

**REPORT OF THE TREASURER, RURAL TELEPHONE BANK  
BANK BOARD MEETING, NOVEMBER 14, 2003**

**I. Highlights**

Highlights of the Rural Telephone Bank's financial operations for fiscal years ended 2003 and 2002, and cumulatively from inception through September 30, 2003 are as follows:

	September 30	
	2003	2002
	(Amounts in Millions)	
<u>Interest Rates on Loan</u>		
Cumulative weighted average on outstanding loans	6.63%	6.60%
<u>Weighted Average Interest Rate on Financing From U.S. Treasury</u>		
Current Year-Financing Account	6.11%	6.46%
Cumulative-Liquidating with 2% return on Class A Stock	2.00%	2.00%
<u>Advances on Loan Commitments</u>		
Amount (includes B stock purchases)	\$ 56	\$ 62
Net cumulative through September 30, 2003	\$ 2,947	2,890
<u>Unadvanced Loan Commitments</u>		
Amount at September 30, 2003 1/	\$ 1,251	\$ 1,186
<u>Revenue</u>		
Total Revenue for the year	\$ 132	\$ 127
Total Expenses for the year	31	25
Net Revenue for the year	\$ 101	\$ 102
Less:		
Current year return on Class A Stock	\$ 9	\$ 9
C Stock dividend payable	28	22
Re-estimate income	2	(1)
Patronage Capital for the year	\$ 62	\$ 72

1/ Increase of \$65 million is the net result of a \$168 million increase in loan commitments, minus \$56 million in loan advances and \$47 million in loan cancellations.

**Outstanding Loan Receivable, Gross:**

(Portfolio)  
(Dollars in thousands)

	<u>Loans Receivable Fiscal Year Ended 09/30/02</u>	<u>Yearly Activity</u>	<u>Loans Receivable As of 09/30/03</u>
Liquidating	\$ 680,136	\$ (204,131) <sup>1/</sup>	\$ 476,005
Financing	\$ 333,973	\$ (6,158) <sup>2/</sup>	\$ 327,815
	<u>\$ 1,014,109</u>		<u>\$ 803,819</u>

<sup>1/</sup> Yearly activity of \$(204,131) is a result of prepayments/ repayments of \$204,720 and loan advances of \$589.

<sup>2/</sup> Yearly activity of \$(6,158) is a result of loan advances of \$55,858 less repayments/prepayments of \$62,016.

**Investments of Others:**

(Dollars in thousands)

**Stock Balances**

	<u>Fiscal Year Ended 09/30/02</u>	<u>Stock Balances as of 09/30/03</u>
B Stock	\$ 651,686	\$ 540,839
C Stock	\$ 551,399	\$ 736,888

**Conversion Activity**

	<u>Quarterly Activity Fourth Quarter</u>	<u>Fiscal Year Ended 09/30/03</u>
Partial Conversions - B to C Stock	\$ 27,487	\$ 27,486
Paid-In-Full Conversions - B to C Stock	\$ 109,000	\$ 158,000
Additional Paid In Capital	\$	\$ 3

## **II. Financial Statement and Statistical Reports**

The following statements of the Rural Telephone Bank are attached:

1. Comparative Balance Sheet as of September 30, 2003 (page 4).
2. Comparative Statement of Net Costs for Fiscal Year ended September 30, 2003 (page 5).
3. Comparative Statement of Net Position for Fiscal Year ended September 30, 2003 (page 6).
4. Comparative Statement of Budgetary Resources for Fiscal Year Ended September 30, 2003 (page 7 & 8).
5. Comparative Statement of Financing for Fiscal Year Ended September 30, 2003 (page 9).
6. Footnotes to the Statements (pages 10 - 24).
7. Loan Statistics as of September 30, 2003 (page 25).
8. Cumulative Loan Commitments and Advances Graph (page 26).
9. Listing of U.S. Treasury Borrowings by Interest Rate and Maturity Date as of September 30, 2003 (page 27).
10. Key Data - Fiscal Years 1993 - 2003 (page 28)

**U.S. Department of Agriculture**  
**Rural Telephone Bank**  
**BALANCE SHEET**  
**As of September 30, 2003 and 2002**  
**(in dollars)**

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Assets for Use by Entity:		
Federal		
Fund Balance with Treasury (Note 2)	\$ 1,267,349,461	\$ 1,085,085,195
Interest Receivable (Note 3)	56,457,531	
Non-Federal		
Credit Program Receivables, Net (Note 4)	798,786,981	999,362,718
Total Assets	<u>\$ 2,122,593,973</u>	<u>\$ 2,084,447,913</u>
<b>LIABILITIES</b>		
Liabilities Covered by Budgetary Resources:		
Federal		
Accounts Payable	\$ 18,440,437	\$ 4,161,674
Debt (Note 5)	300,996,852	323,133,633
Non-Federal		
Other Liabilities (Note 6)	28,184,069	22,276,223
Total Liabilities	<u>347,621,358</u>	<u>349,571,530</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 7)</b>		
<b>NET POSITION</b>		
Unexpended Appropriations (Note 8)	<u>21,282,263</u>	<u>20,868,302</u>
Capital Stock (Note 9)		
Federal		
Equity of the U.S. Government		
Capital Stock Class A	408,711,091	430,222,200
Subsidy Re-estimates	(5,274,229)	(1,288,591)
Total Equity of the U.S. Government	<u>403,436,862</u>	<u>428,933,609</u>
Non-Federal		
Investment of Others		
Capital Stock Class B	540,839,299	651,686,066
Capital Stock Class C	736,888,000	551,399,000
Restricted Capital	10,000,000	10,000,000
Patronage Capital Earned	62,526,191	71,989,406
Total Investment of Others	<u>1,350,253,490</u>	<u>1,285,074,472</u>
Cumulative Results of Operations	<u>1,753,690,352</u>	<u>1,714,008,081</u>
Total Net Position	<u>1,774,972,615</u>	<u>1,734,876,383</u>
Total Liabilities and Net Position	<u>\$ 2,122,593,973</u>	<u>\$ 2,084,447,913</u>

The accompanying notes are an integral part of these statements.

**U.S. Department of Agriculture  
Rural Telephone Bank  
STATEMENT OF NET COST  
For the Year Ended September 30, 2003 and 2002  
(in dollars)**

	<u>2003</u>	<u>2002</u>
Program Costs		
Intragovernmental Gross Costs	\$ 26,905,301	\$ 26,089,000
Less: Intragovernmental Earned Revenue (Note 10)	<u>62,598,854</u>	<u>58,202,858</u>
Intragovernmental Net Costs	(35,693,553)	(32,113,858)
Gross Costs with the Public	3,918,811	(1,216,212)
Less: Earned Revenues from the Public (Note 10)	<u>69,762,007</u>	<u>68,649,176</u>
Net Costs with the Public	(65,843,196)	(69,865,388)
Net Cost of Operations	<u>\$ (101,536,749)</u>	<u>\$ (101,979,246)</u>

The accompanying notes are an integral part of these statements.

