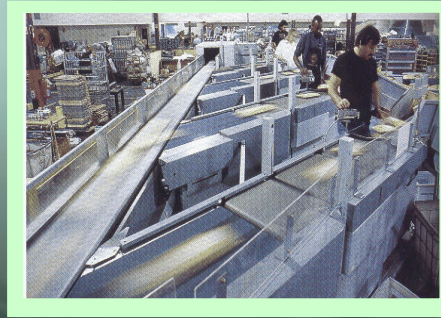




**UNITED STATES  
POSTAL SERVICE**

# FINANCIAL & OPERATING STATEMENTS



**July, FY 2006  
July 1 – July 31, 2006**

Prepared by: Financial Reporting and Analysis

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

Current Period						Year-to-Date (October 1, 2005 - July 31, 2006)					
Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY	Actual	Budget	Var. to Budget	% Budget	SPLY	% SPLY
\$ 5,493.9	\$ 5,519.4	[\$ -25.5]	[ -0.5]	\$ 5,275.2	4.1	\$ 60,561.4	\$ 60,197.8	\$ 363.6	0.6	\$ 58,264.4	3.9
<u>5,761.6</u>	<u>5,740.7</u>	<u>[ 20.9]</u>	<u>[ 0.4]</u>	<u>5,526.5</u>	4.3	<u>59,222.1</u>	<u>58,927.5</u>	<u>[ 294.6]</u>	<u>[ 0.5]</u>	<u>56,805.8</u>	4.3
\$ ( 267.7)	\$ ( 221.3)	[\$ -46.4]	NM	\$ ( 251.3)	NM	\$ 1,339.3	\$ 1,270.3	\$ 69.0	NM	\$ 1,458.6	NM
<u>250.0</u>						<u>2,500.0</u>					
<u>\$ ( 517.7)</u>						<u>\$ ( 1,160.7)</u>					
\$ 226.2	\$ 116.6	\$ 109.6	94.0	\$ 352.4	-35.8	\$ 1,177.8	\$ 1,134.1	\$ 43.7	3.9	\$ 1,510.1	-22.0
115.0	115.3	-0.3	-0.2	115.5	-0.4	1,214.5	1,198.5	[ 16.0]	[ 1.3]	1,217.2	-0.2

Actual Number Of:	Current Period	Last Period	SPLY
Post Offices	27,319	27,325	27,401
Postal Owned Vehicles In Use			
Administrative	6,270	6,271	6,307
Operations	209,488	209,709	206,676
Total Deliveries (000)	145,766	145,605	143,908
City Delivery Routes	163,450	163,702	164,412
Rural Routes	74,191	73,833	72,119
Career Employees (excludes Inspector General)	696,451	696,512	702,978
Casual Employees	19,805	22,586	20,121
Transitional Employees	5,475	5,886	8,708

\*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  
July 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
\$ 5,476.3	\$ 5,499.6	[\$ -23.3]	[ -0.4]	\$ 5,265.9	4.0	Operating Revenue	\$ 60,427.8	\$ 60,049.5	\$ 378.3	0.6	\$ 58,197.6	3.8
<u>5,743.9</u>	<u>5,718.8</u>	[ <u>25.1</u> ]	0.4	<u>5,505.8</u>	4.3	Operating Expense	<u>59,043.6</u>	<u>58,707.3</u>	[ <u>336.3</u> ]	[ 0.6]	<u>56,582.9</u>	4.3
\$ ( 267.6)	\$ ( 219.2)	[\$ -48.4]	NM	\$ ( 239.9)	NM	Income/(Loss) From Operations	\$ 1,384.2	\$ 1,342.2	\$ 42.0	NM	\$ 1,614.7	NM
17.6	19.8	[ -2.2]	[ -11.1]	9.3	89.2	Investment Income	133.6	148.3	[ -14.7]	[ -9.9]	66.8	100.0
0.0	0.1	[ -0.1]	-100.0	0.0	NM	Interest Expense	1.4	2.2	-0.8	-36.4	1.5	-6.7
<u>17.7</u>	<u>21.8</u>	<u>-4.1</u>	-	<u>20.7</u>	-14.5	Interest on Deferred Retirement Obligations	<u>177.1</u>	<u>218.0</u>	<u>-40.9</u>	<u>-</u>	<u>221.4</u>	-20.0
\$ ( 267.7)	\$ ( 221.3)	[\$ -46.4]	NM	\$ ( 251.3)	NM	Net Income Before Escrow Allocation *	\$ 1,339.3	\$ 1,270.3	\$ 69.0	NM	\$ 1,458.6	NM
<u>250.0</u>						Escrow Allocation *	<u>2,500.0</u>					
\$ ( 517.7)						Net Gain/(Deficiency) After Escrow Allocation *	\$ ( 1,160.7)					

[ ]=Unfavorable variance to budget

\* See footnote on page 1.

