



**UNITED STATES  
POSTAL SERVICE**

# FINANCIAL & OPERATING STATEMENTS

The balance sheet in this report is not adjusted. Please see the [Quarter III Financial Conditions & Results Report](#) for the restated balance sheet, and the [Press Release of December 2, 2003](#)



**Accounting Period 11, PFY 2003  
June 14 – July 11, 2003**

**Prepared by:  
Financial Reporting and Analysis**

**Highlights**  
Accounting Period 11, FY 2003  
(Millions)

Accounting Period 11					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY
\$ 4,872.6	\$ 5,031.6	[\$ - 159.0]	[ - 3.2]	\$ 4,865.5	0.1
<u>4,799.5</u>	<u>5,177.3</u>	<u>- 377.8</u>	- 7.3	<u>4,991.1</u>	- 3.8
\$ 73.1	\$ (- 145.7)	\$ 218.8	-	\$ (- 125.6)	-
\$ 96.5	\$ 77.7	[\$ 18.8]	[ 24.2]	\$ 266.6	- 63.8
106.1	108.4	- 2.2	- 2.1	109.7	- 3.3
14,282.7	14,646.4	[ - 363.7]	[ - 2.5]	14,634.7	- 2.4

Year-to-Date (September 7, 2002 - July 11, 2003)					
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 58,577.7	\$ 59,884.2	[\$ - 1,306.5]	[ - 2.2]	\$ 55,797.6	5.0
<u>53,845.9</u>	<u>58,763.7</u>	<u>- 4,917.8</u>	- 8.4	<u>56,591.7</u>	- 4.9
\$ 4,731.8	\$ 1,120.5	\$ 3,611.3	-	\$ (- 794.1)	-
\$ 1,108.8	\$ 1,214.1	\$ - 105.3	- 8.7	\$ 953.1	16.3
1,254.4	1,263.2	- 8.9	- 0.7	1,303.1	- 3.7
171,817.0	174,455.4	[ - 2,638.4]	[ - 1.5]	171,766.4	0.0

[ ] = Unfavorable variance to budget

Note: Totals may not sum due to rounding.

Note: Mail Volume numbers are preliminary numbers and are subject to change. (See additional note on page 3.)

\* SPLY data may differ from previous reports due to subsequent adjustments.

\*\* Includes impact of revised Civil Service Retirement System (CSRS) funding requirements as a result of Public Law (PL) 108-18. Refer to notes on page 2 for an explanation of this impact.

Number Of:	Current Period	Last Period	SPLY *
Post Offices	27,698	27,641	27,863
Postal Owned Vehicles In Use			
Administrative	5,614	5,610	5,496
Operations	201,046	201,078	202,410
Total Deliveries (000) ***	140,875	140,722	139,143
City Delivery Routes	165,128	165,446	166,765
Rural Routes	69,596	69,537	69,472
Career Employees (Excludes Inspector General)	733,703	735,258	757,171
Casual Employees	20,797	20,079	21,878
Transitional Employees	11,284	11,820	12,590

\*\*\* Beginning in Accounting Period (AP 3), Fiscal Year (FY 2003), this line has been modified to include all deliveries: city, rural post office box and contracted highway deliveries. AP 10 data is shown, as AP 11 data is not yet available for FY 2003.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.

**STATEMENT OF INCOME AND EXPENSE**  
Accounting Period 11, FY 2003  
(\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY*	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
\$ 4,867.3	\$ 5,029.3	[\$ - 162.0]	[ - 3.2]	\$ 4,862.1	0.1	Operating Revenue	\$ 58,529.2	\$ 59,855.4	[\$ - 1,326.2]	[ - 2.2]	\$ 55,764.8	5.0
4,748.6	5,026.1	- 277.5	- 5.5	4,838.0	- 1.8	Operating Expense 1)	53,475.7	57,065.2	- 3,589.5	- 6.3	54,907.5	- 2.6
\$ 118.7	\$ 3.2	\$ 115.5	-	\$ 24.1	-	Income (Loss) From Operations	\$ 5,053.5	\$ 2,790.2	\$ 2,263.3	-	\$ 857.3	-
5.3	2.3	3.0	128.6	3.4	55.0	Investment Income	48.5	28.8	19.7	68.0	32.8	47.8
- 27.8	- 27.4	[ - 0.4]	1.4	- 27.0	2.7	Interest Expense	- 324.0	- 336.4	12.4	- 3.7	- 297.0	9.1
- 23.1	- 123.8	100.7	- 81.3	- 126.1	- 81.7	Interest on Deferred Retirement Costs 2)	- 46.2	- 1,362.1	1,315.9	- 96.6	- 1,387.2	- 96.7
\$ 73.1	\$ (- 145.7)	\$ 218.8	-	\$ (- 125.6)	-	Net Income/(Loss)	\$ 4,731.8	\$ 1,120.5	\$ 3,611.3	-	\$ (- 794.1)	-

[ ]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

\*SPLY data may differ from previous reports due to subsequent adjustments.

As a result of the recently enacted legislation, Postal Civil Service Retirement System Funding Reform Act of 2003, PL 108-18, funding by the Postal Service to the Civil Service Retirement System (CSRS) changed effective at the beginning of the second pay period of Accounting Period (AP) 9. The analysis supporting this law, developed by the Office of Personnel Management (OPM), showed that the net accumulated value of Postal Service payments already made to the fund was approaching the value of the future CSRS benefits applicable to its participants. The deferred retirement costs for CSRS to OPM were decreased to an estimated value at the end of FY 2003 of \$5.8 billion and the first payment on this is due on September 30, 2004. Additionally, the law increased the percentage of employer contributions from 7 to 17.4 percent. The following footnotes show how these changes are reflected above and on other pages.

Notes:

- Operating expenses in the current period reflect a \$91.6 million net reduction in expenses related to the adoption of PL 108-18. The reduction in expenses consists of two components: (a) a decrease of \$175.4 million reflecting the reduced deferred retirement costs and (b) an increase in the cost of the employer contributions to the CSRS for active employees of \$83.8 million for one accounting period. Year-to-date expenses have been adjusted by \$1,735.7 million to reflect the cumulative impact of PL 108-18.
- The interest accrued as a result of PL 108-18 entitled as deferred retirement costs was reduced to \$23.1 million. The current period and year-to-date reflects this change. The current period impact is a reduction of \$100.7 million, while the year-to-date reduction totals \$1,315.9 million.

Current period net income on this page and on pages 1 and 4 reflect the above impacts, a total positive impact of \$192.3 million. The year-to-date net income on this page and on pages 1 and 4 reflect a total year-to-date positive impact of \$3,051.6 million.

Total expenses on this page and on pages 1, 7, and 8 also reflect the above impacts. Specific expense lines, personnel compensation, total compensation, interest on deferred retirement costs and CSRS annuitant COLA, operating expenses, on pages 4, 7 and 8 also reflect the above impact.

