

**GENERAL ASSEMBLY OF THE
COMMONWEALTH OF PENNSYLVANIA**

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

YEAR ENDED JUNE 30, 2018

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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, 2018, 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 organization’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 organization’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, 2018, 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 Organization'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
November 20, 2018

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

STATEMENT OF FINANCIAL AFFAIRS OF THE GENERAL ASSEMBLY
Fiscal Year Ended June 30, 2018

Legislative Department or Agency	Purpose of Appropriations	Total Current Year Appropriations	Appropriation Balances		Transfers In / (Out)	Appropriation Balances		Appropriation Balances (Deficits) after Commitments
			Available from Prior Year(s)	Disbursed		(Deficits) before Commitments	Commitments	
Senate								
Chief Clerk								
Donetta M. D'Innocenzo	Salaries of 50 Senators	\$ 8,156,000	\$ 2,224,819	\$ 8,370,103	\$ -	\$ 2,010,716	-	\$ 2,010,716
	Salaries of service employees	12,873,000	737,790	12,390,109	-	1,220,681	253,390	967,291
	Salaries and wages of employees of the Chief Clerk	2,847,000	1,843,846	2,363,484	-	2,327,362	4,053	2,323,309
	Incidental expenses	3,105,000	6,050,890	3,959,065	-	5,196,825	571,438	4,625,387
	Senators' expenses	1,341,000	3,209,310	748,105	-	3,802,205	63,940	3,738,265
	Legislative printing and expenses	7,200,000	17,002,251	7,154,276	-	17,047,975	1,805,104	15,242,871
President:								
Mike Stack	Salaries of employees of the President of the Senate	343,000	19,360	316,233	-	46,127	7,085	39,042
Floor Leader (R):								
Jake Corman	Caucus operations (R)	44,985,170	4,036,049	40,212,266	-	8,808,953	825,910	7,983,043
Floor Leader (D):								
Jay Costa	Caucus operations (D)	29,975,830	1,537,216	27,208,754	-	4,304,292	615,022	3,689,270
Chairman - Appropriations Committee (R):								
Patrick Browne	Committee on Appropriations (R)	1,395,000	794,568	1,145,367	-	1,044,201	6,483	1,037,718
Chairman - Appropriations Committee (D):								
Vincent J. Hughes	Committee on Appropriations (D)	1,395,000	953,611	1,101,001	-	1,247,610	4,440	1,243,170
Total Senate current pension obligation		-	-	-	-	-	15,664,871	(15,664,871)
Senate total		\$ 113,616,000	\$ 38,409,710	\$ 104,968,763	\$ -	\$ 47,056,947	\$ 19,821,736	\$ 27,235,211

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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, 2018

Legislative Department or Agency	Purpose of Appropriations	Total	Appropriation	Disbursed	Transfers In / (Out)	Appropriation		Appropriation
		Current Year Appropriations	Balances Available from Prior Year(s)			Balances (Deficits) before Commitments	Commitments	Balances (Deficits) after Commitments
House of Representatives								
Chief Clerk								
Dave Reddecliff	Salaries of Representatives	\$ 28,493,000	\$ 2,668,663	\$ 28,887,095	\$ -	2,274,568	\$ 1,484,046	\$ 790,522
	Salaries of Bipartisan Management Committee, Chief Clerk and Comptroller	14,834,000	5,120,659	14,669,131	-	5,285,528	966,676	4,318,852
	Mileage of Representatives, officers and employees	372,000	137,813	387,603	-	122,210	46,512	75,698
	Postage for Chief Clerk and Legislative Journal	4,993,000	1,134,043	3,912,873	-	2,214,170	20,155	2,194,015
	Contingent expenses	591,000	705,973	696,467	-	600,506	89,770	510,736
	Incidental expenses	5,069,000	2,881,745	6,965,282	-	985,463	310,880	674,583
	Representatives' expenses	4,251,000	1,590,967	1,837,720	-	4,004,247	162,076	3,842,171
	Legislative printing and expenses	10,674,000	4,326,099	13,314,594	-	1,685,505	2,958,308	(1,272,803)
	National Legislative Conference	511,000	472,391	153,591	-	829,800	(2,177)	831,977
Speaker:								
Mike Turzai	Salaries of Speaker's office	1,810,000	5,882,754	825,063	-	6,867,691	-	6,867,691
	Contingent expenses	20,000	104,319	21,832	-	102,487	-	102,487
Floor Leader (R):								
Dave Reed	Special Leadership Account (R)	6,245,000	16,531,804	1,338,528	-	21,438,276	103,378	21,334,898
	Caucus operations (R)	63,115,000	7,171,267	67,528,545	-	2,757,722	4,434,148	(1,676,426)
	Contingent expenses	7,000	43,391	2,311	-	48,080	-	48,080
Floor Leader (D):								
Frank Dermody	Special Leadership Account (D)	6,045,000	5,796,565	983,844	-	10,857,721	2,041	10,855,680
	Caucus operations (D)	58,260,000	21,711,670	55,253,265	-	24,718,405	3,848,343	20,870,062
	Contingent expenses	7,000	73,943	1,102	-	79,841	-	79,841
Chairman - Appropriations Committee (R):								
Stanley E. Saylor	Committee on Appropriations (R)	3,223,000	3,535,619	3,769,982	-	2,988,637	2,528	2,986,109
	Contingent expenses	6,000	52,918	9,330	-	49,588	-	49,588
Chairman - Appropriations Committee (D):								
Joseph Markosek	Committee on Appropriations (D)	3,223,000	7,459,089	3,347,477	-	7,334,612	8,428	7,326,184
	Contingent expenses	6,000	13,324	10,910	-	8,414	-	8,414
Whip (R):								
Bryan Cutler	Contingent expenses	6,000	18,272	7,713	-	16,559	-	16,559
Whip (D):								
Michael Hanna	Contingent expenses	6,000	12,410	5,254	-	13,156	762	12,394

