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Before the
Postal Regulatory Commission

Allocation of Assets and Liabilities to the Competitive Products Enterprise

Docket No. RM2009-9

PUBLIC REPRESENTATIVE'S COMMENTS
IN RESPONSE TO ORDER NO. 287

(October 23, 2009)

The following comments are submitted pursuant to the undersigned's designation, in Order No. 287, as Public Representative.[1] James F. Callow and Kenneth R. Moeller of the Commission's Office of Accountability and Compliance contributed to their development.

I. Background

Since enactment of the Postal Accountability and Enhancement Act (PAEA) of 2006, several Commission rulemaking dockets have focused on the complex accounting, tax, and reporting issues associated with the new statutory distinction between market-dominant and competitive postal activities. As a result, many major issues in these areas have been resolved, and the focus in this case is on a single consideration: Commission approval of a methodology for allocating assets and liabilities to the theoretical Competitive Products Enterprise (CPE).

At issue is a recent Postal Service filing submitted in response to new Commission rules 3060.12(d) and 3060.13(d). The filing consists of a narrative

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[1] Notice of Proposed Rulemaking Concerning Allocation of Assets and Liabilities to Competitive Products Enterprise, August 24, 2009 (Order No. 287).

explanation and a redacted version of an illustrative Statement of Allocated Assets and Liabilities (Statement), along with a library reference filed under seal containing an Excel file presenting the Statement in its entirety.[2] The Postal Service explains its approach to disclosure by saying:

> The current spreadsheet …includes competitive product data from FY08, which was treated as nonpublic data in the FY08ACR and FY08ACD. Therefore, the full spreadsheet is also treated as nonpublic, and filed under seal … . Because PRC-LR-1 already presented the FY07 information, however, it is possible *in this instance* to also provide a version of the Postal Service's new spreadsheet showing the FY07 data, while redacting the FY08 data.

Postal Service Notice at 2 (emphasis supplied).

It adds:

> A hardcopy of the redacted version is attached to this pleading, and hopefully should provide sufficient context for any interested party to understand the Postal Service's proposed allocation methodology, and, with the textual explanation below, how it differs from the PRC-LR-1 approach.

Id.

The Postal Service asserts that its methodology, with few exceptions, tracks the Commission's PRC-LR-1 methodology. *Id*. at 1. The exceptions involve (i) allocations

[2] Notice of the United States Postal Service Regarding Proposed Methodology for the Allocation of Assets and Liabilities to Competitive Products, July 23, 2009 (Postal Service Notice). *See also* companion Notice of the United States Postal Service of Filing of USPS-RM2009-9/NP1 (July 23, 2009). The Postal Service's methodology relies on the methodology in PRC-LR-1 referred to in Commission Notice of Filing Library Reference, September 24, 2008 (Docket No. RM2008-5). The Statement is also referred to as "Table 4" in this docket because Commission rule 3060.30 assigns it that number.

for three accounts that were not allocated in the Commission's methodology, and (ii) alternative allocation methodologies for two accounts. Table 1 in Part III of these Comments identifies these exceptions.

II. Main Observations

Review of the Postal Service's filing indicates that its proposed methodology does, in fact, closely track the Commission's PRC-LR-1 approach. It uses the ratio of Competitive Products Revenue to Total Revenue as the controlling principle for allocating most assets and liabilities to Competitive Products. It also uses the same alternatives to revenue as the Commission uses for certain accounts. This is apparent, for example, in the use of depreciation expense to allocate certain asset accounts in both methodologies. In these respects, the Postal Service's proposed methodology, like the Commission's, is broadly consistent with a U.S. Department of Treasury recommendation.[3]

An allocation methodology which uses revenue as the controlling principle, with limited departures based on logic and accounting principles, will promote sound and effective administration of the PAEA; therefore, Commission approval of the Postal Service's proposed methodology would be consistent with the interests of the general public, as revenue is the controlling allocation principle. These Comments point to several options that might add more precision or promote greater consistency with accounting principles. Overall, however, resolution of the few outstanding differences in allocation approaches on this record turns on interpretation of accounting principles and practical considerations. For these reasons, Commission decisions on these ancillary matters do not rise to a level that would materially affect the interests of the general public.

