

# TEXAS SENATE



**2012**

# ANNUAL FINANCIAL REPORT



**Texas Senate (101)  
Annual Financial Report**

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## The Senate of The State of Texas

Patsy Spaw  
Secretary of the Senate

September 26, 2012

Honorable Rick Perry, Governor  
Honorable Susan Combs, Texas Comptroller  
Ursula Parks, Acting Director, Legislative Budget Board  
John Keel, CPA, State Auditor

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of the Texas Senate for the year ended August 31, 2011, 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 (CAFR)*; 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 Mark Garcia, Senate Auditor, at 463-0404.

Sincerely,

A handwritten signature in cursive script that reads "Patsy Spaw".

Patsy Spaw  
Secretary of the Senate

P.O. Box 12068 • Austin, Texas 78711 • 512/463-0100 • Dial 711 for Relay Calls

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**Exhibit I - Combined Balance Sheet/Statement of Net Assets - Governmental Funds**  
**August 31, 2012**

	<u>Government Fund Type</u>			
	<u>General Funds</u>	<u>Capital Assets Adjustments</u>	<u>Long-Term Liabilities Adjustments</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>				
Current Assets:				
Legislative Appropriations	5,482,095.76			5,482,095.76
Accounts Receivable	4,687.58			4,687.58
Consumable Inventories	251,312.80			251,312.80
<b>Total Current Assets</b>	<b>\$ 5,738,096.14</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,738,096.14</b>
Noncurrent Assets:				
Capital Assets:				
Other Capital Assets		5,406.82		5,406.82
Furniture and Equipment		1,952,793.64		1,952,793.64
Accumulated Depreciation		(1,657,446.64)		(1,657,446.64)
Vehicle, Boats, and Aircraft		33,090.00		33,090.00
Accumulated Depreciation		(33,090.00)		(33,090.00)
<b>Total Noncurrent Assets</b>	<b>\$ -</b>	<b>\$ 300,753.82</b>	<b>\$ -</b>	<b>\$ 300,753.82</b>
<b>Total Assets</b>	<b>\$ 5,738,096.14</b>	<b>\$ 300,753.82</b>	<b>\$ -</b>	<b>\$ 6,038,849.96</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Current Liabilities:				
Payables from				
Accounts Payable	\$ 18,213.74	\$ -	\$ -	\$ 18,213.74
Payroll Payable	1,053,240.78			1,053,240.78
Employees Compensable Leave			1,724,681.75	1,724,681.75
<b>Total Current Liabilities</b>	<b>\$ 1,071,454.52</b>	<b>\$ -</b>	<b>\$ 1,724,681.75</b>	<b>\$ 2,796,136.27</b>
Noncurrent Liabilities:				
Employees Compensable Leave			1,873,858.00	1,873,858.00
<b>Total Noncurrent Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,873,858.00</b>	<b>\$ 1,873,858.00</b>
<b>Total Liabilities</b>	<b>\$ 1,071,454.52</b>	<b>\$ -</b>	<b>\$ 3,598,539.75</b>	<b>\$ 4,669,994.27</b>
<b>Fund Balances (Deficits)</b>				
Nonspendable	\$ 251,312.80	\$ -	\$ -	\$ 251,312.80
Unassigned	4,415,328.82			4,415,328.82
<b>Total fund balances</b>	<b>\$ 4,666,641.62</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,666,641.62</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 5,738,096.14</b>	<b>\$ -</b>	<b>\$ 3,598,539.75</b>	<b>\$ 9,336,635.89</b>

**Texas Senate (101)**

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

August 31, 2012

	<b>Government Fund Type</b>			<b>Statement of Net Assets</b>
	<b>General Funds</b>	<b>Capital Assets Adjustments</b>	<b>Long-Term Liabilities Adjustments</b>	
<b>Government-wide Statement-Net Assets</b>				
Net Assets:				
Invested in Capital Assets,				
Net of Related Debt	\$ -	\$ 300,753.82	\$ -	\$ 300,753.82
Debt Retirement			(1,724,681.75)	(1,724,681.75)
Total Net Assets	<u>\$ -</u>	<u>\$ 300,753.82</u>	<u>\$ (1,724,681.75)</u>	<u>\$ (1,423,927.93)</u>

