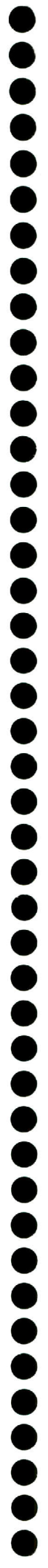
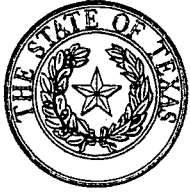


TEXAS MILITARY DEPARTMENT
Annual Financial Report



For Year Ended August 31, 2014





REPLY TO
ATTENTION OF

TEXAS MILITARY FORCES

Joint Force Headquarters
Texas Military Department
Post Office Box 5218
Austin, Texas 78763-5218
512-782-5001

November 20, 2014

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 Military Department (formerly Adjutant General's Department) for the year ended 08/31/14, 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) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the state auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report (CAFR)*; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Pamela Darden, Chief Fiscal Officer, at 512-782-5688. Amanda Hafer, Deputy Chief Fiscal Officer, may be contacted at 512-782-5253 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Duane Waddill". The signature is stylized and cursive.

A. Duane Waddill
Executive Director
Texas Military Department

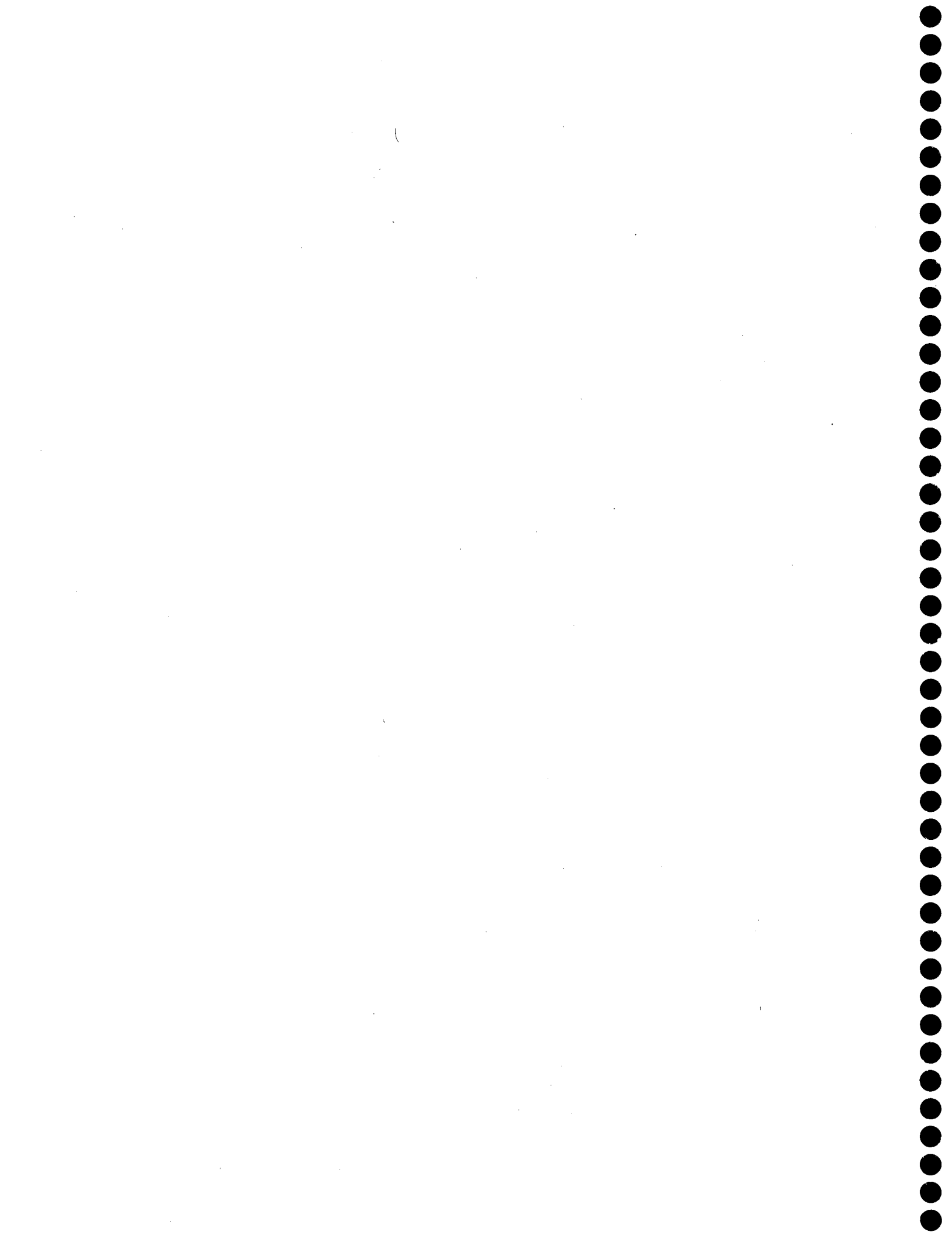


TABLE OF CONTENTS

I.	FUND FINANCIAL STATEMENTS	
	A. Exhibit I - Combined Balance Sheet -All Fund Types and Account Groups	1 - 2
	B. Exhibit II - Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - All Governmental Fund Types	3 - 4
II.	NOTES TO THE FINANCIAL STATEMENTS	
	1 Summary of Significant Accounting Policies	8
	2 Summary of Changes in General Fixed Assets	13
	3 Deposits, Investments, & Repurchase Agreements	15
	4 Short-Term Debt	16
	5 Long-Term Liability	16
	6 Bonded Indebtedness	17
	7 Capital Leases	17
	8 Operating Leases	17
	9 Retirement Plans	18
	10 Deferred Compensation	18
	11 Post Employment Health Care	18
	12 Interfund Balances/Activities	19
	13 Continuance Subject to Review	20
	14 Adjustments to Fund Balance	20
	15 Contingent Liabilities	20
	16 Subsequent Events	20
	17 Risk Management	20
	18 Management Discussions	20
	19 The Financial Reporting Entity and Joint Ventures	21
	20 Stewardship, Compliance, and Accountability	21
	21 N/A	21
	22 Donor-Restricted Endowments	21
	23 Extraordinary and Special Items	21
	24 Disaggregation of Receivable and Payable Balances	21
	25 Termination Benefits	21
	26 Segment Information	21

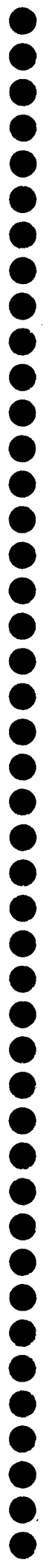


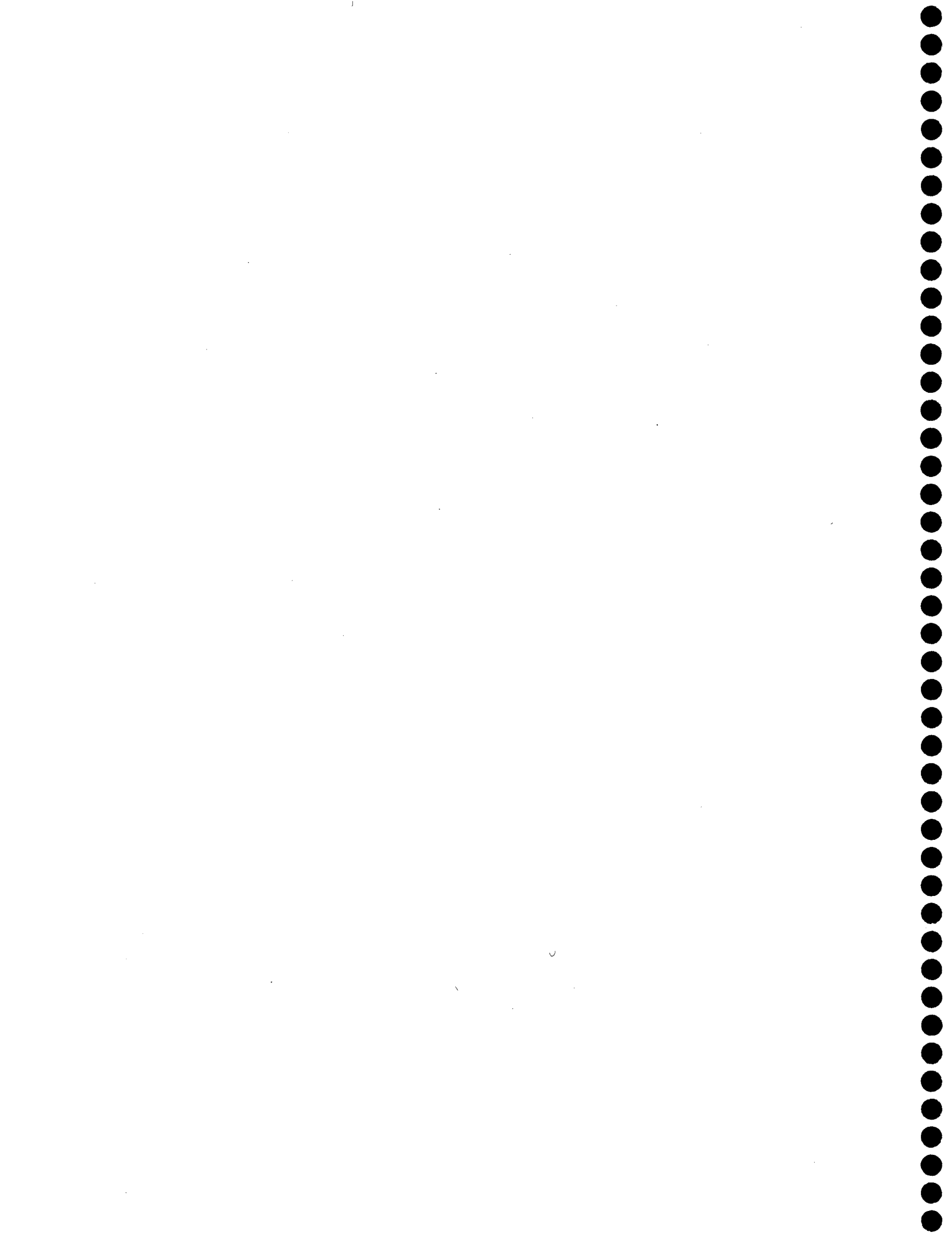
TABLE OF CONTENTS (Continued)

