



U.S. GOVERNMENT PUBLISHING OFFICE

OFFICE OF INSPECTOR GENERAL

**AUDIT REPORT
REPORT NUMBER 18-03**

**U.S. Government Publishing Office FY 2017
Independent Auditor's Report**

December 15, 2017



U.S. GOVERNMENT PUBLISHING OFFICE

OFFICE OF INSPECTOR GENERAL

Date

December 15, 2017

To

Acting Director, U.S. Government Publishing Office

From

Inspector General

Subject:

FY 2017 Independent Auditor's Report
Report Number 18-03

Attached is the Independent Auditor's Report on the U.S. Government Publishing Office's (GPO's) FY 2017 financial statements. We contracted with the independent certified public accounting firm of KPMG LLP (KPMG) to audit the financial statements of GPO for the years ending on September 30, 2017 and 2016. The contract required that the audit be conducted in accordance with auditing standards generally accepted in the United States of America and in accordance with generally accepted government auditing standards (GAGAS).

KPMG's opinion on GPO's financial statements was unmodified. In connection with the contract, we reviewed KPMG's report and related documentation and inquired of its representatives. Our review did not disclose any instances where KPMG did not comply, in all material respects, with requirements. If you have any questions or comments about this report, please do not hesitate to contact me at (202) 512-0039.

A handwritten signature in black ink that reads "Michael A. Raponi".

MICHAEL A. RAPONI

Inspector General

Attachment

cc:

Chief Financial Officer
Chief of Staff
Chief Administrative Officer
General Counsel



U.S. Government Publishing Office

**CONSOLIDATED FINANCIAL
STATEMENTS**

**FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2017 AND 2016**

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SECTION I

**MANAGEMENT
DISCUSSION
AND
ANALYSIS
(UNAUDITED)**

U.S. Government Publishing Office

Management Discussion and Analysis (Unaudited)

As of September 30, 2017

Mission

The core mission of the U.S. Government Publishing Office (GPO or Agency) is *Keeping America Informed*, by producing, procuring, cataloging, indexing, authenticating, disseminating, and preserving the official information products of the U.S. Government. To ensure Federal information is readily available to citizens, GPO makes information accessible in an array of communication mediums from secure digital documents, databases, and mobile web applications that are accessible through the Internet to traditional printed ink-on-paper products. GPO was created on June 23, 1860, with the enactment of Congressional Joint Resolution 25. GPO's first day of operations was March 4, 1861.

Basis of Financial Reporting

GPO's consolidated financial statements are prepared pursuant to the requirements of Title 31 *United States Code* (U.S.C.), *Money and Finance*, § 3515, Financial Statements of Agencies. The consolidated financial statements have been audited by an independent external auditor in accordance with Title 44 U.S.C., *Public Printing and Documents*, § 309, Business Operations Revolving Fund (herein referred to as the "Revolving Fund") for Operation and Maintenance of Government Publishing Office.

The consolidated financial statements are prepared from GPO's financial system on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP). Under the accrual basis, revenues are recognized (recorded) when earned, and expenses are recognized when incurred, without regard to the receipt or the payment of cash.

GPO's consolidated financial statements and accompanying notes provide information on the Agency's financial position, results of operations, changes in net position, and cash flows, and disclose significant financial and economic events that may impact 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 accountability, integrity, and reliability. GPO's internal controls are designed to provide reasonable assurance that obligations and costs comply with applicable laws and regulations and are within budgetary limits; that funds, property, and other assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and that transactions are properly recorded.

GPO Instruction 825.18A, *Internal Control Program*, establishes the internal control standards and assessment methodology employed by GPO to ensure adequate and effective systems of management control and compliance with applicable laws and regulations. Management monitors the internal control systems and regularly conducts vulnerability assessments and internal control reviews of GPO's programs, operations, and other activities.

Section I: Management Discussion and Analysis (Unaudited)

GPO's Office of the Inspector General (OIG) monitors the Internal Control Program at GPO and keeps the Agency Director informed of management's progress in addressing internal control deficiencies identified in audits, reviews, and investigations. The OIG and occasionally the Government Accountability Office (GAO) conduct audits of GPO's programs and operations, and as such, evaluate management controls. GPO's Internal Control Program, along with recommendations from audits, reviews, and investigations, has strengthened management controls and improved the economy, efficiency, and effectiveness of GPO's programs, operations, and other activities.

Programs and Operations

The programs and operations managed by GPO are based on various public laws codified in Title 44 U.S.C. GPO's statutory responsibilities include fulfilling the printing and information product needs of the Federal Government and distributing official Federal publications to the public.

Funding

GPO's programs and operations are funded through a business-type revolving fund, authorized by Title 44 U.S.C. and by annual and certain no-year and multi-year appropriations provided by the U.S. Congress. GPO's Revolving Fund is authorized to be self-sustaining, without fiscal year limitations applicable to most annual appropriations. The Revolving Fund pays for the cost of the Agency's programs and operations and is reimbursed at rates and prices that are intended to recover the full cost of goods and services delivered to customers. GPO's rates and prices for products and services are developed using estimates of direct labor and direct material expenses, overhead expenses, and anticipated volumes.

The major sources of reimbursement to GPO's Revolving Fund are:

- Payments from Federal customers for printing and binding, including U.S. Passports and other secure credential documents and cards, blank paper and paper products, and information products and design services;
- Sales of Government publications and information products to the general public, bookstores, bookdealers, and businesses; and,
- Fund transfers from the Congressional Publishing Appropriation (CP) and the Public Information Programs of the Superintendent of Documents (Salaries and Expenses or S&E) Appropriation for work performed and authorized to be billed to these appropriations.

The CP and S&E appropriations reimburse the Revolving Fund for costs incurred to produce congressional work and fulfill statutory requirements to disseminate Federal Government information to the public, respectively. Reimbursements to the Revolving Fund from the CP and S&E appropriations are recorded as revenue when related liabilities are incurred. Unexpended CP and S&E appropriation balances may be authorized to be transferred to the Revolving Fund

Section I: Management Discussion and Analysis (Unaudited)

for these purposes with the approval of the House and Senate Appropriations Committees. Otherwise, unexpended annual appropriations are canceled and returned to the Department of the Treasury after five years.

Congress has also made no-year and multi-year appropriations available to GPO's Revolving Fund for specific purposes. For example, appropriations have been made for building repairs and improvements, security enhancements, information systems, and workforce retraining.

Programs and Operations Overview

GPO is organized into separate business units to carry out the various programs and operations of the Agency. An overview of these business units follows.

Official Journals of Government – The Official Journals of Government business unit provides support services to the U.S. Senate and U.S. House of Representatives and their committees regarding the printing, binding, and provision of digital information products required to carry out the legislative schedule and daily operations. This support includes the production of the *Congressional Record*, *Congressional Record Index*, bills, reports, hearings, committee prints, and other authorized documents.

This business unit also works in close partnership with the Office of the Federal Register (OFR) to coordinate the timely production of the official documents of the OFR including the daily *Federal Register*, *Code of Federal Regulations*, *List of CFR Sections Affected (LSA)*, and the *Public Papers of the Presidents of the United States*.

Plant – The Plant business unit publishes, in print and online, the important official journals of the Federal Government, along with many other Federal Government documents that are available to the public. This business unit provides Congress with all legislative printing and binding services, including overnight production of the *Congressional Record*, and congressional bills, reports, hearings, and other documents. GPO also produces the daily *Federal Register* and the *Code of Federal Regulations* for the Executive Branch. Congressional and *Federal Register* documents created in digital formats are posted on GPO's Federal Digital System (FDsys) (www.fdsys.gov).

Security and Intelligent Documents – This business unit prints, manufactures, and distributes secure credentials and documents for other Federal agency customers. These security products and services incorporate advanced electronic technologies and integrated security features to prevent fraud and counterfeit activities. Security and Intelligent Documents (SID) products and services include the production of all U.S. Passports, Border Crossing cards (BCC), and the family of Diplomatic Security cards for the U.S. Department of State. Additionally, SID supports the U.S. Department of Homeland Security's Trusted Traveler border crossing smartcard program (TTP), the Transportation Worker Identification Credential program (TWIC), the U.S. Asian Pacific Economic Corporation (APEC) business travel card, as well as the Homeland Security Presidential Directive Personal Identity Verification (HSPD-12 PIV) card program used for access to Federal facilities and systems. SID also provides secure products and

Section I: Management Discussion and Analysis (Unaudited)

services for the U.S. Department of Health and Human Services, the U.S. Department of Defense, and the District of Columbia (DC) government.

SID operates within a certified International Organization for Standardization (ISO) 9001 production and quality control environment. SID protects the Personally Identifiable Information (PII) data of customers used in the personalization of credentials, and is certified by the General Services Administration (GSA) as the only Government entity capable of graphically personalizing the Nation's HSPD-12 PIV smart cards now used in all agencies for physical access to Federal Government facilities and logical access to Federal Government computer systems. SID accomplishes all this by leveraging GPO's long and successful security printing tradition with expertise in biometrics, advanced chip and antenna technologies, and state-of-the-art security features in inks, threads, holograms, paper, and plastic substrates.

Customer Services – The majority of the Federal Government's printing needs requisitioned through GPO are contracted out to the private sector using Customer Service's partnerships with commercial printers and the overall information industry. This business model enables the Federal Government to take full advantage of the vast resources, expertise, and specialization within the private sector, and ensures open market competition for publishing contracts among thousands of businesses, large and small.

The Customer Services business unit provides pre-procurement consulting, print procurement (including specification writing, bid and solicitation management, and contract awarding), as well as life cycle contract administration to Federal customers. Customer Service teams are assigned to service specific customer agencies, and are in continuous contact with customer agency printing officers and program managers to maintain high levels of satisfaction and to expand their expertise on each agency's specific mission, needs, and challenges. Customer Service's performance measures for on-time delivery and quality acceptance (see Performance Measures section) underscore the effectiveness of this partnership between industry and Government.

In addition, Customer Services' Creative and Digital Media Services provides graphic design solutions, multimedia and Web services to Congress, the White House, and Federal agencies and commissions. This unit which is part of GPO's customer services assists customer agencies by creating effective visual communications solutions for their projects using the latest technology. The team is comprised of graphic designers who specialize in art, graphic design, Web design/development, e-book design, illustration, photography, and multi-media. This unit's work includes designs for Presidential Inauguration materials, a major branding effort for the Bureau of Alcohol, Tobacco, Firearms and Explosives, the U.S. Passport, and numerous other security design efforts. Examples of recent web design and development projects of agency clients include the U.S. Senate web site, the U.S. China Commission, and a variety of design efforts for the U.S. Department of Veteran's Affairs. This unit also offers website content updates for existing Federal agency customers who are required to utilize within-government digital media services for information dissemination.

Section I: Management Discussion and Analysis (Unaudited)

Publication and Information Sales – This unit increases public access to U.S. Government information through the sale of Government information products, primarily through GPO’s U.S. Government Bookstore website (<http://bookstore.gpo.gov/>). This site allows the public to purchase hard-copy and e-book copies of Federal Government publications and subscriptions. This business unit also works with commercial sales channels, including book distributors nationwide, to enhance Federal Government information distribution. Publication and Information Sales also provides customer agencies with expert advice on how to make their publications more user-friendly and commercially viable.

Agency Distribution – This unit provides a variety of global order fulfillment, inventory, and list management services to Federal agencies through distribution centers in Pueblo, CO, and Laurel, MD. This unit also supports the GSA’s popular Federal Citizen Information Center in Pueblo.

