

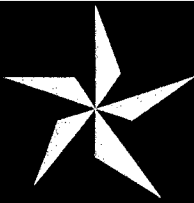
**Texas
Commission
on the Arts**
Investing in a Creative Texas

ANNUAL FINANCIAL REPORT

For the Year Ending August 31, 2013

Gary Gibbs, Ph.D.
Executive Director





November 20, 2013

Honorable Rick Perry, Governor
Honorable Susan Combs, Texas Comptroller
Ursula Parks, Director, Legislative Budget Board
John Keel, CPA, State Auditor

Ladies and Gentlemen:

We are pleased to submit the annual financial report of the Texas Commission on the Arts for the year ended 08/31/13, in compliance with Texas Government Code Annotated, Section 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 (GASB) 34, 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 any questions, please contact our Chief Financial Officer, Grant Weaver, at (512) 936-6567.

Sincerely,

Gary Gibbs, Ph.D.
Executive Director



TEXAS COMMISSION ON THE ARTS
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2013

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**COMBINED FINANCIAL
STATEMENTS**

UNAUDITED

Texas Commission on the Arts (813)
 Exhibit I — Combined Balance Sheet/Statement of Net Assets — Governmental Funds
 August 31, 2013

	Governmental Fund Types			Statement of Net Assets
	General Funds	Governmental Funds Total	Long-Term Liabilities Adjustments	
ASSETS AND DEFERRED OUTFLOWS				
Current Assets:				
Cash (Note 3)				
On Hand	\$	\$	\$	\$
In Bank		3,398.90		3,398.90
In Transit/Reimburse from Treasury			3,398.90	3,398.90
Cash in State Treasury		919,567.09		919,567.09
Short Term Investments (Note 3)				
Securities Lending Collateral				
Legislative Appropriations		97,453.01		97,453.01
Due From Other Funds (Note 12)				
Due From Other Agencies (Note 12)				
Interfund Receivables (Note 12)				
Consumable Inventories		4,398.58		4,398.58
Merchandise Inventories				
Prepaid Items				
Other Current Assets				
Non-Current Assets and Deferred Outflows:				
Other Non-Current Assets				
Total Assets and Deferred Outflows	\$	1,024,817.58	\$	0 \$1,024,817.58
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities and Deferred Inflows				
Current Liabilities:				
Payables from:				
Accounts	\$	30,719.62	\$	\$ 30,719.62
Investment Trade				
Other Intergovernmental				
Payroll		72,107.23		72,107.23
Federal				
Due To Other Funds (Note 12)				
Due To Other Agencies (Note 12)				
Interfund Payable (Note 12)				
Employees' Compensable Leave (Note 5)			59,729.90	59,729.90
Non-Current Liabilities and Deferred Inflows				
Interfund Payables				
Employees' Compensable Leave (Note 5)			60,552.18	60,552.18
Other Non-Current Liabilities				
Total Liabilities and Deferred Inflows		102,826.85	102,826.85	120,282.08 223,108.93
Fund Financial Statement				
Fund Balances (Deficits):				
Nonspendable		4,398.58		4,398.58
Restricted				
Committed		876,050.97		876,050.97
Assigned				
Unassigned		41,541.18		41,541.18
Total Fund Balances		921,990.73		917,592.15
Total Liabilities, Deferred Inflows and Fund Balances	\$	1,024,817.58	\$	1,024,817.58
Government-Wide Statement of Net Assets				
Net Assets				
Invested in Capital Assets, Net of Related Debt				
Restricted For				
Debt Retirement				
Capital Projects				
Other				
Funds Held as Permanent Investments:				
Expendable				
Non-Expendable				
Other				
Unrestricted				
Total Net Assets			120,282.08	120,282.08
	\$		\$	120,282.08 \$1,037,874.23

UNAUDITED

Texas Commission on the Arts (813)
 Exhibit II — Combined Statement of Revenues, Expenditures and Changes in Fund
 Balances/Statement of Activities — Governmental Funds
 For the Fiscal Year Ended August 31, 2013

