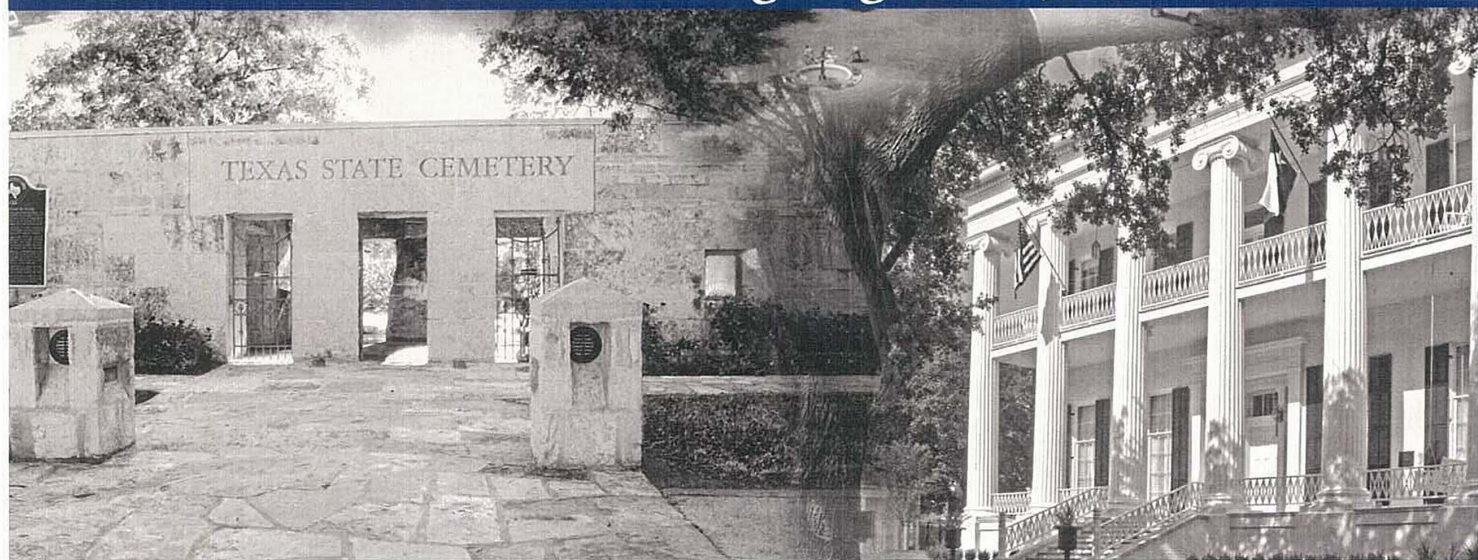




# STATE PRESERVATION BOARD

## Annual Financial Report

*Fiscal Year Ending August 31, 2016*







## STATE PRESERVATION BOARD

The Honorable Greg Abbott, Governor, Chairman  
The Honorable Dan Patrick, Lieutenant Governor, Co-Vice Chairman  
The Honorable Joe Straus, Speaker of the House, Co-Vice Chairman  
The Honorable Kelly Hancock, Texas Senate  
The Honorable Charlie Geren, Texas House of Representatives  
Iris H. Moore, Citizen Board Member  
Rod Welsh, Executive Director

November 20, 2016

The Honorable Greg Abbott, Governor  
The Honorable Glenn Hegar, Texas Comptroller  
Ms. Ursula Parks, Director, Legislative Budget Board  
Ms. Lisa Collier, First Assistant State Auditor

Ladies and Gentlemen:

We are pleased to submit the Annual Financial Report of the State Preservation Board (SPB) for the year ended August 31, 2016, in compliance with Texas Government Code Annotated, §2101.011, and in accordance with the requirements established by the Texas 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 questions, please contact Cynthia Provine, CPA, Chief Financial Officer, at 512-463-9243.

Sincerely,

Roderick Welsh  
Executive Director

***State Preservation Board (809)***  
***FY 2016 Annual Financial Report (Unaudited)***

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**State Preservation Board (809)**  
**FY 2016 Annual Financial Report (Unaudited)**

**EXHIBIT I - Combined Balance Sheet / Statement of Net Position**  
**Governmental Funds**  
**August 31, 2016**

	GOVERNMENTAL FUND TYPES			STATEMENT OF NET ASSETS
	GOVERNMENTAL FUNDS (Exhibit A-1)	CAPITAL ASSETS ADJUSTMENTS	LONG-TERM LIABILITIES ADJUSTMENTS	
<b>ASSETS</b>				
Current Assets:				
Cash in State Treasury	14,538,382.21	-	-	14,538,382.21
Legislative Appropriations	8,780,137.54	-	-	8,780,137.54
Accounts Receivable	11,383.45	-	-	11,383.45
Interfund Receivable (Note 12)	2,215.54	-	-	2,215.54
Total Current Assets	<u>23,332,118.74</u>	<u>-</u>	<u>-</u>	<u>23,332,118.74</u>
Non-Current Assets:				
Capital Assets (Note 2):				
Non-Depreciable:				
Land and Land Improvements	-	22,490,005.14	-	22,490,005.14
Construction in Progress	-	5,386,556.54	-	5,386,556.54
Other Tangible Capital Assets	-	7,123,157.93	-	7,123,157.93
Depreciable/Amortizable:				
Buildings and Building Improvements	-	309,338,908.57	-	309,338,908.57
Less Accumulated Depreciation	-	(227,132,238.39)	-	(227,132,238.39)
Furniture and Equipment	-	951,848.23	-	951,848.23
Less Accumulated Depreciation	-	(700,005.11)	-	(700,005.11)
Vehicles, Boats, and Aircraft	-	127,761.68	-	127,761.68
Less Accumulated Depreciation	-	(101,001.31)	-	(101,001.31)
Computer Software - Intangible	-	58,728.00	-	58,728.00
Less Accumulated Amortization	-	(58,728.00)	-	(58,728.00)
Facilities and Other Improvements	-	3,153,659.90	-	3,153,659.90
Less Accumulated Depreciation	-	(2,233,841.65)	-	(2,233,841.65)
Other Capital Assets	-	1,700,978.86	-	1,700,978.86
Less Accumulated Depreciation	-	(1,700,978.86)	-	(1,700,978.86)
Total Non-Current Assets	<u>-</u>	<u>118,404,811.53</u>	<u>-</u>	<u>118,404,811.53</u>
<b>TOTAL ASSETS</b>	<u><b>23,332,118.74</b></u>	<u><b>118,404,811.53</b></u>	<u><b>-</b></u>	<u><b>141,736,930.27</b></u>

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**State Preservation Board (809)**  
**FY 2016 Annual Financial Report (Unaudited)**

**EXHIBIT I - Combined Balance Sheet / Statement of Net Position**  
**Governmental Funds**  
**August 31, 2016 (concluded)**

	GOVERNMENTAL FUND TYPES			
	GOVERNMENTAL FUNDS (Exhibit A-1)	CAPITAL ASSETS ADJUSTMENTS	LONG-TERM LIABILITIES ADJUSTMENTS	STATEMENT OF NET ASSETS
<b>LIABILITIES AND FUND BALANCES</b>				
Current Liabilities:				
Payables:				
Accounts Payable	2,054,465.92	-	-	2,054,465.92
Salaries and Payroll Related Payables	621,734.47	-	-	621,734.47
Employees Compensable Leave (Note 5)	-	-	579,423.36	579,423.36
Total Current Liabilities	2,676,200.39	-	579,423.36	3,255,623.75
Non-Current Liabilities:				
Employees Compensable Leave (Note 5)	-	-	281,202.30	281,202.30
Total Non-Current Liabilities	-	-	281,202.30	281,202.30
<b>TOTAL LIABILITIES</b>	2,676,200.39	-	860,625.66	3,536,826.05
<b>FUND FINANCIAL STATEMENT - FUND BALANCES</b>				
Fund Balances (Deficits):				
Committed	20,655,918.35	-	-	20,655,918.35
<b>TOTAL FUND BALANCES</b>	20,655,918.35	-	-	20,655,918.35
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>23,332,118.74</b>	-	-	-
<b>Government-Wide Statement - Net Position</b>				
Net Position:				
Invested in Capital Assets, Net of Accumulated Depreciation (Note 2)	-	118,404,811.53	-	118,404,811.53
Restricted for:				
Compensable Leave Liabilities (Note 5)	-	-	(860,625.66)	(860,625.66)
<b>Total Net Position</b>		<b>118,404,811.53</b>	<b>(860,625.66)</b>	<b>117,544,185.87</b>

