Architect of the Capitol
Office of Inspector General

AUDIT OF FISCAL YEAR 2014 FINANCIAL STATEMENTS REPORTS

OIG REPORT: A - 2015 - 05

ISSUED DECEMBER 3, 2014

ARCHITECT OF THE CAPITOL
OFFICE OF INSPECTOR GENERAL

AUDIT OF
FISCAL YEAR 2014 FINANCIAL STATEMENTS REPORTS

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OFFICE OF INSPECTOR GENERAL

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SECTION I

OIG Transmittal Memorandum

ARCHITECT OF THE CAPITOL

Office of Inspector General
Fairchild Bldg.
499 S. Capitol St., SW, Suite 518
Washington, D.C. 20515
202.593.1948

www.aoc.gov

United States Government

MEMORANDUM

DATE: December 3, 2014

TO: Stephen T. Ayers, FAIA, LEED AP,
Architect of the Capitol

FROM: Kevin Mulshine, Inspector General

SUBJECT: Audit of Fiscal Year 2014 Financial Statements Reports, A - 2015 - 05

We contracted with the independent certified public accounting firm of Cotton & Company (Cotton) to audit the financial statements of the Architect of the Capitol (AOC) as of and for the years ending September 30, 2014 and 2013. The contract required that the audit be conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

Cotton's opinion on the financial statement is unmodified. I commend the AOC for continuing to maintain this significant accomplishment.

In connection with the audit, we reviewed Cotton's reports and related documentation and met with its representatives. The review was not intended to enable us to express, and we do not express, an opinion on the conclusions expressed therein. Cotton is responsible for the opinion in the attached reports and the conclusions in the related reports on internal control and compliance with laws and regulations. Our review disclosed no instances where Cotton did not comply, in all material respects, with generally accepted government auditing standards.

If you have questions or wish to discuss the report, please contact H. Vance Haney at 202.593.0261 or vhaney@aoc.gov.

Copy to:

Christine A. Merdon, Chief Operating Officer
Thomas J. Carroll, Chief Financial Officer
David W. Ferguson, Chief Administrative Officer
Alan Rosenthal, Partner, Cotton & Company
Shalley Kim, Executive Officer
John Kelly, Policy Program Officer
File OIG – A – 2015 - 05

ARCHITECT OF THE CAPITOL
OFFICE OF INSPECTOR GENERAL

AUDIT OF
FISCAL YEAR 2014 FINANCIAL STATEMENTS REPORTS

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SECTION II

Independent Auditor’s Report

Cotton & Company LLP
635 Slaters Lane
4th Floor
Alexandria, VA 22314

P: 703.836.6701
F: 703.836.0941
www.cottoncpa.com

INDEPENDENT AUDITORS' REPORT

To the Architect of the Capitol and the Inspector General

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying balance sheets of the Architect of the Capitol (AOC) as of September 30, 2014 and 2013, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AOC as of September 30, 2014 and 2013, and its net cost, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America and OMB Circular A-136, *Financial Reporting Requirements,* require that the management's discussion and analysis in Section I and other required supplementary information consisting of heritage assets in Section III be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board and OMB, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Schedule of Spending for the years ended September 30, 2014 and 2013, and the other accompanying information in Section IV are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards,* we also have issued our report dated December 3, 2014, on our consideration of AOC's internal control over financial reporting and on our tests of AOC's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope and results of our testing of internal control over financial reporting and AOC's compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AOC's internal control and compliance.

COTTON & COMPANY LLP

Alan Rosenthal

Alan Rosenthal, CPA, CFE
Partner
Alexandria, VA
December 3, 2014

ARCHITECT OF THE CAPITOL
OFFICE OF INSPECTOR GENERAL

AUDIT OF
FISCAL YEAR 2014 FINANCIAL STATEMENTS REPORTS

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SECTION III

Independent Auditor's Report On Internal Control And On Compliance

Cotton & Company LLP
635 Slaters Lane
4th Floor
Alexandria, VA 22314
P: 703.836.6701
F: 703.836.0941
www.cottoncpa.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE

To the Architect of the Capitol and the Inspector General

We have audited the financial statements and related notes to the financial statements of the Architect of the Capitol (AOC) as of and for the years ended September 30, 2014 and 2013, and have issued our reports thereon dated December 3, 2014. Those reports contained our unmodified opinion on the financial statements. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; 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. 14-02, *Audit Requirements for Federal Financial Statements*.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE

In planning and performing our audit of the financial statements, we considered AOC's internal control over financial reporting to determine the 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 AOC's internal control. Accordingly, we do not express an opinion on the effectiveness of AOC's internal control.

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

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

Significant Deficiencies

We identified three deficiencies in AOC's internal control that we consider to be significant deficiencies, as follows:

1. Ineffective control over accounting for the Fairchild Building lease renewal.
2. Untimely contract closeouts and liquidation of obligations.
3. Improperly recorded costs associated with the O'Neill Building leasehold improvements.

These significant deficiencies are described in more detail in the Appendix.

Limitations of Internal Control

Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with controls may deteriorate.

COMPLIANCE

As part of obtaining reasonable assurance about whether AOC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We did not test compliance with all laws and regulations applicable to AOC. We limited our tests of compliance to those provisions of laws and regulations OMB audit guidance requires that we test that we deemed applicable to the financial statements for the fiscal year ended September 30, 2014. We caution that noncompliance may have occurred and may not have been detected by these tests, and that such testing may not be sufficient for other purposes. 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 audit guidance.

AOC'S RESPONSES TO FINDINGS

AOC's responses to our findings are in the Appendix. AOC concurred with the findings in our report. AOC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

The purpose of this report 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

COTTON & COMPANY LLP

Alan Rosenthal, CPA, CFE
Partner
Alexandria, VA
December 3, 2014

APPENDIX:
SIGNIFICANT DEFICIENCIES NOTED DURING THE FY 2014 FINANCIAL STATEMENT AUDIT

APPENDIX:
SIGNIFICANT DEFICIENCIES NOTED DURING THE FY 2014 FINANCIAL STATEMENT AUDIT

During our audit of the Architect of the Capitol (AOC) fiscal year (FY) 2014 financial statements, we identified three significant deficiencies in internal control over financial reporting, described in this Appendix. We do not consider these deficiencies to be material weaknesses.

Finding 1: **Ineffective Control over Accounting for the Fairchild Building Lease Renewal**
Summary Status: **Significant Deficiency**
New

During FY 2014, the original term of a 10-year lease for the Fairchild Building expired, and AOC exercised its option to extend the lease for an additional 5-year period. Consistent with the original lease transaction, AOC recorded the lease for the option renewal period as a capital lease based on a calculation of the present value of the future minimum lease payments, treating the option period as an extension of the original lease term. AOC does not have adequate internal controls to ensure that the Fairchild Building lease renewal transaction was properly classified and recorded in conformity with accounting principles generally accepted in the United States of America (GAAP).

However, the lease renewal extension should have been recorded as an operating lease. As a result, the *General Property, Plant and Equipment, Net* and *Other Liabilities* amounts shown on the financial statements related to *Assets Under Capital Lease* and *Capital Lease Liability* were overstated by $19.4 million.

Financial Accounting Standards Board (FASB) Accounting Standards Codification paragraph 840-10-35-2b, "Reassessing Whether an Arrangement Contains a Lease," states:

> *A reassessment of whether the arrangement contains a lease after the inception of the arrangement shall be made only if any of the following conditions exist: A renewal or extension of the arrangement that does not include modification of any of the terms in the original arrangement before the end of the term of the original arrangement shall be evaluated only with respect to the renewal or extension period.*

In addition, paragraph 840-10-35-4, "Reassessing Lease Classification," states:

> *Likewise, except if a guarantee or penalty is rendered inoperative, any action that extends the lease beyond the expiration of the existing lease term, such as the exercise of a lease renewal option other than those already included in the lease term, shall be considered as a new agreement, which shall be classified according to the guidance in Section 840-10-25.*

Paragraph 840-10-25-1 states:

> *A lessee and a lessor shall consider whether a lease meets any of the following four criteria as part of classifying the lease at its inception:*
>
> *a. The lease transfers ownership of the property to the lessee by the end of the lease term.*
>
> *b. The lease contains a bargain purchase option.*
>
> *c. The lease term is equal to 75 percent or more of the estimated economic life of the leased property.*
>
> *d. The present value at the beginning of the lease term of the minimum lease payments, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, including any profit thereon, equals or exceeds 90 percent of the excess of the fair value of the leased property to the lessor at lease inception over any related investment tax credit retained by the lessor and expected to be realized by the lessor.*

The Government Accountability Office (GAO)'s *Standards for Internal Control in the Federal Government* (the Green Book) applies to each of the three objectives of internal control: effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. Internal control should be designed to provide reasonable assurance regarding the reliability of financial reporting.

Recommendation

We recommend that AOC review lease classifications and develop processes to strengthen internal control to ensure that lease transactions are properly classified and reported in conformity with GAAP.

Management's Response

Management concurs with the finding and recommendation.

Finding 2:	**Untimely Contract Closeouts and Liquidation of Obligations**
Summary Status:	**Significant Deficiency**
	New

AOC does not have adequate internal controls to ensure that undelivered orders (UDOs) are reviewed in a timely manner to identify and de-obligate balances that are no longer valid. We tested sample populations of 56 and 36 UDOs as of June 30 and September 30, 2014, respectively. We noted four instances in which the goods or services had been delivered per the contract/agreement and the period of performance had ended, but the remaining obligated balances, which were no longer valid, had not been de-obligated. As a result, the total reported on the Statement of Budgetary Resources for the *Unobligated Balance, Exempt from Apportionment* line item and the total reported for the *Unpaid Obligations, end of year* line item were overstated and understated, respectively, by $3.85 million as of September 30, 2014.

GAO's *Principles of Federal Appropriations Law* (the Red Book), Volume II, Chapter 7, Section E defines the term "de-obligation" as an agency's cancellation or downward adjustment of previously incurred obligations. It cites examples of reasons for de-obligations as:

- Liquidation in amount less than amount of original obligation.
- Cancellation of project or contract.
- Initial obligation determined to be invalid.
- Reduction of previously recorded estimate.
- Correction of bookkeeping errors or duplicate obligations.