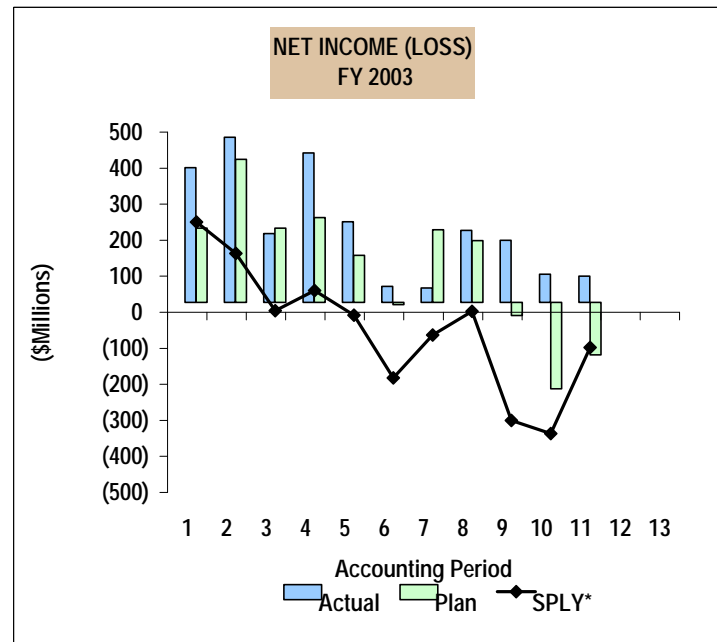
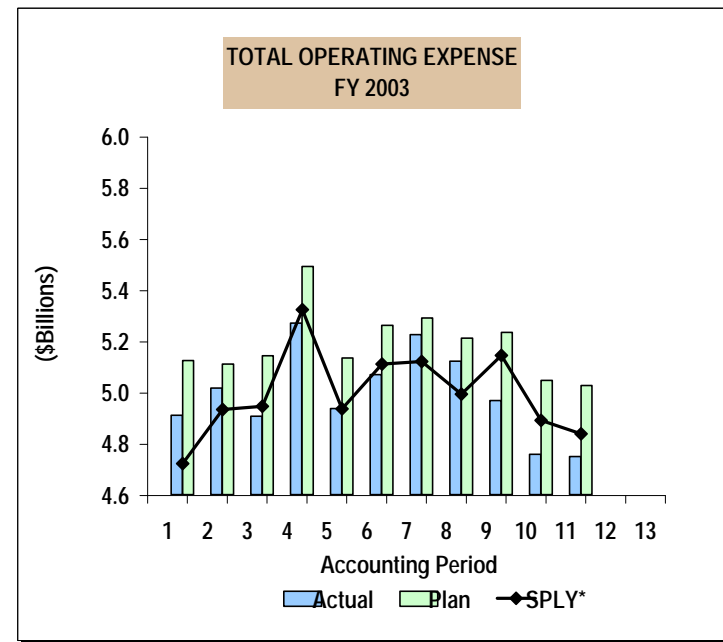
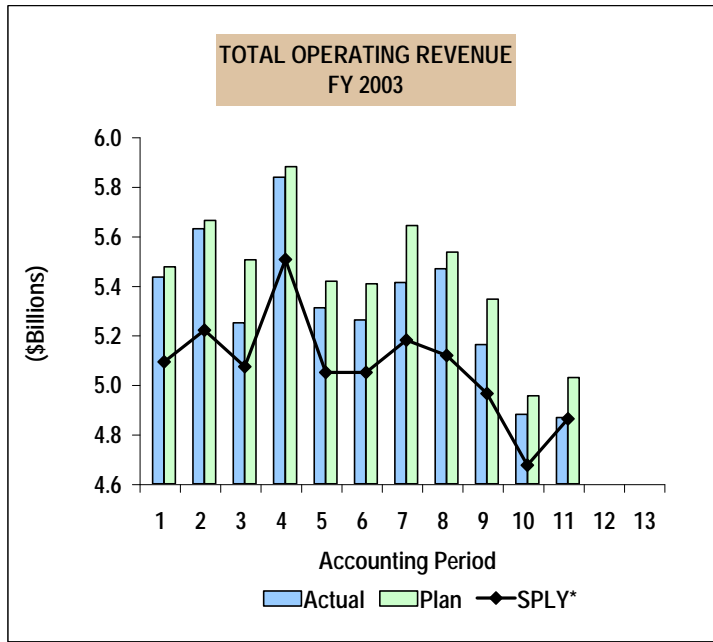
See accompanying Notes to the Financial and Operating Statements beginning on page 16. This includes an analysis of performance excluding CSRS impacts.

MAIL VOLUME - MAIL REVENUE (Data in Thousands)						
CATEGORY	CURRENT PERIOD			YEAR-TO-DATE		
	AP 11 FY 2003	AP 11 FY 2002	% SPLY	AP 11 FY 2003	AP 11 FY 2002	% SPLY
<b>FIRST-CLASS</b>						
VOLUME	7,222,624	7,650,741	- 5.6	84,763,400	86,988,583	- 2.6
REVENUE	\$ 2,695,009	\$ 2,761,804	- 2.4	\$ 31,740,278	\$ 30,570,645	3.8
REV/PC.	0.3731	0.3610	3.4	0.3745	0.3514	6.6
<b>PRIORITY-MAIL</b>						
VOLUME	60,635	66,589	- 8.9	749,199	869,246	- 13.8
REVENUE	\$ 311,813	\$ 317,905	- 1.9	\$ 3,928,630	\$ 4,041,892	- 2.8
REV/PC.	5.1425	4.7741	7.7	5.2438	4.6499	12.8
<b>EXPRESS MAIL</b>						
VOLUME	4,086	4,383	- 6.8	47,545	52,762	- 9.9
REVENUE	\$ 64,039	\$ 66,041	- 3.0	\$ 756,683	\$ 771,850	- 2.0
REV/PC.	15.6739	15.0664	4.0	15.9151	14.6289	8.8
<b>PERIODICALS</b>						
VOLUME	672,524	682,040	- 1.4	7,951,214	8,291,268	- 4.1
REVENUE	\$ 157,664	\$ 146,954	7.3	\$ 1,917,903	\$ 1,822,713	5.2
REV/PC.	0.2344	0.2155	8.8	0.2412	0.2198	9.7
<b>STANDARD MAIL</b>						
VOLUME	6,154,496	6,063,843	1.5	76,175,385	73,478,847	3.7
REVENUE	\$ 1,159,011	\$ 1,096,792	5.7	\$ 14,510,113	\$ 13,183,012	10.1
REV/PC.	0.1883	0.1809	4.1	0.1905	0.1794	6.2
<b>PACKAGE SERVICES</b>						
VOLUME	79,918	71,244	12.2	942,470	878,483	7.3
REVENUE	\$ 142,081	\$ 137,389	3.4	\$ 1,900,167	\$ 1,731,608	9.7
REV/PC.	1.7778	1.9284	- 7.8	2.0162	1.9711	2.3
<b>INTERNATIONAL</b>						
VOLUME	58,390	60,462	- 3.4	788,965	788,169	0.1
REVENUE	\$ 104,837	\$ 103,359	1.4	\$ 1,351,272	\$ 1,370,033	- 1.4
REV/PC.	1.7955	1.7095	5.0	1.7127	1.7382	- 1.5
<b>ALL OTHER</b>						
VOLUME	30,003	35,447	- 15.4	398,809	419,044	- 4.8
REVENUE	\$ 51	\$ 70	- 27.3	\$ 1,141	\$ 1,167	- 2.3
<b>ALL MAIL</b>						
VOLUME	14,282,676	14,634,749	- 2.4	171,816,986	171,766,402	0.0
REVENUE	\$ 4,634,504	\$ 4,630,313	0.1	\$ 56,106,186	\$ 53,492,922	4.9
REV/PC.	0.3245	0.3164	2.6	0.3265	0.3114	4.9