Public Information Programs – This business unit supports and manages the Federal Depository Library Program (FDLP), the Cataloging and Indexing Program, the By-Law Program, and the distribution component of the International Exchange Service of the Library of Congress (LOC). The FDLP ensures equitable, secure, convenient, and permanent no-fee access to published U.S. Government information.

The FDLP includes approximately 1,143 designated Federal depository libraries throughout the United States and its territories and provides the American public free access to U.S. Government publications in tangible and electronic collections. Public Information Programs’ major operational functions include cataloging, acquiring new tangible and electronic publications for the FDLP, program planning, distributing publications to libraries, education and outreach, library technical services, and archival management. Working with other GPO units, this business unit also supports the operation enhancement, promotion of, and education about GPO’s Federal Digital System (FDsys) (www.fdsys.gov). This system will be replaced by **govinfo** (www.govinfo.gov), which is currently in beta mode but is scheduled to replace FDsys in 2018. FDsys and **govinfo** provide direct online access to Federal Government publications from all branches of government. Other online services managed by this business unit include the *Catalog of U.S. Government Publications* (<http://catalog.gpo.gov>), the FDLP website (www.fdlp.gov), and Ben’s Guide to the U.S. Government (<http://bensguide.gpo.gov>).

Financial Position and Results for Fiscal Year 2017

The following is an overview of GPO’s financial position and operating results for the fiscal year ended September 30, 2017. This information should be viewed in context with the Financial Statements and Notes contained therein. In addition, the management discussion and analysis put forth is prepared to highlight what we believe are the more significant financial events, items or transactions for the benefit of the reader. The reader will please note that this information, as presented is not meant to be an inclusive compendium of all activity for GPO’s fiscal year 2017.

Selected Balance Sheet Accounts and Other Statistics

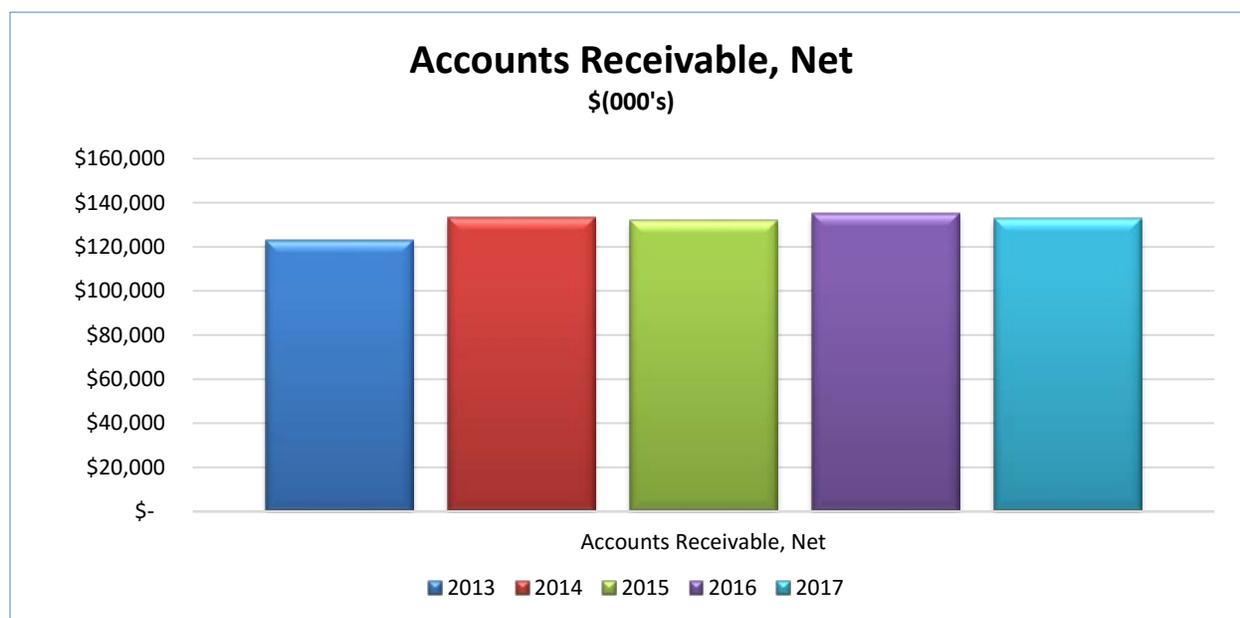
Cash

GPO’s current cash requirements include program and operating expenses, as well as capital investment requirements. Cash (also referred to as “Fund Balance with Treasury” or “FBWT”) increased by \$32 million (5.8%) to \$585.9 million as of September 30, 2017, from \$553.9 million as of September 30, 2016.

The increase was primarily due to cash increases from operating activities of \$68.1 million, offsetting investing outlays of \$38.2 million, and increases in unexpended appropriations of \$2.1 million.

Accounts Receivable, Net

Net accounts receivable decreased from \$135.3 million as of September 30, 2016, to \$132.9 million as of September 30, 2017 (1.7%).



Section I: Management Discussion and Analysis (Unaudited)

Inventory, Net

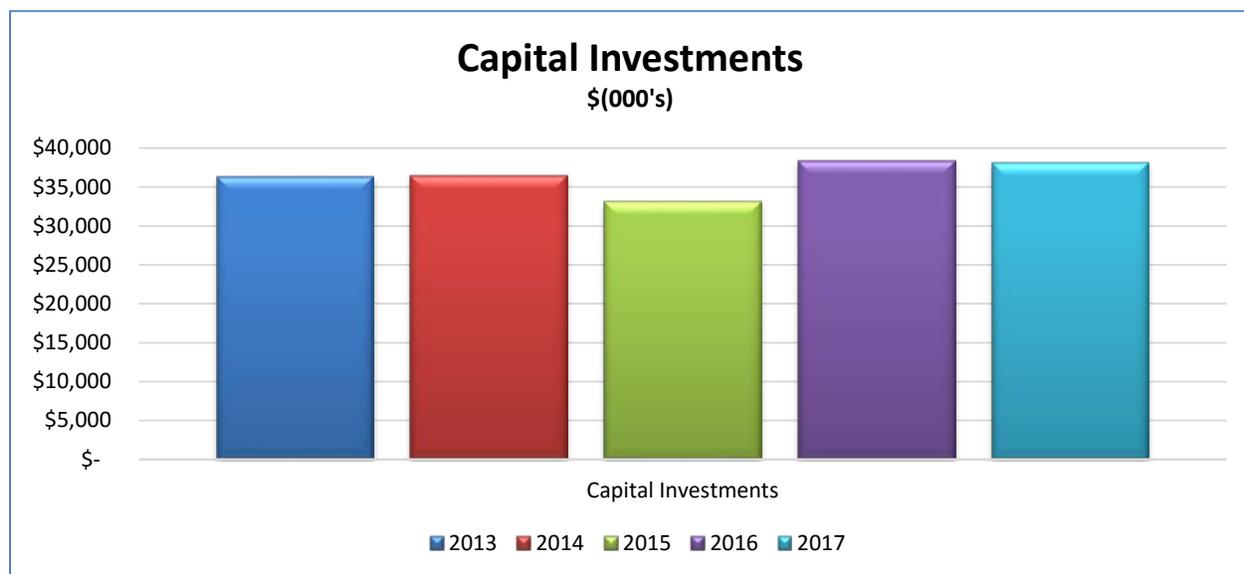
Supplies and materials inventory increased by \$10.3 million in fiscal 2017 from fiscal 2016 primarily due to \$8.8 million purchase of passport materials and \$1.3 million of next generation passport supplies. Production volume increased to 22.6 million in fiscal 2017 from 13 million in fiscal 2016.

General Property Plant, and Equipment, Net

Net property and equipment increased by \$14.3 million (9%) in 2017 to \$173.7 million as of September 30, 2017. The capital additions of \$38.2 million in 2017 were primarily centered on in-service placement of new secure credential products manufacturing equipment (\$11.5 million), computers and computer software (\$8.2 million) and capitalized software (\$2.3 million). These additions were partially offset by \$23.8 million in depreciation expense for fiscal 2017. The capital investment trend over the last 5 years is reflective of the investment in secure products and documents, and GPO's transformation to a digital platform.

Building and improvements increased by \$2.3 million which included renovations to GPO Building No. 4. The plant, machinery, and equipment investment increase of \$11.5 million was mainly for secure credential products manufacturing equipment and upgrades for passport production. Computers and computer software increase of \$8.2 million in fiscal 2017 was mainly for FDsys/govinfo software of \$4.2 million, and \$4.7 million for IT security equipment.

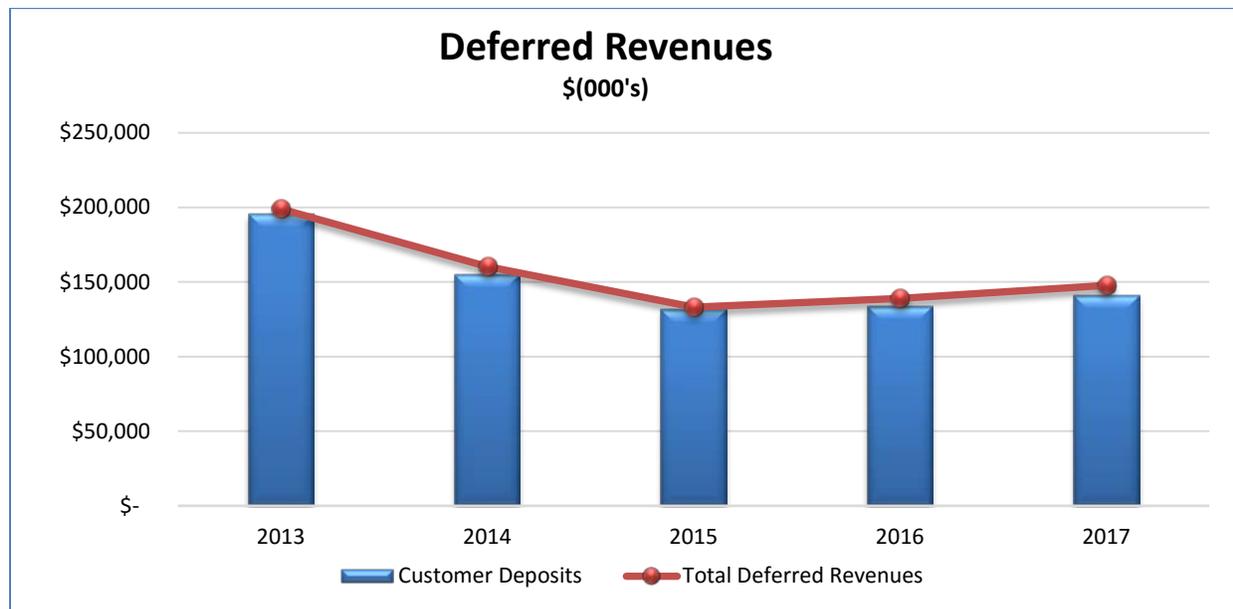
Capitalized software in process increased by \$2.3 million in fiscal 2017 compared to fiscal 2016 due in part to \$3 million invested in the Composition System Replacement (CSR) software which is offset by \$800,000 for Oracle R12 upgrade.



