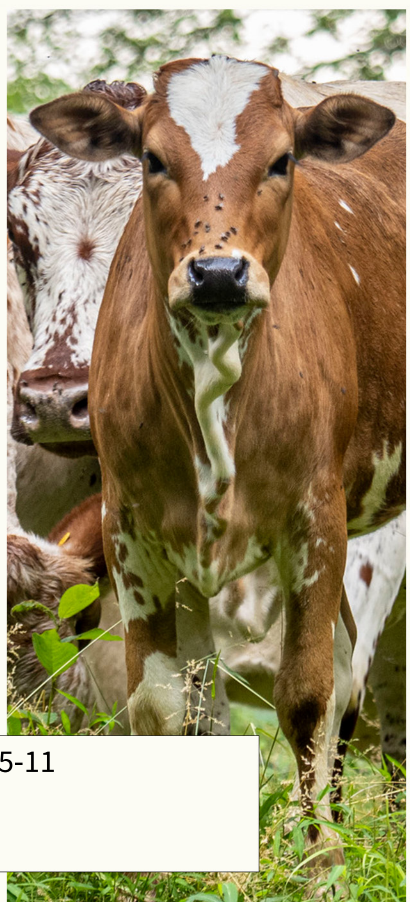
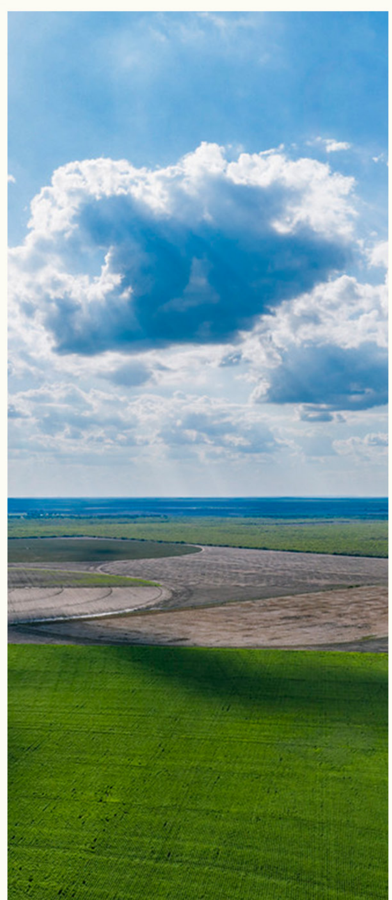
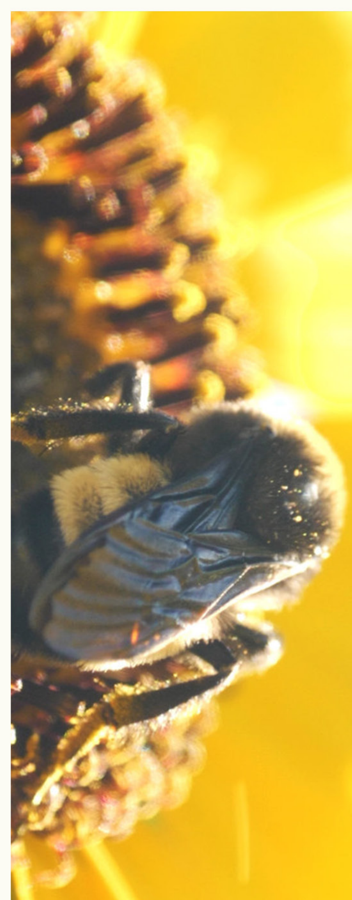
U.S. Department of Agriculture
Office of Inspector General

Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2023 and 2022







Audit Report 05401-0015-11

November 2023

Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2023 and 2022

Audit Report 05401-0015-11

OIG audited FCIC/RMA financial statements for fiscal years 2023 and 2022.

OBJECTIVE

The objectives of our audits were to review the FCIC/RMA's financial statements for fiscal years 2023 and 2022. Specifically, we determined whether: (1) the financial statements present information fairly, in all material respects, and in accordance with generally accepted accounting principles; (2) FCIC/RMA 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 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 the RMA and Farm Production and Conservation Business Center offices in Kansas City, Missouri.

RECOMMENDS

This report does not contain recommendations.

WHAT OIG FOUND

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

Our consideration of FCIC/RMA'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 8, 2023

AUDIT NUMBER: **05401-0015-11**

TO: **Marcia Bunger**
Administrator
Risk Management Agency

Lucas Castillo
Chief Financial Officer
Farm Production and Conservation

ATTN: **Roy Brown**
Acting Performance, Accountability, and Risk Division Director
Farm Production and Conservation Business Center

Gary Weishaar
Branch Chief for the External Audits and Investigations
Farm Production and Conservation Business Center

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

JANET SORENSEN
Digitally signed by JANET SORENSEN
Date: 2023.11.08 11:11:35 -06'00'

SUBJECT: Federal Crop Insurance Corporation/Risk Management Agency's Financial Statements for Fiscal Years 2023 and 2022

This report presents the results of the subject audits. The report contains an unmodified opinion on the financial statements, as well as the results of our assessments of FCIC/RMA'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.

Table of Contents

Independent Auditor’s Report

The Board of Directors, Federal Crop Insurance Corporation

The United States Department of Agriculture’s Office of Inspector General audited the financial statements of Federal Crop Insurance Corporation/Risk Management Agency (FCIC/RMA) for fiscal years 2023 and 2022. We also considered FCIC/RMA’s internal control over financial reporting and tested FCIC/RMA’s compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct effect on the determination of material financial statement amounts and disclosures on these financial statements.

Exhibit A presents FCIC/RMA’s response in its entirety.

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of FCIC/RMA, which comprise the balance sheets as of September 30, 2023 and 2022, and the related 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 financial statements (hereinafter referred to as the “financial statements”).

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

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted government auditing standards, the standards applicable to financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 are further described in the Auditor’s Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of FCIC/RMA 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.

Emphasis of Matter

FCIC/RMA’s ultimate losses on insurance claims are subject to uncertainty. As a result, losses on insurance claims may differ significantly from the recorded estimate due to differences between expected and actual yields, weather patterns, commodity prices, and economic conditions. Note 8 to the financial statements, “Estimated Losses on Insurance Claims,” provides specific details concerning this liability. Our opinion is not modified with respect to this matter.

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 financial statements. Such information is not a required part of the basic financial statements or supplementary information required by the Federal Accounting Standards Advisory Board (FASAB). The information on these websites has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management

Management is responsible for

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

Auditor’s Responsibilities for the Audits of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the 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 financial statements.

- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FCIC/RMA'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 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 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 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 financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audits of the 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.

Other Information

FCIC/RMA's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for the purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in FCIC/RMA's agency financial report. The other information comprises the Message from Administrator, Risk Management Agency; Table of Contents; Other Information; and Summary of Financial Statement Audit and Management Assurances sections but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

Report on Internal Control Over Financial Reporting

In connection with our audits of FCIC/RMA's financial statements, we considered FCIC/RMA's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

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

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 FCIC/RMA's 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 FCIC/RMA's financial statements as of and for the fiscal year ended September 30, 2023, in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 24-01, we considered FCIC/RMA's internal control relevant to the 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 FCIC/RMA's internal control over financial reporting. Accordingly, we do not express an opinion on FCIC/RMA's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982.

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

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

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

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

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

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

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

Management's Response

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

JANET SORENSEN

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Date: 2023.11.08 11:12:05 -06'00'

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

Abbreviations

FASAB........................Federal Accounting Standards Advisory Board
FCIC/RMA ....Federal Crop Insurance Corporation/Risk Management Agency
FFMIA ....Federal Financial Management Improvement Act of 1996
OIG ....Office of Inspector General
OMB ....Office of Management and Budget
RSI ....required supplementary information
U.S. ....United States of America

FCIC/RMA's
Response to Audit Report

United States Department of Agriculture

Farm Production and Conservation Business Center

Risk Management Agency

1400 Independence Avenue, SW
Stop 0801
Washington, DC 20250-0501

November 8, 2023

TO: Mrs. Janet Sorensen
Assistant Inspector General
for Audit

FROM: Lucas E. Castillo
Chief Financial Officer
Farm Production and Conservation

Lucas Castillo

Digitally signed by Lucas Castillo
Date: 2023.11.07 16:54:32 -05'00'

SUBJECT: Federal Crop Insurance Corporation/Risk Management Agency (FCIC/RMA) Audit Report Response

We have reviewed the OIG Independent Auditors' Report dated November 8th, 2023. We are very pleased with the Auditors' unmodified opinion on FCIC/RMA's Fiscal Year (FY) 2023 and 2022 financial statements.

I would like to express my appreciation for the cooperation and professionalism displayed by your staff and your contract auditors during this audit.

Please feel free to reach out to Kathleen Carroll at (816) 400-5654 if you have any questions.

FCIC/RMA's
Fiscal Years 2023 and 2022
Financial Statements

Prepared by FCIC/RMA

FEDERAL CROP INSURANCE CORPORATION/ RISK MANAGEMENT AGENCY FINANCIAL STATEMENTS FISCAL YEARS 2023 AND 2022

Message from Marcia Bunger, Administrator, Risk Management Agency

<u>Mission of The Risk Management Agency</u>

Serving America's agricultural producers through effective, market-based risk management tools and solutions to strengthen the economic stability of agricultural producers and rural communities.

On behalf of the Risk Management Agency (RMA), it is my pleasure to present this comprehensive financial report detailing the exceptional work of the agency and its employees for the past two years. The above-stated mission of the agency is further enhanced by RMA's strategic goal of fostering an equitable and competitive marketplace for all agricultural producers. The objective is to foster sustainable economic growth by promoting innovation, building resilience to climate change, and expanding renewable energy.

Crop insurance is a vital part of the farm safety net. RMA manages the Federal Crop Insurance Program, which provides effective, market-based risk management tools to strengthen the economic stability of agricultural producers. RMA continued to focus efforts to raise awareness and make improvements to existing programs that help producers to better manage their risk. RMA worked with Approved Insurance Providers (AIPs), agents, and stakeholder groups to respond to multiple disasters throughout the past three years.

Further, RMA focused on agency outreach across the nation through efforts such as the Whole Farm Revenue Protection roadshow and prevented planting listening sessions. The feedback from these face-to-face interactions is critical to improving services and insurance products and for understanding the barriers and issues that may hinder some producers from participating in the program. RMA also continued to expand and improve coverage with new programs approved for oysters, kiwifruit, grapevines, controlled environment, weaned calf, and expansion of enterprise units to specialty crops to name a few.

Overall, total liability in the program is over $207 billion on more than 539 million acres for crop year 2023.

Of the more than one million policies in effect, RMA issued over 14,000 written agreements. Written agreements are manually underwritten policies that offer coverage not available in the county or offer specific improved coverage or terms. This process provides significant flexibility, which covered over $1.3 billion of the more than $207 billion in total liability for our nation's farmers annually. This process also naturally identifies changing farming practices and crops grown in areas ensuring that our program is adaptive and effective.

In fiscal year 2023, RMA expanded its program compliance reviews to improve program integrity. In an ongoing effort to identify and reduce errors, RMA conducted reviews of California Rice-Prevented Planting, Organically Certified Acres (limited scope), Yield Floors, Claims before Final Plant Date and Michigan Cherries. RMA also continued its nationwide review of Misreported Acreage. Compliance continued spot checks of Extra Long Staple Cotton and Tobacco policies. These program reviews help RMA recover overpayments while creating awareness of potential program vulnerabilities.

The Federal Crop Insurance Corporation's (FCIC) financial statements report the financial positions for both 2023 and 2022 fiscal years, net costs of operation, changes in net position, and status of budgetary resources. Financial management performance measures also accompany the financial results. These performance measures include the annual results and the strategic targets.

The Federal Crop Insurance Corporation/Risk Management Agency (FCIC/RMA) received an unmodified opinion from the Office of the Inspector General's (OIG) audits of FCIC/RMA's financial statements. It was determined that the agency's financial statements present fairly FCIC/RMA's financial position as of September 30, 2023, and 2022 in all material respects and were prepared in accordance with accounting principles generally accepted in the United States of America. This includes the agency's net costs, changes in net position, and statements of budgetary resources and related notes to the financial statements.

Consideration of FCIC/RMA's internal control over financial reporting identified no material weakness in FCIC/RMA's controls. Consideration of compliance with laws and regulations noted no instances of noncompliance.

Thank you for your interest in RMA and FCIC. I commend the employees of the Risk Management Agency for their outstanding work and am proud to share this information with our stakeholders.

CONTENTS

SECTION 1: MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

MISSION

Risk Management Agency's (RMA) mission is serving America's agricultural producers through effective, market-based risk management tools to strengthen the economic stability of agricultural producers and rural communities. To carry out this mission, RMA operates and manages the Federal Crop Insurance Corporation (FCIC).

FCIC provides crop insurance and risk management strategies to American producers. Private sector insurance providers, approved by FCIC, sell and service the policies. RMA develops and/or approves premium rates, administers the premium and expense subsidies, approves and supports products, and reinsures the Approved Insurance Providers (AIPs). In addition, RMA sponsors educational programs and seminars on risk management.