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

**State Preservation Board (809)**  
**FY 2016 Annual Financial Report (Unaudited)**

**EXHIBIT II - Combined Statement of Revenues, Expenditures,  
and Changes in Fund Balances / Statement of Activities**  
**Governmental Funds**  
For the Fiscal Year Ended August 31, 2016

	GOVERNMENTAL FUND TYPES			STATEMENT OF ACTIVITIES
	GOVERNMENTAL FUNDS (Exhibit A-2)	CAPITAL ASSETS ADJUSTMENTS	LONG-TERM LIABILITIES ADJUSTMENTS	
<b>REVENUES</b>				
Legislative Appropriations:				
Original Appropriations	22,884,162.00	-	-	22,884,162.00
Additional Appropriations	1,764,199.90	-	-	1,764,199.90
Interest, Dividend and Other Income	621,370.51	-	-	621,370.51
<b>TOTAL REVENUES</b>	<b>25,269,732.41</b>	<b>-</b>	<b>-</b>	<b>25,269,732.41</b>
<b>EXPENDITURES</b>				
Salaries and Wages	5,631,689.66	-	167,313.72	5,799,003.38
Payroll Related Costs	1,724,069.20	-	-	1,724,069.20
Professional Fees and Services	455,847.44	-	-	455,847.44
Travel	17,587.54	-	-	17,587.54
Materials and Supplies	1,749,273.71	-	-	1,749,273.71
Communication and Utilities	69,921.49	-	-	69,921.49
Repairs and Maintenance	912,005.80	-	-	912,005.80
Rentals and Leases	50,931.68	-	-	50,931.68
Printing and Reproduction	2,278.90	-	-	2,278.90
Other Operating Expenditures	1,256,458.50	-	-	1,256,458.50
Capital Outlay	6,531,613.93	9,017,546.33	-	15,549,160.26
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>18,401,677.85</b>	<b>9,017,546.33</b>	<b>167,313.72</b>	<b>27,586,537.90</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,868,054.56</b>	<b>(9,017,546.33)</b>	<b>(167,313.72)</b>	<b>(2,316,805.49)</b>

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**State Preservation Board (809)**  
**FY 2016 Annual Financial Report (Unaudited)**

**EXHIBIT II - Combined Statement of Revenues, Expenditures,  
and Changes in Fund Balances / Statement of Activities  
Governmental Funds**

For the Fiscal Year Ended August 31, 2016 (concluded)

	GOVERNMENTAL FUND TYPES			
	GOVERNMENTAL FUNDS (Exhibit A-2)	CAPITAL ASSETS ADJUSTMENTS	LONG-TERM LIABILITIES ADJUSTMENTS	STATEMENT OF ACTIVITIES
<b>OTHER FINANCING SOURCES (USES):</b>				
Depreciation/Amortization Expense	-	14,581,107.79	-	14,581,107.79
Transfers In (Note 12)	11,148,071.00	-	-	11,148,071.00
Transfer Out (Note 12)	(5,310,762.91)	-	-	(5,310,762.91)
(Gain)/Loss on Sale of Capital Assets	97.88	-	-	97.88
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>5,837,405.97</b>	<b>14,581,107.79</b>	<b>-</b>	<b>20,418,513.76</b>
<b>NET CHANGE IN FUND BALANCES/NET POSITION</b>	<b>12,705,460.53</b>	<b>5,563,561.46</b>	<b>(167,313.72)</b>	<b>18,101,708.27</b>

**FUND FINANCIAL STATEMENT - FUND BALANCES**

Fund Balances - September 1, 2015	7,950,457.82
Net Change in Fund Balances/Net Assets	12,705,460.53
Appropriations Lapsed	-
Fund Balances - August 31, 2016	<u>20,655,918.35</u>

**Government-Wide Statement - Net Position**

<b>Net Position, September 1, 2015</b>	123,968,372.99	(693,311.94)	131,225,518.87
<b>Changes in Net Position</b>	<u>(5,563,561.46)</u>	<u>(167,313.72)</u>	<u>6,974,585.35</u>
<b>Net Position, August 31, 2016</b>	<u>118,404,811.53</u>	<u>(860,625.66)</u>	<u>138,200,104.22</u>

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

**State Preservation Board (809)**  
**FY 2016 Annual Financial Report (Unaudited)**

**EXHIBIT III - Combined Statement of Net Position**  
**Proprietary Funds**  
**August 31, 2016**

	ENTERPRISE FUNDS (Exhibit F-1)
<b>ASSETS</b>	
Current Assets:	
Cash :	
Cash on Hand	33,293.99
Cash in Bank (Note 3)	11,000.00
Cash in State Treasury	2,978,173.37
Short-Term Investments	13,946,799.01
Accounts Receivable	99,261.93
Interfund Receivable (Note 12)	45,913.41
Merchandise Inventories	967,445.41
Total Current Assets	18,081,887.12
Non-Current Assets:	
Capital Assets (Note 2):	
Non-Depreciable:	
Assets in Trust (Note 31)	14,531,875.77
Land and Land Improvements	408,820.35
Other Capital Assets	51,267.00
Depreciable/Amortizable:	
Furniture and Equipment	1,376,417.27
Less Accumulated Depreciation	(1,313,582.01)
Building & Building Improvements	478,576.00
Less Accumulated Depreciation	(12,629.05)
Computer Software	5,280.00
Less Accumulated Depreciation	(5,280.00)
Other Assets	1,111,623.64
Less Accumulated Depreciation	(1,111,623.64)
Total Non-Current Assets	15,520,745.33
<b>TOTAL ASSETS</b>	<b>33,602,632.45</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Payables:	
Accounts Payable	341,001.90
Salaries and Payroll Related Payables	295,427.60
Interfund Payable (Note 12)	48,128.95
Deferred Revenues	116,757.50
Employees Compensable Leave (Note 5)	212,631.16
Total Current Liabilities	1,013,947.11
Non-Current Liabilities:	
Employee Compensable Leave (Note 5)	107,804.98
Assets Held for Others (Note 31)	14,531,875.77
Total Non-Current Liabilities	14,639,680.75
<b>TOTAL LIABILITIES</b>	<b>15,653,627.86</b>
<b>NET POSITION</b>	
Unrestricted	17,949,004.59
<b>TOTAL NET POSITION</b>	<b>17,949,004.59</b>

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



**State Preservation Board (809)**  
**FY 2016 Annual Financial Report (Unaudited)**

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**EXHIBIT IV - Combined Statement of Revenues,  
Expenses, and Changes in Net Position  
Proprietary Funds  
For the Fiscal Year Ended August 31, 2016**

