



TEXAS ANIMAL HEALTH COMMISSION
AUSTIN, TEXAS

ANNUAL FINANCIAL REPORT

August 31, 2009

Revised and Resubmitted November 23, 2009

Bob Hillman, D.V.M.
Executive Director

ANNUAL FINANCIAL REPORT
TEXAS ANIMAL HEALTH COMMISSION
Austin, Texas
For The Fiscal Year Ended August 31, 2009

BOB HILLMAN, D.V.M.
EXECUTIVE DIRECTOR

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TEXAS ANIMAL HEALTH COMMISSION

Ernie Morales
Chairman

Bob Hillman, D.V.M.
Executive Director

November 23, 2009

Honorable Rick Perry, Governor
Honorable Susan Combs, Texas Comptroller
John O'Brien, Director, Legislative Budget Board
John Keel, CPA, State Auditor

Lady and Gentlemen:

Please accept this revised Annual Financial Report of the Texas Animal Health Commission for the year that ended August 31, 2009. There was a slight printing error in the original submission, which necessitates the revised document. We apologize for the error and any confusion this may cause. Thank you for your understanding in this manner.

If you have any questions, please contact Debbie Metzler, Interim Director of Financial Services, at 719-0754. Ms. Metzler may also be contacted for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Bob Hillman, D.V.M.
Executive Director

BH:dm

Enclosure

cc: Legislative Reference Library
Texas State Library
TAHC Commissioners

Randy C. Brown
Reta K. Dyess
William Edmiston, Jr., D.V.M.
Ken Jordan
Thomas G. Kezar
Coleman H. Locke

COMMISSIONERS:

Charles E. "Chuck" Real
Ralph Simmons
Mike Vickers, D.V.M.
Mark A. Wheelis
Beau White
R. W. "Dick" Winters, Jr.

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TEXAS ANIMAL HEALTH COMMISSION (554)

EXHIBIT I
COMBINED BALANCE SHEET/STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
August 31, 2009

	General Funds	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement Of Net Assets
ASSETS					
Current Assets:	\$	\$	\$	\$	\$
Cash (Note 3)					
Petty Cash Fund	6,000.00	6,000.00	0.00	0.00	6,000.00
Travel Advance Fund	25,000.00	25,000.00	0.00	0.00	25,000.00
Legislative Appropriations	2,426,671.54	2,426,671.54	0.00	0.00	2,426,671.54
Receivables from:					
Due from Other Agencies	0.00	0.00	0.00	0.00	0.00
Consumable Inventories	<u>2,184,495.98</u>	<u>2,184,495.98</u>	<u>0.00</u>	<u>0.00</u>	<u>2,184,495.98</u>
Total Current Assets	<u>4,642,167.52</u>	<u>4,642,167.52</u>	<u>0.00</u>	<u>0.00</u>	<u>4,642,167.52</u>
Non-Current Assets:					
Depreciable: (Note 2)					
Furniture and Equipment	0.00	0.00	637,969.43	0.00	637,969.43
Less Accumulated Depreciation	0.00	0.00	(462,867.90)	0.00	(462,867.90)
Vehicle, Boats and Aircraft	0.00	0.00	558,070.96	0.00	558,070.96
Less Accumulated Depreciation	<u>0.00</u>	<u>0.00</u>	<u>(283,458.06)</u>	<u>0.00</u>	<u>(283,458.06)</u>
Total Non-Current Assets	<u>0.00</u>	<u>0.00</u>	<u>449,714.43</u>	<u>0.00</u>	<u>449,714.43</u>
TOTAL ASSETS	<u>\$4,642,167.52</u>	<u>\$4,642,167.52</u>	<u>\$449,714.43</u>	<u>\$0.00</u>	<u>\$5,091,881.95</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Current Liabilities:					
Payables from:					
Accounts	625,720.15	625,720.15	0.00	0.00	625,720.15
Payroll	952,484.79	952,484.79	0.00	0.00	952,484.79
Due to Other Agencies	0.00	0.00	0.00	0.00	0.00
Deferred Revenue	0.00	0.00	0.00	0.00	0.00
Employees Compensable Leave (Note 5)	0.00	0.00	0.00	<u>725,567.57</u>	<u>725,567.57</u>
Total Current Liabilities	<u>1,578,204.94</u>	<u>1,578,204.94</u>	<u>0.00</u>	<u>725,567.57</u>	<u>2,303,772.51</u>
Non-Current Liabilities:					
Employees Compensable Leave (Note 5)	0.00	0.00	0.00	850,280.64	850,280.64
Total Non-Current Liabilities	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>850,280.64</u>	<u>850,280.64</u>
TOTAL LIABILITIES	<u>\$1,578,204.94</u>	<u>\$1,578,204.94</u>	<u>\$0.00</u>	<u>\$1,575,848.21</u>	<u>\$3,154,053.15</u>
FUND FINANCIAL STATEMENT					
Fund Balances (Deficits):					
Reserved for:					
Encumbrances	44,019.59	44,019.59	0.00	0.00	44,019.59
Imprest	31,000.00	31,000.00	0.00	0.00	31,000.00
Consumable Inventories	2,184,495.98	2,184,495.98	0.00	0.00	2,184,495.98
Undesignated	<u>804,447.01</u>	<u>804,447.01</u>	<u>0.00</u>	<u>0.00</u>	<u>804,447.01</u>
Total Fund Balances	<u>3,063,962.58</u>	<u>3,063,962.58</u>	<u>0.00</u>	<u>0.00</u>	<u>3,063,962.58</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$4,642,167.52</u>	<u>\$4,642,167.52</u>			
GOVERNMENT-WIDE STATEMENT OF NET ASSETS					
Net Assets:					
Invested in Capital Assets, Net of Related Debt			314,043.17	0.00	314,043.17
Unrestricted			<u>0.00</u>	<u>(1,575,848.21)</u>	<u>(1,575,848.21)</u>
TOTAL NET ASSETS			<u>\$314,043.17</u>	<u>(\$1,575,848.21)</u>	<u>\$1,802,157.54</u>

