

TEXAS STATE LIBRARY AND ARCHIVES COMMISSION

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2015

Mark Smith
Director and Librarian

Annual Financial Report
For the Year Ended August 31, 2015

Prepared for:
Texas State Library and Archives Commission

Comptroller of Public Accounts

Rupert & Associates, P.C.
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Austin, TX 78748

TEXAS STATE LIBRARY AND ARCHIVES COMMISSION (306)

TABLE OF CONTENTS

Submitted to
Comptroller of Public Accounts

TRANSMITTAL LETTER

USAS AND INTERAGENCY ACTIVITY CERTIFICATION

NOTES TO FINANCIAL STATEMENTS



November 2, 2015

The Honorable Greg Abbott, Governor of Texas
The Honorable Glenn Hager, Comptroller of Public Accounts
Ms. Ursula Parks, Director, Legislative Budget Board
Mr. John Keel, CPA, State Auditor

Dear Gov. Abbott, Comptroller Hager, Director Parks, and State Auditor Keel:

We are pleased to submit the Annual Financial Report of the Texas State Library and Archives Commission for the year ended August 31, 2015, in compliance with TEX.GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to be in compliance with GAAP. 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.

Please direct questions to Donna Osborne, Chief Operations and Fiscal Officer, at (512) 463-5440 or dosborne@tsl.texas.gov. Ms. Osborne may also be contacted for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

A handwritten signature in blue ink that reads "Mark Smith".

Mark Smith
Director and Librarian

Enclosure

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Library Building

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Commission Chairman
Michael C. Waters

Members

Sharon T. Carr
Martha Doty Freeman
F. Lynwood Givens
Larry G. Holt
Wm. Scott McAfee
Sandra J. Pickett

Director and Librarian
Mark Smith

TSLAC

Preserving yesterday,
informing today,
inspiring tomorrow.

USAS and Interagency Activity Certification Form – State Agencies

Agency No. 306

Agency Name Texas State Library and Archives Commission

All agencies are required to **sign** and **submit this form** to the Comptroller of Public Accounts, Financial Reporting section on or before **Nov. 20, 2015**. The form may be submitted by email to frs@cpa.state.tx.us or by fax or hard copy. For the agencies that are reconciled, their data may be extracted for the *Comprehensive Annual Financial Report* (CAFR).

This form is required for all agencies regardless of whether they are a simplified reporting or a full reporting agency. The interagency transactions are extracted from USAS for **all agencies**. Please check the items that are applicable for each type of transaction.

Agencies are required to ensure and certify that their financial data correctly reflects their financial position as recorded in USAS and, if applicable, any internal accounting system, as of Aug. 31, 20CY. For more information regarding the required levels of USAS reconciliation, see the **Required Year-End Review and/or Reconciliation of Financial Data and Balances in USAS**.

Please complete this interactive form, print it out, sign and date the last page and submit to your financial reporting analyst.

I. USAS Reconciliation

Check the appropriate statement, either section 1 or 2:

- 1 I certify that for the above agency, the fiscal 2015 financial data contained in the Uniform Statewide Accounting System (USAS) and our internal accounting system, if applicable, were adjusted and the balances accurately reflect the agency's fund financial and/or government-wide financial position.

I also certify that our USAS balances conform to the following:

- System clearing GL 9999 and basis conversion system clearing GL 9992 accounts equal zero at the D23 fund level.
- All balance sheet line items reconcile at the GL account level.
- Fund balance/net position is allocated to the respective GL accounts (2XXX series) and agree with the related GL accounts.
- All operating statement items reconcile to the GAAP source/object level. The correct comptroller object codes were used to ensure accurate D08 government-wide roll-ups.
- D23 funds that roll-up to fund type 09 (GAAP agency funds) have operating statement activity that nets to zero at the GAAP source/object level in USAS.
- Legislative appropriations asset balance (GL 9000) agrees with the balance as calculated on the GR reconciliation.
- Legislative appropriations revenues agree with the balances as calculated on the GR reconciliation.
- Ending fund balance/net position is the same on the operating statement and the balance sheet.
- There are not any "Back Out NA" on the operating statement.
- The USAS IT file is cleared of all AFR USAS batches.

Pension liability is recorded in the agency's internal system and not in USAS: Yes Not Applicable

—OR—

- 2 This reconciliation was not completed; therefore, I understand the agency is not in compliance with the Comptroller's reporting requirements and may be referred to the State Auditor's Office.

II. Interagency Balances

Check the appropriate statement, either section 1 or 2:

- 1 I certify that for the above agency, the fiscal 2015 interagency and interfund balances were coordinated and are posted accurately in USAS.

