

2012

Texas Legislative Council



Debbie Irvine  
Executive Director

Annual Financial Report

FISCAL YEAR ENDED AUGUST 31, 2012



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TEXAS LEGISLATIVE COUNCIL

P.O. Box 12128, Capitol Station  
Austin, Texas 78711-2128  
Telephone: 512/463-1151



DAVID DEWHURST  
Lieutenant Governor  
Joint Chair

DEBBIE IRVINE  
Executive Director

JOE STRAUS  
Speaker of the House  
Joint Chair

October 1, 2012

Honorable Rick Perry, Governor  
Honorable David Dewhurst, Lieutenant Governor  
Honorable Joe Straus, Speaker  
Honorable Susan Combs, Texas Comptroller  
Ursula Parks, Acting Director, Legislative Budget Board  
John Keel, CPA, State Auditor

Ladies and Gentlemen:

We are pleased to submit the annual financial report of the Texas Legislative Council for the year ended August 31, 2012, in compliance with Texas Government Code Annotated, Section 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 Mathew Richardson, CPA, at (512) 463-1155.

Sincerely,

A handwritten signature in cursive script that reads "Debbie Irvine".

Debbie Irvine  
Executive Director

# COMBINED FINANCIAL STATEMENTS

**Texas Legislative Council (103)**

**Exhibit I**

**Combined Balance Sheet/Statement of Net Assets - Governmental Funds**

**August 31, 2012**

	<b>Governmental Funds Total</b>	<b>Capital Assets Adjustments</b>	<b>Long-Term Liabilities Adjustments</b>	<b>Statement of Net Assets</b>
<b>ASSETS</b>				
Current Assets:				
Cash (Note 3)				
On Hand	\$ 100.00	\$	\$	\$ 100.00
Legislative Appropriations	25,956,380.88			25,956,380.88
Consumable Inventories	209,022.91			209,022.91
Merchandise Inventories	21,475.00			21,475.00
Noncurrent Assets:				
Capital Assets (Note 2)				
Non-Depreciable or Non-Amortizable				
Depreciable or Amortizable, Net		2,513,468.53		2,513,468.53
<b>TOTAL ASSETS</b>	<b>\$ 26,186,978.79</b>	<b>\$ 2,513,468.53</b>	<b>\$ -</b>	<b>\$ 28,700,447.32</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Current Liabilities:				
Payables from				
Accounts	\$ 118,470.85			\$ 118,470.85
Payroll	2,567,754.78			2,567,754.78
Capital Lease Obligations (Note 5,8)				-
Employees' Compensable Leave (Note 5)			1,747,480.07	1,747,480.07
Noncurrent Liabilities:				
Capital Lease Obligations (Note 5,8)				-
Employees' Compensable Leave (Note 5)			2,139,655.74	2,139,655.74
<b>Total Liabilities</b>	<b>2,686,225.63</b>	<b>-</b>	<b>3,887,135.81</b>	<b>6,573,361.44</b>
<b>Fund Financial Statement</b>				
Fund Balances (Deficits):				
Nonspendable	230,497.91			230,497.91
Restricted				-
Committed				-
Assigned	1,315,549.37			1,315,549.37
Unassigned	21,954,705.88			21,954,705.88
<b>Total Fund Balances</b>	<b>23,500,753.16</b>	<b>-</b>	<b>-</b>	<b>23,500,753.16</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 26,186,978.79</b>			
<b>Government-Wide Statement of Net Assets</b>				
Net Assets:				
Invested in Capital Assets, Net of Related Debt		2,513,468.53		2,513,468.53
Restricted For				-
Other				-
Unrestricted			(3,887,135.81)	(3,887,135.81)
<b>Total Net Assets</b>		<b>\$ 2,513,468.53</b>	<b>\$ (3,887,135.81)</b>	<b>\$ 22,127,085.88</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

