United States Department of Agriculture

# Office of Inspector General

# Commodity Credit Corporation's Financial Statements for Fiscal Years 2014 and 2013



06401-0004-11

November 2014

United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250

DATE: November 7, 2014

AUDIT NUMBER: 06401-0004-11

TO: Board of Directors
Commodity Credit Corporation

ATTN: Philip Sharp
Director
Operations Review and Analysis Staff

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Commodity Credit Corporation's Financial Statements for Fiscal Years 2014 and 2013

This report presents the results of the audit of Commodity Credit Corporation's (CCC) financial statements for the fiscal years ending September 30, 2014, and 2013. This report contains an unmodified opinion on the financial statements, as well as an assessment of CCC's internal controls over financial reporting and compliance with laws and regulations.

CliftonLarsonAllen, LLP, an independent certified public accounting firm, conducted the audit. In connection with the contract, we reviewed CliftonLarsonAllen, LLP's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with *Government Auditing Standards* (issued by the Comptroller General of the United States), was not intended to enable us to express, and we do not express, opinions on CCC's financial statements, internal control, or on whether CCC's financial management systems substantially complied with the Federal Financial Management Improvement Act of 1996 (FFMIA); or conclusions on compliance with laws and regulations. CliftonLarsonAllen, LLP, is responsible for the attached auditor's report, dated November 6, 2014, and the conclusions expressed in the report. However, our review disclosed no instances where CliftonLarsonAllen, LLP, did not comply, in all material respects, with *Government Auditing Standards* and the Office of Management and Budget 14-02, *Audit Requirements for Federal Financial Statements.*

It is the opinion of CliftonLarsonAllen, LLP, that the financial statements present fairly, in all material respects, CCC's financial position as of September 30, 2014, and 2013, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 21 to the financial statements, CCC's fiscal year 2013 previously-issued financial statements have been restated due to corrections of errors in CCC's child accounts with the United States Agency for International Development. The previously-issued financial statements were materially misstated and the previously-issued auditor's report, dated December 3, 2013, has been withdrawn and replaced by the auditor's report, dated November 6, 2014, on the restated financial statements.

The CliftonLarsonAllen, LLP, report on CCC's internal control structure over financial reporting identified two significant deficiencies. Specifically, CliftonLarsonAllen, LLP, identified weaknesses in CCC's:

- funds control, and
- controls over child agency financial reporting.

CliftonLarsonAllen, LLP, considered the first significant deficiency to be a material weakness. The results of CliftonLarsonAllen, LLP's test of compliance with laws and regulations disclosed substantial noncompliance with FFMIA for the United States Standard General Ledger at the transaction level.

We appreciate the courtesies and cooperation extended during this audit. This report contains publicly available information and will be posted in its entirety to our website http://www.usda.gov/oig in the near future.

Attachment

**U.S. DEPARTMENT OF AGRICULTURE**
**COMMODITY CREDIT CORPORATION**

**September 30, 2014**

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CliftonLarsonAllen LLP
www.claconnect.com

# INDEPENDENT AUDITORS' REPORT

Inspector General
U.S. Department of Agriculture

Board of Directors
Commodity Credit Corporation:

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Commodity Credit Corporation (CCC), which comprise the consolidated balance sheets as of September 30, 2014 and 2013, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended, and the related notes to the financial statements (financial statements).

### *Management's Responsibility for the Financial Statements*

CCC management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S.) and the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the U.S.; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 14-02). Those standards and OMB Bulletin 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness or significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We are also responsible for applying certain limited procedures with respect to the Required Supplementary Information (RSI) and all other accompanying information included with the financial statements.

### *Opinion on the Financial Statements*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCC as of September 30, 2014 and 2013, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the U.S.

### *Emphasis-of-Matter Regarding Correction of Errors*

*Restatement of Fiscal Year (FY) 2013 Financial Statements*

As discussed in Note 21 to the financial statements, CCC's FY 2013 previously-issued financial statements have been restated due to correction of errors in CCC's child accounts with the United States Agency for International Development (USAID). Accordingly, amounts reported for Cumulative Results of Operations and Unexpended Appropriations and other financial statements lines have been restated in the 2013 financial statements now presented, and an adjustment has been made to Cumulative Results of Operations and Unexpended Appropriations as of September 30, 2012, to correct material misstatement. The previously-issued financial statements were materially misstated and the previously-issued auditors' report dated December 3, 2013 is withdrawn and replaced by the auditors' report on the restated financial statements. The significant deficiency in USAID's internal control over financial reporting is reported in the Auditors' Report on Internal Control over Financial Reporting.

### *Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the U.S. issued by the Federal Accounting Standards Advisory Board (FASAB) require that CCC's Management Discussion and Analysis (MD&A) and Required Supplementary Information (RSI) on pages 2 through 35 and pages 127 through 131 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by FASAB, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and other RSI in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the MD&A and other RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The other information on pages 36 through 55 and pages 132 through 139 contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or RSI. The other information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered CCC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCC's internal control or on management's assertion on internal control included in the MD&A. Accordingly, we do not express an opinion on the effectiveness of CCC's internal control or on management's assertion on internal control included in the MD&A.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control described below and in Exhibits A and B that we consider to be material weaknesses and significant deficiencies, respectively.

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, such that there is a reasonable possibility that a material misstatement of the CCC's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described below and in Exhibit A to be a material weakness.

<u>Funds Control (Repeat Finding)</u>

> CCC does not perform an automated and real time funds control for certain contracts at the time they are fully executed (obligated).

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. We consider the deficiencies described below and in Exhibit B to be significant deficiencies.

<u>USAID's Internal Control over Financial Reporting (Modified Repeat Finding)</u>

> CCC transferred budget authority to the USAID in a Parent/Child allocation transfer. CCC, as the parent agency, does not have sufficient internal control over USAID's: (1) untimely review and deobligation of USAID's unliquidated obligations (ULOs), and (2) (a) untimely identification, research and resolution of reconciling items in its

Fund Balance with Treasury reconciliation (FBWT), and (b) untimely and lack of consistent periodic reconciliation of USAID's general ledger accounts and related subsidiary records.

Also, as required by OMB Bulletin 14-02, we compared the material weakness identified during the audit with those material weaknesses included in the CCC's Federal Manager's Financial Integrity Act (FMFIA) report that relate to financial reporting. We noted no exception.

### *Report on Compliance and Other Matters*

As part of obtaining reasonable assurance about whether CCC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements consistent with our professional responsibilities discussed below.

The results of our tests, exclusive of those required by the Federal Financial Management Improvement Act (FFMIA) as discussed below, disclosed no instances of noncompliance or other matter that are required to be reported in accordance with *Government Auditing Standards* or OMB Bulletin No. 14-02.

*Compliance with FFMIA Requirements*
Under FFMIA, we are required to report on whether the financial management systems used by CCC substantially comply with the FFMIA Section 803(a) requirements. To meet this requirement, we performed tests of compliance with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Standard General Ledger (USSGL) at the transaction level. However, providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. Except for matters described in Exhibit A, where CCC did not substantially comply with Section 803(a) requirement on the application of the USSGL at the transaction level, the results of our tests of FFMIA Section 803(a) requirements disclosed no instances in which CCC's financial management systems did not substantially comply with the Federal financial management systems requirements or applicable accounting standards.

### *Management's Responsibility for Internal Control and Compliance*

CCC management is responsible for: (1) evaluating the effectiveness of internal control over financial reporting based on criteria established under the FMFIA; (2) providing a statement of assurance on the overall effectiveness on internal control over financial reporting; (3) ensuring CCC's financial management systems are in substantial compliance with FFMIA requirements; and (4) complying with other applicable laws, regulations, contracts, and grant agreements.

### *Auditors' Responsibilities*

We are responsible for: (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit; (2) testing whether CCC's financial management systems substantially comply with the FFMIA requirements referred to above; and (3) testing compliance with certain provisions of laws, regulations, contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts and applicable laws and regulations for which OMB Bulletin 14-02 requires testing.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws, regulations, contracts and grant agreements applicable to CCC. We limited our tests of compliance to certain provisions of laws, regulations, contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts and applicable laws and regulations for which OMB Bulletin 14-02 requires testing. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes. Also, our work on FFMIA would not necessarily disclose all instances of noncompliance with FFMIA requirements.

### *Management's Response to Findings*

Management's response to the findings identified in our report is presented in Exhibit D. We did not audit CCC's response and, accordingly, we express no opinion on it.

### *Status of Prior Year's Control Deficiencies and Noncompliance Issues*

We have reviewed the status of CCC's corrective actions with respect to the findings included in the prior year's Independent Auditors' Report, dated December 3, 2013. The status of prior year findings is presented in Exhibit C.

### *Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters*

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of CCC's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCC's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Arlington, Virginia
November 6, 2014

**EXHIBIT A**
**Material Weaknesses**

1. **Funds Control (Repeat Finding)**

CCC uses the funds control system (eFMS) in recording obligations at the transaction level. However, as in prior years, a substantial portion of its funds is still not managed in eFMS as of September 30, 2014. CCC still has not achieved full funds control and still does not record certain obligations (budgetary entries) at the transaction level. This deficiency does not allow CCC to perform an automated and real time funds control at the time contracts are fully executed (obligated).

CCC's corrective action plan is projected to achieve full funds management control during FY 2017, subject to sufficient IT resources and funding. In FY 2014, CCC updated its corrective action plan and developed a more detailed plan to achieve funds control. It developed four main tasks with 16 phases, different target dates and percentage of completion.

OMB Circular A-11, *Preparation, Submission, & Execution of the Budget,* states that the agency accounting system must fully support agency funds control systems. The agency's system of administrative control of funds should be designed to keep obligations from exceeding apportioned amounts, allotments, suballotments, and other administrative subdivisions of funds. The funds control system must track obligations by program reporting categories used in the apportionment.

Also, OMB Circular A-123, Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996,* states that, "Financial events shall be recorded applying the requirements of the USSGL. Application of the USSGL at the transaction level means that each time an approved transaction is recorded in the system, it will generate appropriate general ledger accounts for posting the transactions according to the rules defined in the USSGL guidance."

CCC continues to implement its remediation plan to achieve full funds control and record obligations at the transaction level. Accordingly, we will not repeat previous year's recommendations in this report.

## EXHIBIT B
## Significant Deficiency

### 2. Strengthen Control Over Child Agency Financial Reporting (Modified Repeat Finding)

The CCC (parent agency) is a party to allocation transfers with USAID (child agency) as the transferring entity. In accordance with OMB Circular A-136, *Financial Reporting Requirements*, "The parent is accountable for and maintains the responsibility for reporting while the child performs on behalf of the parent and controls how the funds are expended. The parent is responsible for the program's overall performance and may decide to reallocate funds if the parent is not satisfied with the child's performance." It further states that "The key to timely and accurate quarterly reporting by the child agency is the communication between the parent and child. It is strongly recommended that issues such as formats, abnormal balances, capitalization thresholds, useful lives, depreciation methodologies, transfer of trading partner information, etc., be discussed and resolutions reached at a date required by the parent to meet its reporting and auditing deadlines."

During fiscal year 2014, CCC allocated funds of approximately $1 billion to USAID to fund P.L. 480 Title II and the Bill Emerson Humanitarian Trust (BEHT) Fund for transportation and other administrative costs in connection with foreign donations. Each year, the cooperation and collaboration between CCC and USAID continues to improve. CCC plans to continue its efforts to work with USAID to develop and implement processes and controls that will substantially mitigate this deficiency. Accordingly, we did not repeat previous years' recommendations in this report.

#### A. ***Untimely Review and Deobligation of Unliquidated Obligations or Undelivered Orders (ULOs)*** **(Modified Repeat Finding)**

USAID does not effectively review its ULOs to ensure that obligations are deobligated timely. We selected 5 items from the June 30, 2014 ULO subsidiary ledger to determine whether the ULO was a valid obligation. We found that 4 of 5 samples were not open and valid obligations and should have been deobligated.

As a result of our test, we requested USAID to review the ULOs. USAID provided an analysis which showed open obligations dating back to 2001 with no activities for many years. We reviewed the analysis with USAID and proposed an adjusting entry to deobligate funds (downward recovery) of $143.8 million.

USAID's Automated Directives System (ADS) 621 – Obligations under 621.3.9 states that "Obligated funds must be deobligated when a determination is made that the funds are no longer needed for the purposes for which they were obligated".

OMB Circular A-11, Preparation, Submission, and Execution of the Budget, defines Obligation as a binding agreement that will result in outlays, immediately or in the futures. Moreover, Section 20.5 (f) states that "to the extent that a grant awarded in previous year is no longer valid, you will record a recovery of prior year obligation."

USDA Departmental Regulation states that "Reviews of Unliquidated obligations are necessary to properly report obligation balances, certify the validity of obligated balances, make funds available that otherwise would not be used, reduce the risk of misuse and theft of funds, and improve the Treasury Department's ability to forecast outlay and borrowing needs."

**EXHIBIT B**
**Significant Deficiency**

***B. USAID's untimely identification, research and resolution of reconciling items in its Fund Balance with Treasury reconciliation (FBWT), and untimely and lack of consistent periodic reconciliation of USAID's general ledger accounts and related subsidiary records (Modified Repeat Finding)***

Since at least FY 2009, USAID continued to use suspense accounts (account 1010.31 and 1010.33) to post the differences between its General Ledger (GL) Fund Balance with Treasury (FBWT) account as recorded in the financial accounting system (Phoenix) and the Fund Balance reported by the Department of the Treasury (Treasury) in order to facilitate FACTS II (now GTAS) submission. These unreconciled differences for funds (72)12X2278 and (72)12X4336 persist because USAID and its missions could not effectively perform monthly reconciliations of its FBWT account and could not completely research and resolve differences in a timely manner.

Also, prior to FY 2007, USAID activities for both P.L. 480 Title II and the BEHT were accounted for within one child treasury symbol (72)12x4336. In FY 2007, Treasury established a separate fund (72)12X2278 for P.L. 480 Title II activity. Fund (72) 12x4336 was to be used for BEHT activities. 2278 is a general fund expenditure account for recording amounts appropriated (direct obligation) by Congress while 4336 is a revolving fund account (reimbursable obligation). USAID did not completely reclassify the P.L. 480 Title II amounts from (72)12X4336 to (72)12X2278 on a timely basis and continued to comingle activities in both funds.

The practices described above resulted in errors that have been accumulating over many years (5+). The root causes were due significantly to two overarching circumstances: legacy reconciling items created by the various (+/- 55) missions' manual submissions of their accounting transactions; and the lack of grant level obligation and expense detail provided by USAID's grant services contractor. In order to remediate its long outstanding material weakness in internal control over financial reporting in relation to FBWT; USAID, over the past 5+ years, has worked to improve its FBWT (cash) reconciliation processes. Those improvements continued into FY 2014 and culminated in a comprehensive reconciliation of its budget authority, advances, obligations, expenditures, reimbursements, and cash in almost all of USAID's appropriations, including those in CCC's Treasury Account Symbols. This reconciliation compared USAID's general ledger balances to their subsidiary ledger and, based on the working assumption that the subsidiary ledger can be supported at the detail document level, the general ledger balances were adjusted to the subsidiary ledger balances. These adjustments, identified and supported by their reconciliation were recorded by USAID in February 2014 and took effect as of the beginning of FY 2013. USAID obtained approval from OMB for a backdated SF-224 to adjust CCC's FBWT to agree to the comprehensive reconciliation performed, and to reflect the activities in the appropriate Treasury Account Symbol.

As parent to USAID's two child Treasury Account Symbols, CCC's balances were materially impacted by the correction of errors due to the child's internal control weaknesses over financial reporting. USAID's internal control weaknesses were associated with deficiencies in identifying, researching, and resolving the FBWT differences between USAID and the U.S. Treasury's records. Also, USAID does not periodically and consistently perform a reconciliation of the general ledger to subsidiary ledger details. The CCC's prior period adjustments (PPAs) resulting from the USAID comprehensive "clean-up" were to correct errors for periods prior to FY 2013. These PPAs led to a material correction of errors to

## EXHIBIT B
## Significant Deficiency

CCC's FY 2013 financial statements requiring a restatement of previously-issued financial statements.

Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* provides the following criteria:

***Principle 10 – Design Control Activities***

- ***Accurate and timely recording of transactions***
  Transactions are promptly recorded to maintain their relevance and value to 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.

***Principle 16 – Perform Monitoring Activities***

- ***Internal Control System Monitoring***
  Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparison, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.

## EXHIBIT C
## Status of Prior Year Findings

Our assessment of the current status of the findings identified in the prior year audit is presented below:

| FY 2013 Findings | Type/ Years Reported | FY 2014 Status |
|---|---|---|
| 1. Funds Control | Material Weakness 2002-2013 | Open – Repeat Finding – Reported as Material Weakness |
| 2. Strengthen Control Over Child Agency Financial Reporting | Significant Deficiency 2008-2013 | Open –Modified Repeat Finding – Reported as Significant Deficiency |

USDA

**Exhibit D**

**United States Department of Agriculture**

Farm and Foreign Agricultural Services

Commodity Credit Corporation

Office of Budget and Finance
Stop 0575
1400 Independence Avenue, SW
Washington, DC
20250-0575

**TO:** Lynette Cockrell
Regional Inspector General
Office of the Inspector General

Mia Leswing
Partner-in-Charge
CliftonLarsonAllen, LLP

**FROM:** For Heidi G. Ware
Chief Financial Officer
Commodity Credit Corporation

Joseph A. Spa— Jr.

NOV 05 2014

**SUBJECT:** Response to the Draft Combined Independent Auditor's Report on the Commodity Credit Corporation's (CCC) Fiscal Years 2014 and 2013, Financial Statements

We have reviewed the CliftonLarsonAllen (CLA) Draft Combined Independent Auditor's Report dated November 6, 2014, and concur with its contents. We are very pleased that for the 13th consecutive year, CCC's financial statements have received an unqualified opinion from the auditors.

CCC will continue to implement our planned corrective actions to address the findings identified during the audit. We will continue to work with the Office of the Inspector General and CLA in ensuring that the specific actions will successfully mitigate the deficiencies reported.

If you have any questions or require additional information, please contact Elizabeth Russell at (202) 772-6031.

# U.S. DEPARTMENT OF AGRICULTURE

# COMMODITY CREDIT CORPORATION

# 2014 ANNUAL MANAGEMENT REPORT

**U.S. Department of Agriculture**
**Commodity Credit Corporation**

1400 Independence Avenue, S.W.
Washington, DC 20250

2014 Annual Management Report

# PREFACE

This Annual Management Report shows the results of the Commodity Credit Corporation's (CCC) operations for fiscal year 2014. This report meets the requirements of the *CCC Charter Act*, as amended, and the *Government Corporation Control Act*, as amended.

CCC worked closely with CliftonLarsonAllen LLP and the Office of Inspector General (OIG) for the United States Department of Agriculture (USDA) in the development of this report. The electronic version of this report can be found at http://www.usda.gov/oig.

The Management's Discussion and Analysis section of the report contains the purpose, authority, mission, and goals of the Corporation, financial, program summaries, and performance measures. This report also includes the audit opinion letter, performance information, financial statements, and accompanying notes.

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# Message from the Executive Vice President

I am pleased to present the Commodity Credit Corporation's (CCC) *Fiscal Year (FY) 2014 Agency Financial Report.* The mission of CCC, a wholly-owned Government corporation created in 1933, is to assist in stabilizing, supporting, and protecting farm income and prices, help maintain balanced and adequate supplies of agricultural commodities, help in the orderly distribution of these commodities, and assist in the conservation of soil and water resources.

For more than 80 years, U.S. Department of Agriculture (USDA) agencies have delivered CCC programs to accomplish this mission. Today, CCC activities are carried out primarily by the personnel, and through the facilities, of the Farm Service Agency (FSA). FSA uses its headquarters offices in Washington, D.C. and Kansas City, 50 FSA State Offices, an area office in Puerto Rico, and more than 2,100 county offices to support America's farmers and ranchers in sustaining our nation's vibrant agricultural economy. The Foreign Agricultural Service, the Natural Resources Conservation Service, and other USDA agencies and offices also carry out aspects of CCC's activities.

In 2014, CCC supported commodity, dairy, livestock disaster, crop disaster, trade, conservation, energy, specialty and organic crops, and research, which continued to meet the mission of supporting American agriculture and to proactively respond to worldwide agricultural needs. In response to ongoing budget challenges, agencies delivering CCC programs continued their efforts to streamline business operations, which resulted in reduced costs and increased efficiencies, while ensuring that resources were available to effectively deliver programs to customers and meet program goals. A more detailed discussion about CCC's operations and accomplishments is included in this report.

*The Agricultural Act of 2014* (2014 Farm Bill), signed into law on February 7, 2014, significantly affected the operations of CCC programs. Several programs were eliminated, including two of the primary farm safety net programs, the Direct and Counter-cyclical Payment program and the Average Crop Revenue Election program. In their place are the Agriculture Risk Coverage and Price Loss Coverage programs. The 2014 Farm Bill made modest changes to existing CCC food aid programs, including placing greater emphasis on improving the nutritional quality of food aid products and ensuring that sales of agricultural commodity donations do not disrupt local markets.

I am pleased to report that CCC received its 13th consecutive unmodified opinion from an independent audit of its financial statements. In addition, CCC can provide reasonable assurance that its system of internal controls, taken as a whole, complies with Federal internal control standards prescribed by the Government Accountability Office and the Federal Manager's Financial Integrity Act of 1982.

Thank you for your interest in CCC.

Val Dolcini
Executive Vice President
Commodity Credit Corporation

# Part I: Management Discussion and Analysis (Unaudited)

Certain information contained in this discussion is considered "forward-looking information" as defined by the Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 15, *Management's Discussion and Analysis.* Such forward-looking information includes estimates and is subject to risks and uncertainties that could cause actual results to differ materially from this discussion.

# Mission Statement

The Commodity Credit Corporation is a Government-owned and operated entity dedicated to:

- Stabilizing, supporting, and protecting farm income and prices.
- Conserving soil, air, and water resources and protecting and improving wildlife habitats.
- Maintaining balanced and adequate supplies of agricultural commodities and aiding in their orderly distribution.
- Developing new domestic and foreign markets and marketing facilities for agricultural commodities.

# History of the Commodity Credit Corporation

Established in 1933, the Commodity Credit Corporation (hereinafter CCC or Corporation) is a government-owned corporation within the United States Department of Agriculture (USDA) created to stabilize, support, and protect farm income and prices. CCC is also the Federal government's primary financing arm for many domestic and international agricultural programs. The statutory authority for Corporation operations is found in the *CCC Charter Act*, 62 Stat.1070; 15 U.S.C. 714, and et seq. CCC helps maintain balanced and adequate supplies of agricultural commodities and aids in their orderly distribution.

CCC helps America's agricultural producers through commodity and farm storage facility loans, purchases, and income support payments. CCC also works to make available materials and facilities required in the production and marketing of agricultural commodities. In addition, CCC provides incentives and payments to landowners to establish conservation practices on their land.

CCC provides agricultural commodities to other Federal agencies and foreign governments. CCC also donates commodities to domestic and international relief agencies as well as foreign countries. CCC assists in the development of new domestic and foreign markets and marketing facilities for American agricultural commodities. CCC operates numerous domestic programs such as income support, disaster assistance, and conservation programs. It also extends direct credit and guarantees commodity sales to foreign countries throughout the world.

CCC has its own disbursing authority and utilizes the Federal Reserve Bank system and United States Treasury to make payments. This disbursing authority allows CCC to make payments quickly and to provide financial support to America's producers and farmers immediately. CCC has multiple funding mechanisms. Most of the domestic programs are operated out of a revolving fund, in which CCC has a permanent indefinite borrowing authority, as defined by Office of Management and Budget (OMB) Circular A-11, *Preparation, Submission, and Execution of the Budget*. Borrowing authority permits the Corporation to incur obligations and authorizes it to borrow funds to liquidate the obligations. This fund also receives money from appropriated funding for costs incurred (i.e., realized losses), loan repayments, inventory sales, interest income, and fees. Additionally, CCC receives direct appropriations for specific programs such as its Credit Reform programs, foreign grant and donation programs, and disaster relief.

# Structure of the Commodity Credit Corporation

A Board of Directors manages CCC and is subject to the general supervision and direction of the Secretary of Agriculture who is an *ex officio* director and chairperson of the Board. The Board consists of seven members in addition to the Secretary. The President of the United States appoints the board members to office. The members of the Board and the Corporation officers are officials of USDA. CCC officers, directly or through officials of designated USDA agencies, maintain liaison with numerous other governmental and private trade operations.

CCC has no employees; it carries out the majority of its programs through the personnel and facilities of the Farm Service Agency (FSA), Agricultural Marketing Service (AMS), Natural Resources Conservation Service (NRCS), Foreign Agricultural Service (FAS), and the United States Agency for International Development (USAID). Most CCC programs are delivered through an extensive nationwide network of FSA field offices, including approximately 2,100 USDA Service Centers and 51 state offices (including Puerto Rico). This network enables CCC to maintain a close relationship with customers, successfully addressing their needs and continually improving program delivery. FSA implements CCC-funded programs for income support, disaster assistance, conservation, and international food procurement.

Though FSA provides the staff for CCC, several CCC-funded programs fall under purview of FAS or NRCS. FAS has the primary responsibility for USDA international activities - market development, trade agreements and negotiations, and the collection and analysis of statistics and market information. It also administers the USDA export credit guarantee and certain food aid programs and helps increase income and food availability in developing nations by mobilizing expertise for agriculturally led economic growth.

NRCS provides leadership in a partnership effort to help American private landowners and managers conserve their soil, water, and other natural resources. It also provides financial assistance for many conservation activities. CCC reaches out to all segments of the agricultural community, including underserved and socially disadvantaged farmers and ranchers to ensure that CCC programs and services are accessible to everyone.

# Organizational Structure

## CCC Board of Directors

Chairperson, Thomas James Vilsack, Secretary of Agriculture
Vice Chairperson, Krysta L. Harden, Deputy Secretary of Agriculture
Member, Michael T. Scuse, Under Secretary, Farm and Foreign Agricultural Services (FFAS)
Member, Vacant, Under Secretary, Rural Development (RD)
Member, Kevin W. Concannon, Under Secretary, Food, Nutrition, and Consumer Services (FNCS)
Member, Vacant, Chief Financial Officer, USDA
Member, Edward M. Avalos, Under Secretary, Marketing and Regulatory Programs (MRP)
Member, Robert F. Bonnie, Under Secretary, Natural Resources and Environment (NRE)

## CCC Officers

President, Michael T. Scuse, Under Secretary, FFAS
Executive Vice President, Val Dolcini, Administrator, Farm Service Agency (FSA)
Vice President, Candace Thompson, Associate Administrator, Operations and Management, FSA
Vice President, Anne L. Alonzo, Administrator, Agricultural Marketing Service (AMS)
Vice President, Philip C. Karsting, Administrator, Foreign Agricultural Service (FAS)
Vice President, Philip C. Karsting, General Sales Manager, FAS
Vice President, Audrey Rowe, Administrator, Food and Nutrition Service (FNS)
Vice President, Jason Weller, Chief, Natural Resources Conservation Service (NRCS)
Deputy Vice President, Sandra Wood, Deputy Administrator, Commodity Operations, FSA
Deputy Vice President, Mark A. Rucker, Deputy Administrator, Management, FSA
Deputy Vice President, J. Michael Schmidt, Deputy Administrator, Farm Programs, FSA
Deputy Vice President, Gregory A. Diephouse, Deputy Administrator, Field Operations, FSA
Deputy Vice President, Joy Harwood, Director, Economic & Policy Analysis Staff, FSA
Deputy Vice President, Leonard Jordan, Associate Chief, Conservation, NRCS
Deputy Vice President, Anthony Kramer, Deputy Chief, Programs, NRCS
Deputy Vice President, Thomas W. Christensen, Acting Associate Chief, Operations, NRCS
Secretary, Robert Stephenson , Director, Office of Business and Program Integration
Deputy Secretary, Vacant, Farm Service Agency
Assistant Secretary, Monique B. Randolph, Staff Assistant, FSA
Chief Financial Officer, Heidi G. Ware, Acting Chief Financial Officer, FSA
Treasurer, Joseph Spain Jr., Director, Financial Management Division, FSA
Chief Accountant, Sherry A. Laws, Center Director, Policy, Accounting, Reporting, and Loan Center, Financial Management Division, FSA

## Advisors

General Counsel, Jeffrey Prieto, Office of the General Counsel
Associate General Counsel, Ralph A. Linden, Natural Resources and Environment Division

# CCC Program Areas

CCC funds many programs that fall under multiple agencies within the USDA. Each CCC-funded program helps achieve parts of both CCC's mission and the strategic plan of the agency under which the program falls. CCC's mission and strategic goals are achieved through the successful implementation of the following key program areas:

Income Support and Disaster Assistance – Income support and disaster assistance programs provide financial assistance to protect farmers and ranchers from fluctuations in market conditions and unexpected natural or man-made disasters. Assistance is provided through income support programs, disaster assistance programs, and the Noninsured Crop Disaster Assistance Program (NAP). FSA administers CCC income support and disaster assistance programs.

Conservation – Conservation programs offer farmers and ranchers a variety of financial and economic incentives to conserve natural resources on the nation's privately owned farmlands. These programs focus on reducing erosion, protecting streams and rivers, restoring and establishing fish and wildlife habitats, and improving air quality through several conservation incentive payments, technical assistance, and cost-share programs. FSA and NRCS administer CCC conservation programs.

Commodity Operations and Food Aid – FSA oversees the procurement, acquisition, storage, disposition, and distribution of commodities, and the administration of the *United States Warehouse Act* (USWA). These programs help achieve domestic farm program price support objectives, produce a uniform regulatory system for storing agricultural products, and ensure the timely provision of food products for domestic and international food assistance programs and market development programs. FAS administers the Food for Progress Program, which provides food aid to countries that are emerging democracies and are committed to introducing and expanding free enterprise in the agricultural sector. Food aid addresses participating countries' hunger and helps to build longer term economic development that boosts trade opportunities for the United States and other countries.

Foreign Market Development – Expanding markets for agricultural products are critical to the long-term health and prosperity of the U.S. agricultural sector. With 95 percent of the world's population living outside the United States, future growth in demand for food and agricultural products will occur primarily in overseas markets. CCC funds used in the market development programs play a critical role in helping to open new markets and in facilitating U.S. competitiveness, helping to secure a more prosperous future for American agriculture. Support for economic development and trade capacity building reinforces these efforts by helping developing countries to become economically stable and improve their prospects to participate in and benefit from expanding global trade in agricultural products. FAS administers CCC foreign market development programs.

Export Credit – CCC export credit guarantee and direct loan programs, administered by FAS in conjunction with FSA, provide payment guarantees for third-party commercial financing and direct financing of U.S. agricultural exports. These programs facilitate exports to buyers in countries where credit is necessary to maintain or increase U.S. sales but where financing may not be available without CCC credit facilities.

# Highlights of the Agricultural Act of 2014

Summary – The Agricultural Act of 2014 (2014 Farm Bill) was signed by President Obama on February 7, 2014. The 2014 Farm Bill repealed certain programs, continued others with modifications, and authorized several new programs administered by FSA and paid for by CCC. Most of these programs are authorized and funded through 2018.

Overview – The Direct and Counter-Cyclical Program and the Average Crop Revenue Election program were repealed and two new programs were established: Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC). Upland cotton is the only covered commodity that is no longer eligible to participate in these programs, but rather, becomes eligible for the new Stacked Income Protection Plan (STAX) offered by the Risk Management Agency (RMA). Until STAX becomes available, upland cotton is eligible for transition payments made by CCC for 2014 and 2015 crops.

The Marketing Assistance Loan (MAL) program and sugar loans continue mostly unchanged. The Milk Income Loss Contract Program continued through Sept. 1, 2014. Beginning in FY 2015, it will be replaced by the Dairy Margin Protection Program. The Conservation Reserve Program (CRP), USDA’s largest conservation program, continues through 2018 with an annually decreasing enrolled acreage cap. The contract portion of the Grassland Reserve Program enrollment has been merged with CRP. The Biomass Crop Assistance Program was extended and funded at $25 million per year. The Noninsured Crop Disaster Assistance Program was expanded to include protection at higher coverage levels, similar to buy-up provisions offered under the federal crop insurance program. Formerly FSA programs, the Livestock Forage Disaster Program, the Livestock Indemnity Program, the Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish, and the Tree Assistance Program were continued and realigned to CCC, with modifications starting in October 2011, and succeeding years. The Supplemental Revenue Assistance Program (SURE), which covered losses through Sept. 30, 2011, was not reauthorized.

The credit title of the 2014 Farm Bill continued and improved several direct and guaranteed loan programs for several agencies, including CCC, that provide thousands of America’s farmers and ranchers the opportunity to obtain the credit they need to begin and continue their operations.

The CCC provided funding for the newly created Foundation for Food and Agricultural Research (FFAR). The Foundation operates as a non-profit corporation and will leverage public and private resources to increase the scientific and technological research, innovation, and partnerships critical to boosting America's agricultural economy.

# Future Effects of Demands, Events, and Conditions[1]

High commodity prices led to record values of U.S. agricultural exports and U.S. net farm income in 2013. However, the outlook is fundamentally changing in 2014 as a result of very large supplies that will outpace demand gains for most crops. This bearish outlook is likely to persist for the next few years, assuming normal weather, and then start to gradually improve, according to USDA baseline projections for 2014-2023. Projected reductions in prices for most major crops over the next several years result in declines in export values and farm cash receipts through 2016. Export values and cash receipts then begin to grow as domestic and international economic growth, a weak U.S. dollar, and continuing production of biofuels support longer term demand for U.S. agricultural products.

While crop receipts are expected to decline, livestock and poultry markets are projected to register steady gains in the near term and beyond, as a result of strong demand and relatively tight animal supplies at present. Lower feed costs stemming from a decline in grain and oilseed prices will improve livestock producer margins. U.S. meat and animal product exports are projected to continue to increase and will boost the share of high-value products in the total mix, along with further gains in exports of horticultural products.

While net farm income is projected to stay below the 2013 record, it is projected to remain above the average of the previous decade (2001 to 2010). Total farm production expenses are projected to rise 4 percent in 2014, the fifth consecutive increase. However, the 2013 and 2014 increases are significantly smaller than the increase in 2011 and 2012. Looking ahead, some moderation is likely in production expenses as declining crop prices lower feed costs and lead to lower planted acreage, reducing manufactured input expenses. Stable or lower near-term crude oil prices could also help contain input costs.