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[3] *See* U.S. Department of the Treasury, "Accounting Principles and Practices for The Operation of the United States Postal Service's Competitive Products Fund" December 2007.

However, there are two areas where amplifying the rulemaking record would promote the interests of the general public. One is the allocation basis for Deferred Gains. The other is the disclosure status of the Statement of Allocated Assets and Liabilities expected to be filed, for the first time, 90 days after the close of FY 2010, and annually thereafter.

The state of the record on Deferred Gains does not address some implications of the Postal Service's proposed allocation method, so further consideration of this topic prior to final approval of a methodology will help ensure that both the record and the Commission's decision-making path are clear. Attachment A provides additional background.

More importantly, the Postal Service's bifurcated approach to disclosure of its methodology may have implications for the anticipated FY 2009 Statement of Allocated Assets and Liabilities. Attachment B shows that repetition of this approach could result in presentation of data for only three summary accounts (two alternative Total Assets accounts and Total Liabilities). This would not appear to satisfy rule 3060.14 or comport with the Commission's stated intention to provide the public with an opportunity to comment on competitive products reports. On the other hand, the Postal Service may fully intend to provide the level of detail anticipated in rule 3060.14, meaning this concern about the impact of redaction on the public's ability to review or comment on future Statements of Allocated Assets and Liabilities is misplaced.

Given that there is a need for a more detailed explanation of the allocation based for Deferred Gains to satisfy rule 3060.13(d) and uncertainty over how data will be presented in future Statements, it would be useful if the Postal Service presents its views on both of these matters prior to Commission approval of an allocation methodology. Doing so should not delay completion of this docket, as the schedule already provides an opportunity for Reply Comments (due November 23, 2009). Nor should it affect preparation of the first Statement, as the initial filing date is more than a year away. Issuance of an Information Request provides another option for developing the record in these areas.

Finally, the brief descriptions in the Commission and Postal Service's allocation methodologies generally suffice for conveying the essence of the basis for allocation. In a few instances, however, minor clarifying and conforming editorial revisions would clarify the presentation, especially for interested members of the general public who may not have a background in accounting or familiarity with the PAEA. These are discussed in Part VI.

III. Summary of Differences in Methodologies

The following table identifies differences in the Postal Service and Commission methodologies.

Table 1
Summary of Differences
in Commission and Postal Service Methodologies

Account	Chart of Accounts Category	Commission Allocation Basis	Postal Service Allocation Basis
Supplies, Advances & Prepayments	Asset	No Distribution	Total Revenues
Payables & Accrued Expenses	Liability	No Distribution	Total Revenues
Outstanding Postal Money Orders	Liability	No Distribution	Actual Outstanding Int'l Postal Money Orders *(Direct Assignment)*
Customer Deposit Accounts	Liability	Expedited Mail Advance Deposit *(Direct Assignment)*	Total Revenues
Deferred Gains on Sales of Property	Liability	Building Depreciation Expense	No Allocation

Source: Adapted from PRC Order No. 287 at 2 (issued August 24, 2009) and Postal Service Notice (Attachment).

IV. Review of Postal Service-supplied Allocations

In the Commission's methodology, the following three accounts do not have a specified allocation basis: *Supplies, Advances & Prepayments* (an Asset); *Payables & Accrued Expenses (a Liability)*; and *Outstanding Money Orders* (a Liability). The Postal Service proposes that revenue be used as the distribution key for the first two, and proposes a direct assignment using Actual International Postal Money Orders Outstanding for the third.

A. Allocation Basis for *Supplies, Advances and Prepayments*

Background. In the Postal Service's Chart of Accounts, *Supplies, Advances and Prepayments* is identified as a current asset. It is primarily composed of four types of assets: inventories of supplies; motor vehicle parts; repairable parts for mail processing equipment; and advances to employees for annual leave and to other U.S. Government agencies, such as the General Services Administration. The Postal Service's Annual Report for FY 2007 shows $21.2 million for this asset.