**Texas Legislative Council (103)**

**Exhibit II**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities - Governmental Funds**

**For the fiscal year ended August 31, 2012**

	<b>GOVERNMENTAL FUNDS TOTAL (GENERAL)</b>	<b>CAPITAL ASSETS ADJUSTMENT</b>	<b>LONG-TERM LIABILITIES ADJUSTMENTS</b>	<b>STATEMENT OF ACTIVITIES</b>
<b>REVENUES</b>				
Legislative Appropriations:				
Original Appropriations	\$ 31,184,358.00	\$	\$	\$ 31,184,358.00
Budget Reduction				-
Additional Appropriations	5,544,539.46			5,544,539.46
Licenses, Fees, and Permits	6,860.40			6,860.40
Sales of Goods and Services	20,127.22			20,127.22
Other	56,568.92			56,568.92
<b>TOTAL REVENUES</b>	<b>36,812,454.00</b>	<b>-</b>	<b>-</b>	<b>36,812,454.00</b>
<b>EXPENDITURES</b>				
Salaries and Wages	24,191,340.30		(1,874,457.17)	22,316,883.13
Payroll Related Costs	5,721,323.11			5,721,323.11
Professional Fees and Services	987,977.46			987,977.46
Travel	59,532.34			59,532.34
Materials and Supplies	1,394,309.03		(33,615.96)	1,360,693.07
Communication and Utilities	745,247.66			745,247.66
Repairs and Maintenance	1,345,672.26			1,345,672.26
Rentals and Leases	63,485.66			63,485.66
Printing and Reproduction	989.48			989.48
Claims and Judgments	-			-
Employee Benefit Payments	-			-
Interest Expense - Other	31.74			31.74
Other Expenditures	344,796.78			344,796.78
Debt Service:				-
Principal - Capital Leases	417,298.00		(417,298.00)	-
Interest	-			-
Capital Outlay	703,455.38	(703,455.38)		-
Depreciation and Amortization Expense		1,759,034.11		1,759,034.11
<b>TOTAL EXPENDITURES</b>	<b>35,975,459.20</b>	<b>1,055,578.73</b>	<b>(2,325,371.13)</b>	<b>34,705,666.80</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>836,994.80</b>	<b>(1,055,578.73)</b>	<b>2,325,371.13</b>	<b>2,106,787.20</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets	25,811.67	(66,311.67)		(40,500.00)
Transfer In				-
Transfer Out	(2,876.94)			(2,876.94)
Legislative Financing Sources	109,389.25			109,389.25
Legislative Financing Uses	(1,159,389.25)			(1,159,389.25)
Inc (Dec) in Net Assets Due to Interagency Transfer		269.70		269.70
Inc (Dec) in Obligations under Capital Leases				-
Gain (Loss) on Sale of Capital Assets		31,298.59		31,298.59
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,027,065.27)</b>	<b>(34,743.38)</b>	<b>-</b>	<b>(1,061,808.65)</b>
<b>Net Change in Fund Balances/Net Assets</b>	<b>(190,070.47)</b>			<b>1,044,978.55</b>
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>				
Fund Balances - September 1, 2011	23,690,823.63			23,690,823.63
Restatements	-			-
Fund Balances - September 1, 2011, as restated	23,690,823.63			23,690,823.63
Fund Balances - August 31, 2012	<b>\$ 23,500,753.16</b>			<b>\$ 24,735,802.18</b>
<b>GOVERNMENT-WIDE STATEMENT OF NET ASSETS</b>				
Net Assets/Net Change in Net Assets		(1,090,322.11)	2,325,371.13	
Net Assets - September 1, 2011		3,736,169.83	(6,212,506.94)	(2,476,337.11)
Restatements		(132,379.19)		(132,379.19)
Net Assets - September 1, 2011, as restated		3,603,790.64	(6,212,506.94)	(2,608,716.30)
Net Assets - August 31, 2012	<b>\$ -</b>	<b>\$ 2,513,468.53</b>	<b>\$ (3,887,135.81)</b>	<b>\$ 22,127,085.88</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

**Texas Legislative Council (103)**

**Exhibit V1**

**Combined Statement of Net Assets - Fiduciary Funds**

**August 31, 2012**

	<b>Agency Funds (Exhibit J-1)</b>	<b>Totals</b>
<b>ASSETS</b>		
Current Assets:		
Cash in State Treasury	\$ 4,811.48	\$ 4,811.48
<b>TOTAL ASSETS</b>	<b>\$ 4,811.48</b>	<b>\$ 4,811.48</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Current Liabilities:		
Assets Payable	\$ -	\$ -
Funds Held for Others	4,811.48	4,811.48
<b>TOTAL LIABILITIES AND FUND BALANCE (Exh. J-1)</b>	<b>\$ 4,811.48</b>	<b>\$ 4,811.48</b>

The accompanying notes to the financial statements are an integral part of this financial statement.