Deferred Revenues

Section I: Management Discussion and Analysis (Unaudited)

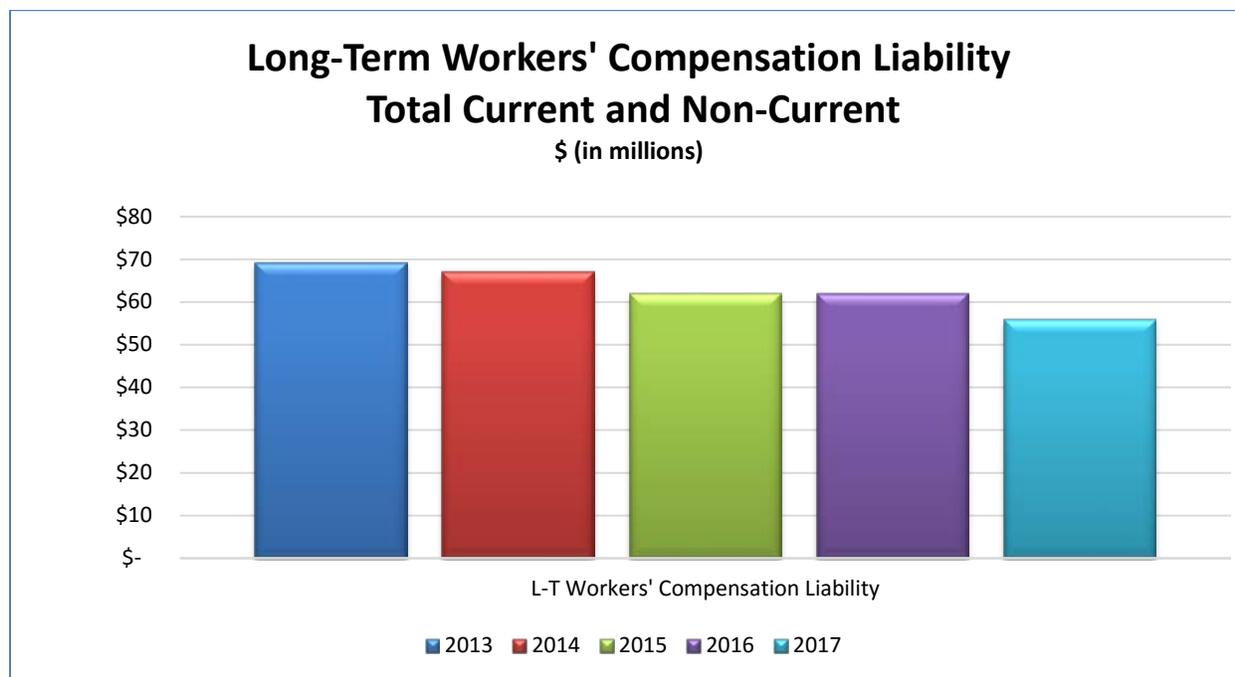
Deferred Revenues are primarily comprised of customer deposits which are funds advanced from Federal agencies. The \$8.7 million (6.3%) increase in deferred revenues for fiscal 2017 from fiscal 2016 was primarily driven by a \$6.9 million increase in deposit accounts and \$2 million increase in advance billings, offset by a minor decrease in pre-paid subscriptions.



Long-Term Workers' Compensation Liability

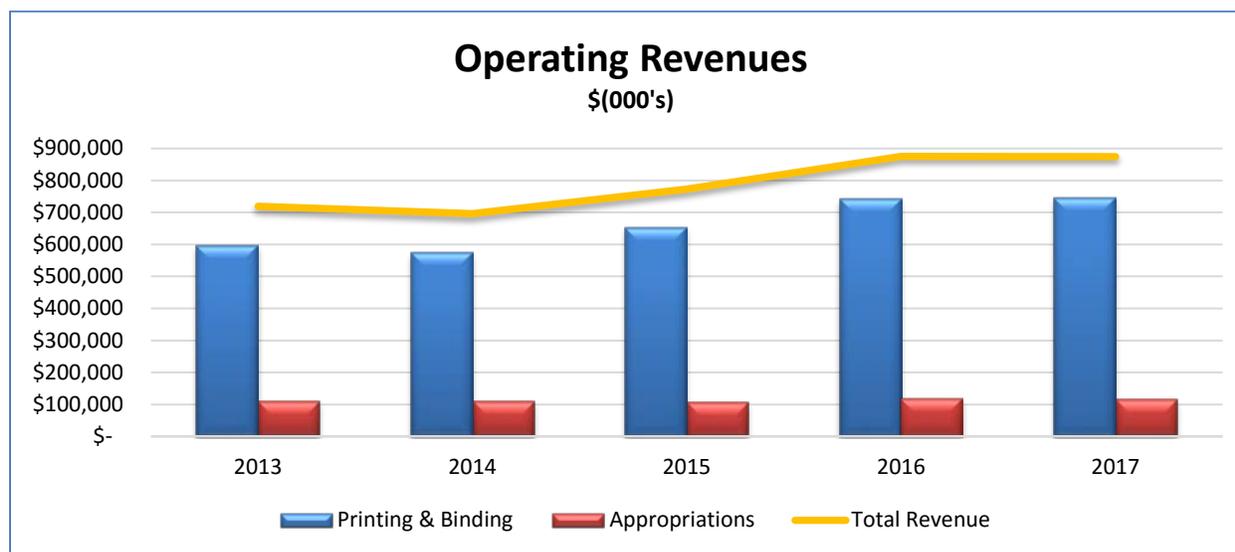
The actuarial workers' compensation liability decreased \$5.8 million in 2017. The decrease in the actuarial liability primarily resulted from a reduced workforce, technological efficiencies, improved production methods, and an increased emphasis on workplace safety conditions.

Section I: Management Discussion and Analysis (Unaudited)



Consolidated Revenues

GPO’s consolidated revenues (net of eliminations) are primarily derived from Printing & Binding and Appropriations. Consolidated revenues were \$874.3 million in fiscal 2017 and \$875.3 million in fiscal 2016.



Section I: Management Discussion and Analysis (Unaudited)

Operating Expenses

Operating costs increased by \$16.8 million (2.1%) to \$821.2 million in fiscal 2017, up from \$804.4 million in fiscal 2016. The increase is primarily attributable to personnel compensation and benefits and supplies and materials offset by a decrease in the cost of the printing and binding products sold to customer agencies.

Changes in Retained Earnings

GPO's retained earnings increased by \$58.9 million (17.8%) to \$389.3 million at the end of fiscal 2017, compared to \$330.4 million at the end of fiscal 2016.

As presented on the table below, GPO's retained earnings include the planned uses of net income as authorized by responsible parties. The GPO and the Department of State annually agree to a price to be charged per passport, as well as an agreed-upon plan of capital investments to produce future U.S. Passports. As a result, a portion of the agreed-upon price includes funding for these capital investments.

Also included in consolidated net income is the net change in the long-term workers' compensation liability. This unfunded liability is required to be included in GPO's consolidated financial statements; however, GPO's rates and prices are established only to recover the current fiscal year actual cost of workers' compensation, and not the long-term liability estimate.

Adjusting GPO financial results for these two items allows GPO's management to better gauge the actual results of GPO operations.

Summary of Net Income (in thousands)	2017	2016
Net Income	\$ 58,876	\$ 71,197
Less: Passport Capital Projects Reserve	(14,783)	(24,700)
Decrease in Workers' Compensation Liability	(5,798)	(365)
Net Income After Capital Projects Reserve and Workers' Compensation Liability Adjustment	\$ 38,295	\$ 46,132

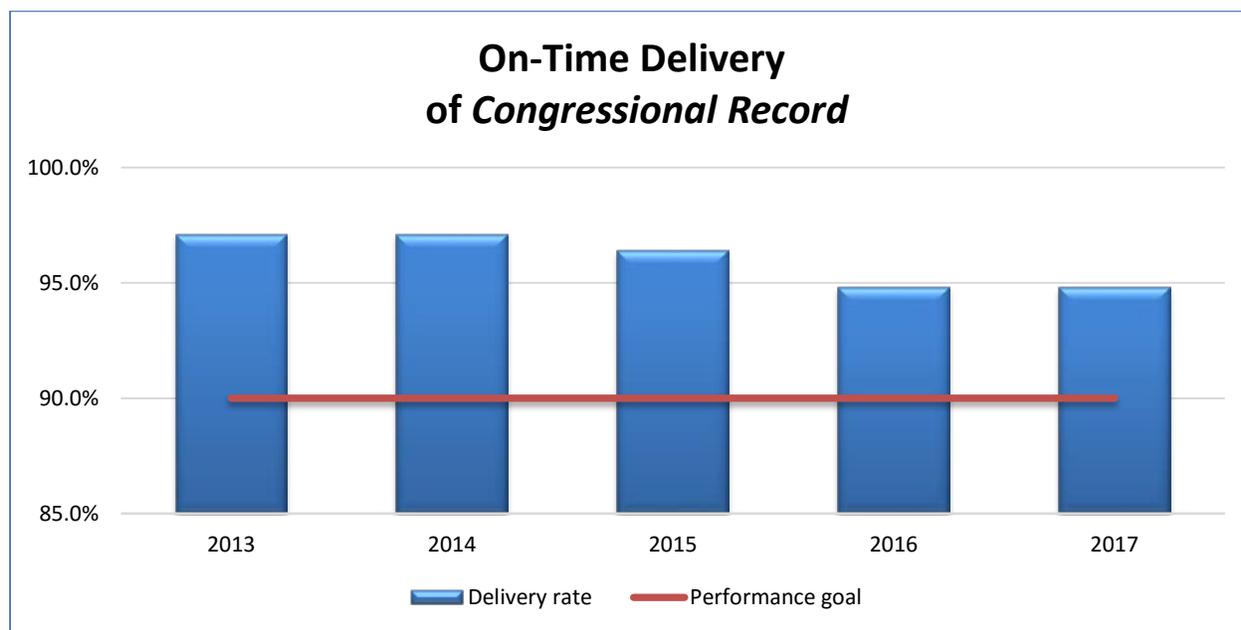
Excluding income planned to be invested in capital projects to support the production of U.S. Passports, and the adjustment to the long-term Workers' Compensation Liability, GPO had net income of approximately \$38.3 million in fiscal 2017, compared to \$46.1 million in 2016.

Operating Performance Measures

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

On-Time Delivery of *Congressional Record*

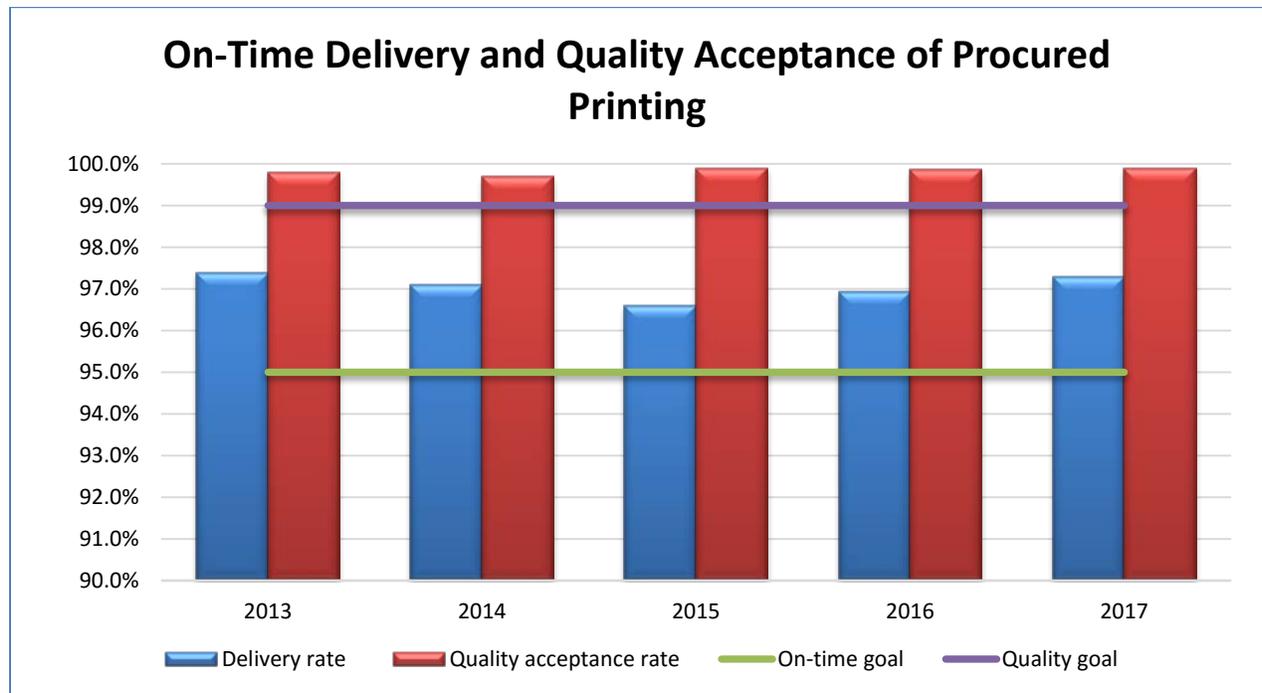
The *Congressional Record* is the official record of the proceedings and debates of the U.S. Congress. This important information product is published daily when Congress is in session. GPO uses a performance measure to evaluate the timeliness of the delivery of this core product to Congress. To measure GPO's success in delivering the *Congressional Record* to Congress on-time, GPO established a deadline of delivery to the House and Senate chambers before the start of the next day's session when 100 percent of copy is received by midnight.