III. FUND FINANCIAL STATEMENTS

Exhibit A-1 - Combining Balance Sheet - All General Fund Consolidated Funds	24
Exhibit A-2 - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - All General Fund Consolidated Funds	26
Exhibit B-1 - Combining Balance Sheet - Special Revenue Funds	27
Exhibit B-2 - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Funds	28
Exhibit C-1 - Combining Balance Sheet - Debt Service Fund	29
Exhibit C-2 - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Debt Service Funds	30
Exhibit D-1 - Combining Balance Sheet - Capital Project Funds	31
Exhibit D-2 - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Capital Project Funds	32
Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities - All Agency Funds	33

IV. SCHEDULES

1A Schedule of Expenditures of Federal Awards	37
1B Schedule of State Grant Pass Throughs From/To State Agencies	40
2A Miscellaneous Bond Information	41
2B Changes in Bond Indebtedness	42
2C Debt Service Requirements	43
2D Analysis of Funds Available for Debt Service	44





Fund Financial Statements

Texas Military Department (401)
Exhibit I — Combined Balance Sheet/Statement of Net Assets — Governmental Funds
August 31, 2014

	Governmental Fund Types				
	General Funds	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds
ASSETS AND DEFERRED OUTFLOWS					
Current Assets:					
Cash (Note 3)					
On Hand	\$ 100.00	\$ -	\$ -	\$ -	\$ -
In Bank	-	1,171,357.80	-	-	-
Cash in State Treasury	6,998,494.09	-	-	-	-
Legislative Appropriations	38,798,195.95	-	-	-	-
Receivables from:					
Accounts Receivable	900.00	-	-	-	-
Federal	3,503,327.78	-	-	-	-
Interfund Receivables (Note 12)	14,126,540.51	-	-	-	-
Consumable Inventories	120,467.25	-	-	-	-
Other Current Assets	-	2,560,221.66	-	-	-
Non-Current Assets and Deferred Outflows:					
Capital Assets (Note 2):					
Non-Depreciable or Non-Amortizable					
Depreciable or Amortizable, Net					
Other Non-Current Assets	-	-	-	-	-
Total Assets and Deferred Outflows	63,548,025.58	3,731,579.46	-	-	-
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities and Deferred Inflows					
Current Liabilities:					
Payables from:					
Accounts	80,673.85	-	-	-	-
Investment Trade	-	-	-	-	-
Other Intergovernmental	-	-	-	-	-
Payroll	3,409,740.73	-	-	-	-
Federal	-	-	-	-	-
Interest	-	-	-	-	-
Contracts	-	-	-	-	-
Other	-	-	-	-	-
Contract Retainage Payable	-	-	-	-	-
Due To Other Funds (Note 12)	-	-	-	-	-
Due To Other Agencies (Note 12)	2,230,143.17	-	-	-	-
Interfund Payable (Note 12)	14,126,540.51	-	-	-	-
Deferred Revenues	17,541,368.34	-	-	-	-
Employees' Compensable Leave (Note 5)	-	-	-	-	-
Revenue Bonds Payable (Note 5, 6)	-	-	-	-	-
Non-Current Liabilities and Deferred Inflows					
Employees' Compensable Leave (Note 5)	-	-	-	-	-
Revenue Bonds Payable (Note 5, 6)	-	-	-	-	-
Total Liabilities and Deferred Inflows	37,388,466.60	-	-	-	-
Fund Financial Statement					
Fund Balances (Deficits):					
Restricted	738,029.79	829,944.62	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	25,421,529.19	2,901,634.84	-	-	-
Total Fund Balances	26,159,558.98	3,731,579.46	-	-	-
Total Liabilities, Deferred Inflows and Fund Balances	\$ 63,548,025.58	\$ 3,731,579.46	\$ -	\$ -	\$ -
Government-Wide Statement of Net Assets					
Net Assets					
Invested in Capital Assets, Net of Related Debt					
Restricted For					
Debt Retirement					
Capital Projects					
Other					
Unrestricted					
Total Net Assets					

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

UNAUDITED

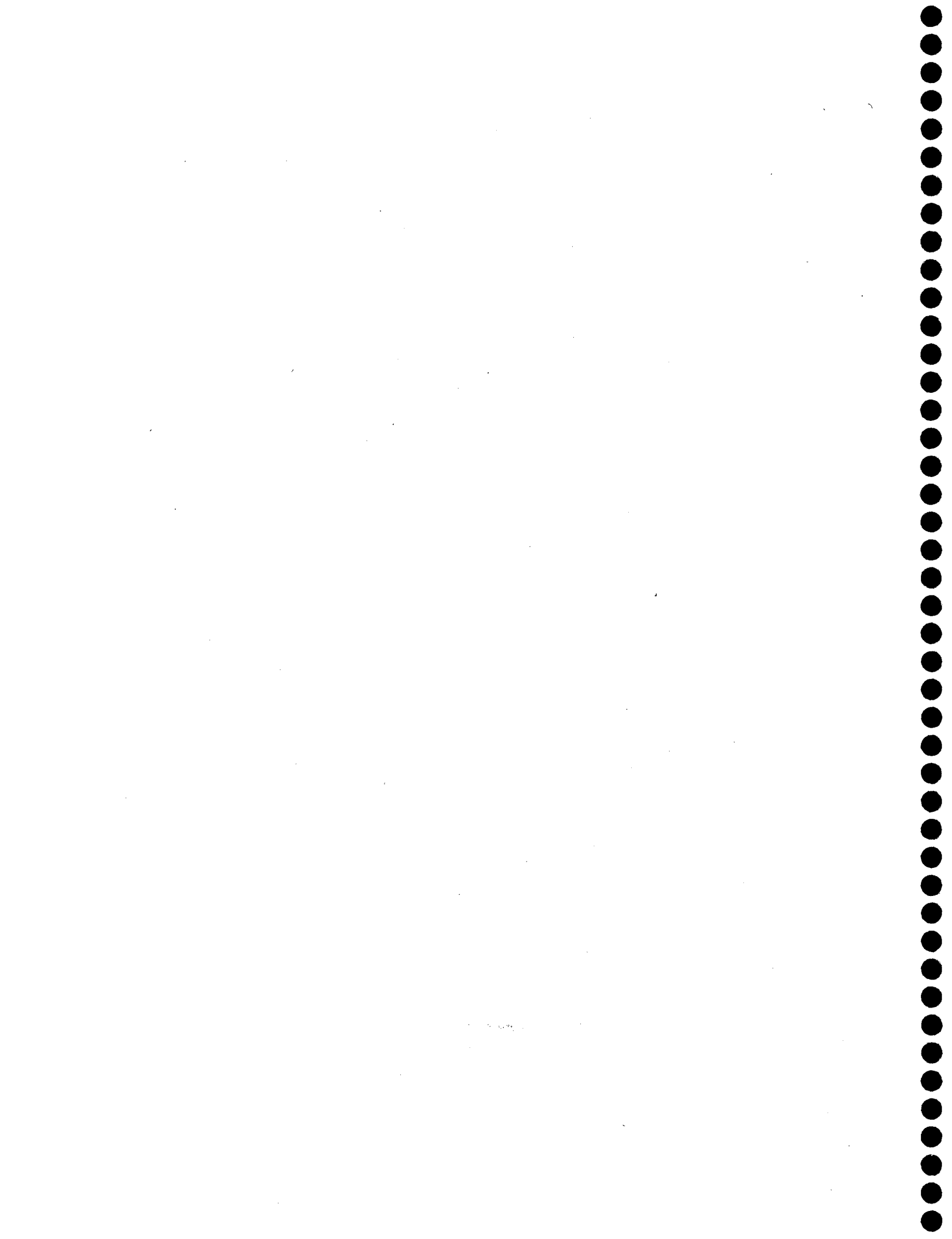
Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Other Adjustments	Statement of Net Assets
\$ 100.00	\$ -	\$ -	\$ -	\$ 100.00
1,171,357.80				1,171,357.80
6,998,494.09				6,998,494.09
38,798,195.95				38,798,195.95
-				-
900.00				900.00
3,503,327.78				3,503,327.78
14,126,540.51				14,126,540.51
120,467.25				120,467.25
2,560,221.66				2,560,221.66
-				-
-	2,000,000.00			2,000,000.00
-	41,024,646.67			41,024,646.67
-	186,053,845.93			186,053,845.93
67,279,605.04	229,078,492.60	-	-	296,358,097.64
80,673.85		-	-	80,673.85
-				-
3,409,740.73				3,409,740.73
-				-
-				-
-				-
-				-
2,230,143.17				2,230,143.17
14,126,540.51				14,126,540.51
17,541,368.34				17,541,368.34
-		1,617,814.37		1,617,814.37
-		1,225,000.00		1,225,000.00
-		1,022,979.53		1,022,979.53
-		9,360,000.00		9,360,000.00
37,388,466.60	-	13,225,793.90	-	50,614,260.50
1,567,974.41				1,567,974.41
-				-
-				-
28,323,164.03				28,323,164.03
29,891,138.44				29,891,138.44
<u>\$ 67,279,605.04</u>				
	229,078,492.60			229,078,492.60
		17,150,000.00		17,150,000.00
		(3,924,206.00)		(3,924,206.00)
	<u>\$ 229,078,492.60</u>	<u>\$ 13,225,794.00</u>	<u>\$ -</u>	<u>\$ 272,195,425.04</u>

