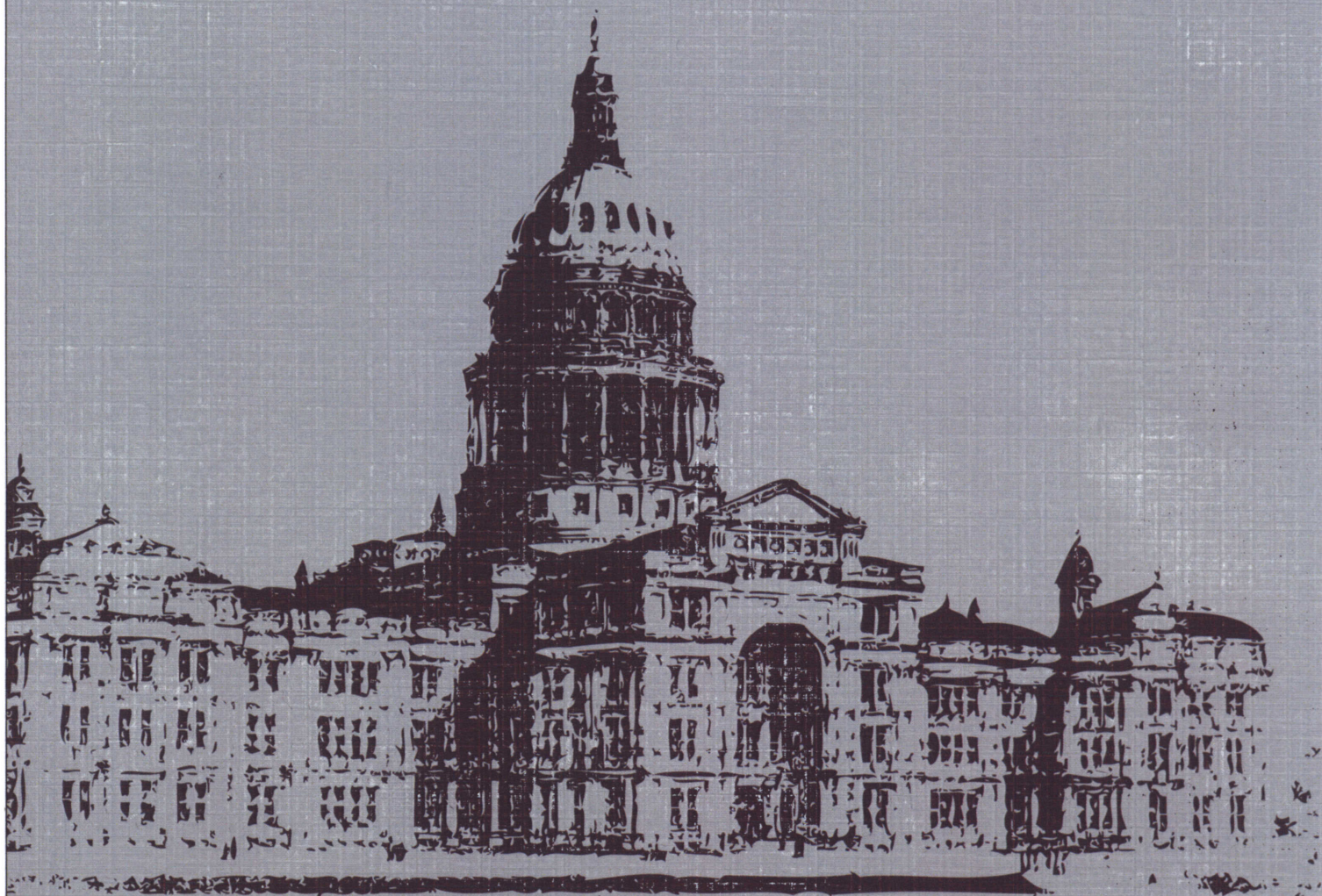


2012 ANNUAL FINANCIAL REPORT



THE STATE PRESERVATION BOARD

August 31, 2012



STATE PRESERVATION BOARD

The Honorable Rick Perry, Governor, Chairman
The Honorable David Dewhurst, Lieutenant Governor, Co-Vice Chairman
The Honorable Joe Straus, Speaker of the House, Co-Vice Chairman
The Honorable Kevin Eltife, Texas Senate
The Honorable Charlie Geren, Texas House of Representatives
Ida Clement Steen, Citizen Board Member
John Sneed, Executive Director

November 20, 2012

The Honorable Rick Perry, Governor
The Honorable Susan Combs, Texas Comptroller
Ms. Ursula Parks, Acting Director, Legislative Budget Board
Mr. John Keel, CPA, 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, 2012, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis– for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have questions, please contact Cynthia Provine, CPA, our Chief Financial Officer, at 463-9243.

Sincerely,

John Sneed
Executive Director

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State Preservation Board (809)
FY 2012 Annual Financial Report (Unaudited)

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FY 2012 Annual Financial Report (Unaudited)

EXHIBIT I - Combined Balance Sheet / Statement of Net Assets
Governmental Funds
August 31, 2012

