



**UNITED STATES  
POSTAL SERVICE**

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# **Financial Results - FY 2003**

**BOARD OF GOVERNORS MEETING**

**December 9, 2003**

**Richard J. Strasser, Jr.  
Chief Financial Officer &  
Executive Vice President**

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# HIGHLIGHTS OF FY 2003 RESULTS

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## Summary

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- **Record Breaking Mail Service**
  - **Record Breaking Customer Satisfaction**
  - **Record Improvement-Workplace Environment**
  - **Financial Results Exceeded Plan**
    - **Productivity/Efficiency Targets Surpassed**
  - **Debt Reduced by \$3.8 Billion**
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# HIGHLIGHTS OF FY 2003 RESULTS

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## Integrated Financial Plan – Net Income

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### September 2002:

Revenue	\$70.4 B
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Expense	<u>69.8 B</u>
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Net Income	\$ .6 B
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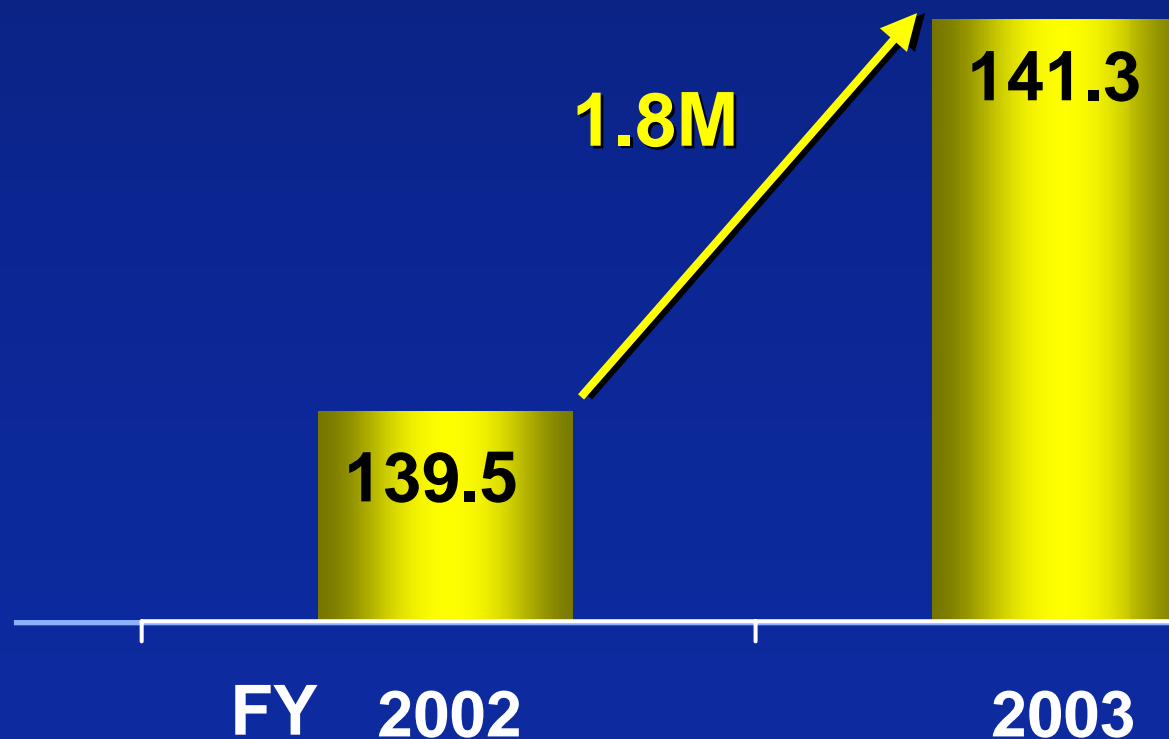


# HIGHLIGHTS OF FY 2003 RESULTS

## Network Growth

### Plan

## Volume and Delivery Network Growth



(Data in Millions)