Texas Military Department
Exhibit II — Combined Statement of Revenues, Expenditures and Changes in Fund
Balances/Statement of Activities — Governmental Funds
For the Fiscal Year Ended August 31, 2014

	General Funds	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Governmental Funds Total
REVENUES*					
Legislative Appropriations					
Original Appropriations	\$ 16,100,608.67	\$ -	\$ -	\$ -	\$ 16,100,608.67
Additional Appropriations	1,282,160.14	-	-	-	1,282,160.14
Federal Revenue	53,918,349.21	-	-	-	53,918,349.21
Federal Grant Pass-Through Revenue	936,906.55	-	-	-	936,906.55
State Grant Pass-Through Revenue	175,000.00	-	-	-	175,000.00
License, Fees & Permits	-	-	-	-	-
Interest and Other Investment Income	25,670.27	-	-	-	25,670.27
Sales of Goods and Services	79,643.06	-	-	-	79,643.06
Other	582,109.37	-	-	-	582,109.37
Total Revenues	73,100,447.27	-	-	-	73,100,447.27
EXPENDITURES					
Salaries and Wages	27,956,887.53	-	-	-	27,956,887.53
Payroll Related Costs	7,941,944.03	-	-	-	7,941,944.03
Professional Fees and Services	1,860,383.01	-	-	-	1,860,383.01
Travel	515,986.13	-	-	-	515,986.13
Materials and Supplies	4,040,267.71	-	-	-	4,040,267.71
Communication and Utilities	8,338,298.90	-	-	-	8,338,298.90
Repairs and Maintenance	8,581,118.37	-	-	-	8,581,118.37
Rentals and Leases	3,508,470.93	-	-	-	3,508,470.93
Printing and Reproduction	28,455.11	-	-	-	28,455.11
Claims and Judgments	-	-	-	-	-
Federal Grant Pass-Through Expenditures	(36,122.49)	-	-	-	(36,122.49)
State Grant Pass-Through Expenditures	-	-	-	-	-
Intergovernmental Payments	-	-	-	-	-
Public Assistance Payments	1,034,298.09	-	-	-	1,034,298.09
Employee Benefit Payments	-	-	-	-	-
Other Expenditures	9,155,090.14	-	-	341.86	9,155,432.00
Debt Service:	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Other Payments for Refunding	-	-	-	-	-
Capital Outlay	6,107,714.37	-	-	1,771,100.35	7,878,814.72
Depreciation and Amortization Expense	-	-	-	-	-
Total Expenditures/Expenses	79,032,791.83	-	-	1,771,442.21	80,804,234.04
Excess (Deficiency) of Revenues over	(5,932,344.56)	-	-	(1,771,442.21)	(7,703,786.77)
OTHER FINANCING SOURCES (USES)					
Bond and Note Proceeds	-	-	-	-	-
Increase in Obligations Under Capital Leases	-	-	-	-	-
Sale of Capital Assets	489,306.55	-	-	-	489,306.55
Insurance Recoveries	-	-	-	-	-
Transfer In	942,371.76	-	-	2,284,058.77	3,226,430.53
Transfer Out	(970,282.83)	-	-	(512,816.56)	(1,482,899.39)
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)	461,395.48	-	-	1,771,442.21	2,232,837.69
Net Change in Fund Balances/Net Assets	(5,470,949.08)	-	-	-	(5,470,949.08)
Fund Financial Statement - Fund Balances					
Fund Balances, September 1, 2013, as Restated	4,830,270.63	1,014,659.88	-	-	5,844,930.51
Restatements	-	-	-	-	-
Fund Balances, September 1, 2013, as Restated	4,830,270.63	1,014,659.88	-	-	5,844,930.51
Appropriations Lapsed	(962,638.96)	-	-	-	(962,638.96)
Fund Balances, August 31, 2014	\$ (1,603,317.41)	\$ 1,014,659.88	\$ -	\$ -	\$ (588,657.53)
Government-Wide Statement of Net Assets					
Net Assets/Net Change in Net Assets					-
Net Assets, September 1, 2013					-
Restatements					-
Net Assets, September 1, 2013, as Restated					-
Net Assets, August 31, 2014					\$ -

**Texas Military Department
 Exhibit II — Combined Statement of Revenues, Expenditures and Changes
 in Fund Balances/Statement of Activities — Governmental Funds
 For the Fiscal Year Ended August 31, 2014**

Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
\$ -	\$ -	\$ 16,100,608.67
		1,282,160.14
		53,918,349.21
		936,906.55
		175,000.00
		-
		25,670.27
		79,643.06
		582,109.37
		<u>73,100,447.27</u>
	(78,523.03)	27,878,364.50
		7,941,944.03
		1,860,383.01
		515,986.13
		4,040,267.71
		8,338,298.90
		8,581,118.37
		3,508,470.93
		28,455.11
		-
		(36,122.49)
		-
		1,034,298.09
		-
		9,155,432.00
		-
	(1,460,000.00)	(1,460,000.00)
		-
		-
8,058,814.72		15,937,629.44
(11,768,003.93)		(11,768,003.93)
(3,709,189.21)	(1,538,523.03)	75,556,521.80
3,709,189.21	1,538,523.03	(2,456,074.53)
		-
		-
		489,306.55
		-
		3,226,430.53
		(1,482,899.39)
		-
		-
(601,522.32)		(601,522.32)
		-
(601,522.32)	-	1,631,315.37
		(824,759.16)
		-
		5,844,930.51
		-
		5,844,930.51
		(962,638.96)
		\$ 4,057,532.39
(4,310,711.53)	1,538,523.03	
233,389,204.13		233,389,204.13
233,389,204.13	-	233,389,204.13
\$ 229,078,492.60	\$ 1,538,523.03	\$ 237,446,736.52





Notes to the Financial Statements



6

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTITY

The Texas Military Department is an agency of the state of Texas and operates under the authority of Government Code, Sections 431, 432 and 437. The agency's financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Reporting Requirements for Annual Financial Reports of State Agencies and Universities.

The Texas Military Department's headquarters is at Camp Mabry, Austin, Texas, but has armories throughout the state. The agency provides the Governor and the President with ready and trained forces in support of the citizens of Texas and state and federal civil/military authorities at home and abroad.

The Texas Military Department has no component units as defined by Governmental Accounting Standards Board Statement No. 14.

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.

Blended Component Units

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

Discrete Component Units

No discrete component units have been identified which should have discreetly been presented.

FUND STRUCTURE

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

Governmental Fund Types

General Fund

The general fund is used to account for all financial resources of the state except those that are required to be accounted for in other funds.

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Revenue Bonds Revenue Fund

This fund is used to account for revenues derived from the property of the Texas Military Department and to provide sufficient debt service of semiannual bond principal and interest

payments. All monies remaining in the fund not required for bond principal and interest payments are used to the extent required for payment of operations and maintenance expenditures of the Texas Military Department.

Debt Service Funds

Debt Service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The Debt Service funds include the Interest and Sinking fund.

The function of the Interest and Sinking fund is to provide for payment of principal and interest on the Texas Military Department's outstanding revenue bonds. The Texas Military Department transfers from the Revenue Bonds - Revenue Fund monies that are sufficient together with the Interest and Sinking fund, to pay the interest and principal due each October 1 and April 1. Transfers may also be made to the Interest and Sinking fund from any residual balance from bond proceeds in the capital projects fund.

Capital Project Fund

Capital Project Funds are used to account for financial resources used for the acquisition, repair, renovation or construction of major capital facilities. This fund was created to utilize funds from the sale of revenue bonds. Monies derived from the sale of the Texas Military Department's revenue bonds were deposited to the Capital Projects Fund in accordance with the provisions of the Certificate of Resolution authorizing the issuance of the revenue bonds. These funds are subject to and charged with a lien in favor of the holders of the bonds until such funds are paid out for project costs.

All interest and gains from investments of the Capital Projects fund remain as a part of the fund. After completion of all project costs, the remaining balances in the fund will be transferred to the Debt Service Funds and will be applied as a reduction of the deposits required to be made to that fund. This fund is also used to account for payment of construction costs.

Capital Asset Adjustment Fund Type

Capital Asset Adjustment fund type will be used to convert governmental fund types capital asset 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.

Fiduciary Fund Types

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 and remittance of fiduciary resources to individuals, private organizations, or other governments.

MEMORANDUM TOTALS

The total columns on the financial statements are captioned "Memorandum Only" to indicate that they are for informational purposes only. Data in these columns does not present the financial position, results of operations or changes in financial position in conformity with GAAP, nor is such data comparable to a consolidation.

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 government-wide financial statements are accounted for using the full accrual method of accounting. This includes capital assets, accumulated depreciation, unpaid employee compensable leave, and the un-matured debt service (principal and interest) on general long-term debt liabilities, long-term capital leases, and long-term claims and judgments. The activity will be recognized in these fund types.

