

April 2001

FINANCIAL AUDIT

Capitol Preservation Fund's Fiscal Years 2000 and 1999 Financial Statements



Contents

Letter	3
Auditor's Report	5
Financial Statements	10
Statements of Financial Position	10
Statements of Activities	11
Statements of Cash Flows	12
Notes to Financial Statements	13
Supplemental Schedules	16
Schedules of Financial Position - Coin Sales Surcharge Fund	16
Schedules of Financial Position - Gifts and Sales of Art, Property, and Money Fund	17
Schedules of Activities - Coin Sales Surcharge Fund	18
Schedules of Activities - Gifts and Sales of Art, Property, and Money Fund	19
Schedules of Cash Flows - Coin Sales Surcharge Fund	20
Schedules of Cash Flows - Gifts and Sales of Art, Property, and Money Fund	21



United States General Accounting Office
Washington, D.C. 20548

April 30, 2001

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

This report presents our opinion on the financial statements of the Capitol Preservation Fund for the fiscal years ended September 30, 2000 and 1999. It also discusses our consideration of the Fund's internal control and our tests of compliance with laws and regulations during fiscal year 2000. We conducted our audit pursuant to 40 U.S.C. 188a-3 and in accordance with U.S. generally accepted government auditing standards. We appreciate the cooperation and assistance that the Office of the Secretary of the Senate, the Office of the Clerk of the House of Representatives, and the staffs of the Architect of the Capitol and the Library of Congress provided during our audit.

We are sending copies of this report to the members of the Capitol Preservation Commission; the Honorable Gary Sisco, Secretary of the Senate; the Honorable Jeffrey T. Trandahl, Clerk of the House of Representatives; the Honorable Alan M. Hantman, Architect of the Capitol; the Honorable James H. Billington, Librarian of Congress; and other interested parties.

This report was prepared under the direction of Jeanette M. Franzel, Acting Director, who can be reached at (202) 512-9406. If I can be of further assistance, please call me at (202) 512-2600.

Jeffrey C. Steinhoff
Managing Director
Financial Management and Assurance



United States General Accounting Office
Washington, D.C. 20548

To the Members of the Capitol Preservation Commission

We have audited the statements of financial position of the Capitol Preservation Fund as of September 30, 2000 and 1999, and the related statements of activities and statements of cash flows for the fiscal years then ended. We found

- the financial statements are presented fairly in conformity with U.S. generally accepted accounting principles,
- no material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations, and
- no reportable noncompliance with the provisions of laws and regulations we tested.

The following sections provide additional detail about our conclusions and the scope of our audit.

Opinion on Financial Statements

The financial statements and accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the Capitol Preservation Fund's financial position as of September 30, 2000 and 1999, and the results of its activities and its cash flows for the fiscal years then ended.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules shown by source of funds as of and for the periods ended September 30, 2000 and 1999 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the audit procedures applied to the audit of the basic financial statements. In our opinion, the information in the supplemental schedules is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Consideration of Internal Control

In planning and performing our audit of the Capitol Preservation Fund's fiscal year 2000 financial statements, we considered the Fund's internal

control¹ in order to determine our procedures for auditing the financial statements. The purpose of our consideration of internal control was not to provide an opinion on internal control. Accordingly, we do not express an opinion on internal control. However, for the controls we tested, we found no material weaknesses in internal controls over financial reporting (including safeguarding assets) and compliance. A material weakness is a condition in which the design or operation of internal control does not reduce to a relatively low level the risk that errors, fraud, or noncompliance in amounts that would be material in relation to the financial statements may occur and not be detected promptly by employees in the normal course of performing their duties. Our consideration of internal control would not necessarily disclose all material weaknesses.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Objectives, Scope, and Methodology

The management of the Capitol Preservation Commission is responsible for

- preparing the Fund's annual financial statements in conformity with U.S. generally accepted accounting principles,

¹We considered internal control over financial reporting and compliance. The objectives of financial reporting control are to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements in conformity with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition. The objective of compliance control is to provide reasonable assurance that transactions are executed in accordance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements.

-
- establishing and maintaining internal control to provide reasonable assurance that the objectives of internal control² are met, and
 - complying with applicable laws and regulations.

We are responsible for

- obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles,
- obtaining a sufficient understanding of internal control over financial reporting and compliance with laws and regulations to plan the audit, and
- testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements.

