

**UNITED STATES  
POSTAL SERVICE**

# FINANCIAL & OPERATING STATEMENTS



**August, FY 2006**

**August 1 – August 31, 2006**

**Prepared by: Financial Reporting and Analysis**

**HIGHLIGHTS**  
**August 2006 - FY 2006**  
(Millions)

Current Period						Year-to-Date (October 1, 2005 - August 31, 2006)					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 6,254.9	\$ 6,111.8	\$ 143.1	2.3	\$ 5,867.4	6.6	\$ 66,816.3	\$ 66,309.5	\$ 506.8	0.8	64,145.3	4.2
<u>6,292.9</u>	<u>6,069.4</u>	<u>[ -223.5 ]</u>	<u>[ 3.7 ]</u>	<u>5,885.1</u>	<u>6.9</u>	<u>65,532.0</u>	<u>64,996.7</u>	<u>[ -535.3 ]</u>	<u>[ 0.8 ]</u>	<u>62,678.0</u>	<u>4.6</u>
\$ ( 38.0)	\$ 42.4	[\$ -80.4]	NM	\$ ( 17.7)	NM	\$ 1,284.3	\$ 1,312.8	[\$ -28.5]	NM	\$ 1,467.3	NM
<u>250.0</u>						<u>2,750.0</u>					
<u>\$ ( 288.0)</u>						<u>\$ ( 1,465.7)</u>					
\$ 219.2	\$ 770.8	[\$ -551.6]	[ -71.6 ]	\$ 142.6	53.7	\$ 1,397.0	\$ 1,904.9	[\$ -507.9]	[ -26.7 ]	\$ 1,652.7	-15.5
125.1	125.0	[ 0.1 ]	[ 0.1 ]	125.7	-0.4	1,339.7	1,323.0	[ 16.7 ]	[ 1.3 ]	1,343.0	-0.2

Actual Number Of:	Current Period	Last Period	SPLY
Post Offices	27,319	27,319	27,388
Postal Owned Vehicles In Use			
Administrative	6,261	6,270	6,319
Operations	209,307	209,488	206,420
Total Deliveries (000)	145,996	145,766	144,173
City Delivery Routes	163,388	163,450	164,435
Rural Routes	74,663	74,191	72,489
Career Employees (excludes Inspector General)	695,705	696,451	702,946
Casual Employees	19,833	19,805	19,861
Transitional Employees	5,249	5,475	8,504

\*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  
August 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
\$ 6,237.1	\$ 6,092.3	\$ 144.8	2.4	\$ 5,857.0	6.5	Operating Revenue	\$ 66,664.9	\$ 66,141.8	\$ 523.1	0.8	\$ 64,068.1	4.1
<u>6,275.2</u>	<u>6,047.5</u>	[ <u>227.7</u> ]	[ 3.8 ]	<u>5,864.2</u>	7.0	Operating Expense	<u>65,335.8</u>	<u>64,754.7</u>	[ <u>581.1</u> ]	[ 0.9 ]	<u>62,434.2</u>	4.6
\$ ( 38.1)	\$ 44.8	[\$ -82.9]	NM	\$ ( 7.2)	NM	Income/(Loss) From Operations	\$ 1,329.1	\$ 1,387.1	[\$ -58.0]	NM	\$ 1,633.9	NM
17.8	19.5	[ -1.7 ]	[ -8.7 ]	10.4	71.2	Investment Income	151.4	167.7	[ -16.3 ]	[ -9.7 ]	77.2	96.1
0.0	0.1	[ -0.1 ]	-100.0	0.1	-100.0	Interest Expense	1.4	2.2	-0.8	-36.4	1.6	-12.5
<u>17.7</u>	<u>21.8</u>	<u>-4.1</u>	<u>-18.8</u>	<u>20.8</u>	<u>-14.9</u>	Interest on Deferred Retirement Obligations	<u>194.8</u>	<u>239.8</u>	<u>-45.0</u>	<u>-18.8</u>	<u>242.2</u>	<u>-19.6</u>
\$ ( 38.0)	\$ 42.4	[\$ -80.4]	NM	\$ ( 17.7)	NM	Net Income Before Escrow Allocation *	\$ 1,284.3	\$ 1,312.8	[\$ -28.5]	NM	\$ 1,467.3	NM
<u>250.0</u>						Escrow Allocation *	<u>2,750.0</u>					
\$ ( 288.0)						Net Gain/(Deficiency) After Escrow Allocation *	\$ ( 1,465.7)					

[ ]=Unfavorable variance to budget

\* See footnote on page 1.