Government payments to farmers are expected to decline over the next decade, but the magnitude of the decline is uncertain. Fixed direct payments are eliminated under the 2014 Farm Bill, saving upwards of $5 billion annually. These substantial savings should outweigh payments triggered under other new programs by low prices and declining revenue. In addition, the scope of the Conservation Reserve Program (CRP) was reduced. The new CRP enrollment ceiling is 24 million acres, compared with the old

[1] Portions of Future Effects of Demands, Events, and Conditions were extracted from the “USDA Agricultural Projections to 2022” dated February 2013 (USDA, Office of the Chief Economist); and the “2013 Farm Sector Income Forecast” dated February 2013 (USDA, Economic Research Service).

cap of 32 million, but the spending impact will be small since the current CRP enrollment is only around 26 million acres.

New safety net programs under the 2014 Farm Bill have substantial outlay potential depending on the extent and duration of the market downturn, producer decisions on base reallocation and yield updates, and their choices to participate in the new Agriculture Risk Coverage (ARC) or Price Loss Coverage (PLC) programs. However, the current USDA baseline was conducted prior to the passage of the new law, and projections covering outlays under the new program are not yet available. The commodity price projections in the baseline are probably reasonably in line with current expectations (a few months later), as the new Farm Bill does not significantly alter planting patterns or markets, but government outlays could be substantially different.

The Congressional Budget Office (CBO) provided an early look at new program payments in their April 2014 baseline that incorporated provisions of the 2014 Farm Bill. CBO projected that total farm program payments would average about $3.3 billion per year over fiscal years 2015-2023. This is lower than the nearly $5 billion that would have been spent on direct payments alone, and obviously lower than the total when other old programs such as ACRE and countercyclical payments would have also been included. However, CBO projections would be substantially higher if updated because most market prices are now lower.

It is important to note that actual payments for ARC/PLC will be lagged substantially, so that any payments for crop year 2014 will not be paid out until October 2015 (the beginning of fiscal 2016). Potential payments under the new legislation will tend to be higher in the near term when projected prices are lowest, and then decline in subsequent years as prices rise.

Net Farm Income Forecast to Decline 14 percent in 2014

Net farm income is forecast at $113.2 billion in 2014, compared with 2013's forecast record of $131.3 billion. If realized, the 2014 forecast would be the lowest since 2010, but would remain $25 billion above the previous 10-year average.[2] Lower crop cash receipts, and, to a lesser degree, higher production expenses and reduced government farm payments, drive the expected drop in net farm income. Net cash income is forecast at $123 billion, down 6 percent from the 2013 forecast. Net cash income is projected to decline less than net farm income primarily because it reflects the sale of more than $10 billion in carryover stocks from 2013.

[2] This discussion reflects USDA's farm income forecast released on August 26, 2014.

Crop receipts are expected to decrease from the 2013 all-time high in 2014, led by a decline in corn receipts. Production increases are forecast for all the crops except wheat, barley, and sugar, but revenue for most crops will generally be lower due to lower prices. (For rice and cotton, market revenue is forecast slightly higher as their production gains outweigh lower prices). For nearly all crops, global production and supplies are abundant, contributing to the lower price environment. U.S. exports are projected to decline despite increased supply for all crops except soybeans and rice. Higher ending stocks are expected for all crops but sugar and barley, as supply gains outpace increases in use.

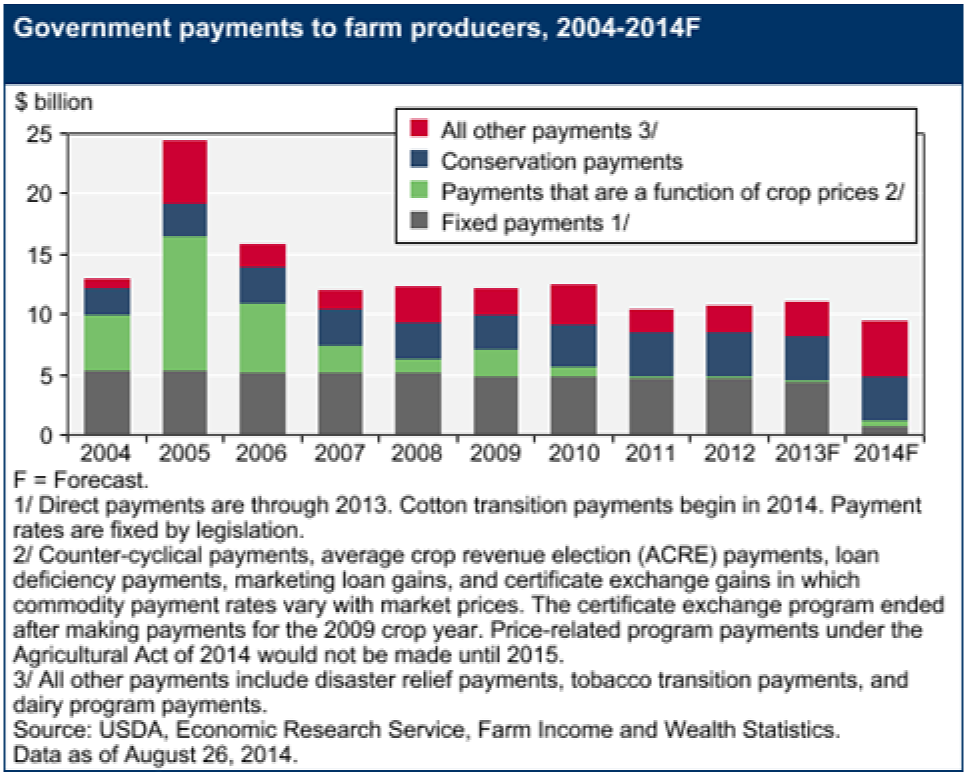
Specialty crop farm businesses (fruits, vegetables, and nursery/greenhouse) were also forecast to experience a decrease in cash receipts in 2014, mostly reflecting lower production of several fruits. Greenhouse and nursery cash receipts are expected to be unchanged, while vegetable receipts decline one percent and fruit and nuts are projected to drop 8 percent despite rising prices for several specialty crops as production prospects have worsened. In addition to concerns about output, cash expenses continue to grow, especially for labor expenses, accounting for over 40 percent of all cash expenses for specialty crop farms.

Livestock receipts are forecast to increase in 2014 due to record-high prices for livestock, dairy, and poultry. Price gains outweigh declines in both beef and pork production and sluggish growth in broiler production. Continued gains in meat and product exports are an important part of the outlook for strong prices for dairy and livestock producers. The cattle sector is rebuilding, with inventories very low after years of drought stress and economic pressure from high feed costs. Pork production is constrained by Porcine Epidemic Diarrhea virus (PEDv), although some of the impact has been offset by feeding hogs to heavier weights. Dairy receipts will be lifted by increased output of milk and higher prices. Similarly, for broilers, production will be up while prices also rise, as chicken consumption benefits from tight supplies of red meat.

While the livestock sector will benefit from sharply lower feed costs in the near term, the cost of feeder cattle is record high. This reflects the low inventory and tight cattle supplies while beef prices are also record high, increasing the demand for young cattle that can be fed out.

The rate of growth in farm assets, debt and equity is forecast to slow in 2014 compared to recent years, as a result of expected lower net income, higher borrowing costs, and moderation in the growth of farmland values. However, farm equity is projected to reach another nominal record, despite the substantial slowdown in asset growth and the expectation of higher debt levels. Low levels of debt relative to assets and equity reaffirm the sector’s strong financial position.

**Chart 1: Government Payments 2004-2014F**




Government payments are projected to decline 15 percent in 2014 to $9.3 billion on the elimination of direct payments under the 2014 Farm Bill and lags in payments that will be made under new programs.[3] Conservation payments are projected at $3.7 billion, about the same as 2013. Disaster payments are expected to be substantially larger in 2014 at just over $3 billion because of payments by the Livestock Forage Program (LFP) and Livestock Indemnity Program (LIP). Under the provisions of the 2014 Farm Bill, livestock producers are entitled to receive these payments retroactive to fiscal-year 2012. Payments cover multiple fiscal years, mostly covering losses (feed expenses) incurred during the 2012 drought. For FY 2014, LFP payments were $3 billion and LIP payments were $55 million. In addition, outlays under the Noninsured Disaster Assistance Program (NAP)[4] are forecast to be $150 million in 2014.

For crop years 2014 and 2015, cotton producers are eligible to receive fixed transition payments as they transition into coverage authorized by the new Stacked Income Protection Plan (STAX). Fixed by legislation, these cotton transition payments are

[3] As mentioned earlier, producers will not receive the first payments from the newly authorized Price Loss Coverage Program and Average Risk Coverage Program until 2015.

[4] NAP payments are made to producers of livestock and specialty crops for which no Federal insurance programs are available.

forecast to be $577 million in 2014. Based on 2013 crop-year revenue losses mostly for corn and cotton, farmers are expected to receive $315 million in Average Crop Revenue Election (ACRE) revenue payments in 2014.

In 2015, the Tobacco Transition Payment Program is expected to make its final payments to tobacco producers and quota holders, after which the program expires.

# 2014 Performance Highlights Summary

The CCC mission and strategic goals are achieved through the successful implementation of key programs.

CCC met its FY 2014 goal of 2 million acres under contract for wetlands conservation. CCC did not meet its buffer program goal for FY 2014 due to pressures outside CCC's control, including increased crop prices, increased demand for agricultural commodities, and program legal authority disruptions. Total CRP enrollment currently stands at 25.5 million acres. These acres help reduce nitrogen, phosphorus, and sediment pollution by more than 85 percent annually on lands enrolled and from buffers intercepting runoff adjacent land in crop production.

The Income Support and Disaster Assistance Program area is currently adapting to substantial program changes as a result of the 2014 Farm Bill. Several programs were eliminated, including the Direct and Counter-cyclical Payment Program and the Average Crop Revenue Election Program (DCP/ACRE). The new crop safety net programs for 2014-2018 crops are Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC), which are more closely linked to revenue insurance delivered by the Risk Management Agency. Efforts are underway to replace the current performance measures, which were nullified by the 2014 Farm Bill.

The 2014 CCC performance estimate of 351 days between warehouse examinations falls within its target range (plus or minus 25 days). CCC has implemented a licensing requirement, including inspection and examination procedures for all port and trans-loading facilities receiving, storing, handling, and shipping export food assistance commodities for the U. S. Agency for International Development (USAID) and CCC food assistance programs Public Law (P.L.) 480, Title II and III, Food for Progress, Section 416(b) and McGovern-Dole International Food for Education and Child Nutrition programs. Commodities purchased by CCC are stored or handled only through International Food Aid Warehouses licensed under the *United States Warehouse Act*.

CCC met its FY 2014 dollar value target for agricultural exports resulting from participation in foreign food and agricultural trade shows. International trade shows are a key component in the export strategies of most of the 70-plus organizations receiving CCC market development funding. These organizations use market development funds to facilitate their industry members' participation in key trade shows. Some provide cost-share funding directly to small to medium-sized enterprises (SME), enabling their participation. In particular, State Regional Trade Groups (SRTG), such as the Food Export USA Northeast, Food Export Association of the Midwest USA, Southern United

States Trade Association and Western United States Trade Association, use considerable CCC funds to provide a wide array of services to help U.S. companies export for the first time and enter new markets. SRTG export readiness training, market intelligence, how-to-export seminars, as well as cost-share support at trade shows, are particularly valuable to SMEs. In addition, FAS provides the National Association of State Departments of Agriculture (NASDA) CCC market development funds to enhance the appearance and services offered at U.S. pavilions at 20-25 trade shows annually. Many participants' market development-funded trade missions are coordinated with key trade shows. Trade shows and trade missions are critical components of the National Export Initiative's (NEI) goal of doubling exports by 2015. U.S. company sales resulting from trade show participation are a good indicator of the success of these investments.

As of September 24, 2014, the CCC Export Credit Guarantee Program stands at $1.99 billion in registered port value for all commodities. Although registrations to date are lower than FY 2013, due in part to the countercyclical nature of the program and the availability of ample liquidity in certain financial markets, the program exceeded its 2014 economic return ratio target of $100 per dollar invested. The economic return ratio for FY 2014 is $122 per dollar invested, a decline from the $130 in FY 2013, reflecting the decrease in overall program activity in FY 2014. No claims or defaults were received in FY 2014, continuing the trend over the past three years.

# Financial Highlights

As part of its mission to stabilize, support, and protect farm income and prices, CCC is also responsible for providing accurate, timely, and useful financial management information to all stakeholders. The information that follows has been prepared from the accounting records of the Corporation as of September 30, 2014 and September 30, 2013 in accordance with generally accepted accounting principles for Federal entities and policies prescribed in the OMB Circular A-136, *Financial Reporting Requirements*. CCC has a parent/child relationship with the United States Agency for International Development (USAID). These are part of the CCC consolidated financial statements. CCC restated the FY 2013 financial statements due to correction of errors in the child accounts by USAID. Refer to Note 21, Restatement of FY 2013 Principal Financial Statements.

**Assets:**

The Balance Sheet shows CCC had Total Assets of $6.4 billion as of September 30, 2014, a decrease of $1.8 billion (22 percent) below the previous year's Total Assets of $8.2 billion. This is mainly attributed to a decrease of $1.8 billion in Accounts Receivable, Commodity Loans, and Direct Loans and Loan Guarantees, Net.

This reduction in receivables is primarily reflected in the Tobacco Transition Payment Program (TTPP), with a $1.1 billion decrease. Included as part of the $1.1 billion are $954 million in accrual assessments and the remaining receivables related to prior assessment invoices which will continue to decrease as it comes to an end in FY 2015.

The remaining reduction is mainly due to lower ending balances in several loan programs. Fewer new loans were issued while repayments on existing loans continued.

**Table 1: Summary of Assets**

Dollars in Millions

| As of September 30 | 2014 | 2013 (Restated) | Variance | Variance % |
|---|---|---|---|---|
| Fund Balance with Treasury | $ 2,813 | $ 2,671 | $ 142 | 5% |
| Cash and Other Monetary Assets | 24 | - | 24 | 100% |
| Accounts Receivable, Commodity Loans, and Direct Loans and Loan Guarantees, Net | 3,452 | 5,323 | (1,871) | -35% |
| Commodity Inventories, Net | 38 | 69 | (31) | -45% |
| General Property and Equipment, Net | 12 | 20 | (8) | -40% |
| Other | 104 | 123 | (19) | -15% |
| Total Assets | $ 6,443 | $ 8,206 | $ (1,763) | -21% |

## Liabilities:

The Balance Sheet shows CCC had Total Liabilities of $20 billion as of September 30, 2014. This represents an increase of $3.8 billion (24 percent) above the previous year's Total Liabilities of $16.2 billion. The variance is primarily due to an increase of $5.9 billion in Debt to the Treasury offset by a decrease of $2.1 billion in Other Liabilities.

The increase in Debt to Treasury is primarily due to actions and new programs related to the 2014 Farm Bill. The Farm Bill directed CCC to make a number of transfers to other agencies, including approximately $1.4 billion to the Natural Resources Conservation Service (NRCS). Additionally, there were disbursements to a number of new disaster programs under the Farm Bill that caused an increase in borrowing during the 3rd and 4th quarters of FY 2014. Finally, 1st quarter FY 2014 borrowing increased due to the final payments for DCP

Of the $2.1 billion decrease in Other Liabilities, $814 million decrease in Other Liabilities is attributed to CCC receiving fewer advances from Food and Nutrition Services (FNS), Agriculture Marketing Services (AMS), and Food For Education (FFE) due to the FY 2013 transition to Direct Fund Cite, eliminating the need to advance funds to CCC. An additional $900 million decrease is due to the reduction of the net present value of future accrued liabilities for TTPP. The remaining reduction is mainly due to the return of collected loan funds to Treasury from pre-credit reform programs.

**Table 2: Summary of Liabilities**

Dollars in Millions

| As of September 30 | 2014 | 2013 (Restated) | Variance | Variance % |
|---|---|---|---|---|
| Accounts Payable | $ 658 | $ 589 | $ 69 | 12% |
| Debt to the Treasury | 11,558 | 5,609 | 5,949 | 106% |
| Loan Guarantee Liabilities | 24 | 126 | (102) | -81% |
| Environmental and Disposal Liabilities | 8 | 8 | - | 0% |
| Other | 7,764 | 9,824 | (2,060) | -21% |
| Total Liabilities | $ 20,012 | $ 16,156 | $ 3,856 | 24% |

## Ending Net Position:

CCC's Net Position, as of September 30, 2014 and 2013, is $(13.6) billion and $(8) billion, respectively. Net Position is the sum of the Unexpended Appropriations, Cumulative Results of Operations and Capital Stock. Refer to Note 1 - Significant Accounting Policies, under Reporting Entity, for additional information on Capital Stock.

The charts below present the trend of Unexpended Appropriations and Cumulative Results of Operations balances for the year ended September 30.

**Chart 2: Unexpended Appropriations**

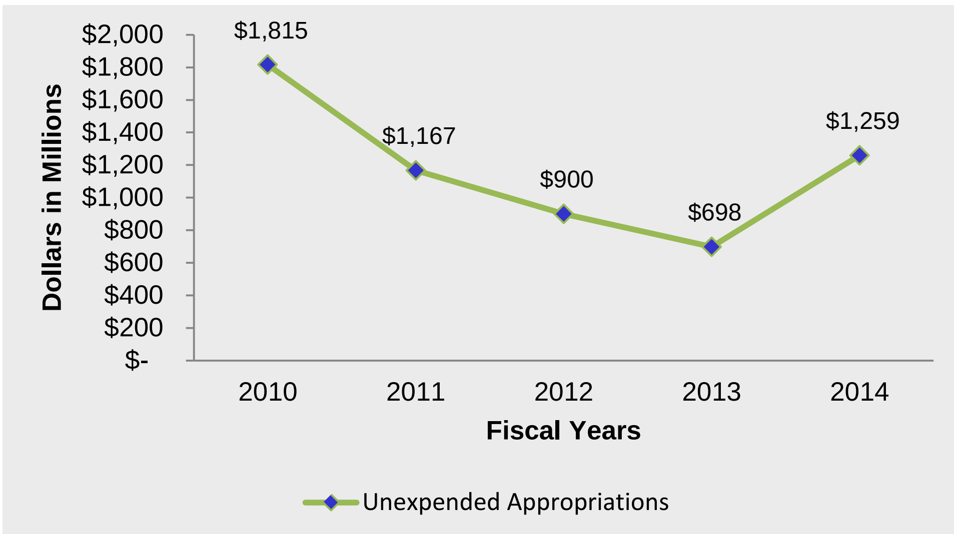



**Chart 3: Cumulative Results of Operations**

## Net Cost of Operations:

Net cost of operations is categorized based on CCC's strategic goals. Net cost of operations was $13 billion and $10.5 billion for the years ended September 30, 2014 and 2013, respectively. Overall Total Net Cost of Operations increased by $2.5 billion (23 percent) from the prior year. As shown in table 3 below, expenses for "Provide a Financial Safety Net for Farmers and Ranchers" comprise a majority of the increase for the years ended September 30, 2014 and 2013. This increase was partially offset by a significant decrease in "Increase U.S. Food and Agricultural Exports".

**Table 3: Summary of Net Cost of Operations by Strategic Goal**

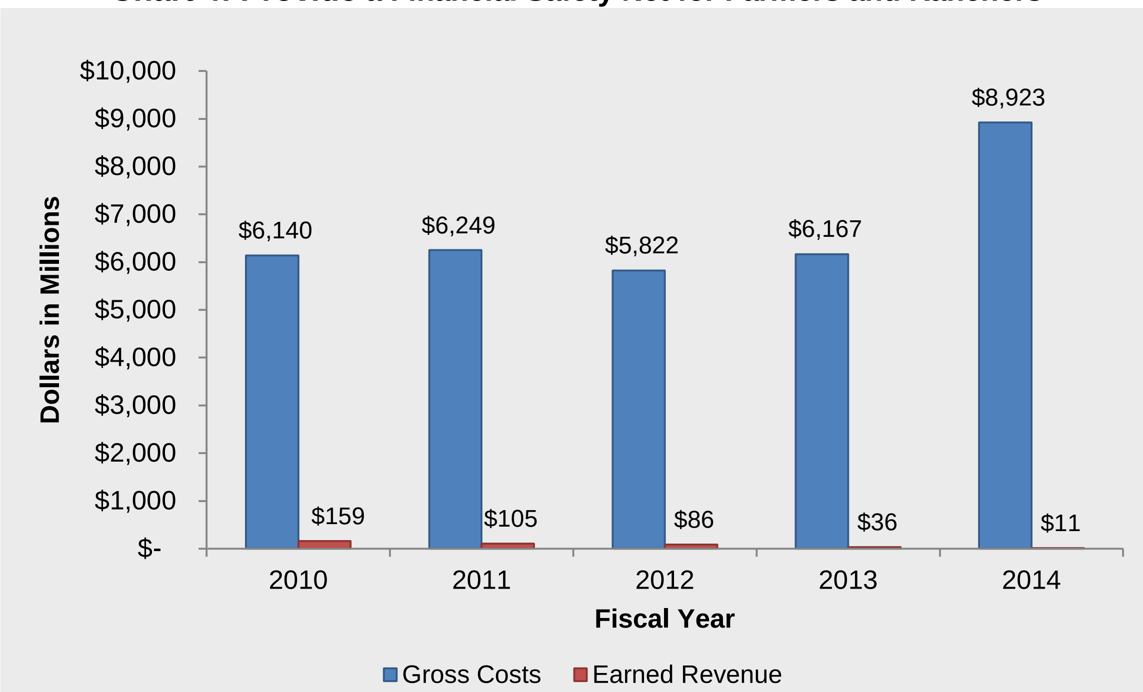
Dollars in Millions

| For the Years Ended September 30 | 2014 | 2013 (Restated) | Variance | Variance % |
|---|---|---|---|---|
| Provide a Financial Safety Net for Farmers and Ranchers | $ 8,912 | $ 6,131 | $ 2,781 | 45% |
| Increase Stewardship of Natural Resources While Enhancing the Environment | 2,267 | 2,156 | 111 | 5% |
| Ensure Commodities are Procured and Distributed Effectively and Efficiently | 261 | 79 | 182 | 230% |
| Increase U.S. Food and Agricultural Exports | 1,568 | 2,179 | (611) | -28% |
| Total Net Cost of Operations | $ 13,008 | $ 10,545 | $ 2,463 | 23% |

The activity that caused the fluctuation in the Statement of Net Cost for the years ended September 30, 2014, relates to the following strategic goals:

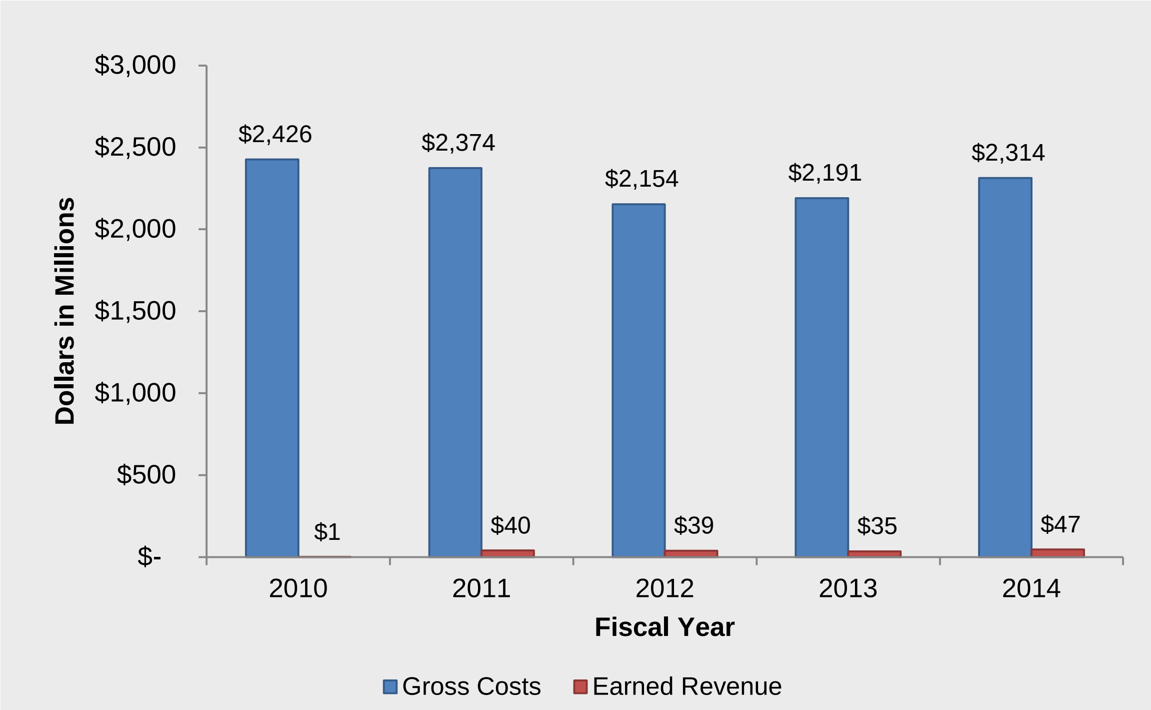
- Provide a Financial Safety Net for Farmers and Ranchers – The majority of the $2.8 billion variance is due to the Supplemental Agricultural Disaster Assistance Programs (DAP) which are newly authorized under the 2014 Farm Bill and include Livestock Forage Disaster Program (LFP). Assistance payments under LFP were made to eligible producers for grazing losses that occurred as a result of eligible conditions during FY 2012 through FY 2014.

**Chart 4: Provide a Financial Safety Net for Farmers and Ranchers**



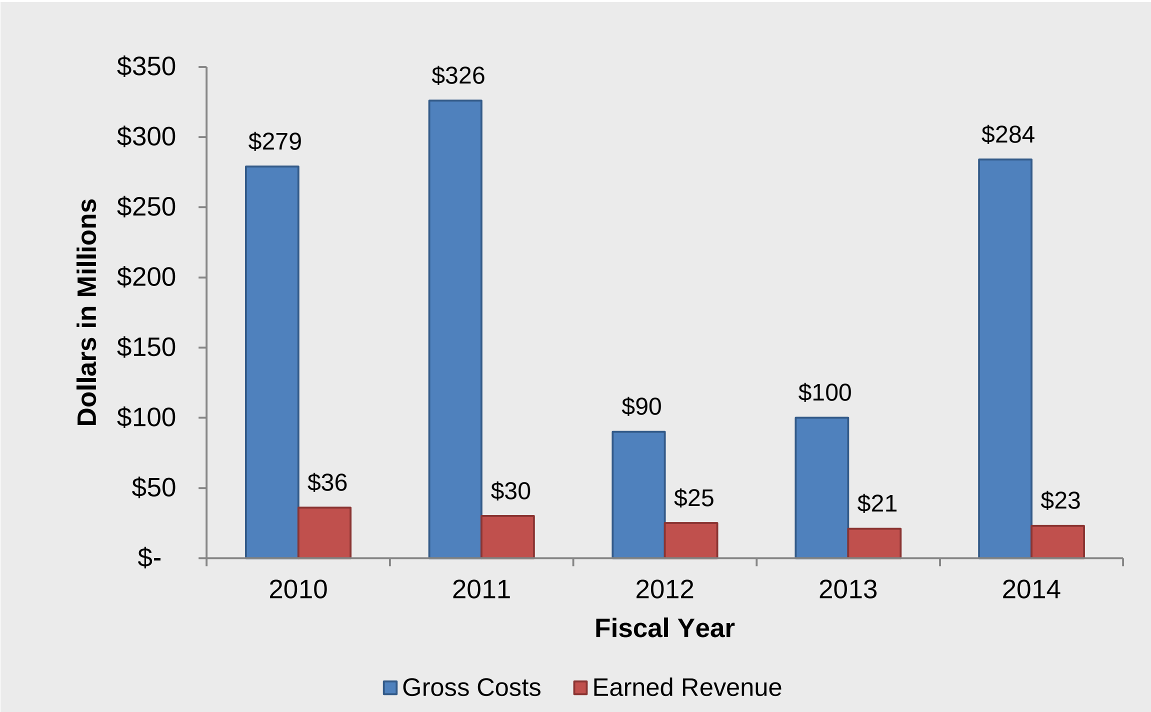
- Increase Stewardship of Natural Resources While Enhancing the Environment – The $111 million variance is mainly reflected in the Conservation Reserve Program (CRP). FSA recognized an increase in revenue which reduced the total amount of FSA's imputed costs allocated to CCC's CRP programs. In addition, due to a payment process change from reimbursable agreements to transfers, there was a decrease in payments to NRCS for CRP technical assistance. Lastly, in FY 2014, there was a decrease in acres enrolled that are eligible for cost-share and incentive payments.

**Chart 5: Increase Stewardship of Natural Resources While Enhancing the Environment**



- Ensure Commodities are Procured and Distributed Effectively and Efficiently – The majority of the $182 million variance is due to the Food and Agriculture Research Foundation (FFAR). The FFAR was funded by the 2014 Farm Bill, providing a one-time payment of $200 million to the foundation in FY 2014.

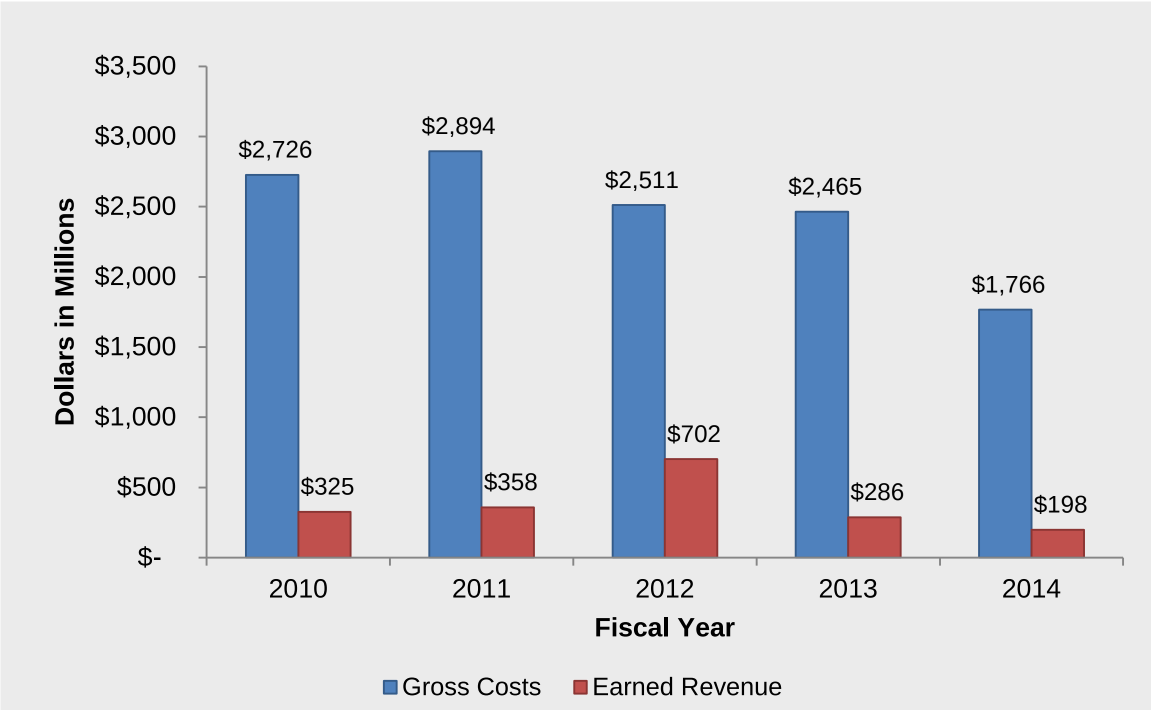
**Chart 6: Ensure Commodities are Procured and Distributed Effectively and Efficiently**



Increase U.S. Food and Agricultural Exports – There is a $611 million decrease which is attributed to a number of programs. The two largest drivers of the decrease were USAID, as a result of reduced program expenses incurred, and reduced Title II funds available for grants after transfers to cover shipping costs for US-flagged ships, as required by the Maritime Administration.

The USAID and Title II grant decreases were partially offset by increases in PL 480 Direct Loans and the one-time payment to the Brazilian government in settlement of a World Trade Organization dispute. PL 480 Direct Loans increased due to higher Interagency Country Risk Assessment System (ICRAS) default estimates and risk ratings issued by OMB in FY2014 for several countries due to unstable political situations, resulting in a higher loan allowance balance in Bad Debt Expense compared to FY2013. The US Government reached a final settlement agreement with the government of Brazil, resulting in a one-time payment of $300 million authorized for FY2015. The accrual entry was made in September 2014 to record a future funded expense which was paid in October, 2014.

**Chart 7: Increase U.S. Food and Agricultural Exports**



## Obligations Incurred:

Obligations Incurred was $18.1 billion and $21.9 billion for the years ended September 30, 2014 and 2013, respectively. Overall Total Obligations Incurred decreased by $3.9 billion, 17 percent, from the prior year. The majority of this decrease in obligations is due to the DCP and ACRE programs repealed by the 2014 Farm Bill, and the wind-down of TTPP, partially offset by implementation of the new DAP programs.

**Table 4: Summary of Obligations**

Dollars in Millions

| For the Years Ended September 30 | 2014 | 2013 | Variance | Variance % |
|---|---|---|---|---|
| Obligations Incurred: | | | | |
| Direct | $ 2,981 | $ 2,965 | $ 16 | 1% |
| Reimbursable | 15,124 | 18,976 | (3,852) | -20% |
| Total Obligations | $ 18,105 | $ 21,941 | $ (3,836) | -17% |

## Net Outlays:

The $2.5 billion variance (24 percent increase) in Net Outlays is the result of a decrease in gross outlays overcome by a decrease in offsetting collections. A major cause of this is due to fewer market assistance loans in FY 2014, decreasing outlays and loan repayments.

Additionally, due to the implementation of Direct Fund Cite in FY 2013, the amount of payments and receipts for CCC was reduced.

Furthermore, an offsetting increase in outlays is due to DAP authorized by the 2014 Farm bill. These outlays are retroactively effective for losses incurred beginning October 1, 2011. The FY 2014 apportionment is authorized for payments to producers for losses suffered as a result of eligible conditions or events for FY 2012 and subsequent years.

