

**RESEARCH AND OVERSIGHT
COUNCIL
ON WORKERS' COMPENSATION**

ANNUAL FINANCIAL REPORT

For The Year Ended August 31, 2004





Texas Department of Insurance

Office of the Commissioner, Mail Code 113-1C
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José Montemayor
Commissioner of Insurance

November 19, 2004

Honorable Rick Perry, *Governor*
Honorable Carole Keeton Strayhorn, *Texas Comptroller*
John O'Brien, *Deputy Director, Legislative Budget Board*
Lawrence F. Alwin CPA, *State Auditor*

Dear Public Officials:

We are pleased to submit the *Annual Financial Report* of the Research and Oversight Council on Workers' Compensation for the year ended August 31, 2004, in compliance with *Tex. Gov't Code, Ann. §2101.011*, and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; 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 Joe Meyer at 512-463-6143.

Sincerely,

A handwritten signature in black ink that reads "Jose Montemayor".

José Montemayor, CPA
Commissioner of Insurance

UNAUDITED
RESEARCH AND OVERSIGHT COUNCIL ON WORKERS' COMPENSATION

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UNAUDITED

Research and Oversight Council on Workers' Compensation (478)

Exhibit I

Combined Balance Sheet/Statement of Net Assets

Governmental Funds

August 31, 2004

	Governmental Fund Types			
	General Funds (Ex A-1)	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
ASSETS				
Current Assets:				
Cash and Cash Equivalents:				
Cash on Hand	\$ -	\$ -	\$ -	\$ -
Cash in State Treasury	-			-
Legislative Appropriations	-			-
Receivables From:				
Accounts Receivable	-			-
Taxes	-			-
Consumable Inventories	-			-
Total Current Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-Current Assets:				
Restricted:				
Capital Assets:				
Furniture and Equipment		-		-
Accumulated Depreciation		-		-
Total Non-Current Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Current Liabilities:				
Payables From:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Payroll Payable	-			-
Employees Compensable Leave			-	-
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-Current Liabilities:				
Employees Compensable Leave			-	-
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND FINANCIAL STATEMENT-FUND BALANCES				
Fund Balances (Deficits):				
Reserved for:				
Encumbrances	-			-
Inventories	-			-
Petty Cash	-			-
Undesignated	-			-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
GOVERNMENT-WIDE STATEMENT-NET ASSETS				
Net Assets:				
Invested in Capital Assets, Net of Related Debt		-		-
Unrestricted		-	-	-
Total Net Assets		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Research and Oversight Council on Workers' Compensation (478)

EXHIBIT II

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS

For the Fiscal Year Ended August 31, 2004

	General Funds (Ex A-2)	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
REVENUES**				
Legislative Appropriations:				
Original Appropriations (GR)	\$ -	\$ -	\$ -	\$ -
Taxes (GR)	(22,804.16)			(22,804.16)
Other (GR)	-			-
Total Revenues	<u>(22,804.16)</u>	<u>-</u>	<u>-</u>	<u>(22,804.16)</u>
EXPENDITURES				
Salaries and Wages	18,999.99		(35,195.79)	(16,195.80)
Payroll Related Costs	1,134.57			1,134.57
Professional Fees and Services	-			-
Travel	-			-
Materials and Supplies	-			-
Communication and Utilities	-			-
Repairs and Maintenance	-			-
Rentals & Leases	50.00			50.00
Printing and Reproduction	-			-
Claims and Judgments	-			-
Employee Benefit Payments	-			-
Other Expenditures	0.88			0.88
Capital Outlay	-	-		-
Depreciation Expense	-	271.81		271.81
Total Expenditures/Expenses	<u>20,185.44</u>	<u>271.81</u>	<u>(35,195.79)</u>	<u>(14,738.54)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(42,989.60)</u>	<u>(271.81)</u>	<u>35,195.79</u>	<u>(8,065.62)</u>
OTHER FINANCING SOURCES (USES)				
Net Change in Reserve for Inventories	-			-
Transfers In	692,836.17			692,836.17
Transfers Out	(3,113,798.55)			(3,113,798.55)
Gain (Loss) on Sale/Disposal of Capital Assets	-	(399.77)		(399.77)
Inc/(Dec) in Net Assets Due to Interagency Transfer	-	(4,329.20)		(4,329.20)
Total Other Financing Sources and Uses	<u>(2,420,962.38)</u>	<u>(4,728.97)</u>	<u>-</u>	<u>(2,425,691.35)</u>
Net Change in Fund Balances/Net Assets	<u>(2,463,951.98)</u>	<u>(5,000.78)</u>	<u>35,195.79</u>	<u>(2,433,756.97)</u>
FUND FINANCIAL STATEMENT-FUND BALANCES				
Fund Balances--Beginning	2,463,951.98	-	-	2,463,951.98
Restatements	-			-
Fund Balances, September 1, 2003	<u>2,463,951.98</u>	<u>-</u>	<u>-</u>	<u>2,463,951.98</u>
Appropriations Lapsed	-			-
Fund Balances--August 31, 2004	<u>\$ -</u>	<u>\$ (5,000.78)</u>	<u>\$ 35,195.79</u>	<u>\$ 30,195.01</u>
GOVERNMENT-WIDE STATEMENT-NET ASSETS				
Change in Net Assets		<u>(5,000.78)</u>	<u>35,195.79</u>	<u>30,195.01</u>
Net Assets-Beginning		5,000.78	(35,195.79)	(30,195.01)
Restatements				-
Net Assets, September 1, 2003		<u>5,000.78</u>	<u>(35,195.79)</u>	<u>(30,195.01)</u>
Net Assets-August 31, 2004		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

RESEARCH AND OVERSIGHT COUNCIL ON WORKERS' COMPENSATION (478)

NOTES TO THE FINANCIAL STATEMENTS**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. ENTITY**

The Research and Oversight Council on Workers' Compensation (ROC) 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 ROC operates under the authority of the Texas Workers' Compensation Act, Texas Labor Code Annotated, Chapter 404, as amended by H. B. 1091, 74th Leg. Session (1995). The purpose of the agency is to conduct objective research and monitor the Texas workers' compensation system

The State of Texas General Appropriations bill for the 2004-2005 biennium as signed into law did not contain an appropriation to fund the operations of the ROC. As a result, the agency ceased its operations on August 31, 2003. On August 31, 2003, the ROC and the Texas Department of Insurance (TDI) signed a Memorandum of Understanding (MOU), which transfers and contracts the entirety of the professional studies and research functions previously performed by the ROC to TDI effective September 1, 2003. This contract terminates on August 31, 2005.

Due to the significant changes related to Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, the Comptroller of Public Accounts does not require the accompanying annual financial report to be in compliance with generally accepted accounting principles (GAAP). The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

B. FUND STRUCTURE

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

H. B. 3050 passed by the 74th Legislature resulted in the creation of a new dedicated revenue fund number 5016 for the ROC effective September 1, 1995.

GOVERNMENTAL FUND TYPES & GOVERNMENT-WIDE ADJUSTMENT FUND TYPESGeneral Fund

The General Fund is the principal operating fund used to account for most of the state's general activities. It accounts for all financial resources except those accounted for in other funds.

Capital Asset Adjustment Fund Type

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

Long-Term Liabilities Adjustment Fund Type

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

Other Adjustment Fund Type

Other Adjustments fund type will be used to convert all other governmental fund types activity from modified accrual to full accrual.

RESEARCH AND OVERSIGHT COUNCIL ON WORKERS' COMPENSATION (478)

NOTES TO THE FINANCIAL STATEMENTS

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 method 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 capital assets, accumulated depreciation and unpaid Employee Compensable leave. The activity will be recognized in these fund types.

D. BUDGETS AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act).

E. ASSETS, LIABILITIES AND FUND BALANCES/NET ASSETS

Since the State of Texas General Appropriations bill for the 2004-2005 biennium as signed into law did not contain an appropriation to fund the operations of the ROC, the MOU provides for the transfer of all state records, assets, and other property of the ROC to TDI, effective September 1, 2003. As a result, the ROC has no remaining Assets, Liabilities or Fund Balance/Net Assets as of August 31, 2004.

NOTE 2: CAPITAL ASSETS

A summary of changes in Capital Assets for the year ended August 31, 2004 is presented below:

Governmental Activities	Balance 09/01/03	Adjust- ments	Com- pleted CIP	Inc- Int'agy Transfer	Dec-Int'agy Transfer	Additions	Deletions	Balance 08/31/04
Depreciable Assets:								
Furniture and Equipment	\$34,827.84				(22,847.79)	0.00	(11,980.05)	\$0.00
Total Assets at Historical Costs	34,827.84				(22,847.79)	0.00	(11,980.05)	0.00
Less Accumulated Depreciation:								
Furniture and Equipment	(29,827.06)				18,518.59	(271.81)	11,580.28	0.00
Total Accumulated Depreciation	(29,827.06)				18,518.59	(271.81)	11,580.28	0.00
Governmental Activities Net Capital Assets	\$5,000.78	\$0.00	\$0.00	\$0.00	(\$4,329.20)	(\$271.81)	(\$399.77)	\$0.00

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

NOT APPLICABLE

NOTE 4: SHORT-TERM DEBT

NOT APPLICABLE

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

Changes in Long Term Debt

During the year ended August 31, 2004 the following changes occurred in liabilities.

Governmental Activities	Balance 09-01-03	Additions	Reductions	Balance 08-31-04	Amounts Due Within One Year
Compensable Leave	\$35,195.79	\$28,080.70	(\$63,276.49)	\$0.00	\$0.00

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 leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. There are no monetary liabilities for compensable future absences as of August 31, 2004.

NOTE 6: CAPITAL LEASES

NOT APPLICABLE

NOTE 7: OPERATING LEASE OBLIGATIONS

NOT APPLICABLE

NOTE 8: INTERFUND BALANCES/ACTIVITIES

NOT APPLICABLE

NOTE 9: CONTINGENT LIABILITIES

NOT APPLICABLE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: CONTINUANCE SUBJECT TO REVIEW

NOT APPLICABLE

NOTE 11: RISK FINANCING AND RELATED INSURANCE

NOT APPLICABLE

NOTE 12: SEGMENT INFORMATION

NOT APPLICABLE

NOTE 13: BONDED INDEBTEDNESS

NOT APPLICABLE

NOTE 14: SUBSEQUENT EVENTS

NOT APPLICABLE

NOTE 15: RELATED PARTIES

NOT APPLICABLE

NOTE 16: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

NOT APPLICABLE

NOTE 17: THE FINANCIAL REPORTING ENTITY AND JOINT VENTURES

NOT APPLICABLE

NOTE 18: RESTATEMENT OF FUND BALANCES/NET ASSETS

NOT APPLICABLE

NOTE 19: EMPLOYEES RETIREMENT PLANS

NOT APPLICABLE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20: DEFERRED COMPENSATION

NOT APPLICABLE

NOTE 21: DONOR-RESTRICTED ENDOWMENTS

NOT APPLICABLE

NOTE 22: MANAGEMENT DISCUSSION AND ANALYSIS

NOT APPLICABLE

NOTE 23: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

NOT APPLICABLE

NOTE 24: SPECIAL OR EXTRAORDINARY ITEMS

NOT APPLICABLE

NOTE 25: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

NOT APPLICABLE

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Research and Oversight Council on Workers' Compensation (478)

Exhibit A-1

COMBINING Balance Sheet

All General and Consolidated Funds

August 31, 2004

	<u>Consolidated Accounts</u>
	Fund 0001
	5016
	<u>U/F (5016)</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents:	
Cash on Hand	\$ -
Cash in State Treasury	-
Legislative Appropriations	-
Investments	-
Receivables From:	
Accounts Receivable	-
Taxes	-
Consumable Inventories	-
Total Current Assets	<u>-</u>
Non-Current Assets:	
Restricted:	
Cash and Cash Equivalents:	
Cash in State Treasury	-
Short Term Investments	-
Receivables	-
Investments	-
Total Noncurrent Assets	<u>-</u>
Total Assets	<u>\$ -</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Current Liabilities:	
Payables From:	
Accounts Payable	\$ -
Payroll Payable	-
Deferred Revenues	-
Employees Compensable Leave	-
Total Current Liabilities	<u>-</u>
Non-Current Liabilities:	
Employees Compensable Leave	-
Capital Lease Obligations	-
Total Non-Current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
FUND FINANCIAL STATEMENT-FUND BALANCES	
Fund Balances (Deficits):	
Reserved for:	
Encumbrances	-
Inventories	-
Petty Cash	-
Undesignated	-
Total Fund Balances	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ -</u>

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

Research and Oversight Council on Workers' Compensation (478)**EXHIBIT A-2****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****ALL GENERAL AND CONSOLIDATED FUNDS**

For the Fiscal Year Ended August 31, 2004

	<u>Consolidated Accounts</u>
	Fund 0001
	5016
	<u>U/F (5016)</u>
REVENUES**	
Legislative Appropriations:	
Original Appropriations (GR)	\$ -
Taxes (GR)	(22,804.16)
Other (GR)	-
Total Revenues	<u>(22,804.16)</u>
EXPENDITURES	
Salaries and Wages	18,999.99
Payroll Related Costs	1,134.57
Professional Fees and Services	-
Travel	-
Materials and Supplies	-
Communication and Utilities	-
Repairs and Maintenance	-
Rentals & Leases	50.00
Printing and Reproduction	-
Claims and Judgments	-
Employee Benefit Payments	-
Other Expenditures	0.88
Capital Outlay	-
Depreciation Expense	-
Total Expenditures/Expenses	<u>20,185.44</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(42,989.60)</u>
OTHER FINANCING SOURCES (USES)	
Net Change in Reserve for Inventories	-
Transfers In	692,836.17
Transfers Out	(3,113,798.55)
Total Other Financing Sources and Uses	<u>(2,420,962.38)</u>
Net Change in Fund Balances/Net Assets	<u>(2,463,951.98)</u>
FUND FINANCIAL STATEMENT-FUND BALANCES	
Fund Balances--Beginning	2,463,951.98
Restatements	-
Fund Balances, September 1, 2003	<u>2,463,951.98</u>
Appropriations Lapsed	-
Fund Balances--August 31, 2004	<u>\$ -</u>

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



Texas Department of Insurance

333 Guadalupe Austin, Texas 78701