



STATE PRESERVATION BOARD

Annual Financial Report

Fiscal Year Ending August 31, 2017





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 Lois Kolkhorst, Texas Senate
The Honorable Charlie Geren, Texas House of Representatives
Iris H. Moore, Citizen Board Member
Rod Welsh, Executive Director

November 20, 2017

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, 2017, 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

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EXHIBIT I - Combined Balance Sheet / Statement of Net Position
Governmental Funds
August 31, 2017

	GOVERNMENTAL FUND TYPES			STATEMENT OF NET ASSETS
	GOVERNMENTAL FUNDS (Exhibit A-1)	CAPITAL ASSETS ADJUSTMENTS	LONG-TERM LIABILITIES ADJUSTMENTS	
ASSETS				
Current Assets:				
Cash in State Treasury	13,894,474.90	-	-	13,894,474.90
Legislative Appropriations	10,071,362.16	-	-	10,071,362.16
Accounts Receivable	833.99	-	-	833.99
Interfund Receivable (Note 12)	174,337.01	-	-	174,337.01
Total Current Assets	24,141,008.06	-	-	24,141,008.06
Non-Current Assets:				
Capital Assets (Note 2):				
Non-Depreciable:				
Land and Land Improvements	-	22,775,860.22	-	22,775,860.22
Construction in Progress	-	7,977,156.73	-	7,977,156.73
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	-	(240,180,099.03)	-	(240,180,099.03)
Furniture and Equipment	-	1,750,422.59	-	1,750,422.59
Less Accumulated Depreciation	-	(871,134.96)	-	(871,134.96)
Vehicles, Boats, and Aircraft	-	115,467.95	-	115,467.95
Less Accumulated Depreciation	-	(96,081.58)	-	(96,081.58)
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	-	(2,549,207.53)	-	(2,549,207.53)
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	-	108,538,110.79	-	108,538,110.79
TOTAL ASSETS	24,141,008.06	108,538,110.79	-	132,679,118.85

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EXHIBIT I - Combined Balance Sheet / Statement of Net Position
Governmental Funds
August 31, 2017 (concluded)

	GOVERNMENTAL FUND TYPES			STATEMENT OF NET ASSETS
	GOVERNMENTAL FUNDS (Exhibit A-1)	CAPITAL ASSETS ADJUSTMENTS	LONG-TERM LIABILITIES ADJUSTMENTS	
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Payables:				
Accounts Payable	66,937.00	-	-	66,937.00
Salaries and Payroll Related Payables	645,697.64	-	-	645,697.64
Employees Compensable Leave (Note 5)	-	-	517,337.46	517,337.46
Total Current Liabilities	712,749.14	-	517,337.46	1,229,972.10
Non-Current Liabilities:				
Employees Compensable Leave (Note 5)	-	-	382,429.28	382,429.28
Total Non-Current Liabilities	-	-	382,429.28	382,429.28
TOTAL LIABILITIES	712,749.14	-	899,766.74	1,612,401.38
FUND FINANCIAL STATEMENT - FUND BALANCES				
Fund Balances (Deficits):				
Unassigned	23,443,574.82	-	-	23,443,574.82
TOTAL FUND BALANCES	23,443,574.82	-	-	23,443,574.82
TOTAL LIABILITIES AND FUND BALANCES	24,156,323.96	-	-	-
Government-Wide Statement - Net Position				
Net Position:				
Invested in Capital Assets, Net of Accumulated Depreciation (Note 2)	-	108,538,110.79	-	108,538,110.79
Restricted for:				
Compensable Leave Liabilities (Note 5)	-	-	(899,766.74)	(899,766.74)
Total Net Position	-	108,538,110.79	(899,766.74)	107,638,344.05

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

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**EXHIBIT II - Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances / Statement of Activities**
Governmental Funds
For the Fiscal Year Ended August 31, 2017

	GOVERNMENTAL FUND TYPES			STATEMENT OF ACTIVITIES
	GOVERNMENTAL FUNDS (Exhibit A-2)	CAPITAL ASSETS ADJUSTMENTS	LONG-TERM LIABILITIES ADJUSTMENTS	
REVENUES				
Legislative Appropriations:				
Original Appropriations	18,346,373.00	-	-	18,346,373.00
Additional Appropriations	1,864,401.63	-	-	1,864,401.63
Interest, Dividend and Other Income	702,719.86	-	-	702,719.86
TOTAL REVENUES	20,913,494.49	-	-	20,913,494.49
EXPENDITURES				
Salaries and Wages	5,786,764.77	-	39,141.08	5,825,905.85
Payroll Related Costs	1,844,726.18	-	-	1,844,726.18
Professional Fees and Services	182,708.94	-	-	182,708.94
Travel	7,312.99	-	-	7,312.99
Materials and Supplies	918,055.87	-	-	918,055.87
Communication and Utilities	85,141.60	-	-	85,141.60
Repairs and Maintenance	486,948.87	-	-	486,948.87
Rentals and Leases	76,547.30	-	-	76,547.30
Printing and Reproduction	3,128.84	-	-	3,128.84
Other Operating Expenditures	996,597.71	-	-	996,597.71
Capital Outlay	3,284,632.24	3,284,632.24	-	6,569,264.48
TOTAL EXPENDITURES/EXPENSES	13,672,565.31	3,284,632.24	39,141.08	16,996,338.63
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,240,929.18	(3,284,632.24)	(39,141.08)	3,917,155.86

