OFFICE OF INSPECTOR GENERAL
U. S. DEPARTMENT OF AGRICULTURE

Rural Development's Financial Statements for Fiscal Years 2022 and 2021

Audit Report 85401-0013-11

November 2022

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OIG audited Rural Development's consolidated financial statements for fiscal years 2022 and 2021.

OBJECTIVE

The objectives of our audits were to review Rural Development's consolidated financial statements for fiscal years 2022 and 2021. Specifically, to determine whether (1) the consolidated financial statements present information fairly, in all material respects, and in accordance with generally accepted accounting principles; (2) Rural Development met the internal control objectives over financial reporting; (3) the agency complied with applicable laws and regulations; and (4) information presented was materially consistent with the consolidated financial statements.

REVIEWED

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

RECOMMENDS

This report does not contain recommendations.

WHAT OIG FOUND

Rural Development received an unmodified opinion from the Office of Inspector General's (OIG) audits of Rural Development's consolidated financial statements. We determined that the agency's consolidated financial statements present fairly Rural Development's financial position as of September 30, 2022 and 2021, in all material respects, and were prepared in accordance with United States of America generally accepted accounting principles. This includes the agency's net costs, changes in net position, and statements of budgetary resources and related notes to the consolidated financial statements.

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

OFFICE OF INSPECTOR GENERAL
United States Department of Agriculture

DATE: November 9, 2022

AUDIT NUMBER: 85401-0013-11

TO: Xochitl Torres Small
Under Secretary
For Rural Development

ATTN: Tony Bainbridge
Chief Financial Officer
Rural Development

FROM: Steve Rickrode
Acting Assistant Inspector General for Audit

SUBJECT: Rural Development's Financial Statements for Fiscal Years 2022 and 2021

This report presents the results of our audits of Rural Development's financial statements for the fiscal years ending September 30, 2022, and 2021. This report contains an unmodified opinion on the financial statements, as well as the results of our assessments of Rural Development's internal control over financial reporting and compliance with laws and regulations. Your response is included in its entirety in Exhibit A.

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

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Independent Auditor's Report

Xochitl Torres Small
Under Secretary
for Rural Development

The United States Department of Agriculture's Office of Inspector General audited the consolidated financial statements of Rural Development for fiscal years 2022 and 2021. We also considered Rural Development's internal control over financial reporting and tested Rural Development's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct effect on the determination of material financial statement amounts and disclosures on these consolidated financial statements.

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

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Rural Development, which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the related consolidated statements of net cost, and changes in net position; and the combined statements of budgetary resources for the fiscal years then ended and the related notes to the consolidated financial statements (hereinafter referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rural Development, as of September 30, 2022 and 2021, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with United States of America (U.S.) generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of Rural Development and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

Interactive Data

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for (1) the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting required supplementary information (RSI) in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in Rural Development's agency financial report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit of financial statements in accordance with U.S. generally accepted government auditing standards, we:

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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

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

- Perform other procedures we consider necessary in the circumstances.

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

Required Supplementary Information

U.S. generally accepted accounting principles issued by FASAB require that the RSI, which includes the Management's Discussion and Analysis, be presented to supplement the consolidated financial statements. Such information is the responsibility of management and, although not part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the consolidated financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the consolidated financial statements, and other knowledge we obtained during the audits of the consolidated financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurances on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Report on Internal Control Over Financial Reporting

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

During our 2022 audit, we identified deficiencies in Rural Development's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant Rural Development's management's attention. We have communicated these matters to Rural Development's management and, where appropriate, will report on them separately.

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

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

In planning and performing our audit of Rural Development's consolidated financial statements as of and for the year ended September 30, 2022, in accordance with U.S. generally accepted government auditing standards, we considered Rural Development's internal control relevant to the consolidated financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rural Development's internal control over financial reporting. Accordingly, we do not express an opinion on Rural Development's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982.

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2022 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to Rural Development. Accordingly, we do not express such an opinion.

We also performed tests of Rural Development's compliance with 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 no instances in which Rural Development's financial management systems did not substantially comply with FFMIA.

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

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

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

Management's Response

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

Steve Rickrode

Steve Rickrode
Acting Assistant Inspector General for Audit
Washington, D.C.
November 9, 2022

Abbreviations

FASAB ....Federal Accounting Standards Advisory Board
FFMIA........................Federal Financial Management Improvement Act of 1996
OIG.............................Office of Inspector General
RSI ....required supplementary information
U.S..............................United States of America

Rural Development's
Response to Audit Report

USDA

United States Department of Agriculture

Rural Development Business Center

Chief Financial Officer

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November 9, 2022

TO: Steven Rickrode
Acting Assistant Inspector General for Audit
Office of Inspector General
United States Department of Agriculture

FROM: Xochitl Torres Small
Under Secretary
Rural Development

Digitally signed by Xochitl Torres Small
Date: 2022.11.06 08:53:35 -05'00'

Tony Bainbridge
Chief Financial Officer

Digitally signed by ANTHONY BAINBRIDGE
Date: 2022.11.08 06:57:42 -06'00'

SUBJECT: Response to Audit Report on
Rural Development's Fiscal Years 2022 and 2021
Financial Statements

We have reviewed the Office of Inspector General Report on the Rural Development Fiscal Years 2022 and 2021 Financial Statements, Report on Internal Control Structure Over Financial Reporting, and the Report on Compliance with Laws and Regulations and concur with the findings in the report. We will continue with actions planned and in progress to address the outstanding findings.

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

Rural Development's
Fiscal Years 2022 and 2021
Consolidated Financial Statements

Prepared by Rural Development

USDA Rural Development
U.S. DEPARTMENT OF AGRICULTURE

FINANCIAL STATEMENTS

Fiscal Years 2022 and 2021

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

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2022, AND 2021

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Rural Development

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

Mission Statement

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

Strategic Goal

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

Organizational Structure

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

Rural Development Programs Performance

Rural Development programs provide loans and grants to rural people and develops partnerships with local leaders to promote growth and prosperity for rural families and local communities. The table below reflects Rural Development's Total Loan Portfolio from fiscal year 2020 through 2022. In fiscal year 2022, Rural Development's total loan portfolio was $214.4, which included $103.8 billion in direct loans and $110.6 in guaranteed loans.

Total Loan Portfolio as of September 30, 2022
FY's 2020 Through 2022
(Dollars in Billions)

	FY 2020	FY 2021	FY 2022
Direct Loans			
Water & Environmental	$13.4	$13.0	$13.2
Electric	47.2	50.0	53.4
Telecommunications	2.6	2.4	2.3
Business Programs	0.8	0.8	0.7
Single Family Housing	13.6	13.2	13.0
Multi-Family Housing	9.9	9.8	9.6
Community Facilities	10.6	11.1	11.6
Total Direct	98.1	100.3	103.8
Guaranteed Loans			
Water & Environmental	$0.1	$0.1	$0.1
Electric	0.2	0.2	0.2
Business Programs	5.9	6.9	7.5
Single/Multi-Family Housing	115.0	111.0	101.8
Community Facilities	1.0	1.0	1.0
Total Guaranteed	122.2	119.2	110.6
Total Loan Portfolio	**$220.3**	**$219.5**	**$214.4**

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

Rural Development Programs

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

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

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

RURAL DEVELOPMENT PERFORMANCE SCORECARD FOR FY 2022

	FY 2022 Target	FY 2022 Actual	Results
E-Connectivity: Number of households with potential access to RD-funded new and/or improved e-connectivity services (thousands)	200	134.8	Unmet
Equity in Field-Based Programs: Engagement of underserved, socially disadvantaged and vulnerable rural and Tribal communities in field-based programs, and investment in these designated communities. (EC= Equity Communities)	460 EC/$12M	425/$165.8M	Partially Met
Distressed Communities Assistance: Percentage of RD assistance that went to distressed communities (measured at the zip code level)	25%	21%	Unmet
Non-Federal Funding: Percentage of RD commercial/infrastructure investments that leverage non-Federal funding	81%	68%	Unmet
Climate/Coal Decline Geographies: Percentage of 25 priority geographies hard-hit by declines in coal production and consumption that are being served by RD programs	7%	7%	Met
OneRD Customer Experience: Percentage of OneRD customers whose application processing time (receipt to Conditional Commitment) does not exceed 30 days. Part 2: Percentage of OneRD program customer (lender) satisfaction survey ratings of 4 or above	Processing: 45% CX: 60%	Processing: 38% CX: 47%	Unmet

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

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

The Distressed Communities target was unmet. The target set for FY 22 was five percentage points higher than the 5-year baseline for investments in Distressed Communities. The target was purposefully aspirational. Rural Development will continue to target investment in Distressed Communities with the goal of increasing the percentage of funding invested in these communities.

Limited staffing to fully engage Distressed Communities and limited grant funding made it difficult to reach the FY 2022 target.

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

The Equity Project has exceeded expectations in terms of program funds invested in the targeted communities. The KPI target of $12 million has been met and exceeded by over a $150 million. However, we did not meet the KPI target of engaging 460 communities. Deployment of the Equity Project was dependent on onboarding State Directors (SDs), and while they are now all onboard, many SDs did not join RD until Q3. This and delays in staffing support made it challenging to ultimately reach all 460 communities.

OneRD Customer Experience targets were unmet. Progress has been made in both processing times and customer satisfaction but delays in environmental reviews and insufficient staffing created a setback in meeting the FY 2022 targets. A key barrier is lack of funding to meet demand for B&I guarantees. The change to the OneRD approach has increased demand for the program. Funds were exhausted by 3rd quarter, frustrating customers. RD lacks the staff to meet customer expectations. One issue raised by customers is the time it takes for RD to complete environmental reviews and a perceived higher level of documentation in reaction to recent State Internal Reviews. OneRD system automation is still unfunded.

Future Opportunities and Challenges

Opportunities

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

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

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

Challenges

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

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

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

RD Priorities Framework

Rural Development has developed a framework for implementing key Biden-Harris Administration priorities that directly align with the Agency's mission. These priorities will be incorporated into the work of the Agency and its partners to incentivize strategic engagement and investment that will:

- Help combat climate change;
- Help communities recover from the COVID-19 pandemic; and,
- Advance equity in rural America.

The framework sets standard language and metrics for each key priority to ensure consistency across RD.

Three Key Priorities
RD will continue to deliver its full suite of programs as authorized, and also seek to support and promote actions and investments to:

1. Assist rural communities to recover economically from the impacts of the COVID-19 pandemic, particularly disadvantaged communities.
2. Ensure all people have equitable access to RD programs and benefit from RD funded projects.
3. Reduce climate pollution and increase resilience to the impacts of climate change through economic support for rural communities.

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

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

RD Equity Project

At USDA, we are recommitting ourselves to the values of equity and inclusion rooted in justice and equal opportunity for our employees and those we serve.

RD plans to leverage our extensive field network, data and strategic investments resources to initiate the RD Equity Project. Through this multi-phase effort RD staff and partners will Engage, Assist and Invest in socially vulnerable and distressed communities, by connecting with these communities, identifying barriers to access or use RD programs and developing objectives, strategies, and action plans to assist them where possible.

In Phase 1, each State Office will engage with communities meeting metrics to document their needs and barriers to participate in RD programs.

Justice40 Initiative

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

Initially, 21 pilot programs government-wide were selected by OMB, including the Rural Energy for America Program (REAP), to undertake an initial implementation of the Justice40 initiative to maximize the benefits that are directed to disadvantaged communities. Initial steps include creating a stakeholder engagement plan and an implementation plan, including identifying potential barriers or constraints to maximizing benefits, and the opportunities or resource needs that may address those barriers.

Climate

On January 27, 2021, in Executive Order (E.O.) 14008 Tackling the Climate Crisis at Home and Abroad, President Biden laid out a vision for a United States government-wide approach and a set of coordinated domestic actions to address the risks and opportunities posed by climate change. Climate change poses a significant risk to agriculture, forests, and grasslands across the United States and the communities that support and depend upon them. This risk is proportionately high for disadvantaged communities, including Tribal nations, low income, and minority communities. Steps to reduce the vulnerability and increase the adaptive capacity of American farmers, ranchers, forest owners, and other stakeholders to climate change are needed to maintain competitiveness and sustainability in the coming decades.

As such, RD is incorporating the Biden-Harris Administration priority of reducing climate pollution and increasing resilience to the impacts of climate change through the creation of an Climate Adaption Plan, which outlines actions and implementation steps to address climate vulnerabilities. RD's plan can be found at www.usda.gov/oce/energy-and-environment/climate/adaptation. The primary action of the plan is to develop a new tool to empower rural communities that combines climate risk, social vulnerability, and resilience measures with an overlay of the RD investment portfolio to enhance awareness of risks and opportunities and improve rural resilience and adaption to climate change. The tool RD will develop to support this plan will help better serve rural communities whose economies depend on RD-financed infrastructure, and better position its own $214.4 billion portfolio for future climate-related changes.