# HIGHLIGHTS OF FY 2003 RESULTS

## Volume and Revenue

	<u>Volume</u> (to Last Year)	<u>Revenue</u> (to Plan)
<b>Total</b>	- .6B pcs	- \$1.7B
<b>First-Class</b>	- 3.3B pcs	- \$1.1B
<b>Std and Pkg Svcs</b>	+ 3.2B pcs	- \$.2B



# HIGHLIGHTS OF FY 2003 RESULTS

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# HIGHLIGHTS OF FY 2003 RESULTS

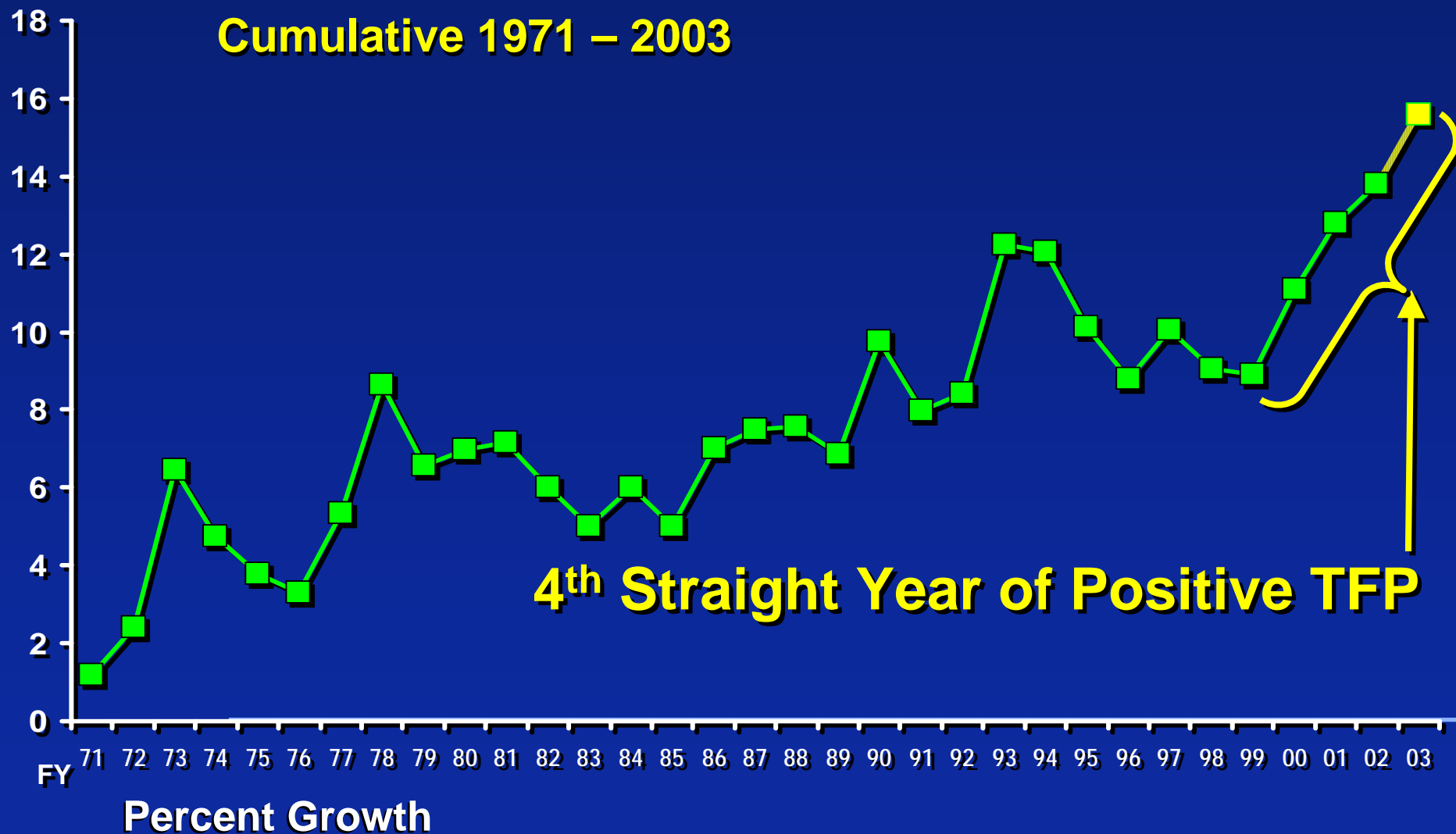
## Expenses

	<u>Plan</u>		<u>Actual</u>
Workhours	- 30M	→	- 54M
Complement	-12,000	→	- 24,000
Volume			- \$ .5B
Additional Efficiency/ Cost Reductions		→	- <u>\$1.5B</u>
			- \$ 2.0B



# HIGHLIGHTS OF FY 2003 RESULTS

## Total Factor Productivity





# HIGHLIGHTS OF FY 2003 RESULTS

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## Net Income – Before PL 108-18