	ENTERPRISE FUNDS (Exhibit F-2)
<b>OPERATING REVENUES:</b>	
Sales of Goods and Services	10,521,529.87
Other Operating Revenues	5,274.00
<b>Total Operating Revenues</b>	<b>10,526,803.87</b>
<b>OPERATING EXPENSES:</b>	
Cost of Goods Sold	1,698,051.73
Salaries and Wages	3,216,174.21
Payroll Related Costs	1,184,853.45
Professional Fees and Services	340,704.15
Travel	25,956.55
Materials and Supplies	647,856.78
Communications and Utilities	122,040.33
Repairs and Maintenance	219,987.58
Rentals and Leases (Note 8)	1,486,686.49
Printing and Reproduction	63,131.09
Depreciation and Amortization	27,410.64
Interest	40.67
Other Operating Expenses	1,497,671.66
<b>Total Operating Expenses</b>	<b>10,530,565.33</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(3,761.46)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Interest Income	26,004.66
Other Non-Operating Revenues (Expenses)	207,928.39
<b>Total Non-Operating Revenues (Expenses)</b>	<b>233,933.05</b>
<b>INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS/(LOSSES) AND TRANSFERS</b>	<b>230,171.59</b>
<b>OTHER REVENUES, EXPENSES, GAINS/(LOSSES) AND TRANSFERS</b>	
Transfers In (Note 12)	2,444,728.29
Transfers Out (Note 12)	(2,349,728.29)
<b>Total Other Revenues, Expenses, Gains/(Losses) and Transfers</b>	<b>95,000.00</b>
<b>TOTAL NET POSITION, September 1, 2015</b>	<b>17,623,833.00</b>
<b>CHANGE IN NET POSITION</b>	<b>325,171.59</b>
<b>TOTAL NET POSITION - August 31, 2016</b>	<b>17,949,004.59</b>

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

**State Preservation Board (809)**  
**FY 2016 Annual Financial Report (Unaudited)**

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**EXHIBIT V - Combined Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended August 31, 2016**

	ENTERPRISE FUNDS (Exhibit F-3)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Proceeds from Customers	11,525,089.12
Payments to Suppliers for Goods and Services	(1,691,288.14)
Payments to Employees	(4,364,692.73)
Payments for Other Expenses	(4,404,075.30)
<b>Net Cash Provided by Operating Activities</b>	<b>1,065,032.95</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Proceeds from Transfers from Other Funds	2,444,728.29
Payments for Transfers to Other Funds	(2,349,728.30)
Proceeds from Other Non-Operating Revenues	207,928.39
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>302,928.38</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Payments for Additions to Fixed Assets	(204,281.21)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>(204,281.21)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Interest and Investment Income	26,004.66
<b>Net Cash Provided from Investing Activities</b>	<b>26,004.66</b>
<b>Cash and Cash Equivalents - September 1, 2015</b>	<b>15,779,581.58</b>
<b>Increase (Decrease) in Cash</b>	<b>1,189,684.78</b>
<b>Cash and Cash Equivalents - August 31, 2016</b>	<b>16,969,266.36</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
<b>Operating Income</b>	<b>(3,761.46)</b>
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>	
Amortization and Depreciation	27,410.64
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(41,453.67)
(Increase) Decrease in Inventories	207,451.54
(Increase) Decrease in Due from Other Funds	1,011,541.42
Increase (Decrease) in Due to Other Funds	(421,624.87)
Increase (Decrease) in Payables	220,936.92
Increase (Decrease) in Deferred Revenue	28,197.50
Increase (Decrease) in Other Liabilities	36,334.93
<b>Total Adjustments</b>	<b>1,068,794.41</b>
<b>Net Cash Provided by Operating Activities</b>	<b>1,065,032.95</b>

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

**State Preservation Board (809)**  
**FY 2016 Annual Financial Report (Unaudited)**

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**EXHIBIT VI - Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**August 31, 2016**

	<u>AGENCY FUND</u>
	Suspense
	(0900)
	<u>U/F (0900)</u>
<b>ASSETS</b>	
Current Assets:	
Cash in State Treasury	<u>75,681.11</u>
<b>Total Current Assets</b>	<u><b>75,681.11</b></u>
<b>TOTAL ASSETS</b>	<u><b>75,681.11</b></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Payables:	
Vouchers Payable	75,282.74
Funds Held for Others	<u>398.37</u>
<b>Total Current Liabilities</b>	<u><b>75,681.11</b></u>
<b>TOTAL LIABILITIES</b>	<u><b>75,681.11</b></u>
<b>TOTAL NET ASSETS</b>	<u><u><b>-</b></u></u>

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



## **NOTES TO THE FINANCIAL STATEMENTS**

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

#### **Entity**

The State Preservation Board (SPB) is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for State Agencies.

The SPB was established by the 68th Legislature, 1983. The SPB is mandated in Texas Government Code Annotated, Chapter 443 (1987) to preserve, maintain, and restore the Capitol, the 1857 General Land Office Building, their contents and their grounds.

Texas Government Code Annotated, Chapter 445 (1999) charges the SPB with the operation of the Bullock Texas State History Museum (Museum). The Museum opened on April 21, 2001.

The 81st Legislature clarified that SPB has full responsibility for the management of construction projects and maintenance of the 1856 Texas Governor's Mansion. Senate Bill 2307 (2009) amended the Government Code to establish that SPB is responsible for the preservation, maintenance and protection of the historical and architectural integrity of the Governor's Mansion and grounds.

The 83rd Legislature in Senate Bill 201 (2013) continued the operations of the agency for twelve years beginning September 1, 2013, and allowed certain Board members to designate representatives to participate in the Board's meetings and required the Board to meet at least twice each year. Additionally, the bill created a Mansion renewal trust fund outside the State Treasury for the preservation of the Governor's Mansion, established the Museum Director position, and authorized the adoption of policies for naming areas within the Bullock Texas State History Museum. Other legislation included SPB in the development and review of a required comprehensive master plan for the Capitol Complex.

The 84th Legislature in House Bill 2206 (2015) transferred oversight of the Texas State Cemetery to the SPB and created the State Cemetery preservation trust fund outside the State Treasury.

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 of 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.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Fund Structure**

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity. The funds used to reflect the SPB's transactions are as follows:

#### **Governmental Fund Types and Government-wide Adjustment Fund Types**

##### **General Revenue 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 for those accounted for in other funds.

##### **Capital and Mansion Renewal Funds**

Capital projects funds account for financial resources used for the acquisition, repair, renovation or construction of major capital facilities other than those financed by proprietary or similar 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.

### **Proprietary Fund Types**

#### **Enterprise Funds**

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. Activities must be reported as enterprise funds if any one of the following criteria is met:

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
2. Laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service), be recovered with fees and charges.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Fiduciary Fund Types**

Fiduciary funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. When assets are held under the terms of a formal trust agreement, either a pension trust fund, or a private purpose trust fund is used.

#### Agency Funds

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

### **Basis of Accounting**

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund types that build the fund financial statements are accounted for using the modified accrual 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, unpaid Employee Compensable leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, long-term claims and judgments, and full accrual revenues and expenses. The activity will be recognized in these fund types.

Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating



## **NOTES TO THE FINANCIAL STATEMENTS**

expenses for the enterprise includes the cost of sales and services, administrative expenses, and depreciation of capital assets.

### **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). The agency's trust funds and enterprise funds are held "outside of the Treasury" and are not subject to the appropriation process.

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

### **Assets, Liabilities, and Fund Equity Assets**

#### Cash and Cash Equivalents

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

#### Inventories and Prepaid Items

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories and prepaid items that appear in the governmental and proprietary fund types. The cost of these items is expensed when the item is 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 are donated, at appraised fair value as of the date of acquisition. Purchases of assets of governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets such as works of art and historical treasures are not depreciated. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

All capital assets acquired by proprietary funds or trust funds are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the acquisition date. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

#### Current Receivables - Other

Current Receivables - Other includes year-end revenue accruals. This account can appear in governmental and proprietary fund types.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Liabilities**

#### Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

#### Current Payables - Other

Current Payables - Other are the accruals at year-end of expenditure transactions. This account may be included in either the governmental or proprietary fund types.

