Audit Report

OIG-25-017

FINANCIAL MANAGEMENT

Audit of the Bureau of Engraving and Printing's Financial Statements for Fiscal Years 2024 and 2023

December 12, 2024

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 12, 2024

MEMORANDUM FOR PATRICIA S. COLLINS, DIRECTOR
BUREAU OF ENGRAVING AND PRINTING

FROM: Shiela Michel /s/
Acting Director, Financial Statement Audits

SUBJECT: Audit of the Bureau of Engraving and Printing's Financial Statements for Fiscal Years 2024 and 2023

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, 2024 and 2023, 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. 24-02, *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 12, 2024, discussing a deficiency in internal control over financial reporting that was identified during the audit but was not required to be included in the auditors' report. This matter involved general information technology controls. 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 12, 2024, 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) 486-1415, or a member of your staff may contact Felicia Silver, Acting Manager, Financial Statement Audits, at (771) 210-6004.

Attachment

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Financial Statements

Years ended September 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

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

Independent Auditors' Report

Acting Inspector General
Department of the Treasury

Director
Bureau of Engraving and Printing, Department of the Treasury:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bureau of Engraving and Printing (the Bureau), which comprise the balance sheets as of September 30, 2024 and 2023, and the related statements of operations and cumulative results of operations, and 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, 2024 and 2023, 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. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 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. 24-02 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. 24-02, 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.

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.

Other Reporting Required by *Government Auditing Standards*

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, 2024, 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 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 or significant deficiencies may exist that were not identified.

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, 2024 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 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. 24-02.

Purpose of the Other 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 12, 2024

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING
Balance Sheets
As of September 30, 2024 and 2023

	2024	2023
	(In Thousands)	
ASSETS		
Current assets:		
Cash (Note 3)	$ 266,164	$ 104,908
Accounts receivable (Note 10)	87,579	109,843
Inventories (Note 4)	268,700	257,133
Prepaid expenses	118	123
Total current assets	622,561	472,007
Property and equipment, net (Note 5)	950,356	851,062
Operating lease right-of-use assets (Note 13)	9,794	13,421
Other assets, net (Note 6)	39,946	38,822
Total assets	$ 1,622,657	$ 1,375,312
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities (Notes 7 and 8):		
Accounts payable	$ 29,335	$ 38,320
Accrued liabilities	35,134	43,665
Advances	20,112	24,249
Total current liabilities	84,581	106,234
Workers' compensation liability (Note 8)	57,991	56,945
Operating lease liabilities (Note 13)	6,069	9,840
Total liabilities	$ 148,641	$ 173,019
Commitments and contingencies (Note 12)		
Equity		
Invested capital	39,591	39,591
Cumulative results of operations	1,434,425	1,162,702
Total equity	$ 1,474,016	$ 1,202,293
Total liabilities and equity	$ 1,622,657	$ 1,375,312

See accompanying notes to the financial statements.

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Statements of Operations and
Cumulative Results of Operations

For the Years Ended September 30, 2024 and 2023

	2024	**2023**
	(In Thousands)	
Revenue (Note 10):		
Sales	$ 949,483	$ 826,571
Non-exchange surcharge for capital investments	240,015	140,359
Other	5,777	6,400
Total revenue	1,195,275	973,330
Cost of goods sold	652,217	614,736
Gross margin	543,058	358,594
Operating costs:		
General and administrative expenses	198,763	181,295
Research and development	72,572	59,953
Total operating costs	271,335	241,248
Excess of revenues over expenses	271,723	117,346
Cumulative results of operations at beginning of year	1,162,702	1,045,356
Cumulative results of operations at end of year	$ 1,434,425	$ 1,162,702