	General Funds	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
REVENUES*					
Legislative Appropriations					
Original Appropriations (GR)	\$ 2,349,846.00	\$ 2,349,846.00	\$ 0	\$ 0	\$ 2,349,846.00
Additional Appropriations (GR)	153,026.94	153,026.94			153,026.94
Federal Grant Pass-Through Revenue (GR)	931,600.00	931,600.00			931,600.00
State Grant Pass-Through Revenue (GR)					
License, Fees & Permits (PR)	271,875.97	271,875.97			271,875.97
Interest and Other Investment Income (PR)	4,117.44	4,117.44			4,117.44
Interest and Other Investment Income (GR)					
Settlement of Claims (PR)	378.27	378.27			378.27
Settlement of Claims (GR)					
Sales of Goods and Services (PR)					
Other (PR - Chg for Serv, Operating or Capital)	205,500.00	205,500.00			205,500.00
Total Revenues	<u>3,916,344.62</u>	<u>3,916,344.62</u>	<u>0</u>	<u>0</u>	<u>3,916,344.62</u>
EXPENDITURES					
Salaries and Wages	718,446.82	718,446.82		(3,150.48)	715,296.34
Payroll Related Costs	174,108.89	174,108.89			174,108.89
Professional Fees and Services	2,255.35	2,255.35			2,255.35
Travel	29,908.00	29,908.00			29,908.00
Materials and Supplies	15,696.15	15,696.15			15,696.15
Communication and Utilities	10,456.52	10,456.52			10,456.52
Repairs and Maintenance	10,882.00	10,882.00			10,882.00
Rentals and Leases	11,478.82	11,478.82			11,478.82
Printing and Reproduction	328.97	328.97			328.97
Federal Grant Pass-Through Expenditures					
State Grant Pass-Through Expenditures	71,792.00	71,792.00			71,792.00
Public Assistance Payments	3,034,678.25	3,034,678.25			3,034,678.25
Employee Benefit Payments					
Other Expenditures	61,450.92	61,450.92			61,450.92
Total Expenditures/Expenses	<u>4,141,482.69</u>	<u>4,141,482.69</u>	<u>0</u>	<u>(3,150.48)</u>	<u>4,138,332.21</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(225,138.07)</u>	<u>(225,138.07)</u>	<u>0</u>	<u>3,150.48</u>	<u>(221,987.59)</u>
OTHER FINANCING SOURCES (USES)					
Transfer In					
Transfer Out					
Legislative Transfer In					
Legislative Transfer Out					
Gain (Loss) on Sale of Capital Assets					
Inc (Dec) in Net Assets Due to Interagency Transfer					
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EXTRAORDINARY ITEMS					
Natural Disaster-Hurricane					
Net Change in Fund Balances/Net Assets	<u>(225,138.07)</u>	<u>(225,138.07)</u>			<u>(221,987.59)</u>
Fund Financial Statement - Fund Balances					
Fund Balances, September 1, 2012	1,147,141.88	1,147,141.88			1,147,141.88
Restatements					
Fund Balances, September 1, 2012, as Restated	<u>1,147,141.88</u>	<u>1,147,141.88</u>			<u>1,147,141.88</u>
Appropriations Lapsed	(13.08)	(13.08)			(13.08)
Fund Balances, August 31, 2013	<u>\$ 921,990.73</u>	<u>\$ 921,990.73</u>			<u>\$ 925,141.21</u>
Government-Wide Statement of Net Assets					
Net Assets/Net Change in Net Assets			0	3,150.48	
Net Assets, September 1, 2012				(123,432.56)	(123,432.56)
Restatements					
Net Assets, September 1, 2012, as Restated			0	(123,432.56)	(123,432.56)
Net Assets, August 31, 2013	\$	0	\$	0	\$ (120,282.08)
					\$ 801,708.65