Postal Service proposal. The Postal Service proposes that this account be allocated between market-dominant and competitive products based on the ratio of total Competitive Product Revenue to Total Revenue. It calculates the revenue-based allocation factor (distribution key) to competitive products as 10.55% using FY 2007 data.[4]

Comment. Review of the entries in these accounts reveals no basis for a direct assignment of any of them to competitive products; therefore, the Postal Service is correct in concluding that an allocation basis should be selected. The Commission has observed that the assets in this account could be assigned using cost drivers derived from the expense accounts for those assets, but has not specified expense, or any other factor, as a basis for allocation in its methodology. Order No. 106 at 19.

[4] This percentage (10.55%) is applied in each instance that revenue is used for allocation.

However, the expense approach is often easier in theory than in reality. In this instance, for example, the Postal Service's Chart of Accounts is quite voluminous (consisting of thousands of accounts) and account descriptions are often quite general, so connections to expenses are not always readily apparent.

Given these drawbacks, allocation based on revenue, as the Postal Service has proposed, appears to be preferable to allocation based on expenses. One rationale for this approach is that generating revenue is the reason why an entity, such as the Postal Service, would incur costs of this type in the first place. Another is that revenue also provides a common basis to allocate costs to products in contrast to a physical measure, such as number of pieces. Third, the Postal Service's existing accounting systems already measure revenue by product. This means that they are considerably more transparent than requiring extensive auditing of expense accounts. Thus, the Public Representative supports Commission approval of the Postal Service's proposed revenue-based allocation of *Supplies, Prepayments and Advances*.

B. Allocation Basis for Payables and Accrued Expenses

Background. In the Postal Service's Chart of Accounts, *Payables and Accrued Expenses* is a current liability. It consists of Trade Payables and Accrued Expenses, Accounts Payable to Foreign Countries, and Accounts Payable to the U.S. Government. The Postal Service's 2007 Annual Report shows this account valued at $2.09 billion.

Postal Service proposal. The Postal Service proposes to allocate the total amount associated with this account between market-dominant and competitive Products based on the ratio of Competitive Product Revenue to Total Revenue. This results in an allocation of 10.55% of the total amount in this account (or $220 million) to Competitive Products.

Comment. Review of the entries in these accounts reveals no basis for direct assigning any of them to Competitive Products. While allocation could be made on either an expense basis or a revenue basis, the revenue- based allocation proposed by the Postal Service appears to be the preferable method, for the reasons set out in connection with the preceding discussion of *Supplies, Prepayments and Advances*. Moreover, as Treasury has observed, liability accounts can reflect many years of activities, and across those years the ratio of market-dominant to competitive products, however measured, could vary dramatically. Treasury Report at 26.

C. Methodology for Outstanding Postal Money Orders

Background. Domestic and international postal money orders are special services that predate enactment of the PAEA, and continue to be available under the new law.[5] They function as a substitute for cash, personal checks, and credit cards. In the Postal Service's Chart of Accounts, *Outstanding Money Orders* is categorized as a current liability. This reflects the fact that during the Postal Service's operating cycle, some postal money orders have been purchased, but not redeemed. The amount of this liability is equal to the value of outstanding money orders (domestic and international) expected to be presented for payment in the future.

By operation of sections 3621(a)(9) and 3642 of the PAEA, domestic special services are now classified as market-dominant products and international postal money orders are classified as competitive products; therefore, there are allocation consequences.

Postal Service proposal. In recognition of the new distinctions, the Postal Service proposes directly assigning a portion of *Outstanding Postal Money Orders* on the basis of Actual International Money Orders Outstanding, rather than making an allocation based on revenue or expense ratio. For FY 2007, this results in an allocation of $21.5 million.

Comment. The Public Representative supports the Postal Service's proposal for direct assignment of this account because this approach logically follows the classification of postal money orders as either domestic or international. In addition, the

[5] International postal money orders consist of those sold in the U.S. and cashed in foreign countries, as well as foreign money orders presented for payment at post offices in the United States.

Postal Service already accounts separately for domestic and international postal money orders, so imposition of additional administrative burden is not a concern.