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**Texas Senate (101)**  
**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**

	<u>Government Funds Total</u>			
	<u>General Funds</u>	<u>Capital Assets Adjustments</u>	<u>Long-Term Liabilities Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES</b>				
Legislative Appropriations:				
Original Appropriations	\$ 31,144,168.00	\$	\$	\$ 31,144,168.00
Additional Appropriations	5,908,891.66			5,908,891.66
Licenses, Fees & Permits (PR-Chgs for Services)	11,747.76			11,747.76
Sales of Goods and Services (PR)	71,026.44			71,026.44
Other (GR)	65,751.59			65,751.59
Total Revenues	<u>\$ 37,201,585.45</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,201,585.45</u>
<b>EXPENDITURES</b>				
Salaries and Wages	\$ 24,197,079.64	\$	\$ (1,696,086.82)	\$ 22,500,992.82
Payroll Related Costs	6,105,421.01			6,105,421.01
Professional Fees and Services	4,376.25			4,376.25
Travel	576,267.40			576,267.40
Materials and Supplies	859,759.23			859,759.23
Communication and Utilities	242,234.89			242,234.89
Repairs and Maintenance	39,510.06			39,510.06
Rentals & Leases	1,796,623.98			1,796,623.98
Printing and Reproduction	406,754.45			406,754.45
Other Expenditures	131,726.27			131,726.27
Capital Outlay	6,589.99			6,589.99
Total Expenditures/Expenses	<u>\$ 34,366,343.17</u>	<u>\$ -</u>	<u>\$ (1,696,086.82)</u>	<u>\$ 32,670,256.35</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 2,835,242.28</u>	<u>\$ -</u>	<u>\$ 1,696,086.82</u>	<u>\$ 4,531,329.10</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Legislative Transfers In	1,050,000.00			1,050,000.00
Legislative Transfers Out	(3,177,284.00)			(3,177,284.00)
Total other financing sources and uses	<u>\$ (2,127,284.00)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,127,284.00)</u>
Net change in fund balances/net assets	<u>\$ 707,958.28</u>	<u>\$ -</u>	<u>\$ 1,696,086.82</u>	<u>\$ 2,404,045.10</u>
<b>Fund Financial Statement-Fund Balances</b>				
Fund Balances--Beginning	\$ 3,958,683.34	\$ -	\$ -	\$ 3,958,683.34
Restatements				-
Fund Balances, September 1, 2011, as Restated	<u>\$ 3,958,683.34</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,958,683.34</u>
Appropriations Lapsed				
Fund Balances--August 31, 2012	<u>\$ 4,666,641.62</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,958,683.34</u>

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**Texas Senate (101)**  
**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**

	<u>Government Funds Total</u>			
	<u>General Funds</u>	<u>Capital Assets Adjustments</u>	<u>Long-Term Liabilities Adjustments</u>	<u>Statement of Activities</u>
Change in Net Assets	\$ -	\$ -	\$ 1,696,086.82	\$ 1,696,086.82
Net Assets-Beginning		428,568.83	(5,294,626.57)	(4,993,872.75)
Adjustments to Beginning Net Assets				
FY12 Capital Assets Balances in GFAAG		1,991,290.46		1,991,290.46
Accumulated Depreciation from Prior Years		(1,690,536.64)		(1,690,536.64)
FY12 Compensable Leave Balance in GLTDAG			(5,294,626.57)	(5,294,626.57)
Net Assets, September 1, 2011, as Restated and Adjusted	\$ -	\$ 300,753.82	\$ (5,294,626.57)	\$ (4,993,872.75)
Net Assets-August 31, 2012	\$ -	\$ 300,753.82	\$ (3,598,539.75)	\$ (3,297,785.93)



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**Texas Senate (101)**  
**Exhibit VI - Combined Statement of Fiduciary 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	\$ 5,475.00	5,475.00
<b>Total Assets</b>	<u>5,475.00</u>	<u>5,475.00</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Funds Held for Others	5,475.00	5,475.00
<b>Total Current Liabilities</b>	<u>5,475.00</u>	<u>5,475.00</u>
<b>Total Liabilities</b>	<u>5,475.00</u>	<u>5,475.00</u>

## NOTES TO THE FINANCIAL STATEMENTS

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

## A: ENTITY

The Texas Senate 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 for State Agencies.

