



Report of Independent Auditors and
Financial Statements

State of California Assembly
(A Governmental Fund of the State of California)

June 30, 2014

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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REPORT OF INDEPENDENT AUDITORS

To the State of California
Assembly Rules Committee

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the State of California Assembly (“Assembly”), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Assembly’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Assembly, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Note 1

As discussed in Note 1, the financial statements present only the account balances and results of operations of the State of California Assembly, a major fund of the State of California Legislature, and do not purport to, and do not, present fairly the financial position of the State of California Legislature or the State of California, as of June 30, 2014, or the changes in their financial position, or, where applicable, their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Moss Adams, LLP

Sacramento, California
November 10, 2014

**STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The Management's Discussion and Analysis ("MD&A") of the State of California Assembly ("Assembly") provides an overview of the Assembly's financial activities for the fiscal year ended June 30, 2014. It should be read in conjunction with the Assembly's financial statements, which begin on page 12.

The Assembly administers the cost of legislative and related support and administrative services as well as capital outlay for property and equipment used by the Assembly. The Assembly and the California State Senate ("Senate") along with the Joint Senate and Assembly are collectively referred herein to as the Legislature. The Legislature was established with the adoption of the California Constitution in 1849 and consists of 80 members of the Assembly and 40 members of the Senate who are elected by the voters of the State of California ("State"). The Legislature makes laws for the people of the State, approves the State budget, and proposes amendments to the California Constitution.

The Assembly is an integral part of the State and is included as a governmental fund in the State's *Comprehensive Annual Financial Report*.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements that provide information about how the Assembly's operations were funded and detail the financial position and results of operations of the Assembly. These statements also provide detail of expenditures during the year ended June 30, 2014 and tell what net position remain for future spending.

This MD&A is designed to provide an easily readable analysis of the Assembly's financial condition and results of operations. A comparative analysis is provided with an emphasis on the year ended June 30, 2014. The MD&A that follows provides an overview of the Assembly's financial activities for the fiscal year ended June 30, 2014.

There are four financial statements presented in the basic financial statements. They are:

1. Statement of Net Position
2. Statement of Activities
3. Balance Sheet – Governmental Fund
4. Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Fund

The Statement of Net Position and the Statement of Activities ("Government-Wide Financial Statements") display information about the Assembly as a whole. The Government-Wide Financial Statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows.

**STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balance ("Fund Financial Statements") present the accounts and transactions of the single fund that comprises the accounts of the Assembly. The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available.

Because the Government-Wide Financial Statements and Fund Financial Statements are prepared using a different basis of accounting, reconciliations are provided showing the differences between the Statement of Net Position and the Balance Sheet and differences between the Statement of Activities and the Statement of Revenue, Expenditures and Changes in Fund Balance.

Notes to the financial statements provide additional information.

Also included in this annual report are schedules of budgeted revenues and expenditures compared to actual amounts. The Schedule of Revenue and Expenditures – Budget and Actual is prepared using budgetary accounting principles under which encumbrances are used in budget control as a reduction of available budget amount. Encumbrances outstanding at year end do not constitute expenditures or liabilities.

GOVERNMENT-WIDE FINANCIAL REPORTING

The Government-Wide Financial Statements report the Assembly's net position and changes in them. It reflects the amount of net position invested in the capital assets and the unrestricted amount of net position available for future years. The increase or decrease in the net position depends on operating transfers received from the State's General Fund, operating expenditures, transfers-out and capital asset activities that took place during the year. The portion of net position indicated as "investment in capital assets" represents the cost of capital assets, net of accumulated depreciation.

STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

The condensed statement of net position as of June 30 is as follows:

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>
ASSETS			
Current assets	\$ 24,462,918	\$ 25,648,664	\$ (1,185,746)
Capital assets, net	<u>127,356</u>	<u>135,475</u>	<u>(8,119)</u>
Total assets	<u>\$ 24,590,274</u>	<u>\$ 25,784,139</u>	<u>\$ (1,193,865)</u>
LIABILITIES	<u>\$ 11,062,456</u>	<u>\$ 8,498,794</u>	<u>\$ 2,563,662</u>
NET POSITION			
Invested in capital assets	127,356	135,475	(8,119)
Unrestricted	<u>13,400,462</u>	<u>17,149,870</u>	<u>(3,749,408)</u>
Net position	<u>13,527,818</u>	<u>17,285,345</u>	<u>(3,757,527)</u>
Total liabilities and net position	<u>\$ 24,590,274</u>	<u>\$ 25,784,139</u>	<u>\$ (1,193,865)</u>

Total assets consist of cash in State Treasury, receivables, prepaid expenditures and capital assets (net of accumulated depreciation). The significant components of assets are cash in State Treasury and prepaid expenditures. Cash in State Treasury decreased \$1,504,630 due to the timing of receipt of funds and transfers. Prepaid expenditures increased by \$829,104 due to timing of payments.

Total liabilities consist of accounts payable and accrued liabilities and liability for compensated absences. Accounts payable and accrued liabilities increased by \$1,972,078 due to the timing of processing payments for Assembly obligations. Liability for compensated absences increased by \$591,584 due to the change in number of employees, compensation rates, and vacation usage throughout the year. Net position decreased as a result of a net loss of \$3,757,527 during the year ended June 30, 2014. Capital assets of \$127,356 represent a component of net position that is not available for future expenditure.

**STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The condensed statement of activities for the years ended June 30 is as follows:

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>
Member and employee salaries and benefits	\$ 123,694,042	\$ 119,784,697	\$ 3,909,345
Support and administrative services	<u>15,715,699</u>	<u>11,945,174</u>	<u>3,770,525</u>
Total legislative and related support/administrative services expenditures	139,409,741	131,729,871	7,679,870
Total transfers	<u>135,652,214</u>	<u>125,541,360</u>	<u>10,110,854</u>
Decrease in net position	<u>\$ (3,757,527)</u>	<u>\$ (6,188,511)</u>	<u>\$ 2,430,984</u>

The decrease in net position during the year ended June 30, 2014 is primarily due to an increase in employee salaries and benefits of \$3,909,345. Employee salaries and benefits increased due to the increase of pension costs and overall headcount. Support and administrative services increased in 2014 primarily due to an increase in postage expense. All other expenditures vary from year to year depending on the priority determined by the legislature and the need for certain services such as building rent, printing, travel, and other, etc. The Assembly also transfers funds to support underfunded agencies and programs, as determined by management. In 2014, transfers to other agencies decreased by \$4,535,854 due to timing of transfers and fewer underfunded agencies.

FUND LEVEL FINANCIAL REPORTING

The Assembly consists of a single governmental fund. The Assembly's expenditures are categorized by function, of which there are two: 1) legislative and related support/administrative services and 2) capital outlay. The Fund Financial Statements report the financing sources of the Assembly, the detailed expenditures for the current year, and the remaining fund balances at the end of the year.

STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

The Governmental Accounting Standards Board requires that fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the State is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The categories of the Assembly's fund balances include: nonspendable and committed funds. Nonspendable fund balance represents amounts such as prepaid expenditures that are not available for expenditure because they are not expected to be converted to cash. Committed fund balance represents 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 California Government Code provides for annual appropriations from general revenues of the State General Fund to be used by the Assembly for salaries and expenditures of Assembly members as well as for the Assembly's operating costs or other uses as determined by the Assembly's Rules Committee. The unexpended balance of annual appropriations as of June 30, 2014 is continuously appropriated and available for future expenditures of the Assembly in excess of future annual budgeted amounts. The net increase or decrease in the fund balance is the result of the current year's appropriations, expenditures and transfers.

The condensed balance sheet as of June 30 is as follows:

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>
Total assets	<u>\$ 24,462,918</u>	<u>\$ 25,648,664</u>	<u>\$ (1,185,746)</u>
Total liabilities	<u>\$ 3,023,845</u>	<u>\$ 1,077,912</u>	<u>\$ 1,945,933</u>
Fund balance			
Nonspendable for			
prepaid expenditures	14,606,060	13,776,956	829,104
Committed	<u>6,833,013</u>	<u>10,793,796</u>	<u>(3,960,783)</u>
Total fund balance	<u>21,439,073</u>	<u>24,570,752</u>	<u>(3,131,679)</u>
Total liabilities and fund balance	<u>\$ 24,462,918</u>	<u>\$ 25,648,664</u>	<u>\$ (1,185,746)</u>

Total assets consist of cash in State Treasury, receivables, and prepaid expenditures. The significant components of assets are cash in State Treasury and prepaid expenditures. Cash in State Treasury decreased \$1,504,630 due to the timing of receipt of funds and transfers. Prepaid expenditures increased by \$829,104 due to timing of payments.

Total liabilities consist of accounts payable and accrued liabilities and liability for compensated absences. Accounts payable and accrued liabilities increased by \$1,972,078 due to the timing of processing payments for Assembly obligations.

STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

The fund balance of the Assembly includes nonspendable amounts of \$14,606,060 and \$13,776,956 for prepaid items as of June 30, 2014 and 2013, respectively. The committed amounts of \$6,833,013 and \$10,793,796 for June 30, 2014 and 2013, respectively, represent amounts designated by legislation for specific purposes.

The condensed statement of revenues, expenditures and changes in fund balance – governmental funds for the years ended June 30 is as follows:

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>
Member and employee salaries and benefits	\$ 123,076,313	\$ 120,020,076	\$ 3,056,237
Support and administrative services	<u>15,707,580</u>	<u>11,912,673</u>	<u>3,794,907</u>
Total expenditures	138,783,893	131,932,749	6,851,144
Total other financing sources, net	<u>135,652,214</u>	<u>125,541,360</u>	<u>10,110,854</u>
Net decrease in fund balance	(3,131,679)	(6,391,389)	3,259,710
Fund balance – beginning	<u>24,570,752</u>	<u>30,962,141</u>	<u>(6,391,389)</u>
Fund balance – ending	<u><u>\$ 21,439,073</u></u>	<u><u>\$ 24,570,752</u></u>	<u><u>\$ (3,131,679)</u></u>

The net decrease in fund balance is primarily due to an increase in employee salaries and benefits of \$3,056,237 during the year ended June 30, 2014. Employee salaries and benefits increased due to the increase of pension costs and overall headcount. Support and administrative services increased in 2014 primarily due to increased postage expense. The change in other financing sources is primarily due to an increase in budgeted transfers-in from the State general fund of \$5,700,000 and a decrease in transfers-out to other state agencies. All other expenditures vary from year to year depending on the need for certain services such as building rent, printing, travel, and other, etc.

**STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

BUDGETARY HIGHLIGHTS

The amount appropriated and recorded as transfers-in from the State General Fund was \$152,438,000 and \$146,716,000 for the years ended June 30, 2014 and 2013, respectively. The Assembly's budget also includes an appropriation to fund the Joint Legislative Budget Committee in the amount of \$3,916,000, which results in a net amount available to the Assembly of \$148,522,000.

	budgeted Amounts (Adopted and Final)	Actual Amounts	variance with Final Budget - Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	\$ 148,522,000	\$ 139,639,142	\$ 8,882,858
Total transfers	<u>148,522,000</u>	<u>135,652,214</u>	<u>12,869,786</u>
Excess of expenditures over transfers - budgetary basis	<u>\$ -</u>	<u>\$ (3,986,928)</u>	<u>\$ (3,986,928)</u>

Actual expenditures were less than budgeted amounts because the Assembly was able to conserve funds in all budget categories. During the year ended June 30, 2014, the Assembly's transfers-in were less than transfers-out to other State agencies and expenditures by \$3,986,928. Expenditures were less than budgeted by \$8,882,858 and transfers-out were less than budgeted by \$12,869,786, which net to this change. The level of expenditures and transfers-out in the year ended June 30, 2014 does not necessarily set a trend for future years. Variances occur because of the shifting of priorities during the year, which affect the use of resources available to the Assembly. Financing sources, net of other financing uses, were less than budgeted amounts because of unbudgeted transfers of \$12,869,786 to other State agencies. The Assembly sometimes elects to use accumulated fund balances to pay expenses of programs performed by other State agencies that are not funded from other sources.

The Assembly's annual budget is determined by the Assembly as the amount necessary to fund operating and capital costs, but limited by provisions of the California Constitution, Article IV, Section 7.5.

**STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

CAPITAL ASSETS

Capital assets consist of automobiles, office furniture, and office equipment acquisitions capitalized at cost. Depreciation is computed and recorded by using the straight-line method on such equipment with an estimated useful life of five years. The acquisition or retirement of such capital assets is routinely determined during the course of the year, on an as-needed basis. Land and buildings jointly owned by the Assembly and Senate are excluded from both the Government-Wide and Fund Financial Statements of the Assembly and Senate, but are included in the combined financial statements of the Legislature. A summary of changes in the Assembly's capital assets is as follows:

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2014</u>
Automobiles	\$ 1,961,593	\$ 45,695	\$ -	\$ 2,007,288
Furniture and equipment	<u>3,749,339</u>	<u>-</u>	<u>-</u>	<u>3,749,339</u>
Total capital assets	5,710,932	45,695	-	5,756,627
Less accumulated depreciation	<u>5,575,457</u>	<u>53,814</u>	<u>-</u>	<u>5,629,271</u>
Capital assets, net	<u>\$ 135,475</u>	<u>\$ (8,119)</u>	<u>\$ -</u>	<u>\$ 127,356</u>

FUTURE BUDGETS

The Governor has approved the final 2014/2015 budget for the State, which includes an appropriation of \$153,170,000 for support of Assembly. This funding level mitigates the risk to the Assembly because the fund balance at June 30, 2014 is available to supplement future appropriations.

CONTACTING THE ASSEMBLY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Assembly's finances and to show the Assembly's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Assembly Rules Committee at State Capitol, Room 3016, Sacramento, California, 95814.

BASIC FINANCIAL STATEMENTS

STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current assets (unrestricted):	
Cash in State Treasury	\$ 9,259,126
Receivables:	
Due from State General Fund	293,228
Due from other State agencies	304,504
Prepaid expenditures	<u>14,606,060</u>
Total current assets	24,462,918
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>127,356</u>
Total assets	<u><u>\$ 24,590,274</u></u>
LIABILITIES	
Current liabilities (payable from unrestricted assets):	
Accounts payable and accrued liabilities	\$ 2,949,616
Liability for compensated absences, current	<u>2,459,735</u>
Total current liabilities	5,409,351
Noncurrent liabilities:	
Liability for compensated absences, net of current portion	<u>5,653,105</u>
Total liabilities	<u>11,062,456</u>
NET POSITION	
Invested in capital assets	127,356
Unrestricted	<u>13,400,462</u>
Net position	<u>13,527,818</u>
Total liabilities and net position	<u><u>\$ 24,590,274</u></u>

STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Governmental Activities
LEGISLATIVE AND RELATED SUPPORT/ADMINISTRATIVE SERVICES EXPENDITURES	
Member salaries and benefits	\$ 8,598,156
Employee salaries	73,436,073
Employee benefits	41,659,813
Session per diem	2,575,009
Automotive	120,874
Building rent and maintenance	3,280,173
Depreciation	53,814
Office supplies	641,677
Postage	3,724,312
Printing	2,050,910
Telephone	411,657
Travel	2,181,284
Other	<u>675,989</u>
 Total legislative and related support/administrative services expenditures	 <u>139,409,741</u>
TRANSFERS	
Transfers-in from the State General Fund	152,438,000
Transfer to Joint Legislative Budget Committee	(3,916,000)
Transfers to other State agencies	<u>(12,869,786)</u>
 Total transfers, net	 <u>135,652,214</u>
 Decrease in net position	 (3,757,527)
 Net position – beginning	 <u>17,285,345</u>
 Net position – end	 <u><u>\$ 13,527,818</u></u>

STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2014

ASSETS

Cash in State Treasury	\$ 9,259,126
Receivables:	
Due from State General Fund	293,228
Due from other State agencies	304,504
Prepaid expenditures	<u>14,606,060</u>
 Total assets	 <u><u>\$ 24,462,918</u></u>

LIABILITIES AND FUND BALANCE

Accounts payable and accrued liabilities	\$ 2,949,616
Compensated absences due and payable	<u>74,229</u>
 Total liabilities	 <u>3,023,845</u>
 Fund Balance:	
Nonspendable for prepaid expenditures	14,606,060
Committed	<u>6,833,013</u>
 Total fund balance	 <u>21,439,073</u>
 Total liabilities and fund balance	 <u><u>\$ 24,462,918</u></u>

**STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Fund Balance – Governmental Funds \$ 21,439,073

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund financial statements. 127,356

Portion of liability for compensated absences that is not due and payable in the current period is not included in the governmental fund financial statements. (8,038,611)

Net Position of Governmental Activities \$ 13,527,818

**STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2014**

EXPENDITURES

Current:

Legislative and related support/administrative services expenditures:

Member salaries and benefits	\$ 8,598,156
Employee salaries	72,818,344
Employee benefits	41,659,813
Session per diem	2,575,009
Automotive	120,874
Building rent and maintenance	3,280,173
Office supplies	641,677
Postage	3,724,312
Printing	2,050,910
Telephone	411,657
Travel	2,181,284
Other	675,989
Capital outlay	<u>45,695</u>
 Total expenditures	 <u>138,783,893</u>

OTHER FINANCING SOURCES (USES)

Transfers-in from the State General Fund	152,438,000
Transfer to Joint Legislative Budget Committee	(3,916,000)
Transfers to other State agencies	<u>(12,869,786)</u>
 Total other financing sources, net	 <u>135,652,214</u>
 Net decrease in fund balance	 (3,131,679)
 Fund balance – beginning	 <u>24,570,752</u>
 Fund balance – end	 <u><u>\$ 21,439,073</u></u>

**STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balance – Governmental Fund \$ (3,131,679)

Amounts reported for governmental activities in the statement of activities are different because:

The net effect of transactions involving the purchase and disposal of capital assets are reported as increases to net position in the government-wide financial statements. 45,695

Government funds report capital outlays as expenditures; however, capital assets are capitalized and depreciated in the government-wide financial statements. Accordingly, depreciation expense is reported in the government-wide statement (See Note 3 to the financial statements for a breakdown of depreciation expense). (53,814)

Some expenditures reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Changes related to liabilities include accrual of compensated absences estimated to be paid in more than a year. (617,729)

Net Change in Net Position – Governmental Activities \$ (3,757,527)

STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of reporting entity – The accompanying financial statements include the account balances and results of operations of the State of California Assembly (“Assembly”). The Assembly, the State of California Senate (“Senate”), and the Joint Senate and Assembly are collectively referred herein to as the Legislature. The Legislature was established with the adoption of the California constitution in 1849 and consists of 80 members of the Assembly and 40 members of the Senate who are elected by the voters of the State of California (“State”). The Legislature makes laws for the people of the State, approves the State budget, and proposes amendments to the California constitution.

The Assembly is an integral part of the Legislature and is included as a major governmental fund in the Legislature’s financial statements. Further, the Legislature is an integral part of the State and is included as a governmental fund in the State’s *Comprehensive Annual Financial Report*.

Fund accounting – The accounts of the Assembly are organized in accordance with principles of fund accounting under standards issued by the Governmental Accounting Standards Board (“GASB”). Fund accounting is the process by which resources for various purposes are classified for accounting and reporting purposes into funds established in accordance with their nature and purpose. The operations of the Assembly are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, expenditures and transfers. The Assembly has no proprietary or fiduciary funds and has a single program.

Government-wide financial statements – The statement of net position and the statement of activities (“Government-Wide Financial Statements”) displays information about the Assembly as a whole. The Government-Wide Financial Statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. Net position is the excess of liabilities over assets. Net position invested in capital assets represent the cost of capital assets less accumulated depreciation.

Fund financial statements – The balance sheet and statement of revenue, expenditures and changes in fund balance (“Fund Financial Statements”) present the accounts and transactions of the fund that comprises the accounts of the Assembly. The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, if any, and other financing sources are recognized as soon as they become both measurable and available. Expenditures are recorded when a liability is incurred.

STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash in State Treasury – The Assembly is required to maintain substantially all of its cash with the California State Treasury (“Treasury”). The Treasury pools the cash with that of other State and local agencies for investment purposes. By statute, any interest earned on pooled cash and investments in the Assembly’s fund is credited to the State’s General Fund and is not reflected in the Assembly’s financial statements. Also, the Assembly is not subject to reductions of its deposit balance in the event of market losses on the pooled investments.