V. Review of the Postal Service's Alternative Allocation Methodologies

A. Allocation Basis for Customer Deposit Accounts

Background. The Postal Service often collects advance deposits or other prepayments from mailers as a condition of receiving mail service, such as through its arrangement with permit account holders. In accounting terms, these types of deposits represent current liabilities until the services associated with them are provided. In the Postal Service's Chart of Accounts, *Customer Deposit Accounts* is a current liability.

Commission methodology. The Commission identifies *Expedited Mail Advance Deposit* as the sole advance deposit subaccount in the Postal Service's Chart of Accounts associated exclusively with competitive products.[6] This is consistent with Commission's guidance in 39 CFR §§ 3060.12 and 3060.13 that

> require the Postal Service to identify any asset or liability account that is used strictly for either competitive or market dominant products. Thus, only assets and liabilities used jointly will be allocated by mathematical formula. (Footnote omitted)

Order No. 151 at 8.

Postal Service alternative. The Postal Service proposes an alternative allocation methodology using the proportion, or ratio, of competitive product revenue to total revenue. Use of this ratio results in allocation of $158.1 million to the CPE. The Postal Service's rationale is that "a broader distribution" based upon revenue is possible, which

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[6] Order No. 106, at 19; *see also* Docket No. RM2008-5, PRC-LR-1, Excel file asset.valuation.conpetitive2007.xls, tab "Liabilities"

has the effect of increasing “the share of the total accrued amount of this item allocated to Competitive Products.” Postal Service Notice at 3.

Comment. Review of the Postal Service’s Chart of Accounts did not identify any other subaccounts similar to *Expedited Mail Advance Deposit* that are specific to competitive products. However, there is also no evidence that the remaining subaccounts are related solely to market-dominant products. For this reason, the Commission may want to consider an approach that incorporates both methods, as this implements the guidance in rule 3060.13, Valuation of Liabilities. Under this approach, the amount in the *Expedited Mail Advance Deposit* subaccount would be directly assigned to competitive products. The sum of all other customer deposit subaccounts would be allocated to competitive products based upon the proportion of competitive product revenue to total revenue, as proposed by the Postal Service. For FY 2007, application of this alternative results in a shift of $180.53 million (25.046 + (10.55% * (1,499.000 – 25.046) from Customer Deposit Accounts to the theoretical CPE.

B. Allocation Basis for Deferred Gains on Sales of Property

Background. The Postal Service’s main business is the sale of postal products and services, but it in the course of operations it also engages in the outright sale of assets, such as property, plant and equipment, and variations on such sales, such as installment sales and “sale-leasebacks."[7] These sales generate gains or losses. For accounting purposes, gains are typically distinguished by whether they are recognized *immediately* or whether recognition is *deferred.* Gains on sales that are recognized immediately are reported on the selling firm’s Income Statement. If recognition is deferred, a deferred gain is reported on the selling firm’s balance sheet as a long-term liability.

[7] A “sale-leaseback” transaction involves the sale of property which is immediately “leased back” from the new owner to the seller of the property.

Commission methodology. The Commission proposes allocating *Deferred Gains on Sales of Property* using the ratio of competitive product building depreciation expense to total building depreciation expense. For FY 2007, this amounts to an allocation of $32.168 million.[8]

Postal Service alternative. The Postal Service proposes that there be no allocation of *Deferred Gains on the Sale of Property* to the Statement of Allocated Assets and Liabilities for Competitive Products. Its rationale is that there is no basis for doing so because no *un*deferred [realized] gains from the sale of property are allocated to Competitive Products as revenue. Postal Service Notice at 3 (e*mphasis in original*). It also says that "if it had any property which was devoted exclusively to Competitive Products, it would be appropriate to treat any deferred gains on that sale of that property to a liability for Competitive Products." *Id*. In the absence of any such property, however, it says the proposed treatment is to leave the entire amount unallocated. *Id*.

Comment. The Postal Service's explanation for *no* allocation seems to imply that an allocation to *Deferred Gains* could change from year to year, based upon whether there are 1) identified competitive product assets, and 2) the sale of any such assets during a given year. Stated alternatively, an allocation to deferred gains is *conditional* upon annual circumstances, *i.e.*, the sale of identified competitive product assets. This gives the impression that the Postal Service anticipates reviewing the master account annually, even though its methodology indicates direct assignment of all Deferred Gains to market-dominant products.

As a practical matter, the Postal Service probably has very few major assets devoted exclusively to competitive products, and sales of such assets in transactions that give rise to deferred gains are expected to be rare. This might support a "no allocation" approach as a general rule, and use of rule 3050.11 (for changes in

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[8] Docket No. RM2008-5, PRC-LR-1, Excel file asset.valuation.conpetitive2007.xls, tab "Liabilities"

methodology) when sales occur, but the Postal Service does not expressly say as much.

Furthermore, the Postal Service's proposed methodology does not take into account the existence of allocated competitive product assets that should have corresponding gains shown on the competitive product Income Statement to the extent the Postal Service sells *any* major property assets. This points to a need for further development of the record.

If viewed as a choice between allocating the Deferred Gains on the basis of revenue or on depreciation expense (as in PRC-LR-1), revenue seems preferable because the master account is used to record gains and revenue from sales of major assets.

Commission rule 3060.13(d) requires a detailed explanation of the supporting rationale for allocations. In this case, the Postal Service's explanation, perhaps unintentionally, raises questions that not fully addressed on this record. Therefore, the record is too limited to provide a sound basis for a definitive decision on appropriate methodology. Furthermore, while seemingly of minor consequence now, the Deferred Gains account could grow significantly in the future if potentially valuable urban and suburban properties are sold. The likelihood of this is substantially greater than in the past, in light of the Station and Branch Optimization and Consolidation Initiative in pending Docket N2009-1.[9]

Attachment A to these Comments provides additional discussion of this topic.

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[9] Library Reference USPS-N2009-1/4 identifies 371 Stations or Branches under consideration for closure as of October 4, 2009.

VI. Status of Future Submissions of Statement of Allocated Assets and Liabilities

New Commission rule 3060.14 requires the Postal Service to report the assets and liabilities of the theoretical CPE in a Statement with the form and content of Table 4 in rule 3060.30(a). The “content” portion of that Table clearly anticipates greater detail than the Postal Service has provided publicly here in connection with the illustrative Statement of Asset and Liabilities. The Commission has stated (in Order No. 151 at 10) that the public will have an opportunity to comment on the annual Statement, so the Service’s stance in this docket should be reconciled with future annual filings of the Statement of Allocated Assets and Liabilities.

The Public Representative was able to review both the redacted version of the Postal Service’s methodology and the sealed version. However, as Attachment B shows, the redacted version presents only three major accounts (alternative Total Assets accounts and Total Liabilities.)

More needs to be learned about the Postal Service’s intentions with respect to future annual filings of the Statement. And, if the Postal Service anticipates redaction to the same degree that occurred in this docket, advance discussion of the justification for such treatment would promote the interests of the general public in postal operations by allowing pertinent considerations to be explored well advance of the due date for the first annual filing of the Statement of Allocated Assets and Liabilities.

VII. Presentation of Methodology

To improve the presentation of the approved methodology, consideration should be given to adopting the following minor clarifying and conforming changes, using Table 4 in the Attachment to the Postal Service's Notice as a reference point.

Table 2

Minor Clarifying and Conforming Revisions

In the Postal Service's Methodology (Table 4--Statement of Allocated Assets and Liabilities for Competitive Products):

Replace:	***With:***
"Non Competitive" in each of the following rows: ▪ Appropriations and Receivables-Revenue Forgone ▪ Prepaid Box Rent and Other Deferred Revenue ▪ Contingent Liabilities	*"Not Applicable"*
"*Depreciation Cost"* each time it appears in a row in the Assets portion of the Statement	*"Depreciation Expense"*
"Total Assets Determined from Section 2011(e)(5) In the Assets portion of the Statement	*"Total Assets Test in 39 U.S.C. § 2011(e)(5)"*

VIII. Conclusion

The Commission and the Postal Service have put considerable effort into identifying and allocating the assets and liabilities of the theoretical CPE. The Commission is now well-situated to move quickly to approval of a methodology, as there are only minor differences in the methodologies under consideration. The Public Representative urges the Commission to consider the suggestions in these Comments on matters that implicate the interests of the general public, especially the disclosure status of future Statements of Allocated Assets and Liabilities.