## COMBINING FINANCIAL STATEMENTS

**Texas Legislative Council (103)**

**Exhibit J-1**

**Combining Statement of Changes in Assets and Liabilities - Agency Funds**

For the fiscal year ended August 31, 2012

	Beginning Balance 9/1/2011	Additions	Deductions	Ending Balance 8/31/2012
<b>OTHER AGENCY FUNDS</b>				
<b>Child Support Employee Deduct - Offset Account (0807)</b>				
Assets:				
Cash in State Treasury	\$ 6,373.48	\$ 75,300.27	\$ 76,862.27	\$ 4,811.48
Total Assets - Fund 0807	<u>\$ 6,373.48</u>	<u>\$ 75,300.27</u>	<u>\$ 76,862.27</u>	<u>\$ 4,811.48</u>
Liabilities:				
Accounts Payable	\$ -	\$ 70,488.79	\$ 70,488.79	\$ -
Funds Held for Others	6,373.48	68,926.79	70,488.79	4,811.48
Total Liabilities - Fund 0807	<u>\$ 6,373.48</u>	<u>\$ 139,415.58</u>	<u>\$ 140,977.58</u>	<u>\$ 4,811.48</u>
<b>City, Cty, MTS &amp; SPD Agency (0882)</b>				
Assets:				
Cash in State Treasury	\$ -	\$ 375.32	\$ 375.32	\$ -
Total Assets - Fund 0882	<u>\$ -</u>	<u>\$ 375.32</u>	<u>\$ 375.32</u>	<u>\$ -</u>
Liabilities:				
Funds Held for Others	\$ -	\$ 375.32	\$ 375.32	\$ -
Total Liabilities - Fund 0882	<u>\$ -</u>	<u>\$ 375.32</u>	<u>\$ 375.32</u>	<u>\$ -</u>
<b>Texasaver Hold - Transmit 401K Agency (0942)</b>				
Assets:				
Cash in State Treasury	\$ -	\$ -	\$ -	\$ -
Accounts Receivable, net	-	-	-	-
Total Assets - Fund 0942	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Funds Held for Others	\$ -	\$ -	\$ -	\$ -
Total Liabilities - Fund 0942	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Direct Deposit Correction Account (0980)</b>				
Assets:				
Cash in State Treasury	\$ -	\$ 2,173.39	\$ 2,173.39	\$ -
Total Assets - Fund 0980	<u>\$ -</u>	<u>\$ 2,173.39</u>	<u>\$ 2,173.39</u>	<u>\$ -</u>
Liabilities:				
Funds Held for Others	\$ -	\$ 2,173.39	\$ 2,173.39	\$ -
Total Liabilities - Fund 0980	<u>\$ -</u>	<u>\$ 2,173.39</u>	<u>\$ 2,173.39</u>	<u>\$ -</u>
<b>Unappropriated General Revenue (1000)</b>				
Assets:				
Cash in State Treasury	\$ -	\$ 1,172.90	\$ 1,172.90	\$ -
Total Assets - Fund 1000	<u>\$ -</u>	<u>\$ 1,172.90</u>	<u>\$ 1,172.90</u>	<u>\$ -</u>
Liabilities:				
Funds Held for Others	\$ -	\$ 1,172.90	\$ 1,172.90	\$ -
Total Liabilities - Fund 1000	<u>\$ -</u>	<u>\$ 1,172.90</u>	<u>\$ 1,172.90</u>	<u>\$ -</u>
<b>TOTALS - ALL AGENCY FUNDS</b>				
Assets:				
Cash in State Treasury	\$ 6,373.48	\$ 79,021.88	\$ 80,583.88	\$ 4,811.48
Accounts Receivable, net	-	-	-	-
Total Assets - All Agency Funds	<u>\$ 6,373.48</u>	<u>\$ 79,021.88</u>	<u>\$ 80,583.88</u>	<u>\$ 4,811.48</u>
Liabilities:				
Accounts Payable	\$ -	\$ 70,488.79	\$ 70,488.79	\$ -
Funds Held for Others	6,373.48	72,648.40	74,210.40	4,811.48
Total Liabilities - All Agency Funds	<u>\$ 6,373.48</u>	<u>\$ 143,137.19</u>	<u>\$ 144,699.19</u>	<u>\$ 4,811.48</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

## NOTES TO THE FINANCIAL STATEMENTS

TEXAS LEGISLATIVE COUNCIL (103)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. ENTITY**

The Texas Legislative Council is an 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 of State Agencies.

The Texas Legislative Council was established by legislative act in 1949 and was activated in 1950. It is composed of 14 members: the Lieutenant Governor and six senators appointed by the Lieutenant Governor, the Speaker of the House of Representatives, the chairman of the House Administration Committee, and five representatives appointed by the Speaker. The Lieutenant Governor and the Speaker of the House are joint chairmen of the Council.

Council members serve for a term beginning with the dates of their appointment and ending with the convening of the next regular session of the legislature, unless they resign their membership or cease to be members of the Legislature before that time. The joint chairmen act as the Council during regular sessions of the legislature.

The Council's activities are governed by Chapter 323, Government Code, and rules of procedure adopted by the council as provided in the statute. The duties of the Council as described by the law are:

1. to investigate departments, agencies, and officers of the state and to study their functions and problems;
2. to make studies for the use of the legislative branch of the government;
3. to gather and disseminate information for the use of the legislature;
4. to make any other investigations, studies, and reports that may be considered useful to the legislative branch of the state government;
5. to meet and perform its duties in the interim between sessions;
6. to report to the legislature its recommendations from time to time and to accompany its reports with any drafts of legislation that it considers proper;
7. to assist the legislature in drafting proposed legislation; and
8. to provide data processing services to aid the members and committees in accomplishing their legislative duties.

Under this law, the Council also maintains a permanent statutory revision program under which the Council prepares and proposes nonsubstantive revisions of Texas law into topical codes.

Due to 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.

UNAUDITED

TEXAS LEGISLATIVE COUNCIL (103)

The Council staff included 389 employees at August 31, 2012 and 400 employees at August 31, 2011. Key employees at August 31, 2012 include:

<b>Name</b>	<b>Position</b>
Debbie Irvine	Executive Director
Jon Heining	General Counsel
Jeff Archer	Chief Legislative Counsel
Mathew Richardson	Chief Financial Officer
Kimberly Shields	Director, Human Resources
Deborah Fulton	Director, Legal Division
Patricia McLeod	Director, Research Division
James L. Weatherby, Jr.	Director, Information Systems Division
Janet Sullivan	Director, Document Production Division
Anna Abraham	Business Process Analyst
Curt Glover	Facilities Administrator

Blended Component Units

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

B. FUND STRUCTURE

The accounts of the council are organized on the basis of funds, each of which is considered a separate accounting entity.

GOVERNMENTAL FUND TYPES AND GOVERNMENT - WIDE ADJUSTMENT FUND TYPES

General Fund

The general fund is the principal operating fund used to account for most of the state's general activities. It accounts for all financial resources except those accounted for in other funds.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term principal and interest. The council currently has no debt service funds.

Capital Asset Adjustment Fund Type

The capital assets adjustment fund 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 will be used to convert governmental fund types' debt from modified accrual to full accrual.

TEXAS LEGISLATIVE COUNCIL (103)

FIDUCIARY FUND TYPES

Agency Funds

Agency funds are used to account for assets the government holds on behalf of others in a trustee capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

C. 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 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 basis of accounting. This includes capital assets, accumulated depreciation, unpaid employee compensable leave, the unmatured debt service (principle and interest) on general long-term liabilities, long-term capital leases, long-term claims and judgments and full accrual revenues and expenses. The activity is recognized in these fund types.

D. 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 reappropriated to the Legislative Council for the next fiscal year, as authorized in rider 2 of the council's appropriations in Article X-4 of the General Appropriations Act.

E. ASSETS, LIABILITIES, AND FUND BALANCES/NET ASSETS

ASSETS

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Inventories and Prepaid Items

Inventories include both merchandise inventories on hand for sale and consumable inventories. 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 fund types. The cost of these items is expensed when the items are consumed.

## UNAUDITED

### TEXAS LEGISLATIVE COUNCIL (103)

#### 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. Donated assets are reported at fair value on the acquisition date. Assets are depreciated over the estimated useful life of the asset using the straight-line method and the depreciation is charged to operations over the estimated useful life of the asset. Intangible capital assets, including software with an aggregate cost of more than \$100,000, are amortized over their useful life using the straight-line method.