History & Enabling Legislation

FCIC is a wholly owned government corporation established February 16, 1938, by the Federal Crop Insurance Act (7 U.S.C. 1501) and amended by the following:

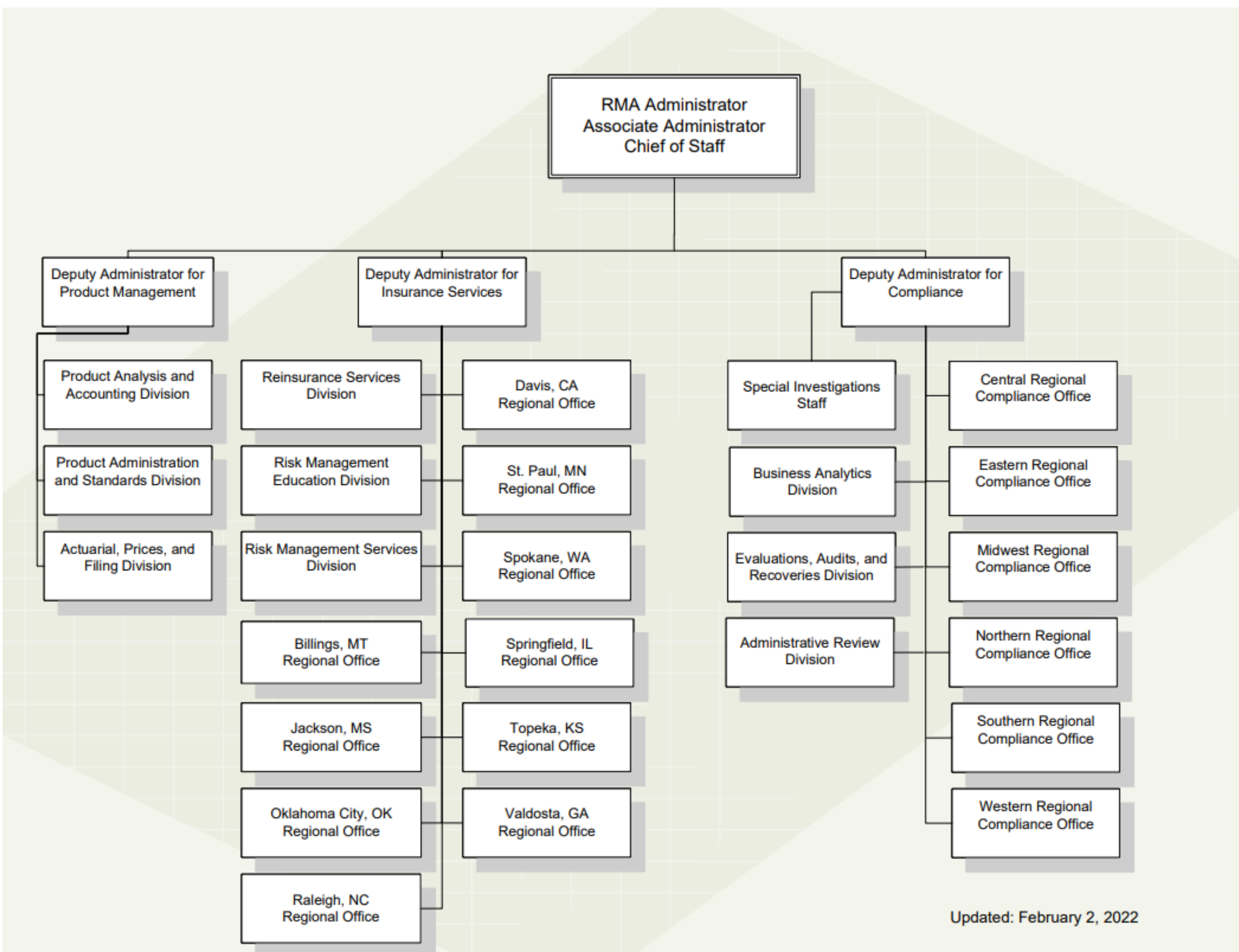
- Federal Crop Insurance Act of 1980
- Federal Crop Insurance Reform and Department of Agriculture Reauthorization Act of 1994
- Federal Agriculture Improvement and Reform Act of 1996 (established RMA)
- Agriculture Research, Extension & Education Reform Act of 1998
- Agriculture, Rural Development, Food & Drug Administration, & Related Agencies Appropriations Act of 1999
- Agriculture Risk Protection Act of 2000
- Food, Conservation, and Energy Act of 2008
- Agricultural Act of 2014
- The Agriculture Improvement Act of 2018
- Additional Supplemental Appropriations for Disaster Relief Act, 2019
- Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2021
- The Consolidated Appropriations Act, 2021 (CAA; Pub. L. 116-260)

The Federal Crop Insurance Act, as amended, is hereafter referred to as the Act.

ORGANIZATIONAL STRUCTURE

RMA employs approximately 408 people in offices around the country. Marcia Bunger is the RMA Administrator. The Agency has three divisions: Insurance Services, Product Management, and Compliance. Insurance Services is responsible for program delivery (for example managing contracts with the companies that sell and service policies), and local program administration and support. Product Management is responsible for overseeing product development and program operations. Compliance monitors program integrity and adherence to program provisions by both producers and private insurance companies that participate in the program.

ORGANIZATIONAL CHART

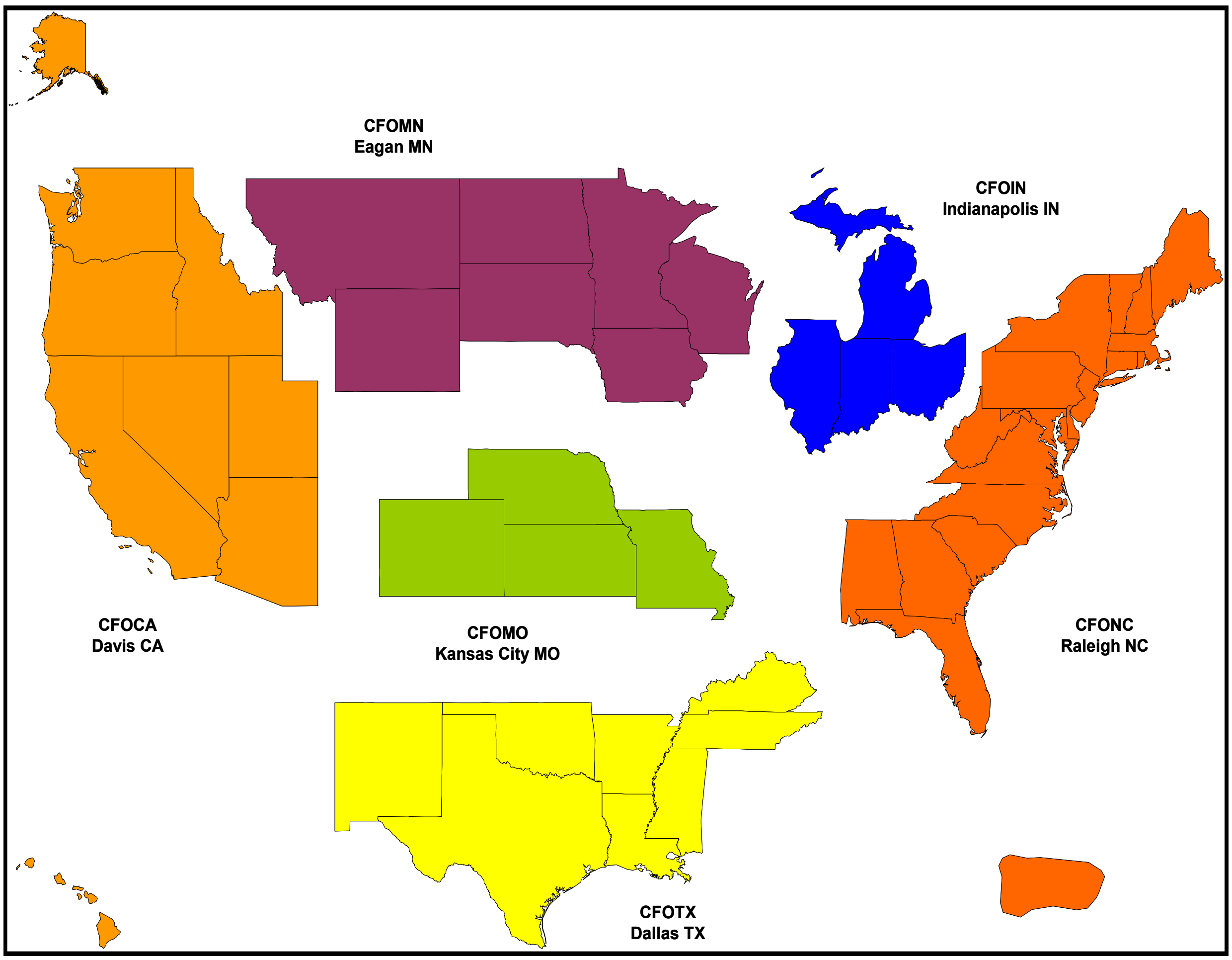


RMA Office Locations

RMA is headquartered in Washington, DC. There is a National Operations office located in Kansas City, MO. In addition, there are six Compliance offices and ten Insurance Services Regional offices located throughout the country, as shown in the table below.

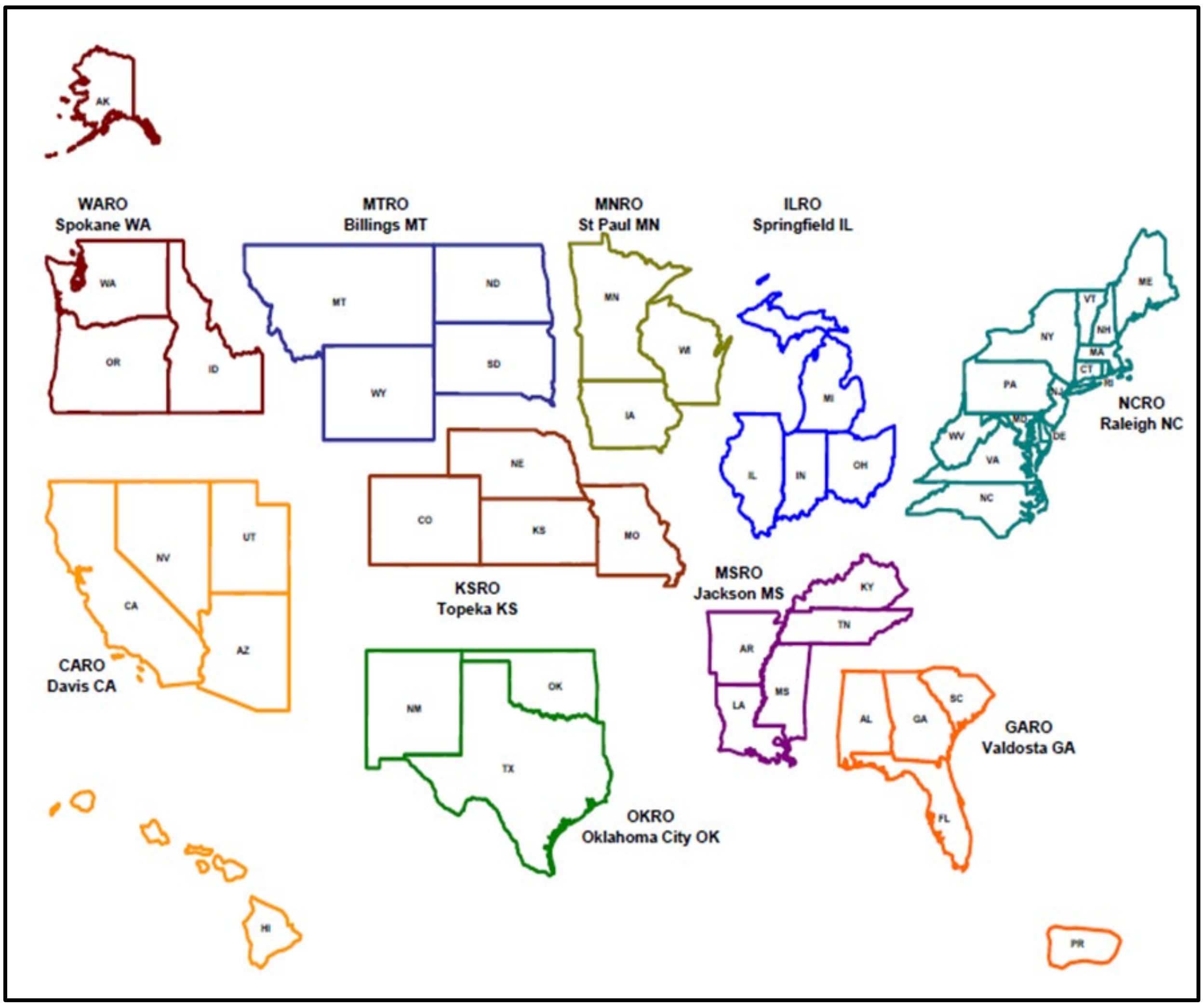
Regional Compliance Offices locations

- Raleigh, NC
- Davis, CA
- Eagan, MN
- Indianapolis, IN
- Kansas City, MO
- Dallas, TX



Insurance Services Regional Office locations

- Raleigh, NC
- Davis, CA
- St. Paul, MN
- Springfield, IL
- Topeka, KS
- Billings, MT
- Jackson, MS
- Oklahoma City, OK
- Spokane, WA
- Valdosta, GA



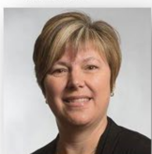
Board Members

Robert Bonnie
Undersecretary of FPAC

Seth Meyer
Chair
USDA Chief Economist

Marcia Bunger
Non-Voting
RMA Administrator

Pat Swanson
Farmer



Nichole Berg
Specialty Crop
Farmer

Kenneth Selzer
Reinsurance and
Regulation

Scott Silveus
Insurance Agent

Chris Bardenhagen
Specialty Crop Farmer

Howard James
Specialty Crop
Farmer

Program Administration

The Board of Directors is the decision-making body for FCIC. FCIC Board of Directors is subject to the general supervision of the Secretary of Agriculture (Secretary). The Board includes three members from the United States Department of Agriculture (USDA). They are the USDA Chief Economist (Chairman); the USDA Under Secretary for Farm Production and Conservation; and the Risk Management Agency Administrator (non-voting) who serves as the Manager. In addition, there are four producers who are policyholders, one of whom grows specialty crops; one is involved in the insurance industry; and another is knowledgeable about reinsurance and regulation.

Office of the Administrator

The Office of the Administrator provides overall leadership and management for the agency. The Office of the Administrator promotes the agency's mission to serve America's agricultural producers through effective, market-based risk management tools to strengthen the economic stability of agricultural producers and rural communities.

Product Management

Product Management designs, develops, tests, reviews, implements and maintains the risk management strategies, programs, policies, regulations, actuarial and underwriting methodologies, and business requirements and analysis needed to ensure that federally administered crop and livestock insurance products are actuarially sound and provide an effective financial safety net for America's farmers and ranchers. Product Management is also responsible for the financial oversight of AIPs as well as processing the program receipts and expenditures to include AIP reimbursement and daily escrow funding.

Insurance Services

Insurance Services provides financial security to the agricultural community by providing effective, real-time risk management solutions and an understanding of RMA programs which have been tailored to meet the needs of producers at a local level. Specifically, Insurance Services conducts program reviews, program maintenance, program evaluation, underwriting activities (rates, coverage levels, yields), stakeholder outreach, and performance oversight through headquarters staff and ten Regional Offices located across the United States.

Compliance

Compliance safeguards the integrity of the Federal Crop Insurance Program through a series of reviews, evaluations, and audits of the crop insurance program. Compliance also conducts operational reviews of AIPs. Compliance is also responsible for oversight of the data-mining processes used to monitor program compliance. Compliance assists in the prosecution of criminal, civil, and administrative actions and refers cases of fraud to the Office of Inspector General as required.

PROGRAMS

FCIC enters into reinsurance agreements with AIPs to market and service policies. The conditions of reinsurance are defined in the Standard Reinsurance Agreements (SRA) between the AIPs and FCIC. Under these agreements, they agree to deliver insurance products to eligible entities under certain terms and conditions.

AIPs are responsible for customer service and guarantee premium payment to FCIC. FCIC reinsures the policies and provides an administrative and operating expense reimbursement to AIPs for delivery of insurance products.

FCIC provides a subsidy for producers' premiums and funds indemnity payments to producers through escrow accounts. FCIC and AIPs share in underwriting gains or losses.