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**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
OTHER FINANCING SOURCES (USES):				
Depreciation/Amortization Expense	-	13,535,739.42	-	13,535,739.42
Transfers In (Note 12)	848,071.00	-	-	848,071.00
Transfer Out (Note 12)	(5,109,300.73)	-	-	(5,109,300.73)
(Gain)/Loss on Sale of Capital Assets	427.50	-	-	427.50
TOTAL OTHER FINANCING SOURCES (USES)	(4,260,802.23)	13,535,739.42	-	9,274,937.19
NET CHANGE IN FUND BALANCES/NET POSITION	2,980,126.95	10,251,107.18	(39,141.08)	13,192,093.05

FUND FINANCIAL STATEMENT - FUND BALANCES

Fund Balances - September 1, 2016	20,655,918.35
Net Change in Fund Balances/Net Assets	2,980,126.95
Appropriations Lapsed	(192,470.48)
Fund Balances - August 31, 2017	<u>23,443,574.82</u>

Government-Wide Statement - Net Position

Net Position, September 1, 2016	118,404,811.53	(860,625.66)	117,544,185.87
Restatement (Note 14)	384,406.44	-	384,406.44
Net Position, September 1, 2016 Restated	<u>118,789,217.97</u>		
Changes in Net Position	<u>(10,251,107.18)</u>	<u>(39,141.08)</u>	<u>(10,290,248.26)</u>
Net Position, August 31, 2017	<u>108,538,110.79</u>	<u>(899,766.74)</u>	<u>107,638,344.05</u>

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

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EXHIBIT III - Combined Statement of Net Position
Proprietary Funds
August 31, 2017

	ENTERPRISE FUNDS (Exhibit F-1)
ASSETS	
Current Assets:	
Cash:	
Cash on Hand	27,190.06
Cash in Bank (Note 3)	11,850.00
Cash in State Treasury	3,046,328.44
Short-Term Investments	15,019,719.04
Accounts Receivable	118,958.82
Interfund Receivable (Note 12)	8,229.18
Merchandise Inventories	1,173,021.71
Total Current Assets	<u>19,405,297.25</u>
Non-Current Assets:	
Capital Assets (Note 2):	
Non-Depreciable:	
Assets in Trust (Note 31)	5,127,843.00
Land and Land Improvements	421,309.35
Other Capital Assets	54,767.00
Depreciable/Amortizable:	
Furniture and Equipment	146,520.20
Less Accumulated Depreciation	(97,261.98)
Building & Building Improvements	739,001.76
Less Accumulated Depreciation	(44,313.23)
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	<u>6,395,466.10</u>
TOTAL ASSETS	<u>25,800,763.35</u>
LIABILITIES	
Current Liabilities:	
Payables:	
Accounts Payable	347,200.62
Salaries and Payroll Related Payables	316,232.56
Due to Other Agencies (Note 12)	697.94
Interfund Payable (Note 12)	182,451.69
Deferred Revenues	71,117.50
Employees Compensable Leave (Note 5)	220,936.28
Total Current Liabilities	<u>1,138,636.59</u>
Non-Current Liabilities:	
Employee Compensable Leave (Note 5)	104,753.13
Assets Held for Others (Note 33)	5,127,843.00
Total Non-Current Liabilities	<u>5,232,596.13</u>
TOTAL LIABILITIES	<u>6,371,232.72</u>
NET POSITION	
Unrestricted	<u>19,429,530.63</u>
TOTAL NET POSITION	<u>19,429,530.63</u>

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

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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, 2017**

