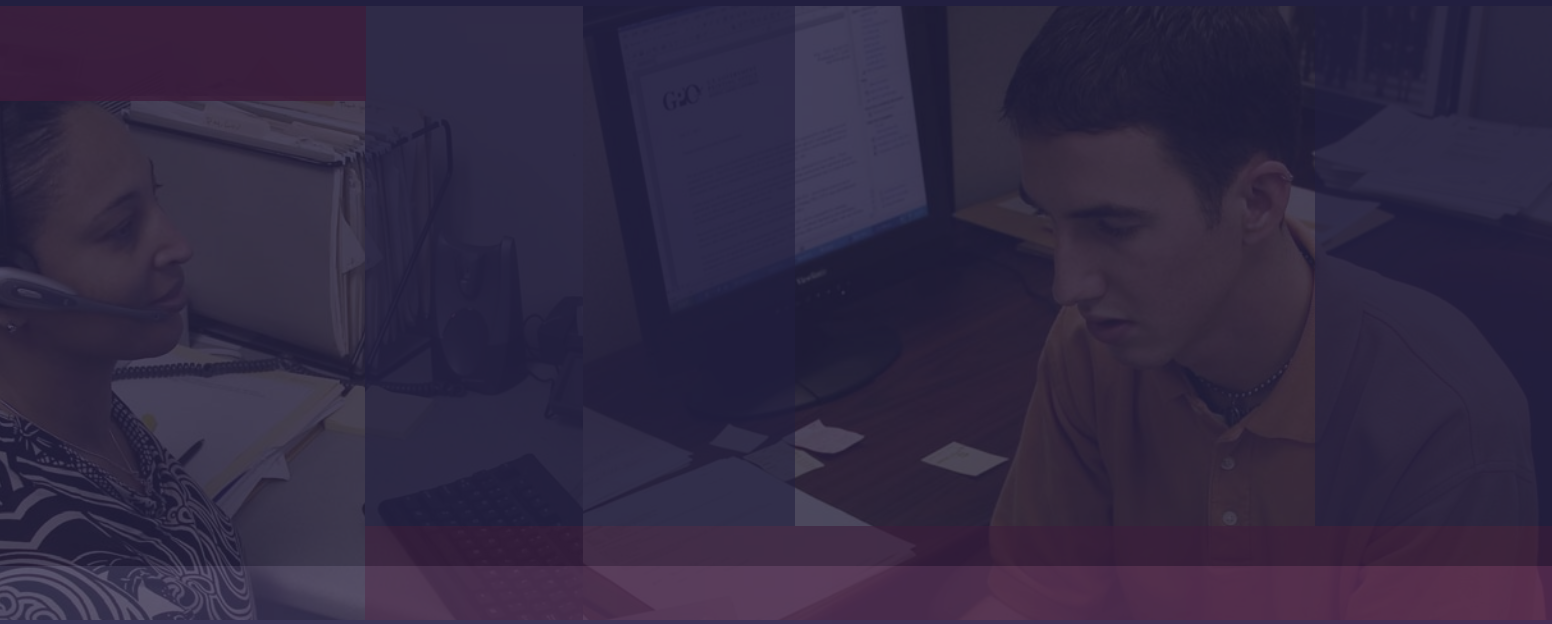

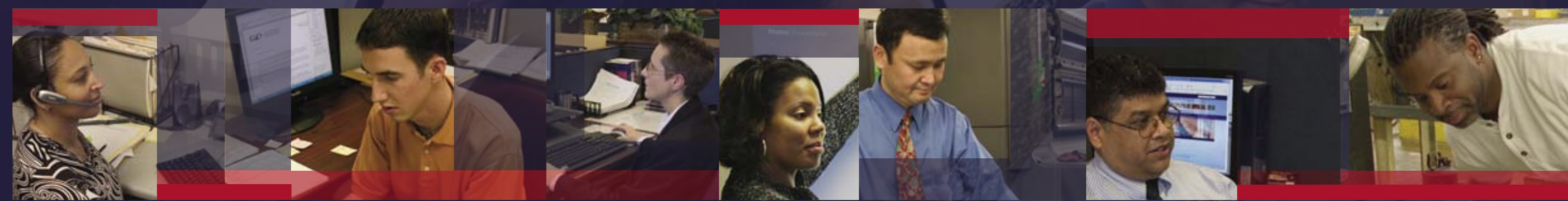

U.S. GOVERNMENT PRINTING OFFICE | FINANCIAL YEAR IN REVIEW

Fiscal Years 2005 and 2004 (*with Independent Auditors' Report Thereon*)

VOICES OF CHANGE

FY 2005 Financial Year in Review — Table of Contents

SECTION I

Management's Discussion and Analysis

(Unaudited)

As of September 30, 2005

The consolidated financial statements of the U.S. Government Printing Office (GPO or Agency) are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to the receipt or the payment of cash. GAAP also requires that accounting principles used be applied in a consistent manner with that of the previous year.

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

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

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

GPO Instruction 825.18A Internal Control Program established 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 regularly conducts vulnerability assessments and internal control reviews of GPO's programs, operations, and other activities.

The Office of the Inspector General (OIG) monitors the Internal Control Program at GPO and keeps the Public Printer informed of the progress by management. Furthermore, the OIG and the U.S. Government Accountability Office (GAO) conduct audits of the GPO's programs and operations, and as such, evaluate management controls. The Internal Control Program, along with recommendations from these audits, have strengthened management controls and improved the economy, efficiency, and effectiveness of GPO's programs, operations, and other activities.

Mission

GPO has been faithfully serving the Nation by *Keeping America Informed* for over 140 years. Our core mission is to ensure that the American public has access to Federal Government information. The Agency has successfully accomplished this mission by working in close partnership with all three branches of the Federal Government in the creation, cataloging and indexing, reproduction, storage, dissemination, authentication, and preservation of Federal Government information. GPO utilizes conventional technology and state-of-the-art methods to produce and distribute Federal Government information. GPO ensures that Federal Government information is readily available to all citizens of this great nation. Accordingly, Federal Government information is accessible in an array of communication mediums from traditional printed products, such as books and pamphlets, to electronic documents and on-line databases that are accessible through the Internet by the entire World.

By law and tradition, the Agency has three essential missions:

- To provide the agencies and organizations that make up the three branches of the Federal Government with expert publishing and printing services, on a cost-recovery basis, in order to avoid duplication and waste of government resources.
- To provide, in partnership with Federal Depository Libraries, for nationwide community facilities for the perpetual, free and ready public access to the printed and electronic documents, and other information products, of the Federal Government.
- To distribute, on a cost-recovery basis, copies of printed and electronic documents and other Federal Government information products to the general public.

GPO is one of the Nation's oldest and most venerable agencies, within which the official version of every great American state paper since President Lincoln's time has been produced. Many of the Nation's most important information products, such as the *Congressional Record* and all other legislative information supporting the U.S. Senate and House of Representatives, are produced at the GPO Plant in Washington, DC. This 1.5 million square foot industrial complex is the largest Government information processing, publishing, and distribution facility in the World. The GPO Plant is primarily tasked to produce certain core products that generally have high quality, high security, and/or short turnaround requirements. Therefore, GPO relies heavily on the private sector to satisfy the majority of the Federal Government's publishing requirements in an economical and efficient manner.

GPO maintains a close partnership with the American printing and publishing industry. Thousands of small, medium, and large businesses, as well as small disadvantaged businesses, located in every state in the country, support the Agency in accomplishing its mission. GPO maintains a nationwide database of commercial businesses that compete to produce, and often distribute, most of the information products required for the Federal Government. GPO ensures that Federal customers get quality information products in a timely manner at the best value from the private sector.

Programs and Operations

The Government-wide programs and operations managed by GPO are based on various public laws codified in Title 44, Public Printing and Documents, of the United States Code (U.S.C.). GPO's statutory responsibilities include fulfilling the printing needs of the Federal Government and distributing Government information products to the public.

Funding of Programs and Operations

The Agency's programs and operations are funded through a business-type revolving fund, authorized by 44 U.S.C. § 309, and annual and other appropriations provided by Congress. The GPO Revolving Fund was designed to be self-sustaining. Accordingly, 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.

The major sources of funds for the GPO Revolving Fund include: (1) payments from Federal customers for printing and binding, blank paper and paper products, and information products and services; (2) sales of Government publications and information products to the general public, bookstores, book dealers, and businesses; and (3) fund transfers from the Congressional Printing and Binding Appropriation (CP&B) and the Superintendent of Documents' Salaries and Expenses (S&E) Appropriation. These two annual appropriations are used to reimburse the GPO Revolving Fund for costs incurred while performing congressional work and fulfilling statutory requirements to disseminate Federal Government information to the public, respectively. Reimbursements to the Revolving Fund from these two appropriations are recorded as revenue when expended. Generally, any unexpended annual appropriations are returned to the U.S. Department of the Treasury after five years have passed.

Congress has occasionally made no-year appropriations available to the Agency for special purposes. Funds have been appropriated for building improvements, security improvements, and voluntary separation incentive payments. In fiscal year 2005, Congress made approximately $22 million of previously appropriated funds available to the GPO Revolving Fund to provide future funding for the GPO's Digital Content Management System.

Major Programs and Operations

The GPO Revolving Fund and appropriations from Congress are used to finance the programs and operations of the Agency. An overview of GPO's major programs and operations follows.

Plant Operations – The GPO Plant provides Congress with all legislative printing services, including overnight production of the *Congressional Record*, bills, reports, hearings, and other congressional documents. The legislative workload demand that will be placed on Plant Operations in future years is uncertain, subject to many variables, and cannot be accurately forecast with a high degree of certainty for budgeting purposes. Accordingly, in those years where the congressional printing and binding requirements exceed the funding provided by Congress, GPO uses its authority to temporarily fund the shortfall through the Revolving Fund. Congressional funding has been adequate in most years.

At September 30, 2005, no funding shortfalls are projected, as appropriations made available for funding legislative services during fiscal year 2005 are considered adequate. GPO's Plant Operations also provide essential Executive Branch printing services, including the daily *Federal Register*, the *Code of Federal Regulations*, and U.S. Passports and postal cards. The customers reimburse the GPO Revolving Fund for these services through a system of rates and prices that recover costs.

Digital Media Services – This business unit provides digital media services (e.g., Web site design, development, and maintenance) to Federal agencies. In the future, this unit will provide expanded services to Federal agencies and the Federal Depository Library Program (FDLP), by allowing them to both add content to GPO's planned Digital Content System, and withdraw or receive content to produce specific products and services. Digital Media Services will also provide a platform for training GPO employees in 21st Century workforce skills while providing retrospective document scanning services for the FDLP and Federal agencies.

Customer Services – GPO's Procurement Program is an economical and efficient source for satisfying the publishing needs of the Federal Government. The majority of the Federal Government's printing needs are effectively satisfied through this partnership with industry that takes advantage of the vast resources, expertise, and specialization within the private sector. The Program competitively acquires products and services from the private sector through various types of procurement vehicles tailored to the specific needs of customers. Thousands of pre-qualified businesses, small to large in size, openly compete for Government printing jobs. GPO procurement and technical experts are available to oversee each job to ensure that the contractor meets the customer's quality and schedule requirements. GPO's performance measures for on-time delivery and quality acceptance demonstrate the effectiveness of this partnership between industry and government.

Sales of Publications Program – The operations of the Sales of Publications Program are being reengineered to improve customer service and lower operating costs. Some major actions have been completed and others are underway to introduce new technologies, adopt the industry's leading practices, right-size operations, reduce costs, and increase revenues. Although intended to be self-funding, this program has not recovered all of its operating expenses since fiscal year 1997. A downward trend in customer demand for printed publications has significantly reduced program revenues. The Sales of Publications Program earned $22.6 million in revenues during fiscal year 2005. Revenues declined by $1.4 million, or 6.1 percent, when compared to last year's revenues of $24.0 million. This downward trend in sales began in fiscal year 1995 when program revenues totaled about $80 million.

The Superintendent of Documents completed several major actions to reduce the costs of the Sales of Publications Program in the last two years. Office and warehouse space requirements were significantly reduced in fiscal year 2004. Office space requirements at Central Office were reduced as a result of a smaller workforce. Inventory reduction and space consolidation efforts allowed GPO to vacate one of the two leased warehouse buildings in Laurel, Maryland. The quantity of each new publication purchased for the sales inventory was reduced to minimize inventory disposal costs. Customers are being encouraged to use the economical and efficient U. S. Government Online Bookstore to buy publications. The Superintendent of Documents is also improving operations and service by adopting industry-leading practices, such as an On Demand, Just-In-Time Inventory for Government publications. Partnering and expanding business relationships with the private sector are also being explored.

Federal Depository Library Program – The S&E Appropriation funds the operations of the FDLP, the Cataloging and Indexing Program, the By-Law Distribution Program, and the distribution component of the International Exchange Program of the Library of Congress. The FDLP consists of over 1,250 depository libraries across the nation, and includes *GPO Access*, a GPO Internet site with a wealth of digital Government information. Long recognized as the National authority for cataloging Government publications, the FDLP is also recognized as a center of excellence in other aspects of managing an electronic collection for permanent public access. GPO is making major investments in improving the FDLP, as discussed later.

Reorganization of Operations Along Business Lines

GPO is reorganizing its business operations to deliver Federal information products and services from a flexible digital platform in the future. Historically, the Agency has been organized to carry out its mission in a traditional printing craft setting with its emphasis on extensive capital investments in heavy metal equipment operated in a large factory environment. While GPO's mission will remain essentially the same in the future, the introduction of digital technology has changed the ways its products and services will be created and how they will look and function to meet the ever-changing needs of the Federal Government and public users of Federal Government information.

In 2003, the Public Printer initiated a major reorganization of GPO to improve customer service, program management, and operational performance. The Agency-wide reorganization established several key management positions, including the Managing Director of Customer Services, the Managing Director of Plant Operations, the Managing Director of Information Dissemination, the Chief Information Officer (CIO), the Chief Financial Officer (CFO), the Chief Human Capital Officer, and the Chief of Staff. In 2004, the Director of New Business Development and the two Co-Directors of Innovation and New Technology were added to further improve the GPO Management Team.

On December 1, 2004, GPO issued *A Strategic Vision for the 21st Century*. GPO has begun to reconfigure its organizational structure around six business lines to better address the many challenges and opportunities posed by the 21st century publishing environment. The new organizational structure will assist GPO's transformation into a more efficient and customer-driven agency; implement a more integrated approach to printing, publishing, and information dissemination requirements; employ more advanced business systems; and improve management control and decision making.

In 2005, GPO initiated actions to implement the following six business units. Two of the six business units, Digital Media Services and Customer Services, were established organizations at the end of fiscal year 2005. The other four business units will be operational within two years.

Security and Intelligent Documents – This line of business will work with Federal agencies to assist in the safe and secure design, production and distribution of security and intelligent documents, many of which will incorporate electronic and other fraud and counterfeit protection features. GPO is working closely with Congress and other Federal agencies to develop and implement smart documents such as passports, travel documents, and immigration forms that will incorporate electronic security for fraud and counterfeit protocols.

Digital Media Services – This new business unit was established in 2005 and provides Web site development and maintenance services to Federal customers. These experts will eventually provide services to Federal agencies and the FDLP, to allow them to both add content to GPO's planned Digital Content System, and to withdraw or receive content to produce specific products and services. The unit will develop the capability to efficiently convert printed legacy documents into searchable digital content that meets FDLP standards. This group will lead in the development of new GPO electronic products and services to better meet our customers' information needs, including Web site design and hosting, and rich media capabilities. This business team will also house GPO's creative capabilities for customers.

Customer Services – This is an existing GPO business unit that was previously focused primarily on printing procurement functions and operated in a decentralized fashion with roughly half the purchasing requirements handled by its Washington headquarters and the other half in offices throughout the country. As the number of Federal Government printing jobs continues to decline and the quantities are reduced for existing jobs, the current structure is no longer financially viable and is not needed with today's business communication capabilities. This unit will be transformed into a consultative selling organization with an emphasis on educating Federal Government customers in regard to the best ways of using information technology to meet their program objectives. The unit will continue to purchase most required services, including printing, in the private sector. This unit will be organized around its customers, with a team of GPO employees assigned to each principal agency customer. Each team will have a manager who will be an authority on the mission of their customer agency and will be supported by a national account manager who will be responsible for developing new business with that agency.

Library Services and Content Management – This unit will continue to manage the FDLP under the direction of Congress to ensure equitable, secure, convenient, and permanent public access to Federal Government information in tangible and digital forms. This unit will oversee the development of processes and standards to ensure the timely inclusion of all past, present and future Federal Government publications, whether born digital or created through digitization of print material, into the GPO Digital Publication Content System to create a complete FDLP digital information collection that can be authenticated and preserved for future generations. The unit will support the Federal Depository Library community in its efforts to create a reasonable number of comprehensive collections of tangible Federal Government publications in view of changing library resources and technology. GPO will also develop two complete collections, as last resorts, that will store both tangible and digital versions of all publications.

Publication and Information Sales Program – Because of dwindling demand for printed products, GPO will discontinue ordering printed copies of agency publications for warehousing and subsequent sale. Instead, this unit will develop a capability to fulfill customer orders through other booksellers. GPO will continue to provide subscription services for Federal Government periodical publications that can be fulfilled directly from the printer or its mail house, and that are economically viable. A contract vendor employing on-demand printing technology will provide back copies. While the FDLP will continue to offer free public access

Section I: Management's Discussion and Analysis

to all Government information available through the Internet, GPO will focus on developing unique collections of digital information, which will be "pushed" over the Internet to primarily business customers on a subscription basis. GPO is interested in forming alliances with Federal agencies and private sector information vendors as appropriate.

Official Journals of Government **–** The need for traditional print products such as the Official Journals of Government (such as the *Congressional Record* and many legislative products, and the *Federal Register* and related products), will remain until such time as practicable alternatives are developed and accepted by our customers. This business line will continue to meet congressional and agency needs for these types of traditional products while at the same time ensuring the proper coordination of their digital versions with other GPO business operations and meeting GPO's electronic information dissemination mandate.

Management Initiatives to Improve Agency Operations

Several major management initiatives are also underway to improve the economy, efficiency, and effectiveness of the Agency's programs and operations and improve the quality and timeliness of service to our customers. A synopsis of these major management initiatives follows.

New Building Project **–** The GPO Headquarters is located in an aging, oversized facility that is expensive to maintain. Plans are under consideration to relocate to modern, efficient facilities scaled and equipped to meet GPO's needs in the 21st century. Rather than burden the taxpayers with this project, GPO has been investigating opportunities to finance it through the redevelopment of the current facility. In September 2004, following approval from the Joint Committee on Printing, GPO selected The Staubach Company, an expert real estate advisory firm, to help guide the Agency in this process. GPO is seeking legislative authority from Congress for this proposed building development project.

Integrated Library System **–** The transition to a predominantly electronic FDLP began in 1996 at the direction of Congress. In fiscal year 2002, GPO received approval from Congress to acquire a commercial off-the-shelf Integrated Library System (ILS). In 2004, GPO awarded a contract for implementation of ILS. This IT project is being accomplished with assistance from GovWorks, a Federal acquisition center. The ILS Project is almost complete and the system is scheduled to be operational in fiscal year 2006. Once operational, the ILS public cataloging interface will offer enhanced information identification and location capabilities to all users. Depository library staff will, for the first time, have direct access to the processing and product status information, satisfying the majority of FDLP customer inquiries.

Major Investment in GPO Access **–** The Superintendent of Documents is also improving the FDLP. About $2.5 million in funds from the S&E Appropriation for 2004 are being used to enhance *GPO Access* and other information dissemination areas within the authority of the Superintendent of Documents. Planned enhancements to *GPO Access* include increased storage capacity, stronger security, and improved performance to the millions of users in the nation. This major IT project is being accomplished with assistance from *GovWorks*, a Federal acquisition center administered by the U.S. Department of the Interior.

GPO Enterprise Program **–** GPO launched the GPO Enterprise Program in 2004. This major IT project will modernize GPO application systems throughout the Agency that support GPO business, administrative, and financial operations. The scope of the project includes the replacement of legacy systems as well as the installation of new applications that will benefit the Agency. The existing Oracle financial applications are being used as a foundation for establishing an integrated agency-wide information system. In 2004, Oracle software licenses were purchased and existing Oracle financial applications were relocated to a secure host computer facility. In 2005, the Oracle Purchasing, Inventory, and Accounts Payable modules were placed in service to support IT equipment acquisitions and issuances at GPO. Additionally, GPO started the: Human Resources, Standard Form 52 Project; the Procure to Pay Project; and the Accounts Receivable Project. GPO also used *GovWorks* to acquire IT consulting services that assisted in the development of a detailed phased-approach implementation plan for Oracle applications.

Digital Content Management System **–** GPO began planning the development of the Digital Content Management System in 2004. The Digital Content Management System will allow GPO to obtain, preserve, and provide access to information produced by all three branches of Federal Government, and the material currently held in the custody of the GPO and the Federal Depository Libraries. The Digital Content Management System will enable the GPO's customers to electronically access the content they want and allow us to deliver it in the formats they desire. GPO committed $20 million in appropriated funds for this project in 2005.

Sharing of Excess Building Space **–** In fiscal year 2004, GPO started to provide excess building space to other Legislative Branch entities through interagency agreements for reimbursable services. GPO was providing excess space to the U.S. Capitol Police and Architect of the Capitol at the end of fiscal year 2005. Additional excess space will be provided to the Sergeant at Arms for the U.S. Senate in fiscal year 2006. This management initiative helps reduce the cost to GPO of operating this aging over-sized facility, plus makes geographically desirable space available to other entities that serve Congress in the Legislative Branch.

Security Improvements **–** GPO has been making steady progress to strengthen security at the Agency, and better plan for disaster recovery. Many of these security improvements were funded by a Congressional appropriation of $4 million for Emergency Response Funds (ERF) in 2002.

Goal Sharing Program **–** Effective October 1, 2004, the Public Printer established the GPO Goal Sharing Program. This incentive award program was designed to benefit the Agency and all eligible employees. Any realized cost savings resulting from employees' efforts to reduce GPO's costs in certain defined areas will be shared equally between the Agency and the workforce (50/50 split). Employees are eligible to receive an equal share of the 50 percent portion of the realized cost savings allocated to the workforce. The three initial cost saving areas are (1) Employee Safety (i.e., workers' compensation), (2) Utilities (i.e., electric and steam), and (3) Paper Waste (i.e., production spoilage). The first year of this incentive award program was fiscal year 2005. At September 30, 2005, GPO accrued liabilities of $445,000 for estimated employee award payments. The awards are scheduled to be paid in fiscal year 2006.

Human Resource Requirements for Agency Operations

Human resources are essential to the success of GPO's mission. The experienced and talented workforce supports every essential program and operation of the Agency. The GPO workforce totaled 8,500 employees in fiscal year 1976 and 2,372 employees at the end of fiscal year 2005. The reduction in the workforce is in large part due to a decline in the demand for traditional printing. Printing on paper has steadily declined over the years as advances in digital technology and services continue to expand the accessibility, form, and wealth of information available to the public by other methods of communication.

The decline in customer demand for traditional printing has reduced the workload for all major programs and operations at GPO. As less printing is produced and procured for the Federal Government, fewer printed publications are available for distribution and sale. As a result of this workload decline and changing technology, the GPO workforce is being retrained and right-sized.

Workforce Restructuring to Reduce the Cost of Operations

In April 2003, the Public Printer established a Retirement Separation Incentive Program (RSIP) under authority of Public Law 105-275, as amended, to help restructure the GPO workforce over fiscal years 2003 and 2004. This rightsizing of the workforce was necessary to help stem the trend in operating losses that have occurred over the past several years as the demand for traditional printing declined.

The RSIP permitted incentive payments of up to $25,000 per employee for voluntary separation from the Agency. This RSIP reduced the workforce by 542 employees, or about 18 percent. The RSIP reduced estimated personnel costs and benefits by about $38 million per year. GPO accrued estimated costs of about $18 million for the RSIP during fiscal years 2003 and 2004. A total of $13.4 million in incentive payments were paid to former employees. The balance of $4.6 million due the Office of Personnel Management was unpaid at the end of fiscal year 2005. The U.S. Congress appropriated $10 million (before rescission of $59,000) to the GPO Revolving Fund in fiscal year 2004 to help finance this workforce restructuring.

The RSIP was a major cost reduction initiative that helped GPO to realize a modest net income in both fiscal years 2004 and 2005. GPO plans to further reduce the workforce by approximately 200 employees through a Voluntary Separation Incentive Program (VSIP) in fiscal year 2006 under authority of Public Law 108-447, dated December 8, 2004.

Financial Results for Fiscal Year 2005

The Agency's operating revenues totaled $702.7 million for fiscal year 2005 and $691.8 million for fiscal year 2004. This represents an increase in revenues of $10.9 million or 1.6 percent. The Agency's operating expenses, before other operating expenses, totaled $696.5 million for fiscal year 2005 and $690.4 million for fiscal year 2004. This represents an increase in expenses of $6.1 million or 0.9 percent. The GPO Revolving Fund realized a net gain of $6.1 million for fiscal year 2005 before other operating expenses. In comparison, the GPO Revolving Fund realized a net gain of $1.3 million for fiscal year 2004 before other operating expenses.

Other operating expenses consisted of the annual change in the accounting estimate for the U.S. Department of Labor (DOL) actuarial estimate of the liability for GPO's long-term Federal Employees' Compensation Act (FECA) benefits (i.e., workers' compensation). The liability decreased by $3.5 million in fiscal year 2005 and $9.9 million in fiscal year 2004 due, in part, to the workforce reductions. After considering these reductions, GPO realized a consolidated net income of $9.6 million for fiscal year 2005 and $11.3 million for fiscal year 2004.

In-House Printing includes Plant Operations, Digital Media Services, and the former Denver Regional Printing Plant that was closed on May 1, 2004. Revenues from In-House Printing totaled $182.2 million for fiscal year 2005 and $187.7 million for fiscal year 2004. This represents a decrease in revenues of $5.5 million or 2.9 percent. Revenues from In-House Printing vary and are dependent on the demand for services from Congress and other Federal customers. Operating expenses totaled $158.6 million for fiscal year 2005 and $179.4 million for fiscal year 2004. This represents a decrease in expenses of $20.8 million or 11.6 percent. The reduction in the plant workforce, through the RSIP, contributed to this decrease in expenses. The net income for these operations, before other operating expenses, was $23.5 million for fiscal year 2005 and $8.3 million for fiscal year 2004.