Note: Totals may not sum due to rounding.

Note: On June 30 of AP 11 FY 2002, new Domestic rates were implemented for U.S. Postal Service mail. Historically, when rates change, customers increase their stamp holdings as they convert to stamps reflecting the new rates. This postage in the hands of the public (PIHOP) phenomenon can cause a disconnect between the revenue reported in the Accounting System and the sampled mail volumes measured by RPW. AP 11 FY 2002 RPW data were affected by this PIHOP phenomenon. Therefore, the reported 5.6 percent decline in First-Class Mail may be overstated. Since the RPW system is designed to report accurate quarterly data, AP estimates should be used with caution.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.



\*SPLY data may differ from previous reports due to subsequent adjustments.

\*\*Includes impact of revised CSRS funding requirements as a result of PL 108-18. Refer to notes on page 2 for an explanation of this impact.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.

**REVENUE BY SOURCE**  
**Accounting Period 11, FY 2003**  
**(\$ Millions)**

Current Period				Year-to-Date		
Actual	SPLY*	% SPLY		Actual	SPLY*	% SPLY
			<b>Operating Revenue:</b>			
\$ 1,853.2	\$ 1,849.3	0.2	Metered Postage	\$ 21,771.6	\$ 21,029.0	3.5
803.0	922.3	- 12.9	Stamps and Stamped Paper	10,014.6	9,765.2	2.6
1,093.4	1,026.6	6.5	Permit Imprint	13,666.7	12,405.6	10.2
156.4	145.9	7.2	Periodicals & Standard	1,901.0	1,805.8	5.3
66.5	56.4	17.8	Official Mail	773.0	742.7	4.1
663.9	651.8	1.9	Presort First-Class & Package Svc./Permit Imprint	7,973.8	7,812.8	2.1
80.7	71.6	12.7	Box Rents	678.3	625.6	8.4
13.8	14.7	- 6.1	Money Order Fees	161.1	171.8	- 6.2
<u>134.0</u>	<u>119.9</u>	11.7	Other	<u>1,562.0</u>	<u>1,365.1</u>	14.4
<b>\$ 4,864.8</b>	<b>\$ 4,858.4</b>	<b>0.1</b>	<b>Subtotal</b>	<b>\$ 58,502.1</b>	<b>\$ 55,723.6</b>	<b>5.0</b>
			<b>Government Appropriation:</b>			
<u>2.5</u>	<u>3.7</u>	- 34.3	Revenue Forgone	<u>27.1</u>	<u>41.2</u>	- 34.3
<b>\$ 4,867.3</b>	<b>\$ 4,862.1</b>	<b>0.1</b>	<b>Total Operating Revenue</b>	<b>\$ 58,529.2</b>	<b>\$ 55,764.8</b>	<b>5.0</b>
<u>5.3</u>	<u>3.4</u>	55.0	Investment Income	<u>48.5</u>	<u>32.8</u>	47.8
<b>\$ 4,872.6</b>	<b>\$ 4,865.5</b>	<b>0.1</b>	<b>Total Revenue</b>	<b>\$ 58,577.7</b>	<b>\$ 55,797.6</b>	<b>5.0</b>

Note: Totals may not sum due to rounding.

\*SPLY data may differ from previous reports due to subsequent adjustments.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.

**REVENUE BY CATEGORY**  
Accounting Period 11, FY 2003  
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			<b>Commercial Revenue</b>			
\$ 1,956.4	\$ 2,037.2	[ - 4.0]	Permit Revenue	\$ 24,071.7	\$ 24,653.7	[ - 2.4]
<u>1,668.7</u>	<u>1,740.0</u>	[ - 4.1]	Other Commercial Accounts Revenue	<u>19,173.5</u>	<u>20,288.9</u>	[ - 5.5]
<b>\$ 3,625.1</b>	<b>\$ 3,777.2</b>	<b>[ - 4.0]</b>	<b>Total Commercial Revenue</b>	<b>\$ 43,245.2</b>	<b>\$ 44,942.6</b>	<b>[ - 3.7]</b>
			<b>Retail Revenue</b>			
975.4	1,003.6	[ - 2.8]	Retail Postage Revenue	12,264.5	11,932.5	2.8
102.7	92.0	11.6	Retail Services Revenue	930.9	874.9	6.4
13.8	7.9	74.6	Retail Products Revenue	134.0	97.3	37.7
<u>121.7</u>	<u>136.0</u>	[ - 10.6]	Other Retail Channels Revenue	<u>1,570.8</u>	<u>1,572.8</u>	[ - 0.1]
<b>\$ 1,213.6</b>	<b>\$ 1,239.5</b>	<b>[ - 2.1]</b>	<b>Total Retail Revenue</b>	<b>\$ 14,900.2</b>	<b>\$ 14,477.5</b>	<b>2.9</b>
<b>\$ 4,838.7</b>	<b>\$ 5,016.7</b>	<b>[ - 3.5]</b>	<b>Total Commercial &amp; Retail Revenue</b>	<b>\$ 58,145.4</b>	<b>\$ 59,420.1</b>	<b>[ - 2.1]</b>
26.1	10.1	158.4	Other Income	356.7	408.2	[ - 12.6]
<u>2.5</u>	<u>2.5</u>	0.0	Revenue Forgone	<u>27.1</u>	<u>27.1</u>	0.0
<b>\$ 4,867.3</b>	<b>\$ 5,029.3</b>	<b>[ - 3.2]</b>	<b>Total Operating Revenue</b>	<b>\$ 58,529.2</b>	<b>\$ 59,855.4</b>	<b>[ - 2.2]</b>
<u>5.3</u>	<u>2.3</u>	128.6	Investment Income	<u>48.5</u>	<u>28.8</u>	68.0
<b>\$ 4,872.6</b>	<b>\$ 5,031.6</b>	<b>[ - 3.2]</b>	<b>Total Revenue</b>	<b>\$ 58,577.7</b>	<b>\$ 59,884.2</b>	<b>[ - 2.2]</b>

[ ]=Unfavorable variance to budget  
Note: Totals may not sum due to rounding.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.





