

TEXAS LEGISLATIVE COUNCIL

Annual Financial Report

For the Year Ended August 31, 2011



Debbie Irvine
Executive Director

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TEXAS LEGISLATIVE COUNCIL

P.O. Box 12128, Capitol Station
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DAVID DEWHURST
Lieutenant Governor
Joint Chair

DEBBIE IRVINE
Executive Director

JOE STRAUS
Speaker of the House
Joint Chair

October 1, 2011

The Honorable Rick Perry, Governor
The Honorable David Dewhurst, Lieutenant Governor
The Honorable Joe Straus, Speaker
The Honorable Susan Combs, Texas Comptroller
Mr. John O'Brien, Director, Legislative Budget Board
Mr. John Keel, CPA, State Auditor

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of the Texas Legislative Council for the year ended August 31, 2011, in compliance with Section 2101.011, Government Code, 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,

Debbie Irvine
Executive Director

Texas Legislative Council (103)

Exhibit I

Combined Balance Sheet/Statement of Net Assets - Governmental Funds

August 31, 2011

	GOVERNMENTAL FUNDS TOTAL (GENERAL)	CAPITAL ASSETS ADJUSTMENT	LONG-TERM LIABILITIES ADJUSTMENTS	STATEMENT OF NET ASSETS
ASSETS				
Current Assets:				
Cash and Cash Equivalents				
On Hand	\$ 100.00	\$	\$	\$ 100.00
In Bank	-			-
Legislative Appropriations	26,222,956.91			26,222,956.91
Consumable Inventories	184,448.62			184,448.62
Merchandise Inventories	23,670.00			23,670.00
Total Current Assets	\$ 26,431,175.53	\$ -	\$ -	\$ 26,431,175.53
Noncurrent Assets:				
Capital Assets (Note 2)				
Non-Depreciable or Non-Amortizable		-		-
Depreciable or Amortizable, Net		\$ 3,736,169.83		\$ 3,736,169.83
Total Noncurrent Assets	\$ -	\$ 3,736,169.83	\$ -	\$ 3,736,169.83
TOTAL ASSETS	\$ 26,431,175.53	\$ 3,736,169.83	\$ -	\$ 30,167,345.36
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Payables from	\$ -	\$	\$ -	\$ -
Accounts	179,170.02			179,170.02
Payroll	2,561,345.76			2,561,345.76
Capital Lease Obligations	-		450,913.96	450,913.96
Employees' Compensable Leave (Note 5)	-		3,803,584.64	3,803,584.64
Total Current Liabilities	\$ 2,740,515.78	\$ -	\$ 4,254,498.60	\$ 6,995,014.38
Noncurrent Liabilities:				
Employees' Compensable Leave (Note 5)	\$ -	\$ -	\$ 1,958,008.34	\$ 1,958,008.34
Total Noncurrent Liabilities	\$ -	\$ -	\$ 1,958,008.34	\$ 1,958,008.34
Total Liabilities	\$ 2,740,515.78	\$ -	\$ 6,212,506.94	\$ 8,953,022.72
Fund Balances (Deficits):				
Nonspendable	\$ 107,245.20			\$ 107,245.20
Restricted	-			-
Committed	-			-
Assigned	1,553,346.21			1,553,346.21
Unassigned	22,030,068.34			22,030,068.34
Total Fund Balances	\$ 23,690,659.75	\$ -	\$ -	\$ 23,690,659.75
TOTAL LIABILITIES AND FUND BALANCES	\$ 26,431,175.53			
GOVERNMENT-WIDE STATEMENT OF NET ASSETS				
Net Assets:				
Invested in Capital Assets, Net of Related Debt		\$ 3,736,169.83	\$	\$ 3,736,169.83
Restricted For				\$ -
Other				\$ -
Unrestricted			(6,212,506.94)	\$ (6,212,506.94)
TOTAL NET ASSETS		\$ 3,736,169.83	\$ (6,212,506.94)	\$ 21,214,322.64