* When analyzing which comptroller object code to use, agencies need to determine if it rolls to Program Revenue (PR) or General Revenue (GR) on the Statement of Activities

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

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UNAUDITED

Texas Commission on the Arts (813)
 Exhibit II — Combined Statement of Revenues, Expenditures and Changes in Fund
 Balances/Statement of Activities — Governmental Funds
 For the Fiscal Year Ended August 31, 2013

	General Funds	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
REVENUES*					
Legislative Appropriations					
Original Appropriations (GR)	\$ 2,349,846.00	\$ 2,349,846.00	\$ 0	\$ 0	\$ 2,349,846.00
Additional Appropriations (GR)	153,026.94	153,026.94			153,026.94
Federal Grant Pass-Through Revenue (GR)	931,600.00	931,600.00			931,600.00
State Grant Pass-Through Revenue (GR)					
License Fees & Permits (PR)	271,875.97	271,875.97			271,875.97
Interest and Other Investment Income (PR)	4,117.44	4,117.44			4,117.44
Interest and Other Investment Income (GR)					
Settlement of Claims (PR)	378.27	378.27			378.27
Settlement of Claims (GR)					
Sales of Goods and Services (PR)					
Other (PR - Chg for Serv, Operating or Capital)	205,500.00	205,500.00			205,500.00
Total Revenues	3,916,344.62	3,916,344.62	0	0	3,916,344.62
EXPENDITURES					
Salaries and Wages	718,446.82	718,446.82		(3,150.48)	715,296.34
Payroll Related Costs	174,108.89	174,108.89			174,108.89
Professional Fees and Services	2,255.35	2,255.35			2,255.35
Travel	29,908.00	29,908.00			29,908.00
Materials and Supplies	15,696.15	15,696.15			15,696.15
Communication and Utilities	10,456.52	10,456.52			10,456.52
Repairs and Maintenance	10,882.00	10,882.00			10,882.00
Rentals and Leases	11,478.82	11,478.82			11,478.82
Printing and Reproduction	328.97	328.97			328.97
Federal Grant Pass-Through Expenditures					
State Grant Pass-Through Expenditures	71,792.00	71,792.00			71,792.00
Public Assistance Payments	3,034,678.25	3,034,678.25			3,034,678.25
Employee Benefit Payments					
Other Expenditures	61,450.92	61,450.92			61,450.92
Total Expenditures/Expenses	4,141,482.69	4,141,482.69	0	(3,150.48)	4,138,332.21
Excess (Deficiency) of Revenues over Expenditures	(225,138.07)	(225,138.07)	0	3,150.48	(221,987.59)
OTHER FINANCING SOURCES (USES)					
Transfer In					
Transfer Out					
Legislative Transfer In					
Legislative Transfer Out					
Gain (Loss) on Sale of Capital Assets					
Inc (Dec) in Net Assets Due to Interagency Transfer					
Total Other Financing Sources (Uses)	0	0	0	0	0
EXTRAORDINARY ITEMS					
Natural Disaster-Hurricane					
Net Change in Fund Balances/Net Assets	(225,138.07)	(225,138.07)			(221,987.59)
Fund Financial Statement - Fund Balances					
Fund Balances, September 1, 2012	1,147,141.88	1,147,141.88			1,147,141.88
Restatements					
Fund Balances, September 1, 2012, as Restated	1,147,141.88	1,147,141.88			1,147,141.88
Appropriations Lapsed	(13.08)	(13.08)			(13.08)
Fund Balances, August 31, 2013	\$ 921,990.73	\$ 921,990.73			\$ 925,141.21
Government-Wide Statement of Net Assets					
Net Assets/Net Change in Net Assets			0	3,150.48	
Net Assets, September 1, 2012				(123,432.56)	(123,432.56)
Restatements					
Net Assets, September 1, 2012, as Restated			0	(123,432.56)	(123,432.56)
Net Assets, August 31, 2013	\$	0	\$	0	\$ (120,282.08)
					\$ 801,708.65

