

# *UNITED STATES POSTAL SERVICE*

## FINANCIAL & OPERATING STATEMENTS



**December, FY 2006**

**December 1 – December 31, 2005**

**Prepared by: Financial Reporting and Analysis**

HIGHLIGHTS  
December 2005 - FY 2006  
(Millions)

Current Period						Year-to-Date (October 1, 2005 - December 31, 2005)					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 6,512.4	\$ 6,444.4	\$ 68.0	1.1	\$ 6,632.9	- 1.8	\$ 18,524.6	\$ 18,692.7	[\$ - 168.1]	[ - 0.9]	\$ 18,796.8	- 1.4
<u>6,403.2</u>	<u>6,310.0</u>	[ <u>93.2</u> ]	1.5	<u>6,096.7</u>	5.0	<u>17,796.8</u>	<u>17,811.6</u>	<u>- 14.8</u>	- 0.1	<u>17,114.8</u>	4.0
\$ 109.2	\$ 134.4	[\$ - 25.2]	NM	\$ 536.2	NM	\$ 727.8	\$ 881.1	[\$ - 153.3]	NM	\$ 1,682.0	NM
\$ 250.0						\$ 750.0					
\$ ( 140.8)						\$ ( 22.2)					
\$ 66.0	\$ 87.1	[\$ - 21.1]	[ - 24.2]	\$ 360.5	- 81.7	\$ 152.7	\$ 192.7	[\$ - 40.0]	[ - 20.8]	\$ 422.0	- 63.8
131.7	129.7	[ 2.0]	[ 1.5]	132.5	- 0.6	374.9	368.5	[ 6.4]	[ 1.7]	375.8	- 0.2

[ ] = Unfavorable variance to budget

Actual Number Of:	Current Period	Last Period	SPLY
Post Offices	27,352	27,355	27,499
Postal Owned Vehicles In Use			
Administrative	6,282	6,338	5,742
Operations	209,012	208,917	206,813
Total Deliveries (000)	144,844	144,689	142,816
City Delivery Routes	164,312	164,345	164,545
Rural Routes	73,166	73,116	71,180
Career Employees (excludes Inspector General)	701,715	702,729	705,363
Casual Employees (includes Christmas Casuals) **	36,619	23,226	43,033 **
Transitional Employees	8,682	8,896	10,779

\*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.

\*\* In this report same period last year, the number reported, 20,283, did not include Christmas Casuals.

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

**STATEMENT OF INCOME & EXPENSE**  
December 2005 - FY 2006  
(\$ Millions)

Current Period						Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 6,501.9	\$ 6,434.4	\$ 67.5	1.0	\$ 6,628.2	- 1.9	\$ 18,497.6	\$ 18,661.4	[\$ - 163.8]	[ - 0.9]	\$ 18,786.1	- 1.5
<u>6,381.4</u>	<u>6,288.1</u>	[ <u>93.3</u> ]	[ 1.5]	<u>6,078.6</u>	5.0	<u>17,730.0</u>	<u>17,744.5</u>	<u>- 14.5</u>	- 0.1	<u>17,059.0</u>	3.9
\$ 120.5	\$ 146.3	[\$ - 25.8]	NM	\$ 549.6	NM	\$ 767.6	\$ 916.9	[\$ - 149.3]	NM	\$ 1,727.1	NM
10.5	10.0	0.5	5.0	4.7	123.4	27.0	31.3	[ - 4.3]	[ - 13.7]	10.7	152.3
-	0.1	- 0.1	- 100.0	-	NM	1.4	1.7	- 0.3	- 17.6	1.5	- 6.7
<u>21.8</u>	<u>21.8</u>	<u>-</u>	-	<u>18.1</u>	20.4	<u>65.4</u>	<u>65.4</u>	<u>-</u>	-	<u>54.3</u>	20.4
\$ 109.2	\$ 134.4	[\$ - 25.2]	NM	\$ 536.2	NM	\$ 727.8	\$ 881.1	[\$ - 153.3]	NM	\$ 1,682.0	NM
<u>250.0</u>						<u>750.0</u>					
\$ ( 140.8)						\$ ( 22.2)					

[ ]=Unfavorable variance to budget

\* See footnote on page 1.

