UNITED STATES POSTAL SERVICE

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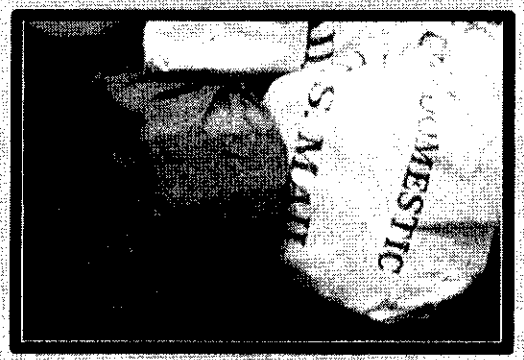
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

FINANCIAL & OPERATING STATEMENTS



Accounting Period 10, PFY 2001

May 19 - June 15, 2001

Prepared by:
Financial Analysis

MAIL VOLUME - MAIL REVENUE

(Data in Thousands)

CATEGORY	CURRENT PERIOD AP 10, FY 2001	AP 10, FY 2000	% SPLY
FIRST-CLASS			
VOLUME	7,648,832	7,440,151	2.8
REVENUE	$ 2,633,491	$ 2,545,743	3.4
REV/PC.	0.3443	0.3422	0.6
PRIORITY-MAIL			
VOLUME	78,910	85,327	- 7.5
REVENUE	$ 355,385	$ 330,406	7.6
REV/PC.	4.5037	3.8722	16.3
EXPRESS MAIL			
VOLUME	5,197	5,321	- 2.3
REVENUE	$ 74,060	$ 74,075	- 0.0
REV/PC.	14.2505	13.9213	2.4
PERIODICALS			
VOLUME	760,469	744,672	2.1
REVENUE	$ 165,058	$ 154,185	7.1
REV/PC.	0.2170	0.2071	4.8
STANDARD MAIL			
VOLUME	6,200,843	6,291,022	- 1.4
REVENUE	$ 1,089,380	$ 1,054,988	3.3
REV/PC.	0.1757	0.1677	4.8
PACKAGE SERVICES			
VOLUME	70,754	76,815	- 7.9
REVENUE	$ 132,892	$ 125,707	5.7
REV/PC.	1.8782	1.6365	14.8
INTERNATIONAL			
VOLUME	72,286	86,253	- 16.2
REVENUE	$ 121,792	$ 116,293	4.7
REV/PC.	1.6849	1.3483	25.0
ALL OTHER			
VOLUME	35,820	29,278	22.3
REVENUE	$ 77	$ 110	- 30.0
ALL MAIL _1/			
VOLUME	14,873,111	14,758,839	0.8
REVENUE	$ 4,572,135	$ 4,401,508	3.9
REV/PC.	0.3074	0.2982	3.1

_ 1/ Totals may not sum due to rounding.

_2/ Numbers are preliminary and are subject to change.

Statement of Income & Expense
Accounting Period 10, FY 2001
($ Millions)

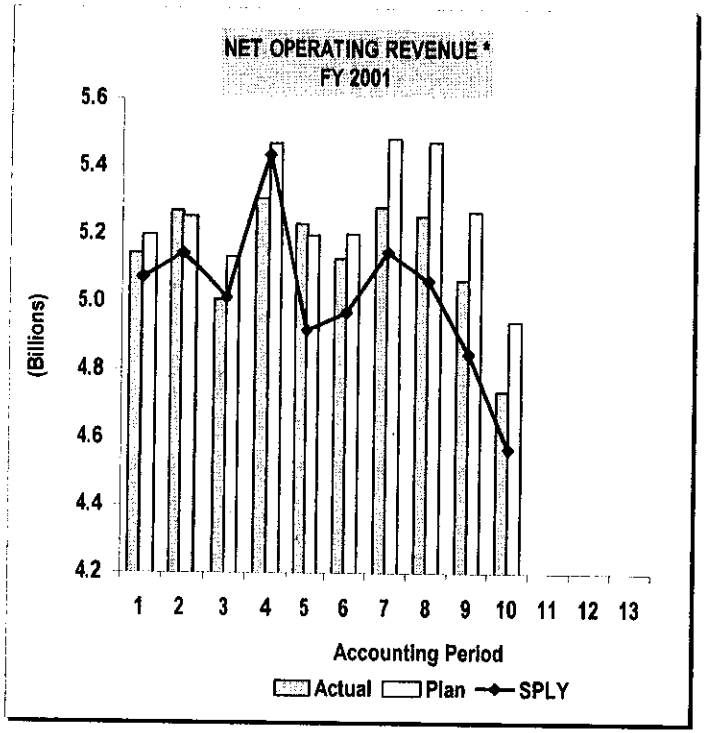
Current Period							Year-to-Date					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
$ 4,736.1	$ 4,941.4	[$ - 205.3]	[- 4.2]	4,564.9	3.8	Operating Revenue *	$ 51,442.5	$ 52,592.6	[$ - 1,150.1]	[- 2.2]	$ 50,180.7	2.5
4,889.2	4,951.7	- 62.5	- 1.3	4,637.7	5.4	Operating Expense	50,654.4	50,852.0	- 197.6	- 0.4	48,095.9	5.3
$ - 153.1	$ - 10.3	[$ - 142.8]	-	$ - 72.8	-	Income (Loss) From Operations	$ 788.1	$ 1,740.6	[$ - 952.5]	-	$ 2,084.8	-
2.4	2.0	0.4	21.5	6.0	- 59.2	Investment Income	27.5	21.0	6.5	30.9	31.0	- 9.1
- 22.8	- 27.7	4.9	- 17.6	- 18.0	26.9	Interest Expense	- 289.4	- 336.9	47.5	- 14.1	- 208.0	39.1
- 123.9	- 123.9	0.0	0.0	- 121.6	1.9	Interest on Deferred Ret. Liabilities	- 1,239.2	- 1,239.2	0.0	0.0	- 1,216.4	1.9
$ (- 297.4)	$ (- 159.9)	[$ - 137.5]	-	$ - 206.4	-	Income/(Loss)	$ (- 713.0)	$ 185.5	[$ - 898.5]	-	$ 691.4	-

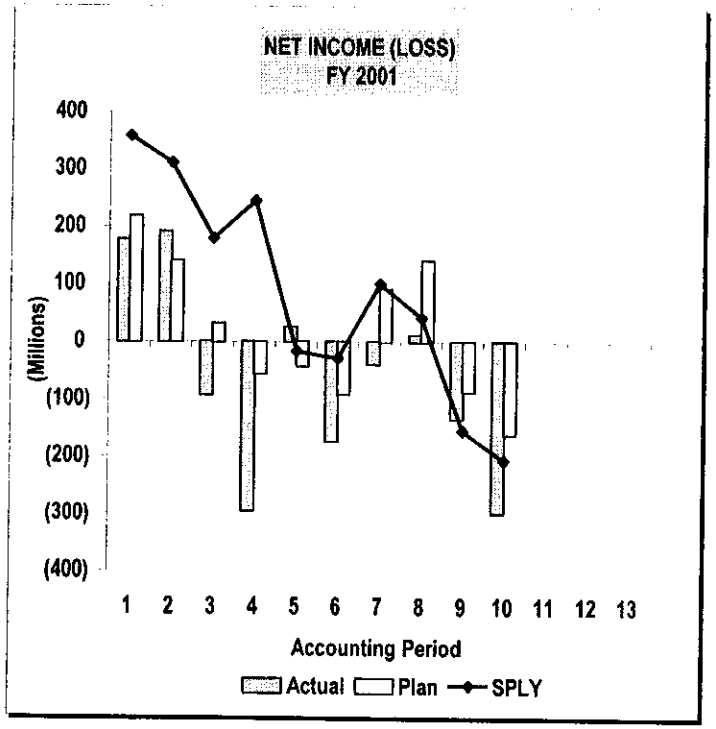
[ ]=Unfavorable variance to budget
Note: Totals may not sum due to rounding.
* The revenue plan reflects rates as requested in the R2000-1 Omnibus Rate Case.

REVENUE BY SOURCE
Accounting Period 10, FY 2001
($ Millions)