Purchased Printing includes all publishing services acquired from the private sector by Customer Services for Federal customers. Revenues from Purchased Printing totaled $473.4 million for fiscal year 2005 and $449.1 million for fiscal year 2004. This represents an increase in revenues of $24.3 million or 5.4 percent. Revenues from Purchased Printing vary and are dependent on the demand for services from the Federal agencies and other customers. Operating expenses totaled $486.6 million for fiscal year 2005 and $450.1 million for fiscal year 2004. This represents an increase in expenses of $36.5 million or 8.1 percent. An increase in the cost of services procured from contractors contributed to this increase in expenses. The net loss for this program, before other operating expenses, was $13.2 million for fiscal year 2005 and $1.1 million for fiscal year 2004.

The Sales of Publications Program includes all publications, subscriptions, and other information products sold to the public by the Superintendent of Documents. The demand for printed products continues to decline due to expansion in the availability of free information from the Federal Government on the Internet. Revenues from the Sales of Publications Program totaled $22.6 million for fiscal year 2005 and $24.0 million for fiscal year 2004. This represents a decrease in revenues of $1.4 million or 5.8 percent. Operating expenses totaled $26.4 million for fiscal year 2005 and $33.2 million for fiscal year 2004. This represents a decrease in expenses of $6.8 million or 20.5 percent. The net loss for this program, before other operating expenses, was $3.9 million for fiscal year 2005 and $9.2 million for fiscal year 2004.

In fiscal year 2001, the GPO Revolving Fund received $6 million in supplemental funding, under Public Law 107-20, to replace the antiquated air conditioning system and install new energy-efficient lighting fixtures. These funds were fully obligated at the end of fiscal year 2003. About $5 million was allocated for the air conditioning project, and about $1 million was allocated to the lighting fixtures project. GPO completed this building improvement project in fiscal year 2004. The entire $6 million appropriation was expended as of September 30, 2004.

In fiscal year 2002, the GPO Revolving Fund received an appropriation of $4 million for Emergency Response Funds (ERF) under Public Law 107-117. GPO has been using the ERF to enhance physical security and information technology security, ensure continuity of essential services, and acquire security equipment. The entire $4 million appropriation was committed for specific purposes, and $58,000 remained unexpended as of September 30, 2005.

In fiscal year 2004, the GPO Revolving Fund received a $10 million appropriation from Congress for workforce restructuring. A subsequent budget rescission of $59,000 (0.59 percent) reduced the appropriated amount to $9,941,000. These funds were used to partially finance the $18 million estimated cost of the RSIP accrued during fiscal years 2003 and 2004 (see Note 16). All of the appropriated funds were expended as of September 30, 2004.

During fiscal year 2005 and 2004, GPO Revolving Fund recorded Appropriation Revenues of $2.2 million and $15.2 million, respectively (see Note 12.B). This revenue recognition represents amounts expended by GPO during the year for the purposes authorized by Congress.

Performance Measures

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

Operating Performances Measures

Overtime Management

Overtime is a human resource management tool used to meet peak and urgent customer workload demands primarily in production and procurement operations. GPO manages and controls overtime worked to minimize labor costs. In fiscal year 2005, GPO employees worked 155,000 hours of overtime, which is 18.8 percent less than the 191,000 hours worked in fiscal year 2004. GPO incurred overtime costs of $6.2 million in fiscal year 2005 and $7.4 million in fiscal year 2004. Comparatively, the cost of overtime decreased by $1.2 million. Additionally, GPO achieved its management overtime objective for fiscal year 2005. Actual overtime hours worked of 155,000 hours was 40,000 hours below the ceiling of 195,000 overtime hours set for fiscal year 2005. The upper limit for overtime will be lowered to 180,000 hours for fiscal year 2006.

Production Chargeable Hours

Chargeable hours decreased to 447,000 in fiscal year 2005 from 533,000 in fiscal year 2004, a decrease of 86,000 hours, or 16.1 percent. The results for 2005 met GPO's goal of achieving sufficient chargeable hours necessary to break even. GPO's fiscal year 2006 goal is to have enough chargeable hours to achieve break even in Production Operations. Due to the mix in hourly rates charged for the various production processes, a specific chargeable hour target cannot be established.

Congressional Record Delivery

The *Congressional Record* is the official record of the proceedings and debates of the Congress. This important Federal 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 gauge GPO's success in delivering the *Congressional Record* to Congress on-time, GPO established a deadline of 9 a.m. the following day when copy is received in GPO by midnight, regardless of whether the Senate or the House of Representatives is in session. The on-time delivery rate was 78 percent for fiscal year 2005 and 86 percent for fiscal year 2004.

On-Time Delivery of Procured Printing

Customer Services contracted with commercial printers to ship 124,300 jobs in fiscal year 2005 compared with 127,900 jobs in fiscal year 2004. For fiscal year 2005, GPO's goal was to have at least 95 percent of procured printing orders delivered on schedule and a quality acceptance rate of at least 99 percent. Both goals were met for fiscal year 2005. Our goal will remain the same for fiscal year 2006.

Financial Performance Measures

Cash Management

Payment Performance — In fiscal year 2005, GPO continued to save millions of dollars from taking favorable prompt payment discounts offered by contractors for the payment of invoices within the discount period. GPO earned prompt payment discounts of $6.8 million on purchased printing expense of $430 million. Last year GPO earned $6.5 million in discounts on $413 million in printing expenses. This represents an average discount rate of 1.6 percent for fiscal year 2005 and fiscal year 2004. The 1.6 percent discount rate earned exceeded the goal of 1.4 percent. Our goal for fiscal year 2006 will remain the same.

Lost prompt payment discounts increased to $488,000 in fiscal year 2005 from $217,000 in fiscal year 2004. The percentages of discounts lost to discounts offered were 6.7 percent and 3.2 percent in fiscal years 2005 and 2004, respectively. GPO did not meet the goal set for fiscal year 2005, which was a maximum of 2.5 percent. The increase in lost discounts was generally due to inadequate documentation and other information needed to certify contractor invoices for payment. Our goal for fiscal year 2006 will remain the same.

Electronic Payments — Electronic funds transfer (EFT) is the most economical and efficient method of paying the Agency's financial obligations to contractors, employees, and other non-Federal entities. EFT payments reduce the need for more expensive paper check payments that take days to arrive through the mail. In fiscal year 2005, about 81 percent of all GPO payments, were made by EFT. In comparison, about 88 percent of all payments were made by EFT in fiscal year 2004. Our goal for fiscal year 2005 was 90 percent of total payments. This goal was not met primarily due to GPO outsourcing its predominantly EFT-based payroll system to the National Finance Center. Our percentage goal for EFT payments will be reassessed for fiscal year 2006.

Debt Management

Federal Receivables — In fiscal year 2005, GPO billed Federal agencies $695 million for printing and binding services. Of this amount, $495 million, or 71.2 percent, was collected using the Department of Treasury's Intra-governmental Payment and Collection (IPAC) system; $52.0 million, or 7.5 percent, was from funds residing in Printing and Binding Deposit Accounts maintained by the GPO; and $12.4 million, or 1.8 percent, was collected via credit card. These methods enable the collection of funds within 30 days or less, as opposed to the more traditional methods of collection which require the creation and exchange of paper documents.

GPO's billed accounts receivable from Government customers totaled approximately $7.3 million at the end of fiscal year 2005, compared with $20.4 million at the end of fiscal year 2004. Improvements in customer billing and collection contributed to the reduction in accounts receivable. The U.S. Department of Defense (DoD) is GPO's largest customer and debtor. DoD owed GPO about $2.2 million at September 30, 2005, of which $1.8 million, or 81.8 percent, was past due in payment (i.e., over 30 days old). DoD owed $431,000 for invoices between 31 to 60 days old, $181,000 between 61 to 90 days old, and $1.2 million over 90 days old. DoD's indebtedness to GPO of $1.2 million, over 90 days old, represents 16.7 percent of GPO's total accounts receivables, over 90 days old, at year-end.

GPO offers customer agencies the alternative of establishing Printing and Binding Deposit Accounts for the prepayment of any and all printing and publishing services acquired from GPO. Deposit Accounts greatly simplify customer agency accounting and have the added benefit of providing detailed customer account information, via a secure Web site. Customers are able to either download or print their transactions. Separate deposit accounts may be established for different organizations, funds, or cost centers within the customer agency. At the end of the year, GPO maintained 588 printing and binding deposit accounts valued at $46.0 million. Additionally, GPO held $4.0 million in customer deposit accounts for the Sales of Publications Program. Therefore, customer deposit accounts totaled $50.0 million as of September 30, 2005.

Customer agencies also have the option of paying for their printing and binding needs by credit card. Credit card transactions in fiscal year 2005 totaled $12.4 million for 15,096 printing jobs. In comparison, GPO collected $9.6 million for 12,814 printing jobs in fiscal year 2004. The average price per job paid via credit card for the past 2 years was $788, indicating that customers find it a convenient method to pay for small printing jobs.

Possible Future Effects of Existing Events and Conditions

The following major events and conditions will impact the Agency's programs, operations, and other activities in the future. A synopsis of each major event or condition follows.

Transformation to a World-Class Organization

The transformation to a world-class organization is well underway at GPO. As discussed earlier, GPO is implementing an agency-wide reorganization to establish six major business lines and restructure operations to improve customer service and the economy, efficiency and effectiveness of operations. The Agency has also started to implement new digital information technologies to improve GPO business, administrative, and financial operations under the GPO Enterprise Project, the Integrated Library System (ILS) Project, and the Digital Content Management System Project. GPO has also adopted the best practices of other public and private sector organizations, most notably with respect to human capital management.

New Building

Plans are under consideration to relocate the Agency to modern, efficient facilities equipped to meet GPO's needs in the 21st century. GPO has been investigating opportunities to finance it through the redevelopment of the current facility. The Public Printer is seeking legislative authority from Congress for this proposed building development project.

Digital Content Management System

The Digital Content Management System is the flagship project in GPO's efforts to improve public access to Federal Government information. GPO was planning the development of the Digital Content Management System at the end of fiscal year 2005. The Digital Content Management System will allow GPO to obtain, preserve, and provide access to information produced by all three branches of Federal Government, and the material currently held in the custody of the GPO and the Federal Depository Libraries. The Digital Content Management System will enable the GPO's customers to electronically access the content they want and allow us to deliver it in the formats they desire. GPO committed $20 million in funds for this project in 2005. Additional funding is expected to be required in the future for completion of this important project.

Convenience Printing Services

Customer Services is partnering with the private sector to provide Convenience Printing Services to Federal customers through a nationwide network of local convenience printing outlets. Services under this new contract will be available beginning in fiscal year 2006. Through the operation of multiple nationwide printing outlets, the contractor will provide a wide range of services including digital printing, print-on-demand, duplicating, binding, finishing, distribution, order fulfillment, basic design services, online ordering, digital content management system, and implementation of an exclusive purchase card for all transactions. The new program will provide Federal agencies with a cost-effective purchasing vehicle to fulfill their short-run printing and binding needs.

Fiscal Year 2006 Projections

Congress created the GPO Revolving Fund to finance the business-type operations of the Agency. The Revolving Fund was designed to financially self-sustaining. Accordingly, the Agency's overall financial objective has been to "breakeven" by recovering all costs through a system of rates, prices, and other charges to customers for goods and services delivered.

The Agency achieved this financial objective in fiscal years 2004 and 2005 by realizing a modest net income for each year. This represents a positive turnaround in financial performance of the Agency when viewed in the long-term. Prior to fiscal year 2004, GPO had realized a net loss for five straight years. In fiscal year 2005, the Agency realized net income of $6.1 million from operations before recognizing a decrease of about $3.5 million in DOL's estimate of workers' compensation liability for GPO under FECA. Overall, the Agency realized net income of $9.6 million in fiscal year 2005 and $11.3 million in fiscal year 2004. GPO's financial performance goal for fiscal year 2006 is to earn enough revenues to recover all costs.

The Public Printer has built a strong GPO Management Team with vast business and government experience, and a wealth of industry knowledge. Greater emphasis is now being placed on operating GPO in a business-like manner. Managers are now being evaluated on their efforts to meet annual budget goals and financial performance objectives for the programs and operations that they are responsible for managing at GPO.

The Agency's fiscal year 2006 financial performance is expected to benefit from management initiatives recently completed, in process, or planned. These initiatives should increase revenues and reduce costs. Many of these initiatives provide benefits of a recurring nature, and therefore, will improve the Agency's long-term financial performance.

First, GPO reduced the workforce by 542 employees under the RSIP during fiscal years 2003 and 2004. The RSIP had one-time estimated costs of $18 million, and realized estimated payroll savings of $38 million per year, as discussed earlier in this section and in Note 16. GPO plans to further reduce the workforce by 200 employees through a Voluntary Separation Incentive Program in fiscal year 2006 under authority of Public Law 108-447, dated December 8, 2004. An eligible employee may receive an incentive separation payment of up to $25,000.

Second, GPO initiated a major reorganization in 2003 to streamline management and to bring the Agency into line with current business practices. In 2004, the agency-wide reorganization established six planned business lines to improve customer service. These business lines are currently being implemented by the Agency, and further progress is expected in fiscal year 2006.

Third, the Public Printer established an independent Management Advisory Committee in 2005. A Charter describes the responsibilities of the three-person Committee. To ensure independence, no member may be employed by GPO or have any financial relationships to the Agency. The experts on the Management Advisory Committee will also serve as an audit advisory committee, which traditionally oversees the process for the annual audit of the consolidated financial statements. The audit committee is generally responsible for ensuring that the entity has a high-quality financial reporting process that provides transparent, consistent and comparable financial statements. In this regard, the committee should be working closely with management and both internal and external auditors to effectively monitor the financial reporting process.

Fourth, GPO is taking other major steps to improve financial management and IT management, as recommended by GAO. The GPO Enterprise Program, an agency-wide IT modernization project, is a prime example of GPO adopting leading practices of world-class organizations. GPO will have a fully integrated financial management system once this project is complete. Actions are being taken to implement additional system modules in fiscal year 2006.

Several other major cost saving initiatives are underway to reduce expenditures for: (1) employee overtime; (2) workers' compensation; (3) energy; (4) paper; and (5) owned and leased space. Finally, GPO has been reducing operating costs by closing historically unprofitable operations that are no longer required, as discussed in Note 17. The Public Printer created the GPO Goal Sharing Program in 2004, which took effect in fiscal year 2005. A major objective of the Goal Sharing Program is to reduce costs in targeted areas, as discussed in Note 18.

Additionally, new and expanded services are also expected to increase revenues in the future for some programs at GPO. GPO is in the process of reinventing itself to better serve its customers. The Agency will continue to transform its image as a producer of ink-on-paper products to a digital information services organization. This major transformation will require a significant investment in new technology and technical skills for the future.

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

SECTION II

Independent Auditors' Report

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

The Public Printer
United States Government Printing Office:

We have audited the accompanying consolidated balance sheets of the United States Government Printing Office (GPO) as of September 30, 2005 and 2004, and the related consolidated statements of revenues and expenses and cash flows for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these consolidated financial statements. In connection with our audits, we also considered GPO's internal control over financial reporting and tested GPO's compliance with certain provisions of applicable laws, regulations and contracts that could have a direct and material effect on these consolidated financial statements.

SUMMARY

As stated in our opinion on the consolidated financial statements, we concluded that GPO's consolidated financial statements as of and for the years ended September 30, 2005 and 2004, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

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

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

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

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of the United States Government Printing Office as of September 30, 2005 and 2004, and the related consolidated statements of revenues and expenses and cash flows for the years then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GPO as of September 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on GPO's consolidated financial statements taken as a whole. The information contained in the Management's Discussion and Analysis section and the Consolidating and Supplemental Schedules section is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. This information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements and accordingly, we express no opinion on it.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

In our fiscal year 2005 audit, we noted a certain matter, described in Exhibit I, involving internal control over financial reporting and its operation that we consider to be a reportable condition. However, the reportable condition is not believed to be a material weakness.

A summary of the status of the prior year reportable condition is included as Exhibit II.

We also noted certain additional matters that we reported to management of GPO in a separate letter dated November 17, 2005.

COMPLIANCE AND OTHER MATTERS

The results of our tests of compliance with certain provisions of laws, regulations and contracts, as described in the Responsibilities section of this report, disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

RESPONSIBILITIES

Management's Responsibilities. Management is responsible for the consolidated financial statements, including:

- Preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America;
- Preparing the Management's Discussion and Analysis and the Consolidating and Supplemental Schedules;
- Establishing and maintaining internal control over financial reporting; and
- Complying with laws, regulations and contracts.

In fulfilling this responsibility, management is required to make estimates and judgments to assess the expected benefits and related costs of internal control policies. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2005 and 2004 consolidated financial statements of GPO based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GPO's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

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

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2005 audit, we considered GPO's internal control over financial reporting by obtaining an understanding of GPO's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards*. The objective of our audit was not to provide assurance on GPO's internal control over financial reporting. Consequently, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether GPO's fiscal year 2005 consolidated financial statements are free of material misstatement, we performed tests of GPO's compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations and contracts, applicable to GPO. However, providing an opinion on compliance with laws, regulations and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.

DISTRIBUTION

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

KPMG LLP

November 17, 2005

Exhibit I

Fiscal Year 2005 Reportable Condition

Information Technology Controls

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

1. **Entity-Wide Security Program**

   Several areas regarding GPO's enterprise-wide security program need improvement. During 2005, GPO continued to implement an enterprise-wide security program statement that established information security objectives for GPO. This program statement is a positive step for GPO and continues to be implemented within the organization. However, GPO did not complete the certification and accreditation of its key financial systems or fully deploy an information security awareness program. Additionally, we noted that a performance evaluation process that incorporates responsibility for implementing corrective actions has been implemented for senior management, but was not fully introduced at all levels of the organization. Without a well-designed program, security controls may be inadequate; responsibilities may be unclear, misunderstood, and improperly implemented; and controls may be inconsistently applied.

2. **Access Controls**

   Certain access controls require modification in order to provide a more secure environment. Access controls should provide reasonable assurance that computer resources (data files, application programs, and computer-related facilities and equipment) are protected against unauthorized modification, disclosure, loss, or impairment. These controls include controls that prevent unauthorized access to sensitive files, such as periodic security risk assessments, system password settings, and employee checkout policies and procedures.

3. **Application Development and Change Management**

   GPO has an established System Development Life Cycle (SDLC) methodology framework; however, certain aspects of the methodology that provide detailed guidance over the modification of application software programs have not been fully deployed. Without proper controls, a risk exists that security features could be inadvertently or deliberately omitted or "turned off" or that processing irregularities or malicious code could be introduced.

4. **System Software**

   Certain controls over modification of system software need improvement. System software controls are essential in providing reasonable assurance that operating system-based security controls are not compromised and that the system will not be impaired. If controls in this area are inadequate, unauthorized individuals might use system software to circumvent security controls to read, modify, or delete critical or sensitive information and programs. We noted that no formal procedures have been developed to manage changes to system software components.

Fiscal Year 2005 Reportable Condition

5. **Service Continuity**

   Losing the capability to process, retrieve, and protect information maintained electronically can significantly impact an agency's ability to accomplish its mission. For this reason, an agency should have (1) procedures in place to protect information resources and minimize the risk of unplanned interruptions and (2) a plan to recover critical operations should interruptions occur. GPO has established a contingency plan; however, it has not been fully tested. Additionally, a business impact analysis was not completed for its major applications and general support systems.

GPO made progress in strengthening its information security environment during FY 2005. The continued implementation of its enterprise-wide security program plan, *GPO Information Technology Security Program Statement of Policy* (GPO Publication 825.33), institutionalized security standards to be applied consistently across GPO. Additionally, GPO has outsourced a portion of its financial reporting applications to a third-party processor in a continuing effort to retire its legacy financial reporting applications.

Recommendations:

We recommend that GPO continue to strengthen its IT general controls in each of the five areas as follows:

1. **Entity-Wide Security Program**
   a. Complete the certification and accreditation of key financial systems and fully deploy an information security awareness program.
   b. Implement a performance evaluation process that incorporates responsibility for implementing corrective actions at all levels of the organization.
2. **Access Controls**
   a. Utilize independent risk assessments in order to properly classify computer information resources according to sensitivity and criticality.
   b. Improve password settings to fully comply with Federal IT security requirements.
   c. Enhance employee checkout procedures to fully comply with Federal IT security requirements.
3. **Application Development and Change Management**
   a. Fully deploy the SDLC to help ensure that only authorized programs and modifications are implemented.
4. **System Software**
   a. Develop and implement formal procedures to manage changes to system software components.

Exhibit I (continued)

Fiscal Year 2005 Reportable Condition

5. Service Continuity

a. Complete its testing of its contingency plan and develop a schedule to periodically test the plan in the future.

Management Response:

Management concurs with this finding and recommendations.

Exhibit II

Status of Fiscal Year 2004 Reportable Condition

As indicated in Exhibit I, GPO made progress in FY 2005 by implementing a corrective action plan that addresses a number of our FY 2004 recommendations such as:

- Application Controls: GPO developed and implemented procedures over user and account profile management.

- General Controls: With its security program plan implementation on-going, GPO has continued to address several prior year weaknesses. Examples include: developing user management procedures; completing an access rights review; adhering to its background investigation polices; establishing operating procedures for its datacenter employees; improving physical security over its datacenter; and formally implementing an incident response capability.

However, as discussed in Exhibit I, we continue to believe that improvements are needed to strengthen GPO's information technology environment.

Management Response:

Management concurs with this finding and recommendations.

SECTION III

Consolidated Financial Statements

Consolidated Balance Sheets

As of September 30, 2005 and 2004

(Dollars in thousands)

	2005	2004
ASSETS		
Current assets		
Fund balance with the U.S. Treasury (Note 2)	$ 206,711	$ 194,018
Accounts receivable, net (Note 3)	104,101	144,589
Inventories, net (Note 4)	9,054	8,898
Prepaid expenses	3,313	432
Total current assets	**323,179**	**347,937**
Property, plant, and equipment, net (Note 5)	56,172	59,198
Total assets	**$ 379,351**	**$ 407,135**
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses (Note 6)	$ 77,864	$ 88,546
Deferred revenues (Note 7)	54,742	73,703
Accrued annual leave	10,039	9,294
Total current liabilities	**142,645**	**171,543**
Other liabilities		
Workers' compensation liability (Note 8)	76,122	79,603
Total liabilities	**218,767**	**251,146**
Commitments and contingencies (Notes 9 and 10)		
Net position (Note 11)		
Cumulative results of operations:		
Retained earnings (accumulated deficit)	1,320	(8,303)
Invested capital	92,879	92,879
Unexpended appropriations	66,385	71,413
Total net position	**160,584**	**155,989**
Total liabilities and total net position	**$ 379,351**	**$ 407,135**

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

Consolidated Statements of Revenues and Expenses

For the Fiscal Years Ended September 30, 2005 and 2004

(Dollars in thousands)

	2005	2004
OPERATING REVENUES		
Printing and binding	$ 552,123	$ 531,242
Sales of publications	22,560	24,024
Appropriations	123,131	131,466
Reimbursements	4,851	5,022
Total operating revenues	**702,665**	**691,754**
OPERATING EXPENSES		
Printing and reproduction	415,946	400,492
Personnel compensation and benefits	196,719	197,646
Retirement separation incentive program (Note 16)	–	7,628
Supplies and materials	31,900	32,367
Rents, communications, and utilities	19,318	22,085
Publications sold	7,014	6,146
Depreciation and amortization	7,660	7,622
Other services	12,985	11,904
Surplus publications	1,962	108
Travel and transportation	3,019	4,426
Subtotal	**696,523**	**690,424**
Income before other operating expenses	**6,142**	**1,330**
OTHER OPERATING EXPENSES		
Decrease in workers' compensation liabilities (Note 8)	3,481	9,929
NET INCOME	**$ 9,623**	**$ 11,259**

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

UNITED STATES GOVERNMENT PRINTING OFFICE

Consolidated Statements of Cash Flows

For the Fiscal Years Ended September 30, 2005 and 2004

(Dollars in thousands)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 9,623**	**$ 11,259**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,660	7,622
Gain on disposal of property, plant, and equipment	(24)	(63)
Changes in assets and liabilities:		
(Increase) decrease in assets-		
Accounts receivable	40,488	(31,231)
Inventories	(156)	1,860
Prepaid expenses	(2,881)	168
Increase (decrease) in liabilities-		
Accounts payable and accrued expenses	(10,684)	16,437
Deferred revenue	(18,961)	6,158
Accrued annual leave	745	(834)
Workers' compensation liability	(3,481)	(9,929)
Total adjustments	**12,706**	**(9,812)**
Net cash provided by operating activities	**22,329**	**1,447**
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(4,758)	(10,363)
Proceeds from sale of property, plant, and equipment	150	63
Net cash used in investing activities	**(4,608)**	**(10,300)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in unexpended appropriations	(5,028)	(150)
Net cash used in financing activities	**(5,028)**	**(150)**
Net increase (decrease) in fund balance with the U.S. Treasury	**12,693**	**(9,003)**
Fund balance with the U.S. Treasury, beginning of year	194,018	203,021
Fund balance with the U.S. Treasury, end of year	**$ 206,711**	**$ 194,018**

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

SECTION III

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

The U.S. Government Printing Office (GPO or Agency) is a Legislative Branch agency of the Federal Government. 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.). The 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.

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

The Joint Committee on Printing (JCP) has primary responsibility for Congressional oversight of GPO's programs and operations. The JCP is comprised of five members of the U.S. House of Representatives and five members of the U.S. Senate. The Chairmanship and Vice Chairmanship of the JCP alternate between the House and the Senate by Congresses.

GPO is dependent on two annual appropriations. The Salaries and Expense (S&E) Appropriation finances certain public information dissemination programs of the Superintendent of Documents. The Congressional Printing and Binding Appropriation is used to reimburse GPO for the cost of all publishing services provided to the Congress. GPO's budget requests are subject to review by the House and Senate Appropriations Committees' Subcommittees on Legislative Branch Appropriations. GPO also receives funds from customer agencies as reimbursement for products and services, and from the public for the sale of Government publications and subscriptions.

B. Accounting Environment

Basis of Accounting

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

Basis of Presentation and Consolidation

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

The GPO financial statements do not include the effects of centrally administered assets and liabilities of the Federal Government, as a whole, such as interest on the public debt, which may in part be attributable to GPO. Other Federal agencies make financial decisions and report certain financial matters on behalf of the entire Federal Government, including matters in which individual agencies may be an indirect party. Financial matters maintained or reported by other Federal agencies in which GPO is indirectly involved include employee benefit plans and certain legal 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.

Revolving Fund – The GPO Revolving Fund is an inter-governmental fund established by Congress on July 1, 1953. This business-type revolving fund is available without fiscal year limitation for financing the operation and maintenance of GPO, except for those programs of the Superintendent of Documents that are funded by specific appropriations.

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

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

The Superintendent of Documents, Sales of Publications Program, sells Federal Government information products to the public. The sales price of a Federal Government publication is established in accordance with 44 U.S.C. § 1708. Designated bookstores at educational institutions, book dealers, and other purchasers of large quantities may receive a 25 percent discount on the domestic price of a product.

