolidated financial statements.

Commitments

As of September 30, 1988, USDA had outstanding commitments for loans, leases, contracts and grants totalling $8.7 billion, as follows (dollars in thousands):

Agency	Amount
FmHA - Loan Commitments	$ 447,349
CCC - Loan Commitments	230,000
REA - Loan Commitments	7,898,883
FNS - Contracts & Grants	145,079
FCIC - Lease Commitments Fiscal Year 1989-1991	1,738
USDA Total	$8,723,049

The maximum period for these commitments varies up to a maximum of 40 years.

REA loan commitments include certain notes issued by REA under restructuring agreements with troubled borrowers.

ASCS Contracts Under Conservation Reserve Program

USDA's Conservation Reserve Program (CRP) is administered by the Agricultural Stabilization and Conservation Service (ASCS). Program participants sign 10 year contracts to remove land from production in exchange for an annual rental payment. The payment is based on the accepted bid per acre and the number of acres placed in reserve. Participants also receive a one-time payment of 50 percent of the eligible costs of establishing vegetative cover on the reserve acreage. ASCS estimates that commitments under CRP for annual rental payments through 1998 total $11 billion. This estimate is based on current program levels with no provision for cancellations or amendments to existing contracts. Two sign-up periods held during 1988 enrolled six million acres.

Payments to participants under CRP contracts are deferred until they are funded through the budget process. A Future Financing Source is recognized for expenses accrued but not paid under CRP contracts in USDA's financial statements. Fiscal year 1988 cost share and accrued rental payments totalled $291,477,244 and $1,065,760,000 respectively.

Contingencies

The majority of the USDA's contingent liability represents USDA's total exposure for food stamp coupons not yet issued for the food stamp program. Contingent liabilities at September 30, 1988, were $7.3 billion, as follows (dollars in thousands):

Agency	Amount
Commodity Credit Corporation	$ 214,000
Food and Nutrition Service	7,101,000
USDA Total	$7,315,000

Hazardous Waste Cleanup

In addition to the contingencies discussed above, USDA has a contingent liability of between $80 and $244 million under the provisions of the Comprehensive Environment Response, Compensation, and Liability Act ("Superfund"), the Clean Air Act, and other Acts to clean up hazardous materials on USDA lands including: toxic chemicals at research facilities, pesticides, past land disposal of hazardous substances, and leaking underground storage tanks. These hazardous materials are located primarily within the National Forest System.

NOTE 10 - USDA CAPITAL

Capital Stock

The USDA's Capital Stock consists of stock subscribed to by the U.S. Government for CCC and FCIC.

The Capital Stock of CCC is $100 million, which is held by the United States as provided in the Commodity Credit Corporation Charter Act. The charter requires CCC to pay interest on its Capital Stock to the U.S. Treasury at rates determined by the Secretary of the Treasury. The amount and rate paid to the U.S. Treasury during fiscal year 1988 was $8.75 million and 8.75 percent, respectively.

Section 504(a) of the Federal Crop Insurance Act, as amended, directs and authorizes Capital Stock of $500 million, subscribed by the United States of America. As of August 15, 1985, FCIC's stock was fully subscribed and issued.

Additional Paid-In Capital

The Federal Crop Insurance Act of 1980 (7 U.S.C. 1516 (c)(1) as amended by the Food Security Act of 1985) allows FCIC to use CCC funds to maintain timely payment of losses by producers and re-insured multi-peril crop insurance companies with the approval of the Secretary of Agriculture. FCIC has received financing from CCC as shown in the following schedule (dollars in thousands). These amounts are classified as Additional Paid-In Capital in USDA's financial statements.

September 30, 1981	$ 250,000
September 30, 1986	450,000
September 30, 1987	300,000
September 30, 1988	900,000
Total Transfers to FCIC	$1,900,000

In addition, the Federal Crop Insurance Act directed the Secretary of Treasury to cancel the original $200 million of FCIC's Capital Stock. Cumulative expenses of $162 million were written off against this amount leaving $38 million which is also classified as Additional Paid-In Capital.

Public Laws 92-12 and 97-98 authorize the Congress, beginning in fiscal year 1971 and extending through 1991, to appropriate no more than $30 million per year to REA for the purchase of RTB Class A stock. The laws contemplate that the Congress will continue to annually appropriate funds until such purchases equal $600 million. During fiscal year 1988, REA received $28.7 million for the purchase of this stock. As of September 30, 1988, REA's Additional Paid-In Capital amounted to $505,950,000. RTB Class A stock was eliminated in the REA/RTB consolidation process.

Invested Capital

Invested Capital represents the U.S. Government's net investment in certain USDA assets, principally Property, Plant, and Equipment, FS's Timber and Related Facilities, and CCC loans. Financing for capitalized items is derived from both appropriations and revenues.

NOTE 11 - TRANSFERS

USDA reports transfers separately from appropriations because the funds are passed through another agency, rather than from a direct appropriation by Congress. The majority of these transfers were received from or made to other USDA agencies with the exception of $4.2 billion received by AMS from the Customs Service (from tariffs on commodity imports). Except for the transfers from CCC to FCIC for which CCC will be reimbursed in future appropriations, all significant intra-agency transfers have been eliminated in consolidation.

During FY 1988 USDA agencies transferred over $6 billion to other USDA agencies. The most significant of these transfers include $4.2 billion AMS transferred to FNS for its child nutrition programs, $994 million in commodities from CCC's inventory transferred to FNS for the school lunch and other programs, and $900 million transferred by CCC to FCIC to cover FCIC losses (Note 10).

Funds and commodities transferred from CCC to other agencies are a component of CCC's net realized loss. The Corporation is reimbursed for these losses under Public Law 87-155, as amended. Thus, these transfers provide additional financing for these agencies' activities.

NOTE 12 - CUMULATIVE RESULTS

At September 30, 1988 the USDA's Cumulative Results, which represents the cumulative deficit or surplus in USDA's operations, were (dollars in millions):

	FmHA	CCC	REA	FNS	FCIC	All Other Agencies	USDA Total
Beginning Balance	($36,335)	$ 240	$1,453	$- 0 -	($1,391)	$ 60	($35,973)
FY 1988 Activity:							
Net Results	(13,806)	(707)	(767)	65	(626)	(58)	(15,899)
Transfers to Invested Capital	- 0 -	- 0 -	- 0 -	(65)	- 0 -	- 0 -	(65)
Reimbursement and/or Appropriation for Subsidies & Losses	7,554	- 0 -	282	- 0 -	- 0 -	- 0 -	7,836
Cumulative Results	($42,587)	($ 467)	$ 968	$- 0 -	($2,017)	$ 2	($44,101)

NOTE 13 - ALL OTHER AGENCIES

The following USDA agencies have been combined under the caption "All Other Agencies" in the consolidating financial statements:

Foreign Agricultural Service

The Foreign Agricultural Service (FAS) maintains a worldwide agricultural market intelligence and commodity reporting service; analyzes agricultural information essential to the assessment of foreign supply and demand conditions; develops foreign markets for U.S. farm products through market expansion activities; and initiates, directs and coordinates the Department's formulation of trade policies and programs with the goal of maintaining and expanding world markets for U.S. agricultural products. FAS also assists CCC in carrying out its programs in foreign countries.

Agricultural Stabilization and Conservation Service

The Agricultural Stabilization and Conservation Service (ASCS) conducts its programs in the field through a number of offices. ASCS state and county committees are responsible for local administration of a variety of programs dealing directly with the farmer. ASCS licenses warehouses and performs inspections of these facilities, for a fee, to reduce the risk of financial loss to depositors storing commodities at licensed facilities. ASCS is also responsible for carrying out activities of the CCC.

