

Required Supplementary Information (Unaudited)

These materials are not audited.

1. Deferred Maintenance

Deferred maintenance is classified as not performed when it should have been or as scheduled but delayed to a future period. It is VA policy to ensure that medical equipment and critical facility equipment systems are maintained and managed in a safe and effective manner; therefore, deferred maintenance is not applicable to them.

VA facilities reported their cost estimates for deferred maintenance by utilizing either the Condition Assessment Survey or the Total Life-Cycle Cost Method.

Deferred Maintenance

as of September 30,

	2004	2003
General PP&E	\$ 1,649	\$ 1,433
Heritage Assets	34	30
Total Deferred Maintenance	\$ 1,683	\$ 1,463

Balances with Other Federal Entities

Intragovernmental Assets
as of September 30, 2004

Trading Partners	Fund Balance with Treasury	Investments	Accounts Receivable	Other Assets
Treasury	\$ 16,741	\$ 13,643	-	\$ 8
DoD - Defense Agencies			64	
All Other			68	114
Total Intragovernmental Assets	\$ 16,741	\$ 13,643	\$ 132	\$ 122

Intragovernmental Liabilities
as of September 30, 2004

Trading Partners	Accounts Payable	Debt	Other
Treasury	\$ 46	\$ 2,618	\$ 1,311
Other	26		823
Total Intragovernmental Liabilities	\$ 72	\$ 2,618	\$ 2,134

Intragovernmental Earned Revenue and Related Cost (trade activity)**Year Ended September 30, 2004**

Trading Partner	Earned Revenue
DoD - Defense Agencies	\$ 830
Health & Human Services	132
Justice	101
All Other	<u>676</u>
Total Earned Revenue	<u>\$ 1,739</u>
Related Cost	\$ 1,551

Intragovernmental Non-Exchange Revenue**Year Ended September 30, 2004**

Trading Partner	Transfers-Out
Treasury	\$ 1,941

**Schedule of Budgetary Activity
Year Ended September 30, 2004**

	Total Budgetary Resources	Obligations Incurred	Spending Authority from Offsetting Collections and Adjustments	Obligated Balance net, Oct 1	Obligated Balance net, Sept. 30	Total Outlays
VHA						
0152 Medical Admin	4,123	4,086	23	13	656	3,420
0160 Medical Care	22,855	21,112	282	3,351	2,311	21,870
0161 Medical & Prosthetic Research	501	434	41	119	123	389
0162 Medical Facilities	3,201	3,142	11	-	658	2,473
All Other	1,268	907	289	636	827	427
Total	31,948	29,681	646	4,119	4,575	28,579
VBA						
0102 Compensation, Pension, & Burial Benefits	31,020	29,959	-	2,267	2,441	29,785
0137 Readjustment Benefits	3,212	2,965	272	72	82	2,683
4025 Housing Credit Liquidating	60	32	100	(23)	2	(93)
4127 Direct Loan Financing	773	571	781	78	71	(203)
4129 Guaranteed Loan Financing	7,524	3,330	1,811	20	22	1,517
8132 National Service Life Insurance Fund	11,093	1,603	365	1,461	1,468	1,231
All Other	4,039	1,847	1,249	399	418	579
Total	57,721	40,307	4,578	4,274	4,504	35,499
NCA						
0129 National Cemetery Adm.	149	144	-	25	33	136
All Other	38	34	-	36	31	39
Total	187	178	-	61	64	175
ADM						
0151 General Operating Expenses	1,945	1,851	530	244	308	1,257
All Other	2,763	2,404	2,145	323	676	(94)
Total	4,708	4,255	2,675	567	984	1,163
Total of all Business Lines	94,564	74,421	7,899	9,021	10,127	65,416

Segment Information

Condensed Balance Sheet as of September 30	Supply Fund		Enterprise Fund	
	2004	2003	2004	2003
Assets				
Fund Balance with Treasury	\$ 921	\$ 775	\$ 96	\$ 90
Accounts Receivable, Net	133	220	28	28
General Property, Plant and Equipment	4	5	22	24
Other Assets Including Inventory	27	25	6	8
Total Assets	\$ 1,085	\$ 1,025	\$ 152	\$ 150
Liabilities and Net Position				
Accounts Payable	\$ 67	\$ 49	\$ 4	\$ 8
Deferred Revenues	338	438	-	-
Other Liabilities	524	380	57	34
Total Liabilities	929	867	61	42
Cumulative Results of Operations	156	158	91	108
Total Liabilities and Net Position	\$ 1,085	\$ 1,025	\$ 152	\$ 150
Condensed Net Cost Information				
Total Program Costs	\$ 1,829	\$ 1,375	\$ 230	\$ 188
Earned Revenues				
Intra-Departmental	(573)	(448)	(143)	(185)
Other Federal Entities	(1,225)	(911)	(66)	(29)
Non-Federal	(27)	(36)	-	-
Total Earned Revenues	\$ (1,825)	\$ (1,395)	\$ (209)	\$ (214)
Net Program Costs	\$ 4	\$ (20)	\$ 21	\$ (26)

