



CREDIT UNION DEPARTMENT

Harold E. Feeney
Commissioner

James R. Deese
Deputy Commissioner

November 13, 2012

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

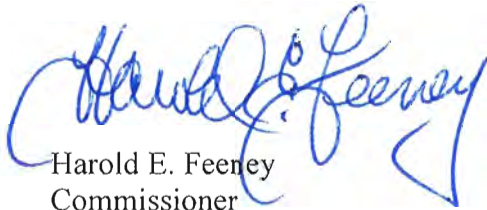
Ladies and Gentlemen:

We are pleased to submit the Annual Financial Report of the Credit Union Department 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 (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 Janice Kent at 512-837-9236.

Sincerely,



Harold E. Feeney
Commissioner

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**CREDIT UNION DEPARTMENT
STATE OF TEXAS**

ANNUAL FINANCIAL REPORT

For The Year Ended August 31, 2012

**Harold E. Feeney
Commissioner**

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CREDIT UNION DEPARTMENT (469)
**Exhibit I — Combined Balance Sheet/Statement of Net Assets — Governmental Funds
August 31, 2012**

	Governmental Funds	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
ASSETS				
Current Assets:				
Cash and Cash Equivalents				
Cash on Hand	\$	\$	\$	\$
Cash In Bank (Note 3)				
Cash in State Treasury	261,812.56			261,812.56
Short Term Investments (Note 3)	1,071,555.01			1,071,555.01
Due From Other Agencies				
Consumable Inventories	5,716.86			5,716.86
Total Current Assets	<u>1,339,084.43</u>			<u>1,339,084.43</u>
Non-Current Assets :				
Capital Assets (Note 2):				
Non-Depreciable				
Land		55,403.00		55,403.00
Depreciable				
Furniture & Equipment		4,371.78		4,371.78
Building & Bldg Improvements		97,468.56		97,468.56
Total Non- Current Assets		<u>157,243.34</u>		<u>157,243.34</u>
TOTAL ASSETS	<u>\$ 1,339,084.43</u>	<u>\$ 157,243.34</u>	<u>\$ 0</u>	<u>\$ 1,496,327.77</u>
LIABILITIES FUND BALANCES				
Liabilities :				
Current Liabilities:				
Payables from:				
Accounts Payable	\$ 34,255.24	\$	\$	\$ 34,255.24
Payroll Payable	174,769.26			174,769.26
Employees' Compensable Leave (Note 5)			128,478.08	128,478.08
Total Current Liabilities	<u>209,024.50</u>		<u>128,478.08</u>	<u>337,502.58</u>
Non-Current Liabilities:				
Employees' Compensable Leave (Note 5)			96,935.37	96,935.37
Total Non- Current Liabilities			<u>96,935.37</u>	<u>96,935.37</u>
Total Liabilities	<u>209,024.50</u>		<u>225,413.45</u>	<u>434,437.95</u>
Fund Financial Statement				
Fund Balances (Deficits):				
Nonspendable/Consumable Inventory	5,716.86			5,716.86
Committed	1,124,343.07			1,124,343.07
Unassigned				
Total Fund Balances	<u>1,130,059.93</u>			<u>1,130,059.93</u>
Total Liabilities and Fund Balances	<u>\$ 1,339,084.43</u>			
Government-Wide Statement of Net Assets				
Net Assets				
Invested in Capital Assets, Net of Related Debt		157,243.34		157,243.34
Restricted				
Unrestricted			(225,413.45)	(225,413.45)
Total Net Assets		<u>\$ 157,243.34</u>	<u>\$ (225,413.45)</u>	<u>\$ 1,061,889.82</u>

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

CREDIT UNION DEPARTMENT (469)

