

**GENERAL ASSEMBLY OF THE
COMMONWEALTH OF PENNSYLVANIA**

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

YEAR ENDED JUNE 30, 2017

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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, 2017, 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, 2017, 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
October 2, 2017

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

STATEMENT OF FINANCIAL AFFAIRS OF THE GENERAL ASSEMBLY
Fiscal Year Ended June 30, 2017

Legislative Department or Agency	Purpose of Appropriations	Appropriation			Transfers In / (Out)	Appropriation		Appropriation Balances (Deficits) after Commitments
		Total Current Year Appropriations	Balances Available from Prior Year(s)	Disbursed		Balances (Deficits) before Commitments	Commitments	
Senate								
Chief Clerk								
Donetta M. D'Innocenzo	Salaries of 50 Senators	\$ 7,586,000	\$ 2,709,182	\$ 8,070,363	\$ -	\$ 2,224,819	\$ -	\$ 2,224,819
	Salaries of service employees	12,360,000	581,788	11,703,998	(500,000)	737,790	188,320	549,470
	Salaries and wages of employees of the Chief Clerk	2,682,000	1,615,530	2,453,684	-	1,843,846	5,931	1,837,915
	Incidental expenses	3,026,000	4,033,500	1,518,610	510,000	6,050,890	79,258	5,971,632
	Senators' expenses	1,308,000	2,674,590	773,280	-	3,209,310	47,735	3,161,575
	Legislative printing and expenses	7,093,000	15,922,635	6,013,384	-	17,002,251	1,920,810	15,081,441
President:								
Mike Stack	Salaries of employees of the President of the Senate	317,000	19,881	307,521	(10,000)	19,360	6,020	13,340
Floor Leader (R):								
Jake Corman	Caucus operations (R)	39,235,280	1,560,413	39,159,644	2,400,000	4,036,049	655,356	3,380,693
Floor Leader (D):								
Jay Costa	Caucus operations (D)	30,827,720	1,999,211	28,889,715	(2,400,000)	1,537,216	562,105	975,111
Chairman - Appropriations Committee (R):								
Patrick Browne	Committee on Appropriations (R)	1,318,500	606,856	1,130,788	-	794,568	3,036	791,532
Chairman - Appropriations Committee (D):								
Vincent J. Hughes	Committee on Appropriations (D)	1,318,500	728,274	1,093,163	-	953,611	2,009	951,602
Total Senate current pension obligation		-	-	-	-	-	16,123,806	(16,123,806)
Total Senate current post-employment benefit obligation		-	-	-	-	-	8,248,467	(8,248,467)
Senate total		\$ 107,072,000	\$ 32,451,860	\$ 101,114,150	\$ -	\$ 38,409,710	\$ 27,842,853	\$ 10,566,857

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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, 2017