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

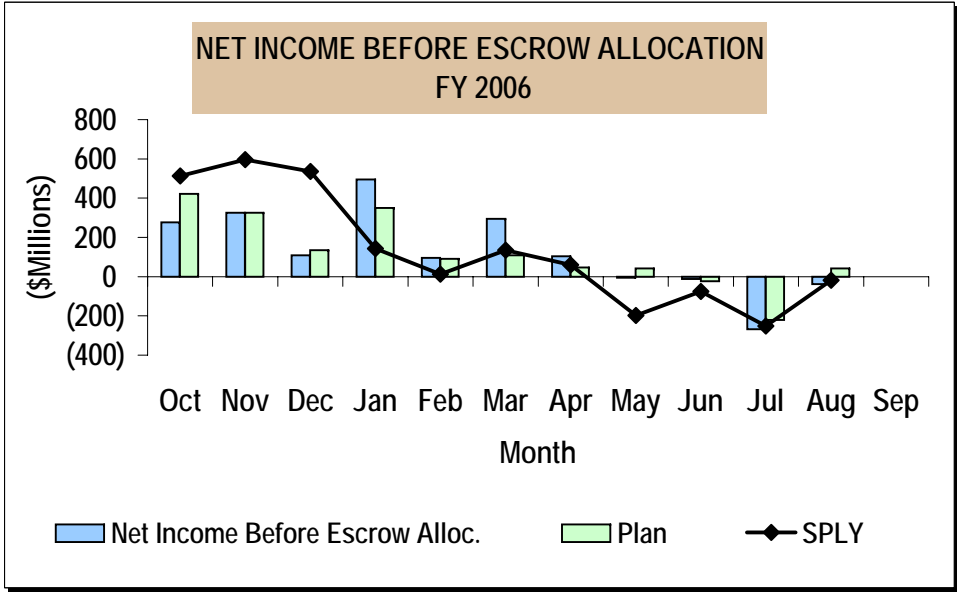
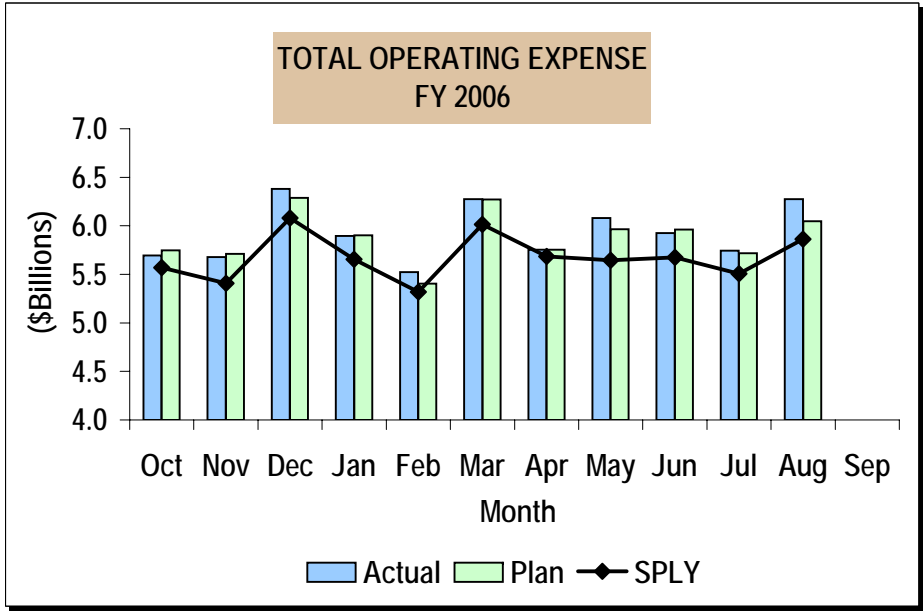
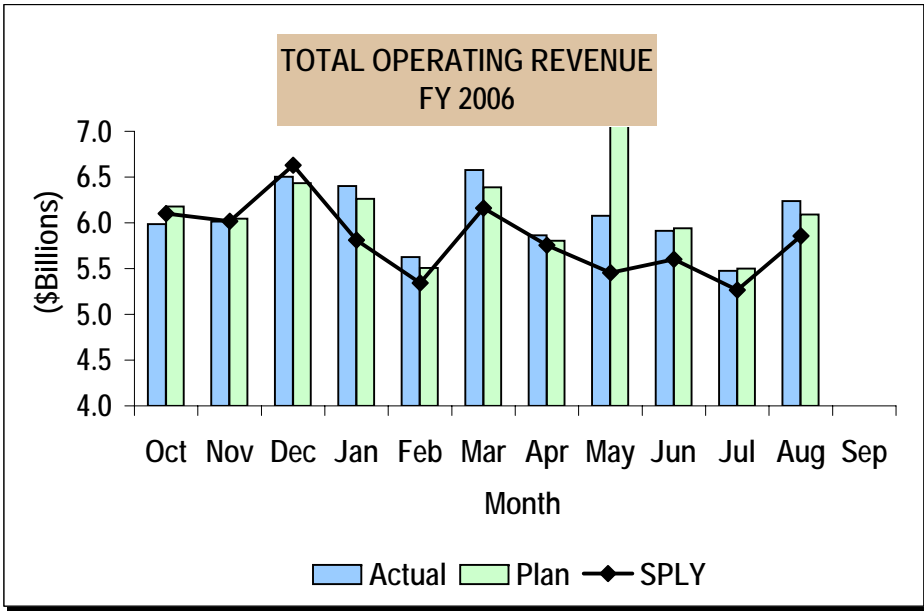
**MAIL VOLUME - MAIL REVENUE**  
(Data in Thousands)

CATEGORY	CURRENT PERIOD			YEAR-TO-DATE		
	August 31, FY 2006	August 31, FY 2005	% SPLY	August 31, FY 2006	August 31, FY 2005	% SPLY
<b>FIRST-CLASS</b>						
VOLUME	8,053,187	7,983,957	0.9	89,919,836	90,276,893	- 0.4
REVENUE	\$ 3,093,363	\$ 2,947,857	4.9	\$ 34,088,073	\$ 33,189,573	2.7
REV/PC.	\$ 0.3841	\$ 0.3692	4.0	\$ 0.3791	\$ 0.3676	3.1
<b>PRIORITY-MAIL</b>						
VOLUME	75,302	74,131	1.6	851,844	814,439	4.6
REVENUE	\$ 410,916	\$ 385,141	6.7	\$ 4,642,821	\$ 4,258,418	9.0
REV/PC.	\$ 5.4569	\$ 5.1954	5.0	\$ 5.4503	\$ 5.2287	4.2
<b>EXPRESS MAIL</b>						
VOLUME	4,718	4,847	- 2.7	51,650	50,951	1.4
REVENUE	\$ 78,013	\$ 75,464	3.4	\$ 846,614	\$ 801,319	5.7
REV/PC.	\$ 16.5352	\$ 15.5692	6.2	\$ 16.3914	\$ 15.7272	4.2
<b>PERIODICALS</b>						
VOLUME	770,493	810,022	- 4.9	8,276,735	8,443,404	- 2.0
REVENUE	\$ 192,546	\$ 196,898	- 2.2	\$ 2,019,727	\$ 2,006,317	0.7
REV/PC.	\$ 0.2499	\$ 0.2431	2.8	\$ 0.2440	\$ 0.2376	2.7
<b>STANDARD MAIL</b>						
VOLUME	8,912,239	8,685,247	2.6	93,418,261	91,775,108	1.8
REVENUE	\$ 1,750,586	\$ 1,633,295	7.2	\$ 18,095,801	\$ 17,233,139	5.0
REV/PC.	\$ 0.1964	\$ 0.1881	4.5	\$ 0.1937	\$ 0.1878	3.2
<b>PACKAGE SERVICES</b>						
VOLUME	109,010	114,031	- 4.4	1,084,335	1,073,075	1.0
REVENUE	\$ 195,473	\$ 190,464	2.6	\$ 2,077,125	\$ 2,028,501	2.4
REV/PC.	\$ 1.7932	\$ 1.6703	7.4	\$ 1.9156	\$ 1.8904	1.3
<b>INTERNATIONAL</b>						
VOLUME	64,510	62,419	3.3	789,683	778,635	1.4
REVENUE	\$ 164,867	\$ 139,659	18.0	\$ 1,732,641	\$ 1,621,238	6.9
REV/PC.	\$ 2.5557	\$ 2.2374	14.2	\$ 2.1941	\$ 2.0822	5.4
<b>ALL OTHER</b>						
VOLUME	56,040	56,346	- 0.5	1,036,757	639,959	62.0
<b>ALL MAIL</b>						
VOLUME	18,045,497	17,790,999	1.4	195,429,102	193,852,466	0.8
REVENUE	\$ 5,885,762	\$ 5,568,777	5.7	\$ 63,502,802	\$ 61,138,505	3.9
REV/PC.	\$ 0.3262	\$ 0.3130	4.2	\$ 0.3249	\$ 0.3154	3.0

