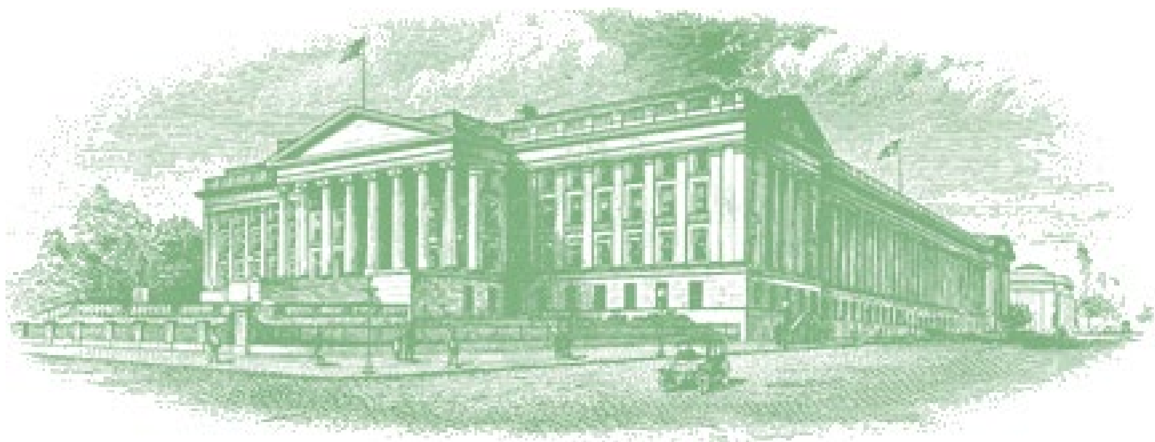
Audit Report



OIG-23-014

FINANCIAL MANAGEMENT

Audit of the Bureau of Engraving and Printing's Financial Statements for Fiscal Years 2022 and 2021

December 16, 2022

Office of Inspector General
Department of the Treasury

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

December 16, 2022

MEMORANDUM FOR LEONARD R. OLIJAR, DIRECTOR
BUREAU OF ENGRAVING AND PRINTING

FROM: Ade Bankole /s/
Director, Financial Statement Audits

SUBJECT: Audit of the Bureau of Engraving and Printing's Financial Statements for Fiscal Years 2022 and 2021

We hereby transmit the attached subject report. Under a contract monitored by our office, KPMG LLP (KPMG), a certified independent public accounting firm, audited the financial statements of the Bureau of Engraving and Printing (BEP) as of September 30, 2022 and 2021, and for the years then ended. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements,* and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, *Financial Audit Manual.*

In its audit of BEP, KPMG found

- the financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no deficiencies in internal control over financial reporting that are considered material weaknesses; and
- no instances of reportable noncompliance with laws, regulations, and contracts tested.

KPMG also issued a management letter dated December 15, 2022, discussing certain deficiencies in internal control over financial reporting that were identified during the audit but were not required to be included in the auditors' report. These matters involved general information technology controls, cash balance reconciliation, and review of capital projects in construction in progress. This letter will be transmitted separately.

In connection with the contract, we reviewed KPMG's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on BEP's financial statements or conclusions on the effectiveness of internal control or compliance with laws and regulations.

KPMG is responsible for the attached auditors' report dated December 15, 2022, and the conclusions expressed therein. However, our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

If you wish to discuss this report, please contact me at (202) 927-5329, or a member of your staff may contact Shiela Michel, Manager, Financial Statement Audits, at (202) 927-5407.

Attachment

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Financial Statements

Years ended September 30, 2022 and 2021

(With Independent Auditors' Reports Thereon)

THE DEPARTMENT OF THE TREASURY

BUREAU OF ENGRAVING AND PRINTING

FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

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

Independent Auditors' Report

The Deputy Inspector General, U.S. Department of the Treasury and
The Director of the Bureau of Engraving and Printing, U.S. Department of the Treasury:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Bureau of Engraving and Printing (the Bureau), which comprise the balance sheets as of September 30, 2022 and 2021, and the related statements of operations and cumulative results of operations, and statements of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bureau as of September 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bureau and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bureau's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bureau's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bureau's ability to continue as a going concern for a reasonable period of time.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2022, we considered the Bureau's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bureau's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982.

