# UNITED STATES GOVERNMENT PRINTING OFFICE

## Table of Contents

## UNITED STATES GOVERNMENT PRINTING OFFICE

### Table of Contents

**UNITED STATES GOVERNMENT PRINTING OFFICE**
**FINANCIAL YEAR IN REVIEW**
**FISCAL YEARS 2003 and 2002**

# SECTION I

# MANAGEMENT'S DISCUSSION AND ANALYSIS

U.S. Government Printing Office

# Management's Discussion and Analysis

September 30, 2003

The consolidated financial statements of the U.S. Government Printing Office (GPO) are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). 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. GAAP also requires that accounting principles used be applied in a consistent manner with that of the previous year.

The consolidated financial statements report the financial position and the results of operations of the Agency pursuant to the requirements of 31 U.S.C. § 3515(b). The consolidated financial statements have been audited by an independent external auditor selected by the Public Printer in accordance with 44 U.S.C. § 309(e).

The consolidated financial statements are prepared from the GPO's financial management system. Transactions are recorded on the accrual basis and are within budgetary limitations established to facilitate compliance with legal constraints and controls over the use of Federal funds. GPO's annual financial statements and accompanying notes provide information on the Agency's financial position, results of operations, changes in net position, and disclose all significant events and economic affairs controlled by GPO, in conformity with applicable laws, regulations, standards, and policies relevant to financial reporting.

GPO is committed to maintaining strong financial systems and internal controls to ensure our accountability, integrity, and reliability. GPO's internal controls are designed to provide reasonable assurance that obligations and costs are in compliance with applicable laws and regulations; funds, property, and other assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and revenues and expenses are properly recorded and accounted for to enable the GPO to prepare reliable financial reports and maintain accountability over assets.

GPO Instruction 825.18A *Internal Control Program* effectively adopts the internal control standards and assessment methodology used by the Executive Branch. GPO managers regularly conduct vulnerability assessments and internal controls reviews of GPO's programs, operations, and other activities. The GPO Inspector General monitors the program and keeps the Public Printer informed of the progress by management. The GPO Internal Control Program has strengthened management controls and improved the economy, efficiency, and effectiveness of GPO's programs, operations, and other activities. Management has initiated actions to address the one reportable condition on information technology (IT) general controls in the Independent Auditors' Report for the year ended September 30, 2003.

## Mission

GPO has been faithfully serving the Nation by *keeping America informed* for over 140 years. The Agency accomplishes this important mission by working in close partnership with all three branches of the Federal Government in the creation, cataloging and indexing, reproduction, storage, and dissemination of information. GPO ensures that Federal Government information is readily available to the public in an array of communication mediums from traditional printed products, such as books, to electronic documents and databases that are accessible through the Internet by the World. GPO is one of the Nation's oldest and most venerable agencies, within which the official version of every great American state paper since President Lincoln's time has been produced. Many of the Nation's most important information products, such as the *Congressional Record* and all other legislative information supporting the U.S. Senate and House of Representatives, are produced at the GPO's main plant, a 1.5 million square foot complex that is the largest information processing, printing, and distribution facility in the world. Working in partnership with the American printing industry, the GPO also maintains a nationwide database of private sector vendors that compete to produce most of the information products required by the Federal Government.

## Programs and Operations

The Government-wide programs and operations managed by GPO are based on various public laws codified in Title 44 of the *United States Code*. GPO's statutory responsibilities include fulfilling the printing needs of the Federal Government and distributing Government publications to the public. GPO activities are financed through a Revolving Fund, which is reimbursed by payments from customer agencies, sales to the public, and transfers from the Congressional Printing and Binding Appropriation and the Superintendent of Documents' Salaries and Expenses Appropriation. These two annual appropriations are used to reimburse the Revolving Fund for costs incurred while performing congressional work and fulfilling statutory requirements to disseminate Government information to the public, respectively. Reimbursements to the Revolving Fund from the appropriations are recorded as revenue. Generally, unexpended appropriations are returned to the U.S. Treasury after 5 years have passed.

The demand for traditional printing has steadily declined over the years as advances in digital technology and services continue to expand the accessibility, form, and wealth of information. The decline in customer demand for traditional printing has impacted the operations of all major programs within GPO. As less printing is produced and procured for the Federal Government, fewer printed publications are available for distribution and sale to the public. The GPO workforce has been likewise reduced. The workforce consisted of 8,500 employees in fiscal year 1976, and totaled 2,840 employees at the end of fiscal year 2003.

In April 2003, the Public Printer established the *Retirement Separation Incentive Program* (RSIP) under authority of Public Law 105-275, as amended, to help restructure the GPO workforce. The Joint Committee on Printing approved the Public Printer's plans for up to 350

employee separations under the RSIP. The RSIP permits incentive payments of up to $25,000 per employee. The RSIP will realize substantial payroll savings by reducing the total workforce by about 300 employees, or 10 percent, when allowing for necessary new hires under GPO's workforce restructuring plans. GPO committed $10 million in cash from the Revolving Fund to finance RSIP separation costs and has requested Congress to appropriate $10 million to the GPO Revolving Fund in fiscal year 2004 to fund the costs of the workforce restructuring.
By September 30, 2003, a total of 312 employees had agreed to separate from GPO under the RSIP. Furthermore, a total of 301 (96 percent) of the 312 participants agreed to separate on or before October 4, 2003, the last pay period in the fiscal year. The remaining 11 employees are scheduled to leave during fiscal year 2004.

The RSIP will reduce estimated personnel costs and benefits by about $21.7 million per year, or about $108.7 million over the next 5 years, for the 312 employees that volunteered so far. The one-time estimated costs to GPO of $10.4 million consist of incentive payments to employees of $7.8 million and retirement contributions to the Office of Personnel Management of $2.6 million.

A major reorganization was implemented during fiscal year 2003 to improve customer service, program management, and operational performance. The Agency-wide reorganization established several key management positions, including the Managing Director of Customer Services, the Managing Director of Plant Operations, the Managing Director of Information Dissemination, the Chief Information Officer (CIO), the Chief Financial Officer (CFO), the Human Capital Officer, and the Chief of Staff.

Management initiatives are also underway to: employ leading-edge technologies to improve the economy and efficiency of operations and the quality of services to customers; reduce industrial, office, and warehouse space requirements; optimize the utilization of production equipment; minimize paper spoilage; conserve energy resources; and minimize overtime requirements.

GPO's Plant Operations produces the *Congressional Record* and all other documents relative to the legislative process. However, neither Congress nor GPO are able to accurately forecast the printing workload that may be required to support and record legislative proceedings. In those years where the congressional printing requirements exceed the funding provided by Congress, GPO uses its authority to temporarily fund the shortfall through the Revolving Fund. Congressional funding has been adequate in most years. At September 30, 2003, no funding shortfalls were projected. Appropriations made available for funding this program during fiscal year 2003 were considered adequate.

The GPO Printing Procurement Program is regarded as the most economical and efficient source for satisfying the printing needs of the Federal Government. Most of the Government's printing needs are effectively satisfied through this specialized acquisition program that relies entirely on the commercial sector. Thousands of pre-qualified businesses, small to large in size, openly compete for Government printing jobs. GPO procurement and printing experts oversee each job to ensure that the contractor meets the customer's quality and schedule requirements. GPO's performance measures for on-time delivery and quality acceptance demonstrate the effectiveness of this partnership between American industry and the U.S. Government.

GPO is also streamlining the printing procurement process by taking greater advantage of new technologies, the Internet, and e-Business. GPO and OMB recently entered into a compact to develop a demonstration print procurement contract, similar to a GSA Federal Supply Schedule, for one Federal agency, the U.S. Department of Labor (DOL). This pilot contract, GPO Program Number 1, will feature a front-end electronic system utilizing the World Wide Web that will allow customers a one-stop, integrated, print ordering and invoicing system for all print jobs. Any registered printer in the country will be free to submit a price quote on any job in the system. The DOL, the customer agency, has the authority to select the contractor based on the lowest price or best value techniques.

The OMB/GPO Compact also requires the contractor to provide GPO with an electronic copy of each document ordered by a Federal agency. The Superintendent of Documents will use these electronic documents to improve the flow of Government information to the public through GPO *Access*, the Federal Depository Library Program, and other information dissemination programs.

The operations of the Sales of Publications Program are being reengineered to improve customer service and lower operating costs. Actions are underway to introduce new technologies, adopt the industry's leading practices, and right-size operations. This self-funding program has not recovered all of its operating costs since fiscal year 1997. A downward trend in customer demand for printed publications has significantly reduced program revenues. The Sales of Publications Program earned $31.1 million in revenues during fiscal year 2003. Revenues declined by $6.9 million, or 18 percent, when compared to last year's revenues of $38 million. This downward trend in sales began in fiscal year 1995 when revenue totaled about $80 million.

The Superintendent of Documents has initiated several major actions to reduce the operating costs of the Sales of Publications Program. The 16 remaining regional bookstores were closed during fiscal year 2003. Office and warehouse space requirements are being significantly reduced. Office space requirements at Central Office have been reduced through staff reductions and space consolidation efforts. Inventory reduction and space consolidation efforts started this year will allow GPO to vacate one of the two leased warehouse buildings in Laurel, Maryland, next fiscal year. The agency-wide incentive retirement program also reduced the workforce. The quantity of each new publication purchased for the sales inventory was reduced. Customers are being encouraged to use the economical and efficient U. S. Government Online Bookstore to buy publications. The Superintendent of Documents is also improving operations and service by adopting industry-leading practices, such as an On Demand, Just-In-Time Inventory for Government publications.

The Salaries and Expense Appropriation funds the administration of the Federal Depository Library Program (FDLP), the Cataloging and Indexing Program, the By-Law Distribution Program and the distribution component of the International Exchange Program of the Library of Congress. GPO's cataloging and locator services have emerged as a critical element in the

FDLP's provision of public access to U.S. Government publications. Long recognized as the National authority for cataloging Government publications, FDLP is also recognized as a center of excellence in other aspects of managing an electronic collection for permanent public access.

The transition to a predominantly electronic FDLP began in 1996 at the direction of Congress. In the fiscal year 2002 appropriation, GPO received general approval from Congress to acquire a commercial off-the-shelf *Integrated Library System* (ILS). A contract has been negotiated with a library automation-consulting firm to analyze functional requirements to determine available systems best suited to meet the Government's needs. Once operational, the ILS public cataloging interface will offer enhanced information identification and location capabilities to all users. Depository library staff will, for the first time, have direct access to the processing and product status information, satisfying the majority of FDLP customer inquiries.

## Financial Results for Fiscal Year 2003

Fiscal year 2003 total operating revenues were $675.4 million compared with $702.3 million in the prior year, a decrease of 3.8 percent. Total operating expenses before other operating expenses were $699.5 million compared with $717.5 million in fiscal year 2002. The net loss of the Revolving Fund before other operating expenses was $24.2 million compared to a net loss in the prior year of $15.2 million. GPO had other operating expenses of $10.4 million for the RSIP during fiscal year 2003. Additionally, the actuarial estimated liability for long-term FECA benefits decreased by $1.7 million in fiscal year 2003, following an increase of $23.6 million in fiscal year 2002. The consolidated net loss for fiscal years 2003 and 2002 were $32.9 million and $38.8 million, respectively.

In-House Printing Operations was the only major program that recovered its operating costs during fiscal years 2003 and 2002. Revenue increased by $3.7 million from $182 million in fiscal year 2002 to $185.7 million in fiscal year 2003. Expenses increased by $3.7 million from $179.3 million in fiscal year 2002 to $183 million in fiscal year 2003. Therefore, the net income, before other operating expenses, was $2.7 million for both fiscal years.

Purchased Printing reported a net loss of $10.3 million in fiscal year 2003 compared to a net loss of $3.8 million in the prior fiscal year. The increase in the loss was attributable to a decrease in revenues from $470.3 million in fiscal year 2002 to $440.4 million in fiscal year 2003.

The Sales of Publications continued to decline in fiscal year 2003, with a net loss of $18.6 million compared to a $16 million loss in the previous fiscal year. Revenues showed a dramatic drop from $38 million in fiscal year 2002 to $31.1 million, or 18.2 percent, in fiscal year 2003. Expenses in fiscal year 2003 decreased by $4.2 million to $49.8 million from $54 million in fiscal year 2002 due primarily to reduced rental expense resulting from the closure of 16 bookstores during the year.

In fiscal year 2001, the GPO Revolving Fund received $6 million in supplemental funding, under Public Law 107-20, to replace the antiquated air conditioning system and install new energy-efficient lighting fixtures. These funds were fully obligated at the end of fiscal year 2003. About $5 million was allocated for the air conditioning project, and about $1 million was allocated to the lighting fixtures project. As of September 30, 2003, GPO had expended about $5.2 million for the purchase and installation of a new air-conditioning system and lighting fixtures by a commercial contractor.