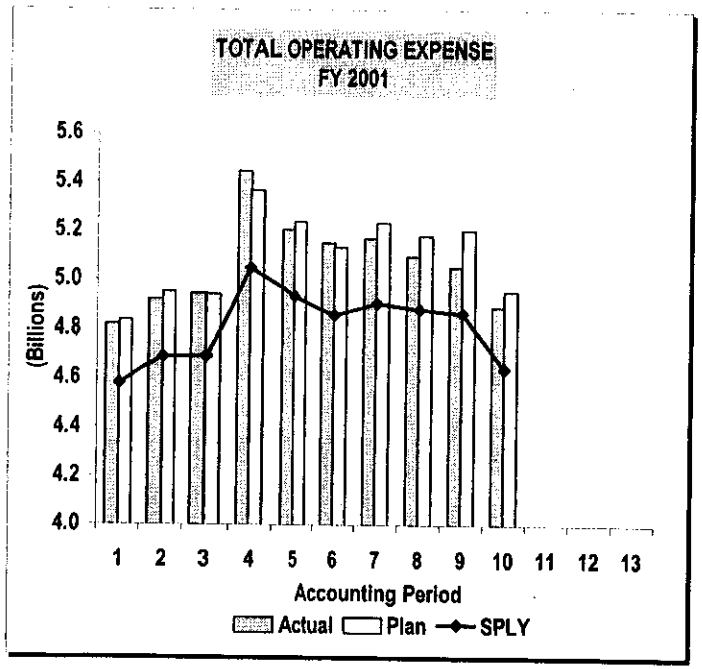
Current Period				Year-to-Date		
Actual	SPLY	% SPLY		Actual	SPLY	% SPLY
			Operating Revenue:			
$ 1,829.8	$ 1,793.6	2.0	Metered Postage	$ 19,597.3	$ 19,493.1	0.5
816.0	814.1	0.2	Stamps and Stamped Paper	9,087.2	9,016.4	0.8
1,020.8	977.2	4.5	Permit Imprint	11,511.0	10,936.2	5.3
163.6	152.6	7.2	Periodicals & Standard	1,701.7	1,648.4	3.2
56.8	55.4	2.5	Official Mail	622.3	776.8	- 19.9
661.0	580.7	13.8	Presort First-Class & Package Svc./Permit Imprint	6,879.6	6,351.1	8.3
54.4	53.3	2.1	Box Rents	531.4	526.1	1.0
13.3	14.3	- 7.0	Money Order Fees	145.2	144.5	0.5
115.3	118.7	- 2.9	Other	1,315.7	1,238.1	6.3
$ 4,731.0	**$ 4,559.9**	**3.8**	**Subtotal**	**$ 51,391.4**	**$ 50,130.7**	**2.5**
			Government Appropriation:			
5.1	5.0	2.0	Revenue Forgone	51.1	50.0	2.2
$ 4,736.1	**$ 4,564.9**	**3.8**	**Total Operating Revenue**	**$ 51,442.5**	**$ 50,180.7**	**2.5**
2.4	6.0	- 59.2	Investment Income	27.5	31.0	- 9.1
$ 4,738.5	**$ 4,570.9**	**3.7**	**Total Revenue**	**$ 51,470.0**	**$ 50,211.7**	**2.5**

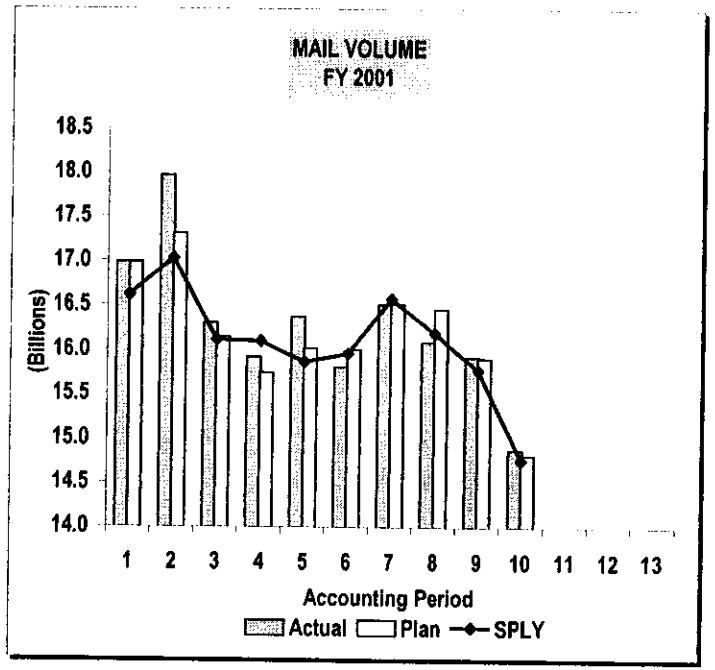
Note: Totals may not sum due to rounding.





* The revenue plan reflects rates as requested in the R2000-1 Omnibus Rate Case.





EXPENSE ANALYSIS
Accounting Period 10, FY 2001
($ Millions)

