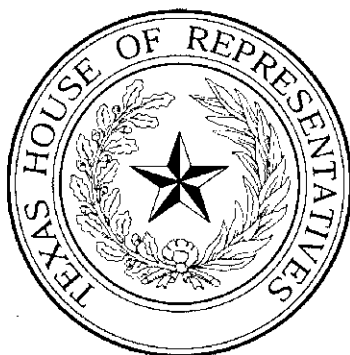


# Annual Financial Report



**For the Year Ended August 31, 2016**

**Prepared By The  
Accounting Department**



**TEXAS HOUSE OF REPRESENTATIVES**  
**HOUSE BUSINESS OFFICE**

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November 1, 2016

Honorable Greg Abbott, Governor  
Honorable Glenn Hegar, Texas Comptroller  
Ursula Parks, Director, Legislative Budget Board  
John Keel, CPA, State Auditor

Ladies and Gentlemen:

We are pleased to submit the Annual Financial Report of the House of Representatives for the year ended August 31, 2016, in compliance with TEX. GOV=T CODE ANN ' 2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Scott Siebert at (512) 463-0835.

Sincerely,

A handwritten signature in black ink that reads "Steven D. Adrian".

Steven D. Adrian  
Executive Director

# Annual Financial Report

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House of Representatives  
 Exhibit I - Combined Balance Sheet/Statement of Net Position - Governmental Funds  
 For the fiscal year ended August 31, 2016

	<b>Governmental Funds Total</b>
	<u>                    </u>
<b>ASSETS</b>	
Current Assets:	
Cash and Temporary Investments:	
Cash in Bank	\$      3,500.00
Legislative Appropriations	8,916,210.84
Consumable Inventories	<u>758,073.31</u>
Total Current Assets	<u>9,677,784.15</u>
Total Assets	<u><u>9,677,784.15</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
Current Liabilities:	
Payables from:	
Accounts Payable	3,697.88
Payroll Payable	1,933,556.27
Other Current Liabilities	<u>1,086.65</u>
Total Current Liabilities	<u>1,938,340.80</u>
Total Liabilities	<u><u>1,938,340.80</u></u>
<b>Fund Financial Statement-Fund Balance</b>	
Fund Balance (Deficits):	
Reserved as:	
Non-spendable for Inventory	758,073.31
Unreserved Designated for:	
Other	<u>6,981,370.04</u>
Total fund balance	<u>7,739,443.35</u>
Total Liabilities and Fund Balance	<u><u>\$ 9,677,784.15</u></u>

House of Representatives  
 Exhibit II - Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Balance/Statement of Activities - Governmental Funds  
 For the fiscal year ended August 31, 2016

	<b>Governmental Funds Total</b>
	<u>                    </u>
<b>REVENUES</b>	
Legislative Appropriations:	
Original Appropriations	\$ 39,413,383.00
Additional Appropriations	10,703,921.73
Sales of Goods and Services	164,781.20
Other	28,406.79
Total Revenues	<u>50,310,492.72</u>
<b>EXPENDITURES</b>	
Salaries and Wages	29,819,988.58
Payroll Related Costs	10,538,969.21
Professional Fees and Services	54,830.00
Travel	1,205,381.08
Materials and Supplies	1,848,010.57
Communication and Utilities	506,701.08
Repairs and Maintenance	63,238.25
Rentals & Leases	1,434,899.26
Printing and Reproduction	23,955.55
Other Expenditures	436,798.14
Debt Service-Principal-Capital Leases	177,855.85
Capital Outlay	21,550.78
Total Expenditures/Expenses	<u>46,132,178.35</u>
Excess (deficiency) of revenues over expenditures	<u>4,178,314.37</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Increase In Obligations Under Capital Lease	174,940.18
Legislative Transfers Out	(3,199,628.00)
Appropriations Lapsed	-
Total other financing sources and uses	<u>(3,024,687.82)</u>
Net change in fund balance/net assets	<u>1,153,626.55</u>
<b>Fund Financial Statement-Fund Balances</b>	
Fund Balances--Beginning	6,585,816.80
Restatements	-
Fund Balance, September 1, 2015, as Restated	<u>6,585,816.80</u>
Appropriations Lapsed	
Fund Balance--August 31, 2016	<u>\$ 7,739,443.35</u>



## NOTE 1: Summary of Significant Accounting Policies

### Entity

The House of Representatives is a legislative agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts Reporting Requirements for State Agencies.

The House of Representatives is composed of 150 members and administrative staff. This report reflects the expenditures incurred by the House in the performance of legislative duties.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the Audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

#### Blended Component Units

No component units have been identified which should have been blended into an appropriate fund.

#### Discretely Presented Component Units

No component unit that is legally separate from the state has been identified.

### Fund Structure

The accompanying financial statements are presented on the basis of fund and account groups, each of which is considered a separate accounting entity.

#### **Governmental Fund Types & Government-wide Adjustment Fund Types**

##### General Fund

The General Fund (Fund 0001) is used to account for all financial resources of the state except those required to be accounted for in another fund.

##### Capital Assets Adjustment Fund Type

The Capital Asset Adjustment Fund (Fund 9998) will be used to convert governmental fund types' capital assets from modified accrual to full accrual.

##### Long-Term Liabilities Adjustment Fund Type

The Long-Term Liabilities Adjustment Fund (Fund 9997) will be used to convert governmental fund types' debt from modified to full accrual.

#### **Fiduciary Fund Types**

Fiduciary funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. When assets are held under the terms of a formal trust agreement, either a pension trust fund, or a private purpose trust fund is used.

##### Agency Funds

The Deferred Comp 401(k) Fund (Fund 0942) accounts for tax-deferred portions of salaries of state employees in accordance with the provisions of IRC Section 401(k).

#### **Basis of Accounting**

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund types that build the fund financial statements are accounted for using the modified accrual method basis of accounting. Under the modified accrual basis, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end. The State of Texas considers receivables collected within **sixty days** after year-end to be available and recognizes them as revenues of the current year for Fund Financial Statements prepared on the modified accrual basis. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual method of accounting. This includes unpaid Employee Compensable leave. The activity will be recognized in these new fund types.



## Budget and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act).

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

## Assets, Liabilities, and Fund Balances/Net Assets

### Assets

#### Inventories and Prepaid Items

Inventories include both consumable supplies and postage on hand. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories and prepaid items that appear in the governmental and proprietary fund types. The cost of these items is expensed when the items are consumed.

#### Capital Assets

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. These assets are capitalized at cost or, if any purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets such as works of art and historical treasures are not depreciated. Road and highway infrastructure is reported on the modified basis. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

Donated assets are reported at fair value on the acquisition date. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

### Liabilities

#### Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

#### Other Payables

Other payables are the accrual at year-end of expenditure transactions not included in any of the other payable descriptions. Other payables may be included in the governmental fund type

#### Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or non-current in the statement of net assets.

### Fund Balance/Net Assets

The difference between fund assets and liabilities is 'Net Assets' on the government-wide, proprietary and fiduciary fund statements, and the 'Fund Balance' is the difference between fund assets and liabilities on the government fund statements.

#### Reservations of Fund Balance

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reservations are legally restricted to a specific future use or not available for expenditure.

#### Reserved for Encumbrances

This represents commitments of the value of contracts awarded or assets ordered prior to year-end but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

#### Unreserved/Undesignated

This represents the un-appropriated balance at year-end.

Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bond, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Assets

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

Unrestricted net assets consist of net assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

**Interfund Transactions and Balances**

The House of Representatives has the following types of transactions between funds:

- (1) Transfers: Legally required transfers that are reported when incurred as 'Transfers In' by the recipient fund and as 'Transfers Out' by the disbursing fund.
- (2) Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund. The composition of the agency's Interfund activities and balances are presented in Note 8.

**NOTE 2: Capital Assets**

A summary of changes in Capital Assets for the year ended August 31, 2016 is presented below:

	PRIMARY GOVERNMENT							
	Balance 09/01/15	Adjustments	Reclassifications			Additions	Deletions	Balance 08/31/16
			Completed CIP	Inc - Int'agy Trans	Dec-Int'agy Trans			
<b>GOVERNMENTAL ACTIVITIES</b>								
Non-depreciable/Non-amortizable Assets								
Other Assets	261,150.00	0.00	0.00	0.00	0.00	0.00	0.00	261,150.00
Total Non-depreciable/Non-amortizable Assets	261,150.00	0.00	0.00	0.00	0.00	0.00	0.00	261,150.00
Depreciable Assets								
Furniture and Equipment	2,463,880.77	0.00	0.00	0.00	0.00	196,490.96	(17,558.19)	2,642,813.54
Vehicle, Boats & Aircraft	93,495.57	0.00	0.00	0.00	0.00	0.00	0.00	93,495.57
Total Depreciable Assets	2,557,376.34	0.00	0.00	0.00	0.00	196,490.96	(17,558.19)	2,736,309.11
Less Accumulated Depreciation for:								
Furniture and Equipment	(2,356,751.44)	0.00	0.00	0.00	0.00	(36,096.88)	17,105.49	(2,375,742.83)
Vehicles, Boats & Aircraft	(91,989.77)	0.00	0.00	0.00	0.00	(1,505.80)	0.00	(93,495.57)
Total Accumulated Depreciation	(2,448,741.21)	0.00	0.00	0.00	0.00	(37,602.68)	17,105.49	(2,469,238.40)
Depreciable Assets, Net	108,635.13	0.00	0.00	0.00	0.00	158,888.28	(452.70)	267,070.71
Governmental Activities Capital Assets, Net	108,635.13	0.00	0.00	0.00	0.00	158,888.28	(452.70)	267,070.71



**NOTE 3: Deposits, Investments, & Repurchase Agreements**

**Deposits of Cash in Bank**

As of August 31, 2016, the carrying amount of deposits was \$3,500 as presented below.

<b>Governmental and Business-Type Activities</b>	
CASH IN BANK - CARRYING VALUE	\$ 3,500.00
Less: Certificates of Deposit included in carrying value and reported as Cash Equivalent	
Less: Un-invested Securities Lending Cash Collateral included in carrying value and reported as Securities Lending Collateral	
Less: Securities Lending CD Collateral included in carrying value and reported as Securities Lending Collateral	
Cash In Bank per AFR	\$ 3,500.00
<hr/>	
Governmental Funds Current Assets Cash in Bank	\$ 3,500.00
Governmental Funds Current Assets Restricted Cash in Bank	
Governmental Funds Non-Current Assets Restricted Cash in Bank	
Proprietary Funds Current Assets Cash in Bank	
Proprietary Funds Current Assets Restricted Cash in Bank	
Proprietary Funds Non-Current Restricted Cash in Bank	
Cash in Bank per AFR	\$ 3,500.00

As of 08/31/2016, the total bank balance was as follows.

Type	Amount	Type	Amount	Type	Amount
Governmental and Business-Type Activities	\$3,500.00	Fiduciary Funds	\$0.00	Discrete Component Units	\$0.00

**NOTE 4: Short-Term Debt**

Not applicable.



**NOTE 5: Long-Term Liabilities**

**Changes in Long-Term Liabilities**

During the year ended August 31, 2016, the following changes occurred in liabilities.

Governmental Activities	Balance 09/01/15	Additions	Reductions	Balance 08/31/16	Amounts Due Within One Year
Capital Lease Obligations	\$ 0.00	\$ 174,940.18	\$ 2,915.67	\$ 172,024.51	\$ 34,988.04
Compensable Leave	\$ 1,519,299.57	\$ 700,215.76	\$ 1,066,001.39	\$ 1,153,513.94	\$ 545,705.65
<b>Total Government Activities</b>	<b>\$ 1,519,299.57</b>	<b>\$ 875,155.94</b>	<b>\$ 1,068,917.06</b>	<b>\$ 1,325,538.45</b>	<b>\$ 580,693.69</b>

**Capital Lease Obligations**

The House entered into a four year capital lease, that began on August 1, 2016, to replace printing equipment that had become obsolete. The equipment was purchased from Agfa Corporation and the leasing company is m2 Lease Funds.

**Employees' Compensable Leave**

A state employee is entitled to be paid for all unused vacation time accrued, in the event of that employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. An expense and liability for proprietary fund types are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

**NOTE 6: Bonded Indebtedness**

Not applicable

**NOTE 7: Derivative Instruments**

Not applicable

**NOTE 8: Leases**

**Operating Leases**

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating leases:

<u>Fund Type</u>	<u>Amount</u>
General Fund	\$ 322,202.30

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

Year Ended August 31	
2017	\$ 222,289.90
2018	\$ 209,667.60
2019	\$ 209,667.60



2020	\$ 174,723.00
2021	\$ 0.00
<b>Total Minimum Future Lease Rental Payments</b>	<b>\$ 816,348.10</b>

### Capital Leases

The House of Representatives entered into a long-term lease for financing the purchase of a certain capital asset. Such leases are classified as capital leases for accounting purposes and are recorded at the present value of the future minimum lease payments at the inception of the lease. A summary of original capitalized costs of all such property under lease in addition to the accumulated depreciation as of Aug. 31, 2016, is presented below.