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

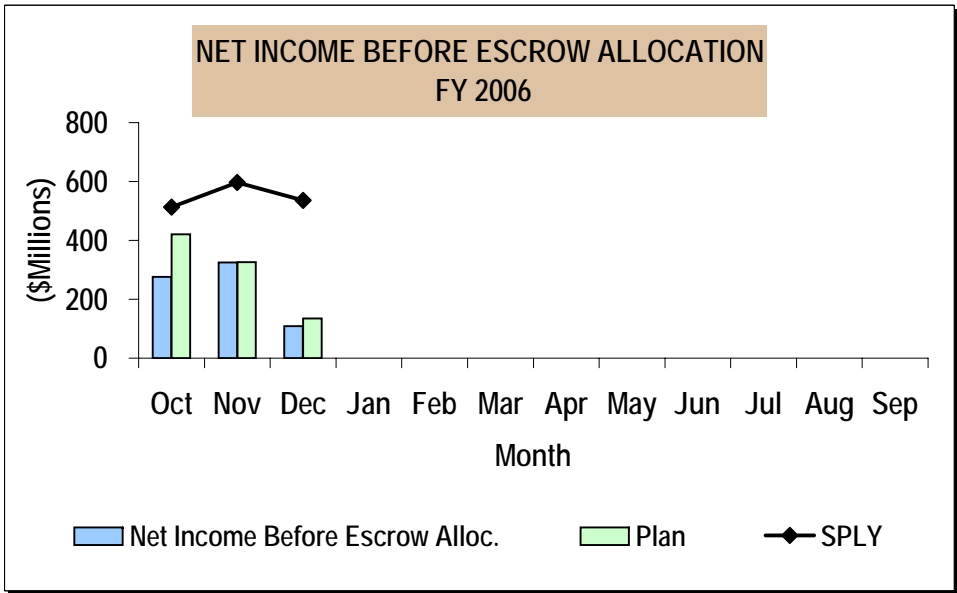
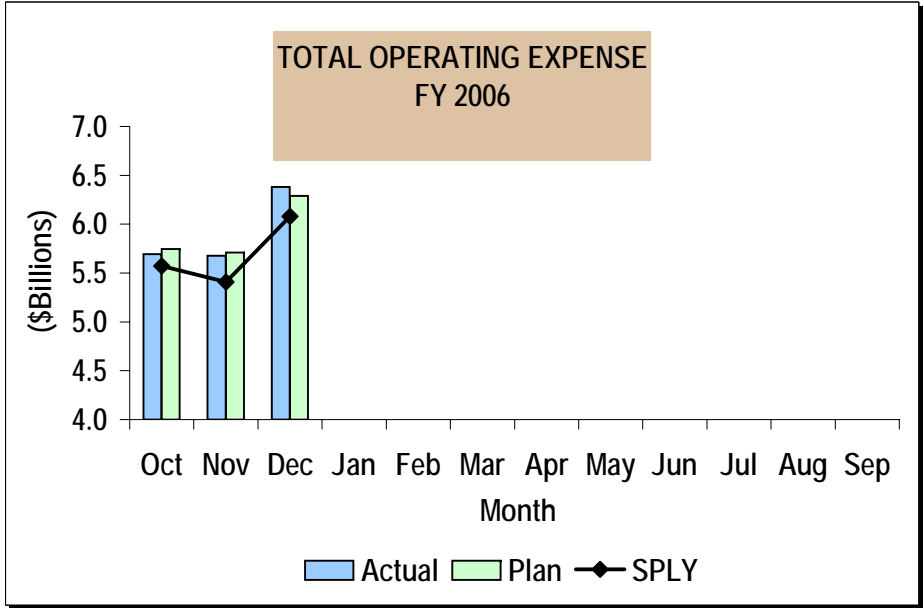
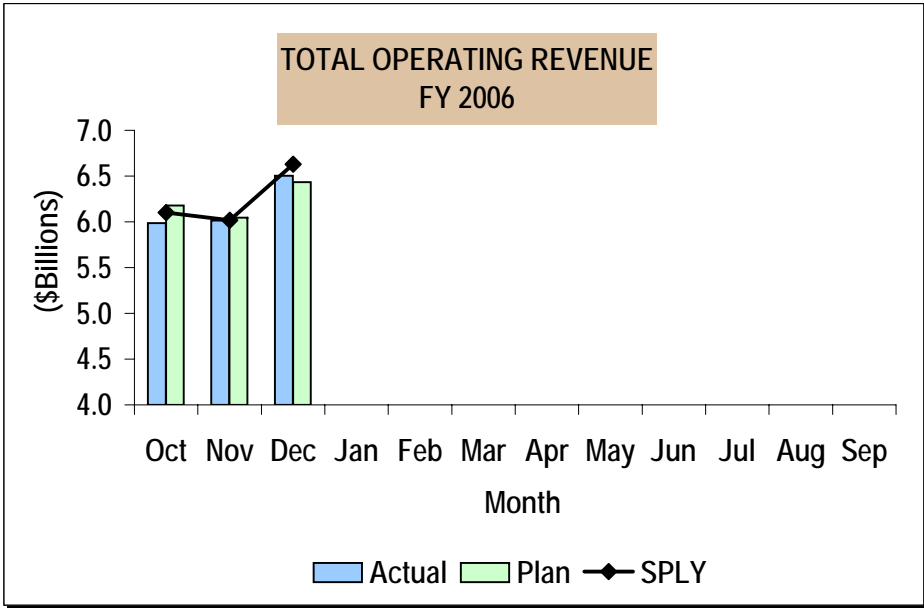
CATEGORY	YEAR-TO-DATE		% SPLY
	Qtr. 1 FY 2006	Qtr. 1 FY 2005 *	
<b>FIRST-CLASS</b>			
VOLUME	25,434,056	26,427,719	- 3.8
REVENUE	\$ 9,335,118	\$ 9,750,585	- 4.3
REV/PC.	\$ 0.3670	\$ 0.3690	- 0.5
<b>PRIORITY-MAIL</b>			
VOLUME	249,485	239,723	4.1
REVENUE	\$ 1,357,721	\$ 1,294,755	4.9
REV/PC.	\$ 5.4421	\$ 5.4010	0.8
<b>EXPRESS MAIL</b>			
VOLUME	14,281	13,517	5.7
REVENUE	\$ 230,933	\$ 217,514	6.2
REV/PC.	\$ 16.1706	\$ 16.0919	0.5
<b>PERIODICALS</b>			
VOLUME	2,294,507	2,336,496	- 1.8
REVENUE	\$ 553,747	\$ 563,304	- 1.7
REV/PC.	\$ 0.2413	\$ 0.2411	0.1
<b>STANDARD MAIL</b>			
VOLUME	27,076,012	26,948,833	0.5
REVENUE	\$ 5,084,071	\$ 5,053,854	0.6
REV/PC.	\$ 0.1878	\$ 0.1875	0.1
<b>PACKAGE SERVICES</b>			
VOLUME	326,805	314,737	3.8
REVENUE	\$ 618,871	\$ 646,128	- 4.2
REV/PC.	\$ 1.8937	\$ 2.0529	- 7.8
<b>INTERNATIONAL</b>			
VOLUME	245,694	245,297	0.2
REVENUE	\$ 520,796	\$ 502,771	3.6
REV/PC.	\$ 2.1197	\$ 2.0496	3.4
<b>ALL OTHER</b>			
VOLUME	233,722	219,068	6.7
<b>ALL MAIL</b>			
VOLUME	55,874,564	56,745,388	- 1.5
REVENUE	\$ 17,701,256	\$ 18,028,910	- 1.8
REV/PC.	\$ 0.3168	\$ 0.3177	- 0.3