Current Period							Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY		Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	
$ 3,832.2	$ 3,881.9	$ - 49.7	- 1.3	$ 3,669.0	4.4	**Personnel Compensation**	$ 39,995.2	$ 39,930.4	[$ 64.8]	[0.2]	$ 37,922.1	5.5	
						Non-Personnel Expense:							
369.1	367.7	[1.4]	[0.4]	343.7	7.4	Transportation	3,950.2	3,750.1	[200.1]	[5.3]	3,647.7	8.3	
* 224.7	217.7	[7.0]	[3.2]	219.8	2.3	Supplies & Services	2,255.0	2,514.8	- 259.8	- 10.3	2,366.8	- 4.7	
463.2	484.4	- 21.2	- 4.4	405.2	14.3	Other	4,454.0	4,656.7	- 202.7	- 4.4	4,159.3	7.1	
$ 1,057.0	$ 1,069.8	$ - 12.8	- 1.2	$ 968.7	9.1	**Subtotal**	$ 10,659.2	$ 10,921.6	$ - 262.4	- 2.4	$ 10,173.8	4.8	
$ 4,889.2	$ 4,951.7	$ - 62.5	- 1.3	$ 4,637.7	5.4	**Total Operating Expense**	$ 50,654.4	$ 50,852.0	$ - 197.6	- 0.4	$ 48,095.9	5.3	
22.8	27.7	- 4.9	- 17.6	18.0	26.9	Interest Expense	289.4	336.9	- 47.5	- 14.1	208.0	39.1	
123.9	123.9	0.0	0.0	121.6	1.9	Interest on Deferred Ret. Liabilities	1,239.2	1,239.2	0.0	0.0	1,216.4	1.9	
$ 5,035.9	$ 5,103.3	$ - 67.4	- 1.3	$ 4,777.3	5.4	**Total Expense**	$ 52,183.0	$ 52,428.1	$ - 245.1	- 0.5	$ 49,520.3	5.4	

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

* In Fiscal Year (FY) 2001, the Postal Service began accruing for the cost of holiday transportation when incurred, rather than recognizing the expense when paid. The impact of this change in accounting policy is to increase the reported growth in AP 4 transportation expenses by $137 million, relative to the same period last year (SPLY). Future accounting periods in FY 2001 will also be less comparable to the prior year, as the reported growth will be slightly lower than it otherwise would have been, compared to SPLY.

REVENUE BY CATEGORY
Accounting Period 10, FY 2001
($ Millions)

Current Period				Year-to-Date			
Actual	Budget	% Budget		Actual	Budget	% Budget	
			Commercial Revenue				
$ 1,886.4	$ 2,127.5	[11.3]	Permit Revenue	$ 20,616.2	$ 22,364.9	[7.8]	
1,650.1	1,577.0	4.6	Other Commercial Accounts Revenue	17,481.6	16,657.5	4.9	
$ 3,536.5	**$ 3,704.5**	**[4.5]**	**Total Commercial Revenue**	**$ 38,097.8**	**$ 39,022.4**	**[2.3]**	
			Retail Revenue				
963.2	976.0	[1.3]	Retail Postage Revenue	10,825.6	10,812.7	0.1	
72.6	70.7	2.7	Retail Services Revenue	723.7	735.8	[1.6]	
9.5	11.6	[18.1]	Retail Products Revenue	104.4	125.5	[16.8]	
123.7	129.7	[4.6]	Other Retail Channels Revenue	1,314.5	1,408.5	[6.7]	
$ 1,169.0	**$ 1,188.0**	**[1.5]**	**Total Retail Revenue**	**$ 12,968.2**	**$ 13,082.5**	**[0.8]**	
$ 4,705.5	**$ 4,892.5**	**[3.8]**	**Total Commercial & Retail Revenue**	**$ 51,066.0**	**$ 52,104.9**	**[2.0]**	
25.5	43.8	[41.8]	Other Income	325.4	436.4	[25.4]	
5.1	5.1	0.0	Revenue Forgone	51.1	51.3	[0.4]	
$ 4,736.1	**$ 4,941.4**	**[4.2]**	**Total Operating Revenue**	**$ 51,442.5**	**$ 52,592.6**	**[2.2]**	
2.4	2.0	21.5	Investment Income	27.5	21.0	30.9	
$ 4,738.5	**$ 4,943.4**	**[4.1]**	**Total Revenue ***	**$ 51,470.0**	**$ 52,613.6**	**[2.2]**	

[ ]=Unfavorable variance to budget

Note: Totals may not sum due to rounding.

*** The revenue plan reflects rates as requested in the R2000-1 Omnibus Rate Case.**

ANALYSIS OF NON-PERSONNEL EXPENSES
Accounting Period 10, FY 2001
($ Millions)

Current Period							Year-to-Date						
Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY	Description	Actual	Budget	Var. to Budget	% Budget	SPLY *	% SPLY
$ 369.1	$ 367.7	[$ 1.4]	[0.4]	$ 343.7	7.4	Transportation	$ 3,950.2	$ 3,750.1	[$ 200.1]	[5.3]	$ 3,647.7	8.3
224.7	217.7	[7.1]	[3.2]	219.8	2.3	Supplies & Services	2,255.0	2,514.8	- 259.8	- 10.3	2,366.8	- 4.7
172.9	182.1	- 9.2	- 5.1	155.0	11.6	Depreciation	1,676.9	1,723.2	- 46.3	- 2.7	1,555.2	7.8
70.1	77.0	- 6.9	- 9.0	68.5	2.4	Rent	660.9	696.6	- 35.6	- 5.1	627.4	5.3
38.4	36.9	[1.6]	[4.2]	32.0	19.9	Fuel & Utilities	386.1	372.6	[13.5]	[3.6]	324.4	19.0
29.9	30.0	- 0.1	- 0.3	30.9	- 3.1	Rural Carrier Equip Maint Allowance	299.4	296.7	[2.8]	[0.9]	272.5	9.9
33.1	29.2	[3.9]	[13.2]	30.1	10.0	Vehicle Maintenance	334.4	305.1	[29.3]	[9.6]	285.3	17.2
33.7	33.8	- 0.1	- 0.2	22.7	48.7	Information Technology	234.5	295.5	- 61.1	- 20.7	220.4	6.4
7.6	18.5	- 10.9	- 59.0	11.5	- 34.1	Building Projects Expensed	107.2	155.7	- 48.5	- 31.2	132.5	- 19.1
6.2	5.5	[0.7]	[12.2]	5.1	20.0	Contract Job Cleaners	53.6	53.7	- 0.1	- 0.3	50.1	6.9
11.6	12.6	- 1.1	- 8.4	11.6	- 0.0	Travel & Relocation	108.2	131.0	- 22.8	- 17.4	113.6	- 4.7
17.7	17.1	[0.5]	[3.2]	11.2	57.5	Communications	161.3	182.5	- 21.2	- 11.6	190.3	- 15.2
5.6	5.9	- 0.2	- 4.1	5.7	- 0.7	Contract Stations	53.3	54.4	- 1.1	- 2.0	53.0	0.6
2.6	2.8	- 0.2	- 7.5	2.2	17.5	Printing	27.4	32.6	- 5.2	- 16.0	32.1	- 14.7
5.3	7.7	- 2.5	- 32.2	3.9	34.0	Training	51.2	69.9	- 18.7	- 26.7	38.9	31.8
5.1	4.6	[0.5]	[10.9]	4.7	8.4	Carfare & Tolls	46.7	50.9	- 4.2	- 8.3	47.6	- 1.9
2.8	3.2	- 0.4	- 12.7	3.7	- 24.3	Vehicle Hire	37.8	34.9	[2.9]	[8.4]	36.5	3.6
5.6	3.7	[1.9]	[51.7]	2.9	91.8	Accident Cost	39.6	38.9	[0.7]	[1.8]	32.5	21.7
- 3.8	- 5.0	[1.2]	[23.3]	- 4.1	6.4	Capitalized Interest	- 42.5	- 50.0	[7.5]	[15.0]	- 40.5	- 4.9
18.8	18.7	[0.1]	[0.6]	7.6	-	Miscellaneous	218.1	212.5	[5.6]	[2.6]	187.6	-
$ 1,057.0	**$ 1,069.8**	**$ - 12.8**	**- 1.2**	**$ 968.7**	**9.1**	**Total Other Operating Expenses**	**$ 10,659.2**	**$ 10,921.6**	**$- 262.4**	**- 2.4**	**$ 10,173.8**	**4.8**

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

STATEMENT OF FINANCIAL POSITION
Accounting Period 10, FY 2001
($ Millions)

Assets	June 15, 2001	May 18, 2001	September 30, 2000 *
Current Assets:			
Cash and cash equivalents _1/	0	$ 41	$ 677
U.S. Government securities, at amortized cost which approximates market	6	6	6
Receivables:			
Foreign countries	419	401	349
U.S. Government	126	116	134
Other	244	239	213
	789	756	696
Less allowances	116	117	107
	673	639	589
Supplies, advances and prepayments	361	365	383
Total Current Assets	**1,040**	**1,051**	**1,655**
Other assets _2/	375	375	375
Property and equipment, at cost:			
Buildings	18,617	18,556	17,685
Equipment	14,854	14,668	13,973
Land	2,662	2,656	2,534
	36,133	35,880	34,192
Less allowances for depreciation	14,304	14,184	13,143
	21,829	21,696	21,049
Construction in progress	2,320	2,445	2,389
Leasehold improvements, net	657	662	632
	24,806	24,803	24,070
Deferred Retirement Costs _3/	32,867	33,035	32,183
Total Assets	**$ 59,088**	**$ 59,264**	**$ 58,283**

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

_2/ Includes $373 million as of September 30, 2000, May 18, 2001, and June 15, 2001 for appropriation receivable for revenue forgone.

_3/ Represents the Postal Service's deferred retirement liability to OPM for increases in basic pay and annuitants' COLAs. Amounts applicable to future periods are capitalized as deferred retirement costs and amortized over 30 years for basic pay and 15 years for annuitants' COLAs.

* Audited year-end data

STATEMENT OF FINANCIAL POSITION
Accounting Period 10, FY 2001
($ Millions)

Liabilities and Equities	June 15, 2001	May 18, 2001	September 30, 2000 *
Current Liabilities:			
Compensation and employees' benefits	$ 6,544	$ 6,289	$ 5,295
Estimated prepaid postage	1,615	1,612	1,594
Payables and accrued expenses:			
Foreign countries	511	489	439
U.S. Government	139	152	150
Other	2,267	2,366	1,300
	2,917	3,007	1,889
Appropriation for free & reduced rate mail	19	25	0
Prepaid permit mail and box rentals	1,490	1,487	1,969
Outstanding postal money orders	882	943	716
Current portion of debt	1,535	1,540	6,814
Total Current Liabilities	**15,002**	**14,903**	**18,277**
Long-term debt, less current portion	4,552	4,552	2,502
Other Liabilities:			
Amounts payable for retirement benefits _3/	32,275	32,275	30,212
Workers' compensation claims	5,742	5,663	5,029
Employees' accumulated leave	2,024	2,089	2,090
Other	1,103	1,100	819
Total Other Liabilities	41,144	41,127	38,150
Capital Contributions of the US Government	3,034	3,034	3,034
Deficit Since Reorganization	- 4,644	- 4,352	- 3,680
Equity/Capital Deficiency	- 1,610	- 1,318	- 646
Total Liabilities and Equity	**$ 59,088**	**$ 59,264**	**$ 58,283**

_3/ Represents the Postal Service's deferred retirement liability to OPM for increases in basic pay and annuitants' COLAs. Amounts applicable to future periods are capitalized as deferred retirement costs and amortized over 30 years for basic pay and 15 years for annuitants' COLAs.

* Audited year-end data

CAPITAL INVESTMENTS
FY 2001
($ Millions)

MAJOR CATEGORIES	COMMITMENTS A/P 10 Year-to-Date			EXPENDITURES A/P 10 Year-to-Date		
	ACTUAL	PLAN	SPLY	ACTUAL	PLAN	SPLY
CONSTRUCTION AND BUILDING PURCHASE	$ 103.4	$ 138.3	$ 341.5	$ 486.4	$ 564.3	$ 626.7
BUILDING IMPROVEMENTS	154.3	223.0	309.2	388.7	437.2	519.4
MAIL PROCESSING EQUIPMENT	184.4	170.3	185.8	607.7	529.3	665.0
VEHICLES	40.2	25.1	30.5	247.8	157.2	149.1
RETAIL EQUIPMENT	55.9	54.5	200.6	185.8	145.3	156.0
POSTAL SUPPORT EQUIPMENT	148.8	161.1	151.6	282.9	349.1	253.8
TOTAL COMMITMENTS/EXPENDITURES *	**$ 687.0**	**$ 772.4**	**$ 1,219.2**	**$ 2,199.2**	**$ 2,182.3**	**$ 2,370.0**

Note: Totals may not sum due to rounding.

*** The capital plan was reduced from $3.6 billion to $2.6 billion and is reflected above.**

RESOURCES ON ORDER
($ Millions)

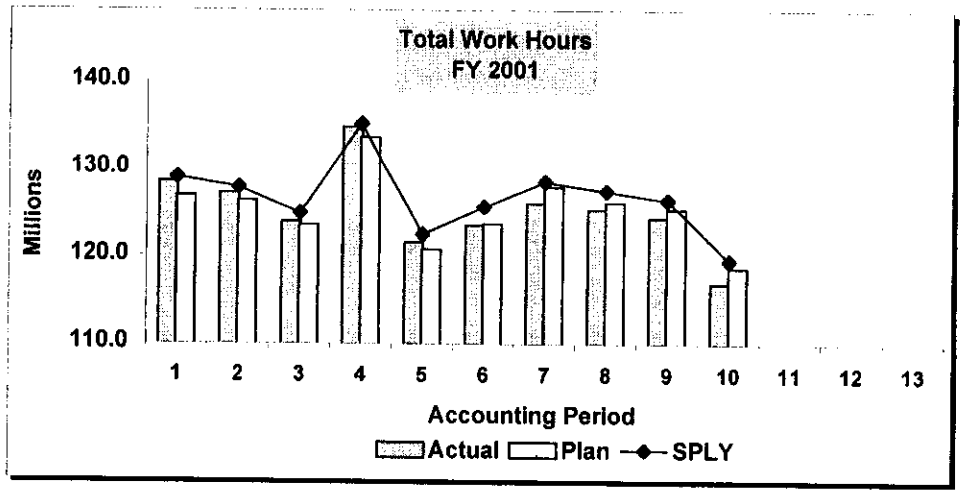
MAJOR CATEGORIES	June 15, 2001	September 30, 2000
CONSTRUCTION AND BUILDING PURCHASE	$ 302.8	$ 693.2
BUILDING IMPROVEMENTS	202.6	458.1
MAIL PROCESSING EQUIPMENT	1,172.4	1,617.0
VEHICLES	167.0	375.2
RETAIL EQUIPMENT	98.5	228.7
POSTAL SUPPORT EQUIPMENT	128.1	269.2
INVENTORIES	186.5	230.2
RESEARCH AND DEVELOPMENT	43.3	38.9
MISCELLANEOUS EXPENSE COMMITMENTS	3,428.5	3,463.1
TOTAL RESOURCES ON ORDER	**$ 5,729.8**	**$ 7,373.5**

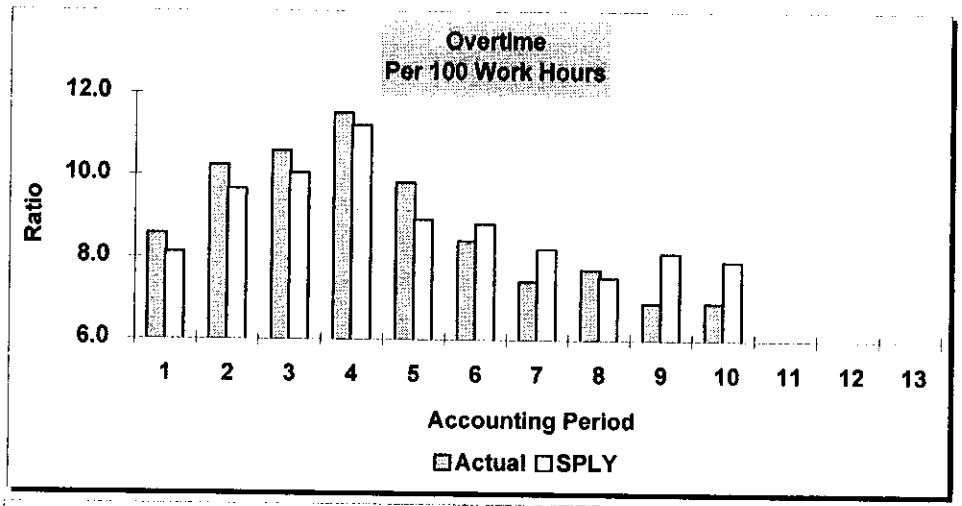
Note: Totals may not sum due to rounding.

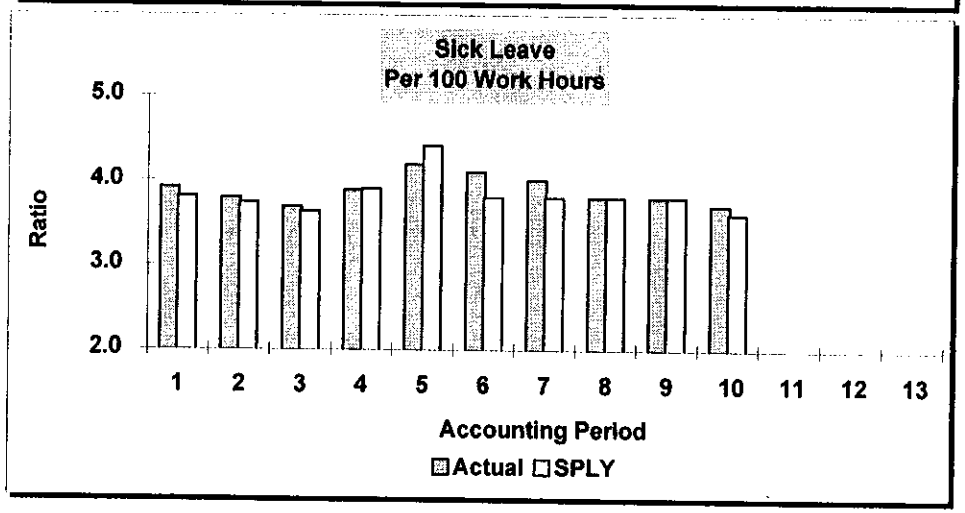
STATEMENT OF CASH FLOWS
($ Millions)