In fiscal year 2002, the GPO Revolving Fund received $4 million in Emergency Response Funds under Public Law 107-117 to enhance security measures at the central facility and to provide backup sites for both production operations and the Superintendent of Documents GPO Access Web site and support functions. To date, GPO has obligated $2.2 million of the available funds and expended $1.9 million. GPO plans to obligate the balance in fiscal year 2004, including about $1 million for the GPO Access mirror site.

As a result of these activities, in fiscal year 2003, GPO recorded Appropriation Revenue of $5.1 million from Appropriations made to the Revolving Fund in prior fiscal years. This represents amounts expended by GPO for replacement of obsolete air conditioning and lighting fixtures during the year. Accounting standards require the recognition of appropriation revenue at the time the appropriated funds are spent, while acquired goods and services are either depreciated (if a capital asset) over a number of years, or expensed within the period.

## Performance Measures

GPO gauges its overall efficiency and effectiveness using certain performance measures. Generally, these performance measures are based on established standards that are compared against actual performance for each fiscal year. The following sections discuss the major operating performance measures and financial performance measures for the Agency.

## Operating Performance Measures

### Overtime Management

Overtime is a management tool used for meeting workload demand. GPO manages and controls overtime to minimize labor costs. In fiscal year 2003, GPO employees worked 170,000 hours of overtime, which is 10.1 percent less than the 189,000 hours worked in fiscal year 2002. The cost of overtime in fiscal year 2003 decreased by $262,000 from fiscal year 2002's level. GPO successfully achieved its goal for fiscal year 2003, with actual overtime hours worked well under the upper limit of 200,000 overtime hours. The upper limit for fiscal year 2004 will be 180,000 overtime hours, or 10 percent less, to compensate for the 10 percent workforce reduction.

### Production Chargeable Hours

Chargeable hours increased to 576,000 in fiscal year 2003 from 570,000 in fiscal year 2002, an increase of 6,000 hours, or 1.1 percent, while the number of employees available for work decreased by 5.9 percent. The results for 2003 met GPO's goal of achieving sufficient chargeable hours necessary to break even. GPO's fiscal year 2004 goal is to have enough chargeable hours to achieve break even in Production Operations. Due to the mix in hourly rate charged for the various printing processes, a specific chargeable hour target cannot be established.

### Congressional Record Delivery

The *Congressional Record* is an important tool and product of the legislative process, with its timely production a large part of GPO's mission. To gauge GPO's efficiency in providing the *Congressional Record* to Congress, GPO has established a deadline of 9 a.m. the following day when copy is received in GPO by midnight, regardless of whether the Senate or the House of Representatives is in session. Our actual on-time delivery rate was 86 percent in fiscal year 2003, compared with 83 percent in fiscal year 2002.

### On-Time Delivery of Procured Printing

The Printing Procurement Department contracted with commercial printers to ship 143,700 jobs in fiscal year 2003 compared with 142,900 jobs in fiscal year 2002. For fiscal year 2003, GPO's goal was to have at least 95 percent of procured printing orders delivered on schedule and a quality acceptance rate of at least 99 percent. Both goals were met. The goals for fiscal year 2004 remain the same as those for fiscal year 2003.

## Financial Performance Measures

### Cash Management

- **Payment Performance** – In fiscal year 2003, GPO continued to earn millions of dollars from taking favorable prompt payment discounts offered by contractors for the payment of invoices within the discount period. GPO earned prompt payment discounts of $6.9 million on purchased printing expense of $409.3 million. This represents an average discount rate of 1.7 percent for fiscal year 2003, compared to 1.5 percent for the prior year. The 1.7 percent discount rate earned exceeded the goal of 1.4 percent for fiscal year 2003. Our goal for fiscal year 2004 will remain the same.

Discounts lost decreased to $172,000 in fiscal year 2003 from $367,000 in fiscal year 2002. The percentages of discounts lost to discounts offered were 2.4 percent and 5.3 percent in fiscal years 2003 and 2002, respectively. We met our goal set for fiscal year 2003, which was a maximum of 2.5 percent. Our goal for fiscal year 2004 will remain the same.

- **Electronic Payments** – The use of electronic funds transfer (EFT) payments results in savings for GPO and the Department of the Treasury because paper checks do not have to be produced and processed. In fiscal year 2003, approximately 23,500 monthly payments, or 89 percent, of all GPO payments were made by EFT, compared with 25,600 monthly payments, or 92 percent of all payments in fiscal year 2002. Our goal for fiscal year 2003 to increase EFT payments, as a percent of all payments, to 93 percent was not met because of an increase in payroll checks issued to employees. In September 2003, GPO transferred payroll processing to the National Finance Center (NFC). Therefore, all payroll payments will be sent via EFT by

NFC. GPO's goal for the payments remaining at GPO in fiscal year 2004 is to increase EFT payments to 95 percent of all payments made.

### Debt Management

- **Federal Receivables** – In fiscal year 2003, GPO billed Federal agencies $652 million for printing and binding services. Of this amount, $477 million (73.2 percent) was collected using the Department of Treasury's Intra-governmental Payment and Collection (IPAC) system; $39.6 million (6.1 percent) was from funds residing in Printing and Binding Deposit Accounts maintained by the GPO; and $11.5 million (1.8 percent) was collected via credit card. These methods enable the collection of funds within 30 days or less, as opposed to the more traditional methods of collection which require the creation and exchange of paper documents.

GPO's accounts receivable from Government customers totaled about $15.4 million at the end of fiscal year 2003, compared with $16.3 million at the end of fiscal year 2002. The U.S. Department of Defense (DOD), GPO's largest customer and debtor, owed GPO a total of $6.8 million of which $5.7 million (84 percent) was over 30 days old and delinquent. At the end of fiscal year 2003, DOD owed GPO $597,000 for billed, completed work that was due 31 to 60 days ago, $710,000 that was due 61 to 90 days ago, and $4.4 million that was due by more than 90 days. DOD's indebtedness to GPO of $4.4 million, over 90 days old, represents 23 percent of GPO's total accounts receivables at year-end. In the past few years, GPO and the Defense Finance and Accounting Service (DFAS) have used the U.S. Treasury's IPAC system to expedite the collection of funds from DOD customers. This partnership has significantly improved the timeliness of collections. To illustrate, DOD owed GPO a total of $34.9 million at the end of fiscal year 1998, including $14.1 million that was due for 90 days or longer.

GPO also offers Printing and Binding Deposit Accounts to allow agencies to prepay for their printing. These accounts greatly simplify customer agency accounting and have the added benefit of providing detailed customer account information, via a secure Web site, which enables customers to either download or print their transactions. At the end of the year, there were 361 printing and binding deposit accounts valued at $53.9 million.

Customer agencies have the option of paying for their printing and binding needs by credit card. Credit card transactions in fiscal year 2003 totaled $11.5 million for 14,799 print jobs. In comparison, GPO collected $11.6 million for 14,392 print jobs in fiscal year 2002. The average price per job paid via credit card for the past 2 years was about $790, indicating that customers find it a convenient method to pay for small printing jobs.

## Possible Future Effects of Existing Events and Conditions

On June 6, 2003, the Public Printer of the United States and the Director of the Office of Management and Budget (OMB) signed a historic agreement that will provide lasting benefits to both the Government and the American public when fully implemented. The OMB/GPO Compact provides a comprehensive solution, and a more effective alternative, to the initial proposal in OMB Policy Memorandum No. M-02-07, *Procurement of Printing and Duplicating through the Government Printing Office*, dated May 3, 2002. The OMB/GPO Compact is a major step forward in the Public Printer's vision of devising an economical, efficient, and effective Government-wide policy that fits the 21st century.

The Compact declares that OMB and GPO share certain common goals, and seek to develop a mechanism that will allow agencies direct access to printing vendors for the purpose of placing print orders, while at the same time enabling the GPO to meet its statutory requirements. The two common goals are reducing the cost of Federal printing and ensuring public access to all non-classified Government publications.

In accordance with the Compact, GPO developed a demonstration print procurement contract, similar to a GSA Federal Supply Schedule. OMB selected the U.S. Department of Labor (DOL) as the pilot agency for the demonstration contract. The new GPO term contract will be used by DOL during fiscal year 2004. The contract will feature a front-end electronic system utilizing the World Wide Web that will allow customers a one-stop, integrated, print ordering and invoicing system for all print jobs. Any registered printer in the country will be free to submit a price quote on any job in the system. The DOL will be able to select the contractor based on the lowest price or best value techniques.

GPO will provide DOL with "24/7" customer and contractor support, as well as additional reimbursable services when requested, such as press sheet inspections. GPO would receive a 3 percent trade discount from the contractor to cover the operating costs of the contract. As a condition of payment, vendors will be required to provide GPO with one electronic version and two paper copies of every document ordered. When implemented across the Executive Branch, this new electronic document collection system will significantly improve GPO's ability to accomplish its mission of *Keeping America Informed* by ensuring that all commercially printed Government publications reach the Superintendent of Documents for public dissemination.

## Fiscal Year 2004 Projections

Congress created the GPO Revolving Fund to finance the business-type operations of the Agency. The Revolving Fund was designed to financially "break even" by recovering costs through rates, prices, and other charges to customers for goods and services provided by the GPO. The Agency has not met this financial goal since fiscal year 1998.

The Public Printer has assembled a management team with vast business and government experience, and a wealth of industry knowledge. Greater emphasis is now placed on operating GPO in a business-like manner to improve program performance and results.

The Agency's fiscal year 2004 financial performance is expected to improve as a result of management initiatives being taken to increase revenues and reduce costs. Most of these initiatives will provide benefits of a recurring nature, and therefore, will improve the Agency's financial results now, and in the future.

First, GPO recently implemented a major reorganization plan to streamline management and to bring the Agency into line with current business practices. The reorganization realigned GPO's business-type operations to improve program management, control, and accountability for performance and results. The reorganization also recognized the importance of financial management leadership by creating a needed Chief Financial Officer (CFO) position that was filled on September 24, 2003. Second, plans are underway to form a GPO Audit Committee. This important group will help define the audit and financial reporting needs of management for GPO's future.

The Public Printer has requested a $10 million appropriation from Congress to reimburse the GPO Revolving Fund for the costs of the workforce restructuring under the retirement incentive authority established by law. This investment will enable GPO to manage the size, composition, and skills of the workforce as required by rapidly changing technology. The new Retirement Separation Incentive Program (RSIP) is being used to reduce the total workforce by about 300 employees or 10 percent. This management initiative will significantly reduce personnel costs and benefits now and in the future.

Several other major cost saving initiatives are underway to reduce expenditures for: (1) employee overtime; (2) workers' compensation; (3) energy; (4) paper; and (5) owned and leased space. Finally, GPO is reducing operating costs by closing historically unprofitable operations that are no longer required.

New and expanded services are also expected to increase revenues in the future for some programs at GPO. GPO is in the process of reinventing itself to better serve its customers. The Agency will continue to transform its image as a producer of ink-on-paper products to a digital information services organization. This major transformation will require an investment in new technology and technical skills for the future. The Public Printer has increased the recruitment of outstanding college scholars to obtain the next generation of technical skills needed to take GPO into the 21$^{st}$ century.

The Public Printer has been meeting with Members of Congress, congressional staff, Federal agency heads, the heads of Federal operations with congruent missions – such as the Postmaster General, Director of the Bureau of Engraving and Printing, and Director of the Mint – the library and information communities, the printing industry, and others to identify customer needs and business opportunities. This critical input from customers and other interested parties will be used in the strategic planning process to establish the future direction of the Agency in the age of digital information and e-Government.

# SECTION II

# INDEPENDENT AUDITORS' REPORT

2001 M Street, NW
Washington, DC 20036

**Independent Auditors' Report**

The Public Printer
United States Government Printing Office:

We have audited the accompanying consolidated balance sheets of the United States Government Printing Office (the GPO) as of September 30, 2003 and 2002, and the related consolidated statements of revenues and expenses and cash flows for the years then ended. We have also examined management's assertions, included in the statement of assurance to us dated November 7, 2003 at pages 58 and 59, regarding the effectiveness of the GPO's internal control over financial reporting that were in place as of September 30, 2003, and for the year then ended. The objective of our audits was to express an opinion on the fair presentation of these consolidated financial statements. The objective of our examination of management's assertions regarding internal control over financial reporting was to express an opinion on management's assertions. In connection with our audits, we also tested the GPO's compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on its consolidated financial statements.