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 Bureau'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 or significant deficiencies may exist that were not identified.

KPMG

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bureau's financial statements as of and for the year ended September 30, 2022 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or OMB Bulletin No. 22-01.

Purpose of the Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections 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 Bureau's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
December 15, 2022

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING
Balance Sheets
As of September 30, 2022 and 2021

	2022	2021
	(In Thousands)	
ASSETS		
Current Assets		
Cash (Note 3)	$ 150,451	$ 110,048
Accounts Receivable (Note 10)	97,555	95,678
Inventories, Net (Note 4)	236,696	197,214
Prepaid Expenses	129	221
Total Current Assets	484,831	403,161
Property and Equipment, Net (Note 5)	705,014	624,221
Other Assets, Net (Note 6)	35,645	31,849
Total Assets	$ 1,225,490	$ 1,059,231
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities (Notes 7 and 8)		
Accounts payable	$ 35,761	$ 28,969
Accrued liabilities	39,573	38,631
Advances	9,081	7,684
Total current liabilities	84,415	75,284
Workers' compensation liability (Note 8)	56,128	59,607
Total liabilities	140,543	134,891
Contingencies and commitments (Notes 12 and 13)		
Equity		
Invested capital	39,591	32,435
Cumulative results of operations	1,045,356	891,905
Total equity	1,084,947	924,340
Total liabilities and equity	$ 1,225,490	$ 1,059,231

See accompanying notes to the financial statements.

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING
Statements of Operations and
Other Comprehensive Income and Cumulative Results of Operations and Invested Capital
For the Years Ended September 30, 2022 and 2021

	2022	2021
	(In Thousands)	
Revenue from sales (Note 10)	$ 1,012,030	$ 928,941
Cost of goods sold	638,870	671,676
Gross margin	373,160	257,265
Operating costs:		
General and administrative expenses	149,278	139,675
Research and development	70,431	56,186
	219,709	195,861
Excess of revenues over expenses	153,451	61,404
Cumulative results of operations at beginning of year	891,905	830,501
Cumulative results of operations at end of year	$ 1,045,356	$ 891,905
Other Comprehensive Income (Loss)		
Land Transfer for new Currency Production Facility	7,156	-
Total Other Comprehensive Income (Loss)	$ 7,156	$ -
Change in Invested Capital		
Invested Capital at Beginning of Period	32,435	32,435
Other Comprehensive Income (Loss)	7,156	-
Invested Capital at End of Period	$ 39,591	$ 32,435

See accompanying notes to the financial statements.

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING
Statements of Cash Flows
For the Years Ended September 30, 2022 and 2021

	2022	2021
	(In Thousands)	
Cash flows from operating activities		
Excess of revenues over expenses	$ 153,451	$ 61,404
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	49,239	46,637
Loss from obsolescence	604	938
Loss from disposal of property and equipment	-	(3)
Changes in assets and liabilities		
(Increase) Decrease in accounts receivable	(1,877)	(37,388)
(Increase) Decrease in inventories	(39,482)	(5,254)
(Increase) Decrease in prepaid expenses	92	148
(Increase) Decrease in other assets	(4,400)	(6,652)
Increase (Decrease) in accounts payable	6,792	4,813
Increase (Decrease) in accrued liabilities	942	(444)
Increase (Decrease) in advances	1,397	(760)
Increase (Decrease) in workers' compensation liability	(3,479)	(3,675)
Net cash provided by operating activities	163,279	59,764
Cash flows from investing activities		
Purchases of property and equipment	(122,876)	(130,486)
Net cash used in investing activities	(122,876)	(130,486)
Net (decrease) increase in cash	40,403	(70,722)
Cash at beginning of year	110,048	180,770
Cash at end of year	$ 150,451	$ 110,048

See accompanying notes to the financial statements.

THE DEPARTMENT OF THE TREASURY

BUREAU OF ENGRAVING AND PRINTING

Notes to the Financial Statements

September 30, 2022 and 2021

1. Reporting Entity

The Bureau of Engraving and Printing (Bureau), a component of the United States (U.S.) Department of the Treasury, is the U.S. Government's security printer. The Bureau designs and produces U.S. currency. The Bureau also advises and assists federal agencies in the design and production of other U.S. Government documents requiring counterfeit deterrence or secure production.