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.

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**  
**August 2006 - FY 2006**  
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY	% SPLY		Actual	SPLY	% SPLY
			<b>Operating Revenue:</b>			
\$ 2,071.6	\$ 2,021.1	2.5	Metered Postage	\$ 22,854.2	\$ 22,526.4	1.5
865.3	891.9	- 3.0	Stamps and Stamped Paper	10,154.6	10,194.8	- 0.4
1,683.1	1,562.3	7.7	Permit Imprint	17,149.5	16,220.4	5.7
190.9	194.9	- 2.1	Periodicals & Standard	2,002.5	1,988.8	0.7
70.2	61.3	14.5	Official Mail	769.8	743.1	3.6
1,006.8	854.2	17.9	Presort First-Class & Package Svc./Permit Imprint	10,653.0	9,523.8	11.9
66.6	64.7	2.9	Box Rents	742.3	722.3	2.8
17.8	17.6	1.1	Money Order Fees	193.4	191.0	1.3
<u>250.6</u>	<u>178.5</u>	40.4	Other	<u>1,995.4</u>	<u>1,866.1</u>	6.9
<b>\$ 6,222.9</b>	<b>\$ 5,846.5</b>	<b>6.4</b>	<b>Subtotal</b>	<b>\$ 66,514.7</b>	<b>\$ 63,976.7</b>	<b>4.0</b>
<u>14.2</u>	<u>10.5</u>	35.2	Government Appropriations	<u>150.2</u>	<u>91.4</u>	64.3
<b>\$ 6,237.1</b>	<b>\$ 5,857.0</b>	<b>6.5</b>	<b>Total Operating Revenue</b>	<b>\$ 66,664.9</b>	<b>\$ 64,068.1</b>	<b>4.1</b>
<u>17.8</u>	<u>10.4</u>	71.2	Investment Income	<u>151.4</u>	<u>77.2</u>	96.1
<b>\$ 6,254.9</b>	<b>\$ 5,867.4</b>	<b>6.6</b>	<b>Total Revenue</b>	<b>\$ 66,816.3</b>	<b>\$ 64,145.3</b>	<b>4.2</b>

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

**REVENUE BY CATEGORY**  
**August 2006 - FY 2006**  
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			<b>Commercial Revenue</b>			
\$ 2,936.2	\$ 2,735.9	7.3	Permit Revenue	\$ 30,447.3	\$ 29,689.3	2.6
1,740.8	1,819.2	[ - 4.3]	Other Commercial Accounts Revenue	19,056.9	19,898.5	[ - 4.2]
<b>\$ 4,677.0</b>	<b>\$ 4,555.1</b>	<b>2.7</b>	<b>Total Commercial Revenue</b>	<b>\$ 49,504.2</b>	<b>\$ 49,587.8</b>	<b>[ - 0.2]</b>
			<b>Retail Revenue</b>			
1,023.7	1,124.0	[ - 8.9]	Retail Postage Revenue	12,020.7	12,186.9	[ - 1.4]
104.7	105.5	[ - 0.8]	Retail Services Revenue	1,157.0	1,136.5	1.8
17.0	14.9	14.1	Retail Products Revenue	188.4	174.3	8.1
279.3	219.2	27.4	Other Retail Channels Revenue	3,075.9	2,441.9	26.0
<b>\$ 1,424.7</b>	<b>\$ 1,463.6</b>	<b>[ - 2.7]</b>	<b>Total Retail Revenue</b>	<b>\$ 16,442.0</b>	<b>\$ 15,939.6</b>	<b>3.2</b>
<b>\$ 6,101.7</b>	<b>\$ 6,018.7</b>	<b>1.4</b>	<b>Total Commercial &amp; Retail Revenue</b>	<b>\$ 65,946.2</b>	<b>\$ 65,527.4</b>	<b>0.6</b>
121.2	61.7	96.4	Other Income	568.5	475.0	19.7
14.2	11.9	19.3	Government Appropriations	150.2	139.4	7.7
<b>\$ 6,237.1</b>	<b>\$ 6,092.3</b>	<b>2.4</b>	<b>Total Operating Revenue</b>	<b>\$ 66,664.9</b>	<b>\$ 66,141.8</b>	<b>0.8</b>
17.8	19.5	[ - 8.7]	Investment Income	151.4	167.7	[ - 9.7]
<b>\$ 6,254.9</b>	<b>\$ 6,111.8</b>	<b>2.3</b>	<b>Total Revenue</b>	<b>\$ 66,816.3</b>	<b>\$ 66,309.5</b>	<b>0.8</b>

