

# Consolidated Financial Statements

**DEPARTMENT OF VETERANS AFFAIRS**
**CONSOLIDATED BALANCE SHEETS (DOLLARS IN MILLIONS)**

AS OF SEPTEMBER 30,

	2005	2004
<b>ASSETS</b>		
<b>INTRAGOVERNMENTAL</b>		
Fund Balance with Treasury (Note 3)	\$ 17,087	\$ 16,741
Investments (Note 5)	13,286	13,643
Accounts Receivable, Net (Note 6)	72	132
Other Assets	40	122
<b>TOTAL INTRAGOVERNMENTAL ASSETS</b>	<b>30,485</b>	<b>30,638</b>
<b>PUBLIC</b>		
Investments (Note 5)	178	184
Accounts Receivable, Net (Note 6)	920	887
Loans Receivable, Net (Note 7)	2,320	2,954
Cash (Note 4)	87	68
Inventories (Note 8)	76	69
General Property, Plant and Equipment, Net (Note 9)	11,232	11,215
Other Assets	46	56
<b>TOTAL PUBLIC ASSETS</b>	<b>14,859</b>	<b>15,433</b>
<b>TOTAL ASSETS</b>	<b>\$ 45,344</b>	<b>\$ 46,071</b>
<b>LIABILITIES</b>		
<b>INTRAGOVERNMENTAL</b>		
Accounts Payable	\$ 66	\$ 72
Debt	2,193	2,618
Other Liabilities (Note 13)	2,619	2,134
<b>TOTAL INTRAGOVERNMENTAL LIABILITIES</b>	<b>4,878</b>	<b>4,824</b>
<b>PUBLIC</b>		
Accounts Payable	570	3,003
Liabilities for Loan Guarantees (Note 7)	3,465	4,740
Federal Employee and Veterans Benefits Liability (Note 11)	1,124,376	926,553
Environmental and Disposal Liabilities (Note 12)	376	339
Insurance Liabilities (Note 15)	12,014	12,291
Other Liabilities (Note 13)	7,077	7,047
<b>TOTAL PUBLIC LIABILITIES</b>	<b>1,147,878</b>	<b>953,973</b>
<b>TOTAL LIABILITIES</b>	<b>1,152,756</b>	<b>958,797</b>
<b>NET POSITION</b>		
Unexpended Appropriations	2,306	2,642
Cumulative Results of Operations	(1,109,718)	(915,368)
<b>TOTAL NET POSITION</b>	<b>(1,107,412)</b>	<b>(912,726)</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 45,344</b>	<b>\$ 46,071</b>

The accompanying Notes are an integral part of these financial statements.

DEPARTMENT OF VETERANS AFFAIRS  
 CONSOLIDATED STATEMENTS OF NET COST (DOLLARS IN MILLIONS)  
 FOR THE YEARS ENDED SEPTEMBER 30,

	2005	2004
<b>NET PROGRAM COSTS (NOTE 18)</b>		
Medical Care	\$ 28,399	\$ 25,396
Medical Education	542	1,111
Medical Research	659	898
Compensation	29,596	27,306
Pension	3,627	3,526
Education	2,202	2,037
Vocational Rehabilitation and Employment	700	676
Loan Guaranty	(1,432)	1,141
Insurance	148	63
Burial	332	332
<b>NET PROGRAM COSTS BEFORE CHANGES IN VETERANS BENEFITS ACTUARIAL LIABILITIES</b>	<u>64,773</u>	<u>62,486</u>
Compensation	197,300	(30,100)
Burial	500	100
<b>SUBTOTAL</b>	<u>197,800</u>	<u>(30,000)</u>
<b>NET NON-PROGRAM COSTS</b>	<u>859</u>	<u>781</u>
<b>NET COST OF OPERATIONS (NOTE 18)</b>	<u>\$ 263,432</u>	<u>\$ 33,267</u>

The accompanying Notes are an integral part of these financial statements.

DEPARTMENT OF VETERANS AFFAIRS  
 CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005  
 (DOLLARS IN MILLIONS)

	Cumulative Results of Operations	Unexpended Appropriations
<b>Beginning Balances</b>	\$ (915,368)	\$ 2,642
<b>Budgetary Financing Sources</b>		
Appropriations Received	-	69,589
Other Adjustments	-	(282)
Appropriations Used	69,659	(69,659)
Transfers-in	-	16
Nonexchange Revenue	7	-
Donations	27	-
<b>Other Financing Sources</b>		
Donations of Property	15	-
Transfers-out	(1,371)	-
Imputed Financing	1,323	-
Other	(578)	-
<b>Total Financing Sources</b>	<b>69,082</b>	<b>(336)</b>
Net Cost of Operations	(263,432)	-
<b>Ending Balances</b>	<b>\$ (1,109,718)</b>	<b>\$ 2,306</b>

DEPARTMENT OF VETERANS AFFAIRS  
 CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004  
 (DOLLARS IN MILLIONS)

	Cumulative Results of Operations	Unexpended Appropriations
<b>Beginning Balances</b>	\$ (945,494)	\$ 4,233
<b>Budgetary Financing Sources</b>		
Appropriations Received	-	62,179
Other Adjustments	-	(460)
Appropriations Used	63,325	(63,325)
Transfers-in	-	15
Nonexchange Revenue	5	-
Donations	28	-
<b>Other Financing Sources</b>		
Donations of Property	14	-
Transfers-out	(880)	-
Imputed Financing	1,252	-
Other	(351)	-
<b>Total Financing Sources</b>	<b>63,393</b>	<b>(1,591)</b>
Net Cost of Operations	(33,267)	-
<b>Ending Balances</b>	<b>\$ (915,368)</b>	<b>\$ 2,642</b>

The accompanying Notes are an integral part of these financial statements.