* When analyzing which comptroller object code to use, agencies need to determine if it rolls to Program Revenue (PR) or General Revenue (GR) on the Statement of Activities

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**NOTES TO THE
FINANCIAL
STATEMENTS**

TEXAS COMMISSION ON THE ARTS (813)

Notes to the Financial Statements

For the Year Ended August 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTITY

The Texas Commission on the Arts 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 Commission operates under the authority of V.T.C.A., Government Code Chapter 444. The Commission serves the state by:

- Fostering the development of a receptive climate for the arts that will culturally enrich and benefit the citizens of Texas in their daily lives;
- Attracting to Texas outstanding creators in the fields of arts through appropriate programs of publicity and education;
- Directing activities such as lectures, exhibitions and the compilations and dissemination of information on the arts in Texas;
- Acting as a source of arts information to state government.

Due to the significant changes embedded in Governmental Accounting Standards Board (GASB) 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.

Blended Component Units

No component units have been identified which should have been blended into an appropriate fund.

Discrete Component Units

No discrete component units have been identified for inclusion within the agency's financial report.

FUND STRUCTURE

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

Governmental Fund Types & Government-wide Adjustment Fund Types

General Revenue Funds

The general revenue fund is the principal operating fund used to account for most of the state's general activities. It accounts for all financial resources except those accounted for in other funds. Texas Commission on the Arts uses two General Revenue Funds:

General Revenue Fund (0001): This fund is used to account for most activities related to general revenue, federal funds, interagency contracts and appropriated receipts.

TEXAS COMMISSION ON THE ARTS (813)

Notes to the Financial Statements

For the Year Ended August 31, 2013

General Revenue Dedicated Fund (0334) – Arts Operating Fund: This fund is used to account for most activities related to license plate, restricted donations and interest income.

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.

BASIS OF ACCOUNTING

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

Governmental fund types that build the fund financial statements are accounted for using the modified accrual method basis of accounting. Under the modified accrual basis, 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.

BUDGET AND BUDGETARY ACCOUNTING

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

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 BALANCES/NET ASSETS

Assets

Cash and Cash Equivalents

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

TEXAS COMMISSION ON THE ARTS (813)

Notes to the Financial Statements

For the Year Ended August 31, 2013

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 items are 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 purchased, at appraised fair value as of the date of acquisition. Purchases of assets by 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.

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

Payables are the accrual at year-end of expenditure transactions. Payables 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.

TEXAS COMMISSION ON THE ARTS (813)

Notes to the Financial Statements

For the Year Ended August 31, 2013

- 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.

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 funds 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 that 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 receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as "Current", repayment for two (or more) years is classified as "Non-Current".
- (4) 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 activity is presented in Note 12.

TEXAS COMMISSION ON THE ARTS (813)
 Notes to the Financial Statements
 For the Year Ended August 31, 2013

NOTE 2: CAPITAL ASSETS

A summary of changes in capital assets for the year ended August 31, 2013, is presented below:

Primary Government						
	<u>Balance</u> <u>9/1/2012</u>	<u>Adjustments</u>	<u>Reclass.</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/31/2013</u>
Depreciable Assets:						
Furniture & Equipment	\$0.00					\$0.00
Total Depreciable Assets at Historical Costs	\$0.00					\$0.00
Less Accumulated Depreciation for: Furniture and Equipment	(\$0.00)					\$0.00
Governmental Activities Capital Assets, Net	\$0.00					\$0.00

NOTE 3: DEPOSITS, INVESTMENTS AND REPURCHASE AGREEMENTS

Texas Commission on the Arts' authority to make investments was revoked as of December 1, 2009, per House Bill 2242, which was passed during the 81st Legislative Session. The agency's "cash in bank" consists of a travel advance fund.