#### Employees' Compensable Leave Balances

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 Balance / Net Assets**

The difference between fund assets and liabilities is 'Net Assets' on the government-wide, proprietary and fiduciary fund statements and the 'Fund Balance' is the difference between fund assets and liabilities on the governmental fund statements.

### **Fund Balance Components**

Fund balances for governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned in the fund financial statements.

- Nonspendable fund balance includes amounts not available to be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- Restricted fund balance includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the Texas Legislature, the state's highest level of decision making authority.
- Assigned fund balance includes amounts constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (1) the Texas Legislature or (2) a body (for example, a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

## **NOTES TO THE FINANCIAL STATEMENTS**

- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

### **Invested In Capital Assets, Net of Related Debt**

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bond, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

### **Restricted Net Assets**

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors and the like or imposed by law through constitutional provisions or enabling legislation.

### **Unrestricted Net Assets**

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management but can be removed or modified.

### **Interfund Activities and Balances**

The agency has the following types of transactions among funds:

- Transfers: Legally required transfers that are reported when incurred as 'Transfers In' by the recipient fund and as 'Transfers Out' by the disbursing fund.
- 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 are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
- 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 activities and balances are presented in Note 12.



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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2: CAPITAL ASSETS**

A summary of changes in General Fixed Assets for the year ended August 31, 2016 is presented below:

	Balance 09/01/2015	Completed CIP	Transfers In (Out)	Additions	Deletions	Balance 08/31/2016
<b>Governmental Activities</b>						
Non-Depreciable Assets:						
Land and Improvements	20,904,506.14		371,354.08	1,214,144.92		22,490,005.14
Construction in Progress	-			5,386,556.54		5,386,556.54
Other Tangible Capital Assets	7,125,032.93				(1,875.00)	7,123,157.93
Total Non-Depreciable Assets	28,029,539.07	-	371,354.08	6,600,701.46	(1,875.00)	34,999,719.61
Depreciable Assets:						
Buildings and Improvements	307,496,130.04		1,842,778.53	-		309,338,908.57
Furniture and Equipment	818,365.13		64,865.46	87,745.64	(19,128.00)	951,848.23
Vehicles, Boats, Aircraft	56,657.52		71,104.16	-		127,761.68
Facilities and Other Improvements	3,153,659.90					3,153,659.90
Other Capital Assets	1,700,978.86					1,700,978.86
Total Depreciable Assets at Cost	313,225,791.45	-	1,978,748.15	87,745.64	(19,128.00)	315,273,157.24
Accumulated Depreciation:						
Buildings and Improvements	(213,008,542.53)		(1,075,835.22)	(13,047,860.64)		(227,132,238.39)
Furniture and Equipment	(618,289.62)		(23,087.99)	(77,755.50)	19,128.00	(700,005.11)
Vehicles, Boats, Aircraft	(40,670.75)		(52,956.56)	(7,374.00)		(101,001.31)
Facilities and Other Improvements	(1,918,475.77)			(315,365.88)		(2,233,841.65)
Other Capital Assets	(1,700,978.86)					(1,700,978.86)
Total Accumulated Depreciation	(217,286,957.53)	-	(1,151,879.77)	(13,448,356.02)	19,128.00	(231,868,065.32)
Amortizable Assets - Intangible:						
Computer Software	58,728.00					58,728.00
Total Amortizable Assets - Intangil	58,728.00	-	-	-	-	58,728.00
Accumulated Amortization:						
Computer Software	(58,728.00)					(58,728.00)
Total Accumulated Amortization	(58,728.00)	-	-	-	-	(58,728.00)
<b>Capital Assets</b>						
<b>Governmental Activities</b>	<b>123,968,372.99</b>	<b>-</b>	<b>1,198,222.46</b>	<b>(6,759,908.92)</b>	<b>(1,875.00)</b>	<b>118,404,811.53</b>
<b>Business Type Activities</b>						
Non-Depreciable Assets:						
Land and Improvements	228,467.94			180,352.41		408,820.35
Construction in Progress	454,647.20	(478,576.00)		23,928.80		-
Other Tangible Capital Assets	51,267.00					51,267.00
Total Non-Depreciable Assets	734,382.14	(478,576.00)	-	204,281.21	-	460,087.35
Depreciable Assets:						
Buildings and Improvements	-	478,576.00				478,576.00
Furniture and Equipment	1,376,417.27					1,376,417.27
Other Capital Assets	1,111,623.64					1,111,623.64
Total Depreciable Assets at Cost	2,488,040.91	478,576.00	-	-	-	2,966,616.91
Less Accumulated Depreciation for:						
Buildings and Improvements	-			(12,629.05)		(12,629.05)
Furniture and Equipment	(1,298,800.42)			(14,781.59)		(1,313,582.01)
Other Capital Assets	(1,111,623.64)					(1,111,623.64)
Total Accumulated Depreciation	(2,410,424.06)	-	-	(27,410.64)	-	(2,437,834.70)
Amortizable Assets - Intangible:						
Computer Software	5,280.00					5,280.00
Total Amortizable Assets - Intangil	5,280.00	-	-	-	-	5,280.00
Accumulated Amortization:						
Computer Software	(5,280.00)					(5,280.00)
Total Accumulated Amortization	(5,280.00)	-	-	-	-	(5,280.00)
<b>Capital Assets</b>						
<b>Business Type Activities</b>	<b>811,998.99</b>	<b>-</b>	<b>-</b>	<b>176,870.57</b>	<b>-</b>	<b>988,869.56</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 3: DEPOSITS, INVESTMENTS, AND REPURCHASE AGREEMENTS**

*Schedules containing deposit, investment and repurchase agreement information, in the required format, have been submitted to the Comptroller of Public Accounts as a separate supplement to the AFR.*

The State Preservation Board has the Capitol Fund which holds funds donated to the Board and other agency receipts including the net proceeds from Capitol enterprises. The Capitol Fund is used for acquiring and refurbishing furnishings, for restoring areas of the State Capitol, Capitol Extension, General Land Office Building and Historic Grounds, and for educational purposes. The Board elected to use the Texas Treasury Safekeeping Trust Company to manage these funds. The cash and cash equivalents balance (consisting of demand deposits and repurchase agreements) in this fund as of August 31, 2016 was \$11,593,561.66.

The State Preservation Board has the Bullock Texas State History Museum Fund which holds funds donated to the Board and other agency receipts, including the net operating proceeds from the Museum. The fund is used for programs related to the Museum. The Board elected to use the Texas Treasury Safekeeping Trust Company to manage these funds. The cash and cash equivalents balance (consisting of demand deposits and repurchase agreements) in this fund as of August 31, 2016 was \$2,353,237.35.

The State Preservation Board also maintains two cash accounts at local banks to allow the agency to maintain change banks for the Capitol Gift Shops and the Museum. The combined balance in these accounts as of August 31, 2016 was \$11,000.00.

The State Preservation Board is authorized to make investments following the "prudent person rule"; however, all funds are currently managed by the Texas Treasury Safekeeping Trust Company.

#### **Deposits of Cash in Bank**

As of August 31, 2016, the carrying amount of deposits was \$11,000.00 as presented below:

<b>Governmental and Business Type Activities</b>	<b>Amount</b>
Cash in Bank - Carrying Value	\$ 11,000.00
<b>Cash in Bank per AFR</b>	<b>\$ 11,000.00</b>
Proprietary Funds Current Assets Cash in Bank	\$ 11,000.00
<b>Cash in Bank per AFR</b>	<b>\$ 11,000.00</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

These amounts consist of all cash in local banks and a portion of short-term investments and are classified accordingly to the following risk category -- Insured or collateralized with securities held by the governmental entity or by its agent in the name of the governmental entity.