For the Fiscal Year through June 15, 2001

Cash flows from operating activities:		
Net income/(loss) (Government Fiscal Year Basis)	$	(964)
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:		
Depreciation and amortization		1,555
Increase/(decrease) in other liabilities		284
Increase/(decrease) in employees' accumulated leave		(66)
Increase/(decrease) in non-current workers' compensation claims		713
Increase/(decrease) in retirement, net		1,379
Changes in current assets and liabilities:		
Increase/(decrease) in accrued compensation and benefits		1,249
Increase/(decrease) in deferred revenue		(439)
Increase/(decrease) in payables and accrued expenses		1,028
(Increase)/decrease in receivables		(84)
(Increase)/decrease in supplies, advances and prepayments		22
Increase/(decrease) in outstanding postal money orders		166
Net cash provided by operating activities		**4,843**
Cash flows from investing activities:		
Sale/(purchase) of U.S. Government securities, net		0
Purchase of property and equipment, net		(2,291)
Net cash used in investing activities		**(2,291)**
Cash flows from financing activities:		
Increase/(decrease) in debt		(3,229)
(Increase)/decrease in other non-current assets		0
Net cash used by financing activities		**(3,229)**
Net (decrease)/increase in cash and cash equivalents		**(677)**
Cash and cash equivalents at beginning of period		**677**
Cash and cash equivalents at end of period	**$**	**0**


Total Work Hours
FY 2001
Millions
140.0
130.0
120.0
110.0
1 2 3 4 5 6 7 8 9 10 11 12 13
Accounting Period
Actual Plan SPLY


Overtime
Per 100 Work Hours
Ratio
12.0
10.0
8.0
6.0
1 2 3 4 5 6 7 8 9 10 11 12 13
Accounting Period
Actual SPLY


Sick Leave
Per 100 Work Hours
Ratio
5.0
4.0
3.0
2.0
1 2 3 4 5 6 7 8 9 10 11 12 13
Accounting Period
Actual SPLY

WORK HOURS & OVERTIME/SICK LEAVE RATIOS
Accounting Period 10, FY 2001
(Data In Thousands)

Current Period						Year-to-Date				
Actual	Var. to Budget	% Budget	SPLY *	% SPLY	Total Work Hours	Actual	Var. to Budget	% Budget	SPLY *	% SPLY
					Operations:					
719	- 58	- 7.6	752	- 4.4	-Support	7,507	- 367	- 4.7	7,798	- 3.7
28,814	- 677	- 2.3	29,936	- 3.7	-Mail Processing	322,720	- 517	- 0.2	333,410	- 3.2
13,021	- 112	- 0.9	12,747	2.1	-Rural Delivery	132,768	- 195	- 0.1	129,172	2.8
35,744	- 100	- 0.3	36,351	- 1.7	-Other Delivery	378,284	[3,212]	[0.9]	379,793	- 0.4
2,491	- 20	- 0.8	2,498	- 0.3	-Vehicles Services	26,053	- 121	- 0.5	26,113	- 0.2
6,218	- 268	- 4.1	6,216	0.0	-Plant & Equip Maint	64,609	- 1,818	- 2.7	64,172	0.7
18,656	- 265	- 1.4	19,380	- 3.7	-Customer Services	202,822	- 613	- 0.3	207,127	- 2.1
656	- 116	- 14.9	713	- 8.0	Controller	7,041	- 825	- 10.5	7,453	- 5.5
696	- 67	- 8.8	714	- 2.5	Human Resources	7,274	- 490	- 6.3	7,441	- 2.2
982	- 84	- 7.9	1,036	- 5.3	Customer Service & Sale	10,487	- 666	- 6.0	11,922	- 12.0
5,039	- 17	- 0.3	5,080	- 0.8	Administration	51,818	[251]	[0.5]	52,336	- 1.0
3,789	- 45	- 1.2	4,079	- 7.1	Other	41,353	[3,022]	[7.9]	39,989	3.4
116,825	- 1,829	- 1.5	119,502	- 2.2	Total Work Hours	1,252,736	[873]	[0.1]	1,266,726	- 1.1

Overtime						
Actual	Budget	SPLY		Actual	Budget	SPLY
6.9%	7.1%	7.9%	Overtime Ratio Per 100 Work Hours	8.8%	8.3%	9.0%

Sick Leave						
Actual	Budget	SPLY		Actual	Budget	SPLY
3.7%	--	3.6%	Sick Leave Ratio Per 100 Work Hours	3.9%	--	3.9%

[ ]=Unfavorable variance to budget

* Recasted Data

Note: Totals may not sum due to rounding.