



**UNITED STATES
POSTAL SERVICE**

FINANCIAL & OPERATING STATEMENTS



**June, FY 2006
June 1 – June 30, 2006**

Prepared by: Financial Reporting and Analysis

HIGHLIGHTS
June 2006 - FY 2006
(Millions)

Current Period						Year-to-Date (October 1, 2005 - June 30, 2006)					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 5,912.4	\$ 5,939.1	[\$ -26.7]	[-0.4]	\$ 5,600.1	5.6	\$ 55,064.4	\$ 54,678.3	\$ 386.1	0.7	\$ 52,986.9	3.9
<u>5,924.3</u>	<u>5,963.1</u>	<u>-38.8</u>	-0.7	<u>5,675.1</u>	4.4	<u>53,408.9</u>	<u>53,186.7</u>	<u>[222.2]</u>	[0.4]	<u>51,269.8</u>	4.2
\$ (11.9)	\$ (24.0)	\$ 12.1	NM	\$ (75.0)	NM	\$ 1,655.5	\$ 1,491.6	\$ 163.9	NM	\$ 1,717.1	NM
<u>250.0</u>						<u>2,250.0</u>					
<u>\$ (261.9)</u>						<u>\$ (594.5)</u>					
\$ 340.7	\$ 238.9	\$ 101.8	42.6	\$ 168.8	101.8	\$ 951.6	\$ 1,017.5	[\$ -65.9]	[-6.5]	\$ 1,157.7	-17.8
119.9	119.1	[0.8]	[0.7]	120.1	-0.2	1,099.3	1,083.2	[16.1]	[1.5]	1,101.7	-0.2

Actual Number Of:	Current Period	Last Period	SPLY
Post Offices	27,325	27,327	27,421
Postal Owned Vehicles In Use			
Administrative	6,271	6,273	6,155
Operations	209,709	209,707	206,781
Total Deliveries (000)	145,605	145,402	143,724
City Delivery Routes	163,702	163,930	164,442
Rural Routes	73,833	73,506	71,841
Career Employees (excludes Inspector General)	696,512	695,458	702,960
Casual Employees	22,586	21,525	22,358
Transitional Employees	5,886	6,306	8,985

*Public Law (PL) 108-18, The Postal Civil Service Retirement System Funding Reform Act of 2003 requires that the U. S. Postal Service, beginning in FY 2006 hold in escrow an amount equal to the difference between the CSRS retirement costs before and after the implementation of this law. The Office of Personnel Management (OPM) calculates this amount and based on their latest estimate we are allocating \$250 million per month for purposes of assessing our financial position.

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

STATEMENT OF INCOME & EXPENSE
 June 2006 - FY 2006
 (\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 5,895.0	\$ 5,919.7	[\$ -24.7]	[-0.4]	\$ 5,590.7	5.4	Operating Revenue	\$ 54,948.4	\$ 54,549.8	\$ 398.6	0.7	\$ 52,929.3	3.8
<u>5,910.2</u>	<u>5,941.2</u>	<u>-31.0</u>	-0.5	<u>5,652.8</u>	4.6	Operating Expense	<u>53,248.1</u>	<u>52,988.4</u>	[<u>259.7</u>]	[0.5]	<u>51,067.5</u>	4.3
\$ (15.2)	\$ (21.5)	\$ 6.3	NM	\$ (62.1)	NM	Income/(Loss) From Operations	\$ 1,700.3	\$ 1,561.4	\$ 138.9	NM	\$ 1,861.8	NM
17.4	19.4	[-2.0]	[-10.3]	9.4	85.1	Investment Income	116.0	128.5	[-12.5]	[-9.7]	57.6	101.4
0.0	0.1	[-0.1]	-100.0	0.0	NM	Interest Expense	1.4	2.1	-0.7	-33.3	1.6	-12.5
						Interest on Deferred Retirement Obligations						
<u>14.1</u>	<u>21.8</u>	<u>-7.7</u>	-35.3	<u>22.3</u>	-36.8		<u>159.4</u>	<u>196.2</u>	<u>-36.8</u>	<u>-18.8</u>	<u>200.7</u>	-20.6
\$ (11.9)	\$ (24.0)	\$ 12.1	NM	\$ (75.0)	NM	Net Income Before Escrow Allocation *	\$ 1,655.5	\$ 1,491.6	\$ 163.9	NM	\$ 1,717.1	NM
<u>250.0</u>						Escrow Allocation *	<u>2,250.0</u>					
\$ (261.9)						Net Gain/(Deficiency) After Escrow Allocation *	\$ (594.5)					

[]=Unfavorable variance to budget

* See footnote on page 1.

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

MAIL VOLUME - MAIL REVENUE
(Data in Thousands)

