



ANNUAL REPORT
FISCAL YEAR
2002



U.S. GOVERNMENT
PRINTING OFFICE
KEEPING AMERICA INFORMED

KEEPING
AMERICA
INFORMED





G20

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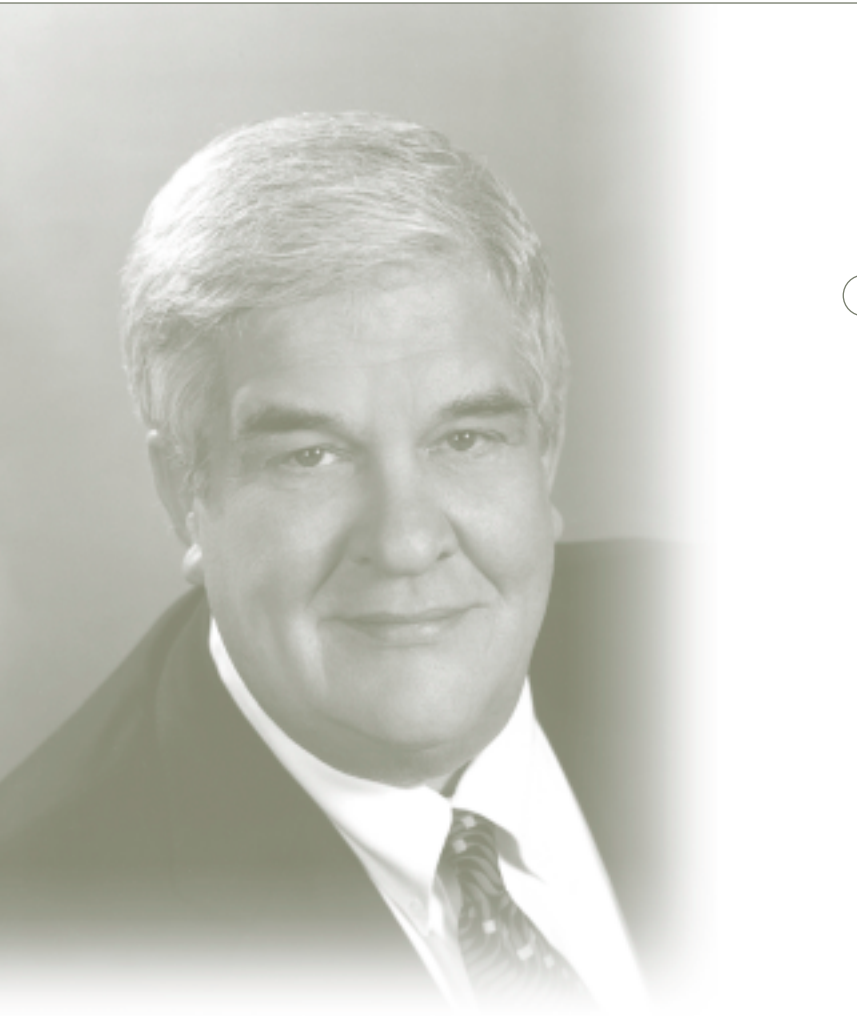
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Public Printer's Message

ON NOVEMBER 20, 2002, THE UNITED STATES Senate confirmed me as the 24th Public Printer of the United States. My printing background has familiarized me with the Government Printing Office and its mission. GPO has had a proud history; one built on innovation, craftsmanship, scale, flexibility and a singular dedication to meeting the printing needs of our Government and the information needs of our people. But the past is not necessarily prologue to the future. Printing, once the world's only mass communications medium, has seen its sun eclipsed first by radio, then television, and now the Internet.

We have heard the coming of the Internet compared to the coming of the printing press. Many have wondered whether the Internet will eventually replace printing, as we know it. Perhaps, but I do not see it happening in our lifetime and for many years thereafter. Instead, we have a period in front of us where we will need to sort out what continues to belong in print and what best belongs in information retrieval systems that allow users to define their own information needs, then search against a huge database of information to retrieve only what is needed.

And therein lies the challenge for the GPO. Like every other manufacturing business in America, the GPO is going to have to re-engineer itself if it is to remain relevant and viable for the future. It must step back and take a new look at the changing and emerging information needs of its customers and develop a deeper understanding of its true strengths so that it can determine how best to build a new business model. Then it must convince Congress and its customers to support its future plan. As Public Printer, I am leading this effort. GPO's plan will present a new vision, will set out specific and measurable short- and long- term objectives and goals, and will have budget and timetable details.

I look forward to this unique opportunity to reshape the GPO for its 21st century mission. It is my honor to lead the GPO as we enter the next information era. My goal is to head a highly motivated, quick responding, technologically innovative, world-class organization that will make us all proud.

This report characterizes the results of fiscal year 2002, which was completed before I took office. As the financial tables show, GPO sustained an operational loss of over \$15 million, continuing a pattern begun in the past decade. My objective is to end that pattern in fiscal year 2004. During

fiscal year 2002, GPO also faced a strong challenge in the form of an alternative printing policy proposal advanced by the Office of Management and Budget (OMB). I agree that there is a lot to be done to improve the way Federal printing and information dissemination is carried out by the GPO today. Agencies have a right to expect excellent service from us and they will get it.

To fully carry out my plans, I am relying on the completion of a Government-wide study of printing and information policy currently being conducted by the U.S. General Accounting Office under orders from Congress, with a due date of December 2003. That study will provide us with an independent, factual basis for developing a new business model for the GPO in cooperation with OMB and our other stakeholders, a model that will serve as the basis for revising and reforming Title 44. Following its completion, I want to work with OMB so that at the end of the day, we implement a vision for the future of Federal printing and information policy that is cooperative and in the best interests of all concerned. At the same time, however, until all the facts are fully known about the current system of printing and information dissemination and all the stakeholders have had an opportunity to contribute their input, I believe that efforts to dismantle it will have negative consequences, both foreseen and unintended, on the cost of Federal printing and on public access to Government information.

As I have stated on many occasions since my nomination, it is a high honor and a humbling experience to be selected by the President to head a major Government agency, particularly one as venerable and important as the Government Printing Office. I look forward to working with our more than 3,000 talented and diverse employees to ensure that the GPO remains flexible, forward-thinking, and at the forefront of print and information processing technology.

Bruce R. James



Public Printer
June 2003



Keeping America Informed

GPO keeps America informed. GPO ensures the public's right to access Government information by collecting, organizing, maintaining, preserving and disseminating it. For 140 years, GPO has produced and distributed Federal Government information products. Currently, GPO captures, stores, authenticates, produces, and disseminates information from Congress and other Federal publishers for the public to access directly and through the Federal Depository Library Program.

GPO has begun a transformation process into an information service for the 21st century—creating, disseminating, and preserving Federal information. GPO is engaged with customers and stakeholders to identify their needs and concerns and to determine GPO's strengths, weaknesses, and opportunities. The demands of Congress, the agencies, and the American public for Government information will guide GPO in identifying the optimal technologies to employ to meet those requirements.

GAO is presently conducting a congressionally mandated study of Federal Government information dissemination. GAO is also conducting a management audit of GPO. These studies will provide the basis for our fiscal year 2004 strategic planning effort to effect needed changes.

Over the next several years, the transformation of GPO will require investments in its workforce and technology infrastructure. The results will be improved effectiveness and efficiency of GPO and increased value to the customers we serve.

Role in Government

The Public Printer, who serves as GPO's chief executive officer, is nominated by the President and confirmed by the Senate. GPO operates under the authority of the public printing and documents chapters of Title 44 of the U.S. Code.

Created initially to satisfy the printing needs of Congress, GPO today is the focal point for printing and information dissemination for the entire Federal community. In addition to Congress and the White House, approximately 130 Federal departments and agencies rely on GPO's services. Congressional publications, Federal regulations and reports, census and tax forms, and U.S. Passports are among the documents produced by or through GPO. At one time, GPO's mission was accomplished through the production and procurement of conventional ink-on-paper printing. Today, after more than a generation of experience with electronic printing systems, GPO is providing Government information in a wide range of formats, including print, microfiche, CD-ROM, and online through **GPO Access** (<http://www.gpo.gov/gpoaccess>).

Facilities and Personnel

Carrying out GPO's mission today is a skilled and dedicated workforce of more than 3,000 employees nationwide. Most are based at GPO's central office facility in the Nation's Capital, making GPO the largest industrial employer in the District of Columbia. Also located in the National Capital area is a storage and distribution facility. GPO operates a printing plant in Denver, a technical documentation facility in Atlantic City, NJ, a publication distribution facility in Pueblo, CO, as well as regional and satellite procurement offices and bookstores throughout the country.

Funding

Unlike most Federal agencies, GPO operates much like a business—it is reimbursed by its customers for the cost of work performed. GPO also receives two appropriations, one to pay for the cost of congressional printing, and the other to fund the cataloging, indexing, distribution, and online access to Government documents, through the Federal Depository Library Program (FDLP) and as required by law. These funds are provided through the annual legislative branch appropriations bill, and together they comprise about 4 percent of total legislative branch appropriations. In fiscal year 2002, GPO's revenues totaled \$701 million. An independent auditor audits GPO's finances every year, and GPO has been receiving an unqualified opinion every year.

Procurement Services

More than 70 percent of GPO's printing revenue is from agencies for work procured by GPO from the private sector printing industry. GPO has a long-standing partnership with America's printing industry to provide for the Government's printing needs. GPO competitively buys products and services from more than 2,260 private sector firms in all 50 States. It is one of the Government's most successful procurement programs, assuring the most cost-effective use of the taxpayers' printing dollar.

In-Plant Operations and Information Technology

GPO's in-plant facility provides electronic information systems and production technologies to support the information product needs of Congress and Federal agencies. GPO produces the *Congressional Record* overnight when Congress is in session, and bills, hearings, documents, reports, and committee prints in time to support Congress' legislative needs. Also produced in-plant are the *Federal Register*, the *Code of Federal Regulations*, and other key Government documents, such as the annual *U.S. Budget*. In fiscal year 2002 GPO's in-plant operations produced more than 8.7 million U.S. Passports for the State Department and nearly 249 million postal cards for the U.S. Postal Service. With few exceptions, all paper used by GPO and its contractors meet Federal recycled paper requirements and all GPO printing inks utilize vegetable oil.

Beginning in the 1960's, GPO was one of the first printing organizations nationwide to pioneer the use of electronic typesetting systems in place of traditional practices. Since then, successive generations of technology have been deployed by GPO to develop electronic databases of Government information products from which publications in both print and electronic formats are produced. Computer-to-plate technology has further updated GPO's capabilities. GPO has also been a leading producer of CD-ROMs of Government information for more than a decade. GPO uses electronic information technology to increase efficiency in its print production processes, facilitate e-commerce in its printing procurement and documents sales programs, and expand public access to Government information via the Internet.

Superintendent of Documents

Through its Superintendent of Documents' programs, GPO disseminates the largest volume of U.S. Government publications and information in the world. More than 30.5 million printed publications were distributed in fiscal year 2002 and approximately 372 million Government documents were downloaded from **GPO Access** at a cost of less than one penny per retrieval. **GPO Access** is available at www.gpo.gov/gpoaccess.

To keep America informed, GPO also offers Government publications for sale to the public. Approximately 9,000 titles are available for sale at any given time, including books, CD-ROMs, and other electronic formats. This provides the

public with a wide variety of low cost consumer-oriented publications as well as Congressional documents, regulatory materials, research reports, reference books and guidebooks for National Parks. Documents can also be ordered through GPO's secure Online Bookstore site at <http://bookstore.gpo.gov>. Publications are also sold by mail, telephone, fax, and through bookstores located around the country. Free and low-cost publications are distributed through the Federal Citizen Information Center in Pueblo, CO.

The Federal Depository Library Program (FDLP) is the public's primary source of free access to the published information of the Federal Government, and its enabling legislation has been called "America's first freedom of information act." More than 1,200 Federal depository libraries nationwide provide free public access to Government information in both print and electronic formats. Federal depository libraries are designated by Members of Congress or by law. Many are college, university, and academic law libraries, making the FDLP a key component of the Nation's education system. In fiscal year 2002, GPO distributed 5 million copies of over 14,000 tangible products in print, microform, and CD-ROM formats to depository libraries. Every depository library also has access to the vast range of information made available online via **GPO Access**.

Superintendent of Documents' programs catalog and index Government information, distribute publications as required by law, and provide reimbursable distribution services for other Federal agencies. Under the International Exchange Program, which is administered by the Library of Congress, GPO distributes U.S. Government publications to nearly 70 nations.

GPO Access

In this age of pioneering advancements in information technology, the public requires immediate access to official Federal Government information to stay up-to-date with regulations, laws, and consumer information materials that affect their personal and professional lives. To meet this need, **GPO Access** makes online Government information products available to Federal depository libraries and the public with the goal of widespread and equitable information dissemination.

More than
1,200 Federal depository
libraries nationwide provide
free public access to
Government information in
both print and electronic
formats.

GPO Access is a leading online source of free, official Government information. Its publicly available resources, covering all three branches of the Federal Government, have grown to encompass more than 2,800 separate databases through more than 80 applications including the *Congressional Record*, the *United States Code*, *GAO Reports*, Congressional Bills and Reports, *Public Laws*, the *Federal Register*, the Code of Federal Regulations, and many more. In total, more than 145,000 titles are available on GPO servers, and more than 92,000 additional titles are linked from **GPO Access**. Since 1994, **GPO Access** retrievals have exceeded 1.6 billion, and it is currently averaging 31 million retrievals each month.

In addition to this, **GPO Access** hosts 20 Federal Web sites including the Web site for the Supreme Court of the United States. In accordance with GPO's goal of timely delivery of official government information, most electronic documents appear on the day of publication, exactly as they appear in print, and are the official published version. GPO maintains permanent public access to Government information products residing on **GPO Access**, as well as through partnership agreements with depository libraries and other institutions.

GPO Access is designed, developed, and implemented for easy access to, and use of, free online Federal information products and services. GPO recognizes and accommodates the various special needs and technological capabilities of the public. The GPO Access User Support Team provides immediate assistance to customers on **GPO Access** via e-mail, toll-free phone, and fax. Finally, *Ben's Guide to U.S. Government for Kids* is an educational component of **GPO Access** that introduces children and adults alike to the basics of Government.