The Texas Senate was established pursuant to Article III of the Texas Constitution. The Senate, as a component of the Texas Legislature, has the power to enact any law not in conflict with the State or Federal Constitution or federal laws.

Due to the significant changes related to 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 be in compliance with Generally Accepted Accounting Principles (GAAP). 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.

## B. FUND STRUCTURE

**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.

Capital Asset Adjustment Fund Type

Capital Asset Adjustment fund type will be used to convert governmental fund types' capital assets from modified accrual to full accrual.

Long-Term Liabilities Adjustment Fund Type

Long-Term Liabilities Adjustment fund type will be used to convert governmental fund types' debt from modified accrual to full accrual.

**Fiduciary Fund Types**

**Agency Funds**

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

**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 basis of accrual. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Government adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual method of accounting. This includes the accounting of the Senate's capital assets, as well as unpaid employee compensable leave.

**C. BUDGETS 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 at fiscal year-end are re-appropriated and remain available for subsequent year expenditures.

**D. ASSETS, LIABILITIES, AND FUND EQUITY**

**ASSETS**

**Inventories**

Consumable inventories include supplies and postage on hand at year end.

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### 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. Assets are depreciated over the estimated useful life of the 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.

#### Employees' Compensable Leave

Employees Compensable Leave Balances represent the liabilities that become "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.

## E. FUND BALANCE COMPONENTS

The fund balance amounts for governmental funds were reclassified in accordance with GASB 54. Amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned or unassigned.

- Nonspendable fund balance includes amounts not available to be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- Restricted fund balance includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the Texas Legislature, the state's highest level of decision making authority.
- Assigned fund balance includes amounts constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

#### 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.

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Fund Balance/Net Assets

“Net assets” is the difference between fund assets and liabilities on the government-wide, proprietary and fiduciary fund statements. “Fund balance” is the difference between fund assets and liabilities on the governmental fund statements.

F. INTERFUND TRANSACTIONS AND BALANCES

The agency has the following types of transactions among funds:

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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**Texas Senate (101)**  
**Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
 August 31, 2012

	Beginning Balance September 1, 2011	Additions	Deductions	Ending Balance August 31, 2012
<b><u>Child Support Deducts Suspense (8070) U/F (0807)</u></b>				
<b>ASSETS</b>				
Current				
Cash in State Treasury	\$ 3,112.88		\$ 637.88	\$ 2,475.00
Total Assets	<u>\$ 3,112.88</u>	<u>\$ -</u>	<u>\$ 637.88</u>	<u>\$ 2,475.00</u>
<b>LIABILITIES</b>				
Current				
Funds Held for Others	3,112.88		637.88	2,475.00
Total Liabilities	<u>\$ 3,112.88</u>	<u>\$ -</u>	<u>\$ 637.88</u>	<u>\$ 2,475.00</u>
 <b><u>Direct Deposit Correctional Account (0980) U/F (0980)</u></b>				
<b>ASSETS</b>				
Current				
Cash in State Treasury	\$ 600.00	\$ 2,400.00		\$ 3,000.00
Total Assets	<u>\$ 600.00</u>	<u>\$ 2,400.00</u>	<u>\$ -</u>	<u>\$ 3,000.00</u>
<b>LIABILITIES</b>				
Current				
Funds Held for Others	600.00	\$ 2,400.00		3,000.00
Total Liabilities	<u>\$ 600.00</u>	<u>\$ 2,400.00</u>	<u>\$ -</u>	<u>\$ 3,000.00</u>
 <b>Totals - All Agency Funds</b>				
<b>ASSETS</b>				
Current				
Cash in State Treasury	\$ 3,712.88	\$ 2,400.00	\$ 637.88	\$ 5,475.00
Total Assets	<u>\$ 3,712.88</u>	<u>\$ 2,400.00</u>	<u>\$ 637.88</u>	<u>\$ 5,475.00</u>
<b>LIABILITIES</b>				
Current				
Funds Held for Others	3,712.88	2,400.00	637.88	5,475.00
Total Liabilities	<u>\$ 3,712.88</u>	<u>\$ 2,400.00</u>	<u>\$ 637.88</u>	<u>\$ 5,475.00</u>