Insurance Plans and Types

Revenue Policies

Revenue based products protect the producers against loss of revenue due to price fluctuations and yield loss due to natural causes such as drought, excessive moisture, hail, wind, frost, insects, and disease. Types of policies included are:

- Actual Revenue History
- Pecan Revenue Assurance
- Revenue Protection
- Revenue Protection with Harvest Price Exclusion

Actual Production History & Yield Protection Policies

Actual Production History and Yield Protection Policies insure producers against yield losses due to natural causes such as drought, excessive moisture, hail, wind, frost, insects, and disease. If the harvested crop plus any appraised production is less than the yield insured, the producer is paid an indemnity based on the difference. Types of policies included are:

- Actual Production History
- Yield Protection

Livestock Policies

Livestock policies are designed to insure against declining market prices or declining margins. Coverage is determined using futures and options prices from commodity exchange markets. Types of policies included are:

- Dairy Revenue Protection
- Livestock Risk Protection
- Livestock Gross Margin

Area Policies

Policies in this category are based on the experience of the county rather than individual farms, and these policies use: (1) Estimated county yields for insured crops as determined by National Agricultural Statistics Service (NASS); (2) Weather data collected and maintained by the National Oceanic and Atmospheric Administration's Climate Prediction Center (NOAA); or (3) Weather data collected by the U.S. Geological Survey's Earth Resources Observation and Science (EROS). Types of policies included are:

- Area Yield Protection
- Area Revenue Protection
- Area Revenue Protection – Harvest Price Exclusion
- Rainfall Index
- Stacked Income Protection – Revenue Protection
- Stacked Income Protection – Revenue Protection with Harvest Price Exclusion

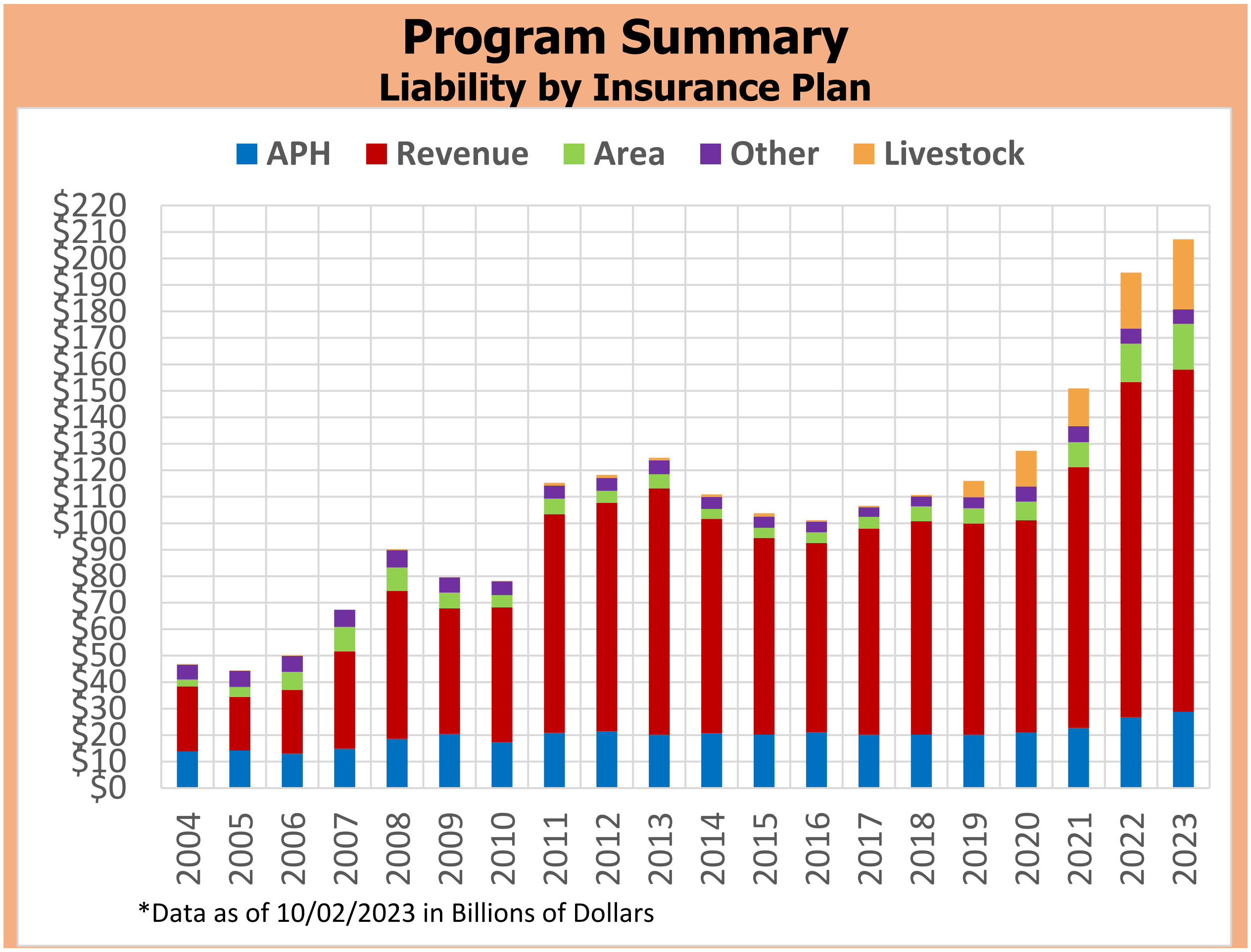
Other Policies

Policies that do not fall under other groups listed above are combined in this group. Examples of policies in this category are dollar amount products based on the cost of growing a crop or policies based on the producer's historical gross revenue to determine loss. Types of policies included are:

- Whole-Farm Revenue Protection
- Aquaculture Dollar Amount of Insurance
- Dollar Amount of Insurance
- Fixed Dollar Amount of Insurance
- Tree Based Dollar Amount of Insurance
- Yield Based Dollar Amount of Insurance
- Margin Protection

For more information on insurance plans visit: https://www.rma.usda.gov/policies/

The chart below shows the 20-year trend in insurance liability by types of insurance.



REIMBURSEMENT RATES

FCIC receives an appropriation to reimburse AIPs for their administrative and operating costs. Reimbursement rates are a percentage of premium. The current SRA contains a cap which is indexed for inflation for specific insurance plans and coverage levels. The 2023 reimbursement amount is $2.3 billion. Reimbursement rates are the same for 2023 and 2022 reinsurance years. The table below lists select reimbursement rates under the current SRA:

Insurance Plans	Reimbursement Rates (depending on coverage level)
Area Revenue Protection	12.0%
Rainfall Index	20.1%
Revenue Protection	18.5%
Yield Protection	21.9%
Catastrophic Coverage	6.0%

UNDERWRITING GAIN/LOSS

In addition to reimbursement of administrative and operating expenses, FCIC and AIPs enter into agreements on sharing gains and losses. Under these agreements, FCIC assumes a portion of the loss risk on federal crop insurance policies. The agreements are adjusted annually as part of the AIPs plan of operations. A plan of operations is submitted to RMA and approved prior to the beginning of the reinsurance year. In the plan of operations, AIPs elect methodologies to share risk with FCIC. The plan of operations becomes an appendix to the SRA for each reinsurance year (July 1 through June 30).

SPECIALTY CROPS

Under the Act, FCIC reports to Congress on the progress and expected timetable for expanding crop insurance coverage to new and specialty crops. The Specialty Crop reports serve as a useful way to obtain a quick overview of the processes and timelines RMA follows to make new and specialty crop insurance products available to producers. The latest reports are available at https://www.rma.usda.gov/en/Topics/Specialty-Crops.

PILOT PROGRAMS

The Act defines the process by which RMA develops and maintains pilot programs and allows privately developed products to be submitted to FCIC under section 508(h). Private submitters may submit a Concept Proposal for FCIC Board approval. A portion of expected research and development funds may be advanced to create new insurance products. Private submitters may also develop new policies at their own expense and submit these products to FCIC. For FCIC Board approved products, the private submitters may request reimbursement for research and development from FCIC.

PREVENTED PLANTING SUPPLEMENTAL DISASTER PROGRAM

The Prevented Planting Supplemental Disaster Payments Program was authorized by the Additional Supplemental Appropriations for Disaster Relief Act, 2019 (Disaster Relief Act; P.L. 116-20, June 6, 2019). The law provides supplemental appropriations for multiple USDA programs related to recent natural disasters occurring in calendar years 2018 and 2019 under such terms and conditions as determined by the Secretary. The Secretary assigned RMA to oversee the program. Producers participating in Federal crop insurance who received an indemnity payment for reinsurance year 2019 for prevented planting related to excess moisture/precipitation/rain, flood, cold wet weather, storm surge, tornado, volcanic eruption, hurricane/tropical depression, and cyclone and meet certain eligibility requirements will receive a supplemental payment calculated based on all qualified prevented planting payments received for insured crops. The values used for the factors were 15 percent for those producers with revenue protection, except those who select the harvest price exclusion option, and 10 percent for those producers who do not have revenue protection. In fiscal year 2020, $60.8 million was assigned. At the end of fiscal year 2023, the remaining obligations for this program were $0.4 million.

RELIEF DURING COVID-19 & OTHER EXTENUATING CIRCUMSTANCES

RMA took numerous actions to provide relief in the face of the pandemic and extreme weather events during the past few years to ensure crop insurance continued to provide a farm safety net.

- **Extended Crop Insurance Deadlines -** Gave AIPs additional time to submit written agreement requests. Allows policyholders to provide information over the phone.
- **Production Reporting Date -** Allowed AIPs to accept production reports through the earlier of acreage reporting date or 30 days after the production

reporting date. Also allowed additional time to accept Regional Office Yield requests.

- **Deferral of Interest on Premiums -** Allowed additional time for policyholders to make payment of premium and administrative fees without interest accruals for various premium billing dates.
- **Self-Certification Replant Inspections & Assignment of Indemnity Witness Waiver -** Allowed self-certification replant inspections for up to 100 gross acres. Waived the witness signature requirement for Assignments.
- **Perennials and Specialty Crops** - Allowed additional time and flexibility for completing inspections for certain perennial and specialty crops. Also allowed written agreement offers to be signed after expiration date.
- **Dumped Milk on Dairy Revenue Protection (DRP) and Livestock Gross Margin (LGM) Dairy** - Authorized AIPs to count dumped milk towards the milk marketing's (DRP) or actual marketing's (LGM). Removed testing requirements for dumped milk under the DRP component pricing option.
- **Certification of Organic Grower Plans** - Allowed policyholders to certify they have requested their organic plan/certificate by the acreage reporting date to meet policy requirement. Organic plan/certificate existence will be verified prior to paying a claim.
- **Extended Acreage Reporting Deadlines** – Extended reconciliation time by 30 days allowing producers to reconcile differences between Report of Acreage Form FSA-578s and crop insurance acreage reports for a full 60 days after the deadline. Further, RMA waived full acreage appraisal requirements for added acreage due to these reconciliations to ease burdens on AIP's and producers.

For more information visit the RMA website at https://www.rma.usda.gov/News-Room/Frequently-Asked-Questions/COVID-19-Response

PANDEMIC COVER CROP PROGRAM

The Pandemic Cover Crop Program (PCCP) is part of USDA's Pandemic Assistance for Producers initiative, a bundle of programs to bring financial assistance to farmers, ranchers and producers who felt the impact of COVID-19 market disruptions. PCCP provides premium support to producers who insured their spring crop with most insurance policies and planted a qualifying cover crop during the 2021 and 2022 crop year. The premium support is $5 per acre, but no more than the full premium owed. Qualifying cover crops include all that are reportable to Farm Service Administration (FSA) including cereals and other grasses, legumes, brassicas and other non-legume broadleaves, and mixtures of two or more cover crop species planted at the same time. In fiscal Year 2023, the Office of the Secretary assigned an additional $116.4 million to RMA to administer the PCCP. The program came to an end for producers following the 2022 reinsurance year. In 2022, the Office of the Secretary assigned RMA to administer $116 million for the PCCP. In FY 2023 all remaining unobligated funding was returned to treasury. Total obligations remaining in Fiscal Year 2023 are approximately $15.8 million.

RMA CLIMATE ADAPTATION PLAN

With ongoing concerns about climate change risks, RMA has established a strategy of adapting its programs along with the innovation of American farmers and ranchers to confront the effects of climate change as it occurs. RMA has implemented a series of actions that promote climate-smart agricultural practices. Information regarding RMA's Climate Adaptation Plan and progress report is available at Department of Agriculture 2021 Climate Adaptation Plan (sustainability.gov) and https://www.usda.gov/sites/default/files/documents/3_FPAC_RMA_ClimateAdaptationPlan_2022.pdf

PUBLISHED REGULATIONS

RMA periodically updates its regulations by publishing proposed interim, and final rules in the Federal Register. RMA seeks public comment on proposed revisions. Revisions made to regulations improve risk management products available for producers and/or clarify such regulations. During fiscal year 2023, RMA published 4 final rules with request for comments, 1 notice of funding availability, 2 requests for information notices, and 2 PRA notices. Published regulations can be found on the Federal Register's website at https://www.federalregister.gov.

PERFORMANCE GOALS OF RMA

In 2022, USDA published its Strategic Plan as an agency-wide USDA Strategic Plan. The following section refers to the USDA Strategic Plan sections (Goals and Objectives) that apply to RMA and the FCIC Program. The Strategic Plan has seven goals with accompanying strategies and performance measures. Strategic Goal 3 and Objective 3.1 refer directly to the FCIC program.

Strategic Goal 3: Foster an Equitable and Competitive Marketplace for All Agricultural Producers.

Objective 3.1: Foster Sustainable Economic Growth by Promoting Innovation, Building Resilience to Climate Change, and Expanding Renewable Energy.

A strong and prosperous agricultural sector is essential to the well-being of the U.S. economy. America's farmers and ranchers ensure a reliable food supply, support job growth, and promote economic development. To maintain a competitive and innovative agricultural sector, RMA will support farmers and ranchers' ability to start and maintain profitable businesses as well as offer financial support to producers affected by natural disasters. The crop insurance program is a unique program that represents a public-private partnership. This partnership, and the private delivery system, is often scrutinized by our numerous oversight bodies. RMA's improper payment rate provides assurance that the program is well run and that the program focuses on integrity and safeguarding the use of taxpayers' dollars.

RMA is committed to providing an effective safety net to agricultural producers covering over $207 billion in total liability on more than 539 million acres for crop year 2023. The producers provide food and fiber to more than 333 million Americans and millions more around the globe. RMA works to strengthen the economic viability of the agricultural sector by providing eligible producers with risk management tools. FCIC programs help farmers and ranchers manage financial risks associated with commodity price fluctuations and recover from unpredictable weather events.

Federal crop insurance keeps many of our Nation's agricultural producers in business when adverse weather, pests, or low commodity prices cause financial hardships. Risks to these programs include ensuring the actuarial soundness of insurance policies (particularly after high loss years), improper payments, and maintaining the reputation of Federal crop insurance as the primary Federal financial safety net provided to farmers and ranchers. Other risks include changing market conditions (such as periods of steep price declines) and widespread or prolonged natural disasters. RMA manages these and other risks through ongoing reviews of actuarial data, analyzing weather and climate information, data mining for anomalies, and overseeing the private sector insurance companies who sell and service the insurance policies to farmers to ensure that they meet financial and operational standards required to participate in the program. In addition to our obligation to America's farmers and ranchers, RMA has an obligation to the American taxpayers. As crop insurance has grown in importance, the amount of taxpayer expenditures has grown as well. RMA will ensure that taxpayer funds are spent wisely, and that the integrity of the program is protected. As an agency, we will build upon the advancements we have made in integrity initiatives to go to the next level.

