

**GENERAL ASSEMBLY OF THE
COMMONWEALTH OF PENNSYLVANIA**

**STATEMENT OF FINANCIAL AFFAIRS
OF THE GENERAL ASSEMBLY**

YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Legislative Audit Advisory Commission of the
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

Report on the Financial Statement

We have audited the accompanying statement of financial affairs of the General Assembly of the Commonwealth of Pennsylvania (“General Assembly”) for the year ended June 30, 2016, and the related notes to the financial statement.

Management’s Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the budgetary basis of accounting described in Note 1; this includes determining that the budgetary basis of accounting is an acceptable basis for the preparation of the financial statement in these circumstances. Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity’s preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the appropriations, disbursements, lapses, commitments, and appropriation balances of the General Assembly for the year ended June 30, 2016, in accordance with the budgetary basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the entity's basis of accounting. The financial statement is prepared on the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The supplementary information included in the schedule of disbursements by category is presented for the purpose of additional analysis and is not a required part of the financial statement. The supplementary information included in the schedule of disbursements by category is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information included in the schedule of disbursements by category is fairly stated in all material respects, in relation to the financial statement as a whole.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
January 23, 2017

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

STATEMENT OF FINANCIAL AFFAIRS OF THE GENERAL ASSEMBLY
Fiscal Year Ended June 30, 2016

| Legislative Department or Agency | Purpose of Appropriations | Total Current Year Appropriations | Appropriation Balances Available | | Disbursed | Lapsed | Appropriation Balances (Deficits) before | | Appropriation Balances (Deficits) after |
|--|--|---|--|----------------------|-------------|----------------------|--|----------------------|---|
| | | | from Prior Year(s) | | | | Commitments | Commitments | |
| Senate | | | | | | | | | |
| Chief Clerk | | | | | | | | | |
| Donetta M. D'Innocenzo | Salaries of 50 Senators | \$ 7,365,000 | \$ 2,731,312 | \$ 7,387,130 | \$ - | \$ 2,709,182 | \$ 390,151 | \$ 2,319,031 | |
| | Salaries of service employees | 10,918,000 | 1,119,915 | 11,456,127 | - | 581,788 | 722,626 | (140,838) | |
| | Salaries and wages of employees of the Chief Clerk | 2,604,000 | 1,342,514 | 2,330,984 | - | 1,615,530 | 5,513 | 1,610,017 | |
| | Incidental expenses | 2,738,000 | 5,885,685 | 4,590,185 | - | 4,033,500 | 172,873 | 3,860,627 | |
| | Senators' expenses | 1,270,000 | 2,092,278 | 687,688 | - | 2,674,590 | 94,484 | 2,580,106 | |
| | Legislative printing and expenses | 6,886,000 | 14,559,982 | 5,523,347 | - | 15,922,635 | 4,869,102 | 11,053,533 | |
| President: | | | | | | | | | |
| Mike Stack | Salaries of employees of the President of the Senate | 308,000 | 76,619 | 364,738 | - | 19,881 | 15,197 | 4,684 | |
| Floor Leader (R): | | | | | | | | | |
| Jake Corman | Caucus operations (R) | 32,014,087 | 1,399,726 | 31,853,400 | - | 1,560,413 | 1,605,671 | (45,258) | |
| Floor Leader (D): | | | | | | | | | |
| Jay Costa | Caucus operations (D) | 25,153,925 | 1,109,674 | 24,264,389 | - | 1,999,211 | 1,213,323 | 785,888 | |
| Floor Leaders (R) and (D): | | | | | | | | | |
| | Caucus operations (R) and (D) | 8,135,988 | - | 8,135,988 | - | - | - | - | |
| Chairman - Appropriations Committee (R): | | | | | | | | | |
| Patrick Browne | Committee on Appropriations (R) | 1,280,000 | 420,276 | 1,093,420 | - | 606,856 | 10,841 | 596,015 | |
| Chairman - Appropriations Committee (D): | | | | | | | | | |
| Vincent J. Hughes | Committee on Appropriations (D) | 1,280,000 | 459,905 | 1,011,631 | - | 728,274 | 3,544 | 724,730 | |
| Senate total | | \$ 99,953,000 | \$ 31,197,886 | \$ 98,699,026 | \$ - | \$ 32,451,861 | \$ 9,103,325 | \$ 23,348,536 | |

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GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