Respectfully submitted,

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Expanded Discussion of *Deferred Gains on Sales Property*

Introduction. The Postal Service does not propose including an allocation to the long-term liability, *Deferred Gains on the Sale of Property,* as part of the standard methodology for development of the Statement of Allocated Assets and Liabilities for Competitive Products. Postal Service Notice at 3. This is based on its position that "there is no basis to allocate any [deferred gain] to Competitive Products," as no "*un*deferred gains from the sale of property are allocated to Competitive Products as revenue." Postal Service Notice at 3. *(emphasis in original)* This is consistent with the Postal Service's assessment, in a previous docket, that "[t]here are few, if any, physical assets *strictly identifiable* with competitive products at this point in time."[10]

The Postal Service further states, in this docket, that if such property were identified, "it would be appropriate to treat any deferred gains on the sale of that property to a liability for Competitive Products." Postal Service Notice at 3. But, given the absence of any property devoted exclusively to competitive products at this time, it proposes that no allocation be made. Postal Service Notice at 3.

Impact of Postal Service's approach. The Postal Service's approach represents a *reduction* in the allocation to competitive products compared to the Commission's methodology, which bases allocation upon the ratio of competitive product building depreciation expense to total building depreciation expense. Using this ratio, the Commission allocates $32.19 million to this long-term liability for FY 2007.[11]

Income Statement impact. The Postal Service reasons that absent the need to report *un*deferred (i.e., realized) gains on the sale of property logically argues against an allocation to a liability account for *deferred* gains that are to be recognized in future years as income. Presumably, however, if the Postal Service were to identify property devoted exclusively to competitive products, it would also recognize a gain or loss as income from the sale of such property on the Proposed Competitive Product Income

[10] Docket No. PI2008-2, Initial comments of the United States Postal Service in Response to Order No. 56 and the Treasury Report, April 1, 2009, at 17 (*emphasis in original*).

[11] Docket No. RM2008-5, PRC-LR-1, Excel file asset.valuation.competitive2007.xls, tab "Liabilities."

Statement of the theoretical competitive enterprise. *See* USPS Notice at 3. Thus, the allocation of *Deferred Gains on the Sale of Property* to competitive products has implications for the Proposed Competitive Product Income Statement.[12]

As Table 4 shows, both the Postal Service and Commission agree that major property assets, *i.e.*, Buildings, Leasehold Improvements, Equipment, and Land, are to be allocated to the theoretical CPE, and on the method of allocation: the ratio of depreciated cost for such major assets attributed to competitive products to total depreciation costs.[13] The resulting allocation is reported under *Property and Equipment* in Statement of Allocated Assets and Liabilities for Competitive Products. *Id.* However, a question that does not appear to have been addressed, in the context of PAEA implementation, is the possibility of reporting gains or losses on the sale of competitive product assets as income on the proposed Income Statement. This stands in contrast to the reporting of income on financial investments from competitive product funds in excess of current needs in the proposed Income Statement.[14]

In recent years, the Postal Service has sold major property assets, and reported a gain or loss on such sales. For FY 2007 and FY 2008, the Postal Service reported gains of major property assets of $48.84 million and $74.36 million, respectively.[15] The sale of major property assets by the Postal Service each year and the allocation of major property assets to the theoretical CPE suggests means that a portion of the proceeds from the sale of such assets by the Postal Service each year be reported as gains or losses on the proposed Income Statement.

Liability Allocation. If there is agreement that there should be recognition of gains (and losses) on the sale of property, it would be logical to require an allocation to

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[12] *See* Final Rule 3060.21, Table 1, which displays the Proposed Competitive Products Income Statement (herein "Income Statement").

[13] Postal Service Notice, Attachment, Table 4 (Redacted Version).

[14] Order No. 151 at 16; *see also* Final Rule 3060.21, Table 1, Proposed Competitive Products Income Statement.