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

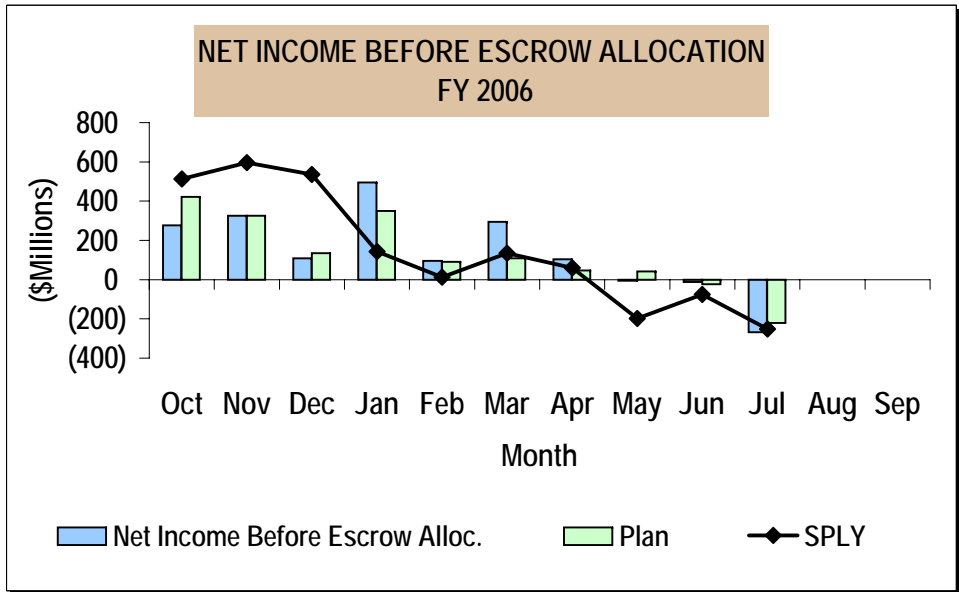
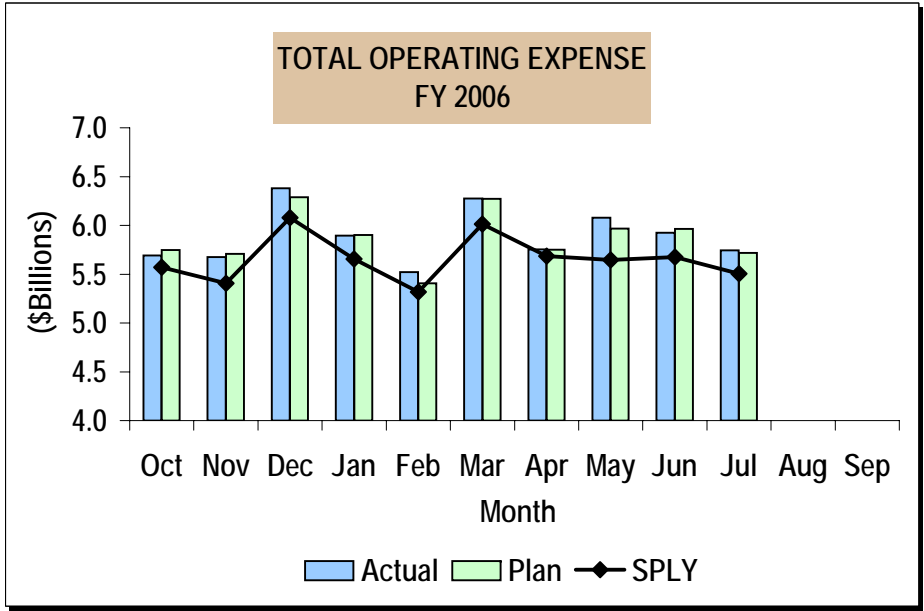
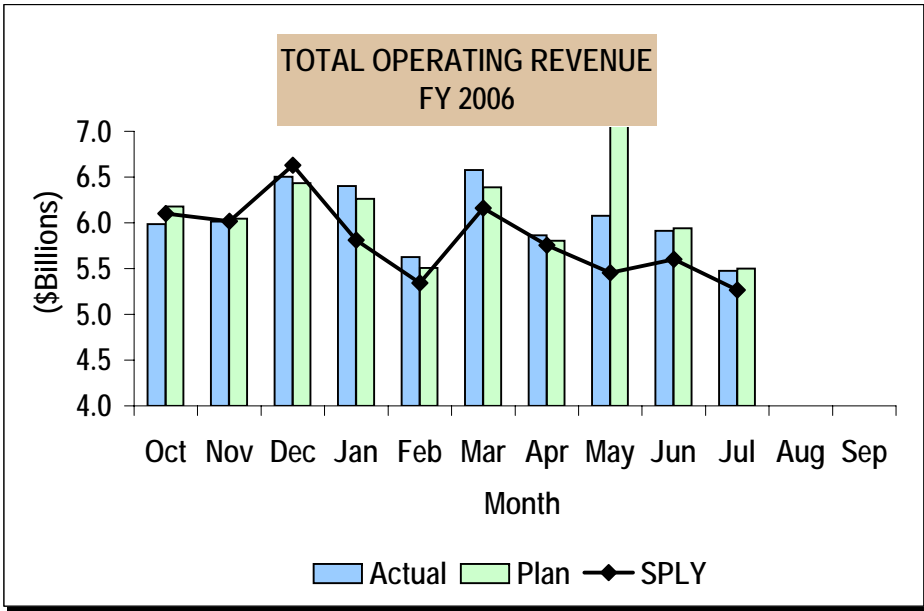
**MAIL VOLUME - MAIL REVENUE**  
(Data in Thousands)