STATEMENT OF FINANCIAL AFFAIRS OF THE GENERAL ASSEMBLY (Continued)
Fiscal Year Ended June 30, 2016

| Legislative Department or Agency | Purpose of Appropriations | Total Current Year Appropriations | Appropriation Balances Available from Prior Year(s) | Disbursed | Lapsed | Appropriation Balances (Deficits) before Commitments | Commitments | Appropriation Balances (Deficits) after Commitments |
|--|--|---|---|---------------|--------|---|-------------|--|
| House of Representatives | | | | | | | | |
| Chief Clerk | | | | | | | | |
| Anthony F. Barbush (1) | Salaries of Representatives | \$ 27,663,000 | \$ 2,420,504 | \$ 22,468,339 | \$ - | \$ 7,615,165 | \$ 2,625 | \$ 7,612,540 |
| Dave Reddecliff (2) | Salaries of Bipartisan Management Committee, Chief Clerk, and Comptroller | 14,402,000 | 3,390,199 | 17,246,472 | - | 545,727 | 95,830 | 449,897 |
| | Mileage of Representatives, officers, and employees | 361,000 | 7,108 | 230,490 | - | 137,618 | 39,573 | 98,045 |
| | Postage for Chief Clerk and Legislative Journal | 2,712,000 | 1,451,811 | 2,230,966 | - | 1,932,845 | 31,178 | 1,901,667 |
| | Contingent expenses | 570,000 | 1,163,206 | 1,173,997 | - | 559,209 | 856 | 558,353 |
| | Incidental expenses | 4,921,000 | 1,209,023 | 529,415 | - | 5,600,608 | 392,091 | 5,208,517 |
| | Representatives' expenses | 4,127,000 | 2,225,969 | (1,602,732) | - | 7,955,701 | 174,264 | 7,781,437 |
| | Legislative printing and expenses | 10,363,000 | 1,705,019 | 11,966,051 | - | 101,968 | 7,899,473 | (7,797,505) |
| | National Legislative Conference | - | 592,219 | 585,948 | - | 6,271 | 3,000 | 3,271 |
| Speaker: | | | | | | | | |
| Mike Turzai | Salaries of Speaker's office | 1,757,000 | 3,327,289 | 2,251,385 | - | 2,832,904 | - | 2,832,904 |
| | Contingent expenses | 20,000 | 98,024 | 23,608 | - | 94,416 | - | 94,416 |
| Floor Leader (R): | | | | | | | | |
| Dave Reed | Special Leadership Account (R) | 5,869,000 | 8,988,976 | 6,595,794 | - | 8,262,182 | 5,227 | 8,256,955 |
| | Caucus operations (R) | 54,921,000 | 10,552,001 | 51,673,957 | - | 13,799,044 | 416,455 | 13,382,589 |
| | Contingent expenses | 7,000 | 31,646 | 1,302 | - | 37,344 | - | 37,344 |
| Floor Leader (D): | | | | | | | | |
| Frank Dermody | Special Leadership Account (D) | 5,869,000 | 8,431,009 | 13,958,839 | - | 341,170 | 1,968 | 339,202 |
| | Caucus operations (D) | 47,006,000 | 3,756,446 | 41,568,700 | - | 9,193,746 | 367,177 | 8,826,569 |
| | Contingent expenses | 7,000 | 63,847 | 2,891 | - | 67,956 | - | 67,956 |
| Chairman - Appropriations Committee (R): | | | | | | | | |
| William F. Adolph, Jr. | Committee on Appropriations (R) | 3,129,000 | 3,339,140 | 3,513,564 | - | 2,954,576 | 11,060 | 2,943,516 |
| | Contingent expenses | 6,000 | 71,766 | 1,533 | - | 76,233 | - | 76,233 |
| Chairman - Appropriations Committee (D): | | | | | | | | |
| Joseph Markosek | Committee on Appropriations (D) | 3,129,000 | 5,422,753 | 4,657,197 | - | 3,894,555 | 9,518 | 3,885,037 |
| | Contingent expenses | 6,000 | 15,522 | 3,739 | - | 17,783 | - | 17,783 |
| Whip (R): | | | | | | | | |
| Bryan Cutler | Contingent expenses | 6,000 | 14,042 | 3,224 | - | 16,819 | - | 16,819 |

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GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

