United States Department of Agriculture
Office of Inspector General

Commodity Credit Corporation's Financial Statements for Fiscal Years 2015 and 2014

Audit Report 06401-0005-11
February 2016

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

DATE: February 12, 2016

AUDIT NUMBER: 06401-0005-11

TO: Board of Directors
Commodity Credit Corporation

ATTN: Perry Thompson
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 2015 and 2014

This report presents the results of the engagement to audit Commodity Credit Corporation's (CCC) financial statements for the fiscal years ending September 30, 2015, and 2014. The report contains a disclaimer of opinion on the financial statements, as well as an assessment of CCC's internal controls over financial reporting and compliance with laws and regulations.

KPMG LLP, an independent certified public accounting firm, was engaged to conduct the fiscal year 2015 audit. In connection with the contract, we reviewed KPMG 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. KPMG LLP is responsible for the attached auditor's report, dated February 10, 2016, and the conclusions expressed in the report. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with *Government Auditing Standards* and the Office of Management and Budget 15-02, *Audit Requirements for Federal Financial Statements*, in the performance of its engagement.

KPMG LLP reported that CCC was unable to provide adequate evidential matter in support of a significant number of transactions and account balances, as presented in the CCC consolidated financial statements as of and for the year ended September 30, 2015, due to inadequate processes and controls to support transactions and estimates, inadequate records to support the accounting for transactions in accordance with generally accepted accounting principles, and financial management system limitations. The financial statement line items impacted by the lack of adequate evidential matter included, but were not limited to, recoveries of prior year unpaid obligations, spending authority, obligations incurred, direct loans and loan guarantees, accrued liabilities, deposit and trust liabilities, resources payable to Treasury, environmental and disposal liabilities, other liabilities, and gross costs.

KPMG LLP's report identified three deficiencies. Specifically, KPMG LLP identified weaknesses in CCC's:

- financial reporting,
- accounting for parent-child transactions, and
- accounting for budgetary transactions.

KPMG LLP considered these three deficiencies to be material weaknesses. The results of KPMG LLP's tests of FFMIA disclosed instances where the CCC's financial management system did not substantially comply with applicable Federal accounting standards and the United States Government Standard General Ledger at the transaction level.

The consolidated financial statements of CCC as of and for the year ended September 30, 2014, were audited by CliftonLarsonAllen, LLP, an independent certified public accounting firm, whose report, dated November 6, 2014, expressed an unmodified opinion on those financial statements.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned, and timeframes for implementing the recommendations for which management decisions have not been reached. Please note that the regulation requires management decision to be reached on all recommendations within 6 months from report issuance, and final action to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

We appreciate the courtesies and cooperation extended during this audit engagement. 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.

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Board of Directors, Commodity Credit Corporation and
Inspector General, United States Department of Agriculture:

Report on the Financial Statements

We were engaged to audit the accompanying fiscal year 2015 consolidated financial statements of the Commodity Credit Corporation (hereafter referred to as "CCC"), which comprise the consolidated balance sheet as of September 30, 2015, and the related consolidated statements of net cost, and changes in net position, and combined statement of budgetary resources for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on conducting an audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

CCC was unable to provide adequate evidential matter in support of a significant number of transactions and account balances, as presented in the CCC consolidated financial statements as of and for the year ended September 30, 2015, due to inadequate processes and controls to support transactions and estimates, inadequate records to support the accounting for transactions in accordance with generally accepted accounting principles, and financial management system limitations. The financial statement line items impacted by the lack of adequate evidential matter included, but were not limited to, recoveries of prior year unpaid obligations, spending authority, obligations incurred, direct loans and loan guarantees, accrued liabilities, deposit and trust liabilities, resources payable to Treasury, environmental and disposal liabilities, other liabilities, and gross costs.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements.

Other Matters

Fiscal Year 2014 Consolidated Financial Statements

The accompanying consolidated financial statements of CCC as of September 30, 2014 and for the year then ended were audited by other auditors whose report thereon dated November 6, 2014, expressed an unmodified opinion on those consolidated financial statements.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis, Required Supplementary Information, and Required Supplementary Stewardship Information sections be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph. We do not express an opinion or provide any assurance on the information.

Other Information

We were engaged for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The Preface and Table of Contents on pages iii – vi, Message from the Executive Vice President on page 1, Performance Section on pages 37 – 58, the Message from the Chief Financial Officer on pages 60 – 61, Introduction to the Financial Statements on pages 62 - 63, the Other Information section on pages 129 – 135, and the Glossary of Acronyms on pages 136 – 140 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in our engagement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control Over Financial Reporting

In connection with our engagement to audit the consolidated financial statements, we considered the 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CCC's internal control. Accordingly, we do not express an opinion on the effectiveness of the CCC's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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 have not been identified. However, as described in Exhibit I, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a 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 in the areas noted below, and described in Exhibit I, to be material weaknesses.

1. Financial Reporting
2. Accounting for Parent-Child Transactions
3. Accounting for Budgetary Transactions

Except for the material weaknesses over Fund Balance with Treasury Reconciliation and Funds Control, which we included as part of the material weaknesses in *Financial Reporting* and *Accounting for Budgetary Transactions*, CCC management did not report the material weaknesses noted above in its *Fiscal Year 2015 Statement of Assurance*, included in the Management's Discussion and Analysis section of the accompanying *Annual Management Report*.

Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the basic consolidated financial statements, other material weaknesses or significant deficiencies may have been identified and reported herein.

Compliance and Other Matters

In connection with our engagement to audit the consolidated financial statements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 15-02.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed instances, described in Exhibit II where the CCC's financial management system did not substantially comply with applicable Federal accounting standards and the United States Government Standard General Ledger at the transaction level. The results of our tests of FFMIA disclosed no instances in which CCC's financial management system did not substantially comply with Federal financial management system requirements.

Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the basic consolidated financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

CCC's Response to Findings

The CCC's response to the findings identified in our engagement is included in Exhibit III. The CCC's response was not subjected to the auditing procedures applied in this engagement and, accordingly, we express no opinion on the response.

Our response to CCC's response is included in Exhibit IV.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section 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 the CCC's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 10, 2016

Introduction

CCC's internal controls over financial reporting require substantial improvements. The material weaknesses communicated in this exhibit highlight those significant areas that require management attention and the development of processes, procedures, and effective controls.

Criteria

The following criteria were considered in the determination and evaluation of the material weaknesses identified herein.

The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (Standards) states that, "internal controls and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained." Additionally, with regard to accountability for records and resources, "Periodic comparison of resources with the recorded accountability should be made to help reduce the risk of errors, fraud, misuse, or unauthorized alteration."

The Office of Management and Budget, Circular No. A-123, Section 1, Introduction, states the following:

> "Management is responsible for developing and maintaining effective internal control… The importance of internal control is addressed in many statutes and executive documents… The three objectives of internal control are to ensure effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

Federal Accounting Standards Advisory Board's Technical Release Number 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*, states:

> **"Due care** refers to a reasonable effort to identify the presence or likely presence of contamination. Due care is considered to be exercised if an agency has effective policies and procedures in place to routinely attempt to identify contamination and forward that information to the responsible agency official. Procedures that are evidence of the exercise of due care may include, but are not limited to, the following:
>
> • review of recorded chain-of-title documents (including restrictions, covenants and any possible liens) and good faith inquiry and investigation into prior uses of the property;
>
> • investigation of aerial photographs that are available through government agencies that may reflect prior uses;
>
> • analyses to estimate the existence of uninvestigated sites based on information from known sites;
>
> • inquiry into records that are available from federal, state, and/or local jurisdictions that show whether there has been a release or potential release of hazardous substances on the property (and adjacent property, if suspected contaminators exist);
>
> • visual site inspection of any portions of the property where environmental contamination is likely or suspected, and
>
> • investigation of complaints regarding abnormal health conditions."

OMB Circular A-11 Appendix H, *Checklist for Funds Control Regulations*, states that, "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. This funds-control system also should be designed to keep obligations from exceeding budgetary resources that have been realized, and should be able to track obligations by program reporting categories used in the apportionment…Your agency's accounting system must fully support the fund-control system. The accounting systems should provide for:

- Recording all financial transactions affecting: apportionments; reapportionments; allotments; suballotments; agency restrictions; financial plans; program operating plans; obligations and expenditures; as well as anticipated, earned, and collected reimbursements.
- Preparing and reconciling financial reports that display cumulative obligations, and the remaining unobligated balance by appropriation and allotment, and cumulative obligations by budget activity and object class."

Control Deficiencies

Material weaknesses were identified in the following areas:

- Financial Reporting
- Accounting for Parent/Child Transactions
- Accounting for Budgetary Transactions

Financial Reporting

<u>Implementation of the 2014 Farm Bill Programs</u>

During fiscal year 2015, CCC implemented the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs which replaced the Direct and Counter-Cycle (DCP) and Average Crop Revenue Election (ACRE) direct payment programs. The ARC/PLC programs were legislated by the 2014 Farm Bill with the objective to provide income support to producers based on revenue losses per acre and price per unit basis, respectively. These programs are complex and require collaboration from various groups within CCC and USDA, most notably, the Financial Management Division (FMD), Budget Division, Economic Policy Analysis Staff (EPAS), and numerous state and county office officials.

The implementation of the ARC/PLC programs required management to develop estimates at year-end to determine the amount of ARC/PLC accrued liabilities as of September 30, 2015. Management did not have properly designed and implemented controls at the appropriate level of precision related to this significant year-end accounting estimate. Further, management did not have processes/procedures in place to adequately support the assumptions and calculations used to develop the estimates and to perform a sufficient review of the assumptions and calculations performed in support of their estimates. We noted that management did not consider the effects of sequestration, reductions for Adjusted Gross Income (AGI), and the reduced percentage of program enrollment versus election in the development of the estimate. After considering these matters, management reduced the liability and related expenses in the amount of $1.4 billion. Further, as part of the subsequent disbursement testwork, management increased the liability and related expenses in the amount of $203 million. The accrued liability balance after management recorded these adjustments was $4.6 billion, which is approximately 50% of gross costs.

Management's inadequate understanding of GAAP, evidenced by significant changes to their accounting positions for the ARC/PLC programs during the year-end financial reporting process was another factor contributing to the inability to account for the year-end estimates in a timely manner. Additionally, management has not developed effective information and communication processes to help the Financial Management Division (FMD), the Budget Division, EPAS, and the state and county office officials to develop and implement effective policies and procedures related to obtaining information needed to prepare estimates for financial reporting purposes and to support recorded transactions surrounding these programs.

Lastly, we noted that a critical information system used to track obligations for the ARC/PLC programs was not fully implemented in fiscal year 2015, and that this required management to re-post enrollments entered with producers as of September 30, 2015 to a later time in October 2015 (fiscal year 2016).

Management Processes Over Deposit and Trust Liabilities

Management was unable to provide a population of unfilled customer orders (UFCOs) balances by customer that was reconciled to the general ledger in support of Deposit and Trust Liabilities. As an alternative, management provided a roll-forward of the account balance for FY2015. Management represented that this balance is the accumulation of activity that has occurred over numerous years between CCC and other USDA agencies. We requested supporting evidential matter for a sample of significant FY2015 payment activity that CCC performed on behalf of the respective trading partners (customers) to liquidate and reduce the UFCOs balances. However, management was unable to provide adequate documentation supporting the liquidations

Management has not developed an effective system or process to accept, track, and monitor agreements with other agencies and link the goods/services provided and the transactions entered into to their respective funding agreement to produce a population of UFCOs which reconciles to the general ledger. In addition, CCC management does not have an effective process to periodically review and determine whether the period of availability of the funding appropriation has passed and the remaining balances should be returned to the ordering agency.

Management Processes over Environmental and Disposal Liabilities

Management did not have properly designed and implemented controls at the appropriate level of precision related to Environmental and Disposal Liabilities. In particular, we noted that CCC was unable to provide a complete list of sites that were historically managed and operated by CCC. In addition CCC did not maintain a comprehensive list of sites to track the current status and results from their own previous investigations or communications with regulators and their ultimate disposition to support the proper exclusion of certain sites from the liability listing. Moreover, although CCC concluded that the low end of the range is an appropriate estimate, CCC increases the liability estimate to equal the funded amount for particular sites if the funding allocated in a given year was higher than the low end of the cost estimate range regardless of whether or not the higher estimate is considered a reasonable estimate.

Management has not developed appropriate Due Care (FASAB TR 2) policies and procedures in place to proactively identify, and investigate sites unless they are identified and notified by federal and/or state regulators.

Management Processes for Supporting Accounting Transactions

Management's lack of sufficiently designed and implemented controls prevented management from consistently providing populations of financial transactions that reconciled to the trial balance and supporting evidential matter for financial transactions, including significant accruals. Also, communication between different groups within the FMD locations in the Washington, D.C. and Kansas City, MO locations was not adequate or timely. These deficiencies impacted management's ability to timely prepare financial statements and provide supporting evidential matter to support financial transactions and balances.

<u>Fund Balance with Treasury Reconciliation</u>

As reported in management's Fiscal Year 2015 Assurance Statement Certification, due to the untimely resolution of differences between the general ledger and amounts reported by Treasury, internal controls over the reconciliation of Fund Balance with Treasury were not operating effectively. Management has developed a corrective action plan to address this matter during the first and second quarter of FY 2016. Accordingly, we do not provide any additional recommendations regarding this matter.

<u>Recommendations:</u>

We recommend that management:

1. Design and implement processes, procedures, and effective controls related to significant accounting estimates.
2. Develop effective information and communication processes to ensure that policies and procedures related to programs or events that may give rise to the recognition of accounting transactions are consistently communicated and applied throughout the agency and that technical accounting issues are identified, analyzed and resolved in a timely manner.
3. Accumulate relevant, sufficient, and reliable data on which to base accounting estimates.
4. Ensure accounting estimates are prepared by qualified personnel with a full understanding of the underlying GAAP requirements.
5. Ensure there is an adequate review and approval of the estimates by appropriate levels of management, including review of sources of relevant factors, development of assumptions, and reasonableness of assumptions and resulting estimates.
6. Implement processes, procedures, and effective controls to enable the timely preparation of financial statements and sufficient evidential matter to support accounting transactions.

The following additional recommendations are specific to Deposit and Trust Liabilities:

7. Design and implement policies, procedures, and controls to accept, track, and monitor agreements entered into with other agencies (customers) and link the goods/services provided and the transactions entered into to the respective funding agreement to produce a population of UFCOs by customer which reconciles to the general ledger.
8. Design and implement policies, procedures, and controls to review UFCOs balances to determine whether they should still be open (on an agreement by agreement basis) or whether the funding should be returned to the ordering agency before the period of availability or the funding appropriation ends.

The following additional recommendations are specific to Environmental and Disposal Liabilities:

9. Design and implement Due Care policies, procedures, and controls to identify, and investigate known and potential sites.
10. Develop a complete inventory of sites potentially needing review and their status and disposition.
11. Continue to refine the precision of each site's estimate and maintain adequate supporting documentation that is readily available.

Accounting for Parent/Child Transactions

The parent/child accounting and reporting guidance provided by the Office Management and Budget (OMB) Bulletin A -136, *Financial Reporting Requirements*, states, "The parent must report all budgetary and proprietary activity in its financial statements." Two of CCC's grant programs are administered through a parent/child agreement where CCC is the parent and another Federal agency is the child. During fiscal year 2015, CCC allocated resources to the child were approximately $1.3 billion of which approximately $1.1 billion was expensed. Management did not have properly designed and implemented controls at the appropriate level of precision to enable it to accumulate sufficient evidential matter supporting the grant transactions arising through the significant parent/child activity. CCC records transactions for the grant programs run by the child agency by first recording 100% of the grant disbursements as an expenditure, and subsequently allocating a portion of the expenditures to advances at year-end based on an allocation methodology used by the child. Management did not have properly designed and implemented controls at the appropriate level of precision to determine whether the allocation methodology used by the child for its entire grant portfolio is reasonable for CCC specific grants. As a result, management accepted the grant transactions arising from the parent/child activity without assessing the reasonableness of the grant methodology.

<u>Recommendations:</u>

We recommend that management:

1. Implement processes, procedures, and controls to assess and periodically reassess methodologies used to account for parent/child activity.
2. With the assistance of the child agency, conduct a detailed review of the transactions and balances reported in the general ledger to ensure that CCC maintains a complete set of supporting documentation for transactions and balances reported in the general ledger.

Accounting for Budgetary Transactions

As reported on the Combined Statement of Budgetary Resources, CCC's Obligations Incurred and Recoveries of Prior Year Unpaid Obligations during fiscal year 2015 were $12.2 billion and $3.0 billion, respectively. Management did not have effective controls over recoveries, obligations, and funds control. In addition, management was unable to adequately support the undelivered order balance of $3.7 billion as of September 30, 2015 as reported in note 18 to the consolidated financial statements. Furthermore, information systems surrounding obligations were not properly deobligating balances and management did not have proper controls in place to mitigate the system limitations.

Accounting for Recoveries of Prior Year Unpaid Obligations and Obligations

Management does not have adequately designed controls at the appropriate level of precision to account for recoveries of prior year obligations and open obligations (i.e., undelivered orders). Specifically, we noted that as of August 2015, the undelivered orders balance included approximately $1.2 billion for a program that ended in a prior year. As a result of our inquiries concerning this balance, management initially indicated that the undelivered orders balance was overstated by approximately $984 million as of September 30, 2014 in an official management position paper dated November 9, 2015. In their position paper, management stated that the overstatement was primarily caused by a financial management system limitation that does not deobligate undelivered orders for remaining balances at the time payments are made, which requires management to subsequently analyze the account balance to identify deobligations. Management subsequently changed their position concerning the overstatement and stated, in an official management position paper dated January 16, 2016, that undelivered orders as of September 30, 2014 were correctly stated. Therefore the Combined Statement of Budgetary Resources for FY 2015 includes the $984 million as a recovery of prior unpaid obligations. However, management did not have processes and procedures in place to accumulate sufficient evidential matter to demonstrate that the recoveries of prior year unpaid obligations should be recorded as FY 2015 activity. Management's changes to their accounting positions further demonstrated an inadequate understanding of GAAP and prevented the timely preparation of financial statements.

Management was unable to provide a complete population of undelivered orders that reconciled to the trial balance. The process to account for and report undelivered orders involves several groups at FMD WDC and FMD KC that are not adequately communicating or comprehensively monitoring, and reconciling the undelivered orders balance at year-end. During November 2015, management provided an analysis that showed the composition of undelivered orders for certain Treasury Fund Symbols (mainly CCC's revolving fund). Although management provided a population of undelivered orders, such a population was incomplete and did not contain all CCC related Treasury Fund Symbols. Further, management was unable to provide sufficient evidential matter to support a sample of the undelivered orders balances.

Funds Control:

Management reported in its FY 2015 Statement of Assurance, and we identified during our engagement that CCC's financial management systems do not have adequately designed and implemented automated funds controls to prevent budgetary obligations exceeding budgetary resources. In addition, management has not implemented compensating manual controls that operate at a sufficient level of precision to address this risk.

Recommendations:

We recommend that management:

1. Design and implement policies and procedures to require communication and collaboration between the decentralized groups involved in the review of undelivered orders.
2. Modify the policies and procedures related to the review of stale obligations by developing detailed, written procedures to facilitate adequate and consistent review across the various groups performing the reviews. Also, include expanded criteria to review the validity of undelivered orders to correspond to the nature of the agency and its programs.