**ANALYSIS OF OPERATING EXPENSES**  
**Accounting Period 11, FY 2003**  
**Personnel Compensation**  
**(\$ Millions)**

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget		SPLY *	% SPLY	Total Compensation***	Actual	Budget	Var. to Budget		SPLY *	% SPLY
\$ 27.5	\$ 28.2	\$ -0.7	-2.5	\$ 25.0	10.0		Operations:	\$ 301.1	\$ 299.8	[\$ 1.3]	[ 0.4]	\$ 287.7
797.8	807.8	-10.1	-1.2	794.4	0.4	-Support	9,357.3	9,419.3	-62.0	-0.7	9,417.0	-0.6
338.2	341.8	-3.6	-1.0	318.3	6.3	-Mail Processing	3,709.1	3,737.0	-28.0	-0.7	3,558.9	4.2
1,147.0	1,155.5	-8.5	-0.7	1,110.8	3.3	-Rural Delivery	12,817.4	12,729.8	[ 87.6]	[ 0.7]	12,344.7	3.8
83.0	83.0	[ 0.0]	[ 0.0]	78.5	5.8	-City Delivery**	924.8	921.5	[ 3.3]	[ 0.4]	895.5	3.3
207.1	215.8	-8.7	-4.0	192.4	7.7	-Vehicles Services	2,313.9	2,367.4	-53.4	-2.3	2,197.7	5.3
550.2	558.8	-8.6	-1.5	538.5	2.2	-Plant & Equip Maint	6,237.7	6,231.9	[ 5.8]	[ 0.1]	6,216.7	0.3
16.7	19.7	-2.9	-14.8	17.8	-5.8	-Customer Services	198.7	226.2	-27.4	-12.1	210.2	-5.5
26.0	26.7	-0.7	-2.6	23.0	13.0	Finance	277.3	283.8	-6.5	-2.3	265.4	4.5
39.9	42.6	-2.7	-6.2	36.8	8.4	Human Resources	435.7	455.3	-19.6	-4.3	390.9	11.5
178.9	180.5	-1.6	-0.9	163.8	9.3	Customer Service & Sales	1,927.7	1,901.6	[ 26.1]	[ 1.4]	1,819.0	6.0
125.7	79.1	[ 46.7]	[ 59.0]	122.0	3.0	Administration	1,448.0	1,570.3	-122.3	-7.8	1,806.6	-19.9
<b>\$ 3,538.1</b>	<b>\$ 3,539.3</b>	<b>\$ -1.3</b>	<b>-0.0</b>	<b>\$ 3,421.1</b>	<b>3.4</b>	Other Salaries & Benefits	<b>\$ 39,948.8</b>	<b>\$ 40,143.8</b>	<b>\$ -195.0</b>	<b>-0.5</b>	<b>\$ 39,410.4</b>	<b>1.4</b>
99.8	119.8	-20.0	-16.7	162.4	-38.6	<b>Total Salaries &amp; Benefits</b>	1,257.3	1,318.2	-61.0	-4.6	1,216.9	3.3
-0.3	7.7	-8.0	-104.1	23.9	-101.3	Workers' Compensation	68.6	84.5	-16.0	-18.9	100.6	-31.9
1.8	107.9	-106.1	-98.3	173.2	-99.0	Unemployment Compensation	3.6	1,186.5	-1,182.9	-99.7	1,925.1	-99.8
0.0	69.3	-69.3	-100.0	65.3	-100.0	Deferred Retirement Cost***	0.0	762.3	-762.3	-100.0	738.0	-100.0
89.4	89.4	0.0	0.0	72.5	23.3	CSRS Annuitant COLA***	964.5	983.5	-19.0	-1.9	842.9	14.4
7.9	9.1	-1.2	-13.3	-28.5	-127.7	Annuitant Health Benefits	107.4	125.9	-18.5	-14.7	57.1	88.1
<b>\$ 3,736.7</b>	<b>\$ 3,942.6</b>	<b>\$ -205.9</b>	<b>-5.2</b>	<b>\$ 3,890.0</b>	<b>-3.9</b>	Other Compensation	<b>\$ 42,350.1</b>	<b>\$ 44,604.7</b>	<b>\$ -2,254.6</b>	<b>-5.1</b>	<b>\$ 44,290.9</b>	<b>-4.4</b>
						<b>Total Personnel Compensation***</b>						

[ ]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

\*SPLY data may differ from previous reports due to subsequent adjustments.

\*\*The line formerly identified as Other Delivery has been renamed to better identify operations.

\*\*\*Includes impact of revised CSRS funding requirements as a result of PL 108-18. Refer to notes on page 2 for an explanation of this impact.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.

