2018 Annual Report

U.S. GOVERNMENT PUBLISHING OFFICE

GPO

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

JOHN W. CRAWFORD
Acting Deputy Director

GPO

April 25, 2019

The Honorable Mike Pence
President of the United States Senate

The Honorable Nancy Pelosi
Speaker of the U.S. House of Representatives

Dear Mr. President & Madam Speaker:

I have the honor to transmit herewith the Annual Report of the U.S. Government Publishing Office (GPO) for the fiscal year ending September 30, 2018. The report contains the results of an audit of GPO's financial statements conducted by an independent accounting firm.

Respectfully submitted,

JOHN W. CRAWFORD
Acting Deputy Director
U.S. Government Publishing Office

A Message from the Acting Deputy Director

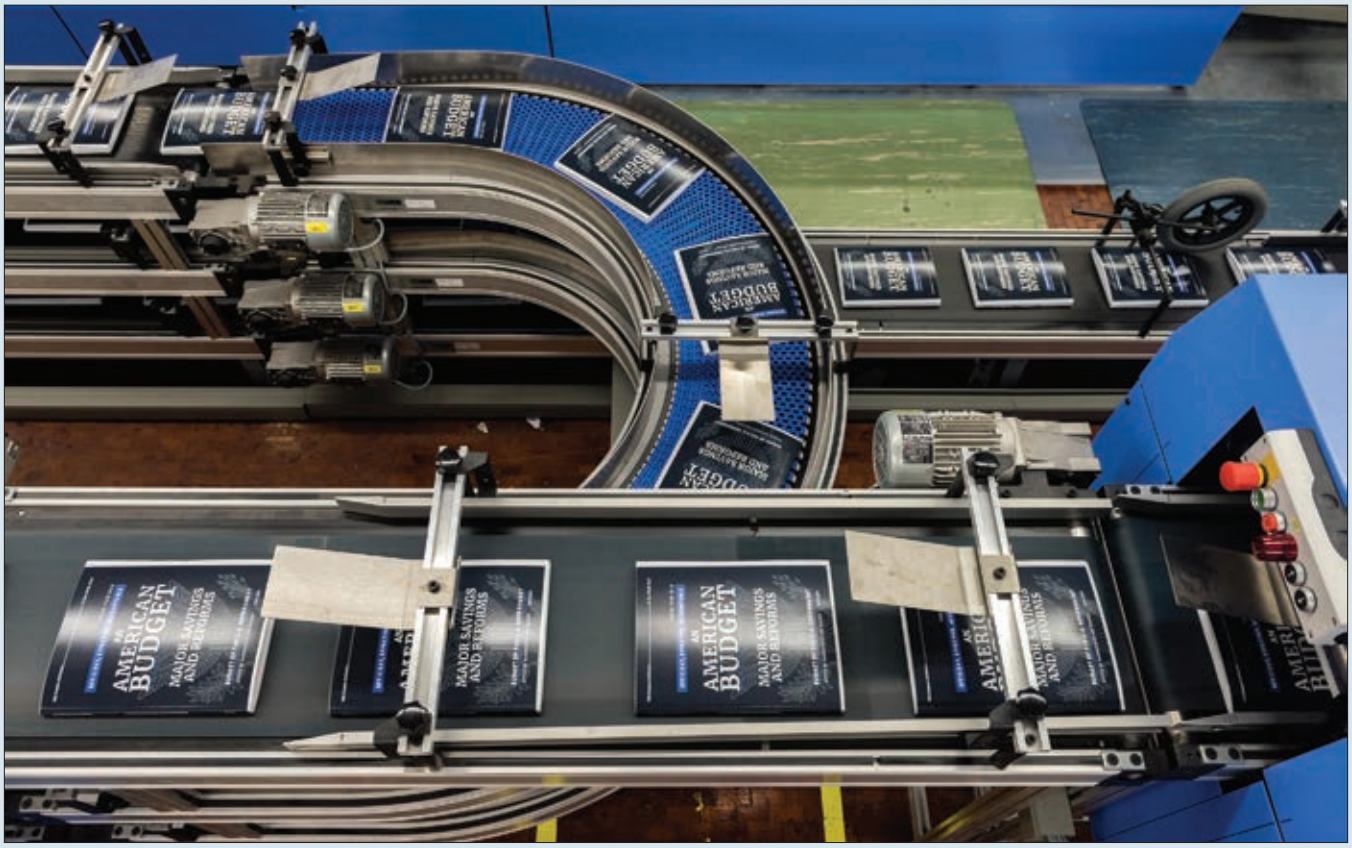
The United States Government Publishing Office (GPO) posted another year of solid gains in FY 2018, a year in which we bid farewell to our esteemed Director Davita Vance-Cooks and thanked her for her years of exceptional service. Following Davita's departure, GPO was fortunate to be led by Jim Bradley, Andy Sherman, and then Herb Jackson, three dedicated public servants who collectively devoted nearly a century of service to this agency.

Now that I have the honor of serving as Acting Deputy Director of GPO, I want to thank all GPO employees for their hard work during the past year. Without question FY 2018 was a year of change at GPO, but what didn't change was our collective commitment to providing the best service to Congress, our Federal agency partners, and the general public as we work to fulfill our mission of *Keeping America Informed*.

Among the many highlights of GPO's work during FY 2018 are some of the important publications we produced for Congress, including the *Congressional Pictorial Directory for the 115th Congress*, the 1,242-page *Official Congressional Directory for the 115th Congress*, and *Asian and Pacific Islander Americans in Congress, 1900-2017*. We were also honored to produce printed materials in support of significant public events, including the Congressional Gold Medal Ceremony to honor Senator Robert J. Dole and the Senate Judiciary Committee Nomination Hearings for Supreme Court Justice Brett M. Kavanaugh.

One of the most important developments at GPO during FY 2018 was the full-scale deployment of **govinfo**, our public-facing electronic repository of electronic public documents and the successor to our FDsys website. The introduction of the innovative **govinfo** site over the course of FY 2018 was executed in close collaboration with our stakeholders in order to meet GPO's goal of retiring FDsys in December 2018.

By the end of FY 2018, GPO's websites provided access to over 2.5 million titles and experienced over 35



President Donald J. Trump's budget for the Federal Government on GPO's binding line.

million title retrievals each month. With its ease of use and enhanced versatility, **govinfo** should prove to be an exceptionally powerful tool in growing those figures substantially in the years ahead. For much of FY 2018, the **govinfo** development team also worked to secure certification as a Trustworthy Digital Repository, an effort that will continue into FY 2019.

In terms of engagement and growth, FY 2018 was also a year of accomplishment for the Federal Depository Library Program (FDLP) and GPO's Library Services and Content Management (LSCM). As part of a sustained effort to meet directly with GPO's FDLP partners, in FY 2018 GPO staff visited 166 depository libraries in 25 states. This brought our 3-year total of such visits to over 610.

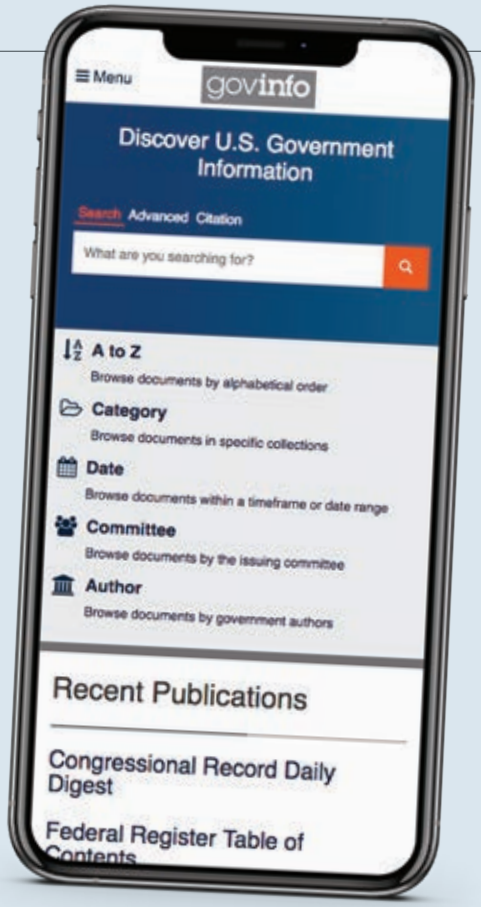
We also hosted a number of important engagement events, including over 85 FDLP Academy webinars, which are designed to provide educational programs and training, enhance Federal Government information literacy, and meet the needs of the wider FDLP community. Those FDLP Academy programs served more than 10,000 participants in FY 2018.

GPO also successfully expanded its Preservation Steward program, which is designed to support continued public access to key print documents by signing 20 additional Preservation Steward agreements with libraries across the country. In addition, GPO distributed 802,834 copies of 4,211 titles to depository libraries nationwide in FY 2018, while also cataloging a total of 34,367 titles.

GPO's facilities personnel undertook a major renovation project in FY 2018 on behalf of the National Archives and Records Administration (NARA) and Congress. This project called for the renovation and build-out of over 24,000 square feet of space in Building A to accommodate NARA's Center for Legislative Archives. This exciting project followed GPO's recent completion of a 17,000-square-foot renovation to provide office space for NARA's Office of the Federal Register (OFR).

On behalf of our Federal agency partners, GPO procured more than $375 million worth of printing and other information products in FY 2018. That work consisted of more than 84,000 specific orders that were fulfilled by thousands of private-sector vendors located across the country. By procuring this work on a competitive basis, GPO helps ensure that the American people get the greatest possible value for their Government-printing dollar while also providing small businesses with the opportunity to compete fairly and fully for Government business.

Another encouraging development in FY 2018 was the continued growth of our Agency Distribution Services (ADS) program. Through ADS, GPO provides our Federal agency partners with a broadening array



Catina Reed and Quintin Mozie are two of many GPO employees working on producing Congressional documents.

of logistics, distribution, warehousing, and fulfillment services designed to help enhance their own operational efficiencies.

FY 2018 was also a year of accomplishment for GPO's Security and Intelligent Documents (SID) business unit. In FY 2018, SID produced approximately 16 million U.S. passports for the State Department and continued to make the critical investments needed to support the State Department's planned Next Generation Passport. We also celebrated the 10th Anniversary of SID's program to produce secure identification credentials for Federal agencies. Thanks to the dedication and skill of our SID professionals, GPO—through the end of FY 2018—produced more than 21 million secure credential cards for our Federal partners across 11 different product lines.

From a financial standpoint, FY 2018 was another successful year for GPO's operations. Revenue totaled $874.5 million and resulted in a net income of $20.4 million, excluding income that is set aside to make critically important investments in passport-related capital assets and funds resulting from a downward adjustment to GPO's long-term workers' compensation liability under the Federal Employees Compensation Act (FECA).

For the 22nd year in a row, GPO received an "unmodified" or clean opinion on our financial statements from an outside, independent auditor, an accomplishment that speaks to the professionalism and dedication of GPO's Office of Finance staff. In addition, due to the efficiencies and productivity of GPO's workforce, coupled with the strategic investments we have made in innovative new technologies in recent years, GPO was able to submit a flat funding request to Congress for the upcoming fiscal year. This is the fifth straight year GPO has been able to request flat funding.

In summary, the men and women of GPO performed at a high level in FY 2018. I'm excited about the possibilities for the future and honored to share with you this record of progress and achievement for FY 2018.

JOHN W. CRAWFORD
Acting Deputy Director
U.S. Government Publishing Office

GPO employees producing Trusted Traveler Program cards for the Department of Homeland Security.

The U.S. Government Publishing Office (GPO), a legislative branch agency, is the OFFICIAL, DIGITAL, SECURE resource for producing, procuring, cataloging, indexing, authenticating, disseminating, and preserving the official information products of the Federal Government.

Under Title 44 of the U.S. Code, GPO is responsible for the production and distribution of information products for all three branches of the Government, including the official publications of Congress and the White House, U.S. passports for the Department of State, and the official publications of other Federal agencies and the courts. Once primarily a printing operation, we are now an integrated publishing operation and carry out our mission using an expanding range of digital as well as conventional formats. In 2014, Congress and the President recognized this change in Public Law 113-235, which contains a provision re-designating GPO's official name as the Government Publishing Office. As of September 30, 2018, GPO employed 1,737 staff.

Along with sales of publications in digital and tangible formats to the public, we support openness and transparency in Government by providing permanent

Pressman Carl Lancaster using GPO's new 8-color press.

GPO Headquarters on North Capitol Street in Washington, DC.

public access to Federal Government Information at no charge through **govinfo** (**www.govinfo.gov**), the successor system to the Federal Digital System (FDsys), which was scheduled for retirement in December 2018.

Today, **govinfo** makes more than 2.5 million Federal titles available and, together with its predecessor site FDsys, averaged approximately 35 million retrievals per month in FY 2018. GPO also provides public access to Government information through partnerships with 1,133 Federal, academic, public, law, and other libraries nationwide participating in the Federal Depository Library Program (FDLP).

In addition to a newly redesigned website, **gpo.gov**, we communicate with the public routinely via Facebook **facebook.com/USGPO**, Twitter **twitter.com/USGPO**, YouTube **youtube.com/user/gpoprinter**, Instagram **instagram.com/usgp**o, LinkedIn **linkedin.com/company/u.s.-government-printing-office**, and Pinterest **pinterest.com/usgpo/**.

History From the Mayflower Compact to the Declaration of Independence and the papers leading to the creation and ratification of the Constitution, America has been a Nation based on documents, and our governmental tradition since then has reflected that fact. Article I, section 5 of the Constitution requires that "each House shall keep a journal of its proceedings and from time to time publish the same," establishing Congress's informing mission that GPO carries out. After years of struggling with various systems of contracting for printed documents that were beset with scandal and corruption, in 1860 Congress created the Government Printing Office as its official printer. GPO first opened its doors for business on March 4, 1861, the same day Abraham Lincoln was inaugurated as the 16th President.

Since that time, GPO has produced and distributed the official version of every great American state paper and an uncounted number of other Government publications, documents, and forms. These documents include the Emancipation Proclamation, the legislative publications and acts of Congress, Social Security cards, Medicare and Medicaid information, census forms, tax forms, citizenship forms, passports, military histories ranging from the *Official Records of the War of the Rebellion* to the latest accounts of our forces in Afghanistan, the 9/11 Commission Report, Presidential inaugural addresses, and Supreme Court opinions. This work goes on today in digital as well as print formats.

Strategic Vision GPO continues to transform itself from a print-centric to a content-centric publishing operation. This process is consistent with the recommendations submitted by the National Academy of Public Administration to Congress (*Rebooting the Government Printing Office: Keeping America Informed in the Digital Age*, January 2013) regarding our transition to a digital future.

GPO continues to develop an integrated, diversified product and services portfolio that focuses primarily on digital. At the same time, we recognize that some tangible print will continue to be required because of official use, archival purposes, authenticity, specific industry requirements, and segments of the population that either have limited or no access to

digital formats, though its use will continue to decline relative to the continued growth in the provision of and access to digital formats.

Strategic Plan Our strategic plan, which is available for public review at **https://www.gpo.gov/who-we-are/our-agency/mission-vision-and-goals**, is built around five goals: exceeding our stakeholders' expectations; enhancing access to Federal Government information; strengthening our position as the government-wide authority on publishing; promoting collaboration and innovation within government; and engaging employees and enhancing internal operations. The plan provides the blueprint for how GPO will continue to achieve its mission of *Keeping America Informed* with emphasis on being OFFICIAL, DIGITAL, SECURE. GPO's senior managers convene at the beginning of each fiscal year to review the plan and approve it before it is issued.

Our customers are involved in the digital world and understand technological change. Accordingly, it is important that we foster an environment that embraces change and innovation, lead to new ways of thinking, new work processes, and the development of new products and services for our customers. Tangible printing at GPO is being supplanted by an exponential growth in digital requirements by Congress and Federal agencies. Moreover, the public—including the library and Government information user communities—has signaled its strong desire for increased digital access to Government information.

In transforming the way we do business, we are focusing on managing content for customer and public use both today and tomorrow. GPO uses its extensive experience and expertise with digital systems to provide both permanent public access to Government information in a variety of formats and the most efficient and effective means for printing when required, all within a secure setting that is responsive to the customer's needs.

