

Glenn Hegar Texas Comptroller of Public Accounts

Annual Financial Report

For Year Ended August 31, 2016

November 18, 2016

The Honorable Greg Abbott, Governor
Ms. Ursula Parks, Director, Legislative Budget Board
Lisa Collier, CPA, CIDA, First Assistant State Auditor

Dear Governor Abbott, Ms. Parks and Ms. Collier:

We are pleased to submit the *Annual Financial Report* of the Comptroller of Public Accounts, the Comptroller's Judiciary Section, the Comptroller Treasury, the Texas Safekeeping Trust Company and the State Energy Conservation Office for the year ended Aug. 31, 2016, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the state auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report (CAFR)*; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Shari Curtis, manager of our Budget and Internal Accounting Division, at shari.curtis@cpa.texas.gov or 512-463-4771.

Sincerely,



Glenn Hegar

cc: Shari Curtis



2016 Annual Financial Report

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Comptroller of Public Accounts (304)

BASIC FINANCIAL STATEMENTS

UNAUDITED
Comptroller of Public Accounts (304)

UNAUDITED
Comptroller of Public Accounts (304)

EXHIBIT I

Combined Balance Sheet/Statement of Net Position – Governmental Funds

August 31, 2016

| | Governmental Fund Type General Funds (Exhibit A-1) | Governmental Fund Total | Capital Assets Adjustments | Long-Term Liabilities Adjustments | Statement of Net Position |
|--|---|-------------------------------|----------------------------------|---|------------------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents: | | | | | |
| Cash on Hand | \$ 4,350.00 | \$ 4,350.00 | \$ | \$ | \$ 4,350.00 |
| Cash in Bank (Note 3) | 35,000.00 | 35,000.00 | | | 35,000.00 |
| Legislative Appropriations | 80,188,869.65 | 80,188,869.65 | | | 80,188,869.65 |
| Receivables From: | | | | | |
| Accounts Receivable | 119,092.59 | 119,092.59 | | | 119,092.59 |
| Interfund Receivable (Note 12) | 125,000.00 | 125,000.00 | | | 125,000.00 |
| Due From Other Agencies | 261,566.55 | 261,566.55 | | | 261,566.55 |
| Consumable Inventories | 376,810.43 | 376,810.43 | | | 376,810.43 |
| Total Current Assets | <u>81,110,689.22</u> | <u>81,110,689.22</u> | <u>0.00</u> | <u>0.00</u> | <u>81,110,689.22</u> |
| Non-Current Assets: | | | | | |
| Capital Assets (Note 2): | | | | | |
| Non-Depreciable or Non-Amortizable: | | | | | |
| Other Tangible Capital Assets | | | 3,250.00 | | 3,250.00 |
| Depreciable Assets: | | | | | |
| Furniture and Equipment | | | 7,667,947.25 | | 7,667,947.25 |
| Less Accumulated Depreciation | | | (5,016,962.94) | | (5,016,962.94) |
| Vehicles, Boats, and Aircraft | | | 286,621.23 | | 286,621.23 |
| Less Accumulated Depreciation | | | (195,534.46) | | (195,534.46) |
| Amortizable Assets - Intangible: | | | | | |
| Computer Software | | | 55,162,300.26 | | 55,162,300.26 |
| Less Accumulated Amortization: | | | (36,314,222.95) | | (36,314,222.95) |
| Total Non-Current Assets | <u>0.00</u> | <u>0.00</u> | <u>21,593,398.39</u> | <u>0.00</u> | <u>21,593,398.39</u> |
| Total Assets | <u>\$ 81,110,689.22</u> | <u>\$ 81,110,689.22</u> | <u>\$ 21,593,398.39</u> | <u>\$ 0.00</u> | <u>\$ 102,704,087.61</u> |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Payables From: | | | | | |
| Accounts Payable | \$ 2,734,866.69 | \$ 2,734,866.69 | \$ | \$ | \$ 2,734,866.69 |
| Payroll Payable | 20,051,302.96 | 20,051,302.96 | | | 20,051,302.96 |
| Interfund Payable (Note 12) | 125,000.00 | 125,000.00 | | | 125,000.00 |
| Employees' Compensable Leave (Note 5) | | | | 9,272,281.67 | 9,272,281.67 |
| Total Current Liabilities | <u>22,911,169.65</u> | <u>22,911,169.65</u> | <u>0.00</u> | <u>9,272,281.67</u> | <u>32,183,451.32</u> |
| Non-Current Liabilities: | | | | | |
| Employees' Compensable Leave (Note 5) | | | | 10,790,005.47 | 10,790,005.47 |
| Total Non-Current Liabilities | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>10,790,005.47</u> | <u>10,790,005.47</u> |
| Total Liabilities | <u>22,911,169.65</u> | <u>22,911,169.65</u> | <u>0.00</u> | <u>20,062,287.14</u> | <u>42,973,456.79</u> |
| FUND FINANCIAL STATEMENT | | | | | |
| Fund Balances (Deficits): | | | | | |
| Nonspendable – Inventory | 376,810.43 | 376,810.43 | | | 376,810.43 |
| Committed | 125,000.00 | 125,000.00 | | | 125,000.00 |
| Unassigned | 57,697,709.14 | 57,697,709.14 | | | 57,697,709.14 |
| Total Fund Balances | <u>58,199,519.57</u> | <u>58,199,519.57</u> | <u>0.00</u> | <u>0.00</u> | <u>58,199,519.57</u> |
| Total Liabilities and Fund Balances | <u>\$ 81,110,689.22</u> | <u>\$ 81,110,689.22</u> | | | |
| GOVERNMENT-WIDE STATEMENT OF NET POSITION | | | | | |
| Net Position | | | | | |
| Invested in Capital Assets, Net of Related Debt | | | 21,593,398.39 | | 21,593,398.39 |
| Restricted for: | | | | | |
| Employee Benefits | | | | (20,062,287.14) | (20,062,287.14) |
| Total Net Position | | | <u>\$ 21,593,398.39</u> | <u>\$ (20,062,287.14)</u> | <u>\$ 59,730,630.82</u> |

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

UNAUDITED
Comptroller of Public Accounts (304)

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 Type General Funds (Exhibit A-2) | Governmental Fund Total | Capital Assets Adjustments | Long-Term Liabilities Adjustments | Statement of Activities |
|---|---|-------------------------------|----------------------------------|---|-------------------------------|
| REVENUES | | | | | |
| Legislative Appropriations: | | | | | |
| Original Appropriations | \$ 281,483,878.00 | \$ 281,483,878.00 | \$ | \$ | \$ 281,483,878.00 |
| Additional Appropriations | 54,100,456.04 | 54,100,456.04 | | | 54,100,456.04 |
| Federal Revenue (Schedule 1A) | 83,305.07 | 83,305.07 | | | 83,305.07 |
| Licenses, Fees and Permits | 16,713,261.13 | 16,713,261.13 | | | 16,713,261.13 |
| Sales of Goods and Services | 5,579,902.31 | 5,579,902.31 | | | 5,579,902.31 |
| Other | 107,342.69 | 107,342.69 | | | 107,342.69 |
| Total Revenues | <u>358,068,145.24</u> | <u>358,068,145.24</u> | <u>0.00</u> | <u>0.00</u> | <u>358,068,145.24</u> |
| EXPENDITURES | | | | | |
| Salaries and Wages | 184,759,750.61 | 184,759,750.61 | | 1,141,265.01 | 185,901,015.62 |
| Payroll-Related Costs | 52,889,884.41 | 52,889,884.41 | | | 52,889,884.41 |
| Professional Fees and Services | 45,570,857.16 | 45,570,857.16 | | | 45,570,857.16 |
| Travel | 5,130,282.61 | 5,130,282.61 | | | 5,130,282.61 |
| Materials and Supplies | 6,169,369.74 | 6,169,369.74 | | | 6,169,369.74 |
| Communication and Utilities | 2,984,030.97 | 2,984,030.97 | | | 2,984,030.97 |
| Repairs and Maintenance | 15,173,937.88 | 15,173,937.88 | | | 15,173,937.88 |
| Rentals and Leases | 14,523,731.60 | 14,523,731.60 | | | 14,523,731.60 |
| Printing and Reproduction | 954,465.13 | 954,465.13 | | | 954,465.13 |
| Claims and Judgements (Note 17) | 1,356.53 | 1,356.53 | | | 1,356.53 |
| Other Expenditures | 3,632,699.55 | 3,632,699.55 | | | 3,632,699.55 |
| Capital Outlay (Note 2) | 1,383,598.84 | 1,383,598.84 | (1,383,598.84) | | |
| Depreciation and Amortization Expense (Note 2) | | | 8,488,984.02 | | 8,488,984.02 |
| Total Expenditures/Expenses | <u>333,173,965.03</u> | <u>333,173,965.03</u> | <u>7,105,385.18</u> | <u>1,141,265.01</u> | <u>341,420,615.22</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>24,894,180.21</u> | <u>24,894,180.21</u> | <u>(7,105,385.18)</u> | <u>(1,141,265.01)</u> | <u>16,647,530.02</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | 250,000.00 | 250,000.00 | | | 250,000.00 |
| Transfers Out | (2,089.50) | (2,089.50) | | | (2,089.50) |
| Sale of Capital Assets | 1,939.50 | 1,939.50 | | | 1,939.50 |
| Gain/(Loss) on Sale of Capital Assets | | | (30,009.60) | | (30,009.60) |
| Total Other Financing Sources and Uses | <u>249,850.00</u> | <u>249,850.00</u> | <u>(30,009.60)</u> | <u>0.00</u> | <u>219,840.40</u> |
| Net Change in Fund Balances/Net Position | <u>25,144,030.21</u> | <u>25,144,030.21</u> | <u>(7,135,394.78)</u> | <u>(1,141,265.01)</u> | <u>16,867,370.42</u> |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | | | |
| Fund Balances – Beginning September 1, 2015 | 33,055,489.36 | 33,055,489.36 | | | 33,055,489.36 |
| Restatements (Note 14) | | | | | |
| Fund Balances, September 1, 2015 as Restated | <u>33,055,489.36</u> | <u>33,055,489.36</u> | <u>0.00</u> | <u>0.00</u> | <u>33,055,489.36</u> |
| Fund Balances – August 31, 2016 | <u>\$ 58,199,519.57</u> | <u>\$ 58,199,519.57</u> | <u>\$ (7,135,394.78)</u> | <u>\$ (1,141,265.01)</u> | <u>\$ 49,922,859.78</u> |
| GOVERNMENT-WIDE STATEMENT OF NET POSITION | | | | | |
| Net Position/Net Change in Net Position | | <u>\$ 58,199,519.57</u> | <u>\$ (7,135,394.78)</u> | <u>\$ (1,141,265.01)</u> | <u>\$ 49,922,859.78</u> |
| Net Position-September 1, 2015 | | | 28,728,793.17 | (18,921,022.13) | 9,807,771.04 |
| Restatements (Note 14) | | | | | |
| Net Position, September 1, 2015, as Restated | | | <u>28,728,793.17</u> | <u>(18,921,022.13)</u> | <u>9,807,771.04</u> |
| Net Position as of August 31, 2016 | | <u>\$ 58,199,519.57</u> | <u>\$ 21,593,398.39</u> | <u>\$ (20,062,287.14)</u> | <u>\$ 59,730,630.82</u> |

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

Notes to the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

ENTITY

The Comptroller of Public Accounts is an agency of the state of Texas.

The Comptroller's financial records comply with state statutes and regulations. This includes compliance with the Comptroller of Public Accounts' Reporting Requirements for Annual Financial Reports of State Agencies.

The Comptroller's office has three major statutory duties. First, the Comptroller serves as the state's primary tax collector, responsible for collecting most major state taxes. Second, the Comptroller is the state's chief accountant, responsible for writing the state's checks and monitoring all spending by state agencies. Third, the Comptroller is the state's official revenue estimator, responsible for issuing an estimate of state revenues over the upcoming two-year budget period.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) *Statement 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's *Comprehensive Annual Financial Report*; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

This section of the report includes only those funds and accounts from which the Comptroller's own departmental activities are financed. The fiscal functions of the Comptroller's office are reported in separate sections of this report.

There are no component units in which the Comptroller of Public Accounts is financially accountable or any organization in which exclusion would create misleading or incomplete financial statements.

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 Fund

The General Revenue Fund (Fund 0001) is the principal operating fund used to account for most of the state's general activities. It accounts for all financial resources except those required to be accounted for in another fund.

General Revenue-Dedicated Sexual Assault Program Fund

The General Revenue - Dedicated (Fund 5010) was created to receive community parole supervision and probation fees collected under Art. 42.12 19(e) Code of Criminal Procedures and the 508.189 Government Code, and is administered by the Texas Office of Attorney General to finance Ch. 420 grant programs. In the fiscal 2016-2017 biennium, funds were appropriated to the Comptroller of Public Accounts for the purpose of increasing compliance and enforcement of the collection of admission fees to certain sexually-oriented businesses, pursuant to Section 102.052, of the Business and Commerce Code.

Capital Assets Adjustment Fund Type

The Capital Assets Adjustment Fund (Fund 9998) is 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 (Fund 9997) is used to convert governmental fund types' debt from modified accrual to full accrual.

FIDUCIARY FUND TYPES

Agency Funds

Agency funds are used to report resources held by the agency 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. They are as follows: Unappropriated General Revenue (Fund 1000), Direct Deposit Correction Account (Fund 0980), Departmental Suspense (Fund 0900), TPASS Postage (Fund 0999) and Child Support Employee Deductions (Fund 8070).

BASIS OF ACCOUNTING

The basis of accounting determines when revenues and expenditures 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 60 days after fiscal 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 build the government-wide financial statements are accounted for using the full accrual basis of accounting. The activity that is recognized in these fund types is as follows: capital assets, accumulated depreciation/amortization and unpaid employee compensable leave.

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). Encumbrance accounting is employed for budgetary control purposes.

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated, unless the agency has authority to retain unexpended balances for use in future periods. The Comptroller of Public Accounts has authority to retain unexpended balances for use in the future periods.

ASSETS, LIABILITIES AND FUND BALANCES/NET POSITION

ASSETS

Cash and Cash Equivalents

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

Current Receivables – Accounts Receivable

This account appears in governmental fund types and includes year-end revenue accruals.

Inventories

Consumable inventories include supplies and postage on hand at year-end. 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

Tangible Assets

Tangible assets include assets such as furniture, fixtures, equipment and vehicles. Tangible assets with an initial individual unit cost of \$5,000 or more and an estimated useful life that meets or exceeds one year are capitalized. These assets are capitalized at cost or, if purchased, at appraised fair market value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures.

Depreciation is reported on all “exhaustible” assets. Tangible assets are depreciated over the estimated useful life of the asset using the straight line method. Assets such as works of art or historical treasures are considered “inexhaustible” and are not depreciated.

Intangible Assets

Intangible assets include assets such as purchased or developed software. These are assets that lack physical substance, are nonfinancial in nature and have an estimated useful life of one year or greater.

Internally generated computer software with a total development cost of \$1,000,000 or greater is capitalized. Purchased computer software is capitalized, if the aggregate cost of the software purchased meets or exceeds \$100,000.

Intangible software assets are amortized on an annual basis over the estimated useful life of the software using a straight line method.

Intangible software assets are reported in accordance with GASB Statement 51, Accounting and Financial Reporting for Intangible Assets.

LIABILITIES

Accounts Payable

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

Employees' Compensable Leave Balances

Employees' compensable leave balances represent the liability that becomes due upon the occurrence of relevant events such as resignations, retirements and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net position.

FUND BALANCE/NET POSITION

Fund balance is the difference between fund assets and liabilities on the governmental fund statements. Net position is the difference between fund assets and liabilities on the government-wide fund statements.

Fund Balance Components

The fund balance amounts for governmental funds are classified as nonspendable, committed and 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. The nonspendable fund balance for this purpose represents the amount of supplies, postage and prepaid assets held to be used in the next fiscal year.
- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the state's highest level of decision-making authority, the Legislature. The committed amounts cannot be used for any other purpose unless the Legislature removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

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- 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. This represents funds that can be carried forward for future operations.

Net Investment in Capital Assets

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bond, notes and other debt, that are attributed to the acquisition, construction or improvement of those assets.

INTERFUND ACTIVITIES AND TRANSACTIONS

The agency 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 statement.

The Comptroller's office has the following types of transactions between funds/agencies:

- Due From Other Agencies
- Transfers In
- Transfers Out
- Interfund Receivables and Interfund Payables

The composition of the agency's interfund receivable and payable activities and balances is presented in Note 12.

NOTE 2: Capital Assets

Revenue received from the sale of surplus property has been transferred to unappropriated general revenue in accordance with HB 7, Section 20.

A summary of changes in capital assets for the year ended Aug. 31, 2016, is presented below:

| | GOVERNMENTAL ACTIVITIES | | | | | | | Balance August 31, 2016 |
|---|------------------------------|------------------|------------------|----------------------------------|----------------------------------|-------------------------|-----------------------|----------------------------|
| | Balance September 1, 2015 | Adjust- ments | Completed CIP | Increase Interagency Trans | Decrease Interagency Trans | Additions | Deletions | |
| GOVERNMENTAL ACTIVITIES | | | | | | | | |
| Non-depreciable or Non-amortizable Assets | | | | | | | | |
| Other Tangible Capital Assets | \$ 3,250.00 | \$ | \$ | \$ | \$ | \$ | \$ | \$ 3,250.00 |
| Total Non-depreciable or Non-amortizable Assets | <u>3,250.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>3,250.00</u> |
| Depreciable Assets | | | | | | | | |
| Furniture and Equipment | 9,459,637.39 | | | | | 526,431.34 | (2,318,121.48) | 7,667,947.25 |
| Vehicles, Boats and Aircraft | 241,973.83 | | | | | 73,290.00 | (28,642.60) | 286,621.23 |
| Total Depreciable Assets at Historical Cost | <u>9,701,611.22</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>599,721.34</u> | <u>(2,346,764.08)</u> | <u>7,954,568.48</u> |
| Less Accumulated Depreciation for: | | | | | | | | |
| Furniture and Equipment | (6,232,964.05) | | | | | (1,072,110.77) | 2,288,111.88 | (5,016,962.94) |
| Vehicles, Boats and Aircraft | (213,419.37) | | | | | (10,757.69) | 28,642.60 | (195,534.46) |
| Total Accumulated Depreciation | <u>(6,446,383.42)</u> | | | | | <u>(1,082,868.46)</u> | <u>2,316,754.48</u> | <u>(5,212,497.40)</u> |
| Depreciable Assets, Net | <u>3,255,227.80</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>(483,147.12)</u> | <u>(30,009.60)</u> | <u>2,742,071.08</u> |
| Intangible Capital Assets - Amortizable | | | | | | | | |
| Computer Software | 54,700,938.28 | | | | | 783,877.50 | (322,515.52) | 55,162,300.26 |
| Total Intangible Assets at Historical Cost | <u>54,700,938.28</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>783,877.50</u> | <u>(322,515.52)</u> | <u>55,162,300.26</u> |
| Less Accumulated Amortization for: | | | | | | | | |
| Computer Software | (29,230,622.91) | | | | | (7,406,115.56) | 322,515.52 | (36,314,222.95) |
| Total Accumulated Amortization | <u>(29,230,622.91)</u> | | | | | <u>(7,406,115.56)</u> | <u>322,515.52</u> | <u>(36,314,222.95)</u> |
| Amortizable Assets, Net | <u>25,470,315.37</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>(6,622,238.06)</u> | <u>0.00</u> | <u>18,848,077.31</u> |
| Total Governmental Activities Capital Assets, Net | <u>\$28,728,793.17</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$(7,105,385.18)</u> | <u>\$ (30,009.60)</u> | <u>\$ 21,593,398.39</u> |

NOTE 3: Deposits, Investments and Repurchase Agreements

The Comptroller of Public Accounts 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 Aug. 31, 2016, the carrying amount of deposits was \$35,000, as presented below:

| Governmental and Business Type Activities | |
|---|---------------------|
| Cash in Bank – Carrying Amount | \$ 35,000.00 |
| Total Cash in Bank, per AFR, (Exhibit I) | <u>\$ 35,000.00</u> |

The carrying amount of \$35,000 for Cash in Bank represents the Comptroller’s travel advance fund. This amount consists of all cash in local banks. This amount is included on the combined balance sheet/statement of net position as part of the “cash and cash equivalents.”

NOTE 4: Short-Term Debt

(Not Applicable)

NOTE 5: Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended Aug. 31, 2016, the following changes occurred in liabilities reported in the general long-term liability account group:

| Governmental Activities | Balance September 1, 2015 | Additions | Reductions | Balance August 31, 2016 | Amounts Due Within One Year | Amounts Due Thereafter |
|-------------------------------|---------------------------------|-------------------------|---------------------------|----------------------------|-----------------------------------|---------------------------|
| Employees’ Compensable Leave | \$ 18,921,022.13 | \$ 12,370,582.58 | \$ (11,229,317.57) | \$ 20,062,287.14 | \$ 9,272,281.67 | \$ 10,790,005.47 |
| Total Governmental Activities | <u>\$ 18,921,022.13</u> | <u>\$ 12,370,582.58</u> | <u>\$ (11,229,317.57)</u> | <u>\$ 20,062,287.14</u> | <u>\$ 9,272,281.67</u> | <u>\$ 10,790,005.47</u> |

Employees’ Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee’s resignation, dismissal or separation from state employment, provided the employee has had continuous employment with the state for at least six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the statement of net position. No liability is recorded for non-vesting employees accumulating rights to receive sick pay benefits. This obligation is paid from the same funding source from which the employee’s salary or wage compensation was paid.

NOTE 6: Bonded Indebtedness

(Not Applicable)

NOTE 7: Derivative Instruments

(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 lease obligations:

| Fund Type 01 | Amount |
|----------------------------|-------------------------|
| General – Rent Paid | \$ 3,456,111.96 |
| General – Operating Leases | 7,784,939.65 |
| Total | <u>\$ 11,241,051.61</u> |

Future minimum rental payments under operating leases having an initial term in excess of one year are as follows:

| Year Ended Aug. 31, 2016 | |
|--|-------------------------|
| 2017 | \$ 10,279,374.21 |
| 2018 | 6,138,115.99 |
| 2019 | 4,308,019.74 |
| 2020 | 2,398,079.92 |
| 2021 | 1,568,584.13 |
| 2022 thru 2026 | 2,068,108.88 |
| Total Minimum Future Lease Rental Payments | <u>\$ 26,760,282.87</u> |

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)

NOTE 12: Interfund Receivables and Payables

As detailed in Note 1, Interfund Activities and Transactions, the agency had numerous transactions between funds and agencies. The reporting on the interfund receivable and interfund payable balances and activity at Aug. 31, 2016, is as follows:

| | Interfund Receivable | Interfund Payable | Source |
|--|-------------------------|----------------------|-----------------|
| GENERAL REVENUE (01) | | | |
| Agency 304, GR Fund 0001 | \$ 125,000.00 | \$ | Travel Expenses |
| Agency 304, GR Dedicated Fund 5010 | | 125,000.00 | Travel Expenses |
| Total Interfund Payable/Receivable (Exh I) | <u>\$ 125,000.00</u> | <u>\$ 125,000.00</u> | |

NOTE 13: Continuance Subject to Review

(Not Applicable)

NOTE 14: Adjustments to Fund Balances and Net Position

(Not Applicable)

NOTE 15: Contingencies and Commitments

(Not Applicable)

NOTE 16: Subsequent Events

(Not Applicable)

NOTE 17: Risk Management

The Comptroller of Public Accounts is exposed to civil claims resulting from the performance of its duties. It is agency policy to periodically assess potential risks to which it may be exposed.

The agency assumes substantially all risks associated with tort and liability claims due to the performance of its duties.

Liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The agency's claim and judgement liability activity during fiscal 2016 is included here:

| Beginning Balance September 1, 2015 | Increases | Decreases | Ending Balance August 31, 2016 |
|--|-------------|---------------|-----------------------------------|
| \$ 0.00 | \$ 1,356.53 | \$ (1,356.53) | \$ 0.00 |

NOTE 18: Management's Discussion and Analysis

No material accounting events occurred at the Comptroller of Public Accounts for fiscal year 2016.

NOTE 19: The Financial Reporting Entity

(Not Applicable)

NOTE 20: Stewardship, Compliance and Accountability

This report reflects the Comptroller's operating transactions in the state's General Revenue Fund.

The activities of the Comptroller's Judiciary Section (241), the Comptroller's Treasury – Fiscal (311), the Comptroller's State Energy Conservation Office (SECO) (907), the Comptroller – Fiscal (902) and the Texas Treasury Safekeeping Trust Company (930) are reported in separate sections of this report.

The activities of the Texas Prepaid Higher Education Tuition Board (315) are presented in a separate report.

NOTE 21: Not Applicable to the AFR

(Not Applicable)

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)

NOTE 29: Troubled Debt Restructuring

(Not Applicable)

NOTE 30: Non-Exchange Financial Guarantees

(Not Applicable)

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS

UNAUDITED
Comptroller of Public Accounts (304)

EXHIBIT A-1

Combining Balance Sheet – All General and Consolidated Funds

August 31, 2016

| | General Revenue (0001) U/F (0001) | Sexual Assault Program Fund (5010) U/F (5010) | Total (Exhibit 1) |
|--|--|--|-------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents: | | | |
| Cash on Hand | \$ 4,350.00 | \$ | \$ 4,350.00 |
| Cash in Bank (Note 3) | 35,000.00 | | 35,000.00 |
| Legislative Appropriations | 80,188,869.65 | | 80,188,869.65 |
| Receivables From: | | | |
| Accounts Receivable | 119,092.59 | | 119,092.59 |
| Interfund Receivable (Note 12) | 125,000.00 | | 125,000.00 |
| Due From Other Agencies | 11,566.55 | 250,000.00 | 261,566.55 |
| Consumable Inventories | 376,810.43 | | 376,810.43 |
| Total Current Assets | <u>80,860,689.22</u> | <u>250,000.00</u> | <u>81,110,689.22</u> |
| Total Assets | <u>\$ 80,860,689.22</u> | <u>\$ 250,000.00</u> | <u>\$ 81,110,689.22</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Payables From: | | | |
| Accounts Payable | \$ 2,734,866.69 | \$ | \$ 2,734,866.69 |
| Payroll Payable | 20,051,302.96 | | 20,051,302.96 |
| Interfund Payable (Note 12) | | 125,000.00 | 125,000.00 |
| Total Current Liabilities | <u>22,786,169.65</u> | <u>125,000.00</u> | <u>22,911,169.65</u> |
| Total Liabilities | <u>22,786,169.65</u> | <u>125,000.00</u> | <u>22,911,169.65</u> |
| FUND FINANCIAL STATEMENT | | | |
| Fund Balances (Deficits): | | | |
| Nonspendable – Inventory | 376,810.43 | | 376,810.43 |
| Committed | | 125,000.00 | 125,000.00 |
| Unassigned | 57,697,709.14 | | 57,697,709.14 |
| Total Fund Balances | <u>58,074,519.57</u> | <u>125,000.00</u> | <u>58,199,519.57</u> |
| Total Liabilities and Fund Balances | <u>\$ 80,860,689.22</u> | <u>\$ 250,000.00</u> | <u>\$ 81,110,689.22</u> |

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

UNAUDITED
Comptroller of Public Accounts (304)

EXHIBIT A-2

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances/Statement of Activities –
All General and Consolidated Funds**

For the Fiscal Year Ended August 31, 2016

| | General Revenue (0001) U/F (0001) | Sexual Assault Program Fund (5010) U/F (5010) | Total (Exhibit 2) |
|---|--|--|-------------------------|
| REVENUES | | | |
| Legislative Appropriations: | | | |
| Original Appropriations | \$ 281,483,878.00 | \$ | \$ 281,483,878.00 |
| Additional Appropriations | 54,100,456.04 | | 54,100,456.04 |
| Federal Revenue (Schedule 1A) | 83,305.07 | | 83,305.07 |
| Licenses, Fees and Permits | 16,713,261.13 | | 16,713,261.13 |
| Sales of Goods and Services | 5,579,902.31 | | 5,579,902.31 |
| Other | 107,342.69 | | 107,342.69 |
| Total Revenues | <u>358,068,145.24</u> | <u>0.00</u> | <u>358,068,145.24</u> |
| EXPENDITURES | | | |
| Salaries and Wages | 184,759,750.61 | | 184,759,750.61 |
| Payroll Related Costs | 52,889,884.41 | | 52,889,884.41 |
| Professional Fees and Services | 45,570,857.16 | | 45,570,857.16 |
| Travel | 5,005,282.61 | 125,000.00 | 5,130,282.61 |
| Materials and Supplies | 6,169,369.74 | | 6,169,369.74 |
| Communication and Utilities | 2,984,030.97 | | 2,984,030.97 |
| Repairs and Maintenance | 15,173,937.88 | | 15,173,937.88 |
| Rentals and Leases | 14,523,731.60 | | 14,523,731.60 |
| Printing and Reproduction | 954,465.13 | | 954,465.13 |
| Claims and Judgements | 1,356.53 | | 1,356.53 |
| Other Expenditures | 3,632,699.55 | | 3,632,699.55 |
| Capital Outlay (Note 2) | 1,383,598.84 | | 1,383,598.84 |
| Total Expenditures/Expenses | <u>333,048,965.03</u> | <u>125,000.00</u> | <u>333,173,965.03</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>25,019,180.21</u> | <u>(125,000.00)</u> | <u>24,894,180.21</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | | 250,000.00 | 250,000.00 |
| Transfers Out | (2,089.50) | | (2,089.50) |
| Sale of Capital Assets | 1,939.50 | | 1,939.50 |
| Total Other Financing Sources and Uses | <u>(150.00)</u> | <u>250,000.00</u> | <u>249,850.00</u> |
| Net Change in Fund Balances/Net Position | <u>25,019,030.21</u> | <u>125,000.00</u> | <u>25,144,030.21</u> |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | |
| Fund Balances – Beginning September 1, 2015 | 33,055,489.36 | | 33,055,489.36 |
| Restatements (Note 14) | | | |
| Fund Balances, September 1, 2015 as Restated | <u>33,055,489.36</u> | <u>0.00</u> | <u>33,055,489.36</u> |
| Fund Balances – August 31, 2016 | <u>\$ 58,074,519.57</u> | <u>\$ 125,000.00</u> | <u>\$ 58,199,519.57</u> |

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

UNAUDITED
Comptroller of Public Accounts (304)

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 | | | | |
| General Revenue Fund (0001) U/F (1030) | | | | |
| ASSETS | | | | |
| Current | | | | |
| Cash in State Treasury | \$ 0.00 | \$ 12,649,323.72 | \$ 12,649,323.72 | \$ 0.00 |
| Total Assets | <u>\$ 0.00</u> | <u>\$ 12,649,323.72</u> | <u>\$ 12,649,323.72</u> | <u>\$ 0.00</u> |
| LIABILITIES | | | | |
| Current | | | | |
| Accounts Payable | \$ 0.00 | \$ 25.00 | \$ 25.00 | \$ 0.00 |
| Funds Held for Others | 0.00 | 12,649,323.72 | 12,649,323.72 | 0.00 |
| Total Liabilities | <u>\$ 0.00</u> | <u>\$ 12,649,348.72</u> | <u>\$ 12,649,348.72</u> | <u>\$ 0.00</u> |
| Suspense Fund (0900) U/F (9015) (9016) | | | | |
| ASSETS | | | | |
| Current | | | | |
| Cash in State Treasury | \$ 0.00 | \$ 6,240.16 | \$ 6,240.16 | \$ 0.00 |
| Total Assets | <u>\$ 0.00</u> | <u>\$ 6,240.16</u> | <u>\$ 6,240.16</u> | <u>\$ 0.00</u> |
| LIABILITIES | | | | |
| Current | | | | |
| Funds Held for Others | \$ 0.00 | \$ 6,240.16 | \$ 6,240.16 | \$ 0.00 |
| Total Liabilities | <u>\$ 0.00</u> | <u>\$ 6,240.16</u> | <u>\$ 6,240.16</u> | <u>\$ 0.00</u> |
| Direct Deposit Correction (0980) U/F (0980) (9014) | | | | |
| ASSETS | | | | |
| Current | | | | |
| Cash in State Treasury | \$ 0.00 | \$ 9,543.66 | \$ 9,543.66 | \$ 0.00 |
| Total Assets | <u>\$ 0.00</u> | <u>\$ 9,543.66</u> | <u>\$ 9,543.66</u> | <u>\$ 0.00</u> |
| LIABILITIES | | | | |
| Current | | | | |
| Funds Held for Others | \$ 0.00 | \$ 9,543.66 | \$ 9,543.66 | \$ 0.00 |
| Total Liabilities | <u>\$ 0.00</u> | <u>\$ 9,543.66</u> | <u>\$ 9,543.66</u> | <u>\$ 0.00</u> |
| TPASS Postage Fund (9999) U/F (0999) | | | | |
| ASSETS | | | | |
| Current | | | | |
| Other Current Assets | \$ 348,088.49 | \$ 174,793.53 | \$ 0.00 | \$ 522,882.02 |
| Total Assets | <u>\$ 348,088.49</u> | <u>\$ 174,793.53</u> | <u>\$ 0.00</u> | <u>\$ 522,882.02</u> |
| LIABILITIES | | | | |
| Current | | | | |
| Funds Held for Others | \$ 348,088.49 | \$ 174,793.53 | \$ 0.00 | \$ 522,882.02 |
| Total Liabilities | <u>\$ 348,088.49</u> | <u>\$ 174,793.53</u> | <u>\$ 0.00</u> | <u>\$ 522,882.02</u> |
| Child Support Employ Deduct – Offset Acct Fund (0807) U/F (8070) | | | | |
| ASSETS | | | | |
| Current | | | | |
| Cash in State Treasury | \$ 38,056.92 | \$ 468,837.90 | \$ 471,477.54 | \$ 35,417.28 |
| Total Assets | <u>\$ 38,056.92</u> | <u>\$ 468,837.90</u> | <u>\$ 471,477.54</u> | <u>\$ 35,417.28</u> |
| LIABILITIES | | | | |
| Current | | | | |
| Accounts Payable | \$ 0.00 | \$ 432,027.48 | \$ 432,027.48 | \$ 0.00 |
| Funds Held for Others | 38,056.92 | 468,837.90 | 471,477.54 | 35,417.28 |
| Total Liabilities | <u>\$ 38,056.92</u> | <u>\$ 900,865.38</u> | <u>\$ 903,505.02</u> | <u>\$ 35,417.28</u> |

Concluded on the following page

EXHIBIT J-1 (concluded)

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 |
|----------------------------------|---|-------------------------|-------------------------|--------------------------------------|
| Totals – All Agency Funds | | | | |
| ASSETS | | | | |
| Current | | | | |
| Cash in State Treasury | \$ 38,056.92 | \$ 13,133,945.44 | \$ 13,136,585.08 | \$ 35,417.28 |
| Other Current Assets | 348,088.49 | 174,793.53 | 0.00 | 522,882.02 |
| Total Assets | <u>\$ 386,145.41</u> | <u>\$ 13,308,738.97</u> | <u>\$ 13,136,585.08</u> | <u>\$ 558,299.30</u> |
| LIABILITIES | | | | |
| Current | | | | |
| Funds Held for Others | 386,145.41 | 13,308,738.97 | 13,136,585.08 | 558,299.30 |
| Total Liabilities | <u>\$ 386,145.41</u> | <u>\$ 13,740,791.45</u> | <u>\$ 13,568,637.56</u> | <u>\$ 558,299.30</u> |

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

SUPPLEMENTARY SCHEDULES

UNAUDITED
Comptroller of Public Accounts (304)

SCHEDULE 1A

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended August 31, 2016

| Federal Grantor/ Pass-Through Grantor Program Title | CFDA Number | NSE Name or Identifying Number | Agy/Univ No. | Pass-Through From | | Direct Program Amount | Total Pass- Through From and Direct Program Amount |
|---|----------------|--------------------------------------|-----------------|--------------------------------|---------------------------------|-----------------------------|---|
| | | | | Agencies or Univ. Amount | Non-State Entities Amount | | |
| U.S. Department of Justice | | | | | | | |
| Direct Programs: | | | | | | | |
| Equitable Sharing Program | 16.922 | | | \$ | \$ | \$ 68,683.57 | \$ 68,683.57 |
| Totals – U.S. Department of Justice (Exhibit II) | | | | 0.00 | 0.00 | 68,683.57 | 68,683.57 |
| U.S. Department of Treasury | | | | | | | |
| Direct Programs: | | | | | | | |
| Equitable Sharing Program | 21.000 | 15-5042-0-2-752 | | | | 14,621.50 | 14,621.50 |
| Totals – U.S. Department of Treasury (Exhibit II) | | | | 0.00 | 0.00 | 14,621.50 | 14,621.50 |
| Total Expenditures of Federal Awards | | | | \$ 0.00 | \$ 0.00 | \$ 83,305.07 | \$ 83,305.07 |

| NOTE 7 – Federal Deferred Revenue | CFDA Number | Balance Sept. 1, 2015 | Net Change | Balance Aug. 31, 2016 |
|------------------------------------|----------------|--------------------------|----------------|--------------------------|
| U.S. Department of Justice | 16.922 | \$ 67,726.79 | \$ (67,726.79) | \$ 0.00 |
| U.S. Department of Treasury | 21.000 | 0.00 | 0.00 | 0.00 |
| Total Deferred Revenue (Exhibit I) | | \$ 67,726.79 | \$ (67,726.79) | \$ 0.00 |

The deferred (unearned) revenue is the amount of Equitable Sharing Program revenue received, but not yet expended at fiscal year-end. The accompanying notes to the financial statements are an integral part of this statement.