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 information dissemination services provided to the public without charge to recipients by the Superintendent of Documents.

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

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

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

C. Fund Balance with U. S. Treasury

Fund balance with the U.S. Treasury represent all balances in GPO accounts with the U.S. Department of the Treasury (U.S. Treasury). Generally, the U.S. 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 collection experience.

E. Inventories

Inventories of publications held for sale are valued at the lower of cost, using the weighted average cost method, or market. The 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 excess publications is based on life cycle studies of product sales by the Superintendent of Documents that provide a historical basis for the determination of potential excess inventory on hand.

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

F. Property, Plant, and Equipment

Property, plant, and equipment purchases are valued at the acquisition cost. GPO capitalizes the cost of the property as an asset when the cost is $25,000 or more, and the estimated useful life is two years or more. Printing equipment transferred to GPO from other Federal agencies is valued in accordance with JCP Regulation Number 26, *Government Printing and Binding Regulations.* This valuation approximates fair market value at the time of the transfer. Major alterations and renovations are capitalized while normal maintenance and repair costs are expensed as incurred. Depreciation and amortization of property, plant, and equipment is calculated on a straight-line basis over the estimated useful life of the asset.

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

Standard Estimated Useful Life Of Assets by Major Category

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

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

G. Deferred Revenue

Deferred revenues are funds that are received in advance from customers for the future delivery of goods and services ordered. The Agency 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, and the liability is reduced when leave is used. The annual leave liability is calculated using the current hourly salary or wage of an employee times their total hours of unused annual leave that has been earned. Sick leave and other types of non-vested leave are expensed when used. Employees are not entitled to a lump-sum payment for their unused sick leave. Employees will receive a lump-sum payment for any unused annual leave when they separate from Federal service or enter on active duty in the armed forces. Generally, this lump-sum payment will equal the pay the employee would have received had they remained employed until expiration of the period covered by the annual leave.

I. Workers' Compensation Liability

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

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

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

J. Revenue Recognition

Printing and Binding – By law, GPO must be reimbursed for the cost of printing and binding services furnished customers. Revenues from in-house printing and binding work are recognized on a value-added basis, as work is performed, while revenues from commercially procured printing and binding are recognized on the date the contract requirements are fulfilled, which is generally the date of shipment by the commercial printer to the customer agency.

Sales of Publications – Revenues from the sale of publications and subscriptions are recognized when shipped by the Superintendent of Documents to customers.

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.

Reimbursements – Revenues from the storage and distribution of Federal Government publications by the Superintendent of Documents for other Federal agencies are recorded when services have been performed.

K. Expense Recognition

Printing and Reproduction – This expense represents the cost of printing and reproduction jobs procured 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 (FEHB), Federal Employees' Group Life Insurance (FEGLI) and the 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) that includes the related Thrift Savings Plan (TSP). Personnel benefits also include the entire cost of transit benefits provided by GPO to participating employees. Personnel compensation and benefits are recorded as expenses when earned by employees.

Supplies and Materials – Paper is the most significant cost component within the category of supplies and materials. Paper and paper products are commercially procured to satisfy in-plant printing requirements and customer orders for blank paper. The expense is recorded when paper is drawn from inventory to fulfill customer orders or delivered to the customer (direct mill-to-customer shipments). This expense category also includes all other supplies and materials that are not capitalized, such as personal computers, furniture, and office supplies. The costs of these items are expensed when issued from the stores inventory for use.

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 U.S. General Services Administration (GSA) and/or commercial landlords. GPO also rents automobiles and trucks. Communications costs include telecommunication services and postage expenses. Utilities expenses include electricity, gas, steam, and water service. Expenses are recorded as services are provided.

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.

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 (i.e., month). The acquisition cost of each capitalized asset is depreciated, or amortized, over the asset's estimated useful life. The estimated useful life is measured in months (e.g., 60 months). Depreciation, or amortization, of a capitalized asset generally commences when the capitalized asset is placed in service.

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

Surplus Publications – This expense represents an estimate of the cost of potentially unsaleable publications held in inventory for sale by the Superintendent of Documents. The estimate is based on an analysis of product life cycles that considers quantities purchased, historic sales by month, inventory disposals, and remaining stock held in inventory for sale over an assumed standard life.

Travel and Transportation – This category includes travel and transportation costs of persons or things, including employee relocation costs. 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. Travel expenses are accrued when they are estimable, while transportation costs are generally recorded on the date of shipment.

L. Consolidated Statements of Cash Flows

The consolidated statements of cash flows identify cash receipts and disbursements and classify each into operating, investing, and financing activity categories. The disclosure of this information is intended to help assess the ability of GPO to generate funds from current operations, to identify financing acquired from outside sources, and to identify the major non-operating (investing) uses of funds.

M. Use of Estimates

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

N. Tax Status

GPO is a legislative branch agency within the Federal Government, and therefore, is not subject to federal, state, or local income taxes. Accordingly, no provisions for income taxes are recorded by the Agency.

2. Fund Balance with the U.S. Treasury

A table of items included in GPO's funds with the U.S. Treasury, including funds on-hand or in-transit to the Treasury, as of September 30, 2005 and 2004 follows.

(Dollars in thousands)

	2005	2004
Fund Balances:		
Revolving fund:		
Unrestricted	$ 65,869	$ 34,141
Restricted:		
Deposit accounts	50,042	65,703
Retirement Separation Incentive Program	4,607	4,607
Other	17,602	16,114
On-hand or in-transit	12	195
Total revolving fund	**138,132**	**120,760**
Appropriated Funds:		
Congressional printing and binding	33,394	48,331
Salaries and expenses	7,992	19,978
Supplemental and other	27,193	4,949
Total appropriated funds	**68,579**	**73,258**
Total	**$ 206,711**	**$ 194,018**
Status of Fund Balance with the U.S. Treasury:		
Unobligated balance:		
Available	$ 43,159	$ 34,356
Unavailable	27,193	4,949
Total	**70,352**	**39,305**
Obligated balance not yet disbursed	136,359	154,713
Total	**$ 206,711**	**$ 194,018**

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

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

GPO provided the U.S. Census Monitoring Board (CMB), a former Federal entity, with administrative support services for a fee between fiscal year 1998 and fiscal year 2001. The U.S. Department of the Treasury continues to maintain a fund balance for the former CMB that is reported under GPO's accounts. GPO does not include this amount in its consolidated financial statements because the appropriated funds are only available for obligations of the former CMB. The CMB fund balance was $279,243 at both September 30, 2005 and September 30, 2004. GPO has requested the U.S. Department of the Treasury to accept return of the CMB fund balance. The CMB account must remain dormant for at least two years before the U.S. Department of the Treasury can close the account.

3. Accounts Receivable

Accounts receivable, net of an allowance for doubtful accounts, as of September 30, 2005 and 2004, consisted of the following.

(Dollars in thousands)

	2005	2004
Federal Agencies:		
Unbilled accounts receivable	$ 97,465	$ 127,083
Billed completed work	7,314	20,354
Subtotal	**104,779**	**147,437**
Other receivables:		
The public	1,702	1,204
GPO employees	875	814
Subtotal	**2,577**	**2,018**
Total accounts receivable	**107,356**	**149,455**
Allowance for doubtful accounts	(3,255)	(4,866)
Total accounts receivable, net	**$ 104,101**	**$ 144,589**

The majority of GPO accounts receivable are due from other Federal agencies that ordered goods and services from GPO. By law, these customers are required to reimburse the GPO Revolving Fund for the cost of their orders through a system of rates and prices maintained by GPO.

Unbilled accounts receivable result from the delivery of goods and the performance of services for which bills have not been presented to the customer for payment yet. Accordingly, unbilled accounts receivable includes the value of work in process and completed work for customer orders as of September 30, 2005 and 2004.

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

4. Inventories

Inventories, net of an allowance for surplus and obsolete stock, as of September 30, 2005 and 2004, consisted of the following.

(Dollars in thousands)

	2005	2004
Publications for sale	$ 7,826	$ 7,202
Paper	2,297	2,716
Materials and supplies	5,864	6,595
Total inventory	**15,987**	**16,513**
Less: Allowance for surplus and obsolete inventory	(6,933)	(7,615)
Inventories	**$ 9,054**	**$ 8,898**

5. Property, Plant, and Equipment

Net property, plant, and equipment (PP&E) as of September 30, 2005 and 2004 consisted of the following.

(Dollars in thousands)

	2005	2004
Land	$ 9,971	$ 9,971
Buildings and improvements	75,997	75,617
Plant machinery and equipment	73,448	74,976
Computers and computer software	29,247	29,814
Furniture and fixtures	6,156	6,015
Motor vehicles	633	740
Leasehold improvements	946	1,030
Construction and software in process	885	1,020
Total	**197,283**	**199,183**
Less: Accumulated depreciation and amortization	(141,111)	(139,985)
Net property, plant, and equipment	**$ 56,172**	**$ 59,198**

6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of September 30, 2005 and 2004 were composed of the following.

(Dollars in thousands)

	2005	2004
Accounts payable:		
Commercial printing	$ 43,379	$ 41,353
U.S. Government agencies	13,099	28,480
Other	9,216	7,287
Total accounts payable	**65,694**	**77,120**
Accrued salaries and payroll taxes	12,170	11,426
Total accounts payable and accrued expenses	**$ 77,864**	**$ 88,546**

7. Deferred Revenues

As of September 30, 2005 and 2004, deferred revenues from customers consisted of the following.

(Dollars in thousands)

	2005	2004
Deposit accounts	$ 50,042	$ 65,703
Subscriptions	3,780	4,874
Unfilled orders	260	941
Advance billings	660	2,185
Total	**$ 54,742**	**$ 73,703**

GPO held $50.0 million and $65.7 million in customer deposit accounts as of September 30, 2005 and 2004, respectively. Federal Government customers had advanced funds of $46.0 million and $61.4 million for printing and binding as of September 30, 2005 and 2004, respectively. Additionally, Government and other customers had advanced funds of $4.0 million and $4.3 million for sales of publications as of September 30, 2005 and 2004, respectively. The restricted funds in these deposit accounts will generally be applied to future orders placed by customers, or may be refunded upon request.

GPO defers the recognition of revenues for subscription services that will be provided to customers in the future. Customers pay for subscriptions to the *Congressional Record*, the *Federal Register*, and other Federal Government publications in advance of delivery by the Superintendent of Documents. The revenues from subscriptions will be recognized as these periodicals are published and distributed to subscribers.

GPO also defers the recognition of revenues for unfilled orders of Federal Government publications and other information products. The revenue from these sales will be recognized when the Superintendent of Documents fills the customer's order. GPO will refund the payment to the customer in those instances where the publication is no longer available for sale.

Additionally, the Agency defers the recognition of revenues for advance billings to Federal Government customers. Advance billings are occasionally used to finance the cost of producing certain large printing and binding jobs. GPO will recognize the revenue as work is completed.

8. Workers' Compensation Liability

The DOL develops an actuarial estimate of future workers' compensation benefits for each Federal entity to use for financial accounting and reporting each year. The U.S. Department of the Treasury requires Federal entities to use DOL's estimates for intra-governmental accounting of liabilities. The workers' compensation liability estimate for GPO was about $76.1 million as of September 30, 2005, and about $79.6 million as of September 30, 2004. Therefore, the accrued liability for workers' compensation benefits decreased by $3.5 million during the year ended September 30, 2005.

The DOL liability estimate includes the expected payments for death, disability, medical, and miscellaneous costs for approved compensation cases, as well as a component for incurred but not reported claims. The liability is determined using historical benefit payment patterns related to specific incurred periods to predict the ultimate payments related to those periods. The methodology provides for the effects of inflation and adjusts historical payments to current year constant dollars by applying wage inflation factors (cost of living adjustments or COLA's) and medical inflation factors (consumer price index medical or CPIM's) to the calculation of projected benefits. The compensation COLA's and CPIM's used in the projections for 2005 and 2004 were as follows.

	COLA		CPIM	
Fiscal Year	2005	2004	2005	2004
2005	2.20%	2.03%	4.33%	4.14%
2006	3.33%	2.73%	4.09%	3.96%
2007	2.93%	2.40%	4.01%	3.98%
2008	2.40%	2.40%	4.01%	3.99%
2009+	2.40%	2.40%	4.01%	4.02%

Projected annual payments were discounted to the present value based on the Office of Management and Budget's (OMB) economic assumptions for 10-year Treasury notes and bonds. For 2005, interest rate assumptions were 4.528 percent in Year 1, and 5.020 percent in Year 2 and thereafter. For 2004, interest rate assumptions were 4.883 percent in Year 1, and 5.235 percent in Year 2 and thereafter.

9. Commitments

9. A. Operating Leases

As of September 30, 2005, 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. A schedule of future minimum rental payments required under operating leases by type, which have initial or remaining non-cancelable lease terms in excess of one year, follows.

(Dollars in thousands)

Fiscal Year	Warehouse	Office	Total
2006	$ 1,485	$ 481	$ 1,966
2007	714	249	963
2008	449	122	571
2009	75	116	191
2010	-	119	119
2011 and beyond	-	10	10
Total minimum lease payments	**$ 2,723**	**$ 1,097**	**$ 3,820**

Rent expenses were $3,334,000 and $3,889,000 for the years ended September 30, 2005 and 2004, respectively. As discussed in Note 17, leased costs for warehouse space decreased as a result of GPO vacating a commercial building in Laurel, MD (i.e., Laurel Building I) in which the lease expired in August 2004.