3. Implement the necessary functionality within the financial management systems to automatically deobligate undelivered orders at the time of payment.
4. Conduct a detailed review of the transactions and balances reported in the general ledger to ensure that CCC maintains adequate supporting documentation for transactions and balances reported in the general ledger and that the supporting documentation is readily available.
5. Continue the implementation of automated funds control of all obligations and expenditures at the transaction level within the core financial system. Further, implement necessary compensating controls until such automated controls are fully implemented.

Federal Financial Management Improvement Act of 1996 **(FFMIA)**

During our engagement, we noted several instances where CCC's financial management systems did not substantially comply with applicable Federal accounting standards and the United States Government Standard General Ledger (USSGL) at the transaction level because CCC's financial management systems do not:

- Adequately track obligations for Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs;
- Deobligate undelivered orders for remaining balances at the time payments are made, which requires management to subsequently analyze the account balance to identify deobligations, which is subject to human error.
- Contain necessary funds control functionality to ensure that budgetary obligations do not exceed existing budgetary resources, which causes a higher risk of potential non-compliance with the Anti-Deficiency Act. CCC management recognized this system weakness in the *Fiscal Year 2015 Statement of Assurance*.
- Adequately account for grant transactions arising through parent/child relationships.

Further details of these weaknesses are presented in Exhibit I, *Material Weaknesses*.

<u>Recommendations:</u>

We recommend that management implement the recommendations presented in Exhibit I, to resolve the instances of noncompliance with FFMIA.

USDA

United States Department of Agriculture

Farm and Foreign Agricultural Services

Commodity Credit Corporation

Office of Budget and Finance
Stop 0581
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20250-0581

TO: Lynette Cockrell (or acting)
Regional Inspector General
Office of Inspector General

KPMG LLP
1801 K Street, NW, Suite 12000
Washington, DC 20006

FROM: Radha C. Sekar
Chief Financial Officer
Commodity Credit Corporation

SUBJECT: Response to the Draft Combined Independent Auditor's Report on the Commodity Credit Corporation's (CCC) Fiscal Year 2015 Financial Statements

We have reviewed the KPMG Draft Combined Independent Auditor's Report dated February 10, 2016. As noted in the Independent Auditor's Report, KPMG was unable to express an opinion on the subject CCC financial statements for the reasons stated in their Basis for Disclaimer of Opinion paragraph of the report. CCC does not concur with the reasons stated in KPMG's Basis for Disclaimer of Opinion paragraph of the report. Despite all of the challenges with KPMG's substantive audit approach, CCC was able to provide adequate evidential matter to materially support our transactions and account balances as presented in CCC's consolidated financial statements as of and for the fiscal year ended September 30, 2015.

Specifically, CCC provided sufficient appropriate audit evidence to KPMG in the following areas:

- **Agriculture Risk Coverage and Price Loss Coverage**
  During fiscal year 2015, CCC implemented the Agricultural Risk Coverage and Price Loss Coverage (ARC/PLC) program. For this new program, CCC management developed and deliberated the accounting treatment with all relevant stakeholders. CCC ultimately reached agreement with all stakeholders on the accounting treatment. Despite the challenges of this new program, CCC materially accrued the correct amount for the ARC/PLC program in accordance with U.S. generally accepted accounting principles (GAAP) and was able to support the ARC/PLC payment calculations as requested by KPMG in its audit sampling procedure.

- **Intragovernmental (Deposit and Trust) Liabilities**
  CCC historically received funds from partner USDA agencies in order to make disbursements on their behalf. CCC accounts for these funds as intragovernmental (deposit and trust) liabilities. CCC makes disbursements on behalf of its partner agencies and liquidates the intragovernmental (deposit and trust) liability when the funds are disbursed. As requested by

KPMG, CCC provided supporting documentation such as purchase orders and invoices to support the activity of CCC's intragovernmental (deposit and trust) liabilities. In addition, CCC provided support to clearly demonstrate that CCC's balance for this liability was materially reconciled to the assets/advances of our USDA partner agencies as of September 30, 2015.

- **Environmental Liabilities**
  The U.S. Environmental Protection Agency (EPA) has identified CCC as a potentially responsible party for certain sites where CCC had historically operated grain storage facilities. The objective of CCC's hazardous waste program has been and continues to be, removing the liability associated with these sites. As requested by KPMG, CCC was able to provide all information such as site listings and support for reasonable estimates for CCC's liability associated with these sites. CCC continues to refine its policies and procedures, while working within the legislated limited confines. CCC does not believe that there is a significant risk of material misstatement for our environmental liabilities based on the evidence provided to KPMG.

- **Supporting Accounting Transactions**
  KPMG employed an overall substantive audit approach which was complicated by CCC's decentralized operations. CCC stores and maintains contracts, agreements, eligibility forms and other supporting documentation for its farm programs at over 2,100 county offices across the country. CCC provided substantially all information requested by KPMG in its substantive sampling efforts during the audit. It is unreasonable for KPMG to expect CCC to change its processes for maintaining and storing records and documentation to accommodate KPMG's substantive audit approach.

- **Parent/Child Transactions (Grant Activity)**
  Two of CCC's programs are administered through a parent/child agreement where CCC advances funds to the U.S. Agency for International Development (USAID). In accordance with GAAP, CCC as the parent, must report all accounting activity of the child (USAID) in its financial statements. USAID employs a methodology to estimate its grant expenses. CCC assessed the reasonableness of the estimated grant expenses arising from its parent/child relationship with USAID by performing a look-back analysis of the transactions. CCC concluded that the amounts resulting from this analysis were immaterial to the financial statements taken as a whole. CCC provided this analysis and its supporting documentation to KPMG within the timeframes established for the audit.

- **Accounting for Budgetary Transactions**
  CCC reported a material weakness over budgetary funds control in its 2015 FMFIA assurance statement. Despite the challenges with this material weakness, CCC was able to materially provide all information requested by KPMG to support CCC's recoveries of prior year unpaid obligations and undelivered order balances as of September 30, 2015. Furthermore, CCC provided sufficient evidence to KPMG to support the de-obligation/recovery of its obligations that were unliquidated under the CCC Direct and Counter Cyclical program in accordance with GAAP.

CCC will continue to implement our planned corrective actions to address our material weakness over funds control and to address all deficiencies resulting from CCC's annual assessment of internal controls over financial reporting as required by OMB Circular A-123, Appendix A, Management's Responsibility for Internal Control, Internal Control over Financial Reporting. Furthermore, CCC will continue to improve its financial processes, practices and systems.

If you have any questions or require additional information, please contact Sherry Laws at **202 772-6021**

Exhibit IV – Auditors' Response to CCC's Response

CCC's response to our Independent Auditors' Report is presented in Exhibit III. We provide the following response to CCC's response.

Due to inadequate processes, controls, and records as described in the material weaknesses in internal control in Exhibit I, CCC was unable to provide adequate supporting documentation, and, therefore, we disagree with CCC's response that CCC provided adequate evidential matter to materially support transactions and account balances as presented in CCC's consolidated financial statements as of and for the fiscal year ended September 30, 2015. Because of these weaknesses, we were unable to rely on internal controls and were required to plan a substantive audit approach. In accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*, management has the responsibility to establish and maintain internal control to achieve reliable financial reporting. In doing so, CCC also has the responsibility to maintain adequate documentation to support its financial transactions and account balances.

In the area of the Agricultural Risk Coverage and Price Loss Coverage (ARC/PLC) program, due to the deficiencies in internal controls, CCC did not consider all necessary inputs and assumptions in its liability estimates, resulting in a material post-closing entry to the accrued liability and related expense balance of approximately $1.2 billion. Further, CCC was not able to provide sufficient documentation to support the accuracy of ARC/PLC payment calculations.

In the area of the Deposit and Trust Liability, deficiencies in internal controls hindered CCC from providing sufficient evidence for the FY 2015 liquidating transactions or to demonstrate that balances were available for future use. For example, CCC did not provide memoranda of agreement to support the purpose of the transactions (goods/services to be provided) and period of performance, to enable linkage of the transactions to related memoranda of agreement/invoices/payments.

In the area of environmental and disposal liabilities and as noted in Exhibit I, CCC did not have properly designed and implemented controls at the appropriate level of precision related to environmental and disposal liabilities. For example, CCC was unable to provide a complete list of sites that were historically managed and operated by CCC or provide sufficient documentation to support the proper exclusion of certain sites from the liability listing.

In the area of parent/child activity, we recognize that CCC began the process of developing an independent methodology to account for grant transactions that arose from parent/child activity. However, CCC did not adequately complete or support this methodology. CCC ultimately elected to use the child's methodology, but did not demonstrate or provide support that the child's methodology was appropriate for CCC's specific grants, and, therefore, did not provide adequate evidential matter to support the related amounts recognized in its financial statements.

Finally, in the area of budgetary transactions, CCC provided a final position paper, dated January 16, 2016, regarding accounting for prior year recoveries and obligations. This position paper and accompanying analysis identified the $984 million that was recorded as a FY 2015 recovery of prior year unpaid obligations for a program that ended in a prior year. However, CCC did not provide evidence, including documentation reviewed by program officers, to support that such recoveries were properly recorded as FY 2015 events rather than prior year events. Further, as stated in Exhibit I, CCC was unable to provide a complete population of undelivered orders that contained all CCC-related Treasury Fund Symbols and sufficient documentation to support a sample of the undelivered orders balances as of September 30, 2015.

U.S. DEPARTMENT OF AGRICULTURE

COMMODITY CREDIT CORPORATION

2015 ANNUAL MANAGEMENT REPORT

U.S. Department of Agriculture
Commodity Credit Corporation

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

2015 Annual Management Report

PREFACE

This Annual Management Report shows the results of the Commodity Credit Corporation's (CCC) operations for fiscal year 2015. This report meets the requirements of the *CCC Charter Act*, as amended, and the *Government Corporation Control Act*, as amended. 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 auditors' report, 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) 2015 Agency Financial Report. CCC is a wholly-owned Government corporation created in 1933 and its mission 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.

To accomplish this mission, multiple U.S. Department of Agriculture (USDA) agencies have delivered CCC programs for more than 80 years. Today, CCC activities are carried out primarily by the personnel of the Farm Service Agency and its 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 CCC activities.

In 2015, 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 global agricultural needs. Implementation of CCC programs authorized by the Agricultural Act of 2014 (2014 Farm Bill), including the Dairy Margin Protection program, Agriculture Risk Coverage (ARC) program, and Price Loss Coverage (PLC) program, continued in 2015. Notably, nearly 1.5 million farms were enrolled in ARC and PLC which are USDA's primary farm safety net programs. A more detailed discussion about CCC's operations and accomplishments is included in this report.

CCC's independent auditor issued a disclaimer of opinion on CCC's FY2015 financial statements. CCC did not concur with a significant number of findings which led to the auditors' disclaimer of opinion in their report. Further details can be found in Exhibit III of the audit report. As a result of its annual assessment, 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, Lisa Afua Serwah Mensah, Under Secretary, Rural Development (RD)
Member, Kevin W. Concannon, Under Secretary, Food, Nutrition, and Consumer Services (FNCS)
Member, Jon M. Holladay, 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, Chris Beyerhelm, Associate Administrator, Operations and Management, FSA
Vice President, J. Michael Schmidt, Associate Administrator, Policy and Programs, FSA
Vice President, Anne L. Alonzo, Administrator, Agricultural Marketing Service (AMS)
Vice President, Philip C. Karsting, Administrator, Foreign Agricultural Service (FAS)
Vice President, Suzanne Palmieri, 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, Acting Deputy Administrator, Commodity Operations, FSA
Deputy Vice President, Mark A. Rucker, Deputy Administrator, Management, FSA
Deputy Vice President, Bradley Pfaff, Acting 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 J. 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, Heidi G. Ware, Farm Service Agency
Assistant Secretary, Monique B. Randolph, Staff Assistant, FSA
Chief Financial Officer, Radha Sekar, Chief Financial Officer, FSA
Treasurer, Joseph A. 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 and disaster assistance programs. 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, and CCC funds, 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, and CCC provide funding for, 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.

An Update on the Agricultural Act of 2014

Summary – The Agricultural Act of 2014 (2014 Farm Bill) was signed by President Obama on February 7, 2014. In mid-2015, Agriculture Secretary Tom Vilsack reported "tremendous progress" since the Farm Bill was signed, stating, "Thousands of farmers and ranchers have received critical disaster assistance, innovative new conservation programs are up and running, new risk management programs for producers are available with more tools to come, the new Foundation for Food and Agriculture Research has been incorporated, and much more. Thanks to the hard work of thousands of USDA employees across the country, we are continuing to get new initiatives off the ground and make important reforms to existing programs that are helping to boost the country's economy."

Overview – Among the first major Farm Bill initiatives to be implemented were disaster relief programs for livestock producers, many of whom have been waiting years for assistance. 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, retroactive to October 2011, and through succeeding years. Disbursements for those programs totaled over $5.6 billion.

The Milk Income Loss Contract Program was replaced by the Dairy Margin Protection Program in the 2014 Farm Bill and has supported America's dairy industry with over $800 million in payments.

The Conservation Reserve Program (CRP), USDA's largest conservation program, made $2 billion in disbursements during FY 2015.

The Noninsured Crop Disaster Assistance Program (NAP) was expanded to include protection at higher coverage levels, similar to buy-up provisions offered under the federal crop insurance program and has disbursed over $2.15 billion during FY 2015.

Expected Market Conditions and Government Payments[1]

High commodity prices led to record values for U.S. agricultural exports and U.S. net farm income in 2013. Since that time, however, the outlook has fundamentally changed, the result of very large supplies that are outpacing demand gains for most crops, as well as price weakness in the dairy and hog sectors. 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 2015-2024.

Based on projections made in August 2015, both net cash and net farm income are forecast to decline for the second consecutive year in calendar 2015, after reaching recent historic highs in 2013 (in nominal terms). Net cash income is expected to fall by 21 percent in calendar year 2015, while a forecasted 36-percent drop in net farm income would be the largest since 1983 (in both nominal and inflation-adjusted terms). Farm income and cash receipts are expected to increase later in the decade given domestic and international economic growth, which supports longer-term demand for U.S. agricultural products.

Government payments made in calendar year 2015 are expected to increase significantly, to over $11 billion, the highest level since 2010. The 2014 Farm Bill eliminated fixed direct payments, which were approximately $5 billion annually. Because commodity prices are forecast to be low in 2015, the new commodity-based programs—Price Loss Coverage (PLC) and Agriculture Risk Coverage (ARC)—are now the largest payment programs to farmers. ARC and PLC payments depend on crop prices and revenues. Payments for 2014 crops under ARC and PLC are projected to account for about one-half of 2015 farm program payments.

Crop Receipts are expected to Decline in 2015

The August projections indicate that the annual value of U.S. agricultural sector production is expected to fall to $435.2 billion in 2015, as both crop and livestock output decline. The falling value of crop production (to a forecast $186 billion in 2015) represents a second consecutive decline from 2013's record high of $233.2 billion, and the third straight year of declining crop cash receipts. The value of U.S. livestock production is

[1] The data in this write-up are drawn from the "2015 Farm Sector Income Forecast" published on August 25, 2015 (USDA, Economic Research Service). Commodity supply, demand, and price projections are published monthly by USDA in the World Agricultural Supply and Demand Estimates (USDA, Office of the Chief Economist). In addition, USDA's 10-year supply, demand and price projections are issued annually in February (USDA, Office of the Chief Economist).

also forecast to decline in 2015 as a large drop in receipts more than offsets the sector's inventory expansion.

Crop cash receipts are forecast to fall six percent in 2015, led by broad declines for many field crops. Corn cash receipts are expected to decline the most, falling by $7.1 billion in 2015. Corn receipts have dropped sharply since hitting a record high in 2012. Cash receipts for soybeans and wheat are also expected to decline from 2014 levels. Rice cash receipts are expected to decline by 22 percent on lower expected production and calendar-year prices.

Despite an expected decrease in production, cash receipts for fruits and nuts are expected to rise slightly in 2015 due to higher prices received by farmers. California has historically accounted for a large portion of U.S. vegetable and fruit/nut cash receipts. According to the Census of Agriculture, 43 percent of U.S. fruit/nut and vegetable plantings are in California. For California's vegetable, berry, and orchard production, the impacts from reduced off-farm surface water deliveries have been partially mitigated by increased use of groundwater.

Animals and animal products cash receipts increased by 44 percent in real terms from 2005 to 2014, but are expected to fall just over 9 percent (to $192.8 billion) in 2015. Much of the decline is due to falling dairy and hog receipts. After reaching a record high of $49.3 billion in 2014, milk receipts are expected to drop 29 percent in 2015 as declining prices more than offset a small expected increase in milk production. Hog production is expected to rise in 2015 as the industry recovers from the porcine epidemic virus. However, hog prices are expected to drop sharply.

Poultry and egg receipts are expected to be broadly affected by the highly pathogenic avian influenza (HPAI) in 2015, although impacts are mixed. Since first being detected in December 2014, HPAI has claimed 48 million birds, with turkeys and egg laying chickens suffering the greatest losses. As of early fall 2015, the incidence of HPAI has declined significantly, although production for the year has been reduced and prices are up. Poultry/egg receipts are projected to increase an estimated five percent in 2015, as higher prices outweigh production declines.

Farm Production Expenses Are Expected to Fall

In 2015, total U.S. farm production expenses are expected to fall for the first time since 2009. This $1.5 billion decline, although less than 0.5 percent, would represent only the third year since 2000 when the farm sector spent less than the previous year. Production expenses increased, on average, more than eight percent annually from 2010 to 2014.

Production expenses in 2015 are forecast to be the second highest in real and nominal terms, behind only 2014.

Production expenses are expected to decline less than gross farm income in percentage terms, leading to tighter margins. The forecast decline in expenses is driven primarily by lower spending on feed, fuel, and fertilizer, which outweigh expected increases in spending on labor, interest, and property taxes/fees.

The largest forecast increase in farm production expenses is for interest outlays, up significantly due to expanded farm debt and higher interest rates (an assumption in the August farm income forecast). Interest paid on debt secured by real estate is expected to increase by almost 23 percent in 2015, to just under $12 billion. Interest payments for non-real estate debt are also expected to increase substantially to $7.5 billion, a 25 percent increase over 2014.

Farm Debt Expected to Rise

Farm assets and equity are both expected to fall in 2015, while farm debt is expected to continue to rise. Since last declining in 2009, sector assets increased rapidly as low borrowing costs, high agricultural commodity prices, and rising farm income led to a strong demand for farm assets, particularly real estate and vehicles/machinery. However, a second year of declining farm income and higher expected borrowing costs is expected to put downward pressure on farm asset values. As a result, the value of farm assets is expected to decrease by four percent in 2015. In contrast, farm debt is expected to grow by 5.8 percent. Interest rate changes are a key variable affecting the outlook. Given the drop in farm sector assets and increase in debt, the August 2015 projections indicate that farm equity is forecast to fall by five percent.

Historically, farmland values have driven changes in the total value of farm sector assets, due to the large proportion—over four-fifths in 2014—of the sector's assets held in real estate. Accordingly, the projected decline in farm sector asset values in 2015 is primarily driven by a two percent decline in the value of farm real estate. Farmland values increased rapidly in recent years, as high crop prices and low interest rates led to strong demand. With diminishing crop prices and higher expected borrowing costs, farmland values are expected to decline in 2015. The projected decline in farm real estate asset value also reflects a small projected drop in the amount of land in farms, continuing a gradual, historical decline.

