

**WORKING CAPITAL FUND**  
 FY 2002 Second Quarter Report: Summary

I. Relation of Earnings to Expenses

\$ Each business is expected to achieve a balance between annual ‘earnings’ (billings to customers pursuant to Board-approved pricing policies) and ‘expenses’ (accrued contractual costs adjusted for depreciation, inventory changes, and related business-type costs). Quarterly analyses are intended primarily to identify emerging annual issues that may warrant changes in Board pricing policies.

\$ The Fund experienced net earnings of \$1.0 M (2%) on \$42.4 M in earnings in the second quarter of FY 2002. The overall Fund performance is nearly break-even with the exception of payroll, which is holding excess earnings until a decision is made on payroll outsourcing.

<b>WORKING CAPITAL FUND</b>			
<b>FY 2002 First Half Business Results</b> (in Millions)			
<b>TABLE I</b>			
<u><b>Business Line</b></u>	<b>Mid-year Earnings</b>	<b>Mid-year Business Expenses</b>	<b>Mid-year Net</b>
Supplies	\$1.6	\$1.6	\$0.0
Mail	\$0.9	\$1.1	(\$0.2)
Copying	\$0.9	\$1.5	(\$0.6)
Printing/Graphics	\$1.5	\$1.4	\$0.1
Building Occupancy	\$27.4	\$27.4	\$0.0
Telephones	\$3.3	\$3.2	\$0.1
Desktop	\$0.5	\$0.5	\$0.0
Network	\$3.1	\$2.7	\$0.4
Contract Closeout	\$0.4	\$0.3	\$0.1
Payroll Processing	\$1.6	\$0.5	\$1.1
CHRIS	\$1.0	\$1.0	\$0.0
On-Line Learn. Ctr.	\$0.2	\$0.2	\$0.0
<b>TOTAL</b>	<b>\$42.4</b>	<b>\$41.4</b>	<b>\$1.0</b>

\$ Specific differences in excess of \$50,000 are as follows:

- The Mail Business Line has negative net earnings of \$181,000 in the first half due to extraordinary costs related to mail security. At the April 10, 2002 Board Meeting the Board voted to allow the business to increase charges to customers to cover the increased

expenses. Accordingly, second half earnings should offset the losses reported in the first half.

- The Copying Business Line has negative net earnings of \$567,000 in the first half that are the result of prior year accruals (-\$0.4 million) that were discussed in the past Annual Report plus reduced earnings related to declining business at the staffed copy centers.
- The Printing and Graphics Business Line has net earnings of \$61,000 in the first half due to one-time overhead savings in printing.
- The Telephone Business Line has net earnings of \$71,000 in the first half due to infrastructure savings.
- The Network Business Line has net earnings of \$357,000 in the first half due to DOEnet cost savings.
- The Contract Closeout Business Line has net earnings of \$131,000. This performance is consistent first half patterns in past years. The business is expected to break even for the whole of the year.
- The Payroll Business Line has net earnings of \$1.0 million due to avoided costs related to PeopleSoft implementation. These profits are being reserved pending the decision of whether and how to outsource payroll.

## II. Relation of Customer Payments to Anticipated Customer Billings

- Obligation authority for Fund businesses is derived from customer advance payments for services. The Board has adopted procedures calling for customers to make full-year advance payments into the Fund.
- By March, we had collected \$80.7 million (95%) of the estimated \$85.2 million in FY 2002 annual revenues (Table II). These amounts can be compared to first half collections of \$74.5 million in FY 2000 and \$84.5 million in FY 2001.

<b>WORKING CAPITAL FUND</b>			
<b>FY 2002 First Half Business Results (in Millions)</b>			
<b>TABLE II</b>			
<b><u>Business Line</u></b>	<b>Advances as of Second Quarter</b>	<b>Anticipated Full Year</b>	<b>% Collected</b>
Supplies	\$3.3	\$3.2	103%
Mail	\$2.0	\$1.8	111%
Copying	\$2.2	\$1.8	122%
Printing/Graphics	\$3.0	\$2.9	103%
Building Occupancy	\$50.1	\$55.3	91%
Telephones	\$6.7	\$6.6	102%
Desktop	\$1.5	\$1.1	136%
Network	\$6.6	\$6.2	106%
Contract Closeout	\$0.8	\$0.7	114%
Payroll Processing	\$2.1	\$3.1	68%
Chris	\$2.3	\$2.2	105%
On-Line Learn. Ctr.	\$0.2	\$0.2	100%
<b>TOTAL</b>	<b>\$80.7</b>	<b>\$ 85.2</b>	<b>95%</b>

### III. Relation of Payments to Obligations by Business Line

- There have been no violations of administrative control of funds procedures by WCF business lines.
- As shown in Table III, funds available exceeded obligations by an estimated \$35.5 million by the end of the second quarter.

<b>WORKING CAPITAL FUND</b>					
<b>FY 2002 First Half Business Results (in Millions)</b>					
<b>TABLE III</b>					
<b><u>Business Line</u></b>	<b>Unobligated Balance 1 10/01</b>	<b>Current Year Customer Advances</b>	<b>Total available for obligation</b>	<b>Year-to-date Obligations</b>	<b>Advances Remaining to be Obligated</b>
Supplies	\$0.2	\$3.1	\$ 3.3	\$1.7	\$1.6
Mail	\$0.2	\$1.8	\$ 2.0	\$1.5	\$0.5
Copying	\$0.3	\$1.9	\$ 2.2	\$1.5	\$0.7
Printing/Graphics	\$0.3	\$2.7	\$ 3.0	\$1.7	\$1.3
Building Occupancy	\$1.6	\$48.5	\$ 50.1	\$29.8	\$20.3
Telephones	\$0.8	\$5.9	\$ 6.7	\$3.0	\$3.7
Desktop	\$0.3	\$1.2	\$ 1.5	\$0.3	\$1.2
Network	\$1.5	\$5.0	\$ 6.6	\$3.3	\$3.3
Contract Closeout	\$0.2	\$0.6	\$ 0.8	\$0.3	\$0.5
Payroll Processing	\$0.1	\$2.0	\$ 2.1	\$1.3	\$0.8
Chris	\$0.0	\$2.3	\$ 2.3	\$0.7	\$1.6
On-Line Learn. Ctr.	\$0.0	\$0.2	\$ 0.2	\$0.2	\$0.0
<b>TOTAL</b>	<b>\$5.5</b>	<b>\$75.2</b>	<b>\$ 80.7</b>	<b>\$45.3</b>	<b>\$35.5</b>

### IV. Changes in Budget Estimates by Business Line and Customer

1 The unobligated balances are unearned customer advances from the prior fiscal year. There are also \$0.2 million of unearned advances that are not allocated to businesses.

\$ The \$3.5 million increase in the December 2000 estimate was the result of adding DOENet charges and other small incremental increases that resulted during FY 2000 execution. Estimates in the March bill account for six months of actual usage and indicate that usage has declined in mail, copy, printing and graphics, phones, and network offset by increases in building alterations.

<b>FY 2002 Budget Estimates for WCF Businesses</b>		
Date	Process	FY 2002 Billing Estimate (\$Millions)
May 1999	FY 2002 Corporate Review	\$82.8
December 2000	FY 2002 Congressional Budget	\$86.3
May 2001	FY 2003 Corporate Review	\$86.2
December 2001	FY 2003 Congressional Budget	\$86.2
April 2002	March WCF Bill	\$85.2

V. Anticipated Need to Change Pricing Policies or Make Substantial Changes in Operating Levels.

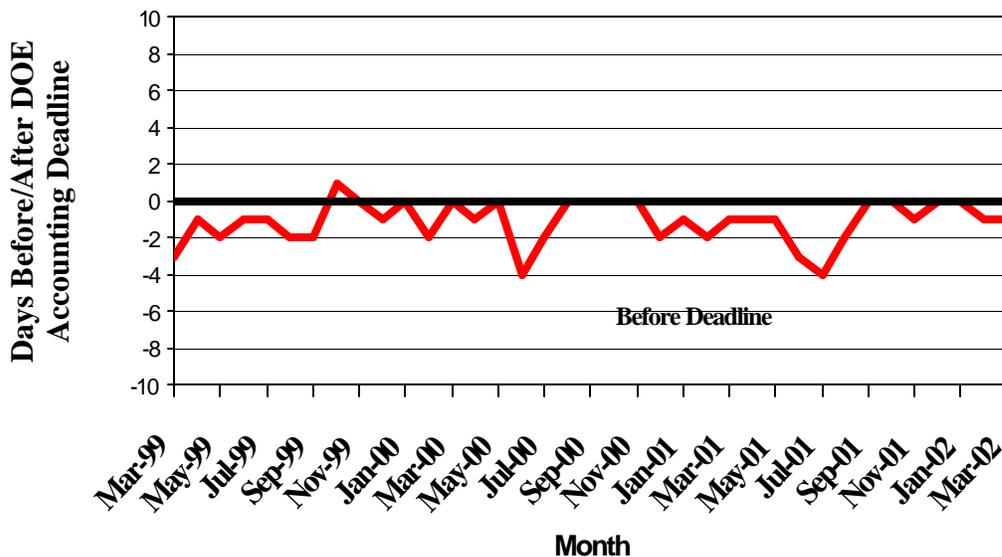
- As a result of mail threats and increased need for virus protection, the Board recently changed pricing policies and increased earnings for the Mail and Desktop businesses. There are no other pricing policy changes expected before FY 2004. FY 2004 budget estimates include increases to phone, network, and building occupancy business lines consistent with the Board vote of April 10, 2002.

## VI. Financial Management Systems Progress

### Working Capital Fund Billing System

- \$ The Working Capital Fund billing system continues to perform well, and all three monthly bills in the second quarter met the DISCAS cutoff dates. The following table presents the overall progress of the billing system in terms of timeliness.
- The Fund recently initiated a “paperless” billing process, which distributes monthly billing information to program customers through e-mail. Customer response has been overwhelmingly positive. While we have eliminated non-value added copying and mail distribution costs to the Fund Manager, we have also provided more timely and manageable information to our customers. We are committed to the success of this process and are interested in your continued satisfaction. Please let us know if you experience any difficulties.

### **WCF Billing Performance**



## VII. Performance Review

- Business Lines report that they are accomplishing goals and performance objectives for FY 2002 consistent with annual projections in recent five-year plans. We have every expectation to meet performance standards at the end of FY 2002.