STRATEGIES

RMA's first goal to increase the availability and effectiveness of the program is achieved by:

- Ensuring American agricultural producers are better protected against the inherent risks of weather and price fluctuations
- Enhancing rural communities' income through indemnity payments to local producers who suffer insured losses and

- Ensuring American taxpayers' confidence in an actuarially sound insurance program

RMA's performance measure under this goal, as shown in the following table, is the annual normalized value of risk protection provided to agricultural producers through the Federal crop insurance program. By "normalizing" or adjusting the actual value of risk by parameters that smooth out the volatility of crop prices, the value of risk protection provided to producers through the years is shown.

	Baseline 2018	2022 Actual	2023 Actual	2023 Target
Annual normalized value of risk protection	$ 76.8 billion	$ 94.4 billion	$ 98.5 billion	$ 78.5 billion

RMA's second goal is ensuring program integrity thereby safeguarding American taxpayer dollars.

RMA's performance measure under this goal, as shown in the following table, is the annual improper payment rate provided to agricultural producers through the Federal Crop Insurance Program. RMA's improper payment rate considers all categories of payments (premium subsidy, Administrative and Operating (A&O) expense, and indemnities) and separates them by AIP into three payment tiers (high, medium, low). A statistically valid sample is conducted each year for the program. Individual AIP results are also captured on an annual basis.

	Baseline	2022 Actual	2023 Actual	2023 Target
Annual improper payment rate	2.89 %	2.58 %	2.64%	2.26 %

Crop and Insurance Statistics

Three intervals are referred to in this financial report. The financial statements are for fiscal years, which run from October 1 to September 30. Crop year refers to the year in which a crop is harvested. Reinsurance year is based on the yearly reinsurance agreements with AIPs and runs from July 1 to June 30. Statistics are maintained for policies, farmer-paid premium, premium subsidy, total premium, indemnities, loss ratio, and insurance protection on a crop year basis. General ledger transactions include reinsurance year attributes. Multiple reinsurance years are active each fiscal year.

Federal Crop Insurance Program statistics for standard reinsurance and livestock products are shown below. The indemnities and loss ratios for 2023 are estimated as they are not known at the time the financial statements are prepared.

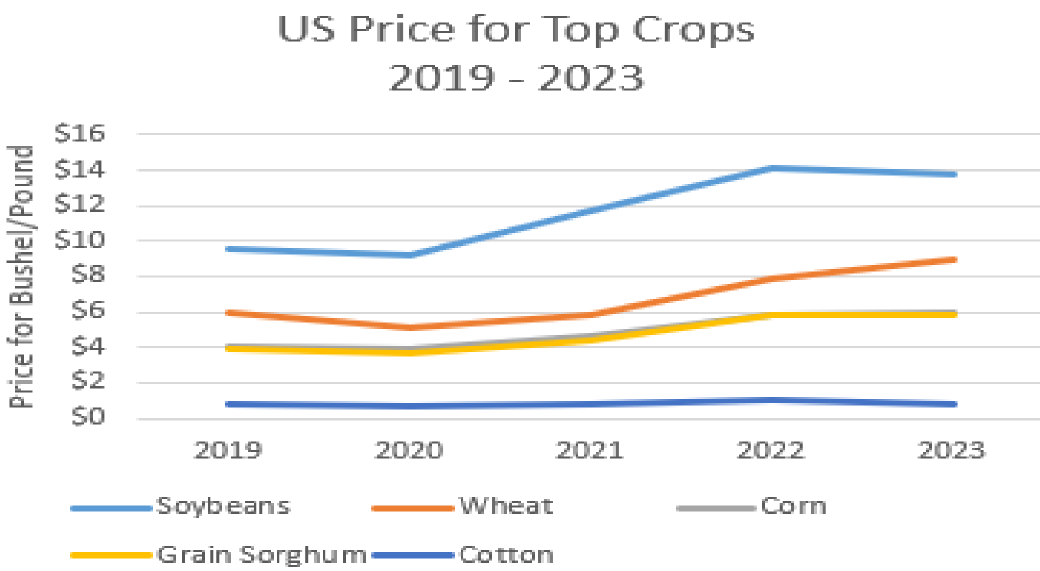
Program Information Comparison	Crop Year 2023 Estimated (Millions)	Crop Year 2022 (Millions)
Number of Policies	1.24	1.20
Farmer Paid Premium (dollars)	$ 7,530	$ 7,260
Premium Subsidies (dollars)	$ 11,850	$ 11,980
Total Premium	$ 19,380	$ 19,240
Indemnities	$ 17,750	$ 19,790
Loss Ratio (percent)	92%	103%
Insurance Protection	$ 207,220	$ 194,660

FCIC insures 131 types of commodities under the Standard and Livestock Reinsurance Agreements for crop year 2023. The top commodities by volume are listed below, with the remaining commodities (pasture, rangeland, forage; apples; almonds; potatoes; beans, milk, etc.) grouped together as All Other. The chart below illustrates premiums on the top five commodities representing 71% of total premium in crop year 2023 and 76% of total premium in crop year 2022.

Crop	Crop Year 2023* (Millions)	Crop Year 2022 (Millions)
Corn	$ 6,302	$ 6,519
Soybean	$ 3,280	$ 3,982
Wheat	$ 2,198	$ 1,672
Cotton	$ 1,427	$ 2,071
Sorghum	$ 352	$ 321
All Other	$ 5,575	$ 4,676
Total	$ 19,134	$ 19,241

*Approximately 99% of all Premium is known at Sept. 30th, but the total premium will not be known until the next fiscal year.

As noted on the chart above, total premiums have decreased from 2022 to 2023 at acreage reporting dates. Below is the RMA's projected price data for top crops as of acreage reporting dates. The projected prices are different than the final harvest price which is used to calculate indemnities.



	2019	2020	2021	2022	2023
Soybeans	9.57	9.23	11.78	14.14	13.74
Wheat	5.92	5.16	5.82	7.93	8.97
Corn	4.00	3.90	4.58	5.87	5.94
Grain Sorg	3.94	3.71	4.36	5.82	5.85
Cotton	0.74	0.69	0.81	1.02	0.85

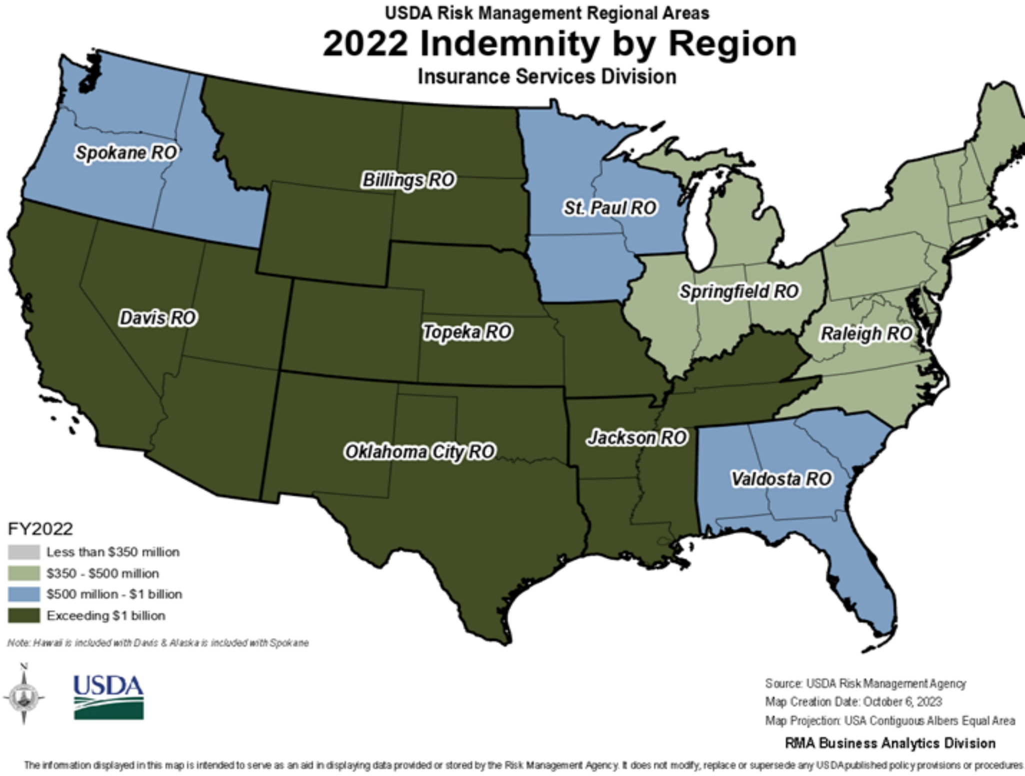
Losses (2022 and 2021 Cause of Loss, Indemnity by Region)

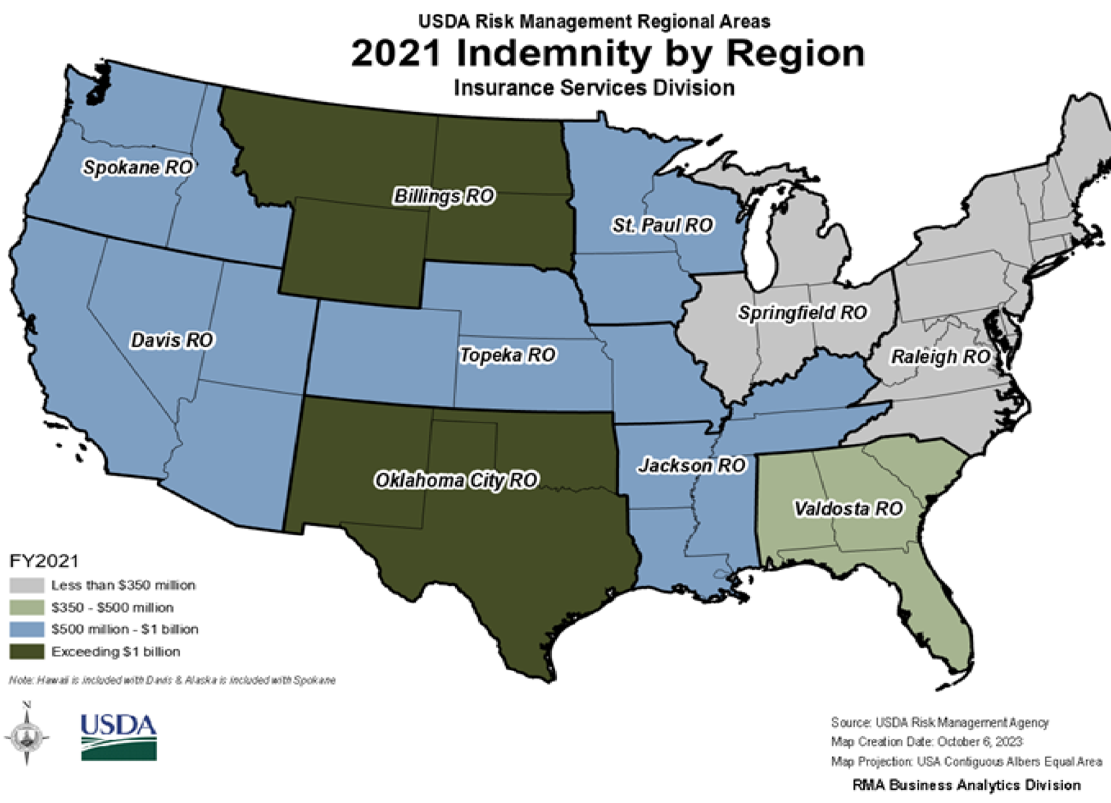
FCIC/RMA issues the annual financial report based on a fiscal year ending September 30. The growing season for the crops that constitute most of FCIC's book of business does not end until October or November. As a result, most losses for a given crop year are paid out in the following fiscal year.

In crop year 2022, the overall loss ratio for standard reinsurance agreements was 1.03 compared to a loss ratio of 0.68 in crop year 2021. In both 2022 and 2021 the top factor for loss was drought.

- In 2022, the top causes of loss were: drought primarily in the Southwest and Northern Plains; excess moisture in the Northern Plains, Midwest and South; and heat in the Plains, Southwest, West, and South.
- In 2021, the top causes of loss were: drought primarily in the Plains, Southwest, and West; Area Risk Protection Insurance (ARPI)/ Supplemental Coverage Option (SCO)/ Stacked Income Protection Plan (STAX)/ Margin Protection (MP) Crops Only in the Southwest, Northern Plains, and West; and excess moisture in the Northern Plains, Midwest, and South.

The following maps show the indemnities reported by region for crop year 2022 and 2021 (primarily paid in fiscal years 2023 and 2022, respectively).





FINANCIAL STATEMENTS HIGHLIGHTS AND ANALYSIS

ASSETS

Funding

RMA maintains four separate funds: The Insurance Fund, Salaries and Expenses (S&E) Fund, Disaster Relief Fund, and the Pandemic Cover Crop Program Fund. The financial statements present all four funds. The Insurance Fund is used to pay for the crop and livestock insurance programs. The funding for the Insurance Fund is mandatory funding with "such sums as necessary" to carry out the program. The S&E Fund is used to pay RMA's salaries and administrative expenses. The funding for the S&E Fund is an annual appropriation set by Congress. The Disaster Relief Fund, established in fiscal year 2019, provides funding for expenses related to recent natural disasters that prevented crops from being planted in 2019. The Pandemic Cover Crop Program Fund established in fiscal year 2021, provides premium support to producers who insured their spring crop with most insurance policies and planted a qualifying cover crop during the 2021 and 2022 crop year.

Assets

Fiscal Year 2023 – Assets (millions)		
Fund Balance with Treasury (Note 3)	$	4,340
Cash Held Outside of Treasury (Note 4)	$	276
Accounts Receivable, Net (Note 5)	$	5,968
General Property, Plant and Equipment (Note 6)	$	7

Most of the assets are Fund Balance with Treasury (FBWT), Cash Held Outside of Treasury (CHOT), and Accounts Receivable (AR). At the end of each fiscal year, RMA returns FCIC unobligated funds excluding the balances for Capital Stock, Paid-in Capital, and the Contingency Fund to the U.S Treasury. In 2023, RMA returned $1.2 billion compared to the $7.12 billion returned in 2022.

FBWT is a cash-like account which represents funds available which have not been disbursed and CHOT consists of amounts funded into escrow accounts for which AIP's indemnity payments have not yet cleared. Together, these two accounts make up the cash held by FCIC.

AR with the public represents premiums from AIPs due to FCIC for crop insurance written by AIPs and reinsured by FCIC. AIPs are responsible for collecting the premium from the producer and paying FCIC, whether the premium has been collected from the producer or not. Premiums are collected at the end of the growing season. As a result, significant amounts of premium are due in the fall, around the end of the fiscal year.