Legislative Department or Agency	Purpose of Appropriations	Total Current Year Appropriations	Appropriation Balances Available from Prior Year(s)	Disbursed	Transfers In / (Out)	Appropriation Balances (Deficits) before Commitments	Commitments	Appropriation Balances (Deficits) after Commitments
House of Representatives								
Chief Clerk								
Dave Reddecliff	Salaries of Representatives	\$ 28,493,000	\$ 7,615,165	\$ 27,123,723	\$(6,315,779)	\$ 2,668,663	\$ 1,293	\$ 2,667,370
	Salaries of Bipartisan Management Committee, Chief Clerk, and Comptroller	14,834,000	545,727	10,259,068	-	5,120,659	242,518	4,878,141
	Mileage of Representatives, officers, and employees	372,000	137,618	371,805	-	137,813	29,637	108,176
	Postage for Chief Clerk and Legislative Journal	2,793,000	1,932,845	3,591,802	-	1,134,043	10,284	1,123,759
	Contingent expenses	591,000	559,209	444,236	-	705,973	19,872	686,101
	Incidental expenses	5,069,000	5,600,608	7,787,863	-	2,881,745	342,853	2,538,892
	Representatives' expenses	4,251,000	7,955,701	10,615,734	-	1,590,967	134,953	1,456,014
	Legislative printing and expenses	10,674,000	101,968	6,449,869	-	4,326,099	2,542,185	1,783,914
	National Legislative Conference	511,000	6,271	44,880	-	472,391	-	472,391
Speaker:								
Mike Turzai	Salaries of Speaker's office	1,810,000	2,832,904	-	1,239,850	5,882,754	-	5,882,754
	Contingent expenses	20,000	94,416	10,097	-	104,319	-	104,319
Floor Leader (R):								
Dave Reed	Special Leadership Account (R)	6,045,000	8,262,182	218,828	2,443,450	16,531,804	560	16,531,244
	Caucus operations (R)	60,375,000	13,799,044	67,002,777	-	7,171,267	1,117,733	6,053,534
	Contingent expenses	7,000	37,344	953	-	43,391	-	43,391
Floor Leader (D):								
Frank Dermody	Special Leadership Account (D)	6,045,000	341,170	589,605	-	5,796,565	2,937	5,793,628
	Caucus operations (D)	58,000,000	9,193,746	45,482,076	-	21,711,670	1,075,772	20,635,898
	Contingent expenses	7,000	67,956	1,013	-	73,943	-	73,943
Chairman - Appropriations Committee (R):								
William F. Adolph, Jr. (1)	Committee on Appropriations (R)	3,223,000	2,954,576	2,641,957	-	3,535,619	72,794	3,462,825
Stanley E. Saylor (2)	Contingent expenses	6,000	76,233	29,315	-	52,918	-	52,918
Chairman - Appropriations Committee (D):								
Joseph Markosek	Committee on Appropriations (D)	3,223,000	3,894,555	2,290,945	2,632,479	7,459,089	62,354	7,396,735
	Contingent expenses	6,000	17,783	10,459	-	13,324	274	13,050
Whip (R):								
Bryan Cutler	Contingent expenses	6,000	16,819	4,547	-	18,272	-	18,272
Whip (D):								
Michael Hanna	Contingent expenses	6,000	15,320	8,910	-	12,410	-	12,410

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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, 2017

Legislative Department or Agency	Purpose of Appropriations	Total Current Year Appropriations	Appropriation Balances Available from Prior Year(s)	Disbursed	Transfers In / (Out)	Appropriation Balances (Deficits) before Commitments	Commitments	Appropriation Balances (Deficits) after Commitments
House of Representatives (continued)								
Caucus Chairman (R): Sandra Major (1) Marcy Toepel (2)	Contingent expenses	3,000	20,897	2,375	-	21,522	-	21,522
Caucus Chairman (D): Dan Frankel	Contingent expenses	3,000	2,167	2,090	-	3,077	-	3,077
Caucus Secretary (R): Donna Oberlander	Contingent expenses	3,000	3,340	2,254	-	4,086	9	4,077
Caucus Secretary (D): Rosita Youngblood	Contingent expenses	3,000	2,300	3,518	-	1,782	-	1,782
Chairman - Policy Committee (R): Kerry Benninghoff	Contingent expenses	2,000	5,832	2,167	-	5,665	174	5,491
Chairman - Policy Committee (D): P. Michael Sturla	Contingent expenses	2,000	4,633	1,390	-	5,243	78	5,166
Caucus Administrator (R): Brian Ellis (1) Kurt A. Masser (2)	Contingent expenses	2,000	9,840	1,911	-	9,929	-	9,929
Caucus Administrator (D): Neal Goodman	Contingent expenses	2,000	15,628	965	-	16,663	-	16,663
Staff Administrator (R): Karen Coates	Contingent expenses	20,000	118,158	3,765	-	134,393	15	134,378
Staff Administrator (D): Paul Parsells	Contingent expenses	20,000	111,481	5,656	-	125,825	10	125,815
Total House of Representatives current pension obligation		-	-	-	-	-	27,682,734	(27,682,734)
Total House of Representatives current post-employment benefit obligation		-	-	-	-	-	18,692,220	(18,692,220)
House of Representatives total		\$ 206,427,000	\$ 66,353,436	\$ 185,006,553	\$ -	\$ 87,773,883	\$ 52,031,259	\$ 35,742,624

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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, 2017