	GOVERNMENTAL FUND TYPES		
	GOVERNMENTAL FUNDS (Exhibit A-1)	CAPITAL PROJECT FUND U/F (7207)	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Current Assets:			
Cash in State Treasury	7,779,084.75		7,779,084.75
Legislative Appropriations	4,555,197.44		4,555,197.44
Receivables:			
Interest and Dividends Receivable	2,930.80		2,930.80
Accounts Receivable	258.31		258.31
Due from Other Funds (Note 12)	89,228.33		89,228.33
Consumable Inventories	77,809.54		77,809.54
Total Current Assets	12,504,509.17	-	12,504,509.17
Non-Current Assets:			
Capital Assets (Note 2):			
Non-Depreciable:			
Land and Land Improvements			
Construction in Progress			
Other Capital Assets			
Depreciable/Amortizable:			
Buildings and Building Improvements			
Less Accumulated Depreciation			
Furniture and Equipment			
Less Accumulated Depreciation			
Vehicles, Boats, and Aircraft			
Less Accumulated Depreciation			
Computer Software - Intangible			
Less Accumulated Amortization			
Facilities and Other Improvements			
Less Accumulated Depreciation			
Other Capital Assets			
Less Accumulated Depreciation			
Total Non-Current Assets	-	-	-
TOTAL ASSETS	12,504,509.17	-	12,504,509.17

GOVERNMENTAL FUND TYPES

CAPITAL ASSETS ADJUSTMENTS	LONG-TERM LIABILITIES ADJUSTMENTS	STATEMENT OF NET ASSETS
		7,779,084.75
		4,555,197.44
		2,930.80
		258.31
		89,228.33
		77,809.54
-	-	12,504,509.17
19,921,605.60		19,921,605.60
28,030,268.86		28,030,268.86
7,090,877.93		7,090,877.93
274,419,412.01		274,419,412.01
(175,697,981.24)		(175,697,981.24)
822,634.11		822,634.11
(552,713.73)		(552,713.73)
52,931.00		52,931.00
(52,931.00)		(52,931.00)
90,955.50		90,955.50
(88,535.50)		(88,535.50)
3,153,659.90		3,153,659.90
(972,378.13)		(972,378.13)
1,700,978.86		1,700,978.86
(1,588,042.96)		(1,588,042.96)
156,330,741.21	-	156,330,741.21
156,330,741.21	-	168,835,250.38

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State Preservation Board (809)
FY 2012 Annual Financial Report (Unaudited)

EXHIBIT I - Combined Balance Sheet / Statement of Net Assets
Governmental Funds
August 31, 2012 (concluded)

	GOVERNMENTAL FUND TYPES		
	GOVERNMENTAL FUNDS (Exhibit A-1)	CAPITAL PROJECT FUND U/F (7207)	TOTAL GOVERNMENTAL FUNDS
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Payables:			
Accounts Payable	592,521.48		592,521.48
Salaries and Payroll Related Payables	300,390.62		300,390.62
Due to Other Funds (Note 12)	160.55		160.55
Employees Compensable Leave (Note 5)			-
Total Current Liabilities	893,072.65	-	893,072.65
Non-Current Liabilities:			
Employees Compensable Leave (Note 5)			
Total Non-Current Liabilities	-	-	-
TOTAL LIABILITIES	893,072.65	-	893,072.65
FUND FINANCIAL STATEMENT - FUND BALANCES			
Fund Balances (Deficits):			
Nonspendable for Inventories	77,809.54		77,809.54
Restricted	7,779,330.58		7,779,330.58
Unassigned	3,754,296.40		3,754,296.40
TOTAL FUND BALANCES	11,611,436.52	-	11,611,436.52
TOTAL LIABILITIES AND FUND BALANCES	12,504,509.17	-	12,504,509.17
Government-wide Statement - Net Assets			
Net Assets:			
Invested in Capital Assets, Net of Accumulated Depreciaton (Note 2)			
Restricted for:			
Compensable Leave Liabilities (Note 5)			
Total Net Assets			

GOVERNMENTAL FUND TYPES

<u>CAPITAL ASSETS ADJUSTMENTS</u>	<u>LONG-TERM LIABILITIES ADJUSTMENTS</u>	<u>STATEMENT OF NET ASSETS</u>
		592,521.48
		300,390.62
		160.55
	254,704.62	254,704.62
-	254,704.62	1,147,777.27
	154,764.09	154,764.09
-	154,764.09	154,764.09
-	409,468.71	1,302,541.36
		77,809.54
		7,779,330.58
		3,754,296.40
-	-	11,611,436.52
-	-	-
156,330,741.21		156,330,741.21
	(409,468.71)	(409,468.71)
<u>156,330,741.21</u>	<u>(409,468.71)</u>	<u>155,921,272.50</u>

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

State Preservation Board (809)
FY 2012 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, 2012

	GOVERNMENTAL FUNDS (Exhibit A-2)	CAPITAL PROJECT FUND U/F (7207)	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Legislative Appropriations:			
Original Appropriations	9,541,973.00		9,541,973.00
Additional Appropriations	698,261.57		698,261.57
Interest and Other Investment Income	45,681.37		45,681.37
Other	1,118,480.78		1,118,480.78
TOTAL REVENUES	11,404,396.72	-	11,404,396.72
EXPENDITURES			
Salaries and Wages	2,821,295.99		2,821,295.99
Payroll Related Costs	708,948.78		708,948.78
Professional Fees and Services	546,901.23		546,901.23
Travel	1,253.51		1,253.51
Materials and Supplies	607,095.98		607,095.98
Communication and Utilities	83,409.16		83,409.16
Repairs and Maintenance	265,400.91		265,400.91
Rentals and Leases	144,951.22		144,951.22
Printing and Reproduction	598.53		598.53
Other Operating Expenditures	525,674.33		525,674.33
Capital Outlay	10,923,939.25	35,025.00	10,958,964.25
TOTAL EXPENDITURES/EXPENSES	16,629,468.89	35,025.00	16,664,493.89
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,225,072.17)	(35,025.00)	(5,260,097.17)