Technology Transformation GPO has transformed itself throughout its history by adapting to changing technologies. In the ink-on-paper era, this meant moving from hand-set to machine typesetting, from slower to high-speed presses, and from hand to automated bookbinding. These changes were significant for their time.

Yet those changes pale by comparison with the transformation that accompanied our incorporation of electronic information technologies, which began in 1962 when the Joint Committee on Printing directed the agency to implement a new system of computer-based composition. That order led to the development of GPO's first electronic photocomposition system,

Bookbinder Scott Granger produces badges for the Senate Judiciary Committee's hearing for Supreme Court nominee Brett M. Kavanaugh.

(Above) GPO employees producing the *Congressional Record*.

(Left) Representative Jamie Raskin (MD-8) speaks at GPO's Apprentice Graduation.

which by the early 1980s had completely supplanted machine-based hot metal typesetting. Following the enactment of the GPO Electronic Information Access Enhancement Act in 1993 (Public Law 103-40), the databases generated by our composition system were uploaded to the internet via GPO's first website, *GPO Access*, vastly expanding the agency's information dissemination capabilities. In 2009, GPO replaced the original *GPO Access* site with its Federal Digital System, or FDsys. FDsys is scheduled to be retired in December 2018 with a new site, **govinfo**, which offers significantly enhanced functionality, taking its place.

While transforming to an increasingly digital footing, we continue to provide an array of printing services to support the needs of Congress, Federal agencies, and the public. We are retooling our print operations to take advantage of the efficiencies provided by modern equipment. Over the past several years, GPO's plant modernization efforts have achieved some significant milestones. In FY 2015, we put into operation our new zero make-ready (ZMR) press to support congressional and Federal agency publishing requirements, and as a result were able to reduce the cost of producing congressional hearings. In FY 2017, we installed a new perfect binding line to increase the speed and reduce the cost of binding operations.

We also began developing plans in FY 2017 to replace the large newspaper-type presses that are used to produce the *Congressional Record* and the *Federal Register* with smaller, more flexible digital presses. That procurement was completed during FY 2018 and installation is scheduled for 2019. Also in FY 2018, GPO was able to put into operation a state-of-the-art LED UV 8-Color Perfector Press. This press prints "dry," enabling the simultaneous printing on both sides of a sheet of paper, and helps GPO employees achieve additional efficiencies and savings in the production of congressional and agency publications.

As a result of these sweeping technology changes—digital products, equipment, and processes—GPO is now fundamentally different from what it was as recently as a generation ago. It is smaller, leaner, and equipped with digital production capabilities that are the foundation of the information systems relied upon daily by Congress, Federal agencies, and the public to ensure open and transparent Government in the digital era. As we prepare for the Government information environment and technology challenges of the future, our transformation is continuing with the development of new ways for delivering Government information.

GPO and Congress

GPO publishes the documents and publications required by the legislative and oversight processes of Congress in digital and tangible formats for the Clerk of the House, the Secretary of the Senate, and the committees of the House and the Senate. These include the daily *Congressional Record*, bills, reports, legislative calendars, hearings, committee prints, and documents, as well as stationery, franked envelopes, memorials and condolences books, programs and invitations, phone books, and the other products needed to conduct the business of Congress. We produce all the printing work required every four years by the Joint Congressional Committee on Inaugural Ceremonies. We also detail expert staff to support the publishing requirements of House and Senate committees and congressional offices such as the House and Senate Offices of Legislative Counsel. We work with Congress to ensure the provision of these services under any circumstances, including emergency weather and other conditions.

Today the activities associated with creating congressional information databases comprise the majority of the work funded by GPO's annual Congressional Publishing Appropriation. Our advanced digital authentication system, supported by public key infrastructure (PKI), is an essential component for assuring the digital security of congressional publications. The databases we build are made available for providing access to congressional publications in digital formats as well as their production in tangible formats.

GPO's congressional information databases also form the building blocks of other information systems supporting Congress. For example, they are provided directly to the Library of Congress to support its **Congress.gov** system as well as the legislative information systems the Library makes available to House and Senate offices. We work with the Library to prepare summaries and status information for House and Senate bills in XML bulk data format. We also work with the Library on a variety of digital projects supporting Congress to make congressional information more widely accessible, including the digitization of historical issues of the *Congressional Record*, a project which was completed in FY 2018.

GPO Cuts the Cost of Congressional Work

GPO's use of electronic information technologies has been the principal contributor to lowering the cost, in real economic terms, of congressional information products. In FY 1980, as GPO replaced hot metal typesetting with electronic photocomposition, the appropriation for Congressional Publishing was $91.6 million, the equivalent

in today's dollars of $285.4 million. By comparison, our approved funding for FY 2018 was $79.5 million, a reduction of more than 72% in constant dollar terms.

Since 2010, we have achieved a 26% reduction in the constant dollar value of the Congressional Publishing Appropriation, consistent with the continuing transformation of our technology profile, the control of costs, and collaboration with Congress in carrying out measures reducing print distribution in meeting the information needs of the Senate and House of Representatives.

Annual appropriations for Congressional Publishing have been at or below $79.7 million in each year, FY 2014-2018.

Congressional Publishing Appropriation FY 1980-2018

Fiscal Year	Appropriation	In Constant Dollars
1980	$ 91.6 million	$ 285.4 million
1985	94.0 million	220.5 million
1990	74.1 million	143.8 million
1995	84.7 million	139.7 million
2000	73.3 million	106.8 million
2005	88.1 million	113.7 million
2010	93.8 million	107.5 million
2015	79.7 million	84.3 million
2018	79.5 million	79.5 million

Productivity increases resulting from technology have enabled us to make substantial reductions in our staffing requirements while continuing to improve services for Congress. In 1980, total GPO employment was 6,450. At the end of FY 2018, we had 1,737 employees on board, representing a reduction of 4,713, or more than 73%, since 1980. Our workforce levels over the past three years remain the smallest of any time in the past century.

GPO Employment FY 1980–2018 (at September 30)

Fiscal Year	Headcount
1980	6,450
1985	5,383
1990	4,977
1995	3,956
2000	3,139
2005	2,344
2010	2,284
2016	1,726
2017	1,740
2018	1,737

Highlights of FY 2018 Congressional Work

GPO worked with Congress to produce a number of publications in FY 2018, including the *Congressional Pictorial Directory for the 115th Congress*, and the

GPO's Bookstore during the release of the Federal budget.

comprehensive 1,242-page *Official Congressional Directory for the 115th Congress*. Another publication GPO produced during FY 2018 was *Asian and Pacific Islander Americans in Congress, 1900-2017*. GPO also had the great privilege of producing printed materials for Congress to support important national public events, including the Congressional Gold Medal Ceremony to honor Senator Robert J. Dole and the Senate Judiciary Committee Nomination Hearings for Supreme Court Justice Brett M. Kavanaugh.

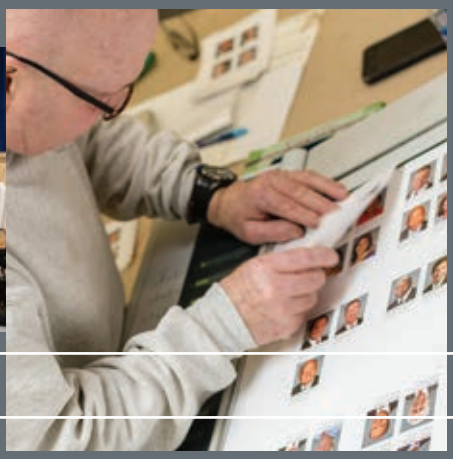
In FY 2018, GPO also completed its digitization of the *Congressional Record* back to the very first issue from March 4, 1873, which opens with a proclamation by President Ulysses S. Grant formally convening a special session of the United States Senate. That issue, and every subsequent issue, of the *Congressional Record* is now available free of charge to the public on GPO's **govinfo** website. With the completion of this important digitization project, GPO has now moved on to the digitization of other historical congressional documents, beginning with hearings.

In support of the Legislative Branch Bulk Data Task Force, GPO, the Clerk of the House, the Secretary of the Senate, and the Office of the Federal Register have worked together to convert a subset of key legislative documents, including enrolled bills, public laws, and the *Statutes at Large*, into United States Legislative Markup (USLM). USLM is an XML information model designed to represent the legislation of the United States Congress. It is designed to semantically and structurally describe legislative and legal documents in a machine-readable format.

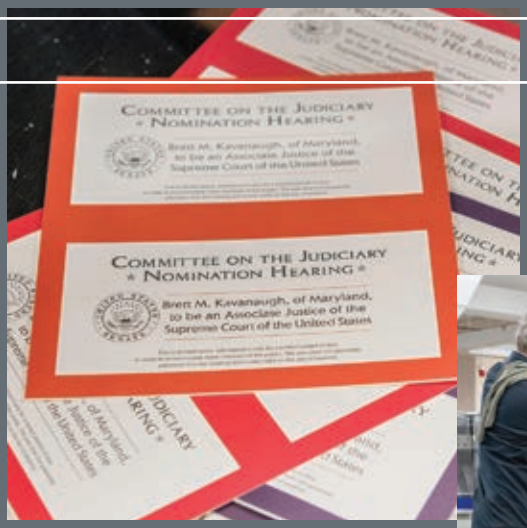
GPO also continued development of a new XML-based automated composition system to replace our aging proprietary Microcomp system, known as the Composition System Replacement (CSR) project. The overall goal of the CSR project is to move GPO to an all-XML composition workflow. As part of the CSR project, GPO is currently developing the capability to compose the United States Code using the new system and is bringing other congressional publications into production on an iterative basis. GPO staff will continue to work closely with House and Senate staff to ensure that CSR integrates seamlessly into current workflows and processes.

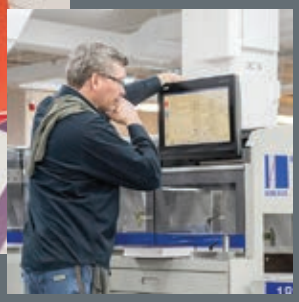
As we have noted, making Government information available in XML permits data to be reused and repurposed not only for print output but for conversion into eBooks, mobile web applications, and other forms of content delivery, including data mashups and other analytical tools by third party providers, which contributes to openness and transparency in Government. In addition to the files made available through our Bulk Data Repository, we ensure the authenticity of all information by making available digitally signed copies in PDF format, which is the official, authentic version that matches the printed document. Additionally, we are now a regular participant and presenter at the House Legislative Data and Transparency Conference, along with staff from other legislative branch agencies, data users, and transparency advocates.

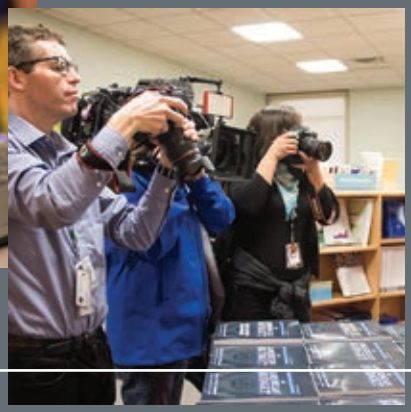
GPO By the Numbers FY 2018



GPO staff	1,737
FY 2018 revenues	$874,466,000
FY 2018 appropriations	$117,068,000
Congressional Record pages produced	47,623,312
Federal Register pages produced	95,955,976
Revenues from procured printing	$375.7 million
Jobs procured nationwide	84,111
Contractors on GPO's master contractor list	Over 10,000
Regional procurement offices nationwide	13
Passports produced	15,901,600
Secure credentials produced	5,014,573







Titles available on FDsys/**govinfo**	2.5 million
Document retrievals from FDsys/**govinfo**	424 million
Depository libraries nationwide	1,133
Searches of the digital *Catalog of U.S. Government Publications*	29 million
Links to digital-only Government documents created	11,748
Tangible titles distributed to depository libraries	4,211
Tangible copies distributed to depository libraries	802,834
Titles cataloged	34,367

Publications sold	334,798
Subscriptions sold	152,083
Titles available	5,509
Titles in eBook format	508

Likes on Facebook	9,828
Followers on Twitter	9,500
Views of GPO videos on YouTube	265,000
Posts on Instagram	1,699
Followers on LinkedIn	3,498

GPO and Federal Agencies

Federal agencies are major generators of information in the United States, and GPO produces their information products for official use and public access. Federal agencies and the public also rely on a growing variety of secure credentials that GPO produces, including travelers holding U.S. passports, members of the public who cross our borders frequently, and other users. Our digital systems support key Federal agency publications, including the annual *Budget of the U.S. Government* and, most importantly, the *Federal Register* and associated products. As it does for congressional documents, our digital authentication system, supported by public key infrastructure (PKI), assures the digital security of agency documents.

Highlights of FY 2018 Agency Operations

GPO released the FY 2019 *Budget of the U.S. Government* in February 2018. In addition to the print version, GPO released the complete, authentic online *Budget* on both FDsys and the new **govinfo** system. The digital version provides users with access to the text and images of the *Budget*, including the Budget Message of the President, information on the President's priorities, and budget overviews organized by agency, as well as summary tables and additional books of the *Budget*, including the Analytical Perspectives, Appendix, and Historical Tables.

One of GPO's major agency customers is the Office of the Federal Register (OFR), a unit of the National Archives and Records Administration (NARA), which produces the daily *Federal Register*. The *Federal Register* is the official daily publication for rules, proposed rules, and notices of Federal agencies and organizations, as well as executive orders and other Presidential documents. It is updated daily by 6 a.m. and is published Monday through Friday, except Federal holidays. The OFR is also responsible for related publications, such as the *Code of Federal Regulations* and *Public Papers of the President*, which GPO produces in both digital and print formats. Another OFR publication, the *Daily Compilation of Presidential Documents*, is produced by GPO in a digital format only.

Bookbinder Sarah Hurtt demonstrates the art of marbling at the USA Science and Engineering Festival.

A presentation during GPO's Open House showcasing services for Federal agencies.

In FY 2018, GPO was proud to complete a project, undertaken in collaboration with OFR, to digitize and make available every issue of the *Federal Register*, dating back to its inception in 1936, for free on GPO's **govinfo** website. This exercise required the digitization of more than 14,587 individual issues containing more than two million pages. The first issue of the *Federal Register*, dated March 16, 1936, featured an executive order of President Franklin D. Roosevelt that expanded the boundaries of a bird refuge in South Carolina.

GPO's partnership with NARA was further expanded in FY 2018 with the renovation of approximately 25,000 square feet of space in GPO's Building A to serve as Phase I of NARA's Center for Legislative Archives. NARA is expected to begin moving archival material into the facility in 2019. GPO continues to work with NARA to develop Phase II of the project, which will provide additional archival space within GPO's Building D. This work follows GPO's successful renovation of 17,000 square feet of space on the seventh floor of GPO's Building A to house the OFR and the Office of Government Information Services (OGIS).

Another promising potential collaboration for GPO is its recent work with the Architect of the Capitol (AOC) and the Library of Congress' National Library Service for the Blind and Physically Handicapped (NLS) to determine if space within GPO's main facilities can be renovated to provide high-quality DC office space for the NLS. At the end of FY 2018, a study was underway to assess the feasibility of such a collaboration.

Partnership with Industry Other than congressional and inherently governmental work such as the *Federal Register*, the *Budget*, and security and intelligent documents, GPO produces virtually all other Federal agency information products via contracts with the private sector printing and information product industry issued by our central office and regional GPO offices around the country. In FY 2018, this work was valued at approximately $375.7 million and represented 84,111 orders. More than 10,000 individual firms are registered to do business with GPO, the vast majority of whom are small businesses averaging 20 employees per firm. Contracts are awarded on a purely competitive basis; there are no set-asides or preferences in contracting other than what is specified in law and regulation, including a requirement for Buy American.

This partnership provides significant economic opportunity for the private sector. We have long advocated that where Federal agency printing is required, this partnership is the most cost-effective way of producing it. In 2013, the Government Accountability Office conducted a study at the request of the Joint Committee on Printing that identified approximately 80 Federal printing plants still in operation government-wide (**http://www.gao.gov/assets/660/655936.pdf**). GPO has long taken the position that significant additional savings for taxpayers will occur if the work these plants are producing is transferred to GPO for production through our partnership with the private sector printing and information product industry. In addition, the work produced through this partnership

can be efficiently and effectively captured for inclusion in GPO's Federal Depository Library Program (FDLP), thereby improving public access to Government information through the reduction of fugitive documents from the program.