Soil Conservation Service

The Soil Conservation Service's (SCS) programs are carried out in cooperation with conservation districts and other sponsoring local organizations. SCS provides technology transfer, through soil conservation districts to land users, communities, watershed groups, federal and state agencies, and other cooperators with erosion control and water management problems to bring about needed land treatments and physical adjustments in land use. The purpose is to improve and conserve soil and water resource quantity and quality, improve agriculture, and reduce damage caused by floods and sedimentation.

Animal and Plant Health Inspection Service

The Animal and Plant Health Inspection Service protects the animal and plant resources of the nation from disease and pests in order to preserve the marketability of U.S. agricultural products within this country and abroad. Much of the work is conducted in cooperation with state and local agencies, private groups, and foreign governments.

Federal Grain Inspection Service

The Federal Grain Inspection Service (FGIS) establishes official United States standards for grain and other commodities, provides an official inspection system for grain, and regulates weighing and certification of the weight of grain shipped in interstate or foreign commerce. FGIS assists in advancing the orderly and efficient marketing and distribution of U.S. grain and other assigned commodities from the nation's farms to domestic and foreign buyers.

Agricultural Marketing Service

The Agricultural Marketing Service's primary objective is to enhance the marketing and distribution of agricultural products from the nation's farms. This is achieved through the collection and dissemination of market news information, the establishment of grading standards, inspection and grading services, and various marketing development programs. AMS receives funding from tariffs on imported commodities (section 32) and user fees. AMS transfers the majority of such funds to FNS for child nutrition programs.

Food Safety and Inspection Service

The Food Safety and Inspection Service's (FSIS) major objective is to ensure that the nation's commercial supply of meat and poultry products is safe, wholesome, and correctly labeled and packaged.

FSIS provides in-plant inspection of all domestic establishments preparing meat or poultry products for sale or distribution in commerce; reviews foreign inspection systems and establishments that prepare meat or poultry products for export to the United States; and provides technical and financial assistance to states which maintain meat and poultry inspection programs equal to that of the federal inspection program.

Human Nutrition Information Service

The Human Nutrition Information Service is primarily responsible for the Department's role in the National Nutrition Monitoring System and in formulating dietary guidelines. It is the primary national resource for information on the nutritive value of foods.

Departmental Administration

Departmental Administration provides staff support to policy officials of the Department and overall direction and coordination of the work of USDA's program agencies to ensure the efficient and effective management and operation of the Department.

Office of the Secretary

The Secretary of Agriculture, assisted by the Deputy Secretary, Under Secretaries and Assistant Secretaries, and members of their immediate staffs, directs and coordinates the work of the Department. This includes developing policy, maintaining relationships with agricultural organizations and others in the development of farm programs and maintaining liaison with the Executive Office of the President and members of Congress on all matters pertaining to agricultural policy.

Office of the General Counsel

The Office of the General Counsel provides legal advice and services for the Department's programs.

Office of the Inspector General

The Office of the Inspector General (OIG) provides policy direction and conducts, supervises and coordinates audits and investigations; and reviews existing and proposed legislation and regulations and makes recommendations to the Secretary and Congress regarding the impact of such initiatives. The OIG also recommends policies for and conducts, supervises or coordinates relationships between the Department and other governmental entities concerning (a) promoting economy and efficiency (b) preventing and detecting fraud and abuse (c) identifying and prosecuting people involved in fraud or abuse; and keeps the Secretary and Congress informed about fraud, abuses, and other serious problems and recommends corrective actions.

Office of Governmental and Public Affairs

The Office of Governmental and Public Affairs serves as the central organization to ensure consistency and coordination of the Department's public information and external affairs activities, to maintain liaison with the Congress and White House on legislative matters, and to maintain liaison with state and local governments.

Extension Service

The Extension Service provides cooperative extension services in home economics and improved practices or technologies in agriculture. These services are coordinated with state and county extension offices through land-grant colleges. The Extension Service provides national leadership and represents the Department within the Cooperative Extension System.

Office of Transportation

The Office of Transportation develops and promotes an efficient agricultural transportation system to help improve farm income, expand exports and meet the needs of rural America.

Cooperative State Research Service

The Cooperative State Research Service (CSRS) is the Department's principal liaison to the university system of the U.S. for the purpose of conducting agricultural research. CSRS participates in a nationwide system of agricultural research program planning and coordination among the state institutions, USDA, and the agricultural industry of America.

Packers and Stockyards Administration

The principal purpose of Packers and Stockyards Administration programs is to ensure the integrity of the livestock, meat, and poultry markets and the market-place. This includes fostering fair and open competition and guarding against deceptive and fraudulent practices which affect the movement and price of meat animals and the products derived from these animals. The agency also works to protect consumers and members of the livestock, meat and poultry industries against unfair business practices which can unduly affect meat and poultry distribution and prices.

Agricultural Cooperative Service

The Agricultural Cooperative Service (ACS) provides analysis of studies done on cooperative associations in the U.S. and foreign countries. This knowledge aids ACS to help farmers help themselves by providing the assistance necessary to support and improve existing cooperatives and to help farmers organize new cooperatives.

Agricultural Research Service

The Agricultural Research Service administers fundamental and applied research to solve problems in animal and plant protection and production; the conservation and improvement of soil, water, and air; the processing, storage, and distribution of farm products; and human nutrition.

Office of International Cooperation and Development

The Office of International Cooperation and Development promotes U.S. agriculture and advances the agriculture of developing countries as parts of a global agricultural system capable of providing ample food and fiber for all people.

World Agricultural Outlook Board

The World Agricultural Outlook Board (WAOB) serves as the single focal point for the nation's economic intelligence related to domestic and international food and agriculture. WAOB is responsible for coordination and clearance review of all commodity and aggregate agricultural and food-related data used to develop outlook and situation material within USDA.

Economic Research Service

The Economic Research Service provides economic and social information and analysis for improving the performance of agriculture in rural America.

National Agricultural Statistics Service

The National Agricultural Statistics Service develops and issues national and state agricultural statistics and conducts statistical research.

National Agricultural Library

The National Agricultural Library disseminates useful information about agricultural and other related sciences to scientists and researchers, administrators and managers, farmers, and to the general public.

Fiscal Year 1988 Financial Information - "All Other Agencies"

The following schedules present the financial position and results of operations, cash flows, and reconciliation to budget for the 24 USDA agencies combined under the "All Other Agencies" caption:

Statement of Financial Position
As of September 30, 1988
(Dollars in Thousands)

	All Other Agencies Total	Foreign Agricultural Service	Agricultural Stabilization & Conservation Service
ASSETS			
Funds With U.S. Treasury and Cash	$2,540,189	$ 59,512	$1,172,975
Accounts Receivable, Net (Note 4)	550,464	6,229	20,232
Prepayments	42,043	8,756	
Future Financing Sources (Note 2)	1,424,245	3,740	1,086,835
Property, Plant and Equipment, Net (Note 6)	485,562	9,133	2,983
Other Assets	57,413	3	650
TOTAL ASSETS	$5,099,916	$ 87,373	$2,283,675
LIABILITIES			
Accounts Payable	$1,543,647	$ 7,444	$1,081,168
Accrued Interest Payable	42		
Unearned Revenues	567	8	94
Accrued Liabilities	327,420	3,520	18,975
Trust and Deposit Liabilities	68,048		226
Other Liabilities	16,536		
Total Liabilities	$1,956,260	$ 10,972	$1,100,463
EQUITY			
Equity of the U.S. Government			
Unexpended Appropriations	$2,591,607	$ 67,290	$1,179,904
Trust Fund Balance	34,503		
Invested Capital (Note 10)	515,998	9,133	3,634
Cumulative Results (Note 12)	1,548	(22)	(326)
Total Equity of the U.S. Government	$3,143,656	$ 76,401	$1,183,212
TOTAL LIABILITIES AND EQUITY	$5,099,916	$ 87,373	$2,283,675