Lastly, during FY 2014 the Milk Income Loss Contract (MILC) has not had a payment rate, thus no payments have been made for program year 2014. Any MILC disbursements made in FY 2014 are related to prior year obligations. During FY 2013 payment rates were available as of September 2013, therefore, disbursements were made for FY 2013 and prior year obligations.

**Table 5: Summary of Net Outlays**

Dollars in Millions

| For the Years Ended September 30 | 2014 | 2013 (Restated) | Variance | Variance % |
|---|---|---|---|---|
| Net Outlays: | | | | |
| Gross Outlays | $ 18,739 | $ 21,273 | $ (2,534) | -12% |
| Offsetting Collections | (5,655) | (10,660) | 5,005 | -47% |
| Less: Distributed Offsetting Receipts | (74) | (102) | 28 | -27% |
| Net Outlays | $ 13,010 | $ 10,511 | $ 2,499 | 24% |

# Management Controls, Systems, and Compliance with Laws and Regulations

## FMFIA and FFMIA Assurance Statement:

USDA

United States Department of Agriculture
Farm and Foreign Agricultural Services
Commodity Credit Corporation
1400 Independence Avenue, SW
Stop 0581
Washington, DC 20250-0581

**TO:** Jon M. Holladay
Deputy Chief Financial Officer
Office of the Chief Financial Officer

**THROUGH:** Michael T. Scuse
President
Commodity Credit Corporation

SEP 10 2014

**FROM:** Val Dolcini
Executive Vice President
Commodity Credit Corporation

Candace Thompson

Heidi G. Ware
Chief Financial Officer
Commodity Credit Corporation

Heidi G Ware

**SUBJECT:** Commodity Credit Corporation's (CCC) Fiscal Year (FY) 2014 Assurance Statement Certification

This memorandum provides CCC's assertions to support the Secretary's annual assurances for the *USDA Fiscal Year (FY) 2014 Agency Financial Report.* The assertions include the assurances statements for compliance with laws and regulations, the Federal Managers' Financial Integrity Act (FMFIA) including "Improved Data Quality Reporting for USAspending.gov", Office of Management and Budget (OMB) Circular No. A-123, "Management's Responsibility for Internal Control, Appendix A, "Internal Control over Financial Reporting," and the Department's certification for the Federal Financial Management Improvement Act (FFMIA).

FMFIA Assertions

1. Management is responsible for developing and maintaining internal control to ensure the effectiveness of operations, reliability of financial reporting, compliance with applicable laws and regulations, and the safeguarding of assets.

2. Internal control encompasses accounting and administrative controls. Such controls include program, operational and administrative areas as well as accounting and financial management.

3. Management has conducted its annual evaluations of internal control and financial systems pursuant to Section 2 and Section 4 of FMFIA, respectively, for the year ended September 30, 2014.

**Jon M. Holladay**
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4. Based on the results of the evaluations, CCC can provide reasonable assurance that internal controls are operating effectively.

5. For Section 2 FMFIA, although there has been significant progress in working towards reducing the risk and materiality levels during the year, CCC continues to report a material weakness (MW) for Funds Control Management and one significant deficiency (SD) for U.S. Agency for International Development regarding oversight activities.

   CCC did not identify any new MWs or SDs for FY 2014.

   **NOTE:** CCC's management has concerns regarding the accounting processes USAID follows for accruals, which are currently undergoing a scrutinized review and analysis. At the time of this report, it is unknown what the final audit results will be and the effect on CCC's financial statements. Consequently, these conditions are subject to revision based on the final FY 2014 CCC Financial Statement Audit report issued in November 2014.

6. Attached are corrective action plans and the "Summary of Reportable Deficiencies" chart.

**Improved Data Quality Reporting for USAspending.gov (All USDA agencies)**

7. The prime Federal award financial data reported on USAspending.gov is correct with the reported percentage of accuracy in CCC's quarterly reconciliation report of the Statement of Budgetary Resources (SBR) to amounts reported on USAspending.gov. CCC can make the following statement, applying only to the accuracy percentage rate in its quarterly reports, that CCC has implemented:

   - adequate internal controls over the underlying spending are in place; and

   - processes to ensure data completeness and accuracy on USAspending.gov by reconciling control totals with financial statement data, in addition to analyzing and comparing samples of financial data to actual award documents.

   CCC cannot state that the 5 percent error rate reflected in its FY 2014 2nd quarter reconciliation report has adequate internal controls and processes in place to ensure completeness and accuracy. Attached is the corrective action plan.

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**Internal Control over Financial Reporting Assertions**

1. As required by OMB Circular A-123, Appendix A, CCC assessed the effectiveness of internal control over financial reporting as of June 30, 2014.

2. The assessment included an evaluation of entity level controls, risk assessments, process descriptions and flowcharts, documentation of key controls, and an assessment of the design of key controls, tests of operating effectiveness of properly designed controls, summary of deficiencies, and the development of corrective action plans for control deficiencies (CD). For the FY 2014 assessment, management determined the business cycles and key controls to be tested based on the risk rating.

   Key controls in the following cycles/processes were tested:

   CCC Commodity Loans
   CCC Farm Storage Facility Loans
   CCC Credit Management-Direct Loans
   CCC Credit Management-Guaranteed Loans
   CCC Farm Support Programs
   CCC Food Aid
   CCC Tobacco Transition Payment Program
   CCC Funds Management
   CCC Funds Control
   CCC Financial Reporting

3. Management recognizes its responsibility for monitoring and correcting all deficiencies.

4. Management further certifies that there have been no significant changes in the operation of controls tested from the sample selection date through June 30, 2014.

5. Based on the results of the assessment, CCC can provide reasonable assurance that internal controls over financial reporting are operating effectively.

6. At the beginning of FY 2014, CCC had no MWs and four existing SDs.

   Conclusions from the final FY 2014 A-123 test work determined that two SDs "Maintaining, Controlling and Monitoring the CORE General Ledger", and "Monitoring GSM Guaranteed Loan Disbursements" continued to remain as SDs as of June 30, 2014.

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In addition, CCC management reassessed one SD, "Reconciling Fund Balance with Treasury" to be a MW.

Based on corrective actions that occurred in FY 2014, CCC reassessed and reduced one SD, "Reconciling with Federal Trading Partners" to a control deficiency.

7. Attached are corrective action plans and the "Summary of Reportable Deficiencies" chart.

**Federal Financial Management Improvement Act (FFMIA) Assertions**

1. CCC management evaluated its financial management systems under FFMIA for the year ended September 30, 2014.

2. Based on the results of our evaluation, we are in substantial compliance with Section 1, Federal Financial Management Systems Requirements, and 2, Applicable Federal Accounting Standards. CCC's financial management systems are not in substantial compliance with Section 3, the Standard General Ledger at the Transaction Level.

3. Attached are corrective action plans and the "Summary of Reportable Deficiencies" chart.

**Non-compliance with Laws and Regulations**

Except for being unable to report substantial compliance with FFMIA above, CCC states that it has no reportable noncompliance with laws and regulations for FY 2014.

Should you have any questions or require additional information, please contact Elizabeth L Russell, Audit Liaison, Office of Budget and Finance, at 202-772-6031.

Attachments

NOTE:
The Assurance Certification is due to the Department annually by the last Friday in August, which is almost three months before the final independent auditor's report is provided to CCC. Therefore, in order to prepare the assurance statement and send it through the chain of command for signatures, CCC must assess reportable internal control weaknesses and non-conformances based on available information. If the FY 2014 final audit report contains any new unexpected reportable conditions, the new information is reflected in the sections that follow (FMFIA, FFMIA and ADA) and a revised assurance statement will be submitted during the second quarter of FY 2015. Refer to Summary of Management Assurances in Part V of this report.

# Federal Managers' Financial Integrity Act

## Overview

The *Federal Managers' Financial Integrity Act of 1982* (FMFIA) requires Federal agencies to submit an annual report to the President and Congress reflecting the status of management controls for program, financial, and administrative operations. The CCC Assurance Certification contains the FMFIA report that includes CCC's reportable conditions and related corrective action plans identified through the implementation and assessment process complying with the requirements of OMB Circular A-123, *Management's Responsibility for Internal Control*, including an assessment conducted in accordance with OMB Circular A-123, Appendix A, *Internal Control over Financial Reporting*. CCC provides the Assurance Certification to the Department of Agriculture (USDA) Office of the Chief Financial Officer, certifying that CCC is compliant with FMFIA by:

- Fulfilling requirements to perform ongoing evaluations of internal control,
- Developing corrective action plans to mitigate the deficiencies, and
- Providing management oversight to ensure that progress is made and the conditions are properly reported.

The certification also includes assurances from CCC's Chief Financial Officer, Executive Vice President, and President that:

- Obligations and costs comply with applicable laws and regulations;
- Federal assets are safeguarded against fraud, waste, and mismanagement;
- Transactions are accounted for and properly recorded; and
- Financial management systems conform to standards, principles, and other requirements to ensure that Federal managers have timely, relevant, and consistent financial information for decision-making purposes.

## Fiscal Year 2014 and 2013 Results

In accordance with FMFIA and OMB Circular A-123, Appendix A, information to support CCC's Assurance Certification was derived from FMFIA certification statements submitted by CCC board members and other appropriate management, audits, management reviews, and insight gained from daily operations of programs and functions.

In FY 2014, management's assessment of internal controls over financial reporting as of September 30, 2014, determined that the material weakness (MW) - Funds Control – has not been sufficiently mitigated and will be a repeat finding in the audit report under

FMFIA Section 4 as a system non-conformance and as a MW in Section 2 of FMFIA. CCC also revised the estimated completion date to September 2016.

There was one significant deficiency (SD) reported in the 2012 audit report under FMFIA: Strengthen Internal Controls over Child Agency Financial Reporting (USAID). CCC transferred budget authority to USAID in a Parent/Child allocation transfer. CCC, as the parent agency, does not have sufficient internal control over USAID's:

- Untimely review and deobligation of USAID's unliquidated obligations (ULOs), and
- Untimely identification, research and resolution of reconciling items in its Fund Balance with Treasury reconciliation (FBWT), and untimely and lack of consistent periodic reconciliation of USAID's general ledger accounts and related subsidiary records.

CCC continued its efforts to work with USAID to develop and implement processes and controls to mitigate deficiencies, resulting in successful mitigation of the grants accrual process deficiency. Work continues on FBWT reconciliations. ULO validation will be a FY 2015 focus area. So, although progress has been made, not all controls were sufficiently implemented during FY 2014 to mitigate the prior years' deficiencies, resulting in a modified repeat audit finding.

Under OMB Circular A-123, Appendix A, there were two SDs reported for CCC in FY 2012 for "Maintaining, Controlling, and Monitoring the CORE general ledger," and "Reconciling Fund Balance with Treasury (FBWT)". "Reconciling the FBWT" was raised from a SD to a MW in 2014 due to reconciliation complications with system migrations. CCC anticipates extensive clean-up procedures in 2015 to address these deficiencies.

Two new SDs were identified during FY 2013 test work – "Monitoring General Sales Manager (GSM) Guaranteed Loan Disbursements" and "Reconciling with Federal Trading Partners". The original estimated completion date for the "Monitoring GSM Guaranteed Loan Disbursements" has been revised to the first quarter of 2015. The deficiency for "Reconciling with Federal Trading Partners" was successfully closed in the third quarter of 2014.

There were no newly identified deficiencies during the A-123, Appendix A, testing process in FY 2014.

# Federal Financial Management Improvement Act

The *Federal Financial Management Improvement Act* (FFMIA) is designed to improve financial and program managers' accountability, provide better information for decision-making, and improve the efficiency and effectiveness of Federal programs. FFMIA requires that financial management systems provide reliable, consistent disclosure of financial data in accordance with generally accepted accounting principles and standards. These systems must also comply substantially with the following three areas of FFMIA: (1) Federal financial management system requirements; (2) applicable Federal accounting standards; and (3) the United States Standard General Ledger (USSGL) at the transaction level.

During FY 2014, CCC evaluated its financial management systems to assess substantial compliance with FFMIA. CCC management has made the determination that CCC has demonstrated substantial compliance with Sections 1 and 2; however, CCC is not substantially compliant with Section 3, the USSGL at the transaction level.

CCC has completed the development of a fully integrated funds control system, electronic Funds Management System (eFMS), within the FSA/CCC CORE financial management system. This system is integrated with CCC's general ledger system at the transaction level. The eFMS provides management with timely information to monitor and control the status of budgetary resources recorded in the general ledger. CCC continues to implement programs into eFMS for full funds control at the transaction level. CCC anticipates that when all material programs are fully implemented, CCC will be substantially compliant with Section 3 for FFMIA.

FSA/CCC management made significant progress in FY 2014 toward implementing complete funds control; however, the lack of the financial system functionality to record all obligations at the transaction level at the time the obligation occurs increases the risk that funds could be disbursed or obligations incurred with no or insufficient budget authority to fund the expense or obligation. Although CCC implemented manual controls in order to compensate for the system's inherent limitation, the controls may not be adequate to reduce the risks of an *Antideficiency Act* (ADA) violation occurring and may not prevent or detect violations timely. CCC has plans to be fully migrated to eFMS by the end of FY 2016.

For FY 2015, CCC will continue to do the following:

- Implement reconciliation processes to ensure obligation transactions are timely and accurately recorded in the general ledger system.

- Implement the new reconciliation process to reconcile the SBR status of funds to the CCC general ledger (CORE) by program.

- Revise the reconciliation report to re-categorize the status of funds control and the percentage (%) of full funds control compliance (obligations at the transaction level). Most recent reports were prepared and reconciled to the SBR values. Will incorporate additional refinements.

- Modify the existing quarterly review and certification of CCC unliquidated obligations (ULOs) process to include the certification of all prior year ULOs regardless of date last touch.

The Office of Budget and Finance (OBF), ITSD, and DAFP will continue to meet and discuss the requirements for the design phase. Work will continue to be reviewed and refined on the design of the other changes to e-FMS. Tentative SDLC dates for the New Obligation Establishment shared service process, using “Gross Contract Model” are as follows:

- Phase I release is targeted for December 2014.
- Phase II is tentatively scheduled for deployment July 2015.
- Phase III is tentatively scheduled for deployment October 2015.
- Phases I through III will bring the Financial piece of eFMS Obligation Framework functionality into full compliance.
- New program applications under the 2014 Farm Bill will be built to use the new obligation framework beginning in FY 2015.
- Manual/non-automated programs will be incorporated into the framework by 2015.

Legacy program applications are targeted to use the new obligations framework through the 3rd quarter of 2015, but may be extended through 2016.

# Antideficiency Act

CCC did not have any violations of the Antideficiency Act during fiscal years 2013 and 2014.

# Limitations of the Financial Statements

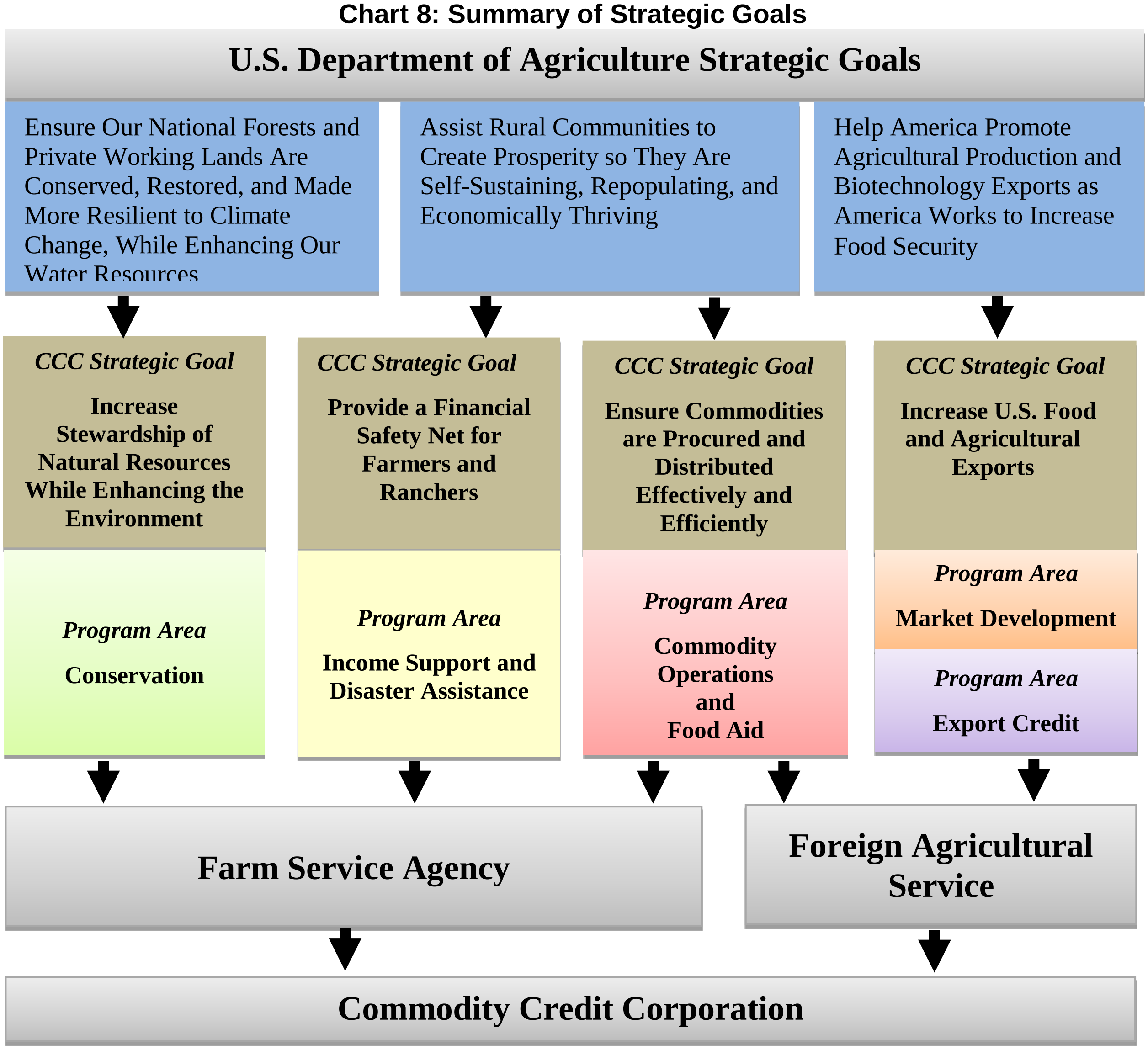
The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b), *Financial Statements of Agencies*. While the statements have been prepared from the books and records of the entity in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

# Part II: Performance Section (Unaudited)

# CCC Strategic Goals

Given that most of CCC services are carried out by the employees of USDA agencies, the mission of CCC aligns towards the strategic goals of the Department as well as to the strategic goals of FSA and FAS. Each of these strategic goals, in turn, has objectives that support the results that each agency wants to achieve. The performance measures allow CCC to tangibly measure how well it achieved these objectives without creating a duplicate reporting burden. The chart below summarizes the relationship between the USDA strategic goals and each agency's strategic goals, and the CCC program areas.

**Chart 8: Summary of Strategic Goals**



# Conservation Program Area

**MISSION ELEMENT**

Conserving soil, air, and water resources and protecting and improving wildlife habitats

## Program Overview

The CCC Conservation Reserve Program (CRP) encourages producers to plant long-term, resource-conserving perennial vegetative covers to improve water and air quality, control soil erosion, and enhance wildlife habitat on land formerly used in agricultural production. In return, the program provides participants with annual rental and cost-share payments and technical assistance. Contract terms run between 10 and 15 years. CRP is designed to restore and enhance wetland and riparian areas to improve water quality and provide quality habitat for waterfowl and other wildlife.

The program includes several initiatives for wetland restoration and enhancement. CRP wetland initiatives now include the 600,000-acre Floodplain Wetland Restoration Initiative, the 250,000-acre Bottomland Hardwood Timber Initiative, the 350,000-acre Non-Floodplain and Playa Wetland Restoration Initiative, and the 300,000-acre Prairie Pothole Duck Nesting Habitat Initiative. In addition to accepting enrollment in these initiatives on a continuous basis, additional financial incentives are provided. CRP also includes a number of riparian practices that are accepted on a continuous basis.

## Analysis of Results

CRP buffer practice enrollment ended in FY 2013 at 1.88 million acres (including 0.15 million expiring acres). With new contracts starting on 0.08 million acres in FY 2014, enrollment at the end of FY 2014 was 1.82 million acres (down 0.06 million acres from FY 2013). Wetland practice enrollment at the end of FY 2013 was 2.09 million acres (including 0.22 million expiring acres). With new contracts on 0.13 million acres in FY 2014, enrollment at the end of FY 2014 was 2.00 million acres (down 0.9 million acres from FY 2013). Both performance measures have declined during FY 2014 due to the pressures outside CCC's control, like increased crop prices, increased demand for agricultural commodities, and program legal authority disruptions.

Total CRP enrollment currently stands at 25.5 million acres. These acres help reduce nitrogen, phosphorus, and sediment pollution by more than 85 percent annually on lands enrolled and from buffers intercepting runoff adjacent land in crop production.

CRP also helps increase carbon sequestered in enrolled soils and vegetation. Overall, CRP efforts contribute to increased wildlife populations, and have added more than two million ducks to the Prairie Pothole Region annually, protecting Sage Grouse populations in Eastern Washington and Lesser Prairie Chicken populations in the southern Great Plains, and increasing ring-necked pheasant and other grassland bird populations across the nation.

**Table 6: Summary of Performance Measure for Riparian and Grass Buffers Acreage**

| Performance Measure | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| CRP: acres of riparian and grass buffers (cumulative and in million acres) | 2.02 | 2.01 | 1.98 | 1.88 | 1.88 | 1.82* | Not Met |

**Threshold range:** +/- 0.05 million acres

**Rationale for Met Range:** Management Determination

Data Assessment of Performance Measure

**Data source:** The data source for this measure is the National CRP Contract Data Files.

**Completeness of Data:** * Data reported are estimated final results for the fiscal year based on data available as of September 1, 2014. The targets and actual data are annual. The measure reports national acres under contract with the following buffer practices: Grass Filter Strips, Riparian Buffers, Wildlife Habitat Buffers on Marginal Pasturelands, and Buffers established under the State Acres for Wildlife Enhancement. There are no known data limitations.

**Reliability of Data:** USDA considers the data to be reliable.

**Quality of Data:** Overall, the quality of the data is good.

**Table 7: Summary of Performance Measure for Restored Wetland Acreage**

| Performance Measure | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| CRP: restored wetland acreage (million acres) | 2.05 | 2.23 | 2.29 | 2.09 | 2.05 | 2.00* | Met |

**Threshold range:** +/- 0.05 million acres

**Rationale for Met Range:** Management Determination

Data Assessment of Performance Measure

**Data source:** The data source for this measure is the National CRP Contract Data Files.

**Completeness of Data:** * Data reported are estimated final results for the fiscal year based on data available as of September 1, 2014. The targets and actual data are annual. The measure reports national acres under contract with the following wetland practices: Wetland Restoration, Marginal Pastureland Buffers, Bottomland Trees, Shallow Water Areas for Wildlife, Duck Nesting Habitat, and Farmable Wetlands Programs. There are no known data limitations. Acres reported include associated upland buffers.

**Reliability of Data:** USDA considers the data to be reliable.

**Quality of Data:** Overall, the quality of the data is good.

## Challenges for the Future

CRP enrollment has declined from its peak in 2008 due to disruptions in the CRP authorization and spiking crop prices. These factors have reduced the availability for enrollment, and have encouraged landowners to bring land back into crop production. In 2014, crop prices retreated by more than 50 percent from their high, increasing the incentive to re-enroll in CRP. Market rental rates are not expected to decline significantly in FY 2015. Future CRP enrollment will be constrained by the provision in the 2014 Farm Bill that reduced the maximum CRP acreage authorized from 32 million acres in 2013 to 24 million acres by October 1, 2016. Goals for FY 2015 are set to maintain practices that provide large conservation benefits.

# Income Support and Disaster Assistance Program Area

**MISSION ELEMENT**

Stabilizing, supporting, and protecting farm income and prices

## Program Overview

CCC is the financial instrument for millions of dollars in income support and disaster assistance payments each year to agricultural commodity producers. These payments stabilize, support, and protect farm income. CCC payments for these programs are driven by commodity market prices, payment eligibility rules established in public policy, and natural or human-caused disasters. CCC payments are best explained in the context of a commodity crop year which does not directly correspond to financial statement reporting.

The 2014 Farm Bill makes substantial changes to CCC programs. Several programs were eliminated, including the DCP and ACRE. The new crop safety net programs for 2014-18 crops are Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs, which are more closely linked to revenue insurance delivered by the Risk Management Agency.[5] ARC offers coverage to producers who want protection against revenue shortfalls (yield times price). PLC offers protection to producers who want a strong safety net against price declines. ARC and PLC payments are determined, in most cases, using a farm's historical base acres.

Beginning in FY 2015, producers will have to choose between ARC (either a county-based or individual-based program) and PLC options. The election decision made for the 2014 crop year will remain in effect for that farm through 2018. A producer can elect either county-coverage ARC or PLC on a crop-by-crop basis within the farm. If individual coverage ARC is chosen, then every covered commodity on the farm must participate in individual coverage ARC. Payments for 2014-2018 are issued after October 1 of the calendar year following the year in which the crop is normally harvested or after the national average marketing year price is announced, whichever is later.

[5] Crops eligible for ARC and PLC include: wheat, oats, barley, corn, grain sorghum, rice, soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe, sesame seed, dry peas, lentils, small chickpeas, large chickpeas and peanuts.

The total amount of payments received, directly and indirectly, by a person or legal entity (except joint ventures or general partnerships) for ARC, PLC, marketing loan gains, and loan deficiency payments (other than for peanuts), may not exceed $125,000 per crop year.

The MILC program was also eliminated, and the dairy farm safety net is now the Dairy Margin Protection Program (MPP-Dairy). This program compensates dairy producers when actual dairy margins (the revenue from milk sales over the cost of feed to produce it) fall below producer-selected coverage levels during 2-month periods specified in the 2014 Farm Bill. An estimated 60,000 dairy operations in the United States produce milk, and low margins have been a consistent producer concern, particularly in disastrous years such as 2009. Producers electing catastrophic level pay a $100 registration fee. Dairy operations may purchase higher coverage levels with additional premiums.

In addition, the three livestock disaster programs initially authorized by the 2008 Farm Bill (Livestock Forage Program (LFP), the Livestock Indemnity Program (LIP), and the Emergency Assistance Program for Livestock, Honeybees, and Farm-Raised Fish (ELAP)) are re-instated and made permanent via CCC funding, as is the Tree Assistance Program (TAP). Sign-up for these four disaster assistance programs began on April 15, 2014. These programs cover losses that occurred since the expiration of the 2008 Farm Bill disaster assistance programs on September 30, 2011, and are now permanent programs that do not depend on appropriations or reauthorization. Given several droughts in recent years, payments under LFP have been particularly large, exceeding $2.5 billion as of early September, 2014.

For the livestock disaster programs, a total $125,000 annual limitation applies for payments under LFP, LIP, and ELAP. A separate $125,000 annual limitation applies to payments under the Tree Assistance Program.

The 2014 Farm Bill also made changes to the Noninsured Crop Disaster Assistance Program (NAP). This program was authorized under the Federal Crop Insurance Reform Act of 1994, and provides coverage protecting against natural disaster yield losses in situations where Federal crop insurance is not available. NAP participants can now “buy up” to higher coverage levels. Producers may elect coverage for each individual crop between 50 and 65 percent, in 5 percent increments, at 100 percent of the average market price. Producers also pay a fixed premium equal to 5.25 percent of the liability.

## Analysis of Results

As indicated above, the DCP and ACRE programs were eliminated with the 2014 Farm Bill. The final direct payments were made in October 2013. The final ACRE payments for most crops will be made in October 2014, as they depend on the season average market price for each respective eligible crop.

Selected CCC Income Support and Disaster Assistance accomplishments during the year include:

- NAP provides a risk management tool for producers of non-insurable crops that are unable to obtain crop insurance through an insurance product. As of September 10, 2014, $160 million in NAP payments were issued.
- The Farm Storage Facility Loan (FSFL) Program provides financing for on-farm storage, covering over 899 million bushels of eligible FSFL commodities since FY 2000. More than 33,000 FSFLs were disbursed from FY 2000 through FY 2014 totaling approximately $1.8 billion.
- The Loan Deficiency Payment (LDP) Program is applicable when market prices are low. The Marketing Assistance Loan (MAL) Program disburses both recourse and nonrecourse commodity loans during a crop year. As of September 22, 2014, for crop year 2014, there have been 856 MALs disbursed totaling over $105 million. Loan activity for the 2014 crop year will increase as the harvest of most commodities is just beginning. The loan availability period for most crop year 2014 commodities continues until the end of May 2015.
- The MILC Program compensates dairy producers when domestic milk prices fall below a specified benchmark price. Milk prices in FY 2014 have not fallen below the specified benchmark price, therefore no payment rate was in effect during all of FY 2014. As of September 10, 2014, approximately $212 million was disbursed for FY 2013 payments. As of September 1, 2014, the MILC program is no longer authorized and has been replaced by the Margin Protection Program for dairy producers.

**Table 8: Summary of Performance Measures for DCP and ACRE Programs**

| Performance Measure | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| Maintain the percent of eligible base acres participating in DCP and ACRE programs | 95.65% | 95.34% | 94.99% | 95.00% | N/A | N/A | N/A |
| **Threshold range:** +/-1.00% base acres | | | | | | | |
| **Rationale for Met Range:** Management Determination | | | | | | | |
| Data Assessment of Performance Measure | | | | | | | |
| **Data source:** Direct and Counter-cyclical and ACRE Program Enrollment Report (DCP-01) for the respective crop year. | | | | | | | |
| **Completeness of Data:** [1] Data reported are estimated final results for the fiscal year based on data available as of September 10, 2014, and on the historical trend from prior years. | | | | | | | |
| **Reliability of Data:** Data are considered reliable. The measurement process involves determining the number of base acres enrolled in the DCP and ACRE programs. That number is then divided by the total number of base acres on all farms to calculate the percentage of enrolled base acres. The enrollment report is updated periodically. | | | | | | | |
| **Quality of Data:** Overall, the quality of the data is good. | | | | | | | |

*** Measure nullified by recent legislation. New measure currently in development**

## Challenges for the Future

Government payments to farmers are expected to decline over the next decade, but the magnitude of the decline is somewhat uncertain. Under the 2014 Farm Bill, fixed direct payments were eliminated, saving upwards of $5 billion annually. New safety net programs under the 2014 Farm Bill have substantial outlay potential depending on the extent and duration of the market downturn, producer decisions on base reallocation and yield updates, and their choices to participate in the new Agriculture Risk Coverage (ARC) or Price Loss Coverage (PLC) programs.

# Commodity Operations and Food Aid Program Area

**MISSION ELEMENT**

Maintaining balanced and adequate supplies of agricultural commodities and aiding in their orderly distribution

## Program Overview

CCC Commodity Operations manages the acquisition, handling, storage, transportation, and disposition of agricultural commodities. Commodity Operations performs licensing and examination activities in accordance with the *United States Warehouse Act* (USWA), to maintain acceptable standards for the protection of stored commodities.

CCC is also responsible for administering storage agreements that commercial warehouse operators establish with CCC. The agreements are for CCC interest commodities, including commodities owned by CCC or pledged as collateral for Marketing Assistance Loans (MALs). These programs help achieve domestic farm program price support objectives, ensure the timely provision of various commodities for domestic and international food assistance, and administer a uniform regulatory system for storing agricultural products. Warehouse operators issue negotiable warehouse receipts to producers under the provisions of the USWA. Producers who use the stored commodity as collateral for a MAL may deliver the warehouse receipts to CCC as security for a nine-month MAL.

CCC also works with its Dairy Product Price Support Program partners to provide adequate, secure storage capacity to maintain quality and improve the purchase and delivery of food aid. Food assistance purchases support domestic programs such as the National School Lunch Program and the Emergency Food Assistance Program, as well as international food aid through USAID and the United Nations' World Food Program.

## Analysis of Results

The more frequently warehouses are examined, the sooner potential compliance issues, pest infestation, or deterioration of quality for commodities in store are discovered. The 2014 CCC performance estimate of 351 days between warehouse examinations falls within its target range (plus or minus 25 days). The FY 2014 target was 365 days. The increasing number of commodity warehouses and the increasing capacities of licensed warehouses within the USWA are the major factors in the increase in number of days between examinations from previous fiscal years. The addition of 19 International Food Aid warehouses licensed in FY 2013 is also a contributing factor.

**Table 9: Summary of Performance Measure for Commodity Operations Program**

| Performance Measure | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| Average time between warehouse examinations (in days) | 345 | 355 | 342 | 358 | 365 | 351 [1] | Met |

**Threshold range:** +/- 25 days

**Rationale for Met Range:** Management Determination

Data Assessment of Performance Measure

**Data source:** The data source for this measure is internal Deputy Administrator for Commodity Operations (DACO) files.

**Completeness of Data:** [1]Data reported are estimated final results for the fiscal year based on data available as of September 10, 2014. The targets and actual data are annual.

**Reliability of Data:** USDA considers the data to be reliable.

**Quality of Data:** Overall, the quality of the data is good.

## Challenges for the Future

As staffing decreases, the challenge is to have examiner resources available to maintain the timeliness of examinations. The USWA-licensed warehouses represent more than half of all licensed grain, cotton, and peanut warehouse capacity in the United States. The USWA trend lines are for additional warehouses to be licensed as well as increased storage capacities of warehouses currently under license. CCC examination demands especially in sugar and cotton warehouses are on the increase. Marketing and transportation complexities in the commodity industry are also expanding. The implementation of non-traditional examination procedures and use of electronic mediums will provide efficiencies in the examination process. Management will need to be very proactive in balancing work force needs with budgetary constraints while meeting the demand of the commodity industry and CCC.

# Market Development Program Area

**MISSION ELEMENT**

Developing new domestic and foreign markets and marketing facilities for agricultural commodities

## Program Overview

One-third of all U.S. agricultural cash receipts come from export sales, making the economic well-being of rural America heavily dependent on international trade. U.S. farmers and ranchers are among the worlds' most productive and efficient. However, they face complex and unfair obstacles in the global marketplace where 95 percent of the world's consumers live. A cooperative effort with the U.S. industry is needed to ensure the U.S. producers have fair market access, a strong understanding of key market trends, and support in overcoming constraints such as tight credit in international markets.