Security and Intelligent Documents For nearly a century GPO has been responsible for producing U.S. passports for the Department of State. At one time no more than a conventionally printed document, the U.S. passport since 2005 has incorporated a digital chip and antenna array capable of carrying biometric identification data. With other security printing features, this document—which GPO produces in Washington, DC, as well as a secure remote facility in Mississippi—is now the most secure identification credential obtainable. In FY 2018, GPO produced 16 million passports for the State Department and has produced a total of more than 166 million passports over the past 11 years. In FY 2019 and FY 2020, GPO will continue to make investments needed to support the State Department's Next Generation Passport program.

This past year also marked the 10th anniversary of GPO's production of secure identification cards for Federal agencies. Since 2008, GPO has served as an integrator of secure identification smart cards to support the credentialing requirements of Federal agencies and other Government entities. GPO has been certified by the General Services Administration (GSA) to graphically personalize Homeland Security Presidential Directive 12 (HSPD-12) cards for Federal agencies. In the production of such secure identification cards, GPO complies with Federal Information Processing Standard 201, which sets requirements to ensure that such cards are secure and resistant to fraud.

To date, GPO has produced more than 21 million secure credential cards across 11 different product lines. Among them are the Trusted Traveler Program's (TTP) family of border crossing cards—NEXUS, SENTRI, FAST, and Global Entry—for the Department of Homeland Security (DHS), which are used by frequent travelers across U.S. borders. Another card produced for DHS is the Transportation Worker Identity Card (TWIC). In addition, GPO produces a Border Crossing Card (BCC) that is issued by the State Department for authorized travel across the Mexican border, as well as secure law enforcement credentials for the U.S. Capitol Police that are used in Presidential inaugurations.

Deputy Assistant Secretary of State for Passport Services Brenda Sprague thanks GPO employees for their commitment to the production of the U.S. passport.

GPO and Open, Transparent Government

Producing and distributing the official publications and information products of the Government fulfills an informing role originally envisioned by the Founders, as James Madison once said:

> "A popular Government without popular information, or the means of acquiring it, is but a Prologue to a Farce or a Tragedy, or perhaps both. Knowledge will forever govern ignorance, and a people who mean to be their own Governors, must arm themselves with the power which knowledge gives."

GPO operates a variety of programs that provide the public with "the means of acquiring" Government information that Madison spoke of. These programs include the Federal Depository Library Program (FDLP), **govinfo**, Publications and Information Sales, Reimbursable Distribution, and Social Media.

Federal Depository Library Program The FDLP has legislative antecedents that date to 1813 (3 Stat. 140), when Congress first authorized congressional documents to be deposited at the American Antiquarian Society in Worcester, MA, for the use of the public. Since then, Federal depository libraries have served as critical links between "We the People" and the information made available by the Federal Government. GPO provides the libraries with information products in digital and, in some cases tangible formats, and the libraries in turn make them available to the public at no charge while providing additional assistance to depository library users.

The FDLP today serves millions of Americans through a network of 1,133 public, academic, law, and other libraries located across the Nation, averaging nearly three per congressional district. In FY 2018, four libraries joined the FDLP: The College of Staten Island Library in New York, the Miles City Public Library in Montana, the Pope County Library in Arkansas, and the Loudon County Public Library in Virginia.

Print and some microfiche products remain important depository library resources today, particularly in regional depository library collections nationwide, while the program has expanded significantly over the past 25 years to incorporate digital information products, and today is supported by **govinfo** along with other digital resources. The growing reliance on digital content underscored the first digital-only Federal depository library designation in 2014.

During FY 2018, the FDLP distributed more than 802,834 tangible copies of 4,211 titles to depository libraries nationwide. GPO's *Catalog of U.S. Government Publications* (CGP) experienced nearly 29 million searches and has close to one million records for historic and current titles, many housed in Federal depository libraries throughout the country or available on agency and partner sites. GPO's Library Services and Content Management staff cataloged a total of 34,367 titles and checked in more than 28,570 serial issues available through the CGP. Over

More than 400 registrants attended the 2018 Depository Library Council Virtual Meeting.

(Above) Pressman Kevin Corkey conducts a quality control inspection.

(Right) The Customer Services team discusses goals and strategies for meeting Federal agencies' printing and publishing needs.

11,748 Permanent Uniform Resource Locator (PURLs) were created in the CGP linking to digital titles. Staff in LSCM responded to 5,893 askGPO public inquiries related to accessing Government information.

GPO established a Preservation Steward program in 2016 to support continued public access to key historic U.S. Government documents in print format. Since then, GPO has signed 36 Preservation Steward agreements (20 in FY 2018 alone), involving the libraries at the University of Colorado and at its Law School, the University of Kentucky, the University of Hawai'i at Mänoa, the Ohio State Library, the University of Iowa, the University of Arkansas, the University of Florida, the Connecticut State Library, the University of North Carolina, the University of Kansas, the University of Virginia Library, the University of Minnesota Libraries, Rittenberg Library at St. John's School of Law, the Arthur Lakes Library at the Colorado School of Mines, the Department of Interior Library, North Dakota State University Libraries, Oklahoma State University, Arkansas State University-Jonesboro, the University of Notre Dame Law School, the Indiana State Library, the U.S. Merchant Marine Academy, the San Bernardino County Law Library, the University of Maine, the University of Rhode Island, the University of South Carolina, the Queens Borough Public Library, and the University of Washington. Preservation Stewards contribute significantly to the effort to preserve printed documents and GPO welcomes all Federal depository libraries that wish to participate as Preservation Stewards.

Through GPO's partnerships with depository libraries nationwide, free public access to Government information was enhanced during FY 2018. We completed adding bibliographic records for print versions of the Bureau of Mines' *Reports of Investigations* from the University of Colorado, adding 4,492 records in FY 2018. We also added more than 2,300 bibliographic records of the U.S. Geological Survey through a partnership with the University of Colorado and the Colorado School of Mines. Another 183 bibliographic records related to Works Progress Administration publications were added in collaboration with the University of Kentucky and a partnership with the Federal Reserve Bank of St. Louis led to the addition of an additional 6,556 records for FRASER, a digital library of U.S. economic, financial, and banking history.

Training and educational opportunities provided to depository librarians nationwide remain a popular feature of the FDLP. The FDLP Academy was launched by GPO in FY 2014 to support the FDLP community's education and training needs and to advance Federal Government information literacy. The FDLP Academy enhances Federal Government information knowledge through events and conferences coordinated by GPO and webinars and webcasts on a variety of Government information topics. Many sessions are presented by GPO staff, while others are presented by staff from other Federal agencies and from members of the FDLP community, as recruited and hosted by GPO. During FY 2018, the FDLP Academy hosted 85 webinars with 10,214 combined registrants. GPO also pursued the second year of its FDLP

(Above) Bookbinder Matt McKeon operating the new 3-knife trimmer in the Bindery.

(Right) Printing Services Specialist Earl Powell discusses the various steps of the printing process at the USA Science and Engineering Festival.

Coordinator Certificate Program that gives FDLP coordinators in depository libraries nationwide an opportunity to take in-depth virtual classes on managing depository collections with a focus on compliance with the *Legal Requirements & Program Regulations of the Federal Depository Library Program*. A promising young initiative, the FDLP Coordinator Certificate Program awarded 89 certificates of completion in FY 2018.

In furtherance of efforts to bring GPO together with the depository libraries to strengthen and improve the FDLP, more than 500 librarians from across the country were expected to attend the 2018 Depository Library Council Meeting and Federal Depository Library Conference. This annual event, hosted by LSCM, was scheduled to be held in Arlington, Virginia, from October 22–24, 2018.

A signal feature of former GPO Director Davita Vance-Cooks' administration was a program of visits by GPO LSCM staff and GPO senior management to depository libraries nationwide. That work, begun in FY 2016, continued through FY 2018 and provided opportunities for consultation, training, and support. The visits have been influential in strengthening the ties between GPO and its partner libraries and in helping GPO identify current trends and issues in libraries in order to respond with improved outreach and services. GPO staff at all levels have participated in this initiative and are now implementing targeted follow-up projects to benefit the FDLP and its participants. In FY 2018, GPO staff visited 166 depository libraries in 25 states, bringing the 3-year total of visits to over 610.

During the 1st Session of the 115th Congress, oversight hearings on GPO conducted by the Committee on House Administration included a focus on the statutory provisions of Title 44 of the U.S. Code that govern the FDLP. Then-Director Vance-Cooks testified that these should be revised to allow GPO to administer the FDLP and other public information programs of the Superintendent of Documents effectively in the digital age and provide flexibility for the libraries to continue to participate and best serve their communities. Such changes should support the vision conveyed in GPO's National Plan for Access to U.S. Government Information: "To provide Government information when and where it is needed" to ensure the public has effective, equitable, and convenient access to Government information in the form and formats they need.

Following those hearings, GPO collaborated with the Depository Library Council to develop suggestions for reform, some of which were included in the development of H.R. 5305, the Federal Depository Library Program Modernization Act of 2018. This legislation was introduced by Committee on House Administration Chairman Gregg Harper on March 15, 2018, with all eight members of the Committee on House Administration serving as cosponsors.

GPO has maintained a website, **http://www.fdlp.gov/about-fdlp/23-projects/3353-title-44-revision**, to chronicle the development of the bill and provide information to stakeholders. If Congress should seek to engage on the issue of FDLP Modernization in the 116th Congress, GPO will be prepared to assist with such efforts.

The new 8-color press being installed.

govinfo Under the provisions of Public Law 103-40, GPO has been providing online public access to congressional and Federal agency publications since 1994, beginning with a site known as *GPO Access*. Fifteen years later, *GPO Access* was retired and a significantly re-engineered system debuted as GPO's Federal Digital System or FDsys. In early 2016, GPO unveiled the next generation of our public access system with the introduction of **govinfo**. Rolled out initially in beta, **govinfo** improved upon FDsys by providing a modern website that is aligned with the needs of today's Government information users for quick and effective online access across a variety of platforms.

Following a period of iterative development and testing, the **govinfo** website was moved out of beta in December 2017. Throughout 2018, the FDsys and **govinfo** websites ran in parallel while GPO worked with key stakeholders to ensure a smooth transition to **govinfo**. The FDsys was scheduled to be completely retired and replaced by **govinfo** in December 2018. The **govinfo** website features a mobile-friendly design, current and historical content collections from all three branches, enhanced search and intuitive browse, linked related documents, curated feature articles, quick and easy social sharing, developer tools such as XML bulk data and a public API, expanded help information, support for redirects from millions of legacy FDsys links, and additional enhancements based on stakeholder feedback.

Online access to Federal documents made available by GPO has reduced the cost of providing public access to Government information significantly when compared with print, while expanding public access dramatically through the internet. In FY 2018, **govinfo** grew to make more than 2.5 million titles from the legislative, executive, and judicial branches available online from our servers and through links to other agencies and institutions. The system averages approximately 35 million retrievals per month.

GPO has continually added content to **govinfo** to provide increased public access to Government information. In FY 2018, notable new content included completing the digitized volumes of the bound *Congressional Record* back to 1873, completing the digitized issues of the *Federal Register* back to 1936, adding the digitized volumes of Kappler's *Indian Affairs*: *Laws and Treaties*, and making various Panama Canal related publications available on **govinfo**. An initial set of Statute Compilations, the *Asian and Pacific Islander Americans in Congress, 1900-2017* eBook, and a new series of *Precedents of the U.S. House of Representatives* were also added to **govinfo** in FY 2018 along with numerous other Federal Government publications.

During FY 2018, the **govinfo** repository underwent an audit for certification as a Trustworthy Digital Repository in compliance with International

Organization for Standardization (ISO) 16363. That work continued into FY 2019, and required that **govinfo** be evaluated against 109 criteria covering all aspects of a digital repository including organizational infrastructure, digital object management, and infrastructure and security risk management. The value of certification is that it would provide assurance to GPO stakeholders that **govinfo** is a standards-compliant digital archive in which Government information is preserved, accessible, and usable now and into the future.

In support of the Legislative Branch Bulk Data Task Force, GPO worked with the Clerk of the House and the Secretary of the Senate throughout FY 2018 on initiatives to convert legacy file formats into United States Legislative Markup (USLM) XML. The first project was scheduled for completion in early FY 2019 with the release of a subset of enrolled bills, Public and Private Laws, and *Statutes at Large* in beta USLM XML on **govinfo**. USLM offers a standard XML schema to promote interoperability among documents as they flow through the legislative and regulatory processes. USLM also promotes international interoperability with documents produced by governments world-wide.

GPO has continued to invest in the IT infrastructure supporting GPO's digital information system. This includes bandwidth, storage, and servers needed for Production, COOP, Test, and Development environments.

Number of Titles Available Online through GPO (Includes titles on GPO servers and titles linked from GPO) FY 2000–2018

Fiscal Year	Number of Titles
2000	193,000
2005	301,600
2010	441,700
2015	1,400,000
2017	2,200,000
2018	2,500,000

Publication and Information Sales Program

Along with the FDLP and our online dissemination system, which are no-fee public access programs, GPO provides access to official Federal information through public sales featuring secure ordering through an online bookstore (**bookstore.gpo.gov**), a bookstore at GPO headquarters in Washington, DC, and partnerships with the private sector that offer Federal publications as eBooks. As a one-stop shop for eBook design, conversion, and dissemination, our presence in the eBook market continues to grow. We now have agreements with Apple iTunes, Google Play, Barnes & Noble, OverDrive, Zinio, EBSCO, ProQuest and other online vendors to make popular Government titles such as *Your Guide to Breastfeeding*, *My Future, My Way—First Steps Towards College*, and *Dietary Guidelines for Americans* available as eBooks. We also offer a print-on-demand service for sales titles through Amazon and others, which enables us to offer more titles and avoid the expense of additional warehousing.

Agency Distribution Services (ADS) Program

GPO operates two distribution facilities strategically located in Laurel, MD (30 miles from Washington, DC) and Pueblo, CO (115 miles from Denver, CO). Through these facilities, GPO administers distribution programs for the information products of other Federal agencies. Today, over 55 Federal agencies utilize the comprehensive services provided through the Pueblo and Laurel facilities, which together offer more than 160,000 square feet of climate-controlled distribution, storage, and fulfillment space.

Among the services provided through GPO's ADS program are website hosting, consulting services, fulfillment and distribution, address validation services, call center operations, and printing optimization, just to name a few. These services are all designed to help Federal agencies achieve savings in the distribution of their information products.

The ADS program experienced significant growth in FY 2018, with revenues climbing to nearly $13 million, up from $9.2 million in FY 2017. Similarly, the total copies of agency materials distributed through the ADS program increased to 69.2 million in FY 2018—an 11 million increase over the 58 million copies distributed in FY 2017. In total, GPO professionals at the Laurel and Pueblo facilities processed over 1.6 million orders in FY 2018.

GPO and Social Media We use Facebook, Twitter, YouTube, Instagram, LinkedIn, Pinterest, and a blog to share information about GPO news and events and to promote specific publications and products. By the end of FY 2018, we had 9,828 likes on Facebook and 9,500 Twitter followers. On Instagram, we had 819 followers and 1,699 posts and posted our first-ever Instagram Story. By the end of FY 2018, 1,100 people were subscribed to our YouTube channel, which has nearly 265,000 views across our 78 videos. On Pinterest, we had 899 followers pinning on 22 boards of Federal Government information. We had 3,498 followers on LinkedIn. Our blog, *Government Book Talk*, focuses on increasing the awareness of new and classic Federal publications through reviews and discussions.

IT Specialist Jim Wapshott at Veterans Landing for the dedication of a new plaque.

GPO's Finances

Business Operations Revolving Fund All GPO activities are financed through our Business Operations Revolving Fund, established by section 309 of Title 44, U.S.C. This business-like fund is used to pay all of our costs in performing congressional and Federal agency publishing, information product procurement, and publications dissemination activities. It is reimbursed from payments from customer agencies, sales to the public, and transfers from our two annual appropriations: The Congressional Publishing Appropriation and the Public Information Programs of the Superintendent of Documents Appropriation.