Soil Conservation Service	Animal & Plant Health Inspection Service	Federal Grain Inspection Service	Agricultural Marketing Service	Food Safety & Inspection Service	Human Nutrition Information Service	Departmental Administration
$ 300,543	$ 69,445	$ 5,791	$ 258,885	$ 33,071	$ 5,655	$ (41,775)
31,427	12,878	3,561	24,870	9,838	150	175,976
1,064	603		13,489	13,361		
72,416	36,688	4,887	21,322	100,628	267	12,312
63,972	40,488	4,694	46,988	7,007	193	32,926
2,232	731	8,306	45,222			269
$ 471,654	**$ 160,833**	**$ 27,239**	**$ 410,776**	**$ 163,905**	**$ 6,265**	**$ 179,708**
$ 47,166	$ 28,673	$ 2,504	$ 134,853	$ 43,891	$ 1,207	$ 44,503
351	77		13	1		
67,991	32,827	4,452	21,561	88,787	267	11,955
28	560		697			66,536
14,735	815		197	276		
$ 130,271	**$ 62,952**	**$ 6,956**	**$ 157,321**	**$ 132,955**	**$ 1,474**	**$ 122,994**
$ 274,468	$ 56,662	$ 15,588	$ 143,546	$ 23,842	$ 4,598	$ 24,189
			34,135	101		
67,240	41,614	4,899	76,563	7,571	193	28,163
(325)	(395)	(204)	(789)	(564)		4,362
$ 341,383	**$ 97,881**	**$ 20,283**	**$ 253,455**	**$ 30,950**	**$ 4,791**	**$ 56,714**
$ 471,654	**$ 160,833**	**$ 27,239**	**$ 410,776**	**$ 163,905**	**$ 6,265**	**$ 179,708**

Statement of Financial Position
As of September 30, 1988
(Dollars in Thousands)

ASSETS	Office of the Secretary	Office of the General Counsel	Office of the Inspector General	Office of Governmental & Public Affairs
Funds With U.S. Treasury and Cash	$ 19,888	$ 1,993	$ 5,824	$ 2,116
Accounts Receivable, Net (Note 4)	700	36	3,323	946
Prepayments	24	53		
Future Financing Sources (Note 2)	763	2,418	8,830	556
Property, Plant and Equipment, Net (Note 6)	2,639	697	2,600	2,763
Other Assets				
TOTAL ASSETS	$ 24,014	$ 5,197	$ 20,577	$ 6,381
LIABILITIES				
Accounts Payable	$ 684	$ 1,845	$ 5,534	$ 1,028
Accrued Interest Payable	42			
Unearned Revenues				
Accrued Liabilities	688	2,275	7,924	552
Trust and Deposit Liabilities				
Other Liabilities				
Total Liabilities	$ 1,414	$ 4,120	$ 13,458	$ 1,580
EQUITY				
Equity of the U.S. Government				
Unexpended Appropriations	$ 19,962	$ 381	$ 4,522	$ 2,039
Trust Fund Balance				
Invested Capital (Note 10)	2,639	697	2,600	2,763
Cumulative Results (Note 12)	(1)	(1)	(3)	(1)
Total Equity of the U.S. Government	$ 22,600	$ 1,077	$ 7,119	$ 4,801
TOTAL LIABILITIES AND EQUITY	$ 24,014	$ 5,197	$ 20,577	$ 6,381

Extension Service	Office of Transportation	Cooperative State Research Service	Packers & Stockyards Administration	Agricultural Cooperative Service	Agricultural Research Service	Office of International Cooperation & Development
$ 112,818	$ 420	$ 333,267	$ 791	$ 1,720	$ 212,415	$ (36,212)
58,057	77	36,262	18	7	53,103	98,850
140		70	1	1	4,120	264
18,435	188	1,220	620	311	42,014	1,128
1,487	21	1,682	3,488	79	245,521	963
$ 190,937	$ 706	$ 372,501	$ 4,918	$ 2,118	$ 557,173	$ 64,993
$ 79,451	$ 228	$ 1,680	$ 670	$ 684	$ 46,954	$ 3,693
					12	
15,646	183	1,130	618	302	38,472	949
					1	
					464	
$ 95,097	$ 411	$ 2,810	$ 1,288	$ 986	$ 85,903	$ 4,642
$ 94,370	$ 274	$ 368,009	$ 142	$ 1,055	$ 225,883	$ 59,317
					267	
1,487	21	1,682	3,488	78	245,254	1,041
(17)				(1)	(134)	(7)
$ 95,840	$ 295	$ 369,691	$ 3,630	$ 1,132	$ 471,270	$ 60,351
$ 190,937	$ 706	$ 372,501	$ 4,918	$ 2,118	$ 557,173	$ 64,993

Statement of Financial Position
As of September 30, 1988
(Dollars in Thousands)

	World Agricultural Outlook Board	Economic Research Service	National Agricultural Statistics Service	National Agricultural Library
ASSETS				
Funds With U.S. Treasury and Cash	$ 391	$ 8,712	$ 7,759	$ 4,185
Accounts Receivable, Net (Note 4)	92	5,191	6,472	2,169
Prepayments		8	3	86
Future Financing Sources (Note 2)	127	3,880	4,115	545
Property, Plant and Equipment, Net (Note 6)	195	772	5,613	8,658
Other Assets				
TOTAL ASSETS	**$ 805**	**$ 18,563**	**$ 23,962**	**$ 15,643**
LIABILITIES				
Accounts Payable	$ 205	$ 2,764	$ 5,705	$ 1,113
Accrued Interest Payable				
Unearned Revenues		4		7
Accrued Liabilities	127	3,725	3,952	542
Trust and Deposit Liabilities				
Other Liabilities				49
Total Liabilities	**$ 332**	**$ 6,493**	**$ 9,657**	**$ 1,711**
EQUITY				
Equity of the U.S. Government				
Unexpended Appropriations	$ 278	$ 11,301	$ 8,711	$ 5,276
Trust Fund Balance				
Invested Capital (Note 10)	195	772	5,613	8,658
Cumulative Results (Note 12)		(3)	(19)	(2)
Total Equity of the U.S. Government	**$ 473**	**$ 12,070**	**$ 14,305**	**$ 13,932**
TOTAL LIABILITIES AND EQUITY	**$ 805**	**$ 18,563**	**$ 23,962**	**$ 15,643**

Statement of Operations
For the Fiscal Year Ended September 30, 1988
(Dollars in Thousands)

	All Other Agencies Total	Foreign Agricultural Service	Agricultural Stabilization & Conservation Service
OPERATING EXPENSES			
Operating/Program Expenses	$6,167,164	$ 91,040	$2,247,445
Interest Expense	290	4	
Provision for Losses	1,476	22	326
Other Expenses	86,333	469	463
TOTAL OPERATING EXPENSES	$6,255,263	$ 91,535	$2,248,234
OPERATING REVENUES			
Sale of Goods and Services	$ 496,771	$ 10,223	$ 20,257
Interest Earned	401		
Other Revenue	3,632		
Total Operating Revenues	$ 500,804	$ 10,223	$ 20,257
OTHER FINANCING SOURCES			
Financing from Appropriations	$3,882,097	$ 78,878	$ 538,731
Reimbursements and Other	656,004		645,056
Intra-USDA Transfers (Note 11)			
Transfers to Other USDA Agencies	(4,344,026)		(21,872)
Transfers from Other USDA Agencies	187,849	2,345	
Inter-Departmental Transfers (Note 11)			
Transfers to Other Departments	(56,591)		(254)
Transfers from Other Departments	4,301,509		
Funds to be Provided from Future Appropriations	1,070,013	70	1,065,990
Total Other Financing Sources	$5,696,855	$ 81,293	$2,227,651
TOTAL REVENUES AND OTHER FINANCING SOURCES	$6,197,659	$ 91,516	$2,247,908
NET RESULTS	($ 57,604)	($ 19)	($ 326)