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). Encumbrance accounting is employed for budgetary control purposes. 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 maturity of three months or less are considered cash equivalents.

Restricted Assets

Restricted Assets include monies or other resources restricted by legal or contractual requirements. These assets include revenue bonds and revenues set aside for statutory or contractual requirements.

Inventories

Consumable inventories include warehouse supplies on hand at year-end. Inventories are valued at cost, generally utilizing an average cost method. The consumption method of accounting is used to account for inventories that appear in the governmental 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 reports on all "exhaustive" assets. "Inexhaustible" assets such as works of art and historical treasures are not depreciated. Assets are depreciated over the 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.

Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that become 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.

Bonds Payable-Revenue Bonds

The un-matured principal and interest of revenue bonds is accounted for in the Long-Term Liabilities Adjustment column. Payables are reported separately as either current or non-current in the statement of net assets.

Bonds payable are recorded at par. The bond proceeds are accounted for as an "Other Financing Source" in the governmental funds when received and expenditures for payment of principal and interest are recorded in Debt Service funds when paid.

These amounts are adjusted in the Long-Term Liabilities Adjustment column.

FUND BALANCE/NET ASSETS

The difference between fund assets and liabilities in "Net Assets" on the government-wide fund statements and the 'Fund Balance' is the difference between fund assets and liabilities on the governmental funds statements.

Reservation of Fund Balance

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reservations are legally restricted to as specific future use or not available for expenditure.

Reserved for Encumbrances

This represents commitments of the value of contracts awarded or assets ordered prior to year-end but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

Reserved for Inventories

This represents the amount of warehouse supplies to be used in future fiscal years.

Reserved for Debt Service

This represents the balance in the debt service fund.

Unreserved/Designated

This represents the pledged funds available in the revenue fund to be used for current operations and, if necessary, debt service. The funds available in the capital projects fund represent the bond proceeds will be used for capital projects.

Unreserved/Undesignated

This represents the unappropriated balance at year-end.

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 improvements of those assets.

Restricted Net Assets

Restricted net assets result when constraints placed on net asset used 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, which 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 TRANSACTIONS AND BALANCES

The Texas Military Department 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 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) Due To/From Other Fund: If a deposit is made to the incorrect fund and is not cleared up before year-end then a due to/from other fund is reported. At times one fund may borrow cash from another fund for a short-term period then a due to/from other fund is reported.
- (4) 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".
- (5) 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 of the disbursing fund. The composition of the agency's interfund receivables and payables at year end is presented in Note 8.

NOTE 2: CAPITAL ASSETS

A summary of changes in Capital Assets for the year ended August 31, 2014, for the Texas Military Department is presented below:

	Balance 9/1/13	Adjustments	Reclassifications Completed CIP
GOVERNMENTAL ACTIVITIES			
Non-depreciable or Non-amortizable Assets			
Land and Land Improvements	\$ 7,837,808.09	(781,116.86)	
Infrastructure	-		
Construction in Progress	63,404,596.00	(244,559.77)	(7,699,531.78)
Other Tangible Capital Assets	2,000,000.00		
Other Capital Assets			
Land Use Rights – Permanent			
Total Non-depreciable or Non-amortizable Assets	73,242,404.09	(1,025,676.63)	(7,699,531.78)
Depreciable Assets			
Buildings and Building Improvements	169,916,805.92		7,533,481.78
Infrastructure	8,3134,928.81		
Facilities and Other Improvements	8,850,094.17	781,116.86	
Furniture and Equipment	9,401,640.15	146,489.00	
Vehicle, Boats and Aircraft	2,818,483.57		
Other Capital Assets	79,603,245.77		166,050.00
Total Depreciable Assets at Historical Cost	278,680,198.39	927,605.56	7,699,531.78
Less Accumulated Depreciation for:			
Buildings and Building Improvements	(70,066,470.92)		
Infrastructure	(1,046,519.11)		
Facilities and Other Improvements	(3,531,978.72)		
Furniture and Equipment	(5,703,407.03)	(2,958.73)	
Vehicles, Boats and Aircraft	(1,557,076.92)	(77,530.56)	
Other Capital Assets	(36,627,945.65)		
Total Accumulated Depreciation	(118,533,398.35)	(80,489.29)	-
Depreciable Assets, Net	160,146,800.04	847,116.27	7,699,531.78
Intangible Capital Assets - Amortizable			
Land Use Rights – Term	-		
Computer Software – Intangible	93,050.98		
Other Intangible Capital Assets – Term			
Total Intangible Assets at Historical Cost	90,050.98	-	-
Less Accumulated Amortization for:			
Land Use Rights – Term			
Computer Software – Intangible	(93,050.98)		
Other Intangible Capital Assets – Term			
Total Accumulated Amortization	(93,050.98)	-	-
Amortizable Assets, Net	-	-	-
Governmental Activities Capital Assets, Net	\$ 233,389,204.13	\$ (178,560.36)	\$ -

NOTE 2: CAPITAL ASSETS

A summary of changes in Capital Assets for the year ended August 31, 2014, for the Texas Military Department is presented below:

Reclassifications Inc-Int'agy Trans	Reclassifications Dec-Int'agy Trans	Additions	Deletions	Balance 8/31/14
		\$ 137,000.00	\$ (4,000.00)	\$ 7,189,691.23
		5,997,965.80		61,458,470.25
				2,000,000.00
				-
				-
-	-	6,134,965.80	(4,000.00)	70,648,161.48
			(295,083.55)	177,155,204.15
				8,134,928.81
				9,586,211.03
139,130.16		504,036.94	(199,289.09)	9,992,007.16
		393,610.52	(76,271.76)	3,135,822.33
		846,201.46		80,615,497.23
139,130.16	-	1,743,848.92	(570,644.40)	288,619,670.71
		(6,665,898.94)	18,688.56	(76,713,681.30)
		(307,590.24)		(1,354,109.35)
		(481,877.04)		(4,016,814.49)
(98,134.04)		(1,079,559.77)	195,725.70	(6,762,905.70)
		(270,173.03)	76,271.76	(1,750,978.19)
		(2,962,904.91)		(39,590,850.56)
(98,134.04)	-	(11,768,003.93)	290,686.02	(130,189,339.59)
40,996.12	-	(10,024,155.01)	(279,958.38)	158,430,331.12
				-
				93,050.98
				-
-	-	-	-	93,050.98
				-
				(93,050.98)
				-
-	-	-	-	(93,050.98)
				-
\$ 40,996.12	\$ -	\$ (3,889,189.21)	\$ (283,958.38)	\$ 229,078,492.60

NOTE 3: DEPOSITS, INVESTMENTS, & REPURCHASE AGREEMENTS

The Texas Military Department is authorized to make investment following the "prudent person rule". There were not significant violations of legal provisions during the period.

Deposits of Cash in Bank

As of August 31, 2014, the carrying amount of deposits are as presented below.

Governmental and Business-Type Activities	
CASH IN BANK-CARRYING VALUE	\$1,171,357.80
Less: Certificates of Deposit Included in carrying value and reported as cash equivalent	\$ -
Less: Uninvested Securities Lending Cash Collateral included in carrying value and reported as Securities Lending Collateral	\$ -
Less: Securities Lending CD Collateral included in carrying value and reported as Securities Lending Collateral	\$ -
Cash in Bank per AFR	\$1,171,357.80
Governmental Funds Current Assets in Bank	\$1,171,357.80
Governmental Funds Current Assets Restricted Cash in Bank	
Governmental Funds Non-Current Assets Restricted Cash in Bank	
Cash in Bank per AFR	\$1,171,357.80

These amounts consist of all cash in local banks and a portion of short-term investments. These amounts are included on the Combined Statement of Net Assets as part of the "Cash in Bank".

As of August 31, 2014, the total bank balance was as follows.

Governmental and Business-Type Activities	\$1,171,357.80
---	----------------

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

Foreign currency risk for deposits is the risk that changes in exchange rates and will adversely affect deposits. The agency does not have deposits that are exposed to foreign currency risk.

Investments

As August 31, 2014, the carrying value and fair value of investments are as presented below.

Governmental and Business-Type Activities	Fair Value
Commercial Paper	\$2,568,355.05
Total	\$2,568,355.05

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. As of August 31, 2014 the agency's investments were not exposed to custodial risks.

Foreign currency risk for investments is the risk that changes in exchange rates and will adversely affect the investments. The agency's investments were not exposed to foreign currency risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment policy specifies the acceptable ratings for most of the allowable investments. As of August 31, 2014, the agency's credit quality distribution for securities with credit risk exposure was as follows:

Unrated

Fund Type	GAAP Fund	Investment Type	Unrated
02	9999	Commercial Paper	\$2,568,355.05

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2014, the agency's concentration of credit risk is as follows:

Fund Type	GAAP Fund	Issuer	% of total portfolio	Carry Value
02	9999	General Electric Corp Disc CP	1.00	\$2,568,355.05

NOTE 4: SHORT-TERM DEBT

The Texas Military Department had no short-term debt at August 31, 2014.

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2014, the following changes occurred in liabilities reported in the general long-term debt account.

Governmental Activities	Balance 09/01/13	Additions	Deductions	Balance 08/31/14	Amount Due Within One Year
Compensable Leave	2,719,316.93	2,847,836.24	2,926,359.27	2,640,793.90	1,617,814.37
Revenue Bonds Payable	12,045,000.00	0.00	1,460,000.00	10,585,000.00	1,225,000.00
Total	14,764,316.93	2,847,836.24	4,386,359.27	13,225,793.90	2,842,814.37

Claims and Judgments

The Texas Military Department has no material claims or judgments pending against this agency as of August 31, 2014.