The Business Operations Revolving Fund functions as GPO's checking account with the U.S. Treasury. We pay our expenses from this account either through electronic transfer or check. The fund is reimbursed when the Treasury Department transfers money from agency appropriations accounts to the fund when agencies pay our invoices. This procedure also applies to the payment of transfers from the Congressional Publishing and Public Information Programs appropriations. The fund is also credited with proceeds from sales to the public.

GPO maintains a cash balance in the Business Operations Revolving Fund that is used to pay all expenses. The cash balance fluctuates daily as payments are received from agency reimbursements, customer payments, and transfers from GPO appropriations.

Retained Earnings Under GPO's system of accrual accounting, annual earnings generated since the inception of the Business Operations Revolving Fund have been accumulated as retained earnings. Retained earnings make it possible for us to fund a significant amount of technology modernization. However, appropriations for essential investments in technology and plant upgrades are requested when necessary.

Appropriated Funds GPO's Congressional Publishing Appropriation is used to reimburse the Business Operations Revolving Fund for the costs of publishing the documents required for the use of Congress in digital and tangible formats, as authorized by the provisions of chapters 7 and 9 of Title 44, U.S.C. The Public Information Programs of the Superintendent of Documents Appropriation is used to pay for the costs associated with providing online access to, and the distribution of, publications to Federal depository libraries, cataloging and indexing, statutory distribution, and international exchange distribution. The reimbursements from these appropriations are included in the Business Operations Revolving Fund as revenue for work performed.

Unlike most appropriations to other Federal agencies, these two appropriations are for work that GPO itself does not control. The Congressional Publishing Appropriation in effect is an appropriation by Congress to cover the costs of its publishing activities. The appropriation is made to GPO to relieve Congress of the burden of maintaining detailed accounting records for all publishing work ordered from GPO both by law and by other congressional requisitions, as well as the responsibility for estimating the anticipated volume of congressional publishing that is used as the basis for the appropriation.

Congress plays a major role in controlling the rate of spending of the Congressional Publishing Appropriation. GPO can transfer funds from the appropriation to the Business Operations Revolving Fund only when it performs congressional publishing work. The appropriation is not available for expenditure for any purposes other than this work. While GPO does its best to estimate the volume of congressional publishing in any given year, that volume can change due to circumstances beyond GPO's control. GPO affects the rate of spending under this appropriation by ensuring the efficiency of its operations.

If congressional requisitions fall short of GPO's estimate, there will be a balance remaining in the Congressional Publishing Appropriation at the end of the year. Under the language of GPO's appropriations legislation, such balances are eligible for transfer to the Business Operations Revolving Fund, where they can be used only for the purposes for which they were originally appropriated with the approval of the House and Senate appropriations committees. If Congress' requirements exceed GPO's estimate, GPO will continue to fulfill them, and Congress will in

effect spend more than it appropriated. As a result, there will be a shortfall in the appropriation for which GPO would need additional funding in a subsequent year. The shortfall would be paid out of available money—retained earnings—in the Business Operations Revolving Fund that otherwise would be available for investment in new plant and equipment. When shortfalls occur, Congress subsequently repays GPO for the excess cost of its printing to restore money to the Business Operations Revolving Fund.

Like the Congressional Publishing Appropriation, the Public Information Programs Appropriation is available only for specific programs: Online access and distribution to Federal depository libraries, cataloging and indexing, statutory distribution, and international exchange. The publishing activities of the Government determine the workload handled by these programs, not GPO. However, GPO affects the level of funding by ensuring the efficiency of its information dissemination operations. Like the Congressional Publishing Appropriation, any unobligated balances remaining in this account may be transferred to the Business Operations Revolving Fund, where they can be used only for the purposes for which they were originally appropriated with the approval of the House and Senate appropriations committees.

Each year, GPO's finances and financial controls are audited by an independent outside audit firm working under contract with GPO's Office of Inspector General. For FY 2018, the audit concluded with GPO earning an unmodified, or clean, opinion on its finances, the 22nd consecutive year GPO has earned such an audit result.

FY 2018 Financial Results Revenue totaled $874.5 million while expenses charged against GPO's budget were $821.9 million, for an overall net income of $52.6 million from operations. Included in both GPO's revenue and net income is approximately $28.7 million in funds set aside for passport-related capital investments, as agreed to by GPO and the Department of State. Expenses include $3.5 million in funds resulting from a downward adjustment to GPO's long-term workers' compensation liability under the Federal Employees Compensation Act (FECA). Apart from these funds, GPO's net operating income from FY 2018 was $20.4 million.

Funds appropriated directly by Congress provided nearly $119.5 million (including funds from the Congressional Publishing and Public Information Programs appropriations, along with appropriations to the Business Operations Revolving Fund), or about 13.7% of total revenue. All other GPO activities, including in-plant publishing (which includes the production of passports), procured work, sales of publications, agency distribution services, and all administrative support functions, were financed through the Business Operations Revolving Fund by revenues generated by payments from agencies and sales to the public.

The largest single component of GPO's annual expenses is publishing work procured from the private sector. In FY 2018, the cost of this work totaled $341.5 million, or about 41.4% of total expenses. The second largest component was personnel compensation and benefits. These totaled $220.2 million, or about 26.7% of all expenses.

GPO produces the Trafficking in Persons Report for the Department of State.

Financial Statements

The following summary tables are excerpts from the full audited consolidated financial statements and are not intended to substitute for the full audited financial statements presented at **http://www.gpo.gov/pdfs/congressional/archives/2018_AnnualReport.pdf**.

For FY 2018 (October 1, 2017–September 30, 2018), GPO received an unmodified opinion (clean audit opinion) on its consolidated financial statements.

GPO achieved positive financial results before other operating expenses and Passport Capital Projects Reserve. Net income was $52.6 million in FY 2018 compared with net income of $58.9 million in FY 2017.

GPO's FY 2018 income included $28.7 million in reserved funds for planned capital investments for increasing production capacity for the next generation U.S. passport, as agreed upon between the Department of State and GPO. Similar type funds totaled $14.8 million for FY 2017.

Other operating expenses in FY 2018 included $3.5 million to reflect a reduction to the GPO's future workers' compensation liability. This adjustment is required to accurately record the actuarially determined liability at September 30, 2018. After excluding these two unique transactions, in FY 2018 GPO had a net income after capital projects reserve and workers' compensation liability adjustment of $20.4 million compared with $38.3 million in FY 2017.

Summary of Net Income (in thousands)	2018	2017
Net Income	**$ 52,624**	**$ 58,876**
Less: Passport Capital Projects Reserve	(28,745)	(14,783)
Decrease in Workers' Compensation Liability	(3,495)	(5,798)
Net Income After Capital Projects Reserve and Workers' Compensation Liability Adjustment	**20,384**	**38,295**

In FY 2018 operating revenues remained constant, whereas operating expenses increased compared to FY 2017. Operating revenues were $874.5 million in FY 2018 and $874.3 million in FY 2017. Operating expenses increased $4.1 million or .5 percent (to $825.3 million from $821.2 million). The increase in operating expenses was primarily due to increases in printing and reproduction, personnel compensation and benefits, other services, and depreciation as well as rents, communications, and utilities, partially offset by a decrease in supplies and materials and travel, transportation, and postage.

GPO's fund balance with Treasury increased by $58.9 million, from $585.9 million at the end of FY 2017 to $644.8 million at the end of FY 2018. Cash provided by operations increased by $90 million during the fiscal year, primarily due to positive operating results. GPO invested $28.3 million for capital items in FY 2018 and $38.2 million in FY 2017.

Summary Statement of Cash Flows (in thousands)	2018	2017
Cash flows from Operating Activities		
Net Income	$ 52,624	$ 58,876
Provided by (used in) operating activities:		
Depreciation and other	24,725	23,816
(Increase) decrease in assets	(9,919)	(10,303)
Increase (decrease) in liabilities	26,095	1,472
Increase (decrease) in workers' compensation liability	(3,495)	(5,798)
Total adjustments	37,406	9,187
Net cash provided by (used in) operating activities	90,030	68,063
Cash flows used in (provided by) investing activities	(28,321)	(38,151)
Cash flows provided by (used in) financing activities	(2,785)	2,086
Net increase (decrease) in cash balance	**$ 58,924**	**$ 31,998**

GPO's Balance Sheet strengthened in FY 2018 as a result of the operating performance. Working capital increased by $42.9 million, to $534.9 million in FY 2018 from $492 million in FY 2017. Total current assets increased by $68.8 million, to $840.7 million in FY 2018 from $771.9 million in FY 2017.

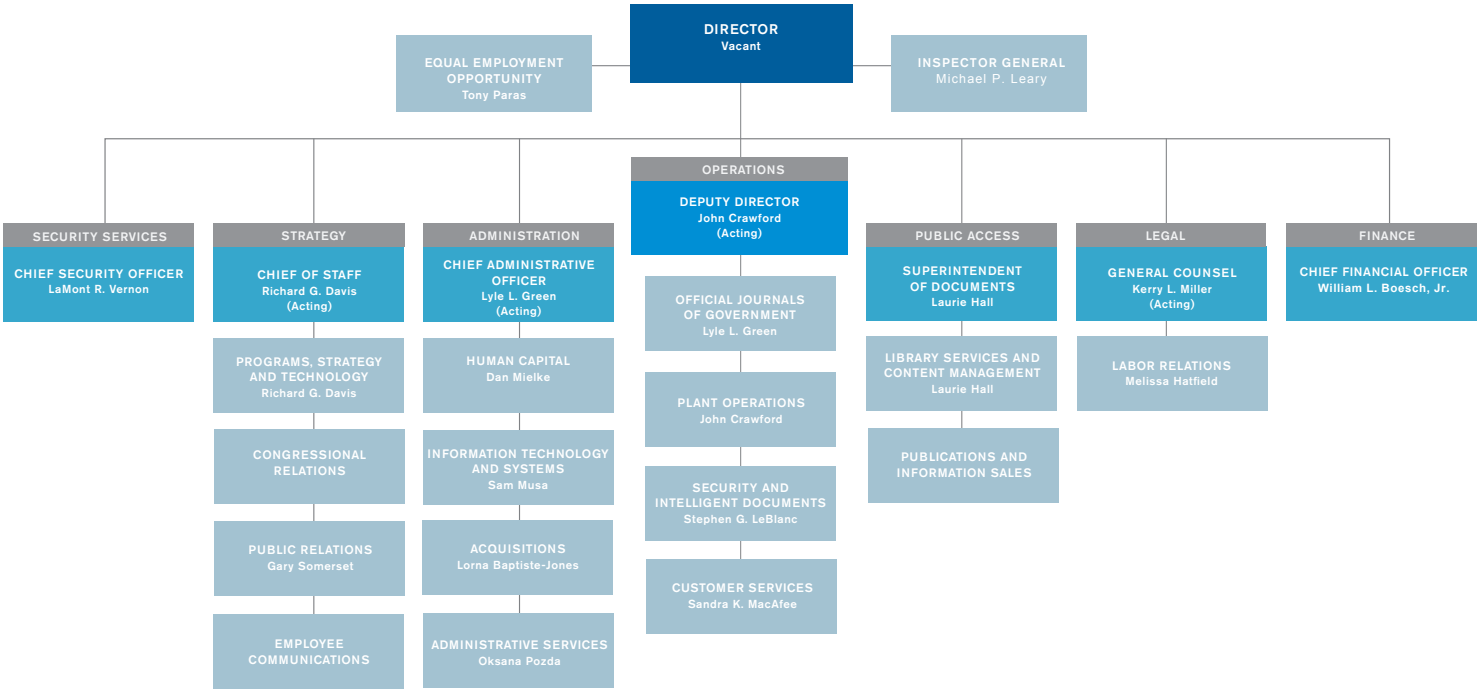
Total assets grew by $72.4 million to $1 billion in FY 2018 from $945.6 million in FY 2017. Fund balance with Treasury increased to $644.8 million in FY 2018 from $585.9 million in FY 2017 primarily due to net income from agency operations and an increase in deferred revenues, primarily customer deposit accounts.

GPO ended FY 2018 with an increase in retained earnings of $52.6 million to $441.9 million, compared with $389.3 million at the end of FY 2017. In comparison, GPO ended FY 2017 with an increase in retained earnings of $58.9 million to $389.3 million, compared with $330.4 million at the end of FY 2016.

Summary Balance Sheets (in thousands)	2018	2017
Assets		
Current Assets		
Fund balance with Treasury	$ 644,807	$ 553,885
Accounts receivable, net	138,551	132,930
Inventory, net	57,369	52,984
Prepaid expenses	14	101
Total current assets	**840,741**	**771,898**
General property, plant and equipment, net	177,322	173,725
Total Assets	**$ 1,018,063**	**$ 945,623**
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	$ 123,938	$ 115,749
Deferred revenues	165,484	147,805
Accrued annual leave	8,944	8,716
Workers' compensation	7,476	7,673
Total current liabilities	**305,842**	**279,943**
Noncurrent Liabilities		
Workers' compensation	45,238	48,536
Total Liabilities	**351,080**	**328,479**
Net position		
Cumulative results of operations:		
Retained earnings	441,889	389,265
Invested capital	92,879	92,879
Unexpended appropriations	132,215	135,000
Total Net Position	**666,983**	**617,144**
Total Liabilities and Total Net Position	**$ 1,018,063**	**$ 945,623**

U.S. GOVERNMENT PUBLISHING OFFICE

Organizational Chart (as of April 14, 2019)



GPO

U.S. GOVERNMENT PUBLISHING OFFICE

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2018 Annual Report

Consolidated Financial Statements

For the Fiscal Years ended September 30, 2018 and 2017
(With Independent Auditor's Report Thereon)

U.S. GOVERNMENT PUBLISHING OFFICE

GPO

U.S. Government Publishing Office

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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SECTION I

MANAGEMENT DISCUSSION AND ANALYSIS

(UNAUDITED)

U.S. Government Publishing Office

Management Discussion and Analysis (Unaudited)

As of September 30, 2018

Mission

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

Basis of Financial Reporting

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

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

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

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

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

Programs and Operations

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

Funding

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

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

- Payments from Federal customers for printing and binding, including U.S. Passports and other secure credential documents and cards, blank paper and paper products, and information products distribution and design services;

- Sales of Government publications and information products to the general public, bookstores, bookdealers, and businesses; and,

- Fund transfers from the Congressional Publishing Appropriation (CP) and the Public Information Programs of the Superintendent of Documents (Salaries and Expenses or S&E) Appropriation for work performed and authorized to be billed to these appropriations.

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

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

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

Programs and Operations Overview

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

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

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

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

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

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

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

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

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

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

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

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

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

The FDLP includes 1,133 designated Federal depository libraries throughout the United States and its territories and provides the American public free access to U.S. Government publications in tangible and electronic collections. Public Information Programs' major operational functions include cataloging, acquiring new tangible and electronic publications for the FDLP, program planning, distributing publications to libraries, education and outreach, library technical services, and archival management. Working with other GPO units, this business unit also supports the operation enhancement, promotion of, and education about GPO's Federal Digital System (FDsys) (www.fdsys.gov). This system will be replaced by **govinfo** (www.govinfo.gov), which is currently in beta mode but is scheduled to replace FDsys in December 2018. FDsys and **govinfo** provide direct online access to Federal Government publications from all branches of government. Other online services managed by this business unit include the *Catalog of U.S. Government Publications* (http://catalog.gpo.gov), the FDLP website (www.fdlp.gov), and Ben's Guide to the U.S. Government (http://bensguide.gpo.gov).

Financial Position and Results for Fiscal Year 2018

The following is an overview of GPO's financial position and operating results for the fiscal year ended September 30, 2018. This information should be viewed in context with the Financial Statements and Notes contained therein. In addition, the management discussion and analysis put forth is prepared to highlight what we believe are the more significant financial events, items or transactions for the benefit of the reader. The reader will please note that this information, as presented is not meant to be an inclusive compendium of all activity for GPO's fiscal year 2018.