SCHEDULE 1A (concluded)

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended August 31, 2016

| Federal Grantor/ Pass-Through Grantor Program Title | Agy/Univ No. | Pass-Through To | | Expenditures Amount | Total Pass- Through To and Expenditures Amount |
|---|-----------------|--------------------------------|---------------------------------|------------------------|---|
| | | Agencies or Univ. Amount | Non-State Entities Amount | | |
| U.S. Department of Justice | | | | | |
| Direct Programs: | | | | | |
| Equitable Sharing Program | | \$ | \$ | \$ 68,683.57 | \$ 68,683.57 |
| Totals – U.S. Department of Justice (Exhibit II) | | 0.00 | 0.00 | 68,683.57 | 68,683.57 |
| U.S. Department of Treasury | | | | | |
| Direct Programs: | | | | | |
| Equitable Sharing Program | | | | 14,621.50 | 14,621.50 |
| Totals – U.S. Department of Treasury (Exhibit II) | | 0.00 | 0.00 | 14,621.50 | 14,621.50 |
| Total Expenditures of Federal Awards | | \$ 0.00 | \$ 0.00 | \$ 83,305.07 | \$ 83,305.07 |

Comptroller Judiciary Section (241)

BASIC FINANCIAL STATEMENTS

UNAUDITED
Comptroller Judiciary Section (241)

EXHIBIT I

**Combined Balance Sheet/Statement of Net Position –
Governmental Funds**

August 31, 2016

| | General Funds | Special Revenue Funds (Exhibit A-1) | Governmental Funds Total |
|--------------------------------------|-------------------------|--|--------------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash | | | |
| Cash In State Treasury | \$ | \$ 3,414,987.52 | \$ 3,414,987.52 |
| Legislative Appropriations | 29,569,149.19 | | 29,569,149.19 |
| Due From Other Agencies | 605,277.58 | | 605,277.68 |
| Total Current Assets | <u>30,174,426.87</u> | <u>3,414,987.52</u> | <u>33,589,414.39</u> |
| Total Assets | <u>\$ 30,174,426.87</u> | <u>\$ 3,414,987.52</u> | <u>\$ 33,589,414.39</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Payables From: | | | |
| Accounts Payable | \$ 1,163,352.33 | \$ 121.44 | \$ 1,163,473.77 |
| Payroll | 9,655,865.14 | | 9,655,865.14 |
| Total Current Liabilities | <u>10,819,217.47</u> | <u>121.44</u> | <u>10,819,338.91</u> |
| Total Liabilities | <u>10,819,217.47</u> | <u>121.44</u> | <u>10,819,338.91</u> |
| FUND FINANCIAL STATEMENT | | | |
| Fund Balances (Deficits): | | | |
| Committed | | 3,414,866.08 | 3,414,866.08 |
| Unassigned | 19,355,209.40 | | 19,355,209.40 |
| Total Fund Balances | <u>19,355,209.40</u> | <u>3,414,866.08</u> | <u>22,770,075.48</u> |
| Total Liabilities and Fund Balances | <u>\$ 30,174,426.87</u> | <u>\$ 3,414,987.52</u> | <u>\$ 33,589,414.39</u> |

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

UNAUDITED
Comptroller Judiciary Section (241)

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

| | General Funds | Special Revenue Funds (Exhibit A-2) | Governmental Funds Total |
|---|-------------------------|--|--------------------------------|
| REVENUES | | | |
| Legislative Appropriations: | | | |
| Original Appropriations | \$ 77,725,822.00 | \$ | \$ 77,725,822.00 |
| Additional Appropriations | 22,715,992.37 | | 22,715,992.37 |
| State Grant Pass-Through Revenue (Schedule 1B) | 1,519,923.00 | | 1,519,923.00 |
| Licenses, Fees and Permits | 15,640,461.48 | 68,829,969.39 | 84,470,430.87 |
| Other | 219,365.95 | | 219,365.95 |
| Total Revenues | <u>117,821,564.80</u> | <u>68,829,969.39</u> | <u>186,651,534.19</u> |
| EXPENDITURES | | | |
| Salaries and Wages | 70,667,242.98 | 23,092,175.74 | 93,759,418.72 |
| Payroll Related Costs | 9,003,638.15 | 14,351,708.01 | 23,355,346.16 |
| Travel | 562,034.57 | | 562,034.57 |
| Intergovernmental Payments | 28,590,873.27 | 28,714,720.32 | 57,305,593.59 |
| Other Expenditures | 2,339,329.00 | 198,842.52 | 2,538,171.52 |
| Total Expenditures/Expenses | <u>111,163,117.97</u> | <u>66,357,446.59</u> | <u>177,520,564.56</u> |
| Excess (Deficiency) of Revenues | | | |
| Over Expenditures | <u>6,658,446.83</u> | <u>2,472,522.80</u> | <u>9,130,969.63</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | | 14,967,647.06 | 14,967,647.06 |
| Transfers Out | (6,697,267.34) | (19,730,702.25) | (26,427,969.59) |
| Total Other Financing Sources (Uses) | <u>(6,697,267.34)</u> | <u>(4,763,055.19)</u> | <u>(11,460,322.53)</u> |
| Net Change in Fund Balances/Net Position | <u>(38,820.51)</u> | <u>(2,290,532.39)</u> | <u>(2,329,352.90)</u> |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | |
| Fund Balances – Beginning | 21,085,545.71 | 5,705,398.47 | 26,790,944.18 |
| Restatements | | | |
| Fund Balances, September 1, 2015, as Restated | 21,085,545.71 | 5,705,398.47 | 26,790,944.18 |
| Appropriations Lapsed | (1,691,515.80) | | (1,691,515.80) |
| Fund Balances – August 31, 2016 | <u>\$ 19,355,209.40</u> | <u>\$ 3,414,866.08</u> | <u>\$ 22,770,075.48</u> |

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

Notes to the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

ENTITY

The Comptroller's Judiciary Section is an agency of the state of Texas, and its financial records comply with state statutes and regulations. This includes compliance with the Comptroller of Public Accounts Reporting Requirements for Annual Financial Reports of State Agencies.

The Comptroller's Judiciary Section is responsible for paying the salaries of the district judges and district attorneys of Texas. The agency also pays miscellaneous expenses incurred by the judges and district attorneys as provided by the General Appropriations Act.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) *Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to be in compliance with generally accepted accounting principles (GAAP). The financial report will be considered for audit by the State Auditor as part of the audit of the state's *Comprehensive Annual Financial Report*; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

There are no component units in which the Comptroller's Judiciary Section is financially accountable or any organization whose exclusion would create misleading or incomplete financial statements.

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

General Fund

The General Revenue Fund (Fund 0001) is the principal operating fund used to account for most of the state's general activities. It accounts for all financial resources except those accounted for in other funds.

Special Revenue Funds

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

The Felony Prosecutor Supplement (Fund 0303)

The fund receives two-thirds of a \$15 fee paid by each surety posting a bail bond to fund longevity supplements for eligible assistant prosecutors. The remaining one-third is deposited to the GR Account — Fair Defense Fund.

The Judicial Fund (Fund 0573)

This fund is used only for court-related purposes in support of the judicial branch of the state, including child support, court management and basic legal services for the indigent.

FIDUCIARY FUND TYPES

Agency Funds

Agency funds are used to report resources held by the agency 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. They are as follows: Unappropriated General Revenue (Fund 0001), Departmental Suspense (Fund 0900), Direct Deposit Correction Fund (Fund 0980) and Child Support Employee Deductions (Fund 8070).

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 will 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.

BUDGETS AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the Governor (the General Appropriations Act). Encumbrance accounting is employed for budgetary control purposes.

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated, unless the agency has authority to retain unexpended balances for use in future periods.

ASSETS, LIABILITIES, AND FUND BALANCES/NET POSITION

ASSETS

Cash and Cash Equivalents

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

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.

FUND BALANCE/NET POSITION

Fund balance is the difference between fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources on the governmental fund statements.

Fund Balance Components

The fund balance amounts for governmental funds are classified as committed and unassigned in the fund financial statements.

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

INTERFUND ACTIVITIES AND TRANSACTIONS

Interfund transaction refers to interactions with legally separate entities such as other state agencies and is restricted to external events. The agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer.

The Comptroller's Judiciary Section has the following types of transactions between funds/agencies:

- Due From Other Agencies
- Transfers In
- Transfers Out

NOTE 2: Capital Assets

(Not Applicable)

NOTE 3: Deposits, Investments & Repurchase Agreements

(Not Applicable)

NOTE 4: Short-Term Debt

(Not Applicable)

NOTE 5: Long-Term Liabilities

Employees' Compensable Leave

The employees paid through the Comptroller's Judiciary Section, Agency 241, are not eligible for state compensable leave. The Comptroller's Judiciary Section does not have any compensable leave liability for these employees.

NOTE 6: Bonded Indebtedness

(Not Applicable)

NOTE 7: Derivatives

(Not Applicable)

NOTE 8: Leases

(Not Applicable)

NOTE 9: Defined Benefit Pension Plans and Defined Contribution Plan

(Not Applicable)

NOTE 10: Deferred Compensation

(Not Applicable)

NOTE 11: Postemployment Health Care and Life Insurance Benefits

(Not Applicable)

NOTE 12: Interfund Activity and Transactions

(Not Applicable)

NOTE 13: Continuance Subject to Review

(Not Applicable)

NOTE 14: Adjustment to Fund Balances/Net Position

(Not Applicable)

NOTE 15: Contingencies and Commitments

(Not Applicable)

NOTE 16: Subsequent Events

(Not Applicable)

NOTE 17: Risk Management

(Not Applicable)

NOTE 18: Management's Discussion and Analysis

No material accounting events occurred at the Comptroller's Judiciary Section for fiscal year 2016.

NOTE 19: The Financial Reporting Entity

(Not Applicable)

NOTE 20: Stewardship, Compliance and Accountability

(Not Applicable)

NOTE 21: Not Applicable to the AFR

(Not Applicable)

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)

NOTE 29: Trouble Debt Restructuring

(Not Applicable)

NOTE 30: Non-Exchanges Financial Guarantees

(Not Applicable)

UNAUDITED
Comptroller Judiciary Section (241)

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS

UNAUDITED
Comptroller Judiciary Section (241)

UNAUDITED
Comptroller Judiciary Section (241)

EXHIBIT A-1

Combining Balance Sheet – Special Revenue Funds

August 31, 2016

| | Special Revenue Felony Prosecutor (0303) U/F (0303) | Special Revenue Judicial (0573) U/F (0573, 1573) | Totals (Exhibit I) |
|---|--|---|------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash | | | |
| Cash In State Treasury | \$ 732,767.96 | \$ 2,682,219.56 | \$ 3,414,987.52 |
| Total Current Assets | <u>732,767.96</u> | <u>2,682,219.56</u> | <u>3,414,987.52</u> |
| Total Assets | <u>\$ 732,767.96</u> | <u>\$ 2,682,219.56</u> | <u>\$ 3,414,987.52</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Payables From: | | | |
| Accounts Payable | \$ | \$ 121.44 | \$ 121.44 |
| Total Current Liabilities | <u>0.00</u> | <u>121.44</u> | <u>121.44</u> |
| Total Liabilities | <u>0.00</u> | <u>121.44</u> | <u>121.44</u> |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | |
| Fund Balances (Deficits): | | | |
| Committed | 732,767.96 | 2,682,098.12 | 3,414,866.08 |
| Total Fund Balances | <u>732,767.96</u> | <u>2,682,098.12</u> | <u>3,414,866.08</u> |
| Total Liabilities and Fund Balances | <u>\$ 732,767.96</u> | <u>\$ 2,682,219.56</u> | <u>\$ 3,414,987.52</u> |

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

UNAUDITED
Comptroller Judiciary Section (241)

EXHIBIT A-2

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Special Revenue Funds

For the Fiscal Year Ended August 31, 2016

| | Special Revenue Felony Prosecutor (0303) U/F (0303) | Special Revenue Judicial (0573) U/F (0573, 1573) | Totals (Exhibit II) |
|--|--|---|------------------------|
| REVENUES | | | |
| Licenses, Fees & Permits | \$ 4,079,883.08 | \$ 64,750,086.31 | \$ 68,829,969.39 |
| Total Revenues | <u>4,079,883.08</u> | <u>64,750,086.31</u> | <u>68,829,969.39</u> |
| EXPENDITURES | | | |
| Salaries and Wages | | 23,092,175.74 | 23,092,175.74 |
| Payroll Related Costs | | 14,351,708.01 | 14,351,708.01 |
| Intergovernmental Payments | 4,395,655.91 | 24,319,064.41 | 28,714,720.32 |
| Other Expenditures | | 198,842.52 | 198,842.52 |
| Total Expenditures/Expenses | <u>4,395,655.91</u> | <u>61,961,790.68</u> | <u>66,357,446.59</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(315,772.83)</u> | <u>2,788,295.63</u> | <u>2,472,522.80</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | | 14,967,647.06 | 14,967,647.06 |
| Transfers Out | | (19,730,702.25) | (19,730,702.25) |
| Total Other Financing Sources (Uses) | <u>0.00</u> | <u>(4,763,055.19)</u> | <u>(4,763,055.19)</u> |
| Net Change in Fund Balances/Net Position | <u>(315,772.33)</u> | <u>(1,974,759.56)</u> | <u>(2,290,532.39)</u> |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | |
| Fund Balances – September 1, 2015 | 1,048,540.79 | 4,656,857.68 | 5,705,398.47 |
| Restatements | | | |
| Fund Balances, September 1, 2015, as Restated | <u>1,048,540.79</u> | <u>4,656,857.68</u> | <u>5,705,398.47</u> |
| Appropriations Lapsed | | | |
| Fund Balances – August 31, 2016 | <u>\$ 732,767.96</u> | <u>\$ 2,682,098.12</u> | <u>\$ 3,414,866.08</u> |

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

UNAUDITED
Comptroller Judiciary Section (241)

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 | | | | |
| General Revenue Fund (0001) U/F (1000) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 0.00 | \$ 643.58 | \$ 643.58 | \$ 0.00 |
| Total Assets | <u>\$ 0.00</u> | <u>\$ 643.58</u> | <u>\$ 643.58</u> | <u>\$ 0.00</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 0.00 | \$ 643.58 | \$ 643.58 | \$ 0.00 |
| Total Liabilities | <u>\$ 0.00</u> | <u>\$ 643.58</u> | <u>\$ 643.58</u> | <u>\$ 0.00</u> |
| Suspense Fund (0900) U/F (9015) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 0.00 | \$ 5,957.26 | \$ 5,957.26 | \$ 0.00 |
| Total Assets | <u>\$ 0.00</u> | <u>\$ 5,957.26</u> | <u>\$ 5,957.26</u> | <u>\$ 0.00</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 0.00 | \$ 5,957.26 | \$ 5,957.26 | \$ 0.00 |
| Total Liabilities | <u>\$ 0.00</u> | <u>\$ 5,957.26</u> | <u>\$ 5,957.26</u> | <u>\$ 0.00</u> |
| Direct Deposit Correction Fund (0980) U/F (0980) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 0.00 | \$ 684.30 | \$ 684.30 | \$ 0.00 |
| Total Assets | <u>\$ 0.00</u> | <u>\$ 684.30</u> | <u>\$ 684.30</u> | <u>\$ 0.00</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 0.00 | \$ 684.30 | \$ 684.30 | \$ 0.00 |
| Total Liabilities | <u>\$ 0.00</u> | <u>\$ 684.30</u> | <u>\$ 684.30</u> | <u>\$ 0.00</u> |
| CHILD SUPPORT EMPLOYEE DEDUCT - Offset Account Fund (0807) U/F (8070) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 6,916.66 | \$ 88,211.58 | \$ 86,360.58 | \$ 8,767.66 |
| Total Assets | <u>\$ 6,916.66</u> | <u>\$ 88,211.58</u> | <u>\$ 86,360.58</u> | <u>\$ 8,767.66</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 6,916.66 | \$ 88,211.58 | \$ 86,360.58 | \$ 8,767.66 |
| Total Liabilities | <u>\$ 6,916.66</u> | <u>\$ 88,211.58</u> | <u>\$ 86,360.58</u> | <u>\$ 8,767.66</u> |
| TOTALS – ALL AGENCY FUNDS | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 6,916.66 | \$ 95,496.72 | \$ 93,645.72 | \$ 8,767.66 |
| Total Assets | <u>\$ 6,916.66</u> | <u>\$ 95,496.72</u> | <u>\$ 93,645.72</u> | <u>\$ 8,767.66</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 6,916.66 | \$ 95,496.72 | \$ 93,645.72 | \$ 8,767.66 |
| Total Liabilities | <u>\$ 6,916.66</u> | <u>\$ 95,496.72</u> | <u>\$ 93,645.72</u> | <u>\$ 8,767.66</u> |

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

UNAUDITED
Comptroller Judiciary Section (241)

SUPPLEMENTARY SCHEDULES

UNAUDITED
Comptroller Judiciary Section (241)

SCHEDULE 1B

**Schedule of State Grant Pass-Throughs
From/To State Agencies**

For the Fiscal Year Ended August 31, 2016

| Pass-through From | Grant ID | Agency Number | Amount |
|---|-----------------|--------------------------|------------------------|
| Criminal Justice Planning Grants | 300.000 | 300 | \$ 1,519,923.00 |
| Governor – Fiscal | | | |
| Total Pass-Through from Other Agencies (Exh. II): | | | <u>\$ 1,519,923.00</u> |

UNAUDITED
Comptroller Judiciary Section (241)

Comptroller – Fiscal (902)

BASIC FINANCIAL STATEMENTS

UNAUDITED
Comptroller – Fiscal (902)

UNAUDITED
Comptroller – Fiscal (9C2)

EXHIBIT I

Combined Balance Sheet – Governmental Funds

August 31, 2016

| | Governmental Fund Types | | | Governmental Funds Total |
|---|--------------------------------|--|----------------------------------|-----------------------------|
| | General Funds (Exhibit A-1) | Special Revenue Funds (Exhibit B-1) | Permanent Funds (Exhibit C-1) | |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents: | | | | |
| Cash in State Treasury | \$ 8,501,833,803.75 | \$ 20,865,428.62 | \$ 49,280,403.17 | \$ 8,571,979,635.54 |
| Cash in Bank (Note 3) | | 8,810,532.52 | | 8,810,532.52 |
| Short Term Investments (Note 3) | 20,507,454.84 | | 32,060,239.11 | 52,567,693.95 |
| Receivables: | | | | |
| Accounts | 304,764,094.56 | | | 304,764,094.56 |
| Interest and Dividends | 5,524,125.08 | 34,105.35 | 49,220.30 | 5,607,450.73 |
| Taxes (Note 27) | 2,282,621,280.98 | | | 2,282,621,280.98 |
| Due From Other Agencies (Note 12) | 493,213,370.13 | | | 493,213,370.13 |
| Total Current Assets | 11,608,464,129.34 | 29,710,066.49 | 81,389,862.58 | 11,719,564,058.41 |
| Non-Current Assets: | | | | |
| Taxes Receivable (Note 27) | 34,759,475.90 | | | 34,759,475.90 |
| Investments (Note 3) | 1,819,475,362.91 | | 519,173,405.98 | 2,338,648,768.89 |
| Total Non-Current Assets | 1,854,234,838.81 | 0.00 | 519,173,405.98 | 2,373,408,244.79 |
| Total Assets | \$ 13,462,698,968.15 | \$ 29,710,066.49 | \$ 600,563,268.56 | \$ 14,092,972,303.20 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Current Liabilities: | | | | |
| Payables From: | | | | |
| Accounts | \$ 1,345,333.66 | \$ 438,036.65 | \$ 279,040.70 | \$ 2,062,411.01 |
| Other Intergovernmental | 35,478,738.96 | | | 35,478,738.96 |
| Unclaimed Property Claimant Liabilities | 272,572,345.21 | | | 272,572,345.21 |
| Taxes Refund Payable | 142,955,151.11 | | | 142,955,151.11 |
| Due To Other Agencies (Note 12) | 1,282,180,585.45 | | 49,280,403.17 | 1,331,460,988.62 |
| Unearned Revenues | 390,928,019.39 | | | 390,928,019.39 |
| Total Current Liabilities | 2,125,460,173.78 | 438,036.65 | 49,559,443.87 | 2,175,457,654.30 |
| Total Liabilities | 2,125,460,173.78 | 438,036.65 | 49,559,443.87 | 2,175,457,654.30 |
| DEFERRED INFLOWS | | | | |
| Deferred Inflow of Resources (Note 29) | 349,847,371.88 | | | 349,847,371.88 |
| Total Deferred Inflows | 349,847,371.88 | 0.00 | 0.00 | 349,847,371.88 |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | | |
| Fund Balances (Deficits): | | | | |
| Nonspendable | 34,759,475.90 | | | 34,759,475.90 |
| Restricted | 1,931,232,825.32 | 8,406,601.22 | 551,003,824.69 | 2,490,643,251.23 |
| Committed | 22,746,848.10 | 20,865,428.62 | | 43,612,276.72 |
| Unassigned | 8,998,652,273.17 | | | 8,998,652,273.17 |
| Total Fund Balances | 10,987,391,422.49 | 29,272,029.84 | 551,003,824.69 | 11,567,667,277.02 |
| Total Liabilities and Fund Balances | \$ 13,462,698,968.15 | \$ 29,710,066.49 | \$ 600,563,268.56 | \$ 14,092,972,303.20 |

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

UNAUDITED
Comptroller – Fiscal (902)

EXHIBIT II

Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended August 31, 2016

| | Governmental Fund Types | | | Governmental Funds Total |
|---|--------------------------------|--|----------------------------------|-----------------------------|
| | General Funds (Exhibit A-2) | Special Revenue Funds (Exhibit B-2) | Permanent Funds (Exhibit C-2) | |
| REVENUES | | | | |
| Taxes | \$ 43,115,551,982.45 | \$ 1,885,044,451.80 | \$ | \$ 45,000,596,434.25 |
| Licenses, Fees & Permits | 1,346,189,737.87 | 5,786,310.21 | | 1,351,976,048.08 |
| Interest and Other Investment Income | 150,071,001.02 | 932,414.29 | 15,947,856.23 | 166,951,271.54 |
| Land Income | 13,457,839.38 | | | 13,457,839.38 |
| Settlement of Claims | 593,745,193.03 | | | 593,745,193.03 |
| Sales of Goods and Services | 50,598,089.24 | | | 50,598,089.24 |
| Other | 317,604,984.22 | 18,213,805.41 | 318,208,644.22 | 654,027,433.85 |
| Total Revenues | <u>45,587,218,827.21</u> | <u>1,909,976,981.71</u> | <u>334,156,500.45</u> | <u>47,831,352,309.37</u> |
| EXPENDITURES | | | | |
| Payroll Related Costs | 670,784,505.69 | | | 670,784,505.69 |
| Professional Fees and Services | 23,807,391.13 | 308,775.00 | 1,150,672.79 | 25,266,838.92 |
| Materials and Supplies | 12,167.70 | | | 12,167.70 |
| Communications and Utilities | 218,136.50 | | | 218,136.50 |
| Repairs and Maintenance | 860,631.43 | | | 860,631.43 |
| Claims and Judgments | 9,974,526.28 | | | 9,974,526.28 |
| Intergovernmental Payments | 397,526,581.47 | 26,614,530.82 | 913,250.00 | 425,054,362.29 |
| Other Expenditures | 34,132,584.20 | 1,204.92 | | 34,133,789.12 |
| Capital Outlay | | | | |
| Total Expenditures | <u>1,137,316,524.40</u> | <u>26,924,510.74</u> | <u>2,063,922.79</u> | <u>1,166,304,957.93</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>44,449,902,302.81</u> | <u>1,883,052,470.97</u> | <u>332,092,577.66</u> | <u>46,665,047,351.44</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer In (Note 12) | 984,687,852.03 | | | 984,687,852.03 |
| Transfer Out (Note 12) | (19,861,133,905.97) | (1,886,012,118.08) | (29,387,548.43) | (21,776,533,572.48) |
| Legislative Transfer Out | (24,795,788,193.62) | | | (24,795,788,193.62) |
| Insurance Recoveries | 70,050.82 | | | 70,050.82 |
| Total Other Financing Sources (Uses) | <u>(43,672,164,196.74)</u> | <u>(1,886,012,118.08)</u> | <u>(29,387,548.43)</u> | <u>(45,587,563,863.25)</u> |
| Net Change in Fund Balances | <u>777,738,106.07</u> | <u>(2,959,647.11)</u> | <u>302,705,029.23</u> | <u>1,077,483,488.19</u> |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | | |
| Fund Balances, September 1, 2015 | 10,209,653,316.42 | 32,231,676.95 | 248,298,795.46 | 10,490,183,788.83 |
| Restatements (Note 14) | | | | |
| Fund Balances, September 1, 2015, as Restated | <u>10,209,653,316.42</u> | <u>32,231,676.95</u> | <u>248,298,795.46</u> | <u>10,490,183,788.83</u> |
| Fund Balances, August 31, 2016 | <u>\$ 10,987,391,422.49</u> | <u>\$ 29,272,029.84</u> | <u>\$ 551,003,824.69</u> | <u>\$ 11,567,667,277.02</u> |

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

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EXHIBIT VI

**Combined Statement of Fiduciary Net Position
Fiduciary Funds**

August 31, 2016

| | Private Purpose Trust Funds (Exhibit I-1) | Agency Funds (Exhibit J-1) | Totals |
|---------------------------------------|---|----------------------------------|-------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents: | | | |
| Cash in State Treasury | \$ 2,389,003.74 | \$ 1,058,485,709.22 | \$ 1,060,874,712.96 |
| Investments (Note 3): | | | |
| U.S. Government Obligations | | 67,908.83 | 67,908.83 |
| Corporate Obligations | | 223,515.88 | 223,515.88 |
| Corporate Equity | | 401,937,346.10 | 401,937,346.10 |
| Pooled Investments | | 147,244,866.83 | 147,244,866.83 |
| Other Investments | | 10,000,831.38 | 10,000,831.38 |
| Receivables: | | | |
| Federal | | | |
| Interest and Dividends | 1,766.84 | | 1,756.84 |
| Total Assets | <u>2,390,770.58</u> | <u>1,617,960,178.24</u> | <u>1,620,350,948.82</u> |
| LIABILITIES | | | |
| Payables | | | |
| Accounts Payables | 1,425,699.49 | | 1,425,699.49 |
| Intergovernmental Payables | | 995,020,909.90 | 995,020,909.90 |
| Funds Held for Others | | 622,939,268.34 | 622,939,258.34 |
| Deferred Revenues | 17,484.23 | | 17,484.23 |
| Total Liabilities | <u>1,443,183.72</u> | <u>1,617,960,178.24</u> | <u>1,619,403,351.96</u> |
| NET POSITION | | | |
| Held in Trust for: | | | |
| Individuals, Organizations, and Other | | | |
| Governments | 947,586.86 | | 947,586.86 |
| Total Net Position | <u>\$ 947,586.86</u> | <u>\$ 0.00</u> | <u>\$ 947,586.86</u> |

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

EXHIBIT VII

Combined Statement of Changes in Fiduciary Net Position Fiduciary Funds

For the Fiscal Year Ended August 31, 2016

| | Private Purpose Trust Funds (Exhibit I-2) | Totals |
|--|--|----------------------|
| ADDITIONS | | |
| Contributions: | | |
| Investment Income: | | |
| From Investing Activities | | |
| Interest and Investment Income | \$ 36,508.53 | \$ 36,508.53 |
| Total Investing Income | 36,508.53 | 36,508.53 |
| Other Additions | | |
| Federal Revenue | 4,085,854.02 | 4,085,854.02 |
| Other Revenue | | |
| Transfers-In (Note 12) | 46,761,489.00 | 46,761,489.00 |
| Total Other Additions | 50,847,343.02 | 50,847,343.02 |
| Total Additions | 50,883,851.55 | 50,883,851.55 |
| DEDUCTIONS | | |
| Intergovernmental Payments | 50,847,343.02 | 50,847,343.02 |
| Transfers-Out (Note 12) | | |
| Total Deductions | 50,847,343.02 | 50,847,343.02 |
| NET INCREASE (DECREASE) | 36,508.53 | 36,508.53 |
| Net Position, September 1, 2015 | 911,078.33 | 911,078.33 |
| Restatements | | |
| Net Position, September 1, 2015, as Restated | 911,078.33 | 911,078.33 |
| Net Position – August 31, 2016 | <u>\$ 947,586.86</u> | <u>\$ 947,586.86</u> |

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

Notes to the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

ENTITY

The Comptroller – Fiscal is an agency of the state of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Comptroller of Public Accounts Reporting Requirements for Annual Financial Reports of State Agencies.

This report applies to those funds, which the Comptroller of Public Accounts is statutorily required to expend, transfer, allocate or administer as trustee. Included are the funds and accounts over which the Comptroller exercises statutory administrative control, which includes revenues, collected for the benefit of others. The operating activity of the Comptroller of Public Accounts (Agency 304) is included in a separate section of this report.

There are no component units in which the Comptroller – Fiscal is financially accountable or any organization in which exclusion would create misleading or incomplete financial statements.

Due to the significant changes related to Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to be in compliance with generally accepted accounting principles (GAAP). The financial report will be considered for audit by the State Auditor as part of the audit of the state's *Comprehensive Annual Financial Report*; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

GOVERNMENTAL FUND TYPES AND GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

General Fund

The **General Fund** is used to account for all financial resources of the state except those that must be accounted for in another fund. Listed below are the agency's General Funds and their purpose.

General Revenue Fund 0001 – To receive those revenues directed to be deposited to the General Revenue Fund and those revenues for which a specific fund has not been designated; such revenues to be used as the Constitution prescribes and the Legislature directs.

County and Road District Highway Fund 0057 – To take care of outstanding county and road district indebtedness assumed by the State along with the highway system. The Fund also receives allocation of gasoline taxes up to \$7.3 million each fiscal year, which in turn is distributed to the counties of the state.

Law Enforcement Officer Standards and Education Fund 0116 – To receive court costs collected from defendants convicted under certain sections of the Penal Code.

Compensation to Victims of Crime Auxiliary Fund 0494 – This is used only for the payment of compensation to claimants under the Victims of Crime Act.

Economic Stabilization Fund 0599 – To receive transfer of one-half of any unencumbered positive balance in the General Revenue Fund (0001) as of the last day of the preceding biennium and an amount of at least 37.5 percent of excess oil and gas production taxes received in fiscal year 1987 and any other money appropriated to the fund by the legislature. The fund may be used to eliminate temporary cash deficiency in the General Revenue Fund (0001).

License Plate Trust Fund 0802 – Used for deposit of specialty license plate fees and related revenue collected under Subchapter G, Transportation Code. Dedicated balances and revenues are to be deposited into accounts within the fund to be used in accordance with their specific statutory purpose.

Events Trust Fund for Municipality/County Fund 0830 – If an event plan is approved and a host community is selected as the site of a special event, the comptroller shall deposit the amount requested in the special event plan from state tax receipts as soon as practicable after the taxes are collected.

Motor Sports and Racing Fund Trust Fund 0839 – Used to fund specific motor sports racing events in automobile racing events for a particular year referred to as the US Grand Prix or a specific automobile racing event that is part of the Champ Car World Series or the American Le Mans Series. Deposits to this fund are from estimated incremental increases, as determined by the comptroller, from a portion of state and local sales, hotel and mixed beverage taxes from that site selected for a motor sports racing event.

Major Events Trust Fund 0869 – Used to fulfill joint obligations of the state and endorsing municipality or county to a site selection organization under a games support contract.

Deposit Default Fund 9000 – To provide a temporary depository for money held in suspense pending final disposition. Items held in the fund are cleared to the various Special Revenue Funds or the General Revenue Fund, or refunded to the payer.

Sexual Assault Program Fund 5010 – Created to receive parole supervision and probation fees collected under arts. 42.12, 22(e) and art 42.18 8(p), C.C.P. and gifts, grants and money appropriated for grants to maintain or expand existing services.

Tobacco Settlement Fund 5040 – To receive settlement money resulting from the final judgment in the state of Texas. The American Tobacco Company, et. al., civil action no. 5:96cv91. These funds are distributed to appropriate agencies and funds as identified in the court ordered settlement.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Listed below are the agency's Special Revenue Funds and their purpose.

Property Tax Relief Fund 0304 – Special fund in the state treasury outside the general revenue fund. The proceeds of the fund are from allocations of the computation of motor vehicle sales tax, collection of all tobacco products tax increases and calculated amounts from franchise taxes. The intent of the fund will be to reduce school district property taxes.

Binding Arbitration Trust Fund 0838 – This is used to retain and pay the administrative costs in binding arbitration cases of property value appeals initiated by property owners. Monies are moved to this special revenue fund from the same agency fund for payment of administrative costs

International Fuels Tax Agreement (IFTA) Trust Fund 0886 – To receive motor fuels taxes estimated to be due to other jurisdictions or otherwise subject to refund during the fiscal year, penalties and interest on those taxes due other jurisdictions, licensing fees, and other costs collected under the agreement.

Habitat Protection Fund 9999 – This fund held with Texas Treasury Safekeeping was established by the 82nd Legislature to support the development or coordination of the development of a habitat conservation plan or a candidate conservation plan or to pay the costs of monitoring or administering the implementation of such a plan. The fund consists primarily of donations and fees paid by entities or individuals who voluntarily enroll in such a plan.

PERMANENT FUNDS

Permanent Fund Supporting Graduate Education Fund 0179 – To receive transferred or appropriated amounts including gifts, grants and investment returns. Distributions from the fund are for graduate medical education planning and partnership grants to hospitals, medical schools, and community-based, ambulatory patient care centers. The Texas Treasury Safekeep-

ing Trust Company administers and manages the fund's assets and determines the amount available for distribution from the fund. The Higher Education Coordinating board makes grants from the fund.

Permanent Fund Supporting Military and Veterans Exemptions Fund 0210 – To receive gifts, grants and investment returns for distributions to higher education institutions to offset the cost of the exemptions to certain veterans and/or dependents. Distributions are determined by the Legislative Budget Board based on each Institution's respective share of the aggregate cost to all institutions of the exemptions. The Texas Treasury Safekeeping Trust Company determines the amount available for distribution from the fund.

Available National Research University Fund 0214 – To receive disbursements from the National Research University Fund held outside the treasury. The money is to be used by eligible institutions only for the support and maintenance of educational and general activities that promote increased research capacity at the institution.

FIDUCIARY FUNDS

Private-Purpose Trust Funds

Private-Purpose Trust funds are used to account for all other trust arrangements whose principal and interest benefit individuals, private organizations, or other governments. Listed below are the agency's Private-Purpose Trust funds and their purpose.

Federal Resource Receipts Distribution Fund 0521 – To deposit money received by state under section 191 or 355, Title 30, United States Code, including state portion of sales, bonuses, royalties or rentals.

Private-Purpose Tobacco Settlement Political Subdivision Trust Fund 0872 – To hold a portion of the tobacco settlement money designated for the exclusive benefit of political subdivisions and will be distributed to political subdivisions as directed in the settlement.

Flood Area School and Road Trust Account 0903 – To hold money allocated by the Federal Government to be distributed to counties and political subdivisions of the state based on the tax rate applied to lands acquired for flood purposes.

Agency Funds

Agency Funds are used to account for assets held as an agent for individuals, private organizations, and other government entities. These funds are custodial in nature and do not involve measurement of results of operations. Listed below are the agency's Agency Funds and their purpose.

Events Trust Fund for Municipality/County Trust Fund 0830 – For use by the comptroller to deposit a portion of the state and local sales tax, hotel and mixed beverage taxes for an approved major sporting or athletic event sanctioned by a site selection organization.

Binding Arbitration Trust Fund 0838 – To receive arbitration deposits from property owners on appeals made to appraisal review boards until a determination of the appeal is made. The Comptroller shall refund the deposit to the property owner or pay the arbitrator from the deposit, retain administrative costs and return the difference to the property owner.

Motor Sports and Racing Fund Trust Fund 0839 – Used to receive monies from municipalities for specific motor sports racing events in automobile racing events for a particular year referred to as the US Grand Prix or a specific automobile racing event that is part of the Champ Car World Series or the American Le Mans Series.

Fireworks Tax Securities Trust Fund 0862 – An applicant for a fireworks sales tax permit or for registration as a retailer must file adequate security for the payment of the taxes imposed by this chapter.

Customs Brokers Bond / Security Trust Fund 0866 – Created to hold bonds or securities from which the customs broker intends to issue exemption certificates.

Texas Racing Commission Security Trust Fund 0868 – Created to hold securities posted by each racing association as required by the comptroller rule to ensure payment of the state's portion of the pari-mutuel pool.

Major Events Trust Fund 0869 – To retain a portion of the state and local sales, hotel, and mixed beverage taxes, if a site is selected, in an amount as determined by the comptroller, to the presentation of a game and related events. Used to fulfill joint obligations of the state and endorsing municipality or county to a site selection organization under an event support contract.

Local Tax Collections for Sports / Community Venue Project Trust Fund 0874 – To hold taxes collected by the Comptroller under an inter-local contract for a local government until they are returned to the local government's venue project fund. Taxes are to be used for sports or community venue projects.

City, County, MTA and SPD Sales Tax Trust Account 0882 – To record the receipt of local sales and use tax collected by the Comptroller for each city, county, metropolitan transit authority and special purpose district authorizing the collection.

International Fuels Tax Agreement (IFTA) Guarantee Trust Fund 0884 – To hold in trust money or securities deposited with the Comptroller by participants in the International Fuels Tax Agreement.

Departmental Suspense Fund 0900 – To provide a temporary depository for money held in suspense pending final disposition. Items held in the fund are cleared to the various Special Revenue Funds or the General Revenue Fund, or refunded to the payer.

Motor Fuel Distributors Bond Guaranty Trust Fund 0904 – To hold in trust money or securities deposited by motor fuel distributors, in lieu of surety bonds, to insure complete and faithful performance by the distributor of all conditions and requirements imposed upon him by the laws pertaining to motor fuel and motor fuel distributors.

Qualified Hotel Project Fund 0905 – Created as a suspense account outside the Treasury, consists of eligible taxable proceeds. These proceeds are used to rebate, refund or pay each qualified hotel project the hotel occupancy taxes and sales and use taxes to which the project is entitled.

Mixed Beverage Tax Guaranty Trust Fund 0906 – To hold in trust money or securities deposited by mixed beverage permit holders.

Sales Tax Guaranty Trust Fund 0962 – To receive cash and/or other negotiable securities pledged to guarantee payment of Sales Tax liabilities.

Direct Deposit Correction Fund 0980 – To hold money returned by financial institutions which had been transmitted for direct deposit where problems prevented credit are given to individual depositors until the agency issuing the original payment makes the correction by transferring the funds back to the original issuing fund or the person for whom the original payment was made is refunded the money.

BASIS OF ACCOUNTING

The basis of accounting determines when revenues and expenditures are recognized in the accounts reported in the financial statements. Governmental fund types are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Expenditures are generally recognized when the related fund liability is incurred. Exceptions are unpaid employee compensable leave, and the unmatured debt service (principal and interest) on general long-term debt, long-term capital leases, and long-term claims and judgments, which are not recognized until actual payment is made.

Budgets and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the Legislature and approved by the Governor (the General Appropriations Act). Unobligated appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

Since the Comptroller reports the entire cash balance for the general fund, budgetary accounts are eliminated for the Annual Financial Report.

ASSETS, LIABILITIES AND FUND EQUITY

Assets

Taxes Receivables

Amounts shown as taxes receivable represent various state taxes due to the state at Aug. 31, 2016.

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.

Other Liabilities

Other Liabilities represent intergovernmental taxes and the value of unclaimed property at the balance sheet date.

Deferred Inflows

Amounts shown as deferred inflows represent tax revenues earned but not available and resources received but not earned, i.e., prepaid sales taxes, at Aug. 31, 2016. A breakdown by Tax Type is available on Schedule 5.

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.

Restricted Fund Balance

This fund balance is reported as restricted when constraints placed on the use of resources are either (a. externally imposed by laws and regulations of other governments or (b. imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the state's highest level of decision-making authority (the Legislature) are reported as committed fund balance.

Unassigned Fund Balance

This is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed or assigned for specific purposes within the general fund. The general fund is the only fund that can report a positive unassigned fund balance.

INTERFUND TRANSACTIONS AND BALANCES

The Comptroller – Fiscal has the following transactions between and within state funds presented in Note 12

Transfers: Legally required transfers that are reported when incurred as "Transfers In" by the recipient fund and as "Transfers Out" by the disbursing fund due to and due from other agencies.

NOTE 2: Capital Assets

Capital assets are not shown on the governmental fund financial statements, but rather are included as governmental activities in the government-wide financial statements. A summary of changes in capital assets for the year ended Aug. 31, 2016, is presented below:

| | Balance September 1, 2015 | Adjustments | Reclassifications | Additions | Deletions | Balance August 31, 2016 |
|-------------------------------|------------------------------|----------------|-------------------|------------------------|-----------------|----------------------------|
| Depreciable Assets: | | | | | | |
| Furniture and Equipment | \$ 2,777,840.81 | \$ | \$ | \$ | \$ (129,933.60) | \$ 2,647,907.21 |
| Less Accumulated Depreciation | (2,731,913.38) | | | (11,524.56) | 129,933.60 | (2,613,504.34) |
| Depreciable Assets, Net | <u>45,927.43</u> | <u>0.00</u> | <u>0.00</u> | <u>(11,524.56)</u> | <u>0.00</u> | <u>34,402.87</u> |
| Computer Software | 8,824,456.09 | | | | (4,415,650.00) | 4,408,806.09 |
| Less Accumulated Amortization | (8,613,538.32) | | | (97,346.64) | 4,415,650.00 | (4,295,234.96) |
| Amortizable Assets, Net | <u>210,917.77</u> | <u>0.00</u> | <u>0.00</u> | <u>(97,346.64)</u> | <u>0.00</u> | <u>113,571.13</u> |
| Total Capital Assets | <u>\$ 256,845.20</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ (108,871.20)</u> | <u>\$ 0.00</u> | <u>\$ 147,974.00</u> |

NOTE 3: Deposits, Investments and Repurchase Agreements

INVESTMENTS

As of Aug. 31, 2016, the carrying value and fair value of investments are as presented below.

| Fiduciary Fund – Unclaimed Property | Fair Value |
|---|---------------------------|
| U.S. Government Treasuries | \$ 46,462.18 |
| U.S. Treasury Strips | |
| U.S. Government Agency Obligations | 21,446.65 |
| Corporate Obligations | 223,515.88 |
| Equity | 401,937,346.10 |
| Fixed Income Money Market and Bond Mutual Funds | 147,244,866.83 |
| Miscellaneous | 10,000,831.38 |
| Total | <u>\$ 559,474,469.02</u> |
| Permanent Fund – 0179 | |
| | Fair Value |
| Fixed Income Money Market and Bond Mutual Funds | \$ 17,617,102.26 |
| Equity | 11,067,644.12 |
| Externally Managed Investments | 255,505,211.33 |
| Pooled Investments | 26,346,993.00 |
| Total | <u>\$ 310,536,950.71</u> |
| Permanent Fund – 0210 | |
| | Fair Value |
| Fixed Income Money Market and Bond Mutual Funds | \$ 14,443,136.85 |
| Equity | 5,772,286.16 |
| Externally Managed Investments | 206,740,101.03 |
| Pooled Investments | 13,741,170.34 |
| Total | <u>\$ 240,696,694.38</u> |
| General Fund – 0599 | |
| | Fair Value |
| Fixed Income Money Market and Bond Mutual Funds | \$ 20,507,454.84 |
| Externally Managed Investments | 129,162,424.92 |
| Pooled Investments | 1,690,312,937.99 |
| Total | <u>\$1,839,982,817.75</u> |

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of Aug. 31, 2016, the agency's credit risk quality distribution for securities with credit risk exposure was as follows.

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| Fund Type | GAAP Fund | Investment Type | Market Value | Aaa | Aa | A | BBB |
|-----------|-----------|---------------------------------|---------------------------|-------------------------|----------------------|---------------------|----------------------|
| 09 | 0001 | Asset Back Security | \$ 4,441.73 | | | | |
| | | U.S. Government Treasuries | 46,462.18 | | \$ 46,462.18 | | |
| | | U.S. Government Agencies | 14,123.84 | | 14,123.84 | | |
| | | REFCo Strip | | | | | |
| | | Govt Mortgage Backed Securities | 7,322.81 | | | | |
| | | Certificates of Deposit | | | | | |
| | | Corporate Obligations | 223,515.88 | | 11,169.91 | \$ 26,274.20 | \$ 89,068.87 |
| | | Political Subdivisions | 284,594.35 | \$ 67,190.85 | 132,143.23 | 901.32 | 12,518.20 |
| | | Mutual Funds | 4,742,999.00 | | | | |
| | | | <u>\$ 5,323,459.79</u> | <u>\$ 67,190.85</u> | <u>\$ 203,899.16</u> | <u>\$ 27,175.52</u> | <u>\$ 101,587.07</u> |
| 19 | 0179 | Corporate Obligations | | | | | |
| | | International Corp. Obligations | | | | | |
| | | Mutual – Global Fixed Income | \$ 26,346,993.00 | | | | |
| | | Mutual – Domestic Fixed Income | | | | | |
| | | Investments in STIF | 17,617,102.26 | \$ 17,617,102.26 | | | |
| | | Repurchase Agreements | | | | | |
| | | | <u>\$ 43,964,095.26</u> | <u>\$ 17,617,102.26</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> |
| 19 | 0210 | Corporate Obligations | | | | | |
| | | International Corp. Obligations | | | | | |
| | | Mutual – Global Fixed Income | \$ 13,741,170.34 | | | | |
| | | Mutual – Domestic Fixed Income | | | | | |
| | | Investments in STIF | 14,443,136.85 | \$ 14,443,136.85 | | | |
| | | Repurchase Agreements | | | | | |
| | | | <u>\$ 28,184,307.19</u> | <u>\$ 14,443,136.85</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> |
| 01 | 0599 | Corporate Obligations | | | | | |
| | | International Corp. Obligations | | | | | |
| | | Mutual – Global Fixed Income | \$1,690,312,937.99 | | | | |
| | | Mutual – Domestic Fixed Income | | | | | |
| | | Investments in STIF | 20,507,454.84 | \$ 20,507,454.84 | | | |
| | | Repurchase Agreements | | | | | |
| | | | <u>\$1,710,820,392.83</u> | <u>\$ 20,507,454.84</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> |

| Fund Type | GAAP Fund | Investment Type | BB | B | C | D | Not Rated |
|-----------|-----------|---------------------------------|--------------------|--------------------|--------------------|--------------------|---------------------------|
| 09 | 0001 | Asset Back Security | | | | \$ 4,441.73 | |
| | | U.S. Government Treasuries | | | | | |
| | | U.S. Government Agencies | | | | | |
| | | REFCo Strip | | | | | |
| | | Govt Mortgage Backed Securities | | | | | |
| | | Certificates of Deposit | | | | | |
| | | Corporate Obligations | \$ 6,275.00 | | \$ 6,750.00 | | \$ 83,977.90 |
| | | Political Subdivisions | | \$ 4,999.55 | | | 66,841.20 |
| | | Mutual Funds | | | | | 4,742,999.00 |
| | | | <u>\$ 6,275.00</u> | <u>\$ 4,999.55</u> | <u>\$ 6,750.00</u> | <u>\$ 4,441.73</u> | <u>\$ 4,893,818.10</u> |
| 19 | 0179 | Corporate Obligations | | | | | |
| | | International Corp. Obligations | | | | | |
| | | Mutual – Global Fixed Income | | | | | \$ 26,346,993.00 |
| | | Mutual – Domestic Fixed Income | | | | | |
| | | Investments in STIF | | | | | |
| | | Repurchase Agreements | | | | | |
| | | | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 26,346,993.00</u> |
| 19 | 0210 | Corporate Obligations | | | | | |
| | | International Corp. Obligations | | | | | |
| | | Mutual – Global Fixed Income | | | | | \$ 13,741,170.34 |
| | | Mutual – Domestic Fixed Income | | | | | |
| | | Investments in STIF | | | | | |
| | | Repurchase Agreements | | | | | |
| | | | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 13,741,170.34</u> |
| 01 | 0599 | Corporate Obligations | | | | | |
| | | International Corp. Obligations | | | | | |
| | | Mutual – Global Fixed Income | | | | | \$1,690,312,937.99 |
| | | Mutual – Domestic Fixed Income | | | | | |
| | | Investments in STIF | | | | | |
| | | Repurchase Agreements | | | | | |
| | | | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$1,690,312,937.99</u> |

DEPOSITS OF CASH IN BANK

As of Aug. 31, 2016 the carrying amount and the total balance of cash deposits was \$8,810,532.52. These deposits are from the Habitat Protection Fund's activities and are held with the Texas Treasury Safekeeping Trust Company.

NOTE 4: Short-Term Debt

(Not Applicable)

NOTE 5: Summary of Long Term Liabilities

(Not Applicable)

NOTE 6: Bonded Indebtedness

(Not Applicable)

NOTE 7: Derivatives

(Not Applicable)

NOTE 8: Leases

(Not Applicable)

NOTE 9: Pension Plans

(Not Applicable)

NOTE 10: Deferred Compensation

(Not Applicable)

NOTE 11: Postemployment Health Care and Life Insurance Benefits

(Not Applicable)

NOTE 12: Interfund Activity and Transactions

As explained in Note 1 on Interfund Transactions and Balances, there are numerous transactions between funds and agencies. At year end, amounts to be received or paid are reported as Interfund Receivables or Interfund Payables, Advances From or Advances To, or Due From or Due To Other Funds. The agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment or interfund balances will occur within one year from the date of the financial statement.

| | Interfund Transactions | | Due From Other Funds | Due To Other Funds |
|-------------------|------------------------|------|----------------------|--------------------|
| | Agency | Fund | | |
| Fund 0001: | 347 | 0001 | \$ 5,368.47 | \$ |
| | 454 | 0003 | 134,750.00 | |
| | 456 | 0996 | 466,599.00 | |
| | 457 | 1002 | 136,351.22 | |
| | 529 | 0001 | 20,058,506.43 | |
| | 530 | 0001 | 3,713,466.96 | |
| | 551 | 0369 | 2,169.48 | |
| | 802 | 0950 | 6,436,871.72 | |
| | 300 | 5003 | | 4,003,881.82 |
| | 311 | 1900 | | 19,193,626.16 |
| | 323 | 0001 | | 58,916,172.64 |
| | 323 | 1989 | | 18,766,094.29 |
| | 601 | 0006 | | 225,130,144.64 |
| | 601 | 1006 | | 439,511,639.36 |
| | 701 | 0002 | | 75,043,381.55 |
| | 902 | 5990 | | 439,511,639.37 |
| Total Fund 0001: | | | \$ 30,954,883.28 | \$1,280,076,579.83 |

Continued on the following page



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Continued from the previous page

| Interfund Transactions | | Due From Other Funds | | Due To Other Funds | |
|-----------------------------------|---------------|----------------------|--------------------------|---------------------------|--|
| Fund 0116: | 407 | 0116 | \$ 22,745,950.53 | | |
| Fund 0802: | 802 | 8020 | \$ 896.95 | | |
| Fund 0494: | 302 | 0494 | | \$ 9,449.30 | |
| Fund 0599: | 902 | 0001 | \$ 439,511,639.37 | | |
| | 405 | 1599 | | \$ 2,031.30 | |
| Fund 5040: | | | | \$ 2,092,525.02 | |
| Fund 0214: | 730 | 0214 | | \$ 17,193,243.93 | |
| | 733 | 0214 | | 29,227,533.14 | |
| Total Fund 0214: | | | | <u>\$ 46,420,777.07</u> | |
| Total Fund 0210: | Various | 0210 | | \$ 2,859,626.10 | |
| Total Due From/Due To (Exhibit 1) | | | <u>\$ 493,213,370.13</u> | <u>\$1,331,460,988.62</u> | |
| Transfers | | Transfers Out | | Transfers In | |
| | <i>Agency</i> | <i>Fund</i> | | | |
| Fund 0001: | 300 | 0001 | \$ | \$ 1,217,453.73 | |
| | 302 | 0001 | | 9,865,316.98 | |
| | 302 | 1002 | | 26,831.25 | |
| | 303 | 0003 | | 10,732.50 | |
| | 303 | 0301 | | 8,259.06 | |
| | 304 | 0001 | | 2,089.50 | |
| | 305 | 0001 | | 1,407,665.50 | |
| | 305 | 0544 | | 1,643,250.56 | |
| | 305 | 6656 | | 166.13 | |
| | 306 | 0369 | | 3.64 | |
| | 306 | 1003 | | 114,040.89 | |
| | 313 | 0010 | | 100.00 | |
| | 320 | 0001 | | 172,502.27 | |
| | 323 | 0001 | | 13,816,759.86 | |
| | 329 | 4055 | | 720,000.00 | |
| | 329 | 4056 | | 30,000.00 | |
| | 329 | 4059 | | 21,650.32 | |
| | 332 | 0001 | | 1,786,641.11 | |
| | 332 | 0066 | | 1,160,215.14 | |
| | 332 | 0369 | | 131,875.66 | |
| | 347 | 0001 | | 5,368.47 | |
| | 401 | 0001 | | 48,970.28 | |
| | 403 | 0700 | | 1,018,940.97 | |
| | 403 | 4510 | | 43,631.85 | |
| | 403 | 4513 | | 93,252.39 | |
| | 403 | 4610 | | 240,143.63 | |
| | 403 | 4613 | | 480,287.25 | |
| | 405 | 0001 | | 1,286.66 | |
| | 405 | 0006 | | -209,065.93 | |
| | 405 | 0908 | | 1,653,163.87 | |
| | 405 | 2101 | | 42,741.93 | |
| | 405 | 7000 | | 14,340.07 | |
| | 409 | 0001 | | 7,637.18 | |
| | 454 | 0004 | | 877.50 | |
| | 454 | 0008 | | 229,074.53 | |
| | 454 | 0011 | | 29,645.72 | |
| | 454 | 0036 | | 918,865.67 | |
| | 455 | 0001 | | 125,846.25 | |
| | 455 | 1508 | | 178,136.26 | |
| | 455 | 1537 | | 14,813.96 | |
| | 455 | 1558 | | 163,715.66 | |

Continued on the following page

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Continued from the previous page

| | Transfers | | Transfers Out | | Transfers In | |
|--------------------|-----------|------|---------------|------------------|--------------|----------------|
| | Agency | Fund | | | | |
| Transfers | 455 | 1571 | \$ | | \$ | 1,670,448.60 |
| Fund 0001: | 455 | 1573 | | | | 742,585.28 |
| (continued) | 455 | 1574 | | | | 49,265.49 |
| | 456 | 0001 | | | | 3,712.50 |
| | 457 | 1009 | | | | 703,344.00 |
| | 458 | 1103 | | | | 6,817.49 |
| | 459 | 1010 | | | | 510,000.00 |
| | 460 | 1011 | | | | 373,900.00 |
| | 476 | 0597 | | | | 14,948.83 |
| | 503 | 0001 | | | | 12.00 |
| | 507 | 0001 | | | | 107,000.00 |
| | 514 | 0001 | | | | 5,340.00 |
| | 515 | 0001 | | | | 29,451.50 |
| | 529 | 0001 | | | | 352,682,170.45 |
| | 530 | 0001 | | | | 4,007,023.42 |
| | 537 | 0001 | | | | 2,387,522.41 |
| | 537 | 0005 | | | | 92,301.80 |
| | 537 | 0369 | | | | 183.32 |
| | 537 | 0543 | | | | 2,801,692.04 |
| | 538 | 0001 | | | | 15,075,222.73 |
| | 538 | 0107 | | | | 3,111,534.02 |
| | 538 | 0369 | | | | 0.20 |
| | 539 | 0001 | | | | 39,188,450.62 |
| | 539 | 0369 | | | | 23,588.21 |
| | 539 | 0543 | | | | 1,960,720.97 |
| | 551 | 0001 | | | | 58,853.24 |
| | 551 | 3702 | | | | 7,565,293.10 |
| | 554 | 0001 | | | | 294,126.00 |
| | 556 | 0001 | | | | 58,758.65 |
| | 580 | 0001 | | | | 143,959.37 |
| | 582 | 0010 | | | | 45,517.40 |
| | 582 | 0027 | | | | 6,565,864.07 |
| | 608 | 0001 | | | | 1,134.00 |
| | 644 | 0001 | | | | 157,249.18 |
| | 696 | 0014 | | | | 365,487.68 |
| | 701 | 0001 | | | | 802,626.47 |
| | 701 | 5135 | | | | 3,186,115.74 |
| | 747 | 0802 | | | | 0.16 |
| | 771 | 0001 | | | | 344.25 |
| | 772 | 0001 | | | | 9,675.00 |
| | 781 | 0001 | | | | 3,774,905.14 |
| | 802 | 0010 | | | | 139,260.45 |
| | 802 | 0012 | | | | 11,431.06 |
| | 802 | 0013 | | | | 254,860.00 |
| | 808 | 0001 | | | | 732.37 |
| | 809 | 0001 | | | | 11,768.62 |
| | 551 | 0369 | | | | 2,169.48 |
| | 902 | 0036 | | | | 14,828,391.74 |
| | 902 | 0869 | | | | 31,357.39 |
| | 902 | 0886 | | | | 150,474.74 |
| | 902 | 8300 | | | | 1,122,061.73 |
| | 300 | 5003 | | 43,428,642.61 | | |
| | 300 | 5106 | | 774,374.84 | | |
| | 303 | 0166 | | 216,880,852.00 | | |
| | 323 | 0001 | | 1,797,644,415.22 | | |
| | 323 | 1989 | | 297,070,920.25 | | |
| | 401 | 5166 | | 9,781,250.00 | | |
| | 454 | 0011 | | 54,878,212.09 | | |
| | 454 | 0036 | | 85,008,747.13 | | |
| | 454 | 0516 | | 551,241.05 | | |
| | 576 | 5066 | | 1,615,000.00 | | |

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| Transfers | | Transfers Out | | Transfers In |
|---------------------------------|---------|---------------|-----------------------------|--------------------------|
| | Agency | Fund | | |
| Transfers | 580 | 0330 | \$ 6,100,000.00 | \$ |
| Fund 0001: | 601 | 1006 | 439,511,639.36 | |
| (concluded) | 696 | 5060 | 120,225.56 | |
| | 696 | 5166 | 30,000,000.00 | |
| | 701 | 0193 | 15,663,186,233.05 | |
| | 802 | 0643 | 99,053,875.88 | |
| | 802 | 4673 | 10,489,173.17 | |
| | 802 | 5048 | 3,013,104.00 | |
| | 802 | 5153 | 8,821,784.86 | |
| | 802 | 5166 | 27,581,586.00 | |
| | 808 | 0139 | 6,493,068.57 | |
| | 902 | 0057 | 7,300,000.00 | |
| | 902 | 0599 | 439,511,639.37 | |
| | 902 | 5160 | 5,000,000.00 | |
| Total Fund 0001: | | | <u>\$ 19,253,815,985.01</u> | <u>\$ 502,366,881.18</u> |
| Fund 0057: | 902 | 0001 | | \$ 7,300,000.00 |
| Fund 0599: | 576 | 0599 | | \$ 3,788,388.35 |
| | 716 | 0599 | | 232,097.58 |
| | 902 | 0001 | | 439,511,639.37 |
| Fund 5010: | 302 | 5010 | | \$ 26,488,845.55 |
| Fund 5* 60: | 902 | 0001 | | \$ 5,000,000.00 |
| Fund 0210 | Various | | \$ 10,478,904.21 | |
| Fund 0214: | 730 | 0214 | \$ 9,454,322.11 | |
| | 733 | 0214 | 9,454,322.11 | |
| Fund 0504: | 701 | 0193 | \$ 1,885,861,643.34 | |
| Fund 0494 | 302 | 0469 | \$ 1,597,785.17 | |
| | 302 | 0494 | 135,391.39 | |
| Fund 0599: | 300 | 0599 | \$ 1,408,500.00 | |
| | 802 | 5990 | 1,657,036.13 | |
| Fund 0E30: | 300 | 5301 | \$ 26,102,005.46 | |
| | 902 | 0001 | 1,122,061.73 | |
| Fund 0E39: | 300 | 5391 | \$ 1,560,163.00 | |
| Fund 0E69: | 300 | 5691 | \$ 52,340,717.51 | |
| | 902 | 0001 | 31,357.39 | |
| Fund 0E86: | 902 | 0001 | \$ 150,474.74 | |
| Fund 5C10: | 201 | 5010 | \$ 4,145,345.76 | |
| | 300 | 5010 | 2,000,000.00 | |
| | 302 | 5010 | 6,218,018.64 | |
| | 304 | 5010 | 250,000.00 | |
| | 405 | 1010 | 2,051,946.15 | |
| Fund 5040: | 529 | 5040 | \$ 506,697,592.63 | |
| Total Transfers – (Exhibit II) | | | <u>\$ 21,776,533,572.48</u> | <u>\$ 984,687,852.03</u> |
| Fund 2872: | 311 | 0872 | | 46,761,489.00 |
| Total Transfers – (Exhibit VII) | | | <u>\$ 0.00</u> | <u>\$ 46,761,489.00</u> |

NOTE 13: Continuance Subject to Review

(Not Applicable)

NOTE 14: Adjustments to Fund Balances and Net Position

(Not Applicable)

NOTE 15: Contingent Liabilities

PROTEST TAX PAYMENTS:

As of Aug. 31, 2016, pending litigation filed by taxpayers seeking refunds of state taxes totaled \$224 million. The taxes protested include sales, franchise, insurance and other taxes. Although the outcome of these cases cannot presently be determined, adverse ruling in some of them could result in significant additional refunds.

NOTE 16: Subsequent Events

(Not Applicable)

NOTE 17: Risk Management

(Not Applicable)

NOTE 18: Management Discussion and Analysis

The General Revenue Fund 0001 cash balance decreased to \$524.9 million in fiscal 2016, a decrease of \$5.1 billion from the balance of \$5.6 billion in fiscal 2015. This is attributable to a net decrease in total net revenue and other sources over total net expenditures and other uses. This agency provides legislative funding for state-wide agency's expenditures and this is reflected in its legislative transfers-out. As disclosed in Note 27, a portion of the accrued taxes reported in this agency's report will not be finalized until the *Comprehensive Annual Financial Report* is completed.

The Economic Stabilization Fund (ESF), had an accrued transfer of \$439.5 million from the general revenue fund and transferred out approximately \$3.1 million to other agencies as shown in Note 12, resulting in an ending cash balance of \$7.9 billion. The Texas Constitution mandates that if oil or natural gas taxes exceed the net amount received in fiscal 1987, an amount of at least 37.5 percent of the excess must be transferred to the state's ESF from the general revenue fund. In addition to the oil and gas transfer, one half of any unencumbered balance in fund 0001 at the close of the biennium must be transferred to the ESF. There were no transfers out in FY16 from the ESF to the general revenue fund.

The Property Tax Relief Fund had no ending cash balance. This year's revenues of \$1.9 billion were transferred out to the Foundation School Fund 193 to pay for property tax relief.

Tax collections, the major source of revenue reported in this agency experienced a 6.5% decrease from fiscal 2015. This was a result of statewide decreases in sales taxes (2.3%) and other decreases in the remaining taxes while motor vehicle sales/rental taxes increased 2.3%. Sales tax collections account for 58.3 percent of all tax collections. Motor fuels taxes on gasoline, diesel and other fuels increased 2.0% from 2015. Oil production and regulation taxes, however, decreased 40.8% from fiscal 2015. Another decrease was in natural gas production tax collections which fell by 54.8% this year to \$579 million. A non-tax category for agency 902, licenses, fees, fines & permits decreased 9.0% from fiscal 2015 to \$1.4 billion. On a state-wide basis, this category accounts for 10.4% of total net revenue and contributed \$11.6 billion in fiscal 2016.

NOTE 19: The Financial Reporting Entity

There were no significant related party transactions in agency 902 in fiscal 2016.

NOTE 20: Stewardship, Compliance and Accountability

This section of the report reflects the activities of the Comptroller-Fiscal function (Agency 902) in the General Revenue Fund (0001), the Economic Stabilization Fund (0599), the Flood Area School and Road Expendable Trust Fund (0903), and

other funds. The entire activity of the State's General Revenue Fund will be reflected in the fiscal 2016 *State of Texas Comprehensive Annual Financial Report*.

NOTE 21: Tobacco Settlement

The state of Texas settled a lawsuit against certain tobacco manufacturers in 1998. The settlement included monetary and injunctive relief. The settling tobacco manufacturers agreed to remit annual payments to the state. Estimates made at the time of the agreement projected that these payments could total \$15.1 billion over the first 25 years of the agreement. The court-ordered annual payment amounts are subject to adjustments on the tobacco companies' domestic cigarette sales, the general consumer inflation rate, the profitability of the tobacco companies and any other court-ordered factors. A revenue accrual and deferred revenue of \$312.2 million has been calculated on estimated sales from Jan. 1 to the end of the fiscal year. Actual tobacco settlement revenues were \$487.6 million in fiscal 2016 and \$486.2 million in fiscal 2015. Cumulative actual tobacco settlement revenues as of fiscal 2016 were \$9.1 billion.

NOTE 22: Donor-Restricted Endowments

(Not Applicable)

NOTE 23: Extraordinary and Special Items

(Not Applicable)

NOTE 24: Disaggregation of Receivables and Payables

See Note 1 for disaggregation of Other Payables.

NOTE 25: Termination Benefits

(Not Applicable)

NOTE 26: Segment Information

(Not Applicable)

NOTE 27: Taxes Receivables/Payables

A. Taxes Receivable

The Comptroller - Fiscal agency collects certain taxes for the state of Texas. Taxes receivable represent amounts due to the state at Aug. 31, for revenues earned in the current fiscal year that will be collected in the future. The receivables have been recorded net of allowances for uncollectible accounts. Revenue is recorded on the governmental fund financial statements using the modified accrual basis of accounting for amounts due to the state of Texas at Aug. 31 that are considered as "available" (e.g. received by the state within approximately 60 days after that date). Revenue earned but not "available" at Aug. 31 is recorded as deferred inflow revenue. Prepaid taxes are also recorded as deferred inflow revenue.

On the government-wide financial statements a corresponding amount is recorded as revenue using the accrual basis of accounting, which includes revenue earned at fiscal year-end regardless if it is available. Unearned revenue includes only the prepaid taxes that have not been earned by fiscal year end. Taxes receivable are the same for both modified and full accrual basis.

Taxes receivable have been netted against any refunds payable and estimated uncollectable taxes with the exception of the Franchise Tax and Oil and Gas Production Tax. Refunds payable will be shown separately for the Franchise Tax and Oil and Gas Production Taxes. The full accrual basis is reported on the government-wide financial statements in the *State of Texas Comprehensive Annual Financial Report (CAFR)*.

As of Nov. 20, 2016 the taxes receivable and unearned revenue balances for the Franchise Tax had not been finalized. The Franchise Tax Revenue and Tax Receivable will be finalized after the final returns for the tax due May 15, 2016, are processed. The tax returns are due Nov. 15, 2016. Adjustments will be made if necessary prior to publication of the CAFR.

Taxes receivable, as reported in the General Fund (Exhibit I), are detailed by tax type as follows:

| Tax Type | Net Taxes Receivable |
|--|----------------------------|
| Sales and Use Tax | \$ 1,532,468,962.44 |
| Motor Vehicle & MFG Housing | 78,633,646.78 |
| Motor Fuels | 213,551.82 |
| Oil & Natural Gas Production | 55,526,662.11 |
| Franchise | |
| Insurance | 259,289,092.77 |
| Cigarette & Tobacco | 24,160,421.84 |
| Other | 224,133,268.01 |
| Total Net Taxes Receivable | <u>\$ 2,174,425,605.77</u> |
| As Reported on the Financial Statements | |
| Current Taxes Receivable | \$ 2,282,621,280.98 |
| Noncurrent Taxes Receivable | 34,759,475.90 |
| Total Taxes Receivable | <u>\$ 2,317,380,756.88</u> |
| Refunds Payable | \$ (142,955,151.11) |
| Total Net Taxes Receivable | <u>\$ 2,174,425,605.77</u> |

NOTE 28: Contested Taxes

The state may assess a claim against one or multiple taxpayers for a tax liability. Taxpayers may petition for a formal hearing before an independent administrative law judge if they wish to challenge a tax liability assessed by the state. If the request for a determination hearing is received within a specified time, the taxpayer does not have to pay the tax until a final decision is reached. As of Aug. 31, 2016, there was an estimated \$1.3 billion of assessments filed that are currently in the redetermination hearings process. Collectibility of these assessments is dependent upon the decisions of administrative law judges. These assessments are not recognized as tax revenue until the administrative hearing is final. Therefore, these amounts are not included in the receivables reported in the financial statements.

NOTE 29: Deferred Inflow of Resources

The deferred inflow revenue in general revenue of \$350 million consists of revenues earned but not available to finance expenditures of the current fiscal period.

NOTE 30: Unclaimed Property

The state holds certain property that is escheated to the state in the absence of legal claimants or heirs. Although a rightful owner can reclaim escheat property unto perpetuity, large portions of escheated property are never reclaimed. Additionally, the revenue generated from escheat property has always exceeded the amount needed to pay current claims. In fiscal year 2016, the unclaimed property fund received \$548 million in gross revenues, made \$269 million in claimant payments and transferred \$279 million to the general fund. The claimant liability in the general fund of \$273 million represents the probable amount that will be reclaimed and paid to claimants in the following year. As of Aug. 31, 2016, a balance of \$559 million in marketable securities and mutual funds were held in trust. The state also holds an insignificant amount of personal property, such as jewelry.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS

UNAUDITED
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EXHIBIT A-1

Combining Balance Sheet – All General and Consolidated Funds

August 31, 2016

| | Consolidated Funds | | | | |
|---|---|--|--|--|--|
| | General Revenue Fund (0001) U/F (0001, 9000) | County & Road District Highway Fund (0057) U/F (0057) | Law Enforcement Standards/Educ Fd (0116) U/F (0116) | Compensation Victims Crime Fd (0494) U/F (0494) | Economic Stabilization Fd (0599) U/F (0599) |
| | | | | | |
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents: | | | | | |
| Cash in State Treasury | \$ 524,858,277.03 | \$ | \$ | \$ 8,981,851.20 | \$ 7,875,081,471.92 |
| Short-Term Investments (Note 3) | | | | | 20,507,454.84 |
| Receivables | | | | | |
| Accounts | | | | | |
| Interest and Dividends | | | | 6,228.64 | 5,517,895.82 |
| Taxes (Note 27) | 2,282,621,280.98 | | | | |
| Due From Other Agencies (Note 12) | 30,954,883.28 | | 22,745,950.53 | | 439,511,639.37 |
| Total Current Assets | <u>2,838,434,441.29</u> | <u>0.00</u> | <u>22,745,950.53</u> | <u>8,988,079.84</u> | <u>8,340,618,461.95</u> |
| Non-Current Assets: | | | | | |
| Taxes Receivable (Note 27) | 34,759,475.90 | | | | |
| Investments (Note 3) | | | | | 1,819,475,362.91 |
| Total Non-Current Assets | <u>34,759,475.90</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>1,819,475,362.91</u> |
| Total Assets | <u>\$2,873,193,917.19</u> | <u>\$ 0.00</u> | <u>\$ 22,745,950.53</u> | <u>\$ 8,988,079.84</u> | <u>\$ 10,160,093,824.86</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Current Liabilities: | | | | | |
| Payables From: | | | | | |
| Accounts | \$ 1,034,088.95 | \$ | \$ | \$ | \$ 311,244.71 |
| Other Intergovernmental | 35,478,738.96 | | | | |
| Unclaimed Property Claimant Liabilities | 272,572,345.21 | | | | |
| Taxes Refund Payable | 142,955,151.11 | | | | |
| Due To Other Agencies (Note 12) | 1,280,076,579.83 | | | 9,449.30 | 2,031.30 |
| Unearned Revenues | 77,918,999.39 | | | | |
| Total Current Liabilities | <u>1,810,035,903.45</u> | <u>0.00</u> | <u>0.00</u> | <u>9,449.30</u> | <u>313,276.01</u> |
| Total Liabilities | <u>1,810,035,903.45</u> | <u>0.00</u> | <u>0.00</u> | <u>9,449.30</u> | <u>313,276.01</u> |
| DEFERRED INFLOWS | | | | | |
| Deferred Inflow of Resources (Note 29) | 349,847,371.88 | | | | |
| Total Deferred Inflows | <u>349,847,371.88</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | | | |
| Fund Balances (Deficits): | | | | | |
| Nonspendable for Long-Term Taxes Receivable | 34,759,475.90 | | | | |
| Restricted | | | | 8,978,630.54 | 1,839,679,441.64 |
| Committed | | | 22,745,950.53 | | |
| Unassigned | 678,551,165.96 | | | | 8,320,101,107.21 |
| Total Fund Balances | <u>713,310,641.86</u> | <u>0.00</u> | <u>22,745,950.53</u> | <u>8,978,630.54</u> | <u>10,159,780,548.85</u> |
| Total Liabilities and Fund Balances | <u>\$2,873,193,917.19</u> | <u>\$ 0.00</u> | <u>\$ 22,745,950.53</u> | <u>\$ 8,988,079.84</u> | <u>\$ 10,160,093,824.86</u> |

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| Consolidated Funds | | | | | Total |
|--|---|---|---|---|--------------------------------------|
| License Plate Trust Fund (0802) U/F (0802) | Events Trust Fund for Municipality/County (0830) U/F (8300) | Sexual Assault Program Fund (5010) U/F (501C) | Tobacco Settlement Temporary Hold (5040) U/F (5040) | Disabled Veterans Local Gov. Assistance (5160) U/F (5160) | (Exhibit I) 2016 |
| | | \$ 8,244,925.44 | \$ 82,167,278.16 | \$ 2,500,000.00 | \$ 8,501,833,803.75 20,507,454.84 |
| | | | 304,764,094.56 | | 304,764,094.56 |
| 0.62 | | | | | 5,524,125.08 |
| | | | | | 2,282,621,280.98 |
| 896.95 | | | | | 493,213,370.13 |
| 897.57 | 0.00 | 8,244,925.44 | 386,931,372.72 | 2,500,000.00 | 11,608,464,129.34 |
| | | | | | 34,759,475.90 |
| | | | | | 1,819,475,362.91 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,854,234,838.81 |
| <u>\$ 897.57</u> | <u>\$ 0.00</u> | <u>\$ 8,244,925.44</u> | <u>\$ 386,931,372.72</u> | <u>\$ 2,500,000.00</u> | <u>\$ 13,462,698,968.15</u> |
| | | | | | 1,345,333.66 |
| | | | | | 35,478,738.96 |
| | | | | | 272,572,345.21 |
| | | | | | 142,955,151.11 |
| | | | 2,092,525.02 | | 1,282,180,585.45 |
| | | 8,244,925.44 | 304,764,094.56 | | 390,928,019.39 |
| 0.00 | 0.00 | 8,244,925.44 | 306,856,619.58 | 0.00 | 2,125,460,173.78 |
| 0.00 | 0.00 | 8,244,925.44 | 306,856,619.58 | 0.00 | 2,125,460,173.78 |
| | | | | | 349,847,371.88 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 349,847,371.88 |
| | | | | | 34,759,475.90 |
| | | | 80,074,753.14 | 2,500,000.00 | 1,931,232,825.32 |
| 897.57 | | | | | 22,746,848.10 |
| | | | | | 8,998,652,273.17 |
| 897.57 | 0.00 | 0.00 | 80,074,753.14 | 2,500,000.00 | 10,987,391,422.49 |
| <u>\$ 897.57</u> | <u>\$ 0.00</u> | <u>\$ 8,244,925.44</u> | <u>\$ 385,931,372.72</u> | <u>\$ 2,500,000.00</u> | <u>\$ 13,462,698,968.15</u> |