In addition, there are several ongoing initiatives which target programs that help direct funding to the communities most vulnerable to climate changes. RD recommends prioritizing proposals that tackle the climate crisis through projects that reduce climate pollution, spur well-paying union jobs, promote economic growth by deploying clean energy technologies and infrastructure, focus on clean energy research and development, or advance environmental justice. In addition, RD can partner with USDA Climate Hubs to deliver local tools and resourses to help build adaptation capacity and leverage its field offices to help Climate Hubs connect with rural communities.

Although central to RD's approach to climate adaptation, actions to mitigate climate risk are not limited to the development of a climate-centric tool. There are other actions to be taken:

a. RUS can use existing authorities and programs to provide support for infrastructure improvements needed to repair damage to facilities caused by extreme climate events and can offer financing options to support utility providers (and their customers) impacted by extreme climate events in which their facilities were not directly damaged. Authority to finance smart grid systems is crucial to helping utility systems and communities prepare for – and respond to – climate change and extreme climate events.

b. RHS can improve building and housing resilience by supporting interagency efforts around the adoption and enforcement of modern building codes, and by incentivizing above-code building standards in the areas of climate and energy resilience.
c. RD can build resilience to wildfires and their effects, partnering with the U.S. Forest Service to identify opportunities to connect post-wildfire restoration efforts with bioenergy generation.

The Biden-Harris Administration 's placement of climate change at the center of U.S. foreign policy and national security underscores the secular nature of climate risk, and the far-reaching implications of increasingly frequent and extreme weather events around the nation and the globe. Some climate-related risks are not as evident today as the floods, fires, hurricanes, and other extreme weather events that fill headlines, but these risks almost certainly will have broad demographic, social, and financial impacts in the future.

One such risk is outmigration. Climate events that destroy property, degrade transportation infrastructure, or reduce available telecommunications, water, and electrical services could compel businesses to relocate operations to larger, more resilient towns and cities. Job loss in rural areas accelerates the familiar rural-to-urban exodus. It is often led by younger job seekers, worsening the population aging that already strains rural economies.

Climate change also results in more expensive insurance coverage or reduced insurance availability, which can slow down post-event economic recovery. The cost of insurance reflects the probability and magnitude of expected loss; both calculations most certainly are impacted by climate events. Without affordable insurance options, rural communities may find it more difficult to access critically-important capital markets (and thus, sources of rural business loans).

OneRD Guarantee Program

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

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

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

Demand for the program has increased since the launch of OneRD, particularly for Business and Industry Guarantees. For FY 2021 501 loan guarantees were made with over $2.5 Billion obligated. In FY 2022, 279 obligations totaling over $2 Billion was funded. A current application pool of close to 120 projects for over $1 Billion in assistance exists for future funding cycles.

Rural Housing Insurance Fund

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

- Single Family Housing Direct Loans
  In 2021, this program supplied over 5,300 direct loans totaling approximately $1 billion to rural families; of which, 310 persistent poverty loans totaling approximately $46.7 million went to mostly recipients in the Southeastern US. The $1.5 billion requested in the 2023 budget will help to support around 7,800 loans.
- Single Family Housing Guaranteed Loan Program (SFHGLP)
  The program provides low- and moderate-income rural families access to mortgage credit by guaranteeing loans issued by agency-approved private sector lenders. Without the USDA loan guarantee, lenders will not extend mortgage credit and tens of thousands of credit-worthy low- and moderate-income rural Americans who cannot meet down payment requirements will not have homeownership opportunities in 2022.

  The 2023 Budget request for USDA's SFHGLP reflects the program's FY2022 enacted amount. The requested would support the additional demand for the program and provide an opportunity for additional support. With a total of $30 billion in lending capacity, the program would increase guaranteed loans to over 163,000 loans.

Telecommunications Programs

- Distance Learning and Telemedicine (DLT)
  USDA Rural Development's high-speed internet loans and grants, such as DLT, help give students the opportunity to study and take classes virtually, or search and interview for new job opportunities, without leaving their hometown. DLT grants can also help rural hospitals install telemedicine equipment that connects rural patients with specialists and physicians. In the last decade, RD has invested $405 million through DLT grants.
  - In Sumter County, Alabama, a DLT grant to Sumter County School System assisted with equipping six interactive distance learning rooms that will provide opportunities for teachers to reach more students across the school system through interactive videoconferencing. This technology will reduce the need for students, teachers, and administrators to travel across the school system, and will also provide professional development opportunities to teachers. The project will benefit the 12,800 rural residents of Sumter county.
- Broadband
  Reliable high-speed internet opens the world's marketplace to rural business owners. By increasing profits, owners can expand their business and give more jobs and opportunities to people in their own community. Good, reliable high-speed internet expands rural students' prospects for success by reducing the conflict between work, school, and family. By helping make remote schooling a reality, we're helping to bring new opportunities within reach. In the last decade, the telecommunications program has invested more than $2.1 billion in direct telecommunication loans to telecommunication companies and cooperatives.

- Since 2010, RD has been working with the Atlantic Telephone Membership Corporation (ATMC) in rural North Carolina to bring fast, reliable internet to residents. The residents are better equipped to handle the COVID-19 pandemic with the access to the internet that ATMC is providing.
- Paul Bunyan Communications is partnering with RD to upgrade its high-speed internet for thousands of subscribers in Central Northern Minnesota through a Telecommunications Broadband loan. The company is in the process of upgrading the 30,000 access lines, 18,000 broadband, and 15,000 digital television subscribers in their service territory to a gigabit network.

Business and Industry (B&I) Guarantee Loan Program

Main street businesses give communities character. RD works with rural communities to help make sure more people have the resources they need to build the next successful local business. In this fiscal year, through the Business and Industry Guarantee Loan Program, RD has invested $811 million in businesses that created or saved more than 6,000 jobs in rural areas.

Through the B&I CARES Act program, RD assisted 95 rural businesses create or save more than 6,000 jobs in rural areas.

American Rescue Plan – Emergency Rural Health Care Grants

The American Rescue Plan Act provided $500 million in funding for Emergency Rural Health Care grants to help rural health care facilities, tribes, and communities expand access to health care services and nutrition assistance. Emergency Rural Healthcare Grants help rural hospitals and health care organizations build back better from the COVID-19 pandemic and create and expand telehealth, testing, and vaccination programs. Two different Emergency Rural Health Care grants tracks were offered:

- Recovery grants that support immediate health care needs arising from the COVID-19 pandemic.
- Impact grants that advance ideas and solutions to solve regional rural health care problems to support long-term sustatbility of rural health care.

Financial Highlights

Fiscal Year Ending September 30th (Dollars in Millions)	FY 2022	FY 2021
Total Assets	$137,820	$117,962
Total Liabilities	$113,611	$109,082
Total Net Position	$24,209	$8,880
Total Net Cost of Operations	$1,677	$1,302
Total Budgetary Resources	$52,000	$35,923

Rural Development had total assets of $137,820 million at the end of FY 2022 which is up from $117,962 million in FY 2021, an overall increase of $19,858 million. The increase is mainly attributable to Fund Balance with Treasury which increased by $14,469 million from the previous fiscal year. The variance is a result of the legal authority given to the Agency to spend U.S. Treasury funds as provided in the Inflation Reduction Act of 2022 and the Infrastructure Investment and Jobs Act. The additional increase is attributable to the reclassification of the Negative Loan Guaranteed Liability as an asset and an increase in Loans Receivable, Net for FY 2022.

Total Liabilities of $113,611 million in FY 2022 increased from $109,082 million in FY 2021, an increase of $4,529 million. Debt contributed to majority of the variance. The increase was a result of increased borrowings and fewer repayments of debt to Treasury and the Federal Financing Bank. The increase was slightly offset by a decrease in Resources Payable to Treasury and Downward Reestimates Payable to Treasury General Fund.

Total Net Position increased $15,329 million in FY 2022 compared to FY 2021. The change in the Net Position is caused by an increase in total Unexpended Appropriations remaining to still be expended in future years at the end of FY 2022, as compared to FY 2021. Majority of the increase is a result of the legal authority given to the Agency to spend U.S. Treasury funds as provided in the Inflation Reduction Act of 2022 and the Infrastructure Investment and Jobs Act. The additional change is attributable to an increase in the overall Cumulative Results of Operations from FY 2021.

Total Net Cost of Operations increased $375 million. The increase is primarily associated with an increase in Gross Costs and a slight decrease in Earned Revenues in FY 2022 compared to FY 2021.

Total Budgetary Resources increased by $16,077 million. The budgetary accounts and non-budgetary account increased by $14,511 million and $1,566 million, respectively. The increase in the budgetary accounts was mostly attributable to Appropriations and Unobligated Balances from Prior Year Budget Authority. The increase in the non-budgetary accounts were mostly associated with an increase in Borrowing Authority and Unobligated Balance from Prior Year Budget Authority which was offset by a decrease in Spending Authority form Offsetting Collections.

COVID-19

In March 2020, Public Law 116-136 Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the United States Congress in response to the coronavirus disease 2019 (COVID-19). The law addresses the impact of the outbreak on the economy, public health, state and local governments, individuals, and businesses. The law provided supplemental appropriations for FY 2020 for Federal agencies to respond to COVID-19. Additionally, the American Rescue Plan Act of 2021 and the Consolidated Appropriations Act of 2021 provided further supplemental appropriations for federal agencies to continue to address the impacts of COVID-19. Rural Development received supplemental appropriations in response to the COVID-19 pandemic in both FY 2021 and FY 2022.

For additional information on obligations, outlays and financial statement impacts specific to the supplemental appropriations refer to Note 19 COVID-19 Activity.

Principal Financial Statements

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

Entity's Systems, Controls, and Legal Compliance

Management Assurances

Federal Managers' Financial Integrity Act (FMFIA). The purpose of the FMFIA is to promote the development of systematic and proactive measures to ensure management accountability for the effectiveness and efficiency of program and business operations.

Rural Development Management has conducted its annual evaluations of internal controls, enterprise risk, and financial systems pursuant to Section 2 and Section 4 of the FMFIA, Section 803(a) of the Federal Financial Management Improvement Act (FFMIA), and in accordance with OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management (ERM) and Internal Control, for the period ended September 30, 2022. RD's ERM framework includes a risk taxonomy which provides a consistent structure for identifying, classifying, and addressing risks across the diverse mission of RD. Based on the results of the evaluations, Rural Development provides reasonable assurance that the overall system of internal controls is operating effectively.

Section 2 of the FMFIA focuses on the assessment of the adequacy of management controls to manage the risk associated with a given program or operation and to provide reasonable assurance that obligations/costs comply with applicable laws and regulations; that Federal assets are safeguarded against fraud, waste and mismanagement; and that transactions are properly recorded and accounted for.

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

In FY 2022, there were no new material weaknesses.

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

In FY 2022, there were no new non-conformances and no new consolidated non-conformances identified.

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

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

Program Loan Accounting System (PLAS) - The PLAS system supports multiple functional areas for Rural Development direct loan and grant programs – WEP, CF Programs and Business Programs (BP) – and the Farm Loan Programs (FLP) of the Farm Services Agency. Efforts are underway to document PLAS functionality leading to the eventual retirement of this outdated system.

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

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

Commercial Loan Servicing System (CLSS) - The CLSS system supports the Electric, Telecommunications and some WEP, CF and BP direct loan and grant programs. RD systems are being reviewed and requirements documented to replace outdated RD systems to include PLAS, AMAS, and eventually CLSS.

LoanServ – The LoanServ system services direct loans for Rural Development SFH programs, including collecting and disbursing borrower escrow payments.

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

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

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

Rural Development management evaluated its financial management systems under FFMIA for the period ended September 30, 2022. Based on the results of its evaluation, Rural Development is in substantial compliance with the Federal Financial Management Systems Requirements, Applicable Federal Accounting Standards, and the Standard General Ledger at the transaction level.

Compliance with Laws and Regulations. Rural Development reports no new non-compliances during FY 2022.

Payment Integrity Information Act of 2019

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

Agencies are required to establish a recovery audit program or provide a justification that a recovery audit program would not be cost effective for each program that expends $1 million or more annually. For Rural Development, 35 programs received OMB waivers from conducting recovery audit due to cost effectiveness, two programs are in the process of receiving waivers, and four programs developed internal recovery audit programs. These internal recovery audit programs identify and recover improper payments. Activities include data mining-initiated reviews, limited scope reviews, special investigations, eligibility verification, agency wide audits, and internal control reviews. Management has reviewed all applicable programs and activities to identify any area that may be susceptible to significant improper payments and no deficiencies were identified.