U.S. Department of Agriculture  
Rural Telephone Bank  
**STATEMENT OF CHANGES IN NET POSITION**  
For the Year Ended September 30, 2003 and 2002  
(in dollars)

	2003		2002	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balance	\$ 1,714,008,081	\$ 20,868,302	\$ 1,658,679,268	\$ 19,115,171
Budgetary Financing Sources:				
Appropriations Received		6,785,691		6,819,000
Appropriations Transferred In/Out		(23,112)		(1,381,068)
Other Adjustments		(925,939)		(3,684,801)
Appropriations Used	5,422,679	(5,422,679)	8,098,801	
Transfers In/Out w/o Reimbursement	(11,630,362)		(3,571,400)	
Other Budgetary Financing Sources:				
Redemption of Class A Stock	(21,511,110)		(22,643,274)	
A Stock Dividends	(8,604,444)		(9,057,310)	
C Stock Dividends	(28,184,069)		(22,350,730)	
Investment of Others	2,652,828		2,873,480	
Total Budgetary Financing Sources	(61,854,478)	413,961	(46,650,433)	1,753,131
Net Costs of Operations	101,536,749		101,979,246	
Ending Balances	<u>1,753,690,352</u>	<u>21,282,263</u>	<u>1,714,008,081</u>	<u>20,868,302</u>

The accompanying notes are an integral part of these statements.

U.S. Department of Agriculture  
Rural Telephone Bank  
**STATEMENT OF BUDGETARY RESOURCES**  
For the Year Ended September 30, 2003 and 2002  
(in dollars)

	2003		2002	
	Budgetary	NonBudgetary Credit Program Financing Accounts	Budgetary	NonBudgetary Credit Program Financing Accounts
<b>Budgetary Resources</b>				
Appropriations Received (Note 14)	6,785,691		11,233,000	
Borrowing Authority (Note 12/13)	(21,534,222)	169,683,148	(22,643,274)	174,022,151
Net Transfers				
<b>Unobligated Balances (Note 15)</b>				
Beginning of Period (Brought Forward)	944,525,777	17,158,087	771,811,086	5,618,853
<b>Spending Authority from Offsetting Collections Earned</b>				
Collected	246,629,294		219,929,844	48,942,765
Receivables from Federal Sources	56,457,531	94,174,043		(16,180,547)
Change in Unfilled Customer Orders				
Without Advance from Federal Sources		979,895		18,849,963
Subtotal	303,086,825	95,153,938	219,929,844	51,612,182
Recoveries of Prior Yr Obligations	14,052,543	32,470,200	8,379,707	21,494,550
Permanently Not Available	(9,530,383)	(116,996,827)	(10,438,378)	(34,898,006)
<b>Total Budgetary Resources</b>	<u>1,237,386,231</u>	<u>197,468,546</u>	<u>978,271,985</u>	<u>217,849,730</u>
<b>Status of Budgetary Resources:</b>				
Obligations Incurred (Note 11)				
Direct	34,855,641	195,842,397	33,746,208	200,691,643

The accompanying notes are an integral part of these statements.

U.S. Department of Agriculture  
Rural Telephone Bank  
**STATEMENT OF BUDGETARY RESOURCES**  
For the Year Ended September 30, 2003 and 2002  
(in dollars)

	2003		2002	
	Budgetary	NonBudgetary Credit Program Financing Accounts	Budgetary	NonBudgetary Credit Program Financing Accounts
Unobligated Balances: Apportioned	55,308			
Unobligated Balances Not Yet Available	<u>1,202,475,282</u>	<u>1,626,149</u>	<u>944,525,777</u>	<u>17,158,087</u>
Total Status of Budgetary Resources	<u>1,237,386,231</u>	<u>197,468,546</u>	<u>978,271,985</u>	<u>217,849,745</u>
Relationship of Obligations to Outlays				
Obligated Balance, Net - Beginning of Period	117,418,532	1,090,814,527	122,668,671	1,000,659,770
Obligated Balance, Net - End of Period				
Accounts Receivable	(56,457,530)			
Undelivered Orders	81,772,373	1,169,348,641	95,142,310	1,109,664,490
Accounts Payable	28,184,068		22,276,222	
Outlays				
Disbursements	28,265,188	83,858,188	30,616,639	86,372,920
Collections	(246,629,294)	(94,174,043)	(219,929,844)	(48,942,765)
Subtotal	<u>(218,364,106)</u>	<u>(10,315,855)</u>	<u>(189,313,205)</u>	<u>37,430,155</u>
Less: Offsetting Receipts	4,179,159		3,133,000	
Net Outlays	<u>(222,543,265)</u>	<u>(10,315,855)</u>	<u>(192,446,205)</u>	<u>37,430,155</u>

The accompanying notes are an integral part of these statements.

**U.S. Department of Agriculture**  
**Rural Telephone Bank**  
**STATEMENT OF FINANCING**  
**For the Year Ended September 30, 2003 and 2002**  
**(in dollars)**

	<u>2003</u>	<u>2002</u>
<b>Resources Used To Finance Activities:</b>		
<b>Budgetary Resources Obligated</b>		
Obligations Incurred	230,698,038	234,437,851
Less: Spending Authority From Offsetting Collections and Recoveries	444,763,507	301,416,283
Obligations net of offsetting collections and recoveries	<u>(214,065,469)</u>	<u>(66,978,432)</u>
Less: Offsetting receipts	4,179,159	3,133,000
<b>Total Resources Used To Finance Activities</b>	<u>(218,244,628)</u>	<u>(70,111,432)</u>
<b>Resources Used To Finance Items Not Part Of The Net Costs Of Operations:</b>		
<b>Change in Budgetary Resources Obligated For Goods, Services, and</b>		
Benefits Ordered But Not Yet Provided	65,164,177	67,123,432
Resources That Fund Expenses Recognized in Prior Periods	1,288,591	4,395,000
<b>Budgetary Offsetting Collections and Receipts That Due Affect</b>		
<b>Net Costs of Operations</b>		
Credit Program Collections Which Increase Liabilities for Loan Guarantees or Allowance for Subsidy	(397,260,868)	(252,692,063)
Other	(4,179,160)	(3,133,000)
Resources That Finance the Acquisition of Assets	112,608,543	110,491,397
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations		
<b>Total Resources Used to Finance Items Not Part of The Net Cost of Operations</b>	<u>(222,378,717)</u>	<u>(73,815,234)</u>
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<u>4,134,088</u>	<u>3,703,802</u>
<b>Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:</b>		
<b>Components Requiring or Generating Resources in Future Periods:</b>		
Upward/Downward Reestimates of Credit Subsidy Expense (Note 16)	(6,356,133)	(2,282,808)
Increase in Exchange Revenue Receivable From the Public		
Other	(98,008,250)	(103,164,258)
<b>Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods</b>	<u>(104,364,383)</u>	<u>(105,447,066)</u>
<b>Components Not Requiring or Generating Resources</b>		
Depreciation and Amortization		
Other	(1,306,454)	(235,982)
<b>Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period</b>	<u>(105,670,837)</u>	<u>(105,683,048)</u>
<b>Net Costs of Operations</b>	<u>(101,536,749)</u>	<u>(101,979,246)</u>

The accompanying notes are an integral part of these statements.

**RURAL TELEPHONE BANK  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Rural Telephone Bank (RTB), established in May 1971, provides a supplemental source of financing under the Rural Utilities Service (RUS) telephone loan program. RUS is a credit agency within the U.S. Department of Agriculture (USDA) which assists rural electric and telephone organizations in obtaining the financing required to provide electric and telephone service in rural areas. RTB lends principally to rural telephone organizations.

RTB is a government corporation that functions as an agency of USDA, subject to the supervision and direction of the Secretary of Agriculture. As provided by law, the Administrator of RUS serves as the Governor of RTB. In this capacity, the Governor may exercise and perform all of RTB's functions, powers, and duties, except for matters specifically reserved for its Board of Directors. As discussed below, upon retirement of the Class A stock held by the U.S. Government, the RTB would no longer operate as an integral agency of the Government.

Adverse changes in the telephone industries could have a direct and material impact on the financial capacity of RTB borrowers to provide for the repayment of loans.

**B. Basis of Presentation**

The accompanying financial statements have been prepared to report the financial position, net costs, and changes in net position of RTB as required by the Government Management Reform Act of 1994 and in conformity with generally accepted accounting principles (GAAP). GAAP for Federal financial reporting entities recognize the Federal Accounting Standards Advisory Board (FASAB) as the standards-setting body designated to establish these principles for these entities. The financial statements have also been prepared from the books and records of RTB in accordance with the form and content for entity financial statements specified by the Office of Management and Budget (OMB) Bulletin 01-09, *Form and Content of Agency Financial Statements*, except that credit subsidy reestimates are presented as a separate line item within total equity of the U.S. Government. The financial statements also follow USDA accounting policy guidelines.

The amounts in the FY 2002 column of the Statement of Financing have been reclassified due to changes in the Treasury crosswalk. This reclassification will facilitate a meaningful comparison between FY's 2003 and 2002.

**C. Basis of Accounting**

RTB's transactions are recorded on the accrual basis of accounting and with respect to certain information regarding budgetary resources and financing, a budgetary accounting basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred. Budgetary accounting is also necessary to facilitate compliance with legal constraints and controls over the use of Federal funds.

Any significant interfund and intrafund balances and transactions have been eliminated in the consolidation of the pre- and post-credit reform lending programs.

**RURAL TELEPHONE BANK  
NOTES TO THE FINANCIAL STATEMENTS**

During FY's 2003 and 2002, no new Statements of Federal Financial Accounting Standards (SFFAS) were implemented, due to the fact that either none were applicable or no changes were required.

**D. Fund Balance with United States Treasury**

RTB maintains all cash accounts with the United States Treasury. It is the policy of RTB not to maintain cash in commercial bank accounts, except in the normal course of processing cash receipts through third-party commercial banking institutions. Fund Balance with Treasury represents appropriated and revolving funds that are available to pay current liabilities and finance authorized loan commitments. RTB earns interest on all cash balances maintained at the Treasury in accordance with the terms of the 1973 note executed by RTB and U.S. Treasury, Section 505(c) of the Federal Credit Reform Act of 1990 and recent legislation (Public Law 106-78).

**E. Credit Program Receivables, Net**

Loans are accounted for as receivables after funds are disbursed. Loans receivable are carried at the principal amount outstanding, net of an allowance for estimated uncollectible amounts for pre-FY 1992 loans. For direct loans obligated on or after October 1, 1991, RTB recognizes these assets at the present value of their estimated net cash inflows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as a subsidy cost allowance (Note 4). All loan receivables are due from non-Federal borrowers and accrue interest daily based on the contractual interest rate.

RTB's allowance is estimated based on delinquency rates, current economic conditions, borrowers' credit histories, borrowers' outstanding balances, and an analysis of each borrower's financial condition.

For the FY 2002 financial statements, Credit Reform reestimates were prepared for the direct loans obligated on or after October 1, 1991 using actual financial activity as of September 30, 2002. Due to accelerated reporting requirements, a reestimate approximator method was implemented for the FY 2003 reporting period. Actual, budgetary reestimates, as of September 30, 2003, will be completed during FY 2004. It is anticipated that the approximator method will continue for future reporting periods.

The projected cost of direct loan defaults (for loans obligated prior to October 1, 1991) will not necessarily reflect RTB's future appropriation requests. To the extent that fund revenues are not sufficient to fund future costs, financing will have to be obtained from future appropriations, or other Congressionally approved sources.

**F. Liabilities**

Liabilities are recognized for amounts of probable future outflows or other sacrifices of resources as a result of past transactions or events. Since RTB is a component of the United States Government, a sovereign entity, its liabilities cannot be liquidated without legislation that provides resources to do so. Payments of all liabilities other than contracts can be abrogated by the sovereign entity.

## **RURAL TELEPHONE BANK NOTES TO THE FINANCIAL STATEMENTS**

Liabilities Covered by Budgetary Resources are those liabilities funded by available budgetary resources including: (1) new budget authority, (2) spending authority from offsetting collections, (3) recoveries of unexpired budget authority, (4) unobligated balances of budgetary resources at the beginning of the year, and (5) permanent indefinite appropriation or borrowing authority. All of RTB's liabilities are covered by budgetary resources.

- **Accounts Payable**

Accounts payable consist solely of amounts payable to the United States Treasury based on credit reform subsidy reestimates.

- **Debt - United States Treasury**

As required under Credit Reform legislation, a note was executed by RTB with the United States Treasury that provides funds for direct loans approved after September 30, 1991 (Post-1991). The interest rate charged to RTB is the average annual Treasury rate, as provided by the Office of Management and Budget (OMB). For loans approved prior to October 1, 1991 (Pre-1992), Treasury funding is provided, when needed, in accordance with the terms of a note executed by RTB and Treasury in July 1973. RTB has not borrowed against the note for several years since the pre-1992 fund balance is sufficient to advance new loans.

### **G. Stock Conversion**

In accordance with its authorizing legislation and amendments, RTB will be converted to independent status at such time when 51 percent of the Class A stock issued to the U.S. Government (and outstanding at any time since September 30, 1985) has been fully redeemed and retired. When such conversion occurs, RTB will no longer be an agency of the USDA and the President will cease to appoint Board members. However, after the conversion, Congress may still continue its oversight responsibilities for RTB's operations.

### **H. Operations**

The Rural Electrification Act of 1936, as amended, and RTB's enabling legislation, authorize RTB to partially or jointly use the facilities and services of employees of RUS, or of any other agency of the USDA, without cost. Under the Federal Credit Reform Act, \$3,061,967 of appropriated funds provided to RTB to cover administrative costs were transferred to RUS. This amount represents the additional cost to RUS for managing RTB. In this regard, RTB's operations are conducted by RUS administrative and program employees who have similar responsibilities under RUS's rural telephone loan program.

### **I. Intra-Governmental Relationships and Transactions**

In the course of its operations, RTB has relationships and financial transactions with other Federal agencies. The more prominent of these are with RUS and the United States Treasury. RUS determines the annual cost allocations associated with the administration of RTB by RUS employees and the Treasury receives the collections of proceeds from direct loans issued on behalf of RTB. At the Government-wide level, the liabilities related to the debt payable to Treasury on RTB's financial statements and the corresponding assets on the Treasury's financial statements should be eliminated.

**RURAL TELEPHONE BANK  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2: FUND BALANCE WITH TREASURY**

*Amounts presented in dollars.*

	<u>2003</u>	<u>2002</u>
Fund Balances:		
Revolving Funds	\$1,246,067,198	\$1,064,216,893
Appropriated Funds	21,282,263	20,868,302
Total	<u>\$1,267,349,461</u>	<u>\$1,085,085,195</u>

	<u>2003</u>	<u>2002</u>
Unobligated Balance		
Unavailable, end of year *	\$ 1,144,620,655	\$942,507,439
Unavailable, restricted	1,397,096	2,018,339
Available	55,309	
Obligated Balance		
Not Yet Disbursed	<u>121,276,401</u>	<u>140,559,417</u>
Total	<u>\$1,267,349,461</u>	<u>\$1,085,085,195</u>

\*Amount becomes available through the SF 132 process.

**NOTE 3: INTEREST RECEIVABLE**

*Amounts presented in dollars.*

	<u>2003</u>	<u>2002</u>
Intragovernmental		
Due from Treasury	<u>\$ 56,457,531</u>	<u>\$ -</u>

The interest receivable is based on the average fund balance on deposit with Treasury during FY 2003. The payment from Treasury will be received in October 2003. In the FY 2002 financial statements, the payment was received within the fiscal year and accounted for in the fund balance with Treasury.

**RURAL TELEPHONE BANK  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 4: DIRECT LOANS, NON FEDERAL BORROWERS**

**Purpose**

The Rural Telephone Bank (RTB) was created by Public Law 92-12 on May 7, 1971. The RTB was designed to assure rural telephone systems access to private sources of capital. It did this by establishing a supplemental credit mechanism to which borrower systems may turn for all or part of their future capital requirements. The RTB is owned by the U.S. Government, its borrowers, former borrowers, and other related organizations authorized to invest. The RTB operates on a cooperative basis and earnings, in excess of the annual return of 2 percent required on the Government's investment, are returned to the non-Government owners as patronage refunds.

RTB makes telecommunications loans to public bodies, cooperative, nonprofit, limited association or mutual associations. RTB loans are made concurrently with RUS cost-of-money loans to finance the improvement, expansion, construction, and acquisition of systems or facilities that improve telephone service in rural areas. However, RTB does not finance station apparatus owned by the borrower, headquarters facilities, and vehicles not used primarily in construction.

**Eligibility**

To be eligible, a borrower must be incorporated and must provide or propose to provide the basic local exchange telephone service needs of rural areas. A borrower must demonstrate that the average number of proposed subscribers per mile of line in the service area of the borrower is less than or equal to 15, or the borrower has a projected Times Interest Earned Ratio (borrowers net income after taxes plus interest expense, all divided by interest expense) of at least 1.0 but not greater than 5.0. Additionally, the borrower must participate in an approved telecommunications modernization plan for the state.

**Repayment Period and Interest Rates**

Loans must be repaid within a period that approximates the expected useful life of the facilities to be financed, not to exceed 35 years. Generally, interest is payable each month as it accrues. Principal payments on each note generally are scheduled to begin 2 years after the date of the note. After this deferral period, interest and principal payments on all funds advanced during this 2-year period are scheduled in equal monthly installments. RTB loans will bear interest at a rate equal to the cost of funds to RTB. However, the rate will not be less than 5 percent.

**Servicing Options**

RTB may extend the time of payment of principal or interest on a loan. This extension may be up to 5 years after such payment is due. Payment may be deferred as long as necessary in disaster situations so long as the final maturity date is not later than 40 years after the date of the loan.

**Accounting Policy**

Direct loan obligations made prior to FY 1992 are reported on a net realizable value (NRV) basis. Direct loan obligations made after FY 1991 are governed by the Federal Credit Reform Act. The Act provides that the present value of the subsidy costs (i.e., interest rate differentials, interest subsidies, delinquencies

**RURAL TELEPHONE BANK  
NOTES TO THE FINANCIAL STATEMENTS**

and defaults, fee offsets and other cash flows) associated with direct loans be recognized as a cost in the year the loan is made. The net present value (NPV) of loans receivable at any point in time is the amount of the gross loan receivable less the present value of the subsidy at that time.

**Direct Loans Obligated Prior to FY 1992  
(Allowance for Loss Method):**

*Amounts presented in dollars.*

	<u>2003</u>	<u>2002</u>
Loans Receivable, Gross	\$ 476,005,260	\$ 680,136,992
Interest Receivable	\$ 1,276,411	\$ 1,662,983
Allowance for Loan Losses	\$ (4,160,886)	\$ (5,467,339)
Value of Assets Related to Direct Loans	<u>\$ 473,120,785</u>	<u>\$ 676,332,636</u>

**Direct Loans Obligated After FY 1991  
(Present Value Method)**

*Amounts presented in dollars.*

	<u>2003</u>	<u>2002</u>
Loans Receivable, Gross	\$ 327,814,491	\$ 333,973,040
Interest Receivable	\$ 116,160	\$ 107,584
Allowance for Subsidy Cost (Present Value)	<u>\$ (2,264,455)</u>	<u>\$ (11,050,542)</u>
Value of Assets Related to Direct Loans	<u>\$ 325,666,196</u>	<u>\$ 323,030,082</u>
<b>Total Portfolio Value of Assets Related To Direct Loans</b>	<u>\$ 798,786,981</u>	<u>\$ 999,362,718</u>

**Total Amount of Direct Loans Disbursed:**

*Amounts presented in dollars.*

	<u>2003</u>	<u>2002</u>
Direct Loans Obligated Prior to FY 1992	<u>\$ 576,000</u>	<u>\$ 1,586,612</u>
Direct Loans Obligated After FY 1991	<u>\$ 53,176,849</u>	<u>\$ 57,364,683</u>

**RURAL TELEPHONE BANK  
NOTES TO THE FINANCIAL STATEMENTS**

**Subsidy Expense for Direct Loans by Program and Component:**

*Amounts presented in dollars.*

**Subsidy Expense for New Direct Loans Disbursed**

	<u>2003</u>	<u>2002</u>
Interest Differential	\$ 1,050,915	\$ 593,612
Defaults	\$ 11,949	\$ 9,042
Fees and Other Collections		
Other	<u>\$ 4,157</u>	<u>\$ 148</u>
<b>Total</b>	<u>\$ 1,067,021</u>	<u>\$ 602,802</u>

**Reestimates**

	<u>2003</u>	<u>2002</u>
Interest Rate Reestimates		\$ 705,951
Technical Reestimates	\$ (6,356,133)	\$ (2,988,759)
<b>Total</b>	<u>\$ (6,356,133)</u>	<u>\$ (2,282,808)</u>
<b>Total Direct Loan Subsidy Expense:</b>	<u>\$ (5,289,112)</u>	<u>\$ (1,680,006)</u>

**Subsidy Rates for Direct Loans by Program and Component:**

**Budget Subsidy Rates for Direct Loans by Program and Component**

	<u>2003</u>	<u>2002</u>
Interest Differential	2.21%	2.29%
Defaults	0.02%	0.02%
Other Collections	-0.85%	-0.17%
<b>Total</b>	<u>1.38%</u>	<u>2.14%</u>

**RURAL TELEPHONE BANK  
NOTES TO THE FINANCIAL STATEMENTS**

**Schedule for Reconciling Subsidy Cost Allowance Balances:  
(Post- FY 1991 Direct Loans)**

*Amounts presented in dollars.*

	<u>FY 2003</u>	<u>FY 2002</u>
Beginning Balances, Changes, and Ending Balances		
Beginning balance of the subsidy cost allowance:	<u>\$ 11,050,542</u>	<u>\$ 12,389,600</u>
Add: subsidy expense for direct loans disbursed during the reporting years by component:		
(a) Interest rate differential costs	1,050,915	593,612
(b) Default costs (net of recoveries)	11,949	9,042
(c) Fees and other collections	4,157	148
Total of the above subsidy expense and components	<u>\$ 1,067,021</u>	<u>\$ 602,802</u>
Adjustment:		
(a) Subsidy allowance amortization	3,699,203	680,776
(b) Other		75,508
Ending balance of the subsidy cost allowance before reestimates	<u>\$ 15,816,766</u>	<u>\$ 13,748,686</u>
Add or subtract subsidy reestimates by component:		
(a) Interest rate reestimate	-	705,951
Less: interest income amortized above	(7,196,178)	(415,336)
(b) Technical/default reestimate	<u>(6,356,133)</u>	<u>(2,988,759)</u>
Total of the above reestimate components	<u>\$ (13,552,311)</u>	<u>\$ (2,698,144)</u>
Ending balance of the subsidy cost allowance	<u>\$ 2,264,455</u>	<u>\$ 11,050,542</u>
	<u>FY 2003</u>	<u>FY 2002</u>
Administrative Expense	<u>\$ 3,061,967</u>	<u>\$ 3,082,000</u>

**RURAL TELEPHONE BANK  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5: DEBT**

*Amounts presented in dollars.*

	<b>2003</b>		
	<b><u>Beginning Balance</u></b>	<b><u>Net Borrowings</u></b>	<b><u>Ending Balance</u></b>
<u>Federal Debt</u>			
Interest Bearing:			
Debt to the Treasury	\$ 323,133,633	(22,136,781)	\$ 300,996,852
	<b>2002</b>		
	<b><u>Beginning Balance</u></b>	<b><u>Net Borrowings</u></b>	<b><u>Ending Balance</u></b>
<u>Federal Debt</u>			
Interest Bearing:			
Debt to the Treasury	\$ 272,733,633	50,400,000	\$ 323,133,633

Legislation limits outstanding borrowings from the U.S. Treasury to an amount, which shall not exceed twenty times RTB's equity. As of September 30, 2003 and 2002, RTB's maximum borrowing authority approximated \$35 billion, and \$34 billion, respectively. All Federal debt is covered by budgetary resources.

**NOTE 6: OTHER LIABILITIES**

Dividends declared and unpaid on Class C Stock to non-federal recipients in the amount of \$ 28.2 million and \$22.3 million as of September 30, 2003 and 2002, and are payable on December 15, 2003. This liability is covered by budgetary resources.

**NOTE 7: COMMITMENTS AND CONTINGENCIES**

The RTB has in the course of its loan making activities, unliquidated loan obligations that, in the absence of contractual violations or cancellations, will require disbursements. Unliquidated loan obligations at September 30, 2003 and 2002, total approximately \$1,251 million, and \$1,186 million, respectively.

As of September 30, 2003 and 2002, there were no obligations due to canceled appropriations for which there is a contractual commitment for payment.

**RURAL TELEPHONE BANK  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8: UNEXPENDED APPROPRIATION**

*Amounts presented in dollars.*

<u>Unexpended appropriations</u>	<u>2003</u>	<u>2002</u>
Unobligated	\$ 1,452,404	\$ 2,018,339
Undelivered orders	19,829,859	18,849,963
Total Unexpended Appropriations	<u>\$ 21,282,263</u>	<u>\$ 20,868,302</u>

Unexpended appropriations include the undelivered orders and unobligated balances of the program accounts, which receive Congressional appropriations through the budgetary process.

As appropriated funds incur obligations, the obligated amount is recorded as an undelivered order. Undelivered orders are reduced by either an expenditure or an obligation cancellation. Appropriated funds, which are not obligated, are treated as unobligated amounts. Unobligated appropriations are returned to the U.S. Treasury when their period of availability expires.

**NOTE 9: CAPITAL STOCK**

*Amounts presented in dollars.*

A summary of the RTB capital stock structure follow

	<u>2003</u>	<u>2002</u>
<b>CAPITAL STOCK CLASS A (\$1 par value)</b>		
Shares authorized	600,000,000	600,000,000
Shares issued and outstanding	408,711,091	430,222,200
Cash dividends	\$ 8,604,444	\$ 9,057,310
<b>CAPITAL STOCK CLASS B (\$1 par value)</b>		
Shares authorized	Unlimited	Unlimited
Shares issued and outstanding	540,839,299	651,686,066
Stock dividends	71,989,406	85,755,955
<b>CAPITAL STOCK CLASS C (\$1,000 par value)</b>		
Shares authorized	Unlimited	Unlimited
Par Value, shares issued and outstanding	\$ 736,888,000	\$ 551,399,000
Cash dividends (accrued)	\$ 28,184,069	\$ 22,276,223

Although USDA Rural Development owns all Class A stock on behalf of the United States Government, the cash dividends are paid to the U.S. Treasury. On September 30, 2003, in accordance with Section 406 (c) of the Rural Electrification Act of 1936 (RE Act) as amended, the eighth redemption of Class A stock occurred. On September 30, 2003 and 2002, in accordance with Bank Board resolution 2003-3 and 2002-4, the eighth and seventh redemption's of Class A stock, in the amounts of \$21.5 million and \$22.6 million occurred, leaving balances of \$408.7 and \$430.2 million outstanding, respectively.

**RURAL TELEPHONE BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**

Class B stock, a voting class of stock, is issued only to borrowers of RTB, in proportion to actual loan advances. RTB requires borrowers to purchase Class B stock in the amount of 5 percent of advanced loan amounts. RTB may not pay cash dividends on Class B stock. Rather, holders of Class B stock are entitled to patronage refunds (paid in the form of Class B stock dividends) equal to the amount of patronage capital in excess of \$10 million. Patronage refunds are allocated on liquidating account loans, based on the ratio of interest revenue to RTB from each holder to RTB's total interest revenue from all liquidating account Class B stockholders. Stock subscriptions relating to unadvanced loans approximated \$60 million and \$56 million at September 30, 2003, and 2002, and are not reflected in the accompanying principal financial statements.

Class B stock is nontransferable, except in connection with a transfer of ownership approved by RTB, of all or part of a RTB loan. Class B stock can be redeemed only after all shares of Class A stock, a nonvoting class of stock owned by the U.S. Government, have been redeemed and retired. A borrower may exchange Class B stock for Class C stock: 1) upon retiring all debt with RTB; or 2) effective November 9, 1999, prior to retiring all debt on a proportionate basis equal to the percentage of each note repaid. As of September 30, 2003, and 2002, B stock exchanges of \$198.6 million and \$171.4 million under the latter method have occurred.

Class C stock, a voting class of stock, is issued only to RTB borrowers, or to corporations and public entities eligible to borrow from RTB under Section 408 of the RE Act as amended, or by organizations controlled by such borrowers, corporations, and public entities. RTB may pay cash dividends on Class C stock.

**Restricted Capital**

The Omnibus Budget Reconciliation Act of 1987 required the RTB to establish a contingency reserve for interest rate fluctuations. As a result, the RTB Board of Directors amended the Bylaws of RTB regarding the allocation of patronage capital and established a reserve of \$10 million. Any amounts in the reserve for interest rate fluctuations, classified as Restricted capital on the Balance Sheet, in excess of \$10 million will be allocated as Class B stock dividends to those borrowers holding Class B stock during the fiscal year the amounts were earned. At September 30, 2003 and 2002, restricted capital was \$10 million for both years.

**Patronage Capital Earned**

Patronage capital earned consists of all revenues of the RTB for any fiscal year in excess of the amount thereof necessary to:

- Pay expenses of the RTB, including without limitation, payments in lieu of property taxes.
- Pay interest on telephone debentures accruing during the fiscal year.
- Provide reasonable allowances for depreciation, obsolescence, and losses on loans and interest receivable.
- Pay to the holders of Class A stock an amount equal to 2 percent per annum of the capital furnished to the RTB for such stock.
- Pay to the holders of Class C stock dividends at the rate determined by the Board, provided the following criteria is met:
  - No dividends shall be declared on Class C stock until arrearages, if any, on payments to holders of the cumulative Class A stock have been paid.

**RURAL TELEPHONE BANK  
NOTES TO THE FINANCIAL STATEMENTS**

- Until all Class A stock has been retired, the Board shall not declare any dividends on Class C stock at an annual rate in excess of the then current average rate payable on the RTB's telephone debentures.

**Capital Stock Class A**

Public Laws 92-12 and 97-98 authorized Congress, in FY's 1971 through 1991, to appropriate no more than \$30 million per year for the purchase of RTB Class A stock. Class A stock has a guaranteed annual dividend of 2 percent of the total funds received. The law provides that Congress annually appropriate funds until such purchases approximate \$600 million. As of September 30, 2003, RTB Class A stock appropriations amounted to approximately \$591.1 million, the total funding USDA Rural Development will receive from Congress. Beginning in 1996, RTB was required to repurchase this stock; however, in accordance with Public Law 106-78, Section 718, the maximum Class A stock that may be retired is 5 percent. According to enabling legislation and amendments, the Bank will be converted to independent status when 51 percent of the Class A stock issued to the United States has been fully redeemed and retired.

**Cumulative Results of Operations**

Cumulative Results of Operations are allocated to the various components of Net Position based on the requirements of the RE Act. Specifically, current year results of operations are recorded as Patronage Capital Earned and redistributed to the Class B stock and Restricted Capital accounts. Cash dividends are paid out of Cumulative Results of Operations.

**NOTE 10: EARNED REVENUES**

*Amounts presented in dollars.*

	2003	2002
<u>Intragovernmental Earned Revenue</u>		
Interest Revenue from Treasury	\$ 62,598,854	\$ 58,202,858
<u>Earned Revenue from the Public</u>		
Interest and Penalties Revenue	69,762,007	68,649,176
Total Earned Revenues	\$ 132,360,861	\$ 126,852,034

**RURAL TELEPHONE BANK  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 11: APPORTIONMENTS CATEGORIES OF OBLIGATIONS INCURRED**

Direct obligations incurred as of September 30, 2003 and 2002, is approximately \$231 million and \$234 million, respectively. For FY 2003, \$203 million was apportioned for direct loans and \$28 million was apportioned for Treasury interest expense and reestimates; and for FY 2002, \$208 million was apportioned for direct loans and \$26 million was apportioned for Treasury interest expense and reestimates.

**NOTE 12: AVAILABLE BORROWING/CONTRACT AUTHORITY, END OF PERIOD**

The amount of Federal borrowing authority available as of September 30, 2003 and 2002, is approximately \$1,160 million and \$1,085 million, respectively.

**NOTE 13: TERMS OF BORROWING AUTHORITY USED**

*Requirements for repayments of borrowings:* Borrowings are repaid on Form SF 1151, Nonexpenditure Transfers, as maturity dates become due. For liquidating accounts, maturity dates are fifty years from the close of the fiscal year the funds were advanced by Treasury to the Bank. For financing accounts, maturity is based on the period of time used in the subsidy calculation, not the contractual term of the agency's loans to borrowers. This period of time used in the subsidy calculation will normally be longer than the contractual term of the agency's loans to borrowers.

*Terms of borrowings used:* In general, borrowings are for periods of up to fifty years depending upon the cohort. Interest rates on borrowings in the liquidating accounts were assigned on the basis of the Treasury rate in effect at the time of the borrowing. Interest rates on borrowings in the financing accounts are assigned on the basis of the Treasury rate in effect at the end of the year of loan disbursements. Since individual loans are typically disbursed over several years, several interest rates may be applicable to an individual loan. A single weighted average interest rate, which is adjusted each year until all the disbursements for the cohort have been made, is maintained. Prepayments can be made on Treasury borrowings in the liquidating and financing accounts without penalty.

