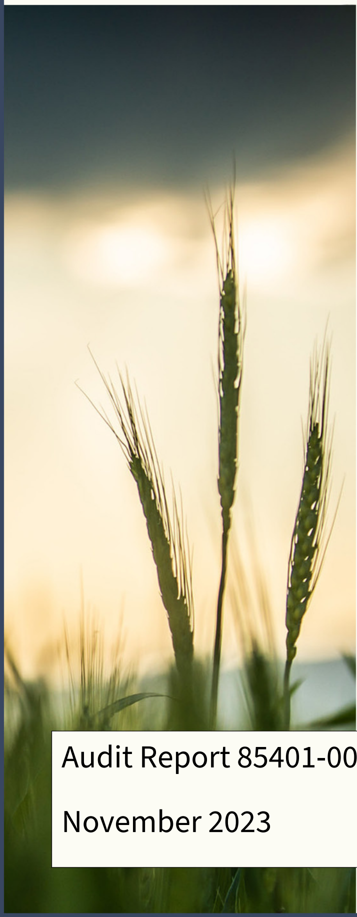
U.S. Department of Agriculture
Office of Inspector General

Rural Development's Financial Statements for Fiscal Years 2023 and 2022



Audit Report 85401-0014-11

November 2023

Rural Development's Financial Statements for Fiscal Years 2023 and 2022

Audit Report 85401-0014-11

OIG audited Rural Development's consolidated financial statements for fiscal years 2023 and 2022.

OBJECTIVE

The objectives of our audits were to review Rural Development's consolidated financial statements for fiscal years 2023 and 2022. Specifically, to determine whether (1) the consolidated financial statements present information fairly, in all material respects, and in accordance with generally accepted accounting principles; (2) Rural Development met the internal control objectives over financial reporting; (3) the agency complied with applicable laws and regulations; and (4) information presented was materially consistent with the consolidated financial statements.

REVIEWED

We conducted our audits on information relevant to the audit objectives as obtained through systems or from officials and personnel located at Rural Development offices in St. Louis, Missouri; Washington, DC; and field offices.

RECOMMENDS

We recommend that Rural Development develop and implement a strategy to routinely evaluate and address its staffing resources and funding requests to increase the operating effectiveness of its continuous review and monitoring controls for assessing the accuracy and validity of unliquidated obligations, to include timely processing of deobligations and reimbursement requests.

WHAT OIG FOUND

Rural Development received an unmodified opinion from the Office of Inspector General's (OIG) audits of Rural Development's consolidated financial statements. We determined that the agency's consolidated financial statements present fairly Rural Development's financial position as of September 30, 2023 and 2022, in all material respects, and were prepared in accordance with United States of America generally accepted accounting principles. This includes the agency's net costs, changes in net position, and statements of budgetary resources and related notes to the consolidated financial statements.

Our consideration of Rural Development's internal control over financial reporting identified one significant deficiency and our consideration of compliance with laws and regulations noted no instances of noncompliance.

DATE: November 8, 2023

AUDIT NUMBER: **85401-0014-11**

TO: **Roger Glendenning**
Acting Under Secretary
Rural Development

ATTN: **Tony Bainbridge**
Chief Financial Officer
Rural Development

FROM: **Janet Sorensen**
Assistant Inspector General for Audit

JANET SORENSEN

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Date: 2023.11.08 13:32:52 -06'00'

SUBJECT: Rural Development's Financial Statements for Fiscal Years 2023 and 2022

This report presents the results of the subject review. The report contains an unmodified opinion on the financial statements, as well as the results of our assessments of Rural Development's internal control over financial reporting and compliance with laws and regulations. Your written response is included in its entirety in Exhibit A.

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. For agencies other than OCFO, please follow your internal agency procedures in forwarding final action correspondence to OCFO.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (https://usdaoig.oversight.gov) in the near future.

Table of Contents

Independent Auditor’s Report

Roger Glendenning
Acting Under Secretary
for Rural Development

The United States Department of Agriculture’s Office of Inspector General audited the consolidated financial statements of Rural Development for fiscal years 2023 and 2022. We also considered Rural Development’s internal control over financial reporting and tested Rural Development’s compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct effect on the determination of material financial statement amounts and disclosures on these consolidated financial statements.

Exhibit A presents Rural Development’s response in its entirety.

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Rural Development, which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of net cost, and changes in net position; and the combined statements of budgetary resources for the fiscal years then ended and the related notes to the consolidated financial statements (hereinafter referred to as the “consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rural Development, as of September 30, 2023 and 2022, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with United States of America (U.S.) generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted government auditing standards, the standards applicable to financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 are further described in the Auditor’s Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of Rural Development and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

Interactive Data

Management has elected to reference information on websites or other forms of interactive data outside the financial statements to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the basic consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board (FASAB). The information on these websites has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management

Management is responsible for

- the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles;
- preparing, measuring, and presenting required supplementary information (RSI) in accordance with U.S. generally accepted accounting principles;
- preparing and presenting other information included in Rural Development's agency financial statements, and ensuring the consistency of that information with the audited financial statements and the RSI;
- designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; and
- compliance with laws, regulations, contracts, and grant agreements applicable to Rural Development.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards, and OMB Bulletin No. 24-01 will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit of financial statements in accordance with U.S. generally accepted government auditing standards, and OMB Bulletin No. 24-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to our audit of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rural Development's internal control over financial reporting. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the consolidated financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by FASAB require that the RSI, which includes the Management's Discussion and Analysis, be presented to supplement the consolidated financial statements. Such information is the responsibility of management and, although not part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the consolidated financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during the audits of the consolidated financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurances on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Report on Internal Control Over Financial Reporting

In connection with our audits of Rural Development's consolidated financial statements, we considered Rural Development's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of Rural Development's internal control over financial reporting. Therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our 2023 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness. However, we identified certain deficiencies in Rural Development's internal control over financial reporting, described in "Section 1", that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of Rural Development's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

In planning and performing our audit of Rural Development's consolidated financial statements as of and for the fiscal year ended September 30, 2023, in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 24-01, we considered Rural Development's internal control relevant to the consolidated financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rural Development's internal control over financial reporting. Accordingly, we do not express an opinion on Rural Development's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of Rural Development's consolidated financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2023 that would be reportable under U.S. generally accepted government auditing standards or OMB Bulletin 24-01. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to Rural Development. Accordingly, we do not express such an opinion.

We also performed tests of Rural Development's compliance with selected provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our engagement and, accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed no instances in which Rural Development's financial management systems did not substantially comply with FFMIA.

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to Rural Development that have a direct effect on the determination of material amounts and disclosures in Rural Development's consolidated financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all provisions of laws, regulations, contracts, and grant agreements applicable to Rural Development. We caution that noncompliance may occur and not be detected by these tests.

Purpose of the Report on Internal Control Over Financial Reporting and the Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of the "Report on Internal Control Over Financial Reporting" and the "Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements" sections is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rural Development's internal control over financial reporting or compliance. These reports are an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering Rural Development's internal control over financial reporting and compliance. Accordingly, these reports are not suitable for any other purpose.

Management's Response

Management's response to the report is presented in Exhibit A. We did not audit Rural Development's response and, accordingly, we express no opinion on it.

JANET SORENSEN Digitally signed by JANET SORENSEN Date: 2023.11.08 13:33:23 -06'00'

Janet Sorensen
Assistant Inspector General for Audit
Washington, D.C.
November 8, 2023

Section 1: Significant Deficiency in Internal Control Over Financial Reporting

Finding 1: Controls Over Unliquidated Obligations Need to be Further Strengthened

Rural Development's controls were not effective to ensure the validity, completeness, and accuracy of its unliquidated obligations (ULO) in the financial statements. Specifically, internal controls were not operating at a level of precision to ensure the accurate reporting of obligations, to include ensuring invalid unliquidated obligations were deobligated timely and completely.

Our statistical review of ULOs as of March 31, 2023, identified one obligation that should have been deobligated as of September 2021, though the ULO was designated as valid in the March 31, 2023 ULO review and certification. This error resulted in a projected misstatement of more than $315 million in the fiscal year 2023 financial statements. Additionally, we identified one obligation on which advances were not timely processed, which resulted in a projected misstatement of more than $105 million in the fiscal year 2023 financial statements. Further, during our review, we identified more than $32 million in potential overstatements based on 147 obligations marked as research required that as of September 30, 2023, were of unknown determination and not supported as valid.

Additionally, at the beginning of fiscal year 2023, Rural Development discovered a report used as part of the semi-annual ULO reporting and certification process in fiscal year 2022 underreported the amount of ULOs, due to invalid logic within the programming of the report. Rural Development identified approximately $190 million in ULOs that were not reviewed and validated as of September 30, 2022, resulting in a possible over/understatement of obligations on the Statement of Budgetary Resources in fiscal year 2022. For March 2023 reporting, the report programming logic was updated and additional controls were implemented to ensure the new report displayed all data, resulting in no impact to the fiscal year 2023 ULO certification process.

Rural Development officials noted staffing levels in the field offices are insufficient to fully support comprehensive program delivery and ULO monitoring requirements, due to the size and number of programs Rural Development administers, including newly legislated programs under the Inflation Reduction Act, the Infrastructure Investment and Jobs Act, and the American Rescue Plan Act. Lack of staff has impeded the timely processing of reimbursement requests and the operating effectiveness of its continuous review and monitoring controls for assessing the accuracy and validity of ULOs, despite process improvements Rural Development has implemented.

According to Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*,[1] control activities include the accurate and timely recording of transactions: "[t]ransactions are promptly recorded to maintain their relevance and value to

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[1] *Standards for Internal Control in the Federal Government*, GAO-14-704G (Sept. 2014).

management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

Treasury Financial Manual, Bulletin No. 2023-09, *2023 Year-end Closing* requires entities to review their unliquidated obligations before the end of fiscal year 2023 closing to ensure that entities properly record transactions meeting the criteria of valid obligations set forth in 31 U.S.C. 1501, and to retain work papers and records on verifications.

Departmental Regulation 2230-001, *Reviews of Unliquidated Obligations*,[2] requires program and procurement personnel review ULOs with inactivity of at least 12 months and over $100 to determine whether delivery of goods or services or performance is expected to occur. The review must disclose ULOs that do not have a legal basis, or are not properly authorized and supported by appropriate documentation.

Without effective controls operating at an appropriate level of precision to ensure the validity of obligations, Rural Development may not adequately prevent or timely detect and correct misstatements. Additionally, invalid obligations improperly restrict the availability of funding and increase Rural Development's risk of misstating obligations in its financial statements.

Recommendation

We recommend that Rural Development develop and implement a strategy to routinely evaluate and address its staffing resources and funding requests to increase the operating effectiveness of its continuous review and monitoring controls for assessing the accuracy and validity of unliquidated obligations, to include timely processing of deobligations and reimbursement requests.

[2] USDA Departmental Regulation 2230-001, *Reviews of Unliquidated Obligations* (Oct. 2020).

Abbreviations

FASAB........................Federal Accounting Standards Advisory Board
FFMIA ....Federal Financial Management Improvement Act of 1996
GAO............................Government Accountability Office
OIG ....Office of Inspector General
OMB ....Office of Management and Budget
RSI ....required supplementary information
ULO ....unliquidated obligations
U.S. ....United States of America

Rural Development's
Response to Audit Report

USDA

United States Department of Agriculture

Rural Development
Business Center

Chief Financial Officer

211 N. Broadway
St. Louis, MO 63102

November 8, 2023

TO: Janet Sorensen
Assistant Inspector General for Audit
Office of Inspector General
United States Department of Agriculture

FROM: Roger Glendenning
Acting Under Secretary
Rural Development

ROGER GLENDENNING
Digitally signed by ROGER GLENDENNING
Date: 2023.11.06 10:55:06 -05'00'

Tony Bainbridge
Chief Financial Officer

Tony Bainbridge
Digitally signed by ANTHONY BAINBRIDGE
Date: 2023.11.06 08:19:57 -06'00'

SUBJECT: Response to Audit Report on
Rural Development's Fiscal Years 2023 and 2022
Financial Statements

We have reviewed the Office of Inspector General Report on the Rural Development Fiscal Years 2023 and 2022 Financial Statements, Report on Internal Control Structure Over Financial Reporting, and the Report on Compliance with Laws and Regulations and concur with the findings in the report. We will continue with actions planned and in progress to address the outstanding findings.

I would like to thank your office for its continuing professionalism in conducting the audit.

Rural Development's
Fiscal Years 2023 and 2022
Consolidated Financial Statements

Prepared by Rural Development

USDA Rural Development
U.S. DEPARTMENT OF AGRICULTURE

FINANCIAL STATEMENTS

Fiscal Years 2023 and 2022

This Management Discussion and Analysis, in conjunction with the accompanying financial statements, footnotes, and supplemental information, reflects the activities of the Rural Development mission area of the United States Department of Agriculture.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2023, AND 2022

TABLE OF CONTENTS

Rural Development
Management's Discussion and Analysis (Unaudited)

This Management's Discussion and Analysis (MD&A), in conjunction with the accompanying consolidated financial statements, footnotes, and supplemental information, reflects the activities of the Rural Development mission area of the United States Department of Agriculture (USDA).

Mission Statement

Rural Development connects business owners to new markets; helps power people with modern infrastructure; and supports opportunities for people to build brighter futures in rural America. Rural Development supports the people of rural America – whether they are moving to a new town, transitioning jobs, taking care of their homes and loved ones, or experience other life needs – because rural communities are a place everyone should feel comfortable calling home.

Strategic Goal

Rural Development brings resources to rural people and communities across the country to help drive economic security and prosperity.

Organizational Structure

Rural Development's mission area is composed of Rural Utilities Service (RUS), Rural Business-Cooperative Service (RBCS), and Rural Housing Service (RHS). Rural Development is uniquely positioned to support the rural economy by delivering programs across rural America through a network of field offices, State offices, and a National Office. The Innovation Center provides leadership over regulatory development, data and analytics, and strategic partnerships. Rural Development agencies and programs are also supported by the Business Center, whose organizations provide financial, information technology, procurement, human resources, civil rights, and enterprise support. The Office of External Affairs is the central point of contact for RD on press and congressional relations.

Rural Development Programs Performance

Rural Development programs provide loans and grants to rural people and develops partnerships with local leaders to promote growth and prosperity for rural families and local communities. The table below reflects Rural Development's Total Loan Portfolio from fiscal year 2021 through 2023.

In fiscal year 2023, Rural Development's total loan portfolio was $219.9, which included $108.4 billion in direct loans and $111.5 billion in guaranteed loans.

Total Loan Portfolio FY2021 - FY2023*

(Dollars in Billions, as of 09-30-23)

	FY 2021	FY 2022	FY 2023
Direct Loans			
Water & Environmental	$13.0	$13.2	$13.6
Electric	50.0	53.4	56.3
Telecommunications	2.4	2.3	2.2
Business Programs	0.8	0.7	1.0
Single Family Housing	13.2	13.0	14.0
Multi-Family Housing	9.8	9.6	9.3
Community Facilities	11.1	11.6	12.0
Total Direct	100.3	103.8	108.4
Guaranteed Loans			
Water & Environmental	$0.1	$0.1	$0.1
Electric	0.2	0.2	0.1
Business Programs	6.9	7.5	8.5
Single/Multi-Family Housing	111.0	101.8	101.7
Community Facilities	1.0	1.0	1.1
Total Guaranteed	119.2	110.6	111.5
Total Loan Portfolio	**$219.5**	**$214.4**	**$219.9**

*Rural Development grant programs are not reflected in the portfolio table above.

The following chart shows key performance indicators, targets and results for Rural Development.

RURAL DEVELOPMENT PERFORMANCE SCORECARD FOR FY 2023

	FY 2023 Target	FY 2023 Actual	Results
E-Connectivity: Number of households with potential access to RD-funded new and/or improved e-connectivity services (thousands)	250	98.8	Unmet
Equity in Field-Based Programs: Engagement of underserved, socially disadvantaged and vulnerable rural and Tribal communities in field-based programs, and investment in these designated communities. (EC= Equity Communities)	230 EC/$60M	191EC/$221.5M	Partially Met
Distressed Communities Assistance: Percentage of RD assistance that went to distressed communities (measured at the zip code level)	30%	24%	Unmet
Non-Federal Funding: Percentage of RD commercial/infrastructure investments that leverage non-Federal funding	81%	76%%	Unmet
Climate/Coal Decline Geographies: Percentage of 25 priority geographies hard-hit by declines in coal production and consumption that are being served by RD programs	8%	5.4%	Unmet
OneRD Customer Experience: Percentage of OneRD customers whose application processing time (receipt to Conditional Commitment) does not exceed 30 days. Part 2: Percentage of OneRD program customer (lender) satisfaction survey ratings of 4 or above	Processing: 55% CX: 65%	Processing:33% CX: 46%	Unmet

Rural Development (RD) did not meet its performance goals under USDA's new strategic plan. The new Strategic Plan launched in April 2022 with new key performance indicators for Rural Development. Rural Development supports the achievement of goal 5: Expand Opportunities for Economic Development and Improve Quality of Life in Rural and Tribal Communities.

E-connectivity targets were unmet. General barriers to meeting this target include delays in funding announcements, high level of applications that need to be reviewed, and length of time required to conduct environmental reviews.

The Distressed Communities target was unmet. The target set for FY 23 was ten percentage points higher than the 5-year baseline for investments in Distressed Communities. The target was purposefully aspirational. Rural Development will continue to target investment in Distressed Communities with the goal of increasing the percentage of funding invested in these communities. Limited staffing to fully engage Distressed Communities and limited grant funding made it difficult to reach the FY 2023 target.

The Non-federal Funding target was unmet. RD's increased focus on investing in distressed, socially vulnerable and Tribal communities has impacted our ability to meet this target. Certain programs waive matching requirements for socially vulnerable and Tribal communities. Furthermore, the projects that have leverage funds tend to come from communities with higher economic well-being. It is also important to note that competing government funds, such as COVID recovery funds or the upcoming IIJA funds, making it more difficult to deploy our funds or to find other funders to partner with when other options are available to our borrowers.

The Equity Project has exceeded expectations in terms of program funds invested in the targeted communities. The KPI target of $60 million has been met and exceeded by over a $160 million. However, we did not meet the KPI target of engaging 230 communities. Deployment of the Equity Project is staff intensive and many of our States are under staffed making it difficult to take on additional outreach duties and fulfill other mission critical work.

OneRD Customer Experience targets were unmet. Progress has been made in both processing times and customer satisfaction but delays in environmental reviews and insufficient staffing created a setback in meeting the FY 2023 targets. A key barrier is lack of funding to meet demand for B&I guarantees. The change to the OneRD approach has increased demand for the program. Funds were exhausted by 3rd quarter, frustrating customers. RD lacks the staff to meet customer expectations. One issue raised by customers is the time it takes for RD to complete environmental reviews and a perceived higher level of documentation in reaction to recent State Internal Reviews. OneRD system automation is still unfunded.

Future Opportunities and Challenges

Opportunities

The commitment and resources USDA Rural Development brings to rural people and communities across the country help drive economic security and prosperity. USDA Rural Development connects business owners to new markets; helps power people with modern infrastructure; and supports opportunities for people to build brighter futures in rural America. We support rural prosperity by investing in highspeed internet access, affordable rural housing, rural businesses, and jobs of the future; water and wastewater systems; and rural healthcare.

As a result of the COVID-19 pandemic, RD changed its mode of operations to ensure the health and safety of RD's employees and customers, limiting travel and transitioning most employees to 100 percent telework. RD staff used existing technology for improved communication, pivoted to online outreach, facilitated webinars in place of in-person meetings, and continued to deliver the RD programs, approving loans and loan guarantees and awarding grant funding. Despite these challenges, RD processed over 99 thousand loan servicing requests and continues to consult with borrowers in good faith to alleviate defaults.

The Innovation Center's Data Analytics Division created the COVID-19 Economic Risk Assessment as part of RD's data-driven approach to identify how RD resources and services can help provide immediate relief to communities being affected by the pandemic and support economic recovery in rural America. This dashboard enables RD leadership to more effectively reach customers in vulnerable communities.

Challenges

Although RD continues to deliver on its programs to rural America, it faces several key risks going forward, including staffing levels and technology. Over the last several years there has been a significant increase in the obligated dollars being delivered each year, and an associated increase in the loan portfolio that must be serviced and managed expertly to ensure the best financial interest of the taxpayers and the Government. In addition, the loan portfolio has grown in complexity over the years because of new program types and variations, and because of new loan restructuring options made available as a response to COVID-19, whose effects will continue in 2023.

RD is at historically low staffing levels when compared to the RD wide loan portfolio. With an increase in workload and servicing expectations RD may be unable to meet mission responsibilities and customer expectations if it does not improve its automated loan and accounting systems and allocate staff to meet highest priority needs. Increased staffing resources would allow RD to meet the growing priorities in critical areas that have a direct effect on the agency's ability to be sustainable, relevant, and results-oriented in delivering much-needed programs and services across rural America. To ensure that RD will be able to deliver on this proposal, RD is taking steps to enhance its HR capacity through targeted hiring and contract support actions that will significantly improve RD's ability to recruit, on-board, and retain new staff. However, constrained funding levels limits RD's ability to increase staffing significantly in the near term. Current staffing strategies involve analyzing timekeeping records reflecting the various programs and activities of RD staff to determine the staffing levels necessary to support the program delivery.

RD programs may not have the technical capabilities needed to deliver appropriate products and services to their customers if IT systems do not align with business needs. This could lead to declining customer experiences and overall diminished capacity to deliver the RD mission. Planned IT modernization projects are designed to move the agency to a more bank-like environment where applicants can apply for services online, eliminating the paper application process, borrowers can access their loan information directly and funding requests are streamlined thus reducing manual processes.

Rural Development Programs

Rural Development programs support rural prosperity by investing in high-speed internet access, affordable rural housing, rural businesses and jobs of the future; water and wastewater systems; and rural healthcare. Grants, loans, and loan guarantees from Rural Development and its partners help make rural America a place everyone can call home.

- Rural Business- Cooperative Service (RBCS) programs work with local partners to invest in small business expansion, helping rural communities keep local entrepreneurs and business owners and attract new ones.
- Rural Utilities Service (RUS) programs support a healthy community and environment with loans and grants to make sure people, kids, and families have clean water and safe sewer systems that prevent pollution and runoff. RUS programs also keep the people of rural America connected with reliable, high-speed internet that brings new and innovative ideas to the rest of our country.
- Rural Housing Service (RHS) programs provide easy access financing with low interest rates to rural families so they can buy or rent a home. RHS also supports rural communities by providing healthcare to the people and places in our country that often lack access.

RD Priorities Framework

Rural Development has developed a framework for implementing key Biden-Harris Administration priorities that directly align with the Agency's mission. The framework sets standard language and metrics for each key priority to ensure consistency across RD. These priorities will be incorporated into the work of the Agency and its partners to incentivize strategic engagement and investment that will:

- Reduce climate pollution and increase resilience to the impacts of climate change through economic support to rural communities.
- Ensure all rural residents have equitable access to RD programs and benefits from RD funded projects.
- Assist rural communities recover economically through more and better market opportunities and through improved infrastructure.

RD's plan is to elevate the key priorities in the following ways:

1. General Promotion: all upcoming Rural Development funding notices includes language to encourage applicants to consider projects that will advance the three key priorities.
2. Priority Points: Rural Development will award discretionary priority points under several programs to projects that support one or more of the three key priorities. These priority points are incorporated into funding announcements and published in the Federal Register.
3. Transparency: Rural Development has updated the public webpage to outline the three key priorities for potential applicants. This page gives potential applicants an opportunity to see if their rural area meets the metric to receive priority points. It also provides information on metrics and data sources, and links to Funding Notices that will offer priority points.

RD CORE (Creating Opportunities through Rural Engagement)

At USDA, we have recommitted ourselves to the values of equity and inclusion rooted in justice and equal opportunity for our employees and those we serve. In 2021, RD initiated an effort, known then as the Equity Project, and recently rebranded as CORE (Creating Opportunities through Rural Engagement), to further identify and engage some of the most socially vulnerable, distressed, and underserved rural communities across the nation. While the name changed, the essence, structure, and goals remain the same, as the change simply reflects how central equity is to RD activities. Through our national network of field offices, RD is actively engaging underserved rural and tribal communities in every state to better understand and identify the barriers they face to participating in RD programs. We are leveraging RD and other available data sets to focus our outreach on communities who have great need but have not participated in RD programs in recent years. More than 8,000 census tracts have been identified. Through this multi-phase effort RD staff and partners Engage, Assist, and Invest in socially vulnerable, distressed, and underserved rural communities. As we have listened and learned from these engagements, RD has begun to connect communities to the assistance they need and has worked to modify policies and processes. In Phase 1, each RD State Office engages with community stakeholders and documents their needs and barriers to participation in RD programs. In Phases 2 and 3, RD State Offices devise and take actions to address community needs and barriers, as well as document resulting applications, investments, and support.

Justice40 Initiative

Through the Justice40 Initiative, Federal agencies identify programs that make covered investment benefits in one or more of seven areas, including Climate Change, Clean Energy and Energy Efficiency, Affordable and Sustainable Housing, and Critical Clean Water and Waste Infrastructure. The goal is to secure environmental justice and spur economic opportunity for disadvantaged communities that have been historically marginalized and overburdened by pollution and underinvestment in housing, transportation, water and wastewater infrastructure, and health by ensuring that 40 percent of the overall benefits of the covered programs accrue to disadvantaged communities.

Initially, 21 pilot programs government-wide were selected by OMB, including the Rural Energy for America Program (REAP), to undertake an initial implementation of the Justice40 initiative to maximize the benefits that are directed to disadvantaged communities. Justice40 has expanded to include many programs across the federal government covered under the initiative. RD has added seven covered programs across the mission besides REAP and is tracking both actions undertaken to implement the initiative and outcome measures.

Climate

On January 27, 2021, in Executive Order (E.O.) 14008 Tackling the Climate Crisis at Home and Abroad, President Biden laid out a vision for a United States government-wide approach and a set of coordinated domestic actions to address the risks and opportunities posed by climate change. Climate change poses a significant risk to agriculture, forests, and grasslands across the United States and the communities that support and depend upon them. This risk is proportionately higher for disadvantaged communities, including Tribal nations, low income, and minority communities. Steps to reduce the vulnerability and increase the adaptive capacity of American farmers, ranchers, forest owners, and other stakeholders to climate change are needed to maintain competitiveness and sustainability in the coming decades. As such, in fiscal year 2022, RD incorporated the Biden-Harris Administration priority of reducing climate pollution and increasing resilience to the impacts of climate change through the creation of a Climate Adaption Plan, which outlines actions and implementation steps to address climate vulnerabilities. RD's plan can be found at www.usda.gov/oce/energy-and-environment/climate/adaptation.

Rural Development is leading the way through climate-smart solutions that will open new market opportunities and contribute to overall economic growth in rural communities for generations to come. The Inflation Reduction Act of 2022 provided funding for Rural Development's Energy Programs authorized by the Agricultural Act of 2014, as well as establishing two new programs: Powering Affordable Clean Energy and Empowering Rural America. Together these programs provide loan and grant products and unprecedented incentives to expand clean energy, transform rural power production, create jobs, and spur economic growth offered by Rural Utilities Service and Rural Business and Cooperative Service. During fiscal year 2023, Rural Development made available funding for multiple major initiatives associated with the climate directive. For example, over $1 billion was allocated to expand renewable energy grants and support energy-efficiency projects under the Rural Energy for America Program, $1 billion was allocated to help make clean, affordable, and reliable energy accessible to rural America under the Powering Affordable Clean Energy program, and $500 million for Higher Blends Infrastructure Incentive Program grants. Additionally, over $1 billion of guaranteed loan funds was authorized under the Renewable Energy Systems and Energy Efficiency Improvement program.

Priority will be given to proposals that address climate crisis through projects that: reduce climate pollution; promote energy efficiency and clean transportation; increase renewable energy production; revitalize recreation economies and the economies of coal, oil and gas, and power plant communities; increase resilience to the impacts of climate change; protect the public; and conserve our lands, waters, and biodiversity or spur well-paying union jobs and economic growth, especially through innovation, commercialization, deployment of clean energy technologies and infrastructure or advance environmental justice in historically marginalized and other communities overburdened by pollution where economic hurdles include underinvestment in housing, transportation, water, wastewater, and clean energy infrastructure, as well as workforce development and health care needs.

Programs offering priority points for climate in fiscal year 2023 can be found on Rural Development's webpage under About RD Key Priorities.

OneRD Guarantee Program

USDA is committed to cutting red tape and streamlining investment, so we can be a better partner to America's rural leaders in building prosperity. Through a series of regulatory reforms, USDA eliminated duplicative processes and launched a single platform for the Agency's four key loan guarantee programs. These programs are:

- Water and Waste Disposal Guaranteed Loan Program
- Community Facilities Guaranteed Loan Program,
- Business and Industry Loan Guarantee Program,
- Rural Energy for America Guaranteed Loan Program.

The OneRD Guarantee regulation was published on July 14, 2020, and the new rules went into effect on October 1, 2020. The consolidated OneRD structure increased efficiency, improved flexibility, improved risk management, and made a more efficient use of Agency resources. In addition to creating a new, single regulation for OneRD Guarantee, the Agency created a customer web site, tools, guides, and training to help people get a better understanding of the new rules for these guarantee programs and to encourage participation. Customer input has been a core component of the development of the rules, processes, and procedures under OneRD. Customer engagement continues on a regular basis with regularly scheduled Lender Office Hours and quarterly Lender Feedback Forums.

In FY2023, the agency published "OneRD Build America, Buy America Implementation Guidance" via a Unnumbered Letter (UL) in February 2023; this provided information and instructions on the next steps for RD to implement the Build America, Buy America Act (BABAA). Additionally, the OneRD Guarantee Loan Initiative Team announced the launch of a new customer feedback survey starting in April for our lenders. The survey builds upon the agency's efforts to create more channels for lender customers to share feedback; this supports RD's efforts to listen, learn, and take strategic actions to improve lender experiences accessing loan guarantees under the OneRD initiative. The surveys were tailored to transactions, giving lenders the opportunity to share timely feedback specific to a RD obligation.

The Agency continued to refine the program throughout FY2022 to further improve customer service for its lenders and create a more efficient work process for its staff. On December 10, 2021, the Agency published a final rule (86 FR 70349) that made necessary revisions to the policy and procedures to strengthen the oversight and management of the growing OneRD portfolio. In February 2022, the Agency updated this rule (87 FR 7367) to address some corrections on areas such as new markets tax credits, lender's credit evaluation, as well as personal, partnership, and corporate guarantees.

Demand for the program has increased since the launch of OneRD, particularly for Business and Industry Guarantees. In FY 2022, 279 obligations totaling over $2 Billion was funded; the Business and Industry guaranteed loans account for approximately two-thirds of the obligations in the OneRD portfolio in 2022.

Rural Housing Insurance Fund

Both single family housing direct and guaranteed loan programs will contribute to environmental justice by providing affordable housing in distressed and coal-based energy communities.

- **Single Family Housing Direct Loans**
  In 2022, this program supplied over 6,200 direct loans totaling approximately $1.3 billion to rural families; of which, even though the Agency obligated $15.9 million in persistent poverty set asides, RD obligated approximately $190 million towards loans in persistent poverty areas. The 2024 Budget requested an increase of $250 million in program level to cover the estimated increase in demand. The requested $1.5 billion will provide direct financing for an estimated 6,764 units, including home purchases, rehabilitate, and refinancing of existing RHS loans. Because of increased costs in the housing market and mortgage rates, RD is estimating that this level of funding will be sufficient to support the expected demand.
- **Single Family Housing Guaranteed Loan Program (SFHGLP)**
  The program provides low- and moderate-income rural families access to mortgage credit by guaranteeing loans issued by agency-approved private sector lenders. Without the USDA loan guarantee, lenders will not extend mortgage credit and tens of thousands of credit-worthy low- and moderate-income rural Americans who cannot meet down payment requirements will not have homeownership opportunities. In FY 2022, the program obligated just over $13.1 billion across nearly 72,000 loans; program demand is affected by changing macroeconomic conditions. The Agency continues to request $30 billion in lending capacity; the program will increase the number of guaranteed loans to over 152,180. Program management actively seeks to maintain the program's neutral subsidy rate (or slightly negative). This enables the program to meet its mission service goals without requiring budget authority to offset credit losses. In accordance with community needs and in support of the Administration's goals of racial justice and equity, the program will focus on increasing assistance to distressed and underserved

communities. This includes increasing outreach to tribal and other underserved communities through targeted marketing campaigns and diversifying approved lenders.

Telecommunications Programs

Distance Learning and Telemedicine (DLT)

USDA Rural Development's high-speed internet loans and grants, such as DLT, help give students the opportunity to study and take classes virtually, or search and interview for new job opportunities, without leaving their hometown. DLT grants can also help rural hospitals install telemedicine equipment that connects rural patients with specialists and physicians. The funding request of $62 million for 2024 is projected to provide distance learning and telemedicine services through approximately 123 projects that will provide healthcare and educational access in unserved or underserved rural communities. In Virginia, a DLT grant for a telemedicine project in Wise County and a mental health/substance abuse recovery center Smyth County, will ensure individuals in Virginia's most rural areas get the health care they need. These grants will allow for doubling in capacity of the Rhea B. Lawrence Recovery Center which treats people with health issues and substance abuse disorders. The grant also funds relocation of the crisis care center to the same campus as the recovery center, putting the whole "continuum of care" on one campus.

Broadband

In the past eight years, the telecommunications program has invested more than $2.3 billion in grant funding for Broadband and Reconnect programs. In FY 2023, the Bipartisan Infrastructure Law allowed RD to work with multiple telephone companies in New Mexico to fund approximately multiple IIJA ReConnect grants across three projects. The Western New Mexico Telephone Company Inc. is receiving a grant to deploy a fiber-to-the-premises network to provide high-speed internet access to people in Catron County. The E.N.M.R. Telephone Cooperative will use funds to deploy a fiber-to-the-premises network to provide high-speed internet access to people across several counties including several socially vulnerable communities. The Peñasco Valley Telephone Cooperative received funds to deploy a fiber-to-the-premises network to provide high-speed internet access in Chaves, Eddy, Otero and Lincoln counties, this project impacts socially vulnerable communities.

Business and Industry (B&I) Guarantee Loan Program

Main street businesses give communities character. RD works with rural communities to help make sure more people have the resources they need to build the next successful local business. Over the last five years, from FY2018-22, the B&I Guaranteed program has obligated over $8.5 billion through over 2,200 guaranteed loans, this includes 1% regular and Native American loans, 3% loans, and 20/21 Multiyear CARES loans. The Business and Industry Guaranteed loan program is currently oversubscribed. FY 2024 funding for this program will focus on continuing to make capital available for rural communities, provide access to capital for distressed communities, and prioritize applicants requesting loan funds for projects that address climate change through clean energy and emissions mitigation.

Broadband Technical Assistance

The purpose of broadband technical assistance (BTA) is to encourage the expansion of broadband services in rural areas by awarding cooperative agreement funding to eligible entities. This funding supports the delivery of technical assistance and training to rural communities in need of broadband and rural broadband providers. In addition to supporting broadband technical assistance and training activities, BTA funding helps develop and expand broadband cooperatives. The types of activities BTA funding supports include project planning and community engagement, financial sustainability, environmental compliance, construction planning and engineering, accessing federal resources, and data collection and reporting.

Infrastructure Investment and Jobs Act (IIJA)

On November 15, 2021, President Biden signed into law the Infrastructure Investment and Jobs Act (IIJA; P.L. 117- 58). The act provides funding for the nation's infrastructure, including roads, highways, electric systems, and railway systems. The act also funds programs administered by the U.S. Department of Agriculture (USDA) that deploy rural broadband, protect watersheds, and create a new bioproduct pilot program. IIJA provides $2 billion for rural broadband programs, $918 million for watershed programs, and $10 million for a new bio-product pilot program.

Inflation Reduction Act Funding for Rural Development (IRA)

In August, Congress passed the Biden-Harris Administration's historic legislative package known as the Inflation Reduction Act (IRA) to reduce energy costs for families and create thousands of good-paying jobs for people across rural America. IRA represents the largest single investment in rural electrification since President Franklin Delano Roosevelt signed the Rural Electrification Act into law in 1936. Sections 22001 through 22004 of IRA provide new loan and grant products and unprecedented incentives to expand clean energy, transform rural power production, create jobs, and spur economic growth to be offered by USDA Rural Development' Rural Utilities Service (RUS) and Rural Business-Cooperative Service (RBCS). Two New Programs were established.

Powering Affordable Clean Energy (PACE)

The Powering Affordable Clean Energy (PACE) program (section 22001) is part of the Inflation Reduction Act, makes it more affordable for rural Americans to use clean, reliable energy to heat and cool their homes, run their businesses, and power their cars, schools, and hospitals. With $1 billion in funding, PACE helps make clean, affordable, and reliable energy accessible to the people of rural America.

Under PACE, Rural Utilities Service will forgive up to 60 percent of loans for renewable energy projects that use wind, solar, hydropower, geothermal, or biomass, as well as for renewable energy storage projects. USDA has defined three levels of forgiveness, up to 20%, up to 40%, and up to 60%. In creating the 60% category, USDA outlined the criteria to exceed 50% in compliance with the statute.

Empowering Rural America (New ERA)
The Empowering Rural America program (section 22004), a $9.7 billion program helps rural Americans transition to clean, affordable, and reliable energy. By reducing air and water pollution, New ERA funding improves health outcomes and lower energy costs for people in rural communities. New ERA program funding is available to member-owned rural electric cooperatives, which have been the backbone of America's rural power delivery for nearly a century.

Rural Energy for America Program (REAP)
With the passage of the Inflation Reduction Act, section 22002 provided the Rural Energy for America Program (REAP) over $2 billion for renewable energy systems and energy efficiency improvement grants for agricultural producers and rural small business owners through 2031.

This legislation reflects the goals of the Biden-Harris administration by addressing both immediate economic needs. This investment positions RD to achieve the greatest reduction in carbon dioxide, methane, and nitrous oxide emissions that we've ever seen, in collaboration with the other IRA investments. Importantly, projects in disadvantaged communities are prioritized for funding under this notice. Also, REAP is part of the Biden-Harris administration's Justice40 initiative, which aims to ensure that 40of the overall benefits of certain federal investments flow to disadvantaged communities that are marginalized, underserved, and overburdened by pollution.

Higher Blends Infrastructure Incentive Program (HBIIP)
HBIIP received $450 million, under section 22003 of the Inflation Reduction Act of 2022, in competitive grants to eligible entities for activities designed to expand the sales and use of renewable fuels. The purpose of the HBIIP is to significantly increase the sales and use of higher blends of ethanol and biodiesel by expanding the infrastructure for renewable fuels derived from U.S. agricultural products. The program is also intended to encourage a more comprehensive approach to market higher blends by sharing the costs related to building out biofuel-related infrastructure. The expansion of biofuel infrastructure, as facilitated by HBIIP, broadens the availability of renewable fuels like E15, E85, and B20, and helps American families save money at the pump while reducing carbon emissions and harmful tailpipe pollution. Expanded use of higher blends of biofuels also boosts the availability of skilled jobs with good wages in rural communities and bolsters the employment of U.S. military veterans.

Financial Highlights

Fiscal Year Ending September 30 (Dollars in Millions)	FY 2023	FY 2022
Total Assets	$146,077	$137,820
Total Liabilities	$119,710	$113,611
Total Net Position	$26,367	$24,209
Total Net Cost of Operations	$2,687	$1,677
Total Budgetary Resources	$51,239	$52,000

Rural Development had total assets of $146,077 million at the end of FY 2023 which is up from $137,820 million in FY 2022, an overall increase of $8,257 million. The increase is mainly attributed to Loans Receivables which increased by $6,770 million with the increase being most noticeable in the Electric program. FBWT, Negative Liability for Loan Guarantees, and Property, Plant and Equipment had increases of $1,039 million, $391 million, and $28 million, respectively.

Total Liabilities of $119,710 million in FY 2023 increased from $113,611 million in FY 2022, an increase of $6,099 million. Debt contributed to majority of the variance. The increase was a result of increased borrowings and fewer repayments of debt to Treasury and the Federal Financing Bank. Downward Reestimates Payable to Treasury General Fund also contributed to the increase.

Total Net Position increased $2,158 million in FY 2023 compared to FY 2022. The change in the Net Position is caused by an increase in Unexpended Appropriations brought forward to FY 2023 and was associated with the funding received in September 2022 from the Inflation Reduction Act. Rural Development did not receive the same level of appropriations in FY 2023 as compared to FY 2022, therefore the increase in Unexpended Appropriations was offset by a decrease in Appropriations Received. The additional change is attributed to an increase in the overall Cumulative Results of Operations of $773 million from FY 2022.

Total Net Cost of Operations increased $1,010 million. Total Gross Costs increased by $1,363 million due to an increase in loan subsidies and an increase in borrowing interest expense. Total Gross Costs were offset by a $353 million increase in Earned Revenues in FY 2023 compared to FY 2022.

Total Budgetary Resources decreased by $761 million. The budgetary accounts and non-budgetary account decreased by $181 million and $580 million, respectively. The decrease in the budgetary accounts was mostly attributed to an increase in Unobligated Balance from Prior Year Authority as a result of not expending funds received from the Inflation Reduction Act in FY2022. Rural Development did not receive the same level of appropriations in FY 2023 in the budgetary accounts as FY 2022, therefore the increase in Unobligated Balances from Prior Year Authority was offset by a decrease in Appropriations. The decrease in the non-budgetary accounts was mostly due to a decrease in Unobligated Balance from Prior Year Budget Authority and a decrease in Borrowing Authority.

Principal Financial Statements

The principal financial statements report the financial position, financial condition, and results of operations pursuant to the requirements of 31 U.S.C. 3515 (b). The statements are prepared from the records of Federal entities in accordance with Federal Generally Accepted Accounting Principles (GAAP) and the formats from the Office of Management and Budget (OMB). Reports monitor and control budgetary resources that are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

Entity's Systems, Controls, and Legal Compliance

Management Assurances

Federal Managers' Financial Integrity Act (FMFIA).

The purpose of the FMFIA is to promote the development of systematic and proactive measures to ensure management accountability for the effectiveness and efficiency of program and business operations.

Rural Development Management has conducted its annual evaluations of internal controls, enterprise risk, and financial systems pursuant to Section 2 and Section 4 of the FMFIA, Section 803(a) of the Federal Financial Management Improvement Act (FFMIA), and in accordance with OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management (ERM) and Internal Control, for the period ended September 30, 2023. RD's ERM framework includes a risk taxonomy which provides a consistent structure for identifying, classifying, and addressing risks across the diverse mission of RD. Based on the results of the evaluations, Rural Development provides reasonable assurance that the overall system of internal controls is operating effectively. Section 2 of the FMFIA focuses on the assessment of the adequacy of management controls to manage the risk associated with a given program or operation and to provide reasonable assurance that obligations/costs comply with applicable laws and regulations; that Federal assets are safeguarded against fraud, waste and mismanagement; and that transactions are properly recorded and accounted for.

A material weakness identifies an instance in which the management controls are not sufficient to provide the level of assurance required by Section 2 and requires major milestones for corrective action.

In FY 2023, there were no new material weaknesses.

Section 4 of the FMFIA relates to the review of financial accounting systems to ensure conformance with certain principles, standards, and other Federal requirements. A financial system nonconformance is an instance in which the financial system does not conform to the requirements of Section 4. A nonconformance also requires major milestones for corrective action.

In FY 2023, there were no new non-conformances and no new consolidated non-conformances identified.

Federal Financial Management Improvement Act (FFMIA).

The purpose of the FFMIA is to promote management's compliance with Federal financial management systems requirements, standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the U. S. Standard General Ledger (USSGL) at the transaction level. Financial management systems include both financial and financially related (or mixed) systems.

The current Rural Development loan and grant accounting and servicing systems, in addition to their front-end applications, contain functionality and/or information for loan and grant applications, loan and grant characteristics, borrower and grantee statistical information, obligation and disbursement requests, borrower unpaid balances, borrower history related to repayments, payment logic, edits and servicing transactions to conform to agency regulations, program performance, and credit reform loan indicators. There are five major loan and grant accounting and servicing systems currently in use by Rural Development that service all Rural Development programs, and one fund control system that manages all allotments, obligations, and disbursements; and currently functions as described below. RD is developing a modernization roadmap that includes planned disposition of certain systems as noted in their descriptions.

Program Loan Accounting System (PLAS)

The PLAS system supports multiple functional areas for Rural Development direct loan and grant programs – WEP, CF Programs and Business Programs (BP) – and the Farm Loan Programs (FLP) of the Farm Services Agency. Efforts are underway to document PLAS functionality leading to the eventual retirement of this outdated system. The PLAS system is comprised of USDA-RD and Farm Service Agency (USDA-FSA) – Farm Loan Program General Ledger (PLAS-GL) and Loan Accounting functionality (PLAS-Loan Servicing (PLAS-LS)). The PLAS Acquisition effort has been segmented into two corresponding acquisition efforts, PLAS-GL and PLAS-LS. The PLAS system is currently used by Farm Services Agency (FSA) and Rural Development (RD), thus both USDA Farm Production and Conservation (FPAC) and USDA-RD are collaborating on the PLAS effort. The PLAS-GL and PLAS-LS efforts are critical steps toward realizing the shared goal of online portal functionality.

Automated Multi-Family Accounting System (AMAS)
The AMAS system is used to support direct loans and grants for the Rural Development MFH programs, including the RA programs. Efforts are underway to document AMAS functionality leading to the eventual retirement of this outdated system.

Guaranteed Loan System (GLS)
The GLS system is used to support guaranteed loans for Rural Development and FLP programs. Additionally, the GLS system is used to support the applications related to some direct loans and grants for Rural Development BP and CF Programs. The GLS system provides a front-end interface with Rural Development guaranteed lenders and underwriting systems.

Commercial Loan Servicing System (CLSS)
The CLSS system supports the Electric, Telecommunications and some WEP, CF and BP direct loan and grant programs. RD systems are being reviewed and requirements documented to replace outdated RD systems to include PLAS, AMAS, and eventually CLSS.
LoanServ – The LoanServ system services direct loans for Rural Development SFH programs, including collecting and disbursing borrower escrow payments.

Program Funds Control System (PFCS)
The fund system used by Rural Development and FLP to manage funds control of allotments, obligations, and disbursements. All loan and grant accounting and servicing systems interface with PFCS.

Rural Development is in the process of analyzing and transforming how financial and accounting processes can properly communicate with the USDA core Financial Management Modernization Initiative (FMMI) financial system. This includes analysis of business requirements to design and implement a new platform to transition loan servicing data to a new system, providing functionality for management control reporting, improved process flows, data warehouse extracts and Business Intelligence Reporting, and select interface staging.

Rural Development continues to evaluate the integration and modernization of the current systems to modernize the technological platforms on which systems and applications are built. The major drivers behind modernization are to automate technology gaps where processes are being performed manually, eliminate duplication where multiple systems perform similar functions, and reduce the risk and the cost of reliance on antiquated technology. Modernization will result in improved efficiency and streamlined business processes.

Compliance with Laws and Regulations.
Rural Development reports no new non-compliances during FY 2023.

Rural Development management evaluated its financial management systems under FFMIA for the period ended September 30, 2023. Based on the results of its evaluation, Rural Development is in substantial compliance with the Federal Financial Management Systems Requirements, Applicable Federal Accounting Standards, and the Standard General Ledger at the transaction level.

Payment Integrity Information Act of 2019

The Payment Integrity Information Act of 2019 (PIIA) requires that executive agencies identify programs that may be susceptible to significant improper payments, estimate the annual amount of improper payments, and submit those estimates to Congress. A program with significant improper payments (referred to as a high-priority program) has both a 1.5 percent improper payment rate and at least $10 million in improper payments or exceeds $100 million dollars in improper payments. Rural Development does not report any program meeting the high-priority threshold.

Agencies are required to establish a recovery audit program or provide a justification that a recovery audit program would not be cost effective for each program that expends $1 million or more annually. For Rural Development, 36 programs received OMB waivers from conducting recovery audit due to cost effectiveness, one new program added in FY23, and four programs developed internal recovery audit programs. These internal recovery audit programs identify and recover improper payments. Activities include data mining-initiated reviews, limited scope reviews, special investigations, eligibility verification, agency wide audits, and internal control reviews. Management has reviewed all applicable programs and activities to identify any area that may be susceptible to significant improper payments and no deficiencies were identified.

Agency information and resources can be found at www.paymentaccuracy.gov.

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2023 AND 2022
(In Millions)

	2023	2022
Assets (Note 2):		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$ 35,762	$ 34,723
Accounts Receivable, Net (Note 5)	6	0
Total Intragovernmental	35,768	34,723
Other than Intragovernmental		
Cash and Other Monetary Assets (Note 4)	78	55
Loans Receivable, Net (Note 6)	107,658	100,888
Negative Liability for Loan Guarantees (Note 6)	2,486	2,095
Property, Plant and Equipment, Net (Note 7)	87	59
Total Other than Intragovernmental	110,309	103,097
Total Assets	**146,077**	**137,820**
Liabilities (Note 8):		
Intragovernmental:		
Debt (Note 9)	111,293	106,149
Other Liabilities		
Resources Payable to Treasury	5,323	5,605
Downward Reestimates Payable to Treasury General Fund	2,624	1,468
Other Liabilities (Note 11)	21	18
Total Intragovernmental	119,261	113,240
Other than Intragovernmental		
Accounts Payable	80	81
Federal Employee and Veteran Benefits Payable (Note 8 & 10)	70	68
Advances from Others and Deferred Revenue	(7)	(8)
Other Liabilities (Note 11)	306	230
Total Other than Intragovernmental	449	371
Total Liabilities	**119,710**	**113,611**
Commitments and Contingencies (Note 12)		
Net Position:		
Unexpended Appropriations	24,789	23,404
Cumulative Results of Operations	1,578	805
Total Net Position	**26,367**	**24,209**
Total Liabilities and Net Position	**$ 146,077**	**$ 137,820**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
CONSOLIDATED STATEMENTS OF NET COST
FOR THE YEARS ENDING SEPTEMBER 30, 2023 AND 2022
(In Millions)

		2023		2022
Gross Costs (Note 13)				
Borrowing Interest Expense	$	3,583	$	3,227
Grants		2,934		3,119
Loan Cost Subsidies		(1,103)		(2,158)
Other		853		716
Total Gross Costs		**6,267**		**4,904**
Less Earned Revenues (Note 13)		3,580		3,227
Net Cost of Operations	**$**	**2,687**	**$**	**1,677**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDING SEPTEMBER 30, 2023 AND 2022
(In Millions)

		2023		2022
Unexpended Appropriations:				
Beginning Balances	$	23,404	$	8,535
Adjustments:				
Beginning Balances, as Adjusted	$	23,404	$	8,535
Appropriations Received		7,128		20,050
Appropriations Transferred In/Out		(21)		(16)
Other Adjustments		(19)		(121)
Appropriations Used		(5,703)		(5,044)
Total Unexpended Appropriations	$	**24,789**	$	**23,404**
Cumulative Results of Operations:				
Beginning Balances	$	805	$	345
Adjustments:				
Beginning Balances, as Adjusted	**$**	805	**$**	345
Other Adjustments		(11)		(5)
Appropriations Used		5,703		5,044
Transfers In/Out Without Reimbursement		484		684
Imputed Financing (Note 14)		114		70
Other Financing Sources		(2,830)		(3,656)
Net Cost of Operations		(2,687)		(1,677)
Cumulative Results of Operations	**$**	**1,578**	$	**805**
Net Position	**$**	**26,367**	**$**	**24,209**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
COMBINED STATEMENTS OF BUDGETARY RESOURCES
FOR THE YEARS ENDING SEPTEMBER 30, 2023 AND 2022
(In Millions)

	2023		2022	
	Budgetary	Non-Budgetary Credit Reform Financing Account	Budgetary	Non-Budgetary Credit Reform Financing Account
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 17,306	$ 8,308	$ 4,556	$ 8,507
Recoveries of Prior Year Unpaid Obligations	345	792	171	795
Other Changes in Unobligated Balance	303	(4,642)	(93)	(4,711)
Unobligated Balance from Prior Year Budget Authority, Net	17,954	4,458	4,634	4,591
Appropriations	7,171	0	20,605	3
Borrowing Authority (Note 15)	0	12,688	0	13,064
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	681	8,287	748	8,355
Total Budgetary Resources	**$ 25,806**	**$ 25,433**	**$ 25,987**	**$ 26,013**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	$ 9,681	$ 17,712	$ 8,681	$ 17,705
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	16,013	7,521	5,034	8,003
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	23	200	12,190	305
Unexpired Unobligated Balance, End of Year	16,036	7,721	17,224	8,308
Expired Unobligated Balance, End of Year	89	0	82	0
Total Unobligated Balance, End of Year	16,125	7,721	17,306	8,308
Total Budgetary Resources	**$ 25,806**	**$ 25,433**	**$ 25,987**	**$ 26,013**
Outlays, Net				
Outlays, Net (total)	5,689		5,383	
Distributed Offsetting Receipts	(1,592)		(3,976)	
Agency Outlays, Net	**$ 4,097**	**$**	**$ 1,407**	**$**
Disbursements, Net		**$ 5,259**		**$ 5,590**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

RURAL DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2023, AND 2022 (In Millions)

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Rural Development prepares financial statements to report the financial position and results of operations of the United States Department of Agriculture (USDA) Rural Development mission area. In accordance with the Office of Management and Budget (OMB) C*ircular A-136, Financial Reporting Requirements,* Rural Development ensures the information within these financial statements conform to Generally Accepted Accounting Principles (GAAP) for federal entities and Statements of Federal Financial Accounting Standards (SFFAS).

Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Reporting Entity

The Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994, Public Law No. 103-354, was signed into law and permitted the reorganization of the Department of Agriculture. This law reaffirmed Rural Development's statutory authority. Rural Development improves the economy and quality of life in rural America by providing funding for rural housing programs, rural utilities programs, and rural business programs within the USDA. Rural Development's mission offers loans, grants, and loan guarantees to support economic development and essential services such as housing, health care, first responder services and equipment, water, and electric and communications infrastructure.

NOTE 1: Continued
Rural Development List of Major Programs

Rural Housing and Community Facilities Programs

- Single Family Housing Direct Loans & Loan Guarantees (including Mutual Self-Help Loans)
- Single Family Housing Repair Loans & Grants
- Mutual Self-Help Housing Technical Assistance Grants
- Rural Rental Housing Direct Loans & Loan Guarantees
- Housing Preservation Grants
- Farm Labor Housing Loans & Grants
- Community Facilities Direct Loans, Loan Guarantees & Grants
- Rural Community Development Initiative Grants

Rural Business and Cooperative Programs

- Business and Industry Loan Guarantees
- Business and Industry CARES Act Guaranteed Loans & Grants
- Rural Business Development Grants
- Rural Business Investment Loans & Grants
- Intermediary Relending Program Loans
- Rural Microentrepreneur Assistance Loans & Grants
- Rural Economic Development Loans & Grants
- Rural Cooperative Development Grants
- Socially Disadvantaged Groups Grants
- Delta Health Care Services Grants
- Value Added Producer Grants
- Rural Energy for America Program Loan Guarantees & Grants
- Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program Loan Guarantees
- Repowering Assistance Program
- Advanced Biofuel Payment Program
- Strategic Economic and Community Development
- Higher Blends Infrastructure Incentive Program
- Food Supply Chain Loan Guarantees & Grants

Rural Utilities Programs

- Water and Environmental Disposal Direct Loans, Loan Guarantees & Grants
- Solid Waste Management Grants
- Water and Waste Disposal Technical Assistance & Training Grants
- Circuit Rider Loans & Grants
- Rural Broadband Access Direct Loans and Loan Guarantees
- Electric and Telecommunications Infrastructure Direct Loans & Loan Guarantees
- Energy Efficiency & Conservation Loans
- Rural Energy Savings Loans & Grants
- Special Evaluation Assistance for Rural Communities and Households
- Distance Learning and Telemedicine Grants
- Community Connect and ReConnect Grants and Loans
- High Energy Cost Grants
- Distributed Generation Energy Project Financing
- Energy Resource Conservation
- Emergency Community Water Assistance Grants

NOTE 1: Continued

Basis of Accounting and Presentation

The accounting principles and standards applied in preparing the financial statements are in accordance with guidance from the Federal Accounting Standards Advisory Board (FASAB), the Director of OMB and Comptroller General, which constitute generally accepted accounting principles for the Federal Government and its component entities. Additionally, Rural Development applies guidelines from the Federal Credit Reform Act of 1990 (Credit Reform) contained in the Omnibus Budget Reconciliation Act of 1990.

Rural Development utilizes cash, accrual, and budgetary accounting basis while preparing the financial statements. The cash accounting basis recognizes Pre-Credit Reform and Credit Reform non-federal transactions, except for the accrual of interest related to borrower loans. Under the cash method, Rural Development recognizes revenues when cash is received and expenses when they are paid. Federal transactions utilize the accrual accounting basis. Budgetary accounting is also necessary to facilitate compliance with legal constraints and controls over the use of federal funds. Rural Development eliminates all significant interfund and intrafund balances and transactions in the consolidation of all financial statements with the exception of the Statement of Budgetary Resources, which is presented on a combined basis.

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment, and disposition by the Federal Government of cash or other assets in which non-federal individuals or entities have an ownership interest that the Federal Government must uphold. Fiduciary assets are not assets of Rural Development and, as such, are not recognized on the Balance Sheet **(Note 18)**.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Rural Development's largest estimates are a result of the Federal Credit Reform Act requirements. Actual results may differ from those estimates.

Revenue and Other Financing Sources

Revolving/Credit Funds:

Beginning in FY 1992, the Federal Credit Reform Act of 1990, as amended, contained in the Omnibus Budget Reconciliation Act of 1990, provided Credit Reform procedures that affected the financing of the revolving funds. Under Credit Reform, Rural Development receives an appropriation in the year the loan is made to cover the subsidy cost of providing the loan. The subsidy cost is defined as the estimated long-term cost to the government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs. Consequently, the implementation of Credit Reform has resulted in authorized appropriations, which provide for estimated future losses, as opposed to appropriations, which provided for reimbursement of past losses actually sustained prior to FY 1992. In addition to subsidy appropriations, the other sources of funding for the revolving funds include borrowings from Treasury and borrower loan repayments.

NOTE 1: Continued

General Funds

Rural Development receives appropriations from Congress on both an annual and multi-year basis to fund certain general funds and other expenses such as personnel, compensation, fringe benefits, rent, communication, utilities, other administrative expenses, and capital expenditures. The current budgetary process does not distinguish between capital and operating expenditures. For budgetary purposes, Rural Development recognizes both as a use of budgetary resources. For financial reporting purposes under accrual accounting, operating expenses are recognized in the current reporting period. Expenditures for capital and other long-term assets are capitalized and are not recognized as expenses until they are consumed during normal operations. Rural Development records appropriations for general fund activities as a financing source when expended. Unexpended appropriations are recorded as Net Position.

Fund Balance with Treasury

Treasury processes all receipts and disbursements and maintains the appropriate governmental bank accounts.

Lending Activities

Rural Development utilizes appropriations and borrowing authority to make direct loans. These loans represent actual cash disbursements to borrowers which require repayment.

Other lending activities include the guarantee of loans for Single Family Housing, Multi-Family Housing, Community, Business, and Utility programs. The term “guarantee” means “to guarantee the repayment of all or a part of the principal or interest on any debt obligation to eligible borrowers originated, held, and serviced by a private financial agency or other lender approved by the Secretary of Agriculture.”

Guaranteed lenders may sell guaranteed loans in the secondary market to an institution referred to as a holder. If the holder does not receive payment, Rural Development may purchase the loan. These loans are reported as direct loans by Rural Development.

Loans Receivable, Net and Loan Guarantee Liabilities

Rural Development establishes a loan receivable after funds have been disbursed. They are carried at their principal amount outstanding **(Note 6)** and accrue interest based on the contractual interest rate. When a loan becomes non-performing (in excess of 90 days delinquent or when borrowers enter into troubled debt restructuring arrangements), all interest previously accrued on the loan is reversed for financial reporting purposes, and interest income on the non-performing loan is then recognized only to the extent of the collections received. Rural Development reclassifies non-performing loans as performing and accrues interest when they become current or less than 90 days delinquent. In addition, interest income recognition subsequent to troubled debt restructuring arrangements is generally limited to net present value of the adjusted future cash flows.

In an effort to more accurately portray the actual value of assets, Rural Development adopts the USDA policy of writing off, for financial reporting purposes, all loans that are two years or more delinquent. Present value and net realizable value are used to value the remaining interest and principal. **Note 6** provides additional information on the methods used for direct and guaranteed loans.

NOTE 1: Continued

Property, Plant, and Equipment, Net

General Services Administration (GSA) provides the land, buildings, and equipment in the current operating environment. GSA charges a Standard Level User Charge that approximates the commercial rental rates for similar properties. Under Credit Reform, all equipment purchases are made through the Salaries and Expense Fund.

Rural Development accounts for the cost of internal use software in accordance with SFFAS No. 10, Accounting for Internal Use Software. SFFAS No. 10 requires the capitalization of the cost of internal use software whether it is commercial off-the-shelf, contractor-developed, or internally developed which solely meets internal or operational needs. As defined in SFFAS No. 6, Accounting for Property, Plant, and Equipment, Rural Development classifies internal use software as Property, Plant, and Equipment. The threshold for equipment is $25 thousand and internal use software is $100 thousand. See **Note 7** for further information.

Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid as the result of a transaction or event that has already occurred. However, no liability can be paid absent budget authority. Where an appropriation has not been enacted, liabilities are considered not covered by budgetary resources. There is no certainty that appropriations will be enacted.

Borrowings and Interest Payable to Treasury

Borrowings payable to Treasury result from the Secretary of Agriculture's authority to make and issue notes to the Secretary of Treasury for the purpose of discharging obligations. These funds make periodic principal and interest payments to Treasury in accordance with established agreements.

Pension and Other Employee Benefits

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

Resources Payable to Treasury

Rural Development's Resources Payable to Treasury represent the Pre-Credit Reform fund's assets in excess of the fund's liabilities. Rural Development returns funds to Treasury after liquidating all the liabilities of these Pre-Credit Reform funds.

NOTE 1: Continued

Downward Reestimates Payable to Treasury General Fund

Rural Development records the liability for downward reestimates in accordance with the Treasury General Fund Receipt (GFR) Account Guide, most notably the section, which illustrates the accounting and reporting requirements for Non-Custodial Statement collections applicable to collections of downward reestimates of subsidy expense. As direct and/or guaranteed loan financing accounts collect more subsidy than necessary, to fund future net cash outflows, the applicable financing account must transfer the excess subsidy, with interest, to a designated Treasury GFR Account. As this transfer does not occur until the following year, these excess funds are included in the Fund Balance with Treasury and are considered non-entity assets.

Contingencies

Rural Development's mission area is a party in various legal actions and claims through the normal course of its operations. In the opinion of management and the USDA Office of the General Counsel, the ultimate resolution of these legal actions and claims will not materially affect the financial position or results of operations **(Note 12)**.

Unexpended Appropriations

Unexpended appropriations include the undelivered orders and unobligated balances of the general funds and the program accounts, which receive Congressional appropriations through the budgetary process. As appropriated funds incur obligations, Rural Development records the obligated amount as an undelivered order **(Note 15 D)**. An expenditure or an obligation cancellation reduces an undelivered order. Rural Development treats appropriated funds, which are not obligated, as unobligated amounts. At the end of the fiscal year, certain multi-year appropriations, which have unobligated balances, remain available for obligation in future periods. Rural Development returns unobligated appropriations to Treasury when their period of availability cancels.

Intragovernmental Financial Activities

Rural Development's mission area is an integral part of the operations of the USDA and may be subject to financial and managerial decisions and legislative requirements, which are beyond the control of the Agency's management. Consequently, day-to-day operations may not be conducted as they would if Rural Development was a separate and independent entity.

USDA provides mission areas with an allocation of departmental non-reimbursed appropriated costs to include in their financial statements. These costs affect the Statement of Net Cost and Statement of Changes in Net Position.

Rural Development does not stipulate that the financial statements report the mission area's proportionate share of the Federal deficit or of public borrowing, including interest. Financing for budget appropriations could derive from tax revenues or public borrowing or both. The ultimate source of this financing, whether from tax revenues or public borrowing, has not been specifically allocated to Rural Development.

NOTE 1: Continued

Allocation Transfers

Rural Development is a party to allocation transfers with other federal agencies as both a transferring entity and a receiving entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account is created in the U.S. Treasury as a subset for tracking and reporting purposes. This account credits all allocation transfers of balances, and charges subsequent obligations and outlays incurred by the child entity as they execute the delegated activity on behalf of the parent entity. All financial activity related to allocation transfers appears in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived. Rural Development allocates funds as the parent to the Small Business Administration and Department of Housing and Urban Development. Rural Development receives allocation transfers as the child from the Economic Development Administration, Appalachian Regional Commission, and Delta Regional Authority.

Other Disclosures

In FY 2023 Rural Development had two financial statement line adjustments. The adjustments had no impact on the overall financial statements or the individual treasury accounts as they occurred between funds in the same treasury account. The two adjustments occurred in the Office of the Secretary 12X0115 account. The Balance Sheet line Cumulative Results of Operations was adjusted for $500 million, and the Statement of Changes in Net Position, Beginning Balance under Cumulative Results of Operations was adjusted for $500 million. The adjustments were needed to account for correct distribution between separate funds in the same treasury account thus not impacting the statements or the treasury account on the overall account level.

NOTE 2: NON-ENTITY ASSETS

Non-Entity Assets represent assets that are "NOT FOR USE" by Rural Development.

	FY 2023	FY 2022
Intragovernmental		
Fund Balance with Treasury	$ 0	$ 0
Total Intragovernmental	**0**	**0**
Cash and Other Monetary Assets	**78**	**55**
Total Non-Entity Assets	**78**	**55**
Total Entity Assets	145,999	137,765
Total Assets	**$ 146,077**	**$ 137,820**

NOTE 3: FUND BALANCE WITH TREASURY

Fund Balance with Treasury represents the undisbursed account balances with Treasury as reported in the mission area's records.

The line titled Unavailable consists of restricted funds which are limited in their future use and are not apportioned for current use. These amounts represent the expired authority in annual year grant and program accounts (annual years prior to FY 2023) and are only available for prior year upward obligations. After the fifth year of expiration, Rural Development returns all funds to Treasury except those entities having extended authority to disburse. For FY's 2023 and 2022, there were approximately $78 million and $69 million in expired funds, respectively.

Total unobligated balances and obligated balances not yet disbursed do not agree with the corresponding fund balance with Treasury amounts presented below because Rural Development borrows funds from Treasury at the time certain obligations are disbursed. Borrowing authority not yet converted to fund balance represents unobligated and obligated amounts recorded at fiscal yearend, which will be funded by future borrowings.

	FY 2023	FY 2022
Status of Fund Balance with Treasury (FBWT)		
Unobligated Balance:		
Available	$ 23,534	$ 13,037
Unavailable	312	12,577
Obligated Balance Not Yet Disbursed	39,791	35,870
Borrowing Authority Not Yet Converted to Fund Balance	(27,864)	(26,748)
Authority Granted Prior to Credit Reform for Rental Assistance Grants	(13)	(15)
Temporary Reduction of New Budget Authority	0	0
Appropriation Purpose Fulfilled - Balance Not Available	2	2
Non-Budgetary Fund Balance with Treasury	0	0
Total	**$ 35,762**	**$ 34,723**

NOTE 4: CASH AND OTHER MONETARY ASSETS

Cash is comprised of funds related to the operation of the Rural Housing Escrow Program on deposit with Bank of America as of September 30, 2023, and 2022.

	FY 2023	FY 2022
Cash and Other Monetary Assets		
Cash	$ 78	$ 55
Foreign Currency	0	0
Other Monetary Assets	0	0
Total Cash and Other Monetary Assets	**$ 78**	**$ 55**

NOTE 5: ACCOUNTS RECEIVABLE (A/R), NET

	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
FY 2023			
Intragovernmental			
A/R Revenue, Refunds, Reimbursements	6	0	6
Total Intragovernmental Accounts Receivable	**$ 6**	**$ 0**	**$ 6**
Other than Intragovernmental			
Audit Receivable	16	(16)	0
Total Accounts Receivable	**$ 22**	**$ (16)**	**$ 6**
FY 2022			
Intragovernmental			
A/R Revenue, Refunds, Reimbursements	0	0	0
Total Intragovernmental Accounts Receivable	**$ 0**	**$ 0**	**$ 0**
Other than Intragovernmental			
Audit Receivable	17	(17)	0
Total Accounts Receivable	**$ 17**	**$ (17)**	**$ 0**

Criminal Restitution

The outstanding balance for criminal restitution was $3 million for FY 2023 and $3 million for FY 2022.

NOTE 6: LOANS RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES

Discussion of Credit Programs and Characteristics

Rural Development offers both direct and guaranteed loans administered through the Rural Housing Service, Rural Utilities Service and Rural Business-Cooperative Service. Each agency has unique missions to bring prosperity and opportunity to rural areas. The direct program has $107,325 million in outstanding credit program net receivables, and the guaranteed program has an outstanding guarantee of $111,503 million with a liability of $(2,486) million, as of September 30, 2023.

Each year, Rural Development programs create or preserve tens of thousands of rural jobs and provide or improve the quality of rural housing, business, and utilities. To leverage the impact of its programs, Rural Development is working with state, local, and Indian tribal governments, as well as private and non-profit organizations and user-owned cooperatives. Rural Development is able to provide certain loan servicing options to borrowers whose accounts are distressed or delinquent. These options include reamortization, restructuring, loan deferral, lowering interest rate, acceptance of easements, and debt write-downs. The choice of servicing options depends on the loan program and the individual borrower.

Rural Development programs facilitate rural prosperity and economic development in rural America. Utilities programs provide capital for electric, telecommunications (including broadband, distance learning, and telemedicine) and water and environmental projects. These programs leverage federal funds with private capital to invest in rural infrastructure, technology and development of human resources.

Business and Cooperative programs provide capital for building energy efficient and competitive businesses and sustainable cooperatives that can prosper in the global marketplace. In partnership with the private sector and community-based organizations, these programs deliver loans, loan guarantees, grants, and technical assistance to support rural businesses, and provide job training in rural areas through capital, training, education, and entrepreneurial skills in rural communities, agricultural markets and the bio-based economy.

Housing and Community Facilities (CF) programs ensure rural families have access to safe, well-built, affordable homes and support an infrastructure needed to make rural communities attractive to small business owners, employees and families. Housing and CF programs provide loans, grants and rental assistance (RA) to rural low and very low-income residents for housing, and funding to support rural infrastructure and community services development. These programs are essential to rural America.

NOTE 6: Continued
Loan Program Characteristics

PROGRAM CHARACTERISTICS – DIRECT		
MAJOR PROGRAMS	**OBJECTIVE**	**TERMS/CONDITIONS**
Single Family Housing Loans (including Mutual Self-Help Loans)	Safe, well-built, affordable homes for very-low and low-income rural Americans.	Up to 100% of market value or cost. Loan term of 33/38 years. Applicant may be eligible for payment assistance (subsidy) on the loan.
Single Family Housing Repair Loans	To help very-low-income applicants remove health and safety hazards or repair their homes.	Loans up to $20,000 up to 20 years at 1%.
Rural Rental (Multi-Family) Housing Loans	Safe, well-built, affordable rental housing for very-low-income individuals and families.	Up to 100% of total development cost (non-profits); 97% (for-profit); 95% (for-profits with Low-Income Housing Tax Credits). 30-year term with up to 50-year amortization.
Community Facility Loans	Improve, develop, or finance essential community facilities for rural communities.	Up to 100% of Market value. Term is for useful life of the facility or equipment, the State statute, or 40 years.
Farm Labor Housing Loans	Safe, well-built affordable rental housing for farmworkers.	Up to 102% of total development cost. Up to 33 years to repay at 1% interest.
Rural Economic Development Loans	Finance economic development and job creation in rural areas.	Intermediary makes loans to for-profit or non-profit businesses and public bodies. Loans are 0% for 10 years.
Intermediary Relending Program Loans	Establish revolving funds for business facilities and community development projects.	The intermediary makes loans to business from its revolving loan fund on terms consistent with security offered. Intermediary pays 1% for 30 years.
Rural Microentrepreneur Assistance Program	Establish revolving funds to target assistance to small rural enterprises.	Maximum term is 20 years with a 2-year payment deferral.
Water and Environmental Loan	Provide infrastructure for rural areas.	Repayment period is a maximum of 40 years.
Electric Loans including Rural Energy Savings Program	Helps rural communities obtain affordable, high quality electric. Helps rural families and small businesses achieve cost savings through loans to qualified consumers to implement durable cost – effective energy efficiency measures.	Up to 20 years at 0% interest, up to 3% interest for relending to qualified end-users/consumers for up to 10 years; up to 4% of the loan total may be used for startup costs.
Telecommunication and Broadband Loans	Financing for construction, maintenance, improvement, and expansion of telephone service and broadband in rural areas.	Cost of money loans at fixed U.S. Treasury rate. Hardship Loans may be available at fixed interest rate for up to 20 years.

NOTE 6: Continued

PROGRAM CHARACTERISTICS – GUARANTEED		
MAJOR PROGRAMS	**OBJECTIVE**	**TERMS/CONDITIONS**
Single Family Housing Loan Guarantees	To assist low-to moderate-income applicants/household buy their homes by guaranteeing loans made by private lenders.	30-year fixed. The interest rate is negotiated between lender and borrower. Loans up to 100% of market value plus the amount of the up-front guarantee fee being financed.
Rural Rental (Multi-Family) Housing Loan Guarantees	Guarantees on loans to build or preserve affordable rental housing for very-low to moderate income tenants	At least 25-year term with fixed interest rate. Loan guarantees on up to 90% of the principal.
Community Facilities Loan Guarantees	Improve, develop, or finance essential community facilities for rural communities.	Up to 100% of market value. Term is for useful life of the facility or equipment, the State statute, or 40 years. Maximum grant 75% of project cost.
Business and Industry Loan Guarantees	Create jobs/stimulate rural economics by providing financial backing for rural business.	Lender and borrower negotiate terms. Up to 30 years for real estate, 15 years for machinery and equipment, and 7 years for working capital.
Business and Industry Loan Guarantees CARES Act	Provides working capital to help rural businesses prevent, prepare for, or respond to the effects of the coronavirus pandemic.	Lender and borrower negotiate terms. Loan Guarantee is 90%. Up to 10 years loan term at which point the loan must be repaid. Interest payments can be deferred the first year. Principal payments can be deferred up to 3 years.
Rural Energy for America Program (REAP) Loan Guarantees	Provide assistance for energy efficiency improvements or to purchase a renewable energy system for operations.	Loan guarantees up to 75% of project cost not to exceed $25 million.
Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program Loan Guarantees	Loan guarantees to develop and construct commercial–scale biorefineries or retrofit facilities using eligible technology for the development of advanced biofuels.	90% (maximum) guarantee on loans up to $125 million; 80% (maximum) guarantee on loans less than $150 million; 70% (maximum) guarantee on loans of $150 million but less than $200 million; 60% (maximum) guarantee on loans of $200 million up to $250 million.
Water and Environmental Loan Guarantees	Provide infrastructure for rural areas.	Eligible lenders obtain up to 90% guarantee on loans they make and service.
Electric and Telecommunication Loan Guarantees	Help rural communities obtain affordable, high-quality electric and telecommunications services.	Maximum 35-year term 100% guaranteed
Food Supply Chain Loan Guarantees	Supports new investments in infrastructure for food aggregation, processing, manufacturing, storage, transportation, wholesaling, and distribution to increase capacity and create a more resilient, diverse and secure U.S. food supply chain.	Loan guarantees 90% for loans with fixed interest rates on the guaranteed portion. All other loans shall be guaranteed at 80%. Maximum loan amount is $40 million.

NOTE 6: Continued

Other Information Related to Credit Programs

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

For FY's 2023 and 2022, Rural Housing Program properties consist primarily of 262 and 307 rural single-family dwellings, respectively. The average holding period for single family housing properties in inventory was 17 months for FY 2023 and 17 months for FY 2022. The approximate number of borrowers for which foreclosure proceedings were in process at the end of FY's 2023 and 2022 was 9,573 and 10,143, respectively. Rural Development also allows leasing certain properties to eligible individuals.

Non-Performing Loans
Rural Development's loan interest income on non-performing receivables is calculated but the recognition of revenue is deferred. Non-performing receivables are defined as receivables that are in arrears by 90 or more days.

Interest Credit
Approximately $12,938 million and $12,949 million of the Rural Housing borrowers' unpaid loan principal, as of September 30, 2023, and 2022, respectively, received interest credit (payment assistance). If those loans receiving interest credit had interest accrued at the full-unreduced rate, interest income would have been approximately $568 million and $592 million for FY's 2023 and 2022, respectively.

Also, at the end of FY's 2023 and 2022, the Rural Development housing portfolio contained approximately 45,802 and 50,050 restructured loans, respectively. The outstanding unpaid principal balance was $3,072 million in FY 2023 and $3,331 million in FY 2022.

Modifications
A modification is any government action, different from actions in the baseline assumption, that affects the subsidy cost, such as a change in the terms of the loan contract. This includes the sale of loan assets and any action resulting from new legislation. Modifications may also occur from the exercise of administrative discretion under existing law that directly or indirectly alters the estimated cost of outstanding direct loans or loan guarantees. The cost of a modification is the difference between the net present value of the cash flows before and after the modification.

Multi-Family Housing direct loan modifications related to the revitalization program, which began in FY 2006, and continued through FY 2023. In this program, Rural Development provided restructured loans and grants to development owners to revitalize multi-family housing development projects in order to extend their affordable use without displacing tenants due to increased rent.

NOTE 6: Continued

Subsidy Rates and Reestimates

The Federal Credit Reform Act of 1990, as amended, and OMB Circular A-11 govern the proprietary and budgetary accounting treatment of direct and guaranteed loans. The long-term cost to the government for direct loans or loan guarantees is referred to as “subsidy cost.” Under the Act, subsidy costs for all loans obligated post-1991 are recognized at the net present value of projected lifetime costs in the year the loan is disbursed. Subsidy costs are estimated annually. Components of subsidy include interest subsidies, defaults, fee offsets, and other cash flows. Reestimates are revisions of the subsidy cost estimate of a cohort (or risk category) based on information about the actual performance and/or estimated changes in future cash flows of the cohort. A cohort refers to the fiscal year of obligation for direct loan obligations, or loan guarantee commitments of a specific program. In FY’s 2023 and 2022, reestimates using projected fiscal year activity were recorded in the current fiscal year.

In FY’s 2023 and 2022, Rural Development guaranteed loan programs recorded prior year actual budgetary reestimates and current year activity projected reestimates for material programs. Defaults, fees, and other collections are considered significant assumptions within the guaranteed housing and business and industry program estimates.

Based on a sensitivity analysis conducted for each program, the difference between the budgeted and actual interest for both borrower and Treasury remain the key components of the subsidy formulation and reestimate rates of Rural Development direct programs. Rural Development uses the government-wide interest rate projections provided by OMB within its calculations and analysis.

Rural Development’s cash flow models are tailored for specific programs based on unique program characteristics. Specific models developed and utilized include an econometric model for Guaranteed Single-Family Housing and Guaranteed Business and Industry, and historical weighted average models for Direct Single-Family Housing, Multi-Family Housing, Guaranteed Electric Underwriters, Electric Modifications, and a direct loan historical model that covers the remaining portfolio with similar characteristics. A direct loan is a disbursement of funds by the government to a non-federal borrower under a contract that requires the repayment of such funds with or without interest. A loan guarantee is an assurance that the payment of all or part of the principal or interest on any debt obligation of a non-federal borrower to a non-federal lender will be received by the non-federal lender.

Valuation Methodology for Direct Loans and Loan Guarantees

For direct loans made pre-1992, Rural Development uses the Net Realizable Value methodology to value the remaining interest and principal portfolio. The Net Realizable Value methodology uses the average rate of the last five years of write-offs to determine the value of the remaining interest and principal portfolio. Direct loans and loan guarantees made post-1991 are governed by the Federal Credit Reform Act of 1990, as amended. The Act requires agencies to estimate the cost of direct loans and loan guarantees at net present value of future cash flows.

Additionally, the net present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets and other cash flows) associated with direct loans and loan guarantees are recognized as a cost in the year the direct loan or guaranteed loan is disbursed.

NOTE 6: Continued

DIRECT LOANS

Direct Loan Obligations

Direct loan obligations are binding agreements by a federal agency to make a direct loan when specified conditions are fulfilled by the borrower. **Tables 1,2 and 7** illustrate the overall composition of the Rural Development loan portfolio by mission area and loan program for FY 2023 and FY 2022. Loans Receivable, Net balances for Direct Loans at the end of FY 2023 was $107,325 million compared to $100,713 million at the end of FY 2022. Defaulted Guaranteed Loans were $333 million in FY 2023 as compared to $175 million in FY 2022.

The Omnibus Budget Act of 1987, Section 313, authorized the accumulation of Cushion of Credit (CoC) in the Revolving Fund. Borrowers may make advance payments up to their liquidating and financing total Rural Utilities Service debt. To accurately represent the value of Electric and Telecommunication assets, Rural Development reports the CoC amounts as a separate line item in **Table 1 and Table 2**, under the Direct Loans Receivables Section.

NOTE 6: Continued

TABLE 1: DIRECT LOANS OBLIGATED (PRE-1992)

FY 2023		Loans Receivable, Gross		Interest Receivable		Foreclosed Property		Allowance [1]		Value of Assets
Direct Loans										
Obligated Pre-1992										
Housing	$	4,802	$	843	$	3	$	(778)	$	4,870
Community Facility		4		0		0		0		4
Electric		187		2		0		0		189
Telecommunication		14		0		0		0		14
Water and Environmental		120		0		0		0		120
Intermediary Relending		0		0		0		0		0
Pre-1992 Total		**5,127**		**845**		**3**		**(778)**		**5,197**
Cushion of Credit Advance Payments		(5)		0		0		0		(5)
Total Direct Loans Receivable		**5,122**		**845**		**3**		**(778)**		**5,192**

FY 2022		Loans Receivable, Gross		Interest Receivable		Foreclosed Property		Allowance [1]		Value of Assets
Direct Loans										
Obligated Pre-1992										
Housing	$	5,078	$	784	$	1	$	(712)	$	5,151
Community Facility		5		0		0		0		5
Electric		1,643		2		0		(1,427)		218
Telecommunication		20		0		0		0		20
Water and Environmental		137		2		0		0		139
Intermediary Relending		1		0		0		0		1
Pre-1992 Total		**6,884**		**788**		**1**		**(2,139)**		**5,534**
Cushion of Credit Advance Payments		(54)		0		0		0		(54)
Total Direct Loans Receivable		**6,830**		**788**		**1**		**(2,139)**		**5,480**

[1] The allowance for Direct Loans Obligated pre-1992 are valued at Net Realizable value.

NOTE 6: Continued

TABLE 2: DIRECT LOANS OBLIGATED (POST-1991)

FY 2023	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance [2]	Value of Assets
Direct Loans					
Obligated Post-1991					
Housing	17,810	460	20	(1,416)	16,874
Community Facility	11,975	74	0	(252)	11,797
Electric	56,352	218	0	655	57,225
Telecommunication	2,275	6	0	(12)	2,269
Water and Environmental	13,529	64	0	167	13,760
Intermediary Relending	288	1	0	(49)	240
Business and Industry	40	0	0	(1)	39
Economic Development	208	0	0	(10)	198
Post-1991 Total	**102,477**	**823**	**20**	**(918)**	**102,402**
Cushion of Credit Advance Payments	(269)	0	0	0	(269)
Total Direct Loans Receivable	**102,208**	**823**	**20**	**(918)**	**102,133**
FY 2022					
Direct Loans					
Obligated Post-1991					
Housing	17,156	444	23	(1,183)	16,440
Community Facility	11,550	111	0	(228)	11,433
Electric	52,251	31	0	(737)	51,545
Telecommunication	2,418	2	0	(38)	2,382
Water and Environmental	13,090	83	0	303	13,476
Intermediary Relending	301	2	0	(58)	245
Business and Industry	42	0	0	(5)	37
Economic Development	177	0	0	(12)	165
Post-1991 Total	**96,985**	**673**	**23**	**(1,958)**	**95,723**
Cushion of Credit Advance Payments	(490)	0	0	0	(490)
Total Direct Loans Receivable	**96,495**	**673**	**23**	**(1,958)**	**95,233**

[2] The allowance for Direct Loans Obligated post-1991 are valued at Net Present value.

NOTE 6: Continued

Subsidy Cost Allowance

The net present value of direct loans obligated post-1991 comprises the outstanding balance of the loans adjusted by the allowance for subsidy for these loans. **Table 3** shows the reconciliation of subsidy cost allowance balances from FY 2023 to FY 2022. The subsidy cost allowance in FY 2023 was $1,655 million compared to $2,328 million in FY 2022, a decrease of $(673) million.

TABLE 3: SCHEDULE FOR RECONCILING SUBSIDY COST ALLOWANCE BALANCES (POST-1991 DIRECT LOANS)

Beginning Balance, Changes, and Ending Balance	**FY 2023**	**FY 2022**
Beginning Balance of the Subsidy Cost Allowance	$ 2,328	$ 2,922
Add subsidy expense for direct loans disbursed during the year by component:		
Interest rate differential costs	(236)	(256)
Default costs (net of recoveries)	143	119
Fees and other collections	(25)	(19)
Other subsidy costs	(54)	(46)
Total of the above subsidy expense components	(172)	(202)
Adjustments:		
Loan modifications	2	3
Fees received	81	83
Loans written off	(95)	(202)
Subsidy allowance amortization	(302)	(97)
Other	437	(847)
Ending balance of the subsidy cost allowance before reestimates	**2,279**	**1,660**
Add or subtract reestimates by component:		
Interest rate reestimates	(391)	(1,548)
Technical/default reestimates	(233)	2,216
Total of the above reestimate components	(624)	668
Ending Balance of the Subsidy Cost Allowance	**$ 1,655**	**$ 2,328**

NOTE 6: Continued

Direct Loan Subsidy Expense

Direct loan subsidy expense is a component of the subsidy cost allowance. The total direct loan subsidy expense for FY 2023 is a combination of subsidy expense for new direct loans disbursed in the current year, modifications to existing loans, and interest rate and technical reestimates to existing loans. **Table 4,** illustrates the composition of total subsidy expense, including reestimates, for FY's 2023 and 2022 by program. Total direct loan subsidy expense in FY 2023 was $(794) million compared to $469 million in FY 2022, an decrease of $(1,263) million. Reestimate variances are discussed in the Analysis of Direct Loans.

TABLE 4: DIRECT LOAN SUBSIDY BY PROGRAM AND COMPONENT

	Subsidy Expense for New Direct Loans Disbursed					Modifications and Reestimates				
	Interest Differential	Defaults	Fees and Other Collections	Other	Total	Total Modifications	Interest Rate	Technical/ Default	Total	GRAND TOTAL
FY 2023										
Housing	$ 9	70	$ 0	$ (12)	$ 67	$ 2	$ 61	$ 148	$ 209	$ **278**
Community Facility	(97)	32	0	16	(49)	0	3	63	66	**17**
Electric	(191)	20	(25)	(27)	(223)	0	(506)	(534)	(1,040)	**(1,263)**
Telecommunications	0	20	0	0	20	0	9	(56)	(47)	**(27)**
Water & Environmental	36	1	0	(31)	6	0	0	201	201	**207**
Intermediary Relending	2	0	0	0	2	0	25	(31)	(6)	**(4)**
Business and Industry	0	0	0	0	0	0	3	(6)	(3)	**(3)**
Economic Development	5	0	0	0	5	0	14	(18)	(4)	**1**
Total Subsidy Expense, Direct	**$ (236)**	**$ 143**	**$ (25)**	**$ (54)**	**$ (172)**	**$ 2**	**$ (391)**	**$ (233)**	**$ (624)**	**$ (794)**
FY 2022										
Housing	$ 3	$ 48	$ 0	$ (4)	$ 47	$ 0	$ (134)	$ (381)	$ (515)	$ **(468)**
Community Facility	(107)	35	0	15	(57)	0	(99)	165	66	**9**
Electric	(203)	16	(19)	(23)	(229)	0	(1,413)	2,295	882	**653**
Telecommunications	0	19	0	(1)	18	3	49	6	55	**76**
Water & Environmental	47	1	0	(33)	15	0	53	132	185	**200**
Intermediary Relending	2	0	0	0	2	0	0	0	0	**2**
Business and Industry	0	0	0	0	0	0	0	(1)	(1)	**(1)**
Economic Development	2	0	0	0	2	0	(4)	0	(4)	**(2)**
Total Subsidy Expense, Direct	**$ (256)**	**$ 119**	**$ (19)**	**$ (46)**	**$ (202)**	**$ 3**	**$ (1,548)**	**$ 2,216**	**$ 668**	**$ 469**

NOTE 6: Continued

Direct Loans Disbursed
Volume distribution between programs is shown in **Table 5.** Direct loans disbursed in FY 2023 was $9,966 million compared to $9,040 million in FY 2022, an increase of $926 million.

TABLE 5: TOTAL AMOUNT OF DIRECT LOANS DISBURSED (POST-1991)

	FY 2023	FY 2022	FY 2023 Over/Under FY 2022
Housing	$ 1,657	$ 1,125	$ 532
Community Facility	823	946	(123)
Electric	6,350	5,749	601
Telecommunications	185	181	4
Water and Environmental	866	1,005	(139)
Intermediary Relending	16	10	6
Business and Industry	3	2	1
Economic Development	66	22	44
Total Direct Loans Disbursed	**$ 9,966**	**$ 9,040**	**$ 926**

NOTE 6: Continued

Subsidy Rates for Direct Loans

Subsidy rates are used to compute each year's subsidy expense. **Table 6** has the direct loan subsidy rates for FY 2023 as provided in the Federal Credit Supplement to the Budget of the U.S. Government. The subsidy rates disclosed in **Table 6** pertain only to the FY 2023 cohort. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for loans reported in the current year could result from disbursements of loans from current year and prior year cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

TABLE 6: SUBSIDY RATES FOR DIRECT LOANS (PERCENTAGE)

FY 2023	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Section 502 Single Family Housing	0.04	4.52	0.00	-0.85	3.71
Section 504 Housing Repair	11.73	-0.03	0.00	-3.40	8.30
Single Family Housing Credit Sales	-7.91	2.82	0.00	1.53	-3.56
Section 514 Farm Labor Housing	20.69	0.17	0.00	-0.44	20.42
Section 515 Multi-Family Housing	19.53	1.25	0.00	-1.67	19.11
Section 523 Self-Help Housing Land Development	0.42	4.84	0.00	0.07	5.33
Section 524 Site Development	-0.06	3.77	0.00	0.45	4.16
Multi-Family Housing Credit Sales			Not Funded		
Multi-Family Housing Relending			Not Funded		
Multi-Family Housing Revitalization Second	48.30	0.63	0.00	-0.04	48.89
Multi-Family Revitalization Zero	43.35	0.48	0.00	-0.27	43.56
Native American Single Family Relending Pilot	24.86	9.93	0.00	-1.89	32.90
Community Facilities	-13.56	4.45	0.00	1.65	-7.46
Community Facilities Relending			Not Funded		
Distance Learning and Telemedicine			Not Funded		
Broadband Treasury Rate	0.04	14.02	0.00	-0.43	13.63
Water and Environmental	3.03	0.16	0.00	-5.38	-2.19
Water and Waste 1%	25.04	0.14	0.00	-11.56	13.62
Electric Hardship			Not Funded		
Treasury Electric Loans	0.00	0.00	0.00	-2.96	-2.96
FFB Electric	-4.73	0.01	0.00	-1.15	-5.87
Telephone Hardship			Not Funded		
Treasury Telecommunications	0.05	0.61	0.00	-0.12	0.54
FFB Telecommunications			Not Funded		
Intermediary Relending Program	17.17	1.67	0.00	-1.30	17.54
Rural Economic Development	10.31	0.01	0.00	-0.45	9.87
Rural Microenterprise	2.68	2.66	0.00	0.00	5.34
Electric Underwriting	0.00	1.26	-1.82	0.00	-0.56
Reconnect Direct Loans	4.27	10.05	0.00	-0.68	13.64
Reconnect Grant Assisted Loans	0.00	10.05	0.00	0.05	10.10
Rural Energy Savings Program	9.94	0.79	0.00	-0.36	10.37
IRA Section 22001	35.88	0.01	0.00	-0.28	35.61

NOTE 6: Continued

Analysis of Direct Loans

The following is a discussion of events and changes that had significant and measurable effect on the subsidy expense, reestimates, and allowances.

RURAL HOUSING PROGRAMS

The Housing program has an upward reestimate of $209 million. The key drivers of the upward impact were the updated full and partial payoff prepayments, subsidy interest, recaptures, and other outflows from FY 2022. The forecasted recapture recoveries decreased which resulted in an upward impact on the total reestimate amount. Another driver of the overall upward reestimate was an increase in full and partial prepayments and other outflows which resulted in an upward impact.

RURAL UTILITIES PROGRAMS

The Electric program had an overall downward reestimate of $(1,040) million, which is comprised of a $(970) million downward reestimate in the FFB program, a $(55) million downward reestimate in the FFB Underwriter program, and a downward reestimate of $(42) million in the FFB Electric Modification program. Those downward reestimates were offset by a $14 million upward reestimate in the Electric Municipal program, $13 million upward reestimate in the Electric Treasury. The main driver for the downward reestimate in the Direct Electric FFB program was the increase in forecasted interest payments and inflows due to updated data from FY2022. The main driver in the downward reestimate in the FFB Underwriter program was a model update to expand the model's functionality to include new amortization types, prepayments, and updating the credit ratings by advance.

The Direct Water and Waste Disposal program had an overall upward reestimate of $201 million. The main driver for the overall upward reestimate was less projected interest payments and inflows, as well as an increase in projected losses due to updated data from FY 2022.

NOTE 6: Continued

GUARANTEED LOANS

Rural Development offers guaranteed loan products, which are administered in coordination with conventional agricultural lenders, for up to 90 percent of the principal loan amount, with the exception of the Electric Guarantees, which are guaranteed at 100 percent. Borrowers interested in guaranteed loans must apply through a conventional lender, which arranges for the guarantee with the Agency. Guaranteed loans are disclosed on the balance sheet in two ways: estimated losses on loan credit guarantees, which are valued and carried as a liability; and guaranteed loans purchased from third party holders, which are carried at net present value in loans receivable and related foreclosed property, net.

TABLE 7: DEFAULTED GUARANTEED LOANS (POST-1991)

FY 2023	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance [3]	Value of Assets
Defaulted Guaranteed Loans					
Post-1991					
Housing	663	0	0	(628)	35
Community Facility	10	0	0	0	10
Business and Industry	397	0	0	(109)	288
Total Defaulted Guaranteed Loans	**$ 1,070**	**$ 0**	**$ 0**	**$ (737)**	**$ 333**

FY 2022	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance [3]	Value of Assets
Defaulted Guaranteed Loans					
Post-1991					
Housing	348	0	0	(309)	39
Community Facility	5	0	0	0	5
Business and Industry	192	0	0	(61)	131
Total Defaulted Guaranteed Loans	**$ 545**	**$ 0**	**$ 0**	**$ (370)**	**$ 175**

[3] The allowance for Defaulted Guaranteed Loans Obligated post-1991 are valued at Net Present value.

NOTE 6: Continued

Loan Guarantees Outstanding

Guaranteed loans outstanding at the end of FY 2023 decreased compared to the FY 2022 portfolio. **Table 8** shows the outstanding balances by loan program. At the end of FY 2023 and FY 2022, there were $125,912 million and $127,635 million in outstanding principal (face value) and $111,503 million and $113,851 million in outstanding principal (guaranteed), respectively.

TABLE 8: GUARANTEED LOANS OUTSTANDING

		Post-1991 Outstanding Principal Face Value		Post-1991 Outstanding Principal Guaranteed
FY 2023				
Housing	$	113,024	$	101,685
Community Facility		1,288		1,121
Electric		122		122
Water and Environmental		111		97
Business and Industry		11,367		8,478
Total Guaranteed Loans Outstanding	**$**	**125,912**	**$**	**111,503**
FY 2022				
Housing	$	116,252	$	105,061
Community Facility		1,193		1,055
Electric		131		131
Water and Environmental		111		98
Business and Industry		9,948		7,506
Total Guaranteed Loans Outstanding	**$**	**127,635**	**$**	**113,851**

NOTE 6: Continued

Liability for Loan Guarantees

Liability for loan guarantees consists of net cash flows (outflows less inflows) paid or to be paid by the entity as a result of the loan guarantees. **Table 8a** shows the loan guarantee liability. **Table 8b** shows the liability reconciliation for post-1991 guarantees. In FY 2023, the total liabilities increased by $391 million compared to FY 2022.

TABLE 8a: LIABILITY FOR LOAN GUARANTEES

		Liabilities for Loan Guarantees on Post-1991 Guarantees Present Value
FY 2023		
Liability for Loan Guarantees		
Housing	$	(2,840)
Community Facility		16
Electric		0
Water and Environmental		1
Business and Industry		337
Total Liabilities for Loan Guarantees	**$**	**(2,486)**
FY 2022		
Liability for Loan Guarantees		
Housing	$	(2,538)
Community Facility		23
Electric		0
Water and Environmental		1
Business and Industry		419
Total Liabilities for Loan Guarantees	**$**	**(2,095)**

NOTE 6: Continued

The Agency continued to process claim payments to lenders in FY 2023 related to the Guaranteed Single-Family Housing Program. The program experienced an increase for FY 2023 as compared to FY 2022.

TABLE 8b: SCHEDULE FOR RECONCILING LOAN GUARANTEE LIABILITY (POST-1991)

Beginning Balance, Changes, and Ending Balance	**FY 2023**	**FY 2022**
Beginning Balance of the Loan Guarantee Liability	$ (2,095)	$ (781)
Less Claim Payments to Lenders	(181)	(130)
Add Fees Received	551	616
Less Interest Supplements Paid	(7)	(8)
Add Foreclosed Property and Loans Acquired	29	61
Add Subsidy Expense	64	41
Less Negative Subsidy Payments	(64)	(195)
Add Upward Reestimates	0	45
Less Downward Reestimates	(309)	(1,417)
Loan Guarantee Modifications	0	0
Other	(474)	(327)
Ending Balance of the Loan Guarantee Liabilities	**(2,486)**	**(2,095)**

NOTE 6: Continued

Guaranteed Loan Subsidy Expense

Total guaranteed loan subsidy expense is a combination of subsidy expense for new guaranteed loans disbursed in the current year and the interest rate and technical reestimates to existing loans. **Table 9** illustrates the breakdown of total subsidy expense for FY 2023 and FY 2022 by loan program. Total guaranteed loan subsidy expense in FY 2023 was $(309) million compared to $(1,526) million in FY 2022, a decrease of $(1,217) million.