These amounts are included on the Combined Statement of Net Assets as part of "Cash and Cash Equivalents" account.

### **Investments**

Assets of the Capitol Gift Shops Fund and the Texas State History Museum Fund, held by the Texas Safekeeping Trust Company, are invested primarily in overnight repurchase agreements. The agency offers no input regarding the investment of the funds, but expects a high level of safety for the principal.

As of August 31, 2016, the carrying value and fair value of investments are as presented below:

<b>Business-Type Activities</b>	<b>Amount</b>
Repurchase Agreements- Capitol Gift Shops Fund	\$ 11,593,561.66
Repurchase Agreements- Texas State History Museum Fund	2,353,237.35
<b>Total</b>	<b>\$ 13,946,799.01</b>

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The agency does not have a deposit policy for custodial credit risk. The bank balances that were exposed to custodial credit risk are:

<b>Business-Type Activities</b>	<b>Amount</b>
Uninsured and Unregistered Fair Value, Securities Held by Counterparty	\$ 13,946,799.01
<b>Total</b>	<b>\$ 13,946,799.01</b>

**NOTE 4: SHORT-TERM DEBT - Not applicable to this agency.**



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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5: LONG-TERM LIABILITIES**

**Changes in Long-Term Liabilities**

During the year ended August 31, 2016, the following changes occurred in liabilities.

<b>Governmental Activities</b>	<b>Balance 09/01/2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 08/31/2016</b>	<b>Amounts Due Within One Year</b>
Compensable Leave	\$ 693,311.94	\$ 833,869.96	\$ (666,556.24)	\$ 860,625.66	\$ 579,423.36
<b>Total Governmental Activities</b>	<b>\$ 693,311.94</b>	<b>\$ 833,869.96</b>	<b>\$ (666,556.24)</b>	<b>\$ 860,625.66</b>	<b>\$ 579,423.36</b>

<b>Business Type Activities</b>	<b>Balance 09/01/2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 08/31/2016</b>	<b>Amounts Due Within One Year</b>
Compensable Leave	\$ 323,521.20	\$ 374,968.50	\$ (378,053.56)	\$ 320,436.14	\$ 212,631.16
<b>Total Business Type Activities</b>	<b>\$ 323,521.20</b>	<b>\$ 374,968.50</b>	<b>\$ (378,053.56)</b>	<b>\$ 320,436.14</b>	<b>\$ 212,631.16</b>

**Employees' Compensable Leave**

If a state employee had continuous employment with the state for at least six months, the state employee is entitled to be paid for all unused vacation time accrued in the event of the employee's resignation, dismissal or separation from state employment.

Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the statement of net position. 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 employees accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding source(s) from which the employee's salary or wage.

**NOTE 6: BONDED INDEBTEDNESS - Not applicable to this agency.**

**NOTE 7: DERIVATIVE INSTRUMENTS - Not applicable to this agency.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 8: LEASES**

**Operating Leases:** The agency is a party to several contracts with film companies for the lease of IMAX films. Typical terms involve a per attendee royalty payment to the film company with a minimum total payment for the term of the contract.

The agency also has an equipment lease agreement; however, the contracting parties may terminate the contract at any time, for any reason.

Included in the expenditures or expenses reported in the financial statements are the following amounts of rent paid or due under operating leases:

<b>Fund Type</b>	<b>Amount</b>
Proprietary Fund (0849)	\$ 1,198,692.18
<b>Totals - Memorandum Only</b>	<b>\$ 1,198,692.18</b>

The agency is not a party to any non-cancellable operating leases having an initial term in excess of one year. Therefore, there are no future minimum lease rental payments under such operating leases

**NOTE 9: PENSION PLANS - Not applicable to this agency.**

**NOTE 10: DEFERRED COMPENSATION - Not applicable to this agency.**

**NOTE 11: POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS - Not applicable to this agency.**

### **NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS**

As explained in Note 1 regarding Interfund Transactions and Balances, there are numerous transactions between funds. At year-end, amounts to be received or paid are reported as:

- Due From Other Agencies or Due to Other Agencies
- Due From Other Funds or Due To Other Funds
- Interfund Receivables or Interfund Payables
- Operating Transfers In or Operating Transfers Out
- Legislative Transfers In or Legislative Transfers Out
- State/Federal Grant Pass-through Activity

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The agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement. Individual balances and activity at August 31, 2016, follows:

<b>Interfund Receivables/Payables</b>	<b>Receivable</b>	<b>Payable</b>
<b>General Revenue (01) Fund 0001</b>		
Agency 809, D23 Fund 0001	\$ 2,215.54	
<b>Total Governmental Funds</b>	<b>\$ 2,215.54</b>	<b>\$</b>
<b>Enterprise (05) D22 Fund 0849</b>		
Agency 809, D23 Fund 0849		\$ 677.82
<b>Enterprise (05) D22 Fund 0879</b>		
Agency 809, D23 Fund 0879	\$ 677.82	
Agency 809, D23 Fund 1993		43,276.09
Agency 809, D23 Fund 1111	41,060.55	
<b>Total Enterprise Funds</b>	<b>\$ 41,738.37</b>	<b>\$ 43,953.91</b>
<b>Total Interfund Receivables/Payables</b>	<b>\$ 43,953.91</b>	<b>\$ 43,953.91</b>

<b>Operating Transfers</b>	<b>In</b>	<b>Out</b>
<b>Cemetery Preservation (01) Fund 0902</b>		
Agency 601, Fund 0006	\$ 10,000,000.00	
<b>General Revenue (01) Fund 0001</b>		
Agency 347, Fund 0001		\$ 5,203,994.29
Agency 809, Fund 1993		95,000.00
Agency 902, Fund 0001		11,768.62
<b>Total Governmental Funds</b>	<b>\$ 10,000,000.00</b>	<b>\$ 5,310,762.91</b>
<b>Enterprise (05) D22 Fund 0849</b>		
Agency 809, D23 Fund 2993	\$ 1,146,729.62	\$ 127,540.00
Agency 809, D23 Fund 2222	127,540.00	
Agency 809, D23 Fund 0849		1,146,729.62
<b>Enterprise (05) D22 Fund 0879</b>		
Agency 809, D23 Fund 1111	681,732.36	393,726.31
Agency 809, D23 Fund 1993	488,726.31	681,732.36
<b>Total Enterprise Funds</b>	<b>\$ 2,444,728.29</b>	<b>\$ 2,349,728.29</b>
<b>Total Operating Transfers</b>	<b>\$ 12,444,728.29</b>	<b>\$ 7,660,491.20</b>

<b>Legislative Transfers</b>	<b>In</b>	<b>Out</b>
<b>General Revenue (01) Fund 0001</b>		
Agency 809, D23 Fund 0001	\$ 1,148,071.00	
<b>Total Legislative Transfers</b>	<b>\$ 1,148,071.00</b>	



## **NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 13: CONTINUANCE SUBJECT TO REVIEW**

The Texas Sunset Commission completed a review of the agency in March 2012.

Under the Texas Sunset Act, the State Preservation Board will be abolished effective September 1, 2025, unless continued in existence by the Legislature as provided by the Act.

### **NOTE 14: ADJUSTMENTS TO FUND BALANCE/NET ASSETS**

There were no adjustments to fund balance/net asset during FY 2016.

### **NOTE 15: CONTINGENCIES AND COMMITMENTS**

As of August 31, 2016, the agency had no outstanding encumbrances.

### **NOTE 16: SUBSEQUENT EVENTS - Not applicable to this agency.**

### **NOTE 17: RISK MANAGEMENT**

The State Preservation Board is susceptible only to a small degree of risk. The risks include property damage to real property, furniture and equipment and historical artifacts. Other risks include casualty risks suffered by visitors to the Texas Capitol and potential workers' compensation claims by agency employees. The agency bears retention risks as noted below.