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Comptroller – Fiscal (902)

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

| | Consolidated Funds | | | | |
|---|---|--|--|--|--|
| | General Revenue Fund (0001) U/F (0001, 9000) | County & Road District Highway Fund (0057) U/F (0057) | Law Enforcement Standards/Educ Fd (0116) U/F (0116) | Compensation Victims Crime Fd (0494) U/F (0494) | Economic Stabilization Fd (0599) U/F (0599) |
| REVENUES | | | | | |
| Taxes | \$43,053,078,670.42 | \$ | \$ | \$ | \$ |
| Licenses, Fees & Permits | 1,352,444,854.06 | | 5,567,524.16 | | |
| Interest and Other Investment Income | 35,543,277.58 | | | 61,134.02 | 114,466,586.50 |
| Land Income | 13,457,839.38 | | | | |
| Settlement of Claims | 104,162,983.24 | | | 2,008,441.71 | |
| Sales of Goods and Services | 50,598,089.24 | | | | |
| Other | 317,604,984.22 | | | | |
| Total Revenues | <u>44,926,890,698.14</u> | <u>0.00</u> | <u>5,567,524.16</u> | <u>2,069,575.73</u> | <u>114,466,586.50</u> |
| EXPENDITURES | | | | | |
| Payroll Related Costs | 670,784,505.69 | | | | |
| Professional Fees and Services | 22,353,288.12 | | | | 1,454,103.01 |
| Materials and Supplies | 12,167.70 | | | | |
| Communications and Utilities | 218,136.50 | | | | |
| Repairs and Maintenance | 860,631.43 | | | | |
| Claims and Judgments | 9,940,823.44 | | | 33,702.84 | |
| Intergovernmental Payments | 381,729,217.76 | 7,300,000.00 | 5,997,363.71 | | |
| Other Expenditures | 34,131,934.06 | | 650.14 | | |
| Capital Outlay | | | | | |
| Total Expenditures | <u>1,120,030,704.70</u> | <u>7,300,000.00</u> | <u>5,998,013.85</u> | <u>33,702.84</u> | <u>1,454,103.01</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>43,806,859,993.44</u> | <u>(7,300,000.00)</u> | <u>(430,489.69)</u> | <u>2,035,872.89</u> | <u>113,012,483.49</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfer In (Note 12) | 502,366,881.18 | 7,300,000.00 | | | 443,532,125.30 |
| Transfer Out (Note 12) | (19,253,815,985.01) | | | (1,733,176.56) | (3,065,536.13) |
| Legislative Transfer Out | (24,795,788,193.62) | | | | |
| Insurance Recoveries | 70,050.82 | | | | |
| Total Other Financing Sources (Uses) | <u>(43,547,167,246.63)</u> | <u>7,300,000.00</u> | <u>0.00</u> | <u>(1,733,176.56)</u> | <u>440,466,589.17</u> |
| Net Change in Fund Balances | <u>259,692,746.81</u> | <u>0.00</u> | <u>(430,489.69)</u> | <u>302,696.33</u> | <u>553,479,072.66</u> |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | | | |
| Fund Balances, September 1, 2015 | 453,617,895.05 | | 23,176,440.22 | 8,675,934.21 | 9,606,301,476.19 |
| Restatements (Note 14) | | | | | |
| Fund Balances, September 1, 2015, as Restated | <u>453,617,895.05</u> | <u>0.00</u> | <u>23,176,440.22</u> | <u>8,675,934.21</u> | <u>9,606,301,476.19</u> |
| Fund Balances, August 31, 2016 | <u>\$ 713,310,641.86</u> | <u>\$ 0.00</u> | <u>\$ 22,745,950.53</u> | <u>\$ 8,978,630.54</u> | <u>\$10,159,780,548.85</u> |

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| Consolidated Funds | | | | | | | Total |
|---|---|---|--|--|--|--|----------------------|
| License Plate Trust Fund (0802) U/F (0802) | Events Trust Fund for Municipality/ County (0830) U/F (8300) | Motor Sports & Racing Trust Fund (0839) U/F (8390) | Major Events Trust Fund (0869) U/F (0869) | Sexual Assault Program Fund (5010) L/F (5010) | Tobacco Settlement Temporary Hold (5040) U/F (5040) | Disabled Veterans Local Gov. Assistance (5160) U/F (5160) | 2016 |
| \$ | \$ 20,968,992.13 | \$ | \$ 41,504,319.90 | \$ | \$ | \$ | \$ 43,115,551,982.45 |
| 894.65 | | | | (11,823,535.00) | | | 1,346,189,737.87 |
| 2.92 | | | | | | | 150,071,001.02 |
| | | | | | | | 13,457,839.38 |
| | | | | | 487,573,768.08 | | 593,745,193.03 |
| | | | | | | | 50,598,089.24 |
| | | | | | | | 317,604,984.22 |
| 897.57 | 20,968,992.13 | 0.00 | 41,504,319.90 | (11,823,535.00) | 487,573,768.08 | 0.00 | 45,587,218,827.21 |
| | | | | | | | 670,784,505.69 |
| | | | | | | | 23,807,391.13 |
| | | | | | | | 12,167.70 |
| | | | | | | | 218,136.50 |
| | | | | | | | 860,631.43 |
| | | | | | | | 9,974,526.28 |
| | | | | | | 2,500,000.00 | 397,526,581.47 |
| | | | | | | | 34,132,584.20 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2,500,000.00 | 1,137,316,524.40 |
| 897.57 | 20,968,992.13 | 0.00 | 41,504,319.90 | (11,823,535.00) | 487,573,768.08 | (2,500,000.00) | 44,449,902,302.81 |
| | | | | 26,488,845.55 | | 5,000,000.00 | 984,687,852.03 |
| | (27,224,067.19) | (1,560,163.00) | (52,372,074.90) | (14,565,310.55) | (506,697,592.63) | | (19,861,133,905.97) |
| | | | | | | | (24,795,788,193.62) |
| | | | | | | | 70,050.82 |
| 0.00 | (27,224,067.19) | (1,560,163.00) | (52,372,074.90) | 11,823,535.00 | (506,697,592.63) | 5,000,000.00 | (43,672,164,196.74) |
| 897.57 | (6,255,075.06) | (1,560,163.00) | (10,867,755.00) | 0.00 | (19,123,824.55) | 2,500,000.00 | 777,738,106.07 |
| | 6,255,075.06 | 1,560,163.00 | 10,867,755.00 | | 99,198,577.69 | | 10,209,653,316.42 |
| 0.00 | 6,255,075.06 | 1,560,163.00 | 10,867,755.00 | 0.00 | 99,198,577.69 | 0.00 | 10,209,653,316.42 |
| \$ 897.57 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 80,074,753.14 | \$ 2,500,000.00 | \$ 10,987,391,422.49 |

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EXHIBIT B-1

Combining Balance Sheet – Special Revenue Funds

August 31, 2016

| | Property Tax Relief Fund (0304) U/F (0304) | Binding Arbitration Trust Fund (0838) U/F (8380) | International Fuels Tax Agreement Trust Fund (0886) U/F (0886) | Habitat Protection Fund (9999) U/F (2999) | Total (Exhibit I) 2016 |
|---|---|---|---|--|------------------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents: | | | | | |
| Cash in State Treasury | \$ | \$ 1,451.00 | \$ 20,863,977.62 | \$ | \$ 20,865,428.62 |
| Cash in Bank | | | | 8,810,532.52 | 8,810,532.52 |
| Receivables From: | | | | | |
| Interest and Dividends | 34,105.35 | | | | 34,105.35 |
| Due From Other Agencies (Note 12) | | | | | |
| Total Current Assets | <u>34,105.35</u> | <u>1,451.00</u> | <u>20,863,977.62</u> | <u>8,810,532.52</u> | <u>29,710,066.49</u> |
| Total Assets | <u>\$ 34,105.35</u> | <u>\$ 1,451.00</u> | <u>\$ 20,863,977.62</u> | <u>\$ 8,810,532.52</u> | <u>\$ 29,710,066.49</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable | \$ | \$ | \$ | \$ 438,036.65 | \$ 438,036.65 |
| Total Current Liabilities | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>438,036.65</u> | <u>438,036.65</u> |
| Total Liabilities | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>438,036.65</u> | <u>438,036.65</u> |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | | | |
| Fund Balances (Deficits): | | | | | |
| Restricted | 34,105.35 | | | 8,372,495.87 | 8,406,601.22 |
| Committed | | 1,451.00 | 20,863,977.62 | | 20,865,428.62 |
| Total Fund Balances | <u>34,105.35</u> | <u>1,451.00</u> | <u>20,863,977.62</u> | <u>8,372,495.87</u> | <u>29,272,029.84</u> |
| Total Liabilities and Fund Balances | <u>\$ 34,105.35</u> | <u>\$ 1,451.00</u> | <u>\$ 20,863,977.62</u> | <u>\$ 8,810,532.52</u> | <u>\$ 29,710,066.49</u> |

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Comptroller – Fiscal (902)

EXHIBIT B-2

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Special Revenue Funds

For the Fiscal Year Ended August 31, 2016

| | Property Tax Relief Fund (0304) U/F (0304) | Binding Arbitration Trust Fund (0838) U/F (8380) | International Fuels Tax Agreement Trust Fund (0886) U/F (0886) | Habitat Protection Fund (9999) U/F (2999) | Total (Exhibit I) 2016 |
|---|---|---|---|--|------------------------------|
| REVENUES | | | | | |
| Taxes | \$1,885,044,451.80 | \$ | \$ | \$ | \$1,885,044,451.80 |
| Licenses, Fees & Permits | | | | 5,786,310.21 | 5,786,310.21 |
| Interest and Other Investment Income | 764,496.33 | | 150,496.63 | 17,421.33 | 932,414.29 |
| Other | | 309,225.00 | 17,904,580.41 | | 18,213,805.41 |
| Total Revenues | <u>1,885,808,948.13</u> | <u>309,225.00</u> | <u>18,055,077.04</u> | <u>5,803,731.54</u> | <u>1,909,976,981.71</u> |
| EXPENDITURES | | | | | |
| Intergovernmental Payments | | | 23,031,882.98 | 3,582,647.84 | 26,614,530.82 |
| Professional Fees and Services | | 308,775.00 | | | 308,775.00 |
| Claims and Judgments | | | | | |
| Other Expenditures | | | | 1,204.92 | 1,204.92 |
| Total Expenditures | <u>0.00</u> | <u>308,775.00</u> | <u>23,031,882.98</u> | <u>3,583,852.76</u> | <u>26,924,510.74</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 1,885,808,948.13 | 450.00 | (4,976,805.94) | 2,219,878.78 | 1,883,052,470.97 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfer In (Note 12) | | | | | |
| Transfer Out (Note 12) | (1,885,861,643.34) | | (150,474.74) | | (1,886,012,118.08) |
| Total Other Financing Sources (Uses) | <u>(1,885,861,643.34)</u> | <u>0.00</u> | <u>(150,474.74)</u> | <u>0.00</u> | <u>(1,886,012,118.08)</u> |
| Net Change in Fund Balances | <u>(52,695.21)</u> | <u>450.00</u> | <u>(5,127,280.68)</u> | <u>2,219,878.78</u> | <u>(2,959,647.11)</u> |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | | | |
| Fund Balances, September 1, 2015 | 86,800.56 | 1,001.00 | 25,991,258.30 | 6,152,617.09 | 32,231,676.95 |
| Restatements (Note 14) | | | | | |
| Fund Balances, September 1, 2015, as Restated | <u>86,800.56</u> | <u>1,001.00</u> | <u>25,991,258.30</u> | <u>6,152,617.09</u> | <u>32,231,676.95</u> |
| Fund Balances, August 31, 2016 | <u>\$ 34,105.35</u> | <u>\$ 1,451.00</u> | <u>\$ 20,863,977.62</u> | <u>\$ 8,372,495.87</u> | <u>\$ 29,272,029.84</u> |

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EXHIBIT C-1

Combining Balance Sheet – Permanent Funds

August 31, 2016

| | Supporting Graduate Education Fund (0175) U/F (1179) | Military & Veterans Exemptions Fund (0210) U/F (1210) | Available Nat'l Research University Fund (0214) U/F(0214) | Total (Exhibit I) 2016 |
|---|--|--|--|------------------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents: | | | | |
| Cash in State Treasury | \$ | \$ 2,859,626.10 | \$ 46,420,777.07 | \$ 49,280,403.17 |
| Short-Term Investments (Note 3) | 17,617,102.26 | 14,443,136.85 | | 32,060,239.11 |
| Receivables From: | | | | |
| Interest and Dividends | 6,585.17 | 9,189.13 | 33,346.00 | 49,220.30 |
| Total Current Assets | <u>17,623,787.43</u> | <u>17,311,952.08</u> | <u>46,454,123.07</u> | <u>81,389,862.58</u> |
| Non-Current Assets: | | | | |
| Investments (Note 3) | 292,919,348.45 | 226,253,557.53 | | 519,173,405.98 |
| Total Non-Current Assets: | <u>292,919,348.45</u> | <u>226,253,557.53</u> | | <u>519,173,405.98</u> |
| Total Assets | <u>\$ 310,543,635.88</u> | <u>\$ 243,565,509.61</u> | <u>\$ 46,454,123.07</u> | <u>\$ 600,563,268.56</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | \$ 157,071.62 | \$ 121,969.08 | \$ | \$ 279,040.70 |
| Due To Other Agencies (Note 12) | | 2,859,626.10 | 46,420,777.07 | 49,280,403.17 |
| Total Current Liabilities | <u>157,071.62</u> | <u>2,981,595.18</u> | <u>46,420,777.07</u> | <u>49,559,443.87</u> |
| Total Liabilities | <u>157,071.62</u> | <u>2,981,595.18</u> | <u>46,420,777.07</u> | <u>49,559,443.87</u> |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | | |
| Fund Balances (Deficits): | | | | |
| Restricted | 310,386,564.26 | 240,583,914.43 | 33,346.00 | 551,003,824.69 |
| Committed | | | | |
| Total Fund Balances | <u>310,386,564.26</u> | <u>240,583,914.43</u> | <u>33,346.00</u> | <u>551,003,824.69</u> |
| Total Liabilities and Fund Balances | <u>\$ 310,543,635.88</u> | <u>\$ 243,565,509.61</u> | <u>\$ 46,454,123.07</u> | <u>\$ 600,563,268.56</u> |

EXHIBIT C-2

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Permanent Funds

For the Fiscal Year Ended August 31, 2016

| | Supporting Graduate Education Fund (0179) U/F (1179) | Military & Veterans Exemptions Fund (0210) U/F (1210) | Available Nat'l Research University Fund (0214) U/F(0214) | Total (Exhibit I) 2016 |
|---|--|--|--|------------------------------|
| REVENUES | | | | |
| Licenses, Fees & Permits | \$ | \$ | \$ | \$ |
| Interest and Other Investment Income | 11,687,425.25 | 4,658,874.37 | (398,443.40) | 15,947,856.23 |
| Other | 299,300,000.00 | | 18,908,644.22 | 318,208,644.22 |
| Total Revenues | <u>310,987,425.25</u> | <u>4,658,874.37</u> | <u>18,510,200.82</u> | <u>334,156,500.45</u> |
| EXPENDITURES | | | | |
| Professional Fees and Services | 600,861.00 | 549,811.79 | | 1,150,672.79 |
| Intergovernmental Payments | | 913,250.00 | | 913,250.00 |
| Other Expenditures | | | | |
| Total Expenditures | <u>600,861.00</u> | <u>1,463,061.79</u> | <u>0.00</u> | <u>2,063,922.79</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>310,386,564.26</u> | <u>3,195,812.58</u> | <u>18,510,200.82</u> | <u>332,092,577.66</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer In (Note 12) | | | | |
| Transfer Out (Note 12) | | (10,478,904.21) | (18,908,644.22) | (29,387,548.43) |
| Total Other Financing Sources (Uses) | <u>0.00</u> | <u>(10,478,904.21)</u> | <u>(18,908,644.22)</u> | <u>(29,387,548.43)</u> |
| Net Change in Fund Balances | <u>310,386,564.26</u> | <u>(7,283,091.63)</u> | <u>(398,443.40)</u> | <u>302,705,029.23</u> |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | | |
| Fund Balances, September 1, 2015 | | 247,867,006.06 | 431,789.40 | 248,298,795.46 |
| Restatements (Note 14) | | | | |
| Fund Balances, September 1, 2015, as Restated | <u>0.00</u> | <u>247,867,006.06</u> | <u>431,789.40</u> | <u>248,298,795.46</u> |
| Fund Balances, August 31, 2016 | <u>\$ 310,386,564.26</u> | <u>\$ 240,583,914.43</u> | <u>\$ 33,346.00</u> | <u>\$ 551,003,824.69</u> |

EXHIBIT I-1

Combining Statement of Fiduciary Net Position – Private-Purpose Trust Funds

August 31, 2016

| | Private Purpose Tobacco Settlement Political Subdivision Trust (0872) U/F (2872) | Federal Resource Receipt Distribution Fund (0521) U/F (0521) | Private Purpose Flood Area School and Road Trust Fund (0903) U/F (0903) | Total (Exhibit VI) 2016 |
|---|--|--|---|-------------------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents: | | | | |
| Cash in State Treasury | \$ | \$ 17,484.23 | \$ 2,371,519.51 | \$ 2,389,003.74 |
| Receivables: | | | | |
| Federal | | | 1,766.84 | 1,766.84 |
| Interest and Dividends | | | | |
| Total Assets | <u>0.00</u> | <u>17,484.23</u> | <u>2,373,286.35</u> | <u>2,390,770.58</u> |
| LIABILITIES | | | | |
| Accounts Payable | | | 1,425,699.49 | 1,425,699.49 |
| Unearned Revenues | | 17,484.23 | | 17,484.23 |
| Total Liabilities | <u>0.00</u> | <u>17,484.23</u> | <u>1,425,699.49</u> | <u>1,443,183.72</u> |
| NET POSITION | | | | |
| Held In Trust For: | | | | |
| Individuals, Organizations, and Other Governments | | | 947,586.86 | 947,586.86 |
| Total Net Position | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 947,586.86</u> | <u>\$ 947,586.86</u> |

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 Tobacco Settlement Political Subdivision Trust (0872) U/F (2872) | Private Purpose Flood Area School and Road Trust Fund (0903) U/F (0903) | Total (Exhibit VI) 2016 |
|--|--|---|-------------------------------|
| ADDITIONS | | | |
| Contributions: | | | |
| Investment Income: | | | |
| From Investing Activities | | | |
| Interest and Investment Income | \$ 0.00 | \$ 36,508.53 | \$ 36,508.53 |
| Total Investment Income | <u>0.00</u> | <u>36,508.53</u> | <u>36,508.53</u> |
| Other Additions: | | | |
| Federal Revenue | | 4,085,854.02 | 4,085,854.02 |
| Other Revenue | | | |
| Transfers-In (Note 12) | 46,761,489.00 | | 46,761,489.00 |
| Total Other Additions | <u>46,761,489.00</u> | <u>4,085,854.02</u> | <u>50,847,343.02</u> |
| Total Additions | <u>46,761,489.00</u> | <u>4,122,362.55</u> | <u>50,883,851.55</u> |
| DEDUCTIONS | | | |
| Intergovernmental Payments | 46,761,489.00 | 4,085,854.02 | 50,847,343.02 |
| Transfers-Out (Note 12) | | | |
| Total Deductions | <u>46,761,489.00</u> | <u>4,085,854.02</u> | <u>50,847,343.02</u> |
| NET INCREASE (DECREASE) | <u>0.00</u> | <u>36,508.53</u> | <u>36,508.53</u> |
| Net Position, September 1, 2015 | 0.00 | 911,078.33 | 911,078.33 |
| Restatements (Note 14) | 0.00 | 0.00 | 0.00 |
| Net Position, September 1, 2015, as Restated | <u>0.00</u> | <u>911,078.33</u> | <u>911,078.33</u> |
| Net Position – August 31, 2016 | <u>\$ 0.00</u> | <u>\$ 947,586.86</u> | <u>\$ 947,586.86</u> |

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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 |
|--|--|--------------------------|--------------------------|-----------------------------------|
| General Revenue Fund (0001) – | | | | |
| Unclaimed Property Securities Receipts (U/F 4113) | | | | |
| ASSETS | | | | |
| Investments: | | | | |
| U.S. Government & Agency Obligations (Note 3) | \$ 50,174.46 | \$ 67,908.83 | \$ 50,174.46 | \$ 67,908.83 |
| Corporate Obligations (Note 3) | 146,490.64 | 223,515.88 | 146,490.64 | 223,515.88 |
| Corporate Equity (Note 3) | 416,802,274.87 | 401,937,346.10 | 416,802,274.87 | 401,937,346.10 |
| Pooled Investments Note 3) | 146,231,702.40 | 147,244,866.83 | 146,231,702.40 | 147,244,866.83 |
| Other Investments (Note 3) | 6,353,025.81 | 10,000,831.38 | 6,353,025.81 | 10,000,831.38 |
| Total Assets | \$ 569,583,668.18 | \$ 559,474,469.02 | \$ 569,583,668.18 | \$ 559,474,469.02 |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 569,583,668.18 | \$ 559,474,469.02 | \$ 569,583,668.18 | \$ 559,474,469.02 |
| Total Liabilities | \$ 569,583,668.18 | \$ 559,474,469.02 | \$ 569,583,668.18 | \$ 559,474,469.02 |
| OTHER AGENCY FUNDS | | | | |
| Events Trust Fund for Municipality/County (0830) U/F (0830) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 1,367,620.33 | \$ 756,162.00 | \$ 2,123,782.33 | \$ |
| Total Assets | \$ 1,367,620.33 | \$ 756,162.00 | \$ 2,123,782.33 | \$ 0.00 |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 1,367,620.33 | \$ 756,162.00 | \$ 2,123,782.33 | \$ |
| Total Liabilities | \$ 1,367,620.33 | \$ 756,162.00 | \$ 2,123,782.33 | \$ 0.00 |
| Binding Arbitration Trust Fund (0838) U/F (0838) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 205,465.00 | \$ 1,593,467.00 | \$ 1,413,267.00 | \$ 385,665.00 |
| Total Assets | \$ 205,465.00 | \$ 1,593,467.00 | \$ 1,413,267.00 | \$ 385,665.00 |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 205,465.00 | \$ 1,593,467.00 | \$ 1,413,267.00 | \$ 385,665.00 |
| Total Liabilities | \$ 205,465.00 | \$ 1,593,467.00 | \$ 1,413,267.00 | \$ 385,665.00 |
| Motor Sports & Racing Trust Fund (0839) U/F (0839) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 249,627.00 | \$ | \$ 249,627.00 | \$ |
| Total Assets | \$ 249,627.00 | \$ 0.00 | \$ 249,627.00 | \$ 0.00 |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 249,627.00 | \$ | \$ 249,627.00 | \$ |
| Total Liabilities | \$ 249,627.00 | \$ 0.00 | \$ 249,627.00 | \$ 0.00 |
| Fireworks Tax Security Trust Account (C862) U/F (0862) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 200.00 | \$ | \$ 200.00 | \$ |
| Total Assets | \$ 200.00 | \$ 0.00 | \$ 200.00 | \$ 0.00 |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 200.00 | \$ | \$ 200.00 | \$ |
| Total Liabilities | \$ 200.00 | \$ 0.00 | \$ 200.00 | \$ 0.00 |

Continued on the following page

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EXHIBIT J-1 (continued)

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 |
|--|--|----------------------------|----------------------------|-----------------------------------|
| Custom Brokers Bond/Security Trust Fund (0866) U/F (0866) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 20,000.00 | \$ 20,000.00 | \$ 25,000.00 | \$ 15,000.00 |
| Total Assets | <u>\$ 20,000.00</u> | <u>\$ 20,000.00</u> | <u>\$ 25,000.00</u> | <u>\$ 15,000.00</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 20,000.00 | \$ 20,000.00 | \$ 25,000.00 | \$ 15,000.00 |
| Total Liabilities | <u>\$ 20,000.00</u> | <u>\$ 20,000.00</u> | <u>\$ 25,000.00</u> | <u>\$ 15,000.00</u> |
| Texas Racing Commission Security Trust Fund (0868) U/F (0868) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 11,700.00 | \$ 12,100.00 | \$ 11,700.00 | \$ 12,100.00 |
| Total Assets | <u>\$ 11,700.00</u> | <u>\$ 12,100.00</u> | <u>\$ 11,700.00</u> | <u>\$ 12,100.00</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 11,700.00 | \$ 12,100.00 | \$ 11,700.00 | \$ 12,100.00 |
| Total Liabilities | <u>\$ 11,700.00</u> | <u>\$ 12,100.00</u> | <u>\$ 11,700.00</u> | <u>\$ 12,100.00</u> |
| Major Events Trust Fund (0869) U/F (8690) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 3,044,726.15 | \$ | \$ 3,044,726.15 | \$ |
| Total Assets | <u>\$ 3,044,726.15</u> | <u>\$ 0.00</u> | <u>\$ 3,044,726.15</u> | <u>\$ 0.00</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 3,044,726.15 | \$ | \$ 3,044,726.15 | \$ |
| Total Liabilities | <u>\$ 3,044,726.15</u> | <u>\$ 0.00</u> | <u>\$ 3,044,726.15</u> | <u>\$ 0.00</u> |
| Local Tax Collections For Sports/Community Venue Project Trust Fund (0874) U/F (0874) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 4,783,416.28 | \$ 57,605,242.70 | \$ 58,849,512.76 | \$ 3,539,146.22 |
| Total Assets | <u>\$ 4,783,416.28</u> | <u>\$ 57,605,242.70</u> | <u>\$ 58,849,512.76</u> | <u>\$ 3,539,146.22</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 4,783,416.28 | \$ 57,605,242.70 | \$ 58,849,512.76 | \$ 3,539,146.22 |
| Total Liabilities | <u>\$ 4,783,416.28</u> | <u>\$ 57,605,242.70</u> | <u>\$ 58,849,512.76</u> | <u>\$ 3,539,146.22</u> |
| City, County, MTA & SPD Sales Tax Trust (0882) U/F (0882) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 941,921,976.52 | \$ 9,662,059,156.84 | \$ 9,608,960,223.46 | \$ 995,020,909.90 |
| Total Assets | <u>\$ 941,921,976.52</u> | <u>\$ 9,662,059,156.84</u> | <u>\$ 9,608,960,223.46</u> | <u>\$ 995,020,909.90</u> |
| LIABILITIES | | | | |
| Other Intergovernmental Payables | \$ 941,921,976.52 | \$ 995,020,909.90 | \$ 941,921,976.52 | \$ 995,020,909.90 |
| Funds Held for Others | \$ | \$ 8,667,038,246.94 | \$ 8,667,038,246.94 | \$ |
| Total Liabilities | <u>\$ 941,921,976.52</u> | <u>\$ 9,662,059,156.84</u> | <u>\$ 9,608,960,223.46</u> | <u>\$ 995,020,909.90</u> |

Continued on the following page

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EXHIBIT J-1 (continued)

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 |
|--|--|--------------------------|--------------------------|-----------------------------------|
| International Fuels Tax Agreement (IFTA) Guaranty Trust Account (0884) U/F (0884) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 281,037.82 | \$ 407,209.72 | \$ 304,025.20 | \$ 384,222.34 |
| Total Assets | <u>\$ 281,037.82</u> | <u>\$ 407,209.72</u> | <u>\$ 304,025.20</u> | <u>\$ 384,222.34</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 281,037.82 | \$ 407,209.72 | \$ 304,025.20 | \$ 384,222.34 |
| Total Liabilities | <u>\$ 281,037.82</u> | <u>\$ 407,209.72</u> | <u>\$ 304,025.20</u> | <u>\$ 384,222.34</u> |
| Departmental Suspense Fund (0900) U/F (0900) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 6,728,517.88 | \$ 450,193,885.07 | \$ 447,976,555.90 | \$ 8,945,847.05 |
| Total Assets | <u>\$ 6,728,517.88</u> | <u>\$ 450,193,885.07</u> | <u>\$ 447,976,555.90</u> | <u>\$ 8,945,847.05</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 6,728,517.88 | \$ 450,193,885.07 | \$ 447,976,555.90 | \$ 8,945,847.05 |
| Total Liabilities | <u>\$ 6,728,517.88</u> | <u>\$ 450,193,885.07</u> | <u>\$ 447,976,555.90</u> | <u>\$ 8,945,847.05</u> |
| Motor Fuel Distributor's Bond Guaranty (0904) U/F (0904) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 1,559,785.63 | \$ 1,693,785.63 | \$ 2,219,985.63 | \$ 1,033,585.63 |
| Total Assets | <u>\$ 1,559,785.63</u> | <u>\$ 1,693,785.63</u> | <u>\$ 2,219,985.63</u> | <u>\$ 1,033,585.63</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 1,559,785.63 | \$ 1,693,785.63 | \$ 2,219,985.63 | \$ 1,033,585.63 |
| Total Liabilities | <u>\$ 1,559,785.63</u> | <u>\$ 1,693,785.63</u> | <u>\$ 2,219,985.63</u> | <u>\$ 1,033,585.63</u> |
| Qualified Hotel Project Trust Fund (0905) U/F (0905) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 1,924,553.16 | \$ 18,279,645.32 | \$ 19,619,203.53 | \$ 584,994.95 |
| Total Assets | <u>\$ 1,924,553.16</u> | <u>\$ 18,279,645.32</u> | <u>\$ 19,619,203.53</u> | <u>\$ 584,994.95</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 1,924,553.16 | \$ 18,279,645.32 | \$ 19,619,203.53 | \$ 584,994.95 |
| Total Liabilities | <u>\$ 1,924,553.16</u> | <u>\$ 18,279,645.32</u> | <u>\$ 19,619,203.53</u> | <u>\$ 584,994.95</u> |
| Mixed Beverage Tax Guaranty Fund (0906) U/F (0906) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 15,815,532.00 | \$ 18,866,670.46 | \$ 17,543,003.59 | \$ 17,139,198.87 |
| Total Assets | <u>\$ 15,815,532.00</u> | <u>\$ 18,866,670.46</u> | <u>\$ 17,543,003.59</u> | <u>\$ 17,139,198.87</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 15,815,532.00 | \$ 18,866,670.46 | \$ 17,543,003.59 | \$ 17,139,198.87 |
| Total Liabilities | <u>\$ 15,815,532.00</u> | <u>\$ 18,866,670.46</u> | <u>\$ 17,543,003.59</u> | <u>\$ 17,139,198.87</u> |
| Sales Tax Guaranty Trust (0962) U/F (0962) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 33,547,043.37 | \$ 41,647,196.39 | \$ 43,805,010.80 | \$ 31,389,228.96 |
| Total Assets | <u>\$ 33,547,043.37</u> | <u>\$ 41,647,196.39</u> | <u>\$ 43,805,010.80</u> | <u>\$ 31,389,228.96</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 33,547,043.37 | \$ 41,647,196.39 | \$ 43,805,010.80 | \$ 31,389,228.96 |
| Total Liabilities | <u>\$ 33,547,043.37</u> | <u>\$ 41,647,196.39</u> | <u>\$ 43,805,010.80</u> | <u>\$ 31,389,228.96</u> |

Continued on the following page

EXHIBIT J-1 (concluded)

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 |
|--|--|----------------------|----------------------|-----------------------------------|
| Direct Deposit Correction Account (0980) U/F (0980) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 43,938.32 | \$ 47,788,429.80 | \$ 47,796,557.82 | \$ 35,810.30 |
| Total Assets | \$ 43,938.32 | \$ 47,788,429.80 | \$ 47,796,557.82 | \$ 35,810.30 |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 43,938.32 | \$ 47,788,429.80 | \$ 47,796,557.82 | \$ 35,810.30 |
| Total Liabilities | \$ 43,938.32 | \$ 47,788,429.80 | \$ 47,796,557.82 | \$ 35,810.30 |
| Totals – All Agency Funds | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 1,011,505,139.46 | \$ 10,300,922,950.93 | \$ 10,253,942,381.17 | \$ 1,058,485,709.22 |
| Investments: | | | | |
| U.S. Government & Agency Obligations (Note 3) | 50,174.46 | 67,908.83 | 50,174.46 | 67,908.83 |
| Corporate Obligations (Note 3) | 146,490.64 | 223,515.88 | 146,490.64 | 223,515.88 |
| Corporate Equity (Note 3) | 416,802,274.87 | 401,937,346.10 | 416,802,274.87 | 401,937,346.10 |
| Pooled Investments Note 3) | 146,231,702.40 | 147,244,866.83 | 146,231,702.40 | 147,244,866.83 |
| Other Investments (Note 3) | 6,353,025.81 | 10,000,831.38 | 6,353,025.81 | 10,000,831.38 |
| Total Assets | \$ 1,581,088,807.64 | \$ 10,860,397,419.95 | \$ 10,823,526,049.35 | \$ 1,617,960,178.24 |
| LIABILITIES | | | | |
| Intergovernmental Payables | \$ 941,921,976.52 | \$ 995,020,909.90 | \$ 941,921,976.52 | \$ 995,020,909.90 |
| Funds Held for Others | 639,166,831.12 | 9,865,376,510.05 | 9,881,604,072.83 | 622,939,268.34 |
| Total Liabilities | \$ 1,581,088,807.64 | \$ 10,860,397,419.95 | \$ 10,823,526,049.35 | \$ 1,617,960,178.24 |

SUPPLEMENTARY SCHEDULES

SCHEDULE 1A:

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended August 31, 2016

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number | Pass-Through From | | Direct Program Amount | Total Pass-Through & Direct Program |
|---|-------------|----------------------------|---------------------------|-----------------------|-------------------------------------|
| | | State Agy. or Univ. Amount | Non-State Entities Amount | | |
| U.S. Department of Defense Payment to States of Real Estate Taxes | 12.112 | \$ | \$ | \$4,085,854.02 | \$4,085,854.02 |
| Total U.S. Dept of Defense | | 0.00 | 0.00 | 4,085,854.02 | 4,085,854.02 |
| Total Federal Financial Assistance | | \$ 0.00 | \$ 0.00 | \$4,085,854.02 | \$4,085,854.02 |

NOTE 2 – RECONCILIATION

Per Combined Statement of Changes in Fiduciary Net Assets –
Fiduciary Funds – (Exhibit VII):

| | |
|--|-----------------------|
| Federal Revenues | \$ 4,085,854.02 |
| Reconciling Items | 0.00 |
| Total Pass-Through and Expenditures Per Federal Schedule | <u>\$6,180,239.03</u> |

NOTE 7 – FEDERAL DEFERRED REVENUE

| CFDA | Balance 09/01/15 | Net Change | Balance 08/31/16 |
|--------|------------------|------------|------------------|
| 15.227 | \$ 17,479.83 | \$ 4.40 | \$ 17,484.23 |

The deferred revenue of \$17,484.23 is federal grant prepayments that have not been earned. This relates to CFDA 15.227 - Distribution of Receipts to State and Local Governments.