**SUMMARY**

As stated in our opinions on the consolidated financial statements and on management's assertions about the effectiveness of internal control over financial reporting, we concluded that:

- The GPO's consolidated financial statements as of and for the years ended September 30, 2003 and 2002, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America; and

- The GPO management has fairly stated, in all material respects, its assertions that internal control over financial reporting in place as of September 30, 2003, and for the year then ended, provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and transactions are executed in accordance with: (a) laws governing the use of budget authority, and (b) other laws and regulations that could have a direct and material effect on the consolidated financial statements, based upon criteria established under GPO Instruction 825.18A, *Internal Control Program.*

Our consideration of internal control over financial reporting resulted in deficiencies in the design and/or operation of the GPO's information technology (IT) general controls being identified as a reportable condition. However, this reportable condition is not considered to be a material weakness.

The results of our tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States.

The following sections discuss our opinion on the GPO's consolidated financial statements, our opinion on management's assertions regarding internal control over financial reporting, our tests of the GPO's compliance with certain provisions of applicable laws and regulations, and management's and our responsibilities.

## OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of the United States Government Printing Office (the GPO) as of September 30, 2003 and 2002, and the related consolidated statements of revenues and expenses and cash flows for the years then ended.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of the GPO as of September 30, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the GPO's consolidated financial statements taken as a whole. The consolidating and supplemental information on pages 46 to 56, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. We did not audit this information and, accordingly, we express no opinion on it.

The information contained in the Management's Discussion and Analysis section has not been audited and accordingly, we express no opinion on it.

## OPINION ON MANAGEMENT'S ASSERTION ABOUT THE EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

We have examined management's assertions included in its statement of assurance to us dated November 7, 2003 at pages 58 and 59, that internal control over financial reporting designed by management provide reasonable, but not absolute, assurance that as of September 30, 2003, and for the year then ended, the following objectives were met:

- Transactions are properly recorded, processed, and summarized to permit the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and

- Transactions are executed in accordance with: (a) laws governing the use of budget authority, and (b) other laws and regulations that could have a direct and material effect on the consolidated financial statements.

In our opinion, management's assertions that internal controls over financial reporting in place as of September 30, 2003, and for the year then ended, provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and transactions are executed in accordance with: (a) laws governing the use of budget authority, and (b) other laws and regulations that could have a direct and material effect on the consolidated financial statements, are fairly stated in all material respects, based upon criteria established under GPO Instruction 825.18A, *Internal Control Program*.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the GPO's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

In our fiscal year 2003 audit, we noted the following matter involving the internal control over financial reporting and its operation that we again consider to be a reportable condition. However, the reportable condition is not considered to be a material weakness.

***IT General Controls***

Deficiencies in the design and or operations of the GPO's IT general controls are considered a reportable condition. This condition, which has been previously reported to management in prior years' audit reports, relates to the following areas:

- **Entity-Wide Security Program**

  There are several areas regarding GPO's enterprise-wide security program that need improvement. The program should establish a framework for assessing and managing risk, developing and implementing effective security procedures, and monitoring the effectiveness of these procedures. This program should also include providing guidance for a local area network administrator's enforcement of security requirements, establishing a security awareness program and a formal incident response capability. Without a well-designed program, security controls may be inadequate; responsibilities may be unclear, misunderstood, and improperly implemented; and controls may be inconsistently applied.

Specifically, we noted the need for the GPO to establish an effective security management structure that provides a framework and continuing cycle of activity for managing risk, developing security policies, and monitoring the accuracy of computer security controls.

- **Access Controls**

  Certain access controls require modification in order to provide a more secure environment. Access controls should provide reasonable assurance that computer resources (data files, application programs, and computer-related facilities and equipment) are protected against unauthorized modification, disclosure, loss, or impairment. These controls include controls over physical access to computer resources, and controls that prevent unauthorized access to sensitive files.

  Examples of improvements needed include:

  - Utilizing independent risk assessments in order to properly classify computer information resources according to sensitivity and criticality.
  - Reviewing access authorization listings and user account privileges for all of GPO's information systems to determine if access is still required and privileges are appropriate based upon job function.
  - Improving configuration settings surrounding the general ledger and the Production Reporting for Operations, Budgeting, and Expenditures (PROBE) system database.
  - Improving physical access controls.
  - Enhancing employee checkout procedures.

- **Application Change Control and Systems Development**

  Certain controls over the modification of application software programs are deficient. These controls should be designed to ensure that only authorized programs and modifications are implemented. Without proper controls, there is a risk that security features could be inadvertently or deliberately omitted or "turned off" or that processing irregularities or malicious code could be introduced. As an example, the GPO needs to develop a comprehensive, entity-wide systems development methodology to encompass client/server and production environments.

- **Segregation of Duties**

  Certain controls over separating the work responsibilities so that one individual does not control all critical stages of a process need improvement. These controls should be designed to ensure that duties are divided to diminish the likelihood that errors and wrongful acts will go undetected because the activities of one group or individual will serve as a check on the activities of another. Inadequately segregated duties increase the risk that erroneously or fraudulent transactions could be processed, that improper program changes could be implemented, and that computer resources could be damaged or destroyed. Specifically, we noted that an entity-wide segregation of duties policy should be established which include policies, procedures and controls for granting programmers user access with update privileges to financial applications.

- **Service Continuity**

  Losing the capability to process, retrieve, and protect information maintained electronically can significantly impact an agency's ability to accomplish its mission. For this reason, an agency should have (1) procedures in place to protect information resources and minimize the risk of unplanned interruptions and (2) a plan to recover critical operations should interruptions occur. The GPO needs to establish a comprehensive, entity-wide business continuity and disaster recovery plan for all general support and major application systems.

We understand that the GPO has been in a state of transition during 2003 as new management has joined the organization. Management has been actively assessing the IT organizational environment in order to initiate several tasks that will assist the GPO in addressing the above deficiencies as well as establishing a more robust internal control environment. For example, several initiatives include streamlining the IT organization environment, establishing an entity-wide security infrastructure, identifying and classifying critical resources, improving application change management process, and identifying and establishing disaster recovery facilities and resources.

As noted in prior years, we continue to strongly recommend that the GPO develop a formal action plan to review and revise its IT general controls in order to strengthen its internal control environment. This plan should address each of the areas discussed above as well as any other areas that impact the general IT control environment, set forth appropriate corrective action steps, assign responsibilities to employees, and establish target completion dates for each action. This plan should be adopted by the GPO and provide for periodic reviews of progress towards achievement of corrective actions.

The fiscal year 2002 reportable condition related to GPO's estimate of the allowance for surplus publications has been satisfactorily addressed in 2003 and has not been repeated herein.

We also noted other matters involving internal control over financial reporting and its operation that we do not consider to reportable conditions. These matters, along with further technical details and related recommendations of the reportable condition, will be reported to the management of GPO in a separate letter.

## COMPLIANCE WITH LAWS AND REGULATIONS

Our tests of compliance with certain provisions of laws and regulations, as described in the Responsibilities section of this report, disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

## RESPONSIBILITIES

### *Management's Responsibilities*

Management is responsible for the financial statements, including:

- Preparing the financial statements in conformity with accounting principles generally accepted in the United States of America;
- Establishing and maintaining internal controls over financial reporting; and
- Complying with laws and regulations.
- In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies. Because of inherent limitations in internal control, misstatements, due to error or fraud may nevertheless occur and not be detected.

### *Auditors' Responsibilities*

Our responsibility is to express an opinion on the fiscal year 2003 and 2002 financial statements of the GPO, based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management, and
- Evaluating the overall financial statement presentation.

We are also responsible for expressing an opinion, based on our examination, on whether management's assertions regarding the effectiveness of internal control over financial reporting are fairly stated, in all material respects, based on criteria established under GPO Instruction 825.18A, *Internal Control Program*. We conducted our examination of management's assertions regarding the effectiveness of the GPO's internal control over financial reporting in place as of September 30, 2003, and for the year then ended, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

We did not evaluate all internal control relevant to operating objectives as broadly defined by GPO Instruction 825.18A. We limited our internal control testing to those controls necessary to achieve the objectives outlined in our opinion on management's assertions about the effectiveness of internal control over financial reporting. Because of inherent limitations in internal control, fraud may occur and not be detected. Also projections of any evaluation of internal control over financial reporting to future periods are subject to the risk that the internal control procedures may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

We believe that our audits and examination provide a reasonable basis for our opinions.

As part of obtaining reasonable assurance about whether the GPO's fiscal year 2003 financial statements are free of material misstatement, we performed tests of the GPO's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to the GPO. Providing an opinion on compliance with laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

**DISTRIBUTION**

This report is intended for the information and use of the Public Printer, the Joint Committee on Printing, management, and the GPO's Office of Inspector General, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 7, 2003

GPO

UNITED STATES GOVERNMENT PRINTING OFFICE
FINANCIAL YEAR IN REVIEW
FISCAL YEARS 2003 and 2002

# SECTION III

# CONSOLIDATED FINANCIAL STATEMENTS

U. S. Government Printing Office

# Consolidated Balance Sheets

As of September 30, 2003 and 2002
(Dollars in thousands)

| | 2003 | 2002 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Fund balance with the U.S. Treasury (Note 2) | $ 203,021 | $ 211,338 |
| Accounts receivable, net (Note 3) | 113,358 | 121,488 |
| Inventories (Note 4) | 10,758 | 19,599 |
| Prepaid expenses | 600 | 455 |
| **Total current assets** | **327,737** | **352,880** |
| Property, plant, and equipment, net (Note 5) | 56,457 | 51,026 |
| **Total assets** | **$ 384,194** | **$ 403,906** |
| **LIABILITIES AND NET POSITION** | | |
| Current liabilities | | |
| Accounts payable and accrued expenses (Note 6) | $ 72,109 | $ 70,707 |
| Deferred revenues (Note 7) | 67,545 | 64,805 |
| Accrued annual leave | 10,128 | 10,056 |
| **Total current liabilities** | **149,782** | **145,568** |
| Other liabilities | | |
| Workers' compensation liability (Note 8) | 89,532 | 91,216 |
| **Total liabilities** | **239,314** | **236,784** |
| Commitments and contingencies (Notes 9 and 10) | | |
| Net position (Note 11) | | |
| Cumulative results of operations: | | |
| Retained earnings (deficit) | (19,562) | 13,327 |
| Invested capital | 92,879 | 92,879 |
| Unexpended appropriations | 71,563 | 60,916 |
| **Total net position** | **144,880** | **167,122** |
| **Total liabilities and total net position** | **$ 384,194** | **$ 403,906** |

The accompanying notes are an integral part of these consolidated financial statements.

U.S. Government Printing Office

# Consolidated Statements of Revenues and Expenses

For the Fiscal Years Ended September 30, 2003 and 2002
(Dollars in thousands)

| | | 2003 | | 2002 |
|---|---|---|---|---|
| **OPERATING REVENUES** | | | | |
| Printing and binding | $ | 534,849 | $ | 555,170 |
| Sales of publications | | 31,135 | | 37,984 |
| Appropriations | | 104,761 | | 104,626 |
| Reimbursements | | 4,605 | | 4,528 |
| **Total operating revenues** | | **675,350** | | **702,308** |
| **OPERATING EXPENSES** | | | | |
| Printing and reproduction | | 394,438 | | 421,266 |
| Personnel compensation and benefits | | 211,603 | | 203,803 |
| Supplies and materials | | 35,374 | | 36,090 |
| Rents, communications, and utilities | | 23,509 | | 23,836 |
| Publications sold | | 8,392 | | 8,804 |
| Depreciation and amortization | | 7,105 | | 7,022 |
| Other services | | 7,867 | | 6,994 |
| Surplus publications | | 6,792 | | 5,657 |
| Travel and transportation | | 4,433 | | 4,038 |
| **Subtotal** | | **699,513** | | **717,510** |
| **Loss before other operating expenses** | | **(24,163)** | | **(15,202)** |
| **OTHER OPERATING EXPENSES** | | | | |
| Retirement Separation Incentive Program (Note 16) | | (10,410) | | - |
| Changes in workers' compensation liabilities (Note 8) | | 1,684 | | (23,563) |
| **NET LOSS** | **$** | **(32,889)** | **$** | **(38,765)** |

The accompanying notes are an integral part of these consolidated financial statements.