In fiscal year 2023, farmers and ranchers faced widespread drought conditions in many parts of the nation, causing catastrophic crop damage. FCIC provided a deferral of interest accrual for the collections of premiums as relief to producers and AIPs for an additional 60 days. The amount of deferment was approximately $4.7 billion.

LIABILITIES

Many FCIC/RMA liabilities are estimated. The following table summarizes FCIC/RMA liabilities.

Fiscal Year 2023 – Liabilities (millions)		
Estimated Losses on Insurance Claims (Note 8)	$	11,957
Underwriting Gain (Note 10)	$	3,517
Accounts Payable (Note 7)	$	2,201
Unearned Revenue (Note 11)	$	1,843
Other Insurance Liabilities (Note 2)	$	20
Federal Employee Benefits	$	7
Intragovernmental Other Liabilities (Note 9)	$	2
Other Liabilities with the Public (Note 9)	$	3

Estimated Losses on Insurance Claims

The Estimated Losses on Insurance Claims make up most liabilities. Estimated losses were calculated based on Statement of Federal Financial Accounting Standards (SFFAS) 51, *Insurance Programs.* The Liability for Unpaid Insurance Claims and Liability for Losses on Remaining Coverage make up the Estimated Losses on Insurance Claims. The claims Incurred but Not Reported (IBNR), the claims reported and not paid, and changes in CHOT make up the Liability for Unpaid Insurance Claims. The Liability for Losses on Remaining Coverage as of the end of the reporting period represent the estimated amounts, to be paid to settle claims for the remaining open arrangement period, exceeding losses associated with the related unearned premiums as of the end of the reporting period.

Estimating Losses

FCIC establishes premiums to attain an expected long-term loss ratio of 1.0. The premium cost for policies is determined by evaluating loss experience in the program by county, crop, and pricing to equal projected losses over the long term. Losses are divided into premium to arrive at a loss ratio. A loss ratio of less than 1.0 means there are less losses than premium. Premium includes producer paid premium and premium subsidy. A loss ratio greater than 1.0 means the losses are greater than premium. For the Federal Crop Insurance Program, loss ratios are measured periodically in relation to reinsurance year which runs from July 1 through June 30. The eventual total loss ratio depends on many variables including weather patterns and commodity prices. A projection of total indemnities is made at the end of each fiscal year based on current conditions. Total indemnities will not be known until several months after the end of the fiscal year; therefore the financial statements are based on a projection.

Uncertainty in Estimating Losses

Estimated losses are calculated as of September 30, 2023. RMA's process for projecting losses is based on the September NASS report which was released on September 10.

There are a variety of additional risk factors that expose FCIC's liability estimates to uncertainty. The growing season for crops that constitute most of FCIC's book of business does not end until October or November. As of September 30, most crop insurance claims that will eventually be attributed to the current reinsurance year have not yet been submitted. A projection of total indemnities is made at the end of each fiscal year based on current conditions. Late season weather conditions and price changes in commodities can significantly impact actual losses. When actual losses are realized, upward or downward adjustments are made and reflected in financial statements of subsequent years.

The table below shows that most losses for a given reinsurance year are realized in future fiscal years. For example, most losses attributed to reinsurance year 2022 were reported and paid in fiscal year 2023.

Reinsurance Year	2023 (est.) (millions)	2022 (millions)
Losses Claimed and Reported in Current Fiscal Year	$ 3,953	$ 6,104
Losses Paid in Subsequent Fiscal Years	16,895	13,149
Total Losses	$ 20,848	$ 19,253

Although FCIC uses an actuarial model to project overall losses, the model is subject to a high level of uncertainty. The difference between the actual and estimated loss ratio has exceeded 10 points in 8 of the last 10 years. During the same time-period, the difference between the actual and estimated loss ratio has exceeded 20 points 40% of the time (4 out of 10 years). The relatively high variance of this estimate reflects the large degree of uncertainty inherent in predicting losses before the end of the reinsurance year. Actual loss ratios in the last 10 years have varied from a low of 42% to a high of 105%. The average actual loss ratio for the past ten years was 82%.

The following table is updated as of the end of September 2023 and summarizes premiums and losses by crop year for policies under the Standard Reinsurance Agreement.

Summary of Premiums and Losses by Crop Year					
Actual (in Millions)			Loss Ratio (Percentage)		
Crop Year	Premiums ($)	Losses ($)	Actual	Projected	Difference
2013	11,808	12,085	102%	76%	-26%
2014	10,073	9,136	91%	74%	-17%
2015	9,769	6,316	65%	84%	19%
2016	9,329	3,913	42%	66%	24%
2017	10,090	5,445	54%	99%	45%
2018	9,909	7,338	74%	85%	11%
2019	10,230	10,688	104%	91%	-13%
2020	10,369	9,194	89%	81%	-8%
2021	13,720	9,598	70%	95%	25%
2022	18,398	19,253	105%	101%	-4%
2023 Est.	18,290	16,895		92%	

Underwriting Gain

Underwriting gain is the AIP portion of earnings on the insurance book of business. A periodic settlement, as stipulated in the SRA, is calculated where the results of business written by AIPs are determined and an experience-rated gain or loss on business ceded from AIPs is computed. The timing of payment to AIPs for reinsurance gains is stipulated by the SRA. Payments to AIPs for net gain is disbursed in the second fiscal year following the reinsurance year.

Accounts Payable

Accounts Payable includes amounts due to AIPs for reimbursement of administrative and operating expenses associated with the delivery of the FCIC standard reinsurance policies. The program's administrative and operating reimbursement for the standard reinsurance policies has averaged $1.62 billion over the past 10 years. There is a cap stipulated in the SRA that limits administrative and operating reimbursement on most policies.

Unearned Revenue

Premium revenue is comprised of producer paid premium. Producer paid premium is recognized as earned proportionately over each crop's growing season. The portion of producer paid premium not recognized at the conclusion of the fiscal year is classified as insurance and guarantee program liabilities in the balance sheet.

Other Liabilities

In fiscal year 2023, Other Liabilities (Note 9) include Intragovernmental of $2 million, and Other Liabilities with the Public of $3 million.

ANALYSIS OF STATEMENT OF NET COST

The following table presents the results of net cost of operations for each fiscal year.

Statement of Net Costs		
Cost	**Fiscal Year 2023 (millions)**	**Fiscal Year 2022 (millions)**
FCIC Program Costs		
Total Intragovernmental Costs	$ 44	$ 45
Gross Cost from the Public		
Indemnities	19,276	15,001
Program Delivery Costs	2,431	2,208
Other Program Costs	94	94
Total Gross Cost from the Public	$ 21,801	$ 17,303
Less:		
Premium Revenue	7,351	6,908
Net (Gain)/Loss on Business Ceded from AIPs	(1,886)	(2,656)
Other Revenue	53	49
Total Revenue	$ 5,518	$ 4,301
Net Cost of Operations FCIC	16,327	13,047
Disaster Relief Program Costs		
Gross Costs with the Public	1	0
Net Cost of Operations Disaster Relief	1	0
Pandemic Cover Crop Program Costs		
Gross Costs with the Public	14	51
Net Cost of Operations Pandemic Cover Crop	14	51
Total Gross Cost	$ 21,860	$ 17,399
Less Total Earned Revenue	(5,518)	(4,301)
Total Net Cost of Operations	$ 16,342	$ 13,098

FCIC's Net Cost of Operations increased $3.24 billion from fiscal year 2022 to fiscal year 2023. The change in Indemnities was the main component impacting the variance in Net Cost of Operations. Indemnities increased by $4.28 billion from 2022 to 2023. The main driver for the indemnities increase was drought primarily in the Southwest and Northern Plains.

The higher commodity prices, widespread drought and excessive heat, and increased participation were factors contributing to the increase in indemnities in fiscal year 2023.

ANALYSIS OF STATEMENT OF BUDGETARY RESOURCES

The following table presents the components of the Statement of Budgetary Resources for each fiscal year.

Statement of Budgetary Resources		
Resource	**Fiscal Year 2023 (millions)**	**Fiscal Year 2022 (millions)**
Budgetary Resources	$ 23,281	$ 19,444
New Obligations	$ 22,681	$ 18,768
Net Outlays	$ 16,576	$ 10,918

Overall, FCIC had $3.8 billion more in budgetary resources in fiscal year 2023. The budgetary resources are comprised of apportionments, collections from the public, less excess funds returned to Treasury. In fiscal year 2023, FCIC had $2.9 billion less in apportionments due to lower underwriting gain obligations, program delivery expenses, premium, and subsidies. Higher collections in Fiscal Year 2023 were the result of continued higher premiums resulting from elevated crop prices (wheat and corn).

Higher obligations and net outlays also were impacted by the elevated crop prices in 2023. In addition, the widespread drought and excessive heat resulted in more obligations and outlays for current year losses.

SYSTEMS CONTROLS AND LEGAL COMPLIANCE

MANAGEMENT ASSURANCES

Analysis of Entity's Systems, Controls, and Legal Compliance

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires ongoing evaluations of internal controls and financial management systems. These evaluations lead to an annual statement of assurance that:

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

RMA evaluated its internal controls in accordance with 0MB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. RMA operates a comprehensive internal control program. This program ensures compliance with the requirements of FMFIA, the Federal Financial Management Improvement Act of 1996 (FFMIA), OMB Circular No. A-123, and other applicable laws and regulations. RMA managers must ensure their programs operate efficiently and effectively and comply with relevant laws. They must also ensure that financial management systems conform to applicable laws, standards, principles, and related requirements. In conjunction with the Office of Inspector General and the Government Accountability Office, RMA's management works decisively to determine the root causes of its deficiencies so that it can direct resources to focus on their remediation.

RMA remains committed to operating its programs efficiently and effectively in compliance with FMFIA and other applicable laws and regulations.

Federal Financial Management Improvement Act

The FFMIA is designed to improve financial and program managers' accountability, provide better information for decision-making, and improve the efficiency and effectiveness of Federal programs. FFMIA requires that financial management systems provide reliable, consistent disclosure of financial data in accordance with generally accepted accounting principles and standards. These systems must also comply with (1) Federal Financial Management System (FFMS) requirements, (2) applicable Federal accounting standards, and (3) the U.S. Standard General Ledger (USSGL) at the transaction level.

RMA assessed its financial management systems and internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations, in accordance with Departmental guidelines and as required by FMFIA and FFMIA as of September 30, 2023. As a result of the assessment, RMA reports the following Statement of Assurance:

Statement of Assurance

Administrator's Assurance Statement

RMA Management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act.

RMA conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, RMA can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2023.

RMA has also assessed the compliance of RMA's financial management systems with federal financial management systems requirements in accordance with FMFIA Section 4; FFMIA Section 803(a); and OMB Circular No. A-123, Appendix D. They require federal agencies to implement and maintain financial management systems that comply with federal financial management system requirements, applicable federal accounting standards, and the U.S. Standard General Ledger at the transaction level. RMA management can provide reasonable assurance of compliance with FMFIA Section 4 and FFMIA as of September 30, 2023.

RMA is compliant with the Payment Integrity Information Act (PIIA) of 2019 and the Digital Accountability and Transparency Act (DATA) of 2014.

RMA remains committed to operating its programs and operations in an effective and efficient manner and its financial management systems in compliance with Federal requirements.

MARCIA BUNGER Digitally signed by MARCIA BUNGER Date: 2023.10.31 09:32:40 -04'00'

Marcia Bunger
Administrator
Risk Management Agency
October 31, 2023

Financial Management System Framework

FCIC/RMA uses USDA's Financial Management Modernization Initiative as the financial system of record and will coordinate with USDA for all planned upgrades to the financial system. USDA will analyze any future upgrades to keep pace with the constant advancements in technology.

Limitations on Financial Statements

Financial statements have been prepared to report the financial position and results of FCIC/RMA's operations, pursuant to 31 U.S.C 3515(b), which states the requirements of Financial Statements of Agencies. While the statements have been prepared from the books and records of FCIC/RMA in accordance with Generally Accepted Accounting Principles for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the understanding they are for a component of the United States Government, a sovereign entity.

SECTION 2: FINANCIAL STATEMENTS

FEDERAL CROP INSURANCE CORPORATION
RISK MANAGEMENT AGENCY
BALANCE SHEET
As of September 30, 2023, and 2022
(In millions)

	2023	2022
Assets		
Intragovernmental		
Fund Balance with Treasury (Note 3)	$ 4,340	$ 5,403
Advances	4	5
Total Intragovernmental Assets	4,344	5,408
Public		
Cash and Other Monetary Assets (Note 4)	276	398
Accounts Receivable, Net (Note 5)	5,968	5,501
General Property, Plant and Equipment (Note 6)	7	6
Total Public Assets	6,251	5,905
Total Assets	$ 10,595	$ 11,313
Liabilities (Note 12)		
Intragovernmental		
Other Liabilities	$ 2	$ 3
Public:		
Accounts Payable (Note 7)	2,201	1,993
Federal Employee and Veteran Benefits Payable	7	6
Insurance and Guarantee Program Liabilities (Note 2)	17,337	17,325
Other Liabilities (Note 9)		
Other	3	3
Total Public Liabilities	19,548	19,327
Total Liabilities	$ 19,550	$ 19,330
Commitments and Contingencies (Note 13)		
Net Position (Note 15)		
Unexpended Appropriations	$ 118	$ 167
Cumulative Results of Operations	(9,073)	(8,184)
Total Net Position	$ (8,956)	$ (8,017)
Total Liabilities and Net Position	$ 10,595	$ 11,313

The accompanying notes are an integral part of these statements.

FEDERAL CROP INSURANCE CORPORATION
RISK MANAGEMENT AGENCY
STATEMENTS OF NET COST
For the Years Ended September 30, 2023, and 2022 (In millions)

	2023	2022
Program Costs FCIC		
Intragovernmental Gross Costs		
Benefit Program Costs	$ 15	$ 14
Imputed Costs	6	4
Reimbursable Costs	23	27
Intragovernmental Costs	$ 44	$ 45
Gross Costs with the Public		
Indemnities	$ 19,276	$ 15,001
Program Delivery Costs	2,431	2,208
Other Program Costs	94	94
Total Gross Costs with the Public	$ 21,801	$ 17,303
Less: Earned Revenue from the Public		
Premium Revenue	$ 7,351	$ 6,908
Net (Gain)/Loss on Business Ceded from AIPs	(1,886)	(2,656)
Other Revenue	53	49
Total Earned Revenue with the Public	$ 5,518	$ 4,301
Net Costs with the Public	16,283	13,002
Net Cost of Operations - FCIC	$ 16,327	$ 13,047
Program Costs Disaster Relief		
Gross Costs with the Public	$ 1	$
Program Costs Pandemic Cover Crop		
Gross Costs with the Public	$ 14	$ 51
Total Gross Cost	$ 21,860	$ 17,399
Less Total Earned Revenue	$ 5,518	$ 4,301
Total Net Cost of Operations	$ 16,342	$ 13,098

The accompanying notes are an integral part of these statements.