#### Current Receivables - Other

Other receivables include year-end revenue accruals. This account can occur in governmental and proprietary fund types.

### 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.

#### Current Payables - Other

Payables are the accrual at year-end of expenditure transactions. Payables may be included in either the governmental or proprietary fund types.

#### Employees' Compensable Leave Balances

Employees' compensable leave balances represent the liability that become "due" on their occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. A state employee is entitled to be paid for all unused vacation time accrued, in the event of the 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 nonvesting accumulating rights to receive sick pay benefits. Liabilities are reported separately as either current or noncurrent in the statement of net assets. These obligations are normally paid from the same funding sources from which each employee's salary or wage compensation is paid.

#### Capital Lease Obligations

Capital lease obligations represent the liability for future lease payments under capital lease contracts contingent on the appropriation of funding by the legislature. Liabilities are reported separately as either current or noncurrent 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 governmental fund statements.

TEXAS LEGISLATIVE COUNCIL (103)

Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either:

- Not in spendable form, or
- Legally or contractually required to be maintained intact.

The “not in spendable form” criterion includes items not expected to be converted to cash — for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned, then they should be included in the appropriate fund balance classification (restricted, committed or assigned), rather than in the nonspendable fund balance. The corpus (or principal) of a permanent fund is an example of an amount legally or contractually required to be maintained intact.

Restricted Fund Balance

Except for amounts required to be reported as nonspendable, amounts restricted to specific purposes (pursuant to the definition of restricted in paragraph 34 of GASB 34, as amended by GASB 46, *Net Assets Restricted by Enabling Legislation*) should be reported as restricted fund balance.

Fund balance should be reported as restricted when constraints placed on the use of resources are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments; or
- Imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (the Texas Legislature) should be reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (new legislation) it employed to previously commit those amounts. The authorization specifying the purposes for which amounts can be used should have the consent of both the legislative and executive branches of the government, if applicable. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

In contrast to fund balance restricted by enabling legislation, amounts in the committed fund balance classification may be redeployed for other purposes with appropriate due process. The government imposes constraints on the use of committed amounts separate from the authorization to raise the underlying revenue. Therefore, compliance with constraints imposed by the government that commit amounts to specific purposes is not considered to be legally enforceable.

The formal action that commits fund balance to a specific purpose must occur prior to the end of the reporting period, but the amount, if any, which will be subject to the constraint may be determined in the subsequent period.



TEXAS LEGISLATIVE COUNCIL (103)

Assigned Fund Balance

Amounts constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. Intent should be expressed by:

- the Texas Legislature, or
- a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Both the committed and assigned fund balance classifications include amounts constrained to being used for specific purposes by actions taken by the government itself. However, the authority for making an assignment is not required to be the state's highest level of decision-making authority. Furthermore, the nature of the actions necessary to remove or modify an assignment is not as prescriptive as it is with regard to the committed fund balance classification. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts classified as committed.

Assigned fund balance includes:

- All remaining amounts (except for negative balances) reported in governmental funds, other than the general fund, not classified as nonspendable and neither restricted nor committed; and
- Amounts in the general fund intended to be used for a specific purpose with less restriction than implied by the restricted or committed classification.

By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund, the state has assigned those amounts to the purposes of the respective funds. Assignment within the general fund conveys that the intended use of those amounts is for a specific purpose narrower than the general purposes of the government itself. The action taken to assign fund balance can be done after year end. Assignments cannot cause the fund to report a negative (deficit) fund balance.

An appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance as long as it does not cause a negative (deficit) fund balance.

Unassigned Fund Balance

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed or assigned to specific purposes within the general fund.

The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Encumbrances

Encumbering funds already considered restricted, committed or assigned based on the constraints placed on them does not add to or further limit the use of the funds.

Amounts encumbered for a specific purpose may be reported as assigned fund balance only if the resources are not already considered to be reportable as restricted or committed fund balance.

Significant encumbrances at fiscal year-end will be disclosed in the notes to the financial statements along with other significant commitments.

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F. INTERFUND ACTIVITIES AND BALANCES

Legislative Transfers

Legally required transfers that are reported when incurred as "legislative transfers in" by the recipient fund and as "legislative transfers out" by the disbursing fund.