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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, 2018

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): Marcy Toepel	Contingent expenses	3,000	21,522	615	-	23,907	-	23,907
Caucus Chairman (D): Dan Frankel	Contingent expenses	3,000	3,077	2,087	-	3,990	-	3,990
Caucus Secretary (R): Donna Oberlander	Contingent expenses	3,000	4,086	599	-	6,487	-	6,487
Caucus Secretary (D): Rosita Youngblood	Contingent expenses	3,000	1,782	2,951	-	1,831	-	1,831
Chairman - Policy Committee (R): Kerry Benninghoff	Contingent expenses	2,000	5,665	3,235	-	4,430	-	4,430
Chairman - Policy Committee (D): P. Michael Sturla	Contingent expenses	2,000	5,243	1,309	-	5,934	-	5,934
Caucus Administrator (R): Kurt A. Masser	Contingent expenses	2,000	9,929	749	-	11,180	-	11,180
Caucus Administrator (D): Neal Goodman	Contingent expenses	2,000	16,663	200	-	18,463	-	18,463
Staff Administrator (R): Karen Coates	Contingent expenses	20,000	134,393	3,171	-	151,222	16	151,206
Staff Administrator (D): Paul Parsells	Contingent expenses	20,000	125,825	10,448	-	135,377	10	135,367
Total House of Representatives current pension obligation		-	-	-	-	-	28,009,712	(28,009,712)
House of Representatives total		\$ 211,827,000	\$ 87,773,883	\$ 203,954,876	\$ -	\$ 95,646,007	\$ 42,445,612	\$ 53,200,395

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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, 2018

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	\$ 6,437,850	\$ 8,708,552	\$ -	\$ 6,740,298	\$ -	\$ 6,740,298
	Contingent expenses	-	54,779	22,287	-	32,492	264	32,228
	Printing of Pennsylvania Bulletin and Pennsylvania Code	867,000	640,781	734,868	-	772,913	-	772,913
	New drafting system	-	66,053	-	-	66,053	-	66,053
Legislative Budget and Finance Committee:								
Robert B. Mensch, Chairman	Salaries, wages and expenses	1,919,000	1,767,486	1,519,232	-	2,167,254	17,035	2,150,219
Legislative Data Processing Committee:								
Brent McClintock, Executive Director	Salaries, wages and expenses	25,848,000	26,155,240	21,945,864	-	30,057,376	1,284,694	28,772,682
Joint State Government Commission:								
Florindo J. Fabrizio, Chairman	Salaries, wages and expenses	1,616,000	1,106,838	1,425,061	-	1,297,777	12,549	1,285,228
Local Government Commission:								
John. H. Eichelberger, Jr., Chairman	Salaries, wages and expenses	1,218,000	799,275	1,122,329	-	894,946	85,906	809,040
	Local government codes	23,000	139,314	(557)	-	162,871	-	162,871
Legislative Air and Water Pollution Control Commission:								
Scott E. Hutchinson, Chairman	Salaries, wages and expenses	565,000	451,835	506,975	-	509,860	1,505	508,355
Legislative Audit Advisory Committee:								
Mark K. Keller, Chairman	Salaries, wages and expenses	271,000	373,500	162,500	-	482,000	-	482,000
Independent Regulatory Review Commission:								
David Sumner, Executive Director	Salaries, wages and expenses	2,048,000	1,831,638	1,847,106	-	2,032,532	131,804	1,900,728
Capitol Preservation Committee:								
John R. Gordner, Chairman	Capitol Renovation Committee	785,000	667,062	835,901	-	616,161	27,160	589,001
David Craig, Executive Director	Restoration of the Capitol	2,048,000	2,719,416	1,852,635	-	2,914,781	-	2,914,781
Independent Fiscal Office								
Matthew Knittel, Director	Salaries, wages and expenses	2,226,000	3,140,539	1,725,437	-	3,641,102	50,838	3,590,264
Pennsylvania Legislative Reapportionment Commission:								
Donetta M. D'Innocenzo, Chief Clerk of the Senate	Miscellaneous expenses	1,000,000	1,759,999	-	-	2,759,999	-	2,759,999
Commonwealth Mail Processing Center:								
Donetta M. D'Innocenzo, Chief Clerk of the Senate	Salaries, wages and expenses	3,381,000	5,922,408	2,818,685	-	6,484,723	25,471	6,459,252
Center for Rural Pennsylvania								
Barry L. Denk	Salaries, wages and expenses	1,072,000	899,488	963,040	-	1,008,448	368,417	640,031
Total Legislative Support Agency current pension obligation		-	-	-	-	-	3,198,919	(3,198,919)
Legislative Service Agencies and Miscellaneous Appropriations total		\$ 53,898,000	\$ 54,933,501	\$ 46,189,915	\$ -	\$ 62,641,586	\$ 5,204,562	\$ 57,437,024
Total		\$ 379,341,000	\$ 181,117,094	\$ 355,113,554	\$ -	\$ 205,344,540	\$ 67,471,910	\$ 137,872,630