STATEMENT OF FINANCIAL AFFAIRS OF THE GENERAL ASSEMBLY (Continued)
Fiscal Year Ended June 30, 2016

| Legislative Department or Agency | Purpose of Appropriations | Total Current Year Appropriations | Appropriation Balances Available from Prior Year(s) | Disbursed | Lapsed | Appropriation Balances (Deficits) before Commitments | Commitments | Appropriation Balances (Deficits) after Commitments |
|---|------------------------------|---|---|-----------------------|-------------|---|---------------------|--|
| House of Representatives (continued) | | | | | | | | |
| Whip (D): Michael Hanna | Contingent expenses | 6,000 | 19,140 | 9,820 | - | 15,320 | - | 15,320 |
| Caucus Chairman (R): Sandra Major | Contingent expenses | 3,000 | 17,955 | 58 | - | 20,897 | - | 20,897 |
| Caucus Chairman (D): Dan Frankel | Contingent expenses | 3,000 | 897 | 1,730 | - | 2,167 | - | 2,167 |
| Caucus Secretary (R): Donna Oberlander | Contingent expenses | 3,000 | 1,190 | 851 | - | 3,340 | - | 3,340 |
| Caucus Secretary (D): Rosita Youngblood | Contingent expenses | 3,000 | 2,292 | 2,992 | - | 2,300 | - | 2,300 |
| Chairman - Policy Committee (R): Kerry Benninghoff | Contingent expenses | 2,000 | 5,723 | 1,891 | - | 5,832 | - | 5,832 |
| Chairman - Policy Committee (D): P. Michael Sturla | Contingent expenses | 2,000 | 3,497 | 864 | - | 4,633 | - | 4,633 |
| Caucus Administrator (R): Brian Ellis | Contingent expenses | 2,000 | 8,470 | 630 | - | 9,840 | - | 9,840 |
| Caucus Administrator (D): Neal Goodman | Contingent expenses | 2,000 | 13,628 | - | - | 15,628 | - | 15,628 |
| Staff Administrator (R): Karen Coates | Contingent expenses | 20,000 | 102,839 | 4,681 | - | 118,158 | - | 118,158 |
| Staff Administrator (D): Mary-Jo Mullen (1) Dennis Louwerse (2) | Contingent expenses | 20,000 | 96,729 | 5,248 | - | 111,481 | - | 111,481 |
| House of Representatives total | | \$ 186,917,000 | \$ 58,549,878 | \$ 179,113,444 | \$ - | \$ 66,353,434 | \$ 9,450,295 | \$ 56,903,139 |

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GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

STATEMENT OF FINANCIAL AFFAIRS OF THE GENERAL ASSEMBLY (Continued)
Fiscal Year Ended June 30, 2016