In recognition of the growth and accomplishments of the service, **GPO Access** has received numerous awards and recognitions, such as the E-Gov 2001 "Trailblazer" award.



2002 Highlights

In fiscal year 2002, the resources available through **GPO Access**, covering all three branches of the Federal Government, grew to encompass more than 2,800 separate databases through more than 80 applications. In total, more than 145,000 titles were made available on GPO servers, and more than 92,000 titles were linked from **GPO Access**. As a measure of GPO's success in disseminating electronic Government information, GPO monitored the number of document retrievals by users and by the end of the year, **GPO Access** averaged nearly 31 million documents downloaded per month.

***GPO Access
Remained One of
the Leading Online
Sources of Free,
Official Government
Information***

During fiscal year 2002, GPO introduced GPOLISTSERV, an opt-in service that sends email notifications of various new and updated products and services provided by GPO and its agency partners. More than 30,000 U.S. Government Online Bookstore customers are notified by the New Titles By Topic Email Alert Service when new publications in various topical areas such as military history, health care, and business become available for purchase. In response to the Federal depository library community's request, the FDLP Electronic Only list provides libraries with a notice of publications that are no longer distributed in paper format, but are available for sale from GPO. More than 7,000 users have the Federal Register table of contents delivered to their email inbox everyday. In addition, partner agencies such as the U.S. Merit Systems Protection Board, are able to use the GPOLISTSERV on a reimbursable basis to deliver content to their users. Currently there are 16 different GPOLISTSERV services with plans to expand this list which will further our commitment to disseminate content to users.

During this fiscal period, Federal Business Opportunities (FedBizOpps) was designated as the single point of universal electronic public access on the Internet for Government-

wide Federal procurement opportunities that exceed \$25,000. Therefore, CBDNet ceased to accept notices as of midnight, January 1, 2002. The FDLP Electronic Collection now makes the old CBDNet available as an archival source of prior procurement notices. In response to the continued need to ensure permanent public access to the Government information contained on GPO servers, plans towards establishing a geographically separate mirror site and backup facility for **GPO Access** in Pueblo, Colorado, were developed. Once completed, GPO will steadily add to the resources and data at this facility until it is a complete mirror site for **GPO Access**.

One notable measure of the recognition and appreciation of the **GPO Access** service is the reception of awards and recognitions. In recognition of the growth and accomplishments of the service, **GPO Access** received numerous awards and recognitions in fiscal year 2002. These included various articles of praise from noted sources, such as the National Coordinating Committee (NCC), Washington Update, and Personal Computer (PC) World Magazine.

Of the metrics available for measuring Web site usage, GPO uses document retrievals because they represent units of actual content delivered to users. Document retrievals indicate the number of downloads of both documents within databases and files outside of databases that have been identified as containing Government information content.

The more than 33 million retrievals in March 2002 propelled total usage of **GPO Access** to over 1.5 billion documents retrieved since the service premiered in 1994. October 2001 produced the highest total retrievals to date with more than 36 million documents downloaded. *Ben's Guide to U.S. Government for Kids*, the educational component of **GPO Access**, has received almost 17 million retrievals since its debut in December 1999. Its peak was in March 2002 with over 950,000 retrievals.

For fiscal year 2002, the average number of monthly retrievals from **GPO Access** was 31 million and the average size of these documents was about 49KB. With 2KB equaling roughly one typewritten page, the average size of a document retrieved from **GPO Access** equates to some 24.5 typewritten pages and costs less than one penny

per retrieval. In turn, the average number of monthly retrievals from **GPO Access** measures over 1.5 terabytes in size and is equivalent to over 759 million typewritten pages.

The Transition to Electronic Federal Depository Library Program Continued

The transition to a predominantly electronic FDLP, begun in 1996 at the direction of Congress, continued throughout fiscal year 2002. The mix of product formats distributed to libraries or made directly accessible to the public stabilized at the fiscal year 2001 level, with about 60 percent of new FDLP titles being available online. However, behind the scenes, GPO's Library Programs Service (LPS) made significant progress in revamping its workforce to deal with the challenges of electronic information and moving toward the acquisition of an Integrated Library System (ILS).

Long recognized as the national authority for cataloging Government publications, LPS is gaining recognition as a center of excellence in other aspects of managing an electronic collection for permanent public access. LPS' management of the FDLP Electronic Collection was notable in fiscal year 2002 for expanded use of the GPO archive servers and participation in the beta test phase of the OCLC Web Document Digital Archive initiative.

Cataloging: Gateway to the E-FDLP

With the advent of a more electronic FDLP, the LPS cataloging staff has expanded the range of its cataloging and locator services efforts, and moved beyond the traditional Monthly Catalog as its principal output. Cataloging now functions as a gateway for bringing online titles into the FDLP Electronic Collection, and then for disseminating them under the program's auspices. The Cataloging and Indexing Program provides access to online, as well as tangible, resources through bibliographic control.

LPS catalogers discover, evaluate, select, and archive most online resources, in addition to creating

bibliographic records that enable the public to search for, identify, and obtain access to all program publications. Locating and describing online resources for the FDLP has significantly broadened the range of decision-making required of the cataloging staff. Catalogers now play a critical role in enhancing current and permanent public access to the FDLP Electronic Collection. In fiscal year 2002, nearly 14,000 titles were catalogued, compared to about 15,400 the previous year. The loss of experienced cataloging staff in the past 2 years, coupled with the increasing complexity of the work, had a marked impact on cataloging production.

Digital Archiving

GPO guarantees the public will have permanent access to the online titles in the FDLP, in similar fashion to the assurance that physical products in the FDLP will be permanently accessible at the regional depository libraries. Permanent public access for online electronic files entails an organizational commitment to preserving and maintaining the data, beginning with capturing the non-GPO Access content, and including refreshing files to prevent deterioration of storage media, migrating files to newer file formats to prevent technological obsolescence, managing backup and mirror sites, and other ongoing activities.

GPO's responsibilities for permanent public access are described in LPS' 1998 report, *Managing the FDLP Electronic Collection: A Policy and Planning Document* <http://www.access.gpo.gov/su_docs/fdlp/pubs/ecplan.html>. LPS has pursued three approaches to provide permanent public access:

1. Digital archiving using partner sites, through contractual partnership agreements with depository libraries and/or publishing agencies.
2. Digital archiving on GPO servers.
3. Developing a processing "tool kit" of software for archiving digital objects, and an off-site archival storage capability with the Online Computer Library Center, Inc. (OCLC).

Presently all three approaches are underway. LPS' own archive of electronic publications provides a first level of security for agency publications that are primarily textual or images of text, and which have no tangible counterpart in the FDLP.

Information about the operation of the FDLP/EC Archive can be found at <www.gpo.gov/ppa/resources.html>.

LPS staff routinely downloads copies of online titles for which there are no analogous print versions in the FDLP. These files are eventually stored on GPO's archive server, as a security measure. Their active use begins only when the original agency version is no longer available. As of August, there are approximately 4,750 titles stored in the archive server, with 77 archived titles being served up to users.

GPO and OCLC, Inc. have completed the first phases of testing of a system to locate, identify, process, describe, and archive electronic publications. The Web Document Digital Archive Pilot Project includes several other partners, including the state libraries of Connecticut, Michigan, Arizona, and Ohio, and the University of Edinburgh in Scotland. The system incorporates a mix of new and existing solutions in an effort to refine and integrate LPS workflow and routines for processing and storing e-titles for the long term.

GPO is a full partner in this project, and staff has worked closely with OCLC, providing input in the development process. LPS' Director and Electronic Collection Manager were instrumental in conceptualizing this project, convincing OCLC of the value and importance of digital archiving, and in prototyping the features and the user interface. The resulting product, while initially a reflection of GPO's high-level requirements for an archiving system, is making a significant contribution to the ability of libraries worldwide to manage and expand access to digital resources.

As an outgrowth of the digital archive project, GPO is a charter member of the OCLC Digital and Preservation Cooperative, which advances research and development of digital preservation/archiving solutions for libraries worldwide.

Business Development Activities

GPO's business development work continued to increase in fiscal year 2002 as Superintendent of Documents' staff worked closely with the Federal publishing community. The staff assisted agencies both with Web site development and hosting, as well as with CD-ROM services. In addition to assisting agencies with defining their electronic dissemination requirements, they also worked in conjunction with the agencies to improve the marketing, sales, and dissemination of their products. A sampling of the CD-

ROMs that were brought into the program included: (1) Federal Tax Products, (2) United States Code: Containing the General and Permanent Laws of the United States in Force on January 23, 2000, (3) Annual Report on International Religious Freedom, (4) Occupational Outlook Handbook, and (5) NIOSH Pocket Guide to Chemical Hazards.

In fiscal year 2002, GPO worked closely with General Services Administration to publish an audio eBook version of the Federal Architecture and Infrastructure Committee of the CIO Council publication, "Extending Digital Dividends: Public Goods and Services that Work for All." The audio eBook on CD-ROM accompanied the print publication, and was the first eBook available for sale through the Superintendent of Documents as well as distributed through the FDLP. In addition to the aforementioned business development activities, GPO worked with other Federal agencies with Web site development and hosting. Hosted Federal Web sites added to **GPO Access** in fiscal year 2002 included the U.S. Capitol Police and the Millennial Housing Commission.

Depository Library Conference

Joint Committee on Printing Chairman Mark Dayton addressed the audience of more than 400 Federal depository librarians and Federal agency representatives to open the 11th Annual Federal Depository Library Conference, the Nation's premier event for Government information librarians. Sponsored by GPO, the conference was held October 21-23, 2002, in Arlington, VA.

Chairman Dayton spoke about the OMB memorandum that sought to authorize printing outside of the GPO. He said Congress had placed language that prohibited OMB from promulgating any rule counter to Title 44 in the four Continuing Resolutions that allowed the Government to temporarily operate without signed appropriations bills. Remarking on the fact that virtually no other qualifying language was incorporated into the resolutions, he said the language "is very unusual and shows the consensus of Democrats and Republicans that the law is the law."

Other highlights of the 3-day conference included discussions on electronic reference, genealogy resources in depository libraries, development of electronic competencies standards, Government sites for kids, and partnerships between academic and public libraries to improve service and

public access to Federal information. The Census Bureau, Patent & Trademark Office, Centers for Disease Control, and Consumer Product Safety Commission are just a few of the many agencies that presented updates on their public information activities and products.

Partnerships

A guiding principle of LPS' transition efforts has been that a system of shared responsibility for building capacity, storing, disseminating, and preserving Government information will produce the greatest benefit in return for resources invested. The goal of establishing partnerships with agencies, depository libraries, and other organizations builds on the successful model of the FDLP sharing responsibility for access and preservation.

Partnerships have taken various forms. Six libraries provide services or tools for locating Government information or managing depository library collections. In fiscal year 2002, responsibility for one of GPO's original Pathway locators, Browse Topics, shifted to Oklahoma State University.

Nine partners manage content with specific permanent public access safeguards contractually defined. Among these are depository libraries including: the University of Illinois at Chicago, which hosts Department of State material; Indiana University, which hosts an online server of publications previously distributed in the FDLP on unstable floppy disk media, and the University of North Texas, which houses the Cybercemetery, a site which collects and preserves the Web sites of Government agencies and commissions that have ceased operation.

In the past year, the Cybercemetery has been averaging 510,160 hits per month. Several Government agencies, including the National Renewable Energy Laboratory and the National Library of Medicine, maintain agreements through which GPO is assured that Web content will be maintained on agency servers permanently, thus relieving GPO of the burden of capturing and archiving their content.

In late 2002, a content partnership between the U.S. Census Bureau, GPO, and the Case Western Reserve University Libraries (CWRU) was begun. CWRU will operate a site specifically geared to depository libraries offering the 2000 Census Summary Files for download by File Transfer Protocol (ftp).

Testimony on OMB Printing Proposal

GPO appeared July 10, 2002, at a hearing of the Joint Committee on Printing (JCP) that had been called to review the OMB Memorandum M-02-07, "*Printing and Duplicating Through the Government Printing Office*," that instructed the heads of executive branch departments and agencies to produce or procure their printing work wherever they wish, without regard to the law requiring those agencies to send printing work to GPO. The Public Printer provided extensive testimony on the weaknesses in the proposal, noting that the OMB memorandum echoed earlier unsuccessful efforts in 1987 and 1994 to transfer printing authority to executive branch agencies. Congress did not support the change either time for fear of increased costs in Federal printing, lost contracting opportunities by small businesses in the printing industry, and reduced public access to Government information.

The Public Printer, in his current testimony, noted the savings that are achieved annually by GPO's Printing Procurement Program, working in partnership with nearly 16,000 private sector printers, the majority of whom are small businesses. He further discussed the potential impact on the Federal Depository Library Program, observing, "there is no way to escape the conclusion that OMB's policy will seriously impair public access to Government information." He said, although OMB would require agencies to continue providing publications for depository distribution, compliance with this requirement would be low.

In response to the latest challenge, the Senate Appropriations Committee has directed that the U.S. General Accounting Office (GAO) conduct a comprehensive and critical assessment of printing, publishing, copying, and disseminating information within the Federal Government in 2003. This assessment is intended to provide the Congress and the new Public Printer with useful information that will be needed to formulate a long-term strategic plan for the GPO and to develop effective, efficient, and economical means for printing and disseminating Federal Government information. The Committee has requested the GAO to place special emphasis on GPO's congressional printing and binding services, the Federal Depository Library Program, and contracting out executive branch printing.

Further, the assessment should examine Federal agencies' current printing needs and requirements and GAO's

assessment of the costs and benefits of using GPO for printing needs; the extent to which agencies bypass the requirement to use GPO without appropriate waivers; an inventory of agencies' large-scale printing/copying equipment; the appropriateness of GPO charges to agencies; and GPO overhead costs. GAO should also examine the GPO's bookstore program; the purpose and utility of the Federal Depository Loan Program; and use of the Internet for ensuring that Federal Government information and publications are widely available to the public.

