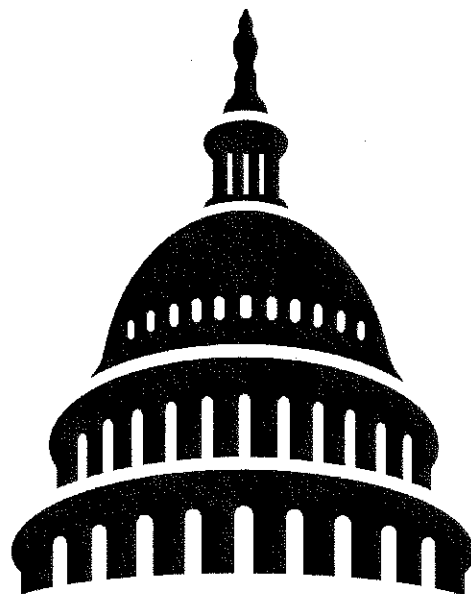


**Architect of the Capitol  
Office of Inspector General**

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**ARCHITECT  
OF THE CAPITOL**

**AUDIT OF FISCAL YEAR 2015 FINANCIAL  
STATEMENTS REPORTS**

**OIG REPORT: A - 2016 - 04**

**ISSUED NOVEMBER 13, 2015**

**ARCHITECT OF THE CAPITOL  
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF  
FISCAL YEAR 2015 FINANCIAL STATEMENTS REPORTS**

**OIG REPORT A - 2016 - 04**

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**ARCHITECT OF THE CAPITOL  
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF  
FISCAL YEAR 2015 FINANCIAL STATEMENTS REPORTS**

**OIG REPORT A - 2016 – 04**

**SECTION I**

**OIG Transmittal Memorandum**



Office of Inspector General  
Fairchild Bldg.  
499 S. Capitol St., SW, Suite 518  
Washington, D.C. 20515  
202.593.1948  
[www.aoc.gov](http://www.aoc.gov)

United States Government  
**MEMORANDUM**

DATE: November 13, 2015  
TO: Stephen T. Ayers, FAIA, LEED AP, Architect of the Capitol  
FROM: Kevin Mulshine, Inspector General  
SUBJECT: Audit of Fiscal Year 2015 Financial Statements Reports, A - 2016 - 04

We contracted with the independent certified public accounting firm of CliftonLarsonAllen LLP (Clifton) to audit the financial statements of the Architect of the Capitol (AOC) as of and for the years ending September 30, 2015 and 2014. The contract required that the audit be conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

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

In connection with the audit, we reviewed Clifton'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. Clifton 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 Clifton 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](mailto:vhaney@aoc.gov).

Copy to:

Christine A. Merdon, P.E., CCM, Chief Operating Officer  
Thomas J. Carroll, Chief Financial Officer  
David W. Ferguson, Chief Administrative Officer  
Shalley Kim, Executive Officer  
John Kelly, Policy Program Officer  
File OIG - A-2016-04

**ARCHITECT OF THE CAPITOL  
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF  
FISCAL YEAR 2015 FINANCIAL STATEMENTS REPORTS**

**OIG REPORT A - 2016 - 04**

**SECTION II**

**Independent Auditor's Report**



CliftonLarsonAllen

CliftonLarsonAllen LLP  
www.cliftonlarsonallen.com

## INDEPENDENT AUDITORS' REPORT

Architect of the Capitol:  
Inspector General  
The Architect of the Capitol

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Architect of the Capitol (AOC), which comprise the balance sheet as of September 30, 2015, and the related statements of net cost, changes in net position, and budgetary resources for the year then ended, and the related notes to the financial statements (collectively referred to as financial statements).

### ***Management's Responsibility for the Financial Statements***

AOC 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 (U.S.) and 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.

### ***Auditors' 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 U.S.; 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. 15-02, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 15-02). Those standards and OMB Bulletin 15-02 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 auditors' 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.

## INDEPENDENT AUDITORS' REPORT (Continued)

### ***Opinion on the Financial Statements***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the AOC as of September 30, 2015, and its net costs, changes in net position, and budgetary resources for the year then ended, in accordance with accounting principles generally accepted in the U.S.

### ***Other Matters***

#### *Prior Year Financial Statements*

AOC's financial statements as of and for the year ended September 30, 2014, were audited by other auditors, whose Independent Auditors' Report dated December 3, 2014, expressed an unmodified opinion on those financial statements.

#### *Required Supplementary Information*

Accounting principles generally accepted in the U.S. issued by the Federal Accounting Standards Advisory Board (FASAB) require that AOC's Management Discussion and Analysis (MD&A) and Required Supplementary Information (RSI) on pages 5 through 56 and 134 through 148, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by FASAB, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and other RSI in accordance with auditing standards generally accepted in the U.S., which 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the MD&A and RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

The Schedule of Spending and other information in Section IV contain a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or RSI. This information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

#### ***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered AOC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AOC's internal control or on management's statement of assurance on internal control included in the MD&A. Accordingly, we do not express an opinion on the effectiveness of AOC's internal control

## INDEPENDENT AUDITORS' REPORT (Continued)

or on management's assertion on internal control included in the MD&A. We did not test all internal controls relevant to AOC.

*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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we did identify a deficiency in internal control described below that we consider to be a material weakness.

### Ineffective Controls over Estimate of Asbestos Cleanup

AOC has identified real properties that are expected to contain asbestos, and collected information on amount, type, location, and expected condition of friable and nonfriable asbestos for purposes of estimating the liability of expected asbestos cleanup costs. However, AOC's internal control structure was not sufficiently designed to ensure that assumptions, methodology, and inputs used in estimating its environmental liability were relevant, sufficient, reliable, and adequately documented. Additionally, the review and approval process over the estimate and assumptions was not robust in ensuring a reasonable cost estimate was calculated and recorded within the financial statements.

Our test disclosed that assumptions, specifically the cost factors per square foot for friable and nonfriable asbestos containing material (ACM), were not adequately reviewed, approved, and substantiated. Moreover, documentation supporting the cost factors used by AOC was not readily available during the audit. As a result, the environmental liability estimate in the financial statement was initially overstated by \$22 million. AOC made an adjustment to correct the overstatement at September 30, 2015.

FASAB Technical Release No. 10 (TR10), paragraph 12, outlines several methodologies to estimate the cleanup cost; property-specific based on survey data (most accurate), extrapolation of historical cost or cost estimates for asbestos cleanup of similar properties, a cost model used for similar properties and information from industry-specific cost estimation publications or standardized cost factors developed for each state, or other reasonable methodologies.

Further, Appendix A6 of TR10 discusses several factors to consider when developing a reasonable cost estimate including; accumulating sufficient, reliable data on which to base the accounting estimate, using qualified personnel to prepare such estimate, performing adequate reviews of relevant factors, development of assumptions, consistency of assumption with supporting,



## INDEPENDENT AUDITORS' REPORT (Continued)

historical, and industry data, and performing comparisons or prior estimates with subsequent results.

We recommend AOC: Implement a formal process to review and approve the estimate and key assumptions by appropriate levels of authority to include:

- a. Review the development and the reasonableness of assumptions
- b. Evaluate the assumptions' consistency with the supporting data (including the general ledger), relevant historical data, and industry data
- c. Compare prior accounting estimates with subsequent results to assess the reliability of the process used to develop estimates

### Management's Response to Finding

Management verbally concurred with our finding and recommendations and did not provide a written response.

### ***Report on 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 and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards* or OMB Bulletin No. 15-02.

### ***Management's Responsibility for Internal Control and Compliance***

Management is responsible for (1) evaluating the effectiveness of internal control over financial reporting, (2) providing a statement of assurance on the overall effectiveness on internal control over financial reporting, and (3) complying with other applicable laws, regulations, contracts, and grant agreements.

### ***Auditors' Responsibilities***

We are responsible for: (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit and (2) testing compliance with certain provisions of laws, regulations, contracts, and grant agreements applicable to AOC noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

We limited our internal control testing to testing controls over financial reporting. 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 audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

## INDEPENDENT AUDITORS' REPORT (Continued)

We did not test compliance with all laws, regulations, contracts and grant agreements applicable to AOC. We limited our tests of compliance to certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct and material effect on the determination of financial statements 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 caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

### ***Status of Prior Year's Control Deficiencies***

We have reviewed the status of AOC's corrective actions with respect to the findings included in the prior year's Independent Auditors' Report, dated December 3, 2014 (date of prior report). The status of prior year findings is presented in Exhibit A.