On-Time Delivery and Quality Acceptance of Procured Printing

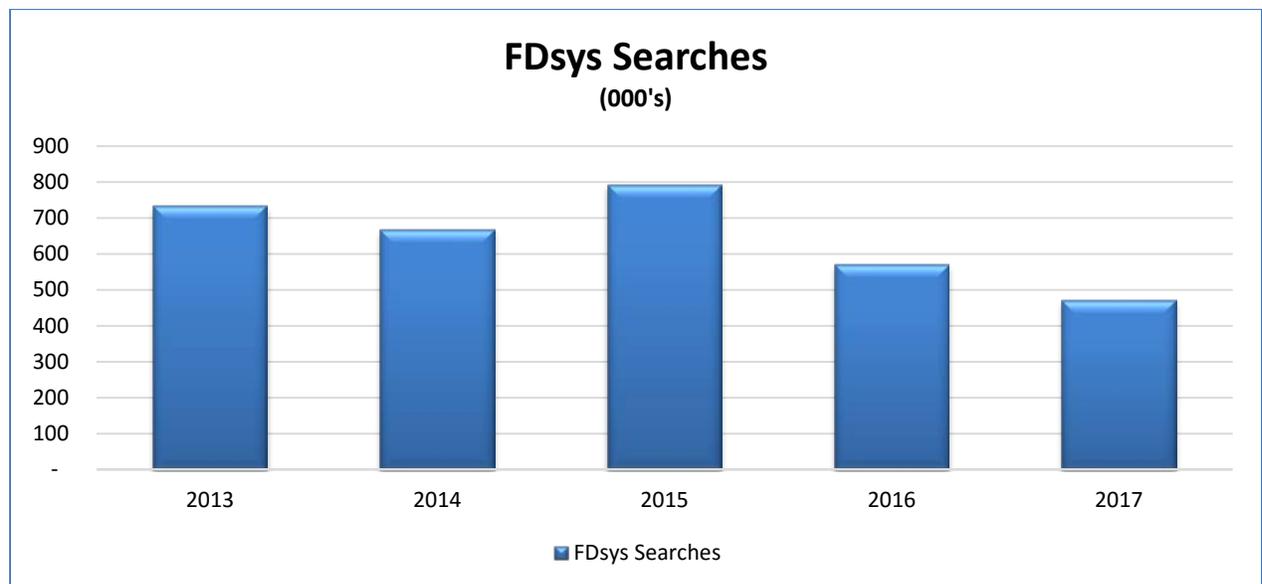
Customer Services contracted with commercial printing vendors to produce and ship orders for GPO customers, on-time and at a high standard of quality.

Section I: Management Discussion and Analysis (Unaudited)

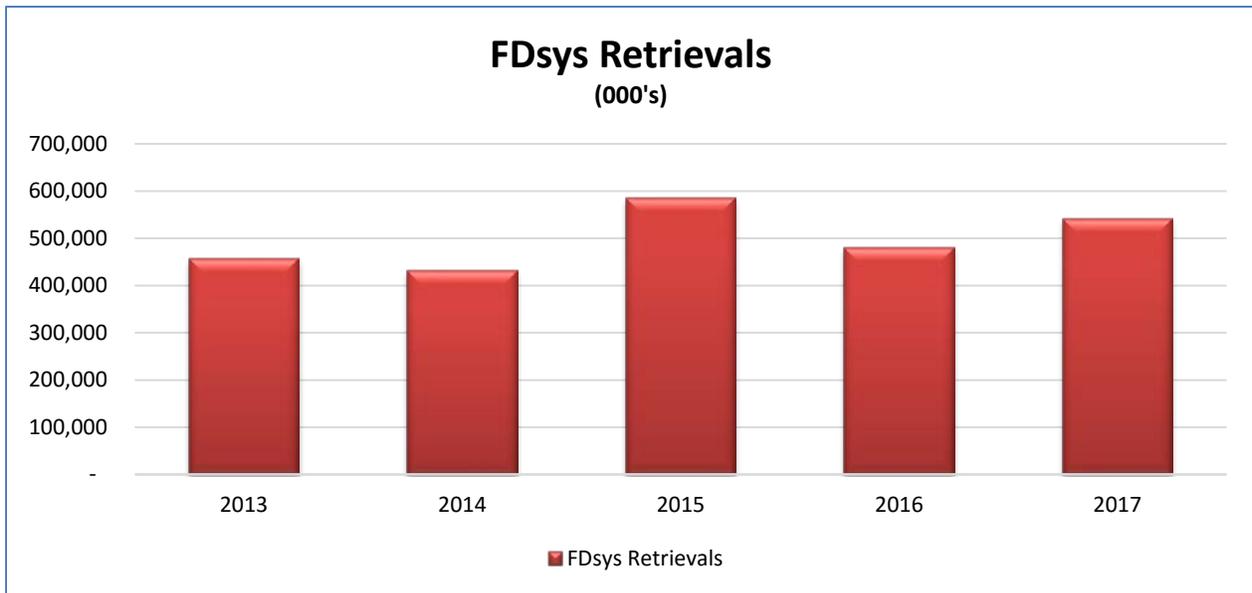


FDsys Search and Retrieval Metrics

GPO's Federal Digital System (FDsys) provides free online access to official publications from all three branches of the Federal Government. FDsys provides advanced search capabilities and the ability to refine and narrow users' searches for quick access to the information they need. With FDsys, users can download a single file or download content and metadata packaged together in a compressed file.

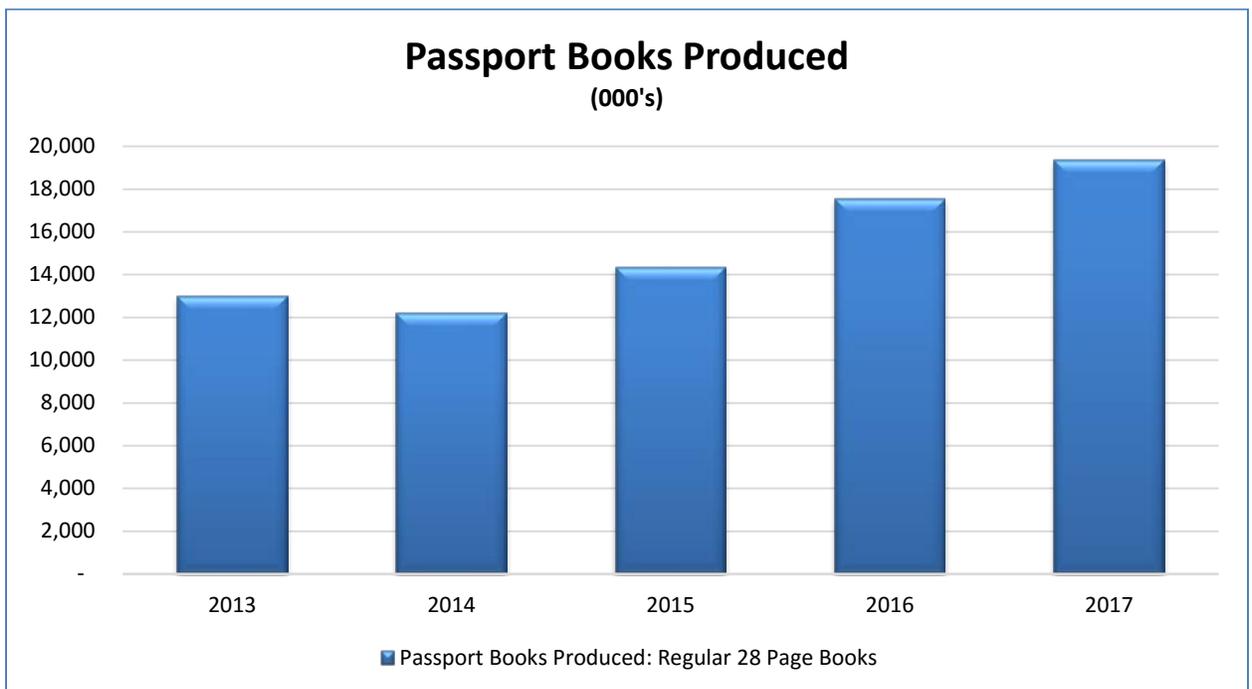


Section I: Management Discussion and Analysis (Unaudited)

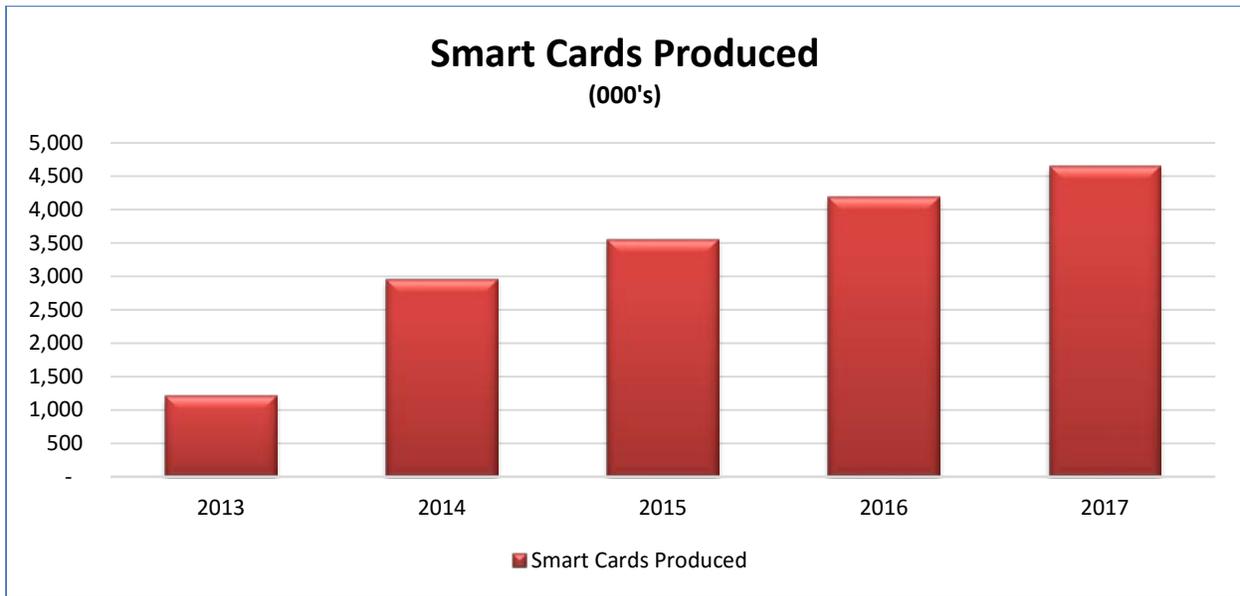


Passport and Smartcard Metrics

SID is meeting the challenges of new security issues and enabling the production of secure Federal Government documents for a wide variety of applications including U.S. Passports and smart cards.