DEPOSITS OF CASH IN BANK

As of August 31, 2013, the carrying amount of deposits was **\$3,398.90** as presented below:

Governmental and Business Type Activities

CASH IN BANK – CARRYING AMOUNT	\$3,398.90
Less: Certificates of Deposit included in carrying amount	0
Less: Uninvested Securities Lending Cash Collateral included in carrying amount	0
Less: Securities Lending CD Collateral included in carrying amount	0
Total Cash in Bank per AFR	\$3,398.90
Governmental Funds Current Cash in Bank	\$3,398.90
CASH IN BANK PER AFR	\$3,398.90

These amounts consist of all cash in local banks. These amounts are included on the combined statement of net assets as part of the "cash in bank" account.

TEXAS COMMISSION ON THE ARTS (813)
 Notes to the Financial Statements
 For the Year Ended August 31, 2013

As of August 31, 2013, the total bank balance was as follows:

Governmental and Business Type Activities	\$3,398.90
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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 possession of an outside party. The agency did not have any bank balance subject to custodial credit risk.

Foreign currency risk for deposits is the risk that changes in exchange rates will adversely affect the deposit. The agency did not have any balances subject to foreign currency risk.

INVESTMENTS

As of August 31, 2013, the carrying amount of investments was **\$0.00** as presented below:

Governmental and Business Type Activities

Misc. Investments	\$0.00
TOTAL INVESTMENTS	\$0.00

Reconciliation of Investments per Exhibits – Governmental and Business Type Activities:	
Governmental Funds Current Assets Short-Term Investments	\$0.00
Governmental Funds Noncurrent Assets Investments	\$0.00
INVESTMENTS PER EXHIBITS	\$0.00

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The agency did not have investments subject to custodial credit risk.

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. The agency did not have investments subject to custodial credit risk.

NOTE 4: SHORT-TERM DEBT

Texas Commission on the Arts did not have any short term debt for the year ended August 31, 2013.

TEXAS COMMISSION ON THE ARTS (813)
 Notes to the Financial Statements
 For the Year Ended August 31, 2013

NOTE 5: LONG-TERM LIABILITIES

During the year ended August 31, 2013, the following changes occurred in liabilities:

Governmental Activities	Balance 09/01/2012	Additions	Reductions	Balance 8/31/2013	Amounts Due Within One Year	Amounts Due Thereafter
Employee's Compensable Leave	\$123,432.56	\$71,042.81	\$67,828.80	\$120,282.08	\$59,729.90	\$60,552.18
Total Governmental Activities	\$123,432.56	\$71,042.81	\$67,828.80	\$120,282.08	\$59,729.90	\$60,552.18

Employee's 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 compensation was paid.

NOTE 6: BONDED INDEBTEDNESS

Texas Commission on the Arts has not issued any bond debt for the year end August 31, 2013.

NOTE 7: DERIVATIVES

Texas Commission on the Arts did not have any derivatives for the year ended August 31, 2013.

NOTE 8: LEASES

Texas Commission on the Arts did not have any leases for the year ended August 31, 2013.

NOTE 9: PENSION PLANS

Texas Commission on the Arts does not administer employee's pension plans.

NOTE 10: DEFERRED COMPENSATION

Texas Commission on the Arts does not administer deferred compensation plans.

TEXAS COMMISSION ON THE ARTS (813)
Notes to the Financial Statements
For the Year Ended August 31, 2013

NOTE 11: POST-EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

This note is not applicable to Texas Commission on the Arts.

NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS

The detailed state grant pass-through information is listed on Schedule 1B – Schedule of State Grant Pass-Through From/To State Agencies.

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Sample Agency will be abolished effective 09/01/25, unless continued in existence by the 89th Legislature as provided by the Act. If abolished, the agency may continue until 09/01/26 to close out its operations.

NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET ASSETS

Texas Commission on the Arts did not have any adjustments to fund balance and net assets for the year ended August 31, 2013.

NOTE 15: CONTINGENCIES AND COMMITMENTS

Texas Commission on the Arts did not have any contingencies and commitments for the year ended August 31, 2013.

NOTE 16: SUBSEQUENT EVENTS

Texas Commission on the Arts does not have any subsequent events to report for the year end August 31, 2013.

NOTE 17: RISK MANAGEMENT

Texas Commission on the Arts did not have any risk financing and related insurance for the year ended August 31, 2013.

NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS

Texas Commission on the Arts did not have any Management Discussion and Analysis for the year ended August 31, 2013.

TEXAS COMMISSION ON THE ARTS (813)
Notes to the Financial Statements
For the Year Ended August 31, 2013

NOTE 19: THE FINANCIAL REPORTING ENTITY

Texas Commission on the Arts did not have any component units for the year ended August 31, 2013.

NOTE 20: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Texas Commission on the Arts does not have any stewardship, compliance or accountability items to report for the year ended August 31, 2013.

NOTE 21: N/A

NOTE 22: DONOR RESTRICTED ENDOWMENTS

Texas Commission on the Arts did not have any donor restricted endowments for the year ended August 31, 2013.

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

Texas Commission on the Arts did not have any extraordinary and special items to report for the year ended August 31, 2013.

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Texas Commission on the Arts does not have any receivable and payable balances that need disaggregation for the year ended August 31, 2013.

NOTE 25: TERMINATION BENEFITS

Texas Commission on the Arts did not issue any termination benefits for the year ended August 31, 2013.

NOTE 26: SEGMENT INFORMATION

Texas Commission on the Arts did not have any segment for the year ended August 31, 2013.

NOTE 27: SERVICE CONCESSION ARRANGEMENTS

Texas Commission on the Arts did not have any Service Concession Arrangements (SCAs) for the year ended August 31, 2013.

TEXAS COMMISSION ON THE ARTS (813)
Notes to the Financial Statements
For the Year Ended August 31, 2013

NOTE 28: TROUBLE DEBT RESTRUCTURING

Texas Commission on the Arts did not have any outstanding receivables whose terms have been modified in troubled debt restructurings for the year ended August 31, 2013.

NOTE 29: DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

Texas Commission on the Arts did not have deferred outflows nor deferred inflows of resources for the year ended August 31, 2013.

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**COMBINING
FINANCIAL
STATEMENTS**

UNAUDITED

Texas Commission on the Arts (813)
Exhibit A-1 — Combining Balance Sheet — All General and Consolidated
Funds
August 31, 2013

	<u>General</u>		
	<u>General Rev 0001* U/F 0001</u>	<u>Arts Operating Fund (0334)* U/F (0334)</u>	<u>Arts Operating Fund/HB2242 (0334)* U/F (5334)</u>
ASSETS			
Current Assets:			
Cash			
On Hand	\$	\$	\$
In Bank	3,398.90		
In Transit/Reimburse from Treasury			
In State Treasury		(3,537,001.58)	3,597,511.25
Legislative Appropriations	97,453.01		
Due From Other Funds			
Due From Other Agencies			
Interfund Receivables			
Consumable Inventories	2,144.35	2,254.23	
Non-Current Assets:			
Other Non-Current Assets			
Total Assets	\$ 102,996.26	\$ (3,534,747.35)	\$ 3,597,511.25
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities:			
Payables from			
Accounts	\$ 27,575.83	\$ 3,143.79	
Investment Trade			
Other Intergovernmental			
Payroll	31,734.90	40,372.33	
Contract Retainage Payable:			
Due To Other Funds			
Due To Other Agencies			
Interfund Payable			
Deferred Revenues			
General Obligation Bonds Payable			
Liabilities Payable from Restricted Assets			
Funds Held For Others			
Non-Current Liabilities			
Liabilities Payable from Restricted Assets			
Assets Held for Others			
Total Liabilities	59,310.73	43,516.12	0
Fund Balances (Deficits):			
Nonspendable	2,144.35	2,254.23	
Restricted			
Committed		(3,580,517.70)	3,597,511.25
Assigned			
Unassigned	41,541.18		
Total Fund Balances	43,685.53	(3,578,263.47)	3,597,511.25
Total Liabilities and Fund Balances	\$ 102,996.26	\$ (3,534,747.35)	\$ 3,597,511.25

