U.S. Department of Agriculture
Office of Inspector General


Rural Development's Financial Statements for Fiscal Years 2024 and 2023

November 2024
Audit Report 85401-0015-11


OFFICE OF INSPECTOR GENERAL
United States Department of Agriculture

DATE: November 12, 2024

AUDIT NUMBER: 85401-0015-11

TO: Dr. Basil Gooden
Under Secretary
Rural Development

ATTN: Cara LeConte
Chief Financial Officer
Rural Development

FROM: Janet Sorensen
Assistant Inspector General for Audit

SUBJECT: Rural Development's Financial Statements for Fiscal Years 2024 and 2023

This report presents the results of our audits of Rural Development's financial statements for the fiscal years ending September 30, 2024 and 2023. This report contains an unmodified opinion on the consolidated financial statements, as well as the results of our assessments of Rural Development's internal control over financial reporting and compliance with laws and regulations. Your response is included in its entirety in Exhibit A.

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

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Independent Auditor’s Report

Dr. Basil Gooden
Under Secretary
for Rural Development

In our audits of the fiscal years 2024 and 2023 consolidated financial statements of Rural Development, we found:

- Rural Development’s consolidated financial statements as of and for the fiscal years ended September 30, 2024 and 2023, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;

- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and

- no reportable noncompliance for fiscal year 2024 with selected provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the consolidated financial statements, which includes an other-matter paragraph, and a section on required supplementary information (RSI); (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements; and (4) management’s response.

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Rural Development, which comprise the consolidated balance sheets as of September 30, 2024 and 2023; the related consolidated statements of net cost, and changes in net position, and the combined statements of budgetary resources for the fiscal years then ended; and the related notes to the consolidated financial statements (hereinafter referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rural Development, as of September 30, 2024 and 2023, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with 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. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of Rural Development and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

Interactive Data

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles;

- preparing, measuring, and presenting RSI in accordance with U.S. generally accepted accounting principles;

- preparing and presenting other information included in Rural Development's agency financial statements, and ensuring the consistency of that information with the audited consolidated financial statements and the RSI; and

- designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Our objectives are to (1) obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards, and OMB Bulletin No. 24-02 will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards, and OMB Bulletin No. 24-02, we:

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

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

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

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

- Perform other procedures we consider necessary in the circumstances.

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

Required Supplementary Information

U.S. generally accepted accounting principles issued by FASAB require that the RSI[1] be presented to supplement the consolidated financial statements. Such information is the responsibility of management and, although not part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the consolidated financial statements in appropriate operational, economic, or historical context.

[1] RSI consists of Management's Discussion and Analysis and the Combining Statement of Budgetary Resources by Major Fund, which are included with the financial statements.

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

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies[2] in internal control that might be material weaknesses[3] or significant deficiencies[4] or to express an opinion on the effectiveness of Rural Development's internal control over financial reporting. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Rural Development management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In planning and performing our audit of Rural Development's consolidated financial statements as of and for the fiscal year ended September 30, 2024, in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 24-02, we considered Rural Development's internal control relevant to the consolidated financial statement audit in order to design audit procedures that are appropriate in the circumstances, for the purpose of expressing an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rural Development's internal control over financial reporting. Accordingly, we do not express an opinion on Rural Development's internal control over

[2] 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.

[3] 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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

[4] 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.

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, such as those controls relevant to preparing performance information and ensuring efficient operations.

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

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2024 that would be reportable under U.S. generally accepted government auditing standards or OMB Bulletin 24-02. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to Rural Development. Accordingly, we do not express such an opinion.

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

Rural Development's management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to Rural Development.

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

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

The purpose of the "Report on Internal Control Over Financial Reporting" and the "Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements" sections is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rural Development's internal control over financial reporting or compliance. These reports are an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 24-02 in considering Rural Development's internal control over financial reporting and compliance. Accordingly, these reports are not suitable for any other purpose.

Management's Response

Management's response to the report is presented in Exhibit A. Rural Development's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

Janet Sorensen
Assistant Inspector General for Audit
Washington, D.C.
November 6, 2024

Abbreviations

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

Rural Development's
Response to the Audit Report

Rural Development Business Center

Chief Financial Office

1400 Independence Ave SW, RM 6950-S
Washington, DC 20250

November 6, 2024

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

FROM: Dr. Basil Gooden
Under Secretary
Rural Development

Cara LeConte, CPA
Chief Financial Officer

SUBJECT: Response to Audit Report on
Rural Development's Fiscal Years 2024 and 2023
Financial Statements

We have reviewed the Office of Inspector General Report on the Rural Development Fiscal Years 2024 and 2023 Financial Statements, Report on Internal Control Structure Over Financial Reporting, and the Report on Compliance with Laws and Regulations and concur with the findings in the report. We will continue with actions planned and in progress to address the outstanding findings.

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

Rural Development's
Fiscal Years 2024 and 2023
Consolidated Financial Statements

Prepared by Rural Development

USDA Rural Development
U.S. DEPARTMENT OF AGRICULTURE

FINANCIAL STATEMENTS

Fiscal Years 2024 and 2023

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

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2024, AND 2023

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Rural Development
Management's Discussion and Analysis (Unaudited)

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

Mission Statement

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

Strategic Goal

Rural America provides the Nation's food and energy resources, produces the fiber for goods and manufacturing, contributes more than 35 percent of the Nation's military members, and operates about 80 percent of the Nation's critical infrastructure lifelines. Unfortunately, it is also where the country's majority of underserved communities and persistently poor families reside and where repeat disaster losses and climate change risks occur. It is also home to the country's fastest aging population and the majority of the Nation's aging infrastructure. RD is taking bold action to promote rural prosperity and economic development by providing technical assistance and financing investments in rural water, electric, broadband, housing, community facilities, local and regional food systems, and rural businesses and cooperatives. RD will leverage funds, stimulate private-public partnerships, and collaborate with communities to increase economic opportunities in underserved communities and build rural infrastructure. This includes working with Federal partners and various stakeholder groups to help rural and Tribal communities thrive.

Organizational Structure

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

Rural Development Programs Performance

RD programs provide loans and grants to rural people and develops partnerships with local leaders to promote growth and prosperity for rural families and local communities. The table below reflects Rural Development's Total Loan Portfolio from fiscal year 2022 through 2024. In fiscal year 2024, Rural Development's total loan portfolio was $221.2 billion, which included $112.2 billion in direct loans and $109 billion in guaranteed loans.

Total Loan Portfolio as of September 30, 2024*
FY's 2022 Through 2024
(Dollars in Billions)

	FY 2022	FY 2023	FY 2024
Direct Loans			
Water & Environmental	$13.2	$13.6	$14.3
Electric	53.4	56.3	58.6
Telecommunications	2.3	2.2	2.2
Business Programs	0.7	1.0	1.1
Single Family Housing	13.0	14.0	14.4
Multi-Family Housing	9.6	9.3	9.1
Community Facilities	11.6	12.0	12.5
Total Direct	103.8	108.4	112.2
Guaranteed Loans			
Water & Environmental	$0.1	$0.1	$0.1
Electric	0.2	0.1	0.1
Business Programs	7.5	8.5	8.8
Single/Multi-Family Housing	101.8	101.7	98.9
Community Facilities	1.0	1.1	1.1
Total Guaranteed	110.6	111.5	109.0
Total Loan Portfolio	**$214.4**	**$219.9**	**$221.2**

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

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

RURAL DEVELOPMENT PERFORMANCE SCORECARD FOR FY 2024

	FY 2024 Target	FY 2024 Actual	Results
E-Connectivity: Number of households with potential access to RD-funded new and/or improved e-connectivity services (thousands)	125	26.8	Unmet
Equity in Field-Based Programs: Engagement of underserved, socially disadvantaged and vulnerable rural and Tribal communities in field-based programs, and investment in these designated communities. (EC= Equity Communities)	92 EC/$60M	125EC/$238M	Met
Distressed Communities Assistance: Percentage of RD assistance that went to distressed communities (measured at the zip code level)	30%	24%	Unmet
Non-Federal Funding: Percentage of Rural Development Commercial and Infrastructure Investments that Leverage Non-Federal Funding in Distressed and Socially Vulnerable communities	70%	172%	Met
Energy Communities: Percentage of total investments made into Energy Communities, as defined by the Inflation Reduction Act, through Rural Development Programs	19%	23%	Met
OneRD Customer Experience: Percentage of OneRD customers whose application processing time (receipt to Conditional Commitment) does not exceed 30 days. Part 2: Percentage of OneRD program customer (lender) satisfaction survey ratings of 4 or above	Processing: 65% CX: 70%	Processing:21% CX: 41%	Unmet

RD did not meet all of its performance goals under USDA's new strategic plan (3 out of 6). The new Strategic Plan launched in April 2022 with new key performance indicators for Rural Development.

RD supports the achievement of goal 5: Expand Opportunities for Economic Development and Improve Quality of Life in Rural and Tribal Communities.

E-connectivity target was unmet. General barriers to meeting this target include delays in funding announcements, high level of applications that need to be reviewed, and length of time required to conduct environmental reviews. The majority of Round 5 ReConnect projects will not be obligated until the first quarter of FY25.

The Distressed Communities target was unmet. The target set for FY 24 was ten percentage points higher than the 5-year baseline for investments in Distressed Communities. The target was purposefully aspirational. RD will continue to target investment in Distressed Communities with the goal of increasing the percentage of funding invested in these communities. Limited staffing to fully engage Distressed Communities and limited grant funding made it difficult to reach the FY 2024 target.

OneRD Customer Experience targets were unmet. Progress has been made in both processing times and customer satisfaction but delays in environmental reviews and insufficient staffing created a setback in meeting the FY 2024 targets. A key barrier is lack of funding to meet demand for B&I guarantees. The change to the OneRD approach has increased demand for the program. RD lacks the staff to meet customer expectations. One issue raised by customers is the time it takes for RD to complete environmental reviews and a perceived higher level of documentation in reaction to recent State Internal Reviews. OneRD system automation is still unfunded.

The USDA Annual Performance Plan will be published to the USDA website by January 31, 2025.

Future Opportunities and Challenges

Opportunities

Rural Development successfully transitioned staff and customers through the COVID -19 pandemic and are now focused on the opportunities that have come out of COVID-19 for rural communities. During the pandemic, companies across the country were forced to close their physical work locations, but some were able to leverage technology to continue operating by having their employees work remotely. Remote work offers new opportunities for rural communities where people can work from a rural area for a non-rural based company. RD continues to leverage its funding programs to assist rural communities in both taking advantage of these opportunities as well as addressing challenges related to meeting the infrastructure needs of in-migration – affordable housing, broadband, water and electric.

The Innovation Center's Data Analytics Division created the Rural Data Gateway which hosts public-facing dashboards featuring over 15 dynamic visualizations of RD investments. The Rural Data Gateway strengthens USDA Rural Development partnerships with rural people, entrepreneurs, government officials and Congress by making RD's data more available and easier to access. It features Rural Investments Dashboards that significantly expand access to RD financial data through an easy-to-use interface that allows data from more than 65 RD programs to be viewed and downloaded. The Gateway and dashboards will help USDA get more resources to the people who need them in rural places.

Challenges

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

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

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

Rural Development Programs

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

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

RD Priorities Framework

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

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

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

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

RD Creating Opportunities thought Rural Engagement (CORE)

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

Justice40 Initiative

Through the Justice40 Initiative, Federal agencies identify programs that make covered investment benefits in one or more of seven areas, including Climate Change, Clean Energy and Energy Efficiency, Affordable and Sustainable Housing, and Critical Clean Water and Waste Infrastructure. The goal is to secure environmental justice and spur economic opportunity for disadvantaged communities that have been historically marginalized and overburdened by pollution and underinvestment in housing, transportation, water and wastewater infrastructure, and health by ensuring that 40 percent of the overall benefits of the covered programs accrue to disadvantaged communities. Disadvantaged Community as defined by the Climate and Economic Justice Screening Tool (CEJST), from the White House Council on Environmental Quality (CEQ). CEJST is a tool to help Federal agencies identify disadvantaged communities that will benefit from programs included in the Justice40 initiative. Census tracts are considered disadvantaged if they meet the thresholds for at least one of the CEJST's eight (8) categories of burden: Climate, Energy, Health, Housing, Legacy Pollution, Transportation, Water and Wastewater, or Workforce Development.

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

Climate

In fiscal year 2022, per Executive Order (E.O.) 14008 Tackling the Climate Crisis at Home and Abroad and USDA Departmental Regulation DR 1070-001, RD developed a Climate Adaptation Plan to address, promote and prioritize climate resilience. The plan outlines actions and implementation steps to address climate impacts and vulnerabilities for RD programs. RD's plan can be found at www.usda.gov/oce/energy-and-environment/climate/adaptation.

As part of the Climate Adaptation Plan, RD has several ongoing program initiatives that focus on specific climate combating priorities in distressed and disadvantaged communities. RD uses a priority point system that helps direct funding to communities most vulnerable to climate crisis. To qualify for loans, grants or technical assistance associated with climate, the below priorities must be considered:

- Project located in or serves a Disadvantaged Community as defined by the Climate and Economic Justice Screening Tool (CEJST).
- Project located in or serves an Energy Community as defined by the Inflation Reduction Act (IRA).
- Considerations will be made based on demonstration through written narrative on how the proposed climate impact projects improve the livelihoods of community residents and meet pollution mitigation or clean energy goals.

