

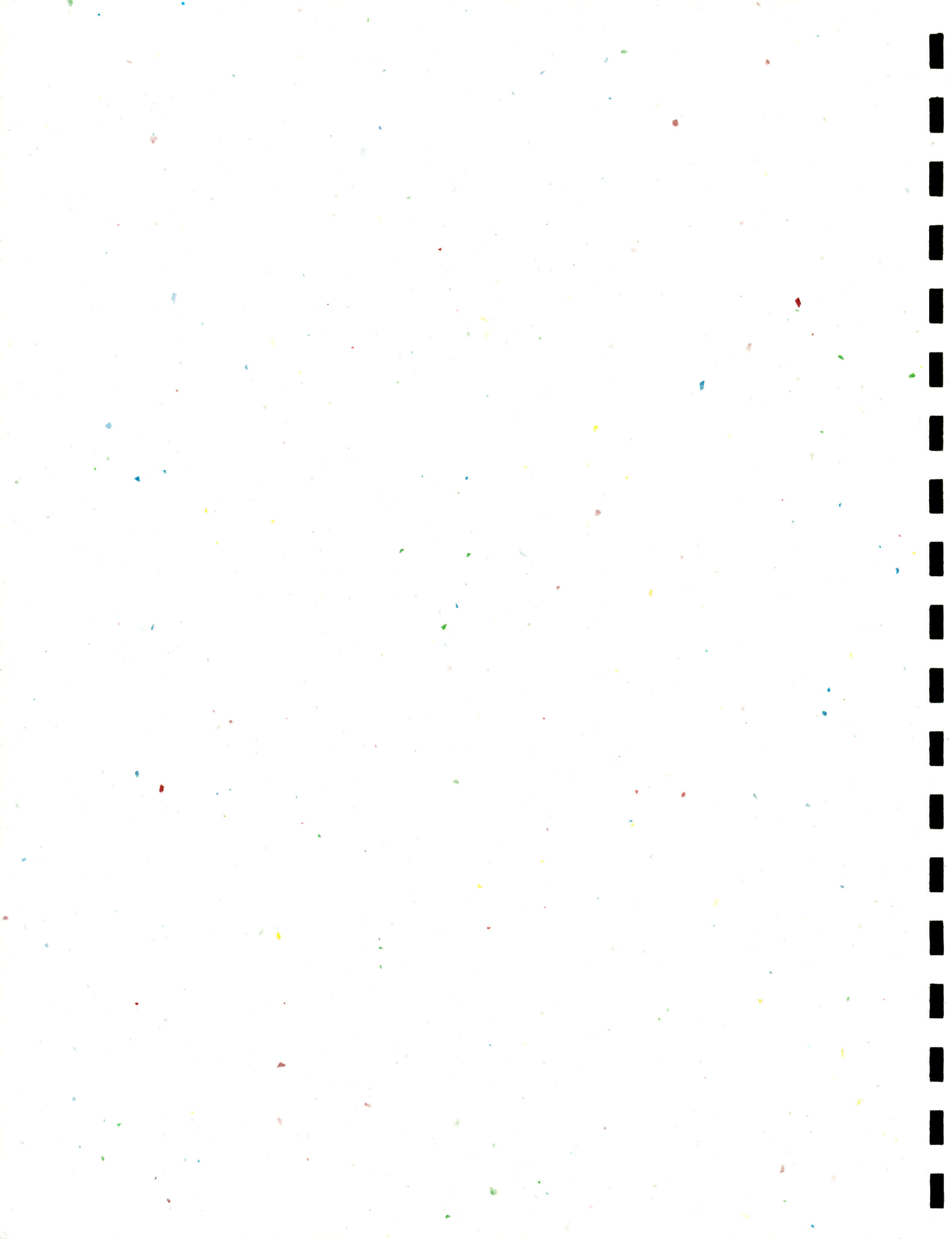
TEXAS

Department of Assistive
and Rehabilitative Services

Annual Financial Report

*For the Fiscal Year Ended
August 31, 2013*

Partnerships for Independence





Veronda L. Durden
Commissioner

November 20, 2013

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

Ladies and Gentlemen:

We are pleased to submit the annual financial report of the Texas Department of Assistive and Rehabilitative Services for the state fiscal year ended August 31, 2013, 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 (GASB) 34, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the state auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report (CAFR)*; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Bill Briggs, CFO, at (512) 377-0618. Anita Lavallee, Fund Accounting Manager, may be contacted at (512) 424-4832 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

A handwritten signature in black ink that reads "Veronda L. Durden". The signature is written in a cursive, flowing style.

Veronda L. Durden
Commissioner

Partnerships for Independence

P.O. BOX 12866, Austin, TX 78711 • ADMINISTRATIVE BUILDING, 4800 N. LAMAR BLVD., AUSTIN, TX 78756
TEL., TDD, VOICE: (512) 377-0500 • FAX: (512) 377-0685