9. B. Commitments on Undelivered Orders

GPO regularly places orders to acquire goods and services from the private sector, and other sources. Some of these orders are scheduled for delivery or performance in the next fiscal year. Total undelivered orders, including printing and binding contractual commitments, for GPO at fiscal year-end were approximately $114.0 million and $111.1 million as of September 30, 2005 and 2004, respectively.

10. Contingencies

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 determined when future events occur or fail to occur.

GPO did not record any liability for contingencies as of September 30, 2005. Management and legal counsel were of the opinion that incurrence of a liability was not probable for any of these contingent matters. In some cases, legal matters relate to contractual arrangements GPO has entered into for goods and services procured on behalf of other Federal agencies. The costs of administering, litigating, and resolving these actions are borne by the GPO Revolving Fund unless the costs can be recovered from another Federal agency.

GPO recorded an estimated liability of $300,000 for contingencies at September 30, 2004. At the time, management and legal counsel were of the opinion that incurrence of a liability was probable for one claim being administratively adjudicated. This claim was subsequently settled for a total of $20,000 in fiscal year 2005. The settlement amount included attorney's fees and was paid from the Revolving Fund in fiscal year 2005.

Certain legal matters in which GPO is a named party may be administered and litigated by the U.S. Department of Justice (DOJ) on behalf of GPO, an agency of the U.S. Government. In these cases, amounts paid under any judgment, compromise settlement, or award are funded from the Judgment Fund administered by the U.S. Department of the Treasury (31 U.S.C. § 1304). The Judgment Fund paid a total of $625,000 and $36,000 on behalf of GPO for the years ended September 30, 2005 and 2004, respectively. These amounts are not reflected in GPO's consolidated financial statements.

Contingencies for litigation involving GPO where the risk of loss was reasonably possible were approximately $940,000 as of September 30, 2005, and approximately $600,000 as of September 30, 2004.

11. Net Position

11. A. Cumulative Results of Operations

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

Invested Capital - Invested Capital represents Federal resources directly appropriated to GPO by Congress to invest in GPO assets, namely land, buildings, equipment, and capital.

Below is a summary of the changes to the cumulative results of operations in the fiscal years ended September 30, 2005 and 2004.

(Dollars in thousands)

Cumulative Results of Operations	Retained Earnings (accumulated deficit)	Invested Capital	Total
Balance at September 30, 2003	**$ (19,562)**	**$ 92,879**	**$ 73,317**
Net loss for fiscal year ended September 30, 2004	11,259	-	11,259
Balance at September 30, 2004	**(8,303)**	**92,879**	**84,576**
Net income for fiscal year ended September 30, 2005	9,623	-	9,623
Balance at September 30, 2005	**$ 1,320**	**$ 92,879**	**$ 94,199**

11. B. Unexpended Appropriations

The following table presents the unexpended appropriation balances from September 30, 2003 through September 30, 2005 for the appropriations made available to GPO.

(Dollars in thousands)

Appropriations	Revolving Fund Appropriation	Salaries and Expenses Appropriation	Congressional Printing and Binding Appropriation	Total
Unexpended balance at September 30, 2003	**$ 10,243**	**$ 16,780**	**$ 44,540**	**$ 71,563**
Appropriations received in FY 04	9,941	34,253	90,573	134,767
Appropriations expended in FY 04	(15,235)	(32,900)	(86,782)	(134,917)
Unexpended balance at September 30, 2004	**4,949**	**18,133**	**48,331**	**71,413**
Appropriations received in FY 05	-	31,697	88,090	119,787
Appropriations transfers in FY 05	24,483	(9,868)	(14,615)	-
Appropriations expended in FY 05	(2,239)	(34,164)	(88,412)	(124,815)
Unexpended balance at September 30, 2005	**$ 27,193**	**$ 5,798**	**$ 33,394**	**$ 66,385**

As of September 30, 2005, GPO had obligated $33,394,000 of the unexpended appropriations available for Congressional Printing and Binding, and $5,798,000 of the unexpended appropriations available for Salaries and Expenses. This $39,192,000 in obligations is based on the estimated cost of open orders as of September 30, 2005. The obligations totaled $66,464,000 at September 30, 2004, and were comprised of $48,331,000 in obligations against unexpended appropriations for Congressional Printing and Binding and $18,133,000 in obligations against unexpended appropriations for Salaries and Expenses.

Section III: Consolidated Financial Statements

During fiscal year 2001, Congress authorized GPO to use $9.5 million from prior year Congressional Printing and Binding Appropriations to cover the cost of congressional work submitted but not completed. These funds were transferred to the GPO Revolving Fund. At the end of fiscal year 2005, a balance of about $1.3 million of the $9.5 million was unexpended and available for future expenditures.

During fiscal year 2001, Congress also authorized GPO to use about $3.3 million from prior year Salaries and Expenses Appropriations to pay for the printing and distribution of Federal Government publications selected by the depository libraries. These funds were transferred to the GPO Revolving Fund. A balance of $1.3 million of the $3.3 million was available for future expenditures as of September 30, 2005.

In fiscal year 2001, Congress appropriated $6 million to replace the antiquated air-conditioning system and install modern energy-efficient lighting fixtures in GPO buildings. Installation of the lighting fixtures was completed in fiscal year 2003. Replacement of the air-conditioning system was completed in fiscal year 2004. GPO expended the entire appropriation amount.

In fiscal year 2002, Congress appropriated $4 million in Emergency Response Funds to GPO. These funds were provided to improve security and establish backup facilities to ensure continuity of key operations in the event of a National emergency affecting the Washington, DC area. Approximately $58,000 of this appropriation was unexpended as of September 30, 2005.

In fiscal year 2004, Congress appropriated $10 million (before rescission of $59,000) to the GPO Revolving Fund for Workforce Restructuring at the Agency. The $9,941,000 in available funds was used to finance the majority of costs for the RSIP (see Note 16). GPO expended the entire appropriation amount in fiscal year 2004.

In fiscal year 2005, Congress authorized GPO to use $22 million of annual appropriations from prior fiscal years for the development of a Digital Content Management System. The $22 million consisted of $14.6 million available from earlier Congressional Printing and Binding Appropriations and $7.4 million available from earlier Salaries and Expense Appropriations. These funds were transferred to the GPO Revolving Fund. The entire balance of $22 million was available for future expenditures as of September 30, 2005.

In fiscal year 2005, GPO transferred $2,465,000 from the prior year's unexpended Salaries and Expense Appropriation to the GPO Revolving Fund. The funds were advanced to the U.S. Department of the Interior (i.e., *GovWorks*) for improvements to *GPO Access* that were ordered in fiscal year 2004, but remain unexpended as of September 30, 2005.

12. Appropriated Funds

12. A. Available Appropriations

The total net appropriations made available to GPO, after rescissions, for fiscal years 2005 and 2004 were as follows.

(Dollars in thousands)

	2005	2004
Congressional printing and binding	$ 88,090	$ 90,573
Salaries and expenses	31,697	34,253
Retirement separation incentive program	-	9,941
Total available appropriations	$ 119,787	$ 134,767

12. B. Expended Appropriations

The total appropriations expended for GPO programs, operations, and other activities during fiscal years 2005 and 2004 were as follows.

(Dollars in thousands)

	2005	2004
Congressional printing and binding:		
Congressional Record products	$ 24,669	$ 20,452
Miscellaneous publications and printing and binding	24,269	19,399
Hearings	15,906	18,797
Bills, resolutions, and amendments	10,489	10,455
Details to Congress	2,709	2,918
Other	10,370	14,761
Total congressional printing and binding	**88,412**	**86,782**
Salaries and expenses:		
Depository library distribution	28,866	26,609
Cataloging and indexing	3,797	5,408
By-law distribution	273	87
International exchange	1,228	796
Total salaries and expenses	**34,164**	**32,900**
Revolving fund:		
Appropriation transfers	1,516	3,111
Homeland security	723	1,405
Air conditioning and lighting upgrade	-	778
Retirement separation incentive program	-	9,941
Total revolving fund	**2,239**	**15,235**
Total expended appropriations	**$ 124,815**	**$ 134,917**
Reconciliation of expended appropriations to the consolidated statements of revenues and expenses:		
Total expended appropriations	**$ 124,815**	**$ 134,917**
Eliminations (Intra-agency)	(1,684)	(3,451)
Consolidated revenues from appropriations	**$ 123,131**	**$ 131,466**

13. Employee Benefit Plans

GPO funds a portion of pension contributions for its employees under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), and also makes payroll deductions from employees for their pension contributions. The U.S. 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. Therefore, GPO is not required to disclose the unfunded pension liability and post-employment benefits relative to its employees. GPO also administers a Transit Benefit Program that provides a monthly transit subsidy to eligible employees.

Civil Service Retirement System

The CSRS is a defined benefit plan that covers many of the Agency's employees. Total GPO (employer) contributions to CSRS for employees covered under this retirement program were 7.5 percent of basic pay in both fiscal years 2005 and 2004 for investigators and law-enforcement officers; and 7 percent of basic pay in both fiscal years for all other employees. GPO's contributions were \$4.8 million and \$5.7 million for the fiscal years ended September 30, 2005 and 2004, respectively.

Federal Employees Retirement System

On January 1, 1987, FERS was created pursuant to Public Law 99-335. Using Social Security benefits as a base, FERS provides a defined benefit plan (Basic Benefit Plan) and a voluntary defined contribution plan. Employees first hired after December 31, 1983 were automatically covered by FERS and Social Security, while employees hired prior to January 1, 1984 were able to choose between joining this plan or remaining in CSRS. FERS also offers the Federal Government's Thrift Savings Plan (TSP), which requires GPO to contribute 1 percent of an enrolled employee's base pay, and to match voluntary employee contributions of up to 4 percent of base pay. Employees participating in CSRS may contribute to the TSP, but they do not receive any matching contributions from the Agency.

The employer contribution rates to FERS for GPO law enforcement officers were 23.8 percent and 22.7 percent of basic pay during fiscal years 2005 and 2004, respectively. The FERS contribution rates for all other employees were 11.2 percent and 10.7 percent, respectively. GPO contributions to FERS totaled \$8.4 million for fiscal year 2005 and \$7.4 million for fiscal year 2004. GPO contributions to TSP for fiscal year 2005 and 2004 were \$3.0 million and \$2.8 million, respectively.

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 matching amounts of 6.2 percent of gross pay (up to \$90,000 in 2005 and \$87,900 in 2004) 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, 2005 and 2004 totaled \$7.2 million and \$7.1 million, respectively.

Pension and Other Post-Employment Benefits Provided by Others

OPM is responsible for the management, administration, and funding of certain Government-wide programs that provide pension and other post-employment benefits to retired employees of the Federal Government. These OPM administered programs provide benefits to former employees of GPO. OPM administered pension programs include the CSRS and the FERS. 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 (FEHBP), Federal Employee Group Life Insurance Program (FEGLIP), and/or Federal Long Term Insurance Program (FLTCIP) before and after their retirement from the Agency.

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

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

Transit Benefits

In January 2001, GPO established the Transit Benefit Program to promote the use of public transportation by employees for commuting to and from the workplace. This program conserves energy resources and reduces urban congestion. The maximum tax-free monthly subsidy to an eligible employee was $105 for 2005 and $100 for 2004. Transit benefits paid to employees for the years ended September 30, 2005 and 2004 totaled $858,000 and $875,000, respectively.

14. Concentration of Credit Risk

GPO financial instruments, none of which are held for trading purposes, consist primarily of funds with the U.S. Treasury, accounts receivable, and accounts payable at September 30, 2005 and 2004. GPO estimates the fair value of financial instruments at September 30, 2005 and 2004 to be the carrying value.

15. Major Customers

GPO's primary customers are the Congress and large Federal agencies in the Executive Branch of the Federal Government. In fiscal years 2005 and 2004, respectively, revenues from those customers representing 10 percent or more of GPO's operating revenues follow.

(Dollars in thousands)

	2005		2004	
	Amount	Percent	Amount	Percent
Department of Defense	$ 136,858	19.5%	$ 112,028	16.2%
Department of Health & Human Services	100,789	14.3%	82,596	11.9%
Congress of the United States	89,841	12.8%	88,841	12.8%
Department of the Treasury	75,903	10.8%	81,645	11.8%

16. Retirement Separation Incentive Program

In April 2003, the Public Printer established the Retirement Separation Incentive Program (RSIP) under authority of Public Law 105-275 to help restructure the workforce. The RSIP permitted incentive payments of up to $25,000 per employee for voluntary separation. This major cost reduction initiative was needed to help stem the trend in operating losses that occurred as the demand for traditional printing declined.

The RSIP reduced the workforce by 542 employees and avoided estimated personnel costs and benefits of $38 million per year. The estimated cost of the RSIP was $18 million. Congress appropriated $9,941,000 to the GPO Revolving Fund in fiscal year 2004 to help finance the workforce restructuring. The RSIP was implemented in two parts generally corresponding to the two fiscal years in which the program was employed. The following chart summarizes the costs and benefits of the RSIP.

(Dollars in thousands)

RSIP	Employee Separations	Estimated One-Time Costs	Estimated Annual Savings
Part 1 - FY 2003	312	$ 10,410	$ 21,747
Part 2 - FY 2004	230	7,628	16,271
Total	**542**	**$ 18,038**	**$ 38,018**

The RSIP costs of $18 million include almost $4.6 million payable to OPM for early retirement contributions required by statute. The OPM contributions were unpaid at September 30, 2005.