FEDERAL CROP INSURANCE CORPORATION
RISK MANAGEMENT AGENCY
STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30, 2023, and 2022
(In millions)

	2023	2022
Unexpended Appropriations		
Beginning Balance	$ 167	$ 93
Appropriations Received	16,559	19,656
Appropriations Transferred (In/Out)	(11)	(11)
Other Adjustments – Returned to Treasury	(1,161)	(7,121)
Appropriations Used	(15,437)	(12,450)
Total Unexpended Appropriations	$ 117	$ 167
Cumulative Results of Operations		
Beginning Balance	$ (8,184)	$ (7,556)
Appropriations Used	15,437	12,450
Nonexchange Revenue	6	12
Transfers in/out without Reimbursement	4	4
Imputed Financing Sources	6	4
Total Financing Sources	15,453	12,470
Net Cost of Operations	(16,342)	(13,098)
Net Change	(889)	(628)
Cumulative Results of Operations (Note 15)	$ (9,073)	$ (8,184)
Net Position	$ (8,956)	$ (8,017)

The accompanying notes are an integral part of these statements.

FEDERAL CROP INSURANCE CORPORATION
RISK MANAGEMENT AGENCY
COMBINED STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2023, and 2022
(In millions)

	2023	**2022**
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, net	$ 678	$ 613
Appropriations (Note 16)	15,390	12,527
Spending Authority from Offsetting Collections	7,213	6,304
Total Budgetary Resources	$ 23,281	$ 19,444
Status of Budgetary Resources		
New Obligations and Upward Adjustments	$ 22,681	$ 18,768
Unobligated Balance, End of Year		
Apportioned, unexpired accounts	590	666
Unapportioned, unexpired accounts	4	5
Unexpired unobligated balance, end of year	594	671
Expired unobligated balance, end of year	6	5
Unobligated Balance, End of Year	600	676
Total Budgetary Resources	$ 23,281	$ 19,444
Outlays, Net	$ 16,576	$ 10,918

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Risk Management Agency (RMA) serves America's agricultural producers through effective, market-based risk management tools to strengthen the economic stability of agricultural producers and rural communities. To carry out this mission, RMA operates and manages the Federal Crop Insurance Corporation (FCIC).

FCIC provides crop insurance and risk management strategies to American producers. Private sector insurance providers, approved by FCIC, sell and service the policies. RMA develops and/or approves premium rates, administers the premium and expense subsidies, approves and supports products, and reinsures the Approved Insurance Providers (AIPs). In addition, RMA sponsors educational programs and seminars on risk management.

Basis of Presentation and Accounting

The accompanying financial statements have been prepared to report financial status on the balance sheet, and activity in the net cost, changes in net position and budgetary resources. The financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP for Federal financial reporting entities recognizes the Federal Accounting Standards Advisory Board as the standard-setting body. The financial statements are presented in accordance with the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, which was revised in May 2023.

Accounting transactions are recorded on both an accrual and budgetary basis of accounting. Accrual accounting recognizes revenues when earned and expenses are recognized when incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds.

Three types of years are referred to in this financial report. The financial statements are for fiscal years which run from October 1 to September 30. Crop year refers to the year in which a crop is harvested. Reinsurance year is based on the yearly reinsurance agreements with Approved Insurance Providers (AIPs) and runs from July 1 to June 30. Statistics are maintained for policies, producer paid premium, premium subsidy, total premium, indemnities, loss ratio and insurance protection on a crop year basis. General ledger transactions include reinsurance year attributes. Multiple reinsurance years are active during each fiscal year.

Fund Balance with Treasury

Fund Balance with Treasury (FBWT) represents the aggregate amount of funds in Federal Crop Insurance Corporation's (FCIC) accounts with Treasury for which FCIC is authorized to make expenditures and pay liabilities. FCIC's FBWT consists of appropriated funds and receipts collected from non-Federal entities.

Cash Held Outside Treasury

Cash Held Outside Treasury (CHOT) consists of amounts funded into escrow accounts for which AIP's indemnity checks have not yet cleared.

Accounts Receivable

Accounts Receivable with the public represents premiums from AIPs due to FCIC for crop insurance written by AIPs and reinsured by FCIC. AIPs are responsible for collecting premium from the producer and paying FCIC, whether-or-not premium has been collected from the producer. Accounts receivable also includes producers' accounts receivable that represents amounts due from individual producers for interest, overpaid indemnities, and debts which are payable directly to FCIC.

The Accounts Receivable due from AIPs and Accounts Payable due to AIPs on the monthly settlement are listed as gross amounts on the balance sheet.

General Property, Plant, and Equipment

General Property, Plant, and Equipment consist of office furniture, computer equipment, and computer software. Property, plant, and equipment with an acquisition cost of $25,000 or more; internal use software with an acquisition cost of $100,000 or more; and an estimated useful life of at least two years is capitalized. Property and equipment with an acquisition cost of less than $25,000 is expensed when purchased. Property and equipment are depreciated using the straight-line method over useful lives that range from 6 to 10 years. There are no restrictions on the use or convertibility of FCIC's property and equipment.

Accounts Payable

Accounts Payable includes amounts due to AIPs for reimbursement of Administrative and Operating (A&O) expenses associated with delivering the crop insurance program. The Standard Reinsurance Agreement (SRA) provides for reimbursement to the insured companies for program delivery costs. The payments for program delivery costs are due the first month of the following fiscal year.

Pensions and Other Employee Benefits

SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, requires Federal entities to recognize an expense for pensions and other retirement benefits at the time the employee's services are rendered. The purpose of recognizing this expense is to record and report the full cost of each entity's operation. A corresponding revenue, Imputed Financing Sources, is recognized to the extent pension and other retirement benefit expenses exceed the amount paid to the United States Office of Personnel Management.

Classified Activities

Accounting standards allow modification of certain presentations and disclosures, if needed, to prevent the disclosure of classified information.

Net Position

Net position is the residual difference between assets and liabilities and is composed of capital stock, additional paid-in capital, contingency fund, unexpended appropriations, temporary reduction (due to sequestration), and cumulative results of operations. Unexpended appropriations represent the amount of unobligated and unexpended budget authority. Unobligated balances are the amounts of appropriations or other authority remaining after deducting the cumulative obligations from the amount available. Cumulative results of operations are the net result of FCIC's operations since inception and include Initial Capital Stock ($500 million) and Contributed Capital ($38 million).

Prevented Planting Supplemental Disaster Program

The Prevented Planting Supplemental Disaster Payments Program was authorized by the Additional Supplemental Appropriations for Disaster Relief Act, 2019 (Disaster Relief Act; P.L. 116-20, June 6, 2019). The law provides supplemental appropriations for multiple USDA programs related to recent natural disasters occurring in calendar years 2018 and 2019 under such terms and conditions as determined by the Secretary. The Secretary assigned Risk Management Agency (RMA) to oversee the program. Producers participating in Federal crop insurance who received an indemnity payment for reinsurance year 2019 for prevented planting related to excess moisture/precipitation/rain, flood, cold wet weather, storm surge, tornado, volcanic eruption, hurricane/tropical depression, and cyclone and meet certain eligibility requirements will receive a supplemental payment calculated based on all qualified prevented planting payments received for insured crops. The values used for the factors will be 15 percent for those producers with revenue protection except those who select the harvest price exclusion option and 10 percent for those producers who do not have revenue protection. Of the $2.3 billion apportioned to the Office of the Secretary in fiscal year 2019, $540 million was assigned to RMA for the Prevented Planting Supplemental Relief Program. In fiscal year 2020, an additional $60.8 million was assigned. No additional monies were assigned in fiscal year 2021, 2022 or 2023. The remaining obligations on September 30, 2023, were $0.4 Million.

Pandemic Cover Crop Program

The Pandemic Cover Crop Program (PCCP) is part of USDA's Pandemic Assistance for Producers initiative, a bundle of programs to bring financial assistance to farmers, ranchers and producers who felt the impact of COVID-19 market disruptions. PCCP provides premium support to producers who insured their spring crop with most insurance policies and planted a qualifying cover crop during the 2021 crop year. The premium support is $5 per acre, but no more than the full premium owed.

Qualifying cover crops include all that are reportable to Farm Service Administration including cereals and other grasses, legumes, brassicas and other non-legume broadleaves, and mixtures of two or more cover crop species planted at the same time.

In 2022, the Office of the Secretary assigned RMA to administer $116 million for the PCCP. In FY 2023 all remaining unobligated funding was returned to treasury. Total obligations remaining in Fiscal Year 2023 are approximately $15.8 million.

Apportionment Categories of Obligations Incurred

The Insurance Fund receives a direct apportionment that is apportioned by program (Category B). Fiscal years 2023 and 2022 insurance fund obligations incurred were $22.6 billion and $18.6 billion, respectively. For fiscal years 2023 and 2022 the S&E direct apportionment was $66.9 million and $62.7 million, respectively. The Salaries & Expense fund is apportioned by time (Category A). RMA is authorized to annually transfer up to $7 million. These funds are available to reimburse expenses incurred for the operations and review of policies, plans of insurance, and related materials; and to assist the Corporation in maintaining actuarial soundness and financial integrity. In fiscal year 2023 and fiscal year 2022, RMA transferred $7 million from the FCIC fund to the S&E fund. In fiscal year 2023 and 2022 $300 thousand and $1.2 million of S&E funds were transferred to other federal agencies. In fiscal year 2023 and fiscal year 2022 the S&E fund obligations incurred were $73.5 million and $69.6 million, respectively. All S&E funds are subject to sequestration.

The obligations for the Pandemic Cover Crop Program for fiscal year 2023 was 29.3 million and for fiscal year 2022 was $51.2 million.

NOTE 2 – INSURANCE PROGRAMS

The Federal Crop Insurance Program is considered a short-duration exchange transaction insurance program. The crop insurance policies insure against unexpected declines in yield and/or price due to natural causes.

In crop year 2023, there were approximately 1.2 million standard reinsurance and livestock policies totaling approximately $206.060 billion insurance in-force, however, there is a remote likelihood that claims equal to the entire insurance in-force will be filed at the same time.

The insurance policies are structured as a contract between AIPs and producers, with the FCIC providing reinsurance to AIPs. Crop insurance policies automatically renew each year unless producers cancel them by a published annual deadline.

Under the reinsurance agreements, AIPs agree to deliver insurance products to eligible entities under certain terms and conditions. The A&O subsidy compensates the AIPs for selling and servicing crop insurance policies, including the direct settling of claims. Producers pay a portion of premium and fees to participate in the insurance program benefit payments.

FCIC and AIPs share in underwriting gains or losses. The underwriting risk for the crop insurance program is shared by FCIC and the AIPs. The AIPs generally retain approximately 80 to 85 percent of the premium, and the risk associated with the premium. FCIC provides AIPs stop-loss reinsurance for the risk associated with their retained premium.

The AIPs for fiscal year 2023 are as follows:

- Ace American Insurance Company
- American Agri-Business Insurance Company
- American Agricultural Insurance Company
- CGB Insurance Company
- Church Mutual Insurance Company
- Country Mutual Insurance Company
- Farmers Mutual Hail Insurance Company of Iowa
- Great American Insurance Company
- Hudson Insurance Company
- NAU Country Insurance Company
- Palomar Specialty Insurance Company
- Producers Agriculture Insurance Company
- Rural Community Insurance Company
- Stratford Insurance Company
- XL Reinsurance America Inc.

The funds within the Federal Crop Insurance Program can be used to pay any authorized expense of the program. The following tables list the types of funds received, and the resources used by the program for 2023 and 2022.

Federal Crop Insurance Program Resource and Resources Used			
Resource	**Fiscal Year 2023 (millions)**	**Uses**	**Fiscal Year 2023 (millions)**
Producer Premiums Collected	$ 7,029	Obligations for Delivery Costs	$ 2,431
Producer Fees Collected	47	Obligations for Indemnities	18,722
Underwriting Loss Collected from AIPs	136	Obligations for Underwriting Gain	1,354
Appropriations	15,378	Obligations for Initiatives & Other Costs	70
Appropriations Transfers	(13)		
Unobligated Balance Beginning of Year	594	Unobligated Balance End of Year	594
Total	$ 23,171	Total	$ 23,171

Federal Crop Insurance Program Resource and Resources Used			
Resource	**Fiscal Year 2022 (millions)**	**Uses**	**Fiscal Year 2022 (millions)**
Producer Premiums Collected	$ 6,252	Obligations for Delivery Costs	$ 2,206
Producer Fees Collected	49	Obligations for Indemnities	13,637
Underwriting Loss Collected from AIPs	4	Obligations for Underwriting Gain	2,731
Appropriations	12,353	Obligations for Initiatives & Other Costs	73
Appropriations Transfers	(13)		
Unobligated Balance Beginning of Year	594	Unobligated Balance End of Year	592
Total	$ 19,239	Total	$ 19,239

In addition to the mandatory FCIC fund, RMA obligated $73.5 million in S&E funds to administer the Federal Crop Insurance Program in 2023. The Federal Crop Insurance Act requires the total premium, including producer paid premium and premium subsidy, to be established to achieve an overall projected loss ratio of not greater than 1.0 over an extended period of time. The FCIC Act dictates the percentage of subsidized premium. The estimation of expected indemnities is generally based on the observed historical rate of loss often referred to as the 'loss cost' method.

In fiscal year 2023 there was widespread drought and excessive heat in many parts of the nation, causing catastrophic damage to crops. To provide relief, RMA deferred collection of any unpaid producer premium without interest by two months. The total amount of deferred collections was approximately $4.7 billion.

FCIC collects administrative fees from producers in return for catastrophic risk protection coverage and additional levels coverage. The rates are set by statute. For reinsurance year 2023, the catastrophic risk protection fees were $655 per crop per county and $30 for additional levels coverage per crop per county.

FCIC may request the Secretary of Agriculture to provide borrowing authority funds of the Commodity Credit Corporation (CCC) if at any time the amounts in the insurance fund are insufficient to allow FCIC to carry out its duties. Even though the authority exists, FCIC did not request CCC funds in the reporting period. Instead, FCIC uses such sums as are necessary from the U.S. Treasury to cover program costs that exceed collections.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions. These assumptions affect reported amounts of assets and liabilities and disclosure

of contingent assets and liabilities at the date of the financial statements and reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.
FCIC financial statements show estimates on the Balance Sheet and Statement of Net Cost on the following line items related to the insurance programs:

- Balance Sheet
    - Insurance and Guarantee Program Liabilities

- Statement of Net Cost
    - Indemnities,
    - Program Delivery Costs,
    - Premium Revenue,
    - Net (Gain)/Loss on Business Ceded from AIPs, and
    - Other Revenue.

Loss Recognition

The end of the government's fiscal year, on September 30, occurs while many crops are still in the field and subject to ongoing natural risks causing significant uncertainty for the end-of-fiscal-year estimates of claims. Estimates can often vary by 20% or more from results.

