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**COMMONWEALTH OF
MASSACHUSETTS
JOINT ACCOUNTS OF THE
LEGISLATURE**

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

JUNE 30, 2006

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

COMMONWEALTH OF MASSACHUSETTS JOINT ACCOUNTS OF THE LEGISLATURE

Financial Statement and Supplemental Information - Modified Accrual Basis

June 30, 2006

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INDEPENDENT AUDITORS' REPORT

To the Honorable Speaker of the House of Representatives
and the Honorable President of the Senate
of the Commonwealth of Massachusetts
Boston, Massachusetts

We have audited the accompanying statement of available resources and expenditures - modified accrual basis of the Commonwealth of Massachusetts Joint Accounts of the Legislature, for the year ended June 30, 2006. This financial statement is the responsibility of the Joint Accounts' 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 the 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.

To the Honorable Speaker of the House of Representatives
and the Honorable President of the Senate
of the Commonwealth of Massachusetts
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In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the results of operation of the Commonwealth of Massachusetts Joint Accounts of the Legislature for the year ended June 30, 2006, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2007, on our consideration of the Commonwealth of Massachusetts Joint Accounts of the Legislature's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

D'Annunzio & Drew, P.C.
Certified Public Accountants

May 7, 2007

**COMMONWEALTH OF MASSACHUSETTS
JOINT ACCOUNTS OF THE LEGISLATURE**

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

For the Year Ended June 30, 2006

Available Resources:	
Appropriations	\$ 21,574,545
Expenditures:	
Expenditures	<u>4,789,119</u>
Balance of Continuing Accounts	<u>\$ 16,785,426</u>

The accompanying notes are an integral part of this financial statement

COMMONWEALTH OF MASSACHUSETTS JOINT ACCOUNTS OF THE LEGISLATURE

Notes to the Financial Statement - Modified Accrual Basis

June 30, 2006

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. Joint Committees of the General Court are determined by both branches and are composed of Senate and House members. The Senate President assigns senators to committees and the Speaker of the House assigns representatives to committees. Joint rules govern the progress of bills that are referred to a topic-appropriate committee by the Senate Clerk and the House Clerk, subject to the presiding officer in each branch.

Basis of Presentation and Accounting

The accompanying financial statement presents the total resources available and the related expenditures of the joint operating accounts (the "Accounts") of the Commonwealth of Massachusetts House of Representatives and Senate. 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 Accounts. 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. At June 30, 2006, approximately \$16,785,000 of unexpended resources is available for planned programs and commitments in the next fiscal year.

Expenditures represent payments for the purchase of goods and services, including payroll, operating expenses, equipment and certain fixtures of the Accounts. In addition, total expenditures include amounts designated for expenditures relative to the budgetary allotments for fiscal 2006 but which were paid subsequent to June 30, 2006. 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.

COMMONWEALTH OF MASSACHUSETTS JOINT ACCOUNTS OF THE LEGISLATURE

Notes to the Financial Statement - Modified Accrual Basis - Continued

June 30, 2006

Note 1 - Summary of Significant Accounting Policies - Continued

Basis of Presentation and Accounting - Continued

In accordance with Section 8 of Chapter 7A of the Massachusetts General Laws, the financial operations of all funds of the Joint Accounts of the Legislature 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 Accounts 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 Joint Accounts of the Legislature are a governmental function of the Commonwealth and are exempt from Federal income tax under Code Section 115 of the Internal Revenue Code.



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

To the Honorable Speaker of the House of Representatives
and the Honorable President of the Senate
of the Commonwealth of Massachusetts
Boston, Massachusetts

We have audited the statement of available resources and expenditures – modified accrual basis of the Commonwealth of Massachusetts Joint Accounts of the Legislature for the year ended June 30, 2006, and have issued our report thereon dated May 7, 2007. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Commonwealth of Massachusetts Joint Accounts of the Legislature's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commonwealth of Massachusetts Joint Accounts of the Legislature's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

To the Honorable Speaker of the House of Representatives
and the Honorable President of the Senate
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Boston, Massachusetts
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A material weakness is a condition in which the design or operation of the one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of and management of the Commonwealth of Massachusetts Joint Accounts of the Legislature and is not intended to be and should not be used by anyone other than those specified parties.

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

May 7, 2007



INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Honorable Speaker of the House of Representatives
and the Honorable President of the Senate
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 Joint Accounts of the Legislature for the year ended June 30, 2006, 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

May 7, 2007

**COMMONWEALTH OF MASSACHUSETTS
JOINT ACCOUNTS OF THE LEGISLATURE**

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

For the Year Ended June 30, 2006

Appropriation

9700-0000	Budgetary Account - Joint Legislative Operations	
	Funds Appropriated Per Budget	\$ 6,767,859
	Balance Forward From FY05	<u>14,806,686</u>
	Total Funds Available	21,574,545
	Total Expenditures	<u>4,789,119</u>
	Adjusted Balance Forward To FY07	<u>\$ 16,785,426</u>