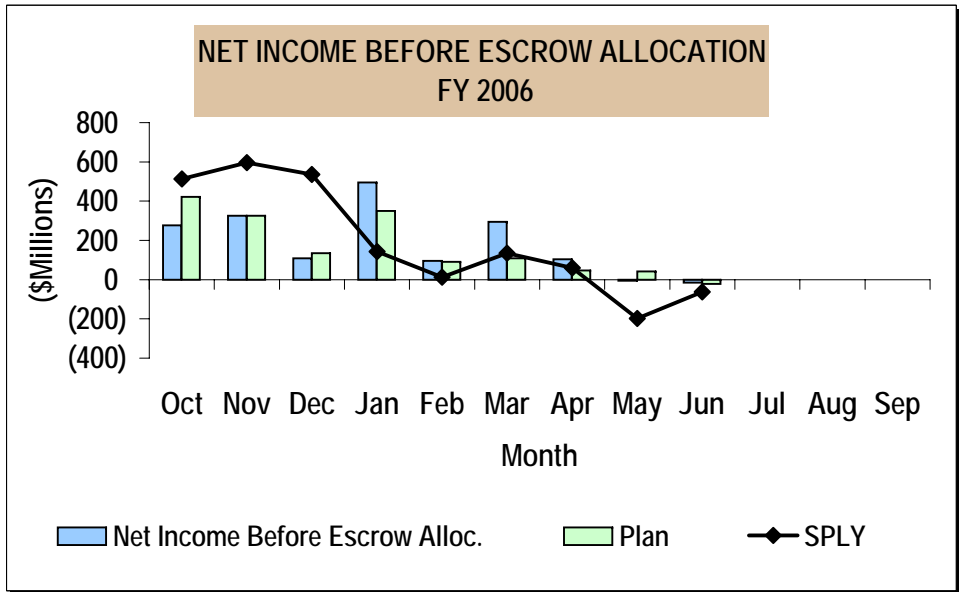
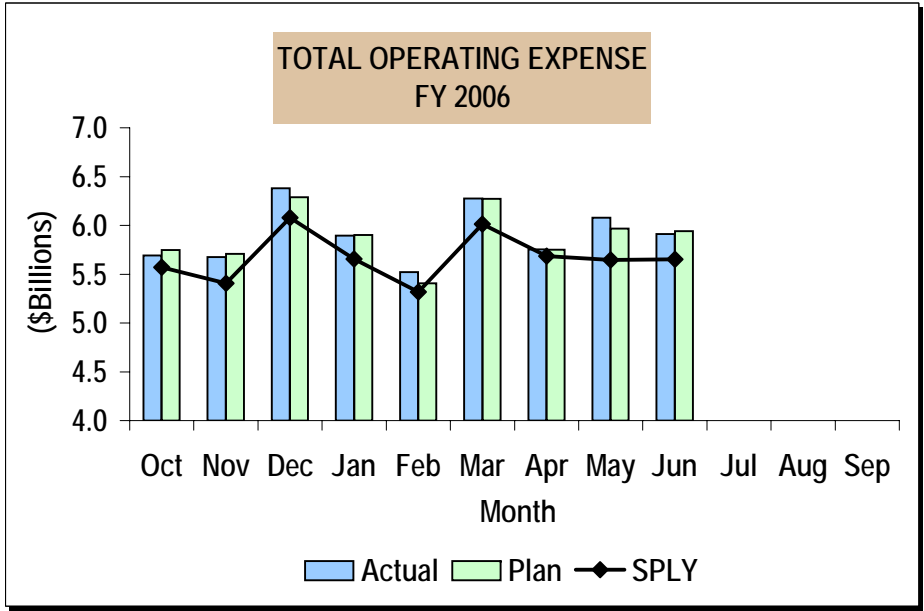
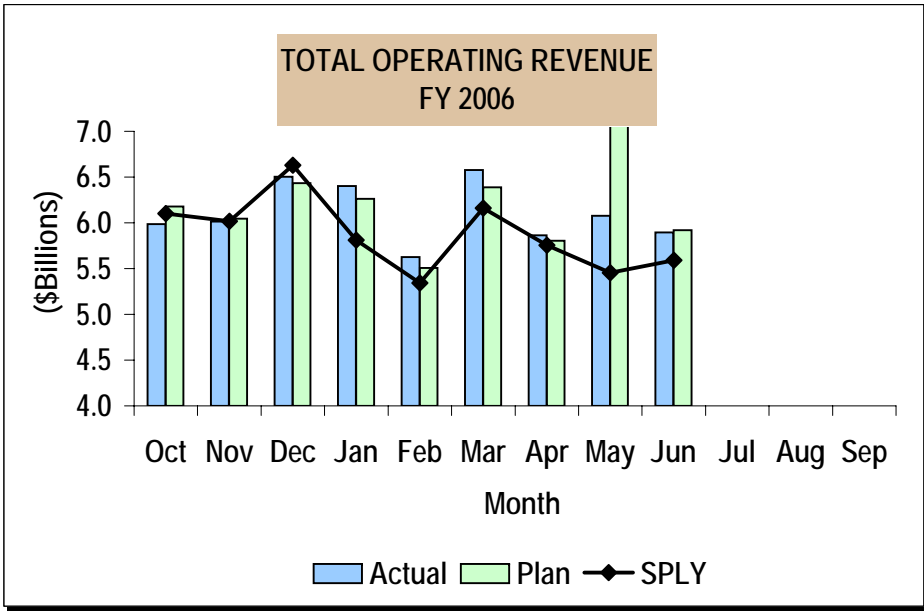
CATEGORY	CURRENT PERIOD			YEAR-TO-DATE		
	June 30 FY 2006	June 30 FY 2005*	% SPLY	June 30 FY 2006	June 30 FY 2005 *	% SPLY
FIRST-CLASS						
VOLUME	8,013,840	7,975,433	0.5	74,396,549	74,727,270	- 0.4
REVENUE	\$ 3,063,652	\$ 2,917,684	5.0	\$ 28,139,859	\$ 27,496,421	2.3
REV/PC.	\$ 0.3823	\$ 0.3658	4.5	\$ 0.3782	\$ 0.3680	2.8
PRIORITY-MAIL						
VOLUME	72,762	70,208	3.6	710,482	676,081	5.1
REVENUE	\$ 399,706	\$ 363,846	9.9	\$ 3,871,248	\$ 3,541,742	9.3
REV/PC.	\$ 5.4933	\$ 5.1824	6.0	\$ 5.4488	\$ 5.2386	4.0
EXPRESS MAIL						
VOLUME	4,784	4,935	- 3.1	42,613	41,679	2.2
REVENUE	\$ 78,741	\$ 76,740	2.6	\$ 697,494	\$ 657,045	6.2
REV/PC.	\$ 16.4592	\$ 15.5502	5.9	\$ 16.3681	\$ 15.7644	3.8
PERIODICALS						
VOLUME	791,832	795,835	- 0.5	6,865,037	6,913,976	- 0.7
REVENUE	\$ 192,467	\$ 186,534	3.2	\$ 1,674,007	\$ 1,644,734	1.8
REV/PC.	\$ 0.2431	\$ 0.2344	3.7	\$ 0.2438	\$ 0.2379	2.5
STANDARD MAIL						
VOLUME	7,984,693	7,902,581	1.0	76,887,166	75,403,668	2.0
REVENUE	\$ 1,556,918	\$ 1,464,982	6.3	\$ 14,866,111	\$ 14,174,785	4.9
REV/PC.	\$ 0.1950	\$ 0.1854	5.2	\$ 0.1933	\$ 0.1880	2.9
PACKAGE SERVICES						
VOLUME	91,108	97,180	- 6.2	880,838	868,341	1.4
REVENUE	\$ 171,380	\$ 168,330	1.8	\$ 1,716,708	\$ 1,688,945	1.6
REV/PC.	\$ 1.8811	\$ 1.7321	8.6	\$ 1.9489	\$ 1.9450	0.2
INTERNATIONAL						
VOLUME	67,041	69,290	- 3.2	662,709	655,919	1.0
REVENUE	\$ 138,317	\$ 149,431	- 7.4	\$ 1,443,769	\$ 1,353,564	6.7
REV/PC.	\$ 2.0632	\$ 2.1566	- 4.3	\$ 2.1786	\$ 2.0636	5.6
ALL OTHER						
VOLUME	140,602	77,463	81.5	872,526	537,370	62.4
ALL MAIL						
VOLUME	17,166,662	16,992,924	1.0	161,317,919	159,824,303	0.9
REVENUE	\$ 5,601,182	\$ 5,327,549	5.1	\$ 52,409,195	\$ 50,557,237	3.7
REV/PC.	\$ 0.3263	\$ 0.3135	4.1	\$ 0.3249	\$ 0.3163	2.7