RD's programs contribute to major investments in climate-oriented initiatives. For example, the Inflation Reduction Act of 2022 provided funding for climate combating initiatives along with expanding RD Energy Programs authorized by the Agriculture Act of 2014. New programs continue to be added to RD's portfolio with climate as a key priority. These programs provide loans, grants or technical assistance with focus on expansion of clean energy, transformation of rural power production, creation of jobs and economic growth and support for rural communities. In FY 2024 Rural Utilities Services (RUS) authorized over $2.6 billion in funding for the Powering Affordable Clean Energy (PACE) program. Rural Business and Cooperative Service (RBCS) authorized over $1 billion for Renewable Energy in loan guarantees. In addition, numerous grants were funded in FY 2024 with focus on climate. Under RUS, the Rural Electrification and Telecommunication Program has authorized over $9.7 billion in budget authority for loans and grants as part of the Empowering Rural America (ERA) energy program. These programs and investments will allow rural communities to transition to clean, affordable and reliable energy.

A list of additional programs offering priority points for climate in fiscal year 2024 can be found on RD's webpage under About RD Key Priorities.

OneRD Guarantee Program

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

- Water and Waste Disposal Guaranteed Loan Program
- Community Facilities Guaranteed Loan Program,

- Business and Industry Loan Guarantee Program,
- Rural Energy for America Guaranteed Loan Program.

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

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

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

Continuing to engage with stakeholders, in FY 2024, the Mission Area held several training sessions. In mid-March, RD hosted an internal update to the RD staff members on various topics. The following day, RD held a session for current or prospective OneRD lenders to join the program leadership who provided updates on various topics and listen to their feedback. On March 14, 2024, the agency held a session seeking participants for a Lender Forum to better understand the data and tools needed by participating lenders, purchasers of guaranteed loans, and other stakeholders on the OneRD Guaranteed website. Demand for the program has increased since the launch of OneRD, particularly for Business and Industry Guarantees.

In FY 2024, as of the end of July, the programs have obligated the following totals:

- Guaranteed Water and Waste Disposal Loans: $3.3 million across five obligations

- Guaranteed Community Facility Loans: approximately $32.3 million across four obligations
- Guaranteed Rural Energy for America Loans:
  - Guaranteed Renewable Energy Loans: Mandatory: $246.0 million across 25 obligations
  - Guaranteed Renewable Energy and Energy Efficiency Loans: $46.2 million across eight obligations
  - 2018 Farm Bill 15% Mandatory Energy Efficient Equipment Guaranteed Loans: $39.1 million across four obligations
- Guaranteed Business and Industry (B&I) Loans
  - Guaranteed B&I 1% Loans: $210.8 million across 23 obligations
  - Guaranteed B&I 3% Loans: $1,280 million across 160 obligations

Business and Industry (B&I) Guarantee Loan Program

Main street businesses give communities character. The purpose of the Business and Industry (B&I) Guaranteed Loan Program is to improve the economic and environmental climate in rural communities through the development, improvement, or financing of business, industry, and employment. Over the last five completed fiscal years, from FY 2019 to 2023, the B&I Guaranteed program has obligated over $9.3 billion through over 1,780 guaranteed loans, this includes 1% regular and Native American loans, 3% loans, and 20/21 Multiyear CARES loans. In 2024, the agency published a final rule in the Federal Register on November 24, 2023, to amend the interim rule published on May 22, 2020. This final rule addresses the flexibility to obligate funds pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in response to the national COVID–19 pandemic; it applies to those applications submitted from May 22, 2020, until September 15, 2021. On December 07, 2023, the agency published a notice in the Federal Register (88 FR 85207) regarding the minimum priority scoring for the B&I program in 2024 due to strong demand for program funds.

Rural Housing Insurance Fund

The single-family housing direct loan program contributes to the Justice 40 Initiative and Equity while the guaranteed loan programs will contribute to Equity.

- **Single Family Housing Direct Loans**

  In 2023, the program obligated almost $1.7 billion across 7,119 loans in the Section 502 Direct Loan portfolio; this does not include nine loans totaling $9 million for the SFH Relending Program. However, the above total does include $784.5 million for the 21/23 Refinance ARPA loans and from this total $36.3 million for 187 loans were in persistent poverty areas. In FY 2024, the agency published several documents in the Federal Register regarding the SFH Direct Loan Program. On October 5, 2023, RHS published an extension to the comment period of the proposed rule regarding updating manufactured housing provisions, affording the public additional time to review and provide comments on the proposed changes. In November, RHS published a proposed rule on the streamlining and improvement of the Single-Family Housing Direct programs. Lastly, in December 2023, the agency published a notification of waivers for a pilot for the program to test alternative eligibility criteria related to community representation for Community Land Trust (CLT) organizations. As of the end of July, in FY 2024, the agency has obligated just under $780.3 million across 3,096 loans. Also, as note, there are no ARPA funds this year.

- **Single Family Housing Guaranteed Loan Program (SFHGLP)**
  The program provides low- and moderate-income rural families access to mortgage credit by guaranteeing loans issued by agency-approved private sector lenders. The SFH Guarantee Loan Program continues to advance the strategic goal of creating prosperity in rural America by addressing the critical need for credit access in rural areas. Without the USDA loan guarantee lenders will not extend mortgage credit to tens of thousands of creditworthy low- and moderate-income rural Americans who cannot meet down payment requirements and would not have homeownership opportunities in 2025. The agency obligated $6.8 billion in 2023. The demand for the guaranteed loan program has decreased significantly over the past two years, mainly because rising interest rates and price increases associated with limited housing inventory have contributed to historic industry lows in housing affordability, which negatively affects the obligations associated with this program. The proposed rule comment extension for updating manufactured housing provisions mentioned above in the direct programs also impacts the guaranteed program. On July 24, 2024, the agency published a notification in the Federal Register regarding the Single-Family Housing Guaranteed Housing Payment Supplemental Account Demonstration Program, a new loss mitigation retention option. In FY 2024, as of the end of July, the RHS obligated just under $5 billion.

Telecommunications Programs

- **Distance Learning and Telemedicine (DLT)**
  USDA RD's high-speed internet loans and grants, such as DLT, is a program that supports educational and health care needs. The DLT Program supports rural schools and learning centers gaining access to improved educational resources. Distance learning projects provide funding for Internet-based educational services in schools and libraries and promote confidence in, and understanding of, the Internet and its benefits to students and young entrepreneurs. Grants through this program are also being used to address the nation's need for additional science, technology, engineering, and mathematics (STEM) educational resources. Additionally, the program meets the health care needs of rural America by providing grants for advanced telecommunications technologies. Telemedicine can help hospitals meet operational and financial challenges by helping to increase volume, improve quality, and save on staffing costs. Even small rural hospitals can expand to provide highly specialized health services and expertise without the tremendous costs of incentivizing and relocating specialty physicians. In February 2024, RUS published a solicitation for applications for the program in the Federal Register. In June 2024, RUS held two virtual listening sessions to obtain stakeholder feedback about the Distance Learning and Telemedicine program; this was announced via the Federal Register on May 28, 2024. As of the end of July 2024, RUS has obligated $11.3 million across various DLT grants to

include regular, opioid epidemic, and substance use disorder grants with the majority of grants, $6 million being awarded under the regular telemedicine program

- **Broadband**
  In the past eight years, the telecommunications program has invested more than $4.3 billion in grant funding for Broadband and Reconnect programs. On February 21, 2024, RUS announced the acceptance of applications for the ReConnect program for FY 2024. The loan and grant funds will be awarded to qualified applicants to fund the costs of construction, improvement, or acquisition of facilities and equipment needed to provide broadband service in eligible rural areas. In facilitating the expansion of broadband services and infrastructure, the program will fuel long-term rural economic development and opportunities in rural America. As of the end of July, regarding Broadband funding, RUS obligated $43.3 million in the Broadband Telecommunications Grants Pilot Program, $250 million in the Pilot Program 100% Grants, $10.6 million in the Direct Loans- 2% Loans Pilot Program, and $58.1 million in the Direct Loans-Loan/Grant Pilot Program.
- **Broadband Technical Assistance (BTA)**
  The BTA Program provides competitive cooperative agreement funding to eligible entities to receive or deliver broadband technical assistance and training that promotes the expansion of broadband into rural areas. On June 21, 2024, the RUS published a notice in the Federal Register announcing the acceptance of applications for FY 2024 for this program. Broadband technical assistance activities include, but are not limited to, project planning and community engagement, financial sustainability, environmental compliance, construction and engineering planning, accessing federal resources, and data collection and reporting.

Infrastructure Investment and Jobs Act (IIJA)

On November 15, 2021, President Biden signed into law the Infrastructure Investment and Jobs Act (IIJA; P.L. 117-58). The act provides funding for the Nation's infrastructure, including roads, highways, electric systems, and railway systems. The act also funds programs administered by USDA that deploy rural broadband, protect watersheds, and create a new bioproduct pilot program. IIJA provides $2 billion for rural broadband programs, $918 million for watershed programs, and $10 million for a new bio-product pilot program. In FY 2024, as of the end of July, the ReConnect 100% Grant IIJA program obligated 100 percent of the $128,943,877 allotted.

Inflation Reduction Act Funding (IRA)

In August 2022, Congress passed the Biden-Harris Administration's historic legislative package known as the Inflation Reduction Act (IRA) to reduce energy costs for families and create thousands of good-paying jobs for people across rural America. IRA represents the largest single investment in rural electrification since President Franklin Delano Roosevelt signed the Rural Electrification Act into law in 1936. Sections 22001 through 22004 of IRA provide new loan and grant products and unprecedented incentives to expand clean energy, transform rural power production, create jobs, and spur economic growth to be offered by USDA Rural Development's Rural Utilities Service (RUS) and Rural Business-Cooperative Service (RBCS). There is a family of four programs under the IRA, two of these programs are new for the Agency and they are described first in the list below.

- **Powering Affordable Clean Energy (PACE)**
  The Powering Affordable Clean Energy (PACE) program (section 22001) is part of IRA that makes it more affordable for rural Americans to use clean, reliable energy to heat and cool their homes, run their businesses, and power their cars, schools, and hospitals. With $1 billion in funding, PACE helps make clean, affordable, and reliable energy accessible to the people of rural America. Under PACE, RUS will forgive up to 60 percent of loans for renewable energy projects that use wind, solar, hydropower, geothermal, or biomass, as well as for renewable energy storage projects. USDA has defined three levels of forgiveness, up to 20%, up to 40%, and up to 60%; each of these categories have varying requirements. RUS published notices in the Federal Register soliciting Letters of Interest (LOIs) for loan applications for the PACE program. These announcements occurred on May 16, 2023; June 16, 2023; and July 5, 2023. As of the end of July 2024, the agency obligated $138.2 million toward the IRA PACE program across five obligations.

- **Empowering Rural America (New ERA)**
  The Empowering Rural America program (section 22004), a $9.7 billion program helps rural Americans transition to clean, affordable, and reliable energy. By reducing air and water pollution, New ERA funding improves health outcomes and lower energy costs for people in rural communities. New ERA program funding is available to member-owned rural electric cooperatives, which have been the backbone of America's rural power delivery for nearly a century. This program offers several types of financial tools: loans only, grants only, loan and grant combinations, as well as loan refinancing or loan modifications. RUS announced its intent to solicit letters of interest (LOIs) for applications under the New ERA program as well as how to submit the LOI and add an extension of time; these were published in the Federal Register on May 16, 2023, June 16, 2023, and on July 27, 2023. RUS will utilize the New ERA funds to assist eligible entities to achieve the greatest reduction in Greenhouse Gas (GHG) emissions while advancing the long-term resiliency, reliability, and affordability of rural electric systems. There is no execution in the program for FY 2024 as of the end of July.

- **Rural Energy for America Program (REAP)**
  With the passage of the Inflation Reduction Act, section 22002 provided the Rural Energy for America Program (REAP) over $2 billion for renewable energy systems and energy efficiency improvement grants for agricultural producers and rural small business owners through 2031 with $303 million set aside for underutilized technologies and technical assistance. This legislation reflects the goals of the Biden-Harris administration by addressing both immediate economic needs. This investment positions RD to achieve the greatest reduction in carbon dioxide, methane, and nitrous oxide emissions that we've ever seen, in collaboration with the other IRA investments. State Directors award priority points to projects aligned with the Mission Area's priorities of climate, equity, opportunity.

RBCS published two funding opportunity notices and a correction notice in the Federal Register for REAP for Fiscal Years 2023 and 2024; they were published on December 16, 2022, then March 31, 2023, and the correction notice was published May 31, 2023. Additionally, the RBCS published notices in the Federal Register on February 20, 2024, for the REAP Technical Assistance Grant (TAG) program for FY 2024. The REAP TAG funds will go to eligible applicants with priority for applications that: assist Agricultural Producers and Tribal entities, provide assistance to projects located in a Disadvantaged Community or a Distressed Community, support projects using Underutilized Renewable Energy Technologies (UT), and/or support grant applications of $20,000 or less. The RBCS extended the original deadline. On July 15, 2024, RBCS published a notice in the Federal Register regarding a processing timeline change for the program in FY 2024. RBCS will continue processing FY 2024 applications received through June 30, 2024, until December 31, 2024. Unlike many prior years, National Office pooling of Unrestricted Funding is estimated to occur within the first quarter of the 2025 calendar year. To carry out the IRA's intention to have set aside competition for UT, the Agency anticipates holding National Office competitions, exclusively for projects proposing the use of UT through the end of FY 2024, as needed. As of the end of July, RBCS obligated $7.5 million for Energy Efficiency Improvement (EEI) grants $20K or less-IRA, $336.1 million for EEI grants unrestricted amount-IRA, and $12.4 million for REAP Underutilized Technology 24/31.

- **Higher Blends Infrastructure Incentive Program (HBIIP)**
  HBIIP received $500 million, under section 22003 of the Inflation Reduction Act of 2022, in competitive grants to eligible entities for activities designed to expand the sales and use of renewable fuels. The purpose of the HBIIP is to significantly increase the sales and use of higher blends of ethanol and biodiesel by expanding the infrastructure for renewable fuels derived from U.S. agricultural products. The program is also intended to encourage a more comprehensive approach to market higher blends by sharing the costs related to building and/or retrofitting biofuel-related infrastructure. The expansion of biofuel infrastructure, as facilitated by HBIIP, broadens the availability of renewable fuels like E15, E85, and B20, and helps American families save money at the pump while simultaneously reducing carbon emissions and harmful tailpipe pollution. Expanded use of higher blends of biofuels also boosts the availability of skilled jobs with good wages in rural communities. On June 28, 2023, the agency published a notice in the Federal Register announcing the availability of $450 million in IRA funding for the HBIIP grant program with $90 million available each quarter. The approximate allocation of funding is $67.5 million to transportation fueling facilities, $18 million to fuel distribution facilities, and up to $4.5 million to home heating oil distribution facilities. The application windows for enrollment take place quarterly from July 1, 2023, through September 30, 2024, with the possibility of a sixth application window if the funding has not been exhausted. RBCS plans on making awards approximately 90-180 days after the application deadline. In FY 2023, the Agency obligated $36.8 million and approximately $35.1 million of these obligations were funded with IRA dollars. As of the

end of July 2024, the Agency has obligated about $146.5 million with approximately $125.2 million of those obligations funded with IRA dollars.

Financial Highlights

Fiscal Year Ending September 30th (Dollars in Millions)	FY 2024	FY 2023
Total Assets	$148,237	$146,077
Total Liabilities	$123,307	$119,710
Total Net Position	$24,930	$26,367
Total Net Cost of Operations	$4,898	$2,687
Total Budgetary Resources	$49,865	$51,239

Rural Development had total assets of $148,237 million at the end of FY 2024 which is up from $146,077 million in FY 2023, an overall increase of $2,160 million. The increase is mainly attributed to Loans Receivables which increased by $2,987 million with the increase being most noticeable within the Electric program. Negative Liability for Loan Guarantees and FBWT had decreases of $784 million and $112 million, respectively, while Property, Plant and Equipment increased by $67 million.

Total Liabilities of $123,307 million in FY 2024 increased from $119,710 million in FY 2023, an increase of $3,597 million. Debt contributed to majority of the variance increasing by $5,249 million. The increase was a result of increased borrowings from Treasury and the Federal Financing Bank. Downward Reestimates Payable to Treasury and Resources Payable to Treasury decreased by $1,362 million and $357 million, respectively.

Total Net Position decreased $1,437 million in FY 2024 compared to FY 2023. The change in the Net Position is caused by an increase in Unexpended Appropriations of $1,385 brought forward to FY 2024 and a $1,962 million decrease in Appropriations received. The additional change is attributed to a decrease in the overall Cumulative Results of Operations of $790 million from FY 2023 mostly due to a decrease in Other Financing Sources and an increase in Net Cost of $(1,074) million and $2,211 million, respectively.

Total Net Cost of Operations increased $2,211 million. Total Gross Costs increased by $2,471 million due to an increase in loan subsidies related to reestimates. Total Gross Costs were offset by a $260 million increase in Earned Revenues in FY 2024 compared to FY 2023.

Total Budgetary Resources decreased by $1,374 million. The budgetary accounts decreased by $2,653 million while the non-budgetary accounts increased by $1,279 million. Rural Development did not receive the same level of appropriations in FY 2024 which contributed to most of the decrease in the budgetary accounts. There was also a decrease in Unobligated Balance from Prior

Year Authority within the budgetary accounts indicating more resources were expended in the prior fiscal year so less was brought forward to FY 2024. The increase in the non-budgetary accounts was mostly due to an increase in Unobligated Balance from Prior Year Budget Authority.

Principal Financial Statements

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

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

Management Assurances

Federal Managers' Financial Integrity Act (FMFIA)

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

RD Management has conducted its annual evaluations of internal controls, enterprise risk, and financial systems pursuant to Section 2 and Section 4 of the FMFIA, Section 803(a) of the Federal Financial Management Improvement Act (FFMIA), and in accordance with OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management (ERM) and Internal Control, for the period ended September 30, 2024. RD's ERM framework includes a risk taxonomy which provides a consistent structure for identifying, classifying, and addressing risks across the diverse mission of RD. Based on the results of the evaluations, RD provides reasonable assurance that the overall system of internal controls is operating effectively.

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

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

In FY 2024, there were no new material weaknesses.

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

In FY 2024, there were no new non-conformances, and no new consolidated non-conformances identified.

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

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

Program Loan Accounting System (PLAS)
The PLAS system supports multiple functional areas for RD direct loan and grant programs – Water and Environment Programs, Community Facilities Program and Business Programs (BP) – and the Farm Loan Program (FLP) of the Farm Services Agency (FSA) in the Farm Production and Conservation (FPAC) Mission Area. In addition to loan and grant functionality, PLAS also supports General Ledger functionality for RD and FPAC. Efforts are underway to document PLAS functionality leading to the eventual retirement of this outdated system. As the two mission areas work together to plan for PLAS retirement, the Focal Interest tables (used to calculate interest payments in PLAS) will be updated prior to their expiration in December 2025. Additionally, PLAS loan accounting / servicing solutions are being considered, and general ledger functionality replacement will be integrated with USDA's Financial Management Improvement Initiative (FMMI).

Automated Multi-Family Accounting System (AMAS)

AMAS is used to support direct loans and grants for the Rural Development MFH programs, including the Rental Assistance programs. Efforts are underway to document AMAS functionality leading to the eventual retirement of this outdated system.

Guaranteed Loan System (GLS)
GLS is used to support guaranteed loans for RD and Farm Loan programs. Additionally, GLS is used to support the applications related to some direct loans and grants for RD Business Programs and Community Facilities Programs. GLS provides a front-end interface with Rural Development guaranteed lenders and underwriting systems.

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

LoanServ
LoanServ is a commercial mainframe product. It records and manages obligations, disbursements, collections, and servicing for Rural Development SFH programs, including collecting and disbursing borrower escrow payments. LoanServ also provides the interfaces to taxing authorities, insurance providers, credit bureaus, the U.S. Department of Treasury for the Treasury Offset Program and Cross Servicing for Guaranteed Loss Claims, and other entities which assist in providing a secure and robust loan servicing system.

Program Funds Control System (PFCS)
PFCS is a WEB-based financial management system designed to consolidate and reengineer the funding controls for multiple loan programs at FSA and RD. As such, PFCS is designed to provide tools that support the budgetary and programmatic control of loan-related funds. In addition, PFCS is designed to reduce the processing time required for approving these loans and thus improve program delivery to USDA customers. PFCS replaced two existing legacy funds control systems that are mainframe-resident. The new system provides overall agency fund control through interfaces with five major loan accounting systems, allows timely implementation of new loan and grant programs, and provides timely obligation and funding data for senior program managers.

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

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

Compliance with Laws and Regulations

RD reports no new non-compliances during FY 2024. RD management evaluated its financial management systems under FFMIA for the period ended September 30, 2024. Based on the results of its evaluation, RD is in substantial compliance with the Federal Financial Management Systems Requirements, Applicable Federal Accounting Standards, and the Standard General Ledger at the transaction level.

Payment Integrity Information Act of 2019

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

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

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

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2024 AND 2023
(In Millions)

	2024	2023
Assets (Note 2):		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 3)	$ 35,650	$ 35,762
Accounts Receivable, Net (Note 5)	1	6
Total Intragovernmental Assets	35,651	35,768
Other than Intragovernmental Assets:		
Cash and Other Monetary Assets (Note 4)	85	78
Loans Receivable, Net (Note 6)	110,645	107,658
Negative Liability for Loan Guarantees (Note 6)	1,702	2,486
Property, Plant, and Equipment, Net (Note 7)	154	87
Total Other than Intragovernmental Assets	112,586	110,309
Total Assets	**148,237**	**146,077**
Liabilities (Note 8):		
Intragovernmental Liabilities:		
Debt (Note 9)	116,542	111,293
Other Liabilities		
Resources Payable to Treasury	4,966	5,323
Downward Reestimates Payable to Treasury General Fund	1,262	2,624
Other Liabilities (Note 11)	26	21
Total Intragovernmental Liabilities	**122,796**	119,261
Other than Intragovernmental Liabilites:		
Accounts Payable	154	80
Federal Employee Salary, Leave, and Benefits Payable (Note 10)	62	75
Post-Employment Benefits Payable (Note 10)	26	26
Advances from Others and Deferred Revenue	(8)	(7)
Other Liabilities (Note 11)	277	275
Total Other than Intragovernmental Liabilities	511	449
Total Liabilities	**123,307**	**119,710**
Commitments and Contingencies (Note 13)		
Net Position:		
Unexpended Appropriations	24,142	24,789
Cumulative Results of Operations	788	1,578
Total Net Position	**24,930**	**26,367**
Total Liabilities and Net Position	**$ 148,237**	**$ 146,077**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
CONSOLIDATED STATEMENTS OF NET COST
FOR THE YEARS ENDING SEPTEMBER 30, 2024 AND 2023
(In Millions)

	2024	2023
Gross Costs (Note 14)		
Borrowing Interest Expense	$ 3,336	$ 3,583
Grants	3,413	2,934
Loan Cost Subsidies	1,020	(1,103)
Other	969	853
Total Gross Costs	**8,738**	**6,267**
Less Earned Revenues (Note 14)	3,840	3,580
Net Cost of Operations	**$ 4,898**	**$ 2,687**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDING SEPTEMBER 30, 2024 AND 2023
(In Millions)

	2024	2023
Unexpended Appropriations:		
Beginning Balances	$ 24,789	$ 23,404
Adjustments:		
Beginning Balances, as Adjusted	$ **24,789**	$ **23,404**
Appropriations Received	5,166	7,128
Appropriations Transferred In/Out	(11)	(21)
Other Adjustments	(143)	(19)
Appropriations Used	(5,659)	(5,703)
Total Unexpended Appropriations	$ **24,142**	$ **24,789**
Cumulative Results of Operations:		
Beginning Balances	$ 1,578	$ 805
Adjustments:		
Beginning Balances, as Adjusted	**$ 1,578**	**$ 805**
Other Adjustments	(194)	(11)
Appropriations Used	5,659	5,703
Transfers In/Out Without Reimbursement	284	484
Imputed Financing (Note 15)	115	114
Other Financing Sources	(1,756)	(2,830)
Net Cost of Operations	(4,898)	(2,687)
Cumulative Results of Operations	**$ 788**	$ **1,578**
Net Position	**$ 24,930**	**$ 26,367**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
COMBINED STATEMENTS OF BUDGETARY RESOURCES
FOR THE YEARS ENDING SEPTEMBER 30, 2024 AND 2023
(In Millions)

	2024		2023	
	Budgetary	Non-Budgetary Credit Reform Financing Account	Budgetary	Non-Budgetary Credit Reform Financing Account
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 16,125	$ 7,721	$ 17,306	$ 8,308
Recoveries of Prior Year Unpaid Obligations	736	827	345	792
Other Changes in Unobligated Balance	59	(2,857)	303	(4,642)
Unobligated Balance from Prior Year Budget Authority, Net	16,920	5,691	17,954	4,458
Appropriations	4,916	0	7,171	0
Borrowing Authority (Note 16)	0	12,745	0	12,688
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	1,317	8,276	681	8,287
Total Budgetary Resources	**$ 23,153**	**$ 26,712**	**$ 25,806**	**$ 25,433**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	$ 10,218	$ 18,878	$ 9,681	$ 17,712
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	12,821	7,821	16,013	7,521
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	7	13	23	200
Unexpired Unobligated Balance, End of Year	12,828	7,834	16,036	7,721
Expired Unobligated Balance, End of Year	107	0	89	0
Total Unobligated Balance, End of Year	12,935	7,834	16,125	7,721
Total Budgetary Resources	**$ 23,153**	**$ 26,712**	**$ 25,806**	**$ 25,433**
Outlays, Net:				
Outlays, Net (total)	4,932		5,689	
Distributed Offsetting Receipts	(3,075)		(1,592)	
Agency Outlays, Net	**$ 1,857**		**$ 4,097**	
Disbursements, Net		**$ 5,455**		**$ 5,259**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

RURAL DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2024, AND 2023 (In Millions)

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Reporting Entity

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

Rural Development List of Major Programs

Rural Housing and Community Facilities Programs

- Single Family Housing Preservation Grants
- Mutual Self-Help Housing Technical Assistance Grants
- Single Family Housing Direct Loans & Loan Guarantees
- Single Family Housing Repair Loans & Grants
- Rural Housing Site Loans
- Multifamily Housing Direct Loans & Loan Guarantees
- Multifamily Housing Rental Assistance and Vouchers Program
- Multifamily Housing Preservation and Revitalization Loans & Grants
- Farm Labor Housing Loans & Grants
- Community Facilities Direct Loans, Loan Guarantees & Grants
- Community Facility Relending Program
- Community Facilities Technical Assistance and Training Grants
- Economic Impact Initiative Grants
- Rural Community Development Initiative Grants
- Tribal College Initiative Grants

NOTE 1: Continued

Rural Utilities Programs

- Circuit Rider Loans & Grants
- Emergency Community Water Assistance Grants
- Grants for Rural and Native Alaskan Villages
- Individual Water and Wastewater Grants for Colonias
- Revolving Funds for Financing Water and Wastewater Projects
- Rural Decentralized Water Systems Grants
- Special Evaluation Assistance for Rural Communities and Households
- Solid Waste Management Grants
- Water and Environmental Disposal Direct Loans, Loan Guarantees & Grants
- Water and Waste Disposal Technical Assistance & Training Grants
- High Energy Cost Grants
- Distributed Generation Energy Project Financing
- Electric and Telecommunications Infrastructure Direct Loans & Loan Guarantees
- Empowering Rural America Program
- Energy Efficiency & Conservation Loans
- Energy Resource Conservation
- Powering Affordable Clean Energy
- Rural Energy Savings Program
- Rural Broadband Access Direct Loans & Loan Guarantees
- Community Connect and ReConnect Grants & Loans
- Distance Learning and Telemedicine Grants

Rural Business and Cooperative Programs

- Agriculture Innovation Center Program
- Business and Industry Loan Guarantees
- Delta Health Care Services Grants
- Fertilizer Production Expansion Program
- Food Supply Chain Loan Guarantees & Grants
- Intermediary Relending Program Loans
- Rural Business Development Grants
- Rural Business Investment Program
- Rural Cooperative Development Grants
- Rural Economic Development Loans & Grants
- Rural Innovation Stronger Economy Grant Program
- Rural Microentrepreneur Assistance Loans & Grants
- Socially Disadvantaged Groups Grants
- Value Added Producer Grants
- Advanced Biofuel Payment Program
- Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program Loan Guarantees
- Higher Blends Infrastructure Incentive Program
- Rural Energy Pilot Program Grant
- Rural Energy for America Program Loan Guarantees & Grants

Basis of Accounting and Presentation

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

NOTE 1: Continued

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

Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment, and disposition by the Federal Government of cash or other assets in which non-federal individuals or entities have an ownership interest that the Federal Government must uphold. Fiduciary assets are not assets of Rural Development and, as such, are not recognized on the Balance Sheet (**Note 19**).