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, 2024 and 2023

	2024	2023
	(In Thousands)	
Cash flows from operating activities		
Excess of revenues over expenses	$ 271,723	$ 117,346
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	61,762	54,043
Loss from obsolescence	3,115	3,578
(Gain) loss from disposal of property and equipment	(11)	1,460
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	22,264	(12,288)
(Increase) decrease in inventories	(11,567)	(20,437)
(Increase) decrease in prepaid expenses	5	6
(Increase) decrease in operating lease right-of-use assets	3,627	(13,421)
(Increase) decrease in other assets	(4,239)	(6,755)
Increase (decrease) in accounts payable	(8,985)	2,559
Increase (decrease) in accrued liabilities	(8,531)	4,092
Increase (decrease) in advances	(4,137)	15,168
Increase (decrease) in workers' compensation liability	1,046	817
Increase (decrease) in operating lease liabilities	(3,771)	9,840
Net cash provided by operating activities	322,301	156,008
Cash flows from investing activities		
Purchases of property and equipment	(161,045)	(201,551)
Net cash used in investing activities	(161,045)	(201,551)
Net (decrease) increase in cash	161,256	(45,543)
Cash at beginning of year	104,908	150,451
Cash at end of year	$ 266,164	$ 104,908

See accompanying notes to the financial statements.

1. Reporting Entity

The Bureau of Engraving and Printing (BEP or 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 District Currency Replacement Facility (DCRF).

The financial statements represent the consolidation of BEP’s federal Revolving Fund and a Deposit Fund. The majority of all financial transactions are contained within the BEP Revolving Fund, which finances the Bureau’s 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. The significant estimates 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 DCRF was transferred by the U.S. Department of Agriculture to the 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 multiemployer 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 the 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 yet reimbursed by the Bureau. The Bureau reimburses the DOL for the amount of actual claims normally within one to two years after payment is made by the DOL. As a result, the Bureau recognizes a current and non-current liability for actual claims paid by the 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 the 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 claim data and 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 Department of the Treasury's Yield Curve for Treasury Nominal Coupon Issues to reflect the average duration in years for income payments and medical payments.

Discount rates as of September 30, 2024, were 2.648 percent and 2.399 percent for income payments and medical in year one and subsequent years, respectively. Discount rates as of September 30, 2023, were 2.326 percent and 2.112 percent for income payments 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 the 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. Also, the BEP bills the Federal Reserve Board and recognizes revenue related to expenses incurred for WCF expansion, the DCRF project, and the production equipment.

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, 2024, and 2023, 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, 2024, or 2023.

Leases

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as amended, which, along with related amendments, replaced existing capital and operating lease reporting and disclosure requirements. ASU No. 2016-02 requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the statement of financial position through both a right-of-use asset and a corresponding lease liability, and additional qualitative and quantitative disclosures. The Bureau adopted Topic 842 using a modified retrospective transition approach effective October 1, 2022, which resulted in the recognition of operating lease liabilities and right-of-use assets of approximately $16.9 million. As a result, there was no cumulative effect adjustment recognized. The Bureau elected to adopt the package of transition practical expedients and, therefore, did not reassess (1) whether existing or expired contracts contained a lease, (2) lease classification for existing or expired leases, or (3) the accounting for initial direct costs that were previously capitalized. Additionally, the Bureau has adopted the lease-related disclosures in Note 13.

3. Cash

The year-end cash balances by fund are as follows as of September 30, 2024, and 2023:

	(In Thousands) 2024	2023
Bureau revolving fund	$ 245,907	$ 80,699
Mutilated currency claims fund	20,257	24,209
Total	$ 266,164	$ 104,908

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, 2024, and 2023, respectively (See Note 7).

4. Inventories

Inventories consist of the following as of September 30, 2024 and 2023:

	(In Thousands) 2024	2023
Raw material and supplies	$ 116,511	$ 109,478
Work-in-process	91,751	74,911
Finished goods - currency	39,287	40,213
Finished goods - uncut currency	17,449	28,539
E-Reader inventory	3,702	3,992
Total	$ 268,700	$ 257,133

5. Property and Equipment, net

Property and equipment consist of the following as of September 30, 2024, and 2023:

	(In Thousands) 2024	2023
Land	$ 7,156	$ 7,156
Machinery and equipment	838,155	736,456
Building and land improvements	632,358	605,486
IT equipment and software	153,103	174,046
Office machines	106	-
Furniture and fixtures	3,090	1,579
Donated assets - artwork	125	125
Motor vehicles	425	425
Leasehold improvements	230	230
	1,634,748	1,525,503
Less accumulated depreciation	959,263	931,961
	675,485	593,542
Construction-in-progress	274,871	257,520
Property and equipment, net	$ 950,356	$ 851,062

Depreciation expense for the years ended September 30, 2024, and 2023 was $61.8 million and $54.0 million, respectively.