GOVERNMENTAL FUND TYPES

<u>CAPITAL ASSETS ADJUSTMENTS</u>	<u>LONG-TERM LIABILITIES ADJUSTMENTS</u>	<u>STATEMENT OF ACTIVITIES</u>
		9,541,973.00
		698,261.57
		45,681.37
		<u>1,118,480.78</u>
<u>-</u>	<u>-</u>	<u>11,404,396.72</u>
	(21,573.57)	2,799,722.42
		708,948.78
		546,901.23
		1,253.51
		607,095.98
		83,409.16
		265,400.91
		144,951.22
		598.53
		525,674.33
<u>(9,770,481.23)</u>		<u>1,188,483.02</u>
<u>(9,770,481.23)</u>	<u>(21,573.57)</u>	<u>6,872,439.09</u>
<u>9,770,481.23</u>	<u>21,573.57</u>	<u>4,531,957.63</u>

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State Preservation Board (809)
FY 2012 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, 2012 (concluded)

	GOVERNMENTAL FUND TYPES		
	GOVERNMENTAL FUNDS (Exhibit A-2)	CAPITAL PROJECT FUND U/F (7207)	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES):			
Depreciation Expense			
Transfers In (Note 12)	289,760.72		289,760.72
Transfer Out (Note 12)	(5,952,779.79)		(5,952,779.79)
TOTAL OTHER FINANCING SOURCES (USES)	(5,663,019.07)	-	(5,663,019.07)
NET CHANGE IN FUND BALANCES / NET ASSETS	(10,888,091.24)	(35,025.00)	(10,923,116.24)

FUND FINANCIAL STATEMENT - FUND BALANCES

Fund Balances - September 1, 2011	22,536,433.31	35,025.00	22,571,458.31
Restatements (Note 14)	(9,452.46)		(9,452.46)
Fund Balances, Restated	22,526,980.85	35,025.00	22,562,005.85
Net Change in Fund Balances/Net Assets	(10,888,091.24)	(35,025.00)	(10,923,116.24)
Appropriations Lapsed	(27,453.09)		(27,453.09)
Fund Balances - August 31, 2012	11,611,436.52	-	11,611,436.52

Government-wide Statement - Net Assets

Net Assets, September 1, 2011	22,562,005.85
Changes in Net Assets	(10,950,569.33)
Net Assets, August 31, 2012	11,611,436.52

GOVERNMENTAL FUND TYPES

<u>CAPITAL ASSETS ADJUSTMENTS</u>	<u>LONG-TERM LIABILITIES ADJUSTMENTS</u>	<u>STATEMENT OF ACTIVITIES</u>
(12,099,309.31)		(12,099,309.31) 289,760.72 (5,952,779.79)
<u>(12,099,309.31)</u>	-	<u>(17,762,328.38)</u>
<u>(2,328,828.08)</u>	-	<u>(13,230,370.75)</u>

158,659,569.29	(431,042.28)	180,790,532.86
<u>(2,328,828.08)</u>	<u>21,573.57</u>	<u>(13,257,823.84)</u>
<u>156,330,741.21</u>	<u>(409,468.71)</u>	<u>167,532,709.02</u>

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

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State Preservation Board (809)
FY 2012 Annual Financial Report (Unaudited)

EXHIBIT III - Combined Statement of Fund Net Assets
Proprietary Funds
August 31, 2012

	ENTERPRISE FUNDS (Exhibit F-1)
ASSETS	
Current Assets:	
Cash :	
Cash on Hand	421,196.21
Cash in Bank (Note 3)	11,000.00
Cash in State Treasury	2,909,081.89
Short-Term Investments	10,295,019.94
Receivables from:	
Interest and Dividends Receivable	997.40
Accounts Receivable	96,270.04
Due From Other Funds (Note 12)	12,250.79
Merchandise Inventories	1,085,334.84
Total Current Assets	<u>14,831,151.11</u>
Non-Current Assets:	
Capital Assets (Note 2):	
Non-Depreciable:	
Assets in Trust (Note 27)	2,537,696.00
Depreciable/Amortizable:	
Furniture and Equipment	1,302,122.55
Less Accumulated Depreciation	(1,265,235.35)
Computer Software	5,280.00
Less Accumulated Depreciation	(5,280.00)
Other Assets	1,116,623.64
Less Accumulated Depreciation	(1,036,947.60)
Total Non-Current Assets	<u>2,654,259.24</u>
TOTAL ASSETS	<u>17,485,410.35</u>
LIABILITIES	
Current Liabilities:	
Payables:	
Accounts Payable	376,065.63
Salaries and Payroll Related Payables	316,420.98
Due to Other Funds (Note 12)	101,450.57
Deferred Revenues	101,115.00
Employees Compensable Leave (Note 5)	226,048.26
Total Current Liabilities	<u>1,121,100.44</u>
Non-Current Liabilities:	
Employee Compensable Leave (Note 5)	148,537.72
Assets Held for Others (Note 27)	2,537,696.00
Total Non-Current Liabilities	<u>2,686,233.72</u>
TOTAL LIABILITIES	<u>3,807,334.16</u>
NET ASSETS	
Unrestricted	<u>13,678,076.19</u>
TOTAL NET ASSETS	<u>13,678,076.19</u>

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

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State Preservation Board (809)
FY 2012 Annual Financial Report (Unaudited)

**EXHIBIT IV - Combined Statement of Revenues,
Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended August 31, 2012**

