



## Consolidated Financial Statements

**DEPARTMENT OF VETERANS AFFAIRS**  
**CONSOLIDATED BALANCE SHEETS (dollars in millions)**  
As of September 30,

	2006	2005
<b>ASSETS</b>		
<b>INTRAGOVERNMENTAL</b>		
Fund Balance with Treasury (Note 3)	\$ 16,129	\$ 17,087
Investments (Note 5)	12,873	13,286
Accounts Receivable, Net (Note 6)	107	72
Other Assets	53	40
<b>TOTAL INTRAGOVERNMENTAL ASSETS</b>	<b>29,162</b>	<b>30,485</b>
<b>PUBLIC</b>		
Investments (Note 5)	183	178
Accounts Receivable, Net (Note 6)	1,163	920
Loans Receivable, Net (Note 7)	2,337	2,320
Cash (Note 4)	28	87
Inventories and Related Properties, Net (Note 8)	69	76
General Property, Plant and Equipment, Net (Note 9)	11,638	11,232
Other Assets	30	46
<b>TOTAL PUBLIC ASSETS</b>	<b>15,448</b>	<b>14,859</b>
<b>TOTAL ASSETS</b>	<b>\$ 44,610</b>	<b>\$ 45,344</b>
<b>LIABILITIES</b>		
<b>INTRAGOVERNMENTAL</b>		
Accounts Payable	\$ 92	\$ 66
Debt	983	2,193
Other Liabilities (Note 13)	1,992	2,619
<b>TOTAL INTRAGOVERNMENTAL LIABILITIES</b>	<b>3,067</b>	<b>4,878</b>
<b>PUBLIC</b>		
Accounts Payable	835	570
Liabilities for Loan Guarantees (Note 7)	3,272	3,465
Federal Employee and Veterans Benefits Liability (Note 11)	1,155,612	1,124,376
Environmental and Disposal Liabilities (Note 12)	384	376
Insurance Liabilities (Note 15)	11,633	12,014
Other Liabilities (Note 13)	7,154	7,077
<b>TOTAL PUBLIC LIABILITIES</b>	<b>1,178,890</b>	<b>1,147,878</b>
<b>TOTAL LIABILITIES</b>	<b>1,181,957</b>	<b>1,152,756</b>
<b>NET POSITION</b>		
Unexpended Appropriations – Earmarked Funds (Note 17)	(6,965)	-
Unexpended Appropriations – All Other Funds	8,239	2,306
Cumulative Results of Operations – Earmarked Funds (Note 17)	7,849	-
Cumulative Results of Operations – All Other Funds	(1,146,470)	(1,109,718)
<b>TOTAL NET POSITION</b>	<b>(1,137,347)</b>	<b>(1,107,412)</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 44,610</b>	<b>\$ 45,344</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,**

	<b>2006</b>	<b>2005</b>
<b>NET PROGRAM COSTS (NOTE 19)</b>		
Medical Care	\$ 29,103	\$ 28,399
Medical Education	1,101	542
Medical Research	813	659
Compensation	31,879	29,596
Pension	3,752	3,627
Education	2,304	2,202
Vocational Rehabilitation and Employment	709	700
Loan Guaranty	(823)	(1,432)
Insurance	104	148
Burial	376	332
<b>NET PROGRAM COSTS BEFORE CHANGES IN VETERANS BENEFITS ACTUARIAL LIABILITIES</b>	<b>69,318</b>	<b>64,773</b>
Compensation	31,100	197,300
Burial	100	500
<b>SUBTOTAL</b>	<b>31,200</b>	<b>197,800</b>
<b>NET NON-PROGRAM COSTS</b>	<b>944</b>	<b>859</b>
<b>NET COST OF OPERATIONS (NOTE 19)</b>	<b>\$ 101,462</b>	<b>\$ 263,432</b>

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**DEPARTMENT OF VETERANS AFFAIRS  
CONSOLIDATED STATEMENT OF CHANGES IN  
NET POSITION (dollars in millions)  
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