[ ]=Unfavorable variance to budget

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

**EXPENSE ANALYSIS**  
**August 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	
\$ 4,862.0	\$ 4,859.6	[\$ 2.4]	[ 0.0]	\$ 4,617.0	5.3	Personnel Compensation	\$ 51,385.1	\$ 50,893.1	[\$ 492.0]	[ 1.0]	\$ 49,513.5	3.8
Non-Personnel Expense:												
568.0	498.5	[ 69.5]	[ 13.9]	479.6	18.4	Transportation	5,539.9	5,434.1	[ 105.8]	[ 1.9]	4,943.1	12.1
232.0	201.7	[ 30.3]	[ 15.0]	226.7	2.3	Supplies & Services	2,274.1	2,276.3	- 2.2	- 0.1	2,165.7	5.0
<u>613.2</u>	<u>487.7</u>	<u>[ 125.5]</u>	<u>[ 25.7]</u>	<u>540.9</u>	13.4	Other	<u>6,136.7</u>	<u>6,151.2</u>	<u>- 14.5</u>	- 0.2	<u>5,811.9</u>	5.6
<b>\$ 1,413.2</b>	<b>\$ 1,187.9</b>	<b>[\$ 225.3]</b>	<b>[ 19.0]</b>	<b>\$ 1,247.2</b>	<b>13.3</b>	<b>Subtotal</b>	<b>\$ 13,950.7</b>	<b>\$ 13,861.6</b>	<b>[\$ 89.1]</b>	<b>[ 0.6]</b>	<b>\$ 12,920.7</b>	<b>8.0</b>
<b>\$ 6,275.2</b>	<b>\$ 6,047.5</b>	<b>[\$ 227.7]</b>	<b>[ 3.8]</b>	<b>\$ 5,864.2</b>	<b>7.0</b>	<b>Total Operating Expense</b>	<b>\$ 65,335.8</b>	<b>\$ 64,754.7</b>	<b>[\$ 581.1]</b>	<b>[ 0.9]</b>	<b>\$ 62,434.2</b>	<b>4.6</b>
0.0	0.1	- 0.1	- 100.0	0.1	- 100.0	Interest Expense	1.4	2.2	- 0.8	- 36.4	1.6	- 12.5
<u>17.7</u>	<u>21.8</u>	<u>- 4.1</u>	- 18.8	<u>20.8</u>	- 14.9	Interest on Deferred Retirement Obligations	<u>194.8</u>	<u>239.8</u>	<u>- 45.0</u>	- 18.8	<u>242.2</u>	- 19.6
<b>\$ 6,292.9</b>	<b>\$ 6,069.4</b>	<b>[\$ 223.5]</b>	<b>[ 3.7]</b>	<b>\$ 5,885.1</b>	<b>6.9</b>	<b>Total Expense</b>	<b>\$ 65,532.0</b>	<b>\$ 64,996.7</b>	<b>[\$ 535.3]</b>	<b>[ 0.8]</b>	<b>\$ 62,678.0</b>	<b>4.6</b>

[ ]=Unfavorable variance to budget

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



**ANALYSIS OF OPERATING EXPENSES**  
**Personnel Compensation**  
**August 2006 - FY 2006**  
**(\$ Millions)**

Current Period							Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Total Compensation	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	
\$ 40.1	\$ 39.7	[\$ 0.4]	[ 1.0]	\$ 38.0	5.5	Operations:	\$ 417.0	\$ 397.3	[\$ 19.7]	[ 5.0]	\$ 388.1	7.4	
989.0	\$ 981.1	[ 7.9]	[ 0.8]	947.4	4.4	-Support	10,812.3	10,543.8	[ 268.5]	[ 2.5]	10,557.7	2.4	
495.2	498.9	- 3.7	- 0.7	455.9	8.6	-Mail Processing	5,051.9	5,057.2	- 5.3	- 0.1	4,699.4	7.5	
1,513.3	1,512.5	[ 0.8]	[ 0.1]	1,442.6	4.9	-Rural Delivery	15,902.4	15,744.0	[ 158.4]	[ 1.0]	15,384.3	3.4	
109.5	108.1	[ 1.4]	[ 1.3]	102.8	6.5	-City Delivery	1,148.4	1,133.4	[ 14.9]	[ 1.3]	1,098.4	4.5	
276.2	282.2	- 6.0	- 2.1	257.7	7.2	-Vehicles Services	2,895.6	2,949.7	- 54.1	- 1.8	2,765.8	4.7	
716.1	720.7	- 4.6	- 0.6	688.0	4.1	-Plant & Equip Maint	7,678.8	7,522.3	[ 156.5]	[ 2.1]	7,403.3	3.7	
19.5	21.3	- 1.7	- 8.2	18.9	3.5	-Customer Services	201.4	223.6	- 22.3	- 10.0	193.4	4.1	
32.1	34.2	- 2.1	- 6.2	34.2	- 6.1	Finance	331.4	341.9	- 10.5	- 3.1	350.6	- 5.5	
47.9	49.7	- 1.8	- 3.6	45.3	5.6	Human Resources	493.0	500.8	- 7.8	- 1.6	472.6	4.3	
231.3	235.1	- 3.8	- 1.6	226.0	2.3	Customer Service & Sales	2,390.9	2,404.2	- 13.4	- 0.6	2,319.8	3.1	
118.2	107.2	[ 11.0]	[ 10.2]	119.0	- 0.7	Administration - Field	1,172.1	1,170.7	[ 1.4]	[ 0.1]	1,216.6	- 3.7	
<b>\$ 4,588.3</b>	<b>\$ 4,590.7</b>	<b>\$ - 2.4</b>	<b>- 0.1</b>	<b>\$ 4,375.9</b>	<b>4.9</b>	<b>Total Salaries &amp; Benefits</b>	<b>\$ 48,495.1</b>	<b>\$ 47,989.1</b>	<b>[\$ 506.0]</b>	<b>[ 1.1]</b>	<b>\$ 46,849.8</b>	<b>3.5</b>	
110.0	99.7	[ 10.3]	[ 10.3]	95.8	14.8	Workers' Compensation	1,155.0	1,097.0	[ 58.0]	[ 5.3]	1,049.5	10.1	
8.7	6.4	[ 2.2]	[ 34.8]	- 1.4	- 731.1	Unemployment Compensation	71.8	58.5	[ 13.3]	[ 22.8]	37.2	93.1	
1.9	2.4	- 0.5	- 19.0	3.3	- 41.1	Deferred Retirement Cost	21.5	26.4	- 4.9	- 18.5	23.7	- 9.2	
141.2	147.6	- 6.4	- 4.3	130.3	8.4	Annuitant Health Benefits	1,517.4	1,559.0	- 41.6	- 2.7	1,383.3	9.7	
11.8	12.7	- 0.8	- 6.6	13.1	- 9.8	Other Compensation	124.3	163.2	- 38.9	- 23.8	170.0	- 26.9	
<b>\$ 4,862.0</b>	<b>\$ 4,859.6</b>	<b>[\$ 2.4]</b>	<b>[ 0.0]</b>	<b>\$ 4,617.0</b>	<b>5.3</b>	<b>Total Personnel Compensation</b>	<b>\$ 51,385.1</b>	<b>\$ 50,893.1</b>	<b>[\$ 492.0]</b>	<b>[ 1.0]</b>	<b>\$ 49,513.5</b>	<b>3.8</b>	