**ANALYSIS OF NON-PERSONNEL EXPENSES**  
**Accounting Period 11, FY 2003**  
**(\$ Millions)**

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget		SPLY *	% SPLY	Description	Actual	Budget	Var. to Budget		SPLY *	% SPLY
			% Budget							% Budget		
\$ 360.9	\$ 385.9	\$ -25.0	-6.5	\$ 346.8	4.1	Transportation	\$ 4,231.0	\$ 4,447.0	\$ -216.0	-4.9	\$ 4,321.9	-2.1
181.0	165.6	[ 15.5]	[ 9.3]	175.1	3.4	Supplies & Services	1,846.7	2,452.9	-606.2	-24.7	2,034.3	-9.2
175.9	199.5	-23.5	-11.8	186.2	-5.5	Depreciation	1,941.2	2,098.7	-157.4	-7.5	1,957.6	-0.8
81.2	78.1	[ 3.1]	[ 4.0]	74.0	9.8	Rent	786.9	802.3	-15.3	-1.9	761.8	3.3
35.6	39.0	-3.3	-8.6	37.2	-4.2	Fuel & Utilities	416.3	447.0	-30.7	-6.9	407.1	2.3
31.4	32.0	-0.6	-1.9	29.4	6.9	Rural Carrier Equip Maint Allowance	341.9	347.3	-5.5	-1.6	329.8	3.7
32.3	32.4	-0.1	-0.3	29.6	8.9	Vehicle Maintenance	376.2	350.7	[ 25.5]	[ 7.3]	338.0	11.3
50.7	48.8	[ 1.9]	[ 3.9]	46.5	9.1	Information Technology	363.4	462.6	-99.2	-21.4	311.7	16.6
17.9	19.9	-2.0	-10.0	14.4	24.1	Building Projects Expensed	143.4	198.7	-55.3	-27.9	123.8	15.8
6.0	5.9	[ 0.1]	[ 2.2]	5.5	9.5	Contract Job Cleaners	66.2	62.2	[ 4.0]	[ 6.4]	61.6	7.4
16.3	11.8	[ 4.5]	[ 38.1]	12.8	26.9	Travel & Relocation	142.6	128.9	[ 13.7]	[ 10.6]	113.8	25.3
13.7	19.3	-5.6	-29.0	18.1	-24.3	Communications	160.2	184.8	-24.6	-13.3	174.3	-8.1
5.6	6.1	-0.5	-8.8	6.3	-10.8	Contract Stations	59.5	62.6	-3.1	-4.9	60.8	-2.0
2.4	4.3	-2.0	-45.3	2.2	6.0	Printing	19.2	29.8	-10.7	-35.8	24.1	-20.6
3.0	5.6	-2.7	-47.4	3.7	-20.8	Training	37.8	64.4	-26.6	-41.3	43.6	-13.3
2.7	4.1	-1.4	-33.8	4.2	-35.1	Carfare & Tolls	39.8	49.1	-9.3	-19.0	49.2	-19.0
1.1	2.0	-1.0	-48.1	2.0	-47.5	Vehicle Hire	18.9	26.1	-7.1	-27.4	27.0	-29.7
4.0	4.7	-0.7	-14.6	4.1	-1.8	Accident Cost	41.8	45.3	-3.5	-7.7	43.9	-4.8
-0.5	-3.6	[ 3.1]	[ 86.3]	-1.0	-53.2	Capitalized Interest	-4.9	-39.3	[ 34.4]	[ 87.5]	-24.7	-80.2
-9.3	22.0	-31.3	-142.2	16.3	-157.2	Miscellaneous <sup>1</sup>	97.4	239.2	-141.8	-59.3	195.2	-50.1
<b>\$ 1,011.9</b>	<b>\$ 1,083.5</b>	<b>\$ -71.6</b>	<b>-6.6</b>	<b>\$ 1,013.3</b>	<b>-0.1</b>	<b>Total Non-Personnel Expenses</b>	<b>\$ 11,125.6</b>	<b>\$ 12,460.5</b>	<b>\$-1,334.9</b>	<b>-10.7</b>	<b>\$ 11,354.6</b>	<b>-2.0</b>

[ ]=Unfavorable variance to budget

\*SPLY data may differ from previous reports due to subsequent adjustments.

1) The current period includes an \$14.7 million negative adjustment from Emergency Preparedness Plan appropriations. The year-to-date amount is \$118.3 million.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.

**STATEMENT OF FINANCIAL POSITION**  
**Accounting Period 11, FY 2003**  
**(\$ Millions)**

Assets	July 11, 2003	June 13, 2003	September 30, 2002 *
<b>Current Assets:</b>			
Cash and cash equivalents _1/	\$ 3,441	\$ 3,249	\$ 1,150
U.S. Government securities, at amortized cost which approximates market	6	5	6
<b>Receivables:</b>			
Foreign countries	728	714	592
U.S. Government	236	205	125
Other	202	203	192
	<u>1,166</u>	<u>1,122</u>	<u>909</u>
Less allowances	<u>119</u>	<u>118</u>	<u>112</u>
	1,047	1,004	797
Supplies, advances and prepayments	<u>342</u>	<u>312</u>	<u>327</u>
<b>Total Current Assets</b>	<b>4,836</b>	<b>4,570</b>	<b>2,280</b>
Other assets _2/	368	368	368
<b>Property and equipment, at cost:</b>			
Buildings	19,795	19,736	19,513
Equipment	17,027	16,988	16,421
Land	<u>2,826</u>	<u>2,821</u>	<u>2,776</u>
	39,648	39,545	38,710
Less allowances for depreciation	<u>17,840</u>	<u>17,705</u>	<u>16,401</u>
	21,808	21,840	22,309
Construction in progress	851	901	1,223
Leasehold improvements, net	<u>573</u>	<u>582</u>	<u>604</u>
	23,232	23,323	24,136
Deferred Retirement Costs _3/	<u>5,774</u>	<u>5,799</u>	<u>32,231</u>
<b>Total Assets</b>	<b><u>\$ 34,210</u></b>	<b><u>\$ 34,060</u></b>	<b><u>\$ 59,015</u></b>

\_1/ Includes securities with maturities of 90 days or less in accordance with Statement of Financial Accounting Standards (SFAS) No. 95.

\_2/ Appropriation receivable for revenue foregone.

\_3/ Public Law 108-18 (PL 108-18), The Postal Civil Service Retirement Reform Act of 2003 revised Postal Service funding of the Civil Service Retirement System. The normal cost contribution on basic pay was increased from 7% to 17.4% effective May 3, 2003. In addition, the deferred retirement costs for CSRS to OPM were decreased to an estimated value at the end of FY 2003 of \$5.8 billion. Under PL 108-18, the first payment on the deferred retirement costs is due on September 30, 2004.

\* Audited year-end data

See accompanying Notes to the Financial and Operating Statements beginning on page 16.

**STATEMENT OF FINANCIAL POSITION**  
**Accounting Period 11, FY 2003**  
**(\$ Millions)**

<b>Liabilities and Equities</b>	<b>July 11, 2003</b>	<b>June 13, 2003</b>	<b>September 30, 2002 *</b>
<b>**Current Liabilities:</b>			
Compensation and employees' benefits	\$ 2,167	\$ 2,143	\$ 5,113
Estimated prepaid postage	1,486	1,494	1,500
<b>Payables and accrued expenses:</b>			
Foreign countries	847	848	748
U.S. Government	229	201	246
Other - Including Emergency Preparedness Appropriations	<u>2,131</u>	<u>2,115</u>	<u>1,167</u>
	3,207	3,164	2,161
Appropriation for free & reduced rate mail	7	10	0
Prepaid permit mail and box rentals	1,928	1,930	2,011
Outstanding postal money orders	926	874	986
Current portion of debt	<u>751</u>	<u>751</u>	<u>3,815</u>
<b>Total Current Liabilities</b>	<b>10,472</b>	<b>10,366</b>	<b>15,586</b>
<b>Long-term debt, less current portion</b>	<b>6,524</b>	<b>6,524</b>	<b>7,300</b>
<b>Other Liabilities:</b>			
Amounts payable for retirement benefits _3/	5,774	5,799	30,046
Workers' compensation claims	7,006	6,906	5,815
Employees' accumulated leave	1,930	2,034	2,088
Other	<u>1,362</u>	<u>1,376</u>	<u>1,182</u>
<b>Total Other Liabilities</b>	<b>16,072</b>	<b>16,115</b>	<b>39,131</b>
Capital Contributions of the US Government	3,034	3,034	3,034
Deficit Since Reorganization	<u>- 1,892</u>	<u>- 1,979</u>	<u>- 6,036</u>
Equity/Capital Deficiency	<u>1,142</u>	<u>1,055</u>	<u>- 3,002</u>
<b>Total Liabilities and Equity</b>	<b><u>\$ 34,210</u></b>	<b><u>\$ 34,060</u></b>	<b><u>\$ 59,015</u></b>