In addition, the Green Book states that internal control activities occur at all levels and functions of the entity. They include a wide range of diverse control activities that management should establish, such as approvals, reconciliations, authorizations, and verifications, to ensure that all transactions are completely and accurately recorded. They also include the creation and maintenance of related records that provide evidence of execution of these activities, as well as appropriate documentation. The Green Book states that transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. Without effective controls over monitoring open obligations for ongoing validity, AOC is at increased risk of inaccurately reporting its budgetary resources.

According to AOC Order 30-01, *Funds Control Administration*, jurisdictional managers are required to perform a formal review of UDOs with dormant obligations more than 180 days old at least once per year to validate recorded obligations. Obligations that could not be substantiated or validated should be communicated to the Procurement Division.

According to AOC Order 32-10, *Quarterly Financial Reviews*, the Accounting Office or Budget Office staff will investigate differences identified in the quarterly financial review of UDO balances, follow up with the jurisdictions, and notify the appropriate parties if changes are required.

Recommendation

We recommend that AOC's Procurement Office strengthen its internal controls to ensure that UDO balances for invalid obligations are de-obligated after the goods and services have been delivered and/or the period of performance has ended. In addition, the Accounting Office should work with the Procurement Office to validate information contained in the financial management system and ensure that UDO balances identified as invalid during the quarterly financial reviews are resolved timely.

Management's Response

Management concurs with the finding and recommendation:

> *The AOC has long recognized the lack of speed in closing out completed obligations. The AOC has increased staffing for the closeout process by hiring contractors to assist with the closeout process. The backlog of unclosed orders is large but the AOC is committed to closing these orders. The AOC has self-identified this issue and are well on the way to correcting it.*
>
> *When contractual assistance was brought on in August 2012, they began the task of de-obligating/closing out contracts/task orders from as far back as 2002. In concert with the contractors and AMMD personnel, the expectation is that by the end of FY '15, the AOC will be nearly caught up if not completely caught up with de-obligating old contracts/task orders. Some historical information below from the last two fiscal years:*
>
> *Fiscal Year 2013: total contracts/task orders de-obligated/closed – 1,468. Total funds de-obligated: $8,265,542.63.*
>
> *Fiscal Year 2014: total contracts/task orders de-obligated/closed – 4,473. Total funds de-obligated: $22,435,191.66.*

Finding 3:	**Improperly Recorded Costs Associated With the O'Neill Building Leasehold Improvements**
Summary Status:	**Significant Deficiency** **New**

AOC does not have adequate internal controls to ensure that costs incurred related to construction work-in-progress (CWIP) for leasehold improvements are recorded timely and accurately. AOC entered into Reimbursable Work Authorization (RWA) agreements with the General Services Administration (GSA) for leasehold improvements related to an operating lease for the O'Neill Building. GSA billed AOC on a monthly basis in accordance with the terms of the RWA for costs incurred (e.g., accruals, vendor payments), including a 4 percent project management fee. On April 1, 2014, the leasehold improvements were completed, and the accumulated costs were reclassified from a CWIP account into a capital asset account and depreciated; however, the incurred costs related to the five GSA RWAs for the O'Neill Building leasehold improvements were incorrectly reported as a UDO as of September 30, 2014. Based on the misstatement identified by the auditors, AOC recorded an accounts payable accrual to recognize the $16.9 million in unpaid costs related to the leasehold improvements.

The Green Book states that internal control activities occur at all levels and functions of the entity. They include a wide range of diverse control activities that management should establish, such as approvals, reconciliations, authorizations, and verifications, to ensure that all transactions are completely and accurately recorded. They also include the creation and maintenance of related records that provide evidence of execution of these activities, as well as appropriate documentation. The Green Book states that transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. Without effective controls over monitoring open obligations for ongoing validity, AOC is at increased risk of inaccurately reporting its financial position, net costs, and budgetary resources.

Recommendation

We recommend that AOC strengthen internal controls over financial reporting and improve communication with project managers to ensure the accurate and timely recording of accounting events related to leasehold improvements.

Management's Response

Management concurs with the finding and recommendation*:*

> *The internal controls for the Accounts Payable accrual will be strengthened so that the AOC can identify this issue in the future. The AOC will create a secondary process for the undelivered orders that will analyze undelivered orders that have passed their period of performance and are above a threshold set by the Accounting Officer. This review will require accounting personnel to coordinate with contracting officers and their technical representatives to determine the amount of work complete and the fiscal year end.*

ARCHITECT OF THE CAPITOL
OFFICE OF INSPECTOR GENERAL

AUDIT OF
FISCAL YEAR 2014 FINANCIAL STATEMENTS REPORTS

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SECTION IV

Architect of the Capitol Comments

Architect of the Capitol
U.S. Capitol, Room SB-15
Washington, DC 20515
202.228.1793

www.aoc.gov

December 3, 2014

Kevin Mulshine
Inspector General
Architect of the Capitol
499 South Capitol Street, SW, Suite 518
Washington, DC 20515

Dear Mr. Mulshine:

Thank you for the opportunity to comment on the Independent Auditor's Report and the Independent Auditor's Report on Internal Control and Compliance for the Architect of the Capitol (AOC) for the Fiscal Years ending September 30, 2014 and 2013. The AOC works diligently to establish strong financial management practices to meet the challenge of addressing our fiscal compliance requirements, managing our financial processes and systems, and meeting our day-to-day financial operations responsibilities. In today's fiscal climate, how we balance these important efforts will have added significance as we look to achieve the most value from our limited financial resources.

As expressed in the Independent Auditor's Report, we are pleased to have received an unmodified or "clean" independent audit opinion on our financial statements for the tenth consecutive year. In addition, for the second consecutive year, we have no material weaknesses resulting from our annual independent audit. These accomplishments are a testament to the professionalism and commitment of AOC's financial management team. Management continues to identify steps to strengthen its processes and controls and address any issues.

As we move forward, we are committed to building on our progress. We recognize that there is more to be done that will require our organization's sustained attention, action and improvement. We look forward to cooperating with you and other stakeholders on the continued improvement to AOC's fiscal accountability as we strive to meet our mission to *Serve, Preserve and Inspire*.

Sincerely,

Stephen T. Ayers, FAIA, LEED AP
Architect of the Capitol

Doc. No. 141124-04-01

ARCHITECT OF THE CAPITOL
OFFICE OF INSPECTOR GENERAL

AUDIT OF
FISCAL YEAR 2014 FINANCIAL STATEMENTS REPORTS

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SECTION V

AOC Fiscal Year 2014 Financial Statements

Architect of the Capitol

Fiscal Year 2014 Financial Statements

For the Periods Ending September 30, 2014 and 2013

Prepared by:
Office of the Chief Financial Officer (CFO)
Accounting Division
Ford House Office Building
Second and D Streets, SW
Washington, DC 20515

November 18, 2014

ARCHITECT OF THE CAPITOL

Architect of the Capitol

Financial Statements

I. Balance Sheet

II. Statement of Net Cost

III. Statement of Changes in Net Position

IV. Statement of Budgetary Resources

V. Footnotes to the Financial Statements

Architect of the Capitol
BALANCE SHEET
As of September 30, 2014 and 2013

Dollars in Thousands		**2014**		**2013**
Assets:				
Intragovernmental:				
Fund Balance with Treasury (Note 2)	$	751,158	$	627,490
Investments (Note 4)		10,012		10,654
Accounts receivable (Note 5)		1,185		1,378
Total intragovernmental		762,355		639,522
Cash and other monetary assets (Note 3)		16		16
Investments (Note 4)		26,697		26,702
Accounts receivable, net (Note 5)		525		565
Inventory & related property, net (Note 6)		483		904
General property, plant and equipment, net (Note 7)		1,821,230		1,834,061
Other (Note 9)		923		1
Total assets	$	2,612,229	$	2,501,771
Stewardship PP&E (Note 8)				
Liabilities:				
Intragovernmental:				
Accounts payable	$	112	$	105
Unfunded FECA (Note 11)		9,936		9,929
Other liabilities (Note 15)		16,952		46
Total intragovernmental		27,000		10,080
Accounts payable		3,126		2,841
Debt held by the public (Note 12)		114,213		121,143
Actuarial FECA (Note 11)		57,428		57,455
Contingent and Environmental liabilities (Note 13)		85,056		86,394
Other liabilities		65,058		69,135
Total liabilities (Note 10)	$	351,881	$	347,048
Net position:				
Unexpended appropriations	$	652,858	$	540,149
Cumulative results of operations		1,607,490		1,614,574
Total Net Position	$	2,260,348	$	2,154,723
Total liabilities and net position	$	2,612,229	$	2,501,771

The accompanying footnotes are an integral part of these financial statements

Architect of the Capitol
STATEMENT OF NET COST
For the Periods Ending September 30, 2014 and 2013

Dollars in Thousands	2014	2013
Program costs:		
AOC Capitol Building:		
Gross costs	$ 51,848	$ 57,378
Less: earned revenue	-	(6)
Net program costs:	51,848	57,372
AOC Capitol Grounds:		
Gross costs	10,942	11,919
Less: earned revenue	-	-
Net program costs:	10,942	11,919
AOC Capitol Police Buildings, Grounds, and Security:		
Gross costs	38,218	44,101
Less: earned revenue	(541)	(6,639)
Net program costs:	37,677	37,462
AOC General Administration:		
Gross costs	89,247	103,525
Less: earned revenue	(102)	(118)
Net program costs:	89,145	103,407
AOC House Office Buildings:		
Gross costs	79,133	70,500
Less: earned revenue	(68)	(79)
Net program costs:	79,065	70,421
AOC Library Buildings and Grounds:		
Gross costs	42,130	44,548
Less: earned revenue	-	-
Net program costs:	42,130	44,548
AOC Senate Office Buildings:		
Gross costs	72,605	76,495
Less: earned revenue	(494)	(733)
Net program costs:	72,111	75,762
AOC Utilities and Capitol Power Plant:		
Gross costs	106,181	106,176
Less: earned revenue	(8,956)	(8,653)
Net program costs	97,225	97,523
U.S. Botanic Garden:		
Gross costs	13,735	13,284
Less: earned revenue	-	(1)
Net program costs:	13,735	13,283
U.S. Capitol Visitor Center:		
Gross costs	23,336	23,975
Less: earned revenue	(4,331)	(4,471)
Net program costs:	19,005	19,504
U.S. Supreme Court Buildings and Grounds:		
Gross costs	52,097	46,328
Less: earned revenue	(33,139)	(32,052)
Net program costs:	18,958	14,276
Net cost of operations (Note 18)	$ 531,841	$ 545,477

