U.S. Government Printing Office

# Notes to Consolidated Financial Statements

**September 30, 2001 and 2000**

## 1. Reporting Entity:

The U.S. Government Printing Office (GPO) is a legislative branch agency of the Federal Government. GPO's mission and authority is derived from various statutes codified in Title 44 *Public Printing and Documents* of the *United States Code*. The Congress established GPO to provide the Federal Government with an economic, efficient, and effective means for the production, procurement, and dissemination of Government information products.

The Public Printer of the United States, appointed by the President of the United States with the advice and consent of the U.S. Senate, serves as the agency head and oversees GPO's programs and operations. These programs and operations are funded through a business-type revolving fund, authorized by 44 U.S.C. §309, and appropriations provided by the Congress. The GPO Revolving Fund maintains a system of accounts and records transactions to comply with the requirements of Section 309 of Title 44.

GPO's programs and operations are subject to the oversight of the Joint Committee on Printing (JCP) which is comprised of members of the U.S. House of Representatives and the U.S. Senate. GPO relies on appropriated funds to finance certain information dissemination programs of the Superintendent of Documents and Congress' printing and binding requirements. Budget requests are subject to review by the House and Senate Appropriations Committees' Subcommittees on Legislative Branch Appropriations. GPO also receives funds from customer agencies as reimbursement for products and services, and from the public for the sale of publications.

## 2. Significant Accounting Policies:

### A. Basis of Consolidation

GPO prepares annual financial statements that meet the requirements of 31 U.S.C. §3515(b) in accordance with 44 U.S.C. §309(e). The accompanying consolidated financial statements of GPO include the accounts of all funds under the agency's control (see Note 2C) that have been established and maintained to account for the resources of GPO.

GPO maintains its fund balances with the U.S. Department of the Treasury and submits required information incorporating its financial and budget data into the overall Federal Government structure. For purposes of financial management and reporting, GPO has issued a regulation (GPO Instruction 825.18A *Internal Control Program*) which effectively adopts the federal standards for financial reporting and internal controls in a manner consistent with a legislative agency. GPO has not adopted 31 U.S.C. §3512 (formerly the Federal Managers' Financial Integrity Act of 1982), the Federal Management Improvement Act of 1996, and the Government Performance and Results Act of 1993, as these statutes are not applicable to GPO. However, GPO uses these authoritative sources as guidance in its operations.

The financial statements do not include the effects of centrally administered assets and liabilities of the Federal government, as a whole, such as interest on the public debt, which may in part be attributable to GPO.

All significant intra-agency balances and transactions have been eliminated in the preparation of the consolidated financial statements. Intra-agency transactions that were eliminated to consolidate GPO financial statements for the years ended September 30, 2001 and 2000, are reflected in the following table.

(Dollars in thousands)

| | **2001** | **2000** |
|---|---|---|
| Printing and reproduction: | | |
| Congressional printing and binding | $ 86,100 | $ 81,064 |
| Sales of publications | 9,558 | 12,887 |
| Salaries and expenses | 14,759 | 13,475 |
| GPO internal use | 356 | 374 |
| **Total printing and reproduction** | 110,773 | 107,800 |
| Data processing | 2,102 | 2,339 |
| Miscellaneous | 622 | 753 |
| **Total** | $113,497 | $110,892 |

In addition, there is an elimination within the In-house Printing Program of revenues and expenses and other internal transactions (e.g., internal-use forms, electronic repairs) provided by In-house Printing Operations. This elimination was $4,583,000 and $4,360,000 for the years ended September 30, 2001 and 2000, respectively.

Beginning in Fiscal Year 1998, GPO provided the U.S. Census Monitoring Board with administrative support services for a fee. This reimbursable inter-agency service agreement expired on September 30, 2001. The expenses incurred on behalf of the [former] Board and the subsequent reimbursements to GPO have been removed from GPO's financial statements.

**B. Basis of Accounting**

As allowed by the Federal Accounting Standards Advisory Board (FASAB), and as further discussed in the following paragraphs, the accompanying consolidated financial statements of GPO have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP), applicable to commercial enterprises. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

As a legislative branch agency, GPO is not required to follow the executive agency accounting principles established by the Comptroller General under 31 U.S.C. §3511. GPO has historically prepared its consolidated financial statements in accordance with GAAP, based on accounting standards issued by the Financial Accounting Standards Board (FASB), the private-sector standards setting body. In October 1999, the Federal Accounting Standards Advisory Board (FASAB) was designated by the American Institute of Certified Public Accountants (AICPA) as the standards setting body for GAAP financial statements of federal government entities. FASAB has indicated, however, that financial statements prepared based upon accounting standards published by the FASB may also be regarded as GAAP for those federal agencies, such as GPO, that have issued financial statements based upon FASB accounting standards in the past. Accordingly, consistent with historic reporting, the consolidated financial statements of GPO are presented in accordance with accounting standards published by the FASB.