| Legislative Department or Agency | Purpose of Appropriations | Total Current Year Appropriations | Appropriation Balances Available from Prior Year(s) | Disbursed | Lapsed | Appropriation Balances (Deficits) before Commitments | Commitments | Appropriation Balances (Deficits) after Commitments |
|--|---|---|---|-----------------------|-------------|---|----------------------|--|
| Legislative service agencies and miscellaneous appropriations | | | | | | | | |
| Legislative Reference Bureau: | | | | | | | | |
| Vincent C. DeLiberator, Jr., Director | Salaries, wages, and expenses | \$ 8,449,000 | \$ 5,450,056 | \$ 7,881,754 | \$ - | \$ 6,017,302 | \$ 3,933 | \$ 6,013,369 |
| | Contingent expenses | - | 88,172 | 18,624 | - | 69,548 | 801 | 68,747 |
| | Printing of Pennsylvania Bulletin and Pennsylvania Code | 811,000 | 434,861 | 766,377 | - | 479,484 | - | 479,484 |
| | New drafting system | - | 1,666,053 | 1,600,000 | - | 66,053 | - | 66,053 |
| Legislative Budget and Finance Committee: | | | | | | | | |
| Robert B. Mensch, Chairman | Salaries, wages, and expenses | 1,750,000 | 1,252,194 | 1,634,487 | - | 1,367,707 | 14,924 | 1,352,783 |
| Legislative Data Processing Committee: | | | | | | | | |
| Kathy Sullivan, Executive Director | Salaries, wages, and expenses | 21,643,000 | 13,775,861 | 19,623,866 | - | 15,794,995 | 1,511,777 | 14,283,218 |
| Joint State Government Commission: | | | | | | | | |
| Florindo J. Fabrizio, Chairman | Salaries, wages, and expenses | 1,475,000 | 372,958 | 897,145 | - | 950,813 | 29,879 | 920,934 |
| Local Government Commission: | | | | | | | | |
| John. H. Eichelberger, Jr., Chairman | Salaries, wages, and expenses | 1,111,000 | 470,261 | 913,862 | - | 667,399 | 168,768 | 498,631 |
| | Local government codes | 20,000 | 159,205 | 46,646 | - | 132,559 | - | 132,559 |
| Legislative Air and Water Pollution Control Commission: | | | | | | | | |
| Scott E. Hutchinson, Chairman | Salaries, wages, and expenses | 515,000 | 342,197 | 457,519 | - | 399,678 | 22,993 | 376,685 |
| Legislative Audit Advisory Committee: | | | | | | | | |
| Mark K. Keller, Chairman | Salaries, wages, and expenses | 247,000 | 104,650 | 129,650 | - | 222,000 | - | 222,000 |
| Independent Regulatory Review Commission: | | | | | | | | |
| David Sumner, Executive Director | Salaries, wages, and expenses | 1,869,000 | 1,336,005 | 1,636,174 | - | 1,568,831 | 77,773 | 1,491,058 |
| Capitol Preservation Committee: | | | | | | | | |
| John R. Gordner, Chairman | Capitol Renovation Committee | 717,000 | 622,636 | 664,694 | - | 674,942 | 69,279 | 605,663 |
| David Craig, Executive Director | Restoration of the Capitol | 1,869,000 | 2,737,835 | 2,034,025 | - | 2,572,810 | - | 2,572,810 |
| Independent Fiscal Office | | | | | | | | |
| Matthew Knittel, Director | Salaries, wages, and expenses | 1,692,000 | 2,384,315 | 1,301,006 | - | 2,775,309 | 19,682 | 2,755,627 |
| Pennsylvania Legislative Reapportionment Commission: | | | | | | | | |
| Donetta M. D'Innocenzo, Chief Clerk of the Senate | Miscellaneous expenses | 707,000 | 1,441,999 | 1,145,000 | - | 1,003,999 | - | 1,003,999 |
| Commonwealth Mail Processing Center: | | | | | | | | |
| Donetta M. D'Innocenzo, Chief Clerk of the Senate | Salaries, wages, and expenses | 2,923,000 | 3,676,585 | 1,955,424 | - | 4,644,161 | 20,440 | 4,623,721 |
| Center for Rural Pennsylvania | | | | | | | | |
| Barry L. Denk | Salaries, wages, and expenses | 884,000 | 753,044 | 903,971 | - | 733,073 | 9,132 | 723,941 |
| Legislative service agencies and miscellaneous appropriations total | | 46,682,000 | 37,068,886 | 43,610,223 | - | 40,140,663 | 1,949,380 | 38,191,283 |
| Total | | \$ 333,552,000 | \$ 126,816,650 | \$ 321,422,693 | \$ - | \$ 138,945,957 | \$ 20,503,000 | \$ 118,442,957 |

(1) Beginning of the fiscal year

(2) End of the fiscal year

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENT

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Basis of Presentation: The General Assembly of the Commonwealth of Pennsylvania prepares its financial statement on the budgetary basis of accounting, which is essentially cash basis modified for appropriations and certain commitments as discussed in Note 4. Accordingly, the accompanying financial statement is not intended to present changes in net position in conformity with accounting principles generally accepted in the United States.

At the state level, the government of the Commonwealth of Pennsylvania consists of three separate branches: the executive, the legislative, and the judicial branches. The legislative branch is comprised of the Senate, House of Representatives and various legislative service agencies (“LSA’s”), bureaus, committees, and commissions. The financial activity presented in this financial statement is also included within the Commonwealth of Pennsylvania’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016, prepared in accordance with accounting principles generally accepted in the United States applicable to governments.

Appropriations: Act 10-A of 2015, known as the General Appropriations Act of 2015 was signed on December 29, 2015, and effective as of July 1, 2015. Act 1-A of 2015, the Supplement to the General Appropriation Act of 2015, was signed on March 28, 2016, and was effective as of July 1, 2015. These acts specify the amounts of monies appropriated to the various legislative departments and agencies of the General Assembly for the payment of the salaries, wages, and other costs and expenses incurred in the conduct of their activities, and for the purposes set forth in the Acts, or other acts, for the fiscal year ended June 30, 2016. The Acts provides that the monies so appropriated are to be used for the payment of costs and expenses incurred during the fiscal year ended June 30, 2016, and for payment of those costs and expenses remaining unpaid at the close of the preceding fiscal year. The Acts also provides that the monies so appropriated shall be continuing appropriations.

Disbursements: The monies appropriated to the legislative departments and agencies of the General Assembly are disbursed by two methods.