The DAFR8910 Interfund/Interagency Activity or the FMQuery-SIRS Interagency/Interfund report was run and the following items were verified. From the drop down menu, select "Yes," "No" or "N/A" as appropriate.

	Due From/ Due To	Federal Pass- Throughs	State Pass- Throughs	Transfers
Interagency item amount is posted accurately in USAS	Yes	Yes	N/A	Yes
All "NP" items were eliminated ("NP" items occur if the AGL [Agency General Ledger] information is blank)	Yes	Yes	N/A	Yes
AGL information is correct (the AGL consists of the opposite agency number, D23 fund and 0)	Yes	Yes	N/A	Yes
Federal grant pass-throughs match what is reported on the Schedule of Expenditures of Federal Awards		Yes		
State grant pass-throughs match what is reported on the Schedule of State Grant Pass-Throughs			N/A	

—OR—

- 2 ___ I certify that for fiscal 2015, the above agency does not have any interagency activity reflected on the AFR.

III. Required Signature

Sign, date and submit the completed form by email to frs@cpa.texas.gov or by fax or hard copy to the Comptroller of Public Accounts, Financial Reporting section of the Fiscal Management Division.



Signature

11/3/2015

Date

Donna Osborne

Printed Name

Chief Operations and Fiscal Officer

Title, Phone Number and Email Address

Donna Osborne; 512-463-5440; dosborne@tsl.texas.gov

AFR Contact Person, Phone Number and Email Address

Rebecca Cannon; 512-463-6626; rcannon@tsl.texas.gov

USAS Contact Person, Phone Number and Email Address

Tamra Lavin; 512-463-5473; tlavin@tsl.texas.gov

Federal Contact Person, Phone Number and Email Address

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Note 1: Summary of Significant Accounting Policies

Entity

The Texas State Library and Archives Commission 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 Texas State Library and Archives Commission serves the state by implementation of the provisions of the Constitution and library laws of Texas, including the Texas Library Systems Act. The Commission is designated as a separate reporting entity pursuant to requirements established by the Legislature, the Legislative Budget Board, and the Governor's Office of Budget Planning and Policy.

Due to significant changes related to Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to be in compliance with generally accepted accounting principles (GAAP). 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: This component unit is legally separate from the state, but is financially accountable to the state, or has a relationship with the state such that exclusion would cause the financial statements to be misleading or incomplete. The component unit columns of the financial statements include the financial data of these entities.

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 Fund: The general fund is the principal operating fund used to account for most of the state's general activities. It accounts for all the financial resources except those accounted for in other funds.

Special Revenue Funds: Special revenue funds are used to account for the proceeds of specific revenue sources (other than for private-purpose trusts or for major capital projects) that are legally restricted to use for specified purposes.

Fiduciary Fund Types

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

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

Basis of Accounting

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

Governmental fund types that build the fund financial statements are accounted for using the modified accrual method basis of accounting. Under the modified accrual, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. The State of Texas considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for Fund Financial Statements prepared on the modified basis of accrual. Expenditures and other uses of financial resources are recognized when their related liability is incurred.

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual method of accounting. This includes capital assets, accumulated depreciation, unpaid Employee Compensable leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, long-term claims and judgments and full accrual revenues and expenses. The activity will be recognized in these fund types.

Proprietary funds, pension trust funds, external investment trust funds and private-purpose trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with proprietary funds principal ongoing operations. Operating expenses for the enterprise and internal services funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Budgets and Budgetary Accounting

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

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

Assets, Liabilities, and Fund Equity

Assets

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

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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 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. Road and highway infrastructure is reported on the modified basis. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

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

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

Liabilities

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

Current Payables - Other: 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 the covered employee. Liabilities are reported separately as either current or non-current 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.

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The Texas State Library and Archives Commission (306)

- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the Texas Legislature, the state's highest level of decision making authority.
- Assigned fund balance includes amounts constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (1) the Texas Legislature or (2) a body (for example, a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

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 between funds:

Transfers: Legally required transfers that are reported when incurred as 'Transfers In' by the recipient fund and as 'Transfer Out' by the disbursing fund.

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".

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Note 2: Capital Assets

Revenue Received from the sale of Surplus Property has been transferred to Unappropriated General Revenue in accordance with HB7, Sec. 20.