NOTE: Totals may not sum due to rounding.

When interpreting RPW SPLY changes under monthly reporting, users must factor in the number and composition of business days in the relevant time periods.

* Note: Revenue and volume for Quarter 3, FY 2005 reported in this document are from the final FY 2005 Revenue, Pieces and Weights report issued at year-end.

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



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

REVENUE BY SOURCE
June 2006 - FY 2006
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY	% SPLY		Actual	SPLY	% SPLY
			Operating Revenue:			
\$ 2,043.1	\$ 1,999.4	2.2	Metered Postage	\$ 18,875.4	\$ 18,628.3	1.3
870.4	843.0	3.3	Stamps and Stamped Paper	8,504.4	8,516.9	- 0.1
1,478.5	1,382.1	7.0	Permit Imprint	14,054.6	13,310.3	5.6
191.0	185.0	3.2	Periodicals & Standard	1,659.9	1,630.9	1.8
71.2	68.2	4.4	Official Mail	640.0	616.5	3.8
970.0	854.1	13.6	Presort First-Class & Package Svc./Permit Imprint	8,722.6	7,868.4	10.9
81.7	77.1	6.0	Box Rents	606.6	591.2	2.6
17.4	17.2	1.2	Money Order Fees	159.2	156.4	1.8
<u>157.7</u>	<u>154.9</u>	1.8	Other	<u>1,604.0</u>	<u>1,538.0</u>	4.3
\$ 5,881.0	\$ 5,581.0	5.4	Subtotal	\$ 54,826.7	\$ 52,856.9	3.7
<u>14.0</u>	<u>9.7</u>	44.3	Government Appropriations	<u>121.7</u>	<u>72.4</u>	68.1
\$ 5,895.0	\$ 5,590.7	5.4	Total Operating Revenue	\$ 54,948.5	\$ 52,929.3	3.8
<u>17.4</u>	<u>9.4</u>	85.1	Investment Income	<u>116.0</u>	<u>57.6</u>	101.4
<u>\$ 5,912.4</u>	<u>\$ 5,600.1</u>	5.6	Total Revenue	<u>\$ 55,064.4</u>	<u>\$ 52,986.9</u>	3.9

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

REVENUE BY CATEGORY
June 2006 - FY 2006
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			Commercial Revenue			
\$ 2,693.1	\$ 2,661.6	1.2	Permit Revenue	\$ 24,977.0	\$ 24,433.3	2.2
1,743.4	1,808.3	[- 3.6]	Other Commercial Accounts Revenue	15,700.0	16,425.1	[- 4.4]
\$ 4,436.5	\$ 4,469.9	[- 0.7]	Total Commercial Revenue	\$ 40,677.0	\$ 40,858.4	[- 0.4]
			Retail Revenue			
1,001.8	1,059.9	[- 5.5]	Retail Postage Revenue	10,077.9	10,100.1	[- 0.2]
120.1	108.1	11.1	Retail Services Revenue	948.6	935.1	1.4
16.4	15.1	8.6	Retail Products Revenue	154.2	145.3	6.1
280.3	218.2	28.5	Other Retail Channels Revenue	2,545.0	2,008.2	26.7
\$ 1,418.6	\$ 1,401.3	1.2	Total Retail Revenue	\$ 13,725.7	\$ 13,188.7	4.1
\$ 5,855.1	\$ 5,871.2	[- 0.3]	Total Commercial & Retail Revenue	\$ 54,402.7	\$ 54,047.1	0.7
25.9	36.6	[- 29.2]	Other Income	424.0	387.1	9.5
14.0	11.9	17.6	Government Appropriations	121.7	115.6	5.3
\$ 5,895.0	\$ 5,919.7	[- 0.4]	Total Operating Revenue	\$ 54,948.4	\$ 54,549.8	0.7
17.4	19.4	[- 10.3]	Investment Income	116.0	128.6	[- 9.8]
\$ 5,912.4	\$ 5,939.1	[- 0.4]	Total Revenue	\$ 55,064.4	\$ 54,678.4	0.7