The agency assumes substantially all risks associated with tort and liability claims due to performance of its duties. Any such claims by members of the public are referred to the Tort Litigation Division of the Office of the Attorney General. The agency understands that these losses will not be paid without legislative approval to either pay claims or pursue legal remedies. In either case, the agency would be well aware of potential losses prior to a legislative appropriation bill and these losses would be financed at that time.

The agency assumes substantially all risk associated with its property. Insurance policies are in effect for items on loan to the Bullock Texas State History Museum and Capitol Visitors Center. The agency continues to contemplate the purchase of private insurance for historical artifacts it owns.

Beginning in fiscal year 2002, the agency participates in a risk pool administered by the State Office of Risk Management for worker's compensation claims. An annual assessment is paid to cover all claims. The assessment is adjusted annually based upon various risk factors. The agency is not responsible for workers' compensation claims for other agencies' employees who work in the buildings, nor construction contractors' employees working in or around the buildings.

## **NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 18: MANAGEMENT'S DISCUSSION AND ANALYSIS - Not applicable to this agency.**

**NOTE 19: THE FINANCIAL REPORTING ENTITY - Not applicable to this agency.**

**NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Not applicable to this agency.**

**NOTE 21: NOT APPLICABLE TO THE AFR.**

### **NOTE 22: DONOR RESTRICTED ENDOWMENTS**

The State Preservation Board, in accordance with Government Code § 443.010, may receive gifts and donations and use such gifts of money made to the board for the purpose specified by the grantor, if any.

The following are endowments held in trust outside the State Treasury (Texas Treasury Safekeeping Trust Company) by the Comptroller in the Capitol Fund. The endowment principals are non-expendable, and interest earned is expended in accordance with provisions stipulated by the donors.

<b>Donor-Restricted Endowment</b>	<b>Amounts of Net Appreciation</b>	<b>Reported At</b>
True Endowment	\$ 53,632.60	Enterprise Fund; Capitol Fund
True Endowment	\$ 16,894.17	Enterprise Fund; Capitol Fund
True Endowment	\$ 68,166.05	Enterprise Fund; Capitol Fund

**NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS - Not applicable to this agency.**

**NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES - Not applicable to this agency.**

**NOTE 25: TERMINATION BENEFITS - Not applicable to this agency.**

### **NOTE 26: SEGMENT INFORMATION ON ENTERPRISE FUNDS**

The agency operates the Capitol Visitors Parking Garage, the Bullock Texas State History Museum, and the Capitol Gift Shops. Each is accounted for as major individual enterprise funds; therefore, segment disclosure is not required due to information already provided in the basic financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 27: SERVICE CONCESSION ARRANGEMENTS - Not applicable to this agency.**

**NOTE 28: DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES - Not applicable to this agency.**

**NOTE 29: TROUBLED DEBT RESTRUCTURING - Not applicable to this agency.**

**NOTE 30: NON-EXCHANGE FINANCIAL GUARANTEES - Not applicable to this agency.**

### **NOTE 31: ASSETS IN TRUST**

The agency is in possession of historical items on loan from both State and non-State entities. The items are for display purposes only and are not used in its operations.

GASB provides no guidance on how to handle these items from a reporting perspective. They have chosen to leave it up to the individual government's discretion. The Comptroller's policy stipulates reporting these items on loan from non-State entities as 'Assets in Trust' with a corresponding liability titled 'Assets Held for Others'.

The agency has followed the Comptroller's policy for purposes of the Annual Financial Report, but is in disagreement and has strong concerns about the policy with regard to items on loan at the Bullock Texas State History Museum.

The Financial Accounting Standards Board (FASB) has held that Museums may choose not to capitalize collections if such action is stated in institutional policy.

Without overriding Comptroller policy, we would not have capitalized these loaned items based on the following arguments:

- Museums have held that museum collections do not meet the definition of an "asset" which requires probable future benefits related to generating cash inflows.
- Museums acquire collections through donation, bequest, purchase, field research and exchange. In each of these transactions there is a transfer of title. Artifact loans are not acquisitions, and there is certainly no transfer of ownership or title.
- Individual lenders, particularly of valuable materials, are frequently apprehensive that the State could stake claim to their objects despite the language in the loan agreement. To report their personal property as an asset of the state might confirm those fears and affect the Museum's future ability to secure loans from private individuals. This would severely impact the exhibition program.



## **NOTES TO THE FINANCIAL STATEMENTS**

- The 'Assets in Trust' items for the Museum are booked at insurance valuations because that is all that is available. These valuations are not equivalent to asset valuations. To request asset valuations from individuals bears the real risk of creating the unfavorable scenario above. Similarly, requesting asset values from major institutions such as the Smithsonian may jeopardize the Museum's status as a credible borrower.

The agency stresses that reporting these loaned items as assets with the corresponding liability is done only to comply with Comptroller policy and in no way implies ownership or any legal right beyond the contractual language in the loan agreements.

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**EXHIBIT A-1 - Combining Balance Sheet**  
**Governmental Funds**  
**August 31, 2016**

	GOVERNMENTAL FUNDS				
	GENERAL REVENUE (0001) U/F (0001)	MANSION RENEWAL (0804) U/F (0804)	CAPITAL RENEWAL (0854) U/F (0854)	CEMETERY PRESERVATION (0902) U/F (0902)	TOTAL
<b>ASSETS</b>					
Cash in State Treasury	-	790,325.03	3,728,134.20	10,019,922.98	14,538,382.21
Legislative Appropriations	8,780,137.54	-	-	-	8,780,137.54
Receivables:					-
Accounts Receivable	1,182.23	552.91	2,638.34	7,009.97	11,383.45
Interfund Receivable (Note 12)	2,215.54	-	-	-	2,215.54
<b>TOTAL ASSETS</b>	<b>8,783,535.31</b>	<b>790,877.94</b>	<b>3,730,772.54</b>	<b>10,026,932.95</b>	<b>23,332,118.74</b>
<b>LIABILITIES</b>					
Payables:					
Accounts Payable	1,942,176.10	-	112,289.82	-	2,054,465.92
Salaries and Payroll Related Payables	621,734.47	-	-	-	621,734.47
<b>TOTAL LIABILITIES</b>	<b>2,563,910.57</b>	<b>-</b>	<b>112,289.82</b>	<b>-</b>	<b>2,676,200.39</b>
<b>FUND BALANCES</b>					
Committed	6,219,624.74	790,877.94	3,618,482.72	10,026,932.95	20,655,918.35
<b>TOTAL FUND BALANCES</b>	<b>6,219,624.74</b>	<b>790,877.94</b>	<b>3,618,482.72</b>	<b>10,026,932.95</b>	<b>20,655,918.35</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>8,783,535.31</b>	<b>790,877.94</b>	<b>3,730,772.54</b>	<b>10,026,932.95</b>	<b>23,332,118.74</b>

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**EXHIBIT A-2 - Combining Statement of Revenues,  
Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended August 31, 2016**