Estimates

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

Revenue and Other Financing Sources

Revolving/Credit Funds:

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

NOTE 1: Continued

General Funds

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

Fund Balance with Treasury

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

Lending Activities

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

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

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

Loans Receivable, Net and Loan Guarantee Liabilities

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

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

NOTE 1: Continued

Property, Plant, and Equipment, Net

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

Rural Development accounts for the cost of internal use software in accordance with SFFAS No. 10, Accounting for Internal Use Software. SFFAS No. 10 requires the capitalization of the cost of internal use software whether it is commercial off-the-shelf, contractor-developed, or internally developed which solely meets internal or operational needs. As defined in SFFAS No. 6, Accounting for Property, Plant, and Equipment, Rural Development classifies internal use software as Property, Plant, and Equipment. The threshold for equipment is $25 thousand and internal use software is $100 thousand. For FY2024, Rural Development accounts for right-to-use lease assets and related amortization in accordance with SFFAS No. 54, Leases. See **Note 7** for further information.

Leases

Rural Development has contract agreements with the General Services Administration (GSA) for the office space Rural Development occupies. The agreements are a complex, concise statement of business terms governing the tenancy relationship between Rural Development and GSA. The agreements are not a lease, but rather a formal agreement between two signing parties. These agreements are considered intragovernmental, and the terms and conditions vary by agreement. For accounting purposes, the Agency recognizes the intragovernmental payments to GSA as an expense based on the payment provisions of the agreement and does not record a liability for future years' costs.

Rural Development has non-intragovernmental lease agreements. Stand-alone leases are where the Agency pays the lessor, a private landlord, directly for the space occupied based on the payment provisions of the agreement. Shared leases are contractual agreements where lease payments are made to a private landlord for office space occupied by multiple federal agencies. Rural Development, Farm Service Agency, and Natural Resources Conservation Service all share leases with one Agency acting as the lead lessee. Stand-alone and shared leases are defined as non-intragovernmental, long term, and vary by contract. Starting in FY 2024, Rural Development reports a right-to-use lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements pursuant to the accounting and disclosure requirements in SFFAS 54, Leases. Refer to **Note 12** for further information.

Liabilities

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

NOTE 1: Continued

Borrowings and Interest Payable to Treasury

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

Pension and Other Employee Benefits

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

Resources Payable to Treasury

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

Downward Reestimates Payable to Treasury General Fund

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

Contingencies

Rural Development's mission area is a party in various legal actions and claims through the normal course of its operations. In the opinion of management and the USDA Office of the General Counsel, the ultimate resolution of these legal actions and claims will not materially affect the financial position or results of operations **(Note 13)**.

Unexpended Appropriations

Unexpended appropriations include the undelivered orders and unobligated balances of the general funds and the program accounts, which receive Congressional appropriations through the budgetary process. As appropriated funds incur obligations, Rural Development records the obligated amount as an undelivered order **(Note 16 D)**. An expenditure or an obligation cancellation reduces an undelivered order. Rural Development treats appropriated funds, which are not obligated, as unobligated amounts. At the end of the fiscal year, certain multi-year appropriations, which have unobligated balances, remain available for obligation in future periods. Rural Development returns unobligated appropriations to Treasury when their period of availability cancels.

NOTE 1: Continued

Intragovernmental Financial Activities

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

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

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

Allocation Transfers

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

Reclassification

The amounts in the FY 2023 column of the financial statements and footnotes have been reclassified due to evolving changes in the OMB Circular A-136, Financial Reporting Requirements guidance, related to Federal Employee Benefits (**Note 10**). The reclassifications will facilitate a meaningful comparison between FY 2024 and FY 2023.

Classified Activities

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

NOTE 2: NON-ENTITY ASSETS

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

	FY 2024	FY 2023
Intragovernmental Assets:		
Fund Balance with Treasury	$ 0	$ 0
Total Intragovernmental Assets	**0**	**0**
Cash and Other Monetary Assets	**85**	**78**
Total Non-Entity Assets	**85**	**78**
Total Entity Assets	148,152	145,999
Total Assets	**$ 148,237**	**$ 146,077**

NOTE 3: FUND BALANCE WITH TREASURY

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

The line titled Unavailable consists of restricted funds which are limited in their future use and are not apportioned for current use. These amounts represent the expired authority in annual year grant and program accounts (annual years prior to FY 2024) and are only available for prior year upward obligations. After the fifth year of expiration, Rural Development returns all funds to Treasury except those entities having extended authority to disburse. For FY's 2024 and 2023, there were approximately $94 million and $78 million in expired funds, respectively.

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

	FY 2024	FY 2023
Status of Fund Balance with Treasury (FBWT)		
Unobligated Balance:		
Available	$ 20,642	$ 23,534
Unavailable	127	312
Obligated Balance Not Yet Disbursed	43,873	39,791
Borrowing Authority Not Yet Converted to Fund Balance	(28,973)	(27,864)
Authority Granted Prior to Credit Reform for Rental Assistance Grants	(11)	(13)
Temporary Reduction of New Budget Authority	0	0
Appropriation Purpose Fulfilled - Balance Not Available	1	2
Non-Budgetary Fund Balance with Treasury	(9)	0
Total	**$ 35,650**	**$ 35,762**

NOTE 4: CASH AND OTHER MONETARY ASSETS

Cash is comprised of funds related to the operation of the Rural Housing Escrow Program on deposit with Bank of America as of September 30, 2024, and 2023.

	FY 2024	FY 2023
Cash and Other Monetary Assets		
Cash	$ 85	$ 78
Total Cash and Other Monetary Assets	**$ 85**	**$ 78**

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

	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
FY 2024			
Intragovernmental			
A/R Revenue, Refunds, Reimbursements	1	0	1
Total Intragovernmental Accounts Receivable	**$ 1**	**$ 0**	**$ 1**
Other than Intragovernmental			
Audit Receivable	20	(20)	0
Total Accounts Receivable	**$ 21**	**$ (20)**	**$ 1**
FY 2023			
Intragovernmental			
A/R Revenue, Refunds, Reimbursements	6	0	6
Total Intragovernmental Accounts Receivable	**$ 6**	**$ 0**	**$ 6**
Other than Intragovernmental			
Audit Receivable	16	(16)	0
Total Accounts Receivable	**$ 22**	**$ (16)**	**$ 6**

Criminal Restitution

The outstanding balance for criminal restitution was $7 million for FY 2024 and $3 million for FY 2023.

NOTE 6: LOANS RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES

Discussion of Credit Programs and Characteristics

Rural Development offers both direct and guaranteed loans administered through the Rural Housing Service, Rural Utilities Service and Rural Business-Cooperative Service. Each agency has a unique mission to bring prosperity and opportunity to rural areas. The direct program has $110,645 million in outstanding credit program net receivables, and the guaranteed program has an outstanding guarantee of $108,999 million with a liability of $(1,702) million, as of September 30, 2024.

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

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

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

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

NOTE 6: Continued
Loan Program Characteristics

PROGRAM CHARACTERISTICS – DIRECT		
MAJOR PROGRAMS	**OBJECTIVE**	**TERMS/CONDITIONS**
Single Family Housing Loans (including Mutual Self-Help Loans)	Safe, well-built, affordable homes for very-low and low-income rural Americans.	Up to 100% of market value or cost. Loan term of 33/38 years. Applicant may be eligible for payment assistance (subsidy) on the loan.
Single Family Housing Repair Loans	To help very-low-income applicants remove health and safety hazards or repair their homes.	Loans up to $40,000 up to 20 years at 1%.
Rural Rental (Multi-Family) Housing Loans	Safe, well-built, affordable rental housing for very-low-income individuals and families.	Up to 100% of total development cost (non-profits); 97% (for-profit); 95% (for-profits with Low-Income Housing Tax Credits). 30-year term with up to 50-year amortization.
Community Facility Loans	Improve, develop, or finance essential community facilities for rural communities.	Up to 100% of Market value. Term is for useful life of the facility or equipment, the State statute, or 40 years.
Farm Labor Housing Loans	Safe, well-built affordable rental housing for farmworkers.	Up to 100% of total development cost. Up to 33 years to repay at 1% interest.
Rural Economic Development Loans	Finance economic development and job creation in rural areas.	Intermediary makes loans to for-profit or non-profit businesses and public bodies. Loans are 0% for 10 years.
Intermediary Relending Program Loans	Establish revolving funds for business facilities and community development projects.	The intermediary makes loans to business from its revolving loan fund on terms consistent with security offered. Intermediary pays 1% for 30 years.
Rural Microentrepreneur Assistance Program	Establish revolving funds to target assistance to small rural enterprises.	Maximum term is 20 years with a 2-year payment deferral.
Water and Environmental Loan	Provide infrastructure for rural areas.	Repayment period is a maximum of 40 years.
Electric Loans including Rural Energy Savings Program	Helps rural communities obtain affordable, high quality electric. Helps rural families and small businesses achieve cost savings through loans to qualified consumers to implement durable cost – effective energy efficiency measures.	Up to 20 years at 0% interest, up to 5% interest for relending to qualified end-users/consumers for up to 10 years; up to 4% of the loan total may be used for startup costs.
Telecommunication and Broadband Loans	Financing for construction, maintenance, improvement, and expansion of telephone service and broadband in rural areas.	Cost of money loans at fixed U.S. Treasury rate. Hardship Loans may be available at fixed interest rate for up to 20 years.

NOTE 6: Continued

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

NOTE 6: Continued

Other Information Related to Credit Programs

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

For FY's 2024 and 2023, Rural Housing Program properties consist primarily of 320 and 262 rural single-family dwellings, respectively. The average holding period for single family housing properties in inventory was 17 months for FY 2024 and 17 months for FY 2023. The approximate number of borrowers for which foreclosure proceedings were in process at the end of FY's 2024 and 2023 was 11,208 and 9,573, respectively. Rural Development also allows leasing certain properties to eligible individuals.

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

Interest Credit
Approximately $12,961 million and $12,938 million of the Rural Housing borrowers' unpaid loan principal, as of September 30, 2024, and 2023, respectively, received interest credit (payment assistance). If those loans receiving interest credit had interest accrued at the full-unreduced rate, interest income would have been approximately $561 million and $568 million for FY's 2024 and 2023, respectively.

Also, at the end of FY's 2024 and 2023, the Rural Development housing portfolio contained approximately 43,642 and 45,802 restructured loans, respectively. The outstanding unpaid principal balance was $3,079 million in FY 2024 and $3,072 million in FY 2023.

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

Multi-Family Housing direct loan modifications related to the revitalization program, which began in FY 2006, and continued through FY 2024. In this program, Rural Development provided restructured loans and grants to development owners to revitalize multi-family housing development projects in order to extend their affordable use without displacing tenants due to increased rent.

NOTE 6: Continued

Subsidy Rates and Reestimates
The Federal Credit Reform Act of 1990, as amended, and OMB Circular A-11 govern the proprietary and budgetary accounting treatment of direct and guaranteed loans. The long-term cost to the government for direct loans or loan guarantees is referred to as "subsidy cost." Under the Act, subsidy costs for all loans obligated post-1991 are recognized at the net present value of projected lifetime costs in the year the loan is disbursed. Subsidy costs are estimated annually. Components of subsidy include interest subsidies, defaults, fee offsets, and other cash flows. Reestimates are revisions of the subsidy cost estimate of a cohort (or risk category) based on information about the actual performance and/or estimated changes in future cash flows of the cohort. A cohort refers to the fiscal year of obligation for direct loan obligations, or loan guarantee commitments of a specific program. In FY's 2024 and 2023, reestimates using projected fiscal year activity were recorded in the current fiscal year.

In FY's 2024 and 2023, Rural Development guaranteed loan programs recorded prior year actual budgetary reestimates and current year activity projected reestimates for material programs. Defaults, fees, and other collections are considered significant assumptions within the guaranteed housing and business and industry program estimates.

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

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

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

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

NOTE 6: Continued

DIRECT LOANS

Direct Loan Obligations

Direct loan obligations are binding agreements by a federal agency to make a direct loan when specified conditions are fulfilled by the borrower. **Tables 1,2 and 7** illustrate the overall composition of the Rural Development loan portfolio by mission area and loan program for FY 2024 and FY 2023. Loans Receivable, Net balances for Direct Loans at the end of FY 2024 was $110,207 million compared to $107,325 million at the end of FY 2023. Defaulted Guaranteed Loans were $438 million in FY 2024 as compared to $333 million in FY 2023.

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

NOTE 6: Continued

TABLE 1: DIRECT LOANS OBLIGATED (PRE-1992)

FY 2024	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance [1]	Value of Assets
Direct Loans					
Obligated Pre-1992					
Housing	$ 4,490	$ 870	$ 5	$ (815)	$ 4,550
Community Facility	4	0	0	0	4
Electric	42	2	0	0	44
Telecommunication	12	0	0	0	12
Water and Environmental	102	1	0	0	103
Intermediary Relending	0	0	0	0	0
Pre-1992 Total	**4,650**	**873**	**5**	**(815)**	**4,713**
Cushion of Credit Advance Payments	(1)	0	0	0	(1)
Total Direct Loans Receivable	**4,649**	**873**	**5**	**(815)**	**4,712**

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

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

NOTE 6: Continued

TABLE 2: DIRECT LOANS OBLIGATED (POST-1991)

FY 2024	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance [2]	Value of Assets
Direct Loans					
Obligated Post-1991					
Housing	18,249	486	24	(2,210)	16,549
Community Facility	12,510	53	0	(431)	12,132
Electric	58,757	41	0	1,304	60,102
Telecommunication	2,218	6	0	(15)	2,209
Water and Environmental	14,183	41	0	2	14,226
Intermediary Relending	279	1	0	(45)	235
Business and Industry	39	0	0	(2)	37
Economic Development	239	0	0	(15)	224
Post-1991 Total	**106,474**	**628**	**24**	**(1,412)**	**105,714**
Cushion of Credit Advance Payments	(219)	0	0	0	(219)
Total Direct Loans Receivable	**106,255**	**628**	**24**	**(1,412)**	**105,495**
FY 2023					
Direct Loans					
Obligated Post-1991					
Housing	17,810	460	20	(1,416)	16,874
Community Facility	11,975	74	0	(252)	11,797
Electric	56,352	218	0	655	57,225
Telecommunication	2,275	6	0	(12)	2,269
Water and Environmental	13,529	64	0	167	13,760
Intermediary Relending	288	1	0	(49)	240
Business and Industry	40	0	0	(1)	39
Economic Development	208	0	0	(10)	198
Post-1991 Total	**102,477**	**823**	**20**	**(918)**	**102,402**
Cushion of Credit Advance Payments	(269)	0	0	0	(269)
Total Direct Loans Receivable	**102,208**	**823**	**20**	**(918)**	**102,133**

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

NOTE 6: Continued

Subsidy Cost Allowance

The net present value of direct loans obligated post-1991 comprises the outstanding balance of the loans adjusted by the allowance for subsidy for these loans. **Table 3** shows the reconciliation of subsidy cost allowance balances from FY 2024 to FY 2023. The subsidy cost allowance in FY 2024 was $2,327 million compared to $1,655 million in FY 2023, an increase of $672 million.

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

Beginning Balance, Changes, and Ending Balance	**FY 2024**	**FY 2023**
Beginning Balance of the Subsidy Cost Allowance	$ 1,655	$ 2,328
Add subsidy expense for direct loans disbursed during the year by component:		
Interest rate differential costs	(91)	(236)
Default costs (net of recoveries)	124	143
Fees and other collections	(1)	(25)
Other subsidy costs	(143)	(54)
Total of the above subsidy expense components	(111)	(172)
Adjustments:		
Loan modifications	4	2
Fees received	96	81
Loans written off	(58)	(95)
Subsidy allowance amortization	170	(302)
Other	175	437
Ending balance of the subsidy cost allowance before reestimates	**1,931**	**2,279**
Add or subtract reestimates by component:		
Interest rate reestimates	10	(391)
Technical/default reestimates	386	(233)
Total of the above reestimate components	396	(624)
Ending Balance of the Subsidy Cost Allowance	**$ 2,327**	**$ 1,655**

NOTE 6: Continued

Direct Loan Subsidy Expense

Direct loan subsidy expense is a component of the subsidy cost allowance. The total direct loan subsidy expense for FY 2024 is a combination of subsidy expense for new direct loans disbursed in the current year, modifications to existing loans, and interest rate and technical reestimates to existing loans. **Table 4**, illustrates the composition of total subsidy expense, including reestimates, for FY's 2024 and 2023 by program. Total direct loan subsidy expense in FY 2024 was $289 million compared to $(794) million in FY 2023, an increase of $1,083 million. Reestimate variances are discussed in the Analysis of Direct Loans.

TABLE 4: DIRECT LOAN SUBSIDY BY PROGRAM AND COMPONENT

	Subsidy Expense for New Direct Loans Disbursed					Modifications and Reestimates				
	Interest Differential	Defaults	Fees and Other Collections	Other	Total	Total Modifications	Interest Rate	Technical/ Default	Total	GRAND TOTAL
FY 2024										
Housing	$ 74	51	$ 0	$ (21)	$ 104	$ 4	$ 7	$ 768	$ 775	$ **883**
Community Facility	(119)	43	0	15	(61)	0	0	230	230	**169**
Electric	(101)	2	(1)	(94)	(194)	0	12	(820)	(808)	**(1,002)**
Telecommunications	0	25	0	0	25	0	0	(42)	(42)	**(17)**
Water & Environmental	44	2	0	(42)	4	0	0	242	242	**246**
Intermediary Relending	2	1	0	0	3	0	0	(1)	(1)	**2**
Business and Industry	0	0	0	0	0	0	(9)	9	0	**0**
Economic Development	9	0	0	(1)	8	0	0	0	0	**8**
Total Subsidy Expense, Direct	**$ (91)**	**$ 124**	**$ (1)**	**$ (143)**	**$ (111)**	**$ 4**	**$ 10**	**$ 386**	**$ 396**	**$ 289**
FY 2023										
Housing	$ 9	$ 70	$ 0	$ (12)	$ 67	$ 2	$ 61	$ 148	$ 209	$ **278**
Community Facility	(97)	32	0	16	(49)	0	3	63	66	**17**
Electric	(191)	20	(25)	(27)	(223)	0	(506)	(534)	(1,040)	**(1,263)**
Telecommunications	0	20	0	0	20	0	9	(56)	(47)	**(27)**
Water & Environmental	36	1	0	(31)	6	0	0	201	201	**207**
Intermediary Relending	2	0	0	0	2	0	25	(31)	(6)	**(4)**
Business and Industry	0	0	0	0	0	0	3	(6)	(3)	**(3)**
Economic Development	5	0	0	0	5	0	14	(18)	(4)	**1**
Total Subsidy Expense, Direct	**$ (236)**	**$ 143**	**$ (25)**	**$ (54)**	**$ (172)**	**$ 2**	**$ (391)**	**$ (233)**	**$ (624)**	**$ (794)**

NOTE 6: Continued

Direct Loans Disbursed

Volume distribution between programs is shown in **Table 5.** Direct loans disbursed in FY 2024 was $8,870 million compared to $9,966 million in FY 2023, a decrease of $(1,096) million.

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

	FY 2024	FY 2023	FY 2024 Over/Under FY 2023
Housing	$ 1,345	$ 1,657	$ (312)
Community Facility	1,006	823	183
Electric	5,150	6,350	(1,200)
Telecommunications	183	185	(2)
Water and Environmental	1,096	866	230
Intermediary Relending	15	16	(1)
Business and Industry	3	3	0
Economic Development	72	66	6
Total Direct Loans Disbursed	**$ 8,870**	**$ 9,966**	**$ (1,096)**

NOTE 6: Continued

Subsidy Rates for Direct Loans

Subsidy rates are used to compute each year's subsidy expense. **Table 6** has the direct loan subsidy rates for FY 2024 as provided in the Federal Credit Supplement to the Budget of the U.S. Government. The subsidy rates disclosed in **Table 6** pertain only to the FY 2024 cohort. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for loans reported in the current year could result from disbursements of loans from current year and prior year cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

TABLE 6: SUBSIDY RATES FOR DIRECT LOANS (PERCENTAGE)

FY 2024	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Section 502 Single Family Housing	8.03	4.04	0.00	-2.47	9.60
Section 504 Housing Repair	23.34	-0.03	0.00	-5.96	17.35
Single Family Housing Credit Sales	-6.05	2.16	0.00	1.58	-2.31
Section 514 Farm Labor Housing	35.27	0.12	0.00	-0.58	34.81
Section 515 Multi-Family Housing	35.80	0.96	0.00	-1.78	34.98
Section 523 Self-Help Housing Land Development	8.22	4.46	0.00	0.05	12.73
Section 524 Site Development	5.63	3.42	0.00	0.48	9.53
Multi-Family Housing Credit Sales			Not Funded		
Multi-Family Housing Relending			Not Funded		
Multi-Family Housing Revitalization Second	66.50	0.36	0.00	-0.09	66.77
Multi-Family Revitalization Zero	56.22	0.27	0.00	-0.23	56.26
Native American Single Family Relending Pilot	40.13	7.26	0.00	-1.63	45.76
Community Facilities	-3.75	3.41	0.00	-0.16	-0.50
Community Facilities Relending			Not Funded		
Distance Learning and Telemedicine			Not Funded		
Broadband Treasury Rate	0.30	13.60	0.00	-0.02	13.88
Water and Environmental	15.29	0.12	0.00	-7.06	8.35
Water and Waste 1%	40.84	0.09	0.00	-13.98	26.95
Electric Hardship			Not Funded		
Treasury Electric Loans	0.00	0.00	0.00	-1.95	-1.95
FFB Electric	-3.92	0.01	0.00	-0.31	-4.22
Telephone Hardship			Not Funded		
Treasury Telecommunications	0.30	0.50	0.00	0.24	1.04
FFB Telecommunications			Not Funded		
Intermediary Relending Program	1.14	31.09	0.00	-1.88	30.35
Rural Economic Development	18.48	0.01	0.00	-0.63	17.86
Rural Microenterprise	17.74	2.12	0.00	-4.16	15.70
Electric Underwriting	0.00	0.80	-2.77	0.00	-1.97
Reconnect Direct Loans	15.72	8.76	0.00	-1.96	22.52
Reconnect Grant Assisted Loans	0.00	8.75	0.00	0.41	9.16
Rural Energy Savings Program	17.75	0.52	0.00	-0.38	17.89
IRA Section 22001	37.52	0.01	0.00	-0.26	37.27
IRA Section 22004	20.50	0.01	0.00	-1.21	19.30
IRA Section 22004 Zero	44.29	0.00	0.00	-2.06	42.23

NOTE 6: Continued

Analysis of Direct Loans

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

RURAL HOUSING PROGRAMS

The Direct Single-Family Housing program has an upward reestimate of $775 million. The key drivers of the change that caused the upward impact were an increase in defaults, prepayments, as well as, an increase in outflows, which included expenses such as insurance, real estate taxes, title fees, and repairs on foreclosed properties. The increase in outflows as compared to the performing unpaid principal balance was also a major driver of the upward reestimate.

The Direct Community Facility program had an overall upward reestimate of $230 million. The main drivers for the overall upward reestimate were the increase in prepayments and defaults, as well as, the decrease in interest payments. Another component in the overall upward reestimate was the decrease in miscellaneous inflows, such as cash received to repay taxes, insurance, and other miscellaneous costs RD has incurred.

RURAL UTILITIES PROGRAMS

The Direct Electric program had an overall downward reestimate of $(808) million, which is comprised of a $(558) downward reestimate in the Federal Financing Bank (FFB) program, a $227 million upward reestimate in the FFB Underwriter program, a $3 million upward reestimate in the FFB Note Extension program, and a $(480) downward reestimate in the Direct Electric Treasury program. The main driver for the downward reestimate in the Direct Electric FFB program was the increase in interest payments and accounts receivable inflows. The main driver for the upward reestimate in the FFB Underwriter program was an additional year of actual cash flow data added to the updated model which caused an increase in forecasted default claims and consequently lead to a decrease in forecasted fees. The key component for the downward reestimate in the Direct Electric Treasury program was the increase in projected interest payments due to an additional year of actual cash flow data added to this new program.

The Direct Water and Waste Disposal program had an overall upward reestimate of $242 million. The main drivers for the overall upward reestimate were the increase in forecasted principal prepayments due to historical cash flows, which resulted in lower forecasted interest payments.

NOTE 6: Continued

GUARANTEED LOANS

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

TABLE 7: DEFAULTED GUARANTEED LOANS (POST-1991)

FY 2024	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance [3]	Value of Assets
Defaulted Guaranteed Loans					
Post-1991					
Housing	762	0	0	(728)	34
Community Facility	7	0	0	5	12
Business and Industry	583	1	0	(192)	392
Total Defaulted Guaranteed Loans	**$ 1,352**	**$ 1**	**$ 0**	**$ (915)**	**$ 438**

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

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

NOTE 6: Continued

Loan Guarantees Outstanding

Guaranteed loans outstanding at the end of FY 2024 decreased compared to the FY 2023 portfolio. **Table 8** shows the outstanding balances by loan program. At the end of FY 2024 and FY 2023, there were $123,743 million and $125,912 million in outstanding principal (face value) and $108,999 million and $111,503 million in outstanding principal (guaranteed), respectively.