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

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2022 AND 2021
(In Millions)

	2022	2021
Assets (Note 2):		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$ 34,723	$ 20,254
Accounts Receivable, Net (Note 5)	0	0
Loans Receivable, Net	0	0
Other Assets	0	0
Total Intragovernmental	34,723	20,254
Other than Intragovernmental		
Cash and Other Monetary Assets (Note 4)	55	51
Loans Receivable, Net (Note 6)	100,888	96,849
Negative Liability for Loan Guarantees (Note 6)	2,095	781
General Property, Plant and Equipment, Net (Note 7)	59	27
Other Assets	0	0
Total Other than Intragovernmental	103,097	97,708
Total Assets	**137,820**	**117,962**
Liabilities (Note 8):		
Intragovernmental:		
Accounts Payable	0	22
Debt (Note 9)	106,149	100,912
Advances from Others and Deferred Revenue	0	0
Other Liabilities		
Resources Payable to Treasury	5,605	5,891
Downward Reestimates Payable to Treasury General Fund	1,468	1,886
Other Liabilities (Note 11)	18	12
Total Intragovernmental	113,240	108,723
Other than Intragovernmental		
Accounts Payable	81	70
Federal Employee and Veteran Benefits Payable (Note 8 & 10)	68	68
Advances from Others and Deferred Revenue	(8)	(10)
Other Liabilities (Note 11)	230	231
Total Other than Intragovernmental	371	359
Total Liabilities	**113,611**	**109,082**
Commitments and Contingencies (Note 12)		
Net Position:		
Unexpended Appropriations	23,404	8,535
Cumulative Results of Operations	805	345
Total Net Position	**24,209**	**8,880**
Total Liabilities and Net Position	**$ 137,820**	**$ 117,962**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
CONSOLIDATED STATEMENT OF NET COST
FOR THE YEARS ENDING SEPTEMBER 30, 2022 AND 2021
(In Millions)

	2022	2021
Gross Costs (Note 13)		
Borrowing Interest Expense	$ 3,227	$ 3,195
Grants	3,119	2,283
Loan Cost Subsidies	(2,158)	(2,313)
Other	716	1,437
Total Gross Costs	**4,904**	**4,602**
Less Earned Revenues (Note 13)	3,227	3,300
Net Cost of Operations	**$ 1,677**	**$ 1,302**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDING SEPTEMBER 30, 2022 AND 2021
(In Millions)

	2022	2021
Unexpended Appropriations:		
Beginning Balances	$ 8,535	$ 6,557
Adjustments:		
Changes in Accounting Principle	0	0
Corrections of Errors	0	0
Beginning Balances, as Adjusted	$ 8,535	$ 6,557
Appropriations Received	20,050	6,996
Appropriations Transferred In/Out	(16)	1
Other Adjustments	(121)	(161)
Appropriations Used	(5,044)	(4,858)
Total Unexpended Appropriations	$ **23,404**	$ **8,535**
Cumulative Results of Operations:		
Beginning Balances	$ 345	$ (1,007)
Adjustments:		
Changes in Accounting Principle	0	0
Corrections of Errors	0	0
Beginning Balances, as Adjusted	**$** 345	**$** (1,007)
Other Adjustments	(5)	(4)
Appropriations Used	5,044	4,858
Nonexchange Revenue	0	0
Transfers In/Out Without Reimbursement	684	79
Imputed Financing (Note 14)	70	81
Other Financing Sources	(3,656)	(2,360)
Net Cost of Operations	(1,677)	(1,302)
Cumulative Results of Operations	**$ 805**	$ **345**
Net Position	**$ 24,209**	**$ 8,880**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
COMBINED STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDING SEPTEMBER 30, 2022 AND 2021
(In Millions)

	2022		**2021**	
	Budgetary	Non-Budgetary Credit Reform Financing Account	Budgetary	Non-Budgetary Credit Reform Financing Account
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 4,556	$ 8,507	$ 3,837	$ 9,461
Recoveries of Prior Year Unpaid Obligations	171	795	333	766
Other Changes in Unobligated Balance	(93)	(4,711)	(307)	(5,950)
Unobligated Balance from Prior Year Budget Authority, Net	4,634	4,591	3,863	4,277
Appropriations	20,605	3	6,922	0
Borrowing Authority (Note 15)	0	13,064	0	10,853
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	748	8,355	691	9,317
Total Budgetary Resources	**$ 25,987**	**$ 26,013**	**$ 11,476**	**$ 24,447**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	$ 8,681	$ 17,705	$ 6,920	$ 15,940
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	5,034	8,003	4,411	8,260
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	12,190	305	72	247
Unexpired Unobligated Balance, End of Year	17,224	8,308	4,483	8,507
Expired Unobligated Balance, End of Year	82	0	73	0
Total Unobligated Balance, End of Year	17,306	8,308	4,556	8,507
Total Budgetary Resources	**$ 25,987**	**$ 26,013**	**$ 11,476**	**$ 24,447**
Outlays, Net				
Outlays, Net (total)	5,383	0	4,848	0
Distributed Offsetting Receipts	(3,976)	0	(2,844)	0
Agency Outlays, Net	**$ 1,407**	**$ 0**	**$ 2,004**	**$ 0**
Disbursements, Net		**$ 5,590**		**$ 2,852**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

RURAL DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2022, AND 2021 (In Millions)

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

The amounts in the FY 2021 column of the financial statements have been reclassified due to evolving changes in the OMB Circular A-136, Financial Reporting Requirements guidance. This reclassification will facilitate a meaningful comparison between FY 2022 and FY 2021. Footnotes have also been reclassified and additional information has been added to the applicable changes in guidance or presentation preferences.

Rural Development reclassified the negative liability for loan guarantees from a liability to an asset for FY 2021and FY 2022 presentation purposes based on A-136 guidance. This reclassification impacted Non-Entity Asset **(Note 2)** and Liabilities not Covered by Budgetary Resources **(Note 8)** for FY 2021 presentation. The changes were part of USDA department initiative to stay in compliance with A-136 and ensure consistency among the component agencies.

Loans Receivable, Net and Loan Guarantee Liabilities **(Note 6) Table 1** was separated into **Tables 1, 2** and **7.** This change was part of USDA's department-wide initiative to stay in compliance with A-136 and ensure consistency among the component agencies.

Pursuant to SFFAS 56, *Classified Activities*, accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Reporting Entity

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

NOTE 1: Continued
Rural Development List of Major Programs

Rural Housing and Community Facilities Programs

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

Rural Business and Cooperative Programs

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

Rural Utilities Programs

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

NOTE 1: Continued

Basis of Accounting and Presentation

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

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

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

Estimates

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

Revenue and Other Financing Sources

Revolving/Credit Funds:

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

NOTE 1: Continued

General Funds

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

Fund Balance with Treasury

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

Lending Activities

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

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

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

Loans Receivable, Net and Loan Guarantee Liabilities

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

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

NOTE 1: Continued

General Property, Plant, and Equipment, Net

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

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

Liabilities

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

Borrowings and Interest Payable to Treasury

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

Pension and Other Employee Benefits

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

Resources Payable to Treasury

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

NOTE 1: Continued

Downward Reestimates Payable to Treasury General Fund

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

Contingencies

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

Unexpended Appropriations

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

Intragovernmental Financial Activities

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

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

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

NOTE 1: Continued

Allocation Transfers

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

NOTE 2: NON-ENTITY ASSETS

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

	FY 2022	FY 2021
Intragovernmental		
Fund Balance with Treasury	$ 0	$ 0
Total Intragovernmental	**0**	**0**
Cash and Other Monetary Assets	**55**	**51**
Total Non-Entity Assets	**55**	**51**
Total Entity Assets	137,765	117,911
Total Assets	**$ 137,820**	**$ 117,962**

NOTE 3: FUND BALANCE WITH TREASURY

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

The line titled Unavailable consists of restricted funds which are limited in their future use and are not apportioned for current use. These amounts represent the expired authority in annual year grant and program accounts (annual years prior to FY 2022) and are only available for prior year upward obligations. After the fifth year of expiration, Rural Development returns all funds to Treasury except those entities having extended authority to disburse. For FY's 2022 and 2021, there were approximately $69 million and $57 million in expired funds, respectively.

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

	FY 2022	FY 2021
Status of Fund Balance with Treasury (FBWT)		
Unobligated Balance:		
Available	$ 13,037	$ 12,670
Unavailable	12,577	393
Obligated Balance Not Yet Disbursed	35,870	33,594
Borrowing Authority Not Yet Converted to Fund Balance	(26,748)	(26,387)
Authority Granted Prior to Credit Reform for Rental Assistance Grants	(15)	(18)
Temporary Reduction of New Budget Authority	0	0
Appropriation Purpose Fulfilled - Balance Not Available	2	2
Non-Budgetary Fund Balance with Treasury	0	0
Total	**$ 34,723**	**$ 20,254**

NOTE 4: CASH AND OTHER MONETARY ASSETS

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

	FY 2022	FY 2021
Cash and Other Monetary Assets		
Cash	$ 55	$ 51
Foreign Currency	0	0
Other Monetary Assets	0	0
Total Cash and Other Monetary Assets	**$ 55**	**$ 51**

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

	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
FY 2022			
Intragovernmental			
A/R Revenue, Refunds, Reimbursements	0	0	0
Total Intragovernmental Accounts Receivable	**$ 0**	**$ 0**	**$ 0**
Other than Intragovernmental			
Audit Receivable	17	(17)	0
Total Accounts Receivable	**$ 17**	**$ (17)**	**$ 0**
FY 2021			
Intragovernmental			
A/R Revenue, Refunds, Reimbursements	0	0	0
Total Intragovernmental Accounts Receivable	**$ 0**	**$ 0**	**$ 0**
Other than Intragovernmental			
Audit Receivable	18	(18)	0
Total Accounts Receivable	**$ 18**	**$ (18)**	**$ 0**

Criminal Restitution

The outstanding balance for criminal restitution was $3 million for FY 2022 and $3 million for FY 2021.

NOTE 6: LOANS RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES

Discussion of Credit Programs and Characteristics

Rural Development offers both direct and guaranteed loans administered through the Rural Housing Service, Rural Utilities Service and Rural Business-Cooperative Service. Each agency has unique missions to bring prosperity and opportunity to rural areas. The direct program has $100,713 million in outstanding credit program net receivables, and the guaranteed program has an outstanding guarantee of $110,661 million with a liability of $(2,095) million, as of September 30, 2022.

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

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

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

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

NOTE 6: Continued
Loan Program Characteristics

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

NOTE 6: Continued

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

NOTE 6: Continued

Other Information Related to Credit Programs

The Agency processed a significant amount of Federal Financing Bank loan prepayments in FY 2020 and FY 2019 as part of the changes enacted in the 2018 Agriculture Improvement Act. The increases in loan prepayments for the two years impacted the approved model for reestimate calculations. In FY 2021, the technical reestimate calculation using the approved model was $(255) million and by recording this amount the FY 2021 reestimate accrual would have significantly understated the Allowance for Subsidy. As a result, RD's management decided to adjust the FY 2021 reestimate accrual for financial statement reporting. A financial statement adjustment of $1,098 million was recorded to Allowance for Subsidy as part of an upward adjustment to the FY 2021 reestimate accrual in the Rural Electric and Telecommunications Program and Financing account. For FY 2022 OMB has approved changes to the formulation curves that will be used in the reestimate accrual calculation for FY 2022. The implementation of the new curves eliminated the upward adjustment to the financial statements.

Foreclosed Property and Loans Acquired

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

For FY's 2022 and 2021, Rural Housing Program properties consist primarily of 307 and 1,095 rural single-family dwellings, respectively. The average holding period for single family housing properties in inventory was 17 months for FY 2022 and 16 months for FY 2021. The approximate number of borrowers for which foreclosure proceedings were in process at the end of FY's 2022 and 2021 was 10,143 and 11,792, respectively. Rural Development also allows leasing certain properties to eligible individuals.

Non-Performing Loans

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

Interest Credit

Approximately $12,949 million and $13,548 million of the Rural Housing borrowers' unpaid loan principal, as of September 30, 2022, and 2021, respectively, received interest credit (payment assistance). If those loans receiving interest credit had interest accrued at the full-unreduced rate, interest income would have been approximately $592 million and $604 million for FY's 2022 and 2021, respectively.

