



UNITED STATES HOUSE OF REPRESENTATIVES AUDIT REPORT

**Audit of the Financial Statements
For the Fiscal Year Ended September 30, 2007
Report No. 08-HOC-13
December 8, 2008**

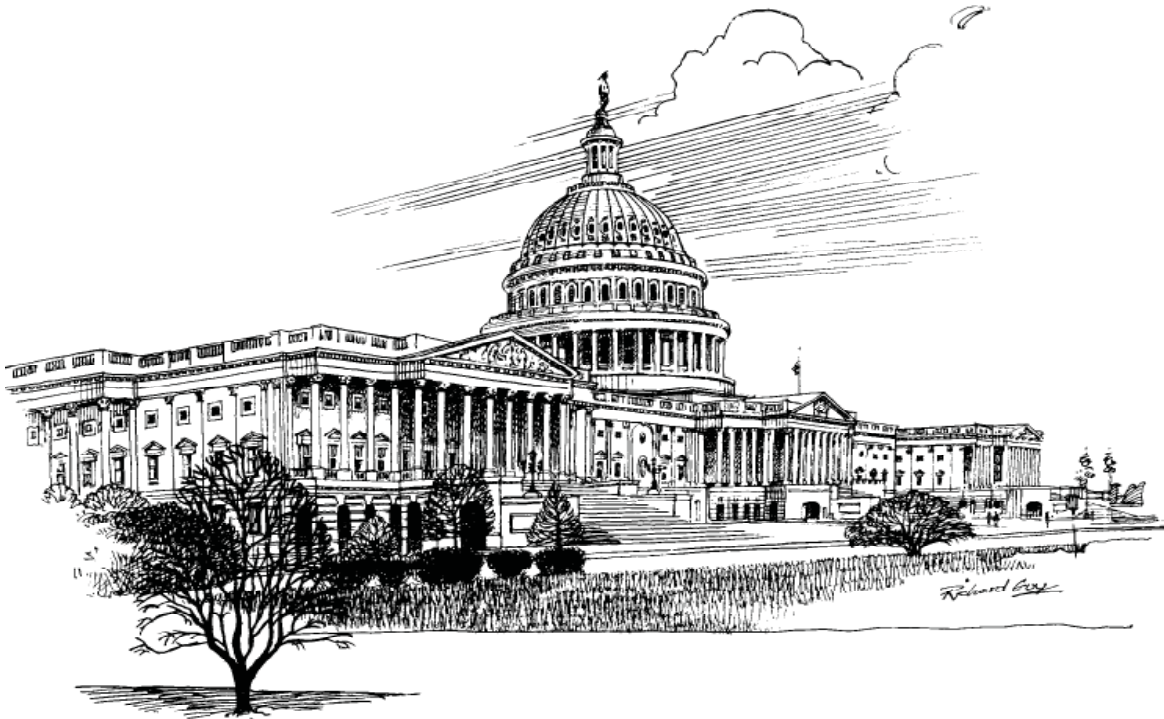




Table of Contents

Executive Summary	5
Independent Auditor’s Report.....	9
Fiscal Year 2007 Financial Statements.....	51
Consolidated Statement of Financial Position.....	52
Consolidated Statement of Operations	53
Consolidated Statement of Cash Flows	54
Notes to the Financial Statements	55
Supplemental Financial Schedules	69
Consolidating Statement of Financial Position	72
Consolidating Statement of Operations	74
Consolidating Statement of Cash Flows.....	76
Management Comments.....	79
Management Report	81
CAO Response to the 2007 Financial Statement Audit Report.....	89
Supplemental CAO Response to the 2007 Financial Statement Audit Report.....	109

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Executive Summary



EXECUTIVE SUMMARY

Results Of Audit

During the past year, the House continued to make progress in improving its financial management and operations. For the tenth year, the independent auditors expressed an “unqualified opinion” on the House’s financial statements and reported that the financial statements fairly present, in all material respects, the financial position of the House and the results of its operations and cash flows in conformity with generally accepted accounting principles. In addition, the *Independent Auditor’s Report* identified no instances of noncompliance with laws and regulations.

In their report, the independent auditors identified three internal control weaknesses, all of which are reportable conditions. The reportable conditions are associated with the internal control framework for the payroll cycle, financial reporting process and financial information system. The only new reportable condition for the current fiscal period is the finding related to the payroll cycle.

During fiscal year 2007, the House implemented or initiated corrective actions to address the 41 prior audit recommendations contained in last year’s report. Due to the House’s progress towards improving financial related activities, we were able to close (i.e., fully implemented or otherwise resolved) 12 of the 41 prior recommendations.

Recommendations

This report contains 45 recommendations consisting of 29 prior recommendations, for which corrective actions are in varying stages of implementation, and 16 new recommendations.

Management Response

The CAO responded to the *Independent Auditor’s Report* on July 8, 2008 as well as a supplemental response on August 8, 2008. In the responses, which are included in their entirety with the Management Comments section of this report, the CAO concurred with the reported internal control weaknesses and recommendations for corrective action.

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Independent Auditor's Report

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INDEPENDENT AUDITORS' REPORT

To the Inspector General
U.S. House of Representatives

In accordance with auditing standards generally accepted in the United States of America (GAAS) and standards applicable to financial statement audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States, we have conducted audits of Fiscal Years (FYs) 2007 and 2006 financial statements of the U.S. House of Representatives and an examination of the effectiveness of the House's internal control over financial reporting for the period ended September 30, 2007, in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA), GAS, and the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States. As a result of our audits and examinations, we found:

- The financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.
- The House had effective internal control over financial reporting (including safeguarding assets).
- No reportable noncompliance with laws and regulations that we tested.

The following sections discuss these conclusions in more detail; our audit objectives, scope, and methodology; other matters related to internal control; and agency comments and our evaluation.

CONCLUSIONS

Opinion on the Financial Statements

The financial statements including accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the Consolidated Statement of Financial Position as of September 30, 2007, and 2006, and the related Consolidated Statements of Operations and Cash Flows for the years then ended.

Opinion on Internal Control

The House maintained, in all material respects, effective internal control over financial reporting (including safeguarding assets) as of September 30, 2007, that provided reasonable assurance that misstatements or losses material in relation to the financial statements would be prevented or detected on a timely basis. Our opinion is based upon criteria contained in *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States.

Compliance with Laws and Regulations

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

OBJECTIVES, SCOPE, AND METHODOLOGY

Management is responsible for (1) preparing the financial statements in conformity with U.S. generally accepted accounting principles, (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the House maintained effective internal control over financial reporting based upon *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States, and (3) complying with applicable laws and regulations.

We are responsible for expressing an opinion on these financial statements based on our audits. We are required by GAAS and GAS to plan and perform our audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We believe that our audits provide a reasonable basis for our opinion.

Further, we are responsible for expressing an opinion on the effectiveness of internal control, and are required by AICPA attestation standards and GAS to conduct an examination to include obtaining an understanding of internal control over financial reporting, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

As part of obtaining reasonable assurance about whether the financial statements were free of material misstatements, we performed tests of compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Finally, we performed limited procedures with respect to certain other information appearing in the FY September 30, 2007, and 2006 consolidated financial statements.

To fulfill these responsibilities, we:

- Examined on a test basis evidence supporting amounts and disclosures in the financial statements.
- Assessed the accounting principles used and significant estimates made by management.
- Evaluated overall financial statement presentation.
- Obtained an understanding of the entity and its operations, including its internal control related to financial reporting (including safeguarding assets) and compliance with laws and regulations (including execution of transactions in accordance with budget authority).
- Tested relevant internal controls over financial reporting, and compliance and evaluated design and operating effectiveness of internal control.
- Tested compliance with selected provisions of laws and regulations specific to the House, which are contained in the *Members' Congressional Handbook and Committees' Congressional Handbook*.

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

We did not test compliance with all laws and regulations applicable to the House. We limited our tests of compliance to those laws and regulations required by Office of Management and Budget audit guidance we deemed applicable to the financial statements for the fiscal years ended September 30, 2007, and 2006. We caution that noncompliance may occur and not be detected by these tests, and that such testing may not be sufficient for other purposes.

OTHER MATTERS RELATED TO INTERNAL CONTROL

In performing our examination of the effectiveness of internal control over financial reporting of the House as of September 30, 2007, we identified certain deficiencies in internal control that we consider significant deficiencies under standards established by the AICPA.