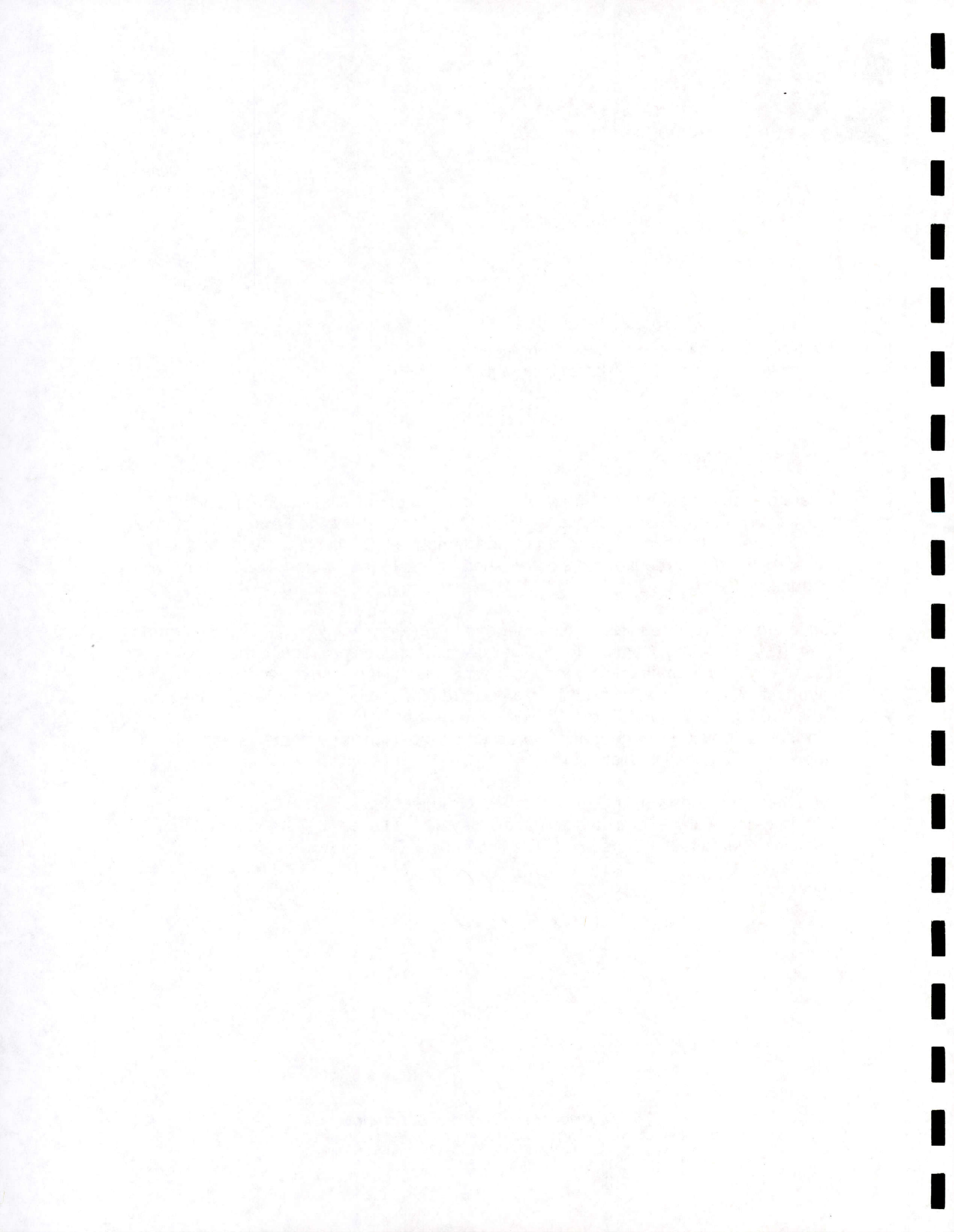


TABLE OF CONTENTS

Combined Financial Statements

Exhibit I: Combined Balance Sheet/Statement of Net Position – Governmental Funds 1

Exhibit II: Combined Statement of Revenues, Expenditures and Changes in Fund
Balances/Statement of Activities – Governmental Funds 2

Exhibit VI: Combined Statement of Net Position - Fiduciary Funds. 3

Exhibit VII: Combined Statement of Changes in Fiduciary Net Position. 4

Notes to the Financial Statements 5

Combining Financial Statements

General Funds and Consolidated Funds

Exhibit A-1: Combining Balance Sheet – All General and Consolidated Funds 15

Exhibit A-2: Combining Statement of Revenues, Expenditures, and Changes in Fund
Balances – All General and Consolidated Funds 16

Agency Funds

Exhibit J-1: Combining Statement of Changes in Assets and Liabilities – Agency Funds 17

Supplementary Schedules

Schedule 1-A: Schedule of Expenditures of Federal Awards 19

Schedule 1-B: Schedule of State Grant Pass-Throughs From/To State Agencies/Universities. . . 22



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Texas Department of Assistive and Rehabilitative Services (538) - Unaudited
 Exhibit I - Combined Balance Sheet/Statement of Net Position – Governmental Funds
 For the Fiscal Year Ended August 31, 2013

	Governmental Fund Types			Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Position
	General Funds (Exh A-1)	Special Revenue Fund (0493) U/F (0493, 8493)	Governmental Funds Total			
ASSETS						
Current Assets:						
Cash and Cash Equivalents (Note 3):						
Cash on Hand	\$ 16,537.78	\$ -	\$ 16,537.78	\$ -	\$ -	\$ 16,537.78
Cash in Bank	231,600.00		231,600.00			231,600.00
Cash in State Treasury	7,871,354.03	161,471.16	8,032,825.19			8,032,825.19
Legislative Appropriations	34,798,555.18		34,798,555.18			34,798,555.18
Accounts Receivable	274,754.01		274,754.01			274,754.01
Federal Receivable	37,289,699.76		37,289,699.76			37,289,699.76
Interest Receivable	-	60.52	60.52			60.52
Due From Other Agencies (Note 12)	15,451,959.47		15,451,959.47			15,451,959.47
Consumable Inventories	409,292.73		409,292.73			409,292.73
Merchandise Inventories	197,561.13		197,561.13			197,561.13
Total Current Assets	96,541,314.09	161,531.68	96,702,845.77	-	-	96,702,845.77
Non-Current Assets:						
Capital Assets (Note 2):						
Non-Depreciable or Non-Amortizable						
				157,170.55		157,170.55
Depreciable or Amortizable, Net						
				10,812,994.71		10,812,994.71
Total Non-Current Assets	-	-	-	10,970,165.26	-	10,970,165.26
Total Assets	\$ 96,541,314.09	\$ 161,531.68	\$ 96,702,845.77	\$ 10,970,165.26	\$ -	\$ 107,673,011.03
LIABILITIES						
Current Liabilities:						
Payables From:						
Accounts	\$ 63,181,740.32	\$ 146,215.48	\$ 63,327,955.80	\$ -	\$ -	\$ 63,327,955.80
Payroll	15,790,326.73		15,790,326.73			15,790,326.73
Due To Other Agencies (Note 12)	4,877,461.83		4,877,461.83			4,877,461.83
Deferred Revenues	344,179.40		344,179.40			344,179.40
Employees' Compensable Leave					9,232,495.88	9,232,495.88
Total Current Liabilities	84,193,708.28	146,215.48	84,339,923.76	-	9,232,495.88	93,572,419.64
Non-Current Liabilities:						
Employees' Compensable Leave						
					6,521,366.34	6,521,366.34
Total Non-Current Liabilities	-	-	-	-	6,521,366.34	6,521,366.34
Total Liabilities	84,193,708.28	146,215.48	84,339,923.76	-	15,753,862.22	100,093,785.98
Fund Financial Statement						
Fund Balances (Deficits)						
Nonspendable	606,853.86		606,853.86			606,853.86
Restricted	7,108,169.18	15,316.20	7,123,485.38			7,123,485.38
Committed	4,632,582.77		4,632,582.77			4,632,582.77
Assigned	-		-			-
Unassigned	-		-			-
Total Fund Balances	12,347,605.81	15,316.20	12,362,922.01			12,362,922.01
Total Liabilities and Fund Balances	\$ 96,541,314.09	\$ 161,531.68	\$ 96,702,845.77			
Government-Wide Statement of Net Position						
Net Position:						
Invested in Capital Assets, Net of Related Debt						
				10,970,165.26		10,970,165.26
Unrestricted						
					(15,753,862.22)	(15,753,862.22)
Total Net Position				\$ 10,970,165.26	\$ (15,753,862.22)	\$ 7,579,225.05

**Exhibit II - Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances/Statement of Activities – Governmental Funds**
For the Fiscal Year Ended August 31, 2013