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 annual leave balances are recognized in the period paid or taken for governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets.

NOTE 6: BONDED INDEBTEDNESS**BONDS PAYABLE**

Detailed supplemental bond information is disclosed in supplementary bond schedules Schedule 2A - Miscellaneous Bond Information, Schedule 2B - Changes in Bond Indebtedness, Schedule 2C - Debt Services Requirements, Schedule 2D - Analysis of Funds Available of Funds Available For Debt Service.

The following information is provided to further describe each issue outstanding. All bonds are revenue bonds that are not self-supporting. The main source of the Texas Military Department. The Legislature appropriates general revenue to the Texas Military Department's revenue for debt service is the rental amount received from Department to fund the rental payment.

Description	Type	Purpose	Issue Date	Original Amount of Issue
Armory Improvement Revenue Bonds, Series 2004	Revenue	Construction and Renovation	03/11/04	\$ 13,595,000.00
Armory Improvement Revenue Bonds, Series 2002	Revenue	Refunding and Renovation	02/07/02	\$ 12,975,000.00

NOTE 7: CAPITAL LEASES

The Texas Military Department has no outstanding capital leases at August 31, 2014.

NOTE 8: OPERATING LEASE OBLIGATIONS

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

<u>Fund Type</u>	
General Fund	\$2,104,137.21
Consolidated Federal Fund 0449	\$1,404,333.72
Totals - Memorandum Only	<u>\$3,508,470.93</u>

The agency had an agreement with Texas Military Forces Commission for rental of the armories across the state. This lease was for a two year period only. This lease is not in affect in future years due to the merging of the Texas Military Forces Commission with the Texas Military Department effective September 1, 2009. Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

Year Ended August 31,	
2015	\$ 80,490.00
2016	\$ -
2017	\$ -
2018	\$ -
2019 and beyond	\$ -
Lease Rental Payments	
Total Minimum Future	<u>\$ 80,490.00</u>

NOTE 9: EMPLOYEES' RETIREMENT PLAN

The State has joint contributory retirement plans for substantially all of its employees. The Agency participates in the plans administered by the Employees Retirement System of Texas. Future pension costs are the liabilities of the Retirement System. The System does not account for each State agency separately. Annual financial reports prepared by the System include audited financial statements and actuarial assumptions and conclusions.

NOTE 10: DEFERRED COMPENSATION

Note 10 does not apply to the Texas Military Department.

NOTE 11: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Note 11 does not apply to the Texas Military Department.

NOTE 12: INTERFUND BALANCES/ACTIVITIES

The Texas Military Department experienced routine transfers with other state agencies that 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, 2014 is as follows:

	<u>Due From Other Agencies</u>	<u>Due To Other Agencies</u>
CONSOLIDATED FEDERAL FUND 0449 Appd. Fund 0449, D23 Fund 0449 (Agency 755, Fund 0449)		\$ 2,230,143.17
Total Due From /Due to Other Agencies (Exh I)	\$ -	\$ 2,230,143.17
	<u>Interfund Receivable</u>	<u>Interfund Payables</u>
GENERAL REVENUE Appd. Fund 0001, D23 Fund 0001 (Agency 401, Fund 0001)	\$ 11,936,492.09	\$ 1,981,135.32
CONSOLIDATED FEDERAL FUND 0449 Appd. Fund 0449, D23 Fund 0449 (Agency 401, Fund 0449)	\$ 2,166,932.77	\$ 12,122,289.54
AGENCY FUND 0900 Appd. Fund 0900, D23 Fund 0900 (Agency 401, Fund 0900)	\$ -	\$ -
Total Interfund Receivables/Payables (Exh I)	\$ 14,103,424.86	\$ 14,103,424.86
	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
GENERAL REVENUE (Agency 401, Fund 0001)	\$ 942,189.76	\$ 942,189.76
(Agency 902, Fund 0001)	\$ -	\$ 28,093.07
CONSOLIDATED FEDERAL FUND 0449 Appd. Fund 0449, D23 Fund 0369 (Agency 902, Fund 00449)	\$ -	\$ -
CAPITAL PROJECTS Appd. Fund 7626, D23 Fund 7626 (Agency 347, Fund 7626)	\$ 439,661.67	\$ 425,691.56

Appd. Fund 7638, D23 Fund 7638 (Agency 347, Fund 7638)	\$ 1,196,824.24	\$ -
Appd. Fund 7649, D23 Fund 7649 (Agency 347, Fund 7649)	\$ 647,572.86	\$ 86,925.00
Total Operating Transfers In/Out (Exh II)	<u>\$ 3,226,248.53</u>	<u>\$ 1,482,899.39</u>

NOTE 13: CONTINUANCE SUBJECT TO REVIEW.

Under the Texas Sunset Act, the Agency will be abolished effective September 1, 2019 unless continued in existence by the 85th Legislature as provided by the Act. If abolished, the agency may continue until September 1, 2021, to close out its operations.

NOTE 14: ADJUSTMENTS TO FUND BALANCES AND NET ASSETS

The Texas Military Department has no restatements at August 31, 2014.

NOTE 15: CONTINGENT LIABILITIES

The Texas Military Department is a defendant in several lawsuits on August 31, 2014, alleging various causes of action. It is the opinion of the Texas Military Department that no liability for these actions will be incurred.

The Texas Military Department (department) receives federal funds for specific purposes that are subject to review and audit by the United States Property and Fiscal Office (USPFO) which is the department's primary federal funding source. Such audits and/or reviews could lead to a request for reimbursement to the USPFO for expenditures disallowed under the terms of the various federal funding agreements.

NOTE 16: SUBSEQUENT EVENTS

Note 16 does not apply to the Texas Military Department.

NOTE 17: RISK FINANCING AND RELATED INSURANCE

The Texas Military Department is exposed to a variety of civil claims resulting from the performance of its duties. It is the agency's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed.

The Texas Military Department assumes substantially all risks associated with tort claims and liability claims due to the performance of its duties. Currently, the agency is not involved in any risk pools with other government entities.

Our agency maintains enough liability insurance coverage on maintenance vehicles to comply with statutory requirements. Covenants of various bond indentures require the agency to at all times keep insurance on its plants, structures, buildings, equipment and apparatus. Currently, this insurance covers losses from fire and lighting as well as many other occurrences in the extended coverage clauses.

The Texas Military Department liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience, and economic factors.

NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS (MATERIAL CHANGES TO THE AFR)

Note 18 does not apply to the Texas Military Department.

NOTE 19: THE FINANCIAL REPORTING ENTITY AND JOINT VENTURES

Note 19 does not apply to the Texas Military Department.

NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Note 20 does not apply to the Texas Military Department.

NOTE 21: NOT APPLICABLE

Note 21 does not apply to the Texas Military Department.

NOTE 22: DONOR RESTRICTED ENDOWMENTS

Note 22 does not apply to the Texas Military Department.

NOTE 23: SPECIAL OR EXTRAORDINARY ITEMS

Note 23 does not apply to the Texas Military Department.

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Note 24 does not apply to the Texas Military Department.

NOTE 25: TERMINATION BENEFITS

Note 25 does not apply to the Texas Military Department.

NOTE 26: SEGMENT INFORMATION

Note 26 does not apply to the Texas Military Department.



Combining Financial Statements

Texas Military Department (401)
Exhibit A-1 — Combining Balance Sheet — All General and Consolidated Funds
August 31, 2014

	General	Consolidated	
	Fund 1	Fund 1	Total
	(0001)	(0449)	
ASSETS			
Current Assets:			
Cash			
On Hand	\$ 100.00	\$ -	\$ 100.00
In Bank			-
In Transit/Reimburse from Treasury			-
In State Treasury	(31,000,334.32)	10,214,952.05	(20,785,382.27)
Short Term Investments			-
Securities Lending Collateral			-
Legislative Appropriations	38,798,195.95		38,798,195.95
Receivables from:			
Accounts Receivable	900.00		900.00
Federal		3,503,327.78	3,503,327.78
Other Intergovernmental			-
Interest and Dividends			-
Other			-
Due From Other Funds			-
Due From Other Agencies			-
Interfund Receivables	11,936,567.86	2,189,972.65	14,126,540.51
Consumable Inventories	120,467.25		120,467.25
Other Current Assets			-
Non-Current Assets:			
Gifts, Pledges and Donations			-
Interfund Receivables			-
Investments			-
Other Non-Current Assets			-
Total Assets	19,855,896.74	15,908,252.48	35,764,149.22
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities:			
Payables from			
Accounts	685.65	79,988.20	80,673.85
Payroll	1,021,953.43	2,387,787.30	3,409,740.73
Due To Other Funds			-
Due To Other Agencies		2,230,143.17	2,230,143.17
Interfund Payable	1,981,211.09	12,145,329.42	14,126,540.51
Deferred Revenues	9,335,765.44	8,205,602.90	17,541,368.34
Total Liabilities	12,339,615.61	25,048,850.99	37,388,466.60
Fund Balances (Deficits):			
Nonspendable			-
Restricted		738,029.79	738,029.79
Committed			-
Assigned			-
Unassigned	7,516,281.13	(9,878,628.30)	(2,362,347.17)
Total Fund Balances	7,516,281.13	(9,140,598.51)	(1,624,317.38)
Total Liabilities and Fund Balances	\$ 19,855,896.74	\$ 15,908,252.48	\$ 35,764,149.22

Texas Military Department (401)
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, 2014

