

**ANNUAL FINANCIAL
REPORT FY 2016**

**— TEXAS —
RACING COMMISSION**



For The Year Ending August 31, 2016

**Chuck Trout
Executive Director**

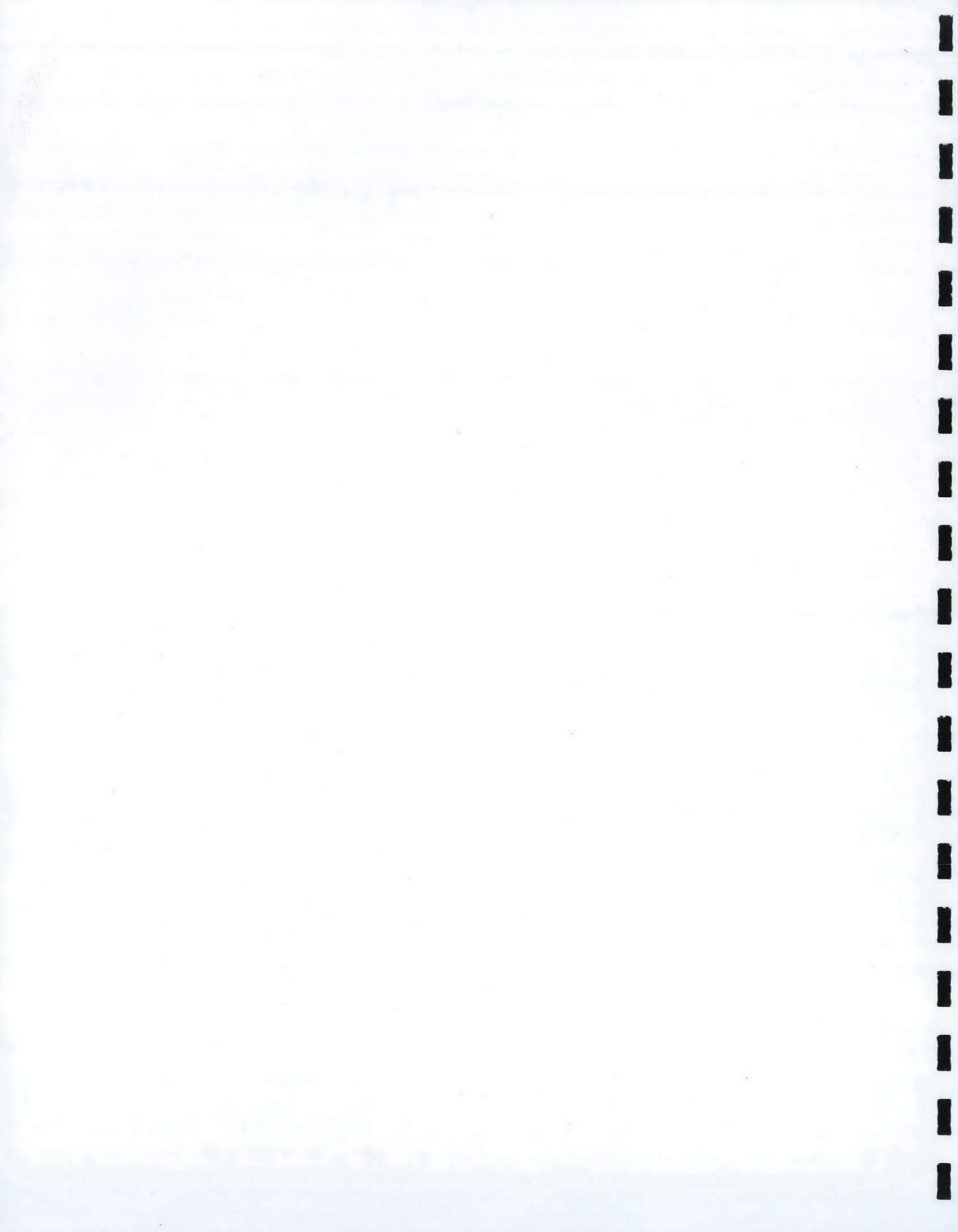


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TEXAS RACING COMMISSION
P.O. BOX 12080
AUSTIN, TEXAS 78711-2080
(512) 833-6699
FAX (512) 833-6907

September 30, 2016

Honorable Greg Abbott, Governor
Honorable Glenn Hegar, Comptroller of Public Accounts
Ursula Parks, Director, Legislative Budget Board
John Keel, CPA, State Auditor

Dear Governor Abbott, Comptroller Hegar, Ms. Parks, and Mr. Keel:

We are pleased to submit the Annual Financial Report of the Texas Racing Commission for the year ended August 31, 2016, in compliance with Texas Government Code Annotated Section 2101.011, and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, 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 John Perryman, Director of Administration at john.perryman@txrc.texas.gov or 512-490-4025.