Soil Conservation Service	Animal & Plant Health Inspection Service	Federal Grain Inspection Service	Agricultural Marketing Service	Food Safety & Inspection Service	Human Nutrition Information Service	Departmental Administration
$ 711,074	$ 356,840	$ 38,056	$ 586,005	$ 432,006	$ 10,804	$ 228,256
45		4	14	13	3	46
325	81		392	116		26
3,915	10,496	1,100	2,002	2,655	95	11,787
$ 715,359	**$ 367,417**	**$ 39,160**	**$ 588,413**	**$ 434,790**	**$ 10,902**	**$ 240,115**
$ 804	$ 31,127	$ 35,009	$ 155,769	$ 49,190	$ 225	$ 142,961
		401				
						3,631
$ 804	**$ 31,127**	**$ 35,410**	**$ 155,769**	**$ 49,190**	**$ 225**	**$ 146,592**
$ 550,977	$ 341,904	$ 682	$ 485,128	$ 385,080	$ 10,669	$ 101,761
		9,977	692	101		
(5,006)	(8,748)	(1,163)	(4,248,782)	(1,469)		(2,894)
75,018	6,893			1,105		
			(56,337)			
15,628			4,240,882			
1,326	362	64	236	753	8	178
$ 637,943	**$ 340,411**	**$ 9,560**	**$ 421,819**	**$ 385,570**	**$ 10,677**	**$ 99,045**
$ 638,747	**$ 371,538**	**$ 44,970**	**$ 577,588**	**$ 434,760**	**$ 10,902**	**$ 245,637**
($ 76,612)	**$ 4,121**	**$ 5,810**	**($ 10,825)**	**($ 30)**	**$ - 0 -**	**$ 5,522**

Statement of Operations
For the Fiscal Year Ended September 30, 1988
(Dollars in Thousands)

	Office of the Secretary	Office of the General Counsel	Office of the Inspector General	Office of Governmental & Public Affairs
OPERATING EXPENSES				
Operating/Program Expenses	$ 5,753	$ 18,478	$ 48,487	$ 9,057
Interest Expense			1	2
Provision for Losses		1	3	1
Other Expenses	493	366	1,626	327
TOTAL OPERATING EXPENSES	**$ 6,246**	**$ 18,845**	**$ 50,117**	**$ 9,387**
OPERATING REVENUES				
Sale of Goods and Services	1,661	7	1,458	918
Interest Earned				
Other Revenue				1
Total Operating Revenues	**$ 1,661**	**$ 7**	**$ 1,458**	**$ 919**
OTHER FINANCING SOURCES				
Financing from Appropriations	$ 5,177	$ 18,799	$ 48,559	$ 5,565
Reimbursements and Other	118		6	
Intra-USDA Transfers (Note 11)				
Transfers to Other USDA Agencies				
Transfers from Other USDA Agencies				2,894
Inter-Departmental Transfers (Note 11)				
Transfers to Other Departments				
Transfers from Other Departments				
Funds to be Provided from Future Appropriations	9	45	91	15
Total Other Financing Sources	**$ 5,304**	**$ 18,844**	**$ 48,656**	**$ 8,474**
TOTAL REVENUES AND OTHER FINANCING SOURCES	**$ 6,965**	**$ 18,851**	**$ 50,114**	**$ 9,393**
NET RESULTS	**$ 719**	**$ 6**	**($ 3)**	**$ 6**

Extension Service	Office of Transportation	Cooperative State Research Service	Packers & Stockyards Administration	Agricultural Cooperative Service	Agricultural Research Service	Office of International Cooperation & Development
$ 396,393	$ 2,519	$ 302,944	$ 9,277	$ 4,705	$ 486,745	$ 51,186
2		3			142	
17				1	133	8
168	30	202	598	119	44,091	1,003
$ 396,580	**$ 2,549**	**$ 303,149**	**$ 9,875**	**$ 4,825**	**$ 531,111**	**$ 52,197**
$ 6,699	$ 62	$ 4,391	$ 1	$	$ 21,756	$ 3,213
$ 6,699	**$ 62**	**$ 4,391**	**$ 1**	**$ - 0 -**	**$ 21,756**	**$ 3,213**
$ 344,741	$ 2,545	$ 255,463	$ 9,857	$ 4,816	$ 552,403	$ 21,064
					31	
					(43,685)	(6,613)
40,405		42,500			9,480	
4,698		775			2,308	37,218
20	4	20	18	8	583	15
$ 389,864	**$ 2,549**	**$ 298,758**	**$ 9,875**	**$ 4,824**	**$ 521,120**	**$ 51,684**
$ 396,563	**$ 2,611**	**$ 303,149**	**$ 9,876**	**$ 4,824**	**$ 542,876**	**$ 54,897**
($ 17)	**$ 62**	**$ - 0 -**	**$ 1**	**($ 1)**	**$ 11,765**	**$ 2,700**

Statement of Operations
For the Fiscal Year Ended September 30, 1988
(Dollars in Thousands)

OPERATING EXPENSES	World Agricultural Outlook Board	Economic Research Service	National Agricultural Statistics Service	National Agricultural Library
Operating/Program Expenses	$ 1,702	$ 48,097	$ 66,967	$ 13,328
Interest Expense		4	5	2
Provision for Losses		3	19	2
Other Expenses	32	766	894	2,636
TOTAL OPERATING EXPENSES	$ 1,734	$ 48,870	$ 67,885	$ 15,968
OPERATING REVENUES				
Sale of Goods and Services	$	$ 1,700	$ 6,635	$ 2,705
Interest Earned				
Other Revenue				
Total Operating Revenues	$ - 0 -	$ 1,700	$ 6,635	$ 2,705
OTHER FINANCING SOURCES				
Financing from Appropriations	$ 1,731	$ 49,545	$ 56,636	$ 11,386
Reimbursements and Other			23	
Intra-USDA Transfers (Note 11)				
Transfers to Other USDA Agencies		(3,211)		(583)
Transfers from Other USDA Agencies		775	4,476	1,958
Inter-Departmental Transfers (Note 11)				
Transfers to Other Departments				
Transfers from Other Departments				
Funds to be Provided from Future Appropriations	3	87	92	16
Total Other Financing Sources	$ 1,734	$ 47,196	$ 61,227	$ 12,777
TOTAL REVENUES AND OTHER FINANCING SOURCES	$ 1,734	$ 48,896	$ 67,862	$ 15,482
NET RESULTS	$ - 0 -	$ 26	($ 23)	($ 486)

Statement of Cash Flows
For the Fiscal Year Ended September 30, 1988
(Dollars in Thousands)