**C. Methods of Funding**

The Department of Treasury maintains a *revolving fund* and a *general fund* for the accounting of resources financing GPO's various programs and operations authorized by the Congress. Each of these funds is a distinct fiscal and accounting entity that accounts for cash and other financial resources together with all related liabilities and equities.

**Revolving Fund –** The GPO Revolving Fund is an intergovernmental revolving fund established by Congress on July 1, 1953 (44 U.S.C. §309). This business-type revolving fund is available without fiscal year limitation for financing the operation and maintenance of GPO, except for those programs of the Superintendent of Documents that are funded by specific appropriations (see General Fund).

The GPO Revolving Fund is a self-sustaining financial entity used primarily to temporarily finance and account for GPO's Printing and Binding Operations and the Sales of Publications Operations. Accordingly, the two major sources of revenue to the revolving fund are reimbursements from the Congress and other customers for the cost of printing and binding services, and publication sales to the public.

The Printing and Binding Operations account for the revenues and expenses associated with services provided by GPO's printing plants (i.e., in-plant printing) and Printing Procurement Program (i.e., commercially procured printing). The costs of these services are recovered through rates charged customers that include direct costs, overhead, and related expenses permitted under 44 U.S.C. §309(b).

The Sales of Publications Program sells Federal government information products to the public. The sales price of a Federal government publication is established in accordance with 44 U.S.C. §1708. Book dealers and purchasers of large quantities may be allowed a price discount of up to 25 percent for purchases.

**General Fund –** The General Fund is financed by two annual congressional appropriations. These appropriated funds finance the cost of GPO's support of the Congress and the information dissemination provided without charge to recipients by the Superintendent of Documents.

The larger of the two annual appropriations made available to GPO is the *Congressional Printing and Binding Appropriation*. This appropriation is used to pay the cost of the printing and binding requirements of the Congress, and the printing, binding, and distribution of publications authorized by law to be distributed without charge to the recipient.

The second annual appropriation made available to GPO is the *Superintendent of Documents, Salaries and Expense Appropriation*. This appropriation is used to fund the following four information dissemination programs of the Superintendent of Documents: the Federal Depository Library Program (FDLP), the Cataloging and Indexing Program, the By-Law Distribution Program, and the International Exchange Program. The majority of these appropriated funds finance the FDLP, the largest and most visible Federal government information dissemination program.

Both of these two annual appropriations are used to reimburse the GPO Revolving Fund for the cost of printing and binding, and other services and supplies furnished by GPO in accordance with *Title 44 Public Printing and Documents*.

**D. Revenue Recognition**

**In-house Printing and Binding –** By law, GPO must be reimbursed for the cost of printing and binding services furnished customers. Consequently, all Revolving Fund revenues from in-house printing and binding work (work not commercially procured) are recognized on a value-added basis, as work is performed.

**Commercially Procured Printing and Binding –** Revolving Fund revenues from commercially procured printing and binding are recognized on the date the contract requirements are fulfilled, which is generally the date of shipment by the commercial printer to the customer agency.

**Distributing or Selling Publications –** Revolving Fund revenues from distributing or selling publications are recognized when the publications have been shipped or when the services have been performed.

**Appropriation Revenues –** Appropriation revenues are recorded when qualifying expenses are incurred. The amount of appropriations expended and the programs funded by appropriations are presented in Note 12B. Unexpended appropriations are recorded as a component of Net Position. Unexpended appropriation balances are generally canceled after five years.

**Deferred Revenues –** Deferred revenues result from the receipt of customer remittances for products or services that will be delivered or provided in the future. Deferred revenues are classified into the following categories: deferred subscription revenue, customer deposits-held on account, customer deposits-unfilled orders, and advance billings to Federal agencies.

"Deferred subscription revenue" represents the value of paid subscription service that has not yet been provided to customers for products such as the *Congressional Record* and the *Federal Register*. The category "Customer deposits-held on account" represents amounts received from customers for deposit in pre-established accounts that provide customers the convenience of sending periodic payments to pay for products ordered, rather than remitting payments for each item ordered. "Customer deposits-unfilled orders" represent funds received for products (subscriptions, publications, etc.) not available for immediate shipment. Revenue for these transactions will be recognized at the time the products are delivered. Finally, "Advance billings to Federal agencies" are advance payments made by agencies to cover the cost of producing large printing orders. This revenue is recognized as work is completed.

**E. Funds with U.S. Treasury**

Funds with U.S. Treasury represent all balances in GPO's accounts with the Department of the Treasury. A table of items included in GPO's funds with the U.S. Treasury, including funds on-hand or in-transit to the Treasury, as of September 30, 2001 and 2000 follows.

(Dollars in thousands)

| | 2001 | 2000 |
|---|---|---|
| **Revolving fund:** | | |
| Unrestricted | $ 89,901 | $ 84,099 |
| Restricted | 81,990 | 92,429 |
| On-hand or in-transit | 262 | 248 |
| **Total revolving fund** | 172,153 | 176,776 |
| **Appropriations by fiscal year:** | | |
| 1996 | - | 5,698 |
| 1997 | 2,227 | 11,318 |
| 1998 | 640 | 1,747 |
| 1999 | 665 | 1,544 |
| 2000 | 3,768 | 27,786 |
| 2001 | 30,189 | - |
| **Total appropriations** | 37,489 | 48,093 |
| **Total** | $209,642 | $224,869 |

In 1997, the U.S. General Accounting Office (GAO) defined restricted funds with U.S. Treasury for GPO as funds with U.S. Treasury held for customer deposit accounts and employees' accrued salaries and annual leave. These funds cannot be used other than for those purposes.

In fiscal year 2001, GPO received $6 million under Public Law 107-20, dated July 24, 2001, in supplemental funding for the express purpose of replacing air conditioning and lighting systems. These unexpended appropriated funds are included in the restricted balance in 2001.

An agreement between GPO and the Census Monitoring Board (CMB) provided for CMB funds to be reported on GPO's Treasury statements. For fiscal year 2001, GPO included $1,425,273 for the CMB on GPO's FACTS II Treasury report; however, this amount was excluded from GPO's financial statements. In fiscal year 2000, this amount was $2,464,000.

All appropriated funds were either expended or obligated at September 30, 2001 and 2000 (see Note 12), with the exception of the $6 million supplemental appropriation discussed above.

**F. Inventories**

Inventories of publications held for sale are valued at the lower of cost, using the weighted average cost method, or market, and are net of an allowance for surplus publications. The allowance for surplus publications is established for the estimated value of potentially obsolete or excess publications held in inventory.

Paper, materials, and supplies inventory includes the cost of production material (e.g., blank paper, spare parts, ink, and book cloth), as well as the cost of administrative-use supplies. This inventory is valued at the lower of cost, using the weighted moving average cost method, or market, net of an allowance for materials and supplies obsolescence. There is no provision for paper obsolescence due to the frequency of use.

The components of inventories as of September 30, 2001 and 2000 follow.

(Dollars in thousands)

| | 2001 | 2000 |
|---|---|---|
| Publications for sale | $12,690 | $11,520 |
| Allowance for surplus publications | (2,715) | (2,643) |
| **Publications for sale, net** | 9,975 | 8,877 |
| Paper | 5,564 | 4,874 |
| Materials and supplies | 9,101 | 8,984 |
| Allowance for obsolescence | (2,182) | (2,068) |
| **Paper, materials, and supplies, net** | 12,483 | 11,790 |
| **Inventories, net** | $22,458 | $20,667 |

**G. Property, Plant, and Equipment**

Property and equipment purchases and additions are valued at cost. Printing equipment transferred to GPO from other Federal agencies is valued in accordance with JCP Regulation Number 26, *Government Printing and Binding Regulations*. This valuation approximates fair market value.

Major alterations and renovations are capitalized while normal maintenance and repair costs are expensed as incurred. Depreciation and amortization of property, plant, and equipment is calculated on a straight-line basis over the respective estimated useful life of the asset. The standard estimated useful life, or range of estimated useful lives, for each asset category follows.

| Category | Estimated Useful Life |
|---|---|
| Buildings and improvements | 42 to 50 years |
| Plant machinery and equipment | 5 to 20 years |
| Office machinery and equipment | 5 years |
| Computer hardware | 5 years |
| Computer software | 3 years |
| Furniture and fixtures | 5 years |
| Vehicles | 3 to 6 years |

Leasehold improvements are amortized over the lesser of their useful lives or lease terms.

### H. Impairment Loss, Write-down of Software Development Project

In fiscal year 2001, GPO management reconsidered the capitalized costs associated with the Superintendent of Documents Integrated Processing System (IPS) which has been under development since 1995. The software project was initiated to develop a state-of-the-art order processing system to track transactions from order receipt to final shipment, as well as handle customer-related issues. As of September 30, 2001, IPS was not fully operational and had not been deployed by the Superintendent of Documents to replace legacy systems currently in use.