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 entity's 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 entity's 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 entity's internal control.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. We did, however, identify deficiencies in internal control that we consider to be significant deficiencies in internal control. We describe these deficiencies in detail in Appendix A to this report.

AGENCY COMMENTS AND OUR EVALUATION

In commenting on a draft of this report, the House concurred with the facts and conclusions in our report. Management's response to this report can be found on page 91.

COTTON & COMPANY LLP



Matthew H. Johnson, CPA, CISA
Partner

August 29, 2008
Alexandria, Virginia

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Fiscal Year 2007 Financial Statements

U.S. House of Representatives
Consolidated Statement of Financial Position
as of September 30, 2007 and September 30, 2006

	2007	2006
	<u>Consolidated</u>	<u>Consolidated</u>
ASSETS		
Fund Balance with U.S. Treasury (Note 4)	\$ 197,273,657	\$ 174,705,449
Cash (Note 4)	1,731	1,673
Fund Balance with U.S. Treasury and Cash	<u>197,275,388</u>	<u>174,707,122</u>
Accounts Receivable, Net (Note 5)	582,090	745,799
Advances and Prepayments (Note 6)	5,415,179	2,707,359
Inventory	1,685,937	1,883,757
Property and Equipment, Net (Note 7)	<u>44,911,359</u>	<u>48,844,205</u>
Total Assets	<u><u>\$ 249,869,953</u></u>	<u><u>\$ 228,888,242</u></u>
LIABILITIES AND NET POSITION		
Accounts Payable (Note 9)	\$ 36,333,389	\$ 31,686,613
Capital Lease Liabilities (Note 8)	1,103,289	1,188,252
Accrued Funded Payroll and Benefits (Note 10)	7,694,679	8,057,874
Accrued Unfunded Annual Leave and Workers' Compensation (Note 10)	8,008,664	10,542,142
Deferred Credits (Note 11)	3,371,955	720,599
Unfunded Workers' Compensation Actuarial Liability (Note 12)	21,416,485	19,610,394
Other Liabilities	<u>280,944</u>	<u>414,878</u>
Total Liabilities	<u>78,209,405</u>	<u>72,220,752</u>
Unexpended Appropriations	130,918,403	121,516,521
Cumulative Results of Operations	<u>40,742,145</u>	<u>35,150,969</u>
Total Net Position (Note 13)	<u>171,660,548</u>	<u>156,667,490</u>
Total Liabilities and Net Position	<u><u>\$ 249,869,953</u></u>	<u><u>\$ 228,888,242</u></u>

U.S. House of Representatives
Consolidated Statement of Operations
for the Years Ended September 30, 2007 and September 30, 2006

	<u>2007</u>	<u>2006</u>
	<u>Consolidated</u>	<u>Consolidated</u>
REVENUE AND FINANCING SOURCES		
Revenue from Operations		
Sales of Goods	\$ 2,647,063	\$ 2,817,117
Sales of Services to Federal Agencies	4,604,975	4,772,769
Sales of Services of the Public	924,716	1,025,913
Interoffice Sales (Note 14)	0	0
Other Revenue	600,603	662,440
Total Revenue from Operations	<u>8,777,357</u>	<u>9,278,239</u>
Financing Sources		
Appropriations to Cover Expenses:		
Appropriations Received (Note 15)	1,239,261,523	1,251,428,239
Appropriations Yet To Be Received (Note 15)	1,137,887	4,055,919
Imputed Financing Source (Note 16)	58,745,201	57,557,337
Total Revenue and Financing Sources	<u>\$ 1,307,921,968</u>	<u>\$ 1,322,319,734</u>
EXPENSES		
Personnel Compensation	\$ 720,303,454	\$ 697,824,676
Benefits (Note 16)	298,666,559	293,609,713
Postage and Delivery	16,350,352	33,964,506
Repairs and Maintenance	53,546,925	53,346,715
Depreciation and Amortization (Note 7)	20,129,990	20,924,290
Rent, Communications, and Utilities	27,652,162	26,465,487
Telecommunications	28,790,797	27,302,317
Supplies and Materials	17,538,259	15,368,008
Travel and Transportation	35,427,049	36,490,909
Contract, Consulting, and Other Services	56,260,737	67,369,517
Printing and Reproduction	14,971,278	28,508,206
Subscriptions and Publications	9,509,895	12,118,166
Cost of Goods Sold	6,779,735	6,235,174
Other Expenses	594,319	511,993
Bad Debts	360,385	367,810
Interest on Capital Leases	216,459	230,927
Total Expenses	<u>\$ 1,307,098,355</u>	<u>\$ 1,320,638,414</u>
Excess (Shortage) of Revenue and Financing Sources over Total Expenses	<u>\$ 823,613</u>	<u>\$ 1,681,320</u>
CHANGE IN NET POSITION		
Net Position, Beginning Balance	\$ 156,667,490	\$ 209,529,520
Excess (Shortage) of Revenue and Financing Sources over Total Expenses	823,613	1,681,320
Plus (Minus) Non-Operating Changes	14,169,445	(54,543,350)
Net Position, Ending Balance	<u>\$ 171,660,548</u>	<u>\$ 156,667,490</u>

U.S. House of Representatives
Consolidated Statement of Cash Flows
for the Years Ended September 30, 2007 and September 30, 2006

	2007	2006
	<u>Consolidated</u>	<u>Consolidated</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess / (Deficiency) of Revenue and Financing Sources over Expenses	\$ 823,613	\$ 1,681,320
Adjustments affecting Cash Flow		
Appropriations Affecting Cash	(1,242,212,658)	(1,149,082,842)
(Increase) / Decrease in Accounts and Interoffice Receivable	163,709	395,909
(Increase) / Decrease in Advances and Prepayments	(2,707,820)	1,348,612
(Increase) / Decrease in Inventory	197,820	(558,124)
Increase / (Decrease) in Accounts and Interoffice Payables	4,646,776	6,330,243
Increase / (Decrease) in Other Accrued Liabilities	1,426,840	2,369,025
(Gain) / Loss on Disposal of Assets	594,319	494,493
Depreciation and Amortization	20,129,990	20,924,290
Net Cash Provided / (Used) by Operating Activities	<u>(1,216,937,411)</u>	<u>(1,116,097,074)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>(16,055,046)</u>	<u>(14,575,436)</u>
Net Cash Provided / (Used) by Investing Activities	<u>(16,055,046)</u>	<u>(14,575,436)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Appropriations	1,265,463,431	1,101,125,520
Funds Returned to the U.S. Treasury	(9,817,745)	(7,689,345)
Principal Payment on Capital Lease Liabilities	<u>(84,963)</u>	<u>(70,495)</u>
Net Cash Provided / (Used) by Financing Activities	<u>1,255,560,723</u>	<u>1,093,365,680</u>
Net Cash Provided / (Used) by Operating, Investing, and Financing Activities	22,568,266	(37,306,830)
Fund Balance with U.S. Treasury and Cash, Beginning	<u>174,707,122</u>	<u>212,013,952</u>
Fund Balance with U.S. Treasury and Cash, Ending	<u>\$ 197,275,388</u>	<u>\$ 174,707,122</u>

Notes to the Financial Statements

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

The U.S. House of Representatives (House) is one of two separate legislative chambers that comprise the Congress of the United States. The other is the U.S. Senate (Senate). All lawmaking powers of the Federal government are given to the Congress under Article I of the Constitution of the United States. The House and Senate jointly agree on a budget for the Legislative Branch and submit it to the President of the United States. The Members of the House serve two-year terms of office, which coincide with the sequential numbering of the entire Congress.

To help carry out its constitutional duties, the House creates committees of Members and assigns them responsibility for gathering information, identifying policy problems, proposing solutions, and reporting bills to the full chamber for consideration. The House appoints unelected officers to administer both legislative and non-legislative functions, which support the institution and its Members in carrying out its legislative duties. The consolidated comparative financial statements of the House provide financial information on the activities of all entities, which are subject to the authority vested in the House by the U.S. Constitution, public laws, and rules and regulations adopted by the membership of the House.

These financial statements reflect the organizational structure of the House under the 110th Congress. The following is a summary of the entity groupings as they appear in the fiscal year 2007 consolidating financial statements:

House **Members** are elected from congressional districts of approximately equal population. The financial information aggregates transactions of the Member districts and Washington, D.C. offices, and includes 435 Representatives; four Delegates, one each, from the District of Columbia, Guam, Virgin Islands, and American Samoa; and one Resident Commissioner from Puerto Rico.