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

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TEXAS ANIMAL HEALTH COMMISSION (554)

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EXHIBIT II
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES/STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
 For the Fiscal Year Ended August 31, 2009

	General Funds	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
Revenues:					
Legislative Appropriations:	\$	\$	\$	\$	\$
Original Appropriations (GR)	9,631,591.00	9,631,591.00	0.00	0.00	9,631,591.00
Additional Appropriations (GR)	3,048,845.35	3,048,845.35	0.00	0.00	3,048,845.35
Federal Revenues-(PR-Operating or Capital)	6,800,863.31	6,800,863.31	0.00	0.00	6,800,863.31
Federal Grant Pass-Through Revenue (GR)	300,864.86	300,864.86	0.00	0.00	300,864.86
Licenses, Fees & Permits (PR)	42,699.19	42,699.19	0.00	0.00	42,699.19
Total Revenues	<u>19,824,863.71</u>	<u>19,824,863.71</u>	<u>0.00</u>	<u>0.00</u>	<u>19,824,863.71</u>
Expenditures:					
Salaries and Wages	8,741,703.73	8,741,703.73	0.00	124,836.12	8,866,539.85
Payroll Related Costs	3,050,361.60	3,050,361.60	0.00	0.00	3,050,361.60
Professional Fees & Services	89,287.15	89,287.15	0.00	0.00	89,287.15
Travel	911,818.66	911,818.66	0.00	0.00	911,818.66
Materials and Supplies	817,597.03	817,597.03	0.00	0.00	817,597.03
Communication and Utilities	306,585.62	306,585.62	0.00	0.00	306,585.62
Repairs and Maintenance	84,107.24	84,107.24	0.00	0.00	84,107.24
Rentals and Leases	448,397.63	448,397.63	0.00	0.00	448,397.63
Printing and Reproduction	16,420.04	16,420.04	0.00	0.00	16,420.04
Judgement Settlement other Legal Fee	548.22	548.22	0.00	0.00	548.22
Federal Grant Pass-Through Expenditure	10,755.01	10,755.01	0.00	0.00	10,755.01
Grants to Community Service Programs	115,490.00	115,490.00	0.00	0.00	115,490.00
Other Operating Expenditures	2,159,928.30	2,159,928.30	0.00	0.00	2,159,928.30
Capital Outlay	278,434.32	278,434.32	(278,434.32)	0.00	0.00
Depreciation Expense	0.00	0.00	67,445.91	0.00	67,445.91
Total Expenditures	<u>17,031,434.55</u>	<u>17,031,434.55</u>	<u>(210,988.41)</u>	<u>124,836.12</u>	<u>16,945,282.26</u>
Excess (Deficiency) Revenues over Expenditures	<u>2,793,429.16</u>	<u>2,793,429.16</u>	<u>210,988.41</u>	<u>(124,836.12)</u>	<u>2,879,581.45</u>
Other Financing Sources (Uses):					
Transfer Out	(332,055.36)	(332,055.36)	0.00	0.00	(332,055.36)
Legislative Transfer Out (Agy 902, D23 Fund 0001)	0.00	0.00	0.00	0.00	0.00
Total Other Financing Sources (Uses)	<u>(332,055.36)</u>	<u>(332,055.36)</u>	<u>0.00</u>	<u>0.00</u>	<u>(332,055.36)</u>
Net Change in Fund Balances/Net Assets	<u>2,461,373.80</u>	<u>2,461,373.80</u>	<u>210,988.41</u>	<u>(124,836.12)</u>	<u>2,547,526.09</u>
Fund Financial Statement-Fund Balances					
Fund Balances September 1, 2008	602,588.78	602,588.78	0.00	0.00	602,588.78
Appropriations Lapsed	0.00	0.00	0.00	0.00	0.00
Fund Balances, August 31, 2009	<u>\$3,063,962.58</u>	<u>\$3,063,962.58</u>			<u>3,150,114.87</u>
Government-Wide Statement-Net Assets					
Net Assets/Net Change in Net Assets			210,988.41	(124,836.12)	
Net Assets, September 1, 2008			238,726.02	(1,451,012.09)	(1,212,286.07)
Restatements			0.00	0.00	0.00
Net Assets, September 1, 2008, as Restated			238,726.02	(1,451,012.09)	(1,212,286.07)
Net Assets-August 31, 2009			<u>\$449,714.43</u>	<u>(\$1,575,848.21)</u>	<u>\$1,937,828.80</u>