A summary of changes in Capital Assets for the year ended August 31, 2015, is presented below:

	Balance 9/1/2014	Adj	Reclassifications			Additions	Deletions	Balance 8/31/2015
			Completed CIP	Inc-Int'agy Trans	Dec-Int'agy Trans			
GOVERNMENTAL ACTIVITIES								
Non-Depreciable Assets								
Land and Land Improvements	689,677.85							689,677.85
Infrastructure	282,200.00							282,200.00
Construction in Progress	16,590.88							16,590.88
Other Capital Assets	3,756,395.00					62,500.00		3,818,895.00
Total Non-Depreciable Assets	4,744,863.73	-	-	-	-	62,500.00	-	4,807,363.73
Depreciable Assets								
Buildings and Building Improvements	8,256,438.81					138,557.70		8,394,996.51
Furniture and Equipment	1,859,244.57	47,378.18		184,082.00		242,995.71	(19,493.83)	2,314,206.63
Vehicle, Boats & Aircraft	150,764.96							150,764.96
Other Capital Assets	3,524,792.50	-				93,347.52		3,618,140.02
Total Depreciable Assets at Historical Cost	13,791,240.84	47,378.18	-	184,082.00	-	474,900.93	(19,493.83)	14,478,108.12
Less Accumulated Depreciation for:								
Buildings and Improvements	(7,480,253.41)					(61,867.76)		(7,542,121.17)
Furniture and Equipment	(1,289,515.08)	(43,060.08)		(184,082.00)		(148,951.90)	19,493.83	(1,646,115.23)
Vehicles, Boats & Aircraft	(87,980.76)					(10,630.80)		(98,611.56)
Other Capital Assets	(2,717,462.08)	-				(112,618.70)		(2,830,080.78)
Total Accumulated Depreciation	(11,575,211.33)	(43,060.08)	-	(184,082.00)	-	(334,069.16)	19,493.83	(12,116,928.74)
Amortizable Assets - Intangible								
Computer Software	8,000.00							8,000.00
Other Intangible Capital Assets								-
Total Depreciable Assets at Historical Costs	8,000.00	-	-	-	-	-	-	8,000.00
Less Accumulated Amortization for:								
Computer Software	(8,000.00)							(8,000.00)
Other Intangible Capital Assets								-
Total Accumulated Amortization	(8,000.00)	-	-	-	-	-	-	(8,000.00)
Governmental Activities Capital Assets, Net	6,960,893.24	4,318.10	-	-	-	203,331.77	-	7,168,543.11

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The Texas State Library and Archives Commission (306)

Note 5: Long Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2015 the following changes occurred in liabilities.

Governmental Activities	Balance 9/01/14	Additions	Reductions	Balance 8/31/15	Amounts Due Within 1 Year	Amounts Due Thereafter
Compensable Leave	\$767,342.49	\$770,228.85	\$843,265.77	\$694,305.57	\$436,964.38	\$257,341.19
Total Governmental Activities	\$767,342.49	\$770,228.85	\$843,265.77	\$694,305.57	\$436,964.38	\$257,341.19

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 in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. An expense and liability for proprietary fund types are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

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Note 8: Leases

OPERATING LEASES

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

Fund Type	Amount
General Fund	\$389,497.96

During FY 2015, future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

	Minimum Lease Payment
Year Ending August 31, 2016	\$ 399,996.14
Year Ending August 31, 2017	390,761.33
Year Ending August 31, 2018	332,638.23
Year Ending August 31, 2019	141,756.18
Year Ending August 31, 2020	11,491.41
Total Minimum Future Lease Rental Payments	\$ 1,271,643.29

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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, 2020 to close out its operations.

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Note 14: Adjustments to Fund Balances/Net Assets

During the FY 2015, adjustments were made which required the restatement of the amounts in fund balances and fund equity as shown and discussed below:

a. Capital Assets

	Capital Assets	Total
Fund Balance August 31, 2014	(\$6,960,893.24)	\$ (6,960,893.24)
Restatements		
a. Capital Assets	(4,318.10)	(4,318.10)
Fund Balance September 1, 2014 as Restated	(\$6,965,211.34)	(\$6,965,211.34)

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The Texas State Library and Archives Commission (306)

Note 15: Contingencies and Commitments

The agency receives grant funds awarded by the Institute of Museum and Library Services (IMLS) through the State Programs grant using Library Services and Technology Act (LSTA) funds. These funds totaled more than \$10 million in Fiscal Year 2015.

The agency did not meet federally mandated maintenance of effort (MOE) requirements for federal grant funds during the 2012 and 2013 State Fiscal Years due to a lack of sufficient state General Revenue funding. Failure to meet the MOE requirements may result in a reduction of future federal funding in amounts that are in proportion to the percentage to which the agency failed to meet the MOE requirement.

The agency requested and has been granted waivers of the MOE requirements for those two prior grant years, so funds awarded through State Fiscal Year 2016 will not be reduced. The agency will continue to work with the Legislature to maintain the current level of General Revenue (GR) funding as we believe it is unlikely the IMLS would approve a third waiver request should our GR funding be reduced again in the future.