	Governmental Fund Types					Statement of Activities
	General Funds (Exh A-2)	Special Revenue Fund (0493) U/F (0493, 8493)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	
REVENUES						
Legislative Appropriations:						
Original Appropriations	\$ 108,860,764.00	\$ -	\$ 108,860,764.00	\$ -	\$ -	\$ 108,860,764.00
Additional Appropriations	6,749,353.64		6,749,353.64			6,749,353.64
Federal Revenue	422,279,071.43		422,279,071.43			422,279,071.43
Federal Pass-Through Revenue	59,734,360.74		59,734,360.74			59,734,360.74
State Grant Pass-Through Revenue	16,498,102.00		16,498,102.00			16,498,102.00
Licenses, Fees & Permits	18,444,713.04		18,444,713.04			18,444,713.04
Interest Income	12,015.90	1,263.51	13,279.41			13,279.41
Settlement of Claims	-		-			-
Sales of Goods and Services	3,815,507.52		3,815,507.52			3,815,507.52
Other	229,853.94	99,299.14	329,153.08			329,153.08
Total Revenues	<u>636,623,742.21</u>	<u>100,562.65</u>	<u>636,724,304.86</u>	<u>-</u>	<u>-</u>	<u>636,724,304.86</u>
EXPENDITURES						
Salaries and Wages	150,915,957.56		150,915,957.56		160,746.83	151,076,704.39
Payroll Related Costs	39,937,973.74		39,937,973.74			39,937,973.74
Professional Fees and Services	13,466,734.42		13,466,734.42			13,466,734.42
Travel	5,121,262.89		5,121,262.89			5,121,262.89
Materials and Supplies	2,437,664.03		2,437,664.03			2,437,664.03
Communication and Utilities	2,164,895.72		2,164,895.72			2,164,895.72
Repairs and Maintenance	3,914,838.59		3,914,838.59			3,914,838.59
Rentals & Leases	4,785,145.35		4,785,145.35			4,785,145.35
Printing and Reproduction	405,036.48		405,036.48			405,036.48
Claims and Judgments	47,204.68		47,204.68			47,204.68
Federal Grant Pass-Through Expenditures	649,280.25		649,280.25			649,280.25
State Grant Pass-Through Expenditures	94,121.93		94,121.93			94,121.93
Public Assistance Payments	363,439,676.97	389,474.67	363,829,151.64			363,829,151.64
Other Expenditures	27,226,268.36		27,226,268.36			27,226,268.36
Interest	-		-			-
Capital Outlay	658,780.91		658,780.91	(658,780.91)		-
Depreciation and Amortization Expense	-		-	2,083,368.02		2,083,368.02
Total Expenditures/Expenses	<u>615,264,841.88</u>	<u>389,474.67</u>	<u>615,654,316.55</u>	<u>1,424,587.11</u>	<u>160,746.83</u>	<u>617,239,650.49</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>21,358,900.33</u>	<u>(288,912.02)</u>	<u>21,069,988.31</u>	<u>(1,424,587.11)</u>	<u>(160,746.83)</u>	<u>19,484,654.37</u>
OTHER FINANCING SOURCES (USES)						
Sale of Capital Assets						-
Insurance Recoveries						-
Transfers In	1,737,624.50		1,737,624.50			1,737,624.50
Transfers Out	(14,434,654.46)		(14,434,654.46)			(14,434,654.46)
Legislative Transfers In	3,232,237.00		3,232,237.00			3,232,237.00
Legislative Transfers Out	(9,240,200.00)		(9,240,200.00)			(9,240,200.00)
Gain (Loss) on Disposal of Capital Assets				(21,248.41)		(21,248.41)
Decrease in Net Assets Due to Interagency Transfer						-
Total Other Financing Sources (Uses)	<u>(18,704,992.96)</u>	<u>-</u>	<u>(18,704,992.96)</u>	<u>(21,248.41)</u>	<u>-</u>	<u>(18,726,241.37)</u>
Net Change in Fund Balances/Net Position	<u>2,653,907.37</u>	<u>(288,912.02)</u>	<u>2,364,995.35</u>			<u>758,413.00</u>
Fund Financial Statement - Fund Balances						
Fund Balances, September 1, 2012	9,795,975.53	304,228.22	10,100,203.75			10,100,203.75
Restatements	-		-			-
Fund Balance, September 1, 2012, as Restated	<u>9,795,975.53</u>	<u>304,228.22</u>	<u>10,100,203.75</u>			<u>10,100,203.75</u>
Appropriations Lapsed	(102,277.09)		(102,277.09)			(102,277.09)
Fund Balances--August 31, 2013	<u>\$ 12,347,605.81</u>	<u>\$ 15,316.20</u>	<u>\$ 12,362,922.01</u>			<u>\$ 10,756,339.66</u>
Government-Wide Statement of Net Position						
Net Position/Net Change in Net Position			12,362,922.01	(1,445,835.52)	(160,746.83)	10,756,339.66
Net Position, September 1, 2012				12,426,087.08	(15,593,115.39)	(3,167,028.31)
Restatements				(10,086.30)		(10,086.30)
Net Position, September 1, 2012, as Restated				12,416,000.78	(15,593,115.39)	(3,177,114.61)
Net Position, August 31, 2013			<u>\$ 12,362,922.01</u>	<u>\$ 10,970,165.26</u>	<u>\$ (15,753,862.22)</u>	<u>\$ 7,579,225.05</u>

Texas Department of Assistive and Rehabilitative Services (538) - Unaudited

Exhibit VI - Combined Statement of Net Position - Fiduciary Funds

For the Fiscal Year Ended August 31, 2013

	Private Purpose Trust Fund (5043)	Agency Funds (Exh J-1)	Totals
ASSETS			
Cash and Cash Equivalents:			
Cash in State Treasury	\$ 1,160,846.49	\$ 26,881.68	\$ 1,187,728.17
Interest Receivable	309.07		309.07
Due From Other Agencies		6,680.00	6,680.00
Total Assets	<u>1,161,155.56</u>	<u>33,561.68</u>	<u>1,194,717.24</u>
LIABILITIES			
Funds Held for Others		33,561.68	33,561.68
Total Liabilities	<u>-</u>	<u>33,561.68</u>	<u>33,561.68</u>
NET POSITION			
Held in trust for:			
Individuals, Organizations, and Other Governments:			
Expendable	1,161,155.56		1,161,155.56
Total Net Position	<u>\$ 1,161,155.56</u>	<u>\$ -</u>	<u>\$ 1,161,155.56</u>

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

Texas Department of Assistive and Rehabilitative Services (538) - Unaudited
Exhibit VII - Combined Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended August 31, 2013

	Private- Purpose Trust Fund (5043)
ADDITIONS	
Investment Income	
Interest Income	\$ 4,830.21
Total Net Investment Income (Loss)	<u>4,830.21</u>
Other Additions	
Other Revenue	431,911.85
Total Other Additions	<u>431,911.85</u>
Total Additions	<u>436,742.06</u>
DEDUCTIONS	
Employee / Participant Benefit Payments	412,838.27
Other Expense	922.00
Total Deductions	<u>413,760.27</u>
INCREASE (DECREASE) IN NET POSITION	<u>22,981.79</u>
NET POSITION	
Net Position, September 1, 2012	1,138,173.77
Restatements	-
Net Position, as Restated	<u>1,138,173.77</u>
Net Position, August 31, 2013	<u>\$ 1,161,155.56</u>

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

Note 1: Summary of Significant Accounting Policies

Entity

The Texas Department of Assistive and Rehabilitative Services (“DARS”) 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.

DARS serves the state by ensuring people with disabilities and families with children who have developmental delays enjoy the same opportunities as other Texans to pursue independent and productive lives.

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

DARS does not have any blended component units.