The capitalized cost of the IPS system was approximately $12 million including hardware items required to operate the system. Furthermore, the software was originally assigned a useful life of 5 years upon implementation. However, GPO management made the determination that the 6-year delay in activating the software had rendered the asset “impaired” and negated the future economic benefit to GPO. This resulted in a $12 million write-down in fiscal year 2001.

### I. Annual, Sick, and Other Types of Leave

Annual leave is accrued as a liability when earned, and the liability is reduced when leave is used. Each year the annual leave liability is adjusted to reflect current pay rates. At September 30, 2001 and 2000, the liability for accrued annual leave was $10,048,000 and $10,449,000, respectively.

Sick leave and other types of non-vested leave are expensed when used. There is no limit on the amount of sick leave that may be accumulated, and no payment is made for unused sick leave.

**J. Accounting for Intra-agency Activities**

Other Federal agencies make financial decisions and report certain financial matters on behalf of the entire Federal government, including matters in which individual agencies may be an indirect party. Federal agencies are required to record or report only those financial matters for which they are directly responsible. Financial matters maintained or reported by other Federal agencies in which GPO is indirectly involved include employee benefit plans (see Note 3) and certain legal situations (see Note 10).

**K. Statements of Cash Flows**

The statements of cash flows identify cash receipts and payments and classify them into operating, investing, and financing activities. The disclosure of this information is intended to help assess the ability of GPO to generate funds from current operations, to identify financing acquired from outside sources, and to identify the major non-operating (investing) uses of funds. For purposes of these financial statements, cash is considered to be funds with U.S. Treasury, as defined in Note 2E.

**L. Workers' Compensation Liability**

The Workers' Compensation Liability (WCL) is the estimated liability for future compensation and medical benefits that GPO will be obligated to pay. GPO discounted the value of estimated future payments to reflect the time value of money and increased future payments for estimated cost of living adjustments and consumer price index increases. The probability of future payments was based on historical benefit payment patterns combined with current information related to individual benefit claims. The estimated liability of $67.7 million as of September 30, 2001, increased by $31.4 million from the prior year, primarily due to changes in assumptions made by the Department of Labor which are summarized in Note 8.

**M. Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the amount of revenues and expenses reported during the reporting period. Actual results could differ from these estimates.

**N. Reclassification of Fiscal Year 2000 Balances**

Reclassifications have been made to fiscal year 2000 balances to present them on a comparable basis with the fiscal year 2001 financial statements.

## 3. Employee Benefit Plans:

GPO funds a portion of pension contributions for its employees under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), and also makes payroll deductions from employees for their pension contributions. The required employer contributions are established by the U.S. Office of Personnel Management (OPM). OPM is responsible for government-wide reporting of CSRS and FERS assets, accumulated plan benefits, and unfunded liabilities. Therefore, GPO is not required to disclose the unfunded pension liability and post-employment benefits relative to its employees.

**A. Civil Service Retirement System**

The majority of GPO's employees were covered by the CSRS, a defined benefit plan. Total GPO (employer) contributions to CSRS for employees covered under this retirement program were 9.01 percent of basic pay in both fiscal years 2001 and 2000 for Congressional Record indexers, investigators, and law officers; and 8.51 percent of basic pay in both fiscal years for all other employees. GPO’s contributions were $9.0 million and $9.3 million for the fiscal years ended September 30, 2001 and 2000, respectively.

**B. Federal Employees Retirement System**

On January 1, 1987 the Federal Employees Retirement System (FERS) was created pursuant to Public Law 99-335. Using the Social Security system as a base, FERS provides a defined benefit plan (Basic Benefit Plan) and a voluntary (defined contribution) plan. Employees first hired after December 31, 1983 were automatically covered by FERS and Social Security, while employees hired prior to January 1, 1984 were able to choose between joining this plan or remaining in CSRS. Unlike CSRS, FERS offers the Federal Government’s Thrift Savings Plan (TSP), which requires GPO to contribute 1 percent of an enrolled employee’s base pay, and to match voluntary employee contributions of up to 4 percent of base pay.

In both fiscal years 2001 and 2000, GPO (employer) contributions to FERS were 15.4 percent of basic pay for Congressional Record indexers; 23.3 percent of basic pay for investigators and law officers; and 10.7 percent of basic pay for all other employees covered under this plan. Total GPO contributions were $5.6 million and $5.1 million in fiscal year 2001 and 2000, respectively. Contributions by GPO to TSP for fiscal years 2001 and 2000 were $2.0 million and $1.9 million, respectively.

