

Annual Financial Report
For Fiscal Year Ended August 31, 2016




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

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General
Purpose
Financial
Statements
(Exhibits)

Texas Department of Assistive and Rehabilitative Services (538) - Unaudited
 Exhibit I - Combined Balance Sheet/Statement of Net Position - Governmental Funds
 August 31, 2016

	Governmental Fund Types					Statement of Net Position
	General Funds (Exh A-1)	Special Revenue Fund (Exh B-1)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	
ASSETS						
Current Assets:						
Cash and Cash Equivalents (Note 3):						
Cash on Hand	\$ 192,074.29	\$	\$ 192,074.29	\$	\$	\$ 192,074.29
Cash in Bank	225,000.00		225,000.00			225,000.00
Cash in State Treasury	4,782,647.47	13,984.25	4,796,631.72			4,796,631.72
Legislative Appropriations	46,099,185.73		46,099,185.73			46,099,185.73
Accounts Receivable	166,878.97		166,878.97			166,878.97
Federal Receivable	23,403,157.48		23,403,157.48			23,403,157.48
Interest Receivable		10.01	10.01			10.01
Due From Other Agencies (Note 12)	483,267.99		483,267.99			483,267.99
Interfund Receivable (Note 12)	46,905.23		46,905.23			46,905.23
Consumable Inventories	10,055.80		10,055.80			10,055.80
Merchandise Inventories	172,109.43		172,109.43			172,109.43
Total Current Assets	75,581,282.39	13,994.26	75,595,276.65			75,595,276.65
Non-Current Assets:						
Capital Assets (Note 2):						
Non-Depreciable or Non-Amortizable						
Depreciable or Amortizable, Net						
Total Non-Current Assets						
Total Assets	\$ 75,581,282.39	\$ 13,994.26	\$ 75,595,276.65	\$	\$	\$ 75,595,276.65
LIABILITIES						
Current Liabilities:						
Payables From:						
Accounts	\$ 23,823,618.51	\$ 60.82	\$ 23,823,679.33	\$	\$	\$ 23,823,679.33
Payroll	16,963,507.33		16,963,507.33			16,963,507.33
Due To Other Agencies (Note 12)	48,931.00		48,931.00			48,931.00
Interfund Payable (Note 12)	46,905.23		46,905.23			46,905.23
Unearned Revenues	8,602,266.09		8,602,266.09			8,602,266.09
Employees' Compensable Leave					9,559,092.41	9,559,092.41
Total Current Liabilities	49,485,228.16	60.82	49,485,288.98		9,559,092.41	59,044,381.39
Non-Current Liabilities:						
Employees' Compensable Leave					7,222,810.14	7,222,810.14
Total Non-Current Liabilities					7,222,810.14	7,222,810.14
Total Liabilities	49,485,228.16	60.82	49,485,288.98		16,781,902.55	66,267,191.53
Fund Financial Statement						
Fund Balances (Deficits)						
Nonspendable	182,165.23		182,165.23			182,165.23
Restricted	22,122,083.98	13,933.44	22,136,017.42			22,136,017.42
Committed	3,791,805.02		3,791,805.02			3,791,805.02
Total Fund Balances	26,096,054.23	13,933.44	26,109,987.67			26,109,987.67
Total Liabilities and Fund Balances	\$ 75,581,282.39	\$ 13,994.26	\$ 75,595,276.65			
Government-Wide Statement of Net Position						
Net Position:						
Invested in Capital Assets, Net of Related Debt						
Unrestricted					(16,781,902.55)	(16,781,902.55)
Total Net Position				\$	\$ (16,781,902.55)	\$ 9,328,085.12

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

Texas Department of Assistive and Rehabilitative Services (538) - Unaudited
 Exhibit II - Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances/Statement of Activities - Governmental Funds
 For the Fiscal Year Ended August 31, 2016