**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**

	Governmental Funds	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
REVENUES*				
REVENUES*				
License, Fees & Permits (PR)	\$ 2,819,133.80	\$ 0	\$ 0	\$ 2,819,133.80
Interest and Other Investment Income (PR)	2,941.67			2,941.67
Other (PR - Chg for Serv, Operating or Capital)	7,728.57			7,728.57
Other (GR)				
Total Revenues	<u>2,829,804.04</u>	<u>0</u>	<u>0</u>	<u>2,829,804.04</u>
EXPENDITURES				
Salaries and Wages	1,696,077.74		16,732.30	1,712,810.04
Payroll Related Costs	428,689.83			428,689.83
Professional Fees and Services	23,737.58			23,737.58
Travel	294,953.88			294,953.88
Materials and Supplies	20,224.21			20,224.21
Communication and Utilities	21,148.08			21,148.08
Repairs and Maintenance	30,802.68			30,802.68
Rentals and Leases	5,334.76			5,334.76
Printing and Reproduction	99.40			99.40
Other Expenditures	51,168.15			51,168.15
Capital Outlay				
Depreciation Expense		9,911.16		9,911.16
Total Expenditures/Expenses	<u>2,572,236.31</u>	<u>9,911.16</u>	<u>16,732.30</u>	<u>2,598,879.77</u>
Excess (Deficiency) of Revenues over Expenditures	<u>257,567.73</u>	<u>(9,911.16)</u>	<u>(16,732.30)</u>	<u>230,924.27</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	3,462,323.33			3,462,323.33
Transfer Out	(3,462,323.33)			(3,462,323.33)
Gain (Loss) on Sale of Capital Assets				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances/Net Assets	<u>257,567.73</u>			<u>230,924.27</u>
Fund Financial Statement - Fund Balances				
Fund Balances, <i>beginning</i> September 1, 2011	872,492.20		0	872,492.20
Restatements				
Fund Balances, September 1, 2011, as Restated	<u>872,492.20</u>			<u>872,492.20</u>
Appropriations Lapsed				
Fund Balances, August 31, 2012	<u>\$ 1,130,059.93</u>			<u>\$ 1,103,416.47</u>
Government-Wide Statement of Net Assets				
Net Assets/Net Change in Net Assets		<u>(9,911.16)</u>	<u>(16,732.30)</u>	
Net Assets, <i>beginning</i> September 1, 2011				
Restatements		167,154.50	(208,681.15)	
Net Assets, September 1, 2011, as Restated		<u>167,154.50</u>	<u>(208,681.15)</u>	<u>(41,526.65)</u>
Net Assets, August 31, 2012		<u>\$ 157,243.34</u>	<u>\$ (225,413.45)</u>	<u>\$ 1,061,889.82</u>

* When analyzing which comptroller object code to use, agencies need to determine Program Revenue (PR) or General Revenue (GR) on the Statement of Activities

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

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CREDIT UNION DEPARTMENT STATE OF TEXAS (469) NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ENTITY

Credit Union Department State of Texas is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the State Comptroller of Public Accounts' Reporting Requirements of State Agencies.

The Credit Union Department operates under the authority of Title 2, Chapter 15, Texas Finance Code. The primary responsibilities of the agency are to supervise, regulate and examine all credit unions organized under the laws of the State of Texas.

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 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 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

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

GOVERNMENTAL FUND TYPES & GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

General Fund

House Bill 2774, effective September 1, 2009, designated this agency as self-directed, semi-independent agency. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Capital Asset Adjustment Fund Type

Capital Asset Adjustment Fund Type will be used to convert governmental fund 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.

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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.

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, 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.

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual method of accounting. This includes unpaid Employee Compensable leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, and long-term claims and judgments. The activity will be recognized in these new fund types.

D. BUDGETS AND BUDGETARY ACCOUNTING

Effective September 1, 2009, when the agency became self-directed, semi-independent, the agency staff began preparing an itemized budget for approval by the Credit Union Commission. The Commission monitors the agency's revenue and expenditures throughout the year.

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

ASSETS

Investments

Pursuant to the Funds Management Agreement with the Comptroller's Office, money held in the Texas Safekeeping Trust Fund accounts and sub accounts shall be fully invested at all times and reinvested by the Trust Company in authorized investments which include any investment described under *Sections 404.024 and 404.106 of the Texas Government Code*.

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Cash and Cash Equivalents

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

Inventories

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. Inventories for governmental fund types use the purchase method of accounting. The consumption method of accounting is used to account for inventories that appear in the proprietary fund types and the government-wide statements. The cost of these items is expensed when the items are consumed.

Capital Assets

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

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 liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets.

FUND BALANCES/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.

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Reservations of Fund Balance

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

Reserved for Encumbrances

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

Nonspendable / Reserved for Consumable Inventories

This represents the amount of supplies, postage and prepaids held to be used in the next fiscal year.

Committed

Committed fund balance can be used only for specific purposes.

Unassigned

Other - represents the unappropriated balance at year-end.

F. INTERFUND TRANSACTIONS AND BALANCES

The agency has the following types of transactions among funds:

- 1) Transfers: Legally required transfers that are reported when incurred as "In" by the recipient fund and as "Transfers Out" by the disbursing fund.
- 2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.
- 3) Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as "Current", repayment for two (or more) years is classified as "Non-Current."
- 4) Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund. The composition of the agency's Interfund receivables and payables at August 31, 2012, if any, is presented in Note 12.