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 I, 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**  
December 2005 - FY 2006  
(\$ Millions)

Current Period				Year-to-Date		
Actual	SPLY	% SPLY		Actual	SPLY	% SPLY
			<b>Operating Revenue:</b>			
\$ 2,317.3	\$ 2,379.2	- 2.6	Metered Postage	\$ 6,258.5	\$ 6,439.1	- 2.8
1,247.1	1,403.8	- 11.2	Stamps and Stamped Paper	3,020.7	3,333.0	- 9.4
1,389.4	1,357.9	2.3	Permit Imprint	4,796.0	4,739.1	1.2
174.0	185.0	- 5.9	Periodicals & Standard	549.0	558.3	- 1.7
85.3	85.3	0.0	Official Mail	222.6	216.8	2.7
979.9	944.8	3.7	Presort First-Class & Package Svc./Permit Imprint	2,847.4	2,734.9	4.1
86.3	84.1	2.6	Box Rents	200.4	197.3	1.6
18.1	17.9	1.1	Money Order Fees	52.3	53.2	- 1.7
<u>191.8</u>	<u>162.9</u>	17.7	Other	<u>512.7</u>	<u>496.8</u>	3.2
<b>\$ 6,489.2</b>	<b>\$ 6,620.9</b>	<b>- 2.0</b>	<b>Subtotal</b>	<b>\$ 18,459.6</b>	<b>\$ 18,768.5</b>	<b>- 1.6</b>
<u>12.7</u>	<u>7.3</u>	74.0	Government Appropriations	<u>38.0</u>	<u>17.6</u>	115.9
<b>\$ 6,501.9</b>	<b>\$ 6,628.2</b>	<b>- 1.9</b>	<b>Total Operating Revenue</b>	<b>\$ 18,497.6</b>	<b>\$ 18,786.1</b>	<b>- 1.5</b>
<u>10.5</u>	<u>4.7</u>	123.4	Investment Income	<u>27.0</u>	<u>10.7</u>	152.3
<b><u>\$ 6,512.4</u></b>	<b><u>\$ 6,632.9</u></b>	<b>- 1.8</b>	<b>Total Revenue</b>	<b><u>\$ 18,524.6</u></b>	<b><u>\$ 18,796.8</u></b>	<b>- 1.4</b>

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

**REVENUE BY CATEGORY**  
December 2005 - FY 2006  
(\$ Millions)

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			<b>Commercial Revenue</b>			
\$ 2,610.5	\$ 2,588.4	0.9	Permit Revenue	\$ 8,386.1	\$ 8,246.2	1.7
<u>1,733.8</u>	<u>1,809.7</u>	[ - 4.2]	Other Commercial Accounts Revenue	<u>5,069.6</u>	<u>5,545.9</u>	[ - 8.6]
<b>\$ 4,344.3</b>	<b>\$ 4,398.1</b>	<b>[ - 1.2]</b>	<b>Total Commercial Revenue</b>	<b>\$ 13,455.7</b>	<b>\$ 13,792.1</b>	<b>[ - 2.4]</b>
			<b>Retail Revenue</b>			
1,590.9	1,578.0	0.8	Retail Postage Revenue	3,702.7	3,643.0	1.6
120.7	129.7	[ - 6.9]	Retail Services Revenue	300.2	314.4	[ - 4.5]
29.1	23.5	23.8	Retail Products Revenue	60.8	52.2	16.5
<u>350.8</u>	<u>292.3</u>	20.0	Other Retail Channels Revenue	<u>805.7</u>	<u>729.0</u>	10.5
<b>\$ 2,091.5</b>	<b>\$ 2,023.5</b>	<b>3.4</b>	<b>Total Retail Revenue</b>	<b>\$ 4,869.4</b>	<b>\$ 4,738.6</b>	<b>2.8</b>
<b>\$ 6,435.8</b>	<b>\$ 6,421.6</b>	<b>0.2</b>	<b>Total Commercial &amp; Retail Revenue</b>	<b>\$ 18,325.1</b>	<b>\$ 18,530.7</b>	<b>[ - 1.1]</b>
53.4	5.9	NM	Other Income	134.5	103.6	29.8
<u>12.7</u>	<u>6.9</u>	84.1	Government Appropriations	<u>38.0</u>	<u>27.1</u>	40.2
<b>\$ 6,501.9</b>	<b>\$ 6,434.4</b>	<b>1.0</b>	<b>Total Operating Revenue</b>	<b>\$ 18,497.6</b>	<b>\$ 18,661.4</b>	<b>[ - 0.9]</b>
<u>10.5</u>	<u>10.0</u>	5.0	Investment Income	<u>27.0</u>	<u>31.3</u>	[ - 13.7]
<b>\$ 6,512.4</b>	<b>\$ 6,444.4</b>	<b>1.1</b>	<b>Total Revenue</b>	<b>\$ 18,524.6</b>	<b>\$ 18,692.7</b>	<b>[ - 0.9]</b>

