



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

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RSM

B-164163

APRIL 11, 1985

To the President of the Senate and the
Speaker of the House of Representatives

Subject: Examination of Financial Statements of the
Minority Printing Clerk, House of Representa-
tives, for the Years Ended September 30, 1983
and 1982 (GAO/AFMD-85-33)

Pursuant to section 451 of the Legislative Reorganization Act of 1970 (40 U.S.C. 193m-1), which authorizes GAO to audit private organizations conducting activities on Capitol grounds, we have examined the balance sheets of Thomas J. Lankford, Inc., the minority printing clerk, House of Representatives, as of September 30, 1983 and 1982, and the related statements of operations, retained earnings, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Thomas J. Lankford, Inc., as of September 30, 1983 and 1982, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements applied on a consistent basis.

Enclosure I contains our report on internal accounting controls and compliance with laws and regulations. Enclosure II contains our comments on the operations of the corporation. Enclosures III through VII present the corporation's financial statements and accompanying notes for the years ended September 30, 1983 and 1982.

The Legislative Reorganization Act of 1970 requires that the results of our audit be reported to the Congress. Copies of this report are being furnished to cognizant congressional committees. A copy is also being sent to the minority leader and to the minority printing clerk of the House of Representatives, and copies will be made available to Members of the House and Senate and to the public upon request.



126689

for Henry Eschnwege
Comptroller General
of the United States

Enclosures

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REPORT ON INTERNAL ACCOUNTING CONTROLS
AND COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of Thomas J. Lankford, Inc., the minority printing clerk, House of Representatives, for the years ended September 30, 1983 and 1982. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our preliminary review of the system of internal accounting control and our review of compliance with laws and regulations for the year ended September 30, 1983.

We did not complete a study or evaluation of the corporation's internal control system for the purpose of determining the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the corporation's financial statements. We concluded that it was more practicable to expand our substantive audit tests in examining the financial statements for the year ended September 30, 1983.

While we did not make an examination of the corporation's internal control system, we did not become aware of any condition during our expanded audit tests which we believe to be a material weakness. In audits where we do make an examination of the internal control system, material weaknesses in the internal control system would not necessarily be disclosed. Accordingly, even in such cases we would not be able to express an opinion on the system taken as a whole.

As part of our examination, we also tested the corporation's compliance with applicable laws and regulations. In our opinion, Thomas J. Lankford, Inc., the minority printing clerk, House of Representatives, complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our examination, that caused us to believe that the corporation was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

COMMENTS ON THE OPERATIONS OF THE
MINORITY PRINTING CLERK,
HOUSE OF REPRESENTATIVES

The position of minority printing clerk originated from House Resolution 295 (July 7, 1943, 78th Congress), which (1) authorized employment of a clerk in charge of printing for the minority caucus room and (2) provided that the clerk be

--designated by the minority leader and

--compensated at the rate of \$2,000 per annum from appropriated funds.

Over the years, the minority printing clerk's pay increased from \$2,000 to \$16,743, the annual pay rate set in accordance with the pay adjustment which became effective October 1, 1977. As of October 1, 1978, however, the minority printing clerk's pay from appropriated funds was discontinued.

The minority printing clerk operates as Thomas J. Lankford, Inc., a firm organized and incorporated on December 16, 1963, primarily to provide printing and related services for Members of the House of Representatives. The minority printing clerk received a salary as president of the corporation during the fiscal years ended September 30, 1983 and 1982.

The minority printing clerk's offices and printing plant are in the west underground garage of the House of Representatives. The printing clerk does, for a fee, official printing for the minority leadership and printing and related services for Members of Congress, congressional committees, state societies, and political organizations.

On August 1, 1978, the corporation purchased land and a building for use as a warehouse. The corporation subsequently leased the building to another firm. Under the terms of the lease the corporation retains use of a minor portion of the warehouse for paper storage. In March 1982, the corporation purchased additional land adjacent to the warehouse.

The net income after taxes was \$227,670 for fiscal year 1983 and \$206,657 for fiscal year 1982.