## DEPARTMENT OF VETERANS AFFAIRS

## COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 19) (DOLLARS IN MILLIONS)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

**Budgetary Resources**

	Budgetary	Credit Financing
Budget Authority	\$ 72,532	\$ 1,824
Unobligated Balance at the Beginning of the Period	15,667	4,476
Net Transfers-Prior Year Balance	(155)	-
Spending Authority from Offsetting Collections	5,250	4,422
Adjustments	(328)	(2,248)

**Total Budgetary Resources**

<b>\$ 92,966</b>	<b>\$ 8,474</b>
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**Status of Budgetary Resources**

Obligations Incurred	\$ 76,831	\$ 2,767
Unobligated Balance Available	13,570	5
Unobligated Balance Not Yet Available	2,565	5,702

**Total Status of Budgetary Resources**

<b>\$ 92,966</b>	<b>\$ 8,474</b>
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**Outlays**

Obligations Incurred	\$ 76,831	\$ 2,767
Less Spending Authority from Offsetting Collections and Adjustments	(5,262)	(4,422)
Obligated Balance, Net Beginning of Period	10,034	93
Less Obligated Balance, Net End of Period	(8,230)	(77)

**Outlays**

73,373	(1,639)
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(2,784)	-
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**Net Outlays**

<b>\$ 70,589</b>	<b>\$ (1,639)</b>
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## DEPARTMENT OF VETERANS AFFAIRS

## COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 19) (DOLLARS IN MILLIONS)

FOR THE YEAR ENDED SEPTEMBER 30, 2004

**Budgetary Resources**

	Budgetary	Credit Financing
Budget Authority	\$ 64,987	\$ 1,169
Unobligated Balance at the Beginning of the Period	16,208	6,150
Net Transfers-Prior Year Balance	(116)	-
Spending Authority from Offsetting Collections	4,955	2,944
Adjustments	(386)	(1,347)

**Total Budgetary Resources**

<b>\$ 85,648</b>	<b>\$ 8,916</b>
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**Status of Budgetary Resources**

Obligations Incurred	\$ 69,981	\$ 4,440
Unobligated Balance Available	13,232	1
Unobligated Balance Not Yet Available	2,435	4,475

**Total Status of Budgetary Resources**

<b>\$ 85,648</b>	<b>\$ 8,916</b>
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**Outlays**

Obligations Incurred	\$ 69,981	\$ 4,440
Less Spending Authority from Offsetting Collections and Adjustments	(4,955)	(2,944)
Obligated Balance, Net Beginning of Period	8,945	76
Less Obligated Balance, Net End of Period	(10,034)	(93)

**Outlays**

63,937	1,479
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(2,668)	-
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**Net Outlays**

<b>\$ 61,269</b>	<b>\$ 1,479</b>
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## DEPARTMENT OF VETERANS AFFAIRS

## CONSOLIDATED STATEMENTS OF FINANCING (NOTE 20)

FOR THE YEARS ENDED SEPTEMBER 30,

(DOLLARS IN MILLIONS)

	2005	2004
<b>Resources Used to Finance Activities</b>		
Obligations Incurred	\$ 79,598	\$ 74,421
Less Spending Authority from Offsetting Collections and Adjustments	(9,684)	(7,899)
Obligations Net of Offsetting Collections and Adjustments	69,914	66,522
Less Offsetting Receipts	(2,784)	(2,668)
Net Obligations	67,130	63,854
Donations of Property	15	14
Transfers-out	(1,945)	(1,227)
Imputed Financing	1,323	1,252
Other Financing Sources	4	3
<b>Total Resources Used to Finance Activities</b>	<b>66,527</b>	<b>63,896</b>
<b>Resources That Do Not Fund Net Cost of Operations</b>		
Change in Amount of Goods, Services and Benefits Ordered But Not Yet Provided	(690)	(452)
Resources that Finance the Acquisition of Assets	(3,843)	(5,398)
Resources that Fund Expenses Recognized in Prior Periods	(2,326)	(441)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations	4,555	3,065
Other	(4)	(3)
Total Resources That Do Not Fund Net Costs of Operations	(2,308)	(3,229)
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<b>64,219</b>	<b>60,667</b>
<b>Costs That Do Not Require Resources in the Current Period</b>		
Increase in Annual Leave Liability	46	75
Increase in Environmental and Disposal Liability	35	(37)
Reestimates of Credit Subsidy Expense	(437)	2,148
Increase in Exchange Revenue Receivable from the Public	(548)	(295)
Increase in Veterans Benefits Actuarial Liability	197,800	(30,000)
Depreciation and Amortization	1,289	465
Bad Debts Related to Uncollectible Non-Credit Reform Receivables	420	328
Loss on Disposition of Assets	119	99
Other	489	(183)
<b>Total Costs That Do Not Require Resources in the Current Period</b>	<b>199,213</b>	<b>(27,400)</b>
<b>Net Cost of Operations</b>	<b>\$ 263,432</b>	<b>\$ 33,267</b>

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