[ ]=Unfavorable variance to budget

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

**EXPENSE ANALYSIS**  
December 2005 - FY 2006  
(\$ Millions)

Current Period						Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	
\$ 4,951.4	\$ 4,869.8	[\$ 81.6]	[ 1.7]	\$ 4,775.8	3.7	Personnel Compensation	\$ 14,099.8	\$ 13,965.6	[\$ 134.2]	[ 1.0]	\$ 13,666.7	3.2
Non-Personnel Expense:												
615.2	633.3	- 18.1	- 2.9	561.2	9.6	Transportation	1,509.5	1,540.4	- 30.9	- 2.0	1,418.6	6.4
233.1	218.1	[ 15.0]	[ 6.9]	209.9	11.1	Supplies & Services	489.1	592.9	- 103.7	- 17.5	438.8	11.5
<u>581.7</u>	<u>566.9</u>	<u>[ 14.8]</u>	[ 2.6]	<u>531.7</u>	9.4	Other	<u>1,628.6</u>	<u>1,645.6</u>	<u>- 17.0</u>	- 1.0	<u>1,534.9</u>	6.1
<b>\$ 1,430.0</b>	<b>\$ 1,418.3</b>	<b>[\$ 11.7]</b>	[ 0.8]	<b>\$ 1,302.8</b>	<b>9.8</b>	Subtotal	<b>\$ 3,630.2</b>	<b>\$ 3,778.9</b>	<b>\$ - 148.7</b>	<b>- 3.9</b>	<b>\$ 3,392.3</b>	<b>7.0</b>
<b>\$ 6,381.4</b>	<b>\$ 6,288.1</b>	<b>[\$ 93.3]</b>	[ 1.5]	<b>\$ 6,078.6</b>	<b>5.0</b>	Total Operating Expense	<b>\$ 17,730.0</b>	<b>\$ 17,744.5</b>	<b>\$ - 14.5</b>	<b>- 0.1</b>	<b>\$ 17,059.0</b>	<b>3.9</b>
0.0	0.1	- 0.1	- 100.0	- 0.0	NM	Interest Expense	1.4	1.7	- 0.3	- 17.6	1.5	- 6.7
<u>21.8</u>	<u>21.8</u>	<u>0.0</u>	0.0	<u>18.1</u>	20.4	Interest on Deferred Retirement Obligations	<u>65.4</u>	<u>65.4</u>	<u>0.0</u>	0.0	<u>54.3</u>	20.4
<b>\$ 6,403.2</b>	<b>\$ 6,310.0</b>	<b>[\$ 93.2]</b>	[ 1.5]	<b>\$ 6,096.7</b>	<b>5.0</b>	Total Expense	<b>\$ 17,796.8</b>	<b>\$ 17,811.6</b>	<b>\$ - 14.8</b>	<b>- 0.1</b>	<b>\$ 17,114.8</b>	<b>4.0</b>