Sincerely,

A handwritten signature in blue ink, appearing to read "C. Trout".

Chuck Trout
Executive Director

CT:JP:mw

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TEXAS RACING COMMISSION (476)

EXHIBIT I

COMBINED BALANCE SHEET/ STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS

For the Year Ended August 31, 2016

	<u>GOVERNMENTAL FUND TYPES GENERAL FUNDS (Exhibit A-1)</u>	<u>CAPITAL ASSETS ADJUSTMENTS</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents		
Cash in Bank	\$ 3,000.00	\$
Cash in State Treasury	1,076,352.23	
Legislative Appropriations	0.00	
Due From Other Funds (Agy 476, Fd 0005)	15,000.00	
Consumable Inventories	<u>14,423.08</u>	
 Total Current Assets	 <u>\$ 1,108,775.31</u>	 <u>\$ 0.00</u>
Non-Current Assets:		
Capital Assets:		
Depreciable		
Furniture and Equipment	\$	\$ 162,132.12
Less Accumulated Depreciation		(103,973.87)
Intangible		
Computer Software		253,548.97
Less Accumulated Amortization		<u>(253,548.97)</u>
 Total Non-Current Assets	 <u>0.00</u>	 <u>58,158.25</u>
 TOTAL ASSETS	 <u><u>\$ 1,108,775.31</u></u>	 <u><u>\$ 58,158.25</u></u>
 LIABILITIES		
Current Liabilities:		
Payables from:		
Accounts Payable	\$ 389,200.56	\$
Payroll Payable	275,955.43	
Due To Other Funds (Agy 476, Fd 0597)	15,000.00	
Employees' Compensable Leave		
Total Current Liabilities	<u>\$ 680,155.99</u>	<u>0.00</u>
Non-Current Liabilities:		
Employees' Compensable Leave		
Total Non-Current Liabilities	<u>0.00</u>	<u>0.00</u>
 TOTAL LIABILITIES	 <u><u>\$ 680,155.99</u></u>	 <u><u>\$ 0.00</u></u>

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<u>LONG-TERM LIABILITIES ADJUSTMENTS</u>	<u>OTHER ADJUSTMENTS</u>	<u>STATEMENT OF NET ASSETS</u>
\$	\$	\$ 3,000.00
		1,076,352.23
		0.00
		15,000.00
		<u>14,423.08</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 1,108,775.31</u>
\$	\$	\$ 162,132.12
		(103,973.87)
		253,548.97
		<u>(253,548.97)</u>
<u>0.00</u>	<u>0.00</u>	<u>58,158.25</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 1,166,933.56</u>
\$	\$	\$ 389,200.56
		275,955.43
		15,000.00
243,105.94		243,105.94
<u>\$ 243,105.94</u>	<u>\$ 0.00</u>	<u>\$ 923,261.93</u>
147,522.97		147,522.97
<u>147,522.97</u>	<u>0.00</u>	<u>147,522.97</u>
<u>\$ 390,628.91</u>	<u>\$ 0.00</u>	<u>\$ 1,070,784.90</u>

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TEXAS RACING COMMISSION (476)
 EXHIBIT I
 COMBINED BALANCE SHEET/ STATEMENT OF NET ASSETS GOVERNMENTAL FUNDS
 For the Year Ended August 31, 2016

	GOVERNMENTAL FUND TYPES GENERAL FUNDS (Exhibit A-1)	CAPITAL ASSETS ADJUSTMENTS
Fund Financial Statements		
FUND BALANCES (DEFICITS):		
	\$	\$
NonSpendable Consumable Inventory	14,423.08	
Committed	<u>414,196.24</u>	<u>0.00</u>
TOTAL FUND BALANCES	<u>428,619.32</u>	<u>0.00</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,108,775.31</u>	<u>\$ 0.00</u>
Government-wide Statement Net Assets		
Net Assets:		
Net Investment in Capital Assets		\$ 58,158.25
Restricted for:		
Debt Retirement		
Employee Benefit		
Unrestricted		<u> </u>
Total Net Assets		<u>\$ 58,158.25</u>