In addition, GAO's report should also include strategic options for GPO to enhance the efficiency, economy, and effectiveness of printing and disseminating Federal Government information to the public. The Committee is seeking recommendations concerning how the international exchange program and the Library's collections will be ensured full receipt of executive branch documents should there be a change to the current system. In conducting this study, GAO should work closely with the Public Printer, the Superintendent of Documents, and the Librarian of Congress. GAO shall report its findings and recommendations no later than December 1, 2003, so that the Committee may fully consider GAO's findings and recommendations in deliberating the fiscal year 2005 appropriations for the Legislative Branch.

Analysis Showed Potential Negative Impact of OMB's Printing Policy Proposal

At the request of the Senate Subcommittee on Legislative Branch Appropriations, GPO prepared an analysis of the impact that OMB's proposal would have on GPO's operations and Federal printing and information dissemination in general.

Title 44 of the United States Code generally requires all executive branch agencies to obtain printing through GPO. The OMB memorandum would transfer printing authority to executive branch agencies. GPO's analysis found that the OMB policy change would raise Government printing costs significantly, jeopardize the

ability of small businesses to compete for Government printing contracts, and reduce public access to Government information. OMB claimed savings between \$50 million and \$70 million would be realized annually by permitting agencies to perform or procure their own printing.

GPO took a different position. If all executive branch printing were to be removed from GPO, the analysis showed that the cost to the Government could potentially increase over current levels by a range of \$231.5 million to \$335.2 million in the first year, and from \$152.8 million to \$256.5 million annually thereafter. In addition, if agencies were to comply with OMB's requirement to provide copies of their publications to the Superintendent of Documents for distribution to depository libraries, there would be a net transfer of about \$4 million in depository printing costs from the legislative branch to the executive branch.

GPO's analysis showed that, in addition to increased printing costs, the OMB memorandum could also lead to a number of non-quantifiable cost impacts on Government printing, such as loss of the capability to enforce Federal laws and regulations requiring the use of recycled and permanent papers and vegetable oil-based printing inks. There are also likely to be negative economic impacts on the private sector printing industry, especially small businesses including small disadvantaged businesses that currently handle more than 70 percent of the printing orders procured by GPO each year.

Finally, there could be serious adverse impacts on the public's ability to access Government information through Federal depository libraries if executive branch agencies failed to provide copies of their publications for depository distribution, as previous studies have shown.

GPO Produced Largest *Federal Register*

The *Federal Register* issued for Friday, May 3, 2002, was the largest single issue of that publication since its origin in 1936. Published by the National Archives and Records Administration, the *Federal Register* is issued every business day. The publication provides the official public notice of proposed and final rules issued by the departments and agencies of the U.S. Government, and includes information about opportunities for public comments relative to Federal rulemaking and other matters of public interest. Federal departments and agencies are required to publish information about new regulations, and changes to existing regulation, in this publication.

The 12-volume, 20-pound May 3 issue owes its unusual bulk to the inclusion of the public comments received by the Department of Justice on the proposed *United States v. Microsoft Corporation* settlement. Eleven volumes consist of those public comments, most

transmitted to the U.S. Department of Justice by e-mail. As required by the Department of Justice, the materials were published exactly as they were received. The 12th volume (actually the first in the set) consists of the regular *Federal Register* material for the day.

Manuscript was provided to GPO in both paper and electronic formats on March 28. The paper manuscript consisted of 11 cardboard cartons of typescript. The electronic format manuscript was tagged and converted to drive GPO's typesetting system, and the 43,394 galley proof pages that it produced were proofread against the paper manuscript to assure accuracy. When made up into pages, the job required 6,654 of the *Federal Register's* 3-column pages, or 11 books of 512 to 640 pages each. The regular material for May 3 required 184 pages, producing a total page count of 6,838 for the day's issue. In addition to the print edition, GPO provided an electronic edition on its Web site.

Clean Audit Opinions Received on GPO's Fiscal Year 2001-2002 Finances

GPO received two unqualified opinions from the comprehensive and independent audits of its financial operations by the nationally recognized accounting firm KPMG LLP for the 2 years presented in this report.

KPMG conducted thorough audits of GPO's financial statements for fiscal year 2001 and 2002, concluding that the statements "are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America." An unqualified opinion is the highest level of assurance that an audit firm can give on an organization's financial statements. The audits "noted no instances of material noncompliance with laws and regulations we tested."

KPMG audits of GPO, over the recent past, followed a sweeping management audit of GPO by the internationally recognized firm of Booz-Allen & Hamilton, Inc., in 1998. In addition to validating strong customer support for



GPO's operations in Congress, Federal agencies, and the public, Booz-Allen concluded, "the financial management history at GPO demonstrates that the agency has had considerable experience as a business-oriented operation." Booz-Allen also said "GPO has been a leader in providing Congress accrual-based accounting and financial statements."

Appropriations Presentation for Fiscal Year 2003

GPO presented its fiscal year 2003 appropriations request to the Senate in May 2002, and to the House of Representatives in April. The Public Printer requested a total of \$129.3 million, of which \$95.2 million was for Congressional Printing and Binding and \$34.1 million for Salaries and Expenses of the Superintendent of Documents.

The request represented an increase of \$14.7 million over the fiscal year 2002 level of funding. The increase included \$6.9 million to cover the cost of post-retirement benefits for employees covered by the two appropriations, in compliance with an Office of Management and Budget (OMB) directive. It also included approximately \$5.9 million for Congressional printing to fund a fiscal year 2001 shortfall in that appropriation.

Notwithstanding these amounts, GPO's request represented an increase of only \$1.9 million, less than 2 percent over the amount approved for fiscal year 2002.

During the hearing, the Public Printer was questioned about the impact of the OMB Memorandum (M-02-07, "Printing and Duplicating Through the Government Printing Office"), dated May 3, 2002, concerning the procurement of printing and duplicating through GPO. The Public Printer noted that any policy change would have to be processed as a revision to the Federal Acquisition Regulation affecting the executive branch, and that there would be no immediate impact. If the change were made, however, there would be many negative results, including an impairment of public access to Government documents through Federal depository libraries.

The Congressional Printing and Binding Appropriation covers the costs of producing the *Congressional Record*, bills, reports, hearings, documents, and related legislative products. Each year, a substantial volume of this work is requisitioned from GPO. This appropriation also covers the cost of building Congressional information databases for dissemination via *GPO Access*. A noteworthy component of the Superintendent of Documents' request was a plan to commit approximately \$2.6 million to the replacement of obsolete formats, servers, and other equipment, and for improvements to enhance online services provided through *GPO Access*.

The majority of the Superintendent of Documents' appropriation is for the depository libraries, under which Government publications are distributed in print, microfiche, or electronic formats to approximately 1,300 libraries nationwide for the free use of the public. It also funds the cataloging and indexing of Government publications, the distribution of Government publications as required by law, and the distribution of U.S. Government publications to

foreign libraries, which in turn agree to provide copies of their official publications to the Library of Congress. In addition, this appropriation provides the majority of funding for *GPO Access*.

The 12-volume, 20-pound May 3 issue owes its unusual bulk to the inclusion of the public comments received by the Department of Justice on the proposed United States v. Microsoft Corporation settlement.

Beyond 2002

GPO has a proud history, one built on innovation, craftsmanship, scale, flexibility, and a singular dedication to meeting the printing needs of the Federal Government and the information needs of the American people. GPO's middle name—a name we are going to change—gets in the way of our true mission, which is *keeping America informed* by distributing the official information products of the Government, thereby sustaining one of the keystones of our 200-year old experiment in freedom: an enlightened public. The nature of what GPO does, printing—once the world's only mass communications medium—has been eclipsed by revolutionary changes in electronic information technologies, principally the Internet. Where once printing predominated as the means of communication between the Government and the public, new and ever-evolving strategies of communications are not only possible but have become mainstream practices, changing how America is kept informed. GPO is undergoing a transformation that will allow a smooth transition to the new millennium.



THE TRANSFORMATION HAS BEGUN

Organizational Alignment Improvements

GPO has implemented an organizational model that is relatively new to the Federal Government but widely used in industry, wherein the chief executive officer (Public Printer) focuses on organizational policy and long-range planning and the second in command (Deputy Public Printer) serves as chief operating officer focusing on the day-to-day operations of the business. Working in collaboration with GPO's senior managers, a new top-level organizational structure, that will be more responsive to the needs of our customers and employees and serve in a transition phase over the next two years, has been completed.

GPO has recently implemented its first employee incentive program in over a decade to reward creativity, dedication, and initiative. Our workforce development budget has increased to \$3 million—just 1.5% of our overall budget, but 5 times the amount previously allocated—to ensure that no one is left behind as the transformation proceeds forward. In addition, our workforce development policy now emphasizes mission-related training, not simply job-related. Our use of digital communications internally has been expanded, and a new Employee Communications Office will provide employees the information needed to do their jobs more effectively.

GPO has established an Office of Innovation and New Technology to harvest information on cutting edge digital information technologies from diverse sources through a variety of methods. This office will then infuse this information to those GPO operations charged with merging new technologies with the needs of GPO and its customers. This new office will guide GPO in the creation of associations with public and private sector entities to carry out its new missions. These types of associations are crucial to the transformation of the GPO.

Another area that has received major attention in the last few months has been GPO's emergency preparedness activities. As part of our new management alignment, greater focus has been placed on Contingency Planning under the direction of GPO's Chief of Staff. Planning for emergency preparedness, protecting GPO employees, and ensuring continuity-of-government operations in concert with similar planning efforts in Congress, Federal agencies, the District of Columbia, and elsewhere, has received high

visibility due to the critical and dangerous times in which we live and work today. GPO is working directly with the House and Senate to ensure continuity of operations in the event of an emergency, and finalizing operational improvements funded through the fiscal year 2001 emergency supplemental.

Major Focus Being Placed On Customers

A principal goal is to focus all of GPO's operations toward customer service—transforming our operations, however necessary, to help our customers. Meetings have been held with Members of Congress, key congressional staff, Federal agency heads, the heads of Federal operations with congruent missions—such as the Postmaster General, Director of the Bureau of Engraving and Printing, and Director of the Mint, the library and information communities, the printing industry, and others—to win support for the GPO and increase our future business opportunities. GPO will be exploring ways of helping Congress reinvent its information products to expedite its work.

The meetings with the library community at the American Library Association Midwinter Conference in Philadelphia, and at the upcoming Regional Conference of the Depository Library Advisory Council, have created a challenge to develop a new depository library program model that recognizes that more than 50 percent of the information coming into the program is now only in electronic form, never reaching ink-on-paper. This is one of the biggest challenges that confronts GPO and the library community today. Its resolution will directly impact the appropriations that are provided annually for this purpose.

A New Legislative Agenda To Meet New Challenges

Together with the fiscal year 2004 appropriations request, GPO is seeking two technical legislative changes to Title 44, U.S.C., to improve our ability to attract and retain leadership talent and give us the authority to accept contributions of equipment and services as well as transfer or donate surplus equipment to appropriate entities. Both changes would significantly assist GPO's new vision and transformation.

GPO has established an Office of Innovation and New Technology to harvest information on cutting edge digital information technologies...

Language, requesting a revision to 44 U.S.C. 303, to increase the statutory salary levels of the Public Printer and Deputy Public Printer has been submitted for Congressional consideration. The current levels have been in place for more than a decade and are causing pay compression for GPO's senior level service. Without the ability to compete on a level playing field with executive pay for the rest of the Federal Government, much less with executive pay in the private sector, GPO will not be able to recruit and retain the talent needed to bring change to the GPO.

Authority has been sought to accept contributions of property and services on behalf of the GPO. Currently, GPO is not authorized to accept uncompensated contributions of property and services, and the granting of new authority would enable GPO to accept the placement of prototype equipment for beta-testing and systems trials without requiring a significant Government investment. Such authority would provide the flexibility to evaluate new and emerging technologies onsite in this period of rapid technological change. The language is primarily for placeholder purposes with the recognition that it may be subject to further revision. The acceptance of contributions of property and services would remain subject to the usual limitations covering donations.

Finally, GPO has requested the authority to transfer or donate surplus property. GPO's equipment profile will undergo significant change in the coming period, and the appropriate disposition of surplus property would be facilitated with the authority to transfer or donate surplus property similar to that possessed by the Administrator of the General Services Administration. Currently, when any GPO property is declared surplus it must be sold to the highest competitive bidder. In addition to imposing an administrative burden in the conduct of the sale, this process often results in a price that is extremely low when compared to the actual value of the item when in use. The proposed language would provide GPO with discretionary authority to transfer or donate surplus property to specific governmental and non-profit entities, such as other Federal entities, educational or non-profit institutions as defined by the Internal Revenue Code, or state or local governments. In addition, it would allow us to donate surplus publications rather than destroying them and selling them as scrap paper.



A NEW GPO IMAGE FOR THE 21ST CENTURY

To enhance the focus of GPO's future mission, a new logo has been designed that moves GPO away from printing and into the new millennium, where the emphasis will be digital information processing and multi-media dissemination.

While printing will not disappear in our lifetime, its role in our lives—and in the lives of GPO's customers—has been forever changed. GPO is now in a period where there is a great need to sort out what continues to belong in print and what best belongs in information retrieval systems that allow the public to define their own information needs, then search against databases of information that GPO constructs to retrieve only what they need, only when they need it. Therein lies the challenge for GPO. Like every other manufacturing business in America, GPO must reinvent itself if it is to remain relevant and viable for the future. GPO must take a new look at the changing and emerging information needs of its customers and develop a deeper understanding of its true strengths so that we can strategically plan for and build a new business model that will allow GPO to meet its customers' information demands. The new plan will present a new vision of GPO, establish specific and measurable short- and long-term goals and objectives, and contain budget and timetable details. The change to the new GPO is now in motion.



*...a new logo has
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SECTION I

Management's Discussion and Analysis



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

The principal 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 principal consolidated financial statements were audited by an independent external auditor selected by the Public Printer in accordance with 44 U.S.C. §309(e).

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

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

GPO Instruction 825.18A *Internal Control Program* effectively adopts the internal control standards and assessment methodology used by the Executive Branch. GPO managers regularly conduct vulnerability assessments and internal control reviews of GPO's programs, operations, and other activities. The GPO Inspector General monitors the program and keeps the Public Printer informed of the progress by management. The GPO Internal Control

Program has strengthened management controls and improved the economy, efficiency, and effectiveness of GPO's programs, operations, and other activities.