[ ]=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**  
**August 2006 - FY 2006**  
(\$ Millions)

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Description	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 568.0	\$ 498.5	[\$ 69.5]	[ 13.9]	\$ 479.6	18.4	Transportation	\$ 5,539.9	\$ 5,434.1	[\$ 105.8]	[ 1.9]	\$ 4,943.1	12.1
232.0	201.7	[ 30.3]	[ 15.0]	226.7	2.3	Supplies & Services	2,274.1	2,276.3	- 2.2	- 0.1	2,165.7	5.0
185.7	181.5	[ 4.2]	[ 2.3]	182.5	1.8	Depreciation	1,957.1	2,004.8	- 47.7	- 2.4	1,911.2	2.4
87.1	87.0	[ 0.1]	[ 0.1]	84.7	2.9	Rent	938.9	945.9	- 7.0	- 0.7	938.0	0.1
66.9	53.9	[ 13.1]	[ 24.3]	56.2	19.1	Utilities & Heating Fuel	610.1	593.0	[ 17.0]	[ 2.9]	522.5	16.8
40.1	37.8	[ 2.3]	[ 6.0]	37.2	7.8	Rural Carrier Equip Maint Allowance	424.8	425.7	- 1.0	- 0.2	395.1	7.5
62.3	55.8	[ 6.5]	[ 11.7]	59.6	4.5	Vehicle Maintenance Services	644.7	594.7	[ 50.0]	[ 8.4]	531.8	21.2
39.8	32.9	[ 6.9]	[ 21.0]	53.2	- 25.3	Information Technology	328.6	457.1	- 128.4	- 28.1	329.7	- 0.3
34.6	28.9	[ 5.7]	[ 19.8]	31.3	10.4	Building Projects Expensed	217.9	219.4	- 1.5	- 0.7	221.3	- 1.6
7.8	8.2	- 0.3	- 4.2	9.9	- 20.6	Contract Job Cleaners	89.5	84.8	[ 4.8]	[ 5.6]	82.5	8.5
25.5	17.3	[ 8.3]	[ 48.0]	22.7	12.3	Travel & Relocation	227.2	200.9	[ 26.3]	[ 13.1]	212.0	7.2
23.5	19.1	[ 4.4]	[ 22.8]	22.6	3.8	Communications	232.0	193.9	[ 38.1]	[ 19.6]	208.2	11.4
5.9	6.5	- 0.7	- 10.4	5.7	3.5	Contract Stations	67.7	73.8	- 6.1	- 8.3	67.9	- 0.3
1.6	3.0	- 1.4	- 46.9	1.8	- 12.8	Printing	20.4	25.1	- 4.7	- 18.8	21.0	- 3.1
5.6	5.9	- 0.3	- 5.1	3.3	66.6	Training	46.2	65.0	- 18.9	- 29.0	50.6	- 8.8
2.1	2.4	- 0.3	- 13.3	2.4	- 12.8	Carfare & Tolls	25.7	29.5	- 3.9	- 13.1	27.4	- 6.3
0.9	1.2	- 0.2	- 21.4	0.9	6.1	Vehicle Hire	14.2	14.0	[ 0.2]	[ 1.8]	13.5	5.8
4.0	3.6	[ 0.5]	[ 12.7]	5.0	- 18.6	Accident Costs	48.3	43.8	[ 4.5]	[ 10.2]	45.5	6.0
19.8	- 57.1	[ 76.9]	[ 134.7]	- 38.1	- 152.1	Miscellaneous	243.6	179.8	[ 63.8]	[ 35.5]	233.7	4.2
<b>\$ 1,413.2</b>	<b>\$ 1,187.9</b>	<b>[ 225.3]</b>	<b>[ 19.0]</b>	<b>\$ 1,247.2</b>	<b>13.3</b>	<b>Total Non-Personnel Expenses</b>	<b>\$ 13,950.7</b>	<b>\$ 13,861.6</b>	<b>[\$ 89.1]</b>	<b>[ 0.6]</b>	<b>\$ 12,920.7</b>	<b>8.0</b>

[ ]=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**  
**August 2006 - FY 2006**  
(\$ Millions)