	Governmental Fund Types					Statement of Activities
	General Funds (Exh A-2)	Special Revenue Fund (Exh B-2)	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	
REVENUES						
Legislative Appropriations:						
Original Appropriations	\$ 119,448,317.00	\$	\$ 119,448,317.00	\$	\$	\$ 119,448,317.00
Additional Appropriations	8,611,849.66		8,611,849.66			8,611,849.66
Federal Revenue	448,888,503.38		448,888,503.38			448,888,503.38
Federal Pass-Through Revenue	43,003,845.97		43,003,845.97			43,003,845.97
State Grant Pass-Through Revenue	16,498,102.00		16,498,102.00			16,498,102.00
Licenses, Fees & Permits	16,398,275.65		16,398,275.65			16,398,275.65
Interest Income	10,326.77	113.31	10,440.08			10,440.08
Sales of Goods and Services	4,240,983.49		4,240,983.49			4,240,983.49
Other	801,348.73	7,982.75	809,331.48			809,331.48
Total Revenues	<u>657,901,552.65</u>	<u>8,096.06</u>	<u>657,909,648.71</u>	<u>-</u>	<u>-</u>	<u>657,909,648.71</u>
EXPENDITURES						
Salaries and Wages	157,856,863.23		157,856,863.23		(703,750.51)	157,153,112.72
Payroll Related Costs	49,743,127.95		49,743,127.95			49,743,127.95
Professional Fees and Services	13,820,383.83		13,820,383.83			13,820,383.83
Travel	5,468,608.81		5,468,608.81			5,468,608.81
Materials and Supplies	2,107,820.47		2,107,820.47			2,107,820.47
Communication and Utilities	2,242,505.70		2,242,505.70			2,242,505.70
Repairs and Maintenance	3,101,721.14		3,101,721.14			3,101,721.14
Rentals & Leases	4,712,332.79		4,712,332.79			4,712,332.79
Printing and Reproduction	571,292.99		571,292.99			571,292.99
Claims and Judgments	53,400.00		53,400.00			53,400.00
Federal Grant Pass-Through Expenditures	1,881,887.08		1,881,887.08			1,881,887.08
State Grant Pass-Through Expenditures	266,970.73		266,970.73			266,970.73
Public Assistance Payments	368,507,049.32	6,724.83	368,513,774.15			368,513,774.15
Other Expenditures	26,951,295.27		26,951,295.27			26,951,295.27
Capital Outlay	236,422.98		236,422.98	(236,422.98)		
Depreciation and Amortization Expense				1,494,153.64		1,494,153.64
Total Expenditures/Expenses	<u>637,521,682.29</u>	<u>6,724.83</u>	<u>637,528,407.12</u>	<u>1,257,730.66</u>	<u>(703,750.51)</u>	<u>638,082,387.27</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>20,379,870.36</u>	<u>1,371.23</u>	<u>20,381,241.59</u>	<u>(1,257,730.66)</u>	<u>703,750.51</u>	<u>19,827,261.44</u>
OTHER FINANCING SOURCES (USES)						
Insurance Recoveries	1,325.00		1,325.00			1,325.00
Transfers In	2,082,001.49		2,082,001.49			2,082,001.49
Transfers Out	(20,268,758.44)		(20,268,758.44)			(20,268,758.44)
Gain (Loss) on Disposal of Capital Assets				(1,994,198.09)		(1,994,198.09)
Inc (Dec) in Net Position Due to Interagency Transfer				(3,532,039.22)		(3,532,039.22)
Total Other Financing Sources (Uses)	<u>(18,185,431.95)</u>	<u></u>	<u>(18,185,431.95)</u>	<u>(5,526,237.31)</u>	<u></u>	<u>(23,711,669.26)</u>
Net Change in Fund Balances/Net Position	<u>2,194,438.41</u>	<u>1,371.23</u>	<u>2,195,809.64</u>	<u></u>	<u></u>	<u>(3,884,407.82)</u>
Fund Financial Statement - Fund Balances						
Fund Balances, September 1, 2015	25,031,870.66	12,562.21	25,044,432.87			25,044,432.87
Appropriations Lapsed	(1,130,254.84)		(1,130,254.84)			(1,130,254.84)
Fund Balances, August 31, 2016	<u>\$ 26,096,054.23</u>	<u>\$ 13,933.44</u>	<u>\$ 26,109,987.67</u>	<u></u>	<u></u>	<u>\$ 20,029,770.21</u>
Government-Wide Statement of Net Position						
Net Position/Net Change in Net Position			26,109,987.67	(6,783,967.97)	703,750.51	20,029,770.21
Net Position, September 1, 2015				6,783,967.97	(17,485,653.06)	(10,701,685.09)
Restatements						
Net Position, September 1, 2015, as Restated				6,783,967.97	(17,485,653.06)	(10,701,685.09)
Net Position, August 31, 2016			<u>\$ 26,109,987.67</u>	<u>\$</u>	<u>\$ (16,781,902.55)</u>	<u>\$ 9,328,085.12</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 VI Combined Statement of Net Position Fiduciary Funds
 August 31, 2016

	Private Purpose Trust Fund (Exh I-1)	Agency Funds (Exh J-1)	Totals
ASSETS			
Cash and Cash Equivalents:			
Cash in State Treasury	\$ 1,206,714.89	\$ 226,738.00	\$ 1,433,452.89
Interest Receivable	841.86		841.86
Total Assets	<u>1,207,556.75</u>	<u>226,738.00</u>	<u>1,434,294.75</u>
LIABILITIES			
Funds Held for Others		226,738.00	226,738.00
Total Liabilities		<u>226,738.00</u>	<u>226,738.00</u>
NET POSITION			
Held in trust for:			
Individuals, Organizations, and Other Governments:			
Expendable	1,207,556.75		1,207,556.75
Total Net Position	<u>\$ 1,207,556.75</u>	<u>\$</u>	<u>\$ 1,207,556.75</u>

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


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**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, 2016**

	Private- Purpose Trust Fund (Exh I-2)
ADDITIONS	
Interest Income	\$ 8,811.10
Total Net Investment Income (Loss)	8,811.10
Other Additions	
Other Revenue	426,200.64
Total Other Additions	426,200.64
Total Additions	435,011.74
DEDUCTIONS	
Employee / Participant Benefit Payments	419,684.59
Other Expense	2,507.00
Total Deductions	422,191.59
INCREASE (DECREASE) IN NET POSITION	12,820.15
NET POSITION	
Net Position, September 1, 2015	1,194,736.60
Net Position, August 31, 2016	\$ 1,207,556.75

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

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Notes to the Financial Statements

Notes to the Financial Statements

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 and 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 License Plate Trust Fund (0802).

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

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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.

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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.

Unearned Revenues

Unearned revenues 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.

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 Balances

The agency has the following types of transactions between 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

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expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.

- (3) Interfund Receivables and Payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter it is classified as 'current' 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.

NOTE 2: Capital Assets

Any general revenue received from the sale of surplus property is transferred to unappropriated general revenue in accordance with HB7 Sec. 20. A summary of changes in capital assets for the year ended August 31, 2016, is presented below:

GOVERNMENTAL ACTIVITIES	Balance 09/01/2015	Adjustments	Reclassifications		Deletions	Balance 08/31/2016
			Dec-Int'agy Trans	Additions		
Non-Depreciable or Non-Amortizable Assets:						
Land and Land Improvements	\$ 68,820.55	\$	\$ (68,820.55)	\$	\$	\$
Construction in Progress			(37,025.95)	37,025.95		
Other Capital Assets	88,350.00		(88,350.00)			
Total Non-Depreciable and Non-Amortizable Assets	157,170.55		(194,196.50)	37,025.95		
Depreciable Assets:						
Buildings and Building Improvements	10,226,589.07		(6,870,253.97)		(3,356,335.10)	
Furniture and Equipment	6,934,538.57	(92,636.86)	(3,040,514.15)	175,712.03	(3,977,099.59)	
Vehicles	655,678.29	(56,867.00)	(603,348.29)	23,685.00	(19,148.00)	
Total Depreciable Assets at Historical Cost	17,816,805.93	(149,503.86)	(10,514,116.41)	199,397.03	(7,352,582.69)	
Less Accumulated Depreciation for:						
Buildings and Building Improvements	(6,802,965.47)		5,514,133.49	(114,476.34)	1,403,308.32	
Furniture and Equipment	(6,106,480.56)	92,636.86	2,284,587.12	(206,671.70)	3,935,928.28	
Vehicles	(540,525.83)	56,867.00	531,760.06	(67,249.23)	19,148.00	
Total Accumulated Depreciation	(13,449,971.86)	149,503.86	8,330,480.67	(388,397.27)	5,358,384.60	
Depreciable Assets, Net	4,366,834.07		(2,183,635.74)	(189,000.24)	(1,994,198.09)	
Amortizable Assets - Intangible:						
Computer Software - Intangible	9,306,725.65		(8,638,099.37)		(668,626.28)	
Total Intangible Assets at Historical Cost	9,306,725.65		(8,638,099.37)		(668,626.28)	
Less Accumulated Amortization for:						
Computer Software - Intangible	(7,046,762.30)		7,483,892.39	(1,105,756.37)	668,626.28	
Total Accumulated Amortization	(7,046,762.30)		7,483,892.39	(1,105,756.37)	668,626.28	
Amortizable Assets - Net	2,259,963.35		(1,154,206.98)	(1,105,756.37)		
Governmental Activities Capital Assets, Net	\$ 6,783,967.97	\$	\$ (3,532,039.22)	\$ (1,257,730.66)	\$ (1,994,198.09)	\$