	All Other Agencies Total	Foreign Agricultural Service	Agricultural Stabilization & Conservation Service
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (Loss)	($ 57,604)	($ 19)	($ 326)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	82,164	399	233
Provision for Losses	1,476	22	326
Amounts Remitted to Treasury	(14,436)	(2,122)	
Changes in Assets & Liabilities:			
(Increase) Decrease in Accounts Receivable	176,332	7,447	13,550
(Increase) Decrease in Other Assets	(118,364)	1,392	
Increase (Decrease) in Accounts Payable	182,920	(980)	(10,023)
Increase (Decrease) in Interest Payable	42		
Increase (Decrease) in Other Liabilities	(161,874)		
Other Adjustments (net)	68,383	1,001	
Total Adjustments	216,643	7,159	4,086
Net Cash Provided by Operating Activities	$ 159,039	$ 7,140	$ 3,760
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Property, Plant, and Equipment	($ 129,645)	($ 1,399)	($ 135)
Other	43,003		
Net Cash Provided by Investing Activities	($ 86,642)	($ 1,399)	($ 135)
CASH FLOWS FROM FINANCING ACTIVITIES			
Appropriations/Reimbursements	$ 770,727	$	$ 770,727
Other	5,708		
Net Cash Provided by Financing Activities	$ 776,435	$ - 0 -	$ 770,727
NET INCREASE (DECREASE) IN CASH	$ 848,832	$ 5,741	$ 774,352
FUNDS WITH U.S. TREASURY & CASH - BEGINNING OF YEAR	$1,691,357	$ 53,771	$ 398,623
FUNDS WITH U.S. TREASURY & CASH - END OF YEAR	$2,540,189	$ 59,512	$1,172,975

Soil Conservation Service	Animal & Plant Health Inspection Service	Federal Grain Inspection Service	Agricultural Marketing Service	Food Safety & Inspection Service	Human Nutrition Information Service	Departmental Administration
($ 76,612)	$ 4,121	$ 5,810	($ 10,825)	($ 30)	$ - 0 -	$ 5,522
2,589	10,135	1,037	1,766	1,902	88	11,609
325	81		392	116		26
(3,029)	844	(200)	187	(2,010)		1,233
(4,442)	(4,144)	(947)	314,668	4,917	(150)	(151,350)
69,741	(4,743)	2,571	(237,175)			49,850
(21,573)	4,828	248	103,090	14,453	178	16,612
59,001	(5,565)		(232,383)	(7,700)		
		4,564	400	(10,226)	(1,965)	34,686
102,612	1,436	7,273	(49,055)	1,452	(1,849)	(37,334)
$ 26,000	$ 5,557	$ 13,083	($ 59,880)	$ 1,422	($ 1,849)	($ 31,812)
($ 46,903)	($ 6,307)	($ 8,628)	($ 4,474)	($ 1,256)	($ 67)	($ 15,310)
627	(435)	(3,428)	32,038	(10)		14,173
($ 46,276)	($ 6,742)	($ 12,056)	$ 27,564	($ 1,266)	($ 67)	($ 1,137)
$	$	$	$	$	$	$ 5,708
$ - 0 -	$ - 0 -	$ - 0 -	$ - 0 -	$ - 0 -	$ - 0 -	$ 5,708
($ 20,276)	($ 1,185)	$ 1,027	($ 32,316)	$ 156	($ 1,916)	($ 27,241)
$ 320,819	$ 70,630	$ 4,764	$ 291,201	$ 32,915	$ 7,571	($ 14,534)
$ 300,543	$ 69,445	$ 5,791	$ 258,885	$ 33,071	$ 5,655	($ 41,775)

Statement of Cash Flows
For the Fiscal Year Ended September 30, 1988
(Dollars in Thousands)

	Office of the Secretary	Office of the General Counsel	Office of the Inspector General	Office of Governmental & Public Affairs
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income (Loss)	$ 719	$ 6	($ 3)	$ 6
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	484	321	1,535	311
Provision for Losses		1	3	1
Amounts Remitted to Treasury	(503)	(70)	(256)	(167)
Changes in Assets & Liabilities:				
(Increase) Decrease in Accounts Receivable	287	528	(44)	(603)
(Increase) Decrease in Other Assets				
Increase (Decrease) in Accounts Payable	69	238	51	301
Increase (Decrease) in Interest Payable	42			
Increase (Decrease) in Other Liabilities				
Other Adjustments (net)	79	(263)	(679)	208
Total Adjustments	458	755	610	51
Net Cash Provided by Operating Activities	$ 1,177	$ 761	$ 607	$ 57
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of Property, Plant, and Equipment	($ 23)	($ 641)	($ 683)	($ 72)
Other		1	6	1
Net Cash Provided by Investing Activities	($ 23)	($ 640)	($ 677)	($ 71)
CASH FLOWS FROM FINANCING ACTIVITIES				
Appropriations/Reimbursements	$	$	$	$
Other				
Net Cash Provided by Financing Activities	$ - 0 -	$ - 0 -	$ - 0 -	$ - 0 -
NET INCREASE (DECREASE) IN CASH	$ 1,154	$ 121	($ 70)	($ 14)
FUNDS WITH U.S. TREASURY & CASH - BEGINNING OF YEAR	$ 18,734	$ 1,872	$ 5,894	$ 2,130
FUNDS WITH U.S. TREASURY & CASH - END OF YEAR	$ 19,888	$ 1,993	$ 5,824	$ 2,116

Extension Service	Office of Transportation	Cooperative State Research Service	Packers & Stockyards Administration	Agricultural Cooperative Service	Agricultural Research Service	Office of International Cooperation & Development
($ 17)	$ 62	$ - 0 -	$ 1	($ 1)	$ 11,765	$ 2,700
149	26	182	640	132	43,509	988
17				1	133	8
(360)	69	(1,511)	(451)	72	(5,644)	
(3,236)	(76)	(3,746)	235	5	(14,277)	11,925
78,428	75	793	(226)	174	9,159	(8,440)
					25,010	
(34,827)	(153)	53,122	(517)	(238)	40,945	(18,154)
40,171	(59)	48,840	(319)	146	98,835	(13,673)
$ 40,154	$ 3	$ 48,840	($ 318)	$ 145	$ 110,600	($ 10,973)
($ 81)	($ 26)	($ 106)	$ 30	$ 21	($ 39,808)	($ 2,354)
			(1)		31	
($ 81)	($ 26)	($ 106)	$ 29	$ 21	($ 39,777)	($ 2,354)
$	$	$	$	$	$	$
$ - 0 -	$ - 0 -	$ - 0 -	$ - 0 -	$ - 0 -	$ - 0 -	$ - 0 -
$ 40,073	($ 23)	$ 48,734	($ 289)	$ 166	$ 70,823	($ 13,327)
$ 72,745	$ 443	$ 284,533	$ 1,080	$ 1,554	$ 141,592	($ 22,885)
$ 112,818	$ 420	$ 333,267	$ 791	$ 1,720	$ 212,415	($ 36,212)

Statement of Cash Flows
For the Fiscal Year Ended September 30, 1988
(Dollars in Thousands)

	World Agricultural Outlook Board	Economic Research Service	National Agricultural Statistics Service	National Agricultural Library
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income (Loss)	$ - 0 -	$ 26	($ 23)	($ 486)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	28	679	802	2,620
Provision for Losses		3	19	2
Amounts Remitted to Treasury	29	(826)	119	160
Changes in Assets & Liabilities:				
(Increase) Decrease in Accounts Receivable	(4)	5,153	2,084	(1,448)
(Increase) Decrease in Other Assets				
Increase (Decrease) in Accounts Payable	20	(5,509)	817	137
Increase (Decrease) in Interest Payable				
Increase (Decrease) in Other Liabilities				(237)
Other Adjustments (net)	(7)	914	(142)	(365)
Total Adjustments	66	414	3,699	869
Net Cash Provided by Operating Activities	$ 66	$ 440	$ 3,676	$ 383
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of Property, Plant, and Equipment	($ 53)	($ 205)	($ 293)	($ 872)
Other				
Net Cash Provided by Investing Activities	($ 53)	($ 205)	($ 293)	($ 872)
CASH FLOWS FROM FINANCING ACTIVITIES				
Appropriations/Reimbursements	$	$	$	$
Other				
Net Cash Provided by Financing Activities	$ - 0 -	$ - 0 -	$ - 0 -	$ - 0 -
NET INCREASE (DECREASE) IN CASH	$ 13	$ 235	$ 3,383	($ 489)
FUNDS WITH U.S. TREASURY & CASH - BEGINNING OF YEAR	$ 378	$ 8,477	$ 4,376	$ 4,674
FUNDS WITH U.S. TREASURY & CASH - END OF YEAR	$ 391	$ 8,712	$ 7,759	$ 4,185