TABLE 8: GUARANTEED LOANS OUTSTANDING

	Post-1991 Outstanding Principal Face Value	Post-1991 Outstanding Principal Guaranteed
FY 2024		
Housing	$ 110,271	$ 98,889
Community Facility	1,296	1,116
Electric	114	114
Water and Environmental	119	103
Business and Industry	11,943	8,777
Total Guaranteed Loans Outstanding	**$ 123,743**	**$ 108,999**
FY 2023		
Housing	$ 113,024	$ 101,685
Community Facility	1,288	1,121
Electric	122	122
Water and Environmental	111	97
Business and Industry	11,367	8,478
Total Guaranteed Loans Outstanding	**$ 125,912**	**$ 111,503**

NOTE 6: Continued

Liability for Loan Guarantees

Liability for loan guarantees consists of net cash flows (outflows less inflows) paid or to be paid by the entity as a result of the loan guarantees. **Table 8a** shows the loan guarantee liability. **Table 8b** shows the liability reconciliation for post-1991 guarantees. In FY 2024, the total liabilities increased by $784 million compared to FY 2023.

TABLE 8a: LIABILITY FOR LOAN GUARANTEES

		Liabilities for Loan Guarantees on Post-1991 Guarantees Present Value
FY 2024		
Liability for Loan Guarantees		
Housing	$	(2,121)
Community Facility		16
Electric		0
Water and Environmental		1
Business and Industry		402
Total Liabilities for Loan Guarantees	**$**	**(1,702)**
FY 2023		
Liability for Loan Guarantees		
Housing	$	(2,840)
Community Facility		16
Electric		0
Water and Environmental		1
Business and Industry		337
Total Liabilities for Loan Guarantees	**$**	**(2,486)**

NOTE 6: Continued

The Agency continued to process claim payments to lenders in FY 2024 related to the Guaranteed Single-Family Housing Program. The program experienced an increase for FY 2024 as compared to FY 2023.

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

Beginning Balance, Changes, and Ending Balance	**FY 2024**	**FY 2023**
Beginning Balance of the Loan Guarantee Liability	$ (2,486)	$ (2,095)
Less Claim Payments to Lenders	(209)	(181)
Add Fees Received	511	551
Less Interest Supplements Paid	(6)	(7)
Add Foreclosed Property and Loans Acquired	29	29
Add Subsidy Expense	38	64
Less Negative Subsidy Payments	(35)	(64)
Add Upward Reestimates	732	0
Less Downward Reestimates	(4)	(309)
Loan Guarantee Modifications	0	0
Other	(272)	(474)
Ending Balance of the Loan Guarantee Liabilities	**(1,702)**	**(2,486)**

NOTE 6: Continued

Guaranteed Loan Subsidy Expense

Total guaranteed loan subsidy expense is a combination of subsidy expense for new guaranteed loans disbursed in the current year and the interest rate and technical reestimates to existing loans. **Table 9** illustrates the breakdown of total subsidy expense for FY 2024 and FY 2023 by loan program. Total guaranteed loan subsidy expense in FY 2024 was $731 million compared to $(309) million in FY 2023, an increase of $1,040 million.

TABLE 9: GUARANTEED LOAN SUBSIDY EXPENSE BY PROGRAM AND COMPONENT

	Subsidy Expense for New Guaranteed Loans Disbursed					Modifications and Reestimates				
	Interest Supplement	Defaults	Fees and Other Collections	Other	Total	Total Modification	Interest Rate	Technical	Total	GRAND TOTAL
FY 2024										
Housing	$ 0	$ 190	(224)	$ 0	$ (34)	$ 0	$ (3)	$ 667	$ 664	$ 630
Community Facility	0	7	(8)	0	(1)	0	0	(4)	(4)	(5)
Electric	0	0	0	0	0	0	0	0	0	0
Water and Environmental	0	0	0	0	0	0	0	0	0	0
Business and Industry	0	100	(62)	0	38	0	0	68	68	106
Total Subsidy Expense, Guaranteed	**$ 0**	**$ 297**	**$ (294)**	**$ 0**	**$ 3**	**$ 0**	**$ (3)**	**$ 731**	**$ 728**	**$ 731**
FY 2023										
Housing	$ 0	$ 246	(309)	$ 0	$ (63)	$ 0	$ (5)	$ (182)	$ (187)	$ (250)
Community Facility	0	5	(6)	0	(1)	0	(2)	(5)	(7)	(8)
Electric	0	0	0	0	0	0	0	0	0	0
Water and Environmental	0	0	0	0	0	0	0	0	0	0
Business and Industry	0	154	(90)	0	64	0	(5)	(110)	(115)	(51)
Total Subsidy Expense, Guaranteed	**$ 0**	**$ 405**	**$ (405)**	**$ 0**	**$ 0**	**$ 0**	**$ (12)**	**$ (297)**	**$ (309)**	**$ (309)**

NOTE 6: Continued

Guaranteed Loans Disbursed

Guaranteed loan volume face value decreased to $8,077 million in FY 2024 from $9,883 million in FY 2023. The Housing and Business and Industry loan programs experienced the largest decrease.

TABLE 10: GUARANTEED LOANS DISBURSED (POST-1991)

	Principal, Face Value Disbursed	Principal, Guaranteed Disbursed
FY 2024		
Housing	$ 6,222	$ 5,600
Community Facility	185	152
Water and Environmental	11	9
Business and Industry	1,659	1,289
Total Guaranteed Loans Disbursed	**$ 8,077**	**$ 7,050**
FY 2023		
Housing	$ 7,157	$ 6,442
Community Facility	147	129
Water and Environmental	15	12
Business and Industry	2,564	1,998
Total Guaranteed Loans Disbursed	**$ 9,883**	**$ 8,581**

Subsidy Rates for Loan Guarantees

Subsidy rates are used to compute each year's subsidy expense. The subsidy rates disclosed in **Table 11** pertain only to the FY 2024 cohort as provided in the Federal Credit Supplement to the Budget of the U.S. Government. These rates cannot be applied to the guaranteed loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for loans reported in the current year could result from disbursements of loans from current year and prior year cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

TABLE 11: SUBSIDY RATES FOR LOAN GUARANTEES (PERCENTAGE)

FY 2024	Defaults	Fees and Other Collections	Other	Total
Section 502 Single Family Housing	3.06	-3.50	0.00	-0.44
Section 538 Multi-Family Housing	2.10	-4.40	0.00	-2.30
Community Facilities	3.00	-3.86	0.00	-0.86
Business and Industry	6.69	-4.40	0.00	2.29
Water and Environmental	0.74	-0.88	0.00	-0.14
Renewable Energy	1.67	-2.36	0.00	-0.69
Biorefinery (Section 9003 Loan Guarantees)	37.35	-4.57	0.18	32.96
Food Processing Supply Chain Loan Guarantees		Not Funded		

NOTE 6: Continued

Analysis of Guaranteed Loans

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

RURAL HOUSING PROGRAMS

The Housing program had an overall upward reestimate of $664 million. The majority of the upward reestimates is attributed to the Guaranteed Single-Family Housing Section 502 Program. The total upward reestimate is the result of a $545 million upward reestimate in the Section 502 Blended component of the program, a $83 million upward reestimate in the Guaranteed Multi-Family Housing Section 538 program, and a $36 million upward reestimate in the Section 502 Purchase component. The majority of the total reestimate is explained by the Guaranteed Single-Family Housing Section 502 Blended component's change, which is attributed to an increase in forecasted default claims, as well as a decrease in forecasted annual fee payments. These changes were driven by updating projected default claim cash flows with actual default claim cash flows, which were significantly higher than expected.

RURAL BUSINESS AND INDUSTRY PROGRAMS

The Guaranteed Business and Industry program had an overall upward reestimate of $68 million. The overall upward reestimate was largely due to an increase in actual default claims, as well as, the historical loan level data contained an increased proportion of actual loss settlements paid to obligations.

NOTE 6: Continued

Administrative Expenses

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

TABLE 12: ADMINISTRATIVE EXPENSES	FY 2024	FY 2023
Direct Loan Programs	301	278
Total	**$ 301**	**$ 278**
Guaranteed Loan Programs	490	476
Total	**$ 490**	**$ 476**

NOTE 6: Continued

Loans Receivable

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

TABLE 13: LOANS RECEIVABLE

	FY 2024	FY 2023
Beginning Balance of Loans Receivable, Net	**$ 107,658**	**$ 100,888**
Add Loan Disbursements	9,453	10,951
Add Defaulted Loan Claim Payments	0	0
Less Principal and Interest Payments Received	5,590	4,600
Less Fees Received	97	81
Less Claim Payments Received	0	0
Add Interest Accruals	0	0
Add Foreclosed Property Acquired	0	0
Less Sale of Foreclosed Property	15	24
Less Loans Written Off	47	74
Add Reduction in Subsidy Allowance for Loans Written Off	0	0
Less Interest Revenue on Uninvested Funds	0	0
Add Interest Expense on Entity Borrowings	0	0
Less Subsidy Expense	170	112
Add Negative Subsidy Payments	277	282
Less Upward Reestimates	1,978	1,139
Add Downward Reestimates	1,582	1,763
Other Increase/(Decrease) to the Subsidy Allowance	(451)	(147)
Other changes to the loan modifications	(18)	(8)
Allowance for Loan and Interest Loss Adjustments	(51)	(27)
Other Non-Cash Reconciling Items	92	(14)
Ending Balance of Loans Receivable, Net	**$ 110,645**	**$ 107,658**

NOTE 7: PROPERTY, PLANT, AND EQUIPMENT, NET

This equipment generally represents computer hardware, software, and other office equipment used in the Rural Development mission area's network of offices. Refer to **Note 1** for further information on Property, Plant, and Equipment, Net and **Note 12** for further information on leases.

CLASSES	Cost	Accumulated Depreciation	Book Value	Estimated Useful Life[4]	Method of Depreciation[5]	Capitalization Threshold
FY 2024						
Personal Property						
Equipment	$ 2	$ (2)	0	5-20	SL	$ 25,000
Internal Use Software	299	(200)	99	5-8	SL	$ 100,000
Internal Use Software in Development	15	0	15		SL	$ 100,000
Lessee Right-To-Use Lease Asset	48	(8)	40	2-20	SL	$ 25,000
Total	**$ 364**	**$ (210)**	**$ 154**			

Net Property Plant and Equipment	
Balance Beginning of Year	**$ 87**
Effects of implementation of SFFAS 54	37
Balance beginning of year, adjusted	**124**
CY Right-to-use Lease Assets, CY activity	11
CY Amortization of Right-To-Use Lessee Asset	(8)
Capitalized Acquisitions	26
Dispositions	0
Depreciation Expense	1
Balance at the End of Year	**154**

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

Net Property Plant and Equipment	
Balance Beginning of Year	**$ 59**
Capitalized Acquisitions	31
Dispositions	0
Depreciation Expense	(3)

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

NOTE 8: LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	FY 2024	FY 2023
Intragovernmental		
Unfunded Federal Employees Compensation Act (FECA) Liability	$ 5	$ 5
Total Intragovernmental	**5**	**5**
Other than Intragovernmental		
Federal Employee Benefits Payable	73	70
Contingent Liability	75	75
Unfunded Lessee Lease Liabilities	38	0
Other Liability	112	105
Total Other than Intragovernmental	**298**	**250**
Total Liabilities Not Covered by Budgetary Resources[6]	**303**	**255**
Total Liabilities Covered by Budgetary Resources	123,021	119,463
Total Liabilities Not Requiring Budgetary Resources[7]	(17)	(8)
Total Liabilities	**$ 123,307**	**$ 119,710**

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

NOTE 9: DEBT

	Beginning Balance	Net Borrowing	Ending Balance
FY 2024			
Source of Debt			
Debt Owed to Treasury other than FFB	$ 56,372	$ 5,798	$ 62,170
Debt Owed to the Federal Financing Bank	54,921	(549)	54,372
Total Debt	**$ 111,293**	**5,249**	**116,542**
Total Debt	**$ 111,293**	**5,249**	**116,542**
FY 2023			
Source of Debt			
Debt Owed to Treasury other than FFB	$ 54,304	$ 2,068	$ 56,372
Debt Owed to the Federal Financing Bank	51,845	3,076	54,921
Total Debt	**$ 106,149**	**5,144**	**111,293**
Total Debt	**$ 106,149**	**5,144**	**111,293**

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

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

NOTE 9: Continued

Supplemental Information Associated with Debt

	FY 2024	FY 2023
Interest Payable, Federal		
Federal Financing Bank	$ 40	$ 373
Total	**$ 40**	**$ 373**

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

	FY 2024	FY 2023
Interest Expense, Federal		
Federal Financing Bank	$ 1,364	$ 1,786
Treasury	1,972	1,797
Total	**$ 3,336**	**$ 3,583**

NOTE 10: FEDERAL EMPLOYEE BENEFITS PAYABLE

	FY 2024	FY 2023
Other than Intragovernmental		
Accrued Funded Payroll and Leave	$ 15	$ 31
Employer Contributions and Payroll Taxes Payable	0	0
Unfunded Leave	47	44
Actuarial FECA Liability	26	26
Total Federal Employee Benefits Payable	**$ 88**	**$ 101**

NOTE 11: OTHER LIABILITIES

	FY 2024			FY 2023		
	Current	Non-Current	Total	Current	Non-Current	Total
Intragovernmental Liabilities:						
Other Liabilities With Related Budgetary Obligations	$ 26	$ 0	$ 26	$ 7	$ 0	$ 7
Employer Contributions & Payroll Taxes Payable	4	0	4	9	0	9
Unfunded FECA Liability	2	3	5	2	3	5
Liability for Deposit Fund & Suspense Accounts	(9)	0	(9)	0	0	0
Other Liabilities	0	0	0	0	0	0
Total Intragovernmental Liabilities	**$ 23**	**$ 3**	**$ 26**	**$ 18**	**$ 3**	**$ 21**
Other than Intragovernmental Liabilities:						
Other Liabilities With Related Budgetary Obligations	50	0	50	95	0	95
Accrued Funded Payroll & Leave	0	0	0	0	0	0
Liability for Advances & Prepayments	0	0	0	0	0	0
Liability for Deposit Fund & Suspense Accounts	0	0	0	0	0	0
Contingent Liabilities	75	0	75	75	0	75
Lessee Lease Liability	2	0	2	0	0	0
Unfunded Lease Liability	38	0	38	0	0	0
Other Liabilities Without Related Budgetary Obligations	86	26	112	79	26	105
Total Other than Intragovernmental Liabilities	**$ 251**	**$ 26**	**$ 277**	**$ 249**	**$ 26**	**$ 275**
Total Other Liabilities	**$ 274**	**$ 29**	**$ 303**	**$ 267**	**$ 29**	**$ 296**

These liabilities are or will be covered by Budgetary Resources. For additional information on Lease Liabilities refer to **Note 12.**

NOTE 12: LEASES

The below table discloses Rural Development's intragovernmental and non-federal lease expense by major asset category as well as future lease payments for the first five years and in five-year increments thereafter, pursuant to SFFAS 54, Leases. Refer to **Note 1** regarding the implementation of SFFAS 54 and **Note 7** and **Note 11** for additional information on leases.