Also, at the end of FY's 2022 and 2021, the Rural Development housing portfolio contained approximately 50,050 and 53,656 restructured loans, respectively. The outstanding unpaid principal balance was $3,331 million in FY 2022 and $3,407 million in FY 2021.

NOTE 6: Continued

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

Multi-Family Housing direct loan modifications related to the revitalization program, which began in FY 2006, and continued through FY 2022. In this program, Rural Development provided restructured loans and grants to development owners to revitalize multi-family housing development projects in order to extend their affordable use without displacing tenants due to increased rent.

Subsidy Rates and Reestimates
The Federal Credit Reform Act of 1990, as amended, and OMB Circular A-11 govern the proprietary and budgetary accounting treatment of direct and guaranteed loans. The long-term cost to the government for direct loans or loan guarantees is referred to as “subsidy cost.” Under the Act, subsidy costs for all loans obligated post-1991 are recognized at the net present value of projected lifetime costs in the year the loan is disbursed. Subsidy costs are estimated annually. Components of subsidy include interest subsidies, defaults, fee offsets, and other cash flows. Reestimates are revisions of the subsidy cost estimate of a cohort (or risk category) based on information about the actual performance and/or estimated changes in future cash flows of the cohort. A cohort refers to the fiscal year of obligation for direct loan obligations, or loan guarantee commitments of a specific program. In FY’s 2022 and 2021, reestimates using projected fiscal year activity were recorded in the current fiscal year.

In FY’s 2022 and 2021, Rural Development guaranteed loan programs recorded prior year actual budgetary reestimates and current year activity projected reestimates for material programs. Defaults, fees, and other collections are considered significant assumptions within the guaranteed housing and business and industry program estimates.

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

Rural Development’s cash flow models are tailored for specific programs based on unique program characteristics. Specific models developed and utilized include an econometric model for Guaranteed Single Family Housing and Guaranteed Business and Industry, and historical weighted average models for Direct Single-Family Housing, Multi-Family Housing, Guaranteed Electric Underwriters, Electric Modifications, and a direct loan historical model that covers the remaining portfolio with similar characteristics.

NOTE 6: Continued

A direct loan is a disbursement of funds by the government to a non-federal borrower under a contract that requires the repayment of such funds with or without interest.

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

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

DIRECT LOANS

Direct Loan Obligations

Direct loan obligations are binding agreements by a federal agency to make a direct loan when specified conditions are fulfilled by the borrower. **Tables 1,2 and 7** illustrate the overall composition of the Rural Development loan portfolio by mission area and loan program for FY 2022 and FY 2021. Loans Receivable, Net balances for Direct Loans at the end of FY 2022 was $100,713 million compared to $96,640 million at the end of FY 2021. Defaulted Guaranteed Loans were $175 million in FY 2022 as compared to $209 million in FY 2021.

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

NOTE 6: Continued

TABLE 1: DIRECT LOANS OBLIGATED (PRE-1992)

FY 2022		Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance [1]	Value of Assets
Direct Loans						
Obligated Pre-1992						
Housing	$	5,078 $	784 $	1 $	(712) $	5,151
Community Facility		5	0	0	0	5
Electric		1,643	2	0	(1,427)	218
Telecommunication		20	0	0	0	20
Water and Environmental		137	2	0	0	139
Intermediary Relending		1	0	0	0	1
Pre-1992 Total		**6,884**	**788**	**1**	**(2,139)**	**5,534**
Cushion of Credit Advance Payments		(54)	0	0	0	(54)
Total Direct Loans Receivable		**6,830**	**788**	**1**	**(2,139)**	**5,480**
FY 2021						
Direct Loans						
Obligated Pre-1992						
Housing	$	5,332 $	695 $	8 $	(627) $	5,408
Community Facility		6	0	0	0	6
Electric		1,805	2	0	(1,427)	380
Telecommunication		28	0	0	0	28
Water and Environmental		167	2	0	0	169
Intermediary Relending		1	0	0	0	1
Pre-1992 Total		**7,339**	**699**	**8**	**(2,054)**	**5,992**
Cushion of Credit Advance Payments		(81)	0	0	0	(81)
Total Direct Loans Receivable		**7,258**	**699**	**8**	**(2,054)**	**5,911**

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

NOTE 6: Continued

TABLE 2: DIRECT LOANS OBLIGATED (POST-1991)

FY 2022	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance [2]	Value of Assets
Direct Loans					
Obligated Post-1991					
Housing	17,156	444	23	(1,183)	16,440
Community Facility	11,550	111	0	(228)	11,433
Electric	52,251	31	0	(737)	51,545
Telecommunication	2,418	2	0	(38)	2,382
Water and Environmental	13,090	83	0	303	13,476
Intermediary Relending	301	2	0	(58)	245
Business and Industry	42	0	0	(5)	37
Economic Development	177	0	0	(12)	165
Post-1991 Total	**96,985**	**673**	**23**	**(1,958)**	**95,723**
Cushion of Credit Advance Payments	(490)	0	0	0	(490)
Total Direct Loans Receivable	**96,495**	**673**	**23**	**(1,958)**	**95,233**
FY 2021					
Direct Loans					
Obligated Post-1991					
Housing	17,509	434	63	(1,756)	16,250
Community Facility	11,151	106	0	(188)	11,069
Electric	49,235	30	0	(1,171)	48,094
Telecommunication	2,567	1	0	40	2,608
Water and Environmental	12,897	87	0	429	13,413
Intermediary Relending	321	2	0	(63)	260
Business and Industry	44	0	0	(6)	38
Economic Development	201	0	0	(17)	184
Post-1991 Total	**93,925**	**660**	**63**	**(2,732)**	**91,916**
Cushion of Credit Advance Payments	(1,187)	0	0	0	(1,187)
Total Direct Loans Receivable	**92,738**	**660**	**63**	**(2,732)**	**90,729**

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

NOTE 6: Continued

Subsidy Cost Allowance

The net present value of direct loans obligated post-1991 comprises the outstanding balance of the loans adjusted by the allowance for subsidy for these loans. **Table 3** shows the reconciliation of subsidy cost allowance balances from FY 2022 to FY 2021. The subsidy cost allowance in FY 2022 was $2,328 million compared to $2,922 million in FY 2021, a decrease of $594 million.

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

Beginning Balance, Changes, and Ending Balance		FY 2022		FY 2021
Beginning Balance of the Subsidy Cost Allowance	$	2,922	$	3,220
Add subsidy expense for direct loans disbursed during the year by component:				
Interest rate differential costs		(256)		(190)
Default costs (net of recoveries)		119		109
Fees and other collections		(19)		(18)
Other subsidy costs		(46)		(39)
Total of the above subsidy expense components		(202)		(138)
Adjustments:				
Loan modifications		3		3
Fees received		83		75
Loans written off		(202)		(170)
Subsidy allowance amortization		(97)		(345)
Other		(847)		795
Ending balance of the subsidy cost allowance before reestimates		**1,660**		**3,440**
Add or subtract reestimates by component:				
Interest rate reestimates		(1,548)		(250)
Technical/default reestimates		2,216		(268)
Total of the above reestimate components		668		(518)
Ending Balance of the Subsidy Cost Allowance	**$**	**2,328**	**$**	**2,922**

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

NOTE 6: Continued

Direct Loan Subsidy Expense

Direct loan subsidy expense is a component of the subsidy cost allowance. The total direct loan subsidy expense for FY 2022 is a combination of subsidy expense for new direct loans disbursed in the current year, modifications to existing loans, and interest rate and technical reestimates to existing loans. **Table 4,** illustrates the composition of total subsidy expense, including reestimates, for FY's 2022 and 2021 by program. Total direct loan subsidy expense in FY 2022 was $469 million compared to $(653) million in FY 2021, an increase of $1,122 million. Reestimate variances are discussed in the Analysis of Direct Loans.

TABLE 4: DIRECT LOAN SUBSIDY BY PROGRAM AND COMPONENT

	Subsidy Expense for New Direct Loans Disbursed					Modifications and Reestimates				
	Interest Differential	**Defaults**	**Fees and Other Collections**	**Other**	**Total**	**Total Modifications**	**Interest Rate**	**Technical/ Default**	**Total**	**GRAND TOTAL**
FY 2022										
Housing	$ 3	$ 48	$ 0	$ (4)	$ 47	$ 0	$ (134)	$ (381)	$ (515)	$ **(468)**
Community Facility	(107)	35	0	15	(57)	0	(99)	165	66	**9**
Electric	(203)	16	(19)	(23)	(229)	0	(1,413)	2,295	882	**653**
Telecommunications	0	19	0	(1)	18	3	49	6	55	**76**
Water & Environmental	47	1	0	(33)	15	0	53	132	185	**200**
Intermediary Relending	2	0	0	0	2	0	0	0	0	**2**
Business and Industry	0	0	0	0	0	0	0	(1)	(1)	**(1)**
Economic Development	2	0	0	0	2	0	(4)	0	(4)	**(2)**
Total Subsidy Expense, Direct	**$ (256)**	**$ 119**	**$ (19)**	**$ (46)**	**$ (202)**	**$ 3**	**$** (1,548)	**$** 2,216	**$ 668**	**$ 469**
FY 2021										
Housing	$ 31	$ 47	$ 0	$ 3	$ 81	$ 3	$ (92)	$ (111)	$ (203)	$ **(119)**
Community Facility	(138)	45	0	14	(79)	0	168	(44)	124	**45**
Electric	(147)	7	(18)	(17)	(175)	0	(348)	(278)	(626)	**(801)**
Telecommunications	1	9	0	(1)	9	0	(3)	(32)	(35)	**(26)**
Water & Environmental	54	1	0	(38)	17	0	28	198	226	**243**
Intermediary Relending	3	0	0	0	3	0	(2)	0	(2)	**1**
Business and Industry	0	0	0	0	0	0	0	0	0	**0**
Economic Development	6	0	0	0	6	0	(1)	(1)	(2)	**4**
Total Subsidy Expense, Direct	**$ (190)**	**$ 109**	**$ (18)**	**$ (39)**	**$ (138)**	**$ 3**	**$ (250)**	**$ (268)**	**$ (518)**	**$ (653)**

NOTE 6: Continued

Direct Loans Disbursed

Volume distribution between programs is shown in **Table 5.** Direct loans disbursed in FY 2022 was $9,040 million compared to $7,709 million in FY 2021, an increase of $1,331 million.

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

	FY 2022	FY 2021	FY 2022 Over/Under FY 2021
Housing	$ 1,125	$ 1,086	$ 39
Community Facility	946	1,259	(313)
Electric	5,749	4,082	1,667
Telecommunications	181	206	(25)
Water and Environmental	1,005	1,022	(17)
Intermediary Relending	10	12	(2)
Business and Industry	2	2	0
Economic Development	22	40	(18)
Total Direct Loans Disbursed	**$ 9,040**	**$ 7,709**	**$ 1,331**

NOTE 6: Continued

Subsidy Rates for Direct Loans

Subsidy rates are used to compute each year's subsidy expense. **Table 6** has the direct loan subsidy rates for FY 2022 as provided in the Federal Credit Supplement to the Budget of the U.S. Government. The subsidy rates disclosed in **Table 6** pertain only to the FY 2022 cohort. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for loans reported in the current year could result from disbursements of loans from current year and prior year cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

TABLE 6: SUBSIDY RATES FOR DIRECT LOANS (PERCENTAGE)

FY 2022	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Section 502 Single Family Housing	-2.35	4.68	0.00	-0.47	1.86
Section 504 Housing Repair	3.58	-0.04	0.00	-1.81	1.73
Single Family Housing Credit Sales	-9.32	5.07	0.00	1.47	-2.78
Section 514 Farm Labor Housing	10.16	0.23	0.00	-0.28	10.11
Section 515 Multi-Family Housing	9.18	1.35	0.00	-1.59	8.94
Section 523 Self-Help Housing Land Development	-4.05	5.06	0.00	0.09	1.10
Section 524 Site Development	-2.82	6.25	0.00	0.68	4.11
Multi-Family Housing Credit Sales			Not Funded		
Multi-Family Housing Relending			Not Funded		
Multi-Family Housing Revitalization Second	34.75	0.75	0.00	0.01	35.51
Multi-Family Revitalization Zero	33.79	0.57	0.00	-0.27	34.09
Community Facilities	-10.61	4.47	0.00	0.33	-5.81
Community Facilities Relending			Not Funded		
Distance Learning and Telemedicine			Not Funded		
Broadband Treasury Rate	-0.13	15.68	0.00	-0.62	14.93
Water and Environmental	2.29	0.17	0.00	-7.62	-5.16
Electric Hardship			Not Funded		
FFB Electric	-5.98	0.01	0.00	-1.23	-7.20
Telephone Hardship			Not Funded		
Treasury Telecommunications	-0.12	0.70	0.00	-0.28	0.30
FFB Telecommunications	-1.73	0.17	0.00	-2.48	-4.04
Intermediary Relending Program	7.26	1.73	0.00	-0.92	8.07
Rural Economic Development	4.92	0.01	0.00	-0.25	4.68
Rural Microenterprise	-6.40	2.30	0.00	0.00	-4.10
Electric Underwriting	0.00	1.33	-1.97	0.00	-0.64
Reconnect Direct Loans	-4.32	26.14	0.00	0.20	22.02
Reconnect Grant Assisted Loans	0.00	26.14	0.00	-0.30	25.84
Rural Energy Savings Program	4.86	1.08	0.00	-0.42	5.52

NOTE 6: Continued

Analysis of Direct Loans

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

RURAL HOUSING PROGRAMS

The Direct Single-Family Housing program had a downward reestimate of $(515) million. The key drivers of the downward impact were the updated percentages of foreclosure recoveries applied to fees, full payoff prepayments, subsidy interest, recaptures, Real Estate Owned (REO) recoveries, lag on REO and lag on foreclosures from FY 2021. The forecasted recapture recoveries and prepayments increased, which resulted in a downward impact on the total reestimate amount. Additionally, the decrease in the percentage of foreclosures applied to fees, an increase in the lag on foreclosures and lag on REO acquisitions further resulted in an overall downward reestimate.