**C. Social Security System**

For employees covered by FERS, GPO matches contributions to the Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA). GPO contributes matching amounts of 6.2 percent of gross pay (up to $80,400 in 2001 and $76,200 in 2000) to SSA's Old Age, Survivors, and Disability Insurance (OASDI) Program. Additionally, GPO makes matching contributions for all employees of 1.45 percent of gross pay to SSA's Medicare Hospital Insurance Program. Payments to these programs for the years ended September 30, 2001 and 2000 totaled $5.9 million and $5.7 million, respectively.

**D. Pension and Other Post-Employment Benefits Provided by Others**

OPM is responsible for the administration and funding of certain government-wide programs that provide pension and other post-employment benefits to retired employees of the Federal government. These OPM programs provide benefits to former employees of GPO.

OPM administered pension programs include CSRS and FERS (see Notes 3A and 3B). Other OPM programs provide health and life insurance benefits to active, inactive and retired government employees. Permanent employees of GPO may participate in the Federal Employees Health Benefit Program (FEHBP) and/or Federal Employee Group Life Insurance Program (FEGLIP) before and after their retirement.

FASAB Statement of Federal Financial Accounting Standards (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*, requires agencies that follow Federal Accounting Standards to recognize their share of the *normal cost* of pension and other post-employment benefits provided by others, such as OPM. To the extent that normal costs exceed current contributions, the standard requires that an additional expense be recognized by the employing agency for the future estimated cost of post-employment benefits not currently funded. SFFAS No. 5 also requires that the estimated expense amount be offset by an equal amount of imputed financing. OPM, which is responsible for these programs, represents the source of imputed financing for the post-employment benefits.

As allowed by the FASAB, GPO has historically elected to prepare its financial statements on the basis of GAAP for commercial enterprises, and accordingly has reflected only the current cost of these programs in its financial statements since OPM is responsible for funding the normal cost component.

## 4. Accounts Receivable:

Accounts receivable as of September 30, 2001 and 2000, consists of the following.

(Dollars in thousands)

| | 2001 | 2000 |
|---|---|---|
| Federal Agencies: | | |
| Unbilled completed work | $108,954 | $132,319 |
| Unbilled work in process | 10,062 | 5,568 |
| Billed completed work | 9,340 | 8,376 |
| **Subtotal** | 128,356 | 146,263 |
| Other receivables: | | |
| The public | 622 | 604 |
| GPO employees | 1,148 | 1,132 |
| **Subtotal** | 1,770 | 1,736 |
| **Total accounts receivable** | 130,126 | 147,999 |
| Allowance for doubtful accounts | (3,192) | (1,793) |
| **Total accounts receivable, net** | $126,934 | $146,206 |

The majority of GPO accounts receivable are due from other Federal agencies. Unbilled completed work results from the delivery of goods or the performance of services for which bills have not been presented. At September 30, 2001, this balance included finished work for which invoices have not been prepared of $33.4 million, unbilled commercial printing of $45.5 million, and finished work of $30.1 million that was collected via the U. S. Treasury's On-line Payment and Collections (OPAC) system in October 2001. At September 30, 2000, this balance included finished work for which invoices had not be prepared of $36.6 million, unbilled commercial printing of $72 million, and finished work of $23.7 million that was collected via the U.S. Treasury's OPAC system in October 2000.

Unbilled work in process represents the amount of work performed on customer orders as of September 30, 2001 and 2000, that, by law, must be reimbursed by GPO customers.

Employee accounts receivable includes amounts owed by current and former employees who were advanced leave. Leave indebtedness for employees is repaid in biweekly installments or by other GPO employees on their behalf, through the donated leave program.

The allowance for doubtful accounts is based on GPO's collection experience. The allowance account increased from approximately $1.8 million at September 30, 2000 to approximately $3.2 million at September 30, 2001 due to an increase in Department of Defense accounts receivable greater than 18 months old.

### 5. Property, Plant, and Equipment:

Property, plant, and equipment as of September 30, 2001 and 2000 consisted of the following.

