

COURT OF APPEALS, FIRST DISTRICT

Annual Financial Report
Fiscal Year Ended
August 31, 2012

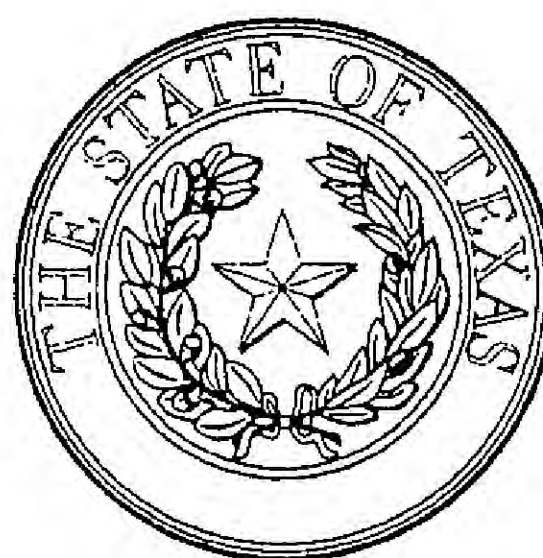
301 Fannin Street
Houston, TX 77002

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SHERRY RADACK
CHIEF JUSTICE

TERRY JENNINGS
EVELYN KEYES
LAURA CARTER HIGLEY
JANE BLAND
JIM SHARP
MICHAEL MASSENGALE
HARVEY BROWN
REBECA HUDDLE
JUSTICES



Court of Appeals
First District of Texas

301 Fannin Street
Houston, Texas 77002-2066

M. KARINNE MCCULLOUGH
CLERK OF THE COURT

JANET McVEA WILLIAMS
CHIEF STAFF ATTORNEY

Phone: 713-274-2700
Fax: 713-755-8131

www.lstcoa.courts.state.tx.us

October 1, 2012

Honorable Rick Perry, Governor
Honorable Susan Combs, Texas Comptroller
John O'Brien, Director, Legislative Budget Board
John Keel, CPA, State Auditor

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of the First Court of Appeals for the year ended August 31, 2012, 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 (GASB) 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 (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions related to the report, please contact E'Lisa Chavous, at (713) 274-2739.

Sincerely,

A handwritten signature in cursive script that reads "Sherry Radack".

Sherry Radack
Chief Justice

UNAUDITED
 Court of Appeals, First District, Houston, Texas, Agency 221

List of Notes to Financial Statements for Simplified Reporting Agencies

Note #	Description	Submitted	Not Applicable
1	Summary of Significant Accounting Policies		X
2	Capital Assets	X	
3	Deposits, Investments and Repurchase Agreements	X	
4	Short-Term Debt		X
5	Long-Term Liabilities	X	
6	Bonded Indebtedness		X
7	Derivatives		X
8	Leases		X
9	Pension Plans		X
10	Deferred Compensation		X
11	Post employment Health Care and Life Insurance Benefits		X
12	Interfund Activity and Transactions	X	
13	Continuance Subject to Review		X
14	Adjustments to Fund Balance/Net Assets		X
15	Contingencies and Commitments		X
16	Subsequent Events		X
17	Risk Management	X	
18	Management Discussion and Analysis		X
19	The Financial Reporting Entity		X
20	Stewardship, Compliance and Accountability		X
21	Not Applicable to the AFR		X
22	Donor Restricted Endowments		X
23	Extraordinary and Special Items		X
24	Disaggregation of Receivable and Payable Balances		X
25	Termination Benefits		X
26	Segment Information		X