Farm sector real estate debt is forecast to increase five percent in 2015 to $209.4 billion. Land prices rose sharply over the last several years, before recently moderating. Although 2015 farmland values are forecast to decline slightly at the sector level and interest rates are expected to rise, agricultural lenders—particularly commercial banks—continue to report strong growth in farm real estate loan volumes throughout 2015.

While lower incomes and land values will increase financial stress, for most commodities, average returns are expected to remain above variable costs, thus providing sufficient incomes for debt service. Also, the high amount expended on capital equipment over the past 5 years and historically low interest rates suggest limited fixed cash expenses in upcoming years.

Farmers and ranchers are not expected to face widespread increased repayment difficulties. Land values are still relatively high and provide a large source of equity, which farmers could draw upon to fund any shortfalls and that provide a cushion for lenders against loan losses.

Government Payments Are Rising

Government payments to farmers are expected to rise 16 percent ($1.6 billion) to $11.4 billion in calendar 2015 (see chart below). Payments for 2014 crop losses under the new ARC and PLC programs are projected to be approximately $6 billion, accounting for over half of the projected $11.4 billion outlay. These 2014 crop payments begin in October, 2015, after season average price data are available for major program crops.

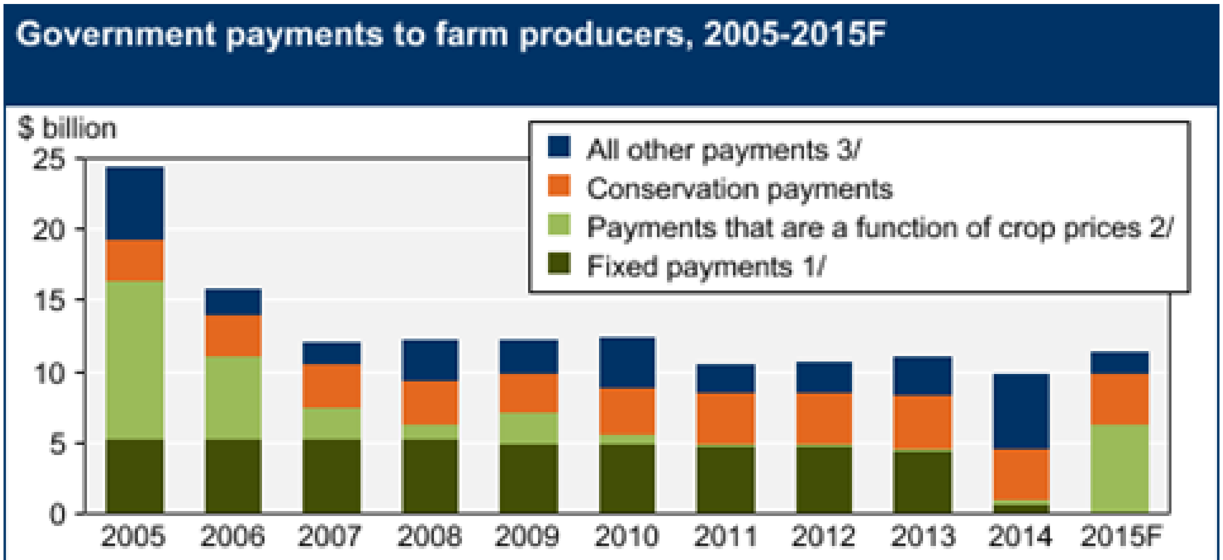
Almost all corn and soybean base acres, and almost 60 percent of wheat base acres, have elected the ARC-County program for 2014-2018 crops. Corn is expected to receive the most payments in 2015, reflecting reduced 2014 revenues relative to historical benchmarks. PLC was a popular choice for rice, peanuts, canola, barley, and grain sorghum, and, at least for 2014 crops, long-grain rice and peanuts are expected to receive payments. Upland cotton and peanuts are the only crops that have received marketing loan gains and/or loan deficiency payments in calendar 2015.

In addition to introducing the new ARC and PLC programs, the 2014 Farm Bill reduced the scope of the Conservation Reserve Program (CRP). The new CRP enrollment ceiling is 24 million acres, compared with the ceiling of 32 million acres in the 2008 Farm Bill.

The largest decline in payments is expected in the disaster assistance category, down $3.1 billion from 2014 to $1.6 billion in 2015. Payments in 2014 were higher than average due to retroactive provisions in the 2014 Farm Bill that covered losses back to 2011. The Livestock Forage Disaster program accounted for the bulk of those payments and provided significant relief to farmers and ranchers in the Great Plains, who had suffered from several years of severe drought. In 2015, payments under this program are expected to decline.

In addition, the 2014 Farm Bill discontinued several programs, including the Average Crop Revenue Election (ACRE) program and the direct and counter-cyclical payment program.

Chart 1: Government Payments 2005-2015F



Note: F = Forecast.
1/ Includes direct fixed payments portion of Direct and Counter-Cyclical Program (DCP) and Cotton Transition Assistance Program (CTAP) payments. The latter began in 2014. Payments are fixed by legislation.
2/ Includes counter-cyclical payments (CCP), average crop revenue election (ACRE) payments, loan deficiency payments, marketing loan gains, and certificate exchange gains. The certificate exchange program ended after making payments for the 2009 crop year; CCP and ACRE were not continued in the 2014 Farm Bill. Price loss coverage (PLC) and agricultural risk coverage (ARC) payments begin in 2015.
3/ All other payments include supplemental and ad hoc disaster assistance, tobacco transition, and dairy programs.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of August 25, 2015.

2015 Performance Highlights Summary

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

CCC will meet its FY 2015 goals for both riparian/grass buffers and restored wetland acres. However, 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. Total CRP enrollment currently stands at 24.2 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 from adjacent land in crop production.

The Income Support and Disaster Assistance Program area is still 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 ARC and PLC.

The 2015 CCC performance estimate of 365 days between warehouse examinations will meet its annual goal. 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 2015 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 most market development programs. U.S. company sales resulting from trade show participation are a good indicator of the success of these investments.

As of September 30, 2015, the CCC Export Credit Guarantee Program stands at $1.8 billion in guaranteed value for all commodities. Registration guarantee value for the fiscal year is lower than FY 2014, due in large part to the drop in unit prices for the top program commodities. The economic return ratio for FY 2015 is $110 per dollar invested, short of the target of $115 per dollar, due to reduced fee revenue in FY 2015. Fee revenue declined in FY 2015 due to lower-than-expected final guarantee value and an increase in program use at shorter (versus longer) repayment terms, which have lower fee rates. No claims or defaults were received in FY 2015, continuing the trend over the past five 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, 2015, and September 30, 2014, 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.

Assets:

The Balance Sheet shows CCC had Total Assets of $5.9 billion as of September 30, 2015, a decrease of $0.5 billion (8 percent) below the previous year's Total Assets of $6.4 billion. This is mainly attributed to a decrease of $0.5 billion in Fund Balance with Treasury.

Fund Balance with Treasury decreased by $0.2 billion due to the Tobacco Transition Payment Program, which came to an end in the first quarter of FY 2015. The remaining decrease is due to the net borrowings from Treasury as compared to FY 2014.

Table 1: Summary of Assets

Dollars in Millions

As of September 30	2015	2014	Variance	Variance %
Fund Balance with Treasury	$ 2,299	$ 2,813	$ (514)	-18%
Cash and Other Monetary Assets	43	24	19	79%
Accounts Receivable, Commodity Loans, and Direct Loans and Loan Guarantees, Net	3,416	3,452	(36)	-1%
Commodity Inventories, Net	55	38	17	45%
General Property and Equipment, Net	4	12	(8)	-67%
Other	141	104	37	36%
Total Assets	$ 5,958	$ 6,443	$ (485)	-8%

Liabilities:

The Balance Sheet shows CCC had Total Liabilities of $17.7 billion as of September 30, 2015. This represents a decrease of $2.3 billion (11 percent) below the previous year's Total Liabilities of $20.0 billion. The variance is primarily due to decreases of $2.0 billion and $0.4 billion in Debt to the Treasury and Accounts Payable, respectively.

The decrease in Debt to Treasury is primarily driven by $1.8 billion borrowing activity related to Price Support. CCC does not borrow at the program level, but rather at an aggregate level, making further identification of root cause related to Price Support difficult. Borrowing and repayment activities to Treasury include daily operations from the more than 2,100 county offices, as well as banks, Treasury checks, intra-government transfers, and Congressional warrants, rescissions, and non-expenditure transfers. The decrease in Debt to Treasury is also driven by $0.5 billion attributed to the repayments made to Treasury's Bureau of the Fiscal Service in August 2015. The decrease was partially offset by increases in other programs for a net of about $1.9 billion.

The $0.4 billion decrease in Accounts Payable is primarily due to the Disaster Assistance Program (DAP). During FY14 producers were able to request assistance for disasters that occurred as a result of eligible conditions or events for 2011 and subsequent years. As application deadlines for previous program years expired, the amount of payable activity decreased from FY 2014 to FY 2015.

Table 2: Summary of Liabilities

Dollars in Millions

As of September 30	2015	2014	Variance	Variance %
Accounts Payable	$ 265	$ 658	$ (393)	-60%
Debt to the Treasury	9,576	11,558	(1,982)	-17%
Loan Guarantee Liabilities	11	24	(13)	-54%
Environmental and Disposal Liabilities	8	8	-	0%
Other	7,870	7,764	106	1%
Total Liabilities	$ 17,730	$ 20,012	$ (2,282)	-11%

Ending Net Position:

CCC's Net Position, as of September 30, 2015 and 2014, is $(11.8) billion and $(13.6) 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 years ended September 30.

Chart 2: Unexpended Appropriations

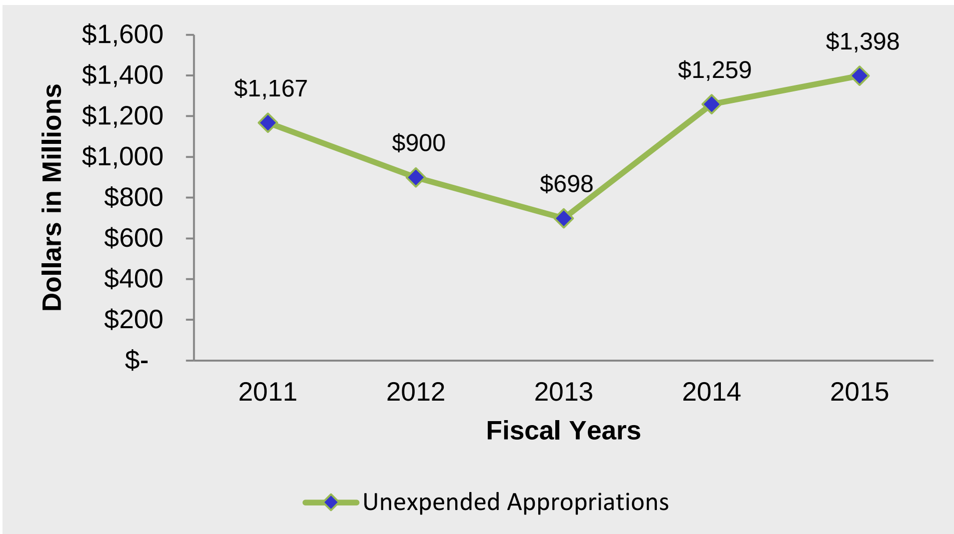


Chart 3: Cumulative Results of Operations

Net Cost of Operations:

Net cost of operations is categorized based on CCC's strategic goals. Net cost of operations was $9.1 billion and $13.0 billion for the years ended September 30, 2015 and 2014, respectively. Overall Total Net Cost of Operations decreased by $3.9 billion (30 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 decrease for the year ended September 30, 2015.

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

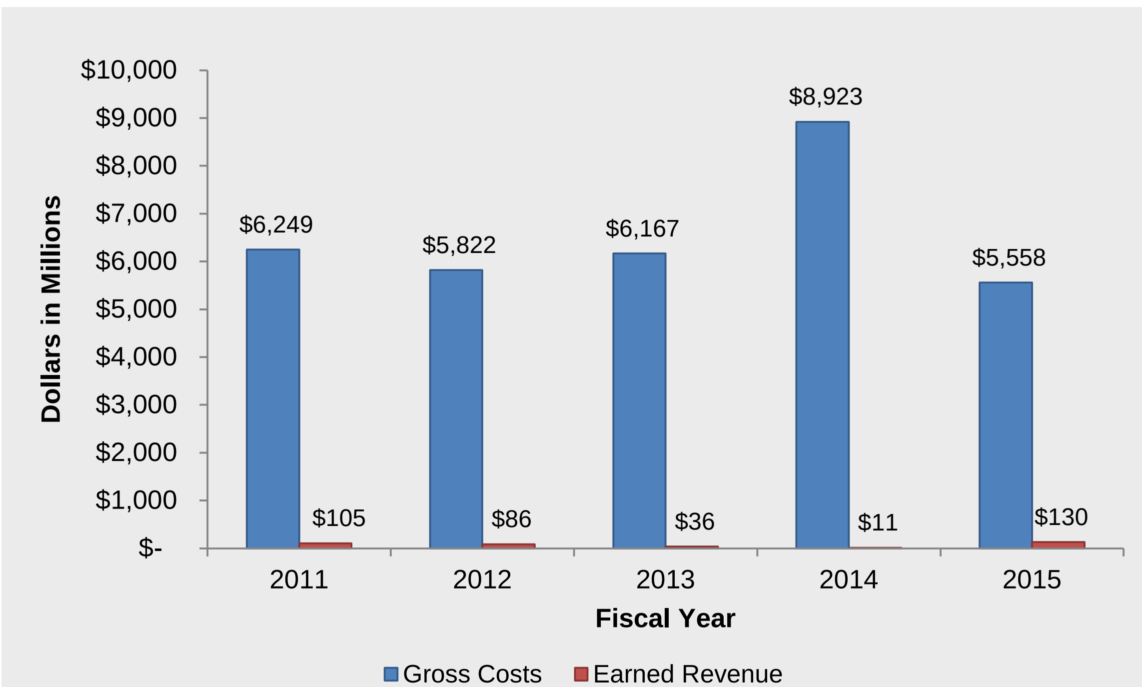
Dollars in Millions

For the Years Ended September 30	2015	2014	Variance	Variance %
Provide a Financial Safety Net for Farmers and Ranchers	$ 5,428	$ 8,912	$ (3,484)	-39%
Increase Stewardship of Natural Resources While Enhancing the Environment	1,893	2,267	(374)	-16%
Ensure Commodities are Procured and Distributed Effectively and Efficiently	138	261	(123)	-47%
Increase U.S. Food and Agricultural Exports	1,654	1,568	86	5%
Total Net Cost of Operations	$ 9,113	$ 13,008	$ (3,895)	-30%

The activity that caused the fluctuation in the Statement of Net Cost for the year ended September 30, 2015, relates to the following strategic goals:

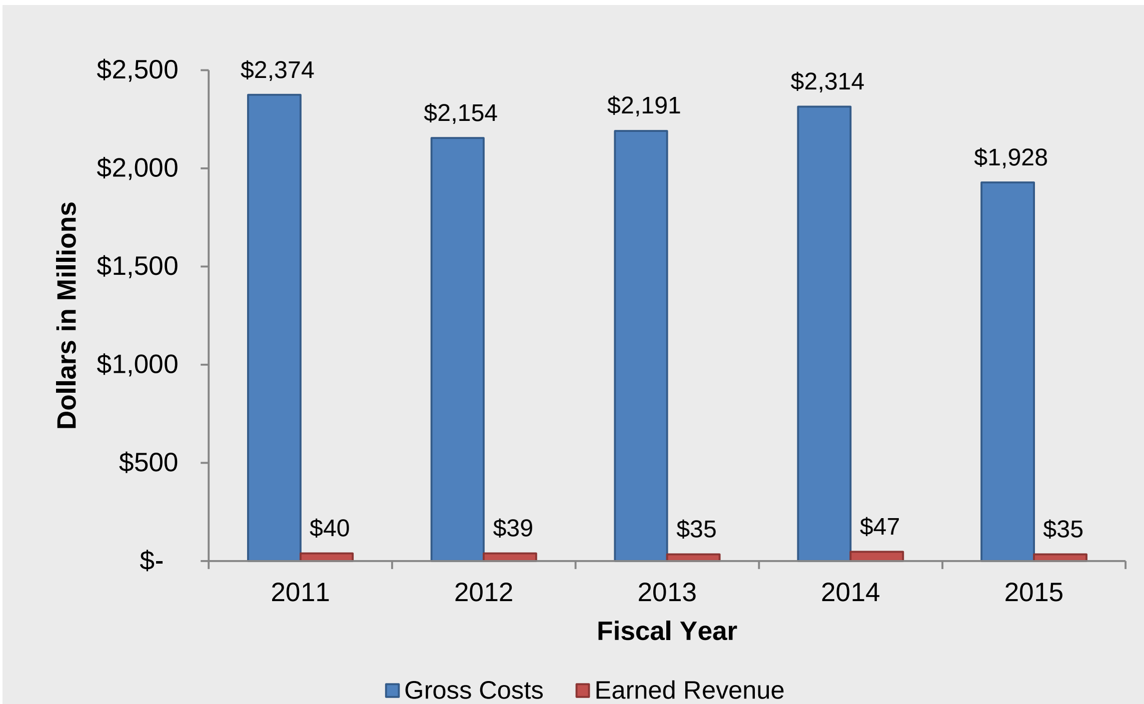
- Provide a Financial Safety Net for Farmers and Ranchers – The majority of the $3.5 billion variance is a result of an unexpected downward trend in the average payout per producer and program year application for the Supplemental Agricultural Disaster Assistance Programs (DAP). The expenditures for the Livestock Forage Disaster Program (LFP) and Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish (ELAP) programs were accrued in the 4th quarter of FY 2014, based on estimates, for producers that were either on a county office register (LFP) or applications that needed to be factored (ELAP) based on funding limitations. The decrease was partially offset by the ARC and PLC programs which are newly authorized under the 2014 Farm Bill.

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



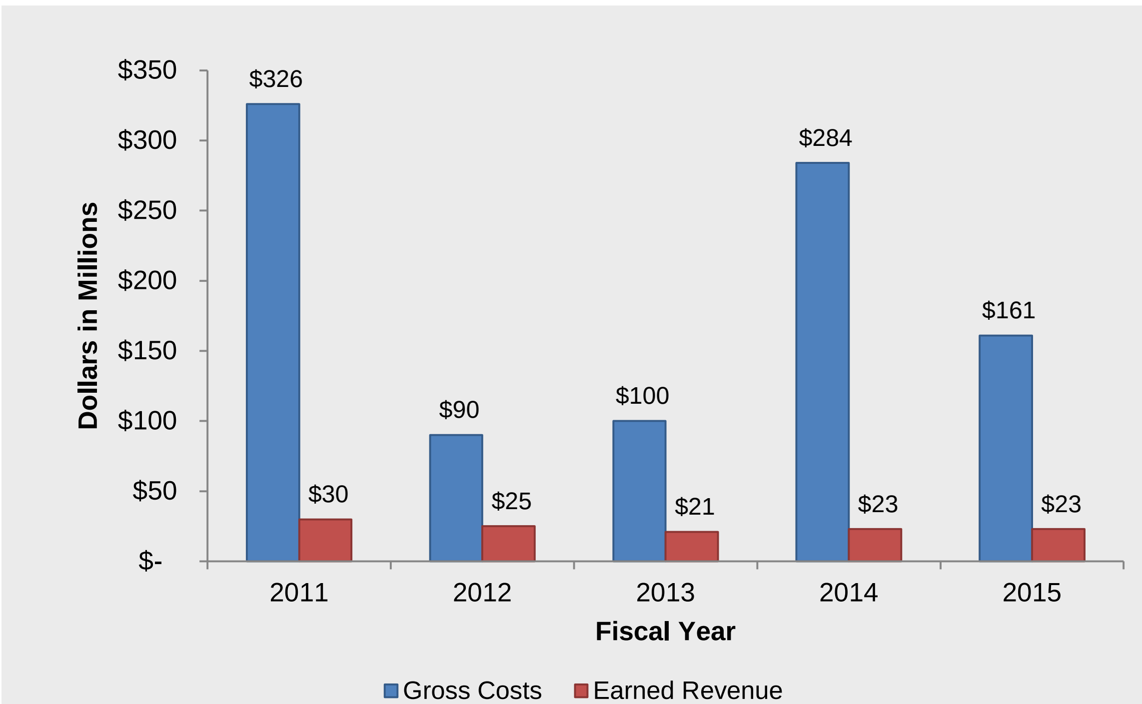
- Increase Stewardship of Natural Resources While Enhancing the Environment – The $386 million decrease in gross cost was primarily as a result of a reduction in benefits paid in the Conservation Reserve Program (CRP) due to a decrease of acreage mandated by the 2014 Farm Bill, coupled with increased commodity prices that prompted some producers to remove acreage from the program.