[]=Unfavorable variance to budget

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

EXPENSE ANALYSIS
June 2006 - FY 2006
(\$ Millions)

Current Period						Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 4,673.4	\$ 4,675.7	\$ -2.3	-0.0	\$ 4,426.9	5.6	\$ 41,956.3	\$ 41,568.6	[\$ 387.7]	[0.9]	\$ 40,504.9	3.6
Non-Personnel Expense:											
463.6	465.6	-2.0	-0.4	436.5	6.2	4,469.3	4,433.9	[35.4]	[0.8]	4,055.2	10.2
225.7	202.1	[23.6]	[11.7]	212.2	6.4	1,834.9	1,873.7	-38.8	-2.1	1,725.2	6.4
<u>547.5</u>	<u>597.8</u>	<u>-50.3</u>	-8.4	<u>577.2</u>	-5.1	<u>4,987.6</u>	<u>5,112.2</u>	<u>-124.6</u>	-2.4	<u>4,782.2</u>	4.3
\$ 1,236.8	\$ 1,265.5	\$ -28.7	-2.3	\$ 1,225.9	0.9	\$ 11,291.8	\$ 11,419.8	\$ -127.9	-1.1	\$ 10,562.6	6.9
\$ 5,910.2	\$ 5,941.2	\$ -31.0	-0.5	\$ 5,652.8	4.6	\$ 53,248.1	\$ 52,988.4	[\$ 259.7]	[0.5]	\$ 51,067.5	4.3
0.0	0.1	-0.1	-100.0	-	NM	1.4	2.1	-0.7	-33.3	1.6	-12.5
<u>14.1</u>	<u>21.8</u>	<u>-7.7</u>	-35.3	<u>22.3</u>	-36.8	<u>159.4</u>	<u>196.2</u>	<u>-36.8</u>	-18.8	<u>200.7</u>	-20.6
\$ 5,924.3	\$ 5,963.1	\$ -38.8	-0.7	\$ 5,675.1	4.4	\$ 53,408.9	\$ 53,186.7	[\$ 222.2]	[0.4]	\$ 51,269.8	4.2

[]=Unfavorable variance to budget

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

ANALYSIS OF OPERATING EXPENSES

Personnel Compensation

June 2006 - FY 2006

(\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
						Total Compensation						
						Operations:						
\$ 39.3	\$ 38.2	[\$ 1.1]	[2.8]	\$ 36.5	7.6	-Support	\$ 341.8	\$ 324.1	[\$ 17.7]	[5.5]	\$ 315.8	8.2
945.4	929.1	[16.3]	[1.8]	904.5	4.5	-Mail Processing	8,891.4	8,676.2	[215.2]	[2.5]	8,678.7	2.5
462.6	478.5	- 15.9	- 3.3	430.7	7.4	-Rural Delivery	4,098.1	4,101.8	- 3.6	- 0.1	3,815.2	7.4
1,459.0	1,464.1	- 5.1	- 0.3	1,377.7	5.9	-City Delivery	12,979.2	12,840.7	[138.6]	[1.1]	12,554.3	3.4
106.8	104.3	[2.5]	[2.4]	99.4	7.5	-Vehicles Services	937.7	925.9	[11.8]	[1.3]	898.4	4.4
268.2	273.9	- 5.7	- 2.1	249.6	7.4	-Plant & Equip Maint	2,361.4	2,405.4	- 44.0	- 1.8	2,261.8	4.4
699.6	685.4	[14.2]	[2.1]	657.6	6.4	-Customer Services	6,299.2	6,144.6	[154.6]	[2.5]	6,062.0	3.9
19.1	21.2	- 2.1	- 9.9	18.2	5.1	Finance	164.3	183.5	- 19.2	- 10.5	157.5	4.3
31.9	33.4	- 1.5	- 4.6	33.5	- 4.9	Human Resources	271.7	278.9	- 7.2	- 2.6	285.9	- 5.0
46.6	48.1	- 1.5	- 3.1	43.8	6.4	Customer Service & Sales	401.8	408.8	- 7.0	- 1.7	386.3	4.0
224.5	225.4	- 0.9	- 0.4	214.2	4.8	Administration - Field	1,950.1	1,951.6	- 1.5	- 0.1	1,894.3	2.9
109.7	108.7	[1.0]	[0.9]	121.2	- 9.5	Other Salaries & Benefits	953.5	961.2	- 7.6	- 0.8	1,018.5	- 6.4
\$ 4,412.6	\$ 4,410.3	[\$ 2.3]	[0.1]	\$ 4,187.0	5.4	Total Salaries & Benefits	\$ 39,650.2	\$ 39,202.5	[\$ 447.7]	[1.1]	\$ 38,328.7	3.4
99.7	99.7	- 0.0	- 0.0	95.8	4.1	Workers' Compensation	897.0	897.5	- 0.5	- 0.1	857.9	4.6
7.7	4.1	[3.7]	[90.8]	2.6	193.7	Unemployment Compensation	54.4	45.6	[8.9]	[19.4]	34.3	58.6
1.9	2.4	- 0.5	- 19.9	1.9	1.2	Deferred Retirement Cost	17.6	21.6	- 4.0	- 18.4	17.1	2.9
140.7	145.8	- 5.2	- 3.5	128.0	9.9	Annuitant Health Benefits	1,235.6	1,264.6	- 29.0	- 2.3	1,121.9	10.1
10.8	13.5	- 2.7	- 20.1	11.6	- 7.0	Other Compensation	101.4	136.8	- 35.5	- 25.9	145.0	- 30.1
\$ 4,673.4	\$ 4,675.7	\$ - 2.3	- 0.0	\$ 4,426.9	5.6	Total Personnel Compensation	\$ 41,956.3	\$ 41,568.6	[\$ 387.7]	[0.9]	\$ 40,504.9	3.6