Governmental Activities

2012

	Balance (prior year)	Adjustments	Completed CIP	Inc-Int'agy Trans	Dec-Int'agy Trans	Additions	Deletions	Ending Balance	Balance (Current Year)	Difference
Agency: 221 Court of Appeals - First Court of Appeals District										
Non-depreciable/Non-amortizable Assets										
BC Land and Land Improvements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BC Infrastructure	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BC Construction in Progress	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BC Other Tangible Capital Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BC Land use Rights	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BC Other Intangible Capital Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Non-depreciable/Non-amortizable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciable Assets										
BC Building and Building Improvements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BC Infrastructure	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BC Facilities and Other Improvements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BC Furniture and Equipment	47,822.38	0.00	0.00	0.00	0.00	0.00	0.00	47,822.38	47,822.38	0.00
BC Vehicles, Boats, and Aircraft	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BC Other Capital Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Depreciable Assets	47,822.38	0.00	0.00	0.00	0.00	0.00	0.00	47,822.38	47,822.38	0.00
Accumulated Depreciation										
BC A/D Buildings and Improvements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BC A/D Infrastructure	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BC A/D Facilities and Other Improvements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BC A/D Furniture and Equipment	-30,045.30	0.00	0.00	0.00	0.00	-5,322.60	0.00	-35,367.90	-35,367.90	0.00
BC A/D Vehicles, Boats, and Aircraft	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BC A/D Other Capital Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Accumulated Depreciation	-30,045.30	0.00	0.00	0.00	0.00	-5,322.60	0.00	-35,367.90	-35,367.90	0.00
Amortizable Assets-Intangible										
BC Land use Rights	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BC Computer Software	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BC Other Capital Intangible Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Amortizable Assets-Intangible	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accumulated Amortization										
BC A/A Land use Rights	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BC A/A Computer Software	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BC A/A Other Intangible Capital Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Accumulated Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Governmental Activities	<u>17,777.08</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-5,322.60</u>	<u>0.00</u>	<u>12,454.48</u>	<u>12,454.48</u>	<u>0.00</u>

UNAUDITED
 Court of Appeals, First District, Houston, Texas, Agency 221

Note 3: Deposits, Investments and Repurchase Agreements

The First Court of Appeals is authorized by statute to make investments following the “prudent person rule.” There were no significant violations of legal provisions during the period.

Deposits of Cash in Bank

- A. The carrying amounts of \$0 for Cash in Bank (including restricted assets and discretely presented component units) and \$500 for Cash on Hand are presented below.
- B. The bank balance of the Court has been classified according to the following risk categories.
 - 1. Category 1 – Insured or collateralized with securities held by the governmental entity or by its agent in the name of the governmental entity.
 - 2. Category 2 – Collateralized with securities held by the pledging financial institution’s trust department or agent in the governmental entity’s name.
 - 3. Category 3 – Uncollateralized (which would include any deposits collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the governmental entity’s name).

Category 1	Category 2	Category 3	Carrying Amount
\$500			\$500

Consisting of the following:			
Governmental Funds Current Demand Deposits		500.00	
Proprietary Funds Current Demand Deposits			
Proprietary Funds Current Restricted Money Market Accounts			
Fiduciary Funds Current Demand Deposits			
Total Cash in Bank per Financial Statement		-	
Proprietary Funds CDs disclosed as Deposits but reported as Non-Current Investments on Financial Statement			
Governmental Funds Uninvested Cash Collateral disclosed as deposits but reported as Securities Lending Collateral on Financial Statement			
Total Deposits Carrying Accounts		500.00	-

Governmental Activities
 2012

	Balance (prior year)	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter	Current Liability GL	Current Liability Difference	Noncurrent Liability GL	Noncurrent Liability Difference	Ending Balance, Debt Service Difference
Agency: 221 Court of Appeals - First Court of Appeals District											
Claims and Judgements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Employees' Compensation Leave	143,316.91	162,816.64	145,455.02	160,678.53	112,622.65	48,055.88	112,622.65	0.00	48,055.88	0.00	0.00
Notes and Loans Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
General Obligation Bonds Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue Bonds Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Polution Remediation Obligation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Liabilities Payable From Restricted Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Long Term Liabilities	143,316.91	162,816.64	145,455.02	160,678.53	112,622.65	48,055.88	112,622.65	0.00	48,055.88	0.00	0.00

Note 5: Long-Term Liabilities Disclosure

Employees' Compensable Leave

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 accrued to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

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Note 12: Interfund Activity and Transactions

There are numerous transactions between funds and agencies. At year-end amounts to be received or paid are reported as:

- interfund payable or interfund receivable (required Note 12 presentation)
- legislative transfers-in or legislative transfers-out (required Note 12 presentation)
- due from other funds or due to other funds (optional Note 12 presentation)
- due from other agencies or due to other agencies (optional Note 12 presentation)
- transfers-in or transfers-out (optional Note 12 presentation)

The Court experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement.