U.S. Government Printing Office

# Consolidated Statements of Cash Flows

For the Fiscal Years Ended September 30, 2003 and 2002

(Dollars in thousands)

| | 2003 | 2002 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss | $ (32,889) | $ (38,765) |
| Adjustments to reconcile net loss to net cash | | |
| Provided by (used in) operating activities: | | |
| Depreciation and amortization | 7,106 | 7,022 |
| (Gain) loss on disposal of property, plant, and equipment | (38) | 45 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in assets- | | |
| Accounts receivable | 8,129 | 5,446 |
| Inventories | 8,840 | 2,859 |
| Prepaid expenses | (145) | (81) |
| Increase (decrease) in liabilities- | | |
| Accounts payable and accrued expenses | 1,401 | (3,455) |
| Deferred revenue | 2,740 | 5,293 |
| Accrued annual leave | 73 | 8 |
| Workers' compensation liability | (1,684) | 23,563 |
| **Total adjustments** | **26,422** | **40,700** |
| **Net cash provided by (used in) operating activities** | **(6,467)** | **1,935** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Capital expenditures | (12,536) | (7,374) |
| Proceeds from sale of property, plant, and equipment | 38 | 246 |
| **Net cash used in investing activities** | **(12,498)** | **(7,128)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Increase in unexpended appropriations | 10,648 | 6,889 |
| **Net cash provided by financing activities** | **10,648** | **6,889** |
| **Net (decrease) increase in fund balance with the U.S. Treasury** | **(8,317)** | **1,696** |
| Fund balance with the U.S. Treasury, beginning of year | 211,338 | 209,642 |
| **Fund balance with the U.S. Treasury, end of year** | **$ 203,021** | **$ 211,338** |

The accompanying notes are an integral part of these consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. Government Printing Office

# Notes to Consolidated Financial Statements

September 30, 2003 and 2002

## 1. Summary of Significant Accounting Policies

## A. Reporting Entity

The U.S. Government Printing Office (GPO or Agency) 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 efficient and effective means for the production, procurement, and dissemination of Government information.

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 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.

## B. Accounting Environment

### Basis of Accounting

As allowed by the Federal Accounting Standards Advisory Board (FASAB), the 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 incurred, without regard to the receipt or disbursement of cash.

### Basis of Presentation and Consolidation

GPO prepares annual financial statements that reflect the overall financial position and results of operations to meet the requirements of 31 U.S.C. § 3515(b) mandated by 44 U.S.C. § 309(e). The accompanying consolidated financial statements include all funds under GPO's control that have been established and maintained to account for the resources of the Agency. All significant intra-agency balances and transactions have been eliminated in the preparation of the consolidated financial statements.

The GPO 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. 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. Financial matters maintained or reported by other Federal agencies in which GPO is indirectly involved include employee benefit plans and certain legal situations.

**Funds**

GPO maintains a revolving fund and a general fund to account for its various programs and operations. 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 inter-governmental fund established by Congress on July 1, 1953. 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.

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 Federal customers for providing 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 Title 44.

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 Congressional Printing and Binding Appropriation is the larger of the two annual appropriations available to GPO. 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 to others without charge to the recipient.

The other 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) which includes *GPO Access*, 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 information dissemination program.

These 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.*

## C. Fund Balance with U. S. Treasury

Fund balance with the U.S. Treasury represent all balances in GPO accounts with the Department of the Treasury.

## D. Accounts Receivable

Accounts receivable consist of intra-governmental amounts due to GPO, as well as amounts due from the public. Accounts receivable are shown net of a provision for uncollectable accounts. The allowance for doubtful accounts is based on GPO's recent collection experience.

## E. Inventories

Inventories of publications held for sale are valued at the lower of cost, using the weighted average cost method, or market.

Inventories of paper, materials and supplies include the cost of production material (e.g., blank paper, spare parts, ink, and book cloth), as well as the cost of administrative-use supplies. These inventories are valued at the lower of cost, using the weighted moving average cost method, or market.

## F. Property, Plant, and Equipment

Property, plant, and equipment purchases are valued at the acquisition cost. GPO capitalizes the cost of the property as an asset when the cost is $25,000 or more, and the estimated useful life is 2 years or more. 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 estimated useful life of the asset.

The following table reflects the standard estimated useful life of each major asset category. Exceptions to these standard estimated asset lives are authorized when justified.

**Standard Estimated Useful Life**
**Of Assets by Major Category**

| | Asset Category | Standard Estimated Useful Life (Years) |
|---|---|---|
| 1. | Building Improvements | 20 |
| 2. | Building Appurtenances | 20 |
| 3. | Other Structures and Facilities | 20 |
| 4. | Furniture and Fixtures | 20 |
| 5. | Leasehold Improvements | 10 |
| 6. | Plant Machinery and Equipment | 10 |
| 7. | Office Machinery and Equipment | 5 |
| 8. | Motor Vehicles | 5 |
| 9. | Computer Software | 3 |

Land has an indefinite life and is not subject to depreciation.

## G. Deferred Revenue

Deferred revenue results from the receipt of customer remittances for products or services that will be delivered or provided in the future. Deferred revenue is recorded as revenue when products or services are produced or provided.

## H. Accrued Annual 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. 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.

## I. Workers' Compensation Liability

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases.

The Department of Labor (DOL) administers the FECA Program, which provides workers' compensation benefits to GPO employees and others through the Special Benefit Fund. GPO annually reimburses DOL for the cost of FECA benefit claims paid on GPO's behalf.

Future workers' compensation estimates are generated from the application of actuarial procedures developed by DOL to estimate the liability for FECA benefits. The liability for future workers' compensation benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases related to injuries incurred but not reported. The liability is determined by utilizing historic benefit payment patterns related to a particular period to estimate the ultimate payments related to that period.

## J. Revenue Recognition

- **Printing and Binding** – By law, GPO must be reimbursed for the cost of printing and binding services furnished customers. Revenues from in-house printing and binding work are recognized on a value-added basis, as work is performed, while 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.

- **Sales of Publications** – Revenues from the sale of publications and subscriptions are recognized when shipped.

- **Appropriations** – Appropriation revenues are recorded when expenses for purposes permitted by the appropriations act and program legislation are incurred. Unexpended appropriations are recorded as a component of net position. Unexpended appropriation balances are generally canceled after 5 years.

- **Reimbursements** – Revenues for the distribution of publications for other Federal agencies are recorded when services have been performed.

## K. Expense Recognition

- **Printing and Reproduction** – This expense represents the cost of printing and reproduction services obtained from the private sector to fill customer orders. The expense is generally recorded on the date of shipment, and is shown net of prompt payment discounts.

- **Personnel Compensation and Benefits** – Personnel compensation primarily consists of wages and salaries paid to GPO employees. Personnel benefits include the GPO's contributions toward employee life and health insurance, and retirement. Personnel compensation and benefits are recorded as expenses when earned by employees.

- **Supplies and Materials** – The most significant cost component in this category is paper used to satisfy in-house printing requirements, as well as customer orders for blank paper. The expense is recorded when paper is drawn from inventory or delivered to customers (direct mill-to-customer agency shipments). This category also includes all supplies and materials that are not capitalized, such as personal computers, furniture, office supplies, spare parts, ink, etc. The cost of these items is expensed as issued from inventory.

- **Rents, Communications, and Utilities** – Rents include leases with the General Services Administration (GSA) and commercial landlords for space, plus rentals of equipment and vehicles. Communications includes telecommunication services and postage expenses. Utilities include electricity, gas, steam, and water service. Expenses are recorded as services are provided.

- **Publications Sold** – This expense represents the cost of publications sold and subscription copies issued to customers. Expenses are recorded at the time of sale or issuance, respectively.

- **Depreciation and Amortization** – Depreciation and amortization is the allocation of an asset's cost over the asset's estimated useful life. The recordation of depreciation and amortization expense begins once the asset is placed in service.

- **Other Services** – This expense represents the cost of services provided by contractors for audits, investigations, consulting, tuition, and training. The expenses are recognized when services have been provided.

- **Surplus Publications** – This expense represents an estimate of the cost of potentially unsaleable publications held for sale at year-end. The estimate is based on each publication's sales history, quantity held in inventory, and assumed standard life.

- **Travel and Transportation** – This category includes the official travel cost of persons conducting audits, inspections, and investigations. Transportation includes shipping costs for printing and reproduction products from GPO or contractors to customer agencies, depository libraries, or other GPO locations. Travel expenses are accrued when they are estimable, while transportation costs are generally recorded on the date of shipment.

## L. Consolidated Statements of Cash Flows

The consolidated statements of cash flows identify cash receipts and disbursements and classify each into operating, investing, and financing activity categories. 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.

## 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 amounts 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.

## 2. Fund Balance with the U.S. 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, 2003 and 2002 follows.

| | (Dollars in thousands) | |
|---|---|---|
| | 2003 | 2002 |
| **Fund Balances:** | | |
| Revolving fund: | | |
| Unrestricted | $ 37,722 | $ 72,544 |
| Restricted: | | |
| Deposit accounts | 58,673 | 53,426 |
| Retirement Separation Incentive Program | 9,135 | - |
| Other | 17,514 | 23,015 |
| On-hand or in-transit | 31 | 54 |
| **Total revolving fund** | **123,075** | **149,039** |
| Appropriated Funds: | | |
| Congressional printing and binding | 48,819 | 26,780 |
| Salaries and expenses | 21,000 | 17,150 |
| Supplemental and other | 10,127 | 18,369 |
| **Total appropriated funds** | 79,946 | 62,299 |
| **Total** | **$ 203,021** | **$ 211,338** |
| **Status of Fund Balance with the U.S. Treasury:** | | |
| Unobligated balance: | | |
| Available | $ 59,074 | $ 78,481 |
| Unavailable | 10,127 | 18,369 |
| **Total** | 69,201 | 96,850 |
| Obligated balance not yet disbursed | 133,820 | 114,488 |
| **Total** | **$ 203,021** | **$ 211,338** |

Unrestricted funds are available to meet the financial obligations of the Revolving Fund. Restricted funds are comprised of customer deposit accounts, accrued wages and salaries, payroll taxes and other withholdings, earned annual leave not used by employees, and amounts due under the new Retirement Separation Incentive Program. These funds can only be used for the purpose specified.

Supplemental and other appropriations include unexpended appropriations made to the GPO for specific purposes as discussed in Note 11B.

Between fiscal year 1998 and fiscal year 2001, GPO provided the U.S. Census Monitoring Board (CMB) with administrative support services for a fee. At September 30, 2003 and 2002, the U.S. Treasury maintained an account balance for the CMB, which was reported by the U.S. Treasury under GPO's accounts. GPO did not include this amount in its consolidated financial statements because the appropriated funds are only available for obligations of the CMB, another Federal entity. The CMB fund balance with the U.S. Treasury was $279,243 at September 30, 2003, and $439,993 at September 30, 2002. The CMB appropriation account will be closed after the account's availability ends. The U.S. Treasury will cancel any remaining balances in this appropriation account.

## 3. Accounts Receivable

Accounts receivable as of September 30, 2003 and 2002, consisted of the following.

| | (Dollars in thousands) | |
|---|---|---|
| | 2003 | 2002 |
| **Federal Agencies:** | | |
| Unbilled completed work | $ 73,027 | $ 93,416 |
| Unbilled work in process | 25,242 | 12,740 |
| Billed completed work | 15,400 | 16,335 |
| **Subtotal** | **113,669** | **122,491** |
| **Other receivables:** | | |
| The public | 1,467 | 971 |
| GPO employees | 1,136 | 1,029 |
| **Subtotal** | **2,603** | **2,000** |
| **Total accounts receivable** | **116,272** | **124,491** |
| Allowance for doubtful accounts | (2,914) | (3,003) |
| **Total accounts receivable, net** | **$ 113,358** | **$ 121,488** |

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 yet been presented to the customer for payment.

At September 30, 2003, unbilled completed work totaled $73 million and consisted of finished work of $37.2 million for which invoices had not been prepared, and unbilled commercial printing of $35.8 million. At September 30, 2002, unbilled completed work totaled $93.4 million and consisted of finished work of $56.2 million for which invoices had not been prepared, and unbilled commercial printing of $37.2 million.

Unbilled work in process represents the value of work performed on customer orders as of September 30, 2003 and 2002, which, by law, must be reimbursed by GPO customers.

Employee accounts receivable includes amounts owed by current and former employees who were advanced leave. Employees generally repay their leave indebtedness through biweekly installments from their earned leave, or from leave donations from other employees under the GPO Leave Donation Program.