Disbursements are made primarily by using the voucher transmittal method under which the department or agency must prepare and submit to the State Treasury a voucher transmittal form requesting payment to the payees shown and in the amounts listed on the transmittal. The department or agency sends the voucher transmittal to the State Treasury to prepare the checks payable to the payees listed.

The remaining disbursements are made by using the advance appropriation method. Under this method, the department or agency requests the State Treasury to prepare a check payable to an officer or an employee of the department or agency in an amount specified on an advancement transmittal form submitted to the State Treasury. The checks are deposited in, and the bills are paid from, a checking account opened in a commercial bank by the officer or employee. Under this method, the legislative department or agency obtains the funds appropriated to it prior to the payment of the costs and expenses incurred. The Act mentioned above generally provides that any department or agency that receives monies under an advance appropriation must maintain in its files an accounting of the disbursement of such funds, together with supporting documents.

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENT

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Disbursements (Continued):

The advance appropriation method is used for the following disbursements:

Senate

Incidental expenses

House of Representatives

Special Leadership Account (R) and (D)
Committee on Appropriations (R) and (D)
Contingent expenses

Legislative Reference Bureau

Contingent expenses

Capitol Preservation Committee

Capitol Renovation Committee

Current-year budgetary disbursements, as presented in the statement of financial affairs of the General Assembly, have been adjusted by immaterial amounts for changes in the above-noted advancement account cash balances at the end of the fiscal year, which are maintained in conventional checking accounts.

Operating Rules and Policies: The financial affairs of the General Assembly and the related service agencies comprise primarily the receipts and disbursements of monies appropriated to them in the annual appropriations acts and amendments thereto. In the appropriations acts, the descriptions of the purposes for which the monies are appropriated vary from specific to very general.

As a result, the General Assembly and the related service agencies have supplemented the appropriations acts with rules and manuals containing more specific details about the purposes for which appropriated monies could be disbursed and descriptions of the type and manner of documentation of such disbursements.

The accounting and operations policies of the General Assembly contains the standards applicable to various legislative service agencies, bureaus, committees and commissions and was adopted by the Rules Committees of both the Senate and House of Representatives. House Rule 14 and the Accounting and Operations Manual of the House of Representatives (including Bipartisan Management Committee policies) and Senate Financial Operating Rules (including Committee on Management Operations policies) were adopted by the members of the respective Chamber of both the Senate and the House of Representatives. These rules and policies incorporate applicable statutory provisions and set forth the purposes for which appropriated funds can be expended. They also contain standards of documentation for disbursements and descriptions of the record-keeping procedures to be used in preparing and maintaining an accounting record of the disbursement of the appropriated funds.

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENT

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Available from Prior Year(s): The General Appropriations Acts of 1977-2015 and amendments thereto provide that appropriations to the various legislative departments and agencies of the General Assembly are continuing appropriations. Therefore, appropriations unexpended at the end of an appropriation period are available in the subsequent appropriation period.

Concentration of Credit Risk: Various departments and agencies of the General Assembly maintain conventional checking accounts which, at times, exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The General Assembly has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Use of Estimates: The financial statement includes some amounts that are based on management's best estimates and judgments. The most significant estimates relate to commitments and retirement benefits. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

Subsequent Events: The General Assembly had evaluated subsequent events through January 23, 2017, the date the financial statements were available to be issued.

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENT

Note 2. Appropriation Transfers

There were various Appropriation Transfers made during the year to support operations during the June 30, 2015, budget impasse. These transfers were made in accordance with Act 1-A of 2014 (General Appropriations Act of 214) which allowed the Bipartisan Management Committee of the House of Representatives and the Committee on Management Operations of the Senate to transfer funds between appropriations made in this Act or any other fiscal year for the House of Representatives, Senate and Legislative Support Agencies, respectively, remaining unexpended and unencumbered as of the effective date of this Act as each committee deemed necessary.

Following the approval of the General Appropriations Act of 2015 and the Supplement to the General Appropriation Act of 2015 (Act 1-A of 2016), additional transfers were made in accordance with these Acts.