	<u>ENTERPRISE FUNDS (Exhibit F-2)</u>
OPERATING REVENUES:	
Sales of Goods and Services	8,352,367.95
Other Operating Revenues	578,677.34
Total Operating Revenues	<u>8,931,045.29</u>
OPERATING EXPENSES:	
Cost of Goods Sold	1,469,865.44
Salaries and Wages	3,750,788.86
Payroll Related Costs	1,152,570.39
Professional Fees and Services	391,158.37
Travel	39,709.51
Materials and Supplies	558,295.60
Communications and Utilities	49,836.56
Repairs and Maintenance	438,440.88
Rentals and Leases (Note 8)	1,004,934.38
Printing and Reproduction	40,836.66
Depreciation and Amortization	120,954.98
Interest	28.24
Other Operating Expenses	1,264,923.91
Total Operating Expenses	<u>10,282,343.78</u>
OPERATING INCOME (LOSS)	<u>(1,351,298.49)</u>
NONOPERATING REVENUES (EXPENSES):	
Interest Income	28,306.88
State Grant Pass-Through (Note 14)	-
Federal Revenue	317,727.33
Other Non-Operating Revenues (Expenses)	222,595.94
Total Non-Operating Revenues (Expenses)	<u>568,630.15</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS/(LOSSES) AND TRANSFERS	<u>(782,668.34)</u>
OTHER REVENUES, EXPENSES, GAINS/(LOSSES) AND TRANSFERS	
Transfers In (Note 12)	2,719,613.00
Transfers Out (Note 12)	(2,719,613.00)
Total Other Revenues, Expenses, Gains/(Losses) and Transfers	<u>-</u>
TOTAL NET ASSETS, September 1, 2011	14,460,876.53
Restatements (Note 14)	(132.00)
Total Net Assets, Restated	<u>14,460,744.53</u>
CHANGE IN NET ASSETS	<u>(782,668.34)</u>
TOTAL NET ASSETS - August 31, 2012	<u><u>13,678,076.19</u></u>

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

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State Preservation Board (809)
FY 2012 Annual Financial Report (Unaudited)

EXHIBIT V - Combined Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended August 31, 2012

	ENTERPRISE FUNDS (Exhibit F-3)
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Customers	9,061,894.57
Payments to Suppliers for Resale Goods	(1,472,468.16)
Payments to Employees	(4,905,916.85)
Payments for Other Expenses	(3,788,164.11)
Net Cash Provided by Operating Activities	(1,104,654.55)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Transfers from Other Funds	-
Payments for Transfers to Other Funds	-
Payments for Other Uses	-
Proceeds from Other Non-Operating Revenues	540,323.27
Net Cash Provided by Noncapital Financing Activities	540,323.27
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for Additions to Fixed Assets	(26,795.05)
Net Cash Provided by Capital and Related Financing Activities	(26,795.05)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Interest and Investment Income	28,949.70
Net Cash Provided from Investing Activities	28,949.70
Cash and Cash Equivalents - September 1, 2011	14,198,474.67
Increase (Decrease) in Cash	(562,176.63)
Cash and Cash Equivalents -- August 31, 2012	13,636,298.04
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	(1,351,298.49)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization and Depreciation	120,954.98
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(33,418.27)
(Increase) Decrease in Inventories	(186,291.39)
(Increase) Decrease in Due from Other Funds	135,022.55
Increase (Decrease) in Due to Other Funds	(47,899.33)
Increase (Decrease) in Payables	231,588.00
Increase (Decrease) in Deferred Revenue	29,245.00
Increase (Decrease) in Other Liabilities	(2,557.60)
Total Adjustments	246,643.94
Net Cash Provided by Operating Activities	(1,104,654.55)

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

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State Preservation Board (809)
FY 2012 Annual Financial Report (Unaudited)

EXHIBIT VI - Statement of Fiduciary Net Assets
Fiduciary Funds
August 31, 2012

	<u>AGENCY FUND</u>
	Suspense
	(0900)
	<u>U/F (0900)</u>
ASSETS	
Current Assets:	
Cash in State Treasury	<u>10,896.19</u>
TOTAL ASSETS	<u>10,896.19</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	1,927.80
Funds Held for Others	<u>8,968.39</u>
Total Current Liabilities	<u>10,896.19</u>
TOTAL LIABILITIES	<u>10,896.19</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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State Preservation Board (809)
FY 2012 Annual Financial Report (Unaudited)

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 Bob 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 its grounds.

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS

Capital Renewal Fund

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS

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:

- (1) **Transfers:** Legally required transfers that are reported when incurred as 'Transfers In' by the recipient fund and as 'Transfers Out' by the disbursing fund.
- (2) **Reimbursements:** Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another 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.
- (3) **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, 2012 is presented below:

	Balance 09/01/2011	Additions	Deletions	Balance 08/31/2012
Governmental Activities				
Non-Depreciable Assets:				
Land and Improvements	19,921,605.60			19,921,605.60
Construction in Progress	18,568,194.04	9,462,074.82	-	28,030,268.86
Other Tangible Capital Assets	6,793,765.93	297,850.00	(738.00)	7,090,877.93
Total Non-Depreciable Assets	45,283,565.57	9,759,924.82	(738.00)	55,042,752.39
Depreciable Assets:				
Buildings and Improvements	274,419,412.01			274,419,412.01
Furniture and Equipment	837,979.70	11,294.41	(26,640.00)	822,634.11
Vehicles, Boats, Aircraft	52,931.00			52,931.00
Facilities and Other Improvements	3,153,659.90			3,153,659.90
Other Capital Assets	1,701,794.50		(815.64)	1,700,978.86
Total Depreciable Assets at Cost	280,165,777.11	11,294.41	(27,455.64)	280,149,615.88
Accumulated Depreciation:				
Buildings and Improvements	(164,157,758.00)	(11,540,223.24)		(175,697,981.24)
Furniture and Equipment	(514,265.99)	(65,087.74)	26,640.00	(552,713.73)
Vehicles, Boats, Aircraft	(52,931.00)			(52,931.00)
Facilities and Other Improvements	(657,012.25)	(315,365.88)		(972,378.13)
Other Capital Assets	(1,418,778.40)	(170,080.20)	815.64	(1,588,042.96)
Total Accumulated Depreciation	(166,800,745.64)	(12,090,757.06)	27,455.64	(178,864,047.06)
Amortizable Assets - Intangible:				
Computer Software	90,955.50			90,955.50
Total Amortizable Assets - Intangible	90,955.50	-	-	90,955.50
Accumulated Amortization:				
Computer Software	(79,983.25)	(8,552.25)		(88,535.50)
Total Accumulated Amortization	(79,983.25)	(8,552.25)	-	(88,535.50)
Capital Assets	Governmental			
Activities	158,659,569.29	(2,328,090.08)	(738.00)	156,330,741.21
Business Type Activities				
Non-Depreciable Assets:				
Other Tangible Capital Assets		5,000.00		5,000.00
Depreciable Assets:				
Furniture and Equipment	1,275,327.50	26,795.05		1,302,122.55
Other Capital Assets	1,111,623.64			1,111,623.64
Total Depreciable Assets at Cost	2,386,951.14	31,795.05	-	2,418,746.19
Less Accumulated Depreciation for:				
Furniture and Equipment	(1,255,618.61)	(9,616.74)		(1,265,235.35)
Other Capital Assets	(925,785.36)	(111,162.24)		(1,036,947.60)
Total Accumulated Depreciation	(2,181,403.97)	(120,778.98)	-	(2,302,182.95)
Amortizable Assets - Intangible:				
Computer Software	5,280.00			5,280.00
Total Amortizable Assets - Intangible	5,280.00	-	-	5,280.00
Accumulated Amortization:				
Computer Software	(5,104.00)	(176.00)		(5,280.00)
Total Accumulated Amortization	(5,104.00)	(176.00)	-	(5,280.00)
Capital Assets				
Business Type Activities	205,723.17	(89,159.93)	-	116,563.24

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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, 2012 was \$9,940,553.71.

The State Preservation Board has the Bob 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, 2012 was \$354,466.23.

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, 2012 was \$11,000.

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, 2012, the carrying amount of deposits was \$11,000.00 as presented below:

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

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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 Trust 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, 2012, the carrying value and fair value of investments are as presented below:

Business-Type Activities	Amount
Repurchase Agreements- Capitol Trust Fund	\$ 9,940,553.71
Repurchase Agreements- Texas State History Museum Fund	354,466.23
Total	\$ 10,295,019.94

The repurchase agreements are not subject to custodial credit risk because they are considered insured or registered, or securities held by the entity or its agent in the entity's name. The underlying securities on the repurchase agreements are rated AAA by Standard & Poor's.

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, 2012, the following changes occurred in liabilities.

Governmental Activities	Balance 09/01/2011	Additions	Reductions	Balance 08/31/2012	Amounts Due Within One Year
Compensable Leave	\$ 431,042.28	\$ 318,849.84	\$ (340,423.41)	\$ 409,468.71	\$ 254,704.62
Total Governmental Activities	\$ 431,042.28	\$ 318,849.84	\$ (340,423.41)	\$ 409,468.71	\$ 254,704.62

Business Type Activities	Balance 09/01/2011	Additions	Reductions	Balance 08/31/2012	Amounts Due Within One Year
Compensable Leave	\$ 349,617.22	\$ 115,464.88	\$ (90,496.12)	\$ 374,585.98	\$ 226,048.26
Total Business Type Activities	\$ 349,617.22	\$ 115,464.88	\$ (90,496.12)	\$ 374,585.98	\$ 226,048.26

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. An expense and liability for proprietary fund types are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

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NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 7: DERIVATIVES - Not applicable to this agency

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)	\$ 942,855.14
Totals - Memorandum Only	\$ 942,855.14

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: RETIREMENT 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.

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NOTES TO THE FINANCIAL STATEMENTS

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:

- Interfund Receivables or Interfund Payables
- Due From Other Agencies or Due to Other Agencies
- Due From Other Funds or Due To Other Funds
- Transfers In or Transfer Out
- Legislative Transfers In or Legislative Transfers Out

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, 2012, follows:

Interfund Payables/Receivables	Payable	Receivable
Enterprise (05) Fund 0879		
Agency 809, Fund 0849		\$ 11,942.79
Enterprise (05) Fund 0849		
Agency 809, Fund 0001	\$ 89,067.78	
Agency 809, Fund 0879	11,942.79	
Agency 809, Fund 0849	308.00	308.00
General Revenue (01) Fund 0001		
Agency 809, Fund 0001	160.55	160.55
Agency 809, Fund 0849		89,067.78
Total Interfund Payables/Receivables	\$ 101,479.12	\$ 101,479.12

Legislative Transfers	In	Out
General Revenue (01) Fund 0001		
Agency 808, Fund 0001	\$ 289,760.62	
Total Legislative Transfers	\$ 289,760.62	

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Operating Transfers	In	Out
General Revenue (01) D23 Fund 0001		
Agency 347, Fund 0001		\$ 5,592,654.60
Total General Revenue Fund 0001		\$ 5,592,654.60
Enterprise (05) D22 Fund 0849		
Agency 809, D23 Fund 0849	\$ 3,400.00	\$ 64,250.00
Agency 809, D23 Fund 2222	64,250.00	3,400.00
Enterprise (05) D22 Fund 0879		
Agency 809, D23 Fund 1111	\$ 2,651,963.00	
Agency 809, D23 Fund 1111		\$ 2,651.963.00
Total Enterprise Funds	\$ 2,719,613.00	\$ 2,719,613.00
Total Operating Transfers	\$ 3,009,373.72	\$ 8,312,267.60

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, 2024 unless continued in existence by the Legislature as provided by the Act.