<b>NOTE 2: CAPITAL ASSETS</b>
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A summary of changes in Capital Assets for the year ended August 31, 2012, is presented below:

Primary Government	Beginning Balance 09/01/11	Adjustments	Reclassifications		Additions	Deletions	Ending Balance 08/31/12
			Inc-Int'gy Trans	Dec-Int'gy Trans			
<b>Governmental Activities:</b>							
<u>Non-depreciable Assets</u>							
Other Capital Assets	5,406.82						5,406.82
<b>Total Non-Depreciable Assets</b>	<b>5,406.82</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>5,406.82</b>
<u>Depreciable Assets</u>							
Furniture and Equipment	1,946,203.65				6,589.99		1,952,793.64
Vehicles	33,090.00						33,090.00
Other Capital Assets	0.00						0.00
<b>Total Depreciable Assets at Historical Cost</b>	<b>1,979,293.65</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>6,589.99</b>	<b>0.00</b>	<b>1,985,883.64</b>
<b>Total Capitalized Assets</b>	<b>1,984,700.47</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>6,589.99</b>	<b>0.00</b>	<b>1,991,290.46</b>
<u>Less Accumulated Depreciation for:</u>							
Furniture and Equipment	(1,523,041.64)				(134,405.00)		(1,657,446.64)
Vehicles	(33,090.00)						(33,090.00)
Other Assets	0.00						0.00
<b>Total Accumulated Depreciation</b>	<b>(1,556,131.64)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(134,405.00)</b>	<b>0.00</b>	<b>(1,690,536.64)</b>
<b>Gov Activities Capital Assets, net:</b>	<b>428,568.83</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(127,815.01)</b>	<b>0.00</b>	<b>300,753.82</b>

<b>NOTE 5: SUMMARY OF LONG TERM LIABILITIES</b>
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**Changes in General Long-Term Liabilities**

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

	<b>Beginning Balance 9/1/2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance 8/31/2012</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities</b>					
Compensable Leave	5,294,626.57	1,829,148.08	3,831,910.59	3,291,864.06	1,718,447.82
<b>Total Governmental Activities</b>	<b>5,294,626.57</b>	<b>1,829,148.08</b>	<b>3,831,910.59</b>	<b>3,291,864.06</b>	<b>1,718,447.82</b>

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



<b>NOTE 7: OPERATING LEASE OBLIGATIONS</b>
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Included in the expenditures or expenses reported in the financial statements are the following amounts of rent paid or due under operating leases:

Operating Lease Expenditures	Amount
Rental of Furnishings/Equipment	497,401
Rental of Office Space/Other Space	1,204,616
Telecommunications Equipment Rental	50,097
<b>Total 2012 Operating Lease Expenditures</b>	<b>1,752,114</b>

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, 2012	Amount
2013 (future year 1)	846,336
2014 (future year 2)	441,559
2015 (future year 3)	27,094
2016 (future year 4)	8,280
2017 (future year 5)	0
2018 (future year 6)	0
<b>Total Minimum Future Lease Rental Payments</b>	<b>1,453,299</b>

**NOTE 8: INTERFUND BALANCES / ACTIVITIES**

As explained in Note 1 on Interfund Transactions and Balances, there are interfund transactions between funds and agencies. At year-end, amounts to be received or paid are reported as Legislative Transfers In or Legislative Transfers Out. Individual balances activity as of August 31, 2012 follows:

<b>Legislative Transfers</b>	<b>Transfers Out</b>	<b>Transfers In</b>
Appd Fund 0001, D23 Fund 0001:		
Legislative Budget Board (104)	2,034,190	
Sunset Advisory Commission (116)	1,143,094	
Texas Legislative Council (103)		1,050,000
<b>Total Fund 0001</b>	<b>3,177,284</b>	<b>1,050,000</b>