



TEXAS ANIMAL HEALTH COMMISSION
AUSTIN, TEXAS

ANNUAL FINANCIAL REPORT

August 31, 2018

Andy Schwartz, D.V.M.
Executive Director

ANNUAL FINANCIAL REPORT
TEXAS ANIMAL HEALTH COMMISSION
Austin, Texas
For The Fiscal Year Ended August 31, 2018

ANDY SCHWARTZ, D.V.M.
EXECUTIVE DIRECTOR



TEXAS ANIMAL HEALTH COMMISSION

Coleman H. Locke
Chairman

Andy Schwartz, D.V.M.
Executive Director

October 1, 2018

Honorable Greg Abbott, Governor
Honorable Glenn Hegar, Texas Comptroller
Ursula Parks, Director, Legislative Budget Board
Lisa Collier, First Assistant State Auditor

Ladies and Gentlemen:

We are pleased to submit the annual financial report of the Texas Animal Health Commission for the year ended Aug. 31, 2018, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) 34, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the state auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Megan Hilker at (512) 719-0752. Ms. Hilker may also be contacted for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Andy Schwartz, D.V.M.
Executive Director

William Edmiston, Jr., D.V.M.
Jim Eggleston
Ken Jordan
Barret J. Klein
Joe L. Leathers
Wendee C. Langdon, Ph.D.

COMMISSIONERS:

Thomas E. Oates
Joseph G. "Joe" Osterkamp
Keith M. Staggs
Leo D. Vermedahl, Ph.D.
Mike Vickers, D.V.M.
Eric D. White

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TEXAS ANIMAL HEALTH COMMISSION (554)

Exhibit I - Combined Balance Sheet/Statement of Net Assets -
Governmental Funds
 For the Fiscal Year Ended August 31, 2018

	<u>General Funds</u>	<u>Governmental Funds Total</u>
ASSETS		
Current Assets:		
Cash and Temporary Investments		
Cash in Bank	26,000.00	26,000.00
Cash in State Treasury	(15,378,862.77)	(15,378,862.77)
Legislative Appropriations	19,028,344.08	19,028,344.08
Interfund Receivable	(150,464.86)	(150,464.86)
Consumable Inventories	205,396.17	205,396.17
Total Current Assets	<u>\$ 3,730,412.62</u>	<u>\$ 3,730,412.62</u>
Noncurrent Assets:		
Capital Assets:		
Non-Depreciable		
Depreciable		
Furniture and Equipment		
Accumulated Depreciation		
Other Assets		
Accumulated Depreciation		
Total Noncurrent Assets	<u>\$ -</u>	<u>\$ -</u>
Total Assets	<u>\$ 3,730,412.62</u>	<u>\$ 3,730,412.62</u>
LIABILITIES AND FUND BALANCES		
Current Liabilities:		
Payables from		
Accounts Payable	103,432.28	103,432.28
Payroll Payable	1,101,057.07	1,101,057.07
Interfund Payable	(150,464.86)	(150,464.86)
Employees Compensable Leave	-	-
Total Current Liabilities	<u>\$ 1,054,024.49</u>	<u>\$ 1,054,024.49</u>
Noncurrent Liabilities:		
Employees Compensable Leave		
Total Noncurrent Liabilities	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>\$ 1,054,024.49</u>	<u>\$ 1,054,024.49</u>
Fund Financial Statement-Fund Balances		
Fund Balances (Deficits):		
Nonspendable for:		
Inventories	\$ 205,396.17	205,396.17
Unassigned	2,470,991.96	2,470,991.96
Total fund balances	<u>\$ 2,676,388.13</u>	<u>\$ 2,676,388.13</u>
Total Liabilities and Fund Balance	<u>\$ 3,730,412.62</u>	<u>\$ 3,730,412.62</u>

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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, 2018

	General Funds	Governmental Funds Total
REVENUES		
Legislative Appropriations:		
Original Appropriations	\$ 14,539,554.00	\$ 14,539,554.00
Additional Appropriations	2,690,183.14	2,690,183.14
Federal	2,602,245.23	2,602,245.23
Federal Pass-Through	-	-
License, Fees and Permits	578,932.73	578,932.73
Other	-	-
Total Revenues	<u>\$ 20,410,915.10</u>	<u>\$ 20,410,915.10</u>
EXPENDITURES		
Salaries and Wages	\$ 9,826,028.09	\$ 9,826,028.09
Payroll Related Costs	3,283,542.13	3,283,542.13
Professional Fees and Services	101,350.03	101,350.03
Travel	665,193.04	665,193.04
Materials and Supplies	1,323,831.90	1,323,831.90
Communication and Utilities	320,662.82	320,662.82
Repairs and Maintenance	201,709.23	201,709.23
Rentals & Leases	778,699.65	778,699.65
Printing and Reproduction	42,096.06	42,096.06
State Grant Pass-Thought Expenditure	1,500.00	1,500.00
Other Expenditures	358,064.34	358,064.34
Capital Outlay	1,329,504.41	1,329,504.41
Debt Service-Principle-Capital Leases	716.31	716.31
Total Expenditures/Expenses	<u>\$ 18,232,898.01</u>	<u>\$ 18,232,898.01</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 2,178,017.09</u>	<u>\$ 2,178,017.09</u>
OTHER FINANCING SOURCES (USES)		
Operating Transfers Out	(287,646.00)	(287,646.00)
Sale of Fixed Assets	4,320.00	4,320.00
Total other financing sources and uses	<u>\$ (283,326.00)</u>	<u>\$ (283,326.00)</u>
Net change in fund balances/net assets	<u>\$ 1,894,691.09</u>	<u>\$ 1,894,691.09</u>
Fund Financial Statement-Fund Balances		
Fund Balances--Beginning, Sept. 1, 2017	\$ 1,148,794.85	\$ 1,148,794.85
Restatements	-	-
Fund Balances, September 1, 2017, as Restated	<u>1,148,794.85</u>	<u>1,148,794.85</u>
Appropriations Lapsed	(367,097.81)	(367,097.81)
Fund Balances--August 31, 2018	<u>\$ 2,676,388.13</u>	<u>\$ 2,676,388.13</u>

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Exhibit VI
Combined Statement of Net Assets - Fiduciary Funds
 August 31, 2018

	Agency Funds (Exh J-1)	Total
ASSETS		
Cash in State Treasury	15,406.74	15,406.74
Total Assets	<u><u>\$ 15,406.74</u></u>	<u><u>\$ 15,406.74</u></u>
LIABILITIES		
Vouchers Payable	-	-
Funds Held for Others	15,406.74	15,406.74
Total Liabilities	<u><u>\$ 15,406.74</u></u>	<u><u>\$ 15,406.74</u></u>

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Not required.

NOTE 2: CAPITAL ASSETS

A summary of changes in General Fixed Assets for the year ended August 31, 2018, is presented below.

	PRIMARY GOVERNMENT					Balance 08/31/2018
	Balance 09/01/2017	Adjustments	Reclassi- fication	Additions	Deletions	
Governmental Activities:						
<i>Depreciable Assets</i>						
Furniture and Equipment	1,419,328.31	109,973.20	-	275,156.29	-	1,804,457.80
Vehicles	2,038,368.04	-	-	982,006.24	(19,182.00)	3,001,192.28
Total depreciable assets at historical cost:	3,457,696.35	109,973.20	-	1,257,162.53	(19,182.00)	4,805,650.08
<i>Less accumulated depreciation for:</i>						
Furniture and Equipment	(727,591.69)	4,603.43	-	(197,174.12)	-	(920,162.38)
Vehicles	(1,083,715.17)	-	-	(298,390.68)	19,182.00	(1,362,923.85)
Total accumulated depreciation	(1,811,306.86)	4,603.43	-	(495,564.80)	19,182.00	(2,283,086.23)
Depreciable assets, net	1,646,389.49	114,576.63	-	761,597.73	-	2,522,563.85
<i>Amortized Assets-Intangible</i>						
Software	36,805.39	-	-	-	-	36,805.39
Total amortized assets - Intangible:	36,805.39	-	-	-	-	36,805.39
<i>Less accumulated amortization for:</i>						
Software	(36,805.39)	-	-	-	-	(36,805.39)
Total accumulated amortization	(36,805.39)	-	-	-	-	(36,805.39)
Amortizable assets, net	-	-	-	-	-	-
Total Governmental Activities	\$1,646,389.49	\$114,576.63	-	\$761,597.73	-	\$2,522,563.85

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NOTE 3: DEPOSITS, INVESTMENTS, & 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 the eight field offices and the one laboratory.

The 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 the period.

All deposits are within limits for coverage by depository insurance.

Deposits of Cash in Bank

As of August 31, 2018, the carrying amount of deposits was zero.

Governmental Activities

Cash in Bank – Carrying Value	\$26,000.00
Cash in Bank per AFR	\$26,000.00
<hr/>	
Governmental Funds Current Assets Cash in Bank	\$26,000.00
Cash in Bank per AFR	\$26,000.00

Investments

The Texas Animal Health Commission does not participate in investments.

NOTE 4: SHORT-TERM DEBT

Not applicable

NOTE 5: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2018, the following changes occurred in liabilities.

Governmental Activities	Balance <u>09/01/17</u>	<u>Additions</u>	<u>(Reductions)</u>	Balance <u>08/31/18</u>	Amounts Due Within <u>One Year</u>
Compensable Leave	\$1,417,517.86	\$2,084,874.21	(\$1,819,469.48)	\$1,682,922.59	\$1,197,547.00
Total Governmental Activities	\$1,417,517.86	\$2,084,874.21	(\$1,819,469.48)	\$1,682,922.59	\$1,197,547.00

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Employees' Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from state employment, provided the employee has had continuous employment with the state for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. An expense and liability for proprietary fund types 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.

NOTE 6: BONDED INDEBTEDNESS

Non-Applicable

NOTE 7: DERIVATIVES

Non-Applicable

NOTE 8: LEASES

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating lease obligations.

<u>Fund Type</u>	<u>Amount</u>
General Fund	\$ 671,846.68

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

For the year ended August 31	Amount
2019	\$ 673,186.03
2020	812,475.28
2021	771,152.88
2022	715,459.24
2023	722,201.73
2024-2028	1,400,366.75
2029-2033	40,268.57

Total future minimum lease payments \$ 5,135,110.48

NOTE 9: DEFINED BENEFIT PENSION PLANS AND DEFINED CONTRIBUTION PLAN

Not Required

NOTE 10: DEFERRED COMPENSATION

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Not Required

NOTE 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Not Required

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 to be received or paid are reported as:

- Interfund Receivables or Interfund Payables
- Due From Other Agencies or Due to Other Agencies
- Due From Other Funds or Due to Other Funds
- Transfers In or Transfers Out
- Legislative Transfers In or Legislative Transfers Out

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.

Individual balances and activity at August 31, 2018, follows:

Total Operating Transfers (Exh II)	<u>Operating Transfers-In</u>	<u>Operating Transfers-Out</u>
<u>GAAP Fund 0001</u>		
Agency 902, Fund 0001	-	\$ 287,646.00
	-----	-----
Total Transfers	-	\$ 287,646.00
	-----	-----

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

The Texas Animal Health Commission is subject to Chapter 325, Government Code (Texas Sunset Act). Unless continued in existence as provided by that chapter, the Commission is abolished and this Act expires September 1, 2019. If abolished, the Commission may continue until September 1, 2020 to close out its operations.

NOTE 14: ADJUSTMENT TO FUND BALANCES AND NET POSITION

Balance of	
General Fixed Assets	<u>09/01/17</u>
Beginning Balance	<u>\$1,646,389.49</u>

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Restatement (114,576.63)

Ending Balance as
Restated \$1,760,966.12

Restatement due to adjustments in valuation of furniture and equipment. Restatements were caused by system error and new asset numbers had to be assigned to the asset acquisitions.

NOTE 15: CONTINGENCIES AND COMMITMENTS

Non-Applicable

NOTE 16: SUBSEQUENT EVENTS

Non-Applicable

NOTE 17: RISK MANAGEMENT

Non-Applicable

NOTE 18: MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Non-Applicable

NOTE 19: THE FINANCIAL REPORTING ENTITY

Non-Applicable

NOTE 20: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Non-Applicable

NOTE 21: N/A

Non-Applicable

NOTE 22: DONOR RESTRICTED ENDOWMENTS

Non-Applicable

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

Non-Applicable

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Non-Applicable

NOTE 25: TERMINATION BENEFITS

Not Required

NOTE 26: SEGMENT INFORMATION

Not Required

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NOTE 27: SERVICE CONCESSION ARRANGEMENTS

Not Required

NOTE 28: DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Not Required

NOTE 29: TROUBLED DEBT RESTRUCTURING

Not Required

NOTE 30: NON-EXCHANGE FINANCIAL GUARANTEES

Not Required

NOTE 31: TAX ABATEMENTS

Not Required

NOTE 32: GOVERNMENTAL FUND BALANCES

Not Required

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Exhibit J-1
Combining Statement of Changes in Assets and Liabilities - Agency Funds
August 31, 2018

	Beginning Balance September 1, 2017	Additions	Deductions	Ending Balance August 31, 2018
Child Support Employee Deduction Fund 0807				
ASSETS				
Cash in State Treasury	2,880.83	40,619.73	40,329.18	3,171.38
Total Assets	\$ 2,880.83	\$ 40,619.73	\$ 40,329.18	\$ 3,171.38
LIABILITIES				
Vouchers Payable	-	37,448.35	37,448.35	-
Funds Held for Others	2,880.83	40,619.73	40,329.18	3,171.38
Total Liabilities	\$ 2,880.83	\$ 78,068.08	\$ 77,777.53	\$ 3,171.38
Direct Deposit Fund 0980				
ASSETS				
Cash in State Treasury	9,378.24	2,857.12	-	12,235.36
Total Assets	\$ 9,378.24	\$ 2,857.12	\$ -	\$ 12,235.36
LIABILITIES				
Funds Held for Others	9,378.24	2,857.12	-	12,235.36
Total Liabilities	\$ 9,378.24	\$ 2,857.12	\$ -	\$ 12,235.36
Unappropriated Fund 1000				
ASSETS				
Cash in State Treasury	-	1,500.00	1,500.00	-
Total Assets	\$ -	\$ 1,500.00	\$ 1,500.00	\$ -
LIABILITIES				
Vouchers Payable	-	-	-	-
Funds Held for Others	-	1,500.00	1,500.00	-
Total Liabilities	\$ -	\$ 1,500.00	\$ 1,500.00	\$ -
Total				
ASSETS				
Cash in State Treasury	12,259.07	44,976.85	41,829.18	15,406.74
Total Assets	\$ 12,259.07	\$ 44,976.85	\$ 41,829.18	\$ 15,406.74
LIABILITIES				
Vouchers Payable	-	37,448.35	37,448.35	-
Funds Held for Others	12,259.07	44,976.85	41,829.18	15,406.74
Total Liabilities	\$ 12,259.07	\$ 82,425.20	\$ 79,277.53	\$ 15,406.74

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SCHEDULE 1A
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended August 31, 2018

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	IDENTIFYING NUMBER	Pass AGY./ UNIV. #	Through From AGENCIES OR UNIV. AMOUNT
U.S. Department of Agriculture				
<u>Direct Programs:</u>				
Plant and Animal Disease Pest Control and Animal Care	10.025			
Totals - U.S. Department of Agriculture				\$0.00
General Services Administration				
<u>Pass Through From</u>				
Donation of Federal Surplus Personal Property (Non-monetary)	39.003			
<u>Pass Through From:</u> Texas Facilities Commission			303	\$1,561.22
Totals - General Services Administration				\$1,561.22
U.S. Department of Homeland Security				
<u>Pass Through From</u>				
Disaster Grants - Public (Presidentially Declared Disasters)				
<u>Pass Through From:</u>				
Totals - U.S. Department of Homeland Security				\$0.00
Total Expenditures of Federal Awards				\$1,561.22

Note 1: The Texas Animal Health Commission acquired an item from the Texas Facilities Commission which is considered a non-monetary pass through federal assistance.

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)	\$2,602,245.23
Federal Pass Thru Revenue (Exh II)	<u>\$1,561.22</u>
Total Pass Thru and Expenditures per Federal Schedule	<u><u>\$2,603,806.45</u></u>

Note 3a: The Texas Animal Health Commission does not have Student Loans Processed and Administrative Cost Recovered.

Note 3b: The Texas Animal Health Commission does not have Federally Funded Loans Processed and Administrative Cost Recovered.

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DIRECT PROGRAM AMOUNT	TOTAL PT FROM & DIRECT PROGRAM	Pass AGY./ UNIV. #	Through AGENCIES OR UNIV. AMOUNT	To NON-STATE ENTITIES AMOUNT	EXPENDITURES AMOUNT	TOTAL PT FROM & EXPENDITURES
\$2,602,245.23	\$2,602,245.23				\$2,602,245.23	\$2,602,245.23
\$2,602,245.23	\$2,602,245.23		\$0.00	\$0.00	\$2,602,245.23	\$2,602,245.23
	\$1,561.22				\$1,561.22	\$1,561.22
\$0.00	\$1,561.22		\$0.00	\$0.00	\$1,561.22	\$1,561.22
\$0.00	\$0.00		\$0.00	\$0.00	\$0.00	\$0.00
\$2,602,245.23	\$2,603,806.45		\$0.00	\$0.00	\$2,603,806.45	\$2,603,806.45

Note 4: No longer required.

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 Food Program for Women, Infants and Children.

Note 7: The Texas Animal Health Commission does not have Deferred Federal Revenues.

Note 8: The Texas Animal Health Commission did not receive FEMA approval this current reporting fiscal year for eligible expenditures incurred in previous reporting fiscal year.

Note 9: The Texas Animal Health Commission does not have any current or prior years Revolving Loan Funds related to the Economic Adjustment Assistance program.

Note 10: The Texas Animal Health Commission does not elect to use the 10 percent de minimis indirect cost rate.

Verification B: N/A

Verification C: The Texas Animal Health Commission does not have any NSE activity.

Verification D: N/A

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ADDENDUM I

ORGANIZATION AND GENERAL COMMENTS

In 1893 the Texas Legislature established the Texas Livestock Sanitary Commission to fight the tick fever epidemic which threatened to cripple the economic viability of the state's cattle industry. In 1959 the agency was renamed the Texas Animal Health Commission (TAHC). Over time, the Legislature has expanded TAHC's jurisdiction and animal health responsibilities into a growing number of new animal health programs. Many programs of which are mandated by state and federal law, some of which were requested by the affected industry and all of which have significant real or potential impact on Texas' animal agriculture industries. Today, TAHC works to prevent, control, and eradicate disease in Texas livestock, exotic livestock, domestic fowl, and exotic fowl.

Administration of the Commission's programs is handled at the Austin central office. The TAHC is divided into six "regions", each with a regional office managed by a veterinarian. TAHC and its USDA APHIS Veterinary Services (VS) partners are responsible for ensuring that Texas meets animal disease prevention, surveillance, control, and eradication standards. Three main elements embody animal health program field operations functions — Animal Health Assurance, Animal Health Management, and Animal Health Emergency Response.

Thirteen Commissioners are appointed by the Governor to serve for six-year terms. Representing all segments of the livestock industry and the public, 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 industry; (4) hog industry; (5) sheep or goat industry; (6) poultry industry; (7) feed-lot industry; (8) equine industry; (9) livestock marketing industry; and (10) exotic livestock industry. The three remaining members represent the general public.

Commission members serving at August 31, 2018, were:

<u>Name</u>	<u>Industry</u>	<u>Term Expires</u>
Coleman H. Locke, Wharton	Beef Cattle	09/06/2021
Joseph G. "Joe" Osterkamp, Muleshoe	Dairy	09/06/2023
William F. Edmiston, Jr., D.V.M., Eldorado	Sheep and Goat	09/06/2019
Jim Eggleston, Weatherford	General Public	09/06/2021
Kenneth G. "Ken" Jordan, San Saba	Livestock Market	09/06/2019
Wendee C. Langdon, Ph.D., Lubbock	General Public	09/06/2023
Joe L. Leathers, Guthrie	Equine	09/06/2019
Thomas E. Oates, Huntsville	Exotic Livestock & Fowl	09/06/2019
Keith M. Staggs, Gonzales	Poultry	09/06/2023
Leo D. Vermedahl, Ph.D., Dalhart	Feedlot Industry	09/06/2023
Michael L. "Mike" Vickers, D.V.M., Falfurrias	Veterinary Profession	09/06/2021
Eric D. White, Mason	General Public	09/06/2019
Barret J. Klein, Boerne	Swine	09/06/2019

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The Commission's key employees at August 31, 2018, were:

<u>Name</u>	<u>Title</u>
Andy Schwartz, D.V.M.	Executive Director
Larissa Schmidt, S.P.H.R.	Chief of Staff
Angela Daniels, D.V.M.	Assistant Executive Director for Animal Health Programs
Susan Rollo, D.V.M.	State Epidemiologist
Roger Parker, D.V.M.	Director of Laboratory
Wallace E. Snelson	General Counsel

Region Offices:

David Finch, D.V.M.	Region Director, Amarillo
Brodie Miller, D.V.M.	Region Director, Beeville
Pete Fincher, D.V.M.	Region Director, Lampasas
Thomas R. Lansford, D.V.M.	Region Director, Laredo
Hank Hayes, D.V.M.	Region Director, Mt Pleasant
Tommy Barton, D.V.M.	Region Director, Rockdale

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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, 2018. 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

Eighty-fifth Texas Legislatures approved rider 8 for Contingency Appropriations: Cost Recovery for Animal Health Programs for the Texas Animal Health Commission during the 2018-2019 biennium to assess fees sufficient to generate revenue to cover, at a minimum the General Revenue appropriations expended for these programs. During fiscal year 2018, collected fees are reflected in the amount of \$568,779.00 Livestock Imp/Export Processing Fees.

Transactions for agency funds for fiscal year 2018 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.

Consumable Supplies and Postage

Consumable supplies and postage on hand at August 31, 2018 were:

Insecticides	\$	1,312.32
Field/Office Supplies		190,886.52
Postage		<u>13,197.33</u>
Total		<u>\$ 205,396.17</u>

Fixed Assets

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

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UNAUDITED

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, 2018, is presented in Exhibit II. The following comments provide supplemental information regarding fiscal operations.

The Commission works to prevent, control, and eradicate disease in Texas livestock, exotic livestock, domestic fowl, and exotic fowl. The agency mission includes:

- protecting livestock and fowl from domestic, foreign, and emerging animal diseases;
- increasing the marketability of Texas livestock commodities worldwide;
- promoting and ensuring animal health and productivity;
- protecting human health from animal disease and conditions that are transmissible to people; and
- preparing for and responding to emergencies involving animals.

As Texas hones its competitiveness in the global food market, TAHC programs support animal agriculture by focusing on the control and eradication of domestic diseases and emerging diseases and/or pests such as cattle and swine brucellosis, tuberculosis, trichomoniasis, equine piroplasmiasis, and cattle fever ticks. The TAHC also ensures that the basic infrastructure is in place to reduce the risk of emerging and foreign animal diseases and exotic pests.

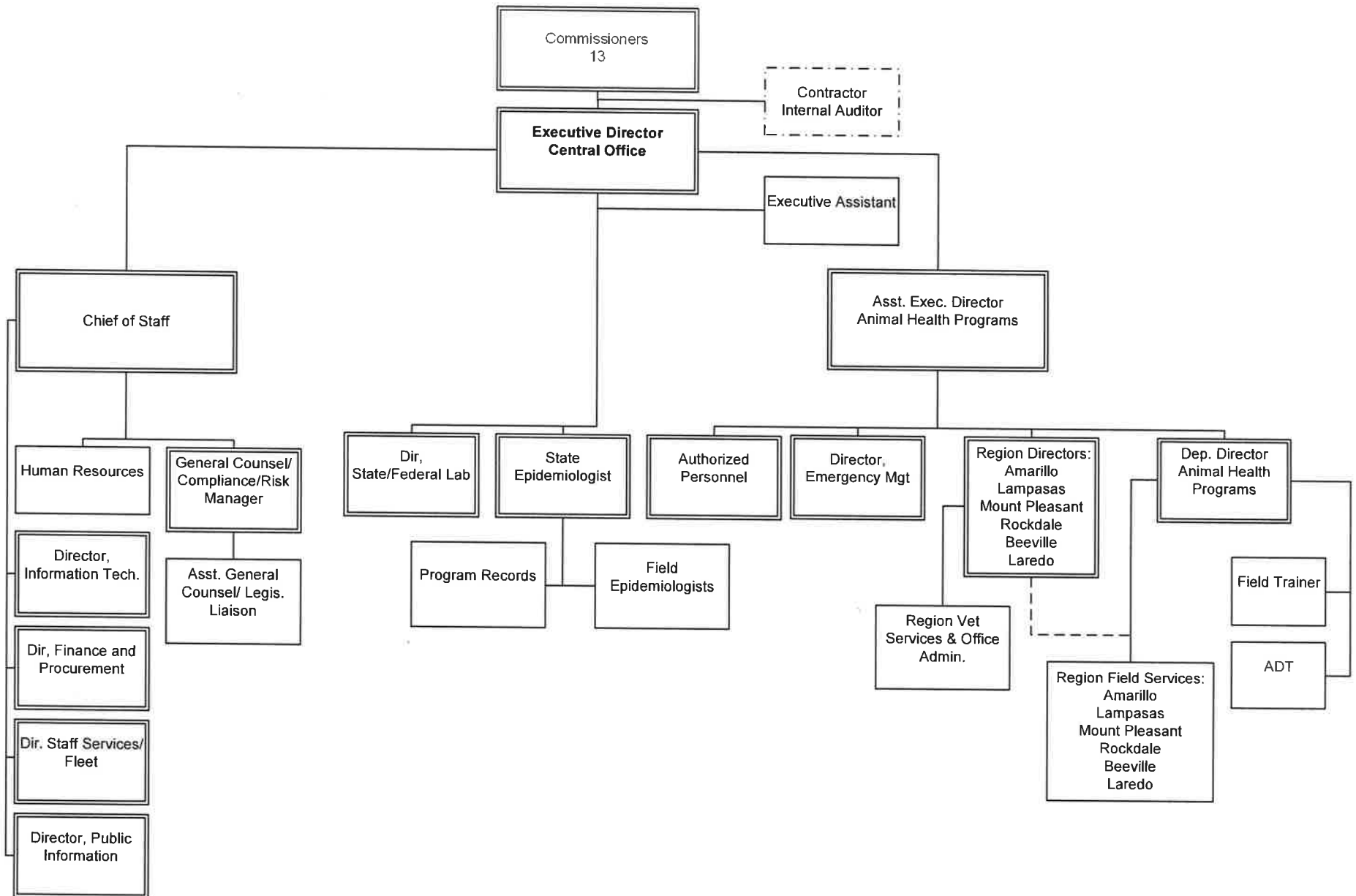
The Texas Animal Health Commission, as a livestock and poultry health agency, also provides services to key groups which include: private practice veterinarians, cattle producers/feeders, dairy producers, poultry producers, swine producers, exotic livestock and fowl producers, auction markets, livestock shows and rodeos, stakeholder organizations, equine producers, equestrians, non-profit emergency response organizations, and local governments.

New and/or innovative funding streams, and/or the return of traditional forms of fiscal support will be needed to ensure the agency can handle the long standing disease response activities, while strengthening new processes and partnerships to manage all the emerging situations mentioned above. Regardless, TAHC leadership is committed to continuing the proud tradition of service to the citizens and animals of Texas and looks forward to meeting any future challenges.

Six key functions of the agency in addressing diseases and parasites in animals and emergency management are: (1) Prevention, (2) Surveillance, (3) Diagnosis, (4) Control, (5) Eradication, and (6) Emergency Management/Homeland Security.

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Texas Animal Health Commission Fiscal Year 2018



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Legend

- Dotted box = contractor
- Dotted line = indirect supervision
- Solid line = direct report