Prepaid expenditures – Prepaid expenditures consist primarily of unused postage, advance retirement payments, prepaid State Unemployment Insurance, prepaid health insurance, and advance rent payments.

Capital assets – In the Government-Wide Financial Statements, property and equipment are accounted for as capital assets. The Assembly’s capitalization policy is to record in the Government-Wide Financial Statements automobiles and furniture and equipment with a cost greater than \$5,000 and an estimated useful life of at least five years. Capital assets consist of automobiles, office furniture, and office equipment and are recorded at historical cost. Depreciation is computed and recorded by the straight-line method on capital assets using an estimated useful life of five years. Certain land and buildings used by the Assembly and Senate are held in the Joint Assembly and Senate fund and, accordingly, are excluded from both the Government-Wide and Fund Financial Statements of the Assembly and Senate.

In the Fund Financial Statements, capital outlay is recorded as expenditures when the assets are purchased. Depreciation is not provided for in the Fund Financial Statements.

Upon disposal of capital assets, historical cost is removed from the Government-Wide Financial Statements and the difference between proceeds from sales and depreciated cost basis is recorded in other expenditures. In the Fund Financial Statements, proceeds from sales of capital assets are recorded as a reduction of expenditures.

Liability for compensated absences – The Assembly’s employees earn vacation and sick leave in varying amounts which may be used or accumulated to certain amounts. Unused vacation is paid upon severance of employment whether by resignation, retirement, termination, or death. Unused sick leave is not paid upon severance of employment.

In the Government-Wide statement of net position, all unused vacation liabilities incurred are recorded as liabilities. The portion expected to be paid in connection with severances of employment estimated to occur in the upcoming fiscal year are classified as current liabilities and the remainder is classified as noncurrent liabilities. In the Fund Financial Statements, a liability is recorded for only vacation amounts that have matured as of the end of the fiscal year as the result of employee resignations, retirements, terminations, or deaths. Sick leave is recorded as an expenditure in the period taken since such benefits neither vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employees retire.

**STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Environmental remediation – The Assembly monitors situations involving potential pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution remediation activities such as site assessments and cleanups, at least annually. As of June 30, 2014, there were no triggering events that would cause the Assembly to record a liability for pollution remediation.

Budget – The Governor recommends a budget for approval by the Legislature each fiscal year. The appropriations on behalf of the Assembly contained in the budget, as approved by the Legislature and signed by the Governor, are the primary sources of annual expenditure authorizations. The budget can be amended throughout the year by special legislative appropriations, budget revisions, or executive orders; no amendments were made to the budget for the fiscal year ended June 30, 2014. The Assembly is responsible for exercising budgetary control and ensuring that appropriations on its behalf are not overspent. Any unexpended balance of annual appropriations is continuously appropriated and available for future expenditures of the Assembly in excess of its annual budgets.

Financial statement presentation – The fund balance classifications for balance sheet presentation (component of the Fund Financial Statements) are as follows:

- *Nonspendable fund balance* – Amounts that cannot be spent because they are either: (a) not in spendable form; or (b) legally or contractually required to be maintained intact. The prepaid items recorded in the Assembly’s balance sheet are not in spendable form as they are not expected to be converted to cash. Accordingly, an equivalent portion of fund balance is shown as nonspendable.
- *Restricted fund balance* – Amounts with constraints placed on their use that are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Assembly does not have any restricted fund balances as of June 30, 2014.
- *Committed fund balance* – Amounts that can only be used for specific purposes, determined by formal action of the government’s highest level of decision-making authority, the Assembly Rules Committee, that remain binding unless the commitments are removed in the same manner. The Assembly’s fund balance, other than the nonspendable portion, is classified as committed funds.
- *Assigned fund balance* – Amounts that are constrained by the Assembly’s intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. The Assembly does not have any assigned fund balances as of June 30, 2014.

**STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial statement presentation (continued) –

- *Unassigned fund balance* – The residual amount of fund balances not classified in other fund balance categories. The Assembly does not have any unassigned fund balances as of June 30, 2014.

The California Government Code (“Government Code”) provides for annual appropriations from the unrestricted revenues of the State General Fund to be used by the Assembly for salaries and expenditures of Assembly members as well as for the Assembly’s operating costs or other uses determined by the Assembly’s Rules Committee. The Government Code also provides for continuous appropriation of any unexpended balance of annual appropriations. Such unexpended continuously appropriated funds are available for future expenditures of the Assembly in excess of future annual budgeted amounts. These funds are committed because a change in the use of the fund would require legislation, which is the highest level of decision-making authority.

Net position restrictions – For the statement of net position (a component of the Government-Wide Financial Statements), the Assembly’s net position is classified into the following categories:

- *Invested in capital assets*: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted – nonexpendable*: Net position subject to externally imposed conditions that the Assembly retains them in perpetuity; the Assembly does not have any net position in this category as of June 30, 2014.
- *Restricted – expendable*: Net position subject to externally imposed conditions that can be fulfilled by the actions of the Assembly or by the passage of time; the Assembly does not have any net position in this category as of June 30, 2014.
- *Unrestricted*: All other categories of net position; in addition, unrestricted net position may be designated for use by management or the Assembly’s Rules Committee.

The Assembly has adopted a policy of generally utilizing restricted – expendable funds, prior to unrestricted funds, when an expenditure is incurred for purposes for which both are available.

STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfers – Transfers-in represent State General Fund transfers to finance payment of expenditures of the Assembly. Transfers-out represent transfers to other State agencies. By statute, a portion of the Assembly's annual appropriation is transferred to the Joint Senate and Assembly to fund half of the costs of activities benefiting both the Senate and Assembly. The other half of those costs is funded by transfers from the Senate. During the year ended June 30, 2014, the Assembly also elected to transfer additional amounts to other State agencies to pay expenditures of programs not funded from other sources.

Use of estimates in financial statements – In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

New accounting pronouncements – For the year ended June 30, 2014, the Assembly implemented Governmental Accounting Standards Board Statement No. 65 (“GASB 65”), *“Items Previously Reported as Assets and Liabilities”*. The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The requirements of this statement are effective for periods beginning December 15, 2012. For the Assembly, adopting GASB 65 had no impact on these financial statements.

For the year ended June 30, 2014, the Assembly adopted Governmental Accounting Standards Board Statement No. 66 (“GASB 66”), *“Technical Corrections – 2012 – Amendment of GASB Statements No. 10 and No. 62”*. GASB 66 was issued to resolve conflicting Guidance that was previously issued relating to operating lease payments, purchase of a loan or group of loans, and service fees related to mortgage loans. The requirements of the statement are effective for financial statement periods beginning after December 15, 2012. For the Assembly, adopting GASB 66 had no impact on these financial statements.

For the year ended June 30, 2014, the Assembly adopted Governmental Accounting Standards Board Statement No. 70 (“GASB 70”), *“Accounting and Financial Reporting for Nonexchange Financial Guarantees”*. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The requirements of the statement are effective for financial statement periods beginning after June 15, 2013. For the Assembly, adopting GASB 70 had no impact on these financial statements.

STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE 2 – CASH IN STATE TREASURY

Cash at June 30, 2014 consisted of the following:

Pooled cash:	
Cash in State Treasury	\$9,259,126

Pooled cash is carried at cost, which is equal to its redemption value. It is not practical to determine the investment risk, collateral, or insurance coverage for the Assembly's share of these pooled investments. Information about the pooled investments is included in the State's annual financial statements.

NOTE 3 – CAPITAL ASSETS

The changes in capital assets during the year ended June 30, 2014, were as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
Automobiles	\$ 1,961,593	\$ 45,695	\$ -	\$ 2,007,288
Furniture and equipment	3,749,339	-	-	3,749,339
Total capital assets	5,710,932	45,695	-	5,756,627
Less accumulated depreciation	5,575,457	53,814	-	5,629,271
Capital assets, net	<u>\$ 135,475</u>	<u>\$ (8,119)</u>	<u>\$ -</u>	<u>\$ 127,356</u>

NOTE 4 – LEASE COMMITMENTS

The Assembly leases facilities (generally used as office space for Assembly members) under operating lease agreements, some of which are subject to future escalation. Lease cancellation may occur upon the death of an Assembly member using the facilities, or within 60 days' notice from the Assembly Rules Committee. Minimum lease payments under operating leases are summarized below:

<u>Fiscal year ending June 30,</u>	<u>Operating</u> <u>Leases</u>
2015	\$ 1,874,828
2016	199,968
2017	107,733
Total minimum lease payments	<u>\$ 2,182,529</u>

Rent expenditures for the year ended June 30, 2014 were approximately \$2,966,000.

**STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 5 – CHANGES IN COMPENSATED ABSENCES

A schedule of changes in the liability for compensated absences for the year ended June 30, 2014 is shown below:

Balance, June 30, 2013	\$ 7,521,256
Plus additions	3,844,752
Less payments	<u>(3,253,168)</u>
Balance, June 30, 2014	<u>\$ 8,112,840</u>
Portion estimated to be payable within one year	<u>\$ 2,459,735</u>

NOTE 6 – TRANSFERS-OUT

Transfers to the Joint Legislative Budget Committee represent the amounts required of the Assembly, in accordance with the budget, to fund joint operations of the Assembly and Senate, primarily the Office of the Legislative Analyst.

The Assembly elected to pay expenditures of certain other State agencies that were not sufficiently funded by other sources. Accordingly, transfers to other State agencies represent funding for activities including: State Capitol tour guides, the Assembly Fellowship program at California State University, CalWORKS Stage 3 child care services, planning and providing emergency fire suppression and detection activities, services in connection with the State Capitol, funding for other educational programs, and other State legislative facilities and property throughout the State.

NOTE 7 – ENCUMBRANCES

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrances are used in budget control as a reduction of available budget amount. The Assembly has entered into contracts to purchase goods and services from various vendors. Of the committed fund balance at June 30, 2014, \$6,500,997 is encumbered for transfers to other agencies and \$324,813 is encumbered for other operating expenditures of the Assembly, and will be payable upon future performance under these contracts. Encumbrances outstanding at year end do not constitute expenditures or liabilities.

**STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 8 – EMPLOYEE BENEFIT PLANS

Legislators' Retirement Fund

Plan Description: The California Public Employees' Retirement System ("CalPERS") administers the Legislators' Retirement Fund ("LRF"), which is a single-employer pension plan that provides defined benefits to various categories of members: constitutional officers, members of the legislature, and legislative statutory officers. While the LRF is considered a single-employer pension plan at the State level, it is reported herein as a cost sharing pension plan by the Assembly since separate pension costs are not determined for the Assembly. The eligible membership of the LRF includes state legislators serving in the Legislature prior to November 1, 1990, constitutional officers, and legislative statutory officers. For the fiscal year ended June 30, 2014, the employer contribution rate was 38.381%, based on the June 30, 2012 valuation.

The LRF provides benefits based on a member's years of service, age, final compensation, and benefit formula. Vesting occurs after four years. The plan provides death, disability, and survivor benefits. Benefits for the LRF are established by the Legislators' Retirement Law.

Subsequent to November 1, 1990, no newly appointed legislators are eligible to participate in the LRF. Currently, the only members in the LRF are 8 active and 10 inactive constitutional officers (including the Insurance Commissioner and members of the Board of Equalization), 2 active and 15 inactive members of the legislature, and 4 active legislative statutory officers.

Funding Policy: The State is responsible for funding the LRF. Funding requirements are charged to the various agencies that have current or past employees that participate in the LRF based on actuarial determinations of the agencies' portion of pension cost. The employer contribution requirements of the LRF are based on actuarially-determined rates. An actuarial valuation of the LRF's assets and liabilities is required at least every two years. Member contribution rates are defined by law. For the year ended June 30, 2014, employee contributions were required as defined by law. However, some members made additional contributions toward military and prior service.

There was no annual pension cost ("APC") because the annual required contribution ("ARC") equaled zero and the interest on the NPO closely approximated the adjustment to the ARC. An actuarial valuation of the LRF's assets and liabilities is required at least every two years. The actuarial assumptions included: (a) 5.75% investment rate of return (net of administrative expenditures), (b) projected salary increases (including inflation of 2.75%) of 3.0%, and (c) 2.75% cost-of-living adjustment.

**STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 8 – EMPLOYEE BENEFIT PLANS (CONTINUED)

Legislators' Retirement Fund (continued)

Funded Status: Separate information as to funded status and funding progress is not separately determined for the Assembly by CalPERS. Accordingly, such information has not been disclosed herein. For information on funded status and funding progress of the LRF as a whole, refer to the State's separately issued financial statements. Copies of these financial statements may be obtained by calling (916) 445-2636, by writing to the California State Controller, P.O. Box 942850, Sacramento, California 94250, or by logging on to the State Controller's website at www.sco.ca.gov.

California Public Employees' Retirement System

Plan Description: CalPERS is an agent, multiple-employer pension plan that provides defined benefits to various categories of members: State Miscellaneous – Tier 1 and Tier 2, State Industrial – Tier 1 and Tier 2, Highway Patrol, State Safety, and Peace Officer/Firefighter. While CalPERS is considered an agent multiple-employer pension plan at the State level, it is reported herein as a cost sharing pension plan by the Assembly since separate pension costs are not determined for the Assembly. Assembly staff members are part of the State Miscellaneous – Tier I and the Peace Officer/Firefighter tiers. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries through its' Public Employees Retirement Fund ("PERF"). A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law ("PERL").

Funding Policy: Active members in the PERF are required to contribute a percentage of their annual covered salary. The Assembly is required to contribute the actuarially-determined remaining amounts necessary to fund the benefits for its staff members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the period July 1, 2013 to June 30, 2014 for the State Miscellaneous – Tier I was 21.203% and 31.320% for the Peace Officer/Firefighter tier. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by the CalPERS Board of Administration.

**STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 8 – EMPLOYEE BENEFIT PLANS (CONTINUED)

California Public Employees' Retirement System (continued)

Annual Pension Cost: For the fiscal years ended June 30, 2014, 2013, and 2012, the Assembly's annual pension cost was approximately \$14,746,000, \$15,474,000, and \$12,842,000, respectively. At June 30, 2014, the prepaid pension cost was approximately \$13,248,000, which represents the excess of contributions over amounts required by the actuarial valuations. The annual pension cost is equal to the required contributions, all of which were paid for the years ended June 30, 2014, 2013, and 2012. The required contribution for the June 30, 2014 fiscal year was determined as part of the June 30, 2012 actuarial valuation (for the required contribution rate from July 1, 2013 through June 30, 2014) and the valuations use the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 7.5% investment rate of return (net of administrative expenditures), (b) projected salary increases that vary by duration of service ranging from 3.40% to 13.10% for miscellaneous members, and (c) overall payroll growth of 3.00% compounded annually. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the PERF's assets was determined using a technique that smoothes the effect of short-term volatility in the market value gains and losses over a 15-year period. The PERF's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis.

Funded Status: Separate information as to funded status and funding progress is not separately determined for the Assembly by CalPERS. Accordingly, such information has not been disclosed herein. For information on funded status and funding progress of the PERF as a whole, refer to the State's separately issued financial statements. Copies of these financial statements may be obtained by calling (916) 445-2636, by writing to California State Controller, P.O. Box 942850, Sacramento, California 94250, or by logging on to the State Controller's website at www.sco.ca.gov.