\_3/ Public Law 108-18 (PL 108-18), The Postal Civil Service Retirement Reform Act of 2003 revised Postal Service funding of the Civil Service Retirement System. The normal cost contribution on basic pay was increased from 7% to 17.4% effective May 3, 2003. In addition, the deferred retirement costs for CSRS to OPM were decreased to an estimated value at the end of FY 2003 of \$5.8 billion. Under PL 108-18, the first payment on the deferred retirement costs is due on September 30, 2004.

\* Audited year-end data

\*\* Note: For reporting during the postal operating year (September 7, 2002 through September 5, 2003) certain salary and benefit impacts from the Compensation and employees' benefits line are shown in the Other Payables and accrued expenses line. For official end of the year reporting, this is reversed.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.

**STATEMENT OF CASH FLOWS**

Fiscal Year 2003

(\$ Millions)

For the Fiscal Year through July 11, 2003

**Cash flows from operating activities:**

Net income/(loss) (Government Fiscal Year Basis)	\$	4,144
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:		
Depreciation and amortization		1,922
Increase/(decrease) in other liabilities		180
Increase/(decrease) in employees' accumulated leave		(158)
Increase/(decrease) in non-current workers' compensation claims		1,191
Increase/(decrease) in retirement, net *		2,185
Changes in current assets and liabilities:		
Increase/(decrease) in accrued compensation and benefits *		(2,946)
Increase/(decrease) in deferred revenue		(90)
Increase/(decrease) in payables and accrued expenses		1,046
(Increase)/decrease in receivables		(250)
(Increase)/decrease in supplies, advances and prepayments		(15)
Increase/(decrease) in outstanding postal money orders		(60)
<b>Net cash provided by operating activities</b>		<b>7,149</b>

**Cash flows from investing activities:**

Sale/(purchase) of U.S. Government securities, net		0
Purchase and sale of property and equipment, net		(1,018)
<b>Net cash used in investing activities</b>		<b>(1,018)</b>

**Cash flows from financing activities:**

Increase/(decrease) in debt		(3,840)
(Increase)/decrease in other non-current assets		0
<b>Net cash used by financing activities</b>		<b>(3,840)</b>

**Net (decrease)/increase in cash and cash equivalents**

**2,291**

**Cash and cash equivalents at beginning of period**

**1,156**

**Cash and cash equivalents at end of period**

**\$ 3,447**

\* Public Law 108-18 (PL 108-18), The Postal Civil Service Retirement Reform Act of 2003 revised Postal Service funding of the Civil Service Retirement System. The normal cost contribution on basic pay was increased from 7% to 17.4% effective May 3, 2003. In addition, the deferred retirement costs for CSRS to OPM were decreased to an estimated value at the end of FY 2003 of \$5.8 billion. Under PL 108-18, the first payment on the deferred retirement costs is due on September 30, 2004.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.

**CAPITAL INVESTMENTS  
FY 2003  
(\$ Millions)**

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	A/P 11 Year-to-Date			A/P 11 Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 43.4	\$ 65.0	\$ 28.7	\$ 91.6	\$ 227.0	\$ 159.7
BUILDING IMPROVEMENTS	104.5	114.9	81.4	129.1	222.1	151.4
MAIL PROCESSING EQUIPMENT	595.5	580.6	685.7	500.0	549.0	810.9
VEHICLES	142.6	147.2	- 3.3	61.8	189.1	109.4
RETAIL EQUIPMENT	50.8	78.0	6.7	5.2	160.5	36.0
POSTAL SUPPORT EQUIPMENT	172.0	228.5	153.9	189.6	231.7	182.8
<b>TOTAL COMMITMENTS/CASH OUTLAYS</b>	<b>\$ 1,108.8</b>	<b>\$ 1,214.1</b>	<b>\$ 953.1</b>	<b>\$ 977.3</b>	<b>\$ 1,579.6</b>	<b>\$ 1,450.1</b>

**RESOURCES ON ORDER  
(\$ Millions)**

MAJOR CATEGORIES	July 11, 2003	September 30, 2002
CONSTRUCTION AND BUILDING PURCHASE	\$ 70.7	\$ 132.3
BUILDING IMPROVEMENTS	103.5	157.1
MAIL PROCESSING EQUIPMENT	1,043.3	964.6
VEHICLES	226.7	145.8
RETAIL EQUIPMENT	86.6	40.9
POSTAL SUPPORT EQUIPMENT	75.4	95.2
<b>TOTAL RESOURCES ON ORDER</b>	<b>\$ 1,606.1</b>	<b>\$ 1,535.9</b>

Note: Totals may not sum due to rounding.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.

**FOS**  
**Accounting Period 11, FY 2003**  
**(Data in Thousands)**

Current Period						Year-to-Date				
Actual	Var. to Budget	% Budget	SPLY *	% SPLY		Actual	Var. to Budget	% Budget	SPLY *	% SPLY
					<u>Total Work Hours</u>					
					<b>Operations:</b>					
657	- 18	- 2.6	650	1.1	-Support	7,728	[ 44 ]	[ 0.6 ]	7,738	- 0.1
24,070	- 757	- 3.0	25,856	- 6.9	-Mail Processing	300,145	- 5,434	- 1.8	322,022	- 6.8
12,604	- 79	- 0.6	12,393	1.7	-Rural Delivery	140,342	- 1,383	- 1.0	144,569	- 2.9
33,926	- 216	- 0.6	34,621	- 2.0	-City Delivery **	393,590	[ 2,230 ]	[ 0.6 ]	399,262	- 1.4
2,332	- 7	- 0.3	2,378	- 1.9	-Vehicles Services	27,293	- 60	- 0.2	27,963	- 2.4
5,920	- 315	- 5.0	5,928	- 0.1	-Plant & Equip Maint	69,397	- 2,173	- 3.0	69,754	- 0.5
16,533	- 313	- 1.9	17,326	- 4.6	-Customer Services	197,166	- 292	- 0.1	206,297	- 4.4
428	- 83	- 16.3	503	- 14.9	Finance	5,532	- 782	- 12.4	6,153	- 10.1
647	- 12	- 1.7	616	5.1	Human Resources	7,337	- 170	- 2.3	7,348	- 0.1
1,076	- 80	- 6.9	1,081	- 0.4	Customer Service & Sales	12,551	- 655	- 5.0	11,941	5.1
5,037	- 20	- 0.4	4,992	0.9	Administration	57,288	[ 905 ]	[ 1.6 ]	56,598	1.2
2,890	- 336	- 10.4	3,358	- 13.9	Other	36,014	- 1,086	- 2.9	43,433	- 17.1
<b>106,120</b>	<b>- 2,235</b>	<b>- 2.1</b>	<b>109,702</b>	<b>- 3.3</b>	<b>Total Work Hours</b>	<b>1,254,383</b>	<b>- 8,855</b>	<b>- 0.7</b>	<b>1,303,078</b>	<b>- 3.7</b>