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<u>LONG-TERM LIABILITIES ADJUSTMENTS</u>	<u>OTHER ADJUSTMENTS</u>	<u>STATEMENT OF NET ASSETS</u>
\$	\$	\$
		14,423.08
<u>0.00</u>	<u>0.00</u>	<u>414,196.24</u>
<u>0.00</u>	<u>0.00</u>	<u>428,619.32</u>
<u>\$ 390,628.91</u>	<u>\$ 0.00</u>	<u>\$ 1,499,404.22</u>
		\$ 58,158.25
		0.00
		0.00
		0.00
<u>(390,628.91)</u>	<u>0.00</u>	<u>(390,628.91)</u>
<u>\$ (390,628.91)</u>	<u>\$ 0.00</u>	<u>\$ 96,148.66</u>
		<u>\$ 1,166,933.56</u>

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TEXAS RACING COMMISSION (476)
 EXHIBIT II
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended August 31, 2016

	General Funds (Exhibit A-2)	Capital Asset Adjustments
REVENUES:	\$	\$
Licenses and Permits	4,505,529.73	
Sales of Goods and Services	3,280,396.51	
Other Revenue	14,392.00	
Total Revenues	\$ 7,800,318.24	\$ 0.00
EXPENDITURES:		
Salaries and Wages	2,892,682.77	
Payroll Related Costs	1,122,149.65	
Professional Fees and Services	166,298.87	
Travel	194,582.60	
Materials and Supplies	155,867.33	
Communication and Utilities	111,652.99	
Repairs and Maintenance	64,296.93	
Rentals and Leases	91,100.87	
Printing and Reproduction	1,709.87	
Claims and Judgements	66.32	
Other Operating Expenditures	3,361,420.75	
Capital Outlay	11,840.00	(11,840.00)
Depreciation Expense		21,240.13
Total Expenditures	\$ 8,173,668.95	\$ 9,400.13
EXCESS OF REVENUES OVER EXPENDITURES	\$ (373,350.71)	\$ (9,400.13)
OTHER FINANCING SOURCES (USES):		
Sale of Capital Asset	\$ 0.00	\$ 0.00
Gain on Sale of Asset		
Operating Transfers Out (Agy 902, Fund 0001)	(14,948.83)	
Operating Transfers Out (Agy 556, Fund 0001)	(58,758.65)	
Total Other Financing Sources (Uses)	\$ (73,707.48)	\$ 0.00
NET CHANGE IN FUND BALANCES/NET ASSETS	\$ (447,058.19)	\$ (9,400.13)

/STATEMENT OF ACTIVITIES

Long-term Liabilities Adjustments	Statement of Activities
\$	\$
	4,505,529.73
	3,280,396.51
	14,392.00
\$ 0.00	\$ 7,800,318.24
(50,896.46)	2,841,786.31
	1,122,149.65
	166,298.87
	194,582.60
	155,867.33
	111,652.99
	64,296.93
	91,100.87
	1,709.87
	66.32
	3,361,420.75
	0.00
	21,240.13
\$ (50,896.46)	\$ 8,132,172.62
\$ 50,896.46	\$ (331,854.38)
\$ 0.00	\$ 0.00
	0.00
	(14,948.83)
	(58,758.65)
\$ 0.00	\$ (73,707.48)
\$ 50,896.46	\$ (405,561.86)

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TEXAS RACING COMMISSION (476)
 EXHIBIT II
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended August 31, 2016

	General Funds (Exhibit A-2)	Capital Asset Adjustments
FUND BALANCES Beginning	\$ 890,677.51	\$ 0.00
Restatement		
FUND BALANCES Beginning as Restated	<u>\$ 890,677.51</u>	<u>\$ 0.00</u>
Lapsed Appropriations		
FUND BALANCES Ending	<u><u>\$ 443,619.32</u></u>	
Government-wide Statement Net Assets		
Change in Net Assets		<u>\$ (9,400.13)</u>
Net Assets Beginning		67,558.38
Adjustments to Beginning Net Assets		
Restatement		
Net Assets Beginning as Restated and Adjusted		<u>\$ 67,558.38</u>
Net Assets Ending		<u><u>\$ 58,158.25</u></u>

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/STATEMENT OF ACTIVITIES

<u>Long-term Liabilities Adjustments</u>	<u>Statement of Activities</u>
\$ 0.00	\$ 890,677.51
	0.00
<u>\$ 0.00</u>	<u>\$ 890,677.51</u>
	0.00
	<u>\$ 485,115.65</u>
<u>\$ 50,896.46</u>	
(441,525.37)	(373,966.99)
	0.00
	0.00
<u>\$ (441,525.37)</u>	<u>\$ (373,966.99)</u>
<u>\$ (390,628.91)</u>	<u>\$ 111,148.66</u>

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TEXAS RACING COMMISSION (476)
 EXHIBIT VI
 COMBINED STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS
 For the Year Ended August 31, 2016

	PRIVATE- PURPOSE TRUST (Exhibit I-1)	TOTAL FY 2016
ASSETS		
Current Assets		
Cash and Cash Equivalents		
Cash in State Treasury	\$ 88,319.55	\$ 88,319.55
Accounts Receivable	0.00	0.00
Total Current Assets	<u>88,319.55</u>	<u>88,319.55</u>
TOTAL ASSETS	<u>\$ 88,319.55</u>	<u>\$ 88,319.55</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 88,319.55	\$ 88,319.55
Funds Held for Others		0.00
Total Current Liabilities	<u>88,319.55</u>	<u>88,319.55</u>
TOTAL LIABILITIES	<u>\$ 88,319.55</u>	<u>\$ 88,319.55</u>
NET ASSETS		
Held in Trust for:	\$	\$
Individuals, Organizations, and Other Governments	<u>0.00</u>	<u>0.00</u>
TOTAL NET ASSETS	<u>0.00</u>	<u>0.00</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 88,319.55</u>	<u>\$ 88,319.55</u>

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

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TEXAS RACING COMMISSION (476)
 EXHIBIT VII
 COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS
 For the Year Ended August 31, 2016

	<u>PRIVATE- PURPOSE TRUST (Exhibit I-2)</u>	<u>TOTAL FY 2016</u>
ADDITIONS		
Contributions		
Member Contributions	\$	\$
Total Contributions		
Investment Income		
From Investing Activities		
Net Appreciation (Depreciation) in Fair Value of Investments		
Interest and Investment Income	734.06	734.06
Total Investing Income	<u>734.06</u>	<u>734.06</u>
Total Net Investment Income	\$ <u>734.06</u>	\$ <u>734.06</u>
Other Additions		
Federal Revenue		
Contributions to Employee Benefit Funds		
Settlement of Claims		
Other Revenue	\$ 800,408.21	\$ 800,408.21
Transfers-In	<u>0.00</u>	<u>0.00</u>
Total Other Additions	<u>800,408.21</u>	<u>800,408.21</u>
Total Additions	\$ <u>801,142.27</u>	\$ <u>801,142.27</u>
DEDUCTIONS		
Employee Benefit Payments		
Transfers Out of Contributions		
Interest Expense		
Other Expense	\$ 801,142.27	\$ 801,142.27
Transfers Out	<u>0.00</u>	<u>0.00</u>
Total Deductions	\$ <u>801,142.27</u>	\$ <u>801,142.27</u>
NET INCREASE (DECREASE)	<u>0.00</u>	<u>0.00</u>
Net Assets Beginning of Year	<u>0.00</u>	<u>0.00</u>
Net Assets End of Year	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

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TEXAS RACING COMMISSION (476)
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ENTITY

The Texas Racing Commission was established by the Legislature to administer and enforce the Texas Racing Act as adopted by the 69th Legislature, Second Called Session, 1986, Article 179e, V.T.C.S. The purposes of the Racing Act are to provide for strict regulation and control of horse racing and greyhound racing and the control of pari-mutuel wagering in connection with that racing.

Due to the significant changes related to 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 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 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.

B. 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 AND GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

General Revenue Fund

The general revenue fund (Fund 0001) is used to account for all financial resources of the state except those required to be accounted for in another fund.

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.

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

Private Purpose Trust Funds

The Racing Commission Escrow Purse Trust Accounts (Fund 0876) is the escrow account for the purse set aside under Subsection (c)(4) of the Texas Racing Act, Article 6, Sec. 6.091.

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TEXAS RACING COMMISSION (476)
NOTES TO THE FINANCIAL STATEMENTS

C. BASIS OF ACCOUNTING

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

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

Governmental adjustment fund types that will build the government-wide financial statements are accounted for using the full accrual method of accounting. The following are recognized in these fund types:

- * 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 judgements
- * Full accrual revenues and expenses

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 the proprietary funds' principal ongoing operations. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets.

D. 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.

E. ASSETS, LIABILITIES, AND FUND BALANCES/NET POSITION

ASSETS

Cash and Cash Equivalents

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

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TEXAS RACING COMMISSION (476)
NOTES TO THE FINANCIAL STATEMENTS

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation and revenue bonds and revenues set aside for statutory or contractual requirements.

Inventories & 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. Inventories for governmental fund types use the purchase method of accounting. The consumption method of accounting is used to account for inventories that appear in the proprietary fund types and the government-wide statements. 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. Road and highway infrastructure is reported on the modified basis 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 funds or trust funds are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the acquisition date. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

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

Employees' Compensable Leave Balances represent the liability that became "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 BALANCES/NET POSITION

"Fund balance" is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the governmental fund statements. "Net position" is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the government-wide, proprietary and fiduciary fund statements.

Fund Balance Components

Fund balances for governmental funds are classified as either 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:

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TEXAS RACING COMMISSION (476)
NOTES TO THE FINANCIAL STATEMENTS

(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 such as creditors, grantors, contributors, laws or regulations of other governments or by law through constitutional provisions or enabling legislation.

Committed fund balance can be used only for specific purposes pursuant to constraints imposed through legislation passed into law by a formal action of the Texas Legislature, the state's highest level decision making authority.

Assigned fund balance includes amount constrained by the state's intent to be used for specific purposes, but the constraints do not meet the requirements to be reported as restricted or committed. Intent is expressed by: The Texas Legislature or 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.

Net Investment in Capital Assets

Net investment in capital assets, 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 Position

Restricted Net Position results when constraints placed on net resources use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

Unrestricted Net Position consists of net resources, which do not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources, which are imposed by management, but can be removed or modified.

F. INTERFUND TRANSACTIONS AND BALANCES

The agency has the following types of transactions among funds:

- 1) Transfers: Legally required transfers that are reported when incurred as "Transfers In" by the recipient fund and as "Transfers Out" by the disbursing fund.
- 2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.
- 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,

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TEXAS RACING COMMISSION (476)
NOTES TO THE FINANCIAL STATEMENTS

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 receivables and payables at August 31, 2016, if any, is presented in Note 12.

NOTE 2: CAPITAL ASSETS

A summary of changes in Capital Assets for the year ended August 31, 2016:

	<u>Balance 9/1/15</u>	<u>Adjustments</u>	<u>Completed CIP</u>	<u>Inc Int'agy Trans</u>	<u>Dec Int'agy Trans</u>
Governmental Activities:					
Depreciable Assets					
Furniture & Equipment	\$ 167,179.10	\$	\$	\$	\$
Intangible Assets					
Computer Software	<u>253,548.97</u>				
Total depreciable and intangible assets	420,728.07	0.00	0.00	0.00	0.00
Less Accum Deprec for:					
Furniture & Equipment	(99,620.72)				
Less Accum Amortiz for:					
Computer Software	<u>(253,548.97)</u>				
Total Accum Deprec/Amor	<u>(353,169.69)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
 TOTAL	 <u>\$ 67,558.38</u>	 <u>\$ 0.00</u>	 <u>\$ 0.00</u>	 <u>\$ 0.00</u>	 <u>\$ 0.00</u>

<i>continued</i>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 8/31/16</u>
Governmental Activities:			
Depreciable Assets			
Furniture & Equipment	\$ 11,840.00	\$ (16,886.98)	\$ 162,132.12
Intangible Assets			
Computer Software			<u>253,548.97</u>
Total depreciable and intangible assets	11,840.00	(16,886.98)	415,681.09
Less Accum Deprec for:			
Furniture & Equipment	(21,240.13)	16,886.98	(103,973.87)
Less Accum Amortiz for:			
Computer Software			<u>(253,548.97)</u>
Total Accum Deprec/Amor	<u>(21,240.13)</u>	<u>16,886.98</u>	<u>(357,522.84)</u>
 TOTAL	 <u>\$ (9,400.13)</u>	 <u>\$ 0.00</u>	 <u>\$ 58,158.25</u>

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TEXAS RACING COMMISSION (476)
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

Texas Racing Commission is authorized by statute to make investments following the "prudent person rule. There were no significant violations of legal provisions during the period.

Deposits of Cash in Bank
As of August 31, 2016, the carrying amount of deposits was \$3,000.00 as presented below.

Government Activities:		
CASH IN BANK CARRYING VALUE	\$	3,000.00
Less: Certificates of Deposit included in carrying value and reported as Cash Equivalent		<u>0.00</u>
Cash in Bank per AFR	\$	<u>3,000.00</u>
Governmental Funds Current Assets Cash in Bank	\$	<u>3,000.00</u>
Cash in Bank per AFR	\$	<u>3,000.00</u>

As of August 31, 2016, the total bank balances was as follows:

Governmental Activities	\$	<u>3,000.00</u>
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None of the bank balances was exposed to custodial credit risk.

NOTE 4: SHORT TERM DEBT Not applicable

NOTE 5: LONG-TERM LIABILITIES

Notes and Loans Payable:

The agency did not have any notes or loans payable as of August 31, 2016.

Changes In Long-Term Liabilities

During the year ended August 31, 2016, the following changes occurred in liabilities.

Governmental Activities:	Balance 9/01/15	Additions	Deductions	Balance 8/31/16	Amounts Due Within One Yr	Amounts Due Thereafter
Compensable Leave	\$ 441,525.37	\$ 375,554.53	\$ (426,450.99)	\$ 390,628.91	\$ 243,105.94	\$ 147,522.97
TOTAL	\$ <u>441,525.37</u>	\$ <u>375,554.53</u>	\$ <u>(426,450.99)</u>	\$ <u>390,628.91</u>	\$ <u>243,105.94</u>	\$ <u>147,522.97</u>

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 funds are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating

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TEXAS RACING COMMISSION (476)
NOTES TO THE FINANCIAL STATEMENTS

rights to receive sick pay benefits.

NOTE 6: BONDED INDEBTEDNESS Not applicable

NOTE 7: DERIVATIVE INSTRUMENTS Not applicable

NOTE 8: LEASES

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

<u>Fund Type</u>	
General Fund (0597)	\$ <u>85,958.50</u>

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:

2017	\$	97,395.12
2018		103,348.68
2019		103,348.68
2020		103,348.68
2021		103,348.68
2022 & Beyond		<u>43,329.87</u>

Total Minimum Future Lease Payment Requirements \$ 554,119.71

NOTE 9: PENSION PLANS Not applicable

NOTE 10: DEFERRED COMPENSATION Not applicable

NOTE 11: POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS Not applicable

NOTE 12: INTERFUND ACTIVITY AND TRANSACTIONS

As explained in Note 1, Interfund Transactions and Balances are transactions between funds and agencies. At year-end, amounts to be received or paid are reported as Due From or Due To Other Funds. Individual interfund receivable and payable balances on August 31, 2016, were as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Purpose</u>
Operating Transfers In/Out			
General (01)			
Appd Fund 0597 D23 Fund 0597			
Agy 902, Fd 0001	\$ 14,948.83		UB to 0001
Agy 556, Fd 0001	<u>58,758.65</u>		Service Trfr
Total Operating Transfers	\$ <u>73,707.48</u>	\$ <u>0.00</u>	

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TEXAS RACING COMMISSION (476)
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Agency will be abolished effective September 1, 2023, unless continued in existence by the State Legislature as provided by the Act. If abolished, the Agency may continue until September 1, 2024, to close out its operations.

NOTE 14: ADJUSTMENTS TO FUND BALANCES/NET ASSETS Not applicable

NOTE 15: CONTINGENCIES AND COMMITMENTS

The agency encumbered \$10,691.97 of its fiscal year 2016 remaining funds. 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 and are part of the committed fund balance.