CATEGORY	CURRENT PERIOD			YEAR-TO-DATE		
	July 31, FY 2006	July 31, FY 2005	% SPLY	July 31, FY 2006	July 31, FY 2005	% SPLY
<b>FIRST-CLASS</b>						
VOLUME	7,470,101	7,565,666	- 1.3	81,866,650	82,292,936	- 0.5
REVENUE	\$ 2,854,851	\$ 2,745,294	4.0	\$ 30,994,710	\$ 30,241,716	2.5
REV/PC.	\$ 0.3822	\$ 0.3629	5.3	\$ 0.3786	\$ 0.3675	3.0
<b>PRIORITY-MAIL</b>						
VOLUME	66,060	64,228	2.9	776,542	740,309	4.9
REVENUE	\$ 360,657	\$ 331,534	8.8	\$ 4,231,905	\$ 3,873,277	9.3
REV/PC.	\$ 5.4595	\$ 5.1618	5.8	\$ 5.4497	\$ 5.2320	4.2
<b>EXPRESS MAIL</b>						
VOLUME	4,319	4,426	- 2.4	46,932	46,105	1.8
REVENUE	\$ 71,107	\$ 68,810	3.3	\$ 768,601	\$ 725,855	5.9
REV/PC.	\$ 16.4638	\$ 15.5468	5.9	\$ 16.3769	\$ 15.7435	4.0
<b>PERIODICALS</b>						
VOLUME	641,206	719,407	- 10.9	7,506,243	7,633,382	- 1.7
REVENUE	\$ 153,174	\$ 164,684	- 7.0	\$ 1,827,181	\$ 1,809,419	1.0
REV/PC.	\$ 0.2389	\$ 0.2289	4.4	\$ 0.2434	\$ 0.2370	2.7
<b>STANDARD MAIL</b>						
VOLUME	7,618,855	7,686,193	- 0.9	84,506,021	83,089,861	1.7
REVENUE	\$ 1,479,105	\$ 1,425,059	3.8	\$ 16,345,216	\$ 15,599,844	4.8
REV/PC.	\$ 0.1941	\$ 0.1854	4.7	\$ 0.1934	\$ 0.1877	3.0
<b>PACKAGE SERVICES</b>						
VOLUME	94,487	90,703	4.2	975,326	959,044	1.7
REVENUE	\$ 164,944	\$ 149,093	10.6	\$ 1,881,652	\$ 1,838,038	2.4
REV/PC.	\$ 1.7457	\$ 1.6437	6.2	\$ 1.9293	\$ 1.9165	0.7
<b>INTERNATIONAL</b>						
VOLUME	62,464	60,297	3.6	725,173	716,216	1.3
REVENUE	\$ 124,006	\$ 128,015	- 3.1	\$ 1,567,774	\$ 1,481,579	5.8
REV/PC.	\$ 1.9852	\$ 2.1231	- 6.5	\$ 2.1619	\$ 2.0686	4.5
<b>ALL OTHER</b>						
VOLUME	108,192	46,243	134.0	980,718	583,613	68.0
<b>ALL MAIL</b>						
VOLUME	16,065,685	16,237,164	- 1.1	177,383,604	176,061,466	0.8
REVENUE	\$ 5,207,844	\$ 5,012,490	3.9	\$ 57,617,039	\$ 55,569,728	3.7
REV/PC.	\$ 0.3242	\$ 0.3087	5.0	\$ 0.3248	\$ 0.3156	2.9

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

Current Period				Year-to-Date		
Actual	SPLY	% SPLY		Actual	SPLY	% SPLY
			<b>Operating Revenue:</b>			
\$ 1,907.2	\$ 1,877.0	1.6	Metered Postage	\$ 20,782.6	\$ 20,505.3	1.4
784.9	786.0	- 0.1	Stamps and Stamped Paper	9,289.3	9,302.9	- 0.1
1,411.8	1,347.8	4.7	Permit Imprint	15,466.4	14,658.1	5.5
151.7	163.0	- 6.9	Periodicals & Standard	1,811.6	1,793.9	1.0
59.6	65.2	- 8.6	Official Mail	699.6	681.7	2.6
923.7	801.3	15.3	Presort First-Class & Package Svc./Permit Imprint	9,646.2	8,669.6	11.3
69.2	66.3	4.4	Box Rents	675.8	657.5	2.8
16.4	17.0	- 3.5	Money Order Fees	175.6	173.4	1.3
<u>137.6</u>	<u>133.9</u>	2.8	Other	<u>1,744.8</u>	<u>1,674.4</u>	4.2
<b>\$ 5,462.1</b>	<b>\$ 5,257.5</b>	<b>3.9</b>	<b>Subtotal</b>	<b>\$ 60,291.9</b>	<b>\$ 58,116.8</b>	<b>3.7</b>
<u>14.2</u>	<u>8.4</u>	69.0	Government Appropriations	<u>135.9</u>	<u>80.8</u>	68.2
<b>\$ 5,476.3</b>	<b>\$ 5,265.9</b>	<b>4.0</b>	<b>Total Operating Revenue</b>	<b>\$ 60,427.8</b>	<b>\$ 58,197.6</b>	<b>3.8</b>
<u>17.6</u>	<u>9.3</u>	89.2	Investment Income	<u>133.6</u>	<u>66.8</u>	100.0
<b><u>\$ 5,493.9</u></b>	<b><u>\$ 5,275.2</u></b>	<b>4.1</b>	<b>Total Revenue</b>	<b><u>\$ 60,561.4</u></b>	<b><u>\$ 58,264.4</u></b>	<b>3.9</b>

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

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

Current Period				Year-to-Date		
Actual	Budget	% Budget		Actual	Budget	% Budget
			<b>Commercial Revenue</b>			
\$ 2,534.1	\$ 2,520.1	0.6	Permit Revenue	\$ 27,511.1	\$ 26,953.4	2.1
<u>1,616.2</u>	<u>1,654.1</u>	[ - 2.3]	Other Commercial Accounts Revenue	<u>17,316.1</u>	<u>18,079.3</u>	[ - 4.2]
<b>\$ 4,150.3</b>	<b>\$ 4,174.2</b>	<b>[ - 0.6]</b>	<b>Total Commercial Revenue</b>	<b>\$ 44,827.2</b>	<b>\$ 45,032.7</b>	<b>[ - 0.5]</b>
			<b>Retail Revenue</b>			
919.1	962.8	[ - 4.5]	Retail Postage Revenue	10,997.0	11,062.9	[ - 0.6]
103.6	95.9	8.0	Retail Services Revenue	1,052.2	1,031.0	2.1
17.2	14.0	22.9	Retail Products Revenue	171.4	159.4	7.5
<u>251.6</u>	<u>214.6</u>	17.2	Other Retail Channels Revenue	<u>2,796.7</u>	<u>2,222.7</u>	25.8
<b>\$ 1,291.5</b>	<b>\$ 1,287.3</b>	<b>0.3</b>	<b>Total Retail Revenue</b>	<b>\$ 15,017.3</b>	<b>\$ 14,476.0</b>	<b>3.7</b>
<b>\$ 5,441.8</b>	<b>\$ 5,461.5</b>	<b>[ - 0.4]</b>	<b>Total Commercial &amp; Retail Revenue</b>	<b>\$ 59,844.5</b>	<b>\$ 59,508.7</b>	<b>0.6</b>
20.3	26.2	[ - 22.5]	Other Income	447.4	413.3	8.3
<u>14.2</u>	<u>11.9</u>	19.3	Government Appropriations	<u>135.9</u>	<u>127.5</u>	6.6
<b>\$ 5,476.3</b>	<b>\$ 5,499.6</b>	<b>[ - 0.4]</b>	<b>Total Operating Revenue</b>	<b>\$ 60,427.8</b>	<b>\$ 60,049.5</b>	<b>0.6</b>
<u>17.6</u>	<u>19.8</u>	[ - 11.1]	Investment Income	<u>133.6</u>	<u>148.3</u>	[ - 9.9]
<b>\$ 5,493.9</b>	<b>\$ 5,519.4</b>	<b>[ - 0.5]</b>	<b>Total Revenue</b>	<b>\$ 60,561.4</b>	<b>\$ 60,197.8</b>	<b>0.6</b>