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



- Ensure Commodities are Procured and Distributed Effectively and Efficiently **–** The majority of the $123 million decrease is due to the Foundation for Food and Agriculture Research (FFAR). The FFAR was funded by the 2014 Farm Bill, providing a one-time payment of $200 million to the foundation made in FY 2014. The difference was partially offset by the FY 2015 release of funds in the Bill Emerson Humanitarian Trust, impacting the Food Security Commodity Reserve (FSR) to procure commodities to meet emergency food needs in South Sudan. Prior to this release, the fund was basically in a dormant status.

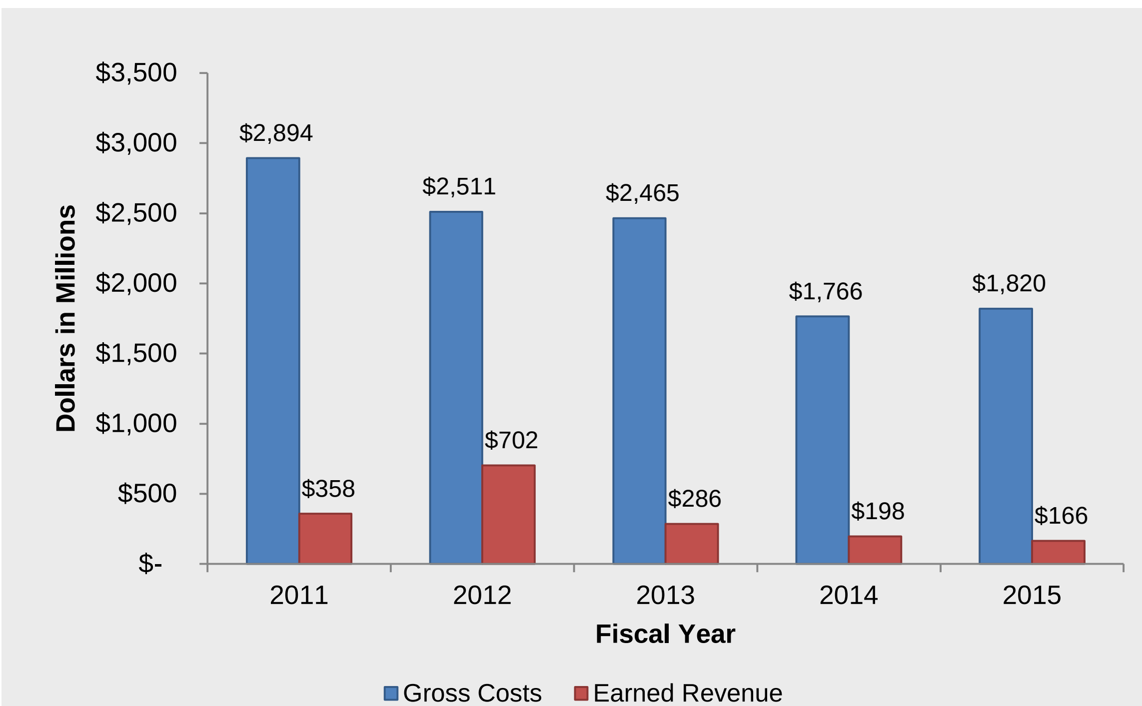
Chart 6: Ensure Commodities are Procured and Distributed Effectively and Efficiently



- Increase U.S. Food and Agricultural Exports –The majority of the $ 54 million increase in gross cost is due to more budget authority received for the Food Aid program. The increase is partially offset by the payment related 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 that was recognized as an expense in FY 2014. Additionally, there was a downward trend of the pre-Credit Reform loan portfolio, as collections were received and the associated allowance was reduced accordingly.

  The decrease in Title II Grant revenue is due to legislation passed by Congress in December 2013, which repealed authority for reimbursements made by the Maritime Administration for excess freight costs under the Ocean Freight Differential program for USDA and USAID food aid programs.

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



Obligations Incurred:

Obligations Incurred were $12.2 billion and $18.1 billion for the years ended September 30, 2015 and 2014, respectively. Overall Total Obligations Incurred decreased by $5.9 billion (33 percent) from the prior year. The majority of this decrease in obligations is due to the implementation of the new DAP programs and the repeal of the Direct, Counter-cyclical and ACRE Program by the 2014 Farm Bill. In FY 2014, payments were made for Crop Production and Protection (CPP) programs ACRE, Direct Payments and ACRE Direct. In FY 2015, the only CPP program to make a final payment was ACRE.

Table 4: Summary of Obligations

Dollars in Millions

For the Years Ended September 30	2015	2014	Variance	Variance %
Obligations Incurred:				
Direct	$ 2,547	$ 2,981	$ (434)	-15%
Reimbursable	9,631	15,124	(5,493)	-36%
Total Obligations	$ 12,178	$ 18,105	$ (5,927)	-33%

Net Outlays:

The $5.1 billion variance (39 percent decrease) in Net Outlays is the result of a decrease in gross outlays compounded by an increase in offsetting collections. A major cause of this is reduction of operating/program expenses due to the repeal of the Direct, Counter-cyclical and ACRE Program by the 2014 Farm Bill. In FY 2014, payments were made for CPP programs ACRE, Direct Payments and ACRE Direct. In FY 2015, the only CPP program to make a final payment was ACRE.

The decrease in gross outlays was enhanced by the increase in offsetting collections. The primary contributor to this net increase was the Marketing Assistance Loan Program (MAL) which experienced an increase in cash loan repayments occurring in FY 2015 as compared to FY 2014 as a result of more loans being made. Lower market prices made MALs an attractive option to farmers versus selling directly into the market when prices are higher. Substantial cash repayments increases were seen in upland cotton ($762M), corn ($286M), peanuts ($167M), and soybeans ($150M).

These offsetting collections were partially offset by a reduction in Tobacco Trust fund (TTP) collections due to less expenditure transfer collection activity for the Tobacco Trust Fund. The Tobacco Transition Program (TTP) ended in FY 2014. There are less collections in FY 2015 as compared to FY 2014 due to the program ending.

Table 5: Summary of Net Outlays

Dollars in Millions

For the Years Ended September 30	2015	2014	Variance	Variance %
Net Outlays:				
Gross Outlays	$ 14,506	$ 18,739	$ (4,233)	-23%
Offsetting Collections	(6,453)	(5,655)	(798)	14%
Less: Distributed Offsetting Receipts	(131)	(74)	(57)	77%
Net Outlays	$ 7,922	$ 13,010	$ (5,088)	-39%

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
Chief Financial Officer
Office of the Chief Financial Officer

THROUGH: Michael T. Scuse
President
Commodity Credit Corporation

SEP 21 2015

FROM: Val Dolcini
Executive Vice President
Commodity Credit Corporation

Radha C. Sekar
Chief Financial Officer
Commodity Credit Corporation

SUBJECT: Commodity Credit Corporation's Fiscal Year 2015 Assurance Statement Certification

This memorandum provides the Commodity Credit Corporation's (CCC) assertions to support the Secretary's annual assurances for the *U.S. Department of Agriculture's (USDA) Fiscal Year (FY) 2015 Agency Financial Report.* The assurance statement's assertions include the following:

- Compliance with laws and regulations
- Federal Managers' Financial Integrity Act (FMFIA)
- OMB Circular No. A-123, "Management's Responsibility for Internal Control" Appendix A, "Internal Control over Financial Reporting"
- Federal Financial Management Improvement Act (FFMIA)

Based on CCC management's internal control reviews completed during FY 2015, CCC can provide reasonable assurance that internal controls are operating effectively.

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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, 2015.

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

   Note: CCC reserves the opportunity to revise our certification based on any changes of these conditions subject to revision based on events post date of this report necessitating an updated certification that will be prepared and provided in Quarter 2 of FY 2016, if warranted.

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 2015.

6. Corrective action plans and the "Summary of Reportable Deficiencies" chart are attached

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

7. Per agreement with Tyson Whitney (OCFO) CCC's 2nd Quarter SBR Reconciliation will be combined with the 3rd Quarter submission that will be provided to OCFO on September 2015. This is partly due to the 11 missing Federal Financial Assistance batch files totaling $1.4B reported during the 2nd Quarter, but not reflected on the USAspending website.

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Although not confirmed by Treasury, it is CCC's position the missing files were a result of the USAspending.gov portal ownership transition from the Office of Management and Budget to the Treasury Department during the February/March 2015 time period.

8. CCC may revise this certification once all quarters have been reconciled for the year.

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, 2015.

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 (CDs). For the FY 2015 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
   Disbursements
   Revenue and Receivables (Collections)
   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, 2015.

5. Based on the results of the assessment, except for the processes related to our MW for FBWT, CCC can provide reasonable assurance that internal controls over financial reporting are operating effectively.

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6. At the beginning of FY 2015, CCC had one existing MW, which remains, and 2 existing SDs.

   Conclusions from the final FY 2015 A-123 test work determined that one SD "Maintaining, Controlling and Monitoring the CORE General Ledger" and continues to remain a SD, and the other SD "Monitoring GSM Guaranteed Loan Disbursements" was resolved as of June 30, 2015.

7. Corrective action plans and the "Summary of Reportable Deficiencies" chart are attached.

Federal Financial Management Improvement Act (FFMIA) Assertions

1. CCC management evaluated its financial management systems under FFMIA for the year ended September 30, 2015.

2. Based on the results of our evaluation, we are in substantial compliance with Section(s) 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. Corrective action plans and the "Summary of Reportable Deficiencies" chart are attached.

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 2015.

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 2015 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 2016. 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 2015 and 2014 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.

During FY 2015, management's assessment of internal controls over financial reporting determined that the following material weaknesses (MW) were not sufficiently mitigated and will be repeat findings:

- Funds Control: MW in Section 2 of FMFIA and system non-conformance in Section 4 of FMFIA, Revised estimated completion date is September, 2017
- Reconciling Fund Balance with Treasury: MW in Internal Control over Financial Reporting, Revised estimated completion date is March, 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 2016 focus area. So, although progress has been made, not all controls were sufficiently implemented during FY 2015 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 FY 2014 due to reconciliation complications with system migrations. CCC anticipates extensive clean-up procedures in FY 2016 to address these deficiencies.

An SD for "Monitoring General Sales Manager (GSM) Guaranteed Loan Disbursements" was identified in FY 2013 and was successfully mitigated during FY 2015. There were no newly identified deficiencies during the A-123, Appendix A, testing process in FY 2015.

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 2015, 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 2015 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 third quarter of FY 2017.

CCC has implemented several business process and system improvements to record, track, and report obligations at the detail transaction level, which is a major step towards mitigating CCC's material weakness. A phased implementation has been in progress during FY 2015 to bring various FSA program and financial management applications into full compliance with the FFMIA of 1996. Complete implementation for full funds controls is targeted for completion in FY 2017.

In addition, FSA/CCC has successfully moved two of the three financially significant applications off the IBM AS400/S36 platform hosting county office (CO) applications, addressing CCC's deficiencies for having antiquated hardware and expired system maintenance plans. Automated Price Support System (APSS) 2014 crop year loans remain on the AS400, with a target date of closing out by April 2016.

Antideficiency Act

CCC did not have any violations of the Antideficiency Act during fiscal years 2014 and 2015.

Limitations of the Financial Statements

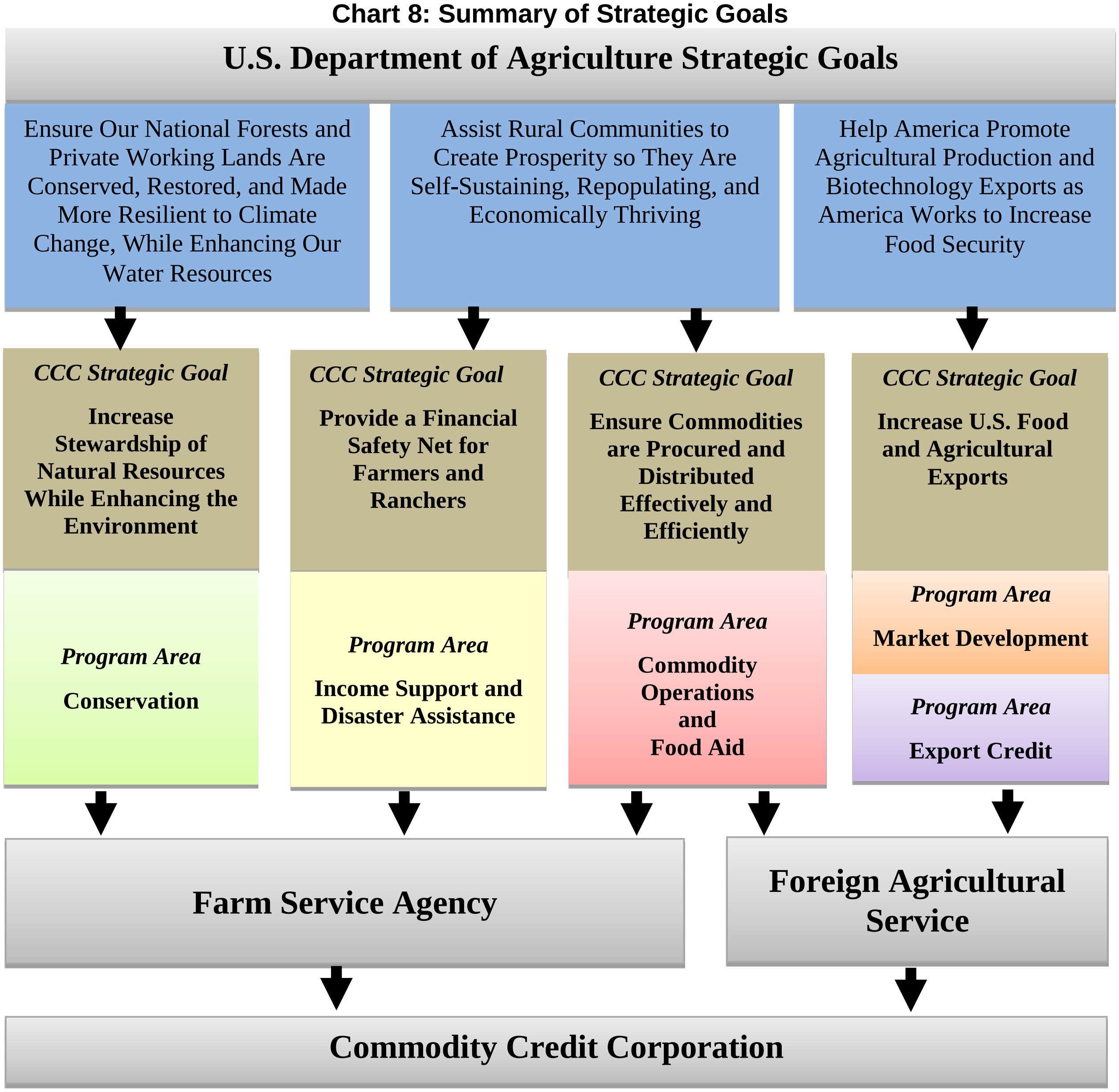
The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b), *Financial Statements of Agencies*. While the statements have been prepared from the books and records of the entity in accordance 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 FY 2015 at 1.77 million acres, down 0.05 million acres from FY 2014. Wetland practice enrollment at the end of FY 2015 was 1.93 million acres down 0.07 million acres from FY 2014. Both performance measures have declined since FY 2014 due to the pressures outside CCC's control, such as increased crop prices and increased demand for agricultural commodities. While some producers withdrew acreage as a result of increased price and demand, recent price decreases saw requests from producers to enroll, or re-enroll, acreage into the program. However, with the acreage restrictions contained in the 2014 Farm Bill, they were unable to do so.

Total CRP enrollment currently stands at 24.2 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 contributed to increased wildlife populations, and have added more than two million ducks to the Prairie Pothole Region annually, protected Sage Grouse populations in Eastern Washington and Lesser Prairie Chicken populations in the southern Great Plains, and increased 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 2011	FY 2012	FY 2013	FY 2014	FY 2015		
					Target	Actual	Result
CRP: acres of riparian and grass buffers (cumulative and in million acres)	2.01	1.98	1.88	1.82	1.73	1.77	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 30, 2015. 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 2011	FY 2012	FY 2013	FY 2014	FY 2015		
					Target	Actual	Result
CRP: restored wetland acreage (million acres)	2.23	2.29	2.09	2.00	1.90	1.93	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 30, 2015. 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 2015, crop prices retreated by more than 50 percent from their high, increasing the incentive to re-enroll in CRP, and competition for enrollment among the various components of CRP is expected. 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 2016 are set to maintain practices that provide large per-acre 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 made substantial changes to CCC programs. Several programs were eliminated, including the DCP and ACRE. The new crop safety net programs for 2014-2018 crops are ARC and PLC programs.[2] 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 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 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.

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

[2] 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.

loan deficiency payments (other than for peanuts), may not exceed $125,000 per crop year.

The Milk Income Loss Contract (MILC) program was also eliminated by the 2014 Farm Bill, 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 two-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) were reinstated and made permanent via CCC funding, as was the Tree Assistance Program (TAP). Enrollment 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 since the program has become permanent, exceeding $5.5 billion as of early October, 2015.

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 five 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

The ARC and PLC 2014/2015 enrollment recently concluded. County Offices placed a considerable amount of farms on registers for completion of work to be done after the enrollment period ended. The Office of the Deputy Administrator for Farm Programs (DAFP) has set a November 30, 2015, deadline to complete enrollment activities for farms on the enrollment registers.

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

- The Noninsured Crop Disaster Assistance Program (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 30, 2015, $4.2 million in NAP payments were issued for 2015 crop losses to date. For FY 2015, $113.7 million were issued across all NAP program years.

- The Farm Storage Facility Loan (FSFL) Program provides financing for on-farm storage, covering approximately 1 billion bushels of eligible FSFL commodities since FY 2000. For FY 2015, 822 FSFLs were disbursed as of September 30, 2015, totaling approximately $54 million.