The **Committees** financial information aggregates transactions of the Standing and Special and Select Committees of the 110th Congress. Committees are organized at the beginning of each Congress according to their jurisdictional boundaries incorporated in the Rules of the House. The Committees of the House under the 110th Congress are:

- Committee on Agriculture
- Committee on Appropriations
- Committee on Armed Services
- Committee on the Budget
- Committee on Education and Labor

- Committee on Energy and Commerce
- Committee on Financial Services
- Committee on Foreign Affairs
- Committee on Homeland Security
- Committee on House Administration
- Committee on the Judiciary
- Committee on Natural Resources
- Committee on Oversight and Government Reform
- Committee on Rules
- Committee on Science and Technology
- Committee on Small Business
- Committee on Standards of Official Conduct
- Committee on Transportation and Infrastructure
- Committee on Veterans' Affairs
- Committee on Voting Irregularities
- Committee on Ways and Means
- Permanent Select Committee on Intelligence
- Select Committee on Energy Independence and Global Warming

The House **Leadership Offices** financial information aggregates transactions of:

- Speaker of the House
- Majority and Minority Leaders
- Majority and Minority Whips
- Party Steering Committees, Caucus or Conference, which consist of Representatives of the same political party

The **Officers and Legislative Offices** financial information aggregates transactions of all legislative support and administrative functions provided to Members, Committees, and Leadership offices, including:

- Chaplain
- Chief Administrative Officer
- Office of Emergency Planning, Preparedness and Operations
- Clerk of the House
- Office of the General Counsel
- Office of Inspector General
- Office of the Historian
- Office of the Law Revision Counsel
- Office of the Legislative Counsel
- Parliamentarian
- Sergeant at Arms

The **Joint Functions** financial information aggregates transactions of the joint activities of the House and the

Senate to the extent that the House funds these functions in whole or in part. House administrative management does not exert direct control over the expenditures of these functions. The joint functions in these statements include:

Attending Physician
Joint Committee on Taxation, which has members from both the House and the Senate

Eliminations on the consolidating financial statements are used to negate the effect of financial transactions between House entities. Consolidated House financial information would be misleading if inter-entity transactions were not eliminated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Consolidation

The financial statements include the accounts and significant activities of the House. The consolidated financial statements do not include legislative agencies that support the House and that receive separate appropriations. These agencies are:

Library of Congress
Congressional Budget Office
Government Accountability Office
Government Printing Office
U.S. Botanic Garden
Architect of the Capitol
U.S. Capitol Police

Functions jointly shared between the House and the Senate are included in the consolidating financial statements to the extent their operations are funded by House appropriations. These consist of :

Attending Physician
Joint Committee on Taxation, which has members from both the House and the Senate

All significant interoffice balances and transactions have been eliminated to arrive at consolidated financial information.

B. Basis of Accounting

The House, in accordance with generally accepted accounting principles, utilizes the accrual basis of accounting, which provides for the recognition of events as they occur, as opposed to when cash is received or disbursed. Therefore, revenues are recorded when earned and expenses are recorded when a liability is incurred, without regard to receipt or payment of cash. The accrual basis of accounting contributes significantly to the development of accurate cost information needed to report the financial position and results of operations.

C. Fund Balance with the U.S. Treasury and Cash

Funds available to the House to pay current liabilities and finance authorized purchases are held with the U.S. Treasury.

- Fund Balance with the U.S. Treasury includes House accounts, as well as the Congressional Use of Foreign Currency account, which is held at the U.S. Treasury and is maintained and administered by the Department of State on behalf of the House.
- For purposes of the Consolidated Statement of Cash Flows, funds held with the U.S. Treasury are considered cash.

D. Accounts Receivable

Accounts receivable consists of money owed the House by Federal agencies, Members, employees and/or vendors less an Allowance for Doubtful Accounts.

E. Advances and Prepayments

Advances consist of payments to Federal government entities for contractual services and for mailings that require address corrections or additional postage. Prepayments primarily consist of prepaid subscriptions for publications and data communication services.

F. Inventory

The *Office Supply & Gift Shop* maintain an inventory of goods for sale. These entities are included with Officers and Legislative Offices in the consolidating financial statements. Inventories for sale are valued at the moving weighted average method.

Furnishings, also included with Officers and Legislative Offices, maintains inventories of such items as hardwood, carpet, leather, fabric, furniture components,

and repair materials. These items are not for sale and are reflected in the financial statements at an estimated value based on the first in/first out inventory valuation method.

G. Property and Equipment

Property and equipment including computer purchases are capitalized if the unit acquisition cost is equal to or greater than \$25,000 and the item has a useful life greater than one year. Software is capitalized if the unit acquisition cost is equal to or greater than \$10,000 and the item has a useful life greater than one year. The costs of such items are recognized as assets when acquired. An appropriate portion of an asset's value is reduced and an expense recognized over the accounting periods benefited by the asset's use. See Note 7, Property and Equipment, for additional information on property and equipment held by the House.

The House has possession of numerous assets that may be of significant historical and artistic value. The House does not include these assets in the financial statements. The land and buildings occupied and used by Members, officers, and employees in Washington, D.C. are under the custody of the Architect of the Capitol and are not included in the financial statements of the House.

H. Leases

The House leases office space, vehicles, computers and other equipment. These leases are generally classified as operating leases. House regulations require that leases entered into by Members for space and vehicles be no longer than the elected term of the Member. The House also enters into leases, which are structured such that their terms effectively finance the purchase of the item. Such leases convey the benefits and risks of ownership and are classified as capital leases, if the net present value of the minimum lease payments due at lease inception meets House capitalization criteria. Items acquired by capital leases are recorded as House assets. The asset and corresponding liability are recorded at the net present value of the minimum lease payments at lease inception. The portion of capital lease payments representing imputed interest is expensed as interest on capital leases. See Note 8, Lease Commitments, for additional lease information.

I. Deferred Credits

The House receives advance payments from other Federal government entities for shared services, in advance of the delivery of these services. These advance payments are recorded as deferred credits. As the services are rendered the deferred credit account is drawn down and the appropriate revenue is recognized.

J. Revenue from Operations

Revenue is recognized when goods have been delivered or services rendered.

- Sales of goods consist of *Office Supply and Gift Shop* sales.
- Sales of services to the public are comprised of Photography sales, Child Care fees, and Attending Physician fees.
- Interoffice sales between House entities consist of computer services, telecommunications, office supplies, framing, recording, office equipment, photography, tape duplication charges, and are eliminated on the consolidating financial statements.
- Other revenue consists of Page School room and board, and vendor commissions.

K. Appropriations to Cover Expenses

Like other Federal government organizations, the House finances most of its operations with appropriations. The expenses of Members, Committees, and Leadership offices are entirely financed with appropriations. Other House entities require appropriations to the extent the revenue generated does not cover expenses. Appropriations are considered a financing source, not a revenue, since appropriations do not result from an earnings process.

L. Postage and Delivery

Postage and delivery consists of franked mail expenses and miscellaneous postage expenses. Members' postage includes the use of the Frank, which is charged to the Members' Representational Allowance. Miscellaneous postage expenses include courier charges, stamps, and rental of post office boxes.

M. Repairs and Maintenance

Repairs and maintenance include all expenses related to the maintenance and upkeep of House equipment in both Washington, D.C. and in Members' district offices, as well as related operating lease payments on various types of equipment. In addition, property and equipment purchases below the capitalization thresholds discussed in Note 2G, Property and Equipment, are classified as repairs and maintenance.

N. Depreciation and Amortization

The cost of capital assets is allocated ratably over an asset's useful life as depreciation or amortization expense. The House calculates depreciation and amortization expense based on the straight-line method over an asset's estimated useful life. Depreciation expense is applicable to

tangible assets such as furniture, equipment, and vehicles. Amortization expense is applicable to intangible assets such as software and capital leases. Assets acquired under capital leases are generally amortized over the lease term. However, if a lease agreement contains a bargain purchase option or otherwise transfers title of the asset to the House, the asset is amortized on the same basis as similar categories of owned assets.

O. Rent, Communications, and Utilities

Rent and utilities consist primarily of the rental of district offices by Members and any related utility payments. Communications costs consist of charges for news wire services, satellite fees, and external network access services.

P. Telecommunications

Telecommunications expense includes local and long distance telephone service in Washington, D.C. and in Members' district offices.

Q. Supplies and Materials

Supplies and materials include office supplies used by the House and medical supplies used by the Attending Physician. Supplies and materials do not include inventories held for sale by retail entities such as the *Office Supply and Gift Shop*.