Appropriation transfers that occurred during the fiscal year ended June 30, 2016, are recorded as a disbursement in the “Disbursed” amount for the respective transferring appropriation, and as a reduction of disbursements in the “Disbursed” amount for the respective appropriation to which the funds were transferred.

| <u>Appropriation Name</u> | <u>Increasing (Decreasing)</u> |
|--|------------------------------------|
| Senate: | |
| Caucus Operations (D) | \$ 2,700,000 |
| Caucus Operations (R) | 2,300,000 |
| Commonwealth Mail Processing Center | 209,202 |
| Incidental Expenses | (1,010,000) |
| Legislative Printing and Expenses | (4,500,000) |
| Salaried Officers and Employees | 500,000 |
| Senate President - Expenses | 10,000 |
| House of Representatives: | |
| Chief Clerk | 10,000 |
| Contingent Expenses (R) and (D) | (10,000) |
| LSA: | |
| Capitol Preservation Committee | 35,000 |
| Commision on Sentencing | 370,000 |
| Commonwealth Mail Processing Center | (209,202) |
| Joint State Government Commission | 340,000 |
| Legislative Data Processing Center | 1,000,000 |
| Legislative Drafting System | (1,000,000) |
| Legislative Reapportionment Commission | (745,000) |
| Net Change | <u>\$ -</u> |

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENT

Note 3. Other Available Funds

In addition to the appropriations using the advancement method of disbursement, the Senate and the House of Representatives also maintain conventional checking accounts for the payment of certain member and employee benefits. Funds are disbursed from various appropriations for deposit into these accounts and payment of these benefits.

The following table summarizes the activity for each account for the fiscal year ended June 30, 2016:

| | Funds Available from Prior Year | Net Current- Year Activity | Funds Available at June 30, 2016 |
|-------------------------|--|---------------------------------------|---|
| Senate Benefits Account | \$ 11,139,088 | \$ (325,380) | \$ 10,813,708 |
| House Benefits Account | 9,043,360 | 5,534,222 | 14,577,582 |

The net current-year activity represents the difference between deposits from other appropriations and health insurance rebates received and disbursements made for benefits. The funds available from the prior year and at June 30, 2016, for the Senate Benefits Account and House Benefits Account, represent the respective ending balances in the conventional checking accounts. These funds are available for payment of benefits but are not reflected in the statement of financial affairs. The disbursements from the appropriations for deposit in these accounts are reflected in the “Disbursed” amount for the respective appropriations in the statement of financial affairs.

The House Benefits Account had made disbursements of \$4,251,657 for benefit costs incurred as of June 30, 2016, for which payment was made subsequent to June 30, 2016. The Senate Benefits Account incurred \$31,745 in benefit costs as of June 30, 2016, for which payment was made subsequent to June 30, 2016.

In addition to the above-mentioned benefits accounts, the Senate, House and LSAs have other funds available that are not included in the statement of financial affairs. These restricted receipt accounts are used to account for the receipt of Local Services and Earned Income Taxes. The Senate, House and LSAs disburse these funds quarterly to appropriate local tax collectors.

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENT

Note 3. Other Available Funds (Continued)

The following table summarizes the activity for each account for the fiscal year ended June 30, 2016:

| | Funds Available from Prior Year | Net Current- Year Activity | Funds Available at June 30, 2016 |
|---|--|---------------------------------------|---|
| Senate | | | |
| Local Services Tax | \$ 11,478 | \$ (2,446) | \$ 9,032 |
| Earned Income Tax | 53,092 | (678) | 52,414 |
| Total Restricted Receipt Accounts | <u>\$ 64,570</u> | <u>\$ (3,124)</u> | <u>\$ 61,446</u> |
| House of Representatives | | | |
| Local Services Tax | \$ 19,805 | \$ (1,009) | \$ 18,796 |
| Earned Income Tax | 89,955 | (4,583) | 85,372 |
| Total Restricted Receipt Accounts | <u>\$ 109,759</u> | <u>\$ (5,592)</u> | <u>\$ 104,167</u> |
| Legislative Support Agencies | | | |
| Earned Income Tax | | | |
| Legislative Reference Bureau | \$ 15,228 | \$ 151 | \$ 15,379 |
| Local Government Commission | 3,576 | (1,206) | 2,370 |
| Capitol Preservation Committee | 1,276 | - | 1,276 |
| Independent Fiscal Office | 2,892 | (220) | 2,672 |
| Joint State Government Commission | 2,421 | 71 | 2,492 |
| Legislative Budget & Finance Committee | 2,773 | 207 | 2,980 |
| Legislative Data Processing Committee | 6,990 | (306) | 6,684 |
| Joint Legislative Conservation Commission | 940 | 53 | 993 |
| Independent Regulatory Review Commission | 3,587 | (353) | 3,234 |
| Center for Rural Pennsylvania | 1,357 | (187) | 1,170 |
| Total Restricted Receipt Accounts | <u>\$ 41,040</u> | <u>\$ (1,790)</u> | <u>\$ 39,250</u> |
| Total Restricted Receipt Accounts | <u><u>\$ 215,369</u></u> | <u><u>\$ (10,506)</u></u> | <u><u>\$ 204,863</u></u> |

The net current-year activity represents the difference between Local Services and Earned Income Tax restricted receipts and quarterly disbursements made to local tax collectors.