THOMAS J. LANKFORD, INC.
BALANCE SHEET

<u>ASSETS</u>	<u>September 30,</u>	
	<u>1983</u>	<u>1982</u>
CURRENT ASSETS:		
Cash	\$ 102,390	\$ -
Accounts receivable--trade	277,750	172,787
Accounts receivable--officers	28,200	43,097
Accounts receivable--other	19,062	11,405
Inventory at cost	78,348	65,813
Advance payment on equipment	-	149,197
Prepaid expenses	2,599	953
Tax loss carryback claim (note 6)	5,198	5,198
Tax overpayment claim	11,229	-
	<u>524,776</u>	<u>448,450</u>
INVESTMENTS:		
Warehouse property:		
Land	149,061	149,061
Building	73,346	73,346
Less accumulated depreciation	9,439	7,605
	<u>63,907</u>	<u>65,741</u>
Cash surrender value of officer's life insurance policy	42,754	38,200
	<u>255,722</u>	<u>253,002</u>
FIXED ASSETS:		
Printing equipment	551,634	378,529
Station wagon	9,398	9,398
Office equipment	863	1,263
	<u>561,895</u>	<u>389,190</u>
Less accumulated depreciation	290,906	271,843
	<u>270,989</u>	<u>117,347</u>
	<u>270,989</u>	<u>117,347</u>
Total assets	<u><u>\$1,051,487</u></u>	<u><u>\$818,799</u></u>

The notes in enclosure VII are an integral part of this statement.

THOMAS J. LANKFORD, INC.
BALANCE SHEET

LIABILITIES AND
STOCKHOLDER'S EQUITY

	September 30,	
	1983	1982
Notes Payable (American National Bank, Vincennes, Indiana - 13 1/2% interest)	\$ 50,000	\$ 59,601
Accounts payable	36,150	33,810
Accrued taxes	186,393	194,987
Pension plan payable (note 2)	70,476	46,230
Accrued interest	462	-
Accrued salaries	6,683	4,732
Unearned income	10,111	15,897
Total current liabilities	360,275	355,257
 STOCKHOLDER'S EQUITY:		
Capital stock--common: \$100 par value; 1,500 shares authorized; 375 shares issued and outstanding	37,500	37,500
Capital in excess of par value	51,464	51,464
Total capital	88,964	88,964
Retained earnings	602,248	374,578
Total stockholder's equity	691,212	463,542
Total liabilities and stockholder's equity	\$1,051,487	\$818,799

The notes in enclosure VII are an integral part of this statement.

THOMAS J. LANKFORD, INC.
STATEMENT OF OPERATIONS

	<u>Years ended September 30,</u>	
	<u>1983</u>	<u>1982</u>
NET SALES	<u>\$2,318,978</u>	<u>\$2,744,443</u>
PRINTING EXPENSES:		
Camera supplies	28,341	32,046
Depreciation	67,621	35,224
Express and postage	10,255	9,286
Leased equipment (note 4)	69,584	96,312
Material and paper	616,884	1,040,085
Payroll taxes	30,406	36,433
Repairs and parts	16,855	15,912
Salaries	460,074	543,758
Subcontracts	137,064	180,148
Type, composition, and ink	40,765	64,862
Union pension fund	8,352	7,548
Union welfare fund	<u>23,100</u>	<u>20,142</u>
Total printing expense	<u>1,509,301</u>	<u>2,081,756</u>
Gross profit from sales	<u>809,677</u>	<u>662,687</u>
ADMINISTRATIVE EXPENSES:		
Accounting fees	9,000	11,995
Advertising and promotion	39,871	40,025
Station wagon	6,090	4,258
Depreciation	1,886	3,132
Employee pension plan (note 2)	70,503	44,728
General	8,211	7,993
Insurance	39,338	11,968
Legal fees	2,880	3,566
President-treasurer salary	171,400	157,600
Taxes	39,338	11,968
Telephone	<u>1,280</u>	<u>1,258</u>
Total administrative expenses	<u>392,395</u>	<u>329,264</u>
Net operating profit	<u>417,282</u>	<u>333,423</u>
NONOPERATING INCOME:		
Rental income (note 5)	18,312	22,141
Interest income	995	356
Miscellaneous income	<u>4,921</u>	<u>676</u>
Nonoperating income	<u>24,228</u>	<u>23,173</u>
NONOPERATING EXPENSES:		
Interest expense	28,229	24,829
Rental property expense	5,986	6,674
Loss on disposal of assets	<u>150</u>	<u>-</u>
Nonoperating expenses	<u>34,365</u>	<u>31,503</u>
Income before taxes	<u>407,145</u>	<u>325,093</u>
PROVISION FOR FRANCHISE AND INCOME TAXES (note 3):		
District of Columbia	42,693	26,640
Federal	<u>136,782</u>	<u>91,796</u>
Total provision for franchise and income taxes	<u>179,475</u>	<u>118,436</u>
Net income	<u>\$ 227,670</u>	<u>\$ 206,657</u>
EARNINGS PER SHARE	<u>\$ 607</u>	<u>\$ 551</u>

The notes in enclosure VII are an integral part of this statement.

THOMAS J. LANKFORD, INC.
STATEMENT OF RETAINED EARNINGS

	<u>September 30,</u>	
	<u>1983</u>	<u>1982</u>
Balance at beginning of year	\$374,578	\$167,920
Net income for year	<u>227,670</u>	<u>206,658</u>
Balance at end of year	<u><u>\$602,248</u></u>	<u><u>\$374,578</u></u>

The notes in enclosure VII are an integral part of this statement.