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”), 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, 2018, prepared in accordance with accounting principles generally accepted in the United States applicable to governments.

Appropriations: Act 17-A of 2017, known as the General Appropriations Act of 2017 became law on July 7, 2017, and effective as of July 1, 2017. 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, 2018. The Act 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, 2018, 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, 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 1977-2017 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 November 20, 2018, the date the financial statements were available to be issued.

Note 2. Appropriation Transfers

Appropriation Transfers are made in accordance with Act 17-A of 2017 (General Appropriations Act of 2017), which allows for the transfer of current year funds, or any remaining unexpended and unencumbered funds from prior fiscal years, for the House of Representatives, Senate and Legislative Support Agencies, as of the effective date of the Act. Appropriation Transfers allow the Bipartisan Management Committee of the House of Representatives and the Committee on Management Operations of the Senate to transfer funds between appropriations, as each committee deems necessary. There were no Appropriation Transfers made in accordance with Act 17-A of 2017 to support operations during the fiscal year ended June 30, 2018.

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, 2018:

	Funds Available from Prior Year	Net Current- Year Activity	Funds Available at June 30, 2018
Senate Benefits Account	\$ 12,540,170	(1,167,278)	\$ 11,372,892
House Benefits Account	8,760,079	(31,247)	8,728,832

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, 2018, 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 \$436,965 for benefit costs incurred as of June 30, 2018, for which payment was made subsequent to June 30, 2018. The Senate Benefits Account incurred \$213,125 in benefit costs as of June 30, 2018, for which payment was made subsequent to June 30, 2018.

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENT

Note 3. Other Available Funds (Continued)

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, 2018, 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.

The following table summarizes the activity for each account for the fiscal year ended June 30, 2018:

	Funds Available from Prior Year	Net Current- Year Activity	Funds Available at June 30, 2018
Senate			
Local Services Tax	\$ 18,402	\$ (131)	\$ 18,271
Earned Income Tax	52,365	1,107	53,472
Unemployment Compensation	7,317	(935)	6,382
Total Restricted Receipt Accounts	<u>\$ 78,084</u>	<u>\$ 41</u>	<u>\$ 78,125</u>
House of Representatives			
Local Services Tax	\$ 36,738	\$ (256)	\$ 36,482
Earned Income Tax	85,430	57	85,487
Unemployment Compensation	11,027	(1,515)	9,512
Total Restricted Receipt Accounts	<u>\$ 133,195</u>	<u>\$ (1,714)</u>	<u>\$ 131,481</u>
Legislative Support Agencies			
Earned Income Tax			
Legislative Reference Bureau	\$ 15,269	\$ 244	\$ 15,513
Local Government Commission	2,417	(16)	2,401
Capitol Preservation Committee	1,360	69	1,429
Independent Fiscal Office	3,503	(283)	3,220
Joint State Government Commission	2,103	121	2,224
Legislative Budget & Finance Committee	3,384	(634)	2,750
Legislative Data Processing Committee	6,873	(561)	6,312
Joint Legislative Conservation Commission	1,091	(122)	969
Independent Regulatory Review Commission	3,231	126	3,357
Center for Rural Pennsylvania	1,208	53	1,261
Total Restricted Receipt Accounts	<u>\$ 40,439</u>	<u>\$ (1,003)</u>	<u>\$ 39,436</u>
Total Restricted Receipt Accounts	<u>\$ 251,718</u>	<u>\$ (2,676)</u>	<u>\$ 249,042</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, 2018, the Senate and House of Representatives disbursed funds to the appropriate tax collectors or agencies for these restricted receipts totaling \$6,404 and 94,999, 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, 2018:

	Funds Available from Prior Year	Net Current- Year Activity	Funds Available at June 30, 2018
Legislative Reference Bureau			
Pennsylvania Consolidated Statutes Restricted Receipts Account	\$ 175,952	\$ 21,661	\$ 197,613
Capitol Preservation Committee			
Capitol Restoration Trust Fund Restricted Receipts Account	432,136	6,204	438,340

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 1977-2017 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 12 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, 2018:

	Senate	House	LSAs	Total
Current Commitments:				
Invoices payable	\$ 1,356,532	\$ 7,849,340	\$ 1,327,469	\$ 10,533,341
Accrued payroll	1,330,261	4,268,752	219,367	5,818,380
Lease and other commitments	1,470,072	2,317,808	458,807	4,246,687
Pension obligation	15,664,871	28,009,712	3,198,919	46,873,502
Total	<u>\$ 19,821,736</u>	<u>\$ 42,445,612</u>	<u>\$ 5,204,562</u>	<u>\$ 67,471,910</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 Other 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 as of December 31, 2017, and the report is dated May 21, 2018. 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)

Long-Term Commitments

Commitments due after June 30, 2019, 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 \$(755,051), \$6,953,424, and \$48,536, respectively. Pension obligations for the Senate, House of Representatives and Legislative Support Agencies as a whole are \$117,041,751, \$249,277,544 and \$24,124,796, respectively. Other post-employment retirement benefits for the Senate and House of Representatives are \$392,364,699 and \$633,057,752, respectively. Future compensated leave payouts for the Senate, House of Representatives and Legislative Support Agencies as a whole are \$11,475,117, \$10,047,573, and \$1,144,220, respectively.

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 July 1, 2017, for fiscal year ended June 30, 2018, dated August 25, 2018. The most recent actuary report for the House of Representatives was performed by Conrad Siegel as of July 1, 2016, for fiscal year ended June 30, 2018, dated July 3, 2018. 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 and are all considered long-term based on the actuarial valuations.

Future Compensated Leave Payouts - Future compensated leave payouts represent the total value of General Assembly employees' accumulated vacation, sick and personal leave if paid as of June 30, 2018; and are considered long term commitments. 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 obligations are included in commitments as required by GASB 16.

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, 2018

Announcements	\$	24,713
Education		88,109
Fixed Assets		11,589,728
Insurance		133,702
Leases		16,075,100
Miscellaneous/other		5,559,882
Payroll/benefits		286,371,946
Postage		2,053,944
Printing		870,336
Publications		1,101,159
Renovations/preservations		1,069,445
Repairs/maintenance		2,648,463
Services		16,991,946
Supplies		3,568,039
Transportation		3,848,518
Travel		2,349,274
Utilities		769,250
	\$	<u>355,113,554</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 Legislative Audit Advisory Commission (LAAC) of the General Assembly of the Commonwealth of Pennsylvania (the “General Assembly”) as of and for the year ended June 30, 2018. 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. We strongly encourage continued evaluation and implementation this program.

Transition Accounting for House Leadership Contingent Accounts to Comptroller’s Office

We previously recommended that the House of Representatives Leadership Contingent account holders adopt a P-Card system for their purchases, as mentioned above. This recommendation was offered to reduce the risk associated with numerous checkbooks and accounting transactions external of the Comptroller’s review. Given the significant change in procedure, as an alternative suggestion to mitigate the same risk, we recommend the House transition the accounting so that it is performed under the Comptroller’s office; the format would be like the transition that occurred for the Committee Chairman accounts. This would be a reimbursement process, similar to regular Member and Committee expenses, where the Comptroller’s Office would receive a reimbursement voucher that they would in turn review to ensure compliance with House spending guidelines before issuing a reimbursement check.

The House Leadership Contingent accounts would maintain their separate allocated appropriations, however there would no longer be a need for separate report of activity; all transactional accounting would occur in the Comptroller’s office. The leader responsible for each contingent account would continue to maintain control over the use of the funds.

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 to 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 an orderly and efficient manner which has been the basic premise for its past success.

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 positioned in the lower right quadrant of the page.

Camp Hill, Pennsylvania
November 20, 2018

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, 2018, 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 November 15, 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.

Supplementary Information

With respect to supplementary information, accompanying the financial statements we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine the information complies with U.S Generally Accepted Accounting Principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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 November 20, 2018.

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 November 20, 2018.

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
November 20, 2018