GPO's Mission

For over 140 years, GPO has been *keeping America informed*. GPO accomplishes this mission by assisting all three branches of the Federal government in the cost-effective creation and replication of information products and services, and by providing effective and economical public access to Government information. GPO is one of the Nation's oldest and most venerable agencies, within which the official version of every great American state paper since President Lincoln's time has been produced. Many of the Nation's most important information products, such as the *Congressional Record* and all other legislative information supporting the U.S. Senate and House of Representatives, are produced at the GPO's main plant, a 1.5 million square foot complex that is the largest information processing, printing, and distribution facility in the world. Working in partnership with the American printing industry, the GPO also maintains a pool of private sector vendors nationwide to produce print and other information products for the Federal government.

Operations

The public printing and documents chapters of Title 44, *United States Code*, require GPO to fulfill the printing needs of the Federal government and distribute Government publications to the public. GPO activities are financed through a Revolving Fund, which is reimbursed by payments from customer agencies, sales to the public, and transfers from the Congressional Printing and Binding Appropriation and the Superintendent of Documents' Salaries and Expenses Appropriation. These two annual appropriations are used to reimburse the Revolving Fund for costs incurred while performing congressional work and fulfilling statutory requirements associated with the distribution of Government publications, respectively. Reimbursements to the Revolving Fund from the appropriations are recorded as revenue, and generally, unexpended appropriations are returned to the U.S. Treasury after 5 years have passed.

There has been a steady decline in demand in recent years for traditional printing within the Federal government. All

major programs within GPO have been impacted by this dynamic: less printing is produced and procured, and fewer printed publications are sold. The GPO workforce reflects this decrease in demand as well, with the number of employees on the rolls decreasing from 8,500 employees in fiscal year 1976 to 3,019 at September 30, 2002.

GPO's Plant Printing Operations produces the *Congressional Record* and all other documents relative to the legislative process. However, neither Congress nor GPO may be able to accurately forecast the printing workload that may be required to support and record legislative proceedings. In those years where congressional printing requirements exceed the funding provided, GPO uses its authority to temporarily fund the shortfall through the Revolving Fund. In the majority of years, funding has been adequate. At September 30, 2002, no unfunded shortfalls were projected.

The GPO Printing Procurement Program continues to be the best acquisition service for the Federal printing dollar. The Program offers the advantage of a centralized staff of technical experts to ensure that the customer agency's printing requirements are met at the lowest cost. Customer orders are offered, via the competitive bid process, to the commercial printing industry to obtain the best offer. GPO's commercial printing contractors are capable of producing over 350 types of products. GPO's Printing Procurement staff has fulfilled the needs of its customers for timely and cost effective printing, as shown by their on-time delivery and quality acceptance rate performance measures. This program, as with other print-on-paper operations, must continually look for ways to reduce costs and increase efficiency in an environment of declining demand. GPO is looking to streamline the printing procurement process by developing requirements for a web-based, simplified purchase agreement application, which will allow customer agencies to electronically transmit their specifications to GPO. GPO will be able to rank potential contractors and electronically place the order with the contractor that provides the best value for the Federal government. Contractors will also be able to electronically receive orders and bill GPO for the finished product.

The GPO Sales of Publications Program has experienced a significant decrease in sales activity and the number of titles available for sale. This decline corresponds with advances in

electronic information technology, such as the world-wide-web, and increases in electronic publishing by customer agencies. The Sales of Publications Operations 2002 revenue of \$38 million declined from fiscal year 2001 revenue of \$42.4 million. This continues the downward trend that began in fiscal year 1995, when revenue was \$80 million. Years of diminished revenue and virtually fixed labor costs have caused the Sales Program to sustain significant annual operating losses. This is important in that the Sales Program receives no appropriated funds, and must recover costs to continue operations. In order to reverse this trend, certain initiatives have been undertaken over the past few years.

One element of the Sales Program, the GPO Bookstores, generating about 20 percent of the Program's revenue, has also been in a downward trend. In order to address this problem, the Superintendent of Documents closed several bookstores in fiscal year 2001 which were unable to recover operating expenses. This effort was continued in fiscal year 2002, with the closing of the Birmingham and Chicago bookstores, with plans to close additional stores in fiscal year 2003.

Other actions taken in recent years to improve operating results include efforts to downsize, through attrition, as well as efforts to consolidate space to reduce overhead costs. Sales Program customers are also being encouraged to do business with the U. S. Government Online Bookstore as a means of providing more efficient customer service while lowering administrative and staffing costs. To generate additional revenue, efforts are being intensified to identify and obtain additional Government publications for sale to the public. Beginning in January 2003, the new Superintendent of Documents began evaluating the Sales Program to identify additional ways to generate revenue and reduce operating costs.

The Salaries and Expense Appropriation provided by Congress funds the administration of the Federal Depository Library Program (FDLP), the Cataloging and Indexing Program, the By-Law Distribution Program and the distribution component of the International Exchange Program of the Library of Congress. GPO's cataloging and locator services have emerged as a critical element in the FDLP's provision of public access to U.S. Government publications. Long recognized as the National authority for

cataloging Government publications, FDLP is also recognized as a center of excellence in other aspects of managing an electronic collection for permanent public access.

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

Fiscal Year 2002 Financial Results

The comprehensive and audited principal financial statements of the GPO include all economic events impacting the Agency, including items not recoverable through reimbursable rates. In fiscal year 2002, GPO's estimated liability for worker's compensation claims increased from \$67.7 million to \$91.2 million. GPO is required to include the actuarial estimate of Federal Employees' Compensation Act (FECA) liability and the accrued FECA expense in its consolidated financial statements in order to comply with applicable accounting standards.

GPO does not include the actuarial estimate of the future cost of workers' accident compensation in the computation of rates and prices used to charge Congress, Executive Agencies, or the public, and does not include it in its requests for annual appropriations. GPO has included in its rate structure and prices only the actual cost of accident compensation paid to the Department of Labor (DOL) for the period reported. The future costs of GPO's accident compensation will be paid from revenues earned in the year the expense is paid.

Fiscal year 2002 total operating revenues were \$702.3 million compared with \$712.4 million in the prior year, a decrease of 1.4 percent. Total operating expenses, before the increase in the actuarial estimate of the workers' compensation and the impairment loss in 2001 discussed

below, were \$717.5 million compared with \$714 million in fiscal year 2001. The net loss of the Revolving Fund before other operating expenses was \$15.2 million compared to a net loss in the prior year of \$1.5 million.

The consolidated net loss for fiscal years 2002 and 2001 were \$38.8 million and \$45 million, respectively. The actuarial estimated liability for long-term FECA benefits increased by \$23.6 million during fiscal year 2002, following an increase of \$31.4 million in fiscal year 2001. Also, in fiscal year 2001, GPO recorded a one-time impairment loss of \$12 million for a major systems acquisition project that was terminated (See Note 16).

The most significant changes in operating results occurred in In-House Printing Operations, Purchased Printing and the Sales of Publications Programs. In-House Printing Operations improved bottom-line results by \$608,000, although revenue declined by \$5 million, from \$187 million in fiscal year 2001 to \$182 million in fiscal year 2002. Decreasing revenues were offset to a greater degree by expenses which declined by \$5.6 million to \$179.3 million in fiscal year 2002.

Purchased Printing reported a net loss of \$3.8 million in fiscal year 2002 compared to net income of \$3.7 million in the prior fiscal year. This was a result of a decrease in revenues from \$474.3 million in fiscal year 2001 to \$470.3 million in fiscal year 2002, and an increase in expenses of \$3.5 million.

The Sales of Publications continued to decline in fiscal year 2002, with a net loss of \$16 million compared to a \$7.6 million loss in the previous fiscal year. Revenues showed a dramatic drop from \$42.4 million in fiscal year 2001 to \$38 million, or 10.4 percent, in fiscal year 2002. Expenses in fiscal year 2002 increased by \$4 million to \$54 million from \$50 million in fiscal year 2001 due primarily to a \$3.4 million increase in surplus publications expense.

In fiscal year 2001, the GPO Revolving Fund received \$6 million in supplemental funding, under Public Law 107-20, to replace the air conditioning and lighting systems. During fiscal year 2002, these funds were fully obligated, with about 80 percent set aside for the air conditioning project, and 20 percent to upgrade lighting fixtures. As of September 30, 2002, \$192,000 was expended, primarily to pay for engineering design studies for the new systems.

In fiscal year 2002, the GPO Revolving Fund received \$4 million in Emergency Response (Homeland Security) funding under Public Law 107-117 to enhance security measures at the central facility and provide backup sites for both production operations and the Superintendent of Documents *GPO Access* web-site and support functions. During fiscal year 2002, GPO obligated \$2.6 million of the available funds and expended \$1.7 million. GPO plans to obligate the balance in fiscal year 2003, including about \$1 million for the *GPO Access* mirror site.

As a result of these activities GPO recorded Appropriation Revenue of \$1.9 million from Appropriations made to the Revolving Fund. This represents the amount expended by GPO for Homeland Security and Air Conditioning and Lighting Improvements during the year. Accounting standards require the recognition of appropriation revenue at the time the appropriated funds are spent, while acquired goods and services are either depreciated (if a capital asset) over a number of years, or expensed within the period.

Performance Measures

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

Operating Performance Measures

OVERTIME MANAGEMENT

GPO makes an ongoing effort to minimize overtime hours. In fiscal year 2002, overtime hours decreased to 189,000 hours from 198,000 hours in fiscal year 2001, or 4.5 percent. The cost of overtime in fiscal year 2002 increased by less than \$5,000 from fiscal year 2001's level. GPO successfully achieved its goal for fiscal year 2002, with actual overtime hours worked well under the upper limit goal of 200,000 overtime hours established at the beginning of the year. Our goal for fiscal year 2003 will be to remain under 200,000 overtime hours.

PRODUCTION CHARGEABLE HOURS

Chargeable hours decreased to 570,000 in fiscal year 2002 from 652,000 in fiscal year 2001, a decrease of 82,000 hours, or 12.6 percent, while the number of employees available for work increased by only .4 percent. The results for 2002 met GPO's goal of achieving sufficient chargeable hours necessary to break-even. GPO's fiscal year 2003 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 printing processes, a specific chargeable hour target cannot be established.

CONGRESSIONAL RECORD DELIVERY

The *Congressional Record* is an important tool and product of the legislative process, with its timely production a large part of GPO's mission. To gauge GPO's efficiency in providing the *Congressional Record* to Congress, GPO has established a deadline of 9 AM the following day when copy is received in GPO by midnight, regardless of whether the Senate or the House of Representatives is in session. Our actual on-time delivery rate was 83 percent in fiscal year 2002, compared with 77 percent in fiscal year 2001.

ON-TIME DELIVERY OF PROCURED PRINTING

The Printing Procurement Department contracted with commercial printers to ship 142,900 jobs in fiscal year 2002 compared with 147,800 jobs in fiscal year 2001. For fiscal year 2002, GPO's goal was to have at least 95 percent of procured printing orders delivered on schedule and a quality acceptance rate of at least 99 percent. Both goals were met. The goals for fiscal year 2003 remain the same as those for fiscal year 2002.

Financial Performance Measures

CASH MANAGEMENT

Payment Performance — In fiscal year 2002, GPO continued to earn millions of dollars from taking favorable prompt payment discounts offered by contractors for the payment of invoices within the discount period. GPO earned prompt payment discounts of \$6.6 million on purchased printing expense of \$437 million. This represents a discount rate of 1.5 percent, in line with that of the prior fiscal year 1.6. The 1.5 percent discount rate earned exceeded the 1.4 percent goal set for fiscal year 2002. Our goal will remain at 1.4 percent for fiscal year 2003.

Discounts lost increased to \$367,000 in fiscal year 2002 from \$278,000 in fiscal year 2001. The percentages of discounts lost to discounts offered were 5.3 percent and 43.4 percent in fiscal years 2002 and 2001, respectively. We did not achieve our goal set for fiscal year 2002, which was a maximum of 2.5 percent. 2001

Electronic Payments – The use of electronic funds transfer (EFT) payments results in savings for GPO and the Department of the Treasury because paper checks do not have to be produced and processed. In fiscal year 2002, approximately 25,600 monthly payments, or 92 percent, of all GPO payments were made by EFT, compared with 25,500 monthly payments, or 91 percent of all payments in fiscal year 2001. Our goal for fiscal year 2002 to increase EFT payments, as a percent of all payments, to 96 percent was not met due primarily to an increase in the number of small-value refund checks issued to the Superintendent of Documents' Sales Program customers. These checks are not feasibly disbursed via EFT. Our goal for fiscal year 2003 is to increase EFT payments to 93 percent of all payments made.

DEBT MANAGEMENT

Federal Receivables – In fiscal year 2002, GPO billed Federal agencies \$670 million for printing and binding services. Of this amount, \$483.8 million (72.2 percent) was collected using the Department of Treasury's Intra-governmental Payment and Collection (IPAC) system; \$38.4 million (5.7 percent) was from funds residing in Printing and Binding Deposit Accounts maintained by the GPO; and \$11.6 million (1.7 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.

Total GPO government accounts receivable at the end of fiscal year 2002 was \$16.3 million, compared with \$9.38.4 million at the end of fiscal year 2001. The Department of Defense (DOD), with an average monthly balance of \$5.9 million for billings outstanding for more than 90 days, representing 55.7 percent of all of GPO's delinquent receivables, is GPO's largest delinquent customer. At the end of fiscal year 2002, DOD owed GPO \$768,000 for billed, completed work that was between 31 and 60 days overdue, \$181,000 that was between 61 and

90 days overdue, and \$6.3 million that was more than 90 days overdue. GPO and DOD have, in recent years, used Treasury's IPAC system to simultaneously bill and collect certain DOD invoices for printing and publishing services. This agreement has had a significant impact in reducing GPO's receivables from DOD. As recently as fiscal year 1998, accounts receivable from DOD were \$34.9 million, including \$14.1 million overdue by more than 90 days.

GPO also offers Printing and Binding Deposit Accounts to allow agencies to prepay for their printing. These accounts greatly simplify customer agency accounting and have the added benefit of providing detailed customer account information, via a secure web site, which enables customers to either download or print their transactions. At the end of the year, there were 243 printing and binding deposit accounts valued at \$48.1 million.