### ***Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance***

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of AOC's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AOC's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Calverton, MD  
November 13, 2015

**EXHIBIT A**  
**Status of Prior Year Recommendations**

Our assessment of the current status of the recommendations related to findings identified in the prior year audit is presented below:

| <b><i>FY 2014 Recommendation</i></b>  | <b><i>Type</i></b>     | <b><i>Fiscal Year 2015 Status</i></b> |
|---|------------------------|---------------------------------------|
| 1. AOC review its lease classifications and develop processes to strengthen internal control to ensure that lease transactions are properly classified and reported in conformity with GAAP.  | Significant Deficiency | Closed                                |
| 2. 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. | Significant Deficiency | Closed                                |
| 3. 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.  | Significant Deficiency | Closed                                |

**ARCHITECT OF THE CAPITOL  
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF  
FISCAL YEAR 2015 FINANCIAL STATEMENTS REPORTS**

**OIG REPORT A - 2016 - 04**

**SECTION III**

**Architect of the Capitol Comments**



**Architect of the Capitol**

U.S. Capitol, Room SB-16  
Washington, DC 20515  
202.228.1793

[www.aoc.gov](http://www.aoc.gov)

November 13, 2015

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

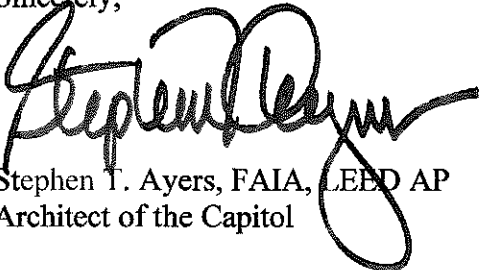
Dear Mr. Mulshine:

Thank you for the opportunity to comment on the Independent Auditors' Report and the Independent Auditors' Report on Internal Control over Financial Reporting and Compliance for the Fiscal Years ending September 30, 2015 and 2014. The Architect of the Capitol (AOC) works diligently to establish strong financial management practices to address our compliance requirements, manage our financial processes and systems, and meet our day-to-day financial 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. A key part of our accountability is the discipline of the annual independent audit process.

We are pleased that the result of this year's audit is an unmodified or "clean" independent audit opinion—marking the eleventh consecutive year that the AOC has received a clean opinion. We note that a material weakness was identified in this year's annual independent audit for *Ineffective Controls over Estimate of Asbestos-Related Cleanup*. Management concurs with this finding and understands the critical nature of this issue. We are in the process of developing corrective action plans to remedy this material weakness.

Looking ahead, 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 our stakeholders on the continuous improvement of the AOC's financial management activities. I would like to thank the Office of Inspector General and our auditors, CliftonLarsonAllen LLP, for your cooperation and professional approach.

Sincerely,



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

**ARCHITECT OF THE CAPITOL  
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF  
FISCAL YEAR 2015 FINANCIAL STATEMENTS REPORTS**

**OIG REPORT A - 2016 - 04**

**SECTION IV**

**Management Representation Letter**



**Architect of the Capitol**  
U.S. Capitol, Room SB-16  
Washington, DC 20515  
202.228.1793  
[www.aoc.gov](http://www.aoc.gov)

November 13, 2015

CliftonLarsonAllen LLP  
11710 Beltsville Drive, Suite 300  
Calverton, MD 20705

Dear CliftonLarsonAllen LLP:

This representation letter is provided in connection with your audit of the financial statements of the Architect of the Capitol (AOC), which comprise the balance sheet as of September 30, 2015, and the related statement of net cost, the statement of changes in net position, and the statement of budgetary resources for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters less than \$315 thousand, collectively, are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

We confirm, to the best of our knowledge and belief, as of November 13, 2015, the following representations made to you during your audit of the financial statements as of and for the year ended September 30, 2015, and the following representations as they apply to the financial statements as of and for the year ended September 30, 2014, which were audited by other auditors.

**Financial Statements' Presentation and Disclosure**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 28, 2015, for the preparation and fair presentation of the financial statements which include all reportable U.S. Department of the Treasury (Treasury) fund symbols, accounts and other financial information of AOC in accordance with U.S. GAAP.
2. We have also fulfilled our responsibilities for preparing, measuring, and fairly presenting the Required Supplementary Information (RSI), including the information in the Management Discussion and Analysis (MD&A), and Required Supplementary Stewardship Information

(RSSI), and Other Information (OI) consistently and in accordance with the applicable criteria and/or prescribed guidelines established by the Federal Accounting Standards Advisory Board.

3. The RSI and RSSI, including its form and content, are consistent with the financial statements in accordance with the applicable criteria and prescribed guidelines.
4. The OI, including its form and content, is not materially inconsistent with the financial statements in accordance with the applicable criteria and prescribed guidelines and contains no material misstatement of fact.
5. There are no changes in accounting principles, or the methods of measurement or presentation of the RSI, RSSI or OI from the prior period that have not been disclosed to you, including the reasons for such changes.
6. There are no significant assumptions or interpretations underlying the measurement or presentation of the RSI, RSSI or OI that have not been disclosed.
7. All transactions have been recorded in the accounting records and are reflected in the financial statements or disclosed in the notes to the financial statements.
8. Assumptions used in making significant estimates are reasonable and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.
9. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates and the significant assumptions used in making those accounting estimates are reasonable. Those estimates reflect our best judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of actions we expect to take.
10. Treasury investments and borrowings are reported in accordance with policies established by the Treasury and are valued in accordance with U.S. GAAP.
11. Receivables from the public recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
12. Intragovernmental receivables and liabilities represent valid amounts due to or from other Federal agencies. Material balances have been confirmed and materially agree with the information provided by those agencies.
13. Capital assets, including real and personal property, are properly capitalized, reported, and, if applicable, depreciated.



14. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded and disclosed in the financial statements.
15. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value.
16. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefits (OPEB) liabilities and costs for financial accounting purposes are appropriate in the circumstances.
17. Provision has been made for any material loss that is probable from environmental remediation liabilities. We believe that this estimate is reasonable based on available information and that the liabilities and related loss contingencies and the expected outcome of uncertainties have been adequately described in AOC's financial statements.
18. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
19. Expenses have been appropriately classified in or allocated to functions and programs in the statement of net cost, and allocations have been made on a reasonable basis.
20. Revenues are appropriately classified in the statement of net cost.
21. We are not aware of events subsequent to the date of the financial statements that would materially impact the accounting for estimates, or factors and assumptions used in developing those estimates.
22. No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
23. There are no uncorrected financial statement misstatements as we have adjusted the financial statements for all known and likely misstatements you have informed us of.
24. AOC has satisfactory title to all owned assets, including stewardship property, plant, and equipment. There are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
25. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position or that we are required to disclose in the financial statements.
26. There are no guarantees under which AOC is contingently liable that require reporting or disclosure in the financial statements.

27. All recorded budgetary resources have been properly appropriated through public law and apportioned by the Office of Management and Budget (OMB) for use by AOC as appropriate.
28. All recorded undelivered order balances are based on properly authorized, recorded, and valid contracts for which goods and services have not been received at the reporting date.
29. The financial statements properly classify all funds and activities, including net position components.
30. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP.

#### **Audit Information**

31. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to and the full cooperation of personnel within the AOC from whom you determined it necessary to obtain audit evidence.
  - Communications from OMB, the U.S. Government Accountability Office (GAO), congressional oversight committees, the U.S. Treasury and/or other regulatory agencies or government entities concerning noncompliance with financial related laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements, RSI and RSSI.
  - All significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements.
32. Related party (including trading partner) relationships and transactions, as defined by Statement of Federal Financial Accounting Concepts No. 2, *Entity and Display*, issued by the Federal Accounting Standards Advisory Board, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, guarantees, and amounts receivable from or payable to other federal entities, have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. AOC is subject to financial decisions and management controls of OMB, Treasury and other Federal Government entities. Therefore, borrowings and the related interest owed to Treasury are reported in the financial statements in accordance with the Treasury Financial Manual.
33. We have disclosed to you the identity of AOC's related parties and all related party relationships, trading partner activity and transactions of which we are aware.

### **Intragovernmental Activities**

34. All intra-entity transactions and balances have been appropriately identified and eliminated for financial reporting purposes. All intragovernmental transactions and activities have been appropriately identified, recorded, and disclosed in the financial statements. We have reconciled material intragovernmental transactions and balances with the Federal entity providing the goods or services.

### **Internal Control**

35. We acknowledge and have fulfilled our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

36. In accordance with *Government Auditing Standards*, we have identified to you all previous audits, attestation engagements and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.

37. All significant deficiencies and material weaknesses identified in prior audits and communicated to us have been resolved.

38. There have been no changes to internal control over financial reporting subsequent to September 30, 2015, or other factors that might significantly affect the effectiveness of internal control over financial reporting.

39. We believe our management control program is adequately designed to reasonably assess the effectiveness of internal controls over financial reporting.