Subsequent to June 30, 2016, the Senate, House, Independent Fiscal Office, Legislative Data Processing Committee, and the Joint Legislative Conservation Committee disbursed funds to local tax collectors from their Local Services and Earned Income Tax Accounts totaling \$4, \$85,333, \$2,671, \$6,684 and \$993, respectively.

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENT

Note 3. Other Available Funds (Continued)

Two related service agencies have funds available that are not included in the statement of financial affairs. These agencies are the Legislative Reference Bureau and the Capitol Preservation Committee. Each maintains a restricted receipts account, which is used to account for monies received from sources other than the state treasury.

The following table summarizes the activity for each account for the fiscal year ended June 30, 2016:

| | Funds Available from Prior Year | Net Current- Year Activity | Funds Available at June 30, 2016 |
|--|--|---------------------------------------|---|
| Legislative Reference Bureau | | | |
| Pennsylvania Consolidated Statutes Restricted Receipts Account | \$ 121,876 | \$ 23,333 | \$ 145,209 |
| Capitol Preservation Committee | | | |
| Capitol Restoration Trust Fund Restricted Receipts Account | 427,450 | 1,366 | 428,816 |

The net current-year activity for the Pennsylvania Consolidated Statutes Restricted Receipts Account represents net activity of receipts and disbursements from the publication of pamphlet laws and consolidated statutes. The net current-year activity for the Capitol Restoration Trust Fund Restricted Receipts Account represents contributions from the general public and disbursements for flags, flag preservation laboratory expenses, and other items of historical significance that are subject to Committee approval.

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENT

Note 4. Appropriation Commitments

The General Appropriations Acts of 1977-2015 and amendments thereto provide that appropriations to the various legislative departments and agencies of the General Assembly are continuing appropriations. Therefore, appropriations unexpended at the end of an appropriation period are available in the subsequent appropriation period. However, various commitments relate to the continuing appropriation balance. The General Assembly reports invoices payable, accrued payroll and lease commitment amounts; however, certain other commitments such as other post-employment retirement benefits and future compensated leave payout amounts are not included in the reported commitment amounts.

The following is a summary of the commitments presented in the statement of financial affairs at June 30, 2016:

| | Senate | House | LSAs | Total |
|-------------------|---------------------|---------------------|---------------------|----------------------|
| Commitments: | | | | |
| Invoices payable | \$ 4,031,098 | \$ 2,497,696 | \$ 1,037,041 | \$ 7,565,835 |
| Accrued payroll | 498,848 | 556,310 | 44,778 | 1,099,936 |
| Lease commitments | 4,573,379 | 6,396,289 | 867,561 | 11,837,229 |
| Total | <u>\$ 9,103,325</u> | <u>\$ 9,450,295</u> | <u>\$ 1,949,380</u> | <u>\$ 20,503,000</u> |

Invoices Payable

Invoices payable represents liabilities incurred during the fiscal year, but paid by the Pennsylvania Treasury subsequent to year end, for goods and services received and assets acquired from vendors.

Accrued Payroll

Accrued payroll relates to wages the General Assembly owes its employees for work performed.

Lease Commitments

Lease commitments are regular payments over a specified number of years under long-term contracts entered into by the General Assembly for the use of various assets.

The commitment amounts reported in the statement of financial affairs are included for the purpose of showing certain budgetary basis commitments and are not intended to present the financial position or the changes in financial position in conformity with accounting principles generally accepted in the United States.