	Consolidated		Total
	General Fund 1 (0001)	Accounts Fund 2 (0449)	
REVENUES**			
Legislative Appropriations			
Original Appropriations	\$ 16,100,608.67	\$ -	\$ 16,100,608.67
Additional Appropriations	1,282,160.14		1,282,160.14
Taxes (GR)			
Federal Revenue	(8,404,152.85)	62,322,502.06	53,918,349.21
Federal Grant Pass-Through Revenue	761,259.54	175,647.01	936,906.55
State Grant Pass-Through Revenue	175,000.00		175,000.00
License, Fees & Permits			
Interest and Other Investment Income	25,670.27		25,670.27
Sales of Goods and Services	79,643.06		79,643.06
Other	580,054.46	2,054.91	582,109.37
Total Revenues	10,600,243.29	62,500,203.98	73,100,447.27
EXPENDITURES			
Salaries and Wages	6,950,678.22	21,006,209.31	27,956,887.53
Payroll Related Costs	1,242,385.00	6,699,559.03	7,941,944.03
Professional Fees and Services	245,786.55	1,614,596.46	1,860,383.01
Travel	135,897.37	380,088.76	515,986.13
Materials and Supplies	623,899.06	3,416,368.65	4,040,267.71
Communication and Utilities	1,993,169.58	6,345,129.32	8,338,298.90
Repairs and Maintenance	1,615,601.93	6,965,516.44	8,581,118.37
Rentals and Leases	2,104,137.21	1,404,333.72	3,508,470.93
Printing and Reproduction	6,741.49	21,713.62	28,455.11
Federal Grant Pass-Through Expenditures		(36,122.49)	(36,122.49)
Public Assistance Payments	1,034,298.09		1,034,298.09
Other Expenditures	2,164,970.71	6,990,119.43	9,155,090.14
Capital Outlay	461,889.95	5,645,824.42	6,107,714.37
Total Expenditures	18,579,455.16	60,453,336.67	79,032,791.83
Excess (Deficiency) of Revenues over Expenditures	(7,979,211.87)	2,046,867.31	(5,932,344.56)
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	489,306.55		489,306.55
Insurance Recoveries			
Transfers In	942,189.76	182.00	942,371.76
Transfers Out	(970,282.83)		(970,282.83)
Legislative Transfers In			
Legislative Transfers Out			
Total Other Financing Sources (Uses)	461,213.48	182.00	461,395.48
Net Change in Fund Balances	(7,517,998.39)	2,047,049.31	(5,470,949.08)
Fund Financial Statement - Fund Balances			
Fund Balances, September 1, 2013, as Restated Restatements	16,017,918.45	(11,187,647.82)	4,830,270.63
Fund Balances, September 1, 2013, as Restated	16,017,918.45	(11,187,647.82)	4,830,270.63
Appropriations Lapsed	(962,638.96)		(962,638.96)
Fund Balances, August 31, 2014	\$ 7,537,281.10	\$ (9,140,598.51)	\$ (1,603,317.41)

Texas Military Department
Exhibit B-1 — Combining Balance Sheet — Special Revenue Funds
August 31, 2014

	Special Revenue	
	Fund (9999)* U/F (0002)	Totals
ASSETS		
Current Assets:		
Cash		
On Hand		
In Bank	\$ 1,171,357.80	\$ 1,171,357.80
In Transit/Reimburse from Treasury		-
In State Treasury		-
Short Term Investments		-
Securities Lending Collateral		-
Legislative Appropriations		-
Receivables from:		-
Accounts Receivable		-
Federal		-
Due From Other Funds		-
Due From Other Agencies		-
Interfund Receivables		-
Consumable Inventories		-
Merchandise Inventories		-
Prepaid Items		-
Loans and Contracts		-
Short Term Investments		-
Other Current Assets	2,560,221.66	2,560,221.66
Non-Current Assets:		
Other Non-Current Assets		-
Total Assets	<u>3,731,579.46</u>	<u>3,731,579.46</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Current Liabilities:		
Payables from:		
Accounts		-
Payroll		-
Due To Other Funds		-
Due To Other Agencies		-
Interfund Payable		-
Deferred Revenues		-
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balances (Deficits):		
Nonspendable		-
Restricted	829,944.62	829,944.62
Committed		-
Unassigned	<u>2,901,634.84</u>	<u>2,901,634.84</u>
Total Fund Balances	<u>3,731,579.46</u>	<u>3,731,579.46</u>
Total Liabilities and Fund Balances	<u>\$ 3,731,579.46</u>	<u>\$ 3,731,579.46</u>

Texas Military Department (401)
Exhibit B-2 — Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended August 31, 2014

	Special Revenue (9999)	Totals
REVENUES**		
Taxes	\$ -	\$ -
Federal Revenue		-
Federal Grant Pass-Through Revenue		-
State Grant Pass-Through Revenue		-
License, Fees & Permits		-
Contribution to Employee's Benefit Funds		-
Interest and Other Investment Income		-
Interest and Other Investment Income		-
Net Increase (Decrease) in Fair Value		-
Net Increase (Decrease) in Fair Value		-
Land Income		-
Sales of Goods and Services		-
Other		-
Total Revenues	-	-
EXPENDITURES		
Salaries and Wages		-
Payroll Related Costs		-
Professional Fees and Services		-
Travel		-
Materials and Supplies		-
Communication and Utilities		-
Repairs and Maintenance		-
Rentals and Leases		-
Printing and Reproduction		-
Claims and Judgments		-
Federal Grant Pass-Through Expenditures		-
State Grant Pass-Through Expenditures		-
Intergovernmental Payments		-
Public Assistance Payments		-
Employee Benefit Payments		-
Other Expenditures		-
Debt Service:		
Principal		-
Interest		-
Other Payments for Refunding		-
Capital Outlay		-
Total Expenditures	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-
OTHER FINANCING SOURCES (USES)		
Bond and Note Proceeds		-
Increase in Obligations Under Capital Leases		-
Sale of Capital Assets		-
Insurance Recoveries		-
Transfer In		-
Transfer Out		-
Legislative Transfer In		-
Legislative Transfer Out		-
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balances	-	-
Fund Financial Statement - Fund Balances		
Fund Balances, September 1, 2013, as Restated	1,014,659.88	1,014,659.88
Restatements		-
Fund Balances, September 1, 2013, as Restated	1,014,659.88	1,014,659.88
Appropriations Lapsed		
Fund Balances, August 31, 2014	\$ 1,014,659.88	\$ 1,014,659.88

Texas Military Department (401)
Exhibit C-1 — Combining Balance Sheet — Debt Service Funds
August 31, 2014

	Debt Service Fund 1 (9999)	Debt Service Fund 2	Totals
ASSETS			
Current Assets:			
Cash			
In Bank	\$ -	\$ -	\$ -
In State Treasury			-
Short Term Investments			-
Interest and Dividends Receivable			-
Due From Other Funds			-
Due From Other Agencies			-
Interfund Receivable			-
Restricted:			
Cash			-
In Bank			-
In State Treasury			-
Other Current Assets			-
Non-Current Assets:			
Investments			-
Other Non-Current Assets			-
Total Assets	-	-	-
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities:			
Accounts Payable	-	-	-
Due To Other Funds			-
Due To Other Agencies			-
Interfund Payables			-
Total Liabilities	-	-	-
Fund Balances (Deficits):			
Restricted			-
Committed			-
Assigned			-
Unassigned			-
Total Fund Balances	-	-	-
Total Liabilities and Fund Balances	\$ -	\$ -	\$ -

Texas Military Department (401)
Exhibit C-2 — Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Debt Service Funds
For the Fiscal Year Ended August 31, 2014

	Debt Service Fund 1 (9999)	Debt Service Fund 2	Totals
REVENUES**			
Federal Revenue	\$ -	\$ -	\$ -
Interest and Other Investment Income			-
Other			-
Total Revenues	-	-	-
EXPENDITURES			
Professional Fees and Services			-
Other Expenditures			-
Debt Service:			
Principal			-
Interest			-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Bond and Note Proceeds			-
Insurance Recoveries			-
Transfer In			-
Transfer Out			-
Legislative Transfer In			-
Legislative Transfer Out			-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	-	-	-
Fund Financial Statement – Fund Balances			
Fund Balances, September 1, 2012, as Restated			-
Restatements			-
Fund Balances, September 1, 2013, as Restated	-	-	-
Appropriations Lapsed			-
Fund Balances, August 31, 2014	\$ -	\$ -	\$ -

Texas Military Department (401)
Exhibit D-1 — Combining Balance Sheet — Capital Projects Funds
August 31, 2014

	Capital Projects Fund 1 (7626)	Capital Projects Fund 2 (7638)	Capital Projects Fund 2 (7649)	Capital Projects Fund 2 (9999)	Totals
ASSETS					
Current Assets:					
Cash					
In Bank	\$ -	\$ -	\$ -	\$ -	\$ -
In State Treasury					
Legislative Appropriations					
Receivables from:					
Accounts Receivable					
Federal					
Interest and Dividends					
Due From Other Funds					
Due From Other Agencies					
Interfund Receivables					
Consumable Inventories					
Other Current Assets					
Total Assets	-	-	-	-	-
LIABILITIES AND FUND BALANCES					
Liabilities					
Current Liabilities:					
Payables from					
Accounts					
Payroll					
Other					
Due To Other Funds					
Due To Other Agencies					
Interfund Payable					
Other Current Liabilities					
Non-Current Liabilities					
Interfund Payables					
Other Non-Current Liabilities					
Total Liabilities	-	-	-	-	-
Fund Balances (Deficits):					
Restricted					
Committed					
Assigned					
Unassigned					
Total Fund Balances	-	-	-	-	-
Total Liabilities and Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -

Texas Military Department (401)
Exhibit D-2 — Combining Statement of Revenues, Expenditures and Changes in Fund Balances —
Capital Projects Funds
For the Fiscal Year Ended August 31, 2014

	Capital Projects Fund 1 (7626)	Capital Projects Fund 2 (7638)	Capital Projects Fund 3 (7649)	Capital Projects Fund 3 (9999)	Totals
REVENUES**					
Legislative Appropriations					
Original Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Appropriations					
Federal Revenue					
Interest and Other Investment Income					
Net Increase (Decrease) in Fair Value					
Land Income					
Settlement of Claims					
Sales of Goods and Services					
Other					
Total Revenues	-	-	-	-	-
EXPENDITURES					
Salaries and Wages					
Payroll Related Costs					
Professional Fees and Services					
Travel					
Materials and Supplies					
Communication and Utilities					
Repairs and Maintenance					
Rentals and Leases					
Printing and Reproduction					
Claims and Judgments					
Other Expenditures	13.00	303.18	25.68		341.86
Debt Service:					
Principal - Capital Lease					
Interest					
Other Payments for Refunding					
Capital Outlay	13,957.11	1,196,521.06	560,622.18		1,771,100.35
Total Expenditures	13,970.11	1,196,824.24	560,647.86	-	1,771,442.21
Expenditures	(13,970.11)	(1,196,824.24)	(560,647.86)	-	(1,771,442.21)
OTHER FINANCING SOURCES (USES)					
Bond and Note Proceeds					
Increase in Obligations Under Capital Leases					
Sale of Capital Assets					
Insurance Recoveries					
Transfer In	439,661.67	1,196,824.24	647,572.86		2,284,058.77
Transfer Out	(425,691.56)		(86,925.00)		(512,616.56)
Legislative Transfer In					
Legislative Transfer Out					
Total Other Financing Sources (Uses)	13,970.11	1,196,824.24	560,647.86	-	1,771,442.21
Net Change in Fund Balances	(0.00)	-	-	-	-
Fund Financial Statement — Fund Balances					
Fund Balances, September 1, 2013	-	-	-	-	-
Restatements					
Fund Balances, September 1, 2013, as Re	-	-	-	-	-
Appropriations Lapsed					
Fund Balances, August 31, 2014	\$ (0.00)	\$ -	\$ -	\$ -	\$ -

Texas Military Department (401)
Exhibit J-1
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the fiscal year ended August 31, 2014

	Balances September 1, 2013	Additions	Deductions	Balances August 31, 2014
OTHER AGENCY FUNDS				
<u>Child Support Employ Deduct Offse Account (0807) U/F (0807)</u>				
Assets:				
Cash in State Treasury	\$ 13,800.67	\$ 121,387.31	\$ 114,986.50	\$ 20,201.48
Total Assets	<u>13,800.67</u>	<u>121,387.31</u>	<u>114,986.50</u>	<u>20,201.48</u>
Liabilities:				
Accounts Payables	-	101,185.83	101,185.83	-
Funds Held in Custody For Others	13,800.67	121,387.31	114,986.50	20,201.48
Total Liabilities	<u>13,800.67</u>	<u>222,573.14</u>	<u>216,172.33</u>	<u>20,201.48</u>
<u>Departmental Suspense Suspense Fund (0900) U/F (0900)(9015)(9904)</u>				
Assets:				
Cash in State Treasury	\$ 235.00	\$ 31,117.77	\$ 8,992.51	\$ 22,360.26
Federal Receivables	-	-	-	-
Total Assets	<u>235.00</u>	<u>31,117.77</u>	<u>8,992.51</u>	<u>22,360.26</u>
Liabilities:				
Accounts Payables	-	235.00	235.00	-
Due To Other Funds	-	-	-	-
Funds Held in Custody For Others	(20,764.97)	31,117.77	8,992.51	1,360.29
Total Liabilities	<u>(20,764.97)</u>	<u>31,352.77</u>	<u>9,227.51</u>	<u>1,360.29</u>
<u>Employees' Savings Bond Account (0901) U/F (0901)</u>				
Assets:				
Cash in State Treasury	-	-	-	-
Total Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities:				
Accounts Payables	-	-	-	-
Funds Held in Custody For Others	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Texasaver Fund (0942) U/F (0942)</u>				

Texas Military Department (401)
Exhibit J-1
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the fiscal year ended August 31, 2014

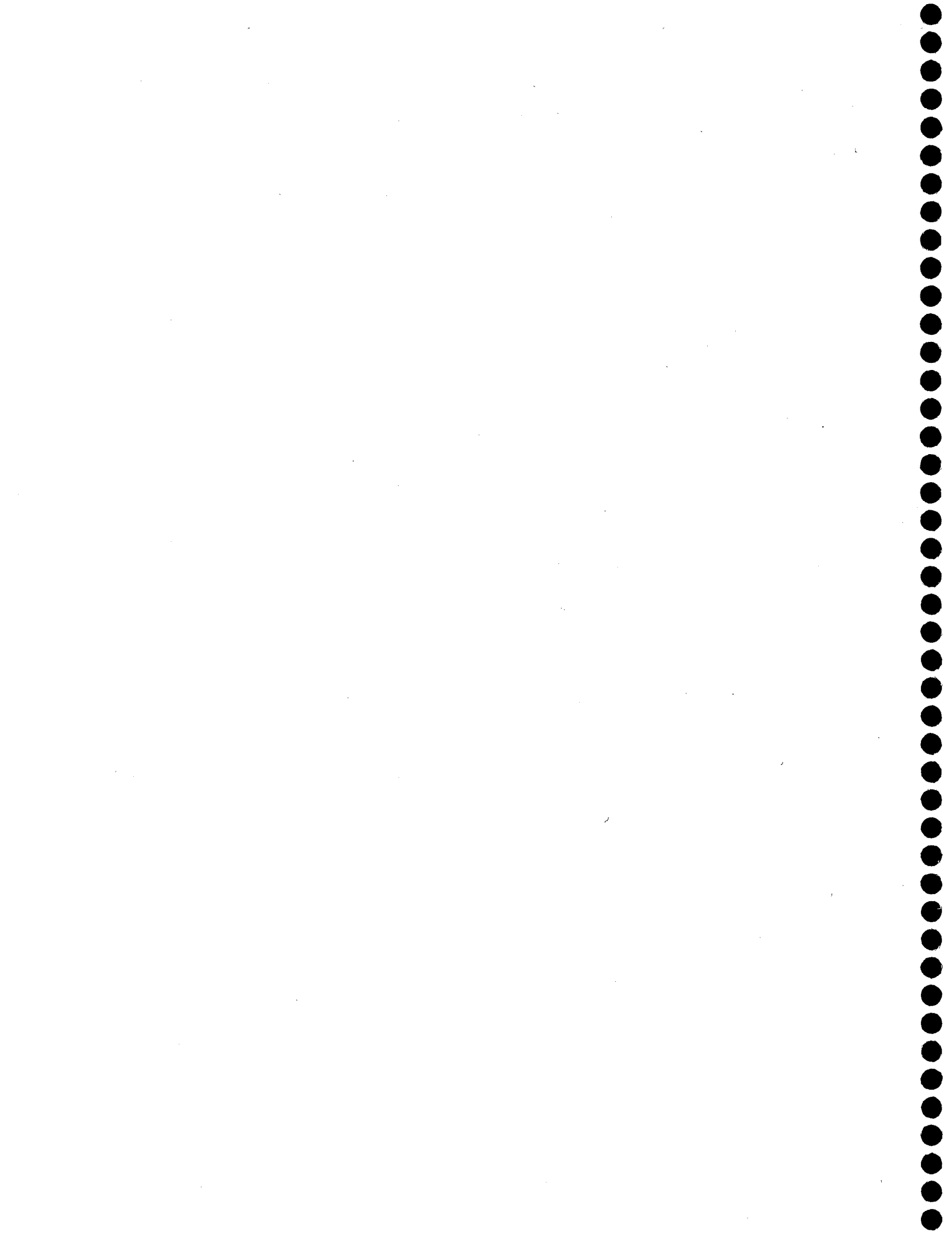
	Balances September 1, 2013	Additions	Deductions	Balances August 31, 2014
Assets:				
Accounts Receivables	-	-	-	-
Total Assets	-	-	-	-
Liabilities:				
Funds Held in Custody For Others	-	-	-	-
Total Liabilities	-	-	-	-

Direct Deposit Correction (0980) U/F (0980)(9014)

Assets:				
Cash in State Treasury	600.00	19,606.83	2,255.46	17,951.37
Total Assets	600.00	19,606.83	2,255.46	17,951.37
Liabilities:				
Funds Held in Custody For Others	600.00	19,606.83	2,255.46	17,951.37
Total Liabilities	600.00	19,606.83	2,255.46	17,951.37

Totals - All Agency Funds

Assets:				
Cash in State Treasury	14,035.67	172,111.91	126,234.47	60,513.11
Accounts Receivables	-	-	-	-
Federal Receivables	-	-	-	-
Total Assets	14,035.67	172,111.91	126,234.47	60,513.11
Liabilities:				
Accounts Payables	-	101,420.83	101,420.83	-
Due To Other Funds	-	-	-	-
Funds Held in Custody For Others	13,800.67	172,111.91	126,234.47	39,513.14
Total Liabilities	\$ 13,800.67	\$ 273,532.74	\$ 227,655.30	\$ 39,513.14