[15] National Trial Balance, September 2007 and September 2008, filed December 4, 2008 and January 6, 2009, respectively, Account 45610 "Gain or Loss on Sale of PP&E." This account is "associated with the gain or loss from the sale or trade of property plant and equipment (PP&E). Handbook F-8 (herein "Handbook F-8"), (Excel file, USPS FY08 6 Gen Class Accounts.xls, worksheet "4 Accounts").

the long-term liability *Deferred Gains on Sales of Property* for competitive products. However, the allocation should be based upon the ratio of competitive product revenue rather than building depreciation expense, as proposed by the Commission. The proposed use of revenue as the basis for allocating deferred gains follows from the description of the Liability Account 23405, which is used to record gains and revenues from the sale of buildings, land, and other facilities.[16] Based upon the proportion of competitive product revenue to total revenue, the FY 2007 allocation to *Deferred Gains on Sales of Property* for competitive products would be $36 million (341,338.264 * 10.55%).

Conclusion. These matters warrant further exploration on this record. In addition, there may be countervailing considerations that should be brought to the Commission's attention prior to final approval of a methodology.

[16] Handbook F-8, (Excel file, USPS FY08 6 Gen Class Accounts.xls, worksheet "2 Accounts.") The Account Description for the Liability Account 23405 is as follows: "Long-Term Portion Deferred Gains/Revenue on sales of property. This account is used to record the long-term portion of deferred gains and revenue from Sales of Postal Owned Building and Land Lease Buyouts, Lease Buy Backs, Easements, Property Exchanges, Sale of Air Subsurface or other Rights and other miscellaneous facilities transactions where gain or revenue cannot be recognized in the current period under Generally Accepted Accounting Principles."

Disclosure Comparison

Note: Shaded areas highlight extent of redaction in Docket No. RM2009-9 for Statement of Allocated Assets and Liabilities ("Table 4") attached to Postal Service Notice

Table 4: Statement of Allocated Assets and Liabilities for Competitive Products ($ in 000s)				
	USPS Proposed Methodology			
	FY 2008		**FY 2007**	
	USPS Annual Report	Competitive Products	USPS Annual Report	Competitive Products
Total Net Assets				
Cash and Cash Equivalents	1,432,000		899,000	94,836
Net Accounts Receivable	729,000		759,000	80,067
Supplies, Advances & Prepayments	193,000		201,000	21,204
Appropriations and Receivables-Revenue Forgone	439,000		392,000	0
Total Current Assets	2,793,000		2,251,000	196,106
Property and Equipment				
Buildings	22,269,000		21,591,000	2,036,792
Leasehold Improvements	914,000		842,000	79,421
Equipment	21,544,000		21,060,000	1,516,596
Land	2,971,000		2,914,000	274, 893
Accumulated Depreciation	25,886,000		24,688,000	2,108,399
Construction in Progress	1,381,000		1,877,000	177,064
Total Property and Equipment, Net	23,193,000		23,596,000	1,976,367
Total Assets	25,986,000	**2,148,630**	25,847,000	**2,172,473**
Total Assets Determined from Section 2011(e)		**2,905,331**		**2,726,859**
	USPS Annual Report	Competitive Products	USPS Annual Report	Competitive Products
Total Net Liabilities				
Liabilities:				
Current Liabilities				
Compensation and Benefits	3,466,000		3,571,000	300,881
Payables and Accrued Expenses	1,744,000		2,086,000	220,053
Customer Deposit Accounts	1,449,000		1,499,000	158,130
Deferred Revenue-Prepaid Postage	1,689,000		1,142,000	120,470
Outstanding Postal Money Orders	720,000		847,000	21,487
Prepaid Box Rent and Other Deferred Revenue	461,000		434,000	0
Debt	7,200,000		4,200,000	358,940
Non-current Liabilities				
Workers' Compensation	7,003,000		6,800,000	658,849
Employee Accumulated Leave	2,208,000		2,129,000	204,505
Deferred Appropriation and Other Revenue	525,000		591,000	0
Long-Term Portion of Capital Lease Obligation	587,000		618,000	58,292
Deferred Gains on Sale of Property	312,000		341,000	0
Contingent Liabilities and Other	294,000		455,000	0
Total Liabilities	27,658,000	**2,317,525**	24,713,000	**2,101,607**