R. Travel and Transportation

Travel and transportation expenses include official travel by Members, Committees, and Leadership offices; travel by other House officers and employees and congressional delegations; freight and shipping costs; and expenses related to the lease and maintenance of vehicles.

S. Contract, Consulting, and Other Services

Contract, consulting, and other services include the cost of management services in House Postal Operations, annual audit fees, the cost of studies and analyses requested by Committees, as well as computer, recording, janitorial, and catering services.

T. Printing and Reproduction

This category primarily includes printing and reproduction of constituent communications. Also included are photography services, and printing and reproduction of items such as informational publications and reference materials.

U. Subscriptions and Publications

Subscriptions and publications include the cost of periodicals and news services.

V. Cost of Goods Sold

Cost of goods sold includes the cost of products sold in the retail operations of the *Office Supply and Gift Shop*, and the cost of services provided to federal and non-federal entities, such as the House postal facility.

W. Loss or Gain on Disposal of Assets

A loss is recognized when the net book value of the asset at the time of disposal exceeds any proceeds received. A gain is recognized when the net book value of the asset at the time of disposal is less than any proceeds received.

X. Annual Leave

Annual leave for the House Officers and their employees is accrued as earned, and the liability is reduced as leave is taken. The accrued annual leave balance as of September 30, 2007 is calculated according to Public Law 104-53, November 19, 1995, 109 Stat. 522. See Note 10, Accrued Payroll and Benefits and Leave, for additional information.

Y. Federal Employee and Veterans Benefits

This benefit expense includes the current cost of providing future pension benefits to eligible employees at the time the employees' services are rendered. Also included is the current period expense for the future cost of providing retirement benefits and life insurance to House employees. See Note 16, Benefits, for additional information.

Z. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the amount of revenue and expense reported during the period. Actual results could differ from those estimates.

NOTE 3 - INTRA-GOVERNMENTAL FINANCIAL ACTIVITIES

The House has significant intra-governmental financial activities with Executive and Legislative Branch entities. These financial activities include transactions and agreements to purchase goods and services.

Transactions with Executive Branch Agencies

The House's most significant interagency transactions are with the:

- U.S. Postal Service for postage,
- Department of Defense for contractual and maintenance services,
- U.S. Department of Labor (DOL) for unemployment and workers' compensation,
- General Services Administration (GSA) for the use and upkeep of office space in certain Members' district offices, office supplies and leased vehicles,
- U.S. Department of the Interior, U.S. Geological Survey, National Business Center for financial system contract and consulting services,
- U.S. Department of Transportation for transit benefits program, and
- Other Executive Branch agencies for special studies as requested by House Committees.

Significant cash disbursements to Executive Branch agencies during the fiscal years ended September 30, 2007 and 2006 were approximately:

Disbursements to Executive Branch Agencies	2007	2006
U.S. Postal Service	\$ 16,039,000	\$ 32,466,000
Department of Defense	1,870,000	513,000
General Services Administration	4,696,000	4,399,000
U.S. Department of Labor	3,903,000	2,157,000
U.S. Department of Transportation	2,076,000	1,856,000
U.S. Department of the Interior	524,000	519,000
Other Executive Branch Agencies	49,000	93,000

The House also reports significant financial transactions with the U.S. Department of State, which maintains and administers the Congressional Use of Foreign Currency

account on behalf of Congress. This account, which was established in 1948 and made permanent in 1981, is authorized by legislation codified in Title 22, Sec. 1754 of the United States Code. The funds are available to Congressional Committees and delegations to cover local currency expenses incurred while traveling abroad. The fund balance related to the account is included in Fund Balance with U.S. Treasury under Officers and Legislative Offices.

Use of the foreign currency account for Congressional delegations and other official foreign travel of the House is authorized by either the Speaker of the House or the chairman of a Standing, Special and Select, or Joint Committee. Therefore, all foreign currency account financial activity is reported as Committee and Leadership office travel expense.

Foreign Currency Balance with the U.S. Department of State	2007	2006
Beginning Balance	\$ 26,918,332	\$ 21,132,955
Appropriation Received	15,000,000	15,000,000
Travel Expenses:		
Leadership	(2,061,610)	(1,505,669)
Committees	(6,395,153)	(7,708,954)
Ending Balance	<u>\$ 33,461,569</u>	<u>\$ 26,918,332</u>

Transactions with Legislative Branch Entities

The House pays for support services provided by other Legislative Branch entities. These entities receive their own appropriations and operate autonomously from the House's administrative functions. The House received support services from the United States Senate in 2007. The House also receives support services from the Government Printing Office and the Architect of the Capitol.

Cash Disbursements to Legislative Branch Entities	2007	2006
Architect of the Capitol	\$ 330,000	\$ 233,000
Government Printing Office	29,000	79,000
United States Senate	988,000	967,000

The House also receives payments for services provided to the Congressional Budget Office and the Architect of the Capitol and for the reimbursement of services shared with other Federal government entities. In 2007 and 2006, the House shared services with the Library of Congress and the United States Senate.

Cash Receipts from Legislative Branch Entities	2007	2006
Library of Congress	\$ 4,388,000	\$ 4,120,000
United States Senate	468,000	315,000
Architect of the Capitol	250,000	294,000
Congressional Budget Office	70,000	93,000

NOTE 4 - FUND BALANCE WITH THE U.S. TREASURY AND CASH

The House has appropriated and revolving fund balances with the U.S. Treasury. The balances, as of September 30, 2007 and 2006 were:

Fund/Cash Accounts Maintained by the House	2007	2006
Fund Balance with Treasury/Cash	\$ 163,813,819	\$ 147,788,790
Congressional Use of Foreign Currency	<u>33,461,569</u>	<u>26,918,332</u>
Total	<u>\$ 197,275,388</u>	<u>\$ 174,707,122</u>

The House usually receives the full amount of its appropriation at the beginning of each fiscal year.

Cash on Hand represents deposits in transit and amounts held in a commercial bank account. Cash on Hand was \$1,731 and \$1,673 as of September 30, 2007 and 2006, respectively.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable balances represent amounts owed the House by Federal agencies, Members, employees and/or vendors less an allowance for doubtful accounts. The Allowance for Doubtful Accounts was derived from the receivables amount owed to the House for more than six months. The House is actively pursuing these overpayments.

Accounts Receivable	2007	2006
Accounts Receivable	\$ 1,476,306	\$ 1,367,102
Less: Allowance for Doubtful Accounts	<u>(894,216)</u>	<u>(621,303)</u>
Accounts Receivable, Net	<u>\$ 582,090</u>	<u>\$ 745,799</u>

NOTE 6 - ADVANCES AND PREPAYMENTS

Advances and prepayments are transfers of cash to cover future expenses or the acquisition of assets. These goods and/or services are delivered in increments that span several months. Advance payments are recorded as assets. As the goods and/or services are rendered, the Advance account is drawn down and the appropriate asset or expense is recognized. Prepayments are made for subscriptions and software licenses and are charged as expenses. At year-end, all such payments made for the

previous, current and succeeding years are analyzed to determine the proper expense and prepayment amounts applicable to the current accounting period for financial statement purposes. Advances and Prepayments are:

Advances and Prepayments	2007	2006
Advances	\$ 81,291	\$ 90,878
Prepayments	<u>5,333,888</u>	<u>2,616,481</u>
Total	<u>\$ 5,415,179</u>	<u>\$ 2,707,359</u>

NOTE 7 – PROPERTY AND EQUIPMENT

Software, vehicles and equipment, including computers, are capitalized if their acquisition cost equals or exceeds \$10,000 and \$25,000, respectively. Work in process consists of capitalized costs associated with assets received, but not placed in service as of the fiscal year end. Depreciation and amortization expense is based on

the straight-line method over an asset's estimated useful life. The change in work in process is due to numerous assets placed in service during the fiscal year. Property and equipment as of September 30, 2007 and the related depreciation and amortization expense are:

2007 Classes of Property and Equipment	Service Life (Years)	Estimated Acquisition Value	Accumulated Amortization/ Depreciation	Estimated Net Book Value	Amortization/ Depreciation Expense
Work in Process	N/A	\$ 10,312,531	\$ -	\$ 10,312,531	\$ -
Computer Software and Hardware	3	83,979,429	74,103,583	9,875,846	11,534,626
Computer Software and Hardware	5	790,911	790,911	-	-
Equipment	5	43,511,046	30,228,415	13,282,631	5,470,531
Motor Vehicles	5	10,499,782	5,151,960	5,347,822	2,064,928
Furnishings and Other Equipment	10	1,808,757	1,642,276	166,481	23,070
Assets Under Capital Lease	10	1,354,473	507,926	846,547	135,447
Leasehold Improvements	10	<u>9,085,375</u>	<u>4,005,874</u>	<u>5,079,501</u>	<u>901,388</u>
Total		<u>\$ 161,342,304</u>	<u>\$116,430,945</u>	<u>\$ 44,911,359</u>	<u>\$ 20,129,990</u>