	ENTERPRISE FUNDS (Exhibit F-2)
OPERATING REVENUES:	
Sales of Goods and Services	11,774,933.51
Other Operating Revenues	9,237.29
Total Operating Revenues	<u>11,784,170.80</u>
OPERATING EXPENSES:	
Cost of Goods Sold	1,819,510.93
Salaries and Wages	3,281,961.77
Payroll Related Costs	1,240,213.96
Professional Fees and Services	165,412.48
Travel	17,619.98
Materials and Supplies	696,495.06
Communications and Utilities	119,104.91
Repairs and Maintenance	221,905.71
Rentals and Leases (Note 8)	1,418,135.13
Printing and Reproduction	67,023.08
Depreciation and Amortization	45,261.22
Interest	213.39
Other Operating Expenses	1,809,855.10
Total Operating Expenses	<u>10,902,712.72</u>
OPERATING INCOME (LOSS)	<u>881,458.08</u>
NONOPERATING REVENUES (EXPENSES):	
Interest Income	82,209.23
State Grant Pass-Through (Note 14)	1,400.00
Federal Revenue	40,281.47
Other Non-Operating Revenues (Expenses)	475,177.26
Total Non-Operating Revenues (Expenses)	<u>599,067.96</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS/(LOSSES) AND TRANSFERS	<u>1,480,526.04</u>
OTHER REVENUES, EXPENSES, GAINS/(LOSSES) AND TRANSFERS	
Transfers In (Note 12)	2,143,800.56
Transfers Out (Note 12)	(2,143,800.56)
Total Other Revenues, Expenses, Gains/(Losses) and Transfers	<u>-</u>
TOTAL NET POSITION, September 1, 2015	17,949,004.59
CHANGE IN NET POSITION	<u>1,480,526.04</u>
TOTAL NET POSITION - August 31, 2017	<u>19,429,530.63</u>

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

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EXHIBIT V - Combined Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended August 31, 2017

	ENTERPRISE FUNDS (Exhibit F-3)
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Customers	11,756,518.14
Payments to Suppliers for Goods and Services	(1,883,867.83)
Payments to Employees	(4,496,117.50)
Payments for Other Expenses	(4,515,764.84)
Net Cash Provided by Operating Activities	860,767.97
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Transfers from Other Funds	2,143,800.56
Payments for Transfers to Other Funds	(2,143,800.56)
Proceeds from Other Non-Operating Revenues	516,858.73
Net Cash Provided by Noncapital Financing Activities	516,858.73
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for Additions to Fixed Assets	(324,014.76)
Net Cash Provided by Capital and Related Financing Activities	(324,014.76)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Interest and Investment Income	82,209.23
Net Cash Provided from Investing Activities	82,209.23
Cash and Cash Equivalents - September 1, 2016	16,969,266.37
Increase (Decrease) in Cash	1,135,821.17
Cash and Cash Equivalents - August 31, 2017	18,105,087.54
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	881,458.08
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization and Depreciation	45,261.22
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(19,696.89)
(Increase) Decrease in Inventories	(205,576.30)
(Increase) Decrease in Due from Other Funds	37,684.23
Increase (Decrease) in Due to Other Funds	135,020.68
Increase (Decrease) in Payables	6,198.72
Increase (Decrease) in Deferred Revenue	(45,640.00)
Increase (Decrease) in Other Liabilities	26,058.23
Total Adjustments	(20,690.11)
Net Cash Provided by Operating Activities	860,767.97

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

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EXHIBIT VI - Statement of Fiduciary Net Assets
Fiduciary Funds
August 31, 2017

	<u>AGENCY FUND</u>
	Suspense (0900) <u>U/F (0900)</u>
ASSETS	
Current Assets:	
Cash in State Treasury	73,095.46
Total Current Assets	<u>73,095.46</u>
TOTAL ASSETS	<u>73,095.46</u>
LIABILITIES	
Current Liabilities:	
Payables:	
Vouchers Payable	72,881.94
Funds Held for Others	213.52
Total Current Liabilities	<u>73,095.46</u>
TOTAL LIABILITIES	<u>73,095.46</u>
TOTAL NET ASSETS	<u><u>-</u></u>

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

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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.

The 85th Legislature (2017) passed no legislation that had a significant impact to SPB.

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.

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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.

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

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NOTES TO THE FINANCIAL STATEMENTS

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 merchandise inventories on hand for sale. 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS

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.
- 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.

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NOTES TO THE FINANCIAL STATEMENTS

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, 2017 is presented below:

	Balance 09/01/2016	Adjustments	Additions	Deletions	Balance 08/31/2017
Governmental Activities					
Non-Depreciable Assets:					
Land and Improvements	22,490,005.14	(298,067.61)	285,855.08		22,477,792.61
Construction in Progress	5,386,556.54		2,888,667.80		8,275,224.34
Other Tangible Capital Assets	7,123,157.93			-	7,123,157.93
Total Non-Depreciable Assets	34,999,719.61	(298,067.61)	3,174,522.88	-	37,876,174.88
Depreciable Assets:					
Buildings and Improvements	309,338,908.57				309,338,908.57
Facilities and Other Improvements	3,153,659.90				3,153,659.90
Furniture and Equipment	951,848.23	687,770.00	110,804.36		1,750,422.59
Vehicles, Boats, Aircraft	127,761.68			(12,293.73)	115,467.95
Other Capital Assets	1,700,978.86				1,700,978.86
Total Depreciable Assets at Cost	315,273,157.24	687,770.00	110,804.36	(12,293.73)	316,059,437.87
Accumulated Depreciation:					
Buildings and Improvements	(227,132,238.39)		(13,047,860.64)		(240,180,099.03)
Facilities and Other Improvements	(2,233,841.65)		(315,365.88)		(2,549,207.53)
Furniture and Equipment	(700,005.11)	(5,990.95)	(165,138.90)		(871,134.96)
Vehicles, Boats, Aircraft	(101,001.31)		(7,374.00)	12,293.73	(96,081.58)
Other Capital Assets	(1,700,978.86)				(1,700,978.86)
Total Accumulated Depreciation	(231,868,065.32)	(5,990.95)	(13,535,739.42)	12,293.73	(245,397,501.96)
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)
Capital Assets					
Governmental Activities	118,404,811.53	383,711.44	(10,250,412.18)	-	108,538,110.79
Business Type Activities					
Non-Depreciable Assets:					
Land and Improvements	408,820.35		12,489.00		421,309.35
Construction in Progress			47,600.00		47,600.00
Other Tangible Capital Assets	51,267.00		3,500.00		54,767.00
Total Non-Depreciable Assets	460,087.35	-	63,589.00	-	523,676.35
Depreciable Assets:					
Buildings and Improvements	478,576.00		260,425.76		739,001.76
Furniture and Equipment	1,376,417.27			(1,229,897.07)	146,520.20
Other Capital Assets	1,111,623.64				1,111,623.64
Total Depreciable Assets at Cost	2,966,616.91	-	260,425.76	(1,229,897.07)	1,997,145.60
Less Accumulated Depreciation for:					
Buildings and Improvements	(12,629.05)		(31,684.18)		(44,313.23)
Furniture and Equipment	(1,313,582.01)		(13,577.04)	1,229,897.07	(97,261.98)
Other Capital Assets	(1,111,623.64)				(1,111,623.64)
Total Accumulated Depreciation	(2,437,834.70)	-	(45,261.22)	1,229,897.07	(1,253,198.85)
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)
Capital Assets					
Business Type Activities	988,869.56	-	278,753.54	-	1,267,623.10

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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, 2017 was \$12,759,713.96.

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, 2017 was \$2,260,005.08.

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, 2017 was \$11,850.00.

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, 2017, the carrying amount of deposits was \$11,850.00 as presented below:

Governmental and Business Type Activities	Amount
Cash in Bank - Carrying Value	\$ 11,850.00
Cash in Bank per AFR	\$ 11,850.00
Proprietary Funds Current Assets Cash in Bank	\$ 11,850.00
Cash in Bank per AFR	\$ 11,850.00

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.

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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, 2017, the carrying value and fair value of investments are as presented below:

Business-Type Activities	Amount
Repurchase Agreements- Capitol Gift Shops Fund	\$ 12,759,713.96
Repurchase Agreements- Texas State History Museum Fund	2,260,005.08
Total	\$ 15,019,719.04

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:

Business-Type Activities	Amount
Uninsured and Unregistered Fair Value, Securities Held by Counterparty	\$ 15,019,719.04
Total	\$ 15,019,719.04

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, 2017, the following changes occurred in liabilities.

Governmental Activities	Balance 09/01/2016	Additions	Reductions	Balance 08/31/2017	Amounts Due Within One Year
Compensable Leave	\$ 860,625.66	\$ 776,722.57	\$ (737,581.49)	\$ 899,766.74	\$ 517,337.46
Total Governmental Activities	\$ 860,625.66	\$ 776,722.57	\$ (737,581.49)	\$ 899,766.74	\$ 517,337.46

Business Type Activities	Balance 09/01/2016	Additions	Reductions	Balance 08/31/2017	Amounts Due Within One Year
Compensable Leave	\$ 320,436.14	\$ 347,025.54	\$ (341,772.27)	\$ 325,689.41	\$ 220,936.28
Total Business Type Activities	\$ 320,436.14	\$ 347,025.54	\$ (341,772.27)	\$ 325,689.41	\$ 220,936.28

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.

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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:

Fund Type	Amount
Proprietary Fund (0849)	\$ 969,956.69
Totals - Memorandum Only	\$ 969,956.69

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

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, 2017, follows:

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NOTES TO THE FINANCIAL STATEMENTS

Due From/Due To	From	To
Enterprise Fund (05) D22 Fund 0879 Agency 809, D23 Fund 8879		\$ 697.94
Total Due From/Due To		\$ 697.94

Interfund Receivables/Payables	Receivable	Payable
General Revenue (01) Fund 0001 Agency 809, D23 Fund 0001	\$ 174,337.01	\$ 114.50
Total Governmental Funds	\$ 174,337.01	\$ 114.50
Enterprise (05) D22 Fund 0849 Agency 809, D23 Fund 0849 Agency 809, D23 Fund 2222	\$ 8,114.68	\$ 8,114.68
Enterprise (05) D22 Fund 0879 Agency 809, D23 Fund 0001 Agency 809, D23 Fund 1111	114.50	174,337.01
Total Enterprise Funds	\$ 8,229.18	\$ 182,451.69
Total Interfund Receivables/Payables	\$ 182,566.19	\$ 182,566.19