Section I: Management Discussion and Analysis (Unaudited)



Fiscal Year 2018 Financial Projections

On July 1, 1953, the GPO Revolving Fund was established to finance GPO's operations on a self-sustaining basis. The Agency's overall long-term financial objective has been to earn revenues through a system of rates, prices, and surcharges used to bill customers for goods delivered and services performed that are sufficient to recover Agency costs, including depreciation and overhead. In accordance with Section 309 of Title 44 U.S.C. the receipts and disbursements from the continuous cycle of business-type operations are recorded in the GPO Revolving Fund.

GPO's fiscal 2018 operating budget plans for the Agency to achieve at least break-even before the long-term Federal Employees' Compensation Act (FECA) adjustment, and after adjusting for planned capital investments related to passport production. These capital investments for the Department of State are mutually agreed to and allow GPO to invest in state-of-the-art passport manufacturing technology. The GPO operating budget also provides sufficient cash to allow continued capital investment to achieve more efficient operations and better meet customer needs.

The GPO's focus on satisfying customers, producing authentic and secure products vital to customers, and managing through change are essential to maintaining Agency operations on sound footing, both organizationally and financially. Achieving adequate financial results will help ensure that the GPO Revolving Fund remains financially self-sustaining, and that GPO can continue *Keeping America Informed*, as it has for over 155 years.

SECTION II

INSPECTOR GENERAL'S REPORT



U.S. GOVERNMENT PUBLISHING OFFICE

OFFICE OF INSPECTOR GENERAL

**AUDIT REPORT
REPORT NUMBER 18-03**

**U.S. Government Publishing Office FY 2017
Independent Auditor's Report**

December 15, 2017



Date

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To

Acting Director, U.S. Government Publishing Office

From

Inspector General

Subject:

FY 2017 Independent Auditor's Report
Report Number 18-03

Attached is the Independent Auditor's Report on the U.S. Government Publishing Office's (GPO's) FY 2017 financial statements. We contracted with the independent certified public accounting firm of KPMG LLP (KPMG) to audit the financial statements of GPO for the years ending on September 30, 2017 and 2016. The contract required that the audit be conducted in accordance with auditing standards generally accepted in the United States of America and in accordance with generally accepted government auditing standards (GAGAS).

KPMG's opinion on GPO's financial statements was unmodified. In connection with the contract, we reviewed KPMG's report and related documentation and inquired of its representatives. Our review did not disclose any instances where KPMG did not comply, in all material respects, with requirements. If you have any questions or comments about this report, please do not hesitate to contact me at (202) 512-0039.

A handwritten signature in black ink that reads "Michael A. Raponi".

MICHAEL A. RAPONI

Inspector General

Attachment

cc:

Chief Financial Officer
Chief of Staff
Chief Administrative Officer
General Counsel

SECTION III

**INDEPENDENT
AUDITORS'
REPORT**



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Acting Director
United States Government Publishing Office

Office of the Inspector General
United States Government Publishing Office:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the United States Government Publishing Office (GPO), which comprise the consolidated balance sheets as of September 30, 2017 and 2016, and the related consolidated statements of revenues, expenses, and changes in retained earnings and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion on the Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the United States Government Publishing Office as of September 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The information in the Management Discussion and Analysis section, including references to information on websites or other forms of interactive data, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2017, we considered the GPO's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the GPO's internal control. Accordingly, we do not express an opinion on the effectiveness of the GPO's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the GPO's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*.



Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the GPO's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
December 15, 2017

SECTION IV

**FINANCIAL
STATEMENTS**

Section IV: Financial Statements

**U.S. Government Publishing Office
Consolidated Balance Sheets
As of September 30, 2017 and 2016
(Dollars in Thousands)**

	2017	2016
ASSETS		
Current assets		
Fund balance with Treasury (Note 2)	\$ 585,883	\$ 553,885
Accounts receivable, net (Note 3)	132,930	135,280
Inventory, net (Note 4)	52,984	40,347
Prepaid expenses (Note 5)	101	85
Total current assets	771,898	729,597
General property, plant, and equipment, net (Note 6)	173,725	159,390
Total assets	\$ 945,623	\$ 888,987
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses (Note 7)	\$ 115,749	\$ 123,257
Deferred revenues (Note 8)	147,805	139,058
Accrued annual leave	8,716	8,483
Workers' compensation (Note 9)	7,673	-
Total current liabilities	279,943	270,798
Noncurrent liabilities		
Workers' compensation (Note 9)	48,536	62,007
Total liabilities	328,479	332,805
Commitments and contingencies (Notes 10 and 11)		
Net position (Note 12)		
Cumulative results of operations:		
Retained earnings	389,265	330,389
Invested capital	92,879	92,879
Unexpended appropriations	135,000	132,914
Total net position	617,144	556,182
Total liabilities and net position	\$ 945,623	\$ 888,987

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

Section IV: Financial Statements

U.S. Government Publishing Office
Consolidated Statements of Revenues, Expenses,
and Changes in Retained Earnings
For the Fiscal Years Ended September 30, 2017 and 2016
(Dollars in Thousands)

	2017	2016
OPERATING REVENUES		
Printing and binding	\$ 745,653	\$ 742,821
Appropriations	114,498	118,790
Sales of publications	4,880	5,623
Agency distributions	9,266	8,031
Total operating revenues	874,297	875,265
OPERATING EXPENSES		
Printing and reproduction	307,447	325,855
Personnel compensation and benefits	216,787	206,651
Supplies and materials	200,374	180,961
Other services	43,363	42,558
Depreciation and amortization	23,816	21,722
Rents, communications, and utilities	15,634	14,967
Travel, transportation, and postage	11,475	9,803
Publications sold	2,323	1,916
Subtotal	821,219	804,433
Income before other expenses	53,078	70,832
OTHER EXPENSES		
Decrease in workers' compensation liability	5,798	365
Net Income	\$ 58,876	\$ 71,197
Retained Earnings, beginning of year	330,389	259,192
Retained Earnings, end of year	\$ 389,265	\$ 330,389

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

Section IV: Financial Statements

U.S. Government Publishing Office
Consolidated Statements of Cash Flows
For the Fiscal Years Ended September 30, 2017 and 2016
(Dollars in Thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 58,876	\$ 71,197
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	23,816	21,722
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	2,350	(3,158)
Inventory	(12,637)	(4,930)
Prepaid expenses	(16)	265
Increase (decrease) in liabilities:		
Accounts payable, accrued expenses, and other	(7,508)	8,692
Deferred revenues	8,747	5,902
Accrued annual leave	233	20
Workers' compensation	(5,798)	(365)
Total adjustments	9,187	28,148
Net cash provided by (used in) operating activities	68,063	99,345
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital purchases	(38,157)	(38,333)
Proceeds from sale of general property, plant, and equipment	6	47
Net cash used in (provided by) investing activities	(38,151)	(38,286)
CASH FLOWS FROM FINANCING ACTIVITIES		
Appropriations received	117,068	117,068
Appropriations expended	(114,982)	(118,888)
Increase (decrease) in unexpended appropriations	2,086	(1,820)
Net cash provided by (used in) financing activities	2,086	(1,820)
Net increase (decrease) in fund balance with Treasury	31,998	59,239
Fund balance with Treasury, beginning of year	553,885	494,646
Fund balance with Treasury, end of year	\$ 585,883	\$ 553,885

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

U.S. Government Publishing Office Notes to the Financial Statements September 30, 2017 and 2016

1. Summary of Significant Accounting Policies

A. Reporting Entity

The U.S. Government Publishing Office (GPO or Agency) is a Legislative Branch agency of the Federal Government. The Agency's mission and authority are derived from various statutes codified in Title 44, *Public Printing and Documents*, of the *United States Code* (U.S.C.). Congress established GPO to provide the Federal Government with an efficient and effective means for the production, procurement, and dissemination of Federal Government information to the Nation in traditional and electronic formats.

The Director, appointed by the President 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. Section 309, and annual and special appropriations provided by Congress. The GPO Business Operations Revolving Fund (Revolving Fund) maintains a system of accounts and records transactions to comply with the requirements of § 309 of Title 44 U.S.C.

The Joint Committee on Printing (JCP) has primary responsibility for congressional oversight of GPO's programs and operations. The JCP is composed of five members of the U.S. House of Representatives and five members of the U.S. Senate. Every two years the JCP chairmanship and vice-chairmanship rotate between the House and the Senate.

B. Accounting Environment

Basis of Accounting

GPO prepares its financial statements in conformity with U.S. generally accepted accounting principles (GAAP), based on accounting standards issued by the Financial Accounting Standards Board (FASB), the private-sector standards-setting body. Under such standards, the GPO prepares its financial statements using the full accrual basis of accounting under which revenues are recognized (recorded or accrued) when earned and expenses are recognized as incurred, regardless of when cash is exchanged.

The Federal Accounting Standards Advisory Board (FASAB) has been designated by the American Institute of Certified Public Accountants as the standards-setting body for financial statements of Federal Government entities, with respect to the establishment of GAAP. FASAB has indicated that financial statements prepared based upon accounting standards published by the FASB may also be regarded as in conformity with GAAP for those Federal agencies that have issued financial statements based upon FASB accounting standards in the past. Consistent with historical reporting, GPO's financial statements are presented in accordance with accounting standards published by FASB.

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 GAAP and 31 U.S.C. § 3515(b) as 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. GPO's consolidated 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 settlements.

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.

Business Operations Revolving Fund – The GPO Business Operations Revolving Fund (Revolving Fund) is an inter-governmental fund established by law on July 1, 1953. This fund is available without fiscal limitation for financing the operation and maintenance of GPO, except for those information dissemination programs of the Agency that are funded by annual appropriations.

The GPO Revolving Fund is a self-sustaining financial entity used primarily to finance and account for GPO's Publication Production Operations, and Publication and Information Sales Program. The two major sources of revenue to the Revolving Fund are reimbursements from the Congressional Publishing Appropriation and other Federal customers for providing printing, binding, and distribution services, including U.S. passport production, and publication and subscription sales to the public.

GPO's Publications Production Operations account for the revenues and expenses associated with services provided by in-plant printing and purchased printing. The costs of these services are recovered through a system of rates used to bill customers. These rates include direct costs, depreciation, overhead, and related expenses permitted under 44 U.S.C. § 309.

GPO's Publication and Information Sales Program sells Federal Government information products to the public. The prices of Federal Government publications and subscriptions sold through this program are established in accordance with 44 U.S.C. § 1708.

General Fund – The General Fund is financed by two annual congressional appropriations to the Agency. These appropriated funds finance the cost of GPO's support of the Congress, and the Government information dissemination services provided to the public without

Section IV: Financial Statements

charge to the recipients.