The Bureau operates under basic authorities conferred by the Act of July 11, 1862, (12 Stat. 532; also, 31 U.S.C. 5114) and other laws and regulations. In accordance with the provisions of Public Law 81-656, effective August 4, 1950, the operations of the Bureau are financed by means of a revolving fund. This fund is reimbursed through billings to the Bureau's customers for products delivered. Public Law 95-81 authorized the Bureau to include in its product prices an amount to provide funding for the acquisition of capital equipment and future working capital. Invested capital represents the historical value of the initial contribution made to the revolving fund by the Federal Government and the appraised value of the land transferred to the Bureau without reimbursement for the new Washington DC Currency Facility.

The financial statements represent the consolidation of a federal Revolving Fund and a Deposit Fund. The majority of all financial transactions are contained in the Bureau of Engraving and Printing Revolving Fund, which finances Bureau operations. The Mutilated Currency Claims Fund, which is a Deposit Fund, is used to redeem damaged paper currency received from the public. All significant balances and transactions between the funds have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Bureau has historically prepared 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 Bureau prepares its financial statements using the full accrual basis of accounting under which revenues are recognized 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, however, 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, such as the Bureau, that have issued financial statements based upon FASB accounting standards in the past. Accordingly, consistent with historical reporting, the Bureau's financial statements are presented in accordance with accounting standards published by the FASB. Certain presentations and disclosures may be modified, if needed, to prevent the disclosure of classified information.

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related revenues and expenses. Those estimates most significant to the Bureau's financial statements are the actuarial estimates made by the U.S. Department of Labor (DOL) in arriving at the liabilities for workers' compensation, allowances for obsolescence, the useful lives of property and equipment, the likelihood of losses associated with contingent liabilities, and certain accrued expenses at the date of the financial statements. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

Cash

Cash represents the aggregate amount of the Bureau's funds held on deposit with the U.S. Treasury and are available to pay liabilities.

Inventories

Raw material and supply inventories are stated at standard cost, except for one advanced counterfeit deterrent material, which is valued using the first-in-first-out (FIFO) method. Finished goods inventories are valued at standard cost by denomination. All methods approximate actual cost. Cost elements included in work-in-process and finished goods inventories are direct materials, direct labor, manufacturing overhead and manufacturing support.

Any raw materials inventory determined obsolete is immediately expensed resulting in no allowance for inventory obsolescence for raw materials.

Property and Equipment

Property and equipment are recorded at cost. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. The capitalization threshold is $50,000. The Bureau capitalizes all cost associated with new construction and building improvements.

The Bureau occupies and uses buildings and land owned by the U.S. Department of the Treasury. The Bureau is not charged for the use of the buildings or land but is responsible for maintenance and repair of all buildings and land improvements. The land and building shell for the Bureau's Western Currency Facility (WCF) were donated by the City of Fort Worth, Texas to the U.S. Department of the Treasury. The land for the new Washington DC Currency Facility was transferred by the U.S. Department of Agriculture to BEP and is not depreciated (See Note 5).

Depreciation of property and equipment is calculated using the straight-line method over the following estimated useful lives:

Land	N/A
Machinery and equipment	3 - 15 years
Building and land improvements	3 - 40 years
Information technology (IT) equipment and software	3 - 5 years
Office machines	5 - 10 years
Furniture and fixtures	5 - 10 years
Motor vehicles	3 - 9 years

Other Assets

Other assets consist principally of machine repair parts and tools, which are used in the production of the Bureau's products. Other assets are stated at standard cost, which approximates actual cost, net of a reserve for obsolescence.

Employee Retirement Plans

Bureau employees participate in the contributory Civil Service Retirement System (CSRS) or Federal Employees' Retirement System (FERS), to which the Bureau and employees make contributions according to plan requirements. Consistent with reporting under multi-employer pension plans, the Bureau does not report CSRS and FERS assets, accumulated plan benefits or future liabilities, if any, applicable to its employees. This data is reported for plan participants by the Office of Personnel Management (OPM).

Postretirement Benefits Other than Pensions

Postretirement benefits for former Bureau employees, specifically health care costs and life insurance, are administered and paid by OPM through appropriations received from the U.S. Government. The Bureau does not reimburse OPM for these payments. The Bureau's financial statements do not include the cost of employee postretirement benefits paid by OPM, or the actuarial liability for such benefits.