Customer agencies have the option of paying for their printing and binding needs by credit card. Credit card usage increased in fiscal year 2002 to \$11.6 million for 14,392 print jobs from \$11.5 million for 12,852 print jobs in fiscal year 2001. The average price per job paid via credit card for the past two years was about \$850, indicating that customers find it a convenient method to pay for small printing jobs.

Possible Future Effects of Existing Events and Conditions

The Executive Branch has been evaluating a proposal to amend the Federal Acquisition Regulation (FAR) in regard to the procurement of printing and duplicating requirements. Implementation of this proposal to decentralize the Federal Printing Program could significantly reduce GPO's workload and associated revenues from Executive Branch customers. Specifically, the Office of Management and Budget (OMB) issued Policy Memorandum No. M-02-07, Procurement of Printing and Duplicating through the Government Printing Office, on May 3, 2002. OMB proposed that agencies of the Executive Branch be allowed to procure their printing and duplicating needs directly from the private sector or from other agencies, including GPO. The proposed amendments to the FAR were published in the Federal Register on November 13, 2002. The public comment period closed on December 13, 2002. The FAR has not been amended as of this date.

During this same time period, the U.S. Congress reaffirmed the statutory requirements for Executive Branch agencies to use GPO for printing through Section 117 of Public Law 107-229 (the Fiscal Year 2003 Continuing Resolution), as amended by Section 4 of Public Law 107-240. On November 13, 2002, the GAO General Counsel issued a legal opinion that agencies are prohibited from using any funds to implement OMB Memorandum No. M-02-07.

Subsequent to all these events, the new Public Printer and the Director of OMB reached an agreement to set aside the contention between the two agencies regarding Federal printing policy.

The Public Printer has invited the Director of OMB to jointly establish the facts about printing and information dissemination, and to devise a Government-wide policy that fits the 21st century.

Fiscal Year 2003 Projections

Congress created the GPO Revolving Fund to finance the business-type operations of the Agency. The Revolving Fund was designed to financially “break-even” by recovering costs through rates and charges to customers for goods and services provided by GPO. The Agency has not met this financial goal since fiscal year 1998. Under the leadership of the new Public Printer, the Agency’s fiscal year 2003 financial performance is projected to improve as a result of management initiatives being taken.

GPO is in the process of reinventing itself to better serve its customers. The new Public Printer has been meeting with Members of Congress, key congressional staff, Federal agency heads, the heads of Federal operations with congruent missions — such as the Postmaster General, Director of the Bureau of Engraving and Printing, and Director of the Mint — the library and information communities, the printing industry, and others to identify customer needs and business opportunities. This input from customers and other interested parties will help determine the future direction of the Agency.

A new organization structure is currently being implemented for GPO that will be more responsive to the needs of customers and employees. The new Public Printer is

in the process of assembling a management team that will have vast business and government experience, and a wealth of industry knowledge. Greater emphasis will be placed on operating GPO in a business-like manner.

The Agency will continue to transform its image as a producer of ink-on-paper products into a provider of digital and multi-media information. As part of the transition, plans are underway to greatly expand the workforce development budget to ensure that employees are empowered with the skills necessary to succeed in the transformation. The funds will be used to emphasize mission-related human capital development, and not simply job-related training.

The Public Printer has requested a \$10 million appropriation to cover the costs associated with necessary workforce restructuring under retirement incentive authority established by law. This investment will enable GPO to manage the size, composition, and skills of the workforce as required by rapidly changing technology. Additionally, the Public Printer is increasing the recruitment of college graduates to obtain the next generation of technical skills needed to take GPO into the 21st century.

Through the new Office of Innovation and New Technology, actions are planned to form associations with industry to explore opportunities for the GPO to assume a leadership position in technological innovation in the digital information era.

Additionally, the Public Printer is increasing the recruitment of college graduates to obtain the next generation of technical skills needed to take GPO into the 21st century.



The GPO's consolidated financial statements as of and for the years ended September 30, 2002 and 2001, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America;...

SECTION II

Independent Auditors' Report





2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

The Public Printer
United States Government Printing Office:

We have audited the accompanying consolidated balance sheets of the United States Government Printing Office (the GPO) as of September 30, 2002 and 2001, and the related consolidated statements of revenues and expenses and cash flows for the years then ended. We have also examined management's assertions, included in the statement of assurance to us dated February 7, 2003 at pages 56 and 57, regarding the effectiveness of the GPO's internal control over financial reporting that were in place as of September 30, 2002 and for the year then ended. The objective of our audits was to express an opinion on the fair presentation of these consolidated financial statements. The objective of our examination of management's assertions regarding internal control over financial reporting was to express an opinion on management's assertions. In connection with our audits, we also tested the GPO's compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on its consolidated financial statements.

SUMMARY

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

- The GPO's consolidated financial statements as of and for the years ended September 30, 2002 and 2001, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America; and
- The GPO management has fairly stated, in all material respects, its assertions that internal control over financial reporting in place as of September 30, 2002 and for the year then ended, provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and transactions are executed in accordance with: (a) laws governing the use of budget authority, and (b) other laws and regulations that could have a direct and material effect on the consolidated financial statements, based upon criteria established under GPO Instruction 825.18A, *Internal Control Program*.



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Our consideration of internal control over financial reporting resulted in deficiencies in the design and/or operation of the GPO's Information Technology (IT) general controls and internal controls over its process for identifying obsolete or slow moving publications for sale inventory and estimating the year-end allowance for surplus publications being identified as reportable conditions. However, none of the reportable conditions are considered to be material weaknesses.

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

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

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of the GPO as of September 30, 2002 and 2001, and the related consolidated statements of revenues and expenses and cash flows for the years then ended.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of the United States Government Printing Office as of September 30, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the GPO's consolidated financial statements taken as a whole. The consolidating and supplemental information on pages 45 through 54 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. We did not audit this information, and accordingly, we express no opinion on it.

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

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

We have examined management's assertions, included in its statement of assurance to us dated February 7, 2003, that internal controls designed by management provide reasonable, but not absolute, assurance that as of September 30, 2002 and for the year then ended, the following objectives were met:



- Transactions are properly recorded, processed, and summarized to permit the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and
- Transactions are executed in accordance with: (a) laws governing the use of budget authority, and (b) other laws and regulations that could have a direct and material effect on the consolidated financial statements.

In our opinion, management's assertions that internal controls in place as of September 30, 2002, and for the year then ended, provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and transactions are executed in accordance with: (a) laws governing the use of budget authority, and (b) other laws and regulations that could have a direct and material effect on the consolidated financial statements, are fairly stated in all material respects, based upon criteria established under GPO Instruction 825.18A, *Internal Control Program*.

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

We noted certain matters involving the internal control over financial reporting and its operation described below that we consider to be reportable conditions. However, none of the reportable conditions are believed to be material weaknesses.

IT General Controls

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

- **Entity-Wide Security Program**

There are several areas regarding an enterprise-wide security program that are inadequate. The program should establish a framework for assessing risk, developing and implementing



effective security procedures, and monitoring the effectiveness of these procedures. Without a well-designed program, security controls may be inadequate; responsibilities may be unclear, misunderstood, and improperly implemented; and controls may be inconsistently applied. Specifically, we noted the need for the GPO to establish an effective security management structure that provides a framework and continuing cycle of activity for managing risk, developing security policies, and monitoring the accuracy of computer security controls.

- **Access Controls**

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

Examples of improvements needed include:

- Utilizing independent risk assessments in order to properly classify computer information resources according to sensitivity and criticality.
- Reviewing access authorization listings and user account privileges for all of GPO's information systems to determine if access is still required and privileges are appropriate based upon job function.
- Improving logical security, configuration settings, and database permissions surrounding the general ledger and Probe databases.
- Improving internal network vulnerabilities for password administration, vendor patches, and vendor recommended enhancements.
- Enhancing employee checkout procedures.
- Improving physical access controls.

- **Application Change Control and Systems Development**

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

- **Service Continuity**

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



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

Publications for Sale Inventory

We noted that the fiscal year end publications for sale inventory balance included a significant number of publications that are considered obsolete or slow moving as defined by GPO's policies. We also noted that the GPO Financial Accounting and Reporting Branch has developed its estimate for the allowance for surplus publications using a four year average ratio of surplus expense to total publications for sale inventory without taking into consideration the actual obsolete or slow moving items that existed as of fiscal year end as defined by GPO's policies. This resulted in an adjustment to the allowance and the surplus publications expense of approximately \$3 million at fiscal year end.

We recommend that (a) management ensure that the review of slow moving and obsolete products, as defined in GPO's policies, is performed efficiently on a periodic basis, and (b) the GPO Financial Accounting and Reporting Branch modify its methodology for estimating the allowance by taking into consideration the actual number of slow moving and obsolete items as of fiscal year end.

The fiscal year 2001 reportable condition related to GPO's process for estimating its workers' compensation liability has been satisfactorily addressed in 2002 and has not been repeated in this report. The only other fiscal year 2001 reportable condition related to deficiencies in the GPO's IT general controls, while certain improvements have been noted it is still considered a reportable condition and has been repeated in this report.

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

COMPLIANCE WITH LAWS AND REGULATIONS

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



RESPONSIBILITIES

Management's Responsibility

Management is responsible for:

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

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

Auditors' Responsibility

Our responsibility is to express an opinion on the fiscal year 2002 and 2001 consolidated financial statements of the GPO based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit 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 financial statement presentation.

We are also responsible for expressing an opinion, based on our examination, on whether management's assertions regarding the effectiveness of internal control over financial reporting are fairly stated, in all material respects, based on criteria established under GPO Instruction 825.18A, *Internal Control Program*. We conducted our examination of management's assertions regarding the effectiveness of the GPO's internal control over financial reporting in place as of September 30, 2002, and for the year then ended, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

We did not evaluate all internal control relevant to operating objectives as broadly defined by GPO Instruction 825.18A. We limited our internal control testing to those controls necessary to achieve the objectives outlined in our opinion on management's assertions about the effectiveness of internal control over financial reporting. Because of inherent limitations in internal control, fraud may occur and not be detected. Also projections of any evaluation of internal control over



financial reporting to future periods are subject to the risk that the internal control procedures may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

DISTRIBUTION

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

KPMG LLP

February 7, 2003

SECTION III

Consolidated Financial Statements



U.S. GOVERNMENT PRINTING OFFICE
Consolidated Balance Sheets
 For the Fiscal Years Ended September 30, 2002 and 2001
 (Dollars in thousands)

	2002	2001
ASSETS		
Current assets		
Fund balance with the U.S. Treasury (Note 2)	\$211,338	\$209,642
Accounts receivable, net (Note 3)	121,488	126,934
Inventories (Note 4)	19,599	22,458
Prepaid expenses	455	374
Total current assets	352,880	359,408
Property, plant, and equipment, net (Note 5)	51,026	50,966
Total assets	\$403,906	\$410,374
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses (Note 6)	\$70,707	\$74,162
Deferred revenues (Note 7)	64,805	59,512
Accrued annual leave	10,056	10,048
Total current liabilities	145,568	143,722
Other liabilities		
Workers' compensation liability (Note 8)	91,216	67,653
Total liabilities	236,784	211,375
Commitments and contingencies (Notes 9 and 10)		
Net position (Note 11)		
Cumulative results of operations:		
Retained earnings	13,327	52,092
Invested capital	92,879	92,879
Unexpended appropriations	60,916	54,028
Total net position	167,122	198,999
Total liabilities and total net position	\$403,906	\$410,374

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



U.S. GOVERNMENT PRINTING OFFICE

Consolidated Statements of Revenues and Expenses

For the Fiscal Years Ended September 30, 2002 and 2001

(Dollars in thousands)

	2002	2001
OPERATING REVENUES		
Printing and binding	\$555,170	\$550,435
Sales of publications	37,984	42,407
Appropriations	104,626	115,131
Reimbursements	4,528	4,435
Total operating revenues	702,308	712,408
OPERATING EXPENSES		
Printing and reproduction	421,266	415,449
Personnel compensation and benefits	203,803	203,759
Supplies and materials	36,090	39,126
Rents, communications, and utilities	23,836	24,783
Publications sold	8,804	9,558
Depreciation and amortization	7,022	7,338
Other services	6,994	8,333
Surplus publications	5,657	2,270
Travel and transportation	4,038	3,340
Total operating expenses	717,510	713,956
Loss before other operating expenses	(15,202)	(1,548)
OTHER OPERATING EXPENSES		
Changes in workers' compensation liabilities (Note 8)	(23,563)	(31,436)
Impairment loss (Note 16)	-	(12,037)
NET LOSS	\$(38,765)	\$(45,021)

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

U.S. GOVERNMENT PRINTING OFFICE

Consolidated Statements of Cash Flows

For the Fiscal Years Ended September 30, 2002 and 2001
(Dollars in thousands)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$(38,765)	\$(45,021)
Adjustments to reconcile net loss to net cash		
Provided by (used in) operating activities:		
Depreciation and amortization	7,022	7,339
Impairment loss	-	12,037
Loss on disposal of property, plant, and equipment	45	(61)
Revenue from donated assets	-	(170)
Changes in assets and liabilities:		
(Increase) decrease in assets-		
Accounts receivable	5,446	19,273
Inventories	2,859	(1,791)
Prepaid expenses	(81)	357
Increase (decrease) in liabilities-		
Accounts payable and accrued expenses	(3,455)	(23,135)
Deferred revenue	5,293	(25,118)
Accrued annual leave	8	(401)
Workers' compensation liability	23,563	31,436
Total adjustments	40,700	19,766
Net cash provided by (used in) operating activities	1,935	(25,255)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(7,374)	(2,387)
Proceeds from sale of property, plant, and equipment	246	107
Net cash used in investing activities	(7,128)	(2,280)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in unexpended appropriations	6,889	12,308
Net cash provided by financing activities	6,889	12,308
Net increase (decrease) in fund balance with the U.S. Treasury	1,696	(15,227)
Fund balance with the U.S. Treasury, beginning of year	209,642	224,869
Fund balance with the U.S. Treasury, end of year	\$211,338	\$209,642

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



Notes to Consolidated Financial Statements

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.