17. Regional Operation Closings and Consolidations

GPO employed regional operation closings and consolidations to right-size operations and reduce unnecessary operating costs during fiscal years 2004 and 2005. The general downward trend in customer demand for traditional printing has reduced operating revenues for all major programs. Accordingly, program managers have been evaluating their programs in an effort to identify opportunities to improve the economy, efficiency, and effectiveness of their operations.

During fiscal year 2004, GPO completed a major warehouse space consolidation that started in fiscal year 2003. This management initiative significantly reduced the Agency's requirements for leased space at a warehouse facility in Laurel, MD. The GPO warehouse consisted of two adjacent buildings. Building I and most of Building II were being used by the Superintendent of Documents primarily for the Sales of Publications Program. Building II was also being used by Production Operations for the storage of equipment, paper, and supplies. First, Plant Operations closed their paper storage operations in the Laurel facility during fiscal year 2003. Second, the Superintendent of Documents completed a consolidation of their warehouse and distribution operations in Building II in fiscal year 2004. GPO accrued one-time termination costs of $614,000 for the operating lease for Building I, and $150,000 for site restoration as of September 30, 2003. The lease for the vacated building space expired in August 2004. The costs associated with closing Building II were reflected in the operating expenses in the statement of revenues and expenses for fiscal year 2003.

During fiscal year 2004, Customer Services closed the last GPO Regional Printing Plant in Denver, CO. As of September 30, 2004, GPO accrued one-time estimated termination costs of $145,000 for severance pay, $65,000 for building lease payments, and $200,000 for leased operating equipment. The costs associated with the closing of the Denver Regional Printing Plant are reflected in the operating expenses in the statement of revenues and expenses for fiscal year 2004.

During fiscal year 2005, Customer Services closed GPO's Los Angeles Regional Printing Procurement Office, St. Louis Regional Printing Procurement Office, and New Orleans Satellite Printing Procurement Office. Their customer service responsibilities were assigned to other GPO regional offices. Additionally, the operations of the GPO's Rapid Response Center at the Navy Yard in Washington, DC, were relocated from GSA managed space to GPO owned space at Central Office. GPO accrued one-time estimated termination costs of $312,000 for severance pay and $4,000 for lease payments to GSA for the vacated building space. The costs associated with the closing of these procurement offices are reflected in the operating expenses in the statement of revenues and expenses for fiscal year 2005.

18. Goal Sharing Program

The GPO Goal Sharing Program is an incentive award program designed to reward employees for their efforts to achieve agency goals that produce measurable cost savings. Employees may receive 50 percent of the cost savings, or paid time off. Fiscal Year 2005 was the first year of this new award program. Estimated costs of $445,000 were accrued for Goal Sharing awards during fiscal year 2005. Awards will be given to eligible employees in fiscal year 2006.

SECTION IV

Consolidating and Supplemental Schedules

(Unaudited)

Consolidating Balance Sheet by Fund Type

As of September 30, 2005

(Dollars in thousands)

(Unaudited)

	Revolving Fund		General Fund				
Assets	Printing and Binding Operations	Sales of Publications Operations	Salaries and Expenses Appropriation	Congressional Printing and Binding Appropriation	Total Before Eliminations	Eliminations	Consolidated
CURRENT ASSETS							
Funds with the U.S. Treasury	$ 158,039	$ 7,286	$ 7,992	$ 33,394	$ 206,711	$ -	$ 206,711
Accounts receivable, net	195,309	1,066	300	-	196,675	(92,574)	104,101
Inventories:							
Publications for sale, net	-	2,852	-	-	2,852	-	2,852
Paper	2,297	-	-	-	2,297	-	2,297
Materials and supplies, net	3,905	-	-	-	3,905	-	3,905
Total inventories, net	**6,202**	**2,852**			**9,054**		**9,054**
Prepaid expenses	3,313	-	-	-	3,313	-	3,313
Total current assets	**362,863**	**11,204**	**8,292**	**33,394**	**415,753**	**(92,574)**	**323,179**
PROPERTY, PLANT, AND EQUIPMENT							
Land	9,971	-	-	-	9,971	-	9,971
Buildings and improvements	75,997	-	-	-	75,997	-	75,997
Plant machinery and equipment	73,448	-	-	-	73,448	-	73,448
Computers and computer software	29,247	-	-	-	29,247	-	29,247
Furniture and fixtures	6,156	-	-	-	6,156	-	6,156
Motor vehicles	633	-	-	-	633	-	633
Leasehold improvements	946	-	-	-	946	-	946
Construction and software in process	885	-	-	-	885	-	885
	197,283	-	-	-	197,283	-	197,283
Less: Accumulated depreciation and amortization	(141,111)	-	-	-	(141,111)	-	(141,111)
Property, plant, and equipment, net	**56,172**	**-**	**-**	**-**	**56,172**	**-**	**56,172**
Total assets	**$ 419,035**	**$ 11,204**	**$ 8,292**	**$ 33,394**	**$ 471,925**	**$ (92,574)**	**$ 379,351**

See accompanying independent auditors' report.

Consolidating Balance Sheet by Fund Type

As of September 30, 2005

(Dollars in thousands)

(Unaudited)

Liabilities and Net Position

	Revolving Fund		General Fund				
	Printing and Binding Operations	Sales of Publications Operations	Salaries and Expenses Appropriation	Congressional Printing and Binding Appropriation	Total Before Eliminations	Eliminations	Consolidated
CURRENT LIABILITIES							
Accounts payable and accrued expenses	$ 78,199	$ 89,745	$ 2,494	$ -	$ 170,438	$(92,574)	$ 77,864
Deferred revenue	46,708	8,034	-	-	54,742	-	54,742
Accrued annual leave	10,039	-	-	-	10,039	-	10,039
Total current liabilities	**134,946**	**97,779**	**2,494**	**-**	**235,219**	**(92,574)**	**142,645**
OTHER LIABILITIES							
Workers' compensation liability	76,122	-	-	-	76,122	-	76,122
Total liabilities	**211,068**	**97,779**	**2,494**	**-**	**311,341**	**(92,574)**	**218,767**
NET POSITION							
Cumulative results of operations:							
Retained earnings (accumulated deficit)	90,484	(89,164)	-	-	1,320	-	1,320
Invested capital	90,290	2,589	-	-	92,879	-	92,879
Unexpended appropriations	27,193	-	5,798	33,394	66,385	-	66,385
TOTAL net position (deficit)	**207,967**	**(86,575)**	**5,798**	**33,394**	**160,584**	**-**	**160,584**
Total liabilities and total net position	**$ 419,035**	**$ 11,204**	**$ 8,292**	**$ 33,394**	**$ 471,925**	**$(92,574)**	**$379,351**

See accompanying independent auditors' report.

Consolidating Schedule of Revenues and Expenses by Fund Type

For the Fiscal Year Ended September 30, 2005

(Dollars in thousands)

(Unaudited)

	Revolving Fund		General Fund				
	Printing and Binding Operations	Sales of Publications Operations	Salaries and Expenses Appropriation	Congressional Printing and Binding Appropriation	Total Before Eliminations	Eliminations	Consolidated
OPERATING REVENUES							
Printing and Binding	$ 657,328	$ -	$ -	$ -	$657,328	$(105,205)	$ 552,123
Sales of Publications	-	22,560	-	-	22,560	-	22,560
Appropriations	2,239	-	34,164	88,412	124,815	(1,684)	123,131
Reimbursements	-	4,851	-	-	4,851	-	4,851
Total operating revenues	**659,567**	**27,411**	**34,164**	**88,412**	**809,554**	**(106,889)**	**702,665**
OPERATING EXPENSES							
Printing and reproduction	422,959	249	10,275	88,412	521,895	(105,949)	415,946
Personnel compensation and benefits	164,553	14,891	17,847	-	197,291	(572)	196,719
Supplies and materials	30,421	669	848	-	31,938	(38)	31,900
Rents, communications, and utilities	11,968	6,230	1,209	-	19,407	(89)	19,318
Publications sold	-	7,014	-	-	7,014	-	7,014
Depreciation and amortization	7,323	247	90	-	7,660	-	7,660
Other services	9,955	631	2,640	-	13,226	(241)	12,985
Surplus publications	-	1,962	-	-	1,962	-	1,962
Travel and transportation	1,298	466	1,255	-	3,019	-	3,019
Total operating expenses	**648,477**	**32,359**	**34,164**	**88,412**	**803,412**	**(106,889)**	**696,523**
Income (loss) before other operating expenses	**11,090**	**(4,948)**	**-**	**-**	**6,142**	**-**	**6,142**
OTHER OPERATING EXPENSES							
Decrease in workers' compensation liabilities	3,481	-	-	-	3,481	-	3,481
Net Income (loss)	**$ 14,571**	**$ (4,948)**	**$ -**	**$ -**	**$ 9,623**	**$ -**	**$ 9,623**

See accompanying independent auditors' report.

Consolidating Schedule of Cash Flow by Fund Type

For the Fiscal Year Ended September 30, 2005

(Dollars in thousands)

(Unaudited)

	Revolving Fund		General Fund				
	Printing and Binding Operations	Sales of Publications Operations	Salaries and Expenses Appropriation	Congressional Printing and Binding Appropriation	Total Before Eliminations	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES							
Net Income (loss)	**$ 14,570**	**$ (4,947)**	**$ -**	**$ -**	**$ 9,623**	**$ -**	**$ 9,623**
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization	7,660	-	-	-	7,660	-	7,660
Gain on disposal of property, plant, and equipment	(24)	-	-	-	(24)	-	(24)
Changes in assets and liabilities:							
(Increase) decrease in assets-							
Accounts receivable	32,279	(340)	(276)	-	31,663	8,826	40,488
Inventories	(185)	29	-	-	(156)	-	(156)
Prepaid expenses	(2,881)	-	-	-	(2,881)	-	(2,881)
Increase (decrease) in liabilities-							
Accounts payable and accrued expenses	(10,175)	7,691	626	-	(1,859)	(8,826)	(10,684)
Deferred revenue	(16,845)	(2,116)	-	-	(18,961)	-	(18,961)
Accrued annual leave	745	-	-	-	745	-	745
Workers' compensation liability	(3,481)	-	-	-	(3,481)	-	(3,481)
Total adjustments	**7,093**	**5,264**	**350**	**-**	**12,706**	**-**	**12,706**
Net cash provided by operating activities	**21,663**	**317**	**350**	**-**	**22,329**	**-**	**22,329**
CASH FLOWS FROM INVESTING ACTIVITIES							
Capital expenditures	(4,758)	-	-	-	(4,758)	-	(4,758)
Proceeds from sale of property, plant, and equipment	150	-	-	-	150	-	150
Net cash used in investing activities	**(4,608)**	**-**	**-**	**-**	**(4,608)**	**-**	**(4,608)**
CASH FLOWS FROM FINANCING ACTIVITIES							
Increase (decrease) in unexpended appropriations	22,244	-	(12,335)	(14,937)	(5,028)	-	(5,028)
Net cash provided by (used in) financing activities	**22,244**	**-**	**(12,335)**	**(14,937)**	**(5,028)**	**-**	**(5,028)**
Net increase (decrease) in fund balance with the U.S. Treasury	**39,299**	**317**	**(11,985)**	**(14,937)**	**12,693**	**-**	**12,693**
Fund balance with the U.S. Treasury, beginning of year	118,740	6,969	19,977	48,331	194,018	-	194,018
Fund balance with the U.S. Treasury, end of year	**$ 158,039**	**$ 7,286**	**$ 7,992**	**$ 33,394**	**$ 206,711**	**$ -**	**$206,711**

See accompanying independent auditors' report.

Supplemental Schedule of Appropriated Funds

For the Fiscal Years, Ended September 30, 2005 and 2004

(Dollars in thousands)

(Unaudited)

	Revolving Fund Appropriation	Salaries and Expenses Appropriation	Congressional Printing and Binding Appropriation	Total 2005	Total 2004
Unexpended Appropriations, beginning of year (on cash basis)	$ 4,949	$ 19,978	$ 48,331	$ 73,258	$ 80,062
Funds Provided:					
Appropriations	-	31,697	88,090	119,787	134,767
Total funds available	**4,949**	**51,675**	**136,421**	**193,045**	**214,829**
Funds Applied:					
Obligated appropriations-					
Current year	-	24,956	64,956	89,912	91,880
Prior years	2,239	8,859	23,456	34,554	49,691
Total funds applied	**2,239**	**33,815**	**88,412**	**124,466**	**141,571**
Appropriation Transfers	**24,483**	**(9,868)**	**(14,615)**	**-**	**-**
Unexpended Appropriations, end of year (on cash basis)	**27,193**	**7,992**	**33,394**	**68,579**	**73,258**
Adjustments:					
Intra-agency accounts receivable	-	300	-	300	23
Intra-agency accounts payable	-	(2,494)	-	(2,494)	(1,868)
Unexpended Appropriations, end of year (on accrual basis)	**$ 27,193**	**$ 5,798**	**$ 33,394**	**$ 66,386**	**$ 71,413**

See accompanying independent auditors' report.