In order to fulfill these responsibilities, we (1) examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements and supplemental schedules, (2) assessed the accounting principles used and significant estimates made by management, (3) evaluated the overall presentation of the financial statements and supplemental schedules, (4) obtained an understanding of the design and operation of internal control related to financial reporting (including safeguarding assets) and compliance with laws and regulations and tested selected internal controls, and (5) tested compliance with selected provisions of the following laws and/or regulations.

- Capitol Preservation Commission and Capitol Preservation Fund enabling legislation, 40 U.S.C. 188a-188a-5.
- Public laws providing commemorative coin surcharges to the Capitol Preservation Fund: Bicentennial of the United States Congress Commemorative Coin Act, Public Law 100-673; Bicentennial of the United States Capitol Commemorative Coin Act, Title IV, Public Law 103-186; and United States Capitol Visitor Center Commemorative Coin Act of 1999, Title II, Public Law 106-126.

²Management's internal control responsibility encompasses controls related to (1) the effectiveness and efficiency of operations including the use of resources, (2) the reliability of financial reporting including internal and external reports on the use of resources and financial statements, and (3) compliance with laws and regulations. Within each of these categories, management is responsible for establishing controls to prevent or promptly detect unauthorized acquisition, use, or disposition of assets (safeguarding assets).

We did not test all internal controls relevant to the operations of the Capitol Preservation Fund. We limited our consideration to internal control over financial reporting and compliance with laws and regulations for the purpose of planning our audit. 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 consideration of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to the Capitol Preservation Fund. We limited our tests of compliance to selected provisions of laws and regulations that we deemed applicable to the Fund's financial statements for the fiscal year ended September 30, 2000. We caution that non-compliance may occur and not be detected by our tests and such testing may not be sufficient for other purposes.

We performed our work from January 2, 2001 through February 9, 2001 in accordance with U.S. generally accepted government auditing standards.

Commission Comments

We provided a draft of our report to representatives of the Capitol Preservation Commission for their review and comment. The Commission's representatives agreed with the contents of our report.



Jeffrey C. Steinhoff
Managing Director
Financial Management and Assurance

February 9, 2001

Financial Statements

Statements of Financial Position

CAPITOL PRESERVATION FUND STATEMENTS OF FINANCIAL POSITION

as of September 30

	<u>2000</u>	<u>1999</u>
Assets		
Cash	\$ 953	\$ 4,072
Investments, net (note 3)	29,087,824	27,627,052
Accrued interest receivable on investments	<u>419,941</u>	<u>298,949</u>
Total assets	\$ <u>29,508,718</u>	\$ <u>27,930,073</u>
 Liabilities and Net Assets		
Total liabilities	0	0
 Net Assets		
Unrestricted net assets	\$ <u>29,508,718</u>	\$ <u>27,930,073</u>
 Total net assets	\$ <u>29,508,718</u>	\$ <u>27,930,073</u>
 Total Liabilities and Net Assets	\$ <u>29,508,718</u>	\$ <u>27,930,073</u>

The accompanying notes are an integral part of these financial statements.

Statements of Activities

**CAPITOL PRESERVATION FUND
STATEMENTS OF ACTIVITIES**

for the Fiscal Years Ended September 30

	<u>2000</u>	<u>1999</u>
Changes in Unrestricted Net Assets		
Operating Revenues		
Interest (note 4)	\$ 1,599,011	\$ 1,274,587
Total operating revenues	\$ <u>1,599,011</u>	\$ <u>1,274,587</u>
Operating Expenses		
Purchase Expenditures (note 5)	20,366	0
Total operating expenses	<u>20,366</u>	<u>0</u>
Increase in unrestricted net assets	\$ 1,578,645	\$ 1,274,587
Increase in Net Assets	\$ 1,578,645	\$ 1,274,587
Net Assets at Beginning of Year	\$ <u>27,930,073</u>	\$ <u>26,655,486</u>
Net Assets at Year-End	\$ <u>29,508,718</u>	\$ <u>27,930,073</u>