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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 a liability is incurred, without regard to receipt or payment of cash.

BASIS OF PRESENTATION AND CONSOLIDATION

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

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

FUNDS

GPO maintains a revolving fund and a general fund to account for its various programs and operations. Each of these funds is a distinct fiscal and accounting entity that accounts for cash and other financial resources together with all related liabilities and equities.

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

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

The Printing and Binding Operations account for the revenues and expenses associated with services provided by GPO's printing plants (i.e., in-plant printing) and Printing Procurement Program (i.e., commercially procured printing).

The costs of these services are recovered through rates charged customers that include direct costs, overhead, and related expenses permitted under 44 U.S.C. §309(b).

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

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

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

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

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

C. Fund Balance with U. S. Treasury

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

D. Accounts Receivable

Accounts receivable consist of intra-governmental amounts due to GPO, as well as amounts due from the public.

Accounts receivable are shown net of a provision for uncollectable accounts. The allowance for doubtful accounts is based on GPO’s recent collection experience.

E. Inventories

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

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

F. Property, Plant, and Equipment

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

Major alterations and renovations are capitalized while normal maintenance and repair costs are expensed as incurred. Depreciation and amortization of property, plant, and equipment is calculated on a straight-line basis over the estimated useful life of the asset.

The estimated useful lives for buildings and improvements range from 42 to 50 years, plant machinery and equipment from 5 to 20 years, and motor vehicles from 3 to 6 years. Leasehold improvements are assigned a useful life of 3 years or the life of the lease, whichever is less. Furniture and fixtures and computer hardware have estimated useful lives of 5 years. Computer software is assigned a 3-year useful life. Land is not depreciated.

G. Deferred Revenue

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

H. Accrued Annual Leave

Annual leave is accrued as a liability when earned, and the liability is reduced when leave is used. Each year the annual leave liability is adjusted to reflect current pay rates. Sick leave

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

I. Workers' Compensation Liability

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The Department of Labor (DOL) administers the FECA Program, which provides workers' compensation benefits to GPO employees and others through the Special Benefit Fund. GPO annually reimburses DOL for the cost of FECA benefit claims paid on GPO's behalf.

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

J. Revenue Recognition

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

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

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

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

K. Expense Recognition

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

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

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

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

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

Depreciation and Amortization – Depreciation and amortization is the allocation of an asset's cost over the asset's estimated useful life. Assets include building appurtenances, production and office equipment, motor vehicles, and software costing over \$25,000. The recordation of depreciation and amortization expense begins once the asset is placed in service.

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.

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

Surplus Publications — This expense represents an estimate of the cost of potentially unsaleable publications held for sale at year end. The estimate is based on each publication's sales history, quantity held in inventory, and an assumed 18-month life cycle.

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

L. Consolidated Statements of Cash Flows

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

M. Use of Estimates

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

2. Fund Balance with the U.S. Treasury

A table of items included in GPO's funds with the U.S. Treasury, including funds on-hand or in-transit to the Treasury, as of September 30, 2002 and 2001 follows.

(Dollars in thousands)

	2002	2001
Fund Balances:		
Revolving fund:		
Unrestricted	\$72,544	\$81,728
Restricted:		
Deposit accounts	53,426	47,607
Other	23,015	23,754
On-hand or in-transit	54	262
Total revolving fund	149,039	153,351
Appropriated Funds:		
Congressional printing and binding	26,780	21,118
Salaries and expenses	17,150	16,371
Supplemental and other	18,369	18,802
Total appropriated funds	62,299	56,291
Total	\$211,338	\$209,642
Status of Fund Balance with the U.S. Treasury:		
Unobligated balance:		
Available	\$14,780	\$35,316
Unavailable	71,795	66,409
Total	86,575	101,725
Obligated balance not yet disbursed	124,763	107,917
Total	\$211,338	\$209,642

Unrestricted funds are available to meet the financial obligations of the Revolving Fund.

Restricted funds are comprised of customer deposit accounts and employees' accrued salaries and annual leave. These funds cannot be used other than for those purposes.

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

Between fiscal year 1998 and fiscal year 2001, GPO provided the U.S. Census Monitoring Board (CMB) with administrative support services for a fee. At September 30, 2002, the U.S. Treasury maintained an account balance for CMB, which was reported by the U.S. Treasury under GPO's accounts. GPO, however, did not include this amount in its Agency's consolidated financial statements. At September 30, 2002, the CMB cash balance with the U.S. Treasury was \$439,993 at September 30, 2002, and \$1,425,272 at September 30, 2001.

3. Accounts Receivable

Accounts receivable as of September 30, 2002 and 2001, consists of the following:

(Dollars in thousands)

	2002	2001
Federal Agencies:		
Unbilled completed work	\$93,416	\$108,954
Unbilled work in process	12,740	10,062
Billed completed work	16,335	9,340
Subtotal	122,491	128,356
Other receivables:		
The public	971	622
GPO employees	1,029	1,148
Subtotal	2,000	1,770
Total accounts receivable	124,491	130,126
Allowance for doubtful accounts	(3,003)	(3,192)
Total accounts receivable, net	\$121,488	\$126,934

The majority of GPO accounts receivable are due from other Federal agencies. Unbilled completed work results from the delivery of goods or the performance of services for which bills have not been presented. At September 30, 2002, this balance included finished work for which invoices have not been prepared of \$47.4 million, unbilled commercial printing of \$37.2 million, and finished work of \$8.8 million that was collected via the U. S. Treasury's Intra-governmental Payment and Collection (IPAC) system in October 2002. At September 30, 2001, this balance included finished work for which invoices had not been prepared of \$33.4 million, unbilled commercial printing of \$45.5 million, and finished work of \$30.1 million that was collected via IPAC in October 2001.

Unbilled work in process represents the value of work performed on customer orders as of September 30, 2002 and 2001, that, by law, must be reimbursed by GPO customers.

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

4. Inventories

The components of inventories as of September 30, 2002 and 2001 are as follows.

(Dollars in thousands)

	2002	2001
Publications for sale	\$7,713	\$9,975
Paper	5,506	5,564
Materials and supplies	6,380	6,919
Inventories	\$19,599	\$22,458

5. Property, Plant, and Equipment

Net property, plant, and equipment as of September 30, 2002 and 2001 consisted of the following.

(Dollars in thousands)

	2002	2001
Land	\$ 9,971	\$9,977
Buildings and improvements	68,542	64,124
Plant machinery and equipment	77,972	75,133
Computers and computer software	22,844	27,590
Furniture and fixtures	3,247	3,084
Motor vehicles	833	3,185
Leasehold improvements	1,035	1,049
Construction and software in process	1,044	1,136
Total	185,488	185,278
Less: Accumulated depreciation and amortization	(134,462)	(134,312)
Net property, plant, and equipment	\$51,026	\$50,966

6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of September 30, 2002 and 2001 were composed of the following:

(Dollars in thousands)

	2002	2001
Accounts payable:		
Commercial printing	\$34,704	\$42,701
U.S. Government agencies	17,184	12,848
Other	5,861	4,908
Total accounts payable	57,749	60,457
Accrued salaries and wages	12,216	12,968
State and local payroll taxes	742	737
Total accounts payable and accrued expenses	\$70,707	\$74,162

7. Deferred Revenues

As of September 30, 2002 and 2001, deferred revenues from customers consisted of the following:

(Dollars in thousands)

	2002	2001
Deposit accounts	\$53,426	\$47,607
Subscriptions	8,459	9,206
Unfilled orders	766	1,588
Advance billings	2,154	1,111
Total	\$64,805	\$59,512

GPO held about \$53.4 million in customer deposit accounts as of September 30, 2002. Government customers had advanced about \$48.1 million for printing and binding, and about \$5.3 million for sales of publications. The restricted funds in these deposit accounts will be applied to future orders specified by customers, or refunded upon request.

GPO deferred the recognition of about \$8.5 million in revenues for subscription services that will be provided to customers in the future. Customers pay for subscriptions to the *Congressional Record* and other Government publications in advance of delivery by the Superintendent of Documents. The revenues from subscriptions will be recognized as these periodicals are published and distributed to subscribers.

GPO also deferred the recognition of \$766,000 in revenues for unfilled orders of Government publications. The revenue from these sales will be recognized when the Superintendent of Documents fills the customer's order. GPO will refund the payment in those instances where the publication is no longer available for sale.

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

8. Workers' Compensation Liability

The liability estimate recorded by GPO for future workers' compensation benefits was \$91.2 million as of September 30, 2002, and \$67.7 million as of September 30, 2001. The liability estimate for the current year originated from the Department of Labor (DOL), which develops an estimate of future workers' compensation benefits for each department and agency to use for financial accounting and reporting each year. The prior year liability estimate was developed internally by GPO using a statistical methodology. GPO adopted the DOL actuarial liability estimate to comply with new intragovernmental accounting requirements for FECA in the U.S. Treasury, Financial Management Service, *Federal Intragovernmental Transactions Accounting Policies Guide*, dated September 28, 2001. The impact of the change in adopting the DOL liability estimate on the consolidated statement of revenues and expenses for the year ended September 30, 2002 is not available.

The DOL liability estimate includes the expected payments for death, disability, medical, and miscellaneous costs for approved compensation cases, as well as a component for incurred but not reported claims. The liability is determined using historical benefit payment patterns related to specific incurred periods to predict the ultimate payments related to that period. The methodology provides for the effects of inflation and adjusts historical payments to current year constant dollars by applying wage inflation factors (cost of living adjustments or COLA's) and medical inflation factors (consumer price index medical or CPIM's) to the calculation of projected benefits. The compensation COLA's and CPIM's used in the projections for 2002 and 2001 were as follows.

Fiscal Year	COLA		CPIM	
	2002	2001	2002	2001
2002	N/A	3.00%	N/A	4.15%
2003	1.80%	2.56%	4.31%	4.09%
2004	2.67%	2.50%	4.01%	4.09%
2005+	2.40%	2.50%	4.01%	4.09%

Projected annual payments were discounted to the present value based on OMB's interest rate assumptions for ten year Treasury notes. For 2002, interest rate assumptions were 5.2 percent in year one and thereafter. For 2001, interest rate assumptions were 5.21 percent in year one and thereafter.

9. Commitments

9. A. Operating Leases

As of September 30, 2002, GPO was committed to various non-cancelable commercial operating leases, primarily covering warehouse, retail, and office space. Some of these leases contain escalation clauses and renewal options. A schedule of future minimum rental payments required under operating leases by type, which have initial or remaining non-cancelable lease terms in excess of one year, follows.

(Dollars in thousands)

Fiscal Year	Warehouse	Retail	Office	Total
2003	\$1,930	\$243	\$446	\$2,619
2004	2,081	169	437	2,687
2005	1,459	159	432	2,050
2006	736	111	253	1,100
2007	495	96	109	700
2008 and beyond	288	-	7	295
Total minimum lease payments	\$6,989	\$778	\$1,684	\$9,451

Rent expense for the years ended September 30, 2002 and 2001, were \$5,742,000 and \$5,577,000 respectively.

9. B. Commitments on Undelivered Orders

Some of GPO's orders for goods and services have been placed, but have not been delivered at fiscal year-end. Total undelivered orders for all GPO activities were approximately \$101.8 million and \$109.7 million as of September 30, 2002 and 2001, respectively.

10. Contingencies

Administrative Proceedings, Legal Actions, and Claims

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

GPO did not record any liability for contingencies as of September 30, 2002 and 2001. Management and legal counsel were of the opinion that incurrence of a liability was not probable for any of these contingent matters. In some cases, legal matters relate to contractual arrangements GPO has entered into for goods and services procured on behalf of other Federal agencies. The costs of administering, litigating, and resolving these actions are borne by the GPO Revolving Fund unless the costs can be recovered from another Federal agency. Certain legal matters in which GPO is a named party may be administered and litigated by the U.S. Department of Justice (DOJ) on GPO's behalf. In these cases, amounts paid under any decision, settlement, or award are funded by the DOJ Special Judgment Fund. The DOJ paid a total of \$169,000 and \$34,000 from the fund

on behalf of the GPO for the years ended September 30, 2002 and 2001, respectively. These amounts are not reflected in GPO's consolidated financial statements.

11. Net Position

11. A. Cumulative Results of Operations

Retained Earnings — Retained earnings include net operating results since its inception less returns to the U.S. Treasury from the sales of publications deposited as “miscellaneous receipts” in the Treasury of the United States, and by transfers to other Federal agencies.

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

Below is a summary of the changes to the cumulative results of operations in the fiscal years ended September 30, 2002 and 2001.

(Dollars in thousands)

Cumulative Results of Operations	Retained Earnings	Invested Capital	Total
Balance at September 30, 2000	\$97,113	\$92,879	\$189,992
Net loss for fiscal year ended September 30, 2001	(45,021)	-	(45,021)
Balance at September 30, 2001	\$52,092	\$92,879	\$144,971
Net loss for fiscal year ended September 30, 2002	(38,765)	-	(38,765)
Balance at September 30, 2002	\$13,327	\$92,879	\$106,206

11. B. Unexpended Appropriations

As of September 30, 2002, GPO had obligated services for the unexpended appropriations for the Congressional Printing and Binding of \$26,780,000, and Salaries and Expenses of \$15,767,000, for a total of \$42,547,000. These obligated funds represent estimates of expected total costs of open orders as of September 30, 2002. At September 30, 2001, these amounts were \$21,118,000 for the Congressional Printing and Binding and \$14,108,000 for Salaries and Expenses, totaling \$35,226,000.

In fiscal year 2001, the Congress (Public Law 107-20) authorized the use of \$9.5 million from the Congressional Printing and Binding Appropriations to cover the cost of congressional work submitted but not completed. At the end of fiscal year 2002, a balance of about \$7.1 million remained to cover congressional requirements.

Also, Congress authorized the use of \$3.3 million from the Salaries and Expenses Appropriations to pay for the printing and distribution of Government publications selected by the depository libraries. As of September 30, 2002, \$3.2 million remained on hand for the intended purpose.