Estimates of claims are based on current crop conditions and historical trends for a given crop condition. Therefore, it is assumed the expected claims will be like levels observed historically.

Estimates assume there is a relationship between crop yields, harvest prices, and resulting loss ratios. The indemnity for an individual producer is based on the difference between the producer's actual yield and his/her average yield. Similarly, for revenue plans, the indemnity is based on the difference between the actual harvest price and the "base" price which is the estimated harvest price at the time the crop is planted.

Regression analyses are based on the historic relationships between the crop yields and harvest prices (when necessary) for each crop in each state and the resulting loss ratios in each of those years. The resulting regression coefficients are used in conjunction with the most recent National Agricultural Statistics Service (NASS) forecasts and commodity futures prices to calculate a projected loss ratio for each crop/state combination.

There are uncertainties associated with these assumptions including:

- Actual yields, which may be different than those provided by the NASS estimates.
- Changes in weather patterns close to harvesting dates, which could affect yields but not be reflected in the NASS estimates.
- Commodity prices, which may change from those in the market because of many factors (such as weather, yields, and economic conditions).
- Significant catastrophic weather events (i.e., hurricanes and freezes) occurring near the balance sheet date, which could affect estimated crop yields and crop prices.

There are uncertainties associated with assumptions used to estimate losses on insurance claims. As a result, the ultimate liability may differ significantly from the recorded estimate. Indemnity costs are paid from premium proceeds, including producer paid premium and premium subsidies. If indemnity costs exceed funds available, additional funds will be requested and apportioned to FCIC.

Revenue and Liabilities Recorded

SFFAS 51 promulgates the recognition and measurement of:

1. Revenue and Liability for Unearned Premiums,
2. Liability for Unpaid Insurance Claims, and
3. Liability for Losses on Remaining Coverage

Insurance Liabilities

Reported insurances liabilities increased from fiscal year 2022 to fiscal year 2023. This increase is attributed to:

- Higher coverage amounts resulting from higher crop prices
- Higher level of losses caused by widespread drought and excessive heat
- Increased participation in certain insurance products

The following table shows the Insurance Liabilities as of September 30, 2023, and September 30, 2022.

	2023	2022
Estimated Losses on Insurance Claims		
Liability for Unpaid Insurance Claims	$ 3,053	$ 3,007
Liability for Losses on Remaining Coverage	8,904	8,574
Total Estimated Losses on Insurance Claims (Note 8)	$ 11,957	$ 11,581
Unearned Revenue (Note 11)	1,843	1,694
Underwriting Gain (Note 10)	3,517	4,030
Other Insurance Liabilities	20	20
Total Insurance Liabilities	$ 17,337	$ 17,325

Liability for Unpaid Insurance Claims

Liability for Unpaid Insurance Claims are claims for adverse events that occurred before the end of the reporting period. Under SFFAS 51, for the claim to be considered incurred, a single event or a series of events must be completed by the end of the reporting period to be considered an adverse event of the period.

The Liability for Unpaid Insurance Claims is comprised of the following:

- Funds in the Escrow accounts to cover payments to producers who have not cashed their indemnity payments
- Claims reported but not paid as of the end of the reporting period
- Incurred but Not Reported (IBNR) is estimated claims from events that have occurred as of the end of the reporting period but have not yet been reported for settlement

FCIC uses a historical trend analysis based upon the data from the prior years to determine the value of claims incurred for the current reinsurance year as of the financial statement reporting date. When the Summary of Business (SOB) is higher than the estimate at year end, the SOB amount is used.

Liability for Losses on Remaining Coverage

The Liability for Losses on Remaining Coverage as of the end of the reporting period represents the estimated amounts to be paid to settle claims for the remaining open arrangement period exceeding losses associated with the related unearned premiums as of the end of the reporting period.

The liability for losses on remaining coverage is the total projected losses minus actual losses reported, IBNR, and losses associated with unearned premium.

Revenue and Liability for Unearned Premiums

Premium revenue is comprised of producer paid premium. Producer paid premium is recognized as earned proportionately over each crop's growing season. The portion of producer paid premium not recognized at the conclusion of the fiscal year is classified as insurance and guarantee program liabilities in the balance sheet.

Underwriting Gain/Loss

Underwriting gain/loss is the AIPs' portion of earnings or losses on the insurance book of business due from or to FCIC. A periodic settlement, as stipulated in the SRA, is calculated where results of business written by AIPs are determined and an experience-rated gain or loss on business ceded from AIPs is computed. Payments due to AIPs for a net gain are paid in the second fiscal year following the reinsurance year. Underwriting losses are paid to FCIC periodically.

Contingencies

Various lawsuits, claims, and proceedings are pending against FCIC. In accordance with SFFAS 5, FCIC records accruals for such contingencies when it is probable that a liability will be incurred, and the amount of the loss can be reasonably estimated. If there is a reasonable possibility that a loss will occur, FCIC discloses the nature of the contingency and an estimate of the possible liability, an estimate of the range of the possible liability, or a statement that such an estimate cannot be made. See Note 13, Commitments and Contingencies, to the financial statements for related disclosures.

NOTE 3 – FUND BALANCE WITH TREASURY

Fund balance with Treasury on September 30, 2023, and 2022 consists of:

2023	**S&E Fund (millions)**	**Insurance Fund (millions)**	**Pandemic Cover Crop (millions)**	**Administrative Cost -Disaster Assistance (millions)**	**Total (millions)**
Obligated not yet disbursed	$ 11	$ 3,664	$ 16	$ 0	$ 3,691
Unobligated available	0	589	1	0	590
Unobligated unavailable	6	53	-	0	59
Total Fund Balance with Treasury	$ 17	$ 4,306	$ 17	0	4,340
2022	**S&E Fund (millions)**	**Insurance Fund (millions)**	**Pandemic Cover Crop (millions)**	**Administrative Cost -Disaster Assistance (millions)**	**Total (millions)**
Obligated not yet disbursed	$ 9	$ 4,672	$ -	$ 1	$ 4,682
Unobligated available	1	587	78	0	666
Unobligated unavailable	5	50	-	0	55
Total Fund Balance with Treasury	$ 15	$ 5,309	$ 78	1	$ 5,403

Totals may not add due to rounding.

FCIC and RMA maintain separate accounts for S&E (appropriated), Insurance (revolving), Disaster Relief (appropriated), and Pandemic Cover Crop (appropriated) funds. The S&E fund is used to pay administrative and operating expenses of RMA. The Insurance fund is used to pay losses, A&O subsidies known as program delivery costs, and other costs authorized in the Act. All funds are currently available to FCIC except for the prior year unobligated balances in the S&E fund and temporarily sequestered amounts in the Insurance fund. Temporary reductions (sequestered funds) that were previously classified as unobligated unavailable has been reclassified as Non-Budgetary Fund Balance with Treasury.

The decrease in FBWT was primarily due to higher indemnity payments in fiscal year 2023 compared to fiscal year 2022. The higher indemnity payments were primarily due to the higher value of crops and increased participation in certain insurance products.

NOTE 4 – CASH HELD OUTSIDE TREASURY

Cash held outside of Treasury as of September 30, 2023, and 2022 is:

CASH HELD OUTSIDE TREASURY	2023 (millions)	2022 (millions)
Balance	$ 276	$ 398

Cash held outside of Treasury consist of funds in FCIC escrow accounts. The accounts are used by AIPs to pay producer losses. Accounts fluctuate as payables vary from day to day.

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable and allowance for uncollectible accounts as of September 30, 2023, and 2022 are:

Fiscal Year	Gross Accounts Receivable (millions)	Allowance for Uncollectible Accounts (millions)	Net Accounts Receivable (millions)
2023	$ 5,982	$ (15)	$ 5,968
2022	$ 5,512	$ (11)	$ 5,501

Accounts receivable includes premiums from AIPs due to FCIC. AIPs are responsible for collecting premium and paying FCIC whether they have received premium from the producer or not. Also included are amounts due from individual producers for interest, overpaid indemnities, and debts which are payable directly to FCIC. The allowance for uncollectible accounts is based on historical experience. In fiscal year 2022, farmers and ranchers faced widespread drought conditions in many parts of the nation, causing catastrophic damage to crops. FCIC provided a deferral of the collections of premiums as relief allowing AIPs to defer uncollected premiums for 60 days. The amount of deferment was approximately $4.7 billion.

There is approximately $72.2 million of criminal restitution owed to FCIC. Of this amount, only $14.4 million is currently included in the gross accounts receivable balance and is monitored by Risk Management Agency (RMA). Most of the $14.4 million is included in the calculation of the allowance for doubtful accounts. The remaining $57.9 million, has been removed from the accounts receivable balance and is categorized as Currently Not Collectible per OMB Circular No A-129, Policies for Federal Credit Programs and Non-Tax Receivables. The corresponding cases related to this amount have been turned over to the Department of Justice for monitoring and control of any collections. RMA believes the probability of significant collections for these cases are low.

NOTE 6 – GENERAL PROPERTY, PLANT, AND EQUIPMENT

General Property, Plant, and Equipment as of September 30, 2023, and 2022 is:

2023 (in millions)			
Category	**Cost**	**Accumulated Depreciation**	**Book Value**
Equipment	$ 0	$ (0)	$ 0
Internal Use Software	65	(62)	3
Internal Use Software in Development	4	0	4
Total	$ 69	$ (62)	$ 7
2022 (in millions)			
Category	**Cost**	**Accumulated Depreciation**	**Book Value**
Equipment	$ 0	$ (0)	$ 0
Internal Use Software	63	(60)	3
Internal Use Software in Development	3	0	3
Total	$ 66	$ (60)	$ 6

FCIC has implemented software to replace its reinsurance program systems. In accordance with SFFAS No. 10, *Accounting for Internal Use Software*, contractor and RMA internal staff costs related to the new system will be amortized over a period of five years.

A summary of the annual capitalization acquisitions, dispositions, revaluations, and depreciation expenses for fiscal year 2023 and fiscal year 2022 is as follows:

Net PP&E				
	2023		2022	
Balance beginning of year	$	6	$	5
Capitalized acquisitions		3		3
Dispositions		0		0
Transfers in/out w/o reimbursement		0		0
Revaluations		0		0
Depreciation expense		(2)		(2)
Donations		0		0
Other		0		0
Balance at end of year	$	7	$	6

NOTE 7 – ACCOUNTS PAYABLE

Payment of delivery costs, also known as A&O, is made in October of each fiscal year following the reinsurance year. Therefore, delivery costs are included in the accounts payable line in each fiscal year.

Total accounts payable as of September 30, 2023, and 2022 are:

Accounts Payable	2023 (millions)		2022 (millions)	
Delivery Costs	$	2,200	$	1,966
Other		1		27
Total	$	2,201	$	1,993

NOTE 8 – ESTIMATED LOSSES ON INSURANCE CLAIMS

The following tables show information for changes in the Estimated Losses on Insurance claims for fiscal year 2023 and fiscal year 2022.

Changes in Estimated Losses on Insurance Claims	2023 (millions)		2022 (millions)	
Beginning Balance	$	11,581	$	9,985
Claims Expenses		18,647		13,638
Payments to Settle Claims		(18,823)		(13,403)
Adjustments of Accruals for Estimated Losses		552		1,361
Ending Balance	$	11,957	$	11,581

The chart above provides a roll forward of the Liability for Estimated Losses on Insurance Claims from the prior year to the current year. The Claims Expenses represents actual reported. In fiscal year 2023 the actual claims reported were $5.0 billion dollars more than fiscal year 2022. This was a result of higher losses related higher commodity prices and widespread drought and excessive heat. Payments to Settle Claims are the actual payments to producers.

The Adjustment of Accrual for Estimated Losses is the reversal of the prior year accrual combined with the current year accrual for estimated losses. The indemnity projection is based on two major factors: losses due to a shortfall in yield and changes in commodity prices impacting revenue plans. The principal data source for yield projections is the NASS Crop Production report. The NASS Crop Production report is considered to represent USDA's official perspective on the current state of agricultural production. It is based on a survey of growers along with inspections of randomly selected sections of farms. Although the NASS Crop Production report is scrutinized by multiple sources, it is still an estimate and is subject to some uncertainty.

The revenue plans of insurance base their indemnities on the futures prices for specific contracts and exchanges. The best prediction of the final price for the futures contract is the most current price of the relevant commodities exchange. At the time the indemnity projection is made, up-to-date futures prices are taken from multiple exchanges. Again, this is subject to uncertainty due to fluctuations in markets.

NOTE 9 – OTHER LIABILITIES

Other Liabilities as of September 30, 2023, and 2022 consist of:

Other Liabilities, Federal and Non-Federal	2023 (millions)	2022 (millions)
Intragovernmental:		
Other Liabilities with Related Budgetary Obligations	$ 1	$ 2
Employer Contributions and Payroll Taxes	1	1
Total Other Liabilities, Intragovernmental	$ 2	$ 3
With the Public:		
Other Liabilities with Related Budgetary Obligations	0	0
Accrued Funded Payroll and Leave	3	3
Contingent Liabilities	0	0
Total Other Liabilities with the Public	$ 3	$ 3
Total Other Liabilities	$ 5	$ 6

NOTE 10 – UNDERWRITING GAIN

The liability for underwriting gain for standard agreements as of September 30, 2023, and 2022 is:

Underwriting Gain	2023 (millions)	2022 (millions)
Current Year Estimated Gains	$ 2,175	$ 1,517
Actual Underwriting Gains	1,342	2,513
Total Underwriting Gain Liability	$ 3,517	$ 4,030

At the end of fiscal year 2023, the Underwriting Gain Liability include amounts for reinsurance years 2022 and 2023. The reinsurance year 2023 estimated Underwriting Gain was $2,175 million and was based on a loss ratio of .92. The actual reinsurance year 2022 Underwriting Gain of $1,342 million was based on an actual loss ratio of 1.05 and will be paid in fiscal year 2024.

The Underwriting Gain Liability for fiscal year 2022 includes amounts for reinsurance year 2021 and 2022. The reinsurance year 2022 estimated Underwriting Gain of $1,517 million was based on an estimated loss ratio of 1.01. The actual reinsurance year 2021 Underwriting Gain was $2,513 million and was based on an actual loss ratio of 0.68 and was paid in fiscal year 2023.

NOTE 11 – UNEARNED REVENUE

Unearned revenue on September 30, 2023, and 2022 is:

Unearned Revenue	2023 (millions)	2022 (millions)
Total Unearned Revenue	$ 1,843	$ 1,694

Premium revenue is comprised of producer paid premium. Producer paid premium is recognized as earned proportionately over each crop's growing season. The portion of producer paid premium not recognized at the conclusion of the fiscal year is classified as insurance and guarantee program liabilities in the balance sheet. Most of the increase in fiscal year 2023 was due to higher premiums caused by higher crop prices.