NOTE 14: ADJUSTMENTS TO FUND BALANCE/NET ASSETS

The accompanying financial statements have been prepared to conform to Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB). For fiscal periods beginning after June 15, 2010, governments were required to implement GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to address how fund balances were being reported.

The adoption of GASB 54 in FY 2011 required a reclassification of fund type for the Capitol Fund and the Museum Fund from Special Revenue Funds to Enterprise Funds. The Museum Fund was combined on the financial statements with the Texas State History Museum Fund 0849; and the Capitol Fund and Visitors Parking Garage Fund 0845 were combined on the financial statements with the Capitol Gift Shops Fund 0879. This reclassification had no impact on net assets.

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Restatements of FY 2012 beginning fund balances for the General Revenue Fund (0001) and the Texas State History Museum Fund (0849) include corrections of prior year errors in the amounts of (\$9,452.46) and (\$132.00) respectively.

	Governmental Funds	Proprietary Funds
Fund Balance/Net Assets August 31, 2012	\$ 22,536,433.31	\$ 14,460,876.53
Restatements	(9,452.46)	(132.00)
Net Assets September 1, 2012 as Restated	\$ 22,526,980.85	\$ 14,460,744.53

NOTE 15: CONTINGENCIES AND COMMITMENTS - Not applicable to this agency.

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 Bob 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

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NOTES TO THE FINANCIAL STATEMENTS

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.

NOTE 18: MANAGEMENT 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 REPORTING REQUIREMENTS PROCESS.

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	\$ 53,353.48	Enterprise Fund; Capitol Fund
True Endowment	\$ 16,815.29	Enterprise Fund; Capitol Fund
True Endowment	\$ 67,860.48	Enterprise Fund; Capitol Fund

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NOTES TO THE FINANCIAL STATEMENTS

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 Bob Bullock Texas State History Museum, and the Capitol Gift Shops. Each are 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: 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 Bob 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, 2012

	GOVERNMENTAL FUNDS		
	GENERAL REVENUE (0001) U/F (0001)	CAPITAL RENEWAL (0854) U/F (0854)	TOTAL
ASSETS			
Cash in State Treasury		7,779,084.75	7,779,084.75
Legislative Appropriations	4,555,197.44		4,555,197.44
Receivables:			
Interest and Dividends Receivable		2,930.80	2,930.80
Accounts Receivable	258.31		258.31
Due from Other Funds (Note 12)	89,228.33		89,228.33
Consumable Inventories	77,809.54		77,809.54
TOTAL ASSETS	4,722,493.62	7,782,015.55	12,504,509.17
LIABILITIES			
Payables:			
Accounts Payable	589,836.51	2,684.97	592,521.48
Salaries and Payroll Related Payables	300,390.62		300,390.62
Due to Other Funds (Note 12)	160.55		160.55
TOTAL LIABILITIES	890,387.68	2,684.97	893,072.65
FUND BALANCES			
Nonspendable for Inventories	77,809.54		77,809.54
Restricted		7,779,330.58	7,779,330.58
Unassigned	3,754,296.40		3,754,296.40
TOTAL FUND BALANCES	3,832,105.94	7,779,330.58	11,611,436.52
TOTAL LIABILITIES AND FUND BALANCE	4,722,493.62	7,782,015.55	12,504,509.17

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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, 2012**

	GOVERNMENTAL FUNDS		
	GENERAL REVENUE (0001) U/F (0001)	CAPITAL RENEWAL (0854) U/F (0854)	TOTAL
REVENUES:			
Legislative Appropriations:			
Original Appropriations	9,541,973.00		9,541,973.00
Additional Appropriations	698,261.57		698,261.57
Interest and Other Investment Income		45,681.37	45,681.37
Other	1,118,287.70	193.08	1,118,480.78
Total Revenues	11,358,522.27	45,874.45	11,404,396.72
EXPENDITURES:			
Salaries and Wages	2,821,295.99		2,821,295.99
Payroll Related Costs	708,948.78		708,948.78
Professional Fees and Services	546,901.23		546,901.23
Travel	1,253.51		1,253.51
Materials and Supplies	173,663.72	433,432.26	607,095.98
Communication and Utilities	83,409.16		83,409.16
Repairs and Maintenance	256,548.91	8,852.00	265,400.91
Rentals and Leases	144,951.22		144,951.22
Printing and Reproduction	598.53		598.53
Other Operating Expenditures	379,585.41	146,088.92	525,674.33
Capital Outlay	10,923,939.25		10,923,939.25
Total Expenditures	16,041,095.71	588,373.18	16,629,468.89
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,682,573.44)	(542,498.73)	(5,225,072.17)
OTHER FINANCING SOURCES (USES):			
Legislative Appropriations Lapsed	(27,453.09)		(27,453.09)
Operating Transfers In (Note 12)	289,760.72		289,760.72
Operating Transfers Out (Note 12)	(5,952,779.79)		(5,952,779.79)
Total Other Financing Sources (Uses)	(5,690,472.16)	-	(5,690,472.16)
FUND BALANCES - September 1, 2011	14,214,604.00	8,321,829.31	22,536,433.31
Restatements (Note 14)	(9,452.46)		(9,452.46)
Fund Balances, Restated	14,205,151.54	8,321,829.31	22,526,980.85
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENSES AND OTHER FINANCING USES	(10,382,498.06)	(542,498.73)	(10,915,544.33)
FUND BALANCES - August 31, 2012	3,832,105.94	7,779,330.58	11,611,436.52

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EXHIBIT F-1 - Combining Statement of Net Assets
Proprietary Funds
August 31, 2012