Operating Transfers	In	Out
General Revenue (01) Fund 0001 Agency 347, Fund 0001 Agency 902, Fund 0001		\$ 5,108,980.11 320.62
Total Governmental Funds	\$	\$ 5,109,300.73
Enterprise (05) D22 Fund 0849 Agency 809, D23 Fund 2993 Agency 809, D23 Fund 2222	\$ 107,000.00	\$ 107,000.00
Enterprise (05) D22 Fund 0879 Agency 809, D23 Fund 0879 Agency 809, D23 Fund 0845 Agency 809, D23 Fund 1111 Agency 809, D23 Fund 1993	1,096,577.47 940,223.09	500,000.00 330,000.00 110,223.09 1,096,577.47
Total Enterprise Funds	\$ 2,143,800.56	\$ 2,143,800.56
Total Operating Transfers		

Legislative Transfers	In	Out
General Revenue (01) Fund 0001 Agency 809, D23 Fund 0001	\$ 848,071.00	
Total Legislative Transfers	\$ 848,071.00	

State Pass-throughs	In	Out
General Revenue (01) Fund 0001 Agency 809, D23 Fund 0849	\$ 1,400.00	
Total State Pass-throughs	\$ 1,400.00	

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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 is a restatement of \$384,406.44 in capital assets for governmental funds. The restatement is related to a prior year purchase of capital assets and their accumulated depreciation that were recorded incorrectly in the statewide property accounting system.

NOTE 15: CONTINGENCIES AND COMMITMENTS

As of August 31, 2017, the agency had no outstanding contingencies or commitments.

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.

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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.

Donor-Restricted Endowment	Amounts of Net Appreciation	Reported At
True Endowment	\$ 54,434.43	Enterprise Fund; Capitol Fund
True Endowment	\$ 17,120.65	Enterprise Fund; Capitol Fund
True Endowment	\$ 69,043.73	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.

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

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NOTES TO THE FINANCIAL STATEMENTS

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: TAX ABATEMENTS - Not applicable to this agency.

NOTE 32: FUND BALANCES

GAAP Fund	D23 Fund	AFR 54 Class	Amount	Citation	Comments
0879	1993	Restricted	\$226,500.00	Texas Government Code, Chapter 443.0101	Nonexpendable for endowment funds
0879	1993	Restricted	\$400,000.00	Texas Government Code, Chapter 443.013, 443.0131	Restrictions are imposed by state law
0879	1993	Restricted	\$2,743,799.83	Texas Government Code, Chapter 443.0101	Restrictions are imposed by state law

NOTE 33: 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.

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NOTES TO THE FINANCIAL STATEMENTS

- 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.
- 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, 2017

	GOVERNMENTAL FUNDS				TOTAL
	GENERAL REVENUE (0001) U/F (0001)	MANSION RENEWAL (0804) U/F (0804)	CAPITAL RENEWAL (0854) U/F (0854)	CEMETERY PRESERVATION (0902) U/F (0902)	
ASSETS					
Cash in State Treasury	-	797,131.15	2,971,591.26	10,125,752.49	13,894,474.90
Legislative Appropriations	10,071,362.16	-	-	-	10,071,362.16
Receivables:					
Accounts Receivable	833.99	-	-	-	833.99
Interfund Receivable (Note 12)	174,337.01	-	-	-	174,337.01
TOTAL ASSETS	10,246,533.16	797,131.15	2,971,591.26	10,125,752.49	24,141,008.06
LIABILITIES					
Payables:					
Accounts Payable	47,188.37	-	12,175.38	7,573.25	66,937.00
Salaries and Payroll Related Payables	645,697.64	-	-	-	645,697.64
Interfund Payable (Note 12)	114.50	-	-	-	114.50
TOTAL LIABILITIES	693,000.51	-	12,175.38	7,573.25	712,749.14
FUND BALANCES					
Unassigned	9,553,532.65	798,009.85	2,962,695.99	10,129,336.33	23,443,574.82
TOTAL FUND BALANCES	9,553,532.65	798,009.85	2,962,695.99	10,129,336.33	23,443,574.82
TOTAL LIABILITIES AND FUND BALANCE	10,246,533.16	798,009.85	2,974,871.37	10,136,909.58	24,156,323.96

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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, 2017**