Workers' Compensation Costs

The Federal Employee 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 the Bureau's employees under FECA are administered by DOL and are ultimately paid by the Bureau.

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 the Bureau. The Bureau reimburses DOL for the amount of actual claims normally within one to two years after payment is made by DOL. As a result, the Bureau recognizes a current and non-current liability for actual claims paid by DOL, to be reimbursed by the Bureau.

The second component, the actuarial FECA liability, is the estimated liability for future benefit payments. These future workers' compensation estimates were generated by DOL from an application of actuarial procedures developed to estimate the liability for future FECA benefits. The actuarial liability for future worker's 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 the U.S. Department of the Treasury's Yield Curve for Treasury Nominal Coupon Issues to reflect the average duration in years for income payment and medical payments. Discount rates as of September 30, 2022 were 2.119% and 1.973% for wages and medical in year one and subsequent years, respectively. Discount rates as of September 30, 2021 were 2.231% and 2.060% for wages and medical in year one and subsequent years, respectively. The U.S. Department of the Treasury allocated the overall liability to Treasury components based on past claims paid information provided by DOL.

Annual, Sick, and Other Leave

Annual leave is accrued as a liability when earned and the accrual is reduced as leave is taken. The balance in this accrued liability account reflects current pay rates.

Sick leave and other types of non-vested leave are expensed as the leave is taken.

Revenue Recognition

The vast majority of revenue is from sales to the Federal Reserve Board and is recognized when finished goods satisfactorily pass all Bureau quality control standards and are delivered to the on-site depository vaults designated for the Federal Reserve Board and are available for immediate shipping by the Federal Reserve Board. Finished goods are released for shipment in accordance with customer requirements. Revenue from the sale of uncut currency to the public is recognized at the time the product is shipped. The Bureau does not record an allowance for returns because of a historically negligible return rate. Additionally, BEP bills the Federal Reserve Board and recognizes revenue related to actual expenses incurred for WCF expansion costs and the new Washington DC Currency Facility.

Tax Status

The Bureau is a federal entity, and therefore is not subject to federal, state, or local income taxes. Accordingly, no provision for income taxes is made.

Contingencies

Liabilities from loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation cost can be reasonably estimated. Loss contingencies that do not meet these criteria, but are reasonably possible and estimable are not accrued, but are disclosed in Note 12.

Fair Value Measurements

FASB Accounting Standard Codification (ASC) 820-10*, Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Bureau's financial instruments are comprised of cash, accounts receivable, accounts payable, accrued liabilities, and advances as of September 30, 2022 and 2021, respectively. The carrying amounts of these financial instruments approximate fair value because of the short-term nature of these instruments. The Bureau holds no financial instruments that are required by ASC 825-10, *Financial Instruments - Overall*, to be valued, reported, or disclosed at fair value as of September 30, 2022 or 2021.

3. Cash

The year-end cash balances by fund are as follows as of September 30, 2022 and 2021:

	(In Thousands)	
	2022	**2021**
Bureau revolving fund	$ 141,408	$ 102,364
Mutilated currency claims fund	9,043	7,684
Total	$ 150,451	$ 110,048

The balance in the Mutilated Currency Claims Fund, consisting of advances available to process claims for mutilated currency submitted for redemption by the public (including banks), is offset by a liability to the public, which is included in advances on the balance sheets as of September 30, 2022 and 2021, respectively (See Note 7).

4. Inventories

Inventories consist of the following as of September 30, 2022 and 2021:

	(In Thousands)	
	2022	**2021**
Raw material and supplies	$ 77,282	$ 74,530
Work-in-process	89,371	76,756
Finished goods - currency	38,540	14,215
Finished goods - uncut currency	26,763	26,487
E-Reader inventory	4,740	5,226
Total	$ 236,696	$ 197,214

5. Property and Equipment, net

Property and equipment consist of the following as of September 30, 2022 and 2021:

	(In Thousands)	
	2022	**2021**
Land	$ 7,156	$ -
Machinery and equipment	730,140	711,092
Building and land improvements	442,515	312,123
IT equipment and software	197,340	197,180
Office machines	1,685	1,685
Furniture and fixtures	1,925	1,339
Donated assets - artwork	125	125
Motor vehicles	175	175
Leasehold improvements	230	230
	1,381,291	1,223,949
Less accumulated depreciation	972,293	923,055
	408,998	300,894
Construction-in-progress	296,016	323,327
Property and equipment, net	$ 705,014	$ 624,221

Depreciation expense for the years ended September 30, 2022 and 2021 was $49.2 million and $46.6 million, respectively.