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

**CAPITOL PRESERVATION FUND
STATEMENTS OF CASH FLOWS**

for the Fiscal Years Ended September 30

	<u>2000</u>	<u>1999</u>
Cash Flows From Operating Activities		
Interest received	\$ 1,478,019	\$ 1,259,513
Cash paid for expenses	<u>(20,366)</u>	<u>0</u>
Net cash used by operating activities	\$ 1,457,653	\$ 1,259,513
Cash Flows From Investing Activities		
Purchases of Treasury securities	\$ (59,512,753)	\$ (56,175,937)
Maturities of Treasury securities	<u>58,051,981</u>	<u>54,907,486</u>
Net cash provided (used) in investing activities	\$ (1,460,772)	\$ (1,268,451)
Net (Decrease) Increase In Cash	\$ (3,119)	\$ (8,938)
Cash at beginning of year	<u>4,072</u>	<u>13,010</u>
Cash at end of year	\$ <u>953</u>	\$ <u>4,072</u>
Reconciliation of Change in Net Assets to Net Cash Used by Operating Activities		
Change in Net Assets	\$ 1,578,645	\$ 1,274,587
Adjustments to reconcile change in net assets to net cash used by operating activities		
Decrease (increase) in accrued interest	<u>(120,992)</u>	<u>(15,074)</u>
Total Adjustments	(120,992)	(15,074)
Net Cash Used by Operating Activities	\$ <u>1,457,653</u>	\$ <u>1,259,513</u>

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

**CAPITOL PRESERVATION FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: DESCRIPTION OF ENTITY

The Capitol Preservation Commission (the Commission) was established under Title VIII of Public Law 100-696 in November 1988 for the purpose of providing for improvements in, preservation of, and acquisitions for the United States Capitol and providing works of fine art and other property for display in the United States Capitol and other locations under the control of the Congress.

To finance improvement, preservation, and acquisition activities of the Commission, Title VIII of Public Law 100-696 established the Capitol Preservation Fund (the Fund) within the U.S. Treasury. The Fund consists of assets provided through deposits of charitable contributions, surcharges received by the Secretary of the Treasury from the sale of coins under the Bicentennial of the United States Congress Commemorative Coin Act and the Bicentennial of the United States Capitol Commemorative Coin Act, and interest on the invested portions of the Fund's assets. Fund assets not required to finance current improvement, preservation, and acquisition activities are invested in interest-bearing obligations of the United States.

In accordance with its rules, the Commission may fund or assist in the funding of improvements to the Capitol Building and surrounding grounds if such improvements are authorized, undertaken, and completed under the procedures established by the Congress for such purposes. With respect to works of fine art and other property for display, the Commission is authorized to expend \$400,000 (\$200,000 for the House of Representatives and \$200,000 for the Senate) for the purchase of art, furnishings, or items of historical interest provided that such expenses are approved by a majority of the members of the Commission from the House of Congress for which such purchases are made. However, the Commission may not maintain any collection of fine or decorative art, or other property, but may assist in the transfer of such items to a Congressional entity (such as the Senate Commission on Art, the House Fine Arts Board, or the Joint Committee on the Library) or facilitate the disposal of items.

The Architect of the Capitol, the Senate Commission on Art, the House of Representatives Fine Arts Board are required by Public Law 100-696 (1988), to provide staff support and assistance to the Commission. As necessary, the Architect of the Capitol awards contracts and procures goods and services to complete projects established by the Commission, and ensures that goods and services purchased from

vendors are received. Similarly, the Library of Congress, pursuant to Public Law 101-45, (1989) is required to provide financial management services for the Commission. These services include coordinating activities with the Department of the Treasury for the deposit, disbursement, investment, and management of the Capitol Preservation Fund. In addition to these congressional entities, the Secretary of the Senate and the Clerk of the House of Representatives, pursuant to Commission Rules, provide additional support and assistance.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fund's financial statements have been prepared in conformity with U.S. generally accepted accounting principles and reflect—on an accrual basis—the receipt and use of the Fund's assets to finance the Commission's improvement, preservation, and acquisition activities. The Fund's investments are recorded at cost, net of discounts, which approximates fair market value. The Fund's investments are invested in short term (3 and 6 month) interest-bearing Treasury obligations.

The Architect of the Capitol, the Library of Congress, and other congressional entities are required by law to provide support services to the Commission. The cost of these services are, by their nature, indirect, difficult to quantify, and financed with appropriated funds of the other entities. To the extent that these services are provided, they are not considered operating expenses of the Fund.

Once approved and funded by the Commission, the improvements, preservation, and acquisitions are transferred to the Architect of the Capitol and/or other congressional entities. Through their transfer, these assets become the accounting responsibility of other congressional entities and are not considered assets of the Fund.