Assets	August 31 , 2006	August 31 , 2005	September 30, 2005*
<b>Current Assets:</b>			
Cash and cash equivalents _1/	\$ 2,873	\$ 1,972	\$ 930
<b>Receivables:</b>			
Foreign countries	586	621	590
U.S. Government	228	244	280
Other	184	173	188
<b>Receivables before allowances</b>	<u>998</u>	<u>1,038</u>	<u>1,058</u>
Less allowances	46	58	50
<b>Total receivables, net</b>	<u>952</u>	<u>980</u>	<u>1,008</u>
Supplies, advances and prepayments	<u>180</u>	<u>172</u>	<u>200</u>
<b>Total Current Assets</b>	<b>4,005</b>	<b>3,124</b>	<b>2,138</b>
Other Assets, principally revenue forgone appropriations receivable	399	361	376
<b>Property and Equipment, at Cost:</b>			
Buildings	21,044	20,391	20,480
Equipment	19,666	18,648	18,664
Land	2,885	2,808	2,878
Leasehold improvements	1,227	1,148	1,172
	<u>44,822</u>	<u>42,995</u>	<u>43,194</u>
Less allowances for depreciation and amortization	<u>23,843</u>	<u>22,280</u>	<u>22,400</u>
	20,979	20,715	20,794
Construction in progress	<u>1,864</u>	<u>1,848</u>	<u>1,895</u>
<b>Total property and equipment, net</b>	<u>22,843</u>	<u>22,563</u>	<u>22,689</u>
<b>Total Assets</b>	<b><u>\$ 27,247</u></b>	<b><u>\$ 26,048</u></b>	<b><u>\$ 25,203</u></b>

\_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**  
**August 2006 - FY 2006**  
(\$ Millions)

Liabilities and Net Capital	August 31 , 2006	August 31 , 2005	September 30, 2005*
<b>Current Liabilities:</b>			
Compensation and benefits	\$ 3,016	\$ 2,802	\$ 2,852
Estimated prepaid postage	1,221	1,231	1,200
<b>Payables and accrued expenses:</b>			
Commercial vendors & accrued expenses	1,170	1,304	1,568
Foreign countries	626	708	688
U.S. government	84	63	76
<b>Total payables and accrued expenses</b>	<u>1,880</u>	<u>2,075</u>	<u>2,332</u>
Customer deposit accounts	1,696	1,720	1,720
Outstanding postal money orders	744	768	830
Prepaid box rent & other deferred revenue	<u>418</u>	<u>417</u>	<u>477</u>
<b>Total Current Liabilities</b>	<b>8,975</b>	<b>9,013</b>	<b>9,411</b>
<b>Non-Current Liabilities:</b>			
Workers' compensation costs	7,751	7,694	6,695
Employees' accumulated leave	2,171	2,116	2,016
Deferred revenue	692	772	692
Long-term portion capital lease obligations	670	656	644
Other	<u>328</u>	<u>399</u>	<u>369</u>
<b>Total Non-Current Liabilities</b>	<b>11,612</b>	<b>11,637</b>	<b>10,416</b>
<b>Total Liabilities</b>	<b>20,587</b>	<b>20,650</b>	<b>19,827</b>
<b>Net Capital:</b>			
Capital contributions of the U.S. government	3,034	3,034	3,034
Retained earnings since reorganization	<u>3,626</u>	<u>2,364</u>	<u>2,342</u>
<b>Total Net Capital</b>	<b>6,660</b>	<b>5,398</b>	<b>5,376</b>
<b>Total Liabilities and Net Capital</b>	<b><u>\$ 27,247</u></b>	<b><u>\$ 26,048</u></b>	<b><u>\$ 25,203</u></b>

\* 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 August 31, 2006**  
(\$ Millions)

	August 31, 2006	August 31, 2005	September 30, 2005*
<b>Cash flows from operating activities:</b>			
Net Income	\$ 1,284	\$ 1,467	\$ 1,445
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,943	1,896	2,089
(Gain) loss on disposals of property and equipment, net	(45)	6	5
Increase in revenue forgone appropriations receivable	(23)	-	(15)
Increase (decrease) in workers' compensation liability	1,056	1,043	(58)
Increase in employees' accumulated leave	155	110	10
Increase (decrease) in long-term portion capital lease obligations	26	4	(8)
Increase in non-current deferred revenue	-	484	288
(Decrease) increase in other non-current liabilities	(41)	19	(399)
Changes in current assets and liabilities:			
Decrease in receivables, net	56	44	16
Decrease in supplies, advances and prepayments	20	48	20
Increase in compensation and benefits	164	162	314
Increase (decrease) in estimated prepaid postage	21	(25)	(56)
Decrease in payables and accrued expenses	(452)	(501)	(199)
(Decrease) increase in customers' deposit accounts	(24)	114	114
(Decrease) increase in outstanding postal money orders	(86)	1	63
(Decrease) increase in prepaid box rent & other deferred revenue	(59)	(8)	52
<b>Net cash provided by operating activities</b>	<b>3,995</b>	<b>4,864</b>	<b>3,681</b>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(2,154)	(1,996)	(2,317)
Proceeds from sale of property and equipment	102	27	31
<b>Net cash used in investing activities</b>	<b>(2,052)</b>	<b>(1,969)</b>	<b>(2,286)</b>
<b>Cash flows from financing activities:</b>			
U.S. government appropriation - received	-	-	503
U.S. government appropriation - expended	-	-	(45)
Payments on debt	-	(1,800)	(1,800)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(1,800)</b>	<b>(1,342)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,943</b>	<b>1,095</b>	<b>53</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>930</b>	<b>877</b>	<b>877</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 2,873</b>	<b>\$ 1,972</b>	<b>\$ 930</b>

\* Audited year-end data.

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

**CAPITAL INVESTMENTS**  
**August 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	\$ 225.9	\$ 160.0	\$ 180.2	\$ 148.4	\$ 183.8	\$ 206.1
BUILDING IMPROVEMENTS	411.1	442.7	303.1	488.1	431.5	406.0
MAIL PROCESSING EQUIPMENT	540.4	1,059.1	319.7	959.5	864.7	645.3
VEHICLES	16.3	20.9	239.8	198.5	93.6	133.3
RETAIL EQUIPMENT	[ - 0.3 ]	0.4	1.2	0.5	29.5	56.6
POSTAL SUPPORT EQUIPMENT	203.6	221.8	608.7	359.1	415.6	548.4
<b>TOTAL COMMITMENTS/CASH OUTLAYS</b>	<b>\$ 1,397.0</b>	<b>\$ 1,904.9</b>	<b>\$ 1,652.7</b>	<b>\$ 2,154.1</b>	<b>\$ 2,018.6</b>	<b>\$ 1,995.8</b>

Note: Totals may not sum due to rounding.