[ ]=Unfavorable variance to budget

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

**EXPENSE ANALYSIS**  
**July 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	
\$ 4,502.3	\$ 4,500.6	[\$ 1.7]	[ 0.0]	\$ 4,376.9	2.9	Personnel Compensation	\$ 46,506.6	\$ 46,069.0	[\$ 437.6]	[ 0.9]	\$ 44,888.3	3.6	
Non-Personnel Expense:													
499.8	484.9	[ 14.9]	[ 3.1]	426.7	17.1	Transportation	4,972.0	4,918.8	[ 53.2]	[ 1.1]	4,480.2	11.0	
207.1	195.2	[ 11.9]	[ 6.1]	204.9	1.1	Supplies & Services	2,042.1	2,067.5	- 25.4	- 1.2	1,930.5	5.8	
<u>534.7</u>	<u>538.1</u>	<u>- 3.4</u>	<u>- 0.6</u>	<u>497.4</u>	<u>7.5</u>	Other	<u>5,522.9</u>	<u>5,652.0</u>	<u>- 129.1</u>	<u>- 2.3</u>	<u>5,283.9</u>	<u>4.5</u>	
<b>\$ 1,241.6</b>	<b>\$ 1,218.2</b>	<b>[\$ 23.4]</b>	<b>[ 1.9]</b>	<b>\$ 1,128.9</b>	<b>10.0</b>	Subtotal	<b>\$ 12,537.0</b>	<b>\$ 12,638.3</b>	<b>\$ - 101.3</b>	<b>- 0.8</b>	<b>\$ 11,694.6</b>	<b>7.2</b>	
<b>\$ 5,743.9</b>	<b>\$ 5,718.8</b>	<b>[\$ 25.1]</b>	<b>[ 0.4]</b>	<b>\$ 5,505.8</b>	<b>4.3</b>	Total Operating Expense	<b>\$ 59,043.6</b>	<b>\$ 58,707.3</b>	<b>[\$ 336.3]</b>	<b>[ 0.6]</b>	<b>\$ 56,582.9</b>	<b>4.3</b>	
0.0	0.1	- 0.1	- 100.0	-	NM	Interest Expense	1.4	2.2	- 0.8	- 36.4	1.5	- 6.7	
<u>17.7</u>	<u>21.8</u>	<u>- 4.1</u>	<u>-</u>	<u>20.7</u>	<u>- 14.5</u>	Interest on Deferred Retirement Obligations	<u>177.1</u>	<u>218.0</u>	<u>- 40.9</u>	<u>-</u>	<u>221.4</u>	<u>- 20.0</u>	
<b>\$ 5,761.6</b>	<b>\$ 5,740.7</b>	<b>[\$ 20.9]</b>	<b>[ 0.4]</b>	<b>\$ 5,526.5</b>	<b>4.3</b>	Total Expense	<b>\$ 59,222.1</b>	<b>\$ 58,927.5</b>	<b>[\$ 294.6]</b>	<b>[ 0.5]</b>	<b>\$ 56,805.8</b>	<b>4.3</b>	