Discretely Presented Component Units

DARS does not have any discrete component units.

Fund Structure

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

Governmental Fund Types & Government-wide Adjustment Fund Types

General Revenue Funds The general revenue fund is used to account for all financial resources of the state except those required to be accounted for in another fund. Included in general revenue funds are the Comprehensive Rehabilitation Fund (0107), the Rehabilitation Commission Federal Fund (0422), the Business Enterprises Program Fund (0492) and the I Love Texas Plates Fund (5086). Also included is the Business Enterprises Program Fund (0492) which is used to account for state funds collected under the Business Enterprises Program, primarily from commissions received from vending machine sales.

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.

The Endowment Fund (0493) was established to receive donations and gifts from individuals and private organizations. Authority for accepting such donations is contained in Texas Human Resources Code, Annotated, Chapter 91 and in Article 16, Section 6(b), of the State Constitution. It stipulates that state agencies may accept money from private and federal sources that is designated by the source as money to be used in establishing and equipping facilities for assisting the handicapped in becoming gainfully employed, in rehabilitating the handicapped, and in providing other services essential for better care and treatment of the handicapped.

Capital Assets Adjustment Fund Type The capital assets adjustment fund will be used to convert governmental fund types' capital assets from modified accrual to full accrual.

Long-Term Liabilities Adjustment Fund Type The long-term liabilities adjustment fund type will be used to convert governmental fund types' debt from modified accrual to full accrual.

Fiduciary Fund Types

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

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

Private-Purpose Trust Fund Private-Purpose Trust funds are used to account for all other trust arrangements whose principal and interest benefit individuals, private organizations or other governments.

The Business Enterprise Program Trust Account (5043) was established in fiscal year 2000 to record receipts from vending machines located on federal property. This trust fund is used for a retirement program for individuals licensed to operate vending facilities under the Business Enterprises Program.

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 basis, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. The state of Texas considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for fund financial statements prepared on the modified accrual basis. 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 basis of accounting. This includes capital assets, accumulated depreciation, unpaid employee compensable leave, long-term claims and judgments and full accrual revenues and expenses. The activity is recognized in these fund types.

Private purpose trust funds are accounted for on the full accrual basis of accounting. Under the full accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

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

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

Assets, Liabilities, and Fund Balances/Net Assets

Assets

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

Inventories and Prepaid Items Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories and prepaid items that appear in the governmental 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 are capitalized. These assets are capitalized at cost or, if not purchased, at appraised fair value as of the date of acquisition. Purchases

of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets such as works of art and historical treasures are not depreciated. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

Current Receivables-Other Other receivables include year-end revenue accruals.

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 Other payables are the accrual at year-end of expenditure transactions not included in any of the other payable descriptions.

Deferred Revenue Deferred revenue represents unspent program income and funds drawn in advance.

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 employees. Liabilities are reported separately as either current or non-current in the statement of net assets. These obligations are normally paid from the same funding source from which each employee's salary or compensation was paid.

Fund Balance/Net Position

The difference between fund assets and liabilities is "net position" on the government-wide and fiduciary fund statements, and the "fund balance" is the difference between fund assets and liabilities on the governmental fund statements.

Fund Balance Components Fund balances for governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned in the fund financial statements.

- Nonspendable fund balance includes amounts not available to be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- Restricted fund balance includes those resources that have constraints placed on their use through external parties or by law through constitutional provisions.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the Texas Legislature, the state's highest level of decision making authority.
- Assigned fund balance includes amounts constrained by the state's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (1) the Texas Legislature or (2) a body (for example, a budget or

finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

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 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 that 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.

Interfund Activities and Transactions

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 “transfers out” by the disbursing fund.

Reimbursements Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.

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”. Balances for repayment due in two (or more) years are classified as “non-current”.

The composition of the agency’s interfund activities and transactions is presented in Note 12.

Texas Department of Assistive and Rehabilitative Services (538) - Unaudited

Note 2: Capital Assets

Any general revenue received from the sale of surplus property is transferred to unappropriated general revenue in accordance with HB 7, Sec. 20.

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

GOVERNMENTAL ACTIVITIES	Balance 09/01/12	Adj.	Reclassifications			Additions	Deletions	Balance 08/31/2013
			Completed CIP	Inc-Int'agy Trans	Dec-Int'agy Trans			
Non-Depreciable or Non-Amortizable Assets:								
Land and Land Improvements	68,820.55							68,820.55
Construction in Progress	2,612,422.35		(3,113,964.39)			501,542.04		-
Other Capital Assets	88,350.00							88,350.00
Total Non-Depreciable and Non-Amortizable Assets	2,769,592.90	-	(3,113,964.39)	-	-	501,542.04	-	157,170.55
Depreciable Assets:								
Buildings and Building Improvements	10,132,369.07							10,132,369.07
Furniture and Equipment	8,934,887.63	82,436.26				157,238.87	(1,046,905.66)	8,127,657.10
Vehicles	699,260.92							699,260.92
Total Depreciable Assets at Historical Cost	19,766,517.62	82,436.26	-	-	-	157,238.87	(1,046,905.66)	18,959,287.09
Less Accumulated Depreciation for:								
Buildings and Building Improvements	(5,488,784.88)					(442,983.04)		(5,931,767.92)
Furniture and Equipment	(8,191,214.08)	(92,522.56)				(269,186.54)	1,025,657.25	(7,527,265.93)
Vehicles	(307,178.84)					(96,466.76)		(403,645.60)
Total Accumulated Depreciation	(13,987,177.80)	(92,522.56)	-	-	-	(808,636.34)	1,025,657.25	(13,862,679.45)
Depreciable Assets, Net	5,779,339.82	(10,086.30)	-	-	-	(651,397.47)	(21,248.41)	5,096,607.64
Amortizable Assets - Intangible:								
Computer Software - Intangible	6,320,259.55	-	3,113,964.39				(5,940.08)	9,428,283.86
Total Intangible Assets at Historical Cost	6,320,259.55	-	3,113,964.39	-	-	-	(5,940.08)	9,428,283.86
Less Accumulated Amortization for:								
Computer Software - Intangible	(2,443,105.19)					(1,274,731.68)	5,940.08	(3,711,896.79)
Total Accumulated Amortization	(2,443,105.19)	-	-	-	-	(1,274,731.68)	5,940.08	(3,711,896.79)
Amortizable Assets - Net	3,877,154.36	-	3,113,964.39	-	-	(1,274,731.68)	-	5,716,387.07
Governmental Activities Capital Assets, Net	\$12,426,087.08	(\$10,086.30)	\$0.00	\$0.00	\$0.00	(\$1,424,587.11)	(\$21,248.41)	\$10,970,165.26

Texas Department of Assistive and Rehabilitative Services (538) - Unaudited

Note 3: Deposits, Investments, & Repurchase Agreements

DARS 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, 2013, the carrying amount of deposits was \$231,600.00 for cash in bank for governmental activities. This amount consists of all cash in local banks and is included in the combined balance sheet/statement of net assets as part of the “cash” accounts. As of August 31, 2013, the total bank balance for cash in bank was \$161,722.29. Bank balances are not subject to credit risk.

Note 4: Short –Term Debt

N/A

Note 5: Long-Term Liabilities

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

Governmental Activities	Balance 09/01/12	Additions	Reductions	Balance 08/31/13	Amounts Due Within 1 Year
Compensable Leave	\$15,593,115.39	\$13,576,844.47	\$(13,416,097.64)	\$15,753,862.22	\$9,232,495.88
Total Governmental Activities	\$15,593,115.39	\$13,576,844.47	\$(13,416,097.64)	\$15,753,862.22	\$9,232,495.88

Note 6: Bonded Indebtedness

N/A

Note 7: Derivatives

N/A

Note 8: Leases

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

Current Expenditures FUND TYPE: GENERAL FUND

Year Ending August 31, 2013	\$2,400,583.98
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Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

Future Payments

Year Ending August 31, 2014	\$2,403,573.96
Year Ending August 31, 2015	2,451,645.44
Year Ending August 31, 2016	625,169.59
Year Ending August 31, 2017	0.00
Year Ending August 31, 2018	0.00
Year Ending August 31, 2019 – 2023	0.00
Total Minimum Future Lease Rental Payments	\$5,480,388.99

Texas Department of Assistive and Rehabilitative Services (538) - Unaudited

Capital Leases. There are no capital leases.

Note 9: Pension Plans (administering agencies only)	N/A
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Note 10: Deferred Compensation (administering agencies only)	N/A
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Note 11: Postemployment Health Care and Life Insurance Benefits (UT, A&M, TRS and ERS only)	N/A
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Texas Department of Assistive and Rehabilitative Services (538) - Unaudited

Note 12: Interfund Activity and Transactions

DARS experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statements.

Individual balances and transactions at 08/31/13, follows:

Interfund Receivables and Payables – Current			
Current Portion	Interfund Receivable	Interfund Payable	Purpose
GENERAL REVENUE (01)			
Total Current Interfund Receivable/Payable	\$-0-	\$-0-	

Interfund Receivables and Payables – Non-Current			
Non-Current Portion	Interfund Receivable	Interfund Payable	Purpose
GENERAL REVENUE (01)			
Total Non-Current Interfund Receivable/Payable	\$-0-	\$-0-	

	Due From Other Agencies	Due To Other Agencies	Source
GENERAL (01)			
Appd Fund 0001, D23 Fund 0001			
Agency 529, D23 Fund 0001	\$15,303,512.91		Federal Pass Through
Agency 701, D23 Fund 0148	148,446.56		Federal Pass Through
Agency 723, D23 Fund 7999		\$60,330.35	Federal/State Pass Through
Agency 902, D23 Fund 0001		4,817,131.48	Retiree Insurance/Service Purchase
AGENCY FUNDS (09)			
Agency 405, D23 Fund 2538	6,680.00		BEST Revenue
Total Due From/To Other Agencies	\$15,458,639.47	\$4,877,461.83	

	Transfer In	Transfer Out	Purpose
GENERAL (01)			
Appd Fund 0001 (D22)			
Agency 538, D22 Fund 0422	\$1,194,460.59	\$543,163.91	Intra-agency
Agency 902, D22 Fund 0001		9,499,853.78	Retiree Insurance/Service Purchase
Agency 902, D22 Fund 0001		1,800.00	Petty Cash Closeouts
Agency 902, D22 Fund 0001		3,195,297.19	Appropriation 70000 Sweep
Total Transfers for D22 Fund 0001	\$1,194,460.59	\$13,240,114.88	
Appd Fund 0369 (D22)			
Agency 902, D22 Fund 0001		\$78.99	Appropriation 70000 Sweep
Total Transfers for D22 Fund 0369	\$0.00	\$78.99	
Appd Fund 0422 (D22)			
Agency 538, D22 Fund 0001	\$543,163.91	\$1,194,460.59	Intra-agency
Total Transfers for D22 Fund 0422	\$543,163.91	\$1,194,460.59	
Total Transfers	\$1,737,624.50	\$14,434,654.46	

	Legislative Transfer In	Legislative Transfer Out
GENERAL (01)		
Appd Fund 0001, D23 Fund 0001		
Agency 529, D23 Fund 0001	\$3,114,285.00	\$9,153,890.00
Agency 530, D23 Fund 0001	117,952.00	
Agency 539, D23 Fund 0001		86,310.00
Total Legislative Transfers	\$3,232,237.00	\$9,240,200.00

Texas Department of Assistive and Rehabilitative Services (538) - Unaudited

Note 13: Continuance Subject to Review

Sunset Provision: Unless continued by Chapter 325 of the Govt. Code (Texas Sunset Act), DARS is abolished and this chapter expires September 1, 2015.

Note 14: Adjustments to Fund Balances and Net Position

During fiscal year 2013, adjustments were made which required the restatement of the amounts in the capital assets as shown:

	Capital Assets	Total
Fund Balance/Net Position August 31, 2012	\$12,426,087.08	\$12,426,087.08
Restatement due to prior year adjustments related to capital assets	(\$10,086.30)	(\$10,086.30)
Fund Balance/Net Position September 1, 2012 As Restated	\$12,416,000.78	\$12,416,000.78

Note 15: Contingencies and Commitments

DARS is a defendant in eight lawsuits where there is a reasonable possibility that DARS will be found liable. Liability is subject to a judge or jury's determination; therefore, DARS cannot make a reasonable estimate of the possible liability. However, the extent of possible financial liability in these types of lawsuits is set at a maximum of \$250,000 per lawsuit.

Note 16: Subsequent Events

N/A

Note 17: Risk Management

N/A

Note 18: Management Discussion and Analysis (MD&A)

N/A

Note 19: The Financial Reporting Entity

N/A

Note 20: Stewardship, Compliance and Accountability

N/A

Note 21: N/A

N/A

Note 22: Donor-Restricted Endowments

N/A

Note 23: Extraordinary and Special Items

N/A

Note 24: Disaggregation of Receivable and Payable Balances

N/A

Note 25: Termination Benefits

N/A

Note 26: Segment Information

N/A

Texas Department of Assistive and Rehabilitative Services (538)- Unaudited
 Exhibit A-1 - Combining Balance Sheet - All General and Consolidated Funds
 For the Fiscal Year Ended August 31, 2013