- The Marketing Assistance Loan (MAL) Program disburses both recourse and nonrecourse commodity loans during a crop year. The Loan Deficiency Payment (LDP) Program is applicable when market prices are low. As of September 30, 2015, for crop year 2015, there have been 2,460 MALs disbursed totaling over $223 million. Loan activity for the 2015 crop year will increase as the harvest of most commodities is just beginning. The loan availability period for most crop year 2015 commodities continues until the end of May 2016. As of September 30, 2015, for crop year 2015, there have been 198 LDPs disbursed totaling over $1.1 million for upland cotton and peanuts.
- The Margin Protection Program (MPP) provides dairy operations with risk management coverage that compensates dairy producers when the difference (the margin) between the national price of milk and average cost of feed for a specified consecutive 2-month period falls below a producer selected level, ranging from $4 to $8. Payments have triggered for the periods of Jan/Feb ($0.004456/cwt.), Mar/Apr ($0.49585/cwt.), May/Jun ($0.00466/cwt.), and Jul/Aug ($0.30490/cwt.) for those producers that selected $8 margin coverage. To date, FY 2015 payments to dairy producers have been issued in the amount of $0.4 million, excluding payments for Jul/Aug period, which are pending.

Table 8: Summary of Performance Measure for ARC and PLC program

Performance Measure	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015		
					Target	Actual	Result
Number of Farms enrolled in ARC/PLC (in millions)	N/A	N/A	N/A	1.45	1.7	1.48**	Met
Threshold range: +/- 10,000 Farms							
Rationale for Met Range: Management Determination							
Data Assessment of Performance Measure							
Data source: ARC/PLC contract signup application							
Completeness of Data: ** Data reported are based on data available as of September 30, 2015. After addressing backlog and technical issues, CCC expects to meet the annual target.							
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

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 ARC or 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 2015 CCC performance estimate of 365 days between warehouse examinations met the 2015 target. The increasing number of commodity warehouses and the increasing capacities of licensed warehouses within the USWA provide challenges and impact the increase in number of days between examinations over the previous few 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 2011	FY 2012	FY 2013	FY 2014	FY 2015		
					Target	Actual	Result
Average time between warehouse examinations (in days)	355	342	358	365	365	365	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: Data reported are estimated final results for the fiscal year based on data available as of September 30, 2015. 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. On behalf of CCC, 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[3] 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. A final report from a new study is expected in FY 2016.

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 six dairy exporters, exhibiting at their MAP-funded booth at the 2014 Gulfood Show in February, 2014, sold $10 million of product during the show, and projected $25 million in sales over the following 12 months.

- The U.S. Grains Council's MAP-funded Moroccan trade team visited Iowa to see how U.S. corn and distiller dried grains with solubles (DDGS) are used in the layer industry, and as a result, the five buyers on the team imported a total of 95,000 MT of DDGS valued at $25.5 million in 2014.

- The California Walnut Commission reported that U.S. exports of walnuts to India have grown steadily over the past five years thanks to their EMP-, MAP-, and QSP-funded consumer and trade market research, trade missions, promotions, and educational programs. Shipments for the September 2014-August 2015 crop year reached $8.5 million compared to $0.8 million for the previous year, a ten-fold increase.

- U.S. Wheat Associates used EMP to invite prospective buyers from Cameroon to learn about U.S. hard red wheat (HRW) use in instant noodle production, and to provide in–plant technical support. Thanks to less than $30,000 in EMP funding,

[3] 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.

new U.S. HRW wheat exports to Cameroon have reached $14 million since June-May 2012/13.

- USA Rice Federation used MAP to conduct 98 promotional activities--seminars, product demonstrations, and tastings – at 12 different Sam's Club stores in Mexico, over a 10-month period in 2014. As result, sales of U.S. rice increased by an average $0.2 million per month during the promotional period, a 72 percent increase and U.S. rice market share increased from 69 percent to 75 percent.

- The California Agricultural Export Council reported that MAP-funded in-store programs and trade-focused sample trials, have helped California pomegranate growers boost their volume of exports to Australia in 2014 by 33 percent, reaching 200,000 cases; export value jumped 35 percent to $5 million over the prior year.

- The U.S. Livestock Genetics Export, Inc. reported that in May 2015, Ecuador imported 56 bulls and heifers, valued at $700,000, the first live U.S. cattle shipment since the market closed in 2003 due to U.S. bovine spongiform encephalopathy, commonly known as mad cow disease, concerns. This was a result of many years of MAP- and FMD-funded educational activities, seminars, and technical assistance provided by the American Brahman Breeders Association, and the Florida Department of Agriculture, and years of coordinated efforts with USDA. U.S. exports are expected to reach $35 million over the next three years.

- American Softwoods construction seminars and tradeshow promotion, which were MAP–funded, at two major shows in Guadalajara, resulted in five U.S. wood manufacturers reporting $3.5 million in U.S. wood product exports to Mexico in 2014.

- In 2014, MAP-funded, USA Seafood promotions in China featured 13 varieties of fish and shellfish and promotions generated $2.7 million in sales. Food Export Northeast, the Southern United States Trade Organization, the Western United States Trade Organization, and the Alaska Seafood Marketing Institute, collaborated on the promotions.

- In 2014, the Organic Trade Association's 14 MAP-sponsored exhibitors at BIOFACH, the world's largest organic trade show, held in Nuremburg, Germany, reported nearly $0.2 million in on-site sales, projecting another $3.4 million in post-show sales, almost three times the projected 2013 level.

- USA Poultry and Egg Export Council's MAP-funded reverse trade missions from Albania and Kosovo met with U.S. exporters, and attended the International Poultry Expo in Atlanta, Georgia. They reported purchases of 30 containers of U.S. chicken leg quarters, valued at $0.5 million, in the six months following the trade missions.

- TASC funding established an integrated pest management system for the Synergistic Hawaii Agriculture Council that reduced the Coffee Berry Borer infestation in Hawaii by over 20 percent, helping to maintain exports to key markets like Japan and Canada, which were worth over $700 million in 2014.

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 2014 there were about 2,600 SMEs participating in State Regional Trade Group's (SRTGs) market development programs., about 200 more than the past four-year average. 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 2011	FY 2012	FY 2013	FY 2014	FY 2015		
					Target	Actual	Result
Value of agricultural exports resulting from participation in foreign food and agricultural trade shows (million $)	$1,072	$1,332	$1,462	$1,500	$1,550	$1,528 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, 2015.							
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

USDA's "Outlook for U.S. Agricultural Trade", AES-89, August 27, 2015, identifies the United States as the main engine of world growth, but weak foreign demand and a strong dollar are placing downward pressure on U.S. exports. Emerging country economic growth has weakened, largely due to China's slowed economic growth. The value of the U.S. dollar has appreciated considerably in the past year and U.S. interest rates are expected to begin to increase, placing further upward pressure on the dollar. Global trade-volume growth is forecast to slow dramatically from 3.2 percent in 2014 to 1.6 percent in 2015, recovering to about 4 percent in 2016. Trade had been growing at an average of about 7 percent prior to the financial crisis in 2008-09. The report identified recent research from the World Bank that suggests that changes in the structure of supply chains, less accessible trade finance, and increased trade protection are also contributing to the slowdown in the growth of trade. The report also attributed low energy prices to slowing down economic growth in Mexico and Canada, while recessions in Argentina, Brazil, and Venezuela were sharply slowing growth in South America. In addition, geopolitical instability continues to dampen economic recovery and growth taking place in most of the world. The conflicts in the Middle East, the continuing political unrest in the Ukraine, and world economic sanctions against Russia, have reduced productivity, and disrupted 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 have sufficient financial strength to have foreign exchange available for scheduled payments. 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 two years but actual repayment terms are currently limited to 18 months or less, based on country risk considerations.

Analysis of Results

As of September 30, 2015, the guaranteed value of export sales registered under the program was $1.8 billion. Registration guaranteed value is lower than in FY 2014 due primarily to a decline in prices of the top five program commodities, which make up nearly 90 percent of program exports. The economic return ratio for FY 2015, as of September 30, 2015, is $110 per dollar invested. The program fell short of its FY 2015 economic return ratio target of $115 per dollar invested due to reduced fee revenue. Fee revenue declined in FY 2015 due to lower-than-expected final guarantee value and an increase in program use at shorter (versus longer) repayment terms, which have lower fee rates. No claims or defaults were received in FY 2015, continuing the trend over the past five 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 2015 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. yellow corn and soybean meal exports. In FY 2015, as of July 31, 2015 (the latest available export data), GSM-102 exports account for over 14 percent of all U.S. exports of soybean meal and 10 percent of corn to this region. In addition to soybean meal and corn, the GSM-102 program supports significant exports of soybeans, rice and wheat to the region.

- In FY 2015, as of July 31, 2015, exports to South Korea under GSM-102 account for over 42 percent of wheat, nearly 9 percent of cotton, and over 5 percent of corn as percentages of all U.S. exports to this country.

- Mexico's use of the GSM-102 program has remained steady over the last few years. Mexico is the second largest market for both soybeans and wheat under the program. In FY 2015, as of July 31, 2015, GSM exports of soybeans represent almost 9 percent of all U.S. soybeans exported to Mexico.

- In the Central America Region, recent outreach efforts to the region have resulted in newly qualified U.S. exporters, increased regional interest in the program, and a first registration by a small and medium enterprise (SME) exporting to the region. As of July 31, 2015, exports to the Central America Region under the GSM-102 program account for nearly 12 percent of soybean meal and 13 percent of corn of all U.S. exports to the region.

- The GSM-102 program supports a wide variety of U.S. exports to Turkey, including cotton, soybeans and wood and paper products. As of July 31, 2015, exports under the GSM program represent 27 percent of soybeans, 22 percent of distillers dry grains, and 9 percent of cotton as percentages of all U.S. exports to this country.

Table 11: Summary of Performance Measure for GSM

Performance Measure	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015		
					Target	Actual	Result
Estimated trade value resulting from USDA GSM export credit guarantee program (dollars in billions)	$4.20	$4.21	$3.11	$2.01	$2.50	$1.85	Not Met

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 30, 2015.

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 2011	FY 2012	FY 2013	FY 2014	FY 2015		
					Target	Actual	Result
Economic Return Ratio	$(107/1)	$(115/1)	$(130/1)	$(124/1)	$(115/1)	$(110/1)	Met

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 30, 2015.

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 2016 presents both challenges and opportunities for the CCC-funded Export Credit Guarantee Program. Uncertainties in the global economic environment especially related to emerging markets, the primary focus of the GSM-102 program, could create demand shifts based on commercial financing availability as the size of this program typically runs countercyclical to global financial stability.

In FY 2015, the restricted tenors and introduction of new operational requirements under GSM-102 required an adjustment period for our stakeholders. Those adjustments should be fully incorporated by stakeholders as we move into the FY 2016 program year.

Part III: Financial Section

Message from the Chief Financial Officer

I am pleased to present the Commodity Credit Corporation's (CCC) Fiscal Year (FY) 2015 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 2015, 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, evolving conservation practices, and continued implementation of 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. During the year, we helped more than 226,000 farmers and ranchers suffering from severe drought and other natural disasters, providing disaster assistance worth more than $5.6 billion.

CCC also remains committed to accountability and transparency in everything we do.

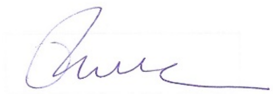
Our independent auditor has issued a disclaimer of opinion on CCC's FY2015 financial statements. CCC did not concur with a significant number of findings which led to the auditors' disclaimer of opinion in their report. Further details can be found in Exhibit III of the audit report

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 2016, our focus remains on maintaining and improving strong financial management internal controls.

The CCC's financial statements, included herein, report the Corporation's FY 2015 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,



Radha Sekar
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 the 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. 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 2015 and FY 2014 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, 2015 and 2014. The components are separately displayed in two sections, namely Cumulative Results of Operations and Unexpended Appropriations.

The Combined Statement of Budgetary Resources 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, 2015 and 2014.

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.

Required Supplementary Information contains a Combining Schedule of Budgetary Resources for FY 2015 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 2015. 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.

Consolidated Financial Statements

Commodity Credit Corporation
CONSOLIDATED BALANCE SHEETS
As of September 30, 2015 and 2014
(In Millions)

	2015		2014	
Assets:				
Intragovernmental:				
Fund Balance with Treasury (Note 2)	$	2,299	$	2,813
Total Intragovernmental Assets	$	2,299	$	2,813
Cash and Other Monetary Assets (Note 3)		43		24
Accounts Receivable, Net (Note 4)		254		300
Commodity Loans, Net (Note 5)		334		208
Direct Loans and Loans Guarantees, Net (Note 6)		2,828		2,944
Commodity Inventories and Related Property, Net (Note 7)		55		38
General Property and Equipment, Net (Note 8)		4		12
Other (Note 9)		141		104
Total Assets	$	5,958	$	6,443
Liabilities (Note 10):				
Intragovernmental:				
Debt to the Treasury (Note 11)		9,576	$	11,558
Other:				
Deposit and Trust Liabilities (Note 12)		167		399
Resources Payable to Treasury (Note 13)		1,201		1,202
Other (Note 13)		124		183
Subtotal	$	1,492	$	1,784
Total Intragovernmental Liabilities	$	11,068	$	13,342
Accounts Payable		265		658
Loan Guarantee Liability (Note 6)		11		24
Environmental and Disposal Liabilities (Note 14)		8		8
Other Liabilities:				
Accrued Liabilities (Note 15)		6,338		5,623
Deposit and Trust Liabilities (Note 12)		10		23
Other (Note 13)		30		334
Subtotal	$	6,378	$	5,980
Total Liabilities	$	17,730	$	20,012
Commitments and Contingencies (Note 16)				
Net Position:				
Capital Stock	$	100	$	100
Unexpended Appropriations		1,398		1,259
Cumulative Results of Operations		(13,270)		(14,928)
Total Net Position	$	(11,772)	$	(13,569)
Total Liabilities and Net Position	$	5,958	$	6,443

The accompanying notes are an integral part of these statements.

Commodity Credit Corporation

CONSOLIDATED STATEMENTS OF NET COST

For the Years Ended September 30, 2015 and 2014
(In Millions)

	2015	2014
Strategic Goals (Note 17):		
Provide a Financial Safety Net for Farmers and Ranchers		
Gross Cost	$ 5,558	$ 8,923
Less: Earned Revenue	130	11
Net Goal Cost	$ 5,428	$ 8,912
Increase Stewardship of Natural Resources While Enhancing the Environment		
Gross Cost	$ 1,928	$ 2,314
Less: Earned Revenue	35	47
Net Goal Cost	$ 1,893	$ 2,267
Ensure Commodities are Procured and Distributed Effectively and Efficiently		
Gross Cost	$ 161	$ 284
Less: Earned Revenue	23	23
Net Goal Cost	$ 138	$ 261
Increase U.S. Food and Agricultural Exports		
Gross Cost	$ 1,820	$ 1,766
Less: Earned Revenue	166	198
Net Goal Cost	$ 1,654	$ 1,568
Total Gross Cost	$ 9,467	$ 13,287
Less: Total Earned Revenue	354	279
Net Cost of Operations	$ 9,113	$ 13,008

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, 2015 and 2014

(In Millions)

		2015		2014
Capital Stock	$	100	$	100
Cumulative Results of Operations:				
Beginning Balance	$	(14,928)	$	(8,748)
Budgetary Financing Sources:				
Appropriations Used		14,840		10,605
Non-exchange Revenue		12		8
Transfers in/out without Reimbursement, Net		(5,194)		(4,706)
Other Financing Sources (Non-Exchange):				
Imputed Financing		1,376		1,163
Other		(263)		(242)
Total Financing Sources	$	10,771	$	6,828
Net Cost of Operations		(9,113)		(13,008)
Net Change	$	1,658	$	(6,180)
Cumulative Results of Operations	$	(13,270)	$	(14,928)
Unexpended Appropriations:				
Beginning Balance	$	1,259	$	698
Budgetary Financing Sources:				
Appropriations Received		14,994		11,167
Appropriations Transferred in/out		-		(1)
Other Adjustments		(15)		-
Appropriations Used		(14,840)		(10,605)
Total Budgetary Financing Sources	$	139	$	561
Total Unexpended Appropriations	$	1,398	$	1,259
Net Position	$	(11,772)	$	(13,569)

The accompanying notes are an integral part of these statements.

Commodity Credit Corporation
COMBINED STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2015 and 2014
(In Millions)

	2015		2014	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:				
Unobligated balance brought forward, October 1	$ 991	$ 283	$ 973	$ 376
Recoveries of prior year unpaid obligations	2,952	14	393	48
Other changes in unobligated balance	(22)	(115)	(37)	(138)
Unobligated balance from prior year budget authority, net	3,921	182	1,329	286
Appropriations (discretionary and mandatory)	1,632	-	2,833	-
Borrowing Authority (discretionary and mandatory)	6,794	222	14,615	209
Spending authority from offsetting collections (discretionary and mandatory)	36	168	3	104
Total Budgetary Resources	$ 12,383	$ 572	$ 18,780	$ 599
Status of Budgetary Resources:				
Obligations Incurred (Note 18)	$ 11,785	$ 393	$ 17,789	$ 316
Unobligated balance, end of year:				
Apportioned	104	64	312	96
Exempt from apportionment	166	3	195	8
Unapportioned	328	112	484	179
Total Unobligated balance, end of year	598	179	991	283
Total Budgetary Resources	$ 12,383	$ 572	$ 18,780	$ 599
Change in Obligated Balance:				
Unpaid obligations:				
Unpaid obligations, brought forward, Oct 1	$ 10,580	$ 135	$ 11,583	$ 208
Obligations incurred	11,785	393	17,789	316
Outlays (gross)	(14,124)	(382)	(18,399)	(341)
Recoveries of prior year unpaid obligations	(2,952)	(14)	(393)	(48)
Unpaid obligations, end of year	5,289	132	10,580	135
Uncollected payments:				
Uncollected payments, Federal sources, brought forward, Oct 1	(18)	-	(48)	(157)
Change in uncollected payments, Federal sources	17	-	30	157
Uncollected payments, Federal sources, end of year	(1)	-	(18)	-
Memorandum (non-add) entries:				
Obligated balance, start of year	$ 10,562	$ 135	$ 11,535	$ 51
Obligated balance, end of year	$ 5,288	$ 132	$ 10,562	$ 135
Budget Authority and Outlays, Net:				
Budget authority, gross (discretionary and mandatory)	$ 8,462	$ 390	$ 17,452	$ 313
Actual offsetting collections (discretionary and mandatory)	(6,039)	(414)	(5,118)	(537)
Change in uncollected customer payments from Federal sources (discretionary and mandatory)	17	-	30	157
Budget authority, net (discretionary and mandatory)	$ 2,440	$ (24)	$ 12,364	$ (67)
Outlays, gross (discretionary and mandatory)	$ 14,124	$ 382	$ 18,399	$ 341
Actual offsetting collections (discretionary and mandatory)	(6,039)	(414)	(5,118)	(537)
Outlays, net (discretionary and mandatory)	8,085	(32)	13,281	(196)
Distributed offsetting receipts	4	(135)	-	(74)
Agency Outlays, net (discretionary and mandatory)	$ 8,089	$ (167)	$ 13,281	$ (270)

The accompanying notes are an integral part of these statements.

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 imputed intra-departmental costs, as appropriate, of salaries and expenses (e.g., facility costs) incurred by FSA. Refer to Imputed Cost discussion later in Note 1. 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, 2015, and September 30, 2014, 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. Certain prior-year amounts have been reclassified to conform with the current year's presentation.

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. For example, under GAAP, Accrued Liabilities must be estimated and recorded if the event creating the liability has occurred, even if an invoice or payment request has not been received and

Note 1 - Significant Accounting Policies, Continued

the precise amount is unknown, as long as the amount can reasonably be estimated. Actual results will likely differ from those estimates.