Legislative Department or Agency	Purpose of Appropriations	Total Current Year Appropriations	Appropriation Balances Available from Prior Year(s)	Disbursed	Transfers In / (Out)	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	\$ 9,011,000	\$ 6,017,302	\$ 8,590,452	\$ -	\$ 6,437,850	\$ 3,383	\$ 6,434,467
	Contingent expenses	-	69,548	14,769	-	54,779	442	54,337
	Printing of Pennsylvania Bulletin and Pennsylvania Code	867,000	479,484	705,703	-	640,781	-	640,781
	New drafting system	-	66,053	-	-	66,053	-	66,053
Legislative Budget and Finance Committee:								
Robert B. Mensch, Chairman	Salaries, wages, and expenses	1,872,000	1,367,707	1,472,221	-	1,767,486	8,719	1,758,767
Legislative Data Processing Committee:								
Kathy Sullivan, Executive Director (1)	Salaries, wages, and expenses	22,704,000	15,794,995	12,343,755	-	26,155,240	2,249,685	23,905,555
Brent McClintock, Executive Director (2)		-	-	-	-	-	-	-
Joint State Government Commission:								
Florindo J. Fabrizio, Chairman	Salaries, wages, and expenses	1,577,000	950,813	1,420,975	-	1,106,838	17,649	1,089,189
Local Government Commission:								
John. H. Eichelberger, Jr., Chairman	Salaries, wages, and expenses	1,188,000	667,399	1,056,124	-	799,275	85,023	714,252
	Local government codes	22,000	132,559	15,245	-	139,314	-	139,314
Legislative Air and Water Pollution Control Commission:								
Scott E. Hutchinson, Chairman	Salaries, wages, and expenses	551,000	399,678	498,843	-	451,835	3,859	447,976
Legislative Audit Advisory Committee:								
Mark K. Keller, Chairman	Salaries, wages, and expenses	264,000	222,000	112,500	-	373,500	-	373,500
Independent Regulatory Review Commission:								
David Sumner, Executive Director	Salaries, wages, and expenses	1,998,000	1,568,831	1,735,193	-	1,831,638	41,594	1,790,044
Capitol Preservation Committee:								
John R. Gordner, Chairman	Capitol Renovation Committee	766,000	674,942	773,880	-	667,062	63,823	603,239
David Craig, Executive Director	Restoration of the Capitol	1,998,000	2,572,810	1,851,394	-	2,719,416	-	2,719,416
Independent Fiscal Office								
Matthew Knittel, Director	Salaries, wages, and expenses	2,076,000	2,775,309	1,710,770	-	3,140,539	47,540	3,092,999
Pennsylvania Legislative Reapportionment Commission:								
Donetta M. D'Innocenzo, Chief Clerk of the Senate	Miscellaneous expenses	756,000	1,003,999	-	-	1,759,999	-	1,759,999
Commonwealth Mail Processing Center:								
Donetta M. D'Innocenzo, Chief Clerk of the Senate	Salaries, wages, and expenses	3,125,000	4,644,161	1,846,753	-	5,922,408	6,892	5,915,516
Center for Rural Pennsylvania								
Barry L. Denk	Salaries, wages, and expenses	1,046,000	733,073	879,585	-	899,488	286,688	612,800
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
Total Legislative service agencies current pension obligation		-	-	-	-	-	3,491,388	(3,491,388)
Legislative service agencies and miscellaneous appropriations total		\$ 49,821,000	\$ 40,140,663	\$ 35,028,162	\$ -	\$ 54,933,501	\$ 6,306,685	\$ 48,626,816
Total		\$ 363,320,000	\$ 138,945,959	\$ 321,148,865	\$ -	\$ 181,117,094	\$ 86,180,797	\$ 94,936,297

(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, 2017, prepared in accordance with accounting principles generally accepted in the United States applicable to governments.

Appropriations: Act 16-A of 2016, known as the General Appropriations Act of 2016 became law on July 12, 2016, and effective as of July 1, 2016. This Act specifies 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 Act, or other acts, for the fiscal year ended June 30, 2017. 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, 2017, and for payment of those costs and expenses remaining unpaid at the close of the preceding fiscal year. The Act 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 1977-2016 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 October 2, 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 fiscal year ended June 30, 2017. These transfers were made in accordance with Act 16-A of 2016 (General Appropriations Act of 2016) 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.