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
August 31, 2011

	GOVERNMENTAL FUNDS TOTAL (GENERAL)	CAPITAL ASSETS ADJUSTMENT	LONG-TERM LIABILITIES ADJUSTMENTS	STATEMENT OF ACTIVITIES
REVENUES				
Legislative Appropriations:				
Original Appropriations	\$ 40,525,210.00	\$	\$	\$ 40,525,210.00
Budget Reduction	(4,797,241.00)			(4,797,241.00)
Additional Appropriations	6,557,066.11			6,557,066.11
Licenses, Fees, and Permits	13,636.23			13,636.23
Sales of Goods and Services	47,241.14			47,241.14
Other	154,731.92			154,731.92
TOTAL REVENUES	\$ 42,500,644.40	\$ -	\$ -	\$ 42,500,644.40
EXPENDITURES				
Salaries and Wages	\$ 27,416,368.97	\$	\$ 2,074,029.75	\$ 29,490,398.72
Payroll Related Costs	6,475,141.72			6,475,141.72
Professional Fees and Services	539,376.00			539,376.00
Travel	63,439.61			63,439.61
Materials and Supplies	1,301,280.63			1,301,280.63
Communication and Utilities	1,308,835.77			1,308,835.77
Repairs and Maintenance	3,658,310.42			3,658,310.42
Rentals and Leases	63,698.51			63,698.51
Printing and Reproduction	1,242.06			1,242.06
Claims and Judgments	75,000.00			75,000.00
Employee Benefit Payments	-			-
Other Expenditures	452,374.60			452,374.60
Debt Service:				
Principal - Capital Leases	450,913.96		(450,913.96)	-
Interest	-			-
Capital Outlay	848,125.74	(848,125.74)		-
Depreciation and Amortization Expense	-	1,750,573.67		1,750,573.67
TOTAL EXPENDITURES	\$ 42,654,107.99	\$ 902,447.93	\$ 1,623,115.79	\$ 45,179,671.71
Excess (Deficiency) of Revenues over Expenditures	\$ (153,463.59)	\$ (902,447.93)	\$ (1,623,115.79)	\$ (2,679,027.31)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	\$ 4,500.00	\$ (4,500.00)		\$ -
Transfer In				-
Transfer Out	(3,375.00)			(3,375.00)
Legislative Financing Sources	(35,946.87)			(35,946.87)
Legislative Financing Uses	(3,631,122.29)			(3,631,122.29)
Inc (Dec) in Net Assets Due to Interagency Transfer				-
Inc (Dec) in Obligations under Capital Leases				-
Gain (Loss) on Sale of Capital Assets		1,021.00		1,021.00
TOTAL OTHER FINANCING SOURCES (USES)	\$ (3,665,944.16)	\$ (3,479.00)	\$ -	\$ (3,669,423.16)
Net Change in Fund Balances/Net Assets	\$ (3,819,407.75)			\$ (6,348,450.47)
FUND FINANCIAL STATEMENT - FUND BALANCES				
Fund Balances - September 1, 2010	\$ 27,510,067.50			\$ 27,510,067.50
Restatements	-			-
Fund Balances - September 1, 2010, as restated	\$ 27,510,067.50			\$ 27,510,067.50
Fund Balances - August 31, 2011	\$ 23,690,659.75			\$ 21,161,617.03
GOVERNMENT-WIDE STATEMENT OF NET ASSETS				
Net Assets/Net Change in Net Assets	\$ 23,690,659.75	\$ (905,926.93)	\$ (1,623,115.79)	
Net Assets - September 1, 2010		3,952,914.69	(3,687,563.23)	265,351.46
Restatements		689,182.07	(901,827.92)	(212,645.85)
Net Assets - September 1, 2010, as restated		4,642,096.76	(4,589,391.15)	52,705.61
Net Assets - August 31, 2011		\$ 3,736,169.83	\$ (6,212,506.94)	\$ 21,214,322.64

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, 2011

	Agency Funds (Exhibit J-1)	Totals
ASSETS		
Current Assets:		
Cash in State Treasury	\$ 6,373.48	\$ 6,373.48
TOTAL ASSETS	<u>\$ 6,373.48</u>	<u>\$ 6,373.48</u>
LIABILITIES AND FUND BALANCES		
Current Liabilities:		
Assets Payable	\$ -	\$ -
Funds Held for Others	6,373.48	6,373.48
TOTAL LIABILITIES AND FUND BALANCE (Exh. J-1)	<u>\$ 6,373.48</u>	<u>\$ 6,373.48</u>

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

Texas Legislative Council (103)