Property and equipment as of September 30, 2006 and the related depreciation and amortization expense are:

2006 Classes of Property and Equipment	Service Life (Years)	Estimated Acquisition Value	Accumulated Amortization/ Depreciation	Estimated Net Book Value	Amortization/ Depreciation Expense
Work in Process	N/A	\$ 2,985,986	\$ -	\$ 2,985,986	\$ -
Computer Software and Hardware	3	88,136,004	69,523,012	18,612,992	12,731,001
Computer Software and Hardware	5	790,911	790,911	-	-
Equipment	5	39,214,760	26,442,339	12,772,421	5,074,480
Motor Vehicles	5	10,474,287	3,087,032	7,387,255	2,094,857
Furnishings and Other Equipment	10	1,816,568	1,626,757	189,811	58,320
Assets Under Capital Lease	10	1,354,473	372,479	981,994	135,447
Leasehold Improvements	10	<u>8,971,191</u>	<u>3,057,445</u>	<u>5,913,746</u>	<u>830,185</u>
Total		<u>\$ 153,744,180</u>	<u>\$104,899,975</u>	<u>\$ 48,844,205</u>	<u>\$ 20,924,290</u>

NOTE 8 – LEASE COMMITMENTS

Capital Leases

The House enters into leases, which are structured such that their terms effectively finance the purchase of the item. Such leases convey the benefits and risks of ownership and are classified as capital leases, if the net present value of the future minimum lease payments due at lease inception meets House capitalization criteria. Items acquired by capital leases are recorded as House assets. The asset and corresponding liability are recorded at the net present value of the future minimum lease payments due at lease inception. Assets under capital leases consist solely of building structures.

Future Capital Lease Payments Due as of
September 30, 2007:

Year	
2008	\$ 301,423
2009	301,423
2010	301,423
2011	301,423
2012	301,423
Thereafter	<u>376,779</u>
Total Future Capital Lease Payments	\$ 1,883,894
Less: Imputed Interest	<u>(780,605)</u>
Net Capital Lease Liabilities	\$ 1,103,289
Unfunded Liability	\$ 1,103,289

Operating Leases

The House enters into various operating leases for temporary usage of office space, vehicles, hardware, and software. Leases that convey the benefits and risks

of ownership, but do not meet House capitalization criteria are also recognized as operating leases. Operating lease payments are recorded as expenses. Future operating lease payments are not accrued as liabilities. Members may lease office space in their districts through GSA or may directly lease space from the private sector. The Members' Congressional Handbook states that a Member cannot enter into a lease for office space beyond his/her elected term. Members and officers also enter into leases to rent vehicles for official business purposes. A Member may lease a vehicle for a period that exceeds the current congressional term, but the Member remains personally responsible for the lease liability if service to the House concludes prior to lease termination. House administration also leases hardware and software.

Future Operating Lease Payments Due as of September 30, 2007:

Year	Vehicles	Office Space	Parking	Total
2008	\$ 899,107	\$ 9,458,386	\$ 37,659	\$ 10,395,152
2009	<u>312,211</u>	<u>1,074,753</u>	<u>4,443</u>	<u>1,391,407</u>
Total	<u>\$ 1,211,318</u>	<u>\$ 10,533,139</u>	<u>\$ 42,102</u>	<u>\$ 11,786,559</u>

Lease expense for office space was \$23,508,273 and \$22,640,564 for the years ended September 30, 2007 and 2006, respectively. Lease expense for vehicles was \$1,752,992 and \$1,661,266 for the years ended September 30, 2007 and 2006, respectively.

NOTE 9 - ACCOUNTS PAYABLE

Accounts Payable balances represent amounts owed for the cost of goods and services received but not yet paid. Accounts Payable also includes amounts owed to DOL for unemployment compensation.

Accounts Payable	2007	2006
Vendor Payables	\$ 35,977,983	\$ 31,526,737
Unemployment Compensation	<u>355,406</u>	<u>159,876</u>
Total	<u>\$ 36,333,389</u>	<u>\$ 31,686,613</u>

NOTE 10 - ACCRUED PAYROLL AND BENEFITS AND LEAVE

The House has both funded and unfunded payroll, benefits and leave. A funded liability has a corresponding appropriation to liquidate it. An unfunded liability is a liability that is incurred during the current or prior year but is not payable until a future fiscal year for which an appropriation has not yet been received.

The accrued annual leave balances are calculated according to Public Law 104-53, November 19, 1995, Sec. 109 Stat. 522 (i.e., the lesser of the employee's monthly pay or the monthly pay divided by 30 days and multiplied by the number of days of accrued leave). Sick and other types of paid leave are expensed as they are taken. Accrued payroll and benefits include salaries and associated benefits earned in September and paid in October.

The Members' and Committees' Congressional Handbooks allow offices to adopt personnel policies that provide for the accrual of annual leave and use of such leave. Leadership offices have also adopted similar policies. While leave is tracked from one pay period to the next, a consistent policy has not been formally adopted by

these entities regarding the accrual and payment of leave time. Therefore, an accrued leave liability for Members, Committees, and Leadership offices is estimated on the financial statements. In 2007, the estimate was based on a three-year average of actual annual leave paid. Accrued Workers' Compensation is the amount billed by Department of Labor that will be paid in subsequent fiscal years. Accrued annual leave and accrued payroll and benefits as of September 30, 2007 and 2006 were:

Accrued Leave, Payroll and Benefits, and Workers' Compensation	2007	2006
Funded		
Accrued Payroll and Benefits	\$ 7,694,679	\$ 8,057,874
Unfunded		
Accrued Annual Leave	5,428,091	8,225,229
Accrued Workers' Compensation	<u>2,580,573</u>	<u>2,316,913</u>
Total Unfunded	<u>\$ 8,008,664</u>	<u>\$ 10,542,142</u>

NOTE 11 - DEFERRED CREDITS

The House received payments in advance of receipt of shared services from the Library of Congress, the Senate, Department of Defense and the Department of State. The

deferred credit balance as of September 30, 2007 and 2006 was \$3,371,955 and \$720,599, respectively.

NOTE 12 - UNFUNDED WORKERS' COMPENSATION ACTUARIAL LIABILITY

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for the benefit of House employees under FECA are administered by DOL, which pays the initial claim and obtains reimbursement from the House. The unfunded workers' compensation actuarial liability is an estimate based on actuarial calculations using historical payment patterns to predict what costs will be

incurred in the future. The liability is adjusted annually by applying actuarial procedures. Any upward or downward adjustment to the liability is recorded as an annual increase or decrease to benefits expense. The House calculated the actuarial liability based on a model developed by DOL. The projected Unfunded Workers' Compensation Actuarial Liabilities as of September 30, 2007 and 2006 were \$21,416,485 and \$19,610,394, respectively.

NOTE 13 - NET POSITION

The components of Net Position are:

- Unexpended Appropriations - Appropriations are not considered expended until goods have been received or services have been rendered.
- Total Cumulative Results of Operations:

Cumulative Results of Operations - The net difference between expenses and revenue and financing sources including appropriations, revenues from operations and imputed financing sources.

Invested Capital - Funds used to finance capital assets such as computer hardware and software, vehicle+s, equipment, and inventory.

Future Funding Requirements - Known liabilities to be funded by future appropriations for accrued Annual Leave and Workers' Compensation.