<u>Appropriation Name</u>	<u>Increasing (Decreasing)</u>
Senate:	
Caucus Operations (R)	\$ 2,400,000
Caucus Operations (D)	(2,400,000)
Incidental Expenses	510,000
Salaried Officers and Employees	(500,000)
Senate President - Expenses	(10,000)
House of Representatives:	
Committee on Appropriations (D)	2,632,479
Members' Salaries, Speaker's Extra Compensation	<u>(2,632,479)</u>
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, 2017:

	Funds Available from Prior Year	Net Current- Year Activity	Funds Available at June 30, 2017
Senate Benefits Account	\$ 10,813,708	\$ 1,726,462	\$ 12,540,170
House Benefits Account	14,577,582	\$ (5,817,503)	8,760,079

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, 2017, 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 \$225,607 for benefit costs incurred as of June 30, 2017, for which payment was made subsequent to June 30, 2017. The Senate Benefits Account incurred \$16,082 in benefit costs as of June 30, 2017, for which payment was made subsequent to June 30, 2017.

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 have been used to account for the receipt of Local Services and Earned Income Taxes. During fiscal year ending June 30, 2017, restricted receipt accounts were created for Pennsylvania Unemployment Compensation Tax. These payments are paid electronically through the Treasury Department. The Senate, House and LSAs disburse these funds to appointed collection agencies on a quarterly basis.

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, 2017:

	Funds Available from Prior Year	Net Current- Year Activity	Funds Available at June 30, 2017
Senate			
Local Services Tax	\$ 9,032	\$ 9,370	\$ 18,402
Earned Income Tax	52,414	(49)	52,365
Unemployment Compensation	-	7,317	7,317
Total Restricted Receipt Accounts	<u>\$ 61,446</u>	<u>\$ 16,638</u>	<u>\$ 78,084</u>
House of Representatives			
Local Services Tax	\$ 18,796	\$ 17,942	\$ 36,738
Earned Income Tax	85,372	58	85,430
Unemployment Compensation	-	11,027	11,027
Total Restricted Receipt Accounts	<u>\$ 104,168</u>	<u>\$ 29,027</u>	<u>\$ 133,195</u>
Legislative Support Agencies			
Earned Income Tax			
Legislative Reference Bureau	\$ 15,379	\$ (110)	\$ 15,269
Local Government Commission	2,370	47	2,417
Capitol Preservation Committee	1,276	84	1,360
Independent Fiscal Office	2,672	831	3,503
Joint State Government Commission	2,492	(389)	2,103
Legislative Budget & Finance Committee	2,980	404	3,384
Legislative Data Processing Committee	6,684	189	6,873
Joint Legislative Conservation Commission	993	98	1,091
Independent Regulatory Review Commission	3,234	(3)	3,231
Center for Rural Pennsylvania	1,170	38	1,208
Total Restricted Receipt Accounts	<u>\$ 39,250</u>	<u>\$ 1,189</u>	<u>\$ 40,439</u>
Total Restricted Receipt Accounts	<u>\$ 204,864</u>	<u>\$ 46,854</u>	<u>\$ 251,718</u>

The net current-year activity represents the difference between the Local Services, Earned Income, and Unemployment Compensation Tax restricted receipts and quarterly disbursements made to collecting entities.

Subsequent to June 30, 2017, the Senate, House, and the Legislative Data Processing Center disbursed funds to the appropriate tax collectors or agencies for these restricted receipts totaling \$74,013, \$96,428, and \$6,873, 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, 2017:

	Funds Available from Prior Year	Net Current- Year Activity	Funds Available at June 30, 2017
Legislative Reference Bureau			
Pennsylvania Consolidated Statutes Restricted Receipts Account	\$ 145,209	\$ 30,743	\$ 175,952
Capitol Preservation Committee			
Capitol Restoration Trust Fund Restricted Receipts Account	428,816	3,320	432,136

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

Current Commitments

The General Appropriations Acts of 1977-2016 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 commitments due within twelve months of the end of the fiscal year for invoices payable, accrued payroll, lease and other commitments, pension obligations, and other post-employment retirement benefits. Commitments due more than a year are not reported on the financial statements.