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Original Plan Net Income	+ \$ .6B
Revenue Shortfall	- \$1.7B
Efficiency/Expense Reduction	<u>+ \$2.0B</u>
<b>Net Income Before PL 108-18</b>	<b>+ \$ .9B</b>

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# HIGHLIGHTS OF FY 2003 RESULTS

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## Net Income

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Before PL108-18	\$ .9B
PL108-18 Net*	<u>\$3.0B</u>
<b>Net Income</b>	<b>\$3.9B</b>

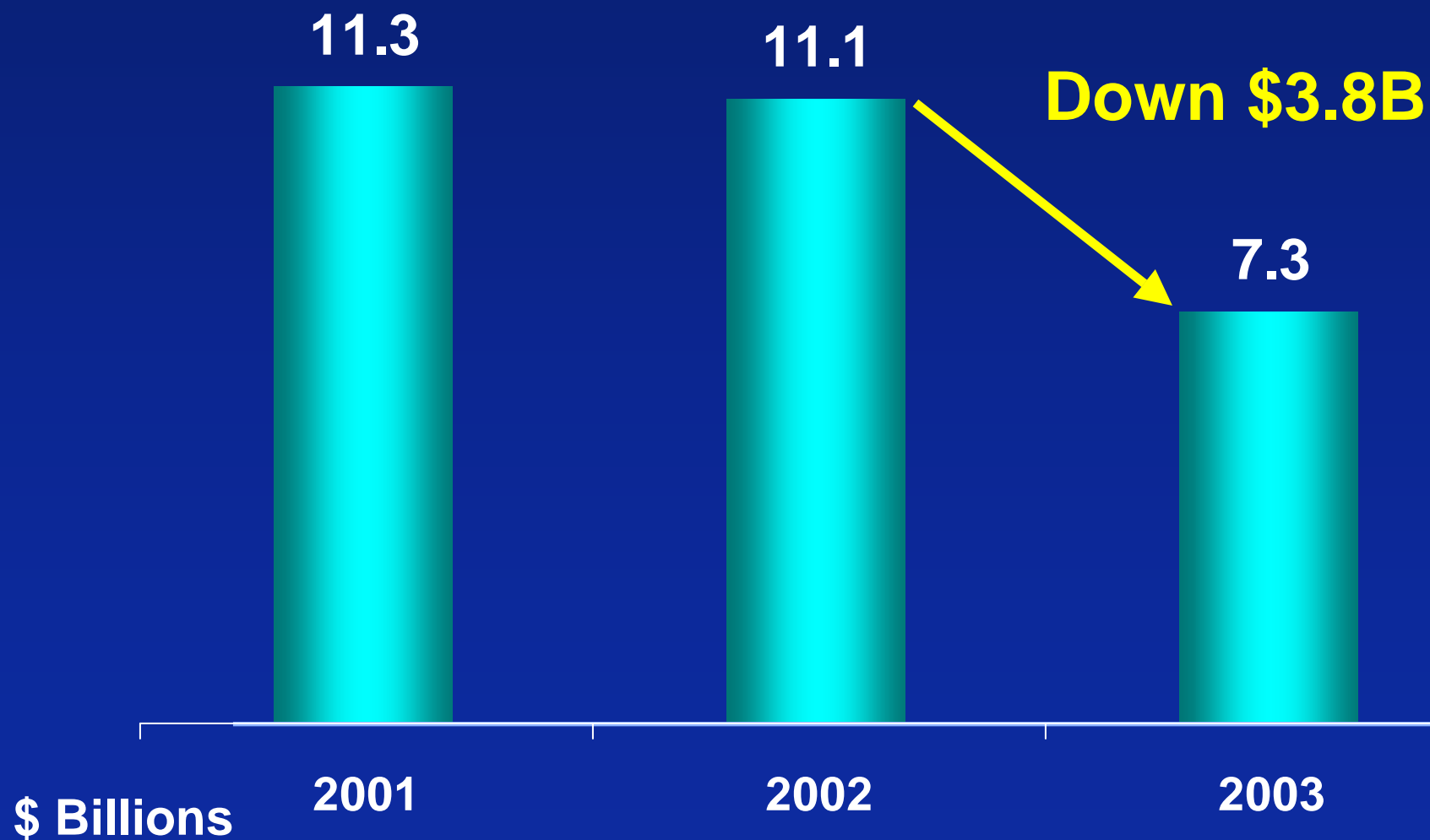
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\*(Includes Refinancing)