FY2024

Intragovernmental:	
Lease expense:	
Land and Buildings	$ 15
Machinery and Equipment	0
Total	**$ 15**
Other than Intragovernmental:	
Lease assets:	
Land and Buildings	$ 48
Machinery and Equipment	0
Accumulated amortization	(8)
Total	**$ 40**

FY	Principal	Interest	Total
2025	$ 9	$ 2	$ 11
2026	9	1	10
2027	7	1	8
2028	5	1	6
2029	2	1	3
2030-34	5	3	8
2035-39	2	1	3
2040-44	1	0	1
After 20 years	0	0	0
Total	**$ 40**	**$ 10**	**$ 50**

Lease expense:	
Amortization	$ 8
Interest	2
Variable	0
Other	0
Total	**$ 10**

NOTE 13: COMMITMENTS AND CONTINGENCIES

Commitments

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

As related to commitments to extend loan guarantees as of September 30, 2024, and 2023, there were approximately $3,423 million and $3,404 million, respectively.

Contingencies

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

	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
FY 2024			
Legal Contingencies			
Probable	$ 75	$ 75	$ 75
Reasonably Possible	$ 0	$ 0	$ 0
FY 2023			
Legal Contingencies			
Probable	$ 75	$ 75	$ 75
Reasonably Possible	$ 0	$ 5	$ 10

The following contingency-related lawsuits are reportable for the fiscal year ending on September 30, 2024:

Rural Development is actively involved in restructuring negotiations.

Multiple breach of contract cases regarding Housing Section 515 loan prepayments were deemed probable in FY 2014. As of September 2024, the Office of the General Counsel has made the determination that a $75 million unfavorable outcome is probable. There has been no change in the amount from FY 2023. The amount of $75 million has been accrued to the financial statements.

A class action complaint was filed alleging entitlement to hazard pay and environmental differential pay. In FY2023, the complaint was pending final resolution, and the Office of General Counsel had deemed the complaint as reasonably possible in the range of $5 to $10 million. The amount was not accrued to the financial statements but was disclosed in the table above. As of FY2024, the likelihood of loss for the class action complaint changed to remote.

NOTE 14: SUPPORTING SCHEDULE FOR STATEMENT OF NET COST

	Mortgage Credit	Housing Assistance	Area & Regional Development	Energy Supply & Conservation	Agricultural Research	Farm Income Stabilization	Consolidated Total
FY 2024							
Gross Costs:							
Borrowing Interest Expense	$ 725	$ 0	$ 878	$ 1,733	$ 0	$ 0	$ 3,336
Grants	4	1,672	1,539	0	138	60	3,413
Loan Cost Subsidies	1,513	0	533	(1,030)	0	4	1,020
Other	629	24	191	125	0	0	969
Total Gross Costs	**2,871**	**1,696**	**3,141**	**828**	**138**	**64**	**8,738**
Less:							
Earned Revenues	694	1	1,397	1,748	0	0	3,840
Net Cost of Operations	**$ 2,177**	**$ 1,695**	**$ 1,744**	**$ (920)**	**$ 138**	**$ 64**	**$ 4,898**
FY 2023							
Gross Costs:							
Borrowing Interest Expense	$ 686	$ 0	$ 857	$ 2,040	$ 0	$ 0	$ 3,583
Grants	10	1,559	1,173	0	139	53	2,934
Loan Cost Subsidies	27	0	152	(1,303)	0	21	(1,103)
Other	546	22	168	117	0	0	853
Total Gross Cost	**1,269**	**1,581**	**2,350**	**854**	**139**	**74**	**6,267**
Less:							
Earned Revenues	658	0	866	2,056	0	0	3,580
Net Cost of Operations	**$ 611**	**$ 1,581**	**$ 1,484**	**$ (1,202)**	**$ 139**	**$ 74**	**$ 2,687**

NOTE 14: Continued

Other Disclosures

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

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

NOTE 14: Continued

Credit Reform

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

Exchange Transactions with Non-Federal Sources

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

Rural Housing Programs

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

Rural Business-Cooperative Program

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

Rural Utilities Program

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

NOTE 14: Continued

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

NOTE 15: INTER-ENTITY COSTS

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

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

NOTE 16: NOTES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES (SBR)

A. Adjustments to Unobligated Balance Brought Forward

No adjustments were made to the prior year's ending unobligated balances reported on line 1020 of the SF-133.

B. Terms of Borrowing Authority Used

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

NOTE 16: Continued

Financing Sources for Repayments of Borrowings

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

Other Terms of Borrowing Authority Used

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

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

C. Available Borrowing Authority, End of the Period

As of September 30, 2024, and 2023, the amount of available borrowing authority was $28,973 million and $27,864 million, respectively.

D. Undelivered Orders at the End of the Period

	Undelivered Orders		
	Federal	Non Federal	Total
FY 2024			
Paid	$ 0	$ 0	$ 0
Unpaid	1,929	42,658	44,587
Total Undelivered Orders	**$ 1,929**	**$ 42,658**	**$ 44,587**
FY 2023			
Paid	$ 0	$ 0	$ 0
Unpaid	1,689	38,127	39,816
Total Undelivered Orders	**$ 1,689**	**$ 38,127**	**$ 39,816**

NOTE 16: Continued

E. Permanent Indefinite Appropriations

Existence, Purpose, and Availability of Permanent Indefinite Appropriations

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

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

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

F. Legal Arrangements Affecting the Use of Unobligated Balances

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

Purpose

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

Amount

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

Time

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

NOTE 16: Continued

The time limitations on the use of unobligated balances are the same as those previously discussed in the last two paragraphs of the Permanent Indefinite Appropriations footnote disclosure **(Note 16 E)**.

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

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

The 2026 Budget of the United States Government, with the "Actual" columns completed for FY 2024, has not yet been published as of the date of these financial statements. The Budget is currently expected to be published and delivered to Congress in 2025. The Budget will be available from https://www.whitehouse.gov/omb/budget.

The 2025 Budget of the United States Government, with the "Actual" columns completed for FY 2023 was published in March of 2024 and reconciled to the SBR.

The reconciling items represent:

- Expired budgetary authority available for upward adjustments of obligations, which is excluded from the President's Budget "Actual" columns per OMB Circular No. A-11 but is included in the SBR.
- In FY 2023, Alternative Agricultural Research and Commercialization Corporation Revolving Fund (12X4144) was not included in the SBR but was included in the Budget.
- In FY 2023, Office of the Secretary, Agriculture (12X0115) was included in the SBR, but was not included in the Rural Development Budget section, thus on the reconciliations it is treated as an adjustment.
- In FY 2023, Food Supply Chain and Agriculture Pandemic Response Guaranteed Financing Account (12X4391) and Program Account (12X0408) were included in the SBR but were not included in the Rural Development Budget section, thus on the reconciliations it is treated as an adjustment.
- In FY 2023, Agricultural Credit Insurance Fund Program Account (122/11140) was included in the SBR but was not included in the Rural Development budget section, thus on the reconciliations it is treated as an adjustment.

NOTE 16: Continued

- In FY 2023, an adjustment in the amount of $1 million for Rural Water and Waste Disposal Program Account (12X1980) was not included in the SBR, but was included in the FY 2023 President's Budget as it was entered into the Governmentwide Treasury Account System (GTAS) during the GTAS window changes allowed for agencies at fiscal yearend.

- Amounts due to rounding.

Reconciliation Between FY 2023 Combined Statement of Budgetary Resources and the President's Budget					
Applicable Line from SBR	**Amount from SBR**	**Applicable Line from President's Budget**	**Amount from President's Budget**	**Legitimate Differences**	**Reporting Errors**
Total Budgetary Resources (Line 1910)	$ 51,239	Total Budgetary Resources Available for Obligation	$ 49,399	$ 1,840 E 90 A 1,753 R (3)	None
New Obligations and Upward Adjustments (Line 2190)	$ 27,393	Total New Obligations	$ 26,533	$ 860 E 1 A 857 R 2	None
Distributed Offsetting Receipts (Line 4200)	$ (1,592)	Treasury Combined Statement (Receipts by Department)	$ (1,592)	$ 0	None
Net Outlays (Line 4190 and 4220)	$ 10,948	Outlays	$ 10,742	$ 206 A 204 R 2	None

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

NOTE 17: INCIDENTAL CUSTODIAL COLLECTIONS

	FY 2024	FY 2023
Sources of Collections		
Recoveries and Refunds	$ 13	$ 14
Total Revenue Collected	**13**	**14**
Disposition of Collections		
Amount Transferred to Treasury Receipt Accounts	$ (13)	(14)
Total Disposition of Revenue	**(13)**	**(14)**
Net Custodial Activity	**$ 0**	**$ 0**

NOTE 18: RECONCILIATION OF NET COST TO NET OUTLAYS

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

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

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

During FY 2024 and FY 2023, the Agency reported significant components of net operating costs not part of the budgetary outlays. Intergovernmental activity for Year End Credit Reform Subsidy reestimates for FY 2024 was $1,715 million and for FY 2023 was $2,735 million. The decrease of $1,020 million represents a decrease in the FY 2024 reestimate accruals that will not result in an outlay until FY 2025 from the budgetary accounts. The Loans Receivable overall decreased mostly attributed to the Rural Electric Liquidating account. A loan was paid off in this account as a result of a restructure which decreased the overall loans receivable and interest receivable balances. Additionally, some of the decreases are a normal trend for liquidating accounts as they no longer issue new loans but only liquidate existing loans. Thus, any repayments of loans receivable would decrease the overall loans receivable balance. Accounts Payable increased in FY 2024 as part of an overall increase in upward reestimate accruals for FY 2024 as compared to the overall upward reestimates accruals for FY 2023. In FY 2024 the upward accruals for all programs were at $1,918 million while in FY 2023 the upward accruals were at $731 million, an increase of $1,187 million. Other Liabilities decreased in FY 2024 due to a decrease in the Grants Payable accruals as compared to FY 2023 and a decrease in Escrow accounts payable as compared to FY 2023. Non-Entity activity increased in FY 2024 compared to FY 2023 due to increases in downward reestimates.

NOTE 18: Continued

	FY 2024		FY 2023	
	Intragovernmental	Other than Intragovernmental	Intragovernmental	Other than Intragovernmental
Net Cost	**$ (119)**	**$ 5,017**	**$ 386**	**$ 2,301**
Components of Net Cost Not Part of Budgetary Outlays:				
Property, Plant, and Equipment Depreciation Expense	$ 0	$ 1	$ 0	$ (3)
Property, Plant, and Equipment Disposals and Reevaluations	0	0	0	0
Lessee Lease Amortization	0	(8)	0	0
Year-End Credit Reform Subsidy Accrual Reestimates	1,715	0	2,735	0
Increase/(Decrease) in Assets:				
Accounts Receivable, Net	(5)	0	6	0
Loans Receivable, Net (Non-FCRA)	0	(429)	0	(66)
Other Assets	0	7	0	23
(Increase)/Decrease in Liabilities				
Accounts Payable	(1,187)	(15)	468	4
Lessee Lease Liability	0	8	0	0
Insurance and Guarantee Program Liabilities	0	0	0	0
Environmental and Disposal Liabilities	0	0	0	0
Federal Employee Salary, Leave and Benefits Payable	0	14	0	(3)
Post-Employment Benefits Payable	0	0	0	0
Other Liabilities	(5)	37	(2)	(77)
Credit Reform Subsidy Reestimates	0	0	0	0
Contingent Liabilities	0	0	0	0
Other Liabilities	(5)	37	(2)	(77)
Financing Sources				
Imputed Cost	(115)	0	(114)	0
Total Components of Net Operating Cost Not Part of Budgetary Outlays:	**403**	**(385)**	**3,093**	**(122)**
Components of the Budget Outlays That Are Not Part of the Net Operating Cost:				
Acquisition of Capital Assets	0	26	0	31
Acquisition of Inventory	0	0	0	0
Financing Sources:				
Transfers Out (In) Without Reimbursements	0	0	0	0
Total Components of the Budget Outlays That are not part of Net Operating Cost	**0**	**26**	**0**	**31**
Miscellaneous Items:				
Distributed Offsetting Receipts	0	(9)	0	(13)
Custodial/Non-exchange revenue	0	0	0	0
Non-Entity Activity	(3,076)	0	(1,579)	0
Other Temporary Timing Differences	0	0	0	0
Total Other Reconciling Items	**(3,076)**	**(9)**	**(1,579)**	**(13)**
Total Net Outlays	**$ (2,792)**	**$ 4,649**	**$ 1,900**	**$ 2,197**
Budgetary Agency Outlays, Net		**$ 1,857**		**$ 4,097**
Difference		**$ 0**		**$ 0**