Selected Balance Sheet Accounts and Other Statistics

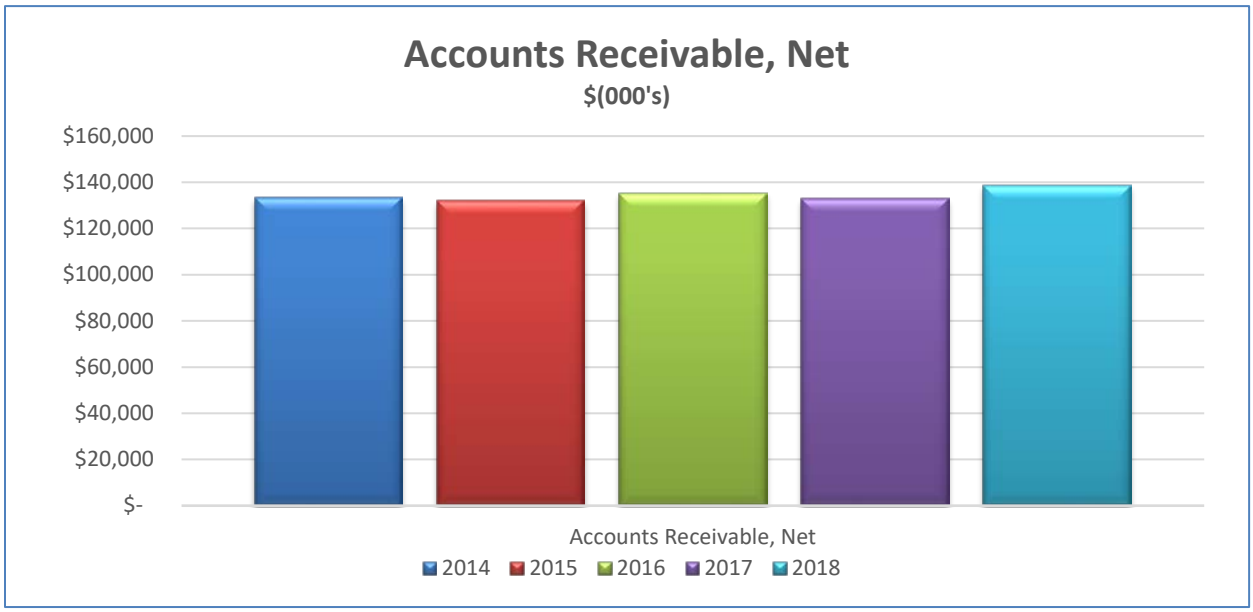
Cash

GPO's current cash requirements include program and operating expenses, as well as capital investment requirements. Cash (also referred to as "Fund Balance with Treasury" or "FBWT") increased by $58.9 million (10.1%) to $644.8 million as of September 30, 2018, from $585.9 million as of September 30, 2017.

The increase was primarily due to cash increases from operating activities of $90 million, offsetting investing outlays of $28.3 million, and decreases in unexpended appropriations of $2.8 million.

Accounts Receivable, Net

Net accounts receivable increased from $132.9 million as of September 30, 2017, to $138.6 million as of September 30, 2018 (4.2%).

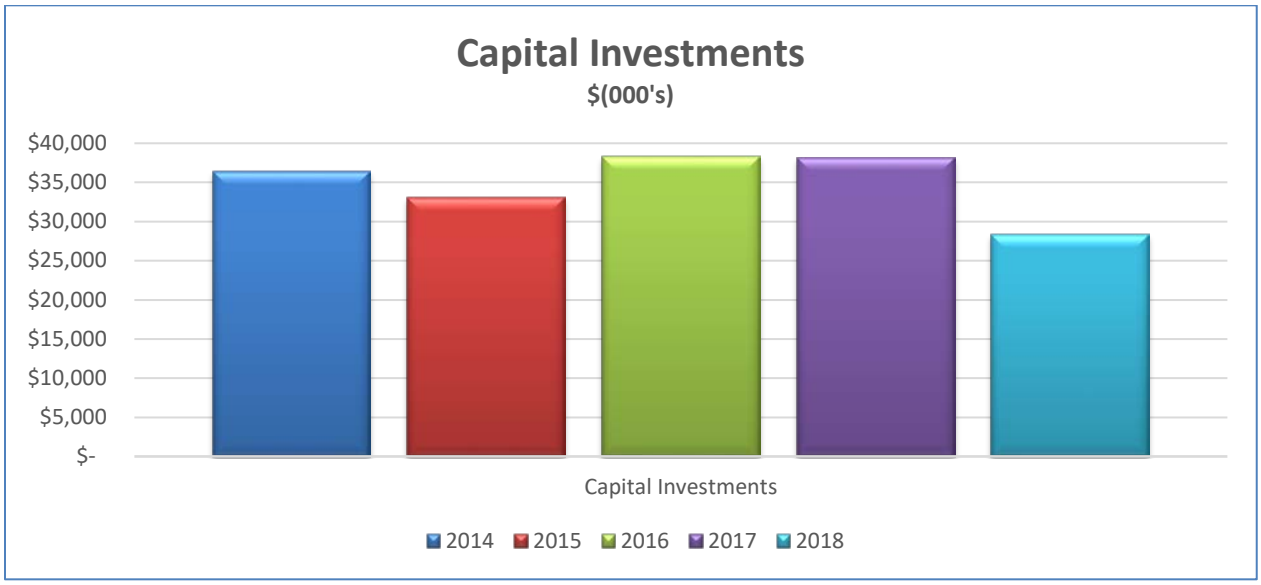


Inventory, Net

Inventories, net of an allowance for surplus and obsolete stock increased by $4.4 million (8.3 percent) as of September 30, 2018 from the prior year primarily due to purchases of passport materials and next generation passport supplies. Production volume decreased to 16.1 million passports in fiscal 2018 from 22.6 million in fiscal 2017.

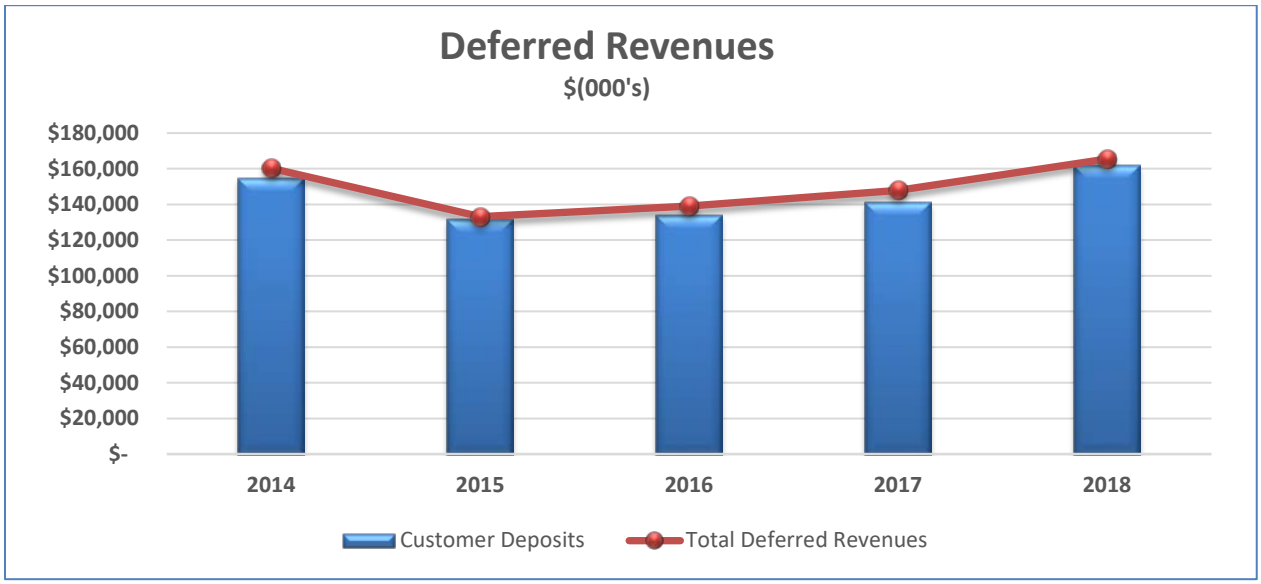
General Property Plant, and Equipment, Net

Net property and equipment increased by $3.6 million (2.1%) in 2018 to $177.3 million as of September 30, 2018. The capital additions of $28.3 million in 2018 were primarily centered on in-service placement of dust collection system and construction of new office for Acquisition business unit ($1 million), laser perforation machine for passport ($7.5 million) bindery line equipment, computers and computer software ($4.8 million) and capitalized software ($3.3 million). These additions were partially offset by $24.7 million in depreciation expense for fiscal 2018. The capital investment trend over the last 5 years is reflective of the investment in secure products and documents, and GPO's transformation to a digital platform.



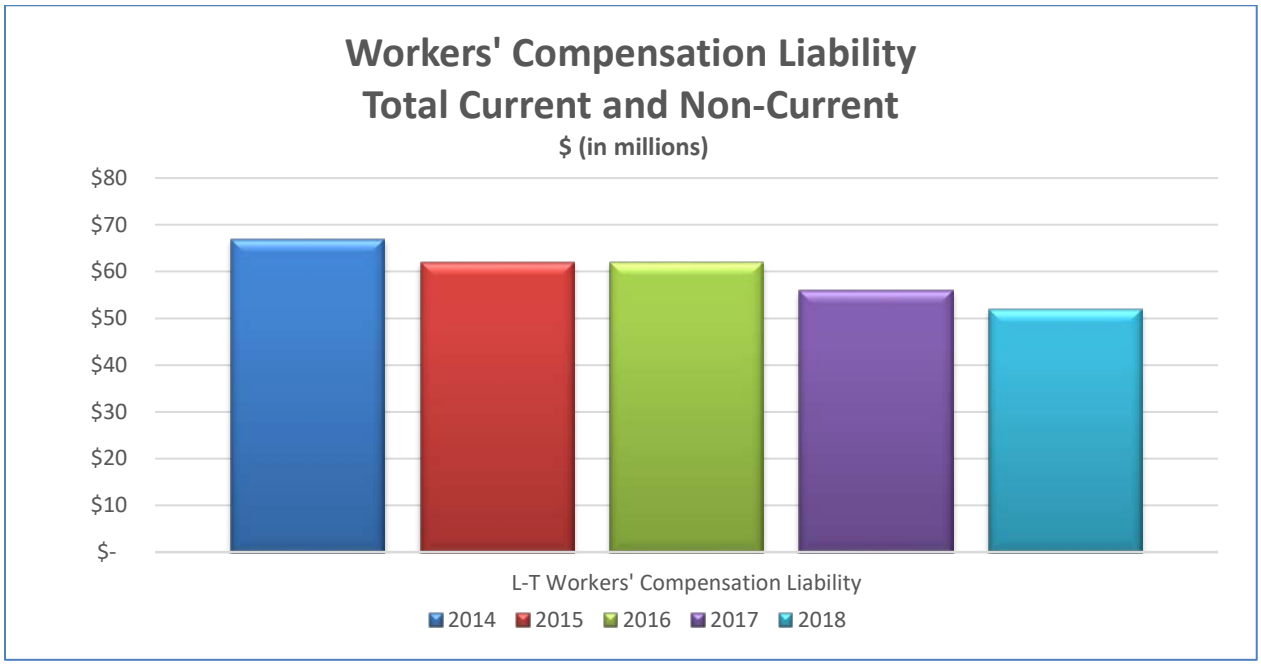
Deferred Revenues

Deferred revenues are primarily comprised of customer deposits which are funds advanced from Federal agencies. The $17.7 million (12%) increase in deferred revenues for fiscal 2018 from fiscal 2017 was primarily driven by a $21 million increase in deposit accounts offset by a $3.2 million decrease in advance billings.



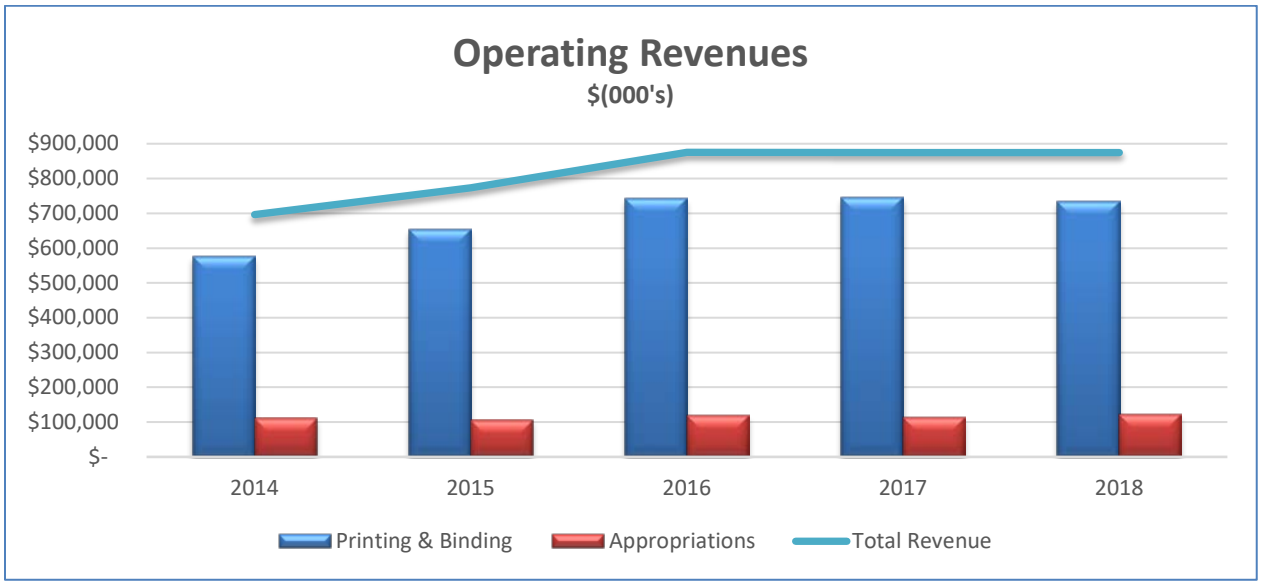
Workers' Compensation Liability

The actuarial workers' compensation liability decreased $3.5 million in 2018. The decrease in the actuarial liability primarily resulted from a reduced workforce, technological efficiencies, improved production methods, and an increased emphasis on workplace safety conditions.



Consolidated Revenues

GPO's consolidated revenues (net of eliminations) are primarily derived from Printing & Binding and Appropriations. Consolidated revenues were $874.5 million in fiscal 2018 and $874.3 million in fiscal 2017.



Operating Expenses

Operating costs increased by $4.1 million (1%) to $825.3 million in fiscal 2018, up from $821.2 million in fiscal 2017. The increase is primarily attributable to cost of the printing and production sold to customer agencies, personnel compensation and benefits, and supplies and materials offset by a decrease in supplies and materials and other services.

Changes in Retained Earnings

GPO's retained earnings increased by $52.6 million (13.5%) to $441.9 million at the end of fiscal 2018, compared to $389.3 million at the end of fiscal 2017.