2. Enterprise Fund Services

VA was approved by OMB in May 1996 as one of six pilot franchise fund agencies operating within the Executive Branch of Government. VA's Franchise Fund was established as a revolving fund and began operations in FY 1997. By law, the business lines within the Fund can only sell to Federal entities on a fee-for-service basis.

The VA Franchise Fund supports VA's mission by supplying common administrative services to both VA

and other Federal entities at competitive prices. Most of the Fund's customers are within VA; business from VA customers accounted for 68.55 percent of FY 2004 revenue. VHA is the largest customer for the following VA Enterprise Centers: Austin Automation Center, Financial Services Center, Law Enforcement Training Center, Security and Investigations Center and VA Records Center and Vault. VBA is the largest customer for the Debt Management Center.

The Fund accounts for its funds in six lines of business (VA Enterprise Centers) and one administrative organization. A brief description of each center is listed below:

Austin Automation Center (AAC) - Located in Austin, Texas, the AAC provides comprehensive e-government solutions to match the critical needs of VA and other Federal agency customers, from managing data to automating business processes. The AAC supports over 100 customer applications that provide mission-critical data for financial management, payroll, human resources, logistics, medical records, eligibility benefits, and supply functions. In addition, the AAC offers a full complement of technical solutions (information technology system hosting, application management, information assurance, customer business continuity, configuration management, data conversion and data interfacing, and acquisition services) to best meet customers' varied project needs.

Debt Management Center (DMC) - Located in St. Paul, Minnesota, the DMC is a centralized facility that provides direct collection of delinquent consumer debt owed to VA. The DMC also provides administrative support for a local Cooperative Administrative Support Unit.

Financial Services Center (FSC) - Located in Austin, Texas, the FSC provides VA and other government agencies with a full range of financial services, which include financial reports, accounting, invoice payments, credit card payments, medical claims payments, vendor file maintenance, discount subsistence purchases, payroll processing, travel payment processing, electronic commerce/electronic data interchange, automated document management, audit recovery, data matching and reconciliation, and consulting.

Law Enforcement Training Center (LETC) - Located in Little Rock, Arkansas, the LETC provides special training for police officers working in a health care or service-oriented environment. Emphasizing training in medical center patient situations, the LETC is available to approximately 2,400 law enforcement personnel working

at VHA health care facilities and to Federal law enforcement professionals at other Federal agencies.

VA Records Center and Vault (VA RC&V) - Located in a subterranean, climate-controlled, secure facility in the Midwest, the VA RC&V provides records storage, protection, and retrieval services for official Federal records. The facility has been certified by the National Archives and Records Administration to operate as an agency records center. The VA RC&V can store records in any type of medium. This includes off-site storage of systems backups, as well as general, vital, and classified records on paper, film, and electronic media.

Security and Investigations Center (SIC) - Located in Washington, DC, the SIC provides quality and timely background investigations and adjudications for employees and contractors in sensitive positions for all VA entities nationwide. The SIC also issues and manages employee identification badges and provides fingerprint processing for VA employees and other Federal customers in the Washington, DC area.

Enterprise Fund Office (EFO) - The VA Enterprise Centers are supported by the EFO, which is responsible for overall fund operations including administering the financial resources of the Fund, coordinating all business activities, and serving as the liaison between the Enterprise Centers, their customers, and the Franchise Fund Board of Directors.

The Enterprise Fund allows VA and other government agency customers to conserve their budgetary resources through new innovative methods and/or efficiencies of scale with the same or lower unit costs, while improving the quality of services provided. As the Fund successfully expands its services to other Federal agencies, those agencies will derive similar benefits.

For more information, visit the VA Enterprise Centers online at www.va.gov/fund.

3. Supply Fund Services

Supply Fund functions include contracting for medical supplies, equipment, and services; stocking, repairing, and distributing supplies, medical equipment, and devices; providing forms, publications, and a full range of printing and reproduction services; training VA medical acquisition, supply, processing, and distribution

personnel; and increasing small and disadvantaged business participation in VA contracts. The two largest customers for the Supply Fund are VA and DoD, but the Fund also has significant sales to other Federal agencies including the Department of Health and Human Services.