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

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

ANALYSIS OF NON-PERSONNEL EXPENSES
June 2006 - FY 2006
(\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget		SPLY	% SPLY	Description	Actual	Budget	Var. to Budget		SPLY	% SPLY
\$ 463.6	\$ 465.6	\$ -2.0	-0.4	\$ 436.5	6.2	Transportation	\$ 4,469.3	\$ 4,433.9	[\$ 35.4]	[0.8]	\$ 4,055.2	10.2
225.7	202.1	[23.6]	[11.7]	212.2	6.4	Supplies & Services	1,834.9	1,873.7	-38.8	-2.1	1,725.2	6.4
172.9	187.2	-14.3	-7.7	172.5	0.3	Depreciation	1,599.9	1,640.3	-40.3	-2.5	1,543.3	3.7
81.8	84.2	-2.4	-2.9	84.7	-3.4	Rent	768.3	775.0	-6.8	-0.9	771.4	-0.4
49.3	55.7	-6.4	-11.4	47.3	4.3	Utilities & Heating Fuel	491.1	495.4	-4.2	-0.9	421.0	16.7
35.7	36.4	-0.7	-1.8	34.1	4.9	Rural Carrier Equip Maint Allowance	347.4	350.6	-3.2	-0.9	323.0	7.6
56.5	59.1	-2.6	-4.4	47.4	19.2	Vehicle Maintenance Services	518.4	481.3	[37.1]	[7.7]	426.2	21.6
29.0	60.6	-31.6	-52.1	47.1	-38.4	Information Technology	261.5	386.0	-124.5	-32.3	251.6	3.9
7.2	19.6	-12.3	-63.0	19.6	-63.0	Building Projects Expensed	164.6	172.6	-7.9	-4.6	170.9	-3.7
7.6	7.7	-0.1	-1.1	7.2	6.4	Contract Job Cleaners	71.0	68.4	[2.5]	[3.7]	65.4	8.6
23.0	22.4	[0.6]	[2.8]	23.2	-0.9	Travel & Relocation	183.5	167.0	[16.5]	[9.9]	171.3	7.1
31.0	18.7	[12.3]	[66.0]	20.5	51.0	Communications	189.0	157.7	[31.4]	[19.9]	167.5	12.8
6.2	6.9	-0.7	-10.2	6.1	1.9	Contract Stations	55.8	61.0	-5.1	-8.4	56.1	-0.5
1.6	2.2	-0.5	-24.3	2.3	-28.0	Printing	17.2	19.8	-2.6	-13.1	18.2	-5.8
4.8	6.3	-1.5	-23.2	6.2	-21.7	Training	37.2	53.8	-16.6	-30.8	43.4	-14.2
2.1	3.1	-1.0	-31.2	2.4	-12.7	Carfare & Tolls	21.3	24.1	-2.8	-11.7	22.5	-5.6
0.9	1.1	-0.2	-18.4	0.8	12.6	Vehicle Hire	12.0	11.7	[0.3]	[2.5]	11.3	6.6
4.5	4.5	[0.0]	[0.1]	4.4	1.9	Accident Costs	41.7	36.6	[5.2]	[14.1]	36.7	13.8
33.2	22.2	[11.0]	[49.6]	51.5	-35.5	Miscellaneous	207.6	211.1	-3.5	-1.7	282.7	-26.6
\$ 1,236.8	\$ 1,265.5	-28.7	-2.3	\$ 1,225.9	0.9	Total Non-Personnel Expenses	\$ 11,291.8	\$ 11,419.8	-\$ 128.0	-1.1	\$ 10,562.6	6.9

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

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

STATEMENT OF FINANCIAL POSITION
June 2006 - FY 2006
(\$ Millions)

Assets	June 30 , 2006	June 30 , 2005	September 30, 2005*
Current Assets:			
Cash and cash equivalents _1/	\$ 3,257	\$ 3,004	\$ 930
Receivables:			
Foreign countries	601	666	590
U.S. Government	200	251	280
Other	<u>194</u>	<u>170</u>	<u>188</u>
Receivables before allowances	995	1,087	1,058
Less allowances	<u>47</u>	<u>112</u>	<u>50</u>
Total receivables, net	948	975	1,008
Supplies, advances and prepayments	<u>169</u>	<u>155</u>	<u>200</u>
Total Current Assets	4,374	4,134	2,138
Other Assets, principally revenue forgone appropriations receivable	395	361	376
Property and Equipment, at Cost:			
Buildings	21,037	20,344	20,480
Equipment	19,459	18,221	18,664
Land	2,888	2,806	2,878
Leasehold improvements	<u>1,221</u>	<u>1,138</u>	<u>1,172</u>
	44,605	42,509	43,194
Less allowances for depreciation and amortization	<u>23,660</u>	<u>22,035</u>	<u>22,400</u>
	20,945	20,474	20,794
Construction in progress	<u>1,862</u>	<u>2,008</u>	<u>1,895</u>
Total property and equipment, net	22,807	22,482	22,689
Total Assets	<u>\$ 27,576</u>	<u>\$ 26,977</u>	<u>\$ 25,203</u>

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

* Audited year-end data.