CCC supports U.S. industry efforts to build, maintain, and expand overseas markets for U.S. agricultural, fish, and forest products. The FAS manages several export development programs including the Foreign Market Development (Cooperator) Program (FMD), Market Access Program (MAP), Technical Assistance for Specialty Crops (TASC) Program, Quality Samples Program (QSP), and Emerging Markets Program (EMP). These programs provide matching funds to U.S. non-profit organizations to conduct a wide range of activities including market research, consumer promotion, trade servicing, capacity building, and market access support. Working with the State Regional Trade Groups (SRTGs) and other industry organizations, CCC programs also provide funding to encourage small to medium-sized enterprises (SME) to become active in international markets. FAS staff in over 100 countries around the world support industry efforts by providing market intelligence and introducing U.S. exporters to potential foreign customers. FAS trade services staff, FAS overseas offices and non-FAS co-operators all provide services that help U.S. companies successfully access potential buyers in a wide-range of international trade shows.

## Analysis of Results

An external cost-benefit analysis[6] of market development programs found that U.S. food and agricultural exports increased by $35 for every dollar expended by government and industry, up from $25 in 2007. The study used multivariate econometric models for bulk commodities and high value products that isolated the unique long-run trade impacts of foreign market development. The report also showed that agricultural exports in 2009 were $6.1 billion higher than they would have been without increased investment in market development. In addition, export gains associated with the programs increased the average annual level of U.S. farm cash receipts by $4.4 billion. Another study is planned for 2015.

There are over 70 non-profit associations that participate in CCC market development programs. They are promoting U.S. products around the world and have an economic impact on virtually every state in the union. A few examples of their successes demonstrate the wide range of participants, activities, and target markets:

- U.S. Dairy Export Council reported that U.S. dairy exports to Southeast Asia exceeded the $1 billion mark for the first time in 2013, rising 41 percent over the prior year to reach $1.25 billion. This export success reflects the cumulative years of MAP and FMD-funded trade education and outreach initiatives for both U.S. dairy ingredients and cheese, including participation in the Food Ingredients Asia and Food and Hotel Asia trade shows, technical seminars and trade servicing initiatives.

- The U.S. Grains Council (USGC) used MAP and FMD to take advantage of the opportunities presented from the U.S.-Colombia Free Trade Agreement implementation--two MAP-funded Colombian trade teams resulted in $6 million in exports. U.S. corn exports to Colombia reached over 3 million metric tons (mmt) in September 2013-August 2014, valued at over $650 million.

- The National Swine Registry used $26,000 of U.S. Livestock Genetics Export, Inc.'s FMD program funds in 2013 to provide technical assistance and participate in livestock trade shows in Thailand, Philippines and Vietnam. These activities resulted in about $1.75 million worth of breeding pig sales to these countries in 2014.

- The APA-The Engineered Wood Association used FMD and MAP to sponsor a trade mission to China that resulted in $1.1 million in U.S. glued laminated timber

[6] Information based on the report "A Cost-Benefit Analysis of USDA's International Market Development Programs" dated March 2010, prepared by IHS Global Insight (USA), Inc.

(glulam) sales for a SME in Oregon and the Softwood Export Council used MAP to participate in a trade show in Germany which resulted in more than $4 million in softwood lumber sales from Oregon and Georgia.

- The California Prune Board used MAP to fund advertising, public information campaigns, several cooking demonstrations and contests, to familiarize the Japanese market with the health benefits of cooking with California prunes. These efforts led to new product introductions, such as prune puree bakery product lines, which continue to increase demand for U.S. prunes. U.S. prune exports in September 2013-August 2014 reached nearly $32 million, about 8 percent above the previous year.

- The Synergistic Hawaii Agricultural Council used MAP to participate in consumer and trade shows, place advertisements and develop educational materials, to educate the public in British Columbia, Canada, about the health and safety of genetically modified (GM) Rainbow papaya, and to help overcome negative attitudes about GM products. British Columbian imports of Hawaiian papayas reached $6.6 million in 2013, 8 percent above 2012 levels.

- The Pear Bureau Northwest (PBNW) set records in pear export to the UAE for the past three years, using MAP to fund advertorials, a new USA Pear website in Arabic, and in-store sampling. U.S. pear exports reached $6.7 million in August 2013-July 2014, $1 million above the previous year.

- The Washington Apple Commission (WAC) used MAP in 2014 to finance an advertising campaign in Mexico called “Passion for Flavor”, highlighting Granny Smith apples and traditional Mexican spices as a healthy snack option. This campaign resulted in Granny Smith apple shipments to Mexico increasing 36 percent, reaching over $4 million in sales.

- The California Table Grape Commission developed a postharvest treatment protocol, based on TASC-funded research, that resulted in broader access to the Australian market and nearly $6 million in additional exports.

- The Hops Growers of America (HGA) used MAP to exhibit and conduct a seminar at an industry trade show in Munich, Germany. U.S. hop samples, supplied with QSP funds, were displayed at the booth and distributed to brewers attending the show. U.S. exports of hops to the EU increased over 200 percent in the four months following the show, valued at nearly $8 million.

- U.S. Hide, Skin and Leather Association (USHSLA) used MAP to fund a trade mission to the Lineapelle Leather Fair in Bologna, Italy, and raise awareness of

U.S. products. As the EU has decreased its annual production of quality hides, MAP activities have helped USHSLA to fill the gap. USHSLA members reported a 51 percent increase in the number of bovine hides sold to the EU in the four-month period after the show, valued at nearly $28 million.

- The California Wine Institute's (WI) MAP-funded promotional program presents California as an aspirational place with beautiful landscapes, iconic lifestyle and a leader in the sustainable wine and food movement. WI conveys these messages in 27 countries through a variety of activities including a global social media campaign and consumer website. These efforts have resulted in California exporting a fifth of its wine and U.S. exports (90 percent from California) reached a record $1.55 billion in 2013, 16 percent above the previous year.

- The U.S. Soybean Export Council, working with Auburn University, used EMP to conduct a study to demonstrate that the use of soy-based feed can improve profits for aquaculture producers in West Africa, building upon an earlier USSEC QSP project. These activities have resulted in about 1,000-2,000 MT of feed exported annually to West Africa with considerable upward potential as the aquaculture industry expands.

CCC market development programs support the U.S. National Export Initiative (NEI), broadening the base of U.S. exporters supports economic recovery and American jobs. A central focus of NEI is to provide additional assistance to SMEs, which are major drivers of new job creation. In calendar year 2013 there were about 3,000 SMEs participating in State Regional Trade Group's (SRTGs) market development programs, about 500 more than the year before. Trade show participation is a key component of SME program participation and cornerstone of cooperators' MAP and FMD investments.

**Table 10: Summary of Performance Measure for Market Development**

| Performance Measure | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| Value of agricultural exports resulting from participation in foreign food and agricultural trade shows (million $) | $1,097 | $1,072 | $1,332 | $1,464 | $1,480 | $1,480 Estimate | Met |

**Threshold range:** +/-$150 million

**Rationale for Met Range:** Management Determination

Data Assessment of Performance Measure

**Data source:** Data are collected by surveying U.S. company participants at the end of each trade show. Voluntary survey responses represent about 60 to 90 percent of total company participants at a show. In large, multiproduct shows, about a third to a half of the respondents are companies that are participating with one of the market development organizations. In more product-specific shows, about two-thirds of the respondents are linked to market development funded participants. Data reported are 12-month projected sales.

**Completeness of Data:** Data are through September 30, 2014.

**Reliability of Data:** Data are considered reliable.

**Quality of Data:** Data are self-reported but are considered a good indicator of aggregate company sales. In 2011, the Office of Trade Programs (OTP) conducted a test on the reliability of the data, OTP analyzed reported projected sales of three trade shows. This analysis compared reported projected sales to actual 12-month sales that were obtained through an extensive telephone survey. This review demonstrated that overall the projections understated actual sales. Prior to the review, many assumed projections were considerably overstating final sales.

## Challenges for the Future

Growing geopolitical instability remains the primary risk to the economic recovery and growth taking place in most of the world. The growing conflicts in the Middle East, the continuing political unrest in the Ukraine, and world economic sanctions against Russia, can reduce productivity, stifle growth and disrupt trade. The growing Ebola epidemic in West Africa also threatens to undermine economic growth and trade as the disease spreads to urban areas and new countries. This geopolitical instability could result in greater than expected appreciation of the dollar and negatively impact U.S. product competitiveness. China and India are challenged to keep inflation under control, tackle economic inefficiencies, while striving to grow their industries. An economic slowdown and reduced consumption in large emerging countries could have a significant impact on trade. All of these factors can have a detrimental impact on the export results of market development programs, including dampening U.S. company sales prospects at international trade shows.

# Export Credit Program Area

**MISSION ELEMENT**

Creating U.S. agricultural export opportunities and enhancing global food security

## Program Overview

The primary objective of the CCC Export Credit Guarantee Programs is to increase sales of U.S. agricultural commodities to international markets by facilitating the extension of export credits to countries that may not have access to adequate commercial credit. These CCC programs encourage U.S. lenders and exporters to extend credit terms on sales of agricultural commodities and products to overseas customers. The CCC Export Credit Guarantee Programs support the involvement of foreign private sector banks and private sector importers in commercial trade transactions with the U.S. The program statute allows for repayment terms up to 2 years but actual repayment terms may be less based on policy considerations.

## Analysis of Results

As of September 24, 2014, the FY 2014 program stands at $1.99 billion in registered port value for all commodities. Although registrations to date are lower than FY 2013, due in part to the countercyclical nature of the program and the availability of ample liquidity in certain financial markets, the program exceeded its 2014 economic return ratio target of $100 per dollar invested. The economic return ratio for FY 2014, as of September 24, 2014, is $122 per dollar invested. This is a decline from the FY 2013 economic return ratio of $130 per dollar invested, reflecting the decrease in overall program activity in FY 2014. No claims or defaults were received in FY 2014, continuing the trend over the past three years.

The Economic Return Ratio is calculated using gross default estimates and does not take into consideration expected recoveries on claims paid. Program accomplishments for FY 2014 include:

- With increasing competition from Brazil and Argentina, the GSM-102 program continues to be a useful tool to facilitate sales of U.S. grains and oilseeds to the South America Region. This region is the largest GSM-102 market for U.S. soybean meal exports. In FY 2014, as of June 30, 2014, GSM-102 exports account for over 13 percent of all U.S. exports of soybean meal and 11 percent of corn to this region. In addition to soybean meal and corn, the GSM-102 program supports significant exports of rice and wheat to the region.

- In FY 2014, as of June 30, 2014 exports to South Korea under GSM-102 account for over 41 percent of wheat, 14 percent of cotton, and nearly 12 percent of corn as percentages of all U.S. exports to this country.

- Mexico's use of the GSM-102 program has grown steadily in the last few years; in FY 2014, Mexico became the second largest market for both wheat and yellow corn under the program. In FY 2014, as of June 30, 2014, GSM exports of wheat represent over 9 percent of all U.S. wheat exported to Mexico.

- In the Central America Region, recent outreach efforts to the region have resulted in newly qualified U.S. exporters and increased regional interest in the program.

- The GSM-102 program supports a wide variety of U.S. exports to Turkey, including cotton, rice, soybeans and wood and paper products. As of June 30, 2014, exports under the GSM program represent 54 percent of soybean meal, 45 percent of soybeans, 12 percent of distillers dry grains, and 11 percent of cotton as percentages of all U.S. exports to this country.

- A new exporter successfully used the GSM-102 program over the past two years to export fresh produce to South Korea. In FY 2013, the company registered over $77,000 worth of fresh produce. As of September 2014, the company has increased its exports to South Korea under the GSM-102 program to over $427,000.

**Table 11: Summary of Performance Measure for GSM**

| Performance Measure | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| Estimated trade value resulting from USDA GSM export credit guarantee program (dollars in billions) | $3.15 | $4.20 | $4.21 | $3.11 | $2.50 | $1.99 | To be determined at end of fiscal year |

**Threshold range:** +/- 0.25 billion

**Rationale for Met Range:** Management Determination

Data Assessment of Performance Measure

**Data source:** The data source for this measure is the GSM System. The GSM System records all export sales registered, guarantees issued and shipments and makes adjustments to these amounts due to reserves or shipments not completed. Figures have been updated to reflect actual export value (versus guaranteed value that was previously reported).

**Completeness of Data:** Data reported are based on results for the fiscal year based on data available as of September 24, 2014.

**Reliability of Data:** CCC considers this data to be reliable. The GSM System is updated every night. The GSM System is included in the annual A-123 review of the GSM-102 program and is also included in the annual audit by external auditors. The performance measure is simply the port value derived from the Commitment Reports that are generated from the GSM System.

**Quality of Data:** The GSM System is a system designed solely to support the GSM export credit guarantee programs. The GSM System is updated every night and all changes are tested before being incorporated into the system. Data is reviewed on a daily basis.

**Table 12: Summary of Performance Measure for Economic Return Ratio**

| Performance Measure | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Target | Actual | Result |
| Economic Return Ratio | N/A | $(107/1) | $(115/1) | $(130/1) | $(100/1) | $(122/1) | Exceeded |

**Threshold range:** +/- 5.00

**Rationale for Met Range:** Management Determination

Data Assessment of Performance Measure

**Data source:** The data source for this measure is the GSM System. The GSM System records all export sales registered, guarantees issued and shipments and makes adjustments to these amounts due to reserves or shipments not completed.

**Completeness of Data:** Data reported based on final results for the fiscal year based as of September 24, 2014. Data for FY12 and FY13 were updated based on revisions to trade multiplier data used calculate the economic return ratio.

**Reliability of Data:** CCC considers this data to be reliable. The GSM System is updated every night. The GSM System is included in the annual A-123 review of the GSM-102 program and is also included in the annual audit by external auditors.

**Quality of Data:** The GSM System is a system designed solely to support the GSM export credit guarantee programs. The GSM System is updated every night and all changes are tested before they are incorporated into the system. Data is reviewed on a daily basis.

## Challenges for the Future

FY 2015 presents both challenges and opportunities for the CCC-funded Export Credit Guarantee Program. Negotiations with Brazil concluded in early-October 2014 resolving a long-standing World Trade Organization dispute and will result in a number of program changes. Release of a new program fee calculator that calibrates fees more closely to the risk of each transaction will result in changes in some program fees, potentially making the program more competitive in certain regions, particularly in the Southeast Asia region. Continued uncertainties in the global economic environment could create demand shifts based on commercial financing availability as the size of this program typically runs countercyclical to global financial stability.

# Part III: Financial Section

# Message from the Chief Financial Officer

I am pleased to present the Commodity Credit Corporation's (CCC) Fiscal Year (FY) 2014 Consolidated Financial Statements. The CCC remains committed to the principles as established by executive and legislative mandates that include information technology, financial management, procurement, and program performance management. During FY 2014, the CCC continued to move aggressively to carry out its mission to provide high quality services to the Nation's agricultural community and to proactively respond to worldwide agricultural needs.

CCC's financial condition was significantly impacted by various programs due to events in the global marketplace, extreme weather conditions, natural disasters, conservation, and *The Agricultural Act of 2014* (2014 Farm Bill). To help keep American agriculture profitable and keep farmers on the farm, CCC's programs, which are administered by the Farm Service Agency (FSA), immediately responded to farmers impacted by disasters across the country, ranging from record floods and droughts. During the year, we helped more than 250,000 farmers and ranchers suffering from severe drought and other natural disasters, providing disaster assistance worth more than $6.9 billion.

CCC also remains committed to accountability and transparency in everything we do. For the thirteenth consecutive year, we earned an unmodified audit opinion on our consolidated financial statements. The external auditors' opinion is a testament to the hard work and dedication to strong financial management practices performed in an effective and efficient manner by the professionals who provide finance, accounting, and budget support to the CCC. The unmodified audit opinion validates our efforts to ensure that the consolidated financial statements are fairly presented for the funds for which we are stewards.

As previously stated in this Annual Report, CCC has a parent/child relationship with the United States Agency for International Development (USAID) for two Treasury Account Symbols. These are part of the CCC consolidated financial statements. CCC restated the FY 2013 financial statements due to correction of errors in the child accounts by USAID. More information can be found in Note 21, Restatement of FY 2013 Principal Financial Statements

While our financial statements are in good condition, CCC's financial processes and practices still have room for improvement. Our independent auditors identified one material weakness, and one significant deficiency, in the CCC's internal controls. The material weakness is related to Funds Control Management. We will take aggressive action in FY 2015 to address the underlying causes of this weakness. Additionally, we will address the significant deficiency just as aggressively.

Under the requirements of the *Federal Managers' Financial Integrity Act* of 1982, the CCC's management conducted its annual assessment and concluded that the system of internal controls, taken as a whole, complies with internal control standards prescribed by GAO and provides reasonable assurance that the related objectives are being met. In FY 2015, our focus will be on maintaining and improving strong financial management internal controls.

The CCC's consolidated financial statements, included herein, report the Corporation's FY 2014 financial position, results of operations, and status of budgetary resources. These statements are in compliance with the format prescribed by OMB in the form and content of Federal financial statements (Circular A-136), and are in accordance with generally accepted accounting principles for Federal entities. Financial management performance measures also accompany the financial results. These performance measures demonstrate areas of efficiency, accomplishments, and highlight areas for improvement.

I want to thank the financial management professionals who support the CCC for their continued dedication and hard work this past year. It is through their effective and efficient efforts that the CCC delivered the most accurate, transparent and useful information possible as we continue to work together in our quest for excellence in financial management.

Sincerely,

Heidi G Ware

**Heidi Ware**
Chief Financial Officer
Commodity Credit Corporation

# Introduction to the Financial Statements

The Financial Statements have been prepared to report the financial position and results of the Commodity Credit Corporation's (CCC) operations. The statements have been prepared from the books and records of CCC in accordance with formats prescribed by the Office of Management and Budget (OMB) in OMB Circular A-136, Financial Reporting Requirements. The statements are produced in addition to other financial reports prepared by CCC, in accordance with OMB and U.S. Department of the Treasury directives to monitor and control the status and use of budgetary resources, which are prepared from the same books and records. CCC has an indefinite permanent borrowing authority which operates out of a revolving fund to enable it to meet mission requirements quickly. CCC incurs obligations and is authorized to borrow funds from the Department of Treasury to meet its spending requirements. Subject to Appropriation Law, the CCC has no authority to pay liabilities not covered by budgetary resources. Liquidation of such liabilities requires the use of CCC's borrowing authority or enactment of an appropriation. The financial statements include restated comparative data for FY 2013 (see Note 21, Restatement of FY 2013 Financial Statements); however, intra-agency balances have been excluded from the amounts presented. CCC has a parent/child relationship with the United States Agency for International Development (USAID) for two Treasury Account Symbols. These are part of the consolidated financial statements presented.

CCC's financial statements, footnotes, and other information for FY 2014 and FY 2013 consist of the following:

The Consolidated Balance Sheet presents those resources owned or managed by CCC that are available to provide future economic benefits (assets); amounts owed by CCC that will require payments from those resources or future resources (liabilities); and residual amounts retained by CCC, comprising the difference between future economic benefits and future payments (net position).

The Consolidated Statement of Net Cost presents the net cost of CCC operations, which are comprised of the gross costs incurred by CCC less any exchange revenue earned from CCC activities. The classification of gross cost and exchange revenue by CCC Strategic Goal is presented in Note 17, Disclosures Related to the Statement of Net Cost.

The Consolidated Statement of Changes in Net Position presents the change in CCC's net position resulting from the net cost of CCC operations, budgetary financing sources other than exchange revenues, and other financing sources for the years ended

September 30, 2014 and 2013. The components are separately displayed in two sections, namely Cumulative Results of Operations and Unexpended Appropriations.

The Combined Statement of Budgetary Resources, which presents the spending authority or other budgetary resources available to CCC, the use or status of these resources at year-end, the change in obligated balance, and outlays of budgetary resources for the years ended September 30, 2014 and 2013.

The Notes to the Financial Statements are an integral part of the financial statements. They provide explanatory information or additional detail to help readers understand, interpret, and use the data presented. Some comparative FY 2013 note data was restated due to prior period accounting errors to enable comparability with the FY 2014 presentation. Details of the FY 2014 financial restatement are presented in Note 21, Restatement of FY 2013 Financial Statements.

Required Supplementary Information contains a Combining Schedule of Budgetary Resources for FY 2014 that provides additional information on amounts presented in the Combined Statement of Budgetary Resources.

Other Information contains a Schedule of Spending that illustrates the application of available funding during FY 2014. It has as its basis the same data that is used to populate the Statement of Budgetary Resources, but provides additional insight into the program and/or individual recipients of budgetary resources.

## HISTORY OF CCC'S FINANCIAL STATEMENTS

CCC prepares consolidated fiscal year-end financial statements in accordance with the Government Management Reform Act (GMRA) of 1994. The CCC engages an independent accounting audit firm to audit these statements, related internal controls, and compliance with applicable laws and regulations. For the past thirteen years, CCC has received an unmodified audit opinion.

# Consolidated Financial Statements

## Commodity Credit Corporation
## CONSOLIDATED BALANCE SHEETS
As of September 30, 2014 and 2013
(In Millions)

| | 2014 | 2013 (Restated) |
|---|---|---|
| **Assets:** | | |
| Intragovernmental: | | |
| Fund Balance with Treasury (Note 2) | $ 2,813 | $ 2,671 |
| Accounts Receivable, Net (Note 4) | - | 35 |
| Total Intragovernmental Assets | $ 2,813 | $ 2,706 |
| Cash and Other Monetary Assets (Note 3) | 24 | - |
| Accounts Receivable, Net (Note 4) | 300 | 1,502 |
| Commodity Loans, Net (Note 5) | 208 | 337 |
| Direct Loans and Loans Guarantees, Net (Note 6) | 2,944 | 3,449 |
| Commodity Inventories and Related Property, Net (Note 7) | 38 | 69 |
| General Property and Equipment, Net (Note 8) | 12 | 20 |
| Other (Note 9) | 104 | 123 |
| **Total Assets** | $ 6,443 | $ 8,206 |
| Stewardship Land (Note 1) | | |
| **Liabilities (Note 10):** | | |
| Intragovernmental: | | |
| Debt to the Treasury (Note 11) | $ 11,558 | $ 5,609 |
| Other: | | |
| Deposit and Trust Liabilities (Note 12) | 399 | 1,306 |
| Resources Payable to Treasury (Note 13) | 1,202 | 1,427 |
| Other (Note 13) | 183 | 95 |
| Subtotal | $ 1,784 | $ 2,828 |
| Total Intragovernmental Liabilities | $ 13,342 | $ 8,437 |
| Accounts Payable | 658 | 589 |
| Loan Guarantee Liability (Note 6) | 24 | 126 |
| Environmental and Disposal Liabilities (Note 14) | 8 | 8 |
| Other Liabilities: | | |
| Accrued Liabilities (Note 15) | 5,623 | 6,956 |
| Deposit and Trust Liabilities (Note 12) | 23 | 6 |
| Other (Note 13) | 334 | 34 |
| Subtotal | $ 5,980 | $ 6,996 |
| **Total Liabilities** | $ 20,012 | $ 16,156 |
| Commitments and Contingencies (Note 16) | | |
| **Net Position:** | | |
| Capital Stock | $ 100 | $ 100 |
| Unexpended Appropriations | 1,259 | 698 |
| Cumulative Results of Operations | (14,928) | (8,748) |
| **Total Net Position** | $ (13,569) | $ (7,950) |
| **Total Liabilities and Net Position** | $ 6,443 | $ 8,206 |

The accompanying notes are an integral part of these statements.

## Commodity Credit Corporation
## CONSOLIDATED STATEMENTS OF NET COST
### For the Years Ended September 30, 2014 and 2013
### (In Millions)

| | 2014 | 2013 (Restated) |
|---|---|---|
| **Strategic Goals (Note 17):** | | |
| **Provide a Financial Safety Net for Farmers and Ranchers** | | |
| Gross Cost | $ 8,923 | $ 6,167 |
| Less: Earned Revenue | 11 | 36 |
| Net Goal Cost | $ 8,912 | $ 6,131 |
| **Increase Stewardship of Natural Resources While Enhancing the Environment** | | |
| Gross Cost | $ 2,314 | $ 2,191 |
| Less: Earned Revenue | 47 | 35 |
| Net Goal Cost | $ 2,267 | $ 2,156 |
| **Ensure Commodities are Procured and Distributed Effectively and Efficiently** | | |
| Gross Cost | $ 284 | $ 100 |
| Less: Earned Revenue | 23 | 21 |
| Net Goal Cost | $ 261 | $ 79 |
| **Increase U.S. Food and Agricultural Exports** | | |
| Gross Cost | $ 1,766 | $ 2,465 |
| Less: Earned Revenue | 198 | 286 |
| Net Goal Cost | $ 1,568 | $ 2,179 |
| **Total Gross Cost** | $ 13,287 | $ 10,923 |
| **Less: Total Earned Revenue** | 279 | 378 |
| **Net Cost of Operations** | $ 13,008 | $ 10,545 |

The accompanying notes are an integral part of these statements.

Commodity Credit Corporation

## CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the Years Ended September 30, 2014 and 2013
(In Millions)

| | 2014 | 2013 (Restated) |
|---|---|---|
| **Capital Stock** | $ 100 | $ 100 |
| **Cumulative Results of Operations:** | | |
| Beginning Balance | $ (8,748) | $ (6,233) |
| Corrections of Errors (Note 21) | - | (310) |
| Beginning Balance, as adjusted | $ (8,748) | $ (6,543) |
| **Budgetary Financing Sources:** | | |
| Appropriations Used | 10,605 | 11,058 |
| Non-exchange Revenue | 8 | 6 |
| Transfers in/out without Reimbursement, Net | (4,706) | (3,833) |
| **Other Financing Sources (Non-Exchange):** | | |
| Imputed Financing | 1,163 | 1,273 |
| Other | (242) | (164) |
| Total Financing Sources | $ 6,828 | $ 8,340 |
| Net Cost of Operations | (13,008) | (10,545) |
| Net Change | $ (6,180) | $ (2,205) |
| **Cumulative Results of Operations** | $ (14,928) | $ (8,748) |
| **Unexpended Appropriations:** | | |
| Beginning Balance | $ 698 | $ 900 |
| Corrections of Errors | - | 247 |
| Beginning Balance, as adjusted | $ 698 | $ 1,147 |
| **Budgetary Financing Sources:** | | |
| Appropriations Received | 11,167 | 10,686 |
| Appropriations Transferred in/out | (1) | - |
| Other Adjustments | - | (76) |
| Appropriations Used | (10,605) | (11,059) |
| Total Budgetary Financing Sources | $ 561 | $ (449) |
| **Total Unexpended Appropriations** | $ 1,259 | $ 698 |
| **Net Position** | $ (13,569) | $ (7,950) |

The accompanying notes are an integral part of these statements.

Commodity Credit Corporation

**COMBINED STATEMENTS OF BUDGETARY RESOURCES**

For the Years Ended September 30, 2014 and 2013

(In Millions)

| | 2014 Budgetary | 2014 Non-Budgetary Credit Reform Financing Accounts | 2013 (Restated) Budgetary | 2013 (Restated) Non-Budgetary Credit Reform Financing Accounts |
|---|---|---|---|---|
| **Budgetary Resources:** | | | | |
| Unobligated balance brought forward, October 1 | $ 973 | $ 376 | $ 1,213 | $ 341 |
| Adjustment to unobligated balance brought forward, October 1 (Note 21) | - | - | (94) | - |
| Unobligated balance brought forward, October 1, as adjusted | 973 | 376 | 1,119 | 341 |
| Recoveries of prior year unpaid obligations | 393 | 48 | 372 | 41 |
| Other changes in unobligated balance | (37) | (138) | (193) | (107) |
| Unobligated balance from prior year budget authority, net | 1,329 | 286 | 1,298 | 275 |
| Appropriations (discretionary and mandatory) | 2,833 | - | 2,449 | - |
| Borrowing Authority (discretionary and mandatory) | 14,615 | 209 | 16,117 | 270 |
| Spending authority from offsetting collections (discretionary and mandatory) | 3 | 104 | 2,590 | 291 |
| **Total Budgetary Resources** | $ 18,780 | $ 599 | $ 22,454 | $ 836 |
| **Status of Budgetary Resources:** | | | | |
| Obligations Incurred (Note 18) | $ 17,789 | $ 316 | $ 21,481 | $ 460 |
| Unobligated balance, end of year: | | | | |
| Apportioned | 312 | 96 | 215 | 168 |
| Exempt from apportionment | 195 | 8 | 304 | 8 |
| Unapportioned | 484 | 179 | 454 | 200 |
| Total Unobligated balance, end of year | 991 | 283 | 973 | 376 |
| **Total Budgetary Resources** | $ 18,780 | $ 599 | $ 22,454 | $ 836 |
| **Change in Obligated Balance:** | | | | |
| Unpaid obligations: | | | | |
| Unpaid obligations, brought forward, Oct 1 | $ 11,583 | $ 208 | $ 11,358 | $ 173 |
| Adjustment to unpaid obligations, start of year (Note 21) | - | - | 5 | - |
| Obligations incurred | 17,789 | 316 | 21,481 | 460 |
| Outlays (gross) | (18,399) | (341) | (20,889) | (384) |
| Recoveries of prior year unpaid obligations | (393) | (48) | (372) | (41) |
| Unpaid obligations, end of year | 10,580 | 135 | 11,583 | 208 |
| Uncollected payments: | | | | |
| Uncollected payments, Federal sources, brought forward, Oct 1 | (48) | (157) | (134) | (157) |
| Change in uncollected payments, Federal sources | 30 | 157 | 86 | - |
| Uncollected payments, Federal sources, end of year | (18) | - | (48) | (157) |
| Memorandum (non-add) entries: | | | | |
| **Obligated balance, start of year** | $ 11,535 | $ 51 | $ 11,229 | $ 16 |
| **Obligated balance, end of year** | $ 10,562 | $ 135 | $ 11,535 | $ 51 |
| **Budget Authority and Outlays, Net:** | | | | |
| Budget authority, gross (discretionary and mandatory) | $ 17,452 | $ 313 | $ 21,156 | $ 561 |
| Actual offsetting collections (discretionary and mandatory) | (5,118) | (537) | (10,133) | (527) |
| Change in uncollected customer payments from Federal sources (discretionary and mandatory) | 30 | 157 | 86 | - |
| **Budget authority, net (discretionary and mandatory)** | $ 12,364 | $ (67) | $ 11,109 | $ 34 |
| Outlays, gross (discretionary and mandatory) | $ 18,399 | $ 341 | $ 20,889 | $ 384 |
| Actual offsetting collections (discretionary and mandatory) | (5,118) | (537) | (10,133) | (527) |
| Outlays, net (discretionary and mandatory) | 13,281 | (196) | 10,756 | (143) |
| Distributed offsetting receipts | - | (74) | - | (102) |
| **Agency Outlays, net (discretionary and mandatory)** | $ 13,281 | $ (270) | $ 10,756 | $ (245) |

The accompanying notes are an integral part of these statements (Note 18).

# Notes to the Financial Statements

## Note 1 - Significant Accounting Policies

### Reporting Entity

CCC is a Federal corporation operating within and through USDA. It was established to stabilize, support, and protect farm income and prices; assist in the maintenance of balanced and adequate supplies of agricultural commodities; and facilitate the orderly distribution of those commodities.

CCC's statutory authority for its operations is found in the *Commodity Credit Corporation Charter Act*, 15 U.S.C. 714, and et seq. The Corporation is managed by a Board of Directors subject to the general supervision and direction of the Secretary of Agriculture who is an *ex-officio* director and chairperson of the Board. The members of the Board and the Corporation's officers are officials of USDA.

CCC operations are financed through appropriated funds as well as permanent indefinite authority to borrow from the U.S. Treasury (Treasury). The Treasury also holds capital stock in the amount of $100 million with no obligation to repay, on which the Corporation pays interest. CCC receives direct appropriations for several of its foreign assistance programs and special activities, such as disaster aid. Permanent indefinite borrowing authority exists for programs subject to the *Federal Credit Reform Act of 1990* (FCRA), as amended. Refer to Note 18 – Disclosures Related to the Statement of Budgetary Resources for additional information. Receipts flowing through CCC's related revolving fund include proceeds from the sale of CCC commodities, loan repayments, interest income, and various program fees.

CCC has no employees or facilities. Its programs are administered through various agencies including FSA, AMS, NRCS, FAS, and USAID. The accompanying financial statements include an allocation, as appropriate, of salaries and expenses (e.g., facility costs) incurred by FSA. In other instances, CCC reimburses the other agencies for their administrative costs.

## Note 1 - Significant Accounting Policies, Continued

### Basis of Presentation

The Corporation's financial statements report the financial position and results of operations of CCC pursuant to the requirements of 31 U.S.C. 3515 (b), *Financial Statements of Agencies*. These statements have been prepared from the accounting records of CCC as of September 30, 2014 and September 30, 2013, in accordance with generally accepted accounting principles for Federal entities and policies prescribed in OMB Circular A-136, *Financial Reporting Requirements*.

OMB financial reporting guidelines require the presentation of comparative financial statements for all principal financial statements. The statements are in addition to the external financial reports used to monitor and control budgetary resources, which are also prepared from CCC's general ledger. These financial statements have been prepared for the Corporation which is a component of the U.S. Government, a sovereign entity.

### Basis of Accounting

The accounting structure of Federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds. The financial statements include all Treasury funds of CCC, which encompass its domestic and foreign activities. CCC consolidates all costs related to its child activities for the allocated funds transfers and shared appropriations. Refer to the Allocation Transfers and Shared Appropriations section of this note for parent/child information. In consolidation, intra-agency activities and balances have been eliminated except for the Statement of Budgetary Resources, which is presented on a combined basis as required by OMB Circular A-136 guidance.

### Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results will invariably differ from those estimates.

## Note 1 - Significant Accounting Policies, Continued

### Allocation Transfers and Shared Appropriations

CCC is a party to allocation transfers with another Federal agency as a transferring (parent) entity. Allocation transfers are legal delegations by one department of its authority to another department (child entity) to obligate budget authority and outlay funds. A separate fund account (allocation account) is created in Treasury as a subset of the parent fund account for tracking and reporting purposes.

All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity.

CCC allocates funds, as the parent, to USAID to fund P.L. 480 Title II and Bill Emerson Humanitarian Trust (BEHT) transportation and other administrative costs in connection with foreign donations. CCC reports USAID's budgetary and proprietary transactions for which it is the parent.