(Dollars in thousands)

| | Acquisition Value | Accumulated Depreciation & Ammortization | 2001 Net Book Value | 2000 Net Book Value |
|---|---|---|---|---|
| Land | $ 9,977 | $ - | $ 9,977 | $ 9,977 |
| Buildings | 8,656 | 8,656 | - | - |
| **Subtotal** | 18,633 | 8,656 | 9,977 | 9,977 |
| Building improvements | 55,468 | 41,984 | 13,484 | 15,444 |
| Leasehold improvements | 1,049 | 915 | 134 | 162 |
| Plant machinery and equipment | 75,133 | 54,617 | 20,516 | 22,454 |
| Office machinery and equipment | 18,105 | 14,659 | 3,446 | 4,681 |
| Computer software | 9,485 | 8,594 | 891 | 10,492 |
| Furniture and fixtures | 3,084 | 2,030 | 1,054 | 1,335 |
| Vehicles | 3,185 | 2,857 | 328 | 417 |
| Capital improvements in process | 22 | - | 22 | - |
| Software development in process | 1,114 | - | 1,114 | 3,030 |
| **Subtotal** | 166,645 | 125,656 | 40,989 | 58,015 |
| **Total** | $185,278 | $134,312 | $50,966 | $67,992 |

### 6. Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses as of September 30, 2001 and 2000 were composed of the following.

(Dollars in thousands)

| | 2001 | 2000 |
|---|---|---|
| **Accounts payable:** | | |
| Commercial printing | $42,701 | $66,209 |
| U.S. Government agencies | 12,848 | 12,758 |
| Other | 4,908 | 6,388 |
| **Total accounts payable** | 60,457 | 85,355 |
| Accrued salaries and wages | 12,968 | 11,177 |
| State and local payroll taxes | 737 | 766 |
| **Total accounts payable and accrued expenses** | $74,162 | $97,298 |

The liability for commercial printing accounts payable of $42.7 million as of September 30, 2001, reflects a decrease in the account balance of about 36 percent when compared to the $66.2 million balance in the account at the end of fiscal year 2000. This decrease in the liability account balance was, in part, due to a large volume of Internal Revenue Service work in the account at September 30, 2000.

**7. Deferred Revenues:**

As of September 30, 2001 and 2000, deferred revenue consisted of the following.

(Dollars in thousands)

| | 2001 | 2000 |
|---|---|---|
| Customer deposits-held on account | $47,607 | $61,956 |
| Deferred subscription revenue | 9,206 | 11,922 |
| Customer deposits-unfilled orders | 1,588 | 1,241 |
| Advance billings to Federal agencies | 1,111 | 9,511 |
| **Total** | $59,512 | $84,630 |

Customer deposits-held on account totaled $47.6 million at September 30, 2001. This represents $42 million received in advance from printing and binding customer agencies to cover future printing requirements and $5.6 million received in advance by Sales of Publications Program customers enabling them to purchase publications without remitting cash with each order. Customer deposits are refunded upon request.

The decrease in customer deposits-held on account from $61.9 million in fiscal year 2000 to $47.6 million in fiscal year 2001, primarily results from one customer (Center for Medicare and Medicaid Services) that withdrew $10.6 million in 2001 to fund unexpected postage costs.

The $1.1 million in advance billings to Federal agencies is a decline of $8.4 million when compared to the $9.5 million balance at the end of fiscal year 2000. In fiscal year 2000, GPO collected $8.1 million in advance from the Internal Revenue Service (IRS) to provide necessary capital to fund large IRS printing jobs.

**8. Summary of Significant Assumptions for Workers' Compensation Liability:**

The Workers' Compensation Liability, including the Medical Liability, is estimated at approximately $67.7 million at September 30, 2001, compared to $36.2 million at the end of fiscal year 2000. The estimate also includes a factor to cover those individuals injured but not reported.

The Workers' Compensation Liability in both years represents the sum of projected annual benefit payments after adjusting for the effect of inflation on both wages and medical payments, and after discounting to present value using the Congressional Budget Office's economic assumptions for 10-year Treasury notes and bonds.

| **Interest Assumptions** | 2001 | 2002 | 2003 | 2004 | 2005 and thereafter |
|---|---|---|---|---|---|
| 2001 | N/A | 5.21% | 5.21% | 5.21% | 5.21% |
| 2000 | 6.80% | 5.80% | 5.80% | 5.80% | 5.80% |

Wage inflation factors (cost of living adjustment, or COLA) and medical inflation factors (consumer price index for medical costs, or CPIM) were used to calculate the estimated future compensation and medical payments. The COLA and CPIM factors used to develop the estimated liability at September 30, 2001 and 2000 follow.

**September 30, 2001**

| Factors | 2002 | 2003 | 2004 | 2005 | 2006 and thereafter |
|---|---|---|---|---|---|
| COLA | 3.00% | 2.56% | 2.50% | 2.50% | 2.50% |
| CPIM | 4.15% | 4.09% | 4.09% | 4.09% | 4.09% |

**September 30, 2000**

| Factors | 2001 | 2002 | 2003 | 2004 | 2005 and thereafter |
|---|---|---|---|---|---|
| COLA | 1.84% | 1.70% | 1.57% | 1.45% | 1.45% |
| CPIM | 3.83% | 3.92% | 3.98% | 4.02% | 4.02% |

Retention rates used to develop the estimated liability for fiscal years 2001 and 2000 are shown on the following table. They were developed using the Agency's historical data. Beginning in fiscal year 2001, claims were divided into two categories: permanent disability/death (PD), and non-permanent disability (NP).

| Retention Rates | 2001 | | 2000 |
|---|---|---|---|
| | PD | NP | Combined |
| Medical Claims | 97.9% | 59.1% | 84.0% |
| Compensation Claims | 97.3% | 73.9% | 95.0% |

The future payments were estimated over the life expectancy of each claimant. The life expectancy rates were based on annuity tables to estimate the expected remaining life based upon claimant's age as of September 30, 2001. Life expectancy tables were taken from the Center for Disease Control's *National Vital Statistics Report,* Volume 48, No. 18, dated February 5, 2001, for the fiscal year 2001 estimate, and from the Department of the Treasury's Internal Revenue Service Publication 939, *General Rule for Pensions and Annuities,* dated June 1997, for the fiscal year 2000 estimate.

## 9. Commitments:

### A. Operating Leases

As of September 30, 2001, GPO was committed to various non-cancelable operating leases, primarily covering warehouse, retail, and office space. Some of these leases contain escalation clauses and renewal options. A schedule of future minimum rental payments required under operating leases by type, which have initial or remaining non-cancelable lease terms in excess of one year, follows.

(Dollars in thousands)

| Fiscal Year | Warehouse | Retail | Office | Total |
|---|---|---|---|---|
| 2002 | $1,642 | $ 274 | $197 | $2,113 |
| 2003 | 1,642 | 243 | 114 | 1,999 |
| 2004 | 1,586 | 169 | 85 | 1,840 |
| 2005 | 964 | 159 | 83 | 1,206 |
| 2006 | 241 | 111 | - | 352 |
| 2007 and beyond | - | 96 | - | 96 |
| **Total minimum lease payments** | $6,075 | $1,052 | $479 | $7,606 |

Rent expense for the years ended September 30, 2001 and 2000, were $5,577,000 and $6,044,000, respectively.

### B. Commitments on Undelivered Orders

Some of GPO's orders for goods and services have been placed, but have not been delivered at fiscal year-end. Total undelivered orders for all GPO activities were approximately $109.7 million and $110.9 million as of September 30, 2001 and 2000, respectively.

## 10. Contingencies:

### Administrative Proceedings, Legal Actions, and Claims

GPO is a party to various administrative proceedings, legal actions, and claims brought by or against it. In the opinion of GPO management and legal counsel, the ultimate resolution of these proceedings, actions, and claims will not materially affect the financial position or results of operations of GPO.

Occasionally, GPO may be the named party, but another agency may administer and litigate the case. Amounts to be paid under any decision, settlement, or award pertaining thereto may be funded by those agencies. In most cases, tort claims are administered and resolved by the U.S. Department of Justice, and any amounts necessary for resolution are obtained from a Special Judgment Fund maintained by the Department of the Treasury. Amounts paid from this fund on behalf of the GPO were $34,000 and $85,000 for the years ended September 30, 2001 and 2000, respectively, and are not reflected in GPO's consolidated financial statements.

### 11. Net Position:

**A. Revolving Fund Cumulative Results of Operations:**

**Retained Earnings** — Retained earnings for the Revolving Fund includes net operating results since its inception, reduced by excess receipts from the sales of publications deposited as "miscellaneous receipts" in the Treasury of the United States, and by transfers to other Federal agencies.

**Invested Capital —** Invested Capital represents Federal resources directly appropriated to GPO by Congress to invest in GPO assets, namely land, buildings, equipment, and capital. The Revolving Fund was established in 1953 with capital appropriations of $33.8 million and buildings and land with a fair market value in 1953 of $415,000. Subsequently, Congress provided additional funding to GPO of $75.5 million for capital, land, and other improvements.

During fiscal year 2001, GPO changed its accounting for certain items previously reported as invested capital. Specifically, depreciation of assets acquired with Federal appropriations that are restricted to the acquisition of fixed assets, as well as donated fixed assets, are no longer recorded as an adjustment directly to invested capital. Additionally, invested capital is now reported as a component of the cumulative results of operations.

Below is a summary of the changes to the cumulative results of operations in the fiscal years ended September 30, 2001 and 2000.

(Dollars in thousands)

| Cumulative Results of Operations | Retained Earnings | Invested Capital | Total |
|---|---|---|---|
| **Balance at September 30, 1999** | $95,000 | $95,616 | $190,616 |
| Donated equipment, net | - | (65) | (65) |
| Reclassification to transfer depreciation expense for air-conditioning system | - | (444) | (444) |
| Net loss for fiscal year ending September 30, 2000 | (115) | - | (115) |
| **Balance at September 30, 2000, as previously reported** | 94,885 | 95,107 | 189,992 |
| Reclassification of book-value of air-conditioning system | 2,228 | (2,228) | - |
| **Balance at September 30, 2000, as restated** | 97,113 | 92,879 | 189,992 |
| Net loss for fiscal year ending September 30, 2001 | (45,021) | - | (45,021) |
| **Balance at September 30, 2001** | $52,092 | $92,879 | $144,971 |

**B. Unexpended Appropriations:**

As of September 30, 2001, GPO had obligated services for the unexpended appropriations for the Congressional Printing and Binding of $21,118,000, and Salaries and Expenses of $14,108,000, for a total of $35,226,000. At September 30, 2000, these amounts were $26,012,000 for the Congressional Printing and Binding and $15,867,000 for Salaries and Expenses, totaling $41,879,000.

In fiscal year 2001, Congress (Public Law 107-20) authorized the transfer of $9.5 million from the Congressional Printing and Binding Appropriations to the Printing and Binding Revolving Fund to cover the cost of Congressional work submitted, but not completed. Also, Congress approved $3.3 million transferred from the Salaries and Expenses Appropriations to the Printing and Binding Revolving Fund to pay for the printing and distribution of government publications selected by the depository libraries. These are also included in unexpended appropriations as of September 30, 2001.

In August 2001, Congress authorized $6 million to enable GPO to replace antiquated air conditioning and lighting systems. This amount is included in unexpended appropriations as of September 30, 2001. These replacement systems will be capitalized as assets upon completion, along with internal engineering services required in planning and installation.

## 12. Appropriated Funds:

### A. Available Appropriations

Total net appropriations made available, after rescissions and supplemental appropriations, for fiscal years ended September 30, 2001 and 2000, were $81,205,000 and $73,297,000, respectively, for Congressional Printing and Binding, and $27,893,000 and $29,872,000, respectively, for Salaries and Expenses of the Superintendent of Documents.

### B. Expended Appropriations

Expended appropriations for program operations for the years ended September 30, 2001 and 2000 follow.

(Dollars in thousands)

| | 2001 | 2000 |
|---|---|---|
| **Congressional printing and binding:** | | |
| Congressional Record products | $ 19,727 | $ 21,179 |
| Miscellaneous publications and printing and binding | 23,658 | 19,188 |
| Hearings | 16,742 | 18,954 |
| Bills, resolutions, and amendments | 10,878 | 5,173 |
| Details to Congress | 2,685 | 2,332 |
| Other | 12,410 | 14,238 |
| **Total congressional printing and binding** | 86,100 | 81,064 |
| **Salaries and expenses:** | | |
| Depository library distribution | 25,188 | 25,755 |
| Cataloging and indexing | 3,602 | 2,866 |
| By-law distribution | 592 | 673 |
| International exchange | 271 | 530 |
| **Total salaries and expenses** | 29,653 | 29,824 |
| **Total expended appropriations** | 115,753 | 110,888 |
| Reconciliation of expended appropriations to the consolidated statements of revenues and expenses: | | |
| **Total expended appropriations** | 115,753 | 110,888 |
| Eliminations (Intra-agency) | (622) | (753) |
| **Consolidated revenues from appropriations** | $115,131 | $110,135 |

### 13. Concentration of Credit Risk:

GPO financial instruments, none of which are held for trading purposes, consist primarily of funds with the U.S. Treasury, accounts receivable, and accounts payable at September 30, 2001 and 2000. GPO estimates the fair value of financial instruments at September 30, 2001 and 2000 to be the carrying value. Funds with the U.S. Treasury represent balances in GPO's accounts with the U.S. Department of the Treasury, accounts receivable are primarily due from various agencies, and accounts payable are primarily due to various commercial vendors.

### 14. Major Customers:

GPO's primary customers are Federal agencies. Revenues from those customers representing 10 percent or more of GPO's revenues follow.

(Dollars in thousands)

| | 2001 | | 2000 | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| **Department of Defense** | $123,517 | 17.3% | $136,376 | 16.9% |
| **Department of the Treasury** | $ 94,256 | 13.2% | $102,509 | 12.7% |
| **Department of Health & Human Services** | $ 81,037 | 11.4% | $ 68,333 | 9.6% |
| **Congress of the United States** | $ 76,600 | 10.8% | $ 81,064 | 10.0% |