	<b>Earmarked Funds</b>	<b>All Other Funds</b>	<b>Eliminations</b>	<b>FY 2006 Consolidated Total</b>	<b>FY 2005 Consolidated Total</b>
<b>Cumulative Results of Operations</b>					
Beginning Balance	\$ 781	(1,115,470)	4,971	\$(1,109,718)	\$ (915,368)
<b>Budgetary Financing Sources</b>					
Appropriations Used	-	72,561	-	72,561	69,659
Nonexchange Revenue	-	9	-	9	7
Donations	28	-	-	28	27
Transfer without Reimbursement	5,009	-	(5,009)	-	-
<b>Other Financing Sources (Non-Exchange)</b>					
Donations of Property	25	1	-	26	15
Transfers In/Out Reimbursement	1	(1,369)	1,156	(212)	(1,371)
Imputed Financing	-	1,303	-	1,303	1,323
Other	-	-	(1,156)	(1,156)	(578)
Total Financing Sources	5,063	72,505	(5,009)	72,559	69,082
Net Cost of Operations	(2,043)	103,505	-	101,462	263,432
<b>Net Change</b>	<b>7,106</b>	<b>(31,000)</b>	<b>(5,009)</b>	<b>(28,903)</b>	<b>(194,350)</b>
Ending Balance – Cumulative Results	7,887	(1,146,470)	(38)	(1,138,621)	(1,109,718)
<b>Unexpended Appropriations</b>					
Beginning Balance	-	7,277	(4,971)	2,306	2,642
<b>Budgetary Financing Sources</b>					
Appropriations Received	-	71,747	-	71,747	69,589
Appropriations Transferred In/Out	(6,965)	1,971	5,009	15	16
Other Adjustments	-	(234)	-	(234)	(282)
Appropriations Used	-	(72,560)	-	(72,560)	(69,659)
Total Budgetary Financing Sources	(6,965)	924	5,009	(1,032)	(336)
<b>Total Unexpended Appropriations</b>	<b>(6,965)</b>	<b>8,201</b>	<b>38</b>	<b>1,274</b>	<b>2,306</b>
<b>Total Net Position</b>	<b>\$ 922</b>	<b>(1,138,269)</b>	<b>-</b>	<b>\$(1,137,347)</b>	<b>\$1,107,412</b>

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**DEPARTMENT OF VETERANS AFFAIRS  
COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 20)  
(DOLLARS IN MILLIONS)  
for the Year Ended September 30, 2006**

**Budgetary Resources**

	<b>Budgetary</b>	<b>Non-Budgetary Credit Program</b>
Unobligated Balance at the Beginning of the Period	\$ 16,135	\$ 5,707
Recoveries of Prior Year Obligations	3	-
Budget Authority		
Appropriations Received	74,577	-
Borrowing Authority	-	522
Spending Authority from Offsetting Collections		
Earned	5,404	1,792
Change in Unfilled Customer Orders	1,087	-
Subtotal	<u>81,068</u>	<u>2,314</u>
Nonexpenditure Transfers, net	15	-
Permanently Not Available	<u>(315)</u>	<u>(1,733)</u>
<b>Total Budgetary Resources</b>	<b><u>\$ 96,906</u></b>	<b><u>\$ 6,288</u></b>

**Status of Budgetary Resources**

Obligations Incurred	\$ 79,948	\$ 2,728
Unobligated Balance Available	13,966	-
Unobligated Balance Not Yet Available	2,992	3,560
<b>Total Status of Budgetary Resources</b>	<b><u>\$ 96,906</u></b>	<b><u>\$ 6,288</u></b>

**Change in Obligated Balance**

Obligated Balance, Net Beginning of Period	\$ 8,230	\$ 77
Obligations Incurred	79,948	2,728
Less Gross Outlays	(78,911)	(2,653)
Less Recoveries of Prior Year Unpaid Obligations, Actual	(3)	-
Change in Uncollected Customer Payments from Federal Sources	<u>(1,155)</u>	<u>(25)</u>
<b>Obligated Balance, Net End of Period</b>	<b><u>\$ 8,109</u></b>	<b><u>\$ 127</u></b>

**Net Outlays**

Gross Outlays	\$ 78,911	\$ 2,653
Less Offsetting Collections	(5,336)	(1,767)
Less Distributed Offsetting Receipts	<u>(3,065)</u>	<u>(1,369)</u>
<b>Net Outlays</b>	<b><u>\$ 70,510</u></b>	<b><u>\$ (483)</u></b>