Overtime						
Actual	Budget	SPLY		Actual	Budget	SPLY
7.8%	7.8%	7.8%	<u>Overtime Ratio</u>	8.1%	8.0%	7.7%
			Per 100 Work Hours			

Sick Leave						
Actual	Budget	SPLY		Actual	Budget	SPLY
3.9%	--	3.9%	<u>Sick Leave Ratio</u>	4.1%	--	4.0%
			Per 100 Work Hours			

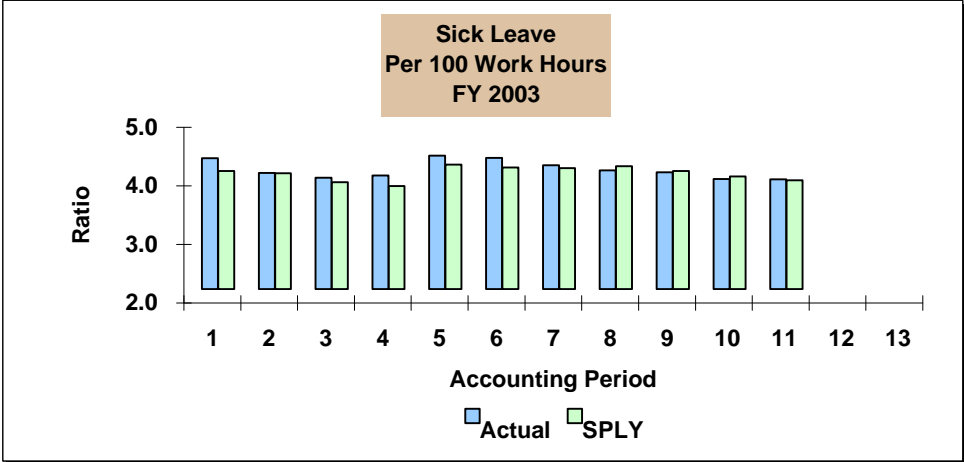
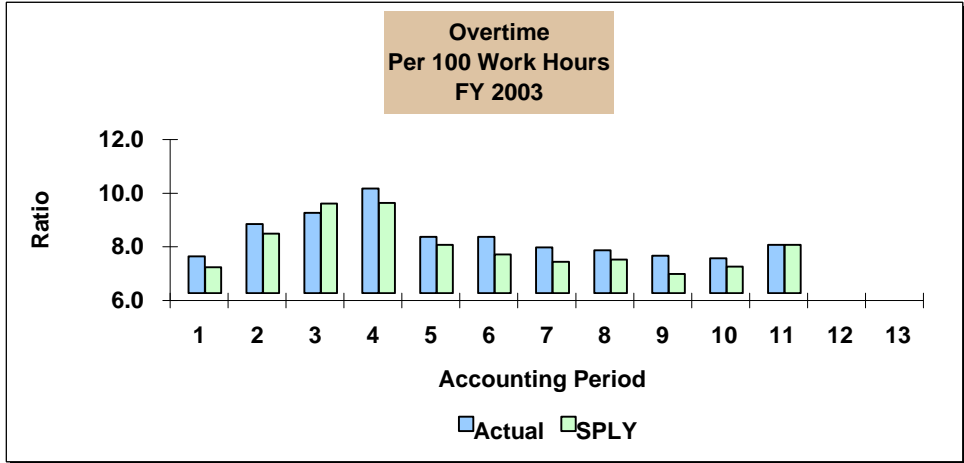
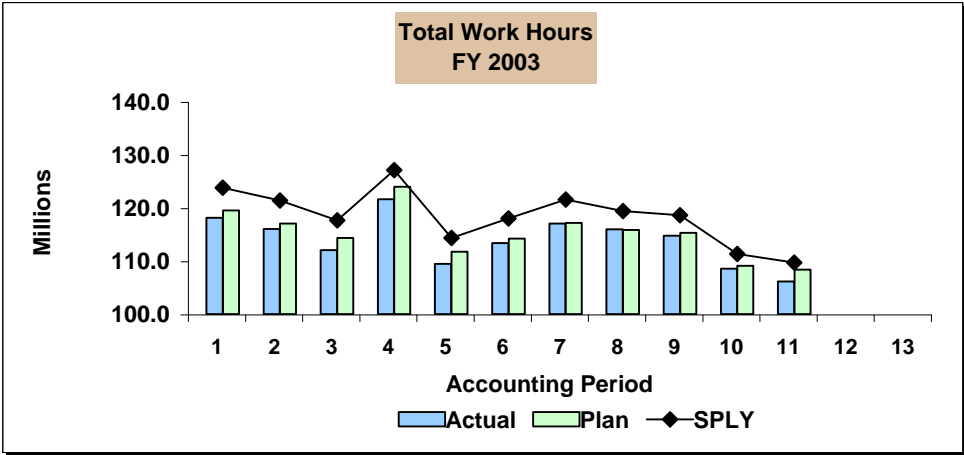
[ ]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

\*SPLY data may differ from previous reports due to subsequent adjustments.

\*\*The line formerly identified as Other Delivery has been renamed to better identify operations.

See accompanying Notes to the Financial and Operating Statements beginning on page 16.



See accompanying Notes to the Financial and Operating Statements beginning on page 16.



Accounting Period 11, FY 2003

Notes to the Financial and Operating Statements

The following provides a crosswalk from performance including the impacts of the recently enacted CSRS legislation (PL 108-18) explained on page 2 to performance, excluding the impacts.