40. We have a process to track the status of audit findings and recommendations.

41. There have been no changes to internal controls subsequent to the date of the financial statements, or other factors that would significantly affect the effectiveness of internal controls.

42. The information provided to you in our corrective action plans is complete and accurate.

43. We have provided our views on reported findings, conclusions and recommendations, as well as our planned corrective actions, for the report.

### **Fraud**

44. We acknowledge our responsibility for preventing and detecting fraud, including the design, implementation, and maintenance of programs and controls to prevent and detect fraud; and for adopting sound accounting policies. We understand the term “fraud” includes intentional misstatements or omission of amounts or disclosures in the financial statements and misappropriation of assets that could have a material effect on the financial statements.

45. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

46. We have no knowledge of any fraud or suspected fraud that affects AOC and involves:
- Management.
  - Employees who have significant roles in internal control over financial reporting.
  - Others when the fraud could have a material effect on the financial statements.
47. We have no knowledge of any allegations of fraud, or suspected fraud, affecting AOC's financial statements communicated by employees, former employees, analysts, regulators, or others.
48. We have no knowledge of any officer of AOC, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.
49. We have identified and disclosed to you all provisions of laws, regulations and contracts applicable to AOC noncompliance with which could have a direct and material effect on the determination of financial statement amounts.
50. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts, or abuse whose effects should be considered when preparing the financial statements.
51. We have disclosed to you all known actual or possible litigation, claims and assessments whose effects should be considered when preparing the financial statements.

#### **Laws and Regulations**

52. We are responsible for understanding and compliance with the applicable provisions of laws, regulations and provisions of contracts and grant agreements, including those that affect the financial statements.
53. We have identified and disclosed to you all laws, regulations, contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
54. There are no:
- Violations or possible violations of laws or regulations whose effects we should evaluate for disclosure in the financial statements or as a basis for recording a loss contingency.
  - Material liabilities or gain or loss contingencies that are required to be accrued or disclosed that have not been accrued or disclosed.

- Unasserted claims or assessments that are probable of assertion and must be disclosed that have not been disclosed.
55. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
  56. There are no circumstances that have resulted in communications from AOC's general counsel reporting evidence of material violations or possible violations of laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts, fiduciary duty or budgetary limits, by AOC, or any agent thereof, whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
  57. There have been no communications from regulatory/oversight agencies (such as OMB, GAO, etc.) other government entities or agencies, governmental representatives, employees or others concerning investigations or allegations of noncompliance with laws or regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements, RSI, and RSSI.
  58. We have complied with all aspects of laws and regulations that would have a material effect on the financial statements in the event of noncompliance.
  59. We have followed all applicable laws and regulations in adopting, implementing and amending budgets.
  60. We are not aware of any violations of the Antideficiency Act that are required to be reported to the Congress and the President, with a copy of the report to the Comptroller General, for the year ended September 30, 2015 and through the date of this letter.

#### **Budgetary and Restricted Funds**


61. The information presented in the Statement of Budgetary Resources is supported by our financial records and reconciles to the information submitted in the year end Governmentwide Treasury Account Symbol Adjusted Trial Balance System. We are not aware of any adjustments that should be made prior to input into the actual column of the Program and Financing Schedules reported in the Budget of the U. S. Government.
62. We have disclosed in the financial statements all material dedicated collections as defined by the FASAB SFFAS No. 43 and all material restricted funds.

#### **Service Organizations**

63. Service organizations that we use have not reported to us, nor are we otherwise aware of, any (1) fraud; (2) noncompliance with applicable laws, regulations, contracts, or grant agreements; or (3) uncorrected misstatements affecting the financial statements that are attributable to such service organizations.
64. Service organizations that we use have not reported to us, nor are we otherwise aware of, any changes in the design, implementation, or operating effectiveness of internal controls at the

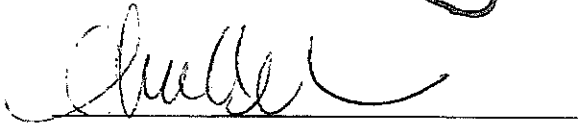
service organizations [or subservice organizations, if any] subsequent to the effective dates of the service and subservice organizations report(s) provided to you that could (1) affect the risks of material misstatement of the financial statements or (2) result in material misstatements of the financial statements arising from processing errors that would not be prevented, or detected and corrected, on a timely basis.

Sincerely,



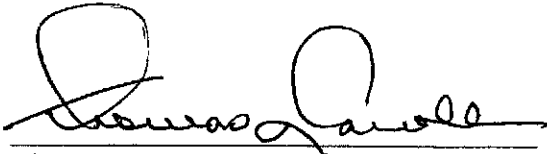
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Stephen T. Ayers, FAIA, LEED AP  
Architect of the Capitol



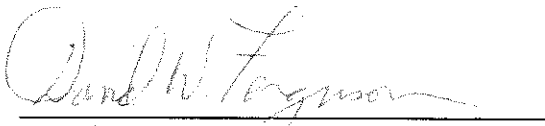
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Christine A. Merdon, P.E., CCM  
Chief Operating Officer



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Thomas J. Carroll III  
Chief Financial Officer



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David W. Ferguson  
Chief Administrative Officer

Doc. No. 151027-04-01

**ARCHITECT OF THE CAPITOL  
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF  
FISCAL YEAR 2015 FINANCIAL STATEMENTS REPORTS**

**OIG REPORT A - 2016 - 04**

**SECTION V**

**AOC Fiscal Year 2015 Financial Statements**



## **Architect of the Capitol**

### **Fiscal Year 2015 Financial Statements**

**For the Periods Ending September 30, 2015 and 2014**

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

November 13, 2015





## **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, 2015 and 2014**

| Dollars in Thousands                                | 2015                | 2014                |
|---|---------------------|---------------------|
| <b>Assets:</b>                                      |                     |                     |
| <b>Intragovernmental:</b>                           |                     |                     |
| Fund Balance with Treasury (Note 3)                 | \$ 792,185          | \$ 751,158          |
| Investments (Note 5)                                | 15,631              | 10,012              |
| Accounts receivable (Note 6)                        | 2,090               | 1,185               |
| <b>Total intragovernmental</b>                      | <b>809,906</b>      | <b>762,355</b>      |
| Cash and other monetary assets (Note 4)             | 55                  | 16                  |
| Investments (Note 5)                                | 21,266              | 26,697              |
| Accounts receivable, net (Note 6)                   | 617                 | 525                 |
| Inventory & related property, net (Note 7)          | 668                 | 483                 |
| General property, plant and equipment, net (Note 8) | 1,865,078           | 1,821,230           |
| Other (Note 10)                                     | 631                 | 923                 |
| <b>Total assets</b>                                 | <b>\$ 2,698,221</b> | <b>\$ 2,612,229</b> |
| <b>Stewardship PP&amp;E (Note 9)</b>                |                     |                     |
| <b>Liabilities:</b>                                 |                     |                     |
| <b>Intragovernmental:</b>                           |                     |                     |
| Accounts payable                                    | \$ 153              | \$ 112              |
| Unfunded FECA (Note 12)                             | 9,443               | 9,936               |
| Other liabilities (Note 16)                         | 49                  | 16,952              |
| <b>Total intragovernmental</b>                      | <b>9,645</b>        | <b>27,000</b>       |
| Accounts payable                                    | 3,037               | 3,126               |
| Debt held by the public (Note 13)                   | 106,666             | 114,213             |
| Actuarial FECA (Note 12)                            | 54,844              | 57,428              |
| Contingent and Environmental liabilities (Note 14)  | 62,890              | 85,056              |
| Accrued Annual Leave and Other (Note 12)            | 18,788              | 17,082              |
| Capital Lease Liability (Note 15)                   | 6,725               | 7,240               |
| Contract Holdbacks                                  | 10,680              | 5,605               |
| Other Liabilities (Note 16)                         | 35,607              | 25,336              |
| Advances from Others                                | 19,962              | 9,795               |
| <b>Total liabilities (Note 11)</b>                  | <b>\$ 328,844</b>   | <b>\$ 351,881</b>   |
| <b>Net position:</b>                                |                     |                     |
| Unexpended appropriations                           | \$ 647,915          | \$ 652,858          |
| Cumulative results of operations                    | 1,721,462           | 1,607,490           |
| <b>Total Net Position</b>                           | <b>\$ 2,369,377</b> | <b>\$ 2,260,348</b> |
| <b>Total liabilities and net position</b>           | <b>\$ 2,698,221</b> | <b>\$ 2,612,229</b> |