Unexpended appropriations cancel at the end of the second fiscal year following the year in which appropriated. As required by law, these funds must be returned to the U.S. Treasury general account. Funds that were canceled and returned to the U.S. Treasury during fiscal years 2007 and 2006 are:

Appropriations	2007	2006
2005	\$ 9,817,745	\$ -
2004	-	7,689,345
Total	\$ 9,817,745	\$ 7,689,345

Net Position as of September 30, 2007 and 2006 for Appropriated Funds and Revolving Funds, including the House Recording Studio, Net Expenses of Equipment, Page School, House Services, Net Expenses of Telecommunications, and Office Supply Service revolving funds are shown in the following table:

Net Position	Net Position September 30, 2007 Totals		Net Position September 30, 2006 Totals	
Unexpended Appropriations		\$ 130,918,403		\$ 121,516,521
Cumulative Results of Operations:				
Cumulative Results of Operations	\$ 24,673,286		\$ 5,208,811	
Invested Capital	45,494,008		50,112,194	
Future Funding Requirements	(29,425,149)		(30,170,036)	
Total Cumulative Results of Operations		40,742,145		35,150,969
Total Net Position		\$ 171,660,548		\$ 156,667,490

Changes in net position may include prior period adjustments, excesses or shortages of revenue and financing sources over expenses, and non-operating changes, such as investments in capital assets and inventory. Increases (or decreases) in non-operating changes result when amounts invested in capital assets

and inventory exceed (or are less than) the amounts of liabilities to be funded by future appropriations.

The Net Position table above reflects an additional cumulative results of operations line which further disaggregates activity other than invested capital or future funding requirements.

NOTE 14 - REVOLVING FUNDS, INTEROFFICE SALES, AND TRANSFERS

Some House entities transfer costs to Members, Committees, and other House offices for goods and services provided. These entities are primarily:

- Customer Solutions, which transfers costs of equipment to the Members and Committees,
- House Information Resources, which transfers telecommunication charges, and
- Office Supply and Gift Shop, which transfers office supply purchases and flag sales.

Some House business-like entities operate as revolving funds. A revolving fund is a budgetary structure established by statute that authorizes certain government agencies to collect user fees or revenue to finance operating expenses. In 2007, the House operated revolving fund type activities for the House Recording Studio, Page School, Office Supply and Gift Shop, Child Care Center, and House Services.

NOTE 15 - APPROPRIATIONS TO COVER EXPENSES

Appropriations Received include current and prior year funds necessary to finance House operating expenses such as personnel and benefits costs, contract services, and travel expenses. The House recognizes appropriations to cover expenses in the same period in which the associated expense is incurred. Appropriations to cover investments in capital assets and inventory are recognized in the same period in which they are received.

Appropriations Yet To Be Received consist of expenses that are incurred in the current period, but will be funded by future appropriations. Such amounts include accrued actuarial liabilities, annual leave and workers' compensation expenses.

NOTE 16 - BENEFITS

House Members and employees are covered by either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Both Members and employees are eligible for retirement benefits under CSRS or FERS. A CSRS basic annuity, unreduced for age, debts to the fund, or survivor's benefits, is calculated by multiplying the highest 3 consecutive years' average salary by a percentage factor which is based on the length of Federal service. However, Members' benefits are different from those of employees. For example, a Member covered by CSRS is eligible to receive unreduced retirement benefits at age 60 if he or she has 10 years of Member service. An employee is eligible to receive reduced benefits at age 50 with 20 years of service or at any age with 25 years of service. The FERS basic benefit plan provides the same benefits for either Members or employees. CSRS employees contribute a portion of their earnings

to the Civil Service Retirement Fund. The House also contributes an amount to this fund. FERS employees, in addition to paying Social Security, contribute a portion of their base earnings to the FERS retirement fund. The House also contributes an amount toward the FERS retirement and Social Security funds.

Both FERS and CSRS employees can contribute to the Thrift Savings Plan (TSP) up to the IRS limit. FERS employees also receive an automatic one percent House-paid contribution, as well as an additional House matching TSP contribution up to five percent of their basic pay. CSRS employee contributions to TSP do not receive matching House contributions. FERS employees could receive benefits from FERS, the Social Security System, and TSP. CSRS employees could receive benefits from CSRS and TSP.

Member and Employee Expenses	2007	2006
Retirement Plan Contributions	\$134,238,538	\$130,955,863
Federal Employee and Veterans' Benefits	58,745,201	57,557,337
Social Security	47,562,097	45,906,604
Health Insurance	42,384,648	42,311,529
Student Loan/Fitness Center Programs	8,777,136	8,821,612
Unemployment and Workers' Compensation	3,783,124	1,580,366
Annual Leave	(2,797,139)	682,079
Death Benefits	975,421	1,303,657
Transit Benefits	2,072,218	2,030,798
Life Insurance	1,119,224	1,074,826
Workers' Compensation Actuarial Adjustment	<u>1,806,091</u>	<u>1,385,042</u>
Total	<u>\$298,666,559</u>	<u>\$293,609,713</u>

Benefits costs for the past 3 years have averaged approximately \$290 million per year.

Federal-employing entities recognize their share of the cost of providing future pension benefits to eligible employees at the time the employees' services are rendered. This cost is included in Federal Employee and Veterans' Benefits expense. The pension expense recognized in the Statement of Operations is the current service cost for House employees less the amount contributed by the employee. The measurement of the service cost requires the use of actuarial cost methods and assumptions, with the factors applied by the House provided by the Office of Personnel Management (OPM), the federal agency that administers the plan. The excess of the recognized pension expense over the amount contributed by the House represents the

amount being financed directly through the Civil Service Retirement and Disability Fund administered by OPM. The House does not receive an appropriation to fund this expense. Therefore, this portion of the pension expense is considered an imputed financing source to the House, and is included in the Imputed Financing Sources on the Statement of Operations. This amount was \$11,226,160 in 2007 and \$12,163,174 in 2006.

Federal-employing entities also recognize a current period expense for the future cost of post-retirement health benefits and life insurance for its employees while they are still employed. This cost is included in Federal Employee and Veterans' Benefits expense in the Statement of Operations. Employees and the House do not currently make contributions to fund these future benefits, and the House does not receive an appropriation to fund this expense. Therefore, this portion of the post-retirement health benefits and life insurance is considered an imputed financing source to the House, and is included in Imputed Financing Sources on the Statement of Operations. This amount was \$47,519,041 in 2007 and \$45,394,163 in 2006.

Federal Employee and Veterans' Benefits (Imputed Financing Source)	2007	2006
Current Service Cost - Federal Employees Health Benefits	\$47,409,363	\$45,288,369
Current Service Cost - Federal Pensions	11,226,160	12,163,174
Current Service Cost - Federal Employees Group Life Insurance	<u>109,678</u>	<u>105,794</u>
Total	<u>\$58,745,201</u>	<u>\$57,557,337</u>

NOTE 17 - EMERGENCY PREPAREDNESS

The House continues to develop contingency plans to ensure the continuation of all House Operations in the event of an emergency evacuation.

Approximately \$16 million and \$30 million were expended in 2007 and 2006, respectively.

NOTE 18 - CONTINGENCIES

The House is currently involved in a lawsuit, the probable outcome of which is unfavorable. The precise amount for the lawsuit is unknown based on the best information

available as of the reporting date and is not reflected in the financial statements.

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Supplemental Financial Schedules

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Consolidating Statements

U.S. House of Representatives
Consolidating Statement of Financial Position
as of September 30, 2007

	Members	Committees
ASSETS		
Fund Balance with U.S. Treasury	\$ 27,699,899	\$ 11,124,419
Cash	0	0
Fund Balance with U.S. Treasury and Cash	27,699,899	11,124,419
Accounts Receivable, Net	116,081	3,129
Interoffice Receivable	0	0
Advances and Prepayments	3,085,503	642,554
Inventory	0	0
Property and Equipment, Net	281,603	4,222,842
Total Assets	\$ 31,183,086	\$ 15,992,944
 LIABILITIES AND NET POSITION		
Accounts Payable	\$ 10,251,850	\$ 1,291,882
Interoffice Payable	1,480,936	417,815
Capital Lease Liabilities	0	0
Accrued Funded Payroll and Benefits	7,577,941	1,371
Accrued Unfunded Annual Leave and Workers' Compensation	2,596,174	1,224,163
Deferred Credits	0	0
Unfunded Workers' Compensation Actuarial Liability	0	0
Other Liabilities	0	0
Total Liabilities	21,906,901	2,935,231
Unexpended Appropriations	11,613,569	10,125,901
Cumulative Results of Operations	(2,337,384)	2,931,812
Total Net Position	9,276,185	13,057,713
Total Liabilities and Net Position	\$ 31,183,086	\$ 15,992,944