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

MAJOR CATEGORIES	August 31, 2006	September 30, 2005
CONSTRUCTION AND BUILDING PURCHASE	\$ 216.9	\$ 149.0
BUILDING IMPROVEMENTS	324.6	419.5
MAIL PROCESSING EQUIPMENT	1,596.3	2,017.9
VEHICLES	20.5	202.7
RETAIL EQUIPMENT	37.7	38.5
POSTAL SUPPORT EQUIPMENT	430.4	579.8
<b>TOTAL RESOURCES ON ORDER</b>	<b>\$ 2,626.3</b>	<b>\$ 3,407.4</b>

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

**WORKHOURS & OVERTIME/SICK LEAVE RATIOS**

August 2006 - FY 2006

(Data in Thousands)

Current Period					Total Workhours	Year-to-Date				
Actual	Var. to Budget	% Budget	SPLY *	% SPLY		Actual	Var. to Budget	% Budget	SPLY *	% SPLY
873	[ 16 ]	[ 1.9 ]	861	1.4	Operations:	9,077	[ 421 ]	[ 4.9 ]	8,786	3.3
27,108	[ 326 ]	[ 1.2 ]	27,562	- 1.6	-Support	305,573	[ 10,390 ]	[ 3.5 ]	308,892	- 1.1
16,629	- 132	- 0.8	15,969	4.1	-Mail Processing	170,443	[ 1,030 ]	[ 0.6 ]	164,474	3.6
40,618	- 3	- 0.0	40,768	- 0.4	-Rural Delivery	430,300	[ 3,593 ]	[ 0.8 ]	432,451	- 0.5
2,790	[ 52 ]	[ 1.9 ]	2,748	1.5	-City Delivery	29,504	[ 226 ]	[ 0.8 ]	29,263	0.8
7,095	- 145	- 2.0	6,944	2.2	-Vehicles Services	74,701	- 1,988	- 2.6	74,229	0.6
19,758	[ 82 ]	[ 0.4 ]	19,960	- 1.0	-Plant & Equip Maint	214,296	[ 4,323 ]	[ 2.1 ]	214,796	- 0.2
439	- 60	- 12.0	449	- 2.2	-Customer Services	4,541	- 561	- 11.0	4,562	- 0.5
710	- 40	- 5.3	801	- 11.3	Finance	7,436	- 232	- 3.0	8,228	- 9.6
1,210	- 23	- 1.8	1,200	0.8	Human Resources	12,488	- 259	- 2.0	12,418	0.6
5,929	- 51	- 0.9	6,069	- 2.3	Customer Service & Sales	61,601	- 141	- 0.2	62,260	- 1.1
1,941	123	[ 6.8 ]	2,327	- 16.6	Administration	19,757	- 124	- 0.6	22,621	- 12.7
125,101	[ 146 ]	[ 0.1 ]	125,658	- 0.4	Other					
					Total Workhours	1,339,716	[ 16,679 ]	[ 1.3 ]	1,342,980	- 0.2

Overtime						
Actual	Budget	SPLY		Actual	Budget	SPLY

10.6%	8.1%	9.8%	Overtime Ratio Per 100 Workhours	11.0%	8.5%	10.4%
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Sick Leave				
Actual	SPLY		Actual	SPLY

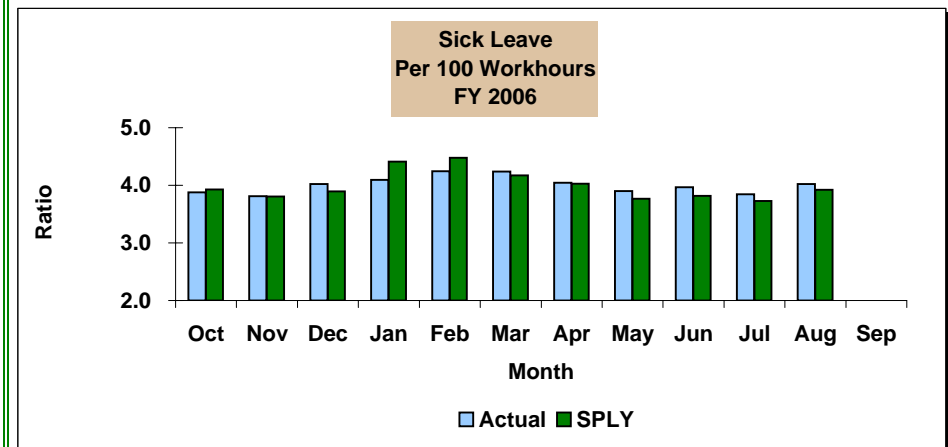
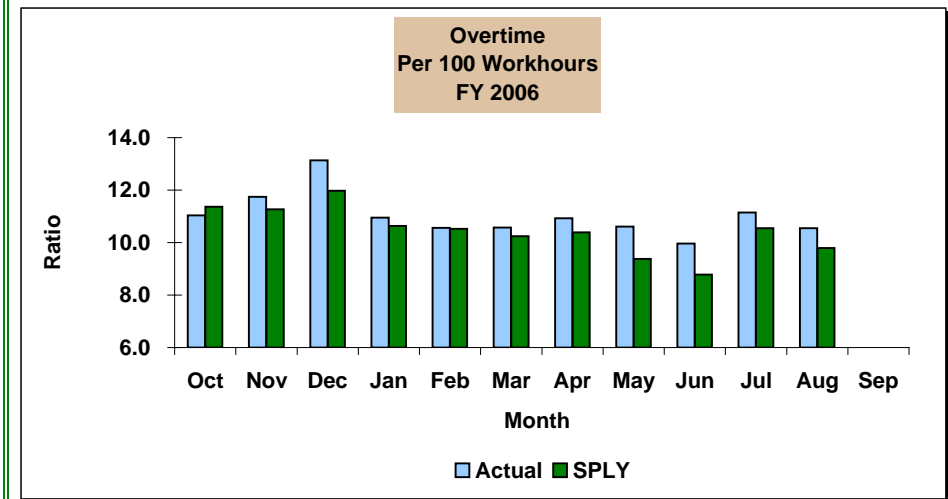
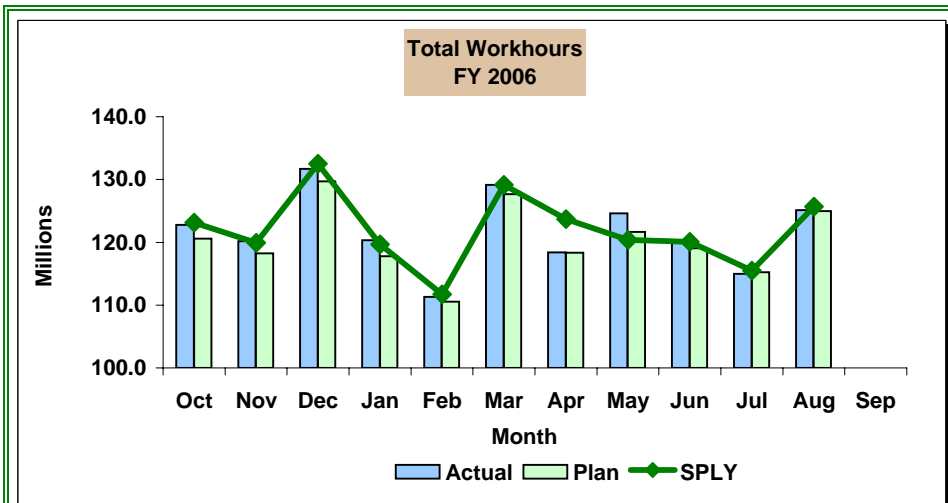
4.0%	3.9%	Sick Leave Ratio Per 100 Workhours	4.0%	4.0%
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[ ]=Unfavorable variance to budget