[ ]=Unfavorable variance to budget

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



**ANALYSIS OF OPERATING EXPENSES**  
**Personnel Compensation**  
**July 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	
\$ 35.0	\$ 34.2	[\$ 0.7]	[ 2.1]	\$ 34.0	2.9	Operations:	\$ 376.7	\$ 358.3	[\$ 18.4]	[ 5.1]	\$ 349.8	7.7	
927.1	916.6	[ 10.5]	[ 1.1]	922.7	0.5	-Support	9,821.0	9,592.8	[ 228.2]	[ 2.4]	9,607.0	2.2	
458.2	459.8	- 1.6	- 0.4	428.3	7.0	-Mail Processing	4,557.1	4,561.6	- 4.5	- 0.1	4,243.4	7.4	
1,402.2	1,399.0	[ 3.2]	[ 0.2]	1,377.4	1.8	-Rural Delivery	14,384.9	14,239.7	[ 145.2]	[ 1.0]	13,935.3	3.2	
101.1	99.3	[ 1.7]	[ 1.7]	97.1	4.1	-City Delivery	1,038.8	1,025.2	[ 13.6]	[ 1.3]	995.5	4.4	
256.7	261.3	- 4.6	- 1.8	245.6	4.5	-Vehicles Services	2,618.7	2,666.7	- 47.9	- 1.8	2,507.8	4.4	
661.2	657.7	[ 3.5]	[ 0.5]	644.3	2.6	-Plant & Equip Maint	6,960.3	6,802.3	[ 158.0]	[ 2.3]	6,709.2	3.7	
17.4	19.1	- 1.7	- 8.7	17.1	1.9	-Customer Services	181.8	202.6	- 20.7	- 10.2	174.6	4.2	
28.0	29.6	- 1.7	- 5.6	30.5	- 8.4	Finance	299.2	308.5	- 9.3	- 3.0	316.4	- 5.4	
42.1	43.5	- 1.4	- 3.3	40.8	3.0	Human Resources	444.8	452.3	- 7.5	- 1.7	427.2	4.1	
207.6	206.8	[ 0.8]	[ 0.4]	199.0	4.3	Customer Service & Sales	2,158.9	2,158.4	[ 0.5]	[ 0.0]	2,093.2	3.1	
100.2	106.1	- 5.9	- 5.6	93.9	6.7	Administration - Field	1,054.5	1,065.4	- 10.9	- 1.0	1,106.5	- 4.7	
<b>\$ 4,236.5</b>	<b>\$ 4,233.1</b>	<b>[\$ 3.4]</b>	<b>[ 0.1]</b>	<b>\$ 4,130.8</b>	<b>2.6</b>	<b>Total Salaries &amp; Benefits</b>	<b>\$ 43,896.8</b>	<b>\$ 43,433.8</b>	<b>[\$ 463.0]</b>	<b>[ 1.1]</b>	<b>\$ 42,465.9</b>	<b>3.4</b>	
103.9	99.7	[ 4.2]	[ 4.2]	95.8	8.4	Workers' Compensation	1,038.7	997.2	[ 41.5]	[ 4.2]	953.7	8.9	
8.7	6.4	[ 2.2]	[ 34.8]	4.3	103.1	Unemployment Compensation	63.1	52.0	[ 11.1]	[ 21.3]	38.6	63.6	
1.9	2.4	- 0.5	- 19.0	3.3	- 41.1	Deferred Retirement Cost	19.6	24.0	- 4.4	- 18.5	20.4	- 4.1	
140.6	146.7	- 6.1	- 4.2	131.1	7.3	Annuitant Health Benefits	1,376.2	1,411.4	- 35.1	- 2.5	1,253.0	9.8	
10.7	12.3	- 1.6	- 13.0	11.6	- 8.1	Other Compensation	112.2	150.5	- 38.3	- 25.5	156.7	- 28.4	
<b>\$ 4,502.3</b>	<b>\$ 4,500.7</b>	<b>[\$ 1.6]</b>	<b>[ 0.0]</b>	<b>\$ 4,376.9</b>	<b>2.9</b>	<b>Total Personnel Compensation</b>	<b>\$ 46,506.6</b>	<b>\$ 46,068.9</b>	<b>[\$ 437.7]</b>	<b>[ 1.0]</b>	<b>\$ 44,888.3</b>	<b>3.6</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**  
**July 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
\$ 499.8	\$ 484.9	[\$ 14.9]	[ 3.1]	\$ 426.7	17.1	Transportation	\$ 4,972.0	\$ 4,918.8	[\$ 53.2]	[ 1.1]	\$ 4,480.2	11.0
207.1	195.2	[ 11.9]	[ 6.1]	204.9	1.1	Supplies & Services	2,042.1	2,067.5	- 25.4	- 1.2	1,930.5	5.8
171.5	183.0	- 11.5	- 6.3	175.5	- 2.3	Depreciation	1,771.4	1,823.3	- 51.9	- 2.8	1,728.8	2.5
83.5	85.0	- 1.5	- 1.8	81.8	2.0	Rent	851.8	860.1	- 8.3	- 1.0	853.1	- 0.2
51.9	47.1	[ 4.8]	[ 10.3]	46.8	11.0	Utilities & Heating Fuel	543.1	542.5	[ 0.6]	[ 0.1]	467.5	16.2
37.1	36.7	[ 0.4]	[ 1.2]	34.8	6.6	Rural Carrier Equip Maint Allowance	384.6	387.3	- 2.6	- 0.7	357.9	7.5
63.9	44.6	[ 19.3]	[ 43.3]	45.9	39.3	Vehicle Maintenance Services	582.3	525.9	[ 56.4]	[ 10.7]	472.1	23.3
27.6	38.7	- 11.1	- 28.7	24.7	11.8	Information Technology	288.9	424.9	- 136.0	- 32.0	276.3	4.5
18.7	18.2	[ 0.5]	[ 2.6]	19.1	- 2.0	Building Projects Expensed	183.3	190.8	- 7.5	- 3.9	190.0	- 3.5
10.7	7.8	[ 2.9]	[ 37.0]	7.0	53.4	Contract Job Cleaners	81.7	76.3	[ 5.4]	[ 7.1]	72.6	12.5
18.1	18.0	[ 0.1]	[ 0.8]	17.9	1.2	Travel & Relocation	201.7	185.0	[ 16.7]	[ 9.0]	189.3	6.5
19.5	17.7	[ 1.8]	[ 10.2]	18.1	7.3	Communications	208.5	175.4	[ 33.1]	[ 18.9]	185.6	12.3
6.0	6.6	- 0.7	- 9.9	6.1	- 1.8	Contract Stations	61.8	67.6	- 5.8	- 8.5	62.2	- 0.6
1.6	2.2	- 0.6	- 27.3	1.2	37.0	Printing	18.8	21.9	- 3.1	- 14.3	19.2	- 2.2
3.3	5.7	- 2.3	- 41.4	4.4	- 24.2	Training	40.6	59.2	- 18.6	- 31.5	47.3	- 14.1
2.0	3.4	- 1.4	- 40.9	2.4	- 15.9	Carfare & Tolls	23.4	27.4	- 4.0	- 14.6	25.0	- 6.1
0.8	1.0	- 0.2	- 21.2	0.8	- 7.0	Vehicle Hire	13.1	12.7	[ 0.3]	[ 2.7]	12.3	5.9
2.5	3.3	- 0.7	- 22.9	4.0	- 36.4	Accident Costs	44.2	39.8	[ 4.4]	[ 11.1]	40.6	9.0
15.9	19.1	- 3.2	- 16.6	6.9	129.9	Miscellaneous	223.7	232.0	- 8.3	- 3.6	284.2	- 21.3
<b>\$ 1,241.6</b>	<b>\$ 1,218.2</b>	<b>[ 23.4]</b>	<b>[ 1.9]</b>	<b>\$ 1,129.0</b>	<b>10.0</b>	<b>Total Non-Personnel Expenses</b>	<b>\$ 12,537.0</b>	<b>\$ 12,638.3</b>	<b>\$ - 101.4</b>	<b>- 0.8</b>	<b>\$ 11,694.6</b>	<b>7.2</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.

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

Assets	July 31 , 2006	July 31 , 2005	September 30, 2005*
<b>Current Assets:</b>			
Cash and cash equivalents _1/	\$ 2,420	\$ 2,008	\$ 930
<b>Receivables:</b>			
Foreign countries	577	631	590
U.S. Government	182	274	280
Other	<u>192</u>	<u>180</u>	<u>188</u>
<b>Receivables before allowances</b>	951	1,085	1,058
Less allowances	<u>46</u>	<u>114</u>	<u>50</u>
<b>Total receivables, net</b>	905	971	1,008
Supplies, advances and prepayments	<u>187</u>	<u>177</u>	<u>200</u>
<b>Total Current Assets</b>	<b>3,512</b>	<b>3,156</b>	<b>2,138</b>
Other Assets, principally revenue forgone appropriations receivable	397	361	376
<b>Property and Equipment, at Cost:</b>			
Buildings	21,062	20,368	20,480
Equipment	19,530	18,558	18,664
Land	2,888	2,807	2,878
Leasehold improvements	<u>1,224</u>	<u>1,143</u>	<u>1,172</u>
	44,704	42,876	43,194
Less allowances for depreciation and amortization	<u>23,732</u>	<u>22,175</u>	<u>22,400</u>
	20,972	20,701	20,794
Construction in progress	<u>1,866</u>	<u>1,795</u>	<u>1,895</u>
<b>Total property and equipment, net</b>	22,838	22,496	22,689
<b>Total Assets</b>	<b><u>\$ 26,747</u></b>	<b><u>\$ 26,013</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

July 2006 - FY 2006

(\$ Millions)

Liabilities and Net Capital	July 31 , 2006	July 31 , 2005	September 30, 2005*
<b>Current Liabilities:</b>			
Compensation and benefits	\$ 2,554	\$ 2,836	\$ 2,852
Estimated prepaid postage	1,221	1,258	1,200
<b>Payables and accrued expenses:</b>			
Commercial vendors & accrued expenses	1,169	1,299	1,568
Foreign countries	563	739	688
U.S. government	87	57	76
<b>Total payables and accrued expenses</b>	<u>1,819</u>	<u>2,095</u>	<u>2,332</u>
Customer deposit accounts	1,677	1,651	1,720
Outstanding postal money orders	823	830	830
Prepaid box rent & other deferred revenue	<u>426</u>	<u>424</u>	<u>477</u>
<b>Total Current Liabilities</b>	<b>8,520</b>	<b>9,094</b>	<b>9,411</b>
<b>Non-Current Liabilities:</b>			
Workers' compensation costs	7,672	7,597	6,695
Employees' accumulated leave	2,126	2,077	2,016
Deferred revenue	692	772	692
Long-term portion capital lease obligations	667	657	644
Other	<u>330</u>	<u>427</u>	<u>369</u>
<b>Total Non-Current Liabilities</b>	<b>11,487</b>	<b>11,530</b>	<b>10,416</b>
<b>Total Liabilities</b>	<b>20,007</b>	<b>20,624</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>3,706</u>	<u>2,355</u>	<u>2,342</u>
<b>Total Net Capital</b>	<b>6,740</b>	<b>5,389</b>	<b>5,376</b>
<b>Total Liabilities and Net Capital</b>	<b>\$ <u>26,747</u></b>	<b>\$ <u>26,013</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 July 31, 2006**  
(\$ Millions)

	July 31, 2006	July 31, 2005	September 30, 2005*
<b>Cash flows from operating activities:</b>			
Net Income	\$ 1,364	\$ 1,458	\$ 1,445
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,757	1,717	2,089
Loss on disposals of property and equipment, net	8	4	5
Increase in revenue forgone appropriations receivable	(21)	-	(15)
Increase (decrease) in workers' compensation liability	977	946	(58)
Increase in employees' accumulated leave	110	71	10
Increase (decrease) in long-term portion capital lease obligation	23	5	(8)
Increase in non-current deferred revenue	-	484	288
(Decrease) increase in other non-current liabilities	(39)	46	(399)
Changes in current assets and liabilities:			
Decrease in receivables, net	103	53	16
Decrease in supplies, advances and prepayments	13	43	20
(Decrease) increase in compensation and benefits	(298)	196	314
Increase (decrease) in estimated prepaid postage	21	2	(56)
Decrease in payables and accrued expenses	(512)	(481)	(199)
(Decrease) increase in customers' deposit accounts	(43)	45	114
Decrease in outstanding postal money orders	(7)	63	63
(Decrease) increase in prepaid box rent & other deferred revenue	(51)	(1)	52
<b>Net cash provided by operating activities</b>	<b>3,405</b>	<b>4,651</b>	<b>3,681</b>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(1,935)	(1,745)	(2,317)
Proceeds from sale of property and equipment	20	25	31
<b>Net cash used in investing activities</b>	<b>(1,915)</b>	<b>(1,720)</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>1,490</b>	<b>1,131</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>\$ 2,420</b>	<b>\$ 2,008</b>	<b>\$ 930</b>

\* Audited year-end data.

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

**CAPITAL INVESTMENTS**  
 July 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	\$ 213.5	\$ 150.7	\$ 165.0	\$ 137.8	\$ 166.9	\$ 187.4
BUILDING IMPROVEMENTS	342.2	398.1	246.8	434.4	387.0	345.6
MAIL PROCESSING EQUIPMENT	490.6	411.6	298.4	841.5	749.6	575.5
VEHICLES	16.3	16.5	239.5	194.2	86.5	130.4
RETAIL EQUIPMENT	[ -0.3 ]	0.4	1.0	0.5	26.5	56.4
POSTAL SUPPORT EQUIPMENT	115.5	156.8	559.4	326.6	387.1	449.7
<b>TOTAL COMMITMENTS/CASH OUTLAYS</b>	<b>\$ 1,177.8</b>	<b>\$ 1,134.1</b>	<b>\$ 1,510.1</b>	<b>\$ 1,935.0</b>	<b>\$ 1,803.6</b>	<b>\$ 1,744.9</b>

Note: Totals may not sum due to rounding.