	GOVERNMENTAL FUNDS				TOTAL
	GENERAL REVENUE (0001) U/F (0001)	MANSION RENEWAL (0804) U/F (0804)	CAPITAL RENEWAL (0854) U/F (0854)	CEMETERY PRESERVATION (0902) U/F (0902)	
REVENUES:					
Legislative Appropriations:					
Original Appropriations	18,346,373.00	-	-	-	18,346,373.00
Additional Appropriations	1,864,401.63	-	-	-	1,864,401.63
Interest, Dividend and Other Income	-	8,673.16	34,407.05	109,976.63	153,056.84
Other	549,663.02	-	-	-	549,663.02
Total Revenues	20,760,437.65	8,673.16	34,407.05	109,976.63	20,913,494.49
EXPENDITURES:					
Salaries and Wages	5,786,764.77	-	-	-	5,786,764.77
Payroll Related Costs	1,844,726.18	-	-	-	1,844,726.18
Professional Fees and Services	132,978.36	-	42,157.33	7,573.25	182,708.94
Travel	7,312.99	-	-	-	7,312.99
Materials and Supplies	903,504.17	1,541.25	13,010.45	-	918,055.87
Communication and Utilities	85,141.60	-	-	-	85,141.60
Repairs and Maintenance	479,138.87	-	7,810.00	-	486,948.87
Rentals and Leases	76,547.30	-	-	-	76,547.30
Printing and Reproduction	3,128.84	-	-	-	3,128.84
Other Operating Expenditures	990,650.11	-	5,947.60	-	996,597.71
Capital Outlay	2,663,363.84	-	621,268.40	-	3,284,632.24
Total Expenditures	12,973,257.03	1,541.25	690,193.78	7,573.25	13,672,565.31
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,787,180.62	7,131.91	(655,786.73)	102,403.38	7,240,929.18
OTHER FINANCING SOURCES (USES):					
Sale of Vehicles, Boats and Aircraft	427.50	-	-	-	427.50
Legislative Appropriations Lapsed	(192,470.48)	-	-	-	(192,470.48)
Operating Transfers In (Note 12)	848,071.00	-	-	-	848,071.00
Operating Transfers Out (Note 12)	(5,109,300.73)	-	-	-	(5,109,300.73)
Total Other Financing Sources (Uses)	(4,453,272.71)	-	-	-	(4,453,272.71)
FUND BALANCES - September 1, 2016	6,219,624.74	790,877.94	3,618,482.72	10,026,932.95	20,655,918.35
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENSES AND OTHER FINANCING USES	3,333,907.91	7,131.91	(655,786.73)	102,403.38	2,787,656.47
FUND BALANCES - August 31, 2017	9,553,532.65	798,009.85	2,962,695.99	10,129,336.33	23,443,574.82

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State Preservation Board (809)
FY 2017 Annual Financial Report (Unaudited)

EXHIBIT F-1 - Combining Statement of Net Position
Proprietary Funds
August 31, 2017

	ENTERPRISE FUNDS		
	TEXAS STATE	CAPITOL	TOTAL
	HISTORY MUSEUM	GIFT SHOPS	
	(0849)	(0879)	
U/F (0849)	U/F (0879)		
ASSETS			
Current Assets:			
Cash:			
Cash on Hand	16,667.91	10,522.15	27,190.06
Cash in Bank (Note 3)	10,000.00	1,850.00	11,850.00
Cash in State Treasury	1,144,800.95	1,901,527.49	3,046,328.44
Short-Term Investments	2,260,005.08	12,759,713.96	15,019,719.04
Receivables:			
Accounts Receivable	25,281.70	93,677.12	118,958.82
Interfund Receivable (Note 12)	8,114.68	114.50	8,229.18
Merchandise Inventories	298,191.56	874,830.15	1,173,021.71
Total Current Assets	<u>3,763,061.88</u>	<u>15,642,235.37</u>	<u>19,405,297.25</u>
Non-Current Assets:			
Capital Assets (Note 2):			
Non-Depreciable:			
Assets in Trust (Note 33)	5,127,843.00	-	5,127,843.00
Land and Land Improvements	-	421,309.35	421,309.35
Construction in Progress	47,600.00	-	47,600.00
Other Capital Assets	35,000.00	19,767.00	54,767.00
Depreciable/Amortizable:			
Furniture and Equipment	92,666.68	53,853.52	146,520.20
Less Accumulated Depreciation	(59,618.80)	(37,643.18)	(97,261.98)
Buildings & Building Improvements	478,576.00	260,425.76	739,001.76
Less: Accumulated Depreciation	(42,938.77)	(1,374.46)	(44,313.23)
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	<u>5,679,128.11</u>	<u>716,337.99</u>	<u>6,395,466.10</u>
TOTAL ASSETS	<u>9,442,189.99</u>	<u>16,358,573.36</u>	<u>25,800,763.35</u>
LIABILITIES			
Current Liabilities:			
Payables:			
Accounts Payable	295,547.79	51,652.83	347,200.62
Salaries and Payroll Related Payables	236,356.78	79,875.78	316,232.56
Due to Other Agencies (Note 12)	-	697.94	697.94
Interfund Payable (Note 12)	8,114.68	174,337.01	182,451.69
Deferred Revenues	71,117.50	-	71,117.50
Employees Compensable Leave (Note 5)	148,124.77	72,811.51	220,936.28
Total Current Liabilities	<u>759,261.52</u>	<u>379,375.07</u>	<u>1,138,636.59</u>
Non-Current Liabilities:			
Employee Compensable Leave (Note 5)	52,926.88	51,826.25	104,753.13
Assets Held for Others (Note 33)	5,127,843.00	-	5,127,843.00
Total Non-Current Liabilities	<u>5,180,769.88</u>	<u>51,826.25</u>	<u>5,232,596.13</u>
TOTAL LIABILITIES	<u>5,940,031.40</u>	<u>431,201.32</u>	<u>6,371,232.72</u>
NET POSITION			
Unrestricted	3,502,158.59	15,927,372.04	19,429,530.63
TOTAL NET POSITION	<u>3,502,158.59</u>	<u>15,927,372.04</u>	<u>19,429,530.63</u>