The accompanying footnotes are an integral part of these financial statements

Architect of the Capitol
Statement of Changes In Net Position
For the Periods Ending September 30, 2014 and 2013

Dollars in Thousands		2014		2013
Cumulative Results Of Operations:				
Beginning Balances	$	1,614,574	$	1,692,646
Adjustments:				
Changes in accounting principle (Note 13)		-		(86,394)
Beginning balance, as adjusted	$	1,614,574	$	1,606,252
Budgetary Financing Sources:				
Appropriations used		489,931		519,291
Non-exchange revenue		5		14
Other Financing Sources (Non-Exchange):				
Transfers in/(out) without reimbursement		912		2,210
Imputed financing from costs absorbed by others (Note 16)		33,909		32,284
Total Financing Sources		524,757		553,799
Net Cost of Operations		(531,841)		(545,477)
Net Change		(7,084)		8,322
Cumulative Results Of Operations	**$**	**1,607,490**	$	**1,614,574**

Unexpended Appropriations:				
Beginning Balance	$	540,149	$	523,248
Budgetary Financing Sources:				
Appropriations received (Note 20)		613,188		571,668
Appropriations transferred in/(out)		-		3,037
Other adjustments		(10,548)		(38,513)
Appropriations used		(489,931)		(519,291)
Total Budgetary Financing Sources		112,709		16,901
Total Unexpended Appropriations	$	652,858	$	540,149
Net Position	**$**	**2,260,348**	$	**2,154,723**

Architect of the Capitol
STATEMENT OF BUDGETARY RESOURCES
For the Periods Ending September 30, 2014 and 2013

Dollars in Thousands	2014	2013
Budgetary resources		
Unobligated balance brought forward, Oct 1	$ 427,832	$ 387,415
Recoveries of prior year unpaid obligations	31,161	15,961
Other changes in unobligated balances	(10,548)	(5,802)
Unobligated balance from prior year budget authority, net	448,445	397,574
Appropriations (Note 20)	595,958	524,765
Borrowing authority (Note 12)	10,301	10,868
Spending authority from offsetting collections	61,573	47,948
Total budgetary resources	$ 1,116,277	$ 981,155
Status of budgetary resources		
Obligations incurred	$ 600,356	$ 553,323
Unobligated balance, end of year:		
Exempt from apportionment	490,143	401,936
Unapportioned (Note 2)	25,778	25,896
Total unobligated balance, end of year	515,921	427,832
Total budgetary resources	$ 1,116,277	$ 981,155
Change in obligated balance		
Unpaid obligations:		
Unpaid obligations, brought forward, Oct 1	$ 212,044	$ 250,763
Adjustment to unpaid obligations, start of year		
Obligations incurred	600,356	553,323
Outlays (gross)	(534,496)	(576,081)
Recoveries of prior year unpaid obligations	(31,161)	(15,961)
Unpaid Obligations, end of year	246,743	212,044
Uncollected payments:		
Uncollected payments, Fed sources, brought forward, Oct 1	(1,721)	(1,651)
Change in uncollected payments, Fed sources	239	(70)
Uncollected payments, Fed sources, end of year	(1,482)	(1,721)
Memorandum (non-add) entries:		
Obligated balance, start of year	$ 210,323	$ 249,112
Obligated balance, end of year (Note 2)	$ 245,261	$ 210,323
Budget authority and outlays, net		
Budgetary authority, gross	$ 667,832	$ 583,581
Actual offsetting collections	(61,812)	(47,878)
Change in uncollected payments, Fed sources	239	(70)
Budget authority, net (total)	606,259	535,633
Outlays, gross	534,496	576,081
Actual offsetting collections	(61,812)	(47,878)
Outlays, net (total)	472,684	528,203
Agency outlays, net	$ 472,684	$ 528,203

The accompanying footnotes are an integral part of these financial statements

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NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Architect of the Capitol (AOC) is an agency within the legislative branch of the federal government. Initially authorized by Congress to provide "suitable buildings and accommodations for the Congress of the United States," its role has expanded to include responsibility for the maintenance, operation, development, and preservation of the AOC Capitol Building (CB); AOC Capitol Grounds (CG); AOC Capitol Police Buildings, Grounds, and Security (CPBGS); AOC House Office Buildings (HOB); AOC Library Buildings and Grounds (LBG); AOC Senate Office Buildings (SOB); AOC Supreme Court Buildings and Grounds (SCBG); AOC Utilities and Capitol Power Plant (CPP); U.S. Botanic Garden (USBG); and U.S. Capitol Visitor Center (CVC).

AOC is also responsible for:

- supporting Congress during official national events (e.g., Presidential Inaugural Ceremonies) held at the Capitol or on the Capitol Grounds
- providing steam and chilled water to the Supreme Court, Thurgood Marshall Federal Judiciary Building (TMFJB), Union Station, and the Folger Shakespeare Library, and steam-only to the Government Printing Office (GPO) and the Postal Square building, and
- providing visitor guide services at the CVC and USBG

Non-entity assets are those held by AOC but unavailable for use in its operations. Activities that give rise to non-entity assets include:

- steam and chilled water collections over the annual Congressional cap
- rent collections from the Monocle Restaurant
- flag-flying fees, and
- provision of palm trees for rent by the USBG

Upon receipt, funds for these activities are not available for AOC use. At year-end, all collections are transferred to Treasury and the only non-entity assets remaining are Accounts Receivable related to these activities.

B. Basis of Accounting and Presentation

As a legislative branch agency of the federal government, AOC is not required to follow the accounting standards promulgated by the Federal Accounting Standards Advisory Board (FASAB). AOC has not formally adopted the Government Management and Reform Act of 1994, the Federal Managers Financial Integrity Act, the Federal Financial Management Improvement Act of 1996, or the Government Performance and Results Modernization Act of 2010, as these apply only to executive branch agencies. Nonetheless, AOC refers to these acts as a general guide for best practices and incorporates them into its financial management practices, as appropriate.

AOC's financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as promulgated by FASAB. The American Institute of Certified Public Accountants (AICPA) recognizes FASAB standards as GAAP for federal reporting entities. These principles differ from budgetary reporting principles. The differences relate primarily to the capitalization and depreciation of property and equipment as well as the recognition of other long-term assets and liabilities. AOC has adopted GAAP for financial reporting in a manner consistent with other federal agencies.

In FY 2013, AOC recorded a liability to recognize the estimated clean-up costs related to friable and nonfriable asbestos. These costs are deemed probable and reasonably estimable, and are recognized to be consistent with SFFAS No. 5, SFFAS No. 6, and FASAB Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, which was effective for periods beginning after September 30, 2012. Upon adoption, this FASAB requirement was reported as a change in accounting principle, as required.

C. Fund Balance with Treasury

AOC maintains most available fund balances with the U.S. Department of Treasury (Treasury). The Fund Balance with Treasury (FBWT) account represents the unexpended balances of appropriation accounts, trust accounts, and revolving funds. Cash receipts and disbursements are processed by Treasury, and AOC's records are reconciled with those accounts on a regular basis. In addition to the FBWT, AOC also has other cash deposits and investments as described in *Notes 3 and 4*, respectively.

D. Accounts Receivable

Accounts Receivable includes reimbursement for supplying certain AOC and non-AOC entities on Capitol Hill with steam and chilled water to heat and cool their facilities (*see Note 5*). Per annual appropriation, AOC provides steam and chilled water to the Folger Library, Union Station, the Supreme Court and TMFJB, as well as steam-only to the GPO and the Postal Square building. AOC is legislatively provided the authority to collect a pre-determined amount to recover the cost of supplying these services and record these amounts as offsetting collections. Any amount collected over the pre-determined amount is credited to Treasury's Miscellaneous Receipt Fund and is a non-entity asset. In addition, receivables may arise from food service commissions from operations at the CVC restaurant and from employee payroll overpayments as well as rent collections from the Monocle Restaurant. AOC may record an Allowance for Doubtful Accounts based on management's review of outstanding receivables, if applicable. Accounts Receivable is reduced to net realizable value by the Allowance for Doubtful Accounts.

E. Investments

All investments are reported at their acquisition cost, net of amortized premiums and discounts, as it is AOC's intent to hold the investments to maturity. Purchases and sales of investments are recorded as of the trade date. Investment income is reported when earned. The market value of the investments is the current market value at the end of the reporting period.

Intragovernmental (Investments Held With Treasury)
The CVC Revolving Fund was established under the *Capitol Visitor Center Act of 2008* (2 U.S.C. 31, 2201 et. seq.) to provide for the sale of gift shop items and the deposit of miscellaneous receipts. A portion of related funds are invested in government securities through the Bureau of Public Debt using their web-based application, FedInvest. By law, interest income is credited to the fund.

Entity (Investments Held Outside Treasury)
AOC has funds invested by a trustee outside of Treasury as a result of financing the construction of the TMFJB. Congress did not appropriate funds for the construction of the building but, instead, authorized the use of private financing to cover its cost. In 1989, AOC entered into a Development Management Agreement with Boston Properties for the design, development, and construction of the TMFJB.

Shearson Lehman Hutton, Inc., and Kidder, Peabody, & Co., Inc., issued 30-year Serial Zero Coupon Certificates of Participation to finance its construction.

Pursuant to a Trust Agreement, the proceeds were received by a trustee, The United States Trust Company of New York (now The Bank of New York Mellon). These proceeds were deposited into two funds, the Project Fund and the Operating Reserve Fund, to cover the costs of the construction project. In 2007, the Project Fund balance was transferred to the Operating Reserve Fund. The Operating Reserve Fund is held outside the Treasury by the trustee and, at AOC's direction, the funds are invested and disbursed. The Operating Reserve Fund is held in reserve for future needs of the building (e.g., roof replacement or other major renovation). See *Notes 1.F. and 4* for additional detail on investments.

