

**GENERAL ASSEMBLY OF THE
COMMONWEALTH OF PENNSYLVANIA**

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

YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019, 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 dark ink and is centered on the page.

Camp Hill, Pennsylvania
January 21, 2020

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

STATEMENT OF FINANCIAL AFFAIRS OF THE GENERAL ASSEMBLY
Fiscal Year Ended June 30, 2019

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
Senate								
Chief Clerk								
Donetta M. D'Innocenzo	Senators' Salaries	\$ 8,564,000	\$ 2,010,716	\$ 8,577,375	\$ -	\$ 1,997,341	-	\$ 1,997,341
	Salaried Officers and Employees	13,573,000	1,220,681	13,453,171	-	1,340,510	226,793	1,113,717
	Employees of the Chief Clerk	2,985,000	2,327,362	2,430,206	-	2,882,156	4,845	2,877,311
	Incidental Expenses	3,395,000	5,196,825	2,318,980	-	6,272,845	228,315	6,044,530
	Expenses - Senators	1,366,000	3,802,205	779,611	-	4,388,594	98,705	4,289,889
	Legislative Printing and Expenses	7,548,000	17,047,975	7,534,915	565,775	17,626,835	488,693	17,138,142
President:								
Mike Stack (1)	Senate President - Expenses	359,000	46,127	243,214	-	161,913	457	161,456
John Fetterman (2)								
Floor Leader (R):								
Jake Corman	Caucus Operations (R)	47,144,456	8,808,953	41,829,773	(594,038)	13,529,598	872,876	12,656,722
Floor Leader (D):								
Jay Costa	Caucus Operations (D)	31,416,544	4,304,292	31,615,510	3,346,645	7,451,971	601,539	6,850,432
Chairman - Appropriations Committee (R):								
Patrick Browne	Committee on Appropriations (R)	1,457,500	1,044,201	1,123,480	-	1,378,221	7,575	1,370,646
Chairman - Appropriations Committee (D):								
Vincent J. Hughes	Committee on Appropriations (D)	1,457,500	1,247,610	955,855	-	1,749,255	78,119	1,671,136
Total Senate current pension obligation		-	-	-	-	-	16,779,532	(16,779,532)
Senate total		\$119,266,000	\$ 47,056,947	\$ 110,862,090	\$ 3,318,382	\$ 58,779,239	\$ 19,387,449	\$39,391,790

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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, 2019

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	Members' Salaries, Speaker's Extra Compensation	\$ 28,493,000	\$ 2,274,568	\$ 31,389,182	\$ 4,550,000	\$ 3,928,386	\$ 1,432,508	\$ 2,495,878
	Bi-Partisan Committee, Chief Clerk, Comptroller and EMS	14,834,000	5,285,528	14,329,996	-	5,789,532	747,497	5,042,035
	Mileage: Reps, Officers, and Employees	372,000	122,210	450,701	-	43,509	54,808	(11,299)
	Chief Clerk and Legislative Journal	7,993,000	2,214,170	4,865,213	(4,550,000)	791,957	25,620	766,337
	Contingent expenses	591,000	600,506	993,480	-	198,026	77,822	120,204
	Incidental Expenses	5,069,000	985,463	4,735,411	-	1,319,052	390,797	928,255
	Expenses - Representative	4,251,000	4,004,247	5,037,545	-	3,217,702	198,002	3,019,700
	Legislative Printing and Expenses	10,674,000	1,685,505	10,649,509	-	1,709,996	2,734,295	(1,024,299)
	National Legislative Conference Expenses	-	829,800	48,652	-	781,148	6,424	774,724
Speaker:								
Mike Turzai	Speaker's Office	1,810,000	6,867,691	6,972	-	8,670,719	-	8,670,719
	Contingent expenses	20,000	102,487	5,172	-	117,315	-	117,315
Floor Leader (R):								
Dave Reed (1)	Special Leadership Account (R)	6,045,000	21,438,276	(1,014,325)	-	28,497,601	-	28,497,601
Bryan Cutler (2)	Caucus Operations (R)	65,115,000	2,757,722	64,531,623	-	3,341,099	3,401,867	(60,768)
	Contingent expenses	7,000	48,080	5,043	-	50,037	-	50,037
Floor Leader (D):								
Frank Dermody	Special Leadership Account (D)	6,045,000	10,857,721	(335,439)	-	17,238,160	5,641	17,232,519
	Caucus Operations (D)	60,260,000	24,718,405	56,947,735	-	28,030,670	3,381,872	24,648,798
	Contingent expenses	7,000	79,841	1,501	-	85,340	-	85,340
Chairman - Appropriations Committee (R):								
Stanley E. Saylor	Committee on Appropriations (R)	3,223,000	2,988,637	3,123,106	-	3,088,531	56,556	3,031,975
	Contingent expenses	6,000	49,588	2,109	-	53,479	-	53,479
Chairman - Appropriations Committee (D):								
Joseph Markosek (1)	Committee on Appropriations (D)	3,223,000	7,334,612	2,950,004	-	7,607,608	52,795	7,554,813
Matt Bradford (2)	Contingent expenses	6,000	8,414	188	-	14,226	-	14,226
Whip (R):								
Bryan Cutler (1)	Contingent expenses	6,000	16,559	5,624	-	16,935	-	16,935
Kerry Benninghoff (2)								
Whip (D):								
Michael Hanna (1)	Contingent expenses	6,000	13,156	9,170	-	9,986	-	9,986
Jordan Harris (2)								