RURAL UTILITIES PROGRAMS

The Direct Electric Program had an overall upward reestimate of $882 million which is comprised of a $1,091 million upward reestimate in the FFB program, a $(219) million in the Federal Financing Bank (FFB) Underwriter program, a $14 million upward reestimate in the Electric Municpal program and a $(5) million downward reestimate in the FFB Electric Modification program. One of the main drivers of the upward reestimate in the Direct Electric program was the decrease in undiscounted prepayments, and an increase in cash outflows and losses from last year. The main component of the downward reestimate in the FFB Underwriters program was the increase in undiscounted prepayments, due to the updated Single Effective Rates (SER) which primarily decreased. As the SER decreases, the cost of borrowing for the Agency decreases causing a downward reestimate as the net present value of cash flows increases due to the lower discount rate. Another contributing factor to the downward reestimate in the FFB Underwriters program was an increase in forecasted variable interest rates from the Office of Management and Budget (OMB) Presidential Economic Assumptions (PEA), which increased interest revenue.

The Direct Water and Environmental program had an overall upward reestimate of $185 million. The upward reestimate was primarily attributed to the Miscellaneous Inflows curves decreasing which are based on actual data and are used to project future cashflows from miscellaneous inflows. Another contributing factor to the overall upward reestimate was the decrease in interest rates that were lower than the rates the government uses when they borrow from Treasury. A downward reestimate was calculated for years 2015 – 2017, this was attributed to updated SER being calculated for large programs. As the SER decreases, the cost of borrowing for the Agency decreases as well, causing a downward reestimate as the net present value of cash flows increases due to the lower discount rate.

NOTE 6: Continued

GUARANTEED LOANS

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

TABLE 7: DEFAULTED GUARANTEED LOANS (POST-1991)

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

FY 2021	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance [3]	Value of Assets
Defaulted Guaranteed Loans					
Post-1991					
Housing	174	0	0	(137)	37
Community Facility	8	0	0	0	8
Business and Industry	217	0	0	(53)	164
Total Defaulted Guaranteed Loans	**$ 399**	**$ 0**	**$ 0**	**$ (190)**	**$ 209**

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

NOTE 6: Continued

Loan Guarantees Outstanding

Guaranteed loans outstanding at the end of FY 2022 decreased compared to the FY 2021 portfolio. **Table 8** shows the outstanding balances by loan program. At the end of FY 2022 and FY 2021, there were $127,635 million and $134,127 million in outstanding principal (face value) and $113,851 million and $119,201 million in outstanding principal (guaranteed), respectively.

TABLE 8: GUARANTEED LOANS OUTSTANDING

		Post-1991 Outstanding Principal Face Value		Post-1991 Outstanding Principal Guaranteed
FY 2022				
Housing	$	116,252	$	105,061
Community Facility		1,193		1,055
Electric		131		131
Water and Environmental		111		98
Business and Industry		9,948		7,506
Total Guaranteed Loans Outstanding	**$**	**127,635**	**$**	**113,851**
FY 2021				
Housing	$	123,431	$	111,052
Community Facility		1,172		1,039
Electric		139		139
Water and Environmental		108		95
Business and Industry		9,277		6,876
Total Guaranteed Loans Outstanding	**$**	**134,127**	**$**	**119,201**

NOTE 6: Continued

Liability for Loan Guarantees

Liability for loan guarantees consists of net cash flows (outflows less inflows) paid or to be paid by the entity as a result of the loan guarantees. **Table 8a** shows the loan guarantee liability. **Table 8b** shows the liability reconciliation for post-1991 guarantees. In FY 2022, the total liabilities increased by $1,314 million compared to FY 2021.

TABLE 8a: LIABILITY FOR LOAN GUARANTEES

		Liabilities for Loan Guarantees on Post-1991 Guarantees Present Value
FY 2022		
Liability for Loan Guarantees		
Housing	$	(2,538)
Community Facility		23
Electric		0
Water and Environmental		1
Business and Industry		419
Total Liabilities for Loan Guarantees	**$**	**(2,095)**
FY 2021		
Liability for Loan Guarantees		
Housing	$	(1,144)
Community Facility		30
Electric		0
Water and Environmental		1
Business and Industry		332
Total Liabilities for Loan Guarantees	**$**	**(781)**

NOTE 6: Continued

The Agency continued to process claim payments to lenders in FY 2022 related to the Guaranteed Single-Family Housing Program, although the program experienced an increase for FY 2022 as compared to FY 2021.

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

Beginning Balance, Changes, and Ending Balance	**FY 2022**	**FY 2021**
Beginning Balance of the Loan Guarantee Liability	$ (781)	$ 1,118
Claim payments to lenders	(130)	(160)
Fees received	616	731
Interest supplements paid	(8)	(8)
Loans acquired	61	29
Interest revenue on uninvested funds	0	0
Interest Expense on entity borrowings	0	0
Subsidy expense	41	80
Negative subsidy payments	(195)	(171)
Upward reestimates	45	15
Downward reestimates	(1,417)	(2,322)
Loan guarantee modifications	0	0
Other	(327)	(93)
Ending Balance of the Loan Guarantee Liabilities	**(2,095)**	**(781)**

NOTE 6: Continued

Guaranteed Loan Subsidy Expense

Total guaranteed loan subsidy expense is a combination of subsidy expense for new guaranteed loans disbursed in the current year and the interest rate and technical reestimates to existing loans. **Table 9** illustrates the breakdown of total subsidy expense for FY 2022 and FY 2021 by loan program. Total guaranteed loan subsidy expense in FY 2022 was $(1,526) million compared to $(2,398) million in FY 2021, a decrease of $(872) million.

TABLE 9: GUARANTEED LOAN SUBSIDY EXPENSE BY PROGRAM AND COMPONENT

	Subsidy Expense for New Guaranteed Loans Disbursed					Modifications and Reestimates				
	Interest Supplement	Defaults	Fees and Other Collections	Other	Total	Total Modification	Interest Rate	Technical	Total	GRAND TOTAL
FY 2022										
Housing	$ 0	$ 482	(677)	$ 0	$ (195)	$ 0	$ (120)	$ (1,291)	$ (1,411)	$ (1,606)
Community Facility	0	7	(5)	0	2	0	0	(6)	(6)	(4)
Electric	0	0	0	0	0	0	0	0	0	0
Water and Environmental	0	0	0	0	0	0	0	0	0	0
Business and Industry	0	124	(85)	0	39	0	(8)	53	45	84
Total Subsidy Expense, Guaranteed	**$ 0**	**$ 613**	**$ (767)**	**$ 0**	**$ (154)**	**$ 0**	**$ (128)**	**$ (1,244)**	**$ (1,372)**	**$ (1,526)**
FY 2021										
Housing	$ 0	$ 862	$ (1,033)	$ 0	$ (171)	$ 0	$ 14	$ (2,124)	$ (2,110)	$ (2,281)
Community Facility	0	4	(3)	0	1	0	0	(12)	(12)	(11)
Electric	0	0	0	0	0	0	0	0	0	0
Water and Environmental	0	0	0	0	0	0	0	0	0	0
Business and Industry	0	183	(104)	0	79	0	1	(186)	(185)	(106)
Total Subsidy Expense, Guaranteed	**$ 0**	**$ 1,049**	**$ (1,140)**	**$ 0**	**$ (91)**	**$ 0**	**$ 15**	**$ (2,322)**	**$ (2,307)**	**$ (2,398)**

NOTE 6: Continued

Guaranteed Loans Disbursed

Guaranteed loan volume face value decreased to $16,365 million in FY 2022 from $26,532 million in FY 2021. The Housing and Business and Industry loan programs experienced the largest decrease.

TABLE 10: GUARANTEED LOANS DISBURSED (POST-1991)

	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed
FY 2022		
Housing	$ 14,060	$ 12,654
Community Facility	174	154
Water and Environmental	12	10
Business and Industry	2,119	1,625
Total Guaranteed Loans Disbursed	**$ 16,365**	**$ 14,443**
FY 2021		
Housing	$ 23,875	$ 21,488
Community Facility	105	93
Water and Environmental	20	18
Business and Industry	2,532	1,931
Total Guaranteed Loans Disbursed	**$ 26,532**	**$ 23,530**

Subsidy Rates for Loan Guarantees

Subsidy rates are used to compute each year's subsidy expense. The subsidy rates disclosed in **Table 11** pertain only to the FY 2022 cohort as provided in the Federal Credit Supplement to the Budget of the U.S. Government. These rates cannot be applied to the guaranteed loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for loans reported in the current year could result from disbursements of loans from current year and prior year cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

TABLE 11: SUBSIDY RATES FOR LOAN GUARANTEES (PERCENTAGE)

FY 2022	Defaults	Fees and Other Collections	Other	Total
Section 502 Single Family Housing	3.41	-4.82	0.00	-1.41
Section 538 Multi-Family Housing	2.19	-5.27	0.00	-3.08
Community Facilities	3.80	-4.09	0.00	-0.29
Business and Industry	6.49	-4.48	0.00	2.01
Water and Environmental	0.97	-0.88	0.00	0.09
Renewable Energy	3.35	-2.51	0.00	0.84
Biorefinery (Section 9003 Loan Guarantees)	37.35	-4.57	0.18	32.96
Food Processing Supply Chain Loan Guarantees	7.30	0.00	0.00	7.30

NOTE 6: Continued

Analysis of Guaranteed Loans

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

RURAL HOUSING PROGRAMS

The Guaranteed Single-Family Housing Section 502 Program and the Guaranteed Multi-Family Housing Section 538 Program had an overall downward reestimate of $(1,411) million. Majority of the downward reestimates are attributed to the Guaranteed Single-Family Housing Section 502 Program. The total downward reestimate is the result of a downward reestimate of $(1,252) million in the Blended component of the program and a downward reestimate of $(148) million in the Purchase component. The majority of the total reestimate is explained by the Blended component's change, which is attributed to the downward reestimates for cohorts 2018 through 2021. The large downward reestimate for these years is attributed to a decrease in forecasted default claims. These changes were driven by the updated borrower source data which created an improved macroeconomic outlook.

NOTE 6: Continued

Administrative Expenses

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

TABLE 12 ADMINISTRATIVE EXPENSES	FY 2022	FY 2021
Direct Loan Programs	227	201
Total	**$ 227**	**$ 201**
Guaranteed Loan Programs	444	458
Total	**$ 444**	**$ 458**

NOTE 6: Continued

Loans Receivable

For FY 2022 Rural Development is implementing the new Loans Receivable, Net summary table as shown below per OMB Circular A-136.

TABLE 13: LOANS RECEIVABLE

		FY 2022
Beginning Balance of Loans Receivable, Net	$	96,849
Add Loan Disbursements		10,092
Less Principal and Interest Payments Received		6,315
Less Claim Payments Received		0
Add Interest Accruals		0
Less Fees Received		1
Add Foreclosed Property Acquired		24
Less Rent Received		0
Less Sale of Foreclosed Property		50
Less Loans Written Off		241
Less Interest Revenue on Uninvested Funds		0
Add Interest Expense on Entity Borrowings		0
Add Subsidy Expense		(89)
Less Negative Subsidy Payments		(288)
Add Upward Reestimates		(1,214)
Less Downward Reestimates		(1,644)
Less Subsidy Allowance		198
Loan Modifications		(3)
Allowance for Loan and Interest Loss Adjustments		100
Other Non-Cash Reconciling Items		2
Ending Balance of Loans Receivable, Net	$	**100,888**

NOTE 7: GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

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

CLASSES		Cost		Accumulated Depreciation		Book Value	Estimated Useful Life[4]	Method of Depreciation[5]		Capitalization Threshold
FY 2022										
Personal Property										
Equipment	$	5	$	(4)	$	1	5-20	SL	$	25,000
Internal Use Software		247		(196)		51	5-8	SL	$	100,000
Internal Use Software in Development		7		0		7		SL	$	100,000
Total	**$**	**259**	**$**	**(200)**	**$**	**59**				
Net Property Plant and Equipment										
Balance Beginning of Year			**$**	**27**						
Capitalized Acquisitions				34						
Disposition/Revaluations				0						
Depreciation Expense				(2)						
Balance at the End of Year				**59**						
FY 2021										
Personal Property										
Equipment	$	5	$	(4)	$	1	5-20	SL	$	25,000
Internal Use Software		219		(194)		25	5-8	SL	$	100,000
Internal Use Software in Development		1		0		1		SL	$	100,000
Total	**$**	**225**	**$**	**(198)**	**$**	**27**				
Net Property Plant and Equipment										
Balance Beginning of Year			$	**37**						
Capitalized Acquisitions				8						
Disposition/Revaluations				(3)						
Depreciation Expense				(15)						
Balance at the End of Year				**27**						

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

NOTE 8: LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	FY 2022	FY 2021
Intragovernmental		
Unfunded Federal Employees Compensation Act (FECA) Liability	$ 6	$ 6
Total Intragovernmental	**6**	**6**
Other than Intragovernmental		
Federal Employee and Veteran Benefits Payable	68	68
Contingent Liability	75	65
Other Liability	81	76
Total Other than Intragovernmental	**224**	**209**
Total Liabilities Not Covered by Budgetary Resources[6]	**230**	**215**
Total Liabilities Covered by Budgetary Resources	113,389	108,878
Total Liabilities Not Requiring Budgetary Resources[7]	(8)	(11)
Total Liabilities	**$ 113,611**	**$ 109,082**

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

NOTE 9: DEBT

		Beginning Balance	Net Borrowing	Ending Balance
FY 2022				
Source of Debt				
Debt Owed to Treasury other than FFB	$	52,140 $	2,164 $	54,304
Debt Owed to the Federal Financing Bank		48,772	3,073	51,845
Total Debt	**$**	**100,912**	**5,237**	**106,149**
Total Debt	**$**	**100,912**	**5,237**	**106,149**
FY 2021				
Source of Debt				
Debt Owed to Treasury other than FFB	$	52,511 $	(371) $	52,140
Debt Owed to the Federal Financing Bank		46,679	2,093	48,772
Total Other Debt	**$**	**99,190**	**1,722**	**100,912**
Total Debt	**$**	**99,190**	**1,722**	**100,912**

Borrowing from the Federal Financing Bank (FFB) is either in the form of Certificates of Beneficial Ownership (CBO) or loans executed directly between the borrower and FFB with Rural Development unconditionally guaranteeing repayment. Rural Development generally secures CBO's outstanding with FFB by unpaid loan principal balances. CBO's outstanding are related to Pre-Credit Reform loans and are no longer used for program financing. FFB CBO's are repaid as they mature and are not related to any particular group of loans. The last outstanding CBO was repaid as of September 30, 2021.

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

NOTE 9: Continued

Supplemental Information Associated with Debt

	FY 2022	FY 2021
Interest Payable, Federal		
Federal Financing Bank	$ 31	$ 30
Total	**$ 31**	**$ 30**

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

	FY 2022	FY 2021
Interest Expense, Federal		
Federal Financing Bank	$ 1,454	$ 1,389
Treasury	1,773	1,806
Total	**$ 3,227**	**$ 3,195**

NOTE 10: FEDERAL EMPLOYEE BENEFITS PAYABLE

	FY 2022	FY 2021
Other than Intragovernmental		
Employer Contributions and Payroll Taxes Payable	0	0
Unfunded Leave	42	41
Actuarial FECA Liability	26	27
Total Federal Employee Benefits Payable	**$ 68**	**$ 68**

NOTE 11: OTHER LIABILITIES

	FY 2022			FY 2021		
	Current	Non-Current	Total	Current	Non-Current	Total
Intragovernmental						
Other Liabilities With Related Budgetary Obligations	$ 4	$ 0	$ 4	$ 21	$ 0	$ 21
Employer Contributions & Payroll Taxes Payable	8	0	8	7	0	7
Unfunded FECA Liability	3	3	6	3	3	6
Liability for Deposit Fund & Suspense Accounts	0	0	0	0	0	0
Other Liabilities	0	0	0	0	0	0
Total Intragovernmental	**$ 15**	**$ 3**	**$ 18**	**$ 31**	**$ 3**	**$ 34**
Other than Intragovernmental						
Other Liabilities With Related Budgetary Obligations	47	0	47	64	0	64
Accrued Funded Payroll & Leave	27	0	27	26	0	26
Liability for Advances & Prepayments	0	0	0	0	0	0
Liability for Deposit Fund & Suspense Accounts	0	0	0	0	0	0
Contingent Liabilities	75	0	75	65	0	65
Other Liabilities Without Related Budgetary Obligations	56	25	81	51	25	76
Total Other than Intragovernmental	**$ 205**	**$ 25**	**$ 230**	**$ 206**	**$ 25**	**$ 231**
Total Other Liabilities	**$ 220**	**$ 28**	**$ 248**	**$ 237**	**$ 28**	**$ 265**

These liabilities are or will be covered by Budgetary Resources.

NOTE 12: COMMITMENTS AND CONTINGENCIES

Commitments

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

As related to commitments to extend loan guarantees as of September 30, 2022, and 2021, there were approximately $4,193 million and $4,878 million, respectively.

Contingencies

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

	Accrued Liabilities		Estimated Range of Loss			
			Lower End		Upper End	
FY 2022						
Legal Contingencies						
Probable	$	75	$	75	$	75
Reasonably Possible	$	0	$	5	$	10
FY 2021						
Legal Contingencies						
Probable	$	65	$	65	$	65
Reasonably Possible	$	0	$	0	$	0

The following contingency-related lawsuits are reportable for the fiscal year ending on September 30, 2022:

Rural Development is actively involved in restructuring negotiations.

Multiple breach of contract cases regarding Housing Section 515 loan prepayments were deemed probable in FY 2014. As of September 2022, the Office of the General Counsel has made the determination that a $75 million unfavorable outcome is probable. The amount is an increase of $10 million from FY 2021. The amount of $75 million has been accrued to the financial statements.

As of FY 2022 a class action complaint was filed alleging entitlement to hazard pay and environmental differential pay. The complaint is still pending final resolution. The Office of General Counsel has deemed the complaint as reasonably possible in the range of $5 to $10 million. The amount has not been accrued to the financial statements but is disclosed in the table above.

NOTE 13: SUPPORTING SCHEDULE FOR STATEMENT OF NET COST

	Mortgage Credit	Housing Assistance	Area & Regional Development	Energy Supply & Conservation	Agricultural Research	Farm Income Stabilization	Consolidated Total
FY 2022							
Gross Costs:							
Borrowing Interest Expense	$ 671	$ 0	$ 860	$ 1,696	$ 0	$ 0	$ 3,227
Grants	5	1,421	1,009	0	684	0	3,119
Loan Cost Subsidies	(2,074)	0	320	(407)	0	3	(2,158)
Other	480	18	151	67	0	0	716
Total Gross Costs	**(918)**	**1,439**	**2,340**	**1,356**	**684**	**3**	**4,904**
Less:							
Earned Revenues	642	0	891	1,694	0	0	3,227
Net Cost of Operations	**$ (1,560)**	**$ 1,439**	**$ 1,449**	**$ (338)**	**$ 684**	**$ 3**	**$ 1,677**
FY 2021							
Gross Costs:							
Borrowing Interest Expense	$ 675	$ 19	$ 873	$ 1,628	$ 0	$ 0	$ 3,195
Grants	1	1,459	823	0	0	0	2,283
Loan Cost Subsidies	(2,390)	(10)	116	(29)	0	0	(2,313)
Other	1,046	30	136	225	0	0	1,437
Total Gross Cost	**(668)**	**1,498**	**1,948**	**1,824**	**0**	**0**	**4,602**
Less:							
Earned Revenues	679	20	903	1,698	0	0	3,300
Net Cost of Operations	**$ (1,347)**	**$ 1,478**	**$ 1,045**	**$ 126**	**$ 0**	**$ 0**	**$ 1,302**

NOTE 13: Continued

Other Disclosures

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

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

NOTE 13: Continued

Credit Reform

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

Exchange Transactions with Non-Federal Sources

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

Rural Housing Programs

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

Rural Business-Cooperative Program

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

Rural Utilities Program

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

NOTE 13: Continued

Exchange Transactions with Federal Sources

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

NOTE 14: INTER-ENTITY COSTS

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

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

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

A. Adjustments to Unobligated Balance Brought Forward

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

Rural Community Facilities Program Account had a $1 million adjustment to the prior year ending unobligated balance. The adjustment was due to a prior year reestimate obligation. Healthy Foods Financing Initiative Account had a $3 million adjustment to the prior year ending unobligated balance. This adjustment was due to a prior year cancelled obligation. As of September 30, 2022, the prior year obligation was fully obligated. Additionally, a Financial Statement adjustment was made in FY 2022 to adjust the Unobligated Balances brought forward, October 1 for $3 million. This adjustment was due to a closing issue of FY 2021 data where it impacted the Statement of Budgetary Resources.

NOTE 15: Continued

B. Terms of Borrowing Authority Used

Requirements for Repayments of Borrowings

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

Financing Sources for Repayments of Borrowings

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

Other Terms of Borrowing Authority Used

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

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

C. Available Borrowing Authority, End of the Period

As of September 30, 2022, and 2021, the amount of available borrowing authority was $26,748 million and $26,387 million, respectively.

D. Undelivered Orders at the End of the Period

	Undelivered Orders		
	Federal	**Non Federal**	**Total**
FY 2022			
Paid	$ 0	$ 0	$ 0
Unpaid	1,685	34,604	36,289
Total Undelivered Orders	**$ 1,685**	**$ 34,604**	**$ 36,289**
FY 2021			
Paid	$ 0	$ 0	$ 0
Unpaid	1,614	32,368	33,982
Total Undelivered Orders	**$ 1,614**	**$ 32,368**	**$ 33,982**

NOTE 15: Continued

E. Permanent Indefinite Appropriations

Existence, Purpose, and Availability of Permanent Indefinite Appropriations

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

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

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

F. Legal Arrangements Affecting the Use of Unobligated Balances

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

Purpose

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

Amount

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

Time

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

NOTE 15: Continued

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

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

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

The 2024 Budget of the United States Government, with the "Actual" columns completed for FY 2022, has not yet been published as of the date of these financial statements. The Budget is currently expected to be published and delivered to Congress in 2023. The Budget will be available from https://www.whitehouse.gov/omb/budget.

The 2023 Budget of the United States Government, with the "Actual" columns completed for FY 2021 was published in March of 2022 and reconciled to the SBR.

The reconciling items represent:

- Expired budgetary authority available for upward adjustments of obligations, which is excluded from the President's Budget "Actual" columns per OMB Circular No. A-11 but is included in the SBR.

- In FY 2021, Alternative Agricultural Research and Commercialization Corporation Revolving Fund (12X4144) was not included in the SBR but was included in the Budget.

- In FY 2021, Office of the Secretary, Agriculture (12X0115) was included in the SBR, but was not included in the Rural Development Budget section, thus on the reconciliations it is treated as an adjustment.

- In FY 2021, an adjustment for obligations in the amount of $3 million for Rural Housing Assistance Grants Expenses Account (12X1953) was not included in the SBR but was included in the President's Budget as it was entered into the Governmentwide Treasury Account System (GTAS) during the GTAS window changes allowed for agencies at fiscal yearend.

- Amounts due to rounding.

NOTE 15: Continued

Reconciliation Between FY 2021 Combined Statement of Budgetary Resources and the President's Budget					
Applicable Line from SBR	**Amount from SBR**	**Applicable Line from President's Budget**	**Amount from President's Budget**	**Legitimate Differences**	**Reporting Errors**
Total Budgetary Resources (Line 1910)	$ 35,923	Total Budgetary Resources Available for Obligation	$ 35,151	$ 772 E 77 A 699 R (4)	None
New Obligations and Upward Adjustments (Line 2190)	$ 22,860	Total New Obligations	$ 22,863	$ (3) E 4 A (3) R (4)	None
Distributed Offsetting Receipts (Line 4200)	$ (2,844)	Treasury Combined Statement (Receipts by Department)	$ (2,844)	$ 0	None
Net Outlays (Line 4190 and 4220)	$ 7,700	Outlays	$ 7,696	$ 4 R 4	None

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

NOTE 16: INCIDENTAL CUSTODIAL COLLECTIONS

	FY 2022	FY 2021
Sources of Collections		
Recoveries and Refunds	$ 3	$ 5
Total Revenue Collected	**3**	**5**
Disposition of Collections		
Amount Transferred to Treasury Receipt Accounts	$ (3)	(5)
Total Disposition of Revenue	**(3)**	**(5)**
Net Custodial Activity	**$ 0**	**$ 0**

NOTE 17: RECONCILIATION OF NET COST TO NET OUTLAYS

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

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

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

During FY 2022 and FY 2021, the Agency reported significant component of net operating cost not part of the budgetary outlays. Intergovernmental activity for Year End Credit Reform Subsidy reestimates for FY 2021 was $3,553 million and for FY 2021 was $2,893 million. The increase of $660 million represents reestimate accruals that will not result in an outlay until FY 2023 from the budgetary accounts. The Loans Receivable increased in FY 2022 as part of increases in interest receivable due to the recapture provisions and accrued interest on loans in the Rural Housing Liquidating account. Additionally, some of the increases are due to changes in the Cushion of Credit balances which offset the Loans Receivable in the Rural Electric Liquidating account. As the Cushion of Credit balances are used to repay loans, the overall Cushion of Credit balance decreases, therefore creating the impression that the loans receivable is increasing. Accounts Payable increased in FY 2022 resulting from increases in subsidy payable to the Financing accounts due to reestimates. Other Liabilities decreased in FY 2022 mostly due to decreases in prepaid interest subsidy for the Rural Housing Liquidating account. This is due to the reversal of FY 2020 interest accruals for interest not yet due and the associated credits for payment assistance which were accrued in FY 2020 but reversed early in FY 2021. Non-Entity Activity increased in FY 2022 compared to FY 2021 due to increases in downward reestimates and negative subsidy.

NOTE 17: Continued

	FY 2022 Intergovernmental	FY 2022 With the Public	FY 2021 Intergovernmental	FY 2021 With the Public
Net Operating Cost (SNC)	**$ 327**	**$ 1,350**	**$ 313**	**$ 989**
Components of Net Operating Cost Not Part of Budgetary Outlays				
Property, plant and equipment depreciation	$ 0	$ (2)	$ 0	$ (15)
Property, plant and equipment disposal & reevaluation	0	0	0	(3)
Unrealized valuation loss/(gain) on investment	0	0	0	0
Year End Credit Reform Subsidy reestimates	3,553	0	2,893	0
Other	0	0	0	0
Increase/decrease in assets				
Accounts Receivable	0	0	(4)	0
Loans Receivable	0	265	0	72
Other Assets	0	5	0	5
Investments	0	0	0	0
Increase/decrease in liabilities not affecting Budget Outlays				
Accounts Payable	(94)	(3)	1,149	1
Salaries and Benefits	0	0	0	0
Insurance and Guarantee Program Liabilities	0	0	0	0
Environmental and disposal liabilities	0	0	0	0
Federal Employee and Veteran Benefits Payable	0	0	0	(2)
Other Liabilities	17	1	(1)	(476)
Credit Reform Subsidy reestimates	0	0	0	0
Contingent Liabilities	0	0	0	0
Other Liabilities	17	1	(1)	(476)
Financing Sources				
Imputed Financing	(70)	0	(81)	0
Total Components of Net Operating Cost Not Part of Budget Outlays	**3,406**	**266**	**3,956**	**(418)**
Components of the Budget Outlays That are Not Part of Net Operating Cost				
Acquisition of capital assets	0	34	0	8
Acquisition of inventory	0	0	0	0
Acquisition of other assets	0	0	0	0
Effect of prior year agencies credit reform subsidy reestimates	0	0	0	0
Financing Sources				
Transfers out (in) without reimbursement	0	0	0	0
Other	0	0	0	0
Total Components of Budgetary Outlays That Are Not Part of Net Operating Cost	**0**	**34**	**0**	**8**
Miscellaneous Items				
Distributed Offsetting Receipts (SBR 4200)	0	(2)	0	(5)
Custodial/Non-exchange revenue	0	0	0	0
Non-Entity Activity	(3,974)	0	(2,839)	0
Other Temporary Timing Differences	0	0	0	0
Appropriated Receipts for Trust/Special Funds	0	0	0	0
Total Other Reconciling Items	**(3,974)**	**(2)**	**(2,839)**	**(5)**
Net Outlays	**$ (241)**	**$ 1,648**	**$ 1,430**	**$ 574**
Related Amounts on the Statement of Budgetary Resources				
Budgetary Agency Outlays, Net (SBR 4210)		**$ 1,407**		**$ 2,004**
Difference		**$ 0**		**$ 0**

NOTE 18: FIDUCIARY ACTIVITY

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

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

Schedule of Fiduciary Activity for the Years Ended September 30, 2022 and 2021

	FY 2022	FY 2021
Fiduciary Net Assets, beginning of year	**$ 117**	**$ 115**
Contributions	457	476
Disbursements	475	474
Increase/Decrease in Fiduciary Fund Balances	**(18)**	**2**
Fiduciary Net Assets, end of year	**$ 99**	**$ 117**

Schedule of Fiduciary Net Assets for the Years Ended September 30, 2022 and 2021

	FY 2022	FY 2021
Cash and Cash Equivalents:		
Escrow Funds held at Treasury	$ 35	$ 32
Investments in Treasury Securities – Short Term	64	85
Investments in Treasury Securities – Long Term	0	0
Total Fiduciary Net Assets	**$ 99**	**$ 117**

NOTE 19: COVID-19 ACTIVITY

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

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

Distance Learning, Telemedicine and Broadband No Year Program received a total of $25 million. The program provides distance learning and telemedicine in rural areas. As of September 30, 2022, $24 million was obligated and $5 million disbursed.

Rental Assistance Program received a total of $100 million in grant funding for individuals who have experienced income loss but are not receiving federal rental assistance. The entire amount was obligated as of September 30, 2022, with $80 million disbursed.

Rural Community Facilities Program Account received a total of $500 million. The funding was made available for a pilot program for facilities that primarily serve rural areas. The purpose is to increase capacity of vaccine distribution, provide medical supplies to increase medical surge capacity, reimburse loss of revenue, increase telehealth capabilities, support staffing, construct structures to provide health services and engagement. As of September 30, 2022, $367 million has been obligated and $77 million disbursed.

Rural Housing Insurance Fund Program Account received a total of $39 million. The funding in this account represents subsidy costs associated with section 502 and 504 for direct loan borrowers as part of relief measures. As of September 30, 2022, only $4 million has been obligated and $3 million disbursed.

Rural Cooperative Development Program received a total of $38 million. The funding is for the local agriculture market program due to impacts of COVID-19 on the local agriculture markets. As of September 30, 2022, $37 million has been obligated of which $14 million has been disbursed.

Rural Development received $700 million from the Office of the Secretary of Agriculture. The funding is for payments to be made to producers of advanced biofuel, biomass-based diesel, cellulosic biofuel, conventional biofuel, or renewable fuel produced in the United States, for unexpected market losses. As of September 30, 2022, $683 million has been obligated and disbursed. Additionally, Rural Development received $205 million for the Meat and Poultry Intermediary Lending Program. $200 million was designated for grants and $5 million for administrative expenses. The purpose of the additional funding is to provide grants to intermediaries to facilitate financing to qualified recipients for meat and poultry processors. As of September 30, 2022, $76 million has been obligated. No funds have been disbursed.

NOTE 19: Continued

Rural Development received $410 million for the Food Processing Supply, the Healthy Foods Financing Initiative, the Meat & Poultry Processing Expansion programs and administrative expenses from the Office of the Secretary of Agriculture for the Food Supply Chain and Agriculture Pandemic Response program. The purpose is to make grants and loans for small or midsized food processors or distributors, seafood processing facilities and processing vessels, farmers markets, producers, or other organizations to respond to Covid-19. As of September 30, 2022, $176 million has been obligated and $4 million disbursed.

NOTE 19: Continued

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

NOTE 19: Continued

Treasury Account Symbol	Account Name		Unobligated Balance from Prior Year	Total Supplemental Current Year	Total Obligation	Total Amounts Remaining to be Obligated	Total Outlays
FY 2021							
12X1232 **CARES Act**	Distance Learning, Telemedicine and Broadband Program (Grant)	$	24	0	24	0	0
12 20/21 1232 **CARES Act**	Distance Learning, Telemedicine and Broadband Program (Grant)	$	12	0	7	5	0
12 20/21 1902 **CARES Act**	Rural Business Program Account (Subsidy)	$	13	0	13	0	16
12 21/22 0137 **ARP Act**	Rental Assistance Program (Grant)	$	0	100	100	0	17
12 21/23 2081 **ARP Act**	Rural Housing Insurance Fund Program Account (Subsidy)	$	0	39	1	38	1
12 21/23 1951 **ARP Act**	Rural Community Facilities Program Account (Grant)	$	0	500	25	475	25
12X1900 **Consolidated Appropriations Act, 2021**	Rural Cooperative Development (Grant)	$	0	38	35	3	3
12X0115 **Consolidated Appropriations Act, 2021**	Office of the Secretary (Grant)	$	0	700	0	700	0

NOTE 19: Continued

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

NOTE 19: Continued

Account Name Treasury Account Symbol	Distance Learning, Telemedicine and Broadband Program 12X1232	Distance Learning, Telemedicine and Broadband Program 12 20/21 1232	Rural Business Program Account 12 20/21 1902	Rental Assistance Program 12 21/22 0137	Rural Housing Insurance Fund Program Account 12 21/23 2081	Rural Community Facilities Program Account 12 21/23 1951	Rural Cooperative Development Grants 12X1900	Office of the Secretary 12X0115
FY 2021								
Balance Sheet								
Intragovernmental								
Fund Balance with Treasury	24	97	3	83	38	475	35	700
Total Intragovernmental Assets	**$ 24**	**$ 97**	**$ 3**	**$ 83**	**$ 38**	**$ 475**	**$ 35**	**$ 700**
Total Assets	**$ 24**	**$ 97**	**$ 3**	**$ 83**	**$ 38**	**$ 475**	**$ 35**	**$ 700**
Unexpended Appropriations	24	97	3	83	38	475	35	700
Cumulative Results of Operation-All Other Funds	0	0	0	0	0	0	0	0
Total Net Position	**$ 24**	**$ 97**	**$ 3**	**$ 83**	**$ 38**	**$ 475**	**$ 35**	**$ 700**
Total Liabilities and Net Position	**$ 24**	**$ 97**	**$ 3**	**$ 83**	**$ 38**	**$ 475**	**$ 35**	**$ 700**
Statement of Net Cost								
Gross Program Costs	0	0	16	17	1	25	3	0
Net Cost of Operation	**$ 0**	**$ 0**	**$ 16**	**$ 17**	**$ 1**	**$ 25**	**$ 3**	**$ 0**
Statement of Changes in Net Position								
Unexpended Appropriations								
Beginning Balance	24	97	19	0	0	0	0	0
Appropriations Received	0	0	0	100	39	500	38	700
Appropriations Used	0	0	(16)	(17)	(1)	(25)	(3)	0
Net Change in Unexpended Appropriations	**0**	**0**	**(16)**	**83**	**38**	**475**	**35**	**700**
Total Unexpended Appropriations Ending Balance	**$ 24**	**$ 97**	**$ 3**	**$ 83**	**$ 38**	**$ 475**	**$ 35**	**$ 700**
Cumulative Results of Operations								
Beginning Balance	0	0	0	0	0	0	0	0
Appropriations Used	0	0	16	17	1	25	3	0
Net Cost of Operations	0	0	(16)	(17)	(1)	(25)	(3)	0
Net Change and Cumulative Results of Operations	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cumulative Results of Operation, Ending Balance	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
Total Net Position	**$ 24**	**$ 97**	**$ 3**	**$ 83**	**$ 38**	**$ 475**	**$ 35**	**$ 700**