Exhibit J-1

Combining Statement of Changes in Assets and Liabilities - Agency Funds

For the fiscal year ended August 31, 2011

	Beginning Balance 9/1/2010	Additions	Deductions	Ending Balance 8/31/2011
OTHER AGENCY FUNDS				
Child Support Employee Deduct - Offset Account (0807)				
Assets:				
Cash in State Treasury	\$ 5,862.48	\$ 83,211.24	\$ 82,700.24	\$ 6,373.48
Total Assets - Fund 0807	<u>\$ 5,862.48</u>	<u>\$ 83,211.24</u>	<u>\$ 82,700.24</u>	<u>\$ 6,373.48</u>
Liabilities:				
Accounts Payable	\$ -	\$ 76,837.76	\$ 76,837.76	\$ -
Funds Held for Others	5,862.48	77,348.76	76,837.76	6,373.48
Total Liabilities - Fund 0807	<u>\$ 5,862.48</u>	<u>\$ 154,186.52</u>	<u>\$ 153,675.52</u>	<u>\$ 6,373.48</u>
City, Cty, MTS & SPD Agency (0882)				
Assets:				
Cash in State Treasury	\$ -	\$ 7.70	\$ 7.70	\$ -
Total Assets - Fund 0882	<u>\$ -</u>	<u>\$ 7.70</u>	<u>\$ 7.70</u>	<u>\$ -</u>
Liabilities:				
Funds Held for Others	\$ -	\$ -	\$ -	\$ -
Total Liabilities - Fund 0882	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Texasaver Hold - Transmit 401K Agency (0942)				
Assets:				
Cash in State Treasury	\$ -	\$ 638,626.73	\$ 638,626.73	-
Accounts Receivable, net	-	638,626.73	638,626.73	-
Total Assets - Fund 0942	<u>\$ -</u>	<u>\$ 638,626.73</u>	<u>\$ 638,626.73</u>	<u>\$ -</u>
Liabilities:				
Funds Held for Others	\$ -	\$ 638,626.73	\$ 638,626.73	\$ -
Total Liabilities - Fund 0942	<u>\$ -</u>	<u>\$ 638,626.73</u>	<u>\$ 638,626.73</u>	<u>\$ -</u>
Direct Deposit Correction Account (0980)				
Assets:				
Cash in State Treasury	\$ -	\$ 2,258.47	\$ 2,258.47	\$ -
Total Assets - Fund 0980	<u>\$ -</u>	<u>\$ 2,258.47</u>	<u>\$ 2,258.47</u>	<u>\$ -</u>
Liabilities:				
Funds Held for Others	\$ -	\$ 2,258.47	\$ 2,258.47	\$ -
Total Liabilities - Fund 0980	<u>\$ -</u>	<u>\$ 2,258.47</u>	<u>\$ 2,258.47</u>	<u>\$ -</u>
Unappropriated General Revenue (1000)				
Assets:				
Cash in State Treasury	\$ -	\$ 24.10	\$ 24.10	\$ -
Total Assets - Fund 1000	<u>\$ -</u>	<u>\$ 24.10</u>	<u>\$ 24.10</u>	<u>\$ -</u>
Liabilities:				
Funds Held for Others	\$ -	\$ 24.10	\$ 24.10	\$ -
Total Liabilities - Fund 1000	<u>\$ -</u>	<u>\$ 24.10</u>	<u>\$ 24.10</u>	<u>\$ -</u>
TOTALS - ALL AGENCY FUNDS				
Assets:				
Cash in State Treasury	\$ 5,862.48	\$ 724,128.24	\$ 723,617.24	\$ 6,373.48
Accounts Receivable, net	-	638,626.73	638,626.73	-
Total Assets - All Agency Funds	<u>\$ 5,862.48</u>	<u>\$ 1,362,754.97</u>	<u>\$ 1,362,243.97</u>	<u>\$ 6,373.48</u>
Liabilities:				
Accounts Payable	\$ -	\$ 76,837.76	\$ 76,837.76	\$ -
Funds Held for Others	5,862.48	718,258.06	717,747.06	6,373.48
Total Liabilities - All Agency Funds	<u>\$ 5,862.48</u>	<u>\$ 795,095.82</u>	<u>\$ 794,584.82</u>	<u>\$ 6,373.48</u>

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

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 him, 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 appointments 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.

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The council staff included 400 employees at August 31, 2011 and 411 employees at August 31, 2010. The payroll for the months ending August 31, 2011 and August 31, 2010, totaled \$2,561,345.76 and \$2,091,543.85, respectively. Key employees at August 31, 2011 were:

Name	Position
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.

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.

TEXAS LEGISLATIVE COUNCIL (103)

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.

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, are amortized over their useful life using the straight-line method.

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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.

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.

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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.

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.

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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.

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 3: DEPOSITS, INVESTMENTS, AND REPURCHASE AGREEMENTS

Deposits of Cash in Bank

As of August 31, 2011, 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 2: CAPITAL ASSETS

A summary of changes in Capital Assets for the year ended August 31, 2011 is presented below:

	PRIMARY GOVERNMENT						Balance 8/31/11
	Balance 9/1/10	Adjustments	Reclassifications Inc-Int'agy Trans	Reclassifications Dec-Int'agy Trans	Additions	Deletions	
GOVERNMENTAL ACTIVITIES							
Depreciable Assets							
Furniture and Equipment	11,510,186.64	-	-	(29,724.50)	422,031.04	(975,945.43)	10,926,547.75
Vehicle, Boats and Aircraft	90,959.00	16,910.00	17,199.00	-	-	(14,910.00)	110,158.00
Other Capital Assets	251,154.25	-	-	-	-	-	251,154.25
Total Depreciable Assets at Historical Cost	11,852,299.89	16,910.00	17,199.00	(29,724.50)	422,031.04	(990,855.43)	11,287,860.00
Less Accumulated Depreciation for:							
Furniture and Equipment	(8,449,990.60)	-	-	29,724.50	(1,062,928.44)	975,945.43	(8,507,249.11)
Vehicles, Boats and Aircraft	(78,175.70)	(6,200.26)	(17,199.00)	-	(8,020.36)	11,431.00	(98,164.32)
Other Capital Assets	(205,059.85)	-	-	-	(9,947.38)	-	(215,007.23)
Total Accumulated Depreciation	(8,733,226.15)	(6,200.26)	(17,199.00)	29,724.50	(1,080,896.18)	987,376.43	(8,820,420.66)
Depreciable Assets, Net	3,119,073.74	10,709.74	-	-	(658,865.14)	(3,479.00)	2,467,439.34
Intangible Capital Assets - Amortizable							
Computer Software – Intangible	3,788,268.05	901,827.92	-	-	426,094.70	-	5,116,190.67
Total Intangible Assets at Historical Cost	3,788,268.05	901,827.92	-	-	426,094.70	-	5,116,190.67
Less Accumulated Amortization for:							
Computer Software – Intangible	(2,954,427.10)	(223,355.59)	-	-	(669,677.49)	-	(3,847,460.18)
Total Accumulated Amortization	(2,954,427.10)	(223,355.59)	-	-	(669,677.49)	-	(3,847,460.18)
Amortizable Assets, Net	833,840.95	678,472.33	-	-	(243,582.79)	-	1,268,730.49
Governmental Activities Capital Assets, Net	3,952,914.69	689,182.07	-	-	(902,447.93)	(3,479.00)	3,736,169.83

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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, 2011, the following changes occurred in liabilities.

Governmental Activities	Balance 9/1/2010	Additions	Reductions	(Exh. I) Balance 8/31/2011	Amounts Due Within One Year	Amounts Due Thereafter
Compensable Leave	\$ 3,687,563.23	\$ 5,786,588.49	\$ 3,712,558.74	\$ 5,761,592.98	\$ 3,803,584.64	\$ 1,958,008.34
Capital Lease Obligations	<u>0.00</u>	<u>0.00</u>	<u>450,913.96</u>	<u>450,913.96</u>	<u>450,913.96</u>	<u>0.00</u>
Total Governmental Activities	<u>\$ 3,687,563.23</u>	<u>\$ 5,786,588.49</u>	<u>\$ 3,261,644.78</u>	<u>\$ 6,212,506.94</u>	<u>\$ 4,254,498.60</u>	<u>\$ 1,958,008.34</u>

Employees' Compensable Leave

If a state employee has 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. The Legislative Council, as a legislative agency, is specifically exempted from FLSA. Compensatory leave hours are accumulated as one hour earned for one hour 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	\$ 59,813.41

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>
2012	\$ 33,436.80
2013	33,436.80
2014	33,436.80
2015	1,980.72
2016	60.24
Total Minimum Future Lease Rental Payments	\$ 102,951.36

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 depreciation as of 08/31/11 is as follows:

Assets Under Capital Leases
Year Ending August 31, 2011

<u>Class of Property</u>	<u>Governmental Activities</u>		
	<u>Assets under Capital Lease</u>	<u>Accumulated Depreciation</u>	<u>Total</u>
Intangible Computer Software	\$ 1,352,741.88	\$ (683,886.00)	\$ 668,855.88
Totals	\$ 1,352,741.88	\$ (683,886.00)	\$ 668,855.88

Future minimum lease payments under these capital leases are as follows:

Future Capital Lease Payments
Year Ending August 31, 2011

<u>Year</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Future Min. Lease Payments</u>
2012	\$ 450,913.96	\$ -	\$ 450,913.96
Totals	\$ 450,913.96	\$ -	\$ 450,913.96

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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, 2011, 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		\$ 1,667,069.16	Intrafund Transfer
Agency 102, Fund 0001		<u>2,000,000.00</u>	Intrafund Transfer
Total Legislative Transfers		<u>\$ 3,667,069.16</u>	

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NOTE 13: CONTINUANCE SUBJECT TO REVIEW

Not Applicable.

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TEXAS LEGISLATIVE COUNCIL (103)

NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET ASSETS

An adjustment to Net Assets was required in FY2011 for an error relating to the classification of capital lease obligations for intangible computer software in FY2010.

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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