F. Trust and Revolving Funds

Trust Funds
In Fiscal Year 2014, AOC has stewardship responsibility for two trust fund accounts, the National Garden Trust Fund and the Capitol Trust Fund.

The National Garden Trust Fund is subject to the direction of the Joint Committee on the Library (of Congress) and was established to accept gifts or bequests of money, plant material, and other property on behalf of the USBG. While this trust fund account still exists, it has a zero balance and is inactive.

The Capitol Trust Fund was established by the Legislative Branch Appropriations Act, 2014 (part of the Consolidated Appropriations Act, 2014). This fund consists of permit fees collected by the United States Capitol Police (USCP) to cover costs incurred by the AOC as a result of the issuance of permits for commercial activity in Union Square. Funds in this trust are available for maintenance, improvements, and projects with respect to Union Square, subject to the approval of the Committees of the House of Representatives and Senate. As of the current reporting period (FY 2014) there have been no collections in this fund.

Revolving Funds
AOC has stewardship responsibility for six revolving funds to account for various programs and operations. Each of these funds is a distinct fiscal and accounting entity that accounts for cash and other financial resources together with all related liabilities and equities. These revolving funds include:

- House (of Representatives) Gymnasium Revolving Fund
- Senate Health and Fitness Facility Revolving Fund
- Senate Restaurant Revolving Fund
- Judiciary Office Building Development and Operations Fund
- CVC Revolving Fund, and
- Recyclable Materials Revolving Fund

The House (of Representatives) Gymnasium Revolving Fund was established in the Treasury for AOC to deposit dues paid by members and other authorized users of the House of Representatives Wellness Center. AOC may expend fund amounts to pay for the operation of the facility.

The Senate Health and Fitness Facility Revolving Fund was established to deposit membership dues by authorized users of the Senate Health and Fitness Facility and proceeds from AOC's Senate recycling program. AOC, subject to the approval of the Senate Committee on Appropriations, may expend fund amounts to pay for the preservation and maintenance of the facility.

The Senate Restaurant Revolving Fund was established in 1961 for the operation of the Senate restaurants. In 2008, control of the Senate restaurants was transferred to a private vendor and AOC took over its accounting functions. Following the transfer, the revolving fund is no longer used for the operation of the restaurants, but the account still exists for activities resulting from the conversion and continuing maintenance of the restaurants. Upon approval by the Senate Committee on Rules and Administration, available balances may be increased via transfers in from the U.S. Senate to AOC, as needed.

The Judiciary Office Building Development and Operations Fund is used to pay expenses related to the structural, mechanical, and domestic care, maintenance, operation, and utilities of the TMFJB. The fund includes an investment that is held outside Treasury with The Bank of New York Mellon, via a Trust Agreement established to finance the construction of the TMFJB.

The CVC Revolving Fund is used to administer funds from the sale of gift shop items, the deposit of miscellaneous receipts such as net profits or commissions paid to the CVC for food service operations, and any fees collected from other functions within the CVC facility. This business-type revolving fund is invested in government securities through the Bureau of Public Debt.

The Recyclable Materials Revolving Fund was established to record proceeds from the sale of recyclable materials from across AOC (excluding the Senate, which deposits such funds in the Senate Health and Fitness Facility Revolving Fund). The fund balance is without fiscal year limitation and may be used to carry out recycling programs or other programs that promote energy savings at AOC.

G. Recognition of Financing Sources

AOC receives funding to support its programs through appropriations authorized by Congress. Funding for operating and capital expenditures is received as annual, multi-year, and no-year appropriations. This includes funding for the House Historic Buildings Revitalization Trust Fund, which is a general fund that is funded by direct appropriations. Amounts in this fund are restricted for the revitalization of the major historical buildings and assets of the House of Representatives with the approval of the House Appropriations Committee.

The appropriations that AOC manages are listed below. Inactive funds are included below for full disclosure.

1. AOC Capitol Building
2. AOC Capitol Grounds
    - Capitol Grounds
    - West Central Front (inactive)
    - Union Square (Capitol Trust Fund)
3. AOC Capitol Police Buildings, Grounds, and Security
4. AOC General Administration
    - General Administration
    - American Disabilities Act (inactive)
    - Congressional Cemetery (inactive)
5. AOC House Office Buildings
    - House Office Buildings
    - House (of Representatives) Gymnasium
    - House Historic Buildings Revitalization Trust Fund
    - House Recyclable Materials

6. AOC Library Buildings and Grounds
7. AOC Senate Office Buildings
    - Senate Office Buildings
    - Senate Health and Fitness Facility
    - Senate Restaurant Revolving Fund
8. AOC Utilities and Capitol Power Plant
9. U.S. Botanic Garden
    - Botanic Garden
    - National Garden (inactive)
10. U.S. Capitol Visitor Center
11. U.S. Supreme Court Buildings and Grounds
    - Supreme Court
    - Thurgood Marshall Federal Judiciary Building

H. Operating Materials and Supplies

AOC's materials and supplies consist of tangible personal property consumed during normal operations. Per Statement of Federal Financial Accounting Standards (SFFAS) No. 3, *Accounting for Inventory and Related Property*, operating materials and supplies are recorded using the purchases method. This method provides that operating materials and supplies be expensed when purchased. Operating materials and supplies are purchased using funds specifically appropriated to AOC's jurisdictions. Therefore, the related usage of those materials and supplies is intended for those specific jurisdictions making the purchases *(see Note 1.I)*.

I. Inventory

Inventory is recorded at historical cost, using the weighted average valuation method, in accordance with SFFAS No. 3, *Accounting for Inventory and Related Property*, and consists of retail goods purchased for resale at the CVC's gift shops. The recorded values are adjusted based on the results of periodic physical inventory counts. Inventory purchased for resale may be categorized as follows: (1) purchased goods held for current sale, (2) purchased goods held in reserve for future sale, and (3) slow-moving, excess or obsolete inventory. Examples of the retail goods included in inventory that are classified as "held for current sale" are books, t-shirts, jewelry and other souvenirs. AOC may also record an allowance which is based on slow-moving, excess or obsolete and damaged inventory, as a result of known restrictions on the sale or disposition of inventory *(see Note 6)*.

J. General Property, Plant and Equipment, Net

AOC records property (buildings and equipment) at cost. Buildings and equipment are depreciated over their estimated useful lives, which range from three to 40 years, using the straight-line method. Depreciation is based on the half-year and full-month conventions for buildings and equipment, respectively. All property (buildings and equipment) is in AOC's possession and there is nothing held by others *(see Note 7)*.

The following table presents AOC capitalization thresholds and related useful lives:

Property Type	**Useful Life (Years)**	**Capitalization Threshold**
Real Property	40	$500,000
Improvements	20	$500,000
Equipment and Vehicles	3-15	$25,000
Assets Under Capital Lease	Shorter of Lease Term or Useful Life of Property Type	See Related Property Type

K. Stewardship PP&E

Stewardship land and heritage assets have physical properties that resemble those of General PP&E, which are traditionally capitalized in the financial statements. Due to the nature of stewardship assets, however, determining a monetary value would be difficult, and matching costs with specific periods may not be possible or meaningful. Heritage assets are PP&E that are unique and are generally expected to be preserved indefinitely. Heritage assets have historical or natural significance; are of cultural, educational, or artistic importance; or have significant architectural characteristics. These assets are reported in terms of physical units rather than cost or other monetary values per SFFAS No. 29 *Accounting for Heritage Assets and Stewardship Land*. There are two types of heritage assets: collection, which are objects gathered and maintained for exhibition, such as museum and art collections; and non-collection, which are parks, memorials, monuments and buildings. AOC holds both collection and non-collection heritage stewardship assets *(see Note 8)*.

L. Liabilities

Liabilities represent the amounts owed to others for goods or services received, and amounts owed for progress in contract performance. Some liabilities are funded while others are unfunded because no liability may be paid without an enacted appropriation. For example, future appropriations may be enacted to fund activities for accrued unfunded annual leave and workers' compensation. The Balance Sheet presents the following types of liabilities:

- Accounts Payable
- Debt Held by the Public
- Unfunded Actual and Actuarial Workers' Compensation
- Contingent and Environmental Liabilities
- Other Liabilities
    - Accrued Annual Leave
    - Advances from Others
    - Capital Lease Liability
    - Contract Holdbacks, and
    - Custodial and Accrued Liabilities

M. Personnel Compensation and Benefits

Federal Employee Benefits
The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and subsequently seeks reimbursement from the federal agencies employing the claimants. The DOL determines the actuarial liability for claims outstanding at the end of each fiscal year. This liability includes the estimated future costs of death benefits, workers' compensation, and medical and miscellaneous costs for approved compensation cases *(see Note 11)*.

AOC recognizes its share of the cost of providing future pension benefits to eligible employees over the period the related services are rendered. The amount funded by the Office of Personnel Management is considered imputed financing *(see Note 16)*.

AOC recognizes a current-period expense for the future cost of post-retirement health benefits and life insurance for its employees while they are actively employed. This amount is also considered imputed financing *(see Note 16)*.

Annual and Other Leave
Annual leave is recognized as an expense and a liability as it is earned. The liability is reduced as leave is taken. The accrued leave liability is principally long-term in nature. Other types of leave are expensed when taken and no future liability is recognized for these amounts (s*ee Note 11*).

N. Contingencies and Environmental Liabilities

AOC accounts for contingencies in accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government*. This standard defines a contingency as an existing condition, situation, or set of circumstances involving uncertainty as to the possible gain or loss to an entity that will ultimately be resolved when one or more future events occur or fail to occur. Management recognizes a contingent liability for liabilities equal to or greater than $100 thousand when a past transaction or event has occurred, a future outflow or other sacrifice of resources is probable, and the related future outflow is measurable. AOC has recorded no loss provisions for contingent liabilities *(See Note 13*).