The majority of the increase in Property and Equipment from 2023 to 2024 was due to an increase in spending for the acquisition of new production equipment and building improvements. Equipment spending occurred primarily on the Production Rotary Screen Process and the non-sequential Large Examining and Printing Equipment (ns-LEPE). The increase in spending on construction projects occurred primarily on the DCRF.

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. Treasury retains ownership of these assets and discloses them as appropriate in its consolidated financial statements. 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 DCRF, at the appraised value at the time of the transfer from the Department of Agriculture of $7.2 million.

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, 2024, and 2023 was $26.0 million and $22.9 million, respectively.

7. Current Liabilities

All current liabilities are funded and consist of the following as of September 30, 2024, and 2023:

(In Thousands)

	2024	2023
Intragovernmental	$ 8,302	$ 7,828
With the public	76,279	98,406
Total current liabilities	$ 84,581	$ 106,234

Accrued current liabilities consist of the following as of September 30, 2024, and 2023:

(In Thousands)

	2024	2023
Payroll	$ 15,593	$ 23,836
Annual leave	11,238	11,999
Worker's compensation	4,364	4,029
Operating lease	3,770	3,611
Other	169	190
Total accrued liabilities	$ 35,134	$ 43,665

Advances consist of the following as of September 30, 2024, and 2023:

(In Thousands)

	2024	2023
Mutilated currency	$ 20,294	$ 24,247
Other	(182)	2
Total advances	$ 20,112	$ 24,249

8. Workers' Compensation Liability

Claims incurred and paid by the DOL as of September 30, 2024, and 2023, but not yet reimbursed to the DOL by the Bureau, are approximately $10.3 million and $9.5 million, respectively. Of these balances, approximately $4.4 million and $4.0 million represent a current liability, as of September 30, 2024, and 2023, respectively. The Bureau will reimburse the DOL for these claims in the next two years. The Bureau's estimated noncurrent, actuarially derived future workers' compensation liability was approximately $52.1 million and $51.4 million as of September 30, 2024, and 2023, respectively. The Bureau's estimated, undiscounted, non-current, actuarially derived future workers' compensation liability was approximately $71.9 million and $68.2 million as of September 30, 2024, and 2023, respectively.

9. Employee Retirement Plans and Postretirement Benefits Other than Pensions

Employer contributions to the retirement plans were $40.0 million and $33.6 million for fiscal years 2024 and 2023, respectively. The CSRS employer contribution rate for fiscal years 2024 and 2023 was 7.0 percent. The FERS agency contribution rate for fiscal years 2024 and 2023 was 18.4 percent. 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 $57.4 million and $43.7 million in 2024 and 2023, respectively.

OPM paid costs totaling $16.0 million and $15.6 million for the Federal Employees Health Benefits Program (FEHBP) and Federal Employees Group Life Insurance (FEGLI) programs in 2024 and 2023, respectively. These costs are not included in the Bureau's Statements of Operations. The Bureau paid costs totaling $20.9 million and $19.6 million for the FEHBP and FEGLI programs in 2024 and 2023, which are included in the Bureau's Statement of Operations and Cumulative Results of Operations.

10. Concentration of Revenue

The Bureau's principal customers are other federal and quasi-federal governmental organizations. During 2024 and 2023, the Bureau's revenues from sales, non-exchange surcharge for capital investment, and services from these organizations as well as the outstanding amounts due from them as of September 30, 2024, and 2023, are reflected in the following table:

	Revenue (In Thousands)		Accounts Receivable (In Thousands)	
	2024	**2023**	**2024**	**2023**
Sales:				
Currency production	$ 942,159	$ 826,077	$ 86,128	$ 69,447
Public sales	7,324	494	6	380
Total sales	949,483	826,571	86,134	69,827
Non-exchange surcharge for capital investments:				
Production equipment	204,669	39,146	-	2,081
WCF expansion	1,429	47,220	-	17,349
New facility	33,917	53,993	-	-
Total non-exchange surcharge for capital investments	240,015	140,359	-	19,430
Other:				
Mutilated currency	3,445	4,666	789	1,203
Meaningful access	1,085	1,015	280	266
Other intragovernmental	1,247	719	-	1
Other	-	-	376	19,116
Total other	5,777	6,400	1,445	20,586
Total	$ 1,195,275	$ 973,330	$ 87,579	$ 109,843