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, 2015 and 2014

| Dollars in Thousands  | 2015              | 2014              |
|---|-------------------|-------------------|
| <b>Program costs:</b>                                       |                   |                   |
| <b>AOC Capitol Building:</b>                                |                   |                   |
| Gross costs   | \$ 50,313         | \$ 51,848         |
| Less: earned revenue  | -                 | -                 |
| Net program costs:  | <u>50,313</u>     | <u>51,848</u>     |
| <b>AOC Capitol Grounds:</b>                                 |                   |                   |
| Gross costs   | 13,276            | 10,942            |
| Less: earned revenue  | -                 | -                 |
| Net program costs:  | <u>13,276</u>     | <u>10,942</u>     |
| <b>AOC Capitol Police Buildings, Grounds, and Security:</b> |                   |                   |
| Gross costs   | 34,875            | 38,218            |
| Less: earned revenue  | (151)             | (541)             |
| Net program costs:  | <u>34,724</u>     | <u>37,677</u>     |
| <b>AOC General Administration:</b>                          |                   |                   |
| Gross costs   | 94,518            | 89,247            |
| Less: earned revenue  | (100)             | (102)             |
| Net program costs:  | <u>94,418</u>     | <u>89,145</u>     |
| <b>AOC House Office Buildings:</b>                          |                   |                   |
| Gross costs   | 85,450            | 79,133            |
| Less: earned revenue  | (318)             | (68)              |
| Net program costs:  | <u>85,132</u>     | <u>79,065</u>     |
| <b>AOC Library Buildings and Grounds:</b>                   |                   |                   |
| Gross costs   | 33,949            | 42,130            |
| Less: earned revenue  | -                 | -                 |
| Net program costs:  | <u>33,949</u>     | <u>42,130</u>     |
| <b>AOC Senate Office Buildings:</b>                         |                   |                   |
| Gross costs   | 77,789            | 72,605            |
| Less: earned revenue  | (683)             | (494)             |
| Net program costs:  | <u>77,106</u>     | <u>72,111</u>     |
| <b>AOC Utilities and Capitol Power Plant:</b>               |                   |                   |
| Gross costs   | 99,356            | 106,181           |
| Less: earned revenue  | (8,916)           | (8,956)           |
| Net program costs:  | <u>90,440</u>     | <u>97,225</u>     |
| <b>U.S. Botanic Garden:</b>                                 |                   |                   |
| Gross costs   | 12,964            | 13,735            |
| Less: earned revenue  | -                 | -                 |
| Net program costs:  | <u>12,964</u>     | <u>13,735</u>     |
| <b>U.S. Capitol Visitor Center:</b>                         |                   |                   |
| Gross costs   | 24,936            | 23,336            |
| Less: earned revenue  | (4,388)           | (4,331)           |
| Net program costs:  | <u>20,548</u>     | <u>19,005</u>     |
| <b>U.S. Supreme Court Buildings and Grounds:</b>            |                   |                   |
| Gross costs   | 43,537            | 52,097            |
| Less: earned revenue  | (41,559)          | (33,139)          |
| Net program costs:  | <u>1,978</u>      | <u>18,958</u>     |
| Net cost of operations (Note 18)                            | <u>\$ 514,848</u> | <u>\$ 531,841</u> |

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, 2015 and 2014**

| Dollars in Thousands                                      | 2015                | 2014                |
|---|---------------------|---------------------|
| <b>Cumulative Results Of Operations:</b>                  |                     |                     |
| Beginning Balances  | \$ 1,607,490        | \$ 1,614,574        |
| <b>Budgetary Financing Sources:</b>                       |                     |                     |
| Appropriations used                                       | 603,395             | 489,931             |
| Non-exchange revenue                                      | 16                  | 5                   |
| <b>Other Financing Sources (Non-Exchange):</b>            |                     |                     |
| Transfers in/(out) without reimbursement                  | 91                  | 912                 |
| Imputed financing from costs absorbed by others (Note 17) | 25,318              | 33,909              |
| <b>Total Financing Sources</b>                            | <u>628,820</u>      | <u>524,757</u>      |
| Net Cost of Operations                                    | (514,848)           | (531,841)           |
| Net Change  | <u>113,972</u>      | <u>(7,084)</u>      |
| <b>Cumulative Results Of Operations</b>                   | <u>\$ 1,721,462</u> | <u>\$ 1,607,490</u> |

**Unexpended Appropriations:**

|  |                     |                     |
|--|---------------------|---------------------|
| Beginning Balance                        | \$ 652,858          | \$ 540,149          |
| <b>Budgetary Financing Sources:</b>      |                     |                     |
| Appropriations received (Note 21)        | 611,901             | 613,188             |
| Appropriations transferred in/(out)      | -                   | -                   |
| Other adjustments                        | (13,449)            | (10,548)            |
| Appropriations used                      | (603,395)           | (489,931)           |
| <b>Total Budgetary Financing Sources</b> | <u>(4,943)</u>      | <u>112,709</u>      |
| <b>Total Unexpended Appropriations</b>   | <u>\$ 647,915</u>   | <u>\$ 652,858</u>   |
| <b>Net Position</b>                      | <u>\$ 2,369,377</u> | <u>\$ 2,260,348</u> |

The accompanying footnotes are an integral part of these financial statements

**Architect of the Capitol**  
**STATEMENT OF BUDGETARY RESOURCES**  
For the Periods Ending September 30, 2015 and 2014

| Dollars in Thousands                                      | 2015                | 2014                |
|---|---------------------|---------------------|
| <b>Budgetary resources</b>                                |                     |                     |
| Unobligated balance brought forward, Oct 1                | \$ 515,921          | \$ 427,832          |
| Recoveries of prior year unpaid obligations               | 16,933              | 31,161              |
| Other changes in unobligated balances                     | (13,449)            | (10,548)            |
| Unobligated balance from prior year budget authority, net | 519,405             | 448,445             |
| Appropriations (Note 21)                                  | 594,671             | 595,958             |
| Borrowing authority (Note 13)                             | -                   | 10,301              |
| Spending authority from offsetting collections            | 88,240              | 61,573              |
| <b>Total budgetary resources</b>                          | <b>\$ 1,202,316</b> | <b>\$ 1,116,277</b> |
| <b>Status of budgetary resources</b>                      |                     |                     |
| Obligations Incurred                                      | \$ 674,087          | \$ 600,356          |
| Unobligated balance, end of year:                         |                     |                     |
| Exempt from apportionment                                 | 508,685             | 490,143             |
| Unapportioned (Note 3)                                    | 19,544              | 25,778              |
| <b>Total unobligated balance, end of year</b>             | <b>528,229</b>      | <b>515,921</b>      |
| <b>Total budgetary resources</b>                          | <b>\$ 1,202,316</b> | <b>\$ 1,116,277</b> |
| <b>Change in obligated balance</b>                        |                     |                     |
| Unpaid obligations:                                       |                     |                     |
| Unpaid obligations, brought forward, Oct 1                | \$ 246,744          | \$ 212,045          |
| Adjustment to unpaid obligations, start of year           |                     |                     |
| Obligations Incurred                                      | 674,087             | 600,356             |
| Outlays (gross)   | (621,806)           | (534,496)           |
| Recoveries of prior year unpaid obligations               | (16,933)            | (31,161)            |
| Unpaid Obligations, end of year                           | 282,092             | 246,744             |
| Uncollected payments:                                     |                     |                     |
| Uncollected payments, Fed sources, brought forward, Oct 1 | (1,483)             | (1,721)             |
| Change in uncollected payments, Fed sources               | (932)               | 238                 |
| Uncollected payments, Fed sources, end of year            | (2,415)             | (1,483)             |
| Memorandum (non-add) entries:                             |                     |                     |
| Obligated balance, start of year                          | \$ 245,260          | \$ 210,324          |
| Obligated balance, end of year (Note 3)                   | \$ 279,677          | \$ 245,261          |
| <b>Budget authority and outlays, net</b>                  |                     |                     |
| Budgetary authority, gross                                | \$ 682,911          | \$ 667,832          |
| Actual offsetting collections                             | (77,626)            | (61,812)            |
| Change in uncollected payments, Fed sources               | (932)               | 238                 |
| <b>Budget authority, net (total)</b>                      | <b>604,353</b>      | <b>606,258</b>      |
| Outlays, gross  | 621,806             | 534,496             |
| Actual offsetting collections                             | (77,626)            | (61,812)            |
| Outlays, net (total)                                      | 544,180             | 472,684             |
| Agency outlays, net                                       | \$ 544,180          | \$ 472,684          |

The accompanying footnotes are an integral part of these financial statements

**ARCHITECT OF THE CAPITOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Periods Ending September 30, 2015 and 2014

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**ARCHITECT OF THE CAPITOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Periods Ending September 30, 2015 and 2014

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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

**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. AOC has adopted GAAP for financial reporting in a manner consistent with other federal agencies.