The majority of the increase in Property and Equipment from 2021 to 2022 was due to an increase in spending for the acquisition of new production equipment and building improvements. Equipment spending occurred primarily on the Non-sequential Large Examining and Printing Equipment and the $100 Finishing Line. The increase in spending on construction projects occurred primarily on the WCF Expansion, but also included spending on the new DC Production Facility Program.

The Bureau occupies and uses buildings and land owned by the U.S. Department of the Treasury. The land and building shell for the Fort Worth, Texas facility were donated by the City of Fort Worth to the U.S. Department of the Treasury in 1987, which holds the title thereto. At the time of donation, the land had an appraised value of $1.5 million and the building shell cost was $5.6 million. In accordance with the provisions of Public Law 81-656, Bureau financial statements include only the costs to build out the Texas facility. In accordance with the provisions of Section 7602 of the Agriculture Improvement Act of 2018, Bureau financial statements include the land to build the new Washington DC Currency Facility, at the appraised value at the time of the transfer from the U.S. Department of Agriculture of $7.2 million. In accordance with ASC 230, this transfer is considered to be a non-cash investing and finance activity.

6. Other Assets, net

Other assets consist principally of machine repair parts and tools. The allowance for obsolescence for these parts and tools for years ended September 30, 2022 and 2021 was $19.3 million and $18.7 million, respectively.

7. Current Liabilities

All current liabilities are funded and consist of the following as of September 30, 2022 and 2021:

	(In Thousands)	
	2022	**2021**
Intragovernmental	$ 4,271	$ 5,080
With the public	80,144	70,204
Total current liabilities	$ 84,415	$ 75,284

Accrued current liabilities consist of the following as of September 30, 2022 and 2021:

	(In Thousands)	
	2022	**2021**
Payroll	$ 22,691	$ 20,514
Annual leave	12,611	13,593
Worker's compensation	4,077	4,315
Other	194	209
Total accrued liabilities	$ 39,573	$ 38,631

Advances consist of the following as of September 30, 2022 and 2021:

	(In Thousands)	
	2022	**2021**
Mutilated currency	$ 9,081	$ 7,684
Total advances	$ 9,081	$ 7,684

8. Workers' Compensation Liability

Claims incurred and paid by DOL as of September 30, 2022 and 2021, but not yet reimbursed to DOL by the Bureau, are approximately $9.1 million and $9.5 million, respectively. Of these balances, approximately $4.1 million and $4.3 million represent a current liability, as of September 30, 2022 and 2021, respectively. The Bureau will reimburse DOL for these claims in the next two years. The Bureau's estimated non-current, actuarially derived future workers' compensation liability was approximately $51.1 million and $54.4 million as of September 30, 2022 and 2021, respectively. The Bureau's estimated, undiscounted, non-current, actuarially derived future workers' compensation liability was approximately $65.5 million and $71.9 million as of September 30, 2022 and 2021, respectively.

9. Employee Retirement Plans and Postretirement Benefits Other than Pensions

Employer contributions to the retirement plans were $31.8 million and $28.7 million for fiscal years 2022 and 2021, respectively. The CSRS employer contribution rate for fiscal years 2022 and 2021 was 7.0%. The FERS agency contribution rate was 18.4% and 17.3% for fiscal years 2022 and 2021, respectively. The cost of providing the CSRS and FERS benefits is more than the amounts contributed by the Bureau and the employees to OPM. The total costs of providing benefits, including the costs financed by OPM, were $36.4 million and $32.9 million in 2022 and 2021, respectively.

OPM paid costs totaling $14.8 million and $13.9 million for the Federal Employees Health Benefits Program (FEHBP) and Federal Employees Group Life Insurance (FEGLI) programs in 2022 and 2021, respectively. These costs are not included in the Bureau's Statements of Operations. The Bureau paid costs totaling $18.6 million and $18.1 million for the FEHBP and FEGLI programs in 2022 and 2021, which are included in the Bureau's Statement of Operations.