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**NOTE 2: CAPITAL ASSETS**

A summary of changes in Capital Assets for the year ended August 31, 2012 is presented below:

	PRIMARY GOVERNMENT						Balance 8/31/12
	Balance 9/1/11	Adjustments	Reclass Transfers In	Reclass Transfers Out	Additions	Deletions	
<b>GOVERNMENTAL ACTIVITIES</b>							
<b>Depreciable Assets</b>							
Furniture and Equipment	10,926,547.75	-	-	-	569,940.38	(1,003,429.26)	10,493,058.87
Vehicle, Boats and Aircraft	110,158.00	-	-	(15,074.00)	33,500.00	(37,097.00)	91,487.00
Other Capital Assets	251,154.25	-	-	-	-	-	251,154.25
<b>Total Depreciable Assets at Historical Cost</b>	<b>11,287,860.00</b>	<b>-</b>	<b>-</b>	<b>(15,074.00)</b>	<b>603,440.38</b>	<b>(1,040,526.26)</b>	<b>10,835,700.12</b>
Less Accumulated Depreciation for:							
Furniture and Equipment	(8,507,249.11)	-	-	-	(1,001,913.18)	971,916.18	(8,537,246.11)
Vehicles, Boats and Aircraft	(98,164.32)	-	-	11,843.70	(7,813.02)	37,097.00	(57,036.64)
Other Capital Assets	(215,007.23)	-	-	-	(8,034.04)	-	(223,041.27)
<b>Total Accumulated Depreciation</b>	<b>(8,820,420.66)</b>	<b>-</b>	<b>-</b>	<b>11,843.70</b>	<b>(1,017,760.24)</b>	<b>1,009,013.18</b>	<b>(8,817,324.02)</b>
<b>Depreciable Assets, Net</b>	<b>2,467,439.34</b>	<b>-</b>	<b>-</b>	<b>(3,230.30)</b>	<b>(414,319.86)</b>	<b>(31,513.08)</b>	<b>2,018,376.10</b>
<b>Intangible Capital Assets - Amortizable</b>							
Computer Software – Intangible	5,116,190.67	(159,696.61)	-	-	100,015.00	-	5,056,509.06
<b>Total Intangible Assets at Historical Cost</b>	<b>5,116,190.67</b>	<b>(159,696.61)</b>	<b>-</b>	<b>-</b>	<b>100,015.00</b>	<b>-</b>	<b>5,056,509.06</b>
Less Accumulated Amortization for:							
Computer Software – Intangible	(3,847,460.18)	27,317.42	-	-	(741,273.87)	-	(4,561,416.63)
<b>Total Accumulated Amortization</b>	<b>(3,847,460.18)</b>	<b>27,317.42</b>	<b>-</b>	<b>-</b>	<b>(741,273.87)</b>	<b>-</b>	<b>(4,561,416.63)</b>
<b>Amortizable Assets, Net</b>	<b>1,268,730.49</b>	<b>(132,379.19)</b>	<b>-</b>	<b>-</b>	<b>(641,258.87)</b>	<b>-</b>	<b>495,092.43</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>3,736,169.83</b>	<b>(132,379.19)</b>	<b>-</b>	<b>(3,230.30)</b>	<b>(1,055,578.73)</b>	<b>(31,513.08)</b>	<b>2,513,468.53</b>

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**NOTE 3: DEPOSITS, INVESTMENTS, AND REPURCHASE AGREEMENTS**

Deposits of Cash in Bank

As of August 31, 2012, the carrying amount of deposits was \$0.00 as presented below.

**Governmental and Business-Type Activities**

CASH IN BANK - CARRYING VALUE	\$0.00
CASH IN BANK - PER AFR	\$0.00

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**NOTE 4: SHORT-TERM DEBT**

Not Applicable.

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**NOTE 5: LONG-TERM LIABILITIES**

Changes in Long-Term Liabilities

During the year ended August 31, 2012, the following changes occurred in liabilities.

Governmental Activities	Beginning	Additions	Reductions	Ending Balance	Due Within One	
	Balance			8/31/2012	Year	Due Thereafter
	9/1/2011					
Employees' Compensation Leave	5,761,592.98	2,504,947.79	4,379,404.96	3,887,135.81	1,747,480.07	2,139,655.74
Capital Lease Obligation	450,913.96	-	450,913.96	-	-	-
<b>Total Long Term Liabilities</b>	<b>\$ 6,212,506.94</b>	<b>\$ 2,504,947.79</b>	<b>\$ 4,830,318.92</b>	<b>\$ 3,887,135.81</b>	<b>\$ 1,747,480.07</b>	<b>\$ 2,139,655.74</b>

Employees' Compensable Leave

If a state employee had continuous employment with the state for at least six months, the state employee is entitled to be paid for all unused vacation time accrued in the event of the employee's resignation, dismissal or separation from state employment.