In August 2001, Congress authorized \$6 million to enable GPO to replace antiquated air conditioning and lighting systems. Of this amount, about \$5.8 million is included as unexpended appropriations as of September 30, 2002. These replacement systems will be capitalized as fixed assets upon completion, along with internal engineering services required in planning and installation.

In January 2002, under the Emergency Response legislation, GPO received \$4 million 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. As of September 30, 2002, about \$2.3 million remained in unexpended appropriations.

12. Appropriated Funds

12. A. Available Appropriations

Total net appropriations made available, after rescissions and supplemental appropriations, for fiscal years ended September 30, 2002 and 2001 follow.

(Dollars in thousands)

	2002	2001
Congressional printing and binding	\$81,000	\$81,205
Salaries and expenses	29,639	27,893
Total available appropriations	\$110,639	\$109,098

12. B. Expended Appropriations

Expended appropriations for program operations for the years ended September 30, 2002 and 2001 follow.

(Dollars in thousands)

	2002	2001
Congressional printing and binding:		
Congressional Record products	\$18,648	\$19,727
Miscellaneous publications and printing and binding	21,902	23,658
Hearings	16,857	16,742
Bills, resolutions, and amendments	6,392	10,878
Details to Congress	2,163	2,685
Other	9,376	12,410
Total congressional printing and binding	75,338	86,100
Salaries and expenses:		
Depository library distribution	23,732	25,188
Cataloging and indexing	3,119	3,602
By-law distribution	856	592
International exchange	274	271
Total salaries and expenses	27,981	29,653
Revolving fund:		
Homeland Security	1,714	-
Air conditioning and lighting upgrade	192	-
Total revolving fund	1,906	-
Total expended appropriations	\$105,225	\$115,753
Reconciliation of expended appropriations to the consolidated statements of revenues and expenses:		
Total expended appropriations	\$105,225	\$115,753
Eliminations (Intra-agency)	(599)	(622)
Consolidated revenues from appropriations	\$104,626	\$115,131

13. Employee Benefit Plans

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

Civil Service Retirement System

The majority of GPO's employees were covered by the CSRS, a defined benefit plan. Total GPO (employer) contributions to CSRS for employees covered under this retirement program were 9.01 percent of basic pay in both fiscal years 2002 and 2001 for Congressional Record indexers, investigators, and law officers; and 8.51 percent of basic pay in both fiscal years for all other employees. GPO's contributions were \$8.5 million and \$9 million for the fiscal years ended September 30, 2002 and 2001, respectively.

Federal Employees Retirement System

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

In both fiscal years 2002 and 2001, GPO (employer) contributions to FERS were 15.4 percent of basic pay for Congressional Record indexers; 23.3 percent of basic pay for investigators and law officers; and 10.7 percent of basic pay for all other employees covered under this plan. Total GPO contributions were \$6.1 million and \$5.6 million in fiscal year 2002 and 2001, respectively. Contributions by GPO to TSP for fiscal year 2002 and 2001 were \$2.2 million, and \$2 million, respectively.

Social Security System

For employees covered by FERS, GPO matches contributions to the Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA). GPO contributes matching amounts of 6.2 percent of gross pay (up to \$84,900 in 2002 and \$80,400 in 2001) to SSA's Old Age, Survivors, and Disability Insurance (OASDI) Program. Additionally, GPO makes matching contributions for all employees of 1.45 percent of gross pay to SSA's Medicare Hospital Insurance Program. Payments to these programs for the years ended September 30, 2002 and 2001 totaled \$6.2 million and \$5.9 million, respectively.

Pension and Other Post-Employment Benefits Provided by Others

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

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

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

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

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, 2002 and 2001. GPO estimates the fair value of financial instruments at September 30, 2002 and 2001 to be the carrying value.

15. Major Customers

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

(Dollars in thousands)

	2002		2001	
	Amount	Percent	Amount	Percent
Department of Defense	\$142,838	20.3%	\$123,517	17.3%
Department of the Treasury	\$94,665	13.5%	\$94,256	13.2%
Department of Health & Human Services	\$76,620	10.9%	\$81,037	11.4%
Congress of the United States	\$77,769	11.1%	\$76,600	10.8%

16. Impairment Loss, Write-down of Software Development Project

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

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



SECTION IV

Consolidating and Supplemental Schedules

(unaudited)

U.S. GOVERNMENT PRINTING OFFICE
Consolidating Balance Sheet by Fund Type

As of September 30, 2002

(Dollars in thousands)

(Unaudited)

ASSETS	Revolving Fund		General Fund		Total Before Eliminations	Eliminations	Consolidated
	Printing and Binding Operations	Sales of Publications Operations	Salaries and Expenses Appropriation	Congressional Printing and Binding Appropriation			
CURRENT ASSETS							
Funds with U.S. Treasury	\$159,681	\$7,727	\$17,150	\$26,780	\$211,338	\$-	\$211,338
Accounts receivable, net	177,440	3,497	134	-	181,071	(59,583)	121,488
Inventories:							
Publications for sale, net	-	7,712	-	-	7,712	-	7,712
Paper	5,507	-	-	-	5,507	-	5,507
Materials and supplies, net	6,380	-	-	-	6,380	-	6,380
Total inventories, net	11,887	7,712			19,599		19,599
Prepaid expenses	455	-	-	-	455	-	455
Total current assets	349,463	18,936	17,284	26,780	412,463	(59,583)	352,880
PROPERTY, PLANT, AND EQUIPMENT							
Land	9,971	-	-	-	9,971	-	9,971
Buildings and improvements	68,542	-	-	-	68,542	-	68,542
Plant machinery and equipment	77,972	-	-	-	77,972	-	77,972
Computers and computer software	22,844	-	-	-	22,844	-	22,844
Furniture and fixtures	3,247	-	-	-	3,247	-	3,247
Motor vehicles	833	-	-	-	833	-	833
Leasehold improvements	1,035	-	-	-	1,035	-	1,035
Construction and software in process	1,044	-	-	-	1,044	-	1,044
	185,488	-	-	-	185,488	-	185,488
Less: Accumulated depreciation and amortization	(134,462)	-	-	-	(134,462)	-	(134,462)
Property, plant, and equipment, net	51,026	-	-	-	51,026	-	51,026
Total assets	\$400,489	\$18,936	\$17,284	\$26,780	\$463,489	\$(59,583)	\$403,906

See accompanying independent auditors' report.

U.S. GOVERNMENT PRINTING OFFICE
Consolidating Balance Sheet by Fund Type

As of September 30, 2002

(Dollars in thousands)

(Unaudited)

LIABILITIES AND NET POSITION	Revolving Fund		General Fund		Total Before Eliminations	Eliminations	Consolidated
	Printing and Binding Operations	Sales of Publications Operations	Salaries and Expenses Appropriation	Congressional Printing and Binding Appropriation			
CURRENT LIABILITIES							
Accounts payable and accrued expenses	\$72,566	\$56,207	\$1,517	\$-	\$130,290	\$(59,583)	\$70,707
Deferred revenue	50,268	14,537	-	-	64,805	-	64,805
Accrued annual leave	10,056	-	-	-	10,056	-	10,056
Total current liabilities	132,890	70,744	1,517	-	205,151	(59,583)	145,568
OTHER LIABILITIES							
Workers' compensation liability	91,216	-	-	-	91,216	-	91,216
Total other liabilities	91,216	-	-	-	91,216	-	91,216
Total liabilities	224,106	70,744	1,517	-	296,367	(59,583)	236,784
NET POSITION							
Cumulative results of operations:							
Retained earnings (accumulated deficit)	67,724	(54,397)	-	-	13,327	-	13,327
Invested capital	90,290	2,589	-	-	92,879	-	92,879
Unexpended appropriations	18,369	-	15,767	26,780	60,916	-	60,916
Total net position	176,383	(51,808)	15,767	26,780	167,122	-	167,122
Total liabilities and total net position	\$400,489	\$18,936	\$17,284	\$26,780	\$463,489	\$(59,583)	\$403,906

See accompanying independent auditors' report.

U.S. GOVERNMENT PRINTING OFFICE

Consolidating Schedule of Revenues and Expenses by Fund Type

For the Fiscal Year Ended September 30, 2002

(Dollars in thousands)

(Unaudited)

	Revolving Fund		General Fund		Total Before Eliminations	Eliminations	Consolidated
	Printing and Binding Operations	Sales of Publications Operations	Salaries and Expenses Appropriation	Congressional Printing and Binding Appropriation			
OPERATING REVENUES							
Printing and Binding	\$653,738	\$-	\$-	\$-	\$653,738	\$(98,568)	\$555,170
Sales of Publications	-	37,984	-	-	37,984	-	37,984
Appropriations	1,906	-	27,981	75,338	105,225	(599)	104,626
Reimbursements	-	4,528	-	-	4,528	-	4,528
Total operating revenues	655,644	42,512	27,981	75,338	801,475	(99,167)	702,308
OPERATING EXPENSES							
Printing and reproduction	430,070	356	11,937	75,338	517,701	(96,435)	421,266
Personnel compensation and benefits	165,137	28,443	11,938	-	205,518	(1,715)	203,803
Supplies and materials	33,901	1,507	780	-	36,188	(98)	36,090
Rents, communications, and utilities	12,471	10,685	915	-	24,071	(235)	23,836
Publications sold	-	8,804	-	-	8,804	-	8,804
Depreciation and amortization	6,316	495	211	-	7,022	-	7,022
Other services	5,511	1,339	828	-	7,678	(684)	6,994
Surplus publications	-	5,657	-	-	5,657	-	5,657
Travel and transportation	1,539	1,127	1,372	-	4,038	-	4,038
Total operating expenses	654,945	58,413	27,981	75,338	816,677	(99,167)	717,510
Income (loss) before other operating expenses	699	(15,901)	-	-	(15,202)	-	(15,202)
OTHER OPERATING EXPENSES:							
Changes in actuarial liabilities	(23,563)	-	-	-	(23,563)	-	(23,563)
Net loss	\$(22,864)	\$(15,901)	\$-	\$-	\$(38,765)	\$-	\$(38,765)

See accompanying independent auditors' report.

U.S. GOVERNMENT PRINTING OFFICE

Consolidating Schedule of Cash Flows by Fund Type

For the Fiscal Year Ended September 30, 2002

(Dollars in thousands)

(Unaudited)

	Revolving Fund		General Fund		Total Before Eliminations	Eliminations	Consolidated
	Printing and Binding Operations	Sales of Publications Operations	Salaries and Expenses Appropriation	Congressional Printing and Binding Appropriation			
CASH FLOWS FROM OPERATING ACTIVITIES							
Net loss	\$(22,864)	\$(15,901)	\$-	\$-	\$(38,765)	\$-	\$(38,765)
Adjustments to reconcile net loss to net cash							
Provided by operating activities:							
Depreciation and amortization	7,022	-	-	-	7,022	-	7,022
Loss on disposal of property, plant, and equipment	45	-	-	-	45	-	45
Changes in assets and liabilities:							
(Increase) decrease in assets-							
Accounts receivable	(9,060)	(2,230)	1,251	-	(10,039)	15,485	5,446
Inventories	596	2,263	-	-	2,859	-	2,859
Prepaid expenses	(81)	-	-	-	(81)	-	(81)
Increase (decrease) in liabilities-							
Accounts payable and accrued expenses	(3,087)	17,249	(2,132)	-	12,030	(15,485)	(3,455)
Deferred revenue	7,115	(1,822)	-	-	5,293	-	5,293
Accrued annual leave	8	-	-	-	8	-	8
Workers' compensation liability	23,563	-	-	-	23,563	-	23,563
Total adjustments	26,121	15,460	(881)	-	40,700	-	40,700
Net cash provided by (used in) operating activities	3,257	(441)	(881)	-	1,935	-	1,935
CASH FLOWS FROM INVESTING ACTIVITIES							
Capital expenditures	(7,374)	-	-	-	(7,374)	-	(7,374)
Proceeds from sale of property, plant, and equipment	246	-	-	-	246	-	246
Net cash used in investing activities	(7,128)	-	-	-	(7,128)	-	(7,128)
CASH FLOWS FROM FINANCING ACTIVITIES							
Increase (decrease) in unexpended appropriations	(433)	-	1,660	5,662	6,889	-	6,889
Net cash provided (used) in financing activities	(433)	-	1,660	5,662	6,889	-	6,889
Net increase (decrease) in fund balance with the U.S. Treasury	(4,304)	(441)	779	5,662	1,696	-	1,696
Fund balance with the U.S. Treasury, beginning of year	163,985	8,168	16,371	21,118	209,642	-	209,642
Fund balance with the U.S. Treasury, end of year	\$159,681	\$7,727	\$17,150	\$26,780	\$211,338	\$-	\$211,338

See accompanying independent auditors' report.

U.S. GOVERNMENT PRINTING OFFICE

Supplemental Schedule of Appropriated Funds

For the Fiscal Years Ended September 30, 2002 and 2001

(Dollars in thousands)

(Unaudited)

	Revolving Fund Appropriation	Salaries and Expenses Appropriation	Congressional Printing and Binding Appropriation	Total	
				2002	2001
Unexpended Appropriations, beginning of year (on cash basis)	\$18,802	\$16,371	\$21,118	\$56,291	\$48,255
Funds Provided:					
Appropriations	-	29,639	81,000	110,639	99,198
Supplemental Appropriations	4,000	-	-	4,000	15,900
Transfers	-	-	-	-	12,802
Total funds available	22,802	46,010	102,118	170,930	176,155
Funds Applied:					
Obligated appropriations-					
Current year	1,714	20,936	54,220	76,870	78,909
Prior years	2,719	7,924	21,118	31,761	28,152
Funds transferred to the Revolving Fund	-	-	-	-	12,802
Total funds applied	4,433	28,860	75,338	108,631	119,863
Unexpended Appropriations, end of year (on cash basis)	18,369	17,150	26,780	62,299	56,291
Adjustments:					
Intra-agency accounts receivable	-	134	-	134	1,385
Intra-agency accounts payable	-	(1,517)	-	(1,517)	(3,648)
Unexpended Appropriations, end of year (on accrual basis)	\$18,369	\$15,767	\$26,780	\$60,916	\$54,028

See accompanying independent auditors' report.