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.



## August 2006 - FY 2006

Information: For the month and year-to-date, 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 August, Total Revenue was \$143 million or 2.3% over plan, and \$388 million or 6.6% over SPLY. Commercial Revenue was over plan by \$122 million or 2.7% and Retail Revenue was under plan by \$39 million or 2.7%. In August, Total Commercial Revenue and Retail Revenue combined were \$318 million more than SPLY. Most of the increase in revenue to SPLY for August was reflected in Presort First-Class and Package Services/Permit Imprint, Permit Imprint and Meter Postage. Combined these revenue sources were \$324 million over SPLY.

Year-to-date, Total Revenue is \$507 million or 0.8% over plan with the largest contributor being Retail Revenue at \$502 million or 3.2% more than plan. Year-to-date, Total Revenue is \$2.7 billion over SPLY. Primary contributors to the increase over SPLY are Permit Revenue at \$2.1 billion or 7.4% more than SPLY and Other Retail Channels Revenue at \$822 million or 36.4% more than SPLY.

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

For August, Total Expenses were \$224 million above plan. Personnel costs were \$2.4 million above plan and non-personnel costs were above plan by \$225 million or 19.0%. Compared to SPLY, this month's Total Expenses increased by \$408 million or 6.9%. Contributing factors to the increase in non-personnel costs over SPLY include Transportation, Utilities & Heating and Supplies and Services costs. The increase in Personnel costs over SPLY were driven by Rural Delivery Compensation and Workers Compensation costs.

Year-to-date, Total Expenses are \$535 million or 0.8% above plan. Personnel costs are \$492 million or 1.0% above plan and non-personnel expenses are \$89.1 million or 0.6% above plan. The largest contributors to the non-personnel plan overrun are Transportation at \$106 million or 1.9% above plan, Vehicle Maintenance Services at \$50 million or 8.4% above plan, and Communications at \$38 million or 19.6% above plan. Year-to-date, Total Expenses are \$2.9 billion or 4.6% above SPLY.

## August 2006 - FY 2006

### Analysis of the Financial and Operating Statements (Continued)

#### Mail Volume and Revenue - Page 3

Total Mail Volume for August FY 2006 was 254 million pieces or 1.4% above same period last year. Four of the eight major mail categories posted above SPLY volumes for the month. Standard Mail and First-Class Mail volumes combined were 296 million above their August 2005 levels. Four of the major mail categories experienced an increase in both revenue and volume when compared to SPLY. Periodicals and Package Services posted mail volume declines to SPLY. Combined, these two mail categories experienced a loss of 45 million pieces.

Year-to-date, Total Mail Volume is 0.8% or 1.6 billion pieces above SPLY. The most significant mail volume increase over SPLY is in the Priority Mail category, 4.6% or 37 million pieces over. Periodicals reflect the smallest percentage revenue increase, 0.7% or \$13 million, over SPLY. Priority Mail carries the highest revenue percentage increase, 9.0%, generating \$384 million over SPLY.

#### Capital Investments - Pages 1 and 13

Year-to-date, the Fiscal Year 2006 Capital Commitments through August 2006 are \$1,397 million compared to a plan of \$1,905 million. This represents a plan underrun of about \$508 million.

Year-to-date, Cash Outlays are \$2,154 million versus a plan of \$2,019 million, representing a \$136 million plan overrun.

#### Workhours - Pages 1, 14 and 15

Total Workhours for August 2006 were 146 thousand hours or 0.1% above plan, and 557 thousand hours or 0.4% below August 2005. The largest contributor to this month's overrun is in Mail Processing workhours, which were 326 thousand hours, or 1.2% above plan. However, this overrun still represents a 1.6%, or 454 thousand hours underrun when compared to SPLY. August's Customer Service workhours were 82 thousand hours, or 0.4% above plan and 202 thousand hours or 1.0% under SPLY. Combined, Delivery Service's workhours were below plan by 135 thousand hours, which yielded a 0.9% increase in hours above SPLY.

Year-to-date, Total Workhours for August 2006 are 17 million hours or 1.3% above plan and 3 million hours or 0.2% below SPLY. The most significant plan overruns lie in the Mail Processing, Delivery Services and Customer Services workhour categories. Together, these categories are exceeding plan by 19 million workhours. Year-to-date, major contributors to the workhours decrease in SPLY are Mail Processing and City Delivery, which were 3 million and 2 million workhours less than SPLY, respectively.