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, 2024, and 2023. Contingencies, where the risk of loss is reasonably possible, are approximately $1.2 million and $1.7 million as of September 30, 2024, and 2023, respectively. Since the risk of loss for these litigations is not probable, the Bureau did not record any liability. Management believes 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 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. 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, and IT Hardware costing approximately $651.3 million. As of September 30, 2024, the Bureau has made cumulative payments of $209.7 million, and the remaining commitment outstanding is $441.6 million. Delivery of the printing equipment will be determined upon successful completion of final factory inspection tests. Delivery of IT Hardware will be determined upon completion of testing and installation. 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 DCRF. As of September 30, 2024, the Bureau has obligated $1,783.9 million for these projects and has made cumulative payments of $380.4 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, 2024.

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

On September 30, 2024, and 2023, 1,205 and 1,124 employees, respectively, or 62 percent and 59 percent of our workforce for fiscal years 2024 and 2023, respectively, were covered by collective bargaining agreements. The BEP collective bargaining agreements exclude pay provision negotiations. There are a total of 18 agreements, of which, 3 are currently under negotiation. Zero agreements are set to expire within the next year.

13. Leases

The Bureau leases warehouse space and vehicles under long-term operating leases expiring in 2027. Operating leases as a lessee are included in operating right-of-use (ROU) assets and operating lease liabilities on the Balance Sheet. Rent expense, under operating leases that provide for scheduled rent increases over their terms, is recognized on a straight-line basis.

Right -of-use assets represent the right to use an underlying asset for the lease term if the expected lease term is greater than 12 months. The Bureau has elected a policy to not recognize ROU assets and lease liabilities for any short-term leases, generally comprised of office equipment.

Lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and related liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate (five-year yield established by the Department of the Treasury). The commencement date is when the Bureau takes possession of the asset, or in the case of real estate leases, when the landlord makes the building available for use. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option.

Variable lease payments are generally provided for rent escalations based on increases in property taxes and operating expenses attributed to usage. Changes in variable payments, other than those attributed to indexed rate estimates, are recognized in the period in which they occur and thus not included in the measurement of ROU assets and operating lease liabilities.

The Bureau partially subleases the warehouse space to other components of Treasury under various inter-agency agreements. Lease payments due to the Bureau are fixed and paid over the term of the lease and there are no variable payments associated with the subleases. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. The Bureau leases do not contain residual value guarantees.

The following table presents the various components of lease expense as of September 30, 2024, and 2023:

(In Thousands)

	2024	2023
Operating lease expense	$ 4,041	$ 4,018
Variable lease expense	812	470
Short-term lease expense	285	488
Sub-lease income	(1,075)	(512)
Total lease expense	$ 4,063	$ 4,464

The following table presents supplemental information relating to the cash flows arising from the lease transactions as of September 30, 2024, and 2023. Cash payments related to variable lease costs and short-term leases are not included in the measurement of ROU assets and operating lease liabilities, as such, are excluded from the amounts below.

	(In Thousands)	
	2024	**2023**
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 4,041	$ 4,018
Non-cash right-of-use assets for lease liabilities		
Beginning balance	$ 13,421	$ 16,910
In exchange for new lease liabilities	-	-
Accumulated amortization, ROU assets	(3,627)	(3,489)

The weighted average lease term and discount rate for the Bureau's leases as of September 30, 2024 and 2023 is approximately 2 years and 6 months and 3.90 percent, and 3 years and 6 months and 3.90 percent, respectively.

The table below represents a maturity analysis of expected undiscounted cash flows for leases on an annual basis for the next five years. For the years ending September 30, 2024, and 2023:

	(In Thousands)
	2024
2025	$ 4,087
2026	4,103
2027	2,159
2028	-
2029	-
Total future lease payments	10,349
Less: Imputed interest	(510)
Total lease liabilities	$ 9,839
Less: Current lease liabilities	3,770
Total non-current lease liabilities	$ 6,069

14. Subsequent Events

The Bureau has evaluated subsequent events through December 12, 2024, the date the financial statements were available to be issued. There were no material events that required additional accruals or disclosures.

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