### Direct Loans and Loan Guarantees – Credit Reform

The *Federal Credit Reform Act of 1990* (FCRA) applies to direct loans and loan guarantees made on or after October 1, 1991 (Post-1991).

CCC has several credit loan programs subject to Credit Reform requirements. Credit program receivables consist of:

- Direct loans extended under Public Law 83-480 (P.L. 480),
- Receivables in the Debt Reduction Fund (this fund is specifically setup to restructure loans);
- Receivables for the Export Credit Guarantee program in the form of rescheduled agreements;
- Loans made to producers to build or upgrade farm, sugar storage and handling facilities;
- Loans made to apple producers who incurred losses due to low market prices; and
- Loans made to the Texas Boll Weevil Eradication Foundation.

## Note 1 - Significant Accounting Policies, Continued

### Definitions:

- Direct loans are a disbursement of funds by the Government to non-Federal borrowers under contracts that require the repayment of such funds within a certain time with or without interest. It includes the purchase of, or participation in, a loan made by another lender and financing arrangements that defer payment for more than 90 days.
- Loan guarantees represent insurance 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. A defaulted loan guarantee occurs if the borrower fails to make a payment pursuant to the terms of the obligation.
- The FCRA establishes the use of Program and Financing Treasury Accounts for loan guarantees and direct loans obligated after September 30, 1991 (Post-1991). It also establishes Liquidating Treasury Accounts for activity relating to any loan guarantees committed or direct loans obligated before October 1, 1991(Pre-1992).
- The credit program account is the budget account into which an appropriation to cover the cost of a direct loan or loan guarantee program is made and from which such cost is disbursed to the financing account.
- The financing account is the non-budget account or accounts associated with each credit program account that holds balances, receives the cost payment from the credit program account, and also includes all other cash flows to and from CCC resulting from direct loan obligations or loan guarantee commitments made on or after October 1, 1991.
- The liquidating account is the budget account that includes all cash flows to and from CCC resulting from direct loan obligations or loan guarantee commitments made prior to October 1, 1991. The liquidating accounts are shown in the Federal budget on a cash basis.

### Accounting:

Based on the *FCRA* and SFFAS No. 2, all credit reform loans initiated after September 30, 1991 are presented on a present value basis. CCC recognizes the credit reform loan receivables (including related interest) as assets at the present value of their estimated net cash inflows. The loan guarantees are accounted for on a net present value basis at the time the guaranteed loan is disbursed. The difference between the outstanding principal of these receivables and the present value of their net cash inflows is recognized as an allowance.

## Note 1 - Significant Accounting Policies, Continued

For loans initiated before October 1, 1991 (Pre-1992), restatement of loan value on a present value basis is permitted but not required. CCC elected to restate the Pre-1992 loan receivables from nominal value to net present value starting in 2001, the accounting treatment, including revenue recognition and allowance calculation, has been applied consistently to Pre-1992 and Post-1991 Direct Loan and Loan Guarantee programs. For Pre-1992 and Post-1991 loan interest receivable, the portion related to non-performing loans is deferred and presented net of the loan receivable line item in the Balance Sheet.

The net present value of Direct Loans and Loan Guarantees, Net, as shown in the Balance Sheet, is not necessarily representative of the proceeds that might be expected if these loans were sold on the open market.

Rescheduling agreements allow CCC to add uncollected interest to the principal balance of foreign credit and other foreign receivables (capitalized interest). In such circumstances, CCC records an allowance to reduce the receivable, including the capitalized interest, to the present value of future cash flows. Interest income is recognized only when, in management's judgment, debtors have demonstrated the ability to repay the debt in the normal course of business.

Refer to Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers for additional information.

### Fund Balance with Treasury

CCC disbursements are made by checks or electronic funds transfers that are deducted from CCC's account at Treasury.

Treasury requires that the Fund Balance with Treasury amounts reported via Governmentwide Treasury Accounting System (GTAS) be in agreement with Treasury's records. To comply with these requirements, cash timing differences due to deposits in-transit or outstanding checks are reported as "in-transit". The cash balance includes such timing differences as a result of varying processing times and cut-off dates between CCC, Treasury, and other USDA entities. Refer to Note 2 – Fund Balance with Treasury for additional information.

### Cash

CCC does not maintain cash in commercial bank accounts or at any FSA location.

## Note 1 - Significant Accounting Policies, Continued

### Accounts Receivable

Accounts receivable arise from claims to cash or other assets against other entities, either based on legal provisions, such as program overpayments, or for goods or services provided.

Accounts receivable are adjusted by a valuation allowance based on historical collection, write-off information, and other analysis which reduces the receivables to their estimated net realizable value. Refer to Note 4 – Accounts Receivable, Net for additional information.

### Commodity Loans

CCC makes both recourse and nonrecourse loans to producers of designated agricultural commodities. In the case of nonrecourse loans, producers have the option to: (a) repay the principal plus interest; (b) repay the loan (for certain designated commodities) at the market rate if the market rate is less than the loan rate; or (c) forfeit the commodity in satisfaction of the loan at maturity. Commodity loans are statutorily exempt from the accounting and reporting requirements of the FCRA.

Interest is accrued on the unpaid principal balance of commodity loans and is included in the reported net commodity loans receivable balances.

Commodity loans are reported net of an allowance for doubtful accounts which reduces the loans to their estimated net realizable value. The allowance is based on the estimated loss on ultimate disposition when it is more likely than not that the loans will not be fully collected. When CCC disposes of forfeited commodities, depending on the type of disposition, any loss on the disposition is realized as either a cost of sales or a donation. Refer to Note 5 – Commodity Loans, Net for additional information.

### Tobacco Transition Payment Program (TTPP)

The *American Jobs Creation Act* of 2004, which included *The Fair and Equitable Tobacco Reform Act* (the Law), effectively ended the tobacco loan program for CCC, which provided recourse loans to tobacco producers or quota holders. The Law provided that CCC would collect funds from the tobacco manufacturers and importers and make payments over a 10 year period to tobacco producers or quota holders. CCC levies assessments to the manufacturers and importers quarterly. All collections from the tobacco industry are deposited into the Tobacco Trust Fund managed by CCC.

## Note 1 - Significant Accounting Policies, Continued

The Law allows CCC's revolving fund to make payments to the quota holders and producers, and provides for reimbursement from the Tobacco Trust Fund. The assessments collected from the tobacco industry are subsequently transferred to CCC's revolving fund, reimbursing that fund for the payments made to quota holders and producers based on approved contracts.

In FY 2005, CCC recognized a public receivable for the present value of the expected future collections from the manufacturers and importers over the 10-year period. In addition, CCC recognized an accrued liability for the present value of the remaining pay-out amount to the quota holders and producers. The present value recorded by CCC is adjusted annually to reflect the present value of the future collections and payments.

The Tobacco Transition Payment Program (TTPP) will conclude at the end of calendar year 2014. The final assessments were sent to the manufacturer and importers in the 4th quarter of FY 2014. The final payment to the quota holders and producers will be made in 1st quarter of FY 2015.

At the completion of the TTPP, the remaining amount expended by CCC revolving fund in excess of collections from the trust fund will be included in the computation of Net Realized Loss for reimbursement by apportionment from Treasury.

### Commodity Inventories

Commodity inventories, referred to as goods held under price support and stabilization programs in the SFFAS No. 3, *Accounting for Inventory and Related Property*, issued by the Federal Accounting Standards Advisory Board (FASAB), represent commodities acquired by the Corporation for donation or price support purposes. They are eventually sold or otherwise disposed of to help satisfy economic goals. Acquisition is generally made through commodity loan forfeitures or by purchase of commodities on the open market.

In accordance with SFFAS No. 3, the cost of commodity inventories sold to other Federal entities is classified as an expense with the public since the commodities being sold are originally purchased or otherwise acquired from a public source.

## Note 1 - Significant Accounting Policies, Continued

Commodity inventories are valued using the weighted average method and valued at the lower of cost or the net realizable value in accordance with SFFAS No. 3. Ending inventory balances are examined at year end to determine each commodity's market value. A valuation allowance is recorded if the book value of a commodity exceeds its market value.

For financial statement purposes, the Barter Delivery Obligations (BDOs) are valued at the net sales proceeds and are presented as part of CCC's Commodity Inventories and Related Property. CCC recognizes a gain or loss on each exchange transaction determined by the difference between CCC's book value of the commodity and the BDO value received in the exchange. Refer to Note 7 – Commodity Inventories and Related Property, Net for additional information.

### General Property and Equipment

General property and equipment purchases are recorded at the acquisition cost plus expenditures related to placing the asset into service such as freight, installation, and testing. Purchases of property valued at $25,000 or more and a useful life of 2 years or greater are capitalized. Property and equipment is depreciated on a straight-line basis. Automated Data Processing (ADP) computer equipment has a service life of 5 years. There is no salvage value associated with general property and equipment.

In addition, internal use software valued at $100,000 or more and a useful life of 2 years or greater is capitalized. Internal use software development costs are accumulated and capitalized upon completion. In accordance with SFFAS No. 10, *Accounting for Internal Use Software*, capitalized software development costs include contractor developed software, purchased software, and internally developed software.

Capitalized internal use software costs are amortized over a period of 5 years beginning with the first year the software is fully operational. Also included are costs incurred by FSA which are transferred to CCC without reimbursement and are reflected as software-in-development on CCC's financial statements until such time as the software is completed and put into operation. Once the software is put into operation, amortization begins. Refer to Note 8 – General Property and Equipment, Net for additional information.

### Non-Entity Assets

Non-entity assets are assets held by CCC that are not available for use in its operations. In FY 2014, CCC did not have any non-entity assets.

## Note 1 - Significant Accounting Policies, Continued

### Liabilities

Depending on the type of transaction, CCC recognizes a liability in one of two ways. If an exchange transaction occurs (i.e., receipt of goods or services in return for a promise to provide money or other resources in the future), a liability is recognized in the period in which the exchange occurred. If a nonexchange transaction occurs (i.e., government programs where there is a one-way flow of resources or promises), a liability is recognized for any unpaid amounts due as of the reporting date. Liabilities not covered by budgetary resources, disclosed in Note 10 – Liabilities Not Covered by Budgetary Resources, result from the accrual of unpaid amounts due to various CCC programs. Budgetary resources for the programs will not be made available until the subsequent fiscal year when Congressional action or OMB apportionment is completed.

### Custodial Collections

As a normal part of its business practices, CCC collects FSA farm loans and forwards them to FSA. In addition, penalties, fines, fees, and other funds are collected and forwarded to Treasury. These are not part of CCC budget authority.

### Imputed Costs

Imputed costs represent costs incurred by other USDA agencies for the benefit of CCC. The majority of CCC's programs and related expenses are delivered through the personnel and facilities of FSA. The imputed costs consist of the costs of hired labor, opportunity costs of unpaid labor, capital recovery of machinery and equipment, opportunity costs of land, general overhead, payroll taxes, and insurance. For FY 2014, CCC updated the methodology used to compute imputed costs. The update did not significantly impact the computation.

### Stewardship Land

CCC does not have stewardship land.

### Tax Status

CCC, as a Federal entity, is not subject to Federal, State, or local income taxes, and accordingly, no provision for income tax is necessary.

## Note 2 – Fund Balance with Treasury

Fund Balance with Treasury, by fund type, as of September 30, 2014 and 2013 were as follows:

**Table 13: Fund Balance with Treasury by Fund Type**

| (In Millions) | 2014 | 2013 (Restated) |
|---|---|---|
| Fund Balance with Treasury, by type of fund: | | |
| Trust Funds | $ 233 | $ 187 |
| Revolving Funds | 1,145 | 1,407 |
| General Funds | 1,429 | 1,077 |
| Other Fund Types | 6 | - |
| Total Fund Balance with Treasury | $ 2,813 | $ 2,671 |
| Status of Fund Balance with Treasury: | | |
| Unobligated Balance: | | |
| Available | $ 611 | $ 695 |
| Unavailable | 663 | 748 |
| Obligated Balance not yet Disbursed | 10,697 | 11,585 |
| Subtotal | $ 11,971 | $ 13,028 |
| Borrowing Authority not yet Converted to Fund Balance | (9,164) | (10,357) |
| Non-Budgetary Fund Balance with Treasury | 6 | - |
| Total Fund Balance with Treasury | $ 2,813 | $ 2,671 |

In FY 2014, CCC began to utilize a suspense fund to manage the daily collections from producers, excluding wire receipts. The balance in the suspense fund is reflected in Other Fund Types. The Unavailable balance represents unobligated resources not yet apportioned by OMB and unobligated appropriations from prior years that are no longer available for new obligations. Borrowing Authority not yet Converted to Fund Balance represents unobligated and obligated amounts recorded as of September 30, 2014 and 2013, which will be funded by future borrowings.

CCC has a permanent indefinite borrowing authority, as defined by OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*. Borrowing authority permits the Corporation to incur obligations and authorizes it to borrow funds to liquidate the obligations. Refer to Note 1 - Significant Accounting Policies, under Reporting Entity, and Note 18 – Disclosures Related to the Statement of Budgetary Resources for additional information on permanent indefinite borrowing authority.

## Note 2 – Fund Balance with Treasury, Continued

CCC restated the FY 2013 financial statements due to correction of errors in the child accounts by USAID. Correction of the errors resulted in a $14.8 million decrease to Fund Balance with Treasury. Refer to Note 21, Restatement of FY 2013 Principal Financial Statements.

## Note 3 – Cash and Other Monetary Assets

As of September 30, 2014, CCC has $24 million in deposits in transit due to a system upgrade implementation in late September. There were no deposits in transit in the prior year.

## Note 4 – Accounts Receivable, Net

Accounts Receivable as of September 30, 2014 and 2013 were as follows:

**Table 14: Accounts Receivable**

| | (In Millions) | |
|---|---|---|
| | 2014 | 2013 |
| Intragovernmental: | | |
| Due from the Department of Transportation | - | 35 |
| Total Intragovernmental Accounts Receivable, Net | $ - | $ 35 |
| Public: | | |
| Notes Receivable | $ 7 | $ 7 |
| Interest Receivable | 4 | 7 |
| TTPP Receivable | 226 | 1,367 |
| Other | 72 | 127 |
| Subtotal | $ 309 | $ 1,508 |
| Allowances for Doubtful Accounts | (9) | (6) |
| Total Public Accounts Receivable, Net | $ 300 | $ 1,502 |

CCC established a receivable from the Department of Transportation for freight costs paid to U.S. flagged vessels exceeding 20 percent of the total cost related to the donated commodities and freight costs if CCC were to use a commercial vessel.

## Note 4 – Accounts Receivable, Net, Continued

In December 2013, Congress passed legislation that repealed authority for reimbursements made by Maritime Administration (MARAD) for excess freight costs under the Ocean Freight Differential program for USDA and USAID food aid programs. Since the program is canceled, CCC removed the receivable and associated revenue in FY 2014.

As of September 30, 2014, Public Accounts Receivable for Tobacco Transition Payment Program (TTPP) was $226 million and includes $214 million in Short-Term Receivable, $3 million in Notes Receivable, and $9 million in Interest Receivable.

As of September 30, 2013, Public Accounts Receivable for the TTPP was $1,367 million and included $398 million in Short-Term Receivable, $11 million in Notes Receivable, and $8 million in Interest Receivable. Refer to Note 1 - Significant Accounting Policies under TTPP, for general information on the program.

Other Public Receivables consist of amounts due as a result of program overpayments or dishonored checks. Examples of CCC programs include Crop Disaster Assistance and Conservation Reserve Program.

## Note 5 – Commodity Loans, Net

Commodity Loans Receivable, by commodity, as of September 30, 2014 and 2013 were as follows:

**Table 15: Commodity Loans Receivable by Commodity**

| | (In Millions) | |
|---|---|---|
| | 2014 | 2013 |
| Cotton | $ 38 | $ 13 |
| Dry Whole Peas | 1 | 1 |
| Feed Grains: | | |
| Barley | 2 | 4 |
| Corn | 73 | 33 |
| Honey | 2 | 1 |
| Oilseeds | 1 | 1 |
| Peanuts | 21 | 60 |
| Rice | 16 | 45 |
| Soybeans | 7 | 5 |
| Sugar | - | 137 |
| Wheat | 48 | 36 |
| Total Commodity Loans | $ 209 | $ 336 |
| Inactive Commodity Loans in Collection | 1 | - |
| Accrued Interest Receivable | 1 | 2 |
| Penalties, Fines, and Administrative Fees | 1 | - |
| Less: Allowance for Losses | (4) | (1) |
| Total Commodity Loans, Net | $ 208 | $ 337 |

As of September 30, 2014, net commodity loans decreased by $129 million from the previous year. Significant loan balance decreases occurred in sugar and peanut loans, which were partially offset by an increase in corn loans.

As of September 30, 2014, sugar loans were $137 million lower than in FY 2013. Sugar loans are required by law to be repaid by September 30th. As a result, during most years there is a zero commodity loans receivable balance. Last year a number of producers forfeited sugar due to low market prices. Loans were forfeited by the producer on September 30, 2013, and were taken into CCC inventory on October 1, 2013. This year market prices did not allow forfeiture and reduced the amount of Market Assistance Loans (MAL) made.

## Note 5 – Commodity Loans, Net, Continued

As of September 30, 2014, peanut loans were $39 million less than in FY 2013. A marketing loan gain was offered in March 2014. Most crop year 2013 loans were redeemed by May 2014 to take advantage of the lower repayment rate. There was not a marketing loan benefit available in the previous year.

As of September 30, 2014, corn loans were $40 million higher than in FY 2013. The crop year 2013 loan placements are larger and prices declined, increasing the incentive to use the loan option. More crop year 2013 loans were taken later in the marketing year, delaying maturity and subsequent repayments as compared to FY 2013.

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers

Direct credit and loan obligations and credit guarantee commitments made after FY 1991 and the resulting direct credits and loans or credit guarantees are governed by the *Federal Credit Reform Act of 1990* (FCRA), as amended. The CCC financial statements reflect the estimate of the long-term cost of the direct and guaranteed loans in accordance with FCRA. CCC has a portfolio which includes both direct loans and loan guarantees.

The FCRA requires agencies to estimate for the President's Budget the cost of direct credits and loans and credit guarantees at the present value of future cash flows. Additionally, the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets and other cash flows) associated with direct credits and loans and credit guarantees are recognized as a cost in the year the direct credit and loan or credit guarantee is disbursed. The net present value of loans or defaulted guaranteed loans receivable at any point in time is the amount of the gross loan or defaulted guaranteed loans receivable less the present value of the subsidy at that time.

# Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

## Credit Program Discussion and Descriptions

### Direct Credit Programs – Food Aid

Under the P.L. 480 Title I Program, CCC finances the sales of U.S. agricultural commodities to countries in need of food assistance on favorable credit terms (at low rates of interest for up to 30 years with grace periods of up to 7 years). P.L. 480 Title I provides for government-to-government (and some government-to-private entity) sales of U.S. agricultural commodities to developing countries on credit terms or for local currencies. Priority is given to countries with the greatest need for food that are undertaking economic development to improve food security and agricultural development, alleviate poverty, and promote broad based, equitable and sustainable development. All credits under this program are in U.S. dollar denominations. The aid provided under this program is in the form of agricultural commodities instead of actual loans; hence the term direct credit rather than direct loans. Although legislative authority for the P.L. 480 Title I Program still exists, there have been no new loans extended under the program since FY 2006.

### Direct Credit Programs – Export

Under the GSM program, several cohorts have had defaults that resulted in rescheduled loans which are now direct loans owed to CCC. The programmatic purpose does not differ from the original guaranteed loans under CCC Export Credit Guarantees (GSM).

### Direct Credit Programs – Domestic

The Farm Storage Facility Loan (FSFL) Program was implemented to provide low cost financing for producers to build or upgrade on-farm commodity storage and handling facilities. The loans have a term of 7, 10, or 12 years with a requirement of annual repayment installments. Interest on these loans is accrued monthly from the date of disbursement. The borrower's rate is established to be equivalent to the rate of interest charged on the Treasury securities of comparable maturity.

Sugar Storage Facility Loans (SSFL) were authorized by the 2008 Farm Bill specifically for processors of domestically produced sugarcane and sugar beets for the construction or upgrading of storage and handling facilities for raw sugars and refined sugars. The loan term is 15 years, and the maximum principal amount is 85 percent of the net cost of the storage or handling equipment. In FY 2013, one Sugar Storage Facility Loan was approved for $3.9 million, and was disbursed during FY 2014.

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

The Boll Weevil Program was made available to the Texas Boll Weevil Eradication Foundation in FY 2001, as an interest-free $10 million loan to be repaid over 10 years. The loans had not been repaid at the end of the 10 year timeframe, and new promissory notes were signed in May 2011, extending the repayment period to October 2020.

The Apple Loan Program in FY 2001 provided loans to apple producers who suffered hardships due to low prices following the 1998-1999 growing season when apple prices fell to their lowest levels in nearly 10 years. Eligible applicants obtained loans up to $300 per acre of apple trees in production in 1999 or 2000, up to a maximum indebtedness of $500,000. The original loan term was established as 3 years, but CCC is still receiving repayments.

### Credit Guarantee Programs – Export

CCC Export Credit Guarantee Program, Guaranteed Loans, provides guarantees to buyers in countries where credit is necessary to maintain or increase U.S. sales of agricultural products. The financing to buyers may not be otherwise available without the U.S credit guarantees. CCC underwrites credit extended by the private banking sector under the Export Credit Guarantee Program (GSM) and Facilities Guarantee Program (FGP). CCC records a liability and an allowance expense to the extent that CCC will be unable to recover claim payments under the Credit Reform Export Credit Guarantee programs. The allowance is based on management’s estimate.

Under the GSM-102, CCC underwrites credit extended by the private banking sector in the U.S. (or, less commonly, by the exporter) for terms of up to three years. CCC does not provide financing, but guarantees payments due from foreign banks and obligors. Typically, 98 percent of principal and a portion of interest at an adjustable rate are covered. All guarantees under this program are in U.S. dollar denominations. In the event that CCC pays a claim under the guarantee programs, CCC assumes the debt and treats it as a credit loan receivable for accounting and collection purposes.

The Facility Guarantee Program (FGP) provides payment guarantees to finance commercial exports of U.S. manufactured goods and services that will be used to improve agriculture-related facilities. Payment terms may range from 1 to 10 years, with semi-annual installments on principal and interest. An initial payment representing at least 15 percent of the value of the sales transaction must be provided by the importer to the exporter. The rate of coverage is currently 95 percent and will apply to the value of the transaction, excluding the minimum 15 percent initial payment. One facility guarantee has been made since program inception.

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

Collections resulting from direct loans obligated or loan guarantees committed prior to October 1, 1991, are credited to the liquidating accounts. The amounts credited are available to the same extent that they were available to liquidate obligations arising from such direct loans obligated or loan guarantees committed prior to October 1, 1991, including repayment of any obligations held by the Department of Treasury. The unobligated cash balances of such accounts that are in excess of current needs must be transferred at least annually to the general fund of the Treasury. Refer to Note 13 – Other Liabilities for additional information on Resources Payable to Treasury.

### Accounting and Presentation

The Credit Reform loan receivables (including interest) are recognized as assets at the net present value of their estimated net cash inflows. The difference between the outstanding principal of these receivables and the present value of their net cash inflows is recognized as an allowance. CCC uses the Credit Subsidy Calculator 2 (CSC2) for computing the subsidy re-estimates for its Credit Reform programs. The CSC2 is an OMB tool for performing credit calculations, incorporating both financing account interest and cash flow amounts. CCC also uses the Treasury Credit Reform Certificate Program guidelines, Statement of Federal Financial Accounting Standards (SFFAS) No. 2, *Accounting for Direct Loans and Loan Guarantees*, SFFAS No. 18, *Amendments to Accounting for Direct Loans and Loan Guarantees*, and SFFAS No. 19, *Technical Amendments to Accounting for Direct Loans and Loan Guarantees* for the accounting and reporting of its loan subsidy cost re-estimation and amortization.

The cost of loan guarantees is accounted for on a net present value basis at the time the guaranteed loan is disbursed. The cost includes the estimated cash flows of payments by CCC to cover defaults and delinquencies; interest subsidies; payments to CCC including origination and other fees, penalties, and recoveries, including the effects of any expected actions by CCC and the exercise by the guaranteed lender or the borrower of an option included in the loan guarantee contract.

In estimating net present values, the discount rate is the average interest rate on marketable Treasury securities of similar maturity cash flows of the direct loan or loan guarantee for which the estimate is being made. When funds are obligated for a direct loan or loan guarantee, the estimated cost is based on the current economic assumptions and the terms of the loan contract for the program.

Interest is accrued monthly on both performing and non-performing direct loans and loan guarantee receivables as it is earned using simple interest calculations based upon

# Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

a 365-day year. A non-performing direct loan or loan guarantee receivable is defined as a repayment scheduled under a credit agreement with an installment payment in arrears more than 90 days. For those non-performing receivables, accrued interest is not recognized as income; rather, it is deferred until the interest is received or the receivable is returned to performing status. When direct and guaranteed loan financing funds collect more subsidy than necessary to fund future net cash outflows, the applicable financing account transfers the excess subsidy, with interest, to a Treasury General Fund Receipt (GFR) Account. The GFR accounts are shown in the financial statements as non-entity. The downward reestimate costs are shown in the "Other" line of the Statement of Changes in Net Position. Refer to Note 13 – Other Liabilities for additional information on Excess Subsidy Payable to Treasury.

## Obligated Loans

P.L. 480 Title I direct credits outstanding that were obligated prior to October 1, 1991 (Pre-1992) and P.L. 480 direct credits and direct loans for FSFL, Boll Weevil, and Apple loans that were obligated on or after October 1, 1991 (Post-1991) and related interest receivable outstanding as of September 30, 2014 and 2013 are shown in Table 16. Pre-1992 defaults on credit guarantees and related interest receivable are also presented in Table 16.

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

### Table 16: Direct Loans and Defaulted Guaranteed Loans, Net

(In Millions)

| 2014 | Loans Receivable, Gross | Interest Receivable | Present Value Allowance | Value Of Assets Related to Loans |
|---|---|---|---|---|
| **Direct Loans:** | | | | |
| **Obligated Pre-1992** | | | | |
| P.L. 480 Title 1 | $ 2,644 | $ 880 | $ (2,362) | $ 1,162 |
| Pre-1992 Total | $ 2,644 | $ 880 | $ (2,362) | $ 1,162 |
| **Obligated Post-1991** | | | | |
| P.L. 480 Title 1 | $ 866 | $ 45 | $ (254) | $ 657 |
| Debt Reduction Fund | 133 | 1 | (140) | (6) |
| Farm Storage Facility | 745 | 12 | 22 | 779 |
| Boll Weevil Program | 6 | - | (1) | 5 |
| Post-1991 Total | $ 1,750 | $ 58 | $ (373) | $ 1,435 |
| Total Direct Loan Program Receivables | $ 4,394 | $ 938 | $ (2,735) | $ 2,597 |
| **Defaulted Guaranteed Loans:** | | | | |
| **Pre-1992** | | | | |
| Export Credit Guarantee Programs | $ 92 | $ 214 | $ (268) | $ 38 |
| Pre-1992 Total | $ 92 | $ 214 | $ (268) | $ 38 |
| **Post-1991** | | | | |
| Export Credit Guarantee Programs | $ 638 | $ 20 | $ (349) | $ 309 |
| Post-1991 Total | $ 638 | $ 20 | $ (349) | $ 309 |
| Total Defaulted Guaranteed Loans | $ 730 | $ 234 | $ (617) | $ 347 |
| Total Direct Loans and Defaulted Guaranteed Loans, Net | $ 5,124 | $ 1,172 | $ (3,352) | $ 2,944 |
| **2013** | | | | |
| **Direct Loans:** | | | | |
| **Obligated Pre-1992** | | | | |
| P.L. 480 Title 1 | $ 2,896 | $ 847 | $ (2,271) | $ 1,472 |
| Pre-1992 Total | $ 2,896 | $ 847 | $ (2,271) | $ 1,472 |
| **Obligated Post-1991** | | | | |
| P.L. 480 Title 1 | $ 938 | $ 43 | $ (273) | $ 708 |
| Debt Reduction Fund | 152 | 7 | (154) | 5 |
| Farm Storage Facility | 718 | 12 | 12 | 742 |
| Boll Weevil Program | 8 | - | (5) | 3 |
| Post-1991 Total | - | - | - | - |
| Total Direct Loan Program Receivables | $ 1,816 | $ 62 | $ (420) | $ 1,458 |
| | $ 4,712 | $ 909 | $ (2,691) | $ 2,930 |
| **Defaulted Guaranteed Loans:** | | | | |
| **Pre-1992** | | | | |
| Export Credit Guarantee Programs | | | | |
| Pre-1992 Total | $ 101 | $ 210 | $ (268) | $ 43 |
| | $ 101 | $ 210 | $ (268) | $ 43 |
| **Post-1991** | | | | |
| Export Credit Guarantee Programs | | | | |
| Post-1991 Total | $ 736 | $ 19 | $ (279) | $ 476 |
| Total Defaulted Guaranteed Loans | $ 736 | $ 19 | $ (279) | $ 476 |
| | $ 837 | $ 229 | $ (547) | $ 519 |
| Total Direct Loans and Defaulted Guaranteed Loans, Net | $ 5,549 | $ 1,138 | $ (3,238) | $ 3,449 |

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

### Disbursements

Table 17 shows new direct loans disbursed by CCC for the fiscal years ended September 30, 2014 and 2013:

**Table 17: Total Amount of Direct Loans Disbursed (Post-1991)**

| | (In Millions) | |
|---|---|---|
| | **2014** | **2013** |
| Direct Loan Programs | | |
| Farm Storage Facility | $ 174 | $ 173 |
| Sugar Storage Facility | 4 | - |
| Total Direct Loans Disbursed | $ 178 | $ 173 |

Table 18 shows new guaranteed loans disbursed by the lender at face value. Guaranteed Loans which have not defaulted are not shown as Credit Program Receivables, Net, on the Balance Sheet.

For the fiscal years ended September 30, 2014 and 2013, credit guaranteed disbursements were as follows:

**Table 18: Guaranteed Loans Disbursed**

| | (In Millions) | | | |
|---|---|---|---|---|
| | **2014** | | **2013** | |
| Loan Guarantee Programs | Principal, Face Value Disbursed | Principal, Guaranteed Disbursed | Principal, Face Value Disbursed | Principal, Guaranteed Disbursed |
| Export Credit Guarantee Programs | $ 2,204 | $ 2,160 | $ 3,176 | $ 3,117 |
| Total Guaranteed Loans Disbursed | $ 2,204 | $ 2,160 | $ 3,176 | $ 3,117 |

# Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

## Guaranteed Loans Outstanding

Table 17 contains the outstanding principal and interest guaranteed. This represents a contingent liability for amounts owed by foreign banks to exporters or assignee U.S. financial institutions participating in the program.

**Table 19: Guaranteed Loans Outstanding**

| **2014** | (In Millions) | |
|---|---|---|
| Loan Guarantee Programs | Outstanding Principal, Face Value | Outstanding Principal, Guaranteed |
| Export Credit Guarantee Program | $ 3,658 | $ 3,585 |
| Total Guaranteed Loans Outstanding | $ 3,658 | $ 3,585 |

| **2013** | (In Millions) | |
|---|---|---|
| Loan Guarantee Programs | Outstanding Principal, Face Value | Outstanding Principal, Guaranteed |
| Export Credit Guarantee Program | $ 5,345 | $ 5,238 |
| Total Guaranteed Loans Outstanding | $ 5,345 | $ 5,238 |

## Liability for Loan Guarantees

During the fiscal year, the value of the guaranteed loans is adjusted by the value of the loan guarantee liability held against those loans. Current year subsidy expense and reestimates contributed to the change of the loan guarantee liability through the year. The loan guarantee liability represents CCC's liability for guarantees in the GSM program.

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

As of September 30, 2014 and 2013, Liability for Loan Guarantees (Present Value Method) were as follows:

**Table 20: Liability for Loan Guarantees (Present Value Method for Post-1991 Guarantees)**

(In Millions)

| Loan Guarantee Programs | 2014 Liabilities for Loan Guarantees, Present Value | 2013 Liabilities for Loan Guarantees , Present Value |
|---|---|---|
| Export Credit Guarantee Programs | $ 24 | $ 126 |
| Total Liability for Loan Guarantees | $ 24 | $ 126 |

### Subsidy Expense

Total direct loan subsidy expense is a combination of subsidy expense for new direct loans disbursed in the current year, modifications to existing loans, and technical and interest rate reestimates to existing loans.  Subsidy reestimates are calculated on cumulative disbursements for all budget fiscal years and the respective cohorts (direct loan origination year) that comprise them.  There were no additional direct food aid credit agreements made in either 2014 or 2013.

**Table 21: Subsidy Expense for Direct Loans by Program and Component**

**2014** (In Millions)

| Direct Loan Programs | Interest Differential | Fees and Other Collections | Subtotal Subsidy | Total Modifications | Interest Rate Reestimates | Technical Reestimates | Total Reestimates | Total Subsidy Expense |
|---|---|---|---|---|---|---|---|---|
| P.L 480 Title 1 | $ - | $ - | $ - | $ - | $ - | $ 2 | $ 2 | $ 2 |
| Farm Storage Facility | (4) | - | (4) | - | 1 | (5) | (4) | (8) |
| Boll Weevil | - | - | - | - | - | (4) | (4) | (4) |
| Total Direct Loan Subsidy Expense | $ (4) | $ - | $ (4) | $ - | $ 1 | $ (7) | $ (6) | $ (10) |

**2013** (In Millions)

| Direct Loan Programs | Interest Differential | Fees and Other Collections | Subtotal Subsidy | Total Modifications | Interest Rate Reestimates | Technical Reestimates | Total Reestimates | Total Subsidy Expense |
|---|---|---|---|---|---|---|---|---|
| P.L 480 Title 1 | $ - | $ - | $ - | $ 4 | $ - | $ 75 | $ 75 | $ 79 |
| Farm Storage Facility | (4) | - | (4) | - | (8) | 8 | - | (4) |
| Total Direct Loan Subsidy Expense | $ (4) | $ - | $ (4) | $ 4 | $ (8) | $ 83 | $ 75 | $ 75 |

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

Subsidy expenses related to credit guarantees, net of fees and other collections, and subsidy reestimates for the fiscal years ended September 30, 2014 and 2013 are shown in Table 22 below. Subsidy reestimates are calculated on cumulative disbursements for each cohort.