# HIGHLIGHTS OF FY 2003 RESULTS

## Debt (End of Year)





*UNITED STATES*  
*POSTAL SERVICE*

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**FY 2003**  
**Audited Financial Statements**

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# **FINANCIAL STATEMENTS – FY 2003**

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## **Overview**

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- **Financial Statements**
    - **Statements of Operations**
    - **Balance Sheet**
    - **Statements of Changes in Net Capital**
    - **Statements of Cash Flows**
    - **Notes to Financial Statements**
  - **Request Approval of Financial Statements**
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# FINANCIAL STATEMENTS – FY 2003

## Statements Of Operations

	2003	2002	2001
Operating Revenue	\$ 68,529	\$ 66,463	\$ 65,834
Operating Expenses	63,902	65,234	65,640
<b>Income from Operations</b>	<b>4,627</b>	<b>1,229</b>	<b>194</b>
Net Interest Expense	(752)	(1,895)	(1,874)
Net Emergency Preparedness Exp	( 7)	( 10)	-
<b>Net Income (Loss)</b>	<b>\$ 3,868</b>	<b>\$ ( 676)</b>	<b>\$ (1,680)</b>

(\$ Millions)



# FINANCIAL STATEMENTS – FY 2003

## Operating Expense

	2003	2002	2001
Personnel Comp.	\$ 50,428	\$ 51,557	\$ 51,351
Transportation	4,989	5,132	5,056
Other Expenses	8,485	8,545	9,233
<b>Total Operating Expenses</b>	<b>63,902</b>	<b>\$ 65,234</b>	<b>\$ 65,640</b>

(\$ Millions)



# FINANCIAL STATEMENTS – FY 2003

## Balance Sheet - Assets

	2003	2002
Cash and Equivalents	\$ 2,266	\$ 1,156
Other Current Assets	1,557	1,124
<b>Current Assets</b>	<b>3,823</b>	<b>2,280</b>
Other Assets	365	368
Property and Equipment, Net	23,054	24,136
Deferred Retirement Costs	0	32,231
<b>TOTAL ASSETS</b>	<b>\$ 27,242</b>	<b>\$ 59,015</b>

(\$ Millions)