	ENTERPRISE FUNDS		
	TEXAS STATE	CAPITOL	TOTAL
	HISTORY MUSEUM (0849) U/F (0849)	GIFTSHOPS (0879) U/F (0879)	
ASSETS			
Current Assets:			
Cash:			
Cash on Hand	414,387.12	6,809.09	421,196.21
Cash in Bank (Note 3)	10,000.00	1,000.00	11,000.00
Cash in State Treasury	952,079.77	1,957,002.12	2,909,081.89
Short-Term Investments	354,466.23	9,940,553.71	10,295,019.94
Receivables:			
Interest and Dividends Receivable	420.03	577.37	997.40
Accounts Receivable	79,549.15	16,720.89	96,270.04
Due From Other Funds (Note 12)	308.00	11,942.79	12,250.79
Merchandise Inventories	336,137.84	749,197.00	1,085,334.84
Total Current Assets	<u>2,147,348.14</u>	<u>12,683,802.97</u>	<u>14,831,151.11</u>
Non-Current Assets:			
Capital Assets (Note 2):			
Non-Depreciable			
Assets in Trust (Note 27)	2,537,696.00		2,537,696.00
Depreciable/Amortizable:			
Furniture and Equipment	1,281,090.62	21,031.93	1,302,122.55
Less Accumulated Depreciation	(1,245,606.23)	(19,629.12)	(1,265,235.35)
Computer Software		5,280.00	5,280.00
Less Accumulated Amortization		(5,280.00)	(5,280.00)
Other Assets	1,111,623.64	5,000.00	1,116,623.64
Less Accumulated Depreciation	(1,036,947.60)		(1,036,947.60)
Total Non-Current Assets	<u>2,647,856.43</u>	<u>6,402.81</u>	<u>2,654,259.24</u>
TOTAL ASSETS	<u>4,795,204.57</u>	<u>12,690,205.78</u>	<u>17,485,410.35</u>
LIABILITIES			
Current Liabilities:			
Payables:			
Accounts Payable	210,169.41	165,896.22	376,065.63
Salaries and Payroll Related Payables	155,915.17	160,505.81	316,420.98
Due to Other Funds (Note 12)	101,450.57		101,450.57
Deferred Revenues	101,115.00		101,115.00
Employees Compensable Leave (Note 5)	117,448.82	108,599.44	226,048.26
Total Current Liabilities	<u>686,098.97</u>	<u>435,001.47</u>	<u>1,121,100.44</u>
Non-Current Liabilities:			
Employee Compensable Leave (Note 5)	59,018.69	89,519.03	148,537.72
Assets Held for Others (Note 27)	2,537,696.00		2,537,696.00
Total Non-Current Liabilities	<u>2,596,714.69</u>	<u>89,519.03</u>	<u>2,686,233.72</u>
TOTAL LIABILITIES	<u>3,282,813.66</u>	<u>524,520.50</u>	<u>3,807,334.16</u>
NET ASSETS			
Unrestricted	1,512,390.91	12,165,685.28	13,678,076.19
TOTAL NET ASSETS	<u>1,512,390.91</u>	<u>12,165,685.28</u>	<u>13,678,076.19</u>

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**EXHIBIT F-2 - Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended August 31, 2012**

	ENTERPRISE FUNDS		
	TEXAS STATE HISTORY MUSEUM (0849) U/F (0849)	CAPITOL GIFTSHOPS (0879) U/F (0879)	TOTAL
	OPERATING REVENUES:		
Sales of Goods and Services	5,295,539.33	3,056,828.62	8,352,367.95
Other Operating Revenues	563,519.38	15,157.96	578,677.34
Total Operating Revenues	5,859,058.71	3,071,986.58	8,931,045.29
OPERATING EXPENSES:			
Cost of Goods Sold	575,346.48	894,518.96	1,469,865.44
Salaries and Wages	1,777,426.19	1,973,362.67	3,750,788.86
Payroll Related Costs	604,890.40	547,679.99	1,152,570.39
Professional Fees and Services	386,646.87	4,511.50	391,158.37
Travel	36,874.09	2,835.42	39,709.51
Materials and Supplies	388,973.08	169,322.52	558,295.60
Communications and Utilities	35,281.04	14,555.52	49,836.56
Repairs and Maintenance	221,755.53	216,685.35	438,440.88
Rentals and Leases (Note 8)	981,051.22	23,883.16	1,004,934.38
Printing and Reproduction	25,240.06	15,596.60	40,836.66
Depreciation and Amortization	116,572.74	4,382.24	120,954.98
Interest	18.85	9.39	28.24
Other Operating Expenses	611,358.16	653,565.75	1,264,923.91
Total Operating Expenses	5,761,434.71	4,520,909.07	10,282,343.78
OPERATING INCOME (LOSS)	97,624.00	(1,448,922.49)	(1,351,298.49)
NONOPERATING REVENUES (EXPENSES):			
Interest Income	4,836.28	23,470.60	28,306.88
Federal Revenue	317,727.33		317,727.33
Other Non-operating Revenues (Expenses)		222,595.94	222,595.94
Total Nonoperating Revenues (Expenses)	322,563.61	246,066.54	568,630.15
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS/(LOSSES) AND TRANSFERS	420,187.61	(1,202,855.95)	(782,668.34)
OTHER REVENUES, EXPENSES, GAINS/(LOSSES) AND TRANSFERS			
Transfers In (Note 12)	67,650.00	2,651,963.00	2,719,613.00
Transfers Out (Note 12)	(67,650.00)	(2,651,963.00)	(2,719,613.00)
Total Other Revenues, Expenses, Gains/(Losses) and Transfers	-	-	-
TOTAL NET ASSETS, September 1, 2011	1,092,335.30	13,368,541.23	14,460,876.53
Restatements (Note 14)	(132.00)	-	(132.00)
Total Net Assets, Restated	1,092,203.30	13,368,541.23	14,460,744.53
CHANGE IN NET ASSETS	420,187.61	(1,202,855.95)	(782,668.34)
TOTAL NET ASSETS - August 31, 2012	1,512,390.91	12,165,685.28	13,678,076.19