The following is a summary of the current commitments presented in the statement of financial affairs at June 30, 2017:

	Senate	House	LSAs	Total
Current Commitments:				
Invoices payable	\$ 676,766	\$ 1,123,547	\$ 2,248,805	\$ 4,049,118
Accrued payroll	1,163,978	2,231,750	211,617	3,607,345
Lease and other commitments	1,629,836	2,301,008	354,875	4,285,719
Pension obligation	16,123,806	27,682,734	3,491,388	47,297,928
Other post employment benefits	8,248,467	18,692,220	-	26,940,687
Total	<u>\$ 27,842,853</u>	<u>\$ 52,031,259</u>	<u>\$ 6,306,685</u>	<u>\$ 86,180,797</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. Current commitments are payments that will occur within the next 12 months.

Accrued Payroll - Accrued payroll relates to wages the General Assembly owes its employees for work performed. Current commitments are payments that will occur within the next 12 months.

Lease and 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. Other commitments include contractually obligated commitments to be paid in the future, such grants or other contracts. Current commitments are payments that will occur within the next 12 months.

Pension Obligations – Pension obligations represent each agency’s portion of the total State Employment Retirement System (SERS) liability. These obligations are included as required by GASB 68. The most recent audit of the SERS was performed by as of December 31, 2016 and the report is dated June 29, 2017. Current commitments are payments that will occur within the next 12 months.

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENT

Note 4. Appropriation Commitments (Continued)

Other Post-Employment Benefits – Other post-employment benefits represent the value of the amounts owed for benefits for retired employees and future retirees based on the vesting requirements of each agency. The most recent actuary report for the Senate was performed by Aquarius Capital Solutions Group, LLC as of December 31, 2016 and the report is dated August 16, 2016. The most recent actuary report for the House of Representatives was performed by Conrad Siegel as of July 1, 2016 and the report is dated August 31, 2017. The Legislative Service Agencies do not have actuary reports for their future post employee benefit obligations for their employees. These obligations are included as required by GASB 75. Current commitments are payments that will occur within the next 12 months.

Long-Term Commitments

Commitments due after June 30, 2018 include lease and other commitments, pension obligations, other post-employment retirement benefits and future compensated leave payout amounts. Lease and other commitments for the Senate, House of Representatives, and Legislative Support Agencies as a whole are \$1,260,941, \$9,204,032, \$15,120, respectively. Pension obligations for the Senate, House of Representatives, and Legislative Support Agencies as a whole are \$134,958,838, \$231,708,915 and \$29,223,476, respectively. Other post-employment retirement benefits for the Senate and House of Representatives are \$136,725,418 and \$255,558,321, respectively. Future compensated leave payouts for the Senate, House of Representatives, and Legislative Support Agencies as a whole are \$10,977,713, \$9,659,372, and \$1,170,775, respectively.

Future Compensated Leave Payouts – Future compensated leave payouts represent the total value of General Assembly employees' accumulated annual and sick leave if paid as of June 30, 2017. The value is based on the payout rates for each employer and the maximum amount of time allowable to be paid out according to each employer's leave payout policy. These future compensated leave payouts are included in long-term commitments as required by GASB 16. These payouts are made at the discretion of the leadership of each caucus for the Senate and House of Representatives and the respective management of each Legislative Support Agency and can be eliminated at any time.

Long term commitments are not reported in the Statement of Financial Affairs as this 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. This information is provided for the purpose of additional analysis and is not a required part of the financial statement.

SUPPLEMENTARY INFORMATION

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

SCHEDULE OF DISBURSEMENTS BY CATEGORY

Fiscal Year Ended June 30, 2017

Announcements	\$	21,068
Education		109,497
Fixed Assets		7,442,714
Insurance		133,007
Leases		9,339,353
Miscellaneous/other		878,910
Payroll/benefits		275,093,680
Postage		2,133,625
Printing		854,670
Publications		753,335
Renovations/preservations		382,709
Repairs/maintenance		2,776,127
Services		10,109,855
Supplies		4,044,405
Transportation		3,706,260
Travel		2,238,287
Utilities		1,131,363
	\$	<u>321,148,865</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, 2017. 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.

