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**COMMONWEALTH OF
MASSACHUSETTS
HOUSE OF REPRESENTATIVES**

**FINANCIAL STATEMENT AND
SUPPLEMENTAL INFORMATION
- MODIFIED ACCRUAL BASIS**

JUNE 30, 2008

**O'Connor
& Drew P.C.**
Certified Public Accountants

**COMMONWEALTH OF MASSACHUSETTS
HOUSE OF REPRESENTATIVES**

**Financial Statement and Supplemental Information
- Modified Accrual Basis**

June 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Honorable Speaker of the House of Representatives
of the Commonwealth of Massachusetts

We have audited the accompanying statement of available resources and expenditures - modified accrual basis of the Commonwealth of Massachusetts House of Representatives for the year ended June 30, 2008. This financial statement is the responsibility of the House's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of available resources and expenditures modified accrual basis is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in statement of available resources and expenditures - modified accrual basis. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of available resources and expenditures - modified accrual basis. We believe that our audit of the statement of available resources and expenditures - modified accrual basis provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared on the modified accrual basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the statement of available resources and expenditures modified accrual basis referred to above presents fairly, in all material respects, the results of operation of the Commonwealth of Massachusetts House of Representatives for the year ended June 30, 2008, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2009, on our consideration of the Commonwealth of Massachusetts House of Representative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

O'Connell & Drew, P.C.
Certified Public Accountants

August 10, 2009

**COMMONWEALTH OF MASSACHUSETTS
HOUSE OF REPRESENTATIVES**

**Statement of Available Resources and Expenditures
- Modified Accrual Basis**

For the Year Ended June 30, 2008

Available Resources:	
Appropriations	\$ 43,064,281
Expenditures:	
Expenditures	<u>34,381,002</u>
Balance of Continuing Accounts	<u>\$ 8,683,279</u>

The accompanying notes are an integral part of this financial statement.

COMMONWEALTH OF MASSACHUSETTS HOUSE OF REPRESENTATIVES

Notes to the Financial Statement - Modified Accrual Basis

June 30, 2008

Note 1 - Summary of Significant Accounting Policies

Organization

The Commonwealth of Massachusetts has a dual chamber legislature known as the General Court. The upper body of the General Court is the Senate, composed of 40 members and the lower body, the House of Representatives, consists of 160 members. Members are elected to a two-year term and have the responsibility of electing a presiding officer. The Senate is led by the Senate President and the House by the Speaker of the House.

Each chamber has its own procedural rules to govern activity within the chamber, as well as joint rules to govern the progress of bills. Bills enacted by the General Court become Acts or Resolves. Acts are considered to have a general effect and usually amend the state's code of law, the Massachusetts General Laws. Bills that have a limited impact are known as resolves. The laws passed by each legislative session in Massachusetts are published as the Acts and Resolves.

Basis of Presentation and Accounting

The accompanying financial statement presents the total resources available and the total expenditures of the operating accounts of the House of Representatives of the Commonwealth of Massachusetts (the "House"). Available resources consist of the general appropriation and the unexpended balances of available funds brought forward from the prior fiscal year. Each year, the Senate and the House appropriate resources for the various bureaus, commissions, departments, boards and institutions of state government, including the general appropriations for the House. As part of the budgetary process and as provided for in the General Laws of the Commonwealth of Massachusetts, the unexpended balances of available resources are evaluated on the basis of planned programs or commitments that have not yet been completed and are either brought forward to be available for such programs and commitments or revert back to the general fund of the Commonwealth of Massachusetts.

COMMONWEALTH OF MASSACHUSETTS HOUSE OF REPRESENTATIVES

Notes to the Financial Statement - Modified Accrual Basis - Continued

June 30, 2008

Note 1 - Summary of Significant Accounting Policies - Continued

Expenditures represent payments for the purchase of goods and services, including payroll, operating expenses, equipment and certain fixtures of the House. In addition, total expenditures include amounts designated for expenditures relative to the budgetary allotments for fiscal 2008 but which were paid subsequent to June 30, 2008. Generally accepted accounting principles do not allow the reporting of budgetary designations as expenditures, but require the reporting of expenditures as the obligation for goods and services is incurred.

In accordance with Section 8 of Chapter 7A of the Massachusetts General Laws, the financial operations of all funds of the House of Representatives are reported to the Comptroller of the Commonwealth on the Commonwealth's Statewide Accounting System, Massachusetts Management Accounting and Reporting System (MMARS). The Comptroller maintains the accounting records of the House and those of most other state departments and agencies. The accounting system utilized is a statutory or budgetary system that differs from generally accepted accounting principles (GAAP). Set forth above is the principal accounting policy of the Commonwealth of Massachusetts, which relates to the preparation of the accompanying financial statement, together with a description of how such policy differs from GAAP.

Income Tax Status

The House of Representatives is a governmental function of the Commonwealth and is exempt from Federal income tax under Code Section 115 of the Internal Revenue Code.



INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Honorable Speaker of the House of Representatives
of the Commonwealth of Massachusetts
Boston, Massachusetts

Our report on our audit of the statement of available resources and expenditures - modified accrual basis of the Commonwealth of Massachusetts House of Representatives for the year ended June 30, 2008, appears on page one. The audit was conducted for the purpose of forming an opinion on the statement of available resources and expenditures - modified accrual basis taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the statement of available resources and expenditures - modified accrual basis. Such information has been subjected to the auditing procedures applied in the audit of the statement of available resources and expenditures - modified accrual basis and, in our opinion, is fairly stated in all material respects in relation to the statement of available resources and expenditures - modified accrual basis taken as a whole.

O'Connor & Drew, P.C.
Certified Public Accountants

August 10, 2009

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Speaker of the House of Representatives
of the Commonwealth of Massachusetts
Boston, Massachusetts

We have audited the financial statements of Commonwealth of Massachusetts House of Representatives as of and for the year ended June 30, 2008, and have issued our report thereon dated August 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commonwealth of Massachusetts House of Representatives' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth of Massachusetts House of Representatives' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commonwealth of Massachusetts House of Representatives' internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commonwealth of Massachusetts House of Representatives' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commonwealth of Massachusetts House of Representatives' financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commonwealth of Massachusetts House of Representatives' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commonwealth of Massachusetts House of Representatives' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of the Commonwealth of Massachusetts House of Representatives, and is not intended to be, and should not be, used by anyone other than these specified parties.


Certified Public Accountants

August 10, 2009