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State Preservation Board (809)
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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, 2017

	ENTERPRISE FUNDS		
	TEXAS STATE HISTORY MUSEUM (0849) U/F (0849)	CAPITOL GIFT SHOPS (0879) U/F (0879)	TOTAL
	OPERATING REVENUES:		
Sales of Goods and Services	6,691,513.32	5,083,420.19	11,774,933.51
Other Operating Revenues	6,514.00	2,723.29	9,237.29
Total Operating Revenues	6,698,027.32	5,086,143.48	11,784,170.80
OPERATING EXPENSES:			
Cost of Goods Sold	527,435.42	1,292,075.51	1,819,510.93
Salaries and Wages	2,421,809.28	860,152.49	3,281,961.77
Payroll Related Costs	924,843.41	315,370.55	1,240,213.96
Professional Fees and Services	70,984.11	94,428.37	165,412.48
Travel	14,082.65	3,537.33	17,619.98
Materials and Supplies	447,077.22	249,417.84	696,495.06
Communications and Utilities	102,771.00	16,333.91	119,104.91
Repairs and Maintenance	156,303.30	65,602.41	221,905.71
Rentals and Leases (Note 8)	1,378,489.13	39,646.00	1,418,135.13
Printing and Reproduction	38,825.48	28,197.60	67,023.08
Depreciation and Amortization	39,029.52	6,231.70	45,261.22
Interest	150.28	63.11	213.39
Other Operating Expenses	1,105,286.53	704,568.57	1,809,855.10
Total Operating Expenses	7,227,087.33	3,675,625.39	10,902,712.72
OPERATING INCOME (LOSS)	(529,060.01)	1,410,518.09	881,458.08
NONOPERATING REVENUES (EXPENSES):			
Interest Income	12,969.45	69,239.78	82,209.23
Federal Revenue	40,281.47	-	40,281.47
State Grant Pass-Through (Note 12)	1,400.00	-	1,400.00
Other Non-Operating Revenues (Expenses)	458,013.39	17,163.87	475,177.26
Total Nonoperating Revenues (Expenses)	512,664.31	86,403.65	599,067.96
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS/(LOSSES) AND TRANSFERS	(16,395.70)	1,496,921.74	1,480,526.04
OTHER REVENUES, EXPENSES, GAINS/(LOSSES) AND TRANSFERS			
Transfers In (Note 12)	107,000.00	2,036,800.56	2,143,800.56
Transfers Out (Note 12)	(107,000.00)	(2,036,800.56)	(2,143,800.56)
Total Other Revenues, Expenses, Gains/(Losses) and Transfers	-	-	-
TOTAL NET POSITION, September 1, 2016	3,518,554.29	14,430,450.30	17,949,004.59
CHANGE IN NET POSITION	(16,395.70)	1,496,921.74	1,480,526.04
TOTAL NET POSITION - August 31, 2017	3,502,158.59	15,927,372.04	19,429,530.63

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State Preservation Board (809)
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EXHIBIT F-3 - Combining Statement of Cash Flows
Proprietary Funds