SFFAS No. 5 also provides criteria for recognizing a contingent liability for material amounts of environmental cleanup costs that are related to general and stewardship PP&E used in Federal operations. In accordance with Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs,* AOC recognizes a liability and related expense for friable and non-friable asbestos cleanup costs when it is both probable and reasonably estimable - consistent with SFFAS No. 5, SFFAS No. 6, and Technical Release No. 2 (*see Note 13*).

O. Statement of Net Cost

The Statement of Net Cost (SNC) is presented by responsibility segment, (which are AOC jurisdictions), in accordance with SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*. Costs not assigned to any of AOC's ten major jurisdictions are presented as General Administration. AOC has a number of initiatives (e.g., cost accounting and strategic vision) in place to gather program data in order to provide more information to its stakeholders, such as costs per strategic goal. While these initiatives are in various stages of progress, AOC believes the responsibility segment approach currently provides information to its stakeholders in a direct, informative, and succinct manner.

The 11 responsibility segments reported on the SNC are identified below.

- AOC Capitol Building
- AOC Capitol Grounds
- AOC Capitol Police Buildings, Grounds, and Security
- AOC General Administration
- AOC House Office Buildings
- AOC Library Buildings and Grounds
- AOC Senate Office Buildings
- AOC Utilities and Capitol Power Plant
- U.S. Botanic Garden
- U.S. Capitol Visitor Center, and
- U.S. Supreme Court Buildings and Grounds

Revenues reported on the SNC are principally recorded on a direct cost recovery basis.

P. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities (including contingent liabilities), revenues, financing sources, expenses and obligations incurred during the reporting period. These estimates are based on management's best knowledge of current events, historical experience and other assumptions that are believed to be reasonable under the circumstances. Estimates are subject to a wide range of variables, including assumptions on future economic and financial events. Accordingly, actual results may differ from those estimates.

NOTE 2: Fund Balance with Treasury

Funds with Treasury primarily consist of appropriated funds. As of September 30, 2014, AOC also has stewardship responsibility for six revolving funds and administrative responsibility for two trust funds (one of them is currently inactive).

A. Fund Balances

The balance of these funds as of September 30, 2014 and 2013 is as follows:

Dollars in thousands		
Fund Type	**2014**	**2013**
Appropriated Funds	$ 722,721	$ 608,699
Trust and Revolving Funds	28,437	18,791
Total	**$ 751,158**	**$ 627,490**

B. Status of Fund Balance with Treasury

FBWT is classified as unobligated available, unobligated unavailable, obligated and not yet disbursed, or Non Budgetary FBWT. Unobligated available balances represent unexpired appropriations available for incurring new obligations. Unobligated unavailable balances are expired appropriations that are no longer available to incur new obligations. Obligated balances not yet disbursed include undelivered orders or orders received but not yet paid. Non Budgetary FBWT (if applicable) includes unavailable miscellaneous receipts and suspense accounts that do not have budget authority.

The status of FBWT as of September 30, 2014 and 2013 is as follows:

Dollars in thousands		
Balance Type	**2014**	**2013**
Unobligated Balance		
Available	$ 480,118	$ 391,269
Unavailable	25,778	25,896
Obligated Balance not yet Disbursed	245,261	210,323
Non Budgetary FBWT	1	2
Total	**$ 751,158**	**$ 627,490**

Amounts shown as “Unobligated Available” in the chart above may differ from the line items on the Statement of Budgetary Resources (SBR). This difference may be due to anticipated reimbursements for the first three quarters of the fiscal year, CVC investments and other proprietary only adjustments (including imprest and other funds held outside of Treasury).

NOTE 3: Cash and Other Monetary Assets

Cash and Other Monetary Assets include change-making funds maintained outside Treasury for CVC Gift Shop operations and daily gift shop sales deposits-in-transit. There are no restrictions on cash.

The cash balances as of September 30, 2014 and 2013 are as follows:

Dollars in thousands		
Cash and Other Monetary Assets	**2014**	**2013**
Undeposited Collections	$ 2	$ 2
Cash Imprest Funds	14	14
Total	**$ 16**	**$ 16**

NOTE 4: Investments

Investments at September 30, 2014 and 2013 are summarized below.

At September 30, 2014

Dollars in thousands

Investments	Shares/Par	Amortized Prem./(Net of Disc.)	Investments, Net	Market Value
Intragovernmental, Nonmarketable:				
Capitol Visitor Center Revolving Fund				
Six Month Certificate 0.05% Annual Yield Maturing 12/11/2014	$ 6,101	$ (1)	$ 6,100	$ 6,100
One Year Certificate, 0.13% Annual Yield Maturing 12/11/2014	3,913	(1)	3,912	3,913
Total Intragovernmental	**$ 10,014**	**$ (2)**	**$ 10,012**	**$ 10,013**
With the Public:				
The Bank of New York Mellon Operating Reserve Fund Serial Zero Coupon Certificates Maturing 08/15/2024	26,697	-	26,697	26,697
Total With the Public	**$ 26,697**	**$ -**	**$ 26,697**	**$ 26,697**
Total Investments	**$ 36,711**	**$ (2)**	**$ 36,709**	**$ 36,710**

At September 30, 2013

Dollars in thousands

Investments	Shares/Par	Amortized Prem./(Net of Disc.)	Investments, Net	Market Value
Intragovernmental, Non-marketable:				
Capitol Visitor Center Revolving Fund				
One Day Certificate, 0.030% Daily Yield Maturing 10/01/2013	$ 2,983	$ -	$ 2,983	$ 2,983
Six Month Certificate 0.07% Annual Yield Maturing 11/14/2013	4,119	(1)	4,118	4,118
One Year Certificate, 0.17% AnnualYield Maturing 11/14/2013	3,553	-	3,553	3,553
Total Intragovernmental	**$ 10,655**	**$ (1)**	**$ 10,654**	**$ 10,654**
With the Public:				
The Bank of New York Mellon Operating Reserve Fund Serial Zero Coupon Certificates Maturing 08/15/2024	26,702	-	26,702	26,702
Total With the Public	**$ 26,702**	**$ -**	**$ 26,702**	**$ 26,702**
Total Investments	**$ 37,357**	**$ (1)**	**$ 37,356**	**$ 37,356**

NOTE 5: Accounts Receivable, Net

The breakdown of the consolidated accounts receivable (both Intragovernmental and With the Public), as of September 30, 2014 and 2013 is as follows:

Dollars in thousands		
Accounts Receivable	**2014**	**2013**
Intragovermental:		
Entity	$ 1,148	$ 1,344
Non-Entity	37	34
Total Intragovernmental	**$ 1,185**	**$ 1,378**
With the Public:		
Entity	$ 522	$ 555
Non-Entity	3	10
Total With the Public	**$ 525**	**$ 565**
Total	**$ 1,710**	**$ 1,943**

As of September 30, 2014, AOC is involved in certain cases seeking restitution for expenditures and damages resulting from construction-related contract activities. These cases are currently in various stages of claims and appeals and the restitution amounts and case resolutions are uncertain. As a result, no related receivables have been recorded.

NOTE 6: Inventory

Inventory consists of retail goods purchased for resale at the Capitol Visitor Center's gift shops. The inventory amounts presented herein are limited to purchases made with the gift shops' appropriated and/or revolving funds. AOC may record an allowance which is based on slow-moving, excess or obsolete and damaged inventory.

Inventory, as of September 30, 2014 and 2013 is as follows:

Dollars in thousands		
Inventory Category	**2014**	**2013**
Purchased Goods Held for Current Sale	$ 476	$ 902
Damaged/Restricted/Held for Future Sale	7	2
Total	**$ 483**	**$ 904**

Based upon management reviews of the most recent inventory count, inventory in the amount of $7 thousand was considered damaged or restricted as of September 30, 2014. This inventory is pending management's decision on its ultimate disposition.

NOTE 7: General Property, Plant and Equipment, Net

AOC differentiates its property and equipment by distinct categories. The following represents these categories and their balances as of September 30, 2014 and 2013:

At September 30, 2014

Dollars in thousands

Class of Property and Equipment	Acquisition Value	Accumulated Depreciation	Net Book Value	%
Buildings	$ 1,398,961	635,607	763,354	41.9
Building Improvements	1,369,991	746,846	623,145	34.2
Land	168,672	-	168,672	9.3
Land Improvements	157,833	72,684	85,149	4.7
Capital Leases (Real Property)	39,749	33,693	6,056	0.3
Leasehold Improvements	69,147	19,920	49,227	2.7
Equipment and Internal Use Software	18,172	15,402	2,770	0.2
Other Structures	9,288	2,898	6,390	0.4
Construction Work-in-Progress	116,467	-	116,467	6.3
Total	**$ 3,348,280**	**$ 1,527,050**	**$ 1,821,230**	**100.0**

At September 30, 2013

Dollars in thousands

Class of Property and Equipment	Acquisition Value	Accumulated Depreciation	Net Book Value	%
Buildings	$ 1,398,961	605,125	793,836	43.3
Building Improvements	1,340,561	694,118	646,443	35.2
Land	168,672	-	168,672	9.2
Land Improvements	153,674	65,096	88,578	4.8
Capital Leases (Real Property)	39,749	31,901	7,848	0.4
Leasehold Improvements	22,934	16,636	6,298	0.3
Equipment (Computers and Hardware)	18,238	14,910	3,328	0.3
Other Structures	9,288	2,536	6,752	0.4
Construction Work-in-Progress	112,306	-	112,306	6.1
Total	**$ 3,264,383**	**$ 1,430,322**	**$ 1,834,061**	**100.0**

The educational, artistic, architectural, and historical significance of the U.S. Capitol, Senate, House, Supreme Court, and Jefferson buildings meets the FASAB criteria for heritage assets. Since these buildings are currently used for day-to-day business, they are further classified as multi-use heritage assets. As a result, they are depreciated in the same manner as if they were general purpose assets.

Although the original assets are fully depreciated, subsequent improvements and betterments to the buildings are currently being depreciated in accordance with established policy. AOC is responsible for reviewing and authorizing all structural and architectural changes to the buildings and grounds prior to any change occurring.