NOTE 16: SUBSEQUENT EVENTS Not applicable

NOTE 17: RISK MANAGEMENT

The agency is exposed to a variety of civil claims resulting from performance of its duties. The agency is also exposed to property and casualty risks and workers' compensation risks. 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 agency assumes substantially all risks associated with tort claims and liability claims due to the performance of its duties. Currently there is no purchase of commercial insurance, nor is the agency involved in any risk pools with other governmental agencies.

The agency's 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 Not applicable

NOTE 19: THE FINANCIAL REPORTING ENTITY Not applicable

NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY Not applicable

NOTE 21: NOT APPLICABLE TO AFR

NOTE 22: DONOR-RESTRICTED ENDOWMENTS Not applicable

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS Not applicable

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES Not applicable

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TEXAS RACING COMMISSION (476)
NOTES TO THE FINANCIAL STATEMENTS

NOTE 25: TERMINATION BENEFITS Not applicable

NOTE 26: SEGMENT INFORMATION Not applicable

NOTE 27: SERVICE CONCESSION AGREEMENTS Not applicable

NOTE 28: DEFERRED OUTFLOWS OF RESOURCES & DEFERRED INFLOWS OF RESOURCES Not applicable

NOTE 29: TROUBLED DEBT RESTRUCTURING Not applicable

NOTE 30: NON-EXCHANGE FINANCIAL GUARANTEES Not applicable

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TEXAS RACING COMMISSION (476)
 EXHIBIT A-1
 COMBINING BALANCE SHEET - ALL GENERAL AND CONSOLIDATED FUNDS
 For the Year Ended August 31, 2016

	TEXAS RACING FUND FUND 0597 U/F 0597	SUSPENSE FUND FUND 0005 U/F 0900	TOTALS (EXHIBIT I) FY 2016
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$	\$	\$
Cash in Bank	3,000.00		3,000.00
Cash In State Treasury	1,061,352.23	15,000.00	1,076,352.23
Legislative Appropriations	0.00		0.00
Due From Other Funds (Agy 476, Fd 0005)	15,000.00		15,000.00
Consumable Inventories	14,423.08		14,423.08
Total Current Assets	\$ 1,093,775.31	\$ 15,000.00	\$ 1,108,775.31
TOTAL ASSETS	\$ 1,093,775.31	\$ 15,000.00	\$ 1,108,775.31
LIABILITIES			
Current Liabilities:			
Payables from:			
Accounts Payable	\$ 389,200.56	\$	\$ 389,200.56
Payroll Payable	275,955.43		275,955.43
Due to Other Funds (Agy 476, Fd 0597)		15,000.00	15,000.00
Total Current Liabilities	665,155.99	15,000.00	680,155.99
TOTAL LIABILITIES	\$ 665,155.99	\$ 15,000.00	\$ 680,155.99
Fund Financial Statements Fund			
FUND BALANCES (DEFICITS):			
NonSpendable Consumable Inventory	\$ 14,423.08	\$	\$ 14,423.08
Committed	414,196.24		414,196.24
TOTAL FUND BALANCES	428,619.32	0.00	428,619.32
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,093,775.31	\$ 15,000.00	\$ 1,108,775.31

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TEXAS RACING COMMISSION (476)
 EXHIBIT A-2
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GENERAL AND CONSOLIDATED FUNDS
 For the Year Ended August 31, 2016