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| Pass-Through To | | Expenditures Amount | Total Pass-Through & Expenditures |
|-------------------------------|------------------------------|------------------------|--------------------------------------|
| State Agy. or Univ. Amount | Non-State Entities Amount | | |
| \$ | \$ | \$ 4,085,854.02 | \$4,085,854.02 |
| 0.00 | 0.00 | 4,085,854.02 | 4,085,854.02 |
| <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 4,085,854.02</u> | <u>\$4,085,854.02</u> |

SCHEDULE 4

**Schedule of Modified to Full Accrual Adjustments – Governmental Funds
Balance Sheet/Statement of Net Position – Governmental Funds**

August 31, 2016

| | Governmental Funds Total | Capital Assets Adjustments | Long-Term Liabilities Adjustments | Other Adjustments | Statement of Net Assets |
|---|-----------------------------|-------------------------------|--------------------------------------|---------------------------|----------------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash in State Treasury | \$ 8,571,979,635.54 | \$ | \$ | \$ | \$ 8,571,979,635.54 |
| Cash in Bank | 8,810,532.52 | | | | 8,810,532.52 |
| Short Term Investments | 52,567,693.95 | | | | 52,567,693.95 |
| Receivables: | | | | | |
| Accounts Receivable | 304,764,094.56 | | | | 304,764,094.56 |
| Interest and Dividends | 5,607,450.73 | | | | 5,607,450.73 |
| Taxes | 2,282,621,280.98 | | | | 2,282,621,280.98 |
| Due From Other Agencies | 493,213,370.13 | | | | 493,213,370.13 |
| Total Current Assets | <u>11,719,564,058.41</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>11,719,564,058.41</u> |
| Non-Current Assets: | | | | | |
| Taxes Receivable | 34,759,475.90 | | | | 34,759,475.90 |
| Investments | 2,338,648,768.89 | | | | 2,338,648,768.89 |
| Capital Assets: | | | | | |
| Depreciable | | | | | |
| Furniture and Equipment | | 2,647,907.21 | | | 2,647,907.21 |
| Accumulated Depreciation | | (2,613,504.34) | | | (2,613,504.34) |
| Computer Software | | 4,408,806.09 | | | 4,408,806.09 |
| Accumulated Amortization | | (4,295,234.96) | | | (4,295,234.96) |
| Total Non-Current Assets | 2,373,408,244.79 | 147,974.00 | 0.00 | 0.00 | 2,373,556,218.79 |
| Total Assets | <u>\$14,092,972,303.20</u> | <u>\$ 147,974.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$14,093,120,277.20</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Current Liabilities: | | | | | |
| Payables From: | | | | | |
| Accounts Payable | \$ 2,062,411.01 | \$ | \$ | \$ | \$ 2,062,411.01 |
| Other Intergovernmental | 35,478,738.96 | | | | 35,478,738.96 |
| Unclaimed Property Claimant Liabilities | 272,572,345.21 | | | | 272,572,345.21 |
| Taxes Refund Payable | 142,955,151.11 | | | | 142,955,151.11 |
| Due to Other Agencies | 1,331,460,988.62 | | | | 1,331,460,988.62 |
| Unearned Revenues | 390,928,019.39 | | | | 390,928,019.39 |
| Total Current Liabilities | <u>2,175,457,654.30</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>2,175,457,654.30</u> |
| Total Liabilities | <u>2,175,457,654.30</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>2,175,457,654.30</u> |
| DEFERRED INFLOWS | | | | | |
| Deferred Inflow of Resources (Note 29) | 349,847,371.88 | | | (349,847,371.88) | |
| Total Deferred Inflows | <u>349,847,371.88</u> | <u>0.00</u> | <u>0.00</u> | <u>(349,847,371.88)</u> | <u>0.00</u> |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | | | |
| Fund Balances (Deficits): | | | | | |
| Nonspendable for LT Taxes Receivable | 34,759,475.90 | | | | |
| Restricted | 2,490,643,251.23 | | | | |
| Committed | 43,612,276.72 | | | | |
| Unassigned | 8,998,652,273.17 | | | | |
| Total Fund Balances | <u>11,567,667,277.02</u> | | | | |
| Total Liabilities and Fund Balance | <u>\$14,092,972,303.20</u> | | | | |
| GOVERNMENT-WIDE STATEMENT – NET POSITION | | | | | |
| Net Position: | | | | | |
| Net Investment in Capital Assets | | \$ 147,974.00 | \$ | \$ | \$ 147,974.00 |
| Unrestricted | | | | (349,847,371.88) | 11,917,514,648.90 |
| Total Net Position | | <u>\$ 147,974.00</u> | <u>\$ 0.00</u> | <u>\$(349,847,371.88)</u> | <u>\$11,917,662,622.90</u> |

UNAUDITED
Comptroller – Fiscal (902)

SCHEDULE 4

**Schedule of Modified to Full Accrual Adjustments – Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balances/Statement of Activities – Governmental Funds**

For the Fiscal Year Ended August 31, 2016

| | Governmental Funds Total | Capital Assets Adjustments | Long-Term Liabilities Adjustments | Other Adjustments | Statement of Net Assets |
|---|-----------------------------|-------------------------------|--------------------------------------|--------------------------|-----------------------------|
| REVENUES | | | | | |
| Taxes | \$ 45,000,596,434.25 | \$ | \$ | 349,847,371.88 | \$ 45,350,443,806.13 |
| Licenses, Fees & Permits | 1,351,976,048.08 | | | | 1,351,976,048.08 |
| Interest and Other Investment Income | 166,951,271.54 | | | | 166,951,271.54 |
| Land Income | 13,457,839.38 | | | | 13,457,839.38 |
| Settlement of Claims | 593,745,193.03 | | | | 593,745,193.03 |
| Sales of Goods and Services | 50,598,089.24 | | | | 50,598,089.24 |
| Other | 654,027,433.85 | | | | 654,027,433.85 |
| Total Revenues | <u>47,831,352,309.37</u> | <u>0.00</u> | <u>0.00</u> | <u>349,847,371.88</u> | <u>48,181,199,681.25</u> |
| EXPENDITURES | | | | | |
| Payroll Related Costs | 670,784,505.69 | | | | 670,784,505.69 |
| Professional Fees and Services | 25,266,838.92 | | | | 25,266,838.92 |
| Materials and Supplies | 12,167.70 | | | | 12,167.70 |
| Communications and Utilities | 218,136.50 | | | | 218,136.50 |
| Repairs and Maintenance | 860,631.43 | | | | 860,631.43 |
| Claims and Judgments | 9,974,526.28 | | | | 9,974,526.28 |
| Intergovernmental Payments | 425,054,362.29 | | | | 425,054,362.29 |
| Other Expenditures | 34,133,789.12 | | | | 34,133,789.12 |
| Capital Outlay | | | | | |
| Depreciation/Amortization Expense | | 108,871.20 | | | 108,871.20 |
| Total Expenditures | <u>1,166,304,957.93</u> | <u>108,871.20</u> | <u>0.00</u> | <u>0.00</u> | <u>1,166,413,829.13</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>46,565,047,351.44</u> | <u>(108,871.20)</u> | <u>0.00</u> | <u>349,847,371.88</u> | <u>47,014,785,852.12</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Net Inc (Dec) on Transfer of Capital Assets | | | | | |
| Transfer In | 984,687,852.03 | | | | 984,687,852.03 |
| Transfer Out | (21,776,533,572.48) | | | | (21,776,533,572.48) |
| Legislative Transfer Out | (24,795,788,193.62) | | | | (24,795,788,193.62) |
| Insurance Recoveries | 70,050.82 | | | | 70,050.82 |
| Total Other Financing Sources and Uses | <u>(45,587,563,863.25)</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>(45,587,563,863.25)</u> |
| Net Change in Fund Balances/Net Assets | <u>1,377,483,488.19</u> | <u>(108,871.20)</u> | | <u>349,847,371.88</u> | <u>1,427,221,988.87</u> |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | | | |
| Fund Balances, September 1, 2015 | 10,490,183,788.83 | | | | |
| Restatements | | | | | |
| Fund Balances, September 1, 2015, as Restated | <u>10,490,183,788.83</u> | | | | |
| Fund Balances, August 31, 2016 | <u>\$ 11,567,667,277.02</u> | | | | |
| GOVERNMENT-WIDE STATEMENT – NET POSITION | | | | | |
| Net Position/Net Change in Net Position | \$ 1,377,483,488.19 | \$ (108,871.20) | \$ 0.00 | \$ 349,847,371.88 | \$ 1,427,221,988.87 |
| Net Position, September 1, 2015 | 10,490,183,788.83 | 256,845.20 | | | 10,490,440,634.03 |
| Restatements | | | | | |
| Net Position, September 1, 2015, as Restated | <u>10,490,183,788.83</u> | <u>256,845.20</u> | <u>0.00</u> | <u>0.00</u> | <u>10,490,440,634.03</u> |
| Net Position, August 31, 2016 | <u>\$ 11,567,667,277.02</u> | <u>\$ 147,974.00</u> | <u>\$ 0.00</u> | <u>\$ 349,847,371.88</u> | <u>\$ 11,917,662,622.90</u> |

SCHEDULE 5

**Schedule of Tax Revenue, Tax Receivable and
Deferred Inflow Tax Revenue**

For the Fiscal Year Ended August 31, 2016

| Tax Type | Tax Revenue Modified Accrual | Full Accrual | Taxes Receivable | Refunds Payable | Net Taxes Receivable |
|------------------------------|---------------------------------|-----------------------------|----------------------------|----------------------------|----------------------------|
| Sales and Use | \$ 28,071,920,103.19 | \$ 28,121,930,126.66 | \$ 1,532,468,962.44 | \$ | \$ 1,532,468,962.44 |
| Motor Vehicle & MFG Housing | 4,478,299,818.06 | 4,483,620,285.49 | 78,633,646.78 | | 78,633,646.78 |
| Motor Fuels* | 64,977,498.44 | 64,977,587.90 | 213,551.82 | | 213,551.82 |
| Oil & Natural Gas Production | 2,186,492,955.67 | 2,186,492,955.67 | 198,481,813.22 | (142,955,151.11) | 55,526,662.11 |
| Franchise | 3,227,160,089.03 | 3,227,160,089.03 | | | |
| Insurance | 2,224,697,517.35 | 2,452,138,157.68 | 259,289,092.77 | | 259,289,092.77 |
| Cigarette & Tobacco | 563,488,697.62 | 564,377,385.10 | 24,160,421.84 | | 24,160,421.84 |
| Other Taxes: | | | | | |
| Alcoholic Beverage | 1,181,023,613.60 | 1,201,430,003.03 | 99,936,998.90 | | 99,936,998.90 |
| Utility | 455,995,068.84 | 495,472,952.46 | 71,822,252.42 | | 71,822,252.42 |
| Hotel and Motel | 519,804,278.24 | 526,107,468.90 | 52,374,016.69 | | 52,374,016.69 |
| Other | 79,219,030.38 | 79,219,030.38 | | | |
| Total Taxes | \$ 43,053,078,670.42 | \$ 43,402,926,042.30 | \$ 2,317,380,756.88 | \$ (142,955,151.11) | \$ 2,174,425,605.77 |

* Motor fuel tax revenue, taxes receivable and deferred inflow revenue transferred to the Texas Department of Transportation and Texas Education Agency will be reported by those agencies instead of Comptroller - Fiscal

| Tax Type | Deferred Inflow Tax Revenue |
|------------------------------|--------------------------------|
| Sales and Use | \$ 50,010,023.47 |
| Motor Vehicle & MFG Housing | 5,320,467.43 |
| Motor Fuels* | 89.46 |
| Oil & Natural Gas Production | |
| Franchise | |
| Insurance | 227,440,640.33 |
| Cigarette & Tobacco | 888,687.48 |
| Other Taxes: | |
| Alcoholic Beverage | 20,406,389.43 |
| Utility | 39,477,883.62 |
| Hotel and Motel | 6,303,190.66 |
| Total Taxes | \$ 349,847,371.88 |

Comptroller Treasury – Fiscal (311)

BASIC FINANCIAL STATEMENTS

UNAUDITED
Comptroller Treasury – Fiscal (311)

EXHIBIT I

**Combined Balance Sheet/Statement of Net Position –
Governmental Funds**

August 31, 2016

| | Governmental Fund Types | | Governmental Funds Total |
|--|-----------------------------------|-------------------------------------|--------------------------------|
| | General Funds (Exhibit A-1) | Permanent Funds (Exhibit E-1) | |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents: | | | |
| Cash in Bank | \$ | \$ | \$ |
| Cash in State Treasury | | | |
| Short Term Investments | 9,905,650.87 | 45,315,077.88 | 55,220,728.75 |
| Receivables From: | | | |
| Interest and Dividends | 3,695.38 | 15,729.99 | 19,425.37 |
| Trade Receivables | | | |
| Due From Other Agencies | 19,193,626.16 | | 19,193,626.16 |
| Non-Current Assets: | | | |
| Investments | 173,196,348.50 | 752,501,547.91 | 925,697,896.41 |
| Total Assets | \$ 202,299,320.91 | \$ 797,832,355.78 | \$ 1,000,131,676.69 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Payables From: | | | |
| Accounts Payable | \$ 92,955.32 | \$ 404,541.35 | \$ 497,496.67 |
| Trade Payables | | | |
| Short Term Debt | | | |
| Other Liabilities | 19,193,626.16 | | 19,193,626.16 |
| Total Liabilities | 19,286,581.48 | 404,541.35 | 19,691,122.83 |
| FUND FINANCIAL STATEMENT | | | |
| Fund Balances (Deficits): | | | |
| Restricted | | | |
| Committed | 183,012,739.43 | 797,427,814.43 | 980,440,553.86 |
| Unassigned | | | |
| Total Fund Balances | 183,012,739.43 | 797,427,814.43 | 980,440,553.86 |
| Total Liabilities and Fund Balances | \$ 202,299,320.91 | \$ 797,832,355.78 | \$ 1,000,131,676.69 |

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

| | General Funds (Exhibit A-2) | Permanent Funds (Exhibit E-2) | Governmental Funds Total |
|--|-----------------------------------|-------------------------------------|--------------------------------|
| REVENUES | | | |
| Interest and Other Investment Income | \$ 628,181.00 | \$ 6,858,199.74 | \$ 7,486,380.74 |
| Income from Securities Lending | | | |
| Net Increase (Decrease) in Fair Value | <u>932,904.22</u> | <u>15,024,921.28</u> | <u>15,957,825.50</u> |
| | <u>1,561,085.22</u> | <u>21,883,121.02</u> | <u>23,444,206.24</u> |
| EXPENDITURES | | | |
| Professional Fees and Services | 431,751.35 | 1,804,966.64 | 2,236,717.99 |
| Travel | | | |
| Borrower Rebate and Agent Fees | | | |
| Interest | | | |
| Total Expenditures/Expenses | <u>431,751.35</u> | <u>1,804,966.64</u> | <u>2,236,717.99</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>1,129,353.87</u> | <u>20,078,154.38</u> | <u>21,207,488.25</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers Out | <u>(61,270,886.59)</u> | <u>(25,008,825.70)</u> | <u>(86,279,712.29)</u> |
| Total Other Financing Sources and Uses | <u>(61,270,886.59)</u> | <u>(25,008,825.70)</u> | <u>(86,279,712.29)</u> |
| Net Change in Fund Balances/Net Assets | <u>(60,141,552.72)</u> | <u>(4,930,671.32)</u> | <u>(65,072,224.04)</u> |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | |
| Fund Balances, September 1, 2015 | 243,154,292.16 | 802,358,485.79 | 1,045,512,777.95 |
| Restatements | | | |
| Fund Balances, September 1, 2015, as Restated | <u>243,154,292.16</u> | <u>802,358,485.79</u> | <u>1,045,512,777.95</u> |
| Fund Balances – August 31, 2016 | <u>\$ 183,012,739.44</u> | <u>\$ 797,427,814.47</u> | <u>\$ 980,440,553.91</u> |

UNAUDITED
Comptroller Treasury – Fiscal (311)

EXHIBIT VI

Combined Statement of Fiduciary Net Position – Fiduciary Funds

August 31, 2016

| | Private- Purpose Trust (Exhibit I-1) | Agency Funds (Exhibit J-1) | Totals |
|---|---|----------------------------------|----------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents: | | | |
| Cash in Bank | \$ | \$ 6,257,607.39 | \$ 6,257,607.39 |
| Cash in State Treasury | | 1,625,828.84 | 1,625,828.84 |
| Other Short Term Investments | 131,769,369.35 | 32,934,727.62 | 164,704,096.97 |
| Investments (Note 3) | | | |
| U.S. Government and Agency Obligations | | | |
| Corporate Equity | 64,820,010.78 | | 64,820,010.78 |
| Corporate Obligations | 2,960,580.53 | | 2,960,580.53 |
| Foreign Securities | 54,470,500.95 | | 54,470,500.95 |
| Other Investments | 2,075,884,940.97 | | 2,075,884,940.97 |
| Repurchase Agreements | | | |
| Receivables: | | | |
| Interest and Dividends | 45,145.93 | 247.01 | 45,393.94 |
| Trade Receivables | | | |
| Other Assets | | 100,000.00 | 100,000.00 |
| Total Assets | <u>2,329,950,549.51</u> | <u>40,918,410.86</u> | <u>2,370,868,960.37</u> |
| LIABILITIES | | | |
| Payables: | | | |
| Accounts Payables | 1,164,411.00 | | 1,164,411.00 |
| Trade Payables | | | |
| Obligations/Securities Lending | | | |
| Funds Held for Others | | 40,918,410.86 | 40,918,410.86 |
| Total Liabilities | <u>1,164,411.00</u> | <u>40,918,410.86</u> | <u>42,082,821.86</u> |
| NET ASSETS | | | |
| Held in trust for: | | | |
| Individuals, Organizations, and Other Governments | 2,328,786,138.51 | | 2,328,786,138.51 |
| Total Net Assets | <u>\$ 2,328,786,138.51</u> | <u>\$ 0.00</u> | <u>\$ 2,328,786,138.51</u> |

UNAUDITED
Comptroller Treasury – Fiscal (311)

EXHIBIT VII

**Combined Statement of Changes in Net Position –
Fiduciary Funds**

August 31, 2016

| | Private Purpose Trust (Exhibit I-2) | Totals |
|---|---|----------------------------|
| ADDITIONS | | |
| Investment Income: | | |
| From Investing Activities: | | |
| Net appreciation (Depreciation) in | | |
| Fair Value of Investments | \$ 42,746,408.53 | \$ 42,746,408.53 |
| Interest and Investment Income | 17,935,213.84 | 17,935,213.84 |
| Total Investing Income (Loss) | 60,681,622.37 | 60,681,622.37 |
| Less Investing Activities Expense | | |
| Net Income from Investing Activities | 60,681,622.37 | 60,681,622.37 |
| From Securities Lending Activities | | |
| Securities Lending Income | | |
| Less Securities Lending Expense: | | |
| Borrower Rebates and Agent Fees | | |
| Net Income from Securities Lending Activities | | |
| Total Net Investment Income (Loss) | 50,681,622.37 | 60,681,622.37 |
| Total Additions | 50,681,622.37 | 60,681,622.37 |
| DEDUCTIONS | | |
| Transfer out | 48,250,715.27 | 48,250,715.27 |
| Professional Fees and Services | 5,203,789.19 | 5,203,789.19 |
| Total Deductions | 53,454,504.46 | 53,454,504.46 |
| INCREASE (DECREASE) IN NET ASSETS | 7,227,117.91 | 7,227,117.91 |
| Net Position September 1, 2015 | 2,321,559,020.60 | 2,321,559,020.60 |
| Restatements | | |
| Net Position, September 1, 2015, as Restated | 2,321,559,020.60 | 2,321,559,020.60 |
| Net Position – August 31, 2016 | <u>\$ 2,328,786,138.51</u> | <u>\$ 2,328,786,138.51</u> |

Notes to the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

GENERAL INTRODUCTION

The Comptroller Treasury - Fiscal is an agency of the state of Texas, and its financial records comply with the state statutes and regulations. This includes compliance with the Comptroller of Public Accounts Reporting Requirements of State Agencies.

Effective Sept. 1, 1996, the constitutional office of the Treasurer was abolished and the powers, duties, obligations, rights and contracts of the Treasurer were transferred to and assumed by the State Comptroller of Public Accounts.

There are no component units in which the Comptroller Treasury - Fiscal is financially accountable or any organization in which exclusion would create misleading or incomplete financial statements.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No.34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to be in compliance with 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's *Comprehensive Annual Financial Report*; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

FUND STRUCTURE

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

GOVERNMENTAL FUND TYPES

General Fund

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

Permanent Funds

Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the state's programs.

FIDUCIARY FUND TYPES

Agency Funds

Agency funds are used to account for assets held as an agent for individuals, other government entities, and/or other funds. These funds are custodial in nature and do not involve measurement of results of operations.

Private-Purpose Trust Funds

Agencies use private-purpose trust funds to account for all other trust arrangements whose principal and interest benefit individuals, private organizations, or other governments.

BASIS OF ACCOUNTING

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. All governmental fund types and agency funds are accounted for on the modified basis of accounting. Revenues are recognized when they become both measurable and available. Expenditures are generally recognized when the related fund liability is incurred. Exceptions are unpaid employee compensable leave, and the un-matured debt service (principal and interest) on general long-term debt, long-term capital leases, and long-term claims and judgments, which are not recognized until actual payment is made.

BUDGETS AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (The General Appropriations Act). Encumbrance accounting is employed for budgetary control purposes.

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

ASSETS, LIABILITIES AND FUND BALANCES/NET ASSETS

ASSETS

Investments

Investments are stated at fair value in all funds in accordance with GASB Statement 31 – Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

Securities Lending Collateral

Securities lent are reported as assets on the balance sheet. The costs of securities lending transactions are reported as expenditures or expenses in the Operating Statement. These costs are reported at gross.

Interest and Dividend Receivables

This includes interest and dividends accrued on investments at year-end that will not be deposited to the Fund until after the fiscal year.

Investment Trade Receivables

This represents investment sales that occurred on or before fiscal year-end for which cash payment will be received after fiscal year-end.

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.

Notes Payable

State of Texas Tax and Revenue Anticipation Notes are recorded at par. The bond proceeds are accounted for as an “Other Financing Source” in the Tax And Revenue Anticipation Note Fund 577 when received, and expenditures for payment of principal and interest are recorded in the Tax And Revenue Anticipation Note Fund 577 when paid.

Investment Trade Payables

This represents the liability for investment purchases that occurred on or before fiscal year-end for which cash payment will be received after fiscal year-end.

FUND BALANCE/NET POSITION

Fund Balance/Net Position

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

Fund Balance Components

Fund balances for governmental funds are classified as 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:
 - Not in spendable form
 - OR –
 - Legally or contractually required to be maintained intact.
- **Restricted fund balance** includes those resources that have constraints placed on their use through external parties — such as creditors, grantors, contributors, laws or regulations of other governments — or by law through constitutional provisions or enabling legislation.
- **Committed fund balance** can be used only for specific purposes pursuant to constraints imposed through legislation passed into law by a formal action of the Texas Legislature, the state’s highest level of decision making authority.
- **Assigned fund balance** includes amounts constrained by the state’s intent to be used for specific purposes, but the constraints do not meet the requirements to be reported as restricted or committed. Intent is expressed by:
 - The Texas Legislature
 - OR –
 - A body (for example, a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- **Unassigned fund balance** is the residual classification for the general fund. This classification represents fund balance that was not assigned to other funds and was not restricted, committed or assigned to specific purposes within the general fund.

Restricted Net Position

Restricted net position results when constraints placed on net resources 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 that are imposed by management but can be removed or modified.

INTERFUND ACTIVITIES AND BALANCES

The Treasury 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

The composition of the agency’s Interfund activities and balances are presented in Note 12.

NOTE 2: Capital Assets

(Not Applicable)

NOTE 3: Deposits, Investments & Repurchase Agreements

All monies in funds established in the Treasury by the State Constitution or by an act of the Legislature are pooled for investment purposes. All monies of the Trust Company are invested according to Section 404.106 of the Government Code.

INVESTMENT AUTHORITY

Section 404.024 of the Government Code permits the investment of these funds in the following instruments:

1. fully collateralized time deposits in banks and savings and loan associations domiciled in the state which have been approved by the State Depository Board to receive state deposits;
2. direct security repurchase agreements;
3. reverse repurchase agreements;
4. direct obligations of, or obligations the principal and interest of which are guaranteed by the United States, its' agencies and instrumentalities;
5. bankers' acceptances that: (i) are eligible for purchase by the Federal Reserve System, (ii) do not exceed 270 days to maturity, and (iii) are issued by a bank that has received the highest short-term credit rating by a nationally recognized investment firm;
6. commercial paper that has received the highest short-term credit rating by a nationally recognized investment rating firm and does not exceed 270 days to maturity; and
7. contracts written by the Comptroller in which the Comptroller grants the purchaser the right, for a fee, to purchase securities in the Treasury's marketable securities portfolio at a specified price over a specified period. These contracts are commonly known as covered call options. Uncovered option trading is specifically prohibited.

No more than 20% of the aggregate funds on deposit in financial institutions at any time may be placed by the Comptroller in savings and loan associations.

Repurchase and reverse repurchase agreements may be entered into by the Comptroller only with state or national banks doing business in Texas or primary dealers approved by the Federal Reserve System.

There were no significant violations of legal provisions during the period.

DEPOSITS OF CASH IN BANK

Custodial Operations

As of Aug. 31, 2016, the carrying amount and the total bank balance of deposits is presented below:

| Custodial Operations | |
|--------------------------------|--------------------------|
| Cash in Bank – Carrying Amount | \$ 613,669,240.61 |
| Total Cash in Bank | <u>\$ 613,669,240.61</u> |

The Trust Company's contract with the Federal Reserve Bank permits the Trust Company to wire transfer funds for the purpose of facilitating investment transactions. Correspondingly, a minimum cash balance is maintained in the account to generate earnings credits sufficient to offset the costs of the services received. As these investment transactions occur, the Federal Reserve Bank requires that the Trust Company maintain a positive cash balance in the account intraday and at the end of the day. The Trust Company met those requirements throughout fiscal 2016.

Collateralization and Risk Categorization – In accordance with state law, all amounts deposited in financial institutions above the amounts insured by the Federal Deposit Insurance Corporation are fully collateralized 105% by the pledging, to the Comptroller, of securities valued at market, excluding accrued interest. Generally the list of eligible securities includes all U. S. Treasury and most Agency Obligations, including certain mortgage backed securities pledged @125%, and securities issued by state agencies and political subdivisions within the State. All securities pledged to the Comptroller must be held by a third-party custodian bank doing business in the State through a main office or one or more branches, any Federal Reserve Bank, the Texas Treasury Safekeeping Trust Company, any Federal Home Loan Bank or in the vault of Treasury Operations at the State Comptroller of Public Accounts.

Securities pledged as collateral on Aug. 31, 2016, were categorized as follows:

| Political Subdivision Securities | |
|---|-------------------------------|
| Moody's Investors Service Ratings | Percent of Collateral Pledged |
| AAA | 17.44% |
| AA | 22.36% |
| A | 7.23% |
| Subtotal | <u>47.03%</u> |

| U.S. Government Securities | |
|--|-------------------------------|
| Description | Percent of Collateral Pledged |
| U.S. Treasury Notes and Bonds | 3.40% |
| Federal Home Loan Bank Debentures | 4.30% |
| Federal Home Loan Mortgage Corp | 0.89% |
| Federal Home Loan Mtg. Corp-Mtg. backed | 2.17% |
| Federal Farm Credit Bank | 1.23% |
| Federal National Mortgage Assn | 4.30% |
| Federal National Mtg Assn-Mtg. backed | 4.84% |
| Government National Mortgage Assn | 6.15% |
| Federal Home Loan Bank Letters of Credit | 25.69% |
| Subtotal | <u>52.97%</u> |
| TOTAL | <u>100.00%</u> |

Based on an opinion letter received by the Treasury from the FDIC, it is the policy of the Treasury to collateralize bank deposits based on a collected funds basis.

During fiscal 2016, no depository holding state funds failed.

All securities pledged to the Trust Company must be held by the Trust Company, a third-party bank that is an approved depository and approved custodian, any Federal Reserve Bank, Federal Home Loan Bank or in the vault of the Treasury. The Trust Company has contracted with financial institutions to collateralize Trust Company deposits in excess of depository insurance.

State statute permits depository institutions to select the bank that may serve as their third-party custodian for collateral pledged by that institution to the Comptroller. These banks must be approved depositories and approved custodians with capital and surplus of \$5,000,000 or more.

All deposits in financial institutions for Comptroller custodial operations, as of Aug. 31, 2016, were fully secured by FDIC insurance and securities pledged to the Comptroller.

Departmental Operations

As of Aug. 31, 2016, the carrying amount and the total bank balance of deposits is presented below:

| Departmental Operations | |
|--------------------------------|------------------------|
| Fiduciary Funds | |
| Cash in Bank – Carrying Amount | \$ 6,257,607.39 |
| Total Cash in Bank per AFR | <u>\$ 6,257,607.39</u> |
| Fiduciary Funds Cash in Bank | \$ 6,257,607.39 |
| Cash in Bank per AFR | <u>\$ 6,257,607.39</u> |

INVESTMENTS AND REPURCHASE AGREEMENTS

Custodial Operations

As of Aug. 31, 2016, the fair value of investments is as presented below.

Investments for the Treasury Pool, as of Aug. 31, 2016 are as follows:

| Fair Value of Investments As of August 31, 2016 | | | | |
|--|-------------------------|--------------------------|---------------------|-----------------------------|
| Treasury Portfolio | Level 1 | Level 2 | Level 3 | Fair Value |
| Investment Type | | | | |
| U.S. Government Agencies | \$ | \$ 3,783,066,232.00 | \$ | \$ 3,783,066,232.00 |
| U.S. Government Treasuries | | 2,479,196,506.00 | | 2,479,196,506.00 |
| Government Mortgage Backed Securities | | 2,463,200,314.00 | | 2,463,200,314.00 |
| Commercial paper | | 9,096,864,891.00 | | 9,096,864,891.00 |
| Repurchase Agreements | 1,800,000,000.00 | | | 1,800,000,000.00 |
| Supranational/Israel Bonds | | 2,805,643,900.00 | | 2,805,643,900.00 |
| Corporate Obligations | | 2,515,824,114.00 | | 2,515,824,114.00 |
| Asset Backed Securities | | 2,788,268,602.00 | | 2,788,268,602.00 |
| Small Business Administration | | 28,984,827.00 | | 28,984,827.00 |
| Stock In Texas Trust Company | | | 1,000,000.00 | 1,000,000.00 |
| Money Market Mutual Funds | 564,000,000.00 | | | 564,000,000.00 |
| Total Treasury Pool without Lottery Securities | <u>2,364,000,000.00</u> | <u>25,961,049,386.00</u> | <u>1,000,000.00</u> | <u>28,326,049,386.00</u> |
| U. S. Government Agencies - Lottery - Refco | | 421,908,501.00 | | 421,908,501.00 |
| U. S. Government Agencies - Lottery - Treasury Strips | | 240,510,250.00 | | 240,510,250.00 |
| Total Investments | <u>2,364,000,000.00</u> | <u>26,623,468,137.00</u> | <u>1,000,000.00</u> | <u>\$ 28,988,468,137.00</u> |

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Pursuant to Government Code section 404.024(a) and (b), treasury funds may be invested in fully collateralized repurchase agreements secured by obligations of the U.S., its agencies, or Government Sponsored Enterprises (GSEs), including mortgage-backed securities of such agencies and GSEs, as set out in section 404.001 of the Government Code. The Comptroller may purchase direct obligations of or obligations, the principal and interest of which are guaranteed by the U.S.; and direct obligations of, or obligations guaranteed by U.S. agencies or GSEs. Mortgage-backed securities are eligible for purchase except those specifically prohibited by section 404.024 (e) of the Government Code. Treasury funds may invest in commercial paper that has received the highest short-term credit rating by a nationally recognized investment rating organization or “NRSRO”. “Highest short-term credit rating” includes at least one of the following short-term credit ratings, Moody’s (P-1), Standard & Poor’s (A-1), or Fitch, Inc. (F-1). Money market funds must be rated AAAM by a NRSRO. The asset-backed securities, corporate obligations, and small business administration obligations, that are not rated, are issued by Government Sponsored Enterprises that are rated AA+. The Treasury portfolio is rated AA+ by Standard & Poor’s. The following table lists Standard & Poor’s credit rating by investment type for the Treasury Pool securities that are subject to credit risk.

| Standard & Poors | | | | | | |
|-----------------------------|---------------------------------------|---------------|-----------------|-------------|---------------|-------------|
| Fund | Investment Type | AAA | AA | A | A-1 | Unrated |
| Treasury Portfolio | U.S. Government Agencies | \$ | \$3,783,066,232 | \$ | \$ | \$ |
| Treasury Portfolio | Government Mortgage Backed Securities | | 2,463,200,314 | | | |
| Treasury Portfolio | Asset Backed Securities | 1,897,926,582 | 17,541,080 | | | 872,800,939 |
| Treasury Portfolio | Commercial paper | | | | 9,096,864,891 | |
| Treasury Portfolio | Corporate Obligations | | 1,609,371,050 | 295,110,700 | | 611,342,364 |
| Treasury Portfolio | Repurchase Agreements | | 1,800,000,000 | | | |
| Treasury Portfolio | Small Business Administration | | | | | 28,984,827 |
| Treasury Portfolio | Supranational | 2,747,666,000 | | 57,977,900 | | |
| Treasury Portfolio | Mutual Funds (2A 7-Like) | 564,000,000 | | | | |

UNAUDITED
Comptroller Treasury – Fiscal (311)

Concentration of credit risk. The Comptroller places no limit on the amount the Treasury Pool may invest in any one issuer. More than 5% of the Treasury Pool investments are with the Federal National Mortgage Association, the International Bank for Reconstruction and Development, and the Federal Home Loan Bank as presented below:

| Fund | Issuer | Carrying Value | % of Total Portfolio |
|--------------------|---|--------------------|----------------------|
| Treasury Portfolio | Federal National Mortgage Association | \$1,725,643,483.42 | 5.84% |
| Treasury Portfolio | International Bank for Reconstruction and Development | 1,547,855,000.00 | 6.59% |
| Treasury Portfolio | Federal Home Loan Bank | 3,337,841,881.72 | 11.30% |

Interest rate risk. In accordance with its investment policy, the Treasury Pool manages its exposure to interest rate risk by maintaining a weighted-average maturity of no more than two years. The following schedule reflects the average modified duration (a measure of the price sensitivity of a bond to interest rate movements) of the Treasury Pool by investment type and as a whole:

| Investment Type | Modified Duration (Years) |
|---|---------------------------|
| U.S. Government Agencies | 0.134 |
| U.S. Government Treasuries | 1.342 |
| Government Mortgage Backed Securities | 3.555 |
| Commercial Paper | 0.268 |
| Corporate Obligations | 0.582 |
| Asset Backed Securities | 1.168 |
| Repurchase Agreements | 0.003 |
| Small Business Administration | 16.831 |
| Supranational | 1.374 |
| Placement of deposits with financial institutions | 0.322 |
| Treasury Portfolio Modified Duration | 0.850 |

Reverse Repurchase Agreements. The Treasury Pool may enter into reverse repurchase agreements for up to 35% of the pools assets. The Treasury Pool's aggregate amount of reverse repurchase agreement obligations at August 31, 2016 was \$44,211,353 including accrued interest. The aggregate fair value of the securities underlying those agreements, including accrued interest, was \$44,118,669. There was no credit exposure at year-end.

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Comptroller Treasury – Fiscal (311)

Departmental Operations

As of Aug. 31, 2016, the fair value of investments is as presented below:

| Fair Value of Investments As of August 31, 2016 | | | | | |
|---|-------------------------|----------------|----------------|--------------------------|--------------------------|
| Governmental Funds | Level 1 | Level 2 | Level 3 | Net Asset Value | Fair Value |
| Mutual Funds – Global Equities | | | | \$ 8,787,974.63 | \$ 8,787,974.63 |
| Mutual Funds – Global Fixed Income | | | | 61,637,113.37 | 61,637,113.37 |
| Mutual Funds – Commodities | | | | 17,104,074.32 | 17,104,074.32 |
| Hedge Funds – Fund of funds | | | | 67,230,430.20 | 67,230,430.20 |
| Hedge Funds – Direct funds | | | | 492,500,894.90 | 492,500,894.90 |
| Alternative Investments Domestic | | | | 262,857,169.90 | 262,857,169.90 |
| Alternative Investments International | | | | 15,580,239.03 | 15,580,239.03 |
| Investments in Short Term Investment Fund | 55,220,728.76 | | | | 55,220,728.76 |
| Total Investments | <u>\$ 55,220,728.76</u> | | | <u>\$ 925,697,896.35</u> | <u>\$ 980,918,625.11</u> |
| Reconciliation of Investments per Exhibits – Governmental | | | | | |
| Governmental Funds Current Assets Short-Term Investments | | | | | \$ 55,220,728.76 |
| Governmental Funds Non-Current Assets Investments | | | | | 925,697,896.35 |
| Investments per Exhibits | | | | | <u>\$ 980,918,625.11</u> |

| Fair Value of Investments As of August 31, 2016 | | | | | |
|--|-----------------------|----------------|----------------|-------------------------|----------------------------|
| Fiduciary Funds | Level 1 | Level 2 | Level 3 | Net Asset Value | Fair Value |
| Corporate Obligations | \$ 2,978,020.46 | | | \$ | \$ 2,978,020.46 |
| Equities | 10,559,405.55 | | | | 10,559,405.55 |
| Mutual Funds – Global Equities | | | | 18,437,484.62 | 18,437,484.62 |
| Mutual Funds – Global Fixed Income | | | | 129,316,865.10 | 129,316,865.10 |
| Mutual Funds – Commodities | | | | 35,884,958.76 | 35,884,958.76 |
| Hedge Funds – Fund of Funds | | | | 141,051,843.56 | 141,051,843.56 |
| Hedge Funds – Direct funds | | | | 1,033,284,466.24 | 1,033,284,466.24 |
| Alternative Investments Domestic | | | | 762,552,442.99 | 762,552,442.99 |
| Alternative Investments International | | | | 47,304,050.96 | 47,304,050.96 |
| Other Investments | 9,736,341.20 | | | | 9,736,341.20 |
| Repurchase Agreements | 32,934,727.62 | | | | 32,934,727.62 |
| International Other Commingled Funds | | | | 7,208,665.49 | 7,208,665.49 |
| Investments in Short Term Investment Fund | 131,778,963.30 | | | | 131,778,963.30 |
| Total Investments | <u>187,987,458.13</u> | | | <u>2,175,040,777.72</u> | <u>\$ 2,363,028,235.85</u> |
| Fiduciary | | | | | |
| Fiduciary Funds Current Assets Short-Term Investments | | | | | \$164,713,690.92 |
| Fiduciary Funds Non-Current Assets Investments | | | | | 2,198,314,544.93 |
| Investments per Exhibits | | | | | <u>\$ 2,363,028,235.85</u> |

Credit Risk. Corporate obligations must be rated investment grade by at least one NRSRO and not rated below investment grade by any NRSRO. Short-term securities must be rated in the highest rating category by an NRSRO. The average quality rating of the high-yield fixed income portfolio shall be B1/B+ or higher. All high-yield securities when purchased must be rated at least CCC. The following schedule lists Standard & Poor's credit rating by investment type for the Endowment Fund securities that are subject to credit risk. The high-yield securities not rated by Standard & Poor's are rated Ba or B by Moody's. The investments in the short-term investment fund are investments in State Street's Institutional Liquid Reserve fund which is rated AAAM by Standard & Poor's.

| Standard & Poor's | | | |
|------------------------------|---|-------------------|-------------------|
| Fund Type | Investment Type | AAA | Unrated |
| 01 | Mutual Funds – Global Fixed Income | \$ | \$ 16,493,086.13 |
| 01 | Investments in Short-Term Investment Fund | 9,905,650.88 | |
| 19 | Mutual Funds – Global Fixed Income | | 45,144,027.24 |
| 19 | Investments in Short-Term Investment Fund | 45,315,077.88 | |
| 20 | Mutual Funds – Global Fixed Income | | \$ 129,316,865.10 |
| 20 | Investments in Short Term Investment Fund | \$ 130,140,712.93 | |

Concentration Risk. Excluding securities issued or guaranteed by the U.S. Government, its agencies, instrumentalities, and GSE's, no more than 5 percent of the portfolio at the time of purchase, shall be invested in securities of one issuer.