	General	Consolidated Accounts				Total (Exh I)
	Revenue Fund (0001) U/F (0001, 0369, 9000, 9001)	Comprehensive Rehabilitation Fund (0107) U/F (0107)	Rehabilitation Commission Federal Fund (0422) U/F (0422)	Business Enterprises Program Fund (0492) U/F (0492, 8492)	I Love Texas Plates Fund (5086) U/F (5086)	
ASSETS						
Current Assets:						
Cash and Cash Equivalents (Note 3):						
Cash on Hand	\$ 16,537.78	\$ -	\$ -	\$ -	\$ -	\$ 16,537.78
Cash in Bank	231,600.00					231,600.00
Cash in State Treasury		4,851,987.55	911,500.21	2,097,614.44	10,251.83	7,871,354.03
Legislative Appropriations	34,798,555.18					34,798,555.18
Receivables From:						
Accounts Receivable	274,754.01					274,754.01
Federal	37,289,699.76					37,289,699.76
Interest						-
Due From Other Agencies	15,451,959.47					15,451,959.47
Consumable Inventories	409,292.73					409,292.73
Merchandise Inventories				197,561.13		197,561.13
Total Current Assets	<u>88,472,398.93</u>	<u>4,851,987.55</u>	<u>911,500.21</u>	<u>2,295,175.57</u>	<u>10,251.83</u>	<u>96,541,314.09</u>
Total Assets	<u>\$ 88,472,398.93</u>	<u>\$ 4,851,987.55</u>	<u>\$ 911,500.21</u>	<u>\$ 2,295,175.57</u>	<u>\$ 10,251.83</u>	<u>\$ 96,541,314.09</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Current Liabilities:						
Payables From:						
Accounts	\$ 60,968,001.67	\$ 2,161,569.83	\$ -	\$ 41,916.99	\$ 10,251.83	\$ 63,181,740.32
Payroll	15,676,794.33			113,532.40		15,790,326.73
Due To Other Agencies	4,877,461.83					4,877,461.83
Deferred Revenues	344,179.40					344,179.40
Total Current Liabilities	<u>81,866,437.23</u>	<u>2,161,569.83</u>	<u>-</u>	<u>155,449.39</u>	<u>10,251.83</u>	<u>84,193,708.28</u>
Total Liabilities	<u>81,866,437.23</u>	<u>2,161,569.83</u>	<u>-</u>	<u>155,449.39</u>	<u>10,251.83</u>	<u>84,193,708.28</u>
Fund Financial Statement						
Fund Balances (Deficits):						
Nonspendable	409,292.73			197,561.13		606,853.86
Restricted	6,196,668.97		911,500.21			7,108,169.18
Committed		2,690,417.72		1,942,165.05		4,632,582.77
Assigned						-
Unassigned						-
Total Fund Balances	<u>6,605,961.70</u>	<u>2,690,417.72</u>	<u>911,500.21</u>	<u>2,139,726.18</u>	<u>-</u>	<u>12,347,605.81</u>
Total Liabilities and Fund Balances	<u>\$ 88,472,398.93</u>	<u>\$ 4,851,987.55</u>	<u>\$ 911,500.21</u>	<u>\$ 2,295,175.57</u>	<u>\$ 10,251.83</u>	<u>\$ 96,541,314.09</u>

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

Texas Department of Assistive and Rehabilitative Services (538) - Unaudited
 Exhibit A-2 - Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balances - All General and Consolidated Funds
 For the Fiscal Year Ended August 31, 2013

	General		Consolidated Accounts			Total (Exh II)
	Revenue Fund (0001) U/F (0001, 0369, 9000, 9001)	Comprehensive Rehabilitation Fund (0107) U/F (0107)	Rehabilitation Commission Federal Fund (0422) U/F (0422)	Business Enterprises Program Fund (0492) U/F (0492, 8492)	I Love Texas Plates Fund (5086) U/F (5086)	
REVENUES						
Legislative Appropriations:						
Original Appropriations	\$ 108,860,764.00	\$ -	\$ -	\$ -	\$ -	\$ 108,860,764.00
Additional Appropriations	6,749,353.64					6,749,353.64
Federal Revenue	422,279,071.43					422,279,071.43
Federal Grant Pass-Through Rev.	59,734,360.74					59,734,360.74
State Grant Pass-Through Rev.	16,498,102.00					16,498,102.00
Licenses, Fees & Permits	231,198.27	18,198,707.24			14,807.53	18,444,713.04
Interest Income	4,463.18			7,552.72		12,015.90
Settlement of Claims						-
Sales of Goods and Services	2,369,817.06			1,445,690.46		3,815,507.52
Other	198,133.43			31,720.51		229,853.94
Total Revenues	<u>616,925,263.75</u>	<u>18,198,707.24</u>	<u>-</u>	<u>1,484,963.69</u>	<u>14,807.53</u>	<u>636,623,742.21</u>
EXPENDITURES						
Salaries and Wages	149,921,773.14			994,184.42		150,915,957.56
Payroll Related Costs	39,739,499.65			198,474.09		39,937,973.74
Professional Fees and Services	13,437,069.26			29,192.56	472.60	13,466,734.42
Travel	5,107,569.23			13,693.66		5,121,262.89
Materials and Supplies	2,217,201.42			220,462.61		2,437,664.03
Communication and Utilities	2,163,654.85			1,240.87		2,164,895.72
Repairs and Maintenance	3,781,687.70			133,150.89		3,914,838.59
Rentals & Leases	4,785,145.35					4,785,145.35
Printing and Reproduction	404,489.16			547.32		405,036.48
Claims and Judgments	47,204.68					47,204.68
Federal Grant Pass-Through Exp.	649,280.25					649,280.25
State Grant Pass-Through Exp.	94,121.93					94,121.93
Public Assistance Payments	346,762,245.05	16,663,196.99			14,234.93	363,439,676.97
Other Expenditures	27,062,868.26			163,300.10	100.00	27,226,268.36
Interest						-
Capital Outlay	589,667.17			69,113.74		658,780.91
Total Expenditures	<u>596,763,477.10</u>	<u>16,663,196.99</u>	<u>-</u>	<u>1,823,360.26</u>	<u>14,807.53</u>	<u>615,264,841.88</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>20,161,786.65</u>	<u>1,535,510.25</u>	<u>-</u>	<u>(338,396.57)</u>	<u>-</u>	<u>21,358,900.33</u>
OTHER FINANCING SOURCES (USES)						
Sale of Capital Assets						-
Insurance Recoveries						-
Transfers In	1,194,460.59		543,163.91			1,737,624.50
Transfers Out	(13,240,193.87)		(1,194,460.59)			(14,434,654.46)
Legislative Transfers In	3,232,237.00					3,232,237.00
Legislative Transfers Out	(9,240,200.00)					(9,240,200.00)
Total Other Financing Sources (Uses)	<u>(18,053,696.28)</u>	<u>-</u>	<u>(651,296.68)</u>	<u>-</u>	<u>-</u>	<u>(18,704,992.96)</u>
Net Change in Fund Balances	<u>2,108,090.37</u>	<u>1,535,510.25</u>	<u>(651,296.68)</u>	<u>(338,396.57)</u>	<u>-</u>	<u>2,653,907.37</u>
Fund Financial Statement - Fund Balances						
Fund Balances, September 1, 2012	4,600,148.42	1,154,907.47	1,562,796.89	2,478,122.75	-	9,795,975.53
Restatements						-
Fund Balance, September 1, 2012, as Restated	<u>4,600,148.42</u>	<u>1,154,907.47</u>	<u>1,562,796.89</u>	<u>2,478,122.75</u>	<u>-</u>	<u>9,795,975.53</u>
Appropriations Lapsed	(102,277.09)					(102,277.09)
Fund Balances--August 31, 2013	<u>\$ 6,605,961.70</u>	<u>\$ 2,690,417.72</u>	<u>\$ 911,500.21</u>	<u>\$ 2,139,726.18</u>	<u>\$ -</u>	<u>\$ 12,347,605.81</u>