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CREDIT UNION DEPARTMENT STATE OF TEXAS (469)

NOTE 2: CAPITAL ASSETS

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

	PRIMARY GOVERNMENT							
	Balance			Reclassifications				Balance
	09/01/11	Adjust- ments	Completed CIP	Inc-Int'agy Trans	Dec- Int'agy Trans	Additions	Deletions	08/31/12
GOVERNMENTAL ACTIVITIES								
Non-depreciable or Non-amortizable Assets								
Land and Land Improvements	55,403.00							55,403.00
Total Non-depreciable or Non-amortizable Assets	55,403.00	0	0	0	0	0	0	55,403.00
Depreciable Assets								
Buildings and Building Improvements	186,935.00							186,935.00
Furniture and Equipment	91,957.29							91,957.29
Total Depreciable Assets	278,892.29	0	0	0	0	0	0	278,892.29
Less Accumulated Depreciation for:								
Buildings and Building Improvements	(81,394.28)					(8,072.16)		(89,466.44)
Furniture and Equipment	(85,746.51)					(1,839.00)		(87,585.51)
Total Accumulated Depreciation	(167,140.79)	0	0	0	0	(9,911.16)	0	(177,051.95)
Depreciable Assets, Net	111,751.50	0	0	0	0	(9,911.16)	0	101,840.34
Governmental Activities Capital Assets, Net	167,154.50	0	0	0	0	(9,911.16)	0	157,243.34

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CREDIT UNION DEPARTMENT STATE OF TEXAS (469)

NOTE 3: DEPOSITS, INVESTMENTS AND REPURCHASE AGREEMENTS

The Credit Union Department State of Texas reports investments held in the Texas Treasury Safekeeping Trust Company. The Texas Treasury Safekeeping Trust Company 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

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	<u>\$ 0.00</u>
Governmental Funds Current Assets Cash in Bank	\$ 0.00
Governmental Funds Texas Treasury Safekeeping Trust	0.00
Cash in Bank per AFR	<u>\$ 0.00</u>

INVESTMENTS

As of August 31, 2012, the carrying value and fair value of investments are as presented below.

Governmental and Business-Type Activities	Fair Value
Repurchase Agreements-Texas Treasury Safekeeping Trust Co❶	\$ 1,071,555.01
Total	<u>\$ 1,071,555.01</u>

❶ – Repurchase Agreements with the Texas Treasury Safekeeping Trust Company are recorded as Cash Equivalents – Miscellaneous Investments in the Financial Statements and as Repurchase Agreements in the Notes, based on Reporting Requirements for Annual Financial Reports of State Agencies and Universities.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk.

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BB
01	0981	Repurchase Agreements Texas Treasury Safekeeping Trust Co	1,071,555.01			

NOTE 4: SHORT TERM DEBT

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Not applicable

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

Notes and Loans Payable:

The agency did not have any notes or loans payable as of August 31, 2012.

Changes In Long-Term Liabilities

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

	Balance			Balance	Amounts Due Within One Yr
	9/1/2011	Additions	Deductions	8/31/2012	
Governmental Activities:					
Compensable Leave	\$208,681.15	\$199,027.52	(\$182,295.22)	\$225,413.46	\$128,478.08
TOTAL	<u>\$208,681.15</u>	<u>\$199,027.52</u>	<u>(\$182,295.22)</u>	<u>\$225,413.46</u>	<u>\$128,478.08</u>

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. Both an expense and a liability for business-type activities are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding sources(s) from which the employee's salary or wage compensation was paid.

NOTE 6: BONDED INDEBTEDNESS

Not applicable

NOTE 7: DERIVATIVE INSTRUMENTS

Not applicable

NOTE 8: LEASES

Not applicable

NOTE 9: RETIREMENT PLANS

Not applicable

NOTE 10: DEFERRED COMPENSATION

Not applicable

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NOTE 11: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Not applicable

NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS

Not applicable

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Agency will be abolished effective September 1, 2021, unless continued in existence by the State Legislature as provided by the Act. If abolished, the Agency may continue until September 1, 2022 to close out its operations.

NOTE 14: ADJUSTMENTS TO FUND BALANCE/NET ASSETS

Not applicable

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 ACCOUTABILITY

Not applicable

NOTE 21: NOT APPLICABLE TO THE AFR

Not applicable

NOTE 22: DONOR-RESTRICTED ENDOWMENTS

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Not applicable

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

Not applicable

NOTE 24: DISAGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Not applicable

NOTE 25: TERMINATION BENEFITS

Not applicable

NOTE 26: SEGMENT INFORMATION

Not applicable