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. No liability is recorded for non-vesting employees accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding source(s) from which the employee's salary or wage compensation was paid. Compensatory leave is earned on a one-to-one basis with overtime hours worked.

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**NOTE 6: BONDED INDEBTEDNESS**

Not Applicable.

**NOTE 7: DERIVATIVE INSTRUMENTS**

Not Applicable.

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**NOTE 8: LEASES**  
**OPERATING LEASES**

Included in the expenditures reported in the financial statements are the following amounts of rent and usage charges paid or due under operating lease obligations:

<u>Fund Type</u>	<u>Amount</u>
General Fund	\$ 57,160.03

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

<u>Year Ended August 31,</u>	<u>Amount</u>
2013	32,948.80
2014	1,980.72
2015	1,980.72
2016	660.24
<b>Total Minimum Future Lease Rental Payments</b>	<b>\$ 37,570.48</b>

**CAPITAL LEASES**

Texas Legislative Council entered into long-term leases for financing the purchase of certain capital assets. 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 amortization as of 08/31/12 is as follows:

*Assets Under Capital Leases*  
*Year Ending August 31, 2012*

<b>Class of Property</b>	<b>Governmental Activities</b>		
	<b>Assets under Capital Lease</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Intangible Computer Software	\$ 1,319,125.92	\$ (1,043,863.26)	\$ 275,262.66
Total	\$ 1,319,125.92	\$ (1,043,863.26)	\$ 275,262.66

No future minimum lease payments under these capital leases are required as of August 31, 2012.



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**NOTE 9: PENSION PLANS**

Not Applicable.

**NOTE 10: DEFERRED COMPENSATION**

Not Applicable.

**NOTE 11: POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

Not Applicable.

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**NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS**

At August 31, 2012, amounts received or paid are reported as Legislative Transfers In and Legislative Transfers Out, respectively. Individual balances and activity at year-end were as follows:

<u>Legislative Transfers</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>
Agency 101, Fund 0001		\$ 1,050,000.00	Interfund Transfer
<b>Total Legislative Transfers</b>		<b><u>\$ 1,050,000.00</u></b>	

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**NOTE 13: CONTINUANCE SUBJECT TO REVIEW**

Not Applicable.

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**NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET ASSETS**

An adjustment to Net Assets was required in FY2012 for errors relating to capital assets in the amount of \$(159,696.61). This includes the reclassification of computer software and erroneously recorded in a prior year. Additionally, an adjustment was made to amortization expense in the amount of \$27,317.42 to account for the adjustment to computer software in the prior year. Combined, capital assets adjustments total \$(132,379.19).

	<b>General Funds</b>	<b>Capital Assets Adjustment</b>	<b>Long-Term Liabilities Adjustments</b>	<b>Total</b>
Net Assets September 1, 2011		\$ 3,736,169.83	\$ (6,212,506.94)	\$ (2,476,337.11)
Restatements		(132,379.19)		(132,379.19)
<b>Net Assets August 31, 2012, as restated</b>		<b>\$ 3,603,790.64</b>	<b>\$ (6,212,506.94)</b>	<b>\$ (2,608,716.30)</b>

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**NOTE 15: CONTINGENCIES AND COMMITMENTS**

Not Applicable.

**NOTE 16: SUBSEQUENT EVENTS**

Not Applicable.

**NOTE 17: RISK MANAGEMENT**

Not Applicable.

**NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS**

Not Applicable.

**NOTE 19: THE FINANCIAL REPORTING ENTITY**

Not Applicable.

**NOTE 20: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Not Applicable.

**NOTE 22: DONOR-RESTRICTED ENDOWMENTS**

Not Applicable.

**NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS**

Not Applicable.

**NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES**

Not Applicable.

**NOTE 25: TERMINATION BENEFITS**

Not Applicable.

**NOTE 26: SEGMENT INFORMATION**

Not Applicable.

# Staff Organization