TABLE 9: GUARANTEED LOAN SUBSIDY EXPENSE BY PROGRAM AND COMPONENT

	Subsidy Expense for New Guaranteed Loans Disbursed					Modifications and Reestimates				
	Interest Supplement	Defaults	Fees and Other Collections	Other	Total	Total Modification	Interest Rate	Technical	Total	GRAND TOTAL
FY 2023										
Housing	$ 0	$ 246	(309)	$ 0	$ (63)	$ 0	$ (5)	$ (182)	$ (187)	$ (250)
Community Facility	0	5	(6)	0	(1)	0	(2)	(5)	(7)	(8)
Electric	0	0	0	0	0	0	0	0	0	0
Water and Environmental	0	0	0	0	0	0	0	0	0	0
Business and Industry	0	154	(90)	0	64	0	(5)	(110)	(115)	(51)
Total Subsidy Expense, Guaranteed	**$ 0**	**$ 405**	**$ (405)**	**$ 0**	**$ 0**	**$ 0**	**$ (12)**	**$ (297)**	**$ (309)**	**$ (309)**
FY 2022										
Housing	$ 0	$ 482	(677)	$ 0	$ (195)	$ 0	$ (120)	$ (1,291)	$ (1,411)	$ (1,606)
Community Facility	0	7	(5)	0	2	0	0	(6)	(6)	(4)
Electric	0	0	0	0	0	0	0	0	0	0
Water and Environmental	0	0	0	0	0	0	0	0	0	0
Business and Industry	0	124	(85)	0	39	0	(8)	53	45	84
Total Subsidy Expense, Guaranteed	**$ 0**	**$ 613**	**$ (767)**	**$ 0**	**$ (154)**	**$ 0**	**$ (128)**	**$ (1,244)**	**$ (1,372)**	**$ (1,526)**

NOTE 6: Continued

Guaranteed Loans Disbursed

Guaranteed loan volume face value decreased to $9,883 million in FY 2023 from $16,365 million in FY 2022. The Housing loan programs experienced the largest decrease.

TABLE 10: GUARANTEED LOANS DISBURSED (POST-1991)

	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed
FY 2023		
Housing	$ 7,157	$ 6,442
Community Facility	147	129
Water and Environmental	15	12
Business and Industry	2,564	1,998
Total Guaranteed Loans Disbursed	**$ 9,883**	**$ 8,581**
FY 2022		
Housing	$ 14,060	$ 12,654
Community Facility	174	154
Water and Environmental	12	10
Business and Industry	2,119	1,625
Total Guaranteed Loans Disbursed	**$ 16,365**	**$ 14,443**

Subsidy Rates for Loan Guarantees

Subsidy rates are used to compute each year's subsidy expense. The subsidy rates disclosed in **Table 11** pertain only to the FY 2023 cohort as provided in the Federal Credit Supplement to the Budget of the U.S. Government. These rates cannot be applied to the guaranteed loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for loans reported in the current year could result from disbursements of loans from current year and prior year cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

TABLE 11: SUBSIDY RATES FOR LOAN GUARANTEES (PERCENTAGE)

FY 2023	Defaults	Fees and Other Collections	Other	Total
Section 502 Single Family Housing	3.45	-4.21	0.00	-0.76
Section 538 Multi-Family Housing	2.08	-5.05	0.00	-2.97
Community Facilities	3.38	-4.04	0.00	-0.66
Business and Industry	6.41	-4.27	0.00	2.14
Water and Environmental	0.86	-0.88	0.00	-0.02
Renewable Energy	2.59	-2.50	0.00	0.09
Biorefinery (Section 9003 Loan Guarantees)	37.35	-4.57	0.18	32.96
Food Processing Supply Chain Loan Guarantees	6.91	0.00	0.00	6.91

NOTE 6: Continued

Analysis of Guaranteed Loans

The following is a discussion of events and changes that had significant and measurable effect on the subsidy expense, reestimates, and allowances.

RURAL HOUSING PROGRAMS

The Guaranteed Housing program has an overall downward reestimate of $(187) million. Majority of the downward reestimate is attributed to the Guaranteed Single-Family Housing Section 502 program. The downward reestimate of $(184) million in the Blended component of the program and a downward reestimate of $(18) million in the Purchase component of the program were the cause for the overall downward reestimate. The majority of the total reestimate is explained by the Blended component's change, which is attributed to a decrease in forecasted default claims. These changes were driven by the updated borrower source data which created an improved macroeconomic outlook. The downward reestimates in the Guaranteed Single-Family Hosing Section 502 program were offset by an upward reestimate of $15 million in the Guaranteed Multi-Family Section 538 Housing program.

RURAL BUSINESS AND INDUSTRY PROGRAMS

The Guaranteed Business and Industry program has an overall downward reestimate of $(115) million. Majority of the downward reestimates are attributed to the Guaranteed Business and Industry program which had an overall downward reestimate of $(84) million. The Guaranteed Renewable Energy program has a downward reestiamte of $(22) million and the Guaranteed Biorefinery program had a downward reestimates of $(9) million. The cause of the downward reestimates is attributable to the update of the coefficients in the model to project defaults.

NOTE 6: Continued

Administrative Expenses

Consistent with the Federal Credit Reform Act of 1990, as amended, subsidy cash flows exclude direct federal administrative expenses. Administrative expenses are shown in **Table 12**.

TABLE 12 ADMINISTRATIVE EXPENSES	FY 2023	FY 2022
Direct Loan Programs	278	227
Total	**$ 278**	**$ 227**
Guaranteed Loan Programs	476	444
Total	**$ 476**	**$ 444**

NOTE 6: Continued

Loans Receivable

The below Loans Receivable table represents the summary level of the change in net receivables for direct loans and defaulted guaranteed loans.

TABLE 13: LOANS RECEIVABLE

	FY 2023	FY 2022
Beginning Balance of Loans Receivable, Net	**$ 100,888**	**$ 96,849**
Add Loan Disbursements	10,951	10,092
Less Principal and Interest Payments Received	4,600	6,315
Less Claim Payments Received	0	0
Add Interest Accruals	0	0
Less Fees Received	81	1
Add Foreclosed Property Acquired	0	24
Less Rent Received	0	0
Less Sale of Foreclosed Property	24	50
Less Loans Written Off	74	241
Less Interest Revenue on Uninvested Funds	0	0
Add Interest Expense on Entity Borrowings	0	0
Less Subsidy Expense	112	89
Add Negative Subsidy Payments	282	288
Less Upward Reestimates	1,139	1,214
Add Downward Reestimates	1,763	1,644
Add Subsidy Allowance	(147)	(198)
Other changes to the loan modifications	(8)	(3)
Allowance for Loan and Interest Loss Adjustments	(27)	100
Other Non-Cash Reconciling Items	(14)	2
Ending Balance of Loans Receivable, Net	**$ 107,658**	**$ 100,888**

NOTE 7: PROPERTY, PLANT, AND EQUIPMENT, NET

This equipment generally represents computer hardware, software, and other office equipment used in the Rural Development mission area's network of offices. Refer to **Note 1** for further information on Property, Plant, and Equipment, Net.

CLASSES		Cost		Accumulated Depreciation		Book Value	Estimated Useful Life[4]	Method of Depreciation[5]		Capitalization Threshold
FY 2023										
Personal Property										
Equipment	$	5	$	(4)	$	1	5-20	SL	$	25,000
Internal Use Software		279		(199)		80	5-8	SL	$	100,000
Internal Use Software in Development		6		0		6		SL	$	100,000
Total	**$**	**290**	**$**	**(203)**	**$**	**87**				

Net Property Plant and Equipment		
Balance Beginning of Year	**$**	**59**
Capitalized Acquisitions		31
Disposition/Revaluations		0
Depreciation Expense		(3)
Balance at the End of Year		**87**

CLASSES		Cost		Accumulated Depreciation		Book Value	Estimated Useful Life[4]	Method of Depreciation[5]		Capitalization Threshold
FY 2022										
Personal Property										
Equipment	$	5	$	(4)	$	1	5-20	SL	$	25,000
Internal Use Software		247		(196)		51	5-8	SL	$	100,000
Internal Use Software in Development		7		0		7		SL	$	100,000
Total	**$**	**259**	**$**	**(200)**	**$**	**59**				

Net Property Plant and Equipment		
Balance Beginning of Year	$	**27**
Capitalized Acquisitions		34
Disposition/Revaluations		0
Depreciation Expense		(2)
Balance at the End of Year		**59**

[4] Range of Service Life[5] SL - Straight Line

NOTE 8: LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	FY 2023	FY 2022
Intragovernmental		
Unfunded Federal Employees Compensation Act (FECA) Liability	$ 5	$ 6
Total Intragovernmental	**5**	**6**
Other than Intragovernmental		
Federal Employee and Veteran Benefits Payable	70	68
Contingent Liability	75	75
Other Liability	105	81
Total Other than Intragovernmental	**250**	**224**
Total Liabilities Not Covered by Budgetary Resources[6]	**255**	**230**
Total Liabilities Covered by Budgetary Resources	119,463	113,389
Total Liabilities Not Requiring Budgetary Resources[7]	(8)	(8)
Total Liabilities	**$ 119,710**	**$ 113,611**

[6] Liabilities not covered by budgetary resources represent liabilities for which Congressional action is required before budgetary resources can be provided.
[7] Liabilities not requiring budgetary resources represent liabilities for clearing accounts and liabilities for non-fiduciary deposit funds for which Congressional action is not required.

NOTE 9: DEBT

		Beginning Balance	Net Borrowing	Ending Balance
FY 2023				
Source of Debt				
Debt Owed to Treasury other than FFB	$	54,304 $	2,068 $	56,372
Debt Owed to the Federal Financing Bank		51,845	3,076	54,921
Total Debt	**$**	**106,149**	**5,144**	**111,293**
Total Debt	**$**	**106,149**	**5,144**	**111,293**
FY 2022				
Source of Debt				
Debt Owed to Treasury other than FFB	$	52,140 $	2,164 $	54,304
Debt Owed to the Federal Financing Bank		48,772	3,073	51,845
Total Debt	**$**	**100,912**	**5,237**	**106,149**
Total Debt	**$**	**100,912**	**5,237**	**106,149**

Borrowing from the Federal Financing Bank (FFB) occurs as part of the loans executed directly between the borrower and FFB with Rural Development unconditionally guaranteeing repayment.

Rural Development repays borrowings made to finance loans directly between the borrower and FFB. These borrowings mature as the related group of loans become due. Interest rates on the related group of loans are equal to interest rates on FFB borrowings, except in those situations in which an FFB-funded loan is restructured and the terms of the loan are modified.

NOTE 9: Continued

Supplemental Information Associated with Debt

	FY 2023	FY 2022
Interest Payable, Federal		
Federal Financing Bank	$ 373	$ 31
Total	**$ 373**	**$ 31**

These interest payable amounts associated with borrowings from Treasury and the FFB are included in the table at the beginning of this note. Interest payments are due to FFB on September 30th each year.

	FY 2023	FY 2022
Interest Expense, Federal		
Federal Financing Bank	$ 1,786	$ 1,454
Treasury	1,797	1,773
Total	**$ 3,583**	**$ 3,227**

NOTE 10: FEDERAL EMPLOYEE AND VETERAN BENEFITS PAYABLE

	FY 2023	FY 2022
Other than Intragovernmental		
Employer Contributions and Payroll Taxes Payable	0	0
Unfunded Leave	44	42
Actuarial FECA Liability	26	26
Total Federal Employee and Veteran Benefits Payable	**$ 70**	**$ 68**

NOTE 11: OTHER LIABILITIES

	FY 2023			FY 2022		
	Current	Non-Current	Total	Current	Non-Current	Total
Intragovernmental						
Other Liabilities With Related Budgetary Obligations	$ 7	$ 0	$ 7	$ 4	$ 0	$ 4
Employer Contributions & Payroll Taxes Payable	9	0	9	8	0	8
Unfunded FECA Liability	2	3	5	3	3	6
Liability for Deposit Fund & Suspense Accounts	0	0	0	0	0	0
Other Liabilities	0	0	0	0	0	0
Total Intragovernmental	**$ 18**	**$ 3**	**$ 21**	**$ 15**	**$ 3**	**$ 18**
Other than Intragovernmental						
Other Liabilities With Related Budgetary Obligations	95	0	95	47	0	47
Accrued Funded Payroll & Leave	31	0	31	27	0	27
Liability for Advances & Prepayments	0	0	0	0	0	0
Liability for Deposit Fund & Suspense Accounts	0	0	0	0	0	0
Contingent Liabilities	75	0	75	75	0	75
Other Liabilities Without Related Budgetary Obligations	79	26	105	56	25	81
Total Other than Intragovernmental	**$ 280**	**$ 26**	**$ 306**	**$ 205**	**$ 25**	**$ 230**
Total Other Liabilities	**$ 298**	**$ 29**	**$ 327**	**$ 220**	**$ 28**	**$ 248**

These liabilities are or will be covered by Budgetary Resources.

NOTE 12: COMMITMENTS AND CONTINGENCIES

Commitments

Rural Development has commitments under cancelable leases for office space. GSA leases the majority of buildings in which Rural Development operates. GSA charges rent which is intended to approximate commercial rental rates.

As related to commitments to extend loan guarantees as of September 30, 2023, and 2022, there were approximately $3,404 million and $4,193 million, respectively.

Contingencies

Rural Development is subject to various claims and contingencies related to lawsuits. Rural Development does not accrue amounts in the financial statements for claims where the amount or probability of judgment is uncertain.

	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
FY 2023			
Legal Contingencies			
Probable	$ 75	$ 75	$ 75
Reasonably Possible	$ 0	$ 5	$ 10
FY 2022			
Legal Contingencies			
Probable	$ 75	$ 75	$ 75
Reasonably Possible	$ 0	$ 5	$ 10

The following contingency-related lawsuits are reportable for the fiscal year ending on September 30, 2023:

Rural Development is actively involved in restructuring negotiations.

Multiple breach of contract cases regarding Housing Section 515 loan prepayments were deemed probable in FY 2014. As of September 2023, the Office of the General Counsel has made the determination that a $75 million unfavorable outcome is probable. There has been no change in the amount from FY 2022. The amount of $75 million has been accrued to the financial statements.

As of FY 2023 a class action complaint was filed alleging entitlement to hazard pay and environmental differential pay. The complaint is still pending final resolution. The Office of General Counsel has deemed the complaint as reasonably possible in the range of $5 to $10 million. The amount has not been accrued to the financial statements but is disclosed in the table above.

NOTE 13: SUPPORTING SCHEDULE FOR STATEMENT OF NET COST

	Mortgage Credit	Housing Assistance	Area & Regional Development	Energy Supply & Conservation	Agricultural Research	Farm Income Stabilization	Consolidated Total
FY 2023							
Gross Costs:							
Borrowing Interest Expense	$ 686	$ 0	$ 857	$ 2,040	$ 0	$ 0	$ 3,583
Grants	10	1,559	1,173	0	139	53	2,934
Loan Cost Subsidies	27	0	152	(1,303)	0	21	(1,103)
Other	546	22	168	117	0	0	853
Total Gross Costs	**1,269**	**1,581**	**2,350**	**854**	**139**	**74**	**6,267**
Less:							
Earned Revenues	658	0	866	2,056	0	0	3,580
Net Cost of Operations	**$ 611**	**$ 1,581**	**$ 1,484**	**$ (1,202)**	**$ 139**	**$ 74**	**$ 2,687**
FY 2022							
Gross Costs:							
Borrowing Interest Expense	$ 671	$ 0	$ 860	$ 1,696	$ 0	$ 0	$ 3,227
Grants	5	1,421	1,009	0	684	0	3,119
Loan Cost Subsidies	(2,074)	0	320	(407)	0	3	(2,158)
Other	480	18	151	67	0	0	716
Total Gross Cost	**(918)**	**1,439**	**2,340**	**1,356**	**684**	**3**	**4,904**
Less:							
Earned Revenues	642	0	891	1,694	0	0	3,227
Net Cost of Operations	**$ (1,560)**	**$ 1,439**	**$ 1,449**	**$ (338)**	**$ 684**	**$ 3**	**$ 1,677**

NOTE 13: Continued

Other Disclosures

FUNCTION LEVEL TITLE	SUBFUNCTION LEVEL TITLE	BUDGET SUBFUNCTION CODE	ACTIVITY INCLUDED IN FINANCIAL STATEMENTS (where applicable)	LOAN/GRANT PROGRAMS INCLUDED IN BUDGET SUBFUNCTION CODE
Commerce & Housing	Mortgage Credit	371	Rural Housing Programs	• Single Family Housing (Direct & Guaranteed) • Multi-Family Housing (Direct & Guaranteed)
Income Security	Housing Assistance	604	Rural Housing Programs	• Domestic Farm Labor Grants • Very Low-Income Housing Repair • Construction Defects • Rental Assistance Program • Other Housing Grants
Community & Regional Development	Community Development Area & Regional Development Disaster Relief and Insurance	451 452 453	Rural Housing Programs Rural Business Programs Rural Utilities Programs	• Rural Community Facility (Direct & Guaranteed) • Rural Business & Industry (Direct & Guaranteed) • Rural Economic Development (Loans & Grants) • Rural Energy for America Program • Disaster Assistance Fund • Healthy Food Initiative • Energy Assistance Payments • Intermediary Relending • Rural Water and Environmental (Direct & Guaranteed) • Distance Learning & Telemedicine • Broadband
Energy	Energy Supply & Conservation	271 272	Rural Utilities Programs	• Rural Electric & Telecommunications
Agriculture	Agricultural Research & Services	352	Rural Business Programs	• Research Loan
Agriculture	Farm Income Stabilization	351	Office of the Secretary	• Food Supply Chain

USDA and the individual agencies preparing their own financial statements are required to prepare the Statement of Net Cost at the subfunction level. The Statement of Net Cost, as prepared by Treasury, shows these activities at their function level.

NOTE 13: Continued

Credit Reform

The amount of subsidy expense on direct loans made post-1991 equal the present value of estimated cash outflows over the life of the loan less the present value of cash inflows, discounted at the interest rate of marketable Treasury securities within a similar maturity term. A major component of subsidy expense is the interest subsidy cost/interest differential. This is defined as the excess of the amount of direct loans disbursed over the present value of the interest and principal payments required by the loan contracts, discounted at the applicable Treasury rate. One of the components of interest subsidy cost/interest differential is interest revenue. This interest revenue is earned from both federal and non-federal sources. For further discussions of revenue and present value refer to **Notes 1** and **6**.

Exchange Transactions with Non-Federal Sources

When a new direct loan program becomes a reality, the applicable public law normally addresses the interest rates to be charged to borrowers. Public laws can be specific, state a minimum and/or maximum rate, or be in general terms. The following general discussion about borrower interest rates is in relation to loan programs within each of our mission areas.

Rural Housing Programs

The two largest loan programs (Single Family Housing and Rural Rental Housing) have a statutory basis for rates that are not less than the current average market yield on outstanding U.S. marketable obligations of comparable maturities. These rates have been determined to be the 25-year Treasury rates.

Rural Business-Cooperative Program

The main loan program (Business and Industry) has a statutory basis for a rate which is not less than the Treasury rate determined by considering: (1) Current average market yield on outstanding U.S. marketable obligations of comparable maturities; (2) Comparable private market rates; and (3) Cost of Secretary of Agriculture's insurance plus an additional charge to cover losses.

Rural Utilities Program

Water and Environmental loans have a statutory basis for rates, which have a range between less than or equal to five percent, to not greater than the current market yield for outstanding municipal obligations of comparable maturities adjusted to the nearest eighth of one percent. Telecommunication cost-of-money loans have a statutory basis for rates equal to the current cost-of-money to the Federal Government for loans of a similar maturity, but not to exceed seven percent. Electric municipal loans have a statutory basis for rates equal to the current market yield on outstanding municipal obligations, subject to a seven percent maximum, with remaining periods to maturity similar to the term selected by the applicant. Telecommunication and Electric hardship loans have a statutory basis for a rate of five percent. The rate on Telecommunication and Electric loans purchased by the Federal Financing Bank shall be the rate applicable to similar loans being made or purchased by the Federal Financing Bank.

NOTE 13: Continued

Exchange Transactions with Federal Sources
Rural Development is unable to recoup all the costs associated with its loan making and loan servicing activities. The main reason is that the costs associated with borrowings from Treasury exceed the interest income received from borrowers plus any interest income earned from Treasury.