NOTE 8: Stewardship PP&E

Stewardship land and heritage assets are property, plant, and equipment that are unique for one or more of the following reasons: historic or natural significance; cultural, educational, or artistic importance; or significant architectural characteristics. Stewardship assets are expected to be preserved indefinitely. Federal agencies are not required to assign a cost on the Balance Sheet for stewardship assets, except for multi-use heritage assets, which are defined as stewardship assets whose predominant use is in general government operations. The Capitol, House Office Buildings, Senate Office Buildings, Supreme Court, and Thomas Jefferson Building of the Library of Congress are all examples of multi-use heritage assets at AOC.

AOC's stewardship assets are directly related to its mission to serve, preserve and inspire America's Capitol. Authority for the care and maintenance of the Capitol was established by legislation in 1876. The Architect's core duties include the conservation and care of works of art in the buildings under the Architect's jurisdiction and the upkeep and improvement of the living heritage assets on the Capitol Grounds and in the Botanic Garden. AOC's stewardship responsibility for the heritage assets of Capitol Hill include those that are jointly under the Senate and House of Representatives (such as works of architectural fine art) and those attached to the complex's buildings and on its grounds. The AOC administered stewardship lands encompass more than 553 acres of grounds. This includes the approximately 290 acres of grounds immediately surrounding the U.S. Capitol and designed by Frederick Law Olmsted. In FY 2012, Union Square was transferred to AOC from the National Park Service and is also included in AOC's stewardship land and heritage assets. This 11-acre site on the National Mall contains the Ulysses S. Grant Memorial and the Capitol Reflecting Pool. Heritage asset categories include:

Artwork: AOC cares for some of the artwork that is part of the Capitol Hill buildings and grounds. This includes fine art, decorative art, architectural fine art, and architectural decorative art.

Architectural Features: USBG and AOC Capitol grounds are graced with many unique architectural features. These include outdoor sculptures and monuments and landscape features and fixtures.

Reference and Library Materials: The AOC's collections include art and reference files and art and reference materials.

Records: The AOC's collections include architectural and engineering drawings, manuscripts and other textual records, small architectural models, photographs, and conservation reports.

Living Heritage Assets: As Acting Director of the USBG and steward of the Capitol grounds, AOC has living heritage assets in its collections. These include memorial trees and a variety of living plants.

A summary inventory of AOC's stewardship assets as of September 30, 2014 and 2013 is as follows:

Description	**2014**	**2013**
Artwork	2,019 items	2,010 items
Architectural Features	199 features	197 features
Reference and Library Materials:		
Art and Reference Files	108 drawers	108 drawers
Art and Reference Materials	1,183 items	1,172 items
Records	446,896 records	437,707 records
Living Heritage Assets	58,078 items	59,088 items

NOTE 9: Other Assets

On September 30, 2014, Other Assets consisted of employee advances as well as a project advance to the U.S. Capitol Police. On September 30, 2013, Other Assets consisted solely of employee advances.

Dollars in thousands		
Other Assets	**2014**	**2013**
Advances to Others	**$ 923**	**$ 1**

NOTE 10: Liabilities

The Balance Sheet as of September 30, 2014 and 2013 includes, amongst others, some liabilities not covered by current budgetary resources. Such liabilities require Congressional action prior to budgetary resources being provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund them. Liabilities not covered by budgetary resources generally include accrued annual and compensatory leave, workers' compensation, debt held by the public, capital leases as well as contingent and environmental liabilities. Liabilities covered by budgetary resources generally include accounts payable, advances from others, contract holdbacks, and other accrued liabilities.

Liabilities covered/not covered by budgetary resources as of September 30, 2014 and 2013 are as follows:

Dollars in thousands		
Fund Type	**2014**	**2013**
Intragovernmental:		
Liabilities covered by budgetary resources	$ 17,026	$ 105
Liabilities not covered by budgetary resources	9,974	9,975
Total Intragovernmental	**$ 27,000**	**$ 10,080**
With the Public:		
Liabilities covered by budgetary resources	$ 43,861	$ 45,440
Liabilities not covered by budgetary resources	281,020	291,528
Total With the Public	**$ 324,881**	**$ 336,968**
Total	**$ 351,881**	**$ 347,048**

NOTE 11: Payroll-Related Liabilities

On September 30, 2014 and 2013, the liability for Accrued Annual Leave and Other is comprised of three accounts: Funded Accrued Payroll (payroll that has been earned but not paid), Unfunded Accrued Annual Leave (employee leave that has been earned but not taken*)* and Workers' Compensation.

Accrued Payroll and Annual Leave, by type, as of September 30, 2014 and 2013 are as follows:

Dollars in thousands		
Accrued Annual Leave and Other	**2014**	**2013**
Funded Accrued Payroll	$ 5,974	$ 5,108
Unfunded Accrued Annual Leave	11,108	11,090
Total	**$ 17,082**	**$ 16,198**

Workers' Compensation is reported as required by the Federal Employees' Compensation Act (FECA). The liability is presented in two parts: an annual accrued liability for billed costs (current portion) and a long-term, actuarial-based unfunded liability *(see Note 1.L)*. The actuarial workers' compensation liability was calculated using a formula provided by the DOL.

Workers' Compensation, by type, as of September 30, 2014 and 2013 is as follows:

Dollars in thousands		
Workers' Compensation, by Type	**2014**	**2013**
Unfunded Workers' Compensation (Current)	$ 9,936	$ 9,929
Actuarial Workers' Compensation (Long-Term)	57,428	57,455
Total	**$ 67,364**	**$ 67,384**

Estimated future costs have been actuarially determined, and they are regarded as a liability to the public because neither the costs nor reimbursement have been recognized by DOL. Workers' Compensation is included in Liabilities not covered by Budgetary Resources, as described in *Note 10*.

NOTE 12: Debt Held by the Public

As of September 30, 2014 and 2013, Debt Held by the Public consists of the financing obtained for the construction of the TMFJB. The debt consists of 30-year Serial Zero Coupon Certificates of Participation issued in 1989 for $125.4 million with a maturity value of $525.5 million. The certificates are amortized using the effective interest rate of 8.72 percent. The balance of Debt Held by the Public is as follows:

Dollars in thousands		
Debt Held by the Public, by Type	**2014**	**2013**
Securities	$ 172,300	$ 189,530
Interest Payable	810	859
Subtotal	173,110	190,389
Discount on Securities	(400,123)	(400,123)
Less: Amortization of Discount	341,226	330,877
Subtotal	(58,897)	(69,246)
Total	**$ 114,213**	**$ 121,143**

Various judiciary offices and personnel occupy the TMFJB under an Interagency Agreement between AOC and the Administrative Office of the U.S. Courts. Base rent will not change over the initial 30 years, and is set at the amount necessary to retire the debt at $17.2 million annually. Payment of the certificates will end in August 2024. This certificate is not subject to prepayment or acceleration under any circumstance, pursuant to the language in the certificate agreement.

The Statement of Budgetary Resources (SBR) reports Borrowing Authority of $10.3 million and $10.9 million for 2014 and 2013, respectively. These amounts represent the current year portion of the amortized bond discount which is shown in the table above (net of interest payable).

NOTE 13: Contingent and Environmental Liabilities

AOC is party to various administrative proceedings, legal actions, and tort claims which may result in settlements or decisions adverse to the federal government. AOC also has responsibility to remediate certain sites with environmental contamination hazards related to ongoing operations.

The accrued and potential Contingent and Environmental Cleanup Cost Liabilities, as of September 30, 2014 and 2013 are as follows:

Dollars in thousands		
Contingent and Environmental Liabilities	**2014**	**2013**
Contingent Liabilities	$ -	$ -
Estimated Cleanup Cost Liabilities	85,056	86,394
Total	**$ 85,056**	**$ 86,394**

Contingent Liabilities
General contingent liabilities consist of claims filed against AOC which are awaiting adjudication. These liabilities typically relate to contracts, labor and equal employment opportunity issues, and personal and property damage.

For the purpose of estimating contingent liabilities for the financial statements, AOC conducted a review of existing claims for which the likelihood of loss to AOC is probable. Additionally, management and AOC's General Counsel evaluated the materiality of cases determined to have a reasonably possible chance of an adverse outcome. Liabilities were recognized for those cases that were determined to meet management's materiality threshold (see *Note 1.N*). No amounts have been accrued in the financial records for claims where the estimated amount of potential loss does not exceed $100 thousand or where the likelihood of an unfavorable outcome is less than probable.

Matters for which the likelihood of an unfavorable outcome is less than probable but more than remote involve a wide variety of allegations and claims. These matters arise in the course of carrying out AOC programs and operations. The ultimate outcomes in these matters cannot be predicted at this time; however as of September 30, 2014 the lower level estimate of these cases amounted to approximately $2.4 million. Sufficient information is not currently available to determine if the ultimate resolution of the proceedings, actions, and claims will materially affect AOC's financial position or results of operations. Based on the less than probable nature of these claims, an accounting entry for the estimate was not posted and there is no impact on the financial statements.

Environmental Cleanup Cost Liabilities

Pursuant to the Federal Accounting Standards Advisory Board (FASAB) Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-related Cleanup Costs*, Federal entities are required to recognize a liability for asbestos cleanup costs. AOC is responsible for managing friable and non-friable asbestos-containing materials (ACM) in all Capitol Complex Buildings owned by the federal government. Beginning in 2000, AOC contracted EPA-accredited asbestos inspectors to conduct inspections in accessible areas using nondestructive sampling techniques. For financial reporting purposes, separate per square foot rates were determined for friable and non-friable ACM. The per square foot values were based on recent removal projects conducted by AOC's Construction Division and a review of current industry estimates. The rates were applied to the ACM square footage of each Capitol Complex building as estimated during the asbestos inspections. Upon the effective date in FY 2013, AOC recognized an estimated asbestos liability of $86.4 million. The liability was recorded as a prior period adjustment due to a change in accounting principle since the real property has been in service for a significant portion of their estimated useful life.