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

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

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

Summary of Net Income (in thousands)	2018	2017
Net Income	**$ 52,624**	**$ 58,876**
Less: Passport Capital Projects Reserve	(28,745)	(14,783)
Decrease in Workers' Compensation Liability	(3,495)	(5,798)
Net Income After Capital Projects Reserve and Workers' Compensation Liability Adjustment	**$ 20,384**	**$ 38,295**

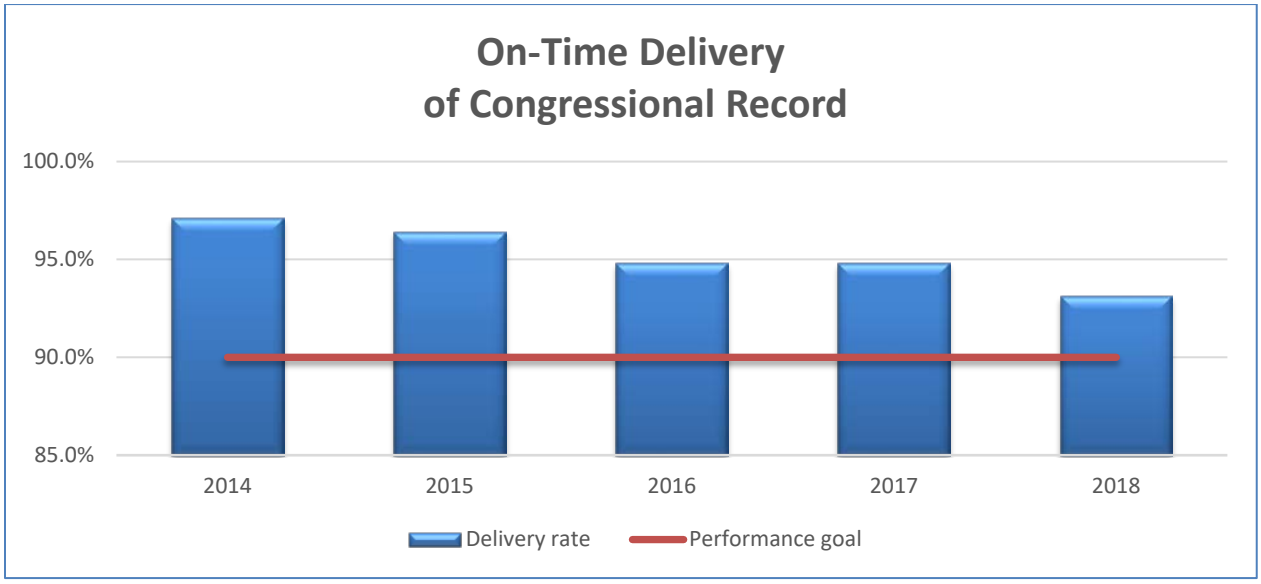
Excluding income planned to be invested in capital projects to support the production of U.S. Passports, and the adjustment to the long-term Workers' Compensation Liability, GPO had net income of approximately $20.4 million in fiscal 2018, compared to $38.3 million in 2017.

Operating Performance Measures

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

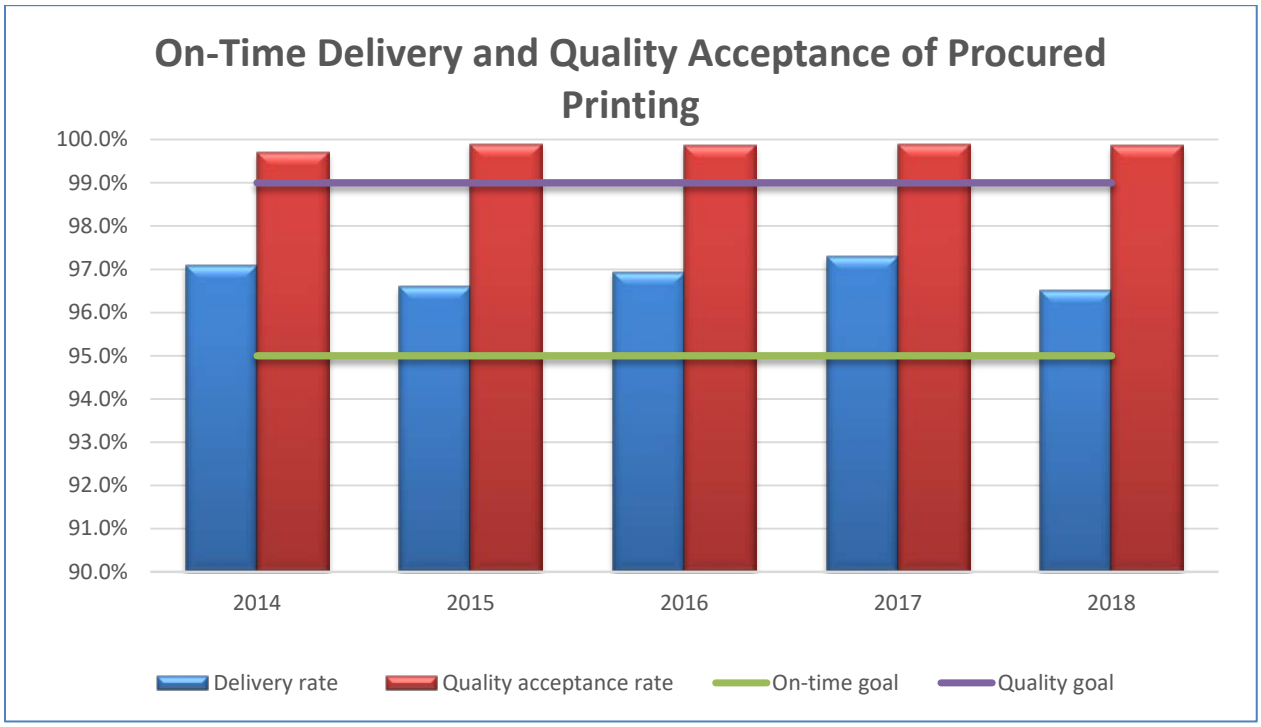
On-Time Delivery of *Congressional Record*

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



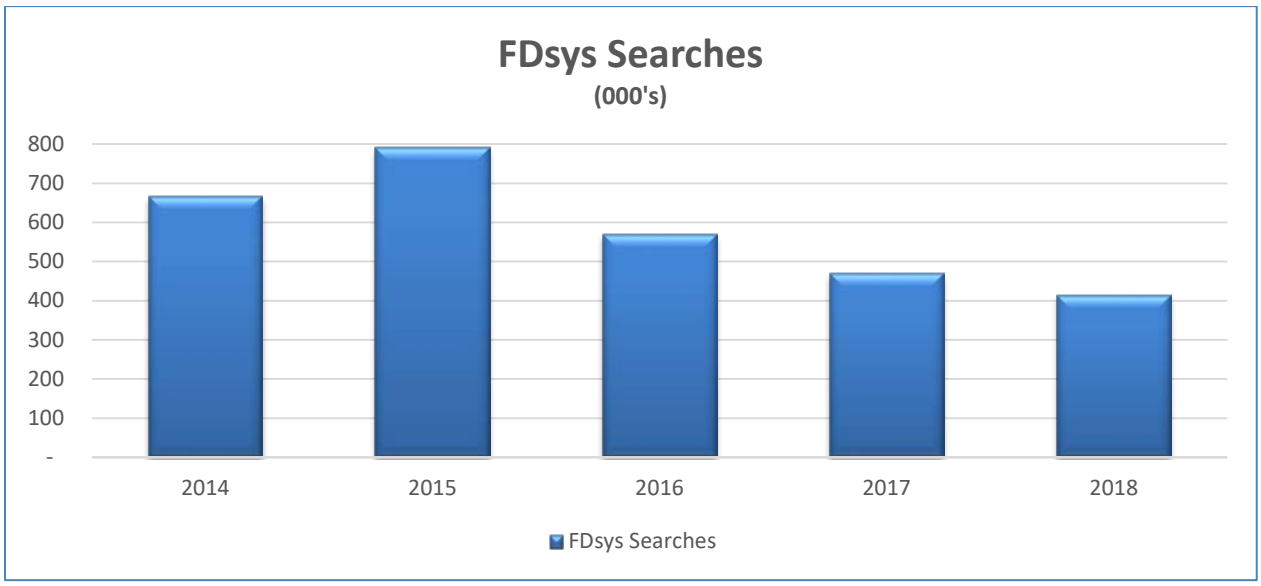
On-Time Delivery and Quality Acceptance of Procured Printing

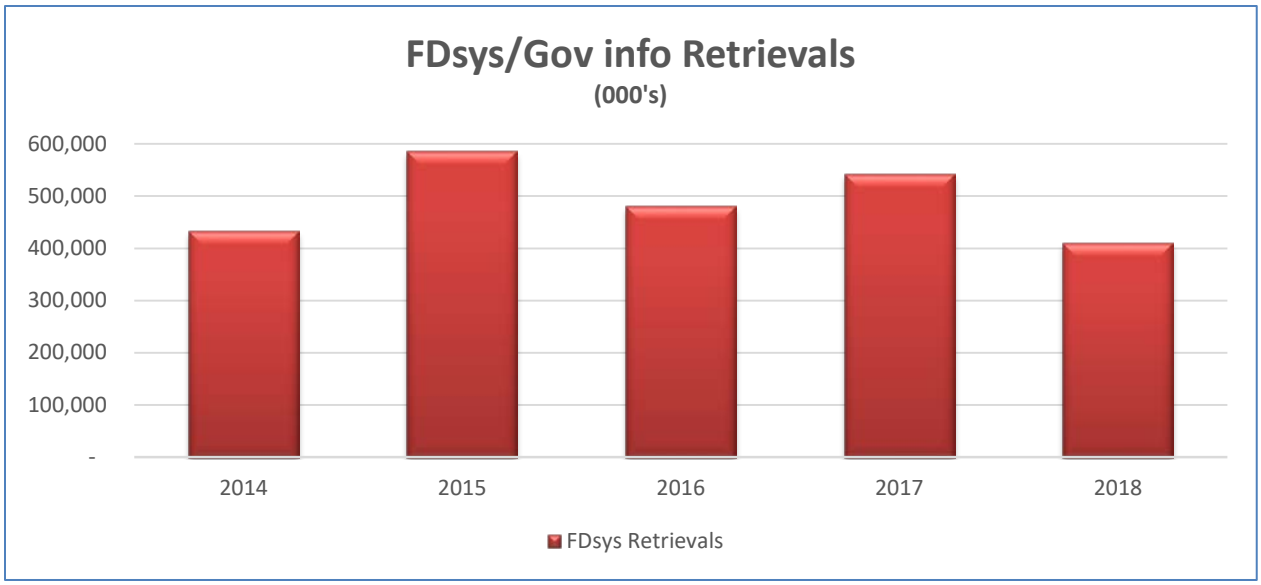
Customer Services contracted with commercial printing vendors to produce and ship orders for GPO customers, on-time and at a high standard of quality.



FDsys Search and Retrieval Metrics

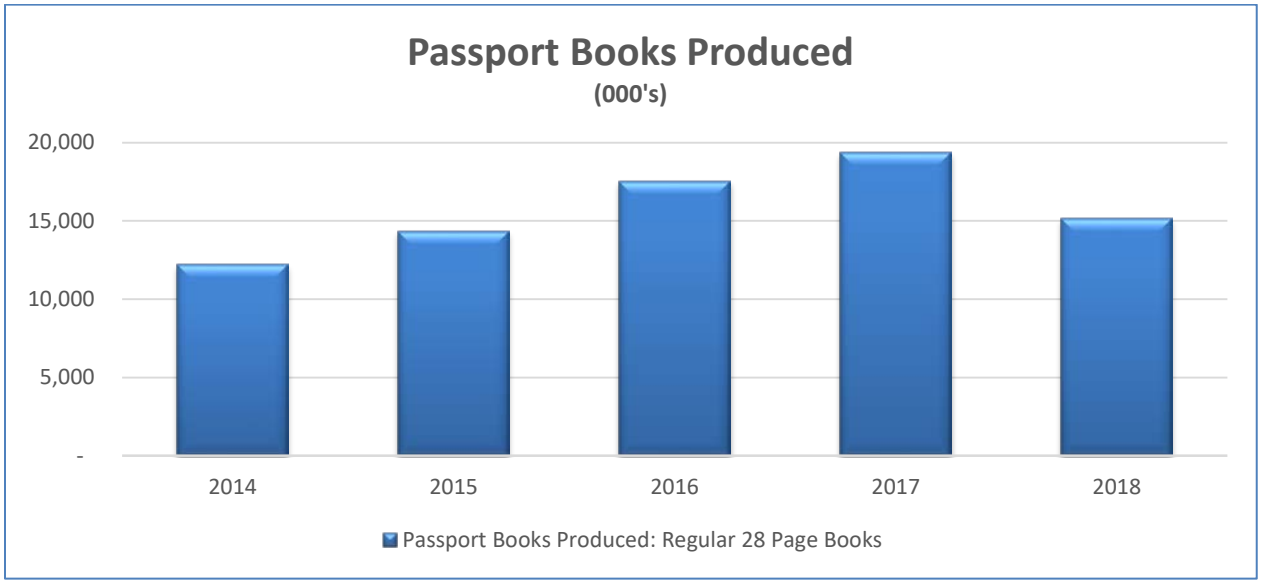
GPO's Federal Digital System (FDsys) provides free online access to official publications from all three branches of the Federal Government. FDsys provides advanced search capabilities and the ability to refine and narrow users' searches for quick access to the information they need. With FDsys, users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

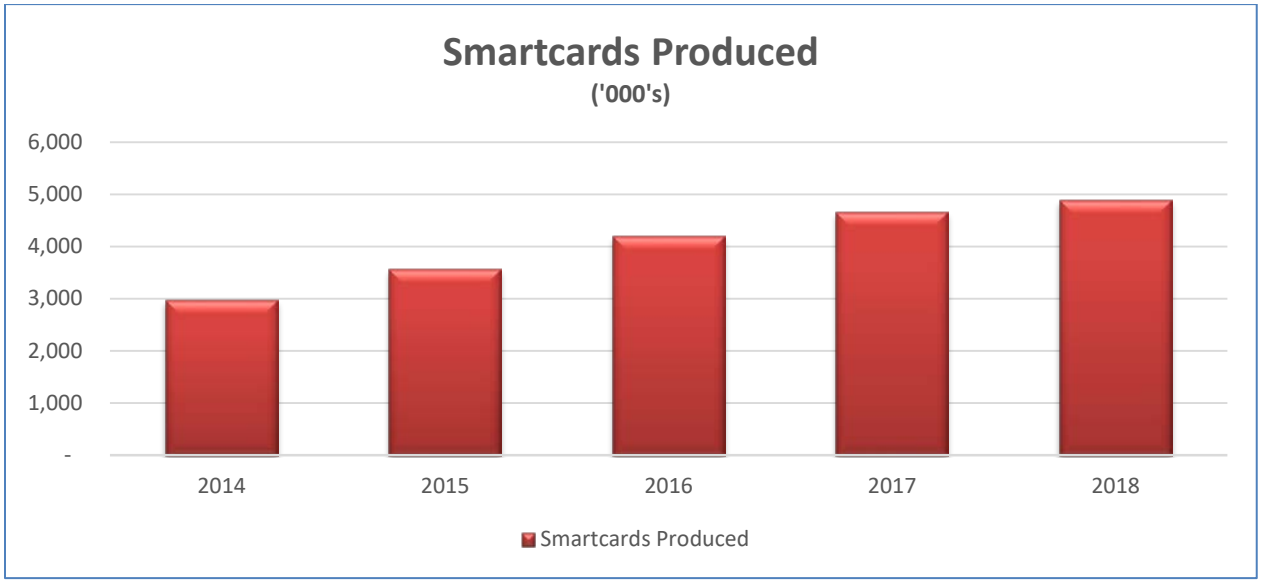




Passport and Smartcard Metrics

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




Smartcards Produced
('000's)
6,000
5,000
4,000
3,000
2,000
1,000
-
2014
2015
2016
2017
2018
Smartcards Produced

Fiscal Year 2019 Financial Projections

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

GPO's fiscal 2019 operating budget plans for the Agency to achieve at least break-even before the long-term Federal Employees' Compensation Act (FECA) adjustment, and after adjusting for planned capital investments related to passport production. These capital investments for the Department of State are mutually agreed to and allow GPO to invest in state-of-the-art passport manufacturing technology. The GPO operating budget also provides sufficient cash to allow continued capital investment to achieve more efficient operations and better meet customer needs.

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

SECTION II

INSPECTOR GENERAL'S REPORT

AUDIT REPORT
REPORT NUMBER 19-01

U.S. Government Publishing Office FY 2018 Independent Auditors' Report

December 14, 2018

U.S. GOVERNMENT PUBLISHING OFFICE

OFFICE OF INSPECTOR GENERAL

Date

December 14, 2018

To

Acting Deputy Director, U.S. Government Publishing Office

From

Inspector General

Subject:

FY 2018 Independent Auditors' Report
Report Number 19-01

Attached is the Independent Auditors' Report on the U.S. Government Publishing office's (GPO's) FY 2018 Financial statements. We contracted with the Independent certified public accounting firm of KPMG LLP (KPMG) to audit the financial statements of GPO for the years ending on September 30, 2018 and 2017. The contract required that the audit be conducted in accordance with auditing standards generally accepted in the United States of America and in accordance with generally accepted government auditing standards (GAGAS).