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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, 2019

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	23,907	2,097	-	24,810	-	24,810
Caucus Chairman (D): Dan Frankel (1) Joanna McClinton (2)	Contingent expenses	3,000	3,990	5,773	-	1,217	-	1,217
Caucus Secretary (R): Donna Oberlander (1) Mike Reese (2)	Contingent expenses	3,000	6,487	1,090	-	8,397	-	8,397
Caucus Secretary (D): Rosita Youngblood	Contingent expenses	3,000	1,831	4,172	-	659	-	659
Chairman - Policy Committee (R): Kerry Benninghoff (1) Donna Oberlander (2)	Contingent expenses	2,000	4,430	1,388	-	5,042	-	5,042
Chairman - Policy Committee (D): P. Michael Sturla	Contingent expenses	2,000	5,934	2,219	-	5,715	-	5,715
Caucus Administrator (R): Kurt A. Masser	Contingent expenses	2,000	11,180	452	-	12,728	-	12,728
Caucus Administrator (D): Neal Goodman	Contingent expenses	2,000	18,463	1,064	-	19,399	-	19,399
Staff Administrator (R): Karen Coates (1) Jacob Smeltz (2)	Contingent expenses	20,000	151,222	4,646	-	166,576	-	166,576
Staff Administrator (D): Paul Parsells	Contingent expenses	20,000	135,377	38,218	-	117,159	-	117,159
Total House of Representatives current pension obligation		-	-	-	-	-	29,775,860	(29,775,860)
House of Representatives total		\$ 218,116,000	\$ 95,646,007	\$ 198,799,291	\$ -	\$ 114,962,716	\$ 42,342,364	\$ 72,620,352

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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, 2019

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	\$ 9,191,000	\$ 6,740,298	\$ 9,063,690	\$ -	\$ 6,867,608	\$ -	\$ 6,867,608
	Contingent expenses	-	32,492	22,645	-	9,847	-	9,847
	Printing of Pennsylvania Bulletin and Pennsylvania Code	867,000	772,913	792,512	-	847,401	-	847,401
	New drafting system	-	66,053	-	-	66,053	-	66,053
Legislative Budget and Finance Committee:								
Robert B. Mensch, Chairman	Salaries, wages and expenses	1,977,000	2,167,254	1,651,714	-	2,492,540	85,983	2,406,557
Legislative Data Processing Committee:								
Brent McClintock, Executive Director	Salaries, wages and expenses	29,848,000	30,057,376	27,408,216	-	32,497,160	2,159,070	30,338,090
Joint State Government Commission:								
Glenn Pasewicz (vacancy of an appointed Chairman)	Salaries, wages and expenses	1,664,000	1,297,777	1,590,283	-	1,371,494	5,847	1,365,647
Local Government Commission:								
John. H. Eichelberger, Jr., Chairman	Salaries, wages and expenses	1,255,000	894,946	1,236,221	-	913,725	2,048	911,677
	Local government codes	23,000	162,871	13,889	-	171,982	-	171,982
Legislative Air and Water Pollution Control Committee:								
Scott E. Hutchinson, Chairman	Salaries, wages and expenses	582,000	509,860	503,076	-	588,784	2,333	586,451
Legislative Audit Advisory Committee:								
Mark K. Keller, Chairman	Salaries, wages and expenses	279,000	482,000	175,758	-	585,242	-	585,242
Independent Regulatory Review Commission:								
David Sumner, Executive Director	Salaries, wages and expenses	2,109,000	2,032,532	1,954,732	-	2,186,800	111,148	2,075,652
Capitol Preservation Committee:								
John R. Gordner, Chairman	Capitol Renovation Committee	809,000	616,161	750,497	-	674,664	14,928	659,736
David Craig, Executive Director	Restoration of the Capitol	3,089,000	2,914,781	1,644,862	-	4,358,919	-	4,358,919
Independent Fiscal Office								
Matthew Knittel, Director	Salaries, wages and expenses	2,293,000	3,641,102	1,898,223	-	4,035,879	39,151	3,996,728
Pennsylvania Legislative Reapportionment Commission:								
Donetta M. D'Innocenzo, Chief Clerk of the Senate	Miscellaneous expenses	1,030,000	2,759,999	-	-	3,789,999	-	3,789,999
Commonwealth Mail Processing Center:								
Donetta M. D'Innocenzo, Chief Clerk of the Senate	Salaries, wages and expenses	3,506,000	6,484,723	2,238,409	(3,318,382)	4,433,932	203,371	4,230,561
Center for Rural Pennsylvania								
Barry L. Denk	Salaries, wages and expenses	1,104,000	1,008,448	1,083,387	-	1,029,061	361,898	667,163
Total Legislative Support Agency current pension obligation								
		-	-	-	-	-	3,746,204	(3,746,204)
Legislative Service Agencies and Miscellaneous Appropriations total		\$ 59,626,000	\$ 62,641,586	\$ 52,028,114	\$ (3,318,382)	\$ 66,921,090	\$ 6,731,981	\$ 60,189,109
Total		\$ 397,008,000	\$ 205,344,540	\$ 361,689,495	\$ -	\$ 240,663,045	\$ 68,461,794	\$ 172,201,251

(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”), 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, 2019, prepared in accordance with accounting principles generally accepted in the United States applicable to governments.

Appropriations: Act 1-A of 2018, known as the General Appropriations Act of 2018 became law on June 22, 2018, and effective as of July 1, 2018. 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, 2019. 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, 2019, 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 January 21, 2020, the date the financial statements were available to be issued.

Note 2. Appropriation Transfers

Appropriation Transfers are made in accordance with Act 1-A of 2018 (General Appropriations Act of 2018), 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.

In accordance with Section 261 and 262 of Act 1-A 2018, the following appropriation transfers occurred during the fiscal year:

<u>Appropriation Name</u>	<u>Increase (Decrease)</u>
Senate:	
Legislative Printing & Expenses	\$ 565,775
Caucus Operations (R)	(594,038)
Caucus Operations (D)	3,346,645
House Representatives:	
Salaries of Representatives	4,550,000
Postage for Chief Clerk and Legislative Journal	(4,550,000)
Legislative Service Agencies:	
Commonwealth Mail Processing Center	(3,318,382)
Net Change	<u>\$ -</u>

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENT

Note 2. Appropriation Transfers (Continued)

In accordance with Act 42 of 2018, Article XVII-E.5, Section 1701-E.5, line item appropriation vetoes from the General Appropriation Act of 2014 were reinstated. With the reinstatements, the Senate and the House of Representative were required to transfer \$15,000,000 to the School Safety and Security Fund, and all remaining funds associated with the reinstatement lapsed. There was a \$0 net change to the line item appropriations. The detail of the reinstatement, disbursement and lapse is as follows:

Appropriation Name	Appropriation Reinstated	Disbursed	Lapse	Net Change
Senate:				
Employees of Chief Clerk	\$ 1,820,000	\$ -	\$ 1,820,000	\$ -
Salaried Officers and Employees	500,000	-	500,000	-
Incidental Expenses	2,050,000	-	2,050,000	-
Expenses - Senators	950,000	-	950,000	-
Legislative Printing and Expenses	5,160,000	-	5,160,000	-
Caucus Operations (R) and (D)	20,090,000	15,000,000	5,090,000	-
Committee on Appropriations (R&D)	770,000	-	770,000	-
House Representatives:				
Bi-Partisan Committee, Chief Clerk, Comptroller and EMS	170,000	-	170,000	-
Mileage - Representatives, Officers and Employees	50,000	-	50,000	-
Chief Clerk and Legislative Journal	30,000	-	30,000	-
Incidental Expenses	3,390,000	3,390,000	-	-
Expenses - Representatives	2,950,000	2,860,000	90,000	-
Legislative Printing and Expenses	530,000	-	530,000	-
National Legislative Conference - Expenses	350,000	-	350,000	-
Speaker's Office	1,320,000	-	1,320,000	-
Caucus Operations (R)	4,725,000	4,725,000	-	-
Caucus Operations (D)	4,025,000	4,025,000	-	-
Special Leadership Account (R)	840,000	-	840,000	-
Committee on Appropriations (R)	470,000	-	470,000	-
Committee on Appropriations (D)	1,260,000	-	1,260,000	-
Contingent Expenses (R) and (D)	10,000	-	10,000	-
Legislative Support Agencies:				
Legislative Reference Bureau				
Printing of PA Bulletin and PA Code	10,000	-	10,000	-
Legislative Budget and Finance Committee	380,000	-	380,000	-
Legislative Data Processing Center	11,880,000	-	11,880,000	-
Joint State Government Commission	420,000	-	420,000	-
Local Government Commission	120,000	-	120,000	-
Local Government Codes	70,000	-	70,000	-
Joint Legislative Air and Water Pollution Control Committee	110,000	-	110,000	-
Legislative Audit Advisory Commission	120,000	-	120,000	-
Legislative Reapportionment Commission	530,000	-	530,000	-
Net Change	<u>\$ 65,100,000</u>	<u>\$ 30,000,000</u>	<u>\$ 35,100,000</u>	<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. LSAs with employees, participate in either the Senate Benefits Account or the House Benefits Account. The 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, 2019:

	Funds Available from Prior Year	Net Current- Year Activity	Funds Available at June 30, 2019
Senate Benefits Account	\$ 8,728,832	\$ 276,676	\$ 9,005,508
House Benefits Account	\$ 11,372,892	\$ 6,813,633	\$ 18,186,525

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, 2019, 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 incurred \$218,599 in benefit costs as of June 30, 2019, for which payment was made subsequent to June 30, 2019. The Senate Benefits Account incurred \$9,906 in benefit costs as of June 30, 2019, for which payment was made subsequent to June 30, 2019.

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 Tax, Earned Income Tax and Pennsylvania Unemployment Compensation Tax. These payments are paid electronically through the Treasury Department. The Senate, House and LSAs imitate the disbursement of these funds to appointed collection agencies on a monthly or quarterly basis depending on the tax.

The following table summarizes the activity for each account for the fiscal year ended June 30, 2019:

	Funds Available from Prior Years	Net Current Year Activity	Available at June 30, 2019
Senate			
Local Services Tax	\$ 18,272	\$ 326	\$ 18,598
Earned Income Tax	53,471	3,299	56,770
Unemployment Tax	6,382	284	6,666
	<u>78,125</u>	<u>3,909</u>	<u>82,034</u>
House of Representatives			
Local Services Tax	36,481	451	36,932
Earned Income Tax	85,487	4,346	89,833
Unemployment Tax	9,512	241	9,753
	<u>131,480</u>	<u>5,038</u>	<u>136,518</u>
Legislative Support Agencies			
Earned Income Tax			
Legislative Reference Bureau	15,513	1,386	16,899
Local Government Commission	2,401	297	2,698
Capitol Preservation Committee	1,430	(186)	1,244
Independent Fiscal Office	3,220	318	3,538
Joint State Government Commission	2,224	218	2,442
Legislative Budget & Finance Committee	2,750	202	2,952
Legislative Data Processing Committee	6,312	596	6,908
Joint Legislative Conservation Commission	969	107	1,076
Independent Regulatory Review Commission	3,358	99	3,457
Center for Rural PA	1,261	67	1,328
	<u>39,438</u>	<u>3,104</u>	<u>42,542</u>
Total Restricted Receipt Accounts	<u>\$ 249,043</u>	<u>\$ 12,051</u>	<u>\$ 261,094</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, 2019, the Senate, House of Representatives, and the Legislative Budget & Finance Committee disbursed funds to the appropriate tax collectors or agencies for these restricted receipts totaling \$6,669, \$99,147, and \$2,953, 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, 2019:

	Funds Available from Prior Years	Net Current Year Activity	Funds Available at June 30, 2019
Legislative Reference Bureau			
Pennsylvania Consolidated Statutes			
Restricted Receipts Account	\$ 197,613	\$ 19,146	\$ 216,759
Capitol Preservation Committee			
Capitol Restoration Trust Fund			
Restricted Receipts Account	\$ 438,340	\$ 2,809	\$ 441,149

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 1977-2018 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. Current commitments are commitments due within one year (12 months) of the fiscal year end. Current commitments include invoices payable, accrued payroll, lease and other commitments, and pension obligations. Current commitments are presented in the Statement of Financial Affairs of the General Assembly.

The following is a summary of the current commitments presented in the Statement of Financial Affairs of the General Assembly at June 30, 2019:

	Senate	House	LSAs	Total
Invoices payable	\$ 1,244,913	\$ 7,740,765	\$ 2,268,136	\$ 11,253,814
Accrued payroll	1,363,004	2,505,351	164,289	4,032,644
Lease and other commitments	-	2,320,388	553,352	2,873,740
Pension obligation	16,779,532	29,775,860	3,746,204	50,301,596
Total current commitments	<u>\$ 19,387,449</u>	<u>\$42,342,364</u>	<u>\$ 6,731,981</u>	<u>\$ 68,461,794</u>

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

Accrued Payroll - Accrued payroll relates to wages the General Assembly owes its employees for work performed during the fiscal year but paid subsequent to year end.

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. Payments due within one year are reported as current commitment. Payments due in more than one year are deemed long-term commitments.

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 Statement No. 68, *Accounting and Financial Reporting for Pensions*. The most recent audit of the SERS was performed as of December 31, 2018, and the report is dated May 29, 2019. Projected contributions due within one year are reported as current commitments, and the remaining obligation is deemed long-term a commitment.

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENT

Note 4. Appropriation Commitments (Continued)

Long-Term Commitments

Commitments due in more than one year are long-term commitments. Long-term commitments include lease and other commitments, pension obligations, other post-employment retirement benefits and future compensated leave payout amounts. Long-term commitments are not presented in the Statement of Financial Affairs of the General Assembly 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.

The following is a summary of the long-term commitments at June 30, 2019:

	<u>Senate</u>	<u>House</u>	<u>LSAs</u>	<u>Total</u>
Lease and other commitments	\$ -	\$ 4,257,600	\$ 132,314	\$ 4,389,914
Pension obligation	142,953,796	253,676,457	31,915,910	428,546,163
Other post employment benefits	401,233,740	585,191,680	-	986,425,420
Future compensated leave payouts	11,258,683	9,832,429	2,368,261	23,459,373
Total long-term commitments	<u>\$555,446,219</u>	<u>\$ 852,958,166</u>	<u>\$ 34,416,485</u>	<u>\$1,442,820,870</u>

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. These obligations are included as required by GASB Statement No. 75 and are considered long-term based on the actuarial valuations.

The most recent actuary report for the Senate was performed by Aquarius Capital Solutions Group, LLC as of July 1, 2018, for fiscal year ended June 30, 2019, dated June 9, 2019. The figures in this report were based on a roll forward calculation from the actuarial valuation date of July 1, 2017.

The most recent actuary report for the House of Representatives was performed by Conrad Siegel as of July 1, 2018, for fiscal year ended June 30, 2019, dated July 24, 2019. The figures in this report were based on a roll forward calculation from the actuarial valuation date of July 1, 2017.

Legislative Service Agencies with employees are included in the other post-employment benefit reports for either Senate or House of Representative. The employees are combined within the report and therefore the liability cannot be separated.

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, 2019; 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 Statement No. 16.

SUPPLEMENTARY INFORMATION

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

SCHEDULE OF DISBURSEMENTS BY CATEGORY

Fiscal Year Ended June 30, 2019

Announcements	\$ 18,672
Education	120,597
Fixed Assets	13,870,595
Insurance	130,101
Leases	11,286,528
Miscellaneous/other	1,514,049
Payroll/benefits	299,007,193
Postage	2,484,712
Printing	891,662
Publications	892,468
Renovations/preservations	967,297
Repairs/maintenance	4,294,834
Services	14,351,765
Supplies	4,796,784
Transportation	3,996,556
Travel	2,361,900
Utilities	703,782
	<u>\$ 361,689,495</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, 2019. 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.

We recommend researching and possible implementation of a purchasing/procurement card (P-Card) program.

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

As mentioned above, adoption of a P-Card system for House of Representatives Leadership Contingent account holders’ purchases is one recommendation offered to reduce the risk associated with numerous checkbooks and accounting transactions external of the Comptroller’s review. As an alternative suggestion to mitigate the same risk, we recommend researching and possibly transitioning the House Leadership Contingent Accounting to the Comptroller’s office; the format would be similar to the transition that occurred for 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

The House Leadership 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 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 an 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.

Integration of Advanced Appropriations into Accounting System

The legislative departments and agencies of the General Assembly which receive advance appropriations retain record of the activity in a manner external from the current accounting system (e.g. accounting system) utilized by all other legislative departments and agencies of the General Assembly. The activity external of the current accounting system hinders the ability to easily view consolidated activity of the General Assembly at any given point in time. One recommendation to assist in this matter is the transitioning of accounting for House Leadership Contingent accounts to the Comptroller's Office as stated above. Additionally, we recommend implementing an accounting system which is capable of retaining the activity of the advance appropriations and requiring the use of this accounting system.

Full Utilization of Expense Category/Codes

Each expense entered into the accounting system is required to be coded with an expense category. This category classifies the expense by natural expense (i.e. supplies, services, utilities, etc.). During our audit, we noted ways for the Legislative Support Agencies to better utilize these categories and coding systems. Each expense should be posted to the most specific expense category possible; and creation of additional categories may be needed.

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 black ink that reads "Boyer & Ritten". The signature is written in a cursive, flowing style with a large loop at the end of the word "Ritten".

Camp Hill, Pennsylvania
January 21, 2020

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

We are pleased to present this report related to our audit of the financial statements of General Assembly of the Commonwealth of Pennsylvania (“General Assembly”) as of and for the year ended June 30, 2019. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the General Assembly’s financial reporting process.

Generally accepted auditing standards (AU-C 260, *The Auditor’s Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

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 December 27, 2018. Our 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 dated January 15, 2019, 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

The following identifies the qualitative aspects of significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures which you may wish to monitor as part of your oversight responsibilities of the financial reporting process:

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

Management and 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.

The following is a description of an accounting pronouncement which was considered for implementation in the upcoming years:

GASB Statement No. 87, *Leases*, will be effective for the General Assembly beginning with its year ending June 30, 2021 (fiscal periods beginning after December 15, 2019). This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

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 preparation of financial statements and are based upon management's current judgements. The process used by management encompasses its knowledge and experience about past and current events and certain 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 statement relate to commitments, including pension obligation.

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. Management's estimate of these items is based on current and historical information available to management, and in some cases, involved actuarial calculations. 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

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, including pension obligation. The disclosures in the financial statements are neutral, consistent and clear.

Supplementary Information

With respect to the 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 the budgetary basis of accounting, 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.

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.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

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

Significant Written Communications Between Management and Our Firm

We have requested certain representations from management that are included in the management representation letter dated January 21, 2020.

Other Information in Documents Containing Audited Financial Statements


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

Management Letter

We have separately communicated the comments and ideas that are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the General Assembly's practices and procedures in a letter dated January 21, 2020.

Closing

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

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

Camp Hill, Pennsylvania
January 21, 2020