Leadership Offices	Officers and Legislative Offices	Joint Functions	Eliminations	Combined
\$ 5,339,362	\$ 148,533,999	\$ 4,575,978	\$ 0	\$ 197,273,657
0	1,731	0	0	1,731
<u>5,339,362</u>	<u>148,535,730</u>	<u>4,575,978</u>	<u>0</u>	<u>197,275,388</u>
100,929	361,861	90	0	582,090
0	2,077,854	0	(2,077,854)	0
127,244	1,431,672	128,206	0	5,415,179
0	1,685,937	0	0	1,685,937
<u>93,644</u>	<u>39,839,322</u>	<u>473,948</u>	<u>0</u>	<u>44,911,359</u>
<u>\$ 5,661,179</u>	<u>\$ 193,932,376</u>	<u>\$ 5,178,222</u>	<u>\$ (2,077,854)</u>	<u>\$ 249,869,953</u>
\$ 374,208	\$ 22,589,681	\$ 1,825,768	\$ 0	\$ 36,333,389
54,142	116,695	8,266	(2,077,854)	0
0	1,103,289	0	0	1,103,289
167	114,837	363	0	7,694,679
128,097	4,029,928	30,302	0	8,008,664
0	3,371,955	0	0	3,371,955
0	21,416,485	0	0	21,416,485
<u>0</u>	<u>280,944</u>	<u>0</u>	<u>0</u>	<u>280,944</u>
<u>556,614</u>	<u>53,023,814</u>	<u>1,864,699</u>	<u>(2,077,854)</u>	<u>78,209,405</u>
5,139,018	101,274,232	2,765,683	0	130,918,403
(34,453)	39,634,330	547,840	0	40,742,145
<u>5,104,565</u>	<u>140,908,562</u>	<u>3,313,523</u>	<u>0</u>	<u>171,660,548</u>
<u>\$ 5,661,179</u>	<u>\$ 193,932,376</u>	<u>\$ 5,178,222</u>	<u>\$ (2,077,854)</u>	<u>\$ 249,869,953</u>

U.S. House of Representatives
Consolidating Statement of Operations
for the Year Ended September 30, 2007

	Members	Committees
REVENUE AND FINANCING SOURCES		
Revenue from Operations		
Sales of Goods	\$ 0	\$ 0
Sales of Services to Federal Entities	0	0
Sales of Services to the Public	0	0
Interoffice Sales	0	0
Other Revenue	0	0
Total Revenue from Operations	0	0
Financing Sources		
Appropriations to Cover Expenses:		
Appropriations Received	777,429,846	200,672,210
Appropriations Yet To Be Received	(888,534)	(42,242)
Imputed Financing Source	37,420,715	11,585,481
Total Revenue and Financing Sources	\$ 813,962,027	\$ 212,215,449
EXPENSES		
Personnel Compensation	\$ 473,064,328	\$ 134,342,631
Benefits	193,525,873	56,265,732
Postage and Delivery	16,106,013	34,855
Repairs and Maintenance	24,620,285	4,980,208
Depreciation and Amortization	159,053	1,673,699
Rent, Communications, and Utilities	25,941,241	42,141
Telecommunications	14,850,030	1,951,532
Supplies and Materials	9,583,789	1,612,720
Travel and Transportation	24,416,446	7,566,329
Contract, Consulting, and Other Services	9,241,426	2,094,749
Printing and Reproduction	14,670,410	99,262
Subscriptions and Publications	7,444,672	1,157,439
Cost of Goods Sold	0	0
Other Expenses	53,076	374,759
Bad Debts	285,385	19,393
Interest on Capital Leases	0	0
Total Expenses	\$ 813,962,027	\$ 212,215,449
Excess (Shortage) of Revenue and Financing Sources over Total Expenses	\$ 0	\$ 0
CHANGE IN NET POSITION		
Net Position, Beginning Balance	\$ (3,197,941)	\$ 7,105,691
Excess (Shortage) of Revenue and Financing Sources over Total Expenses	0	0
Plus (Minus) Non-Operating Changes	12,474,126	5,952,022
Net Position, Ending Balance	\$ 9,276,185	\$ 13,057,713

<u>Leadership Offices</u>	<u>Officers and Legislative Offices</u>	<u>Joint Functions</u>	<u>Eliminations</u>	<u>Combined</u>
\$ 0	\$ 2,647,063	\$ 0	\$ 0	\$ 2,647,063
0	4,604,975	0	0	4,604,975
0	820,521	104,195	0	924,716
0	33,475,476	0	(33,475,476)	0
0	600,603	0	0	600,603
0	42,148,638	104,195	(33,475,476)	8,777,357
29,413,230	219,327,157	12,419,080	0	1,239,261,523
11,704	2,031,555	25,404	0	1,137,887
1,502,785	7,630,362	605,858	0	58,745,201
\$ 30,927,719	\$ 271,137,712	\$ 13,154,537	\$ (33,475,476)	\$ 1,307,921,968
\$ 17,389,070	\$ 88,481,041	\$ 7,026,384	\$ 0	\$ 720,303,454
7,312,443	38,625,116	2,937,395	0	298,666,559
17,996	186,375	5,113	0	16,350,352
1,008,422	22,632,916	305,094	0	53,546,925
68,507	17,754,922	473,809	0	20,129,990
84,561	1,584,039	180	0	27,652,162
654,903	11,189,873	144,459	0	28,790,797
924,139	5,011,827	405,784	0	17,538,259
2,285,678	1,080,252	78,344	0	35,427,049
739,261	42,708,102	1,477,199	0	56,260,737
117,440	79,876	4,290	0	14,971,278
287,316	428,729	191,739	0	9,509,895
0	40,255,211	0	(33,475,476)	6,779,735
10,665	155,819	0	0	594,319
27,318	27,737	552	0	360,385
0	216,459	0	0	216,459
\$ 30,927,719	\$ 270,418,294	\$ 13,050,342	\$ (33,475,476)	\$ 1,307,098,355
\$ 0	\$ 719,418	\$ 104,195	\$ 0	\$ 823,613
\$ 3,019,477	\$ 147,634,558	\$ 2,105,705	\$ 0	\$ 156,667,490
0	719,418	104,195	0	823,613
2,085,088	(7,445,414)	1,103,623	0	14,169,445
\$ 5,104,565	\$ 140,908,562	\$ 3,313,523	\$ 0	\$ 171,660,548

U.S. House of Representatives
Consolidating Statement of Cash Flows
for the Year Ended September 30, 2007

	Members	Committees
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess / (Deficiency) of Revenue and Financing Sources over Expenses	\$ 0	\$ 0
Adjustments affecting Cash Flow		
Appropriations Affecting Cash	(667,487,822)	(154,985,654)
(Increase) / Decrease in Accounts and Interoffice Receivable	173,017	5,991
(Increase) / Decrease in Advances and Prepayments	(2,068,844)	(386,607)
(Increase) / Decrease in Inventory	0	0
Increase / (Decrease) in Accounts and Interoffice Payables	371,092	(151,463)
Increase / (Decrease) in Other Accrued Liabilities	(2,140,815)	(372,359)
(Gain) / Loss on Disposal of Assets	53,076	374,759
Depreciation and Amortization	159,053	1,673,699
	(670,941,243)	(153,841,634)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(157,466)	(1,388,183)
	(157,466)	(1,388,183)
CASH FLOWS FROM FINANCING ACTIVITIES		
Appropriations	655,942,712	155,282,696
Funds Returned to the U.S. Treasury	(3,024,698)	(1,297,977)
Appropriated Funds Allocated	26,980,202	5,644,902
Principal Payment on Capital Lease Liabilities	0	0
	679,898,216	159,629,621
Net Cash Provided / (Used) by Operating, Investing and Financing Activities	8,799,507	4,399,804
Fund Balance with U.S. Treasury and Cash, Beginning	18,900,392	6,724,615
Fund Balance with U.S. Treasury and Cash, Ending	\$ 27,699,899	\$ 11,124,419