**Table 22: Subsidy Expense for Loan Guarantees by Program and Component**

**2014** (In Millions)

| Loan Guarantee Programs | Interest Rate Reestimates | Technical Reestimates | Total Reestimates | Total Subsidy Expense |
|---|---|---|---|---|
| Export Credit Guarantee Programs | $ - | $ (38) | $ (38) | $ (38) |
| Total Loan Guarantees Subsidy Expense | $ - | $ (38) | $ (38) | $ (38) |

**2013** (In Millions)

| Loan Guarantee Programs | Interest Rate Reestimates | Technical Reestimates | Total Reestimates | Total Subsidy Expense |
|---|---|---|---|---|
| Export Credit Guarantee Programs | $ - | $ (10) | $ (10) | $ (10) |
| Total Loan Guarantees Subsidy Expense | $ - | $ (10) | $ (10) | $ (10) |

### Subsidy Rates

Subsidy rates are used to compute each year's subsidy expenses as disclosed below. The subsidy rates disclosed in Table 23 and Table 24 pertain only to the FY 2014 and FY 2013 cohorts. These rates cannot be applied to the direct credits and loans and guaranteed loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior-year cohorts. The subsidy expense reported in the current year also includes reestimates. For the fiscal years ended 2014 and 2013, there were no new loans for P.L. 480, and thus, no subsidy rate was provided. The Apple and Boll Weevil Loan Programs were one year programs, both in cohort 2001. Both of these loan programs continue to receive repayments.

# Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

Subsidy rates (percentage) for direct loans were as follows:

**Table 23: Subsidy Rates for Direct Loans by Program and Component**

**2014**

| Direct Loan Programs | Interest Differential | Defaults | Fees and Other Collections | Other | Total |
|---|---|---|---|---|---|
| Farm Storage Facility | (2.21) | 0.02 | (0.27) | (0.06) | (2.52) |
| Sugar Storage Facility | (2.72) | 0.03 | - | (0.11) | (2.80) |

**2013**

| Direct Loan Programs | Interest Differential | Defaults | Fees and Other Collections | Other | Total |
|---|---|---|---|---|---|
| Farm Storage Facility | (2.14) | 0.02 | (0.27) | (0.07) | (2.46) |
| Sugar Storage Facility | (3.21) | 0.03 | - | (0.13) | (3.31) |

Subsidy rates (percentage) for credit guarantee programs were as follows:

**Table 24: Subsidy Rates for Loan Guarantees by Program and Component**

**2014**

| Guaranteed Loan Programs | Defaults | Fees and Other Collections | Total |
|---|---|---|---|
| Export Credit Guarantee Programs | 0.04 | (1.15) | (1.11) |

**2013**

| Guaranteed Loan Programs | Defaults | Fees and Other Collections | Total |
|---|---|---|---|
| Export Credit Guarantee Programs | 0.05 | (1.16) | (1.11) |

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

### Schedule for Reconciliation

Subsidy Allowance in Table 25 includes subsidy for both direct loans and loans receivable derived from those defaulted guaranteed loans which CCC rescheduled as direct loans.

**Table 25: Schedule for Reconciling Subsidy Cost Allowance Balances Direct Loans**

(In Millions)

| | 2014 | 2013 |
|---|---|---|
| Beginning Balance of the Subsidy Cost Allowance | $ 696 | $ 813 |
| Add: Subsidy expense for direct loans disbursed during the year by component | | |
| Interest Rate Differential Costs | (4) | (3) |
| Fees and Other Collections | - | - |
| Total Subsidy Expense prior to Adjustments and Reestimates | (4) | (3) |
| Adjustments: | | |
| Loan Modifications | $ - | $ 4 |
| Accruals - Technical Default Reestimates | - | 50 |
| Loans written off | (12) | (159) |
| Subsidy allowance amortization | (5) | (58) |
| Other | 61 | (50) |
| Net Present Value (NPV) Adjustment | (11) | 24 |
| Total Subsidy Cost allowance before reestimates | $ 725 | $ 621 |
| Add or Subtract Reestimates by Component: | | |
| Interest rate reestimate | $ 2 | $ 3 |
| Technical/Default Reestimate | (8) | 72 |
| Total Reestimates | (6) | 75 |
| Ending Balance of the Subsidy Cost Allowance | $ 719 | $ 696 |

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

The change in the liability for credit guarantees as of September 30, 2014 and 2013 was as follows:

**Table 26: Schedule for Reconciling Loan Guarantee Liability**

| | (In Millions) | | | |
|---|---|---|---|---|
| | **2014** | | **2013** | |
| Beginning balance of the loan guarantee liability | $ | 126 | $ | 174 |
| Adjustments: | | | | |
| Fees received | $ | 26 | $ | 37 |
| Other | | (90) | | (75) |
| Ending balance of the Loan Guarantee Liability before reestimates | $ | 62 | $ | 136 |
| Add or Subtract reestimates by component: | | | | |
| Interest rate reestimate | $ | - | $ | - |
| Technical/default reestimate | | (38) | | (10) |
| Total of the above reestimate components | $ | (38) | $ | (10) |
| Ending balance of the loan guarantee liability | $ | 24 | $ | 126 |

### Administrative Expenses

Consistent with FCRA, subsidy cash flows exclude direct Federal administrative expenses. Administrative expenses on direct credit and loan programs are as noted in Table 27 below.

**Table 27: Administrative Expenses**

| | (In Millions) | | | |
|---|---|---|---|---|
| | **2014** | | **2013** | |
| Direct Loan Programs | $ | 3 | $ | 3 |
| Guaranteed Loan Programs | | 7 | | 6 |
| Total Administrative Expenses | $ | 10 | $ | 9 |

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

### Loan Modifications and Rescheduling

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

The Debt Reduction Fund is used to account for CCC's modified debt. Debt is considered to be modified if the original debt has been reduced or the interest rate of the agreement changed. In contrast, when debt is "rescheduled," only the date of payment is changed. Rescheduled debt is carried in the original fund until paid. With one exception, all outstanding CCC modified debt is carried in the Debt Reduction Fund and is governed by the *FCRA*. The exception was a prepayment by Peru of GSM-102 rescheduled debt.

### Events and Changes Having a Significant and Measurable Effect upon Subsidy Rates, Subsidy Expense, and Reestimates

During FY 2014 there was an econometric update to the cashflow model for the CCC Export Credit Guarantee program. No other models were updated.

During FY 2014, as well as in other recent fiscal years, FAS increased fees for the GSM-102 and Facilities Guarantee programs. These fee increases have served to lower the subsidy rates for both programs. FAS will continue to evaluate fees and incorporate changes as deemed necessary.

During FY 2014, the USDA Office of Inspector General provided guidance on the appropriate display of interest rate reestimates. Tables impacted are Subsidy Expense for Direct Loans/Loan Guarantees by Program and Component, and Schedule for Reconciling Subsidy Cost Allowance/Loan Guarantee Liability. CCC adopted the revised display, which impacts components, but not the totals, for FY 2014 and modified the affected tables for FY 2013 for comparability.

Other than as stated above, CCC is unaware of any measurable events or pending legislation at this time that may affect subsidy rates and reestimates in the future.

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

### Reestimate Trend Analysis

Agencies are required to reestimate the subsidy cost throughout the life of each cohort of direct loans or loan guarantees to account for differences between the original assumptions of cash flow and actual cash flow or revised assumptions about future cash flow. These reestimates represent additional costs or savings to the Government and are recorded in the budget. Reestimates which indicate an increase in the subsidy cost are financed by permanent indefinite authority. Refer Note 18 – Disclosures Related to the Statement of Budgetary Resources for additional information.

### P.L. 480 Title I Direct Credit

The P.L. 480 program had a total reestimate of $1.7 million; $13.7 million upward and $12 million downward. The most significant contributor was the 1999 cohort, which had interest on reestimate of $10 million offset by ($18) million in financing account interest adjustment. The single largest total reestimate was $4 million in the 1992 cohort, $3 million of which was interest on the reestimate. As a percentage of disbursement, the reestimates for all cohorts are insignificant. Refer to Table 21 for a summary on the reestimates.

### Farm Storage Facility Loans

The FSFL program had a total reestimate of $4 million, $9 million upward and $13 million downward. The total is less than 0.1 percent of overall disbursements and therefore not significant.

### Export Credit Guarantees (GSM)

The GSM-102 program had a total reestimate of $41 million, consisting of $46 million upward and $5 million downward. The upward reestimates are concentrated in cohorts 2008 through 2010 as well as 2013 and 2014. For the 2008 through 2010 cohorts, the total reestimate was $28 million upward. Each of these cohorts is older than the longest GSM-102 tenor; therefore, net default changes are caused entirely by changes due to projected recoveries.

Much of the decrease in recoveries experienced in these cohorts occurs due to the transition to the FY2014 model, which includes a drop of nearly 20 percentage points in the cumulative non-sovereign recovery rate. For the 2013 cohort ($10 million upward), the increase in default claim forecasts is also driven primarily by the FY 2014 model update. Prior to the update, the model applied the default rates (which were specified with respect to total commitments) to scheduled principal to generate default claim dollars, resulting in artificially low default forecasts. The FY 2014 model update corrected this, but can result in default claim forecasts of up to three times larger even

## Note 6 – Direct Loans and Loan Guarantees: Non-Federal Borrowers, Continued

with the same default rate forecasts. For the 2014 cohort ($5 million upward), there was a significant change from the country/ICRAS rate composition used in budget formulation to the actual programming by country that occurred during the year. The significantly higher default rate is almost entirely due to this change. Additionally, Supplier Credit had a $79 million upward reestimate, almost entirely due to actual recoveries from Mexico in the 2004 and 2005 cohorts, $8 million and $71 million respectively.

Refer to Table 22 for a summary on the reestimates.

# Note 7 – Commodity Inventories and Related Property, Net

Commodity inventory and related property as of September 30, 2014 (Values In Thousands) was as follows:

## Table 28: Inventory and Related Property, September 30, 2014

| | Unit of Measure | **Beginning Inventory** October 1, 2013 | | Acquisitions | | Collateral Acquired | | Other Disposition, Addition, & Deduction | | Donations | | **Ending Inventory** September 30, 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value |
| Dry Edible Beans | Cwt. | - | $ - | 168 | $ 7,634 | - | $ - | - | $ - | (168) | $ (7,634) | - | $ - |
| **Beans Total** | | **XXX** | **$ -** | **XXX** | **$ 7,634** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (7,634)** | **XXX** | **$ -** |
| Corn Soya Blend | Pounds | 24,542 | $ 7,974 | 91,098 | $ 28,523 | - | $ - | - | $ - | (97,176) | $ (29,732) | 18,464 | $ 6,765 |
| Wheat Soy Blend | Pounds | - | - | 3,771 | 1,398 | - | - | - | - | (3,771) | (1,398) | - | $ - |
| **Blended Foods Total** | | **XXX** | **$ 7,974** | **XXX** | **$ 29,921** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (31,130)** | **XXX** | **$ 6,765** |
| Emergency Food Ration Ba | Pounds | 714 | $ 1,145 | 5,721 | $ 9,299 | - | $ - | - | $ - | (6,435) | $ (10,444) | - | $ - |
| **CCC Total** | | **XXX** | **$ 1,145** | **XXX** | **$ 9,299** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (10,444)** | **XXX** | **$ -** |
| Miscellaneous | Cwt. | - | $ - | - | $ 4,754 | - | $ - | - | $ - | - | $ (4,754) | - | $ - |
| Poultry Frozen Chicken | Pounds | - | - | - | | - | - | - | - | - | | - | $ - |
| **CCC/AMS-FNS Total** | | **XXX** | **$ -** | **XXX** | **$ 4,754** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (4,754)** | **XXX** | **$ -** |
| Upland Cotton | Bales | - | $ 10 | - | $ - | - | $ - | - | $ (10) | - | $ - | - | $ - |
| **Cotton Total** | | **XXX** | **$ 10** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (10)** | **XXX** | **$ -** | **XXX** | **$ -** |
| Dry Whole Peas | Cwt. | 182 | $ 4,017 | 1,793 | $ 43,238 | - | $ - | - | $ - | (1,856) | $ (45,325) | 119 | $ 1,930 |
| Lentils Dry | Cwt. | 149 | 3,645 | 340 | 8,712 | - | - | - | - | (394) | (10,276) | 95 | $ 2,081 |
| **Dry Whole Peas Total** | | **XXX** | **$ 7,662** | **XXX** | **$ 51,950** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (55,601)** | **XXX** | **$ 4,011** |
| Corn | Bushels | - | $ - | 24 | $ 186 | - | $ - | - | $ - | (24) | $ (186) | - | $ - |
| Corn Meal | Pounds | - | - | 73,199 | 13,767 | - | - | - | - | (73,199) | (13,767) | - | $ - |
| Grain Sorghum | Bushels | 138 | 850 | 16,308 | 97,765 | - | - | - | - | (16,446) | (98,615) | - | - |
| **Feed Grains Total** | | **XXX** | **$ 850** | **XXX** | **$ 111,718** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (112,568)** | **XXX** | **$ -** |
| Peanuts | Pounds | - | $ - | - | $ - | 74,676 | $ 13,434 | (70,194) | $ (12,712) | - | $ - | 4,482 | $ 722 |
| **Peanut Total** | | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ 13,434** | **XXX** | **$ (12,712)** | **XXX** | **$ -** | **XXX** | **$ 722** |
| Potatoes Dehydrated | Pounds | - | $ - | 5,564 | $ 8,383 | - | $ - | - | $ - | (3,907) | $ (6,108) | 1,657 | $ 2,275 |
| **Potato Dehydrated Total** | | **XXX** | **$ -** | **XXX** | **$ 8,383** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (6,108)** | **XXX** | **$ 2,275** |
| Milled Head Rice | Cwt. | 89 | $ 2,181 | 1,582 | $ 40,727 | - | $ - | - | $ - | (1,544) | $ (39,852) | 127 | $ 3,056 |
| **Rice Total** | | **XXX** | **$ 2,181** | **XXX** | **$ 40,727** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (39,852)** | **XXX** | **$ 3,056** |
| Soybean Meal | Pounds | - | $ - | 130,821 | $ 34,407 | - | $ - | - | $ - | (130,821) | $ (34,407) | - | $ - |
| Soybeans | Bushels | - | - | - | - | - | - | - | - | - | - | - | - |
| **Soybean Total** | | **XXX** | **$ -** | **XXX** | **$ 34,407** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (34,407)** | **XXX** | **$ -** |
| In Process Beet Sugar | Pounds | - | $ - | - | $ - | (240) | $ 9,320 | - | $ (9,703) | - | $ - | (240) | $ (383) |
| Raw Cane Sugar | Pounds | 140,750 | 27,390 | - | - | - | 19,126 | - | (18,331) | (140,750) | (28,185) | - | - |
| Refined Beet Sugar | Pounds | 30,000 | 7,178 | - | - | 240 | 111,966 | - | (111,583) | (30,000) | (7,178) | 240 | 383 |
| **Sugar Total** | | **XXX** | **$ 34,568** | **XXX** | **$ -** | **XXX** | **$ 140,412** | **XXX** | **$ (139,617)** | **XXX** | **$ (35,363)** | **XXX** | **$ -** |
| Vegetable Oil | Pounds | 23,327 | $ 15,367 | 175,866 | $ 104,632 | - | $ - | - | $ - | (166,946) | $ (99,925) | 32,247 | $ 20,074 |
| **etable Oil Products Total** | | **XXX** | **$ 15,367** | **XXX** | **$ 104,632** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (99,925)** | **XXX** | **$ 20,074** |
| Bulgur | Pounds | 6,381 | $ 1,038 | 2,869 | $ 580 | - | $ - | - | $ - | 9,250 | $ (1,618) | 18,500 | $ - |
| Flour | Pounds | - | - | 55,675 | 12,254 | - | - | - | - | (55,675) | (12,254) | - | - |
| Wheat | Bushels | - | - | 14,725 | 123,557 | - | - | - | - | (14,725) | (123,557) | - | - |
| **Wheat Total** | | **XXX** | **$ 1,038** | **XXX** | **$ 136,391** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (137,429)** | **XXX** | **$ -** |
| Total Commodities | | **XXX** | **$ 70,795** | **XXX** | **$ 539,816** | **XXX** | **$ 153,846** | **XXX** | **$ (152,339)** | **XXX** | **$ (575,215)** | **XXX** | **$ 36,903** |
| Allowance for Losses | | | | | | | | | | | | | $ (1,909) |
| Barter Delivery Obligations | | | | | | | | | | | | | 3218 |
| Commodity Inventories and Related Property, Net | | | | | | | | | | | | | **$ 38,212** |

Note: Due to distinct units of measure, Quantity totals are not tabulated, and are denoted as xxx.

# Note 7 – Commodity Inventories and Related Property, Net, Continued

Commodity inventory and related property as of September 30, 2013 (Values In Thousands) was as follows:

### Table 29: Inventory and Related Property, September 30, 2013

| | Unit of Measure | **Beginning Inventory** October 1, 2012 | | Acquisitions | | Collateral Acquired | | Other Disposition, Addition, & Deduction | | Donations | | **Ending Inventory** September 30, 2013 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value |
| Dry Edible Beans | Cwt. | - | $ - | 265 | $ 11,355 | - | $ - | - | $ - | (265) | $ (11,355) | - | $ - |
| **Beans Total** | | **XXX** | **$ -** | **XXX** | **$ 11,355** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (11,355)** | **XXX** | **$ -** |
| Corn Soya Blend | Pounds | 2,138 | $ 734 | 134,934 | $ 50,697 | - | $ - | - | $ - | (112,530) | $ (43,457) | 24,542 | $ 7,974 |
| Wheat Soy Blend | Pounds | - | - | 9,092 | 3,617 | - | - | - | - | (9,092) | (3,617) | - | - |
| **Blended Foods Total** | | **XXX** | **$ 734** | **XXX** | **$ 54,314** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (47,074)** | **XXX** | **$ 7,974** |
| Emergency Food Ration Bars | Pounds | 1,345 | $ 2,742 | 6,172 | $ 10,779 | - | $ - | - | $ - | (6,803) | $ (12,376) | 714 | $ 1,145 |
| **CCC Total** | | **XXX** | **$ 2,742** | **XXX** | **$ 10,779** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (12,376)** | **XXX** | **$ 1,145** |
| Miscellaneous | Cwt. | - | $ 456 | - | $ 6,268 | - | $ - | - | $ - | - | $ (6,724) | - | $ - |
| **CCC/AMS-FNS Total** | | **XXX** | **$ 456** | **XXX** | **$ 6,268** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (6,724)** | **XXX** | **$ -** |
| Upland Cotton | Bales | - | $ - | - | $ - | 1 | $ 201 | (1) | $ (191) | - | $ - | - | $ 10 |
| **Cotton Total** | | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ 201** | **XXX** | **$ (191)** | **XXX** | **$ -** | **XXX** | **$ 10** |
| Dry Whole Peas | Cwt. | - | $ - | 2,179 | $ 58,750 | - | $ - | - | $ - | (1,997) | $ (54,733) | 182 | $ 4,017 |
| Lentils Dry | Cwt. | - | - | 801 | 21,453 | - | - | - | - | (652) | (17,808) | 149 | 3,645 |
| **Dry Whole Peas Total** | | **XXX** | **$ -** | **XXX** | **$ 80,203** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (72,541)** | **XXX** | **$ 7,662** |
| Corn | Bushels | - | $ - | 626 | $ 5,199 | - | $ - | - | $ - | (626) | $ (5,199) | - | $ - |
| Corn Meal | Pounds | - | - | 76,162 | 18,937 | - | - | - | - | (76,162) | (18,937) | - | - |
| Grain Sorghum | Bushels | - | - | 9,782 | 74,018 | - | - | - | - | (9,644) | (73,168) | 138 | 850 |
| **Feed Grains Total** | | **XXX** | **$ -** | **XXX** | **$ 98,154** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (97,304)** | **XXX** | **$ 850** |
| Peanuts | Pounds | - | $ - | - | $ - | 41,593 | $ 7,492 | (41,593) | $ (7,492) | - | $ - | - | $ - |
| **Peanut Total** | | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ 7,492** | **XXX** | **$ (7,492)** | **XXX** | **$ -** | **XXX** | **$ -** |
| Potatoes Dehydrated | Pounds | - | $ - | 39 | $ 60 | - | $ - | - | $ - | (39) | $ (60) | - | $ - |
| **Potato Dehydrated Total** | | **XXX** | **$ -** | **XXX** | **$ 60** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (60)** | **XXX** | **$ -** |
| Milled Head Rice | Cwt. | 78 | $ 1,914 | 2,479 | $ 66,532 | - | $ - | - | $ - | (2,468) | $ (66,265) | 89 | $ 2,181 |
| **Rice Total** | | **XXX** | **$ 1,914** | **XXX** | **$ 66,532** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (66,265)** | **XXX** | **$ 2,181** |
| Soybean Meal | Pounds | - | $ - | 113,757 | $ 27,974 | - | $ - | - | $ - | (113,757) | $ (27,974) | - | $ - |
| Soybeans | Bushels | - | - | 73 | 1,448 | - | - | - | - | (73) | (1,448) | - | - |
| **Soybean Total** | | **XXX** | **$ -** | **XXX** | **$ 29,422** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (29,422)** | **XXX** | **$ -** |
| Raw Cane Sugar | Pounds | - | $ - | - | $ 30,666 | 140,750 | $ 27,390 | - | $ - | - | $ (30,666) | 140,750 | $ 27,390 |
| Refined Beet Sugar | Pounds | - | - | - | 89,529 | 30,000 | 7,179 | - | (69,490) | - | (20,040) | 30,000 | 7,178 |
| **Sugar Total** | | **XXX** | **$ -** | **XXX** | **$ 120,195** | **XXX** | **$ 34,569** | **XXX** | **$ (69,490)** | **XXX** | **$ (50,706)** | **XXX** | **$ 34,568** |
| Vegetable Oil | Pounds | 12,220 | $ 7,851 | 191,426 | $ 122,101 | - | $ - | - | $ - | (180,319) | $ (114,585) | 23,327 | $ 15,367 |
| **Vegetable Oil Products Total** | | **XXX** | **$ 7,851** | **XXX** | **$ 122,101** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (114,585)** | **XXX** | **$ 15,367** |
| Bulgur | Pounds | - | $ - | 67,649 | $ 14,675 | - | $ - | - | $ - | (61,268) | $ (13,637) | 6,381 | $ 1,038 |
| Flour | Pounds | - | - | 57,597 | 13,179 | - | - | - | - | (57,597) | (13,179) | - | - |
| Wheat | Bushels | - | - | 22,252 | 211,152 | - | - | - | - | (22,252) | (211,152) | - | - |
| **Wheat Total** | | **XXX** | **$ -** | **XXX** | **$ 239,006** | **XXX** | **$ -** | **XXX** | **$ -** | **XXX** | **$ (237,968)** | **XXX** | **$ 1,038** |
| Total Commodities | | **XXX** | **$ 13,697** | **XXX** | **$ 838,389** | **XXX** | **$ 42,262** | **XXX** | **$ (77,173)** | **XXX** | **$ (746,380)** | **XXX** | **$ 70,795** |
| Allowance for Losses | | | | | | | | | | | | | $ (1,909) |
| Barter Delivery Obligations | | | | | | | | | | | | | 325 |
| Commodity Inventories and Related Property, Net | | | | | | | | | | | | | **$ 69,211** |

Note: Due to distinct units of measure, Quantity totals are not tabulated, and are denoted as xxx.

## Note 7 – Commodity Inventories and Related Property, Net, Continued

Inventories are initially recorded at acquisition cost plus processing and packaging costs incurred after acquisition. Acquisition cost is the amount of the loan settlement, excluding interest, or the amount of the purchase settlement price. Since loan rates and income support levels are established by statute, inventory acquisitions are usually recorded at a cost higher than market value.

Generally, disposition costs are based on the average cost of the commodity in inventory at the end of the previous month. In other cases, the cost is computed on the basis of actual (historical) cost of the commodity. Actual cost is used with: (a) simultaneous acquisition and disposition for commodity export programs; and (b) dispositions of commodities previously pledged as price support loan collateral, which are acquired and simultaneously disposed of by CCC during the exchange of commodity certificates. Commodity certificates are issued electronically by CCC and must be immediately exchanged for a commodity owned by the Corporation.

CCC purchases commodities for USAID in order to meet humanitarian food needs in foreign countries. This prepositioned inventory is procured and made readily available as needed for foreign countries in need. This is done in advance because the process from procurement to delivery can be lengthy and by having the inventory available these food needs can be met more timely. Both domestic and foreign prepositioned inventory are recorded on CCC’s financial statements.

Allowance for losses as of fiscal year ended September 30, 2014, remained the same compared to the prior year.

As of September 30, 2014, commodity loan forfeitures, recognized as Collateral Acquired, increased by $112 million compared to the prior year. In FY 2013, market conditions triggered sugar forfeitures. There were no forfeitures of sugar for FY 2014. In FY 2014 Peanuts were forfeited due to higher acreage and higher yields causing issues in storage capacity and processing, As a result, farmers chose to forfeit about $13 million of peanuts.

## Note 7 – Commodity Inventories and Related Property, Net, Continued

Barter Delivery Obligations (BDOs) are immaterial for the fiscal year ended September 30, 2014. BDOs were received by CCC in exchange for CCC-owned commodities. The BDOs may only be exchanged for food products to be utilized in domestic and export food programs. Refer to the Commodity Inventories section of Note 1 - Significant Accounting Policies for additional information.

## Note 8 – General Property and Equipment, Net

General Property and Equipment as of September 30, 2014 and 2013 were as follows:

**Table 30: General Property and Equipment**

| | | (In Millions) | |
|---|---|---|---|
| 2014 | Acquisition Value | Accumulated Depreciation | Net Book Value |
| Equipment | $ 26 | $ (26) | $ - |
| Capitalized Software Costs | 128 | (116) | 12 |
| Total General Property and Equipment | $ 154 | $ (142) | $ 12 |

| | | (In Millions) | |
|---|---|---|---|
| 2013 | Acquisition Value | Accumulated Depreciation | Net Book Value |
| Equipment | $ 28 | $ (28) | $ - |
| Capitalized Software Costs | 128 | (108) | 20 |
| Total General Property and Equipment | $ 156 | $ (136) | $ 20 |

## Note 9 – Other Assets

Other Assets as of September 30, 2014 and 2013 were as follows:

**Table 31: Other Assets**

| | (In Millions) | |
|---|---|---|
| | 2014 | 2013 (Restated) |
| Public: | | |
| Voluntary Public Access-Habitat Incentive Program | $ 6 | $ 9 |
| Peanut Loan Advance | 53 | 48 |
| USAID | 45 | 65 |
| Other | - | 1 |
| Total Other Assets | $ 104 | $ 123 |

CCC restated the FY 2013 financial statements due to correction of errors in the child accounts by USAID. Correction of the errors resulted in a $4.1 million increase to Total Other Assets. Refer to Note 21, Restatement of FY 2013 Principal Financial Statements.

The programs contributing to the majority of the Other Assets (Public) include:

### Voluntary Public Access-Habitat Incentive Program (VPA)

VPA was authorized as a CCC program under Section 2606 of the 2008 Farm Bill. Starting in FY 2010, State and tribal governments applied for grants to encourage owners and operators of privately-held farm, ranch, and forest land to voluntarily make that land accessible to the public for wildlife-dependent recreation, including hunting and fishing under programs administered by the States and tribal governments.

### Peanut Loan Advance (PLA)

CCC advanced funds to the Peanut Designated Marketing Association's (DMA) for the 2014 marketing season for the purpose of providing peanut Marketing Assistance Loans and Loan Deficiency Payments. As the need for drawdown funds diminish, during the marketing season, excess drawdown advanced funds will be reimbursed to CCC. At the end of the marketing season, the DMA will reimburse CCC for any remaining drawdown fund advances; this will take place sometime after January 2015.

### USAID

As of September 30, 2014 and 2013 CCC's advance related to the Food for Peace Title II program was $45 million and $65 million, respectively. The USAID program covers transportation related costs in accordance with Public Law 480 under the authority of

## Note 9 – Other Assets, Continued

the Secretary of Agriculture. Food for Peace Title II program carries out emergency and non-emergency food assistance to other countries. Advances occur when funds are disbursed to a grantee providing transportation services for commodities being delivered prior to the submittal of the expenses.

## Note 10 – Liabilities Not Covered by Budgetary Resources

Liabilities not Covered by Budgetary Resources as of September 30, 2014 and 2013 were as follows:

**Table 32: Liabilities not Covered by Budgetary Resources**

| | (In Millions) | |
|---|---|---|
| | 2014 | 2013 (Restated) |
| Public: | | |
| Environmental and Disposal Liabilities (Note 14) | $ 8 | $ 8 |
| Tobacco Transition Payment Program | 50 | 954 |
| Brazilian Cotton Producers | 300 | - |
| Other Programs | 30 | 18 |
| Total Public | $ 388 | $ 980 |
| Total Liabilities Not Covered by Budgetary Resources | $ 388 | $ 980 |
| Total Liabilities Covered by Budgetary Resources | $ 19,624 | $ 15,175 |
| Total Liabilities | $ 20,012 | $ 16,155 |

### Liabilities not Covered by Budgetary Resources

Unfunded liabilities are not covered by budgetary resources or offsetting collections. An OMB apportionment and/or collection of cash is needed to provide budgetary resources and allow payment of the liability in a future period. For FY 2014, the majority of unfunded liabilities consists of a liability for a one-time payment to the Brazilian Cotton Institute and program payments for the Tobacco Transition Payment Program. Refer to Note 1 - Significant Accounting Policies, under Liabilities, for additional information.

## Note 10 – Liabilities Not Covered by Budgetary Resources, Continued

### Liabilities Covered by Budgetary Resources

Funded liabilities are delivered orders unpaid or accruals of payables for which CCC has not yet paid as of the end of the period. For the year ending September 30, 2014, the majority of the open liability for CCC is $11.6 billion in payables for principal due to the Bureau of Public Debt; $5.6 billion in program liabilities, $1.3 billion in Pre-Credit reform liabilities payable to Treasury, and $399 million in advances from others.

CCC restated the FY 2013 financial statements due to correction of errors in the child accounts by USAID. Correction of the errors resulted in a $27.7 million decrease to Liabilities Covered by Budgetary Resources. Refer to Note 21, Restatement of FY 2013 Principal Financial Statements.

## Note 11 – Debt to the Treasury

Debt to the Treasury, categorized as interest bearing as of September 30, 2014 and 2013 was as follows:

**Table 33: Debt to Treasury, Categorized as Interest Bearing**

| | (In Millions) | |
|---|---|---|
| | 2014 | 2013 |
| Debt, beginning of Fiscal Year | | |
| Principal | $ 5,609 | $ 2,682 |
| New Debt | | |
| Principal | $ 21,541 | $ 26,562 |
| Accrued Interest Payable | 4,996 | 1,941 |
| Total New Debt | $ 26,537 | $ 28,503 |
| Repayments | | |
| Principal | $ (15,597) | $ (23,635) |
| Accrued Interest Payable | (4,991) | (1,941) |
| Total Repayments | $ (20,588) | $ (25,576) |
| Debt, as of September 30 | | |
| Principal | $ 11,553 | $ 5,609 |
| Accrued Interest Payable | 5 | - |
| Total Debt Outstanding, as of September 30 | $ 11,558 | $ 5,609 |

## Note 11 – Debt to the Treasury, Continued

CCC may borrow interest-free up to the amount of its unreimbursed realized losses. Debt and interest payable to Treasury as of December 31, 2013 is paid and refinanced by borrowing the same amount from Treasury as of January 1, 2014. Interest expense incurred on Treasury borrowings was $94 million and $103 million for the fiscal years ended September 30, 2014 and 2013, respectively. The majority of the interest expense was associated with Credit Reform programs, totaling $88 million in FY 2014 and $100 million in FY 2013.

Monthly interest rates on borrowing authority stayed 0.125 for both FY 2014 and 2013. The FY 2014 and 2013 interest rates on long-term borrowings under the permanent indefinite borrowing authority for CCC's Credit Reform programs are calculated using the OMB Credit Subsidy Calculator 2 (CSC2). For FY 2001 and subsequent cohorts, the single effective interest rate produced from the calculator, along with budget assumptions, is used to calculate interest expenses for CCC's Credit Reform programs.

The repayment terms for borrowings from Treasury made for the Export Credit Guarantee programs can be up to 10 years. Currently, maximum loan terms do not exceed 7 years, while the repayment term for P.L. 480 Title I Direct Credits program borrowing is 30 years. The repayment term for direct loans under the Farm Storage Facility Loans (FSFL) program is 7, 10, or 12 years, based on the loan amount (maximum loan amount is $500K). The repayment term is 3 years for direct loans under the Apple Loan Program, and 10 years for the direct loans made under the Boll Weevil program. For all Credit Reform programs, with the exception of FSFL, principal repayments are required only at maturity but are permitted at any time during the term of the loan. For FSFL, loans are required to be repaid in equal amortized installments over the term of the loan.

CCC has permanent indefinite borrowing authority that is used by Credit Reform programs to finance disbursements on Post-1991 Credit Reform direct credit and loan obligations and credit guarantees. On October 1, CCC borrows from Treasury for the entire fiscal year based on annual estimates of the difference between the amount appropriated (subsidy) and the amount to be disbursed to the borrower. CCC may repay the loan agreement, in whole or in part, prior to maturity by paying the principal amount of the borrowings plus accrued interest up to the date of repayment. Interest is paid on these borrowings based on weighted average interest rates for the cohort to which the borrowings are associated.

CCC has an authorized capital stock of $100 million held by the Treasury and has permanent indefinite authority to finance disbursements made under the liquidating

## Note 11 – Debt to the Treasury, Continued

accounts related to the Pre-Credit Reform program activities, which are not covered by available working capital. Interest on borrowings from the Treasury (and on capital stock) is paid at a rate based upon the average interest rate of all outstanding marketable obligations (of comparable maturity date) of the U.S. government as of the preceding month. CCC incurred $2 million in interest expense on capital stock for both fiscal years 2014 and 2013, which is separate from the interest expense on Treasury borrowings.