Certain reclassifications have been made to previously reported Balance Sheet amounts.

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

STATEMENT OF FINANCIAL POSITION

June 2006 - FY 2006

(\$ Millions)

Liabilities and Net Capital	June 30 , 2006	June 30 , 2005	September 30, 2005*
Current Liabilities:			
Compensation and benefits	\$ 2,911	\$ 3,786	\$ 2,852
Estimated prepaid postage	1,221	1,258	1,200
Payables and accrued expenses:			
Commercial vendors & accrued expenses	1,327	1,093	1,568
Foreign countries	628	799	688
U.S. government	68	54	76
Total payables and accrued expenses	<u>2,023</u>	<u>1,946</u>	<u>2,332</u>
Customer deposit accounts	1,668	1,643	1,720
Outstanding postal money orders	811	765	830
Prepaid box rent & other deferred revenue	435	430	477
Debt	-	-	-
Total Current Liabilities	<u>9,069</u>	<u>9,828</u>	<u>9,411</u>
Non-Current Liabilities:			
Workers' compensation costs	7,559	7,502	6,695
Employees' accumulated leave	2,231	2,141	2,016
Deferred revenue	692	772	692
Long-term portion capital lease obligations	664	657	644
Other	330	429	369
Total Non-Current Liabilities	<u>11,476</u>	<u>11,501</u>	<u>10,416</u>
Total Liabilities	20,545	21,329	19,827
Net Capital:			
Capital contributions of the U.S. government	3,034	3,034	3,034
Retained earnings since reorganization	3,997	2,614	2,342
Total Net Capital	<u>7,031</u>	<u>5,648</u>	<u>5,376</u>
Total Liabilities and Net Capital	<u>\$ 27,576</u>	<u>\$ 26,977</u>	<u>\$ 25,203</u>

* Audited year-end data.

Certain reclassifications have been made to previously reported Balance Sheet amounts.

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

STATEMENT OF CASH FLOWS
Fiscal Year 2006 through June 30, 2006
(\$ Millions)

	June 30, 2006	June 30, 2005	September 30, 2005*
Cash flows from operating activities:			
Net Income	\$ 1,655	\$ 1,717	\$ 1,445
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,587	1,543	2,089
Loss on disposals of property and equipment, net	8	2	5
Increase in revenue forgone appropriations receivable	(19)	-	(15)
Increase (decrease) in workers' compensation liability	864	851	(58)
Increase in employees' accumulated leave	215	135	10
Increase (decrease) in long-term portion capital lease obligation	20	5	(8)
Increase in non-current deferred revenue	-	484	288
(Decrease) increase in other non-current liabilities	(39)	48	(399)
Changes in current assets and liabilities:			
Decrease in receivables, net	60	49	16
Decrease in supplies, advances and prepayments	31	65	20
Increase in compensation and benefits	59	1,146	314
Increase (decrease) in estimated prepaid postage	21	2	(56)
Decrease in payables and accrued expenses	(309)	(630)	(199)
(Decrease) increase in customers' deposit accounts	(52)	37	114
Decrease in outstanding postal money orders	(19)	(2)	63
(Decrease) increase in prepaid box rent & other deferred revenue	(42)	5	52
Net cash provided by operating activities	4,040	5,457	3,681
Cash flows from investing activities:			
Purchase of property and equipment	(1,730)	(1,554)	(2,317)
Proceeds from sale of property and equipment	17	24	31
Net cash used in investing activities	(1,713)	(1,530)	(2,286)
Cash flows from financing activities:			
U.S. government appropriation - received	-	-	503
U.S. government appropriation - expended	-	-	(45)
Issuance of debt	-	-	-
Payments on debt	-	(1,800)	(1,800)
Net cash used in financing activities	-	(1,800)	(1,342)
Net increase (decrease) in cash and cash equivalents	2,327	2,127	53
Cash and cash equivalents at beginning of year	930	877	877
Cash and cash equivalents at end of period	\$ 3,257	\$ 3,004	\$ 930

* Audited year-end data.

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

CAPITAL INVESTMENTS
 June 2006 - FY 2006
 (\$ Millions)

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	Year-to-Date			Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 207.5	\$ 127.2	\$ 152.2	\$ 128.2	\$ 150.6	\$ 162.6
BUILDING IMPROVEMENTS	294.6	336.7	208.0	395.2	345.7	310.6
MAIL PROCESSING EQUIPMENT	331.8	406.3	242.9	720.9	648.0	513.8
VEHICLES	16.2	15.5	32.4	190.0	78.7	128.6
RETAIL EQUIPMENT	0.0	0.4	1.0	0.5	23.7	55.4
POSTAL SUPPORT EQUIPMENT	101.5	131.3	521.2	295.4	358.4	383.2
TOTAL COMMITMENTS/CASH OUTLAYS	\$ 951.6	\$ 1,017.5	\$ 1,157.7	\$ 1,730.3	\$ 1,605.1	\$ 1,554.3

Note: Totals may not sum due to rounding.