	GOVERNMENTAL FUNDS				
	GENERAL REVENUE (0001) U/F (0001)	MANSION RENEWAL (0804) U/F (0804)	CAPITAL RENEWAL (0854) U/F (0854)	CEMETERY PRESERVATION (0902) U/F (0902)	TOTAL
<b>REVENUES:</b>					
Legislative Appropriations:					
Original Appropriations	22,884,162.00	-	-	-	22,884,162.00
Additional Appropriations	1,764,199.90	-	-	-	1,764,199.90
Interest, Dividend and Other Income	-	5,715.69	28,953.61	26,932.95	61,602.25
Other	559,768.26	-	-	-	559,768.26
<b>Total Revenues</b>	<b>25,208,130.16</b>	<b>5,715.69</b>	<b>28,953.61</b>	<b>26,932.95</b>	<b>25,269,732.41</b>
<b>EXPENDITURES:</b>					
Salaries and Wages	5,631,689.66	-	-	-	5,631,689.66
Payroll Related Costs	1,724,069.20	-	-	-	1,724,069.20
Professional Fees and Services	410,653.69	-	45,193.75	-	455,847.44
Travel	17,587.54	-	-	-	17,587.54
Materials and Supplies	1,745,220.79	-	4,052.92	-	1,749,273.71
Communication and Utilities	69,921.49	-	-	-	69,921.49
Repairs and Maintenance	811,865.80	-	100,140.00	-	912,005.80
Rentals and Leases	50,931.68	-	-	-	50,931.68
Printing and Reproduction	2,278.90	-	-	-	2,278.90
Other Operating Expenditures	1,187,349.87	-	69,108.63	-	1,256,458.50
Capital Outlay	6,186,582.64	-	345,031.29	-	6,531,613.93
<b>Total Expenditures</b>	<b>17,838,151.26</b>	<b>-</b>	<b>563,526.59</b>	<b>-</b>	<b>18,401,677.85</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>7,369,978.90</b>	<b>5,715.69</b>	<b>(534,572.98)</b>	<b>26,932.95</b>	<b>6,868,054.56</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sale of Furniture & Equipment	97.88	-	-	-	97.88
Operating Transfers In (Note 12)	1,148,071.00	-	-	10,000,000.00	11,148,071.00
Operating Transfers Out (Note 12)	(5,310,762.91)	-	-	-	(5,310,762.91)
<b>Total Other Financing Sources (Uses)</b>	<b>(4,162,594.03)</b>	<b>-</b>	<b>-</b>	<b>10,000,000.00</b>	<b>5,837,405.97</b>
<b>FUND BALANCES - September 1, 2015</b>	<b>3,012,239.87</b>	<b>785,162.25</b>	<b>4,153,055.70</b>	<b>-</b>	<b>7,950,457.82</b>
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENSES AND OTHER FINANCING USES</b>	<b>3,207,384.87</b>	<b>5,715.69</b>	<b>(534,572.98)</b>	<b>10,026,932.95</b>	<b>12,705,460.53</b>
<b>FUND BALANCES - August 31, 2016</b>	<b>6,219,624.74</b>	<b>790,877.94</b>	<b>3,618,482.72</b>	<b>10,026,932.95</b>	<b>20,655,918.35</b>



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**EXHIBIT F-1 - Combining Statement of Net Position**

**Proprietary Funds**

**August 31, 2016**

	ENTERPRISE FUNDS		
	TEXAS STATE HISTORY MUSEUM (0849) U/F (0849)	CAPITOL GIFT SHOPS (0879) U/F (0879)	TOTAL
<b>ASSETS</b>			
Current Assets:			
Cash:			
Cash on Hand	23,875.00	9,418.99	33,293.99
Cash in Bank (Note 3)	10,000.00	1,000.00	11,000.00
Cash in State Treasury	1,020,403.39	1,957,769.98	2,978,173.37
Short-Term Investments	2,353,237.35	11,593,561.66	13,946,799.01
Receivables:			
Accounts Receivable	10,930.09	88,331.84	99,261.93
Interfund Receivable (Note 12)	979.75	44,933.66	45,913.41
Merchandise Inventories	264,433.07	703,012.34	967,445.41
Total Current Assets	3,683,858.65	14,398,028.47	18,081,887.12
Non-Current Assets:			
Capital Assets (Note 2):			
Non-Depreciable:			
Assets in Trust (Note 31)	14,531,875.77	-	14,531,875.77
Land and Land Improvements	-	408,820.35	408,820.35
Construction in Progress	-	-	-
Other Capital Assets	35,000.00	16,267.00	51,267.00
Depreciable/Amortizable:			
Furniture and Equipment	1,322,563.75	53,853.52	1,376,417.27
Less Accumulated Depreciation	(1,280,796.07)	(32,785.94)	(1,313,582.01)
Buildings & Building Improvements	478,576.00	-	478,576.00
Less: Accumulated Depreciation	(12,629.05)	-	(12,629.05)
Computer Software	-	5,280.00	5,280.00
Less Accumulated Amortization	-	(5,280.00)	(5,280.00)
Other Assets	1,111,623.64	-	1,111,623.64
Less Accumulated Depreciation	(1,111,623.64)	-	(1,111,623.64)
Total Non-Current Assets	15,074,590.40	446,154.93	15,520,745.33
<b>TOTAL ASSETS</b>	<b>18,758,449.05</b>	<b>14,844,183.40</b>	<b>33,602,632.45</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Payables:			
Accounts Payable	176,222.54	164,779.36	341,001.90
Salaries and Payroll Related Payables	220,697.54	74,730.06	295,427.60
Interfund Payable (Note 12)	1,657.57	46,471.38	48,128.95
Deferred Revenues	114,257.50	2,500.00	116,757.50
Employees Compensable Leave (Note 5)	130,788.88	81,842.28	212,631.16
Total Current Liabilities	643,624.03	370,323.08	1,013,947.11
Non-Current Liabilities:			
Employee Compensable Leave (Note 5)	64,394.96	43,410.02	107,804.98
Assets Held for Others (Note 31)	14,531,875.77	-	14,531,875.77
Total Non-Current Liabilities	14,596,270.73	43,410.02	14,639,680.75
<b>TOTAL LIABILITIES</b>	<b>15,239,894.76</b>	<b>413,733.10</b>	<b>15,653,627.86</b>
<b>NET POSITION</b>			
Unrestricted	3,518,554.29	14,430,450.30	17,949,004.59
<b>TOTAL NET POSITION</b>	<b>3,518,554.29</b>	<b>14,430,450.30</b>	<b>17,949,004.59</b>

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**EXHIBIT F-2 - Combining Statement of Revenues, Expenses,  
and Changes in Net Position**

**Proprietary Funds**

For the Fiscal Year Ended August 31, 2016

	ENTERPRISE FUNDS		
	TEXAS STATE HISTORY MUSEUM (0849) U/F (0849)	CAPITOL GIFT SHOPS (0879) U/F (0879)	TOTAL
<b>OPERATING REVENUES:</b>			
Sales of Goods and Services	6,343,409.75	4,178,120.12	10,521,529.87
Other Operating Revenues	5,274.00	-	5,274.00
<b>Total Operating Revenues</b>	<b>6,348,683.75</b>	<b>4,178,120.12</b>	<b>10,526,803.87</b>
<b>OPERATING EXPENSES:</b>			
Cost of Goods Sold	554,669.24	1,143,382.49	1,698,051.73
Salaries and Wages	2,347,523.16	868,651.05	3,216,174.21
Payroll Related Costs	894,720.10	290,133.35	1,184,853.45
Professional Fees and Services	128,548.51	212,155.64	340,704.15
Travel	22,373.20	3,583.35	25,956.55
Materials and Supplies	508,950.06	138,906.72	647,856.78
Communications and Utilities	103,890.41	18,149.92	122,040.33
Repairs and Maintenance	167,968.52	52,019.06	219,987.58
Rentals and Leases (Note 8)	1,426,410.19	60,276.30	1,486,686.49
Printing and Reproduction	32,494.97	30,636.12	63,131.09
Depreciation and Amortization	22,553.40	4,857.24	27,410.64
Interest	27.46	13.21	40.67
Other Operating Expenses	1,075,737.47	421,934.19	1,497,671.66
<b>Total Operating Expenses</b>	<b>7,285,866.69</b>	<b>3,244,698.64</b>	<b>10,530,565.33</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(937,182.94)</b>	<b>933,421.48</b>	<b>(3,761.46)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest Income	4,468.87	21,535.79	26,004.66
Other Non-Operating Revenues (Expenses)	190,019.56	17,908.83	207,928.39
<b>Total Nonoperating Revenues (Expenses)</b>	<b>194,488.43</b>	<b>39,444.62</b>	<b>233,933.05</b>
<b>INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS/(LOSSES) AND TRANSFERS</b>	<b>(742,694.51)</b>	<b>972,866.10</b>	<b>230,171.59</b>
<b>OTHER REVENUES, EXPENSES, GAINS/(LOSSES) AND TRANSFERS</b>			
Transfers In (Note 12)	1,274,269.62	1,170,458.67	2,444,728.29
Transfers Out (Note 12)	(1,274,269.62)	(1,075,458.67)	(2,349,728.29)
<b>Total Other Revenues, Expenses, Gains/(Losses) and Transfers</b>	<b>-</b>	<b>95,000.00</b>	<b>95,000.00</b>
<b>TOTAL NET POSITION, September 1, 2015</b>	<b>4,261,248.80</b>	<b>13,362,584.20</b>	<b>17,623,833.00</b>
Restatements (Note 14)			-
<b>Total Net Position, Restated</b>	<b>4,261,248.80</b>	<b>13,362,584.20</b>	<b>17,623,833.00</b>
<b>CHANGE IN NET POSITION</b>	<b>(742,694.51)</b>	<b>1,067,866.10</b>	<b>325,171.59</b>
<b>TOTAL NET POSITION - August 31, 2016</b>	<b>3,518,554.29</b>	<b>14,430,450.30</b>	<b>17,949,004.59</b>