**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 4 and 5*, respectively.

**ARCHITECT OF THE CAPITOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Periods Ending September 30, 2015 and 2014**

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**D. Accounts Receivable**

Accounts Receivable (see Note 6) includes reimbursement for supplying certain AOC and non-AOC entities on Capitol Hill with steam and chilled water to heat and cool their facilities. 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 include, but are not limited to, food service commissions from operations at the CVC restaurant, flag-flying fees, 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 would be reduced to net realizable value by the Allowance for Doubtful Accounts. 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.



**ARCHITECT OF THE CAPITOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Periods Ending September 30, 2015 and 2014**

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**F. Trust and Revolving Funds**

**Trust Funds**

In Fiscal Year 2015, AOC has stewardship responsibility for one trust fund account, the National Garden Trust Fund, and one special fund account, the Capitol Trust Account.

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 Account 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 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.

**ARCHITECT OF THE CAPITOL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Periods Ending September 30, 2015 and 2014**

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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
  - o Capitol Grounds
  - o West Central Front (inactive)
  - o Union Square (Capitol Trust Account)
3. AOC Capitol Police Buildings, Grounds, and Security
4. AOC General Administration
  - o General Administration
  - o American Disabilities Act (inactive)
  - o Congressional Cemetery (inactive)
5. AOC House Office Buildings
  - o House Office Buildings
  - o House (of Representatives) Gymnasium
  - o House Historic Buildings Revitalization Trust Fund
  - o House Recyclable Materials
6. AOC Library Buildings and Grounds
7. AOC Senate Office Buildings
  - o Senate Office Buildings
  - o Senate Health and Fitness Facility
  - o Senate Restaurant Revolving Fund

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- 8. AOC Utilities and Capitol Power Plant
- 9. U.S. Botanic Garden
  - o Botanic Garden
  - o National Garden (inactive)
- 10. U.S. Capitol Visitor Center
- 11. U.S. Supreme Court Buildings and Grounds
  - o Supreme Court
  - o 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 may be 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 7*).

**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 (real and personal) is in AOC's possession and there is nothing held by others (*see Note 8*).

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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 9).

**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
- Accrued Annual Leave
- Capital Lease Liability
- Contract Holdbacks
- Advances from Others, and
- Other 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

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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 12*).

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 17*).

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 (*see Note 12*).

**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 14*).

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 14*).

**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.

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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: Entity and Non-Entity Assets**

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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.

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AOC's assets as of September 30, 2015 and 2014 were as follows: (dollars in thousands)

| Descriptions  | 2015               |              |                     | 2014               |              |                     |
|---|--------------------|--------------|---------------------|--------------------|--------------|---------------------|
|   | Entity             | Non-Entity   | Total               | Entity             | Non-Entity   | Total               |
| <b>Intragovernmental:</b>                           |                    |              |                     |                    |              |                     |
| Fund Balance with Treasury (Note 3)                 | \$ 792,185         | \$ -         | \$ 792,185          | \$ 751,158         | \$ -         | \$ 751,158          |
| Investments (Note 5)                                | 15,631             | -            | 15,631              | 10,012             | -            | 10,012              |
| Accounts receivable (Note 6)                        | 2,057              | 33           | 2,090               | 1,148              | 37           | 1,185               |
| <b>Total Intragovernmental</b>                      | <b>\$ 809,873</b>  | <b>\$ 33</b> | <b>\$ 809,906</b>   | <b>\$ 762,318</b>  | <b>\$ 37</b> | <b>\$ 762,355</b>   |
| Cash and other monetary assets (Note 4)             | 55                 | -            | 55                  | 16                 | -            | 16                  |
| Investments (Note 5)                                | 21,266             | -            | 21,266              | 26,697             | -            | 26,697              |
| Accounts receivable, net (Note 6)                   | 606                | 11           | 617                 | 522                | 3            | 525                 |
| Inventory & related property, net (Note 7)          | 668                | -            | 668                 | 483                | -            | 483                 |
| General property, plant and equipment, net (Note 8) | 1,865,078          | -            | 1,865,078           | 1,821,230          | -            | 1,821,230           |
| Other (Note 10)                                     | 631                | -            | 631                 | 923                | -            | 923                 |
| <b>Total assets</b>                                 | <b>\$2,698,177</b> | <b>\$ 44</b> | <b>\$ 2,698,221</b> | <b>\$2,612,189</b> | <b>\$ 40</b> | <b>\$ 2,612,229</b> |

**NOTE 3: Fund Balance with Treasury**

Funds with Treasury primarily consist of appropriated funds. As of September 30, 2015, AOC also has stewardship responsibility for six revolving funds and administrative responsibility for one trust fund and one special fund.

**A. Fund Balances**

The balance of these funds as of September 30, 2015 and 2014 is as follows:

| Dollars in thousands      |                   |                   |
|---------------------------|-------------------|-------------------|
| Fund Type                 | 2015              | 2014              |
| Appropriated Funds        | \$ 752,697        | \$ 722,721        |
| Trust and Revolving Funds | 39,488            | 28,437            |
| <b>Total</b>              | <b>\$ 792,185</b> | <b>\$ 751,158</b> |

**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.

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The status of FBWT as of September 30, 2015 and 2014 is as follows:

| Dollars in thousands                |                   |                   |
|-------------------------------------|-------------------|-------------------|
| Balance Type                        | 2015              | 2014              |
| <b>Unobligated Balance</b>          |                   |                   |
| Available                           | \$ 492,970        | \$ 480,118        |
| Unavailable                         | 19,544            | 25,778            |
| Obligated Balance not yet Disbursed | 279,678           | 245,261           |
| Non Budgetary FBWT                  | (7)               | 1                 |
| <b>Total</b>                        | <b>\$ 792,185</b> | <b>\$ 751,158</b> |

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 4: 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, 2015 and 2014 are as follows:

| Dollars in thousands           |              |              |
|--------------------------------|--------------|--------------|
| Cash and Other Monetary Assets | 2015         | 2014         |
| Undeposited Collections        | \$ 41        | \$ 2         |
| Cash Imprest Funds             | 14           | 14           |
| <b>Total</b>                   | <b>\$ 55</b> | <b>\$ 16</b> |



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**NOTE 5: Investments**

Investments with the Public decreased from FY2014 to FY2015. This was due to a \$5 million transfer out of the investment account during Q1 FY 2015 for capital improvements on the TMFJB. This transfer is pursuant to the terms of the trust agreement. Investments at September 30, 2015 and 2014 are summarized below.

**At September 30, 2015**

Dollars in thousands

| Investments   | Shares/Par       | Amortized Prem<br>./((Net of Disc.) | Investments,<br>Net | Market<br>Value  |
|---|------------------|-------------------------------------|---------------------|------------------|
| <b>Intragovernmental,</b>   |                  |                                     |                     |                  |
| <b>Nonmarketable:</b>   |                  |                                     |                     |                  |
| Capitol Visitor Center Revolving Fund   |                  |                                     |                     |                  |
| One Day Certificate,<br>0.02% Daily Yield<br>Maturing 10/01/2015  | \$ 2,500         | \$ -                                | \$ 2,500            | \$ 2,500         |
| Six Month Certificate<br>0.1% Annual Yield<br>Maturing 12/10/2015   | 6,315            | -                                   | 6,315               | 6,315            |
| One Year Certificate,<br>0.19% Annual Yield<br>Maturing 12/10/2015  | 6,818            | (2)                                 | 6,816               | 6,818            |
| <b>Total Intragovernmental</b>  | <b>\$ 15,633</b> | <b>\$ (2)</b>                       | <b>\$ 15,631</b>    | <b>\$ 15,633</b> |
| <b>With the Public:</b>   |                  |                                     |                     |                  |
| The Bank of New York Mellon<br>Operating Reserve Fund<br>Serial Zero Coupon Certificates<br>Maturing 08/15/2024 |                  |                                     |                     |                  |
|   | 21,266           | -                                   | 21,266              | 21,266           |
| <b>Total With the Public</b>  | <b>\$ 21,266</b> | <b>\$ -</b>                         | <b>\$ 21,266</b>    | <b>\$ 21,266</b> |
| <b>Total Investments</b>  | <b>\$ 36,899</b> | <b>\$ (2)</b>                       | <b>\$ 36,897</b>    | <b>\$ 36,899</b> |

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At September 30, 2014

Dollars in thousands

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

**NOTE 6: Accounts Receivable, Net**

The breakdown of the consolidated accounts receivable (both Intragovernmental and With the Public), as of September 30, 2015 and 2014 is as follows:

| Dollars in thousands           |                 |                 |
|--------------------------------|-----------------|-----------------|
| Accounts Receivable            | 2015            | 2014            |
| <b>Intragovernmental:</b>      |                 |                 |
| Entity                         | \$ 2,057        | \$ 1,148        |
| Non-Entity                     | 33              | 37              |
| <b>Total Intragovernmental</b> | <b>\$ 2,090</b> | <b>\$ 1,185</b> |
| <b>With the Public:</b>        |                 |                 |
| Entity                         | \$ 606          | \$ 522          |
| Non-Entity                     | 11              | 3               |
| <b>Total With the Public</b>   | <b>\$ 617</b>   | <b>\$ 525</b>   |
| <b>Total</b>                   | <b>\$ 2,707</b> | <b>\$ 1,710</b> |

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**NOTE 7: 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, if applicable.