Interest Rate Risk. The endowment funds do not have a formal investment policy that limits investment maturities. The following schedule reflects the average effective duration of the Endowment Funds by investment type. The investments in the securities lending cash collateral pool and the short-term investment fund use a weighted average maturity to reflect the interest rate risk.

| Investment Type | Effective Duration (Years) |
|---|----------------------------------|
| Mutual Funds – Global Fixed Income | 2.90 |
| | Weighted Average Maturity (Days) |
| Investments in Short-Term Investment Fund | 18 |

Foreign Currency Risk. The endowment funds do not have a formal investment policy that limits foreign currencies. The endowment funds exposure to foreign currency risk derives from its position in foreign currency-denominated investment in Alternative Investments.

| Fair Market Value | | | |
|------------------------------|-------------------------|--|--|
| As of August 31, 2016 | | | |
| Fund Type | Foreign Currency | Alternative Investments International | International Other Comingled Funds |
| 19 | Euro | \$ 15,580,239.03 | \$ |
| 20 | Euro | 47,304,050.96 | 7,208,665.49 |
| | Total | \$ 62,884,289.99 | \$ 7,208,665.49 |

Marketable Securities – All United States Treasury and Agency Securities owned by the Comptroller are held in the Trust Company’s book-entry account at the San Antonio Branch of the Federal Reserve Bank of Dallas where they are delivered versus payment. All bankers’ acceptances and commercial paper are held by the State’s agent in the State’s name. A safe-keeping receipt is issued to the State acknowledging delivery.

Investment in the Trust Company – Section 404.105 of the Government Code authorizes the investment of state funds in the Trust Company. Through an order of the State Depository Board, dated Oct. 31, 1986 the Comptroller has invested \$1,000,000 in the Trust Company. These funds are invested by the Trust Company in obligations authorized by law for the investment of funds held and managed by the Comptroller. Any net earnings attributable to this investment are credited and allocated annually to the Comptroller. The Trust Company’s total contributed capital consists of one share of no par common stock for \$1,000,000 owned by the Comptroller. One share was authorized and issued.

NOTE 4: Short-Term Debt

Pursuant to Subchapter H of Chapter 404 of the Texas Government Code, the Comptroller is authorized to issue, sell, and deliver Tax and Revenue Anticipation Notes (TRAN) on behalf of the state. The TRAN are valid and binding obligations of the state, payable in accordance with the terms of the Comptroller’s TRAN order. The TRAN are payable from transfers from the General Revenue Fund to a payment account.

For Fiscal Year 2016, the State Comptroller announced that the state did not issue State of Texas Tax and Revenue Anticipation Notes.

NOTE 5: Long-Term Liabilities

(Not Applicable)

NOTE 6: Bonded Indebtedness

(Not Applicable)

NOTE 7: Derivative Instruments

(Not Applicable)

NOTE 8: Leases

(Not Applicable)

NOTE 9: Pension Plans (Administering Agencies Only)

(Not Applicable)

NOTE 10: Deferred Compensation (Administering Agencies Only)

(Not Applicable)

NOTE 11: Post employment Health Care and Life Insurance Benefits (Administering Agencies Only)

(Not Applicable)

NOTE 12: Interfund Activity and Transactions

As explained in Note 1 on Interfund Activities and Balances, there are numerous transactions between funds and agencies. At year-end, amounts received or paid are reported as:

- Transfers In or Transfers Out
- Due From Other Agencies or Due To Other Agencies

Individual balances and activity at Aug. 31, 2016, are as follows:

| August 31, 2016 | | | | | | | | | | | | | | | |
|--|----------------------------|--------------------------|--------------|--|----------------------------|--------------------------|--------|--|------------------|----|-------------|----------------------------------|------------------|---------|--|
| | Transfers In | Transfers Out | Purpose | | | | | | | | | | | | |
| GENERAL (01) | | | | | | | | | | | | | | | |
| Appd Fund 5044, Fund 5044 (Agency 537, Fund 5044) | \$ | \$ 2,893,309.20 | Distribution | | | | | | | | | | | | |
| Appd Fund 5044, Fund 5044 (Agency 347, Fund 5044) | | 27,742,118.79 | Distribution | | | | | | | | | | | | |
| Appd Fund 5045, Fund 5045 (Agency 537, Fund 5045) | | 1,446,670.32 | Distribution | | | | | | | | | | | | |
| Appd Fund 5045, Fund 5045 (Agency 347, Fund 5045) | | 13,871,059.40 | Distribution | | | | | | | | | | | | |
| Appd Fund 5046, Fund 5046 (Agency 537, Fund 5046) | | 1,446,669.48 | Distribution | | | | | | | | | | | | |
| Appd Fund 5046, Fund 5046 (Agency 347, Fund 5046) | | 13,871,059.40 | Distribution | | | | | | | | | | | | |
| PERMANENT (19) | | | | | | | | | | | | | | | |
| Appd Fund 0824, Fund 0824 (Agency 781, Fund 0824) | | 2,020,831.52 | Distribution | | | | | | | | | | | | |
| Appd Fund 0825, Fund 0825 (Agency 781, Fund 0825) | | 1,123,750.96 | Distribution | | | | | | | | | | | | |
| Appd Fund 5047, Fund 5047 (Agency 551 Fund 5047) | | 1,970,434.92 | Distribution | | | | | | | | | | | | |
| Appd Fund 5048, Fund 5048 (Agency 537, Fund 5048) | | 985,164.08 | Distribution | | | | | | | | | | | | |
| PRIVATE PURPOSE (20) | | | | | | | | | | | | | | | |
| Appd Fund 0823, Fund 0823 (Agency 781, Fund 0823) | | 1,489,226.27 | Distribution | | | | | | | | | | | | |
| Appd Fund 0872, Fund 0872 (Agency 902, Fund 2872) | | 46,761,489.00 | Distribution | | | | | | | | | | | | |
| Total Transfers | \$ 0.00 | \$ 115,621,783.34 | | | | | | | | | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center; border-bottom: 1px solid black;">Due From Other Agencies</th> <th style="text-align: center; border-bottom: 1px solid black;">Due To Other Agencies</th> <th style="text-align: center; border-bottom: 1px solid black;">Source</th> </tr> </thead> <tbody> <tr> <td>Appd Fund 0001, Fund 1900 (Agency 902, Fund 0001)</td> <td style="text-align: right;">\$ 19,193,626.16</td> <td style="text-align: right;">\$</td> <td>Shared Cash</td> </tr> <tr> <td>Total Due From/To Other Agencies</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 19,193,626.16</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 0.00</td> <td></td> </tr> </tbody> </table> | | | | | Due From Other Agencies | Due To Other Agencies | Source | Appd Fund 0001, Fund 1900 (Agency 902, Fund 0001) | \$ 19,193,626.16 | \$ | Shared Cash | Total Due From/To Other Agencies | \$ 19,193,626.16 | \$ 0.00 | |
| | Due From Other Agencies | Due To Other Agencies | Source | | | | | | | | | | | | |
| Appd Fund 0001, Fund 1900 (Agency 902, Fund 0001) | \$ 19,193,626.16 | \$ | Shared Cash | | | | | | | | | | | | |
| Total Due From/To Other Agencies | \$ 19,193,626.16 | \$ 0.00 | | | | | | | | | | | | | |

NOTE 13: Continuance Subject to Review

(Not Applicable)

NOTE 14: Adjustments to Fund Balance/Net Position

(Not Applicable)

NOTE 15: Contingencies and Commitments

(Not Applicable)

NOTE 16: Subsequent Events

(Not Applicable)

NOTE 17: Risk Management

(Not Applicable)

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

(Not Applicable)

NOTE 19: The Financial Reporting Entity

(Not Applicable)

NOTE 20: Stewardship, Compliance and Accountability

(Not Applicable)

NOTE 21: N/A to the AFR

(Not Applicable)

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)

NOTE 29: Troubled Debt Restructuring

(Not Applicable)

NOTE 30: Non-Exchange Financial Guarantees

(Not Applicable)

NOTE 31: Cigarette Tax Recovery Trust Fund

The Cigarette Stamp Tax Recovery Trust Fund (the “Trust Fund”) was created pursuant to Section 154.051 of the Texas Tax Code. On Sept. 1, 1987, the Trust Fund replaced surety/payments bonds as a source of security for the State’s extension of credit to purchasers of cigarette tax stamps. The Trust Fund is maintained outside Treasury. The Trust Fund operates much like a self-insurance pool in that distributors deposit 20% of their desired line credit. The pool of deposits insures the State from loss in the event of default by any distributors. The distributors determine their respective level of participation.

NOTE 32: Texas Treasury Safekeeping Trust Company

The Texas Treasury Safekeeping Trust Company (Texas Trust) was incorporated as a special-purpose trust company as outlined within section 404.102 of the Government Code. The purposes of the Texas Trust are to provide a means for the Comptroller to obtain direct access to services provided by the Federal Reserve System and to enable the Comptroller to manage, disburse, transfer, safekeep, and invest funds and securities more efficiently, economically and in accordance with the applicable governing investment guidelines.

UNAUDITED
Comptroller Treasury – Fiscal (311)

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS

UNAUDITED
Comptroller Treasury – Fiscal (311)

UNAUDITED
Comptroller Treasury – Fiscal (311)

EXHIBIT A-1

Balance Sheet – All General and Consolidated Funds

August 31, 2016

| | General Revenue Fund 0001 (0001) U/F (1900) | Permanent Fund for Tobacco Education and Enforcement Fund (5044) U/F (5044) | Permanent Fund for Children and Public Health Fund (5045) U/F (5045) | Permanent Fund for EMS and Trauma Care Fund (5046) U/F (5046) | Total (Exhibit I) |
|---|--|--|---|---|--------------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents: | | | | | |
| Cash in Bank | \$ | \$ | \$ | \$ | \$ |
| Cash in State Treasury | | | | | |
| Short Term Investments | | 4,952,808.29 | 2,476,421.76 | 2,476,420.82 | 9,905,650.87 |
| Receivables From: | | | | | |
| Interest | | 1,847.68 | 923.85 | 923.85 | 3,695.38 |
| Trades | | | | | |
| Due From Other Agencies | 19,193,626.16 | | | | 19,193,626.16 |
| Non-Current Assets: | | | | | |
| Investments | | 86,597,874.44 | 43,299,245.27 | 43,299,228.79 | 173,196,348.50 |
| Total Assets | \$ 19,193,626.16 | \$ 91,552,530.41 | \$ 45,776,590.88 | \$ 45,776,573.46 | \$ 202,299,320.91 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Current Liabilities: | | | | | |
| Payables From: | | | | | |
| Accounts | \$ | \$ 46,477.50 | \$ 23,238.92 | \$ 23,238.90 | \$ 92,955.32 |
| Trades | | | | | |
| Short Term Debt | | | | | |
| Other Liabilities | 19,193,626.16 | | | | 19,193,626.16 |
| Total Liabilities | 19,193,626.16 | 46,477.50 | 23,238.92 | 23,238.90 | 19,286,581.48 |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | | | |
| Fund Balances (Deficits): | | | | | |
| Restricted: | | | | | |
| Committed | | 91,506,052.91 | 45,753,351.96 | 45,753,334.56 | 183,012,739.43 |
| Unassigned | | | | | |
| Total Fund Balances | 0.00 | 91,506,052.91 | 45,753,351.96 | 45,753,334.56 | 183,012,739.43 |
| Total Liabilities and Fund Balances | \$ 19,193,626.16 | \$ 91,552,530.41 | \$ 45,776,590.88 | \$ 45,776,573.46 | \$ 202,299,320.91 |

UNAUDITED
Comptroller Treasury – Fiscal (311)

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 Revenue Fund 0001 (0001) U/F (1900) | Permanent Fund for Tobacco Education and Enforcement Fund (5044) U/F (5044) | Permanent Fund for Children and Public Health Fund (5045) U/F (5045) | Permanent Fund for EMS and Trauma Care Fund (5046) U/F (5046) | Total (Exhibit II) |
|--|---|---|--|---|-----------------------|
| REVENUES | | | | | |
| Interest and Other Investment Income | \$ | \$ 314,089.46 | \$ 157,045.80 | \$ 157,045.74 | \$ 628,181.00 |
| Net Increase (Decrease) in Fair Value | | 466,448.24 | 233,228.10 | 233,227.88 | 932,904.22 |
| Total Revenues | 0.00 | 780,537.70 | 390,273.90 | 390,273.62 | 1,561,085.22 |
| EXPENDITURES | | | | | |
| Professional Fees and Services | | 215,874.95 | 107,938.22 | 107,938.18 | 431,751.35 |
| Travel | | | | | |
| Interest | | | | | |
| Total Expenditures/Expenses | 0.00 | 215,874.95 | 107,938.22 | 107,938.18 | 431,751.35 |
| Excess (Deficiency) of Revenues Over Expenditures | 0.00 | 564,662.75 | 282,335.68 | 282,335.44 | 1,129,333.87 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers Out | | (30,635,427.99) | (15,317,729.72) | (15,317,728.88) | (61,270,886.59) |
| Total Other Financing Sources and Uses | 0.00 | (30,635,427.99) | (15,317,729.72) | (15,317,728.88) | (61,270,886.59) |
| Net Change in Fund Balances/Net Assets | 0.00 | (30,070,765.24) | (15,035,394.04) | (15,035,393.44) | (60,141,552.72) |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | | | |
| Fund Balances, September 1, 2015 | | 121,576,818.16 | 60,788,746.00 | 60,788,728.00 | 243,154,292.16 |
| Restatements | | | | | |
| Fund Balances, September 1, 2015, as Restated | 0.00 | 121,576,818.16 | 60,788,746.00 | 60,788,728.00 | 243,154,292.16 |
| Fund Balances – August 31, 2016 | \$ 0.00 | \$ 91,506,052.92 | \$ 45,753,351.96 | \$ 45,753,334.56 | 183,012,739.44 |

UNAUDITED
Comptroller Treasury – Fiscal (311)

EXHIBIT E-1

Combining Balance Sheet – Permanent Funds

August 31, 2016

| | National University Research fund U/F (214) | Permanent Fund Higher Education Nursing, Allied Health and Other Health Related Programs (0824) U/F (0824) | Permanent Fund Minority and Research Education Fund 0825) U/F (0825) | Permanent Fund for Rural Health Facility Capital Improvement Fund (5047) U/F (5047) | Permanent Fund for Community Hospital Capital Improvement Fund (5048) U/F (5048) | Totals (Exhibit I) |
|---|---|--|--|---|--|--------------------------|
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash and Cash Equivalents: | | | | | | |
| Cash in Bank | \$ | \$ | \$ | \$ | \$ | \$ |
| Cash in State Treasury | | | | | | |
| Securities Lending Collateral | | | | | | |
| Investments | 37,326,832.34 | 2,647,258.59 | 1,471,975.52 | 2,579,360.20 | 1,289,611.23 | 45,315,077.88 |
| Receivables From: | | | | | | |
| Interest and Dividends | 12,999.05 | 904.98 | 503.24 | 881.83 | 440.89 | 15,729.99 |
| Trade Receivables | | | | | | |
| Total Current Assets | <u>37,339,831.39</u> | <u>2,648,203.57</u> | <u>1,472,478.76</u> | <u>2,580,242.03</u> | <u>1,290,052.12</u> | <u>45,330,807.87</u> |
| Non-Current Assets: | | | | | | |
| Investments | 619,613,168.33 | 44,037,268.27 | 24,486,677.02 | 42,910,413.05 | 21,454,021.24 | 752,501,547.91 |
| Total Noncurrent Assets | <u>619,613,168.33</u> | <u>44,037,268.27</u> | <u>24,486,677.02</u> | <u>42,910,413.05</u> | <u>21,454,021.24</u> | <u>752,501,547.91</u> |
| Total Assets | <u>\$ 656,952,999.72</u> | <u>\$ 46,685,471.84</u> | <u>\$ 25,959,155.78</u> | <u>\$ 45,490,655.08</u> | <u>\$ 22,744,073.36</u> | <u>\$ 797,832,355.78</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Current Liabilities: | | | | | | |
| Payables From: | | | | | | |
| Accounts Payable | \$ 332,754.14 | \$ 23,789.24 | \$ 13,227.85 | \$ 23,180.51 | \$ 11,589.61 | \$ 404,541.35 |
| Trade Payables | | | | | | |
| Obligations under | | | | | | |
| Securities Lending | | | | | | |
| Total Current Liabilities | <u>332,754.14</u> | <u>23,789.24</u> | <u>13,227.85</u> | <u>23,180.51</u> | <u>11,589.61</u> | <u>404,541.35</u> |
| Total Liabilities | <u>332,754.14</u> | <u>23,789.24</u> | <u>13,227.85</u> | <u>23,180.51</u> | <u>11,589.61</u> | <u>404,541.35</u> |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | | | | |
| Fund Balances (Deficits): | | | | | | |
| Unreserved/Designated for: | | | | | | |
| Restricted | | | | | | |
| Committed | 656,620,245.58 | 46,661,682.60 | 25,945,927.93 | 45,467,474.57 | 22,732,483.75 | 797,427,814.43 |
| Total Fund Balances | <u>656,620,245.58</u> | <u>46,661,682.60</u> | <u>25,945,927.93</u> | <u>45,467,474.57</u> | <u>22,732,483.75</u> | <u>797,427,814.43</u> |
| Total Liabilities and Fund Balances | <u>\$ 656,952,999.72</u> | <u>\$ 46,685,471.84</u> | <u>\$ 25,959,155.78</u> | <u>\$ 45,490,655.08</u> | <u>\$ 22,744,073.36</u> | <u>\$ 797,832,355.78</u> |

UNAUDITED
Comptroller Treasury – Fiscal (311)

EXHIBIT E-2

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Permanent Funds

For the Fiscal Year Ended August 31, 2016

| | National University Research fund U/F (214) | Permanent Fund for Higher Education Nursing, Allied Health and Other Health Related Programs (0824) U/F (0824) | Permanent Fund for Minority and Research Education Fund (0825) U/F (0825) | Permanent Fund for Rural Health Facility Capital Improvement Fund (5047) U/F (5047) | Permanent Fund for Community Hospital Capital Improvement Fund (5048) U/F (5048) | Totals (Exhibit II) |
|---|---|--|--|--|---|--------------------------|
| REVENUES | | | | | | |
| Interest and Other Investment Income | \$ 5,718,309.12 | \$ 377,727.85 | \$ 210,007.62 | \$ 368,109.38 | \$ 184,045.77 | \$ 6,858,199.74 |
| Income from Securities Lending | | | | | | |
| Net Increase (Decrease) in Fair Value | 12,421,780.37 | 862,472.36 | 479,580.79 | 840,741.38 | 420,346.38 | 15,024,921.28 |
| Total Revenues | <u>18,140,089.49</u> | <u>1,240,200.21</u> | <u>689,588.41</u> | <u>1,208,850.76</u> | <u>604,392.15</u> | <u>21,883,121.02</u> |
| EXPENDITURES | | | | | | |
| Professional Fees and Services | 1,481,597.76 | 107,159.35 | 59,585.26 | 104,418.11 | 52,206.16 | 1,804,966.64 |
| Borrower Retate and Agent Fees | | | | | | |
| Total Expenditures/Expenses | <u>1,481,597.76</u> | <u>107,159.35</u> | <u>59,585.26</u> | <u>104,418.11</u> | <u>52,206.16</u> | <u>1,804,966.64</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>16,658,491.73</u> | <u>1,133,040.86</u> | <u>630,003.15</u> | <u>1,104,432.65</u> | <u>552,185.99</u> | <u>20,078,154.38</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers In | | | | | | |
| Distributions | (18,908,644.22) | (2,020,831.52) | (1,123,750.96) | (1,970,434.92) | (985,164.08) | (25,008,825.70) |
| Total Other Financing Sources and Uses | <u>(18,908,644.22)</u> | <u>(2,020,831.52)</u> | <u>(1,123,750.96)</u> | <u>(1,970,434.92)</u> | <u>(985,164.08)</u> | <u>(25,008,825.70)</u> |
| Net Change in Fund Balances/Net Assets | <u>(2,250,152.49)</u> | <u>(887,790.66)</u> | <u>(493,747.81)</u> | <u>(866,002.27)</u> | <u>(432,978.09)</u> | <u>(4,930,671.32)</u> |
| FUND FINANCIAL STATEMENT – | | | | | | |
| FUND BALANCES | | | | | | |
| Fund Balances, September 1, 2015 | 658,870,398.07 | 47,549,473.26 | 26,439,675.75 | 46,333,476.85 | 23,165,461.86 | 802,358,485.79 |
| Restatements | | | | | | |
| Fund Balances, September 1, 2015, as Restated | <u>658,870,398.07</u> | <u>47,549,473.26</u> | <u>26,439,675.75</u> | <u>46,333,476.85</u> | <u>23,165,461.86</u> | <u>802,358,485.79</u> |
| Fund Balances – August 31, 2016 | <u>\$ 656,620,245.58</u> | <u>\$ 46,661,682.60</u> | <u>\$ 25,945,927.94</u> | <u>\$ 45,467,474.58</u> | <u>\$ 22,732,483.77</u> | <u>\$ 797,427,814.47</u> |

Note (A) Fund 0214: The distributions reported here were actually processed under Agency 902-Comptroller-Fiscal in the Uniform Statewide Accounting System (USAS). The distributions are reported here to report the Fund Balance for the fund.

EXHIBIT I-1

Combining Statement of Fiduciary Net Position – Private-Purpose Trust Funds

August 31, 2016

| | Tobacco Settlement Permanent Trust Fund (0872) U/F (0872) | Permanent Endowment Fund-Baylor College of Medicine (0823) U/F (0823) | Totals (Exhibit VI) |
|---|--|---|----------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents: | | | |
| Cash in Bank | \$ | \$ | \$ |
| Securities Lending Collateral | | | |
| Short Term Investments (Note 3) | | | |
| Other Short Term Investments | 130,140,712.93 | 1,628,656.42 | 131,769,369.35 |
| Investments (Note 3) | | | |
| U.S. Government and Agency Obligations | | | |
| Corporate Equity | 54,322,443.60 | 10,497,567.18 | 64,820,010.78 |
| Corporate Obligations | | 2,960,580.53 | 2,960,580.53 |
| Foreign Securities | 47,304,050.96 | 7,166,449.99 | 54,470,500.95 |
| Other Investments | 2,066,205,617.89 | 9,679,323.08 | 2,075,884,940.97 |
| Receivables: | | | |
| Interest and Dividends | 45,146.93 | | 45,146.93 |
| Trade Receivables | | | |
| Total Assets | <u>2,298,017,972.31</u> | <u>31,932,577.20</u> | <u>2,329,950,549.51</u> |
| LIABILITIES | | | |
| Payables: | | | |
| Accounts Payables | 1,164,411.00 | | 1,164,411.00 |
| Trade Payables | | | |
| Obligations/Securities Lending | | | |
| Total Liabilities | <u>1,164,411.00</u> | <u>0.00</u> | <u>1,164,411.00</u> |
| NET ASSETS | | | |
| Held in Trust for: | | | |
| Individuals, Organizations, and Other Governments | 2,296,853,561.31 | 31,932,577.20 | 2,328,786,138.51 |
| Total Net Position | <u>\$ 2,296,853,561.31</u> | <u>\$ 31,932,577.20</u> | <u>\$ 2,328,786,138.51</u> |

EXHIBIT I-2

Combining Statement of Changes in Fiduciary Net Position – Private-Purpose Trust Funds

For the Fiscal Year Ended August 31, 2016

| | Tobacco Settlement Permanent Trust Fund (0872) U/F (0872) | Permanent Endowment Fund-Baylor College of Medicine (0823) U/F (0823) | Total (Exhibit VII) |
|---|--|--|----------------------------|
| ADDITIONS | | | |
| Investment Income: | | | |
| From Investing Activities: | | | |
| Net Appreciation (Depreciation) in | | | |
| Fair Value of Investments | \$ 41,462,656.03 | \$ 1,283,752.50 | \$ 42,746,408.53 |
| Interest and Investment Income | 17,541,634.42 | 393,579.42 | 17,935,213.84 |
| Total Investing Income (Loss) | 59,004,290.45 | 1,677,331.92 | 60,681,622.37 |
| Less Investing Activities Expense | | | |
| Net Income from Investing Activities | <u>59,004,290.45</u> | <u>1,677,331.92</u> | <u>60,681,622.37</u> |
| From Securities Lending Activities: | | | |
| Securities Lending Income | | | |
| Less Securities Lending Expense: | | | |
| Borrower Rebates and Agent Fees | | | |
| Net Income from Securities Lending Activities | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Total Net Investment Income (Loss) | <u>59,004,290.45</u> | <u>1,677,331.92</u> | <u>60,681,622.37</u> |
| Total Additions | <u>59,004,290.45</u> | <u>1,677,331.92</u> | <u>60,681,622.37</u> |
| DEDUCTIONS | | | |
| Transfers Out | 46,761,489.00 | 1,489,226.27 | 48,250,715.27 |
| Professional Fees and Services | 5,203,789.19 | | 5,203,789.19 |
| Total Deductions | <u>51,965,278.19</u> | <u>1,489,226.27</u> | <u>53,454,504.46</u> |
| INCREASE (DECREASE) IN NET POSITION | <u>7,039,012.26</u> | <u>188,105.65</u> | <u>7,227,117.91</u> |
| NET POSITION | | | |
| Net Position September 1, 2015 | 2,289,814,549.05 | 31,744,471.55 | 2,321,559,020.60 |
| Restatements | | | |
| Net Position September 1, 2015, as Restated | <u>2,289,814,549.05</u> | <u>31,744,471.55</u> | <u>2,321,559,020.60</u> |
| Net Position August 31, 2016 | <u>\$ 2,296,853,561.31</u> | <u>\$ 31,932,577.20</u> | <u>\$ 2,328,786,138.51</u> |

UNAUDITED
Comptroller Treasury – Fiscal (311)

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 |
|--|--|-----------------------------|-----------------------------|-----------------------------------|
| Suspense Fund (0900) U/F (0900) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 2,384,669.53 | \$ 4,836,223.64 | \$ 5,595,064.33 | \$ 1,625,828.84 |
| Total Assets | <u>\$ 2,384,669.53</u> | <u>\$ 4,836,223.64</u> | <u>\$ 5,595,064.33</u> | <u>\$ 1,625,828.84</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 2,384,669.53 | \$ 4,836,223.64 | \$ 5,595,064.33 | \$ 1,625,828.84 |
| Total Liabilities | <u>\$ 2,384,669.53</u> | <u>\$ 4,836,223.64</u> | <u>\$ 5,595,064.33</u> | <u>\$ 1,625,828.84</u> |
| Bond and Investment Companies Trust Acct. (0908) U/F (0908) | | | | |
| ASSETS | | | | |
| Other Assets | \$ 100,000.00 | \$ | \$ | \$ 100,000.00 |
| Total Assets | <u>\$ 100,000.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 100,000.00</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 100,000.00 | \$ | \$ | \$ 100,000.00 |
| Total Liabilities | <u>\$ 100,000.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 100,000.00</u> |
| Cigarette Stamp Tax Recovery Trust Fund (9999) U/F (3000) | | | | |
| ASSETS | | | | |
| Cash in Bank | \$ 246,164.11 | \$ 8,620,720,686.20 | \$ 8,614,709,242.92 | \$ 6,257,607.39 |
| Investments | | | | |
| Repurchase Agreements | 31,257,257.23 | 8,565,963,967.46 | 8,564,286,497.07 | 32,934,727.62 |
| Receivables: | | | | |
| Interest and Dividends | 74.09 | 66,022.05 | 65,849.13 | 247.01 |
| Total Assets | <u>\$ 31,503,495.43</u> | <u>\$ 17,186,750,675.71</u> | <u>\$ 17,179,061,589.12</u> | <u>\$ 39,192,582.02</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 31,503,495.43 | \$ 32,221,440.66 | \$ 24,532,354.07 | \$ 39,192,582.02 |
| Total Liabilities | <u>\$ 31,503,495.43</u> | <u>\$ 32,221,440.66</u> | <u>\$ 24,532,354.07</u> | <u>\$ 39,192,582.02</u> |
| Totals – All Agency Funds | | | | |
| ASSETS | | | | |
| Cash in Bank | \$ 246,164.11 | \$ 8,620,720,686.20 | \$ 8,614,709,242.92 | \$ 6,257,607.39 |
| Cash in State Treasury | 2,384,669.53 | 4,836,223.64 | 5,595,064.33 | 1,625,828.84 |
| Investments | | | | |
| Repurchase Agreements | 31,257,257.23 | 8,565,963,967.46 | 8,564,286,497.07 | 32,934,727.62 |
| Receivables: | | | | |
| Interest and Dividends | 74.09 | 66,022.05 | 65,849.13 | 247.01 |
| Other Assets | 100,000.00 | | | 100,000.00 |
| Total Assets | <u>\$ 33,988,164.96</u> | <u>\$ 17,191,586,899.35</u> | <u>\$ 17,184,656,653.45</u> | <u>\$ 40,918,410.86</u> |
| LIABILITIES | | | | |
| Payables | \$ | \$ | \$ | \$ |
| Funds Held for Others | 33,988,164.96 | 37,057,664.30 | 30,127,418.40 | 40,918,410.86 |
| Total Liabilities | <u>\$ 33,988,164.96</u> | <u>\$ 37,057,664.30</u> | <u>\$ 30,127,418.40</u> | <u>\$ 40,918,410.86</u> |

UNAUDITED
Comptroller Treasury – Fiscal (311)

SUPPLEMENTARY SCHEDULES

UNAUDITED
Comptroller Treasury – Fiscal (311)

SCHEDULE 1

Balance Sheet – Arising from Custodial Operations

August 31, 2016

(With Comparative Totals for August 31, 2015)

| | August 31, 2016 | August 31, 2015 |
|---|-----------------------------|-----------------------------|
| ASSETS | | |
| Cash | | |
| Cash on Hand | | |
| Cash in Vault | \$ 211,045.88 | \$ 279,361.48 |
| Checks Returned by State Depositories | 921,967.29 | 1,015,847.73 |
| Total Cash Items on Hand | <u>1,133,013.17</u> | <u>1,295,209.21</u> |
| State Funds and Suspense and Trust | | |
| Accounts in Depositories Banks | | |
| Demand Accounts | 27,832,572.64 | 35,140,910.24 |
| Time Accounts and Bid TX | 584,786,000.00 | 444,643,500.00 |
| Total Cash in State Depositories | <u>612,618,572.64</u> | <u>479,784,410.24</u> |
| Cash in TTSTC Treasury Fed Acct. | 1,050,667.97 | 5,720,594.04 |
| Total Cash in State Depositories and TTSTC Treasury Fed Acct. | <u>613,669,240.61</u> | <u>485,505,004.28</u> |
| Total Cash on Hand and In Banks | 614,802,253.78 | 486,800,213.49 |
| Total Trust Funds on Deposit with U.S. Treasury Unemployment Trust Fund | 1,136,209,029.10 | 1,924,430,469.01 |
| Total Cash | <u>1,751,011,282.88</u> | <u>2,411,230,682.50</u> |
| Investment In Texas Treasury Safekeeping Trust Company | <u>1,000,000.00</u> | <u>1,000,000.00</u> |
| Short-Term Investments | | |
| United States Government Securities | 3,539,308,113.31 | 9,181,447,185.68 |
| Commercial Paper | 9,096,864,890.91 | 7,794,558,502.95 |
| Money Market Funds | 564,000,000.00 | 823,000,000.00 |
| Repurchase Agreements | 1,800,000,000.00 | 2,250,000,000.00 |
| Total Short-Term Investments | <u>15,000,173,004.22</u> | <u>20,049,005,688.63</u> |
| Long-Term Investments | | |
| United States Government Securities | 2,722,431,964.80 | 4,593,507,455.10 |
| Government Mortgage Backed Securities | 2,463,200,314.04 | 2,534,203,282.03 |
| Asset backed Securities | 2,788,268,601.73 | 3,017,885,968.94 |
| Corporate Obligations | 2,515,824,114.30 | 3,324,833,921.17 |
| Supranational (includes Israel Bonds) | 2,805,643,900.00 | 1,250,224,900.00 |
| SBA's | 28,984,826.89 | 34,663,366.99 |
| United States Government Securities – Lottery | 662,418,751.32 | 702,472,648.86 |
| Total Long-Term Investments | <u>13,986,772,473.08</u> | <u>15,457,791,543.09</u> |
| Securities Held in Trust – Both Corporate and Governmental | | |
| State Funds Investment Accounts | 42,073,000.00 | 45,722,000.00 |
| Bonds and Securities Pledged to Guarantee State Depositories' Deposits | 1,049,256,303.00 | 989,130,200.00 |
| Other Securities Pledged under Statutory Requirements | <u>645,731,519.68</u> | <u>1,446,012,116.00</u> |
| Total Securities Held in Trust – Both Corporate and Governmental | <u>1,737,060,822.68</u> | <u>2,480,864,316.00</u> |
| Accounts Receivable | | |
| Interest Receivable | <u>21,896,301.72</u> | <u>20,977,202.36</u> |
| Total Assets – Arising From Custodial Operations | <u>\$ 32,497,913,884.58</u> | <u>\$ 40,420,869,432.58</u> |

Concluded on the following page

UNAUDITED
Comptroller Treasury – Fiscal (311)

SCHEDULE 1 (concluded)

Balance Sheet – Arising from Custodial Operations

Aug. 31, 2016

(With Comparative Totals for Aug. 31, 2015)

| | August 31, 2016 | August 31, 2015 |
|---|-----------------------------|-----------------------------|
| LIABILITIES AND ACCOUNTABILITY | | |
| Liabilities | | |
| Accounts Payable – Warrants Outstanding – State Funds and | | |
| Suspense and Trust Accounts | \$ 549,593,252.99 | \$ 426,975,965.41 |
| Obligations under Reverse Repurchase Agreements | 44,211,267.75 | 47,143,843.25 |
| Pencing Purchases | | |
| Options Written, at Fair Value | | |
| Interest Payable | 65.19 | 13.15 |
| Total Liabilities | 593,804,585.93 | 474,119,821.81 |
| Accountability | | |
| Available Cash Balance and Investments: | | |
| State Funds and Suspense and Trust Accounts | 28,368,420,695.55 | 34,838,982,176.90 |
| Fund 0895 Lottery Prize Trust Fund | 662,418,751.32 | 702,472,648.86 |
| Total Available Cash Balances and Investments | 29,030,839,446.87 | 35,541,454,825.76 |
| Trust: Account – Unemployment Trust Fund | 1,136,209,029.10 | 1,924,430,469.01 |
| State Fund Investments | 42,073,000.00 | 45,722,000.00 |
| Trust Fund Securities: | | |
| Collateral of Deposits | 1,049,256,303.00 | 989,130,200.00 |
| Pledged under Statutory Requirements | 645,731,519.68 | 1,446,012,116.00 |
| Total Trust Fund Securities | 1,694,987,822.68 | 2,435,142,316.00 |
| Total Accountability | 31,904,109,298.65 | 39,946,749,610.77 |
| Total Liabilities and Accountability – Arising from Custodial Operations | \$ 32,497,913,884.58 | \$ 40,420,869,432.58 |

UNAUDITED
Comptroller Treasury – Fiscal (311)

SCHEDULE 2

Comparative Summary of Securities Held For State Investment Accounts

For the Fiscal Year Ended August 31, 2015

(With Comparative Memorandum Totals for the Fiscal Year Ended August 31, 2015)

| | Percent | 2016 | 2015 | Increase-(Decrease) |
|---|-----------------|----------------------|----------------------|-----------------------|
| BY CATEGORY | | | | |
| Texas Water Development Board Funds | | | | |
| TWDB-DFUND II Fund No. 0371 | | | \$ 120,000 | \$ (120,000) |
| TWDB-EDAP Fund No. 0375 | | | 150,000 | (150,000) |
| Water Assistance Fund No. 0480 | | 10,319,000 | 10,319,000 | |
| Water Loan Assistance Fund No. 0481 | | 1,600,000 | 3,325,000 | (1,725,000) |
| TWDB State Revolving Fund No. 0651 | | 55,000 | 822,000 | (767,000) |
| Texas Water Resource Finance Authority Fund No. 0751 | | 4,609,000 | 4,941,000 | (332,000) |
| Total Water Resources Funds | | <u>16,583,000</u> | <u>19,677,000</u> | <u>(3,094,000)</u> |
| Other Funds | | | | |
| T.P.F.A.G.O. Series 2007B TMPC INT 7027 | | 25,490,000 | 26,180,000 | (690,000) |
| Real Estate Recovery Account No. 0971 | | 0 | 0 | 0 |
| Total Other Funds | | <u>25,490,000</u> | <u>26,180,000</u> | <u>(690,000)</u> |
| Total All Funds | | <u>\$ 42,073,000</u> | <u>\$ 45,857,000</u> | <u>\$ (3,784,000)</u> |
| BY TYPE OF SECURITY | | | | |
| U.S. Government Guaranteed Agencies Bonds, Notes, and Debentures | 23.00 % | \$ 10,319,000 | \$ 10,319,000 | \$ |
| School Districts, Junior College Districts, Cities, Counties and District Bonds | 77.00 % | 31,754,000 | 35,403,000 | (3,649,000) |
| Totals | <u>100.00 %</u> | <u>\$ 42,073,000</u> | <u>\$ 45,722,000</u> | <u>\$ (3,649,000)</u> |