## 4. Inventories

The components of inventories as of September 30, 2003 and 2002 follow.

| | (Dollars in thousands) | |
|---|---|---|
| | 2003 | 2002 |
| Publications for sale | $ 1,963 | $ 7,713 |
| Paper | 4,202 | 5,506 |
| Materials and supplies | 4,593 | 6,380 |
| **Inventories** | **$ 10,758** | **$ 19,599** |

## 5. Property, Plant, and Equipment

Net property, plant, and equipment as of September 30, 2003 and 2002 consisted of the following.

| | (Dollars in thousands) | |
|---|---|---|
| | 2003 | 2002 |
| Land | $ 9,971 | $ 9,971 |
| Buildings and improvements | 73,906 | 68,542 |
| Plant machinery and equipment | 74,961 | 77,972 |
| Computers and computer software | 23,602 | 22,844 |
| Furniture and fixtures | 4,867 | 3,247 |
| Motor vehicles | 740 | 833 |
| Leasehold improvements | 1,030 | 1,035 |
| Construction and software in process | 207 | 1,044 |
| **Total** | **189,284** | **185,488** |
| Less: Accumulated depreciation and amortization | (132,827) | (134,462) |
| **Net property, plant, and equipment** | **$ 56,457** | **$ 51,026** |

## 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of September 30, 2003 and 2002 were composed of the following.

| | (Dollars in thousands) | |
|---|---|---|
| | **2003** | **2002** |
| Accounts payable: | | |
| Commercial printing | $ 33,607 | $ 34,704 |
| U.S. Government agencies | 13,914 | 17,184 |
| Other | 8,068 | 5,861 |
| **Total accounts payable** | **55,589** | **57,749** |
| Accrued salaries and wages | 15,653 | 12,216 |
| State and local payroll taxes | 867 | 742 |
| **Total accounts payable and accrued expenses** | **$ 72,109** | **$ 70,707** |

## 7. Deferred Revenues

As of September 30, 2003 and 2002, deferred revenues from customers consisted of the following.

| | (Dollars in thousands) | |
|---|---|---|
| | **2003** | **2002** |
| Deposit accounts | $ 58,673 | $ 53,426 |
| Subscriptions | 6,241 | 8,459 |
| Unfilled orders | 418 | 766 |
| Advance billings | 2,213 | 2,154 |
| **Total** | **$ 67,545** | **$ 64,805** |

GPO held about $58.7 million in customer deposit accounts as of September 30, 2003. Government customers had advanced about $53.9 million for printing and binding, and about $4.8 million for sales of publications. The restricted funds in these deposit accounts will be applied to future orders specified by customers, or refunded upon request.

As of September 30, 2003, GPO deferred the recognition of about $6.2 million in revenues for subscription services that will be provided to customers in the future. Customers pay for subscriptions to the *Congressional Record* and other Government publications in advance of delivery by the Superintendent of Documents. The revenues from subscriptions will be recognized as these periodicals are published and distributed to subscribers.

GPO also deferred the recognition of $418,000 in revenues for unfilled orders of Government publications. The revenue from these sales will be recognized when the Superintendent of Documents fills the customer's order. GPO will refund the payment in those instances where the publication is no longer available for sale.

As of September 30, 2003, GPO deferred the recognition of about $2.2 million in revenues for advance billings to Government customers. Advance billings are occasionally used to finance the cost of producing certain large printing and binding jobs. GPO will recognize the revenue as work is completed.

## 8. Workers' Compensation Liability

The DOL develops an actuarial estimate of future workers' compensation benefits for each Federal entity to use for financial accounting and reporting each year. The U.S. Department of the Treasury requires Federal entities to use DOL's estimates for intra-governmental accounting of liabilities. The workers compensation liability estimate for GPO was $89.5 million as of September 30, 2003, and $91.2 million as of September 30, 2002. Therefore, the accrued liability decreased by $1,684,000 for workers' compensation during the year ended September 30, 2003.

The DOL liability estimate includes the expected payments for death, disability, medical, and miscellaneous costs for approved compensation cases, as well as a component for incurred but not reported claims. The liability is determined using historical benefit payment patterns related to specific incurred periods to predict the ultimate payments related to that period. The methodology provides for the effects of inflation and adjusts historical payments to current year constant dollars by applying wage inflation factors (cost of living adjustments or COLA's) and medical inflation factors (consumer price index medical or CPIM's) to the calculation of projected benefits. The compensation COLA's and CPIM's used in the projections for 2003 and 2002 were as follows.

| | COLA | | CPIM | |
|---|---|---|---|---|
| Fiscal Year | 2003 | 2002 | 2003 | 2002 |
| 2003 | N/A | 1.80% | N/A | 4.31% |
| 2004 | 2.30% | 2.67% | 3.21% | 4.01% |
| 2005 | 2.00% | 2.40% | 3.54% | 4.01% |
| 2006 | 1.83% | 2.40% | 3.64% | 4.01% |
| 2007 | 1.97% | 2.40% | 3.80% | 4.01% |
| 2008+ | 2.17% | 2.40% | 3.92% | 4.01% |

Projected annual payments were discounted to the present value based on OMB's economic assumptions for 10-year Treasury notes and bonds. For 2003, interest rate assumptions were

3.84 percent in Year 1, and 4.35 percent in Year 2 and thereafter. For 2002, interest rate assumptions were 5.2 percent in Year 1 and thereafter.

## 9. Commitments

### 9. A. Operating Leases

As of September 30, 2003, GPO was committed to various non-cancelable commercial 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 |
| 2004 | $ 2,081 | $ 169 | $ 437 | $ 2,687 |
| 2005 | 1,459 | 159 | 432 | 2,050 |
| 2006 | 736 | 111 | 253 | 1,100 |
| 2007 | 495 | 96 | 109 | 700 |
| 2008 | 288 | - | 7 | 295 |
| **Total minimum lease payments** | **$ 5,059** | **$ 535** | **$ 1,238** | **$ 6,832** |

Rent expenses were $6,657,000 and $5,742,000 for the years ended September 30, 2003 and 2002, respectively. As discussed in Footnote 17, future lease costs for retail and warehouse space should decrease as a result of the closing of 16 GPO bookstores in fiscal year 2003 and the planned termination of a commercial lease for a GPO warehouse (i.e., Laurel, MD, Building I) that will be vacated in fiscal year 2004. Negotiations are underway to terminate these leases.

### 9. 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 $88.3 million and $101.8 million as of September 30, 2003 and 2002, respectively.

## 10. Contingencies

**Administrative Proceedings, Legal Actions, and Claims**

GPO is a party in various administrative proceedings, legal actions, and claims brought against the Government by employees, contractors, and other parties. The uncertainty involving the outcome of these pending matters will be determined when future events occur or fail to occur.

GPO did not record any liability for contingencies as of September 30, 2003 and 2002. Management and legal counsel were of the opinion that incurrence of a liability was not probable for any of these contingent matters. In some cases, legal matters relate to contractual arrangements GPO has entered into for goods and services procured on behalf of other Federal agencies. The costs of administering, litigating, and resolving these actions are borne by the GPO Revolving Fund unless the costs can be recovered from another Federal agency. Certain legal matters in which GPO is a named party may be administered and litigated by the U.S. Department of Justice (DOJ) on behalf of GPO, an agency of the U.S. Government. In these cases, amounts paid under any judgment, compromise settlement, or award are funded from the DOJ Judgment Fund (31 U.S.C. § 1304). The DOJ paid a total of $869,000 and $169,000 from the Judgment Fund on behalf of GPO for the years ended September 30, 2003 and 2002, respectively. These amounts are not reflected in GPO's consolidated financial statements.

Contingencies for litigation involving GPO where the risk of loss is reasonably possible were approximately $4 million as of September 30, 2003. These contingencies are subject to ultimate funding from the DOJ Judgment Fund.

## 11. Net Position

### 11. A. Cumulative Results of Operations

- **Retained Earnings (deficit)**−Retained earnings (deficit) include the net operating results of the GPO Revolving Fund, since its inception, less transfers to other Federal agencies required by statute.

- **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 on July 1, 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.

Below is a summary of the changes to the cumulative results of operations in the fiscal years ended September 30, 2003 and 2002.

| Cumulative results of operations | (Dollars in thousands) Retained earnings (accumulated deficit) | Invested capital | Total |
|---|---|---|---|
| **Balance at September 30, 2001** | **$ 52,092** | **$ 92,879** | **$ 144,971** |
| Net loss for fiscal year ended September 30, 2002 | (38,765) | - | (38,765) |
| **Balance at September 30, 2002** | **$ 13,327** | **$ 92,879** | **$ 106,206** |
| Net loss for fiscal year ended September 30, 2003 | (32,889) | - | (32,889) |
| **Balance at September 30, 2003** | **$ (19,562)** | **$ 92,879** | **$ 73,317** |

### 11. B. Unexpended Appropriations

As of September 30, 2003, GPO had obligated $44,540,000 of the unexpended appropriations available for Congressional Printing and Binding, and $16,780,000 of the unexpended appropriations available for Salaries and Expenses. This $61,320,000 in obligations is based on the estimated cost of open orders as of September 30, 2003. At September 30, 2002, these amounts were $26,780,000 for the Congressional Printing and Binding and $15,767,000 for Salaries and Expenses, totaling $42,547,000.

During fiscal year 2001, Congress authorized GPO to use $9.5 million from prior year Congressional Printing and Binding Appropriations to cover the cost of congressional work submitted but not completed. At the end of fiscal year 2003, a balance of about $4.8 million of the $9.5 million was available for future expenditures. During fiscal year 2001, Congress also authorized GPO to use $3.3 million from prior year Salaries and Expenses Appropriations to pay for the printing and distribution of Government publications selected by the depository libraries. A balance of $2.4 million of the $3.3 million was available for future expenditures as of September 30, 2003.

In fiscal year 2001, Congress appropriated $6 million to replace the antiquated air-conditioning system and install modern energy-efficient lighting fixtures in GPO buildings. Installation of the lighting fixtures was completed in fiscal year 2003. Replacement of the air-conditioning system will be completed in fiscal year 2004. Unexpended appropriations obligated for the air-conditioning system totaled about $778,000 as of September 30, 2003.

In fiscal year 2002, Congress appropriated $4 million in Emergency Response Funds to GPO. These funds were provided to improve security and establish backup facilities to ensure continuity of key operations in the event of a National emergency affecting the Washington, DC area. About $2.2 million of this appropriation was unexpended as of September 30, 2003.

## 12. Appropriated Funds

### 12. A. Available Appropriations

The total net appropriations made available to GPO, after rescissions, for fiscal years ended September 30, 2003 and 2002 follow.

| | (Dollars in thousands) 2003 | 2002 |
|---|---|---|
| Congressional printing and binding | $ 89,557 | $ 81,000 |
| Salaries and expenses | 29,468 | 29,639 |
| **Total available appropriations** | **$ 119,025** | **$ 110,369** |

### 12. B. Expended Appropriations

Expended appropriations for GPO programs, operations, and other activities for the years ended September 30, 2003 and 2002 follow.

| | (Dollars in thousands) 2003 | 2002 |
|---|---|---|
| **Congressional printing and binding:** | | |
| Congressional Record products | $ 19,893 | $ 18,648 |
| Miscellaneous publications and printing and binding | 18,132 | 21,902 |
| Hearings | 16,615 | 16,857 |
| Bills, resolutions, and amendments | 7,478 | 6,392 |
| Details to Congress | 2,754 | 2,163 |
| Other | 6,925 | 9,376 |
| **Total congressional printing and binding** | **71,797** | **75,338** |
| **Salaries and expenses:** | | |
| Depository library distribution | 23,802 | 23,732 |
| Cataloging and indexing | 3,826 | 3,119 |
| By-law distribution | 233 | 856 |
| International exchange | 594 | 274 |
| **Total salaries and expenses** | **28,455** | **27,981** |
| **Revolving fund:** | | |
| Homeland Security | 101 | 1,714 |
| Air conditioning and lighting upgrade | 5,029 | 192 |
| **Total revolving fund** | **5,130** | **1,906** |
| **Total expended appropriations** | **$ 105,382** | **$ 105,225** |
| Reconciliation of expended appropriations to the consolidated statements of revenues and expenses: | | |
| **Total expended appropriations** | **$ 105,382** | **$ 105,225** |
| Eliminations (Intra-agency) | (621) | (599) |
| **Consolidated revenues from appropriations** | **$ 104,761** | **$ 104,626** |

## 13. 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.

- **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 7.5 percent and 9.01 percent of basic pay in fiscal years 2003 and 2002, respectively, for Congressional Record indexers, investigators, and law officers; and 7 percent and 8.51 percent of basic pay in fiscal years 2003 and 2002, respectively, for all other employees. GPO's contributions were $7 million and $8.5 million for the fiscal years ended September 30, 2003 and 2002, respectively.

- **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. FERS also 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 fiscal years 2003 and 2002, respectively, GPO (employer) contributions to FERS were 15.9 percent and 15.4 percent of basic pay for Congressional Record indexers; 22.7 and 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 in both years. Total GPO contributions were $6.9 million and $6.1 million in fiscal year 2003 and 2002, respectively. Contributions by GPO to TSP for fiscal year 2003 and 2002 were $2.5 million, and $2.2 million, respectively.

- **Social Security System**

As an employer, GPO matches employee contributions to the Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA) for employees in the FERS. GPO contributes matching amounts of 6.2 percent of gross pay (up to $87,000 in 2003 and $84,900 in 2002) 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. Contributions to these SSA programs for the years ended September 30, 2003 and 2002 totaled $6.8 million and $6.2 million, respectively.