KPMG's opinion on GPO's financial statements was unmodified. In connection with the contract, we reviewed KPMG's report and related documentation and inquired of its representatives. Our review did not disclose any instances where KPMG did not comply, in all material respects, with requirements. If you have any questions or comments about this report, please do not hesitate to contact me at (202) 512-1512 or Mr. Freddie W. Hall, Assistant Inspector General for Audits and Inspections at (202) 512-1597.

MELINDA M. MIGUEL
Inspector General

Attachment
cc:

Acting Chief Financial Officer
Acting Chief of Staff
Acting General Counsel

SECTION III

INDEPENDENT AUDITORS' REPORT

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

Independent Auditors' Report

Acting Deputy Director
United States Government Publishing Office

Office of the Inspector General
United States Government Publishing Office:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the United States Government Publishing Office (GPO), which comprise the consolidated balance sheets as of September 30, 2018 and 2017, and the related consolidated statements of revenues, expenses, and changes in retained earnings, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the United States Government Publishing Office as of September 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2018, we considered the GPO's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the GPO's internal control. Accordingly, we do not express an opinion on the effectiveness of the GPO's internal control.

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

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

Compliance and Other Matters

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

Purpose of the Other Reporting Required by Government Auditing Standards

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

KPMG LLP

Washington, D.C.
December 14, 2018

SECTION IV

FINANCIAL STATEMENTS

U.S. Government Publishing Office
Consolidated Balance Sheets
As of September 30, 2018 and 2017
(Dollars in Thousands)

	2018	2017
ASSETS		
Current assets		
Fund balance with Treasury (Note 2)	**$ 644,807**	**$ 585,883**
Accounts receivable, net (Note 3)	**138,551**	**132,930**
Inventory, net (Note 4)	**57,369**	**52,984**
Prepaid expenses (Note 5)	**14**	**101**
Total current assets	840,741	771,898
General property, plant, and equipment, net (Note 6)	**177,322**	**173,725**
Total assets	$ 1,018,063	$ 945,623
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses (Note 7)	**$ 123,938**	**$ 115,749**
Deferred revenues (Note 8)	**165,484**	**147,805**
Accrued annual leave	**8,944**	**8,716**
Workers' compensation (Note 9)	**7,476**	**7,673**
Total current liabilities	305,842	279,943
Noncurrent liabilities		
Workers' compensation (Note 9)	**45,238**	**48,536**
Total liabilities	351,080	328,479
Commitments and contingencies (Notes 10 and 11)		
Net position (Note 12)		
Cumulative results of operations:		
Retained earnings	**441,889**	**389,265**
Invested capital	**92,879**	**92,879**
Unexpended appropriations	**132,215**	**135,000**
Total net position	666,983	617,144
Total liabilities and net position	$ 1,018,063	$ 945,623

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

U.S. Government Publishing Office
Consolidated Statements of Revenues, Expenses, and Changes in Retained Earnings
For the Fiscal Years Ended September 30, 2018 and 2017
(Dollars in Thousands)

	2018	2017
OPERATING REVENUES		
Printing and binding	**$ 738,020**	**$ 745,653**
Appropriations	**119,465**	**114,498**
Sales of publications	**4,503**	**4,880**
Agency distributions	**12,478**	**9,266**
Total operating revenues	874,466	874,297
OPERATING EXPENSES		
Printing and reproduction	**341,474**	**307,447**
Personnel compensation and benefits	**220,195**	**216,787**
Supplies and materials	**159,562**	**200,374**
Other services	**49,575**	**43,363**
Depreciation and amortization	**24,725**	**23,816**
Rents, communications, and utilities	**16,773**	**15,634**
Travel, transportation, and postage	**11,386**	**11,475**
Publications sold	**1,647**	**2,323**
Subtotal	825,337	821,219
Income before other expenses	49,129	53,078
OTHER EXPENSES		
Decrease in workers' compensation liability	**3,495**	**5,798**
Net Income	$ 52,624	$ 58,876
Retained Earnings, beginning of year	389,265	330,389
Retained Earnings, end of year	$ 441,889	$ 389,265

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

U.S. Government Publishing Office
Consolidated Statements of Cash Flows
For the Fiscal Years Ended September 30, 2018 and 2017
(Dollars in Thousands)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 52,624**	**$ 58,876**
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	**24,725**	**23,816**
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	**(5,621)**	**2,350**
Inventory	**(4,385)**	**(12,637)**
Prepaid expenses	**87**	**(16)**
Increase (decrease) in liabilities:		
Accounts payable, accrued expenses, and other	**8,188**	**(7,508)**
Deferred revenues	**17,679**	**8,747**
Accrued annual leave	**228**	**233**
Workers' compensation	**(3,495)**	**(5,798)**
Total adjustments	37,406	9,187
Net cash provided by (used in) operating activities	90,030	68,063
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital purchases	**(28,333)**	**(38,157)**
Proceeds from sale of general property, plant, and equipment	**12**	**6**
Net cash used in (provided by) investing activities	(28,321)	(38,151)
CASH FLOWS FROM FINANCING ACTIVITIES		
Appropriations received	**117,068**	**117,068**
Appropriations expended	**(119,853)**	**(114,982)**
Increase (decrease) in unexpended appropriations	**(2,785)**	**2,086**
Net cash provided by (used in) financing activities	(2,785)	2,086
Net increase (decrease) in fund balance with Treasury	58,924	31,998
Fund balance with Treasury, beginning of year	**585,883**	**553,885**
Fund balance with Treasury, end of year	$ 644,807	$ 585,883

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

U.S. Government Publishing Office
Notes to the Financial Statements
September 30, 2018 and 2017

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Accounting Environment

Basis of Accounting

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

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

past. Consistent with historical reporting, GPO's financial statements are presented in accordance with accounting standards published by FASB.

Basis of Presentation and Consolidation

GPO prepares annual financial statements that reflect the overall financial position and results of operations to meet the requirements of GAAP and 31 U.S.C. § 3515(b) as mandated by 44 U.S.C. § 309(e). The accompanying consolidated financial statements include all funds under GPO's control that have been established and maintained to account for the resources of the Agency. All significant intra-agency balances and transactions have been eliminated in the preparation of the consolidated financial statements. GPO's consolidated financial statements do not include the effects of centrally administered assets and liabilities of the Federal Government, as a whole, such as interest on the public debt, which may in part be attributable to GPO. Other Federal agencies make financial decisions and report certain financial matters on behalf of the entire Federal Government, including matters in which individual agencies may be an indirect party. Financial matters maintained or reported by other Federal agencies in which GPO is indirectly involved include employee benefit plans and certain legal settlements.

Funds

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

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

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

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

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

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

The Congressional Publishing Appropriation is used to pay the cost of the printing and binding requirements of the Congress, and the printing, binding, and distribution of publications authorized by law to be distributed to others without charge to the recipient.

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

C. Fund Balance with Treasury

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

D. Accounts Receivable

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

E. Inventories

Inventories of paper, supplies, and materials are shown net of a provision for obsolescence. Inventories of paper, supplies, and materials include the cost of production material (e.g., computer chips, ink, book cloth) as well as the cost of administrative-use supplies. These inventories are valued at the lower of cost, using the weighted moving average cost method, or net realizable value. The allowance for obsolescence is determined based on historical usage of paper, supplies, and materials.

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

F. Property, Plant, and Equipment

Property, plant, and equipment purchases are generally valued at their acquisition cost. GPO capitalizes the cost of the property as an asset when the cost is $25,000 or more and the estimated useful life is two years or more. The costs of major alterations and renovations to the GPO facility are capitalized and depreciated while the costs of maintenance and repairs are expensed when incurred. The depreciation of property, plant, and equipment is calculated on a straight-line basis over the estimated useful life of the asset. The depreciation of an asset commences the month after the asset is first placed in service.

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

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

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

G. Deferred Revenues

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

H. Accrued Annual Leave

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

Sick leave and other types of non-vested leave are expensed when used. Employees are not entitled to a lump-sum payment for unused sick leave.

I. Workers' Compensation Liability

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for GPO employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by GPO.

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

The second component, the actuarial FECA liability, is the estimated liability for future benefit payments. These future estimates were generated from an application of actuarial procedures developed to estimate the liability for future FECA benefits. The actuarial liability for future workers' compensation benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases plus a component for incurred but not reported claims. The liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. These annual benefit payments have been discounted to present value using a composite rate from the Department of Treasury. The current and non-current components of the actuarial FECA liability are presented separately in the balance sheet for fiscal 2018.

J. Commitments and Contingencies

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

K. Revenue Recognition

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

309. Revenues from in-house printing and binding work are recognized on a value-added basis, as work is performed and direct supplies and materials are used, while revenues from commercially procured printing and binding are recognized on the date the contract requirements are fulfilled, which is generally the date of shipment by the commercial printer to the customer agency. Revenues related to the manufacture of passports by GPO for the Department of the State are recognized at annually negotiated rates per passport at the time that the printing and binding process is complete.

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

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

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

L. Expense Recognition

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

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

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

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

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

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

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

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

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

M. Consolidated Statements of Cash Flows

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

N. Use of Estimates

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

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

O. Fair Value Measurement

GPO applies FASB Accounting Standards Codification, *Fair Value Measurements and Disclosures* (ASC 820-10) for fair value measurements of financial assets and financial liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC 820-10 defines "fair value" as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted price quote in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). GPO's financial instruments consist of cash, accounts receivable, accounts payable, and accrued liabilities as of September 30, 2018, and September 30, 2017. The carrying amounts of these financial instruments approximate fair value because of the short-term nature of these instruments. GPO holds no financial instruments that are measured at fair value on a recurring basis.

P. Tax Status

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

2. Fund Balance with Treasury

A table of items included in GPO's fund balance with Treasury, including funds on-hand or in-transit to the Treasury, as of September 30, 2018, and September 30, 2017, follows:

	(Dollars in thousands)	
	2018	**2017**
Fund Balances:		
Revolving fund:		
Unrestricted	**$ 321,000**	**$ 278,275**
Restricted:		
Customer deposit accounts	**161,838**	**140,937**
Other	**27,232**	**30,095**
Total revolving fund	510,070	449,307
General funds:		
Congressional publishing	**48,088**	**52,817**
Salaries and expenses	**21,436**	**21,670**
Supplemental and other	**65,213**	**62,089**
Total general funds	**134,737**	**136,576**
Total	$ 644,807	$ 585,883

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

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

The total fund balance with Treasury increased $58.9 million (10.1 percent) primarily due to income from agency operations to $644.8 million in fiscal 2018 from $585.9 million in fiscal 2017. Total general funds available decreased $1.8 million. These funds are allocated to future approved projects.

3. Accounts Receivable, Net

Accounts receivable, net of an allowance for doubtful accounts, as of September 30, 2018, and September 30, 2017, consisted of the following:

	(Dollars in thousands)	
	2018	**2017**
Federal agencies:		
Unbilled accounts receivable	**$ 115,641**	**$ 107,316**
Billed completed work	**22,225**	**25,053**
Subtotal	137,866	132,369
Other receivables:		
The public	**149**	**158**
GPO employees	**910**	**884**
Subtotal	1,059	1,042
Total accounts receivable	138,925	133,411
Less: Allowance for doubtful accounts	**(374)**	**(481)**
Total accounts receivable, net	$ 138,551	$ 132,930

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

Unbilled accounts receivable results from the delivery of the goods and performance of services for which bills have not been presented to the customer for payment. Accordingly, unbilled accounts receivable includes the value of work in process and completed work for customer orders as of September 30, 2018, and September 30, 2017.

The majority of employee accounts receivable is owed by current and former employees who were advanced leave. Employees generally repay their leave indebtedness through biweekly installments from their earned leave or from leave donations from other employees under the GPO Leave Donation Program.

Net accounts receivable increased by $5.6 million (4.2 percent) in fiscal 2018 from fiscal 2017.

4. Inventory, Net

Inventories, net of an allowance for surplus and obsolete stock increased by $4.4 million (8.3 percent) as of September 30, 2018 from the prior year. Inventory, net are detailed as follows:

	(Dollars in thousands)	
	2018	2017
Supplies and materials	**$ 43,026**	**$ 40,251**
Publications for sale	**3,953**	**4,217**
Paper	**5,391**	**5,143**
Work in process	**8,577**	**7,107**
Total inventory	60,947	56,718
Less: Allowance for surplus and obsolete inventory	**(3,578)**	**(3,734)**
Inventory, net	$ 57,369	$ 52,984

5. Prepaid Expenses

Prepaid expenses or advances to others were $14,000 as of September 30, 2018, and $101,000 as of September 30, 2017. The current year balance was primarily comprised of unused postage and prepaid expenses for a maintenance contract. The majority of prepaid expenses in the prior year were for unused postage and information technology. Most of 2017 prepaid expenses were expensed in fiscal 2018.

6. General Property, Plant, and Equipment, Net

General property, plant, and equipment, net as of September 30, 2018, and September 30, 2017, consisted of the following:

	(Dollars in thousands)	
	2018	**2017**
Land	**$ 9,971**	**$ 9,971**
Buildings and improvements	**104,148**	**103,171**
Plant machinery and equipment	**196,789**	**187,210**
Computers and computer software	**134,126**	**129,331**
Furniture and fixtures	**4,936**	**6,219**
Motor vehicles	**838**	**766**
Leasehold improvements	**14,628**	**14,628**
Capitalized software in process	**15,554**	**12,297**
Capital improvements in process	**11,015**	**11,213**
Total	492,005	474,806
Less: Accumulated depreciation and amortization	**(314,683)**	**(301,081)**
General property, plant, and equipment, net	$ 177,322	$ 173,725

Depreciation expense was $24.7 million in fiscal 2018 and $23.8 million in fiscal 2017.

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of September 30, 2018, and September 30, 2017, were composed of the following:

	(Dollars in thousands)	
	2018	2017
Accounts payable:		
Commercial printing	$ 75,148	$ 60,556
U.S. Government agencies	7,097	7,380
Other	27,053	33,305
Total accounts payable	109,298	101,241
Accrued salaries and payroll taxes	14,640	14,508
Total accounts payable and accrued expenses	$ 123,938	$ 115,749

As of September 30, 2018, amounts recorded in the Other category include $1 million payable to vendors for E-passport microchip integrated circuits, $2.9 million for other passport-related expenses, $7.3 million for expenses related to information technology services, $1 million accrued for fixed assets, and $3 million for other operating expenses. As of September 30, 2017, amounts recorded in Other category include $11 million payable to vendors for E-passport microchip integrated circuits, $2 million for other passport related expenses, $3.4 million for expenses related to information technology services, $2.3 million for accrued fixed assets and $2 million for other operating expenses.

8. Deferred Revenues

As of September 30, 2018, and September 30, 2017, deferred revenues from customers consisted of the following:

	(Dollars in thousands)	
	2018	2017
Deposit accounts	$ 161,838	$ 140,937
Advance billings	2,802	5,965
Subscriptions	645	670
Unfilled orders	199	233
Total	$ 165,484	$ 147,805

GPO held $161.8 million and $140.9 million in customer deposit accounts as of September 30, 2018, and September 30, 2017, respectively. Of these amounts, Federal Government customers had advanced funds of $158.1 million and $138.3 million for printing and binding deposit accounts, and customers advanced $3.8 million and $2.6 million for publication and information sales program deposit accounts as of September 30, 2018, and September 30, 2017, respectively. The funds in these deposit accounts will be applied to future orders placed by customers or refunded on request.

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

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

Advance billings are occasionally requested by customer agencies or used to finance high-dollar orders until work is completed. GPO defers the recognition of revenues for advance billings to customers. This amount decreased to $2.8 million in fiscal 2018 from $6 million in the prior year.

9. Workers' Compensation Liability

Claims incurred and paid by DOL as of September 30, 2018, and September 30, 2017, but not reimbursed to DOL by GPO, are approximately $5.2 million and $6 million respectively. This liability is included in accounts payable and accrued expenses.

As of September 30, 2018, GPO estimated discounted current actuarially derived future workers' compensation liability of approximately $7.5 million and estimated discounted non-current actuarially derived future workers' liability of approximately $45.2 million. As of September 30, 2017, GPO estimated discounted current actuarially derived future workers' compensation liability of approximately $7.7 million and estimated discounted non-current actuarially derived future workers' liability of approximately $48.5 million. These annual benefit payments have been discounted to present value using a composite rate from the Department of Treasury. The discount rates as of September 30, 2018, and September 30, 2017, were 3.12 percent and 2.58 percent, respectively. GPO's total estimated, undiscounted actuarially derived future workers' compensation liability was approximately $77.6 million and $78.3 million as of September 30, 2018, and September 30, 2017, respectively.