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 of one department's (parent entity) authority to obligate budget authority and outlay funds to another department (child entity). 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, as the parent, allocates funds 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 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 and Other Monetary Assets

CCC does not maintain cash in commercial bank accounts or at any FSA location. Refer to Note 3 – Cash and Other Monetary Assets.

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) concluded at the end of calendar year 2014 (Quarter 1, FY 2015). The final assessments were sent to the manufacturers and importers in the 4th quarter of FY 2014, with a final true-up assessment due in the 1st quarter of FY 2016. The final payment to the quota holders and producers was made in the 1st quarter of FY 2015.

Approximately $184 million remains uncollected for TTPP. These outstanding receivables represent companies still making payments on promissory notes, companies that went out of business, and bankruptcies. The regulations for the tobacco program did not allow for write-offs, as it was designed to be a "break even" program. That is, all amounts paid to quota holders and producers would be collected by manufacturers and importers. The regulations did not take into account any bankruptcies or delinquent debtors. Several companies have been turned over to the Department of Justice for litigation. As of the end of FY 2015, a material portion of the receivables was determined to be collectable. Now that the program is completed, a re-evaluation of collectability will occur on an ongoing basis date as circumstances dictate.

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.

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.

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 2015, 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 non-exchange 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 Financing (also known as Imputed Costs)

Imputed financing represent costs incurred by other USDA agencies for the benefit of CCC. In accordance with SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal* Government, CCC's full cost incorporates the full cost of goods and services that it receives from other entities. As previously stated, CCC has no employees or facilities. Thus, CCC executes its various programs using the manpower and facilities of other agencies, primarily FSA. The imputed financing consists 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 expended by FSA for work on CCC programs.

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, 2015, and 2014 were as follows:

Table 13: Fund Balance with Treasury by Fund Type

	(In Millions) 2015	2014
Fund Balance with Treasury, by type of fund:		
Trust Funds	$ 21	$ 233
Revolving Funds	792	1,145
General Funds	1,484	1,429
Other Fund Types	2	6
Total Fund Balance with Treasury	$ 2,299	$ 2,813
Status of Fund Balance with Treasury:		
Unobligated Balance:		
Available	$ 337	$ 611
Unavailable	440	663
Obligated Balance not yet Disbursed	5,420	10,697
Subtotal	$ 6,197	$ 11,971
Borrowing Authority not yet Converted to Fund Balance	(3,900)	(9,164)
Non-Budgetary Fund Balance with Treasury	2	6
Total Fund Balance with Treasury	$ 2,299	$ 2,813

CCC uses 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, 2015 and 2014, 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 3 – Cash and Other Monetary Assets

As of September 30, 2015 and 2014, CCC has $43 and $24 million in deposits in transit, respectively.

Note 4 – Accounts Receivable, Net

Accounts Receivable as of September 30, 2015, and 2014 were as follows:

Table 14: Accounts Receivable

	(In Millions)	
	2015	2014
Public:		
Notes Receivable	$ 7	$ 7
Interest Receivable	2	4
TTPP Receivable	184	226
Other	69	72
Subtotal	$ 262	$ 309
Allowances for Doubtful Accounts	(8)	(9)
Total Public Accounts Receivable, Net	$ 254	$ 300

As of September 30, 2015, Public Accounts Receivable for the Tobacco Transition Payment Program (TTPP) was $184 million and includes $168 million in Short-Term Receivables, $8 million in Notes Receivables, and $8 million in Interest Receivable.

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. 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, 2015 and 2014, were as follows:

Table 15: Commodity Loans Receivable by Commodity

	2015	2014
Cotton	$ 50	$ 38
Dry Whole Peas	2	1
Feed Grains:		
Barley	5	2
Corn	86	73
Oats	1	-
Honey	1	2
Oilseeds	3	1
Peanuts	29	21
Rice	28	16
Soybeans	20	7
Wheat	114	48
Subtotal Commodity Loans	$ 339	$ 209
Inactive Commodity Loans in Collection	6	1
Accrued Interest Receivable	2	1
Penalties, Fines, and Administrative Fees	-	1
Total Commdity Loans, Gross	347	212
Less: Allowance for Losses	(13)	(4)
Total Commodity Loans, Net	$ 334	$ 208

As of September 30, 2015, net commodity loans increased by $126 million from the previous year. Significantly more Marketing Assistance Loans (MALs) were made in FY 2015 as compared to FY 2014 leading to more outstanding MALs of September 30, 2015. Lower market prices made MALs an attractive option for producers with the potential for market gains and forfeitures. Large outstanding loan balance increases occurred in wheat, corn, soybeans, peanuts, cotton, and rice.

As of September 30, 2015, wheat loans were $66 million more than in FY 2014. More loan placements are a result of a larger wheat crop and redemptions have slowed with lower market prices.

As of September 30, 2015, corn loans were $13 million more than in FY 2014. More loan placements are a result of a larger corn crop with later maturity dates resulting in slower redemptions. Crop year 2015 is starting earlier reflecting a faster pace of harvest.

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.

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.

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

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. Only one Sugar Storage Facility Loan has been approved for $3.9 million in the 2013 cohort. The loan was disbursed during FY 2014.

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 three years, but CCC is still receiving repayments.

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

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, including consideration of increased lending to non-sovereign entities. The likelihood of either rescheduling non-sovereign debt or directly recovering on non-sovereign defaults is lower than the earlier experience in this program with rescheduled sovereign debt. Foreign Agriculture Service now uses detail not only at the country level but at the bank level to make these estimates.

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.

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 the Treasury. The

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

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.

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

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 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, 2015 and 2014 are shown in Table 16. Defaulted 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)

2015	Loans Receivable, Gross	Interest Receivable	Present Value Allowance	Value Of Assets Related to Loans
Direct Loans:				
Obligated Pre-1992				
P.L. 480 Title 1	$ 2,397	$ 912	$ (2,137)	$ 1,172
Pre-1992 Total	$ 2,397	$ 912	$ (2,137)	$ 1,172
Obligated Post-1991				
P.L. 480 Title 1	$ 794	$ 46	$ (234)	$ 606
Debt Reduction Fund	127	1	(142)	(14)
Farm Storage Facility	746	10	1	757
Boll Weevil Program	6	-	(1)	5
Sugar Storage Facility	4	-	-	4
Post-1991 Total	$ 1,677	$ 57	$ (376)	$ 1,358
Total Direct Loan Program Receivables	$ 4,074	$ 969	$ (2,513)	$ 2,530
Defaulted Guaranteed Loans:				
Pre-1992				
Export Credit Guarantee Programs	$ 83	$ 217	$ (278)	$ 22
Pre-1992 Total	$ 83	$ 217	$ (278)	$ 22
Post-1991				
Export Credit Guarantee Programs	$ 599	$ 38	$ (361)	$ 276
Post-1991 Total	$ 599	$ 38	$ (361)	$ 276
Total Defaulted Guaranteed Loans	$ 682	$ 255	$ (639)	$ 298
Total Direct Loans and Defaulted Guaranteed Loans, Net	$ 4,756	$ 1,224	$ (3,152)	$ 2,828
2014				
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	741	12	22	775
Boll Weevil Program	6	-	(1)	5
Sugar Storage Facility	4	-	-	4
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

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, 2015, and 2014:

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

	(In Millions) 2015	2014
Direct Loan Programs		
Farm Storage Facility	$ 162	$ 174
Sugar Storage Facility	-	4
Total Direct Loans Disbursed	$ 162	$ 178

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

For the fiscal years ended September 30, 2015 and 2014, credit guaranteed disbursements were as follows:

Table 18: Guaranteed Loans Disbursed

	(In Millions) 2015		2014	
Loan Guarantee Programs	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed
Export Credit Guarantee Programs	$ 2,020	$ 1,982	$ 2,204	$ 2,160
Total Guaranteed Loans Disbursed	$ 2,020	$ 1,982	$ 2,204	$ 2,160

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

Guaranteed Loans Outstanding

Table 19 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

2015	(In Millions)	
Loan Guarantee Programs	Outstanding Principal, Face Value	Outstanding Principal, Guaranteed
Export Credit Guarantee Program	$ 2,929	$ 2,871
Total Guaranteed Loans Outstanding	$ 2,929	$ 2,871

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

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, 2015 and 2014, 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)	
	2015	2014
Loan Guarantee Programs	Liabilities for Loan Guarantees, Present Value	Liabilities for Loan Guarantees , Present Value
Export Credit Guarantee Programs	$ 11	$ 24
Total Liability for Loan Guarantees	$ 11	$ 24

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 2015 or 2014.

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

2015 (In Millions)

Direct Loan Programs	Interest Differential	Fees and Other Collections	Other	Subtotal Subsidy	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
P.L. 480 Title 1	$ -	$ -	$ -	$ -	$ -	$ -	$ (1)	$ (1)	$ (1)
Defaulted Export Credit Guarantee	-	-	-	-	-	-	16	16	16
Farm Storage Facility	(4)	-	(1)	(5)	-	4	17	21	16
Boll Weevil	-	-	-	-	-	-	-	-	-
Total Direct Loan Subsidy Expense	$ (4)	$ -	$ (1)	$ (5)	$ -	$ 4	$ 32	$ 36	$ 31

2014 (In Millions)

Direct Loan Programs	Interest Differential	Fees and Other Collections	Other	Subtotal Subsidy	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
P.L. 480 Title 1	$ -	$ -	$ -	$ -	$ -	$ -	$ 2	$ 2	$ 2
Defaulted Export Credit Guarantee	-	-	-	-	-	-	(51)	(51)	(51)
Farm Storage Facility	(4)	-	-	(4)	-	1	(5)	(4)	(8)
Boll Weevil	-	-	-	-	-	-	(4)	(4)	(4)
Total Direct Loan Subsidy Expense	$ (4)	$ -	$ -	$ (4)	$ -	$ 1	$ (58)	$ (57)	$ (61)

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, 2015 and 2014, 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

2015 (In Millions)

Loan Guarantee Programs	Interest Supplement	Defaults	Fees and Other Collections	Other	Subtotal	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Export Credit Guarantee Programs	$ -	$ -	$ 12	$ (13)	$ (1)	$ -	$ -	$ (13)	$ (13)	$ (14)
Total Loan Guarantees Subsidy Expe	$ -	$ -	$ 12	$ (13)	$ (1)	$ -	$ -	$ (13)	$ (13)	$ (14)

2014 (In Millions)

Loan Guarantee Programs	Interest Supplement	Defaults	Fees and Other Collections	Other	Subtotal	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total Subsidy Expense
Export Credit Guarantee Programs		$ -	$ 26	$ (26)	$ -	$ -	$ -	$ 13	$ 13	$ 13
Total Loan Guarantees Subsidy Expense		$ -	$ 26	$ (26)	$ -	$ -	$ -	$ 13	$ 13	$ 13

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 2015 and FY 2014 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 2015 and 2014, 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

2015

Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Farm Storage Facility	(2.50)	0.01	(0.27)	(0.24)	(3.00)
Sugar Storage Facility	(2.67)	0.02	-	(0.36)	(3.01)

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)

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

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

2015

Guaranteed Loan Programs	Defaults	Fees and Other Collections	Total
Export Credit Guarantee Programs	0.22	(0.91)	(0.69)

2014

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

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

	(In Millions)	
	2015	**2014**
Beginning Balance of the Subsidy Cost Allowance	$ 719	$ 696
Add: Subsidy expense for direct loans disbursed during the year by component		
Interest Rate Differential Costs	(4)	(4)
Total Subsidy Expense prior to Adjustments and Reestimates	(4)	(4)
Adjustments:		
Loans Written Off	(20)	(12)
Subsidy Allowance Amortization	(15)	(5)
Accruals - Default Reestimates	20	74
Other	1	27
Net Present Value (NPV) Adjustment	-	-
Total Subsidy Cost Allowance before Reestimates	$ 701	$ 776
Add or Subtract Reestimates by Component:		
Interest Rate Reestimate	$ 3	$ 2
Financing Account Interest Adjustment Reestimate	1	-
Technical/Default Reestimate	32	(59)
Total Reestimates	36	(57)
Ending Balance of the Subsidy Cost Allowance	$ 737	$ 719

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

The change in the liability for credit guarantees as of September 30, 2015 and 2014, was as follows:

Table 26: Schedule for Reconciling Loan Guarantee Liability

	(In Millions)	
	2015	**2014**
Beginning balance of the loan guarantee liability	$ 24	$ 126
Add: Subsidy expense for guaranteed loans disbursed during the year by component		
Fees and other collections	12	26
Other subsidy costs	(13)	(25)
Total of the above subsidy expense components	$ (1)	$ 1
Adjustments:		
Other	1	(116)
Ending balance of the Loan Guarantee Liability before reestimates	$ 24	$ 11
Add or Subtract reestimates by component:		
Technical/default reestimate	(13)	13
Total of the above reestimate components	$ (13)	$ 13
Ending balance of the loan guarantee liability	$ 11	$ 24

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)	
	2015	**2014**
Direct Loan Programs	$ 2	$ 3
Guaranteed Loan Programs	7	7
Total Administrative Expenses	$ 9	$ 10

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 2015 there was an econometric update to the cashflow model for the Farm and Sugar Storage Facility loan programs, as well as the GSM program. The P.L. 480 model was not updated.

During FY 2015, as well as in other recent fiscal years, FAS modified fees for the GSM-102 and Facilities Guarantee programs. These fee changes served to increase the overall FY 2015 cohort subsidy rate for GSM 102 to a slightly less negative rate. Whereas the program level budget formulation rate for GSM 102 was -1.01% for FY 2015, the revised rate for budget execution was -0.69%. One risk grade in the formulation subsidy rate was negative, whereas the revised fees resulted in positive subsidy rates for two risk grades. Positive subsidy that was calculated for those two risk grades was apportioned during FY 2015. FAS continues to evaluate fees and incorporate changes as deemed necessary.

As with the FY 2014 presentation, CCC has followed 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.

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 $0.8 million; $12.5 million upward and $13.3 million downward. The most significant contributor was the 1999 cohort, which had a current reestimate plus interest on reestimate of $17 million offset by ($19) million in financing account interest adjustment. The single largest total reestimate was $3 million in the 1992 cohort, $2.6 million of which was interest on the reestimate. As a percentage of disbursement, the reestimates for all cohorts are insignificant. Changes to the reestimate are mainly due to changes between actual data for FY 2015 as compared to what was projected at the end of FY 2014. Refer to Table 21 for a summary on the direct loan reestimates.

Farm Storage Facility Loans

The FSFL program had a total reestimate of $22 million, $27 million upward and $5 million downward. There were significant changes to the 2007, 2008, 2010, 2011 and 2015 cohorts. Reestimate for the other cohorts were insignificant. These cohorts account for 86 percent of the total reestimate. For cohorts 2007, 2008 and 2010, almost the entire difference is due to changes in actual data between what was projected for FY 2014 and FY 2015 as compared to final actual data for those two years. For cohort 2011, 75% of the difference is due to changes in actuals while the remaining differences are due to changes in projected data, mainly lower prepayments projected based on the changes in econometric factors. For the FY 2015 cohort, most of the difference is due to a significant decrease in the estimated prepayments, combined with a slightly higher default rate and a slightly lower recovery rate. These are due to the econometric update of the model.

Export Credit Guarantees (GSM)

The GSM-102 program had a total reestimate of $3.7 million, consisting of $24.6 million upward and $20.9 million downward. The upward reestimates are concentrated in cohorts

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

2007 through 2010 as well as 2015. For the 2007 through 2010 cohorts, the total reestimate was $17 million upward. Each of these cohorts is older than the longest GSM-102 tenor. Net default changes are caused entirely by changes due to projected recoveries. Decreases in forecasted recoveries are almost entirely responsible for the large upward reestimates occurring in cohorts 2007-2010. Total recoveries in these cohorts declined by between $1.3 million (14.2%) and $10.0 million (10.4%). In the 2007 and 2008 cohorts, most of the change in total recoveries resulted from decreases in rescheduled recoveries. In the 2009 and 2010 cohorts, decreases in regular (not rescheduled) recoveries were predominant. Across all four cohorts, recoveries declined in just three countries: Russia, Kazakhstan, and Ukraine. Changes in the latter two countries are consistent with changes in the recovery exceptions specified by FAS. The change in Russian recoveries resulted from the substitution of the FY 2015 forecast with actual data. The model previously forecasted recoveries for FY 2015, but these recoveries did not actually occur.

For the FY 2015 cohort, the upward reestimate of $4.3 million is largely due to a shift forward in the predicted default rate combined with a significantly lower recovery rate. The decrease in recoveries is mainly due to the model update which reduced the model's non-sovereign recovery rate assumption by nearly 20 percentage points.

The reestimate for Supplier Credit is not significant, a total of $0.5 million, $3.1 million upward and $3.6 million downward. Reestimate totals were less than 1 percent of disbursements in 8 out of 9 cohorts.

Refer to Table 21 and Table 22 for a summary on the loan guarantee reestimates for defaulted and active guarantee loans, respectively.