10. Concentration of Revenue

The Bureau's principal customers are other federal and quasi-federal governmental organizations. During 2022 and 2021, the Bureau's sales revenue from these organizations as well as the outstanding amounts due from them as of September 30, 2022 and 2021, are reflected in the following table:

	Revenue (In Thousands)		**Accounts Receivable** (In Thousands)	
	2022	**2021**	**2022**	**2021**
Federal Reserve Board:				
Currency production	$ 925,502	$ 888,565	$ 65,688	$ 76,460
WCF expansion	47,937	16,053	23,790	16,053
Mutilated currency	4,225	3,939	1,100	1,006
Meaningful access	799	743	244	229
New facility	32,543	17,434	6,374	1,627
Total Federal Reserve Board	1,011,006	926,734	97,196	95,375
Other Intragovernmental	1,005	2,053	-	57
Total Intragovernmental	1,012,011	928,787	97,196	95,432
Public Sales	19	154	-	-
Other	-	-	359	246
Total Non-Intragovernmental	19	154	359	246
Total	$1,012,030	$ 928,941	$ 97,555	$ 95,678

Revenues from other federal agencies are derived principally from the sale of security printing products to U.S. Government agencies and related fees charged.

11. Principal Suppliers

The Bureau is dependent upon sole suppliers for distinctive currency paper and several advanced counterfeit deterrent materials.

12. Commitments and Contingencies

The Bureau is a party in various administrative proceedings, legal actions, and claims brought against the Federal Government by employees, contractors, and other parties. Contingencies for litigations involving the Bureau, where the risk of loss was probable do not exist as of September 30, 2022 and 2021. Contingencies, where the risk of loss is reasonably possible, are approximately $3.5 million and $3.8 million as of September 30, 2022 and 2021, respectively. Since the risk of loss for these litigations is not probable, the Bureau did not record any liability. Management believes that the ultimate resolution of these litigations will not have a material impact on the reported financial position, results of operations, and cash flows.

In 2007, a judge ruled that the current U.S. currency design violates Section 504 of the Rehabilitation Act. The Court awarded no monetary damages. However, the Bureau is required to provide meaningful access to United States currency for blind and other visually impaired persons as part of the next currency redesign. The cost of currency changes necessary to provide meaningful access will be incorporated into future currency redesign costs. No costs related to the Court ruling have been accrued in the accompanying financial statements as of September 30, 2022 and 2021. As an interim measure, the Bureau is providing currency readers, free of charge, to eligible blind and visually impaired individuals.

The Bureau has contracted to purchase printing equipment costing approximately $328.2 million. As of September 30, 2022, the Bureau has made cumulative payments of $143.7 million, and the remaining commitment outstanding is $184.5 million. Delivery of the printing equipment will be determined upon successful completion of final factory inspection tests. The Bureau entered into an Inter-Agency Agreement with the United States Army Corps of Engineers for the design review, construction, and contract administration of the Western Currency Facility expansion project and a new Washington DC Currency Facility. As of September 30, 2022, the Bureau has obligated $403.7 million for these projects and has made cumulative payments of $270.7 million. Progress payments related to the above contracts are included in construction-in-progress within Property and Equipment on the balance sheets as of September 30, 2022.

The Bureau does not carry commercial insurance on its physical assets because by law the Federal Government is self-insured.

On September 30, 2022 and 2021, 1,189 and 1,136 employees, respectively, or 62% of our workforce for fiscal years 2022 and 2021, were covered by collective bargaining agreements. The BEP collective bargaining agreements exclude pay provision negotiations. There are a total of 18 agreements, of which, one is currently under negotiation. No agreements are set to expire within the next year.

13. Operating Lease

Rental expense for the years ended September 30, 2022 and 2021 was $3.5 million and $3.1 million, respectively.

Future minimum payments under the cancelable lease as of September 30, 2022, are:

For the years ending September 30,	(In Thousands)
2023	$ 3,886
2024	3,901
2025	3,916
2026	3,932
2027	1,988
Total	$ 17,623

14. Subsequent Events

The Bureau has evaluated subsequent events through December 15, 2022, the date that the financial statements were available to be issued. There were no material events that required additional accruals or disclosures.

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