NOTE 3: Deposits, Investments and Repurchase Agreements

DARS is authorized by statute to make investments following the 'prudent person rule'. There were no violations of legal provisions during the period.

Deposits of Cash in Bank

As of August 31, 2016, the carrying amount of deposits was \$225,000.00 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, 2016, the total bank balance for cash in bank was \$154,832.46. Bank balances are not subject to credit risk.

NOTE 4: Short-Term Debt

Not Applicable

NOTE 5: Long-Term Liabilities

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

Governmental Activities	Balance 09/01/15	Additions	Reductions	Balance 08/31/16	Amounts Due Within 1 Year
Compensable Leave	\$17,485,653.06	\$16,984,383.69	\$17,688,134.20	\$16,781,902.55	\$9,559,092.41

NOTE 6: Bonded Indebtedness

Not Applicable

NOTE 7: Derivatives

Not Applicable

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, 2016	\$2,667,905.28
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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, 2017	\$2,750,799.96
Year Ending August 31, 2018	2,750,799.96
Year Ending August 31, 2019	2,750,799.96
Year Ending August 31, 2020	2,750,799.96
Year Ending August 31, 2021	2,750,799.96
Year Ending August 31, 2022 – 2026	11,690,899.83
Total Minimum Future Lease Rental Payments	\$25,444,899.63

Capital Leases

There are no capital leases

NOTE 9: Defined Benefit Pension Plans and Defined Contribution Plan

Not Applicable

NOTE 10: Deferred Compensation

Not Applicable

NOTE 11: Post Employment Health Care and Life Insurance Benefits

Not Applicable

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 08/31/16, follows:

Interfund Receivables and Payables – Current			
Current Portion	Interfund Receivable	Interfund Payable	Purpose
GENERAL (01)			
Appd Fund 0001, D23 Fund 0001			
Agency 538, D23 Fund 0492	\$46,905.23		Intra-agency
Appd Fund 0492, D23 Fund 0492			
Agency 538, D23 Fund 0001		\$46,905.23	Intra-agency
Total Current Interfund Receivable/Payable	\$46,905.23	\$46,905.23	

	Due From Other Agencies	Due To Other Agencies	Source
GENERAL (01)			
Appd Fund 0001, D23 Fund 0001			
Agency 529, D23 Fund 0001	\$412,140.52		Federal Pass Through
Agency 701, D23 Fund 0148	63,530.40		Federal Pass Through
Agency 723, D23 Fund 7999		\$48,931.00	Federal Pass Through
Appd Fund 0802, D23 Fund 0802			
Agency 608, D23 Fund 0802	7,597.07		Shared Fund
Total Due From/To Other Agencies	\$483,267.99	\$48,931.00	

	Transfer In	Transfer Out	Purpose
GENERAL (01)			
Appd Fund 0001 (D22)			
Agency 538, D22 Fund 0422	\$2,082,001.49		Intra-agency
Agency 902, D22 Fund 0001		\$11,849,042.18	Retiree Insurance/Service Purchase
Agency 902, D22 Fund 0001		1,850.00	Petty Cash Closeout
Agency 902, D22 Fund 0001		3,224,330.55	Appropriation 70000 Sweep
Total Transfers for D22 Fund 0001	\$2,082,001.49	\$15,075,222.73	
Appd Fund 0107 (D22)			
Agency 902, D22 Fund 0001		\$3,111,534.02	Excess CRS Receipts
Total Transfers for D22 Fund 0107	\$0.00	\$3,111,534.02	
Appd Fund 0369 (D22)			
Agency 902, D22 Fund 0001		\$0.20	Appropriation 70000 Sweep
Total Transfers for D22 Fund 0369	\$0.00	\$0.20	
Appd Fund 0422 (D22)			
Agency 538, D22 Fund 0001		\$2,082,001.49	Intra-agency
Total Transfers for D22 Fund 0422	\$0.00	\$2,082,001.49	
Total Transfers	\$2,082,001.49	\$20,268,758.44	

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

NOTE 13: Continuance Subject to Review

Sunset Provision: Pursuant to the Texas 84th Legislative Session, Regular Session (2015), HB 2463 and SB 200, the Department of Assistive and Rehabilitative Services (DARS) will be abolished effective September 1, 2016.

NOTE 14: Adjustments to Fund Balances and Net Position

Not Applicable

NOTE 15: Contingencies and Commitments

DARS is a defendant in five 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

Not Applicable

NOTE 17: Risk Management

The Department of Assistive and Rehabilitative Services is exposed to property and casualty loss and worker's compensation claims. The agency uses a number of approaches to decrease risks and protect against losses to the agency. These methods include internal practices and employee training. Additionally, the agency has adopted an ethics policy applicable to all agency employees as well as a fraud, waste and abuse policy.

The agency assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently, DARS does not purchase any commercial insurance. The agency participates in the State Office of Risk Management's (SORM) Risk Management and Worker's Compensation Coverage Program. The agency's assessment for fiscal year 2016 was \$372,495.34. The assessment covers worker's compensation and risk management costs.

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.

Changes in the balances of the agency's claims liabilities during fiscal year 2015 and 2016 were:

Fiscal Year	Beginning Balance	Increases	Decreases	Ending Balance
2015	\$0.00	\$1,287.90	\$1,287.90	\$0.00
2016	\$0.00	\$53,400.00	\$53,400.00	\$0.00

NOTE 18: Management's Discussion and Analysis

Not Applicable

NOTE 19: The Financial Reporting Entity

Not Applicable

NOTE 20: Stewardship, Compliance and Accountability

Not Applicable

NOTE 21: N/A

Note 21 is not applicable to the AFR reporting requirements process.

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

NOTE 25: Termination Benefits

Not Applicable

NOTE 26: Segment Information

Not Applicable

NOTE 27: Service Concession Arrangements

Not Applicable

NOTE 28: Deferred Outflows of Resources and Deferred Inflows of Resources

Not Applicable

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

NOTE 29: *Troubled Debt Restructuring*

Not Applicable

NOTE 30: *Non-Exchange Financial Guarantees*

Not Applicable



Individual Funds Financial Statements (Exhibits)

Texas Department of Assistive and Rehabilitative Services (538)- Unaudited
 Exhibit A-1 - Combining Balance Sheet - All General and Consolidated Funds
 August 31, 2016

	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)	License Plate Trust Fund (0802) U/F (0802)	
ASSETS						
Current Assets:						
Cash and Cash Equivalents (Note 3):						
Cash on Hand	\$ 191,431.29	\$ 643.00	\$	\$	\$	\$ 192,074.29
Cash in Bank	225,000.00					225,000.00
Cash in State Treasury		3,723,946.38		1,058,701.09		4,782,647.47
Legislative Appropriations	46,099,185.73					46,099,185.73
Receivables From:						
Accounts Receivable	166,878.97					166,878.97
Federal	23,403,157.48					23,403,157.48
Due From Other Agencies	475,670.92				7,597.07	483,267.99
Interfund Receivable	46,905.23					46,905.23
Consumable Inventories	10,055.80					10,055.80
Merchandise Inventories				172,109.43		172,109.43
Total Current Assets	<u>70,618,285.42</u>	<u>3,724,589.38</u>		<u>1,230,810.52</u>	<u>7,597.07</u>	<u>75,581,282.39</u>
Total Assets	<u>\$ 70,618,285.42</u>	<u>\$ 3,724,589.38</u>	<u>\$</u>	<u>\$ 1,230,810.52</u>	<u>\$ 7,597.07</u>	<u>\$ 75,581,282.39</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Current Liabilities:						
Payables From:						
Accounts	\$ 22,968,837.43	\$ 844,301.45	\$	\$ 10,479.63	\$	\$ 23,823,618.51
Payroll	16,866,111.12			97,396.21		16,963,507.33
Due To Other Agencies	48,931.00					48,931.00
Interfund Payable				46,905.23		46,905.23
Unearned Revenues	8,602,266.09					8,602,266.09
Total Current Liabilities	<u>48,486,145.64</u>	<u>844,301.45</u>		<u>154,781.07</u>		<u>49,485,228.16</u>
Total Liabilities	<u>48,486,145.64</u>	<u>844,301.45</u>		<u>154,781.07</u>		<u>49,485,228.16</u>
Fund Financial Statement						
Fund Balances (Deficits):						
Nonspendable	10,055.80			172,109.43		182,165.23
Restricted	22,122,083.98					22,122,083.98
Committed		2,880,287.93		903,920.02	7,597.07	3,791,805.02
Total Fund Balances	<u>22,132,139.78</u>	<u>2,880,287.93</u>		<u>1,076,029.45</u>	<u>7,597.07</u>	<u>26,096,054.23</u>
Total Liabilities and Fund Balances	<u>\$ 70,618,285.42</u>	<u>\$ 3,724,589.38</u>	<u>\$</u>	<u>\$ 1,230,810.52</u>	<u>\$ 7,597.07</u>	<u>\$ 75,581,282.39</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, 2016

	General		Consolidated Accounts			Total (Exh II)
	Revenue Fund (0001)	Comprehensive Rehabilitation Fund (0107)	Rehabilitation Commission Federal Fund (0422)	Business Enterprises Program Fund (0492)	License Plate Trust Fund (0802)	
	U/F (0001, 0369, 9000, 9001)	U/F (0107)	U/F (0422)	U/F (0492, 8492)	U/F (0802)	
REVENUES						
Legislative Appropriations:						
Original Appropriations	\$ 119,448,317.00	\$	\$	\$	\$	\$ 119,448,317.00
Additional Appropriations	8,611,849.66					8,611,849.66
Federal Revenue	448,888,503.38					448,888,503.38
Federal Grant Pass-Through Rev.	43,003,845.97					43,003,845.97
State Grant Pass-Through Rev.	16,498,102.00					16,498,102.00
Licenses, Fees & Permits	64,082.02	16,323,494.58			10,699.05	16,398,275.65
Interest Income	10,214.75				112.02	10,326.77
Sales of Goods and Services	2,625,185.61			1,615,797.88		4,240,983.49
Other	786,137.02			15,211.71		801,348.73
Total Revenues	639,936,237.41	16,323,494.58		1,631,009.59	10,811.07	657,901,552.65
EXPENDITURES						
Salaries and Wages	156,830,156.52			1,026,706.71		157,856,863.23
Payroll Related Costs	49,347,554.49			395,573.46		49,743,127.95
Professional Fees and Services	13,770,047.16			50,336.67		13,820,383.83
Travel	5,409,798.74			58,687.29	122.78	5,468,608.81
Materials and Supplies	1,940,762.32			167,108.15	(50.00)	2,107,820.47
Communication and Utilities	2,242,505.70					2,242,505.70
Repairs and Maintenance	2,830,482.07			271,239.07		3,101,721.14
Rentals & Leases	4,711,513.04			819.75		4,712,332.79
Printing and Reproduction	571,262.09			30.90		571,292.99
Claims and Judgments	50,000.00			3,400.00		53,400.00
Federal Grant Pass-Through Exp.	1,881,887.08					1,881,887.08
State Grant Pass-Through Exp.	266,970.73					266,970.73
Public Assistance Payments	351,385,596.40	17,122,196.96			(744.04)	368,507,049.32
Other Expenditures	26,735,747.74	109,722.00		101,940.27	3,885.26	26,951,295.27
Capital Outlay	200,399.76			36,023.22		236,422.98
Total Expenditures	618,174,683.84	17,231,918.96		2,111,865.49	3,214.00	637,521,682.29
Excess (Deficiency) of Revenues Over Expenditures	21,761,553.57	(908,424.38)		(480,855.90)	7,597.07	20,379,870.36
OTHER FINANCING SOURCES (USES)						
Insurance Recoveries	1,325.00					1,325.00
Transfers In	2,082,001.49					2,082,001.49
Transfers Out	(15,075,222.93)	(3,111,534.02)	(2,082,001.49)			(20,268,758.44)
Total Other Financing Sources (Uses)	(12,991,896.44)	(3,111,534.02)	(2,082,001.49)			(18,185,431.95)
Net Change in Fund Balances	8,769,657.13	(4,019,958.40)	(2,082,001.49)	(480,855.90)	7,597.07	2,194,438.41
Fund Financial Statement - Fund Balances						
Fund Balances, September 1, 2015	14,492,737.49	6,900,246.33	2,082,001.49	1,556,885.35		25,031,870.66
Appropriations Lapsed	(1,130,254.84)					(1,130,254.84)
Fund Balances, August 31, 2016	\$ 22,132,139.78	\$ 2,880,287.93	\$	\$ 1,076,029.45	\$ 7,597.07	\$ 26,096,054.23

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

**Texas Department of Assistive and Rehabilitative Services (538) Unaudited
 Exhibit B-1 Combining Balance Sheet Special Revenue Funds
 August 31, 2016**

	Special Revenue Fund (0493) <u>U/F (0493, 8493)</u>
ASSETS	
Current Assets:	
Cash in State Treasury	\$ 13,984.25
Interest Receivable	10.01
Total Assets	<u>\$ 13,994.26</u>
LIABILITIES	
Current Liabilities:	
Payables From:	
Accounts	<u>\$ 60.82</u>
Total Liabilities	<u>60.82</u>
Fund Balances (Deficits)	
Restricted	<u>13,933.44</u>
Total Fund Balances	<u>13,933.44</u>
Total Liabilities and Fund Balances	<u>\$ 13,994.26</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 B-2 Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances Special Revenue Funds
For the Fiscal Year Ended August 31, 2016

	Special Revenue Fund (0493) U/F (0493, 8493)
REVENUES	
Interest Income	\$ 113.31
Other	<u>7,982.75</u>
Total Revenues	<u>8,096.06</u>
EXPENDITURES	
Public Assistance Payments	<u>6,724.83</u>
Total Expenditures/Expenses	<u>6,724.83</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,371.23</u>
OTHER FINANCING SOURCES (USES)	
Transfers In	
Transfers Out	
Total Other Financing Sources (Uses)	<u> </u>
Net Change in Fund Balances	<u>1,371.23</u>
Fund Financial Statement Fund Balances	
Fund Balances, September 1, 2015	12,562.21
Appropriations Lapsed	
Fund Balances, August 31, 2016	<u>\$ 13,933.44</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 I-1 Combining Statement of Fiduciary Net Position
Private-Purpose Trust Funds
August 31, 2016

	Private- Purpose Trust Fund (5043)
ASSETS	
Cash and Cash Equivalents:	
Cash in State Treasury	\$ 1,206,714.89
Interest Receivable	841.86
Total Assets	<u>1,207,556.75</u>
LIABILITIES	
Funds Held for Others	
Total Liabilities	<u> </u>
NET POSITION	
Held in trust for:	
Individuals, Organizations, and	
Other Governments:	
Expendable	1,207,556.75
Total Net Position	<u>\$ 1,207,556.75</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 I-2 Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds
For the Fiscal Year Ended August 31, 2016

	Private- Purpose Trust Fund (5043)
ADDITIONS	
Interest Income	\$ 8,811.10
Total Net Investment Income (Loss)	<u>8,811.10</u>
Other Additions	
Other Revenue	426,200.64
Total Other Additions	<u>426,200.64</u>
Total Additions	<u>435,011.74</u>
DEDUCTIONS	
Employee / Participant Benefit Payments	419,684.59
Other Expense	2,507.00
Total Deductions	<u>422,191.59</u>
INCREASE (DECREASE) IN NET POSITION	<u>12,820.15</u>
NET POSITION	
Net Position, September 1, 2015	1,194,736.60
Net Position, August 31, 2016	<u>\$ 1,207,556.75</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
 August 31, 2016

	Beginning Balance September 1, 2015	Additions	Deductions	Ending Balance August 31, 2016
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	<u>\$ 8,270.49</u>	<u>\$ 8,270.49</u>	<u>\$ 8,270.49</u>	<u>\$ 8,270.49</u>
LIABILITIES				
Funds Held for Others	\$ 8,270.49	\$	\$	\$ 8,270.49
Total Liabilities	<u>\$ 8,270.49</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,270.49</u>
<u>Child Support Employee Deduction Fund 0807 (U/F 8070)</u>				
ASSETS				
Cash in State Treasury	\$ 19,587.91	\$ 251,414.06	\$ 251,362.12	\$ 19,639.85
Total Assets	<u>\$ 19,587.91</u>	<u>\$ 251,414.06</u>	<u>\$ 251,362.12</u>	<u>\$ 19,639.85</u>
LIABILITIES				
Accounts Payable	\$	\$ 231,774.21	\$ 231,774.21	\$
Funds Held for Others	19,587.91	251,414.06	251,362.12	19,639.85
Total Liabilities	<u>\$ 19,587.91</u>	<u>\$ 483,188.27</u>	<u>\$ 483,136.33</u>	<u>\$ 19,639.85</u>
<u>Suspense Fund 0900 (U/F 0900, 9015,9016)</u>				
ASSETS				
Cash in State Treasury	\$ 705.48	\$ 25,916,070.53	\$ 25,717,948.35	\$ 198,827.66
Total Assets	<u>\$ 705.48</u>	<u>\$ 25,916,070.53</u>	<u>\$ 25,717,948.35</u>	<u>\$ 198,827.66</u>
LIABILITIES				
Accounts Payable	\$	\$ 24,690,161.38	\$ 24,690,161.38	\$
Funds Held for Others	705.48	25,916,070.53	25,717,948.35	198,827.66
Total Liabilities	<u>\$ 705.48</u>	<u>\$ 50,606,231.91</u>	<u>\$ 50,408,109.73</u>	<u>\$ 198,827.66</u>
<u>Direct Deposit Correction Fund 0980 (U/F 0980, 9014)</u>				
ASSETS				
Cash in State Treasury	\$	\$ 107,877.32	\$ 107,877.32	\$
Total Assets	<u>\$</u>	<u>\$ 107,877.32</u>	<u>\$ 107,877.32</u>	<u>\$</u>
LIABILITIES				
Funds Held for Others	\$	\$ 107,877.32	\$ 107,877.32	\$
Total Liabilities	<u>\$</u>	<u>\$ 107,877.32</u>	<u>\$ 107,877.32</u>	<u>\$</u>
<u>Unappropriated General Revenue 1000 (U/F 1000)</u>				
ASSETS				
Cash in State Treasury	\$	\$ 562,678.20	\$ 562,678.20	\$
Due From Other Agencies		362,530.80	362,530.80	
Total Assets	<u>\$</u>	<u>\$ 925,209.00</u>	<u>\$ 925,209.00</u>	<u>\$</u>
LIABILITIES				
Accounts Payable	\$	\$ 1,307.50	\$ 1,307.50	\$
Funds Held for Others		562,678.20	562,678.20	
Total Liabilities	<u>\$</u>	<u>\$ 563,985.70</u>	<u>\$ 563,985.70</u>	<u>\$</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
 August 31, 2016

	Beginning Balance <u>September 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	Ending Balance <u>August 31, 2016</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash in State Treasury	\$ 28,563.88	\$ 26,846,310.60	\$ 26,648,136.48	\$ 226,738.00
Due From Other Agencies		362,530.80	362,530.80	
Total Assets	<u>\$ 28,563.88</u>	<u>\$ 27,208,841.40</u>	<u>\$ 27,010,667.28</u>	<u>\$ 226,738.00</u>
LIABILITIES				
Accounts Payable	\$	\$ 24,923,243.09	\$ 24,923,243.09	\$
Funds Held for Others	28,563.88	26,838,040.11	26,639,865.99	226,738.00
Total Liabilities	<u>\$ 28,563.88</u>	<u>\$ 51,761,283.20</u>	<u>\$ 51,563,109.08</u>	<u>\$ 226,738.00</u>

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

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Required Supplemental Information (Schedules)

Texas Department of Assistive and Rehabilitative Services
SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended August 31, 2016

UNAUDITED

FEDERAL GRANTOR / PASS THROUGH GRANTOR / PROGRAM TITLE	Pass-Through From		Direct Program Amount	Total PT From & Direct Program
	CFDA Number	Agy./ Univ. #		
U.S. Department of Education				
<u>Direct Programs:</u>				
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126		\$ 242,451,186.61	\$ 242,451,186.61
<u>Pass Through To:</u>				
<i>Texas Workforce Commission</i>				
VR Program-Program Income	84.126		28,399,976.69	28,399,976.69
<i>Rehabilitation Services - IL Services for Older Individuals who are Blind</i>				
	84.177		2,238,590.67	2,238,590.67
<i>Special Education - Grants for Infants and Families</i>				
	84.181		37,576,492.21	37,576,492.21
<u>Pass Through To:</u>				
<i>Texas Education Agency</i>				
<i>University of Texas Medical Branch - Galveston</i>				
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187		2,326,026.48	2,326,026.48
<i>Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training</i>				
	84.265		74,612.25	74,612.25
Totals - U.S. Department of Education			313,066,884.91	313,066,884.91
U.S. Department of Health and Human Services				
ACL Independent Living -State Grants	93.369		1,252,164.06	1,252,164.06
<u>Pass-Through From:</u>				
<i>Developmental Disabilities Basic Support and Advocacy Grants</i>				
	93.630			
<u>Pass-Through From:</u>				
<i>Texas Education Agency</i>				
	701	98,698.25	-	98,698.25
Totals - U.S. Department of Health and Human Services		98,698.25	1,252,164.06	1,350,862.31
Medicaid Cluster				
U.S. Department of Health and Human Services				
<u>Direct Programs:</u>				
Medical Assistance Program	93.778		361,382.70	361,382.70
<u>Pass-Through From:</u>				
<i>Medical Assistance Program</i>				
	93.778			
<u>Pass-Through From:</u>				
<i>Health and Human Services Commission</i>				
	529	27,807,431.46		27,807,431.46
<u>Pass-Through To:</u>				
<i>University of Texas Medical Branch - Galveston</i>				
Totals - U.S. Department of Health and Human Services		27,807,431.46	361,382.70	28,168,814.16
Special Education (IDEA) Cluster				
U.S. Department of Education				
<u>Pass-Through From:</u>				
<i>Special Education-Grants to States</i>				
	84.027			
<u>Pass-Through From:</u>				
<i>Texas Education Agency</i>				
	701	5,131,125.00		5,131,125.00
<u>Pass-Through To:</u>				
<i>University of Texas Medical Branch - Galveston</i>				
Totals - U.S. Department of Education		5,131,125.00	-	5,131,125.00
Disability Insurance/SSI Cluster				
Social Security Administration				
<u>Direct Programs:</u>				
Social Security Disability Insurance	96.001		134,208,071.71	134,208,071.71
Totals - Social Security Administration		-	134,208,071.71	134,208,071.71
TANF Cluster				
U.S. Department of Health and Human Services				
<u>Pass-Through From:</u>				
<i>Temporary Assistance to Needy Families (TANF)</i>				
	93.558			
<u>Pass-Through From:</u>				
<i>Health and Human Services Commission</i>				
	529	9,966,591.26		9,966,591.26
<u>Pass-Through To:</u>				
<i>University of Texas Medical Branch - Galveston</i>				
Totals - U.S. Department of Health and Human Services		9,966,591.26	-	9,966,591.26
Total Expenditures of Federal Awards		\$ 43,003,845.97	\$ 448,888,503.38	\$ 491,892,349.35

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

Texas Department of Assistive and Rehabilitative Services
SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended August 31, 2016

UNAUDITED

FEDERAL GRANTOR / PASS THROUGH GRANTOR / PROGRAM TITLE	Pass-Through To		Non-State Entities Amount	Expenditures Amount	Total PT To & Expenditures
	CFDA Number	Agy./ Univ. #			
U.S. Department of Education					
<u>Direct Programs:</u>					
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126		\$	\$ 241,481,237.58	\$ 241,481,237.58
<u>Pass Through To:</u>					
Texas Workforce Commission		320	969,949.03		969,949.03
VR Program-Program Income	84.126			1,572,965.15	26,827,011.54
Rehabilitation Services - IL Services for Older Individuals who are Blind	84.177			2,238,590.67	2,238,590.67
Special Education - Grants for Infants and Families	84.181			31,941,805.93	4,918,501.26
<u>Pass Through To:</u>					
Texas Education Agency		701	65,450.32		65,450.32
University of Texas Medical Branch - Galveston		723	650,734.70		650,734.70
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187			2,326,026.48	2,326,026.48
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265			74,612.25	74,612.25
Totals - U.S. Department of Education			1,686,134.05	33,514,771.08	277,865,979.78
U.S. Department of Health and Human Services					
ACL Independent Living -State Grants	93.369			426,988.81	825,175.25
<u>Pass-Through From:</u>					
Developmental Disabilities Basic Support and Advocacy Grants	93.630				
<u>Pass-Through From:</u>					
Texas Education Agency				98,698.25	98,698.25
Totals - U.S. Department of Health and Human Services				426,988.81	923,873.50
Medicaid Cluster					
U.S. Department of Health and Human Services					
<u>Direct Programs:</u>					
Medical Assistance Program	93.778			361,382.70	361,382.70
<u>Pass-Through From:</u>					
Medical Assistance Program	93.778				
<u>Pass-Through From:</u>					
Health and Human Services Commission				27,780,639.56	27,780,639.56
<u>Pass-Through To:</u>					
University of Texas Medical Branch - Galveston		723	26,791.90		26,791.90
Totals - U.S. Department of Health and Human Services			26,791.90	27,780,639.56	361,382.70
Special Education (IDEA) Cluster					
U.S. Department of Education					
<u>Pass-Through From:</u>					
Special Education-Grants to States	84.027				
<u>Pass-Through From:</u>					
Texas Education Agency				5,043,645.00	5,043,645.00
<u>Pass-Through To:</u>					
University of Texas Medical Branch - Galveston		723	87,480.00		87,480.00
Totals - U.S. Department of Education			87,480.00	5,043,645.00	5,131,125.00
Disability Insurance/SSI Cluster					
Social Security Administration					
<u>Direct Programs:</u>					
Social Security Disability Insurance	96.001			134,208,071.71	134,208,071.71
Totals - Social Security Administration				134,208,071.71	134,208,071.71
TANF Cluster					
U.S. Department of Health and Human Services					
<u>Pass-Through From:</u>					
Temporary Assistance to Needy Families (TANF)	93.558				
<u>Pass-Through From:</u>					
Health and Human Services Commission				9,885,110.13	9,885,110.13
<u>Pass-Through To:</u>					
University of Texas Medical Branch - Galveston		723	81,481.13		81,481.13
Totals - U.S. Department of Health and Human Services			81,481.13	9,885,110.13	9,966,591.26
Total Expenditures of Federal Awards			\$ 1,881,887.08	\$ 76,651,154.58	\$ 413,359,307.69
				\$ 491,892,349.35	

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, 2016

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	\$ 448,888,503.38
Federal Pass-through Revenues	43,003,845.97
	<u>491,892,349.35</u>
 Total Pass Through & Expenditures per Federal Schedule	 491,892,349.35
Difference	\$ 0.00

Notes 3-6 - N/A

Note 7 - Federal Deferred Revenue

CFDA	Program	Federal Deferred Revenue September 1, 2015	Increase (Decrease)	Federal Deferred, Revenue August 31, 2016
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	\$ 8,816,063.71	\$ (1,937,992.93)	\$ 6,878,070.78
84.177	Rehabilitation Services - IL Services for Older Blind		68,197.00	68,197.00
84.181	Special Education - Grants for Infants and Families		1,242,384.44	1,242,384.44
84.187	Supported Employment Services	54,242.89	(51,875.77)	2,367.12
84.265	Rehabilitation Training - In-Service Training	341.17	(341.17)	
93.369	Independent Living - State Grants	108,172.39	(108,172.39)	
93.778	Medical Assistance Program		410,956.75	410,956.75
96.001	Social Security Disability Insurance		290.00	290.00
	Total Deferred Revenue	\$ 8,978,820.16	\$ (376,554.07)	\$ 8,602,266.09

(Exhibit I)

For CFDA 84.126, \$6,043,320.48 represents unspent program income. The remaining amounts represent funds drawn in advance.

Notes 8-10 - N/A

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, 2016

Pass-Through From:

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

Pass-Through To:

Intervention and Respite Services	
University of Texas Medical Branch Galveston (#723)	\$ 266,970.73
Total Pass-Through to Other Agencies	\$ 266,970.73

Special thanks to the following DARS staff for significant contributions:

Charles Hoyt

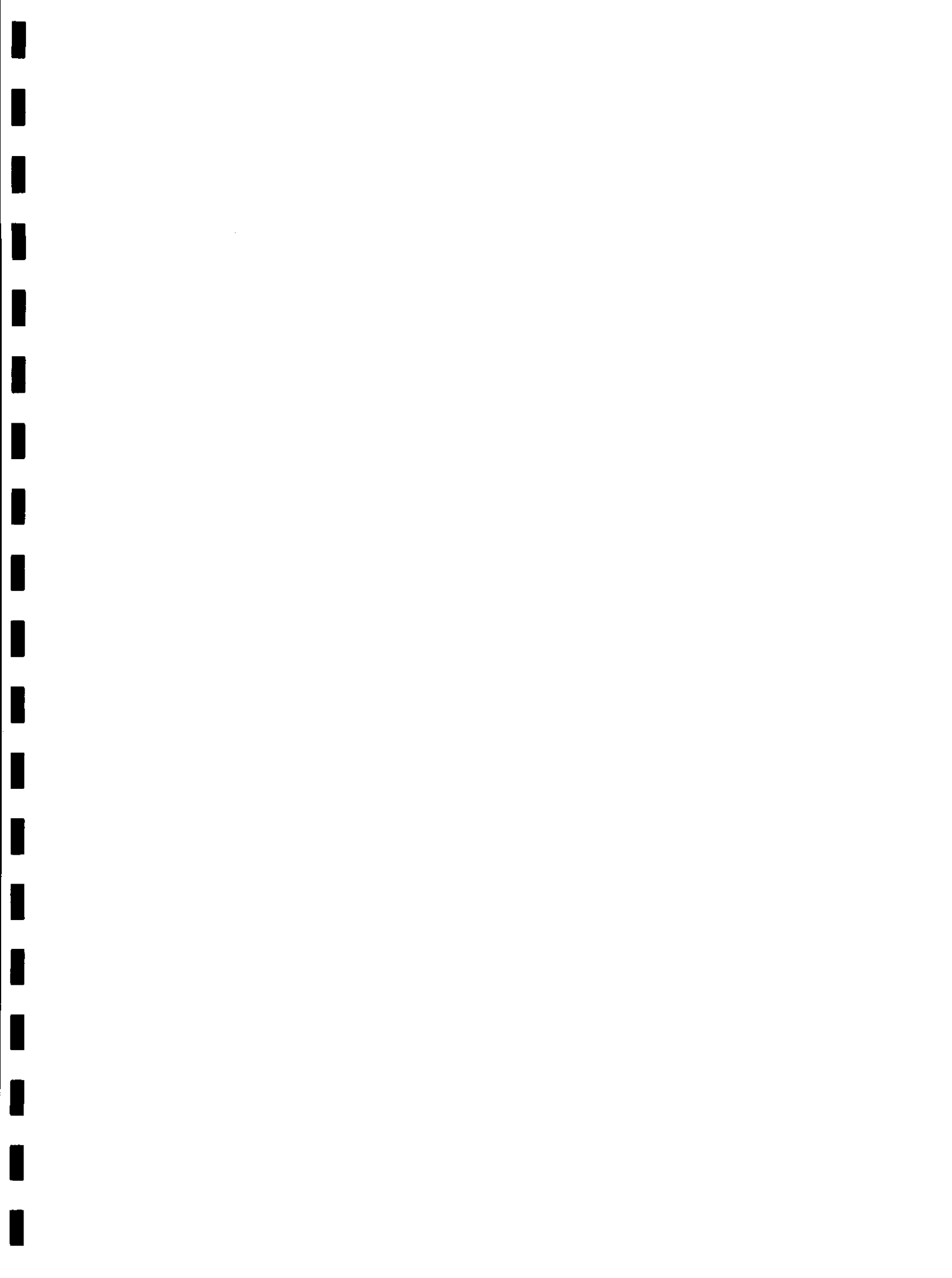
Elizabeth Shrader

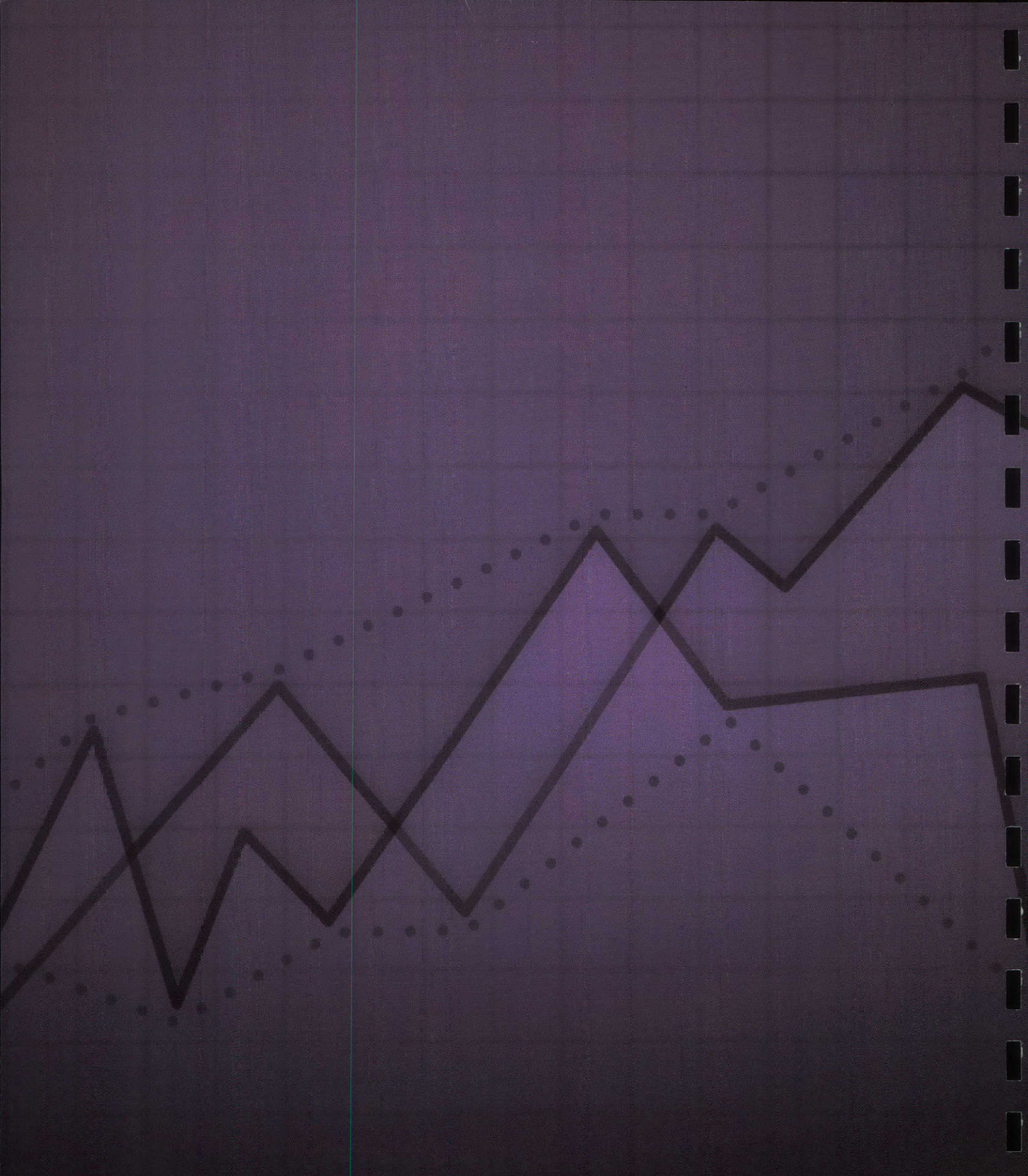
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