Note 7 – Commodity Inventories and Related Property, Net

Commodity inventory and related property as of September 30, 2015 (Values In Thousands) was as follows:

Table 28: Inventory and Related Property, September 30, 2015

	Unit of Measure	Beginning Inventory October 1, 2014 Quantity	Beginning Inventory October 1, 2014 Value	Acquisitions Quantity	Acquisitions Value	Collateral Acquired Quantity	Collateral Acquired Value	Other Disposition, Addition, & Deduction Quantity	Other Disposition, Addition, & Deduction Value	Donations Quantity	Donations Value	Ending Inventory September 30, 2015 Quantity	Ending Inventory September 30, 2015 Value
Dry Edible Beans	Cwt.	-	$ -	62	$ 1,823	-	$ -	-	$ -	(62)	$ (1,823)	-	$ -
Beans Total		**XXX**	**$ -**	**XXX**	**$ 1,823**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ (1,823)**	**XXX**	**$ -**
Corn Soya Blend	Pounds	18,464	$ 6,765	124,709	$ 38,122	-	$ -	-	$ -	(129,749)	$ (42,218)	13,424	$ 2,669
Wheat Soy Blend	Pounds	-	-	-	-	-	-	-	-	-	-	-	$ -
Blended Foods Total		**XXX**	**$ 6,765**	**XXX**	**$ 38,122**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ (42,218)**	**XXX**	**$ 2,669**
Emergency Food Ration Bar	Pounds	-	$ -	16,135	$ 24,276	-	$ -	-	$ -	(14,025)	$ (21,437)	2,110	$ 2,839
CCC Total		**XXX**	**$ -**	**XXX**	**$ 24,276**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ (21,437)**	**XXX**	**$ 2,839**
Miscellaneous	Cwt.	-	$ -	-	$ 6,675	-	$ -	-	$ -	-	$ (6,675)	-	$ -
Poultry Frozen Chicken	Pounds	-	-	-		-	-	-	-	-		-	$ -
CCC/AMS-FNS Total		**XXX**	**$ -**	**XXX**	**$ 6,675**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ (6,675)**	**XXX**	**$ -**
Upland Cotton	Bales	-	$ -	-	$ -	-	$ 7	-	$ (7)	-	$ -	-	$ -
Cotton Total		**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ 7**	**XXX**	**$ (7)**	**XXX**	**$ -**	**XXX**	**$ -**
Dry Whole Peas	Cwt.	119	$ 1,930	1,761	$ 39,658	-	$ -	-	$ -	(1,768)	$ (39,423)	112	$ 2,165
Lentils Dry	Cwt.	95	2,081	556	18,785	-	-	-	-	(595)	(18,950)	56	$ 1,916
Dry Whole Peas Total		**XXX**	**$ 4,011**	**XXX**	**$ 58,443**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ (58,373)**	**XXX**	**$ 4,081**
Corn	Bushels	-	$ -	603	$ 2,988	-	$ -	-	$ -	(603)	$ (2,988)	-	$ -
Corn Meal	Pounds	-	-	52,953	10,828	-	-	-	-	(52,953)	(10,828)	-	$ -
Grain Sorghum	Bushels	-	-	18,328	108,240	-	-	-	-	(18,328)	(108,240)	-	-
Feed Grains Total		**XXX**	**$ -**	**XXX**	**$ 122,056**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ (122,056)**	**XXX**	**$ -**
Peanuts	Pounds	4,482	$ 722	-	$ -	189,395	$ 54,833	(25,746)	$ (4,538)	(119,992)	$ (21,291)	48,139	$ 29,726
Peanut Total		**XXX**	**$ 722**	**XXX**	**$ -**	**XXX**	**$ 54,833**	**XXX**	**$ (4,538)**	**XXX**	**$ (21,291)**	**XXX**	**$ 29,726**
Potatoes Dehydrated	Pounds	1,657	$ 2,275	5,263	$ 7,245	-	$ -	-	$ -	(6,920)	$ (9,520)	-	$ -
Potato Dehydrated Total		**XXX**	**$ 2,275**	**XXX**	**$ 7,245**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ (9,520)**	**XXX**	**$ -**
Milled Head Rice	Cwt.	127	$ 3,056	828	$ 19,748	-	$ -	-	$ -	(955)	$ (22,804)	-	$ -
Rice Total		**XXX**	**$ 3,056**	**XXX**	**$ 19,748**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ (22,804)**	**XXX**	**$ -**
Soybean Meal	Pounds	-	$ -	21,492	$ 3,906	-	$ -	-	$ -	(21,492)	$ (3,906)	-	$ -
Soybeans	Bushels	-	-	-	-	-	-	-	-	-	-	-	-
Soybean Total		**XXX**	**$ -**	**XXX**	**$ 3,906**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ (3,906)**	**XXX**	**$ -**
In Process Beet Sugar	Pounds	(240)	$ (383)	-	$ -	240	$ -	-	$ 383	-	$ -	-	$ -
Raw Cane Sugar	Pounds	-	-	-	-	-	-	-	-	-	-	-	-
Refined Beet Sugar	Pounds	240	383	-	-	(240)	-	-	(383)	-	-	-	-
Sugar Total		**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ -**
Vegetable Oil	Pounds	32,247	$ 20,074	182,743	$ 91,312	-	$ -	-	$ -	(192,128)	$ (99,261)	22,862	$ 12,125
getable Oil Products Total		**XXX**	**$ 20,074**	**XXX**	**$ 91,312**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ (99,261)**	**XXX**	**$ 12,125**
Bulgur	Pounds	-	$ -	15,834	$ 2,894	-	$ -	-	$ -	(13,941)	$ (2,653)	1,893	$ 241
Flour	Pounds	-	-	26,571	5,599	-	-	-	-	(26,571)	(5,599)	-	-
Wheat	Bushels	-	-	11,777	80,933	-	-	-	-	(11,777)	(80,933)	-	-
Wheat Total		**XXX**	**$ -**	**XXX**	**$ 89,426**	**XXX**	**$ -**	**XXX**	**$ -**	**XXX**	**$ (89,185)**	**XXX**	**$ 241**
Total Commodities		**XXX**	**$ 36,903**	**XXX**	**$ 463,032**	**XXX**	**$ 54,840**	**XXX**	**$ (4,545)**	**XXX**	**$ (498,549)**	**XXX**	**$ 51,681**
Allowance for Losses													$ (1,439)
Barter Delivery Obligations													4,346
Commodity Inventories and Related Property, Net													**$ 54,588**

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, 2014 (Values In Thousands) was as follows:

Table 29: 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 Bar	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
getable 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													3,218
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

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.

Commodity inventories are available for current sale and are not held in reserve for future sale. CCC has no excess, obsolete or unserviceable inventory.

Allowance for losses as of fiscal year ended September 30, 2015 and 2014, was $1.4 million and $1.9 million, respectively.

As of September 30, 2015, commodity loan forfeitures, recognized as Collateral Acquired, decreased by $99 million compared to the prior year. In FY 2014, market conditions triggered sugar forfeitures. There were no forfeitures of sugar for FY 2015. In FY 2015, peanuts were forfeited due to higher acreage and higher yields causing issues in storage capacity and processing, The peanut forfeiture represents peanut collateral acquired during FY 2015..

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

Barter Delivery Obligations (BDOs) are immaterial for the fiscal year ended September 30, 2015. 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.

Note 8 – General Property and Equipment, Net

General Property and Equipment as of September 30, 2015 and 2014, were as follows:

Table 30: General Property and Equipment

		(In Millions)	
2015	Acquisition Value	Accumulated Depreciation	Net Book Value
Equipment	$ 24	$ (24)	$ -
Capitalized Software Costs	128	(124)	4
Total General Property and Equipment	$ 152	$ (148)	$ 4

		(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

Note 9 – Other Assets

Other Assets as of September 30, 2015 and 2014, were as follows:

Table 31: Other Assets

	(In Millions) 2015	2014
Public:		
Voluntary Public Access-Habitat Incentive Program	$ 2	$ 6
Peanut Loan Advance	58	53
USAID	81	45
Total Other Assets	$ 141	$ 104

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 2016.

USAID

As of September 30, 2015 and 2014 CCC's advance related to the Food for Peace Title II program was $81 million and $45 million, respectively. The $36 million increase is attributed to increased food aid program activity. The USAID program covers transportation related costs in accordance with Public Law 480 under the authority of 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, 2015 and 2014 were as follows:

Table 32: Liabilities not Covered by Budgetary Resources

	(In Millions)	
	2015	2014
Public:		
Environmental and Disposal Liabilities (Note 14)	$ 8	$ 8
Tobacco Transition Payment Program	-	50
Agricutural Risk Coverage & Price Loss Coverage Programs	4,797	-
Brazilian Cotton	-	300
Undeposited Collections	51	30
Total Liabilities not covered by budgetary resources	$ 4,856	$ 388
Total Liabilities covered by budgetary resources	$ 12,874	$ 19,624
Total Liabilities	$ 17,730	$ 20,012

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 2015, the majority of the unfunded liability represents anticipated payments under ARC and PLC programs that were established by the 2014 Farm Bill. Refer to Note 1 - Significant Accounting Policies, under Liabilities, for additional information.

The ARC and PLC programs are new programs authorized under the 2014 Farm Bill. Due to the FY 2015 Apportionment being rescinded by OMB very near the end of the fiscal year, an unfunded liability was posted for projected ARC and PLC payments to be made in FY 2016.

Liabilities Covered by Budgetary Resources

Funded liabilities are delivered orders unpaid and accruals of payables for which CCC has not yet paid as of the end of the period. For the year ending September 30, 2015, the majority of the open liability for CCC is $9.6 billion in payables for principal due to the Bureau of Fiscal Service, $1.6 billion in program liabilities, and $1.2 billion in Pre-Credit reform liabilities payable to Treasury.

Note 11 – Debt to the Treasury

Debt to the Treasury, categorized as interest bearing as of September 30, 2015 and 2014 was as follows:

Table 33: Debt to Treasury, Categorized as Interest Bearing

	(In Millions)	
	2015	2014
Debt, beginning of Fiscal Year		
Principal	$ 11,553	$ 5,609
Accrued Interest Payable	5	-
Total Debt Outstanding, Beginning of Fiscal Year	$ 11,558	$ 5,609
New Debt		
Principal	$ 19,206	$ 21,541
Accrued Interest Payable	13	4,996
Total New Debt	$ 19,219	$ 26,537
Repayments		
Principal	$ (21,190)	$ (15,597)
Accrued Interest Payable	(11)	(4,991)
Total Repayments	$ (21,201)	$ (20,588)
Debt, as of September 30		
Principal	$ 9,569	$ 11,553
Accrued Interest Payable	7	5
Total Debt Outstanding, as of September 30	$ 9,576	$ 11,558

CCC may borrow interest-free up to the amount of its unreimbursed realized losses. Debt and interest payable to Treasury as of December 31, 2014, is paid and refinanced by borrowing the same amount from Treasury as of January 1, 2015. Interest expense incurred on Treasury borrowings was $89 million and $94 million for the fiscal years ended September 30, 2015 and 2014, respectively. The majority of the interest expense was associated with Credit Reform programs, totaling $79 million in FY 2015 and $88 million in FY 2014.

Monthly interest rates on borrowing authority began increasing during FY 2015. Interest rates had remained unchanged since July, 2011. The FY 2015 and 2014 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.

Note 11 – Debt to the Treasury, Continued

The repayment terms for borrowings from Treasury made for the Export Credit Guarantee programs can be up to ten years. Currently, maximum loan terms do not exceed seven years, while the repayment term for borrowing from Treasury for P.L. 480 Title I Direct Credits program can be up to 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 three years for direct loans under the Apple Loan Program, and ten 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 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 2015 and 2014, 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, 2015, was as follows:

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

Program	Debt (In Millions)	Maturity Date
CCC Borrowing Authority	7,620	January 1, 2016
Export Credit Guarantees	1	September 30, 2018
	85	September 30, 2020
	156	September 30, 2021
	33	September 30, 2022
	11	September 30, 2023
	11	September 30, 2024
P.L. 480 Direct Credits	98	September 30, 2018
	54	September 30, 2019
	42	September 30, 2020
	33	September 30, 2021
	36	September 30, 2022
	30	September 30, 2023
	56	September 30, 2024
	45	September 30, 2025
	34	September 30, 2026
	44	September 30, 2027
	49	September 30, 2031
	31	September 30, 2032
	26	September 30, 2033
	22	September 30, 2034
	18	September 30, 2035
Debt Reduction	1	September 30, 2021
	28	September 30, 2022
	1	September 30, 2023
	27	September 30, 2024
	10	September 30, 2026
	3	September 30, 2028
Farm Storage Facility Loans	12	September 30, 2016
	42	September 30, 2017
	116	September 30, 2018
	125	September 30, 2019
	130	September 30, 2020
	173	September 30, 2021
	144	September 30, 2022
	2	September 30, 2029
	211	September 30, 2030
Sugar Storage Facility Loans	4	September 30, 2028
Boll Weevil	1	September 30, 2020
	4	September 30, 2024
Total Debt Outstanding	$ 9,569	

* Detail may not sum to total due to rounding.

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, 2015 and 2014 were as follows:

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

	(In Millions)	
	2015	2014
Intragovernmental:		
Agricultural Marketing Service	$ 12	$ 22
Food and Nutrition Service	68	68
Foreign Agricultural Service	87	139
Natural Resources Conservation Service	-	170
Total Intragovernmental Deposit and Trust Liabilities	$ 167	$ 399
Public:		
Other	$ 10	$ 23
Total Public Deposit and Trust Liabilities	$ 10	$ 23

FNS and FAS 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 CCC, FAS administers foreign food aid programs, helping people in need around the world. As of September 30, 2015, Intra-governmental Deposit and Trust Liabilities decreased by $232 million compared to the prior year. This variance is attributed to the implementation of Direct Fund Cite (DFC) for administration of programs for our sister agencies and also by the return of a $140 million advance to NRCS. With DFC, CCC directly purchases commodities for those agencies by paying with their Treasury Fund Symbol (TFS) directly, thereby reducing the need to maintain large intra-governmental advances.

The Public Deposit and Trust Liability was $10 million and $23 million as of September 30, 2015 and 2014, 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, 2015 and 2014 were as follows:

Table 36: Other Liabilities

	2015	2014
Intra-governmental:		
Resources Payable to Treasury:		
P.L.480 Direct Credit Liquidating Fund	$ 1,201	$ 1,202
Total Resources Payable to Treasury	$ 1,201	$ 1,202
Accrued Reimbursable Agreements	$ 5	$ -
Accrued Conservation Reserve Program Technical Assistance	2	12
Excess Subsidy Payable to Treasury	59	126
Other	58	45
Total Intra-governmental Other Liabilities	$ 124	$ 183
Public:		
Brazilian Cotton Producers	$ 2	$ 300
Other	28	34
Total Public Other Liabilities	$ 30	$ 334

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) included $300 million 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. That liability was paid in Quarter 1, FY 2015.

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.

As part of the process, site investigations are conducted to determine CCC’s level of liability related to the contamination. Site investigation programs involve the review of existing documentation, development and implementation of sampling plans, installation of monitoring wells and sample points, contaminant distribution modeling, dynamic risk assessment, and remedial alternatives analysis. Additional costs are often incurred during negotiations with regulatory agencies regarding a selected remedy. Remedial activities can range from the design and implementation of a monitoring system to the engineering design, construction, and operation and maintenance of a groundwater extraction and treatment system. CCC makes every effort to develop rational and defensible remedial options and alternatives that are cost effective while protecting public health and the environment.

Note 14 – Environmental and Disposal Liabilities, Continued

Funding requests and expected liabilities tied to these activities are based on anticipated site investigation and/or potential remedial action including construction of treatment systems. A portion of the requested funding is also required to support ongoing operations and maintenance activity at existing sites where remedial actions are ongoing and any additional sites identified where remedial activity is in the planning stages. Operations and maintenance funding is also used to support groundwater monitoring programs already in place or being developed in support of anticipated remedial actions. There are currently several sites where CCC is conducting active monitoring programs where investigations have been completed or remedial action is ongoing or likely. These monitoring programs are being conducted as directed by State regulatory agencies or the U.S. EPA.

Liability estimates are derived using a system that categorizes the existing suite of sites. The funding requests and expected associated liabilities are based on the specific categories described below, with site counts as of September 30, 2015:

• Category I represents six CCC sites where there is least uncertainty regarding the pending action and associated costs. The upper bound estimates reflect the highest estimated cost that could be incurred to remediate the site to acceptable standards.

• Category II are 19 sites where CCC has conducted at least a limited site investigation and the liability associated with these sites has been evaluated assuming remedial action will be required. A range of values has been determined and is used to reflect a range of potential costs. Cost figures are based on program experience and typical treatment system designs. The costs identified as “low” are assumed to employ a natural migration/monitoring design. The costs identified as “high” represent a treatment system designed to actively remove or attenuate the contaminant.

• Category III represents 27 sites where contamination levels above the maximum allowable levels have been found. CCC has not conducted a site characterization at these sites. There may have been limited data evaluation. The costs are estimated using a range of values. The "low" value represents the cost of a limited data evaluation. The “high” values represent a thorough site characterization to include a feasibility study and some degree of remedial action.

In addition to the categories above, sites can be in a status where they are awaiting additional work or a site can receive a regulatory determination of no further action.

CCC recorded a total liability for remediation of affected sites of $13.5 million in FY 2015, of which $7.9 million was unfunded. The funded portion of $5.6 million is included in Other Liabilities. CCC estimates the range of potential future losses due to remedial actions to be between $13.4 million and $140.5 million.

Note 15 – Accrued Liabilities

Accrued Liabilities as of September 30, 2015 and 2014, were as follows:

Table 37: Accrued Liabilities

	(In Millions)	
	2015	2014
Conservation Reserve Program	$ 1,510	$ 1,684
Export Programs	1	4
Income Support Programs:		
Direct and Counter-Cyclical Payment	-	143
Disaster Assistance Program	17	3,380
Agricultural Risk Coverage & Price Loss Coverage Programs	4,797	-
Cotton Transition Assistance Program	-	342
Other	3	15
Tobacco Transition Payment Program	-	50
Other	10	5
Total Accrued Liabilities	$ 6,338	$ 5,623

The CRP Accrued Liability decreased by $174 million compared to the prior year due to EPAS estimates for FY 2016 payouts. DCP Accrued Liability decreased by $143 million compared to the prior year due to the repeal of this program by the 2014 Farm Bill. The DAP Accrued Liability decreased by $3.4 billion compared to the prior year due to an unexpected downward trend in the average payout per producer and program year application for the Supplemental Agricultural Disaster Assistance Programs (DAP) accrue and pay programs. The expenditures for the Livestock Forage Disaster Program (LFP) and Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish (ELAP) programs were accrued in the 4th quarter of FY 2014, based on estimates, for producers that were either on a county office register (LFP) or applications that needed to be factored (ELAP) based on funding limitations. TTPP Accrued Liability was $50 million, as of September 30, 2014. The $50 million in FY 2014 represents the payments due in FY 2015, the final year of the program. 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 implemented 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 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. All advance funds have been returned to the NRCS, effective September 30, 2015.

Conservation Reserve Program (CRP)

Through CRP, eligible participants 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 maximum amount of future outlays for all existing CRP rental contracts over the contract terms, subject to funds availability and contract compliance, is approximately $11 billion.

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.

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.

As of September 30, 2015, there are no legal disputes or claims that require disclosure.

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 SFFAS No. 7 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.

Earned Revenue for the years ended September 30, 2015 and 2014, were as follows:

Table 38: Earned Revenue

	(In Millions)	
	2015	2014
Intragovernmental Earned Revenue:		
Earned Revenue	$ 85	$ 110
Interest Income	13	19
Total Intragovernmental Earned Revenue	$ 98	$ 129
Earned Revenue from the Public:		
Commodity Inventory Sales	$ 16	$ -
Interest Income	240	150
Total Earned Revenue from the Public	$ 256	$ 150
Total Earned Revenue	$ 354	$ 279

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. For FY 2015, a new income support program, ARC/PLC, was put into place, with nearly 1.5 million farms enrolled, becoming USDA's primary farm safety net 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.

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

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 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: Costs and Earned Revenue by Strategic Goal and Program for the year ended September 30, 2015 (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	$ 1,011	$ -	$ 48	$ -	$ 1,059
Public Cost	4,485	-	14	-	4,499
Total Cost	$ 5,496	$ -	$ 62	$ -	$ 5,558
Intragovernment Earned Revenue	$ -	$ -	$ -	$ -	$ -
Public Earned Revenue	130	-	-	-	130
Total Earned Revenue	$ 130	$ -	$ -	$ -	$ 130
Increase Stewardship of Natural Resources While Enhancing the Environment					
Intragovernment Cost	$ -	$ 356	$ -	$ -	$ 356
Public Cost	-	1,572	-	-	1,572
Total Cost	$ -	$ 1,928	$ -	$ -	$ 1,928
Intragovernment Earned Revenue	$ -	$ 34	$ -	$ -	$ 34
Public Earned Revenue	-	1	-	-	1
Total Earned Revenue	$ -	$ 35	$ -	$ -	$ 35
Ensure Commodities are Procured and Distributed Effectively and Efficiently					
Intragovernment Cost	$ 19	$ -	$ 77	$ -	$ 96
Public Cost	17	-	48	-	65
Total Cost	$ 36	$ -	$ 125	$ -	$ 161
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	$ -	$ -	$ -	$ 85	$ 85
Public Cost	-	-	-	1,735	1,735
Total Cost	$ -	$ -	$ -	$ 1,820	$ 1,820
Intragovernment Earned Revenue	$ -	$ -	$ -	$ 57	$ 57
Public Earned Revenue	-	-	-	109	109
Total Earned Revenue	$ -	$ -	$ -	$ 166	$ 166
Total Gross Cost	**$ 5,532**	**$ 1,928**	**$ 187**	**$ 1,820**	**$ 9,467**
Less: Total Earned Revenue	**149**	**35**	**4**	**166**	**354**
Net Cost of Operations	**$ 5,383**	**1,893**	**$ 183**	**$ 1,654**	**$ 9,113**

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

Table 40: Costs and Earned Revenue 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 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.