*Financing sources for repayments of borrowings:* Included are reestimates and cash flows (i.e. borrower loan principal repayments), appropriations received in liquidating accounts for "cash needs", residual unobligated balances, where applicable, and other Treasury borrowings.

**NOTE 14: PERMANENT INDEFINITE APPROPRIATIONS**

Permanent indefinite appropriations are mainly applicable to liquidating accounts which have the ability to apportion them and for reestimates related to upward adjustments of subsidy in the program accounts. These appropriations become available pursuant to standing provisions of law without further action by Congress after transmittal of the Budget for the year involved. They are treated as permanent the first year they become available, as well as succeeding years. However, they are not stated as specific amounts but are determined by specific variable factors, such as "cash needs" for the liquidating accounts and information about the actual performance of a cohort or estimated changes in future cash flows of the cohort in the program accounts.

**RURAL TELEPHONE BANK  
NOTES TO THE FINANCIAL STATEMENTS**

The period of availability for these appropriations is as follows: Annual authority is available for obligations only during a specific year and expires at the end of that time. Multi-year authority is available for obligations for a specified period of time in excess of one fiscal year. No-year authority remains available for obligation for an indefinite period of time, usually until the objectives for which the authority was made available are achieved.

Annual and multi-year authority expires for the purpose of incurring new obligations. However, the authority is available for adjustments to obligations and for disbursements that were incurred or made during the period prior to expiration, but not recorded. Unless specifically authorized in law, the period that the expired authority is available for adjustments to obligations or for disbursements is five fiscal years (beginning with the first expired year). At the end of the fifth expired year, the authority is "canceled". Therefore, the authority is not available for any purpose.

**NOTE 15: LEGAL ARRANGEMENTS AFFECTING USE OF UNOBLIGATED BALANCES**

- *Legal arrangements affecting the use of unobligated balances of budget authority:* The availability/use of budgetary resources (i.e., unobligated balances) for obligation and expenditure are limited by purpose, amount, and time.
- *Purpose:* Funds may be obligated and expended only for the purposes authorized in appropriations acts or other laws.
- *Amount:* Obligations and expenditures may not exceed the amounts established in law. Amounts available are classified as either definite (i.e., not to exceed a specified amount) or indefinite (i.e. amount is determined by specified variable factors).
- *Time:* The period of time during which budgetary resources may incur new obligations is different from the period of time during which the budgetary resources may be used to disburse funds.

The time limitations on the use of unobligated balances are the same as those previously discussed in the last two paragraphs of the permanent indefinite appropriations footnote disclosure.

Any information about legal arrangements affecting the use of unobligated balances of budget authority will be specifically stated by programs and fiscal year in the appropriation language or in the alternative provisions section at the end of the appropriations act.

**NOTE 16: EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT**

The 2005 Budget of the United States Government, with the Actual Column completed for FY 2003, has not yet been published as of the date of these financial statements. The Budget is currently expected to be published and delivered to Congress in early February 2004.

**RURAL TELEPHONE BANK  
NOTES TO THE FINANCIAL STATEMENTS**

The 2004 Budget of the United States Government, with the Actual Column completed for FY 2002, was published in February 2003 and reconciled to the SBR. No reporting errors were found. However, legitimate differences did occur as described in the table below. The legitimate differences represent:

- Expired budgetary authority available for upward adjustments of obligations, which is excluded from the President's Budget Actual Column per OMB Circular No. A-11 but is included in the SBR.
- Amounts due to rounding.

**Reconciliation Between FY 2002 Statement of Budgetary Resources and the President's Budget**

*Amounts are presented in millions.*

<b>Applicable Line From SBR</b>	<b>Amount from SBR</b>	<b>Applicable Line From President's Budget</b>	<b>Amount from President's Budget</b>	<b>Legitimate Differences</b>	<b>Reporting Errors</b>
Total Budgetary Resources (line 7)	\$1,196	Total budgetary resources available for obligation	\$1,194	\$2 expired	None
Total Status of Budgetary Resources (line 11)	\$1,196	Total new obligations, Unobligated balance expiring/withdrawn, Unobligated balance carried forward, end of year, and Unobligated balance available, end of year	\$1,195	\$2 expired \$1 rounding	None
Outlays (line 15)	(\$152)	Outlays	(\$152)	None	None

**NOTE 17: EXPLANATION OF RELATIONSHIP BETWEEN LIABILITIES NOT COVERED BY BUDGETARY RESOURCES ON THE BALANCE SHEET AND THE CHANGE IN COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS ON THE STATEMENT OF FINANCING**

Components requiring or generating resources in future periods represent upward/downward reestimates of credit subsidy expense. These subsidy reestimates are recognized expenses even though budgetary resources will be provided in a subsequent period. These credit subsidy reestimates are reported as liabilities covered by budgetary resources since the budget authority to fund the reestimates is permanent and indefinite and no further congressional action is required to provide the resources.