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

OPM is responsible for the management, 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 the CSRS and the FERS. Other OPM programs provide health and life insurance benefits to active, inactive, and retired 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 from the agency.

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.

## 14. 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, 2003 and 2002. GPO estimates the fair value of financial instruments at September 30, 2003 and 2002 to be the carrying value.

## 15. Major Customers

GPO's primary customers are the U.S. Congress and large Federal agencies. In fiscal years 2003 and 2002, respectively, revenues from those customers representing 10 percent or more of GPO's revenues follow.

| | (Dollars in thousands) | | | |
|---|---|---|---|---|
| | 2003 | | 2002 | |
| | Amount | Percent | Amount | Percent |
| Department of Defense | $124,263 | 18.4% | $142,838 | 20.3% |
| Department of the Treasury | $91,858 | 13.6% | $94,665 | 13.5% |
| Department of Health & Human Services | $80,525 | 11.9% | $76,620 | 10.9% |
| Congress of the United States | $74,035 | 11.0% | $77,769 | 11.1% |

## 16. Retirement Separation Incentive Program

In April 2003, the Public Printer established the *Retirement Separation Incentive Program* (RSIP) under authority of Public Law 105-275, as amended, to help restructure the GPO workforce. The Joint Committee on Printing approved the Public Printer's revised plan for up to 350 employee separations under the RSIP. The RSIP permitted incentive payments of up to $25,000 per employee. The RSIP was designed to achieve substantial payroll savings by reducing the GPO workforce by a net of 300 employees, or 10 percent, when allowing for necessary new hires under workforce restructuring plans. This major cost reduction initiative was needed to help stem the trend in operating losses that have occurred over the past several years as the demand for traditional printing declined.

GPO committed $10 million in Revolving Fund cash to finance the estimated costs of the RSIP. The Public Printer also requested Congress to appropriate $10 million to the GPO Revolving Fund in fiscal year 2004. As of September 30, 2003, a total of 312 employees had voluntarily agreed to separate from GPO under the RSIP. Furthermore, a total of 301 (96 percent) of the 312 participants had agreed to separate on or before October 4, 2003, the last pay period in fiscal year 2003. The remaining 11 employees are scheduled to leave during fiscal year 2004. GPO presently has approval for up to 38 additional separations under the RSIP during fiscal year 2004.

The 312 RSIP separations will reduce GPO's estimated personnel costs and benefits by about $21.7 million per year, or about $108.7 million over the next 5 years. GPO accrued one-time estimated costs of $10.4 million for the RSIP during fiscal year 2003. The RSIP costs consisted of employee incentive payments of $7.8 million (i.e., $25,000 payments to 312 employees), and early retirement contributions to the Office of Personnel Management of $2.6 million.

GPO achieved the Public Printer's goal of a 10 percent workforce reduction. The voluntary employee separations under the RSIP and other personnel actions reduced the GPO workforce from 3,019 employees on September 30, 2002, to 2,699 employees on October 5, 2003. This represents a net reduction of 320 employees or 10.6 percent.

## 17. Bookstore Closings and Warehouse Consolidation

During fiscal year 2003, the Superintendent of Documents initiated major actions to reduce the scale of operations of the Sales of Publications Program. A steady decline in customer demand for printed Government publications necessitated these rightsizing efforts that will reduce operating costs and help improve financial performance of the Sales of Publications Program in the future. The bookstore closures and warehouse consolidation resulting from these rightsizing efforts will also significantly reduce space leased by GPO.

During fiscal year 2003, the Superintendent of Documents closed all remaining bookstores with the exception of the Main Bookstore in Washington, DC, and the Retail Sales Outlet in Laurel, MD. The 16 bookstores closed were located in Atlanta, GA, Columbus, OH, Cleveland, OH, Dallas, TX, Denver, CO, Detroit, MI, Houston, TX, Jacksonville, FL, Kansas City, MO, Los Angeles, CA, Milwaukee, WI, New York, NY, Pittsburgh, PA, Portland, OR, Pueblo, CO, and Seattle, WA. GPO accrued one-time termination costs of $535,000 for existing operating leases, $50,000 for site restoration, and $635,000 for severance pay to 28 employees that were involuntarily separated as a result of the closings as of September 30, 2003. The remaining bookstore employees either retired or were transferred to other Federal agencies.

During fiscal year 2003, GPO initiated actions to reduce the Agency's requirements for leased space at the GPO warehouse facility in Laurel, MD. GPO plans to vacate Building Number I in early fiscal year 2004 and consolidate the remaining operations in Building Number II. Building Number I and most of Building II were being used by the Superintendent of Documents for the Sales of Publications. Building Number II was also being used by the Production Department for the storage of equipment and supplies.

As of September 30, 2003, Materials Management Service had completed closure of its paper storage operations in the Laurel facility. The Superintendent of Documents is presently consolidating GPO's warehouse and distribution operations in Building Number II. GPO accrued one-time termination costs of $614,000 for the operating lease for Building Number I, and $150,000 for site restoration as of September 30, 2003. The minor space occupied by Production Department in Building Number II will continue to be utilized for the same purpose.

The costs associated with the bookstore closings and the warehouse consolidation are reflected in the operating expenses in the statement of revenues and expenses for fiscal year 2003.

UNITED STATES GOVERNMENT PRINTING OFFICE
FINANCIAL YEAR IN REVIEW
FISCAL YEARS 2003 and 2002

# SECTION IV

# CONSOLIDATING AND SUPPLEMENTAL SCHEDULES (UNAUDITED)

U.S. GOVERNMENT PRINTING OFFICE

# Consolidating Balance Sheet by Fund Type

As of September 30, 2003
(Dollars in thousands)
(Unaudited)

| | Revolving Fund | | General Fund | | | | |
|---|---|---|---|---|---|---|---|
| **ASSETS** | **Printing and Binding Operations** | **Sales of Publications Operations** | **Salaries and Expenses Appropriation** | **Congressional Printing and Binding Appropriation** | **Total Before Eliminations** | **Eliminations** | **Consolidated** |
| **CURRENT ASSETS** | | | | | | | |
| Funds with U.S. Treasury | $ 126,359 | $ 6,843 | $ 21,000 | $ 48,819 | $ 203,021 | $ - | $ 203,021 |
| Accounts receivable, net | 191,110 | 1,443 | 29 | - | 192,582 | (79,224) | 113,358 |
| Inventories: | | | | | | | |
| Publications for sale, net | - | 1,963 | - | - | 1,963 | - | 1,963 |
| Paper | 4,202 | - | - | - | 4,202 | - | 4,202 |
| Materials and supplies, net | 4,593 | - | - | - | 4,593 | - | 4,593 |
| **Total inventories, net** | **8,795** | **1,963** | | | **10,758** | | **10,758** |
| Prepaid expenses | 600 | - | - | - | 600 | - | 600 |
| **Total current assets** | **326,864** | **10,249** | **21,029** | **48,819** | **406,961** | **(79,224)** | **327,737** |
| **PROPERTY, PLANT, AND EQUIPMENT** | | | | | | | |
| Land | 9,971 | - | - | - | 9,971 | - | 9,971 |
| Buildings and improvements | 73,906 | - | - | - | 73,906 | - | 73,906 |
| Plant machinery and equipment | 74,961 | - | - | - | 74,961 | - | 74,961 |
| Computers and computer software | 23,602 | - | - | - | 23,602 | - | 23,602 |
| Furniture and fixtures | 4,867 | - | - | - | 4,867 | - | 4,867 |
| Motor vehicles | 740 | - | - | - | 740 | - | 740 |
| Leasehold improvements | 1,030 | - | - | - | 1,030 | - | 1,030 |
| Construction and software in process | 207 | - | - | - | 207 | - | 207 |
| | 189,284 | - | - | - | 189,284 | - | 189,284 |
| Less: Accumulated depreciation and amortization | (132,827) | - | - | - | (132,827) | - | (132,827) |
| **Property, plant, and equipment, net** | **56,457** | **-** | **-** | **-** | **56,457** | **-** | **56,457** |
| **Total assets** | **$ 383,321** | **$ 10,249** | **$ 21,029** | **$ 48,819** | **$ 463,418** | **$ (79,224)** | **$ 384,194** |

See accompanying independent auditors' report.

U.S. GOVERNMENT PRINTING OFFICE

# Consolidating Balance Sheet by Fund Type

As of September 30, 2003
(Dollars in thousands)
(Unaudited)

| LIABILITIES AND NET POSITION | Revolving Fund | | General Fund | | | | |
|---|---|---|---|---|---|---|---|
| | Printing and Binding Operations | Sales of Publications Operations | Salaries and Expenses Appropriation | Congressional Printing and Binding Appropriation | Total Before Eliminations | Eliminations | Consolidated |
| **CURRENT LIABILITIES** | | | | | | | |
| Accounts payable and accrued expenses | $ 72,093 | $ 70,712 | $ 4,249 | $ 4,279 | $ 151,333 | $ (79,224) | $ 72,109 |
| Deferred revenue | 56,151 | 11,394 | - | - | 67,545 | - | 67,545 |
| Accrued annual leave | 10,128 | - | - | - | 10,128 | - | 10,128 |
| **Total current liabilities** | **138,372** | **82,106** | **4,249** | **4,279** | **229,006** | **(79,224)** | **149,782** |
| **OTHER LIABILITIES** | | | | | | | |
| Workers' compensation liability | 89,532 | - | - | - | 89,532 | - | 89,532 |
| **Total other liabilities** | **89,532** | **-** | **-** | **-** | **89,532** | **-** | **89,532** |
| **Total liabilities** | **227,904** | **82,106** | **4,249** | **4,279** | **318,538** | **(79,224)** | **239,314** |
| **NET POSITION** | | | | | | | |
| Cumulative results of operations: | | | | | | | |
| Retained earnings (accumulated deficit) | 54,884 | (74,446) | - | - | (19,562) | - | (19,562) |
| Invested capital | 90,290 | 2,589 | - | - | 92,879 | - | 92,879 |
| Unexpended appropriations | 10,243 | - | 16,780 | 44,540 | 71,563 | - | 71,563 |
| **Total net position** | **155,417** | **(71,857)** | **16,780** | **44,540** | **144,880** | **-** | **144,880** |
| **Total liabilities and total net position** | **$ 383,321** | **$ 10,249** | **$ 21,029** | **$ 48,819** | **$ 463,418** | **$ (79,224)** | **$ 384,194** |

See accompanying independent auditors' report.

U.S. GOVERNMENT PRINTING OFFICE

# Consolidating Schedule of Revenues and Expenses by Fund Type

For the Fiscal Year Ended September 30, 2003
(Dollars in thousands)
(Unaudited)

| | Revolving Fund | | General Fund | | | | |
|---|---|---|---|---|---|---|---|
| | Printing and Binding Operations | Sales of Publications Operations | Salaries and Expenses Appropriation | Congressional Printing and Binding Appropriation | Total Before Eliminations | Eliminations | Consolidated |
| **OPERATING REVENUES** | | | | | | | |
| Printing and Binding | $ 627,567 | $ - | $ - | $ - | $ 627,567 | $ (92,718) | $ 534,849 |
| Sales of Publications | - | 31,135 | - | - | 31,135 | - | 31,135 |
| Appropriations | 5,130 | - | 28,455 | 71,797 | 105,382 | (621) | 104,761 |
| Reimbursements | - | 4,605 | - | - | 4,605 | - | 4,605 |
| **Total operating revenues** | **632,697** | **35,740** | **28,455** | **71,797** | **768,689** | **(93,339)** | **675,350** |
| **OPERATING EXPENSES** | | | | | | | |
| Printing and reproduction | 402,830 | 376 | 10,000 | 71,797 | 485,003 | (90,565) | 394,438 |
| Personnel compensation and benefits | 171,707 | 27,598 | 13,988 | - | 213,293 | (1,690) | 211,603 |
| Supplies and materials | 33,414 | 1,133 | 937 | - | 35,484 | (110) | 35,374 |
| Rents, communications, and utilities | 14,091 | 8,635 | 1,032 | - | 23,758 | (249) | 23,509 |
| Publications sold | - | 8,392 | - | - | 8,392 | - | 8,392 |
| Depreciation and amortization | 6,598 | 287 | 220 | - | 7,105 | - | 7,105 |
| Other services | 6,699 | 1,076 | 817 | - | 8,592 | (725) | 7,867 |
| Surplus publications | - | 6,792 | - | - | 6,792 | - | 6,792 |
| Travel and transportation | 2,032 | 940 | 1,461 | - | 4,433 | - | 4,433 |
| **Subtotal** | **637,371** | **55,229** | **28,455** | **71,797** | **792,852** | **(93,339)** | **699,513** |
| **Loss before other operating expenses** | **(4,674)** | **(19,489)** | **-** | **-** | **(24,163)** | **-** | **(24,163)** |
| **OTHER OPERATING EXPENSES:** | | | | | | | |
| Retirement Separation Incentive Program | **(9,850)** | **(560)** | - | - | **(10,410)** | - | **(10,410)** |
| Changes in workers' compensation liabilities | **1,684** | **-** | - | - | **1,684** | - | **1,684** |
| **Net loss** | **$ (12,840)** | **$ (20,049)** | **$ -** | **$ -** | **$ (32,889)** | **$ -** | **$ (32,889)** |

See accompanying independent auditors' report.