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Comptroller Treasury – Fiscal (311)

SCHEDULE 3

**Summary of Collateral Securities Pledged by
State Depositories for All Types of Deposits**

For the Fiscal Year Ended August 31, 2016

| | PAR Value | Market Value |
|--|-------------------------|-------------------------|
| BY LOCATION | | |
| In Custody Texas Treasury Safekeeping Trust Company: | | |
| Demand and Time Accounts | \$ 85,084,475 | \$ 34,968,000 |
| Total Held by Texas Treasury Safekeeping Trust Company | <u>85,084,475</u> | <u>34,968,000</u> |
| In Vaults of Trustee Banks: | | |
| Demand and Time Accounts | | |
| Clearing Banks | 202,159,475 | 59,404,000 |
| Other Banks | 568,612,353 | 465,206,000 |
| Total in Vaults of Trustee Banks | <u>770,771,828</u> | <u>524,610,000</u> |
| Letters of Credit held by Texas Comptroller | 193,400,000 | 193,400,000 A |
| Total Pledged Collateral | <u>\$ 1,049,256,303</u> | <u>\$ 752,978,000 B</u> |
| BY FUND | | |
| Time Depository Bonds Guaranty Account | \$ 1,049,256,303 | \$ 752,978,000 |
| Total Pledged Collateral | <u>\$ 1,049,256,303</u> | <u>\$ 752,978,000</u> |

Note A: 10 FHLB Letters of Credit from 4 Depositories

Note B: These amounts are exclusive of Federal Deposit Insurance Corporation Coverage

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Comptroller Treasury – Fiscal (311)

SCHEDULE 4

Summary of Pledges Under Statutory Requirements

For the Fiscal Year Ended August 31, 2016

| Agency No. | Trust Fund No. | Agency/Fund Name | Securities Pledged |
|------------|----------------|--|--------------------------|
| 311 | 0908 | COMPTROLLER-TREASURY FISCAL: Bond and Investment Companies Account | \$ 100,000.00 |
| 320 | 0936 | TEXAS WORKFORCE COMMISSION: Unemployment Compensation Clearance Account | 244.40 |
| 405 | 0940 | TEXAS DEPARTMENT OF PUBLIC SAFETY: Motor Vehicle Proof of Responsibility Account | 6,399,079.83 |
| 454 | 0893 | TEXAS DEPARTMENT OF INSURANCE: Texas Worker's Compensation Self Insurance Trust Account | 481,973,471.31 |
| 454 | 0921 | TEXAS DEPARTMENT OF INSURANCE: Life, Health, Accident and Casualty Insurance Companies Account | 89,986,200.00 |
| 537 | 5096 | DEPARTMENT OF STATE HEALTH SERVICES: GR – Perpetual Care | 67,272,524.14 |
| TOTALS | | | <u>\$ 645,731,519.68</u> |

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Comptroller Treasury – Fiscal (311)

Texas Treasury
Safekeeping Trust Company (930)

BASIC FINANCIAL STATEMENTS

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Texas Treasury Safekeeping Trust Company (930)

EXHIBIT III

Combined Statement of Net Position – Proprietary Fund

August 31, 2016

| | Total Proprietary Funds Fund (1004) U/F (1004) |
|---|--|
| ASSETS | |
| Current Assets: | |
| Cash and Cash Equivalents: | |
| Cash at Bank | \$ 52,431.77 |
| Cash in State Treasury | 785,347.46 |
| Cash Equivalents | 28,300,816.29 |
| Receivables from: | |
| Management Fees | 5,271,917.78 |
| Interest and Dividends | 106,555.95 |
| Other | 6,285.13 |
| Prepaid Expenses | 926,496.56 |
| Total Current Assets | 35,449,850.94 |
| Non-Current Assets: | |
| Restricted: | |
| Cash in Bank | 34,297,112.72 |
| Investments | 319,404.13 |
| Capital Assets: | |
| Depreciable or Amortizable, Net | 1,940,537.45 |
| Total Non-Current Assets | 36,557,054.30 |
| Total Assets | 72,006,905.24 |
| LIABILITIES | |
| Current Liabilities: | |
| Payables from: | |
| Accounts Payable | 1,644,528.27 |
| Payroll Payable | 2,152,075.89 |
| Other | |
| Employees' Compensable Leave | 462,451.65 |
| Total Current Liabilities | 4,259,055.81 |
| Non-Current Liabilities: (Note 5) | |
| Employees' Compensable Leave | 478,964.06 |
| Total Non-Current Liabilities | 478,964.06 |
| Total Liabilities | 4,738,019.87 |
| NET POSITION | |
| Invested in Capital Assets, Net of Related Debt | 1,940,537.45 |
| Unrestricted | 65,328,347.92 |
| Total Net Position | \$ 67,268,885.37 |

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

EXHIBIT IV

Combined Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund

For the Fiscal Year Ended August 31, 2016

| | Total Proprietary Funds Fund (1004) U/F (1004) |
|--|--|
| OPERATING REVENUES | |
| Operating Revenues – Management Fees | \$21,227,550.35 |
| Total Operating Revenues | 21,227,550.35 |
| OPERATING EXPENSES | |
| Salaries and Wages | 8,895,271.56 |
| Payroll Related Costs | 1,903,982.80 |
| Professional Fees and Services | 6,348,327.58 |
| Travel | 159,926.56 |
| Materials and Supplies | 1,429,050.62 |
| Communication and Utilities | 706,600.41 |
| Repairs and Maintenance | 933,329.87 |
| Rentals and Leases | 25,817.90 |
| Printing and Reproduction | 12,820.83 |
| Depreciation and Amortization | 154,942.73 |
| Other Operating Expenses | 755,417.09 |
| Total Operating Expenses | 21,325,487.95 |
| Operating Income (Loss) | (97,937.60) |
| NONOPERATING REVENUE (EXPENSES) | |
| Investment Income (Expense) | 97,047.37 |
| Settlement of Claims | 1,683.32 |
| Total Nonoperating Revenues (Expenses) | 95,364.05 |
| Income (loss) before Other Revenues, Expenses, Gains/Losses and Transfers | (2,573.55) |
| OTHER REVENUES, EXPENSES, GAINS/LOSSES, AND TRANSFERS | |
| Transfers Out | |
| Transfer In | |
| Total Other Revenues, Expenses, Gains/Losses, and Transfers | 0.00 |
| Change in Net Position | (2,573.55) |
| Total Net Position, September 1, 2015 | 67,271,458.92 |
| Restatements | |
| Total Net Position, September 1, 2015, as Restated | 67,271,458.92 |
| Total Net Position, August 31, 2016 | \$67,268,885.37 |

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

EXHIBIT V

Combined Statement of Cash Flows – Proprietary Fund

For the Fiscal Year Ended August 31, 2016

| | Total Proprietary Funds Fund (1004) U/F (1004) |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Proceeds from Loan Programs | \$ |
| Proceeds from Other Revenues | 19,889,725.24 |
| Payments to Employees | (10,253,257.16) |
| Payments for Other Expenses | (10,295,218.59) |
| Net Cash Provided by Operating Activities | (658,750.51) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Payments for Additions to Capital Assets | (1,670,154.59) |
| Net Cash Used for Capital and Related Financing Activities | (1,670,154.59) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Proceeds from Interest and Investment Income | (9,287.93) |
| Payments to Acquire Investments | (62,169.18) |
| Net Cash Provided by Investing Activities | (71,457.11) |
| Net (Decrease) in Cash and Cash Equivalents | (2,400,362.21) |
| Cash and Cash Equivalents – September 1, 2015 | 65,836,070.45 |
| Cash and Cash Equivalents – August 31, 2016 | \$ 63,435,708.24 |
| Reconciliation of Operating Income to Net Cash Used by Operating Activities: | |
| Operating Income | \$ (97,937.60) |
| Adjustments to Operating Income to Net Cash Used by Operating Activities: | |
| Classification Differences | (1,683.32) |
| Depreciation Expense | 154,942.73 |
| Changes in Assets/Liabilities: | |
| (Increase) Decrease in Accounts Receivables | (1,337,825.11) |
| (Increase) Decrease in Prepaid Expenses | (648,872.41) |
| Increase (Decrease) in Payables | 1,272,625.20 |
| Net Cash Provided by Operating Activities | \$ (658,750.51) |
| Displayed As: | |
| Cash at Bank | \$ 52,431.77 |
| Cash in State Treasury | 785,347.46 |
| Cash Equivalents – Repurchase Agreements | 28,300,816.29 |
| Restricted Cash and Cash Equivalents | 34,297,112.72 |
| | \$ 63,435,708.24 |

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

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Texas Treasury Safekeeping Trust Company (930)

EXHIBIT VI

Combined Statement of Net Position – Fiduciary Funds

August 31, 2016

| | External Investment Trust Funds (Exhibit H-1) | Agency Funds (Exhibit J-1) | Totals |
|--------------------------------------|---|-------------------------------|-----------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents (Note 3) | | | |
| Cash in State Treasury | | \$ 1,375.02 | \$ 1,375.02 |
| Cash in Bank | \$ 647,084.57 | 4,914.39 | |
| Investments (Note 3) | | | |
| US Government and Agency Obligations | 9,934,311,240.40 | 346,915,429.79 | 10,281,226,670.19 |
| Repurchase Agreements | 3,337,000,999.96 | | 3,337,000,999.96 |
| Commercial Paper | 1,309,453,578.46 | | 1,309,453,578.46 |
| Corporate Bonds | | | |
| Mutual Funds | 916,036,296.76 | 25,014,854.37 | 941,051,151.13 |
| Interest Receivable | 9,447,217.44 | 1,055,034.69 | 10,502,252.13 |
| Pending Transactions | | | |
| Total Assets | <u>15,506,896,417.59</u> | <u>372,991,608.26</u> | <u>15,879,888,025.85</u> |
| LIABILITIES | | | |
| Payables From: | | | |
| Dividends Payable | 5,332,987.05 | | 5,332,987.05 |
| Accounts Payable | | | |
| Pending Transactions | 9,934,550.00 | | 9,934,550.00 |
| Other Liabilities | 1,045,200.10 | | 1,045,200.10 |
| Funds Held For Others | | 372,991,608.26 | 372,991,608.26 |
| Total Liabilities | <u>16,312,737.15</u> | <u>372,991,608.26</u> | <u>389,304,345.41</u> |
| NET POSITION | | | |
| Held in Trust For | | | |
| Pool Participants | 15,490,583,680.44 | | 15,490,583,680.44 |
| Total Net Position | <u>\$ 15,490,583,680.44</u> | <u>\$ 0.00</u> | <u>\$ 15,490,583,680.44</u> |

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

EXHIBIT VII

**Combined Statement of Changes
 in Fiduciary Net Position**

For the Fiscal Year Ended August 31, 2016

| | External Investment Trust Funds (Exhibit H-2) |
|--|--|
| ADDITIONS | |
| Investment Income | |
| Interest and Investment Income | \$ 54,966,756.57 |
| Expenses: | |
| Management Fees and Expenses | (7,374,418.85) |
| Net Income from Investing Activities | 47,592,337.72 |
| Total Additions | 47,592,337.72 |
| Net Increase (Decrease) in Participant Investments | 1,935,237,544.52 |
| Net Increase (Decrease) in Net Position | 1,982,829,882.24 |
| Net Position – Beginning | |
| Restatements | |
| Net Position, September 1, 2015 | 13,507,753,798.20 |
| Net Position, August 31, 2016 | \$ 15,490,583,680.44 |

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

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Texas Treasury Safekeeping Trust Company (930)

Notes to the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

GENERAL INTRODUCTION

The Texas Treasury Safekeeping Trust Company (“Texas Trust”) was created in 1986 by the 69th Legislature to provide a separate legal entity for the State Treasurer. The incorporation of the trust company was necessary to obtain direct access to services provided by the Federal Reserve System. The 77th Legislature amended the Texas Trust statute and the Texas Trust began operations as a separate State entity on Sept. 1, 2001. The Comptroller of Public Accounts (Comptroller) is the single shareholder of the Texas Trust and is charged with managing the Texas Trust. Texas Trust is one of only two state-owned trust companies with direct access to the Federal Reserve System.

The Texas Trust is authorized to manage, disburse, transfer, safekeep and invest funds and securities provided by statute or belonging to state and local entities and gives the Comptroller direct access to services provided by the Federal Reserve System.

This section of the report includes only those funds and accounts from which the Texas Trust’s own departmental activities are financed. The Texas Trust’s fiscal function (Agency 930) is reported in a separate section of this report.

Due to the significant changes related to Governmental Accounting Standards Board Statement No.34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to be in compliance with generally accepted accounting principles (GAAP). The financial report will be considered for audit by the State Auditor as part of the audit of the state’s *Comprehensive Annual Financial Report*; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

There are no component units in which the Texas Trust is financially accountable or any organization in which exclusion would create misleading or incomplete financial statements.

FUND STRUCTURE

The accompanying financial statements are presented on the basis of funds and account groups, each of which is considered a separate accounting entity. The funds and account groups used to reflect the agency’s transactions are as follows:

Proprietary Fund Types

Enterprise Funds

Enterprise funds are used to report any activity for which a fee is charged to external users for services such as investment management and custodial services. The Texas Trust accounts for its daily operations using an enterprise fund. Operating revenues result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.

Fiduciary Fund Types

Agency Funds

Agencies use agency funds 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. The Texas Trust has the Texas Public Finance Authority Bond Escrow, which is used to

hold funds for various defeased or refunded bonds and the Child Support Employee Deductions (Fund 8070), which is just Cash in State Treasury.

External Investment Trust Funds

Agencies use external investment trust funds to account for the state's external portion of investment pools reported by the sponsoring government. The Texas Government Investment Pools (TexPool and TexPool Prime) are local government investment pools administered by the Texas Treasury Safekeeping Trust Company – Comptroller's office. The investor base consists of cities, counties, school districts, institutions of higher education, special districts, and other public entities of Texas.

BASIS OF ACCOUNTING

The Texas Trust financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. All enterprise fund types are accounted for using the accrual basis of accounting. This includes unpaid Employee Compensable leave. Revenues are recognized when they become both measurable and available. Expenditures are generally recognized when the related fund liability is incurred.

The Texas Trust has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, which specifies that in addition to adopting all applicable GASB pronouncements, the Texas Trust has adopted Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued prior to Nov. 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Texas Trust has elected to follow only GASB Standards issued subsequent to Nov. 30, 1989.

ASSETS, LIABILITIES, AND FUND BALANCES/NET ASSETS

ASSETS

Cash and Cash Equivalents

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

Receivables

The business-type activities of Texas Trust include providing investment management and custody services. Management fees charged to customers support these activities. Receivables from management fees as of Aug. 31, 2016 were \$5,271,917.78.

Investments.

Investments are reported at fair value based upon quoted market prices, with the change in fair value of investments captioned as Net Increase (Decrease) in the Fair Value of Investments, and interest income reported at the relevant stated interest rate.

NON-CURRENT RESTRICTED CASH AND CASH EQUIVALENTS

The Texas Trust maintains an account with the Depository Trust Company (DTC). In accordance with the agreement between DTC and the Texas Trust, \$297,026.00 in cash was held at DTC as of Aug. 31, 2016, in order to maintain the account.

The Texas Trust has agreed to maintain a \$34,000,000.00 clearing balance within its Federal Reserve account. Earnings on the clearing balance are used to offset fees associated with its use of Federal Reserve services. The Texas Trust Federal Reserve account balance reported in Restricted cash on Aug. 31, 2016 was \$34,000,086.72 from the Texas Trusts' Enterprise Fund.

Non-Current Restricted Investments

The Texas Trust has a balance of \$319,404.13 in stock with the Depository Trust Company as of Aug. 31, 2016.

Capital Assets

Assets with an initial, individual cost of more than \$5,000 for furniture and equipment and building and building improvements of more than \$100,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized

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at cost or, if any purchased, at appraised fair value as of the date of acquisition. Depreciation is charged to operations over the estimated useful life of each asset, using the straight-line method.

LIABILITIES

Accounts Payable

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

Employees' Compensable Leave

Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or non-current in the statement of net assets.

FUND BALANCE/NET ASSETS

The difference between fund assets and liabilities is 'Net Assets' on the government-wide, proprietary and fiduciary fund statements, and the 'Fund Balance' is the difference between fund assets and liabilities on the enterprise fund statements.

Invested In Capital Assets, Net Of Related Debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bond, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Assets

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

Unrestricted net assets consist of net assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be removed or modified.

NOTE 2: Capital Assets

A summary of changes in General Fixed Assets for the year ended Aug. 31, 2016, is presented below:

| | PRIMARY GOVERNMENT | | | | | Balance 8/31/2016 |
|--|---------------------|--------------|------------------|---------------|-----------|----------------------|
| | Balance 9/1/2015 | Adjustments* | Reclassification | Additions | Deletions | |
| BUSINESS-TYPE ACTIVITIES | | | | | | |
| Depreciable Assets: | | | | | | |
| Building and Building Improvements | \$ 550,474.99 | \$ | \$ | \$ 760,071.93 | \$ | \$1,310,546.92 |
| Furniture and Equipment | 902,085.46 | | | 230,786.66 | | 1,132,872.12 |
| Total Depreciable Assets at Historical Costs | 1,452,560.45 | 0.00 | 0.00 | 990,858.59 | 0.00 | 2,443,419.04 |
| Less Accumulated Depreciation For: | | | | | | |
| Building and Building Improvements | (313,731.70) | | | (23,495.19) | | (337,226.89) |
| Furniture and Equipment | (713,503.16) | | | (35,148.88) | | (748,652.04) |
| Total Accumulated Depreciation | (1,027,234.86) | 0.00 | 0.00 | (58,644.07) | 0.00 | (1,085,878.93) |
| Depreciable Assets, Net | 425,325.59 | 0.00 | 0.00 | 932,214.52 | 0.00 | 1,357,540.11 |
| Amortizable assets-intangible | | | | | | |
| Computer software | 2,231,060.42 | | | 679,296.00 | | 2,910,356.42 |
| Total amortizable assets-intangible | 2,231,060.42 | 0.00 | 0.00 | 679,296.00 | 0.00 | 2,910,356.42 |
| Less Accumulated amortization for: | | | | | | |
| Computer software | (2,231,060.42) | | | (96,298.66) | | (2,327,359.08) |
| Total accumulated amortization | (2,231,060.42) | 0.00 | 0.00 | (96,298.66) | 0.00 | (2,327,359.08) |
| Amortizable assets-Intangible, net: | 0.00 | 0.00 | 0.00 | 582,997.34 | 0.00 | 582,997.34 |
| Business-type Activities Capital Assets, Net | 425,325.59 | 0.00 | 0.00 | 1,515,211.86 | 0.00 | 1,940,537.45 |

NOTE 3: Deposits, Investments & Repurchase Agreements

All monies in funds established in the Texas Trust by the State Constitution or by an act of the Legislature are pooled for investment purposes. All monies of the Trust Company are invested according to Section 404.106 of the Government Code.

1. Investment Authority

A. Section 404.024 of the Government Code permits the investment of these funds in the following instruments:

1. fully collateralized time deposits in banks and savings and loan associations domiciled in the state which have been approved by the State Depository Board to receive state deposits;
2. direct security repurchase agreements;
3. reverse repurchase agreements;
4. direct obligations of, or obligations the principal and interest of which are guaranteed by the United States, its' agencies and instrumentalities;
5. bankers' acceptances that: (i) are eligible for purchase by the Federal Reserve System, (ii) do not exceed 270 days to maturity, and (iii) are issued by a bank that has received the highest short-term credit rating by a nationally recognized investment firm;
6. commercial paper that has received the highest short-term credit rating by a nationally recognized investment rating firm and does not exceed 270 days to maturity;
7. and, contracts written by the Comptroller in which the Comptroller grants the purchaser the right, for a fee, to purchase securities in the Texas Trust's marketable securities portfolio at a specified price over a specified period. These contracts are commonly known as covered call options. Uncovered option trading is specifically prohibited.

B. No more than 20% of the aggregate funds on deposit in financial institutions at any time may be placed by the Comptroller in savings and loan associations.

C. Repurchase and reverse repurchase agreements may be entered into by the Comptroller only with state or national banks doing business in Texas or primary dealers approved by the Federal Reserve System.

2. There were no significant violations of legal provisions during the period.

3. DEPOSITS OF CASH IN BANK

A. **Collateralization and Risk Categorization** – In accordance with state law, all amounts deposited in financial institutions above the amounts insured by the Federal Deposit Insurance Corporation are fully collateralized by the pledging, to the Texas Trust, of securities valued at market, excluding accrued interest. Generally the list of eligible securities includes all U.S. Government and most Agency Obligations, including certain mortgage backed securities issued by state agencies and political subdivisions within the State. All securities pledged to the Texas Trust must be held by any Federal Reserve Bank or one of its branches or the Texas Trust.

Securities pledged as collateral on Aug. 31, 2016 were categorized under the Political Subdivision Securities, Moody's Investors Service Ratings AAA or U.S. Government Securities as U.S. Treasury Bills or U.S. Treasury Notes and Bonds.

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As of Aug. 31, 2016, the balance of cash at bank and carrying amount of cash is presented below:

| | |
|---|------------------------|
| Bank Balance | \$35,299,667.15 |
| Carrying Amount | \$35,001,543.45 |
| Business-Type Activities | |
| Proprietary Funds Cash at Bank | \$ 52,431.77 |
| Proprietary Funds Non-Current Restricted Cash at Bank | 34,297,112.72 |
| Cash in Bank per AFF | <u>\$34,349,544.49</u> |
| Fiduciary Funds | |
| Fiduciary Funds Cash at Bank | \$ 651,998.96 |
| Total Cash at Bank | \$35,001,543.45 |

The Trust Company's contract with the Federal Reserve Bank permits the Trust Company to wire transfer funds for the purpose of facilitating investment transactions. Correspondingly, a minimum cash balance is maintained in the account to generate earnings credits sufficient to partially offset the costs of the services received. As these investment transactions occur, the Federal Reserve Bank requires that the Trust Company maintain a positive cash balance in the account intraday and at the end of the day.

4. INVESTMENTS

As of Aug. 31, 2016, the carrying and fair value of investments are presented below. All securities are insured or registered by the Texas Trust or its agent in the Texas Trust's name. Therefore there is no custodial credit risk.

| Carrying Value and Market Value As of August 31, 2016 | | |
|--|----------------------------|----------------------------|
| | Carrying Value | Fair Value |
| Business-Type Activities | | |
| Repurchase Agreements | \$ 28,300,816.29 | \$ 28,300,816.29 |
| Equities | 319,404.13 | 319,404.13 |
| Total Business-Type Activities | <u>28,620,220.42</u> | <u>28,620,220.42</u> |
| Fiduciary Funds-TPFA Escrow | | |
| US Treasury Securities | 16,031,671.50 | 16,031,671.50 |
| US Government Agencies | 330,883,758.29 | 330,883,758.29 |
| Mutual Funds | 25,014,854.37 | 25,014,854.37 |
| Total TPFA Escrow | <u>371,930,284.16</u> | <u>371,930,234.16</u> |
| Fiduciary Funds-Texpool & Texpool Prime | | |
| US Treasury Securities | 1,713,997,009.63 | 1,714,271,235.00 |
| US Government Agencies | 8,220,314,230.77 | 8,222,888,646.13 |
| Mutual Funds | 916,036,296.76 | 916,036,296.76 |
| Repurchase Agreements | 3,337,000,999.96 | 3,337,000,999.96 |
| Commercial Paper | 1,309,453,578.46 | 1,309,680,829.90 |
| Corporate Bonds | | |
| Total Texpool & Texpool Prime | 15,496,802,115.58 | 15,499,878,057.75 |
| Total Fiduciary Investments | 15,868,732,399.74 | 15,871,808,351.91 |
| Total Categorized Investments | <u>\$15,897,352,620.16</u> | <u>\$15,900,428,572.33</u> |

Enterprise, TPFA Escrow, Texpool and Texpool Prime categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. They have the following recurring fair value measurements as of Aug. 31, 2016 and 2015:

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Enterprise Fund

| 2016 | Carrying Amount | Fair Value | Fair Value Measurements Using | | |
|--|-----------------|---------------|--|---|---|
| | | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by fair value level | | | | | |
| Debt Securities | | | | | |
| Securities purchased under agreement to resell | 28,300,816.29 | 28,300,816.29 | 28,300,816.29 | - | - |
| Equities | 319,404.13 | 319,404.13 | - | 319,404.13 | - |
| Total debt securities | 28,620,220.42 | 28,620,220.42 | 28,300,816.29 | 319,404.13 | - |
| Total investments by carrying and fair value level | 28,620,220.42 | 28,620,220.42 | 28,300,816.29 | 319,404.13 | - |

| 2015 | Carrying Amount | Fair Value | Fair Value Measurements Using | | |
|--|-----------------|---------------|--|---|---|
| | | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by fair value level | | | | | |
| Debt Securities | | | | | |
| Securities purchased under agreement to resell | 30,748,859.47 | 30,748,859.47 | 30,748,859.47 | - | - |
| Equities | 257,234.95 | 257,234.95 | - | 257,234.95 | - |
| Total debt securities | 31,006,094.42 | 31,006,094.42 | 30,748,859.47 | 257,234.95 | - |
| Total investments by carrying and fair value level | 31,006,094.42 | 31,006,094.42 | 30,748,859.47 | 257,234.95 | - |

TPFA Escrow

| 2016 | Carrying Amount | Fair Value | Fair Value Measurements Using | | |
|--|-----------------|----------------|--|---|---|
| | | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by fair value level | | | | | |
| Debt Securities | | | | | |
| United States government agency securities | 330,883,758.29 | 330,883,758.29 | - | 330,883,758.29 | - |
| United States treasuries | 16,031,671.50 | 16,031,671.50 | - | 16,031,671.50 | - |
| Total debt securities | 346,915,429.79 | 346,915,429.79 | - | 346,915,429.79 | - |
| Total investments by carrying and fair value level | 346,915,429.79 | 346,915,429.79 | - | 346,915,429.79 | - |
| Investments measured at the net asset value (NAV) | | | | | |
| Mutual Funds | 25,014,854.37 | | | | |
| Total investments measured at the NAV | 25,014,854.37 | | | | |
| Total investments | 371,930,284.16 | | | | |

| 2015 | Carrying Amount | Fair Value | Fair Value Measurements Using | | |
|--|-----------------|----------------|--|---|---|
| | | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by fair value level | | | | | |
| Debt Securities | | | | | |
| United States government agency securities | 146,519,481.55 | 146,519,481.55 | - | 146,519,481.55 | - |
| United States treasuries | 370,943,496.39 | 370,943,496.39 | - | 370,943,496.39 | - |
| Total debt securities | 517,462,977.94 | 517,462,977.94 | - | 517,462,977.94 | - |
| Total investments by carrying and fair value level | 517,462,977.94 | 517,462,977.94 | - | 517,462,977.94 | - |
| Investments measured at the net asset value (NAV) | | | | | |
| Mutual Funds | 49,315,647.03 | | | | |
| Total investments measured at the NAV | 49,315,647.03 | | | | |
| Total investments | 566,778,624.97 | | | | |

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Texas Treasury Safekeeping Trust Company (930)

| Texpool and Texpool Prime | | | Fair Value Measurements Using | | |
|--|-------------------|-------------------|--|---|---|
| | | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| 2016 | Carrying Amount | Fair Value | | | |
| Investments by fair value level | | | | | |
| Debt Securities | | | | | |
| Securities purchased under agreement to resell | 3,337,000,999.96 | 3,337,000,999.96 | - | 3,337,000,999.96 | - |
| Money market mutual funds | 916,036,296.76 | 916,036,296.76 | 916,036,296.76 | | |
| Commercial Paper | 1,309,453,578.46 | 1,309,680,829.90 | - | 1,309,680,829.90 | - |
| United States government agency securities | 8,220,314,230.77 | 8,222,888,646.13 | - | 8,222,888,646.13 | - |
| United States treasuries | 1,713,997,009.63 | 1,714,271,295.00 | - | 1,714,271,295.00 | - |
| Total debt securities | 15,496,802,115.58 | 15,499,878,067.75 | 916,036,296.76 | 14,583,841,770.99 | - |
| Total investments by carrying and fair value level | 15,496,802,115.58 | 15,499,878,067.75 | 916,036,296.76 | 14,583,841,770.99 | - |
| | | | Fair Value Measurements Using | | |
| | | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| 2015 | Carrying Amount | Fair Value | | | |
| Investments by fair value level | | | | | |
| Debt Securities | | | | | |
| Securities purchased under agreement to resell | 2,456,401,379.61 | 2,456,373,329.61 | - | 2,456,373,329.61 | - |
| Money market mutual funds | 370,035,145.78 | 370,035,145.78 | 370,035,145.78 | | |
| Commercial Paper | 649,613,742.43 | 649,623,135.94 | - | 649,623,135.94 | - |
| United States government agency securities | 9,379,795,235.03 | 9,380,182,370.11 | - | 9,380,182,370.11 | - |
| United States treasuries | 643,620,647.38 | 643,592,947.00 | - | 643,592,947.00 | - |
| Total debt securities | 13,499,466,150.23 | 13,499,806,928.44 | 370,035,145.78 | 13,129,771,782.66 | - |
| Total investments by carrying and fair value level | 13,499,466,150.23 | 13,499,806,928.44 | 370,035,145.78 | 13,129,771,782.66 | - |

Debt securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Shares of mutual funds are valued based upon their reported net asset value. The money market fund's price is a quoted or publicly available price. Debt securities classified as Level 2 of the fair value hierarchy are valued using other observable significant inputs including but not limited to quoted prices for similar securities, interest rates, prepayment speeds, and credit risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Trust Company only invests in overnight Repurchase Agreements which are collateralized by US Government Securities, US Government Agencies or Government Sponsored Enterprises. TexPool and TexPool Prime portfolios are designed and managed to ensure that they maintain a AAAM rating (or the equivalent) by a nationally recognized statistical rating organization ("NRSRO"). As of Aug. 31, 2016, TexPool Prime's investments in commercial paper were rated A-1 by Standard & Poor's, P-1 by Moody's Investors Service, and F-1 by Fitch ratings. Standard & Poor's ranks both TexPool and TexPool Prime with the highest principal stability rating of AAAM.

| Standard & Poor's | | | | | |
|-------------------|------|------------------------|-------------------|-------------------|-----|
| Fund Type | Fund | Investment Type | AAA | AA | N/R |
| 05 | 1004 | Repurchase Agreements | | \$ 28,300,816.29 | |
| 09 | 4000 | US Government Agencies | | \$ 330,883,758.29 | |
| 09 | 4000 | Mutual Funds | \$ 25,014,854.37 | | |
| | | | A-1 | A-2 | N/R |
| 18 | 3181 | Repurchase Agreements | 3,337,000,999.96 | | |
| 18 | 3181 | US Government Agencies | 8,222,888,646.13 | | |
| 18 | 3181 | Commercial Paper | 1,309,680,829.90 | | |
| 18 | 3181 | Mutual Funds | \$ 916,036,296.76 | | |
| 18 | 3181 | Corporate Bonds | - | | |

Concentration of credit risk.

Texpool: Up to 100% of TexPool assets may be invested in government obligations of the United States, its agencies, or instrumentalities. However, no more than 60% of the portfolio may be invested in variable rate notes. Up to 100% of TexPool assets may be invested in direct repurchase agreements. Texpool may enter into reverse repurchase agreements for up to one third (1/3) of the value of the Texpool assets. Up to 15% of Texpool assets may be invested in approved money market mutual funds. No more than 10% of the Texpool assets may be invested in a single money market fund. The money market mutual fund must be rated AAA or its equivalent by at least one NRSRO. TexPool’s investment policy has no limit on the amount it may invest in any single Governmental Sponsored Enterprise. More than 5% of the TexPool investments are with the Federal Home Loan Bank, the Federal Farm Credit Bank and the Federal National Mortgage Association. These investments are 34.8%, 13.5%, and 6.00%, respectively, at Aug. 31, 2016. TexPool had 36.1% with the Federal Home Loan Bank, 15.4% with the Federal Home Loan Mortgage Corporation, 11.6% with Federal Farm Credit Bank and 9.5% with the Federal National Mortgage Association at Aug. 31, 2015.

Texpool Prime: Up to 100% of TexPool Prime assets may be invested in government obligations of the United States, its agencies, or instrumentalities. However, no more than 60% of the portfolio may be invested in variable rate notes. Up to 100% of TexPool Prime assets may be invested in direct repurchase agreements. However, no more than 25% of TexPool Prime assets may be invested in term repurchase agreements and no more than 5% of TexPool Prime assets may be invested in term repurchase agreements with maturities exceeding 90 days. Up to 75% of TexPool Prime assets may be invested in commercial paper. However, no more than 25% of TexPool Prime assets may be invested in a single industry or business sector, provided that this limitation does not apply to securities issued or guaranteed by companies in the financial services industry. No more than 5% of TexPool Prime assets at the time of purchase may be invested in a single corporate entity. Up to 15% of the TexPool Prime assets may be invested in approved money market mutual funds. However, no more than 10% of the TexPool Prime assets may be invested in a single money market mutual fund. As of Aug. 31, 2016, commercial paper investments per issuer were less than 5% of net position held in trust for pool participants. Fannie Mae collateral for one security purchased under agreement to resell represented 9.20% of net position held in trust for pool participants.

Interest rate risk. The weighted average maturity of the portfolio is limited to 60 days calculated using the reset date for variable rate notes (“VRNs”) and 90 days or fewer using the final maturity date for VRNs, with the maximum maturity for any individual security in the portfolio not exceeding 397 days for fixed rate securities and 24 months for VRNs. The following schedule reflects the weighted average maturity by investment type and as a whole for Texpool and Texpool Prime.

| Investment Type | Weighted Average Maturity (Days) | |
|-----------------------------------|----------------------------------|---------------|
| | TexPool | TexPool Prime |
| Repurchase Agreements | 2 | 1 |
| Commercial Paper | - | 55 |
| Corporate Bonds | - | - |
| Mutual Funds | 2 | 1 |
| U.S. Government Agency Securities | 50 | 0 |
| U.S. Government Treasuries | 96 | 120 |
| Weighted Average Maturity | 42 | 37 |

NOTE 4: Short-Term Debt

(Not Applicable)

NOTE 5: Summary of Long Term Liabilities

Changes in Long-Term Liabilities

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

| Business-Type Activities | Balance 9/1/2015 | Additions | Reductions | Balance 8/31/2016 | Amounts Due Within One Year |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|-----------------------------------|
| Compensable Leave | \$ 804,317.18 | \$ 616,822.35 | \$ 479,723.82 | \$ 941,415.71 | \$ 462,451.65 |
| Total Business-Type Activities | <u>\$ 804,317.18</u> | <u>\$ 616,822.35</u> | <u>\$ 479,723.82</u> | <u>\$ 941,415.71</u> | <u>\$ 462,451.65</u> |

Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from state employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in Governmental and/or Expendable Trust fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

NOTE 6: Bonded Indebtness

(Not Applicable)

NOTE 7: Derivative Instruments

(Not Applicable)

NOTE 8: Leases

(Not Applicable)

NOTE 9: Defined Benefit Pension and Contribution Plans

(Not Applicable)

NOTE 10: Deferred Compensation

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the TEX. GOV'T. CODE ANN., sec 609.001. Two plans are available for employees' deferred compensation plan. Both plans are administered by the Employees Retirement System.

The state's 457 plan complies with the Internal Revenue Code Sec. 457. Deductions, purchased investments and earnings attributed to the 457 plan are the property of the state subject only to the claims of the state's general creditors. Participant's rights under the plan are equal to those of the general creditors of the state in an amount equal to the fair market value of the 457 account for each participant.

The state has no liability under the 457 plan and it is unlikely that plan assets will be used to satisfy the claims of general creditors in the future. The state also administers another plan, 'TexSaver' created in accordance with Internal Revenue Code Sec. 401(k). However, the assets of this plan do not belong to the state nor does the state have a liability related to this plan.

NOTE 11: Postemployment Health Care and Life Insurance Benefits

(Not Applicable)

NOTE 12: Interfund Activity and Transactions

(Not Applicable)

NOTE 13: Continuance Subject To Review

(Not Applicable)

NOTE 14: Adjustments to Fund Balances and Net Assets

(Not Applicable)

NOTE 15: Contingencies and Commitments

(Not Applicable)

NOTE 16: Subsequent Events

(Not Applicable)

NOTE 17: Risk Management

(Not Applicable)

NOTE 18: Management Discussions and Analysis

The following events occurred at our agency:

The Texas Treasury Safekeeping Trust Company (“Texas Trust”) was created in 1986 by the 69th Legislature to provide a separate legal entity for the State Treasurer. The incorporation of the trust company was necessary to obtain direct access to services provided by the Federal Reserve System, namely wire and custody services, and resulted in cost savings to the State of Texas. Texas Trust is one of only two state-owned trust companies with direct access to the Federal Reserve System.

NOTE 19: The Financial Reporting Entity

(Not Applicable)

NOTE 20: Stewardship, Compliance and Accountability

(Not Applicable)

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)

NOTE 29: Troubled Debt Restructuring

(Not Applicable)

NOTE 30: Non-Exchange Financial Guarantees

(Not Applicable)

NOTE 31: Related parties

The Texas Trust has entered into a services agreement with the Comptroller of Public Accounts (CPA). The agreement provides for specified rates based on hours of utilization. As of Aug. 31, 2016, the Texas Trust paid CPA \$63,114.30 for services provided. At Aug. 31, 2016, the Texas Trust had accrued \$19,092.50 for services provided by CPA and this amount is included in accounts payable.

UNAUDITED
Texas Treasury Safekeeping Trust Company (930)

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS

UNAUDITED
Texas Treasury Safekeeping Trust Company (930)

UNAUDITED
Texas Treasury Safekeeping Trust Company (930)

EXHIBIT H-1

**Combining Statement of Fiduciary Net Position –
External Investment Trust Funds**

August 31, 2016

| | Texas Treasury Safekeeping Trust Company TEXPOOL (9999) U/F (6050) | Texas Treasury Safekeeping Trust Company TEXPOOL/Prime (9999) U/F (7050) | Totals (Exhibit VI) |
|--------------------------------------|---|---|-----------------------------|
| ASSETS | | | |
| Cash In Bank | \$ 551,448.82 | \$ 95,635.75 | \$ 647,084.57 |
| Investments | | | |
| US Government and Agency Obligations | 9,864,130,785.33 | 70,180,455.07 | 9,934,311,240.40 |
| Repurchase Agreements | 2,691,003,999.96 | 645,997,000.00 | 3,337,000,999.96 |
| Commercial Paper | | 1,309,453,578.46 | 1,309,453,578.46 |
| Mutual Funds | 770,022,103.88 | 146,014,192.88 | 916,036,296.76 |
| Corporate Bonds | | | |
| Interest Receivable | 9,038,834.46 | 408,382.98 | 9,447,217.44 |
| Pending Transactions | | | |
| Total Assets | <u>13,334,747,172.45</u> | <u>2,172,149,245.14</u> | <u>15,506,896,417.59</u> |
| LIABILITIES | | | |
| Dividends Payable | 4,344,220.18 | 988,766.87 | 5,332,987.05 |
| Accounts Payable | | | |
| Pending Transactions | | 9,934,550.00 | 9,934,550.00 |
| Other Liabilities | 947,648.22 | 97,551.88 | 1,045,200.10 |
| Total Liabilities | <u>5,291,868.40</u> | <u>11,020,868.75</u> | <u>16,312,737.15</u> |
| NET POSITION | | | |
| Held in Trust For: | | | |
| Pool Participants | 13,329,455,304.05 | 2,161,128,376.39 | 15,490,583,680.44 |
| Total Net Position | <u>\$ 13,329,455,304.05</u> | <u>\$ 2,161,128,376.39</u> | <u>\$ 15,490,583,680.44</u> |

EXHIBIT H-2

Combining Statement of Changes in Fiduciary Net Position – External Investment Trust Funds

For the Fiscal Year Ended August 31, 2016

| | Texas Treasury Safekeeping Trust Company TEXPOOL (9,999) U/F (6050) | Texas Treasury Safekeeping Trust Company TEXPOOL/Prime (9,999) U/F (7050) | Totals (Exhibit VII) |
|--|--|--|-----------------------------|
| ADDITIONS | | | |
| Investment Income | | | |
| Interest and Investment Income | \$ 45,953,374.25 | \$ 9,013,382.32 | \$ 54,966,756.57 |
| Expenses: | | | |
| Management Fees and Expenses | (6,498,486.02) | (875,932.83) | (7,374,418.85) |
| Net Income from Investing Activities | 39,454,888.23 | 8,137,449.49 | 47,592,337.72 |
| Total Additions | 39,454,888.23 | 8,137,449.49 | 47,592,337.72 |
| Net Increase (Decrease) in Participant Investments | 763,928,605.24 | 1,171,308,939.28 | 1,935,237,544.52 |
| Net Increase (Decrease) in Net Position | 803,383,493.47 | 1,179,446,388.77 | 1,982,829,882.24 |
| Net Position, September 1, 2015 | 12,526,071,810.58 | 981,681,987.62 | 13,507,753,798.20 |
| Net Position, August 31, 2016 | <u>\$ 13,329,455,304.05</u> | <u>\$ 2,161,128,376.39</u> | <u>\$ 15,490,583,680.44</u> |

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 |
|--|---|--------------------------|--------------------------|--------------------------------------|
| Texas Public Finance Authority (9999) U.F (4000) | | | | |
| ASSETS | | | | |
| Cash in Bank | \$ 2,169.45 | \$ 1,066,885,405.23 | \$ 1,066,882,660.29 | \$ 4,914.39 |
| Interest and Dividend Receivable | 510,723.92 | 2,443,747.74 | 1,899,436.97 | 1,055,034.69 |
| Investments: | | | | |
| (US Gov & Agencies Oblig) | 517,462,977.94 | 194,699,649.88 | 365,247,198.03 | 346,915,429.79 |
| (Mutual Funds) | 49,315,647.03 | 92,898,899.41 | 117,199,692.07 | 25,014,854.37 |
| Total Assets | <u>567,291,518.34</u> | <u>1,356,927,702.26</u> | <u>1,551,228,987.36</u> | <u>372,990,233.24</u> |
| LIABILITIES | | | | |
| Funds Held for Others | 567,291,518.34 | 238,688,107.98 | 432,989,393.08 | 372,990,233.24 |
| Total Liabilities | <u>\$ 567,291,518.34</u> | <u>\$ 238,688,107.98</u> | <u>\$ 432,989,393.08</u> | <u>\$ 372,990,233.24</u> |

| | Beginning Balance September 1, 2015 | Additions | Deductions | Ending Balance August 31, 2016 |
|--|---|----------------|----------------|--------------------------------------|
| Child Support Employ Deduct-Offset Acct Fund (0807) U/F (8070) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 1,375.02 | \$ | \$ | \$ 1,375.02 |
| Total Assets | <u>1,375.02</u> | <u>0.00</u> | <u>0.00</u> | <u>1,375.02</u> |
| LIABILITIES | | | | |
| Funds Held for Others | 1,375.02 | - | - | 1,375.02 |
| Total Liabilities | <u>\$ 1,375.02</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 1,375.02</u> |

UNAUDITED
Texas Treasury Safekeeping Trust Company (930)

Comptroller State Energy
Conservation Office (907)

BASIC FINANCIAL STATEMENTS

UNAUDITED
Comptroller State Energy Conservation Office (907)

UNAUDITED
Comptroller State Energy Conservation Office (907)

EXHIBIT I

Combined Balance Sheet/Statement of Net Position – Governmental Funds

For the Fiscal Year Ended August 31, 2016

| | General Funds (Exhibit A-1) | Governmental Funds Total | Capital Assets Adjustments | Long-Term Liabilities Adjustments | Other Adjustments | Statement of Net Position |
|--|-----------------------------------|--------------------------------|----------------------------------|---|----------------------|---------------------------------|
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash: | | | | | | |
| Cash in State Treasury | \$ 80,476,041.72 | \$ 80,476,041.72 | \$ | \$ | \$ | \$ 80,476,041.72 |
| Legislative Appropriations | 41,231,299.97 | 41,231,299.97 | | | | 41,231,299.97 |
| Receivables From: | | | | | | |
| Federal | 10,095,642.57 | 10,095,642.57 | | | | 10,095,642.57 |
| Other Interest Receivable | 42,888.49 | 42,888.49 | | | | 42,888.49 |
| Interfund Receivables (Note 12) | 6,831,754.83 | 6,831,754.83 | | | | 6,831,754.83 |
| Loans and Contracts | 11,568,352.29 | 11,968,352.29 | | | | 11,968,352.29 |
| Total Current Assets | <u>150,645,979.87</u> | <u>150,645,979.87</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>150,645,979.87</u> |
| Non-Current Assets: | | | | | | |
| Interfund Receivables (Note 12) | 23,820,137.84 | 23,820,137.84 | | | | 23,820,137.84 |
| Loans and Contracts | 61,064,625.67 | 61,064,625.67 | | | | 61,064,625.67 |
| Total Non-Current Assets | <u>84,884,763.51</u> | <u>84,884,763.51</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>84,884,763.51</u> |
| Total Assets | <u>\$ 235,530,743.38</u> | <u>\$ 235,530,743.38</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 235,530,743.38</u> |
| LIABILITIES | | | | | | |
| Current Liabilities: | | | | | | |
| Payables from: | | | | | | |
| Accounts | \$ 2,884,957.25 | \$ 2,884,957.25 | \$ | \$ | \$ | \$ 2,884,957.25 |
| Payroll | 104,250.49 | 104,250.49 | | | | 104,250.49 |
| Interfund Payables (Note 12) | | | | | | |
| Due to Other Agencies | 211,047.22 | 211,047.22 | | | | 211,047.22 |
| Unearned Revenues | 9,403,258.48 | 9,403,258.48 | | | | 9,403,258.48 |
| Employees Compensable Leave (Note 5) | | | | 42,959.84 | | 42,959.84 |
| Total Current Liabilities | <u>12,603,513.44</u> | <u>12,603,513.44</u> | <u>0.00</u> | <u>42,959.84</u> | <u>0.00</u> | <u>12,646,473.28</u> |
| Non-Current Liabilities: | | | | | | |
| Employees Compensable Leave (Note 5) | | | | 69,920.99 | | 69,920.99 |
| Total Non-Current Liabilities | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>69,920.99</u> | <u>0.00</u> | <u>69,920.99</u> |
| Total Liabilities | <u>12,603,513.44</u> | <u>12,603,513.44</u> | <u>0.00</u> | <u>112,880.83</u> | <u>0.00</u> | <u>12,716,394.27</u> |
| FUND FINANCIAL STATEMENT | | | | | | |
| Fund Balances (Deficits): | | | | | | |
| Nonspendable | 84,884,763.51 | 84,884,763.51 | | | | 84,884,763.51 |
| Restricted | 49,279,247.06 | 49,279,247.06 | | | | 49,279,247.06 |
| Committed | 73,479,895.32 | 73,479,895.32 | | | | 73,479,895.32 |
| Assigned | 7,784,627.69 | 7,784,627.69 | | | | 7,784,627.69 |
| Unassigned | 7,498,696.36 | 7,498,696.36 | | | | 7,498,696.36 |
| Total Fund Balances | <u>222,927,229.94</u> | <u>222,927,229.94</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>222,927,229.94</u> |
| Total Liabilities and Fund Balances | <u>\$ 235,530,743.38</u> | <u>\$ 235,530,743.38</u> | | | | |
| GOVERNMENT-WIDE STATEMENT OF NET POSITION | | | | | | |
| Net Position: | | | | | | |
| Restricted for: | | | | | | |
| Employee Benefits (Note 5) | | | | (112,880.83) | | (112,880.83) |
| Total Net Position | | | <u>\$ 0.00</u> | <u>\$ (112,880.83)</u> | <u>\$ 0.00</u> | <u>\$ 235,530,743.38</u> |

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

UNAUDITED
Comptroller State Energy Conservation Office (907)

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

| | General Funds (Exhibit A-2) | Governmental Funds Total | Capital Assets Adjustments | Long-Term Liabilities Adjustments | Other Adjustments | Statement of Activities |
|--|-----------------------------------|--------------------------------|----------------------------------|---|----------------------|-------------------------------|
| REVENUES | | | | | | |
| Legislative Appropriations: | | | | | | |
| Original Appropriations (GR) | \$ 561,997.00 | \$ 561,997.00 | \$ | \$ | \$ | \$ 561,997.00 |
| Additional Appropriations (GR) | 42,524.45 | 42,524.45 | | | | 42,524.45 |
| Federal Revenue (Schedule 1A) | 5,642,592.67 | 5,642,592.67 | | | | 5,642,592.67 |
| Interest and Investment Income | 3,158,224.20 | 3,158,224.20 | | | | 3,158,224.20 |
| Other | (803,374.40) | (803,374.40) | | | | (803,374.40) |
| Total Revenues | <u>8,601,963.92</u> | <u>8,601,963.92</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>8,601,963.92</u> |
| EXPENDITURES | | | | | | |
| Salaries and Wages | 965,473.59 | 965,473.59 | | (10,246.64) | | 955,226.95 |
| Payroll Related Costs | 261,870.80 | 261,870.80 | | | | 261,870.80 |
| Professional Fees and Services | 1,428,129.47 | 1,428,129.47 | | | | 1,428,129.47 |
| Travel | 31,857.13 | 31,857.13 | | | | 31,857.13 |
| Materials and Supplies | 49,113.61 | 49,113.61 | | | | 49,113.61 |
| Communication and Utilities | 6,873.52 | 6,873.52 | | | | 6,873.52 |
| Rentals & Leases | 17,557.63 | 17,557.63 | | | | 17,557.63 |
| Federal Grant Pass-Through Expenditures (Schedule 1A) | 1,252,581.42 | 1,252,581.42 | | | | 1,252,581.42 |
| Intergovernmental Payments | 552,019.39 | 552,019.39 | | | | 552,019.39 |
| Public Assistance Payments | 15,000.00 | 15,000.00 | | | | 15,000.00 |
| Other Expenditures | 25,189.86 | 25,189.86 | | | | 25,189.86 |
| Total Expenditures/Expenses | <u>4,605,666.42</u> | <u>4,605,666.42</u> | <u>0.00</u> | <u>(10,246.64)</u> | <u>0.00</u> | <u>4,595,419.78</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>3,996,297.50</u> | <u>3,996,297.50</u> | <u>0.00</u> | <u>10,246.64</u> | <u>0.00</u> | <u>4,006,544.14</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers In | | | | | | |
| Transfers Out | | | | | | |
| Appropriations Lapsed | | | | | | |
| Total Other Financing Sources and Uses | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Change in Fund Balances/Net Position | <u>3,996,297.50</u> | <u>3,996,297.50</u> | | | | <u>4,006,544.14</u> |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | | | | |
| Fund Balances – Beginning | 218,930,932.44 | 218,930,932.44 | | | | 218,930,932.44 |
| Restatements | | | | | | |
| Fund Balances, September 1, 2015, as Restated | 218,930,932.44 | 218,930,932.44 | 0.00 | 0.00 | 0.00 | 218,930,932.44 |
| Fund Balances – August 31, 2016 | <u>\$ 222,927,229.94</u> | <u>\$ 222,927,229.94</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 222,927,229.94</u> |
| GOVERNMENT-WIDE STATEMENT OF NET POSITION | | | | | | |
| Change in Net Position | | \$ 222,927,229.94 | \$ | \$ 10,246.64 | \$ | \$ 222,937,476.58 |
| Net Position – Beginning | | | | (123,127.43) | | (123,127.43) |
| Net Position, September 1, 2015, as Restated | | | 0.00 | (123,127.43) | 0.00 | (123,127.43) |
| Net Position – August 31, 2016 | | <u>\$ 222,927,229.94</u> | <u>\$ 0.00</u> | <u>\$ (112,880.79)</u> | <u>\$ 0.00</u> | <u>\$ 222,814,349.15</u> |

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

Notes to the Financial Statements

NOTE 1: Summary of Significant Accounting Policies

ENTITY

The State Energy Conservation Office (SECO) is an agency of the state of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts Reporting Requirements for State Agencies.

The function of the State Energy Conservation Office is to promote and provide for the efficient use of energy, while protecting human health and safety, and the environment. SECO administers and delivers a variety of energy efficiency and renewable programs that significantly impact energy cost and consumption in the institutional, industrial, transportation and residential sectors.

Due to the significant changes related to Governmental Accounting Standards Board *Statement (GASB) 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’s *Comprehensive Annual Financial Report*; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

There are no component units in which the State Energy Conservation Office is financially accountable for in which exclusion would create misleading or incomplete financial statements.

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

Long-Term Liabilities Adjustment Fund Type

The long-term liabilities adjustment fund (fund 9997) is used to convert governmental fund types’ debt from modified accrual to full accrual.

Fiduciary Fund Types

Agency Funds

Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Within SECO, the agency fund is Departmental Suspense (fund 0900).

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.

Government 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 that 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. The following activities are recognized in these fund types:

- Unpaid employee compensable leave

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, unless the agency has authority to retain unexpended balances for use in future periods.

ASSETS, LIABILITIES AND FUND BALANCES/NET POSITION

Assets

Cash and Cash Equivalents

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

Federal Receivables-Current

This represents federal grant reimbursements including indirect costs that have been earned but not received.

Loans and Contracts

LoanSTAR Program

The State Energy Conservation Office offers loans from the oil overcharge LoanSTAR fund for energy related cost reduction projects. These low interest loans are made to state agencies and public institutions and are paid back with the funds saved from the reduction of energy costs.

Federally Funded Loan Programs

State Energy Program (SEP- CFDA 81.041)

The State Energy Conservation Office receives an annual grant from the U.S. Department of Energy (DOE) to provide funds for the State Energy Program (SEP). These low interest loans enable the municipalities to maximize their energy efficiency through building retrofits. The loans are paid back with funds saved from the reduction of energy costs.

Also, the State Energy Conservation Office has chosen to continue the administration of the American Recovery and Reinvestment Act (ARRA) revolving loan program made available through the Department of Energy in 2009. The program will still offer low interest loans intended to assist governmental entities in financing their energy related cost reduction efforts. No dollars have been transferred from the now discontinued ARRA award to the annual SEP award and all monitoring will follow the same guidelines as the SEP annual grant.

Liabilities

Accounts Payable

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

Employees' Compensable Leave

Employees' compensable leave balances represent the liability that become "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or non-current in the statement of net position. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation is.

Fund Balance/Net Position

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

Fund Balance Components

Fund balances for governmental funds are classified as 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 the constraints do not meet requirements to be reported as restricted or 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 includes the residual classification for the general fund. The net resources of the general fund in excess of nonspendable, restricted, committed and assigned fund balances (a surplus fund balance) are classified as unassigned fund balance.

Interfund Activities and Transactions

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 expen-

ditures in the reimbursing fund and as a reduction of 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, the balance is classified as “current.” Balances for repayment due in two (or more) years are classified as “noncurrent.” The State Energy Conservation Office’s LoanSTAR Revolving Loan programs are reported in interfund receivables.

The composition of the agency’s interfund receivables are presented in Note 12.

NOTE 2: Capital Assets

(Not Applicable)

NOTE 3: Deposits, Investments & Repurchase Agreements

(Not Applicable)

NOTE 4: Short-Term Debt

(Not Applicable)

NOTE 5: Long-Term Liabilities

Changes In Long-Term Liabilities

The following changes occurred in liabilities during the year ending Aug. 31, 2016:

| Governmental Activities | Balance September 1, 2015 | Additions | Reductions | Balance August 31, 2016 | Amounts Due Within One Year | Amounts Due Thereafter |
|-------------------------|------------------------------|---------------------|---------------------|----------------------------|-----------------------------------|---------------------------|
| Compensable Leave | \$ 123,127.43 | \$ 74,476.63 | \$ 84,723.23 | \$ 112,880.83 | \$ 42,959.84 | \$ 69,920.99 |
| Total Governmental | <u>\$ 123,127.43</u> | <u>\$ 74,476.63</u> | <u>\$ 84,723.23</u> | <u>\$ 112,880.83</u> | <u>\$ 42,959.84</u> | <u>\$ 69,920.99</u> |

Employees’ Compensable Leave

If a state employee had continuous employment with the state for at least six months, the state employee is entitled to be paid for all unused vacation time accrued in the event of the employee’s resignation, dismissal or separation from state employment.

Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the statement of net position. Both an expense and a liability for business-type activities are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting employees accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding source(s) from which the employee’s salary or wage compensation was paid.

NOTE 6: Bonded Indebtedness

(Not Applicable)

NOTE 7: Derivatives

(Not Applicable)

NOTE 8: Leases

(Not Applicable)

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)

NOTE 12: Interfund Receivables and Payables

The State Energy Conservation Office experienced routine transfers with other state agencies that were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement.

Individual balances and activity as of Aug. 31, 2016 follows:

| | Current Interfund Receivable | Current Interfund Payable | Purpose |
|---|---------------------------------|------------------------------|-------------------------|
| Current Portion | | | |
| Appd Fund 5005, D23 Fund 0515 | | | |
| Agency 401, Texas Military Department | \$ 15,112.20 | \$ | Lone Star Loans |
| Agency 537, Texas Dpt. Of State Health Services | 46,117.09 | | Lone Star Loans |
| Agency 539, Department of Aging and Disabilitiy | 106,918.71 | | Lone Star Loans |
| Agency 711, Texas A&M University | 585,349.71 | | Lone Star Loans |
| Agency 719, Texas State Technical College Harlingen | 203,163.35 | | Lone Star Loans |
| Total Interfund Receivable/Payable | <u>\$ 956,661.06</u> | <u>\$ 0.00</u> | |
| Non-Current Portion | | | |
| Appd Fund 5005, D23 Fund 0515 | | | |
| Agency 401, Texas Military Department | \$ 16,564.44 | \$ | Lone Star Loans |
| Agency 537, Texas Dpt. Of State Health Services | 174,423.15 | | Lone Star Loans |
| Agency 711, Texas A&M University | 3,254,126.45 | | Lone Star Loans |
| Agency 719, Texas State Technical College Harlingen | 1,207,157.97 | | Lone Star Loans |
| Total Interfund Receivable/Payable | <u>\$ 4,652,272.01</u> | <u>\$ 0.00</u> | |
| Current Portion | | | |
| Appd Fund 0001, D23 Fund 0230 | | | |
| Agency 711, Texas A&M University | \$ 2,367,842.67 | \$ | Federal Lone Star Loans |
| Agency 714, UT at Arlington | 1,100,092.38 | | Federal Lone Star Loans |
| Agency 719, Texas State Technical College Waco | 494,781.72 | | Federal Lone Star Loans |
| Agency 735, Midwestern State University | 272,198.10 | | Federal Lone Star Loans |
| Agency 745, UT Health Science Center At San Antonio | 133,742.90 | | Federal Lone Star Loans |
| Agency 755, Stephen F. Austin State University | 1,506,436.00 | | Federal Lone Star Loans |
| Total Interfund Receivable/Payable | <u>\$ 5,875,093.77</u> | <u>\$ 0.00</u> | |
| Non-Current Portion | | | |
| Appd Fund 0001, D23 Fund 0230 | | | |
| Agency 711, Texas A&M University | \$ 4,107,839.53 | \$ | Federal Lone Star Loans |
| Agency 714, UT at Arlington | 3,812,944.36 | | Federal Lone Star Loans |
| Agency 719, Texas State Technical College Waco | 3,730,412.24 | | Federal Lone Star Loans |
| Agency 735, Midwestern State University | 984,782.85 | | Federal Lone Star Loans |
| Agency 745, UT Health Science Center At San Antonio | 627,131.04 | | Federal Lone Star Loans |
| Agency 755, Stephen F. Austin State University | 5,904,755.81 | | Federal Lone Star Loans |
| Total Interfund Receivable/Payable | <u>\$ 19,167,865.83</u> | <u>\$ 0.00</u> | |

NOTE 13: Continuance Subject to Review

(Not Applicable)

NOTE 14: Adjustment to Fund Balances and Net Position

(Not Applicable)

NOTE 15: Contingencies and Commitments

(Not Applicable)

NOTE 16: Subsequent Events

(Not Applicable)

NOTE 17: Risk Management

(Not Applicable)

NOTE 18: Management Discussion and Analysis

(Not Applicable)

NOTE 19: The Financial Reporting Entity

(Not Applicable)

NOTE 20: Stewardship, Compliance and Accountability

(Not Applicable)

NOTE 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 and Deferred Inflows of Resources

(Not Applicable)

NOTE 29: Trouble Debt Restructuring

(Not Applicable)

NOTE 30: Non-Exchange Financial Guarantees

(Not Applicable)

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS

UNAUDITED
Comptroller State Energy Conservation Office (907)

UNAUDITED
Comptroller State Energy Conservation Office (907)

EXHIBIT A-1

Combining Balance Sheet – All General and Consolidated Funds

For the Fiscal Year Ended August 31, 2016

| | General Revenue Fund (0001) U/F (0001), (0223), (0224), (0225), (0226), (0227), (0228), (0369), (0510), (0512), (1369), (1999), (2000), (2369), (2370), (3369), (4369), (5369), (6369), (7369), (7370) | General Revenue Oil Overcharge Fund (5005) UF (0505), (0515) (0525), (0535), (0545), (2005), (5999) | Total (Exhibit I) |
|---------------------------------------|--|--|--------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash | | | |
| Cash in State Treasury | \$ | \$ 80,476,041.72 | \$ 80,476,041.72 |
| Legislative Appropriations | 41,231,299.97 | | 41,231,299.97 |
| Receivables From: | | | |
| Federal | | | |
| Other Interest Receivable | 10,095,642.57 | | 10,095,642.57 |
| Interfund Receivables (Note 12) | 4,056.57 | 38,832.12 | 42,888.49 |
| Loans and Contracts | 5,875,093.77 | 956,661.06 | 6,831,754.83 |
| Total Current Assets | 2,965,801.69 | 9,002,550.60 | 11,968,352.29 |
| | <u>60,171,894.57</u> | <u>90,474,085.50</u> | <u>150,645,979.87</u> |
| Non-Current Assets: | | | |
| Interfund Receivables (Note 12) | | | |
| Loans and Contracts | 19,167,865.83 | 4,652,272.01 | 23,820,137.84 |
| Total Noncurrent Assets | 19,180,333.89 | 41,884,291.78 | 61,064,625.67 |
| | <u>38,348,199.72</u> | <u>46,536,563.79</u> | <u>84,884,763.51</u> |
| Total Assets | <u>\$ 98,520,094.09</u> | <u>\$ 137,010,649.29</u> | <u>\$ 235,530,743.38</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Payables From: | | | |
| Accounts | \$ 2,142,418.10 | \$ 742,539.15 | \$ 2,884,957.25 |
| Payroll | 89,540.99 | 14,709.50 | 104,250.49 |
| Interfund Payables (Note 12) | | | |
| Due To Other Agencies | 211,047.22 | | 211,047.22 |
| Unearned Revenues | (546,661.93) | 9,949,920.41 | 9,403,258.48 |
| Employees' Compensable Leave (Note 5) | 1,896,344.58 | 10,707,169.06 | 12,603,513.44 |
| Total Current Liabilities | <u>1,896,344.58</u> | <u>10,707,169.06</u> | <u>12,603,513.44</u> |
| Non-Current Liabilities: | | | |
| Employees' Compensable Leave (Note 5) | 0.00 | 0.00 | 0.00 |
| Total Non-Current Liabilities | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Total Liabilities | <u>1,896,344.58</u> | <u>10,707,169.06</u> | <u>12,603,513.44</u> |
| Fund Balances (Deficits): | | | |
| Nonspendable | 38,348,199.72 | 46,536,563.79 | 84,884,763.51 |
| Restricted | 49,279,247.06 | | 49,279,247.06 |
| Committed | | 73,479,895.32 | 73,479,895.32 |
| Assigned | 1,974,903.68 | 5,809,724.01 | 7,784,627.69 |
| Unassigned | 7,021,399.25 | 477,297.11 | 7,498,696.36 |
| Total Fund Balances | <u>96,623,749.71</u> | <u>126,303,480.23</u> | <u>222,927,229.94</u> |
| Total Liabilities and Fund Balances | <u>\$ 98,520,094.09</u> | <u>\$ 137,010,649.29</u> | <u>\$ 235,530,743.38</u> |

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

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 Revenue Fund (0001) U/F (0001), (0223), (0224), (0225), (0226), (0227), (0228), (0369), (0510), (0512), (1369), (1999), (2000), (2369), (2370), (3369), (4369), (5369), (6369), (7369), (7370) | General Revenue Oil Overcharge Fund (5005) UF (0505), (0515) (0525), (0535) (0545), (2005), (5999) | Total (Exhibit II) |
|---|--|---|--------------------------|
| REVENUES | | | |
| Legislative Appropriations: | | | |
| Original Appropriations | \$ 561,997.00 | \$ | \$ 561,997.00 |
| Additional Appropriations | 42,524.45 | | 42,524.45 |
| Federal Revenue (Schedule 1A) | 5,642,592.67 | | 5,642,592.67 |
| Interest and Investment Income | 1,389,141.17 | 1,769,083.03 | 3,158,224.20 |
| Other | | (803,374.40) | (803,374.40) |
| Total Revenues | <u>7,636,255.29</u> | <u>965,708.63</u> | <u>8,601,963.92</u> |
| EXPENDITURES | | | |
| Salaries and Wages | 873,204.10 | 92,269.49 | 965,473.59 |
| Payroll Related Costs | 231,341.11 | 30,529.69 | 261,870.80 |
| Professional Fees and Services | 835,429.54 | 592,699.93 | 1,428,129.47 |
| Travel | 31,857.13 | | 31,857.13 |
| Materials and Supplies | 49,105.70 | 7.91 | 49,113.61 |
| Communication and Utilities | 6,723.30 | 150.22 | 6,873.52 |
| Rentals & Leases | 16,795.37 | 762.26 | 17,557.63 |
| Federal Grant Pass-Through Expenditures (Schedule 1A) | 1,252,581.42 | | 1,252,581.42 |
| State Grant Pass-Through Expenditures | 228,193.48 | (228,193.48) | |
| Intergovernmental Payments | 552,019.39 | | 552,019.39 |
| Public Assistance Payments | 15,000.00 | | 15,000.00 |
| Other Expenditures | 25,004.36 | 185.50 | 25,189.86 |
| Total Expenditures/Expenses | <u>4,117,254.90</u> | <u>488,411.52</u> | <u>4,605,666.42</u> |
| Excess (Deficiency) of Revenues | | | |
| Over Expenditures | <u>3,519,000.39</u> | <u>477,297.11</u> | <u>3,996,297.50</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | | | |
| Appropriations Lapsed | | | |
| Transfers Out | | | |
| Total Other Financing Sources and Uses | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| Net Change in Fund Balances | <u>3,519,000.39</u> | <u>477,297.11</u> | <u>3,996,297.50</u> |
| FUND FINANCIAL STATEMENT – FUND BALANCES | | | |
| Fund Balances, September 1, 2015 | 93,104,749.32 | 125,826,183.12 | 218,930,932.44 |
| Restatements | | | |
| Fund Balances, September 1, 2015, as Restated | <u>93,104,749.32</u> | <u>125,826,183.12</u> | <u>218,930,932.44</u> |
| Fund Balances – August 31, 2016 | <u>\$ 96,623,749.71</u> | <u>\$ 126,303,480.23</u> | <u>\$ 222,927,229.94</u> |

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

EXHIBIT J-1

Combining Statement of Changes in Assets and Liabilities Agency Funds

For the Fiscal Year Ended August 31, 2016

| | Beginning Balance September 1, 2015 | Additions | Deductions | Ending Balance August 31, 2016 |
|--|---|------------------------|------------------------|--------------------------------------|
| Suspense Fund (0900) U/F (0900) | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 254,616.31 | \$ 7,984,606.63 | \$ 8,239,222.94 | \$ |
| Total Assets | <u>\$ 254,616.31</u> | <u>\$ 7,984,606.63</u> | <u>\$ 8,239,222.94</u> | <u>\$ 0.00</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 254,616.31 | \$ 7,984,606.63 | \$ 8,239,222.94 | \$ |
| Total Liabilities | <u>\$ 254,616.31</u> | <u>\$ 7,984,606.63</u> | <u>\$ 8,239,222.94</u> | <u>\$ 0.00</u> |
| Totals - All Agency Funds | | | | |
| ASSETS | | | | |
| Cash in State Treasury | \$ 254,616.31 | \$ 7,984,606.63 | \$ 8,239,222.94 | \$ |
| Total Assets | <u>\$ 254,616.31</u> | <u>\$ 7,984,606.63</u> | <u>\$ 8,239,222.94</u> | <u>\$ 0.00</u> |
| LIABILITIES | | | | |
| Funds Held for Others | \$ 254,616.31 | \$ 7,984,606.63 | \$ 8,239,222.94 | \$ |
| Total Liabilities | <u>\$ 254,616.31</u> | <u>\$ 7,984,606.63</u> | <u>\$ 8,239,222.94</u> | <u>\$ 0.00</u> |

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

SUPPLEMENTARY SCHEDULES

SCHEDULE 1A

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended August 31, 2016

| Federal Grantor/ Pass-through Grantor/ Program Title | CFDA Number | NSE Name Identifying Number | Agy Univ No. | Pass-through From | | Direct Program Amount | Total PT From and Direct Program Amount |
|---|----------------|-----------------------------------|--------------------|---------------------------------------|---------------------------------|-----------------------------|--|
| | | | | Agencies or Universities Amount | Non-State Entities Amount | | |
| U.S. DEPARTMENT OF ENERGY | | | | | | | |
| Direct Programs: | | | | | | | |
| State Energy Program | 81.041 | | | \$ | \$ | \$ 3,502,582.60 | \$ 3,502,582.60 |
| State Energy Program <i>Pass-Through To:</i> <i>Texas A&M University</i> | 81.041 | | | | | 141,827.18 | 141,827.18 |
| State Energy Program <i>Pass-Through To:</i> <i>University of Texas at Austin</i> | 81.041 | | | | | 185,191.86 | 185,191.86 |
| State Energy Program <i>Pass-Through To:</i> <i>University of Texas at El Paso</i> | 81.041 | | | | | 86,317.09 | 86,317.09 |
| Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions | 81.106 | | | | | 64,740.20 | 64,740.20 |
| Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions <i>Pass-Through To:</i> <i>Texas Department of Public Safety</i> | 81.106 | | | | | 111,646.68 | 111,646.68 |
| Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions <i>Pass-Through To:</i> <i>Department of State Health Services</i> | 81.106 | | | | | 223,204.08 | 223,204.08 |
| State Energy Program Special Projects | 81.119 | | | | | 206,903.27 | 206,903.27 |
| Environmental Monitoring/Cleanup,Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis, | 81.214 | | | | | 615,785.18 | 615,785.18 |
| Environmental Monitoring/Cleanup,Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis, <i>Pass-Through To:</i> <i>Texas Department of Public Safety</i> | 81.214 | | | | | 108,125.76 | 108,125.76 |
| Environmental Monitoring/Cleanup,Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis, <i>Pass-Through To:</i> <i>Department of State Health Services</i> | 81.214 | | | | | 188,366.64 | 188,366.64 |
| Environmental Monitoring/Cleanup,Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis, <i>Pass-Through To:</i> <i>Texas Commission on Environmental Quality</i> | 81.214 | | | | | 207,902.13 | 207,902.13 |
| Totals – U.S. Department of Energy | | | | <u>0.00</u> | <u>0.00</u> | <u>5,642,592.67</u> | <u>5,642,592.67</u> |
| Total Expenditures of Federal Awards | | | | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 5,642,592.67</u> | <u>\$ 5,642,592.67</u> |

SCHEDULE 1A (concluded)

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended August 31, 2016

| Federal Grantor/ Pass-through Grantor/ Program Title | Agy Univ No. | Pass-through To | | Expenditures Amount | Total PT To and Expenditures Amount |
|---|--------------------|---------------------------------------|---------------------------------|------------------------|--|
| | | Agencies or Universities Amount | Non-State Entities Amount | | |
| U.S. DEPARTMENT OF ENERGY | | | | | |
| Direct Programs: | | | | | |
| State Energy Program | | \$ | \$ 210,195.00 | \$3,292,387.60 | \$3,502,582.60 |
| State Energy Program | | | | | 141,827.18 |
| <i>Pass-Through To:</i> | | | | | |
| <i>Texas A&M University</i> | 711 | 141,827.18 | | | |
| State Energy Program | | | | | 185,191.86 |
| <i>Pass-Through To:</i> | | | | | |
| <i>University of Texas at Austin</i> | 721 | 185,191.86 | | | |
| State Energy Program | | | | | 86,317.09 |
| <i>Pass-Through To:</i> | | | | | |
| <i>University of Texas at El Paso</i> | 724 | 86,317.09 | | | |
| Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions | | | | 64,740.20 | 64,740.20 |
| Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions | | | | | 111,646.68 |
| <i>Pass-Through To:</i> | | | | | |
| <i>Texas Department of Public Safety</i> | 405 | 111,646.68 | | | |
| Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions | | | | | 223,204.08 |
| <i>Pass-Through To:</i> | | | | | |
| <i>Department of State Health Services</i> | 537 | 223,204.08 | | | |
| State Energy Program Special Projects | | | | 206,903.27 | 206,903.27 |
| Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis, | | | 356,824.39 | 258,960.79 | 615,785.18 |
| Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis, | | | | | 108,125.76 |
| <i>Pass-Through To:</i> | | | | | |
| <i>Texas Department of Public Safety</i> | 405 | 108,125.76 | | | |
| Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis, | | | | | 188,366.64 |
| <i>Pass-Through To:</i> | | | | | |
| <i>Department of State Health Services</i> | 537 | 188,366.64 | | | |
| Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis, | | | | | 207,902.13 |
| <i>Pass-Through To:</i> | | | | | |
| <i>Texas Commission on Environmental Quality</i> | 582 | 207,902.13 | | | |
| Totals – U.S. Department of Energy | | <u>1,252,581.42</u> | <u>567,019.39</u> | <u>3,822,991.86</u> | <u>5,642,592.67</u> |
| Total Expenditures of Federal Awards | | <u>\$1,252,581.42</u> | <u>\$ 567,019.39</u> | <u>\$3,822,991.86</u> | <u>\$5,642,592.67</u> |

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