Schedules

Texas Military Department
Schedule 1A - Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2014

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA NUMBER	IDENTIFYING NUMBER	PASS-THROUGH FROM			DIRECT PROGRAM AMOUNT	TOTAL PT FROM AND DIRECT PROGRAM
			AGY/ UNIV. #	STATE AGENCIES OR UNIV. AMOUNT	NON-STATE ENTITIES AMOUNTS		
U. S. Department of Defense							
Direct Programs:							
Military Construction Cooperative Agreement - Federal Projects	12.400					290,987.35	290,987.35
National Guard Military Operations & Maintenance - Federal Projects	12.401					50,212,635.51	50,212,635.51
National Guard Civilian Youth Opportunity ChalleNge and Starbase	12.404					2,093,674.04	2,093,674.04
Total U. S. Department of Defense						52,597,296.90	52,597,296.90
U. S. Department of Justice							
Direct Programs:							
Equitable Sharing Program	16.922					397,039.84	397,039.84
Total U. S. Department of Justice						397,039.84	397,039.84
U. S. Department of Treasury							
Direct Programs:							
U.S. Department of the Treasury	21.000					149,737.90	149,737.90
Total U. S. Department of Justice						149,737.90	149,737.90
U.S Dept of Homeland Security							
Pass-Through From:							
Department of Public Safety Public Assistance Grant	97.036		405	381,019.87			381,019.87
Fire Management Assistance Grant	97.046		405	380,239.67			380,239.67
Total Department of Public Safety				761,259.54			761,259.54
U. S. Department of Agriculture							
Direct Programs:							
National School Breakfast Program	10.553	OCH	551	61,322.94			61,322.94
National School Lunch Program	10.555	OCH	551	114,324.07			114,324.07
Total U. S. Department of Agriculture				175,647.01			175,647.01
Total Expenditures of Federal Awards				\$ 936,906.55		53,144,074.64	54,080,981.19

<u>STATE AGENCIES OR UNIV. AMOUNT</u>	<u>NON-STATE ENTITIES AMOUNTS</u>	<u>EXPENDITURES AMOUNT</u>	<u>TOTAL PT TO AND EXPENDITURES</u>
		290,987.35	290,987.35
(36,122.49)		50,248,758.00	50,212,635.51
		<u>2,093,674.04</u>	<u>2,093,674.04</u>
<u>(36,122.49)</u>		<u>52,633,419.39</u>	<u>52,597,296.90</u>
		<u>397,039.84</u>	<u>397,039.84</u>
		<u>397,039.84</u>	<u>397,039.84</u>
		<u>149,737.90</u>	<u>149,737.90</u>
		<u>149,737.90</u>	<u>149,737.90</u>
		381,019.87	381,019.87
		<u>380,239.67</u>	<u>380,239.67</u>
		<u>761,259.54</u>	<u>761,259.54</u>
		61,322.94	61,322.94
		<u>114,324.07</u>	<u>114,324.07</u>
		<u>175,647.01</u>	<u>175,647.01</u>
<u>(36,122.49)</u>		<u>54,117,103.68</u>	<u>54,080,981.19</u>

Texas Military Department
Schedule 1A - Schedule of Expenditures of Federal Awards (continued)
For the Fiscal Year Ended August 31, 2014

Note 1 - Non-Monetary Assistance

The "Donation of Federal Surplus Personal Property" is presented at 23.3% of the federal acquisition cost of \$0.00. The surplus property is passed through from Texas Facility Commission (TFC). The federal grantor agency is the Texas Facility Commission (TFC) and the federal CFDA number is 39.003. The estimated fair value for fiscal year 2009 is \$0.00 (Note: The difference of the values of the surplus property recorded on the federal schedule and Exhibit II (Federal Revenues) will be a reconciling item for Note 2.

Note 2 - Reconciliation

Below is a reconciliation of the total of federal pass-through and federal expenditures as reported on the Schedule of Expenditures of Federal Awards to the total of federal revenues and federal pass-through revenues as reported in the general purpose financial statements. Generally, federal funds are not earned until expended; therefore, federal revenues equal federal expenditures for the reporting period.

Per Combined Statement of Revenues, Expenditures, and Changes in Fund Balance -
 - Governmental Fund Types (Exh. II):

Federal Revenues (Exh. II)	\$ 53,144,074.64
Federal Pass-Through Revenues (Exh. II)	<u>936,906.55</u>
Sub-total	<u>54,080,981.19</u>
Non-monetary Federal Surplus Property	<u>0.00</u>
TOTAL EXPENDITURES PER FEDERAL SCHEDULE	<u>\$ 54,080,981.19</u>

Texas Military Department (401)
Schedule 1B - Schedule of State Grant Pass Throughs From/To State Agencies
For the Fiscal Year Ended August 31, 2014

Pass Through From:

Texas Education Agency (AGY 701)	175,000.00
Youth Programs related to students	

Total Pass Through From Other Agencies (Exh II)	<u>175,000.00</u>
---	-------------------

Pass Through To:

Total Pass Through To Other Agencies (Exh II)	<u>\$ 0.00</u>
---	----------------

**Texas Military Department
Schedule 2A - Miscellaneous Bond Information
For the Year Ended August 31, 2014**

Governmental Activities

<u>Description of Issue</u>	<u>Bonds issued to date</u>	<u>Range of Interest rates</u>	<u>Scheduled Maturities</u>		<u>First Call Date</u>
			<u>First Year</u>	<u>Last Year</u>	
Armory Improvement Revenue Bonds: Series 2004	\$ 13,595,000.00	2.50 to 4.375%	2005	2024	04/1/2014
Refunding & Armory Improvement Revenue Bonds: Series 2002	\$ 12,975,000.00	3.00% to 5.125%	2002	2021	04/1/2012
Total	\$ 26,570,000.00				

**Texas Military Department
 Schedule 2B - Changes in Bonded Indebtedness
 For the Year Ended August 31, 2014**

Governmental Activities

Description of Issue	Bonds Outstanding 9/01/2013	Bonds Issued	Bonds Matured or Retired	Bonds Refunded/ Extinguished	Bonds Outstanding 8/31/2014	Amounts Due Within One Year
Armory Improvement Revenue Bonds: Series 2004	8,740,000.00		640,000.00		8,100,000.00	665,000.00
Refunding & Armory Improvement Revenue Bonds: Series 2002	3,305,000.00		820,000.00		2,485,000.00	560,000.00
Total	\$ 12,045,000.00	\$ -	\$ 1,460,000.00	\$ -	\$ 10,585,000.00	\$ 1,225,000.00

**Texas Military Department
Schedule 2C - Debt Service Requirements Schedule
For the Year Ended August 31, 2014**

Governmental Activities

Description of Issue	2014	2015	2016	2017	2018	2019-2023	2024-2028	Total Requirements
Armory Improvement Revenue Bonds:								
Series 2004								
Principal	640,000	665,000	690,000	720,000	750,000	4,295,000	980,000	8,740,000
Interest	361,169	335,569	308,969	281,369	252,569	777,706	42,875	2,360,225
Refunding & Armory Improvement Revenue Bonds:								
Series 2002								
Principal	820,000	560,000	285,000	295,000	310,000	1,035,000		3,305,000
Interest	152,584	113,531	93,197	79,038	64,038	93,663		596,050
Total	\$ 1,973,753.14	\$ 1,674,100.02	\$ 1,377,165.64	\$ 1,375,406.26	\$ 1,376,606.26	\$ 6,201,368.80	\$ 1,022,875.00	\$ 15,001,275.12

Web site data								
Principal	\$ 1,460,000.00	\$ 1,225,000.00	\$ 975,000.00	\$ 1,015,000.00	\$ 1,060,000.00	\$ 5,330,000.00	\$ 980,000.00	12,045,000.00
Interest	\$ 513,753.14	\$ 449,100.02	\$ 402,165.64	\$ 360,406.26	\$ 316,606.26	\$ 871,368.80	\$ 42,875.00	2,956,275.12
	\$ 1,973,753.14	\$ 1,674,100.02	\$ 1,377,165.64	\$ 1,375,406.26	\$ 1,376,606.26	\$ 6,201,368.80	\$ 1,022,875.00	15,001,275.12

**Texas Military Department
 Schedule 2D - Analysis of Funds Available for Debt Service
 For the fiscal year ended August 31, 2014**

Governmental Activities

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2014						
	Operating Revenues	Interest Earned on Investments	a Total Pledged Revenues	b Other Sources	c Operating Expenses and Expenditures	d Capital Outlay	(a+b-c-d) Net Available for Debt Service
Armory Improvement and Ref. & Armory Improvement Series:							
2002 & 2004	\$ 2,613,949.98	\$ 6,264.64	\$ 2,620,214.62	\$ -	\$ 1,734.95	\$ -	\$ 2,618,479.67
Total	\$ 2,613,949.98	\$ 6,264.64	\$ 2,620,214.62	\$ -	\$ 1,734.95	\$ -	\$ 2,618,479.67

Description of Issue	Debt Service		Refunded or Extinguished	Interest and Sinking Fund	
	Principal	Interest		Minimum	Actual
Armory Imp & Ref Imp Rev Bonds Series:					
2002 & 2004	1,460,000	513,753	-	-	-
Total	\$ 1,460,000	\$ 513,753	-	-	\$ -

NOTE: The primary source for payment of principal and interest is from rental of armories paid by the General Fund to the Special Revenue Fund. The principal and interest requirements of each parity issue and the investments of the Interest & Sinking Fund are shown on a cash basis. A portion of the debt service expenses was paid from fund balances available in the Special Revenue Fund.