[ ]=Unfavorable variance to budget

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



**ANALYSIS OF OPERATING EXPENSES**  
**Personnel Compensation**  
**December 2005 - FY 2006**  
**(\$ Millions)**

Current Period							Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
						<b>Total Compensation</b>						
						Operations:						
\$ 36.3	\$ 35.0	[\$ 1.3]	[ 3.8]	\$ 33.2	9.3	-Support	\$ 107.0	\$ 103.1	[\$ 3.9]	[ 3.8]	\$ 97.6	9.6
1,103.4	1,060.4	[ 43.0]	[ 4.1]	1,069.9	3.1	-Mail Processing	3,069.8	2,982.3	[ 87.5]	[ 2.9]	2,996.4	2.5
491.9	477.3	[ 14.6]	[ 3.1]	446.9	10.1	-Rural Delivery	1,362.1	1,348.8	[ 13.3]	[ 1.0]	1,256.8	8.4
1,517.2	1,491.2	[ 25.9]	[ 1.7]	1,457.3	4.1	-City Delivery	4,354.4	4,318.6	[ 35.8]	[ 0.8]	4,230.6	2.9
112.5	110.6	[ 1.8]	[ 1.7]	109.1	3.1	-Vehicles Services	312.5	311.6	[ 0.9]	[ 0.3]	301.8	3.5
272.0	275.5	- 3.5	- 1.3	262.6	3.6	-Plant & Equip Maint	779.1	799.1	- 20.0	- 2.5	751.0	3.7
756.6	734.2	[ 22.4]	[ 3.1]	739.7	2.3	-Customer Services	2,114.0	2,072.4	[ 41.6]	[ 2.0]	2,060.2	2.6
18.2	19.4	- 1.2	- 6.2	17.5	4.0	Finance	53.0	56.7	- 3.7	- 6.5	50.7	4.5
29.8	30.7	- 0.9	- 3.0	31.1	- 4.2	Human Resources	88.5	90.1	- 1.5	- 1.7	90.8	- 2.5
44.5	45.7	- 1.1	- 2.5	43.6	2.2	Customer Service & Sales	129.9	133.7	- 3.8	- 2.8	126.9	2.4
211.6	222.6	- 11.0	- 4.9	211.1	0.2	Administration - Field	622.6	650.0	- 27.5	- 4.2	612.5	1.6
103.5	111.4	- 7.9	- 7.1	107.8	- 4.0	Other Salaries & Benefits	314.1	333.6	- 19.5	- 5.9	319.9	- 1.8
<b>\$ 4,697.4</b>	<b>\$ 4,613.9</b>	<b>[\$ 83.5]</b>	<b>[ 1.8]</b>	<b>\$ 4,529.8</b>	<b>3.7</b>	<b>Total Salaries &amp; Benefits</b>	<b>\$ 13,307.0</b>	<b>\$ 13,200.0</b>	<b>[\$ 107.0]</b>	<b>[ 0.8]</b>	<b>\$ 12,895.2</b>	<b>3.2</b>
99.7	99.7	- 0.0	- 0.0	107.9	- 7.6	Workers' Compensation	299.0	299.2	- 0.2	- 0.1	323.6	- 7.6
6.7	6.7	[ 0.0]	[ 0.2]	4.5	49.9	Unemployment Compensation	20.2	20.2	[ 0.0]	[ 0.1]	13.6	49.2
2.4	2.4	0.0	0.0	1.9	26.3	Deferred Retirement Cost	7.2	7.2	0.0	0.0	5.7	26.3
132.3	134.9	- 2.6	- 1.9	118.1	12.0	Annuitant Health Benefits	394.5	402.4	- 7.9	- 2.0	353.7	11.5
12.9	12.1	[ 0.8]	[ 6.3]	13.6	- 5.3	Other Compensation	71.8	36.6	[ 35.2]	[ 96.1]	74.9	- 4.0
<b>\$ 4,951.4</b>	<b>\$ 4,869.8</b>	<b>[\$ 81.6]</b>	<b>[ 1.7]</b>	<b>\$ 4,775.8</b>	<b>3.7</b>	<b>Total Personnel Compensation</b>	<b>\$ 14,099.8</b>	<b>\$ 13,965.6</b>	<b>[\$ 134.2]</b>	<b>[ 1.0]</b>	<b>\$ 13,666.7</b>	<b>3.2</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**  
December 2005 - 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
\$ 615.2	\$ 633.3	\$ -18.1	-2.9	\$ 561.2	9.6	Transportation	\$ 1,509.5	\$ 1,540.4	\$ -30.9	-2.0	\$ 1,418.6	6.4
233.1	218.1	[ 15.0]	[ 6.9]	209.9	11.1	Supplies & Services	489.1	592.9	-103.8	-17.5	438.8	11.5
182.1	181.9	[ 0.2]	[ 0.1]	167.1	9.0	Depreciation	529.8	550.7	-20.9	-3.8	499.4	6.1
86.2	89.3	-3.2	-3.5	90.4	-4.7	Rent	254.4	259.7	-5.3	-2.0	258.7	-1.7
58.7	49.2	[ 9.6]	[ 19.5]	45.1	30.3	Utilities & Heating Fuel	148.2	134.7	[ 13.5]	[ 10.0]	124.1	19.4
39.3	38.1	[ 1.2]	[ 3.3]	35.5	10.8	Rural Carrier Equip Maint Allowance	111.5	112.4	-0.9	-0.8	98.8	12.8
56.0	52.1	[ 3.9]	[ 7.5]	51.9	7.9	Vehicle Maintenance Services	169.7	143.9	[ 25.8]	[ 17.9]	137.7	23.3
27.7	19.4	[ 8.3]	[ 42.9]	26.7	3.8	Information Technology	89.1	113.7	-24.7	-21.7	70.1	27.1
18.8	22.1	-3.3	-15.1	28.3	-33.5	Building Projects Expensed	57.7	58.2	-0.5	-0.9	66.4	-13.1
10.4	7.3	[ 3.1]	[ 42.5]	6.7	54.5	Contract Job Cleaners	24.9	21.6	[ 3.3]	[ 15.2]	20.5	21.7
18.7	17.2	[ 1.5]	[ 8.4]	19.3	-3.1	Travel & Relocation	59.3	50.4	[ 8.9]	[ 17.6]	53.4	11.1
22.4	18.0	[ 4.4]	[ 24.7]	19.7	14.1	Communications	51.3	48.2	[ 3.1]	[ 6.5]	51.8	-1.0
6.0	7.2	-1.2	-17.2	6.7	-10.4	Contract Stations	17.4	19.9	-2.5	-12.3	18.3	-4.7
1.9	2.1	-0.2	-7.6	2.2	-13.0	Printing	4.7	5.4	-0.7	-13.4	8.0	-41.2
3.1	4.4	-1.3	-29.9	3.4	-10.6	Training	10.1	20.1	-10.1	-50.0	11.4	-11.7
2.2	2.4	-0.2	-6.7	2.6	-12.7	Carfare & Tolls	7.3	7.6	-0.3	-3.6	7.0	3.8
0.8	1.4	-0.6	-41.8	1.1	-21.8	Vehicle Hire	3.6	3.9	-0.4	-9.6	3.4	4.0
3.7	4.3	-0.6	-14.1	4.8	-22.3	Accident Costs	13.8	10.9	[ 2.8]	[ 25.9]	13.5	2.2
43.6	50.5	-7.0	-13.8	20.4	113.4	Miscellaneous	78.9	84.1	-5.2	-6.2	92.4	-14.6
<b>\$ 1,430.0</b>	<b>\$ 1,418.3</b>	<b>[\$ 11.7]</b>	<b>[ 0.8]</b>	<b>\$ 1,302.8</b>	<b>9.8</b>	<b>Total Non-Personnel Expenses</b>	<b>\$ 3,630.2</b>	<b>\$ 3,778.9</b>	<b>\$ -148.7</b>	<b>-3.9</b>	<b>\$ 3,392.3</b>	<b>7.0</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**  
December 2005 - FY 2006  
(\$ Millions)