Statement of Reconciliation to Budget Reports
For the Fiscal Year Ended September 30, 1988
(Dollars in Thousands)

	All Other Agencies Total	Foreign Agricultural Service	Agricultural Stabilization & Conservation Service
OPERATING EXPENSES			
Operating/Program Expenses	$6,167,164	$ 91,040	$2,247,445
Interest Expense	290	4	
Provision for Losses	1,476	22	326
Other Expenses	86,333	469	463
TOTAL OPERATING EXPENSES	$6,255,263	$ 91,535	$2,248,234
ADD BUDGETARY OUTLAYS NOT EXPENSED			
Capital Expenditures	$ 129,645	$ 1,399	$ 135
Total Budgetary Outlays Not Expensed	$ 129,645	$ 1,399	$ 135
LESS ITEMS EXPENSED NOT REQUIRING OUTLAYS			
Depreciation and Amortization	$ 82,164	$ 399	$ 233
Provision for Losses on Receivables	1,476	22	326
Changes in Liabilities:			
Increase (Decrease) in Accounts Payable	182,920	(980)	(10,023)
Increase (Decrease) in Interest Payable	42		
Increase (Decrease) in Other Liabilities	(161,874)		
Other Adjustments (Net)	1,039,196	(1,084)	1,079,308
Total Items Expensed Not Requiring Outlays	$1,143,924	($ 1,643)	$1,069,844
TOTAL OUTLAYS	$5,240,984	$ 94,577	$1,178,525
LESS OFFSETTING COLLECTIONS	$1,009,548	$ 10,220	$ 661,678
NET OUTLAYS (RECEIPTS)	$4,231,436	$ 84,357	$ 516,847

Soil Conservation Service	Animal & Plant Health Inspection Service	Federal Grain Inspection Service	Agricultural Marketing Service	Food Safety & Inspection Service	Human Nutrition Information Service	Departmental Administration
$ 711,074	$ 356,840	$ 38,056	$ 586,005	$ 432,006	$ 10,804	$ 228,256
45		4	14	13	3	46
325	81		392	116		26
3,915	10,496	1,100	2,002	2,655	95	11,787
$ 715,359	**$ 367,417**	**$ 39,160**	**$ 588,413**	**$ 434,790**	**$ 10,902**	**$ 240,115**
$ 46,903	$ 6,307	$ 8,628	$ 4,474	$ 1,256	$ 67	$ 15,310
$ 46,903	**$ 6,307**	**$ 8,628**	**$ 4,474**	**$ 1,256**	**$ 67**	**$ 15,310**
$ 2,589	$ 10,135	$ 1,037	$ 1,766	$ 1,902	$ 88	$ 11,609
325	81		392	116		26
(21,573)	4,828	248	103,090	14,453	178	16,612
59,001	(5,565)		(232,383)	(7,700)		
(56,258)	(1,845)	(1,248)	138,204	(11,860)	(143)	(25,754)
($ 15,916)	**$ 7,634**	**$ 37**	**$ 11,069**	**($ 3,089)**	**$ 123**	**$ 2,493**
$ 778,178	**$ 366,090**	**$ 47,751**	**$ 581,818**	**$ 439,135**	**$ 10,846**	**$ 252,932**
$ 58,405	**$ 26,088**	**$ 35,490**	**$ 68,771**	**$ 48,248**	**$ 225**	**$ 8,127**
$ 719,773	**$ 340,002**	**$ 12,261**	**$ 513,047**	**$ 390,887**	**$ 10,621**	**$ 244,805**

Statement of Reconciliation to Budget Reports
For the Fiscal Year Ended September 30, 1988
(Dollars in Thousands)

OPERATING EXPENSES	Office of the Secretary	Office of the General Counsel	Office of the Inspector General	Office of Governmental & Public Affairs
Operating/Program Expenses	$ 5,753	$ 18,478	$ 48,487	$ 9,057
Interest Expense			1	2
Provision for Losses		1	3	1
Other Expenses	493	366	1,626	327
TOTAL OPERATING EXPENSES	$ 6,246	$ 18,845	$ 50,117	$ 9,387
ADD BUDGETARY OUTLAYS NOT EXPENSED				
Capital Expenditures	$ 23	$ 641	$ 683	$ 72
Total Budgetary Outlays Not Expensed	$ 23	$ 641	$ 683	$ 72
LESS ITEMS EXPENSED NOT REQUIRING OUTLAYS				
Depreciation and Amortization	$ 484	$ 321	$ 1,535	$ 311
Provision for Losses on Receivables		1	3	1
Changes in Liabilities:				
Increase (Decrease) in Accounts Payable	69	238	51	301
Increase (Decrease) in Interest Payable	42			
Increase (Decrease) in Other Liabilities				
Other Adjustments (Net)	525	376	(862)	(592)
Total Items Expensed Not Requiring Outlays	$ 1,120	$ 936	$ 727	$ 21
TOTAL OUTLAYS	$ 5,149	$ 18,550	$ 50,073	$ 9,438
LESS OFFSETTING COLLECTIONS	$ 759	$ 7	$ 1,464	$ 900
NET OUTLAYS (RECEIPTS)	$ 4,390	$ 18,543	$ 48,609	$ 8,538

Extension Service	Office of Transportation	Cooperative State Research Service	Packers & Stockyards Administration	Agricultural Cooperative Service	Agricultural Research Service	Office of International Cooperation & Development
$ 396,393	$ 2,519	$ 302,944	$ 9,277	$ 4,705	$ 486,745	$ 51,186
2		3			142	
17				1	133	8
168	30	202	598	119	44,091	1,003
$ 396,580	**$ 2,549**	**$ 303,149**	**$ 9,875**	**$ 4,825**	**$ 531,111**	**$ 52,197**
$ 81	$ 26	$ 106	($ 30)	($ 21)	$ 39,808	$ 2,354
$ 81	**$ 26**	**$ 106**	**($ 30)**	**($ 21)**	**$ 39,808**	**$ 2,354**
$ 149	$ 26	$ 182	$ 640	$ 132	$ 43,509	$ 988
17				1	133	8
78,428	75	793	(226)	174	9,159	(8,440)
					25,010	
(6,161)	(77)	(3,887)	190	(21)	(65,561)	(9,895)
$ 72,433	**$ 24**	**($ 2,912)**	**$ 604**	**$ 286**	**$ 12,250**	**($ 17,339)**
$ 324,228	**$ 2,551**	**$ 306,167**	**$ 9,241**	**$ 4,518**	**$ 558,669**	**$ 71,890**
$ 6,699	**$ 62**	**$ 4,392**	**$ 1**	**$ - 0 -**	**$ 18,279**	**$ 48,554**
$ 317,529	**$ 2,489**	**$ 301,775**	**$ 9,240**	**$ 4,518**	**$ 540,390**	**$ 23,336**

Statement of Reconciliation to Budget Reports
For the Fiscal Year Ended September 30, 1988
(Dollars in Thousands)