Individual balances and activity at August 31, 2012, follows:

Current Portion	Due From	Due To	Purpose
Appd Fund 0540, D23 Fund 0540			Appellate & Motion
(Agency 211, D23 Fund 0540)	\$290,158.34	\$ 0.00	Filing Fees
Appd Fund 0573, D23 Fund 0573			Appellate & Motion
(Agency 241, D23 Fund 0573)	\$0.00	\$-1,801,951.05	Filing Fees
Total Due To/Due From	\$290,158.34	\$-1,511,792.71	

Current Portion	Operating Transfers In		Purpose
Appd Fund 0573	\$-3,843.90		ERS paid retiree benefits
(Agency 241, D23 Fund 0573)			
Total Operating Transfers	\$-3,843.90		

Note 17: Risk Management

For all losses as result of any claims for a “wrongful act,” (i.e. any actual or alleged error, misstatement, misleading statement, act of omission, or neglect or breach of duty by the Justices and the Clerk of the Court), including employment discrimination, wrongful terminations, and alleged retaliatory acts, the Court has purchased a Public Officials and Employment Practices Liability Policy from AIG, a commercial carrier. By agreement negotiated through the State Office of Risk Management, a defense would be provided by the office of the Attorney General. The policy carries a \$10,000 deductible. There have been no claims against this policy.

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FMQuery: USAS Fluctuation Analysis

GAAP Fund Group	GAAP Fund Type	GAAP Fund	GAAP Cat	GAAP Srce Obj	Title	GL Acct	FY 2012	FY 2011	Difference	Percent Change
01	02	0573	09		BEGINNING FUND BALANCE	2240	0.00	1,197,665.21	-1,197,665.21	-100.0
			09		BEGINNING FUND BALANCE	2315	1,496,663.39	0.00	1,496,663.39	100.0
					GAAP Fund 0573 Total		1,496,663.39	1,197,665.21	298,998.18	
					GAAP Fund Type 02 Total		1,496,663.39	1,197,665.21	298,998.18	
					GAAP FUND GROUP 01 Total		1,496,663.39	1,197,665.21	298,998.18	
					TOTAL:		1,496,663.39	1,197,665.21	298,998.18	

Operating Statement Fluctuation by GAAP Fund (CR 130a)

Agency 221 - Court of Appeals-First Court of Appeals District

Fluctuations greater than 10% and over \$1,000,000

Trial Balance Format (Dr=Pos, Cr=Neg)

USAS and Interagency Activity Certification Form – State Agencies

Agency No. 221

Agency Name First Court of Appeals

All agencies are required to **sign and submit this form** to the Comptroller of Public Accounts, Financial Reporting section on or before **Nov. 20, 2012**. The form may be submitted via hard copy, email or fax. For the agencies that are reconciled, their data may be extracted for the *Comprehensive Annual Financial Report (CAFR)*.

This form is required for all agencies regardless of whether they are a simplified reporting or a full reporting agency. The interagency transactions are extracted from USAS for **all agencies**. Please check the items that are applicable for each type of transaction.

Agencies are required to ensure and certify that their financial data correctly reflects their financial position as recorded in USAS and, if applicable, any internal accounting system, as of Aug. 31, 20CY. For more information regarding the required levels of USAS reconciliation, see the **Required Year-End Review and/or Reconciliation of Financial Data and Balances in USAS**.

Please complete this interactive form, print it out, sign the last page and submit to your financial reporting analyst.

I. USAS Reconciliation

Check the appropriate statement, either section 1 or 2:

- 1 I certify that for the above agency, the fiscal 2012 financial data contained in the Uniform Statewide Accounting System (USAS) and our internal accounting system, if applicable, were adjusted and the balances accurately reflect the agency's fund financial and/or government-wide financial position.

I also certify that our USAS balances conform to the following:

- System clearing GL 9999 and basis conversion system clearing GL 9992 accounts equal zero at the D23 fund level.
- All balance sheet line items reconcile at the GL account level.
- Fund balance/net assets are allocated to the respective GL accounts (2XXX series) and agree with the related GL accounts.
- All operating statement items reconcile to the GAAP source/object level. The correct comptroller object codes were used to ensure accurate D08 government-wide roll-ups.
- D23 funds that roll-up to fund type 09 (GAAP agency funds) have operating statement activity that nets to zero at the GAAP source/object level in USAS.
- Legislative appropriations asset balance (GL 9000) agrees with the balance as calculated on the GR reconciliation.
- Legislative appropriations revenues agree with the balances as calculated on the GR reconciliation.
- Ending fund balance/net assets are the same on the operating statement and the balance sheet.
- There are not any "Back Out NA" on the operating statement.
- The USAS IT file is cleared of all AFR USAS batches.

—OR—

- 2 This reconciliation was not completed; therefore, I understand the agency is not in compliance with the Comptroller's reporting requirements and may be referred to the State Auditor's Office.

II. Interagency Balances

Check the appropriate statement, either section 1 or 2:

- 1 I certify that for the above agency, the fiscal 2012 interagency and interfund balances were coordinated and are posted accurately in USAS.

The DAFR8910 Interfund/Interagency Activity or the FMQuery-SIRS Interagency/Interfund report was run and the following items were verified. From the drop down menu, select "Yes," "No" or "N/A" as appropriate.

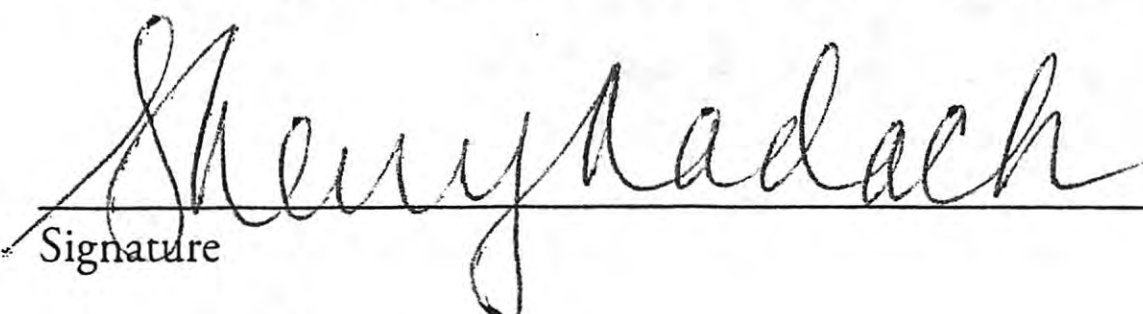
	Due From/ Due To	Federal Pass- Throughs	State Pass- Throughs	Transfers
Interagency item amount is posted accurately in USAS	Yes	N/A	N/A	Yes
All "NP" items were eliminated ("NP" items occur if the AGL [Agency General Ledger] information is blank)	N/A	N/A	N/A	N/A
AGL information is correct (the AGL consists of the opposite agency number, D23 fund and 0)	N/A	N/A	N/A	N/A
Federal grant pass-throughs match what is reported on the Schedule of Expenditures of Federal Awards		N/A		
State grant pass-throughs match what is reported on the Schedule of State Grant Pass-Throughs			N/A	

—OR—

- 2 I certify that for fiscal 2012, the above agency does not have any interagency activity reflected on the AFR.

III. Required Signature

Sign and submit completed form via hard copy, email or fax to the Comptroller of Public Accounts, Financial Reporting section of the Fiscal Management Division.


 Signature _____ Date _____
 Sherry Radack
 Printed Name _____
 Chief Justice 713-274-2700
 Title & Phone Number _____
 Elisa Chavous 713-274-2739
 AFR Contact Person & Phone Number _____
 Elisa Chavous 713-274-2739
 USAS Contact Person & Phone Number _____
 N/A
 Federal Contact Person & Phone Number _____