# FINANCIAL STATEMENTS – FY 2003

## Balance Sheet-Liabilities/Net Capital

	2003	2002
Comp and Benefits	\$ 2,518	\$ 5,113
Current Portion of Debt	7,273	3,815
Other Current Liabilities	7,302	6,658
<b>Current Liabilities</b>	<b>17,093</b>	<b>15,586</b>
Long-Term Debt	1	7,300
Other Long-Term Liabilities	9,282	39,131
<b>Total Liabilities</b>	<b>26,376</b>	<b>62,017</b>
Net Capital	866	(3,002)
<b>Total Liabilities &amp; Net Capital</b>	<b>\$ 27,242</b>	<b>\$ 59,015</b>

(\$ Millions)



# FINANCIAL STATEMENTS – FY 2003

## Balance Sheet-Liabilities/Net Capital

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Current Portion of Debt	<b>7,273</b>	<b>3,815</b>
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Long-Term Debt	<b>1</b>	<b>7,300</b>
Other Long-Term Liabilities	9,282	39,131
Total Liabilities	26,376	62,017
Net Capital	866	(3,002)
TOTAL Liabilities & Net Capital	\$ 27,242	\$ 59,015

(\$ Millions)

**\$7,274    \$11,115**



# FINANCIAL STATEMENTS – FY 2003

## Statements of Changes in Net Capital

	Capital		
	Contributions	Deficit Since	Net Capital
	<u>U.S. Gov.</u>	<u>Reorganization</u>	
<b>Balance, 2000</b>	\$ 3,034	\$ (3,680)	\$ (646)
<b>Net Loss, 2001</b>		(1,680)	(1,680)
<b>Balance, 2001</b>	3,034	(5,360)	(2,326)
<b>Net Loss, 2002</b>		( 676)	(676)
<b>Balance, 2002</b>	3,034	(6,036)	(3,002)
<b>Net Income, 2003</b>		3,868	3,868
<b>Balance, 2003</b>	<u>\$ 3,034</u>	<u>\$ (2,168)</u>	<u>\$ 866</u>

(\$ Millions)



# FINANCIAL STATEMENTS – FY 2003

## Cash Flows

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Net Income (Loss)	\$ 3,868	\$ (676)	\$ (1,680)
Non-Cash Operating Expenses	2,537	2,119	2,935
Cash From Operating Activities	<u>\$6,405</u>	<u>\$1,443</u>	<u>\$1,255</u>
Cash for Property, Plant & Equip	<u>(1,277)</u>	<u>(1,675)</u>	<u>(2,932)</u>
Net Cash Provided (Used)	5,128	(232)	(1,677)
Debt (Payments) / Issuance	(3,841)	(200)	1,999
Appropriations Received (EPP)	0	762	0
Appropriations Expended (EPP)	<u>(177)</u>	<u>(179)</u>	<u>0</u>
Net Increase in Cash	1,110	151	322
Cash at Beginning of Year	<u>1,156</u>	<u>1,005</u>	<u>683</u>
<b>Cash at End of Year</b>	<b><u><u>\$2,266</u></u></b>	<b><u><u>\$ 1,156</u></u></b>	<b><u><u>\$ 1,005</u></u></b>

(\$ Millions)



# **FINANCIAL STATEMENTS – FY 2003**

## **Notes - FY 2003**

- 1) Description of Business**
- 2) Summary of Significant Accounting Policies**
- 3) Workers' Compensation**
- 4) Health Benefit Programs**
- 5) Debt and Related Interest Costs**
- 6) Retirement Programs**
- 7) Postal CSRS Reform Act of 2003 – Public Law 108-18**
- 8) Revenue Forgone**
- 9) Commitments**
- 10) Contingent Liabilities**
- 11) Emergency Preparedness Funding**



# **FINANCIAL STATEMENTS – FY 2003**

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## **Board of Governors Audit and Finance Committee**

**Auditors - Ernst & Young, LLP**

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