Treasurer's Report  
November 14, 2003

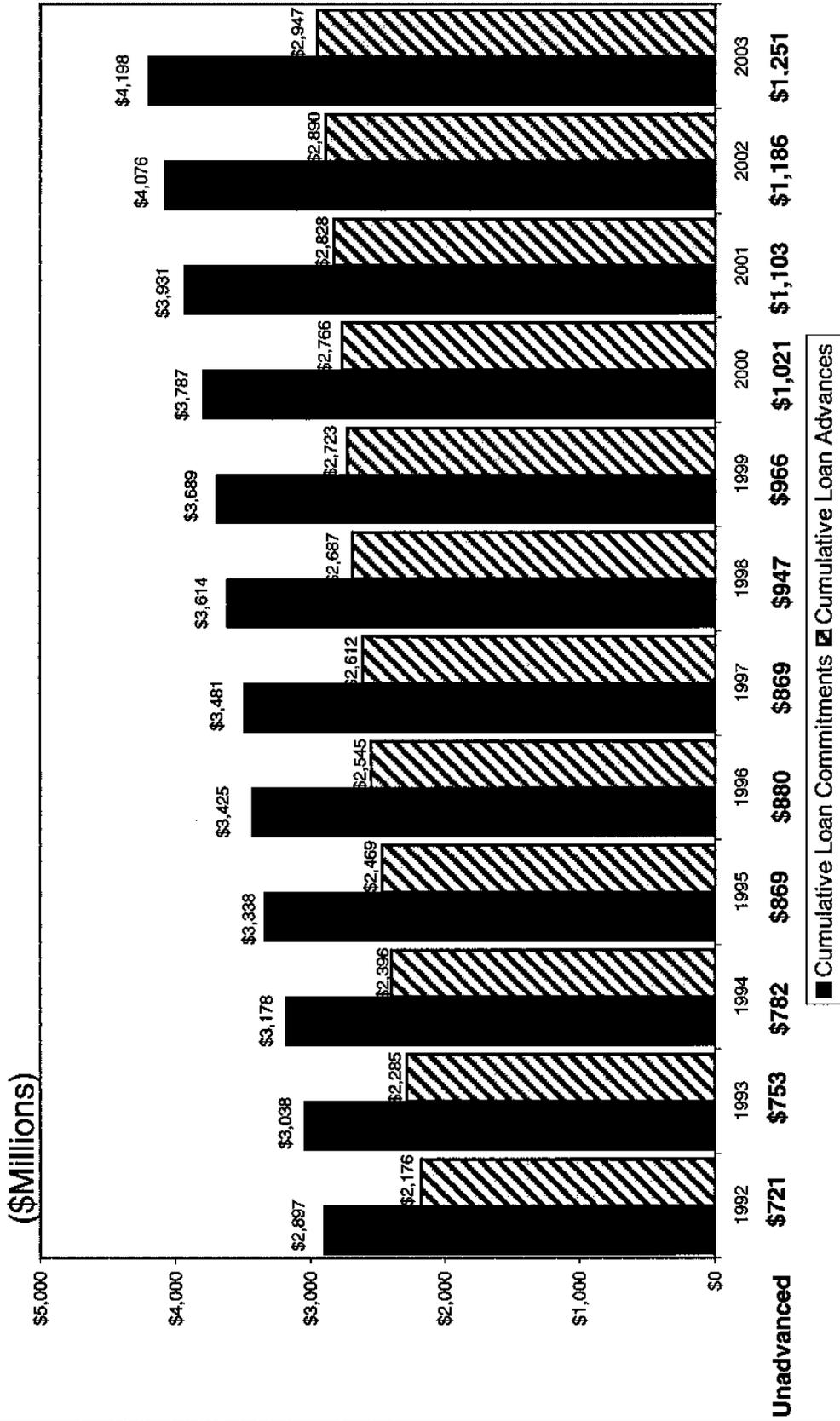
**RURAL TELEPHONE BANK  
LOAN STATISTICS  
AS OF SEPTEMBER 30, 2003**

	No.	Year Ended September 30, 2003 Amount	Inception Through September 30, 2003 Amount (Net)	Inception through September 30, 2002 Amount (Net)
<b>Loan Commitments</b>				
Commercial Companies	22	\$ 112,367,850	\$ 2,898,774,022	\$ 2,830,707,967
Cooperatives	13	50,665,104	1,270,887,792	1,222,174,638
Public Bodies	1	4,786,950	28,085,400	23,298,450
<b>Total Commitments</b>	<b>36</b>	<b>\$ 167,819,904</b>	<b>\$ 4,197,747,214</b>	<b>\$ 4,076,181,055</b>
<b>Loan Advances (Net)</b>				
Construction and other		\$ 53,752,849	\$ 2,805,284,128	\$ 2,751,531,279
B Stock (Net)		2,091,484	140,969,150	138,877,666
<b>Total Advances (Net)</b>		<b>\$ 55,844,333</b>	<b>\$ 2,946,253,278</b>	<b>\$ 2,890,408,945</b>
<b>Unadvanced loan commitments</b>			<b>\$ 1,251,493,936</b>	
<b>Installments due and unpaid at September 30, 2003</b>			<b>Principal</b>	<b>Total</b>
Under 30 days	18	\$ 292,879	\$ 304,961	\$ 597,840

All installments were paid on or before October 14, 2003, except for three borrowers who owe \$78,397.32.

Treasurer's Report  
November 14, 2003

## RURAL TELEPHONE BANK CUMULATIVE LOAN COMMITMENTS AND ADVANCES For Fiscal Years 1992 Through 2003



**FINANCING FUND**  
**BORROWINGS FROM THE U.S. TREASURY ON NOTE DATED NOVEMBER 19, 1991**  
**AS OF SEPTEMBER 30, 2003**  
**(MILLIONS)**

Interest Rate	Total	9/30 2021	9/30 2022	9/30 2023	9/30 2027	9/30 2028	9/30 2029	9/30 2030
5.08%	10.2	10.2						
5.46%	3.0	3.0						
5.71%	27.2						27.2	
5.88%	48.2						48.2	
5.99%	49.1							50.6
6.06%	12.4		12.4					
6.06%	35.0							35.0
6.28%	27.0			27.0				
6.46%	33.5					33.5		
6.47%	26.8				26.8			
7.34%	28.0							28.0
<b>Totals</b>	<b>\$300.4</b>	<b>\$13.2</b>	<b>\$12.4</b>	<b>\$27.0</b>	<b>\$26.8</b>	<b>\$33.5</b>	<b>\$48.2</b>	<b>\$140.8</b>
<b>Weighted Cost</b>	<b>6.11%</b>	<b>5.17%</b>	<b>6.06%</b>	<b>6.28%</b>	<b>6.47%</b>	<b>6.46%</b>	<b>5.88%</b>	<b>6.22%</b>

Figures may not foot due to rounding.

Interest rates are calculated as of September 30, 2003.

Treasurer's Report  
November 14, 2003

**RURAL TELEPHONE BANK  
KEY DATA FISCAL YEARS 1993-2003  
AS OF SEPTEMBER 30, 2003  
(Dollars in Millions)**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Number of New Obligations	38	50	48	44	32	45	28	32	33	31	29
Amount of New Obligations	175	199.8	175	126.4	99.8	168.1	114	175	175	175	168
Advances on Loans	108.4	111.4	73.1	75.5	67	55.1	56.5	43	62	62	56
Interest Income:											
Loans	124.2	116.1	108.8	106.4	100.6	96.8	86.2	81	77	68	60
Prepayment Premiums	2.3	9.9	1.7	2	1.9	1.2	4.8	0.4	1.7	0.7	2.4
Interest Earned on Cash	15.9	11.2	13.2	9.5	45.5	47	52	57.9	59.6	58	62.5
Investments	0	6.9	14.7	19.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Interest on Re-estimates	n/a	0.4	7.1								
Total Income	142.4	144.1	138.4	137.5	148	145	143	139.3	138.3	127.1	132
Interest Expense:	79.4	65.6	56	50	44.9	38	28.5	24.7	20	24	31
Net Income	63	80	82.7	87.9	101.7	105.3	115	113.4	116.6	103	101
Return on Class A Stock	11.8	11.8	11.8	11.8	11.5	11.1	10.6	10	9.5	9	9
Patronage Capital	49.1	55.6	47.5	46.3	77.6	79.9	90.5	85.4	85.8	72	62
Borrowings From Treasury 1/	39.6	36.5	119	100	93	68.3	83.6	78	63.5	61.4	60
Principal Collected on Loans	101.8	302.3	84.4	122.3	118.4	120.4	211.2	86.6	147	133	267

1/ Borrowings from Treasury amount equals current year borrowings net any amount returned in the same fiscal year (does not include prior year repayments).