## U.S. GOVERNMENT PRINTING OFFICE
# Consolidating Schedule of Cash Flows by Fund Type
For the Fiscal Year Ended September 30, 2003
(Dollars in thousands)
(Unaudited)

| | Revolving Fund | | General Fund | | | | |
|---|---|---|---|---|---|---|---|
| | Printing and Binding Operations | Sales of Publications Operations | Salaries and Expenses Appropriation | Congressional Printing and Binding Appropriation | Total Before Eliminations | Elimi-nations | Consolidated |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | | |
| Net loss | $ (12,840) | $ (20,049) | $ - | $ - | $ (32,889) | $ - | $ (32,889) |
| Adjustments to reconcile net loss to net cash | | | | | | | |
| Provided by operating activities: | | | | | | | |
| Depreciation and amortization | 7,106 | - | - | - | 7,106 | - | 7,106 |
| Gain on disposal of property, plant, and equipment | (38) | - | - | - | (38) | - | (38) |
| Changes in assets and liabilities: | | | | | | | |
| (Increase) decrease in assets- | | | | | | | |
| Accounts receivable | (13,672) | 2,055 | 104 | - | (11,513) | 19,642 | 8,129 |
| Inventories | 3,091 | 5,749 | - | - | 8,840 | - | 8,840 |
| Prepaid expenses | (145) | - | - | - | (145) | - | (145) |
| Increase (decrease) in liabilities- | | | | | | | |
| Accounts payable and accrued expenses | (473) | 14,504 | 2,733 | 4,279 | 21,043 | (19,642) | 1,401 |
| Deferred revenue | 5,883 | (3,143) | - | - | 2,740 | - | 2,740 |
| Accrued annual leave | 73 | - | - | - | 73 | - | 73 |
| Workers' compensation liability | (1,684) | - | - | - | (1,684) | - | (1,684) |
| **Total adjustments** | **141** | **19,165** | **2,837** | **4,279** | **26,422** | **-** | **26,422** |
| **Net cash provided by (used in) operating activities** | **(12,699)** | **(884)** | **2,837** | **4,279** | **(6,467)** | **-** | **(6,467)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | | |
| Capital expenditures | (12,536) | - | - | - | (12,536) | - | (12,536) |
| Proceeds from sale of property, plant, and equipment | 38 | - | - | - | 38 | - | 38 |
| **Net cash used in investing activities** | **(12,498)** | **-** | **-** | **-** | **(12,498)** | **-** | **(12,498)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | | | |
| Increase (decrease) in unexpended appropriations | (8,125) | - | 1,013 | 17,760 | 10,648 | - | 10,648 |
| **Net cash provided (used) in financing activities** | **(8,125)** | **-** | **1,013** | **17,760** | **10,648** | **-** | **10,648** |
| **Net (decrease) increase in fund balance with the U.S. Treasury** | **(33,322)** | **(884)** | **3,850** | **22,039** | **(8,317)** | **-** | **(8,317)** |
| Fund balance with the U.S. Treasury, beginning of year | 159,681 | 7,727 | 17,150 | 26,780 | 211,338 | - | 211,338 |
| **Fund balance with the U.S. Treasury, end of year** | **$ 126,359** | **$ 6,843** | **$ 21,000** | **$ 48,819** | **$ 203,021** | **$ -** | **$ 203,021** |

See accompanying independent auditors' report.

U.S. GOVERNMENT PRINTING OFFICE

# Supplemental Schedule of Appropriated Funds

For the Fiscal Years Ended September 30, 2003 and 2002
(Dollars in thousands)
(Unaudited)

| | Revolving Fund Appropriation | Salaries and Expenses Appropriation | Congressional Printing and Binding Appropriation | Total 2003 | Total 2002 |
|---|---|---|---|---|---|
| **Unexpended Appropriations, beginning of year (on cash basis)** | $ 18,369 | $ 17,150 | $ 26,780 | $ 62,299 | $ 56,291 |
| **Funds Provided:** | | | | | |
| Appropriations | - | 29,468 | 89,557 | 119,025 | 110,639 |
| Supplemental Appropriations | - | - | - | - | 4,000 |
| **Total funds available** | **18,369** | **46,618** | **116,337** | **181,324** | **170,930** |
| **Funds Applied:** | | | | | |
| Obligated appropriations- | | | | | |
| Current year | - | 20,498 | 49,094 | 69,592 | 76,870 |
| Prior years | 8,126 | 5,120 | 18,424 | 31,670 | 31,761 |
| **Total funds applied** | **8,126** | **25,618** | **67,518** | **101,262** | **108,631** |
| **Unexpended Appropriations, end of year (on cash basis)** | **10,243** | **21,000** | **48,819** | **80,062** | **62,299** |
| **Adjustments:** | | | | | |
| Intra-agency accounts receivable | - | 29 | - | 29 | 134 |
| Intra-agency accounts payable | - | (4,249) | (4,279) | (8,528) | (1,517) |
| **Unexpended Appropriations, end of year (on accrual basis)** | **$ 10,243** | **$ 16,780** | **$ 44,540** | **$ 71,563** | **$ 60,916** |

See accompanying independent auditors' report.

U.S. GOVERNMENT PRINTING OFFICE

# Supplemental Schedule of Balance Sheets for Revolving Fund

As of September 30, 2003 and 2002
(Dollars in thousands)
(Unaudited)

| | Printing and Binding Operations | | Sales of Publications Operations | | Total Revolving Fund 2003 | | | Total Revolving Fund 2002 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | 2003 | 2002 | 2003 | 2002 | Before Elimi-nations | Elimi-nations | Consolidated | Before Elimi-nations | Elimi-nations | Consolidated |
| **CURRENT ASSETS** | | | | | | | | | | |
| Funds with U.S. Treasury | $ 126,359 | $ 159,681 | $ 6,843 | $ 7,727 | $ 133,202 | $ - | $ 133,202 | $ 167,408 | $ - | $ 167,408 |
| Accounts receivable | 191,110 | 177,440 | 1,443 | 3,497 | 192,553 | (79,224) | 113,329 | 180,937 | (59,583) | 121,354 |
| Inventories | 8,795 | 11,887 | 1,963 | 7,712 | 10,758 | - | 10,758 | 19,599 | - | 19,599 |
| Prepaid expenses | 600 | 455 | - | - | 600 | - | 600 | 455 | - | 455 |
| **Total current assets** | **326,864** | **349,463** | **10,249** | **18,936** | **337,113** | **(79,224)** | **257,889** | **368,399** | **(59,583)** | **308,816** |
| **PROPERTY, PLANT, AND EQUIPMENT** | | | | | | | | | | |
| Land | 9,971 | 9,971 | - | - | 9,971 | - | 9,971 | 9,971 | - | 9,971 |
| Buildings and improvements | 73,906 | 68,542 | - | - | 73,906 | - | 73,906 | 68,542 | - | 68,542 |
| Plant machinery and equipment | 74,961 | 77,972 | - | - | 74,961 | - | 74,961 | 77,972 | - | 77,972 |
| Computers and computer software | 23,602 | 22,844 | - | - | 23,602 | - | 23,602 | 22,844 | - | 22,844 |
| Furniture and fixtures | 4,867 | 3,247 | - | - | 4,867 | - | 4,867 | 3,247 | - | 3,247 |
| Motor vehicles | 740 | 833 | - | - | 740 | - | 740 | 833 | - | 833 |
| Leasehold improvements | 1,030 | 1,035 | - | - | 1,030 | - | 1,030 | 1,035 | - | 1,035 |
| Construction and software in process | 207 | 1,044 | - | - | 207 | - | 207 | 1,044 | - | 1,044 |
| | 189,284 | 185,488 | - | - | 189,284 | - | 189,284 | 185,488 | - | 185,488 |
| Less: Accumulated depreciation and amortization | (132,827) | (134,462) | - | - | (132,827) | - | (132,827) | (134,462) | - | (134,462) |
| **Net property, plant, and equipment** | **56,457** | **51,026** | **-** | **-** | **56,457** | **-** | **56,457** | **51,026** | **-** | **51,026** |
| **Total assets** | **$ 383,321** | **$ 400,489** | **$ 10,249** | **$ 18,936** | **$ 393,570** | **$(79,224)** | **$ 314,346** | **$ 419,425** | **$(59,583)** | **$ 359,842** |

See accompanying independent auditors' report.

U.S. GOVERNMENT PRINTING OFFICE

# Supplemental Schedule of Balance Sheets for Revolving Fund

As of September 30, 2003 and 2002
(Dollars in thousands)
(Unaudited)

| LIABILITIES AND NET POSITION | Printing and Binding Operations 2003 | Printing and Binding Operations 2002 | Sales of Publications Operations 2003 | Sales of Publications Operations 2002 | Total Revolving Fund 2003 Before Eliminations | Total Revolving Fund 2003 Eliminations | Total Revolving Fund 2003 Consolidated | Total Revolving Fund 2002 Before Eliminations | Total Revolving Fund 2002 Eliminations | Total Revolving Fund 2002 Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|
| **CURRENT LIABILITIES** | | | | | | | | | | |
| Accounts payable and accrued expenses | $ 72,093 | $ 72,566 | $ 70,712 | $ 56,207 | $ 142,805 | $ (79,224) | $ 63,581 | $ 128,773 | $ (59,583) | $ 69,190 |
| Deferred revenue | 56,151 | 50,268 | 11,394 | 14,537 | 67,545 | - | 67,545 | 64,805 | - | 64,805 |
| Accrued annual leave | 10,128 | 10,056 | - | - | 10,128 | - | 10,128 | 10,056 | - | 10,056 |
| **Total current liabilities** | **138,372** | **132,890** | **82,106** | **70,744** | **220,478** | **(79,224)** | **141,254** | **203,634** | **(59,583)** | **144,051** |
| **OTHER LIABILITIES** | | | | | | | | | | |
| Workers' compensation liability | 89,532 | 91,216 | - | - | 89,532 | - | 89,532 | 91,216 | - | 91,216 |
| **Total other liabilities** | **89,532** | **91,216** | **-** | **-** | **89,532** | **-** | **89,532** | **91,216** | **-** | **91,216** |
| **Total liabilities** | **227,904** | **224,106** | **82,106** | **70,744** | **310,010** | **(79,224)** | **230,786** | **294,850** | **(59,583)** | **235,267** |
| **NET POSITION** | | | | | | | | | | |
| Cumulative results of operations: | | | | | | | | | | |
| Retained earnings (accumulated deficit) | 54,884 | 67,724 | (74,446) | (54,397) | (19,562) | - | (19,562) | 13,327 | - | 13,327 |
| Invested capital | 90,290 | 90,290 | 2,589 | 2,589 | 92,879 | - | 92,879 | 92,879 | - | 92,879 |
| Unexpended appropriations | 10,243 | 18,369 | - | - | 10,243 | - | 10,243 | 18,369 | - | 18,369 |
| **Total net position** | **155,417** | **176,383** | **(71,857)** | **(51,808)** | **83,560** | **-** | **83,560** | **124,575** | **-** | **124,575** |
| **Total liabilities and total net position** | **$ 383,321** | **$ 400,489** | **$10,249** | **$18,936** | **$ 393,570** | **$(79,224)** | **$ 314,346** | **$ 419,425** | **$(59,583)** | **$ 359,842** |

See accompanying independent auditors' report.