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**EXHIBIT F-3 - Combining Statement of Cash Flows**  
**Proprietary Funds**

For the Fiscal Year Ended August 31, 2016

	ENTERPRISE FUNDS		
	TEXAS STATE HISTORY MUSEUM (0849) U/F (0849)	CAPITOL GIFT SHOPS (0879) U/F (0879)	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Proceeds from Customers	7,434,260.16	4,090,828.96	11,525,089.12
Payments to Suppliers for Goods and Services	(1,258,507.55)	(432,780.59)	(1,691,288.14)
Payments to Employees	(3,233,665.57)	(1,131,027.16)	(4,364,692.73)
Payments for Other Expenses	(3,466,400.79)	(937,674.51)	(4,404,075.30)
<b>Net Cash Provided by Operating Activities</b>	<b>(524,313.75)</b>	<b>1,589,346.70</b>	<b>1,065,032.95</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Proceeds from Transfers from Other Funds	1,274,269.62	1,170,458.67	2,444,728.29
Payments for Transfers to Other Funds	(1,274,269.62)	(1,075,458.68)	(2,349,728.30)
Proceeds from Other Non-Operating Revenues	190,019.56	17,908.83	207,928.39
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>190,019.56</b>	<b>112,908.82</b>	<b>302,928.38</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Payments for Additions to Fixed Assets	(23,928.80)	(180,352.41)	(204,281.21)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>(23,928.80)</b>	<b>(180,352.41)</b>	<b>(204,281.21)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from Interest and Investment Income	4,468.87	21,535.79	26,004.66
<b>Net Cash Provided from Investing Activities</b>	<b>4,468.87</b>	<b>21,535.79</b>	<b>26,004.66</b>
<b>Increase (Decrease) in Cash</b>	<b>(353,754.12)</b>	<b>1,543,438.90</b>	<b>1,189,684.78</b>
<b>Cash and Cash Equivalents -- September 1, 2015</b>	<b>3,761,269.86</b>	<b>12,018,311.72</b>	<b>15,779,581.58</b>
<b>Cash and Cash Equivalents -- August 31, 2016</b>	<b>3,407,515.74</b>	<b>13,561,750.62</b>	<b>16,969,266.36</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
<b>Operating Income</b>	<b>(937,182.94)</b>	<b>933,421.48</b>	<b>(3,761.46)</b>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Amortization and Depreciation	22,553.40	4,857.24	27,410.64
Changes in Assets and Liabilities:			
(Increase) Decrease in Receivables	5,191.81	(46,645.48)	(41,453.67)
(Increase) Decrease in Inventories	18,886.88	188,564.66	207,451.54
(Increase) Decrease in Due from Other Funds	1,054,687.10	(43,145.68)	1,011,541.42
Increase (Decrease) in Due to Other Funds	(466,308.27)	44,683.40	(421,624.87)
Increase (Decrease) in Payables	(256,416.92)	477,353.84	220,936.92
Increase (Decrease) in Deferred Revenue	25,697.50	2,500.00	28,197.50
Increase (Decrease) in Other Liabilities	8,577.69	27,757.24	36,334.93
<b>Total Adjustments</b>	<b>412,869.19</b>	<b>655,925.22</b>	<b>1,068,794.41</b>
<b>Net Cash Provided by Operating Activities</b>	<b>(524,313.75)</b>	<b>1,589,346.70</b>	<b>1,065,032.95</b>



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**EXHIBIT J-1 - Combining Statement of Changes in Assets and Liabilities**

**Agency Funds**

**For the fiscal year Ended August 31, 2016**

	BALANCES SEPTEMBER 1, 2015	ADDITIONS	DEDUCTIONS	BALANCES AUGUST 31, 2016
<b>Child Support (0807)</b>				
Assets:				
Cash In State Treasury	1,793.00	32,179.00	31,958.00	2,014.00
<b>Total Assets</b>	<b>1,793.00</b>	<b>32,179.00</b>	<b>31,958.00</b>	<b>2,014.00</b>
Liabilities:				
Accounts Payable	-	30,165.00	30,165.00	-
Funds Held for Others	1,793.00	32,179.00	31,958.00	2,014.00
<b>Total Liabilities</b>	<b>1,793.00</b>	<b>62,344.00</b>	<b>62,123.00</b>	<b>2,014.00</b>
<b>Suspense Fund (0900)</b>				
Assets:				
Cash In State Treasury	22,935.40	961,554.51	911,438.80	73,051.11
Accounts Receivable	-	2,045.45	2,045.45	-
<b>Total Assets</b>	<b>22,935.40</b>	<b>963,599.96</b>	<b>913,484.25</b>	<b>73,051.11</b>
Liabilities:				
Accounts Payable	22,935.40	960,730.97	908,383.63	75,282.74
Funds Held for Others	-	961,554.51	963,786.14	(2,231.63)
<b>Total Liabilities</b>	<b>22,935.40</b>	<b>1,922,285.48</b>	<b>1,872,169.77</b>	<b>73,051.11</b>
<b>Suspense Fund (0980)</b>				
Assets:				
Cash In State Treasury	-	635.00	19.00	616.00
<b>Total Assets</b>		<b>635.00</b>	<b>19.00</b>	<b>616.00</b>
Liabilities:				
Funds Held for Others	-	635.00	19.00	616.00
<b>Total Liabilities</b>		<b>635.00</b>	<b>19.00</b>	<b>616.00</b>
<b>Total All Agency Funds</b>				<b>(Exhibit VI)</b>
Assets:				
Cash In State Treasury	24,728.40	994,368.51	943,415.80	75,681.11
Accounts Receivable	-	2,045.45	2,045.45	-
<b>Total Assets</b>	<b>24,728.40</b>	<b>996,413.96</b>	<b>945,461.25</b>	<b>75,681.11</b>
Liabilities:				
Accounts Payable	22,935.40	990,895.97	938,548.63	75,282.74
Funds Held for Others	1,793.00	994,368.51	995,763.14	398.37
<b>Total Liabilities</b>	<b>24,728.40</b>	<b>1,985,264.48</b>	<b>1,934,311.77</b>	<b>75,681.11</b>

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