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

	2022 Budgetary	2022 Non-Budgetary Credit Program Financing Accounts	2021 Budgetary	2021 Non-Budgetary Credit Program Financing Accounts
	Rural Community Advancement Programs	**Rural Community Advancement Programs**	**Rural Community Advancement Programs**	**Rural Community Advancement Programs**
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 736	$ 1,831	$ 392	$ 2,043
Recoveries of Prior Year Unpaid Obligations	82	352	98	390
Other Changes in Unobligated Balance	(10)	(1,847)	(15)	(2,124)
Unobligated Balance from Prior Year Budget Authority, Net	808	336	475	309
Appropriations	2,498	0	1,397	0
Borrowing Authority (Note 15)	0	3,141	0	3,528
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	11	2,759	10	3,011
Total Budgetary Resources	**3,317**	**6,236**	**1,882**	**6,848**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	1,861	3,945	1,146	5,017
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	486	2,140	730	1,722
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	969	151	5	109
Unexpired Unobligated Balance, End of Year	1,455	2,291	735	1,831
Expired Unobligated Balance, End of Year	1	0	1	0
Total Unobligated Balance, End of Year	1,456	2,291	736	1,831
Total Budgetary Resources	**3,317**	**6,236**	**1,882**	**6,848**
Outlays, Net:				
Outlays, Net	1,327	0	807	0
Distributed Offsetting Receipts	(293)	0	(1,233)	0
Agency Outlays, Net	**$ 1,034**	**$ 0**	**$ (426)**	**$ 0**
Disbursements, Net		**$ 305**		**$ 1,440**

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

	2022 Budgetary	2022 Non-Budgetary Credit Program Financing Accounts	2021 Budgetary	2021 Non-Budgetary Credit Program Financing Accounts
	Rural Electrification/ Telecommunication Funds	Rural Electrification/ Telecommunication Funds	Rural Electrification/ Telecommunication Funds	Rural Electrification/ Telecommunication Funds
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 1,192	$ 4,085	$ 1,877	$ 3,572
Recoveries of Prior Year Unpaid Obligations	0	293	0	140
Other Changes in Unobligated Balance	0	(638)	(188)	(1,043)
Unobligated Balance from Prior Year Budget Authority, Net	1,192	3,740	1,689	2,669
Appropriations	11,324	3	1,534	0
Borrowing Authority (Note 15)	0	6,007	0	5,501
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	145	2,642	31	3,325
Total Budgetary Resources	**12,661**	**12,392**	**3,254**	**11,495**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	1,344	8,349	2,062	7,411
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	607	4,043	1,185	4,084
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	10,700	0	0	0
Unexpired Unobligated Balance, End of Year	11,307	4,043	1,185	4,084
Expired Unobligated Balance, End of Year	10	0	7	0
Total Unobligated Balance, End of Year	11,317	4,043	1,192	4,084
Total Budgetary Resources	**12,661**	**12,392**	**3,254**	**11,495**
Outlays, Net:				
Outlays, Net	1,163	0	1,989	0
Distributed Offsetting Receipts	(1,350)	0	(468)	0
Agency Outlays, Net	**$ (187)**	**$ 0**	**$ 1,521**	**$ 0**
Disbursements, Net		**$ 3,592**		**$ 1,162**

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

	2022 Budgetary	2022 Non-Budgetary Credit Program Financing Accounts	2021 Budgetary	2021 Non-Budgetary Credit Program Financing Accounts
	Rural Telephone Bank Funds	Rural Telephone Bank Funds	Rural Telephone Bank Funds	Rural Telephone Bank Funds
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 0	$ 11	$ 0	$ 15
Recoveries of Prior Year Unpaid Obligations	0	0	0	0
Other Changes in Unobligated Balance	0	(11)	0	(15)
Unobligated Balance from Prior Year Budget Authority, Net	0	0	0	0
Appropriations	3	0	2	0
Borrowing Authority (Note 15)	0	0	0	16
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	0	6	0	0
Total Budgetary Resources	**3**	**6**	**2**	**16**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	3	3	2	5
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	0	3	0	11
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	0	0
Unexpired Unobligated Balance, End of Year	0	3	0	11
Expired Unobligated Balance, End of Year	0	0	0	0
Total Unobligated Balance, End of Year	0	3	0	11
Total Budgetary Resources	**3**	**6**	**2**	**16**
Outlays, Net:				
Outlays, Net	2	0	2	0
Distributed Offsetting Receipts	0	0	(1)	0
Agency Outlays, Net	**$ 2**	**$ 0**	**$ 1**	**$ 0**
Disbursements, Net		**$ (6)**		**$ (12)**

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

	2022 Budgetary	2022 Non-Budgetary Credit Program Financing Accounts	2021 Budgetary	2021 Non-Budgetary Credit Program Financing Accounts
	Rural Housing Funds	Rural Housing Funds	Rural Housing Funds	Rural Housing Funds
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 168	$ 2,261	$ 139	$ 3,455
Recoveries of Prior Year Unpaid Obligations	23	130	30	113
Other Changes in Unobligated Balance	(58)	(2,093)	(94)	(2,459)
Unobligated Balance from Prior Year Budget Authority, Net	133	298	75	1,109
Appropriations	523	0	630	0
Borrowing Authority (Note 15)	0	3,556	0	1,666
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	75	2,695	72	2,766
Total Budgetary Resources	**731**	**6,549**	**777**	**5,541**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	571	4,963	608	3,280
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	131	1,586	144	2,259
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	0	2
Unexpired Unobligated Balance, End of Year	131	1,586	144	2,261
Expired Unobligated Balance, End of Year	29	0	25	0
Total Unobligated Balance, End of Year	160	1,586	169	2,261
Total Budgetary Resources	**731**	**6,549**	**777**	**5,541**
Outlays, Net:				
Outlays, Net	156	0	231	0
Distributed Offsetting Receipts	(2,310)	0	(1,056)	0
Agency Outlays, Net	**$ (2,154)**	**$ 0**	**$ (825)**	**$ 0**
Disbursements, Net		**$ 1,729**		**$ 296**

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

	2022 Budgetary	2022 Non-Budgetary Credit Program Financing Accounts	2021 Budgetary	2021 Non-Budgetary Credit Program Financing Accounts
	Rental Assistance Programs	Rental Assistance Programs	Rental Assistance Programs	Rental Assistance Programs
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 77	$ 0	$ 62	$ 0
Recoveries of Prior Year Unpaid Obligations	3	0	3	0
Other Changes in Unobligated Balance	(10)	0	1	0
Unobligated Balance from Prior Year Budget Authority, Net	70	0	66	0
Appropriations	1,495	0	1,581	0
Borrowing Authority (Note 15)	0	0	0	0
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	0	0	0	0
Total Budgetary Resources	**1,565**	**0**	**1,647**	**0**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	1,487	0	1,570	0
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	63	0	62	0
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	0	0
Unexpired Unobligated Balance, End of Year	63	0	62	0
Expired Unobligated Balance, End of Year	15	0	15	0
Total Unobligated Balance, End of Year	78	0	77	0
Total Budgetary Resources	**1,565**	**0**	**1,647**	**0**
Outlays, Net:				
Outlays, Net	1,369	0	1,388	0
Distributed Offsetting Receipts	0	0	0	0
Agency Outlays, Net	**$ 1,369**	**$ 0**	**$ 1,388**	**$ 0**
Disbursements, Net		**$ 0**		**$ 0**

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

	2022 Budgetary	2022 Non-Budgetary Credit Program Financing Accounts	2021 Budgetary	2021 Non-Budgetary Credit Program Financing Accounts
	Rural Housing Grants	**Rural Housing Grants**	**Rural Housing Grants**	**Rural Housing Grants**
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 27	$ 0	$ 17	$ 0
Recoveries of Prior Year Unpaid Obligations	9	0	2	0
Other Changes in Unobligated Balance	4	0	0	0
Unobligated Balance from Prior Year Budget Authority, Net	40	0	19	0
Appropriations	83	0	79	0
Borrowing Authority (Note 15)	0	0	0	0
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	0	0	0	0
Total Budgetary Resources	**123**	**0**	**98**	**0**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	82	0	71	0
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	40	0	27	0
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	1	0	0	0
Unexpired Unobligated Balance, End of Year	41	0	27	0
Expired Unobligated Balance, End of Year	0	0	0	0
Total Unobligated Balance, End of Year	41	0	27	0
Total Budgetary Resources	**123**	**0**	**98**	**0**
Outlays, Net:				
Outlays, Net	65	0	67	0
Distributed Offsetting Receipts	0	0	0	0
Agency Outlays, Net	**$ 65**	**$ 0**	**$ 67**	**$ 0**
Disbursements, Net		**$ 0**		**$ 0**

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

	2022 Budgetary	2022 Non-Budgetary Credit Program Financing Accounts	2021 Budgetary	2021 Non-Budgetary Credit Program Financing Accounts
	Salaries & Expense	Salaries & Expense	Salaries & Expense	Salaries & Expense
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 76	$ 0	$ 45	$ 0
Recoveries of Prior Year Unpaid Obligations	11	0	11	0
Other Changes in Unobligated Balance	(9)	0	(7)	0
Unobligated Balance from Prior Year Budget Authority, Net	78	0	49	0
Appropriations	353	0	276	0
Borrowing Authority (Note 15)	0	0	0	0
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	495	0	508	0
Total Budgetary Resources	**926**	**0**	**833**	**0**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	830	0	757	0
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	83	0	60	0
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	0	0
Unexpired Unobligated Balance, End of Year	83	0	60	0
Expired Unobligated Balance, End of Year	13	0	16	0
Total Unobligated Balance, End of Year	96	0	76	0
Total Budgetary Resources	**926**	**0**	**833**	**0**
Outlays, Net:				
Outlays, Net	322	0	227	0
Distributed Offsetting Receipts	(2)	0	(5)	0
Agency Outlays, Net	**$ 320**	**$ 0**	**$ 222**	**$ 0**
Disbursements, Net		**$ 0**		**$ 0**

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

	2022 Budgetary	2022 Non-Budgetary Credit Program Financing Accounts	2021 Budgetary	2021 Non-Budgetary Credit Program Financing Accounts
	Other	**Other**	**Other**	**Other**
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 2,280	$ 319	$ 1,305	$ 376
Recoveries of Prior Year Unpaid Obligations	43	20	189	123
Other Changes in Unobligated Balance	(10)	(122)	(4)	(309)
Unobligated Balance from Prior Year Budget Authority, Net	2,313	217	1,490	190
Appropriations	4,326	0	1,423	0
Borrowing Authority (Note 15)	0	360	0	142
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	22	253	70	215
Total Budgetary Resources	**6,661**	**830**	**2,983**	**547**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	2,503	445	704	227
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	3,624	231	2,203	184
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	520	154	67	136
Unexpired Unobligated Balance, End of Year	4,144	385	2,270	320
Expired Unobligated Balance, End of Year	14	0	9	0
Total Unobligated Balance, End of Year	4,158	385	2,279	320
Total Budgetary Resources	**6,661**	**830**	**2,983**	**547**
Outlays, Net:				
Outlays, Net	979	0	137	0
Distributed Offsetting Receipts	(21)	0	(81)	0
Agency Outlays, Net	**$ 958**	**$ 0**	**$ 56**	**$ 0**
Disbursements, Net		**$ (30)**		**$ (34)**

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

	2022 Budgetary	2022 Non-Budgetary Credit Program Financing Accounts	2021 Budgetary	2021 Non-Budgetary Credit Program Financing Accounts
	Total	Total	Total	Total
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 4,556	$ 8,507	$ 3,837	$ 9,461
Recoveries of Prior Year Unpaid Obligations	171	795	333	766
Other Changes in Unobligated Balance	(93)	(4,711)	(307)	(5,950)
Unobligated Balance from Prior Year Budget Authority, Net	4,634	4,591	3,863	4,277
Appropriations	20,605	3	6,922	0
Borrowing Authority (Note 15)	0	13,064	0	10,853
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	748	8,355	691	9,317
Total Budgetary Resources	**25,987**	**26,013**	**11,476**	**24,447**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	8,681	17,705	6,920	15,940
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	5,034	8,003	4,411	8,260
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	12,190	305	72	247
Unexpired Unobligated Balance, End of Year	17,224	8,308	4,483	8,507
Expired Unobligated Balance, End of Year	82	0	73	0
Total Unobligated Balance, End of Year	17,306	8,308	4,556	8,507
Total Budgetary Resources	**25,987**	**26,013**	**11,476**	**24,447**
Outlays, Net				
Outlays, Net	5,383	0	4,848	0
Distributed Offsetting Receipts	(3,976)	0	(2,844)	0
Agency Outlays, Net	**$ 1,407**	**$ 0**	**$ 2,004**	**$ 0**
Disbursements, Net		**$ 5,590**		**$ 2,852**

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