## Note 11 – Debt to the Treasury, Continued

Total debt outstanding, by program and maturity date, as of September 30, 2014, was as follows:

**Table 34: Total Debt Outstanding, by program and maturity date**

| Program | Debt (In Millions) | Maturity Date |
|---|---|---|
| CCC Borrowing Authority | 9,464 | January 1, 2015 |
| Export Credit Guarantees | 1 | September 30, 2015 |
| | 2 | September 30, 2018 |
| | 89 | September 30, 2020 |
| | 164 | September 30, 2021 |
| | 48 | September 30, 2022 |
| | 16 | September 30, 2023 |
| | 25 | September 30, 2024 |
| | 1 | September 30, 2026 |
| P.L. 480 Direct Credits | 107 | September 30, 2018 |
| | 59 | September 30, 2019 |
| | 49 | September 30, 2020 |
| | 37 | September 30, 2021 |
| | 43 | September 30, 2022 |
| | 33 | September 30, 2023 |
| | 61 | September 30, 2024 |
| | 50 | September 30, 2025 |
| | 36 | September 30, 2026 |
| | 47 | September 30, 2027 |
| | 51 | September 30, 2031 |
| | 32 | September 30, 2032 |
| | 27 | September 30, 2033 |
| | 23 | September 30, 2034 |
| | 18 | September 30, 2035 |
| Debt Reduction | 3 | September 30, 2021 |
| | 29 | September 30, 2022 |
| | 3 | September 30, 2023 |
| | 25 | September 30, 2024 |
| | 11 | September 30, 2026 |
| | 3 | September 30, 2028 |
| Farm Storage Facility Loans | 10 | September 30, 2015 |
| | 29 | September 30, 2016 |
| | 64 | September 30, 2017 |
| | 152 | September 30, 2018 |
| | 156 | September 30, 2019 |
| | 157 | September 30, 2020 |
| | 215 | September 30, 2021 |
| | 205 | September 30, 2022 |
| | 2 | September 30, 2029 |
| Sugar Storage Facility Loans | 4 | September 30, 2028 |
| Boll Weevil | 2 | September 30, 2020 |
| Total Debt Outstanding | $ 11,553 | |

## Note 12 – Deposit and Trust Liabilities

Deposit and Trust Liabilities are amounts advanced to or deposited with CCC on behalf of other entities. Refer to Note 19 – Disclosures Not Related to a Specific Statement under Transactions with Related Organizations, for additional information. The balances, categorized as intra governmental and public, as of September 30, 2014 and 2013 were as follows:

**Table 35: Intra governmental and Public - Deposit and Trust Liabilities**

(In Millions)

| | 2014 | 2013 |
|---|---|---|
| Intragovernmental: | | |
| Agricultural Marketing Service | $ 22 | $ 206 |
| Food and Nutrition Service | 68 | 596 |
| Foreign Agricultural Service | 139 | 245 |
| Natural Resources Conservation Service | 170 | 259 |
| Total Intragovernmental Deposit and Trust Liabilities | $ 399 | $ 1,306 |
| Public | $ 23 | $ 6 |
| Total Public Deposit and Trust Liabilities | $ 23 | $ 6 |

FNS, FAS, and NRCS activities contribute to the majority of the Intra governmental Deposit and Trust Liabilities. Within USDA, FNS coordinates with FSA/CCC to purchase certain commodities for domestic feeding programs. FNS funds the purchase of commodities for the National School Lunch program and many other domestic feeding programs administered by voluntary organizations which help to fight hunger. In conjunction with FSA/CCC, FAS administers foreign food aid programs, helping people in need around the world. NRCS coordinates with CCC regarding several water and grassland conservation programs. As of September 30, 2014, Intra governmental Deposit and Trust Liabilities decreased by $907 million compared to the prior year. This variance is attributed to the implementation of a Direct Cite Pilot program in May 2013 which eliminates the need to advance amounts to CCC. Full implementation occurred October 1, 2013.

The Public Deposit and Trust Liability was $23 million and $6 million as of September 30, 2014 and 2013, respectively. This liability consists of unapplied collections for warehouse user fees, claims for disaster programs, and other miscellaneous collections that are temporarily held in suspense until appropriately identified and applied.

## Note 13 – Other Liabilities

Other Liabilities (Current) as of September 30, 2014 and 2013 were as follows:

**Table 36: Other Liabilities**

| | (In Millions) | |
|---|---|---|
| | 2014 | 2013 |
| Intragovernmental: | | |
| Resources Payable to Treasury: | | |
| P.L.480 Direct Credit Liquidating Fund | $ 1,202 | $ 1,427 |
| Total Resources Payable to Treasury | $ 1,202 | $ 1,427 |
| Accrued Conservation Reserve Program Technical Assistance | $ 12 | $ 10 |
| Excess Subsidy Payable to Treasury | 126 | 59 |
| Other | 45 | 26 |
| Total Intragovernmental Other Liabilities | $ 183 | $ 95 |
| Public: | | |
| Brazilian Cotton Producers | $ 300 | $ - |
| Other | 34 | 34 |
| Total Public Other Liabilities | $ 334 | $ 34 |

Resources Payable to Treasury represents CCC's liquidating fund assets (cash and loans receivable, net of an allowance) less any liabilities that may be held as working capital. Loans made in 1991 and before (Pre-Credit Reform direct loans and assigned loan guarantees) are accounted for in liquidating funds. These funds collect loan payments and pay any related expenses or default claims. At the end of each year, any unobligated cash balance is transferred to Treasury.

The Conservation Reserve Program Technical Assistance is administered by NRCS and provides land users with proven conservation technology and the delivery system needed to achieve the benefits of a healthy and productive landscape.

The Excess Subsidy Payable to Treasury is the downward reestimate paid to Treasury from the financing fund.

As of September 30, 2014, Other Liabilities (Public) is $334 million. Of the $334 million, $300 million is attributed to an agreement between the governments of Brazil and the United States of America to establish a fund to provide technical assistance and capacity building of the cotton industry in Brazil in resolution of a World Trade Organization (WTO) complaint.

## Note 14 – Environmental and Disposal Liabilities

From the late 1930's until the mid-1970's, the Corporation operated approximately 4,500 grain storage facilities in the U.S as part of USDA's price support program for American farmers. Because much of the grain was stored for extended periods of time, it was periodically necessary to fumigate the grain in order to control destructive insects. The fumigant mixture most commonly used contained the chlorinated solvent carbon tetrachloride. Carbon tetrachloride was used as a pesticide for the stored grain until it was banned by the Environmental Protection Agency (EPA) in 1985 as a potential human carcinogen.

In the mid-1980s, CCC and the EPA identified several former CCC grain storage facilities where carbon tetrachloride was present in groundwater supplies. In addition to addressing the contaminated sites initially identified, CCC funded and conducted a private well sampling program at more than 600 former CCC grain storage facilities in Missouri, Kansas, and Nebraska. This sampling program identified numerous sites where some level of carbon tetrachloride contamination was present. The total number of CCC sites where some level of contamination is present is 82 known locations, of which 29 have been either remediated or no further action is required.

Addressing these former grain storage facility sites, most of which are located on private property, has been the focus of CCC's hazardous waste cleanup program to date. The objective of the program has been, and continues to be, removing the financial liability associated with these sites. Many of these former CCC sites have ground water contamination above the Federal drinking water standard. The EPA and state regulators continue to conduct soil and water sampling to identify any additional contaminated CCC sites that may pose a potential threat to public health or have contaminant levels that exceed natural resource degradation standards.

CCC recorded a total liability for remediation of affected sites of $12 million in FY 2014, of which $8 million was unfunded. The funded portion of $4 million is included in Other Liabilities. CCC estimates the range of potential future losses due to remedial actions to be between $12 million and $140 million.

## Note 15 – Accrued Liabilities

Accrued Liabilities as of September 30, 2014 and 2013 were as follows:

**Table 37: Accrued Liabilities**

| | (In Millions) | |
|---|---|---|
| | 2014 | 2013 |
| Conservation Reserve Program | $ 1,684 | $ 1,507 |
| Export Programs | 4 | 1 |
| Income Support Programs: | | |
| Direct and Counter-cyclical Payment Program | 143 | 4,290 |
| Disaster Assistance Program | 3,380 | - |
| Sugar | - | 66 |
| Cotton Transition Assistance Program | 342 | - |
| Other | 15 | 33 |
| Tobacco Transition Payment Program | 50 | 954 |
| Other | 5 | 105 |
| Total Accrued Liabilities | $ 5,623 | $ 6,956 |

CRP Accrued Liability increased by $177 million compared to the prior year due to Economic and Policy Analysis Staff (EPAS) estimates for FY 2015 payouts. DCP Accrued Liability decreased by $4.1 billion compared to the prior year due to the repeal of this program by the 2014 Farm Bill. DAP and CTAP were created by the 2014 Farm Bill. DAP was established to provide assistance to eligible producers who suffered losses, retroactive to October 1, 2011, from natural disasters, droughts, disease, and fires. TTPP Accrued Liability was $50 million and $954 million, as of September 30, 2014 and 2013 respectively. The $954 million in FY 2013 represents the payments due in FY 2014, the final year of the program. The $50 million accrued liability as of the end of FY14 represents the balance that was sequestered from the 2014 program payments and will be disbursed in early FY 2015. Refer to Note 1 - Significant Accounting Policies, under Liabilities, for additional information.

## Note 16 – Commitments and Contingencies

A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A loss contingency is a liability when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable.

In addition to loss contingencies, CCC also discloses (1) an estimate of obligations related to canceled appropriations and borrowing authority programs for which the reporting entity has a contractual commitment for payment and (2) amounts for contractual arrangements that may require future financial obligations.

### Grassland Reserve Program (GRP)

GRP was a voluntary program for landowners to protect, restore, and enhance grasslands on their property. NRCS and FSA jointly implement GRP to conserve vulnerable grasslands from conversion to cropland or other uses and conserve valuable grasslands by helping maintain viable ranching operations. The length of GRP rental contracts was 10, 15, 20, or 30 years long. GRP was repealed by the Agricultural Act of 2014 (2014 Farm Bill); however, the repeal does not affect the validity or terms of any GRP contract, agreement or easement entered into prior to February 7, 2014 or any associated payments required to be made in connection with any GRP contract, agreement or easement.

Payments are not static due to many variables (i.e. amount of program funding received each year, length of rental contracts, number of easements perfected/finalized each year and if the landowner takes a lump sum easement payment or chooses the option to receive 10 annual payments).

### Conservation Reserve Program (CRP)

Through CRP, eligible participant's sign 10 to 15 year contracts to remove land from production in exchange for an annual rental payment. The participants also receive cost-share assistance for establishing conservation practices on the reserve acreage and additional incentive payments for adopting high-priority conservation measures. CCC estimates that the future liability for CRP rental payments through FY 2020 will average $1.7 billion annually for 2014 and prior year agreements.

## Note 16 – Commitments and Contingencies, Continued

### Legal Disputes and Claims

In the normal course of business, CCC becomes involved in various legal disputes and claims. CCC vigorously defends its position in such actions through the Office of the General Counsel (OGC) and the U.S. Department of Justice.

In FY 2013, the Pigford II claim litigation case was resolved in favor of the plaintiff. CCC is liable for $100 million of the total $1.25 billion liability. As of September 30, 2014, all but $200,000 of the $100 million CCC funding had been disbursed. The $200,000 remains for the payment of future anticipated liabilities.

No amounts have been accrued in the financial statements for claims where the amount is uncertain or where the probability of judgment against USDA is remote.

## Note 17 – Disclosures Related to the Statement of Net Cost

### Earned Revenue

Revenue and expense are recognized based on SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*. CCC follows the implementation guide for classifying, recognizing, and measuring inflows of resources. Earned revenues are exchange revenues, which arise when a Federal entity provides goods and services to the public or to another government entity for a price.

CCC restated the FY 2013 financial statements due to correction of errors in the child accounts by USAID. Correction of the errors resulted in an $80.1 million decrease to Gross and Net Costs for this strategic goal and in total. Refer to Note 21, Restatement of FY 2013 Principal Financial Statements.

Earned Revenue for the years ended September 30, 2014 and 2013 were as follows:

**Table 38: Earned Revenue**

| | (In Millions) | |
|---|---|---|
| | 2014 | 2013 |
| Intragovernmental Earned Revenue: | | |
| Earned Revenue | $ 110 | $ 224 |
| Interest Income | 19 | 18 |
| Less: Intra-Agency Eliminations | - | (49) |
| Total Intragovernmental Earned Revenue | $ 129 | $ 193 |
| Earned Revenue from the Public: | | |
| Interest Income | $ 150 | $ 185 |
| Total Earned Revenue from the Public | $ 150 | $ 185 |
| Total Earned Revenue | $ 279 | $ 378 |

The $(49) million Intra-Agency Elimination for September 30, 2013 was recorded to eliminate tobacco interchange transfer between CCC Revolving Fund and the Tobacco Trust Fund expenditure transfer. There was no interchange transfer required for FY 2014.

## Note 17 – Disclosures Related to the Statement of Net Cost, Continued

CCC's strategic goals are as follows:

### Provide a Financial Safety Net for Farmers and Ranchers

Under this strategic goal, program areas include Income support and disaster assistance. CCC provides financial assistance to protect farmers and ranchers from fluctuations in market conditions and unexpected natural or man-made disasters. Assistance is provided through income support programs, disaster assistance programs, and the Noninsured Crop Disaster Assistance Program (NAP). FSA administers CCC income support and disaster assistance programs.

### Increase Stewardship of Natural Resources While Enhancing the Environment

The program under this strategic goal is Conservation. Supported by the *Food, Conservation, and Energy Act of 2008* (2008 Farm Bill), and extended by the 2014 Farm Bill, conservation programs offer farmers and ranchers a variety of financial and economic incentives to conserve natural resources on the nation's privately owned farmlands. These programs focus on reducing erosion, protecting streams and rivers, restoring and establishing fish and wildlife habitats, and improving air quality through several conservation incentive payments, technical assistance, and cost-share programs. FSA and NRCS administer CCC conservation programs.

### Ensure Commodities are Procured and Distributed Effectively and Efficiently

Under this strategic goal, program areas include Commodity Operations and Food Aid. FSA oversees the procurement, acquisition, storage, disposition, and distribution of commodities, and the administration of the *United States Warehouse Act* (USWA). These programs help achieve domestic farm program price support objectives, produce a uniform regulatory system for storing agricultural products, and ensure the timely provision of food products for domestic and international food assistance programs and market development programs. FAS administers the Food for Progress Program, which provides food aid to countries that are emerging democracies and are committed to introducing and expanding free enterprise in the agricultural sector. Food aid addresses participating countries' hunger and helps to build longer term economic development that boosts trade opportunities for the United States and other countries.

### Increase U.S. Food and Agricultural Exports

Under this strategic goal, program areas include Market Development and Export Credit.

Expanding markets for agricultural products are critical to the long-term health and prosperity of the U.S. agricultural sector. With 95 percent of the world's population living outside the United States, future growth in demand for food and agricultural

## Note 17 – Disclosures Related to the Statement of Net Cost, Continued

products will occur primarily in overseas markets. CCC funds used in the market development programs play a critical role in helping to open new markets and in facilitating U.S. competitiveness, helping to secure a more prosperous future for American agriculture. Support for economic development and trade capacity building reinforces these efforts by helping developing countries to become economically stable and improve their prospects to participate in and benefit from expanding global trade in agricultural products. FAS administers CCC foreign market development programs.

CCC export credit guarantee and direct loan programs, administered by FAS in conjunction with FSA, provide payment guarantees for third-party commercial financing and direct financing of U.S. agricultural exports. These programs facilitate exports to buyers in countries where credit is necessary to maintain or increase U.S. sales, but where financing may not be available without CCC credit facilities.

## Note 17 – Disclosures Related to the Statement of Net Cost, Continued

**Table 39: Net Costs of Operations by Strategic Goal and Program for the year ended September 30, 2014 (In Millions)**

| | Income Support and Disaster Assistance | Conservation Programs | Commodity Operations and Food Aid | Market Development and Export Credit | Total |
|---|---|---|---|---|---|
| **Provide a Financial Safety Net for Farmers and Ranchers** | | | | | |
| Intragovernment Cost | $ 744 | $ - | $ 56 | $ - | $ 800 |
| Public Cost | 8,084 | - | 39 | - | 8,123 |
| Total Cost | $ 8,828 | $ - | $ 95 | $ - | $ 8,923 |
| Intragovernment Earned Revenue | $ - | $ - | $ - | $ - | $ - |
| Public Earned Revenue | 9 | - | 2 | - | 11 |
| Total Earned Revenue | $ 9 | $ - | $ 2 | $ - | $ 11 |
| **Increase Stewardship of Natural Resources While Enhancing the Environment** | | | | | |
| Intragovernment Cost | $ - | $ 386 | $ - | $ - | $ 386 |
| Public Cost | - | 1,928 | - | - | 1,928 |
| Total Cost | $ - | $ 2,314 | $ - | $ - | $ 2,314 |
| Intragovernment Earned Revenue | $ - | $ 45 | $ - | $ - | $ 45 |
| Public Earned Revenue | - | 2 | - | - | 2 |
| Total Earned Revenue | $ - | $ 47 | $ - | $ - | $ 47 |
| **Ensure Commodities are Procured and Distributed Effectively and Efficiently** | | | | | |
| Intragovernment Cost | $ 19 | $ - | $ 63 | $ - | $ 82 |
| Public Cost | (1) | - | 203 | - | 202 |
| Total Cost | $ 18 | $ - | $ 266 | $ - | $ 284 |
| Intragovernment Earned Revenue | $ 7 | $ - | $ - | $ - | $ 7 |
| Public Earned Revenue | 12 | - | 4 | - | 16 |
| Total Earned Revenue | $ 19 | $ - | $ 4 | $ - | $ 23 |
| **Increase U.S. Food and Agricultural Exports** | | | | | |
| Intragovernment Cost | $ - | $ - | $ - | $ 96 | $ 96 |
| Public Cost | - | - | - | 1,670 | 1,670 |
| Total Cost | $ - | $ - | $ - | $ 1,766 | $ 1,766 |
| Intragovernment Earned Revenue | $ - | $ - | $ - | $ 76 | $ 76 |
| Public Earned Revenue | - | - | - | 122 | 122 |
| Total Earned Revenue | $ - | $ - | $ - | $ 198 | $ 198 |
| **Total Gross Cost** | **$ 8,846** | **$ 2,314** | **$ 361** | **$ 1,766** | **$ 13,287** |
| **Less: Total Earned Revenue** | **28** | **47** | **6** | **198** | **279** |
| **Net Cost of Operations** | **$ 8,818** | **2,267** | **$ 355** | **$ 1,568** | **$ 13,008** |

# Note 17 – Disclosures Related to the Statement of Net Cost, Continued

## Table 40: Net Costs of Operations by Strategic Goal and Program for the year ended September 30, 2013 (Restated) (In Millions)

| | Income Support and Disaster Assistance | Conservation Programs | Commodity Operations and Food Aid | Market Development and Export Credit | Intra-Agency Eliminations | Total |
|---|---|---|---|---|---|---|
| **Provide a Financial Safety Net for Farmers and Ranchers** | | | | | | |
| Intragovernment Cost | $ 831 | $ - | $ 68 | $ - | $ - | $ 899 |
| Public Cost | 5,262 | - | 6 | - | - | 5,268 |
| Total Cost | $ 6,093 | $ - | $ 74 | $ - | $ - | $ 6,167 |
| Intragovernment Earned Revenue | $ 49 | $ - | $ - | $ - | $ (49) | $ - |
| Public Earned Revenue | 36 | - | - | - | - | 36 |
| Total Earned Revenue | $ 85 | $ - | $ - | $ - | $ (49) | $ 36 |
| **Increase Stewardship of Natural Resources While Enhancing the Environment** | | | | | | |
| Intragovernment Cost | $ - | $ 426 | $ - | $ - | $ - | $ 426 |
| Public Cost | - | 1,765 | - | - | - | 1,765 |
| Total Cost | $ - | $ 2,191 | $ - | $ - | $ - | $ 2,191 |
| Intragovernment Earned Revenue | $ - | $ 33 | $ - | $ - | $ - | $ 33 |
| Public Earned Revenue | - | 2 | - | - | - | 2 |
| Total Earned Revenue | $ - | $ 35 | $ - | $ - | $ - | $ 35 |
| **Ensure Commodities are Procured and Distributed Effectively and Efficiently** | | | | | | |
| Intragovernment Cost | $ 21 | $ - | $ 84 | $ - | $ - | $ 105 |
| Public Cost | (3) | - | (2) | - | - | (5) |
| Total Cost | $ 18 | $ - | $ 82 | $ - | $ - | $ 100 |
| Intragovernment Earned Revenue | $ 8 | $ - | $ - | $ - | $ - | $ 8 |
| Public Earned Revenue | 13 | - | - | - | - | 13 |
| Total Earned Revenue | $ 21 | $ - | $ - | $ - | $ - | $ 21 |
| **Increase U.S. Food and Agricultural Exports** | | | | | | |
| Intragovernment Cost | $ - | $ - | $ - | $ 112 | $ - | $ 112 |
| Public Cost | - | - | - | 2,353 | - | 2,353 |
| Total Cost | $ - | $ - | $ - | $ 2,465 | $ - | $ 2,465 |
| Intragovernment Earned Revenue | $ - | $ - | $ - | $ 152 | $ - | $ 152 |
| Public Earned Revenue | - | - | - | 134 | - | 134 |
| Total Earned Revenue | $ - | $ - | $ - | $ 286 | $ - | $ 286 |
| **Total Gross Cost** | **$ 6,111** | **$ 2,191** | **$ 156** | **$ 2,465** | **$ -** | **$ 10,923** |
| **Less: Total Earned Revenue** | **106** | **35** | **-** | **286** | **(49)** | **378** |
| **Net Cost of Operations** | **$ 6,005** | **2,156** | **$ 156** | **$ 2,179** | **$ 49** | **$ 10,545** |

## Note 18 – Disclosures Related to the Statement of Budgetary Resources

The Statement of Budgetary Resources (SBR) is a combined statement that provides information about how budgetary resources were made available, as well as their status at the end of the year. CCC restated the FY 2013 financial statements due to correction of errors in the child accounts by USAID. Correction of the errors resulted in changes to several lines of the SBR, culminating in a $94.5 million decrease to Budgetary Resources, a $14.8 million decrease to the end of year Obligated Balance, and a $20.3 million increase to Outlays. Refer to Note 21, Restatement of FY 2013 Principal Financial Statements.

### Terms of Budget Authority Used

Unobligated budget authority is the difference between the obligated balance and the total unexpended balance. It represents that portion of the unexpended balance unencumbered by recorded obligations. Each appropriation is provided on an annual, multi-year, or no-year basis. An appropriation expires on the last day of its period of availability and is no longer available for new obligations. Unobligated balances retain its fiscal-year identity in an expired account for an additional five fiscal years. The unobligated balance remains available to make legitimate obligation adjustments, i.e., to record previously unrecorded obligations and to make upward adjustments in previously underestimated obligations for five years. At the end of the fifth year, the authority is canceled. Thereafter, the authority is not available for any purpose.

### Available Borrowing Authority

Per the *Commodity Credit Corporation Charter Act*, *15 U.S.C. 714*, the Corporation's borrowing authority is made up of both interest and non-interest bearing notes. These notes are drawn upon on a daily basis when disbursements exceed deposits, as reported by the Federal Reserve Banks (FRB), their branches, the Treasury, and CCC's financing office. CCC is authorized to issue and have outstanding at any one time bonds, notes, debentures, and other similar obligations in an aggregate amount not to exceed $30 billion. CCC's notes payable under its permanent indefinite borrowing authority have a term of one year. On January 1 of each year, CCC refinances its outstanding borrowings, including accrued interest, at the January borrowing rate. Refer to Note 11 – Debt to the Treasury for additional information. The amount of borrowing authority less principal payments to the U.S. Treasury Bureau of the Public Debt (i.e. available borrowing authority) for the year ended September 30, 2014, was $9.2 billion. Refer to Note 2 – Fund Balance with Treasury – Borrowing Authority not yet converted to Fund Balance. CCC receives an annual appropriation to fund its net realized losses.

## Note 18 – Disclosures Related to the Statement of Budgetary Resources, Continued

In addition, CCC has permanent indefinite authority to finance disbursements made under the liquidating accounts related to the Pre-Credit Reform program activities, which are not covered by available working capital.

### Apportionment Categories of Obligations Incurred

Obligations can either be categorized as direct or reimbursable. Direct obligations are not financed from reimbursements while reimbursable obligations are financed by offsetting collections that are payments to the performing account for goods and services provided to the ordering entity. For the years September 30, 2014 and 2013 there were no obligations incurred under apportionment category A, which is funded on a quarterly basis. Obligations incurred under apportionment category B, which is funded annually, were as follows:

**Table 41: Direct and Reimbursable Obligations**

| **Obligations** | Dollars in Billions | |
|---|---|---|
| For the Fiscal Year Ended September 30 | 2014 | 2013 |
| Direct | $ 2.98 | $ 2.96 |
| Reimbursable | 15.12 | 18.98 |
| Total Obligations | $ 18.10 | $ 21.94 |

### Undelivered Orders

Undelivered orders, either unpaid or prepaid, are purchase orders or contracts awarded for which goods or services have not yet been received. The amounts for undelivered orders are $4.6 billion and $5.3 billion for the years September 30, 2014 and 2013, respectively.

### Permanent Indefinite Appropriations

CCC has a permanent indefinite borrowing authority, as defined by OMB Circular A-11. A permanent indefinite borrowing authority becomes available pursuant to standing provisions of law without further actions by Congress after the transmittal of the budget for the year involved. CCC's authority is established annually to record the obligations of CCC; apportionment documents received for some of CCC's specific programs provide spending limitations within the borrowing authority and are subject to the *Antideficiency Act*. The borrowing authority provides that all obligations are reported, even though subsequent appropriations or offsetting collections will ultimately be used to liquidate the obligations of the Corporation. CCC cannot borrow more than the amount required to liquidate obligations incurred. Through the use of contract authority, OMB Circular A-11 permits the Corporation to incur obligations which can exceed its

# Note 18 – Disclosures Related to the Statement of Budgetary Resources, Continued

$30 billion borrowing authority ceiling and authorizes CCC to borrow funds to liquidate the obligations. To date, CCC has not utilized this contract authority.

## Legal Arrangements Affecting the Use of Unobligated Balances

Any information about legal arrangements affecting the use of the unobligated balance of budget authority is specifically stated by program and fiscal year in the appropriation language or in the alternative provisions section at the end of the appropriations act. CCC does not have obligations from canceled appropriations.

## President's Budget Reconciliation

The SF-133 which is used by CCC to report and certify obligation balances is also used to populate some portions of the Program and Financing Schedules (P&F Schedules) within the Budget of the United States Government.

Since the P&F Schedules within the *Budget of the United States Government, Fiscal Year 2016* were not available at the time CCC's Annual Management Report for FY 2014 was issued, the reconciliation between the President's Budget and the SBR for FY 2014 could not be performed. The *Budget of the United States Government, Fiscal Year 2016* is expected to be published in February 2015 and will be available on the website of the Office of Management and Budget (http://www.whitehouse.gov) at that time. The FY 2014 SBR will be reconciled to the FY 2014 actuals on the P&F Schedules reported in the *Budget of the United States Government, Fiscal Year 2016*, once released.

The summarized table below shows the reconciliation of the FY 2013 SBR to the FY 2013 actuals on the P&F Schedules presented in the *Budget of the United States Government, Fiscal Year 2015*.

## Note 18 – Disclosures Related to the Statement of Budgetary Resources, Continued

**Table 42: P&F Reconciliation**

Dollars in Millions

| | Budgetary Resources | Obligations Incurred | Distributed Offsetting Receipts | Net Outlays |
|---|---|---|---|---|
| **Combined Statement of Budgetary Resources** | $ 23,384 | $ 21,941 | $ (102) | $ 10,593 |
| Reconciling Items: | | | | |
| Shared Appropriation[a] | (1) | - | - | - |
| Rounding | (1) | 1 | - | (1) |
| Distributed Offsetting Receipts | - | - | 102 | - |
| **Budget of the United States Government** | $ 23,382 | $ 21,942 | $ - | $ 10,592 |

**Note:**

a - Hazardous Waste Management Fund (12X0500), is a shared appropriation. CCC reports the budgetary information for its portion in its Statement of Budgetary Resources. The USDA reports the SF-133 and MAX balances for this fund on a consolidated level.

## Note 19 – Disclosures Not Related to a Specific Statement

### Transactions with Related Organizations

CCC maintains deposit and trust liabilities for AMS, FAS, FNS, and the NRCS. Refer to Note 12 – Deposit and Trust Liabilities for additional information. In addition, CCC has the following transactions with other USDA agencies:

- For the years ended September 30, 2014 and 2013, outlays under reimbursable agreements with other USDA agencies amounted to $48 million and $48 million, respectively.

- CCC donates commodities for use under domestic feeding programs administered by FNS. The value of commodities donated for these domestic purposes, including related transportation and storage costs for the year ended September 30, 2014 and 2013 were $2 million and $1 million, respectively.

## Note 19 – Disclosures Not Related to a Specific Statement, Continued

CCC transfers for the years ended September 30, 2014 and 2013 were as follows:

**Table 43: Summary of CCC Transfers to Related Parties**

In Millions

| Transferred to | 2014 | 2013 |
|---|---|---|
| FNS for the Senior's Farmers Market Nutrition Program | $ 21 | $ 20 |
| Animal and Plant Health Inspection Service (APHIS) for bovine tuberculosis, light brown apple moth outbreak, and potato cyst nematode eradication programs | $ 83 | $ 50 |
| Office of the CFO for bio-diesel fuel education and bio-based products | $ - | $ - |
| AMS for commodity assistance program and marketing service | $ 126 | $ 54 |
| National Institute of Food and Agriculture (NIFA) for the national agricultural higher education, research, and extension system which are designed to address national problems and needs related to agriculture, the environment, human health and well-being, and communities | $ 158 | $ - |
| On behalf of NRCS for various conservation programs and technical assistance | $ 3,647 | $ 3,521 |
| Rural Utilities Services | $ 393 | $ - |
| Other USDA agencies including FSA and Risk Management Agency (RMA) | $ 18 | $ 6 |
| Rural Business and Cooperative Development Service, which provides for business credit needs in under-served rural areas, often in partnership with private-sector lenders | $ - | $ 147 |

## Note 19 – Disclosures Not Related to a Specific Statement, Continued

For the years ended September 30, 2014 and 2013, CCC disbursed $14 million and $79 million, respectively, to NRCS for CRP technical assistance. These programs included Wetland Reserve Program, Environmental Quality Incentive Program (EQIP), Farm and Ranch Lands Protection Program (FRPP), Wildlife Habitat Incentives Program, Ground and Surface Water Conservation Program, Grassland Reserve Program (GRP), and the Conservation Security Program. NRCS is responsible for the administration of these programs. For GRP, NRCS has entered into a memorandum of understanding with CCC to disburse funds using the services and facilities of CCC. It should be noted that although NRCS has been receiving funding for the EQIP program since FY 2003, CCC continues to receive separate funding for the FY 2002 and earlier program years.

As part of its parent/child relationship, CCC provided funds to USAID to fund P.L. 480 Title II transportation and other administrative costs in connection with foreign donations. The amount of funds provided to USAID for the fiscal years ended September 30, 2014 and 2013 was $1 billion and $773 million, respectively. Refer to Note 1 - Significant Accounting Policies, under Allocation Transfers and Shared Appropriations, for further information. The Secretary of Agriculture authorized the release of funds from the Bill Emerson Humanitarian Trust (BEHT). The BEHT is a Department of Agriculture program which provides emergency humanitarian food assistance when a food crisis arises. The release in July 2014 was to be a cooperative effort between CCC to purchase $50 million in commodities to meet the emergency food needs in South Sudan and a transfer to USAID (CCC Child Account) of $130 million to be used for transportation and related costs for the food aid effort to South Sudan.

### Custodial Activity

CCC's custodial activities involve the collection and transfer of funds received from the public on behalf of Treasury, FSA, and other USDA agencies. These collections include amounts related to FSA's Farm Loan Program, as well as other interest, fees, and penalties due to Treasury and other USDA agencies.

## Note 19 – Disclosures Not Related to a Specific Statement, Continued

Custodial Activities for the years ended September 30, 2014 and 2013 were as follows:

**Table 44: Custodial Activities**

| | (In Millions) | |
|---|---|---|
| | 2014 | 2013 |
| Revenue Activity: | | |
| Sources of Cash Collections: | | |
| Repayment of Farm Credit Loans | $ 1,531 | $ 1,871 |
| Administrative and Other Service Fees | 364 | 267 |
| Total Cash Collections | $ 1,895 | $ 2,138 |
| Total Custodial Revenue | $ 1,895 | $ 2,138 |
| Disposition of Collections: | | |
| Transfers to Others: | | |
| USDA Farm Service Agency | $ 1,635 | $ 1,894 |
| Other USDA Agencies | 216 | 218 |
| Department of Treasury | 26 | 18 |
| Total Disposition of Collections | $ 1,877 | $ 2,130 |
| (Increase)/Decrease in Amounts Yet to be Transferred (+/-) | $ (18) | $ (8) |
| Net Custodial Activity | $ - | $ - |

## Note 20 – Reconciliation of Net Cost of Operations to Budget

Budgetary and proprietary accounting information are inherently different because of the types of information and the timing of their recognition. The Reconciliation of Net Cost of Operations to Budget provides a link between budgetary and proprietary accounting information. It serves not only to explain how information on net obligations relates to the net cost of operations but also to assure integrity between budgetary and proprietary accounting.

Net obligations and the net cost of operations are different because (1) the net cost of operations may be financed by non-budgetary resources (e.g. imputed financing); (2) the budgetary and non-budgetary resources used may finance activities which are not components of the net cost of operations; and (3) the net cost of operations may contain components which do not use or generate resources in the current period.