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**DEPARTMENT OF VETERANS AFFAIRS  
COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 20)  
(DOLLARS IN MILLIONS)  
for the Year Ended September 30, 2005**

	<b>Budgetary</b>	<b>Non-Budgetary Credit Program</b>
<b>Budgetary Resources</b>		
Unobligated Balance at the Beginning of the Period	\$ 15,667	\$ 4,476
Recoveries of Prior Year Obligations	-	-
Budget Authority		
Appropriations Received	72,361	-
Borrowing Authority	-	1,824
Spending Authority from Offsetting Collections		
Earned	4,927	4,422
Change in Unfilled Customer Orders	323	-
Subtotal	<u>77,611</u>	<u>6,246</u>
Nonexpenditure Transfers, net	16	-
Permanently Not Available	<u>(328)</u>	<u>(2,248)</u>
<b>Total Budgetary Resources</b>	<b><u>\$ 92,966</u></b>	<b><u>\$ 8,474</u></b>
<b>Status of Budgetary Resources</b>		
Obligations Incurred	\$ 76,831	\$ 2,767
Unobligated Balance Available	13,570	5
Unobligated Balance Not Yet Available	<u>2,565</u>	<u>5,702</u>
<b>Total Status of Budgetary Resources</b>	<b><u>\$ 92,966</u></b>	<b><u>\$ 8,474</u></b>
<b>Change in Obligated Balance</b>		
Obligated Balance, Net Beginning of Period	\$ 10,034	\$ 93
Obligations Incurred	76,831	2,767
Less Gross Outlays	(78,623)	(2,783)
Less Recoveries of Prior Year Unpaid Obligations, Actual	(12)	-
Change in Uncollected Customer Payments from Federal Sources	-	-
<b>Obligated Balance, Net End of Period</b>	<b><u>\$ 8,230</u></b>	<b><u>\$ 77</u></b>
<b>Net Outlays</b>		
Gross Outlays	\$ 78,623	\$ 2,783
Less Offsetting Collections	(5,250)	(4,422)
Less Distributed Offsetting Receipts	<u>(2,784)</u>	<u>-</u>
<b>Net Outlays</b>	<b><u>\$ 70,589</u></b>	<b><u>\$ (1,639)</u></b>

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<b>DEPARTMENT OF VETERANS AFFAIRS</b>		
<b>CONSOLIDATED STATEMENTS OF FINANCING (NOTE 21)</b>		
<b>for the Years Ended September 30,</b>	<b>2006</b>	<b>2005</b>
<b>(dollars in millions)</b>		
<b>Resources Used to Finance Activities</b>		
Obligations Incurred	\$ 82,676	\$ 79,598
Less Spending Authority from Offsetting Collections and Adjustments	(8,286)	(9,684)
Obligations Net of Offsetting Collections and Adjustments	74,390	69,914
Less Offsetting Receipts	(4,434)	(2,784)
Net Obligations	69,956	67,130
Donations of Property	25	15
Transfers-out	(213)	(1,945)
Imputed Financing	1,303	1,323
Other Financing Sources	-	4
<b>Total Resources Used to Finance Activities</b>	<b>71,071</b>	<b>66,527</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	320	(690)
Resources that Finance the Acquisition of Assets	(4,005)	(3,843)
Resources that Fund Expenses Recognized in Prior Periods	(611)	(2,326)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	3,488	4,555
Other	-	(4)
Total Resources that Do Not Fund Net Costs of Operations	(808)	(2,308)
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<b>70,263</b>	<b>64,219</b>
<b>Costs That Do Not Require Resources in the Current Period</b>		
Increase in Annual Leave Liability	29	46
Increase in Environmental and Disposal Liability	9	35
Reestimates of Credit Subsidy Expense	(1,110)	(437)
Increase in Exchange Revenue Receivable from the Public	(265)	(548)
Increase in Veterans Benefits Actuarial Liability	31,263	197,800
Depreciation and Amortization	870	1,289
Bad Debts Related to Uncollectible Non-Credit Reform Receivables	227	420
Loss on Disposition of Assets	86	119
Other	90	489
<b>Total Costs That Do Not Require Resources in the Current Period</b>	<b>31,199</b>	<b>199,213</b>
<b>Net Cost of Operations</b>	<b>\$ 101,462</b>	<b>\$ 263,432</b>

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