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

MAJOR CATEGORIES	July 31, 2006	September 30, 2005
CONSTRUCTION AND BUILDING PURCHASE	\$ 215.4	\$ 149.0
BUILDING IMPROVEMENTS	312.5	419.5
MAIL PROCESSING EQUIPMENT	1,664.4	2,017.9
VEHICLES	24.8	202.7
RETAIL EQUIPMENT	37.7	38.5
POSTAL SUPPORT EQUIPMENT	374.8	579.8
<b>TOTAL RESOURCES ON ORDER</b>	<b>\$ 2,629.6</b>	<b>\$ 3,407.4</b>

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

**WORKHOURS & OVERTIME/SICK LEAVE RATIOS**

July 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>					
740	[ 1]	[ 0.1]	739	0.1	Operations:	8,201	[ 380]	[ 4.9]	7,920	3.5
25,459	[ 424]	[ 1.7]	26,083	-2.4	-Support	278,441	[ 9,469]	[ 3.5]	281,267	-1.0
15,427	[ 51]	[ 0.3]	14,898	3.6	-Mail Processing	153,844	[ 1,168]	[ 0.8]	148,523	3.6
37,480	- 87	- 0.2	37,662	-0.5	-Rural Delivery	389,605	[ 3,547]	[ 0.9]	391,520	-0.5
2,531	[ 7]	[ 0.3]	2,493	1.5	-City Delivery	26,716	[ 177]	[ 0.7]	26,515	0.8
6,454	- 228	- 3.4	6,363	1.4	-Vehicles Services	67,600	- 1,836	- 2.6	67,285	0.5
17,943	- 73	- 0.4	18,105	-0.9	-Plant & Equip Maint	194,485	[ 4,338]	[ 2.3]	194,658	-0.1
383	- 66	- 14.6	389	-1.5	-Customer Services	4,102	- 551	- 11.8	4,115	-0.3
605	- 47	- 7.2	685	-11.7	Finance	6,723	- 211	- 3.0	7,428	-9.5
1,032	- 50	- 4.6	1,030	0.2	Human Resources	11,268	- 260	- 2.3	11,216	0.5
5,280	- 48	- 0.9	5,240	0.8	Customer Service & Sales	55,649	[ 63]	[ 0.1]	56,172	-0.9
1,667	- 142	- 7.9	1,780	-6.4	Administration	17,835	- 292	- 1.6	20,590	-13.4
					Other					
115,002	- 259	- 0.2	115,468	-0.4	<u>Total Workhours</u>	1,214,470	[ 15,992]	[ 1.3]	1,217,210	-0.2

Overtime			Overtime		
Actual	Budget	SPLY	Actual	Budget	SPLY

11.4%	8.5%	10.8%	Overtime Ratio Per 100 Workhours	11.3%	8.7%	10.7%
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Sick Leave		Sick Leave	
Actual	SPLY	Actual	SPLY

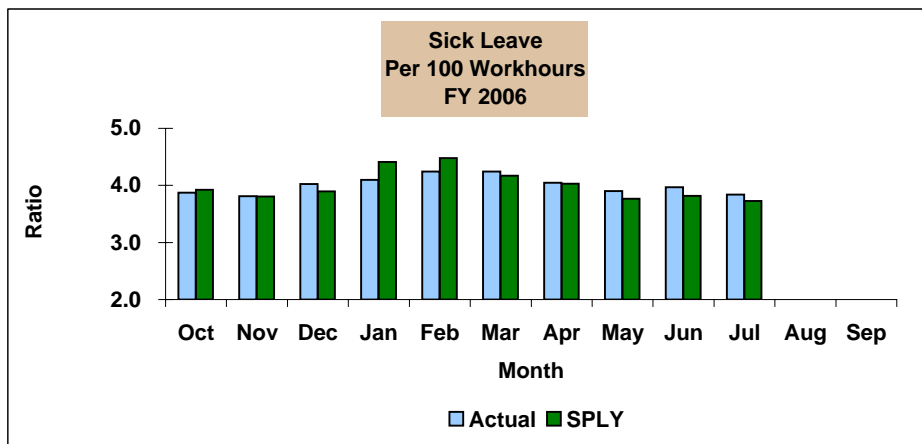
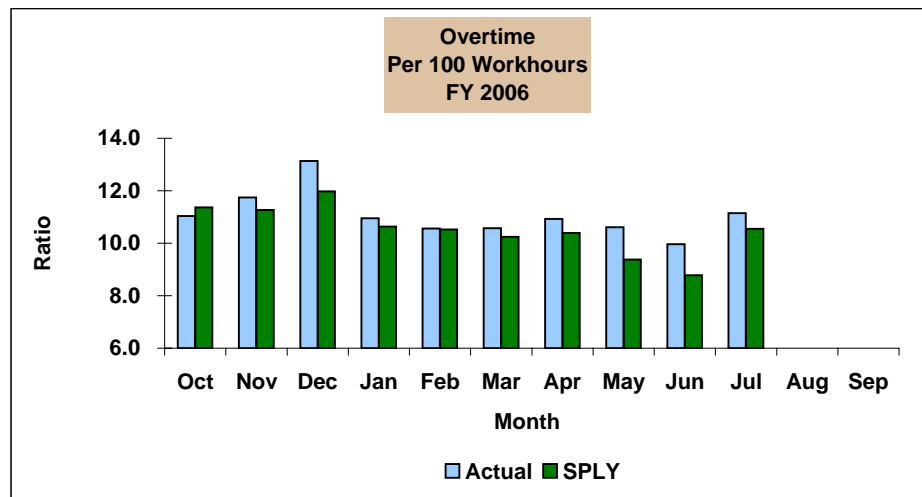
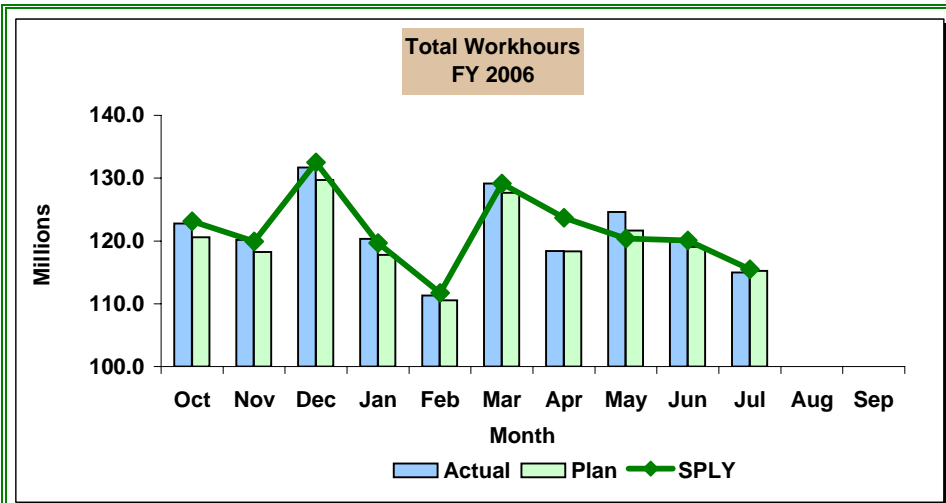
3.8%	3.8%	Sick Leave Ratio Per 100 Workhours	4.0%	4.0%
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[ ]=Unfavorable variance to budget