NOTE 14: INTER-ENTITY COSTS

Pursuant to SFFAS 4, Managerial Cost Accounting Standards and Concepts, as amended, paragraph 113A, Rural Development is providing a disclosure with regards to imputed inter-entity costs.

Rural Development receives goods and services from other federal entities at no cost or at a cost less than the full cost. Consistent with accounting standards, certain costs of the Office of Personnel Management (OPM) and Department of Treasury Judgment Fund that are not fully reimbursed by Rural Development are recognized as imputed costs on the Statement of Net Cost and are offset by imputed revenue on the Statement of Changes in Net Position. The imputed costs and revenues relate to employee benefits and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified in this disclosure are not included in our financial statements.

NOTE 15: NOTES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES (SBR)

A. Adjustments to Unobligated Balance Brought Forward

The below information relates to adjustments made to the prior year's ending unobligated balances.

As of September 30, 2023, Rural Development had no prior year adjustments that impacted the SF133 line 1020.

There was a financial statement line adjustment. Distance Learning, Telemedicine and Broadband program 12X1232 account was adjusted between funds for Statement of Budgetary Resources for Unobligated balance brought forward, October 1 for $5 million. This adjustment had no impact on the overall treasury account or the overall statement as it occurred between two different funds in the same treasury account.

NOTE 15: Continued

B. Terms of Borrowing Authority Used

Requirements for Repayments of Borrowings

Rural Development repays borrowings on SF 1151, Nonexpenditure Transfer Authorization, as maturity dates become due. For liquidating accounts, maturity dates are one working day prior to the anniversary date of the note. For financing accounts, maturity dates are based on the period of time used in the subsidy calculation, not the contractual term of the Agency's loans to borrowers. This period of time used in the subsidy calculation will normally be longer than the contractual term of the Agency's loans to borrowers.

Financing Sources for Repayments of Borrowings

Rural Development utilizes reestimates, cash flows, liquidating account appropriations, and residual unobligated balances to repay Treasury borrowings.

Other Terms of Borrowing Authority Used

In general, borrowings are for periods between one year and approximately fifty years depending upon the loan program/cohort. Interest rates on borrowings in the liquidating accounts were assigned on the basis of the Treasury rate in effect at the time of the borrowing. Interest rates on borrowings in the financing accounts are assigned on the basis of the Treasury rate in effect during the period of loan disbursements. Rural Development disburses some individual loans over several quarters or years.

Consequently, several interest rates can be applicable to an individual loan. Thus, a single weighted average interest rate is maintained for each cohort and is adjusted each year until the disbursements for the cohort have been made. Each year, the current average annual interest rate is weighted by current year disbursements and merged with prior year weighted averages to calculate a new weighted average.

C. Available Borrowing Authority, End of the Period

As of September 30, 2023, and 2022, the amount of available borrowing authority was $27,864 million and $26,748 million, respectively.

D. Undelivered Orders at the End of the Period

		Undelivered Orders	
	Federal	Non Federal	Total
FY 2023			
Paid	$ 0	$ 0	$ 0
Unpaid	1,689	38,127	39,816
Total Undelivered Orders	**$ 1,689**	**$ 38,127**	**$ 39,816**
FY 2022			
Paid	$ 0	$ 0	$ 0
Unpaid	1,685	34,604	36,289
Total Undelivered Orders	**$ 1,685**	**$ 34,604**	**$ 36,289**

NOTE 15: Continued

E. Permanent Indefinite Appropriations

Existence, Purpose, and Availability of Permanent Indefinite Appropriations

Permanent indefinite appropriations are mainly applicable to program accounts for reestimates related to upward adjustments of subsidy. Under unique situations, both liquidating and financing accounts may receive appropriations. These appropriations become available pursuant to standing provisions of law, without further action by Congress, after transmittal of the Budget for the year involved. However, they are not stated as specific amounts but are determined by specified variable factors, such as cash needs for the liquidating accounts, servicing actions, and subsidy reestimates for the program accounts.

The periods of availability for these appropriations are as follows: (1) Annual authority is available for obligation only during a specified year and expires at the end of that time; (2) Multi-year authority is available for obligation for a specified period of time in excess of one fiscal year; and (3) No-year authority remains available for obligation for an indefinite period of time, usually until the objectives for which the authority was made available are achieved.

Annual and multi-year authority expire for the purpose of incurring new obligations. However, the authority is available for adjustments to obligations and for disbursements that were incurred or made, but not recorded, during the period prior to expiration. Unless specifically authorized in law, the period that the expired authority is available for adjustments to obligations or for disbursements is five fiscal years (beginning with the first expired year). At the end of the fifth expired year, the authority is "cancelled." Thereafter, the authority is not available for any purpose.

F. Legal Arrangements Affecting the Use of Unobligated Balances

The availability or use of budget authority (i.e., unobligated balances) for obligation and expenditure are limited by purpose, amount, and time.

Purpose

Rural Development obligates and expends funds only for the purpose authorized in appropriation acts or other laws.

Amount

Obligations and expenditures may not exceed the amounts established by law. Rural Development classifies amounts available as either definite (i.e., not to exceed a specified amount) or indefinite (i.e., amount is determined by specified variable factors).

Time

The period of time during which budgetary resources may incur new obligations is different from the period of time during which the budgetary resources may be used to disburse funds.

NOTE 15: Continued

The time limitations on the use of unobligated balances are the same as those previously discussed in the last two paragraphs of the Permanent Indefinite Appropriations footnote disclosure **(Note 15 E)**.

Any information about legal arrangements affecting the use of unobligated balances of budget authority will be specifically stated by program fiscal year in the appropriation language, or in the general provisions' section, at the end of the Appropriations Act.

G. Differences Between the SBR and the Budget of the U.S. Government

The 2025 Budget of the United States Government, with the "Actual" columns completed for FY 2023, has not yet been published as of the date of these financial statements. The Budget is currently expected to be published and delivered to Congress in 2024. The Budget will be available from https://www.whitehouse.gov/omb/budget.

The 2024 Budget of the United States Government, with the "Actual" columns completed for FY 2022 was published in March of 2023 and reconciled to the SBR.

The reconciling items represent:

- Expired budgetary authority available for upward adjustments of obligations, which is excluded from the President's Budget "Actual" columns per OMB Circular No. A-11 but is included in the SBR.
- In FY 2022, Alternative Agricultural Research and Commercialization Corporation Revolving Fund (12X4144) was not included in the SBR but was included in the Budget.
- In FY 2022, Office of the Secretary, Agriculture (12X0115) was included in the SBR, but was not included in the Rural Development Budget section, thus on the reconciliations it is treated as an adjustment.
- In FY 2022, Food Supply Chain and Agriculture Pandemic Response Guaranteed Financing Account (12X4391) and Program Account (12X0408) were included in the SBR but were not included in the Rural Development Budget section, thus on the reconciliations it is treated as an adjustment.
- In FY 2021, an adjustment for obligations in the amount of $3 million for Rural Housing Assistance Grants Expenses Account (12X1953) was not included in the SBR but was included in the FY 2021 President's Budget as it was entered into the Governmentwide Treasury Account System (GTAS). In FY 2022 the obligation was part of the SBR but not part of the FY 2022 President's Budget thus creating a timing difference.
- Amounts due to rounding.

NOTE 15: Continued

Reconciliation Between FY 2022 Combined Statement of Budgetary Resources and the President's Budget					
Applicable Line from SBR	**Amount from SBR**	**Applicable Line from President's Budget**	**Amount from President's Budget**	**Legitimate Differences**	**Reporting Errors**
Total Budgetary Resources (Line 1910)	$ 52,000	Total Budgetary Resources Available for Obligation	$ 50,074	$ 1,926 E 87 A 1,836 R 3	None
New Obligations and Upward Adjustments (Line 2190)	$ 26,386	Total New Obligations	$ 25,440	$ 946 E 6 A 939 R 1	None
Distributed Offsetting Receipts (Line 4200)	$ (3,976)	Treasury Combined Statement (Receipts by Department)	$ (3,976)	$ 0	None
Net Outlays (Line 4190 and 4220)	$ 10,973	Outlays	$ 10,287	$ 686 A 685 R 1	None

<u>Legend</u>
E = Expired Budgetary Authority
R = Rounding
A = Adjustment

NOTE 16: INCIDENTAL CUSTODIAL COLLECTIONS

	FY 2023	FY 2022
Sources of Collections		
Recoveries and Refunds	$ 14	$ 3
Total Revenue Collected	**14**	**3**
Disposition of Collections		
Amount Transferred to Treasury Receipt Accounts	$ (14)	(3)
Total Disposition of Revenue	**(14)**	**(3)**
Net Custodial Activity	**$ 0**	**$ 0**

NOTE 17: RECONCILIATION OF NET COST TO NET OUTLAYS

Budgetary and financial accounting information are complementary, but the types of information and the timing of their recognition are different. Budgetary accounting is used for planning and control purposes and relates to the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a proprietary picture of the government's financial operations and financial position. More specifically, the financial accounting includes information about costs arising from the consumption of assets and the incurrence of liabilities. To better understand these differences, the Reconciliation of Net Cost to Net Outlays provides information on the relationship between net outlays and accrual-based amounts used in financial accounting during the reporting period.

The Components of Net Cost of Operations need to be adjusted by:

- Components of net cost that are not part of net outlays; and
- Component of net outlays that are not part of net cost.

During FY 2023 and FY 2022, the Agency reported significant components of net operating costs not part of the budgetary outlays. Intergovernmental activity for Year End Credit Reform Subsidy reestimates for FY 2023 was $2,735 million and for FY 2022 was $3,553 million. The decrease of $818 million represents a decrease in the FY 2023 reestimate accruals that will not result in an outlay until FY 2024 from the budgetary accounts. The Loans Receivable overall decreased in FY 2023 mostly attributed to the Rural Electric Liquidating account. The account had a large portion of the loan’s receivable written off for one borrower in FY 2023 thus decreasing the overall loans receivable and interest receivable balances and increasing the allowance for subsidy for the offset. Additionally, some of the decreases are a normal trend for liquidating accounts as they no longer issue new loans but only liquidate existing loans. Thus, any repayments of loans receivable would decrease the overall loans receivable balance. Accounts Payable decreased in FY 2023 as part of an overall upward reestimate accruals decrease for FY 2023 as compared to upward reestimate accruals in FY 2022. In FY 2023 the upward accruals for all programs were at $1,623 million while in FY 2023 the upward accruals were at $1,155 a decrease of $468 million. Other Liabilities increased in FY 2023 due to an increase in the Grants Payable accruals as compared to FY 2022 and an increase in Escrow accounts payable balances as compared to FY 2022. Non-Entity activity decreased in FY 2023 compared to FY 2022 due to decreases in downward reestimates and negative subsidy.

NOTE 17: Continued

	FY 2023		FY 2022	
	Intragovernmental	Other than Intragovernmental	Intragovernmental	Other than Intragovernmental
Net Cost	**$ 386**	**$ 2,301**	**$ 327**	**$ 1,350**
Components of Net Cost Not Part of Budgetary Outlays:				
Property, Plant and Equipment Depreciation Expense	$ 0	$ (3)	$ 0	$ (2)
Property, Plant and Equipment Disposals and Reevaluations	0	0	0	0
Year-End Credit Reform Subsidy Accrual Reestimates	2,735	0	3,553	0
Increase/(Decrease) in Assets:				
Accounts Receivable, Net	6	0	0	0
Loans Receivable, Net (Non-FCRA)	0	(66)	0	265
Other Assets	0	23	0	5
(Increase)/Decrease in Liabilities				
Accounts Payable	468	4	(94)	(3)
Insurance and Guarantee Program Liabilities	0	0	0	0
Environmental and Disposal Liabilities	0	0	0	0
Federal Employee and Veteran Benefits Payable	0	(3)	0	0
Other Liabilities	(2)	(77)	17	1
Credit Reform Subsidy Reestimates	0	0	0	0
Contingent Liabilities	0	0	0	0
Other Liabilities	(2)	(77)	17	1
Financing Sources				
Imputed Cost	(114)	0	(70)	0
Total Components of Net Operating Cost Not Part of Budgetary Outlays:	**3,093**	**(122)**	**3,406**	**266**
Components of the Budget Outlays That Are Not Part of the Net Operating Cost:				
Acquisition of Capital Assets	0	31	0	34
Acquisition of Inventory	0	0	0	0
Financing Sources:				
Transfers Out (In) Without Reimbursements	0	0	0	0
Total Components of the Budget Outlays That are not part of Net Operating Cost	**0**	**31**	**0**	**34**
Miscellaneous Items:				
Distributed Offsetting Receipts	0	(13)	0	(2)
Custodial/Non-exchange revenue	0	0	0	0
Non-Entity Activity	(1,579)	0	(3,974)	0
Other Temporary Timing Differences	0	0	0	0
Total Other Reconciling Items	**(1,579)**	**(13)**	**(3,974)**	**(2)**
Total Net Outlays	**$ 1,900**	**$ 2,197**	**$ (241)**	**$ 1,648**
Budgetary Agency Outlays, Net		$ **4,097**		$ **1,407**
Difference		$ **0**		$ **0**

NOTE 18: FIDUCIARY ACTIVITY

Refer to **Note 1** regarding the implementation of SFFAS 31, Accounting for Fiduciary Activity.

Rural Housing Insurance Fund (RHIF) was established by Public Law 89-117 pursuant to section 517 of Title V of the Housing Act of 1949, which authorized Rural Development to collect escrow payments on behalf of new and existing Single-Family Housing borrowers. Other fiduciary activities by Rural Development include but are not limited to collections from borrowers, interest paid on escrow accounts, and payments to insurance agencies and taxing authorities.

Schedule of Fiduciary Activity for the Years Ended September 30, 2023 and 2022

	FY 2023	FY 2022
Fiduciary Net Assets, beginning of year	**$ 99**	**$ 117**
Contributions	457	457
Disbursements	469	475
Increase/Decrease in Fiduciary Fund Balances	**(12)**	**(18)**
Fiduciary Net Assets, end of year	**$ 87**	**$ 99**

Schedule of Fiduciary Net Assets for the Years Ended September 30, 2023 and 2022

	FY 2023	FY 2022
Cash and Cash Equivalents:		
Escrow Funds held at Treasury	$ 31	$ 35
Investments in Treasury Securities – Short Term	56	64
Investments in Treasury Securities – Long Term	0	0
Total Fiduciary Net Assets	**$ 87**	**$ 99**

NOTE 19: COVID-19 ACTIVITY

The OMB Circular A-136 guidance for FY 2023 and FY 2022 requires agencies with a significant amount of budgetary activity associated with responding to COVID-19 to disclose the additional supplemental appropriations and the financial statement impacts on the agency's financial information.

The tables on the next page summarize Rural Development's supplemental appropriations received as part of, Public Law 116-136 Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Public Law 116-260 Consolidated Appropriations Act, 2021, and Public Law 117-2 American Rescue Plan Act of 2021(ARP Act).

Distance Learning, Telemedicine and Broadband No Year Program received a total of $25 million. The program provides distance learning and telemedicine in rural areas. As of September 30, 2023, $24 million was obligated and $9 million disbursed.

Rural Community Facilities Program Account received a total of $500 million. The funding was made available for a pilot program for facilities that primarily serve rural areas. The purpose is to increase capacity of vaccine distribution, provide medical supplies to increase medical surge capacity, reimburse loss of revenue, increase telehealth capabilities, support staffing, construct structures to provide health services and engagement. As of September 30, 2023, $498 million has been obligated and $145 million disbursed. Per the Public Law 118-5 Fiscal Responsibility Act of 2023, $2 million was permanently rescinded.

Rural Housing Insurance Fund Program Account received a total of $39 million. The funding in this account represents subsidy costs associated with section 502 and 504 for direct loan borrowers as part of relief measures. As of September 30, 2023, only $33 million has been obligated and $29 million disbursed. Per the Public Law 118-5 Fiscal Responsibility Act of 2023, $5 million was permanently rescinded.

Rural Cooperative Development Program received a total of $38 million. The funding is for the local agriculture market program due to impacts of COVID-19 on the local agriculture markets. As of September 30, 2023, $37 million has been obligated of which $25 million has been disbursed. The remaining $1 million was permanent rescinded per Public Law 118-5 Fiscal Responsibility Act of 2023.

Rural Development received $700 million from the Office of the Secretary of Agriculture. The funding is for payments to be made to producers of advanced biofuel, biomass-based diesel, cellulosic biofuel, conventional biofuel, or renewable fuel produced in the United States, for unexpected market losses. In FY 2023, $66 million was received for additional biofuels producer payments. As of September 30, 2023, $766 million has been obligated and $755 million disbursed. Additionally, Rural Development received $205 million for the Meat and Poultry Intermediary Relending Program (MPILP) in FY2022. $200 million was designated for grants and $5 million for administrative expenses. The purpose of the funding was to provide grants to intermediaries to facilitate financing to qualified ultimate recipients for meat and poultry processors. In FY 2023, RD received an additional $75 million in grants and $1 million to support the administrative and operational costs associated with the implementation of MPILP. As of September 30, 2023, $276 million has been obligated and $50 million disbursed. Per Public Law

NOTE 19: Continued

118-5 Fiscal Responsibility Act of 2023, $5 million was permanently rescinded. Lastly, Rural Development received $6 million in FY 2023 to support the administrative and operation costs associated with the Food Systems Transformation IT Modernization program. The $6 million was fully obligated.

Rural Development received $410 million for the Food Processing Supply Chain, the Healthy Foods Financing Initiative, the Meat & Poultry Processing Expansion programs, and administrative expenses from the Office of the Secretary of Agriculture for the Food Processing Supply Chain and Agriculture Pandemic Response in FY 2022. The purpose was to make grants and loans for small or midsized food processors or distributors, seafood processing facilities and processing vessels, farmers markets, producers, or other organizations to respond to COVID-19. In FY 2023, RD received an additional $187 million for the Meat & Poultry Processing Expansion program, $48 million for the Indigenous Animals Harvesting and Meat Processing Program, and $4 million for administrative expenses. Public Law 118-5, Fiscal Responsibility Act of 2023, was enacted in June of 2023 and permanently rescinded $49 million of unobligated balances. As of September 30, 2023, $600 million has been obligated and $79 million disbursed.