U.S. GOVERNMENT PRINTING OFFICE

# Consolidating Schedule of Income (Loss) before Other Operating Expenses by Major Program

For the Fiscal Years Ended September 30, 2003 and 2002

(Dollars in thousands)

(Unaudited)

| | Printing and Binding Operations | | Information Dissemination Operations | | Congressional Printing and Binding | | Other Operations | | Total GPO Before Eliminations | | Eliminations | | Total GPO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| **REVENUES:** | | | | | | | | | | | | | | |
| Printing and binding | $ 615,636 | $ 641,159 | $ - | $ - | $ - | $ - | $ 1,502 | $ 1,435 | $ 617,138 | $ 642,594 | $ (92,718) | $ (98,568) | $ 524,420 | $ 544,026 |
| Sales of blank paper | 9,859 | 10,666 | - | - | - | - | - | - | 9,859 | 10,666 | - | - | 9,859 | 10,666 |
| Sales of waste and scrap | 570 | 478 | - | - | - | - | - | - | 570 | 478 | - | - | 570 | 478 |
| Sales of publications | - | - | 31,135 | 37,984 | - | - | - | - | 31,135 | 37,984 | - | - | 31,135 | 37,984 |
| Appropriations | - | - | 28,455 | 27,981 | 71,797 | 75,338 | 5,130 | 1,906 | 105,382 | 105,225 | (621) | (599) | 104,761 | 104,626 |
| Reimbursements | - | - | 4,605 | 4,528 | - | - | - | - | 4,605 | 4,528 | - | - | 4,605 | 4,528 |
| **Total revenues** | 626,065 | 652,303 | 64,195 | 70,493 | 71,797 | 75,338 | 6,632 | 3,341 | 768,689 | 801,475 | (93,339) | (99,167) | 675,350 | 702,308 |
| **EXPENSES:** | | | | | | | | | | | | | | |
| Printing and reproduction | 402,830 | 430,070 | 10,376 | 12,293 | 71,797 | 75,338 | - | - | 485,003 | 517,701 | (90,565) | (96,435) | 394,438 | 421,266 |
| Personnel compensation and benefit | 170,557 | 164,768 | 41,586 | 40,382 | - | - | 1,150 | 369 | 213,293 | 205,519 | (1,690) | (1,715) | 211,603 | 203,804 |
| Supplies and materials | 33,350 | 33,794 | 2,070 | 2,287 | - | - | 64 | 107 | 35,484 | 36,188 | (110) | (98) | 35,374 | 36,090 |
| Rents, communications, and utilities | 12,012 | 11,699 | 9,667 | 11,600 | - | - | 2,079 | 772 | 23,758 | 24,071 | (249) | (235) | 23,509 | 23,836 |
| Publications sold | - | - | 8,392 | 8,804 | - | - | - | - | 8,392 | 8,804 | - | - | 8,392 | 8,804 |
| Depreciation and amortization | 6,591 | 6,313 | 507 | 706 | - | - | 7 | 3 | 7,105 | 7,022 | - | - | 7,105 | 7,022 |
| Other services | 6,383 | 5,216 | 1,893 | 2,167 | - | - | 316 | 295 | 8,592 | 7,678 | (725) | (684) | 7,867 | 6,994 |
| Surplus publications | - | - | 6,792 | 5,657 | - | - | - | - | 6,792 | 5,657 | - | - | 6,792 | 5,657 |
| Travel and transportation | 2,027 | 1,539 | 2,401 | 2,499 | - | - | 5 | - | 4,433 | 4,038 | - | - | 4,433 | 4,038 |
| **Total expenses** | 633,750 | 653,399 | 83,684 | 86,395 | 71,797 | 75,338 | 3,621 | 1,546 | 792,852 | 816,677 | (93,339) | (99,167) | 699,513 | 717,510 |
| **INCOME (LOSS) before Other Operating Expenses** | $ (7,685) | $ (1,096) | $ (19,489) | $ (15,902) | $ - | $ - | $ 3,011 | $ 1,795 | $ (24,163) | $ (15,202) | $ - | $ - | $ (24,163) | $ (15,202) |

See accompanying independent auditors' report.

U.S. GOVERNMENT PRINTING OFFICE

# Supplemental Schedule of Income (Loss) before Other Operating Expenses for Printing and Binding Operations

For the Fiscal Years Ended September 30, 2003 and 2002
(Dollars in thousands)
(Unaudited)

| | Plant Printing Operations | | Regional Printing | | Total In-House Printing | | | | Purchased Printing | | | | Total Printing and Binding Operations | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 | 2003 | Percent of Revenues | 2002 | Percent of Revenues | 2003 | Percent of Revenues | 2002 | Percent of Revenues | 2003 | Percent of Revenues | 2002 | Percent of Revenues |
| **REVENUES:** | | | | | | | | | | | | | | | | |
| Printing and binding | $ 174,663 | $ 170,114 | $ 561 | $ 705 | $ 175,224 | 95 | $ 170,819 | 94 | $ 440,412 | 100 | $ 470,340 | 100 | $ 615,636 | 98 | $ 641,159 | 98 |
| Sales of blank paper | 9,859 | 10,666 | - | - | 9,859 | 5 | 10,666 | 6 | - | - | - | - | 9,859 | 2 | 10,666 | 2 |
| Sales of waste and scrap | 570 | 478 | - | - | 570 | - | 478 | - | - | - | - | - | 570 | - | 478 | - |
| **Total revenues** | **185,092** | **181,258** | **561** | **705** | **185,653** | **100** | **181,963** | **100** | **440,412** | **100** | **470,340** | **100** | **626,065** | **100** | **652,303** | **100** |
| **EXPENSES:** | | | | | | | | | | | | | | | | |
| Printing and reproduction | - | - | - | - | - | - | - | - | 402,830 | 92 | 430,070 | 92 | 402,830 | 65 | 430,070 | 66 |
| Personnel compensation and benefits | 131,570 | 128,264 | $ 1,281 | 1,211 | 132,851 | 73 | 129,475 | 72 | 37,706 | 9 | 35,293 | 8 | 170,557 | 27 | 164,768 | 25 |
| Supplies and materials | 31,847 | 32,518 | 134 | 138 | 31,981 | 17 | 32,656 | 19 | 1,369 | - | 1,138 | - | 33,350 | 5 | 33,794 | 5 |
| Rents, communications, and utilities | 5,908 | 5,959 | 229 | 352 | 6,137 | 3 | 6,311 | 3 | 5,875 | 1 | 5,388 | 1 | 12,012 | 2 | 11,699 | 2 |
| Depreciation and amortization | 5,922 | 5,571 | 3 | 6 | 5,925 | 3 | 5,577 | 3 | 666 | - | 736 | - | 6,591 | 1 | 6,313 | 1 |
| Other services | 4,636 | 3,963 | 714 | 438 | 5,350 | 3 | 4,401 | 2 | 1,033 | - | 815 | - | 6,383 | 1 | 5,216 | 1 |
| Travel and transportation | 741 | 825 | 7 | 6 | 748 | - | 831 | - | 1,279 | - | 708 | - | 2,027 | - | 1,539 | - |
| **Total expenses** | **180,624** | **177,100** | **2,368** | **2,151** | **182,992** | **99** | **179,251** | **99** | **450,758** | **102** | **474,148** | **101** | **633,750** | **101** | **653,399** | **100** |
| **INCOME (LOSS) before Other Operating Expenses** | **$ 4,468** | **$ 4,158** | **$ (1,807)** | **$ (1,446)** | **$ 2,661** | **1** | **$ 2,712** | **1** | **$ (10,346)** | **(2)** | **$ (3,808)** | **(1)** | **$ (7,685)** | **(1)** | **$ (1,096)** | **-** |

See accompanying independent auditors' report.

U.S. GOVERNMENT PRINTING OFFICE

# Supplemental Schedule of Income (Loss) before Other Operating Expenses for Information Dissemination

For the Fiscal Years Ended September 30, 2003 and 2002
(Dollars in thousands)
(Unaudited)

| | Sales of Publications Programs | | | | Agency Distribution Services | | | | Salaries and Expenses Programs | | | | Total Information Dissemination | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2003 | Percent of Revenues | 2002 | Percent of Revenues | 2003 | Percent of Revenues | 2002 | Percent of Revenues | 2003 | Percent of Revenues | 2002 | Percent of Revenues | 2003 | Percent of Revenues | 2002 | Percent of Revenues |
| **REVENUES:** | | | | | | | | | | | | | | | | |
| Sales of publications | $ 31,135 | 100 | $ 37,984 | 100 | $ - | - | $ - | - | $ - | - | $ - | - | $ 31,135 | 49 | $ 37,984 | 54 |
| Appropriations | - | - | - | - | - | - | - | - | 28,455 | 100 | 27,981 | 100 | 28,455 | 44 | 27,981 | 40 |
| Reimbursements | - | - | - | - | 4,605 | 100 | 4,528 | 100 | - | - | - | - | 4,605 | 7 | 4,528 | 6 |
| **Total revenues** | **31,135** | **100** | **37,984** | **100** | **4,605** | **100** | **4,528** | **100** | **28,455** | **100** | **27,981** | **100** | **64,195** | **100** | **70,493** | **100** |
| **EXPENSES:** | | | | | | | | | | | | | | | | |
| Printing and reproduction | 283 | 1 | 235 | 1 | 93 | 2 | 121 | 3 | 10,000 | 35 | 11,937 | 43 | 10,376 | 16 | 12,293 | 17 |
| Personnel compensation and benefits | 24,498 | 79 | 25,996 | 68 | 3,100 | 68 | 2,447 | 53 | 13,988 | 49 | 11,938 | 42 | 41,586 | 64 | 40,382 | 58 |
| Supplies and materials | 991 | 3 | 1,355 | 4 | 142 | 3 | 152 | 3 | 937 | 3 | 780 | 3 | 2,070 | 3 | 2,287 | 3 |
| Rents, communications, and utilities | 6,926 | 22 | 9,326 | 25 | 1,709 | 37 | 1,359 | 30 | 1,032 | 4 | 915 | 3 | 9,667 | 15 | 11,600 | 16 |
| Publications sold | 8,392 | 27 | 8,804 | 23 | - | - | - | - | - | - | - | - | 8,392 | 13 | 8,804 | 12 |
| Depreciation and amortization | 244 | 1 | 446 | 1 | 43 | 1 | 49 | 1 | 220 | 1 | 211 | 1 | 507 | 1 | 706 | 1 |
| Other services | 967 | 3 | 1,224 | 3 | 109 | 2 | 115 | 3 | 817 | 3 | 828 | 3 | 1,893 | 3 | 2,167 | 3 |
| Surplus publications | 6,792 | 22 | 5,657 | 15 | - | - | - | - | - | - | - | - | 6,792 | 11 | 5,657 | 8 |
| Travel and transportation | 687 | 2 | 922 | 2 | 253 | 5 | 205 | 5 | 1,461 | 5 | 1,372 | 5 | 2,401 | 4 | 2,499 | 4 |
| **Total expenses** | **49,780** | **160** | **53,965** | **142** | **5,449** | **118** | **4,448** | **98** | **28,455** | **100** | **27,981** | **100** | **83,684** | **130** | **86,395** | **122** |
| **INCOME (LOSS) before Other Operating Expenses** | **$ (18,645)** | **(60)** | **$ (15,981)** | **(42)** | **$ (844)** | **(18)** | **$ 80** | **2** | **$ -** | **-** | **$ -** | **-** | **$ (19,489)** | **(30)** | **$ (15,902)** | **(22)** |

See accompanying independent auditors' report.

UNITED STATES GOVERNMENT PRINTING OFFICE
FINANCIAL YEAR IN REVIEW
FISCAL YEARS 2003 and 2002

# SECTION V

# MANAGEMENT'S ASSERTION ABOUT THE EFFECTIVENESS OF INTERNAL CONTROLS

U.S. GOVERNMENT
PRINTING OFFICE
KEEPING AMERICA INFORMED

Office of the Public Printer

November 7, 2003

Mr. Paul Geraty
KPMG LLP
2001 M Street, NW.
Washington, DC 20036-3389

Dear Mr. Geraty:

In connection with your examination of our assertion regarding internal controls over financial reporting of the United States Government Printing Office (GPO) as of September 30, 2003, and for the year then ended, we make the following representations:

1. The GPO is responsible for establishing and maintaining an effective internal control structure.

2. Pursuant to GPO Instruction 825.18A, Internal Control Program, "internal control" as it relates to the consolidated financial statements, is a process that is effected by the agency's management and other personnel, and is designed to provide reasonable assurance that the following objectives are met:

    a. Reliability of financial reporting. Transactions are properly recorded, processed, and summarized to permit the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.

    b. Compliance with applicable laws and regulations. Transactions are executed in accordance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the consolidated financial statements.

732 North Capitol Street NW Washington, DC 20401-0001 PublicPrinter@gpo.gov

3. The GPO has performed an evaluation of the effectiveness of internal controls over financial reporting pursuant to the objectives (or criteria) set forth in GPO Instruction 825.18A, Internal Control Program.

4. Except as disclosed in the Independent Auditors' Report, all internal controls are operated in accordance with applicable policies and procedures and are effective in meeting the foregoing objectives as set forth in GPO Instruction 825.18A, Internal Control Program.

Sincerely,

BRUCE R. JAMES
Public Printer

STEVEN T. SHEDD
Chief Financial Officer

WILLIAM L. BOESCH, JR.
Comptroller