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.



## July 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 July, Total Revenue was \$26 million or 0.5% under plan, and \$219 million or 4.1% above SPLY. Commercial Revenue was under plan by \$24 million or 0.6% and Retail Revenue was above plan by \$4 million or 0.3%. In July, Total Commercial Revenue and Retail Revenue, combined, were \$221 million more than SPLY. Most of the increase in revenue to SPLY for July was reflected in Presort First Class and Package Services/Permit Imprint, Permit Imprint and Meter Postage. Combined these revenue sources were \$216.6 million above SPLY.

Year-to-date, Total Revenue is \$364 million or 0.6% above plan with the largest contributor being Retail Revenue at \$541 million or 3.7% more than plan. Year-to-date, Total Revenue is \$2.3 billion above SPLY. Primary contributors to the increase over SPLY are Permit Revenue at \$1.8 billion more and Other Retail Channels Revenue at \$752 million, or 36.8% more than SPLY.

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

For July, Total Expenses were \$21 million above plan. Personnel costs were \$1.7 million above plan and non-personnel costs were above plan by \$23.4 million or 1.9%. Compared to SPLY, this month's Total Expenses were increased by \$235 million or 4.3%. The non-personnel factors contributing to this increase over SPLY include contract job cleaners, information technology, vehicle maintenance, and printing costs. The personnel factors contributing to this month's increase over SPLY include unemployment compensation and workers compensation costs.

Year-to-date, Total Expenses were \$295 million or 0.5% above plan. Personnel costs are \$438 million or 0.9% above plan while non-personnel expenses are \$101 million or 0.8% below plan. The largest contributors to the non-personnel plan underrun are Information Technology at \$136 million or 32.0% below plan, Training at \$19 million or 32% below plan. Year-to-date, Total Expenses are \$2.4 billion or 4.3% above SPLY.

## July 2006 - FY 2006

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

#### Mail Volume and Revenue - Page 3

Total Mail Volume for July FY 2006 was 171 million pieces or 1.1% below same period last year. Four of the eight major mail categories posted below SPLY volumes for the month. Standard Mail and First-Class Mail volumes combined were 163 million below their July 2005 levels.

Year-to-date, Total Mail Volume is 0.8% or 1.3 billion pieces above SPLY. The Priority Mail category experienced the most significant mail volume increase over SPLY, with a 4.9% or 36 million piece increase.

In July, Priority Mail and Package Services experienced an increase in both revenue and volume when compared to SPLY. Priority Mail's 1.8 million piece or 2.9% increase over SPLY's volume yielded a \$29 million or 8.8% increase in revenue. Additionally, Package Service's 3.8 million piece or 4.2% increase in SPLY volume resulted in a \$15.9 million or 10.6% increase in revenue.

Year-to-date, all eight major mail categories experienced a positive increase in revenues when compared to SPLY. Periodicals generated the smallest percentage revenue increase of 1.0%, which equates to \$17.8 million above SPLY. Priority Mail generated the highest revenue percentage increase of 9.3%, which generated \$358 million over SPLY.

#### Capital Investments - Pages 1 and 13

Year-to-date, the Fiscal Year 2006 Capital Commitments through July 2006 are \$1,178 million compared to a plan of \$1,134 million. This represents a plan overrun of about \$44 million.

Year-to-date, Cash Outlays are \$1,935 million versus a plan of \$1,804 million, representing a \$131 million plan overrun.

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

Total workhours for July 2006 were 259 thousand hours or 0.2% below plan, and 466 thousand hours or 0.4% below July 2005. Although Mail Processing workhours were 424 thousand hours, or 1.7% above plan, this month's overrun represents a 2.4%, or 624 thousand hours underrun when compared to SPLY. July's Customer Service workhours were 73 thousand hours, or 0.4% below plan and 162 thousand hours or 0.9% under SPLY. Delivery Service's actual workhours were slightly above plan by 51 thousand hours, or 0.3%, which yielded a 0.7% increase or 348 thousand hours over SPLY.

Year-to-date, total Workhours for July 2006 were 16 million hours or 1.3% above plan and 3 million hours or 0.2% below SPLY. The most significant plan overruns lie within Mail Processing workhours where 9 million hours were utilized above plan and in Customer Services where an additional 4.3 million hours were utilized above plan. Overall, Mail Processing workhours were 2.8 million hours or 1.0% below SPLY; Customer Service workhours were 0.2 million hours or 0.1% below SPLY, and Delivery Service workhours were 3.4 million hours or 0.6% above SPLY.