NOTE 19: FIDUCIARY ACTIVITY

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

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

Schedule of Fiduciary Activity for the Years Ended September 30, 2024 and 2023

	FY 2024	FY 2023
Fiduciary Net Assets, beginning of year	**$ 87**	**$ 99**
Contributions	510	457
Disbursements	501	469
Increase/Decrease in Fiduciary Fund Balances	**9**	**(12)**
Fiduciary Net Assets, end of year	**$ 96**	**$ 87**

Schedule of Fiduciary Net Assets for the Years Ended September 30, 2024 and 2023

	FY 2024	FY 2023
Cash and Cash Equivalents:		
Escrow Funds held at Treasury	$ 38	$ 31
Investments in Treasury Securities – Short Term	58	56
Investments in Treasury Securities – Long Term	0	0
Total Fiduciary Net Assets	**$ 96**	**$ 87**

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

	2024 Budgetary	2024 Non-Budgetary Credit Program Financing Accounts	2023 Budgetary	2023 Non-Budgetary Credit Program Financing Accounts
	Rural Community Advancement Programs	Rural Community Advancement Programs	Rural Community Advancement Programs	Rural Community Advancement Programs
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 1,624	$ 1,482	$ 1,456	$ 2,291
Recoveries of Prior Year Unpaid Obligations	117	384	145	375
Other Changes in Unobligated Balance	(23)	(1,507)	(12)	(2,362)
Unobligated Balance from Prior Year Budget Authority, Net	1,718	359	1,589	304
Appropriations	1,251	0	2,130	0
Borrowing Authority (Note 16)	0	1,772	0	2,392
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	508	2,403	7	2,220
Total Budgetary Resources	**3,477**	**4,534**	**3,726**	**4,916**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	2,281	2,986	2,102	3,434
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	1,183	1,535	1,611	1,294
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	7	13	11	188
Unexpired Unobligated Balance, End of Year	1,190	1,548	1,622	1,482
Expired Unobligated Balance, End of Year	6	0	2	0
Total Unobligated Balance, End of Year	1,196	1,548	1,624	1,482
Total Budgetary Resources	**3,477**	**4,534**	**3,726**	**4,916**
Outlays, Net:				
Outlays, Net	955	0	1,340	0
Distributed Offsetting Receipts	(365)	0	(269)	0
Agency Outlays, Net	**$ 590**	**$ 0**	**$ 1,071**	**$ 0**
Disbursements, Net		**$ 1,215**		**$ 666**

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

	2024 Budgetary	2024 Non-Budgetary Credit Program Financing Accounts	2023 Budgetary	2023 Non-Budgetary Credit Program Financing Accounts
	Rural Electrification/ Telecommunication Funds	Rural Electrification/ Telecommunication Funds	Rural Electrification/ Telecommunication Funds	Rural Electrification/ Telecommunication Funds
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 10,965	$ 4,872	$ 11,317	$ 4,043
Recoveries of Prior Year Unpaid Obligations	0	176	1	203
Other Changes in Unobligated Balance	(10)	(234)	(88)	(642)
Unobligated Balance from Prior Year Budget Authority, Net	10,955	4,814	11,230	3,604
Appropriations	429	0	1,267	0
Borrowing Authority (Note 16)	0	8,483	0	7,445
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	133	2,994	17	3,371
Total Budgetary Resources	**11,517**	**16,291**	**12,514**	**14,420**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	2,603	12,095	1,549	9,548
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	8,908	4,196	10,954	4,869
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	0	3
Unexpired Unobligated Balance, End of Year	8,908	4,196	10,954	4,872
Expired Unobligated Balance, End of Year	6	0	11	0
Total Unobligated Balance, End of Year	8,914	4,196	10,965	4,872
Total Budgetary Resources	**11,517**	**16,291**	**12,514**	**14,420**
Outlays, Net:				
Outlays, Net	334	0	1,490	0
Distributed Offsetting Receipts	(1,861)	0	(623)	0
Agency Outlays, Net	**$ (1,527)**	**$ 0**	**$ 867**	**$ 0**
Disbursements, Net		**$ 3,549**		**$ 3,328**

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

	2024 Budgetary	2024 Non-Budgetary Credit Program Financing Accounts	2023 Budgetary	2023 Non-Budgetary Credit Program Financing Accounts
	Rural Telephone Bank Funds	Rural Telephone Bank Funds	Rural Telephone Bank Funds	Rural Telephone Bank Funds
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 0	$ 2	$ 0	$ 3
Recoveries of Prior Year Unpaid Obligations	0	0	0	0
Other Changes in Unobligated Balance	0	0	0	(3)
Unobligated Balance from Prior Year Budget Authority, Net	0	2	0	0
Appropriations	12	0	3	0
Borrowing Authority (Note 16)	0	0	0	2
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	0	15	0	3
Total Budgetary Resources	**12**	**17**	**3**	**5**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	12	3	3	3
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	0	14	0	2
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	0	0
Unexpired Unobligated Balance, End of Year	0	14	0	2
Expired Unobligated Balance, End of Year	0	0	0	0
Total Unobligated Balance, End of Year	0	14	0	2
Total Budgetary Resources	**12**	**17**	**3**	**5**
Outlays, Net:				
Outlays, Net	12	0	2	0
Distributed Offsetting Receipts	0	0	0	0
Agency Outlays, Net	**$ 12**	**$ 0**	**$ 2**	**$ 0**
Disbursements, Net		**$ (12)**		**$ (2)**

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

	2024 Budgetary	2024 Non-Budgetary Credit Program Financing Accounts	2023 Budgetary	2023 Non-Budgetary Credit Program Financing Accounts
	Rural Housing Funds	Rural Housing Funds	Rural Housing Funds	Rural Housing Funds
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 226	$ 990	$ 160	$ 1,586
Recoveries of Prior Year Unpaid Obligations	26	156	16	147
Other Changes in Unobligated Balance	(87)	(803)	(61)	(1,414)
Unobligated Balance from Prior Year Budget Authority, Net	165	343	115	319
Appropriations	1,062	0	755	0
Borrowing Authority (Note 16)	0	2,080	0	2,052
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	126	2,653	122	2,485
Total Budgetary Resources	**1,353**	**5,076**	**992**	**4,856**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	1,092	3,346	766	3,866
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	223	1,730	195	990
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	0	0
Unexpired Unobligated Balance, End of Year	223	1,730	195	990
Expired Unobligated Balance, End of Year	38	0	31	0
Total Unobligated Balance, End of Year	261	1,730	226	990
Total Budgetary Resources	**1,353**	**5,076**	**992**	**4,856**
Outlays, Net:				
Outlays, Net	647	0	371	0
Distributed Offsetting Receipts	(804)	0	(654)	0
Agency Outlays, Net	**$ (157)**	**$ 0**	**$ (283)**	**$ 0**
Disbursements, Net		**$ 617**		**$ 1,099**

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

	2024 Budgetary	2024 Non-Budgetary Credit Program Financing Accounts	2023 Budgetary	2023 Non-Budgetary Credit Program Financing Accounts
	Rental Assistance Programs	Rental Assistance Programs	Rental Assistance Programs	Rental Assistance Programs
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 53	$ 0	$ 78	$ 0
Recoveries of Prior Year Unpaid Obligations	4	0	4	0
Other Changes in Unobligated Balance	0	0	1	0
Unobligated Balance from Prior Year Budget Authority, Net	57	0	83	0
Appropriations	1,621	0	1,535	0
Borrowing Authority (Note 16)	0	0	0	0
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	0	0	0	0
Total Budgetary Resources	**1,678**	**0**	**1,618**	**0**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	1,652	0	1,565	0
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	10	0	37	0
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	0	0
Unexpired Unobligated Balance, End of Year	10	0	37	0
Expired Unobligated Balance, End of Year	16	0	16	0
Total Unobligated Balance, End of Year	26	0	53	0
Total Budgetary Resources	**1,678**	**0**	**1,618**	**0**
Outlays, Net:				
Outlays, Net	1,616	0	1,451	0
Distributed Offsetting Receipts	0	0	0	0
Agency Outlays, Net	**$ 1,616**	**$ 0**	**$ 1,451**	**$ 0**
Disbursements, Net		**$ 0**		**$ 0**

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

	2024 Budgetary	2024 Non-Budgetary Credit Program Financing Accounts	2023 Budgetary	2023 Non-Budgetary Credit Program Financing Accounts
	Rural Housing Grants	Rural Housing Grants	Rural Housing Grants	Rural Housing Grants
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 84	$ 0	$ 41	$ 0
Recoveries of Prior Year Unpaid Obligations	6	0	3	0
Other Changes in Unobligated Balance	(3)	0	(7)	0
Unobligated Balance from Prior Year Budget Authority, Net	87	0	37	0
Appropriations	26	0	143	0
Borrowing Authority (Note 16)	0	0	0	0
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	0	0	0	0
Total Budgetary Resources	**113**	**0**	**180**	**0**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	71	0	96	0
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	42	0	84	0
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	0	0
Unexpired Unobligated Balance, End of Year	42	0	84	0
Expired Unobligated Balance, End of Year	0	0	0	0
Total Unobligated Balance, End of Year	42	0	84	0
Total Budgetary Resources	**113**	**0**	**180**	**0**
Outlays, Net:				
Outlays, Net	86	0	84	0
Distributed Offsetting Receipts	0	0	0	0
Agency Outlays, Net	**$ 86**	**$ 0**	**$ 84**	**$ 0**
Disbursements, Net		**$ 0**		**$ 0**

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

	2024 Budgetary	2024 Non-Budgetary Credit Program Financing Accounts	2023 Budgetary	2023 Non-Budgetary Credit Program Financing Accounts
	Salaries & Expense	**Salaries & Expense**	**Salaries & Expense**	**Salaries & Expense**
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 198	$ 0	$ 96	$ 0
Recoveries of Prior Year Unpaid Obligations	13	0	9	0
Other Changes in Unobligated Balance	117	0	86	0
Unobligated Balance from Prior Year Budget Authority, Net	328	0	191	0
Appropriations	436	0	470	0
Borrowing Authority (Note 16)	0	0	0	0
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	520	0	506	0
Total Budgetary Resources	**1,284**	**0**	**1,167**	**0**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	1,024	0	969	0
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	247	0	187	0
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	0	0
Unexpired Unobligated Balance, End of Year	247	0	187	0
Expired Unobligated Balance, End of Year	13	0	11	0
Total Unobligated Balance, End of Year	260	0	198	0
Total Budgetary Resources	**1,284**	**0**	**1,167**	**0**
Outlays, Net:				
Outlays, Net	442	0	396	0
Distributed Offsetting Receipts	1	0	(13)	0
Agency Outlays, Net	**$ 443**	**$ 0**	**$ 383**	**$ 0**
Disbursements, Net		**$ 0**		**$ 0**

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

	2024 Budgetary	2024 Non-Budgetary Credit Program Financing Accounts	2023 Budgetary	2023 Non-Budgetary Credit Program Financing Accounts
	Other	**Other**	**Other**	**Other**
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 2,975	$ 375	$ 4,158	$ 385
Recoveries of Prior Year Unpaid Obligations	570	111	167	67
Other Changes in Unobligated Balance	65	(313)	384	(221)
Unobligated Balance from Prior Year Budget Authority, Net	3,610	173	4,709	231
Appropriations	79	0	868	0
Borrowing Authority (Note 16)	0	410	0	797
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	30	211	29	208
Total Budgetary Resources	**3,719**	**794**	**5,606**	**1,236**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	1,483	448	2,631	861
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	2,208	346	2,945	366
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	0	0	12	9
Unexpired Unobligated Balance, End of Year	2,208	346	2,957	375
Expired Unobligated Balance, End of Year	28	0	18	0
Total Unobligated Balance, End of Year	2,236	346	2,975	375
Total Budgetary Resources	**3,719**	**794**	**5,606**	**1,236**
Outlays, Net:				
Outlays, Net	840	0	555	0
Distributed Offsetting Receipts	(46)	0	(33)	0
Agency Outlays, Net	**$ 794**	**$ 0**	**$ 522**	**$ 0**
Disbursements, Net		**$ 86**		**$ 168**

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

	2024 Budgetary	2024 Non-Budgetary Credit Program Financing Accounts	2023 Budgetary	2023 Non-Budgetary Credit Program Financing Accounts
	Total	**Total**	**Total**	**Total**
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	$ 16,125	$ 7,721	$ 17,306	$ 8,308
Recoveries of Prior Year Unpaid Obligations	736	827	345	792
Other Changes in Unobligated Balance	59	(2,857)	303	(4,642)
Unobligated Balance from Prior Year Budget Authority, Net	16,920	5,691	17,954	4,458
Appropriations	4,916	0	7,171	0
Borrowing Authority (Note 16)	0	12,745	0	12,688
Contract Authority	0	0	0	0
Spending Authority from Offsetting Collections	1,317	8,276	681	8,287
Total Budgetary Resources	**23,153**	**26,712**	**25,806**	**25,433**
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	10,218	18,878	9,681	17,712
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	12,821	7,821	16,013	7,521
Exempt from Apportionment, Unexpired Accounts	0	0	0	0
Unapportioned, Unexpired Accounts	7	13	23	200
Unexpired Unobligated Balance, End of Year	12,828	7,834	16,036	7,721
Expired Unobligated Balance, End of Year	107	0	89	0
Total Unobligated Balance, End of Year	12,935	7,834	16,125	7,721
Total Budgetary Resources	**23,153**	**26,712**	**25,806**	**25,433**
Outlays, Net				
Outlays, Net	4,932	0	5,689	0
Distributed Offsetting Receipts	(3,075)	0	(1,592)	0
Agency Outlays, Net	**$ 1,857**	**$ 0**	**$ 4,097**	**$ 0**
Disbursements, Net		**$ 5,455**		**$ 5,259**

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