RESOURCES ON ORDER
 (\$ Millions)

MAJOR CATEGORIES	June 30, 2006	September 30, 2005
CONSTRUCTION AND BUILDING PURCHASE	\$ 219.2	\$ 149.0
BUILDING IMPROVEMENTS	305.4	419.5
MAIL PROCESSING EQUIPMENT	1,628.3	2,017.9
VEHICLES	28.9	202.7
RETAIL EQUIPMENT	38.0	38.5
POSTAL SUPPORT EQUIPMENT	392.0	579.8
TOTAL RESOURCES ON ORDER	\$ 2,611.7	\$ 3,407.4

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

WORKHOURS & OVERTIME/SICK LEAVE RATIOS

June 2006 - FY 2006

(Data in Thousands)

Current Period					Year-to-Date					
Actual	Var. to Budget	% Budget	SPLY *	% SPLY		Actual	Var. to Budget	% Budget	SPLY *	% SPLY
					<u>Total Workhours</u>					
844	[22]	[2.6]	828	1.9	Operations:	7,462	[380]	[5.4]	7,179	3.9
25,951	[743]	[2.9]	26,234	-1.1	-Support	252,963	[9,025]	[3.7]	255,033	-0.8
15,703	- 171	- 1.1	15,097	4.0	-Mail Processing	138,417	[1,117]	[0.8]	133,641	3.6
39,027	[31]	[0.1]	39,226	-0.5	-Rural Delivery	352,069	[3,578]	[1.0]	353,791	-0.5
2,690	[60]	[2.3]	2,656	1.3	-City Delivery	24,186	[171]	[0.7]	24,024	0.7
6,770	- 187	- 2.7	6,724	0.7	-Vehicles Services	61,144	- 1,610	- 2.6	60,913	0.4
19,060	[449]	[2.4]	19,088	-0.1	-Plant & Equip Maint	176,564	[4,433]	[2.6]	176,494	0.0
424	- 69	- 13.9	429	-1.2	-Customer Services	3,714	- 490	- 11.6	3,727	-0.3
699	- 30	- 4.1	793	-11.8	Finance	6,132	- 150	- 2.4	6,745	-9.1
1,158	- 26	- 2.2	1,157	0.1	Human Resources	10,207	- 239	- 2.3	10,187	0.2
5,662	- 82	- 1.4	5,675	-0.2	Customer Service & Sales	50,334	[77]	[0.2]	50,926	-1.2
1,864	45	[2.5]	2,167	-14.0	Administration	16,147	- 172	- 1.1	19,007	-15.0
					Other					
119,851	[786]	[0.7]	120,074	-0.2	<u>Total Workhours</u>	1,099,339	[16,122]	[1.5]	1,101,666	-0.2

Overtime						
Actual	Budget	SPLY		Actual	Budget	SPLY

10.2%	7.9%	9.0%	<u>Overtime Ratio Per 100 Workhours</u>	11.3%	8.7%	10.7%
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Sick Leave				
Actual	SPLY		Actual	SPLY

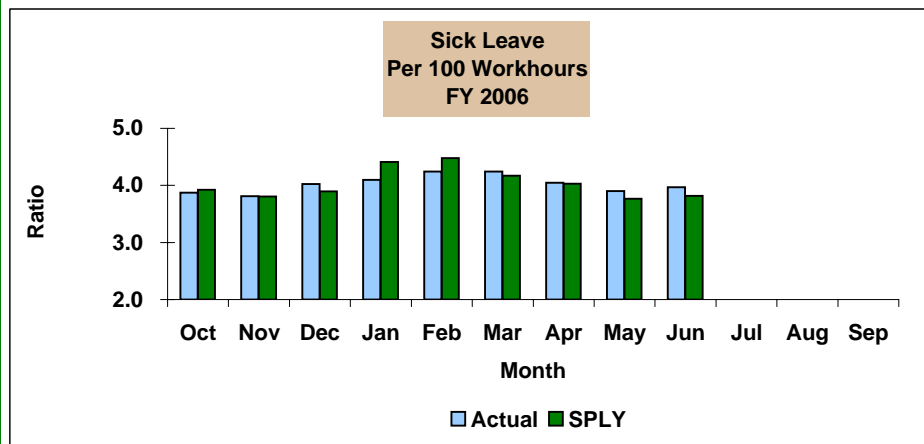
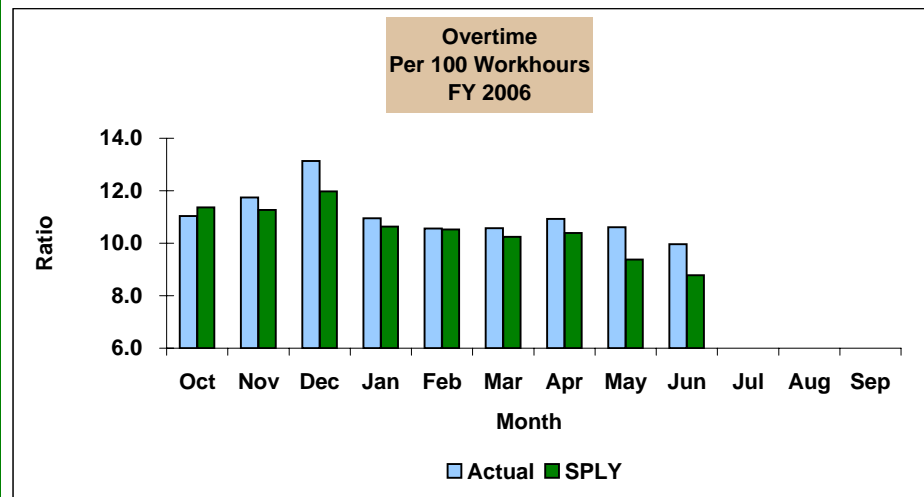
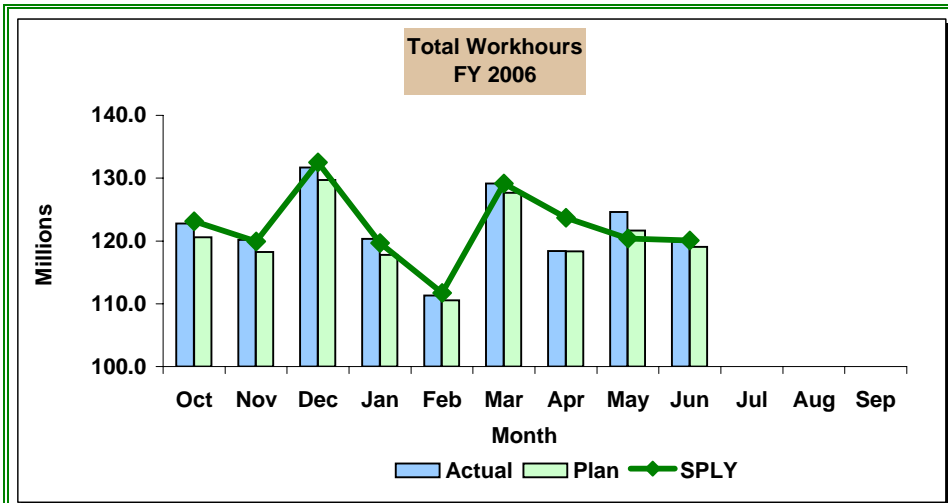
4.0%	3.8%	<u>Sick Leave Ratio Per 100 Workhours</u>	4.0%	4.0%
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[]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