<u>Leadership Offices</u>	<u>Officers and Legislative Offices</u>	<u>Joint Functions</u>	<u>Eliminations</u>	<u>Combined</u>
\$ 0	\$ 719,418	\$ 104,195	\$ 0	\$ 823,613
(39,521,225)	(369,221,365)	(10,996,592)	0	(1,242,212,658)
(85,615)	(272,368)	36	342,648	163,709
(70,451)	(124,330)	(57,588)	0	(2,707,820)
0	197,820	0	0	197,820
(48,679)	3,784,500	1,033,974	(342,648)	4,646,776
(30,580)	3,963,148	7,446	0	1,426,840
10,665	155,819	0	0	594,319
68,507	17,754,922	473,809	0	20,129,990
<u>(39,677,378)</u>	<u>(343,042,436)</u>	<u>(9,434,720)</u>	<u>0</u>	<u>(1,216,937,411)</u>
<u>(17,570)</u>	<u>(14,336,001)</u>	<u>(155,826)</u>	<u>0</u>	<u>(16,055,046)</u>
<u>(17,570)</u>	<u>(14,336,001)</u>	<u>(155,826)</u>	<u>0</u>	<u>(16,055,046)</u>
22,822,184	420,108,538	11,307,301	0	1,265,463,431
(1,639,311)	(3,727,042)	(128,717)	0	(9,817,745)
20,477,514	(54,009,966)	907,348	0	0
0	(84,963)	0	0	(84,963)
<u>41,660,387</u>	<u>362,286,567</u>	<u>12,085,932</u>	<u>0</u>	<u>1,255,560,723</u>
1,965,439	4,908,130	2,495,386	0	22,568,266
<u>3,373,923</u>	<u>143,627,600</u>	<u>2,080,592</u>	<u>0</u>	<u>174,707,122</u>
<u>\$ 5,339,362</u>	<u>\$ 148,535,730</u>	<u>\$ 4,575,978</u>	<u>\$ 0</u>	<u>\$ 197,275,388</u>

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Management Comments

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Management Report

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Daniel P. Beard
Chief Administrative Officer

Office of the
Chief Administrative Officer
U.S. House of Representatives
Washington, DC 20515-6860

February 29, 2008

Cotton & Company LLP
Attention: Matthew Johnson
635 Slaters Lane, 4th Floor
Alexandria, VA 22314

Dear Mr. Johnson:

This letter is in connection with your audit of the Financial Statements of the U.S. House of Representatives which consist of the Statement of Financial Position as of September 30, 2007 and 2006 and the Statement of Operations and the Statement of Cash Flows for the years then ended (hereinafter referred to as the "financial statements"). The purpose of your audit is (1) express an opinion as to whether the Financial Statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, (2) express an opinion on the entity's internal control over financial reporting and (3) report on compliance with applicable laws and regulations as of September 30, 2007. We confirm that we are responsible for the fair presentation of the Financial Statements and Supplemental Statements in conformity with U.S. generally accepted accounting principles and for establishing and maintaining effective internal control.

Certain representations in this letter are described as being related to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the 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.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit, that these representations are as of the date of your auditor's report, and pertain to the period covered by the financial statements:

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles.
2. We have made available to you, all financial records and related data.
3. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or disclosed in the notes to the financial statements.
4. We believe that the effects of the uncorrected financial statement misstatements summarized in the accompanying schedule, if applicable, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

6. We have knowledge of an isolated incident of fraud or suspected fraud affecting the entity involving:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.

In the isolated incident there was opportunity for a shared employee to submit vouchers for the same or similar items. Financial Counseling consistently analyzes the Members Representational Accounts and reports. However, the controls did not identify the fraud. This incident was not material to the U.S. House of Representative's financial statements. The Department of Justice prosecuted a case involving the shared employee and the case was heard in Federal Court Alexandria, VA at which time the shared employee plead guilty.

7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, or others.
8. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
9. We have satisfactory title to all owned assets; such assets have no liens or encumbrances, nor have any assets been pledged.
10. Related party transactions and related accounts receivable or payable, including assessments, loans, and guarantees have been properly recorded and disclosed.
11. We have no guarantees under which we are contingently liable.
12. Provision, where material, has been made to reduce notes and accounts receivable to their estimated net realizable value.
13. All intra-agency transactions and balances have been appropriately identified and eliminated for financial reporting purposes, unless otherwise noted.
14. There are no:
 - a. possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency;
 - b. material liabilities or gain or loss contingencies that are required to be accrued or disclosed, that have not been accrued or disclosed; or
 - c. unasserted claims or assessments that are probable of assertion and that must be disclosed, that have not been disclosed.
15. No material events or transactions have occurred subsequent to September 30, 2007, that have not been properly recorded in the Financial Statements and Supplemental Statements or disclosed in the notes thereto.
16. With respect to internal control over financial reporting, we assert that the House maintained effective internal control over financial reporting as of September 30, 2007, as prescribed by the Government Accountability Office in *Standards for Internal Control in the Federal Government*.
17. With respect to internal control over compliance with applicable laws and regulations, those controls in place on September 30, 2007 provided reasonable assurance that the above objectives are met.
18. We have disclosed to you all significant deficiencies in the design or operation of internal control which could adversely affect the entity's ability to meet the internal control objectives and identified those we believe to be material weaknesses.

19. There are no significant deficiencies in the design or operation of internal control except for the following significant deficiencies identified in the Independent Auditor's Report on Internal Control. We do not consider any of these significant deficiencies to be material weaknesses:
- a. weaknesses in the financial information system reduce the integrity of financial data and reporting;
 - b. procedures used to ensure the completeness and accuracy of estimates, accruals, and other adjustments included in the year-end financial statements were inadequate; and
 - c. payroll.
20. We have disclosed to you all events subsequent to September 30, 2007, that might significantly affect internal control, including any corrective actions taken by management regarding significant deficiencies and material weaknesses.
21. We have made available to you all records relevant to the effectiveness of the entity's internal control.
22. We are responsible for compliance with applicable laws and regulations for the House of Representatives.
23. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
24. We have disclosed to you all known instances of noncompliance with laws and regulations.
25. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
26. We have informed you of all transactions received by the offices of the Chief Administrative Officer not entered into FFS, which could increase or decrease a Member's legislative year (LY) 2007 total authorized Representational Allowance and of any transactions which, if not reported, would cause a Member to overspend his/her LY 2007 Representational Allowance.

Kathy J. Perdue 
Assistant Chief Administrative Officer

Steen Hambric 
Assistant Chief Administrative Officer

Daniel Doody 
Deputy Chief Administrative Officer

Daniel P. Beard 
Chief Administrative Officer

Daniel P. Beard
Chief Administrative Officer

Office of the
Chief Administrative Officer
U.S. House of Representatives
Washington, DC 20515-6860

August 29, 2008

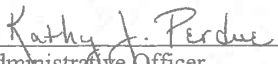
Cotton & Company LLP
Attention: Matthew Johnson
635 Slaters Lane, 4th Floor
Alexandria, VA 22314

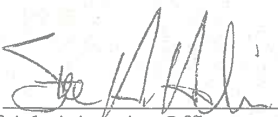
Dear Mr. Johnson:


This letter is an update to the Management Representation Letter, dated February 29, 2008, which we provided in connection with your audit of the Financial Statements of the U.S. House of Representatives as of September 30, 2007 and 2006. Overall the representations we made in February 2008 have not changed.

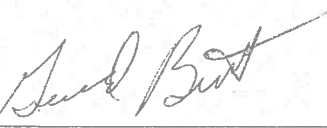
1. We have performed an evaluation of the effectiveness of the House's internal control over financial reporting in accordance with standards prescribed by the Government Accountability Office in *Standards for Internal Control in the Federal Government*, dated November 1999. We have assessed the effectiveness of the U.S. House of Representatives' internal control in achieving the following objectives:
 - Reliability of financial reporting - transactions are properly recorded, processed, and summarized to permit the preparation of the Principal Financial Statements and Supplemental Statements in accordance with generally accepted accounting principles, and that assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and
 - Compliance with applicable laws and regulations - transactions are executed in accordance with: (i) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, and (ii) any other laws, regulations, and policies of the U.S. House of Representatives.
2. We have described any material fraud and any other fraud that, although not material, involve management or other employees who have a significant role in the entity's internal control.
3. There were no subsequent events to the date being reported on, any changes in internal control or other factors that might significantly affect internal control, including any corrective actions taken by the responsible party with regard to significant deficiencies and material weaknesses.

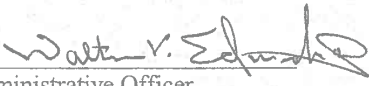
Cotton & Company LLP
August 29, 2008
Page 2

Kathy J. Perdue 
Assistant Chief Administrative Officer

Steen Hambric 
Assistant Chief Administrative Officer

Tom Coyne 
Assistant Chief Administrative Officer
Customer Solutions Delivery

Jerry Bennett 
Assistant Chief Administrative Officer
Assets, Furnishings and Logistics

Walt Edwards 
Deputy Chief Administrative Officer

Ali Qureshi 
Deputy Chief Administrative Officer

Daniel P. Beard 
Chief Administrative Officer

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CAO Response to the 2007 Financial
Statement Audit Report

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Supplemental CAO Response to the
2007 Financial Statement Audit Report

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