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

Texas Department of Assistive and Rehabilitative Services (538) - Unaudited
Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities - Agency Funds
 For the Fiscal Year Ended August 31, 2013

	Beginning Balance September 1, 2012	Additions	Deductions	Ending Balance August 31, 2013
Unappropriated Receipts				
<u>Inventory Security Deposit Fund 0492 (U/F 0491)</u>				
ASSETS				
Cash in State Treasury	\$ 8,270.49	\$ 8,270.49	\$ 8,270.49	\$ 8,270.49
Total Assets	\$ 8,270.49	\$ 8,270.49	\$ 8,270.49	\$ 8,270.49
LIABILITIES				
Funds Held for Others	\$ 8,270.49	\$ -	\$ -	\$ 8,270.49
Total Liabilities	\$ 8,270.49	\$ -	\$ -	\$ 8,270.49
<u>Child Support Employee Deduction Fund 0807 (U/F 8070)</u>				
ASSETS				
Cash in State Treasury	\$ 19,933.68	\$ 245,503.88	\$ 247,347.54	\$ 18,090.02
Total Assets	\$ 19,933.68	\$ 245,503.88	\$ 247,347.54	\$ 18,090.02
LIABILITIES				
Accounts Payable	\$ -	\$ 226,736.45	\$ 226,736.45	\$ -
Funds Held for Others	19,933.68	245,503.88	247,347.54	18,090.02
Total Liabilities	\$ 19,933.68	\$ 472,240.33	\$ 474,083.99	\$ 18,090.02
<u>City, Cty, MTA & SPD Agency 0882 (U/F 0882)</u>				
ASSETS				
Cash in State Treasury	\$ -	\$ 8.04	\$ 8.04	\$ -
Total Assets	\$ -	\$ 8.04	\$ 8.04	\$ -
LIABILITIES				
Funds Held for Others	\$ -	\$ 8.04	\$ 8.04	\$ -
Total Liabilities	\$ -	\$ 8.04	\$ 8.04	\$ -
<u>Suspense Fund 0900 (U/F 0900, 9015,9016)</u>				
ASSETS				
Cash in State Treasury	\$ 154.96	\$27,623,582.78	\$27,623,216.57	\$ 521.17
Total Assets	\$ 154.96	\$ 27,623,582.78	\$ 27,623,216.57	\$ 521.17
LIABILITIES				
Accounts Payable	\$ -	\$27,596,752.19	\$27,596,752.19	\$ -
Funds Held for Others	154.96	27,623,582.78	27,623,216.57	521.17
Total Liabilities	\$ 154.96	\$ 55,220,334.97	\$ 55,219,968.76	\$ 521.17
<u>Direct Deposit Correction Fund 0980 (U/F 0980, 9014)</u>				
ASSETS				
Cash in State Treasury	\$ 2,936.00	\$ 96,437.27	\$ 99,373.27	\$ -
Total Assets	\$ 2,936.00	\$ 96,437.27	\$ 99,373.27	\$ -
LIABILITIES				
Funds Held for Others	\$ 2,936.00	\$ 96,437.27	\$ 99,373.27	\$ -
Total Liabilities	\$ 2,936.00	\$ 96,437.27	\$ 99,373.27	\$ -

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

Texas Department of Assistive and Rehabilitative Services (538) - Unaudited
 Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities - Agency Funds
 For the Fiscal Year Ended August 31, 2013

	Beginning Balance September 1, 2012	Additions	Deductions	Ending Balance August 31, 2013
Unappropriated General Revenue 1000 (U/F 1000)				
ASSETS				
Cash in State Treasury	\$ -	\$ 748,344.82	\$ 748,344.82	\$ -
Due From Other Agencies	-	437,109.00	430,429.00	6,680.00
Total Assets	<u>\$ -</u>	<u>\$ 1,185,453.82</u>	<u>\$ 1,178,773.82</u>	<u>\$ 6,680.00</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 1,737.50	\$ 1,737.50	\$ -
Funds Held for Others	-	755,024.82	748,344.82	6,680.00
Total Liabilities	<u>\$ -</u>	<u>\$ 756,762.32</u>	<u>\$ 750,082.32</u>	<u>\$ 6,680.00</u>
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash in State Treasury	\$ 31,295.13	\$28,722,147.28	\$28,726,560.73	\$ 26,881.68
Due From Other Agencies	-	437,109.00	430,429.00	6,680.00
Total Assets	<u>\$ 31,295.13</u>	<u>\$ 29,159,256.28</u>	<u>\$ 29,156,989.73</u>	<u>\$ 33,561.68</u>
LIABILITIES				
Accounts Payable	\$ -	\$27,825,226.14	\$27,825,226.14	\$ -
Funds Held for Others	31,295.13	28,720,556.79	28,718,290.24	33,561.68
Total Liabilities	<u>\$ 31,295.13</u>	<u>\$ 56,545,782.93</u>	<u>\$ 56,543,516.38</u>	<u>\$ 33,561.68</u>

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

Texas Department of Assistive and Rehabilitative Services (538) -Unaudited
 Schedule 1A - Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended August 31, 2013

FEDERAL GRANTOR / PASS THROUGH GRANTOR / PROGRAM TITLE	CFDA Number	Agy./ Univ. #	Pass-Through From		Direct Program Amount	Total PT From & Direct Program
			Agencies or Univ. Amount	Non-State Entities Amount		
U.S. Department of Education						
Direct Programs:						
Rehabilitation Services - Vocational Rehabilitation						
Grants to States	84.126				223,868,524.44	223,868,524.44
VR Program-Program Income	84.126				24,979,151.89	24,979,151.89
Nat'l. Inst. on Disability & Rehab. Rsrch - UMASS	84.133			52,659.06		52,659.06
Independent Living -State Grants	84.169				1,606,777.36	1,606,777.36
Individuals who are Blind	84.177				2,078,370.97	2,078,370.97
Supported Employment Services for Individuals with Significant Disabilities	84.187				1,777,764.41	1,777,764.41
Rehabilitation Training - State Vocational Rehabilitation						
Rehabilitation Unit In-Service Training	84.265				373,936.01	373,936.01
Special Education - Grants for Infants and Families (Part C)	84.181				38,123,848.81	38,123,848.81
Pass Through To:						
Texas Education Agency	84.181					
University of Texas Medical Branch - Galveston	84.181					
Other Non-State Entities	84.181					
Total U.S. Department of Education				\$ 52,659.06	\$ 292,808,373.89	\$ 292,861,032.95
U.S. Department of Health and Human Services						
Pass-Through From:						
TEA - Project HIRE	93.630	701	357,557.39			357,557.39
Temporary Assistance to Needy Families (TANF)						
Health and Human Services Commission	93.558	529	16,102,792.00			16,102,792.00
Pass-Through To:						
University of Texas Medical Branch - Galveston	93.558					
Other Non-State Entities	93.558					
Total U.S. Department of Health and Human Services			\$ 16,460,349.39	\$ -	\$ -	\$ 16,460,349.39
Medicaid Cluster						
U.S. Department of Health and Human Services						
Medical Assistance Program	93.778				451,806.13	451,806.13
ARRA Medical Assistance Program	93.778					
Pass-Through From:						
Health and Human Services Commission						
Medical Assistance Program	93.778	529	38,142,886.35			38,142,886.35
Pass-Through To:						
University of Texas Medical Branch - Galveston	93.778					
Other Non-State Entities	93.778					
Total Special Medicaid Cluster			\$ 38,142,886.35	\$ -	\$ 451,806.13	\$ 38,594,692.48
Special Education Cluster						
U.S. Department of Education						
Special Education - Grants to States						
Pass-Through From:						
Texas Education Agency	84.027	701	5,131,125.00			5,131,125.00
Pass-Through To:						
University of Texas Medical Branch - Galveston	84.027					
Other Non-State Entities	84.027					
Total Special Education Cluster			\$ 5,131,125.00	\$ -	\$ -	\$ 5,131,125.00
Disability Insurance/SSI Cluster						
Social Security Administration						
Direct Program						
Social Security Disability Insurance	96.001				128,966,232.35	128,966,232.35
Total Social Security Administration					\$ 128,966,232.35	\$ 128,966,232.35
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$ 52,659.06	\$ 422,226,412.37	\$ 482,013,432.17