The Congressional Publishing 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 Public Information Programs of the Superintendent of Documents Salaries and Expenses (S&E) Appropriation is used by the Library Services and Content Management, a GPO business unit, to fund four information dissemination programs: the Federal Depository Library Program (FDLP); the Cataloging and Indexing Program; the By-Law Distribution Program; and the International Exchange Program. The majority of this annual appropriation is used to finance the FDLP. Expenditures from these appropriations are used to reimburse the Revolving Fund for printing and binding, and other services and supplies furnished by GPO in accordance with Title 44 U.S.C.

C. Fund Balance with Treasury

Fund Balance with Treasury represents all balances in GPO accounts with the U.S. Department of the Treasury (Treasury). Treasury processes cash receipts and disbursements for GPO.

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 uncollectible accounts. The allowance for doubtful accounts is based on GPO's recent debt collection experience.

E. Inventories

Inventories of paper, supplies, and materials are shown net of a provision for obsolescence. Inventories of paper, supplies, and materials include the cost of production material (e.g., computer chips, ink, 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. The allowance for obsolescence is determined based on historical usage of paper, supplies, and materials.

Inventories of publications held for sale are valued at the lower of cost, using the weighted average cost method, or market. Publication inventories are shown net of a provision for excess inventory that may be disposed of by the Agency in the future. The allowance for surplus publications is based on life cycle studies of product sales that provide a historical basis for determining the percentage of potential excess inventory stock items held in inventory.

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F. Property, Plant, and Equipment

Property, plant, and equipment purchases are generally valued at their 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 two years or more. The costs of major alterations and renovations to the GPO facility are capitalized and depreciated while the costs of maintenance and repairs are expensed when incurred. The depreciation of property, plant, and equipment is calculated on a straight-line basis over the estimated useful life of the asset. The depreciation of an asset commences the month after the asset is first placed in service.

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

Asset Category	Estimated Useful Life (Years)
Building Improvements	20
Building Appurtenances	20
Other Structures and Facilities	20
Furniture and Fixtures	20
Leasehold Improvements	10
Plant Machinery and Equipment	10
Office Machinery and Equipment	5
Motor Vehicles	5
Computer Software	3

Land has an indefinite life and is not subject to depreciation. Construction in progress and capitalized software in process are also not depreciated until completed and put into use. Leasehold improvements are generally depreciated over 10 years or the remaining duration of the lease for real property, whichever is shorter.

G. Deferred Revenues

Deferred revenues are funds received in advance from customers for the future delivery of goods and services. GPO records these advances as revenue when the goods are delivered or the services are performed.

H. Accrued Annual Leave

Annual leave is accrued as a liability when earned. The liability is reduced when leave is used. The annual leave liability is calculated using the current hourly salary or wage of employees multiplied by their total hours of unused annual leave. Employees will receive a lump-sum payment for unused annual leave when they separate from Federal service or enter active military service.

Section IV: Financial Statements

Sick leave and other types of non-vested leave are expensed when used. Employees are not entitled to a lump-sum payment 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 death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for GPO employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by GPO.

The FECA liability consists of two components. The first component, the accrued FECA liability, is based on actual claims paid by DOL but not reimbursed by GPO. GPO reimburses DOL for the amount of actual claims. As a result, GPO recognizes a current liability for actual claims paid by DOL which have not yet been reimbursed. This liability is included in accounts payable and accrued expenses.

The second component, the actuarial FECA liability, is the estimated liability for future benefit payments. These future estimates were generated from an application of actuarial procedures developed to estimate the liability for future FECA benefits. The actuarial liability for future workers' compensation benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases plus a component for incurred but not reported claims. The liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. These annual benefit payments have been discounted to present value using a composite rate from the Department of Treasury. The current and non-current components of the actuarial FECA liability are presented separately in the balance sheet for FY 2017.

J. Commitments and Contingencies

FASB Accounting Standards Codification, Asset Retirement Obligations (ASC 410-20), requires a reporting entity to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can reasonably be estimated. Accordingly, GPO has estimated and recorded the asset retirement obligation in accounts payable. Liabilities from loss contingencies, including environmental remediation costs not within the scope of ASC 410-20, arising from claims, assessments, litigation, fines and penalties, and other sources, are recorded in accounts payable when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Loss contingencies that do not meet these criteria are not accrued.

K. Revenue Recognition

Printing and Binding – GPO must be reimbursed for the cost of printing and binding services furnished to customers at rates set by the Director in accordance with 44 U.S.C. §

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309. 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. Revenues related to the manufacture of passports by GPO for the Department of the State are recognized at annually negotiated rates per passport at the time that the printing and binding process is complete.

Appropriations – Appropriation revenues are recorded when a liability is incurred for purposes permitted by the appropriations act and program legislation. Unexpended appropriations are recorded as a component of net position. Unexpended appropriation balances are generally canceled after 5 years, unless authorized for transfer by appropriations committees.

Sales of Publications – Revenues from the sale of publications and subscriptions to customers are recognized when shipped by the Publication and Information Sales Program.

Agency Distributions – Revenues from the storage, packaging, and distribution of publications for other Federal agencies are recorded when services have been performed.

L. Expense Recognition

Printing and Reproduction – This expense includes the cost of printing, duplicating, and reproduction orders that are procured by GPO from the private sector to satisfy the needs of the Federal Government. The expense is generally recorded on the date of shipment by the contractor and is shown net of vendor prompt payment discounts earned by the Agency.

Personnel Compensation and Benefits – Personnel compensation consists of the wages and salaries, including overtime premium and night differential, paid to GPO employees on a biweekly cycle. Personnel benefits include the Agency's share of contributions towards Federal Employees Health Benefits, Federal Employees' Group Life Insurance, and two Federal Government civilian employee retirement programs. The two retirement programs are the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), which includes the related Thrift Savings Plan (TSP). Personnel benefits also include the current cost of workers' compensation expense, transit benefits provided by GPO to employees, and the cost of incentive and performance awards to employees. Personnel compensation and benefits are recorded as expenses when earned by employees.

Supplies and Materials – Computer chips required for passport production are the most significant cost component within the category of supplies and materials. Passport supplies and materials are recorded as an expense when used in production operations. The second most significant component is paper and paper products that are commercially procured to satisfy GPO's in-plant printing requirements and customer orders for blank paper. The expense is recorded when paper is drawn from inventory to fulfill an order or delivered to the

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customer, in the case of direct mill-to-customer shipments. This expense category also includes all other supplies and materials that are not capitalized as property, such as personal computers, furniture, and office supplies. The allowance for obsolete inventory is based on historical usage of supplies and materials.

Other Services – This expense category includes the costs of professional services by contractors and also the expenses related to a provision for uncollectible accounts receivable. The expenses for professional services are recognized when the contracted services have been performed. The expenses for uncollectible accounts receivable are recognized when receivables are deemed as potentially uncollectible, based on GPO’s collection experience.

Depreciation and Amortization – GPO uses the straight-line method of depreciation and amortization to allocate a portion of the acquisition cost of property, plant, and equipment to each accounting period. The acquisition cost of each capitalized asset is depreciated, or amortized, over the asset’s estimated useful life, which is generally measured in years. The monthly depreciation, or amortization, of a capitalized asset commences at the beginning of the first full-month after the date that the capitalized asset was placed in service.

Rents, Communications, and Utilities – Rent and lease costs are incurred for the use of building space, equipment, and motor vehicles. GPO leases office and warehouse space from the General Services Administration and commercial lessors. GPO also rents automobiles and other motor vehicles. Communications costs include data, voice, video, and wireless services. Utilities include electricity, gas, steam, and water. Expenses are recorded as services are provided and energy resources are used.

Travel, Transportation, and Postage – This category includes travel and transportation costs of persons or things, including employee relocation costs, and postage expenses. Travel costs are incurred by persons on official business for audits, attendance at conferences, inspections, investigations, training, or other authorized business of the Agency. Transportation includes shipping costs for printing and reproduction products from GPO or contractors to customer agencies, depository libraries, or other GPO locations. Incurred travel expenses are accrued when they are estimable, while transportation costs are generally recorded on the date of shipment. Postage and commercial mail services are recorded as expenses when the delivery services are provided by the U.S. Postal Service and commercial carriers.

Publications Sold – Publications sold expense represents the cost of publications sold to customers and the cost of subscriptions issued to subscribers. Expenses are recorded at the time of publication sale or subscription issuance. Additionally, this expense includes any change in the estimated cost of the publications held in inventory for sale to the public that are potentially obsolete, damaged, or surplus. The allowance for surplus publications is based on life cycle studies of product sales that provide a historical basis for the determination of potential excess inventory on hand.

M. Consolidated Statements of Cash Flows

The consolidated statements of cash flows report the cash provided by and used in operating, investing, and financing activity categories. This statement identifies cash flows from GPO operations and is used to identify financing acquired from outside sources, and to identify the major non-operating (investing) uses of funds.

N. Use of Estimates

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

The estimates that impact assets, liabilities, revenues, and expenses reflected in the accompanying consolidated financial statements include: the allowance for inventory obsolescence for supplies, materials, and publications held for sale; the allowance for doubtful accounts related to accounts receivable; the estimated useful lives of capitalized assets; the actuarial estimated liability for future workers' compensation benefits; and the estimate for contingent liabilities.

O. Fair Value Measurement

GPO applies FASB Accounting Standards Codification, *Fair Value Measurements and Disclosures* (ASC 820-10) for fair value measurements of financial assets and financial liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC 820-10 defines "fair value" as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted price quote in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). GPO's financial instruments consist of cash, accounts receivable, accounts payable, and accrued liabilities as of September 30, 2017, and September 30, 2016. The carrying amounts of these financial instruments approximate fair value because of the short-term nature of these instruments. GPO holds no financial instruments that are measured at fair value on a recurring basis.

P. Tax Status

As a Legislative Branch agency within the Federal Government, GPO is not subject to Federal, state, or local income taxes. Accordingly, no provisions for income taxes are recorded by the Agency.

Section IV: Financial Statements

2. Fund Balance with Treasury

A table of items included in GPO's fund balance with Treasury, including funds on-hand or in-transit to the Treasury, as of September 30, 2017, and September 30, 2016, follows:

	(Dollars in thousands)	
	2017	2016
Fund Balances:		
Revolving fund:		
Unrestricted	\$ 278,275	\$ 256,733
Restricted:		
Customer deposit accounts	140,937	134,072
Other	30,095	27,642
Total revolving fund	449,307	418,447
General funds:		
Congressional publishing	52,817	61,039
Salaries and expenses	21,670	22,859
Supplemental and other	62,089	51,540
Total general funds	136,576	135,438
Total	\$ 585,883	\$ 553,885

Unrestricted funds are available to meet the financial obligations of the Revolving Fund. Restricted funds are composed of customer deposit accounts, other deferred revenues, and restrictions for accrued wages and salaries, payroll taxes and other withholdings, and earned annual leave not used by employees. The restricted other amount represents funds for future planned capital investments to support the production of U.S. passports. These funds can only be used for the purpose specified.

The uses of general funds for CP and S&E appropriations are restricted by appropriation language. Supplemental and other general funds include unexpended appropriations made to GPO and are for specific purposes as discussed in Net Position, Unexpended Appropriations (Note 12. B.).

The total fund balance with Treasury increased \$32 million (5.8 percent) primarily due to income from agency operations to \$585.9 million in fiscal 2017 from \$553.9 million in fiscal 2016. Total general funds available increased \$1.1 million. These funds are allocated to future approved projects.