Assets	December 31, 2005	December 31, 2004	September 30, 2005*
<b>Current Assets:</b>			
Cash and cash equivalents _1/	\$ 1,681	\$ 737	\$ 930
<b>Receivables:</b>			
Foreign countries	578	676	590
U.S. Government	285	296	280
Other	<u>230</u>	<u>242</u>	<u>188</u>
<b>Receivables before allowances</b>	1,093	1,214	1,058
Less allowances	<u>49</u>	<u>114</u>	<u>50</u>
<b>Total receivables, net</b>	1,044	1,100	1,008
Supplies, advances and prepayments	<u>161</u>	<u>178</u>	<u>200</u>
<b>Total Current Assets</b>	<b>2,886</b>	<b>2,015</b>	<b>2,138</b>
Other Assets, principally revenue forgone appropriations receivable	382	361	376
<b>Property and Equipment, at Cost:</b>			
Buildings	20,726	20,220	20,480
Equipment	18,701	17,592	18,664
Land	2,879	2,809	2,878
Leasehold improvements	<u>1,183</u>	<u>1,108</u>	<u>1,172</u>
	43,489	41,729	43,194
Less allowances for depreciation and amortization	<u>22,826</u>	<u>21,116</u>	<u>22,400</u>
	20,663	20,613	20,794
Construction in progress	<u>2,059</u>	<u>1,955</u>	<u>1,895</u>
<b>Total property and equipment, net</b>	22,722	22,568	22,689
<b>Total Assets</b>	<b><u>\$ 25,990</u></b>	<b><u>\$ 24,944</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**

December 2005 - FY 2006

(\$ Millions)

Liabilities and Net Capital	December 31, 2005	December 31, 2004	September 30, 2005*
<b>Current Liabilities:</b>			
Compensation and benefits	\$ 2,432	\$ 2,336	\$ 2,852
Estimated prepaid postage	1,221	1,244	1,200
<b>Payables and accrued expenses:</b>			
Commercial vendors & accrued expenses	1,582	1,512	1,568
Foreign countries	603	825	688
U.S. government	56	68	76
<b>Total payables and accrued expenses</b>	<u>2,241</u>	<u>2,405</u>	<u>2,332</u>
Customer deposit accounts	1,743	1,765	1,720
Outstanding postal money orders	874	786	830
Prepaid box rent & other deferred revenue	<u>448</u>	<u>413</u>	<u>477</u>
<b>Total Current Liabilities</b>	<b>8,959</b>	<b>8,949</b>	<b>9,411</b>
<b>Non-Current Liabilities:</b>			
Workers' compensation costs	6,983	6,963	6,695
Employees' accumulated leave	2,245	2,132	2,016
Deferred revenue	692	288	692
Long-term portion capital lease obligations	651	650	644
Other	<u>356</u>	<u>349</u>	<u>369</u>
<b>Total Non-Current Liabilities</b>	<b>10,927</b>	<b>10,382</b>	<b>10,416</b>
<b>Total Liabilities</b>	<b>19,886</b>	<b>19,331</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>3,070</u>	<u>2,579</u>	<u>2,342</u>
<b>Total Net Capital</b>	<b>6,104</b>	<b>5,613</b>	<b>5,376</b>
<b>Total Liabilities and Net Capital</b>	<b><u>\$ 25,990</u></b>	<b><u>\$ 24,944</u></b>	<b><u>\$ 25,203</u></b>

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

\* Audited year-end data.

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

**STATEMENT OF CASH FLOWS**  
**Fiscal Year 2006 through December 31, 2005**  
(\$ Millions)

	December 31, 2005	December 31, 2004	September 30, 2005*
<b>Cash flows from operating activities:</b>			
Net Income	\$ 728	\$ 1,682	\$ 1,445
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	530	499	2,089
(Gain) loss on disposals of property and equipment, net	(2)	4	5
Increase in revenue forgone appropriations receivable	(6)	-	(15)
Increase (decrease) in workers' compensation liability	288	312	(58)
Increase in employees' accumulated leave	229	126	10
Increase (decrease) in long-term portion capital lease liability	7	(2)	(8)
(Decrease) in other non-current liabilities	(13)	(32)	(111)
Changes in current assets and liabilities:			
(Increase) decrease in receivables, net	(36)	(76)	16
Decrease in supplies, advances and prepayments	39	42	20
(Decrease) increase in compensation and benefits	(420)	(304)	314
Increase (decrease) in estimated prepaid postage	21	(12)	(56)
(Decrease) in payables and accrued expenses	(90)	(199)	(199)
Increase in customers' deposit accounts	23	159	114
Increase in outstanding postal money orders	44	19	63
(Decrease) increase in prepaid box rent & other deferred revenue	(29)	16	52
<b>Net cash provided by operating activities</b>	<b>1,313</b>	<b>2,234</b>	<b>3,681</b>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(570)	(576)	(2,317)
Proceeds from sale of property and equipment	8	2	31
<b>Net cash used in investing activities</b>	<b>(562)</b>	<b>(574)</b>	<b>(2,286)</b>
<b>Cash flows from financing activities:</b>			
U.S. government appropriation - received	-	-	503
U.S. government appropriation - expended	-	-	(45)
Issuance of debt	-	-	-
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>751</b>	<b>(140)</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>\$ 1,681</b>	<b>\$ 737</b>	<b>\$ 930</b>

\* Audited year-end data.

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

**CAPITAL INVESTMENTS**  
December 2005 - FY 2006  
(\$ Millions)

MAJOR CATEGORIES	COMMITMENTS			CASH OUTLAYS		
	Year-to-Date			Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	\$ 15.3	\$ 10.0	\$ 30.8	\$ 47.5	\$ 51.1	\$ 61.2
BUILDING IMPROVEMENTS	78.6	99.9	24.2	108.8	83.7	100.3
MAIL PROCESSING EQUIPMENT	53.5	61.0	1.2	229.9	205.8	192.0
VEHICLES	3.8	4.2	0.5	50.0	34.6	52.7
RETAIL EQUIPMENT	0.0	0.0	1.7	0.1	4.6	39.6
POSTAL SUPPORT EQUIPMENT	1.5	17.5	363.6	133.4	161.5	130.5
<b>TOTAL COMMITMENTS/CASH OUTLAYS</b>	<b>\$ 152.7</b>	<b>\$ 192.7</b>	<b>\$ 422.0</b>	<b>\$ 569.6</b>	<b>\$ 541.1</b>	<b>\$ 576.4</b>

Note: Totals may not sum due to rounding.