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 Fiscal Service (i.e. available borrowing authority) for the year ended September 30, 2015, was $4 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, 2015 and 2014, 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	2015	2014
Direct	$ 2.55	$ 2.98
Reimbursable	9.63	15.12
Total Obligations	$ 12.18	$ 18.10

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 $3.7 billion and $4.6 billion for the years September 30, 2015 and 2014, respectively.

As a result of a review of DCP activity, CCC recorded recoveries of prior year unpaid obligations in the amount of $898 million.

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

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

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 $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 2017* were not available at the time CCC's Annual Management Report for FY 2015 was issued, the reconciliation between the President's Budget and the SBR for FY 2015 could not be performed. The *Budget of the United States Government, Fiscal Year 2017* is expected to be published in February 2016 and will be available on the website of the Office of Management and Budget (http://www.whitehouse.gov) at that time. The FY 2015 SBR will be reconciled to the FY 2015 actuals on the P&F Schedules reported in the *Budget of the United States Government, Fiscal Year 2017*, once released.

The summarized table below shows the reconciliation of the FY 2014 SBR to the FY 2014 actuals on the P&F Schedules presented in the *Budget of the United States Government, Fiscal Year 2016*.

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	$ 19,379	$ 18,105	$ 74	$ 13,011
Reconciling Items:				
USAID SF-133 Reporting Difference[a]	(144)	-	-	(8)
Rounding	-	(1)	-	-
Distributed Offsetting Receipts[b]	-	-	6	74
Budget of the United States Government	$ 19,235	$ 18,104	$ 80	$ 13,077

Note:

a- The balances reflect a reporting difference between the SF-133 and SBR for the deobligation amount which was not reflected by USAID in their SF-133.

b- DOR of $6M reported by FSA.

Note 19 – Disclosures Not Related to a Specific Statement

Transactions with Related Organizations

CCC maintains deposit and trust liabilities for AMS, FAS, and FNS. 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, 2015 and 2014, outlays under reimbursable agreements with other USDA agencies amounted to $38 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 years ended September 30, 2015 and 2014 were less than one million and $2 million, respectively.

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

CCC transfers for the years ended September 30, 2015 and 2014 were as follows:

Table 43: Summary of CCC Transfers to Related Parties

In Millions

Transferred to	2015	2014
FNS for the Senior's Farmers Market Nutrition Program	$ 21	$ 21
Animal and Plant Health Inspection Service (APHIS) for bovine tuberculosis, light brown apple moth outbreak, and potato cyst nematode eradication programs	$ 1,069	$ 83
AMS for commodity assistance program and marketing service	$ 115	$ 126
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	$ 123	$ 158
NRCS for various conservation programs and technical assistance	$ 3,710	$ 3,647
Rural Utilities Services	$ 102	$ 393
Other USDA agencies including FSA and Risk Management Agency (RMA)	$ 18	$ 18
FSA for Agriculture Wool Apparel Manufacturers Trust Fund	$ 46	$ -
Transferred from		
NRCS	$ 10	$ -

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

For the years ended September 30, 2015 and 2014, CCC disbursed $3 million and $14 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, 2015 and 2014 was $1.3 billion and $1 billion, respectively. Refer to Note 1 - Significant Accounting Policies, under Allocation Transfers and Shared Appropriations, for further information. In 2014, 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 a cooperative effort between CCC and USAID 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, 2015 and 2014, were as follows:

Table 44: Custodial Activities

	(In Millions)	
	2015	2014
Revenue Activity:		
Sources of Cash Collections:		
Repayment of Farm Credit Loans	$ -	$ 1,531
Administrative and Other Service Fees	20	364
Total Cash Collections	$ 20	$ 1,895
Total Custodial Revenue	$ 20	$ 1,895
Disposition of Collections:		
Transfers to Others:		
USDA Farm Service Agency	$ 4	$ 1,635
Other USDA Agencies	1	216
Department of Treasury	-	26
Total Disposition of Collections	$ 5	$ 1,877
(Increase)/Decrease in Amounts Yet to be Transferred (+/-)	$ (15)	$ (18)
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, 2015 and 2014, were as follows:

Table 45: Reconciliation of Net Cost of Operations to Budget

	(In Millions)	
	2015	2014
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
Obligations Incurred	$ 12,178	$ 18,105
Less:Offsetting Collections, Recoveries, and Change in Uncollected Payments	9,402	5,909
Obligations Net of Offsetting Collections and Recoveries	$ 2,776	$ 12,196
Less: Offsetting Receipts	131	74
Net Obligations	$ 2,645	$ 12,122
Other Resources:		
Imputed Financing from Costs Absorbed by Others	1,376	1,163
Other	(263)	(242)
Net Other Resources Used to Finance Activities	$ 1,113	$ 921
Total Resources Used to Finance Activities	**$ 3,758**	**$ 13,043**
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	$ 840	$ 717
Resources that Fund Expenses Recognized in Prior Periods	4,389	(722)
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	154	184
Change in Unfilled Customer Orders	(226)	(389)
Decrease in Exchange Receivables from the Public	5,157	3,663
Other	157	(526)
Resources that Finance the Acquisition of Assets	(3,771)	(2,822)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations	(2,844)	(1,346)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	**$ 3,856**	**$ (1,241)**
Total Resources Used to Finance the Net Cost of Operations	**$ 7,614**	**$ 11,802**
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	$ 68	$ 69
(Increase) in Exchange Revenue Receivable from the Public	(61)	(376)
Other	(52)	382
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	$ (45)	$ 75
Components not Requiring or Generating Resources:		
Depreciation and Amortization	$ (6)	$ 3
Revaluation of Assets or Liabilities	-	5
Other Components not Requiring or Generating Resources:		
Bad Debt Expense	(106)	80
Cost of Goods Sold	21	120
Other	1,635	923
Total Components of Net Cost of Operations that will not Require or Generate Resources	$ 1,544	$ 1,131
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	**$ 1,499**	**$ 1,206**
Net Cost of Operations	**$ 9,113**	**$ 13,008**

Part IV: Required Supplementary Information (Unaudited)

Combining Statement of Budgetary Resources by Major Fund: Budgetary Accounts (Unaudited)
For the Fiscal Year Ended September 30, 2015
(Dollars in Millions)

		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
Budgetary Resources:								
Unobligated balance brought forward, October 1	1000	$ 468	$ 84	$ 164	$ 221	$ -	$ 54	$ 991
Unobligated balance brought forward, October 1, as adjusted	1020.5	$ 468	$ 84	$ 164	$ 221	$ -	$ 54	$ 991
Recoveries of prior year unpaid obligations	1021	2,784	1	-	-	-	167	2,952
Other changes in unobligated balance	1043	17	171	-	(171)	-	(39)	(22)
Unobligated balance from prior year budget authority, net	1051	3,269	256	164	50	-	182	3,921
Appropriations (discretionary and mandatory)	1290	-	156	98	1,310	52	16	1,632
Borrowing Authority (discretionary and mandatory)	1490	6,794	-	-	-	-	-	6,794
Spending authority from offsetting collections (discretionary and mandatory)	1890	-	2	-	-	-	34	36
Total Budgetary Resources	1910	$ 10,063	$ 414	$ 262	$ 1,360	$ 52	$ 232	$ 12,383
Status of Budgetary Resources:							-	
Obligations Incurred (Note 18)	2190	$ 9,631	$ 380	$ 262	$ 1,265	$ 50	$ 197	$ 11,785
Unobligated balance, end of year:							-	
Apportioned	2204	-	34	-	34	1	35	104
Exempt from apportionment	2304	166	-	-	-	-	-	166
Unapportioned	2404	266	-	-	61	-	1	328
Total Unobligated balance, end of year	2490	432	34	-	95	2	35	598
Total Budgetary Resources	2500	$ 10,063	$ 414	$ 262	$ 1,360	$ 52	$ 232	$ 12,383

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		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
Change in Obligated Balance:								
Unpaid obligations:								
Unpaid obligations, brought forward, Oct 1	3000	$ 9,371	$ 82	$ -	$ 991	$ -	$ 136	$ 10,580
Obligations incurred	3012	9,631	380	262	1,265	50	197	$ 11,785
Outlays (gross)	3020	(12,308)	(358)	(261)	(1,044)	(50)	(103)	$ (14,124)
Recoveries of prior year unpaid obligations	3042	(2,784)	(1)		-		(167)	(2,952)
Unpaid obligations, end of year	3050	$ 3,910	$ 103	$ 1	$ 1,212	$ -	63	5,289
Uncollected payments:								
Uncollected payments, Federal sources, brought forward, Oct 1	3060	$ (18)	$ -	$ -	$ -	$ -	$ -	$ (18)
Change in uncollected payments, Federal sources	3072	17	-	-	-	-	-	17
Uncollected payments, Federal sources, end of year	3090	$ (1)	$ -	$ -	$ -		$ -	$ (1)
Memorandum (non-add) entries:								
Obligated balance, start of year		$ 9,353	$ 82	$ -	$ 991	$ -	$ 136	$ 10,562
Obligated balance, end of year		$ 3,909	$ 103	$ 1	$ 1,212	$ -	$ 63	$ 5,288
Budget Authority and Outlays, Net:								
Budget authority, gross (discretionary and mandatory)	4175	$ 6,794	$ 158	$ 98	$ 1,310	$ 52	$ 50	$ 8,462
Actual offsetting collections (discretionary and mandatory)	4177	(5,728)	(2)	-	-		(309)	(6,039)
Change in uncollected customer payments from Federal sources (discretionary and mandatory)	4178	17	-				-	17
Anticipated offsetting collections (discretionary and mandatory)	4179	-					-	
Budget authority, net (discretionary and mandatory)	4180	$ 1,083	$ 156	$ 98	$ 1,310	$ 52	$ (259)	$ 2,440
Outlays, gross (discretionary and mandatory)	4185	$ 12,308	$ 358	$ 261	$ 1,044	$ 50	$ 103	$ 14,124
Actual offsetting collections (discretionary and mandatory)	4187	(5,728)	(2)	-	-	-	(309)	$ (6,039)
Outlays, net (discretionary and mandatory)	4190	6,580	356	261	1,044	50	(206)	8,085
Distributed offsetting receipts	4200		-	-			4	4
Agency Outlays, net (discretionary and mandatory)	4210	$ 6,580	$ 356	$ 261	$ 1,044	$ 50	$ (202)	$ 8,089

Combining Statement of Budgetary Resources by Major Fund: Non-Budgetary Credit Program Financing Accounts (Unaudited)
For the Fiscal Year Ended September 30, 2015
(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	$ 16	$ 100	$ 87	$ 80	$ 283
Unobligated balance brought forward, October 1, as adjusted	1020.5	16	100	87	80	283
Recoveries of prior year unpaid obligations	1021	-	-	14	-	14
Other changes in unobligated balance	1043	(16)	(6)	(90)	(3)	(115)
Unobligated balance from prior year budget authority, net	1051	-	94	11	77	182
Appropriations (discretionary and mandatory)	1290	-				
Borrowing Authority (discretionary and mandatory)	1490	-		216	6	222
Spending authority from offsetting collections (discretionary and mandatory)	1890	67	53	39	9	168
Total Budgetary Resources	1910	$ 67	$ 147	$ 266	$ 92	$ 572
Status of Budgetary Resources:						
Obligations Incurred (Note 18)	2190	$ 52	$ 117	$ 217	$ 7	$ 393
Unobligated balance, end of year:						
Apportioned	2204	14	5	30	15	$ 64
Exempt from apportionment	2304	-	3	-	-	$ 3
Unapportioned	2404	1	22	19	70	$ 112
Total Unobligated balance, end of year	2490	15	30	49	85	$ 179
Total Budgetary Resources	2500	$ 67	$ 147	$ 266	$ 92	$ 572

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		P.L. 480 Direct Loans (12X4049)	CCC Export Guarantees (12X4337)	Farm Storage Facility Direct Loan (12X4158)	Other	Total
Change in Obligated Balance:						
Unpaid obligations:						
Unpaid obligations, brought forward, Oct 1	3000	$ -	$ 4	$ 131	$ -	$ 135
Obligations incurred	3012	52	117	217	7	393
Outlays (gross)	3020	(52)	(119)	(203)	(8)	(382)
Actual transfers, unpaid obligations (net)	3032	-		(14)	-	(14)
Unpaid obligations, end of year	3050	-	2	131	(1)	132
Obligated balance, start of year		$ -	$ 4	$ 131	$ -	$ 135
Obligated balance, end of year		$ -	$ 2	$ 131	$ (1)	$ 132
Budget Authority and Outlays, Net:						
Budget authority, gross (discretionary and mandatory)	4175	$ 67	$ 53	$ 255	$ 15	$ 390
Actual offsetting collections (discretionary and mandatory)	4177	(106)	(96)	(198)	(14)	(414)
Budget authority, net (discretionary and mandatory)	4180	$ (39)	$ (43)	$ 57	$ 1	$ (24)
Outlays, gross (discretionary and mandatory)	4185	$ 52	$ 119	$ 203	$ 8	$ 382
Actual offsetting collections (discretionary and mandatory)	4187	(106)	(96)	(198)	(14)	(414)
Outlays, net (discretionary and mandatory)	4190	(54)	23	5	(6)	(32)
Distributed offsetting receipts	4200	(12)	(102)	(18)	(3)	(135)
Agency Outlays, net (discretionary and mandatory)	4210	$ (66)	$ (79)	$ (13)	$ (9)	$ (167)

Part V: Other Information (Unaudited)

Combined Schedule of Spending

The Combined 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[4] (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.

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

Combined Schedule of Spending (Unaudited)
For the Fiscal Year Ended September 30, 2015 and 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.

	2015		2014	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
What Money is Available to Spend?				
Total Resources	$ 12,384	$ 572	$ 18,781	$ 599
Less Amount Available but Not Agreed to be Spent	271	67	507	104
Less Amount Not Available to be Spent	328	112	484	179
Total Amounts Agreed to be Spent	$ 11,785	$ 393	$ 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	$ 202	$ -	$ 173	$ -
33 - Investments and loans	5,744	197	2,765	190
41 - Grants, subsidies, and contributions	1,002	-	10,793	-
43, 44 - Interest, dividends, and refunds	13	24	8	-
Total	6,961	221	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	-	1	-
41 - Grants, subsidies, and contributions	2,042	-	1,878	-
Total	2,043	-	1,879	-
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:				
11, 12, 13 - Personnel Compensation and Benefits				
21, 22 - Travel and transportation				
23 - Rent, communications, and utilities				
24, 25 - Other contractual services	7	-	7	-
33 - Investments and loans	68	112	1	20
41 - Grants, subsidies, and contributions	2,706	-	2,164	56
43, 44 - Interest, dividends, and refunds	-	60	-	50
Total	2,781	172	2,172	126
Total Amounts Agreed to be Spent	$ 11,785	$ 393	$ 17,790	$ 316
Who did the Money go to?				
Federal	$ 626	$ 210	$ 2,940	$ 318
Non-Federal	11,159	183	14,850	(2)
Total Amounts Agreed to be Spent	$ 11,785	$ 393	$ 17,790	$ 316

Summary of Financial Statement Audit[6]

The table below is a summary of the results of the FY 2015 independent audit of CCC's consolidated financial statements.

Audit Opinion	Disclaimer of Opinion
Restatement	No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending	CCC's Position
System Substantial Non-Compliance - Funds Control	1	0	0	1	0	n/a
Financial Reporting	0	1	0	0	1	Partially Concur
Accounting for Budgetary Transactions	0	1	0	0	1	Partially Concur
Parent-Child Transaction	0	1	0	0	1	Non-concur
Total Material Weakness	1	3	0	1	3	

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

Summary of Management Assurances[7]

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 Operations and Financial Reporting (FMFIA § 2)						
Statement of Assurance	Qualified statement of assurance					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Funds Control Management	1	0	0	0	0	1
Reconciling Fund Balance With Treasury	1	0	0	0	0	1
Total Material Weakness	2	0	0	0	0	2

Systems Non-conformance (FMFIA § 4)						
Statement of Assurance	Qualified statement of assurance					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Funds Control Management	1	0	0	0	0	1
Total Material Weakness	1	0	0	0	0	1

Conformance with Financial Management Systems Requirements (FFMIA)						
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	Yes
2. Accounting Standards	Yes	No
3. USSGL at Transaction Level	No	No

[7] The Summary of Management Assurances is as of completion of the Annual Management Report.

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 2015 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 2015 Results

In addition to the table showing the FY 2015 results, performance highlights include:

- Direct and Counter-Cyclical Payment Program and Milk Income Loss Contract Program were repealed under the 2014 Farm Bill and are no longer considered high risk, effective FY 2015. The Office of Management and Budget granted relief to FSA for these programs.
- Hurricane Sandy-Emergency Conservation Program reported an improper disbursement rate of 0.61 percent, less than the FY 2015 reduction target rate of 1.50 percent.
- The 2014 Farm Bill authorized the Livestock Indemnity Program, Emergency Assistance for Livestock, Honeybees, and Farm Raised Fish Program, Tree Assistance Program and Livestock Forage Program as permanent disaster assistance programs.
- Training for the Noninsured Crop Disaster Assistance Payment Program was provided to State Offices in FY 2015.

FY 2016 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

Programs	Total Outlays ($Millions)		Improper Payments ($Millions)		Administrative Errors ($Millions)		Incorrect Disbursements ($Millions)		Incorrect Disbursements (Percentage)	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
CRP[1]	$1,599	N/A	$15	N/A	$0	N/A	$15	N/A	0.97%	N/A
DCP[2]	$4,619	N/A	$33	N/A	$0	N/A	$33	N/A	0.71%	N/A
ECP	$0.4	$0.4	$0.001	$0.002	$0	$0	$0.001	$0.002	0.02%	0.61%
EFRP[3]	N/A	$0.3	N/A	$0.005	N/A	$0	N/A	$0.005	N/A	1.84%
LDP[4]	$0.2	N/A	$0.03	N/A	$0.02	N/A	$0.01	N/A	2.70%	N/A
LFP[5]	N/A	$3,357	N/A	$104	N/A	$51	N/A	$53	N/A	1.58%
LIP[5]	N/A	$63	N/A	$4	N/A	$3	N/A	$1	N/A	2.17%
MAL[1]	$1,748	N/A	$15	N/A	$14	N/A	$1	N/A	0.26%	N/A
MILC[2]	$283	N/A	$1	N/A	$0	N/A	$1	N/A	0.41%	N/A
NAP	$346	$174	$15	$13	$4	$6	$11	$7	3.11%	4.15%
SURE	$1,778	$34	$49	$3	$10	$1	$39	$2	2.14%	7.35%

[1] CRP and MAL are no longer considered high risk programs effective with the Fiscal Year 2014 IPIA review cycle, per approval by the Office of Management and Budget.

[2] MILC and DCP were repealed under the Agricultural Act of 2014. Per approval by the Office of Management and Budget with the Fiscal Year 2015 IPIA review cycle, these program have been relieved from annual improper payment reporting requirements.

[3] EFRP-Hurricane Sandy was not measured in Fiscal Year 2014 IPIA review cycle due to no outlays.

[4] LDP was not measured in Fiscal Year 2015 IPIA review cycle due to no outlays.

[5] A full statistical sample of all Miscellaneous Disaster Program components was not cost effective; therefore, LIP and LFP were not reviewed in the 2014 IPIA review cycle.

Appendix: 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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