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

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



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

June 2006 - FY 2006

Information: For the month, there were the same number of delivery days and business weekdays when compared to same period last year (SPLY). Year-to-date (YTD), there are an equal number of delivery days and business days compared to last year.

Analysis of the Financial and Operating Statements

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

For June, Total Revenue was \$27 million or 0.4% under plan, and \$312 million or 5.6% over same period last year (SPLY). Commercial Revenue was under plan by \$33 million or 0.7% and Retail Revenue was over plan \$17 million or 1.2%. In June, Total Commercial Revenue and Retail Revenue, combined, were \$306 million more than SPLY. **Most of the increase in revenue to SPLY for June was reflected in Presort First Class and Package Services/Permit Imprint and Permit Imprint. Combined these revenue sources were \$116 million more than SPLY.**

Year-to-date, Total Revenue is \$386 million or 0.7% over plan with the largest contributor being Retail Revenue at \$537 million or 4.1% more than plan. Year-to-date, Total Revenue is \$2.1 billion over SPLY. Primary contributors to the increase over SPLY are Permit Revenue at \$1.6 billion more and Other Retail Channels Revenue at \$0.7 billion more than SPLY.

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

For June, Total Expenses were \$39 million under plan. Personnel costs were \$2.3 million under plan and non-personnel costs were under plan by \$29 million or 2.3%. Compared to SPLY, this month's Total Expenses were increased by \$249 million or 4.4%. Factors contributing to this increase over SPLY include vehicle maintenance and hire costs, communications, increased fuel prices, health benefits, other personnel compensation and COLA costs.

Year-to-date, Total Expenses were \$222 million or 0.4% above plan. Personnel costs are \$388 million or 0.9% above plan while non-personnel expenses are \$128 million or 1.1% below plan. The largest contributors to the non-personnel plan underrun are Information Technology at \$125 million or 32.3% below plan and Training at \$17 million or 31% below plan. Year-to-date, Total Expenses are \$2.1 billion or 4.2% above SPLY.

June 2006 - FY 2006

Analysis of the Financial and Operating Statements (Continued)

Mail Volume and Revenue - Page 3

Total Mail Volume for Quarter 3, FY 2006 was 1.2 billion pieces or 2.3% above same period last year (SPLY). Most of this quarter's increase in mail volume above Quarter 3, FY 2005 levels occurred in Standard Mail, 699 million pieces or 2.9% above, and First-Class Mail, 276 million pieces or 1.2% above.

Year-to-date, Total Mail Volume is 0.9% or 1.5 billion pieces over SPLY. The most significant mail volume increase over SPLY, year-to-date, is in Standard Mail, which increased 1.5 billion pieces or 2.0%. Year-to-date, First-Class Mail volume is 0.4% less than SPLY generating \$643 million or 2.3% more revenue than SPLY.

Capital Investments - Pages 1 and 13

The Fiscal Year 2006 Capital Commitments, year-to-date, through June 2006 are \$952 million compared to a plan of \$1 billion. This represents a plan underrun of about \$66 million or 6.5%.

The Cash Outlays, year-to-date, are \$1.7 billion versus a plan of \$1.6 billion.

Workhours - Pages 1, 14 and 15

Total Workhours for June 2006 were 0.8 million hours or 0.7% above plan. This month's workhours usage was slightly below that of June 2005. Rural Delivery increased 0.6 million hours over SPLY.

Year-to-date, Total Workhours for June 2006 are 16.1 million hours or 1.5% above plan, and 2.3 million hours or 0.2% below SPLY. The most significant plan overruns lie in Mail Processing by 9.0 million hours, Delivery Services by 4.7 million hours, and Customer Services by 4.4 million hours. These overruns in workhours are a reflection of growth in volume above plan and continued growth in delivery points. Year-to-date, major contributors to the workhours decrease in SPLY are City Delivery and Mail Processing workhours. Combined workhours in these operations are 3.8 million hours below SPLY.