NOTE 12 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources on September 30, 2023, and 2022 are:

Liabilities	2023 (millions)	2022 (millions)
Estimated Losses on Insurance Claims	$ 11,648	$ 11,094
Underwriting Gain	2,175	1,517
Unfunded Leave	5	4
FECA	1	2
Total Liabilities Not Covered by Budgetary Resources	$ 13,829	$ 12,617
Total Liabilities Covered by Budgetary Resources	$ 3,878	$ 5,019
Total Liabilities Not Requiring Budgetary Resources	$ 1,843	$ 1,694
Total Liabilities	$ 19,550	$ 16,330

Estimated losses on insurance claims liabilities not covered by budgetary resources were approximately $11.6 billion as of September 30, 2023, and $11.1 billion as of September 30, 2022.

Underwriting gains are paid two fiscal years after the end of the reinsurance year. Reinsurance year 2023's underwriting gain liability of $2.2 billion is considered unfunded as it is based upon estimated losses.

The Federal Employees Compensation Act (FECA) liability was $5 million for fiscal 2023 and $4 million for fiscal year 2022. Included are Intragovernmental Other Liabilities of $0.23 million for fiscal years 2023 and 2022 for an unfunded FECA liability. Unfunded annual leave is also a liability not covered by budgetary resources. Annual leave is accrued as it is earned, and the accrual is reduced as it is taken. The balances in the accrued annual leave account were adjusted to reflect current pay rates and annual leave balances.
Included liabilities that are funded and covered by budgetary resources are:

- The FCIC escrow balances of reported unpaid claims held outside of Treasury used to pay producer losses.
- The previous year's liability for underwriting gain. This liability will be paid in the year following the end of the current fiscal year.
- Accounts Payable for the AIP's delivery cost.

Included for liabilities not requiring budgetary resources is the Unearned Revenue.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

FCIC is a defendant in a litigation case arising during the normal course of business. To defend its policies and procedures, FCIC may pay litigation expenses and judgments over and above the indemnities found in the SRA for AIPs. For this reason, FCIC is consulted and approves significant decisions in the litigation process. After consultation with legal counsel, the chance of judgement against FCIC is slight based on court rulings in favor of FCIC, and therefore management believes that the loss contingency of the current ongoing case should be considered remote with no losses anticipated. FCIC has not recognized a liability in the financial statements and will continue to contest certain aspects of this case.

NOTE 14 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered Orders as of September 30, 2023, and 2022 are:

	2023 (millions)	**2022 (millions)**
Undelivered Orders, Federal, Paid	$ 4	$ 5
Undelivered Orders, Federal, Unpaid	21	22
Undelivered Orders, Non-Federal, Unpaid	68	39
Total Undelivered Orders	$ 93	$ 66

Undelivered Orders are goods and services obligated but not received as of the end of the fiscal year.

NOTE 15 – NET POSITION – STATEMENT OF CHANGES IN NET POSITION

Net position is the difference between assets and liabilities of an agency as of the financial statement date. Net position consists of cumulative results of operations and unexpended appropriations. The Cumulative Results of Operations is the net difference between expenses, net appropriations, revenue, and transfers from the inception of the program.

In fiscal year 2023 slightly less Appropriations Used was due to smaller underwriting gains obligated for reinsurance year 2022 coupled with smaller obligations for indemnities.

Cumulative Results of Operations were $889 million lower in fiscal year 2023 due to higher losses from widespread drought and excess moisture. FCIC returned $1.2 billion to Treasury in fiscal year 2023, compared to $ 7.1 billion in fiscal year 2022.

NOTE 16 – STATEMENT OF BUDGETARY RESOURCES

Budgetary Resources/Appropriations as of September 30, 2023, and 2022 are:

Budgetary Resources/ Appropriations	2023 (millions)	2022 (millions)
Appropriations Received Program Fund	$ 16,540	$ 19,476
Appropriations Received S&E Fund	67	63
Appropriations Received for Disaster Assistance Relief Program		1
Appropriations Received for Pandemic Cover Crop Program	(48)	116
Return to Treasury	(1,161)	(7,121)
Other	(8)	(8)
Appropriations	$ 15,390	$ 12,527

FCIC receives a permanent indefinite appropriation for the Insurance Fund each fiscal year for premium subsidy, reinsurance A&O reimbursement expense, and other programs specified in the Act. At the end of the fiscal year FCIC returns unobligated balances to Treasury.

The reconciliation of unobligated balances brought forward to October 1, 2023, and 2022 are:

Reconciliation to Unobligated Balance at the End of Prior Year	FY2023	FY2022
Unobligated balance, brought forward from prior year	$ 676	$ 609
Adjustments to budgetary resources made during current year		
Downward adjustment of prior year delivered orders	3	5
Other Adjustments	(1)	(1)
Unobligated Balance from Prior year budget authority, net (discretionary and mandatory)	$ 678	$ 613

NOTE 17 – DIFFERENCES BETWEEN THE SBR AND BUDGET OF THE U.S. GOVERNMENT

Fiscal Year 2022 Statement of Budgetary Resources v. President's Budget (In millions)			
	Budgetary Resources	Obligations Incurred	Net Outlays
Statement of Budgetary Resources:			
Insurance Fund	$ 19,239	$ 18,647	$ 10,796
S&E	75	69	71
Disaster Relief	1	1	0
Pandemic Cover Crop Program	129	51	51
Total	$ 19,444	$ 18,768	$ 10,918
Reconciling Items:			
Expired Accounts	(6)	(1)	0
Shared Accounts - Disaster Relief	(1)	(1)	0
Shared Accounts – Pandemic Cover Crop Program	(129)	(51)	(51)
Rounding Difference		1	1
Total	$ 19,308	$ 18,716	$ 10,868
Budget of the United States Government	$ 19,308	$ 18,716	$ 10,868

FCIC's Statement of Budgetary Resources serves as a tool to link budget execution data to information reported in the "actual" column of the Program and Financing Schedules in the Appendix of the Budget of the United States Government (referred to as the President's Budget) as well as information reported in the Report on Budget Execution and Budgetary Resources (SF-133). The permanent indefinite appropriation for the crop insurance program is used to cover premium subsidy, delivery expenses, losses exceeding premiums, and initiatives. Some reporting differences do exist between comparable amounts in the Statement of Budgetary Resources (SBR), the President's Budget, and the SF-133. The table above is a comparison of the fiscal year 2022 Statement of Budgetary Resources, and the President's Budget. The comparison between the fiscal year 2023 Statement of Budgetary Resources and the fiscal year 2023 actual numbers presented in the fiscal year 2024 Budget cannot be performed as the fiscal year 2025 Budget is not yet available. The fiscal year 2025 Budget is expected to be published in February 2024 and will be available from the Government Printing Office, https://www.whitehouse.gov/omb/budget/.

NOTE 18 – RECONCILIATION OF NET COSTS TO NET OUTLAYS

The Reconciliation of Net Costs to Net Outlays explains the relationship between the entity's net outlays on a budgetary basis and the net cost of operations during the reporting period. Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position. It presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting.

The schedule on the following page illustrates this reconciliation by listing the key differences between net cost and net outlays.

The reconciliation contains both intra-governmental and activity with the public, however the intra-governmental amounts are immaterial to total cost.

The increase in liabilities for fiscal year 2023 was primarily the result of (1) higher underwriting gain booked at the end of the fiscal year (2) higher reinsurance year 2022 projected losses due to excessive drought conditions and higher commodity prices.

The $466 million increase in fiscal year 2023 Accounts Receivable relates to the higher premiums for certain crops as the result of higher crop prices and producer participation.

Reconciliation of Net Cost to Net Outlays	2023 (millions)	2022 (millions)
Net Cost	$ 16,342	$ 13,098
Components of Net Cost Not Part of the Budgetary Outlays:		
Property, Plant and Equipment Depreciation Expense	(2)	(2)
Increase/(Decrease) in Assets:		
Accounts Receivable, Net	466	1,162
Other Assets	(1)	1
Increase/(Decrease) in Liabilities		
Accounts Payable	(209)	(232)
Insurance and Guarantee Program Liabilities	(12)	(3,099)
Federal Employee and Veteran Benefits Payable	0	0
Other Liabilities	1	3
Financing Sources:		
Imputed Cost	(6)	(4)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays:	$ 237	$ (2,171)
Acquisition of Capital Assets	3	3
Financing Sources:		
Total Components of the Budget Outlays that are not part of Net Operating Cost	$ 3	$ 3
Miscellaneous Items:		
Distributed Offsetting Receipts (SBR 4200)	0	0
Custodial/Non-exchange revenue	(6)	(12)
Total Other Reconciling Items	$ (6)	$ (12)
Total Net Outlays (Calculated Total)	$ 16,576	$ 10,918
Budgetary Agency Outlays, Net (SBR 4210)		
Budgetary Agency Outlays, Net	16,576	10,918
Reconciling Difference Between the BAR Net Outlays and SBR Budgetary Agency Outlays		

NOTE 19 – INTER-ENTITY COSTS

Goods and services are received from other federal agencies at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost in the Statement of Net Cost and are offset by imputed revenue in the Statement of Changes in Net Position. Such imputed costs and revenues relate to business-type activities, employee benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements. For fiscal year 2023, RMA recognized $6.0 million of imputed costs associated with accrued pension and post-retirement benefit expense.

NOTE 20 – COVID-19 ACTIVITY

RMA took numerous actions to provide relief in the face of the pandemic to ensure crop insurance continued to provide a farm safety-net under such unprecedented times. RMA did not initially receive direct budgetary resources to respond to COVID 19 and most of the actions provided reporting flexibilities to AIP's and producers.

Beginning FY2021, RMA was assigned to administer the Pandemic Cover Crop Program (PCCP) as part of USDA's Pandemic Assistance for Producers initiative, a bundle of programs to bring financial assistance to farmers, ranchers and producers who felt the impact of COVID-19 market disruptions. The following chart displays the impact to the financial statements:

Statement	Line Impacted	FY23 (millions)	FY22 (millions)
Balance Sheet	Fund Balance with Treasury	$ 16.4	$ 77.9
Net Cost	Gross Cost	$ 13.5	$ 51.2
Statement of Changes in Net Position	Appropriations Received	$ (48.0)	$ 116.4
Statement of Changes in Net Position	Appropriations Used	$ 13.5	$ 51.2
Statement of Budgetary Resources	Appropriations	$ (48.0)	$ 116.4
Statement of Budgetary Resources	New obligations and upward adjustments	$ 29.3	$ 51.2
Statement of Budgetary Resources	Outlays, Net	$ 13.5	$ 51.2

SECTION 3: OTHER INFORMATION (UNAUDITED)

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

FCIC is required to undergo an annual independent audit of its financial statements. In addition, FCIC is required to conduct annual assessments of internal controls over financial reporting and compliance with laws and regulations. The following tables list the results of the audit and assessments.

Table 1:

Summary of Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Table 2:

SUMMARY OF MANAGEMENT ASSURANCES					
Effectiveness of Internal Control over Financial Reporting (FMFIA Section 2)					
Statement of Assurance	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA Section 2)					
Statement of Assurance	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
N/A	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0
Conformance with Federal Financial Management System Requirements (FMFIA Section 4)					
Statement of Assurance	Federal systems conform				
Non-conformances	Beginning Balance	New	Resolved	Consolidated	Ending Balance
N/A	0	0	0	0	0
Total Non-conformances	0	0	0	0	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act		
	Agency	Auditor
1. Federal Financial Management System requirements	Compliance noted	No lack of compliance noted
2. Applicable Federal Accounting Standards	Compliance noted	No lack of compliance noted
3. USSGL at Transaction Level	Compliance noted	No lack of compliance noted

PAYMENT INTEGRITY

The Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010, the Improper Payments Elimination and Recovery Improvement Act of 2012, and the Payment Integrity Information Act of 2019 requires agencies to review programs susceptible to significant improper payments, report estimated improper payments and establish corrective actions to reduce improper payments. OMB provides guidance on measuring, reducing, recovering, and reporting improper payments through OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement* and OMB Circular A-136.

Additional information can be found in Section III of the USDA fiscal year 2023 Agency Financial Report. The following link contains more detailed information on improper payments and other information regarding improper payments not included in this report: https://paymentaccuracy.gov/.

Operational guidance for all improper payment initiatives was updated December 30, 2021.

Improper Payment Reporting

Table 1: Summary of Improper Payments Results

Agency	FY	Total Outlays (millions)	Improper Payments (millions)	Error Rate	Overpayments (millions)	Underpayments (millions)
RMA	2023	$ 14,026.89	$ 369.82	2.64%	$ 361.70	$ 8.12
RMA	2022	$ 11,824.46	$ 304.65	2.58%	$ 289.44	$ 15.21
RMA	2021	$ 11,906.40	$ 168.47	1.41%	$ 153.34	$ 15.13

RMA's overpayments and underpayments are the result of eligible policyholder's mis-certifying the information used to establish their policy (i.e., acres, share, production, etc.), not being able to support their certifications (i.e., unacceptable supporting documentation, not having supporting documentation, etc.), or processing/administrative type errors (i.e., advertent keying errors, calculation errors, procedural errors, etc.).

Actions Taken:

A large amount of RMA's improper payments resulting from the inability to access data/information are situations where policyholders could not support certifications with acceptable production evidence/records. As a result, RMA Compliance worked with the Product Management Branch to update the Apple Crop Policy record requirements for vertically integrated or direct-marketing perennial producers.

Improper payments resulting from a failure to access data/information are often the result of process and/or administrative type errors (i.e., keying errors, calculation errors, process errors, etc.,) To address these types of errors, RMA Compliance reviewed Approved Insurance Provider's (AIP's) quality control processes as part of the AIP Performance Review (APR) allowing RMA to identify potential vulnerabilities that may lead to improper payments. If vulnerabilities are identified, RMA issues APR outcomes and/or observations in which the AIP must respond with a corrective action and a timeframe for completion.

Actions Planned:

The majority of improper payments relate to the inability to access data/information were the result of policyholders over-reporting insurable acres on rainfall index plans of insurance. RMA will issue an Informational Memorandum reminding external stakeholders of procedural requirements related to acreage reporting and reiterate the importance of applying these procedures accurately to prevent improper payments.

One type of error leading to improper payments for failure to access data/information resulted from policies established under a unit structure that did not meet the qualifications. RMA policy and procedure outlines criteria that must be met to qualify for the unit structure being requested. When these qualifications are not met the result is an improper payment. To further assess improper payments associated with unit structure, RMA will conduct a program review to determine if AIPs are appropriately applying unit structure requirements.

There have been no changes in payment integrity methodologies.

RMA's comprehensive analysis of improper payment criteria relates the root cause (i.e., the type of error that led to the improper payment, who was responsible for the improper payment, and at what stage of the crop insurance life cycle the improper payment occurred) of the improper payment directly to the amount of the improper payment. This strategic assessment allows RMA to develop corrective action plans that address the root causes that result in larger amounts of improper payments. A continuous analysis of root causes and implementation of corrective actions that help remediate improper payments has allowed RMA to maintain a tolerable error for multiple years. Federal Crop Insurance is a multi-billion-dollar program. RMA's ability to maintain an improper payment error rate below three percent for the past nine years indicates the effectiveness of the measures taken to reduce improper payments.

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