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

MAJOR CATEGORIES	December 31, 2005	September 30, 2005
CONSTRUCTION AND BUILDING PURCHASE	\$ 113.6	\$ 149.0
BUILDING IMPROVEMENTS	385.6	419.5
MAIL PROCESSING EQUIPMENT	1,844.2	2,017.9
VEHICLES	156.5	202.7
RETAIL EQUIPMENT	38.4	38.5
POSTAL SUPPORT EQUIPMENT	444.8	579.8
<b>TOTAL RESOURCES ON ORDER</b>	<b>\$ 2,983.1</b>	<b>\$ 3,407.4</b>

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

**WORKHOURS & OVERTIME/SICK LEAVE RATIOS**

December 2005 - 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
784	[ 8 ]	[ 1.1 ]	751	4.4	Operations:	2,358	[ 83 ]	[ 3.7 ]	2,239	5.3
32,485	[ 1,430 ]	[ 4.6 ]	32,892	- 1.2	-Support	89,630	[ 3,813 ]	[ 4.4 ]	90,276	- 0.7
16,373	[ 399 ]	[ 2.5 ]	15,799	3.6	-Mail Processing	46,280	[ 840 ]	[ 1.8 ]	44,727	3.5
41,178	[ 600 ]	[ 1.5 ]	41,246	- 0.2	-Rural Delivery	119,433	[ 1,846 ]	[ 1.6 ]	119,895	- 0.4
2,915	[ 2 ]	[ 0.1 ]	2,933	0.0	-City Delivery	8,145	- 8	- 0.1	8,134	0.1
6,968	- 307	- 4.2	7,007	- 0.6	-Vehicles Services	20,303	- 782	- 3.7	20,307	- 0.0
21,492	[ 513 ]	[ 2.4 ]	21,725	- 1.1	-Plant & Equip Maint	60,111	[ 1,538 ]	[ 2.6 ]	60,520	- 0.7
409	- 61	- 13.0	413	- 1.0	-Customer Services	1,213	- 158	- 11.5	1,214	- 0.0
666	- 29	- 4.2	724	- 8.0	Finance	2,039	[ 8 ]	[ 0.4 ]	2,172	- 6.1
1,125	- 46	- 4.0	1,139	- 1.2	Human Resources	3,329	- 96	- 2.8	3,353	- 0.7
5,546	- 267	- 4.6	5,800	- 4.4	Customer Service & Sales	16,420	- 301	- 1.8	16,738	- 1.9
1,738	- 269	- 13.4	2,061	- 15.7	Administration	5,634	- 350	- 5.8	6,252	- 9.9
131,679	[ 1,971 ]	[ 1.5 ]	132,491	- 0.6	Other	374,895	[ 6,433 ]	[ 1.7 ]	375,827	- 0.2
					Total Workhours					

Overtime						
Actual	Budget	SPLY		Actual	Budget	SPLY

13.1%	9.3%	12.0%	Overtime Ratio Per 100 Workhours	12.0%	8.9%	11.5%
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Sick Leave				
Actual	SPLY		Actual	SPLY

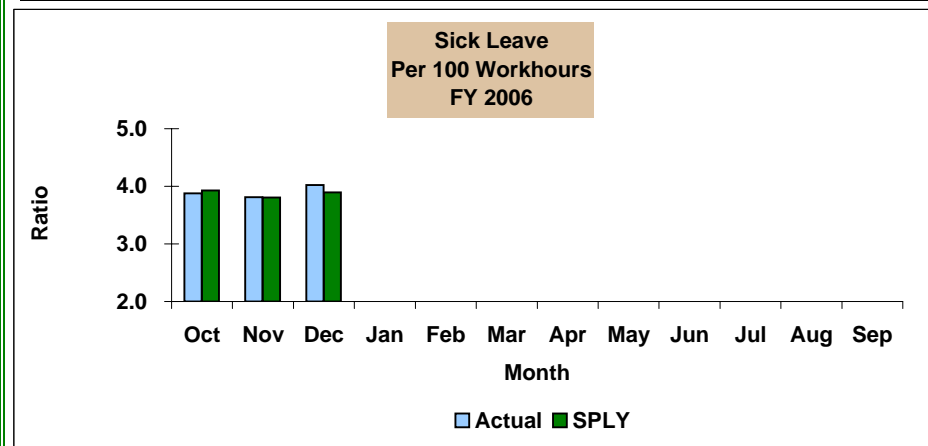
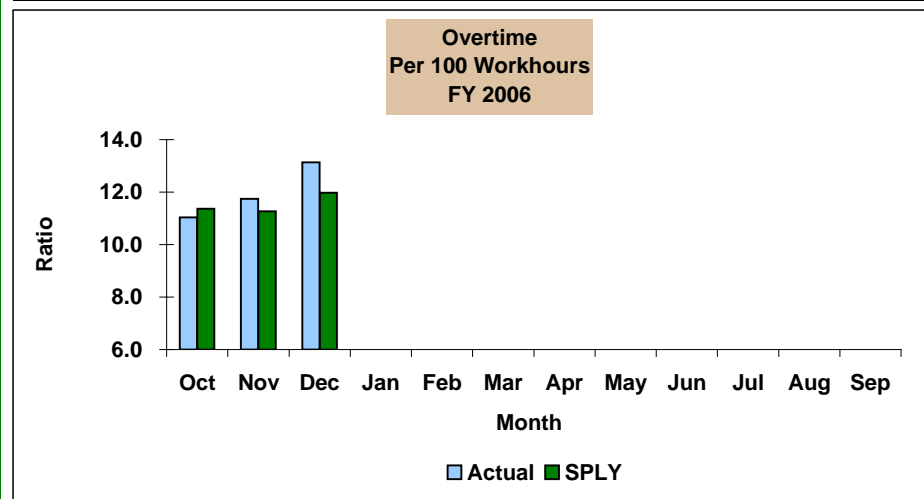
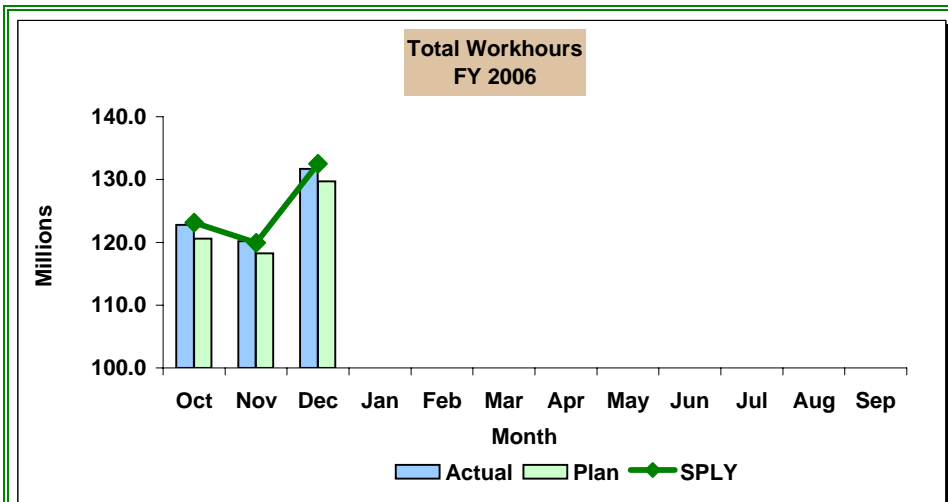
4.0%	3.9%	Sick Leave Ratio Per 100 Workhours	3.9%	3.9%
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[ ]=Unfavorable variance to budget