Inventory, as of September 30, 2015 and 2014 is as follows:

| Dollars in thousands                    |               |               |
|---|---------------|---------------|
| Inventory Category                      | 2015          | 2014          |
| Purchased Goods Held for Current Sale   | \$ 668        | \$ 476        |
| Damaged/Restricted/Held for Future Sale | -             | 7             |
| <b>Total</b>                            | <b>\$ 668</b> | <b>\$ 483</b> |

Based upon management reviews of the most recent inventory count, inventory that was considered damaged or restricted was disposed in accordance with normal operating practices. Therefore, there is no balance of damaged inventory to report as of September 30, 2015.

**NOTE 8: 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, 2015 and 2014:

**At September 30, 2015**

Dollars in thousands

| Class of Property and Equipment     | Acquisition Value   | Accumulated Depreciation | Net Book Value      | %            |
|-------------------------------------|---------------------|--------------------------|---------------------|--------------|
| Buildings                           | \$ 1,398,961        | 666,084                  | 732,877             | 39.3         |
| Building Improvements               | 1,414,370           | 797,806                  | 616,564             | 33.1         |
| Land                                | 168,672             | -                        | 168,672             | 9.0          |
| Land Improvements                   | 157,861             | 80,334                   | 77,527              | 4.2          |
| Capital Leases (Real Property)      | 39,749              | 34,238                   | 5,511               | 0.3          |
| Leasehold Improvements              | 71,383              | 24,482                   | 46,901              | 2.5          |
| Equipment and Internal Use Software | 19,057              | 16,217                   | 2,840               | 0.2          |
| Other Structures                    | 9,288               | 3,258                    | 6,030               | 0.3          |
| Construction Work-in-Progress       | 208,156             | -                        | 208,156             | 11.1         |
| <b>Total</b>                        | <b>\$ 3,487,497</b> | <b>\$ 1,622,419</b>      | <b>\$ 1,865,078</b> | <b>100.0</b> |

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**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          |
| <b>Total</b>                        | <b>\$3,348,280</b> | <b>\$ 1,527,050</b>      | <b>\$1,821,230</b> | <b>100.0</b> |

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 9: 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

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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, 2015 and 2014 is as follows:

| Description                      | 2015            | 2014            |
|----------------------------------|-----------------|-----------------|
| Artwork                          | 2,027 items     | 2,019 items     |
| Architectural Features           | 203 features    | 199 features    |
| Reference and Library Materials: |                 |                 |
| Art and Reference Files          | 108 drawers     | 108 drawers     |
| Art and Reference Materials      | 1,192 items     | 1,183 items     |
| Records                          | 462,693 records | 446,896 records |
| Living Heritage Assets           | 60,709 items    | 58,078 items    |

**NOTE 10: Other Assets**

As of September 30, 2015, Other Assets consist of employee travel advances as well as a project advance payment to the U.S. Capitol Police for security work related to the Cannon Renewal project.

| Dollars in thousands |        |        |
|----------------------|--------|--------|
| Other Assets         | 2015   | 2014   |
| Advances to Others   | \$ 631 | \$ 923 |

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**NOTE 11: Liabilities**

The Balance Sheet as of September 30, 2015 and 2014 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 actual and accrued accounts payable, advances from others, contract holdbacks and other liabilities, if applicable. In FY 2015, funding of \$11.67 million was received from the Administrative Offices of the US Courts (AOUSC) for reimbursable project work in the TMFJB. This is reflected in the amount reported as advances from others.

Liabilities covered/not covered by budgetary resources as of September 30, 2015 and 2014 are as follows:

| Dollars in thousands                           |                   |                   |
|--|-------------------|-------------------|
| Fund Type                                      | 2015              | 2014              |
| <b>Intragovernmental:</b>                      |                   |                   |
| Accounts Payable                               | \$ 153            | 112               |
| Other  | -                 | 16,914            |
| Liabilities covered by budgetary resources     | \$ 153            | \$ 17,026         |
| Accrued Unfunded Worker's Compensation         | 9,443             | 9,936             |
| Other – Custodial Liabilities                  | 49                | 38                |
| Liabilities not covered by budgetary resources | 9,492             | 9,974             |
| <b>Total Intragovernmental</b>                 | <b>\$ 9,645</b>   | <b>\$ 27,000</b>  |
| <b>With the Public:</b>                        |                   |                   |
| Accounts Payable                               | 3,037             | 3,126             |
| Contract Holdbacks                             | 10,680            | 5,604             |
| Other  | 35,607            | 25,336            |
| Advances from Others                           | 19,962            | 9,795             |
| Liabilities covered by budgetary resources     | \$ 69,286         | \$ 43,861         |
| Debt Held by Public                            | 106,666           | 114,213           |
| Actuarial Unfunded Worker's Compensation       | 54,844            | 57,428            |
| Environmental Liabilities - Unfunded           | 62,890            | 85,056            |
| Accrued Annual Leave and Other                 | 18,788            | 17,082            |
| Capital Lease                                  | 6,725             | 7,241             |
| Liabilities not covered by budgetary resources | 249,913           | 281,020           |
| <b>Total With the Public</b>                   | <b>\$ 319,199</b> | <b>\$ 324,881</b> |
| <b>Total</b>                                   | <b>\$ 328,844</b> | <b>\$ 351,881</b> |

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**NOTE 12: Payroll-Related Liabilities**

On September 30, 2015 and 2014, 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, 2015 and 2014 are as follows:

| Dollars in thousands           |                  |                  |
|--------------------------------|------------------|------------------|
| Accrued Annual Leave and Other | 2015             | 2014             |
| Funded Accrued Payroll         | \$ 7,239         | \$ 5,974         |
| Unfunded Accrued Annual Leave  | 11,549           | 11,108           |
| <b>Total</b>                   | <b>\$ 18,788</b> | <b>\$ 17,082</b> |

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, 2015 and 2014 is as follows:

| Dollars in thousands                        |                  |                  |
|---|------------------|------------------|
| Workers' Compensation, by Type              | 2015             | 2014             |
| Unfunded Workers' Compensation (Current)    | \$ 9,443         | \$ 9,936         |
| Actuarial Workers' Compensation (Long-Term) | 54,844           | 57,428           |
| <b>Total</b>                                | <b>\$ 64,287</b> | <b>\$ 67,364</b> |

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 13: Debt Held by the Public**

As of September 30, 2015 and 2014, 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 9 percent. The balance of Debt Held by the Public is as follows:

| Dollars in thousands             |                   |                   |
|----------------------------------|-------------------|-------------------|
| Debt Held by the Public, by Type | 2015              | 2014              |
| Securities                       | \$ 155,069        | \$ 172,300        |
| Interest Payable                 | 757               | 810               |
| Subtotal                         | 155,826           | 173,110           |
| Discount on Securities           | (400,123)         | (400,123)         |
| Less: Amortization of Discount   | 350,963           | 341,226           |
| Subtotal                         | (49,160)          | (58,897)          |
| <b>Total</b>                     | <b>\$ 106,666</b> | <b>\$ 114,213</b> |

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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 prior year (FY2014) Borrowing Authority of \$10.3 million. These amounts represent the current year portion of the amortized bond discount which is shown in the table above (net of interest payable). Per guidance from the Office of Management and Budget (OMB) in FY 2015, AOC reclassified the amortization from "borrowing authority" to "spending authority".

**NOTE 14: Contingent and Environmental Liabilities**

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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.

**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 are recognized for those cases that are determined to meet management's materiality threshold (see *Note 1.N*). No amounts are 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. During the current reporting period there were no reported cases that met this criteria.

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, 2015 the lower level estimate of these cases ranged from \$0 to approximately \$1.3 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 Related to Asbestos Cleanup**

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



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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.

As required by SFFAS No. 6 "Accounting for Property, Plant and Equipment," AOC determines the need for asbestos liability adjustments on an annual basis. Based on the results of AOC's FY2015 asbestos liability analysis the agency reduced its liability by \$22.1 million. The reduction in the reported asbestos liability reflects the annual adjustment as well as a revision of the underlying cost factors used to determine the estimate.

The accrued and potential Contingent and Environmental Cleanup Cost Liabilities, as of September 30, 2015 and 2014 are as follows:

| Dollars in thousands                     |                  |                  |
|--|------------------|------------------|
| Contingent and Environmental Liabilities | 2015             | 2014             |
| Contingent Liabilities                   | \$ -             | \$ -             |
| Estimated Cleanup Cost Liabilities       | 62,890           | 85,056           |
| <b>Total</b>                             | <b>\$ 62,890</b> | <b>\$ 85,056</b> |

**Fort George G. Meade, Maryland**

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.

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 15: Leases**

As of September 30, 2015, 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.

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**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. At the end of the current reporting period, AOC had one real property (Building) capital lease for the Senate Sergeant of Arms Warehouse facility in Landover, MD. As of September 30, 2015 and 2014, the present value of the future minimum lease payments for this capital lease is as follows:

**At September 30, 2015**

| Dollars in thousands                      |                 |
|---|-----------------|
| Fiscal Year                               | Total           |
| 2016                                      | \$ 845          |
| 2017                                      | 845             |
| 2018                                      | 845             |
| 2019                                      | 845             |
| 2020                                      | 845             |
| Thereafter                                | 4,225           |
| <b>Total Minimum Future Lease Payment</b> | <b>\$ 8,450</b> |
| Less: Imputed Interest                    | (1,725)         |
| <b>Total Capital Lease Liability</b>      | <b>\$ 6,725</b> |

**At September 30, 2014**

| Dollars in thousands                      |                 |
|---|-----------------|
| Fiscal Year                               | Total           |
| 2015                                      | \$ 845          |
| 2016                                      | 845             |
| 2017                                      | 845             |
| 2018                                      | 845             |
| 2019                                      | 845             |
| Thereafter                                | 5,070           |
| <b>Total Minimum Future Lease Payment</b> | <b>\$ 9,295</b> |
| Less: Imputed Interest                    | (2,055)         |
| <b>Total Capital Lease Liability</b>      | <b>\$ 7,240</b> |

**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. During Q4 FY 2015 AOC signed a new lease agreement on the behalf of the Library of Congress for additional book storage space located in Cabin Branch, MD.

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As of September 30, 2015, 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            |
| 2016                               | \$ 28,006     | \$ 49             | \$ 28,055        |
| 2017                               | 26,068        | 16                | 26,084           |
| 2018                               | 21,761        | 2                 | 21,763           |
| 2019                               | 12,960        | -                 | 12,960           |
| 2020                               | 6,617         | -                 | 6,617            |
| Thereafter                         | 16,399        | -                 | 16,399           |
| <b>Total Future Lease Payments</b> |               |                   | <b>\$111,878</b> |

**NOTE 16: Other Liabilities**

As of September 30, 2015 and 2014, these liabilities consist of accrued accounts payable (with the public) and miscellaneous receipts that are to be forwarded to Treasury (intragovernmental custodial liabilities). Miscellaneous 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. As of September 30, 2015, the total liability of \$16.9 million has been paid to GSA.

These liabilities, which are classified as current as of September 30, 2015 and 2014, are as follows:

| Dollars in thousands           |                  |                  |
|--------------------------------|------------------|------------------|
| Other Liabilities              | 2015             | 2014             |
| <b>Intragovernmental</b>       |                  |                  |
| Custodial Liability            | \$ 49            | \$ 38            |
| Other                          | -                | 16,914           |
| <b>Total Intragovernmental</b> | <b>\$ 49</b>     | <b>\$ 16,952</b> |
| <b>With the Public</b>         |                  |                  |
| Other                          | 35,607           | 25,336           |
| <b>Total With the Public</b>   | <b>35,607</b>    | <b>25,336</b>    |
| <b>Total</b>                   | <b>\$ 35,656</b> | <b>\$ 42,288</b> |

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**NOTE 17: Imputed Financing**

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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.

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Imputed Financing for the periods ending September 30, 2015 and 2014 is as follows:

| Dollars in thousands                         | 2015             | 2014             |
|--|------------------|------------------|
| <b>Imputed Financing, by Type</b>            |                  |                  |
| Pensions                                     |                  |                  |
| CSRS   | \$ 2,545         | \$ 3,298         |
| CSRS Offset                                  | 871              | 876              |
| FERS   | 32,390           | 30,862           |
| Less: Contributions                          | (30,000)         | (26,494)         |
| Subtotal: Employee Pensions                  | 5,806            | 8,542            |
| Health                                       | 10,290           | 9,724            |
| Life Insurance                               | 33               | 31               |
| Subtotal: All Employee Benefits              | 16,129           | 18,297           |
| Corps Building Improvements                  |                  |                  |
| Government Printing Office                   | -                | 181              |
| Other Agency – Campus Infrastructure         | 9,189            | 15,428           |
| Department of Justice-Treasury Judgment Fund | -                | 3                |
| <b>Total</b>                                 | <b>\$ 25,318</b> | <b>\$ 33,909</b> |

**NOTE 18: 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, 2015 and 2014, are shown in the table below. These amounts were approximately 45 and 43 percent of the annual gross cost of operations for each respective year. 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, 2015 and 2014 is as follows:

| Dollars in thousands                                     | 2015              | 2014              |
|--|-------------------|-------------------|
| <b>Expenses for Payroll &amp; Related Benefits</b>       |                   |                   |
| Payroll Expense  | \$ 236,984        | \$ 227,417        |
| Imputed Costs (payroll only - see Note 17)               | 16,129            | 18,297            |
| Other Expenses Not Requiring Budget – Payroll            | (38)              | (36)              |
| Employer Contribution to Employee Benefits               | 4,102             | 4,332             |
| <b>Total Expenses for Payroll &amp; Related Benefits</b> | <b>\$ 257,177</b> | <b>\$ 250,010</b> |
| <b>Total Gross Cost</b>                                  | <b>\$ 570,963</b> | <b>\$ 579,472</b> |
| <b>Payroll related expenses to Gross Costs (%)</b>       | <b>45 %</b>       | <b>43 %</b>       |

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**NOTE 19: Reconciliation of Net Cost of Operations to Budget**

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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, 2015 and 2014 is as follows:

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| Dollars in thousands  |                   |                   |
|---|-------------------|-------------------|
| Reconciliation of Net Cost of Operations to Budget  | 2015              | 2014              |
| <b>Resources Used to Finance Activities:</b>  |                   |                   |
| <b>Budgetary resources obligated</b>  |                   |                   |
| Obligations Incurred  | \$ 674,087        | \$ 600,356        |
| Less: Spending Authority from Offsetting Collections and Recoveries                               | (95,490)          | (92,734)          |
| Obligations Net of Offsetting Collections and Recoveries  | 578,597           | 507,622           |
| Net Obligations   | 578,597           | 507,622           |
| <b>Other Resources</b>  |                   |                   |
| Transfers In/(Out) Without Reimbursement  | 91                | 912               |
| Imputed Financing   | 25,318            | 33,909            |
| Net Other Resources used to Finance Activities  | 25,409            | 34,821            |
| <b>Total Resources Used to Finance Activities</b>   | <b>604,006</b>    | <b>542,443</b>    |
| <b>Resources Used to Finance Items not Part of Net Cost of Operations (NCOO)</b>                  |                   |                   |
| Change in Budgetary Resources Obligated for Goods, Services and Benefits                          |                   |                   |
| Ordered but not yet Provided  | 8,239             | 19,411            |
| Resources that Fund Expenses Recognized in Prior Periods  | 22,238            | 4,419             |
| Budgetary Offsetting Collections and Receipts that do not affect NCOO                             | (60)              | (9)               |
| Resources that Finance the Acquisition of Assets  | 151,600           | 84,373            |
| <b>Total Resources Used to Finance Items not Part of NCOO</b>                                     | <b>182,017</b>    | <b>108,194</b>    |
| <b>Total Resources Used to Finance the Net Cost of Operations</b>                                 | <b>421,989</b>    | <b>434,249</b>    |
| <b>Components of NCOO that will not Require or Generate Resources in the Current Period</b>       |                   |                   |
| Components Requiring or Generating Resources in Future Periods                                    |                   |                   |
| Other   | (477)             | (149)             |
|   | (8,913)           | (20)              |
| <b>Total Components of NCOO that will Require or Generate Resources in Future Periods</b>         | <b>(9,390)</b>    | <b>(169)</b>      |
| Components not Requiring or Generating Resources  |                   |                   |
| Depreciation and Amortization   | 97,742            | 97,572            |
| Revaluation of Assets or Liabilities  | (168)             | 65                |
| Other   | 4,675             | 124               |
| <b>Total Components of NCOO that will not Require or Generate Resources</b>                       | <b>102,249</b>    | <b>97,761</b>     |
| <b>Total Components of NCOO that will not Require or Generate Resources in the Current Period</b> | <b>92,859</b>     | <b>97,592</b>     |
| <b>Net Cost of Operations</b>   | <b>\$ 514,848</b> | <b>\$ 531,841</b> |