Accounting Period 11 Performance						
	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
1. Total Expenses with PL 108-18 Impact (From page 1)	\$ 4,799.5	\$ 5,177.3	\$ - 377.8	- 7.3	\$ 4,991.1	- 3.8
2. Employer Share Increase from 7% to 17.4%	- 83.8					
3. Reduction of Funding for CSRS Deferred Retirement Costs <sup>1</sup>	175.4					
4. Reduction of Interest Expense Related to CSRS Deferred Retirement Costs <sup>2</sup>	100.7					
5. Total Expenses without impacts of PL 108-18 (Sum of lines 1 thru 4)	\$ 4,991.8	\$ 5,177.3	\$ - 185.5	- 3.6	\$ 4,991.1	0.0
6. Total Revenue (From page 1)	4,872.6	5,031.6	[\$ - 159.0]	- 3.2	4,865.5	0.1
7. Net Income without impacts of PL 108-18 (Line 6 minus Line 5)	\$ - 119.2	\$ - 145.7	\$ 26.5	-	\$ - 125.6	-

Year-to-Date Through Accounting Period 11 Performance						
	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
1. Total Expenses with PL 108-18 Impact (From page 1)	\$ 53,845.9	\$ 58,763.7	\$ - 4,917.8	- 8.4	\$ 56,591.7	- 4.9
2. Employer Share Increase from 7% to 17.4%	- 209.5					
3. Reduction of Funding for CSRS Deferred Retirement Costs <sup>1</sup>	1,945.2					
4. Reduction of Interest Expense Related to CSRS Deferred Retirement Costs <sup>2</sup>	1,315.9					
5. Total Expenses without impacts of PL 108-18 (Sum of lines 1 thru 4)	\$ 56,897.5	\$ 58,763.7	\$ - 1,866.2	- 3.2	\$ 56,591.7	0.5
6. Total Revenue (From page 1)	58,577.7	59,884.2	[\$ - 1,306.5]	- 2.2	55,797.6	5.0
7. Net Income without impacts of PL 108-18 (Line 6 minus Line 5)	\$ 1,680.2	\$ 1,120.5	\$ 559.7	-	\$ - 794.1	-

1) This is the savings on the reduced principle as a result of PL 108-18 lowering the deferred retirement costs. The original amount accrued for this was \$177.2 million per accounting period, while the current amount is \$1.8 million.

2) This is the interest savings as a result of the lowered deferred retirement costs. The original amount accrued for this was \$123.8 million per accounting period, while the current amount is \$23.1 million.

The following Notes to Financial and Operating Statements refer to performance without the impacts from PL 108-18.

## Accounting Period 11, FY 2003

### Notes to the Financial and Operating Statements (Continued)

The following Notes to the Financial and Operating Statements refer to performance without the impacts from the CSRS legislation.

#### Revenue - Pages 1, 2, 3, 4, 5 and 6

Current period, Total Revenue was 3.2% or \$159 million under plan. Commercial Revenue was 4.0% or \$152 million under plan. The biggest drivers of the Commercial Revenue plan underrun were Customer Meters at \$70 million below, and First-Class Permit Imprint Mail at \$60 million below. Total Retail Revenue was 2.1% or \$26 million under plan. Total Revenue grew by 0.1% or \$7 million over same period last year (SPLY). The bulk of the increase to SPLY for total revenue was reflected in Permit Imprint, which was \$67 million over SPLY. Stamps and Stamped Paper were \$120 million under SPLY.

Year-to-date (YTD), Total Revenue is \$1,307 million or 2.2% under plan. Other Commercial Accounts contribute to the majority of the Total Revenue underrun to plan, \$1,115 million, with Customer Meters being the largest contributor. As compared to SPLY, Total Revenue has increased 5.0% or \$2,780 million driven by the rate changed on June 30, 2002. Permit Imprint, Metered Postage, and Stamps and Stamped Paper revenue combined are \$2.3 billion of this total revenue change to SPLY amount.

#### Expenses - Pages 1, 2, 4, 7, 8 and 9

Current period, Total Expenses were \$186 million or 3.6% below plan. Both personnel and non-personnel costs were below plan. Total work hours were 2.1% below plan and 3.3% below SPLY (see page 14). The biggest drivers of the \$72 million plan underrun in non-personnel costs were Transportation and Depreciation, which were \$25 million and \$24 million below plan, respectively.

YTD, Total Expenses are \$1,866 million or 3.2% below plan. Most of the YTD plan underrun lies in Personnel Compensation, \$519 million; Supplies and Services, \$606 million; Transportation, \$216 million; Depreciation, \$157 million; Information Technology, \$99 million; and Building Projects Expensed, \$55 million. Transformation Plan initiatives, Supply Chain Management, more effective utilization of our transportation network, and other cost containment initiatives have driven many of these savings. Reduced workload due to lower than planned mail volume has also had an impact. The current trend of significant expense underruns may not continue as budgets become more challenging toward the end of the year. City Delivery personnel compensation is about \$61 million above plan resulting from an increase in City Delivery work hour usage, 2.2 million hours more than planned, partially spurred by the continuation in the growth of delivery points.

#### Mail Volume and Revenue - Page 3

Total Mail Volume for Accounting Period (AP) 11, Fiscal Year (FY) 2003, was 352 million pieces below SPLY, or 2.4%. Standard Mail and Package Services were above SPLY, while First-Class, Priority Mail, Express Mail, Periodicals and International Mail were below their Accounting Period 11, FY 2002, levels.

The Total Mail Revenue for AP 11, FY 2003 YTD was 4.9% above that reported during the same period last year (SPLY).

Accounting Period 11, FY 2003

Notes to the Financial and Operating Statements (Continued)

Capital Commitments - Pages 1 and 13

The Fiscal Year Capital Commitments through YTD, Accounting Period 11, FY 2003 are \$1,109 million compare to a plan of \$1,214 million. This represents an underrun of about \$105 million or 8.7%. The single largest commitment made thus far in FY 2003 was \$321 million for the Automated Package Processing Systems project which has a projected return on investment (ROI) of 24.4%.

The Cash Outlays YTD are \$977 million versus a plan of \$1,580 million, representing a \$602 million underrun to plan.

Work Hours - Pages 1, 14 and 15

Total work hours for the accounting period were 2.2 million hours or 2.1% below plan and 3.6 million hours below same period last year. The Mail processing function, which includes automated, mechanized and manual distribution, remote barcoding operations, platform operations, and supervision was 1.8 million work hours less than SPLY. An additional 1.5 million work hours were reduced in City Delivery Service and Customer Service combined. These reductions were a direct result of cost containment and efficiency improvement activities outlined in the Transformation Plan. Other Work Hours category on page 14, relating to Limited Duty, Rehabilitation and Headquarters General Management hours, played a major role in work hour reductions to SPLY. Current period, it should be noted that Other Work Hours were 0.5 million hours below same period last year.

Total work hours for AP 11 YTD are reduce by 48.7 million hours or 3.7% below SPLY. This reduction in work hours reflects the continuation of cost containment activities through the installation of more efficient mail processing equipment and other productivity enhancements, as well as capturing work hours as a result of decreasing workload. To date, Mail Processing work hours have been reduced 21.9 million hours below same period last year. City and Rural Delivery, combined with Customer Service clerk work hours, contributed to a reduction of 19.0 million work hours to SPLY.