For the Fiscal Year Ended August 31, 2017

	ENTERPRISE FUNDS		
	TEXAS STATE HISTORY MUSEUM (0849) U/F (0849)	CAPITOL GIFT SHOPS (0879) U/F (0879)	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from Customers	6,633,400.78	5,123,117.36	11,756,518.14
Payments to Suppliers for Goods and Services	(435,411.55)	(1,448,456.28)	(1,883,867.83)
Payments to Employees	(3,325,125.64)	(1,170,991.86)	(4,496,117.50)
Payments for Other Expenses	(3,313,969.70)	(1,201,795.14)	(4,515,764.84)
Net Cash Provided by Operating Activities	(441,106.11)	1,301,874.08	860,767.97
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from Transfers from Other Funds	107,000.00	2,036,800.56	2,143,800.56
Payments for Transfers to Other Funds	(107,000.00)	(2,036,800.56)	(2,143,800.56)
Proceeds from Other Non-Operating Revenues	499,694.86	17,163.87	516,858.73
Net Cash Provided by Noncapital Financing Activities	499,694.86	17,163.87	516,858.73
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments for Additions to Fixed Assets	(47,600.00)	(276,414.76)	(324,014.76)
Net Cash Provided by Capital and Related Financing Activities	(47,600.00)	(276,414.76)	(324,014.76)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Interest and Investment Income	12,969.45	69,239.78	82,209.23
Net Cash Provided from Investing Activities	12,969.45	69,239.78	82,209.23
Increase (Decrease) in Cash	23,958.20	1,111,862.97	1,135,821.17
Cash and Cash Equivalents -- September 1, 2016	3,407,515.74	13,561,750.63	16,969,266.37
Cash and Cash Equivalents -- August 31, 2017	3,431,473.94	14,673,613.60	18,105,087.54
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	(529,060.01)	1,410,518.09	881,458.08
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Amortization and Depreciation	39,029.52	6,231.70	45,261.22
Changes in Assets and Liabilities:			
(Increase) Decrease in Receivables	(14,351.61)	(5,345.28)	(19,696.89)
(Increase) Decrease in Inventories	(33,758.49)	(171,817.81)	(205,576.30)
(Increase) Decrease in Due from Other Funds	(7,134.93)	44,819.16	37,684.23
Increase (Decrease) in Due to Other Funds	6,457.11	128,563.57	135,020.68
Increase (Decrease) in Payables	119,325.25	(113,126.53)	6,198.72
Increase (Decrease) in Deferred Revenue	(43,140.00)	(2,500.00)	(45,640.00)
Increase (Decrease) in Other Liabilities	21,527.05	4,531.18	26,058.23
Total Adjustments	87,953.90	(108,644.01)	(20,690.11)
Net Cash Provided by Operating Activities	(441,106.11)	1,301,874.08	860,767.97

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EXHIBIT J-1 - Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the fiscal year Ended August 31, 2017

	BALANCES SEPTEMBER 1, 2016	ADDITIONS	DEDUCTIONS	BALANCES AUGUST 31, 2017
Child Support (0807)				
Assets:				
Cash In State Treasury	2,014.00	26,625.56	25,849.78	2,789.78
Total Assets	2,014.00	26,625.56	25,849.78	2,789.78
Liabilities:				
Accounts Payable	-	23,835.78	23,835.78	-
Funds Held for Others	2,014.00	26,625.56	25,849.78	2,789.78
Total Liabilities	2,014.00	50,461.34	49,685.56	2,789.78
Suspense Fund (0900)				
Assets:				
Cash In State Treasury	73,051.11	932,921.04	935,666.47	70,305.68
Total Assets	73,051.11	932,921.04	935,666.47	70,305.68
Liabilities:				
Accounts Payable	75,282.74	904,540.38	906,941.18	72,881.94
Funds Held for Others	(2,231.63)	932,921.04	933,265.67	(2,576.26)
Total Liabilities	73,051.11	1,837,461.42	1,840,206.85	70,305.68
Suspense Fund (0980)				
Assets:				
Cash In State Treasury	616.00	10,453.75	11,069.75	-
Total Assets	616.00	10,453.75	11,069.75	-
Liabilities:				
Funds Held for Others	616.00	10,453.75	11,069.75	-
Total Liabilities	616.00	10,453.75	11,069.75	-
Total All Agency Funds				(Exhibit VI)
Assets:				
Cash In State Treasury	75,681.11	970,000.35	972,586.00	73,095.46
Accounts Receivable	-	-	-	-
Total Assets	75,681.11	970,000.35	972,586.00	73,095.46
Liabilities:				
Accounts Payable	75,282.74	928,376.16	930,776.96	72,881.94
Funds Held for Others	398.37	970,000.35	970,185.20	213.52
Total Liabilities	75,681.11	1,898,376.51	1,900,962.16	73,095.46

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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the fiscal year ended August 31, 2017

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass-Through From			Direct Program Amount	Total PT From & Direct Program	Pass-Through To			Expenditures Amount	Total PT To & Expenditures
			Agency/ Univ. #	Agency or University Amount	Non-State Entity Amount			Agency/ Univ. #	Agency or University Amount	Non-State Entity Amount		
Institute of Museum and Library Sciences	03.000											
<u>Direct Programs:</u>												
Museums for America	45.301	09-156-0693				40,281.47	40,281.47				40,281.47	40,281.47
Totals - Institute of Museum and Library Sciences				0.00	0.00	40,281.47	40,281.47				40,281.47	40,281.47
Total Expenditures of Federal Awards						40,281.47	40,281.47				40,281.47	40,281.47
Reconciliation:												
Per Combined Statement of Revenues, Expenditures, and Changes in Net Assets - Enterprise Funds (Exh. IV)						40,281.47						
Reconciling Items:						\$0.00						
Total Pass-Through and Expenditures Per Federal Schedule						<u>\$40,281.47</u>						

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