NOTE 3: INVESTMENTS, NET

Deposits to the Fund from contributions, coin surcharges, and interest on invested funds that are not needed currently to finance improvement, preservation, and acquisition activities are invested in interest-bearing obligations of the United States, which are purchased from the U.S. Treasury at a discount. The Commission has directed the Library of Congress to invest funds derived from contributions in 3-month Treasury securities and funds derived from coin surcharges in 6-month Treasury securities. The value of investments outstanding as of September 30, 2000 and 1999, net of discounts, was \$29,087,824 and \$27,627,052 respectively. Annual investment

rates ranged from 4.67 percent to 6.14 percent in fiscal year 2000 and from 3.32 percent to 4.96 percent in fiscal year 1999.

Outstanding Investments as of September 30

	<u>2000</u>	<u>1999</u>
Face Value of Investments	\$ 29,952,000	\$ 28,285,000
Less: Discounts	<u>(864,176)</u>	<u>(657,948)</u>
Investments, Net of Discounts	\$ <u>29,087,824</u>	\$ <u>27,627,052</u>

NOTE 4: REVENUES

Earned operating revenues during fiscal year 2000 of \$1,599,011 and fiscal year 1999 earned revenues of \$1,274,587 consisted only of interest on United States Treasury obligations.

NOTE 5: PURCHASE EXPENDITURES

During fiscal year 2000, Fund assets were used for purchases of antique furnishings for display and artwork for future exhibition in the U.S. Senate wing of the Capitol and for materials related to the June 20, 2000, groundbreaking ceremony for the Capitol Visitor Center.

Antique Furnishings and Art Work for the U.S. Senate Offices in the Capitol

Furnishings for display in Leadership Offices	\$ 17,100
Artwork for future exhibition	<u>375</u>
	\$ 17,475

Capitol Visitor Center

Ceremonial shovels and granite plaque for the Capitol Visitor Center groundbreaking	\$ <u>2,891</u>
Total	\$ <u>20,366</u>

Supplemental Schedules

Schedules of Financial Position - Coin Sales Surcharge Fund

**CAPITOL PRESERVATION FUND
SCHEDULES OF FINANCIAL POSITION
COIN SALES SURCHARGE FUND**
as of September 30

	<u>2000</u>	<u>1999</u>
Assets		
Cash	\$ 741	\$ 1,354
Investments, net	28,067,277	26,642,688
Accrued interest receivable on investments	<u>413,902</u>	<u>294,318</u>
Total assets	\$ <u>28,481,920</u>	\$ <u>26,938,360</u>
Liabilities and Net Assets		
Total liabilities	0	0
Net Assets		
Unrestricted net assets	\$ <u>28,481,920</u>	\$ <u>26,938,360</u>
Total net assets	\$ <u>28,481,920</u>	\$ <u>26,938,360</u>
Total Liabilities and Net Assets	\$ <u>28,481,920</u>	\$ <u>26,938,360</u>

Schedules of Financial Position - Gifts and Sales of Art, Property, and Money Fund

CAPITOL PRESERVATION FUND
SCHEDULES OF FINANCIAL POSITION
GIFTS AND SALES OF ART, PROPERTY, AND MONEY FUND
as of September 30

	<u>2000</u>	<u>1999</u>
Assets		
Cash	\$ 212	\$ 2,718
Investments, net	1,020,547	984,364
Accrued interest receivable on investments	<u>6,039</u>	<u>4,631</u>
Total assets	\$ <u>1,026,798</u>	\$ <u>991,713</u>
Liabilities and Net Assets		
Total liabilities	0	0
Net Assets		
Unrestricted net assets	\$ <u>1,026,798</u>	\$ <u>991,713</u>
Total net assets	\$ <u>1,026,798</u>	\$ <u>991,713</u>
Total Liabilities and Net Assets	\$ <u>1,026,798</u>	\$ <u>991,713</u>

Schedules of Activities - Coin Sales Surcharge Fund

**CAPITOL PRESERVATION FUND
SCHEDULES OF ACTIVITIES
COIN SALES SURCHARGE FUND**
for the Fiscal Years Ended September 30

	<u>2000</u>	<u>1999</u>
Changes in Unrestricted Net Assets		
Operating Revenues		
Interest	\$ 1,543,560	\$ 1,230,299
Total operating revenues	\$ 1,543,560	\$ 1,230,299
Operating Expenses		
Purchase expenditures	\$ 0	\$ 0
Total operating expenses	\$ 0	\$ 0
Increase in unrestricted net assets	\$ 1,543,560	\$ 1,230,299
Increase in Net Assets	\$ 1,543,560	\$ 1,230,299
Net Assets at Beginning of Year	\$ 26,938,360	\$ 25,708,061
Net Assets at Year-End	\$ <u>28,481,920</u>	\$ <u>26,938,360</u>