## Note 20 – Reconciliation of Net Cost of Operations to Budget, Continued

The Reconciliation of Net Cost of Operations to Budget for the years ended September 30, 2014 and 2013 were as follows:

### Table 45: Reconciliation of Net Cost of Operations to Budget

| | (In Millions) | |
|---|---|---|
| | 2014 | 2013 (Restated) |
| **Resources Used to Finance Activities:** | | |
| Budgetary Resources Obligated: | | |
| Obligations Incurred | $ 18,105 | $ 21,941 |
| Less: Spending Authority from Offsetting Collections and Recoveries | 5,909 | 10,988 |
| Obligations Net of Offsetting Collections and Recoveries | $ 12,196 | $ 10,953 |
| Less: Offsetting Receipts | 74 | 102 |
| Net Obligations | $ 12,122 | $ 10,851 |
| Other Resources: | | |
| Imputed Financing from Costs Absorbed by Others | 1,163 | 1,273 |
| Other | (242) | (164) |
| Net Other Resources Used to Finance Activities | $ 921 | $ 1,109 |
| **Total Resources Used to Finance Activities** | **$ 13,043** | **$ 11,960** |
| **Resources Used to Finance Items not Part of the Net Cost of Operations:** | | |
| Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not Yet Provided | $ 717 | $ (527) |
| Resources that Fund Expenses Recognized in Prior Periods | (722) | (1,088) |
| Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations: | | |
| Credit Program Collections which Increase Liabilities for Loan Guarantees or Allowances for Subsidy | 184 | - |
| Change in Unfilled Customer Orders | (389) | 2,826 |
| Decrease in Exchange Receivables from the Public | 3,663 | 5,741 |
| Other | (526) | (2,079) |
| Resources that Finance the Acquisition of Assets | (2,822) | (3,999) |
| Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations | (1,346) | (4,019) |
| **Total Resources Used to Finance Items Not Part of the Net Cost of Operations** | **$ (1,241)** | **$ (3,145)** |
| **Total Resources Used to Finance the Net Cost of Operations** | **$ 11,802** | **$ 8,815** |
| **Components of the Net Cost of Operations that will not Require or Generate Resources in the current period:** | | |
| Components Requiring or Generating Resources in Future Periods: | | |
| Upward/(Downward) Reestimates of Credit Subsidy Expense | $ 69 | $ 115 |
| (Increase) in Exchange Revenue Receivable from the Public | (376) | (138) |
| Other | 382 | 178 |
| Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods | $ 75 | $ 155 |
| Components not Requiring or Generating Resources: | | |
| Depreciation and Amortization | $ 3 | $ (49) |
| Revaluation of Assets or Liabilities | 5 | 2 |
| Other Components not Requiring or Generating Resources: | | |
| Bad Debt Expense | 80 | (187) |
| Cost of Goods Sold | 120 | 56 |
| Other | 923 | 1,753 |
| Total Components of Net Cost of Operations that will not Require or Generate Resources | $ 1,131 | $ 1,575 |
| **Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period** | **$ 1,206** | **$ 1,730** |
| **Net Cost of Operations** | **$ 13,008** | **$ 10,545** |

## Note 21 – Restatement of FY 2013 Principal Financial Statements

CCC has a parent/child relationship with the United States Agency for International Development (USAID) for two Treasury Account Symbols. These are part of the CCC consolidated financial statements. USAID has a long-standing Material Weakness (MW) related to Fund Balance with Treasury (FBWT). As of FY 2013, CCC had a Significant Deficiency (SD) related to Child Agency (USAID) Financial Reporting due in part to USAID's difficulty in reconciling FBWT for CCC's two Treasury Account Symbols under the parent/child relationship.

In order to remediate their long-standing material weakness, USAID has improved its cash reconciliation processes over the past six years. Those improvements continued into FY 2014 and culminated in a comprehensive reconciliation of obligation authority, advances, obligations, expenditures, reimbursements, and cash in almost all of USAID's appropriations, including those in the child accounts. The adjustments identified and supported by the reconciliation took effect as of the beginning of FY 2013. This has altered, and therefore requires a restatement of, certain previously reported FY 2013 balances.

The following illustrative Schedule of Summary of Changes details the impact to the aforementioned statements:

**Commodity Credt Corporation**
**Summary of Changes**
**Pro Forma Balances As of September 30, 2013**
**(In Millions)**

| | At Stated FY13 | Adjustment: Increase/ Decrease | Restated FY13 |
|---|---|---|---|
| **Balance Sheet** | | | |
| ASSETS: | | | |
| Fund Balance with Treasury | 2,686 | (15) | 2,671 |
| Other Assets | 119 | 4 | 123 |
| Total Assets | 8,217 | (11) | 8,206 |
| LIABILITIES: | | | |
| Accounts Payable | 616 | (27) | 589 |
| Total Liabilities | 16,183 | (27) | 16,156 |
| NET POSITION: | | | |
| Unexpended Appropriations | 372 | 326 | 698 |
| Cumulative Results of Operations | (8,438) | (310) | (8,748) |
| Total Net Position | (7,966) | 16 | (7,950) |
| Total Liabilities and Net Position | 8,217 | (11) | 8,206 |
| **Statement of Net Cost** | | | |
| GOAL 4: Increase US Food and Agricultural Exports | | | |
| Gross Cost | 2,545 | (80) | 2,465 |
| Net Goal Cost | 2,259 | (80) | 2,179 |
| Total Gross Cost | 11,003 | (80) | 10,923 |
| Net Cost of Operations | 10,625 | (80) | 10,545 |

**Commodity Credt Corporation**
**Summary of Changes**
**Pro Forma Balances As of September 30, 2013**
**(In Millions)**

| | At Stated FY13 | Adjustment: Increase/ Decrease | Restated FY13 |
|---|---|---|---|
| **Statement of Changes in Net Position** | | | |
| CUMULATIVE RESULTS OF OPERATIONS: | | | |
| Beginning Balance | (6,233) | - | (6,233) |
| Adjustments - Correction of Errors | - | (310) | (310) |
| Beginning Balance, as adjusted | (6,233) | (310) | (6,543) |
| Appropriations Used | 11,138 | (80) | 11,058 |
| Cumulative Results of Operations | (8,438) | (310) | (8,748) |
| UNEXPENDED APPROPRIATIONS: | | | |
| Beginning Balance | 900 | - | 900 |
| Adjustments - Correction of Errors | - | 247 | 247 |
| Beginning Balance, as adjusted | 900 | 247 | 1,147 |
| BUDGETARY FINANCING SOURCES: | | | |
| Appropriations Used | (11,138) | 80 | (11,058) |
| Total Unexpended Appropriations | 372 | 326 | 698 |
| **Statement of Budgetary Resources** | | | |
| BUDGETARY RESOURCES: | | | |
| Unobligated balance brought forward, Oct 1 | 1,213 | - | 1,213 |
| Adjustment of unobligated balance brought forward, October 1 | - | (94) | (94) |
| Unobligated balance brought forward, Oct 1, as adjusted | 1,213 | (94) | 1,119 |
| Unobligated balance from prior year budget authority, net | 1,392 | (94) | 1,298 |
| Total Budgetary Resources | 22,548 | (94) | 22,454 |
| STATUS OF BUDGETARY RESOURCES: | | | |
| Unobligated balance, end of year: | | | |
| Unapportioned | 548 | (94) | 454 |
| Total unobligated balance, end of year | 1,067 | (94) | 973 |
| Total Budgetary Resources | 22,548 | (94) | 22,454 |
| CHANGE IN OBLIGATED BALANCE: | | | |
| Unpaid obligations brought forward, Oct 1 | 11,358 | - | 11,358 |
| Adjustment to unpaid obligations, start of year | - | 5 | 5 |
| Outlays, gross | (20,869) | (20) | (20,889) |
| Unpaid obligations, end of year | 11,598 | (15) | 11,583 |
| Memorandum (non-add) entries: | | | |
| Obligated balance, start of year | 11,224 | 5 | 11,229 |
| Obligated balance, end of year | 11,550 | (15) | 11,535 |
| BUDGET AUTHORITY AND OUTLAYS, NET: | | | |
| Outlays, gross | 20,869 | 20 | 20,889 |
| Outlays, net | 10,736 | 20 | 10,756 |
| Agency Outlays, net | 10,736 | 20 | 10,756 |

# Part IV: Required Supplementary Information (Unaudited)

## Schedule of Combined Statement of Budgetary Resources by Major Fund: Budgetary Accounts (Unaudited)
## For the Fiscal Year Ended September 30, 2014
## (Dollars in Millions)

| Budgetary Resources: | | CCC Fund (12X4336) | P.L. 480 Title II Grants (12X2278) | Tobacco Trust Fund (12X8161) | USAID - P.L. 480 Title II Grants ((72)12X2278) | Export Loans Program (12X1336) | Other | Total |
|---|---|---|---|---|---|---|---|---|
| Unobligated balance brought forward, October 1 | 1000 | $ 657 | $ 96 | $ 138 | $ 30 | $ - | $ 52 | $ 973 |
| Unobligated balance brought forward, October 1, as adjusted | 1020.5 | $ 657 | $ 96 | $ 138 | $ 30 | $ - | $ 52 | $ 973 |
| Recoveries of prior year unpaid obligations | 1021 | 196 | 1 | - | 194 | - | 2 | 393 |
| Other changes in unobligated balance | 1043 | | 30 | | (30) | | (37) | (37) |
| Unobligated balance from prior year budget authority, net | 1051 | 853 | 127 | 138 | 194 | - | 17 | 1,329 |
| Appropriations (discretionary and mandatory) | 1290 | - | 381 | 1,119 | 1,085 | 14 | 234 | 2,833 |
| Borrowing Authority (discretionary and mandatory) | 1490 | 14,615 | - | | - | - | - | 14,615 |
| Contract Authority (discretionary and mandatory) | 1690 | | | | | | - | |
| Spending authority from offsetting collections (discretionary and mandatory) | 1890 | - | (33) | | | | 36 | 3 |
| **Total Budgetary Resources** | 1910 | $ 15,468 | $ 475 | $ 1,257 | $ 1,279 | $ 14 | $ 287 | $ 18,780 |
| | | | | | | | | |
| **Status of Budgetary Resources:** | | | | | | | - | |
| Obligations Incurred (Note 18) | 2190 | $ 15,000 | $ 390 | $ 1,093 | $ 1,058 | $ 14 | $ 234 | $ 17,789 |
| Unobligated balance, end of year: | | | | | | | - | |
| Apportioned | 2204 | - | 85 | 164 | 28 | | 35 | 312 |
| Exempt from apportionment | 2304 | 193 | - | | | | 2 | 195 |
| Unapportioned | 2404 | 275 | | | 193 | | 16 | 484 |
| Total Unobligated balance, end of year | 2490 | 468 | 85 | 164 | 221 | - | 53 | 991 |
| **Total Budgetary Resources** | 2500 | $ 15,468 | $ 475 | $ 1,257 | $ 1,279 | $ 14 | $ 287 | $ 18,780 |

Required Supplementary Information

| Change in Obligated Balance: | | CCC Fund (12X4336) | P.L. 480 Title II Grants (12X2278) | Tobacco Trust Fund (12X8161) | USAID - P.L. 480 Title II Grants ((72)12X2278) | Export Loans Program (12X1336) | Other | Total |
|---|---|---|---|---|---|---|---|---|
| Unpaid obligations: | | | | | | | | |
| Unpaid obligations, brought forward, Oct 1 | 3000 | $ 10,549 | $ 172 | $ - | $ 663 | $ - | $ 199 | $ 11,583 |
| Obligations incurred | 3012 | 15,000 | 391 | 1,093 | 1,059 | 14 | 232 | 17,789 |
| Outlays (gross) | 3020 | (15,981) | (479) | (1,093) | (537) | (14) | (295) | (18,399) |
| Recoveries of prior year unpaid obligations | 3042 | (196) | (1) | | (194) | | (2) | (393) |
| Unpaid obligations, end of year | 3050 | $ 9,372 | $ 83 | $ - | $ 991 | $ - | $ 134 | $ 10,580 |
| Uncollected payments: | | | | | | | | |
| Uncollected payments, Federal sources, brought forward, Oct 1 | 3060 | $ (13) | $ (35) | $ - | $ - | $ - | $ - | $ (48) |
| Change in uncollected payments, Federal sources | 3072 | (4) | 35 | - | - | - | (1) | 30 |
| Uncollected payments, Federal sources, end of year | 3090 | $ (17) | $ - | $ - | $ - | | $ (1) | $ (18) |
| Memorandum (non-add) entries: | | | | | | | | |
| **Obligated balance, start of year** | | $ 10,536 | $ 137 | $ - | $ 663 | $ - | $ 199 | $ 11,535 |
| **Obligated balance, end of year** | | $ 9,355 | $ 83 | $ - | $ 991 | $ - | $ 133 | $ 10,562 |
| | | | | | | | | |
| **Budget Authority and Outlays, Net:** | | | | | | | | |
| Budget authority, gross (discretionary and mandatory) | 4175 | $ 14,615 | $ 348 | $ 1,119 | $ 1,085 | $ 14 | $ 271 | $ 17,452 |
| Actual offsetting collections (discretionary and mandatory) | 4177 | (4,885) | (2) | - | 94 | | (325) | (5,118) |
| Change in uncollected customer payments from Federal sources (discretionary and mandatory) | 4178 | (4) | 35 | | | | (1) | 30 |
| Anticipated offsetting collections (discretionary and mandatory) | 4179 | | | | | | - | - |
| **Budget authority, net (discretionary and mandatory)** | 4180 | $ 9,726 | $ 381 | $ 1,119 | $ 1,179 | $ 14 | $ (55) | $ 12,364 |
| | | | | | | | | |
| Outlays, gross (discretionary and mandatory) | 4185 | $ 15,981 | $ 479 | $ 1,093 | $ 537 | $ 14 | $ 295 | $ 18,399 |
| Actual offsetting collections (discretionary and mandatory) | 4187 | (4,885) | (2) | - | 94 | | (325) | (5,118) |
| Outlays, net (discretionary and mandatory) | 4190 | 11,096 | 477 | 1,093 | 631 | 14 | (30) | 13,281 |
| Distributed offsetting receipts | 4200 | | | | | | - | |
| **Agency Outlays, net (discretionary and mandatory)** | 4210 | $ 11,096 | $ 477 | $ 1,093 | $ 631 | $ 14 | $ (30) | $ 13,281 |

## Schedule of Combined Statement of Budgetary Resources by Major Fund: Non-Budgetary Credit Program Financing Accounts (Unaudited)
## For the Fiscal Year Ended September 30, 2014
## (Dollars in Millions)

| | Line # | P.L. 480 Direct Loans (12X4049) | CCC Export Guarantees (12X4337) | Farm Storage Facility Direct Loan (12X4158) | Other | Total |
|---|---|---|---|---|---|---|
| **Budgetary Resources:** | | | | | | |
| Unobligated balance brought forward, October 1 | 1000 | $ 58 | $ 187 | $ 26 | $ 105 | $ 376 |
| Unobligated balance brought forward, October 1, as adjusted | 1020.5 | 58 | 187 | 26 | 105 | 376 |
| Recoveries of prior year unpaid obligations | 1021 | | | 48 | - | 48 |
| Other changes in unobligated balance | 1043 | (15) | (50) | (50) | (23) | (138) |
| Unobligated balance from prior year budget authority, net | 1051 | 43 | 137 | 24 | 82 | 286 |
| Appropriations (discretionary and mandatory) | 1290 | | | | | |
| Borrowing Authority (discretionary and mandatory) | 1490 | | | 208 | 1 | 209 |
| Contract Authority (discretionary and mandatory) | 1690 | | | | | |
| Spending authority from offsetting collections (discretionary and mandatory) | 1890 | 28 | 30 | 44 | 2 | 104 |
| **Total Budgetary Resources** | 1910 | $ 71 | $ 167 | $ 276 | $ 85 | $ 599 |
| | | | | | | |
| **Status of Budgetary Resources:** | | | | | | |
| Obligations Incurred (Note 18) | 2190 | $ 54 | $ 67 | $ 189 | $ 6 | $ 316 |
| Unobligated balance, end of year: | | | | | | |
| Apportioned | 2204 | 7 | 8 | 73 | 8 | 96 |
| Exempt from apportionment | 2304 | | 8 | - | - | 8 |
| Unapportioned | 2404 | 10 | 84 | 14 | 71 | 179 |
| Total Unobligated balance, end of year | 2490 | 17 | 100 | 87 | 79 | 283 |
| **Total Budgetary Resources** | 2500 | $ 71 | $ 167 | $ 276 | $ 85 | $ 599 |

| Change in Obligated Balance: | | P.L. 480 Direct Loans (12X4049) | CCC Export Guarantees (12X4337) | Farm Storage Facility Direct Loan (12X4158) | Other | Total |
|---|---|---|---|---|---|---|
| Unpaid obligations: | | | | | | |
| Unpaid obligations, brought forward, Oct 1 | 3000 | $ - | $ 7 | $ 201 | $ - | $ 208 |
| Obligations incurred | 3012 | 54 | 67 | 189 | 6 | 316 |
| Outlays (gross) | 3020 | (54) | (69) | (212) | (6) | (341) |
| Actual transfers, unpaid obligations (net) | 3032 | | | | - | |
| Recoveries of prior year unpaid obligations | 3042 | | | (48) | - | (48) |
| Unpaid obligations, end of year | 3050 | - | 5 | 130 | - | 135 |
| Uncollected payments: | | | | | | |
| Uncollected payments, Federal sources, brought forward, Oct 1 | 3060 | (43) | (115) | | 1 | (157) |
| Adjustment to uncollected payments, Federal sources, start of year | 3066 | | | | - | |
| Change in uncollected payments, Federal sources | 3072 | 43 | 115 | - | (1) | 157 |
| Uncollected payments, Federal sources, end of year | 3090 | $ - | $ - | $ - | $ - | $ - |
| Memorandum (non-add) entries: | | | | | | |
| **Obligated balance, start of year** | | $ (43) | $ (108) | $ 201 | $ 1 | $ 51 |
| **Obligated balance, end of year** | | $ - | $ 5 | $ 130 | $ - | $ 135 |
| | | | | | | |
| **Budget Authority and Outlays, Net:** | | | | | | |
| Budget authority, gross (discretionary and mandatory) | 4175 | $ 28 | $ 30 | $ 252 | $ 3 | $ 313 |
| Actual offsetting collections (discretionary and mandatory) | 4177 | (180) | (162) | (178) | (17) | (537) |
| Change in uncollected customer payments from Federal sources (discretionary and mandatory) | 4178 | 43 | 115 | - | (1) | 157 |
| **Budget authority, net (discretionary and mandatory)** | 4180 | $ (109) | $ (17) | $ 74 | $ (15) | $ (67) |
| | | | | | | |
| Outlays, gross (discretionary and mandatory) | 4185 | $ 54 | $ 69 | $ 212 | $ 6 | $ 341 |
| Actual offsetting collections (discretionary and mandatory) | 4187 | (180) | (162) | (178) | (17) | (537) |
| Outlays, net (discretionary and mandatory) | 4190 | (126) | (93) | 34 | (11) | (196) |
| Distributed offsetting receipts | 4200 | (9) | (50) | (15) | - | (74) |
| **Agency Outlays, net (discretionary and mandatory)** | 4210 | $ (135) | $ (143) | $ 19 | $ (11) | $ (270) |

# Part V: Other Information (Unaudited)

## Schedule of Spending

The Schedule of Spending (SOS) is a supplemental schedule included in CCC's Annual Management Report. The SOS presents an overview of what funds are available to spend, how the obligations and expenditures of funds align with the major goals of USDA and whether the funds were spent on Federal or Non-Federal entities.

There are two other financial reports which document the use of CCC resources; the SBR and the Reconciliation Report of the USAspending.gov (agency input). These reports serve different reporting requirements.

The SBR is a quarterly statement prepared for CCC to demonstrate the budgetary authority and resources (funds) made available for CCC to conduct business. The report demonstrates the use of the funds through obligations and the amount actually paid to others.

The Reconciliation of the USAspending.gov (agency input) to CCC's SBR Obligations Incurred is required by OMB and the USDA OCFO to validate the federal funding information contained in USAspending.gov. The reconciliations are performed quarterly.

Similarities between the three reports include:

- The financial data used to report the use of funds is the same for all of the reports.
- The SOS, SBR Obligations Incurred, and USAspending.gov reconciliation all report obligations using the same general ledger accounts.
- The SOS and USAspending.gov reconciliation reports obligation data at the Budget Object Class[7] (BOC) level.

Differences between the three reports include:

- The SOS and SBR reports obligations at a summarized level and USAspending.gov reports obligations at a detail level.
- The SOS and SBR include obligation data not required for USAspending.gov reports (i.e. collections and receivables transactions, service fees including: certain administrative costs and Government to Government awards).
- The SOS reports spending at a two digit BOC level, the USAspending.gov SBR reconciliation reports spending at a four digit BOC level, and USAspending.gov does not require spending at a BOC level but at a Catalog of Federal Domestic Assistance (CFDA) level.

[7] BOCs are categories in a classification system that present obligations by items or services purchased by the Federal Government.

## Schedule of Spending (Unaudited)
## For the Fiscal Year Ended September 30, 2014
## (Dollars in Millions)

The following schedule presents an overview of how and where CCC is spending its money in alignment to the USDA Performance and Accountability Report goals. Refer to the Management Discussion and Analysis, Performance Section, for additional information on the alignment of CCC's and USDA's strategic goals.

| | Budgetary | Non-Budgetary Credit Reform Financing Accounts |
|---|---|---|
| **What Money is Available to Spend?** | | |
| Total Resources | $ 18,781 | $ 599 |
| Less Amount Available but Not Agreed to be Spent | 507 | 104 |
| Less Amount Not Available to be Spent | 484 | 179 |
| **Total Amounts Agreed to be Spent** | $ 17,790 | $ 316 |
| **How was the Money Spent/Issued?** | | |
| **Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:** | | |
| 24, 25 - Other contractual services | $ 173 | $ - |
| 33 - Investments and loans | 2,765 | 190 |
| 41 - Grants, subsidies, and contributions | 10,793 | - |
| 43, 44 - Interest, dividends, and refunds | 8 | - |
| Total | 13,739 | 190 |
| **Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:** | | |
| 24, 25 - Other contractual services | 1 | - |
| 41 - Grants, subsidies, and contributions | 1,878 | - |
| Total | 1,879 | - |
| **Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:** | | |
| 24, 25 - Other contractual services | 7 | - |
| 33 - Investments and loans | 1 | 20 |
| 41 - Grants, subsidies, and contributions | 2,164 | 56 |
| 43, 44 - Interest, dividends, and refunds | - | 50 |
| Total | 2,172 | 126 |
| **Total Amounts Agreed to be Spent** | $ 17,790 | $ 316 |
| **Who did the Money go to?** | | |
| Federal | $ 2,940 | $ 318 |
| Non-Federal | 14,850 | (2) |
| **Total Amounts Agreed to be Spent** | $ 17,790 | $ 316 |

## Schedule of Spending (Unaudited)
## For the Fiscal Year Ended September 30, 2013
## (Dollars in Millions)

| | Budgetary | Non-Budgetary Credit Reform Financing Accounts |
|---|---|---|
| **What Money is Available to Spend?** | | |
| Total Resources | $ 22,548 | $ 836 |
| Less Amount Available but Not Agreed to be Spent | 519 | 176 |
| Less Amount Not Available to be Spent | 548 | 200 |
| **Total Amounts Agreed to be Spent** | $ 21,481 | $ 460 |
| **How was the Money Spent/Issued?** | | |
| **Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:** | | |
| 24, 25 - Other contractual services | $ 118 | $ - |
| 33 - Investments and loans | 5,737 | 298 |
| 41 - Grants, subsidies, and contributions | 10,404 | - |
| 43, 44 - Interest, dividends, and refunds | 4 | - |
| Total | 16,263 | 298 |
| **Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:** | | |
| 24, 25 - Other contractual services | 1 | - |
| 41 - Grants, subsidies, and contributions | 2,243 | - |
| Total | 2,244 | - |
| **Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:** | | |
| 24, 25 - Other contractual services | 65 | - |
| 33 - Investments and loans | 3 | 162 |
| 41 - Grants, subsidies, and contributions | 2,906 | - |
| Total | 2,974 | 162 |
| **Total Amounts Agreed to be Spent** | $ 21,481 | $ 460 |
| **Who did the Money go to?** | | |
| Federal | $ 4,308 | $ 377 |
| Non-Federal | 17,173 | 83 |
| **Total Amounts Agreed to be Spent** | $ 21,481 | $ 460 |

## Summary of Financial Statement Audit[9]

The table below is a summary of the results of the FY 2014 independent audit of CCC's consolidated financial statements.

| | | | | | |
|---|---|---|---|---|---|
| **Audit Opinion** | Unqualified | | | | |
| **Restatement** | No | | | | |
| | | | | | |
| Material Weaknesses | Beginning Balance | New | Resolved | Consolidated | Ending |
| System Substantial Non-Compliance - Funds Control | 1 | 0 | 0 | 0 | 1 |
| *Total Material Weakness* | 1 | 0 | 0 | 0 | 1 |

## Summary of Management Assurances[10]

The table below is a summary of management assurances related to the effectiveness of internal control over CCC's financial reporting and operations, and its conformance with financial management system requirements under Sections 2 and 4 of the *Federal Managers' Financial Integrity Act* (FMFIA). The last portion of the table is a summary of CCC's compliance with the *Federal Financial Management Improvement Act* (FFMIA).

| **Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)** | | | | | | |
|---|---|---|---|---|---|---|
| Statement of Assurance | Unqualified statement of assurance | | | | | |
| | | | | | | |
| Material Weakness | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| Funds Control Management | 1 | 0 | 0 | 0 | 0 | 1 |
| Reconciling FBWT | 0 | 1 | 0 | 0 | 0 | 1 |
| *Total Material Weakness* | 1 | 1 | 0 | 0 | 0 | 2 |
| | | | | | | |
| **Effectiveness of Internal Control over Operations (FMFIA § 2)** | | | | | | |
| | | | | | | |
| Statement of Assurance | Unqualified statement of assurance | | | | | |
| Material Weakness | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| | 0 | 0 | 0 | 0 | 0 | 0 |

[9] The Summary of Financial Statement Audit is as of completion of the Annual Management Report.
[10] The Summary of Management Assurances is as of completion of the Annual Management Report.

| Conformance with Financial Management Systems Requirements (FMFIA §4) | | | | | | |
|---|---|---|---|---|---|---|
| Statement of Assurance | Systems do not conform to financial management system requirements | | | | | |
| Material weakness | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| Not in Substantial Compliance with FFMIA Funds Control Management | 1 | 0 | 0 | 0 | 0 | 1 |
| Total Non-conformances | 1 | 0 | 0 | 0 | 0 | 1 |

| Compliance with Federal Financial Management Improvement Act (FFMIA) | |
|---|---|
| | Agency/Auditor |
| 1. System Requirements | Yes |
| 2. Accounting Standards | Yes |
| 3. USSGL at Transaction Level | No |

# Improper Payments Information Act of 2002
# Improper Payments Elimination and Recovery Act of 2012
# Improper Payments Elimination and Recovery Improvement Act of 2012

The *Improper Payments Information Act of 2002* (IPIA), as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), requires agencies to review programs susceptible to significant improper payments, report estimated improper payments and establish corrective actions to reduce improper payments. OMB provides guidance on measuring, reducing, recovering, and reporting improper payments through OMB Circular No. A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments* and OMB Circular A-136, *Financial Reporting Requirements*.

CCC and FSA first reported on improper payments in 2004 for programs declared at risk for significant improper payments (high risk programs). This report provides improper payment information for FY 2014 regarding the estimated improper payment rate, estimated improper payment amount, root causes, corrective actions taken, planned reduction targets for future years, and improper payments recovered.

## Fiscal Year 2014 Results

In addition to the table showing the FY 2014 results, performance highlights include:

- Conservation Reserve Program and Marketing Assistance Loans are no longer considered high risk effective FY 2014. The Office of Management and Budget granted relief to FSA for these programs, but FSA is conducting a final statistical sample review as part of the FY2014 Review Cycle.
- Supplemental Revenue Assistance Payments Program (SURE) reported an improper disbursement rate of 2.75 percent, less than the FY2014 reduction target rate of 3.50 percent.
- Milk Income Loss Contract Program (MILC) reported an improper disbursement rate of 0.41 percent, less than the FY2014 reduction target rate of 1.80 percent.
- Based on guidance received from the Department, revised High Dollar Quarterly Reporting to provide additional clarification and transparency to field offices.
- Conducted a nationwide training session with State and County Offices on the FY 2014 High Dollar Quarterly Reporting process.
-

FY 2015 operational guidance for all improper payment initiatives is anticipated to be received in late October or early November.

**Table 46: Summary of Improper Payment Results**

| Improper Payments Results | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total Outlays ($ millions) | | Improper Payments ($ millions) | | Administrative Errors ($ millions) | | Incorrect Disbursements ($ millions) | | Incorrect Disbursements (in percent) | |
| **Program** | **2013** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** | **2014** |
| MAL | $2,344 | $1,748 | $8 | $15 | $4 | $14 | $4 | $1 | 0.17% | 0.26% |
| NAP | $256 | $346 | $13 | $15 | $0.85 | $4 | $13 | $11 | 5.23% | 3.11% |
| DCP [1] | N/A | $4,619 | N/A | $33 | N/A | $0 | N/A | $33 | N/A | 0.71% |
| LFP [2] | $85 | N/A | $2 | N/A | $0.35 | N/A | $2 | N/A | 2.48% | N/A |
| SURE [3] | $570 | $1,778 | $22 | $49 | N/A | $10 | $22 | $39 | 3.94% | 2.14% |
| CRP | $1,651 | $1,599 | $6 | $15 | N/A | $0 | $6 | $15 | 0.38% | 0.97% |
| MILC | $401 | $283 | $0.68 | $1 | N/A | $0 | $0.68 | $1 | 0.17% | 0.41% |
| ECP [4] | N/A | $0.4 | N/A | $0.001 | N/A | $0 | N/A | $0.001 | N/A | 0.02% |
| LDP [4] | N/A | $0.2 | N/A | $0.03 | N/A | $0.02 | N/A | $0.01 | N/A | 2.70% |

[1] DCP was not sampled in 2013 due to low outlays.

[2] LFP is part of the Miscellaneous Disaster Program and was not sampled in 2014.

[3] FSA instituted the Program Focused Approach in FY 2012 to review and sample disaster programs with most outlays for best Return on Investment (ROI) due to budget constraints. SURE is part of the Miscellaneous Disaster Program.

[4] Loan Deficiency program was not sampleted in 2013.

# Appendix: Glossary of Acronyms

Glossary of Acronyms

| ACRONYM | TITLE |
|---|---|
| ACRE | Average Crop Revenue Election Program |
| ADA | Antideficiency Act |
| ADP | Automatic Data Processing |
| AMS | Agricultural Marketing Service |
| APHIS | Animal and Plant Health Inspection Service |
| ARC | Agricultural Risk Coverage |
| BEHT | Bill Emerson Humanitarian Trust |
| BDO | Barter Delivery Obligations |
| BOC | Budget Object Class |
| CBO | Congressional Budget Office |
| CCC | Commodity Credit Corporation |
| CFDA | Catalog of Federal Domestic Assistance |
| CFO | Chief Financial Officer |
| CRP | Conservation Reserve Program |
| CSC2 | Credit Subsidy Calculator 2 |
| DAFP | Deputy Administrator Farm Programs |
| DAP | Disaster Assistance Programs |
| DCP | Direct and Counter-cyclical Payment Program |
| eFMS | Electronic Funds Management System |
| ELAP | Emergency Loss Assistance Program |
| EMP | Emerging Markets Program |
| EPA | Environmental Protection Agency |
| EQIP | Environmental Quality Incentive Program |
| FACTS I | Federal Agencies Centralized Trial Balance System I |
| FASAB | Federal Accounting Standards Advisory Board |

| ACRONYM | TITLE |
|---|---|
| FAS | Foreign Agricultural Service |
| FBWT | Fund Balance with Treasury |
| FCRA | Federal Credit Reform Act of 1990 |
| FFAR | Foundation for Food and Agricultural Research |
| FFAS | Farm and Foreign Agricultural Services |
| FFE | Food for Education |
| FFMIA | Federal Financial Management Improvement Act |
| FGP | Facilities Guarantee Program |
| FMD | Foreign Market Development Program |
| FMFIA | Federal Managers' Financial Integrity Act |
| FNCS | Food, Nutrition, and Consumer Services |
| FNS | Food and Nutrition Service |
| FRB | Federal Reserve Bank |
| FRPP | Farm and Ranch Lands Protection Program |
| FSA | Farm Service Agency |
| FSFL | Farm Storage Facility Loan Program |
| FY | Fiscal Year |
| GFR | General Fund Receipt |
| GL | General Ledger |
| GRP | Grassland Reserve Program |
| GSM | General Sales Manager |
| GTAS | Governmentwide Treasury Account System |
| IPERA | Improper Payments Elimination and Recovery Act |
| IPERIA | Improper Payments Elimination and Recovery Improvement Act |
| IPIA | Improper Payments Information Act of 2002 |

| ACRONYM | TITLE |
|---|---|
| ITSD | Information Technology Services Division |
| LDP | Loan Deficiency Payment Program |
| LFP | Livestock Forage Program |
| LIP | Livestock Indemnity Program |
| LRP | Local and Regional Pilot Program |
| MAL | Marketing Assistant Loan Program |
| MARAD | Maritime Administration |
| MAP | Market Access Program |
| MILC | Milk Income Loss Contract Program |
| MPP | Margin Protection Program |
| MRP | Marketing and Regulatory Programs |
| NAP | Noninsured Crop Disaster Assistance Program |
| NEI | National Export Initiative |
| NASDA | National Association of State Departments of Agriculture |
| NIFA | National Institute of Food and Agriculture |
| NRE | Natural Resources and Environment |
| NRCS | National Resources Conservation Service |
| OBF | Office of Budget and Finance |
| OCFO | Office of the Chief Financial Officer |
| OGC | Office of the General Counsel |
| OIG | Office of the Inspector General |
| OMB | Office of Management and Budget |
| OTP | Office of Trade Programs |
| PEDv | Porcine Epidemic Diarrhea virus |
| P&F Schedule | Program and Financing Schedule |

| ACRONYM | TITLE |
|---|---|
| P.L. | Public Law |
| PLC | Price Loss Coverage |
| QSP | Quality Samples Program |
| RD | Rural Development |
| RMA | Risk Management Agency |
| ROI | Return on Investment |
| SBR | Statement of Budgetary Resources |
| SFFAC | Statement of Federal Financial Accounting Concepts |
| SFFAS | Statement of Federal Financial Accounting Standards |
| SME | Small to Medium-Sized Enterprise |
| SOS | Schedule of Spending |
| SRTG | State Regional Trade Groups |
| STAX | Stacked Income Protection Plan |
| SURE | Supplemental Revenue Assistance Payments |
| TAP | Tree Assistance Program |
| TASC | Technical Assistance for Specialty Crops |
| TTPP | Tobacco Transition Payment Program |
| ULO | Unliquidated Obligations |
| USAID | United States Agency for International Development |
| USDA | United States Department of Agriculture |
| USSGL | United States Standard General Ledger |
| USWA | United States Warehouse Act |

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