As required by SFFAS No. 6 "*Accounting for Property, Plant and Equipment,*" AOC will determine the need for asbestos liability adjustments on an annual basis. As actual asbestos remediation costs are incurred, the asbestos liability is reduced by the reported amount. In FY 2014, the remaining amount of the asbestos liability that is included in the "Contingent and Environmental Liabilities" line on the Balance Sheet is $85.1 million.

In addition to the requirements of Technical Bulletin 2006-1, AOC is subject to various Federal, state, and local environmental compliance and restoration laws, including the Clean Air Act; the Clean Water Act; the Solid Waste Disposal Act; the Safe Drinking Water Act; and the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). Estimated environmental and disposal disclosures include expected future cleanup costs, and for those sites where future liability is unknown, the cost of studies necessary to evaluate response requirements.

Fort George G. Meade, Maryland

Management's review concluded that AOC is not responsible for the clean-up and remediation of previous environmental contamination on the approximately 100 acres of land at Fort George G. Meade, Maryland, which the U.S. Army transferred to AOC. The Army is responsible for the environmental clean-up of any previous contamination under CERCLA. AOC understands that the Army is actively monitoring existing contamination on the entire site, including the land transferred to AOC, and is pursuing appropriate remediation of this contamination.

NOTE 14: Leases

As of September 30, 2014, AOC was committed to various non-cancelable leases primarily covering administrative office space and storage facilities, motor vehicles, and office equipment. Many of these leases contain escalation clauses tied to inflationary and tax increases, and renewal options. At the end of the current reporting period, AOC had one real property capital lease for the Senate Sergeant of Arms Warehouse facility in Landover, MD.

Capital Leases
Capital leases have initial or remaining non-cancelable lease terms in excess of one year and the capital lease liability is amortized over the term of the lease. As of September 30, 2014 and 2013, the present value of the future minimum lease payments required by those leases identified as capital leases is as follows:

At September 30, 2014

Dollars in thousands

Fiscal Year		Total
2015	$	845
2016		845
2017		845
2018		845
2019		845
Thereafter		5,070
Total Minimum Future Lease Payment	**$**	**9,295**
Less:Imputed Interest		(2,055)
Total Capital Lease Liability	**$**	**7,240**

At September 30, 2013

Dollars in thousands

Fiscal Year		Total
2014	$	3,523*
2015		845
2016		845
2017		845
2018		845
Thereafter		5,915
Total Minimum Future Lease Payment	**$**	**12,818**
Less:Imputed Interest		(2,479)
Total Capital Lease Liability	**$**	**10,339**

* The number for 2014 includes expected lease payments for the year indicated, as well as prior year unpaid amounts of $395 thousand.

Operating Leases
AOC currently has leases and occupancy agreements with the General Services Administration (GSA) and leases with other commercial vendors for office and storage space, plus rentals of equipment and vehicles. These leases expire in various years.

As of September 30, 2014, the aggregate of future payments due under non-cancelable operating leases and occupancy agreements are as follows:

Dollars in thousands			
Fiscal Year	**Real Property**	**Personal Property**	**Total**
2015	$ 29,037	$ 24	$ 29,061
2016	26,423	-	26,423
2017	25,494	-	25,494
2018	21,182	-	21,182
2019	12,375	-	12,375
Thereafter	22,033	-	22,033
Total Future Lease Payments			**$136,568**

NOTE 15: Custodial and Accrued Liabilities

As of September 30, 2014 and 2013, these liabilities consist of accrued accounts payable (with the public) and miscellaneous receipts that are to be forwarded to Treasury (intragovernmental custodial liabilities). Miscelleanous receipts include, but are not limited to, flag-flying fees, rent from the Monocle restaurant and steam and chilled water collections over the Congressional cap. In FY 2014, AOC recorded an additional accounts payable accrual of $16.9 million to recognize the estimated value of work performed by and payable to GSA. This work was performed under reimbursable work agreements with GSA for tenant improvements to space occupied in the Thomas P. O’Neill, Jr. Federal Building.

These liabilities, which are classified as current as of September 30, 2014 and 2013, are as follows:

Dollars in thousands		
Custodial and Accrued Liabilities	**2014**	**2013**
Intragovernmental	$ 16,952	$ 46
With the Public	25,336	25,957
Total	**$ 42,288**	**$ 26,003**

NOTE 16: Imputed Financing

To measure the full cost of activities, SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, requires that total costs of programs include imputed financing. Such costs result when an entity receives unreimbursed services from other U.S. government entities.

Imputed financing consists of future pension benefits for AOC employees that are paid on its behalf by the Office of Personnel Management (OPM), printing services provided by the GPO, design elements paid for by the Army Corps of Engineers to improve building infrastructure campus-wide, capital projects performed by another federal agency, and Treasury judgment fund payments, as applicable.

With some exceptions, employees participate in one of three defined benefit retirement programs based on their employment start date: employee and employer contributions are made to the Civil Service Retirement and Disability Fund (CSRDF), the Civil Service Retirement Offset, or the Federal Employees Retirement System - all administered by OPM. Employees may also participate in the Thrift Savings Plan (TSP), a defined contribution retirement savings and investment plan, as authorized by the Federal Employees Retirement System Act of 1986. The Federal Retirement Thrift Investment Board administers this Plan.

Civil Service Retirement System (CSRS): According to PL 99-335, all employees hired prior to January 1, 1987, could elect CSRS or CSRS Offset. The CSRS provides a basic annuity and Medicare coverage. The CSRS fund covers most employees hired prior to January 1, 1984. AOC and the employee contribute to Medicare at the rate prescribed by law. AOC does not match contributions to the TSP for employees who participate in the CSRS.

Civil Service Retirement System Offset: CSRS Offset generally covers those employees who have had a break in their CSRS service of more than one and less than five years by the end of 1986. AOC and the employee contribute to Social Security and Medicare at the rates prescribed by law. AOC does not match contributions to TSP for participating employees in the CSRS Offset.

Federal Employee Retirement System (FERS): According to PL 99-335, employees with less than five years of creditable civilian service, as of the effective date in 1986, were automatically converted to FERS. In addition, during certain periods in 1987, 1988 and 1998, employees hired before January 1, 1984, could choose to participate in FERS. This system consists of Social Security, a basic annuity plan and the TSP.

AOC and the employee contribute to Social Security and Medicare at rates prescribed by law. In addition, AOC is required to contribute to the TSP a minimum of 1 percent per year of the basic pay of employees covered by this system. AOC also matches a voluntary employee contribution up to 3 percent dollar-for-dollar, and another 2 percent is matched 50 cents on the dollar.

Imputed Financing for the periods ending September 30, 2014 and 2013 is as follows:

Dollars in thousands

Imputed Financing, by Type	**2014**	**2013**
Pensions		
CSRS	$ 3,298	$ 4,045
CSRS Offset	876	1,058
FERS	30,862	28,748
Less: Contributions	(26,494)	(28,032)
Subtotal: Employee Pensions	8,542	5,819
Health	9,724	8,896
Life Insurance	31	31
Subtotal: All Employee Benefits	18,297	14,746
Government Printing Office	181	295
Other Agency – Campus Infrastructure	15,428	17,243
Department of Justice-Treasury Judgment Fund	3	-
Total	**$ 33,909**	**$ 32,284**

NOTE 17: Net Cost of Operations Related to Payroll

The SNC reports AOC's gross and net cost by responsibility segment. A responsibility segment is the organizational component (i.e., jurisdiction) that carries out a major line of activity and whose managers report directly to top management. The net cost of operations is the gross cost less any earned revenues.

Expenses for salaries and related benefits for the periods ending September 30, 2014 and 2013, as shown in the table below, amounted to approximately 43 percent of the annual gross cost of operations, for each respective year. As shown in the table below, this includes actual payroll and benefit expenses as well as imputed federal employee benefit costs paid by OPM. The amount identified as payroll expense represents actual expenditures and does not include accruals which are shown as other expenses.

Net Cost of Operations Related to Payroll as of September 30, 2014 and 2013 is as follows:

Dollars in thousands	**2014**	**2013**
Expenses for Payroll & Related Benefits		
Payroll Expense	$ 227,417	$ 239,814
Imputed Costs (payroll only - see Note 16)	18,297	14,746
Other Expenses Not Requiring Budget – Payroll	(36)	19
Employer Contribution to Employee Benefits	4,332	4,542
Total	**$ 250,010**	**$ 259,121**
Gross Costs (by Jurisdiction)		
AOC Capitol Building	$ 51,848	$ 57,378
AOC Capitol Grounds	10,942	11,919
AOC Capitol Police Buildings, Grounds, and Security	38,218	44,101
AOC General Administration	89,247	103,525
AOC House Office Buildings	79,133	70,500
AOC Library Builidings and Grounds	42,130	44,548
AOC Senate Office Buildings	72,605	76,495
AOC Utilities and Capitol Power Plant	106,181	106,176
U.S. Botanic Garden	13,735	13,284
U.S. Capitol Visitor Center	23,336	23,975
U.S. Supreme Court Buildings and Grounds	52,097	46,328
Total	**$ 579,472**	**$ 598,229**
Payroll related expenses to Gross Costs (%)	**43 %**	**43%**

NOTE 18: Reconciliation of Net Cost of Operations to Budget

FASAB requires a reconciliation of proprietary and budgetary information (the former Statement of Financing) in a way that helps users to relate the two. The objective is to provide an explanation for the differences between budgetary and financial (proprietary) accounting and is accomplished by means of a reconciliation of budgetary obligations and non-budgetary resources available to the reporting entity with its net cost of operations.

Most entity transactions are recorded in both budgetary and proprietary accounts. However, because different accounting bases are used, some transactions may appear in only one set of accounts (e.g., accrual of workers' compensation liabilities is only recorded in proprietary records). Not all obligations or offsetting collections may result in expenses or exchange revenue (e.g., a building purchase is capitalized in proprietary accounts, but obligated and outlayed in budgetary accounts).

Exchange revenue with the public consists of revenues received for services provided, such as access to the Senate Health and Fitness Facility and House Wellness Center, as well as rent and interest. Exchange revenue with federal entities consists of revenue from services provided, such as steam and chilled water, work performed on reimbursable projects, and reimbursement for the TMFJB.