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3. Accounts Receivable, Net

Accounts receivable, net of an allowance for doubtful accounts, as of September 30, 2017, and September 30, 2016, consisted of the following:

	(Dollars in thousands)	
	2017	2016
Federal agencies:		
Unbilled accounts receivable	\$ 107,316	\$ 103,972
Billed completed work	25,053	30,918
Subtotal	132,369	134,890
Other receivables:		
The public	158	132
GPO employees	884	961
Subtotal	1,042	1,093
Total accounts receivable	133,411	135,983
Less: Allowance for doubtful accounts	(481)	(703)
Total accounts receivable, net	\$ 132,930	\$ 135,280

The majority of accounts receivable are due from other Federal agencies for goods and services provided by GPO. By law, these customers are required to reimburse the Revolving Fund for the cost of products provided by GPO.

Unbilled accounts receivable results from the delivery of the goods and performance of services for which bills have not been presented to the customer for payment. Accordingly, unbilled accounts receivable includes the value of work in process and completed work for customer orders as of September 30, 2017, and September 30, 2016.

The majority of employee accounts receivable is 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.

Net accounts receivable decreased by \$2.4 million (1.7 percent) in fiscal 2017 from fiscal 2016.

4. Inventory, Net

Inventories, net of an allowance for surplus and obsolete stock increased by \$12.6 million (31.3 percent) as of September 30, 2017, from the prior year, are detailed as follows:

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	(Dollars in thousands)	
	2017	2016
Supplies and materials	\$ 40,251	\$ 29,933
Publications for sale	4,217	4,836
Paper	5,143	4,498
Work in process	7,107	4,883
Total inventory	56,718	44,150
Less: Allowance for surplus and obsolete inventory	(3,734)	(3,803)
Inventory, net	\$ 52,984	\$ 40,347

5. Prepaid Expenses

Prepaid expenses or advances to others were \$101,000 as of September 30, 2017, and \$85,000 as of September 30, 2016. The current year balance was primarily comprised of unused postage and prepaid expenses for information technology services. The majority of prepaid expenses in the prior year were for unused postage.

6. General Property, Plant, and Equipment, Net

General property, plant, and equipment, net as of September 30, 2017, and September 30, 2016, consisted of the following:

	(Dollars in thousands)	
	2017	2016
Land	\$ 9,971	\$ 9,971
Buildings and improvements	103,171	100,834
Plant machinery and equipment	187,210	175,688
Computers and computer software	129,331	121,072
Furniture and fixtures	6,219	6,107
Motor vehicles	766	689
Leasehold improvements	14,628	14,572
Capitalized software in process	12,297	9,993
Capital improvements in process	11,213	9,900
Total	474,806	448,826
Less: Accumulated depreciation and amortization	(301,081)	(289,436)
General property, plant, and equipment, net	\$ 173,725	\$ 159,390

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Depreciation expense was \$23.8 million in fiscal year 2017 and \$21.7 million in fiscal year 2016.

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of September 30, 2017, and September 30, 2016, were composed of the following:

	(Dollars in thousands)	
	2017	2016
Accounts payable:		
Commercial printing	\$ 60,556	\$ 70,571
U.S. Government agencies	7,380	6,552
Other	33,305	31,963
Total accounts payable	101,241	109,086
Accrued salaries and payroll taxes	14,508	14,171
Total accounts payable and accrued expenses	\$ 115,749	\$ 123,257

As of September 30, 2017, amounts recorded in the Other category include \$11 million payable to vendors for passport microchip integrated circuits, \$2 million for other passport-related expenses, \$3.4 million for expenses related to information technology services, \$2.3 million accrued for fixed assets, and \$2 million for other operating expenses. As of September 30, 2016, amounts recorded in Other category include \$6.6 million payable to vendors for E-passport microchip integrated circuits, \$4.5 million for other passport related expenses, \$5.7 million for expenses related to Information Technology services, \$2.2 million for accrued fixed assets and \$3.4 million for other operating expenses.

8. Deferred Revenues

As of September 30, 2017, and September 30, 2016, deferred revenues from customers consisted of the following:

	(Dollars in thousands)	
	2017	2016
Deposit accounts	\$ 140,937	\$ 134,072
Advance billings	5,965	4,005
Subscriptions	670	758
Unfilled orders	233	223
Total	\$ 147,805	\$ 139,058

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GPO held \$140.9 million and \$134.1 million in customer deposit accounts as of September 30, 2017, and September 30, 2016, respectively. Of these amounts, Federal Government customers had advanced funds of \$138.3 million and \$132 million for printing and binding deposit accounts, and customers advanced \$2.6 million and \$2.1 million for publication and information sales program deposit accounts as of September 30, 2017, and September 30, 2016, respectively. The funds in these deposit accounts will be applied to future orders placed by customers or refunded on request.

GPO defers the recognition of revenues for subscription services that will be provided to customers in the future. Customers pay for ink-on-paper subscriptions to the *Congressional Record*, the *Federal Register*, and other publications in advance of delivery. The revenues from subscriptions are recognized as the periodicals are published and distributed to subscribers. The unfilled subscription balances are refunded when the subscription is no longer available for sale, or the customer cancels the subscription.

GPO defers the recognition of revenues for unfilled customer orders of publications and other information products until the orders are shipped.

Advance billings are occasionally requested by customer agencies or used to finance high-dollar orders until work is completed. GPO defers the recognition of revenues for advance billings to customers. This amount increased to \$6 million in fiscal 2017 from \$4 million in the prior year.

9. Workers' Compensation Liability

Claims incurred and paid by DOL as of September 30, 2017, and September 30, 2016, but not reimbursed to DOL by GPO, are approximately \$6 million for both periods. This liability is included in accounts payable and accrued expenses.

As of September 30, 2017, GPO estimated discounted current actuarially derived future workers' compensation liability of approximately \$7.7 million and estimated discounted non-current actuarially derived future workers' liability of approximately \$48.5 million. As of September 30, 2016, GPO's estimated discounted actuarially derived future workers' liability was \$62 million. These annual benefit payments have been discounted to present value using a composite rate from the Department of Treasury. The discount rates as of September 30, 2017, and September 30, 2016, were 2.58 percent and 1.92 percent, respectively. GPO's total estimated, undiscounted actuarially derived future workers' compensation liability was approximately \$78.3 million and \$80.3 million as of September 30, 2017, and September 30, 2016, respectively.

10. Commitments

10. A. Operating Leases

As of September 30, 2017, GPO was committed to various non-cancelable operating leases, primarily covering warehouse and office space. Some of these leases contain escalation clauses and renewal options. Annual lease and rental expenses for real and personal property were \$4.6 million in fiscal 2017 and \$4.3 million in fiscal 2016. A schedule of future minimum rental

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payments required under operating leases by type, that have initial or remaining non-cancelable lease terms in excess of one year, follows:

Future Minimum Rental Payments Required Under Operating Leases

Fiscal Year	(Dollars in thousands)		
	Warehouse	Office	Total
2018	1,070	374	1,444
2019	775	20	795
2020	730		730
2021	748		748
2022 & Thereafter	188		188
Total Minimum Lease Payments	\$ 3,511	\$ 394	\$ 3,905

10. B. Obligations

GPO had unliquidated obligations of \$260.5 million at September 30, 2017, and \$315.7 million at September 30, 2016, of which \$135 million and \$132.9 million, respectively, were for unexpended appropriations (see Note 12. B.), \$14.5 million and \$14.2 million, respectively, for salaries and \$111 million and \$168.6 million, respectively, were undelivered orders related to commercial printing. The latter obligations include purchase orders and contractual obligations by GPO to acquire goods and services from the private sector and other sources. These orders are scheduled for delivery or performance in the future.

11. Contingencies

11. A. Administrative Proceedings, Legal Actions, and Claims

GPO is a party in various administrative proceedings, legal actions, and claims brought against the Federal Government by employees, contractors, and other parties. The uncertainty involving the outcome of these pending matters will be resolved when future events occur or fail to occur. In some cases, legal matters relate to contractual arrangements GPO has entered into for goods and services procured on behalf of other Federal entities. The costs of administering, litigating, and resolving these actions are borne by the Revolving Fund unless the costs are recovered from another Federal entity. As of September 30, 2017, the Agency had \$50,000 recorded liabilities in which management believes an adverse result against GPO was probable. That amount was included in accounts payable and accrued expenses in the financial statements. GPO had zero recorded in estimated probable liabilities as of September 30, 2016.

Contingencies where the risk of loss is reasonably possible are approximately \$6.3 million and

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\$6.1 million, as of September 30, 2017, and September 30, 2016, respectively. Management believes that the ultimate disposition of these matters will not have a material, adverse effect on GPO's consolidated financial position, results of operations, and cash flows.

The Department of Justice (DOJ) represents the GPO in all litigation in Federal court. In these cases, amounts paid under any judgment, compromise settlement, or award are funded from the Judgment Fund administered by the Department of the Treasury (31 U.S.C. § 1304). As a Legislative branch agency, GPO is not required to reimburse the fund for amounts paid on its behalf. The Judgment Fund paid a total of \$8,000 in fiscal 2017 and \$5,000 in fiscal 2016 on behalf of GPO.

11. B. Environmental Liabilities

GPO's Central Office in Washington, DC, is located in an industrial facility consisting of four buildings that contain asbestos building materials. When they were constructed asbestos was a common building material used as flame retardant, thermal system insulation, and in a variety of building materials (e.g., wall, floor, and ceiling tiles). GPO asbestos abatement efforts have been successful in the removal, enclosure, and encapsulation of friable asbestos to comply with applicable laws and regulations when unexposed asbestos is detected during building renovation projects.

The estimated costs to remove or remediate the visible and non-visible presumed asbestos containing material, both friable and non-friable, within the GPO facility, were \$771,000 as of September 30, 2017, and \$851,000 as of September 30, 2016. The decreased liability is the result of recently conducted investigative asbestos mappings and surveys. These amounts are included in accounts payable and accrued expenses on the financial statements.

12. Net Position

12. A. Cumulative Results of Operations

Retained Earnings — Retained earnings include the net operating results of the Revolving Fund, since inception, less certain required transfers to other Federal agencies.

Invested Capital — Invested capital represents the resources of the Federal Government that were directly appropriated to the Agency by Congress for investment in GPO assets (land, buildings, equipment, and capital).

12. B. Unexpended Appropriations

The following table presents unexpended appropriation balances from September 30, 2015, through September 30, 2017, for appropriations made available to GPO:

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Unexpended Appropriations

Appropriations (Dollars in thousands)	Revolving Fund	Salaries and Expenses	Congressional Publishing	Total
Unexpended balance at September 30, 2015	\$ 51,164	21,618	61,952	134,734
2016 fiscal year appropriation activity:				
Received	6,832	30,500	79,736	117,068
Transferred	2,739	(760)	(1,979)	0
Expended	(9,193)	(31,026)	(78,669)	(118,888)
Unexpended balance at September 30, 2016	51,542	20,332	61,040	\$ 132,914
2017 fiscal year appropriation activity:				
Received	7,832	29,500	79,736	117,068
Transferred	16,730	(3,397)	(13,333)	0
Expended	(14,012)	(26,344)	(74,626)	(114,982)
Unexpended balance at September 30, 2017	\$ 62,092	\$ 20,091	\$ 52,817	\$ 135,000

As of September 30, 2017, GPO had obligated all of the \$52.8 million of the unexpended appropriations available for Congressional Publishing, and all of the \$20.1 million of the unexpended appropriations available for Salaries and Expenses. The obligations are based on the estimated cost of open orders as of September 30, 2017. At September 30, 2016, the obligations were \$61 million in Congressional Publishing Appropriations and \$20.3 million in S&E Appropriations.