Schedules of Activities - Gifts and Sales of Art, Property, and Money Fund

**CAPITOL PRESERVATION FUND
SCHEDULES OF ACTIVITIES
GIFTS AND SALES OF ART, PROPERTY, AND MONEY FUND**
for the Fiscal Years Ended September 30

	<u>2000</u>	<u>1999</u>
Changes in Unrestricted Net Assets		
Operating Revenues		
Interest	\$ 55,451	\$ 44,288
Total operating revenues	\$ 55,451	\$ 44,288
Operating Expenses		
Purchase expenditures	\$ 20,366	\$ 0
Total operating expenses	20,366	0
Increase in unrestricted net assets	\$ 35,085	\$ 44,288
Increase in Net Assets	\$ 35,085	\$ 44,288
Net Assets at Beginning of Year	\$ 991,713	\$ 947,425
Net Assets at Year-End	\$ <u>1,026,798</u>	\$ <u>991,713</u>

Schedules of Cash Flows - Coin Sales Surcharge Fund

**CAPITOL PRESERVATION FUND
SCHEDULES OF CASH FLOWS
COIN SALES SURCHARGE FUND**
for the Fiscal Years Ended September 30

	2000	1999
Cash Flows From Operating Activities		
Interest received	\$ 1,423,975	\$ 1,216,450
Cash paid for expenses	<u>0</u>	<u>0</u>
Net cash used by operating activities	\$ 1,423,975	\$ 1,216,450
Cash Flows From Investing Activities		
Purchases of Treasury securities	\$ (55,352,613)	(52,702,605)
Maturities of Treasury securities	<u>53,928,025</u>	<u>51,479,550</u>
Net cash provided (used) in investing activities	\$ (1,424,588)	\$ (1,223,055)
Net (Decrease) Increase in Cash	\$ (613)	\$ (6,605)
Cash at beginning of year	<u>1,354</u>	<u>7,959</u>
Cash at end of year	\$ <u><u>741</u></u>	\$ <u><u>1,354</u></u>
Reconciliation of Change in Net Assets to Net Cash Used by Operating Activities		
Change in Net Assets	\$ 1,543,560	\$ 1,230,299
Adjustments to reconcile change in net assets to net cash used by operating activities		
Decrease (increase) in accrued interest	<u>(119,584)</u>	<u>(13,849)</u>
Total Adjustments	(119,584)	(13,849)
Net Cash Used by Operating Activities	\$ <u><u>1,423,976</u></u>	\$ <u><u>1,216,450</u></u>

Schedules of Cash Flows - Gifts and Sales of Art, Property, and Money Fund

CAPITOL PRESERVATION FUND
SCHEDULES OF CASH FLOWS
GIFTS AND SALES OF ART, PROPERTY, AND MONEY FUND
for the Fiscal Years Ended September 30

	2000	1999
Cash Flows From Operating Activities		
Interest received	\$ 54,044	\$ 43,063
Cash paid for expenses	<u>(20,366)</u>	<u>0</u>
Net cash used by operating activities	\$ 33,678	\$ 43,063
Cash Flows From Investing Activities		
Purchases of Treasury securities	\$ (4,160,140)	\$ (3,473,332)
Maturities of Treasury securities	<u>4,123,956</u>	<u>3,427,936</u>
Net cash provided (used) in investing activities	\$ (36,184)	\$ (45,396)
Net (Decrease) Increase in Cash	\$ (2,506)	\$ (2,333)
Cash at beginning of year	<u>2,718</u>	<u>5,051</u>
Cash at end of year	\$ <u>212</u>	\$ <u>2,718</u>
Reconciliation of Change in Net Assets to Net Cash Used by Operating Activities		
Change in Net Assets	\$ 35,085	\$ 44,288
Adjustments to reconcile change in net assets to net cash used by operating activities		
Decrease (increase) in accrued interest	<u>(1,408)</u>	<u>(1,225)</u>
Total Adjustments	(1,408)	(1,225)
Net Cash Used by Operating Activities	\$ <u>33,677</u>	\$ <u>43,063</u>

Supplemental Schedules

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested

**Presorted Standard
Postage & Fees Paid
GAO
Permit No. GI00**