NOTE 19: Continued

Treasury Account Symbol	Account Name	DEF Code Value		Unobligated Balance from Prior Year	Total Supplemental Current Year	Total Rescissions/ Other Changes to Budgetary Resources	Total Obligation	Total Amounts Remaining to be Obligated	Total Outlays
FY 2023									
12X1232 **CARES Act**	Distance Learning, Telemedicine and Broadband Program (Grant)	N	$	1	0	0	0	1	4
12 21/23 1951 **ARP Act**	Rural Community Facilities Program Account (Grant)	V	$	133	0	43	176	0	68
12 21/23 2081 **ARP Act**	Rural Housing Insurance Fund Program Account (Subsidy)	V	$	35	0	(5)	29	1	26
12X1900 **Consolidated Appropriations Act, 2021**	Rural Cooperative Development (Grant)	Q	$	1	0	(1)	0	0	11
12X0115 **CARES Act**	Office of the Secretary (Grant)	N	$	17	66	0	83	0	72
12X0115 **Consolidated Appropriations Act, 2021**	Office of the Secretary (Grant)	O	$	129	71	0	200	0	50
12X0115 **ARP Act**	Office of the Secretary (Administrative Expenses)	V	$	0	6	0	6	0	1
12X0408 **ARP Act**	Food Supply Chain and Agriculture Pandemic Response Program Account (Grant/Subsidy)	V	$	234	190	0	424	0	75

NOTE 19: Continued

Treasury Account Symbol	Account Name	DEF Code Value		Unobligated Balance from Prior Year	Total Supplemental Current Year	Total Rescissions/ Other Changes to Budgetary Resources	Total Obligation	Total Amounts Remaining to be Obligated	Total Outlays
FY 2022									
12X1232 **CARES Act**	Distance Learning, Telemedicine and Broadband Program (Grant)	N	$	0	0	1	0	1	5
12 21/22 0137 **ARP Act**	Rental Assistance Program (Grant)	V	$	0	0	0	0	0	63
12 21/23 1951 **ARP Act**	Rural Community Facilities Program Account (Grant)	V	$	475	0	0	342	133	52
12 21/23 2081 **ARP Act**	Rural Housing Insurance Fund Program Account (Subsidy)	V	$	38	0	0	3	35	2
12X1900 **Consolidated Appropriations Act, 2021**	Rural Cooperative Development (Grant)	Q	$	3	0	1	3	1	11
12X0115 **CARES Act**	Office of the Secretary (Grant)	N	$	700	0	0	683	17	683
12X0115 **Consolidated Appropriations Act, 2021**	Office of the Secretary (Grant)	O	$	0	205	0	76	129	0
12X0408 **ARP Act**	Food Supply Chain and Agriculture Pandemic Response Program Account (Grant/Subsidy)	V	$	0	410	0	176	234	4

NOTE 19: Continued

Account Name Treasury Account Symbol	Distance Learning, Telemedicine and Broadband Program 12X1232 CARES Act	Rural Community Facilities Program Account 12 21/23 1951 ARP Act	Rural Housing Insurance Fund Program Account 12 21/23 2081 ARP Act	Rural Cooperative Development Grants 12X1900 Consolidated Appropriations Act, 2021	Office of the Secretary 12X0115 CARES Act	Office of the Secretary 12X0115 Consolidated Appropriations Act, 2021	Office of the Secretary 12X0115 ARP Act	Food Supply Chain Agriculture Pandemic Response Program Account 12X0408 ARP Act
FY 2023								
Balance Sheet								
Intragovernmental								
Fund Balance with Treasury	15	353	5	12	11	226	5	521
Total Intragovernmental Assets	**$ 15**	**$ 353**	**$ 5**	**$ 12**	**$ 11**	**$ 226**	**$ 5**	**$ 521**
Total Assets	**$ 15**	**$ 353**	**$ 5**	**$ 12**	**$ 11**	**$ 226**	**$ 5**	**$ 521**
Other Liabilities	0	0	0	0	0	0	0	0
Total Other Than Intragovernmental Liabilities	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
Unexpended Appropriations	15	353	5	12	11	226	5	521
Cumulative Results of Operation-All Other Funds	0	0	0	0	0	0	0	0
Total Net Position	**$ 15**	**$ 353**	**$ 5**	**$ 12**	**$ 11**	**$ 226**	**$ 5**	**$ 521**
Total Liabilities and Net Position	**$ 15**	**$ 353**	**$ 5**	**$ 12**	**$ 11**	**$ 226**	**$ 5**	**$ 521**
Statement of Net Cost								
Gross Program Costs	4	83	26	11	72	50	1	75
Less: Earned Revenue	0	(15)	0	0	0	0	0	0
Net Cost of Operation	**$ 4**	**$ 68**	**$ 26**	**$ 11**	**$ 72**	**$ 50**	**$ 1**	**$ 75**
Statement of Changes in Net Position								
Unexpended Appropriations								
Beginning Balance	19	423	36	24	17	205	0	406
Appropriations Received	0	0	0	0	66	71	6	190
Other Adjustments	0	(2)	(5)	(1)	0	0	0	0
Appropriations Used	(4)	(68)	(26)	(11)	(72)	(50)	(1)	(75)
Net Change in Unexpended Appropriations	**(4)**	**(70)**	**(31)**	**(12)**	**(6)**	**21**	**5**	**115**
Total Unexpended Appropriations Ending Balance	**$ 15**	**$ 353**	**$ 5**	**$ 12**	**$ 11**	**$ 226**	**$ 5**	**$ 521**
Cumulative Results of Operations								
Beginning Balance	0	0	0	0	0	0	0	0
Appropriations Used	4	68	26	11	72	50	1	75
Net Cost of Operations	(4)	(68)	(26)	(11)	(72)	(50)	(1)	(75)
Net Change and Cumulative Results of Operations	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cumulative Results of Operation, Ending Balance	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
Total Net Position	**$ 15**	**$ 353**	**$ 5**	**$ 12**	**$ 11**	**$ 226**	**$ 5**	**$ 521**

NOTE 19: Continued

Account Name Treasury Account Symbol	Distance Learning, Telemedicine and Broadband Program 12X1232 CARES Act	Rental Assistance Program 12 21/22 0137 ARP Act	Rural Community Facilities Program Account 12 21/23 1951 ARP Act	Rural Housing Insurance Fund Program Account 12 21/23 2081 ARP Act	Rural Cooperative Development Grants 12X1900 Consolidated Appropriations Act, 2021	Office of the Secretary 12X0115 CARES Act	Office of the Secretary 12X0115 Consolidated Appropriations Act, 2021	Food Supply Chain Agriculture Pandemic Response Program Account 12X0408 ARP Act
FY 2022								
Balance Sheet								
Intragovernmental								
Fund Balance with Treasury	19	20	423	36	24	17	205	406
Total Intragovernmental Assets	**$ 19**	**$ 20**	**$ 423**	**$ 36**	**$ 24**	**$ 17**	**$ 205**	**$ 406**
Total Assets	**$ 19**	**$ 20**	**$ 423**	**$ 36**	**$ 24**	**$ 17**	**$ 205**	**$ 406**
Other Liabilities	0	2	0	0	0	0	0	0
Total Other Than Intragovernmental Liabilities	**$ 0**	**$ 2**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
Unexpended Appropriations	19	20	423	36	24	17	205	406
Cumulative Results of Operation-All Other Funds	0	(2)	0	0	0	0	0	0
Total Net Position	**$ 19**	**$ 18**	**$ 423**	**$ 36**	**$ 24**	**$ 17**	**$ 205**	**$ 406**
Total Liabilities and Net Position	**$ 19**	**$ 20**	**$ 423**	**$ 36**	**$ 24**	**$ 17**	**$ 205**	**$ 406**
Statement of Net Cost								
Gross Program Costs	5	65	52	2	11	683	0	4
Net Cost of Operation	**$ 5**	**$ 65**	**$ 52**	**$ 2**	**$ 11**	**$ 683**	**$ 0**	**$ 4**
Statement of Changes in Net Position								
Unexpended Appropriations								
Beginning Balance	24	83	475	38	35	700	0	0
Appropriations Received	0	0	0	0	0	0	205	410
Appropriations Used	(5)	(63)	(52)	(2)	(11)	(683)	0	(4)
Net Change in Unexpended Appropriations	**(5)**	**(63)**	**(52)**	**(2)**	**(11)**	**(683)**	**205**	**406**
Total Unexpended Appropriations Ending Balance	**$ 19**	**$ 20**	**$ 423**	**$ 36**	**$ 24**	**$ 17**	**$ 205**	**$ 406**
Cumulative Results of Operations								
Beginning Balance	0	0	0	0	0	0	0	0
Appropriations Used	5	63	52	2	11	683	0	4
Net Cost of Operations	(5)	(65)	(52)	(2)	(11)	(683)	0	(4)
Net Change and Cumulative Results of Operations	**0**	**(2)**	**0**	**0**	**0**	**0**	**0**	**0**
Cumulative Results of Operation, Ending Balance	**$ 0**	**$ (2)**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
Total Net Position	**$ 19**	**$ 18**	**$ 423**	**$ 36**	**$ 24**	**$ 17**	**$ 205**	**$ 406**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
Schedule of Combined Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

	2023 Budgetary	2023 Non-Budgetary Credit Program Financing Accounts	2022 Budgetary	2022 Non-Budgetary Credit Program Financing Accounts
	Rural Community Advancement Programs	Rural Community Advancement Programs	Rural Community Advancement Programs	Rural Community Advancement Programs
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 1,456	$ 2,291	$ 736	$ 1,831
Recoveries of Prior Year Unpaid Obligations	145	375	82	352
Other Changes in Unobligated Balance	(12)	(2,362)	(10)	(1,847)
Unobligated Balance from Prior Year Budget Authority, Net	1,589	304	808	336
Appropriations	2,130	0	2,498	0
Borrowing Authority (Note 15)	0	2,392	0	3,141
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	7	2,220	11	2,759
Total Budgetary Resources	**3,726**	**4,916**	**3,317**	**6,236**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	2,102	3,434	1,861	3,945
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	1,611	1,294	486	2,140
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	11	188	969	151
Unexpired Unobligated Balance, End of Year	1,622	1,482	1,455	2,291
Expired Unobligated Balance, End of Year	2	0	1	0
Total Unobligated Balance, End of Year	1,624	1,482	1,456	2,291
Total Budgetary Resources	**3,726**	**4,916**	**3,317**	**6,236**
Outlays, Net:				
Outlays, Net	1,340	0	1,327	0
Distributed Offsetting Receipts	(269)	0	(293)	0
Agency Outlays, Net	**$ 1,071**	**$ 0**	**$ 1,034**	**$ 0**
Disbursements, Net		**$ 666**		**$ 305**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
Schedule of Combined Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

	2023 Budgetary	2023 Non-Budgetary Credit Program Financing Accounts	2022 Budgetary	2022 Non-Budgetary Credit Program Financing Accounts
	Rural Electrification/ Telecommunication Funds	Rural Electrification/ Telecommunication Funds	Rural Electrification/ Telecommunication Funds	Rural Electrification/ Telecommunication Funds
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 11,317	$ 4,043	$ 1,192	$ 4,085
Recoveries of Prior Year Unpaid Obligations	1	203	0	293
Other Changes in Unobligated Balance	(88)	(642)	0	(638)
Unobligated Balance from Prior Year Budget Authority, Net	11,230	3,604	1,192	3,740
Appropriations	1,267	0	11,324	3
Borrowing Authority (Note 15)	0	7,445	0	6,007
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	17	3,371	145	2,642
Total Budgetary Resources	**12,514**	**14,420**	**12,661**	**12,392**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	1,549	9,548	1,344	8,349
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	10,954	4,869	607	4,043
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	3	10,700	0
Unexpired Unobligated Balance, End of Year	10,954	4,872	11,307	4,043
Expired Unobligated Balance, End of Year	11	0	10	0
Total Unobligated Balance, End of Year	10,965	4,872	11,317	4,043
Total Budgetary Resources	**12,514**	**14,420**	**12,661**	**12,392**
Outlays, Net:				
Outlays, Net	1,490	0	1,163	0
Distributed Offsetting Receipts	(623)	0	(1,350)	0
Agency Outlays, Net	**$ 867**	**$ 0**	**$ (187)**	**$ 0**
Disbursements, Net		**$ 3,328**		**$ 3,592**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
Schedule of Combined Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

	2023 Budgetary	2023 Non-Budgetary Credit Program Financing Accounts	2022 Budgetary	2022 Non-Budgetary Credit Program Financing Accounts
	Rural Telephone Bank Funds	Rural Telephone Bank Funds	Rural Telephone Bank Funds	Rural Telephone Bank Funds
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 0	$ 3	$ 0	$ 11
Recoveries of Prior Year Unpaid Obligations	0	0	0	0
Other Changes in Unobligated Balance	0	(3)	0	(11)
Unobligated Balance from Prior Year Budget Authority, Net	0	0	0	0
Appropriations	3	0	3	0
Borrowing Authority (Note 15)	0	2	0	0
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	0	3	0	6
Total Budgetary Resources	**3**	**5**	**3**	**6**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	3	3	3	3
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	0	2	0	3
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	0	0
Unexpired Unobligated Balance, End of Year	0	2	0	3
Expired Unobligated Balance, End of Year	0	0	0	0
Total Unobligated Balance, End of Year	0	2	0	3
Total Budgetary Resources	**3**	**5**	**3**	**6**
Outlays, Net:				
Outlays, Net	2	0	2	0
Distributed Offsetting Receipts	0	0	0	0
Agency Outlays, Net	**$ 2**	**$ 0**	**$ 2**	**$ 0**
Disbursements, Net		**$ (2)**		**$ (6)**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
Schedule of Combined Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

	2023 Budgetary	2023 Non-Budgetary Credit Program Financing Accounts	2022 Budgetary	2022 Non-Budgetary Credit Program Financing Accounts
	Rural Housing Funds	Rural Housing Funds	Rural Housing Funds	Rural Housing Funds
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 160	$ 1,586	$ 168	$ 2,261
Recoveries of Prior Year Unpaid Obligations	16	147	23	130
Other Changes in Unobligated Balance	(61)	(1,414)	(58)	(2,093)
Unobligated Balance from Prior Year Budget Authority, Net	115	319	133	298
Appropriations	755	0	523	0
Borrowing Authority (Note 15)	0	2,052	0	3,556
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	122	2,485	75	2,695
Total Budgetary Resources	**992**	**4,856**	**731**	**6,549**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	766	3,866	571	4,963
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	195	990	131	1,586
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	0	0
Unexpired Unobligated Balance, End of Year	195	990	131	1,586
Expired Unobligated Balance, End of Year	31	0	29	0
Total Unobligated Balance, End of Year	226	990	160	1,586
Total Budgetary Resources	**992**	**4,856**	**731**	**6,549**
Outlays, Net:				
Outlays, Net	371	0	156	0
Distributed Offsetting Receipts	(654)	0	(2,310)	0
Agency Outlays, Net	**$ (283)**	**$ 0**	**$ (2,154)**	**$ 0**
Disbursements, Net		**$ 1,099**		**$ 1,729**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
Schedule of Combined Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

	2023 Budgetary	2023 Non-Budgetary Credit Program Financing Accounts	2022 Budgetary	2022 Non-Budgetary Credit Program Financing Accounts
	Rental Assistance Programs	Rental Assistance Programs	Rental Assistance Programs	Rental Assistance Programs
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 78	$ 0	$ 77	$ 0
Recoveries of Prior Year Unpaid Obligations	4	0	3	0
Other Changes in Unobligated Balance	1	0	(10)	0
Unobligated Balance from Prior Year Budget Authority, Net	83	0	70	0
Appropriations	1,535	0	1,495	0
Borrowing Authority (Note 15)	0	0	0	0
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	0	0	0	0
Total Budgetary Resources	**1,618**	**0**	**1,565**	**0**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	1,565	0	1,487	0
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	37	0	63	0
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	0	0
Unexpired Unobligated Balance, End of Year	37	0	63	0
Expired Unobligated Balance, End of Year	16	0	15	0
Total Unobligated Balance, End of Year	53	0	78	0
Total Budgetary Resources	**1,618**	**0**	**1,565**	**0**
Outlays, Net:				
Outlays, Net	1,451	0	1,369	0
Distributed Offsetting Receipts	0	0	0	0
Agency Outlays, Net	**$ 1,451**	**$ 0**	**$ 1,369**	**$ 0**
Disbursements, Net		**$ 0**		**$ 0**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
Schedule of Combined Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

	2023 Budgetary	2023 Non-Budgetary Credit Program Financing Accounts	2022 Budgetary	2022 Non-Budgetary Credit Program Financing Accounts
	Rural Housing Grants	Rural Housing Grants	Rural Housing Grants	Rural Housing Grants
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 41	$ 0	$ 27	$ 0
Recoveries of Prior Year Unpaid Obligations	3	0	9	0
Other Changes in Unobligated Balance	(7)	0	4	0
Unobligated Balance from Prior Year Budget Authority, Net	37	0	40	0
Appropriations	143	0	83	0
Borrowing Authority (Note 15)	0	0	0	0
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	0	0	0	0
Total Budgetary Resources	**180**	**0**	**123**	**0**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	96	0	82	0
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	84	0	40	0
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	1	0
Unexpired Unobligated Balance, End of Year	84	0	41	0
Expired Unobligated Balance, End of Year	0	0	0	0
Total Unobligated Balance, End of Year	84	0	41	0
Total Budgetary Resources	**180**	**0**	**123**	**0**
Outlays, Net:				
Outlays, Net	84	0	65	0
Distributed Offsetting Receipts	0	0	0	0
Agency Outlays, Net	**$ 84**	**$ 0**	**$ 65**	**$ 0**
Disbursements, Net		**$ 0**		**$ 0**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
Schedule of Combined Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

	2023 Budgetary	2023 Non-Budgetary Credit Program Financing Accounts	2022 Budgetary	2022 Non-Budgetary Credit Program Financing Accounts
	Salaries & Expense	Salaries & Expense	Salaries & Expense	Salaries & Expense
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 96	$ 0	$ 76	$ 0
Recoveries of Prior Year Unpaid Obligations	9	0	11	0
Other Changes in Unobligated Balance	86	0	(9)	0
Unobligated Balance from Prior Year Budget Authority, Net	191	0	78	0
Appropriations	470	0	353	0
Borrowing Authority (Note 15)	0	0	0	0
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	506	0	495	0
Total Budgetary Resources	**1,167**	**0**	**926**	**0**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	969	0	830	0
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	187	0	83	0
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	0	0
Unexpired Unobligated Balance, End of Year	187	0	83	0
Expired Unobligated Balance, End of Year	11	0	13	0
Total Unobligated Balance, End of Year	198	0	96	0
Total Budgetary Resources	**1,167**	**0**	**926**	**0**
Outlays, Net:				
Outlays, Net	396	0	322	0
Distributed Offsetting Receipts	(13)	0	(2)	0
Agency Outlays, Net	**$ 383**	**$ 0**	**$ 320**	**$ 0**
Disbursements, Net		**$ 0**		**$ 0**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
Schedule of Combined Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

	2023 Budgetary	2023 Non-Budgetary Credit Program Financing Accounts	2022 Budgetary	2022 Non-Budgetary Credit Program Financing Accounts
	Other	Other	Other	Other
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 4,158	$ 385	$ 2,280	$ 319
Recoveries of Prior Year Unpaid Obligations	167	67	43	20
Other Changes in Unobligated Balance	384	(221)	(10)	(122)
Unobligated Balance from Prior Year Budget Authority, Net	4,709	231	2,313	217
Appropriations	868	0	4,326	0
Borrowing Authority (Note 15)	0	797	0	360
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	29	208	22	253
Total Budgetary Resources	**5,606**	**1,236**	**6,661**	**830**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	2,631	861	2,503	445
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	2,945	366	3,624	231
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	12	9	520	154
Unexpired Unobligated Balance, End of Year	2,957	375	4,144	385
Expired Unobligated Balance, End of Year	18	0	14	0
Total Unobligated Balance, End of Year	2,975	375	4,158	385
Total Budgetary Resources	**5,606**	**1,236**	**6,661**	**830**
Outlays, Net:				
Outlays, Net	555	0	979	0
Distributed Offsetting Receipts	(33)	0	(21)	0
Agency Outlays, Net	**$ 522**	**$ 0**	**$ 958**	**$ 0**
Disbursements, Net		**$ 168**		**$ (30)**

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
Schedule of Combined Statement of Budgetary Resources by Major Fund
Amounts Presented in Millions

	2023 Budgetary	2023 Non-Budgetary Credit Program Financing Accounts	2022 Budgetary	2022 Non-Budgetary Credit Program Financing Accounts
	Total	Total	Total	Total
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 17,306	$ 8,308	$ 4,556	$ 8,507
Recoveries of Prior Year Unpaid Obligations	345	792	171	795
Other Changes in Unobligated Balance	303	(4,642)	(93)	(4,711)
Unobligated Balance from Prior Year Budget Authority, Net	17,954	4,458	4,634	4,591
Appropriations	7,171	0	20,605	3
Borrowing Authority (Note 15)	0	12,688	0	13,064
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	681	8,287	748	8,355
Total Budgetary Resources	**25,806**	**25,433**	**25,987**	**26,013**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	9,681	17,712	8,681	17,705
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	16,013	7,521	5,034	8,003
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	23	200	12,190	305
Unexpired Unobligated Balance, End of Year	16,036	7,721	17,224	8,308
Expired Unobligated Balance, End of Year	89	0	82	0
Total Unobligated Balance, End of Year	16,125	7,721	17,306	8,308
Total Budgetary Resources	**25,806**	**25,433**	**25,987**	**26,013**
Outlays, Net				
Outlays, Net	5,689	0	5,383	0
Distributed Offsetting Receipts	(1,592)	0	(3,976)	0
Agency Outlays, Net	**$ 4,097**	**$ 0**	**$ 1,407**	**$ 0**
Disbursements, Net		**$ 5,259**		**$ 5,590**

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