SUPPLEMENTARY INFORMATION

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

SCHEDULE OF DISBURSEMENTS BY CATEGORY

Fiscal Year Ended June 30, 2016

| | |
|---------------------------|-----------------------|
| Announcements | \$ 26,307 |
| Education | 88,919 |
| Fixed assets | 4,813,941 |
| Insurance | 60,242 |
| Leases | 10,792,853 |
| Miscellaneous/other | 2,961,952 |
| Payroll/benefits | 275,550,943 |
| Postage | 2,206,139 |
| Printing | 937,612 |
| Publications | 713,483 |
| Renovations/preservations | 605,861 |
| Repairs/maintenance | 2,877,868 |
| Services | 8,285,028 |
| Supplies | 3,201,138 |
| Transportation | 4,143,412 |
| Travel | 2,925,091 |
| Utilities | 1,231,904 |
| | <u>\$ 321,422,693</u> |

Legislative Audit Advisory Commission of the
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statement of the General Assembly of the Commonwealth of Pennsylvania (the “General Assembly”) as of and for the year ended June 30, 2016. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the General Assembly’s practices and procedures.

Implement Purchasing Cards

We noted matters involving the use of separate checking accounts maintained for the various House of Representatives leadership contingent expenses. From an operational perspective, Members of the Caucus’ Leadership would prefer maintaining ownership of their appropriations. We believe a different approach may be possible which would incorporate a standard of best practices for the financial affairs of the House of Representatives.

As previously mentioned, we recommend the implementation of a purchasing/procurement card (P-Card) program. During September 2016, informational meetings occurred regarding the use of P-Card program for the House of Representatives. We strongly encourage continued evaluation and implementation this program.

Information Technology (“IT”) General Control Environment

Under professional accounting standards, external independent auditors are required to obtain and document their understanding of the entity's financial IT General Controls. As a result of our review, we recommend the General Assembly and its legislative service agencies, systems administrators, and others within the financial IT environment perform a thorough assessment of current policies and procedures.

This assessment should encompass the Legislative Data Processing Center which services the financial IT system of the General Assembly. We believe this assessment will assist management and others within the financial IT system environment in understanding day-to-day activities as well as identifying any potential improvements to enhance the effectiveness and efficiency of current financial IT system operations.

Consider House of Representatives Continuous Audit and Monitoring Functions

Given its size and complexity, we believe it would be extremely effective and efficient to perform continuous audit and monitoring functions of the financial affairs of the General Assembly. Moreover, continuous auditing and monitoring (e.g. internal auditor/accountant) can be cornerstones in helping internal audit respond effectively to the increased expectations that are placed upon them.

The concept of continuous auditing is fairly straightforward: to perform auditing activities on a frequent, repeated basis to provide ongoing assurance. This results in more timely insight into risk and financial control issues. Additionally, continuous monitoring is also straightforward: it is essentially a process that falls under management's responsibility, in which key business process transactions and controls are constantly assessed. This permits ongoing insight into the effectiveness of controls and the integrity of transactions running within them.

Conclusion

This letter is intended solely for the information and use of the Legislative Audit Advisory Commission and others within the General Assembly of the Commonwealth of Pennsylvania, and is not intended to be, and should not be, used by anyone other than these specified parties. We appreciate serving the General Assembly of the Commonwealth of Pennsylvania and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
January 23, 2017

Legislative Audit Advisory Commission of the
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

This letter is intended to inform the members of the Legislative Audit Advisory Commission (“LAAC”) of the General Assembly of the Commonwealth of Pennsylvania (“General Assembly”) about significant matters related to the conduct of our audit as of and for the year ended June 30, 2016, so it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Commission.

The following summarizes various matters which must be communicated to you under auditing standards generally accepted in the United States of America.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated February 2, 2016. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We issued a separate communication regarding the planned scope and timing of our audit and discussed with you our identification of, and planned audit response to, significant risks of material misstatement.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under the budgetary basis of accounting, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

The Members of the Commission have the ultimate oversight responsibility for the appropriateness of the accounting policies used by the General Assembly. Management did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period which should be brought to your attention for approval.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

We did not discuss with management any alternative treatments for accounting policies and practices related to material items during the current audit period.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements relate to commitments and retirement benefits.

Management has informed us they used all relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users.

The most sensitive disclosure affecting the financial statements was the disclosure relating to the commitments and retirement benefits. We evaluated the key factors used to develop the above disclosures in determining that they are neutral, consistent and concise in relation to the financial statements taken as a whole.

Audit Adjustments

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

Uncorrected Misstatements

There were no uncorrected misstatements accumulated during the audit.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 23, 2017.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited basic financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of the General Assembly.

Management Letter

We have separately communicated the comments and ideas that are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the General Assembly's practices and procedures in a letter dated January 23, 2017.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to be of service to the General Assembly of the Commonwealth of Pennsylvania.

This report is intended solely for the information and use of the Members of the Legislative Audit Advisory Commission and management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
January 23, 2017