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

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TEXAS ANIMAL HEALTH COMMISSION (554)

EXHIBIT VI
COMBINED STATEMENT OF NET ASSETS -FIDUCIARY FUNDS
August 31, 2009

	Agency Funds <u>(Exhibit J-1)</u>	<u>Totals</u>
	\$	\$
<u>ASSETS</u>		
Cash and Cash Equivalents		
Cash in State Treasury	<u>375.00</u>	<u>375.00</u>
TOTAL ASSETS	<u>\$375.00</u>	<u>\$375.00</u>
<u>LIABILITIES</u>		
Payables from:		
Funds Held for Others	<u>375.00</u>	<u>375.00</u>
TOTAL LIABILITIES	<u>\$375.00</u>	<u>\$375.00</u>

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

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TEXAS ANIMAL HEALTH COMMISSION (554)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTITY

The Texas Animal Health Commission is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*.

The mission of the Texas Animal Health Commission is to protect the animal industry from, and/or mitigate the effects of domestic, foreign and emerging diseases; to increase the marketability of Texas livestock commodities at the state, national and international level; to promote and ensure animal health and productivity; to protect human health from animal diseases and conditions that are transmissible to people; and, to prepare for and respond to emergency situations involving animals by conducting agency business in a responsive, cooperative and transparent manner.

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

BLENDED COMPONENT UNITS

No component units have been identified which should have been blended into an appropriate fund.

DISCRETELY PRESENTED COMPONENT UNITS

No component units have been identified which should have been reported.

FUND STRUCTURE

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

GOVERNMENTAL FUND TYPES & GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

GENERAL REVENUE FUNDS

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

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TEXAS ANIMAL HEALTH COMMISSION (554)

CAPITAL ASSET ADJUSTMENT FUND TYPE

The Capital Asset Adjustment Fund (Fund 0998) will be used to convert governmental fund types' capital assets from modified accrual to full accrual.

LONG-TERM LIABILITIES ADJUSTMENT FUND TYPE

The Long Term Liabilities Adjustment Fund (Fund 0997) will be used to convert governmental fund types' debt from modified accrual to full accrual.

FIDUCIARY FUND TYPES

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

AGENCY FUNDS

Agency funds (Fund 0001) 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.

COMPONENT UNITS

No component units have been identified which should have been reported.

BASIS OF ACCOUNTING

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

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

Governmental adjustment fund types that will build the Government-wide Financial Statements are accounted for using the full accrual basis of accounting. This includes capital assets, accumulated depreciation, unpaid Employee Compensable Leave, the unmatured debt service (principal and interest)

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on general long-term liabilities, long-term capital leases, and long-term claims and judgments, and full accrual revenues and expenses. The activity will be recognized in these fund types.

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

BUDGETS AND BUDGETARY ACCOUNTING

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

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

ASSETS, LIABILITIES, AND FUND 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.

INVENTORIES AND PREPAID ITEMS

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally utilizing the last-in, first-out method. The consumption method of accounting is used to account for inventories and prepaid items that appear in the governmental and proprietary fund types. The cost of these items is expensed when the items are consumed.

CAPITAL ASSETS

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year should be capitalized. These assets are capitalized at cost or, if purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets such as works of art and

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historical treasures are not depreciated. Road and highway infrastructure is reported on the modified basis. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

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

LIABILITIES

ACCOUNTS PAYABLE

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

OTHER PAYABLES – CURRENT AND NONCURRENT

The disaggregation of other payables as reported in the financial statements is shown in Note 24, “Disaggregation of Receivables and Payables Balances.”

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 noncurrent in the statement of net assets. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

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 government fund statements.

RESERVATIONS OF FUND BALANCE

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reservations are legally restricted to a specific future use or not available for expenditure.

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RESERVED FOR ENCUMBRANCES

This represents commitments of the value of contracts awarded or assets ordered prior to year-end but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

RESERVED FOR CONSUMABLE INVENTORIES

This represents the amount of supplies, postage, and prepaid assets to be used in the next fiscal year.

UNRESERVED/UNDESIGNATED

This represents the unappropriated balance at year-end.

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.

INTERFUND ACTIVITIES AND BALANCES

The agency has the following types of transactions between funds:

- 1) Transfers: Legally required transfers that are reported when incurred as 'transfers in' by the recipient fund and as 'transfers out' by the disbursing fund.
- 2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.

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- 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".
- 4) Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

The composition of the agency's interfund activities and balances are 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, Sec. 20.

A summary of changes in capital assets for the year ended August 31, 2009, is presented below:

	PRIMARY GOVERNMENT				Balance 8/31/2009
	Balance 9/1/2008	Adjustments	Additions	Deletions	
GOVERNMENTAL ACTIVITIES					
Depreciable Assets					
Building and Building Improvements	0.00	0.00	0.00	0.00	0.00
Infrastructure	0.00	0.00	0.00	0.00	0.00
Facilities & Other Improvements	0.00	0.00	0.00	0.00	0.00
Furniture and Equipment	548,781.07	0.00	98,188.36	(9,000.00)	637,969.43
Vehicles, Boats & Aircraft	377,825.00	0.00	180,245.96	0.00	558,070.96
Other Assets	0.00	0.00	0.00	0.00	0.00
Total Depreciable Assets at Historical Costs	<u>926,606.07</u>	<u>0.00</u>	<u>278,434.32</u>	<u>(9,000.00)</u>	<u>1,196,040.39</u>
Less Accumulated Depreciation for:					
Building and Building Improvements	0.00	0.00	0.00	0.00	0.00
Infrastructure	0.00	0.00	0.00	0.00	0.00
Facilities & Other Improvements	0.00	0.00	0.00	0.00	0.00
Furniture and Equipment	(446,571.75)	0.00	(25,296.15)	9,000.00	(462,867.90)
Vehicles, Boats & Aircraft	(241,308.30)	0.00	(42,149.76)	0.00	(283,458.06)
Other Capital Assets	0.00	0.00	0.00	0.00	0.00
Total Accumulated Depreciation	<u>(687,880.05)</u>	<u>0.00</u>	<u>(67,445.91)</u>	<u>9,000.00</u>	<u>(746,325.96)</u>
Governmental Activities Capital Assets, Net Assets	238,726.02	0.00	210,988.41	0.00	449,714.43

NOTE 3: DEPOSITS, INVESTMENTS, AND REPURCHASE AGREEMENTS

The Texas Animal Health Commission is authorized to maintain travel advance and petty cash funds for the central office, and petty cash funds for each of seven field offices, and the three laboratories.

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

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DEPOSITS OF CASH IN BANK

As of August 31, 2009, the carrying amount of deposits was \$31,000.00 as presented below.

CASH IN BANK - CARRYING AMOUNT	\$31,000.00
Less: Certificates of Deposit included in carrying amount and reported as Cash Equivalent	0.00
Less: Uninvested Securities Lending Cash Collateral included in carrying amount and reported as Securities Lending Collateral	0.00
Less: Securities Lending CD Collateral included in carrying amount and reported as Securities Lending Collateral	0.00
Total Cash in Bank per AFR	\$31,000.00
Governmental Funds Current Assets Cash in Bank	\$31,000.00

These amounts consist of all cash in local banks. These amounts are included on the combined statement of net assets as part of the "cash and cash equivalents" account.

As of August 31, 2009, the total bank balance was as follows.

Governmental and Business-Type Activities	\$31,000.00
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INVESTMENTS

The Texas Animal Health Commission does not participate in investments.

REVERSE REPURCHASE AGREEMENTS

The Texas Animal Health Commission does not participate in the reverse repurchase agreements.

SECURITIES LENDING

The Texas Animal Health Commission does not participate in securities lending.

DERIVATIVE INVESTING

The Texas Animal Health Commission does not participate in derivative investing.

NOTE 4: SHORT-TERM DEBT

Not applicable.

NOTE 5: SUMMARY OF LONG-TERM LIABILITIES

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CHANGES IN LONG-TERM LIABILITIES

During the year ended August 31, 2009, the following changes occurred in liabilities.

Governmental Activities	Balance 9/1/2008	Additions	Reductions	Balance 8/31/2009	Within One Year
Claims/Judgements	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Compensable Leave	<u>\$1,451,012.09</u>	<u>\$1,312,488.65</u>	<u>(\$1,187,652.53)</u>	<u>\$1,575,848.21</u>	<u>\$725,567.57</u>
Total Gov Activities	<u>\$1,451,012.09</u>	<u>\$1,312,488.65</u>	<u>(\$1,187,652.53)</u>	<u>\$1,575,848.21</u>	<u>\$725,567.57</u>

NOTES AND LOANS PAYABLE

The Texas Animal Health Commission does not participate in Notes and Loans Payable.

CLAIMS AND JUDGMENTS

The Texas Animal Health Commission had one outstanding claim as of August 31, 2009. It was the result of a very minor accident involving an agency vehicle and was settled for the amount of Five Hundred and Forty Eight Dollars and twenty-two cents (\$548.22). Our previous contingent liability was a lawsuit filed in 2005 by a former employee of the agency. The trial was held on November 3, 2008, and the jury did not find the agency owed any damages in this matter, which resolved that potential contingent liability.

EMPLOYEES COMPENSABLE LEAVE

If a state employee has 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 assets. Both an expense and a liability for business-types activities are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. 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: CAPITAL LEASES

Not applicable.

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NOTE 8: OPERATING LEASES

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

<u>Fund Type</u>	<u>Amount</u>
General Fund	\$448,397.63

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

<u>YEAR ENDED AUGUST 31</u>	
2010	\$374,711.24
2011	304,467.05
2012	226,611.20
2013	222,211.20
2014	92,490.70
2015-2019	.00
2020-2024	.00
TOTAL MINIMUM FUTURE LEASE PAYMENTS	\$1,220,491.39

NOTE 9: RETIREMENT PLANS

Not applicable.

NOTE 10: DEFERRED COMPENSATION

Not applicable.

NOTE 11: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (UT, A&M, ERS ONLY)

Not applicable.

NOTE 12: INTERFUND BALANCES AND TRANSACTIONS

The Texas Animal Health Commission experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer.

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Individual balances and activity as of August 31, 2009, follows:

Required Note 8 Presentation	Legislative Transfer In	Legislative Transfer Out
General (01)		
Appd Fund 0001, D 23 Fund 0001		
Agy 902, D 23 Fund 0001	<u>\$0.00</u>	<u>\$332,055.36</u>
Total Legislative Transfers	<u>\$0.00</u>	<u>\$332,055.36</u>

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Agency will be abolished effective September 1, 2019, unless continued in existence by the 86th Legislature as provided by the Act. If abolished, the agency may continue until September 1, 2020 to close out its operations.

NOTE 14: ADJUSTMENTS TO FUND BALANCES/NET ASSETS

Not applicable.

NOTE 15: CONTINGENT LIABILITIES

The Texas Animal Health Commission has received several federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowances, if any, will be immaterial.

The Texas Animal Health commission had a potential contingent liability that involved the Fair Labor Standards Act (FLSA) and was regarding an employee who worked overtime hours that were not claimed on the timesheets submitted to the agency. The agency investigated the claim and determined that the employee had worked for the agency but had not properly claimed it. The agency then determined that the agency's responsibility for overtime payments extends back two years from the date the agency learned of the overtime issue. Calculations were made from April 2007 through March 2009 and the employee was paid which resolved any potential contingent liability.

NOTE 16: SUBSEQUENT EVENTS

Not applicable.

NOTE 17: RISK MANAGEMENT

The Texas Animal Health Commission assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently the only purchase of insurance is for commercial auto insurance. The agency is not involved in any risk pools with other government entities.

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NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS

Not applicable.

NOTE 19: THE FINANCIAL REPORTING ENTITY

Not applicable.

NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Not applicable.

NOTE 21: N/A

Not applicable.

NOTE 22: DONOR-RESTRICTED ENDOWMENTS

Not applicable.

NOTE 23: EXTRAORDINARY OR 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.

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EXHIBIT J-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 AGENCY FUNDS
 August 31, 2009

	<u>Balances</u> <u>September 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>August 31, 2009</u>
<u>EMPLOYEE'S SAVINGS BONDS ACCOUNT (0901) U/F (0901)</u>				
Assets:				
Cash in State Treasury	\$825.00	\$4,100.00	\$4,550.00	\$375.00
TOTAL ASSETS	<u>\$825.00</u>	<u>\$4,100.00</u>	<u>\$4,550.00</u>	<u>\$375.00</u>
Liabilities:				
Funds Held for Others	\$825.00	\$4,100.00	\$4,550.00	\$375.00
TOTAL LIABILITIES	<u>\$825.00</u>	<u>\$4,100.00</u>	<u>\$4,550.00</u>	<u>\$375.00</u>
 <u>TEXSAVER HOLD ACCOUNT (0942) U/F (0942)</u>				
Assets:				
Cash in State Treasury	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL ASSETS	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Liabilities:				
Funds Held for Others	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL LIABILITIES	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
 <u>TOTAL - ALL AGENCY FUNDS</u>				
Assets:				
Cash in State Treasury	\$825.00	\$4,100.00	\$4,550.00	\$375.00
TOTAL ASSETS	<u>\$825.00</u>	<u>\$4,100.00</u>	<u>\$4,550.00</u>	<u>\$375.00</u>
Liabilities:				
Funds Held for Others	\$825.00	\$4,100.00	\$4,550.00	\$375.00
TOTAL LIABILITIES	<u>\$825.00</u>	<u>\$4,100.00</u>	<u>\$4,550.00</u>	<u>\$375.00</u>

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SCHEDULE 1A
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended August 31, 2009

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA IDENTIFYING NUMBER NUMBER	Pass Through From	
		AGY./ UNIV. #	AGENCIES OR UNIV. AMOUNT
U.S. Department of Agriculture:			
Direct Programs:			
Plant and Animal Disease, Pest Control and Animal Care	10.025		
Pass-Through To:			
Parks and Wildlife Department			
Total U.S. Department of Agriculture			<u>\$0.00</u>
General Services Administration			
Pass Through From:			
Donation of Federal Surplus Personal Property (Non-Monetary)	39.003		
Pass Through From:			
Texas Facilities Commission		303	\$47.60
Totals General Services Administration			<u>\$47.60</u>
Department of Homeland Security			
Pass Through From:			
Public Assistance Grants	97.073		
Pass Through From:			
Texas Department of Public Safety		405	\$79,957.44
Total Department of Homeland Security			<u>\$79,957.44</u>
Department of Homeland Security			
Pass Through From:			
Homeland Security Grant Program	97.036		
Pass Through From:			
Texas Department of Public Safety		405	\$220,907.42
Total Department of Homeland Security			<u>\$220,907.42</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$300,912.46</u>

Note 1: The Donation of Federal Surplus Personal Property is presented at 23.3 percent of the federal cost of \$204.30. The surplus property is passed through from the Texas Facilities Commission (TFC). The federal grantor agency is the General Services Administration (GSA) and the federal CFDA number is 39.003. The estimated fair value for the fiscal 2009 is \$47.60.

Note 2: Below is a reconciliation of the total of federal pass through and federal expenditures as reported on the Schedule of Federal Financial Assistance to the total of federal revenues and federal grant pass through revenues as reported in the general-purpose financial statements. Generally, federal funds are not earned expended; therefore federal revenues equal federal expenditures for the reporting period.

	Federal Revenues (Exh II)	\$6,800,863.31
	Federal Pass Thru Revenue (Exh II)	\$300,864.86
	Total Pass Thru and Expenditures per Federal Schedule	<u>\$7,101,728.17</u>
Reconciling Items	<u>CFDA</u>	<u>Amount</u>
Non-monetary Items:		
Donation of Federal Surplus Personal Property	39.003	\$47.60
Total Reconciling Items		<u>\$7,101,775.77</u>

DIRECT PROGRAM AMOUNT	TOTAL PT FROM & DIRECT PROGRAM	Pass Through To		EXPENDITURES AMOUNT	TOTAL PT FROM & EXPENDITURES
		AGY./ UNIV. #	AGENCIES OR UNIV. AMOUNT		
\$6,800,863.31	\$6,800,863.31			\$6,790,108.30	\$6,790,108.30
		802	\$10,755.01		\$10,755.01
<u>\$6,800,863.31</u>	<u>\$6,800,863.31</u>		<u>\$10,755.01</u>	<u>\$6,790,108.30</u>	<u>\$6,800,863.31</u>
	\$47.60			\$47.60	\$47.60
<u>\$0.00</u>	<u>\$47.60</u>		<u>\$0.00</u>	<u>\$47.60</u>	<u>\$47.60</u>
	\$79,957.44			\$79,957.44	\$79,957.44
<u>\$0.00</u>	<u>\$79,957.44</u>		<u>\$0.00</u>	<u>\$79,957.44</u>	<u>\$79,957.44</u>
	\$220,907.42			\$220,907.42	\$220,907.42
<u>\$0.00</u>	<u>\$220,907.42</u>		<u>\$0.00</u>	<u>\$220,907.42</u>	<u>\$220,907.42</u>
<u>\$6,800,863.31</u>	<u>\$7,101,775.77</u>		<u>\$10,755.01</u>	<u>\$7,091,020.76</u>	<u>\$7,101,775.77</u>

Note 3: The Texas Animal Health Commission does not have student loans processed and administrative cost recovered.

Note 4: The Texas Animal Health Commission does not have depository libraries for governmental publications.

Note 5: The Texas Animal Health Commission does not have unemployment insurance funds.

Note 6: The Texas Animal Health Commission does not have rebates for the special supplemental fund program for women, infants and children

Note 7: Federal Deferred Revenue

CFDA	Balance 09/01/08	Net Change	Balance 08/31/09
10.025	\$383,063.28	(\$383,063.28)	\$0.00

The deferred revenue of \$383,063.28 represents supplies purchased with federal funds

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TEXAS ANIMAL HEALTH COMMISSION (554)

ADDENDUM I

ORGANIZATION AND GENERAL COMMENTS

The Texas Animal Health Commission, originally called the Livestock Sanitary Commission, was created in 1893 to eradicate fever ticks. Subsequently, the Legislature broadened the scope of the Commission's responsibilities to include authority to prevent, control, and eradicate other livestock and poultry diseases recognized to be infectious, contagious, or communicable.

Administration of the Commission's programs is handled at the Austin central office. The Commission has divided the state into eight geographical areas, with a state veterinarian supervisor in each. The United States Department of Agriculture (USDA) cooperates with the Commission in local work and employs additional veterinarians and inspectors. Disease control and eradication programs are carried out on the local level through inspections of livestock at concentration points, individual herd or premise inspections and tests, and systematic area inspection and testing.

The Commission is composed of thirteen members, representing the livestock and poultry industries and the general public. Members are appointed by the governor to six-year terms. To ensure industry representation by the Commission, one member, qualified by experience, must be from each of the following fields: (1) practitioner of veterinary medicine; (2) dairy industry; (3) cattle raiser; (4) hog raiser; (5) sheep or goat raiser; (6) poultry raiser; (7) feed-lot industry; (8) equine industry; (9) livestock marketing industry; and (10) exotic livestock industry. The three remaining members represent the general public. Commissioners are entitled to \$30 per diem plus reimbursement for actual and necessary expenses incurred while performing official duties. Commission members serving at August 31, 2009, were:

<u>Name</u>	<u>Industry</u>	<u>Term Expires</u>
Ernesto A. Morales, Chairman, Devine	Feedlot	09/06/11
Randy C. Brown, Lubbock	General Public	09/06/13
Reta K. Dyess, Jacksonville	Dairy	09/06/11
William F. Edmiston, Jr., DVM, Eldorado	Sheep and Goat	09/06/13
Kenneth G. Jordan, San Saba	Livestock Market	09/06/13
Thomas G. Kezar, Dripping Springs	General Public	09/06/11
Coleman H. Locke, Hungerford	Beef Cattle	09/06/15
Charles E. Real, Marion	Swine	09/06/13
Ralph Simmons, Center	Poultry	09/06/15
Michael L. Vickers, DVM, Falfurrias	Veterinary Profession	09/06/11
Mark A. Wheelis, Victoria	Equine	09/06/13
Beau White, Rosanky	General Public	09/06/15
Richard W. Winters, Brady	Exotic Livestock & Fowl	09/06/13

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The Commission's key employees at August 31, 2009, were:

Name	Title
Bob R. Hillman, D.V.M.	Executive Director
Matt Cochran, D.V.M.	Acting Deputy Director for Administration & Finance
Dee Ellis, D.V.M.	Assistant Executive Director for Animal Health Programs
Wallace E. Snelson	General Counsel

Area Offices:

Brad Williams, D.V.M.	Area Director, Amarillo
James Sprague, D.V.M.	Area Director, Lufkin
Maxwell Dow , D.V.M.	Area Director, Ft Worth
Gregory Hawkins, D.V.M.	Area Director, Mt Pleasant
James R. Lenarduzzi, D.V.M.	Area Director, Beeville
Pete Fincher, D.V.M.	Area Director, Lampasas
Tommy Barton, D.V.M.	Area Director, Rockdale
Michael D. Mabry, D.V.M.	Area Director, Hallettsville
Dale Preston	Director of Laboratories

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TEXAS ANIMAL HEALTH COMMISSION (554)

ADDENDUM II

BALANCE SHEET COMMENTS

Exhibit I presents a combined balance sheet for the fund types of the Texas Animal Health Commission at August 31, 2009. The following comments expound on various elements of that exhibit.

Legislative Appropriations

Legislative appropriations consist of unexpended general revenue fund appropriation balances in the state treasury and federal cooperative agreement funds deposited to these appropriations.

Cash in State Treasury

The Commission sells Certificates of Veterinary Inspection and collects administrative penalties. These receipts, totaling \$374,787.00 was collected by the agency during fiscal year 2009 were deposited to unappropriated funds in the state treasury and swept by the Comptroller during the year.

US savings bonds may be purchased by the Commission's employees through authorized payroll deductions. The funds held for the purchase of bonds are deposited temporarily in the US savings bond account in the state treasury.

Transactions for agency funds for fiscal 2009 are shown in Exhibit J-1.

Cash in Bank- Travel Advance Fund

The Commission maintains a \$25,000.00 travel advance fund at Frost Bank.

Cash in Bank- Petty Cash Fund

The Austin office of the Commission maintains a \$1,000.00 petty cash fund at Frost Bank. Seven of the Commission's area offices and three of the laboratories maintain \$500.00 petty cash funds in local banks.

Consumable Supplies and Postage

Consumable supplies and postage on hand at August 31, 2009 were:

Insecticides	\$1,424,619.72
Field/Office Supplies	737,114.95
Postage	<u>22,761.31</u>
Total	<u>\$2,184,495.98</u>

Fixed Assets

Accounting policies with respect to fixed assets are presented in the notes to the financial statements.

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TEXAS ANIMAL HEALTH COMMISSION (554)

ADDENDUM III
COMMENTS ON OPERATIONS

The Statement of Revenues, Expenditures and Changes in Fund Balances for the year ended August 31, 2009, is presented in Exhibit II. The following comments provide supplemental information regarding fiscal operations.

The Commission's major programs for the control and eradication of livestock diseases are closely aligned with corresponding federal programs. The United States Department of Agriculture (USDA) provides funding for program activities via cooperative agreements with the Commission. These agreements provide funding for field testing, Brucellosis testing at livestock markets, fee basis testing, laboratory and clerical support, and indirect costs. These agreements are renewable each federal fiscal year if circumstances merit.

A major Brucellosis program function of the agency is payment to outside entities for first point testing, a surveillance function accomplished by collecting and testing blood samples from cattle at the first point of concentration in marketing channels. The agency enters into a contract with livestock markets to test eligible cattle sold through their facilities. After the blood is collected, a card test is performed on the blood sample, which gives an initial indication of infection. Samples which test positive are subjected to a supplemental test. Blood samples collected are then sent to a State-Federal laboratory where further supplemental tests verify field test results. The Commission has established a rate of \$2.00 per head to be paid on each blood sample collected and is reimbursed by USDA, up to the maximum amount provided for in the cooperative agreement. If total cattle tested exceeds the estimated number of head provided for in the cooperative agreement, the state assumes 100 percent of the cost for the excess head of cattle. These payments are reported in Other Expenditures on Exhibit II.

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Texas Animal Health Commission Fiscal Year 2009