Supplemental Schedule of Balance Sheets for Revolving Fund

As of September 30, 2005 and 2004

(Dollars in thousands)

(Unaudited)

	Printing and Binding Operations		Sales of Publications Operations		Total Revolving Fund 2005			Total Revolving Fund 2004		
ASSETS	2005	2004	2005	2004	Before Eliminations	Eliminations	Consolidated	Before Eliminations	Eliminations	Consolidated
CURRENT ASSETS										
Fund balance with the U.S. Treasury	$ 158,039	$ 118,741	$ 7,286	$ 6,968	$ 165,325	$ -	$ 165,325	$ 125,709	$ -	$ 125,709
Accounts receivable, net	195,309	227,587	1,066	726	196,375	(92,574)	103,801	228,313	(83,748)	144,565
Inventories, net	6,202	6,017	2,852	2,881	9,054	-	9,054	8,898	-	8,898
Prepaid expenses	3,313	432	-	-	3,313	-	3,313	432	-	432
Total current assets	**362,863**	**352,777**	**11,204**	**10,575**	**374,067**	**(92,574)**	**281,493**	**363,352**	**(83,748)**	**279,604**
PROPERTY, PLANT, AND EQUIPMENT										
Land	9,971	9,971	-	-	9,971	-	9,971	9,971	-	9,971
Buildings and improvements	75,997	75,617	-	-	75,997	-	75,997	75,617	-	75,617
Plant machinery and equipment	73,448	74,976	-	-	73,448	-	73,448	74,976	-	74,976
Computers and computer software	29,247	29,814	-	-	29,247	-	29,247	29,814	-	29,814
Furniture and fixtures	6,156	6,015	-	-	6,156	-	6,156	6,015	-	6,015
Motor vehicles	633	740	-	-	633	-	633	740	-	740
Leasehold improvements	946	1,030	-	-	946	-	946	1,030	-	1,030
Construction and software in process	885	1,020	-	-	885	-	885	1,020	-	1,020
	197,283	199,183	-	-	197,283	-	197,283	199,183	-	199,183
Less: Accumulated depreciation and amortization	(141,111)	(139,985)	-	-	(141,111)	-	(141,111)	(139,985)	-	(139,985)
Property, plant, and equipment, net	56,172	59,198	-	-	56,172	-	59,172	59,198	-	59,198
Total assets	**$ 419,035**	**$ 411,975**	**$ 11,204**	**$ 10,575**	**$ 430,239**	**$ (92,574)**	**$ 337,665**	**$ 422,550**	**$ (83,748)**	**$ 338,802**

See accompanying independent auditors' report.

Section IV: Consolidating and Supplemental Schedules (unaudited)

Supplemental Schedule of Balance Sheets for Revolving Fund

As of September 30, 2005 and 2004
(Dollars in thousands)
(Unaudited)

	Printing and Binding Operations		Sales of Publications Operations		Total Revolving Fund 2005			Total Revolving Fund 2004		
LIABILITIES AND NET POSITION	2005	2004	2005	2004	Before Eliminations	Eliminations	Consolidated	Before Eliminations	Eliminations	Consolidated
CURRENT LIABILITIES										
Accounts payable and accrued expenses	$ 78,199	$ 88,375	$ 89,745	$ 82,051	$ 167,944	$ (92,574)	$ 75,370	$ 170,426	$ (83,748)	$ 86,678
Deferred revenue	46,708	63,552	8,034	10,151	54,742	-	54,742	73,703	-	73,703
Accrued annual leave	10,039	9,294	-	-	10,039	-	10,039	9,294	-	9,294
Total current liabilities	**134,946**	**161,221**	**97,779**	**92,202**	**232,725**	**(92,574)**	**140,151**	**253,423**	**(83,748)**	**169,675**
OTHER LIABILITIES										
Workers' compensation liability	76,122	79,603	-	-	76,122	-	76,122	79,603	-	79,603
Total other liabilities	**76,122**	**79,603**	**-**	**-**	**76,122**	**-**	**76,122**	**79,603**	**-**	**79,603**
Total liabilities	**211,068**	**240,824**	**97,779**	**92,202**	**308,847**	**(92,574)**	**216,273**	**333,026**	**(83,748)**	**249,278**
NET POSITION										
Cumulative results of operations:										
Retained earnings (accumulated deficit)	90,484	75,913	(89,164)	(84,216)	1,320	-	1,320	(8,303)	-	(8,303)
Invested capital	90,290	90,290	2,589	2,589	92,879	-	92,879	92,879	-	92,879
Unexpended appropriations	27,193	4,948	-	-	27,193	-	27,193	4,948	-	4,948
Total net position	**207,967**	**171,151**	**(86,575)**	**(81,627)**	**121,392**	**-**	**121,392**	**89,524**	**-**	**89,524**
Total liabilities and total net position	**$ 419,035**	**$ 411,975**	**$ 11,204**	**$ 10,575**	**$ 430,239**	**$ (92,574)**	**$ 337,665**	**$ 422,550**	**$ (83,748)**	**$ 338,802**

See accompanying independent auditors' report.

Section IV: Consolidating and Supplemental Schedules (unaudited)

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

For the Fiscal Years, Ended September 30, 2005 and 2004

(Dollars in thousands)

(Unaudited)

	Printing and Binding Operations		Information Dissemination Operations		Congressional Printing and Binding		Other Operations		Total GPO Before Eliminations		Eliminations		Total GPO	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
REVENUES:														
Printing and binding	$ 644,380	$ 623,042	$ -	$ -	$ -	$ -	$ 3,285	$ 1,270	$ 647,665	$ 624,312	$ (105,205)	$ (103,693)	$ 542,460	$ 520,619
Sales of blank paper	8,963	9,813	-	-	-	-	-	-	8,963	9,813	-	-	8,963	9,813
Sales of waste and scrap	700	810	-	-	-	-	-	-	700	810	-	-	700	810
Sales of publications	-	-	22,560	24,024	-	-	-	-	22,560	24,024	-	-	22,560	24,024
Appropriations	1,516	3,111	34,164	32,900	88,412	86,782	723	12,124	124,815	134,917	(1,684)	(3,451)	123,131	131,466
Reimbursements	-	-	4,851	5,022	-	-	-	-	4,851	5,022	-	-	4,851	5,022
Total revenues	**655,559**	**636,776**	**61,575**	**61,946**	**88,412**	**86,782**	**4,008**	**13,394**	**809,554**	**798,898**	**(106,889)**	**(107,144)**	**702,665**	**691,754**
EXPENSES:														
Printing and reproduction	422,959	406,638	10,524	11,848	88,412	86,782	-	-	521,895	505,268	(105,949)	(104,776)	415,946	400,492
Personnel compensation and benefit	162,425	161,872	32,738	36,686	-	-	2,128	667	197,291	199,225	(572)	(1,579)	196,719	197,646
Retirement separation incentive program	-	-	-	354	-	-	-	7,274	-	7,628	-	-	-	7,628
Supplies and materials	30,088	30,555	1,517	1,635	-	-	333	276	31,938	32,466	(38)	(99)	31,900	32,367
Rents, communications, and utilities	11,479	11,660	7,439	9,852	-	-	489	799	19,407	22,311	(89)	(226)	19,318	22,085
Publications sold	-	-	7,014	6,146	-	-	-	-	7,014	6,146	-	-	7,014	6,146
Depreciation and amortization	7,276	7,083	337	497	-	-	47	42	7,660	7,622	-	-	7,660	7,622
Other services	9,708	9,421	3,271	2,473	-	-	247	474	13,226	12,368	(241)	(464)	12,985	11,904
Surplus publications	-	-	1,962	108	-	-	-	-	1,962	108	-	-	1,962	108
Travel and transportation	1,296	2,303	1,721	2,118	-	-	2	5	3,019	4,426	-	-	3,019	4,426
Total expenses	**645,231**	**629,532**	**66,523**	**71,717**	**88,412**	**86,782**	**3,246**	**9,537**	**803,412**	**797,568**	**(106,889)**	**(107,144)**	**696,523**	**690,424**
INCOME (LOSS) before Other Operating Expenses	**$ 10,328**	**$ 7,244**	**$ (4,948)**	**$ (9,771)**	**$ -**	**$ -**	**$ 762**	**$ 3,857**	**$ 6,142**	**$ 1,330**	**$ -**	**$ -**	**$ 6,142**	**$ 1,330**

See accompanying independent auditors' report.

Section IV: Consolidating and Supplemental Schedules (unaudited)

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

For the Fiscal Years, Ended September 30, 2005 and 2004

(Dollars in thousands)

(Unaudited)

	Plant Printing Operations		Digital Media		Total In-House Printing				Customer Services				Total Printing and Binding Operations			
	2005	2004	2005	2004	2005	Percent of Revenues	2004	Percent of Revenues	2005	Percent of Revenues	2004	Percent of Revenues	2005	Percent of Revenues	2004	Percent of Revenues
REVENUES:																
Printing and binding	$ 169,392	$ 173,967	$ 1,597	$ -	$ 170,989	94	$173,967	93	$ 473,391	100	$ 449,075	100	$ 644,380	98	$ 623,042	98
Sales of blank paper	8,963	9,813	-	-	8,963	5	9,813	5	-	-	-	-	8,963	1	9,813	1
Sales of waste and scrap	700	810	-	-	700	-	810	-	-	-	-	-	700	-	810	-
Appropriations	1,516	3,111	-	-	1,516	1	3,111	2	-	-	-	-	1,516	1	3,111	1
Total revenues	**180,571**	**187,701**	**1,597**	**-**	**182,168**	**100**	**187,701**	**100**	**473,391**	**100**	**449,075**	**100**	**655,559**	**100**	**636,776**	**100**
EXPENSES:																
Printing and reproduction	-	-	-	-	-	-	-	-	422,959	90	406,638	91	422,959	64	406,638	65
Personnel compensation and benefits	109,749	129,709	1,368	-	111,117	61	129,709	69	51,308	11	32,163	7	162,425	25	161,872	25
Supplies and materials	27,690	29,543	686	-	28,376	16	29,543	16	1,712	-	1,012	-	30,088	5	30,555	5
Rents, communications, and utilities	5,812	6,628	(130)	-	5,682	3	6,628	4	5,797	1	5,032	1	11,479	2	11,660	2
Depreciation and amortization	6,142	6,205	11	-	6,153	3	6,205	3	1,123	-	878	-	7,276	1	7,083	1
Other services	7,160	6,023	(127)	-	7,033	4	6,023	3	2,675	1	3,398	1	9,708	1	9,421	1
Travel and transportation	270	1,295	-	-	270	-	1,295	1	1,026	-	1,008	-	1,296	-	2,303	-
Total expenses	**156,823**	**179,403**	**1,808**	**-**	**158,631**	**87**	**179,403**	**96**	**486,600**	**103**	**450,129**	**100**	**645,231**	**98**	**629,532**	**99**
INCOME (LOSS) before Other Operating Expenses	**$ 23,748**	**$ 8,298**	**$ (211)**	**$ -**	**$ 23,537**	**13**	**$ 8,298**	**4**	**$ (13,209)**	**(3)**	**$ (1,054)**	**-**	**$ 10,328**	**2**	**$ 7,244**	**1**

See accompanying independent auditors' report.

Section IV: Consolidating and Supplemental Schedules (unaudited)

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

For the Fiscal Years, Ended September 30, 2005 and 2004

(Dollars in thousands)

(Unaudited)

	Sales of Publications Program				Agency Distribution Services				Salaries and Expenses Programs				Total Information Dissemination			
	2005	Percent of Revenues	2004	Percent of Revenues	2005	Percent of Revenues	2004	Percent of Revenues	2005	Percent of Revenues	2004	Percent of Revenues	2005	Percent of Revenues	2004	Percent of Revenues
REVENUES:																
Sales of publications	$ 22,560	100	$ 24,024	100	$ -	-	$ -	-	$ -	-	$ -	-	$ 22,560	37	$ 24,024	49
Appropriations	-	-	-	-	-	-	-	-	34,164	100	32,900	100	34,164	55	32,900	44
Reimbursements	-	-	-	-	4,851	100	5,022	100	-	-	-	-	4,851	8	5,022	7
Total revenues	**22,560**	**100**	**24,024**	**100**	**4,851**	**100**	**5,022**	**100**	**34,164**	**100**	**32,900**	**100**	**61,575**	**100**	**61,946**	**100**
EXPENSES:																
Printing and reproduction	99	-	80	-	150	3	116	2	10,275	30	11,652	35	10,524	18	11,848	19
Personnel compensation and benefits	11,108	49	17,429	74	3,783	78	3,448	68	17,847	51	15,809	48	32,738	54	36,686	59
Retirement separation incentive program	-	-	-	-	-	-	-	-	-	-	354	1	-	-	354	1
Supplies and materials	532	2	579	2	137	3	149	3	848	2	907	3	1,517	2	1,635	3
Rents, communications, and utilities	4,742	21	7,076	29	1,488	31	1,344	27	1,209	4	1,432	4	7,439	12	9,852	16
Publications sold	7,014	31	6,146	26	-	-	-	-	-	-	-	-	7,014	11	6,146	10
Depreciation and amortization	177	1	252	1	70	1	64	1	90	-	181	1	337	-	497	1
Other services	408	2	1,044	4	223	5	189	4	2,640	8	1,240	4	3,271	5	2,473	4
Surplus publications	1,962	9	108	-	-	-	-	-	-	-	-	-	1,962	3	108	-
Travel and transportation	372	2	509	2	94	2	284	6	1,255	5	1,325	4	1,721	3	2,118	3
Total expenses	**26,414**	**117**	**33,223**	**138**	**5,945**	**123**	**5,594**	**111**	**34,164**	**100**	**32,900**	**100**	**66,523**	**108**	**71,717**	**116**
INCOME (LOSS) before Other Operating Expenses	**$ (3,854)**	**(17)**	**$ (9,199)**	**(38)**	**$ (1,094)**	**$ (23)**	**$ (572)**	**(11)**	**$ -**	**-**	**$ -**	**-**	**$ (4,948)**	**(8)**	**$ (9,771)**	**(16)**

See accompanying independent auditors' report.