* GAAP Fund is noted as (XXXX), USAS D23 U/F (XXXX)

UNAUDITED

Consolidated Accounts				
Arts Operating Fund/Endowment Interest (0334)* U/F (6334)	Arts Oprating Fund/License Plate (0334)* U/F (7334)	Arts Operating Fund/Depository Interest (0334)* U/F (8334)		Total
\$	\$	\$	\$	3,398.90
48,302.97	478,959.22	331,795.23		919,567.09 97,453.01
				4,398.58
\$ 48,302.97	\$ 478,959.22	\$ 331,795.23	\$	1,024,817.58
			\$	30,719.62
				72,107.23
			\$	102,826.85
				4,398.58
48,302.97	478,959.22	331,795.23		876,050.97
				41,541.18
48,302.97	478,959.22	331,795.23		921,990.73
\$ 48,302.97	\$ 478,959.22	\$ 331,795.23	\$	1,024,817.58

UNAUDITED

Texas Commission on the Arts (813)
 Exhibit A-2 — Combining Statement of Revenues, Expenditures and Changes in Fund Balances —
 All General and Consolidated Funds
 For the Fiscal Year Ended August 31, 2013

	General		Consolidated Accounts	
	General Rev 0001* U/F 0001	Arts Operating Fund (0334)* U/F (0334)	Arts Operating Fund/HB2242 (0334)* U/F (5334)	Arts Operating Fund/Endowment Interest (0334)* U/F (6334)
REVENUES**				
Legislative Appropriations				
Original Appropriations (GR)	\$ 2,349,846.00	\$ 0		
Additional Appropriations (GR)	153,026.94			
Federal Grant Pass-Through Revenue (GR)	931,600.00			
State Grant Pass-Through Revenue (GR)				
License, Fees & Permits (PR)				
Contribution to Employee's Benefit Funds (PR)				
Interest and Other Investment Income (PR)				
Interest and Other Investment Income (GR)				
Settlement of Claims (PR)		255.48	122.79	
Sales of Goods and Services (PR)				
Other (PR - Chg for Serv, Operating or Capital)		287,235.88	(1,871.60)	
Other (GR)				
Total Revenues	3,434,472.94	287,491.36	(1,748.81)	0
EXPENDITURES				
Salaries and Wages	694,417.33	24,029.49		
Payroll Related Costs	157,993.85	16,115.04		
Professional Fees and Services	2,255.35			
Travel	29,186.15	721.85		
Materials and Supplies	15,696.15			
Communication and Utilities	10,456.52			
Repairs and Maintenance	10,882.00			
Rentals and Leases	11,478.82			
Printing and Reproduction	328.97			
Federal Grant Pass-Through Expenditures				
State Grant Pass-Through Expenditures	56,550.00			
Public Assistance Payments	2,382,550.00	261,913.25		
Other Expenditures	60,299.92	1,151.00		
Total Expenditures	3,412,095.06	303,930.63	0	0
Excess (Deficiency) of Revenues over Expenditures	22,377.88	(16,439.27)	(1,748.81)	0
OTHER FINANCING SOURCES (USES)				
Payment to Escrow for Refunding				
Transfers In				
Transfers Out				
Legislative Transfers In				
Legislative Transfers Out				
Total Other Financing Sources (Uses)	0	0	0	0
EXTRAORDINARY ITEMS				
Natural Disaster-Hurricane Schermann/Bean				
Net Change in Fund Balances	22,377.88	(16,439.27)	(1,748.81)	0
Fund Financial Statement - Fund Balances				
Net Assets, September 1, 2012	21,320.73	(3,581,824.20)	3,599,260.06	48,302.97
Restatements				
Net Assets, September 1, 2012, as Restated	21,320.73	(3,581,824.20)	3,599,260.06	48,302.97
Appropriations Lapsed	(13.08)			
Net Assets, August 31, 2013	\$ 43,685.53	\$ (3,578,263.47)	\$ 3,597,511.25	\$ 48,302.97