THOMAS J. LANKFORD, INC.
STATEMENT OF CHANGES IN FINANCIAL POSITION

	<u>Years ended September 30,</u>	
	<u>1983</u>	<u>1982</u>
FUNDS PROVIDED:		
Net income from operations	\$ 227,670	\$ 206,657
Depreciation--not requiring an outlay of cash	71,341	40,191
Increase in pension plan payable	<u>24,246</u>	<u>5,312</u>
Total funds provided	\$ <u>323,257</u>	\$ <u>252,160</u>
FUNDS APPLIED:		
Increase in cash surrender value of officer's life insurance	4,554	772
Decrease in notes payable	-	55,000
Purchase of fixed assets	223,150	98,378
Increase in working capital	<u>95,553</u>	<u>98,010</u>
Total funds applied	\$ <u>323,257</u>	\$ <u>252,160</u>

ANALYSIS OF WORKING CAPITAL INCREASES AND (DECREASES)

	<u>Years Ended September 30,</u>	
	<u>1983</u>	<u>1982</u>
WORKING CAPITAL CHANGES:		
Cash	\$ 102,390	\$(116,244)
Accounts receivable--trade	104,963	21,345
Accounts receivable--officers	(14,897)	8,000
Accounts receivable--other	7,657	7,161
Inventory	12,535	789
Advance payment on equipment	(149,197)	149,197
Prepaid expenses	1,646	203
Tax overpayment claim	11,229	-
Accounts payable	(2,340)	76,596
Notes payable--current portion	9,601	64,192
Estimated franchise and income tax liability	8,593	(98,645)
Accrued liabilities	(2,413)	(6,538)
Deferred income	<u>5,786</u>	<u>(8,046)</u>
CHANGE IN WORKING CAPITAL	\$ <u>95,553</u>	\$ <u>98,010</u>

The notes in enclosure VII are an integral part of this statement.

THOMAS J. LANKFORD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1983 AND 1982

Note 1. Significant Accounting Policies

Certain benefits and services, such as space, utilities, and ordinary building repairs and maintenance, are paid from appropriated funds and furnished to the corporation at no charge.

Depreciation on assets placed in service acquired prior to fiscal year 1981 is provided at rates based on estimated useful lives using the straight-line method. Depreciation equivalent to that under the accelerated cost recovery system was used for assets placed in service after January 1, 1981. The lives generally used are as follows:

Buildings	40 years
Printing equipment--new	10 years
Printing equipment--used	5 years
Office furniture and equipment	10 years
Station wagon	3 years

Investment tax credit is accounted for on the flow through method.

Inventory is valued at cost on a first-in first-out basis.

Note 2. Pension Plan

The corporation has a defined benefit pension plan covering its employees. The corporation's policy is to fund pension costs accrued. The expense of this plan for the years ended September 30, 1983 and 1982, was \$70,503 and \$44,728, respectively. A comparison of accumulated plan benefits and plan net assets for the corporation's

pension plans, assuming rates of return of 6 percent, as of the two most recent actuarial valuation dates, is presented below:

	<u>1983</u>	<u>1982</u>
Actuarial present value of accumulated plan benefits:		
Vested	\$392,077	\$236,491
Nonvested	<u>4,189</u>	<u>4,971</u>
Total	<u>\$396,266</u>	<u>\$241,462</u>
 Plan net assets available for benefits	 <u>\$383,243</u>	 <u>\$271,761</u>

Note 3. Income Taxes

Differences between the estimated federal income taxes at the statutory rates and the amounts provided are as follows:

	<u>September 30,</u>	
	<u>1983</u>	<u>1982</u>
Provision at statutory rate	\$147,897	\$117,038
1982-1983 tax proration	(372)	-
Investment credit	(21,830)	(107)
Tax penalties	11,396	-
Officer's life insurance	1,370	1,370
Depreciation excess of tax over financial accounting	(1,449)	-
Disposal of assets	(230)	-
Adjustment for underestimate of tax due for fiscal year 1982	<u>-</u>	<u>(26,505)</u>
Provision for federal income tax	<u>\$136,782</u>	<u>\$ 91,796</u>

Note 4. Leased Equipment

The corporation has operating leases for certain duplicating and compugraphic equipment on an annual basis with the option of terminating the leases at anytime.

Note 5. Rental Income

A tenant leases a portion of the corporation's warehouse on a month-to-month basis.

Note 6. Tax Loss Carryback Claim

The corporation has an unresolved claim for a refund of prior year tax payments resulting from the application of a net operating loss carryback.