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

Texas Department of Assistive and Rehabilitative Services (538)
Schedule 1A - Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2013

-Unaudited

FEDERAL GRANTOR / PASS THROUGH GRANTOR / PROGRAM TITLE	CFDA Number	Pass-Through To			Expenditures Amount	Total PT To & Expenditures	
		Agy./ Univ. #	State Agy. or Univ. Amount	Non-State Entities Amount			
U.S. Department of Education							
Direct Programs:							
Rehabilitation Services - Vocational Rehabilitation							
Grants to States	84.126			223,868,524.44	223,868,524.44		
VR Program-Program Income	84.126			22,927,560.70	24,979,151.89		
Nat'l. Inst. on Disability & Rehab. Rsrch - UMASS	84.133			52,659.06	52,659.06		
Independent Living -State Grants	84.169			224,034.97	1,606,777.36		
Individuals who are Blind	84.177			2,078,370.97	2,078,370.97		
Supported Employment Services for Individuals with Significant Disabilities	84.187			1,777,764.41	1,777,764.41		
Rehabilitation Training - State Vocational Rehabilitation							
Rehabilitation Unit In-Service Training	84.265			373,936.01	373,936.01		
Special Education - Grants for Infants and Families (Part C)	84.181			4,599,432.56	4,599,432.56		
Pass Through To:							
Texas Education Agency	84.181	701	70,030.07		70,030.07		
University of Texas Medical Branch - Galveston	84.181	723	364,604.97		364,604.97		
Other Non-State Entities	84.181			33,089,781.21	33,089,781.21		
Total U.S. Department of Education				\$ 434,635.04	\$ 35,365,407.37	\$ 257,060,990.54	\$ 292,861,032.95
U.S. Department of Health and Human Services							
Pass-Through From:							
TEA - Project HIRE	93.630			357,557.39	357,557.39		
Temporary Assistance to Needy Families (TANF)							
Health and Human Services Commission	93.558						
Pass-Through To:							
University of Texas Medical Branch - Galveston	93.558	723	117,544.94		117,544.94		
Other Non-State Entities	93.558			15,985,247.06	15,985,247.06		
Total U.S. Department of Health and Human Services				\$ 117,544.94	\$ 15,985,247.06	\$ 357,557.39	\$ 16,460,349.39
Medicaid Cluster							
U.S. Department of Health and Human Services							
Medical Assistance Program	93.778			451,806.13	451,806.13		
ARRA Medical Assistance Program	93.778						
Pass-Through From:							
Health and Human Services Commission							
Medical Assistance Program	93.778						
Pass-Through To:							
University of Texas Medical Branch - Galveston	93.778	723	36,980.27		36,980.27		
Other Non-State Entities	93.778			38,105,906.08	38,105,906.08		
Total Special Medicaid Cluster				\$ 36,980.27	\$ 38,105,906.08	\$ 451,806.13	\$ 38,594,692.48
Special Education Cluster							
U.S. Department of Education							
Special Education - Grants to States							
Pass-Through From:							
Texas Education Agency	84.027						
Pass-Through To:							
University of Texas Medical Branch - Galveston	84.027	723	60,120.00		60,120.00		
Other Non-State Entities	84.027			5,071,005.00	5,071,005.00		
Total Special Education Cluster				\$ 60,120.00	\$ 5,071,005.00	\$ -	\$ 5,131,125.00
Disability Insurance/SSI Cluster							
Social Security Administration							
Direct Program							
Social Security Disability Insurance	96.001			128,966,232.35	128,966,232.35		
Total Social Security Administration				\$ -	\$ -	\$ 128,966,232.35	\$ 128,966,232.35
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$ 649,280.25	\$ 94,527,565.51	\$ 386,836,586.41	\$ 482,013,432.17

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

**Texas Department of Assistive and Rehabilitative Services (538) - Unaudited
Schedule 1A - Schedule of Expenditures of Federal Awards Continued
For the Fiscal Year Ended August 31, 2013**

Note 1 - Non-Monetary Assistance - N/A

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 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 (Exhibit II)

Federal Revenues	\$422,279,071.43
Federal Pass-through Revenues	59,734,360.74
	<u>\$ 482,013,432.17</u>

Total Pass Through & Expenditures per Federal Schedule	<u>\$ 482,013,432.17</u>
Difference	<u>\$ -</u>

Notes 3-6 - N/A

Note 7 - Deferred Revenue

CFDA	Program	Federal Deferred Revenue September 1, 2012	Increase (Decrease)	Federal Deferred Revenue August 31, 2013
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	\$ 57,889.44	\$ (57,889.44)	\$ -
84.126	VR Program - Program Income	3,934,412.99	\$ (3,593,511.21)	340,901.78
84.187	Supported Employment Services for Individuals with Significant Disabilities	73,351.35	\$ (73,351.35)	-
84.169	Independent Living - State Grants	76,965.02	\$ (76,965.02)	-
84.177	Rehabilitation Services - IL Services for Older Blind	-	\$ 3,277.62	3,277.62
	Total Deferred Revenue	<u>\$ 4,142,618.80</u>	<u>\$ (3,798,439.40)</u>	<u>\$ 344,179.40</u>

(Exhibit I)

For CFDA 84.126, the amount of \$340,901.78 is from unspent program income. The remaining amount represents funds drawn in advance.

Texas Department of Assistive and Rehabilitative Services (538) - Unaudited
Schedule 1B - Schedule of State Grant Pass-throughs From/To State Agencies/Universities
For the Fiscal Year Ended August 31, 2013

Pass-Through From:

Council Early Childhood Intervention Services	
Texas Education Agency (#701)	<u>\$16,498,102.00</u>
Total Pass-Through from Other Agencies	<u><u>\$16,498,102.00</u></u>

Pass-Through To:

Intervention and Respite Services	
University of Texas Medical Branch (#723)	<u>\$94,121.93</u>
Total Pass-Through to Other Agencies	<u><u>\$94,121.93</u></u>

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