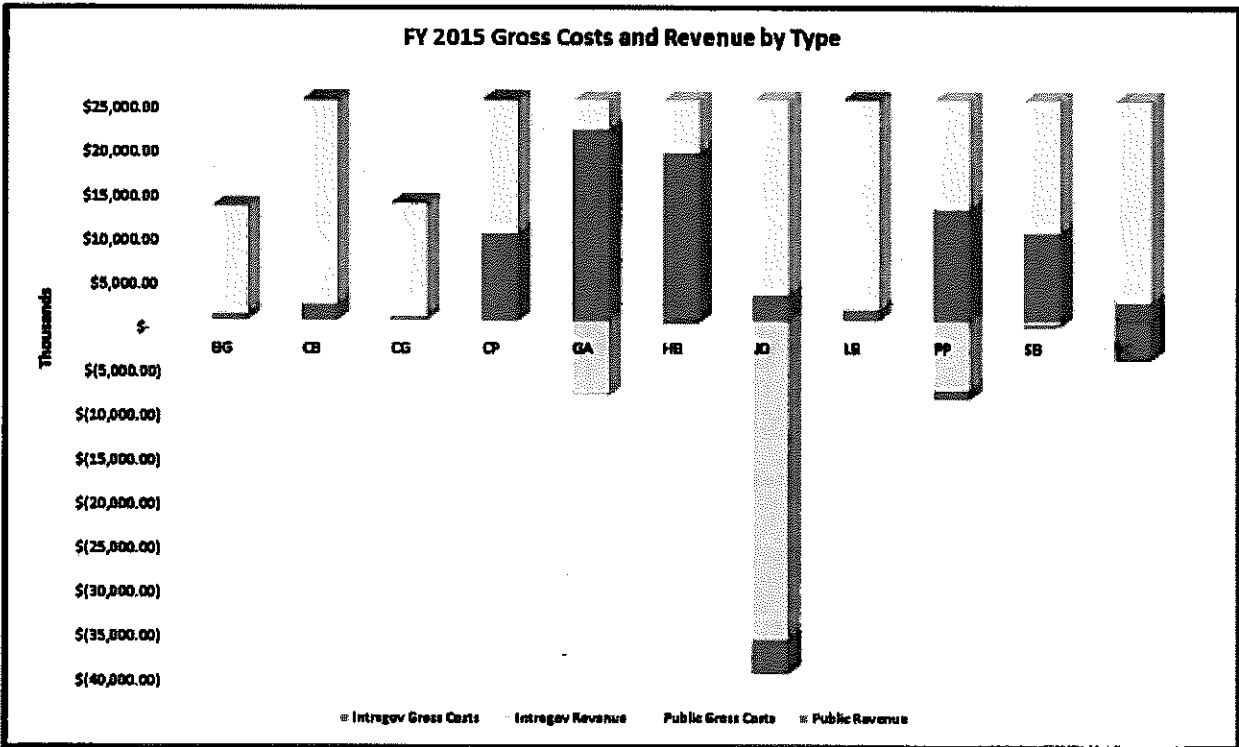
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**NOTE 20: Net Cost by Type**

AOC's net cost of operations for the periods ending September 30, 2015 and 2014 as reported in the Statement of Net Cost (SNC) are \$514,848 thousand and \$531,841 thousand, respectively. The table below highlights AOC net cost by jurisdiction.

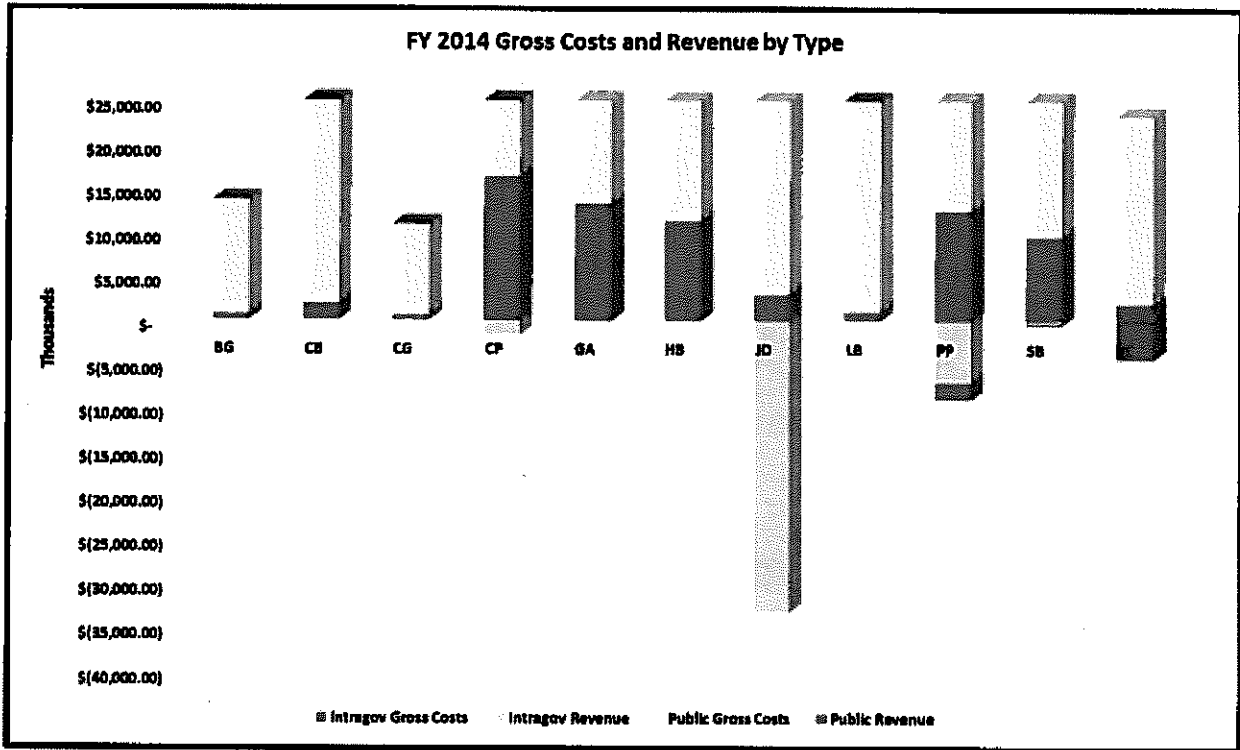
| Dollar in thousands                                 |           |                |           |                |
|---|-----------|----------------|-----------|----------------|
| Net Cost by Jurisdiction                            | 2015      |                | 2014      |                |
| AOC Capitol Building                                | \$        | 50,313         | \$        | 51,848         |
| AOC Capitol Grounds                                 |           | 13,276         |           | 10,942         |
| AOC Capitol Police Buildings, Grounds, and Security |           | 34,724         |           | 37,677         |
| AOC General Administration                          |           | 94,418         |           | 89,145         |
| AOC House Office Buildings                          |           | 85,132         |           | 79,065         |
| AOC Library Buildings and Grounds                   |           | 33,949         |           | 42,130         |
| AOC Senate Office Buildings                         |           | 77,106         |           | 72,111         |
| AOC Utilities and Capitol Power Plant               |           | 90,440         |           | 97,225         |
| U.S. Botanic Garden                                 |           | 12,964         |           | 13,735         |
| U.S. Capitol Visitor Center                         |           | 20,548         |           | 19,005         |
| U.S. Supreme Court Buildings and Grounds            |           | 1,978          |           | 18,958         |
| <b>Total</b>  | <b>\$</b> | <b>514,848</b> | <b>\$</b> | <b>531,841</b> |

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





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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. Activities with the public include vendor payments and employees' payroll expenses.

**NOTE 21: Reconciliation of SCNP Appropriation to SBR**

Amounts reported as Appropriations Received on the Statement of Changes in Net Position (SCNP) are \$611,901 thousand and \$613,188 thousand for FY 2015 and FY 2014, 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, actual repayments of debt and new budget authority totaling \$594,671 thousand and \$595,958 thousand for FY 2015 and FY 2014 respectively. The difference between the two statements was attributed to the \$17,230 thousand annual debt payment to the Bank of New York/Mellon.

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**NOTE 22: 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, 2015 and 2014 are \$226,010 thousand and \$190,600 thousand, respectively. This is different from the unpaid obligations shown on the SBR which include undelivered orders and delivered orders (unpaid).