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.



## December 2005 - FY 2006

Information: For the month, there was an equal number of delivery days as compared to same period last year (SPLY). Also, December contained one more Saturday and two less business weekdays than SPLY.

### Analysis of the Financial and Operating Statements

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

For December, Total Revenue was \$68 million or 1.1% over plan, and \$121 million or 1.8% below same period last year (SPLY). Commercial Revenue was under plan by \$54 million or 1.2% and Retail Revenue was over plan \$68 million or 3.4%. In December, combined Total Commercial Revenue and Retail Revenue were \$148 million less than SPLY. Most of the decrease in revenue to SPLY for December was reflected in Stamps and Stamped Paper, \$156 million less and Metered Postage, \$62 million less.

Year-to-date, Total Revenue is \$168 million or 0.9% under plan with the largest contributor being Other Commercial Accounts Revenue at \$476 million or 8.6% less than plan. YTD, Total Revenue is \$272 million under SPLY with the bulk of the underrun, \$330 million, in Retail Postage Revenue.

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

For December, Total Expenses were \$93 million or 1.5% above plan. Personnel costs were \$82 million or 1.7% above plan and non-personnel costs were above plan by \$12 million or 0.8%. Most of the non-personnel plan overrun was in Supplies and Services at \$15 million above plan and Utilities and Heating Fuel at \$10 million above plan. Conversely, Transportation costs were \$18 million below plan or 2.9%. Compared to SPLY, this month's Total Expenses were increased by \$307 million or 5.0%. The drivers of this increase over SPLY, included an increase in deliveries, increased fuel prices, health benefits and COLA costs.

Year-to-date, Total Expenses were \$15 million or 0.1% below plan. Personnel costs are \$134 million or 1.0% above plan, while non-personnel expenses are \$149 million or 3.9% below plan. The largest contributors to the non-personnel plan underrun are Supplies and Services at \$104 million or 17.5% below plan and Transportation at \$31 million or 2.0% below plan. YTD Total Expenses are \$682 million or 4.0% above SPLY.

## December 2005 - FY 2006

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

#### Mail Volume and Revenue - Page 3

Total Mail Volume for Quarter 1, FY 2006 is 871 million pieces or 1.5% below SPLY. Total Mail Volume Revenue is \$328 million or 1.8% less than SPLY. In Quarter I, of last year, Total Mail Volume was aided considerably by the impact of the quadrennial election cycle, as well as being driven by the strength of direct marketing channels, surges in credit card marketing and a calendar shift that added two days to the holiday marketing and mailing season between Thanksgiving and Christmas. For Quarter I, FY 2006, Standard Mail volumes are 127 million pieces or 0.5% over SPLY. Periodicals were below their Quarter 1, FY 2005 levels. Quarter I, First-Class Mail volume is 3.8% less than SPLY generating \$415 million or 4.3% less revenue than SPLY.

#### Capital Investments - Pages 1 and 13

The Fiscal Year 2006 Capital Commitments YTD through December 2005 are \$153 million compared to a plan of \$193 million. This represents a plan underrun of about \$40 million or 20.8%.

The Cash Outlays YTD are \$570 million versus a plan of \$541 million, representing a \$29 million overrun to plan.

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

Total Workhours for December 2005 were 2.0 million hours or 1.5% above plan, and 0.8 million hours or 0.6% below December 2004. Rural Delivery increased 0.6 million hours over SPLY.

Year-to-date, Total Workhours for December 2005 are 6.4 million hours or 1.7% above plan, and 0.9 million hours below SPLY. The most significant plan overruns were in Mail Processing by 3.8 million hours, Delivery Services by 2.7 million hours, and Customer Services by 1.5 million hours. YTD, major contributors to the workhours reduction to SPLY are Mail Processing, City Delivery and Customer Services. Combined, workhours in these operations have been reduced 1.5 million hours below SPLY.