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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, 2012

	ENTERPRISE FUNDS		
	TEXAS STATE HISTORY MUSEUM (0849) U/F (0849)	CAPITOL GIFTSHOPS (0879) U/F (0879)	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from Customers	5,854,259.13	3,207,635.44	9,061,894.57
Payments to Suppliers for Resale Goods	(569,255.62)	(903,212.54)	(1,472,468.16)
Payments to Employees	(2,575,415.92)	(2,330,500.93)	(4,905,916.85)
Payments for Other Expenses	(2,687,198.90)	(1,100,965.21)	(3,788,164.11)
Net Cash Provided by Operating Activities	22,388.69	(1,127,043.24)	(1,104,654.55)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from Transfers from Other Funds			-
Payments for Transfers to Other Funds			-
Payments for Other Uses			-
Proceeds from Other Non-Operating Revenues	317,727.33	222,595.94	540,323.27
Net Cash Provided by Noncapital Financing Activities	317,727.33	222,595.94	540,323.27
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments for Additions to Fixed Assets	(26,795.05)		(26,795.05)
Net Cash Provided by Capital and Related Financing Activities	(26,795.05)	-	(26,795.05)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from interest and investment income	5,104.07	23,845.63	28,949.70
Net Cash Provided from Investing Activities	5,104.07	23,845.63	28,949.70
Increase (Decrease) in Cash	318,425.04	(880,601.67)	(562,176.63)
Cash and Cash Equivalents -- September 1, 2011	1,412,508.08	12,785,966.59	14,198,474.67
Cash and Cash Equivalents -- August 31, 2012	1,730,933.12	11,905,364.92	13,636,298.04
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	97,624.00	(1,448,922.49)	(1,351,298.49)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Amortization and Depreciation	116,572.74	4,382.24	120,954.98
Changes in Assets and Liabilities:			
(Increase) Decrease in Receivables	(33,736.92)	318.65	(33,418.27)
(Increase) Decrease in Inventories	2,809.61	(189,101.00)	(186,291.39)
(Increase) Decrease in Due from Other Funds	(307.66)	135,330.21	135,022.55
Increase (Decrease) in Due to Other Funds	(46,606.55)	(1,292.78)	(47,899.33)
Increase (Decrease) in Payables	49,887.80	181,700.20	231,588.00
Increase (Decrease) in Deferred Revenue	29,245.00		29,245.00
Increase (Decrease) in Other Liabilities	(193,099.33)	190,541.73	(2,557.60)
Total Adjustments	(75,235.31)	321,879.25	246,643.94
Net Cash Provided by Operating Activities	22,388.69	(1,127,043.24)	(1,104,654.55)

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EXHIBIT J-1 - Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the fiscal year Ended August 31, 2012

	BALANCES SEPTEMBER 1, 2011	ADDITIONS	DEDUCTIONS	BALANCES AUGUST 31, 2012
Suspense Fund (0900)				
Assets:				
Current				
Cash In State Treasury	8,235.60	612,642.92	609,982.33	10,896.19
Total Assets	8,235.60	612,642.92	609,982.33	10,896.19
Liabilities:				
Current				
Funds Held for Others	1,137.10	564,782.25	556,950.96	8,968.39
Accounts Payable	7,098.50	612,642.92	617,813.62	1,927.80
Total Liabilities	8,235.60	1,177,425.17	1,174,764.58	10,896.19
TexaSaver Fund (0942)				
Assets:				
Current				
Cash In State Treasury				
Accounts Receivable		3,615.70	3,615.70	
Total Assets		3,615.70	3,615.70	
Liabilities:				
Current				
Funds Held for Others		3,615.70	3,615.70	
Total Liabilities		3,615.70	3,615.70	
Total All Agency Funds				(Exhibit VI)
Assets:				
Current				
Cash In State Treasury	8,235.60	612,642.92	609,982.33	10,896.19
Accounts Receivable		3,615.70	3,615.70	
Total Assets	8,235.60	616,258.62	613,598.03	10,896.19
Liabilities:				
Current				
Accounts Payable	7,098.50	612,642.92	617,813.62	1,927.80
Funds Held for Others	1,137.10	568,397.95	560,566.66	8,968.39
Total Liabilities	1,137.10	568,397.95	560,566.66	10,896.19

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SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the fiscal year ended August 31, 2012

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Identifying Number	Pass-Through From			Direct Program Amount	Total PT From & Direct Program Amount	Pass-Through To			Total PT To & Expenditures	
			Agency/ Univ. #	Agency or University Amount	Non-State Entity Amount			Agency/ Univ. #	Agency or University Amount	Non-State Entity Amount		
National Endowment for the Humanities	45.164	GI-50351-11				\$169,078.33	\$169,078.33				\$169,078.33	\$169,078.33
Institute of Museum and Library Sciences	03.000	MA-04-10-0101-10				148,649.00	148,649.00				148,649.00	148,649.00
Total Federal Financial Assistance						\$317,727.33	\$317,727.33	\$0.00	\$0.00		\$317,727.33	\$317,727.33
Reconciliation:												
Per Combined Statement of Revenues, Expenditures, and Changes in Net Assets - Enterprise Funds (Exh.IV)								\$317,727.33				
Reconciling Items:								0.00				
Total Pass-Through and Expenditures Per Federal Schedule								\$317,727.33				\$317,727.33

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