U.S. GOVERNMENT PRINTING OFFICE

Supplemental Schedule of Balance Sheets for Revolving Fund

As of September 30, 2002 and 2001

(Dollars in thousands)

(Unaudited)

	Printing and Binding Operations		Sales of Publications Operations	
	2002	2001	2002	2001
ASSETS				
CURRENT ASSETS				
Funds with U.S. Treasury	\$159,681	\$163,986	\$7,727	\$8,168
Accounts receivable	177,440	168,378	3,497	1,267
Inventories	11,887	12,483	7,712	9,975
Prepaid expenses	455	374	-	-
Total current assets	349,463	345,221	18,936	19,410
PROPERTY, PLANT, AND EQUIPMENT				
Land	9,971	9,977	-	-
Buildings and improvements	68,542	64,124	-	-
Plant machinery and equipment	77,972	75,133	-	-
Computers and computer software	22,844	27,590	-	-
Furniture and fixtures	3,247	3,084	-	-
Motor vehicles	833	3,185	-	-
Leasehold improvements	1,035	1,049	-	-
Construction and software in process	1,044	1,136	-	-
	185,488	185,278	-	-
Less: Accumulated depreciation and amortization	(134,462)	(134,312)	-	-
Net property, plant, and equipment	51,026	50,966	-	-
Total assets	\$400,489	\$396,187	\$18,936	\$19,410

See accompanying independent auditors' report.

Total Revolving Fund 2002			Total Revolving Fund 2001		
Before Eliminations-	Eliminations-	Consolidated	Before Eliminations-	Eliminations-	Consolidated
\$167,408	\$ -	\$167,408	\$172,154	\$ -	\$172,154
180,937	(59,583)	121,354	169,645	(44,097)	125,548
19,599	-	19,599	22,458	-	22,458
455	-	455	374	-	374
368,399	(59,583)	308,816	364,631	(44,097)	320,534
9,971	-	9,971	9,977	-	9,977
68,542	-	68,542	64,124	-	64,124
77,972	-	77,972	75,133	-	75,133
22,844	-	22,844	27,590	-	27,590
3,247	-	3,247	3,084	-	3,084
833	-	833	3,185	-	3,185
1,035	-	1,035	1,049	-	1,049
1,044	-	1,044	1,136	-	1,136
185,488	-	185,488	185,278	-	185,278
(134,462)	-	(134,462)	(134,312)	-	(134,312)
51,026	-	51,026	50,966	-	50,966
\$419,425	\$(59,583)	\$359,842	\$415,597	\$(44,097)	\$371,500

U.S. GOVERNMENT PRINTING OFFICE

Supplemental Schedule of Balance Sheets for Revolving Fund

As of September 30, 2002 and 2001

(Dollars in thousands)

(Unaudited)

	Printing and Binding Operations		Sales of Publications Operations	
	2002	2001	2002	2001
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$72,566	\$75,652	\$56,207	\$38,959
Deferred revenue	50,268	43,153	14,537	16,359
Accrued annual leave	10,056	10,048	-	-
Total current liabilities	132,890	128,853	70,744	55,318
OTHER LIABILITIES				
Workers' compensation liability	91,216	67,653	-	-
Total other liabilities	91,216	67,653	-	-
Total liabilities	224,106	196,506	70,744	55,318
NET POSITION				
Cumulative results of operations:				
Retained earnings (accumulated deficit)	67,724	90,589	(54,397)	(38,497)
Invested capital	90,290	90,290	2,589	2,589
Unexpended appropriations	18,369	18,802	-	-
Total net position	176,383	199,681	(51,808)	(35,908)
Total liabilities and total net position	\$400,489	\$396,187	\$18,936	\$19,410

See accompanying independent auditors' report.

	Total Revolving Fund 2002			Total Revolving Fund 2001		
	Before Eliminations-	Eliminations-	Consolidated	Before Eliminations-	Eliminations-	Consolidated
	\$128,773	\$(59,583)	\$69,190	\$114,611	\$(44,097)	\$70,514
	64,805	-	64,805	59,512	-	59,512
	10,056	-	10,056	10,048	-	10,048
	203,634	(59,583)	144,051	184,171	(44,097)	140,074
	91,216	-	91,216	67,653	-	67,653
	91,216	-	91,216	67,653	-	67,653
	294,850	(59,583)	235,267	251,824	(44,097)	207,727
	13,327	-	13,327	52,092	-	52,092
	92,879	-	92,879	92,879	-	92,879
	18,369	-	18,369	18,802	-	18,802
	124,575	-	124,575	163,773	-	163,773
	\$419,425	\$(59,583)	\$359,842	\$415,597	\$(44,097)	\$371,500

U.S. GOVERNMENT PRINTING OFFICE

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

For the Fiscal Years Ended September 30, 2002 and 2001

(Dollars in thousands)

(Unaudited)

	Printing and Binding Operations		Information Dissemination Operations		Congressional Printing and Binding	
	2002	2001	2002	2001	2002	2001
REVENUES:						
Printing and binding	\$641,159	\$648,276	\$ -	\$ -	\$ -	\$ -
Sales of blank paper	10,666	12,307	-	-	-	-
Sales of waste and scrap	478	722	-	-	-	-
Sales of publications	-	-	37,984	42,407	-	-
Appropriations	-	-	27,981	29,653	75,338	86,100
Reimbursements	-	-	4,528	4,435	-	-
Total revenues	652,303	661,305	70,493	76,495	75,338	86,100
EXPENSES:						
Printing and reproduction	430,070	425,007	12,293	15,115	75,338	86,100
Personnel compensation and benefit	164,768	165,917	40,381	39,273	-	-
Supplies and materials	33,794	37,432	2,287	1,788	-	-
Rents, communications, and utilities	11,699	13,660	11,600	10,634	-	-
Publications sold	-	-	8,804	9,558	-	-
Depreciation and amortization	6,313	5,823	706	838	-	-
Other services	5,216	6,775	2,167	2,046	-	-
Surplus publications	-	-	5,657	2,270	-	-
Travel and transportation	1,539	865	2,499	2,475	-	-
Total expenses	653,399	655,479	86,394	83,997	75,338	86,100
INCOME (LOSS) before Other Operating Expenses	\$(1,096)	\$5,826	\$(15,901)	\$(7,502)	\$ -	\$ -

See accompanying independent auditors' report.

Other Operations		Total GPO Before Eliminations		Eliminations		Total GPO	
2002	2001	2002	2001	2002	2001	2002	2001
\$1,435	\$2,005	\$642,594	\$650,281	\$(98,568)	\$(112,875)	\$544,026	\$537,406
-	-	10,666	12,307	-	-	10,666	12,307
-	-	478	722	-	-	478	722
-	-	37,984	42,407	-	-	37,984	42,407
1,906	-	105,225	115,753	(599)	(622)	104,626	115,131
-	-	4,528	4,435	-	-	4,528	4,435
3,341	2,005	801,475	825,905	(99,167)	(113,497)	702,308	712,408
-	-	517,701	526,222	(96,435)	(110,773)	421,266	415,449
369	210	205,518	205,400	(1,715)	(1,641)	203,803	203,759
107	20	36,188	39,240	(98)	(114)	36,090	39,126
772	731	24,071	25,025	(235)	(242)	23,836	24,783
-	-	8,804	9,558	-	-	8,804	9,558
3	677	7,022	7,338	-	-	7,022	7,338
295	239	7,678	9,060	(684)	(727)	6,994	8,333
-	-	5,657	2,270	-	-	5,657	2,270
-	-	4,038	3,340	-	-	4,038	3,340
1,546	1,877	816,677	827,453	(99,167)	(113,497)	717,510	713,956
\$1,795	\$128	\$(15,202)	\$(1,548)	\$ -	\$ -	\$(15,202)	\$(1,548)

U.S. GOVERNMENT PRINTING OFFICE

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

For the Fiscal Years Ended September 30, 2002 and 2001

(Dollars in thousands)

(Unaudited)

	Plant Printing Operations		Regional Printing	
	2002	2001	2002	2001
REVENUES:				
Printing and binding	\$170,114	\$173,187	\$705	\$759
Sales of blank paper	10,666	12,307	-	-
Sales of waste and scrap	478	722	-	-
Total revenues	181,258	186,216	705	759
EXPENSES:				
Printing and reproduction	-	-	-	-
Personnel compensation and benefits	128,264	128,589	\$1,211	1,316
Supplies and materials	32,518	36,026	138	179
Rents, communications, and utilities	5,959	6,451	352	412
Depreciation and amortization	5,571	5,182	6	7
Other services	3,963	5,963	438	60
Travel and transportation	825	677	6	9
Total expenses	177,100	182,888	2,151	1,983
INCOME (LOSS) before Other Operating Expenses	\$4,158	\$3,328	\$(1,446)	\$(1,224)

See accompanying independent auditors' report.

Total In-House Printing				Purchased Printing				Total Printing and Binding Operations			
2002	Percent of Revenues	2001	Percent of Revenues	2002	Percent of Revenues	2001	Percent of Revenues	2002	Percent of Revenues	2001	Percent of Revenues
\$170,819	94	\$173,946	93	\$470,340	100	\$474,330	100	\$641,159	98	\$648,276	98
10,666	6	12,307	7	-	-	-	-	10,666	2	12,307	2
478	-	722	-	-	-	-	-	478	-	722	-
181,963	100	186,975	100	470,340	100	474,330	100	652,303	100	661,305	100
-	-	-	-	430,070	91	425,007	90	430,070	66	425,007	64
129,475	72	129,905	70	35,293	8	36,012	8	164,768	25	165,917	25
32,656	19	36,205	19	1,138	-	1,227	-	33,794	5	37,432	6
6,311	3	6,863	4	5,388	1	6,797	1	11,699	2	13,660	2
5,577	3	5,189	3	736	-	634	-	6,313	1	5,823	1
4,401	2	6,023	3	815	-	752	-	5,216	1	6,775	1
831	-	686	-	708	-	179	-	1,539	-	865	-
179,251	99	184,871	99	474,148	101	470,608	99	653,399	100	655,479	99
\$2,712	1	\$2,104	1	\$(3,808)	(1)	\$3,722	1	\$(1,096)	-	\$5,826	1

U.S. GOVERNMENT PRINTING OFFICE

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

For the Fiscal Years Ended September 30, 2002 and 2001

(Dollars in thousands)

(Unaudited)

	Sales of Publications Programs			
	2002	Percent of Revenues	2001	Percent of Revenues
REVENUES:				
Sales of publications	\$37,984	100	\$42,407	100
Appropriations	-	-	-	-
Reimbursements	-	-	-	-
Total revenues	37,984	100	42,407	100
EXPENSES:				
Printing and reproduction	235	1	292	1
Personnel compensation and benefits	25,996	68	25,834	61
Supplies and materials	1,355	4	1,052	2
Rents, communications, and utilities	9,326	25	8,277	20
Publications sold	8,804	23	9,558	23
Depreciation and amortization	446	1	499	1
Other services	1,224	3	1,337	3
Surplus publications	5,657	15	2,270	5
Travel and transportation	922	2	895	2
Total expenses	53,965	142	50,014	118
INCOME (LOSS) before Other Operating Expenses	\$(15,981)	(42)	\$(7,607)	(18)

See accompanying independent auditors' report.

Agency Distribution Services				Salaries and Expenses Programs				Total Information Dissemination			
Percent of Revenues		Percent of Revenues		Percent of Revenues		Percent of Revenues		Percent of Revenues		Percent of Revenues	
2002		2001		2002		2001		2002		2001	
\$-	-	\$-	-	\$-	-	\$-	-	\$37,984	54	\$42,407	55
-	-	-	-	27,981	100	29,653	100	27,981	40	29,653	39
4,528	100	4,435	100	-	-	-	-	4,528	6	4,435	6
4,528	100	4,435	100	27,981	100	29,653	100	70,493	100	76,495	100
121	3	64	1	11,937	43	14,759	50	12,293	17	15,115	20
2,447	55	2,407	55	11,938	43	11,032	37	40,381	57	39,273	51
152	3	98	2	780	3	638	2	2,287	3	1,788	2
1,359	30	1,444	33	915	3	913	3	11,600	16	10,634	14
-	-	-	-	-	-	-	-	8,804	12	9,558	12
49	1	56	1	211	1	283	1	706	1	838	1
115	3	128	3	828	3	581	2	2,167	3	2,046	3
-	-	-	-	-	-	-	-	5,657	8	2,270	3
205	5	133	3	1,372	5	1,447	5	2,499	4	2,475	3
4,448	98	4,330	98	27,981	100	29,653	100	86,394	122	83,997	109
\$80	2	\$105	2	\$-	-	\$-	-	\$(15,901)	(22)	\$(7,502)	(9)

SECTION V

Management's Assertion About the Effectiveness of Internal Controls





U. S. GOVERNMENT
PRINTING OFFICE
KEEPING AMERICA INFORMED

Office of the Public Printer

February 7, 2003

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

Dear Mr. Geraty:

In connection with your examination of our assertion regarding internal controls over financial reporting of the United States Government Printing Office (GPO) as of September 30, 2002, and for the year then ended, we make the following representations:

1. The GPO is responsible for establishing and maintaining an effective internal control structure.
2. Pursuant to GPO Instruction 825.18A, Internal Control Program, "internal control" as it relates to the consolidated financial statements, is a process that is effected by the agency's management and other personnel, and is designed to provide reasonable assurance that the following objectives are met:
 - a. Reliable financial reporting. Transactions are properly recorded, processed, and summarized to permit the preparation of the consolidated financial statements in accordance with generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
 - b. Compliance with applicable laws and regulations. Transactions are executed in accordance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the consolidated financial statements.

732 North Capitol Street NW

Washington, DC 20401-0001

PublicPrinter@gpo.gov

3. The GPO has performed an evaluation of the effectiveness of internal controls over financial reporting pursuant to the objectives (or criteria) set forth in GPO Instruction 825.18A, Internal Control Program.
4. Except as disclosed in the Independent Auditors' Report, all internal controls are operated in accordance with applicable policies and procedures and are effective in meeting the foregoing objectives as set forth in GPO Instruction 825.18A, Internal Control Program.
5. There have been no changes subsequent to September 30, 2002, that would significantly affect internal controls over financial reporting.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce R. James". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

BRUCE R. JAMES
Public Printer



GPO