#### Assets Under Capital Leases Year Ending Aug. 31, 2016

<b>Governmental Activities</b>			
<b>Class of Property</b>	<b>Assets under Capital Lease</b>	<b>Accumulated Depreciation</b>	<b>Total</b>
Land	\$ -	\$ -	\$ -
Furniture & Equipment	174,940.18	(2,082.62)	172,857.56
Vehicles, Boats, etc.	-	-	-
<b>Totals</b>	<b>\$ 174,940.18</b>	<b>\$ (2,082.62)</b>	<b>\$ 172,857.56</b>

Future minimum lease payments under these capital leases, together with the present value of the net minimum lease payments at fiscal year-end, are:

#### Future Capital Lease Payments Year Ending Aug. 31, 2016

<b>Governmental Activities</b>			
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Future Min. Lease Payments</b>
2017	\$ 34,988.04	\$ 7,179.60	\$ 42,167.64
2018	34,988.04	7,179.60	42,167.64
2019	34,988.04	7,179.60	42,167.64
2020	34,988.04	7,179.60	42,167.64
2021	32,072.35	6,581.30	38,653.65
<b>Totals</b>	<b>\$ 172,024.51</b>	<b>\$ 35,299.70</b>	<b>\$ 207,324.21</b>

#### NOTE 9: Pension Plans

Not applicable

#### NOTE 10: Deferred Compensation

Not applicable



**NOTE 11: Post-Employment Health Care and Life Insurance Benefits**

Not applicable

**NOTE 12: Interfund Activity and Transactions**

As explained in Note 1 on Interfund Transactions and Balances, there are numerous transactions between funds and agencies. At year-end amounts to be received or paid are reported as:

- Interfund Receivables or Interfund Payables
- Due From Other Agencies or Due To Other Agencies
- Due From Other Funds or Due To Other Funds
- Transfers In or Transfers Out
- Legislative Transfers In or Legislative Transfers Out

Individual balances and activity at August 31, 2016, follows:

Current Portion	Current Interfund Receivable	Current Interfund Payable
GENERAL (01)	-0-	-0-
<b>Total Interfund Receivable/Payable</b>	<b>-0-</b>	<b>-0-</b>

Non-Current Portion	Non-Current Interfund Receivable	Non-Current Interfund Payable	Purpose
GENERAL (01)	-0-	-0-	
<b>Total Interfund Receivable/Payable</b>	<b>-0-</b>	<b>-0-</b>	

	Legislative TRANSFERS IN	Legislative TRANSFERS OUT
General Revenue (01)		
Appropriation Fund 0001, D23 Fund 0001		
Agency 104, D23 Fund 0001		\$ 2,034,190.00
Agency 116, D23 Fund 0001		\$ 1,165,438.00
<b>Total Legislative Transfers</b>	<b>-0-</b>	<b>\$ 3,199,628.00</b>

**NOTE 13: Continuance Subject to Review**

Not applicable.

**NOTE 14: Adjustments to Fund Balances/Net Position**

Not applicable.



**NOTE 15: Contingencies and Commitments**

Not applicable.

**NOTE 16: Subsequent Events**

Not applicable.

**NOTE 17: Risk Management**

Not applicable.

**NOTE 18: Management's Discussion and Analysis**

Not applicable.

**NOTE 19: The Financial Reporting Entity**

Not applicable.

**NOTE 20: Stewardship, Compliance & Accountability**

Not applicable.

**NOTE 22: Donor Restricted Endowments**

Not applicable.

**NOTE 23: Extraordinary and Special Items**

Not applicable.

**NOTE 24: Disaggregation of Receivables and Payable Balances**

Not applicable.

**NOTE 25: Termination Benefits**

Not applicable.



**NOTE 26: Segment Information**

Not applicable.

**NOTE 27: Service Concession Arrangements**

Not applicable.

**NOTE 28: Deferred Outflows of Resources and Deferred Inflows of Resources**

Not applicable

**NOTE 29: Troubled Debt Restructuring**

Not applicable

**NOTE 30: Non-Exchange Financial Guarantees**

Not applicable