OPERATING EXPENSES	World Agricultural Outlook Board	Economic Research Service	National Agricultural Statistics Service	National Agricultural Library
Operating/Program Expenses	$ 1,702	$ 48,097	$ 66,967	$ 13,328
Interest Expense		4	5	2
Provision for Losses		3	19	2
Other Expenses	32	766	894	2,636
TOTAL OPERATING EXPENSES	$ 1,734	$ 48,870	$ 67,885	$ 15,968
ADD BUDGETARY OUTLAYS NOT EXPENSED				
Capital Expenditures	$ 53	$ 205	$ 293	$ 872
Total Budgetary Outlays Not Expensed	$ 53	$ 205	$ 293	$ 872
LESS ITEMS EXPENSED NOT REQUIRING OUTLAYS				
Depreciation and Amortization	$ 28	$ 679	$ 802	$ 2,620
Provision for Losses on Receivables		3	19	2
Changes in Liabilities:				
Increase (Decrease) in Accounts Payable	20	(5,509)	817	137
Increase (Decrease) in Interest Payable				
Increase (Decrease) in Other Liabilities				(237)
Other Adjustments (Net)	(1)	5,078	1,994	(1,230)
Total Items Expensed Not Requiring Outlays	$ 47	$ 251	$ 3,632	$ 1,292
TOTAL OUTLAYS	$ 1,740	$ 48,824	$ 64,546	$ 15,548
LESS OFFSETTING COLLECTIONS	$ (7)	$ 1,609	$ 6,470	$ 3,107
NET OUTLAYS (RECEIPTS)	$ 1,747	$ 47,215	$ 58,076	$ 12,441

Summary of USDA's Federal Managers' Financial Integrity Act Reports

This appendix summarizes the unresolved internal control and accounting system weaknesses contained in USDA's 1988 and 1989 Federal Managers' Financial Integrity Act reports. The status of related corrective actions reflects that which was reported in the Department's 1990 report issued December 31, 1990. The act requires USDA to review and evaluate the internal control and accounting systems operating within its programs, activities, organizations, and functions. The act also requires the Secretary to state whether USDA's internal control and accounting systems conform with the applicable requirements established by the Comptroller General of the United States.

Our audit primarily focused on the internal control and accounting systems needed to produce USDA's financial statements. Thus, we did not examine all of the financial management systems that USDA must consider when planning and conducting its FMFIA reviews and when preparing the required annual report. Therefore, we do not attest to the adequacy of all financial management related disclosures in USDA's FMFIA reports.

USDA has made slow progress in correcting identified internal control and accounting system problems. USDA continually changes targeted completion dates. Of the 7 high-risk areas identified in the fiscal year 1990 FMFIA report, 4 were identified between 1985 and 1989. The original targeted correction dates for these four has changed by 69, 32, 27, and 2 months. The other 3 high-risk areas were identified in 1990.

The Chief Financial Officers Act of 1990 requires that the CFO provide a summary of the Department's FMFIA report in the annual report that is required to be submitted to OMB and the agency 60 days after the audit report is submitted. This additional reporting will provide the Administration and the Congress with an overview of the integrity and reliability of an agency's financial systems, reports, and other related information.

Background

FMFIA was enacted in September 1982 to strengthen internal control and accounting systems throughout the federal government and reduce fraud, waste, abuse, and misappropriation of federal funds. The act requires the head of each executive agency to prepare annual reports to the President and the Congress that reflect the results of assessments and detailed reviews of the internal accounting and administrative control systems.

Section 2 of the act requires that agency systems of internal accounting and administrative controls comply with standards prescribed by the Comptroller General and provide reasonable assurance that:

- obligations and costs comply with applicable laws;
- funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over assets.

Section 4 of the act requires that the agency head's annual FMFIA report include a separate report on whether the agency's accounting systems conform to the Comptroller General's accounting principles, standards, and related requirements.

USDA officials use several criteria when evaluating the materiality of weaknesses identified during the review and evaluation processes and determining which will be included in the Department's annual FMFIA report. These criteria include consideration of whether a weakness could (1) impair fulfillment of an agency mission, (2) deprive the public of needed Government services, (3) violate statutory or regulatory requirements, (4) significantly weaken safeguards against waste, loss, unauthorized use, or misappropriation of funds, property, or other assets, or (5) result in a conflict of interest. In applying these criteria, USDA officials also consider the dollar value, resource requirements, organizational size, and the program significance of the affected area.

Material Internal Control Weaknesses

USDA reported having reasonable assurance of overall compliance with FMFIA requirements in 21 administrative and program-related areas even though it identified a need for further improvement in 14 of those areas.

Under section 2 of its FMFIA report, USDA identified a large number of material internal control weaknesses requiring correction and identified the following 6 of the 14 program areas as those needing the greatest improvement:

- Rural Housing Assistance, Farmers Home Administration;
- Rural Community Assistance, Farmers Home Administration;
- Agricultural Production, Farmers Home Administration;
- Domestic Food and Nutrition Assistance, Food and Nutrition Service;

- Agricultural Marketing Systems, Food Safety and Inspection Service; and
- Management and Use of Forest Resources, Forest Service.

As discussed in greater detail in the following pages, these weaknesses exist in a wide range of functional areas including: program management; procurement, grants, loans and debt management; personnel and organizational management; data processing; cash management; property and inventory management; and accounting and financial management.

Rural Housing Assistance

In the FMFIA report, USDA identified 23 current material internal control weaknesses relating to Rural Housing Assistance. These weaknesses affected a variety of program and functional areas. For example:

- The existing accounting system does not meet the agency's needs with respect to fundamental accounting and financial control functions. This problem was identified by management in 1985 and corrective action was initially scheduled for completion in 1988. Presently, USDA plans to implement the Strategic Financial System Improvement Plan by September 1994 to correct this problem. This problem has also been designated as a high-risk area in the 1990 FMFIA report.
- Borrowers who had previously defaulted on loan obligations continued to receive new loans and subsequently defaulted on them. USDA plans to require screening through its Inquiry System in 1991.

Rural Community Assistance

Rural Community Assistance programs provide loans and grants to improve rural community development. USDA's report identified 13 material internal control weaknesses in this program. For example:

- Lenders were not submitting required guarantor financial information such as audited financial statements, annual updates to the financial statements, and analyses of these statements. USDA reported completion of its corrective actions, which require more comprehensive reporting of guarantor financial information, in September 1990.
- The program's computer system was unreliable, computer security was lax, and the agency's accounting system was not integrated for related functions. These weaknesses were discovered by USDA's Consolidated Review Program. USDA plans to increase computer access security by September 1991 and plans to design and implement new computer systems by September 1992.

Agricultural Production

Agricultural Production programs are intended to develop knowledge and technology to improve agricultural production through the conduct of basic, applied, and developmental research. The FMFIA report identified 23 material internal control weaknesses in this program. For example:

- A 1987 inspector general audit disclosed lack of oversight and control over the management and leasing of acquired farm properties. USDA initially intended to include crop-share lease information in its accounting system by June 1988, but its corrective action was finally reported in June 1990.
- Inadequate physical and safety controls to protect animals from injury at the New York Animal Import Center facility were uncovered in an inspector general audit. The Animal and Plant Health Inspection Service reported that it had resolved the physical and safety deficiencies in June 1989.

Domestic Food and Nutrition Assistance

Domestic Food and Nutrition Assistance programs are intended to reduce poverty-caused hunger and malnutrition in the United States by providing food and financial assistance to those most in need of nutritional sustenance. USDA reported 6 accounting, financial management, and automated data processing (ADP) internal control weaknesses in this program. For example:

- The food stamp program cannot trace payments for food stamp redemptions to individual vendors and reconcile such payments against authorized redemptions. USDA was to test and implement a new redemption system by March 1990. It has revised its target date to September 1991 to provide for expanded corrective action. This is presently designated as a high-risk area in USDA's 1990 FMFIA report.
- A lack of adequate controls to prevent overobligation and overdisbursement of program funds was reported. USDA was to improve the system edits by the fall of 1990. However, in its 1990 FMFIA report, it reported that, due to a lack of resources, the correction has been delayed until September 1991.
- Accounting entries were not made to record the value of food stamps returned to inventory. USDA plans to replace the existing accounting system with an integrated financial management system by October 1992.

Agricultural Marketing Systems

The Agricultural Marketing Systems conduct and coordinate agricultural research programs and assist in advancing orderly and efficient marketing and distribution of farm products. USDA reported 31 material internal control weaknesses in this program. For example:

- Meat and poultry inspection regulations and policies were not consistently enforced at plants under inspection. USDA originally stated that by 1989 it would extend sanitation inspections to red meat and processing, but postponed that correction date to 1991 due to inadequate resources.
- Procedures did not ensure the accuracy of commercial lab tests for salmonella in egg products. USDA was to review alternatives and develop procedures to better ensure the adequacy of surveillance tests by commercial laboratories. It also planned to obtain evidence of laboratory qualifications and approved analytical methods before approving salmonella negative product labels in December 1990.

Management and Use of Forest Resources

This program area conducts research to ensure a continuing supply of forest resources on federal and private land while preserving the environment. In addition, this program provides financial assistance to state and local governments for the development of timber resources on private lands.

USDA reported nine material internal control weaknesses in this program. For example:

- Poor controls led to Anti-Deficiency Act violations in this program during fiscal years 1988 and 1989. By the end of fiscal year 1990, program officials intended to (1) emphasize the importance of financial management through meetings, speeches, and correspondence, (2) develop standards or processes on how to perform financial reviews and monthly monitoring, (3) update reprogramming guidelines, and (4) work with the Administration and the Congress on the need to reprogram funds until control improvements have been implemented. Due to limited resources, however, USDA reported that its current target date for correction is September 1991.
- Internal controls in the Automated Purchase Order System were weak. By the end of fiscal year 1990, program officials were to define and implement audit trail capabilities, identify and implement administrative controls, and develop and document employee roles and responsibilities. Also, due to limited resources, USDA changed its target date for correction to September 1991.

Accounting and Financial Management System Weaknesses

USDA considers its agencies' accounting systems to be components of the Departmentwide Financial Information System (DFIS). The components have been subject to numerous reviews conducted by GAO, USDA's Office of Inspector General, and others. Based on these reviews, the Secretary reported that USDA's systems are not in overall compliance with GAO's accounting principles and standards and identified problems in 13 financial management systems. The FMFIA report states that the system in greatest need of improvement is in FmHA. Examples of nonconformances in the FmHA and three other agencies follow.

Farmers Home Administration

Since 1983, FmHA had not properly accounted for or reported acquired property in accordance with GAO's accounting principles and standards. As discussed in appendix II, this weakness contributed to the qualification of our opinion on USDA's 1988 financial statements.

The agency needs to improve its ability to reconcile acquired property subsidiary records with the general ledger control accounts, distinguish between capital and noncapital expenditures, and correctly calculate gains and losses. To correct these deficiencies, program officials are developing a new acquired property subsystem, which will use field office property appraisals to record current market values for all property at the time of acquisition. FmHA plans to complete system testing in 1991.

Also, since 1985, FmHA had not fully implemented the efficient credit management and collection programs needed to assure collection of all receivables, evaluate credit policies, provide efficient and effective account servicing, and improve the accuracy and timeliness of financial reports. By August 1991, agency officials plan to establish an information base to track single family housing accounts that have been referred to credit bureaus and to report borrowers as they become delinquent. They also plan to add reporting for multiple-family housing borrowers to this project. USDA reported that, by September 1992, it will institute the Inquiry to Screen Applicants for Past Bad Debts Subsystem. This subsystem will provide coding to further categorize borrowers with adversely settled accounts and improve credit information for prescreening applicants.

This program has incurred excessive interest costs due to delayed processing. Also, financial reports were understated because of backlogs of unprocessed transactions. These problems, which were identified in 1983, are expected to be corrected by September 1992.

Food and Nutrition Service

The FMFIA report stated that the Food and Nutrition Service's Financial Accounting and Reporting System (FARS) could not be relied on as a basis for financial reports and could not be reconciled with subsystem balances. Furthermore, the information passed from the Accounts Receivable Subsystem into FARS was inaccurate. FNS planned to replace its existing accounting system with an integrated financial management system. This was originally targeted for completion in 1991 but the date has been extended to September 1995.

USDA reported that FNS did not maintain proper documentation of changes made to its financial system. Therefore, management had no assurance that only authorized changes were made to the system and its records. The agency reported that the new integrated financial management system will correct this nonconformance.

Agricultural Stabilization and Conservation Service

Since 1988, USDA has reported that the Agricultural Stabilization and Conservation Service's payroll transactions were not being recorded and reported promptly. This resulted in understated expenditures in internal and external reports. A user requirements group recommended that county offices validate payroll data in the check-writing function, that payroll data be moved from the last workday of the pay period to the Tuesday following the end of the pay period, and that user requirements be developed to calculate payroll data in the county offices. According to the agency, these changes should bring the payroll process in compliance with GAO standards for payroll in January 1992.

Forest Service

USDA also reported that the Forest Service's system for reporting real property did not conform to GAO accounting principles and standards. Due to control weaknesses, subsidiary records maintained by the Forest Service did not support and could not be reconciled with the automated general ledger maintained in the Service's Central Accounting System. The general ledger also did not include the value of transfers, donations, or write-offs. By 1991, the Forest Service planned to determine the feasibility and cost-effectiveness of a fully automated, general ledger controlled real property accounting system. In its 1990 FMFIA report, USDA reported that it plans to integrate this effort with its Administrative Integrated Management System (AIMS), which is scheduled for completion in fiscal year 1996.

Further, in fiscal year 1988, USDA reported that the Forest Service did not sufficiently track funds to ensure that it did not exceed its appropriation. This problem resulted in an Anti-Deficiency Act violation. The Department continued to report this as an active weakness in its 1989 FMFIA report. USDA reported, however, that it has formulated procedures to correct the problem, which will now be included with the AIMS effort due in fiscal year 1996.

Our audit did not disclose any information which would contradict the matters included in USDA's FMFIA reports and summarized in this appendix.

Recent Reports on Six USDA Agencies' Financial Statements

Financial Audit: Farmers Home Administration's Financial Statements for 1989 and 1988 (GAO/AFMD-91-36, May 6, 1991).

Financial Audit: Farmers Home Administration's Financial Statements for 1988 and 1987 (GAO/AFMD-90-37, January 25, 1990).

Financial Audit: Commodity Credit Corporation's Financial Statements for 1989 and 1988 (GAO/AFMD-91-5, July 29, 1991).

Financial Audit: Commodity Credit Corporation's Financial Statements for 1988 and 1987 (GAO/AFMD-89-83, August 4, 1989).

Financial Audit: Rural Electrification Administration's Financial Statements for 1988 and 1987 (GAO/AFMD-90-73, June 13, 1990).

Financial Audit: Forest Service's Financial Statements for Fiscal Year 1988 (GAO/AFMD-91-18, March 18, 1991).

Financial Audit: Food and Nutrition Service's Financial Statements for Fiscal Years 1988 and 1987 (GAO/AFMD-91-3, December 21, 1990).

Financial Audit: Federal Crop Insurance Corporation's Financial Statements for 1989 and 1988 (GAO/AFMD-90-107, September 28, 1990).

Financial Audit: Federal Crop Insurance Corporation's Fiscal Year 1988 Financial Statements (GAO/AFMD-90-43, April 18, 1990).

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