Assess 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.

Create Continuity of Operations and Succession Plan

House Contingent and Legislative Support Agency individuals responsible for the financial processes have institutional knowledge and responsibilities that are critical for day-to-day operations. While minimal cross training and back up processes exist, the extended absence of fiscal employees is detrimental to any entity’s operations. We strongly recommend documentation and intensive cross training of operational processes as they relate to the applicable Appropriation areas.

Additionally, we encourage the House of Representatives and Legislative Support Agencies develop succession plans for key employees within each Appropriation unit. A strong Succession plan will help ensure the Organization will be able to conduct its operations in the orderly and efficient manner that has been the basic ingredient for its past success.

Implement Invoice Tracking System

During the year-end audit of the appropriations of the House of Representatives, we noted instances of payments being issued after the due date of the vendor invoices. These payments were mainly due to insurance and utility companies. Delayed payments have the potential to affect operations (e.g. vendors terminating or suspending services).

We recommend an invoice tracking system be implemented; tracking invoices by due date and amount owed. While this tool will be useful in avoiding overdue payments, it will also provide valuable information to management when budgeting for future funding requirements.

Implement Accrual Basis Accounting System

The current accounting system (e.g. accounting software) utilized by General Assembly fiscal operations personnel is limited to tracking expenses by when they are paid rather than when they are incurred (e.g. cash basis accounting). Implementing a General Ledger accounting system which is capable of recording expenditures when incurred (e.g. accrual basis accounting), rather than paid, will provide more exact information and real-time status of respective line-item Appropriations.

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
October 2, 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, 2017, 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 March 20, 2017. The audit of the financial statement 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 October 2, 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 October 2, 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 positioned in the lower right quadrant of the page.

Camp Hill, Pennsylvania
October 2, 2017

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House of Representatives

Commonwealth of Pennsylvania
Harrisburg

MARK K. KELLER

86th Legislative District

COMMITTEES
MAJORITY CHAIRMAN,
URBAN AFFAIRS
AGRICULTURE AND RURAL AFFAIRS
VICE CHAIR

Legislative Audit Advisory Committee (LAAC)

March 20, 2017
Meeting Minutes

Representative Mark Keller called the meeting to order. Each member introduced themselves, as well as staff attending.

First order of business was to nominate a Chairman of the LAAC. Senator Browne nominated Representative Mark Keller, seconded by Representative Fabrizio, unanimously approved.

Chairman Keller nominated Senator Browne as Secretary, seconded by Representative Fabrizio, unanimously approved. Following the nominations, the Committee is reorganized and ready to move forward in the performance of their duties.

Next was the approval of the February 2, 2016 Meeting Minutes. Ira Weiss made the motion to approve, seconded by Senator Browne, unanimously approved.

The meeting was turned over to Lisa Myers, CPA, CFE, MAFF, FCPA, CGMA Principal, to discuss the June 30, 2016 audit. (See attached script) Ms. Myers asked if there were any questions from the committee. Senator Browne asked about internal changes. Ms. Myers responded with recommendations that had been made regarding the implementation of the purchasing card due to the numbers of checkbooks. Samples of expenditures were pulled and no irregularities were found. Senator Browne next questioned the recommendation for an internal audit function. Discussion ensued on this continuous audit suggestion.

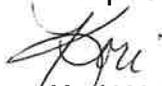
Chairman Keller asked for approval of all three (3) documents presented by Boyer & Ritter. Ira Weiss made the motion to approve, seconded by Senator Browne, unanimously approved.

Chairman Keller next asked if there were any open items prior to the LAAC Meeting/Report Issuance. Having none, the next item was the engagement letter from Boyer & Ritter. Fees of \$162,000, which were less than the year before, were presented. Representative Fabrizio motioned to accept the engagement letter, seconded by Ira Weiss, unanimously approved.

Chairman Keller submitted written documents from Eric Epstein for the record.

Chairman Keller asked for a motion to adjourn. Ira Weiss made the motion to adjourn, seconded by Senator Browne, unanimously approved.

Respectfully submitted,



Kori Weikle
Administrative Assistant to
Representative Mark K. Keller