10. Commitments

10. A. Operating Leases

As of September 30, 2018, GPO was committed to various non-cancelable operating leases,

primarily covering warehouse and office space. Some of these leases contain escalation clauses and renewal options. Annual lease and rental expenses for real and personal property were $4.6 million in fiscal 2018 and in fiscal 2017. A schedule of future minimum rental payments required under operating leases by type, that have initial or remaining non-cancelable lease terms in excess of one year, follows:

Future Minimum Rental Payments Required Under Operating Leases

	(Dollars in thousands)		
Fiscal Year	**Warehouse**	**Office**	**Total**
2019	**1,087**	**313**	**1,400**
2020	**1,104**	**303**	**1,407**
2021	**810**	**308**	**1,118**
2022	**188**	**315**	**503**
2023 & Thereafter		**220**	**220**
Total Minimum Lease Payments	$ 3,189	$ 1,459	$ 4,648

10. B. Obligations

GPO had unliquidated obligations of $319.6 million at September 30, 2018, and $260.5 million at September 30, 2017, of which $132 million and $135 million, respectively, were for unexpended appropriations (see Note 12. B.), $14.6 million and $14.5 million, respectively, for salaries and $173 million and $111 million, respectively, were undelivered orders related to commercial printing. The latter obligations include purchase orders and contractual obligations by GPO to acquire goods and services from the private sector and other sources. These orders are scheduled for delivery or performance in the future.

11. Contingencies

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

GPO is a party in various administrative proceedings, legal actions, and claims brought against the Federal Government by employees, contractors, and other parties. The uncertainty involving the outcome of these pending matters will be resolved when future events occur or fail to occur. In some cases, legal matters relate to contractual arrangements GPO has entered into for goods and services procured on behalf of other Federal entities. The costs of administering, litigating, and resolving these actions are borne by the Revolving Fund unless the costs are recovered from another Federal entity. As of September 30, 2018, the Agency had $100,000 recorded liabilities in which management believes an adverse result against GPO was probable. That amount was included in accounts payable and accrued expenses in the financial statements. GPO had $50,000

recorded in estimated probable liabilities as of September 30, 2017. That claim was settle in fiscal 2017.

Contingencies where the risk of loss is reasonably possible are approximately $7.1 million and $6.3 million, as of September 30, 2018, and September 30, 2017, respectively. Management believes that the ultimate disposition of these matters will not have a material, adverse effect on GPO's consolidated financial position, results of operations, and cash flows.

The Department of Justice (DOJ) represents the GPO in all litigation in Federal court. In these cases, amounts paid under any judgment, compromise settlement, or award are funded from the Judgment Fund administered by the Department of the Treasury (31 U.S.C. § 1304). As a Legislative branch agency, GPO is not required to reimburse the fund for amounts paid on its behalf. The Judgment Fund paid a total of $23,000 in fiscal 2018 and $8,000 in fiscal 2017 on behalf of GPO.

11. B. Environmental Liabilities

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

The estimated costs to remove or remediate the visible and non-visible presumed asbestos containing material, both friable and non-friable, within the GPO facility, were $685,000 as of September 30, 2018, and $771,000 as of September 30, 2017. The decreased liability is the result of recently conducted investigative asbestos mappings and surveys. These amounts are included in accounts payable and accrued expenses on the financial statements.

12. Net Position

12. A. Cumulative Results of Operations

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

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

12. B. Unexpended Appropriations

The following table presents unexpended appropriation balances from September 30, 2016, through September 30, 2018, for appropriations made available to GPO:

Unexpended Appropriations

Appropriations (Dollars in thousands)	Revolving Fund	Salaries and Expenses	Congressional Publishing	Total
Unexpended balance at September 30, 2016	$ 51,542	20,332	61,040	$ 132,914
2017 fiscal year appropriation activity:				
Received	**7,832**	**29,500**	**79,736**	**117,068**
Transferred	**16,730**	**(3,397)**	**(13,333)**	**0**
Expended	**(14,012)**	**(26,344)**	**(74,626)**	**(114,982)**
Unexpended balance at September 30, 2017	62,092	20,091	52,817	$ 135,000
2018 fiscal year appropriation activity:				
Received	**8,540**	**29,000**	**79,528**	**117,068**
Transferred	**5,843**		**(5,843)**	**0**
Expended	**(11,259)**	**(30,180)**	**(78,414)**	**(119,853)**
Unexpended balance at September 30, 2018	$ 65,216	$ 18,911	$ 48,088	$ 132,215

As of September 30, 2018, GPO had obligated all of the $48.1 million of the unexpended appropriations available for Congressional Publishing, and all of the $18.9 million of the unexpended appropriations available for Salaries and Expenses. The obligations are based on the estimated cost of open orders as of September 30, 2018. At September 30, 2017, the obligations were $52.8 million in Congressional Publishing Appropriations and $20.1 million in S&E Appropriations.

The Revolving Fund unexpended appropriations balances at September 30, 2018, and September 30, 2017, were $65.2 million and $62.1 million, respectively. The Revolving Fund unexpended appropriations balances are primarily the result of the following appropriation activities:

- In fiscal 2010, Congress appropriated $12.8 million to the Revolving Fund for information technology development and facilities repair. As of September 30, 2017, GPO had expended cumulatively about $12.6 million from the appropriation. As of September 30, 2018, a balance of $213,000 was available for future expenditures.

- In fiscal 2012, GPO transferred approximately $9.9 million unexpended prior year balances of Congressional Publishing Appropriations remaining from fiscal 2011 and fiscal 2010 and $3.7 million from prior year Salaries and Expenses Appropriations to the Revolving Fund. These amounts are available to Congressional Publishing and Salaries and Expenses, respectively to offset requirements for new budget authority for fiscal 2012, and liquidate obligations incurred in subsequent years. As of September 30, 2018, GPO had expended $8 million from the Congressional Publishing Appropriation leaving a balance of $5.6 million. As of September 30, 2017, the unexpended balance was $9 million.

- In fiscal 2013, GPO transferred approximately $3.2 million from the Salaries and Expenses Appropriations to the Revolving Fund. This amount was available to the Revolving Fund to offset Salaries and Expenses requirements for new budget authority for fiscal 2014, and to liquidate obligations incurred in subsequent years. As of September 30, 2018, GPO had expended the entire appropriation. As of September 30, 2017, the unexpended balance was $1.4 million.

- In fiscal 2014, GPO transferred approximately $9.5 million from the Congressional Publishing Appropriations remaining from fiscal years 2009 through 2011 to the Revolving Fund, and $5.7 million from the Salaries and Expenses Appropriations from fiscal years 2009 and 2010 to the Revolving Fund. These amounts were available to the Revolving Fund to offset Congressional Publishing and Salaries and Expenses requirements for new budget authority, and to liquidate obligations incurred in subsequent years. As of September 30, 2018, GPO had expended $1.9 million from the appropriations leaving a balance of $13.3 million. As of September 30, 2017, the unexpended balance was $15.2 million.

- In fiscal 2014, Congress appropriated $8.1 million to the Revolving Fund for information technology development. As of September 30, 2018, GPO expended cumulatively about $8 million from the appropriation leaving a balance of $74,000 available. At the end of fiscal 2017, a balance of about $255,000 was available.

- In fiscal 2015, GPO transferred approximately $1.2 million from the Congressional Publishing Appropriations remaining from fiscal year 2010 to the Revolving Fund, and $6.1 million from the Salaries and Expenses Appropriations from fiscal year 2010 to the Revolving Fund. These amounts were unexpended as of September 30, 2018.

- In fiscal 2015, Congress appropriated $8.8 million to the Revolving Fund for information technology development and facilities upgrades. As of September 30, 2018, GPO expended cumulatively about $7.6 million from the appropriation leaving a balance of $1.2 million available. As of September 30, 2017, the unexpended balance was $1.6 million.

- In fiscal 2016, Congress appropriated $6.8 million to the Revolving Fund for information technology development and facilities upgrades. As of September 30, 2018, GPO expended cumulatively about $5.5 million from the appropriation leaving a balance of $1.3 million available. As of September 30, 2017, the unexpended balance was $1.8 million.

- In fiscal 2016, GPO transferred approximately $2.0 million from the Congressional Appropriation remaining from fiscal year 2011 to the Revolving Fund, and $760,000 from the Salaries and Expenses Appropriation remaining from fiscal year 2011. These amounts are available to Congressional Publishing and Salaries and Expenses, respectively to offset requirements for new budget authority, and to liquidate obligations

incurred in subsequent years. These amounts were unexpended as of September 30, 2018.

- In fiscal 2017, Congress appropriated $7.8 million to the Revolving Fund for information technology development and facilities upgrades. As of September 30, 2018, GPO expended cumulatively about $5.3 million from the appropriation leaving a balance of $2.5 million available. As of September 2017, the unexpended balance was $5.9 million.

- In fiscal 2017, GPO transferred approximately $13.3 million from the Congressional Publishing Appropriation remaining from fiscal 2012 to the Revolving Fund, and $3.4 million from the Salaries and Expenses Appropriation remaining from fiscal 2012. These amounts are available to Congressional Publishing and Salaries and Expenses, respectively to offset requirements for new budget authority, and to liquidate obligations incurred in subsequent years. These amounts were unexpended as of September 30, 2018.

- In fiscal 2018, Congress appropriated $8.5 million to the Revolving Fund for information technology development and facilities upgrades. These amounts were unexpended as of September 30, 2018.

- In fiscal 2018, GPO transferred approximately $5.8 million from the Congressional Publishing Appropriation remaining from fiscal 2013 to the Revolving Fund. These amounts are available to Congressional Publishing to offset requirements for new budget authority, and to liquidate obligations incurred in subsequent years. These amounts were unexpended as of September 30, 2018.

13. Appropriated Funds

13. A. Total Appropriations Made Available

The total appropriations made available to GPO for fiscal 2018 and 2017 were as follows:

	(Dollars in thousands)	
	2018	**2017**
Congressional publishing	**$ 79,528**	**$ 79,736**
Salaries and expenses	**29,000**	**29,500**
Revolving fund	**8,540**	**7,832**
Total available appropriations	$ 117,068	$ 117,068

13. B. Expended Appropriations

The total appropriations expended by GPO during fiscal 2018 and 2017 were as follows:

Expended Appropriations

	(Dollars in thousands)	
	2018	**2017**
Congressional publishing:		
Hearings	**$ 13,657**	**$ 15,485**
Congressional record publications	**24,039**	**19,624**
Miscellaneous publications	**2,355**	**2,630**
Miscellaneous publishing and services	**16,611**	**20,233**
Bills, resolutions, and amendments	**5,714**	**4,147**
Details to Congress	**5,414**	**4,561**
Business and committee calendars	**4,976**	**3,198**
Committee reports	**2,825**	**2,352**
Document envelopes & franks	**661**	**419**
Documents	**1,316**	**1,268**
Committee prints	**846**	**709**
Total Congressional publishing	78,414	74,626
Salaries and expenses:		
Depository library distribution	**21,419**	**18,542**
Cataloging and indexing	**7,641**	**6,791**
International exchange	**834**	**754**
By-law distribution	**286**	**257**
Total salaries and expenses	30,180	26,344
Revolving Fund:		
Infrastructure and systems improvements	**11,259**	**14,012**
Total revolving fund	**11,259**	**14,012**
Total expended appropriations	**119,853**	**114,982**
Reconciliation of expended appropriations to the consolidated statements of revenues, expenses, and changes in retained earnings:		
Total expended appropriations	119,853	114,982
Eliminations (Intra-agency)	**(388)**	**(484)**
Consolidated revenues from appropriations	$ 119,465	$ 114,498

14. Employee Benefit Plans

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

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

Civil Service Retirement System

The CSRS is a defined benefit plan. Generally, it covers GPO employees first hired before 1984. Total GPO (employer) contributions to CSRS for employees covered under this retirement program were 7.5 percent of basic pay in both 2018 and 2017 for investigators and law-enforcement officers, and 7.0 percent of basic pay in both years for all other employees. GPO contributions were $0.9 million and $1 million for the years ended September 30, 2018, and September 30, 2017, respectively.

Federal Employees Retirement System

Using Social Security benefits as a base, FERS provides a defined benefit plan (Basic Benefit Plan) and a voluntary defined contribution plan. GPO employees first hired after December 31, 1983, were automatically covered by FERS and Social Security, while employees hired prior to January 1, 1984, were able to choose between joining this plan or remaining in CSRS.

The employer contribution rate to FERS for GPO law enforcement officers was 33.8 percent of basic pay in fiscal 2018 and 32.5 percent in fiscal 2017. The FERS contribution rate for all other employees was 16.2 percent in fiscal 2018 and 14.7 percent in fiscal 2017. GPO contributions to FERS totaled $18.8 million for fiscal 2018 and $17.9 million for fiscal 2017.

Thrift Savings Plan

The Thrift Savings Plan (TSP) allows employees to defer the recognition of income tax on contributions made to the plan. The TSP elective deferral limit for employees was $18,500 for fiscal 2018 and $18,000 for fiscal 2017. Employees who were 50 years old or older were allowed additional catch-up contributions of $6,000 in both fiscal 2018 and fiscal 2017. For FERS employees, the employer is required to contribute 1 percent of the employee's base pay to the TSP, and to match voluntary employee contributions dollar-for-dollar for the first 3 percent

of pay and 50 cents on the dollar for the next 2 percent of pay. Thus, the employer contribution to the TSP can be up to 5 percent for FERS employees. Employees participating in CSRS may contribute to the TSP, but they do not receive any matching contributions from the employer. GPO made employer contributions to the TSP of $5.7 million in fiscal 2018 and $5.2 million in fiscal 2017.

Social Security System

As an employer, GPO matches employee contributions to the U.S. Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA) for employees in the FERS. GPO contributes 6.2 percent of gross pay (up to $128,400 in 2018 and $127,200 in 2017) to SSA's Old Age, Survivors, and Disability Insurance (OASDI) Program. Additionally, GPO makes matching contributions for all employees of 1.45 percent of gross pay, without limit, to SSA's Medicare Hospital Insurance Program. Contributions to these SSA programs for the years ended September 30, 2018, and September 30, 2017, totaled $11.1 million and $10.8 million, respectively.

15. Major Customers

GPO's primary customers are the Congress and large Federal agencies in the Executive Branch of the Federal Government. The following reflects GPO's top six customers in fiscal years 2018 and 2017:

	(Dollars in thousands)			
	2018		2017	
	Billings	% of Total	Billings	% of Total
U.S. Department of State	$ 270,596	33.3%	$ 310,971	37.9%
U.S. Congress	78,283	9.6%	73,699	9.0%
U.S. Dept. of Health & Human Services	70,402	8.7%	65,748	8.0%
U.S. Dept. of Homeland Security	62,907	7.7%	59,231	7.2%
U.S. Defense Logistics Agency	62,067	7.6%	55,413	6.8%
U.S. Department of Veterans Affairs	52,198	6.4%	46,093	5.6%

16. Subsequent Events

GPO has evaluated subsequent events through December 14, 2018, the date which the financial statements were available to be issued, and found there were no material events that required financial adjustment, accrual, or further disclosure.

ABBREVIATIONS LIST

ASC	Accounting Standards Codification
CP	Congressional Publishing
CSRS	Civil Service Retirement System
DOL	U.S. Department of Labor
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FDLP	Federal Depository Library Program
FDsys	GPO's Federal Digital System
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement System
FICA	Federal Insurance Contributions Act
GAAP	U.S. Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GPO or Agency	U.S. Government Publishing Office
ISO	International Organization for Standardization
JCP	Joint Committee on Printing
OASDI	Old Age, Survivors, and Disability Insurance
OIG	Office of the Inspector General
OPM	Office of Personnel Management
PII	Personal Identifiable Information
S&E	Salaries and Expenses
SID	Security and Intelligent Documents
SSA	U.S. Social Security Administration
Treasury	U.S. Department of the Treasury
TSP	Thrift Savings Plan
U.S.C.	United States Code