* GAAP Fund is noted as (XXXX), USAS D23 U/F (XXXX)

** When analyzing which comptroller object code to use, agencies need to determine if it rolls to Program Revenue (PR) or General Revenue (GR) on the Statement of Activities

UNAUDITED

Arts Oprating Fund/License Plate (0334)* U/F (7334)	Arts Operating Fund/Depository Interest (0334)* U/F (8334)	Total
\$ 0		\$ 2,349,846.00
		153,026.94
		931,600.00
		0
271,875.97		271,875.97
		0
	4,117.44	4,117.44
		0
		378.27
		0
(70,530.08)	(9,334.20)	205,500.00
		0
201,345.89	(5,216.76)	3,916,344.62
		718,446.82
		174,108.89
		2,255.35
		29,908.00
		15,696.15
		10,456.52
		10,882.00
		11,478.82
		328.97
		0
15,242.00		71,792.00
410,215.00		3,034,678.25
		61,450.92
425,457.00	0	4,141,482.69
(224,111.11)	(5,216.76)	(225,138.07)
		0
		0
		0
		0
0	0	0
		0
		0
(224,111.11)	(5,216.76)	(225,138.07)
		0
703,070.33	337,011.99	1,147,141.88
		0
703,070.33	337,011.99	1,147,141.88
		(13.08)
\$ 478,959.22	\$ 331,795.23	\$ 921,990.73

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**SCHEDULE OF
EXPENDITURES OF
FEDERAL AWARDS**

Agency 813 - Texas Commission on the Arts
 Schedule 1A
 For the Fiscal Year Ended August 31, 2013

Certified

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	NSE Name/ Identifying Number	Agy/ Univ No	Pass-through From	
				Agencies or Universities Amount	Non-State Entities Amount
National Endowment For The Humanities					
<u>Direct Programs:</u>					
Promotion of the Arts_Partnership	45.025				
<u>Agreements</u>					
Totals - National Endowment For The Humanities				0	0
Total Expenditures of Federal Awards				-	-

Direct Program Amount	Total PT From and Direct Prog.	Agy/ Univ No.	Pass-through To		Expenditures Amount	Total PT To and Expenditures
			Agencies or Universities Amount	Non-State Entities Amount		
931,600.00	931,600.00				931,600.00	931,600.00
931,600.00	931,600.00				931,600.00	931,600.00
931,600.00	931,600.00		-	-	931,600.00	931,600.00

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**SCHEDULE OF STATE
GRANT PASS-
THROUGH FROM/TO
STATE AGENCIES**

Texas Commission on the Arts (813)
Schedule 1B
Schedule of State Grant Pass-Throughs From/To State Agencies
For the Year Ended August 31, 2013

Pass-through From	Grant ID	Agency Number	Amount
			\$ -
Total Pass-Through from Other Agencies (Exh. II):			-

Pass-through To	Grant ID	Agency Number	Amount
Arts Create	813.0001		
University of Texas at Austin		721	\$ 12,496.00
University of Texas at El Paso		724	9,372.00
University of Houston		730	8,479.00
University of Texas at San Antonio		743	4,686.00
University of Texas at Brownsville		747	4,686.00
University of North Texas		752	3,793.00
Texas A&M University - Corpus Christi		760	3,793.00
			\$ 47,305.00
Arts Respond	813.0002		
University of Texas at Austin		721	8,682.00
University of Houston		730	2,535.00
			\$ 11,217.00
Various Projects	813.0003		
University of Houston		730	\$ 6,000.00
Texas A&M International University		761	6,695.00
Parks and Wildlife Department		802	575.00
			\$ 13,270.00
Total Pass-Through to Other Agencies (Exh. II):			\$ 71,792.00