Other Post-Employment Benefits: Legislative employees who retire under the PERF or the LRF receive certain health care and dental benefits for themselves and their survivors. The cost of retiree healthcare is paid by another agency of the State and the portion that would be attributable to the Assembly's retired employees is not charged back to the Assembly. Accordingly, no expenditures are reflected in these financial statements for post-retirement health and dental benefits for retired employees and their survivors. Additionally, the Assembly does not accrue a liability for these benefits as the other agency of the State that pays the benefits is responsible for reporting the liability that results from application of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

The other post-employment benefits are provided in accordance with California Government Code, Section 22754(g) to all employees who retire from the Assembly on or after attaining a certain age and length of service requirements. To be eligible for these benefits, participants in one plan must retire on or after attaining age 50 with at least five years of service, and participants in another plan must retire on or after attaining age 55 with at least ten years of service. In addition, participants must retire within 120 days of separation from employment to be eligible for these benefits.

**STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

NOTE 9 – RELATED PARTY TRANSACTIONS

The Assembly interacts with other State agencies, including, but not limited to, the State Controller's Office, State Treasurer, State General Services, State Printer, Bureau of State Audits, and the Legislative Counsel Bureau, as part of its operations. The extent of these interactions is not quantified.

NOTE 10 – CONTINGENCIES

The Assembly is exposed to various risks of losses including those related to torts; theft of, damage to, and destruction of assets; automobile comprehensive and liability, workers' compensation, unemployment, errors and omissions; injuries to employees; and natural disasters. The Assembly does not carry insurance for such risks and pays all claim settlements and judgments out of its fund resources. Claims expenditures and liabilities for self-insured risks are generally reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. However, workers' compensation claims are recorded when paid rather than when incurred because management does not have sufficient information on claims reported or on claims incurred, but not reported as of June 30, 2014 to estimate a liability. While an actuarial determination of workers' compensation liabilities is performed by the State at the overall statewide level for purposes of reporting the State's liability for workers' compensation in the State financial statements, a separate actuarial valuation of the liability of the Assembly was not performed. At June 30, 2014, there is no accrual for uninsured losses as management is not aware of any circumstances where it is probable that a material loss has been incurred.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
SCHEDULE OF REVENUE AND EXPENDITURES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts (Adopted and Final)	Actual Amounts	Variance with Final Budget - Positive (Negative)
EXPENDITURES			
Salaries of Assembly Members (and benefits)	\$ 8,541,000	\$ 8,598,156	\$ (57,156)
Expenses (Assembly Members per diem)	2,443,000	2,575,009	(132,009)
Mileage	8,000	-	8,000
Operating expenditures	<u>137,530,000</u>	<u>128,465,977</u>	<u>9,064,023</u>
Total expenditures	<u>148,522,000</u>	<u>139,639,142</u>	<u>8,882,858</u>
TRANSFERS			
Transfers-in from the State General Fund	152,438,000	152,438,000	-
Transfer to Joint Legislative Budget Committee	(3,916,000)	(3,916,000)	-
Transfers to other State agencies	<u>-</u>	<u>(12,869,786)</u>	<u>(12,869,786)</u>
Total transfers	148,522,000	135,652,214	(12,869,786)
Excess of expenditures over transfers – budgetary basis	<u>\$ -</u>	<u>(3,986,928)</u>	<u>\$ (3,986,928)</u>
Adjustments to GAAP basis:			
Prepaid expenditures – beginning of year		(13,776,956)	
Prepaid expenditures – end of year		14,606,060	
Compensated absences liability:			
Beginning of year		100,374	
End of year		<u>(74,229)</u>	
Net adjustments to GAAP basis		855,249	
Fund balance – beginning of year		<u>24,570,752</u>	
Fund balance – end of year		<u>\$ 21,439,073</u>	

**STATE OF CALIFORNIA ASSEMBLY
(A GOVERNMENTAL FUND OF THE STATE OF CALIFORNIA)
NOTE TO SCHEDULE OF REVENUE AND EXPENDITURES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014**

Accounting principles generally accepted in the United States of America (“GAAP”) requires the presentation of budgetary comparisons as supplementary information for all governmental fund types adopting an annual operating budget. The actual operating results as reflected in the above, *Schedule of Revenue and Expenditures – Budget and Actual*, have been adjusted to conform to the budgetary basis of accounting in order to facilitate comparisons with the legally adopted budget and demonstrate legal compliance with budgetary restrictions. Additionally, this schedule includes a reconciliation of the budgetary basis of accounting to GAAP basis.

Accounting principles applied by the Assembly for the purpose of developing data for budgetary purposes differ from those used to present financial statements in conformity with GAAP. The primary differences between the budgetary basis of accounting as used by the Assembly and GAAP are as follows:

- *Prepaid expenditures* – Prepaid expenditures are recorded as expenditures under the budgetary basis of accounting and as fund assets under GAAP. The assets are subsequently recognized as expenditures in future periods under GAAP.
- *Compensated absences* – Liabilities for compensated absences earned, but not paid as of the end of the fiscal year are recorded as expenditures under GAAP, but are not recognized as expenditures until actually paid under the budgetary basis of accounting.
- *Transfers-out* – Transfers of resources to other State agencies and other governmental units are classified as offsets to financing sources under the budgetary basis of accounting and as transfers under GAAP.