The Revolving Fund unexpended appropriations balances at September 30, 2017, and September 30, 2016, were \$62.1 million and \$51.5 million, respectively. The Revolving Fund unexpended appropriations balances are primarily the result of the following appropriation activities:

- In fiscal 2010, Congress appropriated \$12.8 million to the Revolving Fund for information technology development and facilities repair. As of September 30, 2016, GPO had expended cumulatively about \$12.6 million from the appropriation. As of September 30, 2017, a balance of \$213,000 was available for future expenditures.
- In fiscal 2011, GPO transferred approximately \$2.6 million from the Salaries and Expenses Appropriation to the Revolving Fund to cover salaries and expenses of the Superintendent of Documents. As of September 30, 2017, GPO had expended the entire appropriation. As of September 30 2016, a balance of \$1 million was available.
- In fiscal 2012, GPO transferred approximately \$9.9 million unexpended prior year balances of Congressional Publishing Appropriations remaining from fiscal 2011 and fiscal 2010 and \$3.7 million from prior year Salaries and Expenses Appropriations to the Revolving Fund. These amounts are available to Congressional Publishing and Salaries

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and Expenses, respectively to offset requirements for new budget authority for fiscal 2012, and liquidate obligations incurred in subsequent years. As of September 30, 2016, GPO had a balance of \$9.9 million from Congressional Publishing Appropriations and \$1.1 million from Salaries and Expenses Appropriations. At end of fiscal year 2017, a balance of \$9 million for Congressional Publishing Appropriations was available.

- In fiscal 2013, GPO transferred approximately \$3.2 million from the Salaries and Expenses Appropriations to the Revolving Fund. These amounts were available to the Revolving Fund to offset Salaries and Expenses requirements for new budget authority for fiscal 2014, and to liquidate obligations incurred in subsequent years. As of September 30, 2017, GPO expended cumulatively \$1.8 million. At end of fiscal year 2017, a balance of \$1.4 million was available. As of September 30, 2016, the unexpended balance was \$3.2 million.
- In fiscal 2014, GPO transferred approximately \$9.5 million from the Congressional Publishing Appropriations remaining from fiscal years 2009 through 2011 to the Revolving Fund, and \$5.7 million from the Salaries and Expenses Appropriations from fiscal years 2009 and 2010 to the Revolving Fund. These amounts were available to the Revolving Fund to offset Congressional Publishing and Salaries and Expenses requirements for new budget authority, and to liquidate obligations incurred in subsequent years. These amounts were unexpended as of September 30, 2017.
- In fiscal 2014, Congress appropriated \$8.1 million to the Revolving Fund for information technology development. As of September 30, 2017, GPO expended cumulatively about \$7.8 million from the appropriation leaving a balance of \$255,000 available. At the end of fiscal 2016, a balance of about \$781,000 was available.
- In fiscal 2015, GPO transferred approximately \$1.2 million from the Congressional Publishing Appropriations remaining from fiscal year 2010 to the Revolving Fund, and \$6 million from the Salaries and Expenses Appropriations from fiscal year 2010 to the Revolving Fund. These amounts were unexpended as of September 30, 2017.
- In fiscal 2015, Congress appropriated \$8.8 million to the Revolving Fund for information technology development and facilities upgrades. As of September 30, 2017, GPO expended cumulatively about \$7.2 million from the appropriation leaving a balance of \$1.6 million available. As of September 30, 2016, the unexpended balance was \$4.6 million.
- In fiscal 2016, Congress appropriated \$6.8 million to the Revolving Fund for information technology development and facilities upgrades. As of September 30, 2017, GPO expended cumulatively about \$5 million from the appropriation leaving a balance of \$1.8 million available. As of September 30, 2016, the unexpended balance was \$5.5 million.
- In fiscal 2016, GPO transferred approximately \$2 million from the Congressional Appropriation remaining from fiscal year 2011 to the Revolving Fund, and \$760,000

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from the Salaries and Expenses Appropriation remaining from fiscal year 2011. These amounts are available to Congressional Publishing and Salaries and Expenses, respectively to offset requirements for new budget authority, and to liquidate obligations incurred in subsequent years. These amounts were unexpended as of September 30, 2017.

- In fiscal 2017, Congress appropriated \$7.8 million to the Revolving Fund for information technology development and facilities upgrades. As of September 30, 2017, GPO expended cumulatively about \$1.9 million from the appropriation leaving a balance of \$5.9 million available.
- In fiscal 2017, GPO transferred approximately \$13.3 million from the Congressional Publishing Appropriation remaining from fiscal 2012 to the Revolving Fund, and \$3.4 million from the Salaries and Expenses Appropriation remaining from fiscal 2012. These amounts are available to Congressional Publishing and Salaries and Expenses, respectively to offset requirements for new budget authority, and to liquidate obligations incurred in subsequent years. These amounts were unexpended as of September 30, 2017.

13. Appropriated Funds

13. A. Total Appropriations Made Available

The total appropriations made available to GPO for fiscal 2017 and 2016 were as follows:

	(Dollars in thousands)	
	2017	2016
Congressional publishing	\$ 79,736	\$ 79,736
Salaries and expenses	29,500	30,500
Revolving fund	7,832	6,832
Total available appropriations	\$ 117,068	\$ 117,068

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13. B. Expended Appropriations

The total appropriations expended by GPO during fiscal 2017 and 2016 were as follows:

Expended Appropriations

	(Dollars in thousands)	
	2017	2016
Congressional publishing:		
Hearings	\$ 15,485	\$ 17,248
Congressional Record products	19,624	21,411
Miscellaneous publications and printing and binding	22,863	19,206
Bills, resolutions, and amendments	4,147	5,948
Details to Congress	4,561	4,569
Business and committee calendars	3,198	3,712
Committee reports	2,352	2,930
Other	419	1,736
Public document envelopes	1,268	518
Committee prints	709	1,391
Total Congressional publishing	74,626	78,669
Salaries and expenses:		
Depository library distribution	18,542	23,127
Cataloging and indexing	6,791	6,741
International exchange	754	862
By-law distribution	257	296
Total salaries and expenses	26,344	31,026
Revolving Fund:		
Infrastructure and systems improvements	14,012	9,193
Total revolving fund	14,012	9,193
Total expended appropriations	114,982	118,888
Reconciliation of expended appropriations to the consolidated statements of revenues, expenses, and changes in retained earnings:		
Total expended appropriations	114,982	118,888
Eliminations (Intra-agency)	(484)	(98)
Consolidated revenues from appropriations	\$ 114,498	\$ 118,790

14. 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 makes payroll deductions from employees for their pension contributions. The Office of Personnel Management (OPM) determines the employer contributions for these defined benefit plans that are required to be paid by GPO. OPM is responsible for Government-wide reporting of CSRS and FERS assets, accumulated plan benefits, and unfunded liabilities. In accordance with FASB, and consistent with multi-employer pension plans, GPO has reflected only the required contribution to these programs in its financial statements. OPM is responsible for funding any other costs. Therefore, GPO is not required to record in the consolidated financial statements the unfunded pension liability and post-employment benefits relative to its employees.

Other OPM administered programs provide health, life, and long-term care insurance benefits to active, inactive, and retired employees. Permanent employees of GPO may participate in the Federal Employees Health Benefit Program, Federal Employee Group Life Insurance Program, and/or Federal Long Term Care Insurance Program before and after their retirement from the Agency.

Civil Service Retirement System

The CSRS is a defined benefit plan. Generally, it covers GPO employees first hired before 1984. Total GPO (employer) contributions to CSRS for employees covered under this retirement program were 7.5 percent of basic pay in both 2017 and 2016 for investigators and law-enforcement officers, and 7.0 percent of basic pay in both years for all other employees. GPO contributions were \$1 million and \$1.1 million for the years ended September 30, 2017, and September 30, 2016, respectively.

Federal Employees Retirement System

Using Social Security benefits as a base, FERS provides a defined benefit plan (Basic Benefit Plan) and a voluntary defined contribution plan. GPO 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.

The employer contribution rate to FERS for GPO law enforcement officers was 32.5 percent of basic pay in fiscal 2017 and 33.4 percent in fiscal 2016. The FERS contribution rate for all other employees was 14.7 percent in fiscal 2017 and 15.1 percent in fiscal 2016. GPO contributions to FERS totaled \$17.9 million for fiscal 2017 and \$17.1 million for fiscal 2016.

Thrift Savings Plan

The Thrift Savings Plan (TSP) allows employees to defer the recognition of income tax on contributions made to the plan. The TSP elective deferral limit for employees was \$18,000 for both 2017 and 2016. Employees who were 50 years old or older were allowed additional catch-up contributions of \$6,000 in both 2017 and 2016. For FERS employees, the employer is required to contribute 1 percent of the employee's base pay to the TSP, and to match voluntary employee contributions dollar-for-dollar for the first 3 percent of pay and 50 cents on the dollar

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for the next 2 percent of pay. Thus, the employer contribution to the TSP can be up to 5 percent for FERS employees. Employees participating in CSRS may contribute to the TSP, but they do not receive any matching contributions from the employer. GPO made employer contributions to the TSP of \$5.2 million in fiscal 2017 and \$5 million in fiscal 2016.

Social Security System

As an employer, GPO matches employee contributions to the U.S. Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA) for employees in the FERS. GPO contributes 6.2 percent of gross pay (up to \$127,200 in 2017 and \$118,500 in 2016) 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, without limit, to SSA's Medicare Hospital Insurance Program. Contributions to these SSA programs for the years ended September 30, 2017, and September 30, 2016, totaled \$10.8 million and \$10.2 million, respectively.

15. Major Customers

GPO's primary customers are the Congress and large Federal agencies in the Executive Branch of the Federal Government. The following reflects GPO's top six customers in fiscal years 2017 and 2016:

	(Dollars in thousands)			
	2017		2016	
	Billings	% of Total	Billings	% of Total
U.S. Department of State	\$ 310,971	37.9%	\$ 299,727	35.6%
U.S. Congress	73,699	9.0%	79,292	9.4%
U.S. Dept. of Health & Human Services	65,748	8.0%	73,471	8.7%
U.S. Dept. of Homeland Security	59,231	7.2%	51,824	6.2%
U.S. Defense Logistics Agency	55,413	6.8%	65,133	7.7%
U.S. Department of Veterans Affairs	46,093	5.6%	48,135	5.7%

16. Subsequent Events

GPO has evaluated subsequent events through December 15, 2017, the date which the financial statements were available to be issued, and found there were no material events that required financial adjustment, accrual, or further disclosure.

ABBREVIATIONS LIST

ASC	Accounting Standards Codification
CP	Congressional Publishing
CSRS	Civil Service Retirement System
DOL	U.S. Department of Labor
EFT	Electronic Funds Transfer
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FDLP	Federal Depository Library Program
FDsys	GPO's Federal Digital System
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement System
FICA	Federal Insurance Contributions Act
LSCM	Library Services and Content Management
GAAP	U.S. Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GPO or Agency	U.S. Government Publishing Office
HTML	Hypertext Markup Language
IPAC	Intra-governmental Payment and Collection (System)
ISO	International Organization for Standardization
JCP	Joint Committee on Printing
OASDI	Old Age, Survivors, and Disability Insurance
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PACM	Presumed Asbestos Containing Material
PDF	Portable Document Format
PII	Personal Identifiable Information
S&E	Salaries and Expenses
SID	Security and Intelligent Documents
SSA	U.S. Social Security Administration
Treasury	U.S. Department of the Treasury
TSP	Thrift Savings Plan
U.S.C.	United States Code
XML	Extensible Markup Language