Resources Used to Finance Activities reflects the budgetary resources obligated and other resources used to finance AOC activities. The obligations of budgetary resources are net of offsetting collections, recoveries and receipts. Other resources are financing sources that increase net position but are not budgetary resources (e.g., donated property or imputed costs).

Resources Used to Finance Items Not Part of the Net Cost of Operations includes resources used to finance the activities of the entity to account for items that were included in net obligations and other resources but were not part of the SNC. This item includes undelivered orders reflected in net obligations but not part of current period SNC. It also includes budgetary resources and obligations recognized in the current period that do not affect the net cost of operations (e.g., an acquisition of assets reflected in net obligations but not in SNC).

Components Requiring or Generating Resources in Future Periods identifies items that are recognized as a component of the SNC for the current period but the budgetary resources (and related obligation) will not be provided (or incurred) until a subsequent period. Costs such as contingent liabilities and workers' compensation are not always funded in the period the costs are incurred and are included in this item.

Components Not Requiring or Generating Resources includes items that are recognized as part of the net cost of operations for the period but will not generate or require the use of resources, such as depreciation and amortization.

The reconciliation for the periods ending September 30, 2014 and 2013 is as follows:

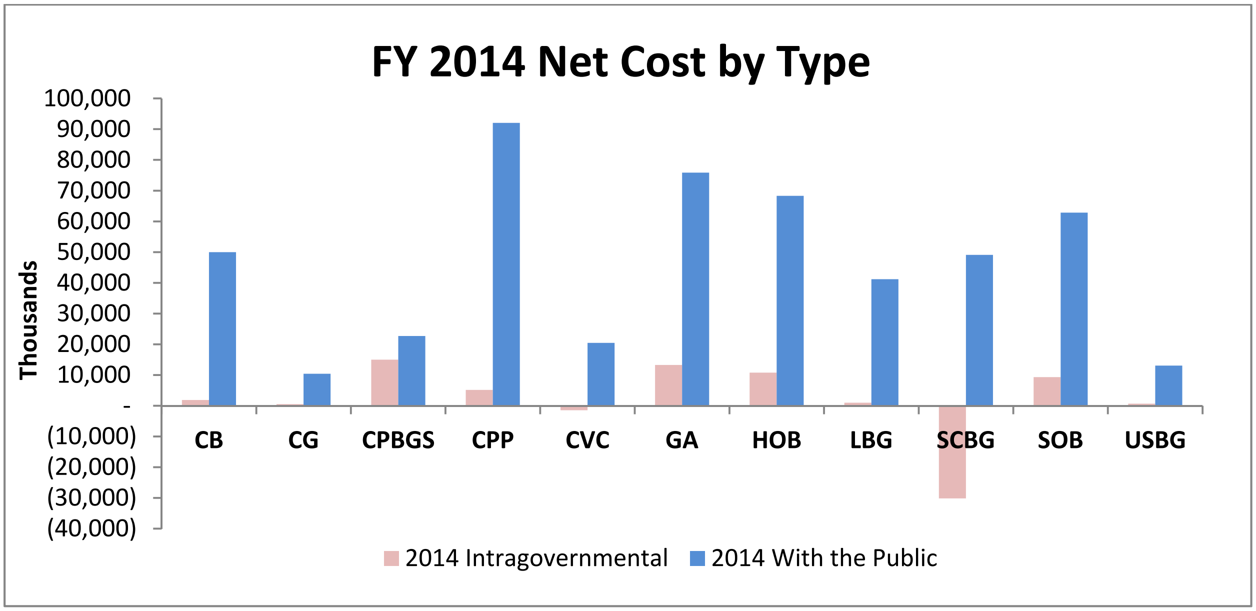
Dollars in thousands

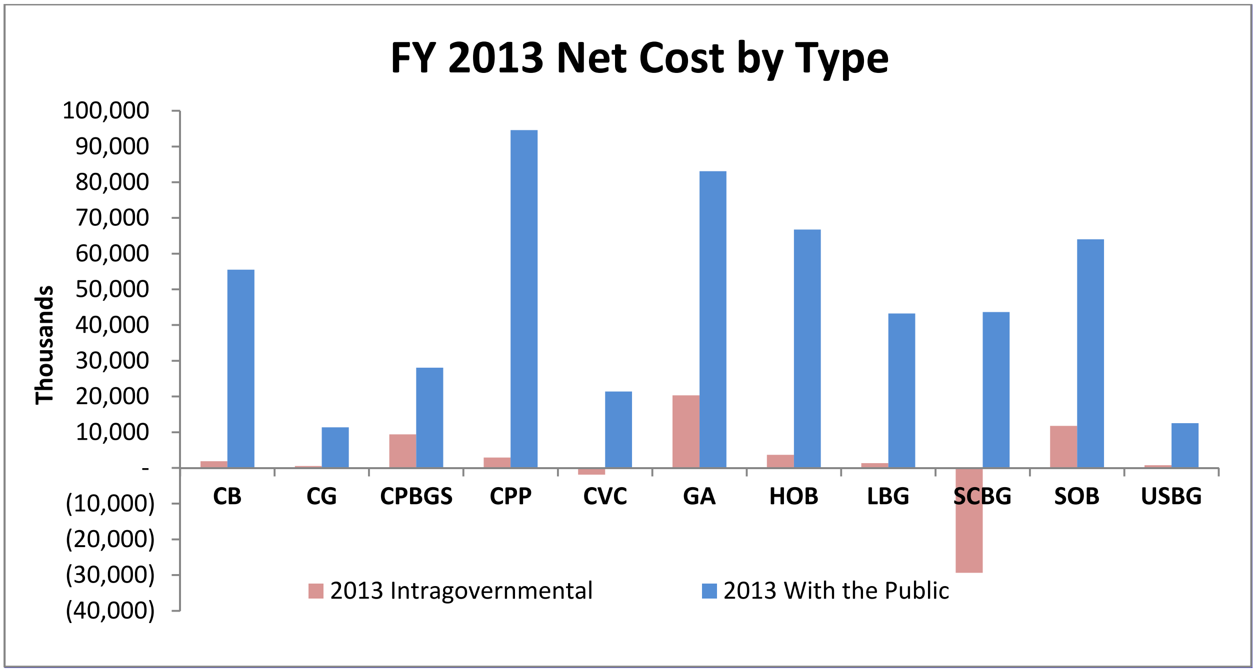
Reconciliation of Net Cost of Operations to Budget	**2014**	**2013**
Resources Used to Finance Activities:		
Budgetary resources obligated		
Obligations Incurred	$ 600,356	$ 553,323
Less: Spending Authority from Offsetting Collections and Recoveries	(92,734)	(63,909)
Obligations Net of Offsetting Collections and Recoveries	507,622	489,414
Net Obligations	507,622	489,414
Other Resources		
Transfers In/(Out) Without Reimbursement	912	2,210
Imputed Financing	33,909	32,284
Net Other Resources used to Finance Activities	34,821	34,494
Total Resources Used to Finance Activities	**542,443**	**523,908**
Resources Used to Finance Items not Part of Net Cost of Operations (NCOO)		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided	19,411	(4,981)
Resources that Fund Expenses Recognized in Prior Periods	4,419	(82,200)
Budgetary Offsetting Collections and Receipts that do not affect NCOO	(9)	10
Resources that Finance the Acquisition of Assets	84,373	79,618
Total Resources Used to Finance Items not Part of NCOO	108,194	(7,553)
Total Resources Used to Finance the Net Cost of Operations	**434,249**	**531,461**
Components of NCOO that will not Require or Generate Resources in the Current Period		
Components Requiring or Generating Resources in Future Periods	(149)	(194)
Other	(20)	(81,214)
Total Components of NCOO that will Require or Generate Resources in Future Periods	(169)	(81,408)
Components not Requiring or Generating Resources		
Depreciation and Amortization	97,572	93,282
Revaluation of Assets or Liabilities	65	43
Other	124	2,099
Total Components of NCOO that will not Require or Generate Resources	97,761	95,424
Total Components of NCOO that will not Require or Generate Resources in the Current Period	**97,592**	**14,016**
Net Cost of Operations	**$ 531,841**	**$ 545,477**

NOTE 19: Net Cost by Type

AOC's net cost of operations for the periods ending September 30, 2014 and 2013 as reported in the Statement of Net Cost (SNC) are $531,841 thousand and $545,477 thousand, respectively.

The charts below separate these costs by Intragovernmental and With the Public to provide additional details on the nature of these costs.





Amounts shown as negative net costs in the charts above imply that earned revenue is greater than the gross costs.

Intragovernmental activities comprise payments to other federal agencies for services provided such as General Service Administration (GSA) for leases, Federal Occupational Health (FOH) for training, and Department of Labor (DOL) for payroll and benefits related expenses. Activites with the public include vendor payments and employees' payroll expenses.

NOTE 20: Reconciliation of SCNP Appropriation to SBR

Amounts reported as Appropriations Received on the Statement of Changes in Net Position (SCNP) are $613,188 thousand and $571,668 thousand for FY 2014 and FY 2013, respectively. These amounts consist of funds congressionally appropriated to the agency within the current fiscal year. On the Statement of Budgetary Resources (SBR) the Appropriations line consists of appropriations received, current year transfers, reduction of borrowing authority and new budget authority totaling $595,958 thousand and $524,765 thousand for FY 2014 and FY 2013 respectively. In 2014, the difference between the two statements is attributed to the $17,230 thousand semiannual payment to the Bank of New York/Mellon. In 2013, the difference was attributed to the $17,230 thousand semiannual bond payment to the Bank of New York/Mellon and rescissions of $29,673 thousand that permanently reduced the budget authority.

NOTE 21: Undelivered Orders at the End of the Period

In accordance with OMB Circular A-136, *Financial Reporting Requirements*, the amount of budgetary resources obligated but not delivered must be disclosed separately. Amounts obligated comprise contracts with vendors for acquisitions of goods and services including contractual support, constructions projects, and CVC inventory purchases. Undelivered orders for the periods ending September 30, 2014 and 2013 are $190,600 thousand and $166,486 thousand, respectively. This is different from the unpaid obligations shown on the SBR which include undelivered orders and delivered orders (unpaid).