	TEXAS RACING FUND 0597 U/F (0597)	SUSPENSE FUND FUND 0005 U/F 0900	TOTALS EXHIBIT II FY 2016
REVENUES:			
Licenses, Fees and Permits	\$ 4,500,529.73	\$ 5,000.00	\$ 4,505,529.73
Sales of Goods and Services	3,280,396.51		3,280,396.51
Other Revenue	14,392.00		14,392.00
Total Revenues	7,795,318.24	5,000.00	7,800,318.24
EXPENDITURES:			
Salaries and Wages	2,892,682.77		2,892,682.77
Payroll Related Costs	1,122,149.65		1,122,149.65
Professional Fees and Services	166,298.87		166,298.87
Travel	194,582.60		194,582.60
Materials and Supplies	155,867.33		155,867.33
Communication and Utilities	111,652.99		111,652.99
Repairs and Maintenance	64,296.93		64,296.93
Rentals and Leases	91,100.87		91,100.87
Printing and Reproduction	1,709.87		1,709.87
Claims and Judgements	66.32		66.32
Other Operating Expenditures	3,361,420.75		3,361,420.75
Capital Outlay	11,840.00		11,840.00
Total Expenditures	8,173,668.95	0.00	8,173,668.95
EXCESS OF REVENUES OVER EXPENDITURES	(378,350.71)	5,000.00	(373,350.71)
OTHER FINANCING SOURCES (USES):			
Sale of Capital Asset	0.00		0.00
Operating Transfers Out (Agy 902, Fd 0001)	(14,948.83)	0.00	(14,948.83)
Operating Transfers Out (Agy 556, Fd 0001)	(58,758.65)		(58,758.65)
Total Other Financing Sources (Uses)	(73,707.48)	0.00	(73,707.48)
EXCESS OF REVENUE & OTHER FINANCING SOURCES OVER EXPENDITURES & OTHER FINANCING USES	(452,058.19)	5,000.00	(447,058.19)
FUND BALANCES - Beginning	880,677.51	10,000.00	890,677.51
Lapsed Appropriations			0.00
Restatements			0.00
FUND BALANCES - Ending	\$ 428,619.32	\$ 15,000.00	\$ 443,619.32

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TEXAS RACING COMMISSION (476)
 EXHIBIT I-1
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS PRIVATE PURPOSE TRUST FUNDS
 For the Year Ended August 31, 2016

	PRIVATE- PURPOSE TRUST <u>0876 (U/F 0876)</u>	PRIVATE- PURPOSE TRUST <u>0876 (U/F 8876)</u>	TOTAL FY 2016
ASSETS			
Current Assets			
Cash and Cash Equivalents			
Cash in State Treasury	\$ 14,506.64	\$ 73,812.91	\$ 88,319.55
Accounts Receivable	0.00	0.00	
Total Current Assets	<u>14,506.64</u>	<u>73,812.91</u>	<u>88,319.55</u>
TOTAL ASSETS	<u>\$ 14,506.64</u>	<u>\$ 73,812.91</u>	<u>\$ 88,319.55</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 88,319.55	\$ 0.00	\$ 88,319.55
Funds Held for Others			0.00
Total Current Liabilities	<u>88,319.55</u>	<u>0.00</u>	<u>88,319.55</u>
TOTAL LIABILITIES	<u>88,319.55</u>	<u>0.00</u>	<u>88,319.55</u>
NET ASSETS			
Held in Trust for:			
Individuals, Organizations, and Other Governments	\$ (73,812.91)	\$ 73,812.91	\$ 0.00
TOTAL NET ASSETS	<u>(73,812.91)</u>	<u>73,812.91</u>	<u>0.00</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,506.64</u>	<u>\$ 73,812.91</u>	<u>\$ 88,319.55</u>

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

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TEXAS RACING COMMISSION (476)

EXHIBIT I-2

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PRIVATE PURPOSE TRUST FUNDS

For the Year Ended August 31, 2016

	PRIVATE- PURPOSE TRUST 0876 (U/F 0876)	PRIVATE- PURPOSE TRUST 0876 (U/F 8876)	TOTAL FY 2016 (Exh VII)
ADDITIONS			
Contributions			
Member Contributions	\$	\$	\$
Total Contributions			
Investment Income			
From Investing Activities			
Net Appreciation (Depreciation) in Fair Value of Investments		734.06	734.06
Interest and Investment Income		734.06	734.06
Total Investing Income	0.00	734.06	734.06
Total Net Investment Income	0.00	734.06	734.06
Other Additions			
Federal Revenue			
Contributions to Employee Benefit Funds			
Settlement of Claims			
Other Revenue	800,408.21	0.00	800,408.21
Transfers-In	0.03	(0.03)	0.00
Total Other Additions	800,408.24	(0.03)	800,408.21
Total Additions	800,408.24	734.03	801,142.27
DEDUCTIONS			
Employee Benefit Payments			
Transfers Out of Contributions			
Interest Expense			
Other Expense	801,142.27	0.00	801,142.27
Transfers Out	0.00	0.00	0.00
Total Deductions	801,142.27	0.00	801,142.27
NET INCREASE (DECREASE)	(734.03)	734.03	0.00
Net Assets Beginning of Year	(73,078.88)	73,078.88	0.00
Net Assets End of Year	\$ (73,812.91)	\$ 73,812.91	\$ 0.00

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

