

**REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA**

**FINANCIAL AUDIT REPORT
STATE OF CALIFORNIA
SENATE, ASSEMBLY, AND
JOINT SENATE AND ASSEMBLY
YEAR ENDED JUNE 30, 1979**

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

005

FINANCIAL AUDIT REPORT
STATE OF CALIFORNIA
SENATE, ASSEMBLY, AND
JOINT SENATE AND ASSEMBLY

NOVEMBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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S. FLOYD MORI
CHAIRMAN

November 21, 1980

005

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits Ernst & Whinney's financial audit report of the State of California Senate, Assembly, and Joint Senate and Assembly, year ended June 30, 1979. The work was performed under contract with the Auditor General's Office.

The auditor is Richard I. LaRock, CPA, Audit Manager.

Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

Audited Financial Statements

STATE OF CALIFORNIA
SENATE, ASSEMBLY, AND
JOINT SENATE AND ASSEMBLY

June 30, 1979

Audited Financial Statements

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Ernst & Whinney

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Auditor General
State of California

We have examined the balance sheets of the State of California Senate, Assembly, and Joint Senate and Assembly for the year ended June 30, 1979 and the related statements of revenues, expenditures and encumbrances, and changes in fund balances and the statements of expenditures and encumbrances - budget and actual for the year then ended. Except as disclosed in the following paragraph, our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the Office of the Auditor General, which statements reflect revenues approximating seven percent of the total revenue of the Joint Senate and Assembly Contingent Fund. These statements were examined by other auditors whose report thereon was furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Office of the Auditor General in the Joint Senate and Assembly Contingent Fund, is based solely on the report of the other auditors.

The Senate and Joint Senate and Assembly maintained their records and prepared their financial statements for previous years on the cash basis with no recognition having been accorded accounts payable, encumbrances, and accrued liabilities. For the current year the modified accrual basis of accounting was utilized. Although appropriate adjustments have been made to the fund balances as of the beginning of the year, it was not practicable to determine what adjustments would be necessary in the financial statements of the preceding year to restate results of operations in conformity with the accounting principles used in the current year.

As more fully described in Note B to the financial statements it was not possible to determine what adjustments would be necessary to segregate accounts payable and the reserve for encumbrances.

Auditor General
State of California

In our opinion, based upon our examination and the report of other auditors, and except for the effect, if any, of the matter discussed in the preceding paragraphs, the aforementioned financial statements present fairly the financial position of the Senate, Assembly, and Joint Senate and Assembly at June 30, 1979 and the statements of revenues, expenditures and encumbrances, and changes in fund balances and the statements of expenditures and encumbrances--budget and actual for the year then ended, in conformity with generally accepted accounting principles.

Ernst & Whinney

Sacramento, California
August 15, 1980

BALANCE SHEETS

STATE OF CALIFORNIA
SENATE, ASSEMBLY, AND
JOINT SENATE AND ASSEMBLY

June 30, 1979

	<u>Senate</u>	<u>Assembly</u>	<u>Joint Senate and Assembly</u>
ASSETS			
Cash in State treasury	\$4,128,689	\$4,353,726	\$43,066,117
Cash in bank and on hand	7,059	-0-	-0-
Cash in revolving funds	-0-	-0-	40,000
Other assets	7,927	-0-	-0-
TOTAL ASSETS	<u>\$4,143,675</u>	<u>\$4,353,726</u>	<u>\$43,106,117</u>
LIABILITIES AND FUND BALANCES			
Accounts payable and encumbrances--Note B	\$ 384,164	\$ 472,190	\$ 227,390
Accrued liabilities	324,610	709,122	250,015
TOTAL LIABILITIES	<u>708,774</u>	<u>1,181,312</u>	<u>477,405</u>
FUND BALANCES-- NOTE C	3,434,901	3,172,414	42,628,712
TOTAL LIABILITIES AND FUND BALANCES	<u>\$4,143,675</u>	<u>\$4,353,726</u>	<u>\$43,106,117</u>

See notes to financial statements

STATEMENTS OF REVENUES, EXPENDITURES AND ENCUMBRANCES,
AND CHANGES IN FUND BALANCES

STATE OF CALIFORNIA
SENATE, ASSEMBLY, AND
JOINT SENATE AND ASSEMBLY

Year ended June 30, 1979

	<u>Senate</u>	<u>Assembly</u>	<u>Joint Senate and Assembly</u>
REVENUES			
Contingent Fund appropriation	\$17,011,583	\$24,523,636	\$26,692,536
General Fund appropriation	1,351,072	2,770,328	2,879,172
California Environmental Protection Program Fund appropriation	-0-	25,000	-0-
TOTAL REVENUES	<u>18,362,655</u>	<u>27,318,964</u>	<u>29,571,708</u>
EXPENDITURES AND ENCUMBRANCES			
Contingent Fund--Note D	14,437,333	23,553,701	13,534,238
General Fund	1,351,072	2,770,328	3,952,091
California Environmental Protection Program Fund	-0-	25,000	-0-
TOTAL EXPENDITURES AND ENCUMBRANCES	<u>15,788,405</u>	<u>26,349,029</u>	<u>17,486,329</u>
EXCESS OF REVENUES OVER EXPENDITURES AND ENCUMBRANCES	2,574,250	969,935	12,085,379
Fund balances at July 1, 1978-- Note C	<u>860,651</u>	<u>2,202,479</u>	<u>30,543,333</u>
FUND BALANCES AT JUNE 30, 1979	<u>\$ 3,434,901</u>	<u>\$ 3,172,414</u>	<u>\$42,628,712</u>

See notes to financial statements

STATEMENTS OF EXPENDITURES AND ENCUMBRANCES--BUDGET AND ACTUAL

STATE OF CALIFORNIA
 SENATE, ASSEMBLY, AND
 JOINT SENATE AND ASSEMBLY

Year ended June 30, 1979

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable</u>
SENATE			
Contingent Fund	\$15,579,733	\$14,437,333	\$ 1,142,400
General Fund	1,422,500	1,351,072	71,428
TOTAL SENATE	<u>\$17,002,233</u>	<u>\$15,788,405</u>	<u>\$ 1,213,828</u>
ASSEMBLY			
Contingent Fund	\$24,744,696	\$23,553,701	\$ 1,190,995
General Fund	2,880,400	2,770,328	110,072
California Environmental Protection Program Fund	25,000	25,000	-0-
TOTAL ASSEMBLY	<u>\$27,650,096</u>	<u>\$26,349,029</u>	<u>\$ 1,301,067</u>
JOINT SENATE AND ASSEMBLY			
Contingent Fund	\$24,121,929	\$13,534,238	\$10,587,691
General Fund	6,195,776	3,952,091	2,243,685
TOTAL JOINT SENATE AND ASSEMBLY	<u>\$30,317,705</u>	<u>\$17,486,329</u>	<u>\$12,831,376</u>

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

STATE OF CALIFORNIA
SENATE, ASSEMBLY, AND
JOINT SENATE AND ASSEMBLY

June 30, 1979

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The entities' accounting records are maintained on a cash basis throughout the year. For financial statement purposes, the accounting records are adjusted at year end to reflect the modified accrual basis, wherein revenues are recognized when they become available and measurable. Expenditures are recognized in the accounting period in which the liability is incurred.

Retirement Plans

Legislative employees may elect to become members of the Public Employees' Retirement System (PERS), which is a defined benefit, contributory retirement plan. The amount the entities contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. The entities' expense for PERS contributions for the fiscal year 1978-79 was approximately \$2,800,000.

Legislative members may elect to become members of the Legislators' Retirement System which operates in a similar manner. The entities' annual contributions for fiscal year 1978-79 approximated \$500,000.

Information is not available as to the excess, if any, of the actuarially computed value of vested benefits over the total assets of the retirement funds.

Vacation and Sick Leave

Vacation and sick leave pay is charged to operations at the time the benefits are used rather than when they are earned. Records are maintained for the number of days earned and taken on an individual employee basis. However, a valuation of the total days accrued is not calculated by the entities and it is not practicable to determine the liability at June 30, 1979. It is estimated that the accumulated unused vacation and sick leave pay at June 30, 1979, does not exceed a normal year's accumulation.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps