

THE OFFICE OF THE GOVERNOR

ANNUAL FINANCIAL REPORT

**For The Year Ended August 31, 2008
(UNAUDITED)**

**Rick Perry
Governor of Texas**



OFFICE OF THE GOVERNOR

RICK PERRY
GOVERNOR

November 17, 2008

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

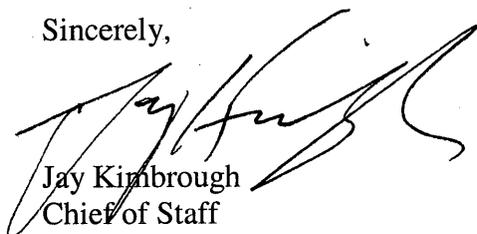
Governor Perry, Comptroller Combs, Mr. O'Brien, and Mr. Keel:

We are pleased to submit the Annual Financial Report of the Office of the Governor, for the year ended August 31, 2008, in compliance with Texas Government Code Annotated Section 2101.011 and in accordance with requirements established by the 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; 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 Rebeca White, CPA, Chief Financial Officer, at (512) 463-6310. Bernadette Tasher, CPA, Manager of Financial Reporting, may be contacted at (512) 936-0157 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay Kimbrough".

Jay Kimbrough
Chief of Staff

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Letter of Transmittal

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OFFICE OF THE GOVERNOR

Exhibit I - Combined Balance Sheet/Statement of Net Assets - Governmental Funds
For the Fiscal Year Ended August 31, 2008

	Governmental Fund Types			
	General Funds (Exhibit A-1)	Special Revenue Funds (Exhibit B-1)	Debt Service Funds (Exhibit C-1)	Governmental Funds Total
ASSETS				
Current Assets:				
Cash In Bank	\$ -	\$ -	\$ -	\$ -
Cash in State Treasury	514,550,520.14	46,198,619.31	13,613.67	560,762,753.12
Cash Equivalents		28,471.09		28,471.09
Restricted:				
Cash In Bank		338,773.34		338,773.34
Legislative Appropriations	38,325,555.59			38,325,555.59
Receivables from:				
Federal	3,416,612.86			3,416,612.86
Interest and Dividends	1,194,175.68	119,200.00	34.48	1,313,410.16
Accounts Receivable	169,092.71			169,092.71
Due From Other Agencies	4,155,421.15			4,155,421.15
Deferred Charges		4,733.39	3,344.27	8,077.66
Loans and Contracts	47,675,524.43			47,675,524.43
Total Current Assets	<u>609,486,902.56</u>	<u>46,689,797.13</u>	<u>16,992.42</u>	<u>656,193,692.11</u>
Non-Current Assets:				
Loans and Contracts				
Capital Assets (Note 2):				
Depreciable:				
Furniture and Equipment				
Less Accumulated Depreciation				
Total Non-Current Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 609,486,902.56</u>	<u>\$ 46,689,797.13</u>	<u>\$ 16,992.42</u>	<u>\$ 656,193,692.11</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Current Liabilities:				
Payables from:				
Accounts	\$ 7,299,331.33	\$ 51,321.77	\$ -	\$ 7,350,653.10
Payroll	1,465,589.20			1,465,589.20
Due To Other Agencies	1,625,076.24			1,625,076.24
Deferred Revenue	18,782,680.18			18,782,680.18
Employees' Compensable Leave (Note 5)				
Total Current Liabilities	<u>29,172,676.95</u>	<u>51,321.77</u>	<u>-</u>	<u>29,223,998.72</u>
Non-Current Liabilities				
General Obligation Bonds Payable (Note 5)				
Employees' Compensable Leave (Note 5)				
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>29,172,676.95</u>	<u>51,321.77</u>	<u>-</u>	<u>29,223,998.72</u>
Fund Financial Statement				
Fund Balances (Deficits):				
Reserved for				
Encumbrances	133,092,988.11	28,520.59		133,121,508.70
Debt Service			16,992.42	16,992.42
Loans and Contracts	47,726,032.08			47,726,032.08
Unreserved/Designated for:				
Other		46,609,954.77		46,609,954.77
Undesignated	399,495,205.42			399,495,205.42
Total Fund Balances	<u>580,314,225.61</u>	<u>46,638,475.36</u>	<u>16,992.42</u>	<u>626,969,693.39</u>
Total Liabilities and Fund Balances	<u>\$ 609,486,902.56</u>	<u>\$ 46,689,797.13</u>	<u>\$ 16,992.42</u>	<u>\$ 656,193,692.11</u>
Government-Wide Statement of Net Assets				
Net Assets				
Invested in Capital Assets, net of Related Debt				
Restricted For				
Debt Retirement				
Unrestricted				
Total Net Assets				

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

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Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets	Discrete Governmental Component Units (Exhibit K-1)
\$ -	\$ -	\$ -	\$ 712,476.34
		560,762,753.12	
		28,471.09	
		338,773.34	
		38,325,555.59	
		3,416,612.86	
		1,313,410.16	1,000.00
		169,092.71	
		4,155,421.15	
		8,077.66	
		47,675,524.43	
<u>-</u>	<u>-</u>	<u>656,193,692.11</u>	<u>713,476.34</u>
			621,100.00
426,342.20		426,342.20	
(341,421.61)		(341,421.61)	
<u>84,920.59</u>	<u>-</u>	<u>84,920.59</u>	<u>1,242,200.00</u>
<u>\$ 84,920.59</u>	<u>\$ -</u>	<u>\$ 656,278,612.70</u>	<u>\$ 1,955,676.34</u>
\$ -	\$ -	\$ 7,350,653.10	\$ -
		1,465,589.20	
		1,625,076.24	
		18,782,680.18	
	1,233,214.66	1,233,214.66	
<u>-</u>	<u>1,233,214.66</u>	<u>30,457,213.38</u>	<u>-</u>
	94,595,000.00	94,595,000.00	
	844,516.81	844,516.81	
<u>-</u>	<u>95,439,516.81</u>	<u>95,439,516.81</u>	<u>-</u>
<u>-</u>	<u>96,672,731.47</u>	<u>125,896,730.19</u>	<u>-</u>
		133,121,508.70	
		16,992.42	
		47,726,032.08	
		46,609,954.77	
		399,495,205.42	1,334,576.34
		<u>626,969,693.39</u>	<u>1,334,576.34</u>
84,920.59		84,920.59	
	(94,595,000.00)	(94,595,000.00)	
	(2,077,731.47)	(2,077,731.47)	
<u>\$ 84,920.59</u>	<u>\$ (96,672,731.47)</u>	<u>\$ 530,381,882.51</u>	<u>\$ 1,334,576.34</u>

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OFFICE OF THE GOVERNOR
 Exhibit II - Combined Statement of Revenue, Expenditures and Changes in
 Fund Balances/Statement of Activities - Governmental Funds
 For the Fiscal Year Ended August 31, 2008

	General Funds (Exhibit A-2)	Special Revenue Funds (Exhibit B-2)	Debt Service Fund (Exhibit C-2)	Governmental Funds Total
REVENUE				
Legislative Appropriations				
Original Appropriations	\$ 111,491,206.00	\$ -	\$ -	\$ 111,491,206.00
Additional Appropriations	3,082,649.72			3,082,649.72
Federal Revenue	69,451,628.41			69,451,628.41
Federal Grant Pass-Through Revenue	636,913.47			636,913.47
State Grant Pass-Through Revenue		49,993.63		49,993.63
License, Fees & Permits	28,478,632.53			28,478,632.53
Interest and Other Investment Income	23,321,900.64	2,068,673.75	9,901.92	25,400,476.31
Net Increase (Decrease) in Fair Value	1,983,884.42			1,983,884.42
Sales of Goods and Services	1,047,889.43			1,047,889.43
Other	133,871.29	413,167.73		547,039.02
Total Revenue	239,628,575.91	2,531,835.11	9,901.92	242,170,312.94
EXPENDITURES				
Salaries and Wages	14,861,424.83	48,467.84		14,909,892.67
Payroll Related Costs	3,604,787.54	10,037.15		3,614,824.69
Professional Fees and Services	7,412,655.88	24,549.50		7,437,205.38
Travel	466,744.39	3,364.50		470,108.89
Materials and Supplies	912,869.90	4,486.01		917,355.91
Communication and Utilities	280,964.75			280,964.75
Repairs and Maintenance	39,828.04			39,828.04
Rentals and Leases	294,529.93	1,014.00		295,543.93
Printing and Reproduction	(154,468.51)			(154,468.51)
Federal Grant Pass-Through Expenditures	9,988,414.72			9,988,414.72
State Grant Pass-Through Expenditures	36,599,336.74			36,599,336.74
Intergovernmental Payments	29,787,993.49			29,787,993.49
Public Assistance Payments	42,499,389.01			42,499,389.01
Other Expenditures	77,469,560.17	173,213.93		77,642,774.10
Debt Service:				
Interest			4,296,107.49	4,296,107.49
Capital Outlay	75,585.84			75,585.84
Depreciation Expense				
Total Expenditures/Expenses	224,139,616.72	265,132.93	4,296,107.49	228,700,857.14
Excess (Deficiency) of Revenue over Expenditures	15,488,959.19	2,266,702.18	(4,286,205.57)	13,469,455.80
OTHER FINANCING SOURCES (USES)				
Transfer In	427,174,129.16	1,582,629.15	4,084,508.65	432,841,266.96
Transfer Out	(332,239,401.05)	(4,420,114.24)		(336,659,515.29)
Legislative Transfer In (Note 8)	5,096,230.08			5,096,230.08
Legislative Transfer Out (Note 8)	(9,574,274.40)			(9,574,274.40)
Inc/(Dec) in Net Assets Due to Interagency Transfer				
Total Other Financing Sources (Uses)	90,456,683.79	(2,837,485.09)	4,084,508.65	91,703,707.35
Net Change in Fund Balances/Net Assets	105,945,642.98	(570,782.91)	(201,696.92)	105,173,163.15
Fund Financial Statement - Fund Balances				
Fund Balances, September 1, 2007	475,006,031.49	47,155,503.16	218,689.34	522,380,223.99
Restatements	(637,448.86)	53,755.11		(583,693.75)
Fund Balances, September 1, 2007, as Restated	474,368,582.63	47,209,258.27	218,689.34	521,796,530.24
Appropriations Lapsed				
Fund Balances, August 31, 2008	\$ 580,314,225.61	\$ 46,638,475.36	\$ 16,992.42	\$ 626,969,693.39
Government-Wide Statement of Net Assets				
Net Assets/Net Change in Net Assets				626,969,693.39
Net Assets, September 1, 2007				
Restatements				
Net Assets, September 1, 2007, as Restated				-
Net Assets, August 31, 2008				\$ 626,969,693.39

UNAUDITED

Capital Assets Adjustments	Long -Term Liabilities Adjustments	Statement of Activities	Discrete Governmental Component Units (Exhibit K-2)
\$ -	\$ -	\$ 111,491,206.00	\$ -
		3,082,649.72	
		69,451,628.41	
		636,913.47	
		49,993.63	
		28,478,632.53	
		25,400,476.31	14,968.16
		1,983,884.42	
		1,047,889.43	
		547,039.02	
<u>-</u>	<u>-</u>	<u>242,170,312.94</u>	<u>14,968.16</u>
	(313,265.79)	14,596,626.88	
		3,614,824.69	
		7,437,205.38	3,479.13
		470,108.89	
		917,355.91	
		280,964.75	
		39,828.04	
		295,543.93	
		(154,468.51)	
		9,988,414.72	
		36,599,336.74	
		29,787,993.49	
		42,499,389.01	
		77,642,774.10	
		4,296,107.49	
(75,585.84)		34,843.02	
34,843.02		34,843.02	
(40,742.82)	(313,265.79)	228,346,848.53	3,479.13
<u>40,742.82</u>	<u>313,265.79</u>	<u>13,823,464.41</u>	<u>11,489.03</u>
		432,841,266.96	
		(336,659,515.29)	
		5,096,230.08	
		(9,574,274.40)	
(69,796.60)		(69,796.60)	
(69,796.60)	-	91,633,910.75	-
		105,457,375.16	11,489.03
		522,380,223.99	1,323,087.31
		(583,693.75)	
		521,796,530.24	1,323,087.31
		<u>\$ 627,253,905.40</u>	<u>\$ 1,334,576.34</u>
(29,053.78)	313,265.79	627,253,905.40	1,334,576.34
113,974.37	(96,985,997.26)	(96,872,022.89)	
<u>113,974.37</u>	<u>(96,985,997.26)</u>	<u>(96,872,022.89)</u>	<u>-</u>
<u>\$ 84,920.59</u>	<u>\$ (96,672,731.47)</u>	<u>\$ 530,381,882.51</u>	<u>\$ 1,334,576.34</u>

OFFICE OF THE GOVERNOR
Exhibit III - Combined Statement of Net Assets - Proprietary Funds
For the Fiscal Year Ended August 31, 2008

	Total Enterprise Funds (Exhibit F-1 300)	Proprietary Component Units (Exhibit L-1 300)
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 3)		
Cash in Bank	\$ -	\$ 51,029,195.80
Cash in State Treasury	3,288,441.93	
Cash Equivalents		
Short Term Investments (Note 3)		1,960,646.67
Receivables from:		
Interest and Dividends	33,203.98	201,827.86
Deferred Charges	1,304.46	4,136.18
Loans and Contracts	10,099,539.73	
Total Current Assets	13,422,490.10	53,195,806.51
Non-Current Assets:		
Restricted:		
Cash and Cash Equivalents (Note 3)		
Cash in Bank	333,883.19	
Loans and Contracts		49,411,492.95
Total Non-Current Assets	333,883.19	49,411,492.95
Total Assets	\$ 13,756,373.29	\$ 102,607,299.46
LIABILITIES		
Current Liabilities:		
Payables from:		
Accounts	\$ 46,320.08	\$ 129,135.57
Payroll	64,359.42	
Other		124,793.00
Deferred Revenue		
Employees' Compensable Leave (Note 5)	31,207.01	25,000.00
Funds Held For Others		
Total Current Liabilities	141,886.51	278,928.57
Non-Current Liabilities		
Notes and Loans Payable (Note 5)	5,907,000.00	
Revenue Bonds Payable (Note 5)		99,335,000.00
Employees' Compensable Leave (Note 5)	10,967.89	
Total Non-Current Liabilities	5,917,967.89	99,335,000.00
Total Liabilities	\$ 6,059,854.40	\$ 99,613,928.57
Net Assets		
Invested in Capital Assets, net of Related Debt		
Restricted For		
Other	\$ 610,862.33	\$ -
Unrestricted	7,085,656.56	2,993,370.89
Total Net Assets	\$ 7,696,518.89	\$ 2,993,370.89

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

OFFICE OF THE GOVERNOR
Exhibit IV - Combined Statement of Revenue, Expenses, and Changes in Fund Net Assets - Proprietary Funds
For the Fiscal Year Ended August 31, 2008

	Total Enterprise Funds (Exhibit F-2 300)	Total Proprietary Component Units (Exhibit L-2 300)
Operating Revenue		
Interest and Investment Income	\$ 382,144.93	\$ 625,481.34
Other Operating Revenue	442,544.30	142,949.34
Total Operating Revenue	<u>824,689.23</u>	<u>768,430.68</u>
Operating Expenses:		
Salaries and Wages	642,301.82	22,591.99
Payroll Related Costs	192,472.01	2,127.11
Professional Fees and Services	22,403.75	549,056.97
Travel	11,430.27	336,989.26
Materials and Supplies	3,035.00	305,814.17
Communication and Utilities	30,567.10	
Rentals and Leases	4,556.35	73,456.22
Printing and Reproduction	13,982.23	102,681.81
Bad Debt Expense	6,026.00	
Other Operating Expenses	380,457.01	891,781.35
Total Operating Expenses	<u>1,307,631.54</u>	<u>2,284,498.88</u>
Operating Income (Loss)	<u>(482,942.31)</u>	<u>(1,516,068.20)</u>
Nonoperating Revenue (Expenses) *		
Gifts, Pledges and Donations		1,877,812.40
Investment Income (Expense)	174,339.03	2,549,653.03
Interest Expenses and Fiscal Charges	(254,089.81)	(2,570,295.67)
Total Other Nonoperating Revenue (Expenses)	<u>(79,750.78)</u>	<u>1,857,169.76</u>
Income (Loss) Before Other Revenue, Expenses, Gains/Losses, and Transfers	<u>(562,693.09)</u>	<u>341,101.56</u>
Other Revenue, Expenses, Gains/Losses, and Transfers		
Transfer In	4,821,568.46	
Transfer Out	(4,328,066.21)	
Total Other Revenue, Expenses, Gains/Losses, and Transfers	<u>493,502.25</u>	<u>-</u>
Change in Net Assets	<u>(69,190.84)</u>	<u>341,101.56</u>
Total Net Assets, September 1, 2007, as Restated	7,765,709.73	2,743,269.00
Restatements		(90,999.67)
Total Net Assets, September 1, 2007, as Restated	<u>7,765,709.73</u>	<u>2,652,269.33</u>
Total Net Assets, August 31, 2008	<u>\$ 7,696,518.89</u>	<u>\$ 2,993,370.89</u>

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

OFFICE OF THE GOVERNOR

Exhibit V - Combined Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended August 31, 2008

	Total Enterprise Funds (Exhibit F-3 300)
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Loan Programs	\$ 2,669,218.88
Proceeds from Other Revenue	442,721.60
Payments to Employees for Salaries	(562,930.95)
Payments to Employees for Benefits	(192,472.01)
Payments for Loans Provided	(629,000.00)
Payments for Other Expenses	(430,419.31)
Net Cash Provided by Operating Activities	<u>1,297,118.21</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds of Transfers from Other Funds	4,821,568.46
Payments of Principal on Debt Issuance	(2,325,000.00)
Payments of Interest	(223,952.61)
Payments of Other Costs of Debt Issuance	(22,403.75)
Payments for Transfers to Other Funds	(4,328,066.21)
Net Cash Provided by Noncapital Financing Activities	<u>(2,077,854.11)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Interest Income	182,540.06
Payments for bad debt	(6,026.00)
Net Cash Provided by Investing Activities	<u>176,514.06</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(604,221.84)
Cash and Cash Equivalents, September 1, 2007	4,226,546.96
Restatement to Beginning Cash & Cash Equivalents	-
Cash and Cash Equivalents, September 1, 2007 as Restated	<u>4,226,546.96</u>
Cash and Cash Equivalents, August 31, 2008	<u>\$ 3,622,325.12</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (482,942.31)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Operating Income and Cash Flow Categories:	
Classification Differences	(9,908.48)
Changes in Assets and Liabilities:	
(Increase) Decrease in Loans & Contracts	1,723,844.06
(Increase) Decrease in Prepaid Expenses	30,137.20
(Increase) Decrease in Accounts Receivable	41,499.82
Increase (Decrease) in Payables	93,379.52
Increase (Decrease) in Deferred Income	(98,891.60)
Total Adjustments	<u>1,780,060.52</u>
Net Cash Provided by Operating Activities	<u>\$ 1,297,118.21</u>

**Office of the Governor
 Exhibit VI - Combined Statement of Net Assets - Fiduciary Funds
 For the Fiscal Year Ended August 31, 2008**

	Agency Funds (Exhibit J-1)
ASSETS	
Cash in State Treasury	\$ 170.00
Accounts Receivable	<u>1,459.64</u>
Total Assets	<u>\$ 1,629.64</u>
LIABILITIES	
Funds Held for Others	<u>\$ 1,629.64</u>
Total Liabilities	<u>\$ 1,629.64</u>
NET ASSETS	
Held in Trust for Others	<u>\$ -</u>
Total Net Assets	<u><u>\$ -</u></u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Summary of Significant Accounting Policies

Entity

The Office of the Governor (Office) 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 Office is provided for in the Constitution of the State of Texas. Additional functions are prescribed by various legislative acts and executive orders.

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

The Office includes within this report all components as determined by an analysis of their relationship to the Office as listed below.

Blended Component Units

These component units are legally separate from the State but provide services entirely or almost entirely to the Office. These entities have a relationship with the State such that exclusion would cause the financial statements to be misleading or incomplete. The financial information of the component units has been blended into the General Revenue Fund.

- The Beacon State Fund is a 501(c)(3) corporation created to assist the Governor's Commission on Women in promoting issues affecting the women of Texas and provides services entirely or almost entirely to the Office.
- The Film Texas Fund is a 501(c)(3) corporation created to assist the Texas Film Commission with promoting the development of the film, television, and multimedia industry in Texas and provides services entirely or almost entirely to the Office.
- The State Agency Council was established in 1983 by Governor Mark White to support the goals of the Governor's Commission on Women. The Council is a 501(c)(3) corporation that assists the Commission in honoring women who have made significant contributions to Texas through their work in state government. The Council provides services entirely or almost entirely to the Office.
- The Texas Governor's Fellowship Program is a 501(c)(3) corporation created to assist the Office with providing educational opportunities through a fellowship program and provides services entirely or almost entirely to the Office.
- The Texas Governor's Mansion Restoration Fund (TGMRF) is a 501(c)(3) corporation established to help the State provide assistance with restoration of the Texas Governor's Mansion, which was damaged by an act of arson. TGMRF was established to assist the State in raising awareness of and financial support for the restoration needs for the Texas Governor's Mansion.

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Office of the Governor (Agencies 301 and 300)

Summary of Significant Accounting Policies (continued)

Discretely Presented Component Units

These component units are legally separate from the State but have a relationship with the State such that exclusion would cause the financial statements to be misleading or incomplete. The component unit columns of the financial statements include the financial data of these entities.

- The Texas Disaster Relief Fund, a Non-Profit Corporation (TDRF) is a 501(c)(3) corporation established to help the Office provide disaster relief. The services provided by TDRF assist the Office in responding to the needs of the citizens before, during, and after a disaster in Texas.
- The Texas Small Business Industrial Development Corporation (TSBIDC) is a non-profit corporation that is legally separate from the Office but under the oversight of Office. The services provided by TSBIDC primarily benefit the Texas citizenry through supporting job creation and capital investment for businesses and communities in Texas.
- The Texas Economic Development Corporation (TED Corp.) is a 501(c)(3) corporation established by the legislature to support the programs and activities of the Office's Division of Economic Development and Tourism. The services provided by TED Corp. assist, promote, develop, and advance economic development in Texas.
- The Texas Health Services Authority (THSA) is a 501(c)(3) corporation established to support improvement of the Texas health care system. The services provided by THSA are the promotion and coordination of the electronic exchange of health information throughout the State to ensure that information is available to health care providers. As of August 31, 2008, THSA had no financial activity.

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 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 that are legally restricted to use for specified purposes.

Debt Service Funds

Debt Service funds are used to account for the accumulation of resources for, and the payment of, general long-term principal and interest.

Capital Asset Adjustment Fund Type

The Capital Asset Adjustment fund type 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 type is used to convert governmental fund types' debt from modified accrual to full accrual.

Summary of Significant Accounting Policies (continued)

Proprietary Fund Types

Enterprise Fund

Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. Activities must be reported as enterprise funds if any one of the following criteria is met:

1. The activity is financed with debt that is secured solely by a pledge of the net revenue from fees and charges of the activity.
2. Laws or regulations require that the activity's cost of providing services including capital costs (such as, depreciation or debt service) be recovered with fees and charges.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

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.

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.

Component Units

The financial data of the individual discretely presented component units are available from the component units' separately issued financial statements. Additional information about component units can be found in Note 17.

Governmental Component Units

The Beacon State Fund, the Film Texas Fund, the State Agency Council, the Texas Governor's Mansion Restoration Fund, and the Texas Governor's Fellowship Program are blended component units that operate from local funds and follow governmental fund accounting principles. Their financial data is included in the Blended Component Units column in Exhibits B-1 and B-2 for Special Revenue Funds.

The Texas Disaster Relief Fund operates from local funds as a discrete component unit that follows governmental fund accounting principles. Its financial data is included in Exhibits K-1 and K-2 in the Discretely Presented Governmental Component Units column.

Proprietary Component Units

The Texas Small Business Industrial Development Corporation, the Texas Economic Development Corporation, and the Texas Health Services Authority operate from local funds as Proprietary Component Units. Financial data is included in Exhibit L-1 and L-2 in the Proprietary Component Unit columns which follow proprietary fund measurement focus and accounting principles.

Basis of Accounting

The basis of accounting determines when revenue 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 use the modified accrual basis of accounting. Under the modified accrual basis, revenue is recognized in the period in which it becomes 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 revenue of the current year for fund financial statements prepared on the modified basis of accrual. Expenditures and other uses of financial resources are recognized when the related liabilities are incurred.

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Office of the Governor (Agencies 301 and 300)

Summary of Significant Accounting Policies (continued)

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

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

Budget and Budgetary Accounting

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

Assets, Liabilities, and Fund Balances / Net Assets

Assets

Cash and Cash Equivalents

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

Accounts Receivable

Accounts Receivable includes year-end revenue accruals.

Loans Receivable

Loans Receivable reflects the outstanding amount of loans to outside entities.

Securities Lending Collateral

Investments are stated at fair value in all funds except pension trust funds in accordance with GASB Statement 31 requirements. For pension trust funds, investments are required to be reported at fair value using the accrual basis of accounting in accordance with GASB Statement 25. 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.

Restricted Assets

Restricted Assets includes monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund general obligation and revenue bonds and revenue set aside for statutory or contractual requirements.

Capital Assets

Furniture and equipment 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 not purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. Assets are depreciated over the estimated useful life of the 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.

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Office of the Governor (Agencies 301 and 300)

Summary of Significant Accounting Policies (continued)

Current Payables – Other

Other Payables discloses the accrual at year-end of expenditure transactions not included in any other payable descriptions. Other Payables may be included in either the governmental or proprietary fund types and includes payroll payable.

Deferred Revenue

Deferred Revenue is revenue received but not yet expended at the end of the fiscal year.

Notes Payable

Notes Payable consists of commercial paper obligations.

Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represents the liability that occurs due to 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.

Bonds Payable – General Obligation Bonds

The unmatured principal of general obligation bonds is accounted for in the Long-Term Liabilities Adjustment column. Payables are reported separately as either current or non-current in the statement of net assets.

Bonds payable are recorded at par. The bond proceeds are accounted for as an "Other Financing Source" in the governmental funds when received, and expenditures for payment of principal and interest are recorded in Debt Service funds when paid. These amounts are adjusted in the Long-Term Liabilities Adjustment column.

Bonds Payable – Revenue Bonds

Revenue bonds are generally accounted for in the proprietary funds. Bonds Payable is reported at par less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables 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 governmental 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 are not available for expenditure.

Reserved for Encumbrances

This reserve 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. These represent current resources designated for specific expenditures in subsequent operating periods.

Unreserved / Undesignated

This amount represents the balance that can be carried forward for future operations.

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Office of the Governor (Agencies 301 and 300)

Summary of Significant Accounting Policies (continued)

Interfund Activities and Balances

The Office 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) Legislative Transfers: Transfers between agencies of committed General Revenue budget. The Office's legislative activities are presented in Note 8.

UNAUDITED

Office of the Governor (Agencies 301 and 300)

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, 2008, is presented below for the Office of the Governor – Core Operations (301):

	PRIMARY GOVERNMENT							
	Balance 09/01/07	Adjustments	Reclassifications			Additions	Deletions	Balance 08/31/08
			Completed CIP	Inc- Int'agy Trans	Dec- Int'agy Trans			
GOVERNMENTAL ACTIVITIES								
Depreciable Assets								
Furniture and Equipment	\$ 349,911.54	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (42,978.13)	\$ 306,933.41
Total Depreciable Assets at Historical Costs	349,911.54	-	-	-	-	-	(42,978.13)	306,933.41
Less Accumulated Depreciation for:								
Furniture and Equipment	(238,726.90)	-	-	-	-	(31,817.44)	42,978.13	(227,566.21)
Total Accumulated Depreciation	(238,726.90)	-	-	-	-	(31,817.44)	42,978.13	(227,566.21)
Depreciable Assets, Net	111,184.64	-	-	-	-	(31,817.44)	-	79,367.20
Governmental Activities Capital Assets, Net	\$ 111,184.64	\$ -	\$ -	\$ -	\$ -	\$ (31,817.44)	\$ -	\$ 79,367.20

The deletions represent fully depreciated property removed in accordance with the surplus property guidelines.

A summary of changes in Capital Assets, for the year ended August 31, 2008, is presented below for the Office of the Governor – Trusteed Programs (300):

	PRIMARY GOVERNMENT							
	Balance 09/01/07	Adjustments	Reclassifications			Additions	Deletions	Balance 08/31/08
			Completed CIP	Inc- Int'agy Trans	Dec- Int'agy Trans			
GOVERNMENTAL ACTIVITIES								
Depreciable Assets								
Furniture and Equipment	\$ 305,528.29	\$ -	\$ -	\$ -	\$ (69,796.60)	\$ 75,585.84	\$ (191,908.74)	\$ 119,408.79
Total Depreciable Assets at Historical Costs	305,528.29	-	-	-	(69,796.60)	75,585.84	(191,908.74)	119,408.79
Less Accumulated Depreciation for:								
Furniture and Equipment	(302,738.56)	-	-	-	5,816.28	(8,841.86)	191,908.74	(113,855.40)
Total Accumulated Depreciation	(302,738.56)	-	-	-	5,816.28	(8,841.86)	191,908.74	(113,855.40)
Depreciable Assets, Net	2,789.73	-	-	-	(63,980.32)	66,743.98	-	5,553.39
Governmental Activities Capital Assets, Net	\$ 2,789.73	\$ -	\$ -	\$ -	\$ (63,980.32)	\$ 66,743.98	\$ -	\$ 5,553.39

The deletions represent fully depreciated property removed in accordance with the surplus property guidelines.

UNAUDITED

Office of the Governor (Agencies 301 and 300)

NOTE 3: Deposits, Investments, and Repurchase Agreements

The Office is authorized by statute to make investments following the "prudent person rule." There were no significant violations of legal provisions during the period.

Deposits of Cash in Bank

As of August 31, 2008, the carrying amount of deposits was \$52,442,799.76 as presented below:

Governmental and Business-Type Activities	
CASH IN BANK - CARRYING VALUE	\$ 701,127.62
Less: CD included in carrying amount and reported as Cash Equivalent	28,471.09
Cash in Bank per AFR (Funds 9999/7010 and 9999/0995)	<u>\$ 672,656.53</u>
Governmental Funds Restricted Cash in Bank (Fund 9999/7010)	\$ 338,773.34
Proprietary Funds Restricted Cash in Bank (Fund 9999/0995)	333,883.19
Cash in Bank per AFR	\$ 672,656.53

Discretely Presented Component Units	
CASH IN BANK - CARRYING VALUE	\$ 51,741,672.14
Less:	
Cash in Bank per AFR (Funds 9999/7001, 9999/7002, 9999/7003)	<u>\$ 51,741,672.14</u>
Discretely Presented Component Units Current Assets Cash in Bank	\$ 51,741,672.14
Cash in Bank per AFR	\$ 51,741,672.14

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" accounts.

As of August 31, 2008, the total bank balance was as follows:

Governmental and Business-Type Activities: \$ 672,656.53	Discretely Presented Component Units: \$ 51,741,672.14
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Investments

As of August 31, 2008, the carrying value and fair value of investments are presented below:

Governmental and Business-Type Activities	Carrying Value	Fair Value
Misc (non-negotiable CD) (Fund 9999/7010)	\$ 28,471.09	\$ 28,471.09
Total	\$ 28,471.09	\$ 28,471.09

Discretely Presented Component Units	Carrying Value	Fair Value
Repurchase Agreements -Texas Treasury Safekeeping Trust Co. (Fund 9999/7001)	\$ 1,960,646.67	\$ 1,960,646.67
Total	\$ 1,960,646.67	\$ 1,960,646.67

The underlying securities in the Texas Treasury Safekeeping Trust Company for the repurchase agreements are rated AAA by Standard & Poor's.

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Office of the Governor (Agencies 301 and 300)

NOTE 4: Short-Term Debt

The Office has a letter of credit for \$6,500,000 with JP Morgan Chase Bank. This instrument is in place to provide liquidity to accommodate the sales of commercial paper held in Fund 5106. The letter of credit is drawn upon for convenience and quickly repaid by the Office. The Office was paid in full as of August 31, 2008. The following details the draws and repayments during the fiscal year.

Proprietary Activities	Balance 9/1/2007	Increases	Decreases	Balance 8/31/2008
Letter of Credit - Fund 5106	\$ -	\$ 32,792.72	\$ 32,792.72	\$ -
		27,521.32	27,521.32	
		23,558.38	23,558.38	
		23,849.96	23,849.96	
		20,182.05	20,182.05	
		15,741.64	15,741.64	
		11,025.38	11,025.38	
		16,506.92	16,506.92	
		13,205.54	13,205.54	
		39,568.70	39,568.70	
	\$ -	\$ 223,952.61	\$ 223,952.61	\$ -

NOTE 5: Summary of Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2008, the following changes occurred in liabilities:

Governmental Activities	Balance 9/1/2007	Additions	Reductions	Balance 8/31/2008	Amounts Due Within One Year	Amounts Due Thereafter
General Obligation Bonds Payable	\$ 94,595,000.00	\$ -	\$ -	\$ 94,595,000.00	\$ -	\$ 94,595,000.00
Claims and Judgments	-	-	-	-	-	-
Compensable Leave (301)	1,404,081.05	1,131,005.87	(1,430,777.64)	1,104,309.28	673,630.28	430,679.00
Compensable Leave (300)	986,916.21	821,173.78	(834,667.80)	973,422.19	559,584.38	413,837.81
Total Governmental Activities	\$ 96,985,997.26	\$ 1,952,179.65	\$(2,265,445.44)	\$ 96,672,731.47	\$ 1,233,214.66	\$ 95,439,516.81

Business-Type Activities	Balance 9/1/2007	Additions	Reductions	Balance 8/31/2008	Amounts Due Within One Year	Amounts Due Thereafter
Notes and Loans Payable	\$ 8,232,000.00	\$ -	\$(2,325,000.00)	\$ 5,907,000.00	\$ -	\$ 5,907,000.00
Compensable Leave (300)	-	110,012.72	(67,837.82)	42,174.90	31,207.01	10,967.89
Total Business-Type Activities	\$ 8,232,000.00	\$ 110,012.72	\$(2,392,837.82)	\$ 5,949,174.90	\$ 31,207.01	\$ 5,917,967.89

UNAUDITED

Office of the Governor (Agencies 301 and 300)

Summary of Long Term Liabilities (continued)

Component Unit Activities	Balance 9/1/2007	Additions	Reductions	Balance 8/31/2008	Amounts Due Within One Year	Amounts Due Thereafter
Revenue Bonds Payable	\$ 99,335,000.00	\$ -	\$ -	\$ 99,335,000.00	\$ -	\$ 99,335,000.00
Total Business-Type Activities	\$ 99,335,000.00	\$ -	\$ -	\$ 99,335,000.00	\$ -	\$ 99,335,000.00

Notes and Loans Payable

The debt service requirements for Notes Payable in the Governmental, Business-Type, and Component Unit Activities are estimated to be as follows:

Notes Payable Debt Service Requirements	Governmental Activities		Business-Type Activities		Component Unit Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ -	\$ -	\$ -	\$ 150,628.50	\$ -	\$ -
2010				150,628.50		
2011				150,628.50		
2012				150,628.50		
2013				150,628.50		
2014 – 2018				753,142.50		
2019 – 2023				753,142.50		
2024 - 2028				753,142.50		
Total Requirements	\$ -	\$ -	\$ -	\$3,012,570.00	\$ -	\$ -

The debt service requirements for Notes Payable in the Business-Type Activities is based upon periodic sales of \$5,907,000 in commercial paper. The interest rate is variable and determined by market rate at the time the commercial paper trade is made. The rate of 2.55%, effective on 8/31/08, was used to calculate the estimated interest amounts shown above.

The commercial paper program, which supports business development, was originally issued by the Texas Department of Commerce. On September 1, 1997, Senate Bill 932, 75th Legislature, Regular Session, abolished the Texas Department of Commerce, and the Texas Department of Economic Development was created, assuming the right and responsibilities in all transactions and contracts of the Texas Department of Commerce. On September 1, 2003, Senate Bill 275, 78th Legislature, Regular Session abolished the Texas Department of Economic Development and transferred all responsibilities to the Office.

Section 52-a of Article III of the Constitution of the State of Texas and Chapter 481 of the Texas Government Code authorized the Texas Department of Commerce to issue revenue bonds or notes for the purpose of providing money to fund the economic development loan programs. On September 9, 1992, pursuant to the authority, the Policy Board of the Department authorized the initial \$25 million funding of the \$300 million Texas Economic Development Program (currently named the Texas Leverage Fund program) which was secured by a direct-pay letter of credit from Bank One, Texas, N.A. Subsequent to approval by the Texas Bond Review Board and the Attorney General, \$25 million in taxable commercial paper was issued on October 15, 1992. As of August 31, 2008, outstanding commercial paper was \$5,907,000 with a maturity date of September 4, 2008.

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Office of the Governor (Agencies 301 and 300)

Summary of Long Term Liabilities (continued)

On July 15, 1997, the supporting letter of credit provided by Bank One (currently JP Morgan Chase Bank, N.A.) was reduced from \$25 million to \$12 million. On September 28, 1998, the credit facility was reduced from \$12 million to \$10 million. On June 21, 2002 the credit facility was increased from \$10 million to \$15 million. In February 2005, the letter of credit was raised to \$25 million due to anticipated program participation and the need to increase outstanding commercial paper. In January 2006 the letter of credit was decreased to \$16 million. The letter of credit was further decreased in March 2008 to \$6.5 million.

The commercial paper notes are sold at a discount with the full-face amount due at maturity, which is usually between 30 to 90 days. New commercial paper notes are then issued to refinance the debt. The discounted interest on the debt is paid by the bank holding the letter of credit at the time of sale. The Office reimburses the bank for the discounted interest on the commercial paper sale immediately, using interest earnings from the program. The option to redeem the commercial paper notes in part or whole may be exercised at any time; therefore, the outstanding amount of paper may be less than the amount authorized under the letter of credit.

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 a 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: Capital Leases

(Not Applicable)

NOTE 7: Operating Leases

(Not Applicable)

UNAUDITED

Office of the Governor (Agencies 301 and 300)

NOTE 8: Interfund Balances / Activities

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: Due From or Due To Other Funds and Operating Transfers and Legislative Transfers. The Office experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer.

	Legislative Transfers In	Legislative Transfers Out	Purpose
Agency 301			
GENERAL (01)			
Appropriated Fund 0001, D23 Fund 0001			
Agy 300, D23 Fund 0001	\$ 1,618,532.00	\$ (27,821.27)	Administrative Cost Allocation
Total Legislative Transfers (Agency 301)	\$ 1,618,532.00	\$ (27,821.27)	
Agency 300			
GENERAL (01)			
Appropriated fund 0001, D23 Fund 0001			
Agy 301, D23 Fund 0001	\$ 27,821.27	\$ (1,618,532.00)	Administrative Cost Allocation
Agy 329, D23 Fund 0001	45,000.00		Return of Deficiency Grant
Agy 356, D23 Fund 0001		(150,000.00)	Deficiency Grant
Agy 401, D23 Fund 0001	1,004,876.81	(3,474,234.09)	FEMA Reimbursements / Disaster Grants
Agy 405, D23 Fund 0001	2,400,000.00	(4,276,687.08)	FEMA Reimbursements / Disaster Grants
Agy 411, D23 Fund 0001		(27,000.00)	Deficiency Grant
Total Legislative Transfers (Agency 300)	\$ 3,477,698.08	\$ (9,546,453.13)	
Total Legislative Transfers	\$ 5,096,230.08	\$ (9,574,274.40)	

The detailed State Grant Pass Through information is listed on Schedule 1B - Schedule of State Grant Pass Through From / To State Agencies.

UNAUDITED

Office of the Governor (Agencies 301 and 300)

NOTE 9: Contingent Liabilities

The Office 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 the 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 Loan Loss Reserve Account experiences losses from defaulted loans in the Capital Access Program. Future losses have not been estimated; however, the following history of losses and recoveries is presented:

Claims and Recoveries FY2001 - FY2008		
GAAP Fund 9999 - Loan Loss Reserves		
FY	Claims	Recoveries
2000	\$ 721,251.81	\$ 14,808.33
2001	1,605,409.30	65,700.28
2002	1,733,385.18	156,127.77
2003	632,457.77	90,957.10
2004	495,051.37	36,951.72
2005	838,735.24	91,524.21
2006	325,223.90	65,773.87
2007	37,975.61	42,313.63
2008	6,026.00	9,689.08
Total	\$ 6,395,516.18	\$ 573,845.99
Average	\$ 710,612.91	\$ 63,760.67

The Office is a defendant in pending litigations that could possibly result in liabilities up to \$75.1 million plus an unknown amount of attorney fees. However, it is unlikely that any amount will be awarded or attorney fees incurred.

NOTE 10: Continuance Subject To Review

(Not Applicable)

NOTE 11: Risk Financing and Related Insurance

(Not Applicable)

NOTE 12: Segment Information

Segment disclosure is not required as the Discretely Presented Component Units, and the Enterprise Fund financial statements are an integral part of this financial presentation.

NOTE 13: Bonded Indebtedness

Bonds Payable

Detailed supplemental bond information is disclosed in:

- Schedule 2A -- Miscellaneous Bond Information
- Schedule 2B -- Changes in Bond Indebtedness
- Schedule 2C -- Debt Service Requirements
- Schedule 2D -- Analysis of Funds Available for Debt Service

General information related to bonds is summarized below:

General Obligation Bonds – Self-Supporting

Product Development Program General Obligation Variable Rate Demand Bonds, Series 2005A

- A revolving loan fund was created for the purposes of aiding in the development and production, including the commercialization, of new or improved products in the state.
- Issued 05-18-05.
- \$25,000,000; all authorized bonds have been issued.
- No Product Development program loans were outstanding as of August 31, 2008.
- Bondholders may tender the bonds for repurchase every seven days. Any bonds tendered will be purchased with proceeds from loan repayments and/or the liquidity facility until remarketed.

Small Business Incubator General Obligation Variable Rate Demand Bonds, Series 2005B

- A revolving loan fund was created for the purposes of fostering and stimulating the development of new or existing small businesses in the state.
- Issued 05-18-05.
- \$20,000,000; all authorized bonds have been issued.
- No Small Business Incubator program loans were outstanding as of August 31, 2008.
- Bondholders may tender the bonds for repurchase every seven days. Any bonds tendered will be purchased with proceeds from loan repayments and/or the liquidity facility until remarketed.

Texas Military Value Revolving Loan Program General Obligation Bonds, Series 2007A-1, Series 2007A-2, and Taxable Series 2007B

- A revolving loan fund was created to provide loans to defense-related communities for economic development projects, including projects that enhance military value of installations located in Texas.
- Issued 03-15-07.
- \$49,595,000 issued: \$10,815,000 under Series 2007A-1, \$10,160,000 under Series 2007A-2, and \$28,620,000 under Series 2007B. Bond authority of \$200,405,000 remains unissued.
- Debt service payments are processed by the Texas Public Finance Authority by means of shared funds established in the Treasury.
- Source of revenue for debt service – loan repayments, which are designed to support both debt service and programs costs. Any interest rate resets are mirrored in the interest rate provisions in the underlying loan so as to create a match in interest rate payments from the borrower with interest payments to the bondholders. In addition, cash reserves of \$213,533.52 are set aside to provide a cushion for unforeseen cash flow mismatches.
- Loans are collateralized with the State's interest in the agreements financed with the loan proceeds.
- Bondholders do not have the authority to tender the bonds for repurchase.

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Office of the Governor (Agencies 301 and 300)

Bonded Indebtedness (continued)

Component Unit Revenue Bonds – Self-Supporting

Texas Small Business Industrial Development Corporation Floating Rate Demand Revenue Bonds

- The purpose of the program is to provide a capital financing source for eligible participants to promote economic development in the State of Texas and for purchasing obligations of eligible economic development projects.
- Issued 07-15-86.
- \$750,000,000; all authorized bonds have been issued.
- Bonds totaling \$649,600,000 and \$1,065,000 were redeemed on 07-05-89, and 11-01-89, respectively.
- Source of revenue for debt service – loan repayments and investment earnings on bond proceeds.
- Bonds are secured by an irrevocable letter of credit (LOC) issued by Bank of America for \$101,702,711. This instrument replaces the previous LOC issued by Kredietbank Bank. As of August 31, 2008, no principal drawings have been made on the LOC. The Office does not have a take out agreement as part of this LOC or as a separate agreement.
- Bondholders may tender the bonds for repurchase every seven days. Any bonds tendered will be purchased with proceeds from the remarketing of the bonds, or if not successfully marketed, from amounts drawn under the LOC.

Early Extinguishment

No early extinguishment of debt occurred during fiscal year 2008.

Refunding

No advance or current refundings occurred during fiscal year 2008.

Accounting for Early Extinguishment and Advance Refunding

(Not applicable)

Disclosure for Early Extinguishment and Advance Refunding

(Not applicable)

Defeased Bonds Outstanding

No defeased bonds were outstanding on August 31, 2008.

NOTE 14: Subsequent Events

In September 2008, a catastrophic disaster impacted the State of Texas when Hurricane Ike struck southeast Texas. The financial impact of this disaster is currently estimated at over \$29 billion. Private and corporate donations in excess of \$3 million were received by the Texas Disaster Relief Fund, a Non-Profit Corporation and will be distributed during fiscal year 2009 to assist with Hurricane Ike relief efforts.

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Office of the Governor (Agencies 301 and 300)

NOTE 15: Related Parties

(Not Applicable)

NOTE 16: Stewardship, Compliance, and Accountability

(Not Applicable)

NOTE 17: The Financial Reporting Entity and Joint Ventures

The Financial Reporting Entity

As required by generally accepted accounting principles, the financial statements present the Office and its component units. The component units discussed in this note are included in the Office's reporting entity because of the significance of their operational or financial relationships with the Office.

Individual Component Unit Disclosures

Blended Component Units

Blended component units are legally separate from the State but have a relationship with the State such that exclusion would cause the financial statements to be misleading or incomplete. The component units' financial data are reported as governmental fund types in a separate Special Revenue Funds column to emphasize that they are legally separate from the Office.

The Beacon State Fund is a 501(c)(3) corporation was created to assist the Governor's Commission on Women in promoting issues affecting the women of Texas and provides services entirely or almost entirely to the Office. The corporation increases public awareness through the distribution of information, media events, and community outreach programs. The Office appoints a voting majority of the board. The corporation's financial statements, for its fiscal year ending December 31, 2007, are available from the Governor's Commission on Women.

The Film Texas Fund is a 501(c)(3) corporation was created to assist the Texas Film Commission with promoting the development of the film, television, and multimedia industry in Texas and provides services entirely or almost entirely to the Office. The Office appoints a voting majority of its board. The corporation's financial statements, for its fiscal year ending August 31, 2008, are available from the Texas Film Commission.

The State Agency Council was established in 1983 by Governor Mark White to support the goals of the Governor's Commission on Women. The Council is a 501(c)(3) corporation that assists the Commission in honoring women who have made significant contributions to Texas through their work in state government. The Council provides services entirely or almost entirely to the Office. The Office appoints a voting majority of its board. The corporation's financial statements, for its fiscal year ending December 31, 2007, are available from the Governor's Commission on Women.

The Texas Governor's Fellowship Program is a 501(c)(3) corporation was created to assist the Office with providing educational opportunities through a fellowship program and provides services entirely or almost entirely to the Office. The corporation's financial statements, for its fiscal year ending December 31, 2007, are available from the Texas Governor's Fellowship Program.

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Office of the Governor (Agencies 301 and 300)

The Financial Reporting Entity and Joint Ventures (continued)

The Texas Governor's Mansion Restoration Fund (TGMRF) is a non-profit corporation established to help the Office raise awareness and provide financial assistance to the State for the restoration of the Texas Governor's Mansion. The First Lady of Texas, the Office's chief of staff, and the Office's deputy chief of staff serve as board members. The corporation's financial statements, for its fiscal year ending August 31, 2008, are available from the Office's Financial Services Division.

Discretely Presented Component Units

These component units are legally separate from the State but have a relationship with the State such that exclusion would cause the financial statements to be misleading or incomplete. The component units are reported in separate columns in the combined financial statements to emphasize that they are legally separate from the Office.

The Texas Small Business Industrial Development Corporation (TSBIDC) is a non-profit corporation. TSBIDC was chartered in 1983 under the Development Corporation Act of 1979 to promote economic development in Texas. The executive director of the Office's Division of Economic Development and Tourism and a Governor's designee serve as non-voting, *ex officio* directors. The services provided by TSBIDC primarily benefit the Texas citizenry through supporting job creation and capital investment for businesses and communities in Texas. The corporation's financial statements, for its fiscal year ending August 31, 2008, are available from the Office's Financial Services Division.

The Texas Economic Development Corporation (TED Corp.) is a non-profit corporation established by the legislature to support the programs and activities of the Office's Division of Economic Development and Tourism. The executive director of the Office's Division of Economic Development and Tourism and a Governor's designee serve as non-voting, *ex officio* directors. The services provided by TED Corp. assist, promote, develop, and advance economic development in Texas. The corporation's financial statements, for its fiscal year ending August 31, 2008, are available from the Office's Financial Services Division.

The Texas Disaster Relief Fund, a Non-Profit Corporation (TDRF) is a non-profit corporation established to help the Office provide disaster relief. The Office's chief of staff, director of the Homeland Security, and chief financial officer serve as directors. The services provided by TDRF assist the Office in responding to the needs of the citizens before, during, and after a disaster in Texas. The corporation's financial statements, for its fiscal year ending August 31, 2008, are available from the Office's Financial Services Division.

The Texas Health Services Authority (THSA) was created by House Bill 1066, 80th Session to support improvement of the Texas health care system. The services provided by THSA are the promotion and coordination of the electronic exchange of health information throughout the State to ensure that information is available to health care providers. In July 2008, Governor Perry appointed 11 members to the THSA board of directors, which held its first meeting on September 18, 2008. As of August 31, 2008, THSA had no financial activity.

NOTE 18: Restatement of Fund Balances and Net Assets

During fiscal year 2008, adjustments were made which required the restatement of the amounts in fund balances and fund equity as shown and discussed below:

- (a) Correction resulting from reconciliation of Federal Deferred Revenue and Federal Receivables balances.
- (b) Correction resulting from reconciliation of Federal Deferred Revenue and Federal Receivables balances.
- (c) Correction resulting from reconciliation of Texas Military Value Revolving Loan fund balances to corresponding shared cash balances.
- (d) Correction resulting from conversion of beginning balance from calendar year to fiscal year for one of the component units.

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Office of the Governor (Agencies 301 and 300)

Restatement of Fund Balances and Net Assets (continued)

- (e) Correction resulting from an overstatement of accrued investment interest revenue for the Texas Small Business Industrial Development Corporation (TSBIDC) in FY07.

	Fund 0224 Agency 300	Fund 0421 Agency 300	Fund 7028 Agency 300	Fund 9999 (7010) Agency 300	Fund 9999 (7002) Agency 300	Total
Fund Balance/Equity as of August 31, 2008	\$ 6,335,218.20	\$ 29,379,314.48	\$ 8,947.00	\$ 126,191.27	\$ 2,743,269.00	\$ 38,592,939.95
Restatements:						
(a)	(629,202.05)					(629,202.05)
(b)		(8,246.81)				(8,246.81)
(c)			0.01			0.01
(d)				53,755.10		53,755.10
(e)					(90,999.67)	(90,999.67)
Net Restatements	\$ (629,202.05)	\$ (8,246.81)	\$ 0.01	\$ 53,755.10	\$ (90,999.67)	\$ (674,693.42)
Fund Balance/Equity as of September 1, 2008, as Restated	\$ 5,706,016.15	\$ 29,371,067.67	\$ 8,947.01	\$ 179,946.37	\$ 2,652,269.33	\$ 37,918,246.53

NOTE 19: Employees Retirement Plans

(Not Applicable)

NOTE 20: Deferred Compensation

(Not Applicable)

NOTE 21: Donor-Restricted Endowments

(Not Applicable)

NOTE 22: Management Discussion and Analysis

In fiscal year 2008, the 80th Legislature authorized the transfer of \$75 million from the General Revenue Fund to the Emerging Technology Fund. The 80th Legislature also appropriated additional General Revenue for an incentives program for the film, television, and multimedia production industries (\$11 million), the Defense Economic Adjustment Assistance Grant program (\$5 million), and the Regional Planning Commission program (\$2.5 million). These amounts significantly increased the Office's General Revenue appropriation above that of prior biennia.

In July 2008, the Texas Governor's Mansion was substantially damaged by an act of arson. The estimates for the restoration of this historic museum are estimated to be over \$26 million. In an effort to assist the State with this loss, a non-profit corporation, the Texas Governor's Mansion Restoration Fund (TGMRF), was established to help raise awareness and provide financial assistance to the State for the restoration of the Texas Governor's Mansion. The First Lady of Texas, the Office's chief of staff, and the Office's deputy chief of staff serve as board members. The corporation's financial statements, for its fiscal year ending August 31, 2008, are available from the Office's Financial Services Division. As of August 31, 2008, TGMRF had a balance of \$222,141.

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Office of the Governor (Agencies 301 and 300)

Management Discussion and Analysis (continued)

The 80th Legislature (House Bill 1066) created the Texas Health Services Authority (THSA) to support the improvement of the Texas health care system by promoting and coordinating the electronic exchange of health information throughout the state to ensure that information is available to health care providers. In July 2008, Governor Perry appointed 11 members to the THSA board of directors, which held its first meeting on September 18, 2008. As of August 31, 2008, THSA had no financial activity.

NOTE 23: Post Employment Health Care and Life Insurance Benefits

(Not Applicable)

NOTE 24: Special or Extraordinary Items

(Not Applicable)

NOTE 25: Disaggregation of Receivable and Payable Balances

(Not Applicable)

NOTE 26: Termination Benefits

(Not Applicable)

The Office of the Governor

Combining Statements - Exhibits and Schedules

OFFICE OF THE GOVERNOR
 Exhibit A-1 - Combining Balance Sheet - All General and Consolidated Funds
 For the Fiscal Year Ended August 31, 2008

	Consolidated Accounts		
	General Revenue Fund (0001)* U/F (0001)	Governor's Office Federal Projects (0224)* U/F (0224)	Criminal Justice Planning (0421)* U/F (0421)
ASSETS			
Current Assets:			
Cash in State Treasury	\$ -	\$ 25,264,081.33	\$ 27,184,599.84
Legislative Appropriations	38,325,555.59		
Receivables from:			
Federal		119,694.22	3,296,918.64
Interest and Dividends	301.72	66,780.47	
Accounts Receivable	169,092.71		
Due From Other Agencies		875,510.79	368,668.08
Loans and Contracts			
Total Current Assets	<u>38,494,950.02</u>	<u>26,326,066.81</u>	<u>30,850,186.56</u>
Total Assets	<u>\$ 38,494,950.02</u>	<u>\$ 26,326,066.81</u>	<u>\$ 30,850,186.56</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities:			
Payables from:			
Accounts	\$ 38,029.34	\$ 292,482.35	\$ 2,646,811.33
Payroll	1,154,467.64	53,135.43	108,179.83
Due To Other Agencies		7,307.92	916,084.14
Deferred Revenue		18,782,680.18	
Total Current Liabilities	<u>1,192,496.98</u>	<u>19,135,605.88</u>	<u>3,671,075.30</u>
Total Liabilities	<u>1,192,496.98</u>	<u>19,135,605.88</u>	<u>3,671,075.30</u>
Fund Balances (Deficits):			
Reserved for:			
Encumbrances	6,597,283.11	11,860,423.99	29,358,952.21
Loans and Contracts			
Undesignated	30,705,169.93	(4,669,963.06)	(2,179,840.95)
Total Fund Balances	<u>37,302,453.04</u>	<u>7,190,460.93</u>	<u>27,179,111.26</u>
Total Liabilities and Fund Balances	<u>\$ 38,494,950.02</u>	<u>\$ 26,326,066.81</u>	<u>\$ 30,850,186.56</u>

* Appropriated Fund is noted as (XXXX), USAS D23 U/F (XXXX)

Consolidated Accounts				
Rural Economic Development (0425)* U/F (0425)	Disaster Contingency (0453)* U/F (0453)	Hotel Occupancy Tax for Economic Development (5003)* U/F (5003)	Crime Stoppers Assistance (5012)* U/F (5012)	Tourism Plates (5053)* U/F (5053)
\$ 377,191.80	\$ 107,160.16	\$ 17,296,798.31	\$ 763,997.96	\$ 36,495.04
953.78				
	31,879.68	2,879,362.60		
<u>378,145.58</u>	<u>139,039.84</u>	<u>20,176,160.91</u>	<u>763,997.96</u>	<u>36,495.04</u>
<u>\$ 378,145.58</u>	<u>\$ 139,039.84</u>	<u>\$ 20,176,160.91</u>	<u>\$ 763,997.96</u>	<u>\$ 36,495.04</u>
\$ -	\$ -	\$ 2,158,225.32 112,337.54	\$ 30,920.09	\$ -
<u>-</u>	<u>-</u>	<u>2,270,562.86</u>	<u>30,920.09</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>2,270,562.86</u>	<u>30,920.09</u>	<u>-</u>
		9,917,174.86	349,411.87	
<u>378,145.58</u>	<u>139,039.84</u>	<u>7,988,423.19</u>	<u>383,666.00</u>	<u>36,495.04</u>
<u>378,145.58</u>	<u>139,039.84</u>	<u>17,905,598.05</u>	<u>733,077.87</u>	<u>36,495.04</u>
<u>\$ 378,145.58</u>	<u>\$ 139,039.84</u>	<u>\$ 20,176,160.91</u>	<u>\$ 763,997.96</u>	<u>\$ 36,495.04</u>

OFFICE OF THE GOVERNOR
 Exhibit A-1 - Combining Balance Sheet - All General and Consolidated Funds
 For the Fiscal Year Ended August 31, 2008

	Consolidated Accounts			
	Texas Enterprise (5107)* U/F (5107)	Economic Development and Tourism (5110)* U/F (5110)	Texas Music Foundation Plates (5113)* U/F (5113)	Texas Military Value Revolving Loan (5114)* U/F (5140, 5141, 5142, 5143)
ASSETS				
Current Assets:				
Cash in State Treasury	\$ 240,171,305.45	\$ 55,571.35	\$ 7,669.00	\$ 52,536.12
Legislative Appropriations				
Receivables from:				
Federal				
Interest and Dividends	607,883.46			132.84
Accounts Receivable				
Due From Other Agencies				
Loans and Contracts				47,675,524.43
Total Current Assets	<u>240,779,188.91</u>	<u>55,571.35</u>	<u>7,669.00</u>	<u>47,728,193.39</u>
Total Assets	<u>\$ 240,779,188.91</u>	<u>\$ 55,571.35</u>	<u>\$ 7,669.00</u>	<u>\$ 47,728,193.39</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Current Liabilities:				
Payables from:				
Accounts	\$ -	\$ -	\$ -	\$ -
Payroll				
Due To Other Agencies				
Deferred Revenue				
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits):				
Reserved for:				
Encumbrances	35,471,804.00			
Loans and Contracts				47,726,032.08
Undesignated	<u>205,307,384.91</u>	<u>55,571.35</u>	<u>7,669.00</u>	<u>2,161.31</u>
Total Fund Balances	<u>240,779,188.91</u>	<u>55,571.35</u>	<u>7,669.00</u>	<u>47,728,193.39</u>
Total Liabilities and Fund Balances	<u>\$ 240,779,188.91</u>	<u>\$ 55,571.35</u>	<u>\$ 7,669.00</u>	<u>\$ 47,728,193.39</u>

* Appropriated Fund is noted as (XXXX), USAS D23 U/F (XXXX)

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Daughters of the Republic of Texas (5115)* U/F (5115)	Emerging Technology (5124)* U/F (5124)	Total (Exhibit I)
\$ 17,152.78	\$ 203,215,961.00	\$ 514,550,520.14 38,325,555.59
		3,416,612.86
	518,123.41	1,194,175.68
		169,092.71
		4,155,421.15
		47,675,524.43
<u>17,152.78</u>	<u>203,734,084.41</u>	<u>609,486,902.56</u>
<u>\$ 17,152.78</u>	<u>\$ 203,734,084.41</u>	<u>\$ 609,486,902.56</u>
\$ 17,152.78	2,115,710.12	\$ 7,299,331.33
	37,468.76	1,465,589.20
	701,684.18	1,625,076.24
		18,782,680.18
<u>17,152.78</u>	<u>2,854,863.06</u>	<u>29,172,676.95</u>
<u>17,152.78</u>	<u>2,854,863.06</u>	<u>29,172,676.95</u>
	39,537,938.07	133,092,988.11
		47,726,032.08
	161,341,283.28	399,495,205.42
-	<u>200,879,221.35</u>	<u>580,314,225.61</u>
<u>\$ 17,152.78</u>	<u>\$ 203,734,084.41</u>	<u>\$ 609,486,902.56</u>

UNAUDITED

OFFICE OF THE GOVERNOR
 Exhibit A-2 - Combining Statement of Revenue, Expenditures, and Changes in Fund Balances -
 All General and Consolidated Funds
 For the Fiscal Year Ended August 31, 2008

	Consolidated Accounts			
	General Revenue Fund 0001 (0001)* U/F (0001)	Governor's Office Federal Projects (0224)* U/F (0224)	Criminal Justice Planning (0421)* U/F (0421)	Rural Economic Development (0425)* U/F (0425)
REVENUE				
Legislative Appropriations				
Original Appropriations	\$ 111,491,206.00	\$ -	\$ -	\$ -
Additional Appropriations	3,082,649.72			
Federal Revenue	1,159,297.55	18,955,750.08	49,336,580.78	
Federal Grant Pass-Through Revenue	4,605.44	632,308.03		
License, Fees & Permits	955,857.01		26,533,806.97	
Interest and Other Investment Income	4,430.49	1,520,778.92		15,372.84
Net Increase (Decrease) in Fair Value				
Sales of Goods and Services	1,047,889.43			
Other	130,053.64		2,610.81	
Total Revenue	117,875,989.28	21,108,837.03	75,872,998.56	15,372.84
EXPENDITURES				
Salaries and Wages	11,665,451.07	521,307.61	1,171,131.16	
Payroll Related Costs	2,888,301.38	88,719.14	292,136.95	
Professional Fees and Services	827,361.92	24,411.66	2,604,813.33	
Travel	330,764.40	26,978.83	41,706.08	
Materials and Supplies	754,000.36	63,788.25	10,956.93	
Communication and Utilities	226,894.63	18,666.39	10,255.27	
Repairs and Maintenance	35,528.04			
Rentals and Leases	236,938.82	8,587.20	20,349.16	
Printing and Reproduction	4,513.17	(157.62)	(1,428.60)	
Federal Grant Pass-Through Expenditures		7,989,722.27	1,998,692.45	
State Grant Pass-Through Expenditures	100,000.00		13,060,696.92	
Intergovernmental Payments	2,284,047.66	9,900,234.15	17,610,755.46	
Public Assistance Payments	26,973.63	814,681.13	40,830,873.61	
Other Expenditures	3,774,696.33	65,927.94	260,852.05	
Capital Outlay		69,796.60		
Total Expenditures	23,155,471.41	19,592,663.55	77,911,790.77	-
Excess (Deficiency) of Revenue over Expenditures	94,720,517.87	1,516,173.48	(2,038,792.21)	15,372.84
OTHER FINANCING SOURCES (USES)				
Transfer In	172,310.35	(31,728.70)		
Transfer Out	(76,178,945.85)		(153,164.20)	
Legislative Transfer In	5,096,230.08			
Legislative Transfer Out	(9,574,274.40)			
Total Other Financing Sources (Uses)	(80,484,679.82)	(31,728.70)	(153,164.20)	-
Net Change in Fund Balances	14,235,838.05	1,484,444.78	(2,191,956.41)	15,372.84
Fund Financial Statement - Fund Balances				
Fund Balances, September 1, 2007	23,066,614.99	6,335,218.20	29,379,314.48	362,772.74
Restatements		(629,202.05)	(8,246.81)	
Fund Balances, September 1, 2007, as Restated	23,066,614.99	5,706,016.15	29,371,067.67	362,772.74
Fund Balances, August 31, 2008	\$ 37,302,453.04	\$ 7,190,460.93	\$ 27,179,111.26	\$ 378,145.58

* Appropriated Fund is noted as (XXXX), USAS D23 U/F (XXXX)

Consolidated Accounts

Disaster Contingency (0453)* U/F (0453)	Hotel Occupancy Tax for Economic (5003)* U/F (5003)	Crime Stoppers Assistance (5012)* U/F (5012)	Tourism Plates (5053)* U/F (5053)	Texas Enterprise (5107)* U/F (5107)
\$ -	\$ -	\$ -	\$ -	\$ -
		554,937.29	21,950.04	330,228.00 10,061,511.26
	30.00			
-	30.00	554,937.29	21,950.04	10,391,739.26
	1,127,690.17 258,018.47 3,660,607.97 53,124.80 68,301.38 18,470.74 1,000.00 28,109.94 (157,440.91)	249,580.00		(275,610.36)
		(7,043.78) 403,650.77		97,059.00
	34,096,722.10		100,000.00	15,182,289.00
-	39,154,604.66	646,186.99	100,000.00	15,003,737.64
-	(39,154,574.66)	(91,249.70)	(78,049.96)	(4,611,998.38)
	56,556,977.46 (25,766,168.83)		17,525.00 (17,525.00)	185,906,050.50 (118,179,359.42)
-	30,790,808.63	-	-	67,726,691.08
-	(8,363,766.03)	(91,249.70)	(78,049.96)	63,114,692.70
139,039.84	26,269,364.08	824,327.57	114,545.00	177,664,496.21
139,039.84	26,269,364.08	824,327.57	114,545.00	177,664,496.21
\$ 139,039.84	\$ 17,905,598.05	\$ 733,077.87	\$ 36,495.04	\$ 240,779,188.91

OFFICE OF THE GOVERNOR
 Exhibit A-2 - Combining Statement of Revenue, Expenditures, and Changes in Fund Balances -
 All General and Consolidated Funds
 For the Fiscal Year Ended August 31, 2008

	Consolidated Accounts		
	Economic Development and Tourism (5110)* U/F (5110)	Texas Music Foundation Plates (5113)* U/F (5113)	Texas Military Value Revolving Loan (5114)* U/F (5140, 5141, 5142, 5143)
REVENUE			
Legislative Appropriations			
Original Appropriations	\$ -	\$ -	\$ -
Additional Appropriations			
Federal Revenue			
Federal Grant Pass-Through Revenue			
License, Fees & Permits	8,794.35	7,327.98	
Interest and Other Investment Income			2,393,404.51
Net Increase (Decrease) in Fair Value			
Sales of Goods and Services			
Other			
Total Revenue	8,794.35	7,327.98	2,393,404.51
EXPENDITURES			
Salaries and Wages			
Payroll Related Costs			
Professional Fees and Services			
Travel			
Materials and Supplies			
Communication and Utilities			
Repairs and Maintenance			
Rentals and Leases			
Printing and Reproduction			
Federal Grant Pass-Through Expenditures			
State Grant Pass-Through Expenditures			
Intergovernmental Payments			
Public Assistance Payments		10,419.98	
Other Expenditures			
Capital Outlay			
Total Expenditures	-	10,419.98	-
Excess (Deficiency) of Revenue over Expenditures	8,794.35	(3,092.00)	2,393,404.51
OTHER FINANCING SOURCES (USES)			
Transfer In			49,316.55
Transfer Out			(2,440,559.75)
Legislative Transfer In			
Legislative Transfer Out			
Total Other Financing Sources (Uses)	-	-	(2,391,243.20)
Net Change in Fund Balances	8,794.35	(3,092.00)	2,161.31
Fund Financial Statement - Fund Balances			
Fund Balances, September 1, 2007	46,777.00	10,761.00	47,726,032.08
Restatements			
Fund Balances, September 1, 2007, as Restated	46,777.00	10,761.00	47,726,032.08
Fund Balances, August 31, 2008	\$ 55,571.35	\$ 7,669.00	\$ 47,728,193.39

* Appropriated Fund is noted as (XXXX), USAS D23 U/F (XXXX)

Consolidated Accounts

Daughters of the Republic of Texas (5115)* U/F (5115)	Emerging Technology (5124)* U/F (5124)	Total (Exhibit II)
\$ -	\$ -	\$ 111,491,206.00
		3,082,649.72
		69,451,628.41
		636,913.47
65,730.89		28,478,632.53
	9,326,402.62	23,321,900.64
	1,983,884.42	1,983,884.42
		1,047,889.43
	1,176.84	133,871.29
<u>65,730.89</u>	<u>11,311,463.88</u>	<u>239,628,575.91</u>
	375,844.82	14,861,424.83
	77,611.60	3,604,787.54
	45,881.00	7,412,655.88
	14,170.28	466,744.39
	15,822.98	912,869.90
	6,677.72	280,964.75
	3,300.00	39,828.04
	544.81	294,529.93
	45.45	(154,468.51)
		9,988,414.72
	23,714,250.18	36,599,336.74
		29,787,993.49
65,730.89	250,000.00	42,499,389.01
	23,989,072.75	77,469,560.17
	5,789.24	75,585.84
<u>65,730.89</u>	<u>48,499,010.83</u>	<u>224,139,616.72</u>
-	(37,187,546.95)	15,488,959.19
	184,503,678.00	427,174,129.16
	(109,503,678.00)	(332,239,401.05)
		5,096,230.08
		(9,574,274.40)
-	<u>75,000,000.00</u>	<u>90,456,683.79</u>
-	37,812,453.05	105,945,642.98
	163,066,768.30	475,006,031.49
		(637,448.86)
-	<u>163,066,768.30</u>	<u>474,368,582.63</u>
\$ -	\$ 200,879,221.35	\$ 580,314,225.61

Office of the Governor
 Exhibit J-1 - Combining Statement of Changes in Assets and Liabilities - Agency Funds
 For the Fiscal Year Ended August 31, 2008

	Beginning Balance September 1, 2007	Additions	Deductions	Ending Balance August 31, 2008
Employee Savings Bond				
Account (0901), U/F (0901)				
ASSETS				
Cash in State Treasury	\$ 200.00	\$ 1,920.00	\$ 1,950.00	\$ 170.00
Total Assets	<u>\$ 200.00</u>	<u>\$ 1,920.00</u>	<u>\$ 1,950.00</u>	<u>\$ 170.00</u>
LIABILITIES				
Funds Held for Others	\$ 200.00	\$ 1,920.00	\$ 1,950.00	\$ 170.00
Total Liabilities	<u>\$ 200.00</u>	<u>\$ 1,920.00</u>	<u>\$ 1,950.00</u>	<u>\$ 170.00</u>
401 K Deferred Comp				
Account (0942), U/F (0942)				
ASSETS				
Cash in State Treasury	\$ -	\$ 342,899.23	\$ 342,899.23	\$ -
Accounts Receivable	619.18	343,757.43	342,916.97	1,459.64
Total Assets	<u>\$ 619.18</u>	<u>\$ 686,656.66</u>	<u>\$ 685,816.20</u>	<u>\$ 1,459.64</u>
LIABILITIES				
Funds Held for Others	\$ 619.18	\$ 343,757.43	\$ 342,916.97	\$ 1,459.64
Total Liabilities	<u>\$ 619.18</u>	<u>\$ 343,757.43</u>	<u>\$ 342,916.97</u>	<u>\$ 1,459.64</u>
Totals - All Agency Funds				
ASSETS				
Cash in State Treasury	\$ 200.00	\$ 344,819.23	\$ 344,849.23	\$ 170.00
Accounts Receivable	619.18	343,757.43	342,916.97	1,459.64
Total Assets	<u>\$ 819.18</u>	<u>\$ 688,576.66</u>	<u>\$ 687,766.20</u>	<u>\$ 1,629.64</u>
LIABILITIES				
Funds Held for Others	\$ 819.18	\$ 345,677.43	\$ 344,866.97	\$ 1,629.64
Total Liabilities	<u>\$ 819.18</u>	<u>\$ 345,677.43</u>	<u>\$ 344,866.97</u>	<u>\$ 1,629.64</u>

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OFFICE OF THE GOVERNOR - Trusteed Programs (300)
 SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended August 31, 2008

Federal Grantor / Pass-Through Grantor	Federal CFDA Number	Pass-Through From		Direct Program Amount	Total Pass-Through From and Direct Program
		Agency or Univ. Number	Agencies or Univ. Amount		
U.S. Department of Justice					
Direct Program:					
Juvenile Accountability Incentive Block Grants	16.523	\$	-	\$ 131,706.76	\$ 131,706.76
Pass-Through To:					
Attorney General's Office				133,321.35	133,321.35
Other Entities				2,522,950.50	2,522,950.50
Juvenile Justice and Delinquency Prevention	16.540			307,082.53	307,082.53
Pass-Through To:					
Texas Comm. on Jail Standards				24,000.00	24,000.00
Department of State Health Services				37,252.05	37,252.05
Texas State University at San Marcos				1,034,453.43	1,034,453.43
Other Entities				3,958,359.52	3,958,359.52
Title V-Delinquency Prevention Program	16.548				-
Pass-Through To:					
Other Entities				232,537.79	232,537.79
Crime Victim Assistance	16.575			1,013,240.47	1,013,240.47
Pass-Through To:					
Department of Public Safety				236,389.13	236,389.13
Other Entities				27,288,811.00	27,288,811.00
Byrne Formula Grant Program	16.579			219,247.85	219,247.85
Pass-Through To:					
Texas Dept. of Public Safety				200,240.00	200,240.00
Texas Youth Commission				(500.00)	(500.00)
Texas State University at San Marcos				(2,517.99)	(2,517.99)
Other Entities				265,364.65	265,364.65
Violence Against Women Formula Grants	16.588			220,572.66	220,572.66
Pass-Through To:					
Other Entities				6,367,261.49	6,367,261.49
Local Law Enforcement Block Grant	16.592				-
Pass-Through To:					
Other Entities				(1,951.05)	(1,951.05)
Residential Substance Abuse Treatment for State Prisoners	16.593				-
Pass-Through To:					
Other Entities				1,541,434.54	1,541,434.54
Bullet Proof Vest Program	16.607				-
Pass-Through To:					
Texas Dept. of Public Safety				119,535.00	119,535.00
Texas Dept of Criminal Justice				55,428.47	55,428.47
Byrne Justice Assistance	16.738			359,524.57	359,524.57
Pass-Through To:					
Texas Dept. of Public Safety				5,491,673.17	5,491,673.17
Texas Youth Commission				500,000.00	500,000.00
Texas Engineering Extension Service				184,091.85	184,091.85
Texas State University at San Marcos				1,687,967.08	1,687,967.08
Other Entities				8,163,550.30	8,163,550.30
Paul Coverdell Forensic Sciences Improvement Grant Project	16.742				-
Pass-Through To:					
Other Entities				857,266.12	857,266.12
Total U.S. Department of Justice				63,148,293.24	63,148,293.24

UNAUDITED

Agency or Univ. Number	Pass-Through To		Expenditure Amount	Total Pass-Through To and Expenditures
	Agencies or Univ. Amount	Non-State Entities Amount		
	\$ -	\$ -	\$ 131,706.76	\$ 131,706.76
302	133,321.35	2,522,950.50		133,321.35 2,522,950.50
			307,082.53	307,082.53
409	24,000.00			24,000.00
537	37,252.05			37,252.05
754	1,034,453.43	3,958,359.52		1,034,453.43 3,958,359.52
		232,537.79		232,537.79
			1,013,240.47	1,013,240.47
405	236,389.13	27,288,811.00		236,389.13 27,288,811.00
			219,247.85	219,247.85
405	200,240.00			200,240.00
694	(500.00)			(500.00)
754	(2,517.99)	265,364.65		(2,517.99) 265,364.65
			220,572.66	220,572.66
		6,367,261.49		6,367,261.49
		(1,951.05)		(1,951.05)
		1,541,434.54		1,541,434.54
405	119,535.00			119,535.00
696	55,428.47			55,428.47
			359,524.57	359,524.57
405	5,491,673.17			5,491,673.17
694	500,000.00			500,000.00
716	184,091.85			184,091.85
754	1,687,967.08	8,163,550.30		1,687,967.08 8,163,550.30
		857,266.12		857,266.12
	9,701,333.54	51,195,584.86	2,251,374.84	63,148,293.24

OFFICE OF THE GOVERNOR - Trusteed Programs (300)
SCHEDULE 1A - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended August 31, 2008

Federal Grantor / Pass-Through Grantor	Federal CFDA Number	Pass-Through From		Direct Program Amount	Total Pass-Through From and Direct Program
		Agency or Univ. Number	Agencies or Univ. Amount		
U.S. Department of Education					
Direct Program:					
Safe & Drug-Free Schools & Communities State Grant	84.186		\$ -	\$ 185,698.57	\$ 185,698.57
Pass-Through To:					
Texas State University at San Marcos				287,081.18	287,081.18
Other Entities				5,830,555.42	5,830,555.42
Total U.S. Department of Education			-	6,303,335.17	6,303,335.17
Office For Domestic Preparedness - Department of Homeland Security					
Direct Program:					
Homeland Security Grant Program	97.067				
Pass-Through From:					
Department of Public Safety		405	636,913.47	-	636,913.47
Total Department of Homeland Security			636,913.47	-	636,913.47
Total Federal Assistance			\$ 636,913.47	\$ 69,451,628.41	\$ 70,088,541.88

NOTE 1: Non - Monetary Assistance

Not Applicable

NOTE 2: Reconciliation

Below is a reconciliation of the total federal pass-throughs and federal expenditures as reported on the Schedule of Expenditures of Federal Awards to the total of federal revenue and federal grant pass-through revenue as reported in the general purpose financial statements. Generally, federal funds are not earned until expended, therefore, federal revenue equals federal expenditures for the reporting period.

Per Combined Statement of Revenue, Expenditures, and Changes in Fund, Balances/Statement of Activities- Governmental Fund Types, (Exh. II):

Federal Revenue (Exh. II)	\$ 69,451,628.41
Federal Pass Through Revenue (Exh. II)	636,913.47
Total Federal Revenue and Pass Through Revenue (Exh. II)	\$ 70,088,541.88

Total Pass-Through and Expenditures per Schedule of Expenditures of Federal Awards	\$ 70,088,541.88
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NOTES 3 - 6: Not Applicable

NOTE 7: Federal Deferred Revenue

CFDA	Balance September 1, 2007	Net Change	Balance August 31, 2008
16.523	\$ 1,578,459.13	\$ (491,755.66)	\$ 1,086,703.47
16.738	34,082,783.68	(16,386,806.97)	17,695,976.71
84.186	319,712.92	(319,712.92)	-
Total	\$ 35,980,955.73	\$ (17,198,275.55)	\$ 18,782,680.18

Federal deferred revenue represents Federal award amounts that are issued at the beginning of the grant period rather than on a reimbursement basis.

UNAUDITED

Agency or Univ. Number	Pass-Through To		Expenditure Amount	Total Pass-Through To and Expenditures
	Agencies or Univ. Amount	Non-State Entities Amount		
	\$ -	\$ -	\$ 185,698.57	\$ 185,698.57
754	287,081.18	5,830,555.42		287,081.18 5,830,555.42
	<u>287,081.18</u>	<u>5,830,555.42</u>	<u>185,698.57</u>	<u>6,303,335.17</u>
	-	-	636,913.47	636,913.47
	-	-	<u>636,913.47</u>	<u>636,913.47</u>
	<u>\$ 9,988,414.72</u>	<u>\$ 57,026,140.28</u>	<u>\$ 3,073,986.88</u>	<u>\$ 70,088,541.88</u>

OFFICE OF THE GOVERNOR - Trusteed Programs (300)
SCHEDULE 1B - SCHEDULE OF STATE PASS-THROUGH GRANTS FROM/TO STATE AGENCIES
For the Fiscal Year Ended August 31, 2008

State funds passed from other state agencies from governmental funds are as follows:

Fund 0891	Pass-Through From:	Amount of Pass-Through
	Technology Workforce Development Grant (return of unused funds)	
	Tx Higher Education Coordinating Board (Agy 781)	\$ 49,993.63
Subtotal Pass-Through from Fund 0891		\$ 49,993.63
Total Pass-Through from Other Agencies (Exhibit II)		\$ 49,993.63

State funds passed to other state agencies from governmental funds are as follows:

Fund 0001	Pass-Through To:	Amount of Pass-Through
	Meth Watch	
	Tx Dept of Health Services (Agy 537)	\$ 100,000.00
Subtotal Pass-Through from Fund 0001		\$ 100,000.00

Fund 0421	Pass-Through To:	Amount of Pass-Through
	Prosecution of Prison Crimes	
	Comptroller's Judiciary Section (Agy. 241)	\$ 1,418,791.00
	Special Investigation Unit	
	Office of the Attorney General (Agy. 302)	449,525.89
	Amber Alert	
	Department of Public Safety (Agy 405)	(362,801.17)
	Joint Law Enforcement	
	Department of Public Safety (Agy 405)	9,132,103.53
	Amber Silver Alert Training and Coordination	
	Department of Public Safety (Agy 405)	2,228,433.24
	Field Service Agent Assistance	
	TCLEOSE (Agy 407)	30,865.67
	Meth Watch	
	Tx Dept of Health Services (Agy 537)	70,869.92
	Staying Connected - A Child Abuse and Neglect Prevention Program	
	University of Texas at Arlington (Agy 714)	92,908.84
Subtotal Pass-Through from Fund 0421		\$ 13,060,696.92

Fund 5107	Pass-Through To:	Amount of Pass-Through
	Enterprise Fund Grant	
	Texas A&M University (Agy. 711)	\$ (270,453.27)
	Enterprise Fund Grant	
	University of Texas at Austin (Agy. 721)	(168.86)
	Enterprise Fund Grant	
	Texas Tech University (Agy. 733)	(4,988.23)
Subtotal Pass-Through from Fund 5107		\$ (275,610.36)

Fund 5124	Pass-Through To:	Amount of Pass-Through
	Emerging Technology Grant	
	Railroad Commission (Agy 455)	\$ 429,333.00
	Emerging Technology Grant	
	Texas Agricultural Experiment Station (Agy. 556)	2,012,500.00
	Emerging Technology Grant	
	Texas A&M University System (Agy. 710)	2,625,000.00
	Emerging Technology Grant	
	University of Texas System (Agy 720)	10,500,000.00
	Emerging Technology Grant	
	University of Texas at Austin (Agy 721)	2,450,333.00
	Emerging Technology Grant	
	Texas Tech University (Agy 733)	799,134.18
	Emerging Technology Grant	
	University of Texas at San Antonio (Agy 743)	1,935,450.00
	Emerging Technology Grant	
	University of Texas Health Science Center (Agy 744)	125,000.00
	Emerging Technology Grant	
	University of Texas at Tyler (Agy 750)	2,062,500.00
	Emerging Technology Grant	
	University of North Texas Health Science Center (Agy. 763)	775,000.00
Subtotal Pass-Through from Fund 5124		\$ 23,714,250.18

Total Pass-Through to Other Agencies (Exhibit II)		\$ 36,599,336.74
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Office of the Governor - Trustee Programs (300)
 Schedule 2A - Miscellaneous Bond Information
 For the Fiscal Year Ended August 31, 2008

Governmental Activities

Description of Issue	Bonds Issued to Date	Range of Interest Rates	Terms of Variable Interest Rate	Scheduled Maturities		
				First Year	Last Year	First Call Date
<u>General Obligation Bonds - Self-Supporting:</u>						
Product Development Var Rate Demand Bonds Series 2005A	\$ 25,000,000.00	VAR VAR	Weekly	2005	2045	5/18/2005
Small Incubator Var Rate Demand Bonds Series 2005B	20,000,000.00	VAR VAR	Weekly	2005	2045	5/18/2005
Texas Military Value Revolving Loan Program Series 2007 A-1	10,815,000.00	4.000% 4.375%		2010	2026	10/1/2016
Texas Military Value Revolving Loan Program Series 2007 A-2	10,160,000.00	4.000% 4.625%		2012	2036	10/1/2016
Texas Military Value Revolving Loan Program Series 2007 B	28,620,000.00	5.200% 5.700%		2012	2036	10/1/2016
Total:	\$ 94,595,000.00					

Component Unit

Description of Issue	Bonds Issued to Date	Range of Interest Rates	Terms of Variable Interest Rate	Scheduled Maturities		
				First Year	Last Year	First Call Date
<u>Revenue Bonds - Self-Supporting:</u>						
TSBIDC Floating Rate Dem Rev Bds Ser 1986	\$ 99,335,000.00	VAR VAR	Weekly	1986	2026	10/8/1986
Total:	\$ 99,335,000.00					

Office of the Governor - Trustee Programs (300)
Schedule 2B - Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2008

Governmental Activities

Description of Issue	Bonds Outstanding 9/1/2007	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2008	Net Bonds Outstanding (Ending)	Amounts Due Within One Year
<u>General Obligation Bonds - Self-Supporting:</u>							
Product Development Var Rate Demand Bonds Series 2005A	\$ 25,000,000.00	\$ -	\$ -	\$ -	\$ 25,000,000.00	\$ 25,000,000.00	\$ -
Small Incubator Var Rate Demand Bonds Series 2005B	\$ 20,000,000.00	\$ -	\$ -	\$ -	\$ 20,000,000.00	\$ 20,000,000.00	\$ -
Texas Military Value Revolving Loan Fund Series 2007 A-1	\$ 10,815,000.00	\$ -	\$ -	\$ -	\$ 10,815,000.00	\$ 10,815,000.00	\$ -
Texas Military Value Revolving Loan Fund Series 2007 A-2	\$ 10,160,000.00	\$ -	\$ -	\$ -	\$ 10,160,000.00	\$ 10,160,000.00	\$ -
Texas Military Value Revolving Loan Fund Series 2007 B	\$ 28,620,000.00	\$ -	\$ -	\$ -	\$ 28,620,000.00	\$ 28,620,000.00	\$ -

Component Unit

Description of Issue	Bonds Outstanding 9/1/2007	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguish	Bonds Outstanding 8/31/2008	Net Bonds Outstanding (Ending)	Amounts Due Within One Year
<u>Revenue Bonds - Self-Supporting:</u>							
TSBIDC Floating Rate Dem Rev Bds Ser 1986	\$ 99,335,000.00	\$ -	\$ -	\$ -	\$ 99,335,000.00	\$ 99,335,000.00	\$ -

UNAUDITED

Office of the Governor - Trustee Programs (300)
 Schedule 2C - Debt Service Requirements
 For the Fiscal Year Ended August 31, 2008

Governmental Activities

Description of Issue	FY	Principal	Interest
General Obligation Bonds - Self-Supporting:			
Product Development Var Rate Demand Bonds Series 2005A			
	2009	\$ -	\$ 680,000.00
	2010		680,000.00
	2011		680,000.00
	2012		680,000.00
	2013		680,000.00
	2014 - 2018		3,400,000.00
	2019 - 2023		3,400,000.00
	2024 - 2028		3,400,000.00
	2029 - 2033		3,400,000.00
	2034 - 2038		3,400,000.00
	2039 - 2043		3,400,000.00
	2044 - 2045	25,000,000.00	1,360,000.00
		<u>\$ 25,000,000.00</u>	<u>\$ 25,160,000.00</u>
Small Incubator Var Rate Demand Bonds Series 2005B			
	2009	\$ -	\$ 544,000.00
	2010		544,000.00
	2011		544,000.00
	2012		544,000.00
	2013		544,000.00
	2014 - 2018		2,720,000.00
	2019 - 2023		2,720,000.00
	2024 - 2028		2,720,000.00
	2029 - 2033		2,720,000.00
	2034 - 2038		2,720,000.00
	2039 - 2043		2,720,000.00
	2044 - 2045	20,000,000.00	1,088,000.00
		<u>\$ 20,000,000.00</u>	<u>\$ 20,128,000.00</u>
Texas Military Value Revolving Loan Fund Series 2007 A-1			
	2009	\$ -	\$ 451,612.50
	2010		451,612.50
	2011	450,000.00	442,612.50
	2012	465,000.00	424,312.50
	2013	485,000.00	405,312.50
	2014 - 2018	2,750,000.00	1,702,075.00
	2019 - 2023	3,390,000.00	1,075,087.51
	2024 - 2027	3,275,000.00	294,068.78
		<u>\$ 10,815,000.00</u>	<u>\$ 5,246,693.79</u>
Texas Military Value Revolving Loan Fund Series 2007 A-2			
	2009	\$ -	\$ 452,600.00
	2010		452,600.00
	2011		452,600.00
	2012		452,600.00
	2013	230,000.00	448,000.00
	2014 - 2018	1,305,000.00	2,090,721.88
	2019 - 2023	1,610,000.00	1,789,706.27
	2024 - 2028	2,010,000.00	1,391,856.30
	2029 - 2033	2,520,000.00	876,437.54
	2034 - 2037	2,485,000.00	236,453.15
		<u>\$ 10,160,000.00</u>	<u>\$ 8,643,575.14</u>

Office of the Governor - Trustee Programs (300)
 Schedule 2C - Debt Service Requirements
 For the Fiscal Year Ended August 31, 2008

Governmental Activities (continued)

Description of Issue	FY	Principal	Interest
Texas Military Value Revolving Loan Fund Series			
2007 B	2009	\$ -	\$ 1,599,850.00
	2010		1,599,850.00
	2011		1,599,850.00
	2012		1,599,850.00
	2013	565,000.00	1,585,160.00
	2014 - 2018	3,295,000.00	7,439,901.25
	2019 - 2023	4,260,000.00	6,438,068.75
	2024 - 2028	5,590,000.00	5,073,402.50
	2029 - 2033	7,365,000.00	3,246,007.50
	2034 - 2037	7,545,000.00	889,627.50
		<u>\$ 28,620,000.00</u>	<u>\$ 31,071,567.50</u>

Component Unit

Description of Issue	FY	Principal	Interest
Revenue Bonds - Self-Supporting:			
TSBIDC Floating Rate Dem Rev Bds Ser '86	2009	\$ -	\$ 1,917,165.50
	2010		1,917,165.50
	2011		1,917,165.50
	2012		1,917,165.50
	2013		1,917,165.50
	2014 - 2018		9,585,827.50
	2019 - 2023		9,585,827.50
	2024 - 2026	<u>\$ 99,335,000.00</u>	<u>\$ 5,431,968.85</u>
		<u>\$ 99,335,000.00</u>	<u>\$ 34,189,451.35</u>

**Office of the Governor - Trustee Programs (300)
Annual Financial Report
Schedule 2D - Analysis of Funds Available for Debt Service - General Obligation Bonds
For the Fiscal Year Ended August 31, 2008**

Governmental Activities

Description of Issue	Application of Funds	
	Principal	Interest
<u>General Obligation Bonds - Self-Supporting:</u>		
Product Development Var Rate Demand Bonds Series 2005A	\$ -	\$ 934,609.78
Small Incubator Var Rate Demand Bonds Series 2005B		748,487.82
Texas Military Value Revolving Loan Fund Series 2007 A-1		432,726.42
Texas Military Value Revolving Loan Fund Series 2007 A-2		434,855.92
Texas Military Value Revolving Loan Fund Series 2007 B		1,534,238.30
Total	\$ -	\$ 4,084,918.24

Component Unit

Description of Issue/Parity Issues	Pledged and Other Sources and Related Expenditures for FY 2008			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses / Expenditures and Capital Outlay	Principal	Interest
TSBIDC Floating Rate Dem Rev Bds Ser '86	\$ 3,118,375.90	\$ 462,691.22	\$ -	\$ 2,570,295.67
Total	\$ 3,118,375.90	\$ 462,691.22	\$ -	\$ 2,570,295.67

**The Office of the Governor
Core Operations
Agency 301
Financial Statements**

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OFFICE OF THE GOVERNOR - Core Operations (301)
Exhibit I 301 - Combined Balance Sheet/Statement of Net Assets - Governmental Funds
For the Fiscal Year Ended August 31, 2008

	<u>Governmental Fund Types</u>			
	<u>General Funds</u> (Exhibit A-1 301)	<u>Capital Assets</u> <u>Adjustments</u>	<u>Long-Term</u> <u>Liabilities</u> <u>Adjustments</u>	<u>Statement of</u> <u>Net Assets</u>
ASSETS				
Current Assets:				
Legislative Appropriations	\$ 4,926,482.05	\$ -	\$ -	\$ 4,926,482.05
Receivables from:				
Accounts Receivable	161,832.21			161,832.21
Total Current Assets	<u>5,088,314.26</u>	<u>-</u>	<u>-</u>	<u>5,088,314.26</u>
Non-Current Assets:				
Capital Assets (Note 2):				
Depreciable:				
Furniture and Equipment		306,933.41		306,933.41
Less Accumulated Depreciation		(227,566.21)		(227,566.21)
Total Non-Current Assets	<u>-</u>	<u>79,367.20</u>	<u>-</u>	<u>79,367.20</u>
Total Assets	<u>\$ 5,088,314.26</u>	<u>\$ 79,367.20</u>	<u>\$ -</u>	<u>\$ 5,167,681.46</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Current Liabilities:				
Payables from:				
Accounts	\$ (83,022.55)	\$ -	\$ -	\$ (83,022.55)
Payroll	886,750.99			886,750.99
Employees' Compensable Leave (Note 5)			673,630.28	673,630.28
Total Current Liabilities	<u>803,728.44</u>	<u>-</u>	<u>673,630.28</u>	<u>1,477,358.72</u>
Non-Current Liabilities				
Employees' Compensable Leave (Note 5)			430,679.00	430,679.00
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>430,679.00</u>	<u>430,679.00</u>
Total Liabilities	<u>803,728.44</u>	<u>-</u>	<u>1,104,309.28</u>	<u>1,908,037.72</u>
Fund Financial Statement				
Fund Balances (Deficits):				
Reserved for				
Encumbrances	236,706.94			236,706.94
Undesignated	4,047,878.88			4,047,878.88
Total Fund Balances	<u>4,284,585.82</u>	<u>-</u>	<u>-</u>	<u>4,284,585.82</u>
Total Liabilities and Fund Balances	<u>\$ 5,088,314.26</u>			
Government-Wide Statement of Net Assets				
Net Assets				
Invested in Capital Assets, net of Related Debt		79,367.20		79,367.20
Unrestricted			(1,104,309.28)	(1,104,309.28)
Total Net Assets		<u>\$ 79,367.20</u>	<u>\$ (1,104,309.28)</u>	<u>\$ 3,259,643.74</u>

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

OFFICE OF THE GOVERNOR - Core Operations (301)
Exhibit II 301 - Combined Statement of Revenue, Expenditures, and Changes in
Fund Balances/Statement of Activities - Governmental Funds
For the Fiscal Year Ended August 31, 2008

	<u>General Funds</u> (Exhibit A-2 301)	<u>Governmental</u> <u>Funds Total</u>
REVENUE		
Legislative Appropriations		
Original Appropriations	\$ 9,104,980.00	\$ 9,104,980.00
Additional Appropriations	2,422,667.78	2,422,667.78
License, Fees & Permits	7,039.10	7,039.10
Sales of Goods and Services	671,467.02	671,467.02
Other	87,813.83	87,813.83
Total Revenue	<u>12,293,967.73</u>	<u>12,293,967.73</u>
EXPENDITURES		
Salaries and Wages	9,033,257.83	9,033,257.83
Payroll Related Costs	2,287,813.72	2,287,813.72
Professional Fees and Services	20,725.00	20,725.00
Travel	70,039.45	70,039.45
Materials and Supplies	188,750.61	188,750.61
Communication and Utilities	164,921.55	164,921.55
Repairs and Maintenance	34,009.04	34,009.04
Rentals and Leases	175,525.13	175,525.13
Printing and Reproduction	1,267.39	1,267.39
Other Expenditures	177,501.54	177,501.54
Depreciation Expense		
Total Expenditures/Expenses	<u>12,153,811.26</u>	<u>12,153,811.26</u>
Excess (Deficiency) of Revenue over Expenditures	<u>140,156.47</u>	<u>140,156.47</u>
OTHER FINANCING SOURCES (USES)		
Transfer In	19,146.15	19,146.15
Transfer Out	(12,000.00)	(12,000.00)
Legislative Transfer In (Note 8)	1,618,532.00	1,618,532.00
Legislative Transfer Out (Note 7)	(27,821.27)	(27,821.27)
Total Other Financing Sources (Uses)	<u>1,597,856.88</u>	<u>1,597,856.88</u>
Net Change in Fund Balances/Net Assets	<u>1,738,013.35</u>	<u>1,738,013.35</u>
Fund Financial Statement - Fund Balances		
Fund Balances, September 1, 2007	2,546,572.47	2,546,572.47
Restatements		
Fund Balances, September 1, 2007, as Restated	<u>2,546,572.47</u>	<u>2,546,572.47</u>
Appropriations Lapsed		
Fund Balances, August 31, 2008	<u>\$ 4,284,585.82</u>	<u>\$ 4,284,585.82</u>
Government-Wide Statement of Net Assets		
Net Assets/Net Change in Net Assets		4,284,585.82
Fund Balances, September 1, 2007		
Restatements		
Fund Balances, September 1, 2007, as Restated		
Net Assets, August 31, 2008		<u>\$ 4,284,585.82</u>

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

Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
\$ -	\$ -	\$ 9,104,980.00
		2,422,667.78
		7,039.10
		671,467.02
		87,813.83
<u>-</u>	<u>-</u>	<u>12,293,967.73</u>
	(299,771.77)	8,733,486.06
		2,287,813.72
		20,725.00
		70,039.45
		188,750.61
		164,921.55
		34,009.04
		175,525.13
		1,267.39
		177,501.54
31,817.44		31,817.44
<u>31,817.44</u>	<u>(299,771.77)</u>	<u>11,885,856.93</u>
<u>(31,817.44)</u>	<u>299,771.77</u>	<u>408,110.80</u>
		19,146.15
		(12,000.00)
		1,618,532.00
		(27,821.27)
<u>-</u>	<u>-</u>	<u>1,597,856.88</u>
		<u>2,005,967.68</u>
		2,546,572.47
		<u>2,546,572.47</u>
		<u>\$ 4,552,540.15</u>
(31,817.44)	299,771.77	4,552,540.15
111,184.64	(1,404,081.05)	(1,292,896.41)
<u>111,184.64</u>	<u>(1,404,081.05)</u>	<u>(1,292,896.41)</u>
<u>\$ 79,367.20</u>	<u>\$ (1,104,309.28)</u>	<u>\$ 3,259,643.74</u>

UNAUDITED

OFFICE OF THE GOVERNOR - Core Operations (301)
 Exhibit A-1 301 - Combining Balance Sheet - All General and Consolidated Funds
 For the Fiscal Year Ended August 31, 2008

	General Revenue Fund (0001)* U/F (0001)	Total (Exhibit I 301)
ASSETS		
Current Assets:		
Legislative Appropriations	\$ 4,926,482.05	\$ 4,926,482.05
Receivables from:		
Accounts Receivable	161,832.21	161,832.21
Total Current Assets	<u>5,088,314.26</u>	<u>5,088,314.26</u>
Total Assets	<u>\$ 5,088,314.26</u>	<u>\$ 5,088,314.26</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Current Liabilities:		
Payables from:		
Accounts	\$ (83,022.55)	\$ (83,022.55)
Payroll	886,750.99	886,750.99
Total Current Liabilities	<u>803,728.44</u>	<u>803,728.44</u>
Total Liabilities	<u>803,728.44</u>	<u>803,728.44</u>
Fund Balances (Deficits):		
Reserved for:		
Encumbrances	236,706.94	236,706.94
Unreserved/Designated for:		
Undesignated	<u>4,047,878.88</u>	<u>4,047,878.88</u>
Total Fund Balances	<u>4,284,585.82</u>	<u>4,284,585.82</u>
Total Liabilities and Fund Balances	<u>\$ 5,088,314.26</u>	<u>\$ 5,088,314.26</u>

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

* Appropriated Fund is noted as (XXXX), USAS D23 U/F (XXXX)

UNAUDITED

OFFICE OF THE GOVERNOR - Core Operations (301)
Exhibit A-2 301 - Combining Statement of Revenue, Expenditures, and Changes in Fund
Balances - All General and Consolidated Funds
For the Fiscal Year Ended August 31, 2008

	General Revenue Fund (0001)* U/F (0001)	Total (Exhibit II 301)
REVENUE		
Legislative Appropriations		
Original Appropriations	\$ 9,104,980.00	\$ 9,104,980.00
Additional Appropriations	2,422,667.78	2,422,667.78
License, Fees & Permits	7,039.10	7,039.10
Sales of Goods and Services	671,467.02	671,467.02
Other	87,813.83	87,813.83
Total Revenue	12,293,967.73	12,293,967.73
EXPENDITURES		
Salaries and Wages	9,033,257.83	9,033,257.83
Payroll Related Costs	2,287,813.72	2,287,813.72
Professional Fees and Services	20,725.00	20,725.00
Travel	70,039.45	70,039.45
Materials and Supplies	188,750.61	188,750.61
Communication and Utilities	164,921.55	164,921.55
Repairs and Maintenance	34,009.04	34,009.04
Rentals and Leases	175,525.13	175,525.13
Printing and Reproduction	1,267.39	1,267.39
Other Expenditures	177,501.54	177,501.54
Total Expenditures	12,153,811.26	12,153,811.26
Excess (Deficiency) of Revenue over Expenditures	140,156.47	140,156.47
OTHER FINANCING SOURCES (USES)		
Transfer In	19,146.15	19,146.15
Transfer Out	(12,000.00)	(12,000.00)
Legislative Transfer In (Note 8)	1,618,532.00	1,618,532.00
Legislative Transfer Out (Note 8)	(27,821.27)	(27,821.27)
Total Other Financing Sources (Uses)	1,597,856.88	1,597,856.88
Net Change in Fund Balances	1,738,013.35	1,738,013.35
Fund Financial Statement - Fund Balances		
Fund Balances, September 1, 2007	2,546,572.47	2,546,572.47
Restatements		
Fund Balances, September 1, 2007, as Restated	2,546,572.47	2,546,572.47
Appropriations Lapsed		
Fund Balances, August 31, 2008	\$ 4,284,585.82	\$ 4,284,585.82

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

* Appropriated Fund is noted as (XXXX), USAS D23 U/F (XXXX)

UNAUDITED

Office of the Governor - Core Operations (301)
 Exhibit J-1 301 - Combining Statement of Changes in Assets and Liabilities - Agency Funds
 For the Fiscal Year Ended August 31, 2008

	Beginning Balance September 1, 2007	Additions	Deductions	Ending Balance August 31, 2008
401 K Deferred Comp Account (0942), U/F (0942)				
ASSETS				
Cash in State Treasury	\$ -	\$ 196,190.97	\$ 196,190.97	\$ -
Accounts Receivable		197,349.89	196,190.97	1,158.92
Total Assets	\$ -	\$ 393,540.86	\$ 392,381.94	\$ 1,158.92
LIABILITIES				
Funds Held for Others	\$ -	\$ 197,349.89	\$ 196,190.97	\$ 1,158.92
Total Liabilities	\$ -	\$ 197,349.89	\$ 196,190.97	\$ 1,158.92
Totals - All Agency Funds				
ASSETS				
Cash in State Treasury	\$ -	\$ 196,190.97	\$ 196,190.97	\$ -
Accounts Receivable		197,349.89	196,190.97	1,158.92
Total Assets	\$ -	\$ 393,540.86	\$ 392,381.94	\$ 1,158.92
LIABILITIES				
Funds Held for Others	\$ -	\$ 197,349.89	\$ 196,190.97	\$ 1,158.92
Total Liabilities	\$ -	\$ 197,349.89	\$ 196,190.97	\$ 1,158.92

**The Office of the Governor
Trusted Programs
Agency 300
Financial Statements**

OFFICE OF THE GOVERNOR - Trusteed Programs (300)
Exhibit I 300 - Combined Balance Sheet/Statement of Net Assets - Governmental Funds
For the Fiscal Year Ended August 31, 2008

	Governmental Fund Types			
	General Funds (Exhibit A-1 300)	Special Revenue Funds (Exhibit B-1 300)	Debt Service Funds (Exhibit C-1 300)	Governmental Funds Total
ASSETS				
Current Assets:				
Cash In Bank	\$ -	\$ -	\$ -	\$ -
Cash in State Treasury	514,550,520.14	46,198,619.31	13,613.67	560,762,753.12
Cash Equivalents		28,471.09		28,471.09
Restricted:				
Cash In Bank		338,773.34		338,773.34
Legislative Appropriations	33,399,073.54			33,399,073.54
Receivables from:				
Federal	3,416,612.86			3,416,612.86
Interest and Dividends	1,194,175.68	119,200.00	34.48	1,313,410.16
Accounts Receivable	7,260.50			7,260.50
Due From Other Agencies	4,155,421.15			4,155,421.15
Deferred Charges		4,733.39	3,344.27	8,077.66
Loans and Contracts	47,675,524.43			47,675,524.43
Total Current Assets	604,398,588.30	46,689,797.13	16,992.42	651,105,377.85
Non-Current Assets:				
Loans and Contracts				
Capital Assets (Note 2):				
Depreciable:				
Furniture and Equipment				
Less Accumulated Depreciation				
Total Non-Current Assets	-	-	-	-
Total Assets	\$ 604,398,588.30	\$ 46,689,797.13	\$ 16,992.42	\$ 651,105,377.85
LIABILITIES AND FUND BALANCES				
Liabilities				
Current Liabilities:				
Payables from:				
Accounts	\$ 7,382,353.88	\$ 51,321.77	\$ -	\$ 7,433,675.65
Payroll	578,838.21			578,838.21
Due To Other Agencies	1,625,076.24			1,625,076.24
Deferred Revenue	18,782,680.18			18,782,680.18
Employees' Compensable Leave (Note 5)				
Total Current Liabilities	28,368,948.51	51,321.77	-	28,420,270.28
Non-Current Liabilities				
General Obligation Bonds Payable (Note 5)				
Employees' Compensable Leave (Note 5)				
Total Non-Current Liabilities	-	-	-	-
Total Liabilities	28,368,948.51	51,321.77	-	28,420,270.28
Fund Financial Statement				
Fund Balances (Deficits):				
Reserved for:				
Encumbrances	132,856,281.17	28,520.59		132,884,801.76
Debt Service			16,992.42	16,992.42
Loans and Contracts	47,726,032.08			47,726,032.08
Unreserved/Designated for:				
Other		46,609,954.77		46,609,954.77
Undesignated	395,447,326.54			395,447,326.54
Total Fund Balances	576,029,639.79	46,638,475.36	16,992.42	622,685,107.57
Total Liabilities and Fund Balances	\$ 604,398,588.30	\$ 46,689,797.13	\$ 16,992.42	\$ 651,105,377.85
Government-Wide Statement of Net Assets				
Net Assets				
Invested in Capital Assets, net of Related Debt				
Restricted For				
Debt Retirement				
Unrestricted				
Total Net Assets				

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

UNAUDITED

Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets	Discrete Governmental Component Units (Exhibit K-1 300)
\$ -	\$ -	\$ -	\$ 712,476.34
		560,762,753.12	
		28,471.09	
		338,773.34	
		33,399,073.54	
		3,416,612.86	
		1,313,410.16	1,000.00
		7,260.50	
		4,155,421.15	
		8,077.66	
		47,675,524.43	
<u>-</u>	<u>-</u>	<u>651,105,377.85</u>	<u>713,476.34</u>
			621,100.00
119,408.79		119,408.79	
(113,855.40)		(113,855.40)	
<u>5,553.39</u>	<u>-</u>	<u>5,553.39</u>	<u>621,100.00</u>
<u>\$ 5,553.39</u>	<u>\$ -</u>	<u>\$ 651,110,931.24</u>	<u>\$ 1,334,576.34</u>
\$ -	\$ -	\$ 7,433,675.65	\$ -
		578,838.21	
		1,625,076.24	
		18,782,680.18	
	559,584.38	559,584.38	
<u>-</u>	<u>559,584.38</u>	<u>28,979,854.66</u>	<u>-</u>
	94,595,000.00	94,595,000.00	
	413,837.81	413,837.81	
<u>-</u>	<u>95,008,837.81</u>	<u>95,008,837.81</u>	<u>-</u>
<u>-</u>	<u>95,568,422.19</u>	<u>123,988,692.47</u>	<u>-</u>
		132,884,801.76	
		16,992.42	
		47,726,032.08	
		46,609,954.77	
		395,447,326.54	1,334,576.34
		<u>622,685,107.57</u>	<u>1,334,576.34</u>
5,553.39		5,553.39	
	(94,595,000.00)	(94,595,000.00)	
	(973,422.19)	(973,422.19)	
<u>\$ 5,553.39</u>	<u>\$ (95,568,422.19)</u>	<u>\$ 527,122,238.77</u>	<u>\$ 1,334,576.34</u>

UNAUDITED

OFFICE OF THE GOVERNOR - Trusteed Programs (300)
 Exhibit II 300 - Combined Statement of Revenue, Expenditures, and Changes in
 Fund Balances/Statement of Activities - Governmental Funds
 For the Fiscal Year Ended August 31, 2008

	General Funds (Exhibit A-2 300)	Special Revenue Funds (Exhibit B-2 300)	Debt Service Fund (Exhibit C-2 300)	Governmental Funds Total
REVENUE				
Legislative Appropriations				
Original Appropriations	\$ 102,386,226.00	\$ -	\$ -	\$ 102,386,226.00
Additional Appropriations	659,981.94			659,981.94
Federal Revenue	69,451,628.41			69,451,628.41
Federal Grant Pass-Through Revenue	636,913.47			636,913.47
State Grant Pass-Through Revenue		49,993.63		49,993.63
License, Fees & Permits	28,471,593.43			28,471,593.43
Interest and Other Investment Income	23,321,900.64	2,068,673.75	9,901.92	25,400,476.31
Net Increase (Decrease) in Fair Value	1,983,884.42			1,983,884.42
Sales of Goods and Services	376,422.41			376,422.41
Other	46,057.46	413,167.73		459,225.19
Total Revenue	227,334,608.18	2,531,835.11	9,901.92	229,876,345.21
EXPENDITURES				
Salaries and Wages	5,828,167.00	48,467.84		5,876,634.84
Payroll Related Costs	1,316,973.82	10,037.15		1,327,010.97
Professional Fees and Services	7,391,930.88	24,549.50		7,416,480.38
Travel	396,704.94	3,364.50		400,069.44
Materials and Supplies	724,119.29	4,486.01		728,605.30
Communication and Utilities	116,043.20			116,043.20
Repairs and Maintenance	5,819.00			5,819.00
Rentals and Leases	119,004.80	1,014.00		120,018.80
Printing and Reproduction	(155,735.90)			(155,735.90)
Federal Grant Pass-Through Expenditures	9,988,414.72			9,988,414.72
State Grant Pass-Through Expenditures	36,599,336.74			36,599,336.74
Intergovernmental Payments	29,787,993.49			29,787,993.49
Public Assistance Payments	42,499,389.01			42,499,389.01
Other Expenditures	77,292,058.63	173,213.93		77,465,272.56
Debt Service:				
Interest			4,296,107.49	4,296,107.49
Capital Outlay	75,585.84			75,585.84
Depreciation Expense				
Total Expenditures/Expenses	211,985,805.46	265,132.93	4,296,107.49	216,547,045.88
Excess (Deficiency) of Revenue over Expenditures	15,348,802.72	2,266,702.18	(4,286,205.57)	13,329,299.33
OTHER FINANCING SOURCES (USES)				
Transfer In	427,154,983.01	1,582,629.15	4,084,508.65	432,822,120.81
Transfer Out	(332,227,401.05)	(4,420,114.24)		(336,647,515.29)
Legislative Transfer In	3,477,698.08			3,477,698.08
Legislative Transfer Out	(9,546,453.13)			(9,546,453.13)
Inc/(Dec) in Net Assets Due to Interagency Transfer				
Total Other Financing Sources (Uses)	88,858,826.91	(2,837,485.09)	4,084,508.65	90,105,850.47
Net Change in Fund Balances/Net Assets	104,207,629.63	(570,782.91)	(201,696.92)	103,435,149.80
Fund Financial Statement - Fund Balances				
Fund Balances, September 1, 2007	472,459,459.02	47,155,503.16	218,689.34	519,833,651.52
Restatements	(637,448.86)	53,755.11		(583,693.75)
Fund Balances, September 1, 2007, as Restated	471,822,010.16	47,209,258.27	218,689.34	519,249,957.77
Appropriations Lapsed				
Fund Balances, August 31, 2008	\$ 576,029,639.79	\$ 46,638,475.36	\$ 16,992.42	\$ 622,685,107.57
Government-Wide Statement of Net Assets				
Net Assets/Net Change in Net Assets				622,685,107.57
Net Assets, September 1, 2007				
Restatements				
Net Assets, September 1, 2007, as Restated				-
Net Assets, August 31, 2008				\$ 622,685,107.57

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

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Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities	Discrete Governmental Component Units (Exhibit K-2 300)
\$ -	\$ -	\$ 102,386,226.00	\$ -
		659,981.94	
		69,451,628.41	
		636,913.47	
		49,993.63	
		28,471,593.43	
		25,400,476.31	14,968.16
		1,983,884.42	
		376,422.41	
		459,225.19	
<u>-</u>	<u>-</u>	<u>229,876,345.21</u>	<u>14,968.16</u>
	(13,494.02)	5,863,140.82	
		1,327,010.97	
		7,416,480.38	3,479.13
		400,069.44	
		728,605.30	
		116,043.20	
		5,819.00	
		120,018.80	
		(155,735.90)	
		9,988,414.72	
		36,599,336.74	
		29,787,993.49	
		42,499,389.01	
		77,465,272.56	
		4,296,107.49	
(75,585.84)			
3,025.58		3,025.58	
<u>(72,560.26)</u>	<u>(13,494.02)</u>	<u>216,460,991.60</u>	<u>3,479.13</u>
<u>72,560.26</u>	<u>13,494.02</u>	<u>13,415,353.61</u>	<u>11,489.03</u>
		432,822,120.81	
		(336,647,515.29)	
		3,477,698.08	
		(9,546,453.13)	
(69,796.60)		(69,796.60)	
<u>(69,796.60)</u>	<u>-</u>	<u>90,036,053.87</u>	<u>-</u>
		103,451,407.48	11,489.03
		519,833,651.52	1,323,087.31
		(583,693.75)	
		<u>519,249,957.77</u>	<u>1,323,087.31</u>
		<u>\$ 622,701,365.25</u>	<u>\$ 1,334,576.34</u>
2,763.66	13,494.02	622,701,365.25	1,334,576.34
2,789.73	(95,581,916.21)	(95,579,126.48)	
<u>2,789.73</u>	<u>(95,581,916.21)</u>	<u>(95,579,126.48)</u>	<u>-</u>
<u>\$ 5,553.39</u>	<u>\$ (95,568,422.19)</u>	<u>\$ 527,122,238.77</u>	<u>\$ 1,334,576.34</u>

OFFICE OF THE GOVERNOR - Trusteed Programs (300)
Exhibit III 300 - Combined Statement of Net Assets - Proprietary Funds
For the Fiscal Year Ended August 31, 2008

	Total Enterprise Funds (Exhibit F-1 300)	Proprietary Component Units (Exhibit L-1 300)
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 3)		
Cash in Bank	\$ -	\$ 51,029,195.80
Cash in State Treasury	3,288,441.93	
Short Term Investments (Note 3)		1,960,646.67
Receivables from:		
Interest and Dividends	33,203.98	201,827.86
Deferred Charges	1,304.46	4,136.18
Loans and Contracts	10,099,539.73	
Total Current Assets	<u>13,422,490.10</u>	<u>53,195,806.51</u>
Non-Current Assets:		
Restricted:		
Cash and Cash Equivalents (Note 3)		
Cash in Bank	333,883.19	
Loans and Contracts		49,411,492.95
Total Non-Current Assets	<u>333,883.19</u>	<u>49,411,492.95</u>
Total Assets	<u>\$ 13,756,373.29</u>	<u>\$ 102,607,299.46</u>
LIABILITIES		
Current Liabilities:		
Payables from:		
Accounts Payable	\$ 46,320.08	\$ 129,135.57
Payroll	64,359.42	
Other		124,793.00
Employees' Compensable Leave (Note 5)	31,207.01	
Funds Held For Others		25,000.00
Total Current Liabilities	<u>141,886.51</u>	<u>278,928.57</u>
Non-Current Liabilities		
Notes and Loans Payable (Note 5)	5,907,000.00	
Revenue Bonds Payable (Note 5)		99,335,000.00
Employees' Compensable Leave (Note 5)	10,967.89	
Total Non-Current Liabilities	<u>5,917,967.89</u>	<u>99,335,000.00</u>
Total Liabilities	<u>\$ 6,059,854.40</u>	<u>\$ 99,613,928.57</u>
Net Assets		
Restricted For		
Other	\$ 610,862.33	\$ -
Unrestricted	7,085,656.56	2,993,370.89
Total Net Assets	<u>\$ 7,696,518.89</u>	<u>\$ 2,993,370.89</u>

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

OFFICE OF THE GOVERNOR - Trusteed Programs (300)
Exhibit IV 300 - Combined Statement of Revenue, Expenses, and Changes in Fund Net Assets - Proprietary Funds
For the Fiscal Year Ended August 31, 2008

	Total Enterprise Funds (Exhibit F-2 300)	Total Proprietary Component Units (Exhibit L-2 300)
Operating Revenue		
Interest and Investment Income	\$ 382,144.93	\$ 625,481.34
Other Operating Revenue	442,544.30	142,949.34
Total Operating Revenue	<u>824,689.23</u>	<u>768,430.68</u>
Operating Expenses:		
Salaries and Wages	642,301.82	22,591.99
Payroll Related Costs	192,472.01	2,127.11
Professional Fees and Services	22,403.75	549,056.97
Travel	11,430.27	336,989.26
Materials and Supplies	3,035.00	305,814.17
Communication and Utilities	30,567.10	
Repairs and Maintenance	400.00	
Rentals and Leases	4,556.35	73,456.22
Printing and Reproduction	13,982.23	102,681.81
Bad Debt Expense	6,026.00	
Other Operating Expenses	380,457.01	891,781.35
Total Operating Expenses	<u>1,307,631.54</u>	<u>2,284,498.88</u>
Operating Income (Loss)	<u>(482,942.31)</u>	<u>(1,516,068.20)</u>
Nonoperating Revenue (Expenses)		
Gifts, Pledges and Donations		1,877,812.40
Investment Income (Expense)	174,339.03	2,549,653.03
Interest Expenses and Fiscal Charges	(254,089.81)	(2,570,295.67)
Total Other Nonoperating Revenue (Expenses)	<u>(79,750.78)</u>	<u>1,857,169.76</u>
Income (Loss) Before Other Revenue, Expenses, Gains/Losses, and Transfers	<u>(562,693.09)</u>	<u>341,101.56</u>
Other Revenue, Expenses, Gains/Losses, and Transfers		
Transfer In	4,821,568.46	
Transfer Out	(4,328,066.21)	
Total Other Revenue, Expenses, Gains/Losses, and Transfers	<u>493,502.25</u>	<u>-</u>
Change in Net Assets	<u>(69,190.84)</u>	<u>341,101.56</u>
Total Net Assets, September 1, 2007, as Restated	7,765,709.73	2,743,269.00
Restatements		(90,999.67)
Total Net Assets, September 1, 2007, as Restated	<u>7,765,709.73</u>	<u>2,652,269.33</u>
Total Net Assets, August 31, 2008	<u>\$ 7,696,518.89</u>	<u>\$ 2,993,370.89</u>

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

OFFICE OF THE GOVERNOR - Trusteed Programs (300)
Exhibit V 300 - Combined Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended August 31, 2008

	Total Enterprise Funds
	<u>(Exhibit F-3 300)</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Loan Programs	\$ 2,669,218.88
Proceeds from Other Revenue	442,721.60
Payments to Employees for Salaries	(562,930.95)
Payments to Employees for Benefits	(192,472.01)
Payments for Loans Provided	(629,000.00)
Payments for Other Expenses	(430,419.31)
Net Cash Provided by Operating Activities	<u>1,297,118.21</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds of Transfers from Other Funds	4,821,568.46
Payments of Principal on Debt Issuance	(2,325,000.00)
Payments of Interest	(223,952.61)
Payments of Other Costs of Debt Issuance	(22,403.75)
Payments for Transfers to Other Funds	(4,328,066.21)
Net Cash Provided by Noncapital Financing Activities	<u>(2,077,854.11)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Interest Income	182,540.06
Payments for bad debt	(6,026.00)
Net Cash Provided by Investing Activities	<u>176,514.06</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(604,221.84)
Cash and Cash Equivalents, September 1, 2007	4,226,546.96
Restatement to Beginning Cash & Cash Equivalents	
Cash and Cash Equivalents, September 1, 2007 as Restated	<u>4,226,546.96</u>
Cash and Cash Equivalents, August 31, 2008	<u>\$ 3,622,325.12</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (482,942.31)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Operating Income and Cash Flow Categories:	
Classification Differences	(9,908.48)
Changes in Assets and Liabilities:	
(Increase) Decrease in Loans & Contracts	1,723,844.06
(Increase) Decrease in Prepaid Expenses	30,137.20
(Increase) Decrease in Accounts Receivable	41,499.82
Increase (Decrease) in Payables	93,379.52
Increase (Decrease) in Deferred Income	(98,891.60)
Total Adjustments	<u>1,780,060.52</u>
Net Cash Provided by Operating Activities	<u>\$ 1,297,118.21</u>

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UNAUDITED

OFFICE OF THE GOVERNOR - Trusteed Programs (300)
 Exhibit A-1 300 - Combining Balance Sheet - All General and Consolidated Funds
 For the Fiscal Year Ended August 31, 2008

	Consolidated Accounts			
	General Revenue Fund (0001)* U/F (0001)	Governor's Office Federal Projects (0224)* U/F (0224)	Criminal Justice Planning (0421)* U/F (0421)	Rural Economic Development (0425)* U/F (0425)
ASSETS				
Current Assets:				
Cash in State Treasury	\$ -	\$ 25,264,081.33	\$ 27,184,599.84	\$ 377,191.80
Legislative Appropriations	33,399,073.54			
Receivables from:				
Federal		119,694.22	3,296,918.64	
Interest and Dividends	301.72	66,780.47		953.78
Accounts Receivable	7,260.50			
Due From Other Agencies		875,510.79	368,668.08	
Loans and Contracts				
Total Current Assets	<u>33,406,635.76</u>	<u>26,326,066.81</u>	<u>30,850,186.56</u>	<u>378,145.58</u>
Total Assets	<u>\$ 33,406,635.76</u>	<u>\$ 26,326,066.81</u>	<u>\$ 30,850,186.56</u>	<u>\$ 378,145.58</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Current Liabilities:				
Payables from:				
Accounts	\$ 121,051.89	\$ 292,482.35	\$ 2,646,811.33	\$ -
Payroll	267,716.65	53,135.43	108,179.83	
Due To Other Agencies		7,307.92	916,084.14	
Deferred Revenue		18,782,680.18		
Total Current Liabilities	<u>388,768.54</u>	<u>19,135,605.88</u>	<u>3,671,075.30</u>	<u>-</u>
Total Liabilities	<u>388,768.54</u>	<u>19,135,605.88</u>	<u>3,671,075.30</u>	<u>-</u>
Fund Balances (Deficits):				
Reserved for:				
Encumbrances	6,360,576.17	11,860,423.99	29,358,952.21	
Loans and Contracts				
Unreserved/Designated for:				
Undesignated	<u>26,657,291.05</u>	<u>(4,669,963.06)</u>	<u>(2,179,840.95)</u>	<u>378,145.58</u>
Total Fund Balances	<u>33,017,867.22</u>	<u>7,190,460.93</u>	<u>27,179,111.26</u>	<u>378,145.58</u>
Total Liabilities and Fund Balances	<u>\$ 33,406,635.76</u>	<u>\$ 26,326,066.81</u>	<u>\$ 30,850,186.56</u>	<u>\$ 378,145.58</u>

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

* Appropriated Fund is noted as (XXXX), USAS D23 U/F (XXXX)

UNAUDITED

Consolidated Accounts

Disaster Contingency (0453)* U/F (0453)	Hotel Occupancy Tax for Economic Development (5003)* U/F (5003)	Crime Stoppers Assistance (5012)* U/F (5012)	Tourism Plates (5053)* U/F (5053)
\$ 107,160.16	\$ 17,296,798.31	\$ 763,997.96	\$ 36,495.04
31,879.68	2,879,362.60		
<u>139,039.84</u>	<u>20,176,160.91</u>	<u>763,997.96</u>	<u>36,495.04</u>
<u>\$ 139,039.84</u>	<u>\$ 20,176,160.91</u>	<u>\$ 763,997.96</u>	<u>\$ 36,495.04</u>
\$ -	\$ 2,158,225.32 112,337.54	\$ 30,920.09	\$ -
<u>-</u>	<u>2,270,562.86</u>	<u>30,920.09</u>	<u>-</u>
<u>-</u>	<u>2,270,562.86</u>	<u>30,920.09</u>	<u>-</u>
	9,917,174.86	349,411.87	
<u>139,039.84</u>	<u>7,988,423.19</u>	<u>383,666.00</u>	<u>36,495.04</u>
<u>139,039.84</u>	<u>17,905,598.05</u>	<u>733,077.87</u>	<u>36,495.04</u>
<u>\$ 139,039.84</u>	<u>\$ 20,176,160.91</u>	<u>\$ 763,997.96</u>	<u>\$ 36,495.04</u>

UNAUDITED

OFFICE OF THE GOVERNOR - Trusteed Programs (300)
 Exhibit A-1 300 - Combining Balance Sheet - All General and Consolidated Funds
 For the Fiscal Year Ended August 31, 2008

	Consolidated Accounts		
	Texas Enterprise (5107)* U/F (5107)	Economic Development and Tourism (5110)* U/F (5110)	Texas Music Foundation Plates (5113)* U/F (5113)
ASSETS			
Current Assets:			
Cash in State Treasury	\$ 240,171,305.45	\$ 55,571.35	\$ 7,669.00
Legislative Appropriations			
Receivables from:			
Federal			
Interest and Dividends	607,883.46		
Accounts Receivable			
Due From Other Agencies			
Loans and Contracts			
Total Current Assets	<u>240,779,188.91</u>	<u>55,571.35</u>	<u>7,669.00</u>
 Total Assets	<u>\$ 240,779,188.91</u>	<u>\$ 55,571.35</u>	<u>\$ 7,669.00</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities:			
Payables from:			
Accounts	\$ -	\$ -	\$ -
Payroll			
Due To Other Agencies			
Deferred Revenue			
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
 Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits):			
Reserved for:			
Encumbrances	35,471,804.00		
Loans and Contracts			
Unreserved/Designated for:			
Undesignated	<u>205,307,384.91</u>	<u>55,571.35</u>	<u>7,669.00</u>
Total Fund Balances	<u>240,779,188.91</u>	<u>55,571.35</u>	<u>7,669.00</u>
 Total Liabilities and Fund Balances	<u>\$ 240,779,188.91</u>	<u>\$ 55,571.35</u>	<u>\$ 7,669.00</u>

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

* Appropriated Fund is noted as (XXXX), USAS D23 U/F (XXXX)

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Consolidated Accounts				
Texas Military Value Revolving Loan (5114)* U/F (5140, 5141, 5142, 5143)	Daughters of the Republic of Texas (5115)* U/F (5115)	Emerging Technology (5124)* U/F (5124)	Total (Exhibit I - 300)	
\$ 52,536.12	\$ 17,152.78	\$ 203,215,961.00	\$ 514,550,520.14	
			33,399,073.54	
			3,416,612.86	
132.84		518,123.41	1,194,175.68	
			7,260.50	
			4,155,421.15	
<u>47,675,524.43</u>			<u>47,675,524.43</u>	
<u>47,728,193.39</u>	<u>17,152.78</u>	<u>203,734,084.41</u>	<u>604,398,588.30</u>	
<u>\$ 47,728,193.39</u>	<u>\$ 17,152.78</u>	<u>\$ 203,734,084.41</u>	<u>\$ 604,398,588.30</u>	
\$ -	\$ 17,152.78	\$ 2,115,710.12	\$ 7,382,353.88	
		37,468.76	578,838.21	
		701,684.18	1,625,076.24	
			18,782,680.18	
<u>-</u>	<u>17,152.78</u>	<u>2,854,863.06</u>	<u>28,368,948.51</u>	
<u>-</u>	<u>17,152.78</u>	<u>2,854,863.06</u>	<u>28,368,948.51</u>	
		39,537,938.07	132,856,281.17	
47,726,032.08			47,726,032.08	
		161,341,283.28	395,447,326.54	
<u>2,161.31</u>		<u>200,879,221.35</u>	<u>576,029,639.79</u>	
<u>47,728,193.39</u>	<u>-</u>	<u>200,879,221.35</u>	<u>576,029,639.79</u>	
<u>\$ 47,728,193.39</u>	<u>\$ 17,152.78</u>	<u>\$ 203,734,084.41</u>	<u>\$ 604,398,588.30</u>	

UNAUDITED

OFFICE OF THE GOVERNOR - Trusteed Programs (300)
 Exhibit A-2 300 - Combining Statement of Revenue, Expenditures, and Changes in Fund Balances -
 All General and Consolidated Funds
 For the Fiscal Year Ended August 31, 2008

	Consolidated Accounts		
	General Revenue Fund 0001 (0001)* U/F (0001)	Governor's Office Federal Projects (0224)* U/F (0224)	Criminal Justice Planning (0421)* U/F (0421)
REVENUE			
Legislative Appropriations			
Original Appropriations	\$ 102,386,226.00	\$ -	\$ -
Additional Appropriations	659,981.94		
Federal Revenue	1,159,297.55	18,955,750.08	49,336,580.78
Federal Grant Pass-Through Revenue	4,605.44	632,308.03	
License, Fees & Permits	948,817.91		26,533,806.97
Interest and Other Investment Income	4,430.49	1,520,778.92	
Net Increase (Decrease) in Fair Value			
Sales of Goods and Services	376,422.41		
Other	42,239.81		2,610.81
Total Revenue	105,582,021.55	21,108,837.03	75,872,998.56
EXPENDITURES			
Salaries and Wages	2,632,193.24	521,307.61	1,171,131.16
Payroll Related Costs	600,487.66	88,719.14	292,136.95
Professional Fees and Services	806,636.92	24,411.66	2,604,813.33
Travel	260,724.95	26,978.83	41,706.08
Materials and Supplies	565,249.75	63,788.25	10,956.93
Communication and Utilities	61,973.08	18,666.39	10,255.27
Repairs and Maintenance	1,519.00		
Rentals and Leases	61,413.69	8,587.20	20,349.16
Printing and Reproduction	3,245.78	(157.62)	(1,428.60)
Federal Grant Pass-Through Expenditures		7,989,722.27	1,998,692.45
State Grant Pass-Through Expenditures	100,000.00		13,060,696.92
Intergovernmental Payments	2,284,047.66	9,900,234.15	17,610,755.46
Public Assistance Payments	26,973.63	814,681.13	40,830,873.61
Other Expenditures	3,597,194.79	65,927.94	260,852.05
Capital Outlay		69,796.60	
Total Expenditures	11,001,660.15	19,592,663.55	77,911,790.77
Excess (Deficiency) of Revenue over Expenditures	94,580,361.40	1,516,173.48	(2,038,792.21)
OTHER FINANCING SOURCES (USES)			
Transfer In	153,164.20	(31,728.70)	
Transfer Out	(76,166,945.85)		(153,164.20)
Legislative Transfer In	3,477,698.08		
Legislative Transfer Out	(9,546,453.13)		
Total Other Financing Sources (Uses)	(82,082,536.70)	(31,728.70)	(153,164.20)
Net Change in Fund Balances	12,497,824.70	1,484,444.78	(2,191,956.41)
Fund Financial Statement - Fund Balances			
Fund Balances, September 1, 2007	20,520,042.52	6,335,218.20	29,379,314.48
Restatements		(629,202.05)	(8,246.81)
Fund Balances, September 1, 2007, as Restated	20,520,042.52	5,706,016.15	29,371,067.67
Appropriations Lapsed			
Fund Balances, August 31, 2008	\$ 33,017,867.22	\$ 7,190,460.93	\$ 27,179,111.26

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

* Appropriated Fund is noted as (XXXX), USAS D23 U/F (XXXX)

UNAUDITED

Consolidated Accounts				
Rural Economic Development (0425)* U/F (0425)	Disaster Contingency (0453)* U/F (0453)	Hotel Occupancy Tax for Economic Development (5003)* U/F (5003)	Crime Stoppers Assistance (5012)* U/F (5012)	Tourism Plates (5053)* U/F (5053)
\$ -	\$ -	\$ -	\$ -	\$ -
15,372.84			554,937.29	21,950.04
		30.00		
<u>15,372.84</u>	<u>-</u>	<u>30.00</u>	<u>554,937.29</u>	<u>21,950.04</u>
		1,127,690.17		
		258,018.47		
		3,660,607.97	249,580.00	
		53,124.80		
		68,301.38		
		18,470.74		
		1,000.00		
		28,109.94		
		(157,440.91)		
			(7,043.78)	
			403,650.77	
		34,096,722.10		100,000.00
<u>-</u>	<u>-</u>	<u>39,154,604.66</u>	<u>646,186.99</u>	<u>100,000.00</u>
<u>15,372.84</u>	<u>-</u>	<u>(39,154,574.66)</u>	<u>(91,249.70)</u>	<u>(78,049.96)</u>
		56,556,977.46		17,525.00
		(25,766,168.83)		(17,525.00)
<u>-</u>	<u>-</u>	<u>30,790,808.63</u>	<u>-</u>	<u>-</u>
<u>15,372.84</u>	<u>-</u>	<u>(8,363,766.03)</u>	<u>(91,249.70)</u>	<u>(78,049.96)</u>
362,772.74	139,039.84	26,269,364.08	824,327.57	114,545.00
<u>362,772.74</u>	<u>139,039.84</u>	<u>26,269,364.08</u>	<u>824,327.57</u>	<u>114,545.00</u>
<u>\$ 378,145.58</u>	<u>\$ 139,039.84</u>	<u>\$ 17,905,598.05</u>	<u>\$ 733,077.87</u>	<u>\$ 36,495.04</u>

UNAUDITED

OFFICE OF THE GOVERNOR - Trusteed Programs (300)
Exhibit A-2 300 - Combining Statement of Revenue, Expenditures, and Changes in Fund Balances -
All General and Consolidated Funds
For the Fiscal Year Ended August 31, 2008

	Consolidated Accounts			
	Texas Enterprise (5107)* U/F (5107)	Economic Development and Tourism (5110)* U/F (5110)	Texas Music Foundation Plates (5113)* U/F (5113)	Texas Military Value Revolving Loan (5114)* U/F (5140, 5141, 5142, 5143)
REVENUE				
Legislative Appropriations				
Original Appropriations	\$ -	\$ -	\$ -	\$ -
Additional Appropriations				
Federal Revenue				
Federal Grant Pass-Through Revenue				
License, Fees & Permits	330,228.00	8,794.35	7,327.98	
Interest and Other Investment Income	10,061,511.26			2,393,404.51
Net Increase (Decrease) in Fair Value				
Sales of Goods and Services				
Other				
Total Revenue	<u>10,391,739.26</u>	<u>8,794.35</u>	<u>7,327.98</u>	<u>2,393,404.51</u>
EXPENDITURES				
Salaries and Wages				
Payroll Related Costs				
Professional Fees and Services				
Travel				
Materials and Supplies				
Communication and Utilities				
Repairs and Maintenance				
Rentals and Leases				
Printing and Reproduction				
Federal Grant Pass-Through Expenditures				
State Grant Pass-Through Expenditures	(275,610.36)			
Intergovernmental Payments				
Public Assistance Payments	97,059.00		10,419.98	
Other Expenditures	15,182,289.00			
Capital Outlay				
Total Expenditures	<u>15,003,737.64</u>	<u>-</u>	<u>10,419.98</u>	<u>-</u>
Excess (Deficiency) of Revenue over Expenditures	<u>(4,611,998.38)</u>	<u>8,794.35</u>	<u>(3,092.00)</u>	<u>2,393,404.51</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	185,906,050.50			49,316.55
Transfer Out	(118,179,359.42)			(2,440,559.75)
Legislative Transfer In				
Legislative Transfer Out				
Total Other Financing Sources (Uses)	<u>67,726,691.08</u>	<u>-</u>	<u>-</u>	<u>(2,391,243.20)</u>
Net Change in Fund Balances	<u>63,114,692.70</u>	<u>8,794.35</u>	<u>(3,092.00)</u>	<u>2,161.31</u>
Fund Financial Statement - Fund Balances				
Fund Balances, September 1, 2007	177,664,496.21	46,777.00	10,761.00	47,726,032.08
Restatements				
Fund Balances, September 1, 2007, as Restated	<u>177,664,496.21</u>	<u>46,777.00</u>	<u>10,761.00</u>	<u>47,726,032.08</u>
Appropriations Lapsed				
Fund Balances, August 31, 2008	<u>\$ 240,779,188.91</u>	<u>\$ 55,571.35</u>	<u>\$ 7,669.00</u>	<u>\$ 47,728,193.39</u>

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

* Appropriated Fund is noted as (XXXX), USAS D23 U/F (XXXX)

UNAUDITED

Consolidated Accounts		
Daughters of the Republic of Texas (5115)* U/F (5115)	Emerging Technology (5124)* U/F (5124)	Total (Exhibit II 300)
\$ -	\$ -	\$ 102,386,226.00
		659,981.94
		69,451,628.41
		636,913.47
65,730.89		28,471,593.43
	9,326,402.62	23,321,900.64
	1,983,884.42	1,983,884.42
		376,422.41
	1,176.84	46,057.46
<u>65,730.89</u>	<u>11,311,463.88</u>	<u>227,334,608.18</u>
	375,844.82	5,828,167.00
	77,611.60	1,316,973.82
	45,881.00	7,391,930.88
	14,170.28	396,704.94
	15,822.98	724,119.29
	6,677.72	116,043.20
	3,300.00	5,819.00
	544.81	119,004.80
	45.45	(155,735.90)
		9,988,414.72
	23,714,250.18	36,599,336.74
		29,787,993.49
65,730.89	250,000.00	42,499,389.01
	23,989,072.75	77,292,058.63
	5,789.24	75,585.84
<u>65,730.89</u>	<u>48,499,010.83</u>	<u>211,985,805.46</u>
-	(37,187,546.95)	15,348,802.72
	184,503,678.00	427,154,983.01
	(109,503,678.00)	(332,227,401.05)
		3,477,698.08
		(9,546,453.13)
-	<u>75,000,000.00</u>	<u>88,858,826.91</u>
-	<u>37,812,453.05</u>	<u>104,207,629.63</u>
	163,066,768.30	472,459,459.02
		(637,448.86)
-	<u>163,066,768.30</u>	<u>471,822,010.16</u>
<u>\$ -</u>	<u>\$ 200,879,221.35</u>	<u>\$ 576,029,639.79</u>

OFFICE OF THE GOVERNOR - Trusteed Programs (300)
 Exhibit B-1 300 - Combining Balance Sheet - Special Revenue Funds
 For the Fiscal Year Ended August 31, 2008

	Smart Jobs Trust Fund (0891)* U/F (0891)	Small Business Incubator Fund (0588)* U/F (5881)	Texas Product Development Fund (0589)* U/F (5891)	Texas Military Value Revolving Loan (7028)* U/F (7281, 7282, 7283)
ASSETS				
Current Assets:				
Cash in State Treasury	\$ -	\$ 20,522,018.96	\$ 25,676,570.89	\$ 29.46
Cash Equivalents				
Restricted:				
Cash In Bank				
Receivables from:				
Interest and Dividends		52,950.00	66,250.00	
Deferred Charges		2,132.07	2,601.32	
Total Current Assets	-	20,577,101.03	25,745,422.21	29.46
Total Assets	\$ -	\$ 20,577,101.03	\$ 25,745,422.21	\$ 29.46
LIABILITIES AND FUND BALANCES				
Liabilities				
Current Liabilities:				
Payables from:				
Accounts	\$ -	\$ 24,175.95	\$ 27,094.92	\$ -
Total Current Liabilities	-	24,175.95	27,094.92	-
Non-Current Liabilities				
Notes and Loans Payable				
Total Non-Current Liabilities	-	-	-	-
Total Liabilities	-	24,175.95	27,094.92	-
Fund Balances (Deficits):				
Reserved for:				
Encumbrances		12,706.07	15,814.52	
Unreserved/Designated for:				
Other		20,540,219.01	25,702,512.77	29.46
Total Fund Balances	-	20,552,925.08	25,718,327.29	29.46
Total Liabilities and Fund Balances	\$ -	\$ 20,577,101.03	\$ 25,745,422.21	\$ 29.46

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

* Appropriated Fund is noted as (XXXX), USAS D23 U/F (XXXX)

Blended Component Units (9999)* U/F (7010)	Total (Exhibit I 300)
\$ -	\$ 46,198,619.31
28,471.09	28,471.09
338,773.34	338,773.34
	119,200.00
	4,733.39
<u>367,244.43</u>	<u>46,689,797.13</u>
<u>\$ 367,244.43</u>	<u>\$ 46,689,797.13</u>
<u>\$ 50.90</u>	<u>\$ 51,321.77</u>
50.90	51,321.77
<u>-</u>	<u>-</u>
<u>50.90</u>	<u>51,321.77</u>
	28,520.59
<u>367,193.53</u>	<u>46,609,954.77</u>
<u>367,193.53</u>	<u>46,638,475.36</u>
<u>\$ 367,244.43</u>	<u>\$ 46,689,797.13</u>

UNAUDITED

OFFICE OF THE GOVERNOR - Trusteed Programs (300)
Exhibit B-2 300 - Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Special Revenue Funds
For the Fiscal Year Ended August 31, 2008

	Smart Jobs Trust Fund (0891)* U/F (0891)	Small Business Incubator Fund (0588)* U/F (5881)	Texas Product Development Fund (0589)* U/F (5891)	Texas Military Value Revolving Loan (7028)* U/F (7281, 7282, 7283)
REVENUE				
State Grant Pass-Through Revenue	\$ 49,993.63	\$ -	\$ -	\$ -
Interest and Other Investment Income	38,809.92	901,266.11	1,127,294.40	250.30
Other	59,873.05			
Total Revenue	<u>148,676.60</u>	<u>901,266.11</u>	<u>1,127,294.40</u>	<u>250.30</u>
EXPENDITURES				
Salaries and Wages				
Payroll Related Costs				
Professional Fees and Services		10,461.09	13,076.41	
Travel				
Materials and Supplies				
Rentals and Leases				
Other Expenditures		34,492.31	40,002.58	
Total Expenditures	<u>-</u>	<u>44,953.40</u>	<u>53,078.99</u>	<u>-</u>
Excess (Deficiency) of Revenue over Expenditures	<u>148,676.60</u>	<u>856,312.71</u>	<u>1,074,215.41</u>	<u>250.30</u>
OTHER FINANCING SOURCES (USES)				
Transfer In		703,074.68	879,554.47	
Transfer Out	(1,069,219.64)	(1,489,062.50)	(1,852,664.25)	(9,167.85)
Total Other Financing Sources (Uses)	<u>(1,069,219.64)</u>	<u>(785,987.82)</u>	<u>(973,109.78)</u>	<u>(9,167.85)</u>
Net Change in Fund Balances	<u>(920,543.04)</u>	<u>70,324.89</u>	<u>101,105.63</u>	<u>(8,917.55)</u>
Fund Financial Statement - Fund Balances				
Fund Balances, September 1, 2007	920,543.04	20,482,600.19	25,617,221.66	8,947.00
Restatements				0.01
Fund Balances - September 1, 2007, as Restated	<u>920,543.04</u>	<u>20,482,600.19</u>	<u>25,617,221.66</u>	<u>8,947.01</u>
Appropriations Lapsed				
Fund Balances, August 31, 2008	<u>\$ -</u>	<u>\$ 20,552,925.08</u>	<u>\$ 25,718,327.29</u>	<u>\$ 29.46</u>

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

* Appropriated Fund is noted as (XXXX), USAS D23 U/F (XXXX)

Blended Component Units (9999)* U/F (7010)	Totals (Exhibit II 300)
\$ -	\$ 49,993.63
1,053.02	2,068,673.75
353,294.68	413,167.73
<u>354,347.70</u>	<u>2,531,835.11</u>
48,467.84	48,467.84
10,037.15	10,037.15
1,012.00	24,549.50
3,364.50	3,364.50
4,486.01	4,486.01
1,014.00	1,014.00
98,719.04	173,213.93
<u>167,100.54</u>	<u>265,132.93</u>
<u>187,247.16</u>	<u>2,266,702.18</u>
	1,582,629.15
	<u>(4,420,114.24)</u>
	<u>(2,837,485.09)</u>
<u>187,247.16</u>	<u>(570,782.91)</u>
126,191.27	47,155,503.16
53,755.10	53,755.11
<u>179,946.37</u>	<u>47,209,258.27</u>
<u>\$ 367,193.53</u>	<u>\$ 46,638,475.36</u>

OFFICE OF THE GOVERNOR - Trusteed Programs (300)
Exhibit C-1 300 - Combining Balance Sheet - Debt Service Funds
For the Fiscal Year Ended August 31, 2008

	Small Business Incubator Fund (0588)* U/F (5882)	Texas Product Development Fund (0589)* U/F (5892)	Texas Military Value Revolving Loan (7022)* U/F (7221)	Texas Military Value Revolving Loan (7026)* U/F (7262)
ASSETS				
Current Assets:				
Cash in State Treasury	\$ -	\$ -	\$ 2,805.09	\$ 2,684.18
Interest and Dividends Receivable			7.15	6.84
Deferred Charges	1,486.33	1,857.94		
Total Current Assets	<u>1,486.33</u>	<u>1,857.94</u>	<u>2,812.24</u>	<u>2,691.02</u>
Total Assets	<u>\$ 1,486.33</u>	<u>\$ 1,857.94</u>	<u>\$ 2,812.24</u>	<u>\$ 2,691.02</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Current Liabilities:	\$ -	\$ -	\$ -	\$ -
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits):				
Reserved for:				
Debt Service	1,486.33	1,857.94	2,812.24	2,691.02
Total Fund Balances	<u>1,486.33</u>	<u>1,857.94</u>	<u>2,812.24</u>	<u>2,691.02</u>
Total Liabilities and Fund Balances	<u>\$ 1,486.33</u>	<u>\$ 1,857.94</u>	<u>\$ 2,812.24</u>	<u>\$ 2,691.02</u>

* Appropriated Fund is noted as (XXXX), USAS D23 U/F (XXXX)

Texas Military Value Revolving Loan (7027)* U/F (7273)		Total (Exhibit I 300)
\$ 8,124.40	\$ 13,613.67	
20.49	34.48	
<u>8,144.89</u>	<u>3,344.27</u>	
	<u>16,992.42</u>	
<u>\$ 8,144.89</u>	<u>\$ 16,992.42</u>	
<u>\$ -</u>	<u>\$ -</u>	
<u>-</u>	<u>-</u>	
<u>-</u>	<u>-</u>	
<u>8,144.89</u>	<u>16,992.42</u>	
<u>8,144.89</u>	<u>16,992.42</u>	
<u>\$ 8,144.89</u>	<u>\$ 16,992.42</u>	

UNAUDITED

Exhibit C-2 300 - Combining Statement of Revenue, Expenditures, and Changes in Fund Balances -
Debt Service Funds
For the Fiscal Year Ended August 31, 2008

	Small Business Incubator Fund (0588)* U/F (5882)	Texas Product Development Fund (0589)* U/F (5892)	Texas Military Value Revolving Loan (7022)* U/F (7221)	Texas Military Value Revolving Loan (7026)* U/F (7262)
REVENUE				
Interest and Other Investment Income	\$ -	\$ -	\$ 1,793.51	\$ 1,786.17
Total Revenue	<u>-</u>	<u>-</u>	<u>1,793.51</u>	<u>1,786.17</u>
EXPENDITURES				
Debt Service:				
Interest	747,001.49	933,751.84	471,684.16	472,715.56
Total Expenditures	<u>747,001.49</u>	<u>933,751.84</u>	<u>471,684.16</u>	<u>472,715.56</u>
Excess (Deficiency) of Revenue over Expenditures	<u>(747,001.49)</u>	<u>(933,751.84)</u>	<u>(469,890.65)</u>	<u>(470,929.39)</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	748,487.82	935,609.78	432,804.55	434,846.56
Total Other Financing Sources (Uses)	<u>748,487.82</u>	<u>935,609.78</u>	<u>432,804.55</u>	<u>434,846.56</u>
Net Change in Fund Balances	<u>1,486.33</u>	<u>1,857.94</u>	<u>(37,086.10)</u>	<u>(36,082.83)</u>
Fund Financial Statement - Fund Balances				
Fund Balances, September 1, 2007			39,898.34	38,773.85
Restatements				
Fund Balances, September 1, 2007, as Restated	<u>-</u>	<u>-</u>	<u>39,898.34</u>	<u>38,773.85</u>
Appropriations Lapsed				
Fund Balances, August 31, 2008	<u>\$ 1,486.33</u>	<u>\$ 1,857.94</u>	<u>\$ 2,812.24</u>	<u>\$ 2,691.02</u>

* Appropriated Fund is noted as (XXXX), USAS D23 U/F (XXXX)

Texas Military Value Revolving Loan (7027)* U/F (7273)	Totals (Exhibit II 300)
\$ 6,322.24	\$ 9,901.92
<u>6,322.24</u>	<u>9,901.92</u>
1,670,954.44	4,296,107.49
<u>1,670,954.44</u>	<u>4,296,107.49</u>
(1,664,632.20)	(4,286,205.57)
1,532,759.94	4,084,508.65
<u>1,532,759.94</u>	<u>4,084,508.65</u>
(131,872.26)	(201,696.92)
140,017.15	218,689.34
<u>140,017.15</u>	<u>218,689.34</u>
<u>\$ 8,144.89</u>	<u>\$ 16,992.42</u>

UNAUDITED

OFFICE OF THE GOVERNOR - Trusteed Programs (300)
 Exhibit F-1 300 - Combining Statement of Net Assets - Enterprise Funds
 For the Fiscal Year Ended August 31, 2008

	Economic Development Bank (5106)* U/F (5106)	Capital Access Loan Loss Reserve Account (9999)* U/F (0995)	Totals (Exhibit III 300)
ASSETS			
Current Assets:			
Cash and Cash Equivalents			
Cash in State Treasury	\$ 3,288,441.93	\$ -	\$ 3,288,441.93
Receivables from:			
Interest and Dividends	33,203.98		33,203.98
Deferred Charges	1,304.46		1,304.46
Loans and Contracts	10,099,539.73		10,099,539.73
Total Current Assets	<u>13,422,490.10</u>	<u>-</u>	<u>13,422,490.10</u>
Non-Current Assets:			
Restricted:			
Cash in Bank		333,883.19	333,883.19
Total Non-Current Assets	<u>-</u>	<u>333,883.19</u>	<u>333,883.19</u>
Total Assets	<u>\$ 13,422,490.10</u>	<u>\$ 333,883.19</u>	<u>\$ 13,756,373.29</u>
LIABILITIES			
Current Liabilities:			
Payables from:			
Accounts	\$ 46,320.08	\$ -	\$ 46,320.08
Payroll	64,359.42		64,359.42
Employees' Compensable Leave (Note 5)	31,207.01		31,207.01
Total Current Liabilities	<u>141,886.51</u>	<u>-</u>	<u>141,886.51</u>
Non-Current Liabilities			
Notes and Loans Payable (Note 5)	5,907,000.00		5,907,000.00
Employees' Compensable Leave (Note 5)	10,967.89		10,967.89
Total Non-Current Liabilities	<u>5,917,967.89</u>	<u>-</u>	<u>5,917,967.89</u>
Total Liabilities	<u>\$ 6,059,854.40</u>	<u>\$ -</u>	<u>\$ 6,059,854.40</u>
Net Assets			
Restricted For			
Other	\$ 276,979.14	\$ 333,883.19	\$ 610,862.33
Unrestricted	7,085,656.56		7,085,656.56
Total Net Assets	<u>\$ 7,362,635.70</u>	<u>\$ 333,883.19</u>	<u>\$ 7,696,518.89</u>

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

* Appropriated Fund is noted as (XXXX), USAS D23 U/F (XXXX)

**Exhibit F-2 300 - Combining Statement of Revenue, Expenses, and Changes in Net Assets - Enterprise Funds
For the Fiscal Year Ended August 31, 2008**

	Economic Development Bank (5106)* U/F (5106)	Capital Access Loan Loss Reserve Account (9999)* U/F (0995)	Totals (Exhibit IV 300)
Operating Revenue			
Interest and Investment Income	\$ 382,144.93	\$ -	\$ 382,144.93
Other Operating Revenue	432,855.22	9,689.08	442,544.30
Total Operating Revenue	<u>815,000.15</u>	<u>9,689.08</u>	<u>824,689.23</u>
Operating Expenses:			
Salaries and Wages	642,301.82		642,301.82
Payroll Related Costs	192,472.01		192,472.01
Professional Fees and Services	22,403.75		22,403.75
Travel	11,430.27		11,430.27
Materials and Supplies	3,035.00		3,035.00
Communication and Utilities	30,567.10		30,567.10
Repairs and Maintenance	400.00		400.00
Rentals and Leases	4,556.35		4,556.35
Printing and Reproduction	13,982.23		13,982.23
Bad Debt Expense		6,026.00	6,026.00
Other Operating Expenses	380,457.01		380,457.01
Total Operating Expenses	<u>1,301,605.54</u>	<u>6,026.00</u>	<u>1,307,631.54</u>
Operating Income (Loss)	<u>(486,605.39)</u>	<u>3,663.08</u>	<u>(482,942.31)</u>
Nonoperating Revenue (Expenses)			
Investment Income (Expense)	170,385.00	3,954.03	174,339.03
Interest Expenses and Fiscal Charges	(254,089.81)		(254,089.81)
Total Other Nonoperating Revenue (Expenses)	<u>(83,704.81)</u>	<u>3,954.03</u>	<u>(79,750.78)</u>
Income (Loss) Before Other Revenue, Expenses, Gains/Losses, and Transfers	<u>(570,310.20)</u>	<u>7,617.11</u>	<u>(562,693.09)</u>
Other Revenue, Expenses, Gains/Losses, and Transfers			
Transfer In	4,821,568.46		4,821,568.46
Transfer Out	(4,324,960.75)	(3,105.46)	(4,328,066.21)
Total Other Revenue, Expenses, Gains/Losses, and Transfers	<u>496,607.71</u>	<u>(3,105.46)</u>	<u>493,502.25</u>
Change in Net Assets	<u>(73,702.49)</u>	<u>4,511.65</u>	<u>(69,190.84)</u>
Total Net Assets, September 1, 2007	7,436,338.19	329,371.54	7,765,709.73
Restatements			
Total Net Assets, September 1, 2007, as Restated	<u>7,436,338.19</u>	<u>329,371.54</u>	<u>7,765,709.73</u>
Total Net Assets, August 31, 2008	<u>\$ 7,362,635.70</u>	<u>\$ 333,883.19</u>	<u>\$ 7,696,518.89</u>

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

* Appropriated Fund is noted as (XXXX), USAS D23 U/F (XXXX)

OFFICE OF THE GOVERNOR - Trusteed Programs (300)
Exhibit F-3 300 - Combining Statement of Cash Flows - Enterprise Funds
For the Fiscal Year Ended August 31, 2008

	Economic Development Bank (5106)* U/F (5106)	Capital Access Loan Loss Reserve Account (9999)* U/F (0995)	Totals (Ex V 300)
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from Loan Programs	\$ 2,669,218.88	\$ -	\$ 2,669,218.88
Proceeds from Other Revenue	433,032.52	9,689.08	442,721.60
Payments to Employees for Salaries	(562,930.95)		(562,930.95)
Payments to Employees for Benefits	(192,472.01)		(192,472.01)
Payments for Loans Provided	(629,000.00)		(629,000.00)
Payments for Other Expenses	(430,419.31)		(430,419.31)
Net Cash Provided by Operating Activities	<u>1,287,429.13</u>	<u>9,689.08</u>	<u>1,297,118.21</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds of Transfers from Other Funds	4,821,568.46		4,821,568.46
Payments of Principal on Debt Issuance	(2,325,000.00)		(2,325,000.00)
Payments of Interest	(223,952.61)		(223,952.61)
Payments of Other Costs of Debt Issuance	(22,403.75)		(22,403.75)
Payments for Transfers to Other Funds	(4,324,960.75)	(3,105.46)	(4,328,066.21)
Net Cash Provided by Noncapital Financing Activities	<u>(2,074,748.65)</u>	<u>(3,105.46)</u>	<u>(2,077,854.11)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Interest Income	178,586.03	3,954.03	182,540.06
Payments for bad debt		(6,026.00)	(6,026.00)
Net Cash Provided by Investing Activities	<u>178,586.03</u>	<u>(2,071.97)</u>	<u>176,514.06</u>
Net (Decrease) in Cash and Cash Equivalents	(608,733.49)	4,511.65	(604,221.84)
Cash and Cash Equivalents, September 1, 2007	3,897,175.42	329,371.54	4,226,546.96
Restatement to Beginning Cash & Cash Equivalents			
Cash and Cash Equivalents, September 1, 2007, as Restated	<u>3,897,175.42</u>	<u>329,371.54</u>	<u>4,226,546.96</u>
Cash and Cash Equivalents, August 31, 2008	<u>\$ 3,288,441.93</u>	<u>\$ 333,883.19</u>	<u>\$ 3,622,325.12</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (486,605.39)	\$ 3,663.08	\$ (482,942.31)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Operating Income and Cash Flow Categories:			
Classification Differences	(15,934.48)	6,026.00	(9,908.48)
Changes in Assets and Liabilities:			
(Increase) Decrease in Loans & Contracts	1,723,844.06		1,723,844.06
(Increase) Decrease in Prepaid Expenses	30,137.20		30,137.20
(Increase) Decrease in Accounts Receivable	41,499.82		41,499.82
Increase (Decrease) in Payables	93,379.52		93,379.52
Increase (Decrease) in Deferred Income	(98,891.60)		(98,891.60)
Total Adjustments	<u>1,774,034.52</u>	<u>6,026.00</u>	<u>1,780,060.52</u>
Net Cash Provided by Operating Activities	<u>\$ 1,287,429.13</u>	<u>\$ 9,689.08</u>	<u>\$ 1,297,118.21</u>

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

UNAUDITED

Office of the Governor - Trusteed Programs (300)
 Exhibit J-1 300 - Combining Statement of Changes in Assets and Liabilities - Agency Funds
 For the Fiscal Year Ended August 31, 2008

	Beginning Balance September 1, 2007	Additions	Deductions	Ending Balance August 31, 2008
Employee Savings Bond Account (0901), U/F (0901)				
ASSETS				
Cash in State Treasury	\$ 200.00	\$ 1,920.00	\$ 1,950.00	\$ 170.00
Total Assets	<u>\$ 200.00</u>	<u>\$ 1,920.00</u>	<u>\$ 1,950.00</u>	<u>\$ 170.00</u>
LIABILITIES				
Funds Held for Others	\$ 200.00	\$ 1,920.00	\$ 1,950.00	\$ 170.00
Total Liabilities	<u>\$ 200.00</u>	<u>\$ 1,920.00</u>	<u>\$ 1,950.00</u>	<u>\$ 170.00</u>
401 K Deferred Comp Account (0942), U/F (0942)				
ASSETS				
Cash in State Treasury	\$ -	\$ 146,708.26	\$ 146,708.26	\$ -
Accounts Receivable	619.18	146,407.54	146,726.00	300.72
Total Assets	<u>\$ 619.18</u>	<u>\$ 293,115.80</u>	<u>\$ 293,434.26</u>	<u>\$ 300.72</u>
LIABILITIES				
Accounts Payable				
Funds Held for Others	\$ 619.18	\$ 146,407.54	\$ 146,726.00	\$ 300.72
Total Liabilities	<u>\$ 619.18</u>	<u>\$ 146,407.54</u>	<u>\$ 146,726.00</u>	<u>\$ 300.72</u>
Totals - All Agency Funds				
ASSETS				
Cash in State Treasury	\$ 200.00	\$ 148,628.26	\$ 148,658.26	\$ 170.00
Accounts Receivable	619.18	146,407.54	146,726.00	300.72
Total Assets	<u>\$ 819.18</u>	<u>\$ 295,035.80</u>	<u>\$ 295,384.26</u>	<u>\$ 470.72</u>
LIABILITIES				
Funds Held for Others	\$ 819.18	\$ 148,327.54	\$ 148,676.00	\$ 470.72
Total Liabilities	<u>\$ 819.18</u>	<u>\$ 148,327.54</u>	<u>\$ 148,676.00</u>	<u>\$ 470.72</u>

OFFICE OF THE GOVERNOR - Trusteed Programs (300)
Exhibit K-1 300 - Combining Balance Sheet/Statement of Net Assets -
Discretely Presented Governmental Component Units
For the Fiscal Year Ended August 31, 2008

	Texas Disaster Relief Fund, a Non-Profit Corp. (9999)* UF (7003)	Governmental Component Unit Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Net Assets
ASSETS					
Current Assets:					
Cash In Bank	\$ 712,476.34	\$ 712,476.34	\$ -	\$ -	\$ 712,476.34
Receivables from:					
Interest and Dividends	1,000.00	1,000.00			1,000.00
Total Current Assets	<u>713,476.34</u>	<u>713,476.34</u>	<u>-</u>	<u>-</u>	<u>713,476.34</u>
Non-Current Assets:					
Loans and Contracts	621,100.00	621,100.00			621,100.00
Total Non-Current Assets	<u>621,100.00</u>	<u>621,100.00</u>	<u>-</u>	<u>-</u>	<u>621,100.00</u>
Total Assets	<u>\$ 1,334,576.34</u>	<u>\$ 1,334,576.34</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,334,576.34</u>
LIABILITIES AND FUND BALANCES					
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits):					
Undesignated	1,334,576.34	1,334,576.34	-	-	1,334,576.34
Total Fund Balances	<u>1,334,576.34</u>	<u>1,334,576.34</u>	<u>-</u>	<u>-</u>	<u>1,334,576.34</u>
Total Liabilities and Fund Balances	<u>\$ 1,334,576.34</u>	<u>\$ 1,334,576.34</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,334,576.34</u>
Government-Wide Statement of Net Assets					
Total Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,334,576.34</u>

* GAAP Fund is noted as (XXXX), USAS D23 U/F (XXXX)

OFFICE OF THE GOVERNOR - Trusteed Programs (300)
Exhibit K-2 300 – Combining Statement of Revenues, Expenditures and Changes in
Fund Balances/Statement of Activities – Discretely Presented
Governmental Component Units
For the Fiscal Year Ended August 31, 2008

	Texas Disaster Relief Fund, a Non-Profit Corporation (9999)* U/F (7003)	Governmental Component Unit Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
REVENUE					
Interest and Other Investment Income	\$ 14,968.16	\$ 14,968.16	\$ -	\$ -	\$ 14,968.16
Total Revenue	<u>14,968.16</u>	<u>14,968.16</u>	<u>-</u>	<u>-</u>	<u>14,968.16</u>
EXPENDITURES					
Professional Fees and Services	3,479.13	3,479.13	-	-	3,479.13
Total Expenditures/Expenses	<u>3,479.13</u>	<u>3,479.13</u>	<u>-</u>	<u>-</u>	<u>3,479.13</u>
Excess (Deficiency) of Revenue over Expenditures	<u>11,489.03</u>	<u>11,489.03</u>	<u>-</u>	<u>-</u>	<u>11,489.03</u>
Fund Financial Statement - Fund Balances					
Fund Balances, September 1, 2007	1,323,087.31	1,323,087.31			1,323,087.31
Restatements					
Fund Balances, September 1, 2007, as Restated	<u>1,323,087.31</u>	<u>1,323,087.31</u>	<u>-</u>	<u>-</u>	<u>1,323,087.31</u>
Fund Balances, August 31, 2008	<u>\$ 1,334,576.34</u>	<u>\$ 1,334,576.34</u>			<u>\$ 1,334,576.34</u>
Government-Wide Statement of Net Assets					
Net Assets / Net Change in Net Assets		<u>1,334,576.34</u>			<u>1,334,576.34</u>
Net Assets, September 1, 2007					
Restatements					
Net Assets, September 1, 2007, as Restated			<u>-</u>	<u>-</u>	<u>-</u>
Net Assets as of August 31, 2008		<u>\$ 1,334,576.34</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,334,576.34</u>

* Appropriated Fund is noted as (XXXX), USAS D23 U/F (XXXX)

Office of the Governor - Trusteed Programs (300)
 Exhibit L-1 300 - Combining Statement of Net Assets - Discretely Presented Proprietary Component Units
 For the Fiscal Year Ended August 31, 2008

	Texas Economic Development Corporation (9999)* U/F (7001)	Texas Small Business Industrial Development Corporation (9999)* U/F (7002)	Totals (Exhibit III 300)
ASSETS			
Current Assets:			
Cash in Bank	\$ 1,000.00	\$ 51,028,195.80	\$ 51,029,195.80
Cash Equivalents			
Short Term Investments	1,960,646.67		1,960,646.67
Receivables from:			
Interest and Dividends	110.00	201,717.86	201,827.86
Deferred Charges		4,136.18	4,136.18
Total Current Assets	<u>1,961,756.67</u>	<u>51,234,049.84</u>	<u>53,195,806.51</u>
Non-Current Assets:			
Restricted:			
Loans and Contracts		49,411,492.95	49,411,492.95
Total Non-Current Assets	<u>-</u>	<u>49,411,492.95</u>	<u>49,411,492.95</u>
Total Assets	<u>\$ 1,961,756.67</u>	<u>\$ 100,645,542.79</u>	<u>\$ 102,607,299.46</u>
LIABILITIES			
Current Liabilities:			
Payables from:			
Accounts	\$ 55,695.19	\$ 73,440.38	\$ 129,135.57
Other		124,793.00	124,793.00
Funds Held For Others		25,000.00	25,000.00
Total Current Liabilities	<u>55,695.19</u>	<u>223,233.38</u>	<u>278,928.57</u>
Non-Current Liabilities			
Revenue Bonds Payable (Note 5)		99,335,000.00	99,335,000.00
Total Non-Current Liabilities	<u>-</u>	<u>99,335,000.00</u>	<u>99,335,000.00</u>
Total Liabilities	<u>\$ 55,695.19</u>	<u>\$ 99,558,233.38</u>	<u>\$ 99,613,928.57</u>
Net Assets			
Unrestricted	1,906,061.48	1,087,309.41	2,993,370.89
Total Net Assets	<u>\$ 1,906,061.48</u>	<u>\$ 1,087,309.41</u>	<u>\$ 2,993,370.89</u>

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

* Appropriated Fund is noted as (XXXX), USAS D23 U/F (XXXX)

OFFICE OF THE GOVERNOR - Trusteed Programs (300)

Exhibit L-2 300 - Combining Statement of Revenue, Expenses, and Changes in Net Assets – Discretely Presented Proprietary Component Units

For the Fiscal Year Ended August 31, 2008

	Texas Economic Development Corp. (9999)* U/F (7001)	Texas Small Business Industrial Development Corp. (9999)* U/F (7002)	Totals (Exhibit IV 300)
Operating Revenue:			
Interest and Investment Income	\$ -	\$ 625,481.34	\$ 625,481.34
Other Operating Revenue	142,949.33	0.01	142,949.34
Total Operating Revenue	<u>142,949.33</u>	<u>625,481.35</u>	<u>768,430.68</u>
Operating Expenses:			
Salaries and Wages	22,591.99		22,591.99
Payroll Related Costs	2,127.11		2,127.11
Professional Fees and Services	539,864.77	9,192.20	549,056.97
Travel	336,696.56	292.70	336,989.26
Materials and Supplies	305,814.17		305,814.17
Rentals and Leases	73,456.22		73,456.22
Printing and Reproduction	102,681.81		102,681.81
Other Operating Expenses	438,575.03	453,206.32	891,781.35
Total Operating Expenses	<u>1,821,807.66</u>	<u>462,691.22</u>	<u>2,284,498.88</u>
Operating Income (Loss)	<u>(1,678,858.33)</u>	<u>162,790.13</u>	<u>(1,516,068.20)</u>
Nonoperating Revenue (Expenses)			
Gifts, Pledges and Donations	1,877,812.40		1,877,812.40
Investment Income (Expense)	56,758.47	2,492,894.56	2,549,653.03
Interest Expenses and Fiscal Charges		(2,570,295.67)	(2,570,295.67)
Total Other Nonoperating Revenue (Expenses)	<u>1,934,570.87</u>	<u>(77,401.11)</u>	<u>1,857,169.76</u>
Income (Loss) Before Other Revenue, Expenses, Gains/Losses, and Transfers	<u>255,712.54</u>	<u>85,389.02</u>	<u>341,101.56</u>
Change in Net Assets	<u>255,712.54</u>	<u>85,389.02</u>	<u>341,101.56</u>
Total Net Assets, September 1, 2007	1,650,348.94	1,092,920.06	2,743,269.00
Restatements		(90,999.67)	(90,999.67)
Total Net Assets, September 1, 2007, as Restated	<u>1,650,348.94</u>	<u>1,001,920.39</u>	<u>2,652,269.33</u>
Total Net Assets, August 31, 2008	<u>\$ 1,906,061.48</u>	<u>\$ 1,087,309.41</u>	<u>\$ 2,